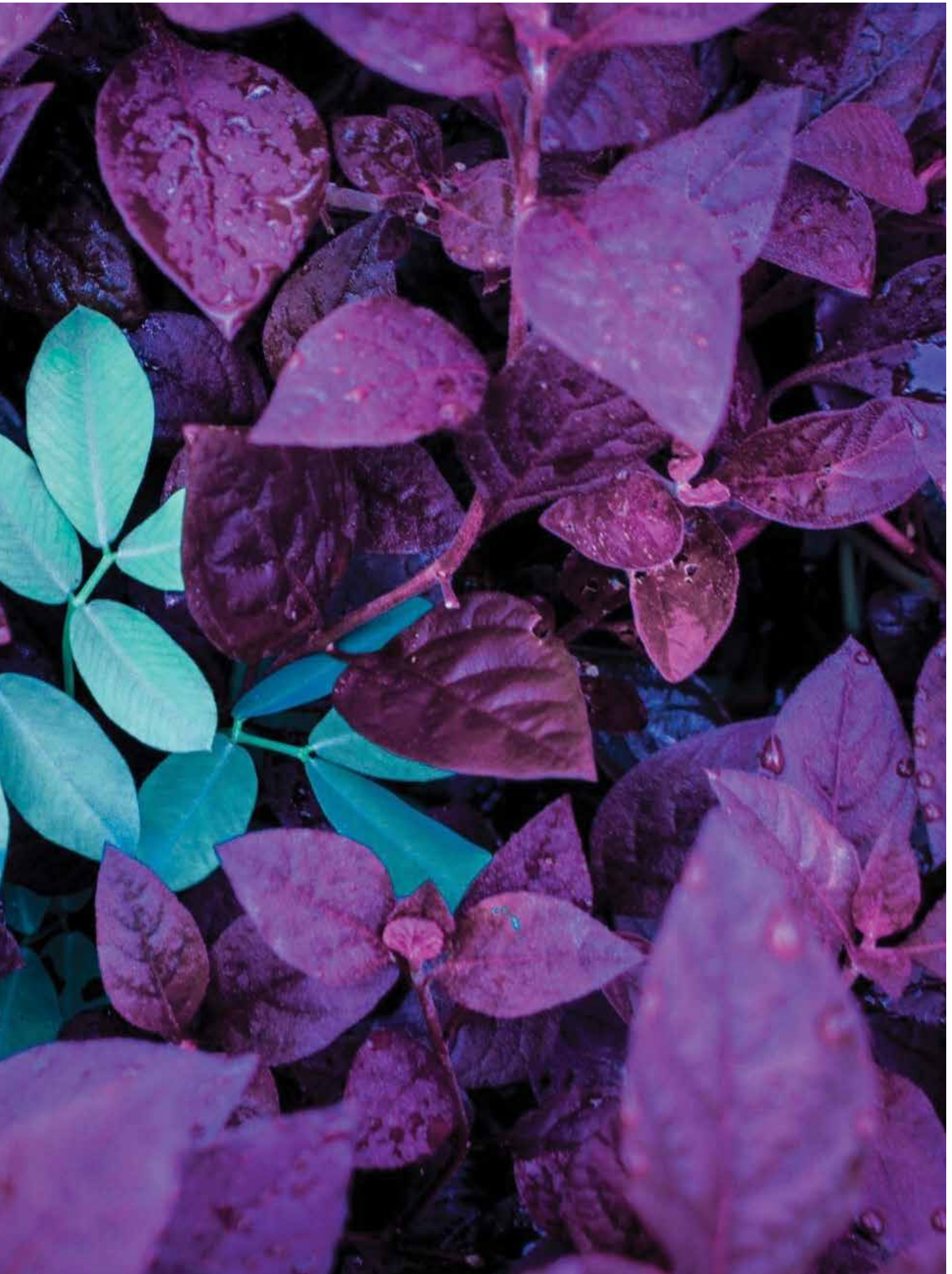




**Progress toward  
corporate diversity  
requires more than  
ticked boxes and  
token hires**





## Key takeaways:

- Embracing holistic diversity, the 2021 S&P Global Corporate Sustainability Assessment includes new questions on race, ethnicity, nationality, age, LGBTQI+ status and disability, alongside existing questions on gender equity. Similar patterns of underrepresentation can be observed across indicators. For example, Black employees make up 10.7% of the U.S. workforce but only 5.3% of all management positions in surveyed U.S. companies.
- While these quantitative metrics are essential to grasp the effectiveness of diversity, equity and inclusion policies, measurement needs to be carried out with caution. Only 32% of companies surveyed headquartered in Europe were able to disclose on the breakdown of their workforce based on race, ethnicity or nationality. This speaks to the legal and cultural challenges that still exist in this space, and the need for localized data collection approaches.
- Overall, real progress on diversity and the corresponding benefits will only come from a willingness to critically reevaluate existing power dynamics and embrace cultural change.

