Unintended Consequences of Diversity Regulations

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Abstract

Using a granular dataset of personal career history, this paper examines the unintended consequences of government diversity regulations. After the Office of Federal Contract Compliance Programs (OFCCP) diversity investigations, the female ratio in uninvestigated plants of conservative firms decreases, whereas this ratio increases in liberal firms. Future compensation and the likelihood of promotion for female employees of investigated conservative firms decrease relative to male employees. In plants with high female representation, corporate productivity decreases in conservative firms and increases in liberal firms. These findings suggest that the value misalignment between government diversity initiatives and corporate ideologies leads to real economic outcomes, at both the individual and corporate level, against the disadvantaged workers that the diversity regulations are designed to protect.

Key Words: Workforce Diversity; Regulatory Enforcement; Political Ideologies
JEL Codes: D72; G38; J16

1 Introduction

The U.S. federal government has been pushing diversity initiatives with unprecedented intensity. Throughout history, ten executive orders related to diversity initiatives have been issued, and almost half of them have been signed in the last three years.[1] Opinions on affirmative action are split among corporate leaders: liberals tend to align with the Democratic Party, generally supporting the policy, and conservatives who align with the Republican Party criticize it.[2] However, this momentum faced a significant setback when President Trump recently revoked Executive Order 11246, a landmark policy that had mandated affirmative action for federal contractors for nearly six decades. This abrupt policy reversal has intensified debates over the role of government in promoting corporate diversity and raised urgent questions about whether such regulations can achieve their intended goals, especially when they conflict with corporate values or ideologies.

A large number of labor economics studies have explored the unintended consequences of government regulations.[3] For instance, minimum wage laws may reduce employment opportunities for low-skilled workers, working against the intention of this regulation to protect the disadvantaged labor force. As opinions toward diversity have become increasingly important and polarized, the conflicts between regulatory initiatives and corporate ideologies can no longer be ignored. Recent anecdotal evidence suggests that some companies, under pressure from diversity, equity, and inclusion (DEI) initiatives, are stepping back from their diversity practices.[4] For example, Tesla removed references to DEI efforts such as outreach to minority communities and support for employee resource groups in its latest 10-K filing.[5] Thus, understanding whether government diversity regulations have unintended consequences is imperative, as these regulations might inadvertently harm the underrepresented groups they aim to protect. If such consequences exist, how can

[1] Appendix Table A11 lists all executive orders related to diversity.

[2] https://edition.cnn.com/2024/07/24/politics/dei-kamala-harris/index.html

[3] The discussion of unintended consequences in labor economics dates back hundreds of years. In 1692, John Locke opposed a parliamentary bill to lower the maximum interest rate from 6% percent to 4%, arguing that it would harm borrowers by encouraging circumvention of the law, with the associated costs falling on borrowers.

[4] https://www.washingtonpost.com/business/2023/12/27/dei-affirmative-action-legal-challenges-corporate-america/

[5] https://edition.cnn.com/2024/02/01/business/tesla-dei-elon-musk/index.html

we quantify their impact on the career trajectories of underrepresented groups? Further, what are the implications of these regulations on firm performance?

I utilize Office of Federal Contract Compliance Programs (OFCCP) investigations as an ideal empirical setting to study my research questions for the following reasons. First, OFCCP investigations may lead to severe economic consequences that firms must respond to. Each year, the OFCCP selects a list of firms for equal opportunity employment compliance evaluations. Firms that are found to be in violation face substantial penalties, including fines and legal action. In severe cases, the OFCCP can recommend debarment, preventing the firms from receiving future federal contracts until compliance is achieved.[6] The significant compliance pressure and penalties incentivize firms to treat affirmative action seriously. Second, OFCCP audits are conducted randomly across firms holding federal contracts. This randomness is critical to my study as it ensures that the observed corporate responses are causally triggered by government enforcement actions instead of being influenced by other omitted confounding factors that can also affect corporate diversity practices.[7] Finally, owing to resource constraints, the OFCCP does not audit all establishments of a firm; instead, it only investigates corporate facilities that fulfill the duties of federal contracts. While investigated establishments must increase diversity hires in response to compliance pressure, any response from uninvestigated establishments reflects the company's true culture and ideology on corporate diversity.

Using granular personal career history data from Revelio Labs, I find unintended consequences of government investigations when firms' political ideologies conflict with diversity regulation. That is, female applicants and employees in investigated conservative firms encounter fewer job opportunities and experience bleaker career trajectories after OFCCP investigations. Specifically, after the OFCCP investigates one of their establishments, conservative firms tend to decrease female workforce diversity in their uninvestigated

[6]For example, the OFCCP investigated Google's California and Washington establishments in 2016 and found evidence of hiring discrimination. Following the investigation, Google did not receive any federal contracts until 2021, when it settled with the OFCCP and paid back over $3.8 million to applicants and employees. Figure 5 provides details of the settlement between Google and the OFCCP.

[7]While the OFCCP aims to target firms with the highest risk of noncompliance, it cannot identify which factors are associated with this risk. Instead, it uses factors such as alphabetical order and employee count to select firms.

establishments, an effect driven by the slowdown in female recruitment relative to male recruitment. This decrease is economically significant, with the female ratio dropping by approximately 1.1% in conservative firms following government investigations within a firm-state, which translates to an estimated loss of about 92,000 female jobs over the sample period. This counterintuitive outcome suggests that government policies designed to enhance gender diversity may lead to a reduction in female representation within conservative firms. In stark contrast, firms with liberal political ideologies respond to OFCCP investigations differently. After an investigation, these firms tend to increase the female ratio in their other establishments compared to uninvestigated liberal firms, indicating a more proactive approach to diversity.

I conduct a set of robust tests to make sure that an adjustment in firm diversity after OFCCP investigations is in reaction to the firm's political ideologies rather than a response to other confounding factors such as female labor supply. I control for local female labor supply and its interactions with government investigations and firm political ideologies. The baseline results remain unchanged, suggesting that female labor supply is not the primary factor driving the diversity adjustments. Additionally, the baseline results remain robust after controlling for local political ideologies at the establishment level, suggesting that the political ideologies held by a firm's headquarters exert a more substantial influence on its diversity responses relative to local political contexts.

The study delves deeper into the channels through which firms adjust their diversity practices. With the conflicts of government initiatives and corporate ideologies intensifying, we may expect stronger firm diversity responses. Consistent with this hypothesis, conservative firms decrease the female ratio even further in uninvestigated establishments when a firm faces intense government scrutiny. I also focus on the interaction of firms' internal political ideologies and the external political environment, with a conjecture that firms with aligned internal and external political ideologies adjust the diversity in a more pronounced manner. The gender composition of board members is employed to proxy a firm's internal political ideologies regarding diversity. The results show that firms whose internal values are aligned with the external environment are more likely to adjust

their diversity practices accordingly. For instance, firms with female board members headquartered in Democratic-leaning states are more inclined to increase female hiring, whereas firms without female board members headquartered in Republican-leaning states are more likely to slow female recruitment. Furthermore, I find that the broader political climate impacts firms' workforce diversity responses following government audits. For instance, during a Republican presidency, when divergence toward diversity increases, both conservative and liberal firms exhibit stronger baseline adjustments to diversity practices.

The study also uncovers significant implications for individual career development. In liberal firms with higher female representation, female employees benefit from a higher likelihood of promotion, suggesting that these firms create pathways for their advancement within the organization. In contrast, conservative firms show decreased promotion prospects for female employees despite the high representation of women, which indicates underlying structural barriers that inhibit the advancement of women. The study also examines the long-term implications of these diversity practices on future compensation for female employees who leave investigated firms. Results show female employees departing from conservative firms that were subject to OFCCP investigations tend to experience about 2.6% lower future compensation compared to their male colleagues. This finding suggests that conflicting diversity practices with political ideologies have a lasting adverse impact on employees' career trajectories.

Beyond individual career development, the study uncovers significant implications for firm outcomes. The findings reveal distinct patterns that vary depending on the political ideology of the firm. Specifically, a higher female ratio is associated with a decline in productivity for conservative firms. This finding suggests that these firms struggle to integrate diversity into their operational frameworks effectively. On the other hand, liberal firms with a high female ratio experience enhanced productivity, indicating that these firms are better equipped to leverage diverse talent to drive performance improvements. Overall, this analysis shows the value of alignment with political ideologies: firms whose diversity practices align with their political ideologies tend to experience

better performance outcomes.

The rest of the paper is organized as follows. Section 2 provides an overview of the literature. Section 3 describes data sources and sample characteristics. Section 4 presents empirical results for responses to firm diversity and the real economic impacts. Section 5 concludes.

2 Literature Review

This paper is related to several strands of the literature. The first strand of the related literature analyzes the interaction between political values, social norms, and diversity. Environmental, social, and governance (ESG) is often seen as a political issue (Starks, 2023), with market participants' views on ESG influenced by their political values. Cohen et al. (2021) documents that individuals' political stance largely determines their attitudes toward gender diversity. Firms whose CEOs are affiliated with the Democratic Party have a higher female ratio and lower gender pay gap among executives. Personal experiences, such as having daughters or growing up in a male-dominated culture, can also influence one's gender views and decisions regarding female recruitment and resource allocation (Calder-Wang & Gompers, 2021; Duchin et al., 2021). Female CEOs contribute to reducing the gender pay gap by reshaping firm culture, whereas male and older CEOs are often the main contributors to the gender pay gap (Newton & Simutin, 2015; Tate & Yang, 2015). Social norms also play a role; sexist attitudes affect female labor participation rates and wages. Increased public attention to gender diversity prompts firms to improve board diversity, especially in companies already inclined to support gender diversity initiatives (Giannetti & Wang, 2023). My paper contributes to this literature by providing unintended consequences when firms' political values do not embrace diversity; that is, firms with conservative political views decrease female representation following government investigations.

The second strand of the literature examines the impact of government legislation in promoting diversity. Board gender quotas can have different policy implications (Allen &

Wahid, 2024). For instance, the regulations effectively mandate firms to promote female representation when implemented in countries embracing diversity, such as Denmark and Norway (Bertrand et al., 2019; Bennedsen et al., 2022). Conversely, these regulations may impose a burden on firms and lead to negative market reaction (Boyallian et al., 2020). Mandates against public belief can even cause a backlash to the point where people push back against these mandates, thereby contributing to a deterioration of the female labor market (Wheaton, 2020; Bian et al., 2023). This paper also relates to the literature studies on how gender bias impacts female career development. Females' career advancement is hindered by cultural factors with discounted work and fewer future opportunities (Adams et al., 2021; Adams & Kirchmaier, 2013; Liu et al., 2023). While the gender quota tool positively impacts gender gap pay in the short term, it has a limited effect in the long term and even leads to decreasing female hiring and promotion (Jain & Mohie-Eldin, 2024; Bailey et al., 2024). While the existing literature on government diversity mandates mainly focuses on the boardroom, my study contributes to the literature by exploring how government regulation influences diversity at the rank-and-file level and has an impact on the firm's daily operations.

The third strand of literature studies gender diversity and firm performance. Firms with more female directors perform better in board attendance and monitoring and experience less stock volatility (Adams & Ferreira, 2009; Bernile et al., 2018). Diversity benefits can also transfer throughout the supply chain, with principal customers' diversity practices promoting economic benefits for the suppliers (Cen et al., 2024). However, the effect of gender diversity on firm performance can be negative when the diversity is achieved by mandatory quotas or when the costs may outweigh benefits. For example, a mandated law requiring the firm to have certain female board members can lead to negative market reactions and decrease the firm value in the long run, as the law constrains the firm from choosing boards that maximize value (Kim & Starks, 2016; Fried, 2021). My paper contributes to this literature by providing a unified perspective on the relationship between female representation and firm performance. That is, female representation impacts firm performance conditionally on the firm's political ideology.

3 Data Sources and Sample Characteristics

The primary database utilized in this paper is Revelio Labs, which provides comprehensive data on the U.S. workforce. These data are detailed down to the level of individual job positions. Each individual is assigned a unique identifier that remains consistent throughout their career, facilitating the tracking of various personal characteristics, including gender, race, and the highest level of education attained. The dataset provides extensive information about each individual's work history, including the firm name, location, specific time of employment, and job titles within the organization. Although direct compensation data are not available, Revelio Labs employs machine learning techniques to estimate salaries based on position, location, and firm attributes, although the estimated compensation is not accurate. Data on estimated compensation are particularly valuable because this information can indicate changes in an individual's rank or responsibilities within the firm. Additionally, the dataset includes the CUSIP identifier, which allows for linkage to financial data in Compustat, further enriching the analysis of workforce dynamics within firms.

To evaluate how diversity influences firm performance at the plant level, I utilize the NETS dataset, which captures plant employment and sales data to assess firm growth and productivity. This dataset uses the DUNS number as a permanent identifier for firms. While affirmative action policies apply specifically to federal contractors, I obtain relevant contract data from USAspending.gov, which tracks all contracts awarded by the U.S. federal government. This database provides information such as contract value, duration, and awarding agency. The DUNS number is also used in USAspending.gov to identify contract recipients. To link plant performance and contract award data to the firm's financial information, I first employ fuzzy matching to connect DUNS and GVKEY numbers in Compustat based on corporate names, followed by a manual verification process to ensure matching accuracy.

For measuring a firm's political ideology, I source presidential election results from MIT Labs, which provide the exact number of votes cast for Democratic and Republican candidates at the county level. I use the percentage of votes received by the Democratic

Party within a state as a proxy for political ideology. In addition to assessing political alignment based on the location of firm headquarters, I incorporate other datasets to gain a more nuanced understanding of firms' internal political attitudes toward diversity. The BoardEx dataset, for example, details the gender composition of appointed board members. These data sources collectively enhance the analysis of how political ideologies influence corporate diversity initiatives.

