

Corporate Board Quotas and Gender Equality Policies in the Workplace*

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ABSTRACT

Do corporate board gender quotas increase attention to gender equality in workplace policies? Existing research examines the link between quotas, financial performance, and women's promotion, but we lack an understanding of how quotas impact the structural determinants of gender imbalance in the workplace. We compare the case of Italy, which adopted a quota in 2011, to a counterfactual country with no quota: Greece. Using a difference-in-differences approach, we analyze the corporate reports of publicly listed companies in both countries over time. We find a 50% increase in post-quota Italian companies' attention to gender equality issues, especially relating to leadership and family care. This increase is not exclusively driven by the share of women on boards, suggesting that quotas influence the importance that both women and men within firms give to gender equality. Qualitative analysis finds that observed changes are not window dressing: companies developed new equality initiatives after the quota.

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In 2020, U.N. Secretary-General Antonio Guterres called the fight for gender equality the greatest human rights challenge the world faces, as “deep-rooted patriarchy and misogyny have created a yawning gender power gap in our economies, our political systems, our corporations, our societies and our culture”.¹ Gender gaps are intractable in the most powerful leadership roles in business and politics, a problem that political theorists agree threatens democratic legitimacy (Fraser 2012; Mansbridge 1999; Phillips 1995). Globally, only 25% of legislative seats are held by women² while 29% of senior managers are women.³

As a remedy, gender quotas requiring women to be included in leadership positions have proliferated. First mandated in legislatures, local government, and political parties, states later began imposing quotas on private sector corporate boards. Quotas address the supply and demand sides of the problem of women’s underrepresentation by obliging male-dominated institutions to seek out and encourage women to compete for senior roles (Niederle & Vesterlund 2008; O’Brien & Rickne 2016).

Today, thirteen countries have a gender quota law for the composition of corporate boards in listed companies. Yet, as Hughes, Paxton, and Krook (2017) note, “the study of corporate quotas is in its infancy” (p. 346) and scholarly lacunae remain. The academic literatures exploring the causes and consequences of corporate board quotas have focused on several aspects: the institutional and political determinants of quotas (Lépinard 2016; Terjesen, Aguilera & Lorenz 2015; Verge & Lombardo 2015); the success of gender quotas in increasing women on boards (Piscopo & Clark Muntean 2018; Storvik & Teigen 2010); firm financial performance (Ahern & Dittmar 2012; Comi et al. 2018; Ferrari et al. 2016,

¹ “U.N. chief: Gender inequality biggest human rights challenge.” Associated Press. March 8, 2020.

² Inter-Parliamentary Union Parline Database: <https://data.ipu.org/women-averages>.

³ Grant Thornton, Women in Business 2019: <https://www.grantthornton.global/en/insights/women-in-business-2019/>

Pande & Ford 2011); and women's labor market outcomes and leadership beyond the board (Maida & Weber 2019; Bertrand et al. 2019). However, previous studies have not examined the effects of quotas on company attention to the underlying sources of inequality that make gender quotas necessary, like work-family reconciliation, especially where the state does not provide generous social benefits. This paper is the first to shed light on this relationship.

After a corporate board quota, firms may increase the attention they give to gender equality for two reasons. The first is identity: as the number of women on the board increases, the board's attention to workplace issues for women also increases, particularly as a "critical mass" of women is reached. Women feel more comfortable raising "women's issues" when a greater number of women are present (Mendelberg, Karpowitz & Goedert 2013); post-quota, this may help them to push for improvements in female leadership and earnings gaps inside the firm and to address work-family concerns. The second is what we call "spillover": the adoption of the quota itself might produce "policy feedback effects" (Pierson 1993; Campbell 2012). We posit that the quota law raises awareness of gender inequality among men and women in company leadership, changes existing perceptions about these issues, or creates fears of negative backlash or being left behind if firms do not address it.

To test our argument, we develop a novel dataset of firm-level attention to gender equality issues by collecting 962 annual and sustainability reports from 96 companies in two countries, Italy and Greece. In Italy, a gender quota for corporate boards of listed companies was adopted in 2011. We use statistical matching to select Greece as a counterfactual, which had no gender quota for listed companies. As two southern European welfare states with low social policy spending and few women in business leadership, we might expect a larger impact from this intervention. Companies that want to encourage women's professional advancement have room to provide meaningful support in contexts where the state does not take on much caring responsibility (Lewis 1992). For example, a 2017 international survey

finds that 23% of Italian firms offer workplace child care, well above the EU average of 9% (Cranet 2017).

Employing a difference-in-difference design, we use text analysis to compare firms' attention to gender equality issues in the reports before and after quota implementation in Italy. We find a 50% increase in overall attention in post-quota Italy, but not Greece. Content related to gender gaps in leadership, but also the pay gap and work-family issues such as child care and paid leave, rises. Importantly, the effects are driven by both identity and spillover mechanisms. We observe spillover effects immediately after adoption, in 2011, before companies were required to comply with the law. We also observe longer-term effects that are partially mediated by the increase in women on boards after quota implementation in 2012. This suggests that quotas change organizations through both women *and* men.

In order to better understand whether the corporate attention we measure reflects substantive policy changes, we also perform a fine-grained qualitative analysis. We hand-code a selection of reports to explore the specific contexts in which the firm attention we measure appears. We find that Italian corporations report specific, significant policy changes, especially in the areas of leadership and work-life balance. Boardroom quotas have social and political importance beyond the immediate goal of increasing the number of women board members.

GENDER QUOTAS IN BUSINESS: LESSONS FROM POLITICS

Inspired by the example of Norway, the first country to impose a binding gender quota for corporate boards in 2003, twelve other countries have followed suit. Board quotas vary in content and sanctions for non-compliance, as seen in Table 1, ranging from “not zero” women on corporate boards in India and Israel to at least 40% in France, Iceland, Norway, and Spain (and from 2020, Italy).

TABLE 1 HERE

Board quotas work as intended, but conditional upon how they are designed. Piscopo and Clark Muntean (2018) classify corporate quotas by the extent to which they apply to most companies in the country (“comprehensive” versus “limited”) and the degree to which they penalize non-compliance (“hard” versus “soft”). The highest proportion of women on the boards of publicly listed companies can be claimed by three “comprehensive hard quota” countries: Norway at 45%, France at 44%, and Italy at 36% (Eurostat 2019).

