

# GENDER DIVERSITY ON UK BOARDS: NEW DATA FROM E-REWARD'S SUMMIT DATABASE

Gender diversity in UK boardrooms has come into sharp focus in recent years yet much of the evidence available only presents data on the overall proportion of women on boards. This can be useful, but there are other important factors to consider when examining this issue. **Steve Glenn, E-reward's Head of Executive Remuneration Research** takes a closer look at the area and, drawing on a raft of new and timely data from our own [Summit Executive Remuneration Database](#), provides some fascinating detail on the gender make-up of British boardrooms.

In addition to proportions of women employed on UK boards, for instance, important questions that need to be asked include:

- What are the **salary and earnings differentials** between men and women in similar roles on UK boards?
- Are there **significant differences between the number of men and women** that occupy the more senior executive and/or non-executive roles?
- Are levels of **job tenure** similar when examined by gender?
- Are there any other gender patterns when FTSE 350 companies are analysed by other variables such as **market capitalisation**?

E-reward's Summit Executive Remuneration Database incorporates a huge tranche of data that makes it possible to answer such questions – so we have, for the first time, a much broader understanding of the current state of board-level gender diversity across corporate UK.

Here, we present some preliminary findings from our research examining **executive directors**. In coming weeks and months we will supplement this information with **more in-depth analysis** as well as broadening our scope to examine **non-executive roles**. The current findings are for guidance only and are based on average data which can be influenced by particularly large or small outliers, a point which needs to be borne in mind when evaluating the results.

The box below summarises our initial findings based on as many as 3,000 executive and non-executive directors in FTSE 350 businesses. Our researchers scrutinised data published in annual accounts with year-end dates up to September 2016.

## SUMMARY RESULTS

- Overall, it should come as no surprise that the overwhelming majority of FTSE 100 executive directors are men – in fact, only 10% are women.
- But our examination of FTSE 100 chief executives shows that the picture is even worse – in just 6% of cases, the top job is held by a female.
- For the mid-250, 6% of executive directors are women, while a similar proportion carry out the CEO role.
- In terms of job tenure, male executive directors tend to have been executive directors for longer. Male FTSE 100 CEOs, for example, have been on the board for an average eight years while the equivalent figure for their female counterparts was 4.6 years\*.
- An examination of annual salary rates shows a mixed picture. FTSE 100 male CEOs have an average salary rate of £873,546 which compares to £750,067 for females. In contrast, the female mid-250 CEO average is slightly higher than the male equivalent standing at £557,160 compared to £551,125.
- The results emerging from an analysis of single figure total earnings – are not so varied with male directors earning more across all board positions as measured by average figures.
- Of course, such findings do not necessarily tell the whole story, however, because male directors tend to work in larger companies as measured by average market capitalisation levels.
- In addition, our examination of non-executives shows that just 3.3% of FTSE 100 chairs are women compared to 2.6% in the mid-250.
- With regard to all non-executive directors, women make up 29.1% of such roles in the FTSE 100 which compares to just under a quarter of those in the mid-250.

\* *Time in post is time employed as an executive director and not time in current role.*

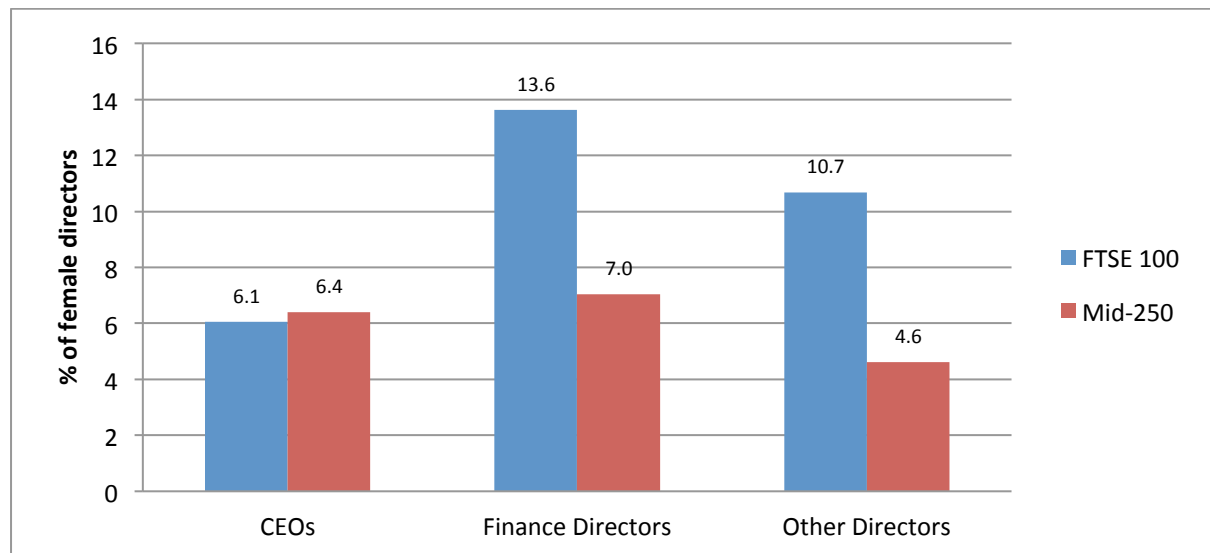
**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

