

Shaking Things Up: Disruptive Events and Inequality

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Shaking Things Up: Disruptive Events and Inequality

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Abstract

This paper develops a theory of how disruptive events could reduce racial and gender inequality in organizations. Despite pressure from regulators and advocates, racial and gender inequality in the workplace remains high. I theorize that because such inequality is often reinforced by organizational inertia, disruptive changes that shake up old hierarchies, break down routines, and shift culture could offer an opportunity for racial minority and women workers to advance. I test this theory by examining 37,343 mergers and acquisitions in the United States from 1971 to 2015. Using a difference-in-differences design, I find that although acquisitions lead to occupational reconfigurations that favor higher-skilled workers, they also improve the managerial representation of racial minorities and women and reduce racial and gender segregation in the acquired workplace. These findings suggest that certain radical organizational changes could significantly reduce racial and gender inequality.

Keywords: Diversity, Inequality, Race, Gender, Mergers and Acquisitions, Disruption, Organizational Change

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INTRODUCTION

Racial and gender inequality in the workplace remains high. Racial minorities and women tend to occupy the less-desirable positions and receive fewer opportunities to move into management (Elliott and Smith 2004; Stainback, Tomaskovic-Devey, and Skaggs 2010). Although the 1970s saw some reduction in such inequalities, progress has largely stalled since the 1980s (Leicht 2008; Stainback and Tomaskovic-Devey 2012). Racial minorities and women today are still 54 percent and 36 percent less likely than Whites and men, respectively, to be managers.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, establishing the Equal Employment Opportunity Commission (EEOC) to monitor employment discrimination (Dobbin and Sutton 1998; Edelman 1992; Kalev and Dobbin 2006; Hirsh 2009). At the same time, diversity advocates, labor lawyers, and human resources consultants have pressured firms to reduce racial and gender gaps (Kelly and Dobbin 1998). Organizations with high inequality could face public backlash, reputational losses, and drops in stock price and those involved in discrimination lawsuits risk serious fines and loss of government contracts (James and Wooten 2004; Zhang 2020).

Firms are nevertheless often reluctant to make substantive improvements, opting instead for ceremonial actions with limited impact (Dobbin, Kim, and Kalev 2011; Dobbin and Sutton 1998). This avoidance of meaningful transformation reflects both senior managers' preference for stability and the force of organizational inertia—the tendency of a system to be self-sustaining and self-reinforcing (Stainback, Tomaskovic-Devey, and Skaggs 2010; Stinchcombe 1965). Examples of organizational inertia include well-established social networks and status hierarchies (Berger, Cohen, and Zelditch Jr 1972; Ridgeway and Cor-

¹These statistics are calculated based on 2015 EEO-1 data used in this study. Racial minorities include Black, Hispanic, and Asian employees.

rell 2006), long-standing practices and routines (Burton and Beckman 2007; Mun and Jung 2018), and taken-for-granted organizational cultures (Phillips 2005; Turco 2010). All of these could reinforce and reproduce inequality, but changing them could disrupt operations and hurt performance (Dobbin, Kim, and Kalev 2011; Hannan, Pólos, and Carroll 2003). Thus, despite external pressure, senior managers often 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.

But certain disruptive events, such as a post-acquisition restructuring, can force substantive changes, such as large-scale personnel reshufflings, major alterations in routines and practices, and even overhauls of the workplace culture (Romanelli and Tushman 1994). I argue that such radical structural changes have the potential to significantly 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 and to reshuffle employee structures to open up new opportunities for racial minorities and women. Moreover, these changes often take place under high scrutiny, which could further push firms to be mindful of equality issues.

To explore this theory, I examine a critical event seldom analyzed 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 a 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 (e.g., Andrade, Mitchell, and Stafford 2001). The few studies that do look at employment outcomes find that acquisitions 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; Lagaras 2017; 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), which 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 minority employees. 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 racial and gender equality are more pronounced when (a) the acquiring firm has greater race and gender equality and (b) the acquired establishment had lower racial and gender equality pre-acquisition. In these cases, acquisitions lead to a roughly 14.9-percent increase in minority managers in the acquired establishment and a 4.2-percent increase in women managers. To reinforce these 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 mechanisms. In the end, the results strongly suggest that racial and gender gaps decline after an establishment is acquired.

This paper makes three contributions. First, my argument stands in stark contrast to the conventional sociological view that restructuring hurts racial minorities and women (Haveman, Broschak, and Cohen 2009; Kalev 2014; Kim 2011). For instance, Kalev’s (2014) study covers a sample of 327 downsized workplaces and also finds greater racial and gender inequalities after downsizing. Kim (2011) draws from a nationally representative sample of

²A 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.

315 firms and finds higher racial and gender inequality after acquisition. Dencker's (2008) study of a large manufacturing firm finds higher promotion rates for women after an internal restructuring, but this improvement appears to be short-lived. All of these studies theorize that restructuring creates opportunities for discrimination. My paper extends this line of work by theorizing an entirely different mechanism that generates the opposite prediction. Methodologically, I used a much larger sample and relied on matching, placebo test, and pre-trends to better rule out unobserved heterogeneity.

Second, this paper offers an alternative angle to the economic theory that M&A events lead to skill-biased change and increase wage inequality. For example, He and Maire (2018) use Danish data to show that acquisition replaces generous managers and reduces workers' wages. Lagaras (2017) uses employer-employee data from Brazil to show that mergers are associated with large and persistent earnings declines for employees, especially the low-skilled, in target firms. Ma, Ouimet, and Simintzi (2016) use data from the United States to find that post-M&A establishments become less routine, more task-intensive, more skilled, and pay more unequal wages. My paper differs from these works by focusing on a different type of inequality and addressing a different mechanism; results suggest that M&As could have dissimilar consequences on different types of inequality.

Third, the idea that punctuated events can create opportunities for positive change is established in the strategy and technology literature (Romanelli and Tushman 1994). For example, Hershbein and Kahn (2018) show that the Great Recession led firms to invest more in technology. By introducing this idea to the inequality literature, this paper offers a new understanding of how disruptive events shape inequality.

DISRUPTIVE EVENTS AND INEQUALITY

In the United States, racial and gender gaps declined in the 1960s and 1970s, but progress has stalled in recent decades (Leicht 2008; also see Figures 3, 4, and 5). Today, racial minorities and women still face 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 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 (Bielby 2000; Reskin 2005; Ridgeway and Correll 2006; Zhang 2017, 2019). 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 works against racial minorities and women; they tend to be on the periphery of the relevant social networks, with less access to mentors, referrals, and career information (Ibarra 1992; 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; Stainback, Tomaskovic-Devey, and Skaggs 2010). For instance, cross-functional teams could benefit racial minorities' and women's chances of promotion since repeated interaction reduces bias (Zhang 2017), and certain workplace initiatives can mitigate work-family conflict, furthering women workers' advancement (Kelly, Moen, and Tranby 2011). However, other practices, such as flexibility in HR systems, give middle managers room to exercise personal preferences, potentially widening racial and gender gaps (McDowell 1991). Policies such as formalized evaluation systems can sometimes suppress managerial bias but are not effective across the board (Bielby 2000; Castilla 2008; Dobbin, Schrage, and Kalev 2015; Kalev 2014).

Organizations are not static and often change in response to the external environment, sometimes leading to entirely new practices and routines (Romanelli and Tushman 1994). This study theorizes how disruptive events can influence racial and gender inequality. I define disruptive events as those that lead to punctuated changes in an organization's day-to-day operations over a relatively short time. These events could be either anticipated, such as a merger, or unexpected, such as a natural disaster. They can create and destroy

jobs on a large scale and significantly alter workplace routines, so they can dramatically alter the opportunities available to different groups of workers.

Types of Disruptive Events

Conventional wisdom often assumes that disruptive events may 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 exception). Disruptions often produce a sense of urgency and require quick response; the organization may then reduce managerial accountability and subordinate diversity goals (Dencker 2008). For example, ethnographers found that managers tend to experience less monitoring and accountability during a crisis (Osterman 2000), which could increase opportunities to discriminate. Relatedly, diversity management often requires additional time and resources that, during a disruption, organizations may not be able to provide. Additionally, disruptive events often lead to personnel reshuffles and layoffs. To minimize the disruptive impact, senior managers sometimes act quickly and target individuals in non-essential positions, which racial minorities and women tend to hold (Couch and Fairlie 2010; Cunningham, Lord, and Delaney 1999; Wilson and McBrier 2005). For all these reasons, it is commonly believed that disruptive events exacerbate racial and gender inequality (Dencker 2008; Haveman, Broschak, and Cohen 2009; Kalev 2014; Kim 2011).

However, organizations respond to disruptive events in different ways. In some cases, senior management may perceive them as threats to organizational performance and survival. For instance, organizations may carry out downsizing and internal restructuring after an unexpected poor performance, a natural disaster, or a major regulatory change (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. The main objective is usually to quickly address the perceived threat and get the operation back on track, while minimizing the disruption (Staw, Sandelands, and Dutton 1981). Middle managers may have to make decisions under time pressure and possibly with

limited resources and may therefore 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 acquisition is often seen as an opportunity to grow and to improve performance.³ Senior management may therefore be more willing to embrace new routines, norms, and structures (Dutton 1992). Personnel shifts may then be perceived as a way to shake up existing arrangements and hierarchies and may not necessarily favor core employees over 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 this type of disruptive change, possibly resulting in fewer opportunities to discriminate (Siegel and Simons 2010). Thus, the explanations for exacerbating inequality during a disruptive event are much less applicable when senior management perceives it as an opportunity. In fact, as I theorize below, such a disruptive event could be a chance to improve racial and gender equality.

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 (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 routines (Mun and Jung 2018; Samuelson and Zeckhauser 1988). Furthermore, substantial changes could be seen by managers as a risk to 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, due

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

to the difficulty of organizational change, an organization’s blueprint often remains shaped by the environmental conditions of its birth, such that 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 after it (Tomaskovic-Devey and Skaggs 1999). Similarly, pay systems designed in the 1950s and 1960s with a clear gender bias still reflect these biases over half a century later (Kim 1989).

Social hierarchies, too, are difficult to change. Status dynamics can be self-perpetuating: 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 (Turco 2010). Hierarchies are often strengthened by networks and relationships, often along racial and gender lines (McPherson, Smith-Lovin, and Cook 2001). Given that, historically, Whites and men tend to occupy higher positions, the entrenchment of social hierarchy is another impediment to minorities’ and women’s advancement (Elliott and Smith 2004).

In light of such impediments to change, I theorize that disruptive events—while not necessarily designed to address inequality—could still be an important vehicle for reducing it through two related processes. First, by breaking down organizational inertia, disruptive events allow organizations already under social pressure to reduce racial and gender gaps to alter long-standing and deeply rooted practices, cultures, and norms. Second, disruptive events often lead to a major reshuffling of employees. This can break down 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, US anti-trust laws and active enforcement made within-industry acquisitions extremely difficult. Firms primarily undertook them to diversify their portfolios and expand their range of control. However, as anti-trust laws contracted in the 1980s, M&A became a common instrument for enforcing market discipline, forcing companies to become more profitable and efficient. Within-industry acquisitions have become more prevalent and CEOs often use them to benefit from economies of scale and to please shareholders (Andrade, Mitchell, and Stafford 2001; Fligstein and Shin 2006; Goldstein 2012).

