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Board of Directors Gender Parity Bill

Second reading—Debate Adjourned

Hon. Céline Hervieux-Payette moved the second reading of Bill S-206, An Act to establish gender parity on the board of directors of certain corporations, financial institutions and parent Crown corporations.

She said: Honourable senators, it gives me great pride to speak in this chamber at second reading of a bill that is very important to me. I am also happy to be reintroducing it in this new session.

The purpose of Bill S-206 is to ensure parity for women on the boards of directors of publicly traded corporations, financial institutions and federal Crown corporations.

Women are active participants in the business community, as business owners, shareholders, officers, managers and employees, and they also play an important role in the market as consumers, so they should have equal representation in the management of Canadian businesses.

A great many women in Canada have the qualifications and experience to act as corporate directors, but the number of women in top corporate positions does not come close to reflecting their economic importance.

A recent Catalyst study from last month, based on 2009 data collected from the *Financial Post* 500 companies, is unequivocal. I would like to quote from the study, which is entitled *2009 Catalyst Census: Financial Post 500 Women Board Directors*.

[English]

In 2009, women held 14 per cent of board seats at Financial Post 500 companies, an increase of one percentage point since 2007. In both 2007 and 2009, more than 40 percent of companies had no women directors.

In both 2007 and 2009, less than one-fifth of companies had three or more women on their boards. Nearly half of public companies (which have shares traded on a stock exchange) have no woman board directors.

A previous Catalyst Census has shown that, in 2001, 10 per cent of women were represented on the FP500 boards.

[Translation]

As we can see, the fine rhetoric and the good intentions of many people to promote gender parity on boards of directors are no longer enough. The need for the involvement of Canada's Parliament is more acute than ever, given the slowness of the progress toward parity.

Another Toronto consulting firm, Corporate Knights, comes to this conclusion: "At the current pace, by the year 2020, there will only be one woman out of five members on boards of directors."

Bill S-206, which I introduced, requires the following corporations and financial institutions to achieve parity in the number of women and men serving as directors: every corporation that is a distributing corporation under the Canada Business Corporations Act; every bank that is listed in Schedule I to the Bank Act; every insurance company and every trust and loan company that is a distributing company; and every cooperative credit association. The gender parity requirement also applies to Crown corporations listed in Schedule III to the Financial Administration Act.

These entities have a maximum of three years to comply with the gender parity requirement.

I will soon introduce another bill which will propose, among other measures, to limit participation by any individual to four boards of directors. This means that vacancies will occur and, thanks to Bill S-206, we will be able to appoint women to these positions.

To those honourable senators who may see this as a dangerous precedent on the part of the Canadian Parliament as regards the proper management of corporations, I remind them that, in 2006, the Quebec

government passed similar legislation. When he proposed this reform, Quebec's Minister of Finance, Michel Audet, said:

A new element that has been particularly welcome is the increased number of women on boards of directors. Crown corporations have been asked to have equal representation of men and women on all boards of directors within the next five years.

With this measure, we are acknowledging the fact that Quebec can count on the expertise of many, highly qualified women who have the required skills and have proven their commitment to society.

The Premier of Quebec, Jean Charest, went even further by appointing an equal number of women and men to his last two cabinets. This is a fine example that should be followed here by the federal government, and by all the other provincial governments.

Major industrialized nations in Europe have also decided to take action by legislating to increase women's representation on the boards of directors of their publicly traded corporations.

For instance, since 2006, Norway has required that women make up 40 per cent of all public corporations' boards of directors. Spain has passed similar legislation and France also decided to take action earlier this year. The French Senate is currently reviewing legislation passed by the National Assembly to have women make up at least 40 per cent of the boards of directors of publicly traded corporations. The legislation proposes a 20 per cent quota by the end of a three-year period beginning on the day that the legislation is passed. However, the minimum of 40 per cent will have to be

achieved within six years after the law is enacted.

Last January, the prestigious *New York Times* published an extensive report on European countries that have passed legislation promoting gender parity. The report's title is *Getting Women Into Boardrooms, By Law*. The New York daily reported this:

[*English*]

A 2007 McKinsey study of the largest European companies found that those with at least three women on their executive committees significantly outperformed their sectors in terms of average return on equity by about 10 per cent; operating profit was nearly twice as high. The study stopped short of attributing this performance to a "critical mass" of women but found that companies with pronounced gender capacity at the top tended to rank highly in terms of management quality and organization.

[*Translation*]

Honourable senators, it should come as no surprise that a number of studies show that having equal representation of women and men on boards of directors makes businesses more profitable.