[Insert Table 1 Here]

Table 1 presents key statistics organized at the firm-state-year level. The variable *Post* indicates that a firm-state has undergone at least one investigation of one of the firm's establishments. Firms investigated prior to 2008 are excluded from the dataset as they are consistently treated. The average female employee ratio in the sample is 39.3%, suggesting that firms are hiring fewer women than the target of approximately 50% for gender parity. Firms exhibit significant variability, with a standard deviation of 18.1%. About 22.5% of firm-state-year observations fall into the post-investigation category, providing a substantial treated group for analyzing the effects of government investigations on firm behavior.

The dataset spans from 2008 to 2020, covering two Democratic presidential terms and one Republican term. During this period, the average Democratic voter rate was 51.4%. Applying a 55% cutoff to categorize Democratic-leaning firms reveals that approximately 39.2% are headquartered in Democratic states. Appendix Table A12 examines the correlation between political ideology and workforce diversity. The key independent variable, *Democratic Rate*, is a proxy for firm political ideology, reflecting the percentage of votes for Democratic candidates in the firm's headquarters state. In column (1), a 10% increase in the Democratic Rate is associated with a 0.75% increase in the female-employee ratio ($0.075 \times 10\% = 0.75\%$). Although the coefficients become statistically insignificant in specifications (3) and (4), the magnitude of the coefficient for *Democratic Rate* remains consistent across different models, suggesting that firms in more liberal states are more likely to adopt gender-inclusive hiring practices.

On average, firms in the dataset employ 468 individuals and generate approximately $122 million in sales. However, the distribution is left-skewed, resulting in lower median statistics. Logarithmic transformations are applied to the number of employees and sales to normalize the data, facilitating interpretations of firm performance. Firms operating exclusively within government contract sectors are removed to avoid selection biases. Also, I focus on firms that employ both male and female workers and observations from firm-states with fewer than five total employees are excluded. Overall, the analysis includes approximately 665 unique firms and 5,816 unique firm-states. The primary test examines whether firms with different political ideologies respond differently to government investigations.

4 Empirical Results

4.1 Firm Diversity Responses

In my baseline test, I focus on the uninvestigated establishments of the investigated firms. I examine whether firms with different political ideologies react differently after they are investigated by the OFCCP. The dataset is organized at the firm-state-year level. With Appendix Table A2 validating the direct impact of the OFCCP investigation on firm labor diversity, plants that have been directly investigated are removed.

The specification is outlined as follows:

$$\begin{aligned} Y_{s,t,i} = \alpha + \beta_1 \times Post_{t,i} + \beta_2 \times DemocraticParty_{t,i} \\ + \beta_3 \times Post \times DemocraticParty_{t,i} + \theta_{s,i} + \delta_t + \epsilon_{s,t,i} \end{aligned} \tag{1}$$

where s represents a state, t a year, and i a firm. The dependent variable, $Y_{s,t,i}$, is the percentage of female employees relative to the total number of employees at firm i in state s during year t. I use the firm's headquarters voting results as a proxy for the firm's political ideology. Specifically, the variable *Democratic Party* is a dummy that equals 1 if the firm's headquarters is located in a state where more than 55% of the votes in the

most recent presidential election were for the Democratic Party. The variable *Post* is a dummy that equals 1 for the years following an investigation by the OFCCP into at least one establishment of firm i. The specification also controls for firm characteristics such as the book-to-market ratio (*BM Ratio*), firm size (*Log(MV)*), and return on assets (*ROA*).

I try various combinations of fixed effects in my analysis. First, I include firm-state fixed effects to ensure that I am comparing the female ratio within a plant, as the data are aggregated to the firm-state-year level. Additionally, I incorporate time-fixed effects such as year, industry-year, state-year, and state-industry-year fixed effects to account for time-varying shocks. For instance, industry-year fixed effects control for industry-specific hiring trends, such as the rise in female film producers in Hollywood following the #MeToo movement (Luo & Zhang (2022)). State-industry-year fixed effects further control for local economic conditions that vary by industry and state over time. For example, the booming tech industry in California or the rapid growth of the oil sector in Texas during a specific year could significantly influence female hiring practices within those sectors. By including the state-industry-year fixed effects, I control for such industry-specific growth trends that might impact female employment.

In the difference-in-differences (DiD) framework, by comparing the female employee ratio before and after the investigation, β_1 measures whether firms with conservative values change their gender diversity in response to a government investigation. A positive (or negative) β_1 would suggest that conservative firms either increase (or decrease) their female employee ratio after being investigated, reflecting their sensitivity to external regulatory pressure. The coefficient β_3 represents the DiD effect, comparing how the investigated firms' responses differ between conservative and liberal firms. A positive β_3 indicates that liberal firms increased their female representation more (or decreased it less) than conservative firms after the investigation. Therefore, the net effect of the OFCCP investigation on liberal firms is given by the sum of β_1 and β_3. A positive (or negative) sum suggests that liberal firms increase (or decrease) their female representation after the OFCCP investigation.

4.1.1 Baseline Results

The empirical results of the baseline test are reported in Table 2 and reveal the following patterns. Strikingly, β_1, the coefficient of the *Post* variable, is negative and significant at the 1% level in all specifications. This implies that firms with conservative political ideologies decrease female workforce diversity in uninvestigated establishments after the OFCCP investigates one of their establishments. The decrease is also economically significant. For example, β_1 in column (3) suggests that following the government investigation, the female ratio of firms with conservative political values decreases by 1.1% within a firm-state. On the other hand, firms with liberal political ideologies respond differently: they increase the female ratio in their other establishments after an OFCCP investigation. Summing up β_1 and β_3 in column (3) shows that liberal firms increased the female ratio by 0.4% following the government investigation.[8]

[Insert Table 2 Here]

Appendix Table A14 furthers the analysis of government investigations on female hiring beyond the female ratio by using the logarithm of the number of employees as the dependent variable. In Panel A, when using *Log (Female Employee)* as the dependent variable, and after controlling for male employee growth, the coefficients for *Post* in columns (1) to (4) range from -0.084 to -0.110, depending on the time-fixed effects applied. This suggests that, following an OFCCP investigation, the number of female employees in the average conservative firm decreased by approximately 8% to 11%. A rough estimate of female job losses due to government investigations is calculated as follows: 8% (average percentage loss of female employees)×[39.5%×467.8] (average number of female employees)×[(1 - 0.392)×0.225×44,346] (number of conservative firm-state-years post-investigation), resulting in approximately 92,000 lost female positions in my sample period. In Panel B, when using *Log (Male Employee)* as the dependent variable, the coefficients for both *Post* and *Post*×*Democratic Party* are insignificant, with values near

[8]Table A17 shows that diversity has a net effect at the firm level; i.e., conservative firms decrease their female ratio by 0.7% to 0.8% following the OFCCP investigation.

zero, indicating no significant change in male employment following an investigation, regardless of whether the firm is headquartered in a conservative or liberal state.

To test for parallel trends and study the dynamics of treatment effects, I estimate an event-study version of specification (1) with indicators for years before and after the OFCCP investigation. Specifically, I estimate the following specification:

$$\begin{aligned} Y_{s,t,i} = \alpha + \beta_{1,k} \times \sum_{k=-5,k\neq 0}^{5} D_{t,i} + \beta_2 \times DemocraticParty_{t,i} \\ + \beta_{3,k} \times \sum_{k=-5,k\neq 0}^{5} D_{t,i} \times DemocraticParty_{t,i} + \theta_{s,i} + \delta_t + \epsilon_{s,t,i} \end{aligned} \tag{2}$$

where $D_{t,i}$ is a set of indicator variables that equals one for firm i in the k years before and after an OFCCP investigation of at least one of its establishments, excluding the year the investigation begins ($k = 0$).

[Insert Figure 1 Here]

Figure 1 presents the event-study results and demonstrates that the estimates align with the assumption of parallel trends. The coefficients for conservative firms, represented by β_1, remain close to zero before the investigation, indicating no significant pre-trends for conservative firms. The coefficient β_3, which captures the difference between liberal and conservative firms, also does not differ from zero before the investigation. However, after the investigation, the negative β_1 suggests a decline in the female ratio of conservative firms relative to the pre-investigation period. In contrast, the positive β_3 indicates that liberal firms experienced more favorable outcomes in terms of the female ratio compared to conservative firms.

When examining the magnitude and timing of these effects, I find that both coefficients show increasingly pronounced changes over time. While β_1 and β_3 are initially insignificant from zero in the years immediately following the investigation, these two coefficients continue to increase in magnitude. The net effect for liberal firms can be inferred by summing β_1 and β_3, which consistently results in a positive net effect. In summary, the

findings indicate that conservative firms experience a decrease in the female ratio, whereas liberal firms see an increase, with these effects becoming more pronounced over time following the OFCCP investigation.

[Insert Figure 2 Here]

One may be concerned that in a staggered policy implementation setting, generalized DiD results may be biased if treatment effects are heterogeneous across groups or over time. To address this concern, I replicate the event-study results within the subsample of conservative firms using two alternative methods as robust tests, as introduced by Callaway & Sant'Anna (2021) and Sun & Abraham (2021). Figure 2 shows that the robust estimators yield results consistent with the generalized DiD approach. The consistency of these results indicates that the two-way fixed effects specification is still valid, as it suggests that the treatment effects are more uniform across groups than initially anticipated. Therefore, in the following analysis, I will continue to use the two-way fixed effects specification.

4.1.2 Economic Mechanisms

The improvement in the female ratio can result from an increase in female employees joining the firm, a decrease in male employees leaving the firm, or a combination of both. While both scenarios lead to a higher female ratio, they differ fundamentally in their implications. By recruiting more female employees, the underrepresented group gains access to work opportunities, aligning with the incentives behind affirmative action. Conversely, if the increase in the female ratio stems from more male employees leaving the firm, no party benefits from this shift, and the tension between different groups of employees may even be exacerbated. To distinguish which channel is in play, I construct two variables, *Female Ratio Hiring* and *Female Ratio Attrition*, and use them as dependent variables. *Female Ratio Hiring* (or *Female Ratio Attrition*) represents the percentage of female employees among all newly hired (or departing) employees.

[Insert Table 3 Here]

When using *Female Ratio Hiring* as the dependent variable, the coefficients for *Post* (and *Post*×*Democratic Party*) shown in Panel A of Table 3 are consistently significantly negative (or positive) across all specifications. This indicates that firms headquartered in Republican states are decreasing the hiring of females compared to males, whereas firms in Democratic states are increasing female hiring relative to males. In contrast, there is no discernible pattern in employee attrition after the government investigation, as demonstrated in Panel B of Table 3. In summary, firms with different political values primarily utilize hiring to adjust the female ratio. This finding aligns with the court's opinion on layoff preferences in affirmative action, which stated that "denial of a future employment opportunity [was] not as intrusive as loss of an existing job."[9]

I also examine whether the diversity adjustment comes from junior or senior employees. The results are shown in Appendix Table A15. Panel A, which focuses on the junior-level female ratio, shows that conservative firms experience a statistically significant decrease in the percentage of female employees among junior staff following a government investigation, whereas liberal firms experience a statistically significant increase. Panel B presents the senior management female ratio, where the results are less pronounced. Neither liberal nor conservative firms show significant changes in the female ratio at the senior management level following an investigation, suggesting that the effects are concentrated primarily at the junior level. The results from this analysis suggest that diversity regulations inadvertently lead to decreased hiring efforts for junior female employees in conservative firms, the vulnerable groups that the government aimed at protecting in the first place. Additionally, Table A16 shows that the diversity adjustment is not achieved through intra-firm reallocation across states.

Affirmative action exists in various forms, including "soft" forms, such as outreach programs, which require federal contractors to enhance recruitment efforts. In contrast, "hard" affirmative action involves setting specific quotas for hiring based on race and gender. Previous research has shown that these soft measures garner more understanding and support than hard quota-based approaches. Although hard affirmative actions may lead

[9]Wygant v. Jackson Board of Education, 476 U.S. 267 (1986)

to more substantial progress in equal opportunity recruitment when executed effectively, they can also provoke stronger backlash when facing resistance.

Generally, after the OFCCP selects contractor establishments for investigation if the officers do not identify any violations through the gathered documents or onsite visits, the case is closed as a "Notice of Compliance."[10] However, if violations are cited and an agreement is reached between the OFCCP and the federal contractor, the case is closed as a "Conciliation Agreement." Otherwise, it will be referred to as a "Consent Decree."

Table 4 tests how firms' diversity reacts to government investigations at different intensities. The independent variable *Post* is decomposed into two variables: *Post Compliance*, which equals one if the case is closed as a "Notice of Compliance," and *Post Non-Compliance*, which equals one if the case is not closed as a "Notice of Compliance." Consistent with the projection, when one of a firm's establishments is investigated by the government with greater intensity, the firm adjusts its diversity efforts in another establishment to a greater extent. This holds for both conservative and liberal firms.

[Insert Table 4 Here]

Taking column (2) of Table 4 as an illustration, if the government and a firm reach an agreement, firms with conservative political values decrease their female ratio by 1% within the firm-state. However, this reduction increases to 1.7% if the case is not closed as a "Notice of Compliance." In contrast, for firms with liberal political values, the DiD female ratio nearly doubles, rising from 1.2% to 3.7% when the case closure shifts from compliance to non-compliance. This analysis indicates that firms adjust their diversity practices more significantly in response to intense government investigations. One may be concerned that a firm's diversity practices influence the intensity of government investigations. For instance, a conservative firm with low diversity might resist government scrutiny more vigorously as a result of its existing lack of diversity rather than in direct response to the intensity of the investigation. However, this does not explain why liberal firms that do not comply with government investigations demonstrate a greater improvement in female

[10]Appendix Table A3 confirms that a higher female ratio within an industry is associated with a greater likelihood of an investigation concluding with a "Notice of Compliance."

representation. The divergent responses between conservative and liberal firms highlight that firms are more likely to react to the intensity of government investigations rather than being influenced by their diversity levels.