<sup>1</sup> Frank Cooper III and Ranjay Gulati, "What Do Black Executives Really Want?" Harvard Business Review, November 2021, <https://hbr.org/2021/11/what-do-black-executives-really-want>; Olumidé Cole, "Hiring more employees of color isn't your first step to diversity," Human Resource Executive, November 2021, <https://hrexecutive.com/hiring-more-employees-of-color-isnt-your-first-step-to-diversity/>

<sup>2</sup> Paul Gompers and Silpa Kovvali, "The Other Diversity Dividend," Harvard Business Review, July 2018, <https://hbr.org/2018/07/the-other-diversity-dividend>; Daniel Sandberg, "When Women Lead, Firms Win," S&P Global, October 2019, <https://www.spglobal.com/en/research-insights/featured/when-women-lead-firms-win>; Beth Ann Bovino and Rafia Zafar, "How the Advancement of Black Women Will Build a Better Economy for All," S&P Global, June 2021, <https://www.spglobal.com/en/research-insights/featured/how-the-advancement-of-black-women-will-build-a-better-economy-for-all>

The social aspect of the ESG movement can be harder to pin down than the environmental or governance components. But social issues have gained prominence in the corporate world during the coronavirus pandemic, and as a result companies are increasingly turning to diversity, equity and inclusion as part of the effort to grapple with the S in ESG.

Many companies have embarked on their diversity journey, recognizing the benefits that can be felt beyond improved financial metrics. Increasing diversity can create a virtuous cycle, improving businesses' ability to attract and retain talent. Companies with diverse

workforces and management teams are more appealing to employees, who are more likely to stay where they feel included.<sup>1</sup> Companies that are willing to look outside their usual networks can also tap into sources of talent that others are neglecting. And research has shown that more diversity in workforces and leadership teams is associated with improved profit, market and economic outcomes.<sup>2</sup>

But even if representation numbers improve, much of the real progress – and attending benefits of diversity, equity and inclusion – will come from a willingness to critically reevaluate existing power dynamics.<sup>3</sup> This involves not just choosing who is empowered



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to make decisions in a business but also who is involved in determining the questions that require decisions. For example, pushback against the use of facial recognition software in the tech industry or certain skin-lightening products in the cosmetics industry demonstrates that sometimes the right question is not how best to put a product to work but whether to do so at all. Organizations must think critically about whose voices are heard and the extent to which colleagues listen to those voices receptively and respectfully. Differences in lived experiences, ways of thinking, underlying assumptions and leadership styles are all valuable components of a truly diverse organization.<sup>4</sup>

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But defining diversity and measuring progress often seem elusive. There are many reasons for this, starting with the sheer variety of identities and characteristics that merit attention in any discussion of diversity. Such

relatively nebulous factors are harder to pin down than typically external markers of diversity such as gender and race. But even these present their own challenges when it comes to the practicalities and ethics of data collection and analysis. And questions of how to effectively use the data we do have only add to what has become a daunting task after years of glacial progress.

Mindful of these challenges but also committed to facilitating transparency and progress, we added several new questions to the S&P Global 2021 Corporate Sustainability Assessment, or CSA, asking companies about the breakdown of their workforces based on race, ethnicity and nationality, as well as age, LGBTQI+ status and disability. Building on our historical data related to gender diversity, responses to these questions yield a unique new data set that deepens our understanding of the complexities of defining, analyzing and improving holistic diversity in the global business community.

