The Effect of Acquisitions on Racial and Gender Inequality

December 29, 2020

Abstract

This paper develops a theory of how disruptive events could reduce racial and gender inequality in organizations. Despite efforts from regulators and advocates, racial and gender inequality in the workplace remains high. I theorize that because the persistence of such inequality is often reinforced by organizational inertia, disruptive changes that shake up old hierarchies and break down routines and culture could offer an opportunity for racial minority and women workers to advance. To examine this theory, I explore a critical but seldom analyzed organizational event in the inequality literature – mergers and acquisitions. Using a difference-in-differences design on a nationally representative sample covering 37,343 acquisitions from 1971 to 2015, I find that although acquisitions lead to occupational reconfiguration that favors higher-skilled workers, they also reduce racial and gender inequality. In particular, I find improved managerial representation of racial minorities and women and reduced racial and gender segregation in the acquired workplace. This post-acquisition effect is stronger when (a) the acquiring firm had higher race and gender equality and (b) the acquired workplace had larger racial and gender gaps pre-acquisition. These findings suggest that certain types of radical organizational change could significantly advance racial and gender equality.

Keywords: Diversity, Inequality, M&A, Mergers and Acquisitions, Disruption, Organizational Change

INTRODUCTION

Racial and gender inequality in the workplace remains high. Racial minorities and women tend to occupy the less-desirable positions in an organization and receive fewer opportunities to move into management (Elliott and Smith 2004; Stainback, Tomaskovic-Devey, and Skaggs 2010). Although the 1970s saw some headway made toward reducing such inequalities, progress has largely stalled since the 1980s (Leicht 2008; Stainback and Tomaskovic-Devey 2012). Today, racial minorities and women are still 54 percent and 36 percent less likely than whites and men, respectively, to be in managerial positions.[1]

This persistent disparity is somewhat surprising because regulators and advocates have long pushed for racial and gender equality in the workplace. Since the passage of the Civil Rights Act in 1964, federal regulators have asked firms to improve the standings of racial minorities and women and established Equal Employment Opportunity Commission (EEOC) to monitor employment discrimination (Edelman 1992; Dobbin and Sutton 1998; Kalev and Dobbin 2006; Hirsh 2009). At the same time, diversity advocates, labor lawyers, and human resources consultants have also increasingly pressured firms to reduce racial and gender gaps (Kelly and Dobbin 1998). Employers involved in discrimination lawsuits risk incurring serious fines and losing government contracts; those with high racial and gender inequality could also face public backslash, reputational losses, and drops in stock price (Hirsh and Cha 2018; James and Wooten 2004).

However, firms are often reluctant to make substantive improvements, opting instead for ceremonial actions that have limited impact on racial and gender gaps (Dobbin and Sutton 1998; Dobbin, Kim, and Kalev 2011). For example, Edelman (1992) shows that in response to Equal Employment Opportunity (EEO) regulations, many firms created affirmative action officers and anti-discrimination rules, but they were largely symbolic and did not affect personnel practices and day-to-day routines. This reluctance for substantive changes reflects

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[1]These statistics are calculated based on 2015 EEO-1 data used in this study. Racial minorities include blacks, Hispanics, and Asians.

senior managers' preference for stability and helps contribute to organizational inertia: the tendency for an organization's system to be self-sustaining and self-reinforcing (Stainback, Tomaskovic-Devey, and Skaggs 2010; Stinchcombe 1965). Examples include well-established social networks and status hierarchies (Berger, Cohen, and Zelditch Jr 1972; Ridgeway and Correll 2006), long-standing practices and routines (Burton and Beckman 2007; Mun and Jung 2018), and taken-for-granted organizational culture (Phillips 2005; Turco 2010). They help reinforce inequality but changing them could disrupt operations and hurt performance (Dobbin, Kim, and Kalev 2011; Hannan, Pólos, and Carroll 2003; Meyer and Rowan 1977). Thus, despite external pressure, senior managers often deliberately avoid implementing substantive changes (Edelman, Fuller, and Mara-Drita 2001), and even when they do, these changes are often ignored in day-to-day routines and, in some cases, may even be used by middle managers to reinforce existing hierarchies (Castilla 2008; Castilla and Benard 2010; Mun and Jung 2018).

But certain disruptive events, such as a post-acquisition restructuring, could force an organization to make substantive changes. Such changes often lead to large-scale personnel reshufflings, major alterations in routines and practices, and even overhauls of the workplace culture. I argue that such radical structural changes may substantively improve racial and gender equality. By breaking down organizational inertia, they allow firms susceptible to equity pressure to change long-standing routines and practices that disadvantage racial minorities and women, as well as reshuffle employees to open up new opportunities for racial minorities and women to advance. Moreover, these changes often take place under high scrutiny, which could further push firms to be mindful of equality issues.

To examine this theory, I explore a critical yet seldom analyzed event in the inequality literature: mergers and acquisitions (M&A). Since the 1970s, there have been more than 300,000 acquisitions in the United States affecting more than five million workers every year (Andrade, Mitchell, and Stafford 2001; Haveman and Cohen 1994). Acquisitions are highly disruptive events and have important implications for employment dynamics, as subsequent

restructuring often leads to job loss, occupational reconfiguration, and major role changes. However, we have limited understanding of how they shape racial and gender dynamics. The voluminous M&A literature in corporate finance generally focuses on firm performance as the outcome (Andrade, Mitchell, and Stafford 2001; Blonigen and Pierce 2016; Maksimovic and Phillips 2001; Li 2013). The few studies that look at employment outcomes find that acquisition deals lead to downsizing and overall wage reduction, but it remains unclear how this affects different groups of workers (Fligstein and Shin 2006; He and Maire 2018; Ma, Ouimet, and Simintzi 2016; Siegel and Simons 2010).

I examine this question using EEO-1 data, gathered by the Equal Employment Opportunity Commission (EEOC), that covers all US private-sector establishments with more than 100 employees.[2] Using difference-in-differences models on 37,343 acquisitions from 1971 to 2015, I find evidence consistent with my hypothesis. After being acquired, an establishment experiences immediate downsizing, mostly affecting middle managers, back-office workers, and blue-collar workers. However, while acquisitions eliminate many low-skilled jobs, they also significantly improve the positions of women and racial minorities. Acquired establishments saw a notable drop in the proportion of white men in middle management, a considerable rise in the proportion of racial minority and women middle managers, and significantly less racial and gender segregation across occupational categories. Further analyses show that these post-acquisition improvements in race and gender equality are more pronounced when (a) the acquiring firm more highly values race and gender equality and (b) the acquired establishment had higher racial and gender inequality pre-acquisition. In these cases, acquisitions lead to a roughly 17 percent increase in minority managers in the acquired establishment and an 8.5 percent increase in women managers. To reinforce the findings, I conducted a number of robustness checks, including using withdrawn acquisition deals as a placebo test, and entertained various alternative explanations. I also conducted qualitative interviews with senior executives and experts in the M&A industry to better understand the

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[2]A business establishment is a part of a firm defined by having a particular location. For example, a firm with an office in Chicago and an office in Boston would have two business establishments.

mechanisms. In the end, results strongly suggest that racial and gender gaps decline after an establishment is acquired.

DISRUPTIVE EVENTS AND INEQUALITY

Racial and gender gaps have been slowly declining in the United States, but this progress has stalled in recent decades (Bloome 2014; Cha and Weeden 2014; Leicht 2008; McCall 2005; also see Figure 3, 4, and 5). Today, racial minorities and women still face significant impediments in the workplace: they have a lower chance of being hired and promoted and a higher chance of being laid off (Bertrand and Mullainathan 2004; Couch and Fairlie 2010; Elliott and Smith 2004; Elvira and Zatzick 2002; Pager 2003; 2007; Pager and Shepherd 2008; Wilson and McBrier 2005). Research has explored both individual- and organizational-level processes to understand this inequality. At the individual level, stereotyping and in-group preference can favor white men in hiring and promotion decisions (Bielby 2000; Reskin 2005; Ridgeway and Correll 2006). Moreover, social networks and friendship ties tend to form along racial and gender lines (Elliott and Smith 2004; McPherson, Smith-Lovin, and Cook 2001). Since most managers, especially at the senior levels, are white men, this network homophily hurts racial minorities and women in the labor market; they tend to reside on the periphery of the relevant social networks and thus have less access to mentors, referrals, and career information (Ibarra 1992; 1995; Roth 2006; Turco 2010).

These individual-level processes can be either amplified or suppressed by organizational structure, routine, and culture (Baron and Bielby 1980; Baron, Mittman, and Newman 1991; Fernandez 2001; Gorman 2005; Roth 2006; Stainback, Tomaskovic-Devey, and Skaggs 2010). For instance, cross-functional teams reduce stereotyping and benefit racial minorities' and women's chances of promotion (Kalev 2009). Certain workplace initiatives can mitigate work-family conflict to the benefit of women workers' advancement (Kelly, Moen, and Tranby 2011). But other practices, such as flexibility in HR systems, give middle managers room to exercise personal preferences and may therefore aggravate existing racial and

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gender gaps (Elvira 2001; McDowell 1991). Policies such as formalized evaluation systems can suppress managerial bias in some contexts but not others (Bielby 2000; Castilla 2008; Dobbin, Schrage, and Kalev 2015; Kalev 2014; Petersen and Saporta 2004).

But organizations are not static. They often change in response to the external environment and sometimes these changes lead to entirely new practices and routines (Fernandez 2001; Tushman and Anderson 1986). This study theorizes how disruptive events can influence racial and gender inequality. I define disruptive events as those that lead to substantive changes in an organization's day-to-day operations over a relatively short period of time. These could be either anticipated, such as mergers and acquisitions, or unexpected, such as a natural disaster. These disruptive events could create and destroy jobs on a large scale and significantly alter workplace routines, so they have the potential to dramatically alter the opportunities available to different groups of workers.

Types of Disruptive Events

The conventional wisdom often assumes that disruptive events would widen racial and gender gaps in organizations (Couch and Fairlie 2010; Cunningham, Lord, and Delaney 1999; Kalev 2014; Kim 2011; Wilson and McBrier 2005; see Dencker 2008 for an except). First, these events could lead to a sense of urgency and require organizations to make quick decisions. Under pressure, organizations may reduce managerial accountability and subordinate diversity goals (Dencker 2008). For example, ethnographers found that managers tend to receive less monitoring and accountability during times of crisis (Osterman 2000), which could lead to more opportunities for discrimination. Relatedly, engaging in diversity management often requires additional time and resources, and during times of disruption, organizations may not be able to provide these. Second, disruptive events often lead to personnel reshuffles and layoffs. To minimize their disruptive impact, senior managers sometimes may choose to conduct these changes quickly and target individuals in non-essential positions. Since racial minorities and women tend to hold more marginal positions in organizations, they may be more likely to be targeted in these layoffs and personnel shifts

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(Haveman, Broschak, and Cohen 2009; Kalev 2014). For these reasons, it is commonly believed that disruptive events could exacerbate racial and gender inequality (Dencker 2008; Kalev 2014; Haveman, Broschak, and Cohen 2009).

However, organizations respond to disruptive events in a number of different ways. In some cases, senior management may perceive them as threats to an organization's performance and survival. For instance, organizations may carry out downsizing and internal restructuring after unexpected poor performance, a natural disaster, or a major regulatory change that negatively impacts the organization (Gilbert 2006). Threats tend to provoke rigid responses: when senior management perceives a disruptive event as a threat, they are more likely to focus on maintaining existing resources and routines. In these situations, the main objective is usually to quickly address the perceived threat and get the operation back on track, while minimizing the disruptive impact (Staw, Sandelands, and Dutton 1981). As a result, middle managers may have to make decisions under time pressure and possibly with limited resources, and organizations may prefer to favor core employees to maintain stability. When a disruptive event is perceived as a threat, consistent with the conventional view, it may widen racial and gender gaps.

In other cases, senior management may perceive a disruptive event as an opportunity. For example, a merger or an acquisition is often seen as an opportunity to grow and improve performance.[3] Unlike disruptive events perceived as threats, senior management are more willing to embrace new routines, norms, and structures when they see a disruptive event as an opportunity to improve (Dutton 1992). Since they are often perceived as a way to shake up existing arrangements and hierarchies, personnel shifts during these disruptions may not necessarily favor the core employees over the peripheral ones (He and Maire 2018). In addition, middle managers tend to be given more slack resources (e.g., time and bandwidth) and greater accountability during these type of disruptive changes, possibly resulting in

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[3]It is important to note that the boundary between the threat perception and the opportunity perception is not always clear cut. In some instances, an organization could perceive a disruptive event as both an opportunity and a threat (e.g., Gilbert 2006). Nonetheless, I introduced this distinction for theoretical purposes.

fewer opportunities for discrimination (Siegel and Simons 2010). Therefore, the rationales for worsening inequality are much less applicable when senior management perceives a disruptive event as an opportunity. In fact, as I theorize below, this type of disruptive events could serve as an important opportunity for improving racial and gender equality in an organization.

Shaking Things Up

Despite increasing regulatory and normative pressures in favor of equality, many organizations still have practices and cultures that favor whites and men. Much of this persistence may be attributed to organizational inertia that reinforce inequality (Stainback, Tomaskovic-Devey, and Skaggs 2010; Stinchcombe 1965). An organization's design, once established, is difficult to change (Burton and Beckman 2007; Phillips 2005). Both middle managers and non-managerial workers are often reluctant to change their work habits and learn new routines (Mun and Jung 2018; Samuelson and Zeckhauser 1988). Substantial changes in practices could also be seen by managers as risky, with the potential to undermine performance. For instance, changing one part of an organization's design could have unintended spillover effects on other parts (Hannan, Pólos, and Carroll 2003). In fact, because of the difficulty of change, an organization's blueprint often remains shaped by the environmental conditions of its birth: firms founded earlier tend to have less-supportive structures and cultures for racial minorities and women (Stainback, Tomaskovic-Devey, and Skaggs 2010). For example, firms founded prior to the Civil Rights Act tend to have more gender segregation than those founded later (Tomaskovic-Devey and Skaggs 1999). Similarly, pay systems in some firms that were designed in the 1950s and 1960s with a clear gender bias still reflect these biases over half a century later (Kim 1989).

Like practices and routines, social hierarchies are also difficult to change. Status dynamics can be self-fulfilling: those occupying higher-status positions – often whites and men – tend to receive better resources and opportunities that in turn lead to more positive evaluations (Berger, Cohen, and Zelditch Jr 1972; Ridgeway and Correll 2006). Those high-status individuals and groups could also reinforce existing hierarchies by shaping norms

and culture in their own favor (Padavic, Ely, and Reid 2019). For example, when most middle managers are men, it is difficult for women to assimilate and thrive (Cohen and Huffman 2007; Turco 2010). In many cases, hierarchies are further strengthened by networks and relationships, often along racial and gender lines (McPherson, Smith-Lovin, and Cook 2001). Provided that, historically, whites and men tend to occupy higher positions, the entrenchment of social hierarchy is another impediment to racial minorities' and women's advancement in an organization (Elliott and Smith 2004).

Given the difficulty in changing organizational design and social hierarchies, I theorize that disruptive events – although not primarily designed to address inequality – could be an important vehicle for reducing racial and gender gaps. I theorize two related processes. First, by breaking down organizational inertia, disruptive events allow organizations to alter their long-standing practices and deep-rooted culture and norms. Given the increasing pressure to reduce racial and gender gaps, firms may use this disruption to change some of the practices and routines that better support racial minorities and women. Second, disruptive events often lead to major reshuffling of employees. These personnel changes could break down existing hierarchies that favor whites and men, and given the high visibility of these events, open up opportunities for racial minorities and women. In the following, I discuss these processes in greater detail by focusing on one of the most common disruptive events: mergers and acquisitions.

Disruptive Event – Post-Acquisition Restructuring

Prior to the 1980s, anti-trust laws and active enforcement made within-industry mergers extremely difficult in the United States. Firms mostly undertook acquisitions to diversify their portfolios and expand their range of control. However, as anti-trust laws contracted in the 1980s, M&A became an instrument for enforcing market discipline: the threat of hostile takeover has forced companies to become more attentive to profitability and efficiency. Within-industry acquisitions have therefore become more prevalent, and CEOs often take on acquisitions to benefit from economies of scale and to please shareholders

(Andrade, Mitchell, and Stafford 2001; Fligstein and Shin 2006; Goldstein 2012) (Andrade, Mitchell, and Stafford 2001).

In a conventional post-acquisition restructuring, the acquiring firm sets up a steering committee, typically composed of its C-level executives and its head of human resources. The steering committee sets the broad direction for the restructuring and oversees higher-level integration strategies. Under the steering committee is the integration management office, composed of senior managers and support staff. They are the central governance structure in the post-acquisition integration, managing the core functions of the integration effort and converting the steering committee's high-level strategy into detailed roadmaps. They, in turn, work with operational teams and task forces to carry out integration and restructuring in each department (Andrade, Mitchell, and Stafford 2001; Saint-Onge and Chatzkel 2008).

