

The Future of Diversity, Equity and Inclusion 2021



Advance DEI initiatives
to achieve greater long-
term organizational
success



FEBRUARY 2021

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Executive Summary

Most of today's organizations lack mature and effective diversity, equity, and inclusion (DEI) programs, according to our 2021 study. The organizations that do have effective DEI programs tend to share a range of characteristics and practices. In short, they achieve their status by working at it.

To better understand *why* so many struggle as well as *how* the best ones succeed, we investigated the following areas:

- the DEI landscape, including program maturity levels and equitable pay
- the extent to which key DEI initiatives are developed and their perceived level of effectiveness
- who is typically responsible for DEI and the extent to which they are funded and supported
- how employers' use of training, incentives, communication practices, and metrics relate to DEI
- the prevalence of inclusive benefits
- the practices that seem most closely associated with DEI success

For the purpose of the survey on which this study is based, we defined DEI initiatives as those "relating to the presence of underrepresented groups (e.g., in terms of ethnicity, gender, sexual orientation, disability, etc.) in organizations, how valued and welcomed underrepresented groups feel in those organizations, and the degree to which these groups enjoy equal opportunities, including but not limited to equitable pay."

About this Survey

The "Diversity, Equity, and Inclusion 2021" survey ran in December 2020 and January 2021. We gathered 374 usable complete and partial responses, primarily from HR professionals in virtually every industry vertical. Respondents are from all over the world, with the majority from the North America, especially the United States.

The participants represent a broad cross-section of employers by number of employees, ranging from small businesses with fewer than 50 employees to enterprises with 20,000+ employees. More than two-thirds of respondents are from organizations with 1,000 or more employees.

This study utilized two separate survey panels of participants. One panel represents HR.com members, and the other is an external panel of HR professionals from outside our organization's membership.



Below are some key findings from the study:

Major Finding 1

Companies struggle to fully mature their DEI programs

- Only about two-fifths (41%) indicate that DEI initiatives in their organizations have reached the “expert” or advanced” stages.
- Only 30% rate their organization's DEI initiatives as highly effective (i.e., an 8, 9 or 10 on a ten-point scale).
- Although many organizations are having trouble effectively managing DEI, two-thirds say that DEI plays a role in strategic planning, and another 57% integrate their DEI frameworks into the business strategy.

Major Finding 2

While nearly two-thirds agree or strongly agree that pay is equitable in their organization, there is much room for improvement

- Just 16% say equitable pay is a top priority among executives, and one-fifth say that equitable pay is not currently an organizational priority at all.
- Only 42% say they are actively investing in understanding the pay equity gap in their business to a high or very high degree.
- The most common tools to measure pay gaps and pay equity are comparisons of pay among comparable jobs (55%) and comparisons within pay band (46%).
- Thirteen percent say they don't measure pay or pay equity at all.

Major Finding 3

Most companies fall short in the areas of metrics and training

- Among those that apply metrics, most rely on basic compliance-oriented workforce demographic metrics (50%), while fewer evaluate diversity within the leadership ranks (38%) equal job titles (30%), diversity goals related to succession planning (28%) and recruiting outcomes (28%).
- Only two-fifths offer some kind of training to all employees (42%).
- Among those that do offer training, the most common DEI-related training programs are:
 - inclusion awareness training (52%)
 - performance management training (45%)
 - inclusive recruitment policies training (43%)
 - anti-racism training (42%)

Major Finding 4

Although progress has been made in cultivating a more diverse workforce, many companies still have a long way to go

- Sixty-nine percent agree or strongly agree their workforce is more diverse than it was two years ago.
- Somewhat fewer (58%), however, say their workforce reflects the demographics of today's marketplace.
- About a third (35%) say ethnical/racial minorities make up no more than 20% of their organizations' leaders, and 23% say the same about women.

Major Finding 5

Companies are often not considering benefit programs that appeal to a diverse workforce, leaving considerable room for improvement

- Only 37% consider DEI in employee assistance programs (EAP), wellness and healthcare benefits to a high or very high degree.
- While nearly three-fifths offer flexible work options (57%), significantly fewer offer benefits for domestic partners (36%) and professional part-time roles (29%).

Major Finding 6

Organizations that perform better in the area of DEI practices are more likely than others to:

- have support from the top to close pay gaps and an associated budget for it
- include a wide range of characteristics in their definition of DEI
- integrate DEI strategic frameworks into their business strategies
- make DEI quite visible to the workforce
- emphasize DEI in succession planning and talent acquisition processes
- use more advanced metrics, set more goals related to DEI, and use more incentives to encourage DEI
- provide training for pay equity, communication practices, anti-racism, inclusion awareness and inclusive recruitment policies
- have programs to improve diversity in the leadership ranks
- offer more inclusive and family-friendly benefits

Please note that the findings and recommendations contained in this report are informational only. Nothing in this report should be construed as constituting legal opinions or advice. Please consult an attorney if you have questions about the legal requirements, rules or regulations associated with any content discussed in this report.

How Developed Are Today's DEI Practices?



Finding: Just two-fifths of organizations have overall DEI initiatives that could be deemed as mature

We believe that one of the primary reasons many organizations have failed to cultivate diverse workforces and leadership teams is that their overall DEI initiatives are weak or are only in the beginning stages.

In fact, only about two-fifths of HR professionals indicate their organizations have “advanced” (30%) or “expert” (11%) DEI practices. The remaining 59% fall into less mature stages.¹

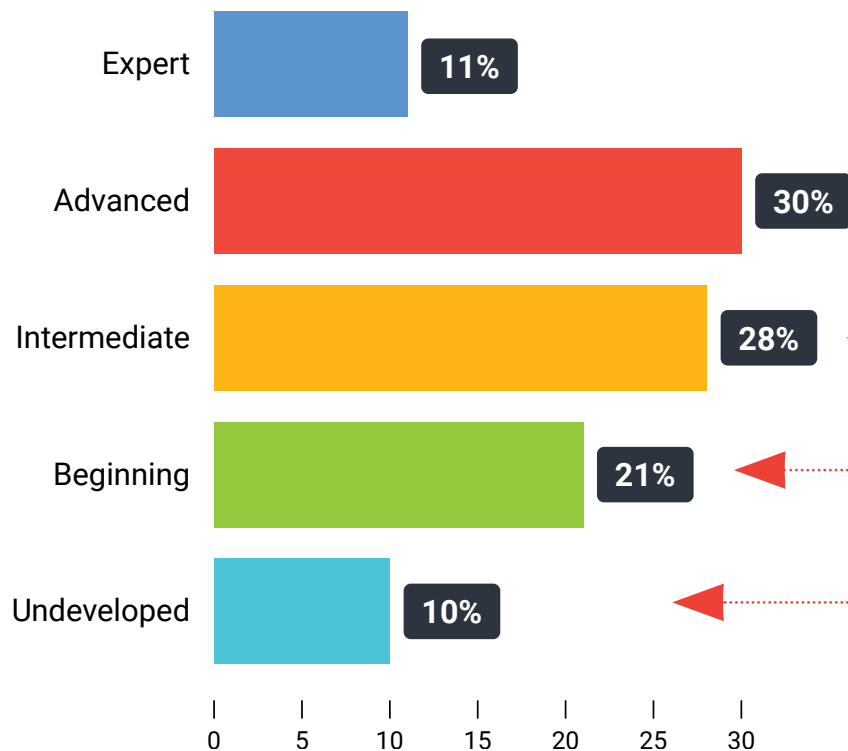
DEI Maturity Stages Defined	
Undeveloped	Little or nothing has been done to increase DEI or integrate DEI goals with organizational goals. To the extent that there is a focus, it is on compliance only.
Beginning	We try to maintain compliance but have made a few efforts at DEI and thinking about how DEI helps to position our organization in the marketplace.
Intermediate	We have deployed several different DEI initiatives piecemeal. It is viewed as moderately important, but we do not spend a lot of time measuring success.
Advanced	We have a strategic framework that has multiple pillars aligned with the organizational goals. Our DEI efforts include metrics and setting annual goals for improvement, and we closely follow DEI at leadership levels.
Expert	DEI is embedded in our culture and our CEO and Board members make it a priority. Ownership of DEI initiatives is at the senior leadership level. We use analytics to address recruiting, succession planning and other talent-related issues, and our managers are assessed based on DEI goals. DEI initiatives are strategic and contribute to the achievement of organizational goals.

¹ Note that HR.com used both an internal and external panel for collecting responses to this survey. The six HR professionals from the external panel who said their organizations were in the “undeveloped” stage were subsequently disqualified. However, those from the HR.com panel who said the same were able to proceed.



**Fifty-nine percent
have relatively
immature DEI
initiatives**

Survey Question: At what stage of development is diversity, equity and inclusion (DEI) within your organization? (select the one that best applies)



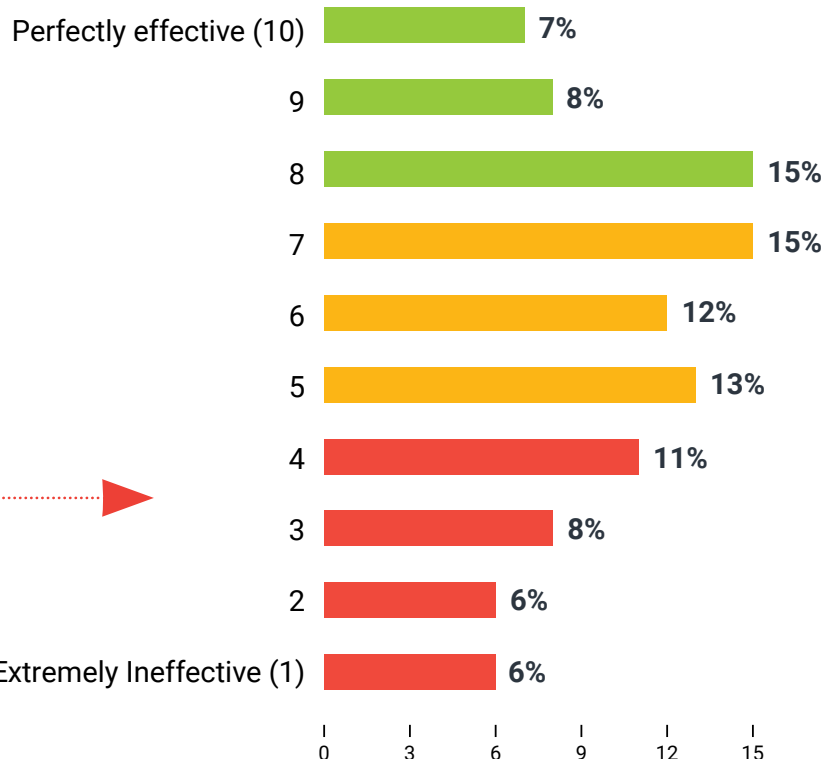


Finding: Few respondents think their initiatives are highly effective

Just 30% rate their organization's DEI initiatives as very effective (that is, respondents say their organization's DEI initiatives are an 8, 9 or 10 on a 10-point scale). This lends support to the previous findings that most do not view their organization's DEI practices as being in the "advanced" or "expert" stages.

Collectively, these findings suggest that most organizations and most HR departments have the ability to manage DEI much more effectively in the future. The rest of this report shows how organizations are managing DEI and what they might do better to improve in this area.

Survey Question: Taken as a whole, how effective are your organization's DEI initiatives?



Most respondents rate DEI as ineffective or only somewhat effective

How Diverse Is Today's Workforce?



Finding: There has been progress in overall workforce diversity but not nearly enough

A majority (69%) of responding organizations agree or strongly agree their workforces are more diverse than two years ago, and a similar percentage (67%) say their cultures are more inclusive. However, somewhat fewer (58%) agree or strongly agree their workforces reflect the demographics of today's marketplace.

Despite some progress, many organizations have a long way to go before their workforces are as diverse as the marketplaces they service. Why are so many organizations lagging in this area? The rest of the report tries to answer this question.

Differences by company size

Small organizations struggle most in these three areas. Just 29% of respondents at small companies agree or strongly agree that their workforce reflects the demographics of the marketplace, while more than half (57%) of mid-size companies and nearly two-thirds (64%) of large companies say the same. Likewise, only 40% of those small organizations agree or strongly agree their workforces are more diverse than two years ago, which is significantly less than mid-size (62%) and large (73%) companies.

Defining Small, Mid-sized and Large Organizations



Throughout the report, we look at the findings based on company size. We deem organizations with 1-99 employees as "small," and those with 1,000 or more employees as "large."



Just 21% strongly agree their workforces reflect marketplace demographics

Survey Statement: As they pertain to your organization, to what degree do you agree with the following statements:

Our workforce is more diverse than it was two years ago



Our corporate culture is more inclusive than it was two years ago (i.e., employees are more comfortable being themselves, participating in work activities or expressing their opinions)



Our workforce reflects the demographics of the marketplace



0 10 20 30 40 50 60 70 80

■ Agree ■ Strongly agree





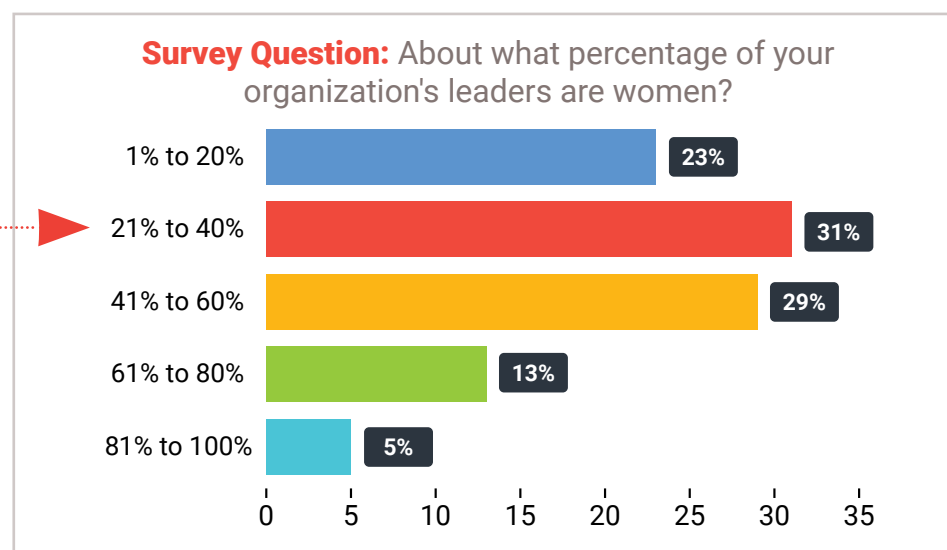
Finding: Many organizations seem to lack enough gender diversity in their leadership ranks

Women, make up roughly half of the workforce,^{2,3} yet they are often under-represented in the leadership ranks, a situation commonly referred to as the “glass ceiling.” To investigate this trend, we asked respondents about gender diversity among their leaders.

