

**WHO IS TO BLAME FOR WOMEN'S LOWER PAY?
A CONTEXTUAL APPROACH TO THE GENDER PAY GAP IN MANAGERIAL
POSITIONS**

Submitted by Clara Kulich, to the University of Exeter as a thesis for the degree of Doctor of Philosophy in Psychology, in May 2008.

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Clara Kulich

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ABSTRACT

Women are paid less than men in comparable occupations when human capital factors are controlled for. This gender pay gap is particularly prominent in upper management where on average female leaders are allocated 30 per cent less pay than male leaders. This thesis examines the underlying causes and the consequences of the gender pay gap in managerial positions by considering the organisational context (i.e., company performance) and social context (i.e., women's experiences in the workplace) in which these differences emerge. First, three studies identify and examine gender disparities in the way in which performance-based pay is allocated as a function of company performance. Second, a survey study takes the perspective of leaders themselves by considering gender differences in pay-related attitudes and their relationship to distinct gendered experiences in the workplace.

An archival study (Study 1, $N = 192$), an experiment (Study 2, $N = 201$), and a survey (Study 3, $N = 180$) investigated the role of gender in the relationship between managerial bonuses and company performance. In studies 1 and 3 the bonuses awarded to men were larger than those allocated to women. Moreover, while the compensation of male leaders was sensitive to performance, such that they received greater bonuses the better their company performed, the bonuses awarded to female directors were not sensitive to performance across all three studies. The psychological processes related to this phenomenon were explored in Study 2. It was found that, for a male leader, increasing company performance simply led to larger performance-related bonuses. However, for a female leader, the allocation of a bonus was based on perceptions of her charisma and leadership ability rather than resulting directly from company performance.

Study 4 examines gender similarities and differences in attitudes towards pay and pay negotiations. In a sample of 180 employees with managerial responsibilities, no gender differences in attitudes about the importance of pay were found. However, while female participants felt less confident than men about asking for pay rises, this was, at least in part, explained by their negative workplace experiences, such as feeling to have to invest more time and effort in order to achieve a pay rise and fearing negative responses when making pay demands.

The importance of integrating the organisational and social context in the analysis of the gender pay gap is discussed in light of the limitations of a primarily individualistic approach. The role of the organisational context in moderating the attributional dynamics surrounding pay and evaluation patterns is explained within the framework of literature on the romance of leadership and gender stereotypes. The social context is considered in terms of the role of societal beliefs which may influence women's decisions to opt out of top managerial jobs and their lack of confidence with pay negotiations. Finally, these findings are used to critique the tendency to blame women themselves for gender disparities in pay and their under-representation in managerial jobs, and instead I argue that it is organisational indifference towards women that perpetuates the gender pay gap.

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STATEMENT OF THE CANDIDATE'S CONTRIBUTIONS TO CO-AUTHORED PAPERS

Studies 1, 2, and 4 in this thesis, were written up as papers for publication. The content of the papers has been shortened and adjusted in order to avoid repetitions of content which has been stated elsewhere in this thesis. Further, the American English spelling was changed into British.

Study 1

Kulich, C., Trojanowski, G., Ryan, M. K., Haslam, S. A., & Renneboog, L. (2008). Who gets the carrot and who gets the stick? Evidence of gender disparities in executive remuneration. Manuscript in submission: *Strategic Management Journal*.

The first study of this thesis, presented in Chapter 2, was submitted as a paper to the *Strategic Management Journal* in April 2008. The PhD candidate designed the research. In collaboration with Dr. Grzegorz Trojanowski (University of Exeter, School of Business and Economics) and Prof. Luc Renneboog (University of Tilburg, CentER) the data set from Study 1 was built, with the help of employed research students, using two economic databases which contained the information necessary for this research. Dr. Trojanowski further made major contributions in dealing with the statistical side of the analyses, by introducing the candidate to a Tobit regression analysis methodology (often used in economic research). The embedding of the study in the literature and the psychological framing of this work was conducted by the author of this thesis with supervisory support from Dr. Michelle Ryan and Prof. Alex Haslam.

Study 2

Kulich, C., Ryan, M. K., & Haslam, S. A. (2007). Where is the romance for women leaders? The effects of gender on leadership attributions and performance-based pay. *Applied Psychology: An International Review Special Issue*, 56, 582-601.

The second study, presented in Chapter 3, has been published in *Applied Psychology: An International Review Special Issue*. The author of this thesis designed the online experiment, collected the data, analysed and wrote the paper with the supervisory support from Dr. Michelle Ryan and Prof. Alex Haslam.

Study 4

Kulich, C., Ryan, M. K., & Haslam, S. A. (2008). Why women don't ask: The impact of gendered experiences on attitudes towards pay negotiation. Manuscript in preparation: University of Exeter.

The fourth study, presented in Chapter 5, has been written up as a paper and is currently in the process of revision. It will be submitted for consideration at *Psychology of Women Quarterly*. The author of this thesis designed the online experiment, collected the data, analysed and wrote the paper with the supervisory support from Dr. Michelle Ryan and Prof. Alex Haslam.

STATEMENT OF THE SUPERVISORS' CONTRIBUTIONS TO CO-AUTHORED PAPERS

As outlined in the candidate's statement, the substantial work in the papers presented in this thesis was conducted by the candidate. This includes the literature review, study design, statistical analysis, and interpretation. The supervisors contributed to the papers by giving advice on statistical analyses, and writing style. Also, they gave guidance on the theoretical framing of this thesis through the discussion of the contents and their arrangement in the papers as outlined above.

Dr Michelle K. Ryan (first supervisor)

Prof. S. Alex Haslam (second supervisor)

Dr. Grzegorz Trojanowski (third supervisor)

CHAPTER 1

WOMEN IN UPPER MANAGEMENT



From a glass ceiling to a glass cliff

Women are still under-represented in the highest echelons of companies.

Worldwide, less than three per cent of top-level positions within companies are occupied by women (Wirth, 2004) and persisting stereotypes link managerial success with traditionally masculine traits (e.g., Schein, 2001). Since the 1970s the scarcity of women managers has been an intensely discussed topic (Kanter, 1977; Madden, 1973; Schein, 1973, 1975) and led to the coining of the term *the glass ceiling* in the 1980s (The Corporate Woman, 1986). This metaphor reflects the invisible barriers that women encounter as they try to move up the corporate ladder. The search for the reasons why there are so few women in the most senior ranks, and who is to blame, has been a topic of interest for psychologists, sociologists, economists, and management theorists (e.g., Eagly & Carli, 2007; Kanter, 1977; Maume, 2004; Wirth, 2004). Dominant explanations include the conflict between gender stereotypes and leader expectations, overt sexism, and women's exclusion from "old-boys" networks.

Since the early outcries for gender equality in the workplace, the situation has changed considerably, with more and more women being promoted to leadership positions.

Now, over 40 per cent of the middle managers in the US are female (U.S. Bureau of Labor Statistics, 2001), and while Europe also sees more women in managerial positions, the EU clearly lags behind the US having an average of only 30 per cent female managers (Bautier, 2006; Newell, 2007). There is also a lot of variation across the European countries. For example, Malta has the lowest proportion of women managers with 14 per cent, Austria 27 per cent, the UK 34 per cent, and Lithuania 45 per cent. Yet, despite the fact that statistics clearly indicate that progress has been made in the past century, there is evidence that this trend has stagnated (Sealy, Singh, & Vinnicombe, 2007). The number of female executive directors in the FTSE 100 companies in the UK was 9.7 per cent in 2003 and is still only 11 per cent in 2007. Similarly, in the US the percentage of women on Fortune 500 boards hardly changed from 14.7 in 2005 to 14.6 in 2006 (Catalyst, 2007).

Are women to blame for gender disparities in the workplace?

The fact that there are so many women in middle management, yet so few women at the top of organisations has lead some recent researchers and commentators to suggest that women *opt out* of leadership positions (Belkin, 2003; Hewlett and Luce, 2005; cf. Merrill-Sands, Kickul, & Ingols, 2005; Ryan, Kulich, Haslam, Hersby, & Atkins, in press). Indeed, Belkin ascents that there has been an ‘opt-out-revolution’ whereby women actively choose to leave high-ranking positions or to not even take them on in the first place. Indeed, while the average female chief executive director in the Fortune 500 holds her position 4.8 years, the average male holds it for 8.2 years (Blanton, 2005). One dominant explanation for this opting out is that women prefer to focus on family or do not want to sacrifice their lives for work (McDonagh, 2008; Paton, 2006; Sellers, 2003). Commentators have argued that “women shy away from the top jobs because they are unwilling to sacrifice their family life, are less aggressive than their male counterparts and are less concerned with job” (Sunday Telegraph, 2005; see also Amble, 2005). Here, it is assumed that women actually

choose not to take on high-paying or managerial positions and thus the blame for women's under-representation at top ranks is put squarely on their own shoulders. However, this reasoning overlooks an important issue, that is, the question of *why* women choose to opt out of top positions. Is it merely a choice of lifestyle, or can it be seen to be a result of the experiences women face as they move up the career ladder? The following quote from an interview illustrates how unfair treatment can push women to leave (Wilson-Kovacs, Ryan, Haslam, Hersby, Kulich, & Atkins, 2008):

I worked for a company and discovered that a male colleague was being paid £3,000 more than me for doing exactly the same job and I had more experience and a much higher level of education than him. When I approached Personnel, they denied they were doing anything wrong and refused to do anything about it. Needless to say I left the company for a much higher paid job. [Female Manager]

There are a number of reasons why women may be more likely to opt-out of senior leadership positions. Indeed, the barriers that women encounter can become more pronounced the higher up the career ladder they climb (Arulampalam, Booth, & Bryan, 2005; Benassi, 1999; Equal Opportunities Commission, 2003; Lyness & Thompson, 1997; Maume, 2004). Recent research has shown that women who have been successful in gaining managerial positions may not have the same experiences as their male counterparts (see e.g., Jacobs, 1992; Lyness & Thompson, 1997; Ryan & Haslam, 2005, 2007). Eagly and Carli (2007) describe the reality women face in the workplace as a *labyrinth*, with walls all around female leaders where they have to find the right alley in order to progress with their work and careers. One example of such a "wall" or barrier is that women may not enjoy the same authority and power as men do in similar positions (Broadbridge & Hearn, 2008; Edelman, 1992; Maume, 2004). Also, men have greater access to structural and decision-making power. According to these arguments, men are more likely to occupy top

positions that allow them to have an impact on a company's corporate governance through decisions they make (e.g., Jacobs, 1992; Wright, Baxter & Birkelund, 1995). In some cases women hold managerial positions but they do not enjoy the corresponding power. For example, women may be merely consulted for input for decisions that are finally made by men (Reskin & Ross, 1992). In this way, men can influence hiring policies and other human resources decisions (i.e., who will be hired and who will be promoted) which may disadvantage women's progress in their careers. Indeed, as research by Kanter (1977) has shown those in power tend to choose people similar to themselves (e.g., similar social characteristics such as gender and race) which keeps women from gaining power within organisations and hence their contributions are under-represented and under-valued. In a similar vein, recent research examining the context of women's leadership appointments has demonstrated that women are more likely to be chosen for risky positions compared to men (Ryan & Haslam, 2005, 2007). Here, archival data has revealed that women are more likely to be appointed to managerial positions in troubled companies than in flourishing companies, whereas their male counterparts are equally distributed across companies of divergent performances. So, after having broken through the glass ceiling women are exposed to the risk of falling off a *glass cliff*, a metaphor representing the precariousness of women's managerial roles.

Taken together, this research illustrates the difficult situation women face in their work environment. While the actual number of women in managerial positions has increased, these women have to navigate through a misleading and complex labyrinth of subtle barriers and double-edged opportunities as demonstrated by the glass cliff. One of the clearest ways in which women's experiences differ from those of men is the lower remuneration that they receive for their work. Pay, in its most obvious function, is a work motivator (Taylor, 1911; cf. Ellemers, de Gilder, & Haslam, 2004; Haslam, 2001).

However, at a managerial level, pay also takes on an important social role as an indicator of success, status, acknowledgment, and power. Thus, equality in pay is not just a matter of allocating equal sums of money but it is about how women's and men's contributions in the workplace are valued.

The gender pay gap

Women earn considerably less than men, a pattern that has been observed across levels of seniority, industries, professions, and countries (see e.g., Arulampalam et al., 2005; Barth, Røed, & Torp, 2002; Chen, Vanek, Lund, & Heintz, 2005; Commission of the European Communities, 2007; Ferroni, 2005). This pay gap has important implications for women since it can pose financial strains on them. More importantly, it suggests that women's efforts are less acknowledged and valued than men's efforts. For female managers this difference in pay also affects their promotion opportunities since remuneration is considered an indicator of an individual's value on the labour-market (Ridgeway, 2001). Consequently, unequal pay will put women in a disadvantaged position because they are being traded below their actual value. Furthermore, unequal pay may lead to frustration among these women who are not adequately rewarded for their efforts (Kulich, Ryan, & Haslam, 2008b). Thus, the pay gap is one of the key examples of a barrier that female leaders will encounter when in the workplace.

Equal pay for men and women in all member states was already one of the core principles of the European Union when it was founded in 1957 (see European Commission: Equal treatment in the EC treaty, Article 141). Yet, until the introduction of the Equal Pay Act in the US in 1963 and in the UK in 1970, gender pay disparities used to be broadly institutionalised. Jobs were categorised by sex, and further to this, identical jobs had separate pay scales for men and women, which clearly disadvantaged women (Brunner,

2007). However, although sex discrimination legislation has been in force for over three decades, there is still a gender pay gap of 17 per cent in the UK (Equal Opportunities Commission, 2005). This gap extends worldwide. In industrial countries it ranges from 15 per cent in the EU (Commission of the European Communities, 2007), to 23 per cent in the US (DeNavas-Walt, Proctor, & Lee, 2005; Institute for Women's Policy Research, August 2006). Moreover, according to United Nations statistics, the gap is even wider on continents with developing countries: approximately 35 per cent in Asia, 46 per cent in Africa and 51 per cent in Latin America (Chen et al., 2005; Ferroni, 2005). A recent report by The International Trade Union Confederation shows clearly that the gender pay gap varies between countries within the continents (Chudd, Melis, Potter, & Storry, 2008). Interestingly, it is not the poorest countries which report a high gender pay gap. In Japan, for example, a gender pay gap of 33 per cent persists compared to Thailand where a gap of only 9.3 per cent is reported. One of the highest pay gaps in Asia was observed for Georgia where on average women only earn 51.1 per cent of the pay men take home. Also, in Europe the pay gap is quite distinct varying from 3 per cent in Malta to 25 per cent in Estonia.

It is clear, then, that women are disadvantaged in their pay packets relative to men. However, importantly for this thesis, patterns of unequal compensation for men and women become more pronounced at senior levels (e.g., Barnes, 2006; Powell, 1999). In the EU the gap in managerial salaries reaches up to 30 percent (Arulampalam et al., 2005). Further, recent statistics released by the Institute of Directors have revealed that in the UK the gender pay gap in the boardroom is still growing. Over the past year the gap has increased by three per cent to 22 per cent on average, and in some sectors even to 26 per cent (Paton, 2007).

Managerial remuneration

The discussion about pay inequality in top positions is embedded in controversies on managers' pay in general. A wave of corporate scandals in 2001 (Bebchuk & Fried, 2004) started a hot debate about "fat-cat" salaries and their justification (Tran, 2003; Mathiason, 2007). In the UK boardroom pay is on average seven times more than that of the ordinary worker, and up to 100 times more when one considers chief executives in large UK companies (Prynn, 2006). One explanation for the inequalities in remuneration between the average worker and top-level employees is the introduction of performance-pay in the late 1970s. Up to this point, size of pay was mainly determined by fixed job-characteristics. In contrast, performance-pay focused on person-specific factors and was variable and negotiable. The incidence of performance pay increased from the late 1970s to the early 1990s and so did the pay-inequalities as data from the US demonstrated (Lemieux, MacLeod, & Parent, 2007). Since 2001 the public discussion has called for clarification of the basis for top leaders' and managers' pay and, in particular, the exact way in which it is determined. While it is claimed that leaders earn their large salaries through their abilities and the performance of their companies (Financial Reporting Council, 2003; Kaplan, 2008), even economists question whether executive pay is actually directly associated with their performance (see e.g., Bebchuk & Fried, 2004; Jensen & Murphy, 1990). Rather, it is argued that other indicators such as managers' power (Bebchuk & Fried, 2004) or just company size (see e.g., Thierry, 1998; Tosi, Katz, & Gomez-Mejia, 1997) may be more important predictors of pay.

The debate surrounding managerial pay makes dealing with gender pay differences an even greater challenge since it is difficult to identify gender-specific irregularities when pay structures are generally vague and non-transparent. Managerial pay includes a number of pay elements such as base salary, annual bonuses, pension payments, long term

incentives, and many others (Financial Reporting Council, 2003). The size and variability of each pay element is determined by different indicators (e.g., while base salary is a stable amount, bonus is performance-dependent) and may be paid after variable periods of time (e.g., option plans vest over several years while annual bonus or salary are paid immediately). Moreover, the disclosure of, and accessibility to, executive pay data varies across countries. It reaches from almost complete disclosures in US and UK companies to incomplete or non-existent publication in countries such as Germany and Austria (Baird, Altheimer-and-Gray, & Stowasser, 2002; U.S. Securities and Exchange Commission, 2007).

This confusion about the exact nature of pay structures is partially due to the short history of managerial pay. Companies began as family enterprises where ownership and control were combined. Consequently, the aim of the owner (who was at the same time the manager) was clear: the maximization of company outcomes, which in turn would deliver them higher profit or “income”. With the growth of companies, the separation of ownership and management, and the introduction of share holders, the dynamics within corporations have changed. Pay has become an important incentive to motivate appointed managers to act in the interest of shareholders.

At a theoretical level, such developments sparked the emergence of *agency theory* in the late 1970s which focuses on the conflict between the principle (the owner of the company) and the agent (the manager of the company) and on ways in which the agent can be incentivised to improve company performance (Eisenhardt, 1989; Holmström, 1979; Murphy, 1985, 1999). Within this framework, compensation serves as a motivator that aligns the interests of managers with those of shareholders (Murphy, 1999). By this logic, company performance is a signal about managers’ actions, with better performance indicating that the manager has acted to the benefit of the shareholders. In this way,

rewarding managers for their performance involves the evaluation of managers' efforts and achievements, a process which is not necessarily equivalent to evaluating a company's successes. Corporate outcomes depend not only on good or bad leadership and managerial practises but on a number of external factors such as the political situation, economic forces, or investor mood (Bebchuk & Fried, 2004; Belliveau, O'Reilly, & Wade, 1996; Haslam, 2001; Tosi, Misangyi, Fanelli, Waldmann, & Yammarino, 2004). The fact that the determinants of pay are not clearly defined from an economic perspective suggests that there are other factors that play a role in determining pay, especially at a top managerial level, where pay is even more complex. Research suggests there are social factors which may influence directors' pay, for example, directors' power was found to be influential (e.g., Elhagrasy, Harisson, & Buchholz, 1999). Here, it is argued that CEOs in the US can influence the size of their own compensation by using political tactics such as legitimating and justification in order to influence the compensation decisions of the board of directors. Accordingly, if we are to fully understand the gender pay gap, then social explanations such as gendered behaviour, stereotypes, and expectations must be sought.

Explanations for the gender pay gap – an individual approach

One way of explaining gender inequality is to focus on individual differences. In this vein, initial academic examinations of the gender pay gap were defined by a search for individual differences or "deficits" in women that contributed to their inferior pay. Such research revealed gender differences in *human capital factors*, and argued that women earn less due to (a) lower levels of education, (b) fewer years of experience, (c) more career breaks, and (d) shorter tenure (Roos & Gatta, 1999; Sicilian & Grossberg, 2001). Research also examined *occupational sex segregation*, demonstrating that the roles which women typically occupy tend to be in lower-paying areas such as human resources or marketing

(Kidd & Gonion, 2000; Macpherson & Hirsch, 1995), or in female-dominated (and underfunded) industries such as healthcare or teaching (Allen & Sanders, 2002). However, such an argument has been rejected on the basis of numerous studies showing that even after controlling for levels of education, human capital, and other factors, the gender pay gap still prevails (Alkadry & Tower, 2006; Bielby & Bielby, 1988; Joshi, Makepeace, & Dolton, 2007).

The persistence of the gender pay gap long after legislation has prohibited gender discrimination and gendered pay may lead us to suppose that women themselves play a role. Following this, it has been argued that women are less likely than men to ask for pay rises and promotions (Babcock & Laschever, 2003). One explanation for this phenomenon is that women give higher importance to intrinsic job characteristics such as pleasant working conditions or job satisfaction (see e.g., Crosby, 1982; Heckert et al., 2002). Another is that women have different priorities than men, and are more committed to their families and less to their careers (Escriche, Olcina, & Sanchez, 2004). Such an approach is apparent when looking through online responses to a survey on the gender pay gap in Britain (BBC, 2006; Kulich, Ryan & Haslam, 2008a) from which the following two comments were sampled:

In my experience (...) women generally do not want to take the higher paid positions due to the increased time pressure associated with the higher position not fitting in with their childcare.

I don't think in this day and age that women's earnings are beyond their control at all. They have the education to enable them to enter a profession, and the law ensures that they are paid equally to men in it. Likewise they may choose whether or not to have children, choose whether or not to work part-time and choose whether or not to continue in their profession or take a lower-paid job.

Taken together, the presented findings from the literature and the BBC comments suggest that pay disparities exist because women make choices that put their satisfaction and their families ahead of their salaries and careers.

A more straightforward examination of such an explanation for the gender pay gap is research directly investigating women's expectations about pay. Women (compared to men) have lower expectations about what they are worth in an organisational context (Deaux, 1979; Deaux & Farris, 1977; Heckert et al., 2002). For example, a recent study showed that when a job was advertised as paying £55,000 a year, not a single woman applied. However, when the same position was advertised as paying £35,000 per year, a great number of women suddenly showed interest (Martin, 2006). This gender difference in pay expectations is particularly true for women in male-dominated jobs (Gasser, Flint, & Tan, 2000), such as management positions, where men expect substantially higher pay than do women (Heckert et al., 2002). Women's lower pay expectations have also been shown to lead to the negotiation of lower salaries (Major, Vanderslice, & McFarlin, 1984) and may also partially explain gendered job segregation (Heckert et al., 2002; Major & Konar, 1984).

However, putting the onus for the gender pay gap on individual women is problematic for a number of inter-related reasons. The following section focuses on the problems of an individual-based focus which only considers individual differences such as human capital levels in men and women. It further tackles the fallacies of such an approach by considering the context in which gender differences occur.

Putting the gender pay gap into context

The research outlined above examines the abilities, behaviour, and attitudes of individual women to explain the gender pay gap. In this way, the debate has shifted from

viewing women as victims of discriminatory corporate practises to giving women the power of choice and with it the blame for being under-represented and disadvantaged in top positions. One of the main aims of this thesis is to demonstrate, through an examination of the gender pay gap in managerial positions, that features of social and organisational context play important explanatory roles in women's scarcity in senior roles.

The individualistic approach presented above runs the risk of laying the blame for inequality on women's shoulders. It sends the message that if you get a better education, if you spend more time at work, and if you act more confidently you will receive the same pay as men do. Such an argument suggests that if women really wanted they could achieve the same pay as men. This approach is highly problematic because the distinctiveness of women's and men's reactions towards job and pay offers is interpreted as an outcome of free choice and women are seen to have complete control over the process. The attribution of the pay gap to women's individual preferences was clearly reflected in the quotes in the previous section. Such a simplistic view treats these gender disparities as intrinsic difference, as if women were, by nature, distinct from men.

An alternative to simply examining individual differences in abilities, qualities and preferences is to examine such variables within the social and organisational context in which they occur (Deaux & Major, 1987; Ryan & David, 2003; Ryan, David, & Reynolds, 2004; Ryan & Haslam, 2005, 2007). In this sense, gender differences in behaviour are not the outcome of innate and stable preferences but they are a product of the social context in which they were shaped. Socialisation processes, previous experiences and learning, as well as relevant social norms and stereotypes will impact on the preferences and views individuals express. By taking into account the *interaction* between the social context and individual reactions, the origin and the process of the development of gender differences will become clear.

An illustrative example of the importance of a contextual approach in leadership positions is provided by research into the glass cliff (Ryan & Haslam, 2005, 2007). This research was initiated in response to newspaper claims that the gender of leaders was related to company performance, such that having women in positions of leadership caused companies to perform poorly (Judge, 2003). However, rigorous analyses of archival data revealed that companies' poor performance was not a consequence of women's deficiencies as leaders but rather was due to the organisational circumstances under which they had been appointed (Ryan & Haslam, 2005, 2007). More specifically, women were more likely than men to attain leadership positions in companies that were already performing poorly. Here, then, a focus on individual differences obscured the true cause of gender differences in relations to company performance. That is, company performance caused the appointment of women rather than the reverse. In this way, a close consideration of organisational context leads to a shift from blaming women to one that recognises that they are often set up to fail by being appointed to difficult positions. Company performance has an important impact on the size of directors' pay (Renneboog & Trojanowski, 2006), thus, this is potentially a contextual factor which may be highly explanatory for the gender pay gap in managerial positions.

Another example comes from previous research that has provided evidence for the impact of social context on women's views of financial matters. Indeed, women's attitudes toward money shift considerably depending on the social frame in which they need to make these judgements (Sonnenberg, Reicher, & Haslam, 2008). For example, when gender is made salient women regards money as less important than if other identities are made salient. Similarly, women are more likely to initiate negotiations if a situation is framed as an "opportunity to ask" than if it is described as an "opportunity to negotiate" (Small, Gelfand, Babcock, & Gettman, 2006). It was argued that "asking" was more consistent with

the norms of politeness for individuals with low power status (women) than “negotiating”. These examples illustrate that social status and norms will lead men and women to (re)act differently to money-related situations. Only an integrative approach that considers individual responses and their interaction with social contextual factors will provide a basis for understanding the reasons for gender differences.

Understanding the impact of the different contextual circumstances under which men and women experience their workplace situation offers a different perspective on the reasons for gender differences in pay. The research presented in this thesis will analyse the gender pay gap in terms of both individual differences and the way in which these differences sit within an organisational and social context. More specifically, I will examine gendered attitudes and stereotypes, company performance, and women’s experiences with the pay process as potential contextual determinants of gendered pay. Taking the pay debate to a different level not only lifts the blame for gender inequalities off women’s shoulders but at the same time it reveals a unique and potentially more realistic view of the situation, highlighting the underlying causes for gendered behaviour, inequalities and women’s decisions to opt out, rather than simply describing the phenomenon.

Gender and leader stereotypes

Despite equal pay legislation, the lack of transparency in executive pay leaves open the possibility of discriminatory practices against individuals from under-represented groups, such as those based on gender. One important contributing factor is that the evaluation of individuals from certain social groups can be biased by the stereotypes and role expectations that people hold (e.g., Eagly, Makhijani, & Klonski, 1992; Prentice & Carranza, 2002). Work by Eagly, Schein, Heilman, and their colleagues has demonstrated that the prototypical manager is male (e.g., Eagly & Karau, 2002; Heilman, 2001; Schein,

2001). In experimental studies participants have been asked to describe leaders, men and women. Such studies have revealed considerable overlap between leaders' and men's traits but not between leaders and women's traits, a phenomenon dubbed 'think manager – think male' (Schein, 1973, 1975). Also, research on general traits associated with the female and the male gender stereotype reveals that while men are typically associated with agency, competitiveness, and competence, women are more likely to be associated with "soft" traits such as communality and warmth. Although female traits may appear positive in the first instance, they can be very inhibiting for women depending on the context (Fiske, Xu, Cuddy, & Glick, 1999). As women climb the corporate ladder communality and warmth may become less desirable since they are not seen as a key part of an organisational context. However, simply behaving like a leader or a man (if we consider the closeness of male and leadership traits) may not lead to desired outcomes for women either (Heilman, Block, & Martell, 1995; Heilman, Wallen, Fuchs, & Tamkins, 2004). Women may face a conflict between gender roles and leader expectations that will have at least two negative consequences for them. First, acting like a leader may result in negative reactions towards women. Even if they are successful in their managerial and leadership roles they will receive negative feedback, because their behaviour is not "feminine" enough (Eagly et al., 1992; Heilman et al., 2004; Rudman & Glick, 1999, 2001). Second, women will be perceived to have less potential to be a good leader since they lack the relevant personality traits (Eagly et al., 1992).

In the context of the gender pay gap the conflict between gender and leader stereotypes plays an important role in two ways. First, it impacts on the evaluation of female leaders' abilities and their financial rewards, and second, it contributes to women's pay and job preferences, as will be discussed in the following two sections.

Leader evaluations and attributions

One important question that must be asked if we are to understand the managerial gender pay gap is ‘how are leaders evaluated?’ The size of some pay elements in managerial pay is defined as performance-dependent and consequently it is based on the evaluation of the manager and corporate performance (Financial Reporting Council, 2003). Here, three questions need to be looked at more closely. First, who or what is seen as the cause for certain outcomes? Attributions for outcomes can be directed either towards an individual (internal attributions, e.g., personality traits) or to other factors which are independent of the individual (external attributions, e.g., luck, economic situation). Second, what are the consequences of internal attributions? For example, research reveals that perceptions of leaders’ personality traits are dependent on organisational (Awamleh & Gardner, 1999; Emrich, 1999; Pillai & Meindl, 1991, 1998) and social context (Haslam et al., 2001). And third, what is the role of gender in internal and external attributions? There is evidence that objectively equal performance may be valued differently for men and for women (Eagly et al., 1992; Prentice & Carranza, 2002). The first two questions will be more closely examined by research on the “romance of leadership” and the third questions by research that has considered gender in the managerial literature. Each of these are outlined below.

The romance of leadership

In order to understand the relationship between attributions for outcomes and the evaluation of individuals, the theoretical basis for such attributions needs to be made explicit. Early research by Ichheiser and Heider examined the way in which outcomes were attributed to individual factors. In the first instance, Ichheiser (1943, 1949, 1970; see also Hewstone, 1989) identified a tendency for observers to misinterpret the causal impact of personal and situational factors such that they prefer to see people, rather than their

circumstances, as the origin of events or outcomes. Although actions are almost always due to a combination of personal and other factors, in practice a person is seen as a “prototype of the origin” (Heider, 1944, p. 359). Heider explained this by suggesting that cause and effect, actor and act, are seen as part of a causal unit (‘unit formation’). This results in an over-estimation of the influence of a person on an outcome and an under-estimation of possible situational factors — a phenomenon subsequently referred to as the “fundamental attribution error” (Ross, 1977).

In an organisational context this over-attribution of outcomes to individuals was the focus of pioneering social psychological research into the *romance of leadership* (Meindl, Ehrlich, & Durkerich, 1985). This research revealed that company performance was typically explained in terms of the personal characteristics of the leader rather than situational factors, such that the leader and his or her personality traits were seen to be responsible for either success or failure. More specifically, good company performance led to a leader being perceived as charismatic while bad company performance led observers to infer that a leader lacked charisma.

In order to explain these findings Meindl suggested that implicit theories about leadership, or more explicitly “biased preferences”, make people “understand important but causally indeterminant and ambiguous organisational events and occurrences in terms of leadership” (Meindl et al., 1985, p. 80). According to Meindl, this inference is made irrespective of the leader’s actual abilities, and precludes consideration of other possible external factors which may have a bearing on a company’s outcomes (e.g., changes in economic conditions or in the labour market). In this way, he argues that a romanticised conception of leadership helps people deal with the complexities of organisational functioning in which many different factors are at work but causality is hard to establish or understand (Meindl & Ehrlich, 1987).

The romance of leadership and gender

Reflecting general trends within the leadership literature, prior work on the romance of leadership has concentrated almost exclusively on male leaders. However, in this thesis I seek to extend the study of the romance of leadership to consider perceptions of female leaders. This is potentially interesting since prior research gives us grounds for believing that attributional processes and the evaluation of leaders may vary as a function of leaders' gender. In particular, there are four related reasons why this might be the case: (a) performance evaluations differ for women and men, (b) ideas about leadership are strongly linked to male traits, (c) the content of gender stereotypes suggests agentic qualities for men but not for women, and (d) the nature of attributions is partly determined by group status. I briefly consider each of these in turn.

The literature on performance evaluations and gender suggests that even when the actual performance of male and female leaders is controlled for, female leaders are evaluated less favourably than their male counterparts (see Eagly et al.'s, 1992, meta-analysis). One reason for this differential evaluation is that people perceive leaders as prototypically male (Schein, 1973, 1975, 2001; see also Ryan & Haslam, 2007). As a result women are less likely to be considered for leadership positions because such roles do not fit the female gender stereotype (Eagly & Karau, 2002). If women do take on leadership positions their performance is likely to be devalued for the same reason (Prentice & Carranza, 2002). Moreover, as women are perceived to fit the managerial stereotype less than men, they are perceived to be less credible influence agents (Carli, 2001). As a result, when women perform valuable work this may go unacknowledged as their achievements are more likely to be attributed to external factors (Heilman, 2001). For example, successful performance in male tasks may be linked to skill if it was performed by a man but to luck if performed by a woman (Deaux, & Emswiller, 1974). Furthermore, good performance by a

woman may invoke a negative reaction since this behaviour violates female gender stereotypes. This can even lead as far as punishing women who are successful in their managerial roles (Heilman et al., 2004).