In the post-acquisition period, the acquired workplace typically goes through extensive restructuring. This often involves major employment and structural changes and is an important part of the overall integration process (He and Maire 2018; Ma, Ouimet, and Simintzi 2016; Siegel and Simons 2010). While each restructuring is unique depending on the nature of the acquisition, many share important similarities. Most involve both (a) changing routines, practices, and culture and (b) downsizing and changing employee composition. Since most of the restructuring takes place in the acquired workplace, I focus on dynamics there as opposed to those in the acquiring firm.

Restructuring: Changes in Practices and Routines

Post-acquisition restructuring provides an opportunity to make substantive changes to the practices, routines, and culture of the acquired workplace (Haveman and Cohen 1994). Some of these changes are necessary to ensure compatibility with the acquiring firm, while others reflect senior managers' desired directions. In general, there is less cost to making changes during this time period compared to normal times, since restructuring already disrupts the day-to-day operation. Additionally, the improved economies of scale after acquisition provide more room to adopt new technologies and efficient operating procedures,

further shifting practices, policies, and routines in the acquired workplace.

There are two reasons to believe that these changes could increase racial and gender equality. First, an acquiring firm that is susceptible to diversity pressure may use this opportunity to implement practices and routines that may improve the standing of racial minorities and women. Since the 1970s, regulators and advocates have placed increasing pressure on firms to be attentive to diversity issues and to reduce racial and gender inequality (Edelman 1990; 1992; Dobbin and Sutton 1998; Hirsh 2009; Kelly and Dobbin 1998). But reducing racial and gender inequality often requires substantive changes in managerial behavior, which could be disruptive and costly. For instance, having more affirmative action guidelines around hiring and promotion have been shown to be highly effective, but implementing them during normal times could invite resistance from middle managers and lead to disruptions (Dobbin, Schrage, and Kalev 2015; Kalev, Dobbin, and Kelly 2006). A post-acquisition restructuring therefore offers a window of opportunity for senior managers under diversity pressure to implement changes toward that goal.

Second, restructuring may also help firms implement other types of changes in routines and practices, that while not specifically intended to address inequality, may nonetheless reduce racial and gender gaps (Stainback, Tomaskovic-Devey, and Skaggs 2010). For example, an increasing number of firms have adopted more transparent promotion processes, which could reduce managerial discretion and help curb racial and gender discrimination (Dobbin, Schrage, and Kalev 2015; Kalev, Dobbin, and Kelly 2006). Relatedly, more firms have also relied on open job posting and job ladders. By making both job openings and eligibility for promotion visible to all employees, these policies limit managerial discretion and open up the applicant pool to marginalized groups (Dobbin, Schrage, and Kalev 2015). As another example, cross-functional teams have become popular in recent decades. By encouraging repeated interaction, such a team structure allows racial minorities and women to have more exposure and reduces middle managers' stereotyping and other types of racial and gender biases (Kalev 2009). One notable exception is performance evaluation, which has

been widely adopted (Dobbin, Schrage, and Kalev 2015). While it seems that using objective evaluative metrics would reduce bias, in some cases these practices can paradoxically lead to more managerial bias (Castilla 2008; Castilla and Benard 2010; Dobbin, Schrage, and Kalev 2015). Nonetheless, for racial minorities and women, performance evaluations may be still preferable to some of the older promotion practices based on seniority rule (Bielby 2000).

Restructuring: Changes in Employee Composition

Besides organizational changes, post-acquisition restructuring could also lead to major changes in employment composition through layoffs, hiring, and reassignment (Dessaint, Golubov, and Volpin 2017; He and Maire 2018). Layoffs are particularly common for three reasons. First, after an establishment gets acquired, some positions are no longer needed, as they overlap with those in the acquiring firm and become redundant. Redundancies tend to be concentrated in back-office positions, such as accounting, human resources, and finance, and workers in these roles face great layoff risks (Gugler and Yurtoglu 2004; Siegel and Simons 2010). Second, if the acquired workplace previously had excessive layers of management or was overstaffed, the acquiring firm may use the restructuring opportunity to streamline the workforce. Middle managers are often the targets of this type of layoffs (Goldstein 2012). Third, acquisition can act as a catalyst for technological change (Fligstein and Shin 2006; Ma, Ouimet, and Simintzi 2016). The adoption of automation and other technological innovations raises the demand for college-educated professionals but lessens the need for back-office and blue-collar workers, making them possible layoff targets. For all of these reasons, acquisition should lead to fewer jobs for middle managers and medium- and low-skilled workers.

At the same time, personnel reshuffling in post-acquisition restructuring may benefit racial minorities and women for two reasons. First, acquiring firms could use the restructuring period to reorganize organizational hierarchy, which could unintentionally benefit racial minorities and women. They may layoff the older managers and employees who either no longer meet organizational needs or do not fit with the new political agenda. These older

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managers and employees, many of whom are white men, tend to hold more senior ranks, are more well connected in the organization, and often occupy more important positions. Removing them could inadvertently open up more promotion opportunities for younger employees as well as those who were previously excluded from the relevant networks, among both populations there is often a higher proportion of racial minorities and women (Ibarra 1992; 1995).

Second, if the acquired workplace had large racial and gender gaps, then an acquiring firm that is susceptible to diversity pressure may use employee reconfiguration to reduce these gaps. During post-acquisition restructuring, the large number of layoffs, hiring, and promotions provides an easy opportunity to improve the under-representation of racial minorities and women in management and certain other occupations. Facing legal and social pressure, acquiring firms may take on this opportunity. Moreover, due to its high visibility, the restructuring process often invites scrutiny from employees, regulators, the media, and other stakeholders (Saint-Onge and Chatzkel 2008). Such scrutiny should further push senior management teams to conduct layoffs, hiring, and reassignment in a non-contentious way, as charges of discrimination could lead to unnecessary attention and derail the integration process. Management may thus be incentivized to ensure that racial minorities and women are not being disproportionately laid off and that the promotion rates are consistent across groups. Additionally, these restructuring events often involve external consultants, whose presence may further limit managerial bias against racial minorities and women.

In sum, restructuring should improve racial and gender equality, through both changing practices and routines and employee reshuffling. Changing practices and routines should have a longer-term effect, while changing employee composition should have a more immediate impact on racial and gender gaps. In general, I hypothesize that acquisition improves racial and gender equality in the acquired workplace.

Hypothesis 1: *Acquisition improves racial and gender equality in the acquired work-*

place.

Moderating Conditions

To complete the hypothesis, I theorize two important moderating conditions. First, the positive acquisition effect on racial and gender equality should be stronger when the acquiring firm has greater racial and gender equality. Acquisition disrupts inertia and creates an opportunity, but the acquiring firm's approach toward racial and gender equality is still important in determining whether and to what extent this opportunity is realized. The acquiring firm's racial and gender equality, while not a perfect proxy, could reflect its senior managers' attitude toward diversity, and moreover, having more racial minorities and women in important positions could itself could make the firm more attentive to race and gender issues. I therefore hypothesize that the greater the level of racial and gender equality in the acquiring firm, the more racial and gender equality improves in the acquired workplace post acquisition.

Hypothesis 2: The acquisition effect on racial and gender equality should be stronger when the acquiring firm has higher racial and gender equality.

Second, the positive acquisition effect should also be stronger when the acquired workplace had larger racial and gender gaps pre-acquisition. The greater the level of inequality, the more it could benefit from a major shakeup in employee hierarchy. Moreover, when racial and gender inequality was high, the acquiring firm may be more aware of this issue and feel more pressured to reduce such inequality. Thus, I hypothesize that the higher the racial and gender gaps in the acquired workplace, the more acquisition reduces such gaps.

Hypothesis 3: The acquisition effect on racial and gender equality should be stronger when the acquired establishment had lower racial and gender equality prior to acquisition.

DATA AND ANALYSIS

To examine the hypotheses, I used establishment-level panel data from EEO-1 surveys. In 1966, to help monitor compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Commission (EEOC) began to collect demographic workforce data on private-sector firms.[4] Before 1982, all private-sector firms with at least 50 employees, as well as firms under federal contract and with at least 25 employees, were required to submit EEO-1 forms annually.[5] In 1982, the cutoff was raised to 100 employees for non-federal contractors and 50 for federal contractors. Firms meeting this condition are required to file a separate form for each establishment that has at least 50 employees. Each EEO-1 survey form contains a matrix of occupational classifications and race/sex combinations, into which employers enter counts of employees. The form also collects identifying information for each establishment, such as its location, industry, and parent firm. Past studies that compared the EEO-1 reports to other datasets find their quality to be comparable to that of US Census or Current Population Survey-based sources (Tomaskovic-Devey et al. 2006; Robinson et al. 2005). Data from 1971 to 2015 were obtained for research purposes through an Intergovernmental Personnel Act agreement. EEO-1 reports were not available for 1974, 1976, and 1977. In total, the EEO-1 data from 1971 to 2015 include 202,101 firms and 11,966,225 establishments. On average, a firm lasts 10 years in the sample and an establishment lasts 6.2 years.

Although the EEO-1 data have become the gold standard in studying organizational diversity, they have several limitations (Ferguson and Koning 2017; Tomaskovic-Devey et al. 2006). First, the EEO-1 reports are only required of firms with at least 100 employees, which account for approximately 60 percent of all employment (Hollister and Wyper 2013). Thus, the sample is only representative of medium-sized to large firms and excludes small businesses. Second, the EEO-1 report does not provide information about individual workers, only annual employment totals for each category in each establishment. This prevents us

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[4]Private-sector firms include both publicly traded and private firms.

[5]Government contractors are those private-sector firms that have more than $50,000 worth of government contracts.

from capturing all personnel changes within an establishment, since the data will not identify situations in which one employee leaves and a similar employee is hired as a replacement. Third, the report does not include wage data, so we are limited to measuring racial and gender inequality based on each group's occupational attainment. Finally, in 2007, the EEOC began collecting data from establishments whose size is below the mandatory reporting threshold. Consequently, there is a larger-than-usual cohort of establishments that entered the data in 2007 (Ferguson and Koning 2017). I conducted robustness checks to ensure that those establishments do not substantively influence my results.

Identifying Acquisitions

Mergers and acquisitions can be identified based on changes in an establishment's reported parent firm. Each establishment has a unique identifier in the EEO-1 data that is consistent over time, even after changes in ownership. Similarly, there is a unique identifier for each parent firm. I can therefore identify instances of ownership change by observing when the establishment's parent firm's identifier changes. This identification method includes both full and partial acquisitions: one establishment of a firm can be acquired while another establishment remains under the old firm. Using this method, I identified 37,343 unique acquisitions covering 168,293 establishments from 1972 to 2014.[6] I compared this sample with the commonly used Securities Data Company (SDC) Platinum database on mergers and acquisitions and found that about half of the acquisitions in my sample also appear in the SDC database. A colleague and I manually merged the SDC and EEO-1 databases. As a robustness check, I ran analyses on the subsample of acquisitions that appear in the SDC database; the findings are substantively similar.

Some establishments have been acquired multiple times, which can confound the post-acquisition effect: it would be unclear if an observed pattern is due to the lingering impact of an older acquisition or the immediate impact of a more recent acquisition. I

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[6]For example, let us assume that firm B has two establishments and firm C has 10 establishments and that firm A acquires firm B and firm C at the same time. We count this situation as involving two unique acquisitions involving a total of 12 establishments. In my models, each of the 12 establishments would be used as the unit of analysis.

therefore focus only on the first acquisition for any given establishment and exclude its observations during and after the second acquisition. In the sample, 16.7 percent of the acquired establishments experience multiple acquisitions. After the exclusion, the resulting sample includes 140,125 acquired establishments.

Figure 1 plots the number of unique acquisitions and the proportion of workers affected over time. The volume of acquisitions has been relatively consistent, with a few spikes representing waves of acquisitions. On average, about 1.5 percent of employees in the EEO-1 sample, or 5.6 million workers, experience such an event in a given year. The plotted pattern is generally consistent with M&A data from the Center for Research in Security Prices (CRSP), SDC, and other sources, showing major spikes in acquisitions in the mid-1980s and mid-1990s.

[insert Figure 1 about here]

Occupational Categories

The EEO-1 data provide information on the occupational composition of each demographic group. Below, I use this information to measure racial and gender inequality in each establishment. There are nine broad occupational categories on the EEO-1 form: managers, professionals, technicians, sales workers, office and clerical workers, craft workers, operatives, laborers, and service workers.[7] Although this categorization is rather broad (Tomaskovic-Devey et al. 2006), it has remained constant over the years, in contrast to those of many other national surveys. The EEO-1's consistency in occupational definition ensures that any changes observed are not driven by shifts in coding systems (Kalev 2014; Wilson and McBrier 2005).

Figure 2 shows patterns in occupational composition over time. Some categories are clustered for ease of interpretation. In particular, I clustered technicians, sales workers, and office and clerical workers as back-office employees, and clustered craft workers, operatives,

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[7]Managers refer to both senior managers and middle managers. For most years the EEO does not distinguish between the two. Since there are many more middle managers than senior managers, I presume that most of the observed effects are driven by changes in middle management.

and laborers as blue-collar employees. This creates a classification scheme with five skill-based levels: managers, professional workers, back-office workers, blue-collar workers, and service workers. Since the 1970s, the number of blue-collar jobs has decreased significantly while the number of professional and service positions has increased, which corresponds to the decline in manufacturing and the rise of the service industry during this period.

[insert Figure 2 about here]

Dependent Variables: Racial and Gender Inequality

The key outcomes are an establishment's racial and gender inequality. I measured demographic inequalities using two types of variables: (a) the proportions of racial minorities and women in management and (b) racial and gender segregation across non-managerial occupations. I focus on these two types of outcomes, rather than on the total proportion of minorities and women, because they help capture the extent to which minorities and women have truly become integrated at all levels of an organization.

The EEO-1 report includes five racial groups: white, black, Asian, Hispanic, and Native American. Because each employee can only be counted once, this classification scheme effectively makes Hispanic a separate racial category. Such classification differs from that of the US Census, in which respondents can declare a race and also identify as being of Hispanic origin. Because most establishments do not have any Native American employees, I focused on the other four groups in the analyses.

I used the index of dissimilarity (D) to measure segregation at the establishment level. D is the proportion of employees who would need to change occupations for the establishment to have equal representation of two groups. It tells us how far the establishment is from an equal occupational distribution of gender or race. The index of dissimilarity is computed within an establishment as follows:

$$Index\ of\ Dissimilarity\ (D) = (1/2 \sum_{occ=1}^{n} |P_{occ\_x} - P_{occ\_y}|) \times 100 \qquad (1)$$

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where P_{occ_x} and P_{occ_y} are the proportions of groups x and y, respectively, within an occupation in an establishment (Tomaskovic-Devey et al. 2006). In calculating D, I included only the eight non-managerial occupations. Therefore, the value of D is not directly influenced by the proportion of racial minorities and women in management.

Figure 4 plots these variables over time. Consistent with past findings (Leicht 2008), overall racial and gender inequality have been declining, with a greater decline for women than for racial minorities. Figure 2a shows that both minorities and women made important advances in managerial representation in the 1970s. But since then, while women have continued to make steady progress into managerial positions, progress has stalled for blacks and Hispanics. Figure 2b shows that gender segregation has been declining rapidly since the 1970s, but racial segregation has been decreasing much more slowly.

[insert Figure 3 about here]

[insert Figure 4 about here]

Matched Sample

To analyze the impact of acquisitions, I implemented a dynamic difference-in-difference design in which I compare the target (acquired) establishments to similar establishments that were never acquired.

I implemented a matched sampling procedure: for every target establishment in the year before its acquisition, I selected a control establishment from the same year. Specifically, for each target establishment acquired in year t, I selected a control establishment that satisfied the following criteria in year t-1: (a) it belongs to the same two-digit SIC industry as the target; (b) it is in the same quartile of establishment size (measured by number of employees) as the target; (c) it is in the same quartile of firm size (measured by number of employees) as the target; and (d) it has never been acquired. For control establishments that satisfied these requirements, I calculated their propensity score using a linear logistic model and selected the establishment with the propensity score closest to that of the target.

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[8] Each target establishment is matched with one control establishment and vice versa. Table 1 shows a comparison between the target group and the control group in the year before the target establishment was acquired.

[insert Table 1 about here]

As a robustness check, I ran the analyses using a number of alternative matching samples. First, I tested alternative ways of assigning the propensity scores, including using a different set of predictors in calculating the score and picking the nearest three neighbors as controls. I also tried jettisoning the propensity matching altogether and simply drew a random set of establishments that shared the target establishment's industry, year, location, and size quartile. Second, some M&A deals are announced but subsequently withdrawn, and I used the target establishments of these withdrawn acquisition deals as a control group. Data on withdrawn M&A deals come from the SDC Platinum database. Finally, I used the entire sample, including all establishments that were not acquired, as controls (see Appendix Table A.1 for results on racial and gender inequality). Using each of these alternative matching samples produced substantively similar results.

