

## Effects of an Economic Recession on Executive Compensation: A Panel Analysis of Listed Companies in Brazil

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**Abstract :** The study aims to identify the effects of an economic recession on the compensation of executives of listed companies. Market-based and labor environment explanations have received particular attention, both to explain the reasons for a growth in this compensation and to indicate that they may increase agency problems rather than mitigate them. In this sense, labor forces, especially related to the market for executives, contribute to defining the terms of compensation packages and represent a significant external control mechanism to moderate agency problems, but may be of little effect if the executives are entrenched and concentrate enough power to have a say in his/her compensation. Based on a five-year data panel related to executive compensation in 250 listed companies in Brazil, we examine whether the economic recession in the last two years produced any impact in this compensation, controlling for the sector and level of governance of the company.

**Keywords :** agency problems, executive compensation, control mechanisms, corporate governance

**Conference Title :** ICCG 2018 : International Conference on Corporate Governance

**Conference Location :** Prague, Czechia

**Conference Dates :** July 09-10, 2018