Campaign for Merit in Business
PO Box 2220
Bath

Email: mikebuchanan@hotmail.co.uk
Web: http://c4mb.wordpress.com
Mob: 07967 026163

Document emailed to biscom@parliament.uk

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Dear Sir / Madam,

This is the cover letter for the written submission of Campaign for Merit in Business to the DBIS Select Committee inquiry investigating 'Women in the Workplace'. The campaign is attracting more attention with every passing month. I was recently interviewed by Martha Kearney for her BBC Radio 4 programme *The World at One*, by Nick Ferrari for his LBC show, and in two days' time I shall be interviewed for the BBC1 programme *Sunday Morning Live*.

I confirm the following:

- my wish to appear as a witness, along with our Research Director, Michael Klein, before the Select Committee, to give oral evidence, and to be questioned by Committee members; and
- my wish to present to the Select Committee the lecture I presented to a capacity audience recently at the Institute of Economic Affairs. It was considered by senior people at the IEA to have been highly successful in presenting the robust factual case against 'improving' gender diversity on corporate boards, an 'improvement' which would *inevitably* harm UK plc. It would take only 25-30 minutes.

In April my article 'The gender diversity delusion' (attached) was published on the website of the Institute of Economic Affairs. I also attach an article titled 'Socialism's Trojan Horse: "improved" gender balance in the boardroom', published recently by *The Commentator*.

Yours sincerely,

Mike Buchanan
CHIEF EXECUTIVE

CAMPAIGN FOR MERIT IN BUSINESS

MEMORANDUM SUBMITTED TO THE DBIS SELECT COMMITTEE INQUIRY INTO 'WOMEN IN THE WORKPLACE'

SUBMISSION DATE: 12 OCTOBER 2012

TABLE OF CONTENTS

EXECUTIVE SUMMARY

1. The government is committed to 'improving' gender diversity in the boardrooms of publicly-listed companies (henceforth 'GDITB'). Its continuing threats of legislated minimum quotas for women on FTSE100 boards has caused a fourfold increase in the proportion of new FTSE100 directors who are women, in the space of just two years (up from 13% in 2010, to 55% over March – August 2012).

2. It's confidently and regularly claimed by politicians and other advocates of GDITB that corporate performance will be improved by GDITB. We show that there's no evidence to support this position. Four robust studies which investigated the link between GDITB and corporate performance showed clearly that corporate performance *declined*. We cite the studies and provide their Abstracts.

3. One of the four studies relates to the damaging impact on Norwegian publicly-listed companies of introducing legislated quotas for women on boards. The UK government's continuing threats of quotas is driving poorly-qualified women onto FTSE100 boards. This can only damage British companies, in turn leading to reduced corporation tax receipts, reduced private sector employment, reduced income tax receipts…

4. Government policies (and legislation) with regard to 'women in the workplace' assume (or imply) that men and women have the same attitudes to work/life balance, and when presented with the same choices, will typically make similar decisions. This assumption is *deeply* flawed. We present a short synopsis of Preference Theory, a theory first published in 2000 by a renowned sociologist at the London School of Economics, Dr Catherine Hakim. It shows women are *far* less likely than men to be 'work-centred' (by a factor of four). This theory alone accounts for most of the gender 'imbalances' we observe in senior executive positions in general, and in major corporate boardrooms in particular.

5. It's assumed in the framing of government policies (and legislation) that senior-level men discriminate against women in recruitment and promotion terms. In common parlance, the 'old boy's network' creates a 'glass ceiling'. This is a baseless conspiracy theory, and the truth is quite the opposite. By way of illustration, many FTSE100 chairmen are members of the 30% club, a highly effective organisation campaigning for GDITB. They're committed to increasing the proportion of women on their boards, oblivious to the evidence that in doing so they will damage their companies' performance.

6. The CBI, as the leading representative body for major employers, should be critically examining the business cases for and against 'improving' GDITB, and advising government accordingly. We show that the CBI isn't performing this vital role. It has for some time (since 2010, at least) been a strong promoter of GDITB, and remains unwilling to review the evidence showing that GDITB will damage UK plc.

7. The sources upon which the government draws for advice on gender issues in the workplace are of similar ideological outlooks. We believe that a more reasoned, scientifically sound, informed and balanced debate on GDITB is long overdue, drawing upon a wider range of perspectives and research evidence. We should like the opportunity to actively participate in that debate.

8. We make a number of recommendations including:

8.1 The government should immediately and publicly announce the suspension of its threats of quotas for women on boards if FTSE100 companies haven't achieved 25% female representation on their boards by 2015.

8.2 The government should suspend its support for *all* GDITB initiatives until and unless it has a solid evidence base to support its claim that GDITB can reasonably be expected to result in improved corporate performance – in plain English, that a positive link has been shown to exist. We show in this memorandum that no such evidence currently exists. The only causal links reported in academic studies clearly show that corporate performance *declines* following GDITB.

8.3 Government departments and commissions – including the Department of Business, Innovation and Skills, the Equality and Human Rights Commission, and the Equalities Office – should engage with a broader range of advisors and researchers, as should all publicly-funded organisations working to promote or enable GDITB. We recommend a number of suitable organisations and individuals.

8.4 An independent body should assess whether publicly-funded bodies have consulted sufficiently widely and taken reasonable account of those consultations in their reports and proposed policies and legislation. In the event of a failure in this regard, public funding should be withdrawn from the bodies.

A BRIEF INTRODUCTION TO THE SUBMITTER

1. Mike Buchanan, Chief Executive of Campaign for Merit in Business, was a business executive and consultant for 30 years until 2010, working in senior executive roles (or management consulting roles) at numerous blue chip organisations including:

Conservative party	Gillette
SmithKline Beecham	Exel Logistics
Rank Hovis McDougall	Revlon

2. Mike retired from business in 2010 (at the age of 52) to pursue his ambition of writing and publishing books. His first book *Profitable Buying Strategies* (2008) has been a strong seller internationally for its publisher, Kogan Page. He's since written eight books, one of which is highly relevant to the areas of interest to this inquiry, *The Glass Ceiling Delusion: the real reasons more women don't reach senior positions* (2011). A small sample of the testimonials the book has received is provided after this section.

3. Drawing on his 30 years' experience in major organisations, Mike realised the commonly-held belief that men discriminated against women in the workplace, especially when appointing board directors – the 'glass ceiling' – wasn't rooted in reality. It would therefore be expected that the 'solution' to the 'problem' of women's low representation on corporate boards would be highly flawed, and possibly counter-productive and risky. This has turned out to be the case.

4. In April 2012 Mike launched Campaign for Merit in Business. It campaigns for merit to be the sole basis for appointing board directors, and for the government to withdraw its threats of legislated quotas for women on boards. He works full-time for the campaign and invests his own money in it. He authors the associated blog http://c4mb.wordpress.com. He's supported in numerous ways by people who share his strong belief in meritocracy and his aversion to ideologically-inspired social engineering initiatives including GDITB. One of these individuals, Michael Klein, the noted scientific consultant and adviser, was recently appointed the Research Director of the campaign. Michael is recognised as having considerable expertise with respect to reviewing scientific papers, and he's applied this expertise to critique numerous studies, reports, and other publications concerning the impact of gender diversity on corporate performance. He has contributed strongly to the preparation of this memorandum.