One may be concerned that the political ideologies of firms, based on their headquarters, can be indirect and noisy. However, it does provide a measure of the external environment. To alleviate such concerns, I will now turn to more granular, firm-level political ideology measures. First, I use board gender as a proxy for a firm's political value toward diversity. Despite progress in board gender diversity—such as campaigns by institutional investors—less than 40% of the firms in the sample have female board members. I categorize firms with female board members as liberal and those without as conservative. Additionally, I use the number of the top three-paid executives donating to the Democratic Party to measure firm political ideology. This number ranges from zero to three, with zero indicating no top three-paid executives donate leaning more to the Democratic Party compared to the Republican Party, and three indicating all top three-paid executives donate leaning more to the Democratic Party.

[Insert Table 5 Here]

Table 5 indicates that, with alternative measures for firm political ideology, the baseline results remain robust and consistent across all specifications. For example, in column (4) of Panel A, the *Post* coefficient is significant at the 1% level, suggesting a decrease in female ratios by approximately 0.8% post-investigation for conservative firms. In contrast, the coefficient for *Post*×*Executive Gender* indicates that liberal firms experience an increase in their female ratios by about 1.3% compared to conservative firms, resulting in a net increase of 0.5%. In Panel B, though not significant, the negative signs for the coefficients of *Post* and the positive coefficients of *Post*× *Top3 Executive Democratic Party* show that both liberal and conservative firms act in accordance with their own political values, highlighting the robustness of political ideologies in shaping corporate diversity practices.

While the political ideology of a firm's headquarters can influence its diversity practices, broader federal policies may also alter corporate behavior, as the federal government sets the tone for regulatory enforcement. During periods of political polarization, the

government's stance can deepen the ideological divide on diversity initiatives, making political alignment even more critical in shaping corporate decision making. For instance, during a Republican presidency, the administration actively sought to reduce DEI efforts and downplayed the importance of regulatory oversight. These actions generated significant debate among different groups, where conservatives perceived that diversity regulations would be less stringently enforced. Conversely, liberals continued to view inequality as a systemic issue requiring sustained attention and corrective efforts.

In such a climate, conservative firms, feeling emboldened by the administration's relaxed approach to DEI mandates, would likely reduce female representation following government investigations. On the other hand, liberal firms would likely respond to government audits with a more proactive stance, viewing them as opportunities to strengthen their commitment to diversity, particularly in the face of national policies that deprioritized these initiatives. To assess this dynamic, I introduce a dummy variable, *Republican Presidency*, which equals one during a Republican presidency. By analyzing the interactions between *Republican Presidency*, *Post*, and *Democratic Party*, we can better understand how conservative and liberal firms adjusted their diversity practices in response to government scrutiny during this unique political period.

[Insert Table 6 Here]

As shown in Table 6, with the *Post* and *Post*×*Democratic Party* coefficients remaining significant, the findings regarding firms' reactions to government investigations are robust. The results also show that the divergent responses between conservative and liberal firms become more pronounced during a Republican administration, aligning with the hypothesis. The negative and highly significant coefficients for *Post*×*Republican Presidency* at the 1% level suggest that firms with conservative political values decrease their female ratios more under a Republican presidency compared to other periods. This reflects conservative firms' reduced emphasis on diversity, likely driven by a Republican administration's relaxed stance on DEI initiatives. On the other hand, the positive and significant coefficients for *Post*×*Democratic Party*×*Republican Presidency* indicate that liberal firms increase their female representation more during a Republican presidency than during

other administrations. This finding supports the idea that liberal firms may have felt a greater need to project a progressive image in response to a political climate that downplayed diversity. As a result, they strengthen their diversity efforts, particularly following government audits. In sum, these findings suggest that a more polarized political climate, such as the one under a Republican presidency, intensifies the divergence in how conservative and liberal firms adjust their diversity practices after a government investigation.

4.1.3 Robustness Tests

To strengthen the robustness of the main findings, additional tests were conducted to rule out alternative explanations and ensure that the results are not being driven by other channels. For example, Appendix Table A4 incorporates controls for local political ideologies to explore whether the political ideology at the establishment level influences female workforce outcomes. Columns (1) and (2) replicate the baseline specification with *Democratic Party (Local)*, a dummy variable set to 1 if the firm's establishment is in a state where over 55% of votes favored the Democratic Party in the latest presidential election. The results show that the *Post* variable remains statistically significantly negative across all specifications, confirming that after an OFCCP investigation, establishments with conservative local political values tend to reduce the percentage of female employees. Meanwhile, *Post*×*Democratic Party (Local)* is positively loaded, indicating a boost in female employment in liberal-leaning localities.

In columns (3) and (4), both *Democratic Party (Local)* and *Democratic Party (HQ)* are included to assess the relative influence of local versus headquarters political values. Here, the coefficients for *Post*×*Democratic Party (Local)* slightly decrease in magnitude, whereas those for *Post*×*Democratic Party (HQ)* are significantly positive, closely resembling the earlier findings from Table 2. This finding suggests that, although local political values matter, the political ideology of a firm's headquarters exerts a stronger influence on female employment post-investigation.

After examining the influence of local political ideology on firms' diversity adjustments,

another potential concern is whether the supply of qualified female candidates could explain the variation in labor diversity across different firms. It is possible that firms in Democratic states, which might have a larger pool of qualified female candidates, can more easily adjust their diversity practices compared to firms in Republican states, which may struggle to find suitable candidates despite their intentions to promote diversity. To address this issue, I construct the variable *HighFemSupply*, indicating whether a state has a female workforce supply above the national average within a specific industry and year. I replicate the baseline regression, incorporating *HighFemSupply*, *Post*, and *Democratic Party*, along with their double and triple interactions.

If labor market differences were driving the divergent trends in female ratios between liberal and conservative firms following government investigations, I would expect significant positive coefficients for *Post*×*HighFemSupply*, suggesting that firms adjust female labor representation based on availability rather than political alignment. However, the results in Appendix Table A5 show that both the *Post*×*HighFemSupply* and *Post*×*Democratic Party*×*HighFemSupply* coefficients are insignificant. These results suggest that the female labor supply is not the driving factor behind diversity adjustments after a government investigation.

Additionally, the initial definition of a Democratic state based on the 55% voter cutoff for the *Democratic Party* may be viewed as arbitrary. To ensure robustness, I perform a test using a continuous measure of political value—*Democratic Rate*—and report the results in Appendix Table A6. The baseline results remain robust and significant across all specifications, reinforcing the conclusions.

4.2 Real Economic Outcomes

This section studies the real impacts of government investigations. I test how government investigations impact employees' career development and plant operating outcomes and whether such a relationship is associated with firm political ideologies.

4.2.1 Labor Market Outcomes

In the above analysis, I mainly focused on the impact of government diversity initiatives on firm workforce gender composition driven by hiring policies. While hiring policies influence potential applicants' opportunities, promotion policies determine the upward mobility and professional advancement of existing employees. A firm's current female ratio influences promotion policies, as higher female representation often correlates with higher promotion rates for female workers. Government investigations may heighten a firm's awareness of its gender balance, prompting varied responses in promotion practices based on the existing female ratio.

To analyze gender promotion differences at the firm level, I construct the variable *Diff Promotion*, which measures the difference between the proportion of promoted females among female employees and the proportion of promoted males among male employees.[11] A higher *Diff Promotion* indicates that female employees are more likely to be promoted compared to their male counterparts. For independent variables, I include the *Female Ratio* variable and its interaction terms with the *Post* variable to capture how firms with different female ratios adjust female promotion after the government investigation.

[Insert Table 7 Here]

As shown in column (1) of Table 7, the coefficient for *Post*×*Female Ratio* is -0.05 and significant at the 1% level. In conservative firms, a higher female ratio negatively impacted the promotion difference post-investigation. When shocked by government scrutiny, these conservative firms with a high female representation are less likely to promote female employees compared to the conservative firms with a low female representation. Conservative firms that prioritize traditional views on gender roles may believe they are already doing enough with respect to their diversity practices. Government scrutiny as external pressure is perceived as disrupting established norms and contradicts their core

[11] Although direct promotion data are not available, promotions are typically associated with increases in compensation; therefore, fluctuations in estimated salaries over time can serve as a useful proxy for assessing an employee's career progression. Each year, an individual is classified as promoted if there is an increase in their estimated compensation for that year.

values. As a result, conservative firms would resist efforts to promote women. A higher female ratio for these firms can hinder women's promotion.

The negative impact of the female ratio on female promotion is reduced and turns positive for liberal firms. The net effect of the female ratio on female promotion post-investigation for liberal firms is the sum of the coefficients of the *Post*×*Female Ratio* and *Post*×*Female Ratio*×*Democratic Party* (-0.05 + 0.112 = 0.062), indicating that a higher female ratio positively impacts the promotion difference post-investigation for liberal firms. Liberal firms are already close to meeting or exceeding their diversity targets when the female ratio is high; therefore, additional scrutiny could push them to promote more women to solidify their commitment to diversity. A higher female ratio for these firms creates an environment where promoting women is seen as a natural extension of their diversity goals as they view government diversity initiatives as being aligned with their intrinsic ideology.

In Appendix Table A7, I examine how government investigations impact female and male promotion rates, aiming to identify which group drives changes in gender promotion differences. The findings indicate that both female and male promotion rates contribute to the observed shifts in gender promotion dynamics following these investigations. In Panel A, where the dependent variable is the *Female Promotion Rate*, the coefficients for the interaction term *Post* × *Female Ratio* are negative, though not statistically significant. This suggests that female employees in conservative firms with a high female ratio are less likely to be promoted after an investigation. In contrast, Panel B shows positive coefficients for the same interaction term in relation to male promotion, indicating that male employees in conservative firms with a high female ratio are more likely to be promoted. A similar pattern is found in liberal firms, as shown by the interaction term *Post*×*Female Ratio*×*Democratic Party*, where female employees in liberal firms with a high female ratio are more likely to be promoted, whereas male employees are less likely to be promoted after an investigation.

Overall, these findings suggest that firms tend to reallocate promotion opportunities between male and female employees. When one group benefits, the other sees reduced

prospects. Government investigations heighten firms' awareness of their gender composition. For firms with a high female ratio, conservative firms tend to hinder female career advancement, whereas liberal firms enhance it. Aside from promotion, I do not find any notable differences in the gender pay gap before and after government investigations, as shown in Appendix Table A9. This finding suggests that firms do not adjust compensation in response to these investigations, likely because pay policies—unlike promotions that only impact those eligible or likely to be promoted—affect all employees, which could cause unrest if not managed carefully. Additionally, Appendix Table A10 shows no significant changes in gender-based hiring standards post-investigation, ruling out the potential explanation that with respect to female hiring, conservative firms are more selective and liberal firms are more lenient.

After examining how government investigations impact current employees' promotions, I focus on the long-term effects as measured by future compensation. Table 8 examines the impact of OFCCP investigations on individual compensation post investigation. The dependent variable is the logarithm of compensation for a given position after individuals leave firms that underwent an OFCCP investigation. The results suggest gender disparity in how compensation changes after such investigations, conditional on firm political ideologies. By employing individual and state fixed effects, the model controls for unobservable factors related to individual abilities and state-level characteristics that may impact individual's compensation but remain constant over time. Additionally, start year and end year fixed effects account for market conditions at the time individuals enter and exit the job market, enabling a cleaner interpretation of the impact of government investigations on individual compensation.

[Insert Table 8 Here]

Column (1) shows that the coefficients for *Post*×*Gender* and *Post*×*Democratic Party*×*Gender* is -0.026, significant at the 1% level. After leaving a conservative firm investigated by the OFCCP, a female employee's future compensation is approximately 2.6% lower than her male colleague's. If the investigated firm has a liberal ideology, the negative effect is attenuated as the coefficient for *Post*×*Democratic Party*×*Gender* is

0.01, significant at the 1% level. In summary, females who work for conservative firms investigated by the government face lower future compensation. This result aligns with the findings on promotions, indicating that female employees in conservative firms not only encounter fewer promotion opportunities but also are likely to have lower future compensation compared to their male counterparts. This finding suggests that government investigations have a lasting negative impact on the career trajectories of females in conservative firms, reinforcing existing gender disparities in both promotion prospects and compensation within these firms.

4.2.2 Plant Productivity

The impact of government investigations on plant productivity can vary based on the plant's existing diversity levels. In liberal firms that actively support diversity initiatives through hiring and promotion policies, a high representation of female employees can increase the likelihood that existing female employees will perceive these changes as indicative of their future career prospects, motivating them to enhance their performance and productivity. In contrast, in conservative firms where the majority of the workforce is female, resistance to DEI initiatives can result in negative outcomes. When these firms choose to scale back on hiring and promoting women, these actions can discourage existing female employees. When existing female employees feel undervalued and uncertain about their career trajectories, they are less engaged, leading to a decline in overall productivity. To test these hypotheses, I use the logarithm of sales per employee to measure firm performance, which proxies for plant productivity. Table 9 shows the results of how government investigations impact plant productivity, conditional on firm political ideologies and workforce diversity.

[Insert Table 9 Here]

As shown in Table 9, the coefficient for *Post*×*Female Ratio* is negative and significant, indicating that after an OFCCP investigation, a higher female ratio leads to a decrease in productivity *(Log (Sales/Emp))* for conservative firms. The negative impact of the female ratio on productivity growth is reduced and turns positive for liberal firms. The

net effect of the female ratio on productivity post-investigation for liberal firms is the sum of the coefficients of the *Post*×*Female Ratio* and *Post*×*Democratic Party*×*Female Ratio*, implying that a high female ratio boosts productivity. Overall, conservative firms with high female ratios perform worse, whereas liberal firms with high female ratios perform better after the government investigations target diversity.