Researchers have also studied the downstream effects of quotas on firm performance and women executives. While it is difficult to disentangle the effects of a gender quota from global economic patterns (Hughes, Paxton & Krook 2017), the evidence suggests that whether boardroom quotas improve the financial performance of firms depends upon the country and the metric studied (Comi et al. 2018; Ferrari et al. 2016; Smith 2018). Conclusions about whether corporate board quotas lead to more women managers are so far mixed (Bertrand et al. 2019; Maida & Weber 2019).

These inconsistent findings warrant a closer look at what may be happening inside firms. If women’s leadership depends *not only* on the number of women in a company *but also* on the policies that support women’s ability to move up in their careers – particularly when they have children – then we should expect changes in gender equality policies to precede changes in the number of women senior managers. For example, on-site childcare facilities offered by employers lead more women to pursue management positions (Latura 2020), so quotas may act as an indirect conduit to women’s leadership.

Evidence from the effects of political gender quotas suggests that boardroom quotas might impact a variety of outcomes for women. Chattopadhyay and Duflo (2004) find that political reservations for women lead to greater investment in infrastructure directly relevant to the needs of women. Studies of the implementation of different gender quota provisions

have found that quotas increase public spending on social welfare (Chen 2010) and health (Clayton & Zetterberg 2018). Within advanced democracies, quotas increase political party attention to social justice issues like gender equality (Weeks 2018) and shift work-family policies in the direction of women's preferences (Weeks forthcoming).

While political and corporate quotas are broadly similar in their aims, the institutions in question are different. Legislatures and local councils are public bodies elected by citizens while corporate boards are private bodies elected (or appointed) only by shareholders (Piscopo & Clark Muntean 2018). Still, we expect gender equality diffusion from a corporate quota to function like gender equality diffusion from a political quota. Although corporations are not democratically accountable as are legislatures, corporations must still earn the "votes" of their clientele, and attract and retain employees. Company boards are also similar to legislatures in their day-to-day operations, providing "big picture" guidance that management realizes. Therefore, we should be able to look at companies' human resources and work-family policy, as we look to government policy, to see if this is occurring.

HOW DO BOARD QUOTAS CHANGE WORKPLACE POLICIES?

We offer two explanations for how board quotas shift workplace policies towards greater gender equality. The first stems from the direct actions taken by the women board members brought in under the quota: the identity argument. The second refers to the policy spillover effect on corporate gender equality and work-family issues resulting from the quota itself, but not necessarily women board members.

The identity argument posits that women rely at least in part on personal judgments to make decisions about what issues to prioritize; these judgments are informed by their identity and lived experiences. Critical mass theory suggests that as women's representation in an organization increases, women will be better able to promote policies related to their shared

interests (Childs & Krook 2009; Kanter 1977). In a gender-balanced environment, women may feel more comfortable expressing “gendered” preferences, and men may be more receptive to their views. Mendelberg et al (2013) find that as the number of women increases so does their authority, and that with a critical mass women begin discussing different issues, such as caring responsibilities. The theory of critical actors recognizes that it is often sufficient to have fewer descriptive representatives as long as they care about an issue and reach powerful positions (Krook 2015; Childs & Krook 2009).

Various theories about the behaviors of women as opposed to men board members predict gendered differences, but the empirical evidence so far is weak (Nielsen & Huse 2010). Not all women are feminists, and having a “Queen Bee” at the top of the hierarchy does not always make things better for other women (Derks, Van Laar & Ellemers 2016). Research has yet to clearly distinguish between the assumption that women board directors are substantively different from men and the empirical basis for it (Kirsch 2018). As one senior executive at an Italian company noted, “Having women on [the] board is something, but having women dedicated to this topic is another thing.”⁴ Additionally, if women do not sit on relevant strategic committees on the board they may not have the power to introduce change (Beji et al. 2020).

By contrast, the spillover explanation implies that women do not necessarily change corporate gender equality policies on their own. The adoption of the quota might cue both women *and* men (who are most often in firm leadership roles) to shift attention to gender equality concerns. Our theory of spillover is based on the idea that the quota itself causes companies to change for ideological or strategic reasons, although understanding the exact nature of companies’ motivations is not critical for our study. Assuming the changes are not

⁴ Anonymous. Interview with senior executive by author. 26 October 2020.

mere “window-dressing,” once they become an entrenched part of corporate culture, their origins are less relevant for the purposes of promoting gender equality.

Policy spillover from a board quota could be driven by three specific mechanisms. The first is a learning mechanism. Based on policy feedback theories of political learning (Soss 1999), we might expect organizations not attuned to the issue of gender inequality to learn about or become more aware of it as a consequence of the board quota. In the context of politics, Clayton and Zetterberg (2018) point out that “the introduction of quota policies may draw attention to gender equality issues more broadly and thus to issues prioritized by women citizens” (p. 919). Experimental evidence also suggests that quotas might, “make the idea of equity more salient” to men in particular (Czibor & Dominguez Martinez 2019, p. 24). Many high-revenue firms in Southern Europe are still small by international standards, and it’s possible that myopic organizational cultures had kept gender equality off the radar.

The second mechanism refers to what Pierson (1993) called “interpretive” effects that change how people view an issue or their relation to it as a result of public policy. Soss and Schram (2007) observe that policies can change public opinion and we might expect a quota law to change the most directly affected “public”, people working in a company impacted by the quota. Whereas the learning mechanism implies new information about gender equality, the interpretive effects mechanism implies new opinions about it. As one of the co-authors of Italy’s board quota law, Alessia Mosca, commented, “I believe that this law has allowed us to change the perception of the importance of women in society and politics.”⁵ Lella Golfo, the other co-author, said the time has come to create “a culture of sharing family responsibilities and a high level of support for families, public and private.”⁶

⁵ PD Monza. “Intervista ad Alessia Mosca: La sfida del lavoro e delle donne”, 21/01/2013.

<http://www.pdmonza.org/attualita/2533-intervista-ad-alessia-mosca-la-sfida-del-lavoro-e-delle-donne.html>

⁶ “Lella Golfo: Quote rosa, svolta epocale”, *IO Donna*, 26/10/2012.

The third mechanism is fear. Companies might fear backlash or falling behind, and increase attention to gender equality for strategic reasons. Larger, listed corporations may be concerned about their “brand” if the quota raises public awareness about corporate behaviors or outcomes they do not want to highlight. Leadership may also fear additional statutory measures will be taken by the state and hope that “good behavior” across the gender equality spectrum will reduce this likelihood.

