

# The Business Impact of Equality & Diversity

THE INTERNATIONAL EVIDENCE

Kathy Monks

National Centre for  
Partnership ■ Performance



THE EQUALITY AUTHORITY  
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# **The Business Impact of Equality and Diversity**

## **The International Evidence**

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## Foreword

*The Business Impact of Equality and Diversity: The International Evidence* provides a valuable and accessible review of the research evidence on the relationship between workplace initiatives on equality and diversity and organisational performance. It builds a compelling business case for investment in workplace equality and diversity.

The National Centre for Partnership and Performance (NCP) published *Working to our Advantage: A National Workplace Strategy* in 2005. This report emerged from a broad ranging consultative exercise through the Forum on the Workplace of the Future. The report establishes a vision for the workplace of the future and identifies a range of priority areas for action to achieve this vision.

The NCP report identifies that this workplace of the future will be proactively diverse where equality and diversity are linked to both the quality of the employee's working life and

organisational performance. Access to opportunities in the workplace is identified in the report as a priority area for action. The report highlights the need to develop policies and structures at national and organisational level to support the achievement of inclusive workplaces and a proactive approach to dealing with equality, diversity and flexibility as mainstream business issues.

The Equality Authority participated in the Forum on the Workplace of the Future and published its submission to the Forum under the title *Building an Inclusive Workplace*. This submission established three key characteristics for an inclusive workplace as being free from discrimination, valuing diversity and proactive in pursuit of equality. It identified workforce diversity as one key driver for change in the Irish workplace and set out the need for businesses to invest in equality.

The National Centre for Partnership and Performance and the Equality Authority share a perspective on equality and diversity as being central to building the workplace of the future. Both organisations also share a concern to further develop the business case for workplace equality and diversity. A well developed business case for action on equality and diversity will stimulate and secure the emergence of the workplace of the future.

*The Business Impact of Equality and Diversity: The International Evidence* is the first product from a programme of joint work being developed by the National Centre for Partnership and Performance and the Equality Authority to explore this business case for equality and

diversity. Professor Kathy Monks, the author of this review, has served us well in this regard. She presents a thorough and accessible review of key research on this business case. She provides a thoughtful and insightful analysis of this research and presents an *Equality-Diversity Value Chain* that will serve as a framework for future work on this issue. It is clear from her work that business success requires equality and diversity to be mainstream business issues.

We would like to thank all of the people involved with this report. In particular Laurence Bond and Dr Larry O’Connell who managed the project throughout as well as Valerie Whelan and Julia Kelly for their work during the latter stages.

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## Executive Summary

**This review emerges from the work of the Forum on the Workplace of the Future (2003) that was set up by the National Centre for Partnership and Performance (NCPP) at the request of Government. The NCPP's final report, *Working to our Advantage: A National Workplace Strategy* (2005), sets out a vision of the workplace of the future. In order to accomplish this vision, strategic priorities were established in five critical areas.**

This report arises from the need to develop further the business case in two of these areas: improving access to opportunities and enhancing quality of working life. It also reflects the strong commitment in the new social partnership agreement, *Towards 2016*, to equality of opportunity and diversity within the workplace and to developing practical supports for workplaces.

In line with this strategic focus, this report reviews the research evidence on equality and diversity and considers its relationship to organisational performance. The review indicates that investment by organisations in initiatives that promote workplace equality and foster diversity has substantial benefits for both employees and employers. However, if equality and diversity initiatives are to be successful, they cannot be introduced as stand-alone policies and practices that are left to either a human resource department or line managers to implement. Their success depends on their integration into both the organisation's strategy and its culture so that they shape the way in which business is undertaken and the ways in which individuals work.

### Equality and diversity in context

Ireland's stated position as a player in the knowledge economy presents challenges in its need for a highly educated and skilled workforce to take on the types of roles that are required in such economies. This workforce is one that is becoming increasingly diverse with demographic changes that

include: increased female labour market participation, a larger number of single parent households, a steadily rising older population, and increased immigration. In addition, diversity is exemplified in engagement with those with disabilities, those from diverse religious backgrounds and sexual orientation as well as those from different cultures, including the Traveller community.

### Equality, diversity and organisational performance

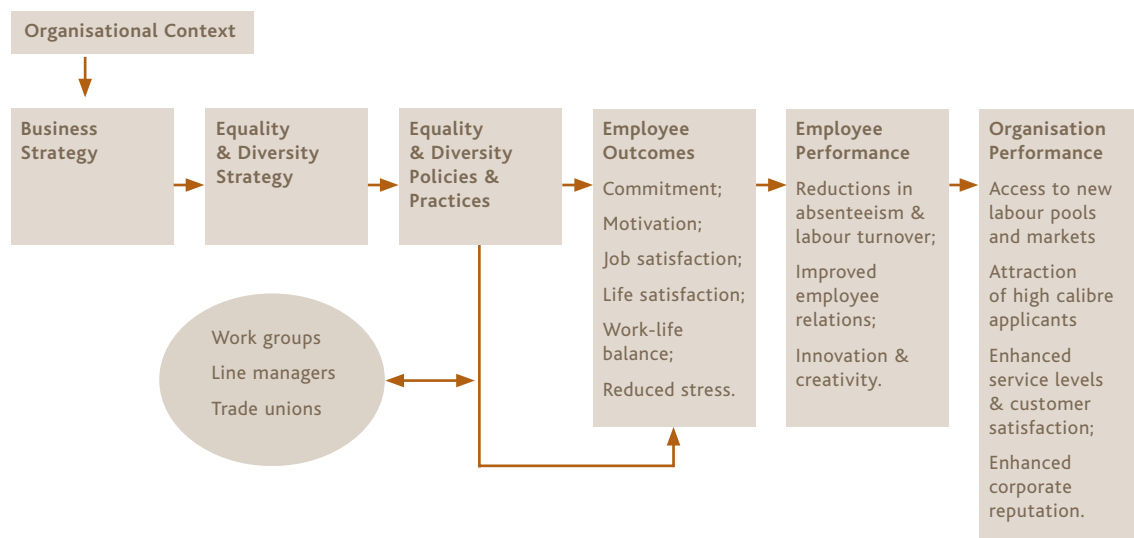
The notion of an Equality-Diversity Value Chain is utilised in the report to map the linkages between investment in equality and diversity initiatives and outcomes for both employees and employers.

The relationships between the various elements in the value chain can be summarised as follows:

- At a strategic level, policies in relation to positive action and equality appear to enhance organisational performance. In addition, there is a relationship between diversity in top team membership and organisational performance.
- There is a positive relationship between the adoption by organisations of equality policies and employee outcomes including commitment, job satisfaction, life satisfaction, work-life balance and reduced stress.
- There are positive employee performance outcomes with reductions in absenteeism, labour turnover, improved employee relations and innovation and creativity arising from the introduction of equality and diversity initiatives. Yet, there appears to be an uneasy relationship between the investment by employers in initiatives such as flexible working arrangements

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### The Equality-Diversity Value Chain





and their take-up by employees, despite the evidence that there are benefits for both employers and employees in such arrangements. In many organisations the prevailing culture of presenteeism means that their take-up is limited by fears from employees that these will result in reduced career opportunities.

- Line managers find themselves increasingly called upon to deliver equality and diversity strategies but there is little evidence that they are receiving the support or training needed to undertake these tasks. In such cases they are likely to view equality and diversity as marginal activities and to take a reactive stance, concentrating solely on minimal compliance rather than the positive outcomes that could accrue from a proactive approach.
- There is evidence that diverse work groups can be a source of creativity and innovation within organisations. However, they require active management if they are to work successfully. In this regard, the role played by line managers is once again crucial.
- There is limited research evidence on the role that the trade unions might play in equality and diversity initiatives at an organisational level. Trade union reaction to diversity initiatives may depend on

their previous experience of working with equal opportunities policies and the way in which these were managed within organisations.

- The evidence regarding the relationship between equality and diversity initiatives and organisational performance suggests that organisations perceive performance outcomes from investment in such initiatives in four inter-related areas:
  - Human capital benefits such as the ability to resolve labour shortages and recruit and retain high calibre staff
  - Increased market opportunities with access to more diverse markets
  - Enhancement of organisational reputation to suppliers, customers and prospective and existing employees
  - Changes to organisational culture such as improved working relations and reductions in litigation.

### Managing equality and diversity for organisational performance

There is a wide choice of tools that organisations might utilise in order to evaluate the impact of diversity initiatives on business performance. The evidence from studies of companies that are engaging in equality and diversity initiatives identifies the following factors as critical to their success:

- Top management support and committed high profile leaders who will demonstrate the importance of equality and diversity
- The incorporation of equality and diversity into an organisation's vision and values and ensuring that it becomes a core activity
- The integration of equality and diversity into business objectives through inclusion in objective setting, reward and recognition
- The assessment of the specific needs of the organisation and the tailoring of the management of diversity to those needs
- Ownership for equality and diversity is spread throughout the organisation rather than added to the portfolio of the human resource department. A separate equality and diversity function has been identified as a powerful element in some organisations, while others have found structures such as Equality / Diversity Councils valuable in spreading ownership. Those involved in the implementation of equality and diversity must have the power and authority to initiate and influence organisational change.
- Training is required:
  - To raise awareness and to develop competence and skills in relation to equality and diversity
  - To gain staff understanding and support for such initiatives
  - To support diverse teams
  - For line managers engaged in the delivery of equality and diversity initiatives.
- The involvement of employees in the design and implementation of equality and diversity policies and practices.
- The use of hard measures that will indicate the impact of equality and diversity with appropriate systems to collect and assess data.
- Ensuring that equality and diversity is integrated with and complementary to HR policies and practices.
- The embedding of equality and diversity initiatives into organisational change programmes.
- Research on the ways in which equality and diversity initiatives might be leveraged for organisational performance indicates that they need to be integrated into the culture and fabric of the organisation. This integration is likely to ensure that the potential benefits to be gained by investment in such initiatives are achieved and that possible problems are avoided.

## Equality and Diversity: Towards the Inclusive Workplace

This report assesses international research evidence on equality and diversity and its relationship to organisational performance. The review indicates that investment by organisations in initiatives that promote equality and foster diversity has substantial benefits for both employees and employers. However, the review also indicates that the success of equality and diversity initiatives may require a rethinking by organisations of the benefits that investment in equality and diversity initiatives can bring. It is apparent that many organisations still see the main driver for equality and diversity as a response to legal regulation, but a reactive response to equality and diversity is unlikely to harness the benefits that investment in these areas has to offer to both employers and employees.

If equality and diversity initiatives are to be successful, they cannot be introduced as stand-alone policies and practices that are left to either a human resource department or line managers to implement.

Such an approach is best described by Benschop (2001: 1179) from her research in an insurance-banking company in the Netherlands, as one where the organisation: 'sticks to the tried and tested HRM approach of "add diversity and stir"' but in consequence 'misses out on the potential beneficial effects of diversity while it cannot escape the detrimental effects of diversity'. Instead, the success of equality and diversity initiatives depends on their integration into both the organisation's strategy and its culture so that they shape the way in which business is undertaken and the ways in which individuals work.

While this report focuses on the bottom-line business benefits of investment in equality and diversity, there is evidence that many companies are now adopting these practices for ethical reasons. This decision reflects higher public expectations of how companies should do business in relation to a wide range of issues such as fair trade, environmental impact, human rights and social justice. Policies and practices in relation to equality and diversity fit with an organisation's views on its corporate social responsibility and thus become embedded in the values underpinning the way in which the organisation does business. In consequence, they become part of the image portrayed to employees – including prospective employees – and the public at large.

This chapter first of all describes the background to the report and sets it within the broader frame of a vision for the workplace of the future. In order to contextualise and inform the review of the international evidence that is presented in the remainder of the report, current understandings of equality and diversity are examined. A broad overview is provided of the business case for investing in equality and diversity initiatives.

### 1.1 The background to the report

This report emerges from the work of the Forum on the Workplace of the Future (2003) that was set up by the National Centre for Partnership and Performance (NCP) at the request of Government. The report also reflects the strong commitment in the new social partnership agreement, *Towards 2016*, to equality of opportunity and diversity within the workplace and to developing practical supports for workplaces.

The NCP's final report, *Working to our Advantage: A National Workplace Strategy* (2005), sets out a vision of the workplace of the future. This workplace is envisioned as agile, customer-centred, knowledge-intensive, responsive to employee needs, networked, highly productive, involved and participatory, continually learning, and diverse. In order to accomplish this vision, strategic priorities were established in five critical action areas: commitment to workplace innovation, capacity for change, developing future

skills, access to opportunities, and quality of working life. This report arises from the need to develop further the business case in the last two of these areas: improving access to opportunities and enhancing quality of working life. In line with this strategic focus, the aim of this report is to review the impact of a proactive approach to investment in equality and diversity and work-life balance on the bottom-line performance of organisations.

This report builds on the substantial primary and secondary research that has already been undertaken by the NCP and the Equality Authority in informing the direction of the strategic priorities. This includes the NCP surveys of employers and employees views and experiences (NCP\ESRI, 2005, a, b) as well as the reports *Equality at Work? Workplace Equality Policies, Flexible Working Arrangements and the Quality of Work* that has been undertaken by the ESRI (O'Connell and Russell, 2005) and *Building an Inclusive Workplace* (2004), which constituted the Equality Authority's submission to the Forum on the Workplace of the Future.

