



## Your CEO's Child: How it Affects your Wages

**We can all recall or imagine the scene seen in many firms, large or small: Somebody has a child, and the employees are gathering to celebrate the happy occasion. Let's make the scene more concrete by saying that the person celebrating the birth of a child is the CEO (chief executive officer), who happens to be a man. Now, if workers are celebrating a CEO becoming a father, there might be some tensions in the room. Some are especially eager to congratulate, thinking of it as good career management. Or maybe they are just especially happy for him, but their coworkers suspect them of doing career management. Things are never completely easy around CEOs.**

If they had known about the research by Michael Dahl, Cristian L. Dezsó, and David Gaddis Ross in Administrative Science Quarterly, there would have been even more tensions in the room. Chances are that these employees are about to get robbed. Dahl and coauthors looked at the effects of the CEO fathering a child on employee pay, because it would be a way to explore an interesting tension. On one hand, becoming a father might change his values to be more helpful to others. Some CEOs are thought to be short on those values, so a child might help. On the other hand, becoming a father might instead make the CEO think more of providing for his family, and so use more company resources on own rewards rather than employee pay. Either effect would be stronger for the first child. Either effect could happen unconsciously, but given CEO power over pay could be really consequential for the employee.

But now I have teased you long enough with the remark that the employees were about to get robbed, followed by a story of fatherhood and values. What were the findings? Employee pay changed following fatherhood – it fell. That's right, the finding was not that the growth in employee pay was reduced. It was a drop in employee pay. The effect was larger for a first child. But, there is more. For employee pay, it is especially bad if the CEO has a first-born son, and it is especially bad if the employee is also male. It is less bad if the CEO has a first-born daughter, and it actually good for pay if the employee is female.

Got that? So the first child does change CEO values. Later ones do too, but not as much. The CEO becomes more helpful if that child is a daughter, and seems to especially appreciate female employees more. But at the same time, the conservation of resources for the family happens too. The CEO conservation of resources hits male employees

especially hard, and especially if the child is also male. If you described these findings to me, but replaced CEO with "dominant gorilla," employee with "gorilla tribe member," and pay with "food" I would totally believe them, but these are humans working in formal organizations. This is pretty amazing.

Europeans might note that this is just an indication of how US CEOs can do anything they like to their employees, unlike in Europe where rules and unionization prevents such mischief. Sorry, but Dahl and coauthors used Danish data, so all this happened under a set of labor rules made to prevent pay cuts for no good reason.

So what should you do if you are attending a party celebrating the birth of your CEO's child? Have some extra cake; you might be paying for it later.

Dahl, M. S., Dezsó, C. L., & Ross, D. G. 2012. Fatherhood and Managerial Style: How a Male CEO's Children Affect the Wages of His Employees. Administrative Science Quarterly, 57(4): 669-693.

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