## Gender diversity among executive directors in the FTSE 350

The overall picture of gender diversity for executive directors is presented in Graph 1.

- The proportion of women directors in the FTSE 100 is greater than in the mid-250.
- Despite this, the number of women in CEO roles differs little between the two indices, standing at around 6% in both cases.
- On the other hand, the proportion of female FTSE 100 finance directors is 13.6%, almost double the 7% found in the mid-250.
- The pattern was similar for other directors – a catch-all category covering over 250 directors that are not CEOs or finance directors – with women making up 10.7% of these roles in the FTSE 100 and just 4.6% in the mid-250.

**Graph 1: Gender diversity among executive directors in the FTSE 350 by broad position and FTSE ranking 2015/16**



Sample size = 864.

**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

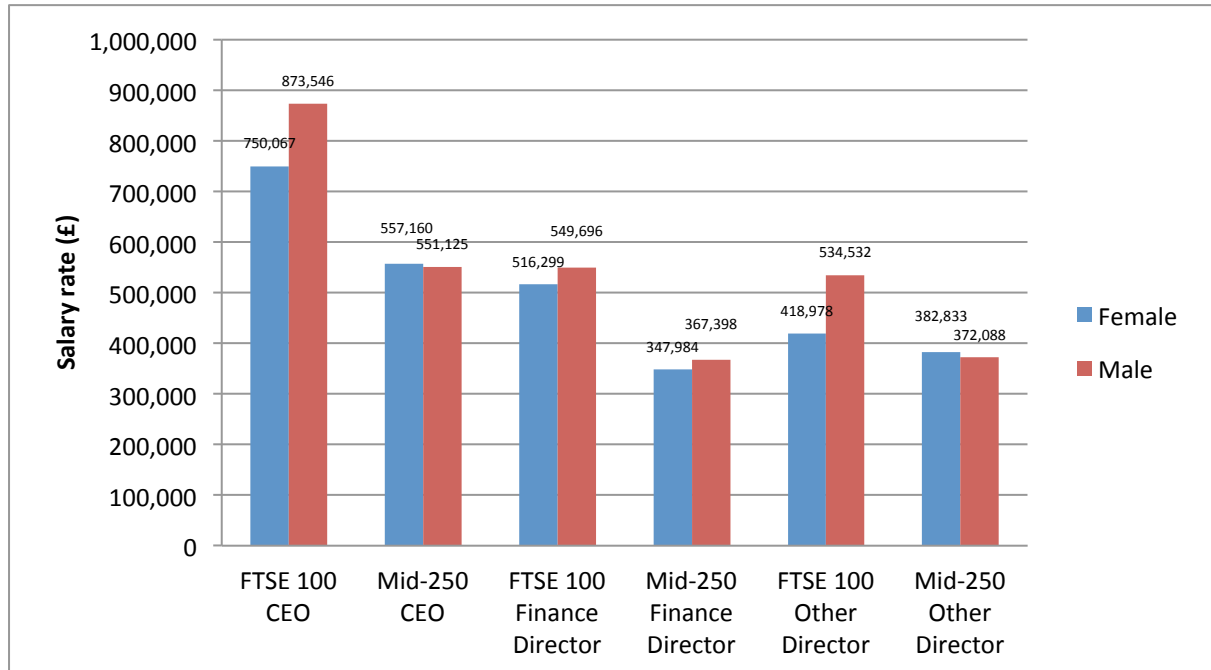
## Salary and earnings

Proportions of women achieving board level status is obviously the first place to look when focusing on board-level gender diversity. But once positioned on UK boards, do salary rates and earnings differ significantly between men and women in similar roles? Graphs 2 and 3 illustrate the current situation showing that for **salary rates** there is a rather mixed picture.