### 1.2 Equal opportunities and diversity management: developing an equality system

While in some cases the terms 'equal opportunities' and 'diversity' are used to denote differing philosophical stances on the nature of individuals and organisations, in other cases they are used interchangeably. Rigid distinctions between equal opportunities and diversity, as Malvin and Girling (2000:

424) point out, fail to see the concepts as interdependent: 'managing diversity (valuing differences) and equal opportunities (valuing the differences groups can bring)'. Focusing on distinctions between the two approaches may also mean that sight is lost of what is core to their common ground; both are based on notions of equality and how this might best be understood and achieved in order to further the interests of individuals and organisations. Indeed, as Noon and Ogbonna (2001: 1) suggest: 'in both theory and practice it [managing diversity] offers a new challenge to both conceptualising and tackling the issues of equality, discrimination and injustice in employment'.

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Thus, organisations that have already invested heavily in equal opportunities initiatives will have a solid base for extending and developing these policies and practices in order to embrace diversity initiatives. They will have already created a climate within their organisations that signals that a value is placed on equality. An example of the way in which this has been achieved is provided in a case study undertaken in the BBC in Scotland. Here it was found that in the case of a successful racial diversity initiative: 'managing diversity and equal opportunities are linked in practice, with a managing diversity initiative developing and complementing approaches to equal opportunities' (Maxwell, 2003: 199).

In contrast, organisations that have previously simply complied reactively with equality legislation, but have no existing infrastructure to support equality initiatives, may find that pro-active diversity management initiatives fail. Such organisations are unlikely to have policies in place, or an appropriate climate within the organisation, that will ensure the acceptance required for diversity initiatives to take hold. This view is in line with the systems approach that views HRM as comprising integrated and coherent bundles of mutually reinforcing practices (Becker and Gerhart, 1995; MacDuffie, 1995).

Embedded in this approach is the notion that HR practices need to be combined appropriately if they are to work successfully. In this regard, Becker et al.'s (1997) notion of 'powerful connections' is a useful way of considering the impact that equality and diversity initiatives may have when combined together and embedded in an equality strategy. In such cases, the practices will reinforce one another, with a synergistic effect and an impact that is greater than the sum of the parts. In contrast, the introduction of diversity initiatives without a supporting infrastructure of equality could have the opposite effect of creating a 'deadly combination' (Becker et al., 1997).

Here there will be negative consequences within the organisation that could include not simply the failure of the initiative itself to take root, but the creation of problems in the implementation of other HR practices and resistance to the introduction of future changes. Diversity management can be viewed as maximising employee potential, but the climate for such an understanding is best viewed against the backdrop of an equality agenda. Otherwise, in line with the 'deadly combination' notion, it may simply be perceived as yet another managerial initiative designed to obtain further efficiencies without regard for employee interests.

Rather than seeing equality and diversity as separate entities, the term 'diversity management' used in this report follows the definition proposed by Gagnon and Cornelius (2002: 36) as

*an approach to workplace equality [that] draws its distinctiveness largely from its focus on equality through 'difference' rather than 'sameness'.*

In their submission to the Forum on the Future of Work, the Equality Authority has laid out its vision of the 'inclusive workplace'. In this vision, 'diversity and the accommodation of diversity emerge as key dimensions to this pursuit of equality' (p. 13). The notion of equality embedded

in the inclusive workplace translates into organisations that:

- Are free from discrimination, sexual harassment, and victimisation, and are taking steps to prevent such experiences for employers and customers.
- Acknowledge, value and accommodate diversity, making adjustments and providing facilities to take account of the practical implications of difference and, in particular, meeting their obligation to make reasonable accommodation for employees and customers with disabilities.
- Are proactive in their pursuit of equality, seeking and realising tangible outcomes including through positive action as allowed under the legislation.

The Equality Authority points out that the realisation of workplace equality will require the support of an infrastructure that includes: equality policies, equality and diversity training, equality officers and an equality committee. In addition, they set out the need for the active promotion of equality and the combating of discrimination through review of workplace policies and practices, and participation by those experiencing inequality in 'decision-making that shapes workplace organisation, practice and culture' (p. 14).

### 1.3 The business case for investment in equality and diversity initiatives

Table 1.2 provides an overview of the business case for investment in equality and diversity and some of the reasons why organisations are investing in these areas.

### 1.4 Structure of the report

The remainder of the report examines the business case in more detail by drawing on national and international research into workplace equality and diversity initiatives from Ireland, the UK, USA, Australia, New Zealand, Canada and Europe.

Chapter 2 describes the context for workplace equality and diversity in the light of changes in Ireland's recent and projected demographic profile and the stated intention of Government to position Ireland as a lead player in a knowledge economy.

Chapter 3 considers research that has examined the link between equality, diversity and organisational performance and presents a model of the Equality-Diversity Value Chain.

Chapter 4 considers the factors critical to the success of equality and diversity initiatives and how these might be managed. It also examines the range of tools available to organisations to measure the impact of equality and diversity initiatives on organisational performance.

Table 1.2

### The business case for investment in equality and diversity<sup>1</sup>

The 'War for Talent': increasing competition for the best talent, coupled with shrinking population pools from traditional sources, requires organisations to recruit from an increasingly diverse range of potential employees.

The globalisation of markets brings contact with increasingly diverse customer bases which require understanding of diversity within and across cultures and leads to opportunities to increase market share. In addition, a diverse workforce can assist organisations in designing products that appeal to this diverse customer base.

Organisational reputation and image as an inclusive employer leading to improvements in the recruitment and retention of high calibre employees as well as reductions in absenteeism levels, thus reducing costs.

Equality and diversity provides new sources of ideas leading to enhanced creativity and innovation and higher quality problem solving in teams.

Equality and diversity initiatives can result in improved service delivery by altering work patterns and including more part-time and flexible work schedules.

Equality and diversity become linked with corporate social responsibility, including notions of social justice and ethical behaviour, thus enhancing organisational reputation amongst shareholders, customers, and prospective employees.

Equality and diversity initiatives enable employees to obtain a better work-life balance, resulting in greater levels of job satisfaction and commitment.

The legal costs involved in employment equality claims will be avoided.

1. Based on: Rutherford and Ollerearnshaw (2002); Jayne and Dipboyne (2004); Konrad (2003); CSES (2003); Metcalf and Forth (2000); Robinson and Dechant (1997); Cox and Blake (1991); CIPD (2005); IBEC, 2002.

## Equality and Diversity in Context

This chapter examines the economic, demographic and legal context in Ireland in which equality and diversity initiatives operate, particularly in the light of Government's stated intention to position Ireland as a knowledge economy. It also examines evidence in relation to the ways in which Irish organisations are currently managing equality and diversity.

### 2.1 The knowledge economy

Ireland has positioned herself as a key player in the emerging knowledge economy and the growth of knowledge intensive work has been seen as 'one of the most important influences shaping work and workplaces in the coming years' (NCPP, 2005: 12). In such an economy organisations are highly reliant on the knowledge skills and abilities of their employees and on the new ideas that they generate. This increasing reliance on knowledge and the implications for organisations are highlighted in the recent Enterprise Strategy Group Report (2004: 26):

*Knowledge creation and diffusion are at the core of economic activity. Knowledge is embodied in people, and it is the quality of human resources that will determine the success or otherwise of firms and economies in the years ahead. It is people who create new knowledge, and it is people who disseminate, adapt and use data, intuition and experience to create distinctive value. Although pace differs from country to country, most countries are becoming more knowledge intensive. The challenge for Ireland lies in ensuring that we are at the forefront of this transition.*

A recent appraisal of Ireland's position suggests that we face 'an unprecedented challenge to grow the high-paid jobs and knowledge intensive investment needed to sustain our performance in the future' (Forfás, 2006: 2). Ongoing changes in the markets for goods and services, brought about by globalisation, rapid technological change, the development of new markets



and the erosion of traditional ones, and changes in the way in which organisations operate, all point to an increasing level of diversity, the types of customers businesses wish to attract, the types of employees they require, and the ways in which these employees will work. Competitive pressures require increased knowledge, skills and flexibility from all types of employees. They also require new approaches to managing from employers that include employee involvement initiatives, increased autonomy, enhanced and ongoing training and development, a proactive focus on equality and diversity, and new forms of working arrangements.

## 2.2 Changing demographics

Ireland's success in a knowledge economy will therefore depend on the knowledge, skills and abilities of the workforce. The last ten years have seen major changes in the size and composition of this workforce. These include steadily rising rates of female participation which increased from 42 per cent in 1990 to almost 58 per cent in 2003 with an additional 23,000 married women entering the labour force in the last year (CSO, 2003; 2006). This pattern reflects changing notions of the family and of the work-family relationship with an increase in the number of households that are headed by a single parent and an increase in the number of employees who were combining caring and employment commitments (Russell et al., 2004; Cullen et al., 2004).

The proportion of older people in the Irish population is also rising although Ireland still has a relatively young population when compared to the EU average. It is expected that the proportion of those aged between 45 years and 64 years in the labour force will increase substantially. This will create both opportunities and challenges for employers, bringing with it an increased availability of labour but also the need to provide more flexible working and retirement schemes with attention to work-life balance issues (Equality Authority, 2002a; Russell and Fahey, 2004; WRC Social and Economic Consultants, 2003; Fine Davis et al., 2006). However, the negative attitudes to older workers that have been labelled as ageism will present a key challenge in managing this section of the workforce.

Additional participation is also expected from those with disabilities as they remain a relatively untapped potential labour pool (Gannon and Nolan, 2004). Religious diversity is increasing in line with inward migration and there is also a changing awareness of sexual diversity, particularly following the introduction of civil partnership in many European countries. However, research on the employment of gay and lesbian people indicates that they may experience hostility and discrimination at work (Equality Authority, 2000b; Zappone, 2003). The Traveller community has remained largely excluded from mainstream employment opportunities to date and special measures will be needed to ensure their inclusion in future economic development (Pearn Kandola, 2003). Yet

the traditional activities in which Travellers engage remain a potential source of entrepreneurial activity for the Irish economy (Equality Authority, 2004).

The increasing rate of migration into Ireland over the last number of years has brought about further dramatic demographic change.

In part, this migration has comprised returning emigrants who have been attracted to return home by the booming economy. In addition, immigrants, who come from more than 100 countries, have entered Ireland, bringing with them their own traditions that have led to the development of a multi-cultural society. It is estimated that 271,300 foreign nationals aged 15 and over were living and working in Ireland in the first quarter of 2006, of whom 184,000 were in employment.

Non-Irish nationals now account for almost one quarter of the total workforce in hotels and restaurants, and about 10 per cent of the workforce in the construction, financial/other business services, and other production industries. The biggest increase in non-Irish national workers has occurred in the financial/other business services sector, where an additional 10,000 non-Irish nationals were employed over the last year. The nationals of the new EU-10 accession States represent the fastest growing group as their participation in employment has almost doubled in the last year, rising to over 69,000 (CSO, 2006). Ireland is fast becoming the preferred destination for highly skilled migrant employees from low and high-income countries both within and outside the EU (Minns, 2005).

About half of the immigrants have a third-level educational qualification, compared to only 27 per cent of Irish nationals, but are not necessarily employed at a level that reflects their educational status (Expert Group on Future Skill Needs, 2005). The economic costs of the underutilisation of migrants' skills and knowledge are significant. A recent report suggests that if all migrant workers were employed at a level reflecting their standard of education, it would contribute around 3.5 per cent to the country's GNP (Barrett et al., 2005).

As a result of these rapid changes in society, by 2003 the percentage of foreign workers in the labour force was higher in Ireland than in France, the UK and the Netherlands. However, in contrast to the pattern in other countries, in Ireland this figure is heavily influenced by recent rather than historic migration patterns and thus represents a very rapid rate of change in the composition of the Irish workforce and one which presents particular challenges in its planning and management. A report on migrant workers carried out for the Equality Authority (Conroy and Brennan, 2002) found that there was only an haphazard support infrastructure for such workers and that many faced difficulties in participating fully in the labour force due to poor English language skills. A recent report on migration (NESC, 2006) suggests that Ireland has largely benefited from immigration to date. The increasingly culturally diverse workforce will need to be managed strategically if this benefit is to continue.

Whereas each of the changes outlined above has a significant impact in its own right on the composition of the labour force, when combined they present very dramatic changes indeed. An estimation of what the labour force of the future will look like has been provided in a recent analysis (Fitzgerald, 2006). In this analysis, it was pointed out that the labour force in 2015 will be a highly educated one where both partners work. **The labour force as a whole will be much older and the 30-34 age group will dominate.** Fitzgerald points out that these changes raise all sorts of issues in relation to the attraction and retention of both men and women in the labour force, the provision of childcare, flexible working arrangements and the management of immigration. He points in particular to the penalties imposed on women who, despite providing a highly valuable skill-set from their participation in third-level education, face severe restrictions in their careers if they decide to take time away from the workforce. In addition, there is evidence that problems of gender segregation still exist with women more likely to be working in lower level positions, to be paid less than their male counterparts, and under represented at senior management level in organisations (Russell and Gannon, 2002; Hughes, 2002).

