

Targets and quotas

Perspective Paper

Summary

Gender diversity targets and quotas, and their respective merits as strategies for promoting women in leadership in the workplace, are much debated.

This paper aims to clarify the difference between gender diversity targets and quotas and the advantages and disadvantages of adopting either one as a strategy to promote gender diversity at work.

In doing this, the paper outlines the status of women in leadership in Australia, organisational benefits of setting gender diversity targets, and principles of effective gender diversity target setting.

Setting gender targets, and establishing a plan to meet them, is an effective way to improve gender equality in an organisation by focusing on continuous improvement, increasing and embedding accountability and measuring performance.

Organisations that set targets are more likely to succeed at increasing their gender diversity.

WGEA encourages organisations to publicly disclose and report progress against gender diversity targets.

Targets versus quotas: what's the difference?

Gender diversity targets and quotas both aim to improve gender equality in leadership. However, there are quite distinct differences between the two strategies, and sometimes confusion arises about the meaning of each.

Targets

Targets are specific measurable objectives, generally set by an organisation at their own discretion, with discrete timeframes in which they are to be achieved. Consequences for not meeting a target may be set and enforced as the organisation sees fit.

While voluntary, targets may also be strongly encouraged by external factors, such as the Australian Securities Exchange (ASX) Corporate Governance Council (CGC) Recommendations on diversity and the Workplace Gender Equality Act 2012.

Gender diversity targets can be implemented at any level within an organisation.

Example of target to set measurable objectives and reporting on performance

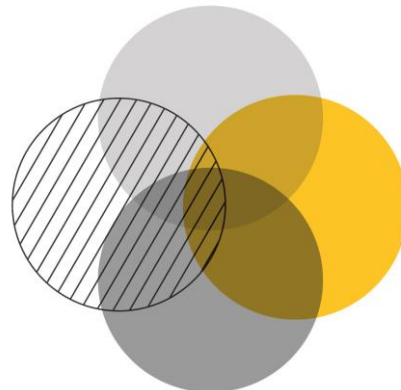
Issue	Objective	Target	Performance
Gender diversity	To increase the percentage of women reporting to the CEO and the percentage of women on the board.	Women to comprise 33% of those reporting to the CEO and 15% of board members by 2016.	By the end of Fiscal Year 2011-12: the percentage of women reporting directly to the CEO increased from 15% to 25%; the percentage of board members who were women was 12%.

Source: KPMG, p. 21, excerpt, 1 adapted

In the United Kingdom, a voluntary 25% target for women's board membership, to be achieved by 2015, was established for the FTSE 1002 by the Davies Report.³ UK Corporate Governance Code amendments to support this aim were implemented. Though recent concerns about the pace of change had been expressed,⁴ the share of women holding FTSE 100 board directorships grew to 26.1% in 2015, exceeding the 25% target.⁵

Targets: arguments for and against

For	Against
<ul style="list-style-type: none"> → Targets can be tailored, monitored and adjusted by a company so as to be appropriate for its organisation and the environment in which it is operating, unlike quotas which are set and fixed by an external party. → As targets are set by an individual company, this increases buy-in and the likelihood of their success. → Targets set by individual companies give them ownership of their gender equality goals and should help improve their commitment to, and performance against, them. For example, ownership of performance goals by individuals has been linked to an increased likelihood of achieving them.⁶ → Targets are familiar to, and understood by, business. They have been acknowledged as an effective tool to improve performance⁷ and have been applied on a range of business issues from sales performance to safety improvements. Targets are therefore increasingly suggested as likely to be effective for promoting gender equity.⁸ → Targets promote a business-wide approach to advancing gender diversity as they can be specifically set across a wide variety of organisational levels.⁹ This is unlike quotas which are typically directed at a single level of management (for example, board membership). → Targets may lead to talented women being identified who would otherwise be overlooked. This increases the talent pool and should facilitate women's workforce retention. 	<ul style="list-style-type: none"> → As targets are voluntary, not all companies will set them, or they may set targets which are ineffective to drive change, for example, set too low. → Targets may mean that in attaining seniority through this mechanism, women will be marginalised and viewed as tokens.¹⁰ → Targets may mean that good male candidates will be overlooked, which would be disadvantageous to the business itself and may possibly cause women to be viewed less favourably.¹¹ → Targets can take a long period of time to be effective; quotas work more speedily.



