The Nordic gender equality paradox

Dr. Nima Sanandaji

THE NORDIC GENDER EQUALITY PARADOX

How Nordic welfare states are not only empowering women, but also (un)intentionally holding them back

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FOREWORD BY KARIN SVANBORG-SJÖVALL

I had been the new CEO of Timbro only for a few weeks when a certain kind of invitations began to arrive. In one way or another they said that it would be very much appreciated If I visited their organization, or institute or center to address the challenges of being a wife, mother and CEO. I was asked to sign petitions with demands for government-sponsored programs that would make it manageable for women to solve the "puzzle of everyday life". I was encouraged to discuss the gender bias I'd had to suffer from and overcome during my career, and to reassure young women who felt that the glass ceiling was so unbreakable that it actually could be done.

I have been told that I live in the world's most gender equal country. In many other places the opportunities that I have received simply do not exist. Yet, it is striking how easy some people confuse, on the one hand, real independence for women with, on the other hand, replacing one form of dependence – economic reliance on husband and repressive norms – with a new kind of dependence on government and the whims of political majorities.

This is why Nima Sanadaji's book is required reading, especially for those who find the Swedish model attractive, where big government is combined with a vibrant market economy. Dr. Sanandaji fills a void in a rather single-minded debate on gender equality, and on the gains that have been achieved in Scandinavian countries in unison with the development of the welfare state.

On the one hand, comprehensive childcare, individual taxation (families can't be taxed as an entity), and robust norms for equality, have contributed to the fact that an exceptionally high proportion of Swedish women are employed. On the other hand, the corresponding, expected effect, that Swedish women also more frequently move up to

the very top of the career ladder, has not materialized. There are several reasons for this: tax brackets with negative incentives; a uniquely generous system for parental leave; and a social entitlement system designed almost exclusively from the perspective of employees. The fact is that several other European countries, with far less developed governmental programs for gender equality, can boast a higher proportion of women in executive positions!

This is an interesting observation, since it raises a very uncomfortable question. Could it be that the thwarting effects of the public sector actually constitute a bigger problem for women to reach the echelons of the corporate world, than the standardized, mythical 'good ol' boys' theory? At any rate, this question has certainly not been raised often enough, and much less explored. Could it actually be that it is the very ideals of equality in Sweden that in themselves create an important impediment for women to break through the proverbial glass ceiling?

This is one conclusion where I happen to take issue with Dr. Sanandaji. His perspective is that the under-representation of female entrepreneurs, board members, executives, et cetera, is an unintended consequence of the policies that have been put in place over the last half century. But even if the object was never to actively hinder women from pursuing careers in business, it is still a fact that the shortage of women who have reached the top is an entirely logical consequence of a system where uniformity, rather than extraordinary achievements, is rewarded; where dependence on entitlements is the norm, rather than taking individual risks for entrepreneurial success; where socialism and single-payer systems are taken for granted with respect to schools, healthcare, and elderly care.

One way to sort out a rather muddled discussion is to think of the conflicts concerning gender equality as divided along one horizontal and one vertical dimension. The left in general argues along a vertical dimension, where affirmative action is a necessary tool of government to instigate gender equality by forcing norms from above to trickle

down to the wider population. At the same time the distribution of board members (and other powerful positions in society) should reflect the distribution of the people, hence, a bottom-up perspective that, supposedly, somewhere along the line will meet the norms that are being propagated from above. When this happens, all problems will indeed be solved. A mushrooming public sector, financed by raised taxes (Sweden does already consistently have among the highest taxes in the world), is, as a parallel to this two-front strategy, considered a prerequisite for women to achieve career choice and gain influence on decision-making processes. Dr. Sanandaji argues convincingly that these conditions, as well as the conclusions, are independently of each other false.

It is true that a larger number of women can reach the top only if there exists, first, a sufficient supply of employers and, secondly, a growing proportion of women with a background that promotes the competence that is necessary for a board member. Still, these are perilous waters to manoeuvre. In 2015, Timbro published a research paper according to which a mandatory minimum of forty per cent of women on Swedish corporate boards in all probability would have the effect of reducing the proportion of men with immigrant background (and their related experience from corporate business in other cultures). Hence, affirmative action for women would entail the opposite for other groups. Paradoxically, action to increase diversity would promote conformity.

In addition, the paper analyzed the current development and found that the required gender distribution was already well underway. In the absence of political engineering it was predicted that women would constitute at least forty per cent of the members of corporate boards within a decade. One important factor was the analysis of backgrounds – educational and professional – among present board members. It was assumed that the current present distribution of men and women at relevant college programs carries information about

tomorrow's distribution of men and women in corresponding sectors and positions. If this conjecture holds true there are no real reasons for government to speed up the development.

This claim is further strengthened by a historical analysis. The female representation on corporate boards today almost exactly mirrors gender distribution and the absolute numbers in relevant college educations among generations born in the 1940s and 1950s. The Fact is that in this cohort one rare deviation is an over-representation on Swedish corporate boards of female masters of science. Consequently, evidence seems to be pointing towards a startling conclusion. Yes, women as a whole in these contexts are under-represented in relation to the population. In addition to this, Sweden fares worse than countries with considerably more limited welfare states. There is, however, nothing to indicate that these results follow from a more general discrimination of women.

Nonetheless, if the short answer from a free-market perspective is that the best way for politicians to support women in the corporate realm is to stay away, this still does not mean that policy doesn't matter.

The fact that Swedish women have shouldered a large share of the burden during the uniform welfare state era becomes obvious when focus turns to the fairly recent Swedish phenomena of procurement, vouchers, entrepreneurship, et cetera, as intertwined aspects of the education system, health care, and elderly care. This internationally well-known transformation commenced around 1990, and changing attitudes among the trade unions were first to be found among the publically employed, especially unions dominated by female members.

The reason was that lack of competition was especially prevalent in professions dominated by women, where poor working conditions and low wages were cemented. As the welfare state expanded it was paid for by these women in form of stagnant wages, yet they suffered the same rising taxes, the number of staff remained the same, and working conditions got constantly worse. Today, when Sweden is at a risk of

making a sharp political turn to the left, and return to a system where private enterprise is banned from the welfare sector while the public sector again is expanding, it is again women in the lower income brackets who will receive the brunt of the ideological turnaround. This time, however, there is one big difference compared to the first era of a growing, uniform, socialist welfare state: This time it is women in all income brackets who will suffer.

An example of this new phenomenon can be found in child care. In Sweden, day care centers are offered for a particularly low fee per child in order to guarantee that women don't stay at home instead of pursuing a career. In reality this reform was put forward during the election campaign in 1998 in order to win votes from the middle class, a strategy that worked and probably won the election for the Social Democrats.

However, to keep the limit on child care fees in pace with inflation and general price hikes has, not surprisingly, proved to be more or less impossible politically. Hence, in order to manage the situation, day care centers have been forced to accept growing numbers of children while retaining the same number of staff and skimping on general maintenance. Paradoxically, the majority of parents are both willing and able to compensate for the growing demand. Today, alarming reports on burned-out staff, increasing turn-over of staff, and accidents due to intolerable working conditions are mounting.

Until recently it was possible for pre-school teachers to leave an employer – public or private – for a more attractive alternative, or even start his or her own day-care center. In 2015, however, the newly installed government, consisting of a coalition of Social Democrats and the Green Party (with parliamentary support from the former communist party), assigned a committee to lay the groundwork for prohibiting for-profit welfare enterprises. Predictably, this stalled almost every initiative to start up private day-care centers (as well as every other branch in the welfare sector). It turned out that very few entrepreneurs

were willing to risk an investment when the best possible outcome was not to lose the investment. In addition to this, banks and other financial institutions more or less refused to lend money to enterprises that very well could have been outlawed within a year.

There are many possible labels for a policy that combines the lowest education premium in all of Europe with the highest marginal taxes in the world; one that with laser precision takes aim at shattering the very corporate sector that is owned and managed by the largest share of women.

"Feminist" is not one of them.

A reduced public sector with a lower tax burden would in all likelihood have created opportunities for a larger number of enterprises owned and managed by women. It would have contributed to greater purchasing power, which in turn could be used to obtain the very services that are in demand by women with an interest in pursuing a professional career.

This is especially important, as Dr. Sanandaji makes a convincing case that a key factor for every woman who is striving to make the most of her career is the very number of hours at work.

It doesn't matter where you live, a day and a night still has only twenty-four hours to offer. If a woman's priority is to spend time with her family this will have consequences for her career. This is also true for the Swedish model – or "the next supermodel", as *The Economist* once labeled the Scandinavian welfare states. It's a model that offers a lot for women, but unfortunately, there are no free lunches. And maybe this is the most important, if depressing, conclusion as far as policy goes.

Nobody can have it all.

1. INTRODUCTION

If you want to find gender equality, head north. The Nordic countries top nearly all measures of women's progress. The Mothers´ Index ranking, for example, finds that Norway is the best country in the world to be a mother, followed by Finland, Iceland, Denmark and Sweden.[1] The Global Gender Gap report reaches a similar conclusion, with Iceland on top. The country doesn't have the narrowest gender income gap in the world, but it is leading in creating opportunities for women to study and attain political empowerment. For the same reasons Finland, Norway, Sweden and Denmark follow Iceland at the top of the ranking. The remaining 137 countries included in the index trail behind the Nordics.[2] As this book will show, there are good reasons to admire Nordic gender equality. These societies have for a long time been, and continue to be, pioneers when it comes to creating equal opportunities.

As early as the 18th century Swedish women were given the right to run businesses and manage their property. Early Nordic capitalism was gender inclusive at a time when women in most parts of the world were treated as the mere property of their husbands. The tradition of gender equality, with roots in Viking culture, has continued in the modern era. During the 20th century, Nordic women prospered in the labor market and succeeded on their own merits – without affirmative action – to reach high political positions. Still today, the Nordic countries have unusually high employment rates amongst women and a culture where fathers take much of the responsibility for raising children. So it makes sense to admire Nordic gender equality. But there is also a flip side which is worth examining in greater detail.

1 Save The Children (2015).
2 World Economic Forum (2014).

One should expect the Nordic countries to have an abundance of women in top positions. Indeed, women have succeeded in the public sector, in politics and in getting elected to corporate boards. Paradoxically however, the Nordic countries have unusually few women amongst managers in private enterprise as well as amongst business owners.

One should expect the Nordic countries to have an abundance of women in top positions. Indeed, women have succeeded in the public sector, in politics and in getting elected to corporate boards. Paradoxically however, the Nordic countries have unusually few women amongst managers in private enterprise as well as amongst business owners. What is perhaps even more surprising is the situation of the Baltic countries, three small nations that border the Nordics. The Baltic nations lag behind in many regards when it comes to the women's movement, and have a culture where housewives are far more common. Still, these countries have more women amongst managers, top executives and business owners compared to their Nordic cousins.

A comparison with Anglo-Saxon countries is equally interesting. The Anglo-Saxon countries have lower employment rates amongst women than the Nordics, less generous maternity leaves and less public provision of daycare. Yet, they also have significantly higher proportions of women who reach managerial positions.

The last surprise comes from Norway. Politicians around the world are pointing to Norway as the prime role model for reaching gender equality in the private sector. This can be explained by the fact that the country has introduced regulations strictly enforcing that 40 per cent of those in corporate boards must be women. The idea is of course to break the glass ceiling. By forcing companies to include more women on boards, Norwegian politicians hope to open up

greater career opportunities for women as a group. Those who admire the state-mandated board appointments assume that it is indeed fostering women's broader progress. Otherwise, this government intrusion would find little support.

Yet, as shown in this book, affirmative action on Norwegian boards has been anything but a success. It has affected only a few individuals who have been given board positions due to government mandates. A small group of elite women who already had top careers have thus benefited. The policies have however reduced firm performance and, more shockingly, they have had little if any effect on the broader success of women in the market place. Sweden, which has not implemented quotas, has experienced a faster increase of the proportion of women in top management than Norway has.

Three questions arise which are worth examining in greater detail:

- Why do few women reach the top of the private sector in egalitarian Nordic societies?

- Why do the Baltic nations, which have less gender equal norms, have more women managers, top executives and business owners than their Nordic neighbors?

- Why has the celebrated affirmative action laws in Norway not helped break the glass ceiling?

As you can read in this book, there are perfectly logical answers to these questions. There are explanations for why Nordic nations have few women at the top of the business world, although their culture and history give them a clear advantage in women's progress. It actually makes sense that the Baltic countries, which have progressed less in terms of egalitarian attitudes, have more women managers and business owners.

Lastly, we should not be surprised that the Norwegian government mandates are not achieving broader change in gender equality, since they are based on a wrong analysis of what is holding women back in the labour market. The conclusion is simply that policy matters.

Ample studies show that the large welfare states in the Nordics, although designed to aid in women's progress, in fact are hindering the very same progress. Social democratic systems do provide a range of benefits for women, such as generous parental leave and publicly financed day care for children. The models however also have elements which that are detrimental to women's careers. Public sector monopolies in female-dominated areas such as healthcare and education substantially reduce the opportunities of business ownership and career success amongst women. Welfare state safety nets discourage women from self-employment. Overly generous parental leave schemes encourage women to stay home rather than work. Substantial tax wedges make it difficult to purchase services that substitute for household work, which reduces the ability of both parents to engage fully in the labour market.

In addition, there is a limit as to how much can be achieved by state intervention. Government dictates on the percentage of women who should be given corporate board positions are apparently not a measure which promotes women's career opportunities across the board. The glass ceiling exists in egalitarian Nordic societies not because discriminatory attitudes are prevalent (they are not) but rather because welfare state monopolies, and a larger proportion of women working part-time, hinders women from building up relevant experience in the labor market as well as through entrepreneurship. Regulating the gender distribution on corporate boards does not affect these discrepancies, and it is therefore a symbolic measure affecting mainly a handful of elite women who have already reached the top.

One way of looking at it is that the social democratic model in the Nordics is designed to achieve some aspects of gender equality, such as

providing day care for working parents, but not in prompting women to reach elite positions. After all, social democratic ideals are about equality, not about encouraging top careers. One could even argue that the Norwegian quotas are intended mainly as a symbolic gesture. For those who enacted the policies, it might be enough that companies follow the state mandate, even if it translates to reduced firm performance and does not affect the career progression of ordinary women. A more encouraging perspective is that the beneficial parts of the Nordic model can be combined with the benefits provided by free markets and more limited government. As shown later in this book, recent market reforms in Sweden have indeed had major effects on women's progress. Combining the best of both worlds might very well be a viable path.

It is my hope that this book can contribute to an understanding of how societies can pave the way for women's success; not through a struggle between genders as a Marxist analysis would do, but rather by introducing changes in attitudes and policies so that markets are truly opened up for women's progress. Modern capitalism is increasingly relying on a new generation of highly educated women who are changing the face of the world economy. The Nordic societies, which can trace their gender equality norms to their Viking ancestors, have a lot to teach us about how to encourage this progress. From these countries we can also learn about the ways in which welfare state institutions may hamper women's opportunities.

As the ancient Persian saying goes, one should learn from both the successes and failures of others. In both regards the rest of the world should look closely at the Nordic model to learn more about women's career opportunities.

GENDER EQUALITY IN THE EGALITARIAN NORTH

2. WOMEN'S PROGRESS – A GLOBAL PHENOMENON WITH A NORDIC TOUCH

We live in the age of women's progress. Or to be more precise, we live in an age when a number of long-term trends are paving the way for women, and particularly so young women, to climb the career ladder around the world. One such trend is that norms are changing. It is still common to find gender-biased attitudes wherein individuals are seen as less competent, reliable or valuable simply because they are women. However, over time, such attitudes have become less widespread, not least in advanced market economies. Recent surveys for example find that the majority of Americans believe that women are every bit as capable of being corporate and political leaders as men. Many respond that women have advantages in terms of being organized and compassionate leaders.[3] Such views are spreading around the world. One reason is that individuals and firms in competitive economies find that discrimination is often a loss for the person discriminating as well as the one being discriminated against.[4]

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3 Pew Research Center (2015).

4 Sandra Black and Elizabeth Brainerd (2004) have for example shown that trade benefits women by reducing the affinity of firms to discrim inate. This, alongside with the spread of good ideas over borders, is an explanation for why globalization tends to go hand in hand with gender equality.

This change in gender attitudes is captured by the World Value Survey, an ambitious project that studies people's perceptions around the world. During the latter half of the 1990s respondents were asked if they agreed with the idea that men should have more rights to a job than women, in a situation where jobs are scarce. In Russia and India close to half the respondents agreed with this view. The same was true for four out of ten amongst the general public in Poland, South Korea and China. In Spain, Australia and the UK one out of four agreed with the idea that men should be given special rights in the labor market. In some countries relatively few believed this to be right. For example 19 per cent of Americans, 14 per cent of Norwegians and 8 per cent of Swedes answered that men should have more rights to a job than women.[5]

Attitudes had changed when the same question was asked in a new round of the survey 15 years later (see figure 1). India, a country where economic and social progress has long been held back due to gender discrimination, stands out in the survey. The explanation is that the proportion who held discriminatory views actually increased in India, from 45 to 50 per cent. In all other countries, it fell. Some countries experienced only a minor change. One example is Japan, where the proportion that believed that men should have a priority to jobs declined from 32 to 30 per cent. The greatest shift occurred in the countries that had already stood out for having egalitarian values in the 1990s. In Australia, the United States and Sweden the proportion of respondents who held discriminatory views dropped by more than two thirds –a considerable change in attitudes over a relatively short time span. Sweden – the only Nordic country included in the later survey – was by far the most egalitarian. A clear majority of 93 per cent of respondents disagreed with the idea that men should be given preferential treatment while as few as 2 per cent agreed.[6]

5 World Value Survey 2010-2014 wave.
6 Ibid.

Respondents who agree with the statement

"WHEN JOBS ARE SCARSE, MEN SHOULD HAVE MORE RIGHTS TO A JOB THAN WOMEN"

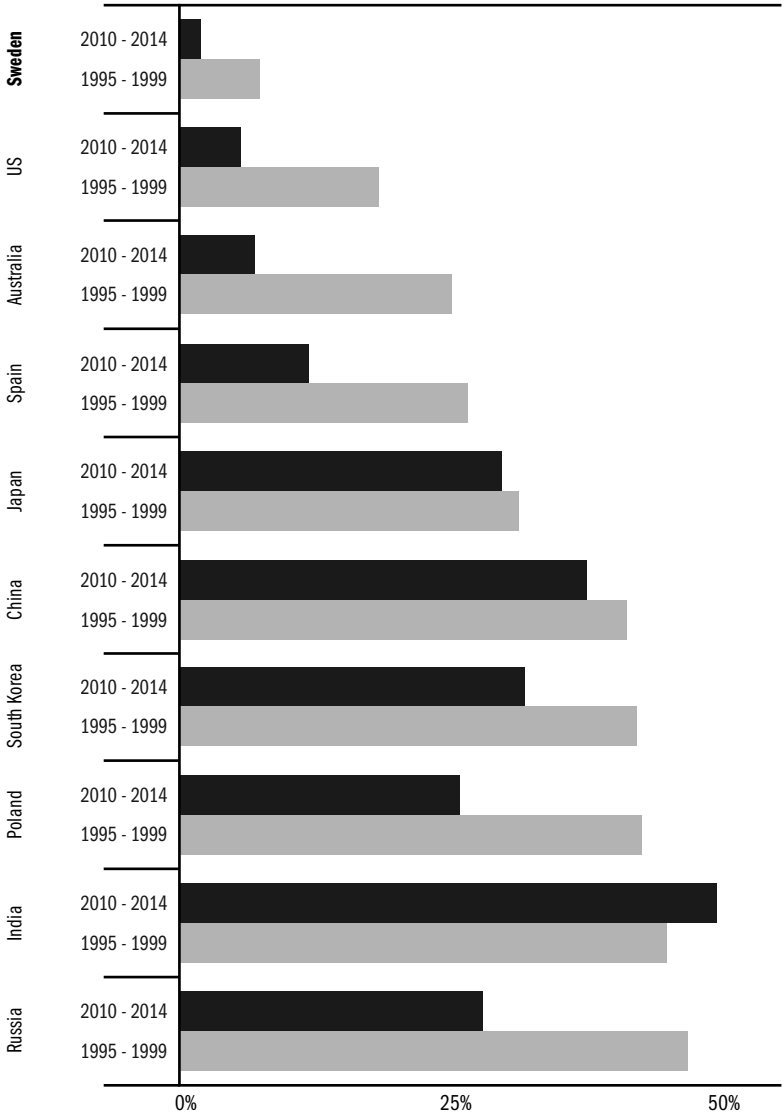

FIGURE 1

World Value Survey 2010-2014 wave.
Data for the UK and Norway is not shown, since these countries are not included in the later survey.

The data is presented in appendix A.

Alongside the change in attitudes, another key trend which promotes gender equality is urbanization. An increasing share of the global population has over time moved from the countryside and smaller communities to larger cities. Already in 2008, the UN observed that a majority of the world population was – for the first time in history – living in cities.[7] By 2050, two thirds of the world population is expected to be urban.[8] Much of economic progress is concentrated in cities. While only 14 per cent of the global population live in the 200 largest metropolitan economies, these large cities account for nearly half (48 per cent) of global output.[9] Urbanization affects women's career opportunities since modern city life has great emphasis on individualism. City dwellers typically get married and have children later than those living in less densely populated areas. Women, who as a group are often held back by the responsibility of family and children, have the opportunity in urban areas to kick-start their careers before starting a family.

Cities offer many service jobs, in which women tend to prosper – both as entrepreneurs and employees. The market for personal services not only creates career prospects for many women, but it also makes it possible to purchase services such as cooking, cleaning and study aid for children. By outsourcing such tasks, parents can find more time and be able to focus on their careers alongside family life. Even in

7 The UN (2008).
8 The UN (2015).
9 Istrate, Berube and Nadeau (2012).

large cities women often take more responsibility than men for the household and for raising the children, which of course affects the time women can invest in career development compared to their male peers. However, this difference is smaller than in less densely populated places. Much like television series Sex and the City and Girls portray, city-life promotes gender equality in the modern economy. Of course, there is also an interaction between urbanity and values: in cities gender discriminatory views tend to be less common than in rural places.

Metropolitan areas act as magnets, attracting young ambitious men. The pull-factor is even greater for young ambitious women. One reason is that women are increasingly engaging in higher education, thus migrating to cities where universities are found.

Metropolitan areas act as magnets, attracting young ambitious men. The pull-factor is even greater for young ambitious women. One reason is that women are increasingly engaging in higher education, thus migrating to cities where universities are found. Already by the turn of the new millennium women made up the majority of students in higher education in most developed countries.[10] In 2012 even China had achieved a majority of women amongst its new students. This is a notable development in a country where skewed gender roles and restrictive one-child policies have created a situation where considerably more boys than girls are born. To make things worse, women in China must sometimes score higher than men to get into universities, as unofficial gender quotas favor men.[11] Clearly, even in societies where women are held back, they succeed in education. Another example is

10 Vincent-Lancrin (2008).
11 See for example The New York Times (2012).

that young women have begun to dominate higher education in Iran, even traditionally male-dominated fields like technology.[12]

Although many obstacles to gender equal opportunities remain, women's progress in education, the labor market and entrepreneurship is reshaping economic structures around the world. Millions of highly educated women surge into the labor markets of developing economies such as China, India, Brazil and Russia. In many cases, these women boast higher ambitions as well as better credentials than their male peers.[13] Women's progress has also an important social dimension, since it empowers otherwise marginalized groups like single mothers. For example, a report from the World Bank found that the absolute poverty rate dropped significantly in Latin America and the Carribbean between 2000 and 2010, in spite of the region being severely affected by the global financial crisis. This is explained by the fact that many women entered the workforce during this period, lifting themselves and their families up to a better standard of living. If women's employment level had not risen, extreme poverty would have been 18 per cent in 2010. Women´s increased economic contribution reduced the actual rate to 15 per cent.[14]

Although women's progress is very much a global phenomenon, there can't be any doubt that one region of the world is leading in gender equality – the Nordics.

12 Forbes (2015) has for example reported "70% of Iran's science and engineering students are women, and in a small, but promising community of startups, they're being encouraged to play an even bigger role."