### 2.3 The legal context of equality and diversity

Fostering diversity in the workplace cannot be viewed separately from ensuring the provision of equal employment opportunities since such provision underpins and shapes the ways in which diversity is managed.

The Employment Equality Acts 1998-2004 and the Equal Status Acts 2000-2004 **prohibit discrimination on nine discriminatory grounds: gender, marital status, family status, sexual orientation, religion, age, disability, race and membership of the Traveller community.**

Discrimination is prohibited in employment, self employment, the provision of goods and services, educational establishments and accommodation (and there are separate provisions in relation to discriminatory clubs).

**Discrimination is defined to include indirect discrimination, discrimination by association or by imputation.** Both Acts prohibit victimisation, sexual harassment and harassment, and require reasonable accommodation of people with disabilities.

An employer is obliged to take appropriate measures to enable a person who has a disability to have access to employment, to participate or advance in employment and to undertake training unless the measures would impose a disproportionate burden on

the employer. The prohibition on discrimination may require employers to take account of cultural and linguistic diversity.

An employer will be liable for the sexual harassment or harassment of an employee unless the employer can prove that reasonably practicable steps were taken to prevent the persons harassing or sexually harassing the victim or (where relevant) prevent the employee from being treated differently in the workplace. An employer will be liable for anything done by an employee in the course of his or her employment unless the employer can prove that he or she took reasonably practicable steps to prevent the discrimination.

It is therefore vital that employers have comprehensive anti-discrimination, sexual harassment and harassment policies and procedures in place and that these are properly applied and updated. In addition, both Acts allow broad positive action measures. Therefore employers can take steps with a view to ensuring full equality in practice between employees on all of the nine discriminatory grounds.

Finally, there are a number of general and specific exemptions in the legislation. Some apply to particular types of employment, some apply to all kinds of employment, some apply to particular grounds and some apply to provisions in other legislation.

## 2.4 Organisational responses to change

It is evident that many Irish employers have responded to the alterations that have taken place in the composition of the workforce by introducing changes to the ways in which work is organised. In relation to cultural diversity, a wide range of initiatives are now taking place and the publication *Promoting an Intercultural Workplace* (Equality Authority, 2002c) gives many examples of the ways in which organisations, including Irish organisations, are engaging at the levels of policy and planning, recruitment and selection, culture and ethos, support for black and minority ethnic employees and links with the community. Other reports (McDonnell, 2004; Hegarty and McNally, 2002) list additional examples of HR strategies that are being utilised to promote equality in organisations across all nine grounds.

Work-life balance programmes are now in place in many Irish organisations (see [www.worklifebalance.ie](http://www.worklifebalance.ie)). Flexible work schedules have also become more widespread and a recent report (O'Connell and Russell, 2005) found that almost one in four employees is involved in flexible working and one in five works part-time. However, flexible working varies considerably across economic sectors and organisations and tends to be used much more by women.

In addition, despite dramatic increases in the proportion of women in employment, gender segregation is still very prevalent with women concentrated in a small number of occupations which tend to be lower paid (Russell and Gannon, 2002). Furthermore, there is evidence that many individuals suffer discrimination at work. A recent national level survey conducted by the Central Statistics Office (CSO, 2005) found that 12.5 per cent of the adult population 18 years and over had experienced discrimination over the last two years with 5.1 per cent experiencing work related discrimination and 8.9 per cent experiencing discrimination more than once in the same period. The Equality Authority continues to deal with large numbers of cases in relation to discrimination and in 2005 it had 359 case files under the Employment Equality Acts, 142 of which were new. About a third of these were related to race discrimination with gender accounting for about 20 per cent, disability for 15 per cent, and age for 12.5 per cent.

#### 2.4.1 Equality and diversity in Irish organisations

Table 2.1 shows the position of Ireland relative to some other EU member countries in relation to the adoption of diversity policies based on findings of a survey of European businesses (EBTP, 2005). Despite the rapid changes in the workforce outlined earlier in this chapter, only about half of the Irish organisations surveyed in this study had diversity policies in place and in the majority of cases these were only recently implemented.

Research carried out on behalf of the Equality Authority (Equality Authority, 2002d) in 300 private and 100 public sector Irish organisations confirms the European study. The research found that many policies and procedures to promote equality are in what is termed a 'formative' rather than 'advanced' state with less than half of the organisations surveyed having a formal written policy to deal with equality issues. The survey also found little evidence of an infrastructure to promote equality, such as an individual dealing specifically with equality issues, or an equality committee. Equality awareness and training courses were held in only 36 per cent of organisations. Where equality and diversity initiatives were taking place, they tended to focus on disability, gender, race, family status and age and little attention was paid to the issues of religious belief, sexual orientation and membership of the Traveller community.

While the overall picture within Ireland appears fairly underdeveloped, **many companies are very actively engaged in equality and diversity initiatives.** Table 2.2 sets out some equality and diversity statements from a range of Irish organisations. These statements are displayed on company websites and so in many cases represent the public face of workplace equality and diversity. In some companies, reference to diversity is contained within the recruitment pages and/or within the pages that focus on the organisation's commitment and contribution to the external community. The majority of these companies were also included in the list of the 50 best companies to work for in Ireland for the year 2006 (see [www.greatplacetowork.ie/best/index.php](http://www.greatplacetowork.ie/best/index.php)).

## 2.5 Conclusions

This chapter has provided an overview of the Irish context for equality and diversity in the workplace. The recent, rapid changes in Ireland's economic and demographic situation have resulted in the emergence of a diverse labour force. It is evident that this diversity requires new approaches

to the management of employees but many Irish organisations have not as yet considered these new approaches. For these organisations, changes to the ways in which employees are managed represent substantial costs. In the next chapter, the research evidence is evaluated in relation to whether these costs are justified in terms of performance outcomes.

**Table 2.1**

### Percentage of companies with diversity policies and stages of implementation

	Well embedded policies and practice	Recently implemented	Implementing but more needs to be done	In the process of developing diversity approach	No diversity policies or practices
Germany	32	14	8	1	45
Denmark	18	10	4	2	65
The Netherlands	22	15	5	7	51
Poland	18	9	8	5	57
Hungary	8	4	12	8	67
United Kingdom	29	29	4	7	31
Ireland	16	25	7	7	45
Belgium	15	10	10	7	59
Czech Republic	15	0	18	12	52
Norway	23	10	17	3	47

Table 2.2

### Excerpts from website diversity statements

Organisation	Industry	Ownership	Equality/Diversity Statements
<b>Abbott Laboratories Ireland Ltd</b> 100 employees <a href="http://www.abbott.ie">www.abbott.ie</a>	Biotechnology & Pharmaceuticals	Private	We value diversity at Abbott – in our people, products, technologies, and markets. Diversity is a key component of our business strategy, because we know the different perspectives and insights that our employees offer allow us to better understand and connect with the people we serve.
<b>Diageo Ireland</b> 394 employees <a href="http://www.diageo.ie">www.diageo.ie</a>	Manufacturing & Production – Food Products	Private	We value each other – we seek and benefit from diverse people and perspectives. We strive to create mutually fulfilling relationships and partnerships.
<b>Dublin Bus</b> 3400 employees <a href="http://www.dublinbus.ie">www.dublinbus.ie</a>	Transportation	Public	Dublin Bus acknowledges that diversity in the workplace is a key equality issue, and that multiculturalism can enrich both the workplace and society. Dublin Bus is committed to providing a workplace in which all employees' individuality is valued and cultural differences are respected.
<b>Enterprise Rent-A-Car</b> 169 employees <a href="http://www.enterprise.com">www.enterprise.com</a>	Transportation	Private	Enterprise reaches out to people of all backgrounds — in serving existing customers and winning new ones, in developing our current employees and attracting new talent, and in identifying and employing a diverse range of service providers. Our commitment to be an inclusive company extends to every employee, customer and business partner.  We value the many differences that make each of us unique and know that these differences help to advance our success.
<b>GlaxoSmithKline Ireland</b> 258 employees <a href="http://www.gsk.com">www.gsk.com</a>	Health Care	Private	Understanding the role of diversity within our company means that we need to be aware of the contribution that can be made by everyone with whom we do business. This includes our employees, customers and other stakeholders.  Our commitment to diversity includes a range of initiatives that help our employees to work in an understanding, flexible and creative environment.

Organisation	Industry	Ownership	Equality/Diversity Statements
<b>IBM Ireland</b> 3700 <a href="http://www.ibm.com/ie">www.ibm.com/ie</a>	Electronics	Private	IBM values diversity and recognises the enormous benefits of capitalising on the skills and talents inherent in all segments of the global community. To that end IBM has set itself global objectives for diversity including cultural awareness and acceptance, work-life balance, integration of people with disabilities and the advancement of women, whilst focusing on the global marketplace and building a diverse management team.
<b>Intel Ireland</b> 5275 employees <a href="http://www.intel.ie">www.intel.ie</a>	Electronics	Private	At Intel, our every success – the goals we set, the relationships we build with customer and vendors, and the quality of our work – is thanks to our people. We are committed to investing in our diverse workforce and celebrating the myriad of cultures, lifestyles, experiences and ideas they offer. The policies developed by Intel to support Gay, Lesbian, Bisexual and Transgender (GLBT) employees have set the standard in building positive staff relationships for leading employers across all industries.
<b>O2 Ireland</b> 1314 employees <a href="http://www.O2.ie">www.O2.ie</a>	Telecommunications	Private	Everyone is not the same. At O2, we value the differences and we run our business and serve our customers accordingly. As part of O2's stated Diversity Framework, we are committed to supporting diversity and we are prepared to break outside of the 'norm' in our definition of diversity.
<b>Xerox Ireland</b> 1428 employees <a href="http://www.xerox.ie">www.xerox.ie</a>	Professional Services Telephone Support/Sales Centres	Private	Our view on a diverse workforce is most eloquently expressed by Xerox Chairman and Chief Executive Officer Anne M. Mulcahy: 'I'm convinced diversity is a key to success. Experience tells us that the most diverse companies – companies ruled by a hierarchy of imagination and filled with people of all ages, races, and backgrounds – are the most successful over time. Somehow, diversity breeds creativity. Maybe it's because people with different backgrounds challenge each other's underlying assumptions, freeing everybody from convention and orthodoxy.'



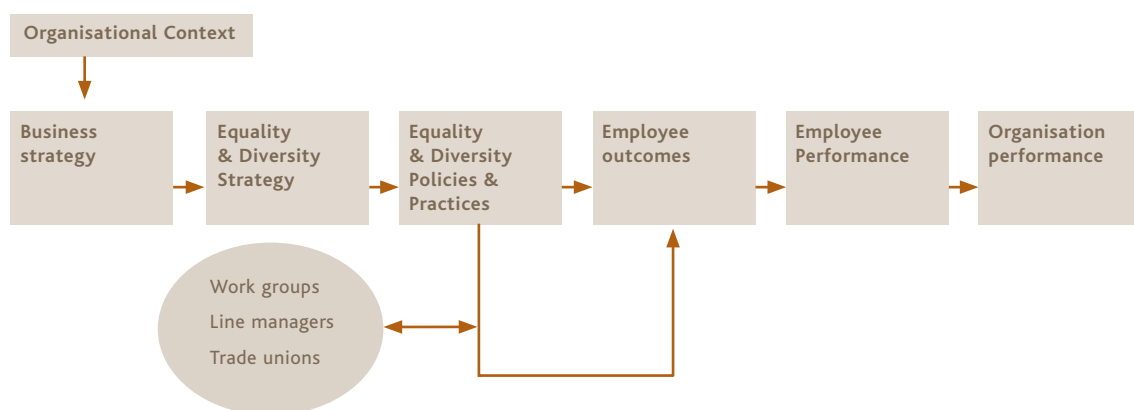
## Equality, Diversity and Organisational Performance

**This chapter considers the evidence on the relationship between equality, diversity and organisational performance. In considering this issue, it is useful to situate the discussion within the wider debate on the relationship between human resource management (HRM) and performance. It can be argued that pro-active equality/diversity management is one practice in the repertoire of HR practices that organisations may choose to adopt.**

Implicit in many of the studies of the HRM-performance relationship is the notion of a value chain starting with the organisational strategy from which a HR strategy and practices emerge. This then leads to HRM-related outcomes, such as changes in employee attitudes and behaviours, and culminates in improvements such as increased productivity and performance or reduced absenteeism and labour turnover, as well as in financial performance.

Figure 3.1 adapts the framework utilised in many studies of the HRM-performance relationship (e.g. Becker et al., 1997; Boselie et al., 2005) to develop a model of the equality/diversity performance value chain.

**Figure 3.1** The Equality-Diversity Value Chain



In line with the HRM-performance models, the impact of these policies on both individuals and organisations is seen as affected by the way these are implemented and here the role of line managers has been perceived as particularly crucial (Purcell et al., 2003). Research evidence is then examined for:

- Links between business strategy, diversity and performance
- The link between equal opportunities policies and performance
- The impact of equality and diversity policies and practices on employee satisfaction and performance

- The role of line managers and trade unions in equality and diversity initiatives
- The outcomes for organisations from investments in equality and diversity.

### 3.1 Business strategy and equality / diversity

A number of studies conducted in the USA have examined the relationship between elements of business strategy, equality/diversity and organisational performance (Table 3.1).

