Proposal of a Gender Balance Index: An instrument for Enhancing Equality in Corporate Management Structures

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Abstract. *The persistent underrepresentation of women in decision-making roles across various levels of management within companies is a critical issue that has garnered significant attention in both academic and professional circles. Despite numerous legislative efforts and policy initiatives aimed at promoting gender equality in the workplace, women continue to face substantial barriers to accessing leadership positions. These challenges are not confined to specific sectors or company sizes; they are pervasive, affecting organizations worldwide. This paper proposes a novel instrument designed to measure women's participation in decision-making across all levels of management in a company. The versatility of this tool allows for its application across a broad spectrum of industries and organizational structures, making it a valuable asset for any company committed to advancing gender equality within its ranks.*

The proposed instrument seeks to address a gap in the current methodologies used to assess gender diversity and inclusion in leadership roles. By providing a comprehensive framework for evaluating women's representation in decision-making positions, this tool not only highlights areas where disparities exist but also facilitates the tracking of progress over time. Its implementation can serve as a cornerstone for developing targeted strategies aimed at eliminating barriers to women's advancement and fostering a more inclusive corporate culture.

In contributing to the amelioration of women's situation regarding access to decision-making in companies, this instrument aligns with broader efforts to achieve gender equality. It not only aids companies in complying with legal requirements and societal expectations but also enhances their competitiveness and innovation by leveraging the full potential of a diverse workforce. Through its widespread adoption, this tool has the potential to catalyze significant shifts in how companies approach gender diversity and inclusion, marking a critical step towards the equitable representation of women in leadership across the corporate landscape.

Keywords: gender, gender balance, Gender Equality Index, decision, company

Introduction

Power within organizations is multifaceted, encapsulating the ability to influence decisions, control resources, and shape organizational and social narratives. It's not merely about holding a position of authority but involves the capacity to effect change and contribute to strategic directions. In many instances, the disparity in power distribution within a company between men and women

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represents just one aspect of the broader issue of gender imbalance prevalent across various social domains. Consequently, a comprehensive examination of the problem, taking into account the principal spheres of social engagement, might prove beneficial.

Taking into account these factors, to tackle the issue of gender imbalance, the European Union launched the Gender Equality Index. This extensive instrument is crafted to track advancements in gender equality across different areas within member countries, especially those in the European Union. It sheds light on the complex dimensions of gender disparity, covering areas such as employment, financial independence, education, time allocation, decision-making authority, health, and overlapping inequalities. As a result, it offers a nuanced overview of the gender relations existing within communities. Developed by the European Institute for Gender Equality (EIGE), the Index evaluates gender equality on a scale from 1 to 100, where a score of 100 signifies total equality between women and men. This measurement tool is pivotal in identifying areas that require policy intervention and monitoring the impact of gender equality policies over time. It not only underscores the areas of progress but also highlights persistent challenges in achieving gender equality, thereby guiding policymakers, researchers, and civil society in their efforts to address gender disparities (Plantenga et al., 2009).

In the exploration of gender equality, the focus includes examining women's access to decision-making roles. The Gender Equality Index quantifies this aspect by considering the extent of women's involvement in decision-making processes across political, economic, and social domains. The first facet of the index is made up of the political element, with the gender index quantifying women's representation in local or county councils, considered as regional assemblies, as well as in parliament and government. The 2023 Gender Equality Index presented for the first-time women's representation in the social field, with data related to participation in the decision-making process regarding research funding, as well as in the media and sports sectors. Regarding women's participation in decision-making within the economic sector, it is included in the gender index but refers only to the boards of corporations, and furthermore, only to those that are publicly listed or on the stock exchange. It must also be emphasized that the analysis conducted in the enterprise sector does not cover all economic sectors nor does it include middle and lower management levels, which impacts the ability to generalize the data and create a comprehensive analysis. This facet, attributed to the legislative measures being quite limited in scope, serves as a foundation for developing more expansive measurement tool. The tool is designed to encompass a wider variety of companies and multiple levels of management.