- FTSE 100 male CEOs, for example, have an average salary rate of £873,546, which compares to £750,067 for their female counterparts.
- In contrast, the female mid-250 CEO average is slightly higher than the male equivalent standing at £557,160, compared to £551,125.

- Mid-250 other directors exhibit a similar pattern with the female average slightly up on the equivalent male figure, while for the other three positions, the male figures are highest.

**Graph 2: Actual salary rates by gender, FTSE ranking and broad position 2015/16**



Sample size = 668.

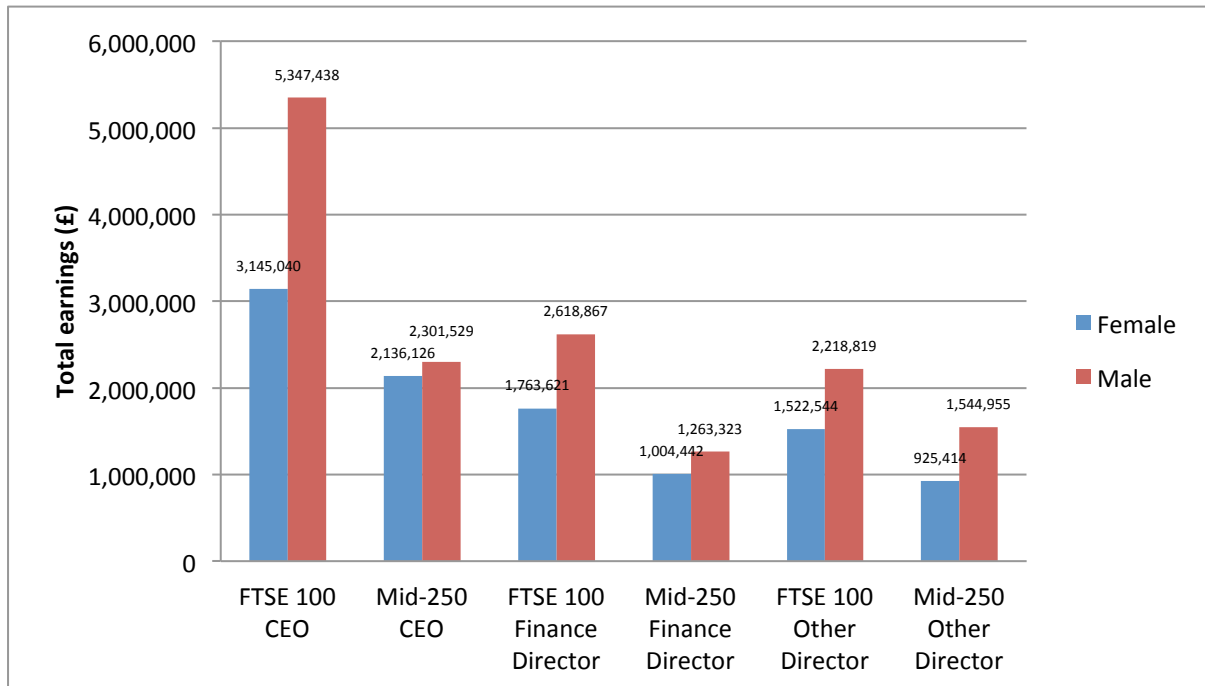
**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

### Total earnings differentials

The picture emerging from an analysis of single figure total earnings was not so varied. But what's striking is that male directors earn more across all board positions as measured by average figures (Graph 3).

- In fact, in many of the six cases we analysed the gender pay gap is significant.
- Take, for example, the average single figure total earnings of male FTSE 100 chief executives – £5,347,438 compared to an equivalent figure of £3,145,040 for women CEOs.
- The differential for chief executives in the mid-250 is not so great with the male figure standing at £2.3 million, about £165,000 higher than the female average.
- The pattern for finance and other directors is similar with males earning more than women but differentials were not so significant.

**Graph 3: Single figure total earnings levels by gender, FTSE ranking and broad position 2015/16**



Sample size = 680, only those directors who were in post for a full 12 months.