< 25

**Table 3.1**

#### Business strategy and equality/diversity

A study by Richard (2000) in the banking industry in the USA found that when firms are pursuing a growth strategy then ethnic diversity enhances productivity and that this relationship intensifies as strategic growth increases.

Research in 177 banks in the USA showed that ethnic diversity enhanced return on equity for banks pursuing an innovation strategy, thus resulting in improved overall firm performance, whereas performance declined for banks low in innovativeness. (Richard et al., 2003)

A study by Wright et al. (1995) in the USA found that firms with high quality affirmative action programmes outperformed – as measured by their stock prices – firms that were found guilty of discrimination.

Research on US athletic organisations highlighted a positive link between proactive diversity management initiatives and organisational effectiveness in terms of productivity, creativity, attraction and retention of talented employees and the attraction of a diverse customer base. (Fink et al., 2003)

Evidence from 76 US minority-friendly firms indicated that these firms outperformed the market by achieving superior financial performance measured by return on investment, return on sales and return on equity. (Von Bergen et al., 2005)

Explanations offered by Wright et al. (1995) for their findings provide insights into the link between equality and diversity strategies and enhanced performance. Wright et al. suggest that this may result from:

- Investors' realisation that such firms have lower costs than other firms because they have lower absenteeism, turnover and job dissatisfaction levels; or
- these firms have a better reputation with their diverse customers; or
- the firms have more creative cultures that make them more adaptable to environmental changes.

It may also be the case that discriminatory firms are unlikely to have equal access to a diverse and talented human resources pool. In particular, minorities and talented people may be predisposed to avoid companies that discriminate. Ng and Burke (2005), support this argument with their research, again based in the USA, showing that women, ethnic minorities and high achievers consider organisations with diversity management practices more attractive as prospective employers.

### 3.1.1 Top team diversity and organisational performance

Interwoven in the studies linking business strategy and organisational performance is research that has considered the composition of the top team within the organisation and its relationship to organisational performance. There is evidence from Europe,

the USA and the UK of this linkage and some of the findings are outlined in Table 3.2. Explanations for these findings include:

- A diverse top team brings a broader information base for the decision making process and a wider range of possible solutions.
- There is less likelihood of 'group think', i.e. there is less likely to be a blindness to considering alternative options or a fear of criticising the dominant idea.
- The overall calibre of the team is increased by the inclusion of minorities as such individuals may have to outperform their counterparts in order to achieve higher level positions.

There may also be drawbacks to diversity in top teams as conflict can arise and must be managed and these factors may slow down the decision making process. Issues of strategic complexity and the time that the team has spent working together will also impact on how the team will perform (Carpenter, 2002). Despite the value that diversity might bring, evidence from the UK shows that women still find it extremely difficult to gain entry to board level positions and that a complex set of factors including work-life balance, behaviours, control, leadership and communication style are barriers to increasing female representation (CIPD, 2004).

Table 3.2

### The relationship between top team diversity and organisational performance

A study of the diversity of FTSE 100 Directors in the UK found that there was a **very strong link between high market capitalisation and the appointment of ethnic minority directors** (Singh, 2004).

A study in the USA of 112 Fortune 1000 and 200 other large firms (Erhardt et al., 2003) found that **diversity on boards of directors was positively associated with both return on investment and return on assets, thus indicating an overall impact on organisational performance.**

A study of 353 Fortune 500 companies found a **35% difference in return on equity and a 34% difference in total return to shareholders between firms with highest and those with lowest female representation in senior management positions** (MSI, 2004).

A study of managers from a variety of European firms representing 14 European countries found top management age heterogeneity, and **cognitive diversity to impact positively on performance** (Kilduff et al., 2000)

Evidence from 240 YMCA organisations in the USA revealed higher levels of corporate social performance with board members having greater age, tenure and gender diversity (Siciliano, 1996)

### 3.2 The impact of equality policies on performance

The development of an equality agenda with a range of equality policies is a crucial component of an organisation's HRM system. **Equal opportunities policies signal to employees that equality is a cornerstone of HR practices in key areas such as recruitment and selection, training and development, promotion, performance management, and rewards.** Such policies are therefore particularly important as organisations become increasingly diverse, as they present an image to both existing and prospective employees of fairness and equal treatment.

In addition, organisations may find that the introduction of policies in relation to areas such as flexible working will simply not work unless supported by a pre-existing equality policy. O'Connell and Russell (2005: 25) cite research (Bergmann, 1997; Lommerod and Vagstad, 1997) that showed that where family friendly policies are implemented without the supporting infrastructure of an equality policy, there is the danger of poorer career prospects for women availing of such policies. A study that compared Irish and French retail organisations (McGauran, 2001) also **found that the success of equal opportunities policies was influenced by the ways in which these were implemented.** Such research supports the notion already outlined in Chapter 1 that **HR practices need to be mutually reinforcing and that an ad hoc approach to equality is unlikely to be successful.**

Table 3.3

The relationship between equality policies and performance

Irish research indicates that the existence of a formal equality policy has a positive impact on employees' perceptions of workplace fairness, on their well-being and their attitudes to their jobs and their employers. The existence of a formal equality policy was found to be strongly associated with higher levels of job satisfaction and organisational commitment. Employees are also more likely to view practices in relation to areas such as recruitment, rewards, development and advancement as fair and equal and to report lower levels of work stress (O'Connell and Russell, 2005)

Dex and Smith (2001) found that high levels of implementation in relation to equal opportunity policies were associated with increased commitment in the private sector in the UK.

Analysis of the British and Australian workplace employee relations surveys conducted in 1995 and 1998 (Pérotin et al., 2003) found that equal opportunities policies were associated with higher productivity in all types of enterprises except British SMEs and here the effect was neutral.

Analysis of the British workplace Employee Relations Survey of 1998 (Pérotin and Robinson, 2000) found a strong overall association between equal opportunities policies and the productivity of the firm with an enhanced effect where there were more women and ethnic minorities employed in the workforce. Further analysis of this survey data found that equal opportunities policies and practices had a positive effect in reducing workforce segregation and in improving aspects of workplace well-being (Anderson et al., 2004).

Research in the UK suggests that equal opportunity practices are one of a number of HR practices, alongside team working, job design, training and development, performance appraisal, employee involvement and information provision, that should be given priority when organisations are considering the HR practices that they should introduce in order to enhance performance and employee satisfaction (Guest and Conway, 2004).

The recent report published by the Equality Authority, *Equality at Work: Workplace Equality Policies, Flexible Working Arrangements and the Quality of Work* (O'Connell and Russell, 2005) provides a comprehensive insight into adoption of equality policies and flexible working arrangements in Irish organisations. The data was gathered from a nationally representative sample of 5,000 employees in Ireland through research conducted by the ESRI for the National Centre for Partnership and Performance. The report indicates that about three quarters of individuals work in organisations in which there is a formal equal opportunities policy. Equality policies are more likely to be found in larger organisations, in organisations where a trade union is recognised and in the public sector.

The research also indicated that the implementation of an equality policy was related to the availability of flexible working arrangements. Analysis of the workplace data by O'Connell and Russell found that 'the presence of a formal equality policy impacts positively on employees' perceptions of workplace fairness, on workers' well-being and on their attitudes to jobs and employers' (p. 13). The existence of these policies was associated with lower levels of work stress and higher levels of job satisfaction and employee commitment.

Employees in organisations that have implemented equality policies are also more likely to view 'opportunities for recruitment, pay and conditions and opportunities for advancement and career development as fair and equal in their organisations' (p. 13). These findings confirm research in the UK that has identified a link between equality policies and employee benefits and between

the existence of equality policies and organisational performance. The evidence for these linkages is presented in Table 3.3.

### 3.3 The impact on employees of equality and diversity policies and practices

This section deals with the impact on employees of equality and diversity policies by looking in depth at issues relating to flexible work arrangements and work-life balance.

The provision of flexible work arrangements is a key element in an organisation's equality and diversity strategy as it is through this mechanism that a wider pool of potential employees may be attracted to gain access to employment, as well as enabling those within a workforce to find working arrangements that can fit with their lives outside work. A very large number of different types of working arrangements are now in existence. The Irish research found that almost one in four employees is involved in flexible working and one in five works part-time although only 8.4 per cent of employees work from home and 6.5 per cent job share (NCPP\ESRI, 2005, a). Women are much more likely to utilise part-time working and job sharing and men to utilise working from home, a pattern also evident in another Irish study of work-life balance (Drew et al., 2003).

Tables 3.4 and 3.5 overleaf collate research that has explored the relationship between flexible working arrangements and employee outcomes. Table 3.4 highlights outcomes that relate to improvements in areas such as employee satisfaction, commitment and stress, while Table 3.5 highlights research

Table 3.4

The impact of flexible working arrangements on employee satisfaction and well-being

A study of managerial and professional men and women in Canada (Burke, 2000; Burke, 2001) found that where values supporting work-personal balance were present in organisations, both men and women reported greater satisfaction both inside and outside work and had a higher life satisfaction and emotional and physical well-being. Women also reported less intention to leave their jobs. A study of male psychologists in Australia reported similar findings (Burke et al., 2004).

Irish employees working flexible hours report reductions in work pressures and higher levels of autonomy while those working part-time report reduced work stress and work pressures (O’Connell and Russell, 2005).

A study in the USA (Berg et al, 2003) found that employees working in environments characterised by high performance work practices (including the opportunity to participate in decisions, informal training, pay for performance and good promotion opportunities) are more likely to be committed to their organisations and are more likely to perceive the company as helping them balance their work and family responsibilities. In contrast, long weekly working hours, involuntary overtime and conflict with co-workers reduce employees’ ability to balance work-family commitments.

A study of work-life balance in Ireland, Denmark, France and Italy found that the level of family friendliness in the workplace as measured by the number of family friendly policies was significantly correlated with work satisfaction of both mothers and fathers, but particularly for fathers (Fine-Davis et al., 2002).

An Irish study of work-life balance found that satisfaction with working hours and working arrangements was found to be positively associated with overall work satisfaction and life satisfaction and related to lower stress levels (Fine-Davis et al., 2006).

A study of software employees in the UK (Scholarios and Marks, 2004) indicated that work-life balance and flexibility in managing the work-life boundary influences employees’ views of whether or not they are treated fairly by employers. Fair treatment in relation to work-life issues had a significant impact on work-related attitudes over and above other aspects of fair treatment such as access to training.

Table 3.5

## The impact of flexible working arrangements on employee performance

Research of 527 companies in the USA reported a positive relationship between extensive use of work-family practices and perceived firm performance. This relationship was significantly stronger in those firms employing larger proportions of women (Perry-Smith and Blum, 2000).

A survey of employers for the Second Work-Life Balance study in the UK found an association between the provision of specific flexible practices and leave arrangements (e.g. job sharing, flexitime and leave arrangements beyond the statutory minimum) and perceived financial performance in organisations (Woodland et al., 2003).

An analysis of the 1998 UK survey of Workplace Employee Relations found that the provision of family-friendly policies relating to child care and working at home was associated with improvements in employee commitment in private sector establishments (Dex and Smith, 2001). There were associations between a family-friendly ethos and most aspects of the performance of private sector organisations (Dex et al., 2001). However, these associations did not exist in the public sector.

A study in the UK (White et al., 2003) found that individual flexibility and discretion over hours ameliorated negative job-to-home spillover. US research has shown that such spillover has a negative impact on absenteeism, turnover and productivity at work (Glass and Estes, 1997).

A review of flexible working arrangements in the USA reports that these policies reduce lateness, absenteeism and turnover and have a positive impact on retention (Glass and Estes, 1997).

A study of three National Health Service Trusts in the London area in the UK indicated that the facilitation of part-time working improved retention rates (Edwards and Robinson, 2004).

An initiative by British Telecommunications (BT) to enable people to work from home found that these employees are more efficient and deliver more profit to the business with absenteeism rates that are 2% less than the UK average (Focus Consultancy and Conference Board Europe, 2005).

The Second Work-Life Balance study in the UK found that the majority of employers who provided flexible work arrangements found them cost effective with a positive impact on labour turnover, motivation and commitment and employee relations. Half of the employers stated that work-life balance practices had a positive effect on recruitment, absenteeism and productivity (Woodland et al., 2003).

Irish research found that employers reported the overwhelming benefits of flexible working as employee satisfaction, followed by the ability to attract/retain key employees. Half of the employers surveyed reported improved employee productivity, reduced labour turnover, improved reputation and lower absenteeism/sick leave as potential benefits (Drew et al., 2003).



that relates to aspects of employee performance such as absenteeism or labour turnover. In reality, these two aspects of employee outcomes are frequently intertwined with positive employee-level benefits, such as lower stress levels, having a beneficial impact for employers through reduced absenteeism or turnover.

### 3.3.1 Managing flexible working arrangements

Although there are many positive outcomes for both employers and employees from the introduction of flexible working hours, there is evidence that these types of working arrangements need to be managed differently to traditional hours of work. A study carried out to identify the competencies of managers involved in managing flexible workers found that flexible working involves a shift in the culture within organisations from 'controlling' to 'trusting' and that measuring outcomes rather than inputs is the key to this change. As a consequence, good performance management systems are needed if flexible working arrangements are to work successfully. Communication, leadership and leading by example were the key managerial competencies identified in research carried out to explore whether different types of competencies were needed to manage flexible working arrangements (Henley Management College, 2005).