Quotas

Quotas are mandatory. Like targets, quotas are also specific, time bound measurable objectives, but are usually set externally by a body with authority to impose them on organisations (for example, the Parliament). Establishing quotas usually includes setting penalties for failing to meet them. These are enforced by a body external to an individual company and are non-negotiable by individual organisations.

The ability of quotas to considerably impact gender

- **Targets** are voluntary and set at an organisation's own discretion.
- **Quotas** are mandated by an external body and imposed upon an organisation.

diversity below the board level is limited. This is because the unique managerial structures and definitions within organisations pose a practical challenge to their enforcement.

Examples

Norway has a quota of 40% minimum for each gender for public companies, imposed in 2006 and achieved as required by 2008. Breach of this requirement incurs the same penalties as breaking other Norwegian laws relating to company governance. Companies may be subject to forced dissolution if they do not meet the quota.¹²

France has a quota law passed in January 2011. The approximately 2000 companies to which it applies must achieve at least 40% representation of each sex on boards by 2017 with an interim quota of 20% by 2014. Failure to comply will result in board elections being nullified and directors' benefits suspended.¹³

Italy's 2011 quota law requires at least 33% of each gender on listed and state-owned company boards of three members or more, by 2015. Enforcement mechanisms include warnings, fines and forfeiture of board members' positions.¹⁴

The European Union is considering a draft law to create a 40% gender objective by 2018/2020 for the underrepresented sex on large publicly listed company boards.¹⁵ Transparent gender neutral criteria will be required for board appointments. In a tie-break situation,¹⁶ the candidate from the underrepresented sex must be appointed.¹⁷ The largest European companies' board gender composition is tracked by the [European Commission](#).

Quotas: arguments for and against

For	Against
<ul style="list-style-type: none"> → Quotas work relatively quickly. Companies have to comply so they do. This is best evidenced by the well-known imposition of the 40% gender quota for companies in Norway which had a rapid impact between 2006 and 2008 (see above).¹⁸ → Quotas force gender equality to the top of a company's agenda¹⁹ and may lead to flow on impacts throughout the organisation. → Quotas can create a 'critical mass' of women in senior roles which may start to impact on the pipeline, eventually making quotas redundant.²⁰ → Decades of aspirational programs aimed at promoting gender equality including gender diversity targets have not achieved the necessary change. Quotas are the more drastic step needed to do this. → Quotas will force a wider search for candidates, thereby increasing the talent pool. This will help overcome stereotypes and biases about whether men or women are better suited for particular positions, which impacts on genuine merit-based appointments.²¹ 	<ul style="list-style-type: none"> → Quotas may mean that in attaining seniority through this mechanism, women may be marginalised and viewed as tokens. → Quotas may add to business regulation and costs. They are viewed by many as unwarranted interference in governance arrangements. For example, they would 'run counter to the responsibility of shareholders...and, by cutting across their choice of candidates, dictate elements of the composition of the board which is to be accountable to them'.²² → Quotas are viewed as circumventing the principle of workplace progression through individual merit. → Quotas are relatively easy to set for positions such as board directors where performance is straightforward to measure. Given different company managerial structures and definitions,²³ establishing legislative quotas for top management (and certainly for lower levels) would be difficult. → Quotas may not increase the pool of women who fill the roles for which quotas exist. → Quotas may mean that good male candidates will be overlooked, which would be disadvantageous to the business itself and they may possibly cause women to be viewed less favourably.

Where is Australia now?

As illustrated below, available evidence confirms that women are not progressing to senior management positions.

- women hold just 21.9% of ASX 200 directorships (as at 31 January 2016)²⁴
- less than one in five CEOs (15.4%) are women within non-public sector organisations with 100 or more employees²⁵
- only 27.4% of key management personnel are women within non-public sector organisations with 100 or more employees²⁶
- 25.6% of Australian University Vice-Chancellors are women²⁷
- 39.6% of senior executive positions in the Australian Public Service are held by women²⁸
- 39.1% of Australian Government board positions are held by women, unsuccessfully meeting the target set by government for at least 40% of both gender to be represented on government boards by 2015.²⁹

In contrast, the proportion of women in the workforce has increased substantially over the past 30 years and women now make up 46% of the Australian workforce.³⁰