### The lessons of gender

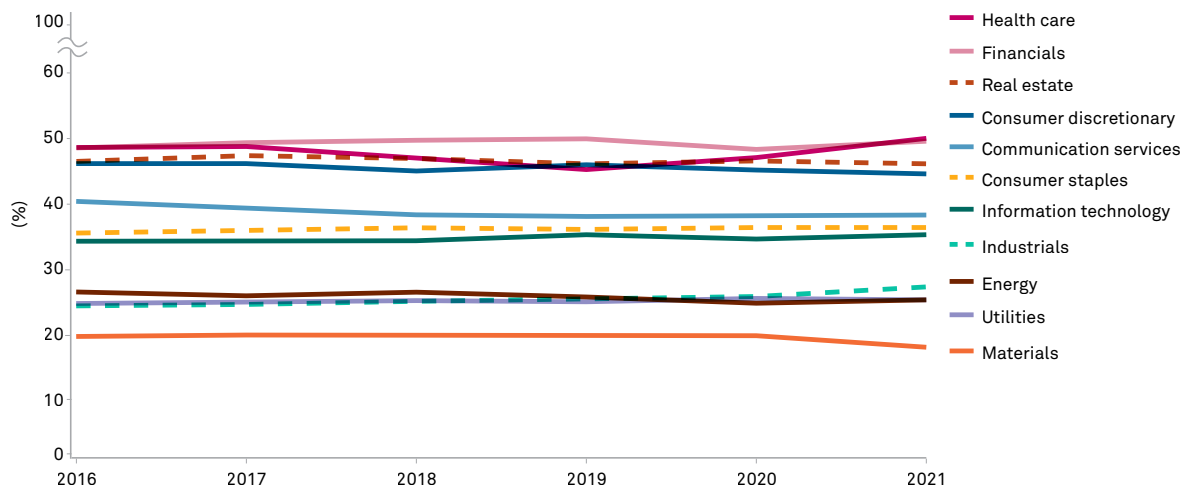
As one of the more extensively researched areas of diversity, the topic of gender representation and equity shows how slow progress on the diversity journey can be.

<sup>3</sup>Robin Ely and David Thomas, "Getting Serious About Diversity: Enough Already with the Business Case," Harvard Business Review, November 2020, <https://hbr.org/2020/11/getting-serious-about-diversity-enough-already-with-the-business-case>.

<sup>4</sup>S&P Global and Paris 2 Pantheon-Assas University, "Leadership In Turbulent Times: Women CEOs During COVID-19," May 2021, <https://www.spglobal.com/en/research-insights/featured/women-ceos-covid>; Amelia Tan, "Inclusion and diversity," Blackrock, <https://www.blackrock.com/uk/individual/insights/blog/investing-in-inclusion-diversity>

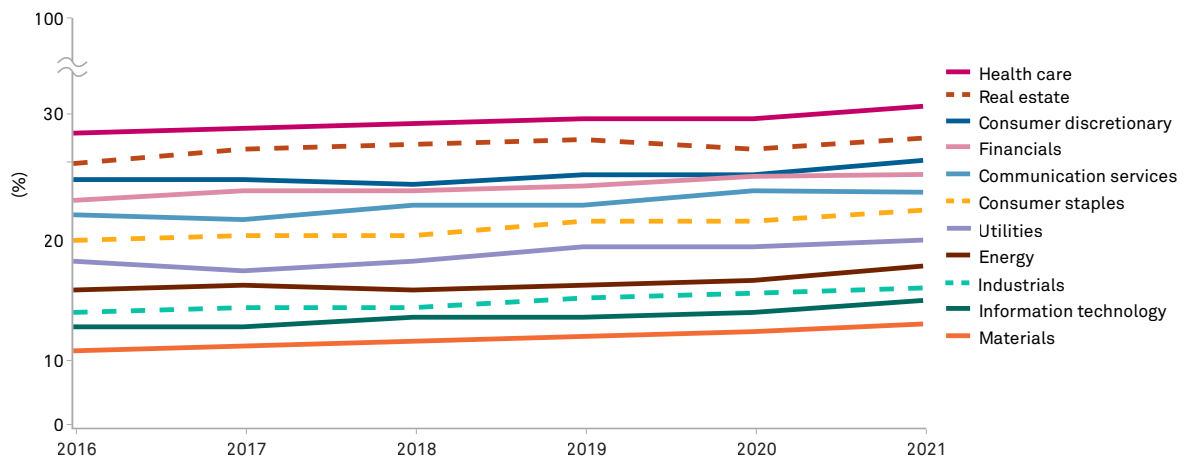


## Average ratio of women to total full-time employees reported by companies in select sectors



Data as of November 2021. Results based on responses from 3,745 companies.  
Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

## Average ratio of women to senior management positions reported by companies in select sectors



Data as of November 2021. Results based on responses from 2,339 companies.  
Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

It also exemplifies the actionable insights that can grow out of responsible, wide-reaching data collection and analysis.

