Diversity at work:
MAKING THE MOST OUT OF INCREASINGLY DIVERSE SOCIETIES

OECD societies and workforces are becoming more and more diverse. Over the past two decades, the labour market participation of women has increased strongly; the population shares of migrants and their children are growing in almost all OECD countries; and more LGBTI people are open about their sexual orientation. Ensuring that groups that historically have been under-represented or disadvantaged in the labour market and society can participate fully is now more essential than ever. Preliminary evidence suggests that the COVID-19 crisis has had a disproportionate impact on some diverse groups, especially migrants and ethnic minorities. The death of George Floyd and the global "Black Lives Matter" movement have placed at the centre of the policy debate long-standing issues of discrimination and disadvantage against ethnic minorities.

Full participation of diverse groups is not only an ethical imperative, it makes great sense also from an economic and social cohesion perspective. The economic case to justify measures promoting diversity and inclusion thus supplements the social justice obligation to promote inclusion and equal opportunity. There is a clear need to better understand under what conditions governments and employers can ensure inclusion, thereby harnessing the potential of a diverse populations more effectively. This policy brief assesses how OECD countries can be equipped to make the most out of diversity and ensure equality of opportunity.

Key findings

- OECD societies and workforces have become increasingly diverse over the past decades; women's participation in the labour market has increased significantly, the numbers of immigrants and people from ethnic minorities have increased virtually everywhere and more LGBTI people are open about their sexual orientation.

- Despite these progresses, women, migrants, older workers and persons with disabilities still face considerable disadvantage in the labour market and society at large. Discrimination, entrenched social norms or, for specific groups like migrants, the lack of networks and accessibility issues for persons with disabilities, result in substantial labour market and wage gaps – even in the public sector - and are a threat to social cohesion.

- Only a small majority of people in OECD countries think their city or region is a good place for minority groups to live. Over the past decade, attitudes towards migrants and ethnic minorities have become more polarised. On a more positive note, attitudes towards gender equality and LGBTI people have steadily become more positive.

- There is a sizeable societal and economic cost associated with the underutilisation of talent due to discrimination and non-inclusion. Many businesses can benefit from having a more diverse workforce. Public policy and corporate governance both have economic as well as ethical reasons to promote equal opportunities. The lack of diversity and inclusion in public workforces and government institutions can hamper the ability of public policies and services to respond to the needs of society, and most notably those of disadvantaged or minority groups.

- Diversity policies can be a powerful tool in promoting the interests of under-represented and disadvantaged groups. Virtually all OECD countries have anti-discrimination legislation in place; many offer positive incentives to hire people from disadvantaged groups; and in the European context, representation quotas have proliferated over the past decade. There is, however, scope to strengthen implementation and enforcement, including through more comprehensive assessment of anti-discrimination and diversity measures.
- People from disadvantaged groups are not always aware of the provisions of anti-discrimination legislation, as well as where and how to look for help in cases of alleged discrimination. Evidence suggests that especially people from the most discriminated groups often take no action when facing discriminations, often as a result of economic, structural, and institutional obstacles such as the complexity and cost of legal processes.
- The evidence suggests that diversity policies mainly benefit those women and minorities who are relatively privileged within their group. More focus is needed on the most disadvantaged within diverse groups.
- 85% of HR managers surveyed by the OECD believe that diversity has become more important in their countries in the past few years. Policy must support companies, notably SMEs, in their efforts to diversify their staff, for example by providing concrete "how-to" guides and "diversity consultants".
- Improved collection of diversity data can help make disadvantage visible in the first place, identify areas where further policy action is needed and help design appropriate policies in response.
- The hardest challenge in diversity policy is supporting those who have multiple characteristics that might lead to disadvantage. This so-called 'intersectionality' requires better data, and more innovative approaches to policymaking.

What is the issue?

