



International
Labour
Organization



► Transforming enterprises through diversity and inclusion

Executive Summary

This report presents the findings from one of the most comprehensive studies on equality, diversity and inclusion conducted by the International Labour Organization (ILO) during a period of immense disruption as the impact of the coronavirus disease (COVID-19) pandemic was felt worldwide. It contributes new understanding and insights to better support enterprises in creating powerful and comprehensive change in eliminating all forms of discrimination within the workplace and promoting equality, diversity and inclusion. It builds on the wealth of existing research showing the critical role of diversity and inclusion (D&I) in the high performance of the workforce, businesses, economies and societies globally.

New perspectives on D&I

This report focuses on the approach and extent to which enterprises are taking measures to promote D&I in order to achieve equality for all employees and realize business benefits through differences and similarities of individuals. Previous studies on D&I have mainly included large, often multinational companies in Western and high-income economies, with a focus on gender and the perspective from the executive level. This study presents a picture of D&I in enterprises through the eyes of the workforce, including the perspectives of staff, managers and senior executives across groups with diverse personal characteristics, including age, disability, ethnicity, race, religion, gender, sexual orientation and gender identity and people living with HIV, with a focus on enterprises within lower-middle-income and upper-middle-income economies.

Many enterprises lack diversity across the organizational hierarchy, but we actively sought out a diverse mix of respondents at each hierarchical level. Overall, survey respondents include men (57 per cent), women (43 per cent), persons who identify as lesbian, gay, bisexual, transgender, queer, intersex or other (LGBTQI+) (17 per cent), persons who belong to minoritized ethnic/racial/religious groups (26 per cent), persons with disabilities (9 per cent) and persons living with HIV

(3 per cent). Twenty per cent of respondents are aged 45+, 30 per cent are aged 35–44 and 50 per cent are aged 18–34. More than half of the respondents (58 per cent) work in small and medium-sized enterprises (SMEs) and 73 per cent work in national enterprises.

This study draws on the findings of the global D&I survey conducted between July and September 2021 with 12,087 employees in 75 countries covering enterprises across different sectors and size in five regions as well as a comprehensive review of existing studies and literature on D&I in the workplace. We examine approaches to and experiences of D&I in mainly lower-middle-income and upper-middle-income countries compared with the existing body of knowledge and good practice on D&I. In drawing all new and existing insights on D&I together, we consider what is needed to achieve even greater benefit for employees and employers from D&I going forward.

Overcoming inclusion as a privilege of seniority is key to fully realizing the business benefits it offers

With new perspectives comes the opportunity for reflection, learning and forging a new path. In contrast to some existing research, this study shows that an employee's level in the enterprise hierarchy is a bigger differentiating factor on the experience of inclusion at work than an employee's background or personal characteristics. Full inclusion and the business benefits of inclusion, including increased productivity, commitment, innovation and well-being, are predominately being realized for employees at the most senior levels. While our survey population included a roughly even proportion of people from a variety of backgrounds at staff, manager and senior executive levels, most workplaces globally continue to be challenged to build diversity at middle and senior levels. If inclusion remains a privilege experienced only by those at senior levels, enterprises risk missing out on the considerable benefits they could reap if inclusion was experienced by the workforce at all levels regardless of their personal characteristics.

Measuring inclusion is key to progress on D&I but only a third of enterprises currently do this

While an enterprise may be successful in attracting and recruiting a diverse mix of employees, inclusion is a critical element that influences equality. That is, the extent to which employees from minoritized groups are retained, able to thrive and fully contribute at work in a discrimination-free environment. Inclusion results when individuals experience a balance of belonging (forming and maintaining a strong sense of acceptance by others and connections and stable relationships with others) and individuation (being seen, understood and valued as an individual without having to hide or adapt aspects of themselves to fit in).

Multiple studies have shown high levels of both diversity and inclusion within enterprises are associated with increased innovation, productivity and performance. Being able to measure inclusion is therefore key in helping enterprises identify the actions they can take to further improve and reap the benefits of D&I. Yet, only a third of survey respondents say that progress on D&I is measured where they work and used to identify future priorities and actions.

This study presents a framework for measuring inclusion at work at three levels. First, we test the degree to which employees say they feel included at work. Second, we consider three factors identified in the wider literature as contributing to both belonging and individuation that create inclusion, that is the extent to which employees feel: (1) respected for who they are and the skills and experience they bring and experience a sense of belonging at work; (2) supported to perform well in their roles; and (3) rewarded and developed at work, all in an environment that supports equal opportunity and treatment. Third, we examine the extent to which employees experience the positive benefits of inclusion referred to in the wider literature as potentially making a significant contribution to overall business performance. These benefits include an increased sense of well-being, ambition for career development, higher levels of productivity, performance, commitment, collaboration and opportunities to contribute to better ways of doing things where they work.

