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IPOs, Executive Compensation, and Firm Performance  
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Background

The debate on the existence of the gender wage gap has been alive since women entered the workforce. For some, the gender wage gap does not exist, while for others, the gap is evident.

Abstract

Most businesses in the United States have had the chance to become public through initial public offerings, or IPOs. IPOs allow for some of the stock of a private company to be sold to the public. These IPOs generally bring in more capital to a business so the question of whether there is a specific determinant in executive compensation between males and females during these IPOs and if this has an impact on firm performance arises. The purpose of this research is to find if gender inequality pay exists in executive compensation during IPOs and if there is an impact on the performance of a firm. The age, gender, and ethnicities of over 1,240 executives of about 230 firms was hand collected mainly from EDGAR’s (SEC’s Electronic Data Gathering, Analysis, and Retrieval system) IPO prospectus filings. The sample of IPO’s is from 2005 and 2010. With the data collected, the comparison of male and female executives’ earnings is analyzed, and the performance of the businesses is seen through stock prices and failure or success of the company. The number of females serving as executives make significantly less than their male counterparts when compared with similar executive positions. We can conclude that factors such as gender can affect executive compensation and that the number of female executives serves as a determinant in firm performance overall.

Methods

- Find age, gender, and ethnicities of over 1,240 executives in 230 companies
- Analyze executive pay through size of company, profitability, and number of employees
- Compare average compensation of firms with female executives to those without
- Review firm performance through stock price
- Analyze board of directors for each company

Data/Results

**Figure 1:** This graph shows that there are significantly fewer female executives in a lower number of firms.

**Figure 2:** This graph shows that executives of firms with no female executives make more than those firms with female executives.

**Figure 3:** This graph shows that stock price was higher for businesses with no female executives.

Conclusion

The results conclude that the gender wage gap exists in IPO businesses from 2005 to 2010. However, the firm performance is not affected. Not having female executives doesn’t make a firm perform poorly, in fact, the firms perform better when there are only male executives as shown in a larger stock price when compared to those with female executives. This is largely due to the small number of women on the board of directors.

Future Research

Since the gender gap exists in IPO businesses, why is that? Does ethnicity or age have a role in the gender wage gap?

References