OECD countries have witnessed fundamental societal changes in a comparatively short time span. Women have entered the workforce in large numbers, with participation rates rising from 61% in 2000 to 69% in 2018. Likewise, employment rates of older workers are increasing: 59% of individuals in the age group 55-64 are employed in 2016, up from 48% in 2000. Nearly 15% of the working-age population reports having a disability or long-lasting heath problem that limits their activities in daily life. Increasingly, LGBTI people are open about their sexual orientation and gender identity. And finally, almost one in ten people living in the OECD are foreign-born, and among younger cohorts (15- to 34-year-olds), over a quarter are foreign-born or native-born offspring of immigrant parents in OECD countries with available data, and the population shares of both groups have been increasing virtually everywhere.

Yet, in almost one-third of OECD countries, the majority of the population does not believe that their city or local area is a good place to live for ethnic minorities, immigrants or LGBTI people. In the public sector, women and minority groups are underrepresented at the most senior levels of the public service, limiting the responsiveness and effectiveness of public policies to address social challenges. Stubborn pay gaps remain even in the public service. Indeed, analyses of diverse groups' outcomes show that the full economic and social inclusion of these various groups remains an elusive goal, as also witnessed by the global "Black Lives Matter" movement with respect to ethnic minorities. First evidence also suggests that ethnic minorities and migrants are also particularly hard-hit by the COVID-19 pandemic.

Although women's employment rates have risen in recent decades, women are still 12 percentage points less likely than men to engage in paid work across OECD countries. When women are in employment, they are more likely to work part-time, are less likely to advance to management, and tend to work in less lucrative sectors. These factors combine to create a sizeable wage gap: the median full-time female worker earns almost 15% less than her male counterpart (OECD 2017a).

In most OECD countries, migrants have lower employment rates than the native-born population. Migrant women are particularly disadvantaged in the labour market, with employment rates well below foreign-born men and native-born women and men in most countries. The native-born offspring of foreign-born people also face persisting obstacles. In the EU, their youth unemployment rate is nearly 50% higher than among young people with native-born parents (OECD 2018).

Other groups also face substantial barriers to their successful inclusion. Changing jobs or finding new ones once they are unemployed is a challenge for older people. People with disabilities struggle to participate in the labour market, even though many can and wish to work: in 16 OECD countries, their employment rate is 27 percentage points lower than that of non-disabled people. Field experiments show that homosexual applicants are only half as likely to be invited to a job interview as their heterosexual counterparts, and they are offered wages that are up to 10% lower (Valfort 2017). Persistent discrimination remains an obstacle for all groups mentioned above.

While there has been significant progress over the past decade to close the gaps in the labour market for women and older people, this is less evident regarding migrants and people with disabilities, though some countries managed to progress for all four such groups with available data (Table 1). Likewise, attitudes towards LGBTI people have generally evolved more favourably than those towards migrants and ethnic minorities.

Why does it matter?

Often, firms and organisations justify diversity measures with a "business case" for promoting diversity. There is a widespread belief that hiring diverse workforces will lead to increased productivity and innovation by bringing together differing viewpoints and new ways of thinking. However, the evidence on the impact of diversity at the firm level is not clear-cut. The overall impact that having more foreign-born employees or more women on boards has on firm performance is small and often insignificant. However, this may in part be because they may be hired, but they are not made welcome, suggesting a difference between diversity and genuine inclusion. The positive impact of diversity is stronger in firms where employees from diverse groups feel valued and are involved in decision-making. Successful diversity efforts do not stop at hiring diverse groups, but are followed by measures to manage it adequately (OECD 2020q).

While the impact of diversity on individual businesses might be small, there is a strong economic argument against discrimination and non-inclusion at the level of the country as a whole. The economic exclusion or inactivity of large population groups and the underutilisation of talent that follows from it evidently comes at a high social and economic cost, also against the backdrop of demographic ageing.

The economic case to justify measures promoting diversity and inclusion supplements the strong social justice obligation to promote inclusion and equal opportunity as the "right thing to do". Whether to promote economic development, social cohesion, or a society that is just and equitable, there is a clear need to better understand under what conditions governments and employers can ensure inclusion, thereby harnessing the potential of a diverse populations more effectively.

