



# HOUSE OF LORDS

Unrevised transcript of evidence taken before

## **The Select Committee on the European Union**

Internal Market, Infrastructure and Employment (Sub-Committee B)

Inquiry on

### **WOMEN ON BOARDS**

*Evidence Session No. 6.*

*Heard in Public.*

*Questions 294 - 305*

MONDAY 15 OCTOBER 2012

4.05 pm

Witness: Jo Swinson MP

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### Members present

Lord Haskel (Acting Chairman)  
Lord Brooke of Alverthorpe  
Baroness Buscombe  
Lord Clinton-Davis  
Lord Fearn  
Lord Kakkar  
Earl of Liverpool  
Baroness Scott of Needham Market  
Baroness Valentine  
Lord Wilson of Tillyorn

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### Examination of Witness

**Jo Swinson MP**, Minister for Employment Relations and Consumer Affairs, Department for Business, Innovation and Skills (BIS), and Minister for Women and Equalities, Department for Culture, Media and Sport (DCMS).

**Q294 The Chairman:** Welcome, Minister, and thank you for coming to help us with our inquiry into women on boards. We have interviewed quite a number of people, so we are very interested to hear what you have to say. The session is on the record, and it is being webcast. It is subsequently accessible via the parliamentary website. You will receive a transcript of the session afterwards, to check it, and it will be on the public record in printed form and on the parliamentary website. If you are ready, would you like to begin by stating for your record your name and your official title?

**Jo Swinson MP:** Certainly, I am Jo Swinson and I am the Minister for Employment Relations and Consumer Affairs in BIS and, jointly, Minister for Women and Equalities, which is now based in the DCMS, so this particular inquiry is a happy intersection of my responsibilities.

**The Chairman:** And it is very topical, as well. Is there any opening statement that you would like to make, or would you like to go straight into the questions?

**Jo Swinson MP:** I am happy to make a few opening comments, but then I am obviously keen to answer the questions from members of the Committee. We very much welcome the inquiry that you have been conducting. I know that earlier in your deliberations you heard from the officials and Lord Davies himself. The Government think this an important issue; in the coalition agreement, we said that we would look to promote gender equality on the boards of listed companies. To facilitate that we asked Lord Davies to undertake his review, which I know that you have been very interested in. He looked at barriers preventing women reaching these kinds of senior positions in business and produced an excellent report, pointing out some of the problems and making recommendations for how those can be addressed, and has continued to do a power of work in encouraging, particularly within the FTSE 100, the chairmen of companies to take the issue very seriously indeed. That has been successful, as you will have noticed by the increase of women on boards, which is now at 17.3% of members of boards within the FTSE 100 and down to only eight boards within the FTSE 100 that are men-only, from 21. The evidence shows that the voluntary, business-led approach is working, so we do not believe that the right way forward would be a quota system, as has been proposed in some quarters, particularly if that was at an EU level. It is much more effective to get businesses to champion this issue and to be involved, and we have shown that that can be successful. We have more to do and we are determined that that will continue to be a success.

**Q295 Lord Fearn:** You will remember that the Speaker's Conference 2009-10 looked at ways in which to increase the numbers of women and black and minority-ethnic MPs. What did you find worked well and did not work well? Can we apply those lessons to gender diversity on corporate boards?

**Jo Swinson MP:** The premise behind the question points out that boards of companies are not the only place where this is a problem. In fact, over a whole range of different walks of

life we do not see enough gender diversity, particularly at senior levels. You could equally look at the media, or other aspects such as politics. So the Speaker's Conference was very much designed to investigate the barriers that exist in politics. At our end of the building, we have had a small increase, after the last election, of the percentage of women MPs, but it is still less than one in four. There is still a great deal to be done. Some progress was made on ethnic diversity of MPs at the last election. On the question of what has worked well, clearly we still need to do a lot more. There was a variety of lessons from the Speaker's Conference that are relevant to the issue of women on boards, one of which is very straightforward. One recommendation that the Speaker's Conference put forward was that political parties need to monitor the progress that they are making in candidate selections and whether those selections are in seats that the party is likely to win, and therefore to result in a change of elected Members. We made some very strong recommendations for the parties to comply with those monitoring requirements, which I hope will be taken forward and taken seriously by political parties.

Similarly, the work that has been done at Cranfield on women on boards has helped to give a picture of where we are and what progress has been made. The figures can spur on further progress. For example, if you look at new appointments to boards in the last three years, taking the 12-month period, which finishes in October each year, up to October 2010 of new board appointments, it was 13.3% women; up to October 2011 of new board appointments, it was 22.5%; and, in this year, in October 2012, the figure has jumped to more than one-third, 34.1% So monitoring in itself is one important lesson.

