

Do They Have an Equal Second Chance? Evidence from the CEOs' Post-turnover Labor Market Outcomes



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Motivation

Addressing DEI Gaps: Research on DEI often overlooks career recovery differences across gender and race, especially following involuntary turnovers. This study fills that gap by focusing on minority CEOs' reemployment, income, and tenure outcomes.

Significance of CEO Turnovers: Involuntary turnovers of high-profile CEOs in S&P 1500 firms reveal labor market inequalities. Tracking these outcomes provides insight into the unique challenges minority executives face.

Implications for DEI Policies: Findings are crucial for DEI policies aimed at supporting career resilience for minority executives, underscoring the need for fair labor market practices, especially for underrepresented groups.

Key Findings

Reemployment Opportunities: Minority CEOs generally have similar chances as Caucasian male CEOs to secure executive roles in public firms. However, female CEOs and Black CEOs face lower chances of obtaining CEO positions, especially over a 10-year period post-turnover. Female CEOs are also less likely to obtain non-CEO positions over this timeframe.

Private Firm Reemployment: Minority CEOs as a group show no significant disadvantage in private firms. However, female CEOs and Black CEOs have notably fewer opportunities to reenter top positions in private firms over time.

Factors Affecting Reemployment: Job availability, rather than ability differences, appears to drive the disparities observed for female and Black CEOs. Those in less populated areas face greater challenges in securing new roles.

Job Tenure: Female and Black CEOs have significantly shorter tenures in new positions, particularly in private firms, suggesting ongoing challenges in career stability and continuity post-turnover.

Directorships: Female and ethnic minority CEOs face no significant differences in securing directorships in public firms. However, Black CEOs are less likely to serve on private firm boards post-turnover.

Income Disparities: Female CEOs earn about 45% less than male counterparts in the first three years post-turnover, although this gap diminishes over time. Asian CEOs, by contrast, initially have higher incomes than others.

Data and Methodology

How We Gather Essential Data

Identifying Involuntary Turnovers: We use the ExecuComp database to track CEO turnovers in S&P 1500 firms from 1992 to 2009. Following criteria from Ellis et al. (2021), turnovers are classified as involuntary if CEOs under 60 depart without a new job, health issues, or pre-announced retirement. This approach yields 643 cases.

Determining Minority Status: CEO gender is sourced from ExecuComp, while racial minority status is identified using RiskMetrics database, with manual verification to ensure accuracy. Minority CEOs are further divided into groups: female (vs. male), and Asian, Black, and Hispanic (vs. Caucasian).

Tracking Post-Turnover Employment: Employment histories post-turnover are compiled from resources like BoardEx, Capital IQ, and Factiva, as well as LinkedIn, Bloomberg, and company sites, capturing job title, company type, and tenure details.

Estimating Post-Turnover Income: For public firm CEOs, income data is drawn from ExecuComp and proxy statements. Private firm CEOs' compensation is estimated using industry averages from ExecuComp with a 30% private firm adjustment. Director and consulting roles are similarly estimated.

Approach and Analytical Methods

Long-Term Tracking: We follow each CEO's career path for up to 10 years post-turnover, assessing reemployment opportunities, job tenure, and compensation in both public and private firms.

Income Calculations: Total income over specific periods (3, 5, and 10 years) is calculated for accuracy, applying methods from prior studies (Gao and Li, 2015; Eckbo et al., 2016) to adjust for public vs. private firm differences and other employment types.

Methodology for Estimating Income for Departed CEOs after the Turnover

Type of new employment Methodology for estimating income at the new firm

Panel A: Executive at public firm

CEO at new public firm Actual compensation reported in ExecuComp, 10Ks or proxies.

Non-CEO executives at new public firm Actual compensation reported in ExecuComp, 10Ks or proxies, or average pay for the new firm's non-CEO executives from ExecuComp.

Panel B: Executive at private firm

CEO at new private firm Reported income from Capital IQ, or average of CEO pay for industry-size matched firms in ExecuComp, adjusted with a 30% private-firm discount.

Non-CEO executive at new private firm Average of Non-CEO executive pay for industry-size matched firms in ExecuComp, adjusted with a 30% private-firm discount.

Panel C: Board of Directors

Director at public firm Reported director compensation from BoardEx, or average director pay for industry-size matched firms (matching criteria based on ExecuComp Database).

Director at private firm Average director pays for industry-size matched firms (matching criteria based on ExecuComp Database), adjusted with a 30% private-firm discount.

Main Results

Reemployment at Public Firm

Dep. Var.	CEO Reemployment											
	In three years			In five years			In ten years					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Minority	-0.001				-0.016				-0.040			
	(0.037)				(0.037)				(0.039)			
Female		-0.046**				-0.054**				-0.059**		
		(0.021)				(0.024)				(0.030)		
Ethnic Minority			0.020				0.002				-0.030	
			(0.050)				(0.051)				(0.053)	
Asian				0.041				0.008				-0.019
				(0.085)				(0.089)				(0.089)
Black				-0.085				-0.097				-0.124*
				(0.057)				(0.059)				(0.065)
Hispanic				0.039				0.032				-0.006
				(0.074)				(0.074)				(0.078)

Dep. Var.	Non-CEO Executive Reemployment											
	In three years			In five years			In ten years					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Minority	0.004				-0.026				-0.056			
	(0.047)				(0.051)				(0.059)			
Female		-0.058				-0.089				-0.178**		
		(0.071)				(0.080)				(0.073)		
Ethnic Minority			0.031				0.003				0.000	
			(0.059)				(0.063)				(0.075)	
Asian				0.036				-0.032				-0.029
				(0.099)				(0.098)				(0.124)
Black				-0.075*				-0.099**				-0.184***
				(0.045)				(0.051)				(0.056)
Hispanic				0.064				0.008				0.087
				(0.250)				(0.289)				(0.332)

Total Income after the CEO Turnover

Dep. Var.	Log (3-year total income)				Log (5-year total income)				Log (10-year total income)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Minority	-0.160				-0.085				-0.132			
	(0.144)				(0.166)				(0.191)			
Female		-0.451*				-0.236				-0.370		
		(0.260)				(0.329)				(0.390)		
Ethnic Minority			-0.022				-0.015				-0.023	
			(0.167)				(0.184)				(0.208)	
Asian				0.408*				0.244				0.029
				(0.220)				(0.266)				(0.284)
Black				-0.267				-0.391				-0.418
				(0.361)				(0.348)				(0.442)
Hispanic				-0.281				-0.065				0.080
				(0.250)				(0.289)				(0.332)

Conclusions

- Minority CEOs, particularly female and Black executives, face significant challenges in career recovery after involuntary turnover.
- Female and Black CEOs have lower chances of regaining high-level roles in public and private firms, with shorter tenures in new positions.
- Initial income disparities are evident, especially for female CEOs, though these gaps decrease over time.
- Findings underscore the need for DEI policies that:
 - Support fair reemployment opportunities.
 - Ensure equitable compensation for minority executives.
 - Enhancing DEI initiatives in these areas is essential for a more inclusive and resilient executive labor market.

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