5. Mike Buchanan and Michael Klein attended a number of the recent House of Lords Select Committee meetings reviewing the cases for and against EU-imposed quotas for women on boards, and their written submissions were published in due course by the committee:

   http://c4mb.files.wordpress.com/2012/07/120726-house-of-lords-sub-committee-written-evidence-submitted.pdf

Equality of opportunity is a fine thing but equality of outcome is another matter entirely. There is little doubt that men and women have, on average, different talents and interests that make gender quotas in the workplace unfair and impractical. *The Glass Ceiling Delusion* is a welcome, well-argued addition to the debate about whether women should be pushed up the social ladder just because they are women, and thus at a presumed disadvantage. This is rather an insult to women and Margaret Thatcher, for one, would not have agreed. Individuals should be treated as individuals, not as members of a particular race, class or gender. Whatever the historic injustices, this is the only way that social structures can evolve naturally.
Glenn Wilson Visiting Professor of Psychology, Gresham College, London

The Glass Ceiling Delusion attacks head-on the militant feminist myth that men and women have the same interests and capabilities. Reviewing a wide range of evidence, Mike Buchanan shows that the under-representation of women in senior positions in business has nothing to do with discrimination and 'glass ceilings', and that attempts to impose quotas are therefore fundamentally flawed. A polemical book with an important message.
Peter Saunders Emeritus Professor of Sociology, Sussex University

The Glass Ceiling Delusion makes a significant counter-argument to the debate about women in boardrooms, and for this reason alone it deserves to be read. Whilst I'm personally too old to enter the fray, I'd nonetheless like to add that every scholarly study I've read about women in management during the past fifteen years indicates that successful women have exactly the same characteristics as successful men. All my life I've admired successful women as much as successful men and have had the privilege of working for and with many of them. A typical example is the brilliant Diane Thompson of the Camelot Group. Another is Professor Lynette Ryals, Pro-Vice-Chancellor of my own University. Women like this get to the top on sheer talent; they have no need of a 'gender agenda'.

In this debate, however, we also need to be aware that we need pressure groups to ameliorate deep-seated prejudices in society, but a point is inevitably reached beyond which we must let meritocracy in a free society take over, otherwise we enter the dangerous domain of social engineering. The irony is that Mike Buchanan's own movement, Campaign for Merit in Business, is also a pressure group. So, whilst I don't agree with everything he says and does, I believe his book at least deserves to be read and seriously considered, preferably dispassionately.
Malcolm McDonald Emeritus Professor, Cranfield School of Management

At long last, someone has taken on the myth of discrimination against women who aspire to senior positions in business, including the boardrooms of major corporations. *The Glass Ceiling Delusion* demythologizes each of thirty elements the author has identified of the now generally accepted claim that women are discriminated against in the world of white-collar work. Much has been accomplished recently in disclosing the half-truths about women and domestic violence, for example, but Buchanan illuminates an area that other critics of ideological feminism have not considered. Buchanan's analysis is based partly on his experience of working as an executive for major British and American multinational corporations for over 30 years until 2010. His book should inspire research on settings of corporate power everywhere. Always witty and sometimes even biting in style, Buchanan's text is grounded in important texts in psychobiology, sociology, history and politics. It is an impassioned yet not angry argument that deserves the careful attention of policy-makers and a general readership.
Professor Miles Groth PhD Editor, *New Male Studies: An International Journal*

The Glass Ceiling Delusion is an important and brave book, the best book on social economics and society in general published for decades. It's irresistibly compelling, cogently argued and superbly put together. It should be in all school and college libraries. It should be compulsory reading for social science, economics and politics students. It should be force-fed to male and female politicians. This is definitely a five-star book. **Brilliant. Brilliant. Brilliant. Brilliant. Brilliant.**
Dr Vernon Coleman bestselling English author

COMMENTS ON TOPICS THE COMMITTEE WILL CONSIDER

Our comments on the topics we're informed the Committee will consider:

1. **Do the Gender Equality Duty and the Equality Act go far enough in tackling inequalities, such as the gender pay gap and job segregation, between men and women in the workplace?**

1.1 'Inequalities' result from the well-documented differences between men's and women's freely made choices with regard to paid employment. Most men and women make gender-typical choices reflecting their gender-typical natures. These explain 'gender pay gaps' and 'job segregation', which have *nothing* to do with women being disadvantaged relative to men. To take an obvious example, men are more likely than women to wish to become engineers, women are more likely than men to wish to become nurses, and because of the laws of supply and demand engineers are paid more highly than nurses. Far from not going far 'enough', The Gender Equality Duty and the Equality Act go *too far* in tackling 'inequalities'.

1.2 As is generally the case with most 'inequalities' discovered by feminists, it's methodologically unsound to take a single observation at the macro level and claim – if it shows unequal distribution – that it shows inequality. Most differences found on a macro level can most easily be explained by looking at just one or two other variables. Consider, for example, the macro distribution which shows Members of Parliament travel more than average citizens. Would anyone seriously call this an inequality which needed to be 'tackled' either by means of travel restrictions for MPs, or more travel for other citizens?

1.3 The German Statistical Office looked into the 'gender pay gap' and controlled for differences between men and women with regard to education, choice of profession, seniority, and some other variables which influenced earnings (Statistisches Bundesamt, 2010). Simply by explaining earnings as a result of qualifications, education, and time spent at work, the gender pay gap narrowed from 23% to 8%. This was the first time that an official agency had admitted that the gender pay gap was what is termed a 'statistical artefact' by scientists. The artefact can be arbitrarily produced, as demonstrated by Michael Klein, who has carried out work for the European Union on the Eurobarometer project. He showed conclusively that by using the well-documented fact that men work longer hours than women, and by assuming (in concordance with reality, as shown, e.g. in the 'Gender Equality Strategy Statistics: 2011 Update of OFMDFM', p.65) that people working overtime will get higher wages per hour, and by using the same formula the European Commission suggests for calculating the gender pay gap, the gap could be opened and narrowed at will. Hence, evidence suggests that the gender pay gap is a statistical artefact.

Material sources:

Michael Klein (2011). Nachtrag zum Gender Pay Gap.
http://sciencefiles.org/2011/04/22/nachtrag-zum-gender-pay-gap
Office of the First Minister and Deputy Minister (OFMDFM) (2011). Gender Equality Strategy Statistics: 2011 Update. Belfast: OFMDFM Research Branch.
Statistisches Bundesamt (2010). Verdienstunterschiede zwischen Männern und Frauen, 2006. Wiesbaden: Statistisches Bundesamt. [Differences in Pay between Men and Women]. Available at:
https://www.destatis.de/DE/Publikationen/Thematisch/VerdiensteArbeitskosten/Verdienstunterschiede/VerdienstunterschiedeMannFrau5621001069004.pdf?__blob=publicationFile

1.4 Current legislation on equality of opportunity is more than adequate, legislation shouldn't be used to drive equality of *outcomes*. It's important to distinguish between equality – equality of outcomes in particular – and equity. Differences in distributions are first and foremost inequalities of outcome, however, whether these inequalities are the result of discrimination is an entirely different question, which mustn't be confused with questions of distribution. To show that women are discriminated against with respect to pay would require the production of evidence showing individual women doing the same job, working the same hours, having the same experience, in short being and doing exactly the same that men do and are, but being paid less. Until now, not a single shred of evidence has been produced which shows that women comparably equipped as men are paid less for identical work. Hence, unequal distributions point to equity, and equity means that for more input you would expect to gain relatively more output. Inevitably, more input from some people will result in unequal output distributions. To level these unequal distributions would violate the principle of equity and deter people from making more input than others, it would destroy the very basis of a market economy which grants its participants a reward *relative to the efforts they make*.

1.5 Numerous articles and books have been written explaining the different choices made by men and women with respect to the world of work, and the consequences for the 'gender pay gap' and 'job segregation'. A selection of books covering this area and related areas, including the different natures of gender-typical men and women:

Baron-Cohen, (Professor) Simon (2003), *The Essential Difference* (London: Allen Lane).
Benatar, (Professor) David (2012), *The Second Sex: Discrimination Against Men and Boys* (London: Blackwell).
Brizendine, (Professor) Louann (2007), *The Female Brain* (London: Bantam Press).
Buchanan, Mike (2011), *The Glass Ceiling Delusion: the real reasons more women don't reach senior positions* (Bedford: LPS publishing).
Farrell, (Dr.) Warren (1993), *The Myth of Male Power: Why Men Are the Disposable Sex* (New York: Simon & Schuster).
Farrell, (Dr.) Warren (2005), *Why Men Earn More – The Startling Truth Behind The Pay Gap and What Women Can Do About It* (New York: Amacom).

Moir, (Dr.) Anne and Bill (1998), *Why Men Don't Iron: The Real Science of Gender Studies* (London: HarperCollins).

Moxon, Steve (2008), *The Woman Racket* (Exeter: Imprint Academic).

Nathanson, (Dr.) Paul, and (Professor) Young, Katherine K, (2006), *Legalizing Misandry: From Public Shame to Systemic Discrimination Against Men* (McGill-Queens University Press).

O'Pie, Swayne (2011), *Why Britain Hates Men: Exposing Feminism* (Bath: The Men's Press).

