Diversity, equity and inclusion in the workplace

Embracing inclusivity
Embracing inclusivity

Current state

Looking ahead

Workforce needs and driving the desired impact

Where to start
Championing diversity, equity and inclusion (‘DE&I’) is not a new theme for many organisations. However, external pressures from governments and other stakeholders, including prospective and current employees, and a growing acknowledgement of the benefits of an effective DE&I strategy have reinforced the need for organisations to disclose and show progress towards their goals. As the increasing focus on, and business case for, having a diverse workforce have become more apparent, Human Resource departments, business leaders and their Boards have started to take a more proactive approach to reviewing and assessing the adequacy of their human capital management activities around talent attraction, retention and development to ensure that DE&I is core part of all those activities. In fact, an inclusive culture and a diverse workforce are key drivers of workforce resilience.

Additionally, with the buy and voting side of institutional investors increasing their broader focus on ESG (Environmental, Social and Governance) factors, disclosing a comprehensive DE&I strategy for the organisation has also become an investor attraction and compliance strategy. Beyond core employee and investor expectations, establishing and managing strong DE&I practices and goals can also help to hedge against any brand and reputational risks, which are identified as key concerns of the C-suite globally.

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As organisations are planning for the future of work, 3 out of 4¹ have ‘driving DE&I in the workplace’ on top of their mind.

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¹ Aon’s 7th Pulse Survey
² https://www.bloomberg.com/gei/about/
Although DE&I is such an important focus area for organisations, COVID-19 has highlighted gaps in many organisations’ DE&I approach and that Corporate Statements of Intent need to be backed up with actions relevant to the whole of their workforce. For example, data suggests that women have been disproportionately affected by the pandemic, with many leaving the workforce to fulfill their family responsibilities. Those who have continued to work are often doing more than their male counterparts when it comes to the dual responsibilities of work and household duties, and this situation gets even more stark in developing economies.³

Globally, women lost more than 64M jobs last year – a 5% loss, compared to 3.9% loss for men.⁴

From a skills-based diversity perspective, recent reports from the European Commission\(^5\) and the World Economic Forum\(^6\) outline that lockdowns have had an asymmetric impact on different groups of workers, and that most negative effects have concentrated on the more vulnerable and disadvantaged workers. These worker groups are typically employed in the sectors which have been hit hardest by lockdowns, such as hospitality, personal services and some manufacturing industries. On the other hand, from a direct health impact perspective, COVID-19 death rates have been reported to be two to four times higher in most of the minority ethnic groups as compared to the white population\(^7\). People with learning or physical disabilities were disproportionately affected on the economic front across the EU; in addition, they have reported poor care accessibility and faced discriminatory treatment for COVID-19 based on measurement of clinical fragility and neurocognitive state\(^8\). Those with pre-existing conditions and poor baseline health have also seen adverse health outcomes with COVID-19 infections, which points to gaps in preventive education and support services.

Governments across the globe are working to enforce DE&I through legislation or organisational commitments. While this will force organisations to take steps on the path to creating an inclusive workplace, which then promotes diversity, the risk is that it will be implemented on a compliance basis only\(^9\). As seen with the term ‘Greenwashing’, companies must be careful not to be labelled with the title ‘Diversitywashing’. There is a growing expectation that companies not only disclose their DE&I goals and activities but provide ongoing reporting towards those goals so that external stakeholders can monitor progress and understand the steps and likely timeline for achieving them. Goals without this ongoing reporting may result in a perception of ‘Diversitywashing’. Companies need to realise that investors and other stakeholders tend to understand that positive changes may take time. The key is to set meaningful goals, ensure proper C-suite and Board level oversight, and provide a roadmap of how those goals can be achieved.

A common challenge for companies is having a restricted view of the concept of diversity, focusing only on gender diversity or diversity of cultural origin. While this is a practical strategy for companies, broadening diversity analysis to consider other potential candidates and existing employee categories can benefit companies and the communities within which they operate. Some of the other workforce groups that should be considered include individuals with physical or mental disabilities and individuals with varying education and experience levels. The health, wellbeing and benefit programme strategy implemented by an organisation will play a key part in supporting DE&I, and indeed broader ESG factors.

