Gender Quotas on Boardroom Representation in Europe[1]

Gender imbalance on corporate boards has become a hot topic in Europe during the last decade. Women are still underrepresented in decision-making positions in business, especially at the highest levels of the corporate ladder. In 2012, women occupied only 16 percent of board seats of the 600 largest publicly listed companies in EU member states on average. Data from the European Commission shows a wide divergence among the respective countries: while the share of women in boardrooms is over 25 percent in Finland, France, Latvia and Sweden, the figure averages out at just eight percent in southern member states. In Germany 18 percent of leadership positions in business are held by women. Other European countries boast higher shares of women in boardrooms, with Norway at 44 percent and Iceland at 36 percent (European Commission 2013). To increase the share of women on corporate boards, several countries in Europe have implemented mandatory legislative measures in the form of gender quotas.

Austria, Denmark, Finland, Greece and Slovenia have adopted legislative or administrative measures by subjecting companies owned or controlled by the state to gender quotas. Seven European countries – Belgium, France, Iceland, Italy, the Netherlands, Norway and Spain – have established gender quotas at board level for both for state-owned or state-controlled companies as well as for private companies. Table 1 gives a brief overview of legislative initiatives on gender quotas in these seven countries. The policies implemented differ considerably in terms of the companies covered, the target quotas to be reached, implementation periods and sanctions for non-compliance. A detailed table on policies addressing legislative measures on gender quotas on boardrooms in Europe can be downloaded from the DICE online database.

Norway is considered a pioneer when it comes to setting binding gender targets for company boards. It was the first country in the world to pass a bill on a legal gender quota of 40 percent in company boardrooms. Initially, in 2004, the law was only mandatory for boards of state-owned companies, while public limited companies were given the chance to meet the targets voluntarily. Two years later in 2006 the targets became binding for them, too. From 2007 onwards large companies in Spain have been encouraged by law to reach proportions of at least 40 percent of each gender in boardrooms by 2015. In Iceland, the boards of directors of publicly owned companies and public limited companies with more than 50 employees must be staffed with at least 40 percent of men and women respectively by 1st September 2013. The French parliament enacted a gender quota law in 2011, making a share of at least 20 percent of each gender in boardrooms mandatory within three years, and 40 percent within six years. The Norwegian, Belgian, Italian, French and Icelandic laws are enforced through strict penalties in case of non-compliance, whereas Spain and the Netherlands have renounced strict sanctioning rules. The Netherlands, Belgium and Italy have agreed on quotas of 30 percent and one-third respectively (Table 1).

From the viewpoint of economic allocation theory, one argument against the introduction of gender quotas is that they represent state interference in company decision-making processes. This argument is based on the assumption that decision-making in companies prior to the introduction of the gender quota was rational and of maximum benefit to the company. Although competition should mean that only those companies that make optimal decisions survive, the possibility that companies facing competition make sub-optimal (long-term) decisions cannot be completely excluded, if one considers, for example, the effects of implicit (subconscious) discrimination on employment decisions (Bertrand, Chugh and Mullainathan 2005). The inequality between men and women in the labour market would then constitute a waste of resources from an economic point of view and hence entail welfare losses to society.

Empirically it can be shown that in Norway, which was the first country to introduce a quota for women of 40 percent on supervisory boards in 2003, the value of the companies concerned dropped significantly. The authors of the study show that this was primarily due to the lack of experience of the women who were appointed to company boards as a response to the quota legislation (Ahern and Dittmar 2012). However, these negative effects may disappear in the mid to long-term. In fact, another study shows that the most successful companies have leadership teams with a more or less balanced number of men and women, provided that both have the same level of professional experience (Hoogendoorn, Oosterbeek and van Praag 2013). The presence of female leaders may also break down longstanding prejudices against women in the medium term (Dasgupta and

[1] The text is based on the following article: Bauernschuster and Fichtl (2013).

Asgari 2004; Beaman et al. 2009). However, there is no evidence (to date) that quotas for women at supervisory board level increase the share of women at middle and top management level.

Legally fixed gender quotas may go some way towards addressing the underlying causes of the under-representation of women on governing bodies (especially with regard to discrimination, prejudices and social role models for women), but they should not be seen as a panacea. Given that motherhood remains the most important reason for the differing career paths of men and women (Bertrand, Goldin and Katz 2010), measures to favour a work-life balance should remain at the centre of the political debate. Especially in countries with insufficient childcare facilities, the focus should be on their expansion combined with the introduction of more flexible opening hours and links to other local childcare offerings. However, even if motherhood is only accompanied by short career breaks and part-time work, it often prevents career progression (Blau and Kahn 2013). Measures on a company level such as family-friendly working times, expanded home office solutions, or expanded part-time possibilities (including for top-level positions) could also enable mothers to move further up the career ladder (OECD 2012).

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Table 1

Legislative measures for gender quotas on boardroom representation in Europe

Country	Year of introduction (implementation until)	Quotas for each gender, at least	Valid for board of directors* of	Sanctions for non-compliant companies
Norway	2003: state-owned companies (2004) 2006: private companies (2008)	40% (in boards with more than 9 members, less than 9 members: range from 33.33% to 50%)	State-owned, municipal and cooperative companies and public limited companies listed on the Norwegian stock exchange.	Official warnings, financial penalties, delisting of the company from the stock exchange.
Spain	2007 (2015)	40%	Listed companies on IBEX 35 with more than 250 employees.	No sanctions for failure to comply, but taking into account in procedures to award a public contract or the “equality label”.
Iceland	2010 (2013)	40%	Publicly owned companies and public limited companies with more than 50 employees.	Declaration of corrective measures, financial penalties.
France	2011 (2014: 1st stage; 2017: 2nd stage)	1st stage: 20% 2nd stage: 40%	Listed companies on the stock exchange, non-listed companies with at least 500 employees and revenues of over EUR 50 million, and state-owned companies.	Suspension of benefits of directors. Nullification of the board elections, but the decisions adopted by the board remain valid.
Netherlands	2011 (2016 – review)	30%	Larger private and public limited companies, and companies that do meet at least two of the following three criteria: Total value of company´s assets > EUR 17.5 Mill.; Net annual turnover > EUR 35 Mill.; Annual average number of employees > 250. Also valid for management boards.	Failure must be reported in the annual report; Declaration of corrective measures; “Comply or explain“ mechanism.
Belgium	2011 (2012 for state-owned companies; 2017–2019 for listed companies)	One-third	Publicly listed companies and state-owned companies.	Appointments to any vacant positions are invalid as long the quota is not fulfilled; Suspension of any advantage, financial or otherwise, for board members.
Italy	2011 (2015)	One-third	Publicly listed companies and state-owned companies. Also valid for management boards.	Progressive sanctions: Official warnings, fines, forfeiture of the offices of elected board members.

* Supervisory board in case of separated supervisory and executive functions.
Note: Five countries (Denmark, Finland, Greece, Austria, and Slovenia) have adopted legislative or administrative measures in relation to gender balance quotas of companies owned or controlled by the state, but not for private companies.

Source: Ifo Institute on the basis of European Commission (2012) and OECD (2012).