While spillover effects, stemming from different policy types, have long been the focus of the policy feedback literature, addressing the problem of endogeneity and specifying mechanisms are more recent developments (Campbell 2012; Busemeyer, Abrassart & Nezi 2021). The policy spillover explanation we advance here refers to the effect of the quota on firm attention, rather than an endogenous relationship whereby an underlying factor such as changing national sentiment causes both quota adoption and firm-level change. The case of board quotas offers an advantage in distinguishing between spillover and endogeneity compared to legislative quotas or other institutions that “self-select” into a quota law. Legislatures impose quota laws on themselves, and also shape the subsequent direction of government. By contrast, board quotas are imposed on companies externally – to the best of our knowledge, there are no examples of the business community demanding and then receiving a board quota – so we have less reason to expect that boards affect the existence of the quota *and* the spillover effects stemming from it.

While it is true that changes in the wider socio-political culture could produce both quotas and quota outcomes, we would expect board quotas to be relatively immune from this type of endogeneity. For example, the Italian business community tried to impede the quota bill’s legislative progress, lobbying parliamentary leaders to soften penalties and extend the timeline (Donà 2018; Trino 2013). Therefore, if we can identify an effect from a corporate

board quota independent of women on the board, we can be confident that it is spillover and not endogeneity.

Without access to internal discussions at firms post-quota, we cannot know exactly which conduit leads to changes in their human resources strategy, the identity mechanism, the spillover mechanism, or both. However, we do not view the two mechanisms as mutually exclusive. Women on boards might be motivated by gender equality issues, and use their greater presence after a quota law to influence policies. At the same time, company leaders might view the quota law as a signal to ramp up their attention to gender equality issues for ideological or strategic reasons.

Which issues would we expect firms to talk more about after a quota law? Companies are most likely to increase attention to women's leadership throughout the corporate hierarchy post-quota, since board quotas aim to fix blockages in the leadership pipeline. This attention may be observed in leadership training and mentorship programs, networking events, monitoring of gender gaps in leadership at different levels, and other professional advancement tools aimed at women.

If firms are serious about tackling gender inequality, we also expect them to increase attention to the gender pay gap (pay, to a large extent, flows from leadership status), and to the structural antecedents that cause the leadership and pay gaps. This attention may be observed in monitoring and evaluation, salary transparency initiatives, and training for salary negotiation targeted at women. Motherhood remains the single largest factor explaining the gender pay and leadership gaps: women with children work fewer hours than men and management work usually requires longer hours but pays better (Blau & Kahn 2017; Weeden, Cha & Bucca 2016). Assistance reconciling childcare and work schedules, such as flexible hours and remote work; childcare support, such as on-site childcare or subsidies; and “top ups” to statutory paid leave are all potential remedies.

The pernicious effect of sexual discrimination and harassment may be less visible, but no less problematic. These issues can impact all women but may be more difficult to root out. Simply acknowledging these problems exist could open the door to legal challenges. Hence, we would expect to observe fewer public discussions of corporate policies aimed at addressing these issues.

Thus, we hypothesize that:

- **H1:** Gender quotas for corporate boards increase companies' overall attention to issues affecting women and gender equality.
- **H2:** After a quota, companies are likely to increase policies and programs to help close the gender gap in leadership and pay, as well as work-family reconciliation, but not sexual harassment and discrimination.

We should be able to observe firm attention to gender equality policies and programs where firms are most likely to catalog their achievements and future plans: publicly-available annual and social responsibility reports. We operationalize our outcome of interest, corporate attention to gender equality, by specific mentions of it in annual reports and sustainability or social responsibility reports. We would find evidence to support H1 if the overall share of mentions in firm corporate reporting regarding gender equality issues, relative to all other topics, were larger after a quota. This effect should be independent of report type. If we observe increased, post-quota attention to the leadership, pay gap, and work-family reconciliation categories in particular, we would find evidence to support H2.

Hypotheses 1 and 2 allow us to test whether the phenomenon in question is empirically observable. To test whether the identity mechanism, spillover mechanism, or both mechanisms are at work, we next hypothesize:

- **H3:** We expect to observe the spillover mechanism if gender quotas for corporate boards increase companies' overall attention to issues affecting women and gender equality after the law was adopted but before companies were required to comply.

- **H4:** We expect to observe the identity mechanism if the size of the effect of quota laws on company attention to women and gender equality is greater for companies characterized by greater “shocks” of women joining the board after the quota law.

Following Clayton and Zetterberg (2018), we distinguish between passage of a quota law and its implementation (H3) and the degree of implementation (H4). If we observe an effect of the quota in terms of increasing the number or share of women on boards after the quota has been legislated but before it goes into effect, we will find evidence to support H3. If we observe that companies with a greater post-quota “shock” to the number or share of women on their boards also pay greater attention to women and gender equality issues, we will find evidence to support H4. Our case of corporate board quotas, however, does not begin from an *a priori* assumption of endogeneity, as in the case of legislative quotas.

EMPIRICAL STRATEGY

In order to determine if gender quotas for corporate boards change workplace policy in the direction of greater gender equality, we compare attention to gender equality in firms before and after a quota was passed, relative to firms in a context without a quota. We select the test case of Italy, which passed a quota law in 2011, and pair it with the control case of Greece, which did not. Then, we employ a difference-in-differences design to compare the two.

CASE SELECTION

In 2011, a gender quota for corporate boards was passed in Italy, requiring that from 2012 women hold one-fifth of board seats in publicly listed companies, and from 2013, one-third. Companies faced progressive sanctions if they refused to comply. The quota was successful in its immediate goal: women held 5% of Italian board seats in 2010 and 36% in 2019 (OECD). The law was driven through parliament by a cross-party alliance of women co-sponsors: Alessia Mosca from the center-left Democratic Party, and Lella Golfo from the center-right People of Freedom party. The draft legislation was first presented in 2009 but

only debated seriously in parliament two years later. At that time, corporations in Italy began to take notice, with several business associations requesting softer penalties and a longer timeline for implementation (Trino 2013). Instead, the legislation passed in the House by an overwhelming cross-party majority in June of 2011.

Passage of the law was unexpected. The government was opposed to the proposal and tried to obstruct it by proposing amendments contrary to the position of its own parliamentary party. This unprecedented conflict between the government and parliamentary majority was only resolved in favor of the latter because parliamentary committees in Italy have autonomous powers to vote down these amendments and push legislation through to a vote (Donà 2018; Musella 2012). Before March of 2011 when a draft was approved by the Senate, “it was very unlikely to anticipate the introduction of board gender quotas” (Ferrari et al. 2016, p.7), and as our data show, companies were not already making changes to the gender composition of boards before the law passed. Because of this, the quota law can be considered exogenous to firms in Italy.

