

THE TRAIT THAT EXPLAINS 10 PERCENT OF THE GENDER PAY GAP

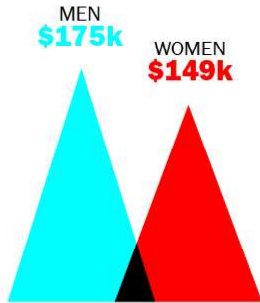
The gender pay gap is nowhere more conspicuous than at the top of the corporate ladder. In 2014, women represented only 6.5 percent of the best-paid chief executives, and earned nearly 10 percent less than their male counterparts. There are many possible explanations, but one factor that could account for about one-tenth of the pay gap at the top is the difference in appetite for competition between men and women* though according to Ernesto Reuben of Columbia, Paola Sapienza of Northwestern, and Chicago Booth's Luigi Zingales. Men are more

competitive, self-select into industries that are more competitive, and are therefore more highly compensated, the researchers find.

Reuben, Sapienza, and Zingales draw this conclusion by studying the types of people who end up in the C-suite – MBA degree holders. The researchers looked at a cohort of Chicago Booth MBAs, analyzing the results of an experiment measuring taste for competition against career data collected by the school at graduation and again seven years later.

Women, on average, earned 15 percent less than their male peers upon graduation. Those who found jobs in finance and consulting were paid more than those who took jobs in other industries.

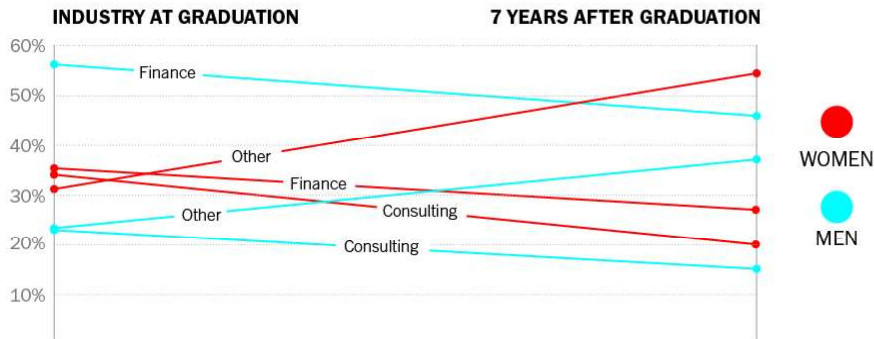
AVERAGE ANNUAL EARNINGS FOR THE FIRST JOB AFTER GRADUATION



AVERAGE ANNUAL EARNINGS AT GRADUATION FOR EACH INDUSTRY



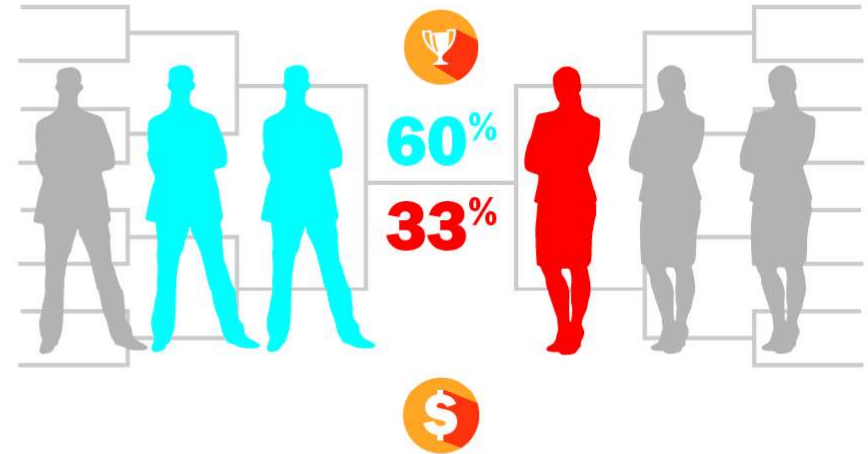
A higher fraction of men worked in finance upon graduation, while a higher fraction of women worked in consulting and other industries. These differences persisted as their careers progressed, though more women moved on to jobs in other industries.



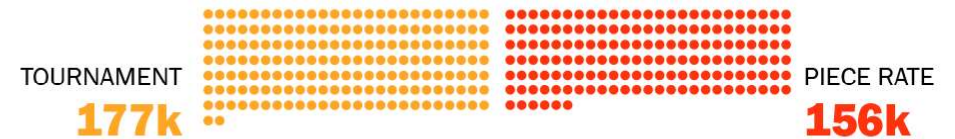
MEN were twice as likely as **WOMEN** to choose a more competitive compensation scheme.

In an experiment, the researchers gave students a chance to earn money by choosing between two payment schemes: "piece rate," in which students could earn \$4 per correct answer, and "tournament," in which they could earn \$16 per correct answer if they outperformed a group of their peers.

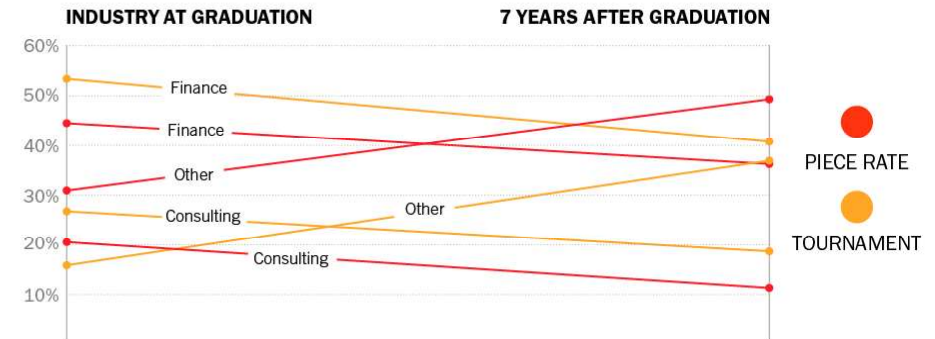
SHARE OF EACH GENDER CHOOSING TOURNAMENT



AVERAGE ANNUAL EARNINGS FOR THE FIRST JOB AFTER GRADUATION



Competitive individuals were more likely to work in finance and consulting, both at graduation and several years later.



Source: Ernesto Reuben, Paola Sapienza, and Luigi Zingales, "Taste for Competition and the Gender Gap among Young Business Professionals," Working paper, November 2015.