Existing research shows that gender equity is still very much a work in progress. CSA data over the past six years illustrates the

still-significant gap between the share of women in the workforce and the share of women in management positions at companies worldwide. Ensuring that women have an equitable opportunity to access those decision-making positions is a challenge that companies should tackle



Being more inclusive in the way we think about diversity recognizes that getting closer to true equity requires a complex, evolving approach to measurement and action.

<sup>5</sup> Yuhao Du, Jessica Nordell and Kenneth Joseph, "Insidious Nonetheless: How Small Effects and Hierarchical Norms Create and Maintain Gender Disparities in Organizations," ArXiv, October 2021, <https://arxiv.org/abs/2110.04196>

<sup>6</sup> Daniel Sandberg, "Glass Floors and Ceilings: Why Closing the Median Wage Gap Isn't Fair," S&P Global, October 2021, <https://www.spglobal.com/marketintelligence/en/news-insights/research/glass-floors-and-ceilings-why-closing-the-median-wage-gap-isnt-fair>

from multiple angles and at all levels of their organization. Gender disparities start far down in organizational structures; this can create a self-perpetuating effect that ultimately results in the bleakly homogenous makeup of most boards and senior leadership teams.<sup>5</sup>

Inequities also persist in the realm of compensation. Not only do women earn less than men overall because of inequitable power distributions in the workplace, they earn less when compared to men in the same positions. A common way of measuring pay equity improvement might be obscuring the true nature of the problem. Recent S&P Global Market Intelligence research found that companies seem to be artificially addressing pay gaps by increasing the median compensation for

women without giving them access to the full range of compensation available to men.<sup>6</sup>

Much of the existing research analyzes gender in a binary way – men and women. More work and data are needed to better understand the challenges faced by people of nonbinary and other gender identities in the workplace.

Holistic diversity, equity and inclusion strategies recognize that people have various identity markers that intersect and influence their lives and experiences in the workplace in specific ways. Gender is only one of those identities. Discrimination and inequities in the workplace are linked to a range of other factors, such as educational background, class, ethnicity, race, nationality, religion, age, sexual orientation and disability. Being more inclusive in the way we think about diversity does not mean that we have achieved gender equality in the workplace and are now moving on to the next challenge; it simply recognizes that getting closer to true equity requires a complex, evolving approach to measurement and action.

## Measure with caution

If what gets measured gets done, as the saying goes, then the argument is strong for measuring diversity in various categories.

Persuaded to that effect, governments, investors and other market players are taking action. Many companies already face increased external motivation to publicly disclose diversity-related metrics. The U.S. Securities and Exchange Commission recently approved a Nasdaq rule requiring listed companies to diversify their boards or explain why they have not done so. The rule requires companies with more than five directors to have at least two board members who are “diverse,” meaning one director who self-identifies as a woman and one who self-identifies as either an underrepresented minority or LGBTQ+. Partial compliance is due in August 2023, with full compliance required by August 2025 or 2026, depending on the company.

And the SEC could get more specific on its recently introduced human capital

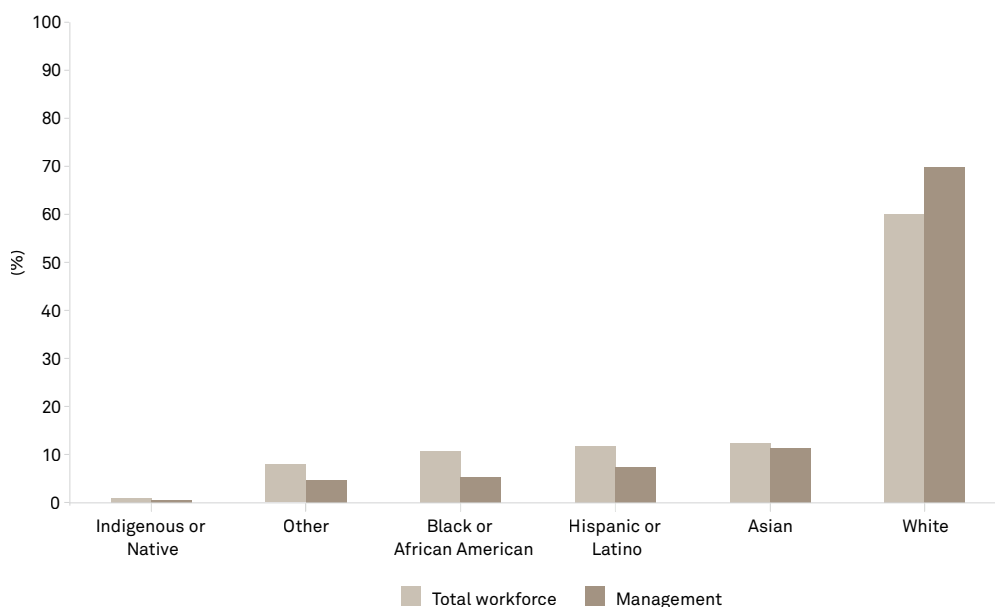
disclosure requirements.<sup>7</sup> Such measures in the U.S. would add to pressures from certain state and local authorities, not to mention investors, to step up diversity efforts and provide additional transparency.<sup>8</sup>

