VISEGRAD SPEED: IS IT FAST ENOUGH?

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Abstract

Visegrad countries are facing similar issues related to underrepresentation of women in the corporate decision making positions. Female population outnumbers the male one in the tertiary education attainment. The employment level of women is also high across all four counties. However, men outnumber women in the decision making positions at large corporations. Three out of four Visegrad countries did not adopt any measure to improve the situation in balancing the gender representation at boards. The article introduces outlook based on the model of organic growth. The results are not positive enough to let the situation as it is now. So, the situation calls for interventions.

Keywords: Women, quotas, EU, corporate boards, Czech Republic, Slovakia, Hungary, Poland, Visegrad countries

Introduction

Visegrad countries have been historically interconnected by similar socio-economic environment. Moving to the free market economy in the 1990s, the societies started to adopt similar pattern as their western neighbors. Currently, all four countries are facing pressures of globalization, rising power of BRICS countries and aging population. All of them need high quality management at its corporations.

Numerous studies of different respected institutions suggest that more diversity at board rooms leads to better financial performance of corporations. However, in terms of gender diversity there is huge space for improvement at all four countries as well as across whole Europe. As majority of corporate boards are male dominated, European Commission proposed the new legislation supporting more gender balanced corporate boards of the biggest corporations actively present at European countries. There are several states that have introduced gender balanced regulations themselves. None of Visegrad countries have done so. Poland introduced strong and viable self-regulatory measure. However, there are still many countries that did not adopt any regulatory measures, as Latvia, Lithuania, the Czech Republic, Slovakia, Portugal, Ireland, Cyprus, Malta, Bulgaria, Greece, Hungary, Slovenia, Estonia, and Romania. (European Commission, 2012)

This article provides both descriptive and comparative analysis of the situation in European Union, with special focus on Visegrad countries. The research question of this article is*: Is the approach of these countries viable in the long-term, i.e. are these countries able to increase the presence of women on corporate Boards sufficiently without accepting the proposed European Commission quotas?*

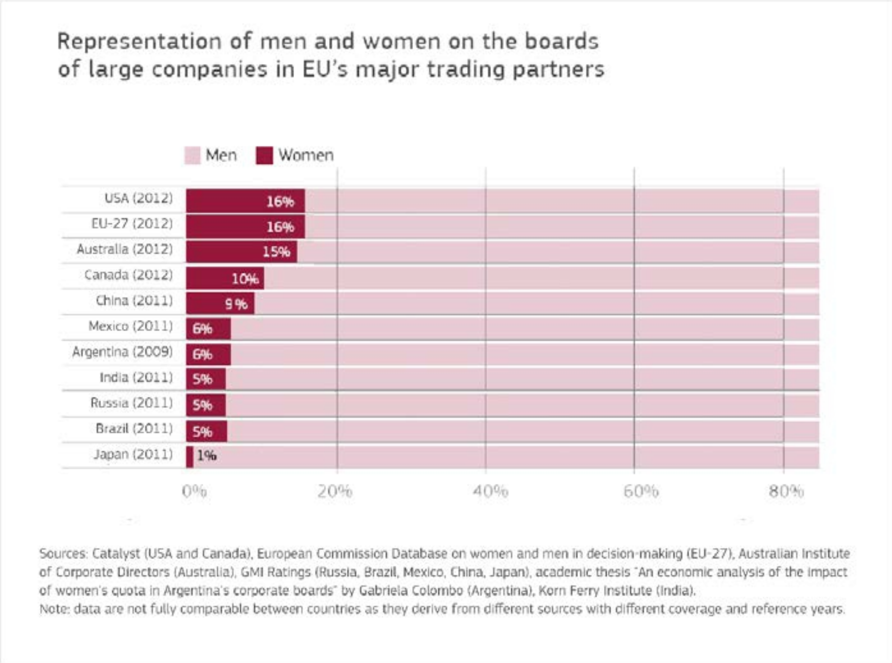
Women in Europe and World

Women potential is still wasted. Employment rate of women, aged 20-64 years, in relatively high across all EU countries ranging from the high-end countries like Sweden (77,2), Denmark (73,4%), Germany (72,7%), Finland (72,2%), Netherlands (71,5%), and Austria (71,3%) to the low-end countries like Spain (53,3%%), Croatia (50,8%), Malta (50,4%), Italy (49,5%), and Greece (43,5%). The average employment rate for women was 62,8% for the whole EU in 2013 Q3 (Labor Force Survey, Eurostat, 2014)

