CIPD
Championing better work and working lives

DIVERSITY AND INCLUSION
AT WORK

Facing up to the business case

Summary report
June 2018

The CIPD is the professional body for HR and people development. The not-for-profit organisation champions better work and working lives and has been setting the benchmark for excellence in people and organisation development for more than 100 years. It has more than 145,000 members across the world, provides thought leadership through independent research on the world of work, and offers professional training and accreditation for those working in HR and learning and development.

Summary report

Diversity and inclusion at work: facing up to the business case

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(1) **Introduction**

Despite equality legislation and a recognition by many organisations that diversity and inclusion is important, we know that inequality still exists in the workplace. For example, in the UK, gender pay gap reporting has shone a light on the structural barriers to progression in organisations for women, including a lack of senior role models and flexible working.

Positively, diversity and inclusion is rising up the agenda in many organisations. However, the pace of progress towards realising equality of opportunity is still painfully slow. We need more evidence of what works to help guide organisations' efforts and galvanise action to remove barriers to equality.

The moral case for diversity and inclusion

There is a compelling moral case for diversity and inclusion in the workplace and beyond. Ensuring everyone is treated equally, with dignity and has their fair share of resources (whether that be access to work or equitable pay) is simply the right thing to do. People matter, and we all should have equal opportunity to develop, progress, and be rewarded and recognised at work. Organisations must ensure that their people management practices champion this fundamental principle.

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The business case for diversity and inclusion

There is also still the need to provide a financially driven business case for action for some business leaders (although the moral case should be sufficient). This business case for diversity focuses on what diversity can do for organisational performance, built on the widely accepted belief that diversity and inclusion yields positive performance outcomes for organisations.

However, it is important to understand the relationship between diversity and performance, and under what conditions diversity can lead to positive outcomes. And, by being inclusive and supporting diversity, organisations (and importantly, the individuals within them) may benefit in a variety of ways that are not typically measured, such as retention of diverse talent, employee satisfaction and well-being.

This research aims to uncover the evidence behind the business case argument, while highlighting that there is a need to challenge this traditional notion of the 'business case' that focuses only on financial, rather than human, outcomes and other business outcomes such as corporate reputation. Despite an often over-reliance of business leaders and default focus on the narrow business case, we argue that any business case for diversity should hold these outcomes in balance and recognise the benefits at not only an organisational level but from an individual and societal perspective. We believe the people profession must champion a progressive perspective on the creation of value that considers a broad range of stakeholders and challenges a narrow focus on maximising shareholder value (CIPD 2018).

Limited progress and a lack of evidence

It is evident that people management practices, alongside the culture and values of an organisation, hold the key to unlocking truly inclusive working practices that add value beyond compliance with equality legislation. People professionals have a key part to play in ensuring that what is espoused in policies is acted out in practice, ensuring fairness and encouraging diverse voices to be heard.

Unfortunately, while many organisations prioritise diversity and inclusion, action is often not guided by clear knowledge of what works, and under what conditions. We need this knowledge to take informed, evidence-based action.

This summary outlines the key findings of our research report *Diversity and Inclusion at Work: Facing up to the business case*. This research uses a rapid evidence assessment methodology of the scientific literature to answer three questions: what are the outcomes of diversity and inclusion, what factors keep inequality in place, and what supports greater inclusion and diversity in the workplace? Alongside this, we highlight implications for policy[1] and key actions for people professionals. Further discussion of the findings of this research and their implications for diversity and inclusion at work can be found in the full report, found at **cipd.co.uk/diversityinclusion**.

②　What are the outcomes of diversity?

Our evidence assessment identified a vast amount of literature on the outcomes of diversity on various aspects of organisational performance – but very little on the outcomes for employees. Most studies are meta-analyses of multiple research findings that are cross-sectional or longitudinal in nature, meaning the relationship between diversity and outcomes should be seen as an association, rather than a proven causal relationship.

Little research on inclusion outcomes for employees or organisations of appropriate methodology was found in our search, although arguably this is key to unlock the potential of diversity (Nishii 2013). We therefore focus on diversity outcomes.

Key findings

- Diversity is a broad term and different aspects of diversity have different effects on outcomes:
  - For example, team tenure is associated with efficiency, but not creativity, whereas cultural diversity has been associated with creativity (Bell et al 2011, Stahl et al 2010).

