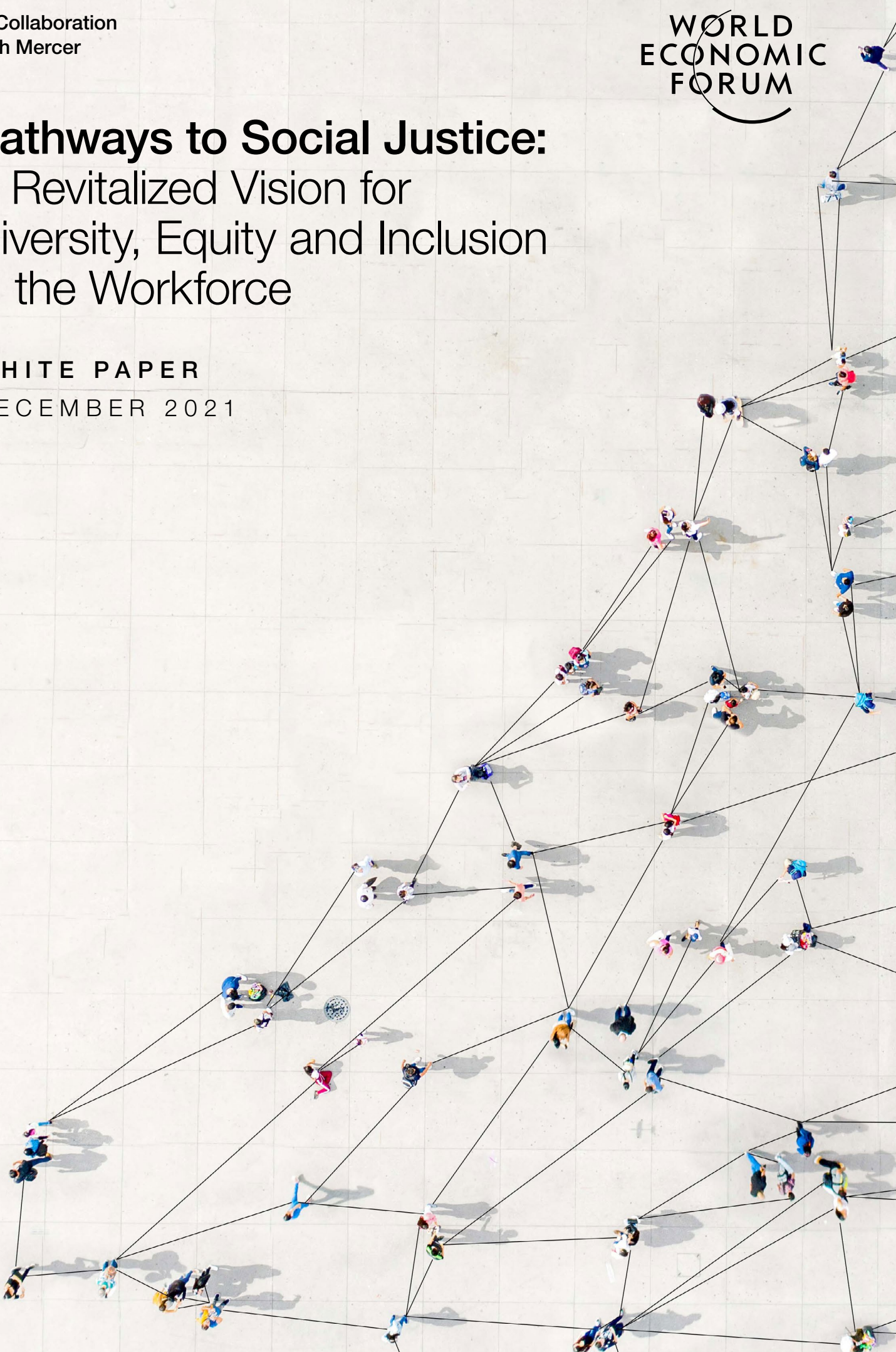


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Pathways to Social Justice: A Revitalized Vision for Diversity, Equity and Inclusion in the Workforce

WHITE PAPER
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Contents

Executive summary	3
1 Introduction	4
1.1 COVID-19 and DEI: exacerbating pre-existing health and social disparities	4
1.2 Different ways of working pave the way for new workplaces and processes	5
2 A holistic approach to DEI: the cornerstone of an organization that promotes social justice	6
2.1 Engage: create aligned and committed leaders and workers	8
2.2 Diagnose: root the strategy in proof, data and analytics	9
2.3 Take action: integrate DEI into policies, practices and programmes	10
2.4 Be accountable: set goals, measure progress and share transparently	11
3 A holistic approach to DEI: strategies in action	12
3.1 Comprehensive labour market analysis leads to increased representation of women and minorities in leadership	12
3.2 Global equal pay analysis leads to change in local recruitment processes	14
4 A holistic approach to DEI: definitions and data collection	16
5 Organizational ambition levels: build on your starting point	17
6 Conclusion	19
Annex: Glossary of key terms	20
Contributors	21
Endnotes	22

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Executive summary

For business, real progress on social justice begins with an integrated approach to DEI at the company level.

The COVID-19 pandemic – and the ensuing economic disruptions and social and political unrest – has brought to centre stage issues of diversity, equity and inclusion (DEI), pressing business leaders to take action on social justice. It has quickly become a top business imperative to help create a more fair, diverse and inclusive society.

To make real progress, it is critical for businesses to hardwire DEI into all of their business processes, from ensuring that the workplace has equitable work opportunities for all types of employees to maintaining supplier diversity and launching inclusive marketing campaigns to adopting technology that encourages equitable work

opportunities for all. When DEI is woven into the fabric of all operations, its benefits are multiplied. Indeed, such a move towards a more integrated approach to DEI is not just being asked for by employees and investors, but is broadly being heralded as the way forward for organizations.

While making progress via an integrated approach must be the goal if we are to ensure greater parity in the post-pandemic era, starting at the company level is an important first step. Accordingly, this white paper provides an integrated four-step strategic framework as well as a comprehensive overview of measures that companies can implement today to improve DEI for their workforce.