About half of respondents (54%) say women represent no more than 40% of their organization’s leaders. Another 29% say women make up 41% to 60% of leaders. On the other end of the spectrum, roughly one-fifth say women represent 61% or more of their organization’s leaders. These findings suggest that women are indeed under-represented in the leadership ranks of many organizations. We discuss leadership gender diversity in much greater detail in our *2020 The State of Women in Leadership* report.⁴



More than half of HR professionals say women represent no more than 40% of leaders, and nearly a quarter say women are no more than 20% of leader



Note: This data excludes those who responded “don’t know.”

² Law, T. (2020, January 16). Women are now the majority of the U.S. workforce — but working women still face serious challenges. *Time*. Retrieved from <https://time.com/5766787/women-workforce/>

³ Connley, C. (2021, January 11). A year ago, women outnumbered men in the U.S. workforce, now they account for 100% of jobs lost in December. *CNBC*. Retrieved from <https://www.cnbc.com/2021/01/11/women-account-for-100percent-of-jobs-lost-in-december-new-analysis.html>

⁴ HR.com. (2020). *The State of Women in Leadership 2020*. Retrieved from https://www.hr.com/en/resources/free_research_white_papers/hrcom-women-in-leadership-2020-research_k8hng9r3.html



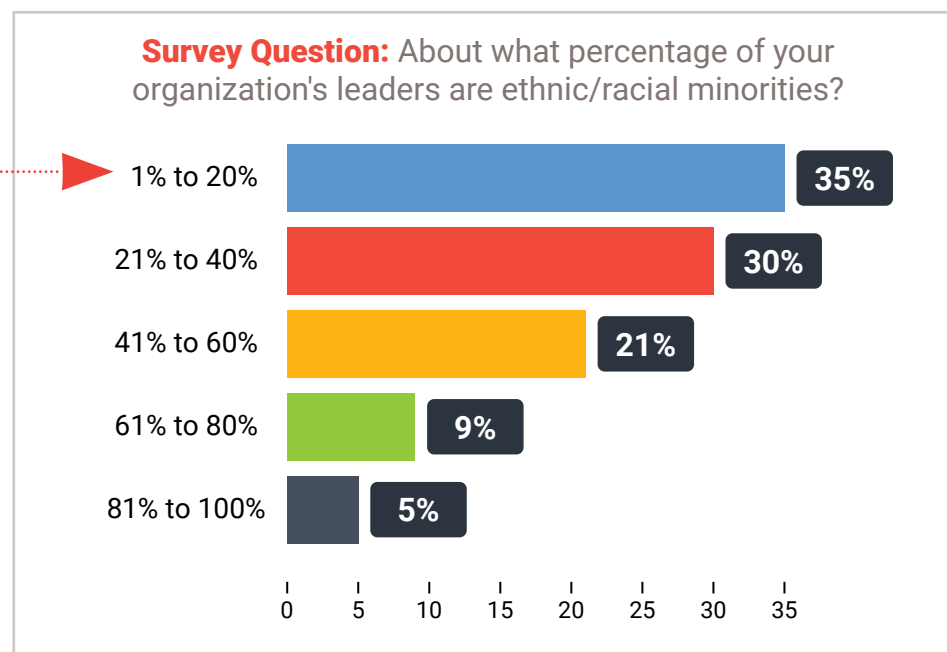
Finding: Many organizations also appear to lack enough ethnic diversity in their leadership ranks

Ethnic/racial minorities make up about 40% of the U.S. population, according to Census Bureau estimates.⁵ Our study finds, however, that about one-third (35%) of respondents say ethnical/racial minorities comprise no more than 20% of their organizations' leaders. This suggests ethnic minorities are also under-represented in many leadership ranks.

Women of color are even more under-represented. According to a 2020 McKinsey study, women of color hold only 3% of C-suite positions compared to 12% for men of color and 19% for white women.⁶



More than one-third say ethnic/racial minorities represent no more than 20% of leaders



Note: This data excludes those who responded "don't know."

⁵ Mohan, P. (2020, January 27) How the end of the white majority could change office dynamics in 2040. *Fast Company*. Retrieved from <https://www.fastcompany.com/90450018/how-the-end-of-the-white-majority-could-change-office-dynamics-in-2040>

⁶ Coury, S. & Huang, J & Kumar, A & Prince, S & Krivkovich, A & Yee, L. (2020, September 30). Women in the Workplace 2020. *McKinsey & Company*. Retrieved from <https://www.mckinsey.com/featured-insights/diversity-and-inclusion/women-in-the-workplace#>

What Is the Scope of DEI?



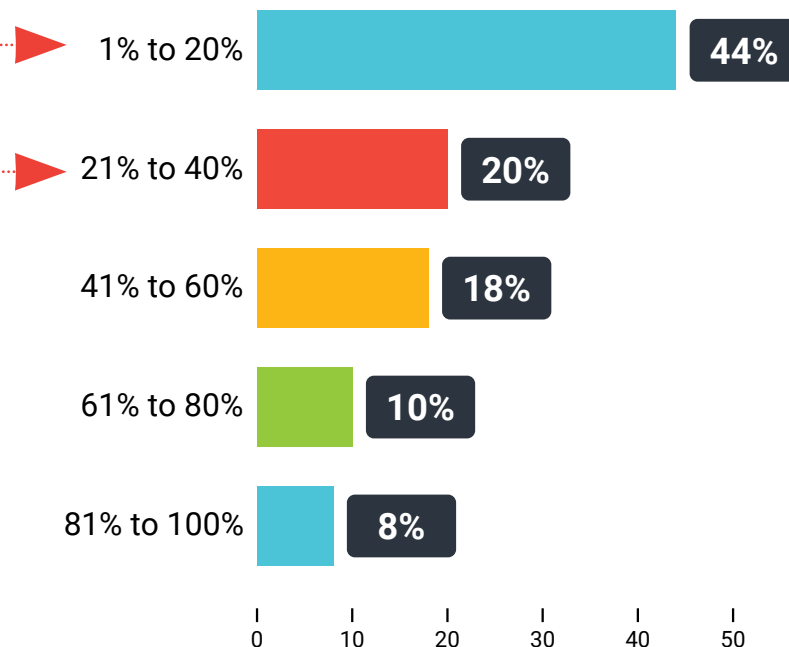
Finding: Respondents most commonly spend no more than 20% of their time on DEI

We asked participants to indicate the percentage of their average workweek that is devoted to DEI issues, programs or policies. About two-fifths (44%) say no more than 20% of their role is focused on DEI, while time spent for the remaining respondents varies.



About two-thirds spend 40% or less of their average workweek on DEI

Survey Question: What percentage of your average workweek is devoted to diversity, equity, and inclusion (DEI) issues, programs and/or policies?



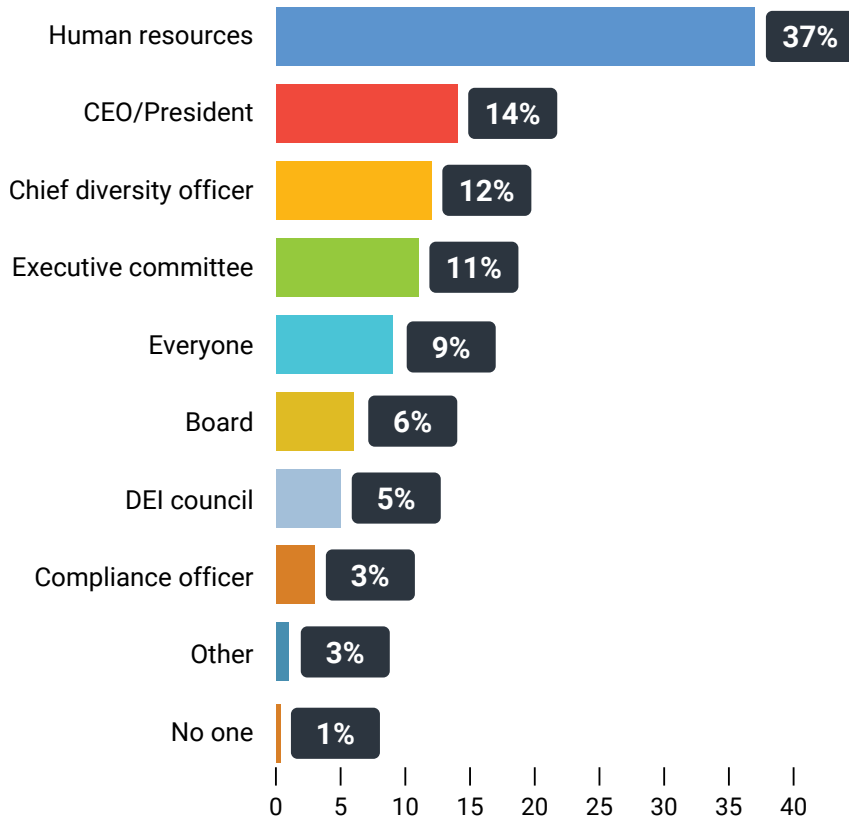
Note: This data excludes those who responded "don't know."



Finding: HR is most commonly responsible for DEI

Of organizations with DEI initiatives, 37% say the HR function as a whole is primarily responsible for DEI. Another 14% say the CEO/President is responsible and another 12% indicate Chief Diversity Officers (CDOs) are responsible, though these executives may work under the umbrella of the HR department as we see in the next finding. Roughly one-tenth (9%) of participants say everyone is responsible.

Survey Question: Who is primarily responsible for DEI in your organization? (select one)



Note: this data excludes those who responded "We do not have a DEI program."



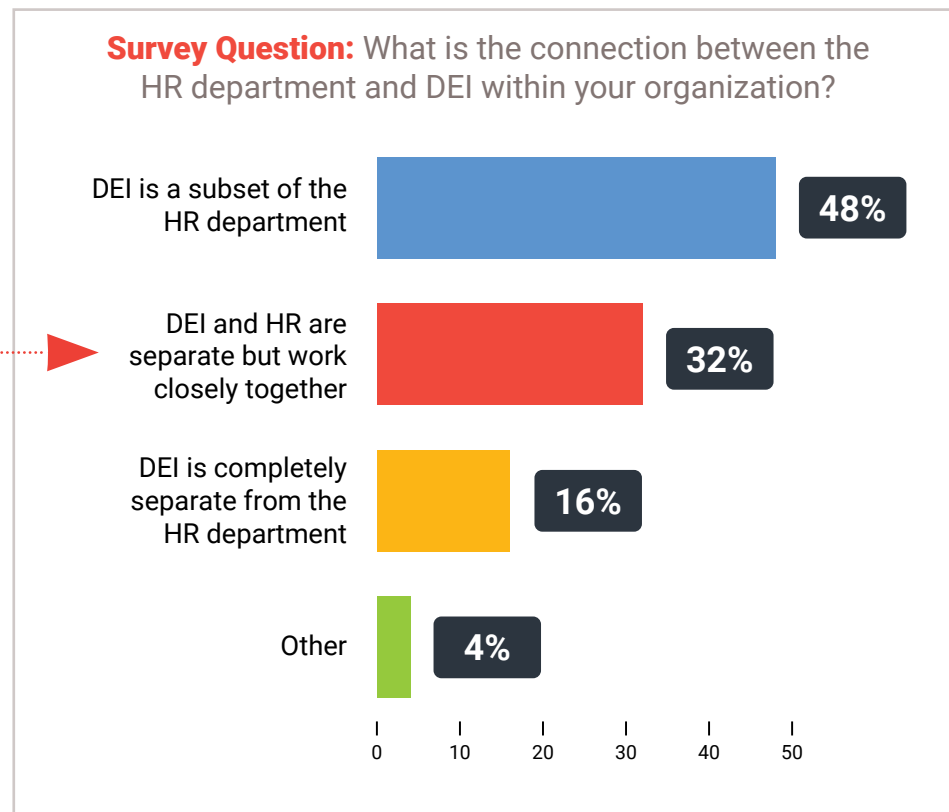
Finding: DEI is usually a subset of the HR department, though there are exceptions

To better understand whether DEI work is usually a subset of the HR department or whether it is distinct from it, we asked practitioners, “What is the connection between the HR department and DEI within your organization?” Nearly half (48%) indicate “DEI is a subset of the HR department” and another 32% say, “DEI and HR are separate but work together.”

Sixteen percent say DEI and HR are completely separate. In most cases, organizations decide that DEI should either be brought under the umbrella of HR or work closely with HR. This may help link DEI to issues where it is a fact, such as recruitment practices, analytics, succession management, compliance and more.



About a third say DEI and HR are separate but work closely together



Note: This data excludes those who responded “don’t know.”



Finding: Employers most commonly track DEI characteristics related to protected classes

We asked, “When your organization considers the subject of DEI, which of the following characteristics of a diverse, equitable and inclusive workforce does your employer consider and track?” and found that employers are most likely to track characteristics associated with legal considerations related to protected classes.

