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Gender Pay Gap? Maybe Not in the Corner Office, a Study Shows

By ANDREW ROSS SORKIN APRIL 23, 2018

The pay gap between men and women has rightly become an important topic of conversation in offices and boardrooms across the country. Despite the efforts of some companies to address the disparity, women last year earned 82 percent of what men earned, according to a Pew Research Center report. The subject was the focus of a “60 Minutes” segment on Sunday night.

Now comes a bit of news that may spark some more discussion: There may be no pay gap at all between male and female chief executives of publicly traded companies.

That’s the stunning conclusion of a new study by two professors who looked at the compensation of corporate leaders at 2,282 companies from 1996 to 2014.

The findings are sure to be controversial — though they shouldn’t be considered a sign that the gender pay gap has meaningfully improved more broadly. Nor is it a sign that there has been a rush of woman appointed to chief executive. (There hasn’t been.)

But it is a counterintuitive data point that is likely to be thrown into the mix of a debate in executive suites and boardrooms everywhere.

The authors of the study, Sandra Mortal, from the University of Alabama, and Vishal K. Gupta of the University of Mississippi (along with a researcher, Xiaohu Guo), called it a “welcome finding in today’s zeitgeist of gender equality.”

That’s not to say the conclusion will be viewed positively.

Last year, The Wall Street Journal wrote an article with the headline “Female CEOs Earn More Than Male Chief Executives.” It argued that female chief executives were being paid more than their male counterparts, with a median compensation level of \$13.8 million, compared with \$11.6 million for men.

The information was accurate. But the article was immediately criticized, both for being based on far too small a sample (there were only 21 female executives, compared with 382 men) and for a conclusion suggestive of a trend that is not a reality for most women.

Fortune magazine wrote that “such stories suggest that America’s biggest corner offices are a haven for gender equity — which does not appear to be the case.”

The new study, however, appears to be exhaustive.

“We controlled for several possible confounding factors,” the authors wrote in a post on the website of Harvard Law School’s Forum on Corporate Governance and Financial Regulation. Those factors included the chief executives’ tenure, characteristics of the firms (size, performance and risk), and the size and independence of the boards.

The authors added that their model accounted for the fact that compensation for chief executives and the number of women in the role had increased over time. “Our results reveal that there is no significant difference between male and female C.E.O. compensation,” they said.

The study also “casts doubt on the veracity” of the previous studies showing that female chief executives were paid more. “The truth seems to be that, once relevant

confounding factors are accounted for, male and female C.E.O.s earn similar compensation, which is what standard economic theory would suggest and most people would like to see happen in society,” they said.

One of the most interesting theories about why women may have bridged the pay divide at the highest levels has been offered by previous studies and experts: that a premium has been applied because there is such a limited supply of women in the chief executive role. Some readers may find that an offensive idea on its face — that women in effect are being overpaid because of their scarcity — but it’s one that has gained currency among some academics.

In an interview, Professor Mortal said she was surprised by the results of her own study. “I would have expected that women were paid less,” she said.

“There is still is discrimination against women in getting to the top,” she added, but said she welcomed the news that women were well paid “once they actually are there.”

The authors acknowledged that in some extreme situations, men are still paid more by a wide margin. For example, Fast Company pointed out that in 2016, the highest-paid male chief executive was Tom Rutledge of Charter Communications, whose compensation was valued at \$98.5 million, far beyond what Meg Whitman earned (\$35.6 million) as the head of Hewlett Packard Enterprise. But Professor Gupta said such examples were “outliers in statistical language.”

“It is certainly possibly that in the outlier group there is a gender difference, but we didn’t look at that,” he added, saying he was focused on averages.

He speculated that the pay gap at the top may have narrowed because the chief executive role is so publicly prominent. “We think it is a visibility issue,” he said. “It is highly visible to all the stakeholders.”

That may be true, but it doesn’t explain why more public companies don’t have female chief executives. Professor Gupta said that “is not an easy question to answer.”

Perhaps providing a contradictory view, a recent study of nonprofit organizations found that there were more female chief executives than male, but notably, the women were paid less — 21 percent less if managing a budget of more than \$50 million, according to GuideStar, a research firm that focuses on nonprofits.

The new study looked only at public companies.

Joanne Lipman, author of “That’s What She Said: What Men Need to Know (and Women Need to Tell Them) About Working Together,” said that irrespective of the study’s results, “female C.E.O.s face a host of obstacles that male C.E.O.s do not.”

“Female C.E.O.s should receive hazard pay,” she said.

Ms. Lipman cited a handful of statistics that show female chief executives are more likely to be blamed for poor performance than their male counterparts; that women are disproportionately hired as chief executives in times of crisis, creating what has been called a “glass cliff”; and that female business leaders are often targeted more by activist investors, a topic that this column first raised in 2015.

There is, of course, a lot more research to do. It would be interesting, for instance, to better understand how the pay of female chief executives leads, or doesn’t, to higher pay for other female executives.

But for now, perhaps this can be considered a little bit of good news in a journey that is far from over.

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