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6  Global Gender Gap Report 2021
7  https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)00949-1/fulltext
8  https://psycnet.apa.org/record/2003-88187-012
9  Diversity and Inclusion: an analysis of Current Status, Dimensions and Methodology through Systematic Review of Literature; Poonam and Ajay Solanke 2021
It is quite clear that, as we look into the future of work, DE&I will remain a business imperative, but as the stress of the pandemic has clearly demonstrated, getting it right is not straightforward. Organisations are considering a multitude of routes to derive the needed impact and have been hiring DE&I managers to increase accountability. However, to have an effective approach to driving DE&I in the workplace, a systemic, cultural and behavioural shift will be necessary for organisations to successfully attract, retain and develop diverse talent.

By establishing and maintaining strong inclusion and diversity practices, companies can:

1. **Attract and retain talent**
   - 80% of women, 80% of black, 75% of Asian and 80% of Latino survey respondents stated that diversity is important in making employment decisions.

2. **Have a direct impact on the bottom line**
   - Diverse companies enjoy 2.3 times higher cash flow per employee.

3. **Minimise legal exposure**
   - The average US Equal Employment Opportunity Commission claim settlement is $40K and 67% of litigated cases rule in favour of the plaintiff.

4. **Improve workforce engagement**
   - Inclusive teams improve performance by up to 30%.

5. **Enhance appeal to investors**
   - Each 10% increase in gender diversity increases Earnings Before Interest and Taxes (EBT) by 3.5% and companies with diverse management teams have 19% greater innovation revenues.

6. **Contribute to Corporate Social Responsibility**
   - 75% of companies signing the German Diversity Charter think that having a diverse and inclusive workplace has a positive impact on their CSR efforts.

References:

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Organisational considerations

1. Organisational governance
   • Board level diversity
   • Internal and external commitments
   • Reporting on DE&I and HR disclosures
   • ESG reporting and investor attraction
   • Reputational risk

2. People strategy
   • Talent attraction and retention
   • Needs-based health and wellbeing benefits design
   • Recruitment, pay equity and talent mobility

3. Product development
   • New customer base
   • Less competition and first mover advantage
   • Parity between consumer and employee offerings

4. Community impact
   • Supply chains
   • Promoting good business practices
   • CSR contributions
   • Diverse talent pools
To achieve these positive outcomes, organisations need to think about DE&I across various dimensions of their business, which can be broadly divided into four key areas:

**Organisational governance**
From a governance perspective, having DE&I reflected at the Board and leadership level, communicating clear internal and external commitments and reporting on DE&I metrics in their human capital and ESG disclosures can help organisations establish credibility and provide stronger business value perceptions.

**Community impact**
On the community impact front, pushing for diversity in supply chain and vendors, by engaging with vendors who have strong DE&I commitments, geographical diversity, or are minority owned, would support operational risk mitigation and reflect well on the organisation’s ESG commitments and priorities to all interested stakeholders. Thinking about diverse talent pools, eg, refugees, differently-abled individuals and cross-cultural candidates, would bring neurodiversity to teams, adding to overall competence and broader impact on the community.

**Product development**
Viewing DE&I through the lens of product development could mean solving for a new customer base, which might be untapped so far, leading to positive impact on the bottom-line for a range of reasons, from low competition to new customer acquisition.

**People strategy**
And most importantly from a people strategy perspective, it could mean ensuring that real value and change is being delivered via formal HR teams’ efforts across all human capital management activities on talent attraction, retention and development. Aon’s paper ‘Driving positive change through diversity, equity and inclusion’, looks at pay equity, HR data and analytics and workforce mobility among other areas. In this whitepaper, we talk about how an inclusive benefits approach rooted in a needs-based health and wellbeing strategy can help to drive DE&I in the workplace and deliver the desired change in the new better.
HR policies, procedures and benefit support systems originated about 100 years ago, designed to support the needs of a standard majority of the workforce. But our workforce looks very different today; we have different generations, individuals from different ethnicities, different sexual orientations, religions or beliefs and people with varied backgrounds who are a part of the workforce. All of these individuals have their unique sets of needs which do not overlap with a standard worker of the past. To ensure that organisations are resilient and are providing equal opportunities to today’s diverse workforce, they need to understand who their workforce is and what their needs are.

