

Researchers find significant gender pay gap in executive severances

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Men in executive leadership positions receive over \$500,000 more in severance compensation than women, according to researchers from the University of New Hampshire and the University of Nebraska at Omaha. Researchers say a gender pay gap exists in average severance compensation packages between male and female executives in large, publicly traded American companies.

The study, recently published in the *Journal of Business and Psychology*, examines severance packages at the executive level through a series of analyses. After accounting for other plausible reasons, a gender-based gap in severance payouts exceeding \$500,000 in favor of male executives was identified. Researchers found that executive severance agreements, which often include benefits received upon termination "without cause," can be prone to bias due to ambiguity in how they are determined. Such ambiguity opens the door for preconceived notions and biases tying gender to performance, personality traits and expectations.

"We found that male executives are more likely than their female counterparts to be rewarded in their severance agreements when the company's stock value increased under their leadership," said Jennifer Griffith, associate professor of organizational behavior and management. "But for [women](#), how well the company was doing had less impact on the value of their severance package. This shows that performance is attributed to other organizational or market factors when women lead and could make it more difficult for women in executive leadership roles to demonstrate their value to the firm."

Researchers noted that [female executives](#) were more likely to be

undervalued while male executives are more likely to be over-rewarded. These findings hold true regardless of company performance. The study also showed that women were at a disadvantage in negotiating better agreements and often met with stronger resistance to negotiations than their male counterparts due to pre-existing notions of gender expectations and behavior.

"Discrepancies in compensation based on gender, even upon termination or separation, impact more than an executive's bottom line. Lower severance pay and a higher likelihood of being dismissed can discourage women from seeking executive roles," said Kelsey Medeiros, assistant professor of management at UNO and the study's lead author. "That sort of impact can also tarnish the culture of an entire organization and make it difficult to attract and retain top talent."

Previous studies have examined the [gender pay gap](#) at the [executive](#) level in terms of annual salary rather than total compensation, which includes severance pay agreements. This research underscores the need to take a more holistic view of compensation and paves the way for future studies that examine processes behind how severance agreements are formed and executed, with particular attention paid to how these processes can disadvantage certain groups.

Co-authors included Rachael Campagna also of UNH, Stephane Shipe of Wake Forest University, Matthew Crayne of the University at Albany-SUNY and Tristan McIntosh of Washington University in St. Louis.

More information: Kelsey E. Medeiros et al, Minding the (\$500,000) Gap: Accounting for the Gender-Driven Gap in Executive Severance Agreements, *Journal of Business and Psychology* (2022). [DOI: 10.1007/s10869-021-09785-w](https://doi.org/10.1007/s10869-021-09785-w)

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