We should note that disabilities and illnesses relating to mental health are often misunderstood because unlike a physical disability (39%), mental illnesses (20%) are not easily seen.⁷ For more information, see our report on Mental Health and Stress in the Workplace.⁸

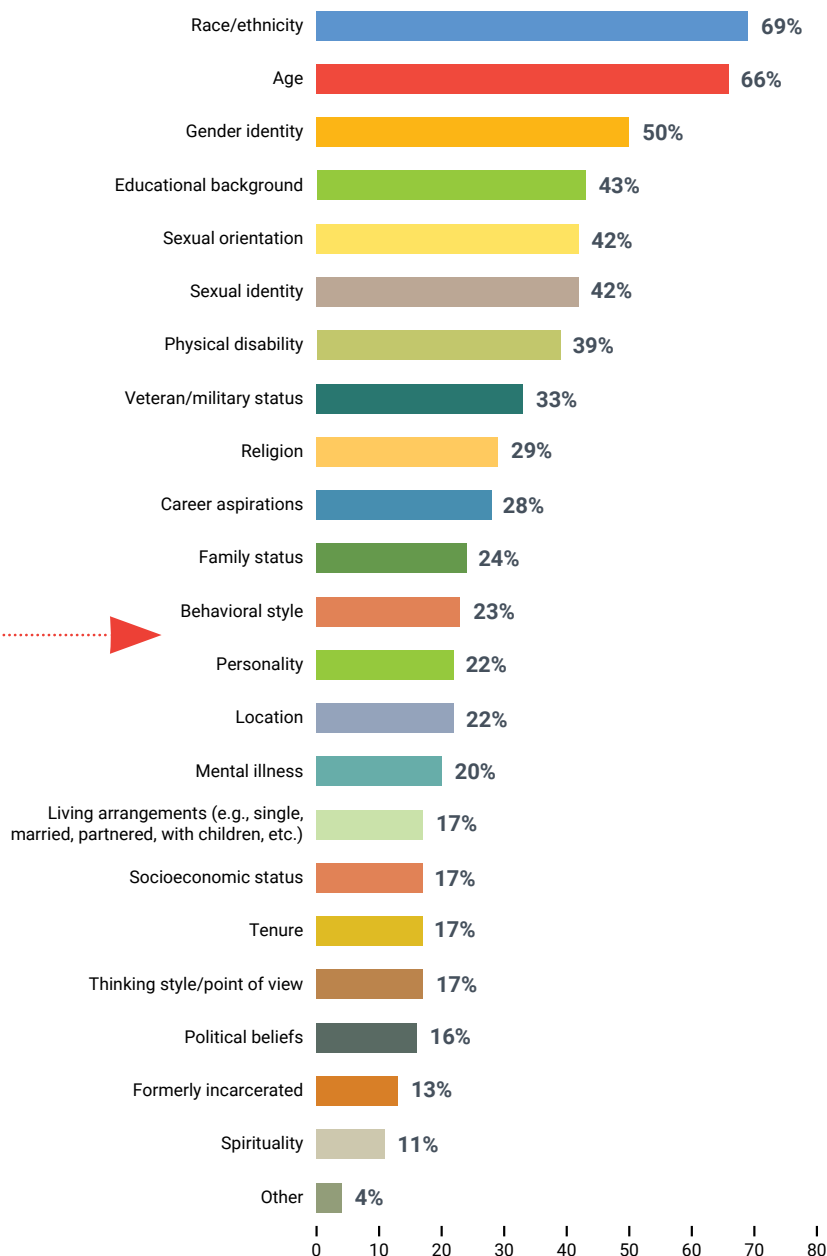
Some organizations include a wide range of other diverse characteristics not necessarily covered by regulations. These include behavior style (23%), personality (22%), socioeconomic status (17%), thinking style (17%), political beliefs (16%) and spirituality (11%). Such differences have the potential to affect issues such as communication styles, problem-solving techniques and approaches to conflict-resolution.



⁷ The ADA. *Mental Health Conditions in the Workplace and the ADA*. Retrieved from <https://adata.org/factsheet/health>

⁸ HR.com. (2019, October). *The State of Mental Health and Stress in the Workplace 2019*. Retrieved from https://www.hr.com/en/resources/free_research_white_papers/hrcom-mental-health-and-stress-in-the-workplace-20_k11dy184.html?s=6YQuXlgsUuo7WtBjqT7

Survey Question: When your organization considers the subject of DEI, which of the following characteristics of a diverse, equitable and inclusive workforce does your employer consider and track? (select all that apply)



Many fail to consider and track individual characteristics such as behavioral style or personality

Note: This data excludes those who responded "None of the above."

What Are the Details of DEI Initiatives?



Finding: Many fail to incorporate key DEI initiatives to a very high degree

We asked respondents to indicate the degree to which their organization utilizes specific types of DEI initiatives. To a high or very high degree, companies most commonly:

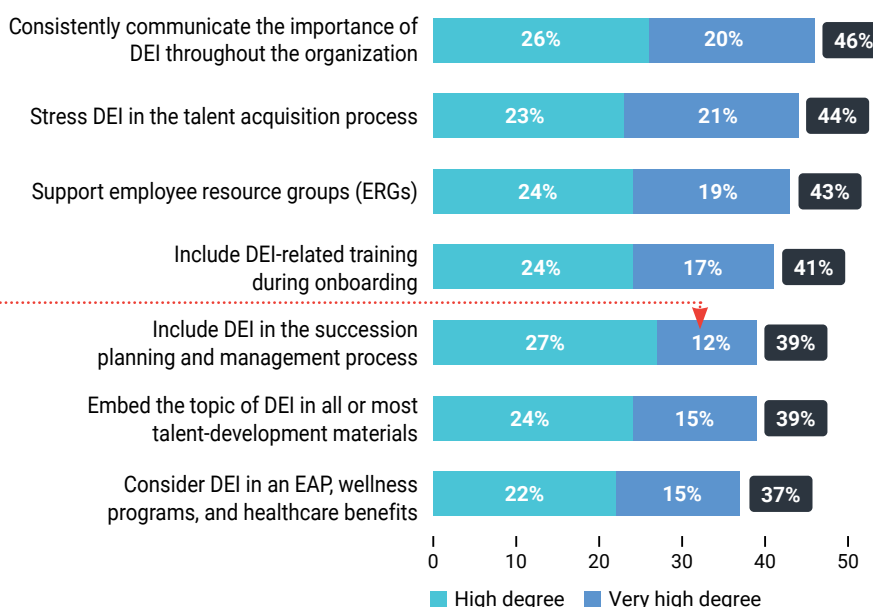
- consistently communicate the importance of DEI throughout the organization (46%)
- stress DEI in the talent acquisition process (44%)
- support ERGs (43%)

It is particularly disappointing to see that organizations fail to include DEI in the succession planning and management processes (39%). As we see later on, insufficient prioritization at top leadership levels is a common barrier to DEI and is probably one of the central reasons for this issue.



Only 12% include DEI in the succession planning and management process to a very high degree

Survey Question: To what degree does your organization use the following initiatives?





Finding: About two-thirds incorporate DEI into their strategic planning process

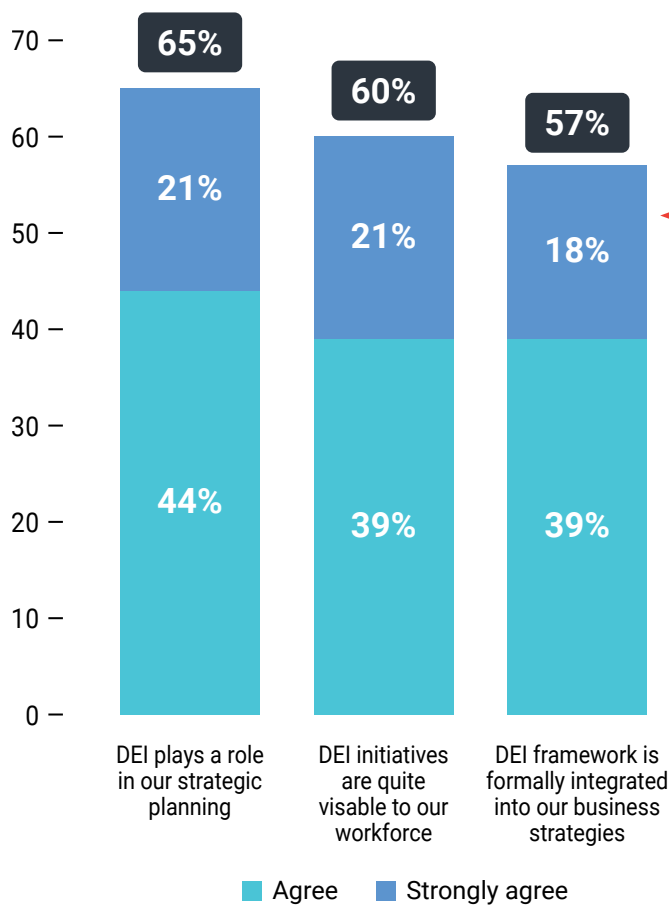
About two-thirds (65%) agree or strongly agree that DEI plays a role in strategic planning. Slightly fewer make DEI initiatives quite visible to the workforce (60%) or formally integrate their DEI frameworks into their business strategies (57%).

Given that few companies are incorporating DEI into talent management and benefits processes and that effectiveness is so low, it is possible that many organizations are leaving out key DEI elements in their strategic plans and business objectives. Further, they may be failing to make those items truly visible to their workforces.



Only 18% strongly agree that DEI is formally integrated into business strategies

Survey Statement: As they pertain to your organization, to what degree do you agree with the following statements:



What Types of DEI-inclusive Work Arrangements Do Companies Offer?



Finding: Most companies do not offer a variety of options

Companies most commonly offer flexible work options (57%). This is not too surprising given that Covid-19 has changed how the world at large works. Moreover, workers often prefer these arrangements. In fact, 92% of millennials identify flexibility as a top priority when job hunting, and 80% of women and 52% of men want flexibility in their next role.⁹ Women with flexible work arrangements are more likely to return to work after having children.¹⁰

More than half (56%) offer paid time off (PTO), although fewer offer paid parental leave (45%), or benefits for domestic partners (36%). PTO offered often varies because mandates can vary from one country to the next.¹¹ However, a company's culture can also impact how such time off is taken. Employees may be hesitant about using PTO, parental leave or flexibility benefits out of fear their careers will be impacted. Experts also argue that in some cultures there is a stigma associated with taking time off for non-work considerations. For example, if employees leave to take care of children, they could suffer career penalties such as being less likely to be promoted.¹² In today's society, women are more often the ones to leave the office to take care of children.¹³ This has become even more of a challenge as a result of Covid-19.¹⁴

⁹ Brunford, J. (2019, May 28). Flexible Working: The Way Of The Future. *Forbes*. Retrieved from <https://www.forbes.com/sites/joyburnford/2019/05/28/flexible-working-the-way-of-the-future/#1e1e240d4874>

¹⁰ Keswin, E. (2018, January 30). Intentional flexibility keeps women in the workforce. *Forbes*. Retrieved from <https://www.forbes.com/sites/ericakeswin/2018/01/30/intentional-flexibility-keeps-women-in-the-workforce/#>

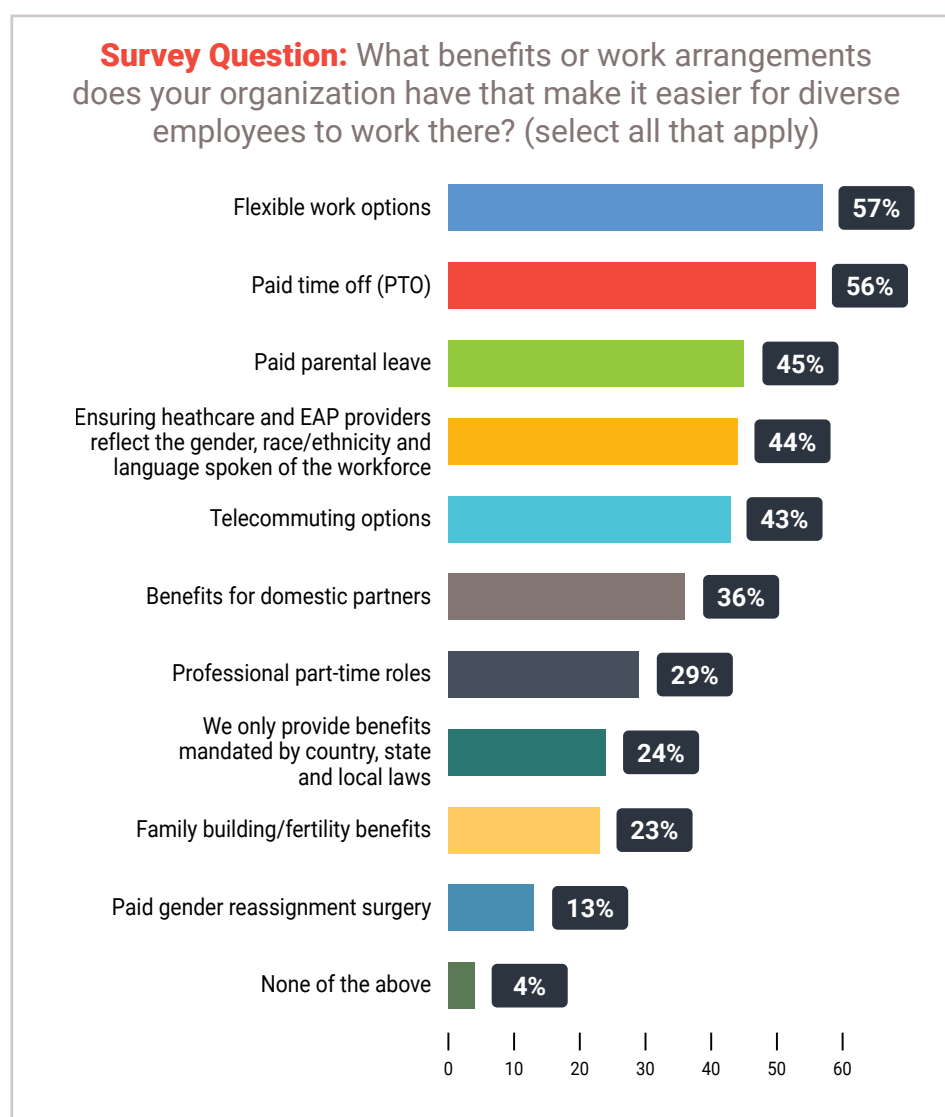
¹¹ Wood, J. (2018, August 22). People in these countries get the most paid vacation days. *The Web Forum*. Retrieved from <https://www.weforum.org/agenda/2018/08/people-in-these-countries-get-the-most-paid-vacation-days/>

¹² Leonard, K. (2015, September 4). Employees tend not to use generous benefits. *U.S. News*. Retrieved from <https://www.usnews.com/news/articles/2015/09/04/americans-still-struggle-with-work-life-balance>

¹³ Germano, M. (2019, March 27). Women are working more than ever, but they still take on most household responsibilities. *Forbes*. Retrieved from <https://www.forbes.com/sites/maggiagermano/2019/03/27/women-are-working-more-than-ever-but-they-still-take-on-most-household-responsibilities/#5e25d71252e9>

¹⁴ Connley, C. (2020, October 2). More than 860,000 women dropped out of the labor force in September, according to new report. *CNBC*. Retrieved from <https://www.cnn.com/2020/10/02/865000-women-dropped-out-of-the-labor-force-in-september-2020.html>

Moreover, benefits can be expensive. Therefore, companies are more likely to offer the ones that are more affordable and apply more to the masses. Just 44% of participants ensure their healthcare and EAP providers reflect the gender/race/ethnicity and language of the spoken workforce. On the other hand, using diverse benefits helps put specific employee groups at ease, which can create a sense of belonging, loyalty and higher corporate productivity. Because of that, some companies also offer telecommuting (43%) and professional part-time roles (29%), as well as family building/fertility benefits (23%) and paid gender reassignment surgery (13%).



To What Extent Do Companies Focus On Leadership Diversity?



Finding: Nearly two-thirds have initiatives that focus on leadership diversity

Having diverse leaders at the top is a helpful step in building a diverse workforce.¹⁵ Sixty-five percent of participants have one or more initiatives focused on diversity in leadership, suggesting that many companies are putting forth some effort to build diversity in their ranks.

