

Minorities, females serving on boards receive less compensation, less leadership roles

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While minorities and females are represented on boards of directors of many major corporations in the U.S., they often have fewer leadership opportunities within those organizations. In a new study, University of Missouri and University of Delaware researchers found an average 3 to 9 percent gap in compensation.

"On average across all firms, [minorities](#) and [females](#) actually are paid more than the average board member," said Matthew Souther, assistant professor of finance in the Robert J. Trulaske, Sr. College of Business. "However, when those boards and leadership opportunities are scrutinized more closely, this higher pay is driven by minorities and females being more likely to serve on boards of higher-paying, more visible firms. Within these boards, they actually earn less on average than their peers."

In their study, Souther and co-authors Adam Yore, assistant professor of finance, and Laura Field, professor of finance at the University of Delaware, reviewed more than 1,800 companies and 70,000 board members and their compensation. The researchers measured how well [directors](#) monitored the CEO, the vote totals that directors received to retain their seats on the boards, and each director's qualifications that included education and professional experience.

The researchers found that minorities and females on boards of directors are more qualified when comparing education, experience and expertise. They also found that it's uncommon for minorities and females to chair or serve on important committees such as audit or compensation committees. Committee chairs or directors who serve on important committees typically are paid additional money for their service.

Yore said most boards have a set compensation schedule that is paid to board members, and because larger companies have a better focus on diversity, it is not unusual to find minorities on boards of major firms. However, only 7 percent of directors are minority and 12 percent are female and therefore underrepresented relative to the population; because many minorities and females are not chosen to chair committees or serve on "power" committees, they often receive less total pay compared to their peers.

"The pay gap is not huge, so we think this might be some type of subconscious effect," Yore said. "Yet, it is something that could impact a board because they could be missing a significant perspective by not having a minority or female on the board serving in a leadership role. We also found that the pay gap was larger for those who had served longer, which also is concerning as boards always want to attract and retain the best people."

The researchers suggest that, in order to ensure equity, boards review how they appoint members to certain committees and leadership roles and ensure that their appointment policies help provide a balanced perspective for their companies.

The study, "[Does Diversity Pay in the Boardroom?](#)," will be presented at the 2017 Financial Institutions, Regulation & Corporate Governance Conference and the 2017 Annual Meeting of the Eastern Finance Association.

Provided by University of Missouri-Columbia

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