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2021 Diversity, Equity, and Inclusion Trends

The 2021 Diversity, Equity, and Inclusion Trends Report reflect the shift in how businesses are approaching diversity and inclusion. Once a differentiator, diversity and inclusion have risen as a cross-sectoral imperative in all aspects of operations, including recruitment, development, leadership, client relations, and more. There is a changing societal status quo - what may have been acceptable 10 years ago is no longer reasonable.

Simultaneously, the definition of diversity and inclusion has evolved as well. Diversity includes people from a range of different social and ethnic backgrounds and of different genders, sexual orientations, or economic status. Consumers and employees across every industry are demanding that companies prioritize diversity, equity, and inclusion (DE+I) in their business model changes. In 2021, businesses are expected to diversify leadership boards, focus on racial justice and equity, more strongly interconnect diversity and CSR teams, and match demand for transparency and advocacy.

TREND #1:

Demand is growing for DE+I metrics that provide transparency and drive decision-making

For many years, businesses have gotten away with false, overstated strides towards equality. DE+I has been at the bottom of the list of priorities among industry leaders, thus putting it on the backburner for most corporations. Despite efforts, there is continued disparity in access to education, development, and technology within a company's workforce and recruitment base – a divide that has only been widened as a result of the global COVID-19 pandemic.

"DE&I-related job openings have risen by 55% since June 8, after falling by 60% at the onset of the coronavirus pandemic in March, according to data from employment and recruiting site Glassdoor."

SOURCE

In recent years, the private sector has established a need for diversity and change but has done little to make it happen; incorporating DE+I into strategy poses a unique opportunity to grow engagement while also making real, actionable strides. Leveraging people analytics and metrics can be used as a tool to improve engagement, collaboration, and innovation amongst teams. This will produce measurable results, such as a 56% increase in job performance, **50%** decrease in turnover risk, and a 75% decrease in employee sick days, all of which contribute to a stakeholder-driven workplace climate.

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75%
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Employees and consumers are demanding accountability. Now, more than ever, individuals are watching the actions of corporations closely. With the capabilities of social media, consumers have adopted a herd mentality for repudiating companies that do not meet standards. Due to strong pressures by consumers, many companies not currently taking action are being forced to rethink leadership and priorities, or risk being shut out.

The continued rise of automation will cause the loss of jobs in specific industries and departments that are traditionally more diverse; female employment in secretarial and administrative roles has decreased tremendously but has been outweighed by an increase in higher-skilled occupations. Organizations must leverage metrics to proactively monitor potential impacts and set goals to increase or maintain diversity after implementing automated solutions.

To effectively change norms and the business 'status quo', organizations will need to develop concrete action plans and roadmaps with DE+I. These plans must include recognition that a more intimate view of people analytics is relevant not only in representation but also perceptions of DE+I (employee surveys, workplace outcomes, and consumer engagement) and is crucial to tackling their internal problems head on.

TREND #2:

Businesses are feeling increased pressure to diversify senior leadership and corporate demographics

Historically, corporate executive leadership has consisted of primarily white men. Only relatively recently has this expanded into men of color and women but continues to strongly exclude many groups including women of color, non-binary, and trans individuals. In response to inequities becoming more apparent in the United States, companies must react by pledging to be allies and working to create a diverse private sector workforce. Equitable opportunities in hiring/recruiting processes will be imperative moving forward in the movement towards an inclusive and equitable workplace.

Many companies are being recognized for their diversity or lack thereof, which can make a massive impact on reputation and subsequent sales volume or consumer response. It is necessary that companies reevaluate leadership demographics to better represent diverse groups and restore confidence in their values-based actions both internally and externally.

"The Silicon Valley Leadership Group, whose members include a wide cross-section of tech companies, has announced an initiative called "25 x 25" that seeks to increase minority executives by 25% by 2025."

SOURCE

Listing agencies for publicly traded companies such as **Nasdaq** are proposing requirements that "would require all companies listed on Nasdaq's U.S. exchange to publicly disclose consistent, transparent diversity statistics regarding their board of directors. Additionally, the rules would require most Nasdaq-listed companies to have, or explain why they do not have, at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+." Thus, pressure to continue diversifying leadership will continue to persist until changes are universally adopted.

