Gender quotas for corporate boards – do they work? Lessons from Norway

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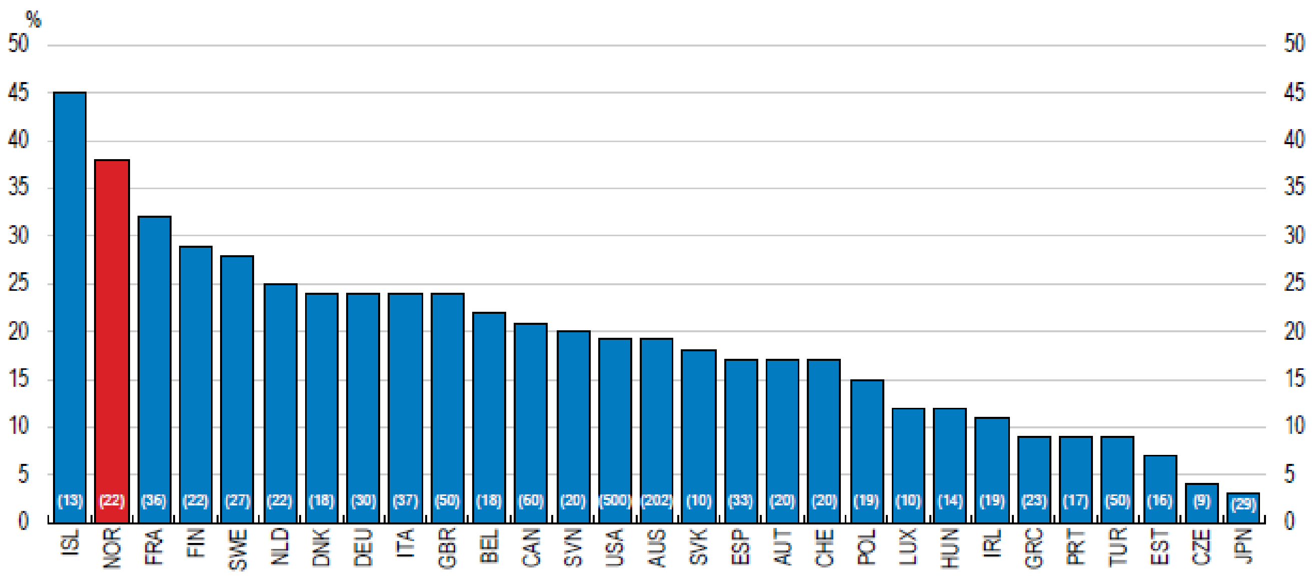
Norway has been a pioneer in using gender quotas for corporate boards. Gender balance can enrich board decisions with more diverse opinions and broader understanding of client needs (Storvik-Teigen 2010). Some studies show that more gender balanced boards improve return to investment or stock prices (Erhadrt-Werbel-Shrader (2003), Carter, Simkins and Simpson 2003). However, most OECD countries have very few women on corporate boards (Figure) reflecting cultural barriers or perceived lack of candidates.

Share of women board members in the largest publicly listed companies[1]



( ) indicates the number of companies on which the data are

based for each country.

1. 2014 For EU countries, Iceland, Norway, and Turkey the companies are a selection of those included in the Primary Blue-Chip Index, which is an index that includes large companies headquartered in each country based on market capitalisation and/or market trades. For Australia, Canada, Japan, Switzerland, and United States the companies are selected from various stock-market listings (S&P/ASX 200, S&P/TSX 60, TOPIX Core 30, SMI index, and S&P 500, respectively).

***Source*: European Commission (2014), Database on women and men in decision-making; Catalyst (2014), Catalyst Census: Women Board Directors 2014**

Gender quotas can break the "glass ceiling" (OECD 2015). The OECD 2016 Economic Survey of Norway brings out three key lessons from its experience on the role of sanctions, the availability of suitable candidates and the impact it has had on attitudes.

Norway's pioneering gender board quotas only worked with sanctions

Gender quotas were first introduced in some public sector entities in the 1980's and were extended in 2003 under legislation requiring at least 40% of women on boards of public limited companies (known as ASA), inter-municipal and state-owned enterprises. However, as of 2005 only 17% of board members were female. To reach the target enforcement of the quotas was tightened in 2005 by legislating sanctions, including a threat of dissolution of non-compliant companies (Storvik-Teigen, 2010). This led to a rapid change: the 40% target was reached in 2008. The coverage of the quota was extended to cooperative companies in 2008 and to municipal companies in 2009.

Fears by business of lack of competent female managers were unjustified

Quotas were initially resisted by business on grounds that it would be hard to find qualified women and that therefore the quality of decisions would deteriorate (Storvik-Teigen, 2010). Many considered quotas an unnecessary interference in business, and about a third of the 563 concerned companies delisted upon the introduction of the sanctions. However, these fears have been proven wrong. On average, female board members in Norway have higher educational qualifications than their male colleagues (Bertrand et al., 2014). Some studies (Storvik-Teigen 2010) have also shown that female presence at boards has led to less layoffs in downturns, but with some trade-offs with profitability. The process was also facilitated by government policies of creating a databank of qualified women and training programmes for qualified female candidates.

Attitudes have changed and gender board quotas are now widely supported

The quotas are now considered a success in enhancing diversity and better business decisions. However, the impact on enhancing women's careers more generally has been limited (Bertrand et al., 2014), although more positive effects may emerge in the coming years.

Related material

OECD 2016 Economic Survey of Norway

OECD Gender Portal

Bertrand, M., S. Black, S. Jensen, A. Lleras-Muney, (2014), "Breaking the Glass Ceiling? The Effect of Board Quotas on Female Labor Market Outcomes in Norway", NBER Working Paper No. 20256, June 2014.

Storvik, A. and Teigen, M. (2010), "Women on Board: The Norwegian Experience", Fredrich Ebert Stiftung, International Policy Analysis, 2010.

Niclas L. Erhardt, James D. Werbel and Charles B. Shrader (2003) , Board of Director Diversity and Firm Financial Performance, Corporate Governance: An International Review, 2003, vol. 11, issue 2, pages 102-111

D, Carter, B. Simkins and W. Simpson (2003) Corporate Governance, Board Diversity, and Firm Value, Financial Review, Volume 38, Issue 1, pages 33–53, February 2003