

MARCH 8, 2018 | NUMBER 835

The Nordic Glass Ceiling

BY NIMA SANANDAJI

EXECUTIVE SUMMARY

The Nordic countries are widely regarded as world leaders in gender equality. In the Global Gender Gap Index, the Nordic nations are top performers. Iceland leads the list, followed by Norway, Finland, and Sweden in second, third, and fifth places, respectively. Denmark ranks lowest in 14th place, but still considerably higher than the United States, which is in 49th place.

A common view is that Nordic gender equality reflects the social welfare policies of these nations. Indeed, Nordic governments advertise their welfare systems as a recipe for gender equality and even promote these policies in the United States for that reason. Several other European countries have followed in Norway's tracks by

legislating gender quotas for board of director positions in publicly traded firms. Although the political climate in the United States is not ripe for quotas, that policy does lie on the horizon.

This analysis argues that gender quotas have been ineffective and that several aspects of Nordic social policies have negatively affected women's career progress and even contributed to a glass ceiling. The glass ceiling is a metaphor for the barriers women face in reaching leadership positions.

While Nordic societies are indeed role models when it comes to gender equality, this equality stretches back centuries before the modern welfare state and reflects traditional Nordic culture.

“Egalitarian gender values predate modern welfare states by centuries in Sweden and other Nordic countries.”

INTRODUCTION

The rise of the Nordic welfare state has been a double-edged sword: creating some benefits for women’s careers, but also creating barriers to women’s professional progress. For example, benefits include various public systems that encourage a combination of family and work, such as public daycare and parental leave benefits.

But barriers abound. Public monopolies in health care, child care, and elderly care reduce development of these women-intensive parts of the labor market. High taxes and welfare policies encourage women to work fewer hours, and generous parental leave systems influence women to stay home, all of which reduce their ability to climb the career ladder.

I begin my paper by outlining significant cultural and historical elements that underpin equality in the region. These historical features fall outside of touted modern social democratic policies. Next, I describe how Nordic public-sector monopolies, tax policy, and welfare policies have affected women’s careers. Finally, I compare women’s professional outcomes in the Nordic countries and find them lacking. Nordic countries seemingly have the best possibilities for women to reach the top, but Nordic women are not world leaders when it comes to the rate of women advancing to top positions in the private sector. In spite of their intentions, gender quotas are unable to meaningfully improve Nordic women’s professional outcomes in terms of leadership, pay, or career goals. And although Norwegian gender quotas are inspiring similar policies throughout the world, few admirers seem aware of the Norwegian research literature that shows they have had little or no positive meaningful effect on women’s careers.

In an age of women’s progress, the Nordic societies are worth admiring for a culture that supports gender equality. But when it comes to supporting women’s professional development, the Nordic model has disadvantages.

THE VIKING HERITAGE OF GENDER EQUALITY

A common assumption is that Nordic gender equality is a product of prevalent welfare-state policies.¹ But a broader perspective shows egalitarian gender values predate modern welfare states by centuries in Sweden and other Nordic countries. The Viking ancestors of today’s Nordic societies had a culture that emphasized women’s rights.

Norse societies are often portrayed in books and media as having a relatively even distribution of power between the sexes. Although these cultures were patriarchal, women had considerably more influence in Norse societies than women in other contemporary cultures. For example, Scandinavian folklore includes *shieldmaidens*, women who fought as warriors. Byzantine historian John Skylitzes records that women were participating in Nordic armies during the 10th century.² This suggests that gender segmentation in early Norse societies was considerably more flexible than in other parts of contemporary Europe.

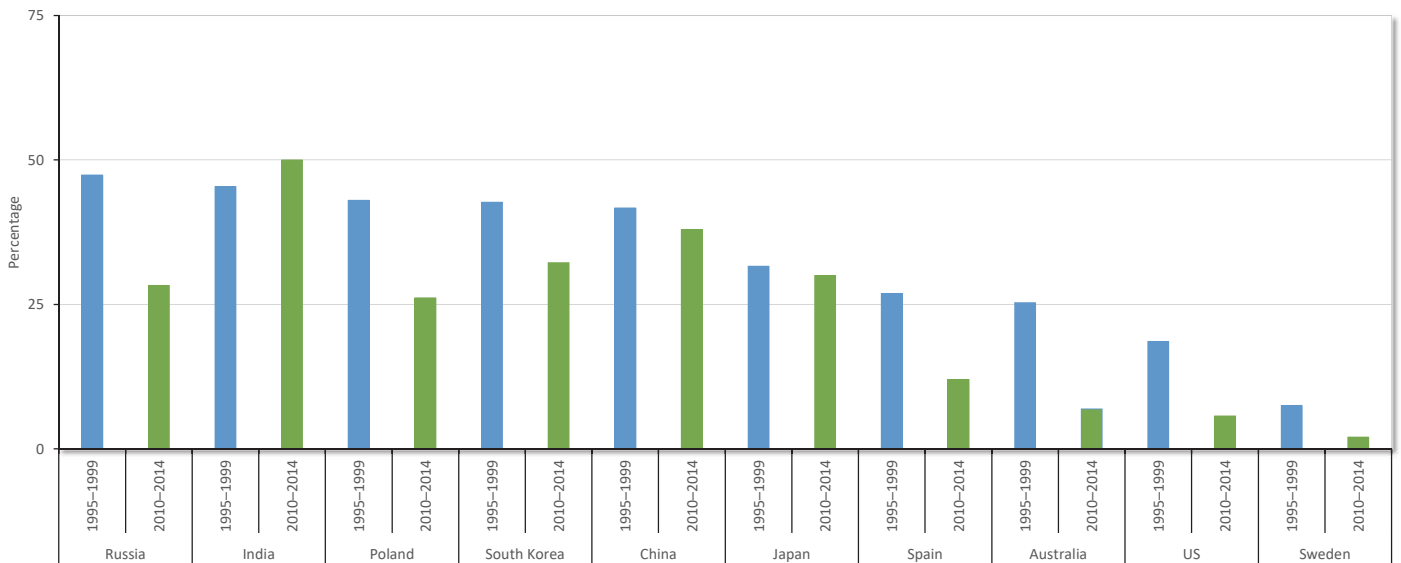
There is also evidence that women in early Nordic societies could inherit land and property, control their dowry, and own a third of the property they shared with their spouses. They could sometimes participate in the public sphere with men. Additionally, women could opt for divorce.³ Medieval laws show that Nordic women had greater rights than women in other parts of the contemporary world: inheritance laws in Norway followed family relations through female lines as well as male lines.