Somewhat fewer have mandates of any kind to increase diversity in leadership roles (57%). Companies may not want to mandate diversity in leadership roles because they fear charges of reverse discrimination. For example, some research indicates that when diversity programs are mandated, white males, who are often the decisions makers for hiring and promoting, have a tendency to feel threatened.¹⁶ This may have negative impacts on gender and ethical/racial diversity goals.¹⁷ On the other hand, there are several countries that have instituted mandatory gender quotas for boards of directors.¹⁸

This type of dilemma might help explain why most companies are not tying DEI to promotions (35%) and compensation (33%). At the same time, some organizations may argue if you don't hold managers accountable for DEI, it will not happen.

¹⁵ Gassam, J. (2018, November 6). Change starts at the top: How leaders can foster a culture of inclusion. *Forbes*. Retrieved from <https://www.forbes.com/sites/janicegassam/2018/11/06/change-starts-at-the-top-how-leaders-can-foster-a-culture-of-inclusion/#5c40a546515c>

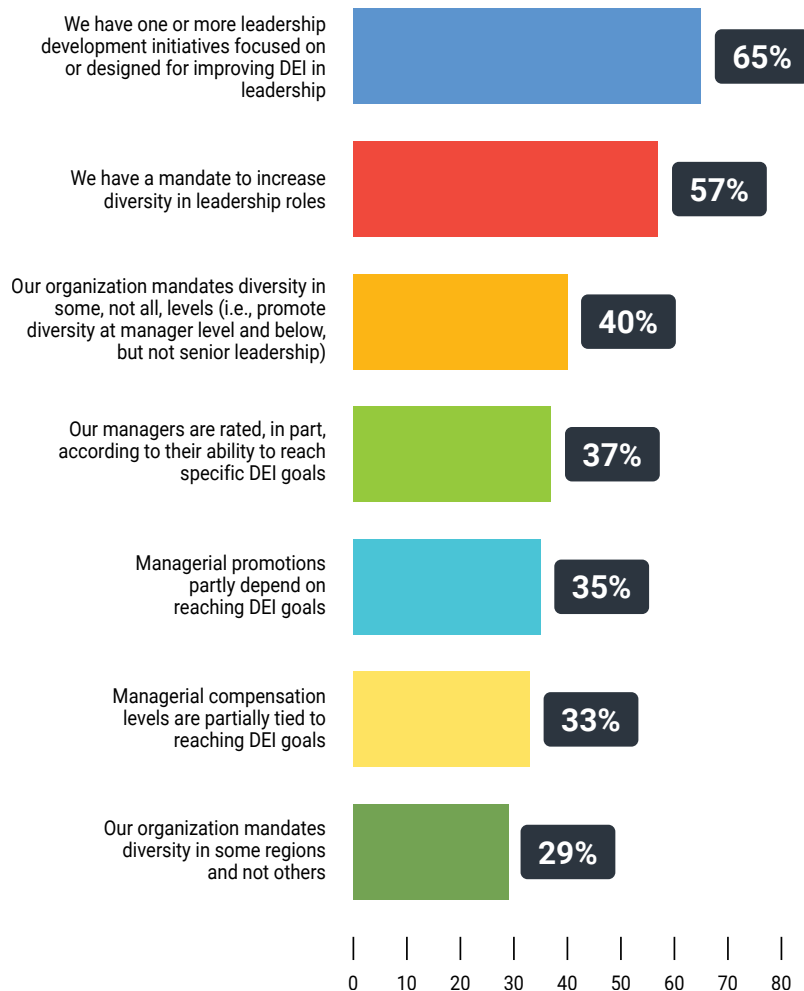
¹⁶ Zheng, L. (2019, October 28). Diversity and inclusion efforts need them. *Harvard Business Review*. Retrieved from <https://hbr.org/2019/10/how-to-show-white-men-that-diversity-and-inclusion-efforts-need-them>

¹⁷ Dishman, L. (2016, December 12). Why diversity programs backfire and how to fix them. *FastCompany*. Retrieved from <https://www.fastcompany.com/3066451/how-to-stop-diversity-programs-from-backfiring>

¹⁸ Carpenter, J. (2018, September 7). The case for and against gender quotas on corporate boards. *CNN Money*. Retrieved from <https://money.cnn.com/2018/09/07/pf/gender-diversity-quotas/index.html>

Survey Question: Which of the following are true or false for your organization?

Percent responding true



What Prevents Organizations from Making Initiatives Successful?



Finding: A variety of factors influence the effectiveness of DEI initiatives

The three most commonly cited barriers to DEI effectiveness are:

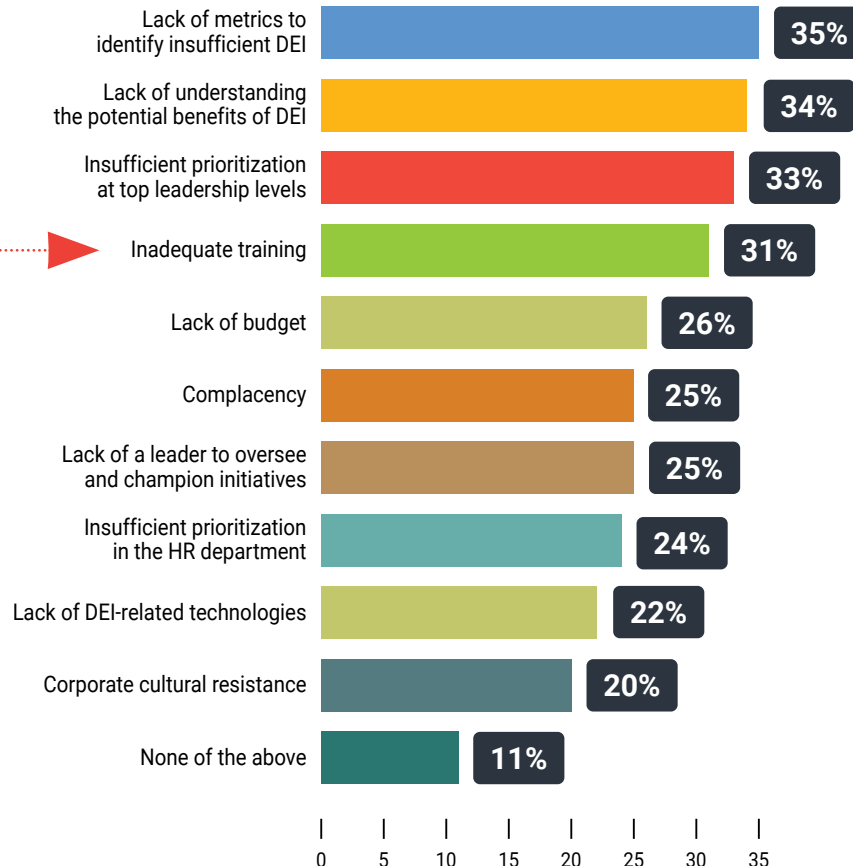
- a lack of metrics to identify insufficient diversity (35%)
- a lack of understanding of the potential benefits of DEI (34%)
- failure to prioritize at top leadership levels (33%)

This potentially boils down to there being no single barrier to DEI. Organizations must overcome various obstacles—many interrelated—to be successful.



Nearly one-third say their organizations lack the training needed to increase DEI effectiveness

Survey Question: What are the barriers to increasing the effectiveness of DEI initiatives in your organization? (select all that apply)



How Well Do Organizations Understand and Measure DEI Success?



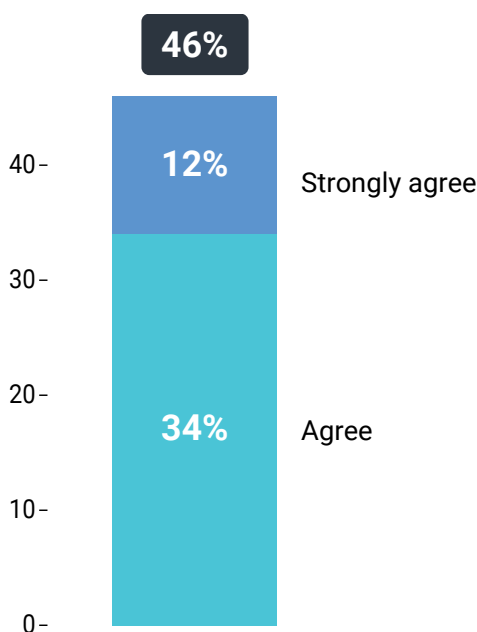
Finding: Less than half of organizations know just how effective their DEI programs are

Roughly half (46%) of respondents agree or strongly agree that they know just how effective their DEI programs are.

These low numbers align with the previous finding that many HR professionals view a “lack of metrics” as a barrier to effective DEI initiatives. An organization cannot know how effective their DEI programs are without sufficient metrics.

Further, smaller organizations (18%) are much less likely than mid-size (41%) and large (52%) organizations to agree or strongly agree that they know just how effective their DEI programs are.

Survey Question: As it pertains to your organization, to what degree do you agree with the following statements: We know just how effective our DEI programs are?





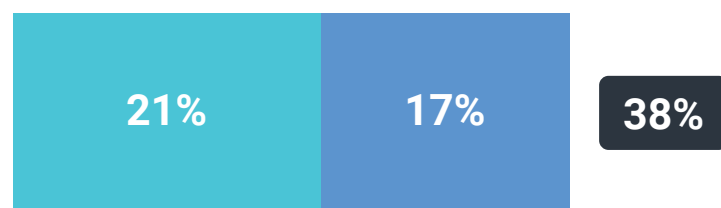
Finding: Less than two-fifths analyze turnover using a DEI lens to a high and very high degree

We asked about the degree to which organizations measure organizational DEI. We found only about two-fifths (38%) establish and measure DEI metrics and reporting. A similar percentage analyze turnover using a DEI lens (38%). Again, given the degree of measurement, it is little wonder that fewer than half know just how effective their DEI programs are.

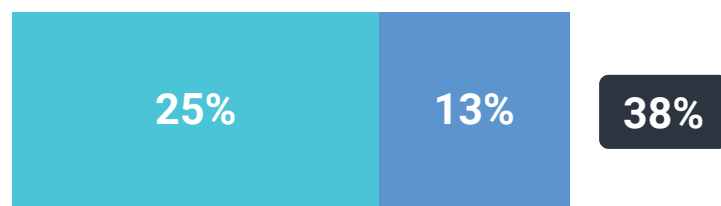
It is also possible that companies also may not know where to begin to measure or they may lack the right metrics concerning their strategic plans or business objectives.

Survey Question: To what degree does your organization use the following DEI initiatives?

Establish and measure DEI analytics and reporting



Analyze turnover using a DEI lens



0 5 10 15 20 25 30 35 40

■ High degree ■ Very high degree



Finding: Companies most commonly use basic workforce demographic measurements

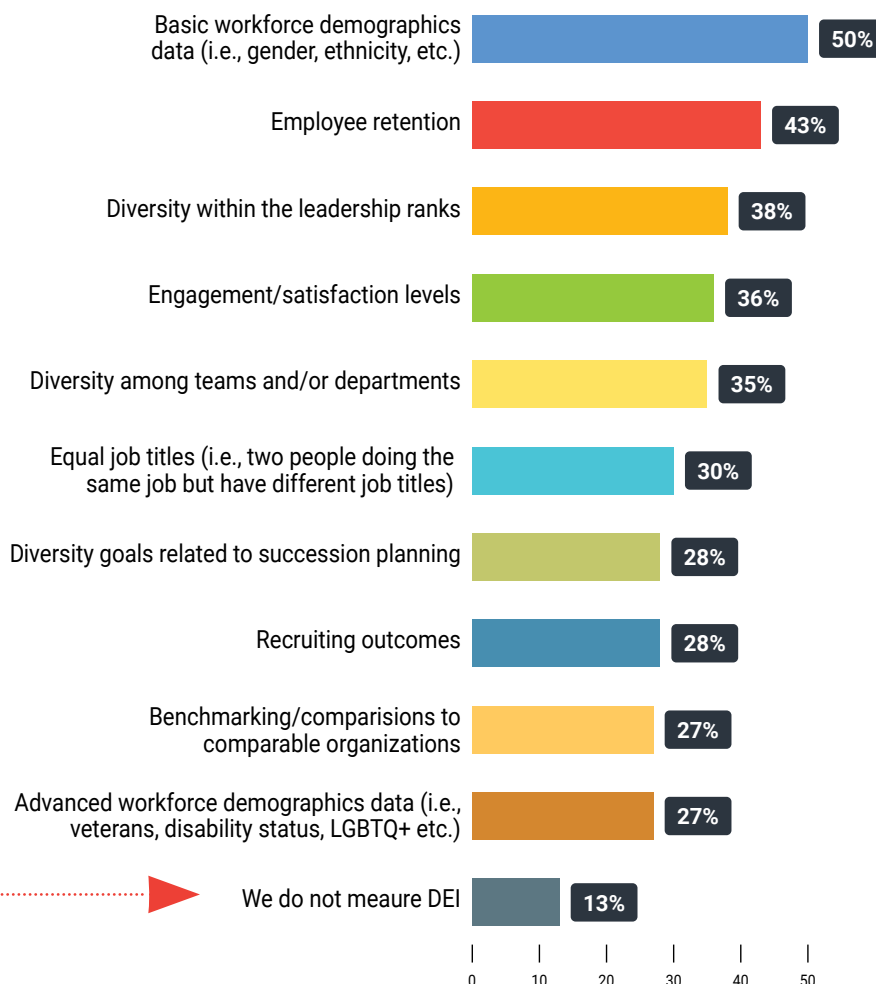
Basic demographics (i.e., gender, ethnicity, etc.) are the most common metric for measuring DEI (50%), while about a quarter (27%) assess advanced demographic metrics (i.e., veterans, disability status, LGBTQ+, etc.).

Relatively few organizations collect metrics that could potentially require actions based on the findings, such as measuring diversity in the leadership ranks (38%), diversity among teams (35%) and goals related to succession planning (28%). However, 43% track employee retention.



Thirteen percent do not measure the current state of DEI in their organization

Survey Question: What metrics do you use to measure the current state of DEI in your organization? (select all that apply)



Note: This data excludes those who responded "don't know."