The Italian case is theoretically and empirically interesting for three main reasons. First, Italy is characterized by large gender gaps in employment and senior management roles (Eurostat 2019). Second, Italy spends less on childcare and other work-family policies than most other advanced democracies (see Table A1 in the Online Appendix, p. 5). Italy’s leave policies target mothers rather than both parents, and childcare for children under three years of age is particularly lacking (Narazani & Figari 2017). These factors make Italy a “most likely” case: if board quotas increase corporate attention to gender equality, it should be easier to observe in a country like Italy where companies have room to provide meaningful support (see e.g., Levy 2008). A third reason for selecting Italy is that it is comparatively understudied in the literature, which tends to focus on Norway as a first mover.

For the difference-in-differences design to successfully estimate causal effects, a key criteria is that the parallel trends assumption holds. Trends in company attention to policies for women ought to be similar in Italy (treated) and the control country we select before the quota law was passed in Italy. Therefore, we require a control case that is similar to Italy on national and company-level attention to gender equality.

We use statistical matching because this allows us to ensure that the observable determinants of adopting a corporate quota law are as similar as possible in the two countries (Nielsen 2014). We match on five variables identified as potential determinants of corporate board quota adoption, and hence attention to gender equality: percentage of women on boards, percentage of women in parliament, economic development, women's labor force participation, and government spending on family policy. The matching procedure successfully identifies Greece.⁷

Both Italy and Greece have been singled out for the “southern syndrome” of low rates of women's employment coupled with a dramatic decline in fertility rates, given the pressures that women face between work and family (Castles et al. 2012). The share of women on boards was very similar in both countries before the quota law was adopted: 5% in Italy and 6% in Greece. As of 2019, these figures were 36% for Italy and 9% for Greece (Eurostat 2019). In addition, these countries are often compared to one another in the “Mediterranean” style of welfare states, making Greece a particularly fitting counterfactual.

DATA

⁷ See the Online Appendix A for details, p. 3. We note that Greece had a gender quota law during the period of study that applied to state-owned companies only and is considered a “soft” measure (Piscopo & Clark Muntean 2018).

We use the text of corporate annual reports and sustainability / social responsibility reports to test our hypotheses. The board quota in Italy impacted publicly-listed companies, and so we focus our analysis on the highest-revenue companies in Italy and Greece listed on the Borsa Italiana and Athex exchanges, respectively, as of the Spring of 2019. We focus data collection on the largest-revenue companies because they are both: 1) likely to be in the public eye, and thus subject to scrutiny about whether and how they are complying with the quota law, and 2) have more resources to implement new policies and programs.

Compared to other international exchanges, the Borsa Italiana and Athens exchanges are relatively small, with just 353 and 217 listed companies. We began with a list of the 500 highest-revenue companies in Italy and Greece according to the Orbis database of companies, and from there identified 81 companies in Italy and 72 companies in Greece that were listed. Next, we downloaded all publicly-available annual reports and sustainability / social responsibility reports posted on each company's website for the years 2007 through 2017. This yielded an initial dataset of 1,433 company-year-report observations.

We then subset our sample in two ways. First, if both an annual report and a sustainability / social responsibility report was available for a particular company for a particular year, the annual report was dropped. This is because sustainability reports are more likely to include in-depth discussions of employee-related matters. We control for this in our statistical analysis. Second, we limit the sample to companies that have at least four reports available, two before the year 2011, when the Italian quota was passed, and two after.

The PDFs of the annual and sustainability reports were converted to text files to read into R. Files requiring translation to English (26 from Italy and 43 from Greece) were first manually uploaded to Google Translate's online platform for translation. Finally, we handcode the year-end revenue and the names of the individual members of the board of directors for each company in each year. We use an API to predict the gender of each person

based on first name (see Online Appendix B for details, p. 4). From this, we derive a measure of the sum and share of women in each report-year. Although not all reports list year-end revenue and board members, we are able to obtain financial information and gender composition of boards for most companies.

Our final sample consists of 962 annual and sustainability reports from 96 unique companies, 52 in Italy and 44 in Greece.⁸ The average number of reports per company is 10, meaning we were able to collect reports for most of the time period 2007 to 2017, inclusive.

DEPENDENT VARIABLES & ESTIMATION

The dependent variables (DVs) measure the share of each report devoted to four different categories: 1) the gender gap in leadership; 2) the gender pay gap; 3) family care (i.e., childcare, birth/maternity, family leave, and scheduling flexibility); and 4) sexual discrimination and harassment. For each DV, we created a dictionary of “tokens” listing the most relevant words, word combinations, and short phrases indicative of that category. These were identified from close readings of out-of-sample texts related to women’s leadership and women in the workplace (see Online Appendix Table A3, p. 10). Each DV measures the proportion of relevant tokens in the category relative to all the language that appears in the reports.

The baseline specification we use to test the first two hypotheses is:

$$Y_{it} = \beta_1 Quota_{it} + \beta_2 Sustainability_{it} + \beta_3 \% Revenue Change_{it} + \alpha_i + \eta_t + \mu_{it} \quad (1)$$

where Y_{it} is the measure of corporate attention for each of our four DV categories, calculated as a percentage of tokens appearing in each report, for company i in year t ; $Quota$ is the main independent variable of theoretical interest, coded as a dummy variable equal to 1 for each

⁸ The number of observations declines when controlling for variables in some specifications.

Italian company i in year t after the adoption of the quota and 0 otherwise; *Sustainability* is a dummy variable equal to 1 if the report coded is a sustainability or social responsibility report for company i in year t and 0 if it is an annual report; *% Revenue Change* is a continuous variable measuring the percentage change in each company's year-end revenue from the previous year to the current year; and α_i and η_t are company and year fixed effects, respectively. The error term is μ_{it} and standard errors are clustered at the company level.

Collapsing the DVs into an overall attention measure allows us to test H1. The individual DVs allow us to test H2.