Also, female demonstrate significantly better education level. Their tertiary attainment at age group 30-34 ranges from the highest reached levels at Ireland (57,9%), Lithuania (56,7%), Finland (55,4%), and Cyprus (55,5%) to the lowest levels at Slovakia (28,2%), Italy (26,3%), Malta (24,0%), and Romania (23,2%). The average tertiary education attainment for women aged 30-34 for the whole EU in 2012 was 39,9% (Labor Force Survey, Eurostat, 2014).

However, there are only a few women that hold significantly important positions at Corporate Boards, both in U.S., Europe and other important economies – the highest representation is to be found in the USA (16%), followed by EU-27 (16%), Australia (15%), and Canada (10%); and the lowest in Brazil, Russia and India (5% each), and Japan (1%). (Gender equality in the Member States, 2012)

Figure 1: Representation of men and women on the corporate boards of large companies in EU's major trading partners (2012, % of total)



Also, there are strong economic arguments supporting higher presence of women on Boards. Company Catalyst has started monitoring of relationship between the presence of women and corporate performance long time ago and brought results of positive financial benefits of such companies as of 1996 (Catalyst, 2011). Similar results can be found at reports of other respected companies. The global consulting company McKinsey says in the report Women Matter 2010 that "companies with the highest share of women outperform companies with no women in terms of return on equity, the top-quartile group exceeds by 41% the group with no women, and in terms of operating results, the more gender-diverse companies exceeds by 56% the group with no women."(McKinsey&Company, 2010, p. 11). Other studies demonstrate corporate boards' diversity as a prerequisite of Responsible Leadership. (Zadrazilová , 2011)

Positive correlation was also stated in the Credit Suisse 2012 study, analyzing database of the 2,360 companies constituting the MSCI AC World Index, concludes that companies with at least one female on board outperformed those with no women on board by 26% in terms of share price performance since 2005.(Credit Suisse, 2013)

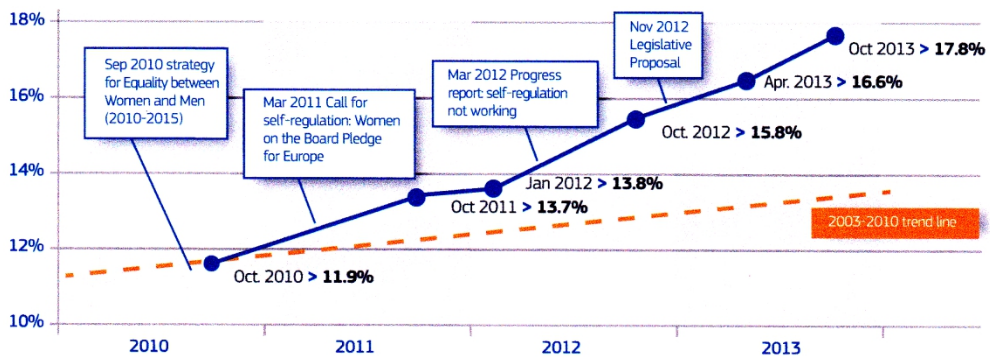
Combined with economic problems of Europe such as ageing population (WHO, 2012) (Eurostat, 2012), failed multiculturalism

("Merkel," 2010) ("Multiculturalism has failed - PM," 2011) ("Sarkozy declares multiculturalism 'a failure,'" 2011), globalization pressures from BRICS and developing countries (Goldstone, 2012) (EY, n.d.) European economies need to act.