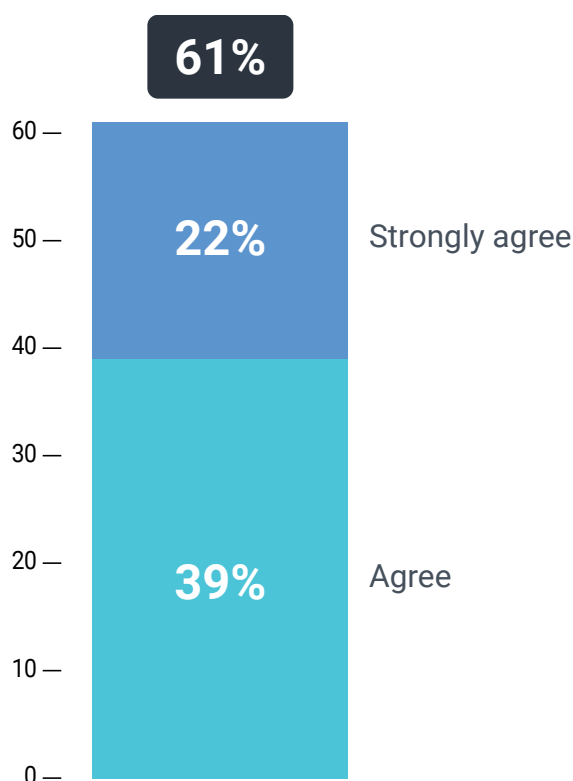
What Is the State of Pay Equity?



Finding: About three-fifths say pay is equitable in their organization

Sixty-one percent agree or strongly agree that pay is equitable in their organization. According to a 2020 report released by the World Economic Forum, women earn just 63% of what men make for the same work.¹⁹ This is discussed in more detail in HR.com's The State of Pay Equity report.²⁰

Survey Question: As they pertain to your organization, to what degree do you agree with the following statement: Pay is equitable?



¹⁹ World Economic Forum. (2019). *Global Gender Gap Report 2020*. Retrieved from http://www3.weforum.org/docs/WEF_GGGR_2020.pdf

²⁰ HR.com. (2019). *The State of Pay Equity 2020*. Retrieved from https://www.hr.com/en/resources/free_research_white_papers/hrcom-pay-equity-2020-research_k6b1xny6.html

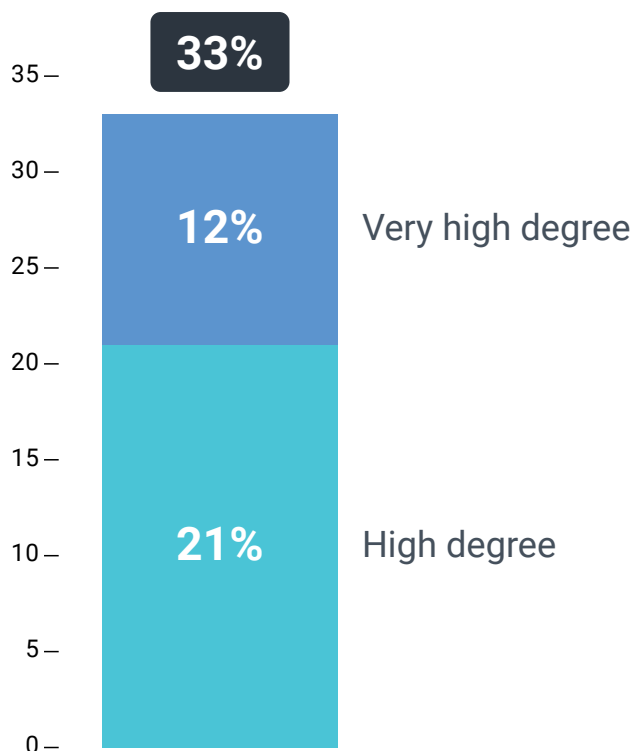


Finding: Most do not have formal budget allocated to closing pay gaps

Just 33% say their organization has a formal budget that is allocated to closing pay gaps. It's possible that some organizations do not create a formal and specific budget because pay equity costs are folded into the larger HR budget. However, others may also not view closing pay gaps as a high enough priority or may fear what they will find, concerned about discoverability that puts them at risk for a lawsuit.

Larger (39%) and mid-size (38%) organizations are almost ten times more likely than smaller (4%) to say they have a dedicated budget for closing pay gaps.

Survey Question: To what degree does your organization use the following DEI initiatives: Have a formal budget allocated to closing pay gaps?



What Is Driving Companies to Provide Equitable Pay?

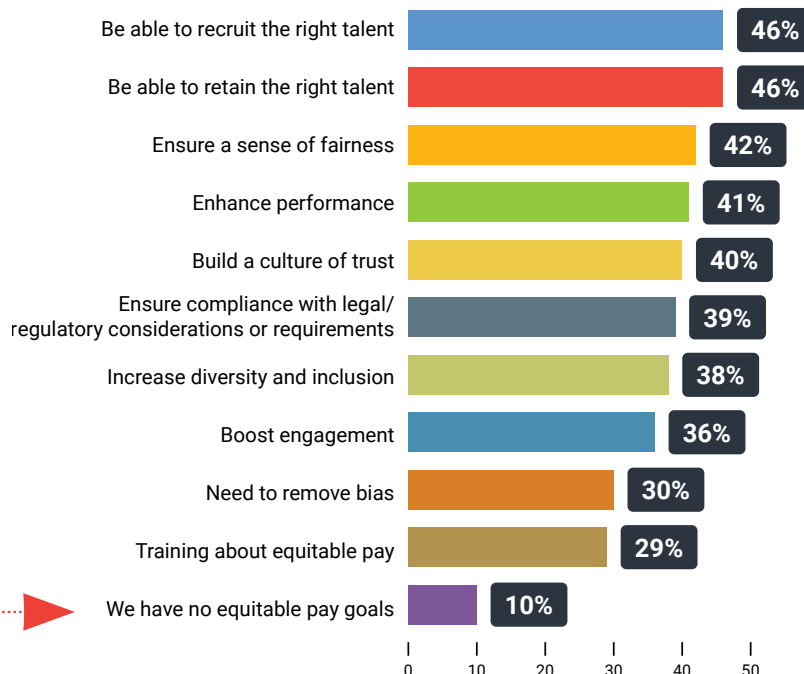


Finding: Employers most commonly provide equitable pay to recruit and retain talent

We asked respondents about “what drives the goal of providing equitable pay” in their organizations. About half say that the need to recruit (46%) and retain (46%) the right talent drives that goal. This makes sense considering companies need consistent talent to meet their business objectives.

The need to ensure compliance (39%) or remove bias (30%) are cited less often, but they clearly indicate that many organizations have both legal and talent management reasons for pursuing equitable pay. Both of these drivers suggest to us that the 10% who say they have “no equitable pay goals” may wish to reconsider.

Survey Question: In your organization, what drives the goal of providing equitable pay? (select all that apply)



Ten percent have no equitable pay goals



Finding: Only 16% say equitable pay is a top priority among executives

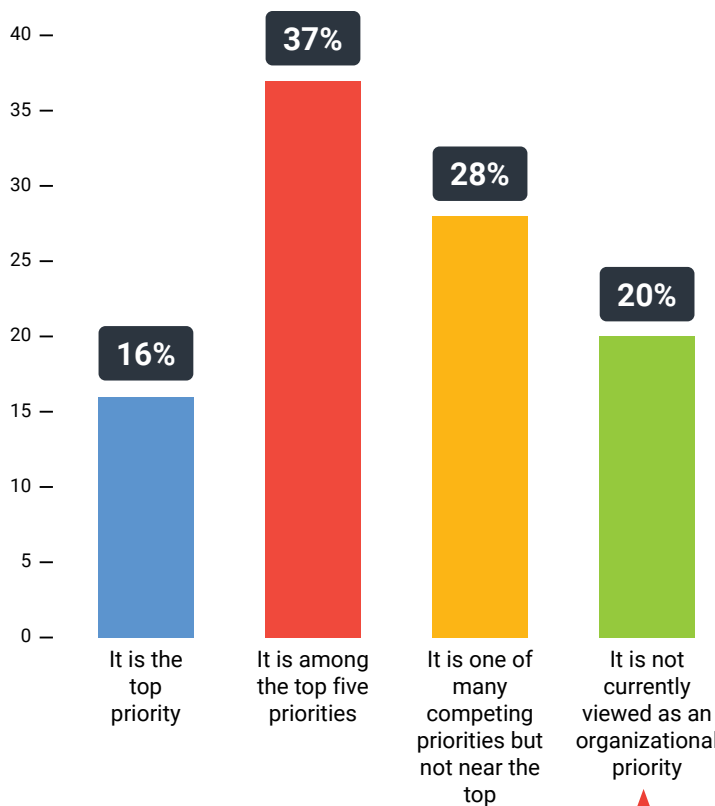
Sixteen percent report equitable pay is a top priority among executives in their organization, while another 37% say it is among the top five priorities. We consider this welcome news. However, at a time when social justice issues are prominent at a global level, we are disappointed to find that 20% say equitable pay is not currently a priority among executives in their organization.

Smaller organizations (35%) are more likely than mid-size (20%) and large (15%) organizations to say equitable pay is not currently viewed as an organizational priority.



One-fifth say their executives don't think equal pay is a priority

Survey Question: Among executives in your organization, how high a priority is equitable pay? (select the one that best applies)



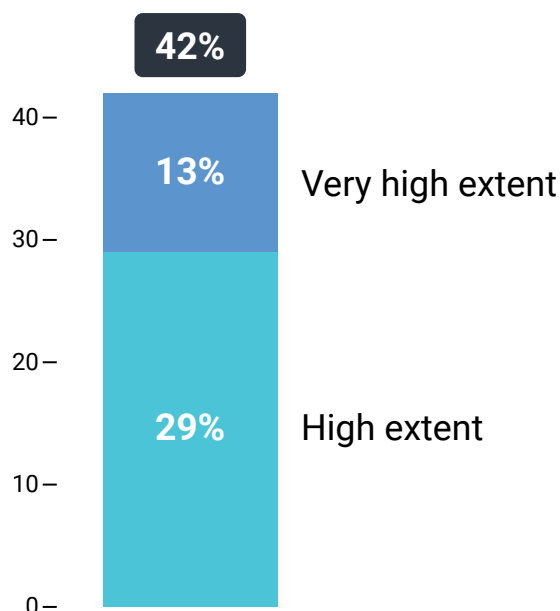
Note: This does not include those who responded "other." Numbers do not add up to 100% due to rounding.



Finding: Most companies are not investing enough to understand pay gaps

Given the lack of support from the top, it makes sense that most organizations are not investing enough to close today's pay gaps in the workforce at large. Fewer than half say their organization is actively investing in understanding the pay equity gap to a high or very high extent.

Survey Question: To what extent is your organization actively investing in understanding the pay equity gap in your business?



Note: This data excludes those who responded "don't know."



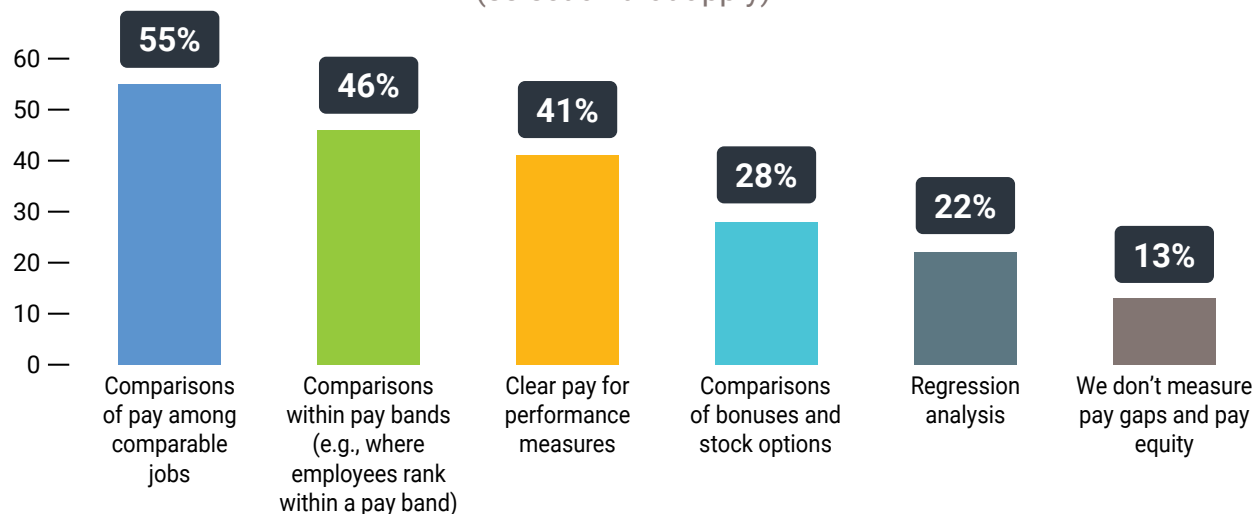
Finding: Thirteen percent don't measure pay gaps or pay equity

In an effort to measure pay gaps and pay equity, companies most commonly look at pay among comparable jobs (55%). Another 46% compare pay within pay bands. Pay comparisons are most useful when companies evaluate all the relevant variables that make a job different. However, some data points may not provide true apples-to-apples comparisons, though they can serve as a good guide.

Only about two-fifths of participants (41%) say they are measuring pay with clear pay-for-performance measures. The fact that so few use this metric might indicate that some organizations do not have clear metrics for linking pay to performance, or even for gathering accurate employee performance data.

Twenty-two percent use regression analyses, which can help an organization reveal biases so an organization can take action. However, conducting this kind of analysis may only be relevant when sample sizes are fairly large.²¹

Survey Question: What tools does your organization use to measure pay gaps and pay equity? (select all that apply)



Note: This data excludes those who responded "don't know."

²¹ Miller, B., Massey, H. (2019, May 21). How employers can use regression analyses in their favor in pay equity cases. *Seyfath Law Website*. Retrieved from <https://www.laborandemploymentlawcounsel.com/2019/05/how-employers-can-use-regression-analyses-in-their-favor-in-pay-equity-cases/>

Which Employee Groups Typically Receive DEI Training?



Finding: Companies most commonly train all employee groups

Only two-fifths provide DEI-related training to all employee groups (42%). Generally speaking, we view this as disappointing given so many organizations today struggle in providing employees with inclusive cultures and helping them manage the unconscious societal bias that some employees possess.²² Fifteen percent of responding companies do not offer such training at all, and some restrict it to certain groups, such as “select managers and employees” (22%) or “senior executives” (16%).

Of course, some HR professionals may view limiting training to just managers or managers and select groups as an efficient strategy because it empowers these groups of employees to tailor what is applicable to their teams.²³ It might also “check the box” to support what is legally required for antidiscrimination purposes (e.g., sexual harassment training). Training select groups versus everyone may also be more cost-effective. Others argue, however, that expanding such training to everyone, when done correctly, pays off by leading to increased innovation, productivity and employee morale.

Should DEI-related training be mandatory? Obviously, it should be mandatory when it is required by law or courts. However, some experts argue that mandatory training can have a negative impact. For example, it may fail to engage employees and carry a legalistic overtone. Mandated sessions can even create unproductive or hostile discussions, which can bring down morale and/or productivity.²⁴ It is often difficult to train employees who resist abandoning their beliefs and biases.