Gender stereotypes imply higher instrumentality and competence in men, such that they are ascribed “agentic competences” while women are seen as “reactive” and high in communality (Fiske et al., 1999; Ridgeway, 2001). Lacking agency, women are not perceived as sources of action or change (and are not seen to be a ‘prototype of the origin’, Heider, 1944, p. 359). Accordingly, responsibility for company performance is less likely to be ascribed to a female leader.

Finally, research suggests that the attributional process can be moderated by group status (Lorenzi-Cioldi, 2006; see also Fajak & Haslam, 1998). In organisational contexts women generally constitute a low-status group compared to men. Research has shown that members of high-status groups are credited with having more instrumentality than those of low-status. Members of high-status groups also invoke internal (rather than external) explanations for success and failure in order to avoid the impression of powerlessness (Lorenzi-Cioldi, 2006). Indeed, such research has highlighted the fact that high performance is often attributed to personal qualities (e.g., ability and skills) if the actor is a man but to external factors (e.g., luck) if the actor is a woman (Deaux & Emswiller, 1974; Igbaria & Baroudi, 1995).

Taken together, the evidence that women face a different reality in managerial positions than men raises the question of whether the romance of leadership works for women as well. Having drawn an association between perceptions of leaders in terms of their charisma or effectiveness based on observations of company performance, in the next step, the reward linked to leader evaluations and company performance is an important point of interest. This follows the question of whether the romance of leadership can also be

used in the context of performance-related pay to explain pay differentials. The first phase of the empirical research presented in this thesis will focus on these questions by dealing with the contextual impact of company performance on leader evaluations and remuneration. The next section will introduce the theoretical background for the second phase of this research. It focuses on women's attitudes to pay and negotiations which adds a distinct perspective to the discussion of the pay gap. Specifically, the following section will highlight the interaction between social context and managers' own roles in the pay process.

Women's pay preferences

Next to the evaluation of leaders another important question to ask in discussing the managerial gender pay gap is 'what do managers ask for?' Although there are discriminatory mechanisms imposed on female managers in the organisational context that may lead to pay disparities, women can influence the size of their pay through their job choice, pay expectations, and behaviour in pay negotiations. It is therefore clear that women's preferences are important in the discussion of unequal pay. However, I have already alluded to the fact that one of the problems with the individualistic approach is that the assumption that women are "free to choose" lower paying jobs neglects the social context in which they make their decisions. Thus, in this section I will look at gender differences in pay preferences but more importantly I will focus on social mechanisms (e.g., conflict of gender and leader-role stereotypes) that shape these gender differences and may indirectly influence the gender pay gap.

Previous research argues that women opt for lower paid jobs (Major & Konar, 1984), they prefer job satisfaction over pay (Crosby, 1982; Major & Konar, 1984), and they do not ask for pay rises (Babcock & Laschever, 2003). From this behaviour it is assumed

that pay is not important to women and they are blamed for the pay gap as “this is what they ask for” (Kanazawa, 2005). However, taking women’s distinct preferences (compared to men’s) at face value disregards contextual factors which may provoke such gender differences. Considering the experiential background of women in the workplace and the effect of societal expectations on women may help to shed light on the question why women express such distinct views.

Individualistic approaches tend to assume that women have unrealistically lower expectations. However, data has demonstrated that pay expectations are related to actual salary offers (Major & Konar, 1984). Indeed, women may anticipate lower salaries for themselves due to an awareness of a very real pay differential that exists in the workplace. In this way, women do not have lower expectations – they have accurate expectations. However, it may also be the case that women are offered less money *because* they expect, and therefore ask for, lower salaries (Escriche et al., 2004; Owens, 2003). Thus, it may be argued that women’s pay expectations are part of a vicious circle where their low expectations and employers’ low offers reinforce each other.

Prescriptive stereotypes

As has been alluded to, preferences are not the reflection of stable needs but are highly dependent on external factors. One important contextual factor is the impact of gender stereotypes on individuals’ preferences. Stereotypes do not only influence treatment of members of stigmatised groups, such as women, but they also influence the behaviour and preferences of the members themselves. As mentioned beforehand, acting like a leader, that is, being assertive or competent, may be harmful for a woman (but not a man) because she is expected to show female traits, for example to be sociable and warm. In this way, stereotypes are *descriptive* as well as *prescriptive* (Heilman, 2001). Gender stereotypes tell individuals how they ought to react and behave and behaviour that is gender-role

incongruent may be viewed negatively (e.g., Eagly et al., 1992; Rudman & Glick, 1999). Due to people's reactions and expectations towards women, behaviour that is stereotype-confirming may be reinforced through socialisation, learning, and being encouraged to behave in a certain way throughout life (Zemore, Fiske, & Kim, 2000). On the other hand role-disconfirming behaviour will be inhibited by the experience of negative consequences when this is displayed (Babcock & Laschever, 2003). For example, research has indicated that women's pay expectations are anticipated by the payer to be lower than they actually are (Owens, 2003). Consequently, women tend to be given lower offers than they are likely to see as acceptable. One may argue that women could reject these offers. However, women are guided in their actions by stereotypical beliefs that describe them as "interpersonally-orientated", that is caring and sociable, rather than "achievement-oriented", that is assertive and competitive behaviour. Violation of such beliefs by standing up for themselves and negotiating higher pay may lead to unfavourable reactions (Babcock & Laschever, 2003). The most reasonable behaviour for a woman is therefore to accept lower pay since this is a behaviour people would expect from a woman. And although, on the one hand this results in a financial disadvantage for women, on the other hand they will not have to face social costs in terms of harming their relationship to their boss or colleagues you might not think favourably of women who ask for more money.

Considering the prescriptive effects of stereotypes, it is suggested that women's preferences and choices are not free decisions. Rather, women's preferences are influenced by social norms and expectations that inform their behaviour. Thus, it is not necessarily straightforward simply to "ask for more money" or to "choose higher paying jobs". Bringing the above arguments together, an analysis of the gender pay gap should concentrate both on what people expect *from* women as well as what women's expectations are. In the second phase of research in this thesis I will investigate how women's

experiences with pay influences their pay preferences and the way they deal with the pay process.

The present research

In this chapter I have argued that research into the gender pay gap in top positions needs to integrate individual and contextual factors. Previous research has concentrated on individual differences between men and women in order to explain pay disparities.

Drawing on a strong foundation of research into gender and leadership, I suggest that social and organisational factors will help to reveal a different perspective on gender inequalities and implications for women (Deaux & Major, 1987; Ryan & David, 2003; Ryan, David, & Reynolds, 2004; Ryan & Haslam, 2005, 2007). In this vein, this thesis presents two inter-related phases of research each focusing on a distinct contextual factor of the gender pay gap using a triangulation of research techniques and participant perspectives.

The first phase of research investigates the idea that the organisational context may be an important determinant for gender pay disparities. Specifically, Studies 1 to 3 examine company performance as moderator of gender pay differences.

Study 1 presents an archival examination of remuneration data from executive directors in the UK. It demonstrates the context-dependence of the gender pay gap in managerial positions and reveals that company performance is positively related to male executives' bonuses but not to female executives' bonuses. First, I argue that the differences may be a result to distinct evaluation processes concerning female and male managers' influence on corporate governance. The psychological basis could be conflicting gender and leader stereotypes and distinct attributions of performance to men and women. And second, I suggest that differences in women's and men's risk-taking in financial

decisions and different levels of confidence with pay may lead to the observed pay-performance patterns.

Study 2 follows up on Study 1 and aims to replicate the same pattern for gender differences in bonus sensitivity to company performance in the context of an experimental design. This study extends the findings of Study 1 by investigating the first potential explanation about the distinct attribution of performance to female and male leaders. By introducing psychological measures of perceived charisma and leadership abilities, it examines the relationship between company performance and pay allocations in relation to these leader evaluations. Using this approach, Study 2 does not only investigate the gender pay gap but it addresses the neglected question of whether theories of leadership, such as the romance of leadership (Meindl et al., 1985), can also be applied to female leaders. At the same time, this construct is extended to behavioural aspects by examining pay allocations as a form of leader evaluation or measurement of leadership attribution. Results suggest that some form of romance of leadership can be observed for female leaders when looking at the evaluation of personality traits. However, in contrast to male leaders, for female managers this does not translate into financial rewards.

Study 3 adds to the first two studies by replicating the findings from a new perspective. In a survey study, top earners were asked about their income and their companies' successes. These results indicate that the results of Studies 1 and 2, are also reflected in self-reports of company performance and pay.

The aim of the second phase of research reported in this thesis is to produce evidence that gender differences in attitudes and preferences towards pay are not stable and innate but can be explained by the social context, that is, the distinct experiences men and women have in the workplace. Study 4 extends Study 3 by surveying managers' experiences with, and their views on, pay and the pay process. It investigates how

experiences with unfair pay and negative experiences in the negotiation process may be linked to gender differences in confidence with pay, conceptualisations of pay, and approaches to negotiation and the management of the pay process. It suggests that differences in pay and negotiation attitudes may be due to women's different experiences with the pay process and negotiations.

Overall, this thesis will offer a new understanding of the gender pay gap by including neglected contextual factors (i.e., company performance and previous workplace-experiences) which expand from the previous focus on individual characteristics. Specifically, it makes theoretical contributions to the literature on the romance of leadership and individual preferences. Taken together, the contextual approach suggested in this thesis questions whether women's opting out of the workplace is actually a "free-choice" or whether it is a product of the differential realities that men and women face in the workplace. By considering the context I will show that the pay gap is the outcome of a complex interaction between individual preferences, experiences, expectations, and discriminatory practises which lead to measurable gender inequalities.

CHAPTER 2

NEITHER CARROTS NOR STICKS FOR FEMALE MANAGERS

As has been outlined in Chapter 1, the gender pay gap still persists despite decades of legislation (e.g., Blau & Kahn, 2000; Lloyd & Niemi, 1979; Roos & Gatta, 1999). Yet, while the gender pay gap is pervasive, there is some evidence that its size varies as a function of a number of contextual factors. For example, research indicates that the gap differs across industries (Allen & Sanders, 2002), occupations (Kidd & Gunion, 2000), and levels of seniority. Indeed, a consistent finding is that as women climb the corporate ladder the pay gap becomes larger — reaching up to 30 per cent in top managerial positions (Arulampalam, et al., 2005; Benassi, 1999; Equal Opportunities Commission, 2003; Weinberg, 2004). Thus, it appears that while the gender pay gap is universal, it plays itself out differently across different contexts. This chapter examines one such contextual difference: the moderating role that company performance plays in determining the gender pay gap. More specifically, I examine gender differences in the relationship between performance-based pay allocations as part of directors' remuneration and company performance.

Introduction

This chapter extends general research into the gender pay gap by concentrating on organisational performance and its relation to actual pay. As outlined in Chapter 1 performance evaluation are likely to be biased by gender such that, especially in male dominated contexts, women's successes are not acknowledged (Heilman et al., 2004). Indeed, even in female-dominated domains like publishing (where evidence shows that men do not outperform women, or women even have an advantage) men seem to get more than their fair share of rewards (Lips, 2003). What implications might this have for

allocations of performance-based pay? The following observations of senior female managers in the UK suggest that an incongruence between performance and pay is perceived by women (Wilson-Kovacs et al., 2008):

I have taken a job where I have improved measured performance by over 20% while bringing down costs and overheads in my department by 30%. I got a below average bonus and pay rise compared with my male colleagues, who “succeeded” in subjective, unmeasurable ways. [Female Director of a FTSE 100 UK company]

I discovered that although I considered that I was on the same grade as somebody else, (...) I didn’t have a company car, [and] my salary was several thousand pounds less. [Female Executive Director]

As we can see, (company) performance and its attribution may play an important role in managerial pay. Annual bonuses are a pay element that is defined to be sensitive to organisational and personal performance. But as the quotes above indicate, in reality the evaluation of performance may be “subjective” and lead to different treatment of both genders in a managerial context.

The focus of this thesis allows for taking into account the economic aspects of bonus payments by examining them in the context of *company performance*. At the same time, social psychological aspects are considered by looking how the pay-performance varies across genders. Doing so is important for at least three reasons previously identified in the economic and psychological literature. First, in general, corporate performance is an important determinant of managerial pay (Renneboog & Trojanowski, 2006). However, the relationship between pay and performance is not straightforward and its negotiable and discretionary nature provides opportunity for discrimination. Second, company performance plays a critical role in the evaluation of leaders. Variations in company performance tend to be attributed directly to the leader, with relatively little attention being

paid to external factors such as market forces (a phenomenon referred to as the *romance of leadership*; Meindl et al., 1985). However, this pattern has only been observed for male managers and, as is known from the gender and leadership literature, women often face very different performance evaluations than men (Eagly et al., 1992). Third, research has indicated that a company's performance impacts on gender balance at a management level and affects the perceived suitability of men and women for managerial positions (a point revealed by Ryan & Haslam's 2005, 2007, work on the *glass cliff*).

Company performance and pay

Most research focusing on the link between executive compensation and company performance has a theoretical foundation in *agency theory* (Eisenhardt, 1989; Holmström, 1979) as discussed in the introduction. The premise that a properly designed compensation contract can induce managers to behave in a desirable way accords with traditional economic theories of motivation (after Taylor, 1911; e.g., see Ellemers et al., 2004; Haslam, 2001) and is enshrined in the UK corporate governance regulation. Indeed, according to the Combined Code of Corporate Governance “a significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance” (Financial Reporting Council, 2003, p. 12).

Yet, despite clear-cut theoretical predictions about the pay-performance relationship and the corresponding governance guidelines, empirical studies indicate that the link between managerial compensation and corporate performance can be tenuous. While some authors have documented a strong and positive link between directors' pay and firm performance (e.g., Murphy, 1999; Renneboog & Trojanowski, 2006) others have not (e.g., Barkema & Gomez-Mejia, 1998; Bebchuk & Fried, 2004; Jensen & Murphy, 1990; Thierry 1998). Indeed, a meta-analysis by Tosi, Werner, Katz, and Gomez-Mejia (2000) indicates

that firm size accounts for more than 40 per cent of variation in total chief executive officer (CEO) pay, whereas company performance explains less than 5 per cent. They argue that such a discrepancy may arise because most research focuses on easily observable performance indicators (such as economic indicators), whereas companies themselves may utilise less straightforward measures of performance when evaluating executive pay (e.g., subjective assessment of other job-relevant dimensions such as employee satisfaction and well-being).

Alternative determinants of executive compensation include political, organisational, and social psychological factors. In line with Tosi and colleagues, research suggests that CEO remuneration is closely linked to perceived power and is therefore a product of political factors rather than actual performance (e.g., Bebchuk and Fried, 2004; Belliveau et al., 1996; Haslam, 2001). Indeed, CEOs may be more interested in (and have more influence on) increasing firm size than maximizing profits especially since larger firm size leads to more pay, power, and prestige. Consistent with this idea, Tosi et al. (2004) found that the pay package of Fortune 500 CEOs were positively related to ratings of their charisma, while other indicators of company performance were not predictive of pay.

The confusion about the relationship between managerial pay and company performance clearly suggests that remuneration may be susceptible to discriminatory practices (Alkadry & Tower, 2006; Lloyd & Niemi, 1979; Madden, 1973). There is considerable latitude for interpreting the nature of (a) good company performance, (b) good leadership, and (c) appropriate reward. Clearly too, as I will discuss in more detail below, such judgments are vulnerable to the influences of leader and gender stereotypes (e.g., along lines suggested by Eagly & Karau, 2002; Schein, 1973).

Gender, company performance and pay

Although work on the romance of leadership, as introduced in Chapter 1, suggests that company performance might play an important role in determining perceptions of leaders' abilities — and hence the rewards they receive (e.g., in the form of bonuses) — there are a number of reasons for suspecting that the evaluation of leaders and their leadership may not work in the same 'romantic' way for men and women. In particular, this is because, as noted above, people's perceptions and evaluations of female managers seem likely to differ significantly from those of male managers.

One reason for this is that the image of a typical leader tends to be associated with male traits (e.g., Schein, 1973) and traditional stereotypes of women do not fit with expectations of what it means to be a 'good' leader (Eagly et al., 1992; Fiske et al., 1999). More specifically, stereotypes tend to describe women as being *communal* in the sense of having soft and warm traits. These qualities are generally viewed positively, but they may not be seen to be particularly useful in a managerial context where *agentic* qualities, such as the ability to exert influence and drive forward change, are seen to be valued. Such assumptions are compounded by the fact that women can be seen as a lower-status group than men and this again tends to be associated with perceptions of lower instrumentality that work against the notion that women are effective leaders (Fajak & Haslam, 1998; Lorenzi-Cioldi, 2006).

In a similar vein, Lee and James (2007) show that appointments of a male CEO are more positively received by investors than those of a female CEO, which implies that female CEOs are less trusted as leaders (compared to male CEOs). Moreover, they demonstrate that if a female is promoted internally to the CEO position, such an appointment is viewed more positively than an external hire. However, this is not the case for male CEOs. Apparently, the previous presence of the female director in the company

signals their abilities to lead and evaluators can draw upon the information that they have obviously acted (successfully) as leader. In this vein, investors are more likely to assume that she has the capabilities of a leader. Consequently, the lack of pre-existing theories (Pyszczynski & Greenberg, 1981) about women in CEO positions is less relevant for judgements in cases where additional “on-the-person” information is available. In contrast, the assessment of leadership abilities of newly-appointed male CEOs does not appear to be influenced by their previous familiarity with the firms that they are to manage. They do not have to prove their abilities as leaders.

These differences in the perceptions of men and women can lead to distinct, gender-based evaluations of performance (Eagly et al., 1992). Not only may women’s performance be underrated in male-dominated contexts, they may even be punished for showing gender role-disconfirming behaviour (see e.g., Eagly & Karau, 2002; Eagly, Karau, & Makhijani, 1995). For example, acting in a self-promoting way by highlighting one’s competences in a competitive game has a positive effect for men but not for women who are less likely to be considered as a partner for this game (Rudman, 1998). Such evaluations are likely to have direct implications on pay since in general it relates to the abilities and skill of an employee, but more importantly managerial pay elements such as bonuses are designed to reward achievements. If the evaluation of these achievements is gender biased this may lead to pay patterns where objective success does not translate into financial rewards. Moreover, role-disconfirming behaviour in pay negotiations can also be harmful for women. Consistent with this suggestion, Bowles, Babcock and Lai (2007) have found that women are more likely than men to be punished for being competitive in pay negotiations (see also Babcock & Laschever, 2003). For example, in an experimental study the willingness of participants to work with a woman who negotiated assertively was much smaller than to work with a man who displayed the same degree of assertiveness.

Furthermore, women were evaluated more negatively when they initiated negotiations compared to men (Bowles et al., 2007). All these factors suggest that the relationship between company performance and pay may play itself out differently for female managers compared to male managers.

The current study (Study 1)

Study 1 sought to extend research on the gender pay gap by focussing on bonus payments in managerial positions (H1) and its specific context (H2). The research outlined in the previous chapters suggests that the performance component plays an important role in managerial pay but also that gender biases occur in the evaluation and attribution of performance. In this vein, I explore the circumstances in which performance-bonuses are sensitive to company performance, hypothesizing that there will be a positive relationship for male managers but not for female managers. I predict an absence of the (or a reduced) relationship between bonus and company performance because previous research suggests that (1) women's performances are likely to be externally attributed since they are not perceived as having the agentic traits (Eagly et al., 1992; Rudman, 1998) which it takes to affect changes in corporative governance and (2) women are likely to be appointed as "token-women" (Kanter, 1977) in order to meet political correctness criteria. These distinct evaluations of women's performances may relate to performance-related pay-outcomes. In line with the above, my hypotheses were as follows:

Hypothesis 1. Bonus allocations will vary as a function of gender: in general, male directors' bonuses will be higher than those of female directors.

Hypothesis 2. The performance-sensitivity of directors' bonuses will vary as a function of gender: in general, male directors' bonuses will be more sensitive to organisational performance than those of female directors.

In order to explore these hypotheses, the study examined data on the bonuses awarded to men and women in a real organisational setting, using authentic economic data. The sample included executive directors in a cross-section of major UK companies in which data about company performance was also available. Given that the directorship positions that men and women typically occupy differ on a range of dimensions, the study controlled for industry, company size, and nature of the director position by obtaining data from a sample of men and women matched on these dimensions.

Method

Sample

Study 1 examined a sample of UK listed firms over a period of seven years: 1998-2004. Two datasets were merged: the BoardEx database containing information about directors' characteristics (such as compensation and demographic variables) and the Thomson ONE Banker database, which provided us with firm characteristics (such as accounting data, stock market data, and industry affiliation).

The second step involved identifying the firm-years during which there was at least one female executive director who held her position for at least one year. For each of these female directors, I identified a matched male director who was performing the same role in an industry- and size-matched company¹ on a board without any female executive directors. Research suggests that these three variables (director role, company size, and industry) explain a substantial amount of variation in executive compensation packages (Bebchuk, Cremers, & Peyer, 2007; Ezzamel & Watson, 1998; Tosi et al., 2000) and are associated

¹ Industry-matching procedure employed industry classification based on sector level of Industry Classification Benchmark (ICB). I employed both financial variables (i.e., market capitalisation and sales) and the number of employees as the measures of firm size.

with a differential likelihood that a female will fulfil a particular director role in a particular firm (Singh & Vinnicombe, 2006; Niessen & Ruenzi, 2007; Wirth, 2004).²

In total, 96 matched pairs of directors were identified³. Since some of the pairs could be observed over a number of years, the total sample size is 524 firm-year observations (262 for female executives and 262 for male executive). The sample covers a broad range of industries, representing 9 out of 10 major industries distinguished by the Industry Classification Benchmark (ICB). Consistent with the tendency for female directors to be concentrated in some industries (Wanzenried, 2008), 41% of the firms were from the consumer services, 20% were from the financial sector, 14% were from the industrial sector, 14% were in technology, 5% were in health care (5%), and 4% in consumer goods. Each of the remaining three industries (i.e., basic materials, oil & gas, and telecoms) represents less than 2% of the sample.

² The use of a matched pair approach is a potentially useful method when dealing with women in leadership environments. The number of women compared to their male counterparts is small and small sample sizes tend to be skewed on demographic dimensions. Thus, I could not simply compare the averages of the female directors with those of the male directors since the members of each group had very different characteristics (e.g., women are more likely to be found in lower paying sectors such as human resources or marketing positions). Consequently, I selected an equal number of female and male managers, creating “matched pairs” that could be compared in an unbiased way.

³ In some cases there were no male counterparts serving in an equivalent role on a male-only board of directors in a firm from the same ICB sector, or no relevant information about the firm (such as size or industry affiliation) could be retrieved from the database.

Measures

Table 2.1 provides sample descriptive statistics and correlations for all variables that will be discussed below.

Compensation measures. In order to examine the gender pay gap, several measures of compensation were employed. Since the main scope of the study was the examination of gender differences in the context of rewarding managers, the focus was on the component of compensation packages explicitly designed to serve this purpose according to the Combined Code of Corporate Governance (Financial Reporting Council, 2003) – namely the size of bonuses paid to the directors. The absolute and the relative size of bonuses (i.e., bonus expressed in monetary terms and bonus as a percentage of base salary) were examined.

The dataset also allows an examination of the gender pay gap more broadly. Thus, a number of additional compensation measures were examined: (i) base salary, (ii) direct compensation other than base salary or bonus, and (iii) the incentive pay, that is, the sum of the Black-Scholes value of unconditional option grants⁴ and of the full value of Long-Term Incentive Plans (LTIPs)⁵. LTIPs include both share and option grants. Finally, gender

⁴ Unconditional option grants refer to the grants where vesting does not depend on meeting specific performance criteria. Conditional option grants where options vest only after particular performance criteria are met are classified as LTIPs (see below).

⁵ This approach implicitly assumes that LTIP criteria are being met and therefore directors indeed benefit from the incentive plans. See Conyon & Murphy (2000) for the evidence that typical LTIP performance criteria are not very stretching and therefore the discount that should be applied to value LTIPs is negligible. To assure robustness of my conclusions, I experimented with cruder ad-hoc approaches where all the LTIPs are discounted by the same scaling factor, for example, 0.8. The results (not reported) are virtually identical to these discussed in the text.

differences in total pay (defined as the sum of base salary, bonus, other direct compensation, and incentive pay) were also examined.

It is here interesting to point at the significant correlation of the female variable with bonus measures. Although, a correlation with a binary does not allow interpretations it already indicates some gender discrepancy which will be discussed when testing H1.

Performance measures. The existing managerial compensation literature employs a vast range of measures of corporate performance (Tosi et al., 2000). Following the theoretical literature (e.g., Bushman & Indjejikian, 1993; Kim & Suh, 1993) two categories of performance metrics were distinguished: accounting-based performance measures and stock performance indicators. In the models discussed, one metric from each class was employed. Return on assets (ROA) is an accounting performance measure, while Tobin's Q (defined as the ratio of the sum of market capitalisation and book value of debt to book value of total assets) reflects the performance of stocks of the focal companies.⁶ Importantly, since bonuses are supposedly granted to reward directors for achieved performance, performance indicators are lagged by one year, that is, the size of directors' bonuses in year t is modelled as a function of corporate performance in year $t-1$ and of other variables discussed below.

⁶ In the robustness tests, I verified the conclusions of my study employing alternative metrics, return on equity (ROE) and return on sales (ROS), as alternative accounting-based measures and stock return as an alternative proxy for stock performance. I did not employ absolute financial performance levels (e.g., total profits or pre-tax profits) used in some existing studies (cf. Tosi et al., 2000). These measures are likely to correlate strongly with company size rendering it difficult to attribute observed patterns in directors' bonuses to corporate performance rather than firm size.

Table 2.1. indicates that the overall relationship between my company performance measures (variables 9 to 13) and the pay elements (variables 2 to 8) is quite weak. This is in line with previous research (Devers, Cannella, Reilly & Yoder, 2007; Tosi et al., 2000). Although most of the correlation coefficients are positive, hardly any are significant. The only exception is ROA which is significantly correlated with bonus, incentive pay and total pay (as well as with bonus expressed in relative terms to base salary), $ps < .05$. Furthermore, it seems important to stress that most performance measures are not correlated (a part from a few exceptions such as a strongly significant correlation between ROA and ROE which both measure profitability). Hence, different measures reflect distinct aspects of company performance and it is therefore necessary to include several measures in the study of pay and performance relationships.

Control variables. Previous research indicates a number of variables at both an organisational and individual level that may influence managerial compensation and should be controlled for. As illustrated in Table 2.1 in my sample all measures of director pay (variables 2 to 8) were indeed significantly positively correlated with company size measures (variables 14 to 17), all $ps < .001$, and most pay measures (except for other direct compensation) were significantly correlated to board size, all $ps < .05$. These findings are supported by the existing literature (Devers et al., 2007; Tosi et al., 2000). The strong, significant and positive correlations between measures of company size indicate that any of these measures may be used as a control variable in the following multivariate analyses. In line with previous research company size and board size are strongly and positively correlated, all $ps < .001$, (Boone, Field, Karpoff, & Raheja, 2007; Burke, 2000).

The significant negative correlation between firm risk and some of the pay elements is surprising since according to agency theory (Murphy, 1999) one would expect that directors working for risky companies to earn more rather than less.

Following the observations on the relationship of various company variables and director pay in the last paragraph, my multivariate analyses were conducted controlling for a number of firm-level variables. These included (a) company size (Tosi et al., 2000) defined as the natural logarithm of the firm's market capitalisation⁷, (b) firm risk (e.g., Murphy, 1999) defined as annual stock price volatility as a proxy for company's risk, (c) board size (Core, Holthausen, & Larcker, 1999) defined as the natural logarithm of the number of members of the board of directors (both executive and non-executive ones), and (d) in the multivariate analysis reported, industry differences and time trends in managerial compensation⁸.

Research also suggests that director's tenure and age prove to be important determinants of various elements of managerial compensation package (McKnight & Tomkins, 2004). As can be seen in Table 2.1 directors' tenure measures (variables 20 to 22) were indeed significantly correlated with incentive and total pay, all $ps < .05$. Also, directors' age was significantly positively related to most pay measures (except for other direct compensation), all $ps < .001$. As expected, the relationship between pay and age is positive and significant, $ps < .001$, indicating that older directors have been in their roles, on the board and in the company for a longer period of time than younger ones. Thus, these

⁷ In the robustness tests, I employed three alternative measures: the natural logarithm of book value of the firm's total assets, the natural logarithm of the firm's sales and the natural logarithm of the number of employees.

⁸ Importantly, my sample covered the year of the implementation of the Combined Code of Corporate Governance with its regulations regarding executive remuneration (Financial Reporting Council, 2003) and I controlled for a possibility of a structural break occurring in the sample.

have also been controlled for as the measure of their professional experience and role-specific human capital⁹.

Analysis

In order to compare the compensation levels of male and female directors I employed univariate non-parametric Wilcoxon tests. Since more than a fifth of the directors in the sample did not receive any bonus in the year analysed, the distribution of the dependent variable is left-skewed. Therefore, hypotheses were tested within the Tobit regression framework (Tobin, 1958). Importantly, in this context the coefficients of the Tobit model indicate the effects a particular regressor has on both the likelihood of a particular director enjoying a bonus and on the size of this bonus.

⁹ My basic measure of tenure is the number of years a director served in the capacity analysed (i.e., a proxy for role-specific human capital). In the robustness checks I employed two alternative measures: the number of years a director served on the board of directors (i.e., a proxy for board-specific human capital) and the number of years worked for the focal company (i.e., a proxy for company-specific human capital).

Table 2.1. Sample descriptive statistics

Variable	Mean	S. D.	Correlations																									
			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22				
1 Female	0.50	0.50																										
2 Base salary (£ '000)	186.48	141.30	-0.03																									
3 Bonus (£ '000)	92.62	163.47	-0.16	0.59**																								
4 Other direct compensation £'000	22.82	55.54	0.04	0.29**	0.09																							
5 Incentive pay (£'000)	272.18	930.00	-0.05	0.60**	0.64**	0.21**																						
6 Total pay (£ '000)	617.37	1183.67	-0.08	0.74**	0.78**	0.30**	0.96**																					
7 Bonus / Base salary	0.40	0.60	-0.15	0.30**	0.86**	0.02	0.45**	0.57**																				
8 Incentive pay / Base salary	0.98	2.18	-0.09	0.21**	0.35**	0.10	0.75**	0.64**	0.34**																			
9 Return on assets (ROA in %)	-1.96	20.65	-0.01	0.09	0.11*	0.02	0.12*	0.15**	0.08																			
10 Return on equity (ROE in %)	6.25	286.09	0.07	0.08	0.07	0.02	0.06	0.07	0.08	0.04	0.48**																	
11 Return on sales (ROS in %)	-45.32	456.59	-0.05	0.04	0.04	0.02	0.04	0.04	0.05	0.03	0.21*	0.05																
12 Tobin's Q	3.02	9.74	0.13*	0.00	0.03	0.01	-0.03	-0.01	0.04	-0.05	-0.16**	0.15**	-0.01															
13 Stock return (in %)	15.18	81.25	-0.05	-0.09	0.01	-0.07	-0.05	-0.05	0.04	-0.04	0.12*	0.05	0.09	0.11														
14 LN(Market capitalisation)	5.23	2.18	-0.01	0.64**	0.50**	0.15**	0.55**	0.62**	0.39**	0.30**	0.18**	0.07	0.11*	-0.04														
15 LN(Total assets)	5.35	2.49	0.01	0.61**	0.48**	0.15**	0.45**	0.54**	0.36**	0.29**	0.23**	0.10	0.05	-0.17**	0.89**													
16 LN(Sales)	4.97	2.51	0.04	0.62**	0.41**	0.18**	0.44**	0.52**	0.29**	0.29**	0.34**	0.21**	0.21**	0.00	-0.12*	0.85**	0.90**											
17 LN(# Employees)	7.01	2.35	0.05	0.55**	0.33**	0.17**	0.41**	0.46**	0.19**	0.27**	0.18**	0.10	0.01	-0.11	0.77**	0.75**	0.90**											
18 Risk (Stock price volatility)	33.56	13.79	0.01	-0.16**	-0.18**	-0.10	-0.18**	-0.20**	-0.10	-0.49**	-0.25**	-0.22**	0.00	0.16**	-0.46**	-0.52**	-0.49**	-0.41**										
19 Board size (LN of # directors)	2.05	0.36	0.09	0.33**	0.34**	0.10	0.31**	0.36**	0.33**	0.23**	0.14*	0.09	0.00	0.10	-0.16**	0.67**	0.66**	0.59**	0.54**	-0.34*								
20 Director's tenure in the role	4.02	3.82	0.10	-0.07	-0.07	-0.06	-0.16**	-0.15**	-0.05	-0.21**	-0.04	-0.02	-0.06	0.03	0.11*	-0.29**	-0.34**	-0.35**	-0.38**	0.20**	-0.23**							
21 Director's tenure on the board	4.77	4.65	0.02	0.01	-0.09	-0.05	-0.15**	-0.13**	-0.08	-0.19	0.01	-0.01	-0.03	-0.05	0.10	-0.19**	-0.29**	-0.27**	-0.29**	0.14*	-0.25**	0.76**						
22 Director's tenure in the company	7.38	6.74	0.13*	0.01	-0.10	-0.08	-0.14*	-0.13*	-0.14*	-0.20**	0.05	0.04	0.01	0.01	0.05	-0.04	-0.11*	-0.07	-0.10	-0.02	-0.09	0.45**	0.66**					
23 Director's age	45.56	6.95	-0.32**	0.23**	0.15**	0.07	0.15**	0.18**	0.14*	0.10	-0.01	-0.01	-0.05	-0.09	0.00	0.04	0.01	-0.02	-0.02	0.10	0.05	0.37**	0.42**	0.19**				

Notes:

1. All the monetary quantities expressed in £ thousands. Female is a binary variable equal to 1 if the analysed director is female and 0 otherwise. Base salary is an annual salary earned by a director in a particular year. Bonus is the monetary bonus earned by a director in a particular year. Other direct compensation includes monetary payments other than base salary and bonus (defined above) received by a particular director in a particular year. Incentive pay is the sum of the value of unconditional option grants and LTIPs received by a director in a particular year. Total compensation is the sum of the base salary, bonus, other direct compensation, and the incentive pay (defined above). ROA, ROE, and ROS are expressed in percentage terms. Tobin's Q is defined as the ratio of the sum of market capitalisation and book value of debt to book value of total assets. Stock return is an annual return on common stock of the focal company expressed in percentage terms. Risk is measured as the annualised stock return volatility. Board size is the natural logarithm of the number of directors (executive and non-executive ones) serving on the board of the focal company. The measures of directors' tenure and age are expressed in years.