13 Hewlett and Rashid (2011).

14 The World Bank (2012).

Although women's progress is very much a global phenomenon, there can't be any doubt that one region of the world is leading in gender equality – the Nordics. The Global Gender Gap report concludes that *"the Nordic nations continue to act as role models in terms of their ability to achieve gender parity"*.[15] Saadia Zahidi, Senior Director and Head of Gender Parity and Human Capital at the World Economic Forum, had this to say about gender equality in the region:

> *"While patterns vary across the Nordic countries, on the whole, these economies have made it possible for parents to combine work and family, resulting in more women in the workplace, more shared participation in childcare, more equitable distribution of labour at home, better work-life balance for both women and men and, in some cases, a boost to waning fertility rates."*[16]

It is anything but difficult to find international praise of Nordic gender equality. Katrin Bennhold at *The New York Times* for example argues that Sweden's feminist model is beneficial both to men and women in tearing down traditional gender roles:

> *"In this land of Viking lore, men are at the heart of the gender-equality debate. The ponytailed center-right finance minister calls himself a feminist, ads for cleaning products rarely feature women as homemakers, and preschools vet books for gender stereotypes in animal characters. For nearly four decades, governments of all political hues have legislated to give women equal rights at work — and men equal rights at home."*[17]

15 World Economic Forum (2014).
16 Huffington Post (2013).
17 Bennhold (2010).

Like many other international proponents of Nordic gender equality, Bennhold admires the *"social engineering"* that has made it possible for *"a new definition of masculinity"* to emerge. Likewise, Bennhold writes enthusiastically about *"laws reserving at least two months of the generously paid, 13-month parental leave exclusively for fathers"* and other elements of Nordic welfare states, which the readers of *The New York Times* are told have *"set off profound social change"*.[18]

Those who follow international news sources are routinely given the impression that Nordic gender egalitarianism simply results from the social democratic welfare state policies introduced in this part of the world. *The Guardian* for example informs its readers: *"Official figures from Eurostat show that 77% of women in Sweden had a job in 2014 – the highest level in the European Union. Children are guaranteed a place in childcare from the age of 12 months for a very modest sum, making it possible for women to return to work."*[19] On *The Guardian*'s website, this news item directly links to an opinion column by Gabrielle Jackson entitled *Force men to take paternity leave. It will make the world a better place.* As one might expect, it argues that the Swedish model with a welfare state providing generous paternity leave is a fantastic solution.[20]

Nordic gender equality stretches back many centuries before the foundation of modern welfare states. Additionally, the rise of large welfare states has not only benefited women, but also created substantial barriers to women's progress.

This admiration of the welfare state is not necessarily wrong, since several aspects of its Nordic manifestation – such as public provision

18 Ibid.
19 The Guardian (2015).
20 Jackson (2015).

of child care, generous parental leave and generous sick leave – are aimed at making the combination of work and family easier for parents, and particularly so for mothers. However, as will be shown in this book, the reality is more complex than what admirers of Nordic policy might believe. It is certainly true that the Nordic countries, and Sweden in particular, are role models when it comes to gender equality. But this success did not materialize with the welfare state. Rather, Nordic gender equality stretches back many centuries before the foundation of the modern welfare state. Additionally, the rise of large welfare states has not only benefited women, but also created substantial barriers to women's progress. This explains why the Nordic countries, which in theory should have the highest levels of women amongst executives and business owners, are in fact well behind many other developed economies in this regard. In an age of women's progress, the Nordic societies are still worth admiring for their gender equality norms. When it comes to unleashing the potential for women to reach the top however, we should be aware that the social democratic model of the Nordics has both some benefits and some clear disadvantages.

3. A HISTORY OF GENDER EQUALITY

When it comes to gender-related issues the Nordic societies have many common attributes, but also some distinct differences. For example, whilst gender-related jokes are seen as sexist in most of the Nordics, this is not necessarily the case in Denmark. Iceland and Finland are more socially conservative societies, whereas Swedes tend to be individualistic. The two Swedish historians Henrik Berggren and Lars Trägårdh go as far as to argue that Swedish culture is devoted to the pursuit of personal autonomy. This in turn is closely related to feminist ideals in the country, since the argument is that feminism sets people free. According to the authors, the individualist perspective explains why the Swedish welfare state is focused on reducing people's dependence on their families (through public funding of child-care and elderly care, as well as generous benefit systems) rather than public support aimed at families (a more common feature of the welfare systems in other European countries). To a lesser extent, the same can also be said of the other Nordic welfare states. [21]

In relation to gender equality and welfare policy, a number of noteworthy differences do exist, which will be touched upon in greater detail later in this book. One difference is that Iceland, although having the most distinct Nordic culture (due to its geographic and cultural isolation) has not introduced as large of a welfare state as the other Nordic countries. Another difference is that Norway has several years of experience with state-mandated quotas for private corporate boards.[22] A third is that Sweden, which is most uniquely Nordic both

21 Trägårdh and Berggren (2006).

22 In other Nordic countries, quotas do exist in some forms, but with limited effect on private enterprise. The Finnish Equality Act for example includes a quota provision that applies to state-administered organizations.

in terms of gender equality value systems and in the enthusiasm with which social democratic policies were introduced during the 20th century, has moved towards substantial market reforms since the 1990s. This includes reforms which, as discussed in greater detail later, have in particular benefited woman's career progression. For the purpose of this book we can note that the Nordic countries are quite similar, both in terms of attitudes and policies, when it comes to the issue of gender equality. A key reason is that the countries share a common history.

It is often assumed that Nordic gender equality is simply the product of the welfare state policies prevalent in these societies. Eva-Maria Svensson and Åsa Gunnarsson for example write in an article published in a feminist law journal: *"A prominent characteristic of the Swedish model is truly the fact that gender equality policy is closely intertwined with the Swedish welfare state ideology"*.[23] Although this description is more or less true of the current model in the country, a broader perspective shows that egalitarian gender values in the Nordics predate modern welfare states by centuries. In fact, already the Viking ancestors of today's modern Nordic societies had – for their time – a culture which emphasized women's rights.

The fact that women were allowed to bear arms, and train as warriors, suggests that gender segmentation in early Norse societies was considerably more lax – or at least more flexible – than other parts of contemporary Europe. Evidence also suggests that women in early Nordic societies could inherit land and property, that they kept control over their dowry in marriage and controlled a third of the property they shared with their spouses.

23 Svensson and Gunnarsson (2012).

Television series such as HBO's *Vikings* often portrait historic Norse societies as having a relatively even distribution of power between the sexes. Although these cultures were patriarchal, women had considerably more influence than in other contemporary cultures. For example, Scandinavian folklore is primarily focused on men who ventured on longboats to trade, explore and pillage. Yet the folklore also includes *shiledmaidens,* women chosen to fight as warriors. Byzantine historian John Skylitzes records that women were indeed participating in Nordic armies during the 10th century.[24]

The fact that women were allowed to bear arms, and train as warriors, suggests that gender segmentation in early Norse societies was considerably more lax – or at least more flexible – than other parts of contemporary Europe. Evidence also suggests that women in early Nordic societies could inherit land and property, that they kept control over their dowry and controlled a third of the property they shared with their spouses. In addition, they could, under some circumstances at least, participate in the public sphere on the same level as men. Medieval law, which likely reflects earlier traditions, supports this notion. Medieval inheritance laws in Norway followed family relations through both male and female lines. Additionally, women could opt for a divorce.[25] These rights might not seem impressive today, but they were rather unusual in a historical context. In many contemporary European and Asian societies, the view was that women simply belonged to their fathers or husbands, having little right to property, divorce or inclusion in the public sphere.

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24 During the battle of Dorostolon, Kievian Rus forces – who were essentially Swedish Vikings with a strong presence in today's Russia – invaded present-day Bulgaria. A counteroffensive by the Byzantine Empire dealt a devastating defeat to the Vikings. The Byzantine were stunned at discovering armed women among their fallen enemies. Source: Harrison and Svensson (2007).

25 See research summary by Moen (2010).

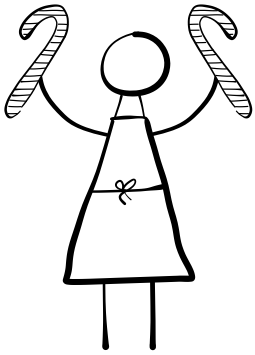
Nordic gender egalitarianism continued after the Viking age, particularly in Sweden. In much of the world, women were excluded from participating, at least fully, in the rise of early capitalism during the 18th and 19th centuries. In essence, free markets and property rights were institutions that initially excluded women. Although Sweden and the other Nordic countries were far from completely egalitarian, they challenged contemporary gender norms by opening up early capitalism for women's participation.[26] Author Anders Johnson, who has written numerous books about the historic development of the Swedish economy, explains that women in Sweden during the first half of the 19th century enjoyed some opportunities to run businesses. They could be given the right to run a small shop, as long as they were not suspected of competing with male traders. Widows were given the right to take over their deceased husband's business venture. Again, although not impressive by today's standards, this was a major gender equality achievement at the time. A reform in 1846 opened up women's rights to run businesses.[27]

Amalia Eriksson was one of the female entrepreneurs who took advantage of this freedom, by starting the first commercial production of Swedish candy sticks in 1859. The poor 35-year-old widow received the town council's permission to open a bakery to make pastries and peppermint rocks, and opened a shop in the small city of Gränna. The candy sticks that she baked require a rather advanced process, including being kneaded on a marble baking table, and have since continued to be popular. Eriksson is even credited with inventing these sweet delicacies. The tradition of making candy sticks has lasted for more

26 Johnson (2011).

27 Sweden included Finland from the 13th to the beginning of the 19th century, and was in union with Norway between the beginning of the 19th and the end of the 20th century. Thus, during this period, Sweden's history is key to understanding the development of the region as a whole. The country also has the largest population in the Nordics.

ILLUSTRATION 1



AMALIA ERIKSSON

Amalia Eriksson, a 35-year-old widow at the time, is credited with inventing the candy stick through the bakery she founded in 1859. It remains today one of the foods most associated with Sweden. A million tourists are each year attracted to the small city of Gränna in which Amalia started her bakery, and where the candy sticks are still produced in a traditional manner. This is an example of the how early Nordic capitalism was inclusive of women, at a time when women in many other societies were merely seen as the property of their fathers and husbands.

than 150 years; the candy is today one of the foods most associated with Sweden. Each year around a million tourists visit the small city of Gränna – mainly for its candy sticks.

When Amalia Eriksson founded her bakery, Sweden was still transitioning towards a free market economy. Many individuals, particularly women but also men, were still prohibited from running a business. In 1864 Sweden made a leap forward, as business freedom was granted to virtually all adult men and unmarried adult women.[28] Although married women were initially excluded, it is still noteworthy that true economic freedom was granted to both sexes at the same time in Sweden. In illustration 2, some other noteworthy examples of the early opportunities for women to participate in political and economic life in Sweden are shown, and compared to the rest of the world.

28 Sweden included Finland from the 13th to the beginning of the 19th century, and was in union with Norway between the beginning of the 19th and the end of the 20th century. Thus, during this period, Sweden's history is key for understanding the development in the region as a whole. The country also has the largest population in the Nordics.

ILLUSTRATION 2

A HISTORY OF GENDER EQUALITY

1718 Female members of Swedish city guilds who paid taxes were allowed to vote and stand for local election, during the country's "age of liberty". This was a historic achievement for the women's movement. Women in Sweden could vote 200 years before women's suffrage came to the UK (in 1918 most women in the UK were allowed to vote).

The early voting rights for women in Sweden did experience a backlash, as these rights were removed for local elections in 1758 and for general elections in 1771. The tide again turned in 1862, when women could again vote in local elections. In 1919 they were given the same right in general elections.

In the **1734** Civil Code of Sweden, men were banned from selling their wives' properties without their consent. Both spouses were given the right to divorce over adultery. The party innocent of adultery received custody of the children.

In **1846** Sweden opened up the professions of trade and craftsmanship to all unmarried women. Denmark soon followed suit by introducing similar legislation in 1857.

In **1829** Sweden, midwives were allowed to use surgical instruments. This rule, unique in Europe at the time, effectively gave women the right to conduct surgeries, status.

In **1741** Sweden, being an innkeeper no longer required guild-membership. This effectively opened up the profession to women.

Married businesswomen were given legal majority and juridical responsibility within the affairs of their businesses in 1798 Sweden. In comparison, the US state of Maine was groundbreaking in allowing women to own and manage property in 1821. This was however under the condition that women did so while their spouse was incapacitated. Massachusetts and Tennessee introduced the same legislation in 1835, with other states gradually following suit.

Sources: Karlsson-Sjögren (2006) and Wikipedia.
Also see Bergqvist et al. (1999) and Du Rietz (2009).

In the rest of Europe marriage legislation has traditionally given the husband alone the responsibility to provide for his family, stating the husband's guardianship over his wife and children. Nordic countries recognized married women as individuals in their own rights as early as the start during the beginning of the 20th century – before the rise of modern welfare state policies.

These policies continued at the beginning of the 20th century. For example, around 1900 the question of protective labour legislation was brought up in the Nordic countries. Inspired by international developments, governments wanted to "protect" women from factory work. These proposals caused a heated debate. Sweden did introduce night-work prohibition in 1909, after considerable criticism from the women's movement. Unlike other European countries, Australia and the US, a special prohibition on women's night work was however never included in Danish and Norwegian factory laws. Women were allowed to participate in the industrial upheaval of these countries.[29]

Another example of early Nordic gender equality is that Nordic tax law and marriage law centered on a dual breadwinner model. Men and women were taxed independently. In societies where spouses are taxed jointly, both spouses will face high marginal tax rates if one has a high income. In Nordic tax systems, the spouse with a lower income (often the wife) will not experience a higher marginal tax rate if the other spouse has a higher income. The system encourages both spouses to invest in their individual careers. In addition, marriage legislation in the Nordics has been built up around the idea that men and women are jointly responsible for family provision. In the rest of Europe marriage legislation has traditionally given the husband alone the responsibility

29 Melby, Ravn and Wetterberg (2009).

to provide for his family, stating the husband's guardianship over his wife and children. Nordic countries recognized married women as individuals in their own rights as early as the beginning during the start of the 20th century – before the rise of modern welfare state policies.[30]

Anita Lignell Du Rietz has written numerous studies on women's business ownership in Sweden over time. She has shown that many businesses, such as taverns, tailor stores, breweries and shops were run by women entrepreneurs during the 19th century. Other female-dominated businesses that developed over time included schools and pharmacies. However, as the Swedish welfare state grew during the 20th century, government monopolies were enforced, crowding out private enterprise. Crucially, male-dominated sectors such as manufacturing, mining and forestry continued to be run by private firms. Female-dominated sectors such as health care, child care and education were on the other hand taken over by the public sector. Thus, perhaps an unintentional effect of the transition towards welfare state monopolies was that women's business ownership suffered.[31] As will be shown in the upcoming chapters, the development of the welfare state – although aimed at fostering gender equality and successful in boosting women's labour participations – has also limited women's progress in many ways.

30 Ibid.
31 Du Rietz (2009).

4. OPTIMAL SETTINGS FOR WOMEN TO REACH THE TOP?

Women entered the labor force early on in the Nordics, and continue to have a strong presence. The present-day employment rate of women is 73 per cent in Norway, 72 per cent in Sweden, 70 per cent in Denmark and 68 per cent in Finland. This is much higher than the average European Union level of 59 per cent, and also somewhat higher than both the United Kingdom (65 per cent) and the United States (62 per cent). The difference is even greater when compared to Greece, Malta and Italy where less than half the women are employed – or for that matter to Turkey and Macedonia where only a third of women engage in the formal labour market.[32] A likely reason for the high rates in the Nordics is that policies such as public provision of child care and generous parental leave benefits encourage women to combine family life with work.

Nordic societies continue their historic tradition of women's empowerment, whilst gender stereotypical discrimination is still commonplace in southern Europe.

Nordic societies continue their historic tradition of women's empowerment, whilst gender stereotypical discrimination is still commonplace in southern Europe. The World Values Survey, referred to earlier in this book, shows that Sweden is the country where the least number of respondents agree with the idea that men should be prioritized over

32 Eurostat and own calculations. Averages for 2010-2014 are given. In the latter countries, a non-significant share of women are engaged in the informal sectors.

women if jobs are scarce. The latest survey (conducted in 2010-2014) does not include responses for any other Nordic country than Sweden, which limits our analysis. However, the previous survey conducted between the years 2005 to 2009 does include both Finland and Norway in addition to Sweden. A closer look at this global attitude survey shows that gender egalitarian views truly are a Nordic, rather than solely Swedish, phenomenon.

The world is very much divided when it comes to the issue of actively favoring men on the job market. As shown in figure 2, the vast majority of those living in Egypt and Iran for example think that it is a good idea for men to be prioritized for work over women. This is explained by the fact that the patriarchal systems in these countries are based on men providing for the family. The same view is held by about half of those living in Turkey, Indonesia, Malaysia and India. In another set of countries – including China, Russia and South Korea – a significant minority wishes to actively favor men. In modern market economies, fewer agree with this notion. In Switzerland for example, 22 per cent believe that men should have more rights to a job than women, compared to 16 per cent in the United Kingdom and 14 per cent in Canada and Australia. Sweden has the lowest proportion agreeing with this view, merely 2 per cent. Norway (6 per cent) and Finland (10 per cent) are also amongst the countries with egalitarian views.[33]

FIGURE 2

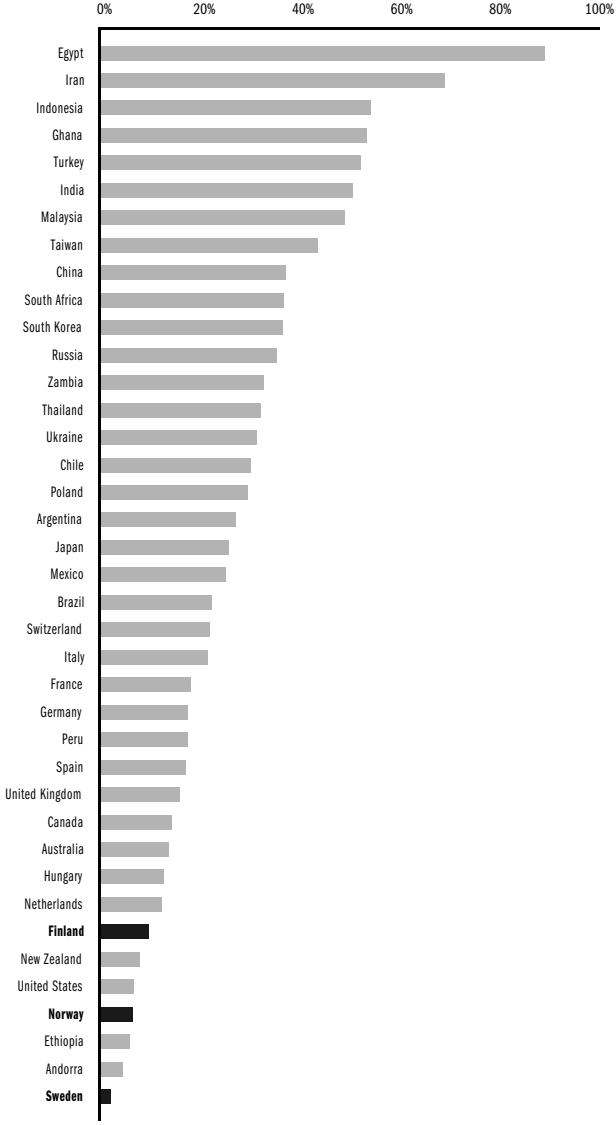
Source: World Value Survey 2005-2009.[34]

33 World Value Survey 2005-2009 wave. The same low rate of 2 per cent was observed in Sweden for the 2010-2014 wave of the survey, shown in figure 1.

34 Data shown in appendix B for all countries included in this round of the survey (some of which have been excluded from the graph due to limit on size of the image).

Proportion of respondents who agree with the statement

"WHEN JOBS ARE SCARCE MEN SHOULD HAVE MORE RIGHTS TO A JOB THAN WOMEN"



Proportion of respondents who agree with the statement

"MEN MAKE BETTER BUSINESS EXECUTIVES THAN WOMEN DO"

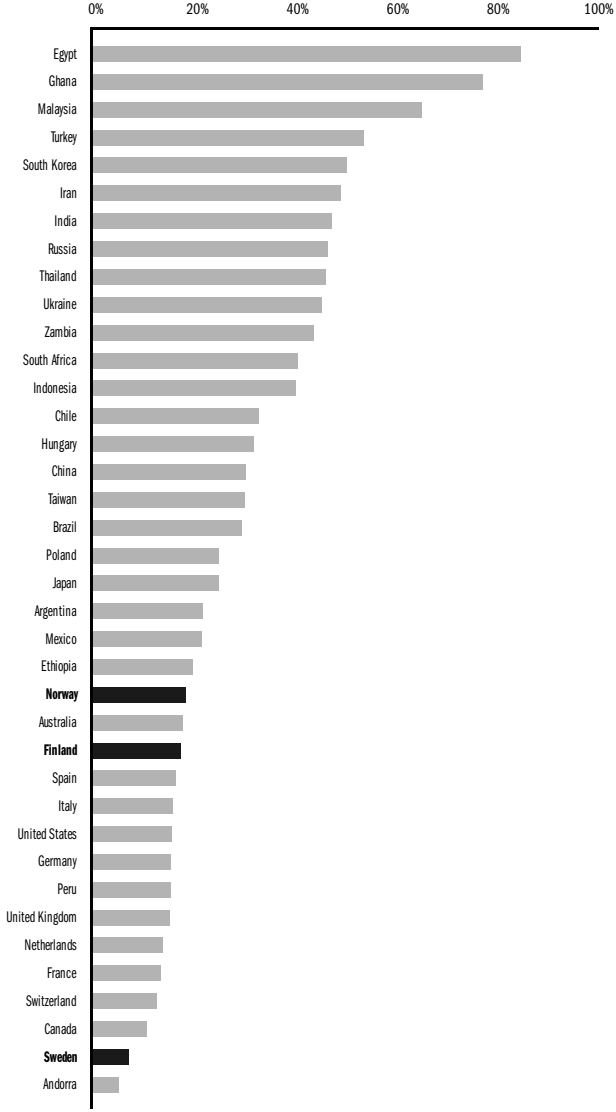


FIGURE 3

Source: World Value Survey 2005-2009 and own calculations. [35]

Another question included in the World Values Survey is whether people agree with the statement "Men make better business executives than women do". Figure 3 shows the proportion who either agree or agree strongly with this idea in different parts of the world. The answers are pretty much in line with the question about prioritizing jobs for men. Again Egypt and Iran have a large proportion of respondents with discriminatory views. Again the Nordic countries, the European mini-nation of Andorra, and other developed market-economies in the West have the most gender equality views. Much as with the former question, Sweden stands out as being even more gender equal than the other Nordic countries – with only 7 per cent of Swedes believing that men make better business executives than women. The corresponding share is 11 per cent in Canada, 16 per cent in the United Kingdom, Germany and the United States, 18 per cent in Finland and 19 per cent in Norway.[36]

Nordic countries seem to have it all – a culture that for generations has been empowering women, a historic tradition of opening up early capitalism for women's participation, modern welfare states that aim to encourage women's ability to combine work with family life, unusually high levels of women's participation in the labour market and amongst the most gender equal norms in the world. Given all this, one should certainly expect Nordic women to have the very best ability to reach the top.

35 Data shown in appendix C. Again, some countries have been excluded due to size limit.

36 World Value Survey 2005-2009 wave.

To sum up, Nordic countries seem to have it all – a culture that for generations has acknowledged women's rights, a historic tradition of opening up early capitalism for women's participation, modern welfare states that aim to encourage women's ability to combine work with family life, unusually high levels of women's participation in the labour market and amongst the most gender equal norms in the world. Given all this, one should certainly expect Nordic women to have the very best ability to reach the top. This success is indeed materializing in several aspects of Nordic societies – but not to the extent one should expect in the business world.

