Why female leadership may have an effect on gender inequalities within firms

Business, Management

There are several reasons why female leadership may have an effect on gender inequalities within firms. First, if wage determination and career advancement are affected by taste-discriminatory behavior of mainly male supervisors and managers, a larger representation of women at the top of the occupational hierarchy is expected to reduce the gender wage gap and provide more opportunities for women to be promoted.

Second, it has been argued that under imperfect information female managers might be better at inferring other women unobserved productivity hence reducing statistical discrimination towards women. In this respect, females are likely to receive higher wages when employed by a female manager rather than by a male, while lower wages are likely to be paid to males by female managers, thus increasing discrimination among males.

Third, on top of the effect on wages, female leadership may be expected to adopt a management style that is more favorable to women, such as female-friendly policies and balanced work-life practices. However, while this is expected to be beneficial for women and their well-being, it is less obvious what the effects on men would be.

Fourth, behavioral differences across gender – i. e. such as risk aversion, competitive attitude and gender identity – may affect the way women behave in predominantly male work environment, as opposed to women who are in predominantly female jobs.

Finally, quite independently from gender attributes, work practices and pay policies within organization can influence both the share and the distribution of women in the occupational hierarchy as well as the gender wage gap.

The above propositions have been extensively investigated in a number of papers, which have focused on specific segments of the labor market and on selected countries, reporting mixed evidence. Cardoso and winter find evidence, for Portugal, that female executives increase women's wages within the organization, while they lower men's wages compared to male executives. Bell investigates the gender pay gap in executive positions in US firms and shows that the magnitude of the gender pay gap is statistically related to the gender of the CEO, such that female executives are found to promote more women and pay those more as compared to male executives. A recent study has looked at the effect of female leadership, among Italian CEO, on the entire distribution of wages. Their findings show that females at the top (bottom) of the wage distribution receive higher (lower) wages when employed in a firm led by a female CEO; while the opposite holds for men (i. e. lower wages at the top and higher at the bottom).

The idea is that female leadership is able to reverse statistical discrimination against women, but the side effect is a similar distortion on men's wages. Another interesting implication is that a change from male to female leadership reduces gender pay inequalities at the top of the distribution and increases them at the bottom, while there are virtually no effects on the average wage.