**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

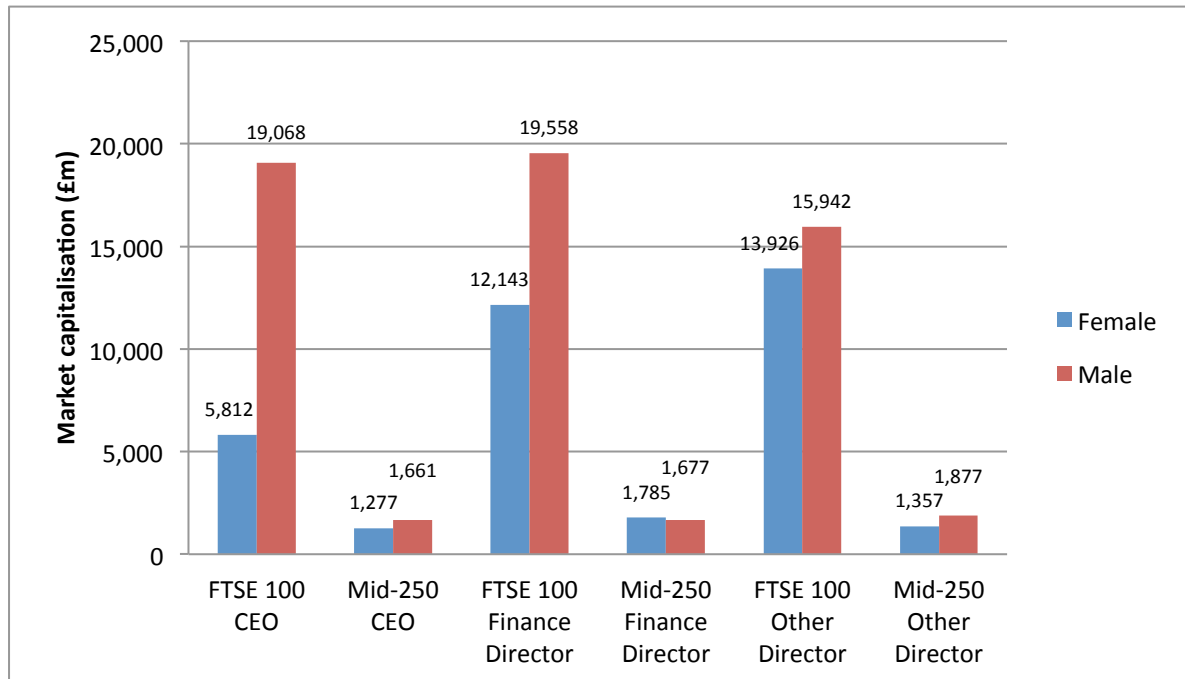
### Caveat emptor

It should be noted, however, that the findings are based on average figures and because some of the female sample sizes are small, some of the results may be overly influenced by outliers. Moreover, the total earnings results only represent a snapshot for one year and because the bulk of most directors' remuneration packages are incentive-based, another year might produce a different picture.

In addition, the figures do not account for company size which is also crucial – those directors in larger organisations tend to be paid higher salaries and have access to greater potential incentive gains than their counterparts in smaller companies. With this in mind, it's interesting to examine whether there is any variation in the company sizes when analysed by gender.

Graph 4 shows that, generally, male directors tend to work in larger organisations which may explain the findings relating to total earnings illustrated in Graph 3. In fact, the average market capitalisation levels of FTSE 100 companies that have male chief executives and finance directors, in particular, are significantly greater than those that employ female directors in similar roles when measured by average levels as shown in Graph 4.

**Graph 4: Market capitalisation levels by gender, FTSE ranking and broad position  
2015/16**



Sample size = 807.