Literature review

Research underscores the complexity of power dynamics, noting that while there have been advancements, women continue to be underrepresented in leadership roles, reflecting a persistent gap in accessing power (Carli & Eagly, 2001). Several mechanisms have been identified to facilitate women's access to power in organizations. These include mentorship programs, leadership development initiatives, and organizational policies aimed at fostering diversity and inclusion. Such mechanisms are designed to support women in navigating the corporate ladder, enhancing their visibility, and equipping them with the skills necessary for leadership roles.

Despite these mechanisms, women encounter numerous obstacles in their quest for power within organizations. These include, but are not limited to, gender stereotypes, the glass ceiling effect, and a lack of representation in top management positions. Stereotypical perceptions about gender roles can lead to biases in evaluations, affecting women's career progression and access to leadership positions (Heilman, 2001). Additionally, the glass ceiling remains a significant barrier, with women often being overlooked for promotions due to systemic biases and cultural norms favoring male leadership (Chugh & Sahgal, 2007).

Methodology

The objective of this paper is to scrutinize the data related to the 2013-2023 period within the Gender Equality Index specific to Romania and compare it with the European average to identify whether there is a pressing need for more nuanced tools to evaluate women's access into leadership roles, both broadly and specifically within corporate settings. Additionally, the article examines already implemented legislative measures aimed at enhancing gender balance and the persistent challenges that hinder women's participation in corporate decision-making processes. Ultimately, after establishing this context and considering the insights provided by the analysis, we aim to introduce an internal gender index designed for businesses seeking an accurate representation of gender distribution in decision-making positions at all management levels. This proposed index aims to identify the specific barriers impeding women's access to decision-making roles more precisely and individually.

Result and discussions

Examining the data from the Gender Equality Index and contrasting Romania's status with the European norm reveals that in Romania, merely 20% of businesses have female board members, as opposed to the European average of 33%. The scenario is significantly worse in the financial sector, where not a single woman sits on the board of directors of any bank in Romania, in stark contrast to the European average of 28%.

It is noteworthy that the ratios reflecting women's involvement in decision-making within businesses mirror their representation in parliament and, to a similar extent, in regional councils as well (21% in Romania versus 30% in Europe).

When it comes to women's representation at the ministerial level, the European average is fairly consistent with other forms of representation. However, in Romania, this percentage significantly decreases to 9%. As regards social activities, women's involvement in decision-making processes in Romania displays a more equitable distribution, except for their participation in sports decision-making, where Romania's figure stands at 16%, versus the European mean of 20%. Consequently, an equal average of 38% is observed both in Romania and across Europe. It's noteworthy that in the research sector, Romania's percentage at 45% surpasses the European average of 41%. This discrepancy might be attributed to the higher number of women with advanced education levels in Romania compared to men.

Building on the significant statistical data mentioned earlier, the issue emerges of pinpointing the reasons behind the pronounced gender disparity in decision-making roles within enterprises and financial institutions, along with potential corrective actions. It is also important to note that the figures from the Gender Equality Index do not encompass the circumstances of small and medium-sized enterprises.

At the level of the member states of the European Union measures have been envisaged to promote gender equality in economic decision-making, particularly to increase the presence of women on company boards. Spain became the first EU Member State to introduce gender quotas on company boards. The Gender Equality Law (Equality Law, 2007), entered into force in 2007, aimed for 40% gender diversity by 2015, target which has not been achieved (Gabaldon & Giménez, 2017).

In France, the Article 1 of the Constitution, as amended in 2008, states the principle that "the law shall promote equal access of women and men to electoral mandates and elective offices as well as professional and social responsibilities." Following this amendment, France adopted a gender quota for boards in 2011, the Copé Zimmermann law (Copé Zimmermann, 2011) being applicable to both listed and non-listed companies with a minimum of 500 employees or a total of revenues or assets over 50 million euros, for three consecutive years). The scope of the law was subsequently enlarged to include, starting with 2020, companies with a minimum size of 250 employees. A new legal layer was added in December 2021, by the Rixain Law (Rixain, 2021), which imposes quotas for all corporate management bodies.

