



Diversity in the boardroom

Time to accelerate

Summary - SER-advisory report
September 2019

1 Few women or people with a non-western migration background in Dutch boardrooms

Dutch corporate boards have few women or people with a non-western migration background as members. At the request of the Dutch Government, the Social and Economic Council of the Netherlands has issued the advisory report *Diversity in the boardroom: Time to accelerate* (original title: *Diversiteit in de top. Tijd voor versnelling*), which discusses the obstacles to greater cultural and gender diversity in the boardroom and possible solutions.

Little progress

'Women on boards' has been a hot topic in recent years, and there has been growing interest in cultural diversity in companies. While a small number of them are trendsetters, most companies have made little progress in this regard. The Netherlands has fewer women in management positions than many other European countries. Many people with a non-western migration background (i.e. at least one parent was born in a non-western country) have trouble moving up the ranks to a more senior position.

Gender diversity

The Netherlands has a good track record on gender equality in many respects: girls are performing well in education, and women have equal rights. When it comes to the world of work, however, a gender gap is visible. Dutch women work fewer hours, have lower average monthly salaries and are less likely to be in management positions than their

counterparts in other European countries. While women's labour market position is a topic of growing interest and companies and government have launched several initiatives in this area, nothing much has changed in recent years. Since 2013, about 5,000 'large' Dutch companies - including listed companies and family businesses - have been obliged by government to appoint women to at least 30 percent of the seats on their management and supervisory boards. Only about one out of twelve of the relevant companies is managing to meet this target.

Cultural diversity

The unemployment rate among people with a non-western background is triple that of their non-immigrant counterparts. There are also relatively few immigrants in the boardroom. Factors such as age, education and work experience only explain this gap to a certain extent. On top of this, the labour market disadvantage of people with a



non-western migration background has not diminished in the past 15 years, even though their language proficiency has improved and their educational levels have risen over the same period. Of the Netherlands' total population of more than 17 million, 2.2 million people have an migration background - more than twice as many as twenty years ago. Much of that potential is therefore going to waste.

Questions for the Council

The Government has asked the Council to advise on the obstacles to greater cultural and gender diversity in Dutch corporate boardrooms. The Government has also asked the Council to recommend how best to remove these obstacles and to identify the success factors of companies that have achieved diversity in the boardroom.

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Council's vision and basic principles

The Council advocates balanced economic growth in the Netherlands, with as many people in employment as possible and with a fair distribution of income. These three Council objectives underpin this advisory report and have resulted in a number of basic principles.

An inclusive labour market

Talented women and people with a non-western migration background are still underutilised, even though their talent can be of enormous value. The Council wants to see more women and people with a non-western migration background in employment, including in boardroom positions.

An inclusive labour market is where it all starts, i.e. a labour market in which everyone works for and benefits from the

growth of prosperity. That means that women and people with a non-western migration background deserve equal opportunities and that society must capitalise on their talent as effectively and efficiently as possible.

Proportional representation

The Council considers that women and people with a non-western migration background should be proportionally represented in corporate boardrooms. At a Council meeting, HRH Princess Laurentien referred in this connection to the

'new normal': a fifty-fifty gender balance. This target is also in line with two of the United Nations' 17 Sustainable Development Goals: gender equality and inclusive economic growth.

The added value of diversity and inclusion

There is sufficient evidence of the added value of diversity and inclusion and the Council urges companies to recognise this. Diversity pays off, as various studies have shown. It also contributes to equal opportunities for all and encourages talents that are currently underutilised. Diversity in the corporate world also promotes inclusion and social cohesion. The benefits of diversity and inclusion for business are obvious.

Integrated approach

The Council argues that diversity policy should not focus exclusively on corporate boardrooms, however. It is also important to encourage diversity in the talent pool for senior management so that a more diverse group of board-ready candidates is well placed to move into the boardroom. Another relevant point is the 'accumulation' of various factors during the life cycle and turning points in an employee's career, education, family life or care demands. For all these reasons, the Council argues, there can be no *one-size-fits-all* solution that will ensure more gender and cultural diversity. A broad, integrated approach is needed, combining both general and more specific measures.