These actions are badly needed. In 2021, the CSA asked companies for the first time whether they provide a breakdown of their workforce by racial and ethnic self-identifications or by nationality. If companies indicated that at least 20% of their workforce was based in the U.S., they were asked to provide a breakdown by certain racial and ethnic categories. The resulting data confirms how underrepresented certain racial and ethnic minority groups are at management levels in the U.S. For example, across the 641 companies included in this part of the analysis, Black or African American people represented 10.7% of the total workforce but only 5.3% of management. With new board members frequently sourced from the ranks of experienced executives, the problem ends up compounded across corporate leadership bodies.

<sup>7</sup> Gibson Dunn & Crutcher LLP, “Discussing Human Capital: A Survey of the S&P 500’s Compliance with the New SEC Disclosure Requirement One Year After Adoption,” November 2021, [https://www.gibsondunn.com/discussing-human-capital-survey-of-sp-500-compliance-with-new-sec-disclosure-requirement-one-year-after-adoption/#\\_ftn6](https://www.gibsondunn.com/discussing-human-capital-survey-of-sp-500-compliance-with-new-sec-disclosure-requirement-one-year-after-adoption/#_ftn6)

<sup>8</sup> Lyuba Goltser, Andrew Holt and Ellen Odoner, “NYC Comptroller Seeks Public Disclosure of EEO-1 Reports: Shareholder Proposals Expected for 2021,” Weil Gotshal & Manges LLP, July 2020, [https://www.weil.com/-/media/weil\\_nyc\\_comptroller\\_seeks\\_public\\_disclosure\\_eeo1\\_reports.pdf](https://www.weil.com/-/media/weil_nyc_comptroller_seeks_public_disclosure_eeo1_reports.pdf); Richard Benton and Eunmi Mun, “Illinois Corporate Board Diversity, Inclusion, and Representation Report – 2020,” <https://ler.illinois.edu/wp-content/uploads/2021/07/Illinois-Board-Diversity-Report-2020-Revised-2.pdf>

## Share of employees in total workforce and in management positions by ethnicity/race in US-based companies



Data as of November 2021. Results based on responses from 641 companies. Companies included in the analysis have at least 20% of their workforce based in the U.S. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.



A truly inclusive company culture can empower employees to draw on their whole range of identities and life experiences without feeling the need to hide any of them, leading to better productivity, engagement and innovation.

But with such a sensitive and complex topic as diversity, it is important to proceed with caution on quantitative data, avoiding the impulse to look for one-size-fits-all measurements.<sup>9</sup> The CSA data shows some of the complexities involved in thinking about racial, ethnic and national diversity globally. Recognizing that providing a breakdown of the workforce based on race/ethnicity might not be legally possible or be the most relevant indicator in some geographies, the CSA gave the option to companies with less than 20% of their employees in the U.S. to report either on race/ethnicity or on nationality.