In Germany, measures to promote gender balance in management positions in listed companies were enacted by the Federal Equality Act (FüPoG I, 2105) and the Second Leadership Positions Act (FüPoG II, 2021). In Italy, the Golfo-Mosca Law (Golfo – Mosca, 2021) requires the presence of at least 33% women on the boards of directors of listed or publicly controlled companies.

At the level of Romanian legislation, Law 202/2002 on equal opportunities and treatment between women and men, as republished and amended (Law 202, 2002), provides, in Article 21, that central and local public institutions and authorities, both civil and military, economic and social units , as well as political parties, employers' and trade unions' organizations and other non-profit entities, are obliged to promote and support the balanced participation of women and men in management and decision-making. Moreover, all these entities are obliged to adopt the necessary measures to ensure the balanced participation of women and men in management and decision-making.

The balanced participation of women and men in management and decision-making must be ensured including when nominating members and participants in any council, expert group and other lucrative managerial or consulting structures.

Although the statistical data do not reflect this at all, the law even stipulates that fair and balanced representation of women and men must be ensured at all decision-making levels (Article 22 Para (1).

Violation of the above obligations constitutes a misdemeanor and is sanctioned with a misdemeanor fine from 3,000 lei to 10,000 lei, if the act was not committed under such conditions that, according to the criminal law, it would be considered a felony. Nevertheless, the absence of pertinent case law on the subject highlights not only a deficiency in the culture of gender equality regarding access to decision-making but also a shortfall in the commitment of the authorities responsible for enforcing and adhering to the law.

In the realm of public enterprises, a recent legislative update through Law no. 187 of June 28, 2023, modified GEO 109/2011 (GEO 109/2011, 2011) concerning the corporate governance of public enterprises. This amendment mandates that the composition of the board of directors adheres to the guidelines set forth by Law no. 202/2002, ensuring that at minimum, one third of all board members are women and one third are men. Additionally, the legislation stipulates that the board of directors must not consist solely of individuals of a single gender. Given the brief period since the law's implementation, it is premature to evaluate its impact on fostering gender parity. Public enterprises can be organized as autonomous utilities, national companies, national societies, and companies where the state or an administrative-territorial unit is the sole shareholder, majority shareholder, or holds control. Furthermore, those companies in which one or more public enterprises hold a majority stake or a stake that ensures control are also considered public enterprises.

As regards the measures taken at EU level, the Directive on improving the gender balance among directors of listed companies and related measures (Directive 2022/2381) entered into force in 2022 and shall be transposed into national legislation by 28 December 2024. The scope of the directive 2022/2381 is limited to listed companies, being expressly mentioned that it does not apply to micro, small and medium-sized enterprises (SMEs). In accordance with the directive, Member States shall ensure that in listed companies the members of the underrepresented sex hold at least 40 % of non-executive director positions or the members of the underrepresented sex hold at least 33 % of all director positions, including both executive and nonexecutive directors. This target shall be to be reached by 30 June 2026.

Unfortunately, as we have seen above, micro, small and medium-sized enterprises (SMEs) are not covered by the directive provisions, although, as studies in the field have shown, there is the benefit of ensuring women's participation on corporate boards. First of all, studies have shown that greater female representation on corporate boards of large European firms can increase firm value, their presence being positively related with financial performance and with ethical and social compliance (Isidro & Sobral, 2015). A study on boards of directors in a sample of listed companies in 15 European countries found that female representation on boards is associated with reduced executive turnover and increased tenure, suggesting improved monitoring practices and potentially better governance (Buchwald & Hottenrott, 2019). Moreover, female participation to decision is linked with a higher degree of investment in innovation, obtaining more patents and citations for given R&D expenditures. Thus, Chen, Leung, & Evans (2018) demonstrated that an increase of 10 percentage points in the tenure-weighted fraction of female directors is associated with approximately 6% more patents and 7% more citations. This demonstrates that gender diversity on boards can be a significant driver of innovation and, consequently, firm performance, especially in industries where innovation is a critical competitive factor.

