The Washington Post

On Leadership • Analysis

The surprising role where women consistently earn more than men

By Jena McGregor May 26

The gender pay gap has shown up in seemingly every job there is: Tech workers. Scientists. Even male nurses make more than their female peers.

But in one occupation — one at the very tiptop of Corporate America — the median woman has consistently earned more than the median man. It's the corner office of the country's largest public companies: chief executives of S&P 500 corporations.

A new analysis of the largest public U.S. companies by the Associated Press and Equilar, the executive pay and corporate governance research firm, found that the median female CEO made $13.1 million in 2016, compared with $11.4 million for the median male CEO.

“I don’t think there’s any one definitive reason we can say this is happening,” said Dan Marcec, Equilar's director of content. “It could just be a matter that these individuals happen to be running some of the more well-performing companies, and that’s reflected in their compensation.”

Whatever the reason, it's been happening repeatedly — and for a while. Eric Hoffmann, vice president of information services for Farient Advisors, an executive compensation consulting firm, ran the data himself using a slightly different sample: S&P 500 companies in which the CEO was in the job for the full fiscal year. He found that in nine of the past 10 years, the median female CEO earned a bigger package than her male peer. "We're getting some real consistency here," he said.

Among the 25 highest paid CEOs in 2016, according to the AP/Equilar study, five of them were women, an over-representation when women make up less than 6 percent of all CEOs in the S&P 500, according to the nonprofit group Catalyst. (The AP/Equilar study looked at the 346 CEOs in the S&P 500 that have been in the job for at least two fiscal years and who filed their 2017 proxy statements by May 1. Twenty-one of them are women, and 325 are men.)

The highest paid female CEO, IBM's Virginia Rometty, was paid $32.3 million last year, thanks in part to a stock-option award IBM valued at $12.1 million that was questioned by an influential proxy adviser and narrowly won shareholder approval.

Yahoo's Marissa Mayer came in second, with a package valued at $27.4 million last year, followed by PepsiCo's Indra Nooyi, at $25.2 million. Two CEOs who have since left their jobs — Reynolds American's Susan Cameron and Xerox's Ursula Burns — fell at the median value for 2016, $13.1 million.

So why, at least at the median, have female CEOs consistently made more than men?

There are plenty of theories but not a clear explanation. One possibility might be sample size, because there are so many fewer women than men in the job. But because these analyses look at median pay, rather than averages, an outlier shouldn't sway the figures substantially, Hoffmann says. The small numbers, however, could lead to more volatility from one year to the next in what female CEOs make.

Rather, he thinks the most likely explanation is company size, as there is a distinct correlation between annual revenue and executive pay, and many of these women run larger companies.

“If I were to have to hang my hat on why women CEOs make more than their male counterparts, I’m going to hang 90 percent of that on the size of the companies the women are running,” he said. Thirteen of the 21 women in the study are among the 250 largest companies by revenue, and just four were ranked between 401 and 500.

Some academics have studied the issue. Lisa Leslie, a professor at New York University, looked at the highest-paid executives in S&P 1500 companies and found what might be called a “diversity premium,” in which women at the top earn more than men in these top-paid positions at big companies. The reason, Leslie told the Harvard Business Review, is that companies that have adopted organizational diversity goals — something common at the largest companies — are more likely to pay extra for high-potential women.

Other researchers at George Washington University have tried to answer the question, again without a clear answer. Also writing in HBR, James Bailey and Margaret Ormiston suggested it could be a supply-and-demand issue, or perhaps a move by companies to hire women to help them improve their image, offering them more incentive pay along with it. “They're suggesting, 'We've done bad things in the past, and therefore by hiring a woman we should be forgiven and it helps make up for what we've done,' " Bailey said in an interview.

Another possibility, finally, has less to do with who's running which company and more to do with the nature of executive compensation and how it's disclosed. Since 2006, the U.S. Securities and Exchange Commission has required companies to detail a lot of information about how CEOs are paid, meaning women and men — and the boards of directors who hire them — have plenty of information to go on when it comes to negotiating their pay.

That could bolster the argument that more information and transparency would help close the gender pay gap for women well below the CEO rank, too. “You talk about workers in the general population, and if I’m a woman and I suspect I’m making a lot less than a corresponding male doing the same job, I can really only suspect that,” Hoffmann said. “But with executive pay, there's so much transparency.”

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