1

Introduction

The time to act is now for a revitalized vision of social justice.

“ Organizations are increasingly being evaluated on how well they perform against criteria beyond financial performance – measures that represent different dimensions of stakeholder capitalism.

The COVID-19 pandemic – and the ensuing economic disruption and social and political unrest – has highlighted issues of diversity, equity and inclusion (DEI), driving business leaders to take action on social justice. It has quickly become a top business imperative to help create a fairer, more diverse and more inclusive society.

Responding to the myriad disruptions in the world requires organizations to listen to and empathize with the broader group of stakeholders whose interests they affect: customers, employees, investors, suppliers and vendors, communities and governments. The social and economic forces at play make this vitally important. For instance, shareholders are ramping up the pressure for change, often through demands for environmental, social and governance (ESG) metrics and reporting.

Organizations are increasingly being evaluated on how well they perform against criteria beyond financial performance – measures that represent different dimensions of stakeholder capitalism.¹ One such area is DEI. This often involves reporting on the representation of different demographic groups across career levels, job families, business units and geographies. Leading financial firms are formally including DEI criteria in their evaluation of investments – examples include BlackRock² building investable indices

based on DEI or Bloomberg using broader human capital management assessments.³

Consumers, too, are making choices that reflect their social values and ethical concerns.⁴ Consumer demand for ethical products has risen by 40% over the past two years, and recent studies reveal that when consumers believe a brand has a strong purpose they are six times more likely to continue to support the company in the event of a misstep or public criticism.⁵

The business and ethical case for companies to pursue proactive DEI strategies has been clearly demonstrated. Organizations that make this a priority benefit both society and themselves. One of the best ways to bring about real social progress is to ensure that organizations identify and eliminate disparities within their walls. The current state of affairs in the corporate world with respect to gender, racial and other forms of equity is inadequate. If organizations address these issues and in turn eliminate the disparities they perpetuate, society will benefit tremendously. However, it is not enough simply to look inwards – organizations also need to take a broader approach to DEI. Business leaders need to understand their organization’s interconnection with consumers, other corporations, governments and civil society – and this need has only become more urgent in the wake of the COVID-19 pandemic.

1.1 COVID-19 and DEI: exacerbating pre-existing health and social disparities

Understanding who contracts COVID-19, how severely they develop it and why is difficult in the absence of systematic data on race and ethnicity. Where we do have insights, the available data reveals disproportionate infection and death rates for under-represented and under-served populations. For example, Native Americans died from COVID-19 at twice the rate of their representation in the US population, and the United Kingdom experienced higher death rates among Black and South Asian people, driven by their living situation and jobs.⁶

It is clear that COVID-19 has exposed and exacerbated disadvantages faced by currently under-represented groups across businesses. For example, as highlighted by the World Economic Forum’s *Global Gender Gap Report 2021*, COVID-related unemployment was noticeably higher among women than men in Denmark, Germany, Italy and the United States: this expanded gender gap was higher than in any downturn since 1948.⁷ And while in 2020 white men’s unemployment in the United States increased by 3.6 percentage points, it rose 4 percentage points for white women, 4.9

for Black or African-American women and 6.2 for Hispanic or Latina women.⁸ Furthermore, women and people of colour make up a large portion of the workforce in service-sector industries such as retail and restaurants and thus are disproportionately affected by pandemic-induced business closures in these areas. People with disabilities experienced greater job loss, with one in five dismissed from employment compared with one in seven in the general population.⁹ The pandemic has exacerbated pre-existing wealth and well-being gaps.¹⁰ Even with an expected global employment rate increase of 3.3 percentage points for women and 3 percentage points for men in 2021, these growth rates will not be sufficient to bring women back to pre-pandemic employment rates, as their employment losses were significantly higher than for men during 2020.¹¹

In addition, the unequal burden of unpaid care work has long affected women's labour force outcomes. Globally, 72% of domestic workers, 80% of whom are women, have lost their jobs as a result of COVID-19.¹² One concern is a repeat of the aftermath of the 2008 downturn, when women were least likely to return to the workplace once the economy rebounded.

This is driving discussions about parental leave and the cost of childcare and caregiving services in many countries and raises major concerns about a setback in equitable work.

To make real progress, it is critical that organizations hardwire DEI into all of their business processes – from ensuring that the workplace has equitable work opportunities for all types of employees to maintaining supplier diversity and launching inclusive marketing campaigns to adopting technology that promotes equitable work opportunities for all. When DEI is woven into the fabric of operations, the benefits are multiplied. A move towards a more integrated approach to DEI is not only demanded by employees and investors but is also broadly heralded as the way forward for organizations.

While making progress with an integrated approach is the goal needed for a post-pandemic era, starting at the company level is an important first step. This white paper aims to provide a comprehensive overview of measures that companies can implement today to improve DEI for their workforce.

1.2 Different ways of working pave the way for new workplaces and processes

“ In some ways, building an inclusive work environment when working digitally and with distributed teams rewrote the rule book on management.

Throughout the pandemic, the ability to work flexibly was valued at a premium – as the majority of the workforce shifted to remote working as far as their job and tasks allowed. Research shows that prior to COVID-19, less than a quarter of the workforce worked remotely in most organizations.¹³ During the pandemic, the percentage of remote workers jumped to nearly three-quarters of the total workforce.¹⁴ The question now is how to move from a pandemic response to a normalized reality. With such rapid adoption of new ways of working, there are opportunities and risks for various groups that companies are only just appreciating. In some ways, building an inclusive work environment when working digitally and with distributed teams rewrote the rule book on management.