Once matched, the establishment in the control group was considered as if it had gone through an acquisition in the same year that the target firm did. I set the window of observation at 10 years: five years before the acquisition to five years after. The five years of pre-acquisition observation allow us to observe any parallel trends between the target and the control group, and the five years of post-acquisition observation should provide sufficient time to observe any post-acquisition change, even if it is not immediate. The other years of observation were excluded from the sample.

After matching, the sample initially includes 1,701,884 observations of 264,410 establishments. Some of these establishments were closed shortly after acquisition and their workers were either transferred or let go. Although such closings are an important topic,

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[8]The independent variables include an establishment's racial and gender composition, occupational composition, levels of racial and gender segregation, the number of establishments in the firm, and establishment size.

they do not inform us on how acquisition affects different groups. I therefore excluded establishments that were shut down within the first two years after acquisition, resulting in a final sample of 1,432,196 observations and 191,957 establishments. As a robustness check, I ran the same analyses using the initial sample (that includes closed establishments); doing so increases the overall post-acquisition downsizing effect but does not substantively change the post-acquisition effect on racial and gender inequality (see Appendix Table A.7).

Model Specification and Controls

I examined change in employment dynamics at the establishment level by estimating the following difference-in-differences model:

$$Y_{jt} = \sum_{p=-4}^{5} c_p T_{ip} + \sum_{p=-4}^{5} \beta_p T_{ip} \times Target_i + \gamma \cdot X_{it} + E_i + CY_t + \epsilon_{it}, \tag{2}$$

where Y_{jt} is the outcome variable at establishment j in year t. p is the number of years relative to the acquisition; specifically, I set year 1 to be the first year in which an establishment changed its parent firm in the EEO-1 form. T_{ip} is a dummy variable indicating p years after the acquisition. For example, $T_{i3} = 1$ for the third year after establishment i was acquired. The coefficient of interest is β_p, which captures the average difference in the outcome variable between treated and control firms when $T = p$. In other words, β_p denotes the acquisition effects on the outcome variable.

I included establishment-level fixed effects, E_i, to control for time-invariant establishment traits, such as industry and location. The inclusion of fixed effects allows us to observe changes within each establishment, rather than differences between establishments. I also included calendar-year fixed effects, CY_t, to control for the macro environment, as well as leads and lags around the event time, T_{ip}. Fixed effects help rule out omitted variables, but they also reduce the power of an estimation. As a robustness check, I included industry-year and state-year fixed effects; the results are substantively similar (see Appendix Table A.4).

X is a set of control variables that capture time-variant establishment-level characteristics, including the number of workers in each establishment, as occupational composition and demographic inequality may be a function of workplace size (Tomaskovic-Devey and Skaggs 1999). Additionally, X also includes acquiring firms' basic characteristics such as size and age. I also included the proportion of total workers in each occupational group, as occupational composition could influence minorities' and women's segregation levels and promotion rates. For example, a workplace with a higher proportion of blue-collar workers may have a lower promotion rate for women, as women could be seen as token members in such a male-dominated setting. Excluding controls for occupational composition does not, however, substantively change the results. In these models, I also included each demographic group's proportion among non-managerial workers and in the local labor market. Demographic data on local labor markets comes from the Decennial Census's county-level data, which is extrapolated to obtain annual estimates. These controls ensure that the outcome variables capture racial and gender inequality within a workplace, as opposed to overall workforce diversity. Finally, in estimating segregation levels, I included a measure for occupational heterogeneity, which tends to be correlated with the index of dissimilarity.[9] (Tomaskovic-Devey et al. 2006)

Standard errors are clustered at the firm level. Results are qualitatively similar whether or not establishment sizes are included as weights, so for simplicity I present models without weights (see Appendix Table A.5). In some models, I used a simpler difference-in-differences model, grouping T_{ip} into pre-acquisition and post-acquisition periods:

$$Y_{it} = c \cdot Post_i + \beta \cdot Post_i \times Target_i + \gamma \cdot X_{it} + E_i + CY_t + \epsilon_{it}, \qquad (3)$$

where $Post_i$ is 1 if establishment i has been acquired within the last five years and 0 otherwise (my window of observation is five years before and five years after being acquired).

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[9]The index of heterogeneity is calculated as $1 - (\sum((P_{OCC})^2)/(T_e^2) \times (100)$, where $\sum(P_{OCC})^2$ is establishment employment in each occupation squared and then summed across the eight non-managerial occupations and where T_e^2 is establishment employment squared.

In these models, the key identifying assumption is that employment in target and control establishments would have followed parallel trends had the target establishment not been acquired. Admittedly, mergers and acquisitions are not exogenous events, but endogeneity is less of a concern as long as acquisition decisions are not based on factors highly correlated with the dependent variables. Potential threats to identification would be unobserved shocks that affect both the outcomes and the timing of acquisition. In this case, identification would be a concern if acquiring firms target establishments that are on the verge of increasing their racial and gender equality. Based on past work, I find this scenario unlikely; acquiring firms rarely consider a target firm's diversity when making acquisition decisions.

RESULTS

Results strongly support the hypothesis: acquisition significantly improves both racial and gender equality in acquired workplaces. After being acquired, establishments tend to downsize middle managers, back-office workers, and blue-collar workers, while hiring more highly skilled professionals. At the same time, they have a higher proportion of racial minorities and women in managerial positions and lower racial and gender segregation overall. This post-acquisition effect on diversity is stronger when the acquiring firm more highly values diversity and when the acquired establishment had higher racial and gender inequality prior to the acquisition. In these cases, acquisition increases racial minority managers by 17.0 percent and women managers by 8.5 percent.

Impact on Occupational Composition

Before turning to the main analyses, I first examine how acquisition affects the acquired establishment's occupational composition. As expected, an establishment experiences downsizing after being acquired, with an average 2.5 percent reduction in workforce (see Table 2 Model 1; $e^{-0.025} = 0.975$). But downsizing does not affect all groups equally. As Table 2 shows, middle managers and back-office workers are disproportionately affected by

post-acquisition downsizing. After being acquired, an establishment loses, on average, 4.1 percent of its middle management positions, 4.3 percent of its back-office positions, and 3.5 percent of its blue-collar and service positions, but increases its professional positions by 1.8 percent.[10] Proportion-wise, as Table 2 shows, establishments have a smaller proportion of middle managers and back-office workers and a higher proportion of professionals after acquisition.

[insert Table 2 about here]

Before moving on, I mention one implication of these results. Sociologists have been concerned about how restructuring affects the presence of managers. Although we generally expect that corporate restructuring leads to fewer management layers (Dencker and Fang 2016; Jung 2016), recent studies using Current Population Survey data have shown a positive correlation between M&A events and the number of managers in the industry (Goldstein 2012). My finding suggests that this positive correlation is not due to a direct causation, as M&A events lead to significantly fewer middle managers in the acquired establishments, both in absolute numbers and in proportions. This opens up an interesting question for future studies: if acquisitions lead to fewer managerial positions, what is driving the positive correlation between acquisition activities and managerial jobs at the industry level?

Impact on Racial and Gender Inequality

Table 3 and Figure 6 show the impact of acquisition events on racial and gender inequality. After being acquired, establishments have more managerial race and gender diversity and less occupational race and gender segregation. In Table 3, following an acquisition, the proportion of white managers drops, while the proportions of black and Hispanic managers rise by 3.3 percent (0.18 percentage points) and 4.2 percent (0.21 percentage points) respectively, and the proportion of women managers rises by 1.9 percent (0.6 percentage points). The magnitude of these effects is significant in the context of managerial diversity, in which changes tend to occur in relatively small increments. More importantly, as I show

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[10]Results are available upon request.

below, the effect sizes are highly significant for certain sets of establishments.

[insert Table 3 about here]

[insert Figure 6 about here]

Table 3 also shows a significant reduction in non-managerial occupational segregation. Following an acquisition, an establishment reduces its black-white dissimilarity by 0.85, Hispanic-white by 0.95, Asian-white by 0.67, and men-women by 1. These numbers correspond to a 2.8 percent reduction in black-white segregation, a 3.0 percent reduction in Hispanic-white segregation, a 1.9 percent reduction in Asian-white segregation, and a 2.5 percent reduction in gender segregation. Workplace desegregation is a slow process. For example, despite various efforts, black-white and Hispanic-white segregation in the United States have been declining at a rate of only around 0.6 percent per year, while gender segregation has been declining at around 1.5 percent per year (Tomaskovic-Devey et al. 2006). Therefore, relatively speaking, the magnitude of the desegregation following an acquisition is significant. Moreover, as with managerial diversity, the impact of acquisition on desegregation is much higher for certain sets of establishments, as I will discuss later.

Figure 6 breaks down the acquisition effect into specific years before and after the event (see Equation 2). After being acquired, there is an immediate increase in managerial diversity and decrease in occupational segregation. The effects extend at a more gradual pace in the following years. For example, the proportion of black managers quickly jumps by 2.7 percent (0.15 percentage points) within the first year of being acquired and this turns into a 6.2 percent increase (0.34 percentage points) after five years. In some cases, the change appears to start before the official acquisition date, possibly because most acquisition announcements and restructurings take place before the official acquisition date.

I focused on managerial diversity and occupational segregation because they best reflect an establishment's racial and gender inequality (Kalev, Dobbin, and Kelly 2006; Ferguson and Koning 2017). An establishment's overall workforce diversity, in contrast, tends to be highly correlated with the demographics in its local labor market. After all, there is

little equality in an establishment in which most racial minorities and women are clustered in low-paying, non-supervisory positions, even if it has high overall workforce diversity. As mentioned earlier, to distinguish inequality from overall workforce diversity, all models include the five demographic groups' (whites, blacks, Hispanics, Asians, and women) respective proportions of non-managerial workers in the establishment, as well as their proportions in the local labor market. Therefore, the resulting outcomes effectively represent each group's managerial rate and occupational differences. In robustness checks, excluding these controls does not affect the conclusions.

Nonetheless, I conducted additional analyses predicting an establishment's overall workforce demographics, finding that acquisitions have limited effect on them (see Appendix Table A.2). Although the total proportion of white workers decreases while that of black workers increases by 3.5 percent (0.29 percentage points), the change among Hispanic and Asian workers is small and statistically insignificant, and the proportion of women workers decreases. This effect on women is marginal, however: women workers lose 0.16 percentage points in total proportion, roughly equivalent to a 0.3 percent drop. In short, acquisitions increase the proportion of black workers, but have little impact on other underrepresented demographic groups.

Finally, I consider whether acquisition has any impact on the acquiring firm. Focusing on establishments that did not get acquired, I find that a firm's acquisition amount, defined as the proportion of workers acquired in the past five years, to have limited association with outcomes related to racial and gender inequality (see Appendix Table A.3). Similarly, acquisition amount is also not significantly associated with changes in occupational composition in the rest of the acquiring firm. These findings suggest that while acquisition events strongly affect the acquired establishments, they have limited impact on the rest of the acquiring firm.

Withdrawn M&As

As a robustness check, I conducted a placebo test using withdrawn acquisition deals, focusing on establishments for which an acquisition was announced but ultimately withdrawn. These establishments likely share most of the same attributes – observed and unobserved – of those for which acquisition was carried out. Any difference is mostly related to the acquiring firms, such as the type of financing used to fund the deal, the acquiring firm's size, and its attitude toward the deal (Blonigen and Pierce 2016). Therefore, withdrawn M&A events serve as a suitable placebo test: if my results are driven by unobserved confounders, then we should observe the same effects after withdrawn acquisitions.

I obtained from SDC Platinum all acquisition announcements that were withdrawn within 90 days. I used a 90-day cutoff to ensure that no substantive changes in the target establishment had been made due to the announcement. I then manually merged the withdrawn M&A events from SDC Platinum with my sample from EEO-1 reports, finding a total of 90,313 matched establishments representing 2,580 firms. I then used the same matching procedure to identify a sample of matched establishments for this withdrawn sample and conducted the same set of analyses as if these establishments had been acquired.

As Figure 7 shows, the withdrawn establishments did not experience the same set of acquisition effects as the acquired establishments. In fact, none of the acquisition effects in this sample is statistically different from zero. This placebo test provides additional support that, in the main models, we are observing an acquisition effect, not a confounder.

[insert Figure 7 about here]

Alternative Explanations

There are two notable alternative explanations for my findings. First, whites and men may have better outside options and are therefore more likely to voluntarily leave after their establishment is acquired. To entertain this possibility, I examined the moderating role of unemployment rate and economic recession on the post-acquisition effect. If whites' and men's reduced managerial representation is driven by voluntary departures, then we

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should see a weaker post-acquisition effect when the economy is in recession and/or when the unemployment rate is higher. With fewer firms hiring, there should be fewer voluntary departures and more forced turnover.

Unemployment data are available annually at the state level from the Current Population Survey (CPS) and decennially at the county level from the Census Bureau. I tried both measures using separate models, linearly extrapolating the decennial Census data to approximate annual county level rates. But as Table 6 shows, a higher unemployment rate does not reduce the post-acquisition effect at all. In models using CPS data, the unemployment rate has a small, statistically insignificant interacting effect. In models using extrapolated Census data, the moderating effects are negative, which is the opposite of what the alternative explanation predicts. In a separate analysis, I used the macro-level economic recession indicator from the National Bureau of Economic Research as a moderator and found that economic recession similarly does not moderate the post-acquisition effect. These results suggest that the post-acquisition effect is not driven by voluntary departures.

[insert Table 6 about here]

Second, the acquiring firm may have more managerial diversity and less occupational segregation than the acquired establishment and the observed effect is thus a result of the acquiring firm transferring its (more diverse) employees to the acquired establishment. This explanation is unlikely for three reasons. First, on average acquiring firms do not have higher racial and gender equality than the acquired establishments. Second, it is relatively rare for acquiring firms to send a large number of non-managerial workers to an acquired establishment, so this explanation does not account for the significantly decreased desegregation levels among non-managers. Third, I did not find any significant interacting effect when adding the physical distance between the acquiring firm's headquarters and the acquired establishment as a moderator, assuming that worker transfer would be more likely when distance is smaller.

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Moderator: Acquiring Firm's Equality

I hypothesize that the acquiring firm's racial and gender equality should shape the effect of acquisition on the acquired workplace. The acquiring firm's racial and gender equality, while not a perfect measure, could both reflect and influence its approach toward diversity issues. The higher the acquiring firm's racial and gender equality, the more likely it may use the restructuring opportunity to reduce racial and gender gaps in the acquired establishment.

I considered each acquiring firm's managerial diversity and occupational segregation in the year prior to the acquisition and compared these to those of its peer firms, defined as those in the same year, county, and two-digit SIC industry. I first conducted analyses using a three-way interaction (Post Acquisition Period x Treat Establishment x Acquiring Firm's Equality) and found that acquiring firm's equality strongly moderates the acquisition effects. The higher the acquiring firm's equality, the more acquisition improves racial and gender equality in the acquired establishment.

I then conducted split-sample analyses by dividing the sample into acquiring firms whose equality is in the top quartile and those whose equality is in the bottom quartile, separately for each of the eight dimensions of inequality used in the main analyses.[11] As Table 4 shows, when the acquiring firm has lower racial and gender equality, the post-acquisition effects still exist but are relatively small and, in some models, statistically insignificant. In contrast, when the acquiring firm has higher equality, the acquired establishment tends to show a significant jump in managerial diversity and a sharp drop in segregation. These results are consistent with my hypothesis that acquisition improves racial and gender equality more when the acquiring firm has higher equality.

[insert Table 4 about here]

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[11]The eight inequality dimensions are proportion of black managers, proportion of Hispanic managers, proportion of Asian managers, proportion of women managers, black-white occupational segregation, Hispanic-white occupational segregation, Asian-white occupational segregation, and gender occupational segregation.

Moderator: Equality in Acquired Workplace Pre-Acquisition

I also hypothesize that the acquisition effect should be stronger when the acquired establishment had lower racial and gender equality prior to the acquisition. In establishments with low racial and gender equality, having a post-acquisition restructuring could help shake up existing hierarchy and the acquiring firms may also be more willing to use restructuring to reduce the gaps.

I compared each establishment's inequality level to its local peers, using data in the year before being acquired. Specifically, I subtracted the average equality levels of each establishment's peers in the same year, county, and two-digit SIC industry, separately for each of the eight dimensions of racial and gender inequality. Similar to above, I analyzed the moderating impact of these variables both by using each as a moderator and by conducting split-sample analyses based on its value. Results are highly consistent and suggest that the acquisition effect is much stronger in establishments that previously had higher racial and gender inequality.