Enterprises will benefit from additional information, tools and resources to measure D&I. Despite the complexities of measuring inclusion, our study shows that it can be done. By doing so, enterprises will be able to identify the level of inclusion they have achieved, factors that promote inclusion, gaps and actions needed to achieve inclusion across the workforce as a whole and for diverse groups.

Overall levels of inclusion are high and there's a strong sense of belonging yet one in four people do not feel valued at work, impacting the experience of the benefits of inclusion

The experience of inclusion by respondents in our survey is high with 83 per cent reporting that they feel included at work most or all of the time. Their sense of belonging with others where they work is also high at 83 per cent.

The experience of factors that support individual needs, while still high, is less strong. Around two thirds of respondents report feeling fairly rewarded for their work and supported to advance their careers or that decisions about promotion are made fairly and transparently. A quarter of respondents are also ambivalent or disagree that they feel valued for being their authentic self where they work without having to excessively adapt to fit in.

The respondents report a lower level of individual needs being met, which may account for the lower level they report of experiencing benefits of inclusion. Only around half of respondents report high levels of well-being and ambition for career development and around two thirds feel encouraged to speak up about better ways of doing things and a strong sense of commitment to where they work.

There is a pattern of respondents from some minoritized groups in our study reporting a small but consistently less positive experience of factors contributing to inclusion. Seventy-one per cent of women say that their perspectives are sought out and considered in decision-making where they work compared with 74 per cent of men. Seventy-nine per cent of respondents with a disability say they experience a positive sense of connection and belonging with others where they work compared with 84 per cent of respondents without a disability. Eighty-one per cent of

respondents living with HIV say they are generally treated with respect compared with 86 per cent of respondents not living with HIV.

Conversely, hierarchy is a much stronger differentiating factor. It is only respondents at the most senior levels in this study that report the highest levels of inclusion. Ninety-two per cent of senior executives say they feel included at work compared with 76 per cent of staff level respondents. Fifty-nine per cent of staff level respondents agree or strongly agree that they are rewarded fairly for their work and contributions and that they are encouraged and supported to advance their career compared with 80 per cent of senior executive level respondents. Eighty-six per cent of senior executives report that their perspectives matter as part of decision-making where they work compared with only two thirds of staff level respondents.

Wider evidence shows that women, people with disabilities and people from minoritized ethnic/racial/religious groups are more likely to be clustered and often stuck at more junior levels in enterprises. This has important implications for the performance of enterprises, which may be missing out on the benefits of D&I, including increased levels of commitment, engagement, innovation and productivity. Not only is it critical to ensure increased diversity at the top levels, where inclusion is highest, it is also important to promote inclusion for everyone, regardless of their personal characteristics, at staff and manager levels.

More support is needed to build greater understanding of the impact of intersectionality – considering different personal characteristics, such as ethnicity/race and gender, as well as an employee's level in the enterprise hierarchy – on inclusion and how enterprises can benefit from inclusion. Steps should focus on encouraging enterprises to broaden the focus of action on D&I across multiple minoritized groups and hierarchical levels.

Four principles help to achieve transformational change on D&I globally across all workforce groups and levels

Our study tested the impact of a range of actions and approaches to D&I linked in the literature to achieving transformational and sustainable

change on D&I. Our findings show that there are four key principles based on best practice guidance that are impactful in creating inclusion and that are applicable globally. The principles highlight the importance of focusing on behaviour and culture change in D&I actions and approaches as well as policies and practices. When these principles are applied, employees report higher levels of inclusion regardless of personal characteristics, hierarchical level or enterprise sector, size or region. They also report higher levels of experiencing the benefits of inclusion that have the potential to impact positively on business performance. The four principles are summarised below.

First, when respondents report that **D&I is a priority and part of the strategy and culture** where they work, embedded in values and behaviours as well as policies and processes, respondents globally are 21 per cent more likely to agree that they are encouraged and supported to advance their career, and they are 15 per cent more likely to speak up about new or better ways of doing things.

Second, when there is **representation of minoritized groups in top management**, this has a positive impact on inclusion across all employee groups and an even greater impact among respondents who are from the same minoritized group that is well represented in top management. For example, when women are represented in critical mass in at least 40 per cent of top management positions, women across all levels are 9 per cent more likely to feel included, 10 per cent more likely to feel encouraged and supported to advance their career and 12 per cent more likely to report high levels of well-being at work.

Third, when **senior leaders and all managers and staff are held accountable as role models for D&I** in their everyday actions and behaviours and work together to co-create the approach to D&I, survey respondents are 11 per cent more likely to report feeling committed to their company and to experience high levels of collaboration with colleagues.