To test for the spillover effects hypothesized in H3, we use an interactive model and specify:

$$Y_{it} = \beta_1 Quota_{it} * Year + \beta_2 Sustainability_{it} + \beta_3 \% Revenue Change_{it} + \alpha_i + \eta_t + \mu_{it} \quad (2)$$

In this specification, all the variables are the same except that the *Quota* variable is interacted with each post-quota year, allowing us to identify whether there is a significant interaction in 2011, when the quota was passed but not yet implemented. We confine our analysis here to the overall attention DV, since we have no theoretical priors about the category specific DVs.

To test for the identity effects hypothesized in H4, we specify:

$$Y_{it} = \beta_1 Quota Shock_{it} + \beta_2 Sustainability_{it} + \beta_3 \% Revenue Change_{it} + \alpha_i + \eta_t + \mu_{it} \quad (3)$$

where *Quota Shock* is operationalized in three ways: 1) as a continuous measure of the change in share of women on the board in company i from 2010, the year prior to the quota, to 2014, the year the quota was fully implemented; 2) a dummy variable indicating that company i experienced below average change in this period and is therefore a “low shock” firm; and 3) a dummy variable indicating that company i experienced above average change in this period and is therefore a “high shock” firm.”

RESULTS

We begin with a descriptive overview of the 96 companies in our dataset. (See the Online Appendix p. 6 for the full list) Although both the Italian and Greek firms are the highest revenue listed companies in their respective countries, Italian companies vary more in size and some are substantially larger than most Greek companies, based on 2017 revenue. In terms of industry, the top three sectors represented in the data for Italy are transportation, manufacturing, and finance/insurance, which are the same top three sectors in Greece.

Figure 1 shows a break when Italy, but not Greece, adopted a gender quota in 2011. The left panel presents the share of language tokens in the reports devoted to gender equality overall and the right panel shows the share related to the gender gap in leadership. We observe that overall attention to these issues is flat across both countries before quota adoption, and the intercept and rate of change increase in Italy but not in Greece after the quota law. The panel on the right shows that before 2011 attention to the gender leadership gap is slowly increasing in both countries, and after 2011 a jump is seen for Italy but not Greece.

FIGURE 1 HERE

Table 2 reports the regression results showing the effect of quotas on gender equality attention overall (specification 1) and for each sub-category (2 – 5). The coefficient of 0.03 on *Quota* in specification 1 indicates that the change from no quota to quota is associated with a 0.03% increase. Although not large in absolute terms, this represents an increase of nearly 50% relative to the average, a substantial effect. Importantly, the effect of the quota is independent of report type and revenue change. Therefore, we find evidence in support of H1: gender quotas for corporate boards increase companies' overall attention to gender equality.

TABLE 2 HERE

Companies typically devote a small share of their reports to discussions relating to gender equality. The average in our data is 0.06%, equivalent to 10 language tokens.⁹ Before the quota law, the average number of tokens in Italian reports is 10, which increases to 15 after the law. Greek reports by comparison have an average of 5 tokens before 2011, and 6 after. In the actual text, an increase of 5 tokens may correspond to an additional paragraph or section of a report. For example, the telecommunications company Telecom Italia includes 35 tokens related to gender equality in 2011, compared to 28 in 2010. This six word increase includes a discussion of several new initiatives, including a pilot program to help new mothers return to work and additional subsidized child care.

Specifications (2) through (5) show the effect of quota laws on the sub-category DVs. We observe in specification (2) that the quota is associated with a significant increase in attention to the gender gap in leadership, in specification (3) attention to the pay gap, and in specification (4) attention to family care, the largest effect size among the sub-categories. In fact, the *Quota* coefficient is about 10 times larger for attention to family care than attention to the pay gap. Specification (5) shows that the gender quota law is not associated with increased attention to sexual discrimination / harassment. Taken together, we find evidence in support of H2. After a quota law, companies increase attention to gender equality in leadership and pay as well the family care issues which precede these gender gaps – but they do not increase attention to sexual harassment.

After the quota, both the mean sum and share of women board members at Italian firms in our sample increased far more than in Greece, as seen in Figure 2. The share of women on Italian boards did not rise immediately following the quota, presumably because

⁹ To put that into perspective, the most commonly-appearing term across all report-years in the dataset is “investments” which still only represents 1.5% of the total.

existing board terms had not yet expired, but did eventually meet the target, with a mean of 35% in 2017 compared to 10% in Greece.

FIGURE 2 HERE

The quota law was adopted in 2011, and first implemented in 2012. By 2014, all companies were required to comply. If we observe an impact on corporate attention to gender equality in 2011, before companies were required to comply with the quota, this suggests evidence of the spillover mechanism, as hypothesized in H3.

Specification (1) in Table 3 reports the regression results showing interactions between the quota law and the post-quota years 2011 to 2017, compared to the pre-quota years. The quota law is associated with a significant increase in attention to gender equality issues already beginning in 2011, and effects remain positive and significant in every post-quota year (in 2012, the quota is significant at the 0.1 level). Specification (2) of Table 3 shows that the quota law began increasing the share of women on the board in 2012 and the effect size increases over time; no effects are observed in 2011, before the quota law was implemented. Together, these results provide evidence consistent with a spillover mechanism, in support of H3. Companies were cued to increase attention to gender equality immediately after the law was passed (specification 1), but before more women joined boards (specification 2).

TABLE 3 HERE

Specification 3 of Table 3 includes the share of women on boards as a covariate in predicting overall attention to gender equality, and the results of this additive model suggest that the identity mechanism, too, played a role in Italy. When controlling for the share of women on boards, the effects of the quota law are reduced in the years from 2012 onward. Following Kenny and colleagues' approach to validating mediation effects by showing that the effect of the causal variable on the outcome while controlling for the mediator is reduced

or zero (Baron & Kenny 1986; Judd & Kenny 2010), the results suggest that the effects of the quota law are partially mediated by the share of women on boards when the quota is first implemented, but the size of the mediated effect is not large. In 2012, we observe a 20% reduction in effect size. This provides some initial support for the identity mechanism hypothesized in H4.

Table 4 reports the results of the estimations where the quota law is operationalized as the size of the quota “shock” in Italy, the change in the share of women on boards from pre-quota (2010) to when the quota was fully implemented in 2014. If women on boards drive corporate attention to gender equality, then we would expect those companies which increased women board members the most to also exhibit the largest increases to gender equality in their reporting. Specification (1) confirms that the level of change to women on boards induced by the quota is significantly associated with company attention to gender equality. For each additional 1% of women added to the board after a quota law, attention to gender equality is predicted to increase by 0.0015%.