If the involvement of women in firms is anticipated to yield benefits associated with enhanced performance and stability, it begs the question as to why their representation remains limited. Several factors contribute to this discrepancy. Firstly, persistent societal and cultural norms often dictate traditional gender roles, inhibiting women's access to leadership positions. These entrenched beliefs can lead to unconscious biases in recruitment and promotion processes, favoring men for executive roles. Secondly, the lack of supportive policies for work-life balance disproportionately affects women, who are more likely to shoulder caregiving responsibilities. This can deter women from aspiring to higher positions or limit their opportunities for advancement. Additionally, the scarcity of female role models in leadership positions perpetuates a cycle of underrepresentation. Without visible mentors or networks to support their professional growth, women may find it challenging to navigate the path to leadership. Moreover, organizational structures and corporate cultures that do not actively promote diversity and inclusion can further marginalize women, making it difficult for them to break into the upper echelons of management. Addressing these barriers requires a concerted effort from both organizations and policymakers to create an environment that not only values diversity but actively fosters the inclusion of women in decision-making roles.

A study on gender equality initiatives in Romania by Balută & Dumitru (2023) revealed, through interviews with women employed at stock exchange-listed firms, that the underrepresentation of women is not due to their lack of qualifications. Instead, it's the influence of gender stereotypes that discourages their advancement in this area. Consequently, decision-making has historically been dominated by male groups, fostering a male-centric culture. This environment persists, even in the face of legislative reforms, hindering women's integration into these roles.

During the interviews, another point raised was the lengthy period of parental leave, which poses a barrier to achieving pay equity and equal chances for career progression. This type of leave is predominantly utilized by mothers, even though the regulations in GEO 111/2010 grant both parents the eligibility for this leave. Consequently, the legislative update made by GEO 164/2022, which extends the parental leave from one month to two months for the parent who did not initially apply for this leave, is a step that could help mitigate the adverse effects of women's departure from their careers during the early years of their child's life.

Another multifaceted issue is women's heightened participation in child-rearing and caregiving duties, extending beyond the parental leave phase, and also including care for other dependents. These extra responsibilities hinder the ability to take on new roles, seek out challenging or high-demand positions, or those requiring regular overtime or travel. In response to European Union directives, Romanian law, through Law 202/2002, established the right to five days of carer's leave per year for workers, along with provisions for flexible work schedules.

The Labor Code was also amended to permit employees with children up to 11 years old to opt for four days per month of home-based work or telecommuting, subject to further modifications and supplements. This is excepted in instances where the job's nature or type precludes performing tasks under such conditions (Article 1181). More broadly, without stipulating a child's age, Article 118 of the Labor Code allows the employer to set up tailored work schedules for all employees, including those on carer's leave, either with their agreement or upon their request, potentially for a specified time period. Tailored work schedules offer a flexible approach to managing work hours, enabling employees to adjust their schedules, including through remote work arrangements, flexible hours, personalized schedules, or part-time work options.

Flexible working arrangements are crucial for the career advancement of women, but they are not without hidden gendered implications affecting their careers. Eikhof (2016) provided empirical evidence from a broad range of studies demonstrating flexible working, especially when undertaken from home, often results in gendered practices and stigmatization. The flexibility stigma is related to the fact that the workers are perceived as less productive and committed. This stigma is gendered, with women, particularly mothers, more likely to suffer from discrimination due to their flexible working patterns (Chung, 2018). The discrimination is enhanced in traditionally male-dominated work environments (Teasdale, 2013), therefore the access to decision in large company is likely to encounter serious challenges.