How should policymakers and businesses respond to this challenge?

Diversity policies should focus on the most disadvantaged

Evaluations of different diversity measures show that such policies can be a powerful tool in promoting the interests of disadvantaged groups in the labour market.

Virtually all OECD countries have implemented non-discrimination legislation, often on a wide variety of grounds. Evidence shows that legislation can affect attitudes positively by signalling awareness of, and policy attention to, the issue, as well as a general societal shift in norms around equality and equality of opportunity.

In the past decades, OECD countries and businesses have gone beyond anti-discrimination legislation. To increase the representation of women and minorities, several European countries have introduced quotas for under-represented groups. Quota regulations can be complemented by outreach activities – this is critical as groups traditionally under-represented in the labour market often lack professional networks. To make the most of increasingly diverse workforces, firms must go beyond simply hiring women and minorities and promote inclusivity at the workplace and to retain talent. Evidence shows that diversity training, the most common diversity practice at the workplace, can be an effective tool to foster inclusivity at work. The application of behavioural insights to reduce bias in recruitment and promotion processes is being increasingly adopted, as are more flexible working policies. Another tool that has proven effective in reducing bias is the close interaction with women and minorities in mentoring and college recruitment schemes. To ensure that training is effective in the long run, firms should actively engage managers in reducing bias within their workforce, making them "diversity champions" (OECD 2020a).

While the existing set of policies has helped many people from disadvantaged groups, it has not been effective for everyone. Existing policies primarily benefit those women and minorities who are already in a relatively privileged position, not the most disadvantaged within underrepresented groups. Furthermore, disadvantaged individuals who do not happen to fall into a "diverse group" can feel left out and resent pro-diversity policies.

Diversity policies are often subject to heated discussion. Only around one in three people in the European Union would be supportive of concrete measures at their own workplace. This indicates that – aside from questions of effectiveness and feasibility – policy-makers and employers have to anticipate and manage negative reactions towards diversity policies. A crucial step in addressing such concerns is to clearly communicate that diversity policies do not seek to favour certain groups over another. Ultimately, diversity policies are only one part of a broader package of policies to promote equal opportunities among all members of society.