3 Diversity in the boardroom in facts and figures

The share of boardroom seats held by women has scarcely increased in the past few years. Compared with other countries in Europe, the Netherlands' performance is moderate to poor in that respect. There is less information about cultural diversity in companies because many of them may only record their employees' cultural background under certain specified conditions.

Marginal progress

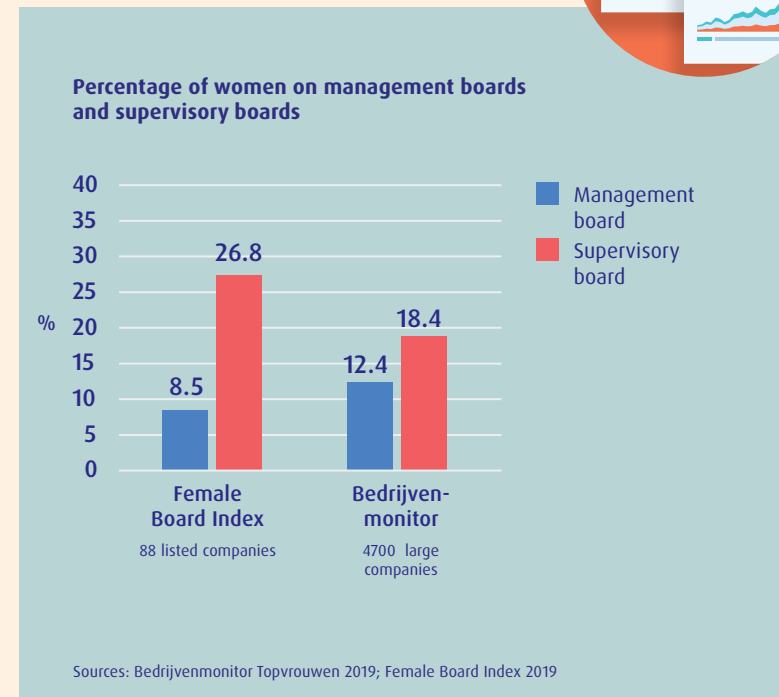
The share of women in the boardrooms of Dutch companies is increasing slowly. The marginal progress made in recent years can be attributed to a small number of highly committed companies, with less than 10 percent accounting for the rise in female managing directors and less than 15 percent for the rise in female supervisory directors.

In late 2018, women accounted for 12.4 percent of seats on the management boards and 18.4 percent of seats on the supervisory boards of 'large' companies. Only 8.3 percent of companies in this category met the statutory target of 30 percent on both boards. Many have made no progress whatsoever: at the end of 2018, 67 percent did not have a single female managing director, and 49 percent no female supervisory directors. Listed companies are the frontrunners and clearly outperforming the rest, but there are also listed companies that lag behind. Companies that do not meet the statutory target must explain why in their management report, but only one out of ten has complied with this request.

Differences between sectors and companies

Various studies have shown that some public and semi-public organisations are managing to achieve the 30 percent target and are thus performing significantly better than 'large' companies. The 'large' companies that have signed the Talent to the Top Charter also have an above-average percentage of women on their management and supervisory boards, i.e. 16.5 and 35.4 percent respectively in 2017.

Listed companies also perform better on average when it comes to their supervisory board (one in four supervisory directors are women), but lag behind 'large' companies regarding the percentage of women managing directors (8.5 percent). There are significant differences within the group of listed companies, however: in 2019, only six meet the target for both managing directors and supervisory directors, only 15 meet the target for managing directors, and 30 meet the target for supervisory directors.



The importance of the talent pool

The level just below the board is an important talent pool for women board members and it therefore deserves much more attention. Research shows that the share of women at this level lags behind the share of female managing directors in recent years. To boost the proportion of female managing and supervisory directors, the percentage of board-ready women in senior management must also continue to grow and keep pace.

Cultural diversity in the boardroom

Statistics on cultural diversity in Dutch corporate boardrooms are hard to come by. Cultural diversity is indeed difficult to quantify. The Netherlands Institute for Social Research (SCP) has some revealing figures for 2017/2018, however. They show that in those years, 12.6 percent of the workforce in Dutch companies consisted of people with a non-western migration background. More than one in three Dutch

companies had at least one employee with an migration background in 2017/2018. The share of line managers with a non-western migration background was significantly smaller in this study, averaging 3.6 percent and the share of managers with a non-western migration background was 7 percent in both the private and the non-commercial sector. Of the Netherlands' total labour force, 11 percent have a non-western migration background.