2. See 'Measures' section of the text for more extensive discussion of the variables used.

3. * p < .05, ** p < .001

Results

Table 2.2 outlines the key characteristics of the matched samples of firms with female and male directors. Both groups of firms tend to perform comparably, as the differences in performance between the subsamples are statistically nonsignificant (ROA: $z = 0.20$, $p = .842$, Tobin's Q: $z = 0.04$, $p = .972$). There are no significant differences between the two subsamples in company size¹⁰ or in the levels of risk. A Wilcoxon test demonstrated that females are executive members of slightly larger boards of directors ($z = 2.33$, $p = .020$). A correlation between number of women and board size has also been found in Burke's (2000) analysis of Canadian companies. There are two potential explanations for this finding. First, the positive link between having a woman on board and board size may be a statistical artefact based on the scarcity of female directors. It could be argued that the probability to find a female executive director on a board is much smaller than to find a male. Hence, it is more likely to find a woman on larger boards than it is on small boards. Second, another explanation may be that larger boards are typically found in larger companies which tend to be more gender-aware because they are more likely to be checked for gender discrimination (Bradford, 2005; Niessen & Ruenzi, 2007). Board size may be an important indicator in the analysis of pay since it was shown to have a positive impact on managerial remuneration (Renneboog & Trojanowski, 2006). Thus, the pay gap

¹⁰ The differences for LN(Market capitalisation) and LN(# Employees), which were used as matching criteria when the data sample was constructed, are not statistically significant. The difference for LN(Sales) is significant according to Wilcoxon test ($z = 2.29$, $p = .022$). Finally, the difference for LN(Total assets) is significant ($z = 2.84$, $p = .004$).

may be underestimated in my sample if women are over-represented on larger boards where the pay is likely to be higher.

Table 2.2. Univariate comparisons

	Full Sample (N = 524)	Male Directors (n = 262)	Female Directors (n = 262)	Gender Differences
Variable	Median	Median	Median	Wilcoxon Test
Return on assets (ROA in %)	3.34	3.74	2.84	0.20
Return on equity (ROE in %)	8.22	8.91	8.05	0.25
Return on sales (ROS in %)	7.06	8.99	6.45	0.91
Tobin's Q	1.95	1.98	1.92	0.04
Stock return (in %)	0.95	0.26	1.75	0.54
LN(Market capitalisation)	4.95	4.87	5.11	0.82
LN(Total assets)	5.27	5.35	5.11	2.84**
LN(Sales)	4.85	4.73	5.08	2.29*
LN(# Employees)	7.14	6.91	7.36	1.06
Risk (Stock price volatility)	29.36	28.48	29.67	0.27
Board size (LN of # directors)	2.08	2.08	2.08	2.33*
Director's tenure in the role	2.80	2.85	2.80	0.68
Director's tenure on the board	3.30	3.30	3.30	1.25
Director's tenure in the company	5.20	4.70	5.80	2.19*
Director's age	46.00	47.00	43.00	5.31***

Notes.

1. Test statistics are based on matched pairs.
2. See Note to Table 2.1. for the definitions of the variables.
3. † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

There are no significant gender differences in board tenure. However, consistent with the finding that female employees tend to progress more slowly towards the top of corporate ladder (Wirth, 2004), female directors had worked for their companies longer than male directors ($z = 2.19$, $p = .028$), although somewhat paradoxically, the average female director is almost 4 years younger than her average male peer ($z = 5.31$, $p < .001$). In line with this finding Wanzenried (2008) observed that women were 4.5 years younger in her sample and that women reached executive positions at a younger age and after a shorter tenure than men. Similarly, the female FTSE 100 report 2007 revealed that senior executive women were on average 4 years younger than their male counterparts (Sealy et al., 2007). Some explanations of this trend arise from research by Simpson and Altman

(2000) who argued that young male managers were more likely to have children than female managers of similar age and may therefore be held back by caring responsibilities in their career progress. Also, it was argued that women were, at least in some sectors, more progressive on their career path because they often outperformed men and were more proactive looking for jobs after graduation from university.

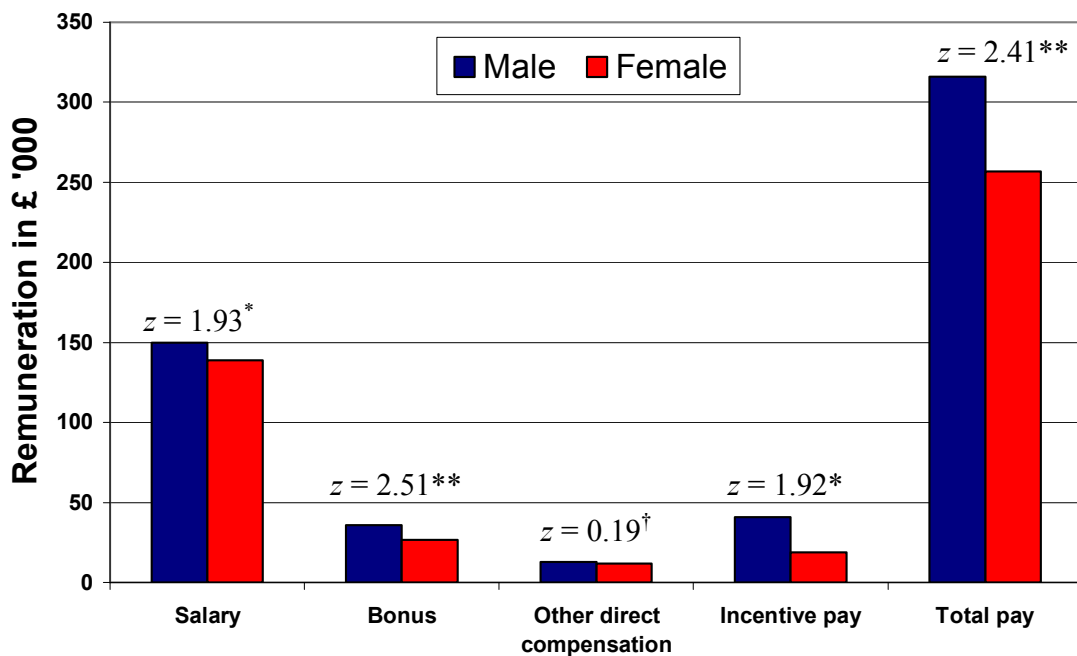
The gender pay-gap and sample description: Univariate tests

In line with previous research, and supportive of my first hypothesis, Wilcoxon significance tests revealed a significant gender gap in total pay of executive directors ($z = 2.41, p = .008$, one-tailed¹¹). As can be seen in Figure 2.1, on average, female directors earned a total of £257,000 while male directors earn £316,000. This translates to a gender pay gap in total remuneration of about 19%. Analyses of all the constituting elements of managerial remuneration further support the existence of a significant gender difference (as illustrated in Figure 2.1). The median absolute bonus amounts to £36,000 for male executive directors and £26,500 for female, displaying a strongly significant gap between genders of nearly 36% ($z = 2.51, p = .006$, one-tailed).

Moreover, the analyses revealed that bonuses earned by female executive directors were not only smaller in monetary terms, but also in relative terms: the median bonuses of female executives equalled 24% of their base salary, while for male executive directors the corresponding percentage was 27%. These statistically significant differences ($z = 1.97, p = .024$, one-tailed) corroborate Hypothesis 1. Similar differences were observed for incentive pay as well: the equity-based incentive pay of the median female director constitutes a

¹¹ All tests for gender pay differences were calculated as one-tailed ones since, as the hypotheses tested, they clearly predicted the sign of the difference, that is, that women earn less than men.

smaller proportion of her base salary, compared to her male peer ($z = 1.83, p = .034$, one-tailed).



Notes.

1. Test statistics are based on Wilcoxon tests (one-tailed).
2. $\dagger p < .10$, $* p < .05$, $** p < .01$, $*** p < .001$

Figure 2.1. Gender pay gap (comparison of medians)

Gender differences in bonus sensitivity: Multivariate analysis

My sample is characterised by a substantial variation in company performance, which enables us to examine the bonus-performance relationship across a wide spectrum of corporate performance. In Table 2.3 I report the estimates of the Tobit models examining the size of bonus awarded to a director as a function of company performance, while controlling for the organisational- and individual-level factors discussed above. Model 1 explains the absolute size of the bonus (i.e., in £ thousands), while Model 2 examines the size of bonus relative to the base salary.

As can be seen in Figures 2.2 and 2.3 and in Table 2.3, the results suggest that, as expected, and in line with guidelines set for compensating executives (Financial Reporting

Council, 2003), male executives were rewarded for superior company performance and were punished for inferior company performance. They were significantly more likely to receive a larger bonus if their firms' performance in the preceding year was better. The coefficients corresponding to ROA and Tobin's Q were positive and statistically significant in both models (Model 1: $\beta = 3.66, p = .005$ and $\beta = 5.08, p = .037$, Model 2: $\beta = 0.01, p < .001$ and $\beta = 0.02, p = .034$). Importantly, in support of Hypothesis 2, the positive relationship between size of bonus and company performance was attenuated for female directors (as indicated by significant *negative* estimates corresponding to the interaction terms - Model 1: ROA: $\beta = -3.42, p = .019$ and Tobin's Q: $\beta = -5.91, p = .047$, Model 2: ROA: $\beta = -0.01, p = .035$ and Tobin's Q: $\beta = -0.02, p = .028$).¹²

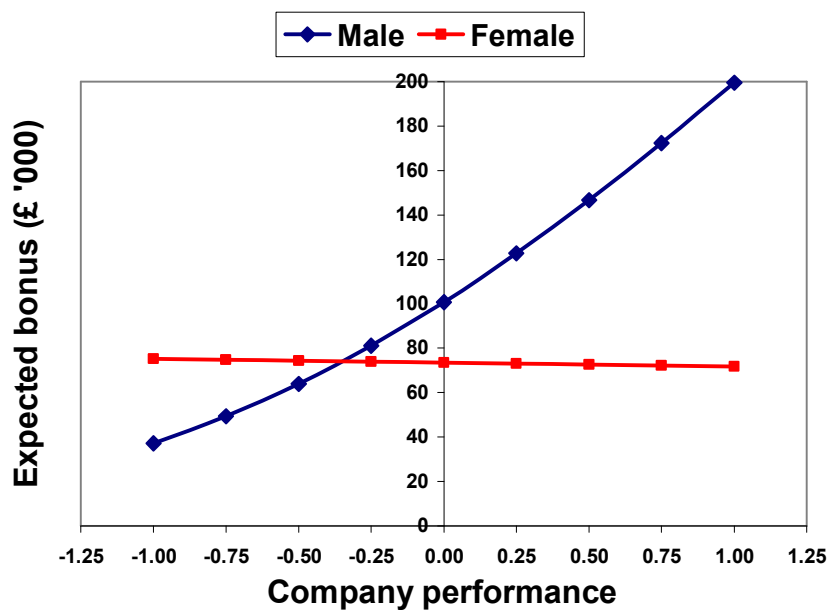
¹² When I replaced ROA with alternative accounting measures of performance (i.e. ROE or ROS), the results obtained were in line with those reported here. I also tried an alternative stock performance measure, that is, I employed stock return instead of Tobin's Q in the models similar to the ones presented in Table 2.3. While the stock return coefficient estimates (both the simple term and the interaction term) proved insignificant, other conclusions of the models remained unchanged.

Table 2.3. Tobit models explaining bonuses earned by the directors

	Model 1		Model 2	
	Estimate	t-statistic	Estimate	t-statistic
Intercept	-446.174	-4.32***	-1.250	-3.59***
Female	-33.511	-1.48	-0.025	-0.33
Return on assets	3.661	2.82**	0.014	3.36***
Return on assets * Female	-3.419	-2.35*	-0.010	-2.12*
Tobin's Q	5.079	2.09*	0.017	2.13*
Tobin's Q * Female	-5.913	-1.99*	-0.022	-2.20*
Director's age	1.373	0.88	0.004	0.69
Director's tenure in the role	4.958	1.84†	0.009	1.00
Board size	38.676	1.07	0.419	3.44***
LN(Market capitalisation)	48.023	7.14***	0.051	2.26*
Risk (Stock price volatility)	-0.420	-0.41	-0.003	-0.98
Year after 2002 (dummy variable)	65.723	3.50***	0.113	1.79†
Industry dummies	Yes†			Yes**
Total number of observations	345		345	
Number of left-censored observations	78		78	
Log-likelihood	-1780.081		-268.083	
Goodness-of-fit	Pseudo-R ² = 0.046		Pseudo-R ² = 0.179	
Model test	LR χ^2 (17) = 172.89***		LR χ^2 (17) = 116.58***	

Notes.

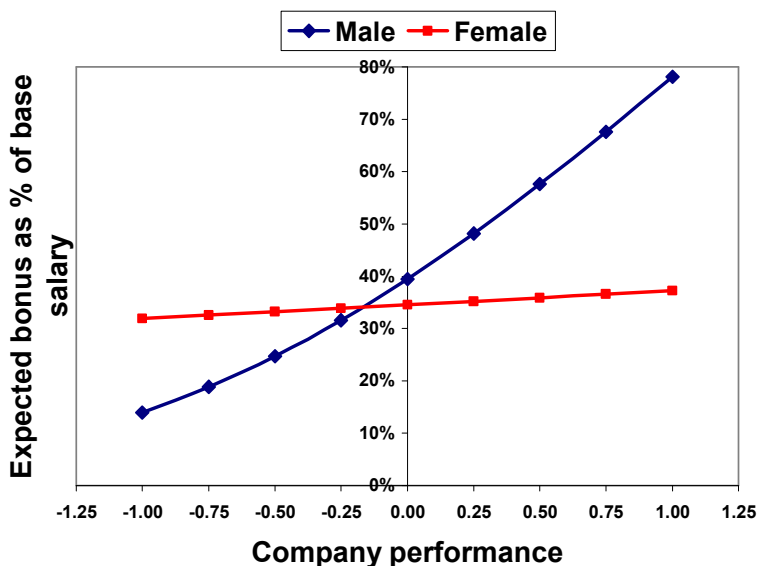
1. Test statistics are based on matched pairs.
2. See Note to Table 2.1. for the definitions of the variables.
3. † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$



Notes.

1. Figure 2.2. is based on the estimates of Model 1.
2. Company performance on Figures 2.2. and 2.3. is defined as follows: 0 corresponds to the situation where both performance indicators are set at their mean values; 0.25 – to the case where both indicators are 0.25 of their respective standard deviations above the mean, etc.
3. In the calculations of expected size of the bonus, the values of all the other regressors are set to their mean values.

Figure 2.2. Gender differences in performance sensitivity of bonus (as implied by Model 1)



Notes.

1. Figure 2.3. is based on the estimates of Model 2.
2. For the definitions of company performance and expected size of the bonus see Notes to Figure 2.2.

Figure 2.3. Gender differences in performance sensitivity of bonus (as implied by Model 2)

One way of interpreting these data is to look at estimates of director bonuses as performance indicators improve, from the lowest decile to the highest decile. Examining the absolute bonus of male directors, Model 1 demonstrates that as performance increases the expected size of the bonus rises by 263 per cent, from £41,733 to £151,489. In contrast, the corresponding increase for a female director is a mere 4 per cent, from £71,083 to £73,705. Similarly, according to the estimation results of Model 2, moving from the lowest to the highest deciles results in the male director's bonus almost quadrupling (from 15.1% to 59.8% of his base salary), while for females the corresponding increase in bonus was approximately one third (from 28.1% to 37.2% of her base salary). Put differently, the relative increase in men's bonuses as a function of improvement in company performance was approximately nine times larger than women's.

Importantly, the estimate of the coefficients corresponding to the direct effect of gender were not statistically significant, suggesting that the phenomenon of the gender pay gap is not absolute, and is therefore more complex and context-dependent than argued in the existing literature. For example, I learn from Table 2.3 that executive directors' tenure has a positive and significant (albeit weak) effect on the likelihood of earning a bonus and on the magnitude of such a bonus (Model 1 in Table 2.3). Further to this, firm size is a highly significant determinant of both of the likelihood of earning a bonus and of the (relative and absolute) size of such a bonus (Models 1 and 2 of Table 2.3). And finally, the size of the board and the relative size of the bonuses paid to the executive directors are positively related (Model 2 in Table 2.3).¹³

¹³ The results are robust with respect to the choice of the variable capturing company size. The models employing LN(# Employees), LN(Total assets), or LN(Sales) instead of LN(Market capitalisation) yielded the results virtually identical to these reported

Discussion and conclusion

Putting the gender pay gap in context

The results corroborate my main hypothesis that there is a large gender pay gap in executive director positions throughout the UK. After controlling for industry, time, company size, and director position (using a matching analysis), I find that women executive directors earn 19 per cent less than men. Moreover, female directors seem to suffer from the pay inequality twice: not only are their base salaries lower than those of their male colleagues, but also their variable pay corresponds to a smaller proportion of these lower salaries.

The research presented here extends the literature beyond simply demonstrating that the gender pay gap exists in UK boardrooms. By examining the gender pay gap across different performance conditions, it is clear that gendered remuneration is a context-dependent phenomenon. The analysis of the bonuses reveals that, in line with previous research (e.g., Renneboog & Trojanowski, 2006), there is a positive relationship between company performance and bonuses for male executives. However, this finding cannot be extended to female executives. The bonuses of male directors almost quadruple when comparing the lowest performing companies to the highest. In contrast, a similar comparison for firms with female executive directors leads to a bonus increase of merely 30 per cent. I can also rephrase this conclusion in a more positive way. While women are rewarded a significantly lower bonus when the company is doing well, at the same time they are also punished less than men when company performance is poor. Thus, it appears

in Table 2.3. Similarly, the findings are not affected by the choice of tenure measure employed (i.e., if director's tenure on the board or in the company were used instead of the director's tenure in the role).

that, at least when considering bonuses, the gender pay gap is highest when companies are doing well, but is attenuated — and indeed may be reversed — when companies are doing badly.

This lack of sensitivity of the female managers' bonuses to company performance raises some questions about how their performance is assessed. Previous research suggests that gender stereotypes may play a role in explaining the way that women are evaluated and treated in 'typically masculine' roles, such as director positions, and in male-dominated environments, such as the boardroom (Eagly et al. 1995; Eagly & Karau, 2002). The fact that women are not rewarded according to their performance (or at least their companies' performance) may reflect pre-existing theories about the lack of influence women leaders are seen to possess in organisational settings. Women are atypical leaders (Schein, 2001) and therefore implicit theories about the causal relationships between leaders and corporate change cannot be automatically applied to female leaders (Pyszczynski & Greenberg, 1981). Along these lines, I argue that women may not be regarded as fully responsible for the company results because they are perceived to lack traits such as managerial competence and the ability to influence (Eagly et al., 1992; Heilman, 2001; Schein, 2001). As such, the lack of association between company performance and the (financial) evaluation of female directors may reflect an indifference towards women's leadership abilities. Indeed, research has revealed that attributions of success are less likely to be applied to women than to men. The former are seen to be less competent, influential and less likely to have played a leadership role when solving a team task (Heilman & Haynes, 2005).

This perspective is further supported by research demonstrating similar performance-sensitivity patterns on the basis of certification (Wade, Porac, Pollock, & Graffin, 2006). Upon excellent company performance, directors who were certified (in the

Financial World's contest of CEO of the year) receive a higher compensation than their counterparts without certification, but receive less compensation when company performance was poor. Thus, female executive directors could be compared to uncertified directors, as they seem to be perceived as less credible leaders. Thus, it would appear that romantic notions of leadership (see above) — which associate company executives with almost limitless power, credibility, and agency (Meindl et al., 1985) — do not extend to female executives. The results of the study by Lee and James (2007) examining stock market reactions to appointments of male and female senior managers are also consistent with this claim in such that the degree of familiarity (internally versus externally appointed) had an effect on how companies of female CEOs' were traded by investors but not for their male counterparts' companies (see also Haslam, Ryan, Kulich, Trojanowski, & Atkins, 2008). Putting it differently, for the judgment of female leaders it seems to matter if they are known or unknown, whereas male leaders are automatically accepted in their capacities.

Risk attitudes, confidence, and performance-based rewards

Pay arrangements are usually the product of an interaction between the pay allocating party (here, a remuneration committee) and the receiver (here, an executive director). In this chapter, I have only addressed the allocation side of the pay process but future research should also consider the financial decisions of the directors themselves. Some may argue that pay differences between women and men are due to gendered preferences for certain pay packages over others. Indeed, previous research suggests that women have lower goals and choose safer targets (Babcock & Laschever, 2003), are more risk-averse (Byrnes, Miller, & Schafer, 1999; Weber, Blais, & Betz, 2002), and less confident than men (Barber & Odean, 2001; Graham, Stendardi, Myers, & Graham, 2002). Indeed, female risk-aversion has been shown to be most pronounced in traditionally male domains such as financial matters (Bajtelsmit & Bernasek, 1996; Byrnes et al., 1999). On

this basis, one may expect women to choose safer remuneration strategies than men by accepting pay packages that have a low variability — thus accounting for the lack of performance sensitivity. In contrast, men may achieve larger rewards due to their higher risk tolerance.

Moreover, one may argue that confidence in one's abilities may also have an impact on pay demands. Research shows that men tend to be more confident in their own abilities (Bajtelsmit & Bernasek, 1996; Barber & Odean, 2001), to evaluate their own performance more favourably, and to claim greater ability than women (Deaux & Farris, 1977), particularly in male-dominated areas (Prince, 1993). In pay negotiations, men's over-confidence in their ability to succeed may lead them to opt for pay packages that are more risky than those of women. However, studies show that while men are over-confident, they are not more successful than women in achieving their goals (Luneberg, Fox, & Puncchohar, 1994).

It is important to note that suggestions of a lack of risk-seeking behaviour and lower confidence should not necessarily be seen as a stable trait of women in general. Instead, it should be seen as part of a process that varies across context and situations (Dwyer, Gilkeson, & List, 2002; Lenney, 1977; Schubert, Brown, Gysler, & Brachinger, 1999). Indeed, this is borne out by the fact that risk-aversion is most marked in relation to tasks or activities which are typically male (Beyer & Bowden, 1997). Consequently risk-attitudes and confidence may be regarded as socially constructed and therefore malleable rather than innate.

Indeed, the tendency for women to be more risk-averse and less confident may be, in part, a product of women conforming to prescriptive stereotypes about the way in which they should behave (Schubert et al., 1999; Siegrist, Cvetkovich, & Gutscher, 2002). Thus, people's expectations that women are risk-averse may reinforce the gender gap by

encouraging women to choose less risky pay packages. At the same time, they trigger negative reactions towards those women who do not comply with predominant gender stereotypes (Babcock & Laschever, 2003), such as behaving competitively or showing risk-seeking behaviour in pay negotiations (Heilman et al., 2004; Rudman & Glick, 2001). This may lead to two related outcomes. First, women may learn that they stand to lose more than they win if they behave in stereotypically male ways (Wade, 2001). Indeed, women may feel less confident when negotiating their pay than men, a trend that, can at least in part, be explained by women's negative experiences throughout the pay process (Babcock & Laschever, 2003). Second, women are likely to be offered 'safe' compensation packages, with the belief that they prefer them, or at the very least, will accept them. This way, women may feel pressured into accepting safe offers of non-risky pay packages, and these may lead to a vicious circle that reinforces and sharpens gendered stereotypes about women leaders' pay preferences. These explanations will be examined more closely in Study 4 of this thesis.

Conclusion

This study indicates that the gender pay gap is alive and well in UK executive positions. It also extends the previous literature by examining the circumstances under which the gender pay gap occurs — revealing that while the romance of leadership is reflected in the managerial remuneration of male executive directors, this is not the case for women.

The fact that women are neither tempted with carrots (when corporate performance is good) nor punished with sticks (when performance is disappointing) has important implications for women and their careers. Even if these findings were construed positively in the sense that women are not penalised in the context of negative corporate performance, it also means that they miss out when their company is doing well. This loss can be quite

sizable. In general, female bonuses were not particularly large, so the loss of missing out on a bonus for female executive directors of underperforming companies is relatively limited. On the other hand, the bonus rewards for stellar performance can be quite substantial, yet female directors are unlikely to benefit from such a favourable outcome.

The organisational insensitivity to women leaders' performance is not merely an issue of *financial* inequality. It can also be regarded as a lack of respect for women leaders by communicating and promoting the view that female executives *lack agency* and impact in the workplace. As long as this agency is denied, the experiences of women who break through the glass ceiling are likely to prove highly unsatisfactory for them. Indeed, by signalling indifference to their efforts, organisations may produce women leaders who are themselves indifferent (Ryan, Haslam, Hersby, Kulich, & Wilson-Kovac, in press). Consequently, it is perhaps not surprising that, relative to their male counterparts, female directors are more likely to vote with their feet and “opt out” of organisational life (Stroh, Brett, & Reilly, 1996). At the same time, these insensitive reward structures “push out” women since they may contribute to a drop in the perceived market-value of talented women who miss out on the “high pay label” that has been shown to be a significant determinant of perceived leadership (Ridgeway, 2001).

Accordingly, I conclude that while ‘performance-based pay’ is an intrinsic part of any male executive’s pay package, the term may be something of a misnomer when considering female executives. Indeed, the fact that female executives are neither rewarded nor punished for their work can be seen as an indicator of a more generalised organisational apathy and indifference towards women (Ryan et al., in press). Moreover, if, as Elie Wiesel has observed, ‘the opposite of love is not hate, but indifference’, then so too the indifference of organisations to women’s achievements in the workplace may be the very antithesis of equality.

CHAPTER 3

WHERE IS THE ROMANCE FOR WOMEN LEADERS?

The research reported in Chapter 2 demonstrates that the romance of leadership does not work in the same way for women as it does for men. While male directors' bonuses depended on company performance, for the female directors company performance did not predict the size of their bonuses. Critically, though, this research only examined economic measures such as company performance and pay and did not include any psychological measures. While Study 1 has strong external validity and extends previous research by including economic variables it does little to shed light on psychological processes behind differential payment. To address these limitations, Study 2 aims to replicate Study 1 in a controlled setting using an experimental design. Using scenarios overcomes many of the problems arising in the archival study (Study 1). For example, matches of different individuals and companies in a real organisational setting will never be perfect, whereas in designed scenarios these similarities can be artificially produced. Also, the causality in the relationship between company performance and pay can be clearly investigated given the chronology of events in the study design.

Further, in Study 2 I want to investigate underlying psychological factors by focusing on gender effects in leadership attributions and performance-based pay. Conflicting gender and leader role stereotypes may significantly influence judgements about women's successes. A female leader may succeed in objective terms but she is not expected to act appropriately in a male role and therefore does not receive adequate pay.

Introduction

In the literature review in Chapter 1 we saw how perceptions of leadership often result from romanticised conceptions of the role played by leaders in bringing about

particular organisational events (Meindl et al., 1985; Shamir, 1992). A pertinent question, though, is whether this emphasis on the socially constructed nature of leadership can be extended to new areas of enquiry of contemporary relevance. In particular, how applicable is the romance of leadership to female leaders? Study 1 suggests that the romance of leadership may not apply for female leaders. It showed that the romance of leadership works for male directors who were paid in accordance with their organisation's performance outcomes. In contrast, female executive's financial rewards did not show the performance sensitivity that the romance of leadership would suggest for leaders. In this chapter I advance the existing literature on the romance of leadership by asking whether the romance of leadership applies for women and I investigate the role of leader evaluations for the allocation of performance-based pay.

Testing the romance of leadership for women

A question that could not be answered with Study 1 was whether perceptions of female leader's qualities (e.g., charisma) relate to company performance as suggested by the classic romance of leadership literature. Previous research in this area has focused almost exclusively on male leaders, therefore I ask whether the romance of leadership, in terms of charisma evaluations, also occurs for female leaders. This is a relevant question because female leaders are still underrepresented in these roles (Eagly & Carli, 2007) and, as was outlined in Chapter 1, they encounter a very different reality than men due to conflicting role stereotypes (Heilman, 2001).

Furthermore, previous research into the romance of leadership has focused on evaluations of personality traits such as charisma revealing a positive relationship between company performance and charisma evaluations (Meindl et al., 1985). While charisma is a key aspect of leadership evaluation it is also important to examine how attributional

processes impact on more concrete evaluations of leadership. Indeed, past research has demonstrated that company performance cues may not only influence charisma but also other leadership measures such as leader effectiveness (Awamleh & Gardner, 1999). Accordingly, in the present research I aim to extend the measurement of a leader's personality traits to include performance-related measures of *leadership ability*. And finally, another important point in this chapter is whether these attributions of charisma and leadership abilities translate to performances-based pay for male as well as female leaders followed by a discussion of potential psychological mechanisms that predict gender differences.

Based on the findings in the gender and leadership literature and the results from Study 1, I anticipate gender differences in the way that attributions of charisma and leadership ability relate to company performance. More specifically, the performance-pay relationship is predicted to be clear and strong for men, but far less straightforward for women.

Performance-based pay allocation and the process of allocation

In addition, I examine whether the romance of leadership also applies to a more concrete evaluative and behavioural measure such as the allocation of performance-based pay. This measure is interesting because it does not only focus on the evaluation of personality traits such as charisma, or the perceptions of leadership ability, but it gives information on actual measurable consequences that is, how much money leaders get for their performance. As outlined in Chapter 1, differences in perceptions of the value of women's and men's work are usually subtle in nature, but can have serious and tangible consequences — in particular, leading to lower pay. Accordingly, in the present research I seek to establish whether the same attribution pattern that is predicted to influence

leadership evaluations will also have behavioural consequences. One particularly interesting behavioural measure in the context of a consideration of leadership and gender is *performance-based pay*. The economic literature related to this topic suggests that pay in leadership positions is strongly performance-dependent (See Chapter 2; Cosh, 1975; Conyon, 1998; Deloitte & Touche LLP, 2004; Renneboog & Trojanowski, 2006). However, there is a significant gender pay gap in managerial positions which may reflect differences in the evaluation of male and female leaders. Moreover, the results from Study 1 revealed that for male directors pay patterns are in line with predictions derived from literature on the romance of leadership, while female directors' bonus allocations did not relate to company performance. In order to strengthen these economic findings I aimed to replicate them in an experimental setting where I could control for variability in organisational and personal factors.

Finally, I look at possible gender differences in the *process* of rewarding leaders by investigating the role that perceptions of charisma and leadership ability play in determining the size of bonuses that leaders are awarded. This means that in addition to Study 1, the design of this study allows to relate gender differences in financial rewards to leadership perceptions.

I noted in Chapter 1 that the evaluation of managers as good or bad leaders is shaped by implicit beliefs or theories about a leader's impact on his or her company. Implicit theories are representations of socially shared knowledge about social objects and are based on past experiences or stereotypes. As intimated above, stereotypes of men typically correspond highly with beliefs we hold about leaders, and thus their actions as leaders are congruous (Schein, 1973). This in turn has implications for the decision-making process, because according to Pyszczynski and Greenberg (1981) *expectation-confirming behaviour* leads to automatic attributions based on pre-existing beliefs. In the case of male

leaders (who are expected to have an impact on organisational performance) a direct link between their abilities and company performance should therefore be assumed without external factors needing to be considered. More formally, males are ascribed *leadership-agency*, and therefore an internal attribution of company success/failure is made to their leadership. In contrast, if *unexpected* (belief-disconfirming) *behaviour* occurs, attributions are thought through more carefully, because there are no pre-existing “causal theories” which help to explain the situation (Pyszczynski & Greenberg, 1981). Thus, unusual or unfamiliar events demand a search for causal information in order to deal with the situation. And lacking the “shortcut” of implicit theories, new information and external factors may be taken into account. Clearly, a situation in which a woman is a company leader may constitute just such an unexpected event and therefore more careful consideration may be given to the actual relationship between company performance and leadership ability.