In a typical post-acquisition restructuring, the acquiring firm sets up a steering committee, usually composed of its C-level executives and head of human resources, which sets the broad direction for the restructuring and oversees higher-level integration (Andrade, Mitchell, and Stafford 2001; Saint-Onge and Chatzkel 2008). 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. The committee, in turn, works with operational teams and task forces to carry out integration and restructuring in each department.

The extensive restructuring characteristic of the post-acquisition period often involves major employment and institutional 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, many 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 the dynamics there.

Restructuring: Changes in Practices and Routines

Post-acquisition restructuring provides an opportunity to make punctuated 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 for the firm. In general, it is less costly to make changes during this period than in normal times, since restructuring already disrupts day-to-day operations. Additionally, the improved economies of scale after acquisition make 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 (Dobbin and Sutton 1998; Edelman 1992; Hirsh 2009; Kelly and Dobbin 1998). But that often requires substantive changes in managerial behavior, which could be difficult and costly. For instance, having more affirmative action guidelines for hiring and promotion is effective, but implementing them in normal times could invite resistance from middle managers and lead to complications for the business as a whole (Dobbin, Schrage, and Kalev 2015). A post-acquisition restructuring offers a window of opportunity for senior managers under diversity pressure to implement changes toward equality goals.

Second, restructuring may help firms implement other changes in routines and practices that, while not specifically intended to address inequality, may nonetheless do so (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 curb discrimination (Dobbin, Schrage, and Kalev 2015). Relatedly, more firms have also relied on open job posting and job ladders; these, too, 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. By encouraging repeated interaction, such a team structure allows racial minorities and women to have more exposure to managers and reduces middle managers' stereotyping and other types of bias (Kalev 2009;

Zhang 2017). Performance evaluation, now widely adopted, would seem to reduce bias by using objective evaluation metrics, but in fact can paradoxically lead to more managerial bias in some cases (Castilla 2008; Dobbin, Schrage, and Kalev 2015). Nonetheless, it may still be better for racial minorities and women than some of the older promotion practices based on seniority (Bielby 2000).

Restructuring: Changes in Employee Composition

Post-acquisition restructuring can lead not only to organizational changes, but also to major changes in employment composition through layoffs, hiring, and reassignment (Des-saint, Golubov, and Volpin 2017; He and Maire 2018). Layoffs are particularly common. After an establishment is acquired, some positions overlap with those in the acquiring firm and become redundant and unnecessary—especially in back-office roles, such as accounting, human resources, and finance—and workers in these roles face high layoff risks (Gugler and Yurtoglu 2004; Siegel and Simons 2010). If the acquired workplace 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 (Goldstein 2012). Finally, an acquisition can act as a catalyst for technological change (Fligstein and Shin 2006; Ma, Ouimet, and Simintzi 2016). Adoption of automation and other technological innovations creates greater demand for college-educated professionals and less for back-office and blue-collar workers, who become possible layoff targets. For these reasons, acquisitions should typically 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 in two major ways. First, an acquiring firm could use the restructuring period to rearrange the organizational hierarchy, which could coincidentally benefit racial minorities and women. The acquiring firm may lay off older managers and employees who hold senior positions and are well connected in the organization but no longer meet organizational needs or do not fit within the new political agenda. This could inadvertently open up more promotion opportunities for populations that often have a high

proportion of racial minorities and women, such as younger employees and those who were previously excluded from the relevant networks (Ibarra 1992).

Second, a firm susceptible to diversity pressure—legal and social—may use employee reconfiguration to reduce large racial and gender gaps. The large number of layoffs, hirings, and promotions provides an easy opportunity to improve the under-representation of racial minorities and women in management and other roles. Moreover, the restructuring process, due to its high visibility, often invites scrutiny from employees, regulators, the media, and other stakeholders (Saint-Onge and Chatzkel 2008), which should further push senior management to conduct their layoffs, hiring, and reassignment with an eye to increasing diversity. Additionally, restructuring often involves external consultants, whose presence may further limit managerial bias against racial minorities and women.

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

Moderating Conditions

Before turning to empirics, I theorize two moderating conditions. First, the positive effect of acquisition on racial and gender equality should be stronger when the acquiring firm has greater racial and gender equality relative to its peers. Acquisition disrupts inertia and creates 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. 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 racial and gender equality in the acquiring firm, the more racial and gender equality improves in the acquired workplace.

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

DATA AND ANALYSIS

To examine the hypotheses, I used establishment-level panel data from EEO-1 surveys. In 1966, the Equal Employment Opportunity Commission (EEOC) began to collect demographic workforce data on private-sector firms to help monitor compliance with the Civil Rights Act of 1964.⁴ Before 1982, all private-sector firms with at least 50 employees and firms under federal contract 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 these conditions 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 (Robinson et al. 2005; Tomaskovic-Devey et al. 2006). 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. 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

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

⁵Government contractors are private-sector firms with over \$50,000 worth of government contracts.

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 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 identifier of an establishment's parent firm 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

⁶For 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.

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 also 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 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 excluding them, 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 shows major spikes in acquisitions in the mid-1980s and mid-1990s and is generally consistent with M&A data from the Center for Research in Security Prices (CRSP), SDC, and other sources.

[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

⁷“Managers” refers to both senior managers and middle managers. For most years, the EEO does not distinguish between the two. Since there are significantly more middle managers than senior managers, I presume that most of the observed patterns are driven by changes in middle management.

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).

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, and laborers as blue-collar employees. This creates a classification scheme with five function-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 these using two types of variable: (a) the proportion of racial minorities and women in management and (b) racial and gender segregation across non-managerial occupations. I focus on these two types of outcome, rather than on the total proportion of minorities and women, because they help capture the extent to which minorities and women have 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 focus 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. An establishment’s index of dissimilarity is computed as follows:

$$Index\ of\ Dissimilarity\ (D) = (1/2 \sum_{occ=1}^n |P_{occ-x} - P_{occ-y}|) \times 100, \quad (1)$$

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, more for women than for minorities. Figure 4a shows that both minorities and women made important advances in managerial representation in the 1970s. Since then, while women employees have continued to make steady progress into managerial positions, progress has stalled for Black and Hispanic employees. Figure 4b shows that gender segregation has declined rapidly since the 1970s, although this decline is much smaller after adjusting for labor market supply (Stainback and Tomaskovic-Devey 2012). In the same figure, racial segregation has decreased much more slowly (see Ferguson and Koning 2017 for evidence that between-firm racial segregation has in fact increased).

[insert Figure 3 about here]

[insert Figure 4 about here]

Matched Sample

To analyze the impact of acquisitions, I implemented a dynamic difference-in-differences 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. I calculated the propensity score of control establishments satisfying these requirements by using a linear logistic model and selected the establishment with the propensity score closest to that of the target.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 alternative 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; 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 without matching (see Appendix Table A.1). Each of these alternative 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

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

control group and the five years of post-acquisition observation should be enough 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, they do not inform us on how acquisition affects different groups. I therefore excluded establishments that were shut down within two years of 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 (including closed establishments) and found that this increased the overall post-acquisition downsizing but did not substantively alter the post-acquisition changes in racial and gender inequality (see Appendix Table A.6).

Model Specification and Controls

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

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

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 post-acquisition change on the outcome variable.

I included establishment-level fixed effects, E_i , to control for time-invariant establishment traits, such as industry and location. Fixed effects allow 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, as occupational composition and demographic inequality may be a function of workplace size (Tomaskovic-Devey and Skaggs 1999). I 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. I 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 was interpolated 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, I included a measure of occupational heterogeneity, typically correlated with the index of dissimilarity⁹ (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 for models with weights). In some models, I used a simpler difference-in-differences model, grouping T_{ip} into pre-acquisition and post-acquisition periods:

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

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

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

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, 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 support my hypothesis. After being acquired, establishments tend to have fewer middle managers, back-office workers, and blue-collar workers, but 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 change in diversity is stronger when the acquiring firm has greater racial and gender equality and when the acquired establishment had lower equality prior to the acquisition. In these cases, acquisition is associated with a 16-percent increase in racial minority managers and a 4-percent increase in women managers.

Change in Occupational Composition

Before turning to the main analyses, I first examine how acquisition is associated with changes in the acquired establishment’s occupational composition. As expected, an

acquired establishment experiences downsizing, with an average 2.5-percent reduction in the workforce (see Table 2 Model 1; $e^{-0.025} = 0.975$). But groups do not shrink equally; as Table 2 shows, middle managers and back-office workers are disproportionately affected. 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 Thus, 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 will mention one implication of these results. Sociologists have been concerned about how restructuring affects the presence of managers. Although we generally expect that it leads to fewer management layers (Dencker and Fang 2016; Jung 2016), recent studies using the Current Population Survey have shown a positive correlation between M&A events and the number of managers in an industry (Goldstein 2012). My findings suggest that this positive correlation may not reflect a direct causation, as M&A events are associated with significantly fewer middle managers in the acquired establishments, both in absolute numbers and in proportions. In a separate study, I explore this question in greater detail (see Zhang 2021).

Change in Racial and Gender Inequality

Table 3 and Figure 6 show how acquisitions are associated with changes in 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 changes is significant in the context of

¹⁰Results are available upon request.

managerial diversity, in which changes tend to occur in small increments. More importantly, as shown 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: despite various efforts, both Black-White and Hispanic-White segregation in the United States have been declining only around 0.6 percent per year, while gender segregation has been declining 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 association between acquisition and desegregation is much higher for certain sets of establishments, which I will discuss later.

Figure 6 breaks down the acquisition changes 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 change continues more gradually 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 extends to 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. 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 only limited association with them (see Appendix Table A.2). Although the proportion of White workers decreases and that of Black workers increases—the latter by 3.5 percent (0.29 percentage points)—the change among Hispanic and Asian workers is small and statistically insignificant. The proportion of women workers decreases, but only by 0.16 percentage points, roughly equivalent to a 0.3-percent drop. In short, acquisition is associated with an increase in the proportion of Black workers, but has little association with other underrepresented demographic groups.

Does acquisition predict any change in the acquiring firm? Focusing on establishments that were not acquired, I find that a firm's acquisition amount—the proportion of workers belong to an acquired establishment in the past five years—has limited association with outcomes related to racial and gender inequality (see Appendix Table A.3) or with changes in occupational composition in the rest of the acquiring firm. Acquisition significantly shapes the acquired establishment, but appears to have limited influence on the rest of the acquiring firm.

Withdrawn M&As

As a robustness check, I conducted a placebo test focusing on establishments for which an acquisition was announced but ultimately withdrawn. These establishments likely have most of the same attributes—observed and unobserved—as those which were acquired.