The recent Irish study (O'Connell and Russell, 2005) reports that there are some negative effects on work quality from part-time work and job sharing. They suggest that these findings may indicate that there is

'an underlying process of segregation in the types of jobs and organisations where these workers are located' (p. 16). They also found that working from home was associated with greater levels of work pressure and stress, a factor that may point to that fact that 'attempts to integrate work and family commitments may lead to the erosion of boundaries between work and home to the detriment of family life' (p. 16).

There also may be stark differences in many organisations between the rhetoric of flexibility and the reality of the types of hours that employees are expected to work if they wish to progress within an organisation. A study of work-life balance in Australia (De Cieri et al., 2005) found that employee take-up of work-life balance opportunities lagged behind the implementation of such strategies by organisations. However, the more work-life balance options there were in the organisation, the greater the take-up. The study suggests that the implementation of work-life balance strategies requires culture change to eliminate barriers and a focus on a track record of recent achievements to ensure management commitment to the work-life balance area.

A study of work-life balance in Ireland, Denmark, France and Italy (Fine-Davis et al., 2005) found that respondents in Ireland and France reported pressure within their organisations to work longer hours if they wanted to get ahead and that this pressure was greatest on those in the higher occupational groups. Male respondents in Ireland also reported working the longest number of hours per week and had the longest commuting times; factors that militate against achieving a work-life balance.

Similar findings are also reported by Drew et al. (2003) in another Irish study of work-life balance. This study also found that the language in which these arrangements are couched may have an impact on how they are perceived within the organisation. The notion of 'family-friendly' work arrangements may lead to resentment building among staff who are not eligible to avail of such arrangements and yet who may find themselves covering for colleagues who are availing.

A study undertaken in one Irish organisation to gauge the likely success of strategies to improve gender balance diversity and leadership capacity in senior management (Drew and Murtagh, 2005) found that while the organisation had an excellent range of work-life balance policies in place, the organisational culture ran counter to the achievement of work-life balance at senior management level. The organisational climate encouraged long working hours by senior managers and viewed such behaviour as an indicator of management potential. As a result, there were no role models for flexible working at senior management level and there existed a fear of participating in flexible work schemes in case this adversely affected promotion and reward.

Similar results are reported from the Second Work-Life Balance Survey in the UK (Stevens et al., 2004). Here a half of employees interviewed considered that working reduced hours such as part-time working would impact negatively on their careers. Other elements such as leaving work on time, taking leave to look after children, working different work patterns and working from home were also considered to impact

negatively on careers. Men were more likely than women to express these views. A study of women in the IT industry in the UK found that women there expressed anxiety that flexible working was not compatible with career development in the IT industry and that the culture of long, unsociable hours did not fit with family commitments. Perhaps unsurprisingly, the IT industry experiences major problems in retaining women and is currently losing more women than it recruits (DTI, 2005).

Work-life balance policies need to be capable of translation into flexible practices, tailored to suit particular circumstances, and adapted as employees' needs change over the course of their careers. A study of federal government employees in the USA indicated that the adoption of family-friendly policies in the absence of a supportive organisational culture may encounter resistance from both employees and management. In addition, the increasing diversity of family structures means that policies that improve work-family balance in one type of family situation may have little utility or even be counterproductive for employees who are experiencing very different types of family situations (Saltzstein et al., 2001).

There is evidence that the notion of what constitutes flexible working will need to be extended. For example, increasing competition for staff means that more employees may need to be encouraged to retire later or to work on a part-time basis after their full-time careers have ended. Irish studies suggest that there is a demand by some employees for these types of working arrangements (Fine-Davis et al., 2005;

Russell and Fahey, 2004). Their introduction will require not simply accommodations to existing work patterns but also attention to the issue of ageism that is now prevalent in many organisations.

### 3.4 The role of line managers in equality and diversity initiatives

Line managers have a particularly critical role to play in the success or failure of equality and diversity initiatives as they are frequently in a pivotal position in both interpreting and delivering equality and diversity policies and practices. The findings from interviews with 40 line managers carried out in the UK retail industry (Foster and Harris, 2005) provide insights into some of the issues that arise for line managers in managing diversity. Foster and Harris found that there was no common understanding amongst the line managers of 'managing diversity'; that line managers were concerned mainly about legal compliance and potential litigation; and that they were confused by an agenda that 'appears to require them to deliver sameness of treatment on the one hand but to recognise and respond to individual differences on the other' (p. 13). As a result, 'for many operational managers managing diversity became whatever was deemed to be the expedient solution at the time' (p. 13). Findings from other studies shown in Table 3.6 present a similar picture.

Table 3.6

#### The role of line managers in equality and diversity initiatives

A study in the UK (White et al., 2003) found that supervisors had the ability to influence negative job-to-home spillover. When the supervisor is seen as fair, negative spillover is lower yet 43% of employees surveyed felt that their supervisor did not treat all employees fairly.

Studies in the USA have shown that top management and immediate supervisors can undermine official work-family benefit programmes by actions that include not informing employees of their existence, refusing access or promoting traditional organisational cultures that reward only individuals who pursue work goals without reference to personal life issues (Saltzstein et al., 2001).

Research into the use of part-time work among nurses in the National Health Service in the UK found that line managers were often unenthusiastic about part-time working, even though this was shown to improve retention rates among nurses (Edwards and Robinson, 2004).

The ambivalent attitude portrayed by line managers to the introduction of equality and diversity measures is not surprising when considered in the light of research into the role that they may play in such initiatives:

- Managers may perceive equality and diversity as a marginal activity, particularly where the organisation views diversity initiatives as simply a solution to a problem (Dass and Parker, 1999), and may fail to take action in relation to managing it (Creegan et al., 2003).
- The growth and increasing complexity in legislation governing equality and diversity may mean that line managers find themselves lacking in expertise in this area (Foster and Harris, 2005).
- Employers may utilise diversity as way of exploiting disadvantaged groups within the workplace in order to provide a ready source of cheap labour and line managers may find themselves managing this process (Dickens, 2005).

There is evidence that line managers may receive very little training in equality and diversity or may be required to fund it themselves from devolved budgets (Creegan et al., 2003) and, where it has been delivered, this may concentrate on reactive legal compliance rather than on the positive outcomes of proactive management (Foster and Harris, 2005; CIPD, 2005). Yet training has been identified as important to the success of diversity initiatives (Wentling, 2004).

### 3.4.1 The management of diverse workgroups

One particularly critical element in organisational performance may lie in the ways in which line managers deal with diverse work groups and teams. Observable differences such as age, colour, gender or some forms of disability are perhaps the ones which are most apparent when considering the composition of a work group. Other differences such as sexual orientation, religion or membership of the Traveller community may be less visible.

While, under current equality legislation, these are grounds that are commonly used to group individuals, it is also the case that differences across any of these grounds may encompass less easily detectable attributes such as values, experience or background. Such attributes represent individuals' very different perspectives on issues or problems and these have a major impact on the ways in which individuals interact with others, particularly if these interactions are team-based.

There have been a number of reviews of the impact of work group diversity. Millikens and Martins (1996) review of studies of diversity in work groups undertaken between 1989 and 1994 identifies the wide range of both short and long-term consequences that diversity may have for individuals, work groups and organisations. Their review concludes that diversity has important positive consequences, in particular in relation to innovation and the generation of new ideas, but that there are also co-ordination and turnover costs arising from the conflict and poor communication that may arise within a group. Both the Milliken

Table 3.7

Studies of multiple aspects of diversity on workgroups

A study of 92 work groups found that certain types of similarity are more important than others and that it is the diversity associated with values that may cause most problems while at the same time having the greatest potential for increasing both the morale and the performance of work groups (Jehn et al., 1999).

A study by Reagans and Zimmerman (2001) found that the effects of diversity depend on the frequency of communication between the team members.

A study of 45 teams in the electronics industry (Pelled et al., 1999) found that diversity can both increase and decrease conflict but that the diversity variables that drive task conflict differ from those that drive emotional conflict. Team leaders and members of diverse work groups can therefore expect conflict to occur and that this will have implications for the ways in which diverse work groups will need to be trained and managed.

A longitudinal study of 800 business units of a large corporation with over 70,000 employees showed that gender, racial, and age diversity do not contribute to higher turnover, whereas, in contrast, racial and gender isolation from co-workers and customers predicted significantly lower retention (Leonard and Levine, 2006).

Evidence from almost 12,000 US Department of Defence personnel demonstrated that task performance increased as gender diversity in a group increased from about 10% to 50% women members, and as racial diversity increased to 30%. However, performance decreased as group membership exceeded these percentages (Knouse and Dansby, 1999).

and Martins (1996) review and a later CIPD report (Anderson and Metcalf, 2003) highlight the difficulties involved in trying to find a direct linkage between diversity in work groups and organisational performance because of the multiplicity of variables that need to be considered in the analysis.

Most of the research to date has concentrated on examining only one, perhaps two, aspects of diversity and has focused on the more readily detectable traits such as age, ethnicity or gender. But it is how these factors may combine together within a work group that may be of most interest in trying to understand the impact of diverse work groups on performance. Studies that have examined a variety of aspects of diversity indicate that some aspects may be more crucial than others in driving performance within a group, but that external factors, such as communication networks, also have a role to play in the effectiveness of the group. Table 3.7 identifies some of these findings.

A multiplicity of factors affect the ways in which groups operate and simply expecting a diverse group to work successfully is unlikely to lead to high performance. Appropriate managerial interventions are therefore required to avoid the costs that may arise from the poor management of a diverse workgroup. Such interventions are also required to leverage the benefits that can be accrued from capitalising on the potential advantages that a diverse work group has to offer. Various factors emerge as important in determining the success of diverse workgroups. These include:

- The types of tasks work groups undertake, the length of time they have worked

together and the climate within the team (Jackson et al., 2003).

- The extent to which work groups have been trained and the training given to managers in developing the leadership and group process skills necessary to facilitate constructive conflict and effective communication (Kochan et al., 2003).
- The existence of socialization practices and support for network groups (Hopkins and Hopkins, 2002; Brief and Barsky, 2000).
- The organisational culture within which the group operates. Organisations that embrace diversity only at the margins appear unlikely to leverage the benefits it has to offer (Ely and Thomas, 2001).

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### 3.5 The role of trade unions in equality and diversity initiatives

Trade unions have been seen as contributing in several ways to the furtherance of the equality agenda. Research in the UK indicates that they have been important in exerting 'bottom up' pressures (Dickens, 1999) and there is evidence that organisations which recognise unions are more likely to have equality policies (Noon and Hoque, 2001). However, Kirton and Greene (2004) summarise research which indicates that trade unions have a mixed record in challenging discrimination and that 'sameness' models of equality have shaped the approach to bargaining, resulting in less progress on equality issues than might have been expected (Colling and Dickens, 2001). Kirton and Greene (2004) suggest that three elements of the diversity agenda may, at least in theory, cause problems for trade

unions. These include the economic rationale underpinning diversity, the focus on the individual, and the positioning of diversity as a top-down managerial activity. Kirton and Greene explored these three aspects of diversity through interviews with trade union equality officers in the UK. The equality officers considered that the way in which diversity may be depicted by managers could divert attention away from the issues of discrimination and disadvantage that have been associated with equal opportunities. At the same time these officers also felt that it was possible to work with the diversity agenda in order to progress equality issues.

Two pieces of research carried out in the UK (Greene and Kirton, 2002; Wrench, 2004) found that there was a good deal of scepticism about managing diversity and that a distinction was emerging between diversity – perceived as a managerialist intervention – and equality, which was seen more as the preserve of the trade unions. Research in Denmark (Wrench, 2004) found no evidence of any similar type of suspicion among unions there and instead found that they were strongly in favour of diversity management initiatives. Several reasons for these differences are proffered by Wrench. In Britain the unions have had to struggle to ensure the acceptance both within the union and the workplace of the need for strong equal opportunities and anti-discrimination policies and fear that switching attention to diversity initiatives may lead to the prioritising of the 'softer' rather than the 'harder' equal opportunity practices. Certainly it seems from research in the USA and New Zealand that such suspicions may be well founded (Kelly and Dobbin, 1998; Jones et al., 2000). In addition, a switch to diversity is

viewed as emphasising the business case and multiculturalism rather than the equality, fairness and social justice or anti-racism and anti-discrimination approaches prevalent in previous initiatives. In contrast, diversity is seen as fitting more with the Danish approach to industrial relations that focuses on consultation and collective agreements. In addition, Danish trade unions have not had the same experience of long-established equal opportunities or anti-discrimination policies and diversity management is not seen as replacing or undermining previous achievements (Wrench, 2004: 107). There was no evidence obtained in relation to the position in Ireland at organisation level. However, the ICTU has been active in working with others in the preparation of various publications on diversity as well as publishing its own guidelines, codes of practice and reports on the many facets of equality and diversity ([www.ictu.ie](http://www.ictu.ie)).