Table 5 shows results from the split-sample analyses: for establishments whose inequality had been lower than that of their peers, acquisition had almost no effect on subsequent inequality; establishments in control and target groups exhibit similar post-acquisition trends. But for establishments that had higher inequality, there was a significant reduction in racial and gender inequality after acquisition. After being acquired, an establishment in this category increases its proportion of black managers by 0.41 percentage points, Hispanic managers by 0.38 percentage points, and women managers by 1.5 percentage points, which roughly correspond to a 17.0 percent increase in black and Hispanic managers and an 8.5 percent increase in women managers. These results are consistent with the hypothesis that the post-acquisition effects are stronger in those establishments that had higher racial and gender inequality prior to being acquired.

[insert Table 5 about here]

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Heterogeneity in Acquisitions

Before concluding, I consider heterogeneity in acquisitions. My main analyses account for all acquisitions appearing in the EEO-1 data, but the acquisition effect may vary depending on the type, size, time period, and industry of the event. I conducted additional analyses to better understand this possible heterogeneity.

First, I compared vertical and horizontal acquisitions. When an acquisition takes place between firms of different industries, the acquiring firm's intention is often to diversify its portfolio. This type of vertical acquisition involves much less restructuring, as there is less expectation for the acquired establishment to be completely integrated into the acquiring firm. By contrast, horizontal acquisition, which has become more prevalent since the 1980s, takes place between firms within the same industry. In such an event, the acquired establishment will undergo more extensive restructuring, as it is expected to be fully integrated into the acquiring firm. Using split-sample analyses, I found that the acquisition effect on racial and gender inequality is stronger for horizontal than vertical acquisitions. This is consistent with the intuition that more extensive restructuring should strengthen the acquisition effects.

Second, I considered acquisition size. There are competing predictions on how the size of the acquired firm may moderate the acquisition effects. On the one hand, acquiring a larger firm leads to more visibility, which could benefit racial minorities and women in the re-evaluation process. But on the other hand, post-acquisition restructuring tends to be less extensive when acquiring larger firms. When its size is large, the acquired firm tends to have more power to retain its structures, routines, and culture, leading to less improvement in racial and gender equality. My analyses support the latter prediction: the acquisition effects are smaller when the acquired firm is larger (see Appendix Figure A.1). The larger the acquired firm, the less extensive is restructuring process, as evidenced by the smaller change in occupational composition following such acquisitions. Consequently, these acquisitions have less of an impact on racial and gender inequality.

Third, I examined variation across time periods. As acquiring firms use restructuring to replace old practices and routines with new ones, we expect improved racial and gender equality largely because firms have become increasingly attentive to race and gender issues (Kelly and Dobbin 1998). However, the magnitude of the acquisition effects would partially depend on the speed of change in firms' stance toward diversity and it is unclear if the speed of change has increased or decreased over the years. To measure this, I split the sample into multiple time periods. I did not find a significant temporal difference. The effect appears to be slightly stronger in the 1990s and 2000s, but still quite comparable to the effects in the 1970s and 1980s (see Appendix Figure A.2, which separates the sample into pre-1990 and post-1990 periods).

Finally, I compared across industries. The post-acquisition dynamic could vary across different types of work, although it is unclear how cross-industry differences moderate the acquisition effects. In my analyses, I did not find much systematic difference across broadly defined industries. For example, when comparing service and manufacturing industries, the desegregation effect is slightly stronger in manufacturing and the managerial-diversity effect is slightly stronger in service, but they are highly comparable (Appendix Figure A.3).

QUALITATIVE EVIDENCE

To supplement the main analyses and better identify potential mechanisms, I conducted 38 in-depth, semi-structured interviews with 30 senior executives, senior and middle managers, and M&A and consultants. Most informants had over 10 years of experience in the industry. Together, these respondents have experienced over 100 post-acquisition restructurings. Interviews were conducted either in-person or over the phone and lasted 30 to 90 minutes, using a semi-structured protocol. Most interviews were recorded and transcribed. I conducted an additional round of interview with some of the respondents a few months later and had follow-up email correspondence with the rest.

I first interviewed informants for exploratory purpose. In these interviews, I started off by asking respondents to describe the typical post-acquisition restructuring process, with a particular focus on changes in structures, processes, and human capital. After these broad conversations, I specifically asked for their past experiences in post-acquisition restructuring process, and if they have not brought up race and gender issues, how the acquisition process affects different demographic groups. Based on these exploratory interviews, I identified four post-acquisition processes potentially responsible for the improved racial and gender equality. As Table 7 illustrates, these four mechanisms are differentiated by whether they target individual workers or routines and practices, and whether the processes are intended to improve operational efficiency or diversity and equality. With this knowledge, I conducted additional interviews, with updated interview protocols, to further enrich understandings of the plausible mechanisms, till no additional insight was emerging (Strauss and Corbin 1994).

[insert Table 7 about here]

Getting Rid of the Deadwood

First, many respondents mentioned use of post-acquisition restructuring to get rid of the "deadwood": "letting go of those older managers and employees who may no longer fit organizational needs and replacing them with younger ones" (Senior Executive). One executive recalled a particular situation:

> We had a senior manager who's been in the job for 10 years. He was fine, but not great, but had enough political power or was sufficiently well connected to the CEO that the CEO had not had the courage [to let him go]. But then a merger came, and he was gone... Mergers and acquisitions activity is a catalyst that frees or gives air cover to a manager to say: "I am really sorry. I tried to protect you, but I just couldn't and you've got to go" (Senior Executive).

This executive then pointed out how this process could indirectly benefit women and racial minorities.

> One of the challenges, if you think about it in advancing diversity within organizations, is you want to take people who are very often a little bit younger

because the people who got tracked into senior jobs let's say 20 years ago, were white men, because that was what the population of the organizations look like. Many M&As [that I was involved in] provide the catalytic opportunity for hard decisions of in effect, allowing people of color or women to move into positions that otherwise would have been stuck with guys like me or white males (Senior Executive).

As this executive suggests, acquisition offers an opportunity to let go some of the workers who may no longer fit organizational needs. This process could open up advancement opportunities for younger employees, among whom there is a higher proportion of women and racial minorities. In fact, one of my informants, a racial minority man, had personally experienced this. He initially had difficulty in moving up the organizational hierarchy, which he largely attributed to his outsider status and lack of connections. However, a post-acquisition restructuring laid off many in the core management, including those directly above him, which offered him an opportunity to advance. In his words, "this place needed a shakeup... and [an acquisition event] created a chance for [him] and other young guys to move into that role more quickly than would have happened had the acquisition not happen" (Middle Manager).

The "getting rid of the deadwood" process is frequently mentioned in my interviews. Firms carry out this process largely to improve performance, control, efficiency (He and Maire 2018; Ma, Ouimet, and Simintzi 2016), but in doing so, it could inadvertently provide more opportunities for racial minorities and women.

Retaining Racial Minorities and Women

Second, most of my informants also mentioned explicit effort to retain racial minorities and women in the acquisition process, due to both lawsuit concerns and a desire to increase diversity for public image. One senior M&A consultant pointed out that because they are in the middle of a highly visible transaction, he always advices his client firms to be "extra mindful of not having any sort of negativism around press or anybody suing on the basis of discrimination" (M&A Consultant). This concern about potential discrimination charges is echoed by many of my informants. For example, one senior executive mentioned

that he would go through each layoff list during post-acquisition restructurings to make sure that racial minorities and women were not being disproportionately targeted, and another M&A consultant commented on his firm's approach to avoid discrimination lawsuit:

> We would not want to be on the cover of the Wall Street Journal with some fired employee alleging that we ran a biased process on behalf of [firm name]. It still happens unfortunately but we would have such a high threshold; there are internal reviews of the data we have and the way that the process is administrated to make sure of that. 'Beyond reproach' is the standard that we always talk about when we do this.

Besides legal concerns, many of my informants also mentioned the normative pressure for increasing firm diversity. A senior M&A consultant reflected that given this normative pressure, "all the companies [that he had worked for] would loathe to lose minority managers [in this process]" (M&A Consultant). Another senior executive similarly explained:

> We struggle every day to try to get the diversity numbers to where they are supposed to get to... so if I went through a merger and acquisition and I saw an opportunity to take to those diversity candidates, I am always inclined to do it (Senior Executive).

This diversity pressure spills over to middle managers, as one informant recalled that when he was in mid-level managerial role, he had to make a decision to fire a few people from his team:

> I knew as an organization, we had a goal to increase diversity and I didn't want to do anything that is going to cause problems at that goal. So when it came [to personnel reshuffling], I went to the high performing [racial] minorities and women on my team and just said: "you've got nothing to worry about" (Senior Manager).

The threat of discrimination charges and the normative pressure for diversity have pushed firms to retain racial minorities and women in the post-acquisition process. Similar to the first mechanism, this process also focuses on personnel reshuffling after an acquisition.

Standardizing Human Resource Practices

Third, many informants see post-acquisition restructuring as "an opportunity to think about the best practices" (Senior Executive). In my interviews, the most frequently mentioned post-acquisition organizational changes are standardizing procedures and upgrading technologies. In particular, several respondents mentioned the standardization of human resources practices, which could have implications for racial and gender bias in hiring and promotion. For example, a senior manager recalled how his team changed the informal and potentially biased hiring practices at an acquired firm,

> When we acquired it, they were letting the kids [junior analysts] screen resumes. So kids out of college screened the resumes to see who they should invite in [for interviews]. Well, who do you think they screened? Their friends. They went to school with them... We took over this place and brought objective analytical tools to screen the resumes. That changed things. We now use analytical tools and hard criteria to screen the resumes ... If you look at how many [racial] minorities we interview, I think our process now is a lot more objective (Senior Manager).

In another case, one executive mentioned that one of his acquired firm originally had highly ambiguous and idiosyncratic promotion processes. After being acquired, the firm implemented a more transparent and standardized promotion process, which he believes significantly reduced "widespread favoritism" and led to "more fairness" in promotions (Senior Executive). In general, standardized human resource practices could still have substantial bias, as previous studies have shown (e.g., Kalev, Dobbin, and Kelly 2006). Nonetheless, standardization generally increases transparency and accountability and limits managerial discretion, which should help curb bias and discrimination. Similar to "getting rid of the deadwood," standardization is part of the general effort to improve process efficiency and performance, but could have the side-effect of reducing racial and gender bias in personnel decisions.

Bringing in Diversity Practices

Finally, some informants also mentioned using post-acquisition restructuring to introduce diversity practices. One senior executive described how she added diversity consideration to an acquired firm's recruiting process.

> They [the acquired firm] had a very homogenous workforce, mostly white men... So after some time I said to their HR: "for nine positions I'd expect to see four or five women candidates. It's not a policy. It's just a stated belief that we are going to give women and [racial] minorities an opportunity." ... and they've been doing that ever since (Senior Executive).

Another senior executive recalled the changes that their team made to an acquired firm:

> One thing we did coming in was to create support mechanisms. [We established] women's group or LGBT groups or people of color groups that really try to create networking opportunities and support to keep people from leaving and feel like they have a voice. And we put senior sponsorship, meaning senior level managers, over those teams, over those groups, to show that senior management is really focused and serious about it (Senior Executive).

Facing increasing public pressure, acquiring firms may introduce certain diversity practices to acquired firms, especially if they are unhappy with the diversity progress there.

In sum, four mechanisms emerged from my qualitative data. Table 8 summarizes how each of these mechanisms relates to my main empirical findings. The two mechanisms based on personnel reshuffling – getting rid of the deadwood and retaining racial minorities and women – should have an immediate effect in reducing racial and gender gaps post acquisition. These mechanisms were raised consistently by most of my informants. The two mechanisms focused on changing organizational practices – standardizing human resource practices and introducing diversity practices – should affect racial and gender equality in the longer-term, and they were mentioned by a smaller number of my informants. Consistent with this pattern, my main empirical analyses based on EEO data show a large reduction in

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racial and gender gaps immediately following an acquisition, and a smaller but continuous improvement in racial and gender equality in the longer-term.

[insert Table 8 about here]

In addition, the two mechanisms specifically addressing diversity – retaining racial minorities and women and introducing diversity practices – assume that acquiring firms are attentive to diversity issues. These are consistent with the main finding that acquiring firms' diversity levels strongly moderate the acquisition effect. Similarly, in those cases where my informants mentioned standardizing human resource practices and introducing new diversity practices to the acquired firm, they were often unsatisfied with the acquired firm's existing practices and the lack of attention to race and gender issues. This may help explain why the acquisition effect is the strongest in those acquired establishment with poor racial and gender equality.

DISCUSSION AND CONCLUSION

This study theorizes how certain disruptive events could improve racial and gender inequality in the workplace. By breaking down entrenched hierarchies and long-standing routines, disruptive events could serve as an opportunity to alter practices and routines to reduce racial and gender inequality and to reshuffle employees to create more opportunities for racial minorities and women. I test this theoretical proposition by examining an important but rarely-studied event in the inequality literature – mergers and acquisitions. Using a nationally representative sample of firms covering 37,343 acquisitions, I find that acquisitions significantly reduce the proportion of white men in management, increase the proportion of racial minorities and women in management, and decrease overall racial and gender segregation in the acquired establishment. These effects are stronger when (a) the acquiring firm has greater racial and gender equality and (b) the acquired establishment had larger racial and gender gaps prior to being acquired.

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Contribution to the Literature on Racial and Gender Inequality

This study contributes to the organizational literature on racial and gender inequality. Despite various efforts by organizations, racial minorities and women continue to face significant disadvantages in the labor market. As Figure 3, 4, and 5 show, they are much less likely than whites and men to be in management positions. These gaps have not changed significantly over the past few decades. For example, blacks were 65 percent less likely than whites to be in management in 1980, and they were still 56 percent less likely in 2015. A major objective for social scientists is to understand the drivers of these persistent gaps and find solutions for them.

Much effort has gone into this endeavor and a rich literature on organizational inequality has emerged (Stainback, Tomaskovic-Devey, and Skaggs 2010). The literature has largely focused on how different organizational practices, policies, and strategies influence racial and gender gaps. The findings are often mixed, but generally paint a pessimistic picture. Many practices, even those initially intended to reduce bias and inequality, end up reinforcing existing hierarchies and contributing to the racial and gender disparities (Castilla 2008; Castilla and Benard 2010; Dobbin, Schrage, and Kalev 2015). It is puzzling why so few organizational efforts are effective.

Perhaps our literature is missing a few concepts. First, much attention has been given to "what" and "how": what practices and strategies improve diversity; what organizational routines exacerbate discrimination; how these practices and strategies affect racial minorities and women. In contrast, there is almost no attention to "when": when should we expect to see improvement in race and gender gaps? When is the best time to implement changes that would improve the standings of racial minorities and women? Bringing in a temporal dimension could be important. After all, performance is the bottom line for most organizations and it is often prioritized over equality- or diversity-related goals. Pushes for equality are more likely to succeed when the timing is compatible with performance objectives. For example, if a firm is about to launch a new product and needs to maintain

its public image, then the senior management may be more likely to embrace diversity- or equality-related practices. In contrast, if a firm is resource constrained and faces immediate bankruptcy, then it is probably much less willing to push for equality-related objectives.

This leads to my second point: organizational theories of race and gender inequality seldom consider other organizational activities and concerns – such as performance goals, mergers, and competitor changes – that, at least on surface, have no direct connection to race- or gender-related outcomes. But these variables could have direct impacts on performance and are therefore quite important to senior management. Thus, they could influence organizational decision making and indirectly impact racial and gender inequality. For example, let us imagine that a Japanese firm decides to expand overseas or rely on foreign investors. In preparation, it may become more concerned about its image with a global audience, which may prompt it to increase the gender diversity on its board (Mun and Jung 2018). In this hypothetical example, the firm's decision to expand overseas may end up playing a pivotal role in improving board gender equality. In short, we may gain a better understanding of organizational inequality by considering not only variables explicitly related to inequality, but also other organizational activities and concerns that are important to senior management.

A theory of disruptive events and inequality takes a step toward incorporating these two directions. First, certain disruptive events – such as mergers and acquisitions – are important to organizations but are not intended to address race and gender issues. Consequently, they have not received much attention in the inequality literature. But since inequality can be entrenched and is resistant to small nudges, these big events inadvertently create an opportunity for firms to shift their racial and gender dynamics. Hence, these events – although seemingly unrelated to inequality – in fact have important implications for inequality outcomes. Second, this study points to the need to consider an organization's timeline: we are more likely to see progress on racial and gender inequality at certain junctions, such as right after an acquisition. Understanding "when" firms are more likely to

improve inequality can complement our understanding of "what" improves inequality and "how" to go about it.

