

Female CEOs Are Rare, But Is Their Pay Fair?

Many companies have recently doubled down on their focus on diversity, equity, and inclusion (“DE&I”) initiatives, and gender diversity is among their top priorities. In addition, research conducted by ISS Analytics suggests companies with a gender-diverse executive leadership team perform better, and proxy advisory firms ISS and Glass Lewis and a growing number of institutional investors also now consider board gender diversity when assessing director election proposals.

Despite increased awareness, female representation among executive leadership still appears to be lagging. According to the [U.S. Bureau of Labor Statistics](#), in 2019, women comprised 47% of employed individuals in the U.S., and approximately 50% of management, professional, and related occupations, yet only 5% of CEOs among the Russell 3000 are women. Provided in this CLEARthinking is an analysis of Russell 3000 CEOs to determine whether female CEOs’ pay is lagging too.

Key Findings



Overall, female CEOs are compensated on par with male CEOs.



However, when taking into account company size and the CEO’s tenure in the role at the company, female CEOs’ compensation diverges from male CEOs’, specifically:

- Female CEOs are compensated lower than male CEOs at larger companies and higher at smaller companies.
- Newly appointed female CEOs are compensated less than newly appointed male CEOs.

Overall Female vs. Male Target Total Direct Compensation (“TDC”)*



When looking across all Russell 3000 companies, female CEOs are paid in line with male CEOs at median.

However, this finding could potentially be misleading. Given CEO pay is structured based on a number of factors, such as company size and industry, as well as an individual’s experience, a closer look at CEO pay based on these variables reveals a somewhat different story, as detailed further in this CLEARthinking.

Percentile	Male CEOs		Female CEOs		Total	
	Target TDC (\$000)	Company Revenue (\$MM)	Target TDC (\$000)	Company Revenue (\$MM)	Target TDC (\$000)	Company Revenue (\$MM)
75th Percentile	\$7,350	\$3,045	\$7,373	\$3,094	\$7,352	\$3,053
50th Percentile	\$4,013	\$849	\$4,045	\$1,084	\$4,021	\$855
25th Percentile	\$1,838	\$197	\$2,433	\$152	\$1,856	\$195
N=	2,749	--	157	--	2,906	--
% of R3K	95%	--	5%	--	100%	--



Female vs. Male Target TDC Based on Company Size

While male and female CEOs appear to be paid comparably overall, the median company revenue for a female CEO is ~28% higher at \$1.084B vs. \$849M for a male (and, generally, CEOs of companies with higher revenue have higher target TDC).

Upon analyzing Russell 3000 CEOs based on defined company revenue cuts, male and female CEO target TDCs diverge. Female CEOs are paid higher at median than male CEOs at smaller companies (i.e., companies with less than \$500M in revenue), whereas male CEOs are paid higher at median at companies with greater than \$500M in revenue, which represent 60% of the Russell 3000.

(\$000's)	CEO Target TDC											
	<\$500M Revenue			\$500M - \$2.5B Revenue			\$2.5B - \$10B Revenue			>\$10B Revenue		
Percentile	Male	Female	% Diff.	Male	Female	% Diff.	Male	Female	% Diff.	Male	Female	% Diff.
75th Percentile	\$3,532	\$3,640	3%	\$5,952	\$5,432	-9%	\$10,170	\$9,670	-5%	\$16,741	\$16,410	-2%
50th Percentile	\$1,838	\$2,275	24%	\$4,195	\$3,932	-6%	\$7,212	\$7,190	0%	\$13,376	\$12,463	-7%
25th Percentile	\$883	\$919	4%	\$2,560	\$2,986	17%	\$5,052	\$5,498	9%	\$9,773	\$10,678	9%
N=	1,099	59	--	870	51	--	502	29	--	278	18	--
% of R3K	95%	5%	--	94%	6%	--	95%	5%	--	94%	6%	--

*Target total direct compensation (“TDC”) reflects base salary, target bonus, and target long-term incentive value

Female vs. Male Target TDC Based on Tenure




Within the Russell 3000, the median tenure of a CEO is 5.0 years, with male CEOs having a median tenure of 5.2 years and female CEOs having a median tenure of 3.8 years. Upon analyzing the connection between target compensation and tenure, we found that male CEOs with tenure <5 years and male CEOs with tenure ≥5 years are equally likely to be compensated above or below the median target compensation for all CEOs in the Russell 3000. On the other hand, female CEOs with tenure <5 years are more likely to be compensated below median and female CEOs with tenure ≥5 years are more likely to be compensated above median.


Positioning vs. R3K	CEO TDC Positioning vs. Total R3K by Tenure								
	<5 Years Tenure			≥5 Years Tenure			Total (All Tenures)		
	% of Male	% of Female	% of Total	% of Male	% of Female	% of Total	% of Male	% of Female	% of Total
TDC Above Median	50%	46%	49%	50%	59%	51%	50%	51%	50%
TDC Below Median	50%	54%	51%	50%	41%	49%	50%	49%	50%
N=	1,317	94	1,411	1,432	63	1,495	2,749	157	2,906
% of R3K	45%	3%	49%	49%	2%	51%	95%	5%	100%


Assessing Company Size and CEO Tenure in Conjunction with Each Other

Examining CEO tenure in connection with company size assessment (as discussed on previous page):

 Among the largest companies (i.e., >\$10B in revenue), median tenure for female CEOs is shorter than for male CEOs (2.6 years vs. 5 years, respectively). As a result, female CEO median pay is below median pay for their male counterparts. While similar observations can be made at mid-sized companies (i.e., \$500M to \$10B in revenue), the opposite is true at smaller companies. Smaller companies (i.e., <\$500M in revenue) compensate female CEOs higher than male CEOs, despite female CEOs being in the role for fewer years (4 years vs. 5.7 years, respectively).

Examining company size in connection with CEO tenure assessment (as discussed in section above):

 When normalizing for tenure, a comparison of pay for all CEOs with tenure ≥5 years indicates that female CEOs tend to be paid higher than similarly experienced male CEOs. This outcome is likely due to the fact that these female CEOs are leading companies with significantly greater revenue compared to the male CEOs (median revenue of \$1.2B vs. \$723M).

 Conversely, data for CEOs with tenure of <5 years show that female CEOs are more often paid below median, despite leading similarly sized companies as similarly tenured male CEOs (median revenue of ~\$1B for both male and female CEOs). Studies have shown that women have historically been paid less than men, which can have a compounding effect on future pay. As females are hired into the CEO role, their resulting pay increase will likely look higher relative to a male's increase. When setting pay for a newly appointed CEO, boards should be mindful to set pay based on expectations for the role, rather than a candidate's pay history.

In conclusion... Female CEOs are undoubtedly underrepresented in the Russell 3000, comprising just 5% of total CEOs. At first glance, it appears that despite this discrepancy in representation, male and female CEOs are compensated commensurately. However, upon taking into consideration factors such as company size and CEO tenure, there is some data to suggest that female CEOs may be compensated lower than male CEOs, especially early on in their tenure. As the focus on gender pay equality continues, it is important for companies to ensure compensation decisions across all levels of the organization reflect an individual's performance and experience, as well as the company's expectations for the role, and to avoid falling prey to any unconscious gender biases.

Methodology: Analysis is based on the Russell 3000 Index, with outliers removed (e.g., zero compensation), resulting in an analysis of 2,906 CEOs. Data analyzed is based on "target compensation" as reported in 2019 proxy statements. Specifically, target total direct compensation ("TDC") reflects base salary, target bonus, and target long-term incentive value, with special one-time awards (e.g., new hire awards, promotion awards) generally annualized over 3 years.

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