GENDER QUOTAS ON CORPORATE BOARDS: Firm productivity has improved in Italy but not in Belgium, France and Norway

Legislation to promote better gender balance in the boardroom has had a positive effect on firms’ performance in Italy, particularly on their productivity. But in Belgium and France, gender quotas have had negative effects on both profitability and productivity. These are among the findings of research by Simona Comi, Mara Grasseni, Federica Origo and Laura Pagani, to be presented at the annual congress of the European Economic Association in Geneva in August 2016.

Their study analyses firm-level accounting data for the period 2004-2014 to estimate the effect of legislation on gender quotas on firm performance, comparing changes in the performance of firms subject to the law before and after the introduction of mandated gender quotas with similar firms not subject to the law both in the same country and in comparable EU countries that did not adopt gender quotas.

The findings highlight the importance of the institutional design of these laws: there are stronger effects where law enforcement relies on severe sanctions for non-compliers. They also reflect country-specific gender cultures: for example, there is some cultural prejudice against women in the labour markets of southern European countries, so one might expect that gender quotas to increase the quality of the board and positively affect an organisation’s efficiency and productivity in countries where highly qualified women are available but were previously prevented from joining corporate boards.

Detailed information on the composition of Italian boards and on board members’ characteristics confirms that gender quotas have actually helped to crack the glass ceiling in Italian firms without reducing board quality. Firms complied with the law by hiring new highly educated women – mostly graduates in fields such as law, management and economics – and with the same amount of work experience in managerial positions as the incumbents.

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The researchers describe their work: in the last decade, a number of countries have adopted legislative actions to promote gender-balanced representation on corporate boards. Norway was the first country to do so in 2003. Following the Norwegian example, some EU countries (Spain in 2007; Belgium, France, Italy and the Netherlands in 2011 and Germany in 2016) have passed similar laws, albeit with different rules in terms of targeted firms, size of the gender quota and severity of sanctions for non-compliers.

We provide a comparative analysis of the effects of mandated gender quotas on firm performance in four EU countries: two countries from continental Europe (Belgium and France), and two countries from southern Europe (Italy and Spain). Belgium and France share with Norway a similar attitude towards gender roles, while Italy and Spain are characterised by a much higher overall gender imbalance. We focus on heterogeneous effects across countries and, in the case of Italy, we discuss a number of channels that may explain such effects.

To study the impact of gender quotas, we use firm-level accounting data from Bureau Van Dijk’s Amadeus for the 2004-2014 period. To estimate the effect of the legislation
on gender quotas on firm performance, we compare changes in the performance of firms subject to the law in the four countries before and after the introduction of mandated gender quotas with similar firms not subject to the law both in the same country and in comparable EU countries (Germany and Portugal) that did not adopt gender quotas over the period.

We consider an extensive set of firm outcomes, aimed at capturing changes in employment levels, productivity and profitability. Our results reveal heterogeneous effects of these laws across countries. For Belgium and France, we find similar results as those obtained for Norway, with negative effects on both profitability and productivity (-5%) and a positive effect on the number of employees (+9%).

The picture is different when we look at southern European countries: our results indicate that gender quotas had a positive effect on firms’ performance in Italy, particularly on productivity (+10%), but there are no significant effects in the case of Spain.

This evidence highlights the importance of both the institutional design of these laws (stronger effects are found where law enforcement relies on severe sanctions for non-compliers) and country-specific gender culture.

According to the official World Economic Forum and European Commission international rankings regarding overall gender imbalance, economic participation and the share of women on boards, there is a rather strong cultural prejudice against women in the labour markets of southern European countries, which is stronger against women in key labour market positions.

Therefore, we may expect that the introduction of gender quotas might increase the quality of the board and positively affect the organisation’s efficiency and productivity in countries, like the southern ones, where highly qualified women are available but are prevented from entering corporate boards.

Additional detailed information on the composition of Italian boards and on board members’ characteristics (gender, age, education, field of degree, work experience in managerial positions and as board member) confirms that gender quotas actually helped to crack the glass ceiling in Italian targeted firms without reducing the quality of women (and men) on boards.

Firms complied with the law by hiring new highly educated women, mostly graduates in fields such as law, management and economics, and with the same amount of work experience in managerial positions as the incumbents.

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‘Where Women Make the Difference: The Effects of Corporate Board Gender-Quotas on Firms’ Performance Across Europe’

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