The nature of the process may also be important. In the case of a male leader, implicit theories of leadership may facilitate the automatic award or denial of a performance-related pay based on company performance. Here the actual behaviour of the leader may receive only limited attention. However, for women this process might be less straightforward since deeper consideration of a woman’s possible impact on company performance is likely to seem warranted in the context of making decisions about her pay. Subsequently, decision makers may tend to engage more closely with the award process: looking at company performance, then evaluating the manager, and finally deciding what amount of pay she should get. However, this in-depth evaluation process is likely to highlight other possible sources of company success and hence pay will not be linked simply to company performance but to these additional contextual factors.

The current study (Study 2)

In Study 2 I follow the main approach of this thesis by considering the role of the organisational context as explanatory factor for biases in the evaluation of female leaders. As outlined above, this study extends the findings of Study 1 and previous research on the romance of leadership by looking at the relationship of leader evaluation (charisma and leadership ability) and company performance across men and women. The following two hypotheses were tested:

Hypothesis 1: The romance of leadership will be less pronounced for female than for male leaders. Accordingly, perceived charisma will be less positively related to company performance for female leaders than for male leaders.

Hypothesis 2: As a corollary to H1, it is expected that perceived leadership ability will be less positively related to company performance when the leader is a woman rather than a man.

Further to this, I attempted to replicate the findings of Study 1 about the relationship of performance-based pay and company performance in an experimental setting (H3). Moreover, the simple analysis of bonus allocations and company performance was followed up by the inclusion of leadership evaluations (charisma and leadership ability) since these play a crucial role in the process of bonus allocations to male and female leaders (H4).

Hypothesis 3: Performance-based pay for leaders will be less positively related to company performance when the leader is a woman rather than a man.

Hypothesis 4: The process of making decisions about performance-based pay will vary as a function of a leader's gender. In the case of men, and in line with the romance of leadership, these decisions will relate directly to company

performance; in the case of women these decisions will be affected by evaluations of the leader's character and ability.

Method

Participants and design

Participants were recruited through websites of online surveys. They were 210 individuals, all of whom had on-the-job experience in the UK or the US. Sixty per cent of the participants indicated that they had held a leadership position. The median age of the participants was 33 years, ranging from 18 to 71; 51 per cent were female and 49 per cent were male.

Participants were asked to read an article about a company in which the company's performance and the gender of its chief executive officer (CEO) were manipulated. The study thus had a 2 (pre-appointment performance: improving, declining) X 2 (post-appointment performance: improving, declining) X 2 (gender of CEO: male, female) between-participants design.

Material and procedure

In an online questionnaire participants randomly received an article, purportedly published by an international multimedia agency. A copy of the article can be found in the Appendix of this thesis on pages 2 and 3. The article presented details of a company's performance, both before and after the appointment of its current CEO, along with comments from this CEO. Company performance was illustrated by graphs showing company performance over a four-year period with a clear mark on the time-axis indicating the date of appointment of the CEO in the previous year (see Appendix pages 2-5). The graphs in the four conditions presented one of four possible combinations of increasing and declining company performance before and after CEO appointment. Furthermore, the text

included passages describing economic indicators which represented either improvement or decline of company performance consistent with the pattern shown in the graph.

The comparison of all manipulations in this thesis would take up too much space, therefore, the four versions of the performance manipulations can be found in the Appendix on pages 2-5. However, a few passages were extracted from the text in order to illustrate the way company performance was manipulated. The headings were presented with the following wording (manipulated parts are presented in italics):

- Pre-appointment and post-appointment performance is bad: “Alan Jones in the spotlight as LFK’s profits *continue to crash*”
- Pre-appointment performance is bad and post-appointment performance is good: “Alan Jones in the spotlight as LFK’s profits *show dramatic turn around*”
- Pre-appointment performance is good and post-appointment performance is bad: “Alan Jones in the spotlight as LFK’s profits *crash*”
- Pre-appointment and post-appointment performance is good): “Alan Jones in the spotlight as LFK’s profits *show dramatic boom*”

The next few examples shall illustrate the manipulation in the text of the articles. Again, manipulated passages are printed in italics. In the following passages bad pre-appointment versus good pre-appointment performance is manipulated where the latter is indicated in brackets: “Alan/Claire Jones was brought in as CEO of LFK in January 2004 with the unenviable job of turning around a share and profit performance that had been steadily *decreasing (increasing)* for the past 3 years and to defend LFK’s market share from supermarket rivals, online retailers, and other specialists.” and “This was driven entirely by the high street, where profits were *down (up)* 66 percent,…” The next passages contrast the bad versus the good post-appointment performance condition with the good condition presented in brackets: “This has been a challenging year for the group,” said

Jones on Friday, as he/she announced a *34 percent drop (34 percent increase)* in underlying pretax profit” and “The full-year dividend for LFK was *cut 36 percent to 18 pence (up 36 percent to £1.18)*.”

The gender of the CEO was indicated by the first name *Alan* versus *Claire* Jones, and reinforced by an associated photograph of a man or a woman. Research has suggested that people attribute social and cultural qualities to persons based on the perception of physical appearance (Herkner, 2001). Following these findings, pre-testing was conducted to ensure that the photographs were matched for qualities such as attractiveness, sociability, perceived intelligence and diverse abilities. Participants were $N = 44$ Exeter master students (45 % male and 54 % female). Their median age was 25 years (ranging from 20 to 38 years). They were asked to tell their first impression of either a male or a female person portrayed in a photograph. On a scale of 5 (strongly agree to strongly disagree) the participants were asked to rate the person on the photograph using 20 different characteristics (see questionnaire in Appendix, page 6). Comparing the means of every single item from the female and male face conditions most items did not show significant gender differences (see Appendix Table A1, page 7). The only significant differences found was that the woman in the photograph was rated to be significantly less career-oriented ($M = 4.05$, $SD = .805$) than the man ($M = 3.41$, $SD = .854$), $t(41) = -2.521$, $p = .016$. This finding is not surprising considering research that has shown that while men define themselves more through their careers, women tend to develop more flexible self-concepts (Phillips & Imhoff, 1997). Career-orientation may therefore be stronger associated with men. Also, being career focused involves traits such as being competitive, assertive and task-orientated which are stereotypically more strongly associated with men than with women (Rudman & Glick, 2001).

A short description of the CEO's background and family situation was also included: "Brought up in the Midlands, and a graduate of the London Business School, Alan/Claire Jones has a reputation for tough talking and radical business restructures. "He's/She's a doer, not a talker" an industry insider commented. Jones is 52 and has two children. He/She lists his/her hobbies in Who's Who as "seeing my team score goals".

The material presented was ambivalent with respect to the CEO's actual impact on company performance.

Participants read the article and then answered a series of questions about their perceptions of the CEO's charisma and leadership ability. The items for measuring charisma were taken from Bass and Avolio's (1989) multifactor leadership scale and relate directly to relationships of the leader with their followers whereas the items for leadership ability are related to a leader's actions and outcomes. The distinction between these two scales is based on theoretical assumptions rather than empirical evidence.

The charisma items were measured on five-point scales, from 1 (strongly disagree) to 5 (strongly agree). The perceptions of charisma scale included 13 items, assessing the capacity of the leader to inspire and motivate the followers (e.g., "She/He inspires trust in her/his capacity and judgment"; "She/He makes everyone around her/him enthusiastic; She/He is an inspiration to others"; "She/He has a sense of mission which she/he transmits to others"). Factor analysis indicated that these items measured only one factor (explaining 49% of variance in responses) and thus the items were aggregated to form a single scale ($\alpha = .91$).

Perceptions of leadership ability were measured by 11 items assessing the CEO's effectiveness and influence and was focused on the leader rather than their relationship to followers (e.g., "She/He is effective in translating her/his plans into action"; "She/He has the presence of a leader"; "She/He is a symbol of success and accomplishment"). Factor

analysis indicated that these items measured only one factor (explaining 59% of variance in responses) and so the items were aggregated to form a single scale ($\alpha = .93$).

The final question asked participants to allocate a performance-based bonus to the CEO. Participants could here allocate no bonus, or a bonus of the size of 2, 4, 6, 8, 10, 12 or more than 12 week's-wages. Finally, a series of demographic questions were asked and full debriefing was provided.

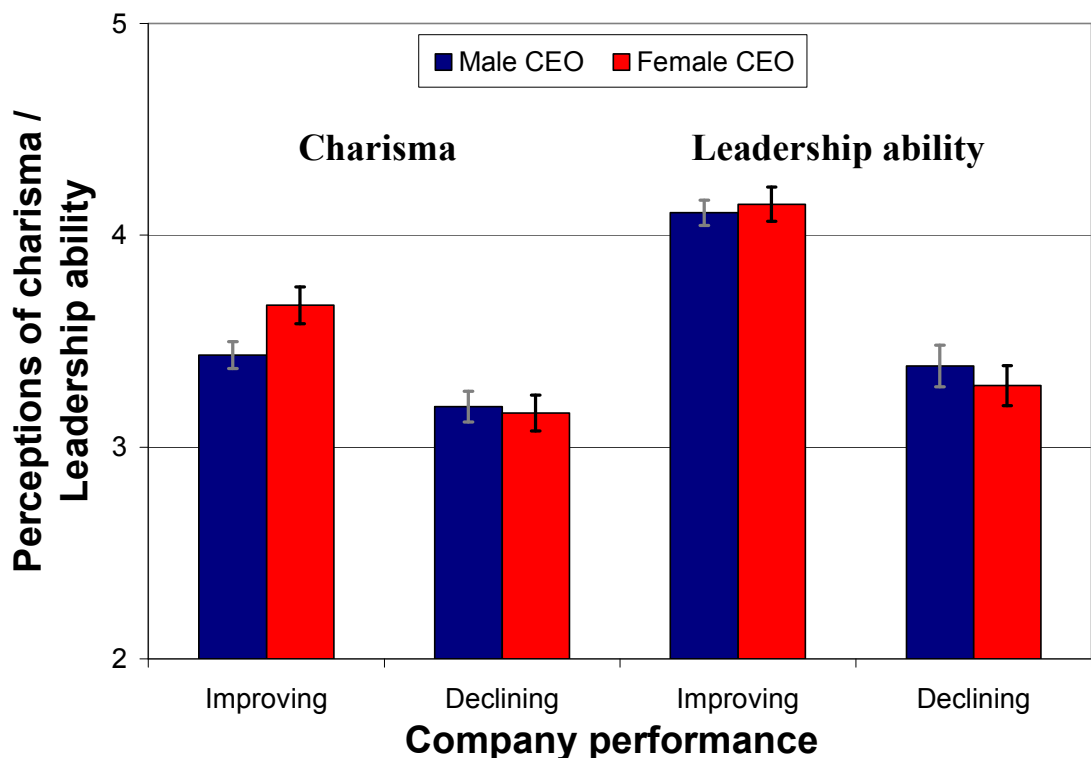
Results

Company performance, charisma, and leadership ability

Research into the romance of leadership has shown that evaluations of a leader are typically not affected by external circumstances, such as previous company performance, but rather are based largely on company performance during their tenure. Consistent with this, a MANCOVA analysis, controlling for participant gender, age, leadership experience, and student background, revealed that company performance *prior* to the CEO's appointment did not have a significant effect on either perceptions of charisma, $F(1, 198) = .18, p = .669$, or leadership ability, $F(1, 198) = 1.21, p = .273$. In addition, for both perception of charisma and leadership ability no significant two-way interactions between pre-appointment and post-appointment company performance, $F(1, 198) = .85, p = .359$, $F(1, 198) = .87, p = .352$, and between pre-appointment company performance and CEO gender were found, $F(1, 198) = .95, p = .331$, $F(1, 198) = .47, p = .495$. Also, no significant three-way interaction between all three independent variables was observed, $F(1, 198) = .042, p = .839$, $F(1, 198) = .22, p = .638$.

However, as suggested by the romance of leadership literature, post-appointment performance had a significant main effect on perceived charisma, $F(1, 201) = 21.61, p < .001$, controlling for participant gender, age, leadership experience, student background,

and pre-appointment company performance. As shown in Figure 3.1, for both the male and the female CEO, improving company performance led to perceptions of high charisma ($M = 3.54$), while declining company performance led to perceptions of lower charisma ($M = 3.18$). Contrary to H1, no gender effects were observed for perceived charisma, $F(1, 201) = 1.05$, $p = .307$, and there was no interaction between gender and post-appointment company performance, $F(1, 201) = 0.57$, $p = .111$.



Notes.

1. Perceptions of charisma and leadership ability were measured on a five point scale (1 = low to 5 = high).
2. Error bars indicate the standard deviation of the mean.

Figure 3.1. Romance of leadership

The same patterns were observed for the evaluative measure of leadership ability, using an ANCOVA with the same control variables as mentioned above. Perceptions of leadership ability differed significantly as a function of company performance, $F(1, 201) = 82.19$, $p < .001$ (improving: $M = 4.12$; declining: $M = 3.34$) but in contrast to H2, no gender effects were observed, $F(1, 201) = 0.00$, $p = .952$, and there was no interaction between

gender and post-appointment company performance, $F(1, 201) = 0.58, p = .447$. Overall, then, in contrast to H1 and H2, the romance of leadership was shown for both male and female leaders on measures of both perceived charisma and leadership ability.

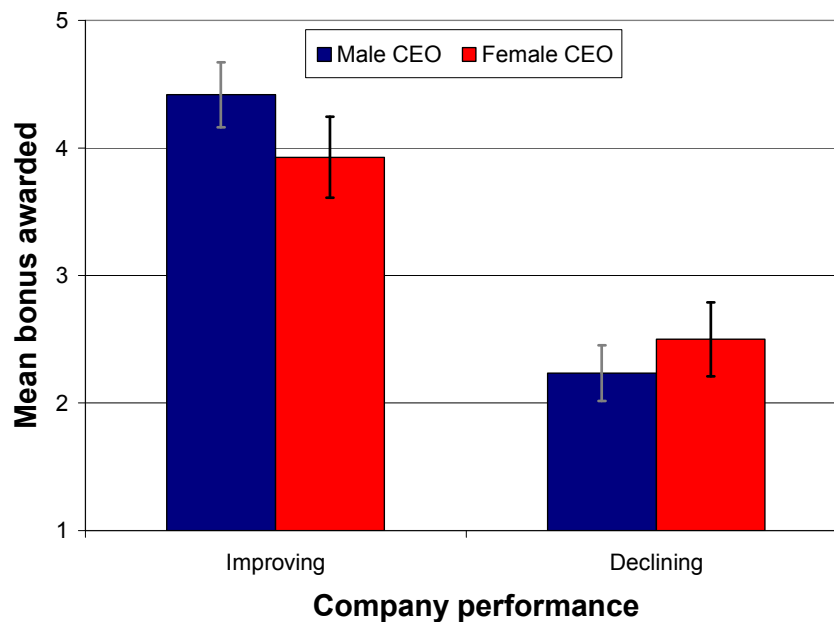
None of the covariates has a significant effect on bonus allocations. It is worth highlighting that specifically participants' gender neither significantly influenced perceptions of charisma, $F(1, 201) = 2.025, p = .156$, nor attributions of leadership ability, $F(1, 201) = 1.538, p = .216$, in the analyses presented above.

Company performance and attribution of a bonus

In order to investigate the impact of company performance on the bonus awarded to the CEO a 2 (post-appointment performance: improving, declining) X 2 (gender of CEO: male, female) ANCOVA was conducted, controlling for perceptions of charisma and leadership ability, participant gender, age, leadership experience, student background (currently in education), and pre-appointment company performance. None of the covariates has a significant effect on bonus allocations. Participant gender may be expected to impact on bonus attributions (e.g., in terms of in-group favourism), however, it did not have a significant effect on bonus allocations, $F(1, 195) = 1.05, p = .308$.

In line with previous research into the romance of leadership and H3, analyses revealed a main effect for post-appointment performance, $F(1, 195) = 9.43, p = .002$, such that CEOs were awarded a larger bonus when performance had improved ($M = 4.21$) than when it had declined ($M = 2.35$). However, this main effect was qualified by an interaction between post-appointment performance and gender, $F(1, 195) = 3.86, p = .051$. (The exclusion of charisma and leadership ability as covariates leads to a marginally significant interaction between CEO gender and post-appointment company performance: $F(1, 197) = 3.119, p = .079$.)

As can be seen in Figure 3.2, analyses of simple effects revealed that, in line with H3, the male CEO was paid significantly more when his company was doing well ($M = 4.42$) than when it was doing badly ($M = 2.23$), $F(1, 195) = 14.78$, $p < .001$. However, the same pattern was not found for the female CEO, with no significant difference in the amount of bonus given to her under conditions of improving ($M = 3.93$) versus declining ($M = 2.50$) company performance, $F(1, 195) = 1.06$, $p = .305$.



Notes.

1. Bonus was measured on an eight point scale of additional week's-wages (1 = no bonus, 2 = 2 week's wages, 3 = 4 week's wages etc. to 8 = more than 12 week's wages).
2. Error bars indicate the standard deviation of the mean.

Figure 3.2. Bonus and company performance

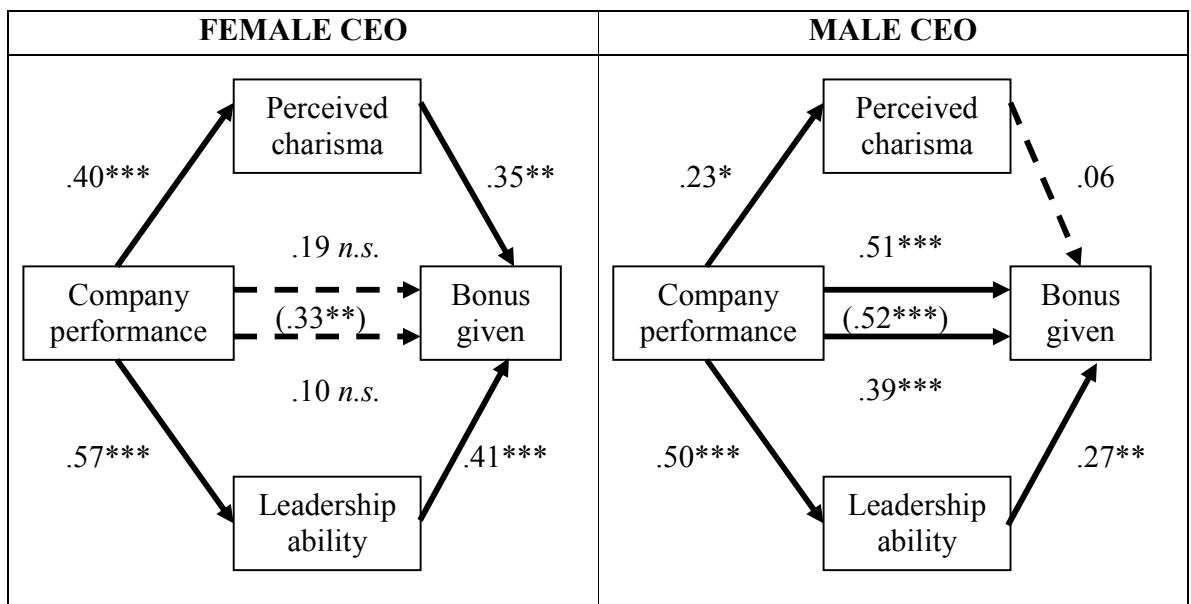
Romance of leadership and the process of bonus attribution

The above asymmetry in the allocation of bonuses to the male and a female leader supports the notion that a qualitatively different process underpins the distribution of bonuses to male and female leaders, in line with H4. In order to test this directly, two separate path analyses were performed for the female and male CEO to examine the role

that perceived charisma and leadership ability played in mediating between post-appointment company performance and bonus.

As Figure 3.3 indicates, for the female CEO, when bonus was regressed on company performance and perceived charisma simultaneously, the relationship between company performance and bonus was significantly reduced (Sobel test: $z = 2.63, p = .009$) and became non-significant (it dropped from $\beta = .33, p < .001$ to $\beta = .19, p = .077$). Along similar lines, when bonus was regressed on company performance and leadership ability simultaneously, the relationship between company performance and bonus was significantly reduced (Sobel test: $z = 3.19, p = .001$) and also became non-significant ($\beta = .10, p = .407$). These findings suggest that for the female CEO the relationship between company performance and bonus was fully mediated by perceived charisma and leadership ability.

A different pattern was found for the male CEO. Here I did not find a mediating effect for perceptions of charisma. However, when bonus was regressed on company performance and leadership ability simultaneously, the relationship between company performance and bonus was significantly reduced (Sobel test: $z = 2.7, p = .007$), but in contrast to the pattern observed for the female CEO it remained significant ($\beta = .39, p < .001$). These findings suggest that for the male CEO the relationship between company performance and bonus was not mediated by perceived charisma and was only partially mediated by leadership ability.



Notes.

1. Beta values of the linear regressions are displayed; numbers in brackets show beta values without mediator effect.
2. Continuous lines represent significant effects ($p < .05$) and broken lines not significant effects.
3. *n.s.* $p > .05$, * $p < .05$, ** $p < .01$, *** $p < .001$;

Figure 3.3. Mediation effects of perceptions of charisma and leadership ability on bonus allocations

Overall, the CEO's bonus was predicted by company performance suggesting that this resulted from the romance of leadership. However, gender differences appeared when perceived charisma and leadership measures were included in the analyses. Consistent with H4, for the female CEO when perceptions of charisma and leadership ability were taken into account the relationship between company performance and bonus allocation was significantly reduced, whereas for the male CEO this relationship remained significant.

Discussion and conclusion

Study 2 successfully replicated the findings from Study 1 in a laboratory setting, such that the female leader's bonus, in contrast to the male leader's, did not relate positively to their company's performance. Moreover, the inclusion of leadership evaluations and the analysis of their relationship to pay allocations added a psychological dimension to the purely economic findings reported in Study 1.

Gender and the romance of leadership

Overall, the results from this study provide evidence of the romance of leadership such that company performance after a leader’s appointment had a significant bearing on perceptions of that leader’s charisma. Moreover, the romance of leadership was also evident in judgments of perceived leadership ability. At the same time, as expected, factors external to the leader, such as pre-appointment company performance, did not affect perceptions of charisma and leadership ability.

However, this study extended previous work on the romance of leadership by exploring the effect for both male and female leaders. Here, contrary to H1 and H2, the romance of leadership was observed in evaluations of both male and female leaders. As outlined in the Introduction there are a variety of reasons for hypothesizing that perceptions of women’s charisma and leadership ability would not be directly related to company performance in the way that they are for men. In light of the present findings, however, this suggests that there may be additional factors at play here — including perhaps the over-evaluation of women in particular circumstances (see Nieva & Gutek, 1980, for an overview). Indeed, although women managers are generally evaluated less highly than their male counterparts (Eagly et al., 1992) there is some evidence to suggest that if women perform unexpectedly well on a particular task, then this can result in an over-evaluation of their performance (Boles & Durio, 1981; Jacobson & Effertz, 1974). In the present context, successful women in leadership positions may thus be perceived as having the same managerial qualities as a male counterpart since such ‘gender-incongruent’ behaviour may be judged as extraordinary performance for someone who is seen as “constrained” in her

More recently, Biernat and her colleagues have extended this idea in their *shifting standard model* (Biernat & Manis, 1994; Biernat, Manis, & Nelson, 1991). They propose

that men and women in a leadership context may be judged relative to different standards of competence based on stereotypes about their gender groups which see men as instrumentally competent but women as communal (Fiske et al., 1999; Ridgeway, 2001). Consequently, a woman will be judged relative to a lower level of competence than a man. In the present case this suggests that, at least in the context of good company performance, the application of shifting standards for the female CEO may have led to a higher than expected evaluation bringing her charisma and leadership ability into line with her male counterpart.

Whatever the precise reasons for this in the present case, contrary to my hypothesis I observed romance of leadership effects in perceptions of both female and male leaders. However, I argue that this does not necessarily mean that these judgments were a reflection of the same evaluation process for men and women. Indeed, as I discuss further below, the possibility that different processes may have led to similar outcomes is suggested by the results obtained on the bonus allocation measures.

Evaluation, bonus allocation, and the romance of leadership

Translating the evaluation of leaders into tangible rewards I found a similar romance of leadership pattern for the allocation of performance-based pay to that which was apparent for attributions of charisma. Consistent with economic data (e.g., Conyon, 1998), I observed that company performance had an impact on the performance-based pay of the CEO in my study. Good company performance led to a larger bonus, while poor company performance resulted in a smaller bonus.

Importantly, though, this pattern was not the same for the male and the female leader. Consistent with H3 and with data on UK executives' bonuses in Study 1, while men were both rewarded and punished in line with their company's performance, the amount of bonus received by the female CEO did not significantly differ in contexts of increasing

versus declining company performance. Apparently, relative to the male CEO for whom the standard romance of leadership pattern was found, company performance did not matter so much when allocating a bonus to the female. Hence, for women, the romance of leadership was observed on perceptual dimensions (i.e., assessments of her charisma and leadership ability) but not on behavioural and tangible dimensions (bonus allocations).

In an organisational context these findings would appear to have positive as well as negative implications for women. On the one hand, women are disadvantaged by not being given the same rewards for success as men. On the other hand, though, they are not punished to the same extent when their companies experience a downturn. I reflect on the implications of this further below, after having explored the processes which appear to be at work here.

The role of the romance of leadership in the process of bonus allocation

Having demonstrated that evaluations at a perceptual level differed from evaluations at a behavioural level for female leaders but not for male leaders, the process of bonus allocation was explored further. Here separate analyses of the judgment process for men and women revealed that perceptions of charisma and leadership ability played an important role in gender differences in performance-based pay allocations. More specifically, as suggested under H4, the award of a bonus to the female CEO depended largely on her perceived merit as a leader; while for the male CEO a less complicated process seemed to lead directly from company performance to his bonus allocation. In this way, men's successes seemed to be acknowledged without needing to scrutinize their leadership abilities, whereas women's abilities were subjected to greater interrogation before conclusions about their leadership were inferred from company performance.

One potential explanation for the distinct nature of this process for women and men is provided by work which has examined the impact of implicit theories (e.g., "causal

theories”) on perceptions of gender and leadership roles. As discussed in the Introduction, one reason why a female leader may be subjected to greater scrutiny than a male is that she occupies a prototypically male role (Heilman, 2001) and thereby contradicts stereotypic expectations. According to Pyszczynski and Greenberg (1981), such belief-disconfirming behaviour will encourage a more in-depth analysis of the situation. In the context of my study this would mean that for the male CEO the judgemental process is straightforward because pre-existing beliefs that link leadership with being male provide an uncomplicated logic with which to understand the causes of company performance. For the female CEO, however, no such logic is readily available. Instead, the contradiction between gender stereotypes and leadership theories needs to be explained in order to understand what might underpin the observed outcomes. This results in the need to make a detailed evaluation of her individual traits and abilities (and possibly to refer to external factors) before making judgments of her leadership and rewarding her appropriately. Future research should focus on the *content* of implicit theories (specifically the role of the mismatch of female gender roles and leadership) and in particular, the inter-relation with leadership-agency. This will help to answer the question of *why* for women company performance influences perceptions of leadership but not performance-related pay.

Conclusion

After replicating the same findings in two studies, one archival the other experimental, there is strong evidence that women’s bonuses payments are less performance-sensitive than men’s. The present research gives additional insight in the actual process which leads to the pay-performance patterns observed by considering leadership evaluations in the context of reward structures. In this respect, Study 2 suggests that the romance of leadership is likely to manifest itself in evaluations of the charisma and leadership ability of both men and women, but, in the case of women, will not always be

extended to tangible behaviour. These findings augment the existing literature on (a) gender and leadership and (b) the romance of leadership in important and interesting ways. In the first instance they suggest that both women and men benefit from the romance of leadership under conditions where they have leadership roles in successful organisations. At the same time, though, they suggest that this pattern does not necessarily extend to the actual allocation of monetary reward, at least for women. Thus for men, there appears to be an effortless logic which translates the romance of leadership into financial advantage. In short, a man who leads a successful organisation appears to be seen ‘naturally’ as a great leader who deserves a big financial reward.

For women, though, the linkages here are less well-lubricated. Thus, while leadership of a successful organisation leads to attributions of charisma and leadership ability, these are not translated straightforwardly into enhanced material outcomes. It seems likely that one reason for this is that the path here is not so “well-trodden” — either psychologically or in practice. Indeed, not only are women rarely given leadership positions, but when they are, these are likely to be suboptimal (Ryan & Haslam, 2007). As a result, women who do find themselves in such positions are likely to be very much in the analytical spotlight. This has its own problems (e.g., in terms of increased pressure and stress; Ryan, Haslam, Hersby et al., in press), but the present findings suggest that these may be further compounded by levels of compensation which compare unfavourably with those accorded to men.

Of course there is some irony here, because, if the lessons of previous research on the romance of leadership are taken to heart (e.g., Meindl, 1993), the underlying ‘biases’ here relate to the treatment of men not women. Indeed, it can be argued that participants’ reactions to women leaders — which involve close inspection of their leadership

credentials — conform to those advocated within the literature that points to the limitations of attributions that fail to take situational factors into account.

The present work shows that, at least on the surface men and women in leadership positions are perceived similarly. However, beneath the veneer we find subtle differences in the process of leader evaluations that have real and tangible consequences for women's prospects. Women are labelled as leaders but, unlike men, their behaviour as leaders is not translated into financial outcomes due to the apparent 'unnaturalness' of finding them in positions as leaders of successful companies. Even if performance differences are noticed for female leaders, as was reflected in charisma and leadership perceptions, there was an indifference towards the acknowledgement of these in terms of pay. This suggests that it is only when female leaders are as 'taken for granted' as their male counterparts that they will be seen to have the same degree of power and agency and hence go on to receive the same romantic outcomes.

CHAPTER 4

SELF-REPORTS OF COMPANY PERFORMANCE AND BONUS PAYMENTS

The research reported in Chapters 2 and 3 demonstrates that female manager's bonuses are dissociated from company performance, whereas male managers' bonuses correspond to company performance. Such a pattern of results was obtained in Study 1 using purely economic data derived from finance databases, and in Study 2 after an experimental manipulation of company performance and administration of a questionnaire measuring bonus allocations and leader evaluations. In this chapter I was interested in how male and female managers perceived their companies' performances and how these relate to the managers' bonuses. In this way, Studies 1 and 2 have taken an "allocator" perspective by looking at the evaluation of directors. In Study 3 a "receiver" perspective is taken by investigating how directors perceive company success. Furthermore, these perceptions are related to managers' reports on the size of bonus payments they receive. This analysis does not give any information on managers' knowledge or awareness on gendered performance-pay distributions but it indicates (1) if male and female managers report different levels of company performance and bonuses and (2) if perceived company performance and size of bonus are related for men and women.

The current study (Study 3)

In Study 3 I aimed to replicate the same patterns as in Studies 1 and 2 using a survey study. This method involves a new perspective since self-report measures of company performance and bonus payments are used. Also, another sample of managers is investigated. In the survey study I administered self-report items and asked employees with managerial responsibilities how they perceived their companies' success and to indicate the size of their allocated bonus. In line with Study 1 and 2 I predict that:

Hypothesis 1: Women's perceptions of organisational success do not relate to bonus payments whereas men's perceptions of success relate positively to their bonuses.

Method

Participants and design

Participants were 180 managers from Austria and the UK, of which 83 were female, 96 male and 1 did not specify their gender. Participants were mostly employed in the private sector ($n = 147$), and some in governmental institutions ($n = 33$). They were primarily middle- and top-level managers, but also individuals in other top positions where pay is negotiable and/or with managerial responsibilities (e.g., lawyers, consultants, or associate professors). They were recruited through leadership websites and email lists from leadership centres or associations. Participants were also asked to forward the link to other individuals with managerial responsibilities.

Although an attempt was made to obtain a sample of men and women at similar stages in their careers, there were, as could be expected, some differences. The female managers were, on average, 4 years younger ($M = 41$ years, $SD = 9.48$) than the male managers ($M = 45.5$ years, $SD = 9.57$). Men described themselves as more senior than women ($M = 3.76$, $SD = 0.77$; $M = 3.48$, $SD = 0.95$, on a 5 point scale from 1 = junior to 5 = senior) and they had been in their jobs 6 years longer ($M = 23$ years, $SD = 10.33$) than were women ($M = 17$ years, $SD = 10.72$). Men were more likely to be the primary income earners (89%) compared to the women in the sample (54%). Also, men were more likely to be married (76%) than women (46%), but women were more likely to live in a partnership (28%) compared to men (11%), and only 12% of the men were single compared to 21% of the women. Men had, on average, more children ($M = 2.00$, $SD = 1.44$) than women ($M =$

0.83, $SD = 1.20$). On average, more women took career breaks than men, with the primary reason being child-care (22% of the women and only 1% of the men), and then travelling (7% of women compared to 1% men). Men's career breaks were on average shorter ($M = 13$ weeks) than women's ($M = 23$ weeks).