Another important lesson was that there was a real recognition in the Speaker's Conference that different political parties will solve the problem in different ways. Political parties are not one size fits all; they have different cultures and structures in place, they have different candidate selection arrangements and different approaches have been tried by different

parties to varying degrees of success, but showing that different parties can achieve success in a different way. The parallel that I would draw from that is that, when looking at women on boards, it is the case that different countries want to approach the issue in different ways. We have a lot of diversity across Europe and even just the make-up of boards and corporate governance sectors, but even within sectors and companies different approaches may be required. The final lessons are more general, and not just about politics or business or any one walk of life, but some of the things that are common barriers to women participating at more senior levels. Those can be around childcare or other caring responsibilities, or around confidence and lack of role models. Those are common to a whole range of areas, and some of the remedies to those will be similar in politics as in business.

**The Chairman:** Among the barriers that you looked at, did you come across prejudice? Did you find that prejudice was a barrier?

**Jo Swinson MP:** It has certainly been my experience that prejudice exists, and when I have gone for selections in politics I have had comments made to me that would not have been made to a man. They would say, “Well, you’re a young woman, what would happen if you want to have babies?” In the circumstances, I was standing against a man who had young children, but that was deemed to be different. But it is important not to conflate anecdotal evidence of prejudice, which undoubtedly exists, with the assumption that that is therefore an underlying trend. I can equally point to anecdotes in my political life where people have shown prejudice in my favour, when people have said that it would be great for us to have more women in politics. In terms of the evidence that I know best within my own party, while there is anecdotal evidence of people having experiences that they should not have had, women are just as likely to get selected in winnable seats. The problem is that not as many go for it. It may differ slightly in some other parties, and some parties have gone for all-women shortlists, for example, as a way in which to deal with such prejudice. So

prejudice exists, but we should be careful not to extrapolate from individual bad experiences to an underlying problem. So when we ask whether women being shortlisted for board appointments are as likely as men to become appointed, that is a more interesting question than whether there are more men than women on boards per se. Can you assume from that that there is prejudice? You need to be careful with the figures.

**Q296 Baroness Scott of Needham Market:** You talked about the value of monitoring, which is certainly one of the tools that our witnesses have raised, along with networking, sharing best practice and so on. Having been clear about the opposition of the Government to quotas, is there a sense that there is any value in EU-level monitoring, networking and so on, or, given the point that you made about the different between member states and their corporate governance structures, is that something that is better done at member state level?

**Jo Swinson MP:** The EU certainly has a role to play in this agenda. I am not convinced that it is with EU-wide monitoring, because, for the reasons that I have outlined and you have referenced, there are very different circumstances in the different EU member states. That said, when nations have monitored the issue, there is a place within the EU for discussion and sharing best practice and lessons—for example, in the High-level Group on Gender Equality. I know that my officials have been to other countries to explain and talk about some of the experiences that UK has had and the success that it has had with the business-led voluntary approach. That is absolutely appropriate. Equally, there may be some great initiatives that other countries undertake that we may wish to learn from as well. The EU can certainly do that well. I pay tribute to the work that Commissioner Reding has done to get this on the agenda. It is something on which, from a UK perspective, we are pushing at an open door; it is something that this Government are very enthusiastic about, but that may

not be the case across every EU member state. Sharing best practice, shining a spotlight on the issue and making sure that it is on the agenda is something of great value.

**Baroness Scott of Needham Market:** Are there particular countries either inside or outside the EU that you can single out as having something from which we can at least observe and learn?

**Jo Swinson MP:** Clearly, many of the Scandinavian countries have a better record than we do in percentages of women on boards. There are differences in corporate governance and so we do not want to have a very blunt comparison made, because there are differences in those structures. But some of those have been achieved without quotas and by encouraging more women on to boards. We can certainly learn from that, but we should be pretty proud of what we are doing in the UK in terms of our success, with 13% of new appointments being women and the figure two years later being more than one-third. That is pretty impressive. So we should be aware that we have a lot to offer other countries as well.

**Q297 Lord Clinton-Davis:** The Commissioner has expressed very strong views on this issue, and she is in favour of a more draconian approach towards women going on boards. Do you think that we can learn anything from her and, in turn, can she be influenced in the other direction?