In addition to plant productivity, Appendix Table A8 examines the impact of government investigations on federal contract awards, conditional on workforce diversity. The results show that the female ratio following an investigation does not significantly influence the likelihood of firms receiving federal contracts. This finding suggests that government agencies may be unaware of diversity adjustments occurring in the uninvestigated plants of firms that were investigated. Such a disconnect between diversity efforts in uninvestigated plants and the government's criteria for awarding contracts could incentivize conservative firms to slow down female hiring in those uninvestigated plants. As a result, these firms may prioritize maintaining traditional hiring practices over enhancing diversity, further perpetuating gender disparities in their workforce.

5 Conclusion

This paper investigates the unintended consequences of government diversity regulations. Using a detailed dataset on individual career trajectories, it finds that conservative firms tend to slow down hiring practices and lower promotion rates for female employees following government investigations, whereas liberal firms show improvements in these areas. Also, the impact is long-lasting: female employees in investigated conservative firms experience lower future compensation compared to their male counterparts. Consequently, the regulations designed to protect minority groups inadvertently harm their career trajectories, exacerbating the growing discrepancy between these groups and conservative firms.

These unintended consequences suggest that the effectiveness of diversity regulations may be influenced by political ideologies. To enhance the impact of such audits, policy-

makers should consider the political ideologies of firms, tailoring regulatory approaches to achieve more consistent and meaningful diversity outcomes. For instance, instead of solely punishing firms that violate regulations, the government may reward firms that outperform in workforce diversity. By accounting for the political ideologies of the firms, regulatory approaches can foster improvements in workplace diversity, encouraging more productive outcomes for all stakeholders involved.

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Appendix A: Figures

Figure 1: Dynamic Pattern after an OFCCP Investigation

This figure plots the yearly coefficients and 95% confidence intervals of the difference-in-differences estimator in Equation (2) of the OFCCP investigation on the female ratio at the firm-state-year level. Standard errors are clustered at the state level.

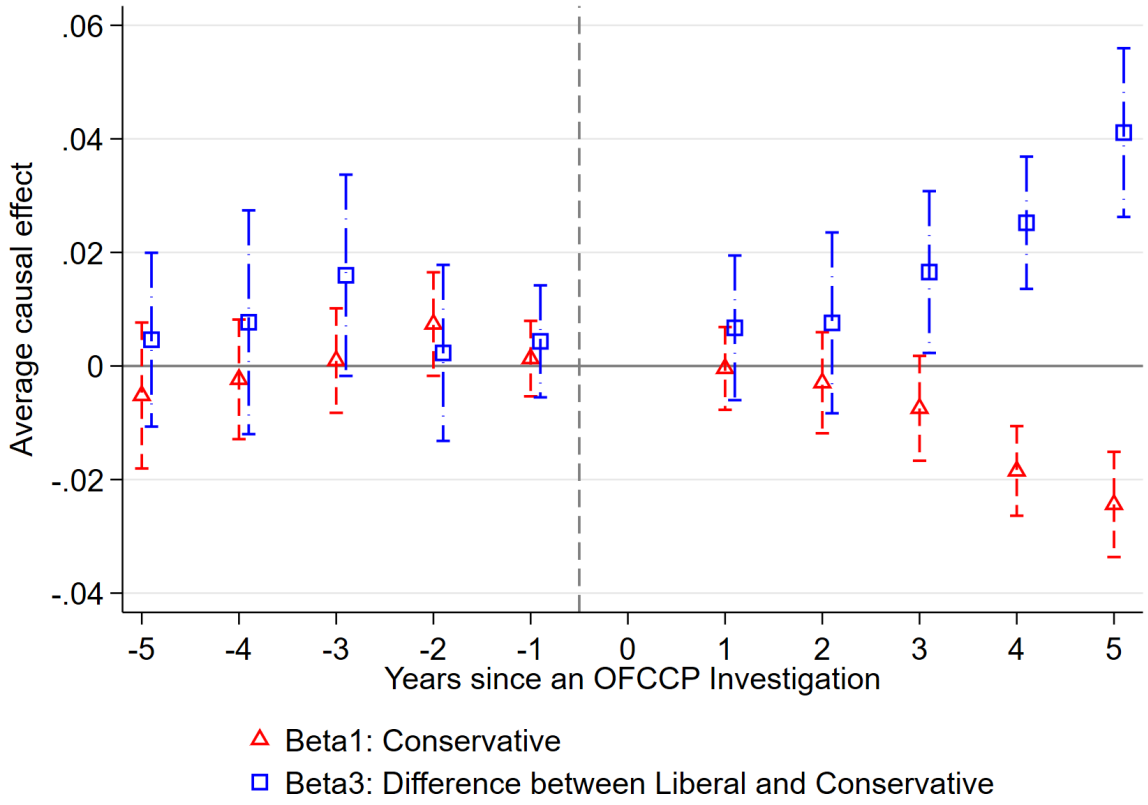


Figure 2: Dynamic Pattern after an OFCCP Investigation for Conservative Firms

This figure plots the yearly coefficients and 95% confidence intervals of the difference-in-differences estimator in Equation (2) of the OFCCP investigation on the female ratio for conservative firms using three different estimators: a dynamic version of the TWFE model, Equation (2), estimated using OLS; Sun and Abraham (2021) (in green with triangle markers); and Callaway and Sant'Anna (2021). The outcome variable is the female ratio. The time variable is the years after the OFCCP investigated at least one establishment of a firm.

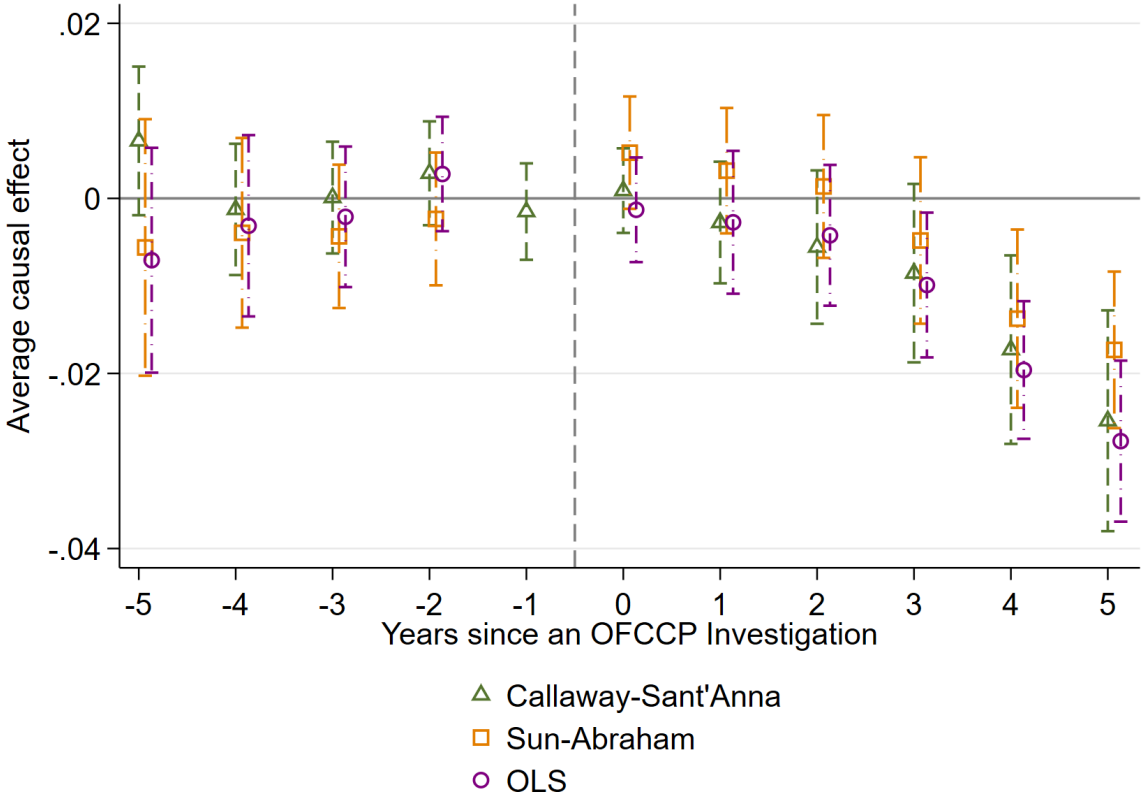


Figure 3: Investigated Plants after an OFCCP Investigation

This figure plots the yearly coefficients and 95% confidence intervals of the OFCCP investigation on the investigated plants using data released by the OFCCP. The outcome variable is the female ratio. The time variable is the years after the OFCCP investigated the establishment.

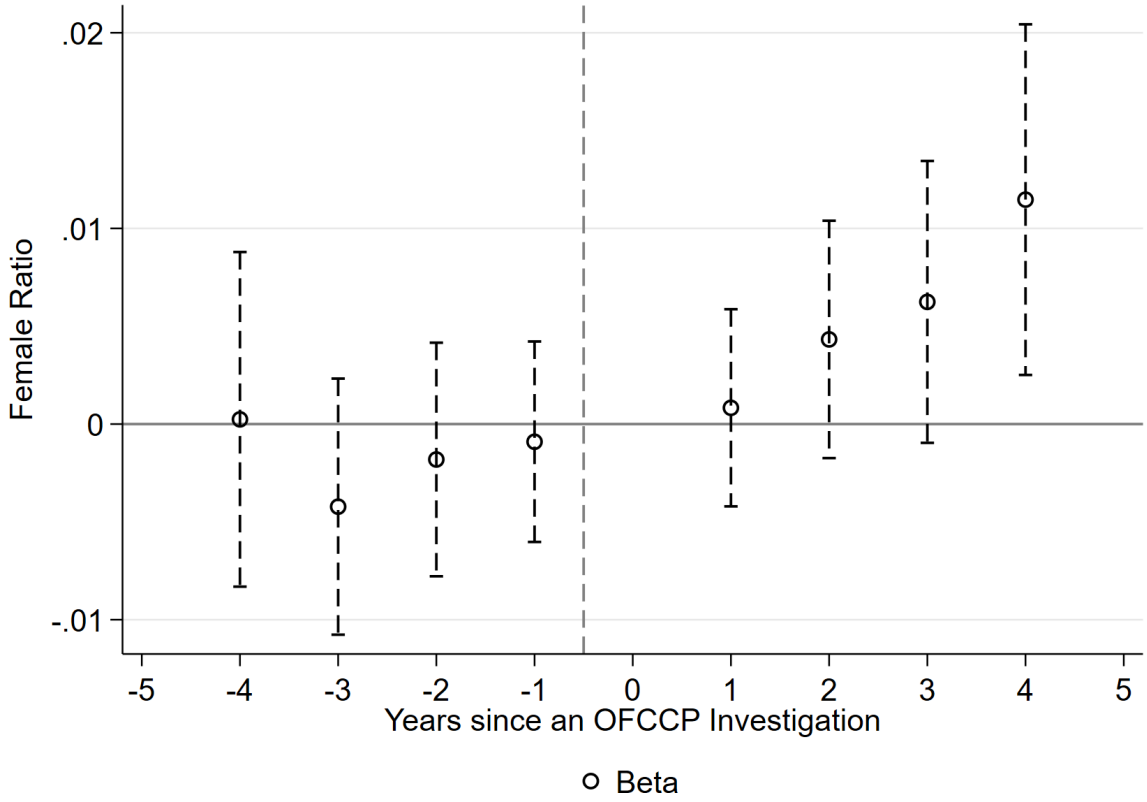
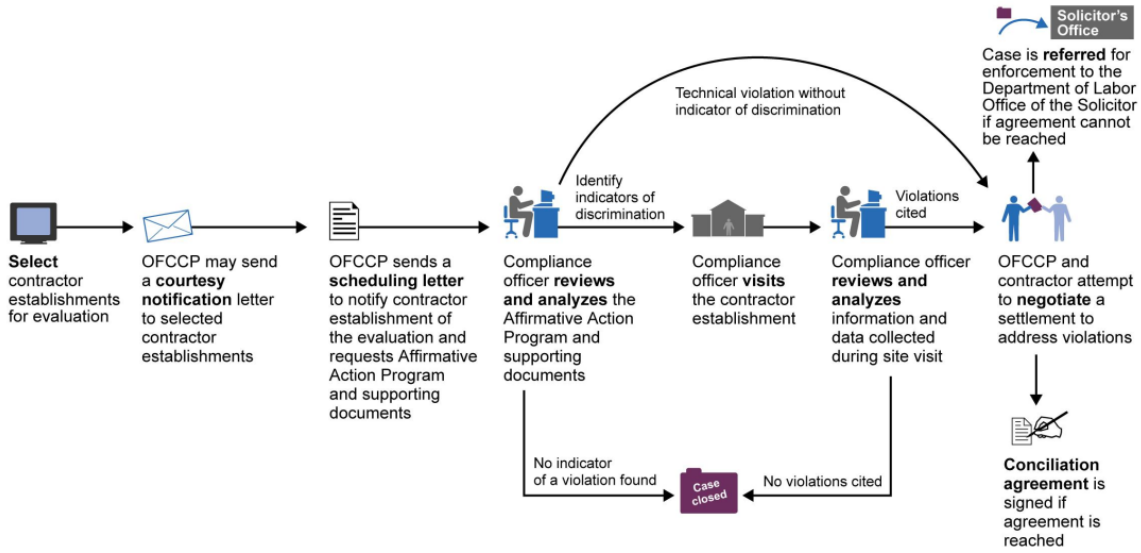
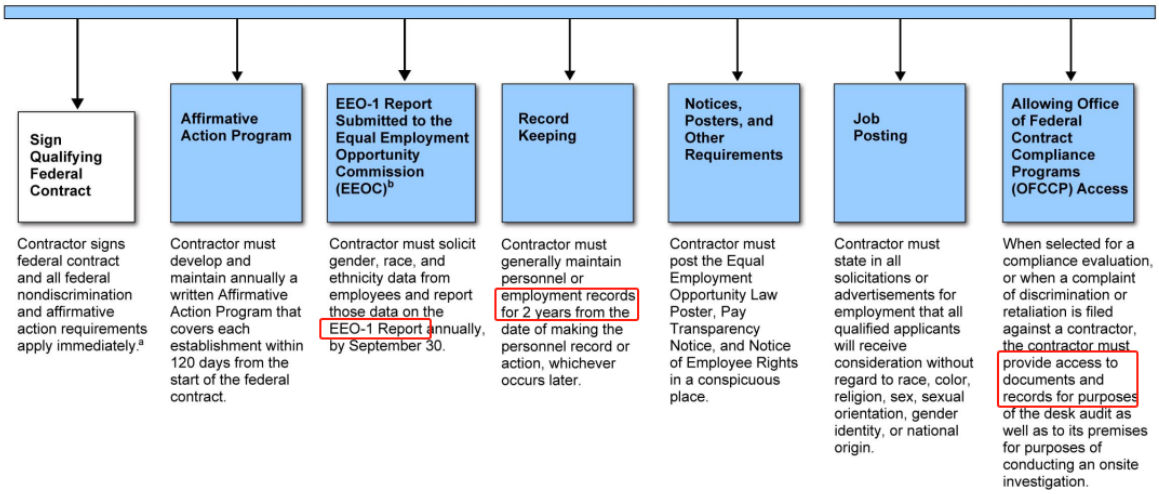


