

# The downsides of the quota system

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Women - on the way up? Credit: Max Planck Society / Axel Griesch

Suddenly, the quota system is in fashion. The conviction, not simply in one or two German ministries, that it is a suitable tool for ultimately getting more women into company management is gathering pace. Norway and Spain already have quota regulations; the legislators in France and the Netherlands have just signed up.

Advocates of a women's quota system base their arguments on surveys such as the annual [Women](#) matter studies by business consultants McKinsey who consider the 'female factor' a positive effect; women have different management styles and as a result make a significant contribution to the economic success of a company. However they are not able to fight the trend alone; only teamwork between several women can effectively break the male decision-making patterns. Yet since the number of women in management positions has not risen appreciably in

recent years, advocates are now pressing for a jump start in the form of a limited-period quota for supervisory and management teams.

In fact, it is hard to understand economically, especially in times when there is a shortage of skilled workers, why the considerable potential of female applicants is not utilised at all levels of the hierarchy. As a cross-section of their university degrees confirms, women are just as well qualified as men, in many cases even better, so it is actually shameful that women occupy only around 2.4 percent of management posts in the 500 largest German companies.

In the discussion in Germany up to now, however, there has hardly been any mention that other countries have not only had positive experience with the preferential treatment tool of "reverse [discrimination](#)". Whether the measures termed affirmative action in the USA or around here the quota system, it means that past discrimination and its consequences should be balanced out – by new discrimination in the present. Even reverse discrimination is a form of discrimination.

"Reverse discrimination" makes things worse

The case of Ricci vs DeStefano in the USA has become famous in this respect. Firefighter Frank Ricci made a supreme effort to gain supervisory responsibility, and despite his language problems passed the aptitude test as one of the best. Yet he and 18 other firefighters were denied promotion.

The reason given by the employer was that in the test, the people who were the ones who actually should have been favoured by affirmative action measures failed – in this case, Americans of African extraction. The employer was afraid that they would complain if he gave preference to other co-applicants (even if they were better qualified) – and therefore prejudicially treated all those such as Frank Ricci who had worked particularly hard. So the hard-won postulate of equality is

brought into question was also the finding of the Supreme Court judges involved in the case.

Men with equal qualifications are held back by the women's quota system simply because of their gender. It may be that the group subject to "reverse discrimination" in this way loses the incentive to achieve something – success seems in fact to be denied them right from the start, so why should they make an effort. This discrimination therefore also leads virtually inevitably to animosities between the applicant groups. The precise differences that the preferential treatment tool actually seeks to overcome are paradoxically still emphasised and heightened.

The tainted aftertaste of having gained the position by preferential treatment rather than primarily by ability on the other hand lingers in the successes of the favored group.

## **The privileged are given preference**

Members of the preferred group who are already favoured anyway are also those who mostly benefit from a quota system. The American economist Thomas Sowell comes to this conclusion in his empirical investigation Affirmative Action Around the World. The most recent statistics from the Oslo Center for Corporate Diversity are the best example of this. In Norway, the country that was the first to introduce a binding quota of on average 40 percent for management bodies in companies, an elite of only around 70 top female managers shares more than 300 of the management posts allotted to women, so on average each of these women has four mandates.

## **Family people will not get a look in**

The fact that people with a workload such as this have little time left for

family life is obvious. In studies on gender-based quotas, women who master the admirable balancing act between family and a demanding job have particularly good managerial qualities such as a sense of responsibility, solution orientation, empathy and communication skills. However, it is more than debatable whether this particularly desirable target group in management positions would in fact benefit from a women's quota.

The children issue is still a career obstacle. Whilst fathers who finish work when they leave the office and childless women can hone their CVs, many women drop out in the critical phase between 30 and 40, often for several years – they lag behind in their career and even the most highly qualified amongst them often find it difficult to catch up. This will not change even with a women's quota. It is more likely that those without children or commitments will be promoted to top jobs whilst family people – of both genders – will again lose out.

In Norway, they have encountered another problem. There, only companies with a certain legal constitution have had to introduce the quota system. The result was that between 2001 and 2008, in other words approximately from the beginning of the debate on the quota system, the number of companies with this legal constitution fell by 23 percent, as a study by the University of Michigan confirmed. In the same period, the number of companies organised on the basis of the same legal form rose and Norwegian companies relocated abroad. In addition, the values of companies fell when the quota system was announced – on average by 2.6 percent; in companies that still did not have any women in their senior management teams, by as much as five percent. The leader of the study, Amy Dittmar, explains the worries of companies with the concern that many women who now suddenly should be moving to the top of the company could lack management expertise.

All this experience shows that rigid gender quotas have their downsides.

For women trying to balance career and family in particular, an increase in childcare facilities was essentially allowed to use more than each quota. How would a "voluntary self-obligation" of state and economy to set up more childcare facilities work? Once companies recognise that women in managerial positions promote the economic well-being of the operation, a force that is greater than any socio-political coercive measures in any case comes into effect. For their own economic self-interest, companies will enter into competition for qualified women.

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