The relationship between gender diversity and employee representation at board level and non-financial performance - A cross-country study*

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Abstract

This paper examines the relationship between the presence of employee representatives and female directors at the board level and a firm's environmental and corporate social responsibility (CSR) performance. Using an international sample of firms from 23 developed countries between 2001 and 2014, we find evidence that the presence of labor representatives, a higher proportion of women at the board level, and female labor representatives are positively related to CSR and environmental performance. Including an interaction term between female board members and labor representation, we find no substitutional relationship between the two, implying that both jointly foster a firm's CSR performance. Additionally, the effect for gender-diverse firms at the board level is negative when there are fewer than three women on the board, suggesting that three women constitute a critical mass. Given that the discussion around the importance of codetermination and the presence of women at the board level is still controversial in Europe as well as in Anglo-Saxon countries, our study has implications for shareholders, employers, employees and policymakers. Our findings illustrate that the legislation of some non-Anglo-Saxon countries is beneficial and could be introduced in Anglo-Saxon countries where employee representation rights are limited and women are still a minority at the board level.

Keywords: Co-determination ● Two-tier board system ● Gender diversity ● Employee representation ● Environmental performance ● CSR

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