There is no doubt that employees across all demographic groups value the opportunity to work flexibly, and expect organizations to respect their desire to balance work with other interests and responsibilities. What is now emerging, however, is the true cost to workers of adopting these new approaches. Prior to COVID-19, 67% of

organizations globally offered a variety of flexible work arrangements, but only 45% said they value equally employees who work remotely.¹⁵ Also true is the growing divide between the digital elite and those whose work is manual and location-specific. Disadvantaged groups are over-represented in such roles, including shop workers, service staff, cleaners and truck drivers; there is the double impact of being disproportionately affected by COVID-19 and unable to choose their own flexible working arrangements to navigate the challenges. Managers need to pay attention to the transition from a pandemic response to a permanent way of operating. In doing so, now is the time to redesign the workplace with an eye towards DEI – including business processes, benefits and flexibility, which is not just about where, but also when, how, what and who.¹⁶ In addition to wage progression and improved benefits, one approach that could help level the playing field is the move to more task- or project-based structures and a set-up in which skills, not jobs, become the unifying language of work, making it easier to deliver flexible options and open up earning opportunities to a wider workforce.

2

A holistic approach to DEI: the cornerstone of an organization that promotes social justice

Social justice requires engaging leaders, diagnosing with data, taking action and ensuring accountability.

DEI as a strategic business imperative

A truly holistic approach to DEI is more than a people strategy driven by the chief human resources officer (CHRO) or chief diversity officer (CDO). It goes beyond internal strategies to include external engagements, to encompass the broader business imperative of creating a more open, diverse and inclusive society. For example, business leaders can influence their suppliers with their own social, equity and justice goals. Media and marketing messaging, too, can ensure that the organization is not unintentionally reinforcing detrimental stereotypes.

Doing this may require a fundamental cultural change and this must start at the top of the organization. Indeed, a visible chief executive officer (CEO) can often expedite organizational buy-in and this goes a long way towards ensuring that the strategy becomes hardwired into the business. Leaders are most likely to contribute to this change when they deeply understand how their behaviour and values might affect groups both inside and outside their organization. There is a fine line between corporate identity and values, and behaviour that resonate with the diverse populations of workers and the communities they serve. If there is a lack of resonance between behaviour and values or if some groups exclusively are promoted, business leaders need to be at the forefront of driving change.

For example, one of Unilever's business imperatives is to help build a fairer and more socially inclusive world. The CEO worked with the leadership team to

set out plans with specific targets. Some highlights of the plan include ensuring suppliers earn a living wage or living income by 2030, spending €2 billion annually with suppliers owned and managed by under-represented groups by 2025, and equipping 10 million young people with essential skills to prepare them for job opportunities by 2030.¹⁷

Adding value to the organization through a holistic DEI approach

Organizations that are reaping the rewards of their focus on DEI are dedicating attention to cultural and behavioural change. A diverse, equitable and inclusive environment can:

- Engage, energize, attract and retain talent, with employees expressing their full potential at work
- Embrace changing consumer desires and deepen the organization's connection with customers, the business ecosystem and the supply chain
- Spark the type of innovation that comes from collecting a variety of different perspectives and information-processing styles to solve problems, develop products and create solutions
- Align the brand more closely with a future workforce with the critical skills needed for business success
- Improve business performance and increase profits

A genuinely inclusive and diverse strategy looks at all under-represented groups holistically

All backgrounds and experiences are needed to drive innovation in today's world, but without intentionally and holistically identifying which groups are under-represented, companies can miss the mark when forming teams and driving businesses. To make progress on this it is necessary to find a way of considering the unique experiences of each group at scale.

Diversity has been the dominant focus in many organizations, but equity and inclusion have risen up the list of priorities over the past few years. When companies speak of DEI, the central tenets of success include:

- **A diverse environment:** welcoming perspectives and experiences from different viewpoints, including background, gender, race, ethnicity, age and generation, disability and ability, religion and sexual orientation
- **An equitable environment:** ensuring there are no disparities in opportunities for advancement,

experiences, access to key roles, development opportunities and rewards

- **An inclusive environment:** giving all stakeholders a sense of belonging, while providing systems that encourage them to share information and participate in decision-making. It also means that workplaces are disability-inclusive, with reasonable accommodations for people with mobility and sensory impairments

The shift in attitudes and intentions deriving from the events of the past year has driven a more expansive definition of an effective DEI strategy. Delivering measurable impact requires DEI to be embedded in the business and actively supported by leaders. This goes far beyond siloed approaches driven solely by human resources (HR) and often narrowly focused on gender disparities. Today, a more robust concept of DEI comprises comprehensive dynamics to effectively cover a global workforce that is increasingly ethnically, economically, generationally, educationally and cognitively diverse (see Figure 1).

FIGURE 1 Aspects of an inclusive workforce



To build a workforce strategy that is both impactful and actionable, this white paper proposes the following strategic framework,

which builds on research, purposefully measuring and analysing experiences from a range of viewpoints (see Figure 2):

FIGURE 2 Strategy for managing change and communication



Engage

Create an aligned and committed workforce and leaders



Diagnose

Root your strategy in proof, data and analytics



Take action

Integrate DEI into policies, practices and programmes



Be accountable

Set goals, measure progress and share transparently

Change management and communication

As organizations work through this framework, consistent change management and communication throughout the process can

help lead to successful development of the strategy, implementation and adoption, as well as engagement of the workforce.

2.1 Engage: create aligned and committed leaders and workers

A business-wide issue with significant impact calls for the engagement of all senior leadership to drive DEI efforts via a holistic strategy that permeates the entire organization – including the supply chain, customer demographics, shareholder expectations and workforce needs. To do so:

- **Ensure that senior leaders are engaged in DEI efforts to the same degree as every other business imperative.** Just as senior leaders are responsible for revenue, so they also need to be held accountable for DEI outcomes. In fact, organizations should consider linking DEI goals directly to executive incentive plans. Additionally, the overall deficit of understanding with regard to the impact of societal and cultural histories means there is an opportunity for leaders to educate themselves on the communities in which they operate and the cultures and backgrounds of their employees and supply chains. Senior leaders should also be equipped with the data to understand the current state of their workforce environment. With empathy, leaders can start to rectify injustices by reshaping organizational policies and processes.
- **Combat reliance on stereotypes about any given group or what makes for effective leaders.** All too often, leaders model their

leadership programmes and assessments on their own experience. They tend to reinforce characteristics, behaviour and experiences that they see or have experienced themselves. Leaders end up creating a systemically biased culture that results in barriers to people from other backgrounds. Helping leaders recognize this is part of increasing engagement.

