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CEO Pay 2008

Executive Summary: The Female Differential

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The Female Differential

Male/Female Differentials

Before moving to a discussion of salary differentials, the number of female CEOs in the study should give us food for thought. Compensation for only 80 female CEOs was analyzable in the sample, compared to compensation for over 2,620 male CEOs. This means that less than 3 percent of CEOs were women, and there were nearly 33 times as many male CEOs as there were female CEOs. This alone is a shockingly low number in any major Western economy.

Table 1: Female/Male CEO Compensation Levels 2007 (Source: The Corporate Library)							
Index	Number	Minimum	Lower quartile	Median	Average	Upper quartile	Maximum
Base salary							
Female	80	\$150,000	\$428,300	\$611,100	\$664,400	\$903,100	\$1,375,000
Male	2621	\$0	\$414,600	\$590,000	\$659,900	\$850,000	\$8,100,000
Total annual compensation							
Female	80	\$163,800	\$607,800	\$975,200	\$1,498,000	\$1,997,000	\$5,859,000
Male	2621	(\$2,911,000)	\$670,000	\$1,102,000	\$1,879,000	\$2,151,000	\$70,930,000
Total actual compensation							
Female	80	\$336,000	\$727,100	\$1,746,000	\$4,081,000	\$4,188,000	\$45,220,000
Male	2621	(\$2,012,000)	\$930,100	\$2,049,000	\$5,387,000	\$5,281,000	\$192,900,000

While the number of female CEOs is extremely low, as far as base salaries go, female CEOs fare pretty well compared to their male counterparts. For average and quartile measurements (median, lower, and upper quartile), female CEO base salaries are consistently higher than male CEO base salaries (see Table 1 for details). This differential in favor of female CEOs becomes plainer when female CEO pay as a percentage of male CEO pay is examined (see Table 2). Each of the quartiles and average figures for female CEOs are over 100 percent of their male counterparts, 106.25 percent at the upper quartile.

Table 2: Female CEO Pay As a Percentage of Male CEO Pay
 (Source: *The Corporate Library*)

	Lower quartile	Median	Average	Upper quartile
	%	%	%	%
Base salary	103.30	103.58	100.68	106.25
Total annual compensation	90.72	88.49	79.72	92.84
Total actual compensation	78.17	85.21	75.76	79.30

When bonuses, perks, and other cash incentives are added in for total annual compensation, however, the differential reverses, with female CEOs earning between 8 and 21 percentage points less than male CEOs. The differential widens yet further when stock option profits and other realized equity are added in, with the minimum differential at 15 percentage points. Median total annual compensation for female CEOs was \$1,746,000 compared to over \$2 million for male CEOs.

Table 3: Female/Male CEO Compensation By S&P Index 2007
(Source: The Corporate Library)

Base salary							
Index	Number	Minimum	Lower quartile	Median	Average	Upper quartile	Maximum
S&P 500							
Female	12	\$875,000	\$959,400	\$1,000,000	\$1,105,000	\$1,305,000	\$1,375,000
Male	426	\$0	\$852,300	\$1,000,000	\$1,074,000	\$1,201,000	\$8,100,000
S&P Midcaps							
Female	8	\$475,000	\$727,000	\$812,500	\$848,600	\$1,010,000	\$1,185,000
Male	339	\$0	\$631,900	\$775,000	\$780,100	\$945,800	\$1,950,000
S&P Smallcaps							
Female	22	\$305,200	\$413,800	\$538,900	\$582,200	\$696,200	\$1,122,000
Male	513	\$0	\$441,900	\$551,600	\$587,400	\$697,900	\$2,000,000
Total annual compensation							
Index	Number	Minimum	Lower quartile	Median	Average	Upper quartile	Maximum
S&P 500							
Female	12	\$1,393,000	\$2,140,000	\$3,295,000	\$3,402,000	\$4,515,000	\$5,859,000
Male	426	\$0	\$1,854,000	\$3,205,000	\$4,155,000	\$4,879,000	\$37,070,000
S&P Midcaps							
Female	8	\$854,600	\$1,229,000	\$1,764,000	\$1,990,000	\$2,281,000	\$4,560,000
Male	339	\$760	\$1,241,000	\$1,821,000	\$2,151,000	\$2,642,000	\$14,920,000
S&P Smallcaps							
Female	22	\$336,000	\$591,600	\$937,700	\$1,103,000	\$1,383,000	\$3,168,000
Male	513	\$0	\$728,900	\$1,043,000	\$1,314,000	\$1,566,000	\$34,250,000
Total actual compensation							
Index	Number	Minimum	Lower quartile	Median	Average	Upper quartile	Maximum
S&P 500							
Female	12	\$3,011,000	\$4,138,000	\$5,678,000	\$7,045,000	\$9,182,000	\$13,350,000
Male	426	\$237,400	\$4,486,000	\$9,318,000	\$15,310,000	\$18,300,000	\$192,900,000
S&P Midcaps							
Female	8	\$1,824,000	\$2,328,000	\$2,665,000	\$3,555,000	\$3,762,000	\$8,125,000
Male	339	\$760	\$2,185,000	\$4,214,000	\$6,784,000	\$8,491,000	\$95,870,000
S&P Smallcaps							
Female	22	\$336,000	\$775,500	\$1,597,000	\$3,565,000	\$2,974,000	\$31,910,000
Male	513	\$0	\$1,009,000	\$1,893,000	\$3,042,000	\$3,438,000	\$50,470,000

Is Size Everything?