Finally, higher levels of inclusion and the benefits of inclusion for employees and their employers are only fully realized when **actions are applied across the employee life cycle from recruitment through development and retention and targeted at creating both a strong sense of**

belonging and enabling everyone to be themselves at work with their individual needs seen, understood, cared about and, wherever possible, met. For example, when there are goals and actions in place to recruit and develop people from minoritized backgrounds, respondents are 8 per cent more likely to agree that opportunities and decisions about promotions are made fairly and transparently and 7 per cent more likely to feel encouraged and supported to advance their career. When there is a D&I policy in place, respondents are 9 per cent more likely to agree they are generally treated with respect and 18 per cent more likely to feel supported to work flexibly.

More action is needed to encourage and enable a broader mix of enterprises to apply the principles of transformational change on D&I more widely

Despite the positive impact of the four principles of transformational change on D&I, there is plenty of scope for them to be applied more widely. Only half of respondents say that D&I actions are sufficiently resourced and clearly identifiable in the strategy and culture where they work. Only a quarter of respondents report a critical mass of women (40–60 per cent) in top management positions and a third of respondents report that there is zero representation of people with disabilities at senior levels. Only 12 per cent of respondents report that people from minoritized ethnic/racial/religious backgrounds hold about a third of top management positions where they work. A third of respondents work in enterprises with no D&I policy in place.

The study also shows that the four principles of transformational change on D&I are applied more in some enterprises, predominately multinationals, than in SMEs, and the focus is on some groups more than others. Around half of all respondents report that D&I policies focus on gender and age where they work, a third refer to ethnicity/race/religion and disability, a quarter to sexual orientation and only 18 per cent say they consider people living with HIV. Respondents working in Asia and the Pacific report the highest levels of inclusion compared with all other regions and are most likely to report that the four principles of transformational change on D&I are applied where they work.

More action is needed to generate greater awareness of the four principles linked with creating transformational change on D&I within enterprises, the potential benefits of D&I to employers and workers as well as the economies and societies in which enterprises are operating. Action is also needed to strengthen the internal capabilities to apply the transformational approach in practice. Case studies focusing in particular on how SMEs in developing countries across a range of sectors are implementing and benefiting from a transformational approach to D&I are needed to support awareness and capability-building.

Driving transformational change on D&I needs to come from multiple sources

To better understand how the uneven implementation of transformational change on D&I can be addressed, we consider what drives enterprises to take action on D&I. Our results show that it is not a question of whether enterprises are influenced by the business benefits or by legal and values-based arguments to implement transformational approaches to D&I. Rather, it is all these drivers combined.

National or local laws, policies and programmes are identified by just under half of respondents globally as a top factor driving enterprise action to promote D&I. Our findings show that, contrary to what has been argued in other studies, laws and policies make a contribution in driving enterprise actions that go beyond the bare minimum level and support sustainable and transformational change on D&I. Enterprises that are motivated by meeting legal obligations are 13 per cent more likely to ensure that D&I actions are sufficiently resourced and clearly identifiable in the company strategy and culture.

Enterprises motivated by the business benefits of increasing innovation are 15 per cent more likely to have top leaders that communicate D&I as one of the top priorities in the company and regularly report on progress. However, only a third of respondents say that the need to improve innovation is a motivating factor driving action on D&I where they work.

Two thirds of respondents report that heightened awareness of inequalities in society, brought about in part by the pandemic, has contributed to more focus and action on D&I where they work. About two thirds of respondents globally agree or strongly agree that their experience of living through the pandemic has increased their expectation of their employer to promote D&I. Significantly more respondents from minoritized groups share this expectation. Respondents living with HIV and people who are LGBTQI+ are 11 per cent more likely to agree or strongly agree compared with respondents living without HIV or who are heterosexual, and respondents from minoritized ethnic, racial or religious backgrounds are 9 per cent more likely to agree or strongly agree compared with those from majority ethnic, racial or religious backgrounds.

Although, only a third of respondents say that enterprise values that supports D&I as the right

thing to do drives action where they work, where this is the case, respondents are also more likely to report aspects of a transformational approach to D&I are in place. These respondents are 11 per cent more likely to say that senior leaders and all employees are held accountable as role models for D&I and 10 per cent more likely to say D&I is one of the top business priorities where they work.

There is an important role for enterprises, representative business organizations and labour market institutions to act and stimulate progress towards a transformational approach to D&I. As awareness of inequalities continues to be heightened during the pandemic and beyond, and likely to be reinforced by the consequences of climate change and political and economic uncertainty, there is a growing need for enterprises to define and be increasingly aware about their values on D&I, and how this aligns with the values of their workforce.



International Labour Office

4 route des Morillons

CH-1211 Geneva 22- Switzerland

Bureau for Employers' Activities (ACT/EMP)

ilo.org/actemp

Gender, equality, diversity and inclusion branch (GEDI)

ilo.org/gender