Hence, the European Commission proposed a new legislation to increase number of qualified women on Boards of large companies listed on stock exchange in November 2012. „The proposed Directive sets an objective of a 40% presence of the under-represented sex among non-executive directors of companies listed on stock exchanges. Companies which have a lower share (less than 40%) of the under-represented sex among the non-executive directors will be required to make appointments to those positions on the basis of a comparative analysis of the qualifications of each candidate, by applying clear, gender-neutral and unambiguous criteria. Given equal qualification, priority shall be given to the under-represented sex. The objective of attaining at least 40% membership of the under-represented sex for the non-executive positions should thus be met by 2020 while public undertakings – over which public authorities exercise a dominant influence – will have two years less, until 2018. The proposal is expected to apply to around 5 000 listed companies in the European Union. It does not apply to small and medium-sized enterprises (companies with less than 250 employees and an annual worldwide turnover not exceeding 50 million EUR) or non-listed companies."(European Commission, 2012)

The enclosed Figure demonstrated the major EC impulses and consequents improvements in the gender balanced representation of men and women on the boards.

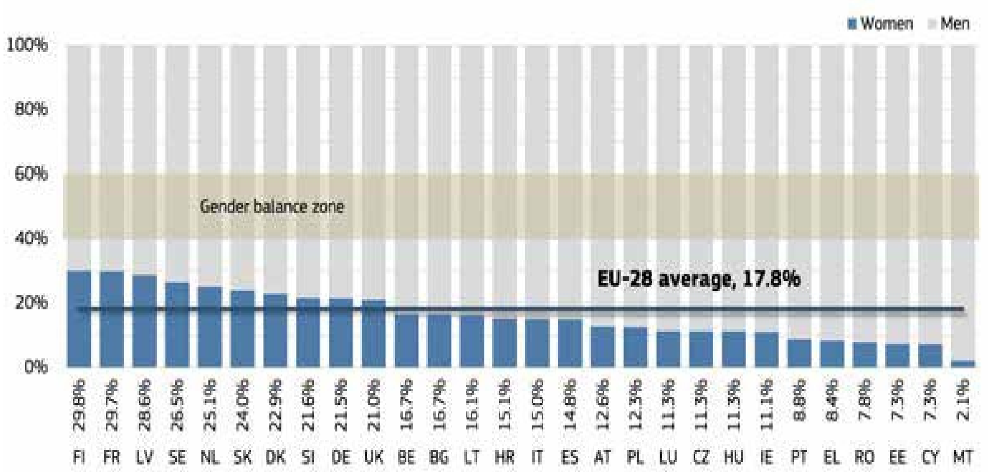
Figure 2: Share of women and men on the corporate boards of large listed companies in the EU, October 2010 – October 2013



Source: European Commission, Database on women and men in decision-making

And the debate opened by the European Commission already brings its first results: The most recent figures (October 2013) demonstrate that women account on average for **17,8% of board members** of the largest publicly listed companies in the EU-28. The highest levels of female representation on boards occurs in Finland (29,8%), France (29,7%), closely followed by Latvia (28,6%) and Sweden (26,5%). (European Commission, 2014)

Figure 3: Representation of women and men on the boards of large listed companies in the EU, October 2013



Source: European Commission, Database on women and men in decision-making

Surprisingly, there are still countries resistant to adopt any changes and have not introduced or proposed any regulatory measures yet. In some of these countries, even representative of top political parties are publicly deriding and refusing to even open the debate of supporting number of women at top corporate positions by any regulation. These countries are Bulgaria, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Ireland, Latvia, Lithuania, Malta, Portugal, Romania, Slovakia, and Slovenia. (European Commission, 2012)

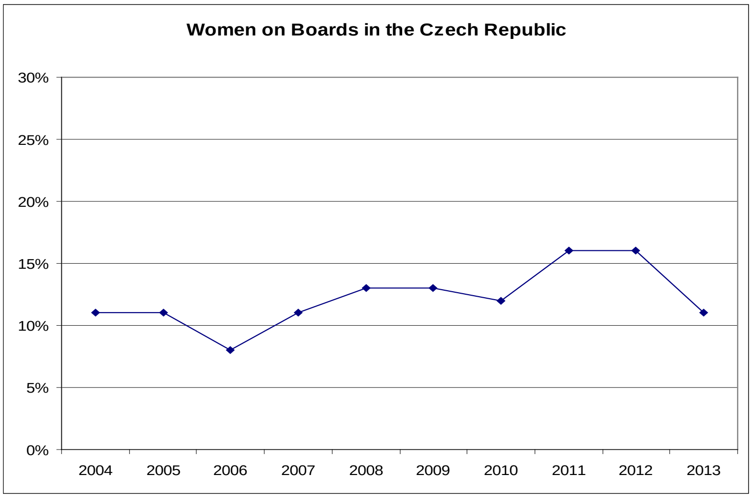
The author of this article previously demonstrated that there will not be 40% of women on Boards by 2020 in Bulgaria, the Czech Republic, Greece, Portugal, Romania, and Slovakia. (Křečková 2013a, Křečková 2013b, Křečková 2013c, Křečková 2014).