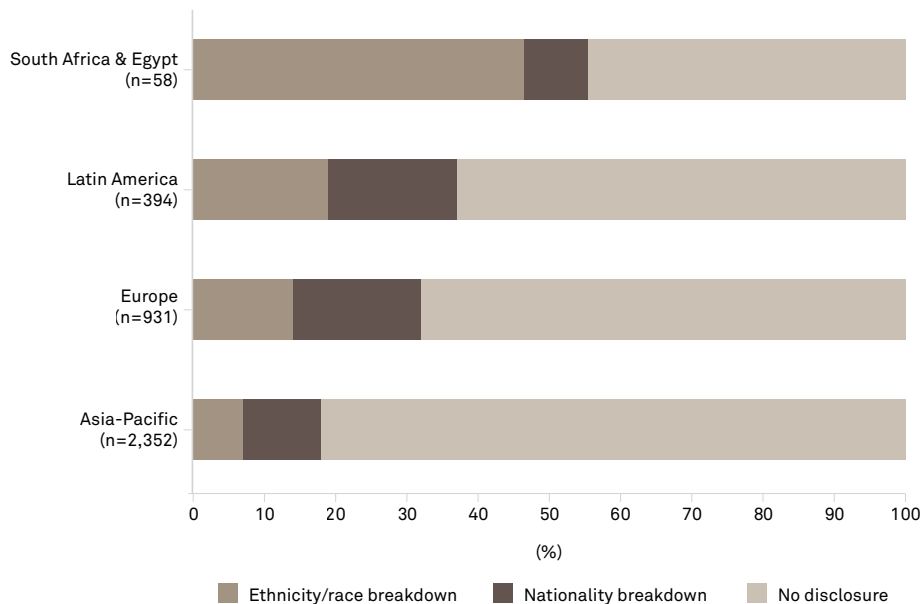
Some regions in our analysis have a fairly even split of disclosures by race/ethnicity and nationality. But more than 60% of companies surveyed in Latin America, Europe and Asia-

Pacific had no such disclosures. Achieving more transparency in these areas of diversity is a challenge and should be a high priority for companies, as well as for governments, investors and researchers. A key element of this is asking the right questions and using the right categories. The questions and categories that are most meaningful will vary widely depending on the geographic and cultural context. Some companies even face legal challenges in collecting the data they need to measure progress in their diversity journey.

Governments will need to adapt to protect employees' privacy without impeding companies' diversity efforts.

The CSA 2021 also asked companies about the percentages of their full-time employees

### Share of companies by region disclosing the breakdown of their workforce by race/ethnicity or nationality

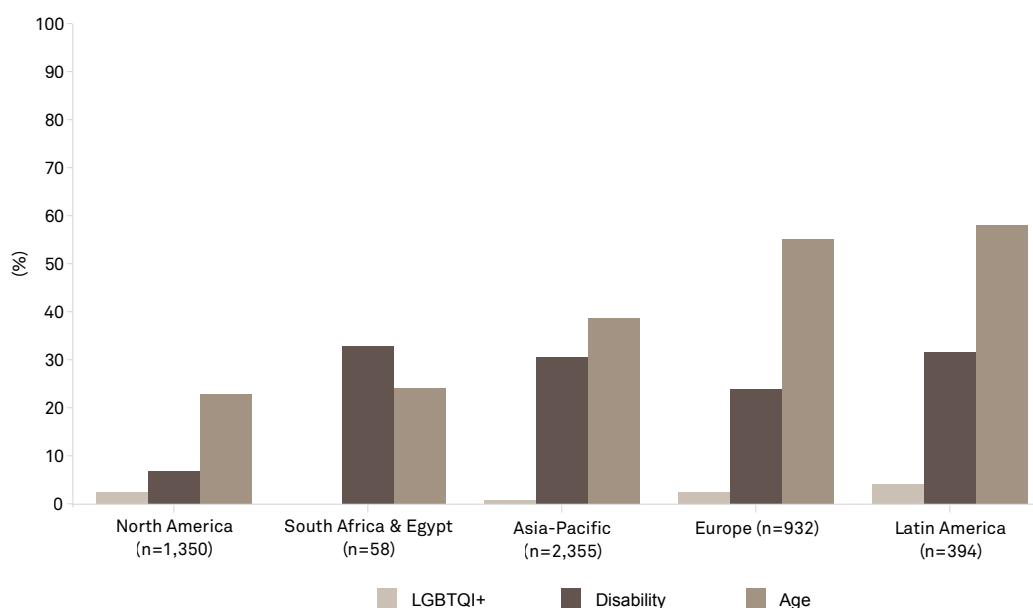


<sup>9</sup>“Mindful Metrics: Data Analytics’ Role in Effective and Compliant Diversity, Equity, and Inclusion Programs,” Sarah Platt, Bonnie Puckett, Jimmy Robinson Jr., and Justin Tarka, Ogletree Deakins Nash Smoak & Stewart PC, October 2020, [https://www.researchgate.net/publication/344656243\\_2020\\_corporate\\_labor\\_and\\_employment\\_counsel\\_exclusive\\_creating\\_effective\\_and\\_legal\\_diversity\\_equality\\_and\\_inclusion\\_programs](https://www.researchgate.net/publication/344656243_2020_corporate_labor_and_employment_counsel_exclusive_creating_effective_and_legal_diversity_equality_and_inclusion_programs).