UNFULFILLED POTENTIAL

5. THE NORDIC GLASS CEILING

The glass ceiling is described as a subtle, but strong, barrier that prevents women from moving to the top. It is a common metaphor for the difficulties that women face in reaching executive positions. Can we find many women who break the glass ceiling in Nordic societies? The answer is yes, at least in positions where people are elected to. In the Nordics, nearly all major companies have elected at least one woman to their boards.[37] It is common to find women in top positions in politics as well, across the political spectrum.[38] The Inter-Parliamentary Union regularly gathers data on the gender setup of parliaments around the world. Nordic countries are found at the top of the list. The proportion of women in parliament ranges from 37 per cent in Denmark to 44 per cent in Sweden. Nordic countries only have one parliament each. In the United Kingdom, which has two parliaments, the proportion of women is 29 per cent in the lower house and 25 per cent in the upper house. Another comparison is the United States, where 19 per cent of those elected to the lower house (House of Representatives) and 20 per cent of those elected to the upper house (Senate) are women.[39]

Lately, a number of women have reached the very top of Nordic politics. One example is Erna Solberg, the current conservative prime minister of Norway. Denmark was led by another female prime minister, social democrat Helle Thorning-Schmidt, until 2015. Finland has in recent years had two female prime ministers, Anneli Jäätteenmäki and Mari Kiviniemi, both of whom led the centrist party and had relatively short reigns. Sweden has yet only had men as prime ministers. However, this may well change. As this book is being written,

37 European Commission (2013a).

38 Women have also played a key role in Nordic politics historically – both amongst the parties on the left and right side of the spectrum. See for example Johnson (2009).

39 Women in national parliaments (2016).

three out of four leaders amongst the Swedish center-right opposition parties are women.

If we move our focus away from the few individuals on company boards, and look at the larger group of individuals who have various executive positions, the picture of Nordic gender equality suddenly changes.

What then about positions that women are not elected to? Most people who reach executive positions do so not through being elected, but rather by climbing the career ladder. Turning back our focus from politics to business, we can note that there are many examples of Nordic companies that have few women at the top, but which make the effort of including at least one woman on their boards. If we move our focus away from the few individuals on company boards, and look at the larger group of individuals who have various executive positions, the picture of Nordic gender equality suddenly changes.

A good starting point is the data provided by the International Labour Organization. As shown in figure 4, the organization has compiled statistics over the proportion of women in managerial positions across the world. A noteworthy finding is that Iceland – the smallest Nordic cousin which differs from its larger neighbors by having a medium-sized rather than large welfare state – has 40 per cent of women amongst those in managerial positions. This is the same level as New Zealand, and second only to Latvia (46 per cent) and the United States (43 per cent). Sweden does fairly well, with almost 36 per cent of women in managerial positions, higher than the UK (34 per cent). Norway (32 per cent), Finland (30 per cent) and Denmark (28 per cent) are however amongst the countries with the lowest proportions of women managers.[40]

40 International Labour Organization (2015).

WOMEN'S PERCENTAGE SHARE OF ALL MANAGERS

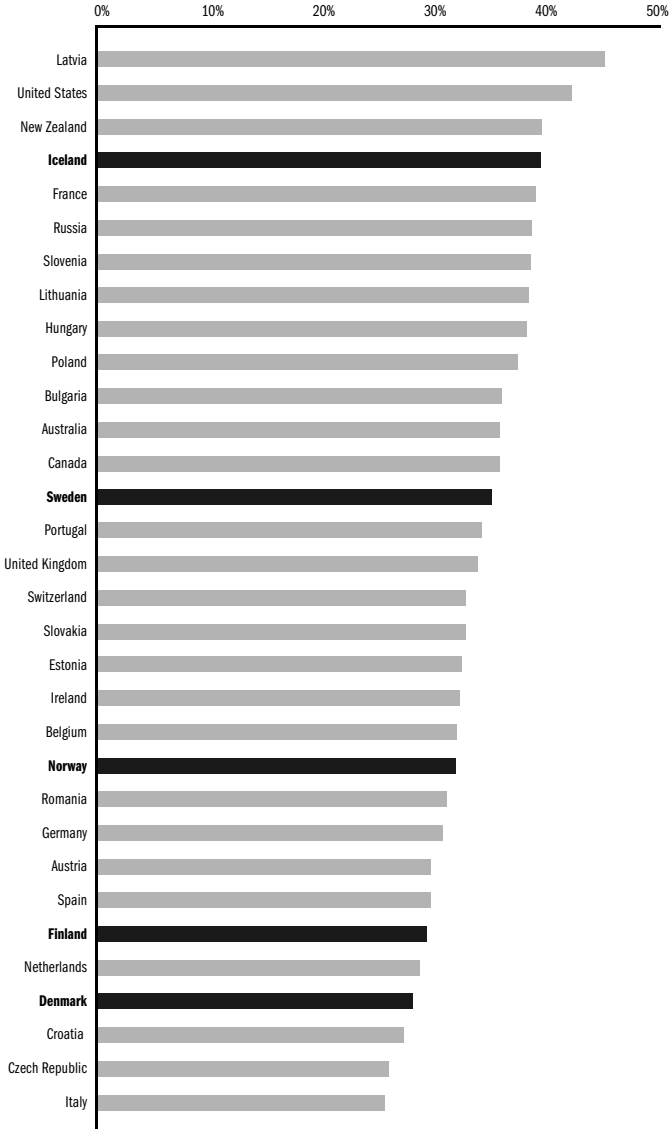


FIGURE 4

Source: International Labour Organization (2015)

The Economist has compiled a glass-ceiling index, in which various countries around the world are compared in terms of the opportunities granted to women. Table 1 shows how the Nordic countries perform in a number of fields, compared with both the Anglo-Saxon countries and the average developed economy. The comparison with the Anglo-Saxon world is made since this group of countries has distinctly different policies from Nordic countries, with more focus on markets and smaller welfare states. Correspondingly the Anglo-Saxon countries have different conditions and outcomes for women's success in the labour market than in the Nordics.

When it comes to issues such as the labour force participation difference between genders and the higher education gap, the Nordics are consistently placed at the top of *The Economist* index. In Finland for example men only have a 2.5 per cent higher labour force participation than women. The gap is twice as large in the United States and four times as large in the UK. Child care cost and paid maternity leave, services provided largely by the public sector in the Nordic welfare states, can in part account for the high labour participation amongst both parents. Such systems are more extensively funded by the public sector in the Nordics compared to other modern economies, and particularly compared to the Anglo-Saxon nations.[41]

In the United Kingdom for example the cost of childcare for families amounts to fully 46 per cent of an average wage. In the United States it is somewhat lower at 35 per cent. Compare this with Sweden, where the cost is paid mainly through taxes and the public sector, leaving parents to pay 6 per cent of an average wage for child care. Public financing of maternity leave is another good example. In Finland

41 The Economist (2015).

maternity leave is paid 14 weeks based on 100 per cent of last earnings. In the United Kingdom less than 12 weeks are paid based on the full income, whilst the United States stands out by having no universal public system of parental leave.[42]

We see here that there is something lacking in Nordic gender equality. These societies are better in theory than in practice at breaking the glass ceiling. This becomes even more evident if we focus on private sector managers.

The conditions for women's careers, according to the parameters listed by *The Economist*, seem to be impressively good in the Nordics. How well do they then perform if we look at the actual measure of breaking the glass ceiling, that is, the proportion of women who reach the top? The answer is: not as well as one would expect. The Nordic superstars score just above the OECD average, and well below the Anglo-Saxon countries, in the share of senior managers who are women. The United States tops the league with 43 per cent of women managers. The average Anglo-Saxon economy has 37 per cent of women managers. The Nordics on average only have 31 per cent.[43] We see here that there is something lacking in Nordic gender equality. These societies are better in theory than in practice at breaking the glass ceiling. This becomes even more evident if we focus on private sector managers.

The data shown in figure 4 and table 1 include both public sector and private sector managers. In Nordic welfare states, relatively many of public sector managers are women. In the private sector, where managers often have much more power, the gender bias is even

42 Ibid. Some limited local systems do exist in parts of the United States.

43 Ibid. The data on managers is roughly the same as in figure 5, since the Economist uses the International Labour Organization as its source.

stronger in favor of men. The Federal Ministry for Family Affairs, Senior Citizens, Women and Youth in Germany has published a report on the topic *Women in Executive Positions - Barriers and Bridges*.[44] The analyses focuses on the share of managers in the private sector, including directors and chief executives of larger organizations as well as managers of small enterprises, who are women.

THE ECONOMIST GLASS-CEILING INDEX

Score. 100 = highest score

	Gender gap labour-force participation	Higher education gap	Child-care costs	Paid maternity leave	Share of senior managers who are women
Sweden	95	96	87	57	75
Finland	100	100	51	64	67
Norway	96	89	68	36	66
Denmark	94	86	74	42	54
Nordic average	**96**	**93**	**70**	**50**	**66**
US	78	69	23	0	100
UK	78	58	0	53	74
Ireland	71	79	9	50	71
Canada	89	94	36	36	80
New Zealand	81	71	12	30	92
Australia	77	84	39	3	82
Anglo-Saxon average	**79**	**76**	**20**	**34**	**83**
OECD average	**75**	**66**	**60**	**60**	**63**

TABLE 1

Source: The Economist (2015). Selected parameters are shown.

44 Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (2010).

Whilst many women in the Nordics break the glass ceiling by being elected to high positions, relatively few reach executive roles during the course of their careers in the private sector.

As shown in figure 5, the study found that the proportion of women managers in the private sector was somewhat lower in Germany (31 per cent) than the average European Union country (33 per cent). Perhaps more surprising is how poorly the three Nordic countries included in the study performed. In Sweden, only 26 per cent of private sector managers were found to be women. In Denmark (24 per cent) and Finland (22 per cent) the levels were even lower. In comparison, France topped the list with 40 per cent of managers being women, followed by Latvia, Spain, Italy and Poland (35 per cent) and Estonia and the United Kingdom (34 per cent).[45] Thus, countries with less gender equal norms and fewer women in employment have considerably more women managers in the private sector than the Nordics. Or in other words, whilst many women in the Nordics break the glass ceiling by being elected to high positions, relatively few reach executive roles during the course of their careers in the private sector. In theory the Nordic countries offer the greatest ability to break the glass ceiling. In reality, something is holding women back in the market place.

45 International Labour Organization (2015).

WOMEN'S PERCENTAGE SHARE OF PRIVATE SECTOR MANAGERS

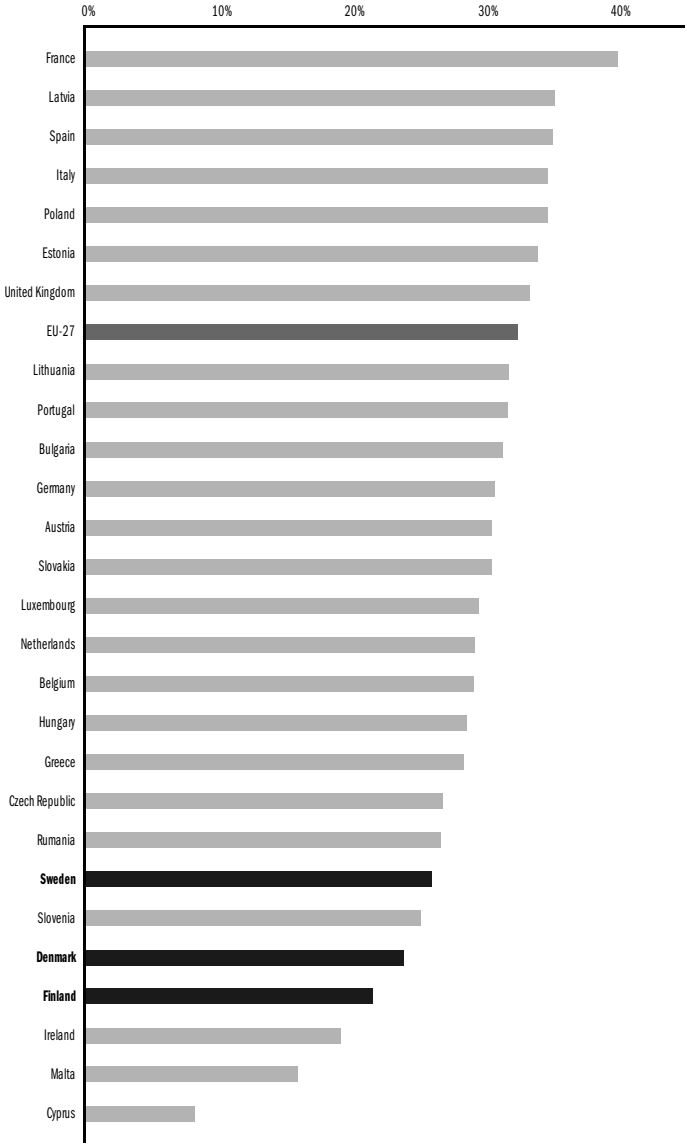


FIGURE 5

Source: Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (2010).

Data shown in appendix D.

6. LACK OF WOMEN AMONGST TOP EXECUTIVES IN THE NORDICS

In what part of Europe do we find the most women who reach the top of the business world? Before answering this question by looking at the actual numbers, it might be interesting to ponder on what we should expect to find given the different circumstances around the continent. Europe can roughly be divided up into four regions, with significant differences in between when it comes to culture, economic policy and gender roles. The first region is **Southern Europe**, which includes countries such as Spain, Italy and Greece. Here we find conservative, often Catholic, societies with emphasis on the man as the sole provider for the family. Women's employment level is relatively low in the region while the scope of the public sector has at least historically been more limited than in Northern and Western Europe. The notion that men should be prioritized over women in the labour market is not entirely uncommon in Southern Europe.

The second region is **Western Europe**, including major economies such as Germany, France and the United Kingdom as well as a range of smaller countries. Many Western European countries have rather large welfare states. Culturally this part of Europe is more protestant, with greater emphasis on both women and men working to support the family. Correspondingly the countries also tend to have a higher employment rate amongst women than in the south of Europe. Relatively few in this region believe that men should be prioritized over women in the labor market or that men make better captains of industry than women.

The third region, **East and Central Europe** is made up of a number of previously socialist nations, such as Poland, Hungary and the three Baltic states. This part of Europe has, since shifting towards market economies following the fall of communism, grown steadily.

However, the level of development is still behind that of the rest of Europe. Norms are rather conservative, with focus on the man as the family provider. The scope of the public sector is more limited in East- and Central Europe than in the rest of the continent.

Lastly, the Nordics have both the highest labour participation rate amongst women and the most positive norms related to women's work. This combines with a long tradition of large welfare states – for much of recent history, Nordic countries have had a more extensive public sector than in any other part of the world.

Based on culture and policies the Nordics should be expected to have the highest proportion of female executives, followed by Western Europe, Southern Europe and lastly East- and Central Europe. When we look at the actual data however, almost the direct opposite is found.

Surely, women's ability to reach the top should be aided by egalitarian norms. Similarly, it is common sense that countries with high employment rate amongst women should have more women who make it all the way to executive grade. Lastly, a common assumption is that large public sectors aid in women's progress. Based on culture and policies the Nordics should be expected to have the highest proportion of female executives, followed by Western Europe, Southern Europe and lastly East- and Central Europe. When we look at the actual data

however, almost the direct opposite is found.[46]

As show in the figure on page 68, the share of female executives across Europe follows an interesting pattern. The highest rates of women amongst directors and chief executives is somewhat surprisingly found in Bulgaria, where almost half (48 per cent) are women. In fact, eight East- and Central European countries top the list over the countries with the highest rates of women top managers. Equally astonishing is that Nordic countries have so few women at the top of the business world. In Denmark and Sweden merely one out of ten top managers is a woman. Besides Cyprus, this is the lowest level in Europe.

46 The European statistics agency Eurostat typically gathers data over women in managerial positions around the European Union. Between 2008 and 2010 the organization also gathered more precise data for "directors and chief executives", a narrower definition that captures top executives. The map is based on the average rate for this three-year survey. Some countries, like France and Portugal, have been excluded since good data does not exist for them. Source: Sanandaji (2014).

PROPORTION OF WOMEN AMONGST DIRECTORS AND CHIEF EXECUTIVES

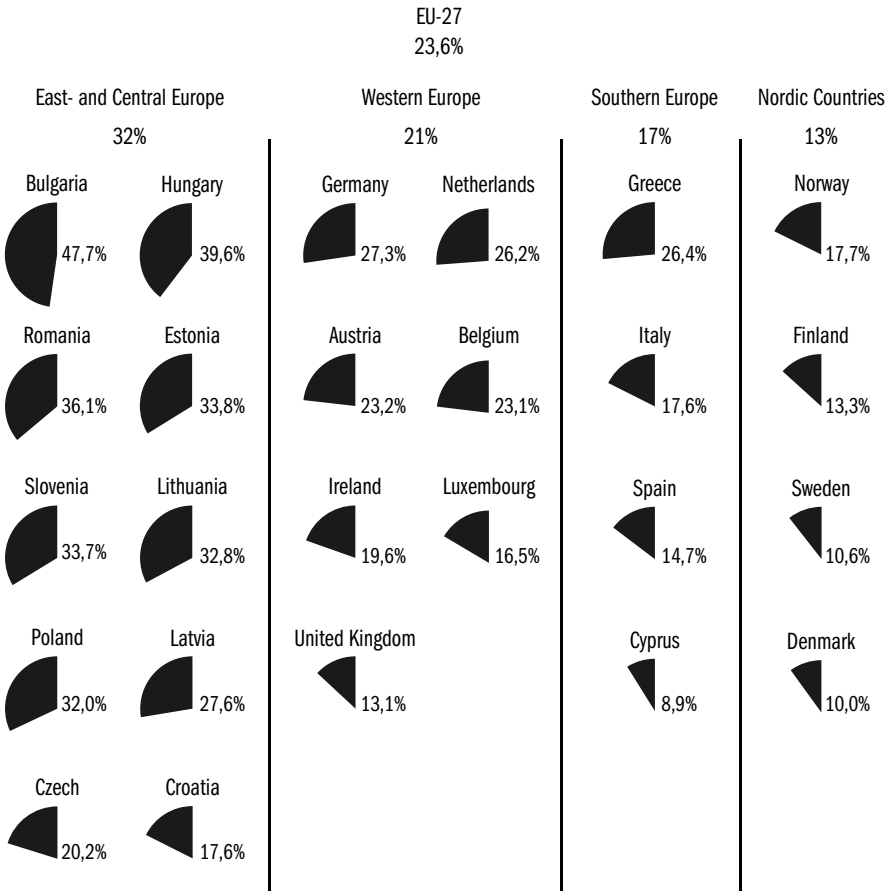


FIGURE 6

Source: Sanandaji (2014). Some countries, such as France and Portugal, have been excluded since good data does not exist for them.

The United Kingdom and Finland (13 per cent) have the fourth and fifth lowest rates. Norway (slightly below 18 per cent) has a more even distribution but it is still far below the European Union average of 24 per cent women amongst executives.[47] On average, 13 per cent of executives are women in the Nordic countries. This is lower than 17 per cent in Southern Europe, 21 per cent in Western Europe and 32 per cent in East- and Central Europe.[48]

Equally astonishing is that Nordic countries have so few women at the top of the business world. In Denmark and Sweden merely one out of ten top managers is a woman. Besides Cyprus, this is the lowest level in Europe.

This clear under-representation of women amongst top executive's positions in what is often assumed to be the most gender equal part of the world has been brought up in the public debate. At the end of 2014 for example, The Economist ran a story entitled A Nordic mystery, which explained:

> *"Visit a typical Nordic company headquarters and you will notice something striking among the standing desks and modernist furniture: the senior managers are still mostly men, and most of the women are [program administrators]. The egalitarian flame that burns so brightly at the bottom of society splutters at the top of business."*[49]

47 Sanandaji (2014).

48 Later, this book will include a more in-depth discussion about the sur prising fact that the former planned economies in Europe have so many women at the top despite having both patriarchal gender norms and a prevalence of stay-at-home wives.

49 The Economist (2014).

Why then is it that in *"the world's most female-friendly workplaces, executive suites are still male-dominated"*, as *The Economist* puts it?[50] A clue may be that the United Kingdom, the country in Europe with most extensive public monopolies in the female-dominated healthcare sector, also performs badly when it comes to gender distribution at the top of the business world. Countries with large welfare states in Europe have low levels of women top executives; a link that does not seem to be a coincidence.

50 Ibid.

7. THE NORDIC GENDER EQUALITY PUZZLE

It is no new phenomenon that Nordic countries have a systematic underrepresentation of women at the top. Although few seem aware of this fact, it has for long been evident that these countries have lower proportions of women reaching top business careers than in many other modern economies. This book is not the first publication to point this out. Already a Eurostat study from 1995 found that the proportion of women amongst top-earners was only 6 per cent in Sweden, considerably lower than 15 per cent in France.[51] Nine years later a study from UCLA concluded that merely 11 per cent of managers and professionals in Sweden were women, lower than in other developed economies.[52] How does it make sense that the country in the world which has the most gender equal norms, and an astonishing history of gender equality, underperforms in this regard? Why do we see that the Nordic region as a whole, although having a number of advantages both in terms of policy and gender equality values, perform so badly?

In Sweden a gender-perspective, built in part on the idea that gender is a social construct and that there is a Marxist struggle between the sexes, underpins much of academic research on women's issues as well as the political debate. Gender theory is part of the public education system, from kindergarden to the doctoral level. All this seems to do little, if any, to pave the way for women's career opportunities in the modern marketplace.

51 Eurostat (1995).
52 Iversen, Rosenbluth and Soskice (2004).

This seems even more puzzling once we take into account that politicians from both left and right in the Nordics put great emphasis on feminist ideas. Sweden is again one step ahead of the pack. The former Communist party leader Gudrun Schyman has built up a strong left-oriented feminist party in the country. The Swedish Feminist Initiative, as the party is called, made international headlines when it won a seat in the European Parliament during the 2014 election. The same year the Feminist Initiative gained 3.1 per cent of votes in the Swedish national election, just below the 4.0 per cent limit for entering parliament. This is quite impressive in a country where mainstream parties are already competing for the feminist vote.

In Sweden a gender perspective, built in part on the idea that gender is a social construct and that there is a Marxist struggle between the sexes, underpins much of academic research on women's issues as well as the political debate. Gender theory is part of the public education system, from kindergarden to the doctoral level. All this seems to do little, if any, to pave the way for women's career opportunities in the modern marketplace. Clearly, it cannot be a lack of feminist ideas and policies, welfare state support or gender equality values that is holding the country back compared to the rest of the world. Of course, one could argue that Sweden could have even more of left-oriented feminism, even more welfare state support for working mothers and even more gender equality values. The country is already ahead of the rest of the world in these regards. Why then do we find few women who climb to the top of the private sector? There must be an explanation, which holds for Sweden in particular and for the Nordic region as a whole; an explanation as to why women are held back.

Economists Magnus Henrekson and Mikael Stenkula have written a scientific review entitled *Why are there so few female top executives in egalitarian welfare states?* The authors note that Sweden, where women have made considerable progress in society as a whole, are clearly underrepresented in executive positions. Even when public sector

executives are included, which inflates the Swedish proportion of women on top, Sweden has few women on top. The authors write:

> *"Sweden falls behind not only Anglo-Saxon countries, such as the United States and the United Kingdom, but also other large continental European countries, such as West Germany and France [in terms of proportion of women in intermediate and higher executive positions]. Among the countries compared, Sweden clearly comes out at the bottom." Henrekson and Stenkula reach the conclusion that "broad-based welfare-state policies impede women's representation in elite competitive positions".*[53]

53 Henrekson and Stenkula (2009).

ILLUSTRATION 3

WHY DO SWEDEN AND OTHER NORDIC COUNTRIES HAVE SURPRISINGLY FEW WOMEN ON TOP?

These countries have a gender equal culture, a long history of gender equality and high employment rate amongst women. But the welfare state is limiting women's progress to elite competitive positions.