Any difference is mostly related to attributes of the acquiring firms, such as its size, its attitude toward the deal, and the type of financing used to fund 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, we should observe the same patterns 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 and manually merged the withdrawn M&A events from SDC Platinum with my sample from EEO-1 reports, finding 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 post-acquisition changes as the acquired establishments. In fact, none of the post-acquisition changes in this sample is statistically different from zero. This placebo test helps alleviate some potential concerns about confounders.

[insert Figure 7 about here]

Alternative Explanations

There are two notable alternative explanations for my findings. First, White and men employees may have better outside options and are therefore more likely to voluntarily leave after their establishment is acquired. I therefore examined the moderating role of unemployment rate and economic recession on the post-acquisition change. If Whites' and men's reduced managerial representation is driven by voluntary departures, then we should see a smaller post-acquisition change when the economy is in recession and/or when the unemployment rate is higher. With fewer firms hiring, there should be fewer voluntary departures.

Unemployment data are available annually at the state level from the Current Pop-

ulation 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 change at all. In models using CPS data, the interaction between unemployment rate and acquisition has a statistically insignificant coefficient close to zero. In models using extrapolated Census data, the moderating coefficients are negative—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 significantly moderate the post-acquisition change. These results suggest that the post-acquisition patterns are 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. Thus, the observed patterns may be a result of the acquiring firm transferring its (more diverse) employees to the acquired establishment. This is unlikely for several 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 would not account for the significantly decreased desegregation levels among non-managers. Finally, I found no significant interactions when using the physical distance between the acquiring firm’s headquarters and the acquired establishment as a moderator, assuming that transfer would be more likely when the distance is shorter.

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’s equality. The acquiring firm’s racial and gender equality, while not a perfect measure, could both reflect and influence its approach to diversity issues. The greater its racial and gender equality, the more likely it is to use the

restructuring opportunity to reduce racial and gender gaps in its acquisition.

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 a strong moderating relationship: the higher the acquiring firm's equality, the more an acquisition is associated with an increase in 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 or bottom quartile. I conducted these analyses 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 changes still happen but are relatively small and, in some models, statistically insignificant. When the acquiring firm has greater 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 greater equality.

[insert Table 4 about here]

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 such establishments, having a post-acquisition restructuring could shake up the hierarchies and the acquiring firms may also be more willing to use restructuring to reduce the gaps.

I compared each establishment's inequality level to that of its local peers, using data from the year before being acquired. Specifically, I subtracted the average equality

¹¹The 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.

levels of each establishment's peers in the same year, county, and two-digit SIC industry, doing so separately for each of the eight dimensions of racial and gender inequality. As above, I analyzed the moderating role of these variables both by using each as a moderator and by conducting split-sample analyses based on each variable's value. Results are highly consistent and suggest that the post-acquisition change 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 in the highest quartile relative to their peers, acquisition is in fact associated with a slight increase in inequality. Acquisition predicts a small decrease in the proportion of racial minority and women managers and a small increase in the level of Black-White segregation and gender segregation. However, for establishments whose prior inequality was in the top quartile, acquisition is associated with a significant reduction in racial and gender inequality: the proportion of Black managers increases by 0.7 percentage points, of Hispanic managers by 1.2 percentage points, of Asian managers by 0.5 percentage points, and of women managers by 1.5 percentage points. These roughly correspond to a 16.0-percent increase in Black managers, a 21.7-percent increase in Hispanic managers, a 24.6-percent increase in Asian managers, and a 4.2-percent increase in women managers. At the same time, there is a substantial decrease in racial and gender segregation. These results are consistent with the hypothesis that the post-acquisition changes are stronger in those establishments that had greater racial and gender inequality prior to being acquired.

[insert Table 5 about here]

Heterogeneity in Acquisitions

I conducted additional analyses to better understand heterogeneity in acquisitions. My main analyses account for all acquisitions appearing in the EEO-1 data, but the post-acquisition change may vary with type, size, time period, and industry.

First, I compared vertical and horizontal acquisitions. When an acquisition takes place between firms in 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 in the same industry. Here, the acquired establishment will undergo more extensive restructuring in order to be fully integrated into the acquiring firm. Using split-sample analyses, I found that post-acquisition change in racial and gender equality is stronger for horizontal than for vertical acquisitions, consistent with the intuition that more extensive restructuring should strengthen the post-acquisition change.

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

Third, I examined variation across time periods. My study takes place after the adoption of the EEO laws, which have pushed firms to become attentive to diversity issues. This diversity pressure may have strengthened over time, so it is possible that the post-acquisition changes would be stronger in the more recent decades. To examine this, I split the sample into time periods. I did not find a significant temporal difference. The post-acquisition change appears to be slightly stronger in the 1990s and 2000s, but still quite comparable to that of 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. In my analyses, I did not find much systematic difference across broadly defined industries. For example, when comparing service and

manufacturing industries, the post-acquisition change in desegregation is slightly stronger in manufacturing and the change in managers 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 consultants. Most had over 10 years of industry experience. Together, they have experienced over 100 post-acquisition restructurings. Interviews were conducted using a semi-structured protocol, either in-person or by phone, and lasted 30 to 90 minutes; most were recorded and transcribed. I conducted an additional round of interviews with some of the respondents a few months later and had follow-up email correspondence with the rest.

In the initial exploratory interviews, I asked respondents to describe the typical post-acquisition restructuring process—particularly, the changes in structures, processes, and human capital. I then asked for their own past experiences of that process and, if they had not yet brought up race and gender issues, how acquisition affects different demographic groups. Based on these interviews, I identified four post-acquisition processes potentially responsible for the improved racial and gender equality. As Figure 8 illustrates, these mechanisms are differentiated by (a) whether they target individual workers or target routines and practices and (b) 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 enrich my understanding of the plausible mechanisms.

[insert Figure 8 about here]

Getting Rid of the Deadwood

Many respondents mentioned use of post-acquisition restructuring to get rid of the “deadwood”; as one senior executive put it, “letting go of those older managers and employees who may no longer fit organizational needs and replacing them with younger ones.” Another

senior 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."

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 looked 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.

Thus, an opportunity to let go some of the workers who may no longer fit organizational needs could also open up advancement opportunities for younger employees, a higher proportion of whom are women and racial minorities. One of my informants, a racial minority middle manager, initially had difficulty 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] created a chance for me and other young guys to move into that role more quickly than would have been the case had the acquisition not happened."

"Getting rid of the deadwood" was frequently mentioned in my interviews. Firms do this largely to improve performance, control, and efficiency (He and Maire 2018; Ma, Ouimet, and Simintzi 2016), but in doing so, they could inadvertently provide more opportunities for racial minorities and women.

Retaining Racial Minorities and Women

Most informants also mentioned explicit effort to retain racial minorities and women in the acquisition process, due to both lawsuit and public image concerns. One senior M&A consultant pointed out that because his clients are in a highly visible transaction, he always advises them to be “extra mindful of not having any sort of negativism around press or anybody suing on the basis of discrimination.” A 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 lawsuits:

We would not want to be on the front page 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 mentioned the normative pressure to increase firm diversity. A senior M&A consultant reflected that, given this pressure, “all the companies [that he had worked for] would loathe to lose minority managers [in this process].” 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 those diversity candidates, I am always inclined to do it.

This diversity pressure spills over to middle managers. One senior manager recalled that when he was in a 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 hurt [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.”

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. As with the first mechanism, this process focuses on personnel reshuffling after an acquisition.

Standardizing Human Resource Practices

Many informants see post-acquisition restructuring as “an opportunity to think about best practices;” the most frequently mentioned post-acquisition organizational changes were standardizing procedures and upgrading technologies. Several respondents mentioned the standardization of human resources practices, which could have implications for racial and gender bias in hiring and promotion. 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.

Another senior executive mentioned that one of his acquired firms originally had highly ambiguous and idiosyncratic promotion processes. Once 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. As studies have shown, standardized human resource practices could still have substantial bias (e.g., Kalev, Dobbin, and Kelly 2006). Nonetheless, standardization generally increases transparency and accountability and limits managerial discretion, which should curb bias and discrimination. Like “getting rid of the deadwood,” standardization is part of a general effort to improve process efficiency and performance in the acquired workplace, but it can have the added effect of reducing racial and gender bias in personnel decisions.

Bringing in Diversity Practices

Some informants mentioned using post-acquisition restructuring to introduce diversity practices to improve racial and gender equality. One senior executive described how she added diversity consideration to an acquired firm’s recruiting process:

We had a very homogenous workforce, mostly White men... so [during the restructuring], I said to our 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 we’ve been doing that ever since.

Another senior executive recalled changes his team made during post-acquisition restructuring to create support mechanisms for employees from marginalized groups:

[We established] women’s groups and LGBT groups and 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.

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

In sum, four mechanisms emerged from my qualitative data. Table 7 summarizes how each relates to my main empirical findings. The two based on personnel reshuffling—getting rid of the deadwood and retaining racial minorities and women—should have an immediate effect of reducing racial and gender gaps after acquisition. These mechanisms were mentioned 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 long term and were mentioned by fewer informants. Consistent with this pattern, my main empirical analyses based on EEO

data show a large reduction in racial and gender gaps immediately following an acquisition and a smaller but continuous improvement in the long term.

[insert Table 7 about here]

Moreover, the two mechanisms specifically addressing diversity—retaining racial minorities and women and introducing diversity practices—assume that acquiring firms are attentive to diversity and, by extension, often unsatisfied with the acquired workplace’s practices. This would be consistent with the main finding that acquiring firms’ diversity levels strongly moderate post-acquisition patterns and it may help explain why post-acquisition change is strongest in acquired establishments 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 long-standing practices and reshuffle employees, creating more opportunities for racial minorities and women. I test this theoretical proposition by examining an important event seldom studied in the inequality literature—mergers and acquisitions. Using a nationally representative sample of firms covering 37,343 acquisitions, I find that, for the acquired establishment, acquisition is associated with a decreased proportion of White men in management, an increased proportion of racial minorities and women in management, and a decrease in overall racial and gender segregation. These post-acquisition changes are stronger when (a) the acquiring firm has greater racial and gender equality and (b) the establishment to be acquired has less.

Contribution to the 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 Figures 3, 4, and 5 show, they are much less likely than Whites and men to be managers. These gaps have not changed significantly over the past few decades. For example, Black Americans were 65 percent less likely than

White Americans to be in management in 1980 and were still 56 percent less likely in 2015.

Much effort has gone into understanding the drivers of these persistent gaps and finding solutions for them, producing a rich literature on organizational inequality (Stainback, Tomaskovic-Devey, and Skaggs 2010). This literature has focused on how 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 racial and gender disparities (Castilla 2008; Dobbin, Schrage, and Kalev 2015).

To understand why so many efforts are ineffective, consider what has been missing from the literature. First, at the organizational level, much attention has been given to the “what” and the “how” of the situation: What practices and strategies improve diversity? What organizational routines exacerbate discrimination? How do these practices and strategies affect racial minorities and women? These questions have been thoroughly studied in a variety of contexts. However, there is almost no consideration of the “when.” When in an organizational timeline should we expect to see improvement in race and gender gaps? When is the best time to implement changes to reduce those gaps? The temporal dimension could be important: pushes for equality are more likely to succeed when the timing is compatible with performance objectives, as performance is the main priority for most organizations (Zhang 2019). 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. A firm that is resource-constrained and facing bankruptcy is probably much less willing.