  - There is conflicting evidence that diversity of demographic factors such as gender, age and ethnicity are associated with positive team performance.

- Effects of diversity on performance are moderated by aspects of the organisation context, such as industry and inclusiveness of the organisation climate (Joshi and Roh 2009).
- Research examines the relationship between diversity and organisation-level outcomes (for example financial performance or team performance) but has largely neglected individual-level outcomes such as well-being and employee satisfaction.
- Research tends to focus on a small number of characteristics (such as gender) and discrete outcomes, such as team performance.

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[1] We reference implications for UK policy, although the research base we discuss draws on international samples.

- This approach to research means that intersectionality – that we all have multiple, overlapping identities – is rarely a feature in this literature. Research focuses on sole protected characteristics, so does not consider individual differences in the round – for example, how the experience of a white man differs from a black female.

Implications for policy

1 The lack of research on intersectionality – the fact we all have multiple identities and they overlap – highlights the need for a more holistic view of diversity. While it is important to focus policy on specific issues, this should not be to the detriment of the wider picture. For example, in his report into the ethnic diversity of UK boards, Sir John Parker concludes that, *'It is clear that the recent emphasis on gender diversity in the UK Boardroom has not benefited women of colour to the same extent as it has women who are not ethnic minorities. Of the appointments made following the Davies Review, a relatively small number of those Board positions have gone to women of colour'* (Parker 2016, p21).

2 Questions about intersectionality have come to the fore in discussions about pay gap reporting. The focus so far has been on gender pay gap reporting, but with the possibility of race pay gap reporting (proposed by Baroness Ruby McGregor-Smith (2017) in her independent review of race in the workplace). It is as yet unclear how reporting on the two dimensions of diversity could sit together.

Implications for people professionals

1 Intersectionality is important to understand team processes; we all have multiple identities that influence how we interact with others. People professionals need to be mindful that a focus on one group, for example women, may not benefit everyone within that group. Other characteristics will affect the opportunities people are given at work.

2 People professionals should be mindful of the lack of conclusive evidence for the diversity 'business case', with both positive and negative outcomes of diverse teams being a possibility. The case for diversity must be a holistic one, taking into account the benefits of diversity for organisations (such as enhanced employer brand, contribution to society, and corporate reputation) alongside the benefits for individuals at work.

3 Context is important to understand where diverse teams may be challenged – for example, in male-dominated industries or regions where gender parity is low, gender-diverse teams may have specific challenges. People professionals must be aware of the context their organisation operates in, and adapt their approach accordingly.

4 Inclusive climates will be necessary to realise the benefits of diversity and ensure a diverse workforce is supported to perform at its best; focusing on understanding the inclusion climate within an organisation is needed alongside collecting data on representation and pay gap reporting.

To be able to offer organisations more practical guidance on realising the benefits from a diverse workforce, we need to look at the knowledge base about what's preventing workplace equality. Otherwise, no matter how diverse a workforce is, there is a risk that structural, cultural and behavioural factors will prevent the benefits of such a workforce make-up being realised. The next section will therefore discuss the factors that keep inequality in place in organisations.

What are the outcomes of diversity?

3 What factors keep inequality in place at work?

Despite equality legislation and diversity initiatives in organisations, inequality remains. This section outlines several issues that act as a barrier to diversity and inclusion at work. The first of these is discrimination, followed by structural and procedural barriers at work. Lastly, we highlight the touchpoints in the employee lifecycle where such barriers are prominent and provide recommendations for people professionals to address these.

There is a lack of randomised or controlled pieces of research in scientific literature that test the effectiveness of initiatives or policies designed to minimise these barriers, highlighting an area for future research focus.

Key findings

- Prejudice and bias (whether unconscious or not) still exists in the workplace, and this is associated with discrimination. This in turn is associated with negative outcomes for employees (Jones et al 2016, Triana et al 2015).
- Many issues contribute to inequality, from lack of women in leadership positions to perceptions of disabled job applicants (McLaughlin et al 2004, Lane and Flowers 2015).
- The factors maintaining inequality begin at the first touchpoint of the employee lifecycle: access to jobs. Multiple pieces of evidence shine a light on the issue of bias in recruitment, from job advert wording to call-back rates for interview (Gaucher et al 2011, Quillian et al 2017).
- Performance evaluations for different groups may be biased, whether this be so-called benevolent discrimination (giving overly positive ratings to certain groups), or biased ratings from managers who believe that diverse teams are not as cohesive and therefore will have lower performance (Van Dijk et al 2012).
- Throughout the employee lifecycle, bias and stigma may influence an individual's experience at work, with research shining a light on the barriers faced by those with disabilities.