Women also make up 55.7% of bachelor degree holders.³¹ There has been considerable time for employers to have achieved an equal gender representation in top management, yet this has not occurred. The reasons for underrepresentation of women in leadership positions are complex and include: women's disproportionate responsibility for caring and housework³² resulting in a 'double burden' for working women making senior management careers difficult to pursue;³³ lack of flexible working arrangements, particularly at higher levels in companies,³⁴ coupled with a need for greater organisational support for managers to design flexible and reduced hours jobs;³⁵ and the less obvious but pervasive effects of conscious and unconscious bias including stereotyping of women and mothers.³⁶

Many individual employers have acted to dismantle the barriers to women's progression at work, but as a country, more needs to be done in Australia to increase female workforce participation and drive productivity by capitalising on female talent. An emerging sense of urgency is fuelling the debates around the advantages and disadvantages of gender diversity targets and quotas as mechanisms for driving change, and many companies are recognising the business and other benefits of gender diversity.³⁷ The ASX CGC's diversity recommendations for all Australian listed entities are contributing to change.³⁸

Why set gender diversity targets?

Disciplined approach to change

Setting targets can provide an organisation with the necessary focus to improve the gender balance within an organisation, and clarify accountabilities. Targets help focus attention and demonstrate commitment to deliver.

Competitive advantage against industry peers

Industry-specific educational benchmarks relating to gender, including benchmarks on gender composition of the workforce are made available yearly to reporting organisations under the *Workplace Gender Equality Act 2012*. These reports allow organisations to compare themselves to their industry peers and track their progress over time. There is no requirement for organisations to set targets, but organisations that do will likely improve their performance relative to the benchmarks and have better access to the entire talent pool.

Additional workforce benefits from targets

Organisations that have been successful in achieving gender targets report more effective talent and succession planning systems, a more capable workforce with the best person being more likely to be selected for jobs, and an enhanced corporate recruitment brand. A failure to recruit and retain women is often a symptom of more fundamental problems in an organisation.

ASX Corporate Governments Council's Diversity Recommendations³⁹

All Australian listed entities are required to report annually to the ASX on an “if not, why not” basis: a diversity policy; the establishment of an annual assessment of measurable gender diversity objectives and progress towards achieving these; and the proportion of women employees in the organisation, in senior executive positions and on the board. Setting targets assists compliance with the ASX Diversity recommendations.

More broadly, there is a strong business case for gender diversity in organisations which shows that considerable rewards can be attained by businesses which successfully attract both women and men to their workforce. For more information please see the business case for gender diversity factsheet.

Similar to setting financial or other operational targets, establishing realistic gender diversity targets based on rigorous analysis and baseline data will help to ensure an organisation treats equal gender representation as a central business issue and puts in place the strategies and resources to meet the targets.

How to set a target

Gender diversity targets should be based on rigorous analysis of baseline data, be realistic and achievable in the context of an organisation’s journey, measurable, and driven at the CEO level.

WGEA (the Agency) has produced a guide, ‘How to set gender diversity targets’ to be used in conjunction with a target setting calculator, that enables organisations to make a considered judgment on the target to be set, based on their existing data and future projections. The guide and calculator are available via the Agency’s website under the **Lead** menu.

Following these principles will help your organisation to meet its targets:

- **Clarity:** Set clear targets with time-lines to ensure that progress can be measured.
- **Small steps:** Consider setting interim annual goals and measures as steps towards a longer-term goal in order for the goals to seem more achievable and allow for more regular focus and momentum.
- **Control:** Make sure you have the appropriate level of control over the target.
- **Realistic:** Set targets that can be achieved. This requires a thorough analysis of all of the possible barriers to achieving targets and what support is needed to maximise the opportunities to achieve them.
- **Accountability:** Create managerial accountabilities and rewards, e.g. linking remuneration or career progression to reaching targets.

Managers also need the appropriate tools and the support of their own managers to implement any targets that are set.

Achievable versus aspirational targets

Overly ambitious or aspirational targets are less likely to be achieved than realistic and achievable targets informed by baseline data. When targets are not achieved, this can have a negative impact on organisations and reduce the motivation to change. For this reason, the Agency recommends setting realistic and achievable gender diversity targets to help focus efforts and enhance the chance of success.

¹ KPMG (2013), *ASX Corporate Governance Council Principles and Recommendations on Diversity: Analysis of disclosures for financial years ended between 31 December 2011 and 30 December 2012*, Australia, KPMG.