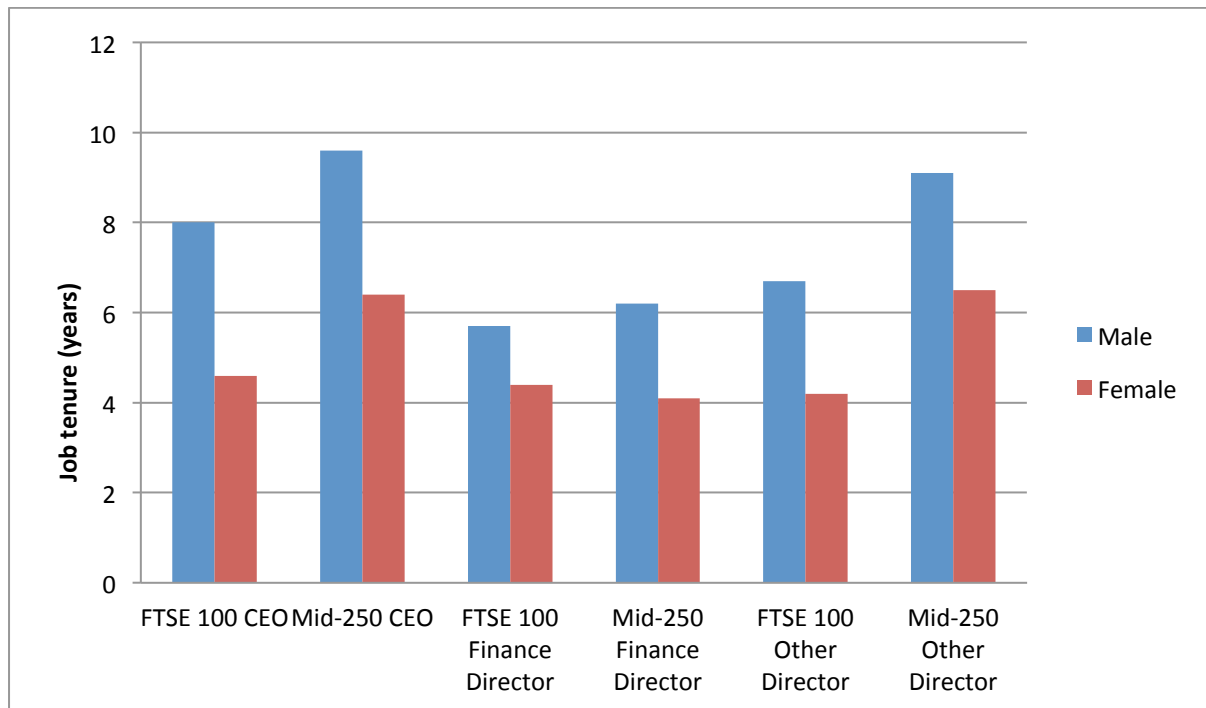
**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

### Job tenure by gender

Another important influence on pay worth considering is job tenure. Broadly speaking, in the first few years of a director's board-level career, individuals often start on below-market levels of remuneration. So, it's vital to examine whether there are any differences between the job tenures of men and women working for the UK's top companies.

The picture is presented in Graph 5 which gives the average amount of time that directors have been employed as executive directors regardless of the different roles they have held and illustrates that:

- For all board-level positions, whatever the size of company, male directors had longer executive tenures.
- For example, FTSE 100 male CEOs' average time spent as an executive director with their current company is eight years which compared to an equivalent tenure of 4.6 years for their female counterparts.
- In the FTSE mid-250, there was also a significant difference – male CEOs have been executive directors for an average 9.6 years compared to 6.4 years for women CEOs.
- In contrast, while male finance and other directors had been directors for longer than their female counterparts in all types of firm, the differentials are not so great.

**Graph 5: Job tenure levels by gender, FTSE ranking and broad position 2015/16**

Sample size = 807.

**Source:** Summit Executive Remuneration Database, E-reward, November 2016.

### Not just about proportions

From this raft of data it's clear that there is still some way to go before we reach the target of 33% women on FTSE 100 boards by 2020 as recommended by Lord Davies in 2015 [[for details click here](#)].

- At present, our analysis of all directors – both non-executive and executive – show that the figure currently stands at around a quarter in the FTSE 100.
- It's just under 20% in the mid-250.

These proportions are based on around 1,300 FTSE 100 board members and over 2,000 in the FTSE mid-250.

Another point our data illustrates is that, as with many other areas of executive remuneration, looking at the headline figures does not always tell the whole story. As well as focusing on the proportion of women on boards, we also need to examine any gender differences in remuneration and, if significant differentials exist, to ask whether there are good reasons for these.

Similarly, while the proportion of women board members may be on the rise, what levels of seniority are female directors employed in? As we showed, while around 10% of FTSE 100 **executive directors** are women, only 6% of FTSE 100 **chief executives** are female. Similarly, while around 30% of FTSE 100 **non-executives** are female, the figure for FTSE 100 **non-executive chairs** is just over 3%.

### Next time . . .

In our next piece, we shall take a closer look at **non-executives** and examine gender diversity among this group in greater detail. In addition to analysing the proportion of women in non-executive positions, we will explore the extent to which female non-executives are hired to carry out the more prominent roles such as the senior independent director and whether they are chairing board committees in large numbers.

### What do you think? Let us have your thoughts . . .

#### **SUMMIT EXECUTIVE REMUNERATION DATABASE**

E-reward collects aggregates and analyses vast amounts of board-level remuneration data from company reports to inform your decision-making. Our subscription, research and bespoke services are built upon this data, expertise and independence.

**Summit**, our executive remuneration database, is unrivalled source of UK executive remuneration information for pay consultants, Remco members and reward/HR specialists. Stretching back to 2002, it includes information ranging from the largest FTSE 100 companies to the smallest Fledgling and AIM firms gathered from company accounts.

For more information, please visit: <http://www.e-reward.co.uk/executive-pay>