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—because, on the surface, they have no direct connection to race- or gender-related outcomes. However, they directly affect performance and could therefore influence decision making, thereby tangentially affecting racial and gender inequal-

ity (Zhang 2019). Imagine, for example, a Japanese firm that decides to expand overseas or seek foreign investors. It may become more concerned about its global image and therefore increase the gender diversity of its board (Mun and Jung 2018). Thus, we may gain a better understanding of organizational inequality by considering not only variables explicitly related to inequality, but also other activities and concerns important to senior management.

A theory of disruptive events and inequality takes a step toward incorporating these missing pieces. 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. However, since inequality is typically entrenched in organizational culture and resistant to minor changes, these big events inadvertently create an opportunity for firms to shift their racial and gender dynamics. Second, this study points to the need to consider an organization's timeline, as we are more likely to see progress on racial and gender inequality at certain junctions, such as the post-acquisition period. 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 broader work on the relationship of disruptive events 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 are becoming more frequent and there is reason to expect this trend to continue. How they shape organizational inequality may thus be of increasing interest. This study shows that mergers and acquisitions increase equality, but other types of disruptive events may follow a different pattern. More work is needed to better understand this increasingly relevant topic.

Contribution to the Literature on Skill Gap

Disruptive events break down routines and culture and create an opportunity for 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 precisely the pattern I found: post-acquisition restructuring leads to skill-biased occupational reconfiguration resulting in more jobs for professionals but fewer 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 a direct impact on wages (Autor, Dorn, and Hanson 2016; Fligstein and Shin 2004). These results are largely consistent with previous studies showing that M&A events increase skill-biased inequality (He and Maire 2018; Lagaras 2017; Ma, Ouimet, and Simintzi 2016).

The acquisition effect on the skill gap is very different from that on racial and gender gaps. In an era that 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, I cannot claim causality. Matching and an examination of pre-trends could rule out many obvious confounders, but endogeneity concerns remain. M&A events are not exogenous and could be correlated with factors that shape inequality in firms. Relatedly, I cannot rule out alternative explanations such as the voluntary departure of White or men managers. The moderating test with unemployment rates (Table 6) offers suggestive evidence but is not definitive.

Second, my analyses do not differentiate among different types of M&A events. Firms make acquisitions for various reasons and carry them out in various ways. This paper shows that acquisitions increase racial and gender equality in the aggregate, but does not

differentiate in detail between different types of acquisitions.

Third, my empirical sample is composed of medium-sized and larger firms, which 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 smaller firms not under EEO regulations and facing less public pressure. Relatedly, this paper only considers establishments that stayed open after acquisition. They could have characteristics that make them systematically different from those that closed.

Fourth, although this study finds clearly improved managerial representation and reduced segregation, there are a few scenarios in which this progress may be overestimated. For example, it is possible that acquisitions reduce managerial pay, in which case racial minorities and women may simply be sorted into lower-paying managerial positions. Firms may also manipulate the numbers or inflate managerial titles during these periods of high scrutiny to please regulators and the public.

Fifth, 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 a 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 shakeup would benefit mostly college-educated racial minorities and women, while having less or no impact on those without a college degree. This possibility underscores a potentially important intersection between race/gender and occupational class.

Sixth, the idea that certain disruptive events may reduce racial and gender gaps may also be extended to other important outcomes. In general, when organizations want or feel pressured to achieve objectives that are not of first-order importance, disruptive events could speed up the process. Extrapolating from this paper's findings, 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 feels pressured to improve its environmental performance

but has been reluctant to disrupt existing routines. A disruptive event could push that firm to better align its practices with its purported stance on the environment.

In an age of M&As, restructurings, and technological shifts, workers are often seen as the victims, subject to more precarious jobs, higher wage inequality, and greater stress and exhaustion. But these radical transformations do not always bring negative consequences. Sometimes, they break down organizational inertia and provide an opportunity for positive changes. When the old ways are not working, we need to shake things up and these disruptive events do just that.

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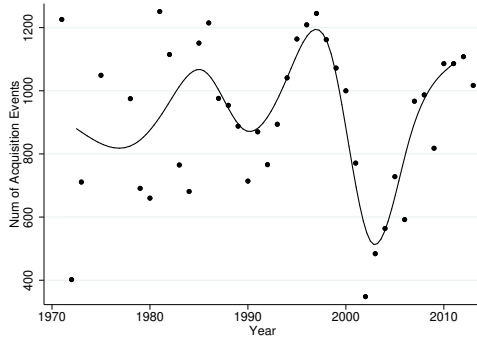
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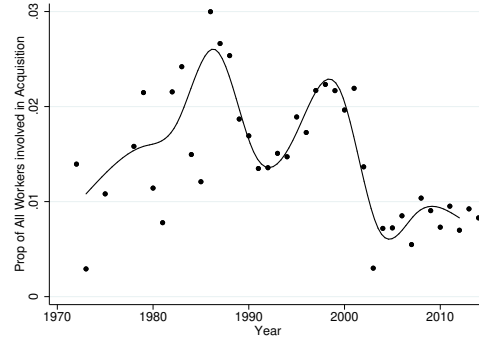
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TABLES AND FIGURES



(a) Num of Unique Acquisition Events



(b) Proportion of Workers Affected

Figure 1: Trend in M&A events

Notes: The figures show the number of unique acquisitions over time and the proportion of workers affected by acquisition (workers in the acquired establishments). Data come from the EEO-1 database, covering all US firms with more than 100 employees. I identify an acquisition when at least one establishment changes its parent firm ID from one year to the next. The proportion of workers affected is simply the number of workers in the acquired establishments over all workers in the EEO-1 database.

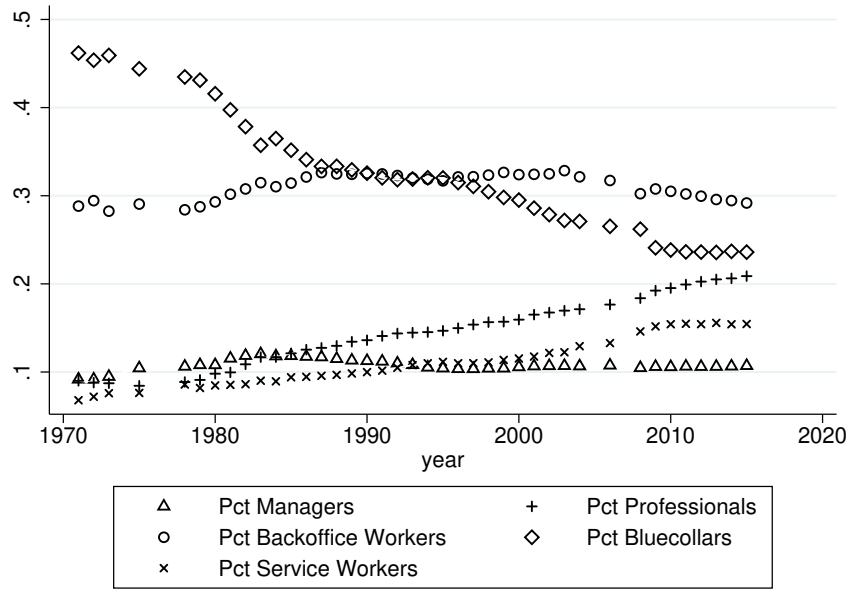


Figure 2: Change in Occupational Composition

Notes: The figure plots the proportion of workers in each broad occupational category and how these proportions changed over time. Data come from the EEO-1 database, covering all US firms with more than 100 employees. In my categorization, back-office workers broadly include clerical workers, sales workers, and technicians, and blue-collar workers include craft workers, operatives, and laborers and helpers.

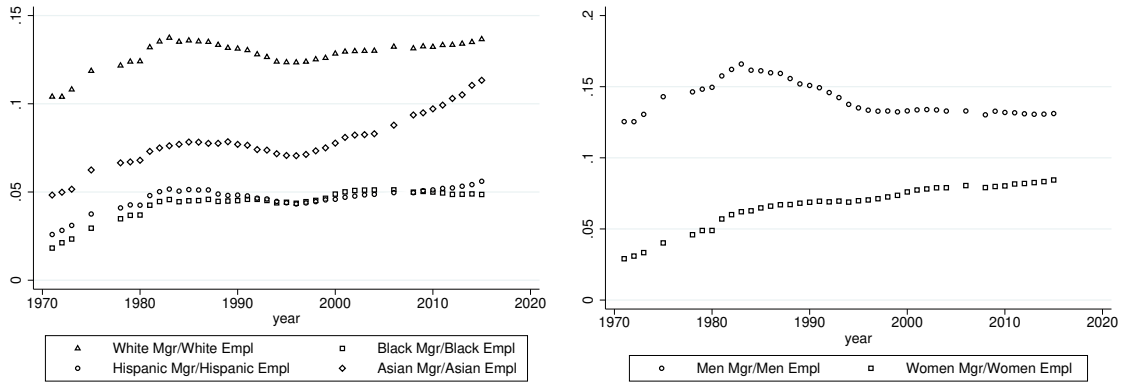


(a) Racial Composition among Managers

(b) Gender Composition among Managers

Figure 3: Change in Managerial Composition

Notes: The figure plots the racial and gender composition among managers. For example, the proportion of Black managers is the number of Black managers over the total number of managers. Data come from the EEO-1 database, covering all US firms with more than 100 employees.



(a) Prop of Managers in Each Racial Group (b) Prop of Managers in Each Gender Group

Figure 4: Likelihood of Being in Management

Notes: The figure plots the proportion of managers in each racial and gender group. For example, the likelihood of being a manager for Black employees is the number of Black managers over the total number of Black employees. Data come from the EEO-1 database, covering all US firms with more than 100 employees.