### 3.6 Equality and diversity initiatives and organisational performance

A variety of studies have examined the relationship between equality/diversity initiatives and organisational performance. While considerable research has been undertaken, there is still relatively little hard data to support the various claims that are made for this relationship. Data is frequently protected by organisations who may view it as commercially sensitive. However, there is a good deal of qualitative data and many organisations report very positive outcomes from their engagement in diversity initiatives. Three studies were recently undertaken for the European Commission by the Centre for Strategy and Evaluation

Services (CSES, 2003), The European Business Test Panel (EBTP, 2005) and Focus Consultancy and the Conference Board Europe (2005) to examine the costs and benefits of workforce diversity policies. The CSES (2003) study included a survey of 200 companies in four EU countries, case studies of 8 diversity programmes in six member States and 48 interviews with companies, business organisations, national governments, equality agencies, trade unions and non-governmental organisations. The European Business Test Panel is a representative sample of 3000 businesses from the 25 EU member States. For the 2005 study, 761 members responded to consultations on the extent to which diversity policies were being adopted, the business benefits of these policies and the challenges in their implementation. The study undertaken by Focus Consulting and the Conference Board Europe, also in 2005, reports more fully on the EBTP findings as well as providing case studies of good practices in workplace diversity in a range of companies, one of which is Dublin Bus.

Table 3.8 summarises employers' perceptions of the **benefits gained from equality and diversity initiatives from the European research outlined above**, as well as from a study on the business benefits of equality at work carried out for the Department for Education and Employment in the UK. As the table shows, organisations appear to leverage their investment in such initiatives to bring about performance outcomes in four inter-related areas.

- **Human capital benefits such as the ability to resolve labour shortages and to recruit and retain high calibre staff.** These have additional spin-off benefits such as

**Table 3.8**

### **Employers' perceptions of benefits gained from equality and diversity initiatives**

**Access to new labour pools**

**Strengthened commitment to equality and diversity as organisational values**

**Enhanced corporate reputation**

**Helped to attract highly talented people**

**Improved motivation and efficiency of existing staff**

**Improved innovation and creativity amongst employees**

**Enhanced service levels and customer satisfaction**

**Helped to overcome labour shortages**

**Reduced labour turnover**

**Lowered absenteeism levels**

**Improved manager-employee relations**

**Improved access to new market segments**

**Legal compliance, thereby avoiding litigation costs**

**Improved global management capacity**

**Competitive advantage**

**Improved relations with public bodies**

**Internal culture change leading to improved collaboration and collegiality**

Sources: CSES (2003); EBTP (2005); Focus Consultancy and Conference Board Europe (2005); Metcalf and Forth (2000)



- increased innovation and creativity and improved customer satisfaction.
- Increased market opportunities including access to more diverse markets.
- Enhancement of organisational reputation to suppliers, customers, prospective and existing employees, and external communities.
- Changes to the organisational culture such as improved working relations and reductions in litigation.

The Focus Consultancy and Conference Board Europe report gives examples of companies that have identified specific performance outcomes from diversity initiatives. Some of these are highlighted in table 3.9.

### 3.7 Conclusions

There is evidence from this analysis that the business case for equality and diversity outlined in Chapter One can be supported by empirical research:

- At a strategic level, policies in relation to positive action and equality appear to enhance organisational performance. In addition, diversity in top team membership also appears to enhance organisational performance.
- There is a positive relationship between the existence of equality policies and employee outcomes including commitment, job satisfaction, life satisfaction, work-life balance and reduced stress.
- There are positive employee performance outcomes from the introduction of equality and diversity initiatives with reductions

Table 3.9

#### Examples of performance outcomes of equality and diversity initiatives

The Dove soap marketing campaign underpinned by a clear diversity philosophy and message is estimated to have resulted in a 700% increase in sales for Unilever.

TNT calculates that the effective management of diversity and inclusion has resulted in the reduction of staff turnover from 25% in 2000 to 10% in 2003 with a similar reduction in absenteeism.

Royal Mail in the UK estimates that it has achieved savings of £7 million from the introduction of anti-bullying and harassment policies (Focus Consultancy and Conference Board, 2005)

Source: Focus Consultancy and Conference Board Europe (2005)

in absenteeism, labour turnover, improved employee relations and innovation and creativity.

- There appears to be an uneasy relationship between the investment by employers in initiatives such as flexible working arrangements and their take-up by employees despite the evidence that there are benefits for both employers and employees in such arrangements. In many organisations the prevailing culture of presenteeism means that their take-up is limited by fears from employees that these will result in reduced career opportunities. Possible changes to ensure that there is a better fit between the investment by both employers and employees in these initiatives include:
  - Efforts to move to a culture that emphasises results and outcomes that are not time related.
  - The adoption by senior and middle managers of flexible working arrangements so that they provide role models for other employees. Currently, the evidence suggests that they are reinforcing increasingly dated views of work-life balance.
  - The scheduling of meetings and training opportunities to enable the participation of those working flexibly.
- Line managers find themselves increasingly called upon to deliver equality and diversity strategies but there is little evidence that they are receiving the support or training needed to undertake these tasks. In such cases, they are likely to view equality and diversity as marginal activities and to take a reactive

stance, concentrating solely on minimal compliance rather than the positive outcomes that could accrue from a proactive approach.

- There is evidence that diverse work groups can be a source of creativity and innovation within organisations. However, they require active management if they are to work successfully. In this regard, the role played by line managers is once again crucial.
- There is limited evidence on the role that the trade unions might play in equality and diversity initiatives. Trade union reaction to diversity initiatives may depend on their previous experience of working with employment equality policies and the way in which these were implemented and received within organisations.
- The evidence regarding the relationship between equality and diversity initiatives and organisational performance suggests that organisations perceive performance outcomes from investment in such initiatives in four inter-related areas:
  - Human capital benefits such as the ability to resolve labour shortages and recruit and retain high calibre staff.
  - Increased market opportunities with access to more diverse markets.
  - Enhancement of organisational reputation to suppliers, customers and prospective and existing employees.

- Changes to organisational culture such as improved working relations and reductions in litigation.

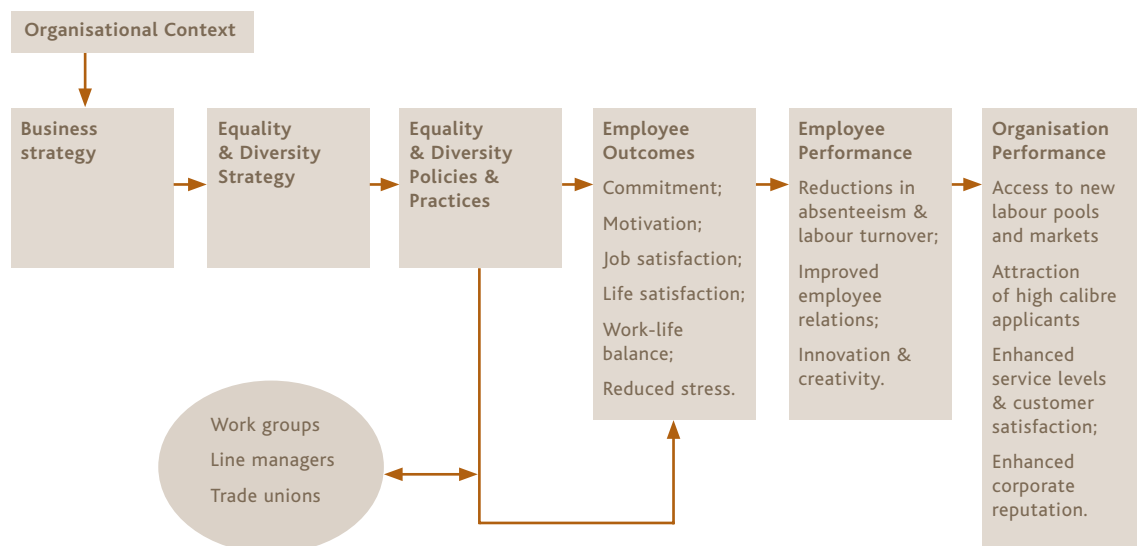
From analysis of the research, it is possible to identify the benefits from engagement with equality and diversity initiatives and a revised model is presented in Figure 3.2.

Finally, one caveat should be placed on the research findings. The value chain depicted in Figure 3.2 assumes a causal relationship between investment in diversity and equality

initiatives and organisational performance. It could also be the case that improved organisational performance has led organisations to invest in equality and diversity initiatives so that high performing organisations are also organisations in which attention is paid to equality and diversity. However, the positive corporate reputations engendered by the types of investment – whether before or after high performance – appear to provide a high return on investment and create a virtuous circle rather than a necessarily tidy cause and effect.

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**Figure 3.2** The Equality-Diversity Value Chain



## Managing Equality and Diversity for Organisational Performance

**This review has shown that diversity of itself will not improve business performance.** Instead, diversity needs to be managed and its potential leveraged if improvements in performance are to be realised. Diversity management in this report has focused on:

*An approach to workplace equality [that] draws its distinctiveness largely from its focus on equality through 'difference' rather than 'sameness' (Gagnon and Cornelius (2002:36).*

As such, it poses new challenges to both conceptualising and tackling the issues of equality and discrimination in employment. These challenges include factors such as a lack of awareness and understanding of equality and diversity; discriminatory attitudes and behaviours; difficulties in changing the culture of an organisation; a lack of commitment on the part of senior management; and limited capability to develop and implement equality and diversity initiatives. Despite these challenges, there is now a range of frameworks and tools available to assist organisations in implementing equality and diversity initiatives and in measuring their impact. This chapter examines:

- The factors that have been identified as critical to the success of equality and diversity initiatives and how these might be managed.
- The tools available to measure the impact of equality and diversity initiatives on business performance.

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### 4.1 Critical success factors and their management

Table 4.1 overleaf summarises the factors that have been identified as critical to the success of equality and diversity initiatives.

The identification of these critical success factors suggests that equality and diversity initiatives need to be actively managed. This management can take various forms. For example, a recent European Commission research report (Focus Consultancy and the Conference Board Europe, 2005) identified

Table 4.1

### Critical success factors

Factor	Rationale
<b>Leadership</b>	Top management support and committed high profile leaders who will demonstrate the importance of equality and diversity.
<b>Vision and values</b>	The incorporation of equality and diversity into organisation vision and values and ensuring that it becomes a core activity .
<b>The integration of equality and diversity objectives into business objectives</b>	Accomplished through inclusion in objective setting, reward and recognition. For example, in IBM, managing diversity is one of the core competencies used to assess managers' performance and is included in the mandatory training and orientation of new managers (Thomas, 2004).
<b>Assessment of specific needs of the organisation and the tailoring of the management of diversity to those needs</b>	Customisation of equality and diversity to fit with organisational strategy.
<b>Ownership for equality and diversity is spread throughout the organisation</b>	Adding diversity to the HR portfolio may isolate it, remove it from business planning, and lead to others not taking responsibility. A separate diversity function has been identified as a powerful element in some organisations, while others have found structures such as diversity councils valuable in spreading ownership. Those involved in the implementation of diversity must have the power and authority to initiate and influence organisational change.
<b>Organisational support</b>	<p>Training is required:</p> <ul style="list-style-type: none"> <li>(i) To raise awareness and to develop competence and skills in relation to equality and diversity.</li> <li>(ii) To gain staff understanding and support for such initiatives.</li> <li>(iii) To support diverse teams.</li> <li>(iv) For line managers engaged in the delivery of equality and diversity initiatives.</li> </ul>

Factor	Rationale
Involvement of employees in the design and implementation of equality and diversity policies and practices	Engagement and commitment.
Measurement	Hard measures are needed in order to indicate the impact of equality and diversity. Appropriate systems are required to collect and assess data. Some companies have found it useful to state their progress in terms of distance covered from the starting point to the goal rather than the goals achieved, in order to recognise time, effort and success (CIPD, 2006c).
Equality and diversity policies are integrated within and complementary to the other HR policies and practices within the HR system	Analysis by Pérotin and Robinson (2000) of WERS data found that 'the joint existence of employee participation and equal opportunities schemes is generally associated with a productivity advantage over and above the separate effects of the two types of policy' (p. 577). It may be the case that equal opportunities policies are better designed and more effective in a participatory environment or that participation will simply not work well in the presence of discrimination.
Equality and diversity initiatives are embedded into organisational change programmes	Integration into the fabric of the organisation.

Sources: Rutherford and Ollerearnshaw, 2002; CIPD, 2006a, 2006b, 2006c; D'Netto et al., 2000; Cox and Blake, 1991; Gilbert and Ivancevich, 2000; Singh, 2002; Jayne and Dipboye, 2004; Stuber, 2002; Richard and Johnson, 2001; McNally and Hegarty, 2002; Thomas, 2004;

three approaches to managing diversity in the companies they studied:

*I) All encompassing diversity policies and initiatives that involve a holistic approach to equality and diversity.*

Organisations taking this approach signal their commitment through mechanisms such as statements on values and commitments, lists of actions and structures for implementation and management accountability. They also focus on the provision of guidance and planning frameworks for the development of diversity targets and strategies and measures to track their progress. Diversity thus becomes a value underpinning everything they do. This approach is often linked to organisational change programmes. The report cites the 'Diversity Journey' undertaken by Intel in Ireland, the 'Diversity and Inclusiveness Process' (Royal Dutch Shell) and 'The Diversity Transformation Initiative' (Booz Allen Hamilton) as examples of such programmes.