Interestingly enough, the notion that welfare state policies can limit women's ability to reach the top is not a new observation. As early as 1998 the International Labor Office published a report entitled *Gender and Jobs: Sex Segregation of Occupations in the World*. There it was noted that an unusually gender-segregated labour market had developed in Scandinavian countries, since many women worked in the public rather than the private sector. The report concluded: *"in terms of differences amongst industrialized countries, several studies comment on how Nordic countries, and in particular Sweden, have among the greatest inequalities"*.[54]

A key explanation lies in the nature of the welfare state. In Sweden and other Nordic countries, female-dominated sectors such as healthcare and education are mainly run by the public sector. A study from the Nordic Innovation Centre concludes: *"Nearly 50 per cent of all women employees in Denmark are employed in the public sector. Compared to the male counterpart where just above 15 per cent are employed in the public sector. This difference alone can explain some of the gender gap with respect to entrepreneurship. The same story is prevalent in Sweden."*[55] A government report in Sweden about gender segregation in the labour market also reached the conclusion that women working in the country have come to be focused to a small number of public sector jobs.[56]

Nearly 50 per cent of all women employees in Denmark are employed in the public sector. Compared to the male counterpart where just above 15 per cent are employed in the public sector. This difference alone can explain some of the gender gap with respect to entrepreneurship. The same story is prevalent in Sweden.

54 Anker (1998).
55 Nordic Innovation Centre (2007).
56 Arbetsmarknadsdepartementet (2004).

Similarly, Matti Alestalo, Sven E.O. Hort and Stein Kuhnle write in their paper *The Nordic model: conditions, origins, outcomes, lessons*: *"The Nordic countries deviated from other advanced countries because the expansion of the service sector was mainly a welfare state phenomenon. The increasing female labour force participation was paved by the expansion of public employment. Also in this respect Sweden was the leader, followed by Denmark, while Finland and Norway stayed at somewhat lower level. In Sweden, Denmark and Norway a great proportion of this change came through the increase of part-time work but the fate of Finnish women was full-time work".* [57]

The emergence of a large public sector has historically played an important role for women's entry into the labour market. One reason is that many women have found jobs in the public sector; another is that public services such as childcare facilitate the combination of work and the fulfilment of family responsibilities. The expansion of the public sector, not least that of public child care, in part explains why the Nordic nations reached a high employment rate amongst women earlier than other western countries. Still today the Nordics have many women in employment. In the long run, however, women's career success has been hampered by the fact that the labour market entry of women has been so intimately connected with the growth of the public sector. Public sector monopolies, and a number of other mechanism prevalent in Nordic welfare states, have as an unintended consequence hindered women's progress in the most egalitarian countries in the world. The coming chapters will, based on current research, explain in a more in-depth manner the mechanisms through which Nordic welfare policies are limiting women's advancement.

57 Alestalo, Hort and Kuhnle (2009).

UNINTENDED CONSEQUENCES OF NORDIC WELFARE POLICY

8. PUBLIC SECTOR MONOPOLIES LIMIT WOMEN'S CAREER OPPORTUNITIES

Lack of competition and public sector monopolies tend to limit long-term productive growth.[58] In addition, monopolistic employers have limited incentives to treat their employees in a good way. If you are a nurse in the United Kingdom, and you are displeased with how the National Health Service is treating you, what other employer can you turn to? These issues are quite relevant to women's progress in the Nordic countries. The reason is that sectors where many women for long have been working in – such as education, healthcare, daycare and elderly care – have gradually become part of government monopolies during the 20th century. Monopolistic structures have combined with a strong influence of union wage setting to create a situation where individual hard work is not rewarded significantly: wages in the female-dominated public sectors in Nordic countries are flat and wage rises follow seniority, according to labour union contracts, rather than individual achievement. There are of course managerial positions also in the public sector, but the opportunities for individual career paths, and certainly for entrepreneurship, are typically more limited compared with the private sector.

Women in Nordic countries tend to be particularly overrepresented in local public sector jobs, where the pay and career progress is more limited compared to the state sector.

58 Lundbäck (2002) for example shows that public ventures are worse at implementing innovations and increase their efficiency compared to private firms.

Eva Meyersson Milgrom, Trond Petersen and Vemund Snartland have looked at the wage differences between men and women in Sweden, Norway and the United States. The authors find that *"the wage gap is small when comparing men and women working in the same type of occupation for the same employer. Segregation of men and women by occupation accounts for more of the gap in Sweden than in the other two countries"*.[59] Thus, it seems that the occupation segregation in Sweden – closely connected with public sector monopolies – is creating distinct disadvantages for working women.

Women make up around 70 per cent of the public sector workforce of various Nordic countries. Crucially, the Nordic countries not only have a skewed gender-division between those working in the public and private sectors, but also large public sectors as share of their total economies.[60] It should also be kept in mind that women in Nordic countries tend to be particularly overrepresented in local public sector jobs, where the pay and career progress is more limited compared to the state sector. In Sweden for example, central government jobs which tend to be better-paid are evenly divided between men and women, whilst only one fifth of those in local government employment are men.[61] This public sector dependency affects women's progress. One example is the reward for education.

Around the world, women's career advancement is tied to the fact that many young women participate in higher education. Moreover, in the Nordics young women are achieving educational success. However, if they work for public sector monopolies, this investment in knowledge may not be rewarded. For example, a study from Statistics Sweden asked individuals who did not want to go to university after high school why they had made this choice. One answer they gave, with women giving this answer twice as much, was that studies were

59 Meyersson Milgrom, Trond and Vemund (2001).
60 OECD (2015).
61 The Swedish Agency for Public Management (2014).

not financially rewarded in the labour market.[62] The fact that public sector monopolies limit the incentives for individuals to participate in higher education has even been acknowledged by a government study in Sweden.[63]

For example, the profession of librarian in Sweden is female-dominated, and the vast majority of jobs exist within municipal libraries. Statistics show that an individual who studies to become a librarian in Sweden can expect to earn 1.19 million Euros over an average lifetime of work; that is to say between the end of studies and before the onset of pension. This is only slightly more than the 1.15 million Euros earned by someone who starts working after finishing high-school studies in social sciences. The average individual who starts working after finishing high school in economics is expected to earn 1.26 million Euros. The corresponding figure is 1,35 million for the average student who has read natural sciences in high school. Studying in college to become a librarian is far from easy. Still, those who do so will on average earn less than many of those who stop their studies after a high school diploma. A key reason is the monopolistic situation that surrounds jobs such as librarians.[64] Of course, the lack of competition and development in the public sector does also affect the men working in jobs such as librarians. Since such jobs are predominately occupied by women, a strong gender-specific effect arises.

62 Statistics Sweden (2012). 7 per cent of men and 13 per cent of women gave this answer.

63 le Grand, Szulkin and Tåhlin (2001).

64 Sanandaji (2013). Conversion of life-time income to Euros has been done based on a rate of 10 Swedish Kronor per Euro.

The premium for education, that is to say the wage gain that one can typically expect will follow with improved education, does not exist for women in the public sector [in Sweden]. On the contrary: it is economically counterproductive for women in the public sector to go from high school education to higher education shorter than three years.

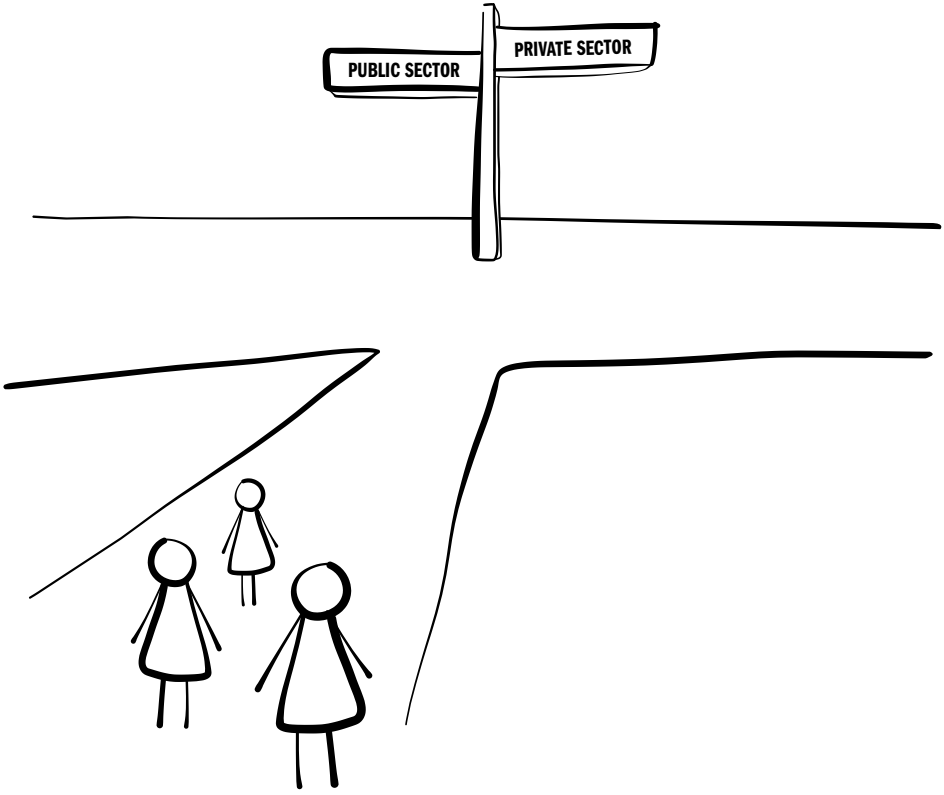
A study by the Confederation of Swedish Enterprise reached the conclusion: *"The premium for education, that is to say the wage gain that one can typically expect will follow with improved education, does not exist for women in the public sector. On the contrary: it is economically counterproductive for women in the public sector to go from high school education to higher education shorter than three years. In practice this means that women who have educated themselves to become nurses, kindergarten teachers and physiotherapists have lost financially by continuing education after high school".*[65]

65 Gidehag et al. (2003). Own translation to English.

ILLUSTRATION 4

PRIVATIZATIONS HAS CREATED PROGRESS IN FEMALE-DOMINATED JOBS

Privatizations led to 5 percentage points higher incomes and stronger job security for employees in the Swedish welfare system, benefiting in particular the many women who work in this part of the economy.



The notion that public sector monopolies hinder women can be studied more in-depth by looking at the change brought on by recent liberalizations. Gradually since the early 1990s the previous public monopolies have been opened up in Sweden as voucher systems allowing for-profit schools, hospitals and elderly care centers to operate with tax funding have been introduced.

Another study from the Confederation of Swedish Enterprise looked at how incomes have developed for the individuals who worked for public sector employers in welfare, and whose workplaces were privatized in 2002. Privatization drove up wages, evident by the fact that these individuals gained 5 percentage points' higher wages than similar employees whose workplaces had not been privatized. (Increased competition from private firms also pushes up the wages in the public sector, as previous public sector monopolies had to begin competing for talent retention. Since the study does not take this into account, it probably underestimates how important privatization can be for wage increases.) Individuals whose workplaces became privatized also benefited from gaining a stronger foothold in the labour market, as evidenced by the fact that their risk of being unemployed was lower than those whose workplaces had continued to be part of public monopolies.[66]

A survey of international literature indeed shows that wages tend to rise following privatizations, partially since privatizations often increase the productivity of various ventures.[67] Another study worth citing has been written by Lars Calmfors (one of Sweden's leading economists who has chaired the national Fiscal Policy Council) together with Katarina Richardson (an expert on women's career opportunities). The authors contend that the decentralization of wage setting that has occurred in the public sector has led to an

66 Kreicbergs and Oreland (2009).
67 Pendleton (1997).

"equality gain", since this has led to higher and more individualized wages, particularly for women. The researchers conclude: *"We believe that such changes in the power structures that have occurred within the healthcare sector [through increased private sector competition] are a more efficient method of evening out pay gaps between men and women with similar jobs than legislation"*.[68]

The researchers conclude: "We believe that such changes in the power structures that have occurred within the health sector [through increased private sector competition] are a more efficient method of evening out pay gaps between men and women with similar jobs than legislation".

It is probably not an intentional aspect of the design of Nordic welfare states that the public sector monopolies limit the career opportunity for female-dominated parts of the economy. Still, this effect is quite evident. Although some steps towards privatization and competition have been taken, public sector monopolies/oligopolies still reduce the ability of women to fulfill their career ambitions. As discussed in the next chapter there is also another aspect of Nordic policies that has an unintentional gender effect – tax policy.

68 Calmfors and Richardson (2004). Own translation to English.

9. HIGH TAX WEDGES HINDER WOMEN'S PROGRESS – IN TWO WAYS

One obstacle in the way of Nordic women's careers is the high tax rates in the region. At first glance this statement might seem counter-intuitive. It is primarily men who pay the high marginal tax rates in Nordic countries, since men tend to have higher incomes than women. And of course, much of the redistribution policies of the welfare states in particular benefit women. The reason is that women on average have lower incomes than men and since they tend to take greater responsibility for children (for whom welfare benefits are intended). At the same time, it is worth remembering that women tend to be more responsive to changes in taxation. Women on average take more responsibility for housework and childcare. When high taxes reduce the incentives to market work women often have a greater alternative cost (spending time with the household and children) than men have. Therefore, as taxes are hiked, women tend to be more inclined to reduce their working time – instead spending more time in unpaid work.

Alexander Gelber and Joshua Mitchell have for example conducted a detailed analysis of time usage in the United States between the years 1975 and 2004. The authors look at how changes in taxation have affected the decision to invest time in housework. It is shown that when income taxes are reduced *"'home production' decreases substantially"*. On the other hand, expenditure on goods and services that can substitute for housework increases as *"response to a greater incentive to join the labor force"*. These findings are for single women. For single men the authors find *"little response to changes in tax policy"* when it comes to the decision to work at home or in the labour market.[69]

69 Gelber and Mitchell (2011).

When taxes are high men continue to invest time in the labour market whilst women shift their focus to household work. When taxes are lower women increase their participation in the labour market and start purchasing services and goods that can substitute for household work.

Thus, in other words: when taxes are high men continue to invest time in the labour market whilst women shift their focus to household work. When taxes are lower women increase their participation in the labour market and start purchasing goods and services (such as house cleaning and pre-prepared dinners) that can substitute for household work. While Nordic countries do have high rates of employment amongst women, they also have a system where many women can be said to be part-time workers and part-time housewives (the issue of the prevalence of part-time work and differences in working time between the sexes is discussed in greater detail in chapter 13). This in turn is partially because high taxes reduce the incentives to work and partially because the same high taxes make it difficult to purchase services.

In most of the world it is taken for granted that it makes sense for individuals and families to buy personal services, so they can free time to focus on what they are best at. In Nordic countries however purchase of services is limited. For example, even highly skilled individuals, such as professors, often paint their own houses during the summer holidays. This is not only because professors find it fulfilling to paint their own houses, but also because they might benefit financially from investing less time in work and more in home maintenance.

A professor who sets aside an hour a day to paint her or his own house could spend the same time teaching a class. Since the professor is specialized in the latter task, her or his time creates a greater economic value when teaching than when paining a house. From a purely

economic perspective it makes sense for the professor to spend the additional time teaching, and then to pay part of this income to a professional painter. However, taxes affect this decision. The professor has to pay various taxes on labour on her or his income. This includes indirect taxes such as employer's fees as well as direct tax on work. After this, consumption taxes are paid on the service purchased. Lastly, the painter has to pay direct and indirect taxes on the income received. In systems such as the Nordics the taxes stack up to a high total level.

As shown in table 2 the tax wedge rate is quite high in Nordic countries, ranging from 37 per cent in Norway to 44 in Finland. This measure captures both the indirect and direct tax on labour, for an average worker. Thus, if the first individual works an additional hour in Finland to create an economic value of 100 euros, 56 euros will be rewarded to the individual whilst 44 euros goes to the tax authority. When the same individual purchases a service from a second individual, a VAT of 24 per cent is charged on top of the price, leaving 45 euros. Lastly, the second individual is also affected by indirect and direct taxes on labour, leaving 25 euros in her or his pockets in the end of the transaction. Thus, one quarter of the value originally created by the first individual actually reaches the second individual after all taxes have been paid in Finland.[70] In Iceland, the Nordic country with the lowest tax rate, a little more than a third of the original value created is left after all taxes. This can be compared to a situation where the first individual simply performs the service himself or herself, paying no taxes at all. As a result, it makes sense for Nordic professors to paint their own houses, even if their time would create three times more value when sticking to their specialty.

The fact that taxes limit the ability to purchase personal services has a major impact on women's career opportunities. Indeed, this

70 In practice, the effect can be even larger, since the marginal tax rate paid when working one hour extra is typically higher than the average tax rate used in this calculation.

affects the ability to purchase services that alleviate household work. In practice, male professors often trade services with their wives, that is to say they work more in their profession whilst their wives do more at home. High-earning women have more limited opportunities to do so, due to gender roles and the fact that husbands often are somewhat older and have higher wages than their wives.

Internationally, a number of studies have shown that the ability to purchase services that alleviate household work is crucial for women's career prospects. Rachel Ngai and Barbara Petrongolo for example write "The rise of services, driven by structural transformation and marketization of home production, raises women's relative wages and market hours".

In their study about the lack of top female executives in the egalitarian Nordic welfare states, Magnus Henrekson and Mikael Stenkula write that *"the evolution of a market for services that are highly substitutable for household work is particularly important for career women"*.[71] Internationally, a number of studies have shown that the ability to purchase services that alleviate household work is crucial for women's career prospects.[72] Rachel Ngai and Barbara Petrongolo for example write *"The rise of services, driven by structural transformation and marketization of home production, raises women's relative wages and market hours."*[73]

71 Henrekson and Stenkula (2009).
72 See for example Cortes and Pan (2013) and Kabatek, Van Soest and Stancanelli (2014).
73 Nai and Petrongolo (2015).

HOW MUCH GOES TO THE TAX AUTHORITY

when individual **A** works to buy a service from individual **B** in Nordic high-tax countries?

	Tax wedge rate*	Standard VAT rate	Percent of wage cost left for individual A after average tax wedge	Money left after paying VAT on purchase	**Left for individual B after average tax wedge**	**To tax authority**
Finland	44	24	56	45	**25**	**75**
Sweden	42	25	58	46	**26**	**74**
Denmark	38	25	62	49	**30**	**70**
Norway	37	25	63	50	**32**	**68**
Iceland	34	25	67	53	**35**	**65**

* Average direct/indirect taxes on work. Source: OECD (2014).
The OECD data in turn is based on single individual without children at the income level of the average worker.

TABLE 2

How much goes to the tax authority when individual A works to buy a service from individual B in Nordic high-tax countries?

Likewise, *The Economist* has this to say about the effect of taxes on women's progess in the Nordics: *"women trying to climb the career ladder seem to find it harder to afford domestic help than their American equivalents, because those generous social policies have to be paid for with high taxes. And, when chores cannot be offloaded to domestic staff, working women still get lumbered with the time-inflexible household tasks, such as picking up children from school, whereas men do 'their' chores at the weekend"*.[74]

The Nordic welfare states aim to increase women's participation in the labour market by offering public services such as child care. At the same time however, the high taxes create a situation where the ability of families to purchase additional services that alleviate household work becomes more limited. This can explain why many women in these welfare states work, while at the same time relatively few find the time to develop top careers.

The Nordic welfare states aim to increase women's participation in the labour market by offering public services such as child care. At the same time however, the high taxes create a situation where the ability of families to purchase additional services that alleviate household work becomes more limited. This can explain why many women in these welfare states work, while at the same time relatively few find the time to develop top careers. International experience supports this perspective. Evridiki Tsounta for example draws the conclusion that women's work was successfully stimulated in Canada through a combination of policies which have created greater access to childcare and lower tax wedges for secondary earners in families.[75]

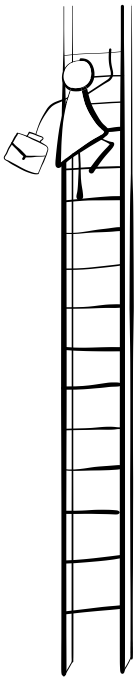
74 The Economist (2014).
75 Tsounta (2006).

ILLUSTRATION 5

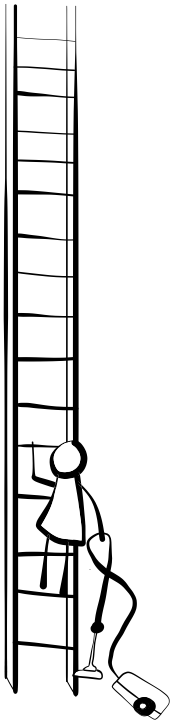
HIGH TAXES LIMIT WOMEN'S ABILITY TO COMBINE WORK WITH HOUSEHOLD CHORES

In countries with high taxes, families cannot purchase services that alleviate household work. In countries with lower taxes, they can. Both spouses in the latter case can invest time needed to climb the career ladder.

COUNTRIES WITH LOW TAXES



COUNTRIES WITH HIGH TAXES



Michelle Rendell finds support for the *"hypothesis that a high tax country will have a smaller service sector, less innovation in brain-intensive technologies, and less female labor force participation"*. According to Rendell, Nordic countries balance the effect of high taxes by providing public sector benefits such as subsidizing full-day child care. The author notes that there are both differences and similarities between the United States approach – where the market opens up the ability for families to purchase services – and the Nordic approach – where the public sector offers services while high tax wedges make it difficult to purchase private services. Rendell writes: "*the United States and Nordic countries have entered into a self-reinforcing loop, where female employment increases demand for market produced services, thus increasing the demand for female workers and leading to more investment into brain-augmenting/brawn-substituting technologies. However, in the Nordic system, women enter the labor market through a tax-subsidy distortion, leading to welfare losses*".[76]

The high effective tax rates involved in purchases of personal services of course not only makes it difficult for individuals to take advantage of such services, but also reduces the market potential for firms and employees to engage in service production. This is also particularly relevant for women's career opportunities. The reason is that many of the women who work outside the scope of public sector monopolies engage in work and business ownership in the private service sector. Realizing that the tax systems create major obstacles, governments in Sweden, Finland and Denmark have introduced tax-deductions aimed at personal services. Such reforms have, as discussed in chapter 16, had a key impact on women's business ownership. They have also made it easier to combine careers with family responsibilities, again mainly favoring women.

76 Rendell (2011).

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In the beginning of 2012 the Swedish government gathered 150 female executives to advise on which policies could pave the way for more women to reach the top. A key recommendation was to expand the opportunities to use tax deductions related to the purchase of personal services, as well as to increase opportunities for flexible working time, so that more women could solve the puzzle of combining work with family.[77]

To conclude, whilst it is true that Nordic welfare states have successfully encouraged women's work through family-friendly public policies such as subsidized childcare, their high-tax policies have also reduced the ability to alleviate time by purchasing personal services. Thus both the ability to buy the services necessary to combine career with work and the opportunities to work and run businesses in the service sector has been limited. This affects men as well as women, but particularly so the latter sex due to women taking greater responsibility for family and household as well as the tendency of women to work in the service sector. High tax wedges it turns out, are detrimental to women's careers.

77 Ny Teknik (2012).

10. SOCIAL POLICIES BACKFIRING

Nordic countries are exceptionally progressive when it comes to the division of housework. In many parts of Europe, such as Germany, Switzerland, Poland and Hungary, more than half of both mothers and fathers agree with the idea that "women should be prepared to cut down on paid work for the sake of the family". Nordic countries are the place in Europe where the lowest proportion of respondents agree with this notion. Only a fifth or fewer amongst the general public in these countries believe that women should cut back on their careers for the sake of family.[78] These attitudes are reflected in policy. Nordic welfare systems have been designed around the idea that public aid should be granted to families, so that both men and women can find the time to develop careers. Both parents are encouraged by the system to work if not full-time then half-time.

