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Women Occupy 20% Of Board Seats—But It's Unclear How Fast That Number Will Grow

Topline: New data shows that women occupy 20% of board seats for publicly traded companies (up from 15% in 2016), with the increase coming from a California law requiring their appointments and social pressure put on companies to become more diverse—but it's unclear if this is a consistent, upward trend.

- The data is drawn from companies on the Russell 3000 index, which includes most public companies on U.S. stock exchanges.
- And the California law, which went into effect September 2018, requires every public company in the state to appoint at least one woman to their boards by the end of 2019 or face fines.
- That California law may be setting the trend, as Illinois passed similar legislation in August.
- Social pressure to add women to boards was seen as recently as last week, when WeWork added one woman to its otherwise-male board after facing criticism.
- Even though legislation and outside pressure seems to help, the percentage of female directors added this quarter—42%—is down from the previous one, at 47%.

Surprising fact: Some California companies are considering paying the fine (starting at $100,000) instead of hiring a woman director as required by law.

Key background: Women are historically underrepresented at the highest levels of business. Just 5% of CEO roles of companies listed on the S&P 500 are held by women. And with more women making up high percentages of business, social science and law graduates, companies' executive suites should become increasingly diverse. There may also be a financial gain to be had by hiring more women throughout a company's ranks. Research released by Morgan Stanley in August showed that companies with a higher number of female employees have, on average, stock prices that are 2.8% higher than less-diverse companies.

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