Another aspect that must be taken into account when analyzing the obstacles against women's access to decision-making in the enterprise is that of segregation mechanisms. Occupational gender segregation is maintained through a combination of cultural, social, and institutional mechanisms that channel men and women into different career paths. These mechanisms include gendered socialization, discriminatory hiring and promotion practices, and gender stereotypes that associate leadership and decision-making roles predominantly with masculine traits (Eccles, 1987; Bielby & Baron, 1986). At the same time, occupations dominated by women tend to be devalued, receiving lower wages and less recognition. This devaluation not only affects women's earnings but also their access to leadership positions (Guy & Newman, 2004).

Thus, to thoroughly examine the barriers hindering women's entry into management and decision-making roles and to enact tangible, impactful solutions, it's crucial to broaden the scope of data gathering on the status of women holding positions of authority within companies. The information from the Gender Equality Index is limited by the specific objectives of European regulations aimed at achieving gender balance. However, as demonstrated, progress is also being made at the legislative level.

Therefore, we believe it is crucial to measure women's access at each management level within a company. It's vital to establish, through a gender-based comparative approach, the transition rate from operational management (low-level management) to middle management and subsequently to senior management. Given that senior management significantly shapes the company's culture, values, and ethical norms (Hambrick & Mason, 1984), there's a risk that in a predominantly male organizational culture, women may be confined to lower management levels without this issue being recognized as a problem by the organization due to a lack of relevant statistics.

Certainly, the creation of an internal gender index cannot be mandated by law, but it's crucial for organizations committed to achieving gender balance to have access to a practical tool. To accommodate the organizational structure of the enterprise, it will be assumed that a company is organized across 'n' levels.

If at level k we denote by f_1^k the number of women in decision-making positions and by m_1^k the number of men also in decision-making positions, then the gender index at this level, which characterizes their proportion in the decision-making process, is $i_1^k = \frac{f_1^k}{m_1^k} \cdot 100$.

Similarly, for level k, a gender index can be defined that includes information about the number and proportion of candidates for roles within the decision-making process.

Thus, if we denote by f_2^k the number of women who have applied for decision-making positions and by m_2^k he number of men who have also applied for decision-making positions, then the gender index at this level, which characterizes the proportion of candidates for participation in the decision-making process, is $i_2^k = \frac{f_2^k}{m_2^k} \cdot 100$.

Taking into account formally that in the organization there are 'n' hierarchical levels in the decision-making process, then it can be considered that for the entire organization the gender index is:

$$i = \frac{\sum_{k=1}^{n} \sum_{j=1}^{2} i_j^k}{2n}$$

Such an instrument, once consistently applied by companies, can contribute to the collection of a significant amount of data that will constitute a more accurate depiction of the situation of women's participation in decision-making.

Conclusion

As the literature and statistical data indicate, women's participation in corporate decision-making remains a highly delicate issue. Despite the topic being extensively discussed at the European level, legislative measures, although progressively improving, only target a subset of companies and a limited range of industries. On the other hand, by adopting a responsible and sustainable approach to their development, companies can make strides in a broader spectrum of enterprise types. This reflects a growing recognition that achieving gender equality in decision-making is not just a matter of legislative compliance but also a strategic advantage for businesses. Embracing diversity can lead to more innovative solutions and a better understanding of market needs. Therefore, a comprehensive strategy that goes beyond legal requirements and involves proactive company policies could significantly enhance women's representation in leadership roles. Such policies might include mentorship programs, flexible working arrangements, and initiatives to challenge and change the corporate culture. This holistic approach could facilitate a more inclusive and equitable environment, ultimately contributing to the overall success and competitiveness of businesses in the global market.

In this context, we believe that the suggested tool, which can be easily implemented by companies from any sector, regardless of their organizational structure or size, aids in the combined efforts of legislation and businesses to foster change regarding women's access to decision-making roles. This tool represents a versatile and adaptive solution that supports the broader initiative to enhance gender equality in leadership across the corporate landscape. By facilitating the collection of relevant data and providing insights into the current state of gender diversity, it serves as a catalyst for both recognizing areas of improvement and tracking progress over time. Ultimately, this approach underscores the importance of a collaborative push towards equality, blending regulatory frameworks with proactive corporate strategies to ensure women have equitable opportunities to influence and lead within their organizations.

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