The extensive family policies in the Nordics are often admired abroad. However, for some time now domestic researchers have questioned if these policies are really aiding women to reach the top. For example Catherine Hakim writes that *"[s]ome scholars are now concluding that Nordic egalitarian policies have failed"*. Hakim continues to explain that *"National policies that offer mothers substantial periods of paid and unpaid maternity leave, the right to work shorter hours, and other benefits to help reconcile work with family do have unintended side-effects"*. These unintended side-effects are that women are encouraged to work part-time rather than full-time, which in effect hinders them from developing top careers.[79]

This is in line with a report published by the European Commission, which has the following to write about the situation in Sweden: *"Part-time arrangements are well established in the Swedish business*

78 OECD (2012b).
79 Hakim (2000).

community as they go hand in hand with the extensive public benefits for young parents. They are entitled to 16 months of paid leave per child which can be split between the parents. Most of this time is compensated at 80% of the most recent income."[80]

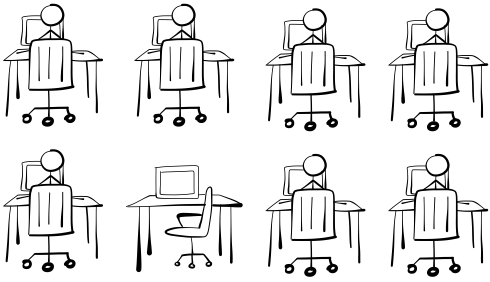
Perhaps surprisingly, [the glass ceiling] appears to be more severe in the Scandinavian countries with their generous family policies, than in the U.K., U.S., and other comparable countries.

Meyersson Milgrom and Trond Petersen similarly conclude in a study that *"[p]erhaps surprisingly, [the glass ceiling] appears to be more severe in the Scandinavian countries with their generous family policies, than in the U.K., U.S., and other comparable countries"*. The researchers continue to explain *"Childcare and maternity-leave policies that make part- and reduced-time employment more attractive, especially for women, are helpful for the women affected but may nevertheless contribute to the glass ceiling, because women who choose reduced hours typically disqualify themselves from the highest ranked jobs."* Thus: *"it seems clear that the family-friendly policies of recent years may not overcome the effects of the domestic division of labour (and indeed may possibly exacerbate them)."*[81]

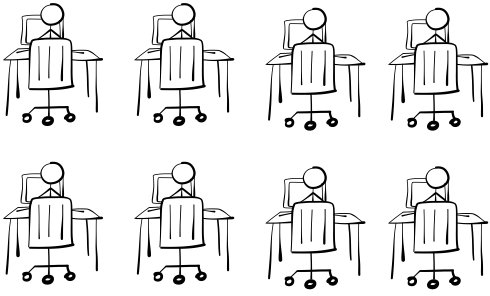
80 European Commission (2013b).
81 Milgrom and Petersen (2008).

ILLUSTRATION 6

NORDIC WELFARE STATE FAMILY POLICIES ARE MEANT TO AID WOMEN, BUT AS AN UNINTENTIONAL EFFECT ALSO HINDER WOMEN'S PROGRESS



Generous maternity leave encourage women to take long breaks from working life, at the same time that high taxes make it difficult to buy services to alleviate household work.



Nordic family policies are hindering, rather than promoting, women's ability to reach the top. The system has in effect encouraged women to work, but it has also discouraged them strongly from investing enough time to advance their careers. Intended or not, the Nordic welfare systems are based on a model where a large proportion of women are participating in paid part-time work and acting as housekeepers the rest of the time. This of course relates to the discussion in the previous chapter about high tax wedges. Nordic families face a situation where tax wedges make it difficult to purchase services necessary if both parents are to work full-time. On the other hand, publicly funded systems such as childcare and parental-leave payments reward families where both parents are working at least part-time. The solution often becomes that the wife works some hours, but too few to realize her potential in the marketplace, whilst her spouse commits fully to his career.

Nordic family policies are hindering, rather than promoting, women's ability to reach the top. The system has in effect encouraged women to work, but it has also discouraged them strongly from investing enough time to advance their careers. Intended or not, the Nordic welfare systems are based on a model where a large proportion of women are participating in paid part-time work and acting as housekeepers the rest of the time.

In a more market-based society, like the United States, families have greater choices. They can either opt for three solutions:

- one parent staying home full-time
- two parents dividing up their time between work and household work

- both parents working full-time and purchasing services needed to alleviate household work (or get help from friends/family)

Since Nordic feminists are often leaning towards socialist ideas, they deplore not only the first model because it is based on a skewed gender balance, but they are also skeptical of the third because it relies on the free market. The ideal situation for left-leaning feminists is the model in which men and women in each relationship equally share work in the home and in the marketplace, with little if any capitalist exchange of services. For some families this might work fine, but it simply does not suit everybody. It is in particular not suited to individuals who want to have top careers. Such individuals, regardless of their gender, often have to work many hours. The model which gives women good opportunities to reach the top is typically the one in which personal services are purchased in the marketplace. This explains why the family policies in a more market-oriented country such as the United States allow more women to reach managerial positions compared to the Nordics.

Citing Danish researcher Nina Smith, *The Economist* explores the idea that generous Nordic social policies are backfiring, through a number of different mechanisms: *"First, Nordic women may suffer lower earnings later in their careers because generous maternity leave encourages them to take long breaks to raise children earlier on, when male competitors are gaining valuable experience. Second, women trying to climb the career ladder seem to find it harder to afford domestic help than their American equivalents, because those generous social policies have to be paid for with high taxes. And, when chores cannot be offloaded to domestic staff, working women still get lumbered with the time-inflexible household tasks, such as picking up children from school, whereas men do 'their' chores at the weekend. Public-sector employers are more inclined to provide female staff with child-friendly hours, ample family leave and so on; and they have a larger proportion of women bosses than private firms. But the wage*

structure in such workplaces is much more compressed than in the predominantly male-led private sector."[82]

Ronald Fagerfjäll, the author of a guide for the way in which the private sector in Sweden can recruit more women as top managers, explains that families in countries such as the United States and France do not receive the same aid from the public sector to take care of children. However, they have the possibility to purchase household help. The Swedish system, where purchasing the same aid is difficult, *"gives no particular aid to the women who want to attempt to break the glass ceiling. In fact, the system is based in the idea that no one, women or man, should strive to the top. To be equal and egalitarian means to stay in the same place as others."*[83]

The generous family policies also affect women who do not take long leaves as parents. The reason is that Nordic employees have the right to take long parental leaves. Crucially, the employers have little if any say in this process. It might for example be seen as discrimination if an employer asks during a job interview if a potential employee is planning to have children or not in the near future. In some cases, parental leaves are not a major concern for employers, since workers on parental leave can be replaced by others. Some employers welcome the home-work balance that parental leave brings.

However, for smaller firms, and for key positions in firms, long parental leaves that are used without necessarily taking the employer's considerations into account, can prove to be significant obstacles. An example is a small or medium-sized firm which is recruiting a person in charge of sales. The firm will depend strongly on the competence of this person in the day-to-day operation. In practice, it might not be easy to immediately find a substitute for this position during parental leave. If a young woman applies for the job, she might thus be discriminated against on the grounds that she is likely to take long parental

82 The Economist (2014).
83 Fagerfjäll (2003). Own translation to English.

leave. This affects even the young women who are not planning to do so, since the employer doesn't know in advance who is going to take long parental leave and who isn't.

If parental leave was more based on the deal made between employer and employee, such issues would be of less concern. The parental leave system particularly affects those in managerial or expert positions. An employee who is easily replaced on short notice will not be affected strongly. One who has a key position will be difficult to replace, and will thus be affected. It is no coincidence that women who have successful careers tend to either take short parental leaves, or plan it well to fit in with their careers.

Currently, Nordic reforms are aimed at earmarking a larger portion of the parental leave for the fathers. The idea is in part to alleviate the unintended negative effect on women's career that the current system creates. An alternative would be to give individuals greater ability to decide over their own parental leave, in dialogue with employers. Another alternative would be to give firms whose workers are on parental leave some form of tax credit. This could compensate for the difficulties incumbent upon firms to replace key personnel. Although other countries might see good reasons to copy some of Nordic family policies, it is worth bearing in mind also the detrimental effects it has on women's careers. If something sounds too good to be true, it probably is.

11. SOCIAL INSURANCE SYSTEMS DISCOURAGE WOMEN'S SELF-EMPLOYMENT

Ask the Swedes if they are interested in running a firm or not, and you might be surprised by the gender division of the answers. In the Entrepreneurship barometer young Swedes were asked this question. It was found that 30 per cent of the women and 45 per cent of the men would rather run their own business than to be employed by others.[84] In a follow-up survey, the same question was asked of those in adult age. The enthusiasm for business ownership seems to decline with age, as 25 per cent of adult women and 39 per cent of adult men said that they would rather run their own firms.[85] The gender division however was quite similar in both questionnaires. If women's desire to run their own businesses was to become a reality in the same way as men's desire, some 40 per cent of businesses would be run by women. What is surprising is that this division is far from the actual business ownership rates. As shown in figure 7, only 28 per cent of business owners in the country are women. The rate is even lower at 22 per cent, if we look at employers – that is to say, business owners who have at least one additional employee besides the owner.[86]

84 Nutek (2008). The survey was directed to those between the ages 18 to 30 years.

85 Swedish Agency for Economic and Regional Growth (2013).

86 Eurostat database, figures for 2013.

The Nordic welfare states are based on generous social security systems, aimed primarily at those who are employed by others. These systems encompass benefits for sick leave as well as parental leave. However, although generous, the systems are created to suit the needs of employees rather than business owners.

Why then does such a large discrepancy exist between women's desire to run their own firms and their actual success as business owners? As discussed previously in this book there are a number of key explanations, such as public sector monopolies and high tax wedges reducing the potential for running businesses in the service sectors, in which most enterprises run by women tend to be founded. As this chapter outlines there is also another important reason to keep in mind: social insurance systems. The Nordic welfare states are based on generous social security systems, aimed primarily at those who are employed by others. These systems encompass benefits for sick leave as well as parental leave. However, although generous, the systems are created to suit the needs of employees rather than business owners. For example, business owners tend to have more variable incomes than employees. One reason is that those who employ themselves can only take out a salary the months when their businesses are run with a surplus. The social insurance systems are based on regular incomes, and thus they discriminate against those with variable income (i.e. business owners) by giving them reduced compensations.

Another issue is that those who run their own businesses simply cannot take advantage of benefits such as sick leave in the same way as employees. Besides the fact that the systems in practice are less generous to the self-employed, this group often does not have the option of calling in sick since their businesses might be adversely affected. An employee who calls in sick can return to work a few days or weeks later.

A business owner who does the same might find that her or his venture has lost many costumers in the meantime. It doesn't really matter if the government gives you a small compensation for sick leave days, if you have lost your client base in the meantime.

Thus, business owners cannot take full advantage of the social insurance system they are funding with their tax money. Moreover, pregnant women in Sweden who are employed can call in sick if their jobs lead to bodily stress. This of course makes sense, both for protecting mothers and their unborn children. Business owners are astonishingly enough not given the same treatment. They have to work or lose their income. The Swedish Social Insurance Agency, Försäkringskassan, explains the system on their webpage:

> *"Women who work in a harmful environment that may involve a risk of foetal injuries can receive pregnancy benefit before the 60th day prior to delivery. However, this only applies to those who are employed. Those who are self-employed cannot receive pregnancy benefit because they work in a harmful environment."*[87]

This might sound odd, but there is a simple explanation: the system is designed for employees, and dominated heavily by the needs of large employers and labour unions. Small business owners fall between the gaps.

87 Försäkringskassan (2016). The agency provides information in several languages, including the English text shown above.

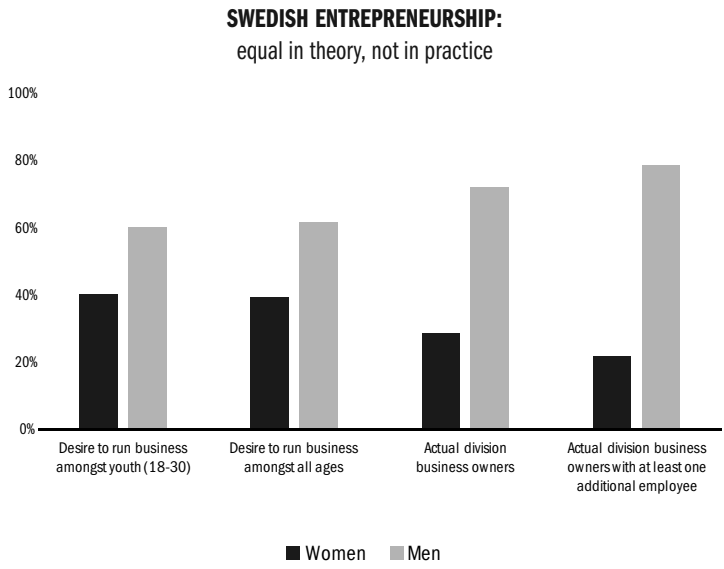


FIGURE 7

The will to run a business shows the gender division which would exist amongst business owners if women who would prefer to run a business rather than being employees realized this dream to the same extent as men. Sources: Nutek (2008), Swedish Agency for Economic and Regional Growth (2013), Eurostat database and own calculations.

Data is shown in appendix K.

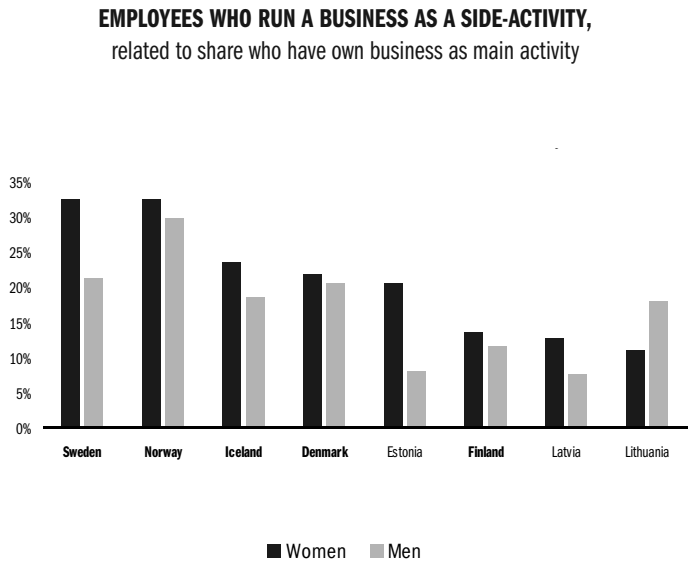


FIGURE 8

Source: European Commission (2014) and own calculations.

Data is shown in appendix L.

What happens when the social insurance systems, paid through high employee fees to the tax agencies in various Nordic countries, are not adapted to business owners? The obvious answer is that the tendency to be self-employed is reduced. In particular women, who to a greater degree tend to utilize social insurance, are incentivized to remain as employees even if they would otherwise prefer starting their own ventures.

What happens when the social insurance systems, paid through high employee fees to the tax agencies in various Nordic countries, are not adapted to business owners? The obvious answer is that the tendency to be self-employed is reduced. In particular women, who to a greater degree tend to utilize social insurance, are incentivized to remain as employees even if they would otherwise prefer starting their own ventures.

Of course, there is a middle way which allows for combining the benefits of social security nets tied to employment with the creative opportunity of self-employment: keep your job and run a business as a side activity. Figure 8 shows the proportion of employees who run their businesses as a side-activity rather than as a main activity. In the average Nordic country, it is three times more common with side-activity entrepreneurs than the average European Union country. A likely reason is people's desire to run businesses without giving up the security provided by public insurance systems designed for employees. Even more interesting is that the gender gap, which exists in all countries and is most pronounced in Sweden. This comes as no surprise, given the disadvantaged status of the self-employed, and since women are affected to a greater extent than men.

International research supports the thesis that social insurance systems which favor employees over the self-employed discourage business ownership.[88]

Likewise, reforms that make it easier or more affordable for business owners to purchase various insurance policies, not least health insurance, can have a strong positive effect particularly on women's business ownership.[89] Nordic researchers have also brought up the issue. In a conference for Sweden's innovation agency Vinnova the researchers Lena Andersson-Skog, Thomas Pettersson, Helén Strömberg and Jonathan Svanlund explained that *"[the fact that] the social security system in the Swedish welfare state is coupled to salary work, is a partial explanation for women's choice to support themselves on salary work, rather than self-employment"*.[90] In the same conference Dominique Anxo, Thomas Ericson and Andreas Mångs noted: *"If the political agenda is to increase women's business ownership in Sweden then the policy initiatives should mainly be directed towards changes that harmonizs the social security condition between self-employees and employees"*.[91]

[The fact that] the social security system in the Swedish welfare state is coupled to salary work, is a partial explanation for women's choice to support themselves on salary work, rather than self-employment.

Changes in regulation can indeed harmonize the system, so that it becomes more adjusted to the needs of the self-employed. How-

88 See for example Ilmakunnas and Kanniainen (2001) as well as Audretsch et al. (2002).
89 See Wellington (2001) and Velamuri (2008).
90 Andersson-Skog et al (2011). Own translation to English.
91 Anxo, Ericson and Mångs (2011). Own translation to English.

ever, those who run their own businesses are a diverse group with diverse needs. In many cases the self-employed in Nordic countries cannot for example wait for days or weeks to see a doctor appointed through the often slow public health insurance system. It is difficult to create a government one-system-fits-all measure that is attractive to the self-employed. This explains why many self-employers who work in Nordic countries, although already financing the public insurance system through taxes, also purchase private insurances. Private insurers are flexible enough to adapt to the social security needs of business owners.

In the long run, the Nordic countries could encourage business ownership in general and particularly so amongst women by allowing a shift from public to private insurances. One way would be to give individuals the freedom to opt out, that is to say, give them the choice of putting their tax money in a private insurance rather than the publicly administered one. The current system is simply not up to the job.

LEARNING FROM OTHERS

12. WOMEN REACHING THE TOP IN SMALL-GOVERNMENT COUNTRIES

In many ways, the Nordic countries are shining examples of gender equality. However, their policies are not necessarily as beneficial to women's careers as might appear at first glance. Ida Drange and Catharina Egeland for example note in a research review that Nordic countries have high employment rates amongst women and large welfare policies. This correlation should however not be mistaken for a direct causation: *"Yet, although the expansion of the welfare state has been considered important for the high levels of female employment in Scandinavia, countries with less extensive welfare state services, such as Finland, also have high levels of female employment, thus showing the importance of comparative analysis"*.[92]

A comparison of employment levels across Europe and some other developed economies, shown in figure 9, confirms this view. Interestingly the country with the highest rate of women in the workforce is Iceland, with an employment rate of 78 per cent. The second highest rate is found in Switzerland, where it is 74 per cent.[93] Iceland is noteworthy since this small country has a similar culture as its larger Nordic cousins, but it has never implemented as large a welfare state as them. Switzerland is even more interesting. The country is in some ways culturally, and climate-wise, similar to the Nordic nations. Yet, its policies are much more conservative and market-oriented. Switzerland is well-known for its low taxes and a limited public sector, contrary to the high taxes and large public sectors of countries such as Sweden.

92 Drange and Egeland (2014).

93 Eurostat and own calculations. Averages for 2010-2014 are given.

EMPLOYMENT RATE OF WOMEN

2010 – 2014 average

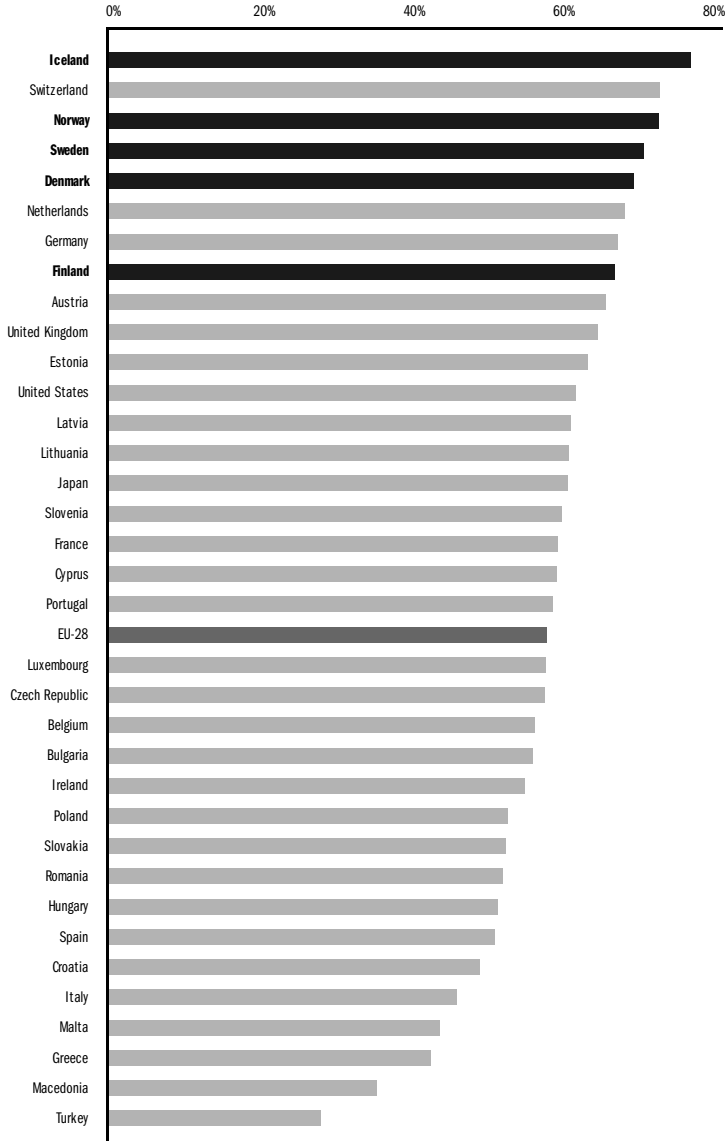


FIGURE 9

Source: Eurostat database and own calculations. Averages for 2010 – 2014 are given.

Data shown in appendix E.

Another interpretation is that the low-tax and free market-oriented policies of Switzerland are equally good, if not better, at promoting women's labour participation as the policies of countries like Sweden and Denmark.

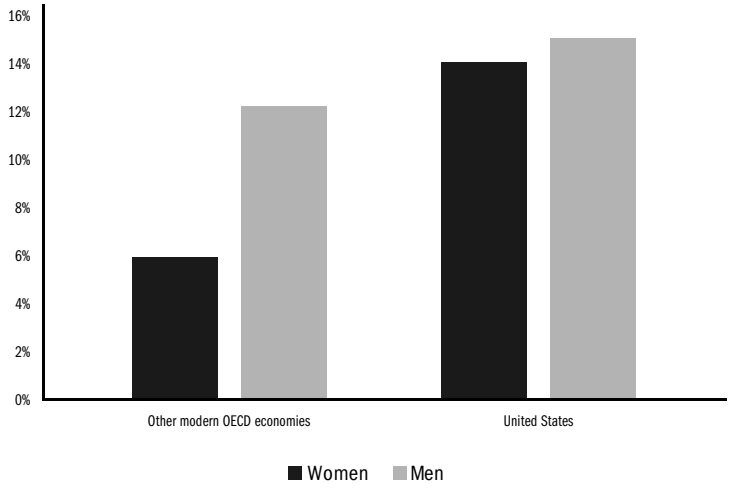
Evidently a dual breadwinner model, where many women are active in the labour market, is equally attainable in Switzerland. One interpretation is that the cultural attributes of Nordic societies are important. Looking at figure 9, one cannot but draw the conclusion that countries which are culturally close (Nordics countries, Switzerland, Germany, the Netherlands and Austria) are clustered together. After all, France is politically close to the Nordics as far as its extensive welfare policies goes, but culturally more Southern European. The fact that Switzerland, with a much smaller public sector, is on par with the Nordics whilst France is not, suggests that culture and not only policy affects women's labour participation. Another interpretation is that the low-tax and free market-oriented policies of Switzerland are equally good, if not better, at promoting women's labour participation as the policies of countries like Sweden and Denmark. Perhaps the answer lies somewhere in between these two explanations?

Nordic countries do have, as previously noted, higher labour participation amongst women compared to the Anglo-Saxon countries. The Anglo-Saxon countries on the other hand have relatively many women active in the labour market, more than the average modern economy.

In addition, whilst the Nordic model is based on many women working part-time, it is more common for women in Anglo-Saxon countries to work full-time, which can explain why more women in the latter group of countries reach managerial levels.[94]

It is particularly interesting to compare the welfare state model of the Nordics to the free-market model of the United States. This country is somewhat of an extreme case even amongst the Anglo-Saxon group, since it for example has no central government provision of parental leave.[95] The United States and the Nordics have quite dissimilar models, something which is indeed reflected in women's career advancement.