**Jo Swinson MP:** As I say, I think that the achievement that she has of getting the issue very seriously considered in the EU is very welcome, and we should be positive about it, even though we disagree on the specific method by which we can best achieve the end results. We agree on where we would like to get to. There will obviously be ongoing discussions at a European level about how this can be taken forward. The consultation closed earlier this year and the UK Government put forward our own very strong evidence on how our approach has worked and also on the range of reasons why we think that there are significant downsides to introducing quotas as a way to solve the problem. It is much more

effective if you get business to take the lead on this issue; there will not only be less resistance but there will be a greater degree of success because you do not have the accusations of tokenism. In some cases, a small number of women have been required to serve on a very large number of boards, which dilutes the effectiveness in spreading the resource more thinly. Our approach is a much broader one, which is more likely to be successful in developing a wider range of talent.

**Lord Clinton-Davis:** But do you see any possibility of compromise between the two views?

**Jo Swinson MP:** As I say, we wish to achieve the same ends, but we disagree on the means. I do not see it as straightforward to have a compromise including quotas. I mentioned discussions with the high-level group and sharing EU best practice. Would that be a compromise from the Commissioner's perspective? I am not convinced that it would. I think that those two positions are distinct and different. That said—and Lord Davies has been very clear about this—if we cannot achieve the success that we want, it is not as if the Government have for ever ruled out countenancing quotas. But very much the preference is that we do this through a business-led voluntary approach. Indeed, we believe that that is on course to work; the target set of 25% by 2015 is achievable, and we are on course to hit that target and then go on beyond it.

**Lord Kakkar:** Just to be clear about this, if the European Union were to ignore Her Majesty's Government's advice on this matter and proceed along the quota route, what would be the Government's position?

**Jo Swinson MP:** We do not believe that it is within the competence of the EU. We believe that regulation of boards is a matter for member states, so that is something that we would look to challenge. But of course we are involved in those decisions as to whether to go ahead with that approach. As is well understood, a range of countries across Europe has



significant concerns about that approach; most recently, Sweden has joined that refrain, saying that there are significant concerns and that it is against the proposal. So our first position is that we will negotiate hard within those discussions so that such a proposal does not come forward, although, if it did, we have significant concerns whether it is legally competent anyway.

**The Chairman:** She is quite a doughty fighter, is Commissioner Reding. She is also a vice-president of the Commission, so to persuade her that it is a matter of national competence will be quite difficult.

**Jo Swinson MP:** It may be the case, but the fact that there are significant numbers of countries that are not in favour of this particular approach cannot be dismissed.

**Q298 Earl of Liverpool:** The evidence that more women on boards results in improved performance in monetary terms is inconclusive. Should we make the case on that basis and, if not, what do you base the argument on?

**Jo Swinson MP:** A wide range of studies have looked at this issue. In the main, there is a great deal of correlation between the many economic advantages for companies that have a greater gender balance and diversity more generally on their boards, in terms of equity, better growth, more sales and better corporate governance. Of course, correlation is not the same as causality, and it would be almost impossible to prove causality with the appointment of a particular member of the board and the impact that that has, singled out among all the other factors that are at play. Some studies have found that it can have a negative impact, although I think that it is worth noting that some of those studies have looked at cases when it was the result of a quota system. As I say, some of the downsides of the quota system are that I do not believe you get as good a result anyway, because you do not necessarily have the same business buy-in and you have not necessarily done the same degree of creating a wide pool to draw from. That is an advantage of our approach. So there

is never going to be exact evidence purely on the economic case. That said, there are a huge number of reasons why this is something helpful for business—not least because women make up about half of the workforce, consistently outperform men educationally and, most importantly, make 70% of the purchasing decisions. So for any business to dismiss or not properly involve that amount of purchasing power is not, it stands to reason, a sensible way forward. Equally, we have very many talented women in society and, if fewer than one in five members of your boards are women, you are missing out on great talent that would otherwise be able to contribute to business success. So I think that there are economic arguments, but there are wider arguments as well. If you have more diversity, there is a lot of evidence in a range of circumstances that you are less likely to get groupthink and more likely to have ideas challenged, coming to better to decisions. That is true in a team, in Parliament, and equally on a board of a business.

**Earl of Liverpool:** You mentioned the difficulty of proving causality, and I wondered whether you thought that further research was required to prove or disprove the link between women on boards and financial performance.

**Jo Swinson MP:** I would love to see the day when we decide to have a piece of research on the impact of men on boards on financial performance. You would never ask that question. To be fair, causality is probably impossible to prove one way or the other, but we are in the 21st century and there is a whole range of different advantages, which I have outlined, and good research that there is a correlation between strong performance and well functioning teams and diversity. That is good enough to be getting on with. Indeed, increasingly, if you speak to Lord Davies, as I know you have, you will know that this argument is one that is won among the FTSE 100. Chairmen accept that this is something that needs to happen, and it is just about how we get there.