Data as of November 2021. Mexico is included in the Latin American region for the purpose of this analysis. African companies assessed were only based in South Africa and Egypt. The analysis for North American companies is in a separate graph. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.



## Share of companies by region publicly disclosing the breakdown of their workforce based on disability, age and/or LGBTQI+ status



Data as of November 2021. LGBTQI+ refers to lesbian, gay, bisexual, transgender, queer, intersex and further sexual and/or gender identities. Mexico is included in the Latin American region for the purpose of this analysis. African companies assessed were only based in South Africa and Egypt. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1

who are LGBTQI+, who belong to certain age groups and/or who have a disability. These are just some of the indicators that companies can use to better assess the extent to which they are pursuing holistic diversity and accessing the full pool of talent available to them.<sup>10</sup> Companies should increasingly aim to measure how these identities interact with each other rather than understanding them as separate pillars, in order to fully grasp the way experiences are shaped by intersecting identities. For example, the challenges that a Black woman faces in the workplace are likely to be different than those a woman with disabilities encounters. To be effective in furthering professional opportunities for all women, an inclusive gender equity policy would therefore need to understand how different factors such as race and ability

influence women's experiences in specific ways and account for these differences.

These indicators also pertain to identities or characteristics that may be less visible in the workplace than categories such as gender and race, especially if employees do not discuss them openly. Employees can make this choice for various reasons, including personal preference, privacy concerns or fear of discrimination. A truly inclusive company culture can empower employees to draw on their whole range of identities and life experiences without feeling the need to hide any of them, leading to better productivity, engagement and innovation.

<sup>10</sup> Accenture, "Getting to Equal: The Disability Inclusion Advantage," [https://www.accenture.com/\\_acnmedia/pdf-89/accenture-disability-inclusion-research-report.pdf](https://www.accenture.com/_acnmedia/pdf-89/accenture-disability-inclusion-research-report.pdf)

<sup>11</sup> Janice Gassam Asare, "If You Really Care About Equity And Inclusion, Stop Cutting Your Diversity Budget," Forbes, August 2020, <https://www.forbes.com/sites/janicegassam/2020/08/30/if-you-really-care-about-equity-and-inclusion-stop-cutting-your-diversity-budget/?sh=22c7b1824549>; Ben Brooks, "HR, it's time to go big on your budget requests this year," Human Resource Executive, September 2021, <https://hrexecutive.com/brooks-hr-its-time-to-go-big-on-your-budget-requests-this-year/>

<sup>12</sup> Malav Parekh, "ESG adoption, spending and addressing rising hiring challenges among businesses," 451 Research, December 2021, <https://clients.451research.com/reportaction/103144/Toc>; Hanover Research and OneStream Software, "Financial Decision-Makers Outlook," April 2021, [https://onestreamsoftware.com/resources/lp-hanover-research-enterprise-financial-decision-making-2021/?utm\\_medium=Google&utm\\_source=PPC&utm\\_campaign=Brand\\_NA&utm\\_term=OneStream\\_Software](https://onestreamsoftware.com/resources/lp-hanover-research-enterprise-financial-decision-making-2021/?utm_medium=Google&utm_source=PPC&utm_campaign=Brand_NA&utm_term=OneStream_Software)



Employers must provide their workforce with a clear understanding of why that information is useful, how it will help create a more inclusive workplace, and how they can be sure it will be held in strict confidentiality and never used against them.

### **The destination and the journey**

Organizations cannot fully unlock the benefits of diversity unless they move beyond ticking boxes pertaining to certain identity categories and commit to a holistic embrace of diversity, equity and inclusion.

