

Women in Top Management and Job Self Selection

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Talk Agenda

1. Facts
2. Research Question & Findings
3. Review of Literature
4. Sample & Research Design
5. Results
6. Conclusion & Contribution

Facts

1. Women workforce is characterized by,
 - Risk Averse
 - Less specialized jobs
 - Take career breaks
 - Quit jobs to become “Home-makers”
 - Not a leadership material

“Glass Ceiling Exists”

2. Growing numbers of women managers
3. Women executives are paid lower than comparable male executives

Research Question & Findings

- 1. Do women executives signal ability?**
 - Yes, Women executives signal ability.
 - Choose type of firms & industries to work.
- 2. What is the effect of ability signaling on gender based pay gap?**
 - Women executives who signal ability have comparable pay structures to male executives.

Literature Review

Participation

"Glass Ceiling" exist (Oakley (2000), Eagly & Carli (2007))

- ❑ i.e. women executives are viewed as 'low ability agents' costly to enter top management
- ❑ Need to build reputation – signal ability

Reputation models

- ❑ Diamond (1989) & Zwiebel (1995)
- ❑ Scharfstein & Stein (1990)

Literature Review

Pay

**Women executives are paid 45% lower
(Bertrand & Hallock (2001))**

- ❑ 12% unexplained (after including firm size & job position)
- ❑ High ability = High pay (Kruger & Summers (1989))

Sample

Period: 1994 – 2002

(currently extending sample period)

Types of positions considered:

CEO

CFO + COO + President (Non-CEO positions)

Results

Participation

Participation increases over time

Year	No. of Firms	% Women directors	% Women CEOs	% Women in Top M	No. of Firms with Women entrants
1994	1475	n/a	0.4	2.2	3
1995	1521	n/a	0.6	2.8	4
1996	1554	n/a	0.6	3.9	1
1997	1583	7.7	0.7	4.6	3
1998	1657	7.2	1.0	5.0	2
1999	1706	8.2	1.1	5.9	13
2000	1711	8.5	1.4	7.1	6
2001	1593	8.9	1.7	7.9	12
2002	1563	9.2	2.1	8.7	4
Average		8.3	1.1	5.3	5.33

Research Design

Risk based measures – Firm & Industry

1. Firm:

- Firm size (financing, bankruptcy costs)
- Operations' volatility (ROA volatility)
- Stock Return (1yr Return & 3yr Return)
- Firm Governance (G-Index)
- Takeover probability

Research Design

Risk based measures – Firm & Industry

2. Industry:

- % CEO Dismissals within industry
- New Economy firms.
- Industry Cost of Equity
- Industry takeover activity

Research Design

Risk Index

1. Risk Index ranges from 0 to 8.
2. Higher values = Higher Risk.

Results

Distribution

Frequency of women executives is higher in high-risk segments

Panel A: CEO positions

	Level of Risk				
	Low Risk 1	2	3	4	High Risk 5
Firm Characteristics					
TA	0.50%	0.60%	1.00%	0.70%	2.50%
Std. of ROA	0.80%	1.00%	0.80%	1.30%	1.50%
Industry Characteristics					
% CEO fired	0.80%	0.40%	0.60%	1.60%	2.20%
New Economy	1.00%	n/a	n/a	n/a	2.00%

Results

Distribution

Frequency of women executives is higher in high-risk segments

Panel B: Non-CEO executive positions

	Level of Risk				
	Low Risk 1	2	3	4	High Risk 5
Firm Characteristics					
TA	3.90%	4.30%	5.70%	5.30%	7.70%
Std. of ROA	5.40%	4.50%	4.00%	5.60%	7.60%
Industry Characteristics					
% CEO fired	3.20%	3.70%	4.40%	7.00%	8.50%
New Economy	5.10%	n/a	n/a	n/a	7.70%

Research Design

**Each female CEO is matched with a male
CEO benchmark.**

Benchmark based on Firm size & industry

Adjusted Pay

Women Pay minus Benchmark Male Pay

Results

Pay

In risky firms,

Women CEOs have comparable pay than males

Panel A: CEO position and Firm Risk Index

Firm Risk Index	N	Pay in millions	Female-to-Male Pay Ratio
Low (0 - 2)	27	1913	0.5
Medium (3 - 5)	52	2078	1
High (6 - 8)	75	1470	1.2
ALL	154	1673	0.8

Panel B: CEO position and Industry Risk Index

Industry Risk Index	N	Pay in millions	Female-to-Male Pay Ratio
Low (0 - 2)	43	1167	0.6
Medium (3 - 5)	83	2183	1.1
High (6 - 8)	28	1642	0.6
ALL	154	1673	0.8

Results

Pay Regression

Panel A: CEO Pay OLS Regression

	Int	Ind.1yrRet	ROA	Firm Risk Index	Industry Risk Index
Adj.Pay =	-0.98	0.25	0.14	0.1	0.15
	[0.0005]	[0.1253]	[0.8156]	[0.0250]	[0.0024]
				N = 154	R = 10.1%

Panel B: Non-CEO Executive Pay OLS Regression

	Int	Ind.1yrRet	ROA	Firm Risk Index	Industry Risk Index
Adj.Pay =	-0.3	0.25	-0.19	0.05	0.02
	[0.0029]	[0.0001]	[0.2198]	[0.0011]	[0.3897]
				N = 773	R = 3.7%

Risk Index is positive

Conclusion & Contribution

1. Women executives are more likely to work in riskier firms and riskier industries.
2. The traditional gender wage gap result is observed in less risky segments.
3. Women executives in riskier firms earn higher than their counterparts.

Going

forward.....

1. Add more data (2003 to 2014)
2. Women executives have lower tenure than their counterparts. Can risky segments explain why women executives have lower tenure?
3. The probability of forced turnover is higher for women CEOs.