**The Chairman:** I am sorry to quote one of your colleagues to you, but Helen Grant is quoted in the paper: “Ms Grant told a fringe meeting on women on boards at the Conservative annual rally in Birmingham”, that, “research showed that gender-balanced boards tend to be ‘more stable, more sustainable and more profitable’”. So obviously she is convinced by the research.

**Jo Swinson MP:** I am convinced by the research. The specific point that I was making was that that is a correlation that you can point to and confidently say, as she has, that gender-balanced boards are more likely to be these things. The causality is the challenge. Are these companies well run and therefore have good results and, because they are well run, have more women on their board—or, because they have more women on their board, do they have these success metrics? So there is very strong evidence that there is that correlation. It is the causality that is always going to be difficult.

**Baroness Scott of Needham Market:** I wanted to press a bit further on this topic, because every witness that we have had has told us how marvellous women on boards are and what a great difference it all makes. It makes you wonder whether they were not always being criminally negligent in not having more women on their boards before. I am being provocative, but my fear is that it is actually the threat of quotas that is exercising the minds of some people on this issue. So if quotas disappear off the agenda, what do we do to keep the pressure on, to keep this very welcome progress going?

**Jo Swinson MP:** You are probably right that there is a range of motivations why people will embrace this agenda, from the more enlightened about the business benefits to the other end of the scale, which you characterise. There is this argument sometimes that says that if something is rationally sensible, it is obvious that people will do it, but there are a lot of areas where that is not quite the case. We all know that putting loft insulation in will cut our energy bills and the pay-off period is relatively small, but not everybody does it. I remember

when I was on the Environmental Audit Committee in the last Parliament, and we looked at climate change agreements, which basically meant large businesses signing up to try to cut their energy bills. They were saying, “If we could do this we would do this anyway, because it would be in our economic interests”. But it needed that board-level scrutiny of the energy bills and signing up to climate change agreements to make that happen, despite the comment that they would already have been doing it if it was sensible to do it. Actually, we managed to meet the targets that were set. Very often, even when something makes perfect sense, it is not getting the high-level notice that is required to drive change. What this does is certainly, through the nudge approach, to make this higher on the agenda and therefore more likely to get attention and action taken as a result. It is a fair point to say that the threat of quotas has been a significant driver for change. That is why I said that I would not sit here and say never, but it may well be that at some future point it is impossible to get change any other way. My colleagues the Secretary of State and the Prime Minister have said on record that, if it came to it, that would be something that could be contemplated. But we strongly believe that this is the right approach. That said, you do not rule out something that might ultimately be necessary in future.

**Q299 Lord Wilson of Tillyorn:** That brings us nicely on to the next question. I think it is fair to say that self-regulation and light-touch regulation are not very high in public esteem at the moment. Does that affect how the Government look at this? If it does not affect it, what are the points made to the doubters who say that light-touch regulation does not really work?

**Jo Swinson MP:** The success of what happens can be shown through monitoring and, ultimately, it will be the results which will drive whether people think that the approach has worked. It is certainly true to say that in a range of different arenas light-touch regulation has not necessarily led to wonderful outcomes, but I do not think that you can extrapolate from

that and say that therefore you should never have the voluntary approach. It is not just about the lightness of touch; it is about the buy-in from the people who are having to make it happen. I have found this experience in other work that I have done on the campaign on body confidence and body image as well. When you get companies recognising that this will have benefits for them, whether in terms of being able to appeal to consumers more effectively or whether it is through better governance and therefore greater returns to shareholders, that is going to be a more powerful driver, so it is a better way of solving the problem. It is not just a hands-off approach; it is more successful—and if this is successful, that will speak for itself.

**Lord Brooke of Alverthorpe:** So the Government and yourself are insisting that quotas are not required as long as the voluntary approach shows progress. As you demonstrated, we are doing particularly well with the voluntary approach with regard to the FTSE 100, exceeding Lord Davies's expectations. But the position is quite different in regard to the FTSE 250 and 350 and the executive posts, particularly CEO posts, even in the FTSE 100. Here we are looking to see whether the voluntary approach can deliver in those areas. How long do we have to wait before we feel that the voluntary approach has failed and we have to resort to doing what Lord Davies and the Prime Minister have hinted that we might have to do and introduce quotas?