- **Train and equip people managers to lead DEI efforts.** Such people shape and influence the daily lives of employees – and, critically, can play a pivotal role in connecting them with the right resources and experiences within the organization. Research shows that half of managers are involved in DEI activities, up from only 39% in 2016. However, only 33% of organizations train managers to support employees through parental leave and return-to-work, for example.¹⁸ Increased training will help them champion the DEI agenda and role-model inclusive behaviours.
- **Design mentorship and sponsorship programmes and create networks of champions.** Leaders and colleagues can play an active role in helping employees get the support they need to grow in their careers and contribute to the organization. This may also involve reverse mentorships, where senior

leaders are mentored by individuals from demographics that are different from their own.

Creating a successful DEI strategy is not just a one-off project, but requires system change. In order to make it work, it is critical to build a reinforcing and sustaining DEI culture. It is

important to think about culture broadly and understand how employees experience the impact of policies and programmes that might be changing. Training managers on change communication will help create an inclusive environment in which all employees are engaged and feel a sense of belonging to the organization.

2.2 Diagnose: root the strategy in proof, data and analytics

“ Without data, business leaders and employees may be left to rely on opinions and perceptions.

To transition DEI responsibilities to the C-suite, senior leaders need to have a clear picture, based on data, of what the organization looks like from a demographic standpoint and where the organization is heading based on the current trajectory. To have diverse representation requires organizations to analyse both their supply chains and their people processes – how they develop, evaluate, reward, promote and retain. Without this discipline, it is tough to illuminate a pathway for success.

Sensitivity about and restrictions on data collection limit organizations’ ability to gather certain data, including on race, ethnicity, gender identity, sexual orientation and veteran status. For example, 20 of the 38 member countries in the Organisation for Economic Co-operation and Development (OECD) do not collect racial or ethnic identity data.¹⁹ And despite pressure for countries such as Germany and France to relax policies in order to support employers who are trying to collect data, progress has been slow.²⁰

Without data, business leaders and employees may be left to rely on opinions and perceptions.

One process that is gaining ground is the use, where permitted, of data routinely available in human resource information systems (HRIS), enabling organizations to not only identify but also quantify the factors that most influence their ability to secure and effectively manage a diverse workforce. Additionally, many companies give employees the chance to self-identify when they take employee engagement or inclusion surveys. This allows the company to analyse for tendencies across different demographic groups and gives the organization a more nuanced picture of differences in employee experience. Bringing together insights from both qualitative and quantitative analyses provides the strongest foundation for developing an effective DEI strategy. To diagnose DEI progress and gaps, senior leaders need to:

- **Understand the current policies and procedures.** Analyse where there are strengths and where there might be gaps. Conduct DEI benefit assessments. Reviewing policies and procedures is a necessary but not comprehensive benchmarking activity.

- **Analyse internal labour market dynamics.** Examine hiring, promotion and turnover rates by population, along with critical dimensions of rewards – including base pay, incentives, benefits and distributions of performance ratings. Talent management processes, and the factors that most influence or “drive” different populations, can also add nuance and clarity to the picture. Controlled statistical modelling of these dynamics can help organizations isolate the effects of specific workforce factors and management practices. Include external labour-market data to add context to the assessment of the current employee base, too. An understanding of the internal and external dynamics is vital to designing and implementing interventions that are adapted to each organization’s strategic, operational and workforce environment.²¹

- **Get granular with the data as far as is statistically feasible.** Factors affecting career development and progression, retention, performance and pay may differ across the organization. Broad, enterprise-wide analyses will fail to reveal these differences. Data analysis by gender, race or career level, for example, will give leaders the best information on what actions are likely to deliver results.

- **Address intersectionality in the organization.** For example, aggregating data solely by gender to report on the experience of women will not be as insightful as evaluating and addressing differences between, say, a Black woman’s and a white woman’s experience.

- **Undertake qualitative analyses based on employee surveys or focus groups.** The organizational picture is not complete until employee and leader perceptions of equity, inclusion and sense of belonging are also canvassed. Social network analysis is one technique gaining ground that can help evaluate patterns within networks that might be putting certain demographic groups at a disadvantage.

2.3 Take action: integrate DEI into policies, practices and programmes

“ Establishing the right programmes and policies is one step. Getting the workforce to embrace them is another.

While many organizations have pursued aspects of diversity and inclusion, few have addressed a truly holistic approach through integration into all business processes.

To take action, leaders should:

- **Update key strategic business processes.** Overemphasis on hiring under-represented talent and suppliers without a broader plan can lead to a high turnover of employees. This is a short-term but ultimately ineffective solution for organizations that lack an inclusive environment and the appropriate structures to help under-represented populations grow and thrive. A review of broad talent-management processes, for example, ensures mitigation of bias and full transparency.
- **Consider the broad range of social and political issues while crafting policies and practices to address them, which should:**
 - Eliminate discrimination by including anti-racist²² and anti-sexist policies; consider including gender-neutral titles to promote inclusivity
 - Remove biases in decision-making through use of behavioural nudges and DEI technology solutions; for example, in hiring, consider implementing technological solutions to limit bias in language and decision-making²³
 - Conduct robust pay-equity studies to eliminate racial and gender disparities in remuneration
 - Eliminate communication and architectural barriers for people with disabilities, such as mobility, vision and hearing impairments
- **Ensure equal access to reskilling and upskilling initiatives.** The pandemic has accelerated changes in required skill sets. Organizations should safeguard equal access to on-the-job upskilling and reskilling programmes for all employees.
- **Provide equal opportunities for career development and growth.** Examine how people rise to the top in the organization or within their job families. Training and mentorship programmes empower employees to focus on their own development and give them opportunities and exposure they might not have had otherwise. As performance ratings and assessments systematically influence all other outcomes such as promotion, retention and pay, it is critical to work on eliminating any bias from performance management and talent-development processes. This is essential to structurally institute an equitable workplace.
- **Provide inclusive benefits that address disparities in healthcare, well-being and financial protection for under-represented groups.** Identify gaps between benefit offerings and employee needs, and avoid relying solely on benchmarking against peers. Following current market practices can perpetuate perception gaps or missed opportunities to address the previously overlooked needs of certain cohorts.
- **Strengthen grievance procedures.** Black Lives Matter and the #MeToo movement have spurred leaders to reassess how they prevent and address harassment in the workplace. To be truly effective, anti-harassment policies must include intimidating conduct that targets racial, ethnic and religious groups. Leaders can help their employees feel safe in raising concerns without fear of retaliation, through training and transparency.
- **Build a workplace environment that promotes DEI.** Establishing the right programmes and policies is one step. Getting the workforce to embrace them is another. For example, an organization may offer market-leading flexible-working and leave benefits, but it is up to managers to support employees in taking advantage of these opportunities. Leading by example and promoting non-traditional work models is critical.