TABLE 4 HERE

We next split Italian companies into those characterized by high quota shocks (greater than the mean) versus low quota shocks (below the mean). If our results are driven by the identity mechanism, we would expect to find that the size and significance of the effects is greater among high shock companies. Instead, we see in specifications (2) and (3) of Table 4 that after the quota law, both low and high shock companies increase attention to gender equality by roughly the same extent.¹⁰ These results provide additional evidence that our

¹⁰ Our results do not change when we include low and high shock variables in the same specification. A Wald χ^2 test of the difference between low shock and high shock coefficients was not significant ($p=0.827$), indicating that we cannot reject the joint null hypothesis that attention to gender equality in workplace policies is equal across companies with low versus high quota shocks.

theorized mechanisms are not mutually exclusive. While spillover operates immediately after the quota is adopted, identity becomes more evident on implementation and as levels of women on boards increase.

We perform a number of robustness checks, including models with no controls, models with leads to test the parallel trends assumption, sub-setting the samples by country, changing the quota cutoff year, excluding attention to leadership from our overall measure and restricting the sample by year. Our results are robust to these analyses. We also consider the influence of a potential confounding variable, the “Se Non Ora Quando?” (SNOQ) movement, which exploded over anger about sexist behavior by then-Prime Minister Silvio Berlusconi (Elia 2016). Our media analysis suggests that firms were much more likely to be influenced by the quota law than the SNOQ movement, which did not target corporations. See Online Appendix pages 9 to 22 for all further analyses.

QUALITATIVE ANALYSIS

We use qualitative evidence to further explore the role of identity versus spillover mechanisms, and to understand whether corporate attention results in meaningful policy change. We manually search and hand-code six years of reports from the ten highest revenue Italian and Greek companies in our full sample from 2008 to 2013. The final qualitative sample consists of twenty companies, ten for each country, for a total of 120 company-year reports. We searched for words and phrases as they appear in our dictionary of tokens, in addition to reading entire sections of reports that pertain to gender equality. In order to understand the context in which these references appeared, we pulled all relevant sentences or semi-sentences for inclusion in a dataset of 2,032 observations. We then perform four types of analysis.

First, we replicate the baseline regression specification from our quantitative analysis with the qualitative sample. Similar results serve as a confidence check on the validity of both methodologies. Second, we record the change in the proportion of women on the board from 2008 to 2013. Third, we extract concrete actions taken by companies to promote gender equality, distinguishing these from expressions of support for gender equality principles. Lastly, we use a close reading of the entire corpus and any observed changes in the proportion of women on boards among these companies to make a global assessment about the relative importance of the policy spillover mechanism. Tables 5 and 6 list the Italian and Greek companies included, and the change in the share of women on boards. Companies are listed in declining order of revenue. First, we find that our main results hold using the qualitative sample: there is an increase in overall attention to gender equality issues post-quota in Italy ($p < 0.1$), and a significant increase in attention to leadership ($p < 0.01$). With such a small number of observations, this provides additional confidence in the results of the full sample.

Table 5 shows that most Italian companies increased women board members in this period – the mean change is 15.7%. Greek companies did not; the mean change is negative 2.1%. The Italian quota law passed in 2011, but was first implemented in August 2012. Thus, only companies that made changes to board membership after August 2012 were required to comply with the quota. Given that the qualitative sample includes reports only through 2013, this suggests little support for the identity mechanism: it is unlikely that women both joined boards and had the opportunity to advocate for significant policy changes in this short time frame.

Tables 5 and 6 also summarize the policies and programs instituted after the quota. Substantive changes, particularly in the area of women's leadership, are evident in most Italian companies. The programs include new women's leadership training endeavors,

corporate governance training, and mentoring and role-modeling initiatives for women. In many companies the quota triggers new policies and “action plans” aimed at identifying women “on the talent pipeline” (Generali 2013), “who are ‘ready for [the] board’” (Eni 2011). Companies also show interest in evaluating the effectiveness of these programs and tracking the inclusion of women at different levels of the company over time, with focus groups and new monitoring systems common. For example, the aerospace company Leonardo appoints a new Chief Diversity & Inclusion Sponsor with responsibility for diversity strategy and implementation across the company. In one of the most comprehensive responses, the financial services company Unicredit creates a new Gender Balance Program that “involves measurement...tracking the number of women executives being recruited and promoted throughout the Group, mentoring female talent, evaluating programs that offer flexible working” (Unicredit 2011).

TABLE 5 HERE

Some Italian companies pledged to comply with the quota regulation sooner than necessary, to surpass the threshold of women required, and/or implement their own voluntary quotas within company subsidiaries in Italy and abroad. For example, the oil and gas company Eni says in 2011, “Eni decided to promote the early enforcement of the [quota] regulation on 1st January 2012” and “complete a feasibility study to define the target of women in the Board of Directors of the subsidiaries in Italy and abroad by 2012”. Similar pledges are made by Generali and Unicredit. We also observe important changes to childcare benefits in two Italian companies (Telecom and Unicredit), parental leave benefits in three companies (Generali, Telecom, and Leonardo) and work-life balance and flexibility scheduling in three (Telecom, Total, and Snam). For example, in 2012 Telecom’s report discusses the “Equilibrio in Azione” (Balance in Action) program to promote better work-life

balance, including new initiatives to subsidize nursery fees, 15 days of paternity leave, and teleworking.

There is very little comparable activity among Greek firms, as can be seen in Table 6. Instead, it is very common to see the same text repeated year after year. The companies that do highlight new policies or programs stand out for the relatively small scope of change. For example, the metals and mining company Elvalhacor mentions a one-day workshop held on diversity in 2012, a modest effort. An exception is the state-owned electric power generation company Public Power, which develops a new gender-neutral parental leave policy with flexible options for parents.

TABLE 6 HERE

CONCLUSION

Gender quotas for corporate boards are rapidly expanding as a policy lever to close gender gaps in around the world. Until now, relatively little has been known about whether quotas lead to downstream changes within companies in removing the barriers women face in rising to the top in the first place. To address this key question, we use a unique dataset of corporate reports from Italy and Greece over ten years before and after a quota law was passed in Italy but not Greece.

Our findings show that the quota increased overall company attention to gender equality issues in Italy by about 50%, especially content related to closing the gender gap in leadership and the family care antecedents that lead to this gap. Companies started making changes right after adoption, before companies had a chance to change their boards, suggesting a spillover effect of the quota independent of women on the board. At the same time, the effects we observe over time are partially driven by the magnitude of the change to women's board membership in later years. Our results shed new light on role of board quotas

in influencing the importance that both women *and* men within firms give to gender equality promotion. We expect our results to hold in other countries that pass board quota laws and where firms can effectively offer workplace policies to substitute for low state spending on family policy, such as Spain, Portugal or Greece.