FRONTRUNNERS:
Companies where women account for 30% of boardroom seats

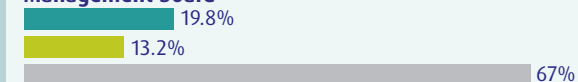
FOLLOWERS:
Companies that have women on their management/supervisory board, but less than 30%

LAGGARDS:
Companies that have no women on their management/supervisory board

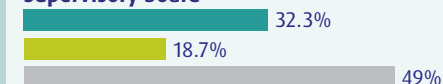
The following infographic shows how things stand at 4,700 large companies and 88 listed companies.

4700 LARGE COMPANIES (Bedrijvenmonitor 2019)

Management board



Supervisory board

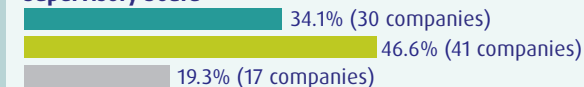


88 LISTED COMPANIES (Female Board Index 2019)

Management board



Supervisory board



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Diversity – how does it benefit us?



One of the main underlying questions in the pursuit of more cultural and gender diversity in companies is: how does diversity actually benefit companies and society?

Value for society

A fairer distribution of boardroom positions promotes equal opportunities in society and ensures that talented individuals with potential are afforded more scope for personal development. Improving the labour market position of women and people with a non-western migration background also fosters inclusion and social cohesion. Moreover, when society judges people by their performance and not by their origin or gender, they have a stronger incentive to do well in school and to improve their position in the job market. In short: companies

that offer equal opportunities to all their employees (and potential employees) help to build a society in which everyone feels at home.

Added value for the company

Companies that promote diversity in their workforce and in the boardroom have various reasons for doing so. Sometimes their motives are primarily social ones: they aspire to offer equal opportunities for all, combat discrimination or accurately reflect the society in which they operate. Companies may also have commercial motives

for their pursuit of diversity. For example, they expect to improve their decision-making or to enlarge their market. By endeavouring to reflect society, a company can also get to know its customers better. The business case for corporate diversity is not entirely irrefutable; diversity does not always generate added economic value. Some studies, however, do provide evidence of added value. For the companies examined in these studies, diversity in the boardroom has led to better financial performance, more educated and better quality board members, less fraud, smaller pay differentials, more insight into what drives customers, and more women in senior management, or it has had a positive impact on corporate social responsibility. Some studies suggest that diversity across the entire workforce leads to greater productivity and more revenue. Other studies, however, point to the adverse effects of diversity, such as communication problems and conflicts in the workplace, and in some cases even lower productivity.

Requirements for success

Diversity in companies and the boardroom does not automatically generate added value. However, various studies show that added value does result when a number of requirements are met: an inclusive organisational culture that acknowledges differences and appreciates individuality, a high level of gender equality nationwide, and commitment by the company's top executives.



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Obstacles to diversity

Women's advancement to corporate boards is stagnating and people with a non-western migration background are at a disadvantage across the labour market - including in the boardroom. Why is that so?



Obstacles to gender diversity

The main obstacles to women entering the boardroom are: their labour market position, their lack of an effective (informal) network, and the organisational culture in many companies. Some of these factors are related and may therefore exacerbate one another.

Labour market position: Seven out of ten Dutch women work part time. That is a considerable impediment to their promotion up the ranks. Many women, it seems, choose to work part time because of the way childcare, leave and other facilities are organised. Social norms and the unequal division of labour in the home also force women into the 'part-time trap'.

Organisational culture: It is crucial for board members to commit to creating opportunities for women. An inclusive organisational culture is difficult to get off the ground. Stereotyping is another major obstacle to women's progress towards the boardroom.

Lack of social capital: Women often have less experience in executive positions than men, and may lack or have smaller effective informal networks to help them to get ahead. In addition, there are still relatively few female role models and mentors for female high potentials.