TREND #3:

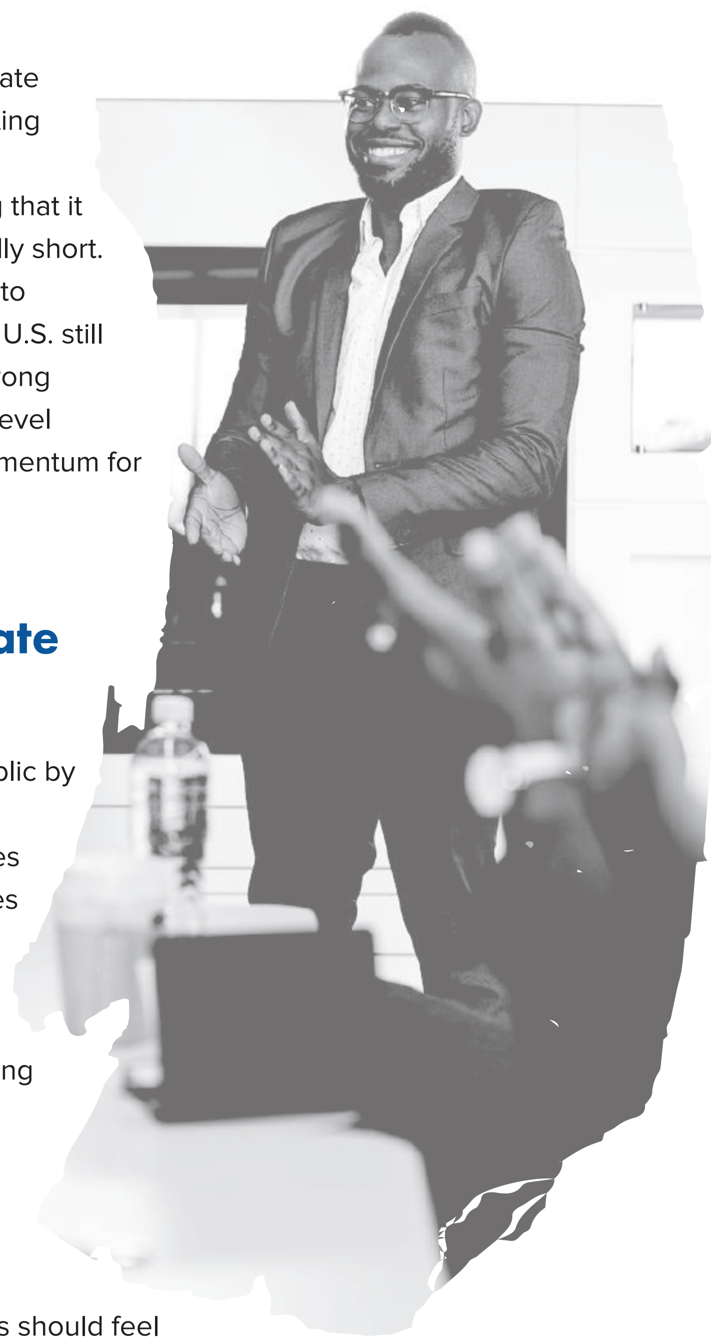
Policy focus and increased advocacy for transgender, gender-fluid, nonbinary, and gender non-conforming employees

After the recent U.S. Supreme Court decision confirming LGTBTQ+ employees as a protected class, employers are now forced to revisit policy, advocacy, and reporting to include the same measures as race and gender. Hundreds of companies, including many well-recognized, signed the amicus brief and are making strides towards equality for transgender and gender non-conforming employees.

For example, Citi launched an innovative and transformative initiative with Mastercard in October to offer transgender and non-binary customers the ability to use their chosen name on credit cards. This was a huge action, as many trans and non-binary consumers were met with harsh reactions and so were uncomfortable showing identification that did not correspond to their gender expression.

Another landmark decision in the fight for trans equality was **Aetna's recent move** to expand coverage for gender affirming surgeries. Other major insurers, such as Anthem and UnitedHealthcare, continue to view some 'controversial' surgeries as primarily cosmetic, and therefore non-discriminatory to ignore. As nearly half of the American population depends on employer-sponsored health insurance for medical needs, this will be monumental for working-class Americans to receive necessary surgeries.

Continued policy reviews that drive policy changes in the private and public sectors are driving a rise in awareness and prompting more individuals to become allies. Allyship is important to sustaining progress towards an equitable workforce, ensuring that it doesn't slip due to collective attention spans being dramatically short. Positioning corporate leaders as allies is especially important to influencing change, as almost 50% of LGBTQ+ workers in the U.S. still remain closeted at work. Corporate leaders' demonstrated strong allyship is likely to influence more visible support from lower-level companies' employees as well, boosting community wide momentum for advocacy.



