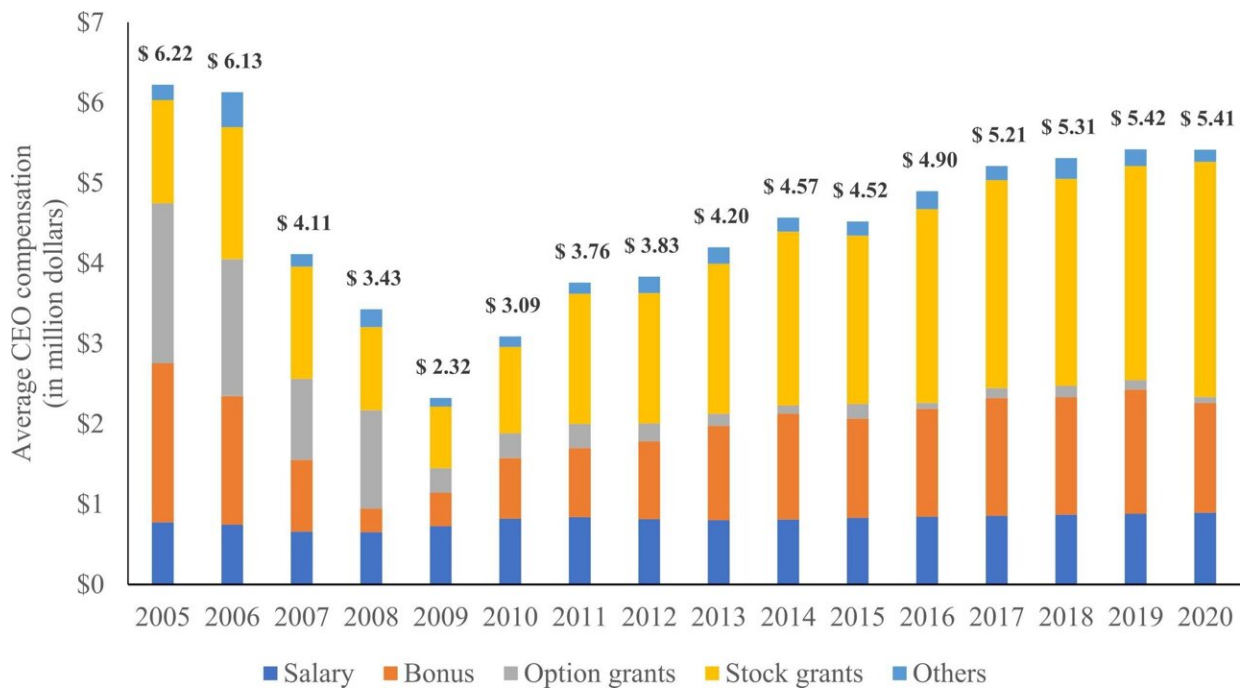


Looks matter—handsome bank CEOs can earn a million more than their less attractive colleagues

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Bank CEO total compensation. The figure depicts of the distribution of CEO total compensation into its subcomponents and the developments in pay structure during the period 2006–2014. Total compensation is the sum of the CEO’s annual base salary, bonuses, non-equity incentive plan compensation, the grant-date fair value of option awards, the grant-date fair value of stock awards, deferred compensation earnings, and other compensation, Salary is the annual base salary of the CEO, Bonus is the sum of annual bonus and the non-equity incentive plan, Stock grants and Option grants are the grant-date fair value of stock and option awards, respectively, and Other includes all other compensation

items in excess of Salary, Bonus, Stock grants and Option grants. Credit: *Journal of Economics and Business* (2022). DOI: 10.1016/j.jeconbus.2022.106095

Appearance significantly influences the compensation of chief executive officers in the banking sector. In American banks, CEOs with more attractive facial features earn, on average, one million dollars more per year than their less appealing colleagues.

This [insight](#) comes from [a recent study](#) conducted by researchers from the University of Vaasa and Hanken School of Economics, Finland. The study published in the *Journal of Economics and Business* examined the connection between the attractiveness of CEOs' facial features and their compensation in the [banking sector](#).

"CEOs who are more attractive, on average, receive an annual total compensation approximately 24 percent higher than their less attractive colleagues," says Sami Vähämaa, professor of accounting and finance at the University of Vaasa.

Vähämaa's research team included Mikko Ranta, associate professor of accounting, and Shaker Ahmed, project researcher from the University of Vaasa, along with Emilia Vähämaa, associate professor of finance from Hanken.

Beauty pays off in banking too

In their study, Vähämaa and his team talk about a beauty premium, that is extra compensation given to employees based on their pleasing [appearance](#). When comparing individuals in the same profession and position, it has been observed that attractive employees, on average, earn more.

The research dataset included 167 U.S. banks and 272 individual CEOs. The researchers employed machine learning to objectively assess the facial appearance of the bank CEOs. Mikko Ranta constructed a machine-learning model for the study, which evaluated the CEOs' appearances on a scale from one to five.

The attractiveness scores generated by the machine-learning model were based on the subjective perceptions of beauty by a large group of people. A training dataset was created, consisting of a large number of facial images and subjective evaluations of the individuals' appearances.

"American bank CEOs form a highly homogeneous group: white males who are around 50 to 60 years old. We tested our [machine-learning model](#) on images of the actor George Clooney, who represents this age group and is generally considered attractive. The model gave him scores ranging from 4.2 to 4.5 depending on the image. In contrast, the average attractiveness score for bank CEOs' [facial features](#) was 2.7," explains Vähämaa.

The study revealed that the beauty premium in CEO compensation cannot be explained by demographic factors such as age, gender, or ethnic background. Therefore, the beauty premium, an extra reward based on pleasant appearance, exists even in the high-paying CEO job market.

"Good looks benefit bank CEOs. Our research findings indicate that appearance has a significant positive impact on the total compensation of bank CEOs and especially on their discretionary, performance-based compensation," concludes Vähämaa.

More information: Shaker Ahmed et al, Facial attractiveness and CEO compensation: Evidence from the banking industry, *Journal of Economics and Business* (2022). [DOI: 10.1016/j.jeconbus.2022.106095](https://doi.org/10.1016/j.jeconbus.2022.106095)

Provided by University of Vaasa

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