²² Agarwal, P. (2018, December 3). Unconscious bias: how it affects us more than we know. *Forbes*. Retrieved from <https://www.forbes.com/sites/pragyaagarwaleurope/2018/12/03/unconscious-bias-how-it-affects-us-more-than-we-know/#457ec5026e13>

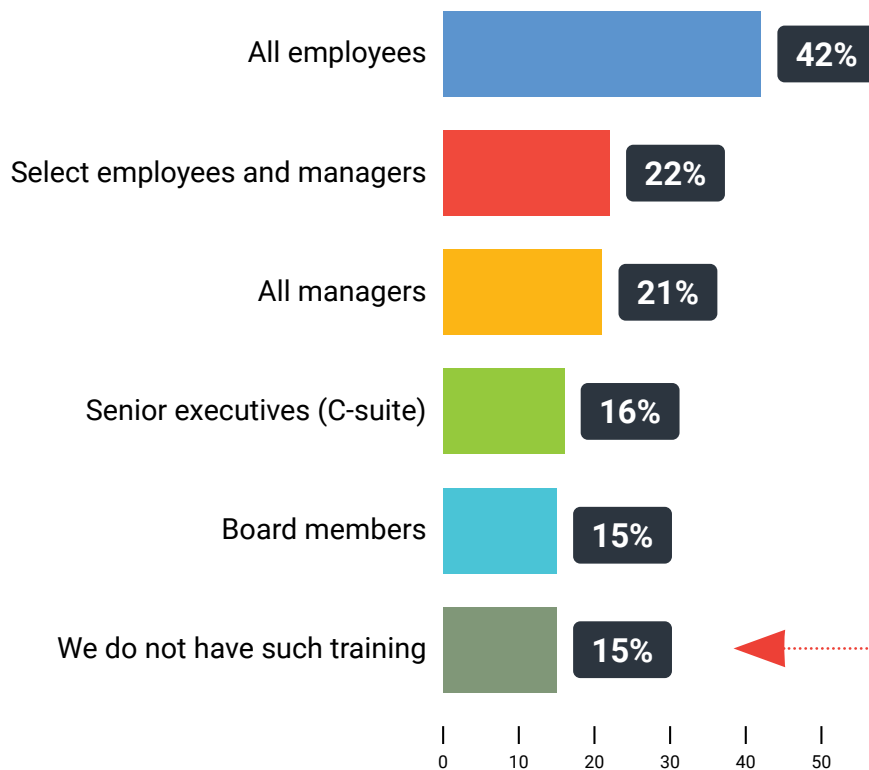
²³ Lindsey, A., King, E., Membere, A. & Cheung, H. (2017, July 28). Two types of diversity training that really work. *Harvard Business Review*. Retrieved from <https://hbr.org/2017/07/two-types-of-diversity-training-that-really-work>

²⁴ McGregor, J. (2016, July 1). To improve diversity, don't make people go to diversity training. Really. *The Washington Post*. <https://www.washingtonpost.com/news/on-leadership/wp/2016/07/01/to-improve-diversity-dont-make-people-go-to-diversity-training-really-2/>



Fifteen percent say they do not have DEI-related training

Survey Question: Who is included in your DEI-related learning and development (L&D) programs?



Note: This data excludes those who responded "don't know."



What Types of DEI Training Are Most Common?



Finding: Companies most commonly provide inclusion awareness training

Among organizations that offer DEI-related training, the most widely provided is inclusion awareness training (52%). Companies largely look to this training to help build harmonious working relationships among employees by training them to understand the demographic, socioeconomic and culture-dominant working styles. Such understanding can lead to more productive working environments.

Two-fifths use communication practices training (39%). This, and specific training around conflict resolution (34%) and difficult conversations (41%), can be helpful for managers and employees who need to communicate DEI issues without unintentionally giving offense or being accused of discrimination.

Also offered is unconscious bias training (38%). Confirmation bias, which is an example of an unconscious bias, is when people sometimes see positive qualities in others who appear or sound more like themselves.²⁵ Unconscious bias training can help employees be more aware of differences to help them interact more successfully and fairly with colleagues, customers and suppliers, and it also can help organizations avoid charges of discrimination.

²⁵ Agarwal, P. (2018, December 3). Unconscious bias: how it affects us more than we know. *Forbes*. Retrieved from <https://www.forbes.com/sites/pragyaagarwaleurope/2018/12/03/unconscious-bias-how-it-affects-us-more-than-we-know/#457ec5026e13>



**About one-third
use pay equity
training and
awareness**

Survey Question: How do you incorporate DEI into your Learning and Development programs? (select all that apply)



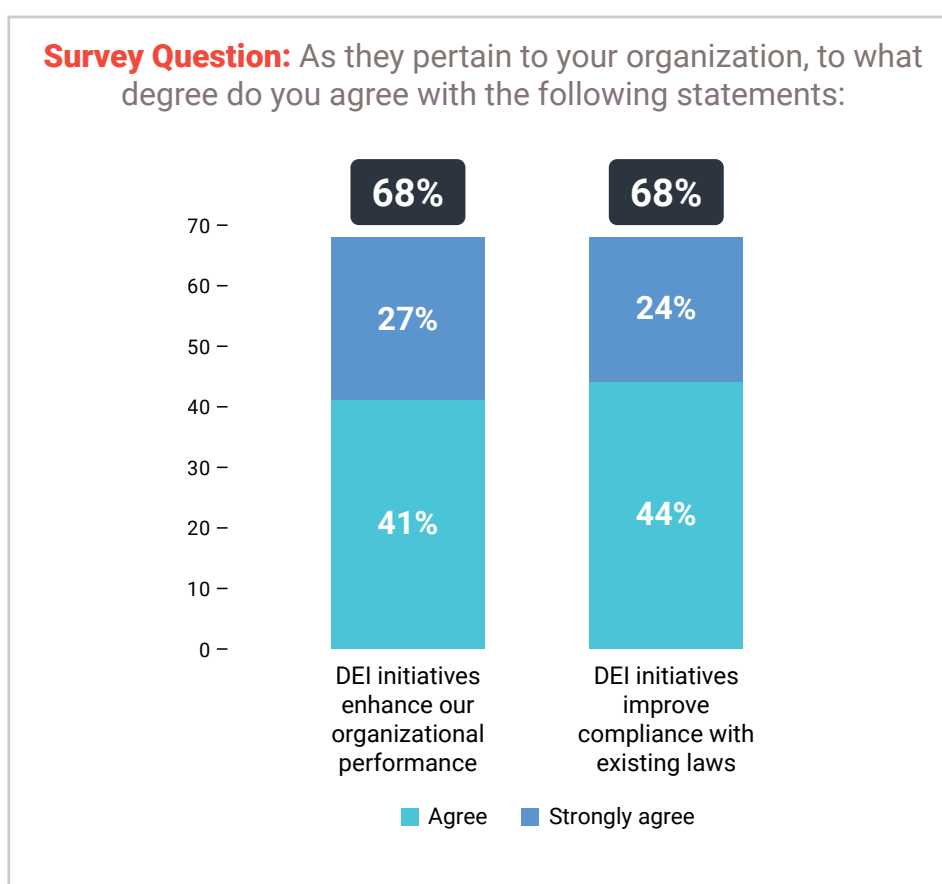
How Beneficial Are DEI Initiatives to Organizations?



Finding: Most think DEI initiatives pay important dividends

Most HR professionals in organizations that have DEI initiatives believe such initiatives pay off. In fact, research shows that companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective national industry medians.²⁶

Respondents agree or strongly agree that DEI initiatives enhance organizational performance and improve compliance (both 68%).



²⁶ Hunt, V, Layton, D. and Prince, P. (2015, January). Why diversity Matters: New research makes it increasingly clear that companies with more diverse workforces perform better financially. *McKinsey & Co.* Retrieved from <https://www.mckinsey.com/business-functions/organization/our-insights/why-diversity-matters>

Practices Linked to a Greater Chance of Success

To take a closer look at what differentiates organizations with effective DEI initiatives from those with less effective DEI initiatives, we separated our sample into two cohorts:

- **DEI high performers:** Respondents who rate their organization's DEI initiatives as effective (that is, an 8, 9, or 10 on a 10-point effectiveness scale).
- **DEI low performers:** Respondents who rate their organization's DEI initiatives as relatively ineffective (that is, a 1, 2, 3, or 4 on a 10-point effectiveness scale).

Of course, correlation is not the same as causation. While we cannot state that any particular practice will definitely lead to success in managing DEI, we do see intriguing relationships that might result in greater success.



Finding: DEI high performers tend to have support from the top

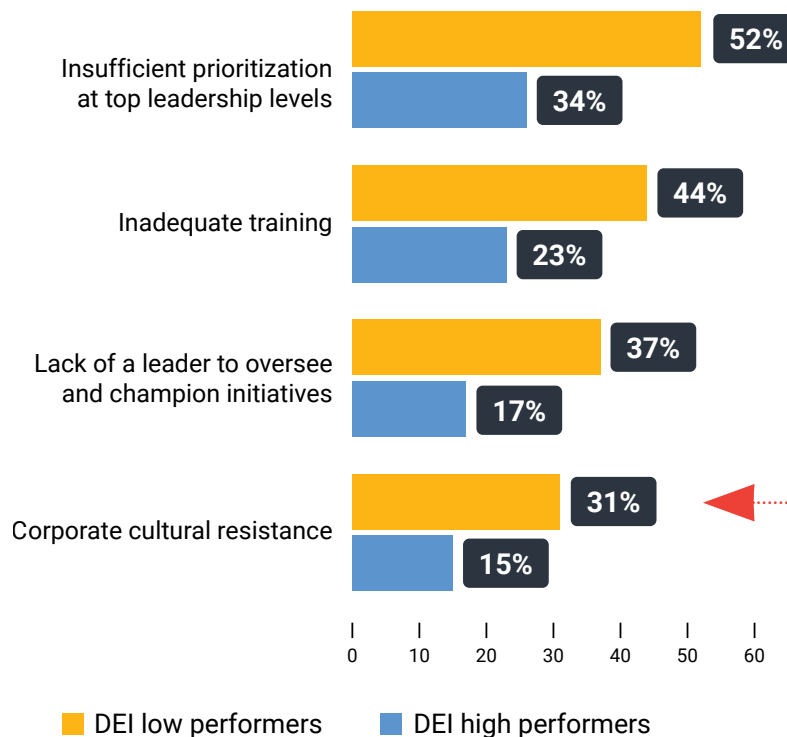
DEI low performers experience more barriers to increasing the effectiveness of DEI initiatives.

DEI high performers tend to have leaders that prioritize DEI. About a quarter (26%) cite insufficient prioritization at top leadership levels, compared with 52% among DEI low performers. Because low performers have less support from the top, it's likely they also lack a leader to oversee and champion initiatives.



DEI low performers are more than twice as likely as high performers to say they experience corporate cultural resistance

Survey Question: What are the barriers to increasing the effectiveness of DEI initiatives in your organization? (select all that apply)



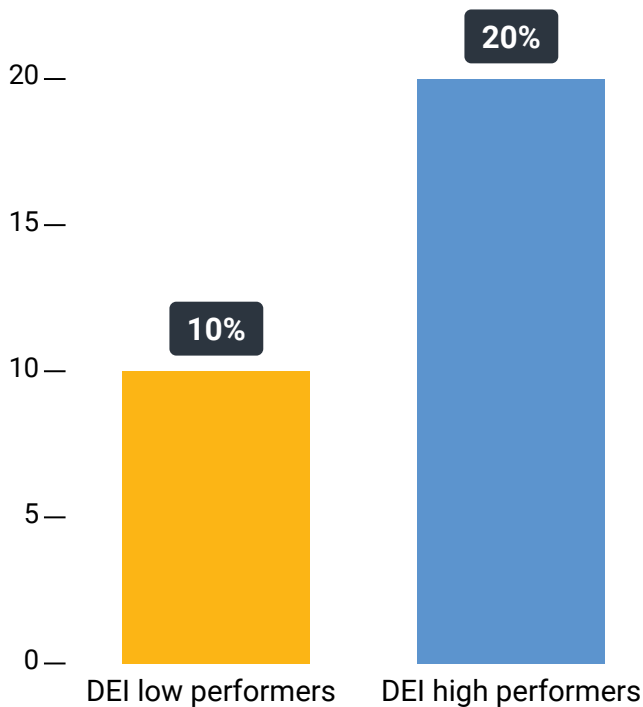


Finding: DEI high performers more often have CEOs/Presidents who are primarily responsible for DEI

Although both cohorts say that HR is most likely to be primarily responsible for DEI, DEI high performers are twice as likely as low performers to say the CEO/president is primarily responsible (20% vs. 10%).

Survey Question: Who is primarily responsible for DEI in your organization? (select one)

Percent answering CEO/President

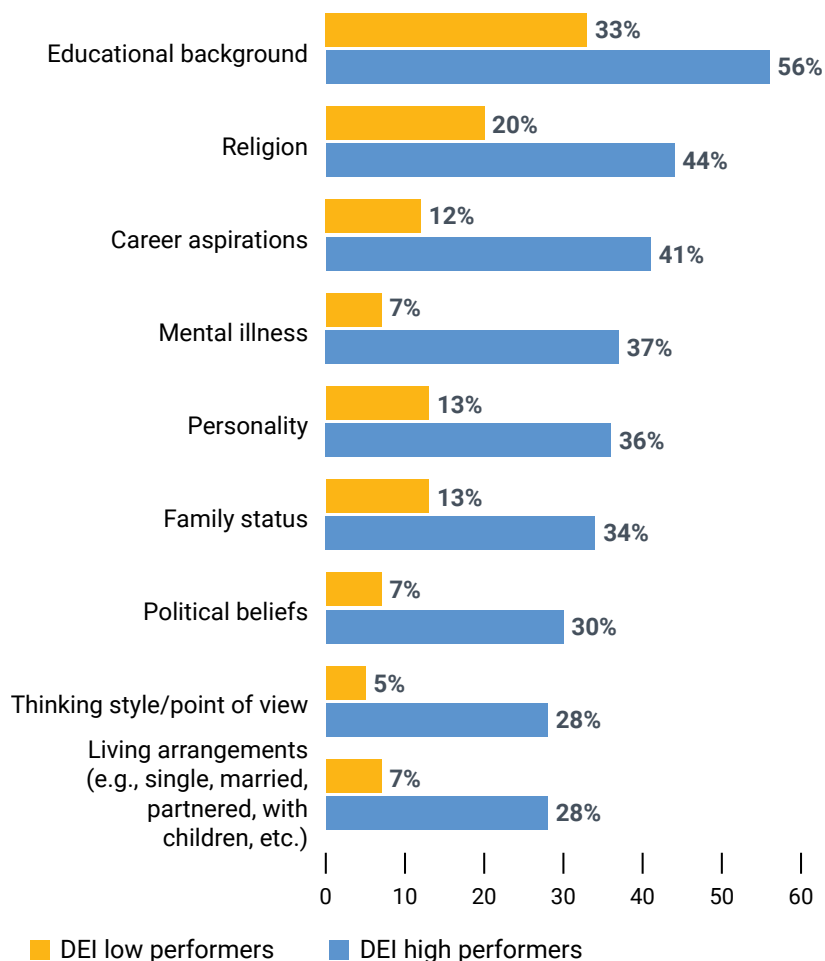




Finding: DEI low performers focus less on individual differences

DEI high performers are more likely than their lower performing counterparts to consider and track a wider range of characteristics associated with DEI. The most significant gaps are within the categories of career aspirations (41% vs. 12%) and mental illness (37% vs. 7%). High performers are also more cognizant of other individual differences such as diverse living arrangements, thinking style, sexual orientation, sexual identity and educational background.