*II) Single initiatives concerning specific diversity strands*

Some organisations are focusing on one particular aspect of diversity such as disability or age or are addressing a specific issue within a more comprehensive diversity strategy.

Examples given here include age-related initiatives undertaken in Pfizer Deutschland: 'Getting Older, Thinking Younger' and the 'Disability in Action Taskforce' at Goldman Sachs International.

*III) Widening existing policies to cover a broader range of diversity areas*

Companies that have policies in place in relation to areas such as gender are transferring the expertise they gained in this area to other areas. Examples here include Lufthansa, that started with general diversity initiatives in the 1970s with the support of the works council and then in 2000 began a broader diversity programme, and Deutsche Telekom which developed a comprehensive diversity policy entitled 'Living Diversity' that built on previous initiatives that had focused primarily on gender.

While a variety of approaches might be adopted, there is evidence that organisations that derive most benefits from equality and diversity initiatives are more likely to have integrated these into their organisational culture so that they become an integral part of the way in which they operate. This integration can take various forms but will include structures that embed diversity into the fabric of the organisation. Table 4.2 sets out examples of organisations that have adopted this approach.

Rutherford and Ollerearnshaw's (2002) study of 140 leading British organisations identified four stages that were used by these companies to integrate equality and diversity into their business (Table 4.3 overleaf). Integration in this study was defined as 'the incorporation of the values of equality and diversity into the heart of the organisation so that it has become part of its culture. It is more than a few "add-on" policies owned by HR' (p. 25) and 'is about widening the scope of diversity work and entails having an understanding that all parts of the decision-making processes in the business have the potential for discrimination – not just the employment process' (p. 26).

#### 4.2 Measuring the impact of equality/diversity initiatives on business performance

This section examines some of the tools that organisations might use to assist them in evaluating the impact of equality/diversity initiatives on business performance, together with a range of metrics that can be employed to identify clearly the costs and benefits to the organisation of engaging in an active approach to diversity management. The costs of engaging with or ignoring equality and diversity are also explored.

**Table 4.2**

#### The outcomes of integrating equality/diversity and organisational culture

Research in 140 leading organisations in the public and private sectors in the UK (Rutherford and Ollerearnshaw, 2002) found that organisations that were taking diversity seriously set about integrating equality and diversity values into their business cultures and processes. Full-scale integration was more likely than piecemeal measures to produce a positive outcome.

A study of the business benefits of race equality in the UK (Metcalf and Forth, 2000) found that organisations need to be clear about why they are implementing a policy and to tailor the policy to their own needs if it is not to become an additional burden within the organisation resulting in lack of implementation. The identification of business benefits is likely to be the best way to get race equality actions accepted. A strategic approach that will focus on exploiting benefits rather than regimentation or reacting to legal requirements is most likely to improve overall effectiveness.

A study of 708 private sector organisations in the USA found that 'structures that embed accountability, authority and expertise (affirmative action plans, diversity committees and taskforces, diversity managers and departments) are the most effective means of increasing the proportion of white women, black women and black men in private sector management...Responsibility structures also catalyze the other diversity programmes rendering each a bit more effective for one group' (Kalev et al., 2006: 611).



**Table 4.3**

### Integrating equality and diversity: A four stage model

Stage	Actions
Stage 1: Business planning and objective setting	This involved explicitly considering equality and diversity in overall objective setting and business planning. Some organisations use action plans and objectives while others use diversity targets or goals.
Stage 2: Using existing business processes	<p>In the private sector, diversity and equality objectives were integrated into: performance management systems, key performance indicators, senior management objectives, annual performance objectives, management planning targets, management training and induction training programmes, and customer service objectives. Here the focus was on business outcomes.</p> <p>In the public sector, equality and diversity objectives were integrated into: best value indicators, service level agreements, service planning, funding agreements, public service agreements, and all staff diversity objectives. They were built into budgeting, spending reviews, and departmental action plans and targets. The focus in the public sector was on accountability, particularly individual accountability.</p>
Stage 3: Measurement	<p>The measurement of investments in equality and diversity initiatives was considered crucial by the organisations on the basis that the measurement of activity is much more likely to drive action and also to provide a set of metrics that can be used to justify costs and to serve as a way of monitoring improvements over time. Measurement took place through:</p> <ul style="list-style-type: none"> <li>Diversity scorecards</li> <li>Employee surveys</li> <li>Employee statistics</li> <li>Data on customer satisfaction</li> <li>Outcome of service provision</li> </ul>

## Stage

## Actions

### Stage 3: Measurement Continued

Measurement also included benchmarking so that progress could be compared against that in other organisations. Statistics on employee profiles were used to measure diversity outcomes. Data on employees was collected on: gender, race/ethnicity, disability, sexual orientation, age, religion, and nationality. Employee attitudes were measured through surveys that included questions on equality and diversity. These were also included to a small extent in competency frameworks and used in appraisal systems and 360 degree feedback. The impact on performance was measured through elements such as absenteeism rates, turnover and improved productivity.

### Stage 4: Accountability

Accountability varied considerably in the organisations studied. In some organisations diversity was used as or as part of a key performance indicator, as part of management appraisal, in employee feedback and as an element in remuneration. At an organisational level various equality/diversity objectives were established with processes linked to the performance measurement systems e.g. part of annual review process. These types of systems were more developed in public sector organisations. In the private sector they tended to operate more at the individual level and to be measured through the performance appraisal system. Behaviours were also measured so that it was not just what had been achieved but also how it had been achieved.

#### 4.2.1 Equality/diversity measurement frameworks

Table 4.4 identifies some of the frameworks that have been developed to assist organisations in managing equality and diversity. The tools and checklists that might be utilised in the management process are available from the identified websites.

One framework with an extensive set of measures has been developed by the Centre for Strategy and Evaluation Services (CSES, 2003) from research carried out for the European Commission (Figure 4.1). The framework has three components, each of which has a set of measures<sup>2</sup>:

- 1 Programme implementation
- 2 Diversity outcomes
- 3 Business performance

##### 1) Programme implementation

The measures here included actions by organisations to facilitate cultural change and to remove obstacles (e.g. work practices) that lead to indirect discrimination. The actions in this part of the framework are a combination of inputs and processes and measure activities and costs. For example, possible measures of top management commitment are given as the amount of time spent on diversity initiatives as a percentage of total available time and the inclusion of diversity outcome targets in the performance contract.

2. A full list of these measures is provided in Appendix 1.

Table 4.4

### Equality/Diversity measurement frameworks

#### The Diversity Balanced Scorecard

A report by the Chartered Institute of Personnel and Development CIPD (2005) suggests that a diversity-focused balanced scorecard can assist organisations in concentrating on business drivers, customer focus, business processes and learning and development as opposed to end-result indicators. The balanced scorecard is based on Kaplan and Norton (1992) and so may already be utilised in many organisations.

#### Diversity Driver

This is a self-assessment tool that has been developed in the UK to enable organisations to identify strengths and weaknesses in the area of diversity and to set priorities in areas in which action needs to be taken.  
([www.fairplaypartnership.org.uk/diversitydriver.html](http://www.fairplaypartnership.org.uk/diversitydriver.html))

#### The Irish Congress of Trade Unions

(ICTU) has developed codes of practice and guidelines on a variety of equality and diversity issues ([www.ictu.ie](http://www.ictu.ie))

### The Equity Continuum

This model has been generated from data obtained from companies **utilising the diversity assessment tool developed by the Centre for Diversity and Business. The** model provides a **useful description of the ways in which diversity might be managed and is also a framework against which organisations might assess the investments they need to make and the outcomes that result (see** Appendix 2).

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### The Diversity Excellence Model

This model, based on the EFQM Excellence Model, has been developed by the National School of Government in the UK. ([www.nationalschool.gov.uk](http://www.nationalschool.gov.uk)) This provides a **self-measurement tool and enables organisations to self-assess their diversity levels and to chart their progress in diversity initiatives. This** has been used mainly in public sector organisations in the UK such as the Department of Health and the Metropolitan Police.

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### Irish Business and Employers Confederation

IBEC has **developed various training packs and tools that cover a range of diversity issues.** These include a diversity programme training pack, guidelines for establishing an employment equality policy and guidelines for equality and diversity training in enterprises ([www.ibec.ie](http://www.ibec.ie)).

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### CIPD Checklist

The CIPD (CIPD, 2006a) has developed checklists that **identify the kinds of issues that need to be measured and monitored to show the impact of diversity initiatives as well as a series of 6 recommendations for measuring the impact at organisational level.**

### Racial Equality Means Business

This has been developed by the Commission for Racial Equality in the UK to assist organisations in **designing policies on racial equality in order to increase employee performance and customer loyalty.** It includes a checklist of actions and a framework for measuring achievement. It can be adapted to other aspects of diversity and to a variety of different types of organisations: ([www.cre.gov.uk](http://www.cre.gov.uk))

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### Diversity Management Feedback System

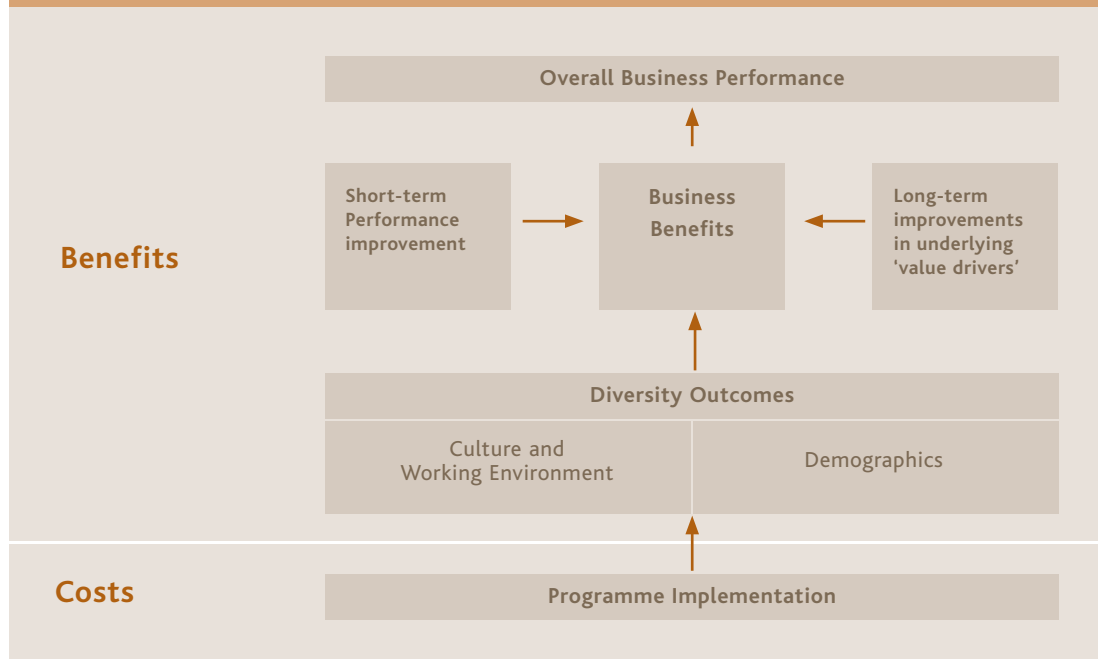
This has been developed by the Programme for Diversity Management in Australia (Australian Centre for International Business, 2001). **A range of systems and toolkits are available for download that enable organisations to monitor and assess diversity attitudes.** ([www.ecom.unimelb.edu.au/acib/diverse](http://www.ecom.unimelb.edu.au/acib/diverse))

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### The Equality Authority

The Equality Authority has produced a **range of information booklets, research, policy and good practice publications as well as codes of practice that cover a range of issues relating to equality and diversity in Ireland.** ([www.equality.ie](http://www.equality.ie))

**Figure 4.1 A measurement framework for diversity\***



Source: CSES (2003)

\* A full list of these measures is provided in Appendix 1.

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## II) Diversity outcomes

This part of the framework covers the intermediate outcomes from the implementation of workforce diversity policies.

None of the outcomes in this part of the model will result in business benefits but they are necessary elements in the process of realising such benefits. For example, indicators might be included that measure diversity outcomes such as the number of people from target groups (e.g. age, gender, ethnic groups, disabled, gay/lesbian, different religious groups) in the workforce as a whole compared to external benchmarks. These are seen as indicating changes in the formal demographics of the workforce.

## III) Business benefits

The final part of the model examines business benefits. Short and medium

improvements in business performance are measured in terms of operational outcomes

(e.g. improved customer loyalty; access to new markets). Other business benefits measured include absenteeism and labour turnover, access to talent and innovation and creativity.

### 4.2.2 The costs involved in implementing and ignoring diversity

Table 4.5 summarises some of the costs that may be incurred by organisations that decide to invest in equality and diversity policies. These costs will need to be incorporated into the systems that evaluate and measure diversity. While the costs may appear substantial, the table also highlights the costs of ignoring diversity management.