These rights might not seem impressive today, but they were historically unusual. In many contemporary European and Asian societies, the legal system was based on women belonging to their fathers or husbands and the women held minimal property, contractual, and public participation rights.

Nordic gender egalitarianism continued following the Viking age. In much of the world, women were excluded from participating in

Figure 1

Percentage of general public agreeing with the statement “When jobs are scarce, men should have more rights to a job than women.”



Sources: “World Values Survey, Wave 3 (1995–1999),” World Value Survey Association, <http://www.worldvaluessurvey.org/WVSDocumentationWV3.jsp>; and “World Values Survey, Wave 6 (2010–2014),” World Value Survey Association, <http://www.worldvaluessurvey.org/WVSDocumentationWV6.jsp>.

the rise of capitalism during the 18th and 19th centuries; free markets and property rights were treated as institutions for men. Although Nordic countries were far from perfectly egalitarian, they challenged contemporary gender norms by inviting female participation in early capitalism.⁴

For example, Swedish women began managing businesses during the second half of the 18th century. In 1798 a reform was passed that stipulated that married women had legal majority and juridical responsibility within the affairs of their businesses, and in 1864 Swedish business freedom was granted to virtually all unmarried adult women and all adult men.⁵

Although married women were initially excluded, it is noteworthy that business freedom was granted to both sexes at the same time. Swedish women were given the right to stipulate in premarital contracts that their husbands could not impose on the business 10 years later.⁶

Alongside American states, the Nordic nations were pushing for women’s economic

rights. Married women in Maine gained the right to a separate economy in 1844, and four years later the Married Woman’s Property Act was passed in New York, allowing women to enter contracts on their own.⁷ In other regards, the Nordic countries were ahead of the American states. For example, in 1850 Iceland became the first country to institute unconditional equal inheritance rights.⁸ Nordic and American advances in women’s economic rights were, at their time, groundbreaking, and inspired similar reforms in other parts of the world.

Nordic policies continued developing during the beginning of the 20th century. The question of labor legislation to “protect” women from factory work was suggested in the beginning of the century, inspired by international developments. These proposals caused heated debate. Sweden did introduce a night-work prohibition in 1909, after considerable criticism from the women’s movement. Unlike other European countries, Australia, and the United States, a prohibition

“Economists find women are under-represented in executive positions in Sweden—behind the United States, United Kingdom, West Germany, and France.”

on women’s night work was never included in Danish and Norwegian factory laws. Women were allowed to participate in the industrial development of these two countries.⁹

Nordic countries recognized married women as individuals in their own right in the early 20th century, before the rise of the modern welfare state.¹⁰ Nordic tax law and marriage law provide an example of this treatment. They are based on a dual-breadwinner model, so men and women are 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. This model encourages both spouses to invest in their careers.

In addition, marriage legislation in the Nordic countries has been built 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 the responsibility to provide for his family, declaring the husband’s guardianship over his wife and children.

The Nordic tradition of gender equality is evident today in the values of these societies. The World Values Survey shows that Sweden has the smallest proportion of respondents who believe men should have more of a right to a job than women if jobs are scarce. As shown in Figure 1, Sweden stands out as unusually gender egalitarian in this regard. While similar attitudes can be found in other modern societies such as the United States and Australia, the Nordic countries stand out as having the most gender-equal values. Previous surveys that included other Nordic countries show egalitarian gender beliefs are held throughout the region.¹¹

Similarly, a 2015 YouGov survey found that a minority of Nordic respondents agree with the statement “It is likely to cause problems if a woman earns more money than her husband.” Just 26 percent in Finland, 20 percent in Sweden, and 18 percent in Norway and Denmark rated this statement as true,

contrasted with 32 percent of Americans.¹²

The long tradition of gender-equal laws and values should theoretically create optimal conditions for Nordic women to reach the top of the career ladder. But Nordic countries are not world leaders in the share of women who climb to the top. The modern welfare state seems to create a glass ceiling.

NORDIC PUBLIC-SECTOR MONOPOLIES

It has long been evident that Nordic countries have a lower representation of women in business than many modern economies. A Eurostat study from 1995 found that only 6 percent of top earners in Sweden were women, considerably lower than France’s 15 percent.¹³ A study from the University of California–Los Angeles (UCLA) concluded that merely 11 percent of managers and professionals in Sweden were women, lower than in other developed economies.¹⁴

As early as 1998 the International Labor Office published a report that noted an unusually gender-segregated labor market in Scandinavian countries, with many women working in the public rather than the private sector.¹⁵

Economists Magnus Henrekson and Mikael Stenkula note in an academic literature review that women are underrepresented in executive positions in Sweden—behind the United States, United Kingdom, West Germany, and France. They conclude that “broad-based welfare-state policies impede women’s representation in elite competitive positions.”¹⁶

A key explanation lies in the expansion of the welfare state into the service sector. The Nordic countries adopted large welfare sectors that expanded into education, health, and elderly care.¹⁷ In Sweden and other Nordic countries, female-dominated sectors such as health care and education are almost entirely financed by the public sector. The Nordic Innovation Centre notes that the high percentage of women working in public monopolies explains some of the difference in entrepreneurship rates between genders.¹⁸

The emergence of a large public sector has been both positive and negative for women. It played an important historical role in women's entry into the labor market because many women entered through the expanding public sector. Public-sector services also facilitated the combination of work and the fulfilment of family responsibilities. The expansion of the public sector partly explains why Nordic nations reached a high employment rate among women earlier than other Western countries and stayed that way. The provision of public daycare was particularly important in this regard.

But labor-force participation is only one measure of female professional success. Another measure is female business ownership. Anita Lignell Du Rietz studied women's business ownership in Sweden and found that many businesses, including taverns, tailor shops, breweries, and stores were run by women entrepreneurs during the 19th century. Over time, women dominated businesses such as schools and pharmacies.

However, government monopolies crowded out private enterprise as the Swedish welfare state grew during the 20th century. Meanwhile, male-dominated sectors, including manufacturing, mining, and forestry, remained under private control. The transition toward welfare-state monopolies meant that women's business ownership suffered.¹⁹

Government monopolies have combined with a strong influence of union wage-setting to undermine incentives for work: wages in the female-dominated public sectors in Nordic countries are flat, and rise based on seniority rather than achievement. Although there are public-sector managerial positions, the opportunities for individualized careers and business ownership are comparatively limited.

