



Final Results of the Project

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Final Conference

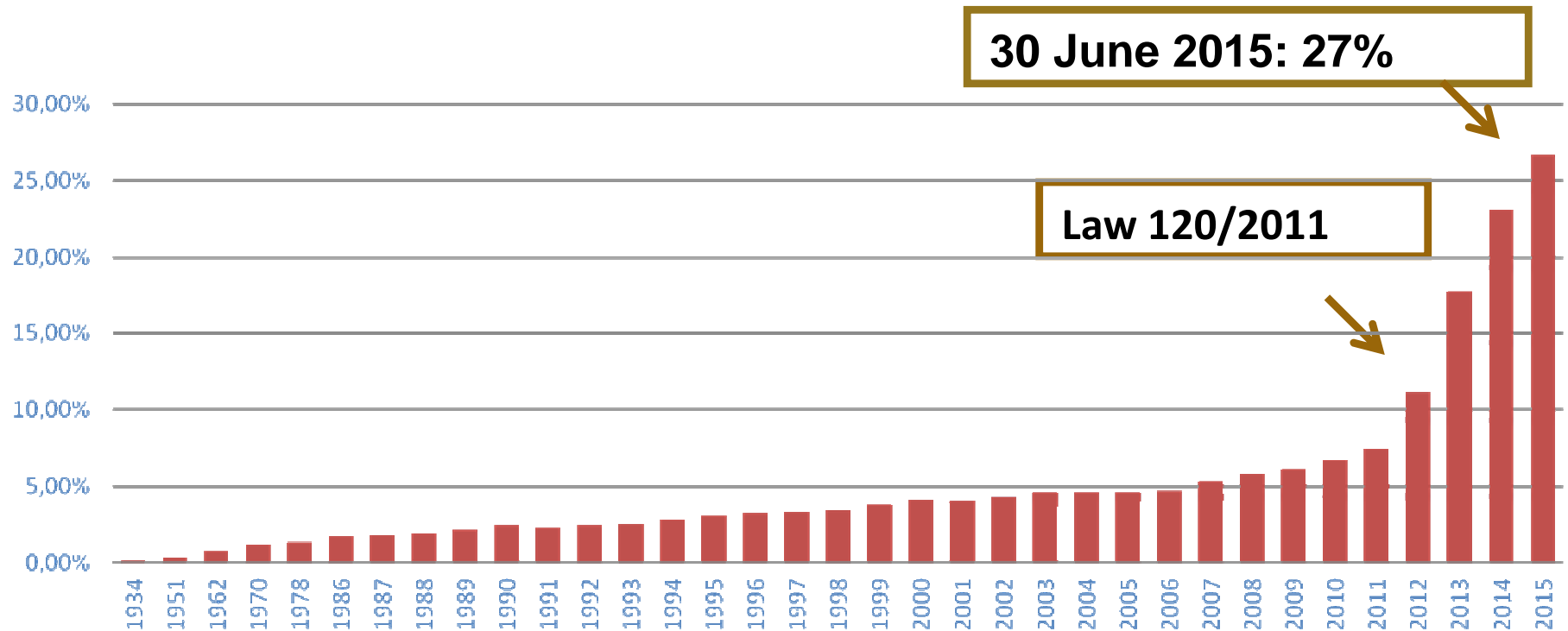
**“WOMEN MEAN BUSINESS AND ECONOMIC
GROWTH”**

23 October 2015, Rome

The Project /1

- Women are under-represented in economic decision-making throughout Europe
- Italy ranks among the worst performers, with wide gender gaps in employment, wages and careers
- Law 120/2011 introduces gender quota law for boards and statutory audit committees of Italian companies
- It is a great opportunity and a true revolution
 - Temporary For 3 mandates, starting July 2012
 - Private and public Listed and state-owned companies
 - Gradualism first target 20%, second and third 33%
 - Sanctions
- Italy is a new laboratory of analysis in Europe
- We can confirm (or not) what we know from studies in Norway

Women on boards, Italian listed companies, 1934-2015



Source:

From 1934 to 1998: Gamba, M. & Goldstein, A. (2009). *The gender dimension of business elites: Italian women directors since 1934*, *Journal of Modern Italian Studies*, 14(2), 199-225.