Obstacles to cultural diversity

Like women, very few people with a non-western migration background are likely to reach the boardroom. The trouble starts earlier for this group, however: they have a harder time even finding and keeping a job than their non-immigrant counterparts. As in the case of women, they are affected by factors at varying levels.

Labour market position and society: It is relatively common for young people with an immigrant background (the 'second generation') to drop out of school. Doing so puts them at a considerable disadvantage in the job market. Stereotyping and unconscious prejudices also throw up obstacles to getting a job. The fact that many Dutch people are worried about immigration and inclusion has also led to a harsher climate, once again putting people with an

immigrant background at a disadvantage in the job market.

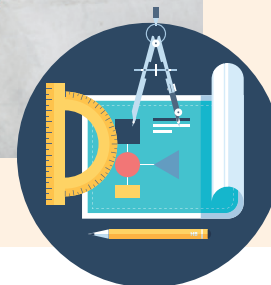
Organisational culture: Many companies do not (as yet) have an inclusive organisational culture, i.e. a climate in which every employee feels secure and appreciated. 'Unwritten rules' often prevent inclusion and may lead to subtle forms of exclusion in the workplace.

Personal factors: People with a non-western migration background are even less likely than women to have mentors. First-generation immigrants often have little contact with other social groups. That prevents them from finding and keeping a job and has a knock-on effect on the second generation.

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How to increase diversity

Increasing the level of diversity in the workplace and in the boardroom requires multiple measures, specifically with respect to recruitment, enlarging the talent pool, reducing staff turnover, and ensuring the advancement of women and people with a non-western migration background in all aspects, and at every level, of businesses and organisations. Specific strategies are necessary to improve advancement into the boardroom. The Council emphasises that only an integrated strategy will be effective, with government, companies and individuals all doing their part.



Reduce inequality in education and the job market

Ensuring that more women and people with a non-western migration background enter the boardroom involves facilitating their full participation in education and the labour market. The distinction in education between traditional male and female occupations should be eliminated, for example, and women could be encouraged to work more hours. In the case of people with a non-western migration background, it is important to invest in their education from an early age, to reduce the school drop-out rate, and to help them to find work placements and jobs. The Council considers these recommendations in greater detail in its advisory reports [Een werkende combinatie](#) and [Gelijk goed van start](#) (both published in 2016) and [Discriminatie werkt niet!](#) (2014).

Improve opportunities to combine working, learning and care tasks

Better access to childcare is important for both women and people from a non-western migration background. Flexible working hours, effective leave schemes and comprehensive day-care arrangements for school-age children also ensure that they can more easily combine working with child care or informal care-giving tasks. The Council's advisory report [Een werkende combinatie](#) explores these matters. Also needed are better opportunities for lifelong learning, enabling people to continue improving themselves in

employment and to move up the career ladder at an earlier stage. The Council addressed this topic in 2017 in its advisory report [Leren en Ontwikkelen tijdens de loopbaan](#).

The role of companies and organisations

Companies themselves can also do a great deal to increase diversity in their workplace and on their boards. Their diversity policies should not depend on the commitment of one or a few enthusiastic employees, however, but must be embedded throughout the organisation, at all levels. Practical measures that companies can take range from formulating a vision statement at board level to organising in-house events for minority groups. Diversity also benefits from inclusive communication in recruitment and selection processes - including for managing directors, supervisory directors and works council members. The same applies to mentoring programmes and the visibility of role models. The Council is publishing a [booklet](#) in connection with this advisory report setting out specific guidelines for companies that want to work on diversity and inclusion.

More gender diversity in senior management and the boardroom

The percentage of women in the boardroom is increasing, but by no means fast enough according to the Council. There are still many companies that do not have a single female on their management or supervisory boards. The statutory target of 30 percent, which will apply until 2020, has had too little effect. The Council believes that the time for voluntary action has passed and that more effective measures should be implemented to urge companies to recruit more women

Incremental quota for listed companies

The Council would like to see the introduction of a 30 percent quota for both women and men, to be implemented in stages, for the supervisory boards of listed companies. If a man is appointed to a vacancy on a supervisory board where less than 30 percent of the seats are occupied by women, the appointment would be declared invalid and the vacancy would remain open (the 'empty seat principle').