Pinker, (Professor) Steven (2003), *The Blank Slate: The Modern Denial of Human Nature* (London: Penguin).

Pinker, (Professor) Susan (2008), *The Sexual Paradox: Men, Women, and the Real Gender Gap* (New York: Scribner).

2. What steps should be taken to provide greater transparency on pay and other issues, such as workforce composition?

2.1 The premise of this question is that there is a *need* for more transparency on pay and (at least) workforce composition. The question here is whether one subscribes to this premise or not. Clearly this greater transparency is suggested because proponents suspect that firms hide something sinister with respect to pay by gender distribution. However, if they only suspect, how can they be so sure about its existence? Either they have evidence to back their claim, or they don't. If they have evidence to prove a gender pay gap, then there is no need for further steps. But if they have no evidence, and rely only on suspicion, than they cannot claim the existence of a gender pay gap in the first place. Apart from the logical contradiction exposed in this question, *no* such steps should be taken. The financial viability of the private sector rests upon business owners running their businesses as they see fit, free from the influence of ideologically-inspired initiatives from the government, whether impacting on the companies through legislation, the threat of legislation, or other means.

3. What has been the impact of the current economic crisis on female employment and wage levels?

3.1 Again, the premise of the question is telling. Why should a macro crisis which didn't distinguish between Western economies, and hit the German economy with its export orientation in very much the same way as it hit the Greek economy which has a minuscule export sector, distinguish between women and men? What evil forces are suspected to be at work here? And how are they expected to translate into daily practices? Did Lehman Brothers treat female employees differently to male employees, or have they been made redundant in very much the same way? Why should the owner of a business which struggles with the financial crisis, e.g. because government-owned banks store public funds made available to them rather than lending them to business customers, prefer firing female staff over male employees? Do politicians expect managers and firm owners to be guided by the same obsession as they are – gender, that is – or will politicians allow managers and business leaders to consider merit and human capital, and base decisions on the benefit that a particular employee provides for the firm? If so, then politicians must admit that managers and firm owners should retain employees who are important for the firm, and fire those who are dispensable.

3.2 Given that women are markedly more likely than men to work in the public sector, they've been preferentially cushioned from the impact of the current economic crisis. Unemployment among men remains higher than among women. Why is the government not addressing *this* 'gender gap' in policy terms?

4. How should the gender stereotyping prevalent in particular occupations, for example in engineering, banking, construction, and the beauty industry, be tackled?

4.1 It is curious to see the stereotypes being presented here. Why have engineering and banking been chosen as pinnacles of male occupation, and the beauty industry as one of female occupation? Why not use teaching as a female-dominated occupation, and lorry driving as a male-dominated occupation? And what is the basis upon which the person who formulated this question accuses the respective industries to be as equally in the business of gender stereotyping as they are? There is not a shred of empirical evidence that proves the accusation. Again, an unequal distribution is taken and interpreted as discrimination.

4.2 It's implied that because more women work in the beauty industry and more men work in engineering there must be stereotyping at work. Because such jumping to conclusions has already been shown to be erroneous, we shall concentrate on another distinction which social psychologists make, while politicians seem to be utterly unaware of it.

The distinction is between stereotypes and prejudice. Stereotypes are useful cognitive shortcuts used by people for the purpose of orientation. While it is a stereotype that women are more engaged with means and ways to preserve beauty, this stereotype is nevertheless true with respect to differences between men and women at the group level. The picture may change when looking at the individual level, however. Here we may find Mark X is much more occupied with his physical appearance than Stephanie B with hers. However, so long as people are judged by their own actions and not subjected to stereotyping in the way shown by your question, there is nothing *intrinsically* wrong with stereotypes.

4.3 Stereotypes only become a problem when they transform into prejudices. Prejudices lead to actions, and it means that people who share a common trait are treated equally without respect for their individuality. They are seen as a member of a particular group, e.g. the group of women, and judged as such, without any reference to their individuality. This is very much the way that women and men, working in the beauty industry or in engineering, are treated in your question. Therefore, to suggest that the prevalence of men in construction and the prevalence of women in the beauty industry is 'gender stereotyping' is a flawed ideological construct and truly absurd. It follows that it does not need to be 'tackled'. Many millions of pounds have been spent over *decades* trying to entice women into engineering (to take but one example), with very limited results. Over 90% of engineering graduates are men, even today. It's time the government stopped wasting taxpayer's money on such social engineering initiatives.

5. What more should be done to promote part-time work at all levels of the workplace and to ensure that both women and men have opportunities to gain senior positions within an organisation while working part time?

5.1 Why should one wish to promote part-time work? This question reveals a hidden agenda which can be constructed in a number of ways. Either part-time work will alleviate pressure from the job market, which rests on the assumption that there are too many job seekers for too few jobs, or the question alludes to some odd idea of work-life balance which suspects people value leisure time over working time. Since the business case for part-time work has yet to be made, it's curious that it's put forward by politicians. Politicians should realise that transformation economies in e.g. South-East Asia are catching up quickly, and are doing so by expecting people to work full-time.

5.2 The renowned economist Michael Porter (editor of the World Competitiveness Report) has suggested a differentiation between nations, which separates factor-driven economies from innovation-driven economies, the former relying on factors like human capital (mainly through an ability to provide cheap labour) while the latter gain their comparative advantage by relying on intellectual capital. However, there's a fine line drawn by Porter which distinguishes between an innovation-driven economy and a wealth-driven economy, which is depicted as one of 'drift and ultimate decline': Porter, Michael, (1990), *The Competitive Advantages of Nations* (New York: Free Press, p.546). So long as nations compete with each other, it's necessary to make the best use of the workforce available. To promote part-time work is irresponsible, it leads to drift and ultimately decline. It's also illogical to promote part-time work and first-time buyer schemes at the same time, because part-time workers will have serious difficulties securing mortgages.

5.3 Government shouldn't seek to persuade or force businesses to pursue social engineering agendas. *Nothing* should be done to 'promote' part-time work. Your question has been worded this way in recognition of the fact that women are markedly more likely than men to work part-time throughout their working lives. All else being equal, part-time workers will obviously contribute less to their employers than full-time workers. It's therefore absurd for the government to promote the cause of part-time workers gaining senior positions, an initiative which would preferentially advantage women at the expense of men, which is the *real* motivation behind this suggested policy direction.

6. To what extent have the recommendations in Lord Mervyn Davies' Report 'Women on Board' (published in February 2011) been acted upon?

6.1 Unfortunately they have overwhelmingly been acted upon. The report – true to its ideological roots – both assumes and implies a positive link between 'improving' gender diversity on boards and enhanced corporate performance, whilst providing no evidence of such a link. Examples are used to trick the uninformed and possibly naive reader into believing that not only is there a positive relationship between gender diversity on boards and corporate performance, but a *causal* link. A renowned commentator has (justifiably, in our view) described the report as consisting of 'opinions masquerading as facts'.

6.2 There's no evidence from any country to support the theory that increasing the proportion of women on corporate boards leads to improvements in corporate performance. On the contrary, *increasing the proportion of women on corporate boards leads to declines in corporate performance*. Some of the robust evidence to back up this conclusion is presented in the next section of this memorandum, 'Factual information…'. However, results shall be briefly summarised here. The case for increasing female representation in boardrooms is based upon three inter-connected claims:

(1) diversity in boardrooms is 'a good thing';
(2) diversity in general, and more women in particular, have a positive effect on a firm's (financial) performance; and
(3) as Viviane Reding, European Commission Vice-President, puts it, 'a group of middle-aged, business suit wearing men' is hindering women from advancing to top positions by introducing a glass ceiling.

A number of scientists have proved these three claims to be completely unfounded and utterly wrong. Even proponents of more women in boardrooms such as Colette Fagan restrain from claiming there's a business case for women's quotas: Fagan, Colette & Gonzaléz Menédez, Maria C. (2012). Conclusions. In: Fagan, Colette, Gonzaléz Menédez, Maria C & Gómez Ansón, Silvia (eds.). *Women on Corporate Boards and in Top Management. European Trends and Policy*. Basingstoke: Palgrave Macmillan, pp.255-256. We shall return to this book later in this memorandum.