Figure 4: Typical Office OFCCP Compliance Evaluation Process



Source: https://www.gao.gov/products/gao-16-750

Figure 5: Federal Contractor Record-keeping, Reporting, and Access Requirements Under Executive Order 11246



Source: https://www.gao.gov/products/gao-16-750

Figure 6: Google and OFCCP Settlement

U.S. DEPARTMENT OF LABOR

News Release

GOOGLE LLC, US DEPARTMENT OF LABOR SETTLEMENT RESOLVES ALLEGED PAY, HIRING DISCRIMINATION AT CALIFORNIA, WASHINGTON STATE LOCATIONS

Tech company will pay more than $3.8M to more than 5K employees, applicants

SAN FRANCISCO – The U.S. Department of Labor has reached a settlement with Google LLC to resolve allegations of systemic compensation and hiring discrimination at the company's California and Washington State facilities and will pay over $3.8 million to more than 5,500 current employees and job applicants.

During a routine compliance evaluation, the department's Office of Federal Contract Compliance Programs identified pay disparities affecting female employees in software engineering positions at its facilities in Mountain View, and in Seattle and Kirkland, Washington. The agency also identified hiring rate differences that disadvantaged female and Asian applicants for software engineering positions at Google's locations in San Francisco and Sunnyvale, and in Kirkland.

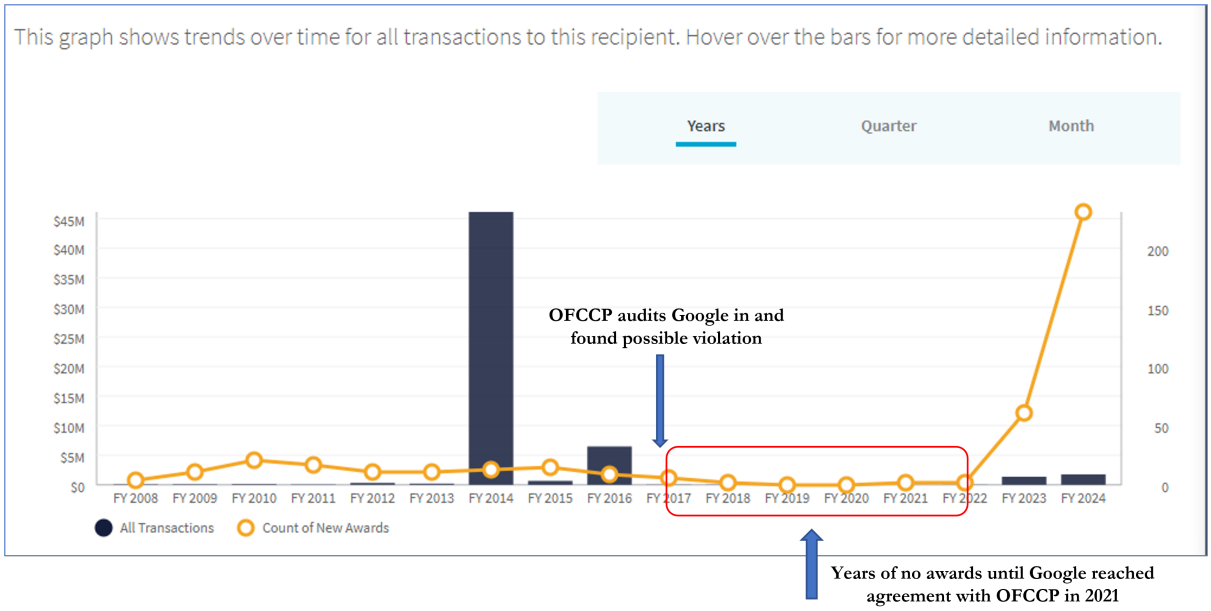
Under the terms of the early resolution conciliation agreement, Google agreed to the following:

- To pay $3,835,052 to resolve OFCCP's allegations, namely $1,353,052 in back pay and interest to 2,565 female employees in engineering positions subject to pay discrimination; and $1,232,000 in back pay and interest to 1,757 female and 1,219 Asian applicants for software engineering positions not hired.
- Allocate a cash reserve of least $1,250,000 in pay-equity adjustments for the next 5 years for U.S. employees in engineering positions at Google's Mountain View, Kirkland, Seattle and New York establishments, locations that house approximately 50 percent of Google's engineering employees nationwide. Google has provided job opportunities to 51 female and 17 Asian applicants for software engineering positions.

Google agreed to enhance future compliance proactively and review its current policies, procedures and practices related to hiring, compensation; conduct analyses; and take corrective action to ensure non-discrimination.

Source: https://www.dol.gov/newsroom/releases/ofccp/ofccp20210201

Figure 7: Google Federal Contract Award



Source: https://www.usaspending.gov/

Table 1: Summary Statistics of Key Variables

This table provides summary statistics of the key dependent and independent variables used in the main tests of this paper. The sample period is from 2008 to 2020. Definitions of the variables are provided in the appendix.

VARIABLES	N	Mean	SD	P25	P50	P75
Female Ratio	50,393	0.393	0.181	0.250	0.375	0.500
Female Ratio Hiring	44,130	0.412	0.292	0.200	0.400	0.598
Female Ratio Attrition	42,006	0.406	0.305	0.167	0.391	0.600
Post	50,393	0.225	0.417	0.000	0.000	0.000
Post Compliance	50,393	0.153	0.360	0.000	0.000	0.000
Post Non-Compliance	50,393	0.072	0.259	0.000	0.000	0.000
Democratic Party	50,393	0.392	0.488	0.000	0.000	1.000
Democratic Rate	49,999	0.514	0.084	0.441	0.520	0.590
Diff Promotion	50,393	0.000	0.148	-0.036	0.000	0.022
Female Promotion Rate	50,393	0.070	0.121	0.000	0.000	0.100
Male Promotion Rate	50,393	0.070	0.102	0.000	0.046	0.105
Number of Employee	50,393	467.8	1313.0	38.0	114.0	354.0
Sales($M)	50,393	122.9	381.9	6.5	23.4	85.2
Sales per Employee($M)	50,393	0.317	0.744	0.110	0.200	0.337
BM Ratio	47,181	0.463	0.592	0.188	0.387	0.652
ROA	50,174	0.026	0.112	0.007	0.039	0.075
Log (AT)	50,177	7.594	1.694	6.600	7.640	8.711

Table 2: Corporate Political Ideology and Diversity Responses

This table compares the female ratio between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES				Female Ratio				
Post	-0.013***	-0.014***	-0.011***	-0.012***	-0.013***	-0.014***	-0.010**	-0.010**
	(-3.88)	(-3.98)	(-3.26)	(-3.36)	(-4.04)	(-4.14)	(-2.44)	(-2.48)
Post x Democratic Party	0.017***	0.021***	0.015***	0.019***	0.017***	0.021***	0.013**	0.016***
	(3.14)	(3.70)	(2.71)	(3.35)	(3.28)	(3.78)	(2.34)	(2.71)
Democratic Party	-0.000	-0.001	-0.000	-0.002	-0.000	-0.002	0.000	-0.001
	(-0.08)	(-0.56)	(-0.05)	(-0.59)	(-0.19)	(-0.66)	(0.01)	(-0.44)
BM Ratio		0.001		0.002		0.000		0.001
		(0.48)		(1.16)		(0.28)		(0.99)
ROA		0.012**		0.016**		0.012**		0.018**
		(2.06)		(2.57)		(2.12)		(2.56)
Log (AT)		-0.005**		-0.004**		-0.005***		-0.004**
		(-2.59)		(-2.38)		(-2.74)		(-2.27)
Firm x State FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	No	No	No	No	No	No
Industry x Year FE	No	No	Yes	Yes	No	No	No	No
State x Year FE	No	No	No	No	Yes	Yes	No	No
Industry x State x Year FE	No	No	No	No	No	No	Yes	Yes
Observations	50,025	46,792	50,022	46,790	50,025	46,792	47,660	44,346
Adjusted R-squared	0.854	0.860	0.854	0.860	0.854	0.860	0.854	0.860

Table 3: Diversity Responses through Employee Hiring and Attrition

This table compares the gender hiring and attrition difference between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable in Panel A, *Female Ratio Hiring*, is the percentage of female employees among all newly hired employees. The dependent variable in Panel B, *Female Ratio Attrition*, is the percentage of female employees among all departing employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Employee Hiring

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio Hiring			
Post	-0.022***	-0.016**	-0.023***	-0.016**
	(-3.26)	(-2.28)	(-3.44)	(-2.46)
Post x Democratic Party	0.045***	0.039***	0.045***	0.038***
	(4.11)	(3.74)	(4.14)	(3.11)
Democratic Party	-0.019***	-0.020***	-0.019***	-0.024***
	(-2.79)	(-2.77)	(-2.81)	(-3.40)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	41,043	41,040	41,043	38,431
Adjusted R-squared	0.376	0.376	0.377	0.367

... continued

Panel B: Employee Attrition

VARIABLES	(1)	(2)	(3)	(4)
	Female Ratio Attrition			
Post	-0.005	0.005	-0.008	0.003
	(-0.66)	(0.55)	(-1.04)	(0.32)
Post x Democratic Party	0.027*	0.015	0.027*	0.015
	(1.90)	(0.99)	(1.92)	(0.96)
Democratic Party	-0.016***	-0.017**	-0.016***	-0.019**
	(-2.85)	(-2.50)	(-2.77)	(-2.57)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	39,112	39,110	39,112	36,452
Adjusted R-squared	0.342	0.341	0.342	0.334

Table 4: Investigation Intensity and Diversity Responses

This table compares the female ratio between firms with conservative and liberal political ideologies after an OFCCP investigation, considering the intensity of the investigation. *Post Compliance* indicates cases closed with a "Notice of Compliance," and *Post Non-Compliance* indicates the case is not closed with compliance. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio			
Post Compliance	-0.011**	-0.010**	-0.011**	-0.008
	(-2.51)	(-2.06)	(-2.59)	(-1.40)
Post Non-Compliance	-0.020***	-0.017***	-0.020***	-0.014**
	(-3.46)	(-2.77)	(-3.55)	(-2.23)
Post Compliance x Democratic Party	0.010	0.012	0.011*	0.009
	(1.58)	(1.66)	(1.69)	(1.19)
Post Non-Compliance x Democratic Party	0.047***	0.037***	0.046***	0.034***
	(4.44)	(3.35)	(4.48)	(2.79)
Democratic Party	-0.001	-0.001	-0.001	-0.001
	(-0.48)	(-0.53)	(-0.57)	(-0.40)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	50,022	46,790	50,025	46,792
Adjusted R-squared	0.854	0.860	0.854	0.860

Table 5: Alternative Measures for Corporate Political Ideology

This table compares the female ratio between firms with conservative and liberal political ideologies following an OFCCP investigation, using alternative firm-level measures to proxy political ideology. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. In Panel A, *Executive Gender* is a dummy variable equal to 1 for firms with female board members. In Panel B, *Top3 Executive Democratic Party* represents the number of the top three highest-paid executives whose donations lean more toward the Democratic Party compared to the Republican Party. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Board Member Gender

VARIABLES	(1)	(2)	(3)	(4)
	Female Ratio Hiring			
Post	-0.009**	-0.009**	-0.010**	-0.008*
	(-2.28)	(-2.16)	(-2.33)	(-1.90)
Post x Executive Gender	0.010**	0.011**	0.010**	0.013***
	(1.98)	(2.44)	(2.05)	(2.74)
Executive Gender	-0.001	-0.002	-0.001	-0.002
	(-0.59)	(-0.75)	(-0.56)	(-0.85)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.859	0.860	0.860	0.860