TREND #4:

There's a growing focus on corporate racial justice and equity

Companies had mastered the manipulation of the general public by practicing tokenism and producing inaccurate data to 'show' diversity. These practices are no longer acceptable; companies must focus on accountability and "walking the talk" as it relates to racial justice. It is undoubtedly relevant to consider how it pertains to their related industries and community.

One in three retail employees say they have considered quitting after experiencing racial bias or unfair treatment in a work environment, whether it's perpetrated by customers or their co-workers. For Black employees, that number is even higher at 37%. In response to these alarming statistics, corporate leaders should focus on prioritizing advocacy, as opposed to historically just celebrating charity. Consumers and employees should feel respected and represented in business decisions.

"Black retail shoppers are 2.5x more likely than white shoppers to receive unfair treatment based on their skin color (44% vs. 17%), while BIPOC shoppers are 2x more likely than white shoppers to receive unfair treatment based on their ethnicity (30% vs. 15%), according to the Sephora racial bias report."

SOURCE

Companies should not only prioritize taking part in social justice initiatives for employees, but also for consumers. Clinical trials should be representative of diverse groups, shopping habits should be considered for different cultures, apparel fit for all body sizes, diverse shades of makeup for skincare and beauty, and more. Making brands accessible for all consumers is necessary, and specifically catering to different racial groups should be incorporated into the companies' marketing goals.

Corporate leaders should not only consider diversity of current internal positions, but also be keeping diversity and equity a priority when grooming, training, and exposing future leaders. Maintaining a diverse talent pipeline throughout the hierarchy of the organization is essential to progressing corporate racial justice. In doing so, business leaders are expected to create programs that extend beyond a large donation to an HBCU, and truly create systemic change. Focusing on **succession planning** can be a place to start, allowing for both more opportunities to be created and with a more seamless transition process; companies that utilize this as part of their DE+I strategy will be ahead of the curve.

Lastly, impactful partnerships and investments are key to ensuring that corporate spending is also centered around DE+I efforts. Investing and partnering with diverse organizations is beneficial to both racial equity in business and a greater **return on investment** relative to less diverse alternatives. Creating long term relationships with diverse ecosystems is a more powerful approach to tackling corporate racial justice than just creating short-term campaigns and donations.

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TREND #5:

The connection between DE+I and CSR teams is growing stronger

Corporate Social Responsibility (CSR) has been prevalent in the private sector for years, as the movement to fight climate change has rapidly progressed. With the outbreak of COVID-19, many companies were faced with the unforeseen destruction caused by a lack of sustainable infrastructure. As many companies are reshaping business models to account for social responsibility, they are simultaneously understanding the importance of DE+I.

As businesses begin to see the benefits social responsibility can bring to sales and consumer satisfaction, doing well and doing good begin to go hand in hand. Business owners have historically believed that in order to do business sustainably, there has to be a tradeoff. It has become evident that socially beneficial action is not a decision, but a necessity, in terms of growth potential. IBM's co-creation CSR model requires collaboration between IBM business teams, employees, and external partners to best commit to DE+I efforts.

DE+I professionals will begin to more frequently collaborate with corporate social responsibility (CSR) teams **in 2021**. 2020 brought many societal issues to light, therefore sparking a movement of business leaders that seek to put social change at the forefront of operations. **Stakeholder capitalism** has emerged and evolved, where companies are not only serving shareholders, but also consumers, patients, shoppers, communities, employees, suppliers, and governments.

Lastly, the private sector is being called upon to 'put money where their mouths are'. Many companies have taken the first step in change by making statements and pledges, but it is not enough. Businesses create wealth, and wealth creates opportunities; investors can use their money to help create change. ESG investing has been growing rapidly as environmental awareness spreads, and many investors have taken action. ESG may have been a good starting point, but it is now being made clear that systemic change in DE+I will only come with investor's dollars. Adding a "D" to ESG investing may be the key to growing a more inclusive private sector, and thus building a more equitable society.

"The SASB, ICI and other third parties are developing or refining existing frameworks for describing and disclosing ESG and diversity and inclusion matters. This trend may be expected to accelerate over time, particularly as calls for uniform reporting of companies' ESG and diversity disclosures become more prominent."

SOURCE

Going Forward

The shift in focus towards diversity, equity, and inclusion has been building for quite some time. Now, more than any other time in history, businesses have the opportunity to clearly demonstrate an authentic and genuine dedication to promoting diversity, equity, and inclusion in the way they think, work, lead, and act. It's critical that businesses tackle DE+I challenges as they would any business challenge – leveraging new age digital capabilities and data points to create an actionable, measurable approach.

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