2.4 | Be accountable: set goals, measure progress and share transparently

Developing and enforcing a DEI strategy is critical – but it is not complete without accountability. To get there, leaders must follow up by:

- **Measuring progress and outcomes, including analysis for unintended consequences.** One way to drive this is by tracking progress on organizational initiatives using the same kind of rigour deployed at the diagnostic stage. DEI dashboards and scorecards can help not only to monitor how representation is changing over time but also to measure progress on measures that reflect the key drivers of representation. This can provide a roadmap for achieving success by driving greater accountability through defined metrics that are tied to the DEI roadmap.
- **Sharing results openly.** As organizations continue to recognize that the success of DEI strategies depends on data for a common understanding of how and why the organization needs to change, being open and honest about the data is key. Transparency eliminates potentially inaccurate interpretations by employees and other stakeholders when an organization is not clearly communicating its current state and plans for improvement and progress against goals along the way. Transparency is one of the key factors in maintaining control of the organization's own narrative around its DEI strategy.

3

A holistic approach to DEI: strategies in action

Build on business examples that have been proven to work.

3.1 Comprehensive labour market analysis leads to increased representation of women and minorities in leadership

Challenge

A Fortune 500 global consumer products company was struggling after being pressed by its board to increase the representation of women and people of colour in its leadership and management ranks.²⁴ Pursuing workplace diversity was not new to the company; however, the programmatic approaches it had undertaken had failed to make a significant impact on representation at the top.

Frustrated by the lack of progress, the CEO decided to take a different approach, developing a strong DEI strategy linked to the company's existing sustainability drive. The company knew it needed to take a holistic view of DEI, grounded in hard evidence about what was impeding the advancement of women and people of colour.

Approach

Engage: The CEO convened a company task force made up of senior executives, line leaders and other professionals from across the business to develop the new DEI strategy. The first objective was to better understand the current state of representation and forecast where the current dynamics of hiring, promotion and retention were taking the company. Providing an unvarnished view of the current stark reality and its implications for the future became the galvanizing force for leader commitment and engagement. This involved not only sponsorship of the initiative and policy proposals but also day-to-day ownership of the strategy and accountability for success. Addressing the task force, the CEO put it succinctly: "I take full responsibility for the current state of diversity, which is an embarrassment to me and should be an embarrassment to all of us. I now take ownership of the effort to dramatically change this reality and I expect you to do the same."

quantitative picture of the factors that explain and predict advancement, performance, retention and pay. The company's success profile for talent – the set of individual and circumstantial factors conducive to advancement, high performance and higher pay – was created. The data revealed that women and people of colour were not being positioned to succeed within the company. For example, they did not have the same level of access to the specific roles that accelerate career advancement as their white male colleagues did. The data also revealed that the current performance and leadership development models worked systematically against people of colour. While these employees mostly did well from a performance standpoint, they were less likely to be rated highly for leadership capability. The huge disparities in rating diminished the likelihood of promotion and of equal pay, too.

Diagnose: The taskforce conducted a comprehensive internal labour market analysis of its US and global workforces, drawing on four years of workforce data. The analysis provided an objective,

Take action: Leadership recognized that major structural changes were required to eliminate the roadblocks to success for women and people of colour. Quick action was required. The company revised its career development programmes to

put a new emphasis on roles. The aim was to ensure that women and people of colour were given opportunities to take on roles identified empirically to accelerate development performance and advancement. The company scrapped its existing performance management and leadership assessment systems. It replaced them with a new aligned system that protects against bias in ratings and that embraces the idea that not all leaders look and act alike. Multiple models of leadership can coexist and be effective. The company developed realistic, data-driven targets for growth in representation, establishing both basic and “stretch” goals for representation across senior levels.

Be accountable: Scorecards attached to basic and “stretch” goals signalled that all leaders would be held accountable for the results. The scorecards went beyond measures of representation to include metrics that track the most influential drivers of those outcomes; they also provided a roadmap for leaders to achieve results. The CEO reinforced the importance of success: reviewing the strategy and progress reports became a standard agenda item for regular executive team meetings. DEI became a core business imperative, always front and centre when the executive team met.