... continued

Panel B: Executives' Political Donations

VARIABLES	(1)	(2)	(3)	(4)
	Female Ratio		Attrition	
Post	-0.007*	-0.007*	-0.008*	-0.007
	(-1.78)	(-1.72)	(-1.89)	(-1.60)
Post x Top3 Executive Democratic Party	0.002	0.003	0.003	0.006*
	(1.04)	(1.20)	(1.27)	(1.93)
Top3 Executive Democratic Party	-0.001	-0.003	-0.002	-0.003
	(-0.77)	(-1.61)	(-0.97)	(-1.56)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.859	0.860	0.860	0.860

Table 6: Diversity Responses in Political Cycles

This table compares the female ratio between firms with conservative political ideologies and those with liberal political ideologies after an OFCCP investigation, conditional on whether the investigation happens during a Republican presidency. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. *Republican Presidency* is a dummy variable equal to 1 for periods under a Republican presidency. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio			
Post	-0.006*	-0.006	-0.006*	-0.002
	(-1.71)	(-1.54)	(-1.78)	(-0.55)
Post x Republican Presidency	-0.012***	-0.010***	-0.013***	-0.014***
	(-3.85)	(-2.92)	(-4.06)	(-3.80)
Post x Democratic Party	0.009*	0.009	0.009*	0.004
	(1.87)	(1.62)	(1.88)	(0.81)
Post x Democratic Party x Republican Presidency	0.016***	0.014**	0.018***	0.019***
	(3.00)	(2.46)	(3.33)	(3.32)
Democratic Party	-0.001	-0.002	-0.001	-0.001
	(-0.55)	(-0.91)	(-0.50)	(-0.49)
Democratic Party x Republican Presidency	0.003	0.005	0.002	0.001
	(1.03)	(1.51)	(0.57)	(0.38)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.860	0.860	0.860	0.860

Table 7: Career Progression

This table compares the gender promotion differences between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable, *Diff Promotion*, is the difference between the number of promoted females over female employees and the number of promoted males over male employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Female Ratio* is the percentage of female employees among the total number of employees. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Diff Promotion			
Post	0.027***	0.029***	0.026***	0.032***
	(3.31)	(3.25)	(3.05)	(3.39)
Post x Female Ratio	-0.050**	-0.053**	-0.048**	-0.056**
	(-2.63)	(-2.57)	(-2.45)	(-2.47)
Post x Democratic Party	-0.046***	-0.049***	-0.044***	-0.046***
	(-3.04)	(-3.18)	(-2.87)	(-3.08)
Post x Female Ratio x Democratic Party	0.112***	0.115***	0.107***	0.096**
	(3.04)	(3.06)	(2.83)	(2.47)
Female Ratio	0.077***	0.075***	0.076***	0.073***
	(4.74)	(4.55)	(4.59)	(4.09)
Democratic Party	-0.007	-0.011	-0.007	-0.011
	(-0.77)	(-1.24)	(-0.81)	(-1.10)
Female Ratio x Democratic Party	0.017	0.020	0.019	0.021
	(0.80)	(0.92)	(0.88)	(0.81)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.400	0.400	0.400	0.387

Table 8: Employee Future Compensation

This table compares the impact of the OFCCP investigation on individual compensation. The dataset is organized at the individual-position level, covering the period from 2008 to 2020. The dependent variable is the logarithm of an individual compensation for a given position estimated by Revelio Labs. *Post* is a dummy variable equal to 1 for an individual after they leave the firm, which was investigated by OFCCP when they used to work there. *Democratic Party* is a dummy variable equal to 1 if the OFCCP-investigated firm headquarters is located in a state where more than 55% of votes were for the Democratic Party in the most recent presidential election. *Democratic Rate* is the percentage of votes Democratic candidates won in the most recent election in the firm's headquarters. *Gender* is one if the individual is female and zero if male. Other independent variables include lagged total assets (logarithm), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include individual, start year, end year, and state fixed effects in all specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1) Log (Compensation)	(2) Log (Compensation)
Post	0.017**	-0.026
	(2.35)	(-0.81)
Democratic Party	0.007	
	(0.68)	
Post x Democratic Party	0.001	
	(0.08)	
Post x Gender	-0.026***	-0.062***
	(-7.75)	(-5.72)
Democratic Party x Gender	-0.005*	
	(-1.87)	
Post x Democratic Party x Gender	0.010***	
	(3.32)	
Democratic Rate		0.066
		(0.73)
Post x Democratic Rate		0.084
		(1.31)
Democratic Rate x Gender		-0.040**
		(-2.31)
Post x Democratic Rate x Gender		0.077***
		(3.92)
Individual FE	Y	Y
Start Year FE	Y	Y
End Year FE	Y	Y
State FE	Y	Y
Observations	40,433,788	40,433,788
Adjusted R-squared	0.613	0.613

Table 9: Plant Productivity

This table compares plant-level firm performance between firms with conservative political ideologies and those with liberal political ideologies after an OFCCP investigation. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Log(Sales/Emp)*, the logarithm of sales divided by the number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Female Ratio* is the percentage of female employees among the total number of employees. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state in all specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1)	(2)	(3)	(4)
	Log(Sales/Emp)			
Post	0.055	0.066	0.056	0.067
	(1.24)	(1.54)	(1.28)	(1.56)
Post x Female Ratio	-0.185**	-0.191**	-0.187**	-0.193**
	(-2.12)	(-2.25)	(-2.09)	(-2.19)
Post x Democratic Party	-0.215**	-0.230***	-0.218**	-0.216**
	(-2.49)	(-2.79)	(-2.53)	(-2.50)
Post x Female Ratio x Democratic Party	0.418	0.462**	0.424	0.462*
	(1.52)	(2.20)	(1.51)	(1.90)
Female Ratio	0.053	0.062	0.052	0.065
	(1.08)	(1.45)	(1.05)	(1.44)
Democratic Party	0.095**	0.082**	0.093**	0.076**
	(2.33)	(2.43)	(2.29)	(2.23)
Female Ratio x Democratic Party	-0.024	-0.037	-0.019	-0.025
	(-0.43)	(-0.66)	(-0.34)	(-0.43)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.901	0.906	0.901	0.899

Variables Definition

Female Ratio	The percentage of female employees among all employees.
Female Ratio Hiring	The percentage of newly hired female employees among all newly hired employees.
Female Ratio Attrition	The percentage of departing female employees among all departing employees.
Post	A dummy variable that equals 1 for years after the OFCCP investigated at least one establishment of a firm.
Post Compliance	A dummy variable that equals 1 for years after the OFCCP investigated at least one establishment of a firm and the case is closed with a "Notice of Compliance."
Post Non-Compliance	A dummy variable that equals 1 for years after the OFCCP investigated at least one establishment of a firm and the case is not closed with a "Notice of Compliance."
Democratic Party	A dummy variable that equals 1 if the firm headquarters is located in a state where more than 55% of votes were for the Democratic Party in the most recent presidential election.
Democratic Rate	The percentage of votes Democratic candidates won in the most recent election at the firm's headquarters.
Diff Promotion	The difference between the ratio of promoted female employees to the total number of female employees and the ratio of promoted male employees to the total number of male employees.
Female Promotion Rate	The number of promoted females over female employees.
Male Promotion Rate	The number of promoted males over male employees.
Number of Employee	Plant-level number of employees.
Sales	Plant-level sales in million US dollars.
Sales per Employee	Plant-level sales in million US dollars divided by the number of employees.
BM Ratio	The ratio of a firm's book value to its market value.
ROA	Operating income scaled by total assets.
Log (AT)	The logarithm of the total assets.

Appendix A: Tables

Table A1: Plant Diversity and Government Investigation Probability

This table examines the relationship between government investigation probability and plant diversity using data released by the OFCCP. The dataset for this table is organized at the DUNS-year level. The sample period is from 2016 to 2020. The dependent variable is *Investigation*, which equals 1 if a plant is chosen for investigation in year t and 0 otherwise. *Female Ratio* is the percentage of female employees among the total number of employees in the current year. *Log(Employee)* is the logarithm of the number of all employees. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. I include zip code and year-fixed effects. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Investigation			
Female Ratio	-0.001			-0.003
	(-0.28)			(-1.21)
Democratic Party		-0.001		-0.001
		(-0.11)		(-0.17)
Log(Employee)			0.008***	0.008***
			(17.70)	(17.74)
Zip code FE	Y	Y	Y	Y
Year FE	Y	Y	Y	Y
Observations	46,323	46,323	46,323	46,323
Adjusted R-squared	-0.002	-0.002	0.005	0.005

Table A2: Government Investigation Results and Plant Diversity Improvement

This table examines whether federal plants improve gender diversity after a government investigation using data released by the OFCCP. The dataset for this table is organized at the firm-state-year level. The sample period is from 2016 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated the plant. I include plant and year-fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1) Female Ratio	(2) Female ratio
Post	0.004**	
	(1.77)	
Post Compliance		0.002
		(0.86)
Post Non-Compliance		0.010**
		(2.22)
DUNS FE	Y	Y
Year FE	Y	Y
Observations	43,882	43,882
Adjusted R-squared	0.984	0.984

Table A3: Plant Diversity and Government Investigation Results

This table examines the relationship between government investigation results and plant-level diversity using data released by the OFCCP. The dataset covers federal contractors that were the subject of government investigations from 2016 to 2020. The dependent variable is *Compliance*, which equals 1 if the investigation is closed as "Notice of Compliance" and zero otherwise. *Female Ratio* and *Lag Female Ratio* is the percentage of female employees among the total number of employees in the current year t and the previous year *t-1*. I include NAICS and year effects. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1) Compliance	(2) Compliance
Female Ratio	0.501***	
	(3.22)	
Lag Female Ratio		0.498***
		(2.97)
NAICS FE	Y	Y
Year FE	Y	Y
Observations	217	194
Adjusted R-squared	0.031	0.015

Table A4: Plant Political Value and Diversity Responses

This table compares the female ratio between firms with local conservative and liberal political values after the OFCCP investigation. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the number of total employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Democratic Party (Local)* is a dummy variable equal to 1 if the firm's establishment is located in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. *Democratic Party (HQ)* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. All test specifications include the firm(firm-state) and industry×year fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio			
Post	-0.016***	-0.015***	-0.016***	-0.013***
	(-3.90)	(-3.51)	(-3.93)	(-2.68)
Post x Democratic Party (HQ)	0.020***	0.019***	0.020***	0.015**
	(3.26)	(3.17)	(3.30)	(2.40)
Post x Democratic Party (Plant)	0.008*	0.008*	0.008	0.008
	(1.85)	(1.76)	(1.61)	(1.26)
Democratic Party (HQ)	-0.001	-0.001	-0.001	-0.001
	(-0.36)	(-0.35)	(-0.45)	(-0.27)
Democratic Party (Plant)	-0.002	-0.001	0.045	0.058*
	(-0.55)	(-0.42)	(1.49)	(1.88)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.860	0.860	0.860	0.860

Table A5: Does Diversity Respond to Female Labor Supply?

This table compares the female ratio between firms with conservative political values and those with liberal political values after the OFCCP investigation, based on female labor supply. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *HighFemSupply* is a variable that indicates whether a state has a female workforce supply higher than the national average within a specific industry (six-digit NAICS) within a year. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. All test specifications include firm (firm-state) and industry×year fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio			
Post	-0.015***	-0.014***	-0.016***	-0.013***
	(-3.32)	(-3.04)	(-3.47)	(-2.73)
Post x Democratic Party	0.025***	0.023***	0.024***	0.018**
	(3.86)	(3.51)	(3.77)	(2.48)
Post x HighFemSupply	0.003	0.003	0.005	0.006
	(0.54)	(0.57)	(0.84)	(0.92)
Post x Democratic Party x HighFemSupply	-0.007	-0.007	-0.006	-0.004
	(-0.94)	(-0.97)	(-0.74)	(-0.44)
Democratic Party	-0.005	-0.005	-0.005	-0.005
	(-1.58)	(-1.42)	(-1.41)	(-1.02)
HighFemSupply	-0.000	-0.000	0.001	0.010
	(-0.03)	(-0.15)	(0.30)	(0.58)
Democratic Party x HighFemSupply	0.007*	0.008**	0.006	0.006
	(1.95)	(2.15)	(1.62)	(1.17)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.860	0.860	0.860	0.860

Table A6: Robustness Check for Table 2

This table compares the female ratio between firms with conservative and liberal political values after the OFCCP investigation. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Democratic Rate* is the percentage of votes Democratic candidates won in the most recent election in the firm's headquarters. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. All test specifications include the firm(firm-state) and industry×year fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio			
Post	-0.058***	-0.051***	-0.057***	-0.046**
	(-3.40)	(-2.92)	(-3.38)	(-2.28)
Post x Democratic Rate	0.101***	0.090***	0.100***	0.082**
	(3.10)	(2.71)	(3.07)	(2.16)
Democratic Rate	0.040	0.035	0.029	0.039
	(0.89)	(0.81)	(0.64)	(0.78)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,424	46,422	46,424	43,980
Adjusted R-squared	0.860	0.861	0.861	0.861

Table A7: Decomposition of Gender Promotion Difference

This table decomposes the gender promotion differences between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable in Panel A is *Female Promotion Rate*, the number of promoted females over female employees. The dependent variable in Panel B is *Male Promotion Rate*, the number of promoted males over male employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Female Ratio* is the percentage of female employees among total employees. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Female Promotion Rate

	(1)	(2)	(3)	(4)
VARIABLES	Female Promotion Rate			
Post	0.017**	0.020**	0.015*	0.020*
	(1.96)	(2.19)	(1.67)	(1.79)
Post x Female Ratio	-0.021	-0.030*	-0.017	-0.021
	(-1.34)	(-1.78)	(-1.03)	(-0.99)
Post x Democratic Party	-0.021*	-0.027**	-0.020*	-0.022
	(-1.78)	(-2.31)	(-1.67)	(-1.54)
Post x Female Ratio x Democratic Party	0.052*	0.065**	0.050*	0.037
	(1.89)	(2.34)	(1.79)	(1.14)
Female Ratio	0.042***	0.043***	0.039***	0.043***
	(3.36)	(3.36)	(3.08)	(2.86)
Democratic Party	-0.006	-0.010	-0.007	-0.011
	(-0.70)	(-1.16)	(-0.76)	(-1.08)
Female Ratio x Democratic Party	0.018	0.019	0.019	0.021
	(1.13)	(1.13)	(1.17)	(0.98)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.437	0.438	0.437	0.424