These sample characteristics reflect differences at the population level as statistics on gender disparities show (see e.g., Commission of the European Communities, 2007). For example, similar to my sample senior-level men in an US survey were more likely to be married than senior-level women (men 97% and women 81%; Catalyst, 2004). Also, several studies have shown that women tend to be younger than men and have less company tenure and less management experience (Davidson & Cooper, 1984; Tharenou & Conroy, 1988; Tharenou, Latimer, & Conroy, 1994; Tsui & Gutek, 1984; Wanzienried, 2008).

Material and procedure

Data was collected through a 30-minute online survey in either English or German. The survey was translated from English to German and back-translated from German to English to ensure I captured the same meaning across questionnaires. The survey was advertised as a survey on "Pay satisfaction in managerial positions" and gender was not made salient in the survey until the last section of it. In the debriefing participants were informed about the full aims of this survey.

The items were designed based on a literature review (e.g., Babcock & Laschever, 2003; Barron, 2003), but also qualitative data from interviews with female managers (e.g., Ryan, Haslam, Wilson-Kovacs, Hersby, & Kulich, 2007; Wilson-Kovacs et al., 2008) and comments from the public in response to a BBC article on the gender pay gap (Kulich et al., 2008a). The questionnaire was embedded in a larger survey which will be reported in

Chapter 5. However, the two key measures were perceived organisational success and bonus payments.

I asked the participants to indicate their *organisations' success* in the previous year ('My organisation was very successful last year'; on a 7-point scale from 1 = disagree completely, 7 = agree completely). As part of a question investigating participants' pay packages they were asked whether they received different elements of their pay including base salary, long-term incentives, company car, private medical insurance, additional pension payments, life insurance, housing benefits, extra holidays, education for children, club membership cards, reduced merchandise, paid leisure trips, and, most importantly for this study, their annual bonus. Also, they were asked about the size of base salary and annual bonuses (Euro values from the Austrian sample were converted to British Pound Sterling).

Finally, *demographic information* was gathered. Participants were asked to indicate their nationality, country of employment, age, gender, marital status, number of children, occupation, tenure, seniority, size of group responsible for, work intensity (full-time versus part-time), average hours worked per week, career breaks, Participants were also asked about the number of employees in their company.

Results

Initial analyses

The pay packages of female and male managers differed mainly on the distribution of performance elements. Most participants received a base salary (96% of males vs. 98 % females) and no statistically significant gender difference was revealed for long-term incentives (male 3.13% vs. female 8.33%), private medical insurance (22.92% vs. 25.00%), life insurance (8.33% vs. 14.29%), extra holidays (9.38% vs. 8.33%), education for

children (1.04% vs. 3.57%), club memberships (3.13% vs. 7.14%), and paid leisure trips (3.13% vs. 1.19%), all *n.s.*. However, more male (55%) than female managers (33%) received performance-based pay (PBP), $\chi^2(1, 176) = 10.58, p = .001$, annual bonuses (54% vs. 37%), $\chi^2(1, 179) = 5.06, p = .024$, company cars (49% vs. 13%), $\chi^2(1, 179) = 25.90, p < .001$, additional pension payments (29.17% vs. 17.86%), $\chi^2(1, 179) = 3.00, p = .083$, housing benefits (10.42% vs. 1.19%), $\chi^2(1, 179) = 6.55, p = .010$, and reduced merchandise (26.04% vs. 5.95%), $\chi^2(1, 179) = 12.79, p < .001$.

In line with previous findings this data indicated a significant gender pay gap¹⁴, $F(146,1) = 3.14, p = .039$, where on average men's total pay was higher (£60,257) than women's (£41,653), controlling for country (pay tends to be lower in Austria than in the UK), seniority (salaries rise with seniority), company size (measured as number of employees; salaries are positively related to company size), and work intensity. There was also an overall tendency for men to receive a higher basic salary (£52,995) than women (£39,217), but this was only marginally significant, $F(148,1) = 2.32, p = .065$ (one-tailed), when controlling for the same variables. On average, a significant gender effect was also found for bonuses, such that men received higher bonuses (£7,260) than women (£2,367), $F(1, 148) = 2.93, p = .045$ (one-tailed), controlling for the same variables. Moreover, both men and women were aware that women earn less than men in their organisations ($M = 2.52$, on a scale: 1 = men earn a lot more to 5 = women earn a lot more, with the mean is significantly below the midpoint of the scale, $t(140) = -8.96, p < .001$).

¹⁴ All tests for gender pay differences were calculated as one-tailed ones since, as the hypotheses tested clearly predicted the sign of the difference, that is that women earn less than men.

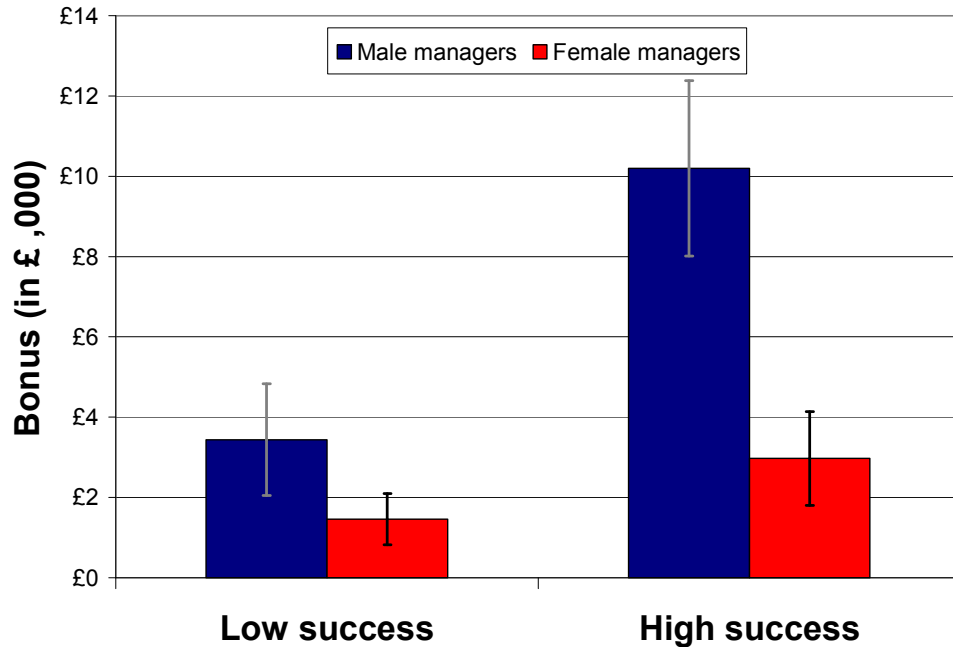
Gender differences in bonus allocations and perceptions of company success

The relationship between women's and men's performance-based annual bonuses and their perceptions of company success are illustrated in Figure 4.1. Performing a mean split on perceptions of company success ($M = 5.40$), the sample was divided into two groups: high ($n = 52$ males, $n = 48$ females) and low company success ($n = 43$ males, $n = 35$ females). The number of men and women in each group was not significantly different, $\chi^2(1, 177) = .17, p = .678$. In an ANCOVA I looked at the effects that gender and perceived company performance had on the size of bonus the participants received. Control variables included country (pay levels in Austria and the UK are distinct), seniority and work intensity (pay varies according to both)¹⁵. As expected, a marginally significant gender effect was revealed, $F(1, 150) = 2.60, p = .054$ (one-tailed), indicating that women received lower bonuses overall. There was also a significant main effect for the perceived success of the organisation, $F(1, 150) = 3.99, p = .047$, which indicated that overall bonus payments are sensitive to a company's success (high: $M = \text{£}6,787$, low: $M = \text{£}2,540$). These effects were qualified by a marginally significant interaction between gender and success, $F(1, 150) = 3.15, p = .078$. In order to understand the nature of the interaction, simple effects were computed.

As can be seen in Figure 4.1, and in line with my hypothesis, women's bonuses were not sensitive to company success, $F(1, 150) = .03, p = .863$, whereas men's bonuses were significantly higher in high-success companies than in low-success companies, $F(1,$

¹⁵ A regression with success as continuous variable and the same control variables was also performed. It showed similar results, however, the interaction of gender and success was not significant, $\beta = -.11, p = .151$.

150) = 7.89, $p = .006$. The difference of women's bonuses in high and low success company was merely £1,508, whereas for men the difference was £6,754.



Note:

1. Low and high success groups were identified by a mean split ($M = 5.40$). Error bars indicate standard deviation of the mean.

Figure 4.1. Gender differences in the relationship between perceptions of organisational success and bonus payments

Examined another way, there was a significant gender difference in bonus of managers in highly successful companies, $F(1, 150) = 6.88, p = .005$ (one-tailed), with women earning £2,970 on average and men earning £10,198. In contrast, gender differences were not apparent in less successful companies, $F(1, 151) = .00, p = .991$, where women earn £1,462 and men £3,443 on average.

Discussion

This study triangulates the archival and experimental work presented in Studies 1 and 2 by demonstrating the same pattern using perceptions of company performance and self-reported bonuses. As expected, the bonuses of the male participants corresponded to

the company success they reported, with better performance being rewarded with higher bonuses. In contrast, this was not the case for the female participants, where there was no relationship between their bonuses and the indicated company success. It would appear then, that the lack of performance sensitivity of women's pay packages is a robust phenomenon.

This finding, however, does not give any information that women are aware that their bonus performance patterns are distinct to men's. Future research should address two questions. First, women's awareness of the disassociation of their pay and their companies' performance should be examined. This would reveal whether women actually know that the organisational context may have a discriminating effect on their pay. And second, women's perceptions of and their experiences with the relationship of their own performance and their pay should be the focus of future research. As Study 4 will suggest, experiences with pay may also influence attitudes towards pay. Thus, research of this kind could have important implications for the understanding of gender differences in attitudes and perceptions of the pay-performance relationship. If women consciously experience a lack of consistency between company performance and pay, this may be the reason that women do not associate pay with their performance and accomplishments as will be shown in Study 4. Thus, gender differences in attitudes towards pay and the negotiation process may highly depend on women's actual experiences of this relationship in their work environment. Study 4 will concentrate on this question in more depth with empirical data.

A note on the limitations of Study 3

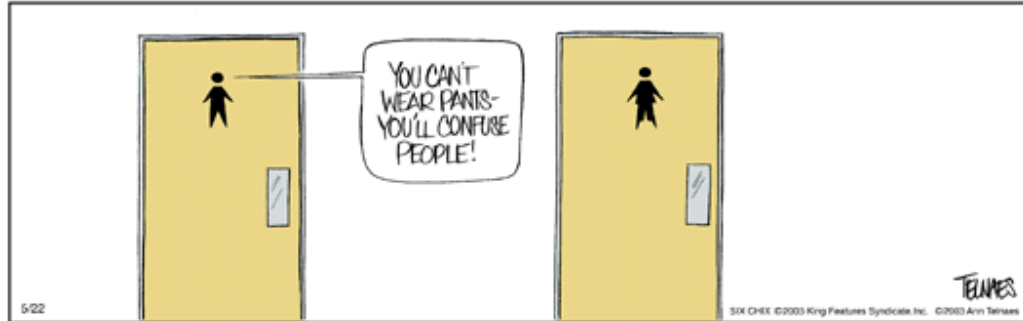
The results of Study 3 are interesting in an explorative way since they replicate the patterns from Study 1 and 2 in yet another sample. Also, another research method (self-report) was used which adds to the external validity of the findings. However, this data has a number of limitations. Company performance was not clearly defined which is

problematic since it can be measured in different ways as has been outlined in Study 1. It is therefore unclear what type of company success the individuals were considering when rating company performance on a 7-point-scale.

Further to this, the distribution of the performance ratings was skewed towards the upper end of the 7-point scale with an average of 5.40. Consequently, it is not clear whether low and high outcomes are sufficiently distinct. Nevertheless, this analysis supports the existence of the patterns found in Studies 1 and 2 and throws up new questions for future research (as was outlined above), and was therefore included in this thesis.

CHAPTER 5

WHY WOMEN DON'T ASK



Studies 1 to 3 have examined the evaluation of female managers and how these judgements relate to the allocation of unequal pay under different conditions of company performance. I argue that such unfair treatment pushes women out of the labour market and off glass cliffs (Ryan & Haslam, 2005). However, this is not to say that women are passive recipients of such discriminatory practices. Indeed, research suggests that women's potential higher risk-aversion, a reduced confidence with finance and lower pay expectations may lead to pay inequalities (Major et al., 1984).

The final study of this thesis will focus on women's attitudes towards pay and their confidence in pay negotiations. In this way, I seek to investigate the social circumstances under which women accept pay packages that may disadvantage them financially. I argue that there may be societal limitations based on gender stereotypes that influence women's behaviour. As indicated by the cartoon above, women "can't wear pants", that is, they must not behave like a leader or a man, they will "confuse people" with their expectation-disconfirming behaviour.

Introduction

As was outlined in Chapter 1, there are two dominant perspectives that attempt to explain the persistence of the gender pay gap. First, research has focused on the way in

which gender impacts on the *allocation* of remuneration. Such approaches include (a) the impact of gender stereotypes on the evaluations of the performance of men and women (e.g., Eagly & Karau, 2002); (b) gender differences in demographic characteristics, such as education, which disadvantage women (e.g., Sicilian & Grossberg, 2001); (c) the segregation of women into particular occupations (e.g., Kidd & Gonion, 2000); or (d) more overt discriminatory practises (e.g., Eagly & Carli, 2007).

A second approach to explaining the gender pay gap involves research examining women's own preferences, attitudes, and expectations towards the pay process (e.g., Babcock & Laschever, 2003; Barron, 2003; Major & Konar, 1984). Such research suggests that women and men display very distinct behaviour and preferences in the context of pay. In particular, a number of studies have found that women have lower expectations for their (starting) salaries than men (e.g., Gasser et al., 2000; Heckert et al., 2002; Jackson, Gardner, & Sullivan, 1992; Keaveny & Inderrieden, 2000; Major & Konar, 1984; Sumner & Brown, 1996), and that they are reluctant to negotiate their pay (Barron, 2003). Putting these findings together, it can be seen that women tend to make choices that result in them receiving lower pay than men. Such a focus is of particular importance when investigating high-paying occupations and managerial positions, as individuals in these positions can more directly influence their pay through negotiations or job decisions. For example, Miles Templeman, director of the Institute of Directors, recently stated:

I get the strong impression that right from the start, men are much more assertive and pushy on the salary front and women can slip a bit behind early on and never catch up. (Ward, 2007)

To date, these two approaches to the gender pay gap have remained largely separate fields of enquiry. The present research aims to expand previous explanations by integrating research on gender differences in pay-related attitudes and behaviour with an analysis of

gender biases in the treatment of women and pay-related decisions. I argue that it is women's experience with discriminatory practices in the workplace that influence their expectations and behaviour in the workplace (Ryan, Kulich et al., in press). Moreover, the proposed integrative approach expands upon a simple description of gendered attitudes and clarifies how and why these differences come about.

Are women responsible? The role of social and organisational factors

In Chapter 1 I argued that pointing to women's inferior job choices and lower pay expectations runs the risk of making women responsible for the gender pay gap. However, blaming individual preferences and specifically women's acceptance of lower pay ignores the organisational and social context in which these decisions occur (Ridgeway, 1997). Indeed, Deaux and Major (1987) argue that gender differences in work-related behaviour are strongly influenced by situational factors (see also Ryan & Haslam, 2007). In this way, gendered attitudes and behaviour towards work and pay may be explained by systematic differences in the organisational or social environment that men and women confront. In the following I will discuss four inter-related situations in which the context may have a distinct impact on women's and men's pay-related expectations and attitudes.

First, individual differences between men and women may be seen to be innate. For example, the fact that women ask for lower salaries and make job choices which pay them less may lead to the suggestion that women value intrinsic job factors more than pay and that they have other job priorities in life, such as family commitments (Escriche et al., 2004; Kanazawa, 2005). However, this may not be a free choice based on a natural preference but rather a result of distinct demographic and occupational prepositions. Research has illustrated that gender differences in attitudes towards work and pay disappear if demographic variables (such as age, tenure, or level of education), and organisational and

status variables (such as occupational and pay level) are controlled for (Lefkowitz, 1994). For example, the size of income significantly accounts for job attitudes. This may have an important impact on women's attitudes because they receive on average lower income and work in lower paying sectors than men. It is therefore hardly surprising that women's and men's preferences differ. This means that the source of this gender difference is not a purely innate individual difference, but the occupational status of women and men is responsible for these distinct views. Consequently, if analysed more carefully, previously observed gender differences in attitudes may be explained by the skewed distribution of men and women across such contextual variables. In this vein, Lefkowitz's (1994) research suggests that men and women have very similar attitudes towards work and pay when they are confronted with similar environmental circumstances.

Second, women know that their gender group is underpaid compared to men. There is evidence that female managers are paid less than male managers (Arulampalam et al., 2005), that objectively equal performance is evaluated differently for men and women (Eagly, et al., 1992), and that performance is rewarded differently across gender (Studies 1 to 3). Such findings, and others, have also been publicly communicated through the media at various occasions (e.g., Caulkin, 2008; Martin, 2006; McGregor, 2008; Sommer, 2005; Ward, 2007; Willman, 2008). Thus, pay differentials are highly salient for women and they tend to shape their expectations towards these real observations. Indeed, such an analysis is also in line with a social identity theory analysis of social creativity (Tajfel & Turner, 1979) which suggests that if certain goals (e.g., higher pay) are not within the reach of members of a specific group (e.g., women) they will instead change their value systems and focus on dimensions which they can actually achieve (e.g., a positive social environment). This means that findings suggesting that women prefer intrinsic job factors over pay may be a socially creative response to real discrimination rather than a stable or innate preference.

Awareness of such social processes is necessary if one is to understand women's pay expectations.

Third, as presented in Chapter 1, gender stereotypes not only *describe* the typical behaviour of men and women but they also *prescribe* how they ought to behave (Heilman, 2001). For example, the average woman is described as being caring, lacking ambition and not being competitive, and women as a group are expected to fit this picture. Indeed, it has been shown that women are less likely to ask for a pay rise (Babcock & Laschever, 2003) and that women fare worse in pay negotiations than men do (CIPD, 2006). Yet, examined in the context of prescriptive gender stereotypes, women's behaviour can be seen as a logical reaction to the social context, rather than a biologically based preference. They accept lower salaries in negotiations and they put more emphasis on social aspects of their work not because they are bad negotiators or because they do not care about money, but, because this is what is expected of them.

In support of this assertion, research clearly demonstrates that women are not less skilled in negotiating than men (Walters, Stuhlmacher, & Meyer, 1998), instead, gender effects on negotiation outcomes are dependent on the social context that can inhibit women's negotiation behaviours (Wade, 2001). Further to this, research suggests that objectively equal behaviour displayed by men and women in a pay negotiation context will be perceived differently (Babcock & Laschever, 2003; Bowles et al., 2007). While aggressive and competitive negotiating may be seen as acceptable for a male candidate, the same behaviour is met with a negative response if shown by a female (Deaux & Major, 1987; Eagly et al., 1992). For a man, the negotiation situation may be a win-win situation where he is able to reach higher pay without the loss of positive relationships to his boss or colleagues. For a woman, asking for a reward – and acting in contrast to female gender stereotypes – is not only a violation of stereotypes but has serious implications in the form

of personal costs (Babcock & Laschever, 2003; Rudman & Glick, 1999). Indeed, women may fear losing more in social terms than they may be able to earn in financial terms when making pay-related requests for themselves (Barron, 2003; Wade, 2001). For example, in an experimental study female candidates were perceived less positively than male candidates by evaluators when initiating negotiations for higher pay (Bowles et al., 2007). Therefore, while women have the skills and the confidence to request resources and rewards they are restricted by the social context in terms of gendered expectations (Eagly, 1987).

Finally, pay expectations in negotiation may also be influenced by the application of different standards (*shifting standards*) for women and men which are linked to gender-stereotypic expectations (Biernat et al., 1991). Biernat and colleagues observed that when told that a man and a woman received an equal amount of income, the woman was judged to be financially more successful than the man. In other words, the same objective outcome is viewed more positively for women than for men. The corollary of such a finding is that a woman receiving a lower salary than a man would be seen as equally successful, and thus the gender pay gap is legitimised and women's efforts to ask for more are undermined.

Taking all these mechanisms together I expect to observe differences in men's and women's behaviour in the workplace and that these lead to unfavourable pay outcomes for women. However, women's lower pay expectations and distinct job choices are not a result of natural female preferences but are derived from a variety of social mechanisms involving gender stereotypes and gender-role expectations. Thus, I argue for an integrating approach to the gender pay gap by including individual differences in preferences and choices against the background of societal restrictions and expectations. Such an approach will allow us to clarify who is to blame for gender pay disparities.

The current study (Study 4)

While some research attempts to explain the gender pay gap in terms of individual differences in decisions and attitudes of men and women, the research outlined in this chapter suggests that women's workplace behaviour is highly depend on demographics, organisational contexts, and social processes. In the current study I examine the interaction of both: individual differences in preferences and the social circumstances under which they occur. In doing so, I aim to gain a better understanding of the gender differences in pay attitudes and preferences by examining women's and men's differential experiences in the workplace. I expect that male and female managers will have very similar attitudes towards pay.

Hypothesis 1: Female and male managers value pay equally.

However, even with a similar sample of men and women, there are still differences in workplace experiences due to gender. In this way, women's and men's confidence when dealing with pay and negotiating their pay may diverge, as a broad literature suggests (e.g., see Babcock & Laschever, 2003 for an overview). Therefore, I expect in H2 that:

Hypothesis 2: Female managers feel less confident than men in asking for pay rises or negotiating their pay.

These differences in the confidence with negotiations may be based on negative experiences with the pay process. In particular, I was interested in the effects that the experience of (1) fear of negative social consequences, (2) investment of time and effort in order to receive a pay rise compared to others, (3) perceived fairness of pay, (4) success with previous negotiations and (5) how much experience they have with negotiations would have on women's and men's distinct confidence with pay. I expect that women are more likely to fear social consequences (as outlined in previous literature, see Babcock & Laschever, 2003) and may therefore show lower confidence in pay negotiations. Further, women's experience that hard work does not lead to the wished pay outcomes for them

may also affect lower confidence in pay negotiations compared to men. Based on the publicly discussed gender pay gap (e.g., media coverage by Barnes, 2006; BBC, 2006; Sommer, 2005) and potential own experiences with pay inequalities in the workplace let me to expect that women perceive their pay as less fair than men. This in turn may be predictive for women's lower confidence with pay negotiations since equally qualified women are less likely to experience fair treatment compared to men. And finally, if women report unsuccessful and/or less experiences with previous negotiations compared to men, this again may have an impact on how confident women are concerning future pay negotiations. Consequently, I predict with H3 that:

Hypothesis 3: Women's lower confidence in asking for pay rises can be explained by prior negative experiences in negotiations.

Method

Participants and design

The same survey and participant sample as in Study 3 were used. Sample description and Study design are described on pages 78 to 79 in Chapter 4.

Material and procedure

As part of a larger survey which was introduced in Chapter 4 on pages 79 and 80, the study included questions about participants' attitudes towards, and experiences with pay and pay negotiations. The final section contained demographic questions.

The first part of the survey asked participants about their *attitudes towards pay and negotiations*. The items were created on the basis of a literature review, and were specifically derived from findings by Barron (2003) and Babcock and Laschever (2003) about gender differences in attitudes towards pay and negotiations. Moreover, items were formulated based on relevant topics which were picked up from interviews with female

managers that were conducted by the glass cliff research group at the University of Exeter (e.g., Ryan, Haslam, Wilson-Kovacs et al., 2007; Wilson-Kovacs et al., 2008). And finally, comments from the public to a BBC article on the gender pay gap were also used as source (Kulich et al., 2008a).

Four scales (1) importance of pay, (2) pay as representative of one's accomplishments, (3) confidence with pay negotiations, and (4) fear of social consequences were formed and are described further down. The items of all four attitude scales were analysed in a single factor analysis from which two main factors emerged. The first factor included all items from the confidence with pay negotiations scale and the fear of social consequences scale, explaining 31.62 % of the variance. The items for fear of social consequences indicated the lowest loading on the factor (-.64 and -.67 compared to confidence items that loaded between .81 and .73). Although the empirical data suggests one factor it was split into two subscales because the items deal with two distinct theoretical concepts. The pay and negotiation literature showed based on qualitative data that women were less confident with their pay negotiations because they feared social costs when demanding higher (or equal) pay (e.g., see Babcock & Laschever, 2003; Barron 2003). In line with this research, fear of consequences may not only be regarded as an attitude towards pay negotiations but also an experience that influences confidence with pay. Based on these theoretical reasoning I used confidence with pay negotiations and fear of social consequences as two distinct scales in the following analyses. The second factor included all items measuring importance of pay and pay as a representative of one's achievements, explaining 22.9 % of the variance. Again a distinction between two scales within one factor was made based on theoretical arguments. The importance of pay scale clearly focuses on the value people give pay in terms of money and how central it is to them. In contrast, the pay as representative of one's achievements scale focuses on one

specific aspect of money which is money as an indicator of an individual's work achievements. All scales and the specific items are outlined below.

Importance of pay was assessed by six items: 'Earning a lot of money is important', 'I value good pay very highly', 'I believe that time not spent on making money is time wasted', 'I often think about the amount of money I earn', 'Money is an important factor in my life', 'I have planned how much I want to be earning at a specific point in my career'. The items formed one factor which explained 54.22% of the variance, $\alpha = .82$.

Pay as representative of one's accomplishments was assessed by three items: 'Pay represents one's achievements', 'The amount of pay earned is an important indicator of one's progress in a career' and 'I believe that the amount of money someone earns is closely related to their competences and abilities'. The items loaded on one factor with 69.84% of the variance explained, $\alpha = .78$.

Confidence with pay negotiations was assessed by seven items. 'I am confident in asking for more money', 'I am good at "selling" my qualities to my employer in pay negotiations', 'I feel prepared to talk about my pay with my line manager', 'Requesting rewards and resources for myself is not particularly difficult for me', 'I simply ask for more money if I am not satisfied with my pay', and 'I would rather not engage in pay negotiations' (reversed). Participants were also asked to indicate how likely they would be to demand a pay rise: 'If you deemed it appropriate to get higher pay how likely would it be that you actually demanded a pay rise?' (on a scale 1 = very unlikely to 7 = very likely). Together the items formed one factor with 66.54% of the variance explained, $\alpha = .92$.

In order to differentiate between targets of pay requests, participants were also asked to rate their agreement with the following two items: (1) for one-self 'Requesting rewards and resources for myself is not particularly difficult for me', and (2) for the group 'Requesting rewards and resources for my workgroup is not particularly difficult for me'.

Fear of social consequences when asking for higher pay was assessed by two items: 'I think it may damage my relationship with my line manager if I asked for more money' and 'People may think I am ungrateful if I ask for more money'; $r(171) = .77$ $p < .001$. The items of this scale were presented in the context of money, pay, negotiation and job attitudes in the survey. This scale gives information on how comfortable participants are with pay negotiations and is an indicator of how pay negotiations are viewed. Consequently, it was presented in the attitude category. However, at the same time this scale also expresses experiences with the pay process and therefore it is treated as experience variable in the analyses of confidence with pay negotiations.

Furthermore, pay attitudes were looked at in the broader context of distinct job characteristics, which may also be of importance. *Job attitudes* were assessed by 15 items. Participants were asked to indicate the importance of a number of job and work-life relevant factors on 7-point scales from 1 = very unimportant to 7 = very important. 'Doing interesting work', 'Opportunity to learn and gain experience', 'Good relationships with my colleagues', 'A good relationship with my line manager', 'Positive feedback about my performance', 'My work-life balance', 'Chances to make important decisions', 'Career opportunities', 'Job security', 'Negative feedback about my performance', 'Promotion opportunities', 'Size of basic salary', 'Acknowledgement of my work in society', 'High status of my work', and 'Size of performance-based pay'. Similarly, *work-life balance* was assessed through 8 items: 'Relationship with partner', 'Family', 'Social contacts, friends', 'Leisure time activities, hobbies', 'Work', 'Money', 'Politics', and 'Religion'.

The second part of the survey focused on participants' *experiences with pay and negotiations* in the past. All items from the experience scales presented below were included in one factor analysis from which three factors emerged. The first factor explained 45 % of the variance and included all fairness of pay items (loadings between .83 and .91).

The negotiation experience items loaded highest on the second factor (.79 and .80). The other items did not appear to load highly on any of the proposed factors. Scales were produced based on matching items on their content and seeking empirical support through correlations between the items. Four scales were formed:

Fairness of pay was assessed by five items. Participants were asked to indicate how fair they thought their pay was considering (a) ‘the amount of my time I spend on working’, (b) ‘the amount of effort and energy I put into my work’, (c) ‘the amount of money my peers earn’, (d) ‘the qualifications I bring to my job’, and (e) ‘how much stress my job involves, all on 7-point scales from 1 = absolutely unfair to 7 = absolutely fair. A factor analysis revealed one factor with 77.95% of the variance explained, $\alpha = .94$. Perceived fairness of pay describes an experience that an individual had with pay in their past and is therefore used as a mediator in the analyses of gender differences in participants’ confidence with pay negotiations. For this reason, it is presented in the experience category in Table 5.1. In addition, fairness with pay can also be seen as an outcome of people’s experiences in the workplace which makes it an attitude. I consequently looked into gender differences of fairness in pay treating it as pay attitude and investigating if any of the other workplace experiences may have an influence on how fair men and women perceive their pay.

Perceived *investment* (time and effort) to achieve a pay rise was assessed by two items: ‘How long do you think it takes you to achieve a pay rise compared to your colleagues?’ on a 7-point scale from 1 = much longer to 7 = much shorter ‘In comparison to your colleagues, how much do you have to work to receive the same financial rewards?’ on a 7-point scale from 1 = much more to 7 = much less; $r(164) = .29, p < .001$. Both items were reverse coded so that higher values indicate higher investment.

Success with previous negotiations was assessed by two items: ‘If you have negotiated your pay, have you reached your negotiation goal?’ on a 7-point scale 1 = not at all 7 = fully, and ‘Have you been denied higher pay?’ on a 7-point scale 1 = never to 7 = always; $r(143) = .29, p < .001$.

Previous negotiation behaviour was assessed by two items: ‘Have you ever asked for a pay rise?’ and ‘Have you negotiated your pay in a formal context?’, both on a 7-point scale 1 = never to 7 = always; $r(170) = .59, p < .001$.

At the end of the survey participants were asked to express their agreement with *gender stereotypic statements*. The following is used in the analysis: ‘Earning money is just as important to women as it is to men’, measured on a 7-point scale from 1 = disagree completely to 7 = agree completely.

Finally, participants were asked to provide *demographic information*. The following information was gathered: nationality, country of employment, age, gender, marital status, number of children, occupation, tenure, seniority (5-point scale), size of group responsible for, work intensity (full-time versus part-time), average hours worked per week, and length and type of career breaks. Participants were also asked about the number of employees in their company.

Results

Initial analyses

The analyses of the pay data was outlined in Chapter 4 on pages 80 to 81. A significant gender pay gap and differences in the pay packages which men and women receive were revealed.

Pay and job attitudes

In order to investigate potential gender differences in pay and negotiation attitudes and experiences, I first conducted a series of simple *t*-tests, illustrated in Tables 5.1 and 5.2. In general, and in line with H1, women and men had quite similar attitudes towards pay. They did not differ in their judgements of the importance of pay, $t(172) = 0.54, p = .592$, and they rated the importance of pay as relatively low, with mean responses significantly below the midpoint of the scale ($M = 3.69, t(174) = -3.81, p < .001$). When asked about women's attitudes towards earning money both men and women agreed with the statement 'Earning money is just as important to women as it is to men.' By indicating values significantly above the midpoint of the scale ($M = 5.38$ and $M = 5.41, t(180) = 12.17, p < .001$). Thus, men and women did not differ in the value that they placed on pay, and also both genders thought that men and women held similar attitudes.

Similar findings were revealed when examining the importance of pay or money in the context of potentially important job characteristics. As can be seen from Table 5.2, in general, there were few differences in men's and women's evaluations of job characteristics. Importantly, the size of the basic salary, work-life balance, and job security, were rated as being equally important by men and women, all $ps > .10$.