This study paves the way for additional, broader work on disruptive events and their relationship to inequality. In the last few decades, events related to technological change, globalization, deregulation, natural disasters, and other macro trends have forced many organizations to reassess their positions and fundamentally change their day-to-day operations (Asgari, Singh, and Mitchell 2017). These disruptive events have been rising in frequency and there are reasons to expect this trend to continue. How these disruptive events shape organizational inequality may thus become a question of increasing interest. This study shows that mergers and acquisitions increase equality, but other types of disruptive events may follow a different pattern. Hence, much more work is needed toward a complete understanding of this increasingly relevant topic.

Contribution to the Literature on Skill Gap

Disruptive events break down routines and culture and offer an opportunity for organizations to make major structural changes. Firms could use these opportunities to adopt new technologies and create a more efficient workforce, both of which would lead to more high-skilled positions and fewer low-skilled ones. This is the pattern that I found. In contrast to its positive effect on reducing racial and gender inequality, post-acquisition restructuring leads to skill-biased occupational reconfiguration that results in more jobs for professionals but fewer jobs for middle managers, back-office workers, and blue-collar workers. Professional positions generally require a college degree and are considered high-skilled jobs, while back-office and blue-collar positions are generally considered medium- and low-skilled positions. Therefore, the acquisition effect on occupational reconfiguration could contribute to the rising wage gap between high- and low-skilled workers, as changes in job supply have direct impact on wages (Autor, Dorn, and Hanson 2016; DiPrete 2007; Fligstein and Shin 2004; Kalleberg 2011; Levy and Murnane 1992; Neckerman and Torche 2007).

The acquisition effect on the skill gap is very different from that on racial and

gender gaps. In an era which prizes efficiency, organizations are likely to seize opportunities to streamline their workforces by replacing or removing low-skilled workers or outsourcing their work. Therefore, disruptive events – in this case, mergers and acquisitions – do not unambiguously reduce all inequalities: while they improve the prospects for racial minorities and women, they may reduce the prospects for low-skilled workers.

Limitations and Generalizability

Several limitations are worth mentioning. First, there is a need to better understand different types of M&A events. Firms make acquisitions for a variety of reasons and carry them out in a number of different ways. This paper shows that acquisition events increase racial and gender equality on the aggregate, but it does not differentiate between different types of acquisition events. Relatedly, my empirical sample is composed of medium-sized and larger firms, who tend to feel greater regulatory and social pressure to improve racial and gender equality. It remains unclear if the same post-acquisition effect applies to those smaller firms not under EEO regulations and facing less public pressure. Finally, this paper only considers establishments that stayed open post acquisition. It is possible that these establishments have certain characteristics that make them systematically different from the closed establishments.

Second, although this study finds clearly improved managerial representation and reduced segregation, there are a few scenarios such that this progress may be over-estimated. For example, it is possible that acquisition reduces managerial pay, in which case racial minorities and women may simply be sorted into lower-paying managerial positions. As another possibility, some firms may manipulate the numbers or inflate managerial titles during these periods of high scrutiny to please regulators and the public.

Third, this study raises a question of which racial minorities and women benefit from an acquisition. While the analysis shows improvement in managerial ranks, it does not show strong increase in diversity in non-managerial positions. Given that managerial positions tend to favor those with better training and education, it is possible that a post-acquisition

shake up would benefit mostly college-educated racial minorities and women, while having much less positive impact, if any at all, on the less-educated racial minorities and women. This possibility underscores a potentially important intersectionality between race/gender and occupational class.

Finally, the idea that certain disruptive events may reduce racial and gender gaps may also be extended to other important organizational outcomes. In general, when organizations want to – or feel pressured to – achieve certain objectives that are not of first-order importance, disruptive events could help speed up the process. For instance, this paper finds that disruptive events increases racial and gender equality and leads to occupational reconfiguration that favors higher-skilled workers, which is consistent with the broad directions that many firms are targeting: building a diverse and streamlined workforce. Extending this concept, I expect disruption to have a similar effect on other outcomes, such as environmental initiatives, community outreach, and other dimensions of corporate social responsibility (CSR). For example, it is possible that a manufacturing firm may feel pressured to improve its environmental performance but has been reluctant to do so in fear of disrupting existing routines. But a disruptive event such as a major restructuring could push the firm to modify its practices to better align with their purported stance on environment. In short, disruptive events could be valuable because they shake things up.

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TABLES AND FIGURES
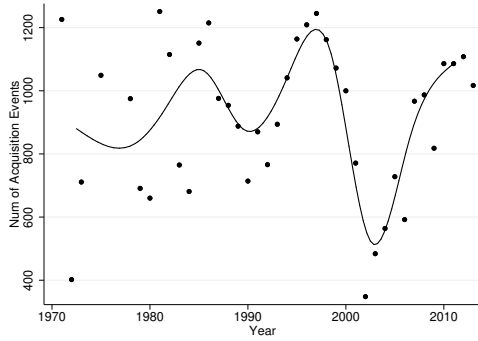
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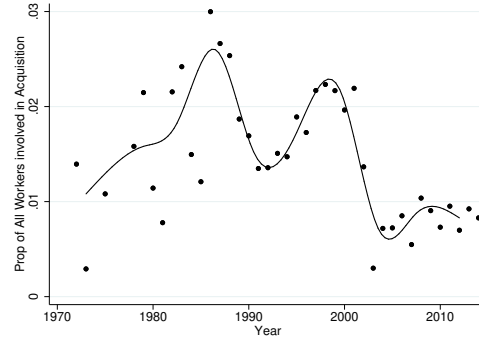
(b) Proportion of Workers Affected

Figure 1: Trend in Merger and Acquisition Activities over Time
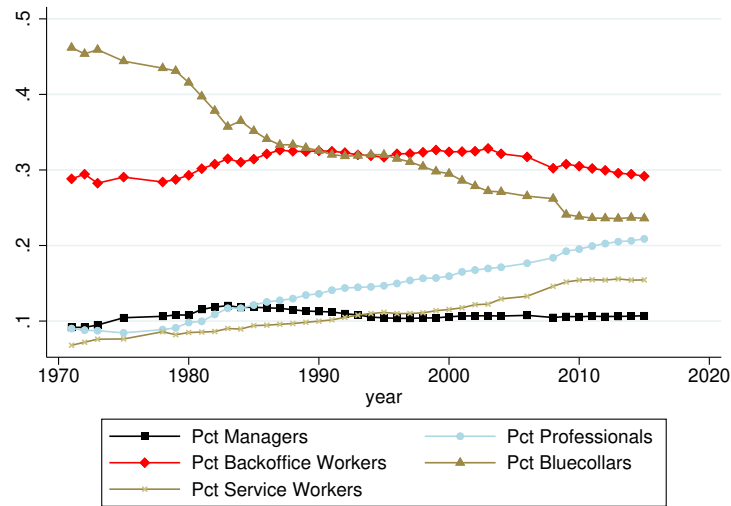
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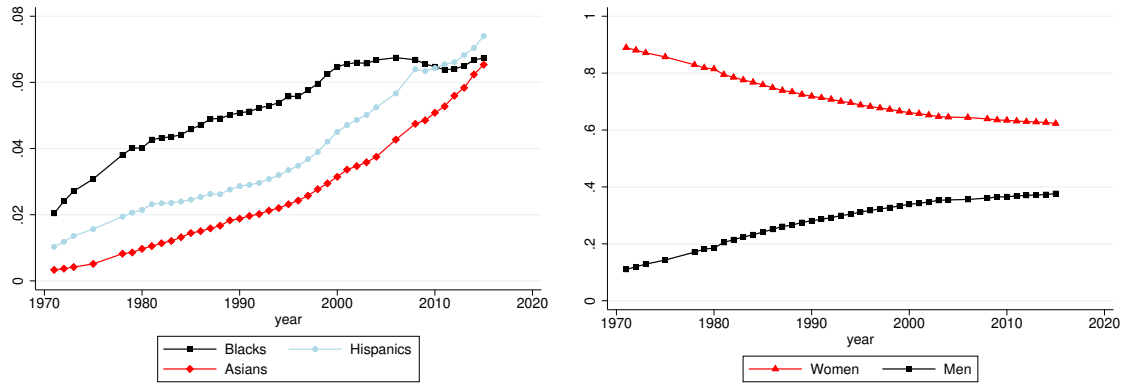
(a) Racial Composition among Managers

(b) Gender Composition among Managers

Figure 3: Managerial Composition over Time
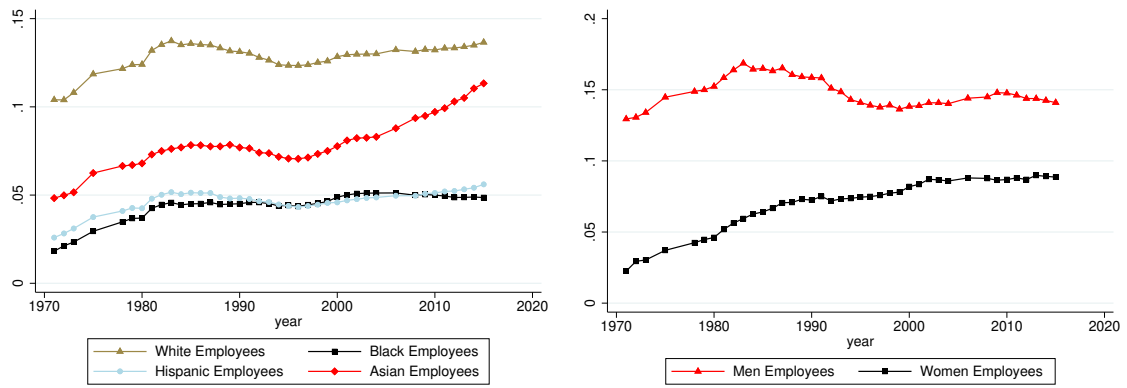
(a) Prop of Managers in Each Racial Group

(b) Prop of Managers in Each Gender Group

Figure 4: Likelihood of Being in Management
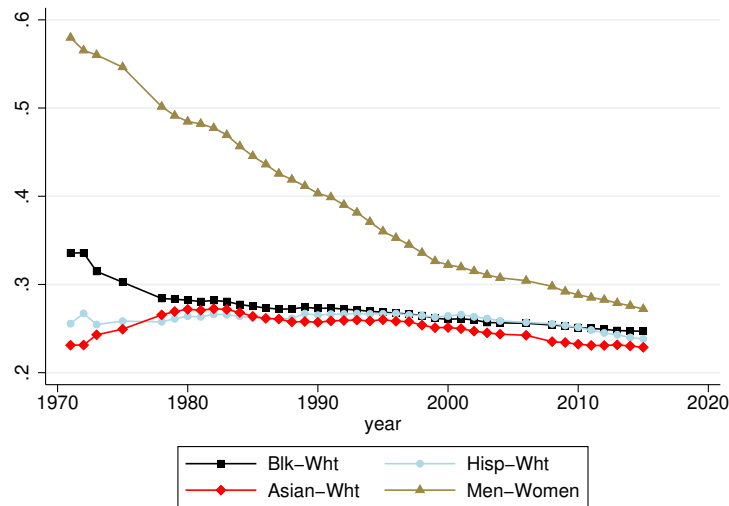
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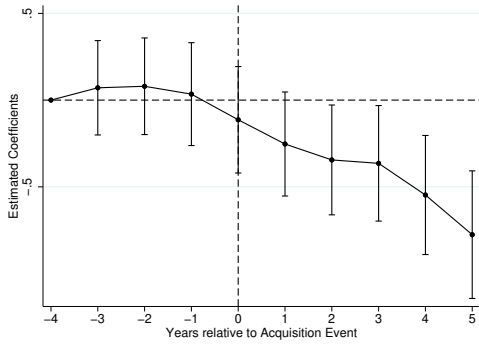
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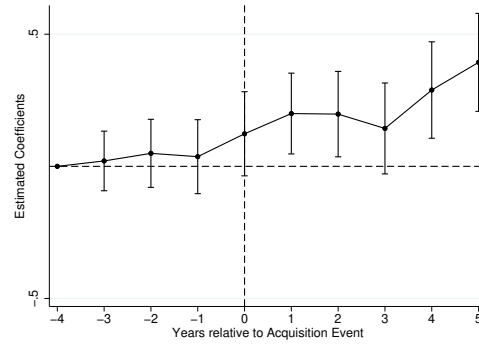
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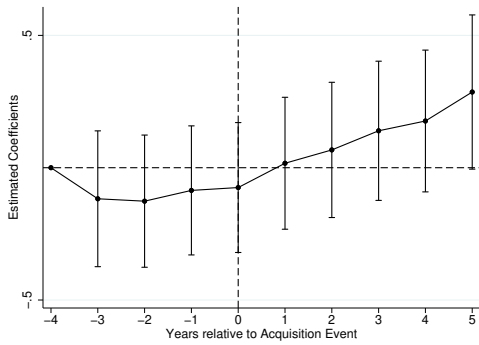
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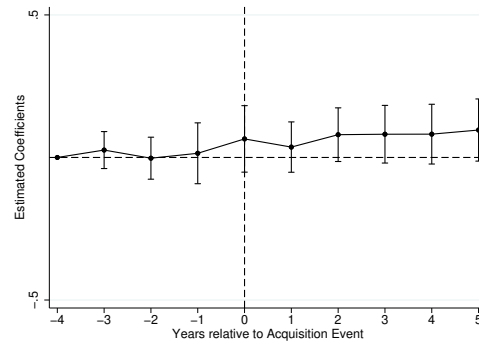
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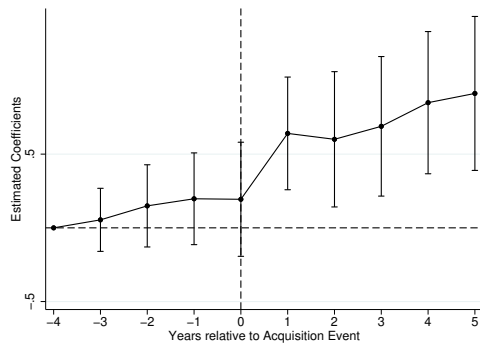
(e) Pct Women Managers

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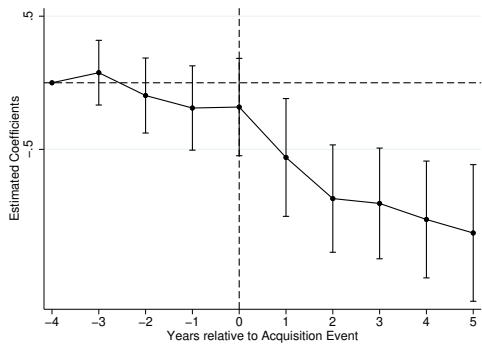
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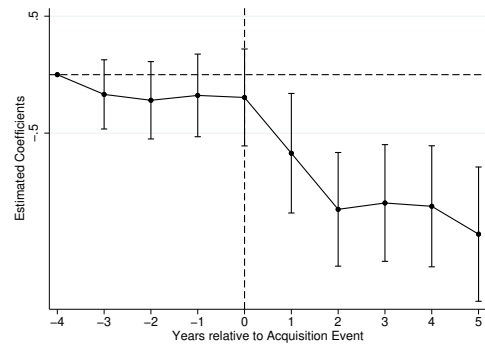
(g) Hispanic-White Segregation
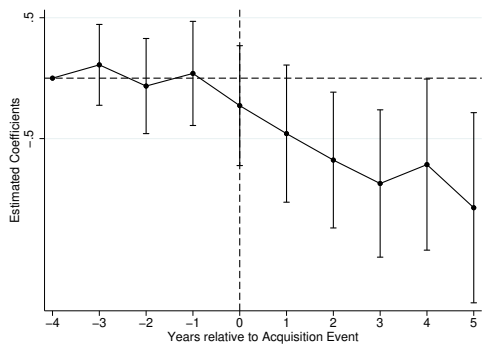
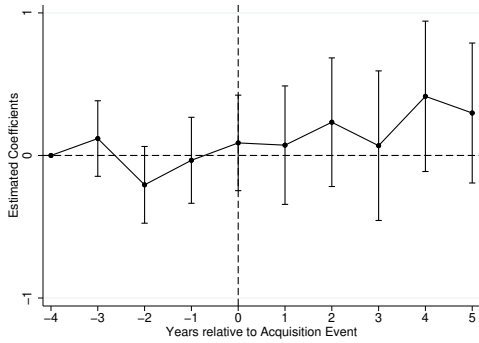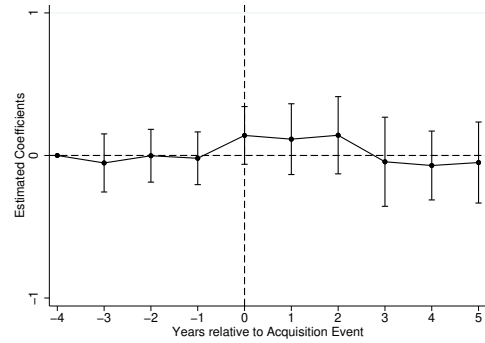(h) Asian-White Segregation
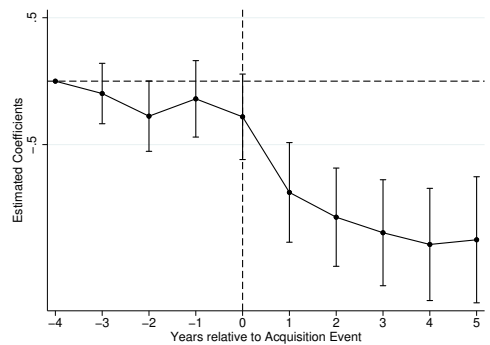
(i) Men-Women Segregation