SHARE OF WORKING MEN AND WOMEN
in a managerial position



94 As previously in chapter 5, see table 1.

95 Some limited programs do exist in US states. Mostly however, parental leave is contracted between the employee and the employer.

FIGURE 10

Source: Blau and Kahn (2013).

Data shown in appendix F.

Francine Blau and Lawrence Kahn have written a paper which gives great insight into how American policies have affected women's progress. The authors write: *"In 1990, the US had the sixth highest female labor participation rate among 22 OECD countries. By 2010, its rank had fallen to 17th"*. Part of this is explained by the fact that policies such as parental leave and part-time work entitlements provided by welfare states in other developed countries have encouraged more women to work, putting the United States behind in relative terms. Blau and Kahn also find that there is another side of the coin: the same welfare state policies hinder women from investing the time needed to reach the top. The authors write: *"However, these policies also appear to encourage part-time work and employment in lower level positions: US women are more likely than women in other countries to have full time jobs and to work as managers or professionals"*.[96] A summary of their findings is shown in figure 10. As can clearly be seen, the United States has a much more equal distribution of women at the top of the business ladder than the average modern economy.

Although the United States is exceptional, we can see that all Anglo-Saxon countries listed have more female managers than the Nordic countries. Additionally, Iceland, the Nordic country with the smallest welfare state, has the highest likelihood of women becoming managers compared to men. There is a case to be made for small-government policies encouraging women to reach the top.

96 Blau and Kahn (2013).

The OECD gathers information about the proportion of employed people who have managerial responsibilities in different developed economies. In table 3 the proportion of female managers in different countries is shown as a percentage of the proportion of male managers. This calculation yields a measure of the likelihood of the average employed women to reach a managerial position compared to the average employed man. The likelihood is an impressive 85 per cent in the United States. This is far higher than any other country in the study. In comparison, the same proportion is 60 per cent in the United Kingdom and 52 in Sweden. Norway (48 per cent), Finland (44 per cent) and Denmark (37 per cent) score even lower. Although the United States is exceptional, we can see that all Anglo-Saxon countries listed have more female managers than the Nordic countries. Additionally, Iceland, the Nordic country with the smallest welfare state, has the highest likelihood of women becoming managers compared to men.[97] There is a case to be made for small-government policies encouraging women to reach the top.

It should be emphasized that this measure includes public sector managers, which inflates the figures for countries with large welfare states such as Sweden and Denmark compared to a study of private sector managers. Still, the data paints a clear picture: the United States, where welfare state programs do not subsidize women's parental leave, has more women reaching managerial positions than any other modern economy. Of course, this is not to say that such family policies – which do have an effect on women's labour market participation – are a bad idea. However, they do reduce women's ability to invest the time necessary in the labour market to reach the top.

97 OECD Stat Extract and own calculations.

LIKELIHOOD OF WOMEN REACHING MANAGERIAL POSITION

(100 = equal opportunity as men). Includes public sector.

United States	**85**
New Zealand	**73**
Mexico	69
France	68
Spain	67
Hungary	67
Poland	65
Australia	**65**
Italy	64
Canada	**63**
Slovenia	62
Belgium	60
United Kingdom	**60**
Ireland	59
Greece	58
Slovak Republic	57
Iceland	**56**
Portugal	55
Estonia	55
Sweden	**52**
Switzerland	51
Czech Republic	49
Israel	48
Norway	**48**
Germany	48
Austria	48
Luxembourg	46
Netherlands	45
Finland	**44**
Denmark	**37**
Turkey	25
Japan	17
Korea	11

TABLE 3

Likelihood of women reaching managerial positions as compared to men. This proportion is calculated by dividing the proportion of women who have a managerial position with the proportion of men who reach the same position. For all countries, source: OECD Stat Extract and own calculations. Average data for 2000-2013 has been calculated. Public sector as well as private sector managers are included. Nordic countries are marked in orange, and Anglo-Saxon countries in blue.

Monica Renstig, the founder of Women's Business Research Institute in Sweden writes: *"Which country is most likely to foster female managers to reach the highest rungs of power? Would you say it is the US where new mothers are offered 12 weeks of maternity leave, almost no subsidized child care, no paid paternity leave and where there is a notoriously hard-driving business culture? Or Sweden, where new moms and dads have 14 months of fully paid time-off at their jobs? The correct answer is the United States. Despite the fact that Sweden has put great effort into building up its welfare system in the hopes of providing women with more opportunity to have children and a career, in the private sector, few women are breaking the glass ceiling."* [98]

Clearly, the Nordic system is far from the only one that can empower women. The more conservative and market-oriented model in the United States also does so, and in fact surpasses Sweden and other modern economies when it comes to women's ability to reach the top of the business ladder.

98 Renstig (2008).

Much can be said about the progress that particularly young women are having in the United States, a country where the system emphasizes the ability of individuals and families to decide over their incomes and time distribution. Across the United States, and in particular in its metropolitan areas, young single women for example already out-earn young single men.[99] A key reason is that the male-female ration in higher education has steadily moved in favor of women over time.[100] As early as 1978, more women than men in the United States earned associates degrees.[101] At the end of 2014, American women represented a majority (51 per cent) of those in professional and technical occupations.[102]

Clearly, the Nordic system is far from the only one that can empower women. The more conservative and market-oriented model in the United States also does so, and in fact surpasses Sweden and other modern economies when it comes to women's ability to reach the top of the business ladder. However, we don't have to look across the Atlantic to find countries with a higher proportion of women at the top than in the Nordics – we only have to look across the Baltic Sea, towards the three small Baltic nations.

99 When comparing full-time workers. See for example Time Magazine (2010), The Wall Street Journal (2010) and NECN Business (2012).

100 Forbes (2012).

101 Perry (2013).

102 Department for Professional Employees (2015).

13. THE NORDICS VS. THE BALTICS

The three small Baltic States, Estonia, Latvia and Lithuania, are geographically as well as culturally close neighbors of the Nordics. For example, Riga, the capital of Latvia was during the 17th century not only a part of Sweden, but in fact also the largest city in the Swedish Kingdom.[103] Even today, much of the architecture of the city closely resembles that of Sweden's capital Stockholm. Estonia's culture and history is even more closely related to the Nordics. Swedish and Finnish minorities have for a long time played a key role in the country's development. The Estonian language belongs to the Finnic branch of the Uralic language family. Lithuania has cultural links to the Nordics as well as Germany and Poland. The major difference between the Nordics and the Baltic countries is that the latter were invaded by the Soviet Union after the Second World War, and forced into communism. Ever since then, the economic policies of the Baltics have been quite different from those of Nordics countries.

When communism was overthrown in the early 1990s, the Baltic States which had already suffered a great deal during the system, experienced a collapse of their planned economies. The countries shifted towards market-based systems, implementing liberal regulations as well as flat and low taxes. This paved the way for long-term development. Between the mid-1990s and 2014 the three economies grew faster than any other part of Europe.[104] They even recovered from a sharp decline during the global financial crises of 2007 and 2008. Market-oriented and small-government policies have served the Baltics well, and they

103 Nordisk Filanteli (2013).

104 The annual inflation-adjusted growth rate of these countries was 4.7 per cent in Estonia, 5.4 in Latvia and 5.6 in Lithuania during this period, higher than any other European country for which Eurostat gathers data. Source: Eurostat database and own calculations.

remain popular. Estonia has arguably the most market-liberal large mainstream party in Europe, the Reform Party – whose leader Taavi Rõivas is the current Prime Minister of the country.[105]

FIGURE 11

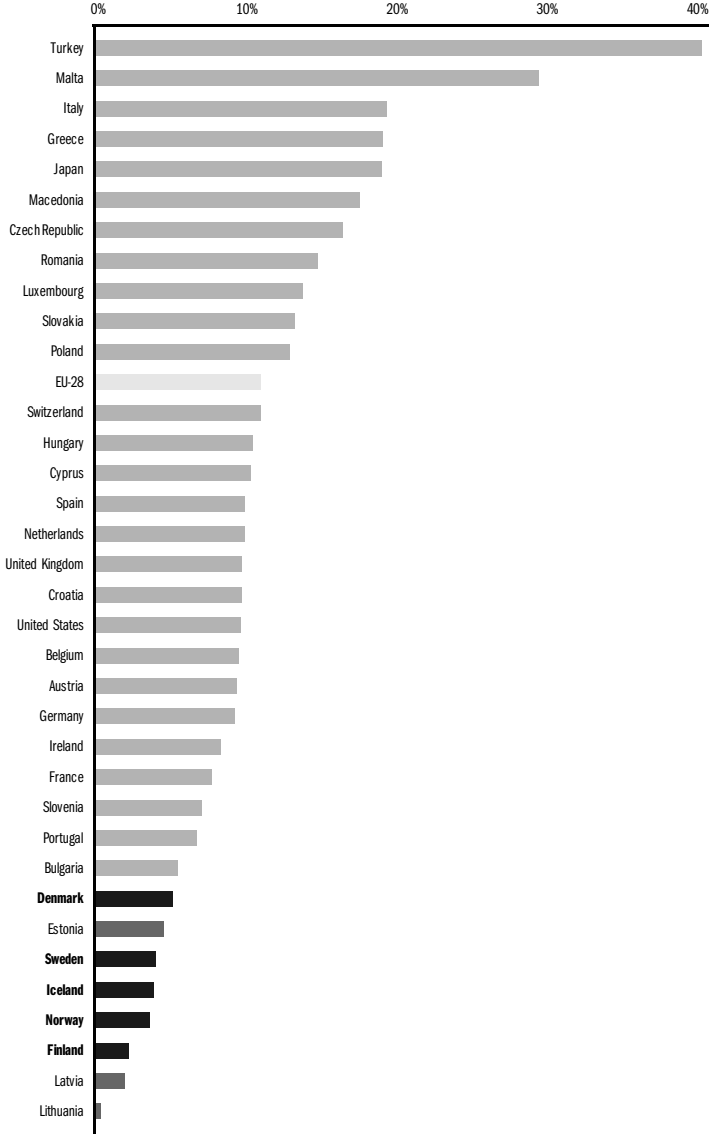
The gender-gap in employment has been calculated as the employment rate of men minus that of women in each country, based on averaged data for the 2010-2014 period. Source: Eurostat database and own calculations.

Data shown in appendix G.

105 Sanandaji and Fölster (2014).

GENDER-GAP IN EMPLOYMENT RATE

2010 – 2014 average



Today the Baltic Sea divides the Nordic countries which have high taxes and large welfare states from the Baltic countries which have smaller welfare states and amongst the lowest taxes in the developed world. When it comes to the issue of women's career opportunities it is worthwhile to compare the two groups of countries. The first reason is that the three Baltic countries and the five Nordic nations share a common trait: they are the nations which have the lowest gender gaps in employment rate in Europe (see figure 11). Lithuania is unique in Europe, as men and women have virtually the same employment level.[106] Since the economic policies of these two groups of countries differ so much, their similarities in small employment gaps supports the idea that women's labour market participation is also influenced by culture.

The Baltic countries have a systematically higher proportion of women in leadership positions in the business world compared to their Nordic neighbours.

When it comes to gender attitudes, the Baltic countries are quite different from the Nordic ones. Although egalitarian, they are more conservative. Being a housewife is accepted in the Baltics, while frowned upon in the Nordics. It could be expected that fewer women reach the top of Baltic societies, due to this difference in attitudes as well as the fact that these societies are – although catching up rapidly – still less developed than the Nordics. In some ways, women are indeed more successful in the Nordics. One example is politics. The proportion of women in the national parliaments of Baltic countries ranges between 18 per cent in Latvia and 24 per cent in Estonia. This is much

106 Eurostat database and own calculations.

lower than in the Nordics, where around four out of ten in the various national parliaments are women.[107] However, when it comes to women's ability to reach the top of the business ladder, the situation is quite different.

Table 4 summarizes a number of studies about the proportion of women in top positions. As can be seen, a difference exists in favor of the Baltics. Amongst all managers, 39 per cent are women in the average Baltic country compared to 31 per cent in the Nordics. The difference is even larger in the private sector, where the rate is 34 per cent in the Baltics compared to 24 per cent in the Nordics. In the Baltics the proportion of women amongst directors and chief executives is 31 per cent, more than twice the Nordic level of 13 per cent. Moreover, the proportion of business owners is somewhat higher (37 versus 30 per cent). Thus, the Baltic countries have a systematically higher proportion of women in leadership positions in the business world compared to their Nordic neighbours.

107 Women in national parliaments (2016). See also Union of the Baltic Cities (2013).

THE NORDICS VS. THE BALTICS

Share of women amongst different groups of managers (per cent women)

	All managers*	Private sector managers**	Directors/chief executives***	Business owners****
Sweden	36	26	10,6	28
Denmark	28	24	10	29
Norway	32	–	17,7	30
Finland	30	22	13,3	32
Average large Nordic countries	**31**	**24**	**13**	**30**
Estonia	33	34	33,8	30
Latvia	46	35	27,6	41
Lithuania	39	32	32,8	39
Average Baltics	**39**	**34**	**31**	**37**

* International Labour Organization 2015.

** Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (2010).

*** Sanandaji (2014).

**** Eurostat database and own calculations.

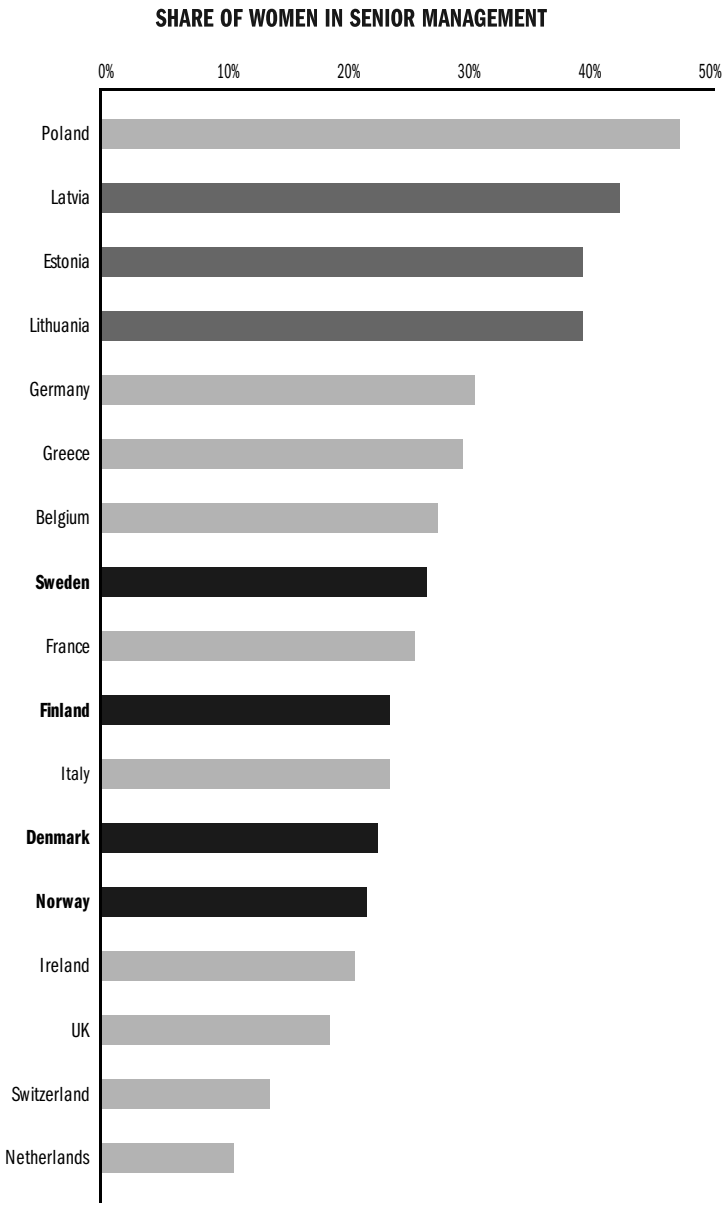
TABLE 4

The Nordics vs. the Baltics.

FIGURE 12

Source: Grant Thornton (2013).

Data shown in appendix H.


SHARE OF WOMEN IN SENIOR MANAGEMENT
0%
10%
20%
30%
40%
50%
Poland
Latvia
Estonia
Lithuania
Germany
Greece
Belgium
Sweden
France
Finland
Italy
Denmark
Norway
Ireland
UK
Switzerland
Netherlands

This is confirmed by a survey conducted by Grant Thornton, where the gender division of top managers are estimated through interviews with 6.500 companies around the world. As shown in figure 12 the proportion of women in senior management ranges between 22 per cent (Norway) and 27 per cent (Sweden) in the large Nordic economies. This can be compared with 40 per cent in Lithuania and Estonia and 43 per cent in Latvia.[108] The conclusion is clear: the Baltic economies have more women on top. How then can this be explained?

If we assume that large welfare states and a political affinity for feminism is what enables women's progress, surely the Nordics should be far ahead of the Baltics. It would appear that other factors, such as economic freedom, play a crucial role.

If we assume that large welfare states and a political affinity for feminism is what enables women's progress, surely the Nordics should be far ahead of the Baltics. It would appear that other factors, such as economic freedom, play a crucial role. The Baltic countries do not set up hinders in the way of women's progress through significant public sector monopolies or high tax wedges for the purchase of personal services. When transforming to low-tax market economies, these countries continued to build on their Soviet heritage, where women were encouraged to work. This odd mix of socialist past and capitalist future, where women played a key role in building up a new market economy from the ruins of the old planned system, paved the way for gender equality at the top of the business ladder. A similar explanation also applies to the other former communist countries in Central- and Eastern Europe, which also have high levels of women in managerial

108 Grant Thornton (2013).

positions. An example is Poland, which has close to an even gender distribution amongst senior managers according to the Grant Thornton survey.[109] As will be elaborated further in the next chapter, another important explanation for the difference in women's rise to the top in the Baltics and the Nordics has to do with their use of time.

109 Ibid. In some Central- and Eastern European countries alcoholism is prevalent amongst men. This too can be partially explain why women succeed in business compared to their male peers.

14. TIME MATTERS

To understand the major difference in women's ability to reach the top in the Nordics and the Baltics, it is worth examining an issue which significantly impacts women's career advancement around the world: time. There are many theories as to why a gender glass ceiling exists, such as men actively discriminating against women, men at the top helping other men and sexist ideals that undermine women's confidence. Given that Nordic countries have unusually gender-equal values, it is most likely not these explanations that we are looking for. But what about their use of time?

Women tend to take greater responsibility for household chores and children, having less time to invest in pursuing their careers. Marriage and family formation therefore hinders women's career advancement.[110] Nordic welfare states are interesting in this regard, since their economic systems are based on a large proportion of women working part-time, often in public sector monopolies. Benefits and insurances in these countries are linked to having a job, which encourages both spouses to work. High marginal taxes at the same time create a situation where it makes sense for at least one parent to work

110 This explains why women on average lag behind men in terms of career at the ages where family formation is common. Warren Farrell has isolated the effect of family and children by looking at the incomes for Americans with a higher education who have no children, work full-time, are in the ages 40 to 64 and have never married. This is the share of the population who have not, and are likely not either planning to, start families – instead devoting their time to careers. Farrell finds that the yearly incomes for women amongst this group is $47.000, considerably more than $40.000 for the men. The large difference in favor of women can be explained by the fact that career women more often than career men do not marry. Still, it is notable that the gender-gap is actually reversed in the United States for those who neither marry nor have children. Source: Farrell (2005).

part-time, and spend the remainder of their time on household chores. As previously explained, the option to buy personal services are limited by the tax systems. This reduces the incentives for both spouses to work full-time, since this increases the need to buy personal services that alleviate household chores. The Nordic system thus encourages women to work, but often part-time.

The Baltics are equally interesting since they are more conservative and family-oriented societies. The public sector offers less aid through subsidized childcare for example. However, low taxes and family bonds create a situation where working parents can either purchase personal services to alleviate household chores or alternatively ask relatives for help. Having support from close family members in the household is common in the conservative Baltic societies, but not so in the individualistic Nordic societies. The Baltic model creates stronger incentives for full-time work.[111]

As shown in figure 13, part-time work is quite uncommon in the Baltics. Around one in twenty of the men and one in ten of the women in the Baltic countries work part-time rather than full-time. In the Nordics the proportion is about one in ten amongst the men. Amongst women however, part-time work is quite prevalent. The proportion of employed women working part-time ranges from 18 per cent in Finland to 39 per cent in Norway.

111 The low-tax system in the Baltics essentially creates more choices. Families have more freedom to choose a single-breadwinner model, a dual-breadwinner model and the middle-ground where one parent works half-time and the other full-time.

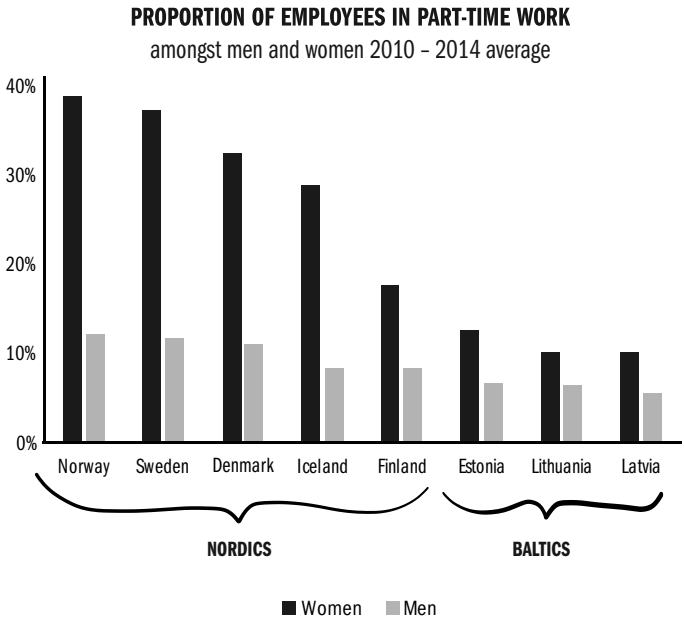


FIGURE 13

Source: Eurostat database and own calculations.

Data shown in appendix I also for additional countries.

Many women in the Nordics are in effect not competing for top positions, since they are working too few hours. In the Baltics a larger proportion of women are able to invest the time necessary to compete for top jobs. This simple observation can in part explain why egalitarian Nordic societies have few women at the top, and why their small-government and more conservative neighbors in the Baltics perform better.

Thus, whilst a small proportion of women in the Baltics work part-time, the same is true of a significant proportion of the women in the Nordics. This, surely, has a significant impact on women's progress. Individuals who reach the top very seldom work part-time. Rather, as Malcolm Gladwell has explained in the popular book *Outliers*, those who attain great careers often do so after having invested an unusually high amount of time mastering a certain profession.[112] Many women in the Nordics are in effect not competing for top positions, since they are working too few hours. In the Baltics a larger proportion of women are able to invest the time necessary to compete for top jobs. This simple observation can in part explain why egalitarian Nordic societies have few women at the top, and why their small-government and more conservative neighbors in the Baltics perform better.

Women in the Nordic countries invest far less time in their careers as compared to women in the Baltics. The average employed man in Norway works fully 27 per cent more hours than the average employed woman. In Estonia and Latvia the difference is merely 7 per cent. The systematic difference between Nordic and Baltic countries, shown in table 5, of course has a major impact on women's success. A similar situation exists for business-owners. In Denmark men who own

112 Gladwell (2008).

businesses work on average 19 per cent more hours than women business owners. In Latvia the difference is only 7 per cent (see table 6). Looking at the average data for all Nordic and Baltic countries, it becomes clear that the gender time-gap is roughly twice as high in the former region for both the self-employed and the employees. It would be surprising if this did not have a significant effect on women's progress.

The unintended consequence of the Nordic welfare states on women's careers can to a large degree be explained as a matter of time. Welfare state programs and high tax rates are encouraging women to invest too few hours in their careers. It is thus no mystery that Nordic countries underperform when it comes to women in top careers, although they seem to have the greatest potential for women's success. Time matters.