Table 5.1. Experiences and attitudes towards pay and negotiations

ATTITUDES	Gender	Mean	SD	t	df	p-value
Importance of pay	male	3.74	1.10	0.54	172	0.59 <i>n.s.</i>
	female	3.65	1.06			
Pay is representative of accomplishments	male	4.23	1.39	2.05	172	0.04 *
	female	3.80	1.40			
Confidence with pay negotiations	male	4.70	1.33	3.32	176	0.00 **
	female	3.99	1.50			
Fear of social consequences of asking	male	2.61	1.42	-3.98	173	0.00 ***
	female	3.54	1.66			
TARGET OF REQUEST	Gender	Mean	SD	t	df	p-value
Requesting rewards and resources for myself is not particularly difficult for me	male	4.52	1.68	3.14	170.00	0.00 **
	female	3.67	1.85			
Requesting rewards and resources for my workgroup is not particularly difficult for me	male	5.01	1.53	0.36	170.00	0.72 <i>n.s.</i>
	female	4.92	1.67			
EXPERIENCES	Gender	Mean	SD	t	df	p-value
Perceived fairness of pay	male	4.93	1.30	2.37	176	0.02 *
	female	4.43	1.53			
Investment (time and effort) to gain pay rise	male	3.75	0.99	-3.30	170	0.00 **
	female	4.27	1.07			
Success with previous negotiations	male	5.53	1.12	2.00	161	0.05 *
	female	5.13	1.39			
Previous negotiation behaviours	male	3.71	1.91	0.81	175	0.42 <i>n.s.</i>
	female	3.48	1.98			
GENDER STEREOTYPE	Gender	Mean	SD	t	df	p-value
'Earning money is just as important to women as it is to men.'	male	5.38	1.34	-0.15	177.00	0.88 <i>n.s.</i>
	female	5.41	1.75			

Note:

1. All items were measured on 7-point scales (see Method section).
2. *n.s.* $p > .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

The only significant differences were found for chances to make important decisions, which were more important for men compared to women ($M = 5.84$ vs. $M = 5.33$), $t(172) = 2.44$, $p = .016$, and for performance-based pay which was also viewed as more important by men ($M = 4.83$ vs. $M = 4.24$), $t(163) = 2.58$, $p = .011$. However, as outlined above, only 33% of the women in my sample compared to 55% of the men received performance-based pay. If I only consider managers who actually receive performance-based pay the significant gender effect disappears completely, $t(76) = 1.42$, $p = .159$ (male $M = 5.00$, female $M = 4.44$). A marginally significant difference was also

found for work status which tended to be more important to men ($M = 4.74$ vs. $M = 4.34$), $t(172) = 1.82, p = .071$. However, for both men and women, the opportunity to do work that was interesting and allowed them to gain experience, and having good relationships with colleagues and line-managers were rated the most important characteristics of a job.

Similar results were found when participants were asked about the importance of money in a broader context (see Table 5.2). Indeed, for both men and women, family relationships and friends were the most important aspects of life, with money being seen as the sixth most important item in the list provided. A marginally significant effect indicated that men valued family commitments more highly than women ($M = 6.52$ vs. $M = 6.14$), $t(171) = 1.88, p = .061$, but this effect disappeared when the number of children were considered as a covariate in an ANCOVA, $F(1,167) = 1.38, p = .242$.

The only significant gender difference to emerge in pay and job attitudes was when participants were asked to indicate the extent to which pay is representative of one's achievements, career progress, competence and ability. Men were more likely to agree that pay was representative of accomplishments ($M = 4.23$) than were women ($M = 3.80$), $t(172) = 2.05, p = .042$.

Table 5.2. Importance of job characteristics and work-life balance items

IMPORTANCE OF JOB CHARACTERISTICS	FEMALE			MALE			t	df	p-value
	Rank	Mean	SD	Rank	Mean	SD			
Doing interesting work	1	6.57	1.12	1	6.57	0.89	-0.01	173	0.99 <i>n.s.</i>
Opportunity to learn and gain experience	2	6.30	1.16	2	6.07	1.17	-1.34	173	0.18 <i>n.s.</i>
Good relationships with my colleagues	3	6.16	1.20	3	5.87	1.13	-1.63	173	0.11 <i>n.s.</i>
A good relationship with my line manager	4	5.96	1.31	4	5.84	1.11	-0.69	173	0.49 <i>n.s.</i>
Positive feedback about my performance	5	5.95	1.34	6	5.74	1.20	-1.12	172	0.27 <i>n.s.</i>
My work-life balance	6	5.60	1.48	8	5.26	1.49	-1.52	173	0.13 <i>n.s.</i>
Chances to make important decisions	7	5.33	1.59	5	5.84	1.15	2.44	172	0.02 *
Career opportunities	8	5.18	1.45	9	5.23	1.42	0.22	173	0.83 <i>n.s.</i>
Job security	9	5.17	1.70	7	5.51	1.38	1.47	173	0.14 <i>n.s.</i>
Negative feedback about my performance	10	5.02	1.70	10	5.19	1.40	0.70	171	0.49 <i>n.s.</i>
Promotion opportunities	11	4.95	1.48	12	5.06	1.52	0.45	171	0.65 <i>n.s.</i>
Size of basic salary	12	4.88	1.29	15	4.59	1.28	-1.47	172	0.14 <i>n.s.</i>
Acknowledgement of my work in society	13	4.84	1.52	11	5.14	1.40	1.35	173	0.18 <i>n.s.</i>
High status of my work	14	4.34	1.50	14	4.74	1.40	1.82	172	0.07 †
Size of performance-based pay	15	4.14	1.80	13	4.83	1.62	2.58	163	0.01 *
WORK-LIFE BALANCE	Rank	Mean	SD	Rank	Mean	SD	t	df	p-value
Relationship with partner	1	6.31	1.55	1	6.61	0.88	1.57	166	0.12 <i>n.s.</i>
Family	2	6.14	1.62	2	6.52	0.96	1.88	171	0.06 †
Social contacts, friends	3	5.75	1.44	3	5.95	1.05	1.05	173	0.30 <i>n.s.</i>
Leisure time activities, hobbies	4	5.46	1.30	5	5.37	1.37	-0.44	173	0.66 <i>n.s.</i>
Work	5	5.28	1.52	4	5.57	1.29	1.36	173	0.18 <i>n.s.</i>
Money	6	4.54	1.33	6	4.64	1.43	0.47	173	0.64 <i>n.s.</i>
Politics	7	3.38	1.67	8	3.86	1.62	1.92	171	0.06 †
Religion	8	2.99	2.16	7	4.09	2.20	3.32	172	0.00 **

Note:

1. All items were measured on 7-point scales (1 = very unimportant to 7 = very important).

2. Means were ranked for each gender separately.

3. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Confidence with pay

After clarifying that my male and female participants had very similar attitudes and preferences towards pay and money, I investigated further their attitudes towards actively asking for pay. Specifically, I asked participants about their confidence in asking for resources for themselves and for their group (target of request). A within-participants ANOVA revealed a significant effect of target of request, $F(167,1) = 43.83$, $p < .001$, indicating that both men and women were more confident requesting resources for others than for themselves. However, this effect was qualified by a significant interaction between gender and target of request, $F(167,1) = 8.70$, $p = .004$, revealing that this effect was

stronger for women (group: $M = 4.95$ vs. self: $M = 3.70$, $F(76,1) = -6.95$, $p < .001$) than for men (group: $M = 5.03$ vs. self: $M = 4.55$, $F(91,1) = -2.58$, $p = .011$).

Furthermore, and in line with H2, female managers reported feeling significantly less confident when asking for pay rises and during pay negotiations ($M = 3.99$) compared to men ($M = 4.70$), $t(176) = 3.32$, $p = .001$. Indeed, while men felt confident asking for pay rises, with their average response significantly above the midpoint, one-sample t -test $t(95) = 5.13$, $p < .001$, women on average chose the midpoint of the scale, one-sample t -test $t(81) = -.05$, $p = .964$. In general, women (compared to men) were more concerned with negative social consequences associated with asking for pay which was measured on items such as asking having a bad influence on their relationship with their line manager or that people might think they are ungrateful, $t(173) = -3.98$, $p < .001$. Overall, both genders reported not fearing negative social consequences (means are significantly below the midpoint of the scale: women $M = 3.54$; one-sample t -test $t(79) = -2.49$, $p = .015$ and men $M = 2.61$; one-sample t -test $t(94) = -9.51$, $p < .001$).

Experiences with pay and negotiations

Means and results of t -tests for experiences with pay and the pay process are outlined in Table 5.1. Considering the vast pay gap worldwide and in this sample (as was reported in Chapter 3), it is not surprising that women reported finding their pay significantly less fair ($M = 4.43$) than men ($M = 4.93$), $t(176) = 2.37$, $p = .02$. Moreover, women agreed that they had to invest more at work in order to get pay rises ($M = 4.27$) compared to the male managers ($M = 3.75$), $t(170) = -3.30$, $p < .001$. More specifically, women reported having to work more than their colleagues to receive a pay rise ($M = 3.32$, one-sample t -test $t(81) = -4.96$, $p < .001$), whereas men on average perceive having to work about the same amount ($M = 3.91$, one-sample t -test $t(84) = -.78$, $p = .436$), $t(165) = -3.23$, $p = .001$. Also, women felt it took them about as long as their colleagues to get a pay rise

($M = 3.81$, one-sample t -test $t(79) = -1.22$, $p = .227$) compared to men who disagreed with the item and thought it took them less time ($M = 3.39$, one-sample t -test $t(87) = -4.47$, $p < .001$), $t(166) = -2.03$, $p = .044$.

While men and women reported similar negotiation behaviour, they were as likely to have asked for pay rises and to have negotiated their pay in a formal context ($M = 3.71$ vs. $M = 3.48$), $t(175) = 0.81$, $p = .419$. However, women reported significantly less success with previous negotiations ($M = 5.13$) compared to men ($M = 5.53$), $t(161) = 2.00$, $p = .047$.

Mediation analyses

In order to investigate the gender differences discussed above more closely I conducted three mediational analyses with the aim of identifying factors which may have an indirect effect on these differences. In particular, I was interested in investigating how women's distinct experiences with pay compared to men may lead to gender differences in the confidence with negotiations as proposed in the hypothesis. In addition two more scales not mentioned in the hypotheses were analysed since they bear information of the broader context of women's experiences and attitudes. In this vein, (1) perceived fairness of pay, (2) people's views on pay as representative of accomplishments, and (3) their confidence with pay negotiations were aim of the mediational analyses. Importance of pay was not included since no gender differences were apparent. It is understood that the relationship between all attitudinal and experiential factors described above is a network of causalities as bivariate correlations between the pay and negotiation attitude and experience items presented in Table 5.3 clearly show.

Fairness of pay was included as outcome as well as mediating variable because it can result from unequal treatment (e.g., a lack of relationship between efforts and pay) but, at the same time, it can also lead to a distinct view of the pay process (e.g., a reduced confidence in negotiations may be affected by the experience of not experiencing fair

treatment in terms of pay). Indeed, Table 5.3. shows that the strongest relationship of pay fairness perceptions seems to be with how much people feel they have to invest in order to achieve pay gains, $r = -.48$. However, pay fairness is also significantly negatively related to a fear of social consequences when asking for pay, $r = -.24$, indicating that perceptions of lower fairness are connected to a heightened fear of social costs in negotiations.

Furthermore, perceptions of pay fairness are significantly positively related to experiences of success with previous negotiations, to seeing pay as a representative of one's accomplishments, $r = .19$, and one's confidence in making pay demands, $r = .19$.

The positive and significant correlation between importance of pay and pay is representative of accomplishments, $r = .60$, clearly showed that the value one attaches to pay in general was strongly linked to the belief that pay is as an indicator of what a person has achieved. In contrast, if pay was regarded as little important it was not perceived to relate to one's achievements. If people felt they have to invest more compared to others in order to gain pay rises they also felt less fairly paid as a significant negative correlation showed, $r = -.21$. This will be further analysed in the context of gender in the mediation analysis presented below.

Fear of social consequences I treated as a predictor of lacking confidence with pay since this direction of the relationship has been reported in qualitative research in the literature (e.g., Barron, 2003). Low confidence with pay negotiations was most strongly and significantly linked to an elevated fear of experiencing negative consequences on a social level, $r = -.64$. Moreover, perceptions of less fair pay, $r = .19$, and the impression that more time and effort have to be invested in order to achieve pay rises compared to others, $r = -.37$, seem to contain predictive value for an individual's confidence in negotiations. Again, these relations will be further analysed in the context of gender later in this chapter.

These correlation results indicate relationships that need to be followed up in the context of the previously described gender differences.

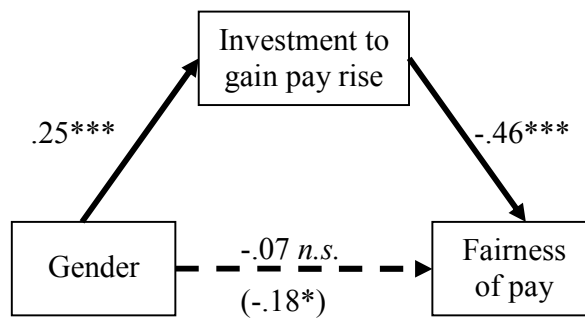
Table 5.3. Correlations between attitude and experience with pay and negotiations scales

SCALES	Importance of pay	Pay is representative of accomplishments	Confidence with pay negotiations	Fear of social consequences of asking	Perceived fairness of pay	Investment (time and effort) to gain pay rise
Importance of pay						
Pay is representative of accomplishments	0.60 ***					
Confidence with pay negotiations	0.09 <i>n.s.</i>	0.16 *				
Fear of social consequences of asking	0.02 <i>n.s.</i>	-0.02 <i>n.s.</i>	-0.64 ***			
Perceived fairness of pay	0.01 <i>n.s.</i>	0.19 *	0.19 *	-0.24 **		
Investment (time and effort) to gain pay rise	-0.13 <i>n.s.</i>	-0.21 **	-0.37 ***	0.38 ***	-0.48 ***	
Success with previous negotiations	-0.09 <i>n.s.</i>	0.02 <i>n.s.</i>	0.13 †	-0.17 *	0.38 ***	0.31 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

First, mediational analyses were performed in order to analyse the gender differences in perceived fairness of pay when investment was a mediator (i.e., participants' views on how much they feel they have to invest (compared to colleagues) in order to achieve a pay rise). The simple mediational analysis showed a significant gender effect on fairness perceptions, $\beta = -0.18$, $p = .019$, such that women felt their pay was less fair. However, this effect was significantly reduced to $\beta = -0.07$, $p = .297$, when fairness was simultaneously regressed on both gender and investment (Sobel test: $z = -2.96$, $p = .003$). The mediator was significantly and negatively related to fairness, $\beta = -0.46$, $p < .001$, and positively to gender, $\beta = 0.25$, $p = .001$. The finding that women perceived their pay as less fair (than men perceived theirs) could therefore be explained by the amount of time and effort they felt they had to invest in order to receive a reward, as illustrated in Figure 5.1.



Notes.

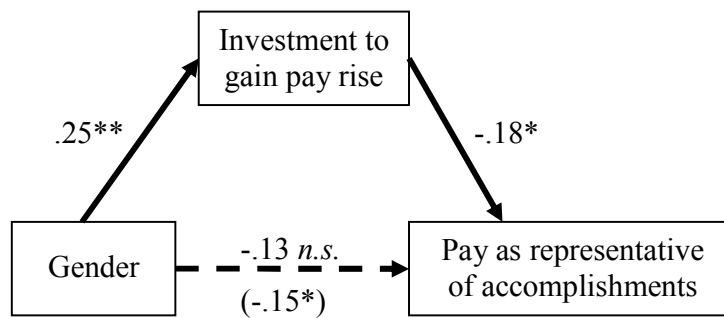
1. Beta values of the linear regressions are displayed; numbers in brackets show beta values without mediator effect.

2. Continuous lines represent significant effects ($p < .05$) and broken lines not significant effects.

3. *n.s.* $p > .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Figure 5.1. Mediation effects of investment to gain pay rise on perceived fairness of pay

Second, the reported effect that women do not see an equally strong relationship between pay and accomplishments as do men was further investigated by introducing investment as a mediator. A simple mediational analysis revealed, as expected, a significant gender effect on pay as representative of accomplishments, $\beta = -0.15$, $p = .042$. However, when pay as representative of accomplishments was regressed on both gender and investment simultaneously, the gender effect became non significant, $\beta = -0.13$, $p = .085$. This reduction was marginally significant (Sobel test: $z = -1.88$, $p = .060$). The mediator was significantly positively related to gender, $\beta = 0.25$, $p = .001$, and negatively to pay as a representative of accomplishments, $\beta = -0.18$, $p = .024$. Figure 5.2 shows that the finding that women view pay less as a representative of one's accomplishments can be explained by their experience that they feel that they have to invest more (compared to colleagues) in order to gain a pay rise.



Notes.

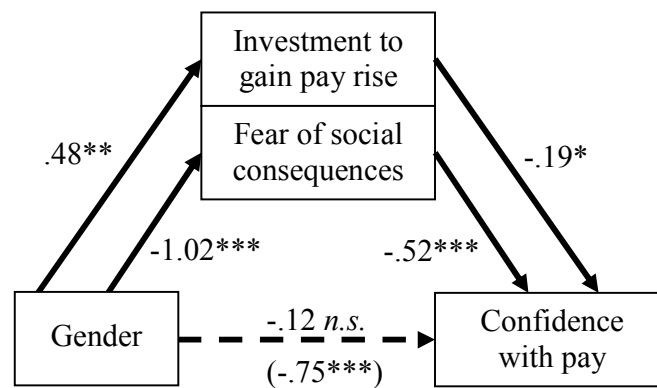
1. Beta values of the linear regressions are displayed; numbers in brackets show beta values without mediator effect.
2. Continuous lines represent significant effects ($p < .05$) and broken lines not significant effects.
3. *n.s.* $p > .10$, * $p < .05$, ** $p < .01$, *** $p < .001$;

Figure 5.2. Mediation effects of investment to gain pay rise on pay as representative of accomplishments

Finally, in order to test for the effect of the experience variables on the relationship between gender and confidence with negotiating pay I conducted a multiple mediation analysis using the SPSS macro developed by Preacher and Hayes (2004). I examined the significance of the indirect effects of four potential mediators: (1) fear of social consequences, (2) investment, (3) fairness of pay, and (4) success with negotiations, controlling for work intensity and seniority. (Previous negotiation behaviours was not considered as mediator since no gender differences were apparent for this variable.)

The analysis revealed that gender had a direct and significant effect on confidence with pay, $\beta = -0.75$, $p = .001$. However, bootstrapping analysis showed that there were significant indirect effects through two mediators. Gender was positively related to fear of consequences of asking, $\beta = 1.02$, $p < .001$, which was significantly negatively related to comfort of asking, $\beta = -0.52$, $p < .001$. Further to this, fear of consequences of asking was a significant mediator (CI_{.95}: -.53 to -.54). The second significant mediator was how much participants perceived they had to invest compared to others in order to gain a pay rise (CI_{.95}: -.09 to -.08). Gender was also significantly positively related to investment, $\beta = 0.48$,

$p = .007$, which in turn was negatively related to comfort of asking, $\beta = -0.19$, $p = .051$. Perceived fairness and success in previous negotiations had no mediating effects. In line with H3, women's experiences (i.e., fear of social consequences and investment) had a significant indirect effect on, and fully mediated the relationship between gender and comfort of asking (CI₉₅: .99 to .27), significantly reducing the direct effect of gender to $\beta = -0.13$, $p = .492$. Figure 5.3 illustrates the significant mediational relationship.



Notes.

1. Beta values of the linear regressions are displayed; numbers in brackets show beta values without mediator effect.
2. Continuous lines represent significant effects ($p < .05$) and broken lines not significant effects.
3. n.s. $p > .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

Figure 5.3. Mediation effects of investment to gain pay rise and fear of social consequences on confidence with pay negotiations

Discussion and conclusion

In this chapter I surveyed male and female individuals, who occupy middle to high earning positions in which they have managerial responsibilities. The major questions were: (a) How distinct are men's and women's attitudes towards pay? and (b) What is the role of social context (i.e., experiences with the pay and negotiations) in explaining gender differences in pay attitudes?

All hypotheses of Study 4 were confirmed. As expected, there were strong similarities between men's and women's pay attitudes. However, there were also gender differences. For example, women expressed less confidence in asking for pay rises and with pay negotiations. Moreover, pronounced differences in women's experiences with the pay process were revealed. Specifically, they felt they had to invest more time and effort to get pay rises, they perceived their pay as less fair, they feared social costs when asking for more pay, and they felt they were less successful in pay negotiations than men. Overall, the gender differences in attitudes which were apparent were explained by women's distinct experiences, such as women's lower perceived fairness of their own pay or the higher amount of effort and time they felt they had to invest in order to gain pay rises (compared to men).

Gender similarities and differences in workplace experiences

A comparison of the female and male participants' demographic characteristics (outlined in Chapter 3) illustrated a number of differences reflecting the fact that women's career paths are associated with more barriers and greater efforts to achieve equal positions compared to men (Kanter, 1977; Ryan, Haslam, Hersby et al., in press). For example, women were less likely to be married and they had, on average, fewer children than men in the sample of Studies 3 and 4. Indeed, there is evidence that parenthood influences evaluations of job-related competences in such a way that mothers have to meet higher standard to prove competent than fathers do (Fuegen, Biernat, Haines, & Deaux, 2004). It has been argued that for women, but not men, their occupational roles conflict with their parental roles since mothers are assumed to take over the main care-taking responsibilities and fathers need to provide for the family and therefore need to have a job. As a result, "marriage and parenthood is associated with higher wages for men but not for women" (Eagly & Carli, 2007, p. 65). Such evidence suggests that, for women, the double burden of

having a family and a top-position may be less supported by organisations and by society (i.e., women typically still take over the main child-care responsibilities) than for men. Overall, in my sample, women rated themselves as being less senior than the men, a distribution that is in line with the broadly reported glass ceiling (Eagly & Carli, 2007; Kanter, 1977). These substantial differences in demographic features already suggest that women encounter a different organisational and social context which leads to distinct experiences in their roles in top positions compared to men. These patterns also demonstrate that nowadays women do not hit a concrete ceiling which openly prevents any moves upwards but that they still encounter a very different reality to men. In this way, the decision to have a family or to create the basis for a family seems to have a bigger impact on women's careers than on men's. This is partially due to under-developed societal structures which facilitate men having both family and career (e.g., higher pay for fathers compared to mothers) but at the same time confront women with an "either-or" decision. Indeed, women seem to be surrounded by the walls of a labyrinth that they have to find their way through (Eagly & Carli, 2007).

However, despite these differences, men and women had very similar attitudes towards the importance of pay in general and in the context of a number of job characteristics, or work-life balance factors. Moreover, both viewed money to be less important than social relationships. Consequently, justifying the pay gap by arguing that there are innate gendered preferences and attitudes towards earning money (Kanazawa, 2005), or that women have different family and job priorities (Escriche et al., 2004) is potentially problematic. Considering my findings, this line of argumentation is discriminating and can result in substantial harm for women since it puts the blame for the gap squarely on their own shoulders.

While, most attitudes towards pay in my study do not differ between women and men, at first sight, women seem to be less interested in performance-based pay. But, these differences can be explained by the fact that women are also less likely to receive performance-based pay. Women also indicated to the same extent as men that they have been involved in previous negotiations. Taking the above findings together, it appears that women should not be blamed for earning less than men because they do not care. Indeed, money is as important for them and they are as actively engaged in the negotiation process of their pay.

Although there were few differences in general attitudes towards pay, the study revealed pronounced differences in men's and women's experiences with pay and gaining pay rises. In line with research and statistics worldwide that were presented in the Introduction to this thesis (e.g., Arulampalam et al., 2005; Institute for Women's Policy Research, 2006), a gender pay gap of 30 per cent was found, after controlling for indicators of pay size. These statistics are highly public and topical in the media (e.g., Caulkin, 2008; Martin, 2006; McGregor, 2008; Sommer, 2005; Ward, 2007; Willman, 2008). Unsurprisingly then, women in Study 4 felt more strongly than men that they had to invest more effort and time compared to others in order to receive pay rises, which consequently led them to perceive their pay as less fair than men. Further, women felt less successful in their pay negotiations. These gender differences in experiences with previous and present pay puts women into a different position compared to men when it comes to pay and job decisions. In this way, women's negative experiences create the social context in which women may show behaviour and preferences that lead to lower pay. The next two sections will consider women's view of pay as representative of accomplishments and women's confidence in negotiation in the context of related negative experiences in the workplace.

Pay as representation for accomplishments

A crucial difference in men's and women's attitudes was that women regarded pay less as an indicator for accomplishments. At first glance, such a finding may be interpreted as suggesting that women do not see pay as essential, and that they look for other indicators of success, such as job satisfaction. However, looking at the experience of women, such a claim takes on a different meaning. Given that women were paid less, that they were less likely to receive performance-based pay, and that they had to invest more to achieve a pay rise, it is unsurprising that they feel that pay does not reflect accomplishments, in particular, *their* accomplishments. Indeed, in this study women's view that pay is not representative of accomplishments was related to their feeling that (compared to men) they had to invest more effort and time in order to gain higher pay. Such a finding is in line with previous work which demonstrates that objectively equal performance is evaluated more positively when performed by male rather than female managers (Eagly et al., 1992). Similarly, in Studies 1 to 3 of this thesis, it did not matter for the size of female managers' bonuses if their company performed well or badly. In contrast male managers were rewarded for good company performance. Thus, there is a measurable reality behind the women's perceptions that their pay relates less to their achievements than men's.

Considering the gender bias occurring in female managers' evaluations and financial rewards it is only reasonable that from a woman's point of view pay is not associated with one's accomplishments at work. In other words, the 'carrots and sticks' approach, presented in Study 1, is an ineffective motivational force for women. If they do not experience that hard work can lead to an increase of their pay (symbolised by the 'carrots') and lack of effort to lower pay ('sticks') it will not function as a motivator for them. Importantly, the link between women's experiences and their views implies that their distinct experiences with discriminatory practises within their organisations are responsible

for their views rather than biological or innate preferences (as suggested by evolutionary psychologists, see Kanazawa, 2005) and lack of ambition.

Why women don't ask

This study also revealed that, in line with previous research, women feel less confident with asking for pay rises than men do (Babcock & Laschever, 2003). Taking a contextual approach by integrating these findings it was possible to uncover potential reasons for women's lack of confidence in pay negotiations. Importantly, it was not the case that women felt uncomfortable asking for resources in general. My data suggest that they were as confident as men in asking for resources for their workgroup but less confident than men when it was in their own personal interest. Supporting these findings, previous research has demonstrated that female participants perform better when they negotiate for others than for themselves whereas for male participants there was not such a difference (Bowles, Babcock, & McGinn, 2005). This suggests that women are capable of demanding resources and that women's (dis)comfort with resource-demands is context-dependent. There are several potential explanations why women do not like to demand resources for their own benefit. Miller (1991) suggested women's hesitance in making requests for themselves may be due to women's stronger interest in promoting desired change for others than for themselves. Some have argued that money is not as important for women as it is for men (Crosby, 1982) and that women prefer to focus on other work dimensions but pay. However, these arguments were shown to have little substance in this study. Instead, my data revealed that, in line with previous research (Babcock, Gelfand, Small, & Stayn, 2006; Barron, 2003; Wade, 2001), women fear negative social consequences when making pay demands more than men. Indeed, women's negotiation attempts are less favourably received than men's as experimental studies have revealed (Bowles et al., 2007). Moreover, the fear of negative reception, along with women's

experience that they have to invest more than others in order to gain a pay rise together, accounted for women's hesitance in asking for pay in my study.

As a result, these effects emphasise the importance of investigating the context in which gender differences in pay attitudes occur. It is problematic to assume that women are reluctant to ask for pay rises because pay is not important to them (e.g., Kanazawa, 2005). As has been previously argued, gender differences in preferences are often based on patterns learned through socialisation and exposure to social norms (Bisin & Verdier, 2001). Women learn from their own experiences, or from those of other women, that while asking for pay rises bears potential benefits (more pay), it may also involve certain social costs. Given that managerial women are often viewed negatively when showing competitive behaviour in negotiation situations (Babcock et al., 2003) it is understandable that women fear social consequences when making a pay demand and lack confidence in negotiating their pay. Further to this, experiencing that they have to invest more than others to gain pay rises may act as an additional discouraging force.

Yet, despite reporting lower confidence in asking for pay rises, women indicated that they had been as likely to participate in negotiations as had men. Apparently, women's lack of confidence with negotiations does not prevent them from actively seeking pay rises. Indeed, previous research has indicated that a lack of confidence in negotiations on the part of women does not necessarily produce different behaviour and negotiation outcomes compared to men (Watson & Hoffman, 1996). This is in line with a broad literature demonstrating that attitudes are not necessarily direct predictors of specific behaviour and vary with context (Ajzen & Fishbein, 2000, 2005). For this reason, future research should include behavioural measures (such as negotiation efforts and outcomes), as well as attitudinal measures (such attitudes presented in this thesis), and investigate the influence of the social context in which attitudes are expressed and the relationship to actions

performed. Moreover, the finding that women's lower confidence is not predictive of their negotiation outcomes suggests that there are other mechanisms at play since women clearly receive less pay than do men. It is therefore important to also consider organisational factors of the form examined in Studies 1 to 3. The investigation of individual differences and their interaction with the social environment alone will not be enough to understand the network of contextual factors which leads to pay disparities.

Conclusion

The findings reported here have demonstrate that simple analyses of women's preferences run the risk of assuming that women are to blame for their own pay misfortunes. Simply reporting that women are less interested in performance-based pay, that they lack confidence when negotiating their pay, or that they do not associate pay to one's accomplishments may be interpreted as implicating women's attitudes as the cause for the gender pay gap. However, such a simplistic approach, which ignores women's experiences and the social context, draws conclusions from an isolated observation. By considering the circumstances under which women form their preferences and in which they behave, the underlying explanation for the gender pay gap may shift from an internal attribution (i.e., women are responsible) to an external one (i.e., the organisational and social context encourages women to react in certain ways).

It is clear that the choice disparities between women and men stem from the differentiated treatment of women and men based on gendered expectations and women's adjustment to these in everyday life. In order to break this vicious circle it will be necessary to inform both organisations, as well as women, about the role that social restrictions play in the structuring individual pay preferences. A better understanding of the mechanisms underlying women's distinct attitudes can help organisations make more accurate and unbiased pay offers, instead of making offers based on gender-role expectations. It can also

help women to stand up for themselves and as some research illustrates they were indeed successful in reaching their goals when they verbalized their needs (Babcock & Laschever, 2003). Yet, such “confidence courses” are not the solution. Women still run the risk of receiving negative responses if they ask for pay rises or question pay inequalities since assertive or competitive behaviour is not expected from women (being ‘belief-disconfirming’) (Schein, 2001; Babcock & Laschever, 2003). Thus, it is indeed logical, that women will accept lower pay offers. It is primarily a supportive environment that allows women to escape the restrictions of social expectations will liberate them from suppressing their preferences and they will be able to stand up for their needs if they feel they are not being fairly treated in the workplace.

The assumption that women value job characteristics such as pay differently than men has been seriously questioned. Instead of having very different attitudes, it is clear that women face a very different workplace reality compared to men. Women’s experiences with unfair treatment in the pay process may lead to a different perception of which negotiation behaviour may be a successful strategy for them compared to men. Therefore, this research gives strong support for the necessity of including the social context in the investigation of gender differences in choice and preferences. If women were to be treated equally it would be likely that they responded with equal attitudes. As long as the contextual dynamics (which cause gender differences in job and pay preferences) are not understood the vicious circle will continue whereby women ask and employers offer women lower pay and lower paying jobs.

CHAPTER 6

GENERAL DISCUSSION AND CONCLUSION



So, who is to blame?

This cartoon provides an apt metaphor for women's experiences in the workplace. While the climb to the top of the corporate ladder is a difficult journey for anyone, male or female, the reality is that a woman's climb is made all the more difficult by the additional restrictions that she may face. One might argue that women are not forced to wear high heels, just as they are not forced to accept lower pay or not to negotiate. However, one needs to consider whether women actually have a choice – which by definition would mean to choose at least between two attractive alternatives. In this vein, wearing bulky hiking boots, or exhibiting masculine behaviour such as assertive negotiating may violate gender-role expectations and lead to critique for not being feminine enough (an "alternative" that is not very attractive). Moreover, a woman may not be able to afford to question or even reject a low paid leadership position since she is less likely to be offered managerial

positions compared to a man. Thus, it may be the most sensitive response to accept a job and its salary offer even if it is relatively low.

People can either blame women for their inability to climb the mountain (and to gain better pay) because they regard it a “choice” to use unsuitable shoes (or to accept low pay), or they can consider the context which “forced” them into equipping themselves this way. In general terms, the inclusion of contextual factors which put women into a distinct starting position from men is crucial in the discussion of *equal* opportunities. Blaming women for the consequences of their distinct reactions in pay issues seems short-sighted if they act under different contextual circumstances.

This thesis examined a number of potential reasons for the gender pay gap in managerial positions. In contrast to much of the existing literature, it focused on explanations that take account of the social and organisational context surrounding pay disparities. Using a triangulation of research techniques and distinct participant-samples, four studies were conducted in order to provide evidence for the importance of integrating the context in the analysis of the gender pay gap. Taken together, the research demonstrates that a simple explanation based on individual differences in human capital and individual preferences runs the risk of ignoring important social information. By considering the social and organisational context, I have added crucial explanatory value (Deaux & Major, 1987; Ryan & David, 2003; Ryan, et al., 2004; Ryan & Haslam, 2005, 2007). In this way, the blame for gender-biased pay disparities cannot be simply placed on individuals but must be seen as part of a complex system of interacting factors such as legislation, discriminatory practices, stereotypes, and societal beliefs which lead to, among other things, gender differences in financial attitudes and behaviour (e.g., Small et al., 2006; Sonnenberg et al., 2008).