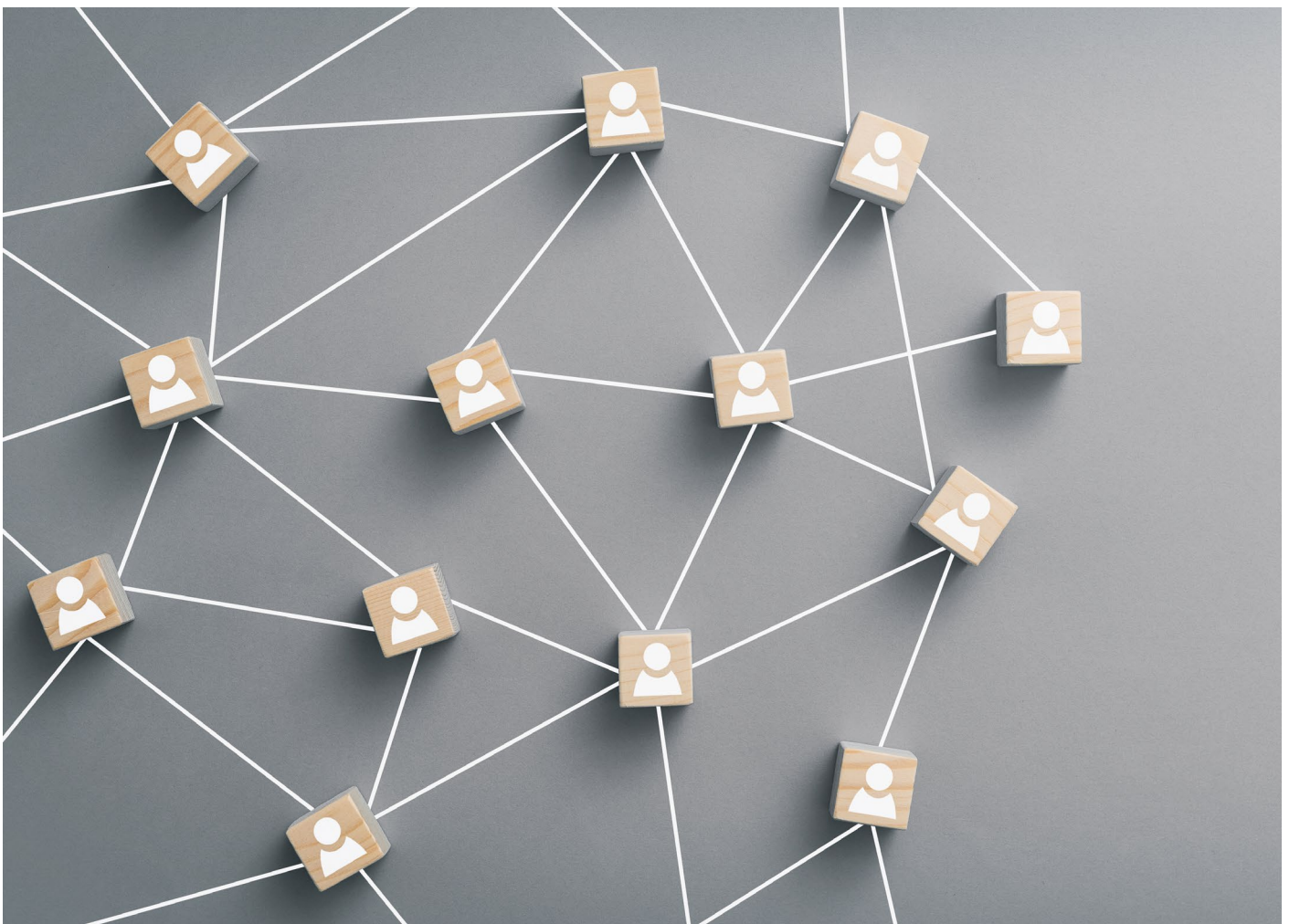
Outcome

Within just a few years, the company dramatically increased the representation of women and minorities in its leadership and senior management ranks, sustainably and effectively, earning public recognition along the way.²⁵

The strategy delivered results because:

- The executive team became highly engaged from the start, through access to data and insights that were translated into language they could readily grasp

- The strategy reflected a holistic view of the workforce, ensuring that specific policies and practices aligned with the underlying talent strategy, were fact-based and mutually reinforcing
- Leadership embraced radical departures from existing practices and drove the culture change throughout the organization, making DEI part of the fabric of the company. In the words of the DEI leader, “It is reflected in everything we do as a business.”



3.2 Global equal pay analysis leads to change in local recruitment processes

Challenge

A firm-wide launch of a DEI approach at a male-dominated global engineering company left employees sceptical and confused. After the CEO presented a list of activities deemed to drive women's progression into leadership roles across the company, employees wanted to know if men were going to be disadvantaged and if women would be selected for leadership roles based solely on gender. The negative reactions from employees came as a surprise to the CEO and the Board as they had been working on these efforts for some

time. The leadership team and the Board had all agreed to support the overall approach, even linking it to the business's sustainability strategy. They needed to understand what was not working.

This prompted a reflection across the Board and leadership team, resulting in the CEO appointing a senior member of the HR leadership team to rework their approach. The task was to drive DEI from a more inclusive perspective and the senior HR leader had a direct link to the Board.



Approach

Engage: As a first step, the senior HR leader held a session with key members of the business strategy and HR groups. The objective was to evaluate the alignment of the already launched DEI actions against key elements of the business strategy. As a result of the session, leaders decided to focus initially on two key HR processes – rewards and recruitment – as part of their DEI strategy. They knew further analysis would reveal whether the company had an equitable structure. The CEO and Group Head of Human Resources publicly committed to setting targets to increase gender diversity, hoping this would prove their commitment to sceptical employees.

Diagnose: A comprehensive equal pay analysis of the company's global workforce was performed, and found differences across various markets in terms of gender, nationality, job areas and composition. The analysis fed into recommendations to conduct an analysis of recruitment processes and look at talent attraction, retention and employer branding. The results of the analyses armed leaders with an overview of tendencies that could indicate biases. Leaders received a detailed list of specific actions for the company to take, and joined a workshop with the global recruitment team, which provided them with

key insights into technological solutions that could help mitigate bias.

Take action: Leadership recognized that a localized approach was necessary to accomplish the global goals of increased representation. Therefore, the company conducted further analysis of different pay programmes at the country level and started prioritizing where to close gaps across job levels and functions. The company continued the existing actions already initiated to drive DEI, but now with a narrative linking it to the findings from the recruitment process and equal pay analyses. That made it easier for employees to understand and accept the change.

Be accountable: Given the strong focus on DEI and the close connection with the sustainability strategy, the company recently appointed a head of DEI at the senior level, with a direct reporting line to the Group Head of HR. This is viewed as a relatively progressive set-up in the country in which the company is headquartered, where only a few companies have publicly committed to targets related to DEI and even fewer have dedicated senior leaders driving such efforts. The CEO of the company continues to emphasize DEI as a key imperative to internal and external stakeholders.

Outcome

As the initiative was launched in early 2020, it is too soon to evaluate its long-term effects from a representation and inclusion perspective. However, the company is setting an inspiring

example to other male-dominated companies in its geographical area, leading others to take a holistic approach to their own DEI strategies, as well.