Figure 6: Predicted Change in Managerial Diversity and Occupational Segregation before and after an Acquisition Event
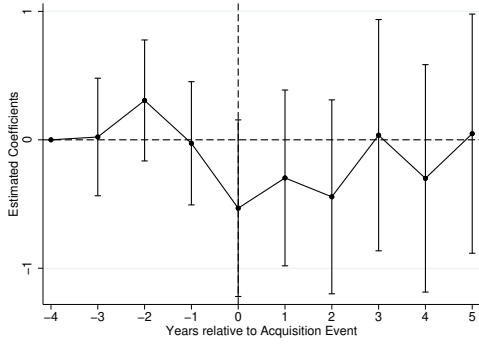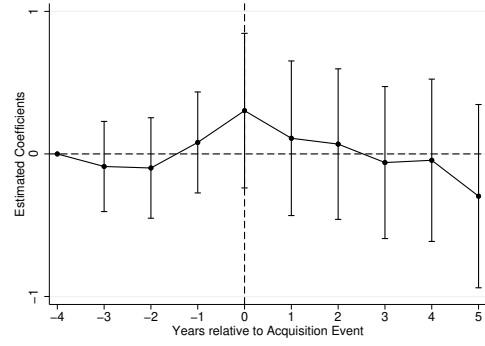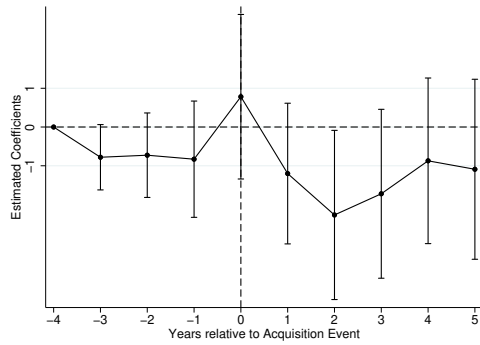
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(a) Pct White Managers

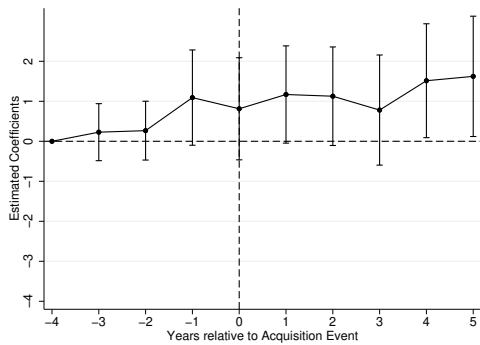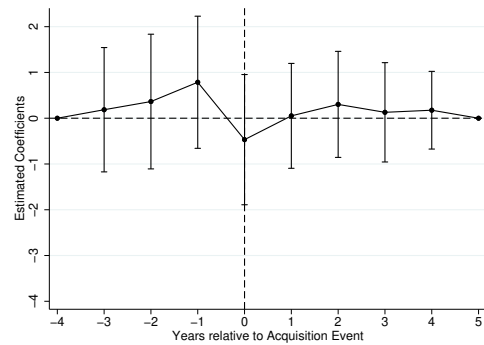(b) Pct Black Managers

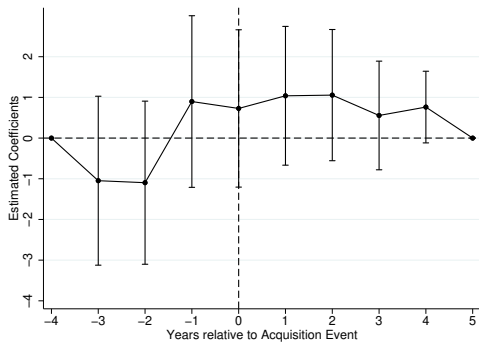(c) Pct Hispanic Managers
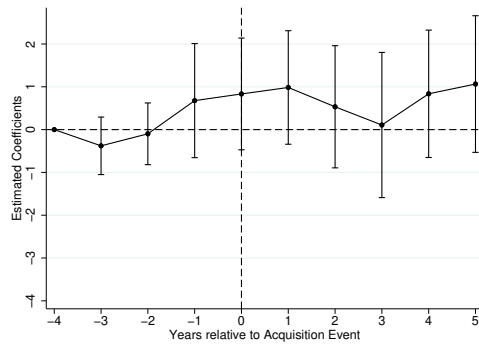
(d) Pct Asian Managers

(e) Pct Women Managers

(f) Blk-Wht Segregation

(g) Hisp-Wht Segregation

(h) Asian-Wht Segregation

(i) Men-Women Segregation

Figure 7: Placebo Test: Predicted Change in Managerial Diversity and Occupational Segregation before and after a Withdrawn Acquisition Announcement

Table 1: Comparing Means for Treatment and Control Groups before an Acquisition Event

	Treatment mean	Control mean	Rest of Sample mean
Pct White Managers	87.402	87.097	83.996
Pct Black Managers	5.500	5.410	6.793
Pct Hispanic Managers	5.010	5.317	6.703
Pct Asian Managers	2.089	2.175	2.508
Pct Women Managers	30.999	31.245	35.331
Pct White Workers	72.818	72.985	70.034
Pct Black Workers	12.486	12.070	12.941
Pct Hispanic Workers	10.149	10.343	11.805
Pct Asian Workers	3.348	3.289	3.465
Pct Women Workers	48.518	48.638	50.264
Blk-Wht Occupational Segregation	29.943	29.994	28.784
Hisp-Wht Occupational Segregation	31.735	31.840	30.258
Asian-Wht Occupational Segregation	34.985	34.482	33.200
Men-Women Occupational Segregation	39.855	40.460	37.532
Pct Managers	12.861	13.329	13.635
Pct Professionals	12.108	12.062	11.677
Pct Backoffice Workers	40.416	40.205	43.056
Pct Bluecollar Workers	27.556	26.682	22.388
Pct Service Workers	14.116	14.259	14.355

Table 2: Diff-in-Diff Models: Downsizing and Occupational Change Before and After Acquisition

	Total Employees	Pct Managers	Pct Profs	Pct Backoffice	Pct Bluecollars	Pct Service
Post Acquisition Period x Treat Establishment	-0.0249***	-0.500***	0.426***	-0.392*	0.252	-0.0701
	(0.00467)	(0.0903)	(0.0863)	(0.180)	(0.141)	(0.118)
Total Num Workers (log)		-4.877***	-0.656***	-2.338***	4.434***	1.223***
		(0.0700)	(0.0660)	(0.128)	(0.110)	(0.0628)
Establishment Age (proximation)	-0.00318***	0.0723***	0.176***	-0.271***	-0.0718***	-0.0616***
	(0.000600)	(0.00753)	(0.0107)	(0.0223)	(0.0152)	(0.0149)
Post Acquisition Period	0.0186***	0.174***	-0.0444	0.0814	-0.236**	0.0988
	(0.00315)	(0.0436)	(0.0447)	(0.0993)	(0.0761)	(0.0715)
Observations	1432196	1432196	1432196	1432131	1432196	1432131
R^2	0.932	0.823	0.908	0.921	0.944	0.954
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 3: Diff-in-Diff Models: Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk–Wht	Hisp–Wht	Asian–Wht	Men–Women
Post Acquisition Period x Treat Establishment	-0.421***	0.176***	0.205***	0.0401	0.595***	-0.849***	-0.952***	-0.671**	-1.000***
	(0.0791)	(0.0483)	(0.0538)	(0.0329)	(0.156)	(0.141)	(0.166)	(0.213)	(0.137)
Total Num Workers (log)	-0.770***	0.343***	0.357***	0.0703**	1.767***	-5.762***	-6.176***	-6.297***	-4.796***
	(0.0567)	(0.0366)	(0.0361)	(0.0263)	(0.107)	(0.119)	(0.128)	(0.152)	(0.119)
Pct Managers	35.66***	-5.413	-20.29***	-9.949	21.04***	-7.230	-6.416	4.948	0.550
	(8.904)	(2.861)	(5.060)	(5.964)	(5.227)	(6.645)	(6.207)	(7.723)	(4.978)
Pct Professional Workers	45.35***	-9.766***	-23.67***	-11.91*	0.829	-8.968	-8.574	-11.57	-19.70***
	(8.858)	(2.854)	(5.038)	(5.939)	(5.141)	(6.675)	(6.238)	(7.754)	(5.002)
Pct Backoffice Workers	44.80***	-9.371**	-23.51***	-11.92*	2.618	-15.90*	-14.12*	-1.566	-15.35**
	(8.849)	(2.854)	(5.042)	(5.921)	(5.156)	(6.703)	(6.243)	(7.786)	(5.034)
Pct Blue Collars	45.00***	-9.440***	-23.56***	-12.00*	0.172	-12.73	-8.322	10.74	-4.960
	(8.861)	(2.851)	(5.044)	(5.926)	(5.129)	(6.683)	(6.206)	(7.785)	(5.010)
Pct Service Workers	44.57***	-9.307**	-23.43***	-11.84*	0.857	-18.52**	-18.91**	-1.488	-18.94***
	(8.859)	(2.857)	(5.043)	(5.924)	(5.184)	(6.703)	(6.289)	(7.833)	(5.033)
Establishment Age (proximation)	-0.178***	0.130***	0.0222*	0.0262***	0.455***	-0.236***	-0.280***	-0.242***	-0.318***
	(0.0149)	(0.00969)	(0.00922)	(0.00588)	(0.0224)	(0.0238)	(0.0276)	(0.0350)	(0.0285)
Post Acquisition Period	0.198**	-0.0933*	-0.0736	-0.0316	-0.172	0.389***	0.381***	0.161	0.254**
	(0.0678)	(0.0430)	(0.0434)	(0.0242)	(0.102)	(0.0850)	(0.0981)	(0.127)	(0.0823)
Observations	1432196	1432196	1432196	1432196	1432196	1113726	956784	745850	1374993
R^2	0.770	0.712	0.748	0.715	0.810	0.739	0.740	0.753	0.854
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Acquiring Firm Char.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 4: Moderating the Acquisition Effects: Acquiring Firm's Racial and Gender Equality

	Acquiring Firm: High Equality				Acquiring Firm: Low Equality			
	Pct Min Mgr	Pct Wom Mgr	B-W Seg	Gender Seg	Pct Min Mgr	Pct Wom Mgr	B-W Seg	Gender Seg
Post Acquisition Period x Treat Establishment	0.561*	1.481***	-2.135***	-2.176***	0.152*	0.313	-0.383*	-0.430*
	(0.224)	(0.359)	(0.374)	(0.351)	(0.0714)	(0.370)	(0.183)	(0.185)
Total Num Workers (log)	1.446***	2.613***	-4.561***	-4.310***	0.381***	1.265***	-6.325***	-4.729***
	(0.154)	(0.302)	(0.302)	(0.230)	(0.0704)	(0.211)	(0.201)	(0.182)
Pct Managers	-31.35**	51.09*	-16.92	-9.074	-22.14*	3.005	-16.90	12.32
	(11.47)	(20.56)	(10.47)	(5.689)	(9.535)	(8.527)	(18.51)	(13.58)
Pct Professional Workers	-45.28***	23.21	-14.19	-34.23***	-27.40**	-13.55	-15.50	-6.323
	(11.50)	(20.57)	(10.68)	(5.890)	(9.532)	(8.349)	(18.51)	(13.59)
Pct Backoffice Workers	-44.04***	26.60	-25.83*	-30.70***	-28.23**	-11.30	-17.98	-1.265
	(11.47)	(20.60)	(10.64)	(5.914)	(9.501)	(8.314)	(18.52)	(13.66)
Pct Blue Collars	-44.42***	23.53	-10.80	-13.52*	-28.34**	-13.64	-25.18	6.008
	(11.56)	(20.51)	(10.74)	(6.356)	(9.520)	(8.277)	(18.49)	(13.53)
Pct Service Workers	-44.15***	23.95	-24.59*	-33.49***	-27.67**	-14.55	-22.02	-5.579
	(11.52)	(20.65)	(10.62)	(5.932)	(9.521)	(8.371)	(18.47)	(13.65)
Establishment Age (proximation)	0.384***	0.707***	-0.192***	-0.0922	0.0733***	0.332***	-0.283***	-0.489***
	(0.0602)	(0.0718)	(0.0541)	(0.0617)	(0.0136)	(0.0714)	(0.0382)	(0.0336)
Post Acquisition Period	0.0326	-0.400	0.310	0.0102	-0.144*	-0.290	0.383*	0.302
	(0.187)	(0.258)	(0.204)	(0.174)	(0.0649)	(0.243)	(0.169)	(0.156)
Observations	345536	319720	251506	335191	323510	361678	233548	304749
R^2	0.765	0.728	0.729	0.773	0.662	0.781	0.651	0.787
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Acquiring Firm Char.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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Table 5: Moderating the Acquisition Effects: Racial and Gender Inequality in the Acquired Establishment Prior to Acquisition

	Acquired Est: Had High Inequality				Acquired Est: Had Low Inequality			
	Pct Min Mgr	Pct Wom Mgr	B-W Seg	Gender Seg	Pct Min Mgr	Pct Wom Mgr	B-W Seg	Gender Seg
Post Acquisition Period x Treat Establishment	1.263*** (0.116)	1.601*** (0.213)	-2.164*** (0.174)	-2.257*** (0.185)	-0.162 (0.106)	-0.298 (0.191)	0.562*** (0.164)	0.172 (0.156)
Total Num Workers (log)	1.256*** (0.0749)	2.584*** (0.127)	-6.668*** (0.150)	-5.751*** (0.149)	0.247** (0.0833)	0.895*** (0.151)	-4.635*** (0.147)	-3.719*** (0.143)
Pct Managers	-11.46 (6.450)	30.33*** (7.523)	-1.010 (9.699)	8.815 (7.708)	-61.71*** (14.50)	13.00 (9.665)	-12.04 (9.427)	-4.220 (6.339)
Pct Professional Workers	-24.54*** (6.443)	1.703 (7.505)	-3.248 (9.697)	-12.23 (7.708)	-67.21*** (14.43)	0.784 (9.538)	-13.12 (9.601)	-23.64*** (6.343)
Pct Backoffice Workers	-24.35*** (6.454)	2.010 (7.522)	-10.25 (9.713)	-4.753 (7.716)	-66.21*** (14.42)	4.101 (9.550)	-19.41* (9.616)	-22.56*** (6.369)
Pct Blue Collars	-24.24*** (6.451)	0.871 (7.465)	-7.424 (9.691)	7.621 (7.695)	-66.82*** (14.43)	0.00105 (9.546)	-16.75 (9.545)	-15.27* (6.364)
Pct Service Workers	-23.74*** (6.466)	0.310 (7.584)	-11.57 (9.733)	-8.726 (7.772)	-66.21*** (14.43)	1.699 (9.560)	-23.56* (9.585)	-27.12*** (6.352)
Establishment Age (proximation)	-0.0715*** (0.0215)	0.159*** (0.0265)	-0.0649* (0.0296)	-0.342*** (0.0257)	0.391*** (0.0226)	0.736*** (0.0352)	-0.390*** (0.0330)	-0.255*** (0.0515)
Post Acquisition Period	1.771*** (0.0990)	2.512*** (0.143)	-2.387*** (0.127)	-1.707*** (0.117)	-2.108*** (0.116)	-2.783*** (0.157)	3.243*** (0.121)	2.330*** (0.123)
Observations	673350	686733	532156	685640	733517	720153	510119	669261
R^2	0.544	0.637	0.646	0.801	0.819	0.795	0.648	0.755
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Acquiring Firm Char.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table 6: Moderating the Acquisition Effects: Unemployment Rate?

