CEOs’ facial traits

Research in economics indicates that, on the whole, better looking workers earn more than workers who are less attractive. But what about CEOs? And what about facial characteristics other than beauty? John R. Graham, Campbell R. Harvey, and Manju Puri, all from Duke University’s business school, attempt to answer these questions in a National Bureau of Economic Research paper titled “A Corporate Beauty Contest” (NBER Working paper No. 15906, April 2010).

Graham, Harvey, and Puri conducted a study in which participants viewed photographs and, using a one-to-five scale, rated people whom they had never seen on competence, trustworthiness, beauty, and likability. The participants also looked at pairs of photographs selected which person appeared more competent, more trustworthy, and so forth. When respondents were asked to choose which of two persons appeared more competent—one person being a CEO and the other not—they chose the CEO about 54 percent of the time. Participants in the study also viewed the CEOs as more attractive, less trustworthy, and less likable, although the differences for these other traits were not as sharp as that for competent looks.

Respondents also looked at photos of CEOs of large companies alongside photos of CEOs of small companies. People who headed big firms were judged to be more competent, less trustworthy, and less likable than those who headed small firms. However, it was the small-firm CEOs who were most often chosen as the more attractive. Again, the sharpest difference was for the competence rating.

The researchers also examined CEO pay as a function of facial features and found a statistically significant positive association between pay and “competent looks” but not between pay and any other facial features. Notably, the authors did not find a significant association between CEOs’ performance and any facial features, including competent looks. Participants in the study also indicated whether they found the people in the pictures to appear “baby-faced” or “mature,” and the researchers calculated bivariate correlations between “baby-facedness” and the four aforementioned facial traits. They found that baby-facedness was negatively and significantly correlated with competent looks and was positively and significantly correlated with the appearance of likability. No significant correlations were found for attractiveness or the appearance of trustworthiness. Graham, Harvey, and Puri conclude that, just as there is an apparently undeserved wage premium for beauty in many occupations, there appears to be an undeserved premium for competent looks among CEOs.

With no jobs, young people move home

In the current economic climate, graduation from high school or college no longer goes hand in hand with the traditional transition to independence: moving out on one’s own. Young job-seekers are among the hardest hit by the recession, with 18- to 24-year-olds having the highest unemployment rates since the 1950s. As apartment rental costs increase and jobs remain scarce, many young people have been forced to move back to (or remain at) their parents’ houses—an important way in which the family unit insures against labor market shocks.

As compared with youth in other countries, young people in the United States generally move out of their parents’ homes at an early age, but they are thought to be more apt to move back repeatedly after they leave. Despite a large amount of anecdotal evidence supporting this claim, economist Greg Kaplan found that there are not many data on parent–youth living arrangements after young people leave home for the first time. Kaplan’s study entitled “Boomerang Kids: Labor Market Dynamics and Moving Back Home” (Federal Reserve Bank of Minneapolis, Working Paper 675, October 2009) examines the relationship—and determines a link—between the living arrangements of young people who do not go to college and labor market outcomes in the United States.

Using data from the National Longitudinal Survey of Youth 1997, Kaplan draws two central conclusions from his study. His first conclusion is that moving back home is common for young people who do not attend college. In place of the once widespread one-way transition to independent living, young people today often take part in an extended transitional period, with multiple movements in and out of their parents’ homes. Of those young people who move away from the parental home for at least 1 month, 51 percent of men and 49 percent of women move back home at least once by age 23.

Kaplan also concludes that these movements are closely related to labor market outcomes. A transition from employment to unemployment increases the “hazard” of moving back to the parental home by 64 percent for males and 72 percent for females. Kaplan acknowledges that other factors (such as marriage, childbirth, and parental circumstances) certainly have an influence on living-arrangement decisions, but in general the movements in and out of parental homes are closely related to labor market events. Employment is associated with a 24 percent reduction in the probability of moving back home for men and a 33 percent reduction in the probability for women. Kaplan’s conclusions suggest that labor market factors in large part control the decisions that young people make about their living arrangements and that residing in parental homes may be a vital way to cushion families against labor market shocks.