

Executive Summary

Director Remuneration and Gender Pay Gap in Family and Non-Family Listed Firms in Thailand

Suntharee Lhaopadchan^{1*} and Sirimon Treepongkaruna²

¹ Faculty of Management Sciences, Kasetsart University, Sri Racha Campus

² Sasin School of Management, Chulalongkorn University and UWA Business School, The University of Western Australia

Family firms listed in Thai Stock Exchanges are important players in domestic economy, as SET Note (2023a) documented that 57% of listed companies can be classified as family firms covering 43% of total market capitalisation, generating 39.3% of GDP and contributing 13.6% of national corporate tax payment. More than half (62%) of the companies in SET-ESG Ratings (SET Note, 2024). Although family firms typically have unique characteristics of long-term strategic outlook toward a sound corporate governance framework, family owners/managers may potentially have emotional attachment to the company (Hradsky, 2019; Wang et al., 2022; World Federation Exchange, 2016).

Aronoff et al. (2011), Machek (2017) Mumu et al. (2021) point that the topic of executive compensation is at the heart of family firms' concerns on good corporate governance than any others except succession. This study aims to investigate director remuneration in family and non-family firms, as well as to examine how pay-performance sensitivity, peer pay and corporate governance practices affect director compensation and gender pay gap in family firms and non-family firms. The consideration of director compensation in a comparative analysis between family and non-family firms provides significant implications for outside/minority shareholders and market regulators to develop relevant strategies/policies, as well as for listed family firms themselves to design compensation package. In addition, gender diversity is proposed to serve as moderators to better understand the association of remuneration package decision with firm performance in a pay-for-performance scheme

This study covers 290 Thai listed companies comprising 2,030 firm-year observations having available information on market value, industry and director pay across year 2015-2020. Most of the firms (58.97% or 171 firms) are classified as family firms. Director pays are measured in terms of both total remuneration and director remuneration including and excluding chairperson remuneration, as well as classified into the remuneration of the whole board, independent directors, non-executive directors, outside directors (i.e. independent directors and non-executive directors), and executive directors.

On average, total board remuneration is about 821,424.71 baht or 717,425.42 baht excluding chairperson. Among all directorial positions, independent directors receives the highest average total remuneration at 878,412 baht or 784,998.63 baht excluding chairperson, whereas executive directors obtained the lowest average total remuneration at 744,020.41 baht or 670,124.82 baht excluding chairperson. Likewise, in non-family firms, independent director pay is the highest and executive director pay is the lowest relative to other directorial positions. In terms of directorship remuneration including and excluding chairperson, non-family firms paid their board, independent directors and outside directors significantly higher than family firms did. Executive director pay in family firms is higher than that in non-family firms, but the difference is not statistically significant.

Significant gender pays exhibit across remuneration terms and directorial positions. The exceptional situations in which female pay is higher than male pay are executive director pay over all remuneration terms in non-family firms, executive director pay in term of directorship remuneration excluding chairperson in family firms, and independent director pay in term of total remuneration in family firms. However, only the groups of female independent directors show statistically significant higher total remuneration than male independent directors in family firms.

Optimal remuneration plans of board and director pays are driven by performance sensitivity and corporate governance practices in different ways between family and non-family firms. In family firms, total remuneration of board and directors is typically sensitive to accounting based performance. Only the outside director remuneration excluding chairperson is tied to market based performance. Pay for performance is not prominent in determining directorship remuneration. All terms of remuneration are framed to peer benchmarking and persistence in past pay practices. More independent directors reduces independent and non-executive directorship pays, but more female directors are related to the drop of executive total and directorship pays. Firms with independent chairperson typically have higher pay for independent directors, but lower executive directors. In non-family firms, outside director pay excluding chairperson is determined by market-based measure, while the pays of other directorial positions generally reflect the incentive design on accounting based measure. Peer-driven and excess persistent factors have positive effects on determining independent and outside director pays. Larger board size, duality and more independent directors shape higher director pays in general. Nonetheless, moderating the entrenchment roles of independent chairperson and more female directors restrain non-executive pays and executive pays, respectively.

Considering gender pay disparity, more female directors on board leads to lower gender pay gap in terms of directorship remuneration for the whole board in both family and non-family firms, whereas female CEO can reduce the gender pay gap in directorship remuneration of outside directors. Higher risk of gender-washing tend to emerge in cases of the whole board's total remuneration and the non-executive director remuneration if duality exists. However, more women on board concurrent with female duality can reduce gender pay gap of directorship remuneration in non-family firms. Female leaders can have an influence on the career progression of women below them.

Overall, the results are beneficial to reform the board and director compensation incentive system and to improve the supervision mechanisms for effective remuneration scheme and mitigating the gender pay gap.