	Managerial Composition		Segregation Level	
	Pct Minority	Pct Women	Blk-Wht	Men-Women
Post Acquisition Period x Treat Establishment	0.423*	0.794*	-1.137***	-1.491***
	(0.193)	(0.363)	(0.305)	(0.295)
Post Acquisition Period x Treat Establishment x State Unemployment Rate	0.133	-3.052	3.960	7.630
	(2.806)	(5.540)	(4.654)	(4.351)
Total Num Workers (log)	0.755***	1.696***	-5.756***	-4.792***
	(0.0583)	(0.109)	(0.122)	(0.120)
Establishment Age (proximation)	0.188***	0.452***	-0.238***	-0.318***
	(0.0155)	(0.0230)	(0.0246)	(0.0283)
Post Acquisition Period	-0.552***	-0.210	0.567**	0.229
	(0.153)	(0.251)	(0.215)	(0.177)
Observations	1411122	1411122	1099306	1354472
R^2	0.770	0.810	0.741	0.856
Year Fixed Effects	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes
Controls: Labor Market Demographics	Yes	Yes	Yes	Yes
Controls: Workers' Demographics	Yes	Yes	Yes	Yes
Controls: Occupational Composition	Yes	Yes	Yes	Yes
Controls: Acquiring Firm Char.	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.
$* p < 0.05$, $** p < 0.01$, $*** p < 0.001$

Table 7: Proposed Mechanisms based on Qualitative Data

	Focusing on Performance	Focusing on Diversity
Personnel Reshuffling	**Getting Rid of the Deadwood:** let go of the older employees who no longer fit organizational needs and promote younger employees, among whom there is a higher proportion of racial minorities and women.	**Retaining Racial Minorities and Women:** concerned about lawsuit and public image, acquiring firm pays attention to diversity numbers during post-acquisition reshuffling.
Routines and Practices	**Standardizing Human Resource Practices:** standardize hiring and promotion procedures to reduce managerial favoritism and bias.	**Introducing Diversity Practices:** acquiring firm introduces diversity practices and programs to the acquired establishment, especially when the acquired establishment had less equality pre-acquisition.

Table 8: Empirical Evidence on Proposed Mechanisms

Personnel Reshuffling	Evidence in Support	Evidence Against
Getting Rid of the Deadwood: let go of the older employees who no longer fit organizational needs and promote younger employees, among whom there is a higher proportion of racial minorities and women.	• An immediate increase in racial and gender equality after being acquired.	
Retaining Racial Minorities and Women: concerned about lawsuit and public image, acquiring firm pays attention to diversity numbers during post-acquisition reshuffling	• An immediate increase in racial and gender equality after being acquired. • The effects are stronger when the acquiring firm had greater equality. • The effects are stronger when the acquired establishment had less equality pre-acquisition.	
Changes in Routines and Practices	**Evidence in Support**	**Evidence Against**
Standardizing Human Resource Practices: standardize hiring and promotion procedures to reduce managerial favoritism and bias.	• Improvement in racial and gender equality continues over time, albeit at a slower pace. • The effects are stronger when the acquired establishment had less equality pre-acquisition.	
Introducing Diversity Practices: acquiring firm introduces diversity practices and programs to the acquired firm, especially when the acquired firm has poor diversity.	• Improvement in racial and gender equality continues over time, albeit at a slower pace. • The effects are stronger when the acquiring firm had greater equality. • The effects are stronger when the acquired establishment had less equality pre-acquisition.	

Table 8 – *Continued from previous page*

Notable Alternative Explanations	Evidence in Support	Evidence Against
Volunteer Departures: whites and men, having better outside options, voluntarily leave after being acquired.	• An immediate increase in racial and gender equality after being acquired.	• The effects are unrelated to economic conditions and unemployment rate. • Does not explain why the acquisition effects vary depending the acquiring firm's equality.
Internal Transfer: workers move from the acquiring firm to the acquired establishment.	• The effects are stronger when the acquiring firm had greater equality. • The effects are stronger when the acquired establishment had less equality pre-acquisition.	• Acquiring firms, on average, do not have greater racial and gender equality than acquired establishments. • When the acquiring firm had less racial and gender equality than the acquired establishment pre-acquisition, the opposite spillover does not occur. • The effects are not moderated by the physical distance between the acquiring firm and the acquired establishment. • No significant post-acquisition change in either occupational or demographic composition in the acquiring firm.

APPENDICES

Table A.1: Fixed Effects Models without Matching: Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women
Post Acquisition	-0.441***	0.212***	0.210***	0.0191	0.545***	-0.652***	-0.615***	-0.528**	-0.706***
	(0.0742)	(0.0437)	(0.0490)	(0.0262)	(0.164)	(0.130)	(0.150)	(0.204)	(0.138)
Total Num Workers (log)	-0.718***	0.347***	0.330***	0.0413*	1.900***	-5.728***	-5.991***	-6.151***	-5.382***
	(0.0666)	(0.0388)	(0.0385)	(0.0204)	(0.155)	(0.130)	(0.141)	(0.181)	(0.204)
Pct Managers	25.92***	-9.256***	-9.629***	-7.033***	14.06***	1.439	-0.656	4.042	3.004
	(3.384)	(1.950)	(1.724)	(1.797)	(2.119)	(2.215)	(2.136)	(3.110)	(1.776)
Pct Professional Workers	34.63***	-13.15***	-12.82***	-8.673***	-3.728	1.328	-1.034	-14.30***	-14.43***
	(3.364)	(1.934)	(1.718)	(1.794)	(2.067)	(2.475)	(2.402)	(3.140)	(2.062)
Pct Backoffice Workers	33.72***	-12.79***	-12.39***	-8.536***	-2.813	-4.122	-5.779*	-0.496	-6.442**
	(3.338)	(1.924)	(1.705)	(1.764)	(2.084)	(2.515)	(2.416)	(3.192)	(2.284)
Pct Blue Collars	33.57***	-12.57***	-12.43***	-8.571***	-4.668*	0.541	1.111	11.84***	5.039*
	(3.362)	(1.939)	(1.714)	(1.770)	(2.134)	(2.694)	(2.610)	(3.569)	(2.242)
Pct Service Workers	33.25***	-12.46***	-12.24***	-8.549***	-2.232	-5.819*	-8.651**	0.400	-9.548***
	(3.354)	(1.946)	(1.715)	(1.772)	(2.140)	(2.873)	(2.825)	(3.984)	(2.108)
Establishment Age (proximation)	-0.110***	0.114***	-0.0236***	0.0193***	0.445***	-0.175***	-0.294***	-0.257***	-0.366***
	(0.00775)	(0.00639)	(0.00425)	(0.00283)	(0.0141)	(0.0146)	(0.0192)	(0.0238)	(0.0219)
Observations	9433838	9433838	9433838	9433838	9433838	7085199	6228504	4503153	9365384
R^2	0.766	0.717	0.746	0.706	0.790	0.742	0.739	0.737	0.844
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

$* p < 0.05$, $** p < 0.01$, $*** p < 0.001$

Table A.2: Diff-in-Diff Models: Worker Composition Before and After Acquisition

	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women
Post Acquisition	-0.345***	0.294***	-0.0740	0.0859	-0.161*
Period x Treat Establishment	(0.0741)	(0.0580)	(0.0727)	(0.0479)	(0.0649)
Total Num Workers	-1.886***	1.030***	0.567***	0.167***	-0.473***
(log)	(0.0675)	(0.0424)	(0.0423)	(0.0281)	(0.0783)
Pct Managers	142.1***	19.46***	17.53***	12.52***	37.57***
	(4.765)	(2.713)	(2.716)	(2.183)	(4.933)
Pct Professional	149.3***	15.54***	14.47***	13.88***	16.22***
Workers	(4.759)	(2.709)	(2.704)	(2.176)	(4.918)
Pct Backoffice	141.9***	20.94***	18.10***	11.74***	24.53***
Workers	(4.757)	(2.709)	(2.697)	(2.163)	(4.925)
Pct Blue Collars	134.1***	24.16***	22.23***	12.09***	8.173
	(4.753)	(2.707)	(2.699)	(2.164)	(4.939)
Pct Service Workers	135.4***	24.65***	20.67***	11.96***	16.04**
	(4.759)	(2.718)	(2.700)	(2.165)	(4.941)
Establishment Age	-0.466***	0.248***	0.124***	0.0570***	0.0448***
(proximation)	(0.0172)	(0.0106)	(0.0114)	(0.00592)	(0.0129)
Post Acquisition	0.161**	-0.100*	-0.0529	0.0102	-0.0366
Period	(0.0616)	(0.0408)	(0.0473)	(0.0254)	(0.0488)
Observations	1421792	1421792	1421792	1422462	1422462
R^2	0.932	0.919	0.934	0.874	0.944
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.3: Rest of the Acquiring Firm (Non-Acquired Establishments): Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women
Acquisition Amount (Last 5 Years)	0.336 (0.243)	-0.360 (0.276)	0.0486 (0.239)	-0.0240 (0.140)	0.148 (0.763)	0.908 (0.709)	-0.0414 (0.790)	1.105 (0.868)	1.369 (0.871)
Total Num Workers (log)	-0.711*** (0.0307)	0.359*** (0.0454)	0.316*** (0.0455)	0.0358 (0.0242)	1.930*** (0.185)	-5.802*** (0.149)	-6.060*** (0.163)	-6.184*** (0.210)	-5.447*** (0.249)
Pct Managers	25.57*** (2.120)	-9.292*** (2.408)	-9.197*** (1.912)	-7.078*** (1.932)	13.70*** (2.356)	2.611 (2.471)	-0.885 (2.394)	4.147 (3.578)	3.123 (1.845)
Pct Professional Workers	34.25*** (2.113)	-13.24*** (2.385)	-12.36*** (1.905)	-8.653*** (1.926)	-4.570* (2.276)	2.754 (2.794)	-1.067 (2.695)	-14.32*** (3.607)	-14.75*** (2.192)
Pct Backoffice Workers	33.30*** (2.110)	-12.92*** (2.376)	-11.85*** (1.893)	-8.527*** (1.890)	-3.704 (2.294)	-2.715 (2.873)	-5.803* (2.731)	-0.129 (3.688)	-6.221* (2.451)
Pct Blue Collars	33.13*** (2.112)	-12.72*** (2.392)	-11.87*** (1.902)	-8.539*** (1.898)	-5.461* (2.374)	2.560 (3.071)	1.760 (2.958)	12.42** (4.093)	5.694* (2.473)
Pct Service Workers	32.90*** (2.115)	-12.64*** (2.400)	-11.71*** (1.902)	-8.553*** (1.899)	-3.043 (2.386)	-3.457 (3.335)	-7.736* (3.260)	1.577 (4.657)	-8.350*** (2.261)
Establishment Age (proximation)	-0.125*** (0.00478)	0.122*** (0.00789)	-0.0412*** (0.00522)	0.0199*** (0.00348)	0.527*** (0.0188)	-0.168*** (0.0159)	-0.285*** (0.0199)	-0.255*** (0.0247)	-0.427*** (0.0282)
Observations	7547204	7547204	7547204	7547204	7547204	5654330	4997838	3613581	7486781
R^2	0.771	0.723	0.752	0.714	0.792	0.748	0.743	0.739	0.848
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.4: Adding Industry-Year and State-Year Fixed Effects: Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women
Post Acquisition Period x Treat Establishment	-0.423***	0.204***	0.176***	0.0435	0.546***	-0.807***	-0.935***	-0.760***	-0.941***
	(0.0672)	(0.0453)	(0.0425)	(0.0250)	(0.128)	(0.117)	(0.128)	(0.145)	(0.109)
Total Num Workers (log)	-0.771***	0.363***	0.343***	0.0646*	1.692***	-5.645***	-6.039***	-6.172***	-4.640***
	(0.0564)	(0.0361)	(0.0355)	(0.0256)	(0.0936)	(0.112)	(0.116)	(0.134)	(0.112)
Pct Managers	29.06**	-7.349*	-18.62***	-3.085	21.45***	-6.872	-1.224	7.408	5.280
	(8.894)	(3.075)	(5.367)	(5.784)	(5.342)	(6.906)	(7.358)	(7.823)	(5.167)
Pct Professional Workers	38.66***	-11.68***	-21.96***	-5.019	1.094	-8.953	-4.287	-10.36	-14.99**
	(8.847)	(3.070)	(5.338)	(5.749)	(5.274)	(6.919)	(7.358)	(7.846)	(5.194)
Pct Backoffice Workers	38.42***	-11.36***	-21.97***	-5.084	3.042	-15.92*	-9.404	-0.450	-10.64*
	(8.848)	(3.073)	(5.342)	(5.744)	(5.275)	(6.923)	(7.359)	(7.905)	(5.229)
Pct Blue Collars	38.52***	-11.35***	-22.04***	-5.130	0.652	-12.90	-3.823	11.38	-0.460
	(8.850)	(3.072)	(5.344)	(5.743)	(5.256)	(6.932)	(7.348)	(7.866)	(5.211)
Pct Service Workers	38.21***	-11.35***	-21.92***	-4.931	1.303	-17.95**	-13.49	0.200	-13.78**
	(8.850)	(3.074)	(5.343)	(5.745)	(5.300)	(6.939)	(7.387)	(7.906)	(5.220)
Establishment Age (proximation)	-2.491	-1.177	1.965	0.194	1.981	-0.216	-12.17	0.556	-5.097
	(78525.1)	(49540.6)	(47896.9)	(31410.2)	(171800.4)	(178459.6)	(205996.3)	(226372.9)	(341040.3)
Post Acquisition Period	0.183**	-0.106**	-0.0404	-0.0366	-0.0742	0.387***	0.433***	0.282*	0.249**
	(0.0584)	(0.0401)	(0.0377)	(0.0213)	(0.0839)	(0.0913)	(0.100)	(0.127)	(0.0761)
Observations	1327062	1327062	1327062	1327062	1327062	1034337	878240	685688	1276376
R^2	0.780	0.725	0.761	0.738	0.825	0.738	0.738	0.751	0.859
SIC3 Ind x Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
State x Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

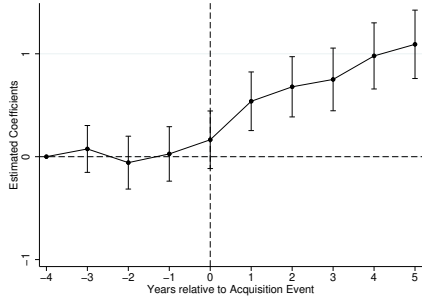Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.5: Including Establishment Size as Weights: Managerial Composition and Occupational Segregation Before and After Acquisition
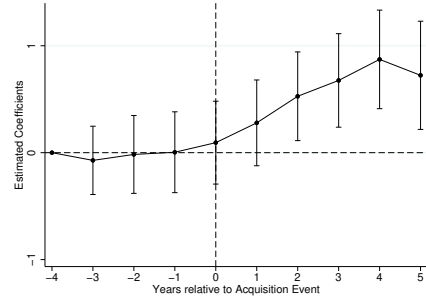
	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women
Post Acquisition Period x Treat Establishment	-0.372***	0.186***	0.148***	0.0378	0.480***	-0.616***	-0.708***	-0.426*	-0.712***
	(0.0657)	(0.0454)	(0.0378)	(0.0265)	(0.102)	(0.108)	(0.137)	(0.176)	(0.115)
Total Num Workers (log)	-0.645***	0.306***	0.343***	-0.00369	1.492***	-4.107***	-5.150***	-5.357***	-3.325***
	(0.0671)	(0.0403)	(0.0395)	(0.0277)	(0.124)	(0.126)	(0.149)	(0.181)	(0.139)
Pct Managers	111.0***	-20.44**	-48.08***	-42.45*	31.84*	2.810	-18.90	-9.911	6.950
	(22.68)	(7.920)	(9.035)	(21.08)	(14.78)	(11.44)	(10.87)	(8.543)	(4.885)
Pct Professional Workers	123.7***	-25.59**	-52.22***	-45.90*	11.60	2.007	-23.67*	-29.56***	-16.28***
	(22.57)	(7.885)	(8.988)	(21.00)	(14.65)	(11.49)	(10.75)	(8.502)	(4.906)
Pct Backoffice Workers	122.1***	-24.94**	-51.69***	-45.48*	14.58	-3.752	-26.63*	-18.27*	-9.120
	(22.57)	(7.889)	(8.994)	(20.99)	(14.65)	(11.47)	(10.74)	(8.590)	(4.910)
Pct Blue Collars	122.9***	-25.13**	-52.26***	-45.50*	12.48	-3.613	-23.76*	-11.44	-4.955
	(22.57)	(7.892)	(8.999)	(20.98)	(14.65)	(11.45)	(10.77)	(8.528)	(4.869)
Pct Service Workers	122.5***	-25.14**	-52.01***	-45.35*	13.20	-7.195	-30.58**	-18.67*	-14.82**
	(22.57)	(7.897)	(8.999)	(20.98)	(14.66)	(11.48)	(10.81)	(8.580)	(4.901)
Establishment Age (proximation)	-0.137***	0.0917***	0.0236**	0.0221***	0.417***	-0.243***	-0.453***	-0.415***	-0.430***
	(0.0126)	(0.00894)	(0.00768)	(0.00411)	(0.0177)	(0.0242)	(0.0415)	(0.0495)	(0.0262)
Post Acquisition Period	0.124*	-0.0735	-0.0443	-0.00591	-0.0413	0.255**	0.400***	-0.00391	0.155
	(0.0565)	(0.0396)	(0.0330)	(0.0206)	(0.0759)	(0.0865)	(0.117)	(0.139)	(0.0882)
Observations	1422462	1422462	1422462	1422462	1422462	1106603	952008	743229	1365522
R^2	0.832	0.775	0.815	0.795	0.888	0.756	0.748	0.775	0.880
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Est Size as Weights	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.6: Predicting the Likelihood of Establishment Closure Post Acquisition