... continued

Panel B: Male Promotion Rate

VARIABLES	(1)	(2)	(3)	(4)
	Male Promotion Rate			
Post	-0.010	-0.009	-0.011	-0.012
	(-1.31)	(-1.11)	(-1.41)	(-1.33)
Post x Female Ratio	0.029	0.024	0.031	0.035
	(1.22)	(0.96)	(1.32)	(1.29)
Post x Democratic Party	0.025**	0.021*	0.024*	0.024*
	(2.02)	(1.72)	(1.89)	(1.81)
Post x Female Ratio x Democratic Party	-0.061*	-0.051	-0.057*	-0.060
	(-1.83)	(-1.45)	(-1.73)	(-1.60)
Female Ratio	-0.035***	-0.033**	-0.037***	-0.031**
	(-2.74)	(-2.52)	(-2.85)	(-2.19)
Democratic Party	0.001	0.001	0.000	-0.000
	(0.08)	(0.16)	(0.02)	(-0.05)
Female Ratio x Democratic Party	0.003	-0.000	0.002	0.001
	(0.18)	(-0.03)	(0.13)	(0.09)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.464	0.465	0.464	0.458

Table A8: Federal Contract Awards After a Government Investigation

This table investigates the federal contract awards after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable for column (1) is a dummy variable if a firm receives a federal contract award within a specific state in year *t*. The dependent variable for column (2) is the logarithm of one plus the base value (USD) of all new contracts awarded to firms within a specific state. The dependent variable for column (3) is the logarithm of one plus the total value (USD) of all new contracts awarded to firms within a specific state. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if the firm headquarters is located in a state where more than 55% of votes were for the Democratic Party in the most recent presidential election. All test specifications include firm-state and industry×year fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)
VARIABLES	Award	Log (Obligation)	Log (All Value)
Post	0.020	0.261*	0.268*
	(1.53)	(1.80)	(1.82)
Post x Democratic Party	0.024	0.200	0.216
	(1.37)	(0.98)	(1.01)
Democratic Party	-0.006	-0.003	0.014
	(-0.61)	(-0.02)	(0.13)
Firm x State FE	Yes	Yes	Yes
Industry x State x Year FE	Yes	Yes	Yes
Observations	47,660	47,660	47,660
Adjusted R-squared	0.490	0.538	0.532

Table A9: Gender Pay Gap

This table compares the gender pay gap between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable in columns (1) and (2) is the ratio of female average compensation to male average compensation in year *t*. The dependent variable in columns (3) and (4) is the difference between the logarithm of female average compensation and the logarithm of male average compensation in year *t*. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if the firm headquarters is located in a state where more than 55% of votes were for the Democratic Party in the most recent presidential election. *Female Ratio* is the percentage of female employees among the total number of employees. Other independent variables include lagged total assets (logarithm), book-to-market ratios, and return on assets. All test specifications include firm-state fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1) Pay Ratio	(2) Pay Ratio	(3) Pay Diff	(4) Pay Diff
Post	0.045	0.011	0.024	-0.001
	(0.97)	(0.39)	(0.74)	(-0.06)
Post x Female Ratio	-0.052	-0.002	-0.004	0.032
	(-0.63)	(-0.04)	(-0.07)	(0.73)
Post x Democratic Party	-0.073	-0.022	-0.013	0.021
	(-1.08)	(-0.58)	(-0.25)	(0.63)
Post x Female Ratio x Democratic Party	0.009	0.040	-0.088	-0.060
	(0.06)	(0.43)	(-0.72)	(-0.73)
Female Ratio	-0.086	0.095*	-0.056	0.069*
	(-1.28)	(1.93)	(-1.12)	(1.71)
Democratic Party	-0.010	0.017	-0.012	0.005
	(-0.26)	(0.66)	(-0.46)	(0.23)
Female Ratio x Democratic Party	0.036	-0.035	0.025	-0.021
	(0.37)	(-0.51)	(0.35)	(-0.37)
Female Seniority		0.224***		0.169***
		(55.21)		(34.99)
Male Seniority		-0.321***		-0.215***
		(-65.67)		(-50.44)
Firm x State FE	Yes	Yes	Yes	Yes
Industry x State x Year FE	Yes	Yes	Yes	Yes
Observations	29,377	29,377	29,377	29,377
Adjusted R-squared	0.137	0.634	0.134	0.547

Table A10: Education Levels of Newly Hired Employees

This table compares the education levels of newly hired employees between firms with conservative and liberal political values after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable is the average education level of female and male employees in year *t*. For an individual, if their highest degree is above (and including) a bachelor's degree education level, it equals 1; otherwise, it is 0. *Democratic Party* is a dummy variable equal to 1 if the firm headquarters is located in a state where more than 55% of votes were for the Democratic Party in the most recent presidential election. *Female* (*Male*) *Seniority* represents the average seniority of female (male) employees categorized by Revelio Labs. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. Other independent variables include lagged total assets (logarithm), book-to-market ratios, and return on assets. All test specifications include firm (firm-state) and industry×year fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1) Female Education	(2) Female Education	(3) Male Education	(4) Male Education
Post	0.008	0.006	-0.016	-0.017
	(0.46)	(0.35)	(-1.31)	(-1.38)
Post x Democratic Party	-0.010	-0.007	0.009	0.009
	(-0.45)	(-0.34)	(0.54)	(0.55)
Democratic Party	-0.016	-0.015	-0.013	-0.013
	(-1.20)	(-1.20)	(-1.01)	(-1.02)
Female Seniority		0.018***		
		(4.93)		
Male Seniority				0.016***
				(4.63)
Firm x State FE	Yes	Yes	Yes	Yes
Industry x State x Year FE	Yes	Yes	Yes	Yes
Observations	33,272	33,272	37,150	37,150
Adjusted R-squared	0.292	0.293	0.305	0.306

Table A11: Executive Orders on Diversity

Year	Executive Order Number	Executive Order	Signed President	Political Party
1961	10925	Establishing the President's Committee on Equal Employment Opportunity	John F. Kennedy	Democratic
1965	11246	Equal Employment Opportunity	Lyndon B. Johnson	Democratic
1969	11478	Equal Employment Opportunity in the Federal Government	Richard Nixon	Republican
1994	12898	Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations	Bill Clinton	Democratic
2000	13166	Improving Access to Services for Persons with Limited English Proficiency	Bill Clinton	Democratic
2011	13583	Establishing a Coordinated Government-wide Initiative to Promote Diversity and Inclusion in the Federal Workforce	Barack Obama	Democratic
2021	13985	Advancing Racial Equity and Support for Underserved Communities Through the Federal Government	Joe Biden	Democratic
2021	13988	Preventing and Combating Discrimination on the Basis of Gender Identity or Sexual Orientation	Joe Biden	Democratic
2021	14020	Establishment of the White House Gender Policy Council	Joe Biden	Democratic
2021	14035	Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce	Joe Biden	Democratic

Table A12: Firm Political Ideology and Workforce Diversity

This table examines whether firms headquartered in more liberal states are more female-friendly, such as having a higher female ratio. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Democratic Rate* is the percentage of votes Democratic candidates won in the most recent election in the firm's headquarters. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. All test specifications include firm-state fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1)	(2)	(3)	(4)
	Female Ratio			
Democratic Rate	0.075*	0.067*	0.064	0.068
	(1.72)	(1.67)	(1.46)	(1.45)
BM Ratio	0.001	0.002	0.000	0.002
	(0.39)	(0.85)	(0.24)	(0.74)
Log (AT)	-0.005**	-0.004*	-0.005**	-0.004*
	(-2.10)	(-1.95)	(-2.19)	(-1.82)
ROA	0.013	0.016*	0.014	0.017*
	(1.61)	(1.84)	(1.64)	(1.79)
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,424	46,422	46,424	43,980
Adjusted R-squared	0.860	0.861	0.860	0.861

Table A13: Federal Contractor and Workforce Diversity

This table examines whether federal plants are subject to more stringent diversity requirements, such as having a higher female ratio. The dataset for this table is organized at the firm-state-year level. The sample period is from 2008 to 2020. The dependent variable is *Female Ratio*, the percentage of female employees among the total number of employees. *Federal Contract Plant* is a dummy variable that equals 1 for a firm-state having federal contract awards in year *t*. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. All test specifications include firm fixed effects. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

VARIABLES	(1)	(2)	(3)	(4)
	Female Ratio			
Federal Contract Plant	0.014***	0.014***	0.017***	0.014***
	(3.09)	(3.06)	(3.70)	(2.81)
BM Ratio	0.000	0.002	0.000	0.001
	(0.21)	(0.91)	(0.05)	(0.67)
Log (AT)	-0.006***	-0.005**	-0.007***	-0.005**
	(-2.73)	(-2.51)	(-3.03)	(-2.19)
ROA	0.017*	0.019**	0.017**	0.025**
	(1.94)	(2.08)	(1.97)	(2.46)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	47,171	47,169	47,171	44,760
Adjusted R-squared	0.621	0.620	0.625	0.633

Table A14: Employee Growth

This table decomposes employee growth between firms with conservative and liberal political ideologies after an OFCCP investigation. The dataset is organized at the firm-state-year level, covering the period from 2008 to 2020. The dependent variable in Panel A is *Log(Female Employee)*, the logarithm of the number of female employees. The dependent variable in Panel B is *Log(Male Employee)*, the logarithm of the number of male employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Female Employee

	(1)	(2)	(3)	(4)
VARIABLES	Log (Female Employee)			
Post	-0.110***	-0.099***	-0.112***	-0.084***
	(-4.43)	(-4.01)	(-4.55)	(-3.47)
Post x Democratic Party	0.146***	0.124***	0.145***	0.101**
	(3.60)	(2.93)	(3.57)	(2.43)
Democratic Party	-0.042	-0.032	-0.044	-0.028
	(-1.31)	(-1.33)	(-1.36)	(-1.16)
Log (Male Employee)	0.612***	0.591***	0.612***	0.612***
	(20.18)	(24.79)	(19.87)	(26.54)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.963	0.963	0.963	0.964

... continued

Panel B: Male Employee

VARIABLES	(1)	(2)	(3)	(4)
	Log (Male Employee)			
Post	-0.003	0.003	-0.005	0.001
	(-0.15)	(0.13)	(-0.23)	(0.05)
Post x Democratic Party	-0.017	-0.030	-0.017	-0.024
	(-0.51)	(-0.82)	(-0.54)	(-0.63)
Democratic Party	-0.040	-0.020	-0.040	-0.019
	(-0.97)	(-0.55)	(-0.97)	(-0.46)
Log (Female Employee)	0.536***	0.520***	0.536***	0.539***
	(16.78)	(20.47)	(16.46)	(20.39)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,792	46,790	46,792	44,346
Adjusted R-squared	0.963	0.964	0.963	0.964

Table A15: Female Ratio at Junior and Senior Management Levels

This table compares female representation at junior levels and senior management (including directors and above) between firms with conservative and liberal political ideologies following an OFCCP investigation. The dataset is structured at the firm-state-year level, spanning the period from 2008 to 2020. In Panel A, the dependent variable is *Junior-Level Female Ratio*, which represents the percentage of female employees among all junior-level employees with seniority of three years or less, as recorded in the Revelio Labs dataset. In Panel B, the dependent variable is *Senior Management Female Ratio*, defined as the percentage of female employees among all employees at the senior management level, including directors and above, with seniority of four years or more in the Revelio Labs dataset. *Post* is a dummy variable equal to 1 for years after the OFCCP investigated at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (in logarithm), book-to-market ratios, and return on assets. I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

Panel A: Junior-Level Female Ratio

VARIABLES	(1)	(2)	(3)	(4)
	Junior-Level Female Ratio			
Post	-0.012***	-0.012**	-0.013***	-0.011*
	(-2.72)	(-2.38)	(-2.75)	(-1.91)
Post x Democratic Party	0.025***	0.025***	0.026***	0.024***
	(3.55)	(3.47)	(3.58)	(3.14)
Democratic Party	-0.002	-0.000	-0.002	-0.001
	(-0.46)	(-0.11)	(-0.48)	(-0.31)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	46,738	46,736	46,738	44,287
Adjusted R-squared	0.826	0.827	0.826	0.826

... continued

Panel B: Senior Management Female Ratio

VARIABLES	(1)	(2)	(3)	(4)
	Senior Management Female Ratio			
Post	0.001	0.003	0.001	0.013
	(0.06)	(0.35)	(0.10)	(1.45)
Post x Democratic Party	-0.001	-0.004	-0.003	-0.018
	(-0.07)	(-0.32)	(-0.27)	(-1.59)
Democratic Party	-0.003	-0.003	-0.004	-0.005
	(-0.46)	(-0.37)	(-0.56)	(-0.67)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	40,711	40,709	40,711	38,086
Adjusted R-squared	0.754	0.754	0.755	0.756

Table A16: Workforce Relocation within the Firm

This table compares gender relocation differences between firms with conservative and liberal political ideologies following an OFCCP investigation. The dataset for this table is organized at the firm-state-year level, covering the sample period from 2008 to 2020. The dependent variable in Panel A, *Female Ratio Relocation*, is the percentage of female employees among all relocated employees within a firm across states. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm-state fixed effects in all test specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)	(3)	(4)
VARIABLES	Female Ratio Relocation			
Post	-0.006	-0.012	-0.007	-0.020
	(-0.45)	(-0.85)	(-0.52)	(-1.09)
Post x Democratic Party	0.020	0.029	0.015	0.018
	(1.02)	(1.41)	(0.76)	(0.69)
Democratic Party	-0.018**	-0.028**	-0.020**	-0.028**
	(-2.04)	(-2.57)	(-2.26)	(-2.04)
Controls	Yes	Yes	Yes	Yes
Firm x State FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Industry x Year FE	No	Yes	No	No
State x Year FE	No	No	Yes	No
Industry x State x Year FE	No	No	No	Yes
Observations	26,509	26,504	26,508	23,460
Adjusted R-squared	0.304	0.304	0.305	0.290

Table A17: Firm Level Diversity Responses

This table compares firm-level female ratio between firms with conservative political ideologies and those with liberal political ideologies after an OFCCP investigation. The dataset for this table is organized at the firm-year level. The sample period is from 2008 to 2020. *Female Ratio* is the percentage of female employees among the total number of employees. *Post* is a dummy variable equal to 1 for years after the OFCCP investigates at least one establishment of a firm. *Democratic Party* is a dummy variable equal to 1 if a firm is headquartered in a state where more than 55% of all votes were for the Democratic Party in the most recent presidential election. Other independent variables include lagged total assets (*Log (AT)*), book-to-market ratios (*BM Ratio*), and return on assets (*ROA*). I include firm fixed effects in all specifications. Standard errors are clustered at the firm level. T-statistics are provided in parentheses. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively.