6.3 Three studies – the results of which are reported below – provide the sound empirical basis upon which all claims made by proponents of women's quotas can be refuted. All three studies are based on panel data, which is the best data source available in the social sciences. These results cannot be easily disregarded, and the reliability and validity of the studies is well above those carried out by, or on behalf of, Catalyst and McKinsey (and others).

6.4 The first study was conducted by Kenneth Ahern and Amy Dittmar. They investigated the effect of the mandatory quota introduced by the Norwegian government and found strongly negative effects on Norwegian publicly-listed companies. Due to the unavoidable increase in the number of inexperienced women on boards, decisions were poorer, investments less profitable, liabilities increased, book value slumped, and as a result market value fell too. Because Ahern and Dittmar controlled their results against industry averages, and used a quasi-experimental setting, there is no doubt that the poor performance of boards that triggered the reported results resulted from the quota forced upon Norwegian listed companies.

6.5 The second study has only been published recently in the renowned German Journal 'Kölner Zeitschrift für Soziologie and Sozialpsychologie'. Fabian Ochsenfeld, author of the study, followed university graduates over a period of time and investigated their job histories. He found that male graduates were more likely to hold a top management position ten years after graduation from university than female graduates. However, this difference wasn't the result of discrimination or a glass ceiling, but could be almost entirely explained by differences in choices of discipline and by the decisions of women to start families. Female graduates more often than male graduates studied disciplines which don't lead to top management positions – for example, social work or cultural studies – and female graduates who didn't reach top management positions didn't do so because they decided against doing so, and deciding to have children.

6.6 Finally, a third study conducted by Øyvind Bøhren und Øystein Strøm showed that firm performance was negatively influenced by diversity on boards in general, and diversity created by female members in particular. Again, the authors used panel data and followed the development of companies over time. In doing so, they unearthed results which run counter to almost everything most politicians propose in this area. Firms performed better when boards were almost void of women, when members of boards formed networks with members of other boards or held multiple board memberships and, finally, financially better performing firms didn't have employees' representatives on their boards. Empirical evidence proves false *every* claim made by proponents of women's quotas in boardrooms. Those who neglect this evidence, and go on to demand quotas for women, wilfully and knowingly harm firms and the entire economy.

The studies:

Ahern, Kenneth & Dittmar, Amy (2011), *The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation*.

Bøhren, Øyvind & Strøm, Øystein (2010), *Governance and Politics: Regulating Independence and Diversity in the Board Room*. Journal of Business Finance & Accounting 37(9): 1281-1308.

Ochsenfeld, Fabian (2012), *Gläserne Decke oder goldener Käfig: Scheitert der Aufstieg von Frauen in erste Managementpositionen an betrieblicher Diskriminierung oder an familiären Pflichten?* Kölner Zeitschrift für Soziologie und Sozialpsychologie 64(3): 507-534.

7. To what extent should investors take into account the percentage of women on boards, when considering company reporting and appointments to the board?

7.1 In our view this is a poorly-worded question, particularly the meaning of the word 'considering' in this context. The question seems to be confusing the roles of investors with the roles of directors. Investors should not, in our view, take account of the percentage of women on boards when making investment decisions. And directors should appoint new directors – both executive and non-executive directors – solely on the basis of merit. Investors are expected to base their decisions on an assessment of the relation between return and risk. They are furthermore expected to make the best use of the funds available to them. However, given the mounting evidence of detrimental effects to firms' financial performance caused by increased representation of women on boards, it would be advisable for investors to use information about gender composition of boards to avoid investing in shares of such firms. Besides, the question is an insult to the principle of freedom of will.

8. Why are there still so few women in senior positions on boards, and what are the benefits of having a greater number?

8.1 In contrast to men, women typically have a choice between career and family. As the renowned sociologist Catherine Hakim has repeatedly shown in her studies (Hakim 1991, 2002) 'women' can be divided into three groups, and a synopsis of her Preference Theory is provided later in this memorandum. The three groups are (a) women who are committed to a career (14% of British women aged 16+), (b) women who are committed to family life (17%), and (c) women who are between the two types and are 'adaptive' (69%). The pool for recruiting top managers amongst women is about a *quarter* the size of the pool for recruiting top managers amongst men. Furthermore, women typically study different disciplines compared with men. As Ochsenfeld (2012) showed in his study, these two variables – 'disciplines studied at university' and 'decision to start a family' – explain the different numbers of men and women in top management positions almost entirely. There is no need to assume men build glass ceilings. There are no such things as glass ceilings, as shown comprehensively by Ochsenfeld. There are still 'so few women in senior positions on boards' because of the different natures of gender-typical men and women. Far more men than women thrive in the face of intense competition, and they're more 'hungry' for the rewards which flow from senior positions. This matter is covered at length in numerous books and papers including:

Buchanan, Mike (2011), *The Glass Ceiling Delusion: the real reasons more women don't reach senior positions* (Bedford: LPS publishing).

Hakim, Catherin (2002), *Work-Lifestyle Choices in the 21st Century: Preference Theory.* (Oxford: Oxford University Press).

Hakim, Catherine (1991). *Grateful Slaves and Self-Made Women: Fact and Fantasy in Women's Work Orientations.* (European Sociological Review 7(2): 101-121.)

Moxon, Steve (2008), *The Woman Racket* (Exeter: Imprint Academic).

O'Pie, Swayne (2011), *Why Britain Hates Men: Exposing Feminism* (Bath: The Men's Press).

8.2 We know of no 'benefits' which could be expected to result from having a greater number of women on boards, unless considered from a left-wing ideological standpoint. These possible 'benefits' would be achieved at the cost of a decline in the viability of the business sector. Evidence produced under sections 6.2 to 6.6 includes a number of scientific studies which show women's quotas harm business. Hence, no benefit is to be expected if expectation is based upon scientific research. If, for whatever reason, one chooses to base expectation on hope and faith, one *could* think that firms could benefit from a quota for women, however, with equal validity one could think that the Earth is going to cease rotating within the next fortnight, or that Britain will be struck by a meteorite twice the size of Sweden.

9. How successful is the voluntary code of conduct (a recommendation of the Davies Report) which addresses gender diversity and best practice, covering relevant search criteria and processes relating to FTSE board level appointments?

9.1 In line with one of the recommendations in the Davies Report, the government continues to threaten quotas if FTSE100 companies don't 'voluntarily' achieve 25% female representation on their boards by 2015. This is a perverse use of the word 'voluntarily'. The Davies Report was published in February 2011. In 2010 13% of new FTSE100 director appointments were women. In 2011, 30%. The latest data (March – August 2012) shows a figure of 55%. This is clearly NOT 'voluntary'.

9.2 FTSE100 companies are responding to the threat of legislated quotas in the lowest risk manner possible, by appointing poorly qualified women as non-executive directors. This is, however, the same 'solution' adopted by Norwegian companies in the face of legislated quotas, and we know how damaging that 'solution' was to Norwegian publicly-listed companies. How can we be confident that most of the newly-appointed female directors aren't being appointed on the grounds of merit? In 2012, all the newly appointed FTSE100 female directors have been appointed as non-executives, while all 18 new executive directors were men. There clearly remains a very considerable difference in the relative numbers of men and women qualified for the boards of FTSE100 companies.

FACTUAL INFORMATION FROM WHICH THE COMMITTEE MIGHT BE ABLE TO DRAW CONCLUSIONS, OR WHICH COULD BE PUT TO OTHER WITNESSES FOR THEIR REACTIONS

1. The book *The Glass Ceiling Delusion: the real reasons more women don't reach senior positions* outlines most of our arguments about the genders in the workplace, but for the purpose of this memorandum we shall confine ourselves to providing factual information about two key issues:

   Men's and women's different choices with respect to paid employment; and

   The evidence showing that 'improving' gender diversity on boards will lead to declines in corporate performance, which in turn will negatively impact on corporation tax receipts, business sector employment levels, and income tax receipts. In our view, these are unacceptably high prices to pay for a social engineering initiative.