BOX 1 Why best fit wins out over best practice

Relying on a programmatic “best practice” approach to DEI is problematic because of the contextual nature of talent management – what works well in one environment may not work well in another. As with all aspects of an effective talent strategy, making progress on DEI goals is likely to be driven by “best fit” rather than “best practice”.

For example, it is generally recognized that generous leave programmes are an essential component of any DEI strategy designed to promote gender equity at work, especially because women use the leave programmes significantly more than men do. Instituting these programmes would thus be considered a best practice. However, in strongly hierarchical organizations

– where the competition to advance up the hierarchy is the driving engine of motivation and rewards – expansive leave and flexible working policies that are primarily used by women may exacerbate gaps.²⁶

Unless situational realities are taken into account and directly offset through other aspects of talent management, a best-practice programme might thus in actuality become an impediment. By contrast, best-fit practices are sensitive to the business and cultural context. The approach involves anticipating likely misalignments and ensuring that the strategy developed is comprised of mutually reinforcing policies and practices.



A holistic approach to DEI: definitions and data collection

Define under-represented groups in your organization and collect data effectively.

“ Recognizing which are the ‘under-represented’ groups in an organization is key to implementing a successful and holistic DEI strategy.

How to define an ‘under-represented group’?

Diversity means different things depending on where you are in the world. For example, while gender and age/generation are universal concerns, race and ethnicity take different shapes in different places and few organizations currently have substantial data on LGBTQ people to guide their thinking. Additional marginalized populations can include such groups as immigrants (e.g. refugees and migrant workers), people with disabilities and many others (see Figure 1).

Recognizing which are the “under-represented” groups in an organization is key to implementing a successful and holistic DEI strategy. The following questions are helpful:

- How well does your workforce reflect the community in which you operate and/or the customers or individuals you represent?
- Across which dimensions of diversity does representation in your organization lag behind the external environment?
- What groups experience structural barriers that deter them from having equal access to opportunities?
- Are there cultural norms and attitudes that impede the ability of certain groups to participate in the labour force?
- Are there employees who feel they cannot bring their full selves to work?

How to work around challenges with data collection?

Due to data restrictions, it has not been possible to use data-based solutions to address racial diversity and intersectionality beyond the US and a few other countries.

As organizations collect data that is sensitive in nature, they should understand their country’s legislation on data collection and usage, and work with legal counsel to ensure general privacy law requirements are being met. They should also assess current information technology (IT) infrastructure and consider adopting a human resources information system that can help accurately track data while minimizing the administrative burden.

Establishing a data collection and analysis strategy can help organizations ensure quality data is being gathered and that it is used and stored appropriately. The following pointers can help:

- Define what information will be collected, how (e.g. through voluntary self-identification), when, from where and why.
- Ensure that the data collection parameters are not biased in themselves (e.g. make sure there are more than two gender options).
- Put in place policies and guardrails that ensure confidentiality (e.g. showing data and analyses only at an aggregate level) and are aligned with country-specific employment laws.
- Put in place the appropriate security measures and access rights to protect sensitive personal information.

5

Organizational ambition levels: build on your starting point

An overview of action-oriented interventions.

What actions should organizations take to implement a holistic DEI strategy? Depending on whether an organization is just getting started on its DEI journey, has a good foundation or has made significant progress, different considerations and principles apply. The following are suggested actions organizations can take to embrace a DEI workforce strategy aligned with the four-step framework presented in this white paper.²⁷



	Activate For organizations new to DEI	Accelerate For organizations with a basic DEI foundation	Thrive For organizations that have made significant progress in DEI
Engage	<ul style="list-style-type: none"> – Ensure that senior leaders model inclusive behaviour, explore their own biases and privileges and lead DEI initiatives – Educate all managers on the importance of DEI, share DEI data for your organization, discuss opportunities for improvement and train them on how to support employees who take leave, work flexibly etc. – Help executives and business leaders understand the business case for an aggressive and sustained DEI strategy – both the direct impact on the success of the business and the broader contribution to social good 	<ul style="list-style-type: none"> – Ensure that senior leaders take personal ownership of DEI and integrate it into their business strategy while they define and model new DEI-aligned leadership competencies – Equip managers to support DEI by requiring that they attend training, share learnings with their teams, model inclusive behaviour, mentor or sponsor an under-represented employee and participate in one or more business resource groups – Review the current benefits offered, understand the baseline and define the global standards for closing the gaps 	<ul style="list-style-type: none"> – Ensure that senior leaders are held accountable for DEI progress in the organization by linking bonuses with DEI progress – Match HR/senior leaders with managers to develop solutions to DEI challenges together – Integrate cultural competencies and inclusive behaviour into job descriptions and performance measures – Provide innovative and progressive benefits that allow equitable access to care and protect every one of your employees
Diagnose	<ul style="list-style-type: none"> – Map representation across career levels and each of the talent flows of hiring, promotion and retention to identify gaps, bottlenecks and other challenges – Use external labour market data to add context – Analyse workforce data and analytics to identify DEI challenges, such as hiring, promotions, retention, pay equity and performance management – Review current benefits and identify health and well-being disparities 	<ul style="list-style-type: none"> – Apply advanced analytics to identify barriers to DEI-centred hiring, promotions and turnover (such as criteria for promotion from professional to manager) – Use data to identify what it takes to advance in your organization (for example, which roles, areas of the business and leaders typically accelerate advancement and which hold employees back) – Conduct comprehensive DEI benefit vendor assessments to identify strengths and opportunities 	<ul style="list-style-type: none"> – Use models to project the composition of your future workforce – Determine how to achieve DEI balance within your targeted time frame – Monitor important DEI metrics to measure progress, identify gaps and develop mitigating solutions – Measure the use and outcomes of health and financial wellness programmes by employee segments – Continuously report on progress in addressing health disparities
Take action	<ul style="list-style-type: none"> – Evaluate pay equity annually using a rigorous, multivariate statistical analysis – Ensure women and under-represented employee groups are appropriately represented in critical roles, assignments and formal development (leadership development, high-potential, mentoring) programmes – Provide leaders with a list of diverse suppliers – Start process of debiasing important talent management processes – Identify inclusive benefit availability in comparable companies/industries and ensure essentials such as same-sex partner eligibility or essential prenatal women’s care are available 	<ul style="list-style-type: none"> – Adopt an end-to-end pay equity strategy that includes analyses, a formal process and budget for remediating any inequities and training for managers on the compensation philosophy and how to confidently handle pay conversations – Become an informed consumer of DEI and AI technology solutions – Evaluate DEI technology solutions in terms of how they can help implement more consistent, scalable and unbiased business strategies – Require a minimum number of diverse suppliers for consideration on requests for proposals – Implement inclusive benefits and shape markets in alignment with the needs of your diverse workforce 	<ul style="list-style-type: none"> – Be transparent about your pay practices and the results of your pay-equity analyses, both internally and externally, with appropriate legal guidance – Proactively manage the careers of high-potential or high-performing women and under-represented employee groups to ensure they are positioned to succeed – Implement a DEI technology strategy – Commit to a goal of diverse or disadvantaged supplier composition – Co-create benefits using alternative financial vehicles to remove barriers, such as voluntary plans, self-funded plans or reimbursement policies
Be accountable	<ul style="list-style-type: none"> – Track and monitor business outcomes, including representation, hires, promotions and exits by gender, ethnicity and career level – Identify drivers of workforce outcomes, such as ascent into key roles, impact of leaves of absence and part-time status, and reporting relationships – Provide differentiated communication and training about benefits and recommended actions for unique employee segments 	<ul style="list-style-type: none"> – Publicly document the organization’s DEI commitments 	<ul style="list-style-type: none"> – Share progress on key DEI metrics, both internally and externally – Measure the impact in lives and employee experience derived from provision of inclusive benefits