**Jo Swinson MP:** I think that is a slightly pessimistic question, because I think that we are showing good success. But it is right to point out that the FTSE companies 101 to 350 are not showing the same success as the FTSE 100, but there has still been a significant increase in the women on boards. Of course, it was starting from a lower base with those companies. So you have to recognise that that is still progress. Indeed, since March this year in the FTSE 250, more than one-third of board appointments have been women. So again we are seeing good progress, but we are starting from further back so there is more to do. The critique

about non-executive directors versus executive directors is one that is very fair, which we are aware of. If you look at Lord Davies's report, you see that he always said that the most rapid progress that could be made would be among the non-executive positions; dealing with executive positions is a more medium to long-term problem, because you have to deal with the career progression of women throughout the organisations. There is an absolutely wonderful diagram that I have here, which I can certainly give to the committee, on the pipeline to senior management. The Women's Business Council, which the Government have convened, has been looking at these issues, which will help particularly with the executive directorships. It has a pyramid, with half the pyramid made up of men and half of women, and a big section here where women are just falling out of the pyramid. So you have a lot of women at the more junior level of an organisation, reflecting the fact that we know that there are more women graduates—women doing very well through education. But then, as they are reaching their 20s, 30s and 40s, they are not progressing to those more senior levels. That is a key problem that we have to solve to deal with the issue of executive directors, and that is a more thorny and difficult issue to solve. As I say, the Women's Business Council is looking at ways to improve that pipeline.

Some of this comes down to the culture of the way that we work. If we recognise that one of the significant barriers is around the division of caring responsibilities, there are two things that we need to do in society to deal with that. One is to have more equitable division of caring responsibilities, so that it is not just a woman's job—the mum's job—to look after children, and so have a greater ability to share parental leave, for example, to enable dads to be more involved. They very often want to have a hands-on role with their babies when they are born but find the current arrangements do not allow them to do so. The Government's plans on that are going to make a real difference.

The other thing is about this culture of presenteeism—the long-hours culture, the culture that you will get your senior credibility through working all the hours that are sent, and that if you are working part-time then you cannot be taken seriously. Actually, that does not need to be the case. A lot of good employers are recognising that job-sharing and having some senior roles in part-time positions can enable women to remain in the labour market, perhaps, after having children. As we get some of those changes through, that will help to deal with the situation about executive directors too.

**Lord Brooke of Alverthorpe:** Why do you think that women have greater success in achieving CEO appointments in the public services compared with the private sector? What lessons can be learnt from that and could they be applied to the private sector?

**Jo Swinson MP:** Clearly, appointments have been made in the public sector perhaps for a longer period of time in which diversity has been seriously considered as one of the factors that needs to be very much on the agenda. I know that, since the Davies report, the headhunters and recruitment firms have really upped their game on this, and 36 of them which cover the majority of the recruitment for the top positions in the FTSE 100 have signed up to a voluntary code, which, for example, will mean that 30% of longlists will be women. In a sense, almost by definition, that means that a few years ago that was not the case, and I suspect in the public sector that has been more of a consideration for a longer time. Also there are those cultural issues that I was referring to, around how easy it is to return to work after having children. There is a huge divergence in how organisations deal with that, and the very best organisations manage to retain 99% of women that they had working for them—they come back after they have had their children—whereas that goes down to as low as 50% for some organisations. So the culture within an organisation and the policies that they have in place has a massive impact, and very often maternity provision and flexible working arrangements in the public sector have been better. That is a

generalisation—there are a lot of excellent private sector examples too—but those are a couple of factors that have meant that we have had more success in the public sector than the private sector to date.

**Q300 Baroness Buscombe:** In terms of carers, I would suggest that there is a real issue here. In the public sector there is a huge support system there in terms of job caring—job covering—when people are taking a year off every time they have a baby. It is much more difficult in the private sector. Security of tenure and security of jobs is much greater in the public sector, I would argue, and most jobs out there now are in small to medium-sized businesses, in which case it is very tough for businesses to contemplate somebody who takes a year off then comes back, has promotion and so on. But forgive me: I think it is really important, of course, for somebody in your position who is a spokesman for us as a country in this, and for Her Majesty's Government, and it is much easier, if you can speak from the heart. I do not really know what your business experience is. Have you sat on boards?