Importantly, the inclusion of the social context does not mean that the individual is ignored. Indeed, this thesis aims to marry an individual level with a contextual approach in its empirical investigation of the gender pay gap in senior business positions. In doing so, the results obtained do not necessarily contradict previous findings demonstrating individual differences between men and women (e.g., Escriche et al., 2004; Gasser et al., 2000; Heckert et al., 2002; Kanazawa, 2005; Major & Konar, 1984). Rather they help to explain the circumstances that contribute to those differences. Only considering individual differences would lead to the assumption that these could not be changed. However, gender differences in behaviour and attitudes are not based on stable (or innate) personality traits but they developed through the interaction of the individual with their social context. Thus, changing the organisational and social environment has an influence on gender disparities and consequently individual responses may be affected as well.

To sum up, understanding the social nature of distinct behaviour in men and women is important since it gives directions for effective intervention to address discriminatory processes. The main message for equality research and work is that blaming the individual woman for her disadvantaged situation is the wrong starting point. We need to see her as part of a social system in which a number of contextual factors such as stereotypes and organisational environment are influential. This contextual impact can be harmful by discriminating against women but at the same time it has potential to change women's situation in the workplace if sensible intervention is applied.

The following sections outline the findings and their contributions to the existing literature. Finally, the implications for practice and for future research are discussed.

Summary of the results and contributions to the existing literature

Studies 1 to 3 in this thesis examined the relationship between company performance and performance-based pay allocations. First, an archival study (Study 1) of 192 executive directors in UK-listed companies demonstrated that women overall earned 19 per cent less than men. Moreover, the consideration of the organisational context (company performance) revealed interesting variations in the gender pay gap. As anticipated, male directors' performance-pay was sensitive to company performance, with better performance being associated with four times larger bonuses. However, for female directors, the allocation of a bonus was not dependent upon company performance and only increased by 30 per cent in the case of increased performance. Overall, women were paid smaller bonuses and the magnitude of the gender discrepancy in bonuses depended on the companies' successes. Indeed, women received the same amount of bonus (if not more) as men when company performance was poor, but when company performance was good, they received significantly smaller bonuses.

Attributional patterns of pay were discussed in the frame of the romance of leadership literature (Meindl et al., 1985) which predicts the pay-performance relationship found for the male director. The distinct nature of the relationship between women's bonuses and company performance was suggested to originate from conflicting leader and gender stereotypes, a potential explanation that was discussed in Study 2. Another potential explanation for the lack of performance-dependence of women's bonuses was that women may have a different approach to financial issues, such that they are less risk-seeking and confident than men in their pay demands. Study 4 picked up on this approach and looked at female managers' pay and negotiation attitudes.

Study 2 was conducted in order to replicate the findings from Study 1 in a laboratory setting with 201 employees as participants. Further to this, it investigated

potential psychological explanations of these findings by examining whether leadership attributions are made based on company performance as predicted by the romance of leadership (Meindl et al., 1985). Thus, evaluations of the leader, such as perceptions of charisma and leadership ability, were included in addition to bonus allocations in an attempt to find out more about the pay and evaluation process. Here, the experimental manipulation of scenarios in which only the leader's gender (male versus female) and company performance (flourishing versus failing) varied, allowed us to control for potential factors which could not be controlled in the archival study. This was done by producing exactly the same article for both the male and the female leader and a variation of the passages that indicated the quality of company performance.

The results mirrored those of Study 1 as patterns of bonus allocations differed across gender. As in Study 1, men were rewarded in line with company performance, but women were to a lesser degree. While for the male director bonus allocations were big when company performance was described as flourishing, they were small when a failing company was presented. For the female director company performance did not have this effect on her bonus. Thus, the romance of leadership was applicable for men's bonus allocations but not for women's.

However, the romance of leadership was apparent for both men and women at the perceptual level, if not in terms of bonus allocation. Leader evaluations of charisma and leadership ability reflected high and low company performance for both genders. But the role of these evaluations was distinct in the process of bonus allocations across gender. For the woman, participants' evaluations of her leadership were crucial for the amount of pay she was allocated. Therefore, it appeared that women's ability to lead was closely scrutinised and then a decision about the pay she should receive was made based on the perceptions of her ability as a leader. If they were judged to be charismatic leaders with

high leadership ability they were awarded a high bonus and as a corollary they were awarded a small bonus if judged to be less charismatic and able. In comparison, for the male director leader evaluations only played a minor role in the amount of bonus he was awarded since he was rewarded directly in line with company performance.

In conclusion, the results clearly show that on some levels, such as the qualitative evaluation (i.e., perceived charisma and leadership ability) of women leaders, the romance of leadership is observed. However, such a pattern does not translate into pay allocations. Here, measurable gender differences occur, indicating that women are less acknowledged in their managerial impact on the organisation. Study 2 suggests that the female leader was seen to lack leadership agency since she was not automatically rewarded on the basis of company outcomes. In contrast, company successes and failures translated directly into the male leader's bonus allocations.

The novelties of Studies 1 and 2 lie in focusing on the relationship between company performance and managerial pay and considering gender inequalities in this relationship. At the same time, romantic notions of leadership were expanded to a behavioural measure (i.e., pay) but only for male leaders. In this vein, the generalisability of the romance of leadership to female leaders was tested, which had not been done in the existing literature. In addition, Study 2 shed light on the process of leader evaluations and pay, and their relationship to company outcomes. The focus on the pay process highlighted important gender differences in the attributions of company performance measured through pay allocations. Distinct patterns in this aspect of pay inequality could not have been observed if the organisational context was ignored.

Study 3 provided another context in which to replicate the findings of Studies 1 and 2. Here, I was interested in leaders' own reports about their companies' success and the bonuses they received. Overall, there was a distinctive gender pay gap with women earning

only two thirds of the salary and bonus that men indicated to earn. Moreover, as expected, reported bonuses and perceived company success reflected the same gender patterns as Studies 1 and 2. Men who reported high bonus payments also perceived company success as better than men who reported low bonus payments. In contrast, the size of women's reported bonuses did not relate to perceived company success. Importantly, this finding demonstrates that leaders' perceptions of their bonuses and company performance are in accordance with the findings in the archival study and the experiment. However, Study 3 cannot show whether these leaders are aware of the gender distinct relationship between pay and performance. The awareness of gender inequalities can have important consequences for women's views on workplace-related decisions. For example, if women consciously experience that their pay is not associated with performances they will not perceive pay as an indicator for accomplishments, as discussed in Study 4. Potentially women may not seek to be paid according to performance since it does not appear to them to be an important indicator of the size of pay. However, perceiving unfair pay in relation to male colleagues, can lead to dissatisfaction and frustration (Ryan, Haslam, Hersby et al., in press). As a consequence unequal treatment women may decide to leave a company.

Taken together, the first three studies in this thesis lend strong support to the observation that organisations do not financially acknowledge women's achievements as leaders. While women's performance-based pay is unrelated to organisational outcomes, men's bonuses clearly reflect corporate performance. This pattern was replicated using three distinct methodologies with three different samples. A potential explanation for these findings is that women are labelled as leaders but they are not taken as "full" leaders because of conflicting gender and leader role stereotypes (Eagly & Karau, 2002). Consequently, men are awarded pay as a direct reflection of company performance while

women need to undergo a process of evaluation that requires that they are responsible for company outcomes (cf. Pyszczynski & Greenberg, 1981).

In a final study I also investigated gender pay the recipients' point of view. Instead of examining the way in which organisations allocate pay, in Study 4 I examined gender differences in individuals' pay and negotiation preferences. This survey study investigated potential gender similarities and disparities in pay attitudes and confidence with negotiation which I alluded to as one possible explanation for the gender disparities found in Study 1. More importantly, my analysis of individual preferences did not only attempt to document these differences, but also to examine the processes underlying such differences by investigating the role of social context, that is the influence of women's experiential background in the workplace on pay and negotiation attitudes. In contrast to previous research arguing that women place more value on social factors and men more value on financial factors (e.g., Crosby, 1982; Heckert et al., 2002; Kanazawa, 2005), Study 4 revealed that, overall, women and men had very similar pay-related preferences. There was no difference in the extent to which men and women valued job-related attitudes, such as pay and social relationships. These findings provide little evidence for claims that there are innate differences in what women and men expect from their work.

However, Study 4 did reveal some important gender differences. For example, women reported feeling less confident about asking for pay rises compared to men. Such a difference may be interpreted as a factor that contributes to differences in salaries (e.g., Major et al., 1984) and if such an explanation is taken at face value women may be made responsible for the pay gap (see Kanazawa, 2005, for an example). One could argue that women should not be given more pay than they ask for. Such an approach may appear economic at first sight since it saves companies money however, it puts the blame for unequal working conditions (i.e., lower pay for the same job) on women's shoulders. But

this view only tells us half of the story since it does not ask *why* women do not ask. It just assumes that women do not want the money. The argument that women should be held responsible becomes less plausible if women's experiences in the workplace are taken into account. As argued in the beginning of this chapter it is often assumed that women's decision to take lower paying jobs or to accept lower pay is based on free choice. Hence, considering the actual alternatives that women have and the social expectations that women face in the workplace will put their decisions into perspective.

Indeed, Study 4 demonstrated that women's lack of confidence could be explained by their different, and mainly negative, experiences with the pay process. Considering that women, compared to men, felt that their pay was less fair and that a pay gain was more difficult to achieve, it is not surprising that they showed less confidence in negotiating their pay. Further to this, women faced a higher fear of creating social costs when demanding higher pay than men. This explained why women were more likely to want to avoid negotiations. If the alternatives they feel they can choose from are (a) potentially higher pay if they succeed but negative reactions towards their negotiating behaviour, or (b) low pay and stability of the social relationships within their workplace, then the safer solution would be (b). The latter option will provide women with a positive work-environment where they can pursue their profession without the pressures that can be triggered by gender-role disconfirming behaviours. Choosing (a) could produce a highly stressful environment and may put women's tenure in a company on risk as has been discussed above.

Overall, the results from Study 4 speak for the investigation of individual differences in their social context. A purely individualist approach was argued to be rather harmful for women in the discussion of the gender pay gap, since the social psychological

causes for gender-distinct behaviour are neglected and may therefore lead to faulty interpretations of behaviour based only on biological sex differences.

Considering the presented empirical studies, the research in this thesis makes three main contributions to my understanding of the gender pay gap. First, it demonstrates that women are disadvantaged in performance-based bonus allocations. Second, it argues that the process by which women and men are rewarded differs. In this way, the romance of leadership explains male leaders' pay patterns since company achievements are translated into their bonus payments, but at the same time it does not apply to female leaders' bonus payments. Third, the objectively distinct treatment women experience in managerial roles is further supported by women's reports on pay experiences in a survey. Here, self-report data indicates a number of barriers in pay negotiations which may help explain claims that women have distinct behaviour and attitudes in financial contexts (e.g., Bajtelsmit & Bernasek, 1996; Barber & Odean, 2001; Byrnes et al., 1999; Heckert et al, 2002; Kanazawa, 2005; Small et al., 2006; Sonnenberg et al., 2008).

A contextual approach

All four studies reported in this thesis support the argument that an examination of women's situation in the workplace is important if we are to understand the gender pay gap. Context was investigated in two ways: First, the findings from Studies 1, 2, and 3, shed light on previously neglected dynamics in the analysis of pay irregularities by examining the organisational context in terms of *company performance*. Second, Study 4 examined the social context in terms of women's *organisational experiences*, specifically the way in which the experience of unfair pay and fear of social consequences (when negotiating) impact on their attitudes towards pay.

Organisational context: Company performance

The first three studies clearly revealed that including company performance in the analysis of gender differences in performance-related pay adds important explanatory value. Such findings resonate with recent research on leadership which has demonstrated that company performance can have an impact on the appointment of men and women to leadership roles (Ryan & Haslam, 2005, 2007). My studies reveal that as well as demonstrating that women were under-paid relative to men, gendered dynamics in the pay and evaluation process were also exposed.

For male leaders, ready-made patterns exist for pay and leadership attributions that can be explained by the romance of leadership (Meindl et al., 1985) and implicit (leadership) theories more generally (Pyszczynski & Greenberg, 1981). The romance of leadership predicts that company outcomes may be directly translated into perceptions of a leader's abilities. The fact that this is particularly true if the leader is male, may be because of the large overlap between leadership traits and masculine traits (Schein, 2001). This typicality of men in leadership roles bears the consequence that men's ability as leaders is not questioned and the information about their companies' success is regarded sufficient for the allocations of performance bonuses.

In contrast, such implicit theories do not apply for female leaders, thus, the size of their remuneration is determined directly by judgments of their leadership ability and only indirectly by company performance. Indeed, research into gender and leadership suggests that women will be closer scrutinised than men (see also Lee & James, 2006) for two reasons. First, women are still less likely to reach top ranks in an organisation than men (Eagly & Carli, 2007; Sealy et al., 2007), and second the prototype of a manager is male (Schein, 2001). As a consequence of both these points, organisations and employers have

less experience with the presence of a female than of a male leader who seems to be accepted since he cannot be a ‘wrong’ choice.

Considering the organisational context in the analysis of the pay gap in top positions also opened up questions about the perception of women’s influence on corporate performance more generally. Not being paid in correspondence to company outcomes could mean that women are not attributed *leadership agency*. An individual’s leadership agency is associated with traits such as competence, ambition, or assertiveness (Schein, 1973, 1975) which are used to achieve corporate change. Women are attributed leadership traits such as being understanding or having humanitarian values (Schein, 1973, 1975) which do not seem to imply agency. Although, leadership agency was not overtly measured in the studies presented here (see section on limitations of this thesis on page 147), it may be an underlying dimension that could potentially explain the gendered patterns found in this thesis. As described above, if a man occupies a leadership role he may automatically be given leadership credentials (i.e., attributing him agentic traits such as competitiveness and the ability to be influential). While a woman may also be labelled as a leader, this does not necessarily imply that her actions and presence are interpreted as those of a leader in the company since her strength is perceived in dimensions such as communality and warmth instead of agentic traits. Indeed, it has been demonstrated that a woman has to work harder than a man to gain an organisation’s trust in terms of proving her leadership capacities (e.g., Eagly et al., 1992; Lee & James, 2007). Thus, differences in women’s and men’s leadership agency may explain two of my findings: First, a lack of perceived leadership agency could underlie the fact that romanticised pay attributions are not afforded to women. If women are not seen as influential agents of corporate change, their successes (or failures) may not be recognized and consequently their pay will not correspond to company

performance. Second, overall women receive less pay than men since their importance to the company in their role as a leader is not recognized and consequently not rewarded.

Taking organisations' gendered behaviour into account reveals that gender discrimination in pay is not entirely financial, but also reflects a lack of appropriate acknowledgement of women's efforts and performance (Eagly et al., 1992; Heilman et al., 1995). As demonstrated by the first three studies, company performance is not reflected in women's pay. The results suggest that no matter how company success develops women can expect to be always paid the same. Previous research has already illustrated that if women succeed they are viewed less favourably (Heilman et al., 1995) and their performance may even be actively devalued (Heilman et al., 2004). But, what is even more alarming, this thesis revealed that negative outcomes are neither criticised nor punished which may be a signal of disrespect. It shows that no matter what women do, their role as a leader, as well as their actions and their presence in the company, is ignored. Clearly, such a situation is not particularly encouraging or motivating for an individual. The fact that women are increasingly deciding to leave organisations may be due to such an unsupportive environment (Ryan et al., in press). Moreover, such circumstances may have organisational consequences. Organisations run the risk of missing out on the benefits of having (potentially) able leader, because their indifference towards female leaders blinds them from fully recognizing the role of women within their company.

In sum, the pay gap in leadership positions cannot be explained in terms of an assumed inability or ineffectiveness of women in senior positions (Eagly et al., 1995; Eagly & Carli, 2003; Helgesen, 1990). The research demonstrates the need to shift from an individual focus to one which acknowledges the organisational context that women confront. Here, the interplay of expectations about gender and expectations about leaders is a source of gendered perceptions and evaluations of female leaders (e.g., Eagly et al., 1992;

Prentice & Carranza, 2002) which are reflected in real monetary outcomes. As long as organisations fail to establish an equal organisational context for men and women, and fail to acknowledge women's agency as leaders, women will continue to receive unequal remuneration.

Social context: organisational experiences

The pay patterns found in the first set of studies not only illustrates the importance of considering company performance, but they also indicate that women have very distinct organisational experiences compared to men. The fact that women receive lower pay in comparable positions than men (see Studies 1 and 3), that the pay-performance relationship is different for women and for men (See Studies 1 to 3), and, finally, that women's abilities as leaders are more closely scrutinised in pay decisions than men's (see Study 2) are good examples of the distinct circumstances under which women work compared to men.

Similarly to socialisation (Bisin & Verdier, 2001), the above mentioned workplace experiences with pay will have an important impact on the formation of attitudes and preferences with pay in the future (Babcock & Laschever, 2003; Zemore et al., 2000). For example, in Study 4, women reported viewing pay as less representative of their accomplishments than men did. This view is not surprising if we consider that women's pay actually is not performance-related as demonstrated in Studies 1 to 3. In line with this proposed argument, Study 4 indeed revealed that women's distinct experiences are related to gender differences in views on pay. Thus, the fact that women viewed pay less as representative of their accomplishments could be explained by their experience (i.e., that they have to invest more than others in order to achieve a pay rise). According to previous research gender differences in pay preferences disappear if the environmental circumstances are taken into account (Lefkowitz, 1984). Neglecting the social context of

these women's experiences with pay would have led to wrong assumptions about the origin of these women's views.

Further to this, as outlined in Chapter 1, women are likely to face a conflict of gender-role stereotypes and the behaviour that is expected from a person in a high ranking position (Prentice & Carranza, 2002). Subsequently, if a woman acts in an assertive or competitive way (e.g., by asking for a pay rise) this may not be as well received as from a man since it is "unwomanly" (Babcock & Laschever, 2003; Small et al., 2006). This puts women in a very different situation compared to men and limits the range of attitudes and preferences they can "freely" express without taking the risk of occurring social costs (e.g., negative reactions). A simple comparison of women's and men's attitudes in Study 4 would have revealed gender differences but at the same time it would have hidden the factors that are actually causing these differences. Rather than gender the social environment that treats men and women differently can be held responsible for the expression of distinct preferences. In this regard, a number of previous studies have already shown that behaviour that is judged positively for a man in a male context can be received unfavourably for a woman in a male context (e.g., Eagly & Karau, 2002; Heilman et al., 2004). Following this, Study 4 demonstrated that women were less confident to stand up for themselves and demand for pay rises because they were worried about negative reactions if they displayed this male behaviour. The reason was not that they cared less about pay.

As a concluding note, women need to have the opportunity to express their needs and wishes without the restriction of gendered expectations. Encouraging women to stand up for themselves and meeting their demands with respect and fair offers will give these women the confidence to achieve what they want (Babcock & Laschever, 2003). Organisations will have to accept and acknowledge the image of a successful female

manager who can be assertive, competitive and competent and still be a woman. Equality in pay also means equal opportunities during pay and negotiation processes.

Theoretical contributions to the leadership and pay literature

Finding gender differences in the bonus sensitivity to performance measures not only contributes to research about gender (in)equality but, more generally, it sparks debate on (1) how generalisable leadership theories are, and (2) if it is legitimate to pay directors according to company performance. Each of these will be considered in turn.

How generalisable are leadership theories?

Considering the existing literature on gender and leadership, general leadership theories have been challenged by reporting distinct attribution of traits depending on the leader's gender (e.g., 'think manager - think male' Schein, 2001; Sczesny, 2005). Alluding to a number of differences in how women and men are perceived based on gender and leader stereotypes, this research demonstrated that while implicit leadership theories, such as the romance of leadership (Meindl et al., 1985), may be readily applied to male leaders, they often do not apply to women.

Testing the romance of leadership for women in Study 2 revealed that gender is an important moderator of the attributional relationship between company performance and pay. It has been argued that available implicit theories about men in leadership roles automatically provoke pay-allocations in accordance with company performance (Pyszczynski & Greenberg, 1981). However, for women this attributional process includes a further step in which judgements of their leadership abilities are essential for the size of their bonuses. This failure of attributional leadership theories to work for leaders in general does not just speak to the romance of leadership, but rather it questions the generalisability of such theories overall.

Indeed, previous research into the romance of leadership has been progressive in shifting the focus from a leader's inherent qualities to an emphasis of the importance of social factors when understanding the emergence of leadership. In this way, the social context (Fiedler & House, 1994) and the shared social identity of followers and leaders (Haslam et al., 2001; Platow, Haslam, Foddy, & Grace, 2003) was shown to be essential. Further to this, more recent research has demonstrated that the gender composition of a team can influence the emergence of charismatic leadership (Mayo & Pastor, 2005) and the variability of implicit leadership theories more generally has been discussed in a number of works (Schyns & Meindl, 2005). Adding to these examples the moderating function of gender (see Study 2), it becomes evident that leadership theories that are designed based on one specific prototypical leader (usually white and male) in an isolated context (neglecting social processes) will fail to describe leadership and perceptions of leaders in a real organisational environment.

Drawing from the above considerations, leadership theories need to be highly flexible in order to account for the experiences of men and women. No leader is alike another leader since they are shaped and defined by their membership in different social groups (e.g., gender, race, or age) but also the current situational context (e.g., company performance, a crisis etc.). Most leadership theories are constructed based on the prototypical white male leader. However, these theories quickly fail if applied to atypical leaders such as women (see Study 2). Integrating a social psychological approach and acknowledging gender stereotypes in the existing theories may help to understand why they work for some but not all leaders. Considering the distinct inherent social identities of each individual will influence how leaders are perceived and judged. For example, for a man the social identities "male gender" and "leader" fit nicely, while for a woman her gender and leader-role identities do not overlap. In addition, group dynamics and their interaction with

the organisational context may impact on evaluation processes. In this way, typical female leadership traits such as being vigorous and having humanitarian values (Schein, 1973, 1975) may be useful in a leadership role in a health-care institution, but an IT context may ask for a typically male leadership role.

Inclusion of the context

This work challenged the sole use of an individualistic approach in equality research empirically and theoretically. On pages 116 to 122 of this thesis the reasons for the importance of integrating the context in the analysis of individual differences have been extensively addressed. Empirically, particularly Studies 2 and 4 demonstrated that the inclusion of the organisational context and the social context in terms of women's experiences can give insight on the origin of individual differences in pay and preferences. Taking these findings to a theoretical level they show that the comparison of individual's responses is purely descriptive as long as the context is not considered as well. Only the examination of individual differences (e.g., pay gap, pay attitudes) against the background of additional contextual information (e.g., workplace experiences) sheds light on processes leading to these differences and increases the applicability of leadership theories to real-life situations.

Practical implications

The results presented in this thesis have a number of implications for director pay in general and for female managers specifically. The first of the following sections will discuss if the two distinct pay patters are legitimate ways of rewarding leaders. The second section will focus on the psychological consequences for women who are being offered pay patterns that do not reflect performance. The last section considers how the inclusion of contextual factors can shift the blame for gender pay disparities from individual women to

a problem that is nested in organisational structures and the influence of social expectations.

Is it legitimate to pay directors according to company performance?

Seemingly unlimited pay scales (Tran, 2003; Prynne, 2006; Mathiason, 2007) have sparked a discussion about the legitimacy of leaders' pay in relation to their actual contributions. As we have seen, research into the romance of leadership has demonstrated that the evaluations of leaders are not necessarily linked to directors' real efforts and abilities but are rather based on what leaders are assumed to be able to do ('implicit theories'). When considering the differential processes that are used when allocating pay (Study 2) it may be argued that those associated with women may be more legitimate. For women, their pay is linked to evaluations of their abilities, which seems to be a fair process as long as the evaluations are unbiased. In contrast, men's bonus allocations were shown to depend mainly on company outcomes, based on the assumption that their ability as a leader is equal to corporate change. This relationship is difficult to justify since company performance may be the product of external factors rather than managerial influence. However, paying leaders depending on how they are evaluated and for what they have actually achieved will take into account how much of the corporate change is related to the leaders' contributions. In a way, both examples follow the idea of the Combined Code of Corporate Governance (Financing Report Council, 2003) since they stipulate that directors are paid in relation to their contributions to corporate changes. However, the male leader's pay is based on an assumption (i.e., that their ability is equal to company performance) derived from implicit theories, which may not always be right.

Indeed, the seemingly limitless magnitude of men's bonuses may be seen to be unwarranted, since it is not primarily based on leader evaluations but originates from an over-attribution of corporate change to male leaders as outlined by the romance of

leadership. Paying leaders based on implicit theories, that predict that leaders contribute to corporate change, is not sensitive to the actual contributions of the individual leader. In this way, bad leaders in a company with good company performance may profit from other people's good work or from a favourable economy, whereas good leaders who happen to be in a company of bad performance may be punished for outcomes that are due to failures of their colleagues, employees, or simply poor economic circumstances.

Considering an ideal process to decide directors' pay, the patterns found for women in Study 2 appear to be leading down a legitimate track. In contrast, the romance of leadership pattern, which is applicable to men, is based on assumptions and can lead to illegitimate outcomes. However, it is important to note here that the idea of rewarding directors based on leader evaluations can still fail to meet equality criteria since perceptions of women are potentially biased through conflicting gender and leader stereotypes (Eagly & Karau, 2002; Heilman et al., 1995; Prentice & Carranza, 2002). Subsequently, women can be disadvantaged in the pay they get. Therefore, on the one hand it is important to underline that women's evaluations run the risk of being biased in a negative way, which leads to worse outcomes for women. On the other hand, judgements of male leaders can also be inaccurate because they may be based on implicit leadership theories and consequently overestimate men's influence on corporate change.

Understanding the consequences of not rewarding and not punishing female managers

The fact that, in contrast to men, women in Studies 1 to 3 receive neither rewards nor punishments (in terms of remuneration) for company outcomes has a number of important consequences. At first sight, it could be argued that this is a positive result for women because no matter what they do, they will earn a modest but maybe decent bonus. But bearing in mind that a majority of companies experience growth of some form (or at least a form of development that can be construed positively; e.g., Elsbach & Kramer,

1996), the findings of Studies 1 to 3 map onto other survey data which points to a large gender pay gap in leadership positions (Clarke, 2001; Equal Opportunities Commission, 2003, 2006). This means that even if women leaders' performance is recognised in evaluations of their leader qualities (as found in data relating to Study 2), they may not be treated as generously as men when it comes to the apportioning of material reward.

Taken together with research suggesting that women are less likely to find themselves in roles as leaders of successful companies than men (Ryan & Haslam, 2005, 2007), the findings here suggest that even if women in these roles are not penalised as much as men for poor company performance, they are still less likely to be in positions where they will profit from the romance of leadership. Thus, the relatively poor pay of women leaders may result, at least in part, from the dual fact that, unlike men, (a) they do not reap the benefits of romance of leadership when they are in charge of successful organisational operations, and (b) they tend not to find themselves in those positions anyway. In this context, the fact that they are not penalised for leading failing organisations is small solace.

But what are the practical implications of under-paying women leaders? Failing to reward women for their successes means that women's efforts are not appropriately recognised. This is particularly important in light of my findings that companies with female executive directors achieve corporate results that are equal to that of male-only boards. Indeed, the previous literature also indicates that in comparison to their male counterparts, female directors may help bring about the same or even bigger improvements in corporate performance (e.g., Kalleberg & Leicht, 1991; Ryan & Haslam, 2005, 2007; Singh, Vinnicombe, & Johnson, 2001). The potential consequences of the bonus patterns documented in this thesis are therefore threefold. First, the literature shows that pay is an important predictor of the extent to which a person is valued in his or her employment

context, and more specifically, of the extent to which this person is perceived to have influence and ability (Ridgeway, 2001). In this way, low salaries are associated with a lack of credibility and an inability to influence either people or events. Consequently, women's lower remuneration may mean that they are less likely to secure jobs that correspond to their abilities. Indeed, a common question asked at job interviews is what the applicant has earned in the previous positions. As women tend to earn less than equally qualified men, their qualifications may continue to be underrated.

Second, these pay-related perceptions may reinforce female stereotypes. Experimental research demonstrates that well-paid individuals are seen as agentic in the sense that they are perceived as being both influential and competent. Badly-paid individuals, in contrast, are considered as more communal and as having more warmth - traits which are both stereotypically female (Johannesen-Schmidt & Eagly, 2002). Thus, to the extent that women are paid less well than men, the belief that women are communal will be reinforced at the expense of perceptions of their agency. In a managerial context, this is critical because such stereotypes conflict with notions of what it means to be a good leader. Moreover, such stereotypes have been shown to be associated with the negative attitudes towards female managers — such as devaluing their efforts (Eagly et al., 1992) and the punishment of their successes (Heilman et al., 2004).

A final consequence may be that companies find it hard to retain talented women because they fail to reward them for their successes. If bonuses are to be seen as a way to acknowledge and reward people who perform consistently well, and if women are systematically denied such feedback, then they may be less motivated to try hard in future and may disengage from the challenges they face (Ryan et al., in press). In addition to the factors previously identified in the literature (e.g., Eagly & Carli, 2007; Kanter, 1977;

Wirth, 2004) such a process may contribute to the relative scarcity of females in high ranking company positions and their short tenure relative to men.

Pushed or opted – allocated or asked?

The notion of the ‘opt-out revolution’ (Belkin, 2003) emphasises a shift of responsibilities from victimising women as being ‘pushed out’ and being discriminated against in organisations to blaming them for being under-represented in leadership positions because many women ‘opt out’ by deciding to leave their companies (Ryan et al., in press). In parallel, the pay gap may be viewed as a consequence (a) of the allocation of lower pay by a (discriminating) employer, or (b) of the acceptance and the demand of lower pay by the women themselves. The latter will put the blame for inequalities on women’s shoulders since they are ascribed the power to influence their situation simply by having a choice by accepting low or high paying jobs, or by deciding to stay or to leave a company.

Unfair treatment such as unequal pay can be a trigger for women to decide to leave their companies. Studies 1 and 2 demonstrate that organisations pay women less compared to men for objectively equal successes. A similar pattern was observed in previous research about the evaluation of women’s and men’s successes. Here, women were judged less favourably than men for similar successes (Eagly et al., 1992; Heilman et al., 2004). The inequality in pay and performance evaluations may lead to women’s opting out of organisation. Low pay is a marker for a lack of acknowledgment of women’s work and consequently they will perceive the situation as unfair and become dissatisfied with their situation. Similarly, the observation in Study 4 that women have negative experiences with pay rises and negotiations can reinforce the frustration about unequal pay. A frequent consequence of dissatisfaction is the disidentification with work and the organisation as a whole (Kulich et al., 2008b). In this way, the unsupportive environment that women face in the workplace can become a push factor, which makes women want to leave (Hewlett &

Luce, 2005). There is substantial literature that shows that the barriers and the precariousness of women's positions lead to stress, disidentification and finally the decision to leave a company (e.g., Davidson & Cooper, 1984; Ryan, Haslam, Herby et al., in press; Ryan, Haslam, Mishra, & O'Brien, 2008; Stroh et al., 1996).

Moreover, Study 4 has clearly demonstrated, that it is not simply a matter of women not wanting more pay or 'opting' for lower pay, but, that there are a number of factors which actually 'push' women to accept lower pay. Previous literature has argued that women focus on social factors instead of financial factors in their job choice and pay negotiations (e.g., Heckert et al., 2002). However, the findings from Study 4 suggest that women do not have the same alternatives as men when it comes to negotiating their pay. Even if there are no differences in how important women and men consider different job related factors they are still less confident in pay negotiations (see results of Study 4). This was shown to be due to women having greater fear of social costs. In the literature self-promoting strategies such as negotiating ones' pay are described as stereotypically male and consequently contradicting female gender role expectations (Babcock & Laschever, 2003; Rudman & Glick, 1999; Small et al., 2006). These social pressures may push women to accept what they can get rather than standing up for themselves and taking the risk of being looked at in an unfavourable way. However, demanding resources for others fits feminine stereotypes such as being communal and caring for others and may therefore be a much more acceptable behaviour for a woman than making requests for herself (Bowles et al., 2005).

Unfavourable situations in women's workplace such as stress (Ryan, Haslam, Hersby et al., in press), unequal pay (Study 1 to 3), dissatisfaction and disidentification with organisations (Kulich et al., 2008b; Ryan, Kulich et al., 2007) may in fact lead women to leave high-paying positions as was outlined above. The circumstances under which

women decide to go are rarely made public, and from the outside it may appear that they cannot cope with managerial roles and have rather focussed on other areas in their lives in general (Amble, 2005; Paton, 2006; Sellers, 2003). However, 'opting out', by definition, suggests a choice between two or more equally-valued alternatives. In the case of being under-paid and under-valued the alternatives are not equally weighted: it is a 'choice' between staying in a top position which causes stress and dissatisfaction (Ryan, Haslam, Hersby, et al., in press), or leaving the position to find a better one, or to start their own business (McDowell, 2006). In this way, women may be pushed to seek a better work solution (Ryan et al., in press).

This thesis suggests that women's decisions to opt out and to accept low pay must not be taken at face value. Instead, the processes underlying women's actions need to be taken into account if we are to understand how these come about. The social context will play a major role, since employers' and organisations' expectations towards female employees are influenced by female gender stereotypes. Similarly, women cannot escape the prescriptive impact of these gender stereotypes (Heilman, 2001). The inclusion of societal beliefs and their effects on individuals helps to explain visible individual differences such as distinct pay and negotiation preferences (Small et al., 2006) which lead to pay disparities (Major et al., 1984) but they also explain why women are treated differently by organisations.

