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How will California's gender quotas impact women?

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This year California will begin implementing a new policy that requires companies to fill around 40 percent of corporate board positions with female directors. Governor Jerry Brown signed the gender quota law into effect last year, and it will phase in over the next three years. By 2021, the policy will require companies to appoint two female directors if the company has five directors and three female directors if the corporation has six or more.

While unprecedented in the United States, California's policy is not original. The proposal follows in the footsteps of various other European countries including Norway, France, Italy, Germany, and Spain that have passed similar legislation in recent years. And given that some policies have been around for more than a decade already, California voters and policymakers would be wise to consider the outcomes of existing reforms and set expectations accordingly.

Californians should start by reviewing Norway's experience: Norway was the first country to require gender quotas for corporate boards in 2003, and the country set quotas at around the same level as California (40 percent of corporate board directors must be female under Norwegian law). Norway's policy dissolves companies in the event of noncompliance, whereas California is set to fine companies between $100-$300K if they don't comply.

Norway and California's reform also shares a common objective. As California law describes it, "More women directors serving on boards of directors of publicly held corporations will … improve opportunities for women in the workplace." Likewise, the primary objective of Norway's reform was to increase female representation in corporate leadership positions and reduce other gender disparities within corporations. The idea is that if women are discriminated against or lack a corporate network necessary to advance within a company, then gender quotas might help overcome that.

But findings from a study published this week in The Review of Economic Studies challenges the idea that women's opportunities in the workplace can be improved through gender quotas.

The study's authors find that although Norway's gender quotas increased the nominal level of women on corporate boards and benefited elite women selected for board director roles, the impact mostly ended there. Specifically, Norway's quotas did not increase female representation in corporate leadership positions overall, did not reduce gender pay gaps for highly qualified women, and did not benefit highly qualified women that were not selected for board roles. In a survey that was part of the study, young women also had not adjusted marital or childbearing plans because of the reform, which is important since marriage and childbearing have an impact on long-term female work and earnings trajectories.

The authors concluded that "overall, seven years after [Norway's] board quota policy fully came into effect… it had very little discernible impact on women in business beyond its direct effect on the women who made it into boardrooms."

The new study is not alone in its findings. Other research, described in the Cato research paper The Nordic Glass Ceiling and elsewhere, supports the findings of the recent study. For example, in one Swedish study researchers found no evidence gender quotas had an impact on the gender division of managers. And in a study published in the Nordic Labour Journal researchers reported that quotas did not lead to higher earnings for women. Indeed, as The Economist wrote in 2018, "ten years on from Norway's quota for women on corporate boards… gender quotas at board level in Europe have done little to boost corporate performance or to help women lower down."

Although we have yet to see what impact California's reform will have on women, the existing evidence suggests it will not be what voters and policymakers expected. Voters and policymakers should temper their expectations accordingly.

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