**Jo Swinson MP:** I have not sat on boards. I have worked in both a multinational company and a couple of very small businesses, one that was very much a micro-business and another that is a fast-growing start-up which, after I left it, actually listed on AIM. So it was really going places. I have had that experience as an employee in different types of business models, although I was elected to Parliament at the age of 25, so I did not have the experience of serving on a board. I feel passionately about these issues from my experience. On the point that you make about the small and medium-sized company, when you have people who are just trying to make things happen and a team of a handful of people, or slightly larger, if one person is off sick for even a day, that will have a significant impact, because they are dealing with their particular clients and have those relationships. Other people will try to cover, but it is more difficult. That is where the changes that the Government propose to make on parental leave are actually very helpful to businesses—and we have obviously consulted on



this and will bring forward our proposals. At the moment there is not a lot of flexibility from either the employees' or employers' perspective.

Let us say that you have a woman working for your company who has handled certain accounts and that, four months after the birth, you have a big account pitch coming up with the client that that employee had been dealing with. If that employee comes back for a week or two weeks and makes other childcare arrangements for that time to assist with that pitch—from her point of view keeping her hand in and maintaining her professional skills—at the moment she loses all the rest of her maternity rights, and there is nothing that can be done about it. It is frankly ridiculous that the Government are getting in the way and that we are not enabling businesses and employees to have those discussions and come up with a flexible arrangement that works for them, in the scenario with particularly small and medium-sized companies whereby there is less distance between the levels in the hierarchy of the organisation and people can have informal conversations about what might work. It is certainly the Government's intention to change that, and that will help, as will enabling fathers to take some of the leave, because that might mean that it is not a year out of the labour market but several months, which is easier for employers to manage.

**Q301 The Chairman:** Could I just press you on the question that Lord Brooke put? Do the Government have a deadline on this matter for women on boards? What is enough progress? Can you be a bit more precise and tell us exactly what the Government think?

**Jo Swinson MP:** Certainly. Lord Davies has set or recommended a challenging yet achievable target of 25% by 2015, which was very much based on an analysis of what the churn is each year, how many new appointments will be made and having to get a significant percentage of women into those appointments. As I said earlier, we are on course to hit that target, but if something very strange happened between now and then and suddenly our

fantastic progress entirely stopped or went backwards, in 2015 when we looked at that target questions will be asked and we would assess how we could achieve success.

**The Chairman:** So 2015 is a sort of deadline?

**Jo Swinson MP:** We will look at the success that has been achieved when we get there. I do not think that we will be in a situation other than saying, “That’s great, we have hit our 25%—now how are we going to go on from here and what are we going to do next?”

**The Chairman:** Do we stop at 25%?

**Jo Swinson MP:** No, absolutely not.

**Lord Clinton-Davis:** Another question that I want to ask is this. The UK may be making more progress than others. What happens to the backsliders? We are talking about 27 countries, and some are making progress and others are not. What do we do about countries who are not making satisfactory progress?

**Jo Swinson MP:** Starting from the premise that the regulation of boards is primarily a matter for national Governments, it is not for this Government to tell other countries in a dictatorial way what they should do. However, I certainly think that we can lead by example and point to the success that we achieve, and, in fact, the positive benefits that that gives to the UK economy, and make the business case for doing this. Some countries will, I am sure, respond more quickly than others, as we have always found, but I expect things to go in the right general direction.

**Q302 The Chairman:** Minister, a number of witnesses have made a strong case to us about UK corporate governance, and that this should be looked at in the context of corporate governance. Should we encourage the Commission to do likewise? Should we encourage the Commission to indeed adopt some of our corporate governance reforms—the sort of things that we have in the standard code—and ask them to incorporate women on boards within the context of that, rather than just women on boards in isolation?

**Jo Swinson MP:** This issue is very strongly related to corporate governance. There are, as I have said, various studies that show benefits to corporate governance from more diverse boards. Obviously, we have largely been talking about gender, given the nature of this inquiry, but actually companies do well to look more broadly at diversity in terms of background, ethnic mix, obviously—depending on the specific company—who their customers are, and other factors as well. In the UK context, through the Financial Reporting Council, we have the new provision in the Corporate Governance Code to report on this issue, which is very welcome. It is up to nation states to do that monitoring, but I would point to that as a good example of how it can be done. Indeed, there are some other measures that the UK Government is taking—“Think, Act, Report”, for example—to encourage companies to consider the barriers within them to women progressing to equal pay, and seeing what action they can take on that. It is an issue of corporate governance, and we can encourage other countries to see it that way, but without having a dictatorial view from Europe.

**The Chairman:** We took evidence from some executive search companies and, of course, they now have the voluntary code. Do you think that we should adopt the same approach with that voluntary code and ask the EU whether they could not adopt something like that within this whole context?