Survey Statement: When your organization considers the subject of DEI, which of the following characteristics of a diverse, equitable and inclusive workforce does your employer consider and track? (select all that apply)





Finding: DEI high performers incorporate DEI into their strategic plans and business objectives more often

DEI high performers (93%) more often agree or strongly agree that DEI plays a role in strategic planning, compared with just 34% of DEI low performers. High performers (92%) are also more likely to agree or strongly agree that this strategic framework is formally integrated into their business strategies, compared with low performers (20%).

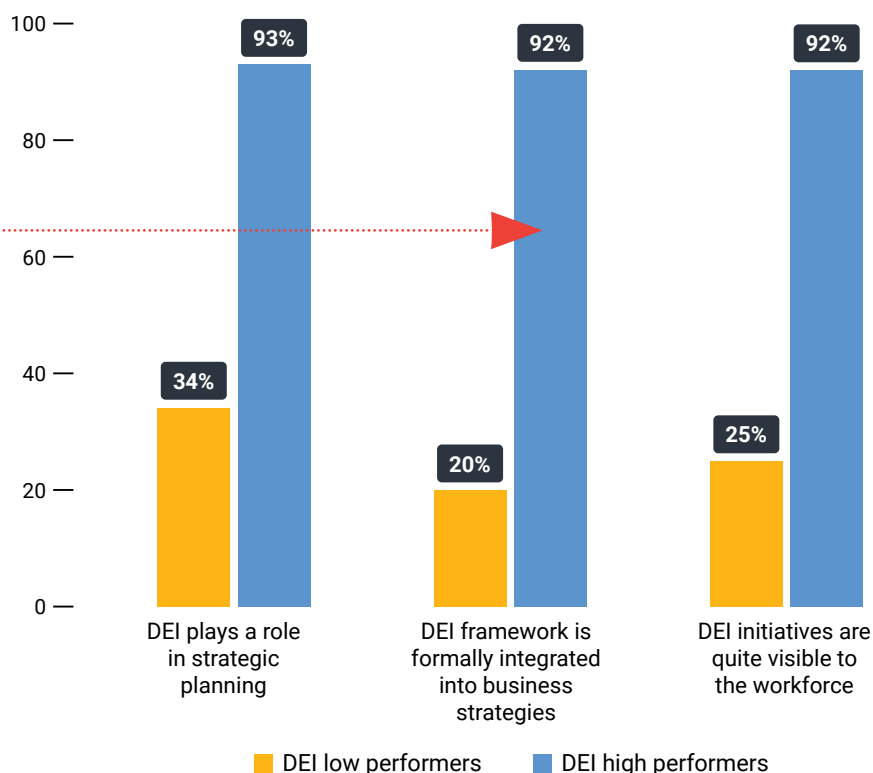
High performers (92%) are also more likely than low performers (25%) to agree that DEI initiatives are quite visible to their workforce. Visibility brings forth transparency and helps to create and sustain a culture of trust.



DEI high performers are more than four times as likely as low performers to agree or strongly agree that DEI framework is formally integrated into business strategies

Survey Statement: As they pertain to your organization, to what degree do you agree with the following statements:

Percent responding agree or strongly agree



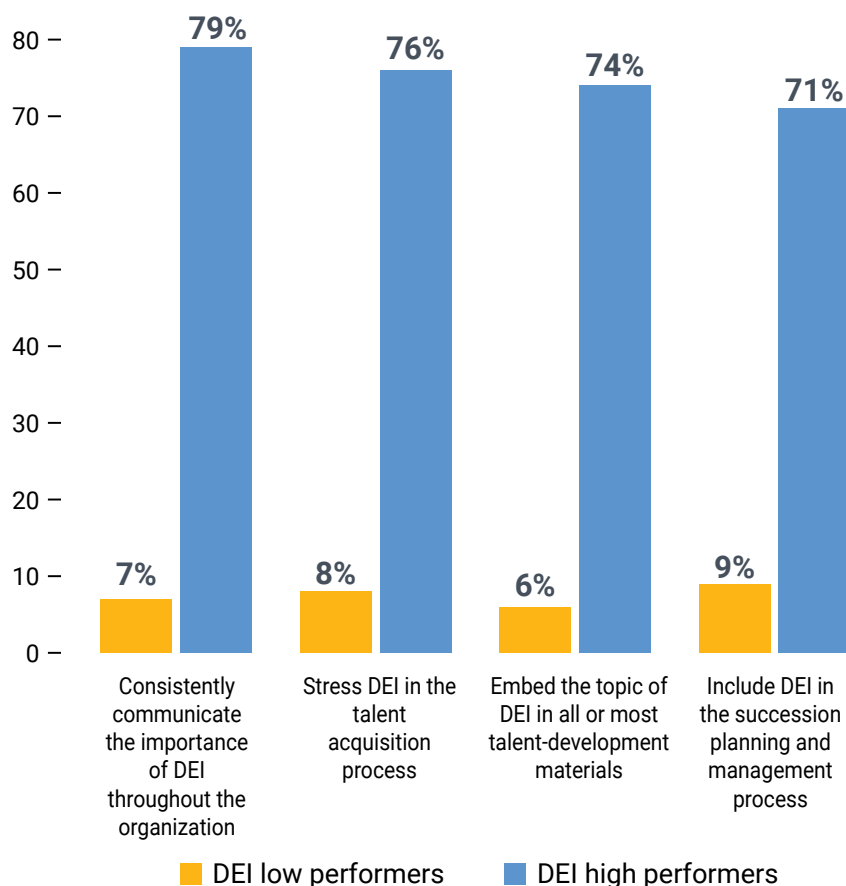


Finding: DEI high performers are much more likely to communicate the importance of DEI throughout the organization to high or very degree

DEI high performers are far more likely than low performers to consistently communicate the importance of DEI throughout the organization to a high or very high extent (79% vs. 7%). High performers are also much more likely to stress DEI in other parts of the talent management process, including the talent acquisition and succession management process.

Survey Statement: To what degree does your organization use the following diversity and inclusion initiatives?

Percent responding high or very high degree

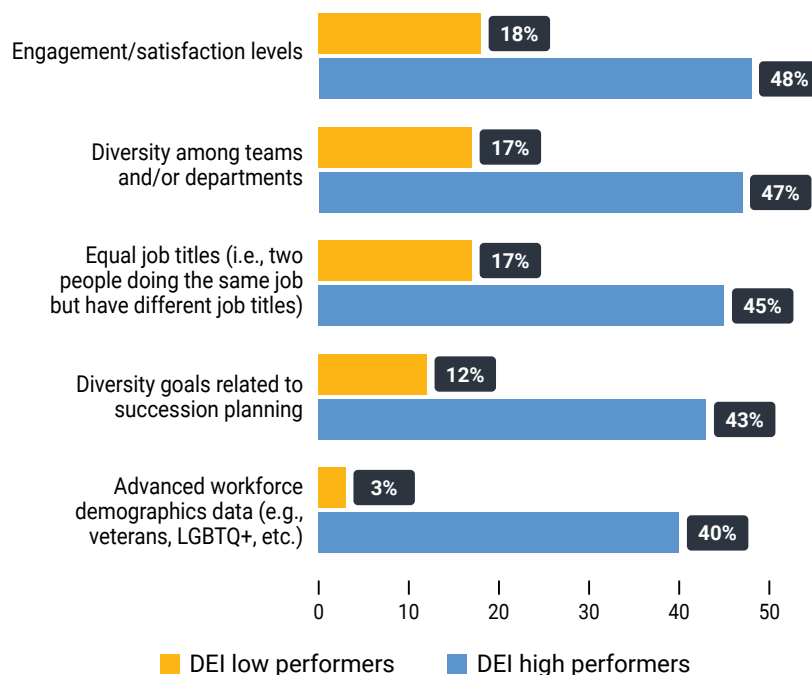




Finding: DEI high performers tend to use more advanced metrics and set more goals

DEI high performers are much more likely than low performers to use a variety of metrics and analytics to gauge the current state of DEI in their organization. This is especially true in regard to advanced workforce demographics, diversity goals related to succession planning, diversity goals among teams/departments and engagement levels.

Survey Statement: What metrics do you use to measure the current state of DEI in your organization? (select all that apply)



Note: This data excludes those who responded "don't know."





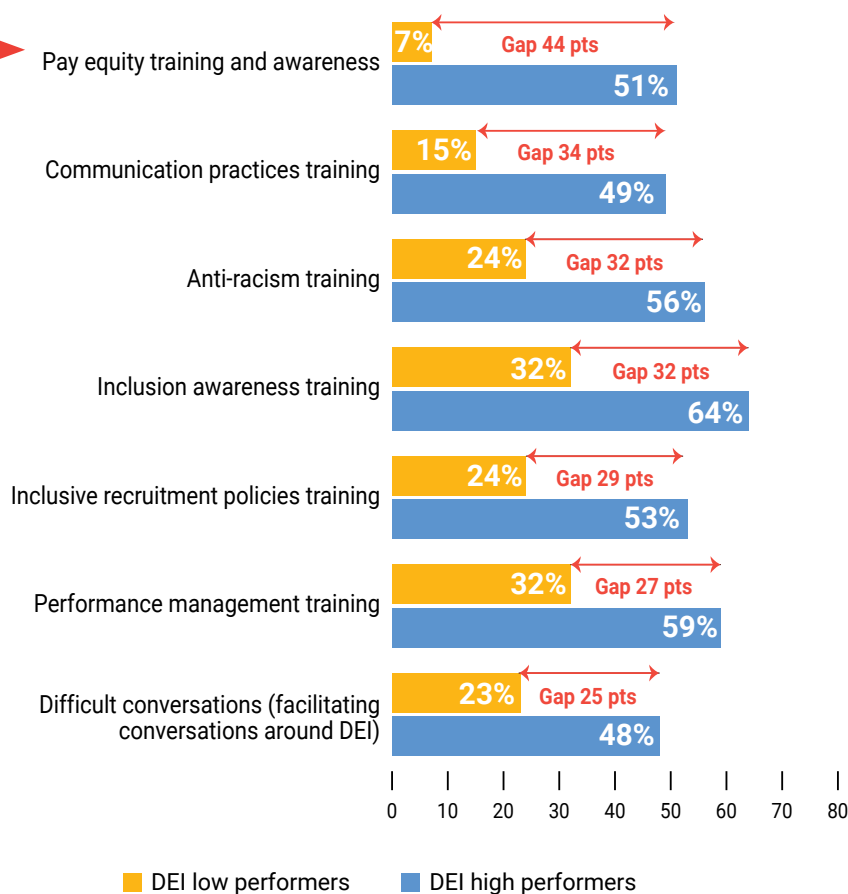
Finding: DEI high performers are much more likely to offer DEI-related training programs

DEI high performers (51%) are more than seven times as likely as DEI low performers (7%) to provide pay equity training. High performers are also more likely to invest in training in other key DEI areas such as communication practices training, anti-racism training and inclusion awareness training.



Only 7% of DEI low performers offer pay equity training

Survey Question: How do you incorporate DEI into your Learning and Development programs?





Finding: DEI high performers are much more likely to have initiatives that improve DEI in the leadership ranks

Most DEI high performers (88%) have one or more leadership development initiatives focused on improving DEI in leadership. By comparison, just 33% of low performers do. Such programs have the potential to help women and other under-represented groups overcome the cultural and organizational challenges that sometimes hinder them in their aspirations to become leaders.

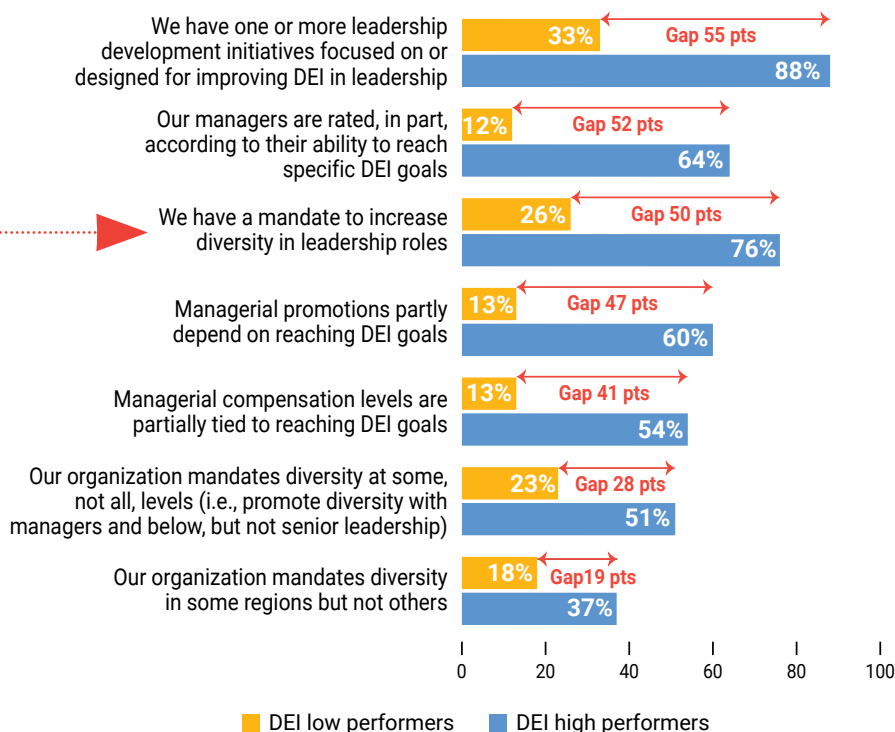
Having a diverse set of leaders at the top is an important step in bringing broader diversity throughout the organization. Perhaps because of this, DEI high performers are more likely to mandate diversity in leadership and include incentives.