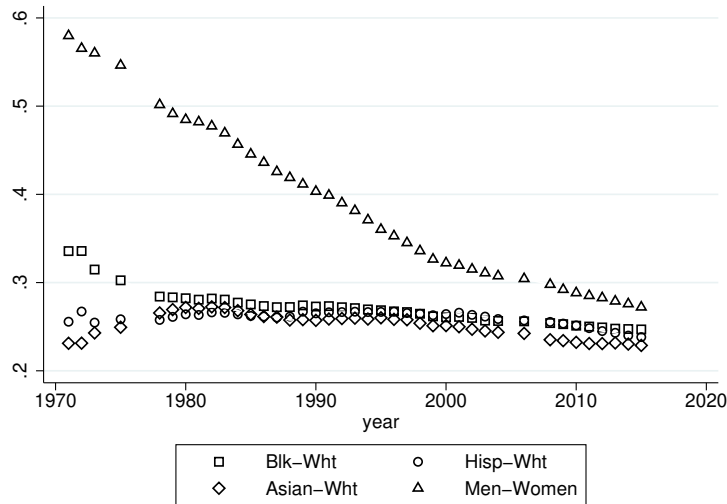
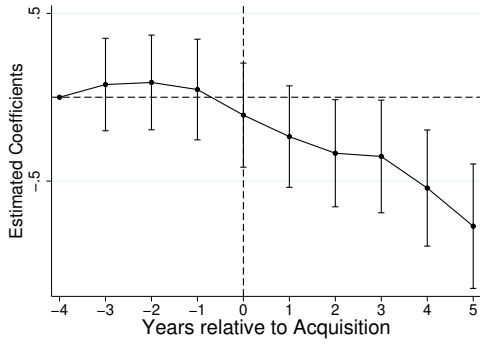
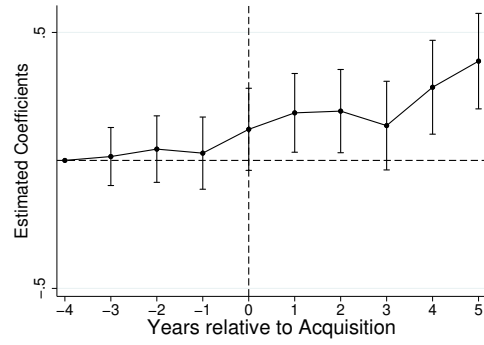


Figure 5: Change in Segregation Level

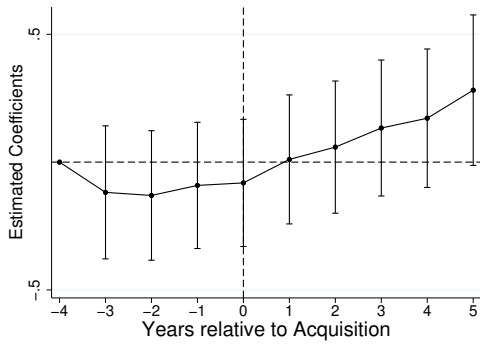
Notes: The figure plots occupational segregation among non-managers. I considered eight broad occupations: professionals, technicians, sales workers, clerical workers, craft workers, operatives, laborers, and service workers. I used the index of dissimilarity to measure establishment-level segregation and averaged its value over all the firms in the sample (weighted by establishment size). Data come from the EEO-1 database, covering all US firms with more than 100 employees.



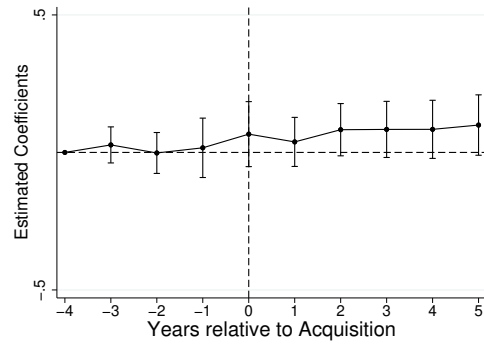
(a) Pct White Managers



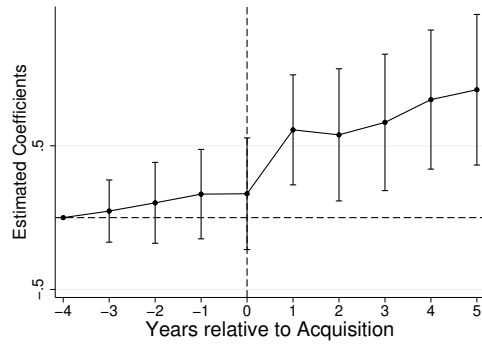
(b) Pct Black Managers



(c) Pct Hispanic Managers

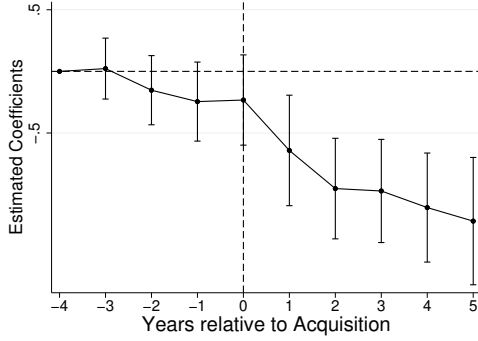


(d) Pct Asian Managers

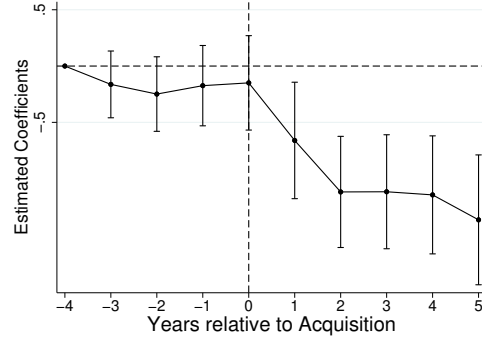


(e) Pct Women Managers

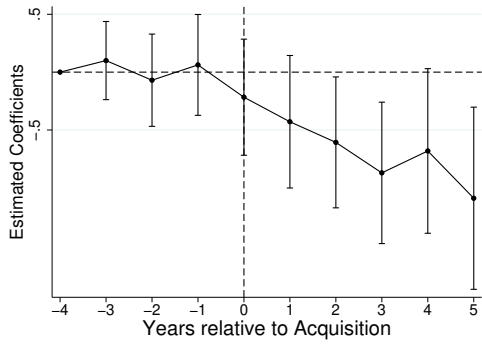
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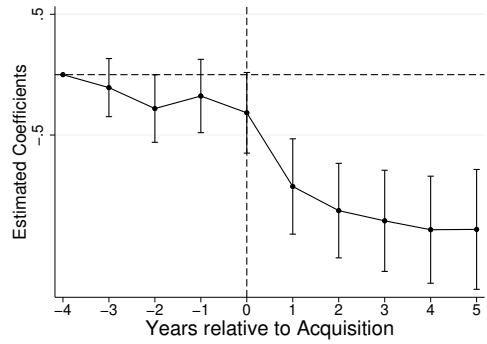
(f) Black-White Segregation



(g) Hispanic-White Segregation



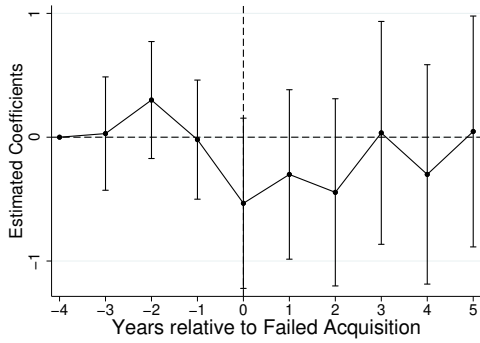
(h) Asian-White Segregation



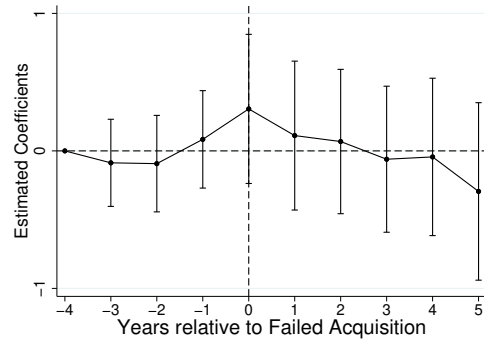
(i) Men-Women Segregation

Figure 6: Predicted Change in Managerial Diversity and Occupational Segregation

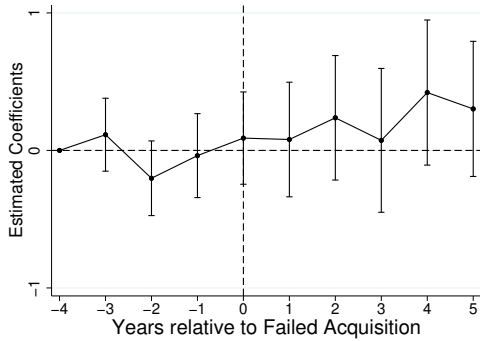
Notes: The figures plot the regression coefficients and associated confidence intervals for the post-acquisition change in racial and gender inequality. They show estimated change at establishments of acquisition targets (those that were acquired) relative to control establishments (similar establishments that were never acquired). The x-axis is the number of years relative to the acquisition completion: 1 is the first year after acquisition (the acquisition presumably takes place between year 0 and year 1). Unit of observation is at the establishment level. Models include fixed effects on establishment and year; controls include number of employees (logged), occupational composition of the workplace, establishment age, labor market demographics, and non-managerial worker demographics. Data come from the EEO-1 database, covering all US firms with more than 100 employees. Standard errors are clustered at the firm level.



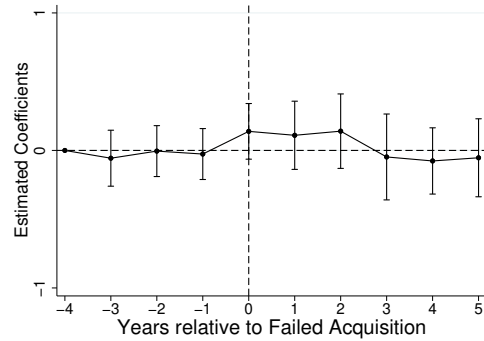
(a) Pct White Managers



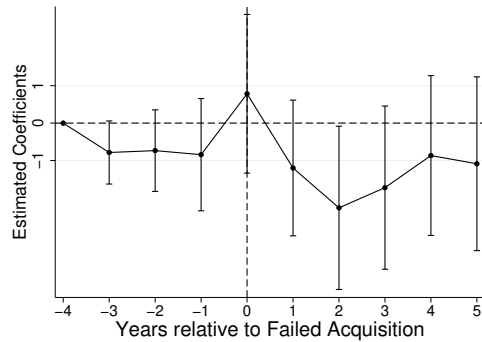
(b) Pct Black Managers



(c) Pct Hispanic Managers



(d) Pct Asian Managers



(e) Pct Women Managers

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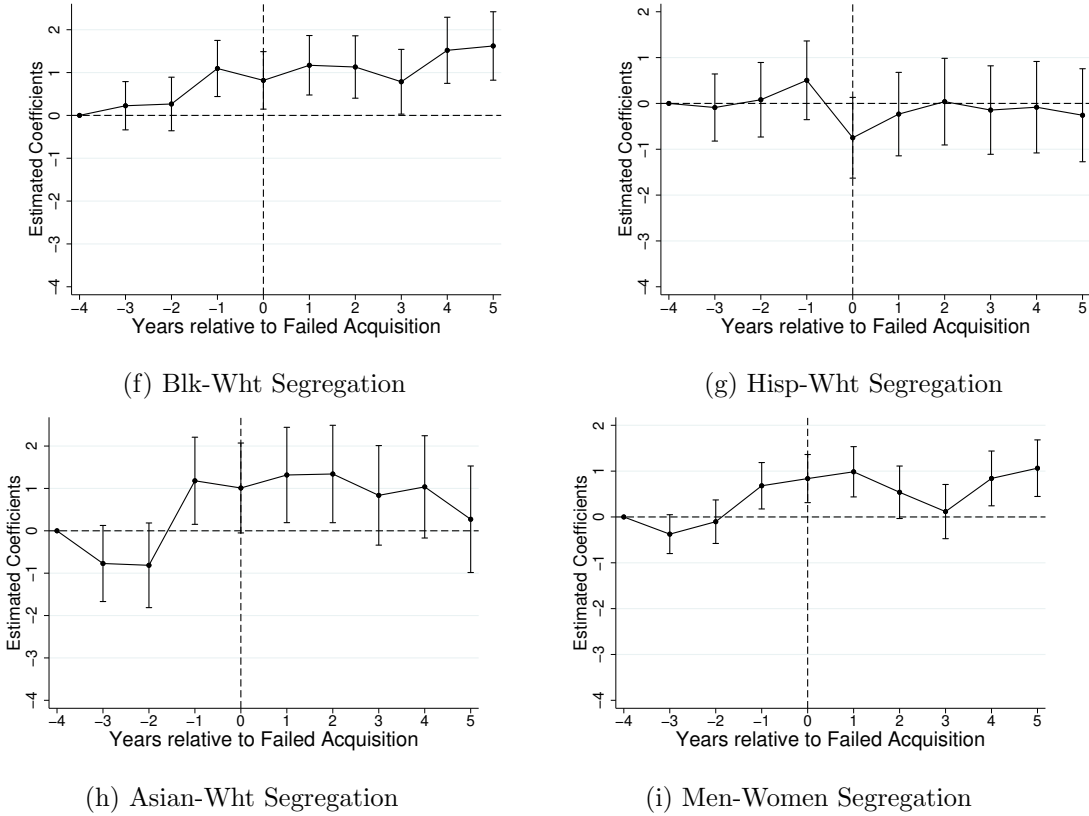