In order to determine whether the size of the organization managed is having an undue influence on pay levels, a female/male analysis was conducted for the three S&P indices. Table 3 shows the breakdown for S&P 500, midcaps and smallcaps. Here, however, the picture is anything but consistent. In the S&P 500 and the Midcaps, female CEO base salaries continue to be higher than those for male CEOs, but female CEOs leading smallcap companies earn less base salary than male CEOs.

The picture changes again when the analysis moves to total annual compensation. Two aggregates – lower quartile and median – are higher for women than for men in the S&P 500, and what differential exists for those same aggregates in the midcaps is minimal for those aggregates. The worst differentials for women are again found in smallcap companies.

Table 4: Female CEO Pay as a Percentage of Male CEO Pay by S&P Index (Source: The Corporate Library)				
Base salary	Lower quartile	Median	Average	Upper quartile
Index	%	%	%	%
S&P 500	112.57	100.00	102.89	108.66
S&P Midcaps	115.05	104.84	108.78	106.79
S&P Smallcaps	93.64	97.70	99.11	99.76
Total annual compensation	Lower quartile	Median	Average	Upper quartile
Index	%	%	%	%
S&P 500	115.43	102.81	81.88	92.54
S&P Midcaps	99.03	96.87	92.52	86.34
S&P Smallcaps	81.16	89.90	83.94	88.31
Total actual compensation	Lower quartile	Median	Average	Upper quartile
Index	%	%	%	%
S&P 500	92.24	60.94	46.02	50.17
S&P Midcaps	106.54	63.24	52.40	44.31
S&P Smallcaps	76.86	84.36	117.19	86.50

This pattern is changed again when total actual compensation is analyzed. For this, female CEOs of smallcap companies actually fare better than their counterparts in larger companies, with the differential narrowing sharply and even reversing at the average. Female CEOs of smallcap companies earn an average total compensation of more than \$3.5 million, compared to the \$3 million earned by their male colleagues. On the other hand, particularly at the average and upper quartile levels, female CEOs earn less than half their male counterparts in the S&P 500 and midcaps.

Size, therefore, is not a consistent influence, and can certainly not be given as the reason for the differentials, either the positive or negative.

What Explains the Differentials?

It was also possible that performance could explain some of the differentials – not that women CEOs are performing less well than their male counterparts but possibly they were more highly represented in industries that were suffering more in the current market downturn. While more than 15 percent of women CEOs lead financial services companies, compared to 12 percent of male CEOs, the distribution of industries (while narrower for obvious reasons) for female CEOs was not different enough from male CEOs to have a significant or consistent effect.

Since industry does not explain the differential either, the next element to be examined was performance. The following analysis does not determine whether female CEOs are doing a better or worse job than their male counterparts, but rather whether the company they are managing has delivered better or worse shareholder returns than the S&P 500. If more female-run companies deliver returns that are consistently worse than the index, this could go some way to explaining why total actual compensation – which includes profits from stock options and the value of other vesting equity compensation – for female CEOs is generally significantly lower than for male CEOs. As it turns out, relative total shareholder returns (TSR) delivered by female-led companies showed a higher proportion underperforming the index than male-led companies over one, three, and five years. However, the differential narrowed as the period of measurement increased. Table 5 shows that 39.6 percent of companies managed by male CEOs outperformed the index, compared to 30 percent of companies managed by female CEOs. While this differential exists, it is not enough to explain the full differential in either total annual or total actual compensation.

		Male CEO-led companies	Female CEO-led companies
One year return v S&P 500		%	%
	Outperformed	38.61	22.58
	Underperformed	60.92	76.34
	Total	100.00	100.00
Three year return v S&P 500			
	Outperformed	35.78	27.96
	Underperformed	63.74	70.97
	Total	100.00	100.00
Five year return v S&P 500			
	Outperformed	39.59	30.11
	Underperformed	59.93	68.82
	Total	100.00	100.00

Before moving to speculation, a final element was analyzed, that of tenure. Table 6 shows that the tenure of male CEOs exceeds that of female CEOs both at the average and the median, and this is also likely to be contributing to a differential in pay, particularly when long-term equity awards are included in the total actual compensation figure.

	Average years	Median years
Female	7.5	5.5
Male	9.3	7.0

It is possible that the generally higher base salaries are an effect of recruitment issues. Where a company believes a female CEO would bring additional reputational enhancement, it might be willing to pay more up front to recruit one. The sometimes lower level of incentive payment – which cannot be wholly explained by differences in stock price performance – may be a result of differently structured compensation policies.

While outside the scope of this survey, other areas of future research to determine the causes of the differentials in pay include: age, biographical details, stock ownership, hiring details.

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By: Paul Hodgson, Senior Research Associate

Published: August 20, 2008

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By: Paul Hodgson, Senior Research Associate

Published: October 16, 2008



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