	(1)	(2)
VARIABLES	Female Ratio	
Post	-0.007*	-0.008*
	(-1.92)	(-1.93)
Post x Democratic Party	0.019***	0.018***
	(3.52)	(3.19)
Democratic Party	-0.000	-0.001
	(-0.10)	(-0.15)
Controls	Yes	Yes
Firm FE	Yes	Yes
Year FE	Yes	No
Industry x Year FE	No	Yes
Observations	6,381	6,376
Adjusted R-squared	0.927	0.927

Appendix B: Institutional Background and Experiment Design

The OFCCP, part of the Department of Labor (DOL), ensures that federal contractor establishments avoid discrimination and take affirmative action to provide equal employment opportunities. With over 200,000 federal contractor establishments in the United States, the OFCCP cannot oversee each establishment's level of compliance with equal employment practices. Therefore, the OFCCP relies on compliance evaluations to detect violations, evaluating about 2% of federal contractor establishments annually. The OFCCP selects establishments to investigate based on alphabetical order, number of employees, and contract value, as it cannot identify which specific factors are associated with noncompliance risk among contractors. That is, the probability of being investigated is not linked to equal employment violations. The results in Appendix Table A1 indicate that the likelihood of a firm being selected for a government investigation is not influenced by its diversity metrics, such as the current or lagged female ratio, suggesting that the selection for investigation is not based on the firm's diversity or potential violations of affirmative action policies.

Each February, the OFCCP sends the Corporate Scheduling Announcement Lists (CSAL) to selected contractors as a courtesy notification for upcoming evaluations.[12] These notifications include details about the scope, time frame, and required documentation for the evaluations. Notably, the CSAL is sent only to the selected establishment, not to the corporate headquarters. Upon receiving the notification letter, the contractor submits relevant supporting documents to the OFCCP. These documents typically include the Affirmative Action Program (AAP) and other relevant materials related to labor policies, such as hiring and promotions. Then, the OFCCP reviews the submitted documents to assess contractors' compliance with affirmative action.

During this review, the agency looks for indicators of discrimination. If it discovers potential violations or indicators of discrimination, the OFCCP conducts an onsite evaluation at the contractor's establishment. During the onsite visit, additional data are collected to validate the information provided in the documents.[13] For example, the

[12]Figure 4 provides details on how the OFCCP conducts the compliance evaluation process.

[13]Figure 5 depicts the requirements for federal contractors in information keeping and reporting under

evaluation involves verifying the distribution of employees across different categories (e.g., gender and ethnicity) within each occupation. The OFCCP compares this distribution to industry standards and best practices. The investigation is closed if no violations are found, and the contractor receives a compliance notice. However, if violations exist, the contractor and the OFCCP must negotiate and reach an agreement or settlement to address the issue. In rare cases, litigation may be pursued when a resolution cannot be reached through negotiation.

Take Google as an example. The company has received federal contracts valued at over $60 million and has been obligated to comply with affirmative action requirements as a federal contractor since 2014. In fiscal year 2016, Google was selected for OFCCP investigations across various establishments. During the investigation, Google initially refused to provide detailed employee information. Consequently, the OFCCP filed a lawsuit alleging that the tech giant was unlawfully withholding employee compensation data. After collecting the necessary data, the OFCCP found evidence of systemic compensation and hiring discrimination at Google's California and Washington State facilities. Ultimately, Google reached a settlement with the OFCCP to address these allegations. As part of the settlement, Google had to pay over $3.8 million to more than 5,500 current employees and job applicants.[14] Additionally, Google has set aside over $1 million for pay-equity adjustments over the next five years. In a five-year period after the investigation and before the settlement, Google did not receive any federal contract awards.[15]

Appendix Table A2 validates the direct impact of the OFCCP investigation on firm labor diversity. The positive and significant coefficient for *Post* in column (1) shows that investigated establishments experience an increase in the female ratio compared to those not investigated within a firm state. When distinguishing between types of OFCCP investigation closures, the improvement in the female ratio post-investigation mainly stems from cases closed with "Noncompliance," as the magnitude of the coefficients for *Post Non-compliance* in column (2) is greater than that for *Post Compliance*. Figure 3

the Affirmative Action Program.

[14]Figure 6 provides details for the Google and OFCCP settlement published on the DOL official website.

[15]Figure 7 shows the timeline for federal contract awards to Google.

presents the event-study estimators for Appendix Table A2, which indicates no significant trends in female hiring before the investigation. However, following the investigation, the coefficients rise steadily and become significantly positive, suggesting a gradual increase in the female ratio in the years afterward.

Specifically, as shown in column (1), the female ratio of the investigated firm plants increased by about 0.4% after the government investigation. This increase amounts to 1% for investigations closed with "Noncompliance," as shown in column (2). These results suggest a positive impact of the OFCCP investigation on investigated establishments' workforce gender diversity, verifying the validity of government enforcement.B

Utilizing the OFCCP investigations as a diversity shock to the firm has several advantages. To begin with, the OFCCP investigations can lead to significant consequences, such as federal contract cancellations, back pay, and litigation risks, incentivizing firms to prioritize diversity. Furthermore, these investigations are independent of firm diversity. Since the probability of being investigated does not vary with a firm's diversity, it helps eliminate selection bias, ensuring that the observed effects are due to the investigations rather than pre-existing differences between firms. Additionally, the government investigates only some establishments within a firm. Once a firm undergoes an OFCCP investigation at one of its plants, the agency typically does not investigate the same firm again for the next five years. This policy allows the OFCCP to monitor a broader range of contractors but can lead to compliance slack, which has been documented in the literature (Dasgupta et al., 2023), as some firms might exploit this gap. Knowing they are temporarily off the radar, firms may relax compliance efforts at uninvestigated plants, prioritizing resources toward the investigated plant. Additionally, since affirmative action targets rank-and-file employees, using OFCCP investigations as quasi-experiments provides a comprehensive view of how firms implement diversity practices across different levels. This helps in understanding the broader impact of government enforcement on workforce diversity.

Appendix C: Conservatives' Views toward Diversity

While the idea of gender equality sounds quite natural nowadays, just a century ago, women in the U.S. did not have the right to vote until the enactment of the 19th Amendment, which officially proposed that "[t]he right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex."[16] At that time, females lacked equal access to political rights and the freedom to work. In the 1920s, only 20% of females worked outside the home, and most of them were unmarried. After marriage, females, especially white females, are more likely to leave the labor force.[17] In the decades prior to the 1920s, women were not supposed to have work opportunities by law. In the case *Bradwell v. State of Illinois*, Myra Bradwell passed the Illinois bar exam and applied for the Illinois bar. However, the Illinois Supreme Court denied her admission, noting that the "strife" of the bar would surely destroy her femininity. Joseph P. Bradley, Republican associate justice of the Supreme Court, commented, "The harmony, not to say identity, of interest and views which belong, or should belong, to the family institution is repugnant to the idea of a woman adopting a distinct and independent career from that of her husband (...) The paramount destiny and mission of women are to fulfill the noble and benign offices of wife and mother. This is the law of the Creator." These words sound absurd to people who are accustomed to gender equality and believe one should have equal access to economic opportunities and political rights regardless of gender. However, the stereotype that women should be good wives and mothers is deeply rooted in conservative minds.

When Senator Katie Britt issued the Republican Party's response, what attracted people's attention was not her political views but the fact that her response was made at the kitchen table.[18] She stressed typical family values to voters through social media: "To the American people: Our future starts around kitchen tables just like this. With moms and dads just like you." As she positioned herself as a representative of the GOP,

[16] Minority females, especially black females, did not fully exercise the right to vote until almost five decades after the passage of the 19th Amendment.

[17] https://www.brookings.edu/articles/the-history-of-womens-work-and-wages-and-how-it-has-created-success-for-us-all/

[18] https://www.msnbc.com/opinion/msnbc-opinion/katie-britt-republican-sotu-response-rcna142271

emphasizing traditional gender roles, her kitchen became a focal point. Another Republican politician, Sarah Palin, stirred considerable controversy when she was nominated for the vice presidential campaign.[19] As a mother of five young children, her candidacy sparked discussions about whether mothers with young families should pursue elective office. Both Katie's kitchen and the controversy around Palin underscore conservatives' strong belief in the female's role as a mother engaged in domestic tasks, even for women who already have successful careers.

While numerous studies have shown that paid family leave and child care subsidies supported by the government are helpful in improving female labor participation and pay equality (Amin & Islam, 2022), conservatives are hesitant to push those policies. They think family issues are private matters that should not be subject to government intervention and that females are paid less because of their own choices.[20] Without supportive policies, females with a mother role are penalized. The labor market perceives women with children in the U.S. as less competent, and these women typically experience a reduction in lifetime earnings.

In the decades following World War II, years before the establishment of the Equal Employment Opportunity Commission (EEOC), many people with liberal political values campaigned for job equality (Crosby et al., 2006). Liberal people think the government should be the driving force to eliminate discrimination and provide people fair employment opportunities regardless of their race, color, gender, or national origin. Conservatives, however, represented by the Republican Party, argue that the fewer employment opportunities for underrepresented groups are not indicative of discrimination against minority characteristics but rather a manifestation of the inferiority of underrepresented groups in terms of qualifications and skills. Additionally, conservatives argue that the persuasion of equal employment outcomes constitutes "reverse discrimination" and would undermine the freedom of enterprise, which is their fifth freedom (Chen, 2009).

These contradicting political views are also reflected in the legislative process. Executive Order 11246, issued by President John F. Kennedy, provides the foundation of today's

[19]https://www.nytimes.com/2008/09/02/us/politics/02mother.html
[20]https://www.msnbc.com/msnbc/why-the-gop-wrong-about-the-pay-gap-msna302546

"affirmative action." This order requires federal contractors and subcontractors to comply with non-discrimination in employment.[21] This order also created the OFCCP as the enforcement agency led by the Secretary of Labor. Federal contractors and subcontractors that are found to violate non-discrimination in employment can have their federal contracts terminated by the government, utilizing its administrative power as enforcement. However, during Ronald Reagan's term, the administration essentially reduced the budget and workforce of the OFCCP in an attempt to weaken the progress of affirmation action. Reagan also publicly criticized affirmative action, saying, "All our position has been is that we should not let affirmative action deteriorate into a quota system that would then be counter discriminatory." Donald Trump's presidency witnessed even more radical occurrences. Months after he took office in 2017, he planned to disband and cut off the budget of the OFCCP program that oversees the federal contractors' workforce diversity. In a rally, Trump even promised to "eliminate all diversity, equity, and inclusion programs across the entire federal government."

Given the divided opinions of the administrative branches (Himmelstein, 1980) the judicial system also has mixed views on affirmative action. In *Johnson v. Transportation Agency*, Justice William Brennan viewed affirmative action as a flexible tool to promote workforce gender diversity, whereas Justice Antonin Scalia focused on the cost of affirmative action. He called the Johnsons "the only losers in the process" who missed job opportunities because of their unfavorable gender—say, male—in the affirmative action process. Also, because of the fierce competition of different opinions in the judicial system, affirmative action only regulates hiring and promotion, not layoffs. Unlike hiring and promotion, layoffs significantly burden those who are adversely affected. If employers take gender or race into consideration when they make layoff decisions, they are imposed with the heavy burden of justifying their decisions (Johnson, 1989).

Till today, there are no statutory laws enforcing equal employment in the United States. Overall, policymaking institutions hold conflicting opinions and are fragmented in

[21]Table A13 shows that federal plants are associated with a higher female ratio when controlling for firm fixed effects, suggesting that federal contractors are subject to more stringent diversity requirements within a firm.

their implementation of equal employment policies. A Gallup poll following the *Johnson* decision revealed that the public is divided on attitudes toward affirmative action as well. The survey was conducted in 1987—the early days of implementing the affirmative action program. Republicans displayed the strongest hostility toward affirmative action policies—opposing the most and approving the least. With their views remaining persistent in recent decades, most Republicans are still concerned about diversity today. Only a small proportion of them view DEI as a good thing in the workplace. Compared to other groups, Republicans are also less likely to see the positive impact of DEI and more likely to think that employers pay too much attention to the subject in the workplace. In summary, most Republican-affiliated people are concerned about diversity promotion through government enforcement.