Figure 7: Placebo Test: Predicted Change after a Withdrawn Acquisition Announcement

Notes: The figures plot the regression coefficients and associated confidence intervals for the change following a withdrawn acquisition. They show estimated change at establishments of which acquisition was announced but then cancelled within 90 days relative to change at control establishments (similar establishments that were never acquired). The x-axis is the number of years relative to the acquisition announcement. Unit of observation is at the establishment level. Models include fixed effects on establishment and year; controls include number of employees (logged), occupational composition of the workplace, establishment age, labor market demographics, and non-managerial worker demographics. Firm demographic data come from the EEO-1 database, covering all US firms with more than 100 employees. Withdrawn acquisition information comes from SDC Platinum. Standard errors are clustered at the firm level.

	Focusing on Performance	Focusing on Diversity
Personnel Reshuffling	<p>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.</p>	<p>Retaining racial minorities and women: Concerned about lawsuit and public image, acquiring firm pays attention to diversity numbers during post-acquisition reshuffling.</p>
Routines and Practices	<p>Standardizing human resource practices: Standardize hiring and promotion procedures to reduce managerial favoritism and bias.</p>	<p>Introducing diversity practices: Acquiring firm introduces diversity practices and programs to the acquired establishment, especially when the acquired establishment had less equality pre-acquisition.</p>

Figure 8: Proposed Mechanism Based on Qualitative Data

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

	Treatment	Control	Rest of Sample
	mean	mean	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

Notes: The table shows summary statistics between the treatment group and the control group the year before acquisition. The treatment group includes those establishments that were acquired at least once. Each establishment in the treatment group is matched to an establishment that was never acquired, based on 2-digit SIC code, establishment size quartile, and firm size quartile. Data come from the EEO-1 database, covering all US firms with more than 100 employees.

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	-0.0249***	-0.500***	0.426***	-0.392*	0.252	-0.0701
Period x Treat Establishment	(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

Notes: The table shows the post-acquisition changes in number of employees and occupational composition. *Total Employees* is the logged total number of full-time employees in an establishment. *Pct Managers* is the number of managers over the total number of employees. *Pct Profs* is the number of professional workers over the total number of employees. *Pct Backoffice* is the total number of clerical workers, sales workers, and technicians over the number of employees. *Pct Bluecollars* is the total number of craft workers, operatives, and laborers over the total number of employees. *Pct Service* is the number of service workers over the total number of employees. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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	-0.421***	0.176***	0.205***	0.0401	0.595***	-0.849***	-0.952***	-0.671**	-1.000***			
Period x Treat Establishment	(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***	-9.760***	-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	0.198**	-0.0933*	-0.0736	-0.0316	-0.172	0.389***	0.381***	0.161	0.254**			
Period	(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			

Notes: The table shows the post-acquisition changes in managerial composition and occupational segregation. Dependent variables on managerial composition are the number of managers in a particular demographic category over the total number of managers in an establishment. Dependent variables on segregation level are dissimilarity index calculated based on the eight non-managerial occupations in the EEO-1 database. *Post Acquisition Period* x *Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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	0.561*	1.481***	-2.135***	-2.176***	0.152*	0.313	-0.383*	-0.430*
Period x Treat Establishment	(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

Notes: The analysis splits the sample based on the acquiring firm's racial and gender inequality prior to the acquisition. *Acquiring Firm: High Equality* are establishments in the top quartile of racial/gender equality relative to their peers in the same county and 2-digit SIC industry; *Acquiring Firm: Low Equality* are establishments in the bottom quartile. *Pct Min Mgr* is the total number of Black, Hispanic, and Asian managers over the total number of managers in an establishment. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. Standard errors clustered at the firm level are in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 5: Moderating the Acquisition Effects: Acquiring Firm's Racial and Gender Equality 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	1.779***	2.707***	-3.127***	-2.902***		-0.542**	-1.151***	1.071***		0.729***
Period x Treat Establishment	(0.197)	(0.389)	(0.257)	(0.241)		(0.200)	(0.317)	(0.216)		(0.204)
Total Num Workers (log)	1.612***	3.558***	-7.806***	-6.716***		0.0588	-0.166	-4.308***		-3.538***
	(0.131)	(0.233)	(0.213)	(0.201)		(0.157)	(0.261)	(0.205)		(0.200)
Pct Managers	-3.967	35.28***	8.179	12.16		-70.73***	4.195	-18.31		-18.46
	(9.075)	(8.872)	(13.29)	(10.52)		(17.91)	(12.30)	(13.58)		(10.06)
Pct Professional Workers	-20.64*	1.706	3.996	-10.79		-76.98***	0.761	-21.67		-34.26***
	(9.055)	(8.791)	(13.29)	(10.49)		(17.83)	(12.23)	(13.82)		(10.03)
Pct Backoffice Workers	-20.54*	0.348	-2.750	-2.743		-74.93***	4.773	-25.56		-36.78***
	(9.058)	(8.818)	(13.29)	(10.58)		(17.80)	(12.22)	(13.78)		(10.03)
Pct Blue Collars	-20.56*	-0.436	2.269	11.85		-75.10***	-1.441	-24.57		-33.43***
	(9.111)	(8.745)	(13.32)	(10.50)		(17.81)	(12.25)	(13.73)		(10.02)
Pct Service Workers	-20.78*	-2.821	-2.939	-7.339		-74.76***	0.704	-30.72*		-43.78***
	(9.091)	(8.919)	(13.35)	(10.68)		(17.82)	(12.25)	(13.78)		(10.02)
Establishment Age (proximation)	-0.0819*	0.0215	0.141**	-0.233***		0.791***	0.963***	-0.451***		-0.266***
	(0.0384)	(0.0504)	(0.0451)	(0.0382)		(0.0439)	(0.0700)	(0.0421)		(0.0486)
Post Acquisition Period	2.830***	4.184***	-5.038***	-3.359***		-4.458***	-4.858***	3.924***		3.246***
	(0.173)	(0.246)	(0.198)	(0.163)		(0.211)	(0.284)	(0.169)		(0.178)
Observations	340587	340081	317277	337468		355087	335094	229144		303006
R ²	0.578	0.631	0.669	0.747		0.763	0.684	0.614		0.703
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

Notes: The analysis splits the sample based on the acquired establishment's racial and gender inequality one year before the acquisition. *Acquired Est: Had High Inequality* are establishments in the top quartile in racial/gender equality relative to their peers in the same county and 2-digit SIC industry; *Acquired Est: Had Low Inequality* are establishments in the bottom quartile. *Pct Min Mgr* is the total number of Black, Hispanic, and Asian managers over the total number of managers in an establishment. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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	0.423*	0.794*	-1.137***	-1.491***
Period x Treat Establishment	(0.193)	(0.363)	(0.305)	(0.295)
Post Acquisition	0.133	-3.052	3.960	7.630
Period x Treat Establishment x State Unemployment Rate	(2.806)	(5.540)	(4.654)	(4.351)
Total Num Workers	0.755***	1.696***	-5.756***	-4.792***
(log)	(0.0583)	(0.109)	(0.122)	(0.120)
Establishment Age	0.188***	0.452***	-0.238***	-0.318***
(proximation)	(0.0155)	(0.0230)	(0.0246)	(0.0283)
Post Acquisition	-0.552***	-0.210	0.567**	0.229
Period	(0.153)	(0.251)	(0.215)	(0.177)
Observations	141122	141122	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

Notes: The table examines the alternative explanation that the post-acquisition change is driven by voluntary departures of Whites and men. I interacted the post-acquisition change with state-level unemployment rate, assuming that voluntary departure is associated with unemployment levels. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). *Post Acquisition Period x Treat Establishment x State Unemployment Rate* measures the interaction of this post-acquisition change with unemployment rate. Data come from the EEO-1 database, covering all US firms with more than 100 employees. Standard errors clustered at the firm level are in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

Table 7: Empirical Evidence on Proposed Mechanisms

Personnel Reshuffling	Evidence in Support	Evidence Against
<p>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.</p>	<ul style="list-style-type: none"> • Immediate increase in racial and gender equality after being acquired. 	
<p>Retaining racial minorities and women: Concerned about lawsuit and public image, acquiring firm pays attention to diversity numbers during post-acquisition reshuffling</p>	<ul style="list-style-type: none"> • Immediate increase in racial and gender equality after being acquired. • Effects are stronger when the acquiring firm had greater equality. • Effects are stronger when the acquired establishment had less equality pre-acquisition. 	
Changes in Routines and Practices	Evidence in Support	Evidence Against
<p>Standardizing human resource practices: Standardize hiring and promotion procedures to reduce managerial favoritism and bias.</p>	<ul style="list-style-type: none"> • Improvement in racial and gender equality continues over time, albeit more slowly. • Effects are stronger when the acquired establishment had less equality pre-acquisition. 	
<p>Introducing diversity practices: Acquiring firm introduces diversity practices and programs to the acquired firm, especially when the acquired firm has poor diversity.</p>	<ul style="list-style-type: none"> • Improvement in racial and gender equality continues over time, albeit more slowly. • Effects are stronger when the acquiring firm had greater equality. • Effects are stronger when the acquired establishment had less equality pre-acquisition. 	

