

Study finds African American executives more likely to be demoted than Caucasian, Asian or Hispanic counterparts

October 24 2017

Researchers looked at data from over a 20-year period of more than 8,000 executives in 2,800 US listed companies, and found that black executives accounted for just one per cent of all executives. They also found that black executives are 74 per cent more likely to get demoted, face a 43 per cent lower probability of promotion and are 55 per cent more likely to leave the executive ranks altogether than other race groups.

The studies, which have been published in *Industrial Relations: A Journal of Economy and Society*, also found that African American executives earn lower compensation when firms perform well. For companies with above average profitability, the pay gap is around 20 per cent – however, there is no pay difference with white executives in companies with below average profitability. For example, for every one per cent increase in a company's profitability, the bonus payment for white executives increases by four per cent – whereas for black executives the increase is only one per cent. So when a company's performance increases, the pay gap increases.

Professor Paul Guest, Professor of Finance and Accounting at the University of Surrey, said: "Unfortunately, our findings paint a grim but all too familiar picture of how [black people](#) fair in the executive space. This should be a real concern for companies, especially for the largest firms, who claim that organisational diversity is a key goal. African

Americans can play a key role in increasing the representation of other black people at lower levels, so these findings have implications far broader than people realise."

"Taken as a whole, it's clear that African American executives are underachieving. Discrimination or bias could take many forms. Corporate boards may be unconsciously biased against black executives. Alternatively, African Americans may underperform due to weaker executive networks or the higher pressure to perform associated with being a minority.

"Whatever the case may be, it is clear that the business community still has a long way to go when it comes to diversity."

Provided by University of Surrey

Citation: Study finds African American executives more likely to be demoted than Caucasian, Asian or Hispanic counterparts (2017, October 24) retrieved 25 April 2024 from <https://phys.org/news/2017-10-african-american-demoted-caucasian-asian.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.