Our results add to evidence suggesting that the state can play a key role compelling market actors to address gender inequality (Engeli & Mazur 2018; Orloff 1996). While voluntary board quotas and other types of policy “nudges” (Thaler & Sunstein 2017) might be insufficient to solve complex sociopolitical problems like gender inequality in the firm (e.g., Piscopo & Clark Muntean 2018), state policy does impact the actions companies take to bring gender equality to the forefront of their policies. Additional research is needed to better understand corporate motivations driving the impacts of quotas on individuals. In-depth interviews with executives would shed light on questions about who designs corporate policy, who implements it, and how quotas influence the incentives of key actors. Do policy changes represent what Engeli and Mazur (forthcoming) call “strategic adaptation” (where gender norms are not fundamentally challenged), or do they signal a more genuine transformation of values and culture (not least, of men business leaders)? Our findings also suggest new directions for research on political gender quotas, where future studies might consider the effects of quotas on shifting the priorities of male party leaders and MPs as well as male voters.

Globally, men’s greater political power derives from their greater economic power. In “late capitalism” advanced industrial nations, that clout evolves in no small part from men’s employment status in organizations like corporations. Greater gender equality in the workforce, especially in managerial and professional roles, is associated with gendered political preferences, women’s political participation, resources and ambition for women to run for office, and women’s descriptive representation in politics (Iversen & Rosenbluth

2010; McCammon & Banaszak 2018; Verba, Burns & Schlozman 1997). Through policies like quotas, the state can play an important role in reducing structural obstacles that hinder women's economic and political equality.

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Table 1: Countries with Gender Quotas for Corporate Boards of Private Listed Companies

Country	Year Adopted	Current Threshold	Sanctions for Non-Compliance?
Norway	2003	40%	Yes
Spain	2007	40%	No
Iceland	2010	40%	No
Belgium	2011	33%	Yes
France	2011	40%	Yes
Israel	2011	>0	Yes
Italy	2011	40%	Yes
United Arab Emirates	2012	>0	No
India	2013	>0	Yes
Netherlands	2013	30%	Yes
Germany	2015	30%	Yes
Portugal	2017	33%	Yes
Greece	2020	25%	Yes

Note: Sources: World Bank: Women, Business, and the Law database, 2018; Piscopo & Clark Muntean 2018; Terjesen, Aguilera & Lorenz 2015

Table 2: Effects of Quota Law on Company Attention to Gender Equality

	<i>Dependent variable:</i>				
	Overall (1)	Leadership (2)	Pay (3)	Family Care (4)	Discrim/Harass (5)
Quota	0.033** (0.010)	0.012*** (0.003)	0.002* (0.001)	0.020* (0.009)	-0.001 (0.001)
Sustainability	0.122*** (0.015)	0.017*** (0.005)	0.001 (0.001)	0.101*** (0.015)	0.003 (0.003)
% Revenue Change	-0.000 (0.000)	-0.000 (0.000)	-0.000*** (0.000)	0.000 (0.000)	0.000 (0.000)
Company FEs	Yes	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes	Yes
Observations	761	761	761	761	761
R ²	0.801	0.722	0.548	0.743	0.463
Adjusted R ²	0.770	0.680	0.479	0.704	0.380

Note:

†p<0.1; *p<0.05; **p<0.01; ***p<0.001

Robust standard errors clustered around company in parentheses.

Table 3: Effects of Gender Quota Law Over Time

	<i>Dependent variable:</i>		
	Overall (1)	Share women (2)	Overall (3)
Quota * 2011	0.023** (0.009)	1.713 (1.717)	0.030** (0.009)
Quota * 2012	0.026† (0.015)	7.219*** (1.787)	0.021 (0.016)
Quota * 2013	0.036** (0.011)	9.976*** (2.196)	0.033** (0.012)
Quota * 2014	0.027* (0.012)	15.624*** (2.134)	0.023 (0.015)
Quota * 2015	0.033* (0.015)	19.168*** (1.878)	0.031† (0.017)
Quota * 2016	0.043** (0.015)	23.366*** (1.990)	0.041* (0.018)
Quota * 2017	0.046* (0.019)	26.061*** (2.126)	0.046* (0.023)
% Women on Board			0.000 (0.000)
Sustainability	0.121*** (0.015)	-3.437** (1.276)	0.116*** (0.016)
% Revenue Change	-0.000 (0.000)	-0.005 (0.005)	-0.000 (0.000)
Company FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	761	704	704
R ²	0.802	0.831	0.800
Adjusted R ²	0.770	0.801	0.765

Note:

†p<0.1; *p<0.05; **p<0.01; ***p<0.001

Robust standard errors clustered around company in parentheses.

Table 4: Effects of Quota Shocks

	<i>Dependent variable:</i>		
		Overall	
	(1)	(2)	(3)
Quota Shock	0.001*** (0.000)		
High Shock		0.018† (0.011)	
Low Shock			0.022† (0.013)
Sustainability	0.126*** (0.015)	0.123*** (0.015)	0.126*** (0.015)
% Revenue Change	-0.000 (0.000)	-0.000 (0.000)	-0.000 (0.000)
Company FEs	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes
Observations	735	761	761
R ²	0.807	0.795	0.796
Adjusted R ²	0.776	0.764	0.765

Note:

†p<0.1; *p<0.05; **p<0.01; ***p<0.001

Robust standard errors clustered around company in parentheses.

