Extended Abstract
IZA 2nd Workshop on Gender and Family Economics

"Women Led-Companies and the Gender Gap in Pay"

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The gender wage gap in executive pay has been extensively studied and for over a decade, but remains an area for innovative research. In this article, I provide new empirical estimates on the gender gap in pay among top executives in US public companies, revealing the same trend narrowing in the gap that has been cited elsewhere using data on full-time workers in the US and other advanced industrial countries. As in my earlier research on this topic in 2006, the primary focus is not on the magnitude or trend in the gender gap in pay but on the effect of women corporate leaders in influencing the pay gap. In particular, this paper will examine the impact that women CEOs and Board Chairs have on how much women executives are compensated relative to men in a firm, and on the likelihood that a women executive will be promoted.

This paper uses *Standard and Poors Execucomp* data to explore the impact of women CEOs and Directors on the gender pay gap from 1992-2014. The key result is the persistent and statistically significant impact of women top executives on the pay and promotion probabilities of other top executive women in the companies they lead. Specifically, in firms that are led by women there is no gender pay gap. This effect is independent of sector, firm size, firm profitability, and individual characteristics such as age, tenure, and occupation, which can be measured more accurately with the updated data. In sum, the evidence offered in this paper shows that women's executive leadership is statistically associated with positive outcomes for women in their firms, and that the longer the women CEO has led the firm, the more substantive is the impact.

Using a broad sample of executives as the basis for evaluating gender differences in pay is compelling for multiple reasons. Economic analyses and explanations of the gender gap in pay have long focused on unmeasured differences – such as in effort, motivation, or skill – as cause for residual differences in pay. The more homogeneous is the cohort of men and women the less important are unmeasured differences likely to be as an explanation for a gender pay or occupational attainment gap. In a data set of top executives, it is reasonable to assume that unmeasured differences in effort, skill, or human capital will be small, and in any case much smaller than in an aggregate dataset of full-time workers or in a company dataset in which differences are measured across ranks.

Measuring the impact of women executive leaders on the top executives who report to them is also a compelling exercise. There is substantial theoretical and institutional support for the notion that women are more likely to be promoted into a particular job and are more likely to be paid more in firms with large numbers of women in decision-making or influential positions. Indeed, the path-breaking theoretical contributions of Gary Becker to the discrimination literature are rooted in the notion that there are discrete, if short-lived, wage premiums linked to employer preferences for employees of a certain race or color. And there is certainly a vast organizational behavioral literature, often constrained to case-studies of particular firms or institutional settings that show the influence of organizational structures of leadership on the labor market experiences of women, minorities, and other potentially marginalized groups.

In this paper, women-led firms are identified alternatively as firms with a woman CEO and/or firms with a woman CEO who is also the Chair of the firm's Board. While top women executives earn between 20 percent (uncontrolled) to 3 percent (controlled) less than male executives through the twenty-three year period of analysis, and although this gap has narrowed over time, women executives in firms with a women CEO who is a Director or Board Chair earn between 0 to 12 percent more than comparable women in non-female-headed firms, implying that in female-led firms, there is no gender gap in pay. The effect of women executive leadership is independent of the composition of the Board of Directors, including the number of female board members. Moreover, female-led firms have more top women executives, with a 4 to 8 percent greater probability of a woman executive being among the highest paid reported executives in these firms. In sum, the evidence offered in this paper suggests that women CEOs in public companies are associated with strong positive outcomes for the very top women executives in their firms. Given the independent impact of women corporate leaders beyond the composition of their boards, women’s leadership matters for the careers of top executive women.