Conclusion

This white paper outlines a holistic approach to social justice in the workforce in the wake of the growing attention in this area intensified by the COVID-19 crisis and the wider injustices it has uncovered. The authors of the report believe that there are not just urgent questions to be addressed – there is also an opportunity to lay the foundations for a revitalized vision of the role of business in contributing to more just and inclusive economies and societies. In effect, employers can significantly contribute to enhanced social justice by

strengthening diversity and inclusion and eliminating inequities within. Forward-thinking chief human resources officers, chief diversity officers and other leaders are taking proactive action to begin making the necessary adjustments and investments today.

Members and Partners of the World Economic Forum, as well as other global employers interested in learning more about joining the Forum's efforts in this area, are encouraged to contact us at cnes@worldeconomicforum.org.

Annex: Glossary of key terms

Anti-racism²⁸ is founded on the tenet that racial groups are equals in all of their apparent differences – that there is nothing right or wrong with any racial group.²⁹

Bias refers to the practice of favouring a person or a group of people based upon attributes such as gender, race, ethnicity, religion, sexual orientation, age, class or any other factor.

Diversity refers to a variation of backgrounds, attitudes, values, beliefs, experiences, behaviours and lifestyle preferences with respect to gender; race; ethnicity; nationality; language; age; cognitive and physical abilities and characteristics; sexual orientation; education; religion; socioeconomic situation; marital status; social roles; personality traits; and ways of thinking.

Environmental, social and governance (ESG) investing is part of a responsible investment approach that takes into account ESG factors and broader systemic issues – for example, climate change and sustainable development – along with active ownership (stewardship). These considerations can have a material impact on financial performance, and their inclusion is more likely to lead to sustainable investment outcomes in the future.

Equal pay is achieved when the raw pay gap, the difference in the average pay of women and the average pay of men – or any other dimension of diversity under consideration – across the entire organization, is zero.

Equality is the state of being equal across all aspects in an organization (e.g. pay, promotions, and fair treatment of people), in the representation of men and women at all levels, and with like pay for like work, without any bias.

Equity involves considering the circumstantial differences of individuals, e.g. in terms of socioeconomic, gender-related or life-stage factors reflecting differing needs, and then ensuring that organizational policies, programmes and practices accommodate

such differences, rather than assuming that everyone comes from the same starting point.

Gender is inclusive of all, including cisgender individuals, transgender individuals, and non-binary individuals. Although some organizations are beginning to track the broader spectrum of gender identity in their workforces, most still exclusively track employee gender as male and female.

Internal Labor Market Analysis is Mercer's proprietary analytical methodology that provides a fact-based platform for human capital decision-making. At a basic level, it examines the flow of people into, through and out of an organization and associated rewards to answer fundamental questions about a firm's workforce: who is hired, who performs well, who advances and who stays. Using rigorous statistical modelling, it identifies and quantifies the drivers of critical workforce outcomes such as retention, promotion, performance and pay, to better understand the operation of an organization's internal labour market and to inform workforce decisions, including how to efficiently create a diverse workforce and an equitable workplace.

Intersectionality is the complex and cumulative way in which the effects of different forms of discrimination (such as racism, sexism, classism and discrimination on socioeconomic grounds) combine, overlap and intersect.

Parity is equality after adjusting for other legitimate factors that also affect the outcome of interest.

Pay equity is ensuring that there are no unexplained differences in pay associated with gender, race and other dimensions of diversity after accounting for other legitimate, business-relevant factors that also influence pay; for example, experience, education and performance.

Unconscious bias is the subliminal tendency to favour certain people or groups of people based upon learned stereotypes. "Unconscious bias" is interchangeable with the term "implicit bias".

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Insight products

- *Global Gender Gap Report 2021*
- *Diversity, Equity and Inclusion 4.0: A Toolkit for Leaders to Accelerate Social Progress in the Future of Work*
- *Building Back Broader: Policy Pathways for an Economic Transformation*

Action initiatives

- Partnership for Global LGBTI Equality

- Partnering for Racial Justice in Business
- The Valuable 500
- Closing the Gender Gap Accelerators

Communities

- Chief Diversity, Equity and Inclusion Officers
- Global Future Council on the New Agenda for Equity and Social Justice

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