Table 1. Dashboard on the evolution of gaps and attitudes over the past decade

|	Employment gaps				Evolution of employment gaps over past decade				Perceived attitudes			Evolution of attitudes over past decade		
	Gender	Migrant	Age	Disability	Gender	Migrant	Age	Disability	Ethnic	LGBTI	Migrants	Ethnic minorities	LGBTI	Migrants
Australia	9.8	3.4	16.6	37.8	green	green	green	green	green	green	green	yellow	green	yellow
Austria	8.0	8.5	32.8	21.4	green	yellow	green	green	orange	orange	orange	green	green	yellow
Belgium	8.8	10.2	29.3	31.0	green	green	green	yellow	yellow	yellow	yellow	green	green	red
Canada	5.7	2.6	20.1	26.3	green	green	green	green	green	green	green	yellow	green	yellow
Chile	19.7	-14.6	9.6	grey	green	green	green	grey	orange	orange	green	green	green	yellow
Czech Republic	14.7	-4.0	24.6	33.5	green	green	green	green	red	red	red	red	yellow	red
Denmark	5.4	10.9	12.7	32.6	green	green	green	yellow	green	green	green	green	green	green
Estonia	6.6	2.8	15.9	23.2	yellow	red	green	grey	red	orange	green	green	green	red
Finland	3.1	10.8	18.1	22.2	yellow	red	green	yellow	yellow	green	green	green	green	green
France	7.1	9.4	29.2	16.2	green	red	green	green	yellow	yellow	orange	green	yellow	green
Germany	7.4	8.7	14.1	23.0	green	green	green	green	yellow	green	green	green	green	yellow
Greece	18.3	0.8	29.1	19.0	green	red	green	green	red	red	red	red	yellow	red
Hungary	14.0	-5.6	32.0	26.1	yellow	yellow	green	green	red	red	red	red	red	red
Iceland	4.8	2.0	6.2	29.8	green	red	green	green	green	green	green	green	green	green
Ireland	10.3	0.3	18.3	41.4	green	red	green	green	green	green	green	yellow	green	yellow
Israel	6.8	-12.4	13.0	grey	green	green	green	grey	red	red	red	green	green	red
Italy	18.2	-2.3	17.2	15.4	green	green	green	yellow	orange	orange	orange	yellow	green	green
Japan	15.5	3.6	10.8	grey	green	grey	green	grey	orange	orange	orange	orange	green	orange
Korea	19.4	-3.2	8.9	grey	green	grey	green	grey	orange	orange	orange	orange	green	orange
Latvia	3.5	4.0	19.0	grey	green	red	green	grey	red	red	red	red	yellow	red
Lithuania	0.4	0.4	17.3	grey	green	green	green	grey	red	red	red	green	green	yellow
Luxembourg	7.4	-6.8	43.8	20.0	green	red	green	red	yellow	yellow	green	green	green	red
Mexico	34.0	8.9	16.4	grey	green	red	yellow	grey	orange	orange	orange	green	green	green
Netherlands	9.1	14.4	17.8	31.7	green	green	green	red	yellow	yellow	yellow	green	yellow	red
New Zealand	9.8	1.0	5.9	grey	green	green	green	grey	green	green	green	green	green	green
Norway	3.2	7.5	10.5	33.8	green	green	green	yellow	green	green	green	green	green	green
Poland	13.3	-3.5	33.7	28.7	yellow	green	green	green	red	red	red	red	red	red
Portugal	6.3	-7.1	26.3	18.9	green	green	green	green	green	orange	green	green	green	green
Slovakia	11.7	-2.3	27.0	20.1	green	green	green	grey	red	red	red	green	green	green
Slovenia	6.7	3.0	43.4	26.0	green	red	green	green	orange	orange	red	yellow	green	green
Spain	11.1	1.7	20.7	24.5	green	red	green	green	yellow	yellow	yellow	green	green	red
Sweden	2.9	13.5	9.8	20.6	green	yellow	green	green	yellow	yellow	green	green	green	yellow
Switzerland	9.1	5.9	14.0	13.7	green	green	green	grey	yellow	yellow	green	green	green	green
Turkey	38.5	5.5	26.7	grey	green	grey	yellow	grey	orange	red	orange			
United Kingdom	9.1	2.6	19.8	30.5	green	green	green	green	yellow	yellow	green	red	yellow	green
United States	10.5	-2.3	16.1	43.7	green	green	green	green	orange	yellow	green	green	green	red

Note: The chart compares differences in employment rates of men and women; native-born and foreign-born; and prime-age (25-54) and older workers (55-64). Disability status is defined as self-perceived, long-standing activity limitations. **Employment gaps and perceived attitudes** are shown as colour-coded quartiles. **Evolution over 10 years** (2008 and 2018 for attitudes; 2006/07 and 2016/17 for labour market gaps): "green": more than a 2-percentage points change in favour of diverse groups, "yellow" between a +2-percentage points change and a -2-percentage points change, "red": more than a 2-percentage points change to the detriment of diverse groups (regardless of statistical significance). The evolution refers to differences vis-à-vis the respective comparison group and not absolute values. "grey": data are not available.

Source: OECD (2020a).

Box 1. Recourse mechanisms to complement anti-discrimination legislation

In all European OECD countries for which data are available, awareness of non-discrimination provisions has increased between 2007 and 2015. However, there is still a long way to go in terms of awareness of rights. In the majority of countries, less than half of the population would know their rights if they were to become a victim of discrimination or harassment.