Recent labor liberalizations highlight the effects of government monopolies. Since the early 1990s, Swedish public monopolies have gradually opened up to private enterprise. New systems have been created in which tax-funded welfare services such as education, elderly care, and health care are partially

provided by the public sector and partially through private for-profit businesses. These systems are mainly based on vouchers, but also on public procurements.

The Swedish Agency for Economic and Regional Growth noted that market reforms have gradually opened up the public sector for private businesses, paving the way for more women business owners.²⁰ In their paper, researchers Elisabeth Sundin and Malin Tillmar suggest that restructuring the public sector reduced business ownership obstacles for women.²¹

The benefits of industry privatization are not limited to female business ownership. For example, the Confederation of Swedish Enterprise found that privatization drove wages up 5 percentage points compared with similar employees whose workplaces remained public.²² Individuals whose workplaces were privatized also benefited from a stronger foothold in the labor market and reduced risk of employment.²³

A survey of international literature supports the theory that wages rise following privatizations, partially because of productivity gains.²⁴ Lars Calmfors, one of Sweden's leading economists, and Katarina Richardson, an expert on women's career opportunities, argue that wage decentralization in the public sector led to equality gains because of individualized, higher wages for women. They conclude this is a more efficient method of reducing the gender pay gap than legislation.²⁵

It is likely unintentional that public-sector monopolies limit women's career opportunities, but the effect remains. Although some steps toward privatization and competition have been taken in Nordic countries, public-sector monopolies still reduce economic opportunities for women.

NORDIC TAX POLICY

High tax rates are another obstacle for Nordic women's professional advancement because women are more responsive to taxes than men. Women take more responsibility for

“Labor-force participation is only one measure of female professional success. Another measure is female business ownership.”

Table 1

Amount of money going to tax authority in Nordic high-tax countries when individual A buys a service from individual B

	Tax wedge rate	Standard VAT rate	Percent of wage cost left for individual A after average tax wedge	Percentage of wage left after income tax for person A and VAT on purchase	Percentage of wage left for individual B after average tax wedge	Percentage of wage cost to tax authority
Finland	43.8	24.0	56.2	42.7	24.0	76.0
Sweden	42.8	25.0	57.2	42.9	24.5	75.5
Denmark	35.5	25.0	63.5	47.7	30.3	69.7
Norway	36.2	25.0	63.8	47.8	30.5	69.5
Iceland	34.0	24.0	66.0	50.1	33.1	66.9
United States	37.7	7.0	62.3	57.9	36.1	63.9

Sources: Tax wedge data are taken from the OECD Tax Database, as the average direct and indirect taxes on work. The OECD data are based on a single individual without children at the income level of the average worker. VAT data for Nordic countries are national; for the United States they represent a typical rate based on Tax Foundation (2015) data.

Note: The United States does not have a value-added tax (VAT), but rather state and local sales taxes. A study by Tax Foundation (2015) found that the highest combined rate was 9.45 percent in Tennessee, while the lowest combined rate was 1.76 in Alaska. A typical rate for a larger state is around 6 to 8 percent, and thus 7 percent is used for the country average.

housework and childcare, on average. When high taxes reduce incentives for paid work by reducing take-home pay, women's "opportunity cost" is higher because they would otherwise use the time on other productive domestic activities. Women are inclined to reduce their paid work and spend more time on unpaid work as taxes increase.

Alexander Gelber and Joshua Mitchell conducted a detailed analysis of time usage for single men and women in the United States between 1975 and 2004. The authors look at how tax changes have affected the decision to spend time on housework. They find that for single women, when income taxes are reduced, productive domestic activities decline substantially as women presumably increase their paid work. Expenditure on goods and services that can substitute for housework increases with greater labor-market incentives. However, for single men the authors find limited change in

response to tax policy.²⁶ Single men continue to invest time in the labor market when taxes are high, while single women shift to household work. Single women increase their participation in the labor market and purchase goods and services such as housecleaning and prepared dinners that substitute for household work when taxes are low.

A number of studies have shown the ability to purchase services that alleviate household work is crucial for women's career prospects.²⁷ Henrekson and Stenkula find that the development of substitutable services is especially important for producing female executives.²⁸ Rachel Ngai and Barbara Petrongolo find that increasing substitutable services raises women's wages and market hours. In their abstract they write: "The rise of services, driven by structural transformation and marketization of home production, raises women's relative wages and market hours. Quantitatively, the model accounts for an important share

of the observed trends in women's hours and relative wages."²⁹

Although Nordic countries have high female employment rates, many women are part-time workers and part-time housewives. This is partly because high taxes reduce incentives to work and purchase "substitutable services." For example, highly skilled individuals such as professors often paint their own houses during the summer holidays. But a professor who sets aside an hour a day to paint her or his own house could spend the same time teaching a class. Teaching provides greater economic value because the professor is specialized in the task. It is therefore economically rational to spend the time teaching and pay for a professional painter, but high taxes change this decision.³⁰ So Nordic professors and other workers are more inclined than their lower-taxed American counterparts to devote unpaid time to domestic work rather than work longer hours in their paid work.

High taxes significantly affect women's careers by reducing their ability to purchase service substitutes for household work. Instead, husbands trade services with wives. Husbands spend time at work, while their wives spend time on domestic activities. High-earning women's opportunities are limited because of gender roles and the fact that husbands are, on average, somewhat older than their wives and have higher wages.

The Economist suggests Nordic career women "find it harder to afford domestic help than their American equivalents" because public welfare services are paid for by high taxes. When time-sensitive domestic work can't be outsourced, women do it.³¹ Even in the lesser-taxed United States, the combined tax effect significantly reduces incentives for individuals to buy substitutable services (Table 1).

Provision of public services encourages women to work, but high taxes discourage them from working more. International evidence supports this theory. Evidiki Tsounta concludes that women's work was stimulated in Canada through policies that have created greater access to childcare and lower

tax wedges for secondary earners.³² Michelle Rendell finds evidence that high taxes are associated with smaller service sectors and reduced female labor-force participation.³³

Governments in Sweden, Finland, and Denmark realize high taxes create problems and have introduced tax deductions for personal services to counteract the problems. In 2012, 150 female executives advised the Swedish government to expand tax deductions related to the purchase of personal services and increase opportunities for flexible working time.³⁴ These reforms have helped to improve women's business ownership and have made it easier to combine careers with family responsibilities.