MEN'S AND WOMEN'S DIFFERENT CHOICES WITH RESPECT TO PAID EMPLOYMENT: CATHERINE HAKIM'S PREFERENCE THEORY

1. Dr Catherine Hakim, an internationally renowned sociologist, is considered a pre-eminent expert on the choices made (and not made) by women with respect to the world of work, and the differences between those choices and the choices made by men. She published her 'preference theory' whilst a Senior Research Fellow at London School of Economics (2000). I've referred extensively to this theory in my books, as have other writers in their books. Dr Hakim would have liked to have offered some written material to the Select Committee, but unfortunately the timing clashed with her move to a new position with a research institute in Berlin, to where she has now moved. She did, however, send me the following note, and gave me permission to include it in this document. You will note her offer to be a witness before the Select Committee:

   > 'I have no objection to appearing as a witness from October onwards. However there is no chance of me writing a formal written submission by early October. I do not have my books with me here, and I have lots of other commitments. So if you want to write something that refers to preference theory, and suggest they invite me as a witness and/or ask for a later written submission, that would be good. You could attach the three-page synopsis of preference theory which I sent you recently.'

2. The synopsis to which Dr Hakim refers follows after this section. I would point out two particularly interesting statistics, from the Table on the third page of the synopsis. 52% of British men (aged 16+) are 'work-centred', compared with just 14% of British women (aged 16+).

   a. This difference in work orientation between men and women (52/14 = 3.7) must surely contribute to the preponderance of men in the senior reaches of major companies, where a strong work ethic is obviously critical to success. All else being equal, we would expect to see 3.7 men for every woman in those levels, i.e. men would take 78.7% of such jobs. But in reality all else is *not* equal. Women are markedly less likely than men to work in the private sector, representing 65.2% of public sector workers, but just 41.1% of private sector workers (source: Unison, 2011). Men have traditionally been more likely than women to work at a senior level in disciplines (e.g. Finance) which are recognised 'routes to the board'. Combining these factors (work ethic, representation in the private sector, and functional discipline) we would expect men to very strongly dominate major corporate boardrooms, as was the case in FTSE100 boardrooms prior to the threats of legislated quotas.

   b. A difference between men and women is even seen with respect to hours worked by 'full-time' workers. Over April-June 2012, on average, full-time female workers worked about 32 hours per week, while men worked about 39 hours (Source: ONS). On average men spend more time commuting to their places of work than women, and men are far more likely to engage in lines of work which take them away from their homes and families for extended periods of time (e.g. deep sea fishing, long distance lorry driving…). The least desirable jobs (taking into account combinations of low pay, unsocial hours, unhealthy working conditions, risk to life and limb etc.) are virtually the sole preserves of men. Such jobs have been describes as being in the 'glass cellar'. Well over 90% of work-related deaths in the UK are of men. Why is the government not seeking to encourage and legislate for gender balance in *these* lines of work?

Table 1 The four central tenets of Preference Theory

1. Five separate historical changes in society and in the labour market which started in the late twentieth century are producing a qualitatively different and new scenario of options and opportunities for women. The five changes do not necessarily occur in all modern societies, and do not always occur together. Their effects are cumulative. The five causes of a new scenario are:

   - the contraceptive revolution which, from about 1965 onwards, gave sexually active women reliable control over their own fertility for the first time in history;
   - the equal opportunities revolution, which ensured that for the first time in history women had equal access to all positions, occupations and careers in the labour market. In some countries, legislation prohibiting sex discrimination went further, to give women equal access to housing, financial services, public services, and public posts;
   - the expansion of white-collar occupations, which are far more attractive to women than most blue-collar occupations;
   - the creation of jobs for secondary earners, people who do not want to give priority to paid work at the expense of other life interests; and
   - the increasing importance of attitudes, values and personal preferences in the lifestyle choices of affluent modern societies.

2. Women are heterogeneous in their preferences and priorities on the conflict between family and employment. In the new scenario they are therefore heterogeneous also in their employment patterns and work histories. These preferences are set out, as ideal types, in Table 2. The size of the three groups varies in rich modern societies because public policies usually favour one or another group, as shown in Table 3.

3. The heterogeneity of women's preferences and priorities creates conflicting interests between groups of women; sometimes between home-centred women and work-centred women, sometimes between the middle group of adaptive women and women who have one firm priority (whether for family work or employment). The conflicting interests of women have given a great advantage to men, whose interests are comparatively homogeneous; this is one cause of patriarchy and its disproportionate success.

4. Women's heterogeneity is the main cause of women's variable responses to social engineering policies in the new scenario of modern societies. This variability of response has been less evident in the past, but it has still impeded attempts to predict women's fertility and employment patterns. Policy research and future predictions of women's choices will be more successful in future if they adopt the Preference Theory perspective and first establish the distribution of preferences between family work and employment in each society.

Source: Hakim, *Work-Lifestyle Choices in the 21st Century*, Oxford University Press 2000, p 7.

Table 2 Classification of women's work-lifestyle preferences in the 21st century

Home-centred	**Adaptive**	**Work-centred**
20% of women: varies 10% - 30%	60% of women: varies 40% - 80%	20% of women: varies 10% - 30%
Family life and children are the main priorities throughout life.	This group is most diverse and includes women who want to combine work and family, plus drifters and unplanned careers.	Childless women are concentrated here. Main priority in life is employment or equivalent activities in the public arena: politics, sport, art etc.
Prefer *not* to work.	Want to work, but *not* totally committed to work career.	Committed to work or equivalent activities.
Qualifications obtained as cultural capital.	Qualifications obtained with the intention of working.	Large investment in qualifications/ training for employment/other activities.
Number of children is affected by government social policy, family wealth, etc. Not responsive to employment policy.	This group is *very* responsive to government social policy, employment policy, equal opportunities policy / propaganda, economic cycle/recession/growth etc. Including – income tax and social welfare benefits; educational policies; school timetables; child care services; public attitude towards working women; legislation promoting female employment; trade union attitudes to working women; availability of part-time work and similar work flexibility; economic growth and prosperity and institutional factors generally.	Responsive to economic opportunity, political opportunity, artistic opportunity etc. Not responsive to social/family policy.
Family values: caring, sharing, non-competitive, communal, focus on cohesion	**Compromise between two** conflicting sets of values	**Marketplace values:** competitive rivalry achievement orientation individualism excellence

Source: Hakim, *Work-Lifestyle Choices in the 21st Century*, Oxford University Press 2000, Table 6.1 updated.

Table 3 National distributions of lifestyle preferences among women and men (%)

	Family centred	Adaptive	Work centred
Britain			
all women aged 16+	17	69	14
women in full-time work	14	62	24
women in part-time work	8	84	8
all men aged 16+	?	<48	52
men in full-time work	?	<50	50
men in part-time work	?	<66	34
Spain			
all women aged 18+	17	70	13
women in full-time work	4	63	33
women in part-time work	7	79	14
all men aged 18+	?	<60	40
men in full-time work	?	<56	44
Belgium-Flanders			
all women	10	75	15
women with partners	12	75	13
all men	2	23	75
men with partners	1	22	77
Germany			
women	14	65	21
men	?	33	67
Czech Republic			
all women aged 20-40	17	70	13
women in employment	14	69	17
wives aged 20-40	14	75	11
Sweden			
women in 1955 birth cohort: actual lifestyle choices by age 43 (1998)	4	64	32
Japan			
ideal life course of unmarried women 1987	37	55	8
2002	21	69	10
2005	20	70	10

Source: Data for Britain and Spain, 1999, extracted from Tables 3.14 and 3.15 in C. Hakim (2003: 85, 87). *Models of the Family in Modern Societies: Ideals and Realities*, Ashgate. Data for other countries from a variety of sources, reported in C. Hakim (2007) 'Dancing with the Devil?', *British Journal of Sociology*, 58: 123-132.