**Jo Swinson MP:** Again, it is very important to note that the way that company boards are recruited for in different countries across the EU will vary greatly. In the UK, we have huge reliance on these executive search firms; that might not be the case right the way across the EU. The other thing that is important about the code is that it is, as it is called, a voluntary code. Again, it is important that Europe can look at that example, and we should certainly spread our experience of that and share it with other countries, but it would be a bit strange to say, “We’ve got this great voluntary code. We think we should impose it on everybody

else as a mandatory code”. Encouraging others to follow this excellent voluntary approach is very sensible, but I would not necessarily say that it should move to a mandatory situation.

**The Chairman:** There are different grades between voluntary and mandatory. Do you think we should make it a bit more robust—move it towards the middle a bit?

**Jo Swinson MP:** In a sense, I think that the jury is out. It has only recently come into force, and it is already showing quite a good degree of success. My starting point would be that, if you do not have to increase the level of how mandatory something is—I am not sure how easy it is to find a grey area within that—and if the voluntary approach does work, then stick with that.

**Q303 Baroness Valentine:** We have heard that the absolute key here is sustainable change. How can we better develop the pipeline of women to fill executive and board positions, and how radical do we need to be in doing so?

**Jo Swinson MP:** As I mentioned in an earlier answer, to me, that pyramid is visually striking at the problem that we have. We have made progress on the non-executive director level. Obviously, eventually, when you get to 50:50 or thereabouts, yes, you could keep increasing your women non-exec directors, but ultimately you have to address the issue of executive directors in order for this to be sustainable, and to be meaningful as well. I pointed to some of the cultural issues that I think are part of that, and the work that the Women’s Business Council is doing will very much inform the Government’s thinking on this. They are looking at the life stages of how we can get more women into business, and they are doing an excellent piece of work on, within the workplace, what the barriers are to women progressing, and how can we actually solve those. I will be looking forward to their report. I am meeting with them, I think, later next month, and looking at how we can take forward some of those proposed recommendations that they will come forward with.

In terms of how radical we should be, I think we should be, as a country, pretty radical in looking at the workplace and looking at whether it is made for the 21st century. We have a situation where very often positions are determined about being in the office—physically in a particular place for long periods of time—yet that was perhaps more relevant some decades ago. Now we have the wonders of technology—BlackBerrys and other devices, iPads, et cetera. People can be doing meaningful work, having communication and sharing documents and so on from different corners of the planet, and certainly from different parts of the country, and, indeed, doing so at different times of the day. So I do not think that the traditional model of the way that the workplace functions is fit for purpose in the 21st century. We do need to be quite radical in challenging and changing that culture, and part of that the Government can and is doing through the right to request flexible working, for example, which many businesses find has huge benefits as well, because they are able, for example, to have a greater degree of opening hours for their customers, and indeed retain employees who would otherwise find it difficult to juggle work and family commitments. So we should be radical—not necessarily always in a regulatory way, but in terms of how we think about the workplace. That will help to deal with that pipeline issue.

**Baroness Valentine:** Some of the things that you are commenting on are about intervening in the way social life works—whether the father cares, whether the mother cares, flexible working—which, if you are not careful, could be at odds with what is economically constructive. How do you strike that balance? Where do you make it mandatory and where do you make it voluntary?

**Jo Swinson MP:** I think that it is right that there is a balance there, and that is why, for example, on flexible working, it is important that that is not the right to flexible working; it is the right to request flexible working. We are also looking at streamlining the system. I had a look at the flow chart that businesses have to go through in terms of working out whether

to accept a request to work flexibly, and it is currently far too bureaucratic and burdensome, and a much more common-sense code or guidance note would be more appropriate. So there are ways that we can improve the system. As I say, it is the right to request, and it can often have economic benefits; in fact, to the economy as a whole, the evidence from BIS is very strongly that it does have economic benefits.

On the issues around parental leave, again, it is not about the Government saying, “This is what must happen”; it is about Government getting out of the way and letting parents make their own decisions. At the moment, the Government is effectively saying that if Mum and Dad each want to take four months off after baby is born and then go back to work—if they want to take that four months off together—at the moment there is no way that they are able to do that. It is very restrictive and stops people from making choices, and many employers might find it easier to deal with having an employee not in the business for four months rather than a year, if that is what the parents choose to do.

There is a balance to be struck, but I would not make the assumption that these things are necessarily unhelpful for the economy. The bottom line is, if we have a situation where we lose economically active people who would otherwise be contributing to our economy in a very positive way, and if the structure of the way things are does not enable them to continue being economically productive and economically active, then we are losing out.