Continued on next page

Table 7 – *Continued from previous page*

Notable Alternative Explanations	Evidence in Support	Evidence Against
<p>Volunteer departures: Whites and men, having better outside options, voluntarily leave after being acquired.</p>	<ul style="list-style-type: none"> • Immediate increase in racial and gender equality after being acquired. 	<ul style="list-style-type: none"> • Effects are unrelated to economic conditions and unemployment rate. • Does not explain why the acquisition effects vary depending on the acquiring firm’s equality.
<p>Internal transfer: Workers move from the acquiring firm to the acquired establishment.</p>	<ul style="list-style-type: none"> • Effects are stronger when the acquiring firm had greater equality. • Effects are stronger when the acquired establishment had less equality pre-acquisition. 	<ul style="list-style-type: none"> • 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. • 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*** (0.0742)	0.212*** (0.0437)	0.210*** (0.0490)	0.0191 (0.0262)	0.545*** (0.164)	-0.652*** (0.130)	-0.615*** (0.150)	-0.528** (0.204)	-0.706*** (0.138)			
Total Num Workers (log)	-0.718*** (0.0666)	0.347*** (0.0388)	0.330*** (0.0385)	0.0413* (0.0204)	1.900*** (0.155)	-5.728*** (0.130)	-5.991*** (0.141)	-6.151*** (0.181)	-5.382*** (0.204)			
Pct Managers	25.92*** (3.384)	-9.256*** (1.950)	-9.629*** (1.724)	-7.033*** (1.797)	14.06*** (2.119)	1.439 (2.215)	-0.656 (2.136)	4.042 (3.110)	3.004 (1.776)			
Pct Professional Workers	34.63*** (3.364)	-13.15*** (1.934)	-12.82*** (1.718)	-8.673*** (1.794)	-3.728 (2.067)	1.328 (2.475)	-1.034 (2.402)	-14.30*** (3.140)	-14.43*** (2.062)			
Pct Backoffice Workers	33.72*** (3.338)	-12.79*** (1.924)	-12.39*** (1.705)	-8.536*** (1.764)	-2.813 (2.084)	-4.122 (2.515)	-5.779* (2.416)	-0.496 (3.192)	-6.442** (2.284)			
Pct Blue Collars	33.57*** (3.362)	-12.57*** (1.939)	-12.43*** (1.714)	-8.571*** (1.770)	-4.668* (2.134)	0.541 (2.694)	1.111 (2.610)	11.84*** (3.569)	5.039* (2.242)			
Pct Service Workers	33.25*** (3.354)	-12.46*** (1.946)	-12.24*** (1.715)	-8.549*** (1.772)	-2.232 (2.140)	-5.819* (2.873)	-8.651** (2.825)	0.400 (3.984)	-9.548*** (2.108)			
Establishment Age (proximation)	-0.110*** (0.00775)	0.114*** (0.00639)	-0.0236*** (0.00425)	0.0193*** (0.00283)	0.445*** (0.0141)	-0.175*** (0.0146)	-0.294*** (0.0192)	-0.257*** (0.0238)	-0.366*** (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			

Notes: The table shows the post-acquisition changes without using matching. Dependent variables on managerial composition are the number of managers of a particular demographic category over the total number of managers in an establishment. Dependent variables on segregation level are dissimilarity index calculated based on the eight non-managerial occupations in the EEO-1 database. *Post Acquisition* represents post-acquisition change in establishments that were acquired. Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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 (log)	-1.886***	1.030***	0.567***	0.167***	-0.473***
	(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 Workers	149.3***	15.54***	14.47***	13.88***	16.22***
	(4.759)	(2.709)	(2.704)	(2.176)	(4.918)
Pct Backoffice Workers	141.9***	20.94***	18.10***	11.74***	24.53***
	(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 (proximation)	-0.466***	0.248***	0.124***	0.0570***	0.0448***
	(0.0172)	(0.0106)	(0.0114)	(0.00592)	(0.0129)
Post Acquisition Period	0.161**	-0.100*	-0.0529	0.0102	-0.0366
	(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

Notes: The table shows the post-acquisition changes in the racial composition of non-managerial workers. Dependent variables are the number of non-managerial employees of a particular demographic category over the total number of non-managerial employees in an establishment. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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		

Notes: The table shows the post-acquisition changes in the acquiring firm (excluding the acquired establishments). *Acquisition Amount* is measure of acquisition intensity, calculated as the total number of employees in establishments that a firm has acquired in the past five years over the total number of employees in a firm. Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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*** (0.0672)	0.204*** (0.0453)	0.176*** (0.0425)	0.0435 (0.0250)	0.540*** (0.128)	-0.807*** (0.117)	-0.935*** (0.128)	-0.760*** (0.145)	-0.941*** (0.109)	
Total Num Workers (log)	-0.771*** (0.0564)	0.363*** (0.0361)	0.343*** (0.0355)	0.0646* (0.0256)	1.692*** (0.0936)	-5.645*** (0.112)	-6.039*** (0.116)	-6.172*** (0.134)	-4.640*** (0.112)	
Pct Managers	29.06** (8.894)	-7.349* (3.075)	-18.62*** (5.367)	-3.085 (5.784)	21.45*** (5.342)	-6.872 (6.906)	-1.224 (7.358)	7.408 (7.823)	5.280 (5.167)	
Pct Professional Workers	38.66*** (8.847)	-11.68*** (3.070)	-21.96*** (5.338)	-5.019 (5.749)	1.094 (5.274)	-8.953 (6.919)	-4.287 (7.358)	-10.36 (7.846)	-14.99** (5.194)	
Pct Backoffice Workers	38.42*** (8.848)	-11.36*** (3.073)	-21.97*** (5.342)	-5.084 (5.744)	3.042 (5.275)	-15.92* (6.923)	-9.404 (7.359)	-0.450 (7.905)	-10.64* (5.229)	
Pct Blue Collars	38.52*** (8.850)	-11.35*** (3.072)	-22.04*** (5.344)	-5.130 (5.743)	0.652 (5.256)	-12.90 (6.932)	-3.823 (7.348)	11.38 (7.866)	-0.460 (5.211)	
Pct Service Workers	38.21*** (8.850)	-11.35*** (3.074)	-21.92*** (5.343)	-4.931 (5.745)	1.303 (5.300)	-17.95** (6.939)	-13.49 (7.387)	0.200 (7.906)	-13.78** (5.220)	
Establishment Age (proximation)	-2.491 (78525.1)	-1.177 (49540.6)	1.965 (47896.9)	0.194 (31410.2)	1.981 (171800.4)	-0.216 (178459.6)	-12.17 (205996.3)	0.556 (226372.9)	-5.097 (341040.3)	
Post Acquisition Period	0.183** (0.0584)	-0.106** (0.0401)	-0.0404 (0.0377)	-0.0366 (0.0213)	-0.0742 (0.0839)	0.387*** (0.0913)	0.433*** (0.100)	0.282* (0.127)	0.249** (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	

Notes: The table shows models with industry-year and state-year fixed effects. Model specifications are otherwise the same as those in Table 3. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. 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

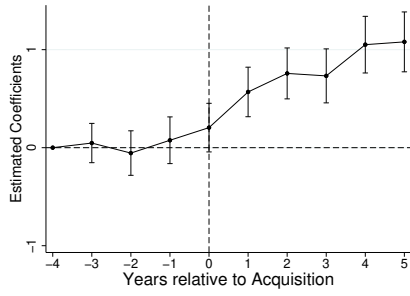
	Managerial Composition						Segregation Level			
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women	Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women	
Post Acquisition Period x Treat Establishment	-0.372*** (0.0657)	0.186*** (0.0454)	0.148*** (0.0378)	0.0378 (0.0265)	0.480*** (0.102)	-0.616*** (0.108)	-0.708***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

Notes: The table shows models including establishment size as weights. Establishment size is based on the number of employees. Model specifications are otherwise the same as those in Table 3. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. Standard errors clustered at the firm level are in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

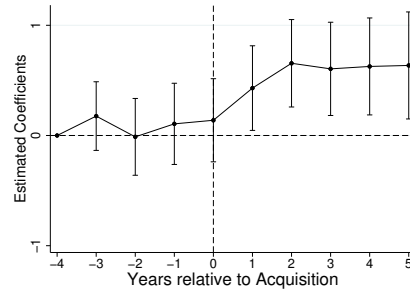
Table A.6: Including Closed Establishments: Managerial Composition and Occupational Segregation Before and After Acquisition

	Managerial Composition						Segregation Level					
	Pct White	Pct Black	Pct Hispanic	Pct Asian	Pct Women		Blk-Wht	Hisp-Wht	Asian-Wht	Men-Women		
Post Acquisition	-0.404***	0.165***	0.199***	0.0394	0.571***		-0.777***	-0.851***	-0.618**	-0.902***		
Period x Treat Establishment	(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	0.178**	-0.0775	-0.0798	-0.0209	-0.112		0.358***	0.372***	0.180	0.261***		
Period	(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		

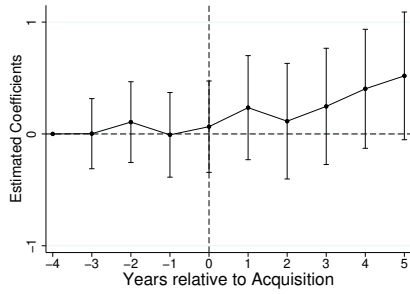
Notes: The table shows models including those acquired establishments that were closed within the first two years after acquisition. Model specifications are otherwise the same as those in Table 3. *Post Acquisition Period x Treat Establishment* represents post-acquisition change in establishments that were acquired (relative to those that were never acquired). Data come from the EEO-1 database, covering all US firms with more than 100 employees. Standard errors clustered at the firm level are in parentheses. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.