THE EVIDENCE SHOWING THAT 'IMPROVING' GENDER DIVERSITY ON BOARDS WILL LEAD TO DECLINES IN CORPORATE PERFORMANCE

1. We've publicly challenged dozens of organisations and hundreds of individuals to provided evidence for the positive *causal* link they claim (or infer) between 'improved' gender diversity on boards and enhanced corporate financial performance. *No evidence has been provided.* They include:

   Rt Hon David Cameron MP
   Rt Hon Vince Cable MP
   Rt Hon Theresa May MP
   Viviane Reding, European Commission Vice-President in charge of Justice, Fundamental Rights and Citizenship
   30% club (Helena Morrissey)
   CBI
   Equality and Human Rights Commission – no evidence provided in a poor response to our FoI request, we've asked for an internal review
   Department for Business, Innovation and Skill (Helen Whitehead) – no evidence provided in a poor response to our FoI request, we've asked for an internal review
   Cranfield International Centre for Women Leaders (Professor Susan Vinnicombe, Dr Ruth Sealy) – this organisation no longer claims corporate financial benefits result from more women on boards (see below)
   Institute of Equality and Diversity Practitioners
   Professional Boards Forum
   Catalyst – an American campaigning organisation, the source of many of the most highly publicised claims about corporate financial benefits resulting from more women on boards, but which no longer makes such claims (see below)

2. In recent times proponents of 'improved' gender diversity on boards have been distancing themselves from claims that corporate performance can be expected to improve. An example from Professor Susan Vinnicombe, in her testimony to a House of Lords select committee on 16 July 2012:

   > 'There has been quite a push in the past – indeed, we ourselves have engaged in such research – to look at the relationship between having women on corporate boards and financial performance. We do not subscribe to this research. We have shared it with chairmen and they do not think that it makes sense. We agree that it does not make sense. You cannot correlate two or three women on a massive corporate board with a return on investment, return on equity, turnover or profits. We have dropped such research in the past five years and I am pleased to say that Catalyst, which claims to have done a ground-breaking study on this in the US, officially dropped this line of argument last September.'

This extract from Professor Vinnicombe's testimony is on page 5 of the following:

http://c4mb.files.wordpress.com/2012/07/120716-house-of-lords-sub-committee-meeting-minutes.pdf

3. A book published in May 2012, *Women on Corporate Boards and in Top Management* (Palgrave Macmillan), was described as 'authoritative' by the Equality and Human Rights Commission in a recent letter to us, in response to our Freedom of Information Act enquiry. The book was assembled and co-edited by Colette Fagan, Maria C. Gonzaléz Menédez and Silvia Gómez Ansón, and includes the following admissions, which are remarkable given that the book was clearly written to promote increased representation of women in boardrooms:

> 'Overall, the existing empirical evidence about the business case for gender diversity on corporate decision-making bodies does not yield a clear cut answer.' (p.27).
>
> 'The results from empirical studies are inconclusive about the link between women's presence at board level and firm performance. The education, professional experience and background of board members, and boardroom dynamics, are likely to be more important than gender …' (p.255).

4. It must be stressed that these conclusions *drawn by proponents of more women in boardrooms* are nothing less than a conclusion that merit, experience and education are important with respect to board composition *but gender is not important*. Since we have already pointed out that it is a rather fundamental error to equate unequal distributions with inequality and injustice, we can see no reason why firms should be forced by quotas – or the threat of quotas – to increase representation of women in boards. When the proportion of women capable and experienced enough to be included in boardrooms increases relative to the proportion of equally qualified men, the share of women on boards will increase because, as pointed out in the quote above, it's education, experience, and merit which qualify candidates to become board members, not gender. Let's put in another way. Whoever demands quotas for women, and whoever forces women quotas upon firms, will ensure that inexperienced and undeserving people enter boardrooms. S/he will ensure that the respective firms' performance will decline, and in turn the economy will decline, leaving most of us worse off.

5. In 2010, before the Davies Report was published, only 13% of new FTSE100 board directors were women, presumably on the grounds of merit. One of the Davies Report recommendations was that legalised quotas for women on FTSE100 boards could be introduced if these companies didn't 'voluntarily' achieve 25% female representation on their boards by 2015. Ominously, according to the Davies Report, the 25% figure is 'a major milestone in a longer journey'. This is a clear indicator of the ideological basis of the report's analysis and recommendations.

6. The predictable response of FTSE100 companies to the quota threat has been to take the lowest risk 'solution', appointing women as non-executive directors. In 2010 13% of new FTSE100 board directors were women, in 2011 30%, while the latest data (March – August 2012) show a figure of 55%. In 2012 all the new female director appointments were as non-executives, while all 18 new executive directors were men. We couldn't possibly ask for better evidence that women are being appointed to FTSE100 boards on grounds other than merit. Norwegian publicly-listed companies adopted the same 'solution' to legislated quotas, and we know from a study published by the University of Michigan that quotas in Norway led to *declines* in corporate performance. This study, along with three others showing that 'improving' gender diversity on boards leads to declines in corporate performance, are now covered:

7. **The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation** (2011)

    Professor Kenneth R. Ahern (University of Southern California – Marshall School of Business), Professor Amy K. Dittmar (University of Michigan – Stephen M. Ross School of Business)

    The paper's full Abstract:

    > In 2003, a new law required that 40 percent of Norwegian firms' directors be women – at the time only nine percent of directors were women. We use the pre-quota cross-sectional variation in female board representation to instrument for exogenous changes to corporate boards following the quota. We find that the constraint imposed by the quota caused a significant drop in the stock price at the announcement of the law and a large decline in Tobin's Q over the following years, consistent with the idea that firms choose boards to maximize value. The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance, consistent with less capable boards.

    Link to this paper:

    http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1364470

8. **Women in the Boardroom and Their Impact on Governance and Performance** (2008)

    Professor Daniel Ferreira (London School of Economics), Renée B. Adams (University of New South Wales)

    The paper's full Abstract:

We show that female directors have a significant impact on board inputs and firm outcomes. In a sample of US firms, we find that female directors have better attendance records than male directors, male directors have fewer attendance problems the more gender-diverse the board is, and women are more likely to join monitoring committees. These results suggest that gender-diverse boards allocate more effort to monitoring. Accordingly, we find that CEO turnover is more sensitive to stock performance and directors receive more equity-based compensation in firms with more gender-diverse boards. However, the average effect of gender diversity on firm performance is negative. This negative effect is driven by companies with fewer takeover defences. Our results suggest that mandating gender quotas for directors can reduce firm value for well-governed firms.

Link to this paper:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1733385

9. **Governance and Politics: Regulating Independence and Diversity in the Board Room** (2010)

Professor Øyvind Bøhren (Norwegian School of Management)**,** Professor R Øystein Strøm (Oslo and Akershus University College)

The paper's full Abstract:

This paper analyses the economic rationale for board regulation in place and for introducing new regulation in the future. We relate the value of the firm to the use of employee directors, board independence, directors with multiple seats, and to gender diversity. Our evidence shows that the firm creates more value for its owners when the board has no employee directors, when its directors have strong links to other boards, and when gender diversity is low. We find no relationship between firm performance and board independence. These characteristics of value-creating boards support neither popular opinion nor the current politics of corporate governance.

Link to this paper:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1733385

10. **Executive board composition and bank risk taking** (2012)
(Deutsche Bundesbank Discussion Paper, 03/2012)

Professor Allen N. Berger (University of South Carolina, Wharton Financial Institutions Center and Tilburg University), Thomas Kick (Deutsche Bundesbank), Professor Klaus Schaeck (Bangor University)

The researchers studied German banks over 1994-2010. The report's full Abstract:

> Little is known about how socio-economic characteristics of executive teams affect corporate governance in banking. Exploiting a unique dataset, we show how age, gender, and education composition of executive teams affect risk taking of financial institutions. First, we establish that age, gender, and education jointly affect the variability of bank performance. Second, we use difference-in-difference estimations that focus exclusively on mandatory executive retirements and find that younger executive teams increase risk taking, as do board changes that result in a higher proportion of female executives. In contrast, if board changes increase the representation of executives holding Ph.D. degrees, risk taking declines.

Link to this paper:

http://www.bundesbank.de/Redaktion/EN/Downloads/Publications/Discussion_Paper_1/2012/2012_03_06_dkp_03.pdf?__blob=publicationFile

RECOMMENDATIONS FOR ACTION BY THE GOVERNMENT OR OTHERS WHICH THE SUBMITTER WOULD LIKE THE COMMITTEE TO CONSIDER FOR INCLUSION IN ITS REPORT TO THE HOUSE

Considerations leading to our recommendations

1. There is, ironically, a lack of diversity in the pool of people from which the government takes advice on diversity issues. Neither scientists who are renowned for their ability to handle quantitative data, nor scientists who are well-known for their theoretical reasoning, are among those advising the government. This is the only explanation for the most astonishing omission so far – not a single scientist in favour of increasing female representation on boards has found it necessary to make a theoretical case. Usually science starts with questions asking 'why?' or 'what?' *Why* should more women make a positive difference to a company board? *What* is the foundation of the positive difference that women are supposed to make? Usually, the next step would be to produce theoretical reasoning by making use of the existing body of theory.

