

Study finds that female leadership affects wage-gap and firm performance

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A new paper in *The Economic Journal* finds that female executives decrease the wage-gap for women at the top of a firm while widening it at the bottom.

This study also finds that the lack of women at the [executive](#) level has a [negative impact](#) on [firm performance](#), especially in conditions with a greater share of female workers. The researchers suggest that if all firms with at least 20% of female workers were led by female CEO's, they could see their sales per [worker](#) increase by 14%.

The reason is that [female executives](#) are better able to assess the qualities of female workers and assign them to tasks more in line with their ability, thus boosting firm's performance and reversing the statistical discrimination they endure under male executives.

Researchers studied three sources of data from Italian manufacturing firms from 1980-1997, with a focus on the period between, 1988 and 1997. This overall data set includes information on about a million workers per year.

The researchers focused on 795 firms where women represented about 21% of the workforce and accounted for 2.5% of executives. They found that the impact of female leadership reduced the pay gap for women at the top of the wage distribution but widened it at the bottom. Specifically, female executives increased wages for women in the top 25% by about 10% and decreased wages for women in the bottom 25% by about 3%. There is an opposite impact on men, with wages decreasing for the top 25% and increasing for the bottom 25%.

"We explain our results with a model where executives learn about the skills of their workers and they are better at assessing workers of their same gender." said the paper's lead Luca Flabbi. "In a world dominated by male executives, female workers prove it hard to show their skills, and therefore to climb the firm's hierarchy. In firms with many [women](#), therefore there is a lot of unexploited talent. When a woman becomes the CEO, she is better able to assess the qualities of the [female workers](#) and assign them to tasks more in line with their ability, thus boosting

firm performance."

More information: "Do female executives make a difference? The impact of female leadership on gender gaps and firm performance" *The Economic Journal*, [DOI: 10.1111/ecoj/uez012](https://doi.org/10.1111/ecoj/uez012)

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