² The FTSE 100 are the 100 largest UK companies listed on the London Stock Exchange, *Financial Times lexicon*, viewed 12 February 2016, www.lexicon.ft.com/Term?term=FTSE-100

³ Davies EM (2011), *Women on Boards*, London, Department for Business Innovation and Skills, which also recommended FTSE 250 companies set their own targets, viewed 12 February 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31480/11-745-women-on-boards.pdf

⁴ Sealy, S & Vinnicombe, S (2013), *The Female FTSE Board Report 2013: False Dawn of Progress for Women on Boards?*, UK, Cranfield University.

⁵ Davies EM (2015), *Women on Boards Davies Review Five Year Summary October 2015*, viewed 12 February 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/482059/BIS-15-585-women-on-boards-davies-review-5-year-summary-october-2015.pdf

⁶ Whelan, J & Wood, RW (2012), *Targets and Quotas for Women in Leadership: A Global Review of Policy, Practice and Psychological Research*, Melbourne, University of Melbourne.

⁷ Much research on goal setting confirming its effectiveness has been undertaken, for example for a summary see, Latham, GP & Locke, EA (2007), 'New Developments in and Directions for Goal-Setting Research', *European Psychologist* 2007, vol. 12 (4), pp. 290-300; Whelan, J & Wood, RW (2012), *Targets and Quotas for Women in Leadership: A Global Review of Policy, Practice and Psychological Research*, Melbourne, University of Melbourne.

⁸ Whelan, J & Wood, RW (2012), *Targets and Quotas for Women in Leadership: A Global Review of Policy, Practice and Psychological Research*, Melbourne, University of Melbourne.

⁹ Russell, G & Herbert, C (2010), *Workplace Gender Equality Act: Review of evidence based Gender Equality Indicators and Practices* (WGEA, unpublished), citing Kalev, A, Dobbin, F, Kelly, E (2006), 'Best practices or best guesses? Assessing the efficacy of corporate affirmative action and diversity policies', *American Sociological Review*, vol. 71, pp. 589-617.

¹⁰ Sweigart, A (2012), 'Women on Board for Change: The Norway Model of Boardroom Quotas As a Tool For Progress in the United States and Canada', *Northwestern Journal of International Law & Business Ambassador*, vol. 32, pp. 81A-105A.

¹¹ Whelan & Wood (2012), *Targets and Quotas for Women in Leadership: A Global Review of Policy, Practice and Psychological Research*, Melbourne, University of Melbourne, p.22.

¹² European Commission (2012), *Women in economic decision-making in the EU: Progress report*, European Commission, Brussels at p.17; Pande, R & Ford, D (2011), *Gender Quotas and Female Leadership*. World Development Report 2012, Gender Equality and Development, Background Paper. World Bank at p. 15, viewed 12 February 2016, www.siteresources.worldbank.org/INTWDR2012/Resources/7778105-1299699968583/7786210-1322671773271/Pande-Gender-Quotas-April-2011.pdf

¹³ European Commission (2012), *Women in economic decision-making in the EU: Progress report*, European Commission, Brussels at pp.17-18.

¹⁴ European Commission (2012), *Women in economic decision-making in the EU: Progress report*, European Commission, Brussels at p.18.

¹⁵ Non-executive directors only.

¹⁶ That is where candidates are objectively equally qualified.

¹⁷ See European Commission website, viewed 12 February 2016, www.ec.europa.eu/justice/gender-equality/gender-decision-making/index_en.htm

¹⁸ Pande, R & Ford, D (2011), *Gender Quotas and Female Leadership*, World Development Report 2012, Gender Equality and Development, Background Paper. World Bank at p. 15, viewed 12 February 2016, www.siteresources.worldbank.org/INTWDR2012/Resources/7778105-1299699968583/7786210-1322671773271/Pande-Gender-Quotas-April-2011.pdf

¹⁹ Ernst & Young (2011), *Women in Leadership. What will it take to get Australia on target?* Australia, Ernst & Young, viewed 12 February 2016, http://www.communicationscouncil.org.au/downloads_tcc/Women_in_Leadership.pdf

²⁰ Ernst & Young (2011), *Women in Leadership. What will it take to get Australia on target?* Australia, Ernst & Young, viewed 12 February 2016, http://www.communicationscouncil.org.au/downloads_tcc/Women_in_Leadership.pdf

²¹ Whelan & Wood (2012), *Targets and Quotas for Women in Leadership: A Global Review of Policy, Practice and Psychological Research*, Melbourne, University of Melbourne, p.9.