   For example, it would be possible to argue that women make a difference because of differences in socialisation which give them perspectives different to those men possess, and that has a positive impact on firm performance. Another possible theory could assume biological differences between men and women which make women more capable of performing business transactions and producing beneficial results for the firm than men. Once the theoretical reasoning has been accomplished, hypotheses need to be formulated and empirically tested. This is the most important role of science, to test hypotheses. However, proponents of quotas don't provide us with theoretical reasoning, and they most certainly don't provide us with hypotheses which can be tested, let alone hypotheses which *have* been tested. They declare that unequal distributions are the result of discrimination, and make all kinds of suggestions and draw all kinds of assumptions based upon their unproven statements. This is not science.

2. From the website of Peter Saunders, Emeritus Professor of Sociology, Sussex University, http://petersaunders.org.uk:

   > 'In our universities, where there should be open debate and pluralism, there is political orthodoxy and intellectual conformity. Nine out of 10 UK sociology professors describe their politics as left-wing and just 3% vote Conservative[1]. This ideological uniformity underpins the social policy advice academic 'experts' offer to politicians and the public. My aim as an independent researcher is to subject the claims of the academic establishment to critical scrutiny. Offering an alternative perspective based in classical liberal values of individual responsibility and personal liberty, I am interested in exploring practical solutions to pressing social problems that do not entail more government spending, or more control of our lives by the state.'

   [1] Survey of sociology professors reported in A. H. Halsey, *A History of Sociology in Britain* (2004)

3. There are a number of groups and institutions reluctant to engage in open debates about gender differences in general, and in the workplace in particular, for a variety of reasons:

    a) politicians fearful of being charged with misogyny and/or sexism, with possible impacts on their electoral prospects. This fear invariably trumps the need for them to speak openly and fearlessly on gender-related matters.
    b) newspaper and magazine editors, fearful of possible repercussions on sales if their publications were charged with misogyny and/or sexism
    c) journalists including business / financial journalists
    d) academics concerned with possible professional repercussions
    e) business people concerned with possible professional repercussions, and possible orchestrated campaigns by women's groups, urging women to boycott these companies' products and/or services

4. The leading representative organisation for major employers, the CBI, continues to promote 'improved' gender diversity on boardrooms, even in the face of clear evidence we've provided to them showing the initiative can be expected to harm UK plc. In December 2010 the CBI published a report, 'Room at the top: Improving gender diversity on UK boards'. The report acknowledged 'with special thanks' the 14 members of the 'CBI task and finish group on board gender diversity'. On page 3 of the report we note that members of this group are 'strong advocates of gender diversity'. Nine of the 14 members of the group were women, including the president of the CBI at the time, Helen Alexander.

    The five men – the chairmen of Centrica, Lloyds Banking Group, Royal Bank of Scotland, BT Group and Shell UK – were all on record as supporting 'improved' gender diversity on boards *before the report was written*. One of them, Sir Roger Carr, the chairman of Centrica, is currently the president of the CBI.

    The report also thanked four 'experts' who contributed to the report. All were women.

Recommendations for action

1. The government should immediately and publicly announce the suspension of its threats of legislated quotas for women on boards if FTSE100 companies haven't 'voluntarily' achieved 25% female representation on their boards by 2015. The threat of legislated quotas leaves firms with only the choice to comply. There is nothing 'voluntary' about the more than fourfold increase in the proportion of new FTSE100 female directors in the space of just two years Every firm, whether it has 'voluntarily' adopted a quota for women, or *not* done so, will be forced to adopt whatever quota is deemed the 'correct' one. And we know from the Davies Report that 25% is only 'a major milestone on a longer journey', which points clearly to the ideological basis of this initiative. It's difficult to imagine that the final 'destination' on the journey could be less than 50%, regardless of the damage this would cause to UK plc.

2. The government should suspend its support for *all* 'improved' gender diversity in boardrooms initiatives until and unless it has a solid evidence base to support its claim

that this 'improvement' can be expected to result in enhanced corporate performance – in plain English, that a positive link has been shown to exist, i.e. that there is enough evidence to assume that increased representation of women on boards is beneficial to a firm's financial and overall performance. We've shown in this memorandum that no such evidence currently exists. The only links reported in sound academic studies clearly show that corporate performance *declines* following 'improved' female representation on boards.

3. Government departments and commissions – including the Department of Business, Innovation and Skills, the Equality and Human Rights Commission, the Equalities Office – should engage with a broader range of advisors and researchers, as should all publicly-funded organisations working to promote or enable 'improved' gender diversity in boardrooms, including the Cranfield International Centre for Women Leaders. A number of organisations and individuals could *dramatically* improve the quality of the government's deliberations which lead to policy decisions and legislation. They include a number of think tanks. We would suggest as a minimum:

   Institute of Economic Affairs
   Adam Smith Institute
   Civitas
   Centre for Policy Studies
   Dr Catherine Hakim, sociologist
   Michael Klein, scientific consultant & adviser
   The academics who conducted the studies cited in this memorandum
   Peter Saunders, Emeritus Professor of Sociology, Sussex University
   Glenn Wilson, Visiting Professor of Psychology, Gresham College, London
   Cristina Odone, author and journalist
   Melanie Phillips, author and journalist
   Swayne O'Pie, author
   Steve Moxon, independent researcher and author
   Campaign for Merit in Business

   There has been no informed debate about the effects of 'improved' gender diversity in boardrooms, nor the different attitudes of men and women to paid employment. Proponents of the initiative have been making their case virtually unchallenged. This has resulted partly from the government and its institutions drawing upon the work and advice of a shallow pool of ideologically-motivated academics. The development of knowledge requires a competition of ideas, and it requires a weighing of evidence. The current climate within science and politics allows for neither of these requirements with respect to the genders in the workplace. The limited debate has been mired in 'groupthink' and governed by people who are either unable to think differently, or unwilling to do so, because they want to use their public dominance to their own advantage. If it is the goal of this Select Committee to make sound recommendations, it must assemble evidence which supports (or contradicts) the theories that women are disadvantaged in the workplace, and that 'improved' gender diversity on corporate boards leads to enhanced corporate performance.

4. All the bodies which suggest a measure for an 'improvement' of a particular situation should be required to back their suggestion with theoretical reasoning and empirical evidence, if available. They should also be compelled to formulate a measurable condition which, if it is to occur, signals that whatever regulation has been taken based on their suggestion has failed, and therefore has to be discarded.

5. An independent body should assess whether publicly-funded bodies have consulted sufficiently widely, and taken reasonable account of those consultations in their reports and proposed policies and legislation. In the event of a failure in this regard, public funding should be withdrawn from the bodies.

6. The government should ask the CBI to engage with researchers and organisations arguing against 'improving' gender diversity on boards – including Campaign for Merit in Business – so as to better understand the evidence that the CBI's current policy direction will harm the business sector.

THE GENDER DIVERSITY DELUSION

(Article published online by the IEA, 24 April 2012)

For the article and associated links:
http://www.iea.org.uk/blog/the-gender-diversity-delusion

It's frequently and confidently asserted (and inferred) by proponents of 'improved' gender diversity in the boardroom – henceforth 'GDITB' – that there exists a demonstrable and positive causal link between GDITB and improved corporate performance. What's the evidence for such a link? A 2007 McKinsey report, 'Women Matter', is frequently cited by proponents. It's available online and we find the following statement in it:

> The statistically significant studies show that companies with a higher proportion of women on their management committees are also the companies that have the best performance. *While these studies do not demonstrate a causal link* [my emphasis] they do, however, give us a factual snapshot that can only argue in favour of greater gender diversity.