DIFFERENCE IN HOURS WORKED

All workers

	Women	Men	Percentage hours more worked by men
Norway	27.0	34.2	26.7
Denmark	28.2	34.8	23.4
Sweden	29.5	35.8	21.4
Finland	29.9	34.7	16.1
Nordic average	**28.7**	**34.9**	**21.9**
Lithuania	34.1	38.6	13.2
Estonia	36.5	39.2	7.4
Latvia	36.4	38.9	6.9
Baltic average	**35.7**	**38.9**	**9.2**

TABLE 5

Hours worked by all workers on average per week. Source: Statistics Sweden (2012) and own calculations.

DIFFERENCE IN HOURS WORKED

Business owners

	Women	Men	Percentage hours more worked by men
Denmark	38.7	45.9	18.6
Finland	37.4	44.2	18.2
Sweden	36.1	42.3	17.2
Nordic average	**37.4**	**44.1**	**18.0**
Estonia	34.6	40.3	16.5
Lithuania	36.5	39.5	8.2
Latvia	35.9	38.3	6.7
Baltic average	**35.7**	**39.4**	**10.5**

TABLE 6

Hours worked by business owners on average per week. Source: European Commission (2014). Norway not shown since data not given for the country, which is not an EU-member, in this source.

FALSE SOLUTIONS AND REAL SOLUTIONS

15. QUOTAS FOR THE ELITE FEW?

The Nordic countries have a history where women have challenged traditional gender norms, broken glass ceilings and reached the top – at least in politics, academics and the public sector. This change has largely happened organically over time, through persistence and hard work, rather than state-mandated quotas. It was therefore somewhat of a break with Nordic tradition when Norway passed a law at the end of 2003, requiring 40 per cent of board members of public companies to be women. The law, which became mandatory at the beginning of 2006, has gained considerable international attention.

Out of the roughly 500 companies initially targeted by the legislation, some 100 changed their corporate ownership structure to no longer be bound by the legislation.

Politicians in Germany, the United Kingdom, the United States and many other countries are pointing to the quotas as a success story. The simple line of reasoning seems to be: the quotas aimed to increase the proportion of women on corporate boards, and achieved this goal. Is this a reasonable criteria? Of course the law was abided; anything else would have been quite surprising in an orderly society like Norway. Nordic citizens and companies are law-abiding. Moreover, failing to respond to the strict quotas would entail hefty fines. Firms that do not follow the quotas might even forcefully be shut down by the government. Forced by the government, most companies thus used affirmative action to change the gender composition of their boards. Some

chose another, difficult but equally legal, way of following the rules. Out of the roughly 500 companies initially targeted by the legislation, some 100 changed their corporate ownership structure to no longer be bound by the legislation.[113]

It is telling that so many firms would invest time and energy to avoid being included in the legislation. Another sign that the quotation legislation was not popular amongst the business community is that share prices fell on average by 3.5 per cent following its announcement. Once firms were forced to follow the law, another challenge became apparent: the difficulty to fill the positions with experienced individuals. The new female directors were on average 8 years younger than their existing male counterparts, which suggests less experience.[114]

The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance.

Proponents of affirmative action claim that such legislation will in the long term be good even for the business community, since diversity means greater productivity. Kenneth Ahern and Amy Dittmar have examined the Norwegian evidence by looking not only at the stock price but also the Tobin's Q. Named after Nobel Prize winning economist James Tobin (famous for the Tobin tax on financial transactions) this measure is a widely used way of examining the market value of firms.[115] Ahern and Dittmar find that firm value as measured by Tobin's Q fell

113 Fortune (2014).
114 Credit Suisse Research institute (2014).
115 To be more precise, the Tobin's Q is the ratio between a physical asset's market value and its replacement value, introduced in 1968 by James Tobin and William Brainard.

by over 12 per cent with every 10 per cent increase of female board members. The authors write: *"The quota led to younger and less experienced boards, increases in leverage and acquisitions, and deterioration in operating performance."*[116]

Once put to the test, affirmative action proved to be bad for business. Before the quotas were introduced in Norway, it seems that the rise of women amongst board members was achieved without a fall in experience.[117] After the introduction of mandatory legislation, it seems that this changed. Kenneth Ahern and Amy Dittmar note that once the characteristics of members of boards – such as age and CEO experience – are accounted for, the proportion of female board members is no longer significantly related to Tobin's Q. This suggests that it was the change in board member experience, rather than the gender of board members per se, which reduced firm performance.[118] These studies can give us some insights into the effect of quotas. Women's progress is often discussed in simplistic terms, where the debate boils down to whether more women on top is good or bad for the economy. A more nuanced view might be in place.

The literature on corporate governance suggests that board diversity is potentially positively related to firm performance. The explanation is that more diverse selection can increase the potential talent-pool and that diversity in origin can sometimes be linked to diversity in knowledge. Strengthening this notion, some studies have indeed shown that firm performance improves as gender equality grows. For example, Nina Smith, Valdemar Smith and Mette Verner study 2 500 Danish firms during the period 1993 to 2001. The authors find that *"the proportion of women in top management jobs tends to have positive effects on firm performance, even after controlling for numerous characteristics of the firm and direction of causality"*. This effect is of course not because

116 Ahern and Dittmar (2012).
117 Grosvold, Brammer and Rayton (2007).
118 Ahern and Dittmar (2012).

individuals are better or worse at their jobs due to their gender, but rather since some of the women who reach the top amongst the studied companies are particularly good at their jobs. The paper concludes: *"The results show that the positive effects of women in top management depend on the qualifications of female top managers"*.[119]

To sum up, the Nordic experience is that firm performance can improve if women reach boards organically, by climbing the career ladder, whilst firm performance is reduced if quotas lead to less experienced individuals being elected to boards. Thus, quotas are not only bad for business, but also give diversity a bad name.

In another paper, Nina Smith looks at the evidence of the way quotas affect firm performance, reaching the conclusion that such policies do not lead to economic benefits. Rather, the empirical results are often negative. Smith writes: *"Arguments for increasing gender diversity on boards of directors range from ensuring equal opportunity to improving firm performance, but the empirical results are mixed and often negative. Current research does not justify gender quotas on grounds of economic efficiency."*[120] To sum up, the Nordic experience is that firm performance can improve if women reach boards organically, by climbing the career ladder, whilst firm performance is reduced if quotas lead to less experienced individuals being elected to boards. Thus, quotas are not only bad for business, but also give diversity a bad name.

It seems that the politicians who look at the Norwegian quotas as a success story have spent little if any time reading the research literature about the reform. Not only does the evidence point to the quotas

119 Smith, Smith och Verner (2006).
120 Smith (2014).

having negative effects on firm performance, it is also found that merely a small handful of elite individuals benefited from the law-mandated affirmative action. The purpose of the law was of course to catalyze a wider change in society. Legislators hoped to improve the quality of how businesses were run by increasing diversity, while at the same time breaking the glass ceiling so that women in general would gain a career boost.

However, the benefit seems to have been confined to the few individuals, already with top careers, who were given board positions due to legislative affirmative action. Cathrine Seierstad and Tore Opsahl have written a paper with the telling title: "*For the few not the many? The effects of affirmative action on presence, prominence, and social capital of women directors in Norway*". The authors explain that the law has had the effect of creating *"a small elite of women directors who rank among the top on a number of proxies of influence."*[121]

In another, more recent, paper Marianne Bertrand and co-authors look at the way the introduction of gender quotas affected women in Norwegian firms.[122] The researchers find that the change had:

- **No trickle-down effect**. This means that whilst a few women at the top received higher wages due to affirmative action directly benefiting them, the broader group of female employees did not receive higher wages due to a gender shift in board leadership.

- The reform had *"**no obvious impact on highly qualified women** whose qualifications mirror those of board members but who were not appointed to boards"*. The affirmative action thus failed to break the glass ceiling in any meaningful way except for the few elite women who directly benefited from it.

121 Seierstad and Opsahl (2011).
122 Bertrand (2014).

- **No significant changes in the gender wage gap** or in female representation in top positions. Again, wages and the ability of women in general to climb to the top were simply not affected.

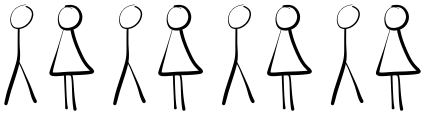
- Lastly, *"there is **little evidence that the reform affected the decisions of women more generally**; it was not accompanied by any change in female enrollment in business education programs, or a convergence in earnings trajectories between recent male and female graduates of such programs. While young women preparing for a career in business report being aware of the reform and expect their earnings and promotion chances to benefit from it, the reform did not affect their fertility and marital plans".*[123]

Moreover, in mid-2015 the *Nordic Labour Journal* published an article explaining that Norway had no female CEOs in its 60 largest firms, even though 8 years had passed since the quotas had been introduced.[124] Anna Rennéus Guthrie, a Swedish writer who specializes on the issue of gender equality, has summarized the experience in a few words: *"The Norwegian snowball doesn't roll"*. Rennéus Guthrie explains that the reform, despite being cited as a positive experience by proponents of affirmative action, simply did not reach its goal of a broader impact on women's careers.[125]

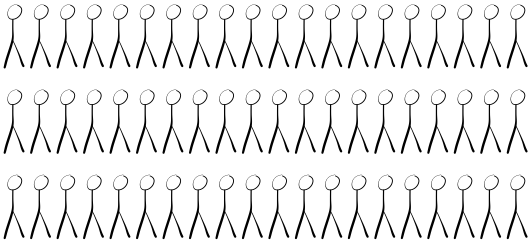
123 Ibid. Bold and blue text in quotes added in this book.
124 Nordic Labour Journal (2015).
125 Opinion-article published in Svenska Dagbladet (2015). Own translation to English.

ILLUSTRATION 7

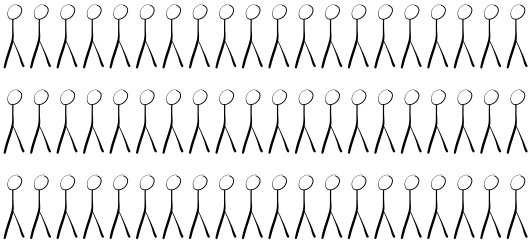
GENDER QUOTAS



When the introduction of gender quotas started in Norway it looked like this:



8 years later it still looked like this:



Norway still had no female CEO:s in its 60 largest firms

How can we understand this development? A common theory, that proponents of quotas rely on, is that men dominate the top of the business world since there are men's clubs that exclude women from reaching the top. On an individual level, such a situation may well exist, and it is quite likely to hold women's careers back in an unfair way. But does the men's clubs explanation play such an important role that legislative action on board composition is needed for women's career prospects? It is telling that the Norwegian experiment with quotas have not changed the gender gap, besides of course for the few elite individuals who directly benefit from affirmative action. This observation either goes against the assumption that men's clubs play an important role, or alternatively shows that they are not affected by gender quotas.

There is no doubt that individuals face discrimination in the labour market. Neither is there any doubt that gender is one of the factors (alongside ethnicity, religious beliefs and socioeconomic background) that discrimination can be based on. However, other factors might be more important explanations of how men and women on average qualify for top positions. As discussed in the former chapter, the large difference in the use of time between men and women is a key reason.

Take for example a Norwegian man who works in the private sector and typically spends 50 hours a week on his job and an additional 10 hours on household work. His sister might be a woman employed in the public sector who spends 40 hours at work and 20 hours on household work. The difference of time spent in the labour market, and the fact that the brother works in the private rather than the public sector, make it much more likely that he rather than she will qualify for a top job. When hard factors such as working hours and public sector monopolies are holding women back, quotas might have little if any success in shattering the glass ceiling. This at least seems to be the experience in Norway.

Research studies lend support to this view. Eva Meyersson Milgrom and Trond Petersen find in a study that employers who seek

individuals for top positions in Sweden *"recruit employees who work full-time, with a technical educational background, at the right age for top positions"*. The authors conclude to explain *"[r]adically more men than women match this profile"*.[126] Similarly a previously quoted study by Nina Smith reaches the conclusion: "*in most countries the number of women qualified to join boards of directors is limited, and it is not clear from the evidence that quotas lead to a larger pool of qualified female candidates in the medium and long term."*[127] The key seems to be to introduce change so that more women qualify for the top rather than to introduce quotas.

Rather than rely on quotas, policy makers should do what they can to reduce the barriers for women to qualify for top positions. Examples of barriers include negative gender stereotypes and overly generous welfare systems which incentivize women to reduce their working time.

Rather than rely on quotas, policy makers should do what they can to reduce the barriers for women to qualify for top positions. Examples of barriers include negative gender stereotypes and overly generous welfare state policies which incentivize women to reduce their working hours. Focusing on such hard factors is likely to pave the way for women's progress not only in theory, but also in practice. In a world increasingly driven by women's career advancement, such reforms would not only increase gender equality, but also foster long-term prosperity.

126 Milgrom and Petersen (2008).
127 Smith (2014).

16. RECENT MARKET REFORMS HAVE PAVED THE WAY FOR WOMEN'S BUSINESS OWNERSHIP

How common is it with female business owners in the Nordic countries? The difference within the region clearly demonstrates how welfare policies unintentionally limit women's progress. As shown in figure 14 Iceland (33 per cent) and Finland (32 per cent) have relatively high rates of female business owners. These two countries are also the parts of the Nordics which historically have had more modestly sized public sectors. On the other hand Denmark (29 per cent) and Sweden (28 per cent) have for a long time had amongst the largest public sectors in the world, and they are also amongst the countries in Europe with the lowest proportions of female business owners. The OECD writes that women in Sweden *"are severely under-represented among business-owners"*.[128]

It is worthwhile studying the situation in Sweden – the Nordic country with the lowest proportion of women amongst business owners – in greater detail. A more in-depth study of the data shows that women in the country do not differ much from the rest of the European Union when it comes to the affinity to run businesses. However, political barriers stand in their way. Additionally, recent market reforms have created a significant boost for women's business ownership in Sweden. The country would have lagged even further behind the rest of Europe if the old policies had continued.

128 OECD (2012a).

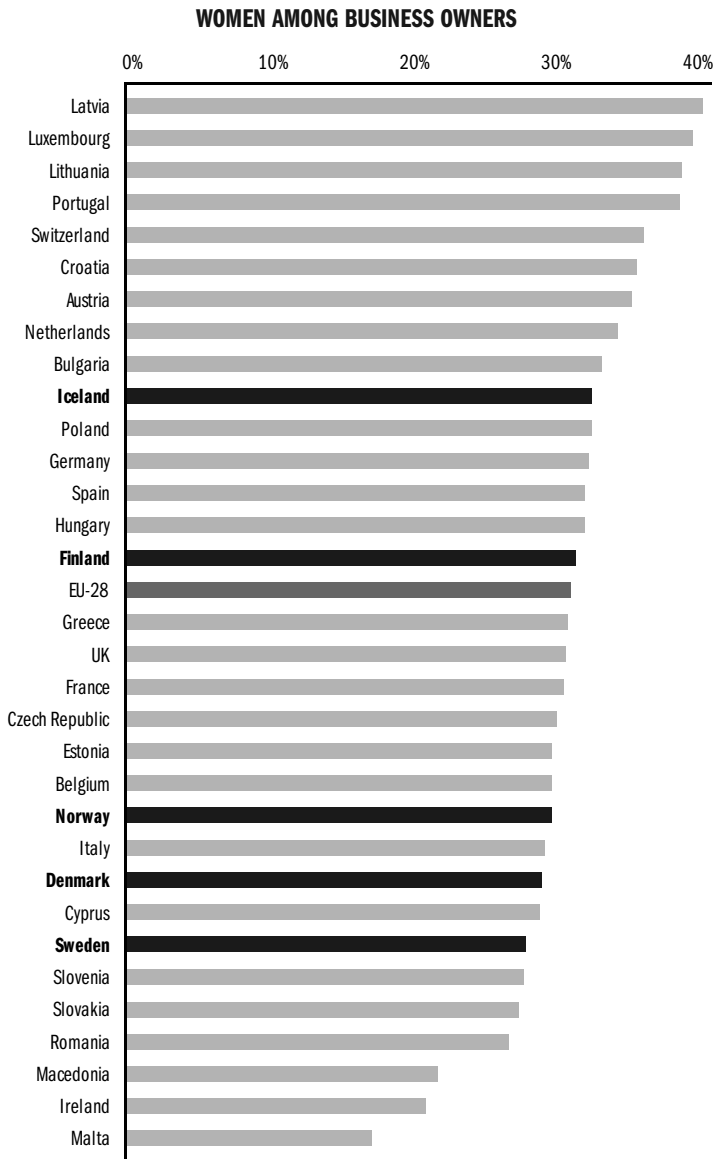

WOMEN AMONG BUSINESS OWNERS
0%
10%
20%
30%
40%
Latvia
Luxembourg
Lithuania
Portugal
Switzerland
Croatia
Austria
Netherlands
Bulgaria
Iceland
Poland
Germany
Spain
Hungary
Finland
EU-28
Greece
UK
France
Czech Republic
Estonia
Belgium
Norway
Italy
Denmark
Cyprus
Sweden
Slovenia
Slovakia
Romania
Macedonia
Ireland
Malta

FIGURE 14

The proportion of businesses run by women throughout Europe. Source: Eurostat database and own calculations. Data for 2013.

To examine the first argument, we can look at figure 15, which shows the gender division of business owners in Sweden as well as in the European Union as a whole. The data is given for each sector of the economy separately. We can see that the pattern for each individual sector is very similar in Sweden and in the union. Some sectors have many women amongst business owners, whilst others have very few. For example, only a minor proportions of business owners in construction are women; 4 per cent in the European Union and 2 per cent in Sweden. Other sectors that have a limited representation of female business owners include finance, IT, manufacturing, agriculture and retail. The proportions are higher amongst service industries. A third of business owners in professional services as well as administration and support are women in both the European Union and Sweden. The rates are somewhat higher amongst accommodation and food services as well as in the arts and entertainment. There are also three sectors where women make up the majority of business owners, namely: personal services, healthcare and social work, and lastly education.

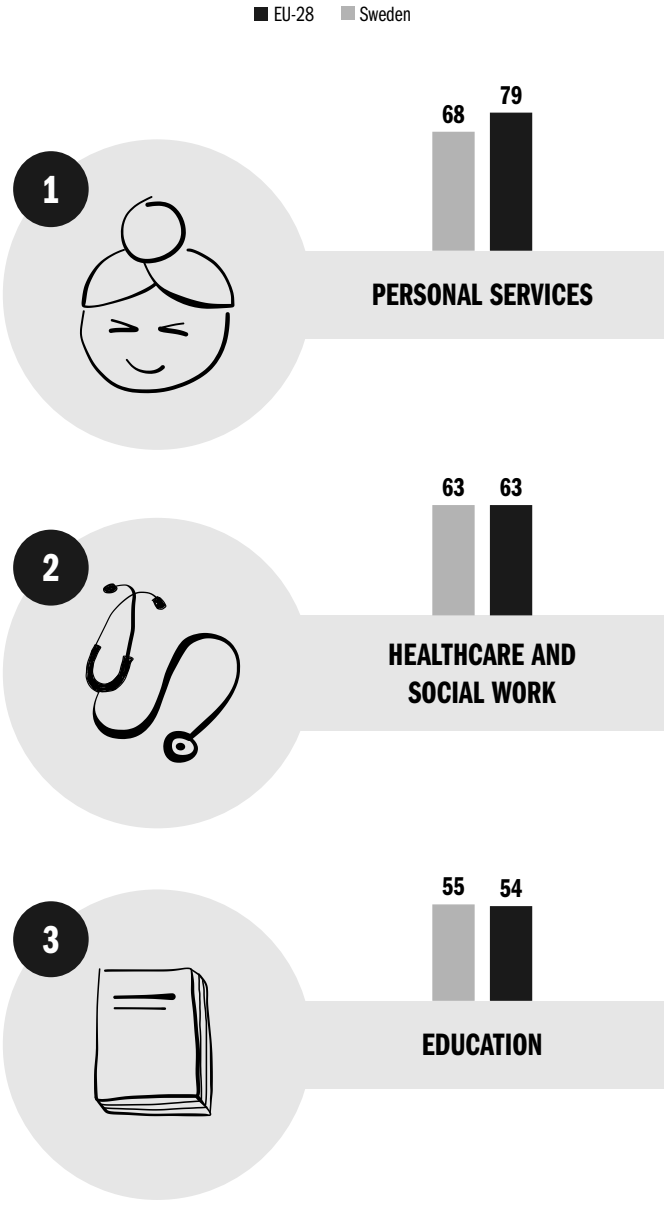
"Swedish welfare state policies systematically reduce the opportunity for entrepreneurship in the three sectors where the majority of business owners are women"

The difference between Sweden and the rest of the union is rather minor when we look at individual sectors. How can it then be explained that Sweden as a whole has a lower rate of women amongst business owners? The simple answer is that the sectors where most business owners are women are affected by the unique traits of Swedish policies. As discussed previously, the high effective tax rates make it very difficult to buy personal services, the category where 79 per cent of business owners are women. Healthcare and social work, where the proportion is 63 per cent, is mainly organized through public monopolies. The same also goes for education, where 54 per cent of business owners in Sweden are women. Swedish welfare state policies systematically reduce the opportunity for entrepreneurship in the three sectors where the majority of business owners are women.

FIGURE 15

The proportion of women amongst different services. Source: Eurostat database and own calculations. Data for 2013. The three sectors where a majority of business owners are women are shown in bold. Personal services is reported in the statistics as "other services".

PROPORTION OF WOMEN AMONGST DIFFERENT SERVICES



40 36

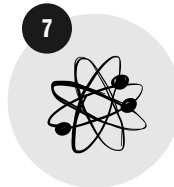
ARTS AND ENTERTAINMENT

40 32

ACCOMMODATION AND FOOD SERVICE

38 33

ADMINISTRATION AND SUPPORT



36 34

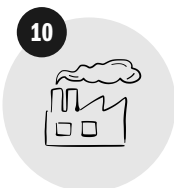
PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES

33 28

WHOLESALE AND RETAIL TRADE

29 22

AGRICULTURE, FORESTRY AND FISHING

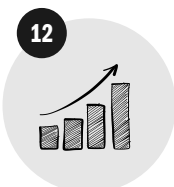


20 21

MANUFACTURING

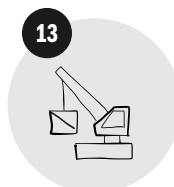
20 14

INFORMATION AND COMMUNICATION



16 15

FINANCIAL AND INSURANCE ACTIVITIES



4 2

CONSTRUCTION

These obstacles explain why women's business ownership did not rise in Sweden while the rest of Europe was transitioning towards greater gender equality. As shown in figure 16, around a quarter of the business owners in Sweden were women in the mid-1990s. The same basic gender division was found in the other Nordic countries, as well as the five major economies in Europe (Germany, the United Kingdom, France, Italy and Spain). Since then a development has occurred where the proportion of women has risen in the remainder of Europe, but stagnated and has come down in Sweden.

On a cultural level, Swedish society progressed towards greater emphasis on women's rights – but the proportion of women running their own companies fell behind the rest of Europe. At least this was the case until 2006/2007, when the downward trend in Sweden was reversed and replaced by a rapid catch-up. A line in figure 16 shows how Sweden would have progressed if the downward trend that had occurred between 1995 and 2006 had continued until 2013. If that had been the case, Sweden would have had 24 rather than 28 per cent women amongst business owners.

It is no coincidence that women's business ownership in Sweden increased rapidly after 2006. This year a center-right government was elected who introduced a targeted tax reduction for personal services. Additionally, after 2006 the government as well as local governments expanded the opportunities of private firms in the healthcare, social care and education sectors.

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expanded the opportunities of private firms in the healthcare, social care and education sectors. These reforms had a great influence on women's business ownership.