But although tax deductions for personal services have made it easier to buy some services, these targeted deductions are limited in size. Thus, high taxes still reduce the incentive for market work compared with untaxed housework, and this affects women's professional progress.

NORDIC WELFARE STATE POLICIES

Nordic welfare institutions influence work incentives for women in a number of ways. The Nordic welfare system has been designed to encourage parents to engage in market work while benefiting from various forms of public funding.³⁵ But research suggests that national paid and unpaid leave policies, work entitlements, and other family benefits encourage women to work part-time rather than full-time. This hinders their ability to develop top careers.³⁶

The European Commission's research suggests that part-time work often accompanies public parental benefits in Sweden.³⁷ Eva Meyersson Milgrom and Trond Petersen similarly conclude in a study that 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." Childcare and maternity leave policies make reducing work hours attractive,

“Research suggests national paid and unpaid leave policies, work entitlements, and other family benefits encourage women to work part-time rather than full-time.”

“The outcome of publicly funded childcare and parental leave is often the wife works some hours, but too few to realize her marketplace potential.”

but can later disqualify women for top jobs. As a result, the policies “may not overcome the effects of domestic division of labor (and indeed may possibly exacerbate them).”³⁸

Publicly funded programs, including childcare and parental-leave payments, reward families where both parents work at least part-time. The outcome is often that the wife works some hours, but too few to realize her marketplace potential. Her spouse often commits fully to his career. *The Economist*, citing Danish researcher Nina Smith, suggests generous Nordic social policies are backfiring for this very reason.³⁹

The generous family policies also affect women who decide not to take lengthy leave(s). Nordic employers have minimal or no input in this negotiation. In fact, it might be seen as discrimination if an employer asks during a job interview whether a potential employee is planning to have children in the near future. Consequently, employers may assume it is risky to hire a women of child-bearing age to a key position if the position is difficult to find a substitute for.

In some cases, parental leaves are not a major concern for employers, at least when employees are easily substitutable. But for smaller firms and key roles, lengthy parental leaves ignore employers’ needs. For example, imagine a small or medium firm recruiting a person to be in charge of sales. The firm depends on the competence of this person in day-to-day operations. In practice, it may not be easy to find a substitute for this position if the employee takes leave. If a young woman applies for the job, she might be discriminated against on the grounds that she is likely to take long parental leave. This affects young women who are not planning to do so because the employer doesn’t know in advance who will or won’t take leave. If parental leave were based on agreements made between employers and employees, this would happen less often.

The parental leave system particularly affects those in managerial or expert positions.

Table 2
Women employed as managers (percent)

Latvia	46	Switzerland	33
United States	43	Slovakia	33
New Zealand	40	Estonia	33
Iceland	40	Ireland	33
France	39	Belgium	32
Russia	39	Norway	32
Slovenia	39	Romania	31
Lithuania	39	Germany	31
Hungary	39	Austria	30
Poland	38	Spain	30
Bulgaria	36	Finland	30
Australia	36	Netherlands	29
Canada	36	Denmark	28
Sweden	36	Croatia	28
Portugal	35	Czech Republic	26
United Kingdom	34	Italy	26

An employee who is easily replaced on short notice will not be affected as strongly as someone in a specialized position. It is no coincidence that women who have successful careers tend to either take short parental leaves or time their childbearing to minimize career disruption.

Because welfare programs hinder women’s professional trajectories and women take greater responsibility for family caretaking on average, Nordic countries (similar to other nations) have looked for policies that would resolve this problem.

Table 3
The Economist's glass-ceiling index

	Gender gap labour force participation (percentage points)	Gender gap tertiary education attainment (percentage points)	Childcare costs (percentage of average wage)	Paid leave for mothers (weeks)	Share of managers who are women (percent)
Sweden	-3.6	13.7	5.8	38.1	39.8
Finland	-3.0	13.1	22.5	42.6	33.3
Norway	-4.3	8.8	14.9	45.5	36.0
Denmark	-6.3	10.8	11.9	27.0	26.5
Iceland	-4.8	14.9	6.5	16.6	41.2
United States	-11.5	5.7	35.1	0	43.4
OECD average	-16.7	5.3	18.2	32.2	37.1

Source: "Glass Ceiling Index," *The Economist*, 2016, <http://infographics.economist.com/2017/glass-ceiling/>. Selected parameters are shown. The percentage point differences are the rate of women relative to that of men. In all the countries, women have a lower labor-force participation rate than men (leading to negative numbers), while women have a higher tertiary education attainment rate than men (leading to positive numbers).

Note: OECD = Organisation for Economic Co-operation and Development.

NORWEGIAN GENDER QUOTAS

For centuries, women in Nordic societies have progressed without relying on state-mandated policies. It was a break with tradition when Norway passed a gender-quota law at the end of 2003, requiring 40 percent of board members of public companies to be women.

The law became mandatory at the beginning of 2006, and the letter of the law was followed in Norway's law-abiding society. Most companies used affirmative action to change the gender composition of their boards. Some chose another difficult but legal strategy: around 100 of approximately 500 companies targeted by the legislation changed their corporate ownership structure to free them from the legislation.⁴⁰

It is telling that so many firms invested time and energy to circumvent the legislation. Once firms were forced to follow the law, another challenge became apparent: a shortage of experienced individuals to fill the positions. New female directors were eight

years younger than their existing male counterparts on average, which suggests they also had less professional experience.⁴¹

The literature on corporate governance suggests that board diversity is positively related to firm performance. The explanation given is that more diversity can increase the talent pool, and diversity of origin can sometimes be linked to diversity in knowledge. Kenneth Ahern and Amy Dittmar examined the Norwegian evidence by looking at firm stock prices and Tobin's Q, a measure of the market value of firms.⁴² They find that firm value fell by more than 12 percent with every 10 percent increase of female board members. The gender quota led to less experienced board members, greater company leverage, higher company acquisition rates, and declining operating performance.