Workforce wellbeing needs to be personalised if an individual is going to have the best chance of thriving and reaching their full potential. An individual’s need will also change throughout their lives, so when designing health and wellbeing policies or benefits offerings, it is important that organisations think across both current and longitudinal workforce needs. Leveraging employee choice and utilisation data and reviewing benefit policies and programmes on a regular basis will help organisations stay relevant to their employees’ needs.

Thinking about DE&I health and wellbeing benefits is no different than any other design problem: the key is to start by identifying the need we are trying to solve for.
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Landscape

Employee wellbeing needs

Physical

Emotional

Social

Financial

Work-life

Aging population

Differently-abled population

Educational equity

Health equity

Income disparity

LGBTQ+

Men’s health

Modern families

Religion/culture

Sandwich generation

Women’s health

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Workforce needs and driving the desired impact
Some of the key areas organisations are considering are outlined here.

Health equity
There are disparities in the quality of health and healthcare across different populations, often stemming from differences in geographical location, social background and standards of living. A focus on health equity would mean striving for the best possible access to, and standards of, health for the whole workforce, potentially giving special attention to those more at risk of poor baseline health levels and consequent adverse long-term outcomes.

- For the differently-abled, it means that ensuring pre-existing conditions are not an exclusion in health plan design and having a buffer or corporate fund to support any additional health coverage requirements which might be needed over and above the plan limit due to additional complications because of any existing disability.
- From an income disparity perspective, lower-paid employees often have little disposable income, limiting their health and wellbeing spend leading to chronic conditions and delayed care. But we often see that employees above a certain seniority level have better health coverage as compared to lower-paid employees within the same organisation.
- Access to basic healthcare for all should be a baseline objective and digital health can play a key role in this. However, providing access is one thing, but ensuring individuals are capable of engaging with the technology is vital to ensure that organisations do not inadvertently create a new digital divide.

On-demand workforce
A global talent crunch, an ideological shift towards greater work/life balance and the need for an on-demand workforce have significantly fuelled a growth in the number of alternative workers over the past decade. As we learn to live with COVID-19 and organisations think about how they reshape their business to thrive, we see no reason for this growth to slow. Our own research found that almost 50% of all alternative workers have been undertaking such work for three years or more, suggesting that this is an active career choice and not a temporary solution. However, all too often the health and benefits safety net typically available to traditional employees does not apply to this workforce. Having the freedom to choose when, how and with whom to work is great, but organisations that make use of alternative workers should think about their obligation to provide access to a broad set of products and services offering health, wellbeing, financial protection, lifestyle and career development support. Being inclusive means embracing all types of workers and therefore, it is important that organisations align the need for flexibility with adequate worker protections.

Income disparity and financial health
Financial independence and stability are key to individual resilience and wellbeing, but data on the gaps in support for diverse needs is concerning. Tackling the challenges of an ageing population and the sandwich generation is the reality of managing today’s workforce. Understanding today’s need and pre-empting longitudinal employee health and wellbeing needs are important for a resilient workforce.

1. Religion and culture
Under the Shariah laws for individuals following the Islamic faith, among other requirements, earning interest and investing in funds which derive a profit from the sale of alcohol, tobacco and gambling etc. is prohibited. This makes pension investment in most investment funds out of reach for individuals of the Islamic faith. A few Shariah-compliant funds exist in the market, but many pension schemes do not offer these funds. Organisations as buyers have the power to demand a solution from the market which supports employees’ financial independence and a responsibility to make these solutions available to avoid excluding employees on the basis of their faith.

2. Women’s health
Aon’s 2021 DC and Financial Wellbeing research found a worrying disparity among women’s and men’s financial health, which could also be evidenced globally.

