

The Origins and Real Effects of the Gender Gap: Evidence from CEOs' Formative Years

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ASSA

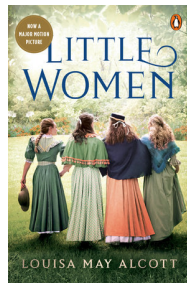
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Motivation

- ▶ Gender wage gap is largest in Business occupations (Goldin 2014)
- ▶ 5 percent of Fortune 500 CEOs are women in 2018
 - ▶ 2.4% of CEOs and 7.6% of division managers are women in the sample
- ▶ Why are women not doing better?
- ▶ One answer: discrimination and bias against women due to **gender norm**

Gender Norm

*"I want my daughters to be beautiful, accomplished, and good. To have a happy youth, **to be well and wisely married**, and to lead useful, pleasant lives, with as little care and sorrow to try them as God sees fit to send. **To be loved and chosen by a good man is the best and sweetest thing which can happen to a woman**"*



- ▶ Gender norm still powerful today (Bursztyn, Fujiwara and Pallais 2017)
- ▶ But hard to measure gender norm and discrimination at individual level

Overview

- ▶ This paper explores the origins and consequences of CEOs' gender biases in corporations
- ▶ Measure heterogeneity in gender bias using family and education background
- ▶ CEO literature emphasizes the importance of early life experience in shaping managing styles
 - ▶ Malmendier, Tate and Yan (2011): CEOs growing up in recessions take less debt
 - ▶ Benmelech and Frydman (2015): Military CEOs adopt conservative policies
 - ▶ Bernile et al. (2017): early-life natural disasters increase risk-taking

Bertrand (2019): Family structure shapes gender norms

Dependent variable: gender norm index

Sample:	Women	Men
Exposure from age 0 to 15:		
Mean log family income	0.130	0.336***
	(0.100)	(0.086)
St.dev. family income	-0.001	-0.001**
	(0.001)	(0.001)
Mother married and working	0.235	0.486***
	(0.167)	(0.154)
Mother married and primary breadwinner	0.250	0.693***
	(0.215)	(0.196)
Mother not married	0.618***	0.617***
	(0.184)	(0.173)

Summary

- ▶ Outcome: allocation of capital expenditure
 - ▶ Why? Capital is allocated based on “gut feel” (Graham, Harvey and Puri 2015)
- ▶ Female division managers receive 9-13 percent less investment annually
- ▶ CEOs with non-working mothers allocate females 6 percent less investment
- ▶ CEOs from all-male high schools allocate females 11 percent less investment
- ▶ Self-fulfilling: worse performance in female divisions under gender-biased CEOs
- ▶ Not statistical discrimination: Bias is smaller in competitive industries, and gender-biased CEOs have worse performance

Comment #1: Interaction of Controls

- ▶ Baseline regression:

$$CapEx_{jt} = \beta_1 Female_{jt} + \beta_2 CEOGenderIm_{jt} + \beta_3 Female_{jt} \times CEOGenderIm_{jt} \\ + Year\ FE + Industry\ FE + Firm\ FE + CEOBirthCohort\ FE + \epsilon_{jt}$$

- ▶ Robustness: add $CEO \times Firm\ FE$, $Division \times DivisionManager\ FE$
- ▶ But CEOs from different family income and different birth cohorts may have different investment policies, which can differ across gender
 - ▶ In 1960, 25% of women work, 4% earn more than husbands; In 2010, 60% of women work, 23% earn more than husbands
- ▶ Easy to check: add $Female_{jt} \times CEOFamilyIncome_{jt}$, $Female_{jt} \times CEOBirthCohortFE$
 - ▶ Focus on within-CEO-cohort variation (less gender bias in younger CEOs correlated with younger firm and more female workers)
 - ▶ Reduce OVB (all else equal higher family income reduces gender bias)
 - ▶ Effect of income on gender bias is interesting on its own

Comment #2: Mechanisms

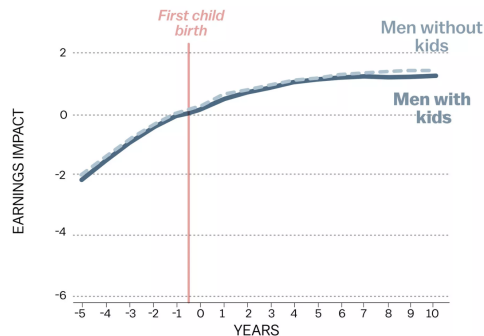
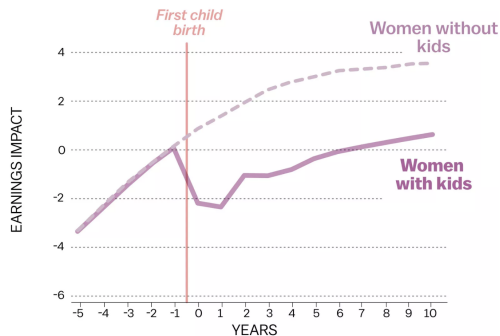
- ▶ Female division managers receive less investment (within a firm) due to
 1. **assignment channel**: females are assigned to divisions with less investment;
 2. **capital allocation channel**: females get less investment conditional on division
 - ▶ **appointment channel**: females less likely to become division managers
- ▶ Separating these channels matters for policy (e.g. rotation)
- ▶ Decomposition (*male* means that the division manager is male):

$$E[I_{jt}^M | male] - E[I_{jt}^F | female] = \underbrace{E[I_{jt}^M - I_{jt}^F | female]}_{\text{capital allocation channel}} + \underbrace{E[I_{jt}^M | male] - E[I_{jt}^M | female]}_{\text{assignment channel}}$$

- ▶ First term on RHS (capital allocation channel) can be estimated by regressions with division FE weighted by probability of female managers
- ▶ Why not use exogenous CEO turnovers to study all three channels?

Comment #3: Childbirth and Family

- ▶ Conclude childbirth is not important because no significant differences between female division managers above and below age 40
- ▶ But the effect of childbirth is long-lasting (Kleven et al. 2019)



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- ▶ Conclude childbirth is not important because no significant differences between female division managers above and below age 40
- ▶ But the effect of childbirth is long-lasting (Kleven et al. 2019)
- ▶ Compare women at the same age with and without children
- ▶ Do woman divisional managers marry and have children?
 - ▶ “Women can’t have it all”
 - ▶ Nearly *half* of female business executives in the 41-to-55 age bracket are childless, compared to 20% for men (Harvard Business Review)
 - ▶ Are more female-friendly CEOs also more family-friendly towards female managers?

Little Things

- ▶ CEOs with single moms?
 - ▶ The percentage of children living with only their mother increased from 8 to 23 percent between 1960 and 2016
- ▶ Evolution of gender bias during CEO's life cycle?
 - ▶ Is it self-reinforcing (Fisman, Sarkar, Skrastins and Vig 2019), self-correcting or even reversing (Bohren, Imas and Rosenberg 2019)?
- ▶ Control for availability of women for appointment channel
 - ▶ Some industries and regions have less women – add industry*region FE
- ▶ Coefficients in Table 3 Col 4 and Table 4 Col 1 seem inconsistent

Conclusion

- ▶ Beautiful data work+presentation
- ▶ Shows that gender norms are formed by early experience and have long-lasting effects
- ▶ Could probably dig deeper into mechanisms (appointment, assignment, allocation) and interpretation (childbirth and family)