Figure 1. Public awareness about legal rights in case of discrimination or harassment, Eurobarometer
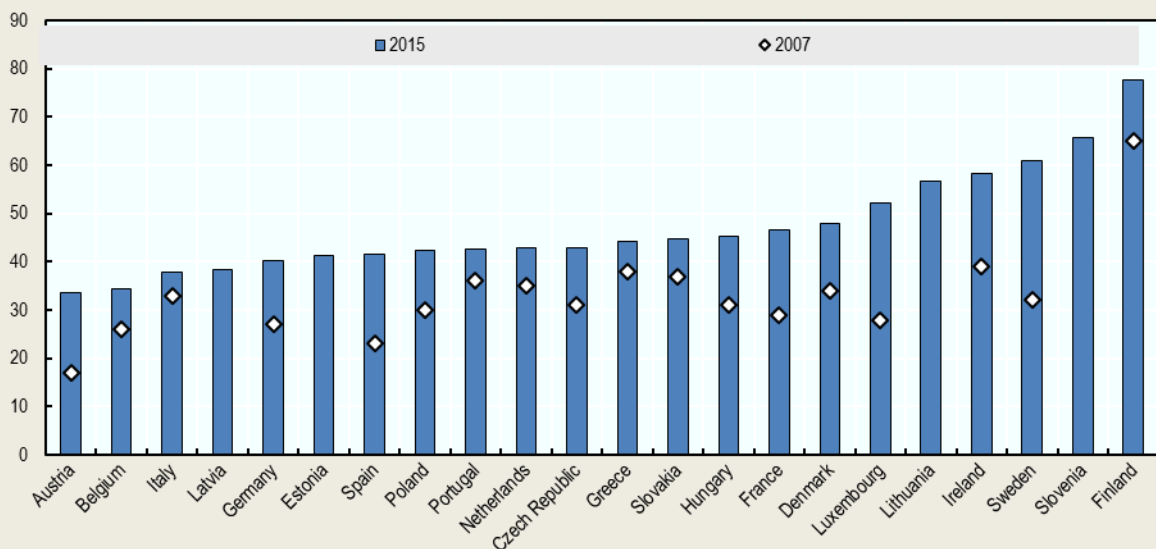
There remain challenges in enforcing the various provisions and enabling different groups of individuals to claim their rights within and outside of courts. People from the most discriminated groups are least likely to take action when facing alleged discrimination, as affected groups are not always aware of the scope of anti-discrimination legislation, or where and how to find and use available assistance.

In order to effectively support the development of culture of diversity where all individuals are empowered to enjoy their rights, recourse mechanisms should be tailored to meet the needs of people experiencing discrimination and include appropriate safeguards. Specific surveys on legal needs in labour and employment may be useful, as would strengthening the availability of the disaggregated data on cases, processes, their outcomes as well as the claimants (OECD, 2020a).

> **Box 2. 10-point checklist for public action to get the most out of diverse societies**
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> 1. Ensure broader and more equitable access to diversity measures by considering socio-economic disadvantage within groups and avoiding that policies predominantly benefit those in a relatively privileged position.
> 2. Develop diversity policies that do not only target high-skilled jobs and management positions, but also focus on medium- and low-skilled jobs.
> 3. Acknowledge that diversity policies are not a 'quick fix' to tackle inequalities and frame them as part of a broader approach of improving access to quality education and lifelong learning.
> 4. Find the right balance between general and group-specific policies and consider the possible stigmatising effects of the latter, as well as the negative repercussions that can result from inadequate choice of terminology in designating the group.
> 5. Anticipate possible negative reactions towards diversity and develop a proactive communication strategy that frames diversity policies within a wider context of equal opportunities for all members of society.
> 6. Strengthen the business case for diversity, including through appropriate incentives and by ensuring that hiring disadvantaged groups does not incur disproportionate costs for employers.
> 7. Support companies, notably SMEs, in their efforts to diversify their staff, for example by providing concrete "how-to" guides and "diversity consultants".
> 8. Raise awareness of non-discrimination legislation and recourse mechanisms and make sure that these are accessible and effectively protect potential victims from retaliation.
> 9. Make sure that the public sector is a role model in diversity management and that it adequately reflects the diversity of the society it represents.
> 10. Improve data collection on diverse groups in the labour market, including at firm level, to facilitate a better monitoring of the effectiveness of public policies and to identify areas where further policy action is needed.
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> Source: OECD (2020a).