	Likelihood of Closure
Being Acquired x Pct Black Managers	0.0233
	(0.0201)
Being Acquired x Pct Hispanic Managers	-0.0499*
	(0.0209)
Being Acquired x Pct Asian Managers	0.0621**
	(0.0222)
Being Acquired x Pct Women Managers	0.00748
	(0.0101)
Being Acquired x Est Size	-0.0704***
	(0.00328)
Pct Black Managers	0.0580***
	(0.0102)
Pct Hispanic Managers	0.0587***
	(0.0174)
Pct Asian Managers	-0.0179
	(0.0132)
Pct Women Managers	0.00389
	(0.00667)
Being Acquired	0.331***
	(0.0167)
Establishment Age	-0.00346***
(proximation)	(0.000211)
Observations	216687
R^2	0.363
SIC3 Ind x Year Fixed Effects	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Table A.7: Including Closed Establishments: Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition					Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women
Post Acquisition Period x Treat Establishment	-0.404***	0.165***	0.199***	0.0394	0.571***	-0.777***	-0.851***	-0.618**	-0.902***
	(0.0760)	(0.0465)	(0.0527)	(0.0306)	(0.149)	(0.139)	(0.166)	(0.205)	(0.134)
Total Num Workers (log)	-0.774***	0.327***	0.362***	0.0842***	1.670***	-5.744***	-6.195***	-6.239***	-4.773***
	(0.0538)	(0.0347)	(0.0338)	(0.0246)	(0.101)	(0.115)	(0.123)	(0.144)	(0.116)
Pct Managers	34.33***	-7.448**	-19.00***	-7.887	20.27***	-5.937	-2.872	5.728	3.633
	(8.055)	(2.691)	(4.556)	(5.368)	(4.772)	(6.323)	(6.030)	(7.085)	(4.552)
Pct Professional Workers	43.95***	-11.70***	-22.29***	-9.954	0.582	-8.342	-5.564	-11.77	-16.91***
	(8.006)	(2.684)	(4.537)	(5.340)	(4.690)	(6.369)	(6.059)	(7.135)	(4.569)
Pct Backoffice Workers	43.21***	-11.21***	-22.08***	-9.922	2.550	-14.64**	-10.78	-1.007	-12.18**
	(8.001)	(2.684)	(4.539)	(5.326)	(4.703)	(6.380)	(6.067)	(7.161)	(4.602)
Pct Blue Collars	43.53***	-11.30***	-22.20***	-10.02	-0.0433	-11.81	-5.287	10.87	-1.859
	(8.016)	(2.683)	(4.545)	(5.330)	(4.688)	(6.398)	(6.029)	(7.171)	(4.579)
Pct Service Workers	43.20***	-11.19***	-22.06***	-9.949	0.799	-17.46**	-15.68*	-1.628	-15.95***
	(8.012)	(2.686)	(4.542)	(5.329)	(4.738)	(6.428)	(6.112)	(7.221)	(4.600)
Establishment Age (proximation)	-0.193***	0.125***	0.0384***	0.0296***	0.450***	-0.252***	-0.290***	-0.254***	-0.348***
	(0.0146)	(0.00902)	(0.00911)	(0.00598)	(0.0216)	(0.0212)	(0.0262)	(0.0342)	(0.0211)
Post Acquisition Period	0.178**	-0.0775	-0.0798	-0.0209	-0.112	0.358***	0.372***	0.180	0.261***
	(0.0662)	(0.0407)	(0.0433)	(0.0232)	(0.0982)	(0.0802)	(0.0926)	(0.120)	(0.0785)
Observations	1688847	1688847	1688847	1688847	1688847	1297078	1114009	862453	1613913
R^2	0.779	0.726	0.759	0.731	0.817	0.751	0.751	0.762	0.860
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Establishment Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Labor Market Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controls: Workers' Demo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Standard errors clustered at the firm level are in parentheses.

* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

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(a) Bottom Quartile

(b) Second Quartile
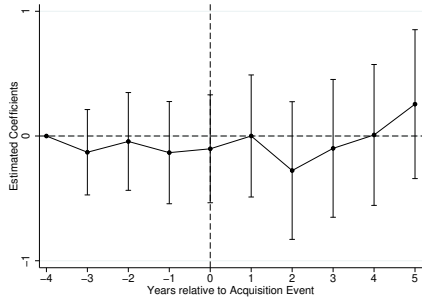
(c) Third Quartile
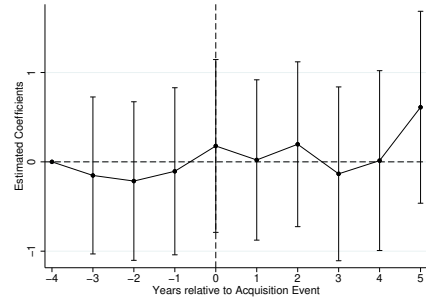
(d) Top Quartile

Pct Minority Managers
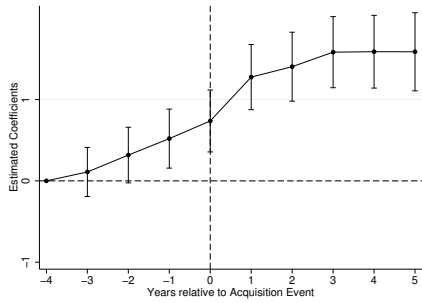
(e) Bottom Quartile
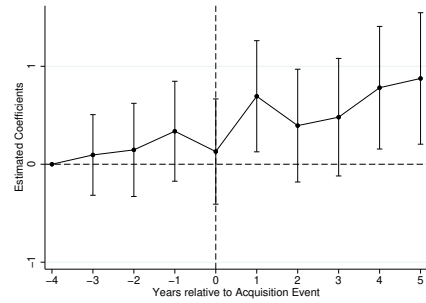
(f) Second Quartile
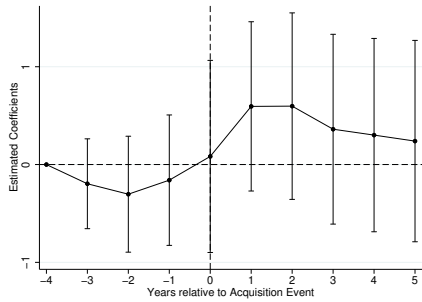
(g) Third Quartile
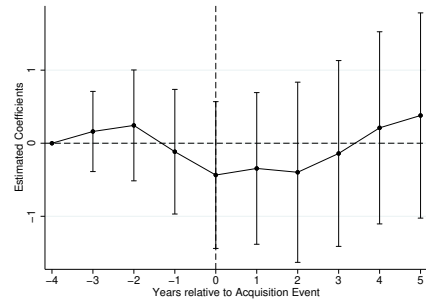
(h) Top Quartile

Pct Women Managers

cont. on next page
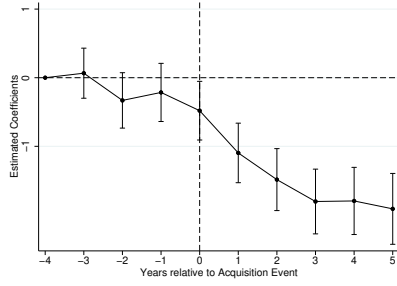
(i) Bottom Quartile
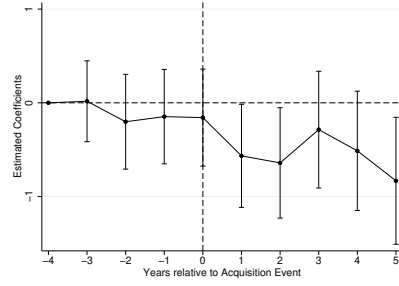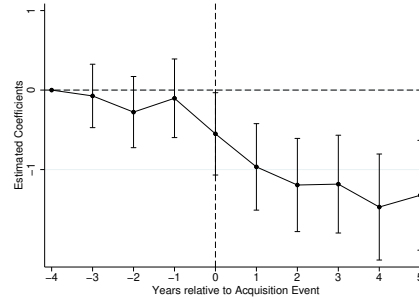
(j) Second Quartile
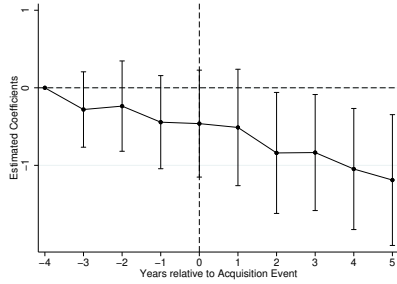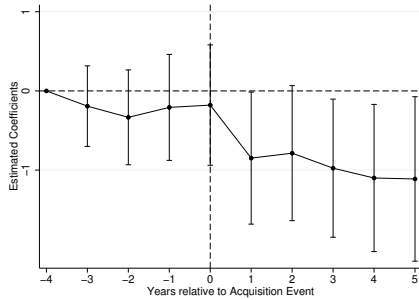
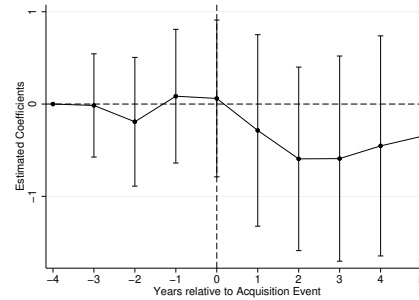(k) Third Quartile
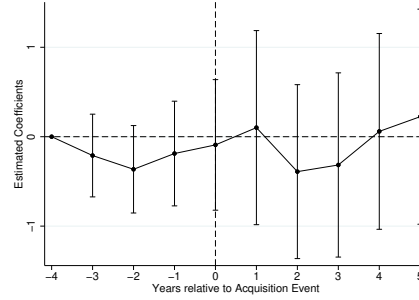
(l) Top Quartile

Minority-White Segregation
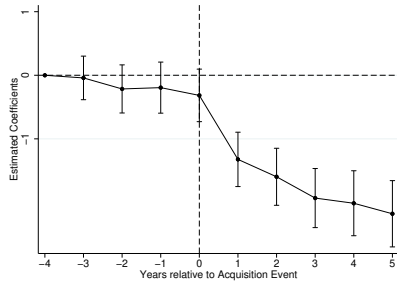
(m) Bottom Quartile

(n) Second Quartile

(o) Third Quartile

(p) Top Quartile

Men-Women Segregation

Figure A.1: Acquisition Effect on Managerial Diversity and Segregation: sorted by Firm Size (of the Acquired Firm)
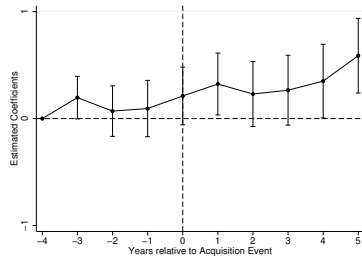
(a) 1970s and 1980s
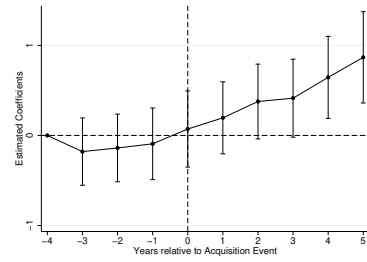
(b) 1990s and 2000s

Pct Minority Managers
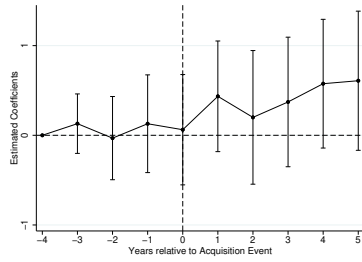
(c) 1970s and 1980s
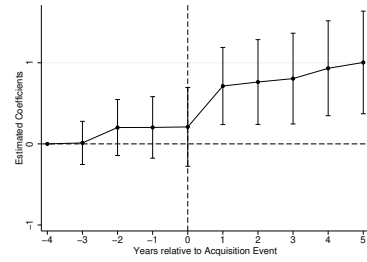
(d) 1990s and 2000s

Pct Women Managers
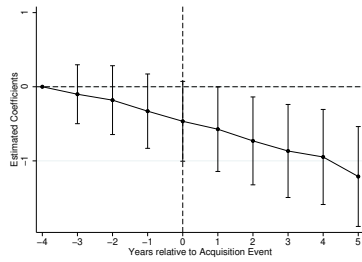
(e) 1970s and 1980s
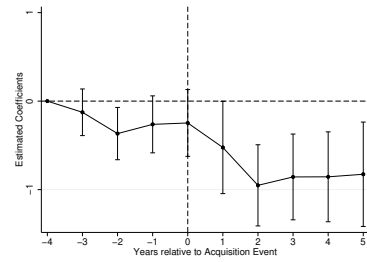
(f) 1990s and 2000s

Minority-White Segregation
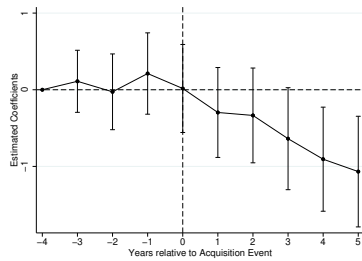
(g) 1970s and 1980s
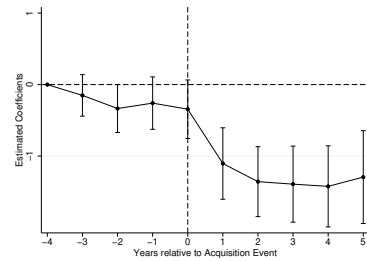
(h) 1990s and 2000s

Men-Women Segregation

Figure A.2: Acquisition Effect on Managerial Diversity and Segregation: sorted by Decades
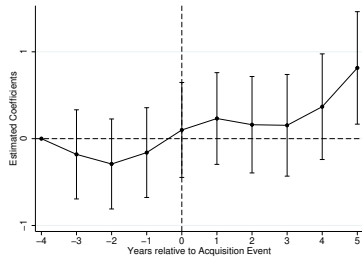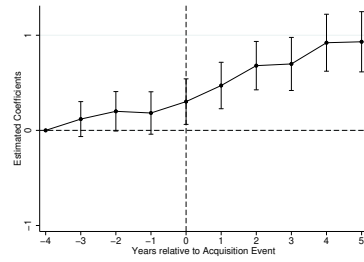
(a) Service Industries   (b) Manufacturing Industries
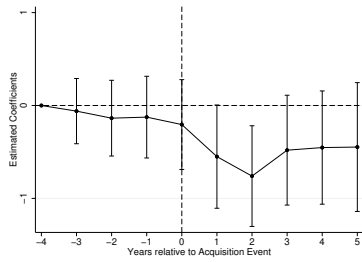
Pct Minority Managers
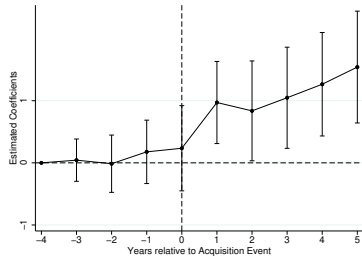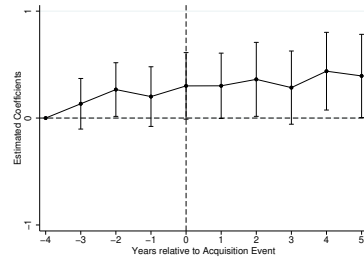
(c) Service Industries   (d) Manufacturing Industries
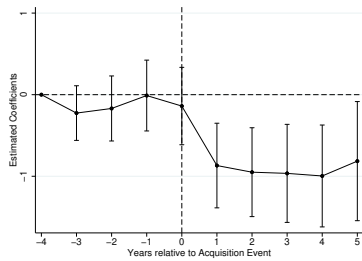
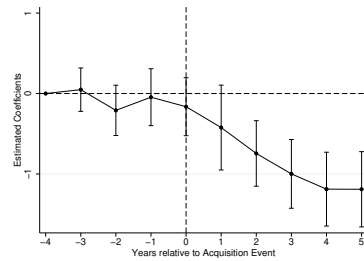Pct Women Managers
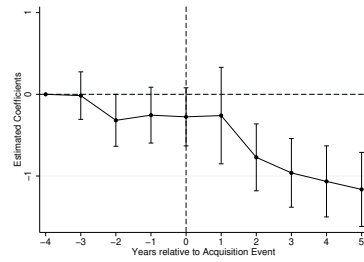
(e) Service Industries   (f) Manufacturing Industries

Minority-White Segregation

(g) Service Industries   (h) Manufacturing Industries

Minority-White Segregation

Figure A.3: Acquisition Effect on Managerial Diversity and Segregation: sorted by Broad Industries

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