As a concluding note, a solution for the gender pay gap cannot be found by simply blaming individuals for their distinct responses to pay and negotiations and expecting them to change their attitudes and behaviour. When investigating gender differences the researcher should go beyond simply comparing individual responses and take into account how observed gender similarities and differences came about. As the presented research illustrates the investigation of the experiences of women and men in the workplace can

offer answers on women's decisions to accept lower pay or to leave companies can be understood. Thus, the source of women's absence and renunciation of senior positions is indirectly pushed by unrealistic social expectations towards women and is not the product of free choice. In this way, the persistence of the gender pay gap may, at least in part, explain both why women are under-represented in leadership positions, and why they choose to opt out once they get there (Ryan et al., in press).

Limitations and future research

This research provides a number of new findings in relation to the gender pay gap in managerial positions. In order to consolidate these findings and drive home their significance it will be necessary to replicate the findings for other pay packages (e.g., incentive pay), in contexts other than business organisations (e.g., in politics), for various minority groups (e.g., ethnic minorities, people with disabilities, homosexuals) and also in nations which have higher female representations in top ranks (e.g., US or Scandinavian countries). Moreover, leadership agency which has been suggested to be an important underlying social psychological mechanism should be measured and integrated in potential explanations of gender inequality research in top-positions. Finally, future research should also concentrate on other theories such as work on *depressed entitlement* and *system-justification* (Jost & Banji, 1994 and 1997) in order to complement the presented explanations which were drawn from theories on gender stereotype and attributional perspectives. The following sections give directions on how this could be achieved.

Other pay elements

Study 1 focused on one specific part of directors' compensation packages (i.e., annual bonuses) which is relatively small in size compared to other pay elements such as option plans. As results of the archival study demonstrate, female executive directors do not

only receive lower bonus payment but they are also disadvantaged with other pay elements. Thus, these should also become the focus of close investigations since they may make up an important part of the pay gap. Further, directors' pay elements are linked to distinct factors (e.g., performance-related versus fixed elements), and are accessible at different times (e.g., annual versus long-term allocations) (see Murphy, 1999). These particularities suggest that each pay element will be sensitive to distinct contextual factors. For example, male directors' bonuses are dependent on company performance but their salaries are not. In this vein, the features and the context of each pay element should be considered separately and, importantly for the research focus of this thesis, the role of gender has to be explicitly analysed.

Future research should also investigate the question of whether women and men are potentially motivated by other forms of performance incentives and that this will lead to gender differences in pay. In this thesis, I have focused on the performance-related elements of remuneration, specifically on bonus payments which reward managers for past performance. But there are other forms of pay that address the motivation to increase individual performance differently. In this way, equity-based pay provides managers with forward-looking incentives and aims to improve future performance (Murphy, 1999). The flat slope of women's bonuses may reflect women's disinterest in such a reward system. Maybe women respond more favourably to certain incentives and men to others. An investigation of these questions should not only aim at revealing differences in how women and men respond to different pay elements but it should include the contextual circumstances under which these occur. A preference for flexible working hours over a bigger bonus may be linked to child-care responsibilities rather than gendered pay preferences as was discussed in Study 4.

Considering various pay elements at a time offers the advantage of investigating gender differences in the preference of certain pay elements over others in the context of the entire pay plan. This allows one to judge if gender differences found in one pay element may be compensated by a reversed pattern in the allocation of another pay element. Such an investigation will shed light on the nature of the pay gap and can be used to describe the processes that lead to the fact that overall women get less compensation (see results of Study 1). Effective intervention to establish equality in pay relies on the understanding of the social mechanisms described above that lead to the disparities.

Risk and women's negotiation behaviour

In response, to claims that women earned less money because they avoided the risks inherent in high-return pay packages, Study 4 examined women's attitudes towards pay. While the results revealed that women felt less confident with negotiations than men due to distinct experiences with the pay process, I did not directly measure risk. Previous research has shown that women are less likely to take risk (Bajtelsmit & Bernasek, 1996; Byrnes et al., 1999; Weber et al., 2002) and are less confident investors (Barber & Odean, 2001) but despite distinct investment strategies they are as successful as men (Luneberg et al., 1994). In addition, evidence has demonstrated that risk behaviour strongly depends on the context (Schubert et al., 1999) and gender differences disappear or are even reversed in certain contexts.

Risk-taking behaviour may play a role for the type of pay package people choose. Individuals can choose relatively secure pay packages, which vary little with company performance and therefore do not allow for big intakes but also not for big losses. Or, they can opt for riskier ones that fluctuate with company performance. This way, they benefit greatly in case of company success, yet they receive very little remuneration if performance is low. The make-up of such pay-packages is negotiable and it may depend on an

individual's risk-aversion if they choose pay elements that are stable or ones that are highly flexible (i.e., can bring big profits or losses). Considering the different relationship between men's and women's bonuses and company performance, the study of risk behaviour in the context of bonus and incentive pay seems an interesting starting point in the investigation of the influence of risk behaviour on the gender pay gap.

Further to this, it should be examined which pay plans organisations are likely to offer to women and which ones to men. Studies 1 to 3 potentially suggest that bonus payments are not used as motivating incentives for women since they do not relate to corporate performance. But, if this is the case, then which pay elements are used to motivate women? Answering this question will show how gender differences play themselves out across qualitatively different pay elements (e.g., pay elements related to past versus future performance).

The broader picture: Other minorities

The pay gap is not only a phenomenon that affects women but also other groups such as ethnic minorities (Dreher & Cox, 2000; England, Christopher, & Reid, 1999). Future work should apply the investigation of performance-based pay and leader evaluations to the context of such groups. Many parallels of discriminatory evidence exist for women and ethnic minorities, such as different evaluative standards (Biernat & Kobrynowicz, 1997; Biernat & Fuegen, 2001) and negative experiences in the workplace and in positions of power (Ellis, Ilgen, & Hollenbeck, 2006; Kluegel, 1978; Maume 2004, Reskin & Cassirer, 1996; Ryan, Haslam, Wilson-Kovacs, et al., 2007).

Extending gender research to other groups has a number of benefits. First, it allows other discriminated groups to profit from the findings in the gender literature. For example, the pay gap also exists between white and non-white groups. Similarly to the research presented in this thesis the race pay gap could be investigated by including the

organisational context. Second, the replication of gendered patterns to other groups such as age, race, or sexuality will provide researcher and practitioners with a strong theoretical foundation. This is an important tool in the applied arena in order to argue for interventions and to establish equal opportunities for marginalised groups. In particular, equality and equal opportunity institutions will be able to draw on these research results (see e.g., CIPD reports such as ‘Managing diversity and the glass cliff’ by Ryan, Haslam, Wilson-Kovacs et al., 2007 or ‘Reward and Diversity’, CIPD, 2006).

And finally, the replication of my result for other groups will give yet another example for the questioning of general ‘leadership models’ which have only been tested for the prototype of a male leader. A context integrating approach to leadership is proposed by demonstrating that these models do not work for a substantial percentage of the population who is female, black, and/or disabled.

Leadership agency

One explanatory mechanism I suggested in light of my results is that the gender differences in bonus allocations may be a reflection of differences in perceived leadership agency. From the gender and leadership literature we know that women receive less acknowledgment for their achievements than men do (Heilman et al., 2004), and also, that pay may indicate an indifference of companies towards their female leaders (see discussion related to Study 1). This may be founded in a misperception of women’s agentic and influential effects on organisations. Women are appointed as leaders, but this does not mean that they will receive all the authority and power that a managerial role should imply. The impact of conflicting stereotypes has been extensively discussed in the Introduction to this thesis. Also, people are often led to believe that women are appointed in order to meet affirmative action criteria and are not truly the best choice (Edelman, 1992; Maume, 2004)

which results in them being perceived as less competent and allocating them less pay than men or women hired without these regulations (Heilman, Block, & Stathatos, 1997).

In order to explore the idea of leadership agency as underlying cause of discriminatory mechanisms in the evaluation of women, more research needs to be conducted. While this thesis has focused on one aspect of the leadership experience, that is pay, future research should extend the investigation to other forms of acknowledgment and evaluation (e.g., feedback). This could be done, for example, by conducting an experiment similar to Study 2 but in addition to the applied scales, measures of perceived leadership agency could be presented. This would allow direct investigation of how male and female leaders are rated on this dimension and at the same time it could be linked to pay outcomes.

Alternative theoretical background: System justification theory

In this thesis, my arguments have mainly been framed from a social identity theory (SIT, see Tajfel & Turner, 1979) perspective and using other sources in the stereotype literature (e.g., Eagly & Karau, 2002, Heilman, 2001). Also, I explained the distinct reactions of evaluators towards male and female directors by findings from the attributional literature (e.g., Pyszczynski & Greenberg, 1981), and leadership theories (e.g., romance of leadership, Meindl & Ehrlich, 1987). It has been argued that a conflict between stereotypical female and leader traits may result in distinct attributions of performance and leadership agency to male and female managers. These explanations were used to give some insight on potential social psychological mechanisms underlying the gender pay gap and the pay-performance relationship for female directors (Studies 1 to 3). Strong emphasis has been put on the prescriptive effect of stereotypes (Heilman, 2001) and social creativity mechanisms (Tajfel & Turner, 1979) explaining women's acceptance of pay inequalities and that women are more likely to exhibit hesitation in negotiations (Study 4). SIT predicts that if members of a disadvantaged group perceive a situation as legitimate and unlikely to

change they will incorporate negative stereotypes of themselves. In this theory the likelihood of change is important since negative stereotypes may disappear when they are perceived to be unfair or open to change.

System-justification theory (SJT, Jost & Banji, 1994) takes a similar approach to SIT. This theory focuses on the impact of ideologies on stereotyping and the attribution of role-specific traits. In particular, it seeks to explain why individuals of oppressed groups may use negative stereotyping (of the self or the group) at their own expenses and in this way maintain inequality in the society. Where SIT explains this through social creativity, according to SJT, existing social arrangements are justified or legitimized by certain ideologies and consequently discriminatory practices towards individuals or groups are accepted or even supported by both members of the oppressed and the dominant groups. Therefore, SJT sees perceptions of stability and legitimacy as “symptoms” of the reinforcement of the status quo through justification. In contrast, SIT views the probability of changing the status quo and its legitimisation as necessary for the incorporation of negative stereotypes. Here, the individual’s defence of group interests are the driving force whereas in SJT it is the justification of the present social arrangements (Jost & Banji, 1994). These justifications are reinforced in two ways which are described below.

First, those in power will use their authority over resources and education in order to keep things as they are (Jost & Banji, 1997). Since the top league of managers is dominated by male individuals one could argue that, in order to preserve men’s status in the workforce, system-justification ideologies may be used to keep women from gaining equal rights such as equal pay in these positions. In this way, male leaders may pursue an interest in keeping women out of the decision-making boards and the “old-boys network”. Societal beliefs (and stereotypes) of women’s unsuitability for leadership positions and women’s lower economic status may help to justify the devaluation of women’s achievements and

the allocations of lower pay to women. In this sense, the results of Studies 1 and 2 in this thesis, where women's bonuses did not relate as strongly to company performance as men's bonuses did, may be the result of male evaluators' judgements and perceptions based on ideologies that support the maintenance of the status quo.

Second, SJT may also provide an explanation for women's acceptance of pay inequalities. Ideologies related to the economic status of women and men are shared by all members of society – including both those in power and members of oppressed groups. It has been observed that women internalise their economic disadvantage (i.e., less financial power and ownership) and as a consequence they accept lower pay but, compared to men, they also allocate themselves less pay for equal performance (if comparison standards are unavailable, Jost & Banji, 1997; Callahan-Levy & Messé, 1979). This phenomenon has been replicated and was coined the *depressed-entitlement effect* (see e.g., Jost & Banji, 1997). In this way, the results of Study 4, where women did not want to negotiate their pay, could be a consequence of beliefs in the legitimacy of lower pay. It could be argued that ideologies related to women's lower economic status may justify the pay they receive and therefore women do not feel confident in asking for higher pay than the amount they are being offered.

Overall both theories, SIT and SJT, offer good explanations for the reinforcing mechanisms of the gender pay gap. SIT looks at self- and group-identity defence mechanisms (e.g., social creativity as discussed above) and emphasises that not only legitimacy of an unequal situation but also perceptions of the possibility to change group boundaries determines if inequality is accepted. In addition, in SJT Jost and Banji (1994) argue that the justification of the existing social arrangements may override the defence of group identity and produce a "false consciousness" that makes inequalities appear legitimate and acceptable even if it undermined a group's interests.

Conclusion

I conclude that the search for a scapegoat for gender inequalities in pay may have lead researchers down the wrong track. Looking for individual differences in attitudes and behaviour will help to manifest gender disparities but they do not explain their causes and reasons. Taking an individual approach has important implications for women since the blame is put on their shoulders when circumstances under which these gender differences occur are ignored. In this vein, the research outlined in this thesis demonstrates that if we are to understand why women in leadership positions are less paid than men we need to investigate the inter-related notions of organisational and social context, and individual preferences.

Taking the implications of my findings on managerial pay to another level they can instruct us about women's situation in leadership positions more generally. Pay is a status marker of respect that men seem to enjoy much more than women. The fact that organisations do not think it worth giving women the 'carrots' reflects a lack of acknowledgment, but not even giving them 'sticks' displays disrespect. In this way, the investigation of the gender pay gap is not primarily about gaining equality in terms of same financial rewards for women and men in comparable positions but it is about trusting and respecting women in their activities as leaders.

Being a leader is not an easy task, neither for men nor for women. However, corporations' indifference towards women's achievements causes additional barriers for them by not showing them respect and acknowledgement of their work through equal pay. Not equipping them with an appropriate pay-label under-plays their qualifications and leadership abilities on the job market and consequently hems their careers. Moreover, if they are being pushed off 'glass cliffs' (Ryan & Haslam, 2005, 2007) or held back by "walls all around them" (Eagly & Carli, 2007) it is hardly surprising that they will

experience dissatisfaction and stress and finally decide to opt out. Thus, women's reactions are to be seen as a reflection of the reality they face in leadership roles. Instead of blaming them for their behaviour and attitudes we should regard these as rich in information and use this knowledge to change the social context of restricting gender stereotypes and expectations.

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APPENDICES

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STUDY 2

Examples of experimental conditions

Below the manipulations for the four performance conditions used in the online survey are presented. Eight distinct articles were produced in which sex of the CEO (male versus female), company performance before (increasing versus decreasing) and company performance after CEO appointment (increasing versus decreasing) were manipulated. Each of the following articles was presented either with a male or a female CEO. Here, only one gender version is presented for each of the four company performance conditions.

The first article (page 2) presents the condition ‘male CEO, decreasing pre-appointment and decreasing post-appointment company performance’. The second article (page 3) presents the condition ‘female CEO, increasing pre-appointment and increasing post-appointment company performance’. The third article (page 4) presents the condition ‘female CEO, increasing pre-appointment and decreasing post-appointment company performance’. The fourth article (page 5) presents the condition ‘male CEO, decreasing pre-appointment and increasing post-appointment company performance’.

Alan Jones in the spotlight as LFK's profits continue to crash

By Alex Rogers



ALAN JONES

"Our challenge is to reposition ourself as a specialist again."

Chief Executive
Claire Jones

LONDON (EcInfo) – High street retailer LFK has unveiled one of the worst results in its 25-year history as new Chief Executive Alan Jones lays out his plans for the troubled company.

"This has been a challenging year for the group," said Jones on Friday, as he announced a **34 percent drop** in underlying pretax profit for the ailing retailer.

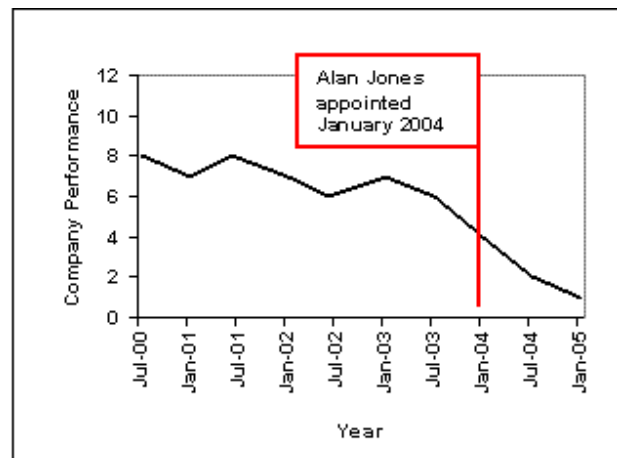
"This was driven entirely by the high street, where profits were down 66 percent," added Jones. Alan Jones was brought in as CEO of LFK in January 2004 with the unenviable job of turning around a share and profit performance that had been steadily decreasing for the past 3 years and to defend LFK's market share from supermarket rivals, online retailers, and other specialists.

Alan Jones was brought in to help stave off competition from supermarkets like Tesco, which have started selling CDs, DVDs and Video Games -- some of LFK's core products.

"Turning LFK around is no simple job," he told EcInfo. "Our challenge is to reposition. Like-for-like sales on the high street were down 2 percent in the first 3 weeks of the current financial year", said the firm, which was founded in 1979. "But margins were up", Jones added.

"We have strengthened management, reduced the cost base and taken action to reinstate sound retailing disciplines," said Jones. "Much remains to be done and we expect to face tough competition in our core markets this year."

Brought up in the Midlands, and a graduate of the London Business School, Alan Jones has a reputation for tough talking and radical business restructures. "He's a doer, not a talker" an industry insider commented. Jones is 52 and has two children. He lists his hobbies in Who's Who as "seeing my team score goals".



The full-year dividend for LFK was cut 36 percent to 18 pence.

Claire Jones in the spotlight as LFK's profits show dramatic boom

By Alex Rogers

LONDON (EcInfo) – High street retailer LFK has unveiled one of the best results in its 25-year history as new Chief Executive Claire Jones lays out her plans for the previously troubled company.



CLAIRE JONES

"This has been a fabulous year for the group," said Jones on Friday, as she announced a **34 percent increase** in underlying pretax profit for the previously ailing retailer.

"This was driven by the high street, where profits were up 66 percent," added Jones. Claire Jones was brought in as CEO of LFK in January 2004 with the job to defend LFK's market share from supermarket rivals, online retailers, and other specialists - LFK's share and profit performance had been steadily increasing for the past 3 years.

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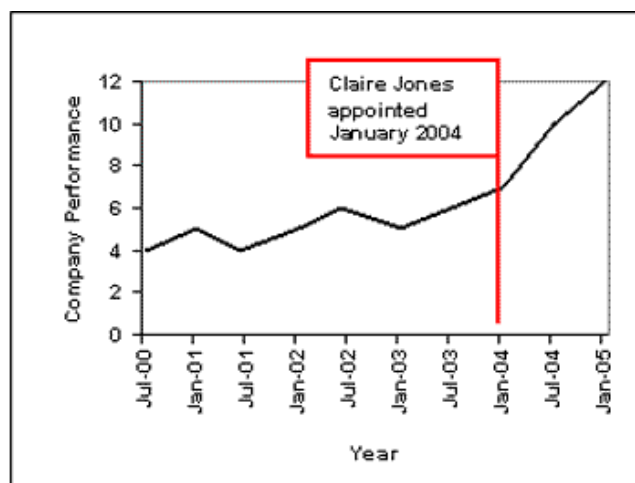
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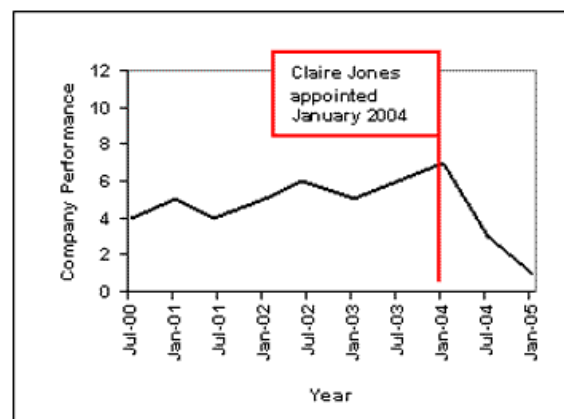
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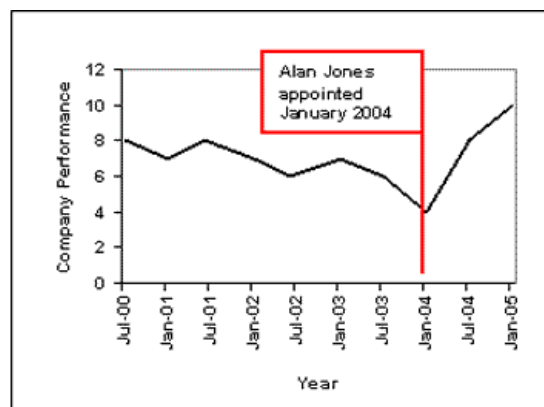
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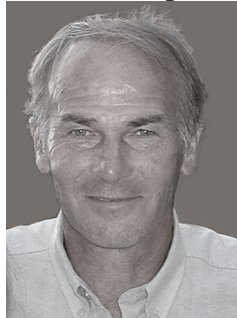


The full-year dividend for LFK was up 36 percent to £1.18.

Questionnaire for pre-test (female and male face)

This questionnaire is part of a study conducted at the University of Exeter. Filling in the questionnaire will take you about 5 minutes.

Please tell us **your first impression of the person presented on the following picture:**



For each of the items please circle a number that best represents the extent to which you agree with each statement, where:

1 = strongly disagree 2 = disagree 3 = neither agree nor disagree 4 = agree 5 = strongly agree

1. He is a friendly person.	1	2	3	4	5
2. He is career-oriented.	1	2	3	4	5
3. He is self-confident.	1	2	3	4	5
4. He is sympathetic.	1	2	3	4	5
5. He is good looking.	1	2	3	4	5
6. He is creative.	1	2	3	4	5
7. He is competent.	1	2	3	4	5
8. He is likable.	1	2	3	4	5
9. He is conservative.	1	2	3	4	5
10. He is boring.	1	2	3	4	5
11. He is someone I could get along with.	1	2	3	4	5
12. He is physically attractive.	1	2	3	4	5
13. He is successful in life.	1	2	3	4	5
14. He is sharp-witted.	1	2	3	4	5
15. He is sophisticated.	1	2	3	4	5
16. He is sociable.	1	2	3	4	5
17. He is balanced.	1	2	3	4	5
18. He is successful with women.	1	2	3	4	5
19. He is healthy.	1	2	3	4	5
20. He is an interesting person.	1	2	3	4	5

I am female male

I am _____ years old.

Thank you for participating!

Table of the items used in pre-test

Table A1. Comparison of the ratings of the female and the male face (“She / He is ...”)

ITEMS	FEMALE			MALE			t	df	p-value
	N	Mean	SD	N	Mean	SD			
a friendly person	22	3.64	0.73	22	3.68	0.57	0.23	42	0.82 <i>n.s.</i>
career-oriented	21	4.05	0.80	22	3.41	0.85	-2.52	41	0.02 *
self-confident	22	3.86	0.64	22	3.86	0.77	0.00	42	1.00 <i>n.s.</i>
sympathetic	21	2.95	0.74	22	3.09	0.75	0.61	41	0.55 <i>n.s.</i>
good-looking	22	3.64	0.58	22	3.18	1.01	-1.83	42	0.07 †
creative	22	2.64	0.49	22	2.82	0.85	0.87	42	0.39 <i>n.s.</i>
compentent	22	3.55	0.67	22	3.73	0.46	1.05	42	0.30 <i>n.s.</i>
likable	22	3.00	0.69	22	3.36	0.66	1.79	42	0.08 †
conservative	22	3.64	0.85	22	3.27	1.08	-1.24	42	0.22 <i>n.s.</i>
boring	22	2.95	0.58	22	2.55	0.91	-1.78	42	0.08 †
someone I get along with	22	2.95	0.72	22	3.18	0.73	1.04	42	0.31 <i>n.s.</i>
physically attractive	22	3.27	0.77	22	2.86	0.94	-1.58	42	0.12 <i>n.s.</i>
successful in life	22	3.73	0.63	22	3.68	0.65	-0.24	42	0.81 <i>n.s.</i>
sharp-witted	21	3.29	0.46	22	3.27	0.63	-0.08	41	0.94 <i>n.s.</i>
sophisticated	22	3.50	0.60	22	3.27	0.94	-0.96	42	0.34 <i>n.s.</i>
sociable	22	3.55	0.67	22	3.36	1.09	-0.66	42	0.51 <i>n.s.</i>
balanced	22	3.09	0.61	22	3.14	0.71	0.23	42	0.82 <i>n.s.</i>
successful with men/women	22	3.05	0.72	22	3.50	0.80	1.98	42	0.05 †
healthy	22	3.59	0.73	22	3.64	0.66	0.22	42	0.83 <i>n.s.</i>
interesting	22	2.82	0.66	22	3.23	0.69	2.01	42	0.05 †

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Full published paper presented in Study 2

Kulich, C., Ryan, M. K., & Haslam, S. A. (2007). Where is the romance for women leaders? The effects of gender on leadership attributions and performance-based pay. *Applied Psychology: An International Review Special Issue*, 56, 582-601.

STUDY 3 AND 4

Introductory text to online survey

Survey on Pay and Satisfaction by Clara Kulich, Michelle Ryan and Alex Haslam

School of Psychology, University of Exeter

Thank you for your interest in our survey.

Danke für Ihr Interesse an unserer Studie.

With this research we aim to investigate employees' satisfaction with their pay and their attitudes towards money and pay.

Mit dieser Untersuchung wollen wir die Zufriedenheit von Arbeitnehmern mit ihrer Bezahlung und ihre Einstellung gegenüber Geld und Bezahlung erforschen.

English or German speaking employees who have some leadership responsibility are welcome to participate.

Deutsch oder englischsprachige Angestellte, die Führungsverantwortung innehaben sind eingeladen an dieser Studie teilzunehmen.

This survey is part of a research project at the University of Exeter and responses collected are used for research purposes only. The questionnaire is strictly anonymous and independent from any organisation you work for. Responses can not be associated with your person or the computer you use to fill in the survey.

Diese Studie ist Teil eines Forschungsprojektes an der Universität Exeter und Ihre Angaben werden ausschließlich für Forschungszwecke verwendet. Der Fragebogen ist anonym und unabhängig vom jeweiligen Unternehmen oder der Institution für die Sie arbeiten. Ihre Angaben können nicht mit Ihrer Person oder dem Computer, welchen Sie zur Bearbeitung des Fragebogens verwendet haben in Verbindung gebracht werden.

This survey will take approximately 20 minutes.

Die Bearbeitung dieses Fragebogens dauert in etwa 20 Minuten.

Please choose your preferred language for the completion of this survey:

Bitte wählen Sie Ihre bevorzugte Sprache für die Bearbeitung des Fragebogens.

ENGLISH

DEUTSCH

Correlation tables of the scales used in Study 4

Table A2. Importance of pay – correlations of items

Importance of pay	1	2	3	4	5
Earning a lot of money is important					
I value good pay very highly.	0.68 ***				
I believe that time not spent on making money is time wasted.	0.47 ***	0.29			
I often think about the amount of money I earn.	0.42 ***	0.45 ***	0.34 ***		
Money is an important factor in my life.	0.51 ***	0.46 ***	0.34 ***	0.50 ***	
I have planned how much I want to be earning at a specific point in my career.	0.43 ***	0.43 ***	0.42 ***	0.45 ***	0.35 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A3. Pay is representative of accomplishments - correlations of items

Pay is representative of accomplishments	1	2
Pay represents one's achievements.		
The amount of pay earned is an important indicator of one's progress in a career.	0.61 ***	
I believe that the amount of money someone earns is closely related to their competences and abilities.	0.52 ***	0.49 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A4. Confidence with pay negotiations - correlations of items

Confidence with pay negotiations	1	2	3	4	5	6	7
I am confident in asking for more money.							
I am good at 'selling' my qualities to my employer in pay negotiations.	0.74 ***						
I feel prepared to talk about my pay with my line manager	0.69 ***	0.65 ***					
Requesting rewards and resources for myself is not particularly difficult for me.	0.65 ***	0.62 ***	0.64 ***				
Requesting rewards and resources for my workgroup is not particularly difficult for me.	0.44 ***	0.45 ***	0.48 ***	0.49 ***			
I simply ask for more money if I am not satisfied with my pay.	0.65 ***	0.61 ***	0.64 ***	0.65 ***	0.47 ***		
I would rather not engage in pay negotiations	-0.63 ***	-0.57 ***	-0.52 ***	-0.52 ***	-0.37 ***	-0.62 ***	
If you deemed it appropriate to get higher pay how likely would it be that you actually demanded a pay rise?	0.57 ***	0.55 ***	0.58 ***	0.56 ***	0.40 ***	0.59 ***	-0.60 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A5. Importance of job characteristics - correlations of items

Importance of job characteristics	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Doing interesting work	0.38 ***													
Good relationships with my colleagues	0.39 ***	0.67 ***												
A good relationship with my line manager	0.59 ***	0.44 ***	0.54 ***											
Opportunity to learn and gain experience	0.20 **	0.31 ***	0.32 ***	0.29 ***										
Size of basic salary	0.20 **	0.08 n.s.	0.21 **	0.49 ***										
Size of performance-based pay	0.37 ***	0.11 n.s.	0.31 ***	0.42 ***	0.36 ***	0.51 ***								
Career opportunities	0.33 ***	0.13 †	0.33 ***	0.40 ***	0.44 ***	0.54 ***	0.84 ***							
Promotion opportunities	0.11 n.s.	0.25 **	0.31 ***	0.09 n.s.	0.12 n.s.	0.16 *	0.16 *	0.22 **						
Job security	0.18 *	0.13 †	0.16 *	0.15 *	0.23 **	0.22 **	0.30 ***	0.29 ***	0.43 ***					
Acknowledgement of my work in society	0.13 †	0.06 n.s.	0.11 n.s.	0.09 n.s.	0.38 ***	0.37 ***	0.43 ***	0.48 ***	0.31 ***	0.7 ***				
High status of my work	0.16 *	0.25 **	0.21 **	0.31 ***	0.22 **	0.07 n.s.	0.17 *	0.17 *	0.20 **	0.2 **	0.18 *			
My work-life balance	0.24 **	0.28 ***	0.41 ***	0.32 ***	0.33 ***	0.16 *	0.27 ***	0.31 ***	0.25 **	0.4 ***	0.28 ***	0.30 ***		
Positive feedback about my performance	0.22 **	0.24 **	0.27 ***	0.26 ***	0.22 **	0.22 **	0.14 †	0.20 **	0.20 **	0.1 †	0.15 *	0.14 *	0.61 ***	
Negative feedback about my performance	0.36 ***	0.12 n.s.	0.25 **	0.33 ***	0.21 **	0.35 ***	0.49 ***	0.48 ***	0.09 n.s.	0.3 ***	0.35 ***	0.13 *	0.35 ***	0.30 ***

Note:

1. n.s. $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A6. Work-life balance - correlations of items

Work-life balance	1	2	3	4	5	6	7
Work	0.34 ***						
Family	0.27 ***	0.65 ***					
Relationship with partner	0.31 ***	0.27 ***	0.29 ***				
Money	0.19 **	0.57 ***	0.58 ***	0.27 ***			
Social contacts, friends	0.11 n.s.	0.23 **	0.32 ***	0.30 ***	0.36 ***		
Leisure time activities, hobbies	0.14 †	0.14 †	0.05 n.s.	0.04 n.s.	0.03 n.s.	0.05 n.s.	
Religion	0.08 n.s.	0.11 n.s.	0.13 †	0.04 n.s.	0.25 **	0.24 **	0.33 ***
Politics							

Note:

1. n.s. $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A7. Fear of social consequences - correlations of items

Fear of social consequences	1
I think it may damage my relationship with my line manager if I asked for more money.	
People may think I am ungrateful if I ask for more money	0.77 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A8. Perceived fairness of pay - correlations of items

Perceived fairness of pay	1	2	3	4
Considering the amount of my time I spend on working, my pay is				
Considering the amount of effort and energy I put into my work, my pay is	0.90 ***			
Considering the amount of money my peers earn, my pay is	0.67 ***	0.72 ***		
Considering the qualifications I bring to my job, my pay is	0.72 ***	0.74 ***	0.73 ***	
Considering how much stress my job involves, my pay is	0.74 ***	0.79 ***	0.65 ***	0.71 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.

Table A9. Experiences with pay - correlations of items

Experiences with pay	1	2	3	4	5
Investment (time and effort) to gain pay rise					
How long do you think it takes you to achieve a pay rise compared to your colleagues?					
In comparison to your colleagues, how much do you have to work to receive the same financial rewards?	0.29 ***				
Success with previous negotiations					
If you have negotiated your pay, have you reached your negotiation goal?	0.25 **	0.17 *			
Have you been denied higher pay?	-0.21 **	-0.18 *	-0.29 ***		
Previous negotiation behaviours					
Have you ever asked for a pay rise?	0.11 <i>n.s.</i>	0.00 <i>n.s.</i>	0.26 **	0.16 *	
Have you negotiated your pay in a formal context?	0.15 †	0.18 *	0.34 ***	0.13 †	0.59 ***

Note:

1. *n.s.* $p > .10$, † $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$.