

Enforcing gender quotas increases boardroom diversity and quality

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An organization that is required by national law to have significant female representation on its board of directors sees higher diversity and skills than those in countries that simply advise on quotas, according to

research from City, University of London's Business School.

Dr. Sonia Falconieri, Reader in Finance and Chiara De Amicis, Ph.D. in Finance student at City, along with Dr. Moez Bennouri from Montpellier Business School, studied the boards of British, French and Italian listed companies across a 14-year period.

Each country has its own respective laws on [gender quotas](#) as follows:

- United Kingdom—a soft, voluntary ratio of at least 25 per cent female representation on FTSE100 boards was recommended by the Davies Report of 2011, later amended to 33 per cent in 2015. FTSE250 were also advised to achieve this by 2020.
- France—[gender](#) quotas implemented in 2011 required listed and non-listed companies of more than 500 employees and revenues above 50 million Euros to have a minimum of 20 per cent female representation on their boards of directors, which rose to 40 per cent in 2014. Failure to comply incurs voided appointments to the board and suspended payment of attendance.
- Italy—quotas came into law in 2012 requiring publicly listed companies to have at least 20 per cent of either gender on first renewal of their [board of directors](#), and 33 per cent after the second renewal. Failure to comply results in large fines and even potential voiding of directorships.

The research found that introduction of regulation was the single largest catalyst for an increase in the presence of women on boards, with this felt significantly more sharply in France and Italy under mandatory rather than voluntary regimes. The data collected also showed a marked increase in compliance with these guidelines.

Another study carried out to determine the 'quality' of these boards under gender [quota](#) guidelines showed no deterioration in cases of high

diversity, and in several cases improved where quotas were mandatory.

Dr. Falconieri said, "Boardroom diversity is crucial to the success and sustainability of an organization. There is a risk that the current pandemic crisis could see countries that do not enforce quotas on gender diversity take a large backwards step in terms of [female representation](#) in the boardroom. Our study demonstrates that businesses are more compliant with gender [diversity](#) regulation if it is enforced. In addition to this, we find no evidence to suggest that the quality of boardrooms, normally associated with effective monitoring, deteriorates under this mandatory regulation. Despite this, gender quota regulations have not yet had an overall positive impact on the appointment of female executives or board chairs, which remains a great challenge and an obstacle to gender equality."

More information: Moez Bennouri et al, Welcome on board: A note on gender quotas regulation in Europe, *Economics Letters* (2020). [DOI: 10.1016/j.econlet.2020.109055](#)

Provided by City University London

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