Situation in the Czech Republic, Slovakia, Poland and Hungary

In the *Czech Republic* the female employment rate reached 63,9% at 2013 Q3 (LFS Eurostat, 2014). The education level of women is also high as the tertiary education attainment at age group 30-34 was 29,1% for women compared to 22,4% for men in 2012 (LFS, Eurostat, 2013).

Number of women on boards has been fluctuating between 9-16%, and sharply dropped in 2013. There also exists no type of regulation in terms of women participation on Corporate Boards. (“Gender equality in the Member States.pdf,” n.d.)

Figure 4: Women on Boards in the Czech Republic

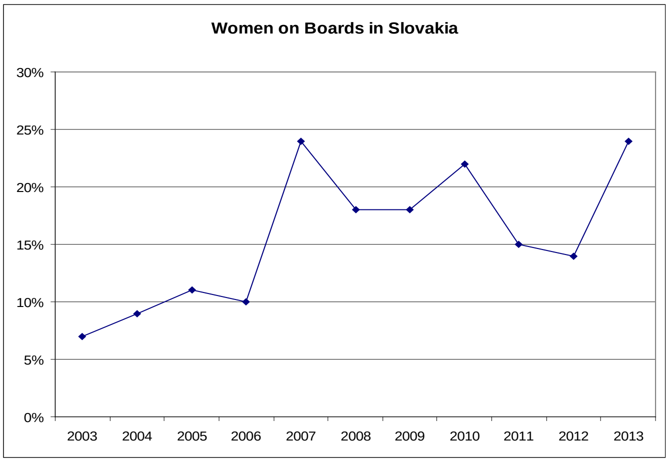


Source: Gender balance in decision-making positions/Database/Business and finance. [online]. [4th May 2014]. Available at: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm

In *Slovakia* the female employment rate reached 58,0% at 2013 Q3 (LFS Eurostat, 2014). The education level of women is also high as the tertiary education attainment at age group 30-34 was 28,2% for women compared to 19,4% for men in 2012 (LFS, Eurostat, 2013).

Number of women on boards has been fluctuating between 7-24%, and sharply increased in 2013. There also exists no type of regulation in terms of women participation on Corporate Boards. ("Gender equality in the Member States.pdf," n.d.)

Figure 5: Women on Boards in Slovakia

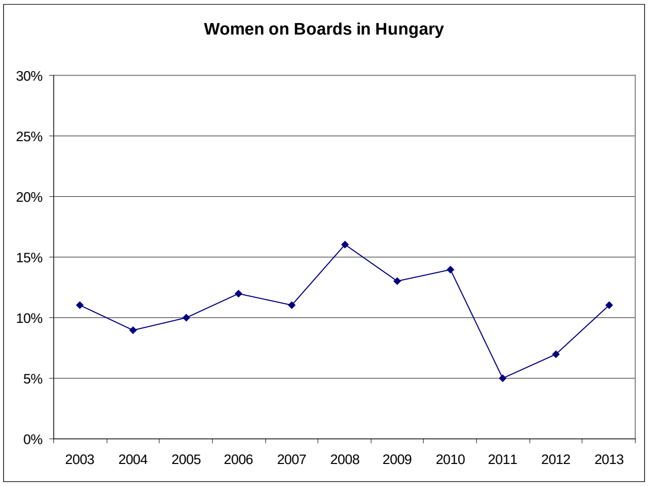


Source: Gender balance in decision-making positions/Database/Business and finance. [online]. [4th May 2014]. Available at: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm

In *Hungary* the female employment rate reached 57,2% at 2013 Q3 (LFS Eurostat, 2014). The education level of women is also high as the tertiary education attainment at age group 30-34 was 35,5% for women compared to 24,7% for men in 2012 (LFS, Eurostat, 2013).