[*English*]

The most recent study, entitled *Groundbreakers* and done by the firm Ernst & Young, is positive. I quote:

Economic analyses by the World Bank, United Nations, Goldman Sachs and other organizations show a significant statistical correlation between gender equality and the level of development of countries. The

evidence is compelling that women can be powerful drivers of economic development.

Several studies from a broad spectrum of organizations — including Catalyst, Columbia University, McKinsey, Goldman Sachs and The Conference Board of Canada — have examined the relationship between corporate financial performance and women in leadership roles. Their undisputed conclusion is that having more women at the top improves financial performance.

There are many reasons that explain this result, and here is one of them, says the study: "Diversity is strategy, diversity is an equation for success." It continues:

Academic research has established that diverse groups of people tend to outperform homogenous groups if both groups' people have equal abilities.

[*Translation*]

We need board members who can suggest new ways of tackling old management problems and who reject the group-think that may have contributed to the global financial challenges we have been facing.

(1510)

Honourable senators, many of you will agree with that statement. But not everyone agrees. Well-known investment manager Stephen Jarislowsky said out loud what some people undoubtedly think quietly to themselves, when he recently spoke out against Quebec's law on parity.

He said:

Because they raise children, it is much more difficult for women to become good administrators. They have not lived their

whole lives in this type of culture, they come from outside. Something is missing and that is industrial competence.

In his comments, which were reported extensively in the Quebec media, Mr. Jarislowsky nevertheless confirmed that he was in favour of parity provided that the members of boards of directors are curious, courageous and competent. I would say that all women agree with him there.

However, Premier Jean Charest was also quick to respond and defend the Quebec law, as reported in the May 28 edition of the *Le Devoir*. The article states that the premier pointed out that the Quebec law has actually forced the government:

. . . to think outside the box when making appointments. In this way, we were able to discover people who apparently did not exist previously, but who were suddenly brought to our attention.

But is the qualification criterion the only one explaining why there are so few women sitting on boards of directors, wonders the renowned magazine *The Economist*, which, at the beginning of 2010, dedicated an entire issue to the climb of women in the workforce over the past 40 years. *The Economist* reported, and I quote:

[*English*]

Women make up less than 13 per cent of board members in America. The upper ranks of management consultancies and banks are dominated by men. In America and Britain the typical full-time female worker earns only 80 per cent as much as the typical male.

This no doubt owes something to prejudice. But the biggest reason why women remain frustrated is more profound: many women

are forced to choose between motherhood and careers.

As honourable senators know, in Quebec, with our daycare system, we do not have to make that choice. The article continues:

Childless women in corporate America earn almost as much as men. Mothers with partners earn less and single mothers much less. The cost of motherhood is particularly steep for fast-track women.

[*Translation*]

Because the qualifications of men versus women are still an issue, here are the latest Statistics Canada data, which were released in July 2009 and concern the degrees awarded in 2007 by all Canadian universities. Honourable senators will see that we have ample numbers of female graduates who could qualify.

In 2007, out of 241,600 university graduates, nearly 61 per cent, or 146,700, were women, continuing a long-term trend in which female graduates outnumber their male counterparts. Since 1994, women have outnumbered men at every level except the doctorate level.

At that level, the federal agency reports that, in 2007, universities granted 4,800 doctorate degrees. Women accounted for 45 per cent of these doctorates, up from 36 per cent a decade earlier.

Let us now turn to the figures for degrees granted by field of study. In 2007, in the fields of business, management and public administration, 22,926 university qualifications were awarded to men, compared to 25,767, or 53 per cent, to women. In the fields of physics and life sciences and technologies, men received

7,641 qualifications, and women, 11,085, or 59 per cent.

As you can see, the figures speak for themselves.

With this new bill, I am beginning a reform of the financial system and business management that I plan to continue with other bills. In view of the moral crisis in the capitalist system, an overhaul of the culture of boards of directors is urgently needed.

Gender parity on boards of directors is a part of these absolutely necessary changes.

[*English*]

The *Groundbreakers* study states the following:

There may be no quick fix to the current financial crisis, but a sure-fire, long-term resolution is to advance more women into leadership positions and provide the right environment for new perspectives to be heard.

Let me conclude with the words of a recent editorial from *The Globe and Mail*, the favourite newspaper of the Leader of the Government in the Senate, published last January, about gender parity in the boardroom:

Women have come a long way in four decades, but the final "power" frontier is as important to conquer as all the others that have come before. Those who lead must take the responsibility to make change happen. They must adopt the issue as a personal challenge.

[*Translation*]

Honourable senators, with that in mind, I therefore urge you to take up this challenge and pass this bill. Canada's Parliament has an opportunity to play a leadership role with other industrialized nations and work to achieve the economic and social progress that Canada truly needs today.

(On motion of Senator Comeau, debate adjourned.)