From 1998: Authors' elaboration on Consob



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The Project /2

- 1) Women in economic decision-making: setting the scene
- 2) Board women database and results on corporate governance
- 3) The selection process
- 4) The effects of the Italian law on companies' performance

Women in economic decision-making: setting the scene

- Companies play an important role in promoting women's empowerment. Best practices for the promotion of female leadership include training and mentorship programs, networking, counselling, research, and they are strictly inter-related with measures to support work-life balance, such as time-saving services, corporate kindergartens, flexible work arrangements, maternity-related benefits.
- All measures promoted by companies, together with policy instruments introduced by the governments, are important because gender equality and female empowerment have been proved to be a key business issue and a driver of economic growth

Board Women Database

- By the inspection of about 3170 CV, we have built a unique dataset of women on boards which contains the main socio-demographic information on the members of boards of directors and boards of statutory auditors, both men and women, of the 241 companies listed on the Italian stock exchange
- At June 30, 2013 we had 3 (random) groups of companies:
 - Post-reform: the last board renewal occurred after August 2012
 - Phase-in: the last board renewal occurred between July 2011 and July 2012, i.e. when the gender quota law was approved but not enforced
 - Pre-reform: the last board renewal occurred before July 2011

Results: Board Women Database

By comparing the 3 groups of companies:

- Women are increasingly represented in boards, well above the initial target
- Quotas are associated with younger women
- Quotas are associated with more educated members, particularly because the post-reforms companies have more male members with post-secondary education
- Multiple positions decrease after the quota
- Quotas are associated with fewer female members belonging to the family.

The selection process

- We have conducted a new lab-experiment based on CV evaluations to understand how the individuals' characteristics are transmitted and captured by evaluators, and the existence of non-neutrality by gender in selection processes.
- Results:
 - On average, women are not disadvantaged with respect to men in the general likelihood of being hired *per se*.
 - However, evaluators assign particular weights to signals of occupational experience and human capital provided on candidate resumes and did so on the basis of gender, with a systematic disadvantage for women.
 - Women are disadvantaged in terms of the salary offered. This effect is stronger if the evaluator is a male.

The effects of the Italian law on companies' performance /1

- The relationship between female representation and firms' performance is not conclusive. Evidence is mixed. Assessing causality is very difficult.
- Norway (first natural experiment): no clear effects on performance, even negative effects
- We have used the Italian natural experiment to identify the causal effects from women to performance.
- We have collected data on listed Italian companies and several outcomes for the period 2010-2013: number of employees, value of production (in thousands of euro), profits (thousands of euro), short-term debts and long-term debts, equity (thousand of euro), ROA, ROI, ROS, ROE.