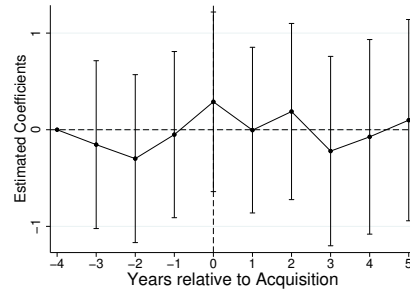
(a) Bottom Quartile



(b) Second Quartile

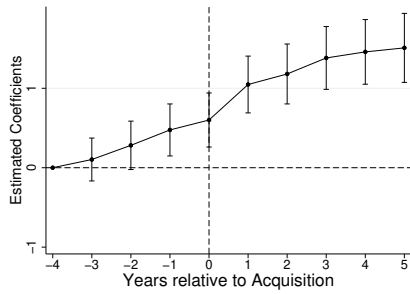


(c) Third Quartile

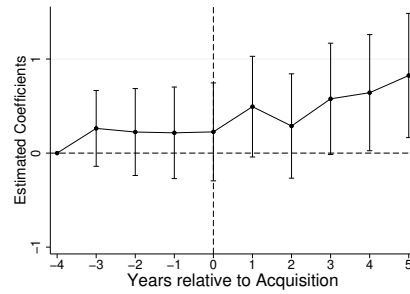


(d) Top Quartile

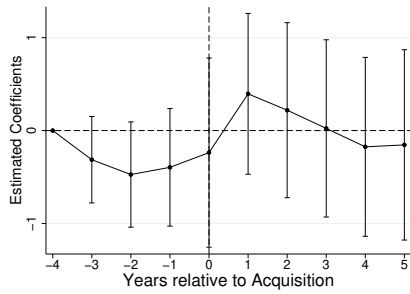
Pct Minority Managers



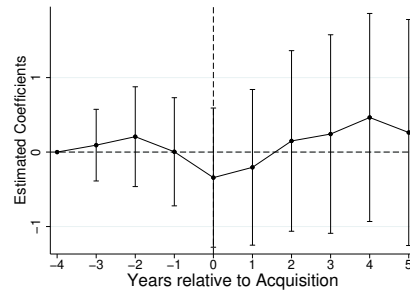
(e) Bottom Quartile



(f) Second Quartile



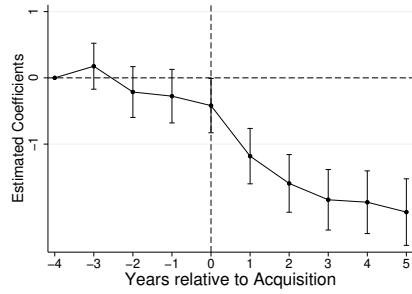
(g) Third Quartile



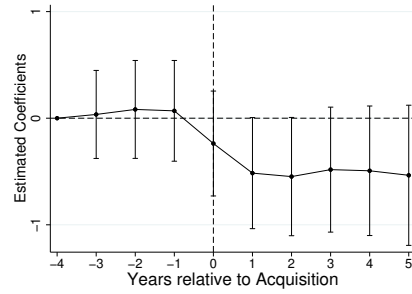
(h) Top Quartile

Pct Women Managers

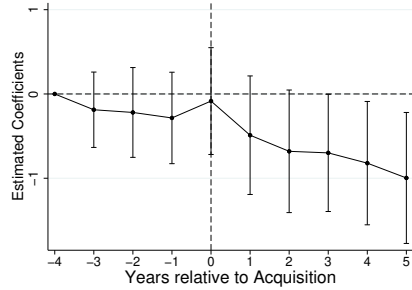
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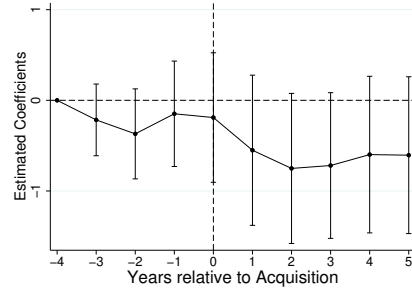
(i) Bottom Quartile



(j) Second Quartile

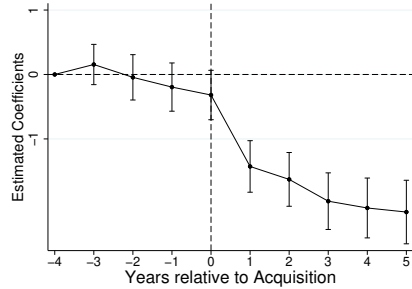


(k) Third Quartile

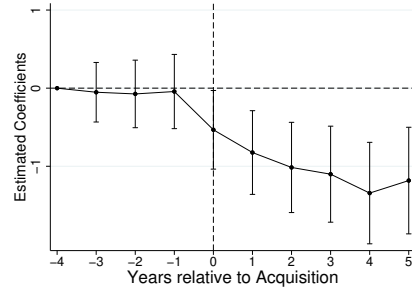


(l) Top Quartile

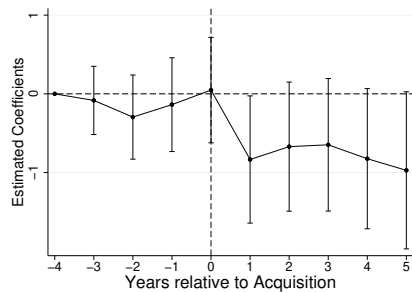
Minority-White Segregation



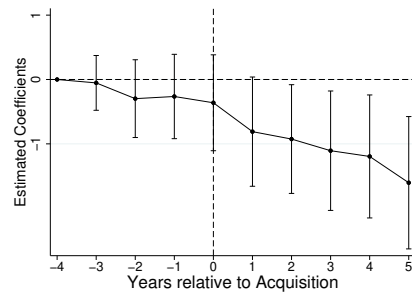
(m) Bottom Quartile



(n) Second Quartile



(o) Third Quartile

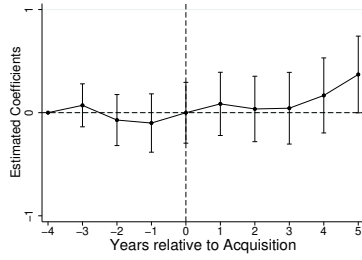


(p) Top Quartile

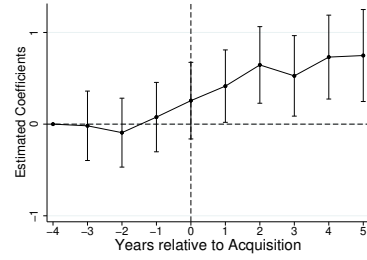
Men-Women Segregation

Figure A.1: Acquisition Effect on Managerial Diversity and Segregation: Sorted by Firm Size (of the Acquired Firm)

Notes: The figures show results from split-sample analyses. The sample split is based on the size of the acquiring firm. Like Figure 6, these figures plot the regression coefficients and associated confidence intervals for the post-acquisition change in racial and gender inequality. Standard errors are clustered at the firm level.

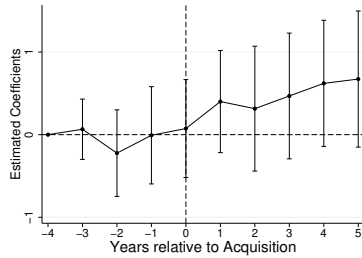


(a) 1970s and 1980s

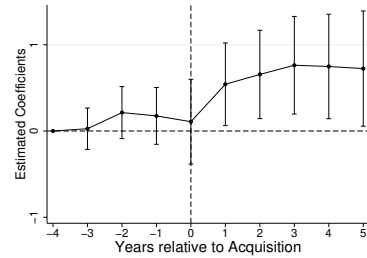


(b) 1990s and 2000s

Pct Minority Managers

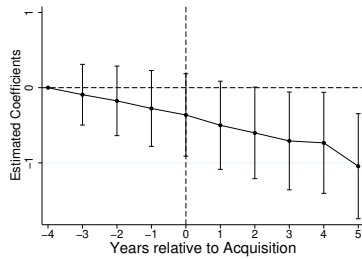


(c) 1970s and 1980s

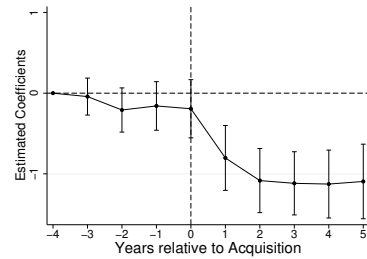


(d) 1990s and 2000s

Pct Women Managers

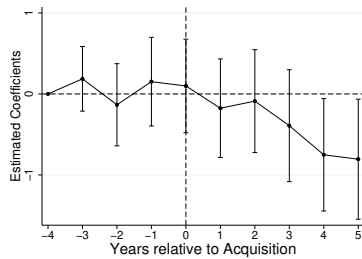


(e) 1970s and 1980s

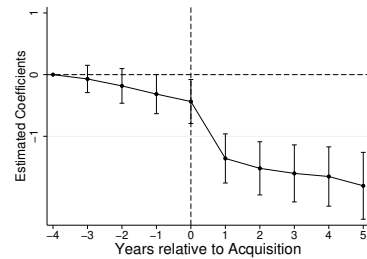


(f) 1990s and 2000s

Minority-White Segregation



(g) 1970s and 1980s

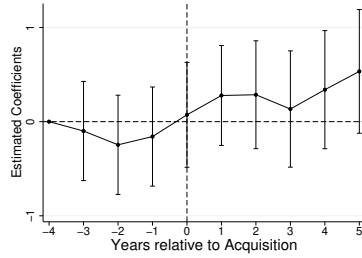


(h) 1990s and 2000s

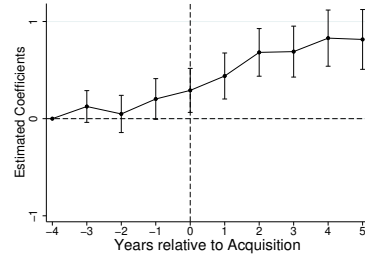
Men-Women Segregation

Figure A.2: Acquisition Effect on Managerial Diversity and Segregation: Sorted by Decades

Notes: The figures show results from split-sample analyses. The sample split is based on the time of the acquisition. Like Figure 6, these figures plot the regression coefficients and associated confidence intervals for the post-acquisition change in racial and gender inequality. Standard errors are clustered at the firm level.

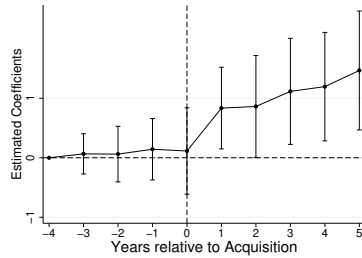


(a) Service Industries

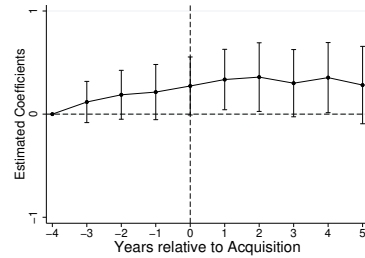


(b) Manufacturing Industries

Pct Minority Managers

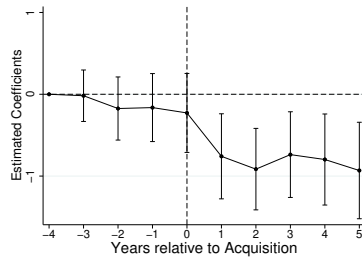


(c) Service Industries

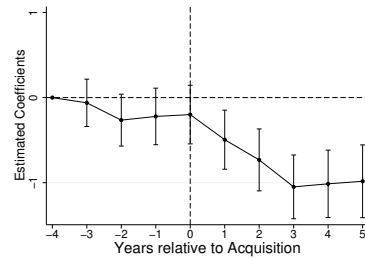


(d) Manufacturing Industries

Pct Women Managers

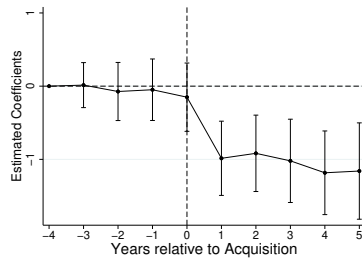


(e) Service Industries

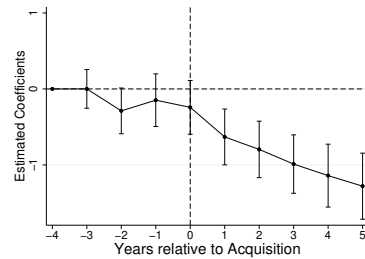


(f) Manufacturing Industries

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

Notes: The figures show results from split-sample analyses. The sample split is based on broad industry categories (service versus manufacturing). Like Figure 6, these figures plot the regression coefficients and associated confidence intervals for the post-acquisition change in racial and gender inequality. Standard errors are clustered at the firm level.