Implications for policy

1 In the UK, Baroness McGregor-Smith (2017) commissioned a review of obstacles faced by BAME employees at work, which stated, *'There is discrimination and bias at every stage of an individual's career, and even before it begins. From networks to recruitment and then in the workforce, it is there.'* We welcome the firm stance she takes to move on from the established rhetoric and make real change happen on racial equality. However, our search of existing evidence highlighted a significant lack of knowledge about what works to effect change, which is where policy-maker attention needs to focus.

2 Policy-makers should consider 'where to next' with gender pay gap reporting: what lessons can be learned from the gender pay gap and how can we use this to galvanise reporting for other groups?

3 We know that a lack of flexible working is one of the structural and cultural barriers keeping inequalities in place. In the UK, the Taylor Review (Taylor et al 2017) called on the Government to consider how to further promote genuine flexibility in the workplace as a key part of enhancing the quality of jobs. With the right to request flexible working regulation up for review in 2019, considering how flexible working can aid organisations in becoming inclusive is key.[2]

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[2] The CIPD has been invited to co-chair the Government's new Flexible Working Task Force. The task force has been established by the Department for Business, Energy and Industrial Strategy to promote wider understanding and implementation of inclusive flexible work and working practices.

Implications for people professionals
It is clear that individuals may experience bias and stigma at every stage of the employee lifecycle. There is clear evidence of bias in hiring processes, from call-back rates to hiring decisions.

1   Attracting diverse candidates requires different approaches, such as highlighting inclusion and diversity during the hiring process (such as recruitment webpages). Job adverts and recruitment websites can also signal how an organisation operates – ensuring that job adverts don't inadvertently put off applicants because of gendered wording is also important.
2   Organisations should ensure hiring managers understand how to make adjustments to working environments and understand where flexible working arrangements may be needed – and importantly, be aware of their own assumptions and biases that may influence their hiring decisions.
3   Monitoring recruitment processes and diversity of applicants at different stages may pinpoint where issues lie and interventions can be targeted. However, a truly open recruitment process will be underpinned by a wider culture of inclusion in the organisation where difference is embraced.

Biases and discrimination are a key issue that impede progress towards diversity and inclusion.

Biases and discrimination are a key issue that impede progress towards diversity and inclusion. To tackle this challenge, many organisations look to training and awareness-raising of unconscious bias. In the next section, we review the evidence for diversity interventions and training, highlighting how organisations can remove some of these barriers.

4   What supports greater inclusion and diversity in the workplace?

Structures, systems and processes all have a part to play in enabling inclusion and diversity. However, there are few examples in the scientific literature of the effectiveness of initiatives (such as support for women returners) on reducing inequality. Further research is required to understand how these can be successful, although our review identified several pieces of evidence regarding diversity training and workplace interventions for people with disabilities.

Key findings
- Diversity training can be effective in promoting knowledge and skills when certain conditions are met, namely: training takes place over multiple sessions; both awareness and skills are part of the training content; and it is part of wider organisation initiatives (Bezrukova et al 2016).
- That being said, while diversity training is often well received by participants and can have short-term results, the sustained impact of such training on behaviour and emotional prejudice over time is not clear (Kalinoski et al 2013, Alhejji et al 2016). Training is not sufficient to create a diverse and inclusive organisation.
- When it comes to creating an inclusive environment for people with disabilities, financial support from government and accommodations such as changes in work schedules can aid return to employment; however, there is a lack of awareness amongst employers of such resources (Clayton et al 2011, Nevala et al 2015).
- Overall organisational inclusion climate and support for diverse groups is likely to underlie the success of any diversity initiatives.

Implications for policy

1 Evidence suggests that a key way to support workplace accommodation and reasonable adjustment is financial support from government bodies. However, there remains a stubborn implementation gap for health and well-being initiatives at work, which policy-makers must seek to close if we are to have 1 million more people with a disability or long-term condition in work by 2027, as targeted by the Government.