### 4.3 Conclusions

This review of research of the ways in which equality and diversity initiatives might be leveraged for organisational performance indicates that such initiatives need to be integrated into the fabric of the organisation in order to ensure that the benefits to be gained by investment are achieved and that potential problems are avoided. However, there is no 'quick fix'. As Kochan et al. (2003: 18) point out:

*Diversity is a reality in labour and customer markets today. To be successful with and gaining value from this diversity requires a sustained, systemic approach and long-term commitment. Success is facilitated by a perspective that considers diversity to be an opportunity for everyone in the organisation to learn from each other how better to accomplish their work and an occasion that requires a supportive and cooperative organisational culture as well as group leadership and process skills that can facilitate effective group functioning. Organisations that invest their resources in taking advantage of the opportunities that diversity offers should outperform those that fail to make such investments.*

Table 4.5

### Costs of investment/non-investment in workforce equality/diversity policies

#### Costs of Investment in equality and diversity

##### Costs of legal compliance

Record keeping systems; training of staff; communication of new policies

##### Cash costs of diversity

Specialist staff; education and training; facilities and support; working conditions and benefits; communication; employment policies; monitoring and reporting processes

##### Diversion of management time

Productivity shortfalls

##### Business risks of diversity

Change programmes take longer than planned to implement or they fail

#### Cost of ignoring equality and diversity

Recruitment costs of replacing employees who leave because of lack of opportunities or discrimination within the workplace

Retention costs associated with the loss of knowledge and skills of employees who leave

Absenteeism costs – if employees feel undervalued or experience discrimination, harassment and bullying

Legal costs – where employees take a case – plus damage to corporate reputation

Productivity reductions due to increased turnover and absenteeism

Increased conflict within the workplace

Increased management costs

Poor internal communications

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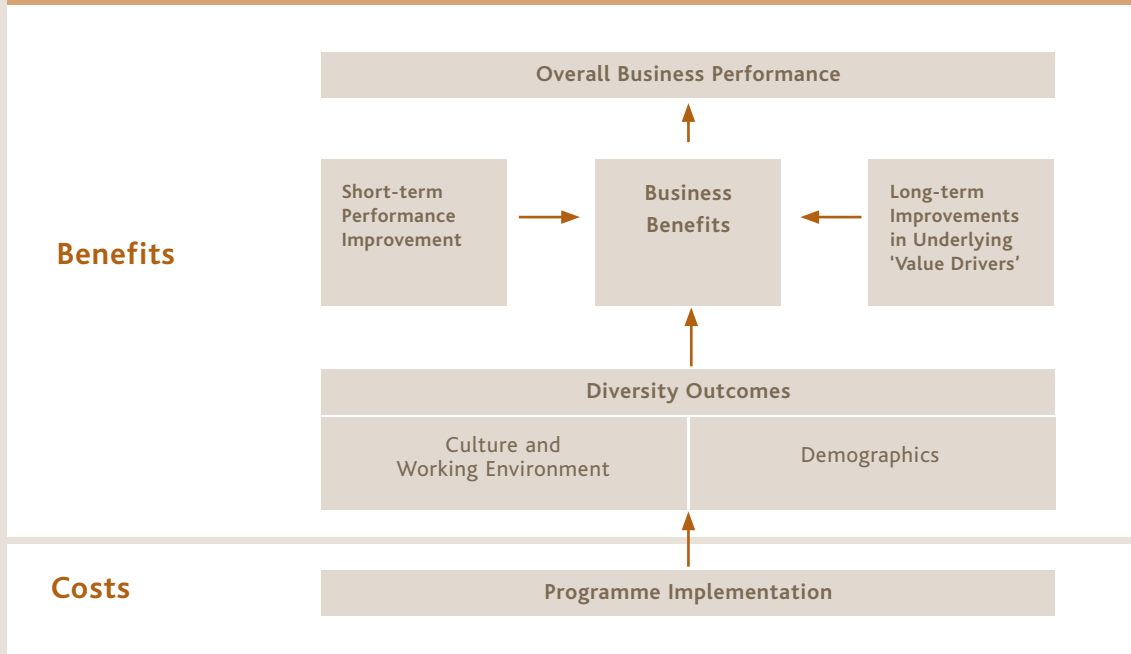
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## Measures of diversity programme implementation, outcomes and business benefits (CSES, 2005)

Based on research carried out for the European Commission, the Centre for Strategy and Evaluation Services (CSES, 2003) has developed a measurement framework for diversity. The framework, Figure A1, has three components, each of which has a set of measures.

- Programme implementation
- Diversity outcomes
- Business benefits.

Tables A1–A3 outline the methods of measurement. Additional examples are given in the CSES report.

**Figure A.1** A measurement framework for diversity

Source: CSES (2003)

## 1. Programme implementation

The measures here include actions by organisations to facilitate cultural change and to remove obstacles (e.g. work practices) that

lead to indirect discrimination. The actions in this part are a combination of inputs and processes and measure activities and costs.

**Table A1** Diversity programme implementation indicators, measures and their value

Indicators for measuring programme implementation	Examples of methods of measurement	Value of these measures
Top management commitment	Management time spent on diversity initiatives as % of total time; inclusion of diversity outcome targets in performance contract	Provide an indication of corporate leaders' commitment to the successful implementation of a diversity strategy
Diversity strategy and plan	Presence of diversity strategy; presence of annual diversity action plan (yes/no)	Confirms that corporate vision for diversity has been codified as part of business direction; highlights effectiveness of implementation
Organisational policies	HR policies such as recruitment and staff development amended to take account of diversity strategy (yes/no)	Confirm that HR policies take account of diversity strategy and provide guidance for managers and employees
Employment benefits	Presence of diversity-related employment benefits (e.g. same sex partner benefits, child care facilities, job sharing, flexible working (yes/no); costs of these benefits	Indicate changes in working conditions needed to attract/retain a diverse workforce; provide information on take-up and costs of changes
Managerial incentives	Presence of measurement processes to assess management performance on diversity-related issues; costs of diversity-related managerial incentives	Confirm alignment of managerial incentives to strategic goals and one of costs of diversity
Organisational structures	Establishment of diversity management structures e.g. Diversity Council; cost of specialised diversity staff	Ensures business has been redesigned to ensure on-going focus on diversity issues by senior managers and to provide assessment of progress

Indicators for measuring programme implementation	Examples of methods of measurement	Value of these measures
Diversity reporting process	Establishment of a system to monitor diversity performance achievements; cost of diversity operating process	Establishes a feedback loop between strategy and implementation
Communication (verbal and written)	Number of positive and negative mentions in external media of diversity-related issues (absolute and changes over time); cost of communication activities	Key element in changing attitudes and building support for diversity policies among employees, managers, investors and customers
Support networks	Presence of diversity support networks (e.g. women in management; members of a gay and lesbian employee group); costs of networks	Provide members of disadvantaged groups with opportunity to share experiences and gain confidence from success of others. Establishes costs of networks
Education and training	Participation in diversity training by existing and new employees; cost of training	Helps change attitudes of staff towards diversity policies and provides skills for disadvantaged groups; provides information on costs of training
Productivity losses	Productivity per employee compared with previous periods; productivity per new employee compared to average. This measures costs where different types of employees recruited for particular jobs	Costs of providing support for employees not previously recruited to particular positions



## 2. Diversity Outcomes

This part of the framework covers the intermediate outcomes from the implementation of workforce diversity policies. None of the outcomes in this part of the model will result in business benefits but they are necessary elements in the process of realising business benefits. Table A2 provides an overview of the indicators, measures and value of the measures.

**Table A2**      **Diversity outcome indicators, measures and their value**

Indicators for measuring programme implementation	Examples of methods of measurement	Value of these measures
Workforce demographics ("representation")	Number of people from target groups (e.g. age, gender, ethnic groups, disabled, gay/lesbian, different religious groups) in workforce as a whole compared to external benchmarks; number of people from target groups recruited into/promoted/leaving organisation	Act as representational measures and show changes in the formal demographics of the workforce; show indications of progress
Workforce culture / working environment	Number of formal complaints which are diversity-related; costs of resolving complaints, settling diversity-related litigation cases; employee attitudes on diversity issues	Provides insight into changes in the culture of the organisation and helps measure progress. Changes in cultural value critical for an effective diversity strategy

Source: Adapted from CSES (2003)

### 3. Business benefits

The final part of the model examines business benefits. Short and medium improvements in business performance are measured in terms of operational outcomes (e.g. improved customer loyalty; access

to new markets). Other business benefits measured include absenteeism and labour turnover, access to talent and innovation and creativity. Table A3 gives indicators, measures and their value.

**Table A3** Business benefits and examples of methods of measurement

Indicators for measuring programme implementation	Examples of methods of measurement	Value of these measures
Cost reductions	Labour turnover/absenteeism by specific groups (e.g. gender, age, ethnic groups etc) compared to average for firm; direct recruitment costs; changes in expenditure on discrimination-related litigation costs	Show short-term tangible benefits; can be linked directly to investments in diversity policies
Labour shortages	Number of unfilled vacancies – absolute and changes over time	Links directly to one of short and medium term reasons for investment in diversity policies i.e. labour shortages
Access to new markets	Penetration of selected new markets (proportion of sales going to specific groups)	Indicator of a tangible short-term benefit from investment in diversity policies.
Improved performance in existing markets	Levels of customer satisfaction/loyalty with product/service and change over time	High-level operational indicator used to evaluate the overall operational effectiveness of company. Qualitative assessments made of contribution of diversity
Access to talent	Profile of existing employee competencies compared to competencies needed by the organisation; retention rates among key employees	Helps managers understand whether they are recruiting, retaining and developing the right mix of individuals
Global management capacity	Proportion of top management team/managers from non-traditional backgrounds	Enables managers to see if they are successful in creating a cohort of managers able to perform effectively in a diverse operating environment

Indicators for measuring programme implementation	Examples of methods of measurement	Value of these measures
Innovation and creativity	Performance of different types of key work groups – traditional verses non-traditional	Looks at differences in performance of diverse and non-diverse teams. Provides insights into role of diversity in product development process
Reputation with governments and other stakeholders	Attitude of local communities towards organisation on key diversity-related issues	Can help companies protect and enhance their reputation with stakeholders and see changes over time
Marketing image	Attitudes of customers in key target markets towards the organisation – current and over time	Tracks changes in company image
Cultural values	Profile of existing employee values compared to cultural values desired by the organisation (via values audit); internal audit of employee attitudes and opinions	High level version of the measure of attitudes used as an intermediate outcome of investments in diversity. Cultural values an important determinant of company success
Productivity losses	Productivity per employee compared with previous periods; productivity per new employee compared to average. This measures costs where different types of employees are recruited for particular jobs	Costs of providing support for employees not previously recruited to particular positions

## The Equity Continuum

This Appendix sets out what has been termed the Equity Continuum (CSR and The Centre for Diversity and Business, 2002). This model has been generated from data obtained from companies utilising the diversity assessment tool developed by the Centre for Diversity and Business. The model provides a useful description of the different ways in which diversity may be managed within an organisation. It is also a framework against which organisations might assess their perspective on diversity, consider the investments they need to make, and identify the outcomes that might result. Case examples of how companies have utilised the assessment tool are provided in their report.

## The Equity Continuum

<b>Level 1</b> <b>Compliance</b>	These organisations are motivated by compliance. Their aim is to meet their legal or other obligations (e.g. collective agreements, labour laws, contracts) to avoid the negative consequences of non-compliance...Initiatives generally stop if the external requirements driving the initiatives change or fall away. Organisations at this level have primarily a reactive approach to implementing equity initiatives.
<b>Level 2</b> <b>Beyond Compliance</b>	These organisations recognise the value in going beyond simple compliance ....Equity in these organisations means being seen to 'do the right thing for disadvantaged groups'. Initiatives that go beyond compliance generally stop if the leadership or public interest driving these initiatives changes or falls away. These organisations are likely to have one or more diversity initiatives in place, but these are isolated efforts that typically support high visibility programmes or the promotion of disadvantaged group members into visible positions. No plan is in place to integrate diversity into all aspects of human resource management or the wider organisational culture.
<b>Level 3</b> <b>The Business Case</b>	These organisations understand that certain diversity initiatives can improve organisational efficiency, recruitment, employee retention, team effectiveness or market related opportunities. They evaluate diversity opportunities qualitatively and quantitatively to identify programmes that will positively affect the future viability of the organisation. Representation numbers at this stage are a means to an end rather than the focus of the diversity strategy. Initiatives can survive the loss of employee or public interest if the business case driving the initiatives remains valid. These organisations use an inclusive definition of diversity with the vision of creating an environment that is equitable for all.
<b>Level 4</b> <b>Employer of Choice</b>	These organisations have internalised diversity as a core organisational value. Diversity is viewed by key opinion leaders as an essential element of continued growth. Diversity is integrated into all aspects of an organisation and all employees consider themselves responsible for creating an environment that's fair and equitable for all. The commitment to diversity is not affected by economic trends. The focus on diversity only modifies to align with changes that occur in the organisation's core values. Level fours are viewed by a wide range of people as an 'Employer and Supplier of Choice'.
<b>Level 5</b> <b>Leader in Diversity</b>	These organisations have achieved their internal vision of equity for all and now seek to foster diversity beyond their own boundaries. Their motivation stems from the principle that diversity is an organisational, community, national or even global imperative. Diversity needs no special internal consideration as its value, importance and necessity are firmly integrated into all aspects of organisational life. They recognise that diversity contributes to a strong economy, which benefits all participants including the organisation. They encourage other organisations to move along the Equity Continuum™ and stop only when they recognise that others are not committed to diversity.





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