In 2010 David Cameron appointed the Labour peer Lord Davies of Abersoch to report on GDITB. The outcome was the Davies Report 'Women on Boards' published in February 2011. In the Executive Summary we find a confident reference to the McKinsey report, and then a clear inference of a causal relationship between GDITB and corporate performance:

> Evidence suggests that companies with a strong female representation at board and top management level perform better than those without[1] and that gender-diverse boards have a positive impact on performance.[2]

[1] 'Women Matter', McKinsey & Company, 2007
[2]

The report shows the superscript – [2] – at the base of the page but no reference source for the assertion is provided.

Only two independent studies show a causal relationship between GDITB and corporate performance, and in both cases it's a *negative* one. The first study was carried out by two academics at the University of Michigan, Kenneth Ahern and Amy Dittmar, and the latest draft[3] was published in May 2011. The report's full Abstract:

> In 2003, a new law required that 40 percent of Norwegian firms' directors be women – at the time only nine percent of directors were women. We use the pre-quota cross-sectional variation in female board representation to instrument for exogenous changes to corporate boards following the quota. We find that the constraint imposed by the quota caused a significant drop in the stock price at the announcement of the law and a large decline in Tobin's Q over the following years, consistent with the idea that firms

choose boards to maximize value. The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance, consistent with less capable boards.

Proponents of GDITB have claimed that the negative effect of legislated quotas on Norwegian businesses reflects only the effect of inexperienced directors, rather than any gender effect. So what do we find when organisations *voluntarily* ‘improve’ GDITB, appointing more female directors on the grounds of perceived merit? We turn to a discussion paper prepared for Deutsche Bundesbank earlier this year[4] titled ‘Executive board composition and bank risk taking’. The researchers studied German banks over 1994-2010. The report’s full Abstract:

> Little is known about how socio-economic characteristics of executive teams affect corporate governance in banking. Exploiting a unique dataset, we show how age, gender, and education composition of executive teams affect risk taking of financial institutions. First, we establish that age, gender, and education jointly affect the variability of bank performance. Second, we use difference-in-difference estimations that focus exclusively on mandatory executive retirements and find that younger executive teams increase risk taking, *as do board changes that result in a higher proportion of female executives* [my emphasis]. In contrast, if board changes increase the representation of executives holding Ph.D. degrees, risk taking declines.

The British business community is, I contend, suffering from a collective delusion about GDITB. The multiple explanations for this delusion merit another article in themselves.

[3]http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1364470

[4]http://www.bundesbank.de/Redaktion/EN/Downloads/Publications/Discussion_Paper_1/2012/2012_03_06_dkp_03.pdf?__blob=publicationFile

CAMPAIGN FOR MERIT IN BUSINESS
http://c4mb.wordpress.com
mikebuchanan@hotmail.co.uk
07967 026163

SOCIALISM'S TROJAN HORSE: 'IMPROVED' GENDER DIVERSITY IN THE BOARDROOM

(Article published by *The Commentator*, 23 September 2012)

For the article and associated links:
http://www.thecommentator.com/article/1503/socialism_s_trojan_horse_improved_gender_diversity_in_the_boardroom

Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.
Milton Friedman Nobel Prize-winning economist
Capitalism and Freedom (1962)

The freedom of companies to appoint directors solely on the basis of merit is a cornerstone of capitalism. That cornerstone is slowly but surely being removed in the name of an innocuous-sounding initiative, 'improved' gender diversity in the boardroom ('GDITB'). The British government continues to bully major companies into appointing more women to their boards with threats of legislated quotas if they don't do so 'voluntarily'. The following shows the proportion of newly-appointed FTSE100 directors who are women:

2010 – 13%
2011 – 30%
2012 to date – 44%[1]

The vast majority of these women are non-executive directors, the least risky appointments for companies. The government justifies its continuing threats of quotas by arguing that corporate performance will improve as a result of GDITB. An example of this viewpoint may be found in a recent article by Vince Cable, Business Secretary, in the *Evening Standard* (16 July 2012):

> 'Having more women on boards isn't just good for the culture of business, it's also good for business. A growing body of evidence shows clear links between diversity, financial performance and stock market growth. Recent research by Catalyst found that companies with more women on their boards outperformed rivals with a 42 per cent higher return in sales, 66 per cent higher return on capital and 53 per cent higher return on equity.'

Campaign for Merit in Business has publicly challenged Vince Cable (and many other individuals and organisations supporting GDITB, including David Cameron) to provide evidence of the causal links they claim between GDITB and enhanced performance. No evidence has ever been forthcoming. Proponents of GDITB – at least those with some integrity – are increasingly distancing themselves from claims of enhanced performance. Professor Susan Vinnicombe of the Cranfield International Centre for Women Leaders made the following statement to a House of Lords sub-committee investigating 'Women on Boards' on 16 July 2012:

'… there has been quite a push in the past – indeed, we ourselves have engaged in such research – to look at the relationship between having women on corporate boards and financial performance. We do not subscribe to this research. We have shared it with chairmen and they do not think that it makes sense. We agree that it does not make sense. You cannot correlate two or three women on a massive corporate board with a return on investment, return on equity, turnover or profits. We have dropped such research in the past five years and I am pleased to say that Catalyst, which claims to have done a ground-breaking study on this in the US, officially dropped this line of argument last September.'

Studies and reports cited as showing a positive causal link only show, upon close inspection, correlation. A more plausible explanation for that correlation is surely that companies with strong underlying performance can better afford social engineering initiatives such as the appointment of more women onto their boards. It also gives them a good public relations story.

We would justifiably be concerned if research indicated that appointing more women onto boards not only failed to enhance corporate performance but *impaired* it, given that this would inevitably result in reduced corporation tax receipts for the government and reduced private sector employment – and reduced income tax receipts in turn. So what does the available research tell us? Only two independent studies show a causal link between GDITB and corporate performance, and in both cases the link is *negative*. The first study[2] was carried out by two academics at the University of Michigan, Kenneth Ahern and Amy Dittmar, and the latest draft was published in May 2011. The report's full Abstract:

In 2003, a new law required that 40 percent of Norwegian firms' directors be women – at the time only nine percent of directors were women. We use the pre-quota cross-sectional variation in female board representation to instrument for exogenous changes to corporate boards following the quota. We find that the constraint imposed by the quota caused a significant drop in the stock price at the announcement of the law and a large decline in Tobin's Q over the following years, consistent with the idea that firms choose boards to maximize value. The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance, consistent with less capable boards.

Proponents of GDITB have claimed that the negative effect of legislated quotas on Norwegian businesses reflects only the effect of inexperienced directors, rather than any gender effect. So what do we find when organisations *voluntarily* 'improve' GDITB, appointing more female directors on the grounds of perceived merit? We turn to a discussion paper prepared for Deutsche Bundesbank earlier this year[3] titled 'Executive board composition and bank risk taking'. The researchers studied German banks over 1994-2010. The report's full Abstract:

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We have the remarkable scenario of a Conservative-led coalition bullying major companies into recruiting more female directors, when the independent evidence shows that the initiative will damage those companies. How has this sorry state of affairs come about? Supporters of GDITB have stifled any meaningful debate, and politicians of all parties have been complicit. A few examples should illustrate the point:

- David Cameron appointed a *Labour* peer, Lord Davies of Abersoch, to report on gender diversity in boardrooms, knowing that Davies's final report would inevitably argue for more women on boards;
- a 2010 CBI report on gender diversity in boardrooms, 'Room at the Top', had 14 co-signatories. Nine were women, and the five men – all 'captains of industry' – were already on record as supporting GDITB before the report was written;
- you could read the minutes of all the recent House of Lords select committee meetings investigating 'Women on Boards' without finding evidence of even one of the 11 peers arguing against 'improving' the number of women on boards. The primary focus of the discussions was the *mechanisms* for doing so, in particular the advisability (or otherwise) of EU-legislated quotas. All the committee's witnesses were supporters of GDITB, many of them professionally employed (usually at taxpayers' expense) in the fight for GDITB.

'Improving' gender balance in boardrooms removes the freedom of companies to appoint directors solely on the grounds of merit. If allowed to continue, the result will be inevitable – the steady decline of the business sector. Not without reason has the initiative been called socialism's Trojan Horse.

[1] The figure for March – August 2012 is 55%.

[2] http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1364470

[3] http://www.bundesbank.de/Redaktion/EN/Downloads/Publications/Discussion_Paper_1/2012/2012_03_06_dkp_03.pdf?__blob=publicationFile

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07967 026163