2 To address this, a major, ongoing and well-resourced publicity and education campaign to raise awareness and encourage a culture of inclusion among employers is needed, alongside a 'one-stop shop' for employers to make it easier to navigate the many sources of information, advice and guidance available.

Implications for people professionals

1 Workplace accommodation research also highlights that collaborative planning for return to work and making reasonable adjustments such as transportation and flexible work schedules can aid access or return to work.

2 Flexible working is key to unlocking employment and progression opportunities across a number of minority groups in the labour market. People and resourcing professionals should monitor recruitment data to understand where bias may be impacting on recruitment processes, and hiring managers must understand provision for reasonable adjustment.

3 While diversity training, when well designed, can have some influence on knowledge and behaviours, organisations must pay attention to diversity and inclusion in the round. People professionals would do well to focus on wider initiatives and understanding how inclusive their organisation is by using internal data and targeting intervention accordingly.

⑤ Diversity and inclusion at work: where to next?

The evidence for diversity and inclusion at work

There are many factors that contribute to the relationship between diversity in workplaces and organisational outcomes, such as financial performance, innovation and team performance, and we found mixed results for the outcomes of diversity, meaning the 'business case' is not clear. This should not deter us from promoting diversity and championing inclusive practices. Inclusive and diverse environments are likely to have a multitude of beneficial effects not captured in traditional research, for both individuals, their employers and wider society. Any business case for diversity should hold these outcomes in balance and recognise the benefits at not only an organisational level but from an individual and societal perspective.

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How can people professionals and business leaders drive change?

Research highlights that the organisational context is key for diverse groups to succeed, so diversity policies and research must go beyond representation of minority groups (although this is undoubtedly important and necessary) and go one step further and focus on inclusion.

People management practices must recognise that being inclusive goes beyond policy and ensures that everyone is valued and supported as an individual. There are key points within the employee lifecycle where action can be taken to enable this. We make some key recommendations for people professionals to drive change at specific points in the employee lifecycle alongside wider cultural and policy considerations In Table 1.

Table 1: Key actions for diversity and inclusion

Employee touchpoints			
Attracting candidates	**Candidate selection**	**Access to flexible working**	**Organisational culture and policies**
• Review job adverts for gendered or other biased wording. • Review talent attraction methods, including recruitment webpages and other employer branding resources.	• Examine recruitment data to understand how diverse the talent pool is at each stage of the selection process, where possible. • Ensure hiring managers understand provision for reasonable adjustment and are confident in being able to apply this, and are provided with support to put these into place.	• Review flexible working policies and review take-up of flexible working, if offered. If flexible work is available, but not used, what barriers are at play? • Ensure job design allows flexibility and think creatively about how jobs can be flexible; as well as flexitime and part-time working, are options such as job-sharing and self-rostering feasible?	• Review existing data (such as employee surveys and culture measures) or collect additional data to understand whether employees feel the organisation is inclusive and values individual differences, alongside pay and progression data to highlight where intervention may be needed. • Review organisational policies to ensure they treat everyone fairly, taking into account an intersectional approach. It is often necessary to have policies to support specific groups (such as working carers), but the needs of other groups should also be noted.

Facing up to the business case

We need to challenge the traditional notion of the 'business case' for diversity that focuses only on business, rather than human, outcomes; there should not need to be a bottom-line business case in order to treat individuals with dignity and respect at work. Business leaders and people professionals have the opportunity to champion the case for diversity, moving from narrow outcomes such as financial returns, and highlight the numerous benefits that diversity and inclusion can bring – not least that it is simply the right thing to do.

Positively, more and more organisations are recognising that people bring intrinsic value to business and should stand to gain value themselves. This shift means that businesses must recognise that employees are legitimate stakeholders of an organisation alongside shareholders and customers. The potential long-term benefits of this are clear. In relation to diversity, this means that we must recognise individuals' unique contribution to organisations brought about by their unique set of skills, knowledge and abilities and promote organisational environments that allow these individual attributes to flourish (CIPD 2017, 2018).

The people profession must champion this shared value perspective and work with the wider business to move the case for diversity and inclusion from business performance focused to a focus on the gains for individuals, organisations and wider society.

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