Before the quotas were introduced in Norway, the rise of women among board members was achieved without declines in experience.⁴³ Ahern and Dittmar note that

“The benefits of gender quotas are confined to a few individuals who already had top careers.”



once board-member characteristics—such as age and CEO experience—are accounted for, the proportion of female board members is no longer significantly related to firm market value. This suggests that it was the change in board member experience and not the gender of board members that reduced firm performance.⁴⁴

Additional studies have shown that firm performance improves as gender equality grows. For example, Nina Smith, Valdemar Smith, and Mette Verner study 2,500 Danish firms from 1993 to 2001. The authors find that having a greater proportion of women in top management roles is associated with improved firm performance, even when controlling for firm characteristics.⁴⁵ This effect is not because individuals are better or worse at their jobs because of their gender. Instead, some of the women who reach the top among the studied companies are particularly good at their jobs. The paper concludes that the effect of women in top management roles is related to women’s individual qualifications.⁴⁶ When firm performance suffers as a result of gender quotas, gender quotas give diversity a bad name.

In spite of this, gender quotas have gained considerable international attention, and politicians around the world are pointing to the quotas as a success story.⁴⁷ The rationale is that quotas were intended to increase the proportion of women on corporate boards, and have achieved that goal. But this criterion has limited usefulness.

A more holistic view suggests gender quotas have had negative effects and didn’t accomplish their goal. The purpose of quotas was to catalyze a wider change in society. Legislators hoped to break the glass ceiling so women would generally gain a professional boost. Instead, the benefit is confined to a few individuals who already had top careers. Cathrine Seierstad and Tore Opsahl write 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.”⁴⁸ In a more recent paper, Marianne Bertrand

and coauthors find that the policy has had no trickle-down effect to the broader group of female employees, no obvious effect on highly qualified women who were not appointed to boards, no significant effect on the gender pay gap, and no impact on women’s career plans.⁴⁹

Norwegian researchers Sigtona Halrynjo, Mari Teigen, and Marjan Nadim analyze how women’s careers were affected by the quotas and note they had no apparent effect on the gender division of managers.⁵⁰ Kjersti Misje Østbakken, Harald Dale-Olsen, and Pål Schøne investigate whether quotas have led to higher earnings for women, in accordance with the theory that quotas would break patriarchal wage-setting. The researchers do not find a visible effect.⁵¹ In mid-2015 the *Nordic Labour Journal* published an article explaining that Norway had no female CEOs in its 60 largest firms, even though eight years had passed since the quotas were introduced.⁵²

These studies give us insight into the quota’s effects. Women’s progress is often discussed in simplistic terms, where the share of women on company boards is seen as a goal in itself. But this is a narrow view of women’s professional success, and a more holistic view paints a different picture.

Reforms that enable women to climb the professional ladder organically or create successful firms provide a superior approach. Eliminating public-sector monopolies in service industries and reducing the tax wedge to improve incentives for work and purchasing household service substitutes would be a good start. These reforms produce new professional choices for women, and would gradually increase their representation on company boards. This is a different mechanism from legislation, which leads to a more rapid, but largely symbolic, change.

THE NORDIC GLASS CEILING

Nordic public-sector monopolies, tax policies, and welfare and family policies, along with ineffective gender quotas, combine to create the Nordic glass ceiling. The glass

ceiling is a metaphor for the barriers women face in reaching leadership positions.

Nordic women might be expected to fare well in the private labor market. After all, Nordic countries have an unusually high rate of women's labor-force participation, and generous public parental leave and daycare are intended to encourage women's economic participation. However, when it comes to the actual share of women managers, the Nordic countries are not on top.

Some 28 percent of managers are female in Denmark, 32 percent in Finland, 32 percent in Norway, and 36 percent in Sweden (Table 2). The only Nordic country with a high share of female managers is Iceland, at 40 percent.⁵³ In contrast, the United States is at 43 percent. This pattern undercuts the idea that Nordic social democratic policies help women to break the glass ceiling. Instead, Nordic countries with a larger government have a lower rate of women managers than other Nordic countries with smaller government.⁵⁴

Iceland in particular stands out among the Nordic states, since it has a smaller welfare state than its larger Nordic cousins and also ranks among the highest share of female managers in the world. On the other hand, Denmark has the highest tax rate among all the nations in the Organisation for Economic Co-operation and Development and ranks at the bottom in terms of its proportion of female managers.

In the dataset for developed economies, there are three countries with equal or higher rates of female managers than Iceland: New Zealand, the United States, and Latvia.⁵⁵ These countries have relatively low tax rates: 26.4 percent in the United States, 29.0 percent in Latvia, and 32.8 percent in New Zealand.⁵⁶

Of course, government size is just one factor influencing women's careers. Nevertheless, the relationship between government size and the proportion of female managers is interesting to note.

Another metric that can be used to measure female professional attainment is *The Economist's* glass-ceiling index. The index

compares opportunities for women in various countries. Table 3 compares the Nordic countries with the United States along several metrics.

The Nordic countries do well on some of the index's metrics. They consistently outperform the United States on issues such as the gender gap in higher education and women's labor-force participation. Direct childcare expenditure is relatively low in the Nordics because much of it is tax-funded. The Nordics also have generous public paid-leave programs.

The United States has a larger gender gap in labor-force participation, a smaller advantage for women in tertiary education attainment, higher private childcare costs, and no public paid leave. As a result, it might seem the United States has woman-unfriendly policies and the Nordics have woman-friendly policies. However, the United States has the highest rate of female managers among all countries in the Index. The Nordic countries have a lower share.⁵⁷ *The Economist* has written about this pattern and suggests professional gender segregation by role is high in the Nordics.⁵⁸

One place that Nordic women break the glass ceiling is in the political arena. The feminist movement was successful in pushing for women's political representation. Women have played a key role in Nordic politics historically, both on the political left and the right.⁵⁹ The proportion of women in parliament ranges from 37 percent in Denmark to 44 percent in Sweden. This is higher than the United States, where 19 percent of those elected to the U.S. House of Representatives and 20 percent of those elected to the U.S. Senate are women.⁶⁰ This success may be admired in isolation.

However, when compared with trends in the broader private economy, it only calls further attention to the Nordic Gender Equality Paradox: if Nordic policies are the best at supporting women's climb to the top, then women should be successful in roles throughout the economy. Unfortunately, Nordic societies with large welfare states have surprisingly few women in managerial positions in the private sector.

“Nordic public-sector monopolies, tax policies, and welfare and family policies, along with ineffective gender quotas, combine to create the Nordic glass ceiling.”

CONCLUSION

The Nordic countries are in many ways the most gender-equal in the world, owing to their history, culture, and some beneficial policies. Therefore, foreign observers assume replicating Nordic policies is the key to women's progress, even when facts and research tell us the opposite.