That commitment must not be limited to rhetoric, sporadic hiring decisions and occasional internal training sessions. In many cases, it will require net new resources.<sup>11</sup> Many companies are trying to bridge the gap between their commitments and actions, including by increasing spending on diversity and inclusion efforts.<sup>12</sup>

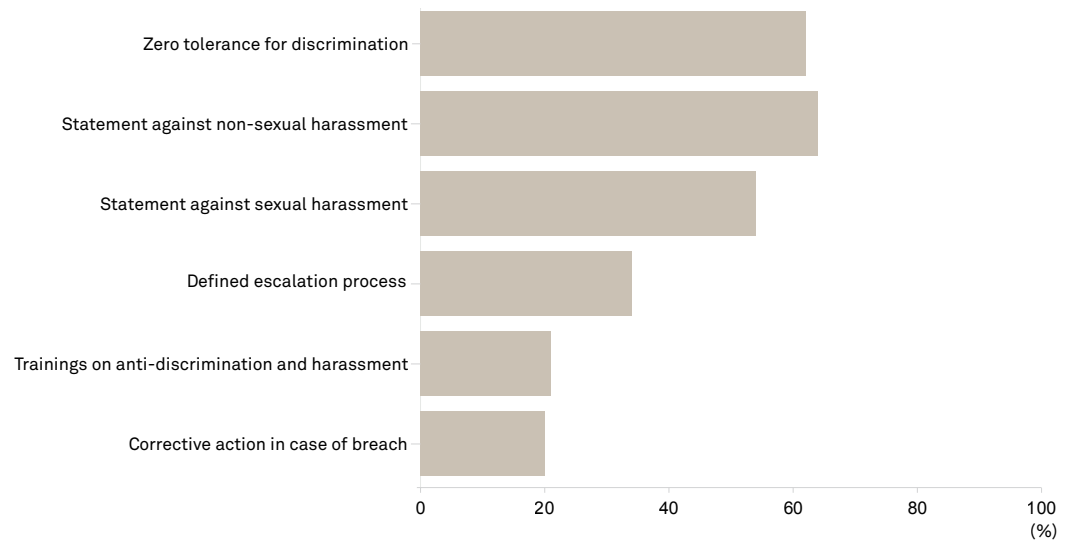
Investing resources is necessary to overcome a lack of diversity, but merely throwing

money at the problem will not solve it. Nor does having good intentions and policies pertaining to diversity, equity and inclusion automatically create the necessary structures for their implementation in practice. The 2021 CSA included a new question on anti-discrimination and anti-harassment policies and measures. We found that while around 60% of companies had policies in place against non-sexual harassment and discrimination, only 34% had a defined escalation process in place and around 20% had trainings for all their employees and corrective measures in case of discriminatory behavior.

Corporate policies are an important first step, but they do not provide assurance that they have shaped or will shape a company's culture in meaningful ways. Companies may have more policies in place because of previous experience with controversies or because of a heightened awareness of the risk of breaches, rather than because they have a strong inclusive culture.

While measurement is key to ensuring the effectiveness of diversity, equity and inclusion programs, how you collect a metric is just as important as the metric itself. Even where companies' intentions are good and

## Share of companies with the following aspects covered in their public anti-discrimination and harassment policies



Data as of November 2021. Results based on responses from 5,091 companies.  
Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

regulations permit, efforts to collect diversity data can backfire if employees feel pressured to disclose personal information that might play to their disadvantage in the future. Even the experience of being asked about topics such as sexual orientation can be unsettling for employees. Employers must provide their workforce with a clear understanding of why that information is useful, how it will help create a more inclusive workplace, and how they can be sure it will be held in strict confidentiality and never used against them.

Despite its pitfalls, quantitative data can help companies evaluate the actual results of policies. It can push companies to pursue the most effective, well-informed strategies and tactics pertaining to diversity. A company might have strong policies in place, in addition to numerous employee resource groups and other initiatives, while still consistently underrepresenting certain groups in leadership roles. High-quality metrics can help an organization understand how quickly its initiatives are moving it in the right direction, or the extent to which further work is needed to root out discriminatory and inequitable work cultures.

After a long history of discrimination and structural barriers to full professional development for people of various identities and backgrounds in the business community, we still hear that “change takes time” and that underrepresented people need to “be patient” as organizations work toward diversity. But the destination matters as much as the journey. Organizations cannot achieve diversity in the sense of ever being done with it. Hiring certain numbers of underrepresented people or even getting certain numbers of such people on boards or in management teams is a positive step. But this ticking-boxes approach is a recipe for complacency. The true value of diversity is arguably the lack of complacency that comes from a continuous willingness to question assumptions, shift power dynamics and take risks. In that sense, the destination is really another journey. ■

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