²² Australian Government (2009), *Diversity on Boards of Directors: Report*, Corporations and Markets Advisory Committee, Australia, pp. 48-49, viewed 12 February 2016, [www.camac.gov.au/camac/camac.nsf/byHeadline/PDFFinal+Reports+2009/\\$file/Board_Diversity_B5.pdf](http://www.camac.gov.au/camac/camac.nsf/byHeadline/PDFFinal+Reports+2009/$file/Board_Diversity_B5.pdf)

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- ²³ KPMG (2013), *ASX Corporate Governance Council Principles and Recommendations on Diversity: Analysis of disclosures for financial years ended between 31 December 2011 and 30 December 2012*, Australia, KPMG, pp.3 & 20.
- ²⁴ Australia Institute of Company Directors (AICD) (2013), *Statistics: Appointments to AXS 200 Boards*, viewed 12 February 2016, www.companydirectors.com.au/Director-Resource-Centre/Governance-and-Director-Issues/Board-Diversity/Statistics
- ²⁵ WGEA (2016), *WGEA data explorer*, accessed 12 February 2016, <http://data.wgea.gov.au/>
- ²⁶ WGEA (2016), *WGEA data explorer*, accessed 12 February 2016, <http://data.wgea.gov.au/>
- ²⁷ Calculations from the Universities Australia data viewed 12 February 2016, <https://www.universitiesaustralia.edu.au/australias-universities/university-key-contacts/Vice-Chancellors/University-Vice-Chancellors#.VhXLqvSIU-0>
- ²⁸ Australian Public Service Commission (2014), *State of the Service Report*, State of the Service Series 2013-2014, Australia, pp. 72, viewed on 12 February 2016, http://www.apsc.gov.au/_data/assets/pdf_file/0003/64362/SoSR-2013-14-web.pdf
- ²⁹ Australian Government (2015), *Gender Balance on Australian Government Boards Report 2014-2015*, Australia, Department of the Prime Minister and Cabinet, pp. 6, viewed on 12 February 2016, https://www.dpmc.gov.au/sites/default/files/publications/gender_balance_aust_govt_boards_report_14-15.pdf
- ³⁰ Workplace Gender Equality Agency (2015), *Gender workplace statistics at a glance*, viewed 12 February 2016, https://www.wgea.gov.au/sites/default/files/Stats_at_a_Glance.pdf
- ³¹ ABS (2015), *Education and Work*, Australia, May 2015, cat no. 6227.0 viewed 12 February 2016, <http://www.abs.gov.au/ausstats/abs@.nsf/mf/6227.0>
- ³² Craig, L & Mullen (2007), 'The Policeman and the Part-Time Sales Assistant': *Household Labour Supply, Family Time and Subjective Time Pressure in Australia 1997-2006*, Journal of Comparative Family Studies, vol. 40(4), pp. 547-561.
- ³³ McKinsey (2011), *Unlocking the full potential of women at work*, US, McKinsey & Co.
- ³⁴ Hegewisch, A (2009), *Flexible working policies: a comparative review*, London, Equality and Human Rights Commission.
- ³⁵ Australian Institute of Management (AIM) (2012), *Managing in a flexible work environment*, NWS/ACT, AIM.
- ³⁶ For example, Cuddy, AJC, Fiske, ST, Glick, P (2004), *When Professionals Become Mothers, Warmth Doesn't Cut the Ice*, Journal of Social Issues, vol. 60 (4), pp. 701-718; Moss-Racusin, A, Dovidio, JF, Brescoll, VL, Graham, MJ, Handelsman, J (2012), *Science faculty's subtle gender biases in favor of male students*, Proceedings of the National Academy of Sciences of the USA (PNAS).
- ³⁷ KPMG (2013), *ASX Corporate Governance Council Principles and Recommendations on Diversity: Analysis of disclosures for financial years ended between 31 December 2011 and 30 December 2012*, Australia, KPMG.
- ³⁸ ASX Diversity resources, viewed 12 February 2016, <http://www.asx.com.au/regulation/corporate-governance-council/diversity-resources.htm>
- ³⁹ See WGEA's guide, *How to set gender diversity targets* to be used in conjunction with a target setting calculator, that enables organisations to make a considered judgment on the target to be set, based on their existing data and future projections. The guide and calculator are available [here](#)