Number of women on boards has been fluctuating between 5-16%, and sharply increased in 2013. There also exists no type of regulation in terms of women participation on Corporate Boards. ("Gender equality in the Member States.pdf", n.d.)

Figure 6: Women on Boards in Hungary



Source: Gender balance in decision-making positions/Database/Business and finance. [online]. [4th May 2014]. Available at: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm

The female employment rate is very high in *Poland* reaching 58,2% in 2013 Q3 (LFS, Eurostat, 2014). The education level of women is also high as the tertiary education attainment at age group 30-34 was 46,5% for women compared to 31,9% for men in 2012 (LFS, Eurostat, 2013).

Number of women on boards has been pretty stable figure between 9 and 12% over the past 10 years. And there exists the following regulation in Poland: "Self-regulation: Corporate Code of 2010 recommends listed companies to ensure a balanced gender proportion in management and supervisory boards (executives and non-executives). Companies are required to report on their compliance with the code." ("Gender equality in the Member States.pdf", n.d.)

Figure 7: Women on Boards in Poland

Source: Gender balance in decision-making positions/Database/Business and finance. [online]. [4th May 2014]. Available at: http://ec.europa.eu/justice/gender-equality/gender-decision-making/database/business-finance/index_en.htm

Research methodology

There are four hypotheses to be tested:

Hypothesis H1: The Czech Republic is not able to reach 40% of the under-represented sex among non-executive directors of companies listed on stock exchanges by year 2020 by current rate of growth.

Hypothesis H2: Slovakia is not able to reach 40% of the under-represented sex among non-executive directors of companies listed on stock exchanges by year 2020 by current rate of growth.

Hypothesis H3: Hungary is not able to reach 40% of the under-represented sex among non-executive directors of companies listed on stock exchanges by year 2020 by current rate of growth.

Hypothesis H4: Poland is not able to reach 40% of the under-represented sex among non-executive directors of companies listed on stock exchanges by year 2020 by current rate of growth.

Research method used is Time series analysis, specifically the linear trend approach.

The linear trend T is described as

$T_t = a_0 + a_1 t,$

where a_0, a_1 parameters and t represents time.

By running the model based on the European Commission data of "Gender balance in decision-making positions" (European Commission, 2014), the equation of estimated linear trend for the Czech Republic is:

$T_t = 9{,}6 - 0{,}47 \cdot t$
for Slovakia is:
$T_t = 15{,}93 - 1{,}04 \cdot t$
for Hungary is:
$T_t = 11{,}75 - 0{,}15 \cdot t$
for Poland is:
$T_t = 9{,}27 + 0{,}3 \cdot t$

Given the hypothesis tested, in year 2020, there will be only 17,64% of women on Boards in the Czech Republic, only 30,36% of women on Boards in Slovakia, only 8,96% of women on Boards in Hungary, and only 14,32% of women on Boards in Poland based on this model.

All hypotheses H1, H2, H3, and H4 are supported.

When trying to look at the issue from the other side, i.e. "When will these countries reach the representation of 40% of women on the Boards", the conclusions based on the model show that only Slovakia is approaching the goal by year 2028, being the most progressive country within the Visegrad region. Unfortunately, all the other analyzed countries are manifesting less positive results. The Czech Republic will reach the target in 2068 while Poland will reach it in 2107, in case both would be following the same approach as in the past. However, the situation in Poland may improve given the self-regulatory measure at Corporate Code approved in 2010.

And there is even worse scenario of development in Hungary, where the trend shows decreasing number of women on Boards. Hence, the desired goal of 40% of women at the Boards will never be reached with the current approach in the country.

Conclusion

When looking at the above model results there will not be sufficiently high representation of women on Boards at any of four Visegrad countries if they follow the same pattern on behavior as they did so far. However, Poland approved self-regulatory measure in 2010, so it can be interesting to observe the future development of this country. The rest of Visegrad countries will probably follow in lagging behind the EU trend, unless they adopt some regulative or self-regulative measure soon. The organic trend is not sufficient to help to reach the desired target of balanced representation of men and women on corporate boards.

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