Women are:
- less likely to be high earners
- Less likely to have any money left over for saving after outgoings
- More likely to remain at the default pension savings level
- Less likely to have set a target for how much they need to retire
- Over 60% more likely than men to expect to never be able to afford to retire

Women take more career breaks throughout their professional career due to their family responsibilities; we are all aware of the gender pay gap; and women live longer, which means they need more money to retire than their male counterparts. In essence, women face multiple hurdles on the path to financial independence which have a compounding effect, impacting day-to-day life and their ability to retire.

It is important to understand the impact of your current benefits package on different groups, for example tools such as Aon’s pension analytics can show differences in projected pension outcomes for different groups of employees.
Bring it together – achieving the desired impact

1. Leadership support
   - Visible role model
   - Top-down messaging and transparency in commitments
   - Total people leaders’ participation

2. Clarity and accountability
   - Clear connection to business values and performance
   - DE&I policy and what it means to the organisation
   - Defined responsibilities and goals
   - Measurable progress

3. Two-way employee communication
   - Employee listening and participation in planning
   - Regular dialogue with employees
   - Frequent touchbase to stay relevant

4. Needs-based benefit strategy
   - Workforce composition
   - Gaps in support and need identification
   - Leverage data on current levels of utilisation and preferences
   - Maximising value of spend, offering choice

5. Internal and external visibility of commitments
   - Consistent candidate and employee experience
   - HR and ESG disclosures
   - Core pillar of business identity

6. Build employee awareness
   - Diversity and allyship guides/trainings
   - Theme weeks and diversity regulars’ tables
   - Cross-border exchange

In order to become an organisation with a DE&I strategy driving the desired impact, an integrated approach is crucial. Visible leadership commitment is one of the key drivers for moving the needle when it comes to DE&I at the workplace. An inclusive mindset starts with the management and how diversity is lived daily by all people managers, which drives the culture of the whole workforce. From here, having a clear definition of what DE&I means for the organisation, and setting measurable goals for those responsible for DE&I, will be important. Once this is ensured, the organisation can start to think about how to bring employees fully on board with diversity, equity and inclusion.

As DE&I is embedded in the organisation, creating an environment where communications are in line with the strategy across the business is vital. On the one hand, securing an environment where employees feel free to speak up and get the opportunity to connect on a regular basis will help organisations understand if the company culture is indeed perceived as inclusive. Organisations also need to ensure internal and external communications as well as HR and ESG disclosures are aligned. Creating awareness throughout the organisation will be key to achieve ‘lived-by’ DE&I strategy.

Organisations should work towards a consistent candidate and employee experience. A non-biased selection process, combined with equal career opportunities enabled through targeted educational opportunities, will help the organisation leverage the diversity of the workforce to the fullest. Supporting employees through optimised benefit flexibility can improve employee engagement throughout their career.

83% of organisations surveyed in EMEA have created or are planning to create DE&I metrics or goals.¹⁸
More than half of the organisations we surveyed are planning to or are reviewing their compensation and benefits programmes to address the needs of a more inclusive workforce. One of the initial steps on the journey to needs-based health and wellbeing benefit design is to take stock of the current situation, and ask questions like:

1. What is the composition of your current workforce?
2. How does DE&I align with your business vision and purpose?
3. Review your health and wellbeing benefits: do they support the diverse needs of your employees and are they providing a consistent employee experience?
4. Review your recruitment, mobility and career progression policies and procedures: do they display any systemic biases, or inhibitory processes?

Finally, organisations should not make the mistake of addressing their DE&I objectives in a standalone manner. DE&I should be a key component of an organisation’s ESG agenda; we fully anticipate factors such as employee welfare and mental wellbeing to become as important to investors as other areas such as Board diversity and pay equity. And as ever in an increasingly interconnected world, what happens in the HR and benefits world impacts risk managers and certain general insurances; for example, we are seeing underwriters of Directors & Officers Insurance taking a much stronger interest in an organisation’s ESG and DE&I risk management practices. Thinking about these issues and the impact they can have in the broadest possible way will lay the foundation for a positive long-term impact.
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