Table 5: Results of Qualitative Analysis of Company Reports 2008 – 2013, Italy

Company	Sector	Δ % Women on Board (2013 – 2008)	Gender Equality Changes Reported Post-2010
Eni	Oil and Gas	0	Pledges early enforcement of quota and 1/5 quota in subsidiaries & abroad (2011). Dashboard to monitor diversity in executive bodies (2013).
Generali	Insurance	31	Focus groups on needs of new mothers (2011). Doubles paid time off for employees w/ children < 3 (2011). Exceeds quota requirements in first board renewal (2012). Appoints officer responsible for diversity strategy (2013).
Telecom	Telecommunications	9	2 new programs to ↑ equality in management (2012). 15 days paternity leave, 10 paid (2013). Additional subsidized childcare (2011). No meetings on Fridays after 2pm (2012).
Unicredit	Financial Services	17	Pledges to exceed quota requirement and apply to subsidiaries (2011). New program to for women's professional development (2011). New childcare program for school holidays (2012).
Total	Oil and Gas	21	Participates in BoardWomen Partners to ↑ women on boards across Europe (2011). Teleworking program launched (2012).
Saras	Oil and Gas	0	None
Leonardo	Aerospace	6	Salary supplement for parental leave, 2 days paid paternity leave (2012). New women's leadership training program (2013).
Snam	Construction	44	New corporate intranet program to inform employees of welfare initiatives (2012). Incentive system for employees needing to work part-time (2013).
Prysmian	Manufacturing	9	None
Saipem	Oil and Gas	0	None
		Mean: 15.7	

Table 6: Results of Qualitative Analysis of Company Reports 2008 – 2013, Greece

Company	Sector	Δ % Women on Board (2013 – 2008)	Gender Equality Changes Reported Post-2010
Hellenic Petroleum	Oil and Gas	-15	None
Hellas	Oil and gas	-8	None
Coca-Cola Hellenic Bottling	Food and Beverage	8	None
Public Power	Electric Power	9	Parental leave policy with several options for reduced working hours or cumulative leave, for men and women (2012).
Alpha Bank	Financial Services	-6	None
Alpha Trust Andromeda	Financial Services	-14	None
Elvalhalcor	Metals and Mining	0	Workshop on diversity in the workplace (2012).
Ellaktor	Construction	9	None
Piraeus Bank	Financial Services	2	New summer camp for children of employees (2013).
Eurobank	Financial Services	-6	None
		Mean: -2.1	

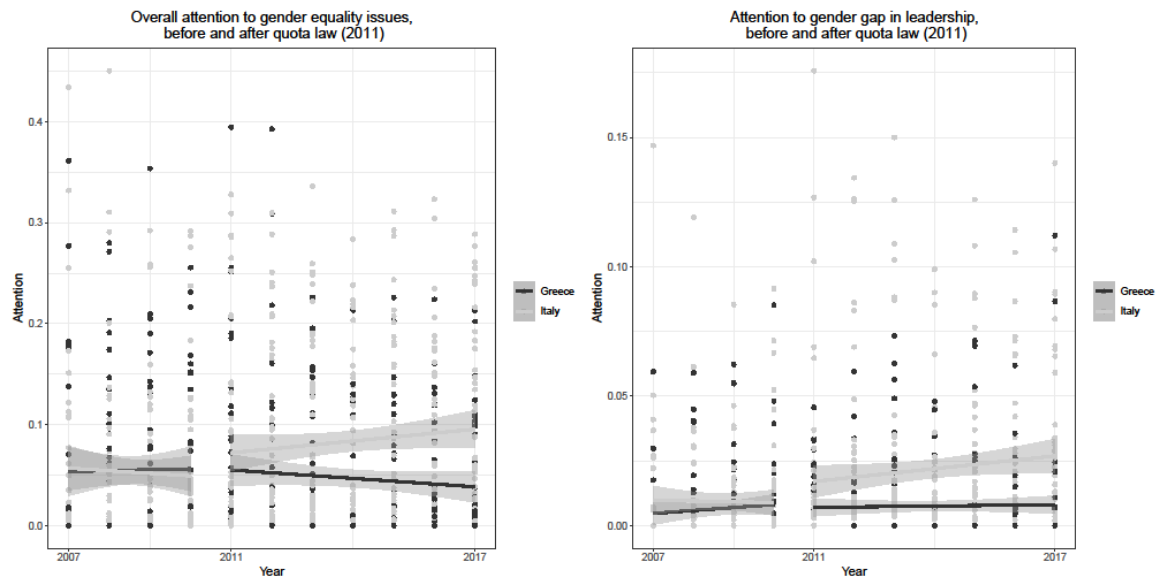


Figure 1: Corporate attention to gendered issues before and after quota implementation
Note: Linear regression with 95% confidence intervals plotted on top of data, with break on quota implementation (2011).

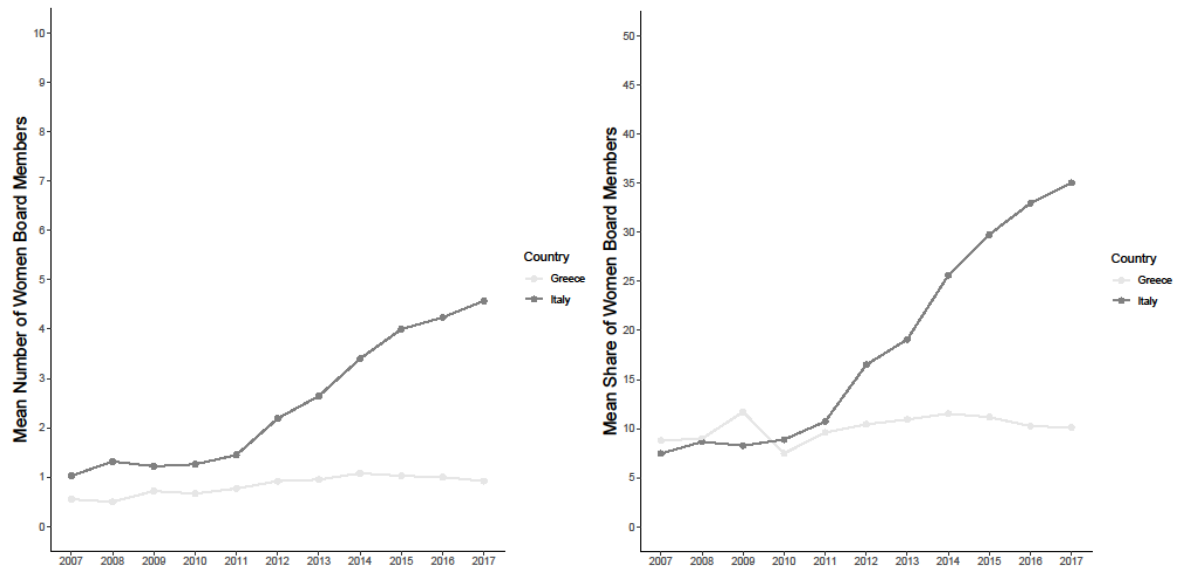


Figure 2: Mean Sum and Share of Women Board Members in Italy and Greece
Note: Figure shows sharp rise in average number and share of women on boards post-2011 in Italy but not Greece.