Have large companies set their own targets

In the case of a broader group of approximately 5,000 'large' companies, the Council proposes another measure that does justice to the differences between them and facilitates tailor-made solutions. The aim of the measure is to encourage companies to claim 'ownership' of diversity and inclusion in their business and thus achieve lasting results.

The measure entails requiring companies to set their own ambitious targets for the boardroom and senior management. Setting an appropriate and ambitious target means that, in principle, at least one woman would be appointed to a seat on a management board or supervisory board that does not have any women as members. The target must exceed the board's current percentage of women and should be increased gradually. The company can only deviate if it has sound reasons for doing so and must account for its deviation. Companies should also draft a plan explaining how they intend to achieve the target. By setting targets for the two management levels just below the board, the company can expand its talent pool of board-ready women.





into senior management and the boardroom. That is why the Council is recommending that

- a quota of 30 percent, to be introduced in stages, should be set for the supervisory boards of listed companies.
- non-listed 'large' companies should be required to set their own gender-equality targets for their supervisory boards and the two management layers directly below the board and account for their progress.
- all listed and non-listed 'large' companies should be required to set their own targets for their management boards and account for their progress.

Monitoring and reporting

Companies that work with the new diversity policy need to have everything associated with it properly organised, and they should receive support in drawing up and implementing their plans. The practical feasibility of such policy measures depends on this. The Council intends to discuss this with the relevant parties and ministers. Progress can be monitored in a manner similar to the monitoring mechanisms used for the Talent to the Top and Diversity in Business Charter. One important component of that mechanism is that companies publish an annual report

stating their progress towards meeting their self-imposed targets. Government can draw attention to both good and bad practices.

Public and semi-public organisations

Many public and semi-public organisations are making relatively good progress. On average, one in three managing and supervisory directors in these organisations are women. However, they owe this relatively high average to a small number of organisations that have appointed more - in some cases, considerably more - women to boardroom positions in recent years. The Council therefore suggests that public and semi-public organisations should be subject to the same measures as private companies. Which organisations will have an incremental quota and which a self-imposed target has yet to be determined.

More cultural diversity in senior management and the boardroom

The Council considers that more can be done to increase cultural diversity in the boardroom and the level just below the board. One complicating factor is that cultural diversity can be interpreted in different ways. It is also difficult to quantify cultural diversity in companies, at the very least due to privacy legislation. Even so, the Council believes that improvements can be made by focusing on the points below.

Encourage parties to cooperate

There are a number of organisations devoted to improving cultural diversity and inclusion in companies, including Diversity in Business, Talent to the Top, Topvrouwen.nl and

the Cultural Diversity Alliance. The Council intends to discuss how best to support these organisations and cooperation between them with the relevant parties and ministers.

Gain more insight into cultural diversity

Promoting cultural diversity and inclusion requires a better understanding of where companies now stand in that regard. The Cultural Diversity Barometer pilot launched by the Dutch Ministry of Social Affairs and Employment in cooperation with Statistics Netherlands has recently delivered useful data on company staff composition. The Council would like to see the Barometer develop into a tool that companies can use without infringing privacy law. The data that the tool delivers can be used to establish goals and/or targets.

Make diversity of talent more visible

Following in the footsteps of Topvrouwen.nl, a talent pool can be created consisting of board-ready candidates with a non-western migration background. A database of this kind will also produce role models for other talents, make it easier for them to share their stories and organise speed dates and meetings for executive search agencies. It can also aid in preventing people from leaving the private sector.

Be more transparent about cultural diversity

The Council considers it important for companies to be transparent about their diversity and diversity policy, and would prefer their being required to report on these matters. A reporting obligation will make them more aware

of the opportunities, risks and benefits of diversity. Diversity reports are in keeping with the European Directive on the disclosure of non-financial and diversity information.

The works council should encourage diversity

Works councils can drive diversity. One of their tasks, for example, is to contribute to gender equality and to the recruitment of less-abled and minority employees. In addition, in case of large regime companies the

works council is entitled to advise on the appointment of managing directors and has the right to nominate supervisory directors. The Council would like to see works councils make serious work of these tasks but to do that, they need to be more aware of their rights and responsibilities. In the Council's view, it is also important for works councils themselves to reflect their company's diversity in their composition.





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