The public sector must be a role model employer

While the size of public employment varies widely across countries, general government employment accounts for, on average, 18% of total employment in the OECD (OECD 2019a). The employment policies of the public service therefore have a potentially large impact on workers, and can help set the tone for employers.

There remain sizeable wage gaps in the public service today, whether between men and women or between different ethnicities. These gaps persist despite proactive measures to foster pay equality over the past decades. While the public administration is the economic sector with the smallest pay gap for women, for example, even here a median gap of 8.7% exists (OECD, 2017d).

There is often a tendency to underestimate wage gaps in the public service as wages are based on a specific grid of pay and promotion is linked with seniority and experience. Yet, the wage gap persists in the public sector because women are less frequently promoted, they are less often appointed to senior positions and they tend to be clustered in specific, lower-paid occupational groups.

The majority of countries has diversity legislation and/or policies for their public service, including specific diversity and inclusion strategies and targets. Common groups targeted by these strategies include women, persons with disabilities, older workers, members of the LGBTI community and ethnic minority groups (OECD 2020a). However, despite these policies, many public services are not meeting targets, particularly in achieving greater diversity at senior levels. More ambitious and innovative approaches need to be taken including the application of behavioural insights to remove biases and promote cultural change, more inclusive leadership practices, and better use of people analytics to bridge gaps.

There are many potential benefits of a diverse public sector and various ways in which diversity can contribute to improved organisational outcomes. For example, it could increase service quality – civil servants who are more attuned to the variety of citizens' different needs and preferences go on to design and deliver more accessible and responsive products. Most importantly, however, an inclusive public service reflects the diversity of the society it represents.

Better measures of diversity can help address disadvantage

Diversity is a broad term and includes many groups for which data are not available or are difficult to compare across countries or, in many cases, between different government agencies and data sources (e.g. household surveys, administrative data) in the same country. This is notably the case for ethnic identity as well as for LGBTI people. Only a few population-based surveys include questions on sexual orientation and even within a given country, shares can differ markedly depending on whether survey questions ask for sexual self-identification or sexual behaviour and whether they are administered online or face-to-face (Valfort, 2017).

Collection of accurate and comprehensive data on diversity is central for policy: for the distribution of resources, to reveal inequalities between groups and to benchmark progress on diversity policies (Balestra and Fleischer, 2018). Accurate and systematic data (disaggregated by identity groups) on the implementation and results of anti-discrimination and diversity initiatives, including on the effectiveness of recourse mechanisms, can help strengthen the understanding of what works in promoting and embedding diversity.

Figure 2. Diversity data collection practices

Source: Adapted from Balestra and Fleischer (2018).

Solid data on ethnic, racial and indigenous identity can help render certain minorities statistically visible, and expose potential discrimination and inequalities.

Conclusions and way forward

Policy-makers, businesses, the public sector and statistical offices alike have been responding to the constantly changing and increasingly diverse make-up of our societies with a variety of measures. Considerable challenges remain in strengthening the impact of diversity policies, both public and corporate ones. First of all, data on diversity in the workplace or on the measures taken are limited, which renders policy evaluation difficult and hampers a better understanding of what actually works for which groups and under which circumstances. In addition, finding the right balance between incentivising voluntary commitment by employers and creating policy frameworks that regulate firm action is challenging. This not only requires the 'right mix' of bottom-up and top-down approaches, but also needs to take into account that mandatory policies may have different impacts depending on the type of diversity measure and the group concerned. Finally, proactive communication about the rationale of diversity policies is not only important for firms, but also on a public policy level. Framing diversity policies as one part of social policy, alongside with policies improving access to education, training and jobs, may help to steer a discussion away from 'preferential treatment' and instead move towards a discussion around increasing equality of opportunity for all.

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www.oecd.org/gender/

www.oecd.org/migration

www.oecd.org/employment

www.oecd.org/social/lgbti.htm