**Baroness Valentine:** There is just a bit of a danger of tinkering with the system versus, for instance, female champions at the top of the hierarchy, and actually what is fit for purpose for different businesses may be very different, so anything which tells them what the answer is risks being unhelpful, but I did not mean to prolong the conversation.

**Q304 Baroness Buscombe:** I was going to add, if I may, that I think it is quite relevant, this—talking about flexibility and so on—because it is quite clear to me, talking to people out there who are in a position to employ, that they are deeply concerned now about

employing women because in so many cases now women have so much time off if they are having several children, or if they are in a carer's situation. They do not actually have to tell the employer when they are coming back until however many weeks before they decide to come back. It is quite fraught. I have also been in a position where I have offered somebody the right to request flexible leave, and actually it is not as straightforward as it sounds. If you give someone the right to request it, when you refuse it, it is very difficult. It creates a lot of problems between yourself and that member of staff, and actually across the board, because of course there will be other people in that employment situation who never are in a position to ask for any form of leave, because they do not happen to be having children. So I think it is all quite fraught.

I hope that the Government will proceed with great care in all this—free things up, yes, but I agree with Lady Valentine that this will and does have a huge effect on the economy. We are told that this is a time of austerity, so to have at the same time a situation where we have to offer more flexibility in terms of employment is very difficult, and it creates a sense of, “It's not fair: women have an easier time and more opportunity to opt out of the system for a while than men. Therefore, are these the right sort of people we should be promoting in terms of executive positions and in terms of boards?”

**Jo Swinson MP:** What I would say in answer to that is that I absolutely recognise that perceived feeling of injustice that can happen within a workplace, where some employees have a right to request flexible working and others do not. That is one of the reasons, along with other advantages, why the coalition agreement is very clear about extending the right to request flexible working to everyone. So it is not just about a particular group of employees; it is something that is an across-the-board discussion that can be had. Coupled with that is making it easier, through making it clearer and less bureaucratic, what the process is that needs to be followed. There absolutely are circumstances where it is not

reasonable for that flexible working to be granted, for sound business reasons, and I appreciate that that will always be a slightly fraught issue in terms of management. But I think the benefits do overall outweigh those negatives—

**Baroness Buscombe:** You are assuming that that right to request is going to be accepted.

**Jo Swinson MP:** No, I was just saying I absolutely accept that it will not always be, where there are business reasons why it cannot be the case. But if you look at businesses themselves and what they think, particularly the ones that do flexible working, they are very positive about its impacts, particularly around the costs that they save because they have lower staff turnover; therefore, they have lower recruitment costs. So there is actually a positive benefit to the economy—the research from BIS absolutely backs this up—from having greater flexible working. But I accept that if you are a doctor in the accident and emergency wing of a hospital, you are not necessarily always going to be able choose your exact shifts—you have got to have cover at certain times—and there is a whole range of different examples where that is the case. But again on the point that you raise around what some unscrupulous employers would do when faced with different candidates at an interview process and take the view—

**Baroness Buscombe:** Sorry, that is not what I suggested. I am not suggesting that they are being unscrupulous; I am suggesting that they are concerned about their bottom line.

**Jo Swinson MP:** Sure, but I think if businesses are discriminating on the basis of gender in the recruitment process, I would say that that is unscrupulous because that is against the law. I think that that is a fair comment. But the changes in terms of sharing parental leave will also have the knock-on that it will not just be an issue that will affect businesses when they are looking at employing women, because equally the man sitting in front of them could have a child and be making a request for more than the two weeks of paternity leave that they are currently entitled to. So that actually changes that whole dynamic. It is still difficult for



businesses to manage people taking significant amounts of time off for child rearing. You cannot get away from that but, equally, as a society we are in a bit of a difficult situation if people stop having children, so we need to find a way where we can have businesses and other employers managing that process of people who are economically active also juggling and managing their family responsibilities. I believe that it is possible to find that balance that is reasonable and can be dealt with on both sides, but you cannot get away from the fact that there will be some inconvenience when people bring children into this world.

**Q305 The Chairman:** Childcare and maternity leave is obviously very central to this, but I think we have sort of explored that. Is there anything else that you feel we ought to be asking you on this question of the percentage of women on boards?

**Jo Swinson MP:** I think that we have had a good discussion around the whole issue, so I do not feel that there is anything particular I need to add.

**The Chairman:** Is there anything else anybody would like to ask? If not, could I thank you very much? It has been very useful to us to have a combination of BIS and DCMS all in one person—a nice example of joined-up government, if I might say so.

**Jo Swinson MP:** Indeed. Thank you very much.