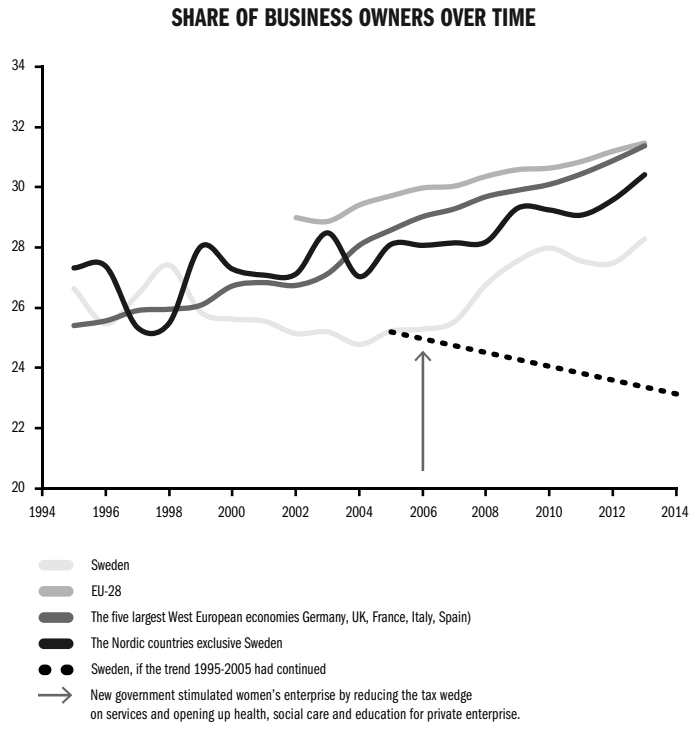


FIGURE 16

The proportion of women amongst business owners over time. Source: Eurostat database and own calculations. (Arrow showing: New government stimulated women's enterprise by reducing the tax wedge on services and opening up for private enterprise in health, social care and education.)

The Swedish researchers Elisabeth Sundin and Malin Tillmar are amongst those who have pointed out the importance of policy for women's business ownership: *"The public sector dominance over the welfare sectors can be assumed to have created an obstacle for women's business ownership. Due to the current restructuring of the sector the potential for women's business ownership has become high in these sectors"*, the two authors concluded in a paper published in 2008 for Sweden's innovation agency Vinnova.[129] The Swedish Agency for Economic and Regional Growth has similarly noted the following in a study: "*The majority of women are, like in many other countries, employed in the education, health, and care sectors. These sectors were up until the 1990s mainly organized through the public sector, with little opportunities for entrepreneurship"*. The report continues to note how gradual reform opened up this sector for private businesses gradually.[130]

Another report by the Swedish Agency for Economic and Regional Growth focuses on how the service sector created a boom for women's business ownership. A significant increase is found to have occurred in firms specialized in personal services after the introduction of the targeted tax cut. This in turn explains much of the overall increase in women's business ownership.[131] A study by the Swedish Tax Agency confirms that the reform played a key role for stimulating new enterprises, many of whom were run by women.[132] A number of government studies thus strengthen the case for the importance of market reforms to stimulate women's business ownership. Even after these reforms however, the Swedish welfare state – as well as Denmark, where the welfare state creates similar obstacles – lags behind the rest of

129 Sundin and Tillmar (2008). Own translation to English.
130 Swedish Agency for Economic and Regional Growth (2010a). Own translation to English.
131 Swedish Agency for Economic and Regional Growth (2010b).
132 Skatteverket (2011).

Europe in terms of women's entrepreneurship.[133]

The lesson from Sweden is thus clear: public monopolies and high tax wedges are limiting women's ability to run businesses, whilst reforms that break up public monopolies and reduce the tax wedges stimulate women's business ownership. As previously described in chapter 8, market reforms that introduce competition in previously publicly monopolized services can also boost the career prospects of the predominant female workforce in these services. The Nordics in general, and Sweden in particular, thus make a strong case for market-oriented feminism.

133 In 2014 a new center-left government was elected in Sweden. The government has introduced tax-hikes and limited the opportunities to run businesses in education, healthcare and elderly care. It has also partially rolled back a policy by the previous government which limits the tax wedge on the purchase of personal services. Early figures show how the rate of businesses started by women fell in 2014, likely both as a consequence of the proposed legislation and due to a realization even before the election that changing policies would follow the election.

17. WHAT NORDIC COUNTRIES CAN TEACH US ABOUT GENDER EQUALITY

Norway is routinely used by politicians abroad as the success story which proves that affirmative action works. However the actual experience in Norway teaches us that the quotas have been hurtful to business and, more importantly, they have had no broader effect on women's career progressions. This simple example illustrates how the rest of the world views Nordic gender equality. The Nordics is in many ways the most gender-equal part of the world, owing to history, culture and some beneficial policies. Therefore foreign observers assume that Nordic policies should be seen as the key to women's progress, even when facts and research conclusively tells us that the opposite is true. It is time to have a more nuanced, and fact-based, perspective.

The central claim of this book is that Nordic countries are under-achievers when it comes to women's career progressions. The countries have high employment rates amongst women, policies such as day-care provisions that support working parents, a uniquely gender-equal history and unusually gender-equal values. Still, the proportion of women amongst managers, executives and business owners is disappointingly low. Several other countries which lack the advantages of the Nordics, but have more small-government and market-oriented policies, have in fact a larger proportion of women reaching the top of the business ladder. This includes the Anglo-Saxon nations, not least the United States, the Baltic neighbors of the Nordics which share cultural traits but have widely different policies and for that matter much of Eastern Europe.

An in-depth examination of Nordic history and policies explains the apparent Nordic gender equality paradox. In some ways welfare policies have benefited women's career progressions. The rise of the

welfare state has created jobs for women as well as aided their labour market participation by offering various family-related services. However other aspects of welfare policies prevent women from reaching the top:

- High tax wedges make it costly to purchase services that alleviate household work, limiting women's potential to combine full-time work with responsibility for household and family.

- Generous benefit systems combined with high taxes reduce economic incentives for both parents to work full-time. The result is that many women work part-time. The Nordic welfare states correspondingly have many women working half-time at home and half-time at work.

- The Nordic parental policies, based on generous payments for staying home with children, are another explanation for the difference in time invested in careers. Working fewer hours often removes the chances of reaching a top position for the individual.

- Public sector monopolies/oligopolies in female-dominated sectors such as healthcare, education and elderly care reduce women's opportunities as both employees and entrepreneurs. Public sector monopolies and labour union wage setting combine to create a situation where individual hard work and investments in education is given limited reward.

- The social security insurance part of the welfare contract in the Nordics benefits employees at the expense of employers. This reduces the incentives for individuals to become business owners. In particular women, who on average are more reliant on the benefits provided by these insurances, are discouraged from transitioning to business ownership.

This book has cited a large number of research papers from the Nordic countries, including a number of government studies, which support the thesis that aspects of welfare state policy are holding women back from reaching top careers. In conclusion I would like to focus on the content of one of those papers. The paper in question is written by Lars Calmfors. Calmfors is one of the best known economists in Sweden, and he is highly respected across the political spectrum. He has chaired the national Fiscal Policy Council and he has also been the chairman of the Committee for the Prize in Economic Sciences in Memory of Alfred Nobel. He is a serious economist, careful not to make ideological claims, and leaning neither to the right or the left. It is therefore telling that the study which Calmfors has written together with Katarina Richardson (an expert on women's career opportunities) reaches the conclusion:

> *"We believe that such changes in the power structures that have occurred within the healthcare sector [through increased private sector competition] are a more efficient method of evening out pay gaps between men and women with similar jobs than legislation".*[134]

As we can read above, it is an expert opinion, not an ideological claim, that market reforms in Sweden have improved women's career

134 Calmfors and Richardson (2004).

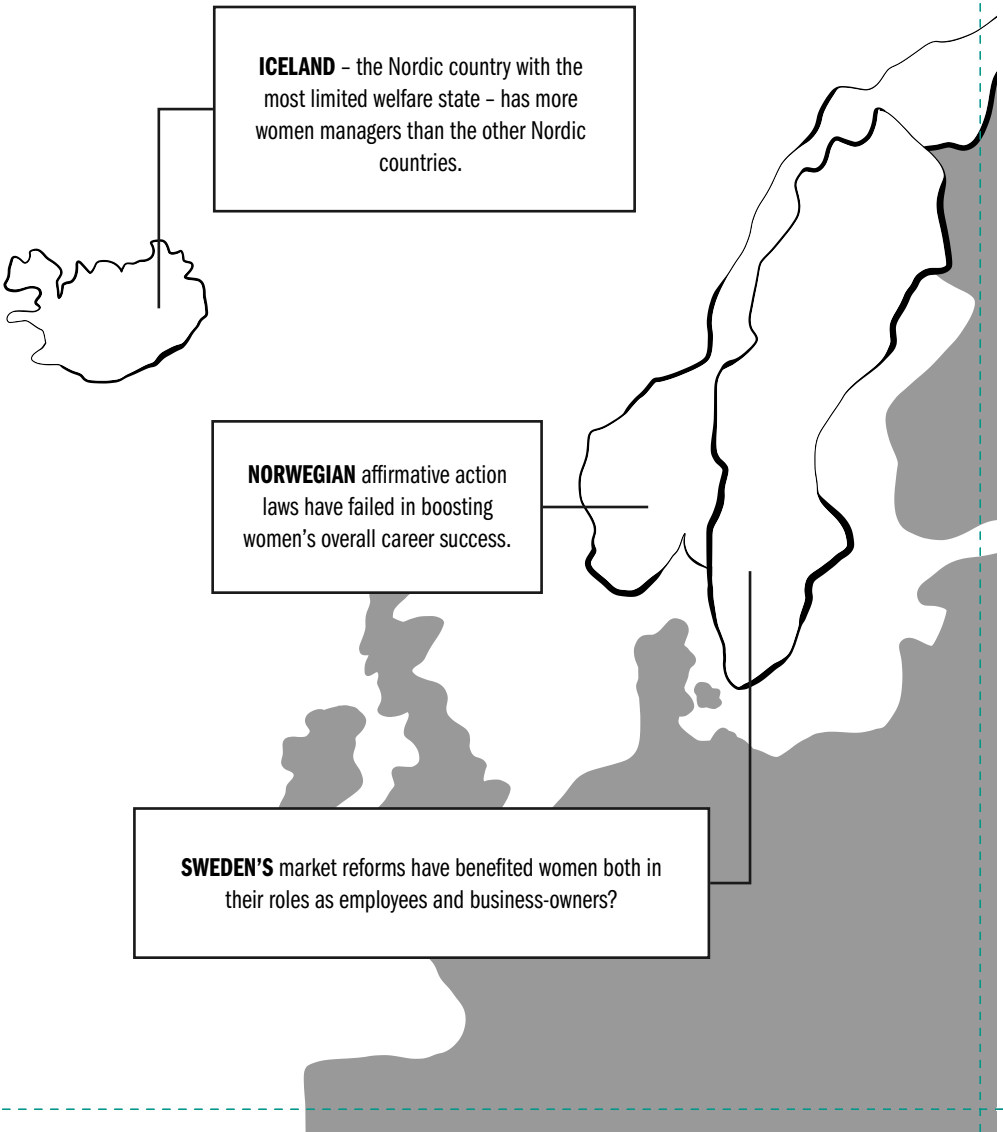
prospects. Likewise, as shown in this book, it is not a matter of opinion that the Norwegian quotas have failed to pave the way for women's broader career progress. Again, this is an observation made by numerous scholars.

In short, a survey of the current research literature teaches us that the Nordic gender equality paradox can be logically explained by the interaction of policies and culture. The Nordic countries should be admired for their egalitarian values and their long history of women succeeding in politics and academia. When it comes to the business world however, the policies in these countries effectively prevent women from reaching the top. It makes perfect sense that other parts of the world, with different policies, have greater success in this regard. It is certainly a shame that the long tradition of gender equality in the Nordics, stretching back to the time of the Vikings, is not allowed to blossom in full. Of course, the Nordic countries could relatively straightforwardly change this, by introducing the policies necessary to boost women's careers.

A good starting point would be to look at the differences between the Nordic countries. Is it a coincidence that Iceland – the Nordic country with the most limited welfare state – has more female managers than the other Nordic countries? Is it a fluke that the Norwegian affirmative action laws have failed to boost women's overall career success? Is it by chance that Sweden's market reforms have benefited women both in their roles as employees and business-owners? Or is there a lesson to be learned from these observations?

ILLUSTRATION 8

WHAT CAN WE LEARN FROM THE NORDIC GENDER EQUALITY?



The Nordic countries need a more market-based approach to fulfill their potential as the truly most gender equal countries in the world. And the rest of the world needs to stop simply idealizing everything that has to do with the Nordics. Instead it is time to learn to appreciate the difference between what makes these countries forerunners in gender equality and what parts of their policies are detrimental to women's career prospects.

The modern world economy is increasingly driven by women's progress. Rather than assume that some countries have the perfect formula to open up markets for gender equal progress, we should learn from the good and the bad in every part of the world. Perhaps someday soon the beneficial aspects of market feminism in the Baltics or in the Anglo-Saxon world will be combined with the gender equal attitudes of the Nordics. Then society would truly reap the benefits of unleashing the potential of women's work and creativity.

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APPENDIX

APPENDIX A

Respondents to the question "When jobs are scarce, men should have more rights to a job than women" in the World Value Surveys of 1995-1999 as well as 2010-2014. Source: World Value Survey.

	Russia		**India**		**Poland**	
	1995-1999	***2010-2014***	***1995-1999***	***2010-2014***	***1995-1999***	***2010-2014***
Agree	47.4	28.3	45.4	50	43	26.1
Neither	11.6	30.1	7.8	30.6	13.7	16.5
Disagree	37.6	38.8	36.2	19.1	39.7	55.6
	South Korea		**China**		**Japan**	
	1995-1999	***2010-2014***	***1995-1999***	***2010-2014***	***1995-1999***	***2010-2014***
Agree	42.7	32.2	41.7	38	31.6	30
Neither	33.1	44.8	19.1	18.5	45.6	49
Disagree	24	22.6	35.6	37.5	18.5	14.3
	Spain		**Australia**		**US**	
	1995-1999	***2010-2014***	***1995-1999***	***2010-2014***	***1995-1999***	***2010-2014***
Agree	26.9	12	25.3	6.9	18.6	5.7
Neither	15	5.3	6.3	19	11	24.1
Disagree	56.7	79.7	67.5	73	69.1	69.3

	Sweden		**UK**
	1995-1999	***2010-2014***	***1995-1999***
Agree	7.5	2	23.6
Neither	0	4.5	7.2
Disagree	90.5	93.1	67.2

APPENDIX B

The proportion agreeing with the statement "When jobs are scarce, men should have more rights to a job than women" in the World Value Surveys of 2005-2009. Source: World Value Survey.

Andorra	Argentina	Australia	Brazil	Bulgaria	Canada	Chile	China
4.4	27	13.7	22.2	23.2	14.1	30	37
Taiwan	**Cyprus**	**Ethiopia**	**Finland**	**France**	**Georgia**	**Germany**	**Ghana**
43.5	36.5	5.9	9.6	18.1	51.5	17.4	53.3
Guatemala	**Hong Kong**	**Hungary**	**India**	**Indonesia**	**Iran**	**Iraq**	**Italy**
19.8	21.1	12.6	50.5	54.2	69	81.7	21.4
Japan	**Jordan**	**South Korea**	**Malaysia**	**Mali**	**Mexico**	**Moldova**	**Morocco**
25.7	87.9	36.4	49	61.1	25.1	37.8	50
Netherlands	**New Zealand**	**Norway**	**Peru**	**Poland**	**Romania**	**Russia**	**Rwanda**
12.2	7.8	6.4	17.3	29.5	33.6	35.4	24.7
Viet Nam	**Slovenia**	**South Africa**	**Spain**	**Sweden**	**Switzerland**	**Thailand**	**Trinidad and Tobago**
40.3	13.3	36.8	17.1	2.1	21.9	32.1	25.3
Turkey	**Ukraine**	**Egypt**	**United Kingdom**	**United States**	**Burkina Faso**	**Uruguay**	**Serbia and Montenegro**	**Zambia**
52.1	31.2	89	15.8	6.7	50.5	21.2	12.4	32.6

APPENDIX C

The proportion agreeing or agreeing strongly with the statement "Men make better business executives than women do" in the World Value Surveys of 2005-2009. Source: World Value Survey.

Andorra	Argentina	Australia	Brazil	Bulgaria	Canada	Chile	China
5.4	22.2	18.2	29.9	23	11	33.4	30.7
Taiwan	**Colombia**	**Cyprus**	**Ethiopia**	**Finland**	**France**	**Georgia**	**Germany**
30.5	21.7	26.1	20.1	17.8	14.2	63.5	16
Ghana	**Hungary**	**India**	**Indonesia**	**Iran**	**Italy**	**Japan**	**Jordan**
65.8	32.2	48.1	40.7	78.1	15.5	25.3	72.6
South Korea	**Malaysia**	**Mali**	**Mexico**	**Moldova**	**Morocco**	**Netherlands**	**Norway**
49.7	54.4	79.3	21.9	43	54.7	15.7	18.8
Peru	**Poland**	**Romania**	**Russia**	**Rwanda**	**Viet Nam**	**Slovenia**	**South Africa**
13.8	25.4	43.3	47.1	47.6	41	20.1	41
Spain	**Sweden**	**Switzerland**	**Thailand**	**Trinidad and Tobago**	**Turkey**	**Ukraine**	**Egypt**
16.7	7.4	13.1	46.6	19	50.9	45.8	85.7
United Kingdom	**United States**	**Burkina Faso**	**Uruguay**	**Serbia and Montenegro**	**Zambia**		
15.7	16.1	65.2	17.4	32.8	44.4		

APPENDIX D

The proportion (per cent) of women amongst those holding managerial posts in private sector. Source: Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (2010).

France	40.0
Latvia	35.3
Spain	35.1
Italy	34.7
Poland	34.7
Estonia	34.0
United Kingdom	33.4
EU-27	32.5
Lithuania	31.8
Portugal	31.7
Bulgaria	31.4
Germany	30.8
Austria	30.5
Slovakia	30.5
Luxembourg	29.6
Netherlands	29.3
Belgium	29.2
Hungary	28.6
Greece	28.5
Czech Republic	26.9
Rumania	26.7

Sweden	26.0
Slovenia	25.2
Denmark	24.0
Finland	21.6
Ireland	19.2
Malta	16.0
Cyprus	8.2

APPENDIX E

Employment rate in European union countries and a few other modern economies included in Eurostat data. Source: Eurostat and own calculations. Data shown as average for period 2010-2014.

Iceland	77.8
Switzerland	73.8
Norway	73.5
Sweden	71.7
Denmark	70.3
Netherlands	68.9
Germany	68.1
Finland	67.7
Austria	66.5
United Kingdom	65.3
Estonia	64.1
United States	62.4
Latvia	61.7
Lithuania	61.6
Japan	61.4
Slovenia	60.6
France	60.1
Cyprus	60.0
Portugal	59.4
EU-28	58.7
Luxembourg	58.5

Czech Republic	58.4
Belgium	57.0
Bulgaria	56.7
Ireland	55.7
Poland	53.4
Slovakia	53.0
Romania	52.7
Hungary	52.2
Spain	51.6
Croatia	49.7
Italy	46.6
Malta	44.3
Greece	43.1
Macedonia	35.9
Turkey	28.4

APPENDIX F

The proportion of working men and women in a managerial position, based on data for 2009. Per cent rate shown. Source: Blau and Kahn (2013).

	Men	Women
United States	15.0	14.0
Average of other modern OECD economies	12.2	5.9

APPENDIX G

Gender-gap in employment level. Based on subtracting per cent of women employed in each country from per cent of men employed in the same country. Source: Eurostat and own calculations. Employment levels calculated as average of 2010-2014 years.

Turkey	40.46
Malta	29.56
Italy	19.50
Greece	19.20
Japan	19.12
Macedonia	17.76
Czech Republic	16.56
Romania	14.92
Luxembourg	13.94
Slovakia	13.36
Poland	13.08
EU-28	11.10
Switzerland	11.06
Hungary	10.56
Cyprus	10.48
Spain	10.06
Netherlands	10.04
United Kingdom	9.84
Croatia	9.82
United States	9.80
Belgium	9.70

Austria	9.46
Germany	9.42
Ireland	8.44
France	7.86
Slovenia	7.22
Portugal	6.84
Bulgaria	5.64
Denmark	5.24
Estonia	4.62
Sweden	4.10
Iceland	4.04
Norway	3.78
Finland	2.32
Latvia	2.08
Lithuania	0.36

APPENDIX H

Women in senior management (per cent of all managers).
Source: Grant Thornton (2013).

Poland	48
Latvia	43
Estonia	40
Lithuania	40
Germany	31
Greece	30
Belgium	28
Sweden	27
France	26
Finland	24
Italy	24
Denmark	23
Norway	22
Ireland	21
UK	19
Switzerland	14
Netherlands	11

APPENDIX I

Part-time work amongst men in different countries (per cent working part-time). Source: Eurostat and own calculations.

Netherlands	21.0
Switzerland	13.3
Ireland	11.9
Norway	11.9
Sweden	11.5
Denmark	10.8
United Kingdom	9.8
Germany (until 1990 former territory of the FRG)	8.6
Romania	8.6
Belgium	8.5
Austria	8.4
Iceland	8.1
Finland	8.1
European Union (28 countries)	7.7
Cyprus	7.1
Portugal	7.1
France	6.5
Lithuania	6.5
Spain	6.4
Italy	6.3
Latvia	6.2
Slovenia	6.0

Turkey	5.8
Estonia	5.3
Malta	5.1
Former Yugoslav Republic of Macedonia, the	4.9
Greece	4.8
Croatia	4.7
Poland	4.3
Luxembourg	4.1
Hungary	4.1
Slovakia	3.0
Czech Republic	2.2
Bulgaria	2.0

APPENDIX J

Part-time work amongst men in different countries (per cent working part-time). Source: Eurostat and own calculations.

Netherlands	75.2
Switzerland	62.4
Germany	46.2
Austria	45.5
Belgium	42.3
United Kingdom	40.6
Norway	**38.7**
Sweden	**37.3**
Luxembourg	35.7
Ireland	33.9
Denmark	**32.4**
European Union (28 countries)	31.3
Italy	30.5
France	30.1
Iceland	**28.8**
Malta	25.3
Spain	23.8
Turkey	23.1
Finland	**17.5**
Cyprus	13.6
Portugal	13.2

Estonia	**12.6**
Slovenia	12.1
Greece	11.4
Poland	10.3
Lithuania	**10.0**
Latvia	**10.0**
Romania	9.6
Czech Republic	9.1
Hungary	8.6
Croatia	7.6
Former Yugoslav Republic of Macedonia, the	5.8
Slovakia	5.8
Bulgaria	2.6

APPENDIX K

Sources: Nutek (2008), Swedish Agency for Economic and Regional Growth (2013), Eurostat database and own calculations.

	Proportion women business owners	Proportion male business owners
Desire to run business amongst youth (18-30 years old)	40	60
Desire to run business amongst all ages	39	61
Actual division business owners	28.3	71.7
Actual division business owners with at least one additional employee	21.6	78.4

APPENDIX L

Ratio of entrepreneurs with their enterprise as a second job (employee as main activity) related to entrepreneurs with their enterprise as main activity in Europe by country. Data for year 2012. Source: European Commission (2014).

	Women	Men
Sweden	32.6	21.2
Norway	32.4	29.7
Iceland	23.5	18.4
Denmark	21.7	20.4
Estonia	20.4	7.9
Finland	13.6	11.6
Latvia	12.7	7.5
Lithuania	11.0	18.1

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Dr. Nima Sanandaji is a Swedish author of Kurdish origin, who has previously written two books and numerous papers on women's career progress and entrepreneurship. He is the president of the European Centre for Entrepreneurship and Policy Reform (ECEPR) and Associated Researcher at the Centre for Policy Studies and the Centre for the Market Reform of Education. His previous writings, such as Scandinavian Unexceptionalism, Renaissance for Reforms and SuperEntrepreneurs have been cited by the international media and translated into various languages. For interview requests, please contact him at nima@sanandaji.se.

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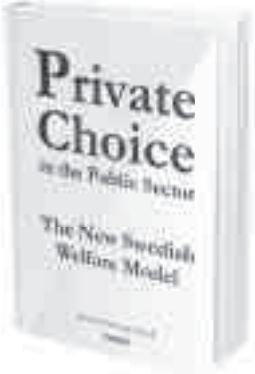

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