Welfare policies, high taxes that make it costly to purchase substitutable services, generous benefit systems that reduce economic incentives for full-time work, public-sector monopolies/oligopolies in female-dominated sectors, and paid-leave policies that incentivize long breaks from working life prevent women from reaching the top. Taken together, these policies create a Nordic glass ceiling. Gender quotas are unable to make up the difference, even though politicians routinely point to gender quotas as a policy success story. In reality they fall short of their objectives.

It is true that Nordic countries have high female employment rates and an unusually gender-equal history and gender-equal values, and these achievements merit admiration. Still, the proportion of women managers, executives, and business owners is disappointingly low. Several other countries that lack the advantages of the Nordics, but have more small-government and market-oriented policies, have a larger proportion of women who reach the top. This is true of the United States. The Nordic Gender Equality Paradox is important to keep in mind in countries such as the United States, where Nordic-style welfare policies are routinely touted as a way of promoting gender equality without tradeoffs.⁶¹

The pattern within the Nordics is also worth keeping in mind. More women reach executive positions in Iceland, the Nordic country with a smaller welfare state, than in Denmark, the Nordic country with an unusually large welfare state. This pattern, together with various studies cited in this report, suggest that key aspects of social welfare policy hold professional women back.⁶²

NOTES

1. Saadia Zahidi, senior director and head of gender parity and human capital at the World Economic Forum, has stated that the Nordic countries “have made it possible for parents to combine work and family,” which results in better female labor-force participation, more egalitarian sharing of domestic work, and improved work-life balance. Saadia Zahidi, “What Makes the Nordic Countries Gender Equality Winners?” *Huffington Post*, October 24, 2013, https://www.huffingtonpost.com/saadia-zahidi/what-makes-the-nordic-cou_b_4159555.html.

Katrin Bennhold at the *New York Times* argues that Sweden's feminist model is beneficial both to men and women in tearing down traditional gender roles. Like other international proponents of Nordic gender equality, Bennhold admires the “social engineering” that has made “a new definition of masculinity” possible. Likewise, Bennhold writes enthusiastically about laws that have “set off profound social change.” Katrin Bennhold, “In Sweden, Men Can Have It All,” *New York Times*, June 9, 2010, <http://www.nytimes.com/2010/06/10/world/europe/10iht-sweden.html>.

In the left-wing American journal *The Nation*, Ann Jones states that equality between genders is “the heart of Scandinavian democracy.” Jones argues that the United States should follow in the footsteps of Norway, where “feminists and sociologists pushed hard against . . . the nuclear family.” In particular, Jones admires the policy in which an expanded role for the state has undermined the family institution. Ann Jones, “After I Lived in Norway, America Felt Backward. Here's Why,” *The Nation*, January 28, 2016, <https://www.thenation.com/article/after-i-lived-in-norway-america-felt-backward-heres-why/>.

Norwegian political scientist Helga Maria Hernes introduced this narrative in 1987, and the narrative has significantly influenced policy research. Anette Borchorst and Birte Siim, “The Women-Friendly Welfare States Revisited,” *NORA—Nordic Journal of Feminist and Gender Research* 10, no. 2 (2002): 90–98.

- Eva-Maria Svensson and Åsa Gunnarsson write in an article published in a feminist law journal that “a prominent characteristic of the Swedish model is . . . that gender equality policy is closely intertwined with the Swedish welfare state ideology.” Eva-Maria Svensson and Asa Gunnarsson, “Gender Equality in the Swedish Welfare State,” *Feminists@law* 2, no. 12 (July 23, 2012): 1–27.
2. During the 10th century Battle of Dorostolon, the Kievan Rus forces—who were essentially Swedish Vikings with a strong presence in today’s Russia—invaded present-day Bulgaria. A counter-offensive by the Byzantine Empire dealt a devastating defeat to the Vikings. The Byzantine were stunned at discovering armed women among their fallen enemies. Dick Harrison and Kristina Svensson, *Vikingaliv* (Värnamo: Fälth & Hässler, 2007).
 3. Marianne Moen, “The Gendered Landscape—A Discussion on Gender, Status and Power Expressed in the Viking Age Mortuary Landscape,” Department of Archaeology, Conservation and History (IAKH) Faculty of Humanities, University of Oslo, 2010.
 4. Anders Johnson, “Kvinnliga handlare trots förbud,” *Handelns Historia*, October 5, 2011, www.handelnshistoria.se/historien/handelns-lagstiftning/kvinnliga-handlare-trots-forbud/.
 5. 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 in the region as a whole. The country also has the largest population in the Nordics.
 6. Christine Bladh, “Kvinna med eget företag—från 1700-talets mitt till 1800-talets slut,” p. 127–142 in “Mot halva makten – elva historiska essäer om kvinnors strategier och mäns motstånd”, ed. Ingrid Hagman (Stockholm: Arbetsmarknadsdepartementet, 1997). This report was, in turn, part of a government inquiry regarding the economic resources and influence of men and women in Sweden, entitled “Utredningen om fördelningen av ekonomisk makt och ekonomiska resurser mellan kvinnor och män Stockholm 1997.”
 7. Suzanne McGee and Heidi Moore, “Women’s Rights and Their Money: a Timeline from Cleopatra to Lilly Ledbetter,” *Guardian*, August 11, 2014, <https://www.theguardian.com/money/us-money-blog/2014/aug/11/women-rights-money-timeline-history>.
 8. Ibid.
 9. Kari Melby, Anna-Birte Ravn, and Christina Carlsson Wetterberg, *Gender Equality and Welfare Politics in Scandinavia* (Bristol, UK: The Policy Press, University of Bristol, 2009).
 10. Ibid.
 11. Source: “World Values Survey, Wave 3 (1995–1999),” World Value Survey Association, <http://www.worldvaluessurvey.org/WVSDocumentationWV3.jsp>; and “World Values Survey, Wave 6 (2010–2014),” World Value Survey Association, <http://www.worldvaluessurvey.org/WVSDocumentationWV6.jsp>. Data files are aggregated by Asep/JDS, Madrid, Spain.
 12. “Global Report: Attitudes to Gender,” *YouGov*, November 12, 2015, <https://yougov.co.uk/news/2015/11/12/global-gender-equality-report/>.
 13. “The European Structure of Earnings Survey,” *Eurostat*, 1995, <http://ec.europa.eu/eurostat/web/microdata/structure-of-earnings-survey>.
 14. Torben Iversen, Frances Rosenbluth, and David Soskice, “Women and the Service Sector,” University of California–Los Angeles (UCLA) Postindustrial Working Group, April 18, 2004.
 15. The report concluded that “studies comment on how Nordic countries, and in particular Sweden, have among the greatest inequalities.” See Richard Anker, “Gender and Jobs: Sex Segregation of Occupations in the World,” International Labour Office, 1998.
 16. Magnus Henrekson and Mikael Stenkula, “Why Are There So Few Female Top Executives in Egalitarian Welfare States?” IFN Working Paper no. 786, February 9, 2009, <http://www.ifn.se/wfiles/wp/wp786.pdf>.
 17. Matti Alestalo, Sven E. O. Hort, and Stein Kuhnle, “The Nordic Model: Conditions, Origins, Outcomes, Lessons,” Hertie School of Governance Working Papers no. 41, June 2009, <http://edoc.vifapol.de/opus/volltexte/2013/4255/pdf/41.pdf>.
 18. “Women Entrepreneurship—A Nordic Perspective,” Nordic Innovation Centre, August 2007, http://nordicinnovation.org/Global/_Publications/Reports/2007/women_entrepreneurship_final_report_web.pdf.
 19. Anita Lignell Du Rietz, *Svenskornas företagsamma historia* (Stockholm: Timbro, 2009).

