BOARDROOM GENDER QUOTAS HAVE NOT YET FULLY CRACKED THE GLASS CEILING: Evidence from France

Since 2010 and alongside the introduction of gender quotas, the share of female directors of top French companies has increased from 9% to 24%. But there remains an ‘inner glass ceiling’ in these corporate boardrooms with women far less well-represented on key decision-making committees including audit, compensation and nominations. What’s more, there remains a 5% fees gap between female and male directors.

These are among the findings of research by Professor Antoine Rebérioux and Dr Gwenaël Roudaut, to be presented at the annual congress of the European Economic Association in Geneva in August 2016. They comment:

‘Despite the mandated quota, female directors have not yet become the new key players on the board that they should be because they are not reaching the major committees.’

‘This may jeopardise the benefits of diversity inside the boardroom related to the new resources, the fresh perspectives on strategic issues as well as the better monitoring that should come with women on board.’

More…

Gender diversity in the decision-making process has attracted the attention of policy-makers and investors as a way to improve gender equality and firm management. To increase the representation of women in boards, two approaches have been competing: the voluntary approach through codes of corporate governance (as in the UK); and the legislative approach through gender quotas (as in Norway and Italy).

France has applied a gender quota of 20% in 2014 and 40% in 2017, thanks to the Zimmerman-Copé law passed in 2011. This study evaluates the implementation of the quota in firms belonging to the SBF120 index (the largest listed French firms) over the period 2006-2014.

Although the gender quota has been successful in breaking the glass ceiling on entering the boardroom, it has been unable to break the inner glass ceiling on reaching the major committees such as the audit, compensation or nomination committees.

Even if female directors do not have the same characteristics as men – such as age, independence status, nationality or seniority – these differences do not entirely explain the different role that directors play inside the boardroom. This fact therefore suggests a strategic implementation of the quota by firms. Consequently, the quota sustains a 5% fees (wage) gap between female and male directors.

This study helps to explain why several earlier studies show a negative relationship between gender diversity and firm performance under quotas. The efficiency of gender quotas is based on two things: the characteristics of women who enter the boardroom; and the role that they play (that is, the committees on which they sit).
To investigate those issues, the researchers collect data on directors’ annual fees (matched with Ethics&Board database) to measure their role inside the boardroom from 2006 to 2014, before and after the quota.

Since 2010, the share of female directors has increased from 9% to 24%. This growth has been fuelled by the appointment of new female directors (called ‘unseasoned’). The French quota succeeded in opening the pool of directors to new candidates (up by 320% between 2009 and 2014).

Moreover, these unseasoned female directors present distinctive attributes. They are more independent, more often foreigners and have less financial expertise, compared with seasoned male directors. Female directors seem to have a positive fit with most of the criteria that are promoted by the code of corporate governance.

Regarding the role of directors, female members, especially the unseasoned ones, support an average within-firm fee discount of 5% over the whole period. Performing a Oaxaca-Blinder decomposition shows that the gender fees gap is driven for one third by the peculiar characteristics of female directors (such as a lower tenure, age).

But it also reflects the difficulty they have in joining monitoring (audit, compensation, nomination) committees, even when taking into account their individual observable attributes. The empirical results suggest an inner glass ceiling: the quota has failed until now to suppress gender segregation within French boards. Ultimately, the French quota has even resulted in an increase in the gender fees gap (from 3.5% on average in 2006-2009 to 5.7% in 2010-2014).

Despite the quota, female directors have not yet become the new key players of the board because they cannot reach the major committees. It may jeopardise the benefits of diversity inside the boardroom related to the new resources, the fresh perspectives on strategic issues as well as a better monitoring that should come with women on board. Future research should investigate if it is a short-term issue or a long-term inefficiency of the quota solution.

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