Low performers are less likely to mandate diversity in leadership

Survey Question: Regarding diversity in leadership ranks, which of the following are true or false for your organization?

Percent responding true





Finding: DEI high performers provide more inclusive benefits

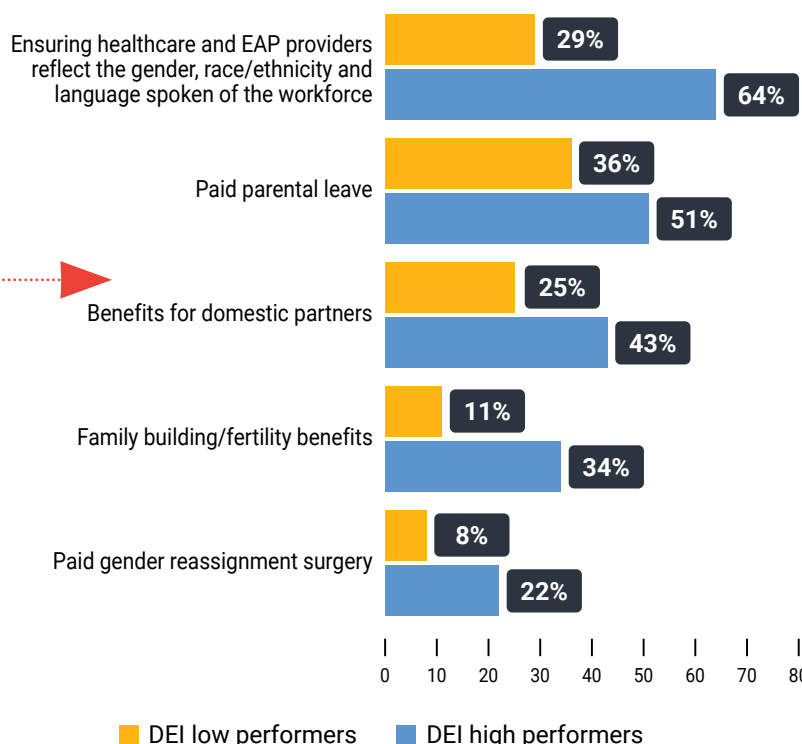
More DEI high performers (64%) than DEI low performers (29%) ensure that healthcare and EAP providers reflect the gender, race/ethnicity and language spoken of the workforce (for example, ensuring that employees who do not speak the dominant language of the workforce are still able to get the same level of healthcare and EAP support as those who do).

DEI high performers overall provide more inclusive benefits, but it is important to note that offering such benefits is just one part of the equation. A culture that supports their use is also essential. If employees fear there could be negative implications for their careers or pay, they could be less likely to use them (or they may potentially use them knowing that they would be passed over for a promotion or raise and ultimately consider leaving the organization for an organization with better work-life balance).



Only one-quarter of DEI low performers provide benefits for domestic partners

Survey Question: What benefits or work arrangements does your organization have that make it easier for diverse employees to work there? (select all that apply)





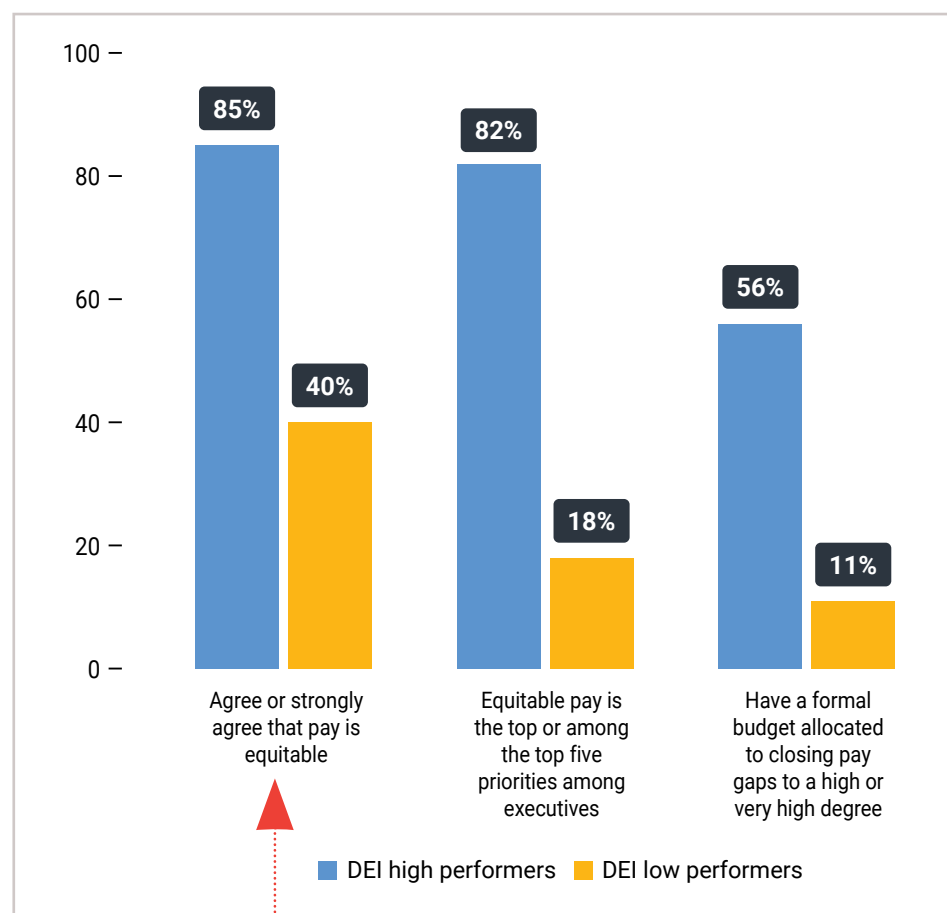
Finding: DEI high performers prioritize equal pay and often have a formal budget for closing pay gaps

The large majority (85%) of DEI high performers agree or strongly agree pay is equitable in their organization. In contrast, just 40% of DEI low performers say the same.

DEI high performers (82%) are also more than four times as likely as DEI low performers (18%) to say that among executives in their organization, equitable pay is among the top five priorities. More than half of high performers (56%) indicate they have a formal budget for closing pay gaps, considerably more than low performers (11%). This may be because low performers lack more support from the top.



DEI high performers are more than twice as likely as low performers to say pay is equitable at their organization



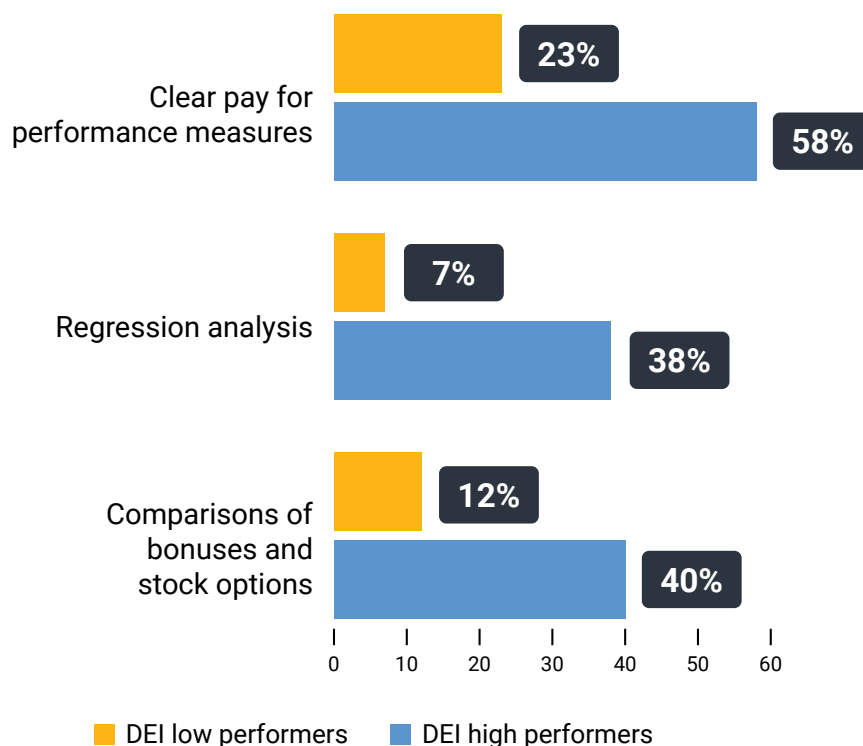
Note: This data is extracted from three different questions: "As they pertain to your organization, to what degree do you agree with the following statements: Pay is equitable," "Among executives in your organization, how high a priority is equitable pay?" and "To what degree does your organization use the following initiatives: Have a formal budget allocated to closing pay gaps?"



Finding: DEI high performers are more than five times as likely as DEI low performers to use regression analysis to measure pay gaps and pay equity

DEI high performers scrutinize performance pay more than low performers. This may be, in part, because high performers get more support from the top to measure DEI as well as adequate budgets to rectify potential pay inequity.

Survey Question: What tools does your organization use to measure pay gaps and pay equity? (select all that apply)





Key Takeaways

Given the research findings in this report, below are some key suggestions for how organizations might become more successful in fostering a culture of DEI.

Key Takeaway 1

Determine how your organization collectively thinks about DEI. Does it consider DEI to be a compliance-focused initiative only or is compliance just a part of the issue? What are your organizational goals aside from compliance and avoiding legal concerns? For example, is DEI a major component of talent management and employee experience? Can DEI be used to enhance organizational performance, engagement and innovation?

Key Takeaway 2

Evaluate where the organization is in regard to DEI. As a first step, for example, you could evaluate employment market demographics, employee engagement/satisfaction surveys and small focus groups. Identify the areas in the organization where DEI programs are necessary to build morale, improve innovation or support government regulations. Use key learnings to create a business case and refine your organization's definition of DEI.

Key Takeaway 3

Get support from the top. Make sure everyone shares the same overarching goals. Then work with leaders to identify and prioritize phases of DEI improvement. What are the quick wins to improve DEI? Consider creating a communication strategy for the CEO to communicate these phases of improvement with the whole organization.

Key Takeaway 4

Design a variety of training programs to reinforce cultural values and minimize lawsuits. Consider training for pay equity awareness, anti-racism, inclusion awareness, conflict resolution, performance management, recruitment management and unconscious bias. Keep in mind that one size will not fit all. You may want to keep most training optional and/or private, making it mandatory only when essential. Think about methods and technologies. Will employees be more engaged working on an individual training worksheet, watching videos or being hands-on in group settings? Think about incorporating more than compliance-focused material. For example, you could offer guidance to employees to help them manage their diverse thinking styles and problem solving approaches.

Key Takeaway 5

Analyze leadership initiatives and recruiting processes to support women and ethnic/racial minorities. Women and minorities may fail to become leaders because they lack equal opportunities to the right projects and training. Consider holding events, creating ERGs, forming formal mentorship programs, and providing leadership training to give minorities and others equal opportunities. Review hiring and promotion processes. Does your recruiting process incorporate techniques to minimize conscious and unconscious biases? Are time-to-hire goals and benefit plans realistic and equitable?

Key Takeaway 6

Consider the dominant leadership style of the organization and help employees navigate through changes. Some executives and employees are accustomed to top-down leadership styles. DEI often values behaviors of openness and collaboration. Is there a conflict between styles and, if so, how can it be resolved? When appropriate, help leaders to incorporate a style that is supportive of DEI.

Key Takeaway 7

Seek opportunities to drive innovation and encourage diversity of thought. Consider bringing together employees with different backgrounds to work on a fun and challenging project where diverse viewpoints matter. For example, create or test a new product by inviting different job levels, roles, departments and regions to a product development meeting.

Key Takeaway 8

Decide how your organization should approach DEI metrics. Should there be a point person or team that decides how to track and collect key DEI metrics over time? Which DEI data points does your organization need to track? When will you need to survey employee populations? Identify who will be responsible for collecting data and regularly sharing it. Should they regularly meet with leaders to show them progress and areas of improvement?

Key Takeaway 9

Consider DEI incentives. The organization may want to find ways to recognize leaders for DEI progress. There are various options. For example, your organization might consider tangible non-quota performance-related criteria such as ranking a manager based on their ability to give men and women access to similar career-changing projects or networking opportunities. Of course, run programs by legal counsel.

Key Takeaway 10

Stay up-to-date on global regulations, policies and procedures.

New policies and regulations that come into effect often differ among countries, states and regions.²⁶ Consider who will track pertinent regulations and adjust internal policies and procedures. When does it make sense to change internal company policy in anticipation of governments mandating legislation down the road? And, should organizations go further than laws mandated to burnish their employer brand and live up to corporate values? Also, try to determine what benefits will be increasingly attractive to today's multicultural workforce.

Key Takeaway 11

Reinforce messages and provide ongoing support with the right tools.

Look for DEI success stories. For example, the organization could share a story about how a diverse team of workers designed a new customer service plan or product innovation. The company could feature the story in the employee newsletter, videos, annual report or the DEI section of the organization's website.

Key Takeaway 12

Consider taking the pulse of your organization to gauge the state of pay equity.

For example, maybe you want to compare salaries across departments and comparable jobs. Consider in advance the ways in which your organization could react to potential pay inequities and discrepancies. Coordinate with the executive team so everyone is on the same page. If there is no formal budget for such an endeavor, consider making a case for it.

Key Takeaway 13

Take a good look at your organization's performance management system, especially if it is used to make promotion and pay decisions.

Are performance management processes objective?²⁸ Does the system do a good job of reflecting actual performance, or is it more of an obligatory ritual? If pay is linked to performance evaluations, how much should tenure, education and salary history matter relative to work experience certification and skills? Consider tracking performance measures as much as bonuses, stock options, pay bands, and comparable jobs. Consider using regressions to look for pay inequities.

²⁷ Carter, T., Redfern, M. & Gayle, L. (2018, October 9). Pay equity across the globe. *Willis Towers Watson*. Retrieved from <https://www.willistowerswatson.com/en-GB/insights/2018/10/finex-observer-pay-equity-across-the-globe>

²⁸ Hauck, G. (2019, December 20). When will women get equal pay? Not for another 257 years, report says. *USAToday*. Retrieved from <https://www.usatoday.com/story/news/nation/2019/12/20/gender-pay-gap-equal-wages-expected-257-years-report/2699326001/>



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Drawing on more than 45 years of experience, our software, learning solutions, and team of experts guide HR, diversity and inclusion, and compliance teams to easily analyze diversity across the organization, identify gaps and insights into causes, develop training plans, formulate inclusion strategies, establish and execute toward goals, and continually track D&I and affirmative action program effectiveness over time.

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