20. "Många miljoner blir det. . . Fakta och nyckeltal om kvinnors företag," Swedish Agency for Economic and Regional Growth, 2010. Translated into English by Nima Sanandaji.
21. Elisabeth Sundin and Malin Tillmar, "Kvinnors företagande i spåren av offentlig sektors omvandling," in *Forskning om kvinnors företagande, presentation av projekten* (Stockholm: Vinnova, 2008). Translated into English by Nima Sanandaji.
22. 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 likely underestimates how important privatization can be for wage increases.
23. Johan Kreicbergs and Carl Orelund, *Nyföretagande inom den offentliga sektorn—ett lyft för kvinnor* (Stockholm: Svenskt Näringsliv, 2009).
24. Andrew Pendleton, "What Impact Has Privatization Had on Pay and Employment? A Review of the UK Experience," *Industrial Relations* 52, no. 3 (1997): 554–82.
25. Lars Calmfors and Katarina Richardson, "Marknadskrafterna och lönebildningen i landsting och regioner," Institute for Evaluation of Labour Market and Education Policy, Uppsala, Sweden, 2004, <http://www.ifau.se/globalassets/pdf/se/2004/ro4-09.pdf>.
26. Alexander Gelber and Joshua Mitchell, "Taxes and Time Allocation: Evidence from Single Women and Men," *Review of Economic Studies* 79, no. 3 (November 2011): 863–97.
27. See, for example, Patricia Cortes and Jessica Pan, "Outsourcing Household Production: Foreign Domestic Workers and Native Labor Supply in Hong Kong," *Journal of Labor Economics* 31, no. 2 (April 2013): 327–71; and Jan Kabatek, Arthur Van Soest, and Elena Stancanelli, "Income Taxation, Labour Supply and Housework: a Discrete Choice Model for French Couples," *Labour Economics* 27 (April 2014): 30–43.
28. Henrekson and Stenkula, "Why Are There So Few Female Top Executives in Egalitarian Welfare States?"
29. L. Rachel Ngai and Barbara Petrongolo "Gender Gaps and the Rise of the Service Economy," *American Economic Journal: Macroeconomics* 9, no. 4 (2017): 1–44.
30. The professor pays taxes on income, including indirect employer's fees and direct taxes on work. Afterwards, consumption taxes are paid on the service purchased. Finally, the painter pays direct and indirect taxes on the income received. This adds up to a high total tax burden. The tax wedge ranges from 34.0 percent in Iceland to 43.8 in Finland (Table 1). This captures both indirect and direct taxes on labor for an average worker. Thus, if the first individual works an additional hour in Finland to create an economic value of 100 euros, 56.2 euros will be rewarded to the individual while 43.8 euros will go to the government. When the same individual purchases a service from a second individual, a VAT of 24 percent is charged on top of that, leaving 42.7 euros. The second individual is also affected by indirect and direct taxes on labor, leaving 24.0 euros in her or his pocket at the end of the transaction. In Iceland, the Nordic country with the lowest tax rate, a third of the original value created is left after taxes. This is equivalent to a situation where the individual simply performs the service him or herself, paying no taxes at all. It is rational for Nordic professors to paint their own houses under this system, even if their time would create three times more value if they worked in their specialty.
31. Schumpeter, "A Nordic Mystery," *The Economist*, November 15, 2014, <https://www.economist.com/news/business/21632512-worlds-most-female-friendly-workplaces-executive-suites-are-still-male-dominated>.
32. Evridiki Tsounta, "Why Are Women Working So Much More in Canada? An International Perspective," International Monetary Fund Working Paper 06/92, April 2006, <https://www.imf.org/external/pubs/ft/wp/2006/wp0692.pdf>.
33. According to Rendell, Nordic countries balance the effects by providing public-sector benefits including subsidized full-day childcare. Michelle Rendell, "Rise of the Service Sector and Female Market Work: Europe vs US," University of Zurich Working Paper Series no. 23, February 2014, http://www.econ.uzh.ch/ipcdp/Papers/ipcdp_wp312.pdf.
34. "Rut och flex vägen för kvinnors framgång," *Ny Teknik* (Stockholm), February 10, 2012.
35. Child support is provided to all families, regardless of income.
36. Catherine Hakim, *Work-Lifestyle Choices in the 21st Century* (New York: Oxford University Press, 2000).