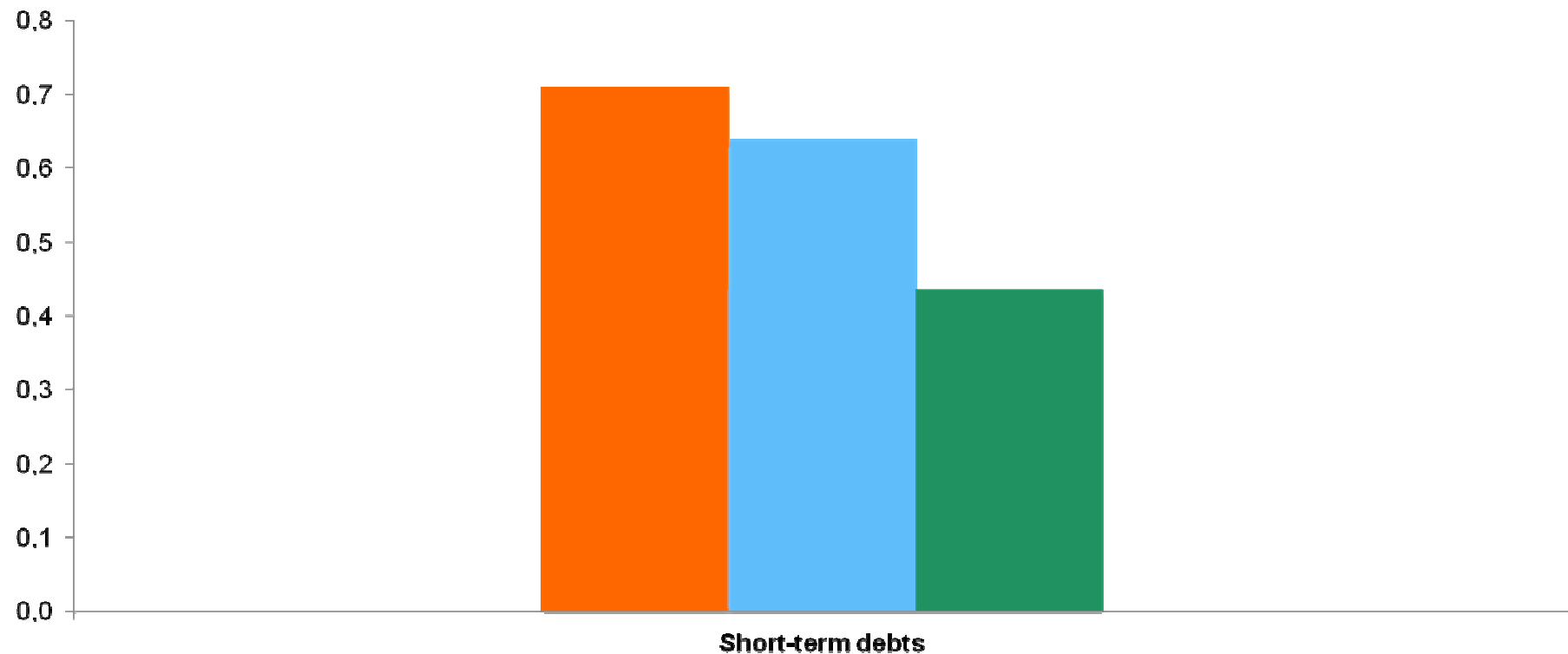
The effects of the Italian law on companies' performance /2

- Methodology: for each of the observed outcomes we have compared three different measures: the relationship (i.e., correlation) between the proportion of women on boards and each outcome
 - before the reform entered into force, and
 - after the reform entered into force;
 - to check whether these links are not biased by unobserved heterogeneity, we also consider the causal relationship (i.e., calculated by means of an instrumental variable) between the proportion of women on boards and each of the observed outcomes.
- We exploit the fact that we have 3 different moments in time: reform becomes an instrument to study the effect of the proportion of women on company's outcomes.

The effects of the Italian law on companies' performance /3

- Simple OLS regression model: in some of the outcomes we observe a negative correlation between the proportion of women on board and company's economic results.
- Bad news? No, this is only correlation and might be driven by structural endogeneity that consistently bias final results.
- To assess causality we move to instrumental variable and find no negative results: all the considered outcomes are not significantly (and hence not negatively) affected by the proportion of women on boards
- One exception: the reform imposing a higher proportion of women on boards has on average decreased short-term debts.
 - This generally means an improvement of the income and expenditure balance, or an enhancement of the company's capability to be paid by its own customers, i.e. a potential improvement of the company's performance.

The effects of the Italian law on companies' performance /4



- Pre-reform
- Post-reform causality (***)
- Post-reform causality (n.s.)
- Post-reform correlation (***)
- Post-reform correlation (n.s.)

Conclusions

- The Italian gender quota law introduces a beneficial renovation of the boards
- Policies have to be evaluated: we learn from this, it is important for the future and for other countries
- Internal and external validity of the research
- Corporate governance effects: the gender quota law is improving the quality of Italian boards (not only women, but also men)
- Performance effects: the gender quota law does not have any negative impact on companies' performance.
- Limitations: too early to have strong relationships . We have to monitor and constantly check
- There is a urgent need to continue and keep up-dated our results!