37. “The current situation of gender equality in Sweden—Country Profile,” European Commission, 2013.
38. E. M. Milgrom and T. Petersen, “The Glass Ceiling in the US and Sweden: Lessons from the Family-Friendly Corner of the World, 1970–1990,” in *The Declining Significance of Gender?*, ed. F. D. Blau, M. C. Brinton, and D. Grusky (New York: Russell Sage Foundation, 2008), pp. 2, 39.
39. Schumpeter, “A Nordic Mystery.”
40. Kimberly Weisul, “Women on Boards: Are Quotas Really the Answer?” *Fortune*, December 5, 2014, <http://fortune.com/2014/12/05/women-on-boards-quotas/>.
41. “The CS Gender 3000: Women in Senior Management,” Credit Suisse Research Institute, 2014, <https://glg.it/assets/docs/csri-gender-3000.pdf>.
42. To be more precise, the Tobin’s Q, which was introduced in 1968 by James Tobin and William Brainard, is the ratio between a physical asset’s market value and its replacement value.
43. Johanne Grosvold, Stephen Brammer, and Bruce Rayton, “Board Diversity in the United Kingdom and Norway: An Exploratory Analysis,” *Business Ethics: A European Review* 16, no. 4 (2007): 344–57.
44. Kenneth Ahern and Amy Dittmar, “The Changing of the Boards: The Impact on Firm Valuation of Mandated Female Board Representation,” *Quarterly Journal of Economics* 127, no. 1 (February 1, 2012): 137–97.
45. Nina Smith, “Gender Quotas on Boards of Directors,” *IZA World of Labor*, 2014. <https://wol.iza.org/articles/gender-quotas-on-boards-of-directors/>.
46. Nina Smith, Valdemar Smith, and Mette Verner, “Do Women in Top Management Affect Firm Performance? A Panel Study of 2,500 Danish Firms,” *International Journal of Productivity and Performance Management* 55, no. 7 (August 2006): 569–93.
47. Norway’s gender-quota policy has received attention in the United States, as well. Aaron Dhir, professor of law at Yale Law School, argues that “while quotas might not be palatable in the United States, it is clear that a more forceful regulatory shove is needed to disrupt the status quo.” He suggests that law is a “powerful tool” and we shouldn’t be afraid to use it to shape culture or address biases. Aaron A. Dhir, “What Norway Can Teach the U.S. about Getting More Women into Boardrooms,” *The Atlantic*, May 4, 2015, <https://www.theatlantic.com/business/archive/2015/05/what-norway-can-teach-the-us-about-getting-more-women-into-boardrooms/392195/>.
48. Cathrine Seierstad and Tore Opsahl, “For the Few Not the Many? The Effects of Affirmative Action on Presence, Prominence, and Social Capital of Women Directors in Norway,” *Scandinavian Journal of Management* 27, no. 1 (2011): 44–54.
49. Marianne Bertrand, Sandra E. Black, Sissel Jensen, and Adriana Lleras-Muney, “Breaking the Glass Ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway,” National Bureau of Economic Research, Working Paper no. w20256, July 2017, <http://www.nber.org/papers/w20256>.
50. Sigtona Halrynjo, Mari Teigen, and Marjan Nadim, “Kvinner og menn i toppledelsen: Ringvirkningar av lovkrav om kjønnsbalanse i bedriftsstyrer?” in *Virkinger av kjønnskvoteing i norsk næringsliv* (Oslo, Gyldendal Akademisk, 2015), pp. 18–22. Translated into English by Nima Sanandaji.
51. Kjersti Misje Østbakken, Harald Dale-Olsen, and Pal Schøne, “Kjønnsbalanse i styrer og kvinners karriere,” in *Virkinger av kjønnskvoteing i norsk næringsliv* (Oslo: Gyldendal Akademisk, 2015), pp. 31–33. Translated into English by Nima Sanandaji.
52. Björn Lindahl, “Norway’s Female Boardroom Quotas: What Has Been the Effect?” *Nordic Labour Journal*, May 21, 2015, <http://www.nordiclabourjournal.org/artikler/forskning/research-2015/article.2015-05-20.3011019632>.
53. “Women in Business and Management Gaining Momentum,” International Labour Organization, 2015.
54. As measured by taxes as share of GDP. Ranking of Nordic countries by government size is as follows: Denmark has the highest tax rate as a share of GDP among the Nordic countries and the industrial world. According to OECD data, the tax rate of Denmark was 46.6 percent of GDP in 2015. Finland is second, at 44.0 percent of GDP, and Sweden follows at 43.3 percent. In Norway, public expenditure is partly funded through oil revenues, and the tax rate is lower, at 38.1 percent. Iceland has the lowest tax rate, at 37.1 percent.

55. “Women in Business and Management Gaining Momentum,” International Labour Organization, 2015.
56. “Revenue Statistics—OECD Countries: Comparative Tables,” *OECD Stat Extract*. <https://stats.oecd.org/Index.aspx?DataSetCode=REV>. Latest available data for 2015.
57. “Glass Ceiling Index,” *The Economist*, <http://infographics.economist.com/2017/glass-ceiling/>.
58. Ibid.
59. A. Johnson, *De gjorde skillnad: liberala kvinnor från Anna Maria Lemngren till Marit Paulsen* (Stockholm: Folkpartiet Liberalerna, 2009).
60. “Women in National Parliaments,” Inter-Parliamentary Union, 2016, <http://archive.ipu.org/wmn-e/arc/classifo11216.htm>.
61. The social democratic Swedish government that took office in 2014 describes itself as “the first feminist government in the world.” The BBC published a story entitled “Is Sweden’s Feminist Agenda Working?” and reported that “things are getting better for women” but did not state any factual support for this conclusion. “Is Sweden’s Feminist Agenda Working?” BBC, February 17, 2017, <http://www.bbc.com/news/world-europe-39004991>.
- An opinion column by Gabrielle Jackson argues that the Swedish welfare-state model of providing generous paternity leave is a model that should be adopted in other parts of the world. Gabrielle Jackson, “Force Men to Take Paternity Leave. It Will Make the World a Better Place,” *Guardian*, April 9, 2015, <https://www.theguardian.com/commentisfree/2015/apr/10/want-better-dads-happier-mums-and-healthier-kids-make-men-take-paternity-leave>.
- In March 2017, the Nordic Council of Ministers and New America think tank cohosted a public event in New York on how the United States could be inspired from Nordic countries in expanding the public parental leave system. Anne-Marie Slaughter, the president of New America, explained before the event that the Nordic countries have outpaced the United States “in terms of valuing families and shifting gender roles” and said that “Americans should learn from them.” “US Think Tank to Showcase Nordic Gender Equality,” *Norden*, March 9, 2017, <http://www.norden.org/en/news-and-events/news/us-think-tank-to-showcase-nordic-gender-equality>.
62. For more information, see Nima Sanandaji, *Jämställdhet inom räckhåll* (Stockholm: Captus, 2009); Nima Sanandaji, *Att Spräcka Glastaken* (Stockholm: Captus, 2013); and Nima Sanandaji, *The Nordic Gender Equality Paradox* (Stockholm: Timbro, 2016).