Diversity & Inclusion Workforce Sourcing:

Study Reveals 8 Key Takeaways for Improving D&I

HRO Today Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. HRO Today Flash Reports are focused briefs that can be used to support business decisions and further discussion among industry practitioners and thought leaders. This report addresses the North American market.

This report examines how often workforce diversity is factored into decisions about human capital for hiring permanent employees and engaging contingent workers and explores the perception of the current state of Diversity and Inclusion (D&I) within organizations. Further, commentary from Workforce Logiq on how to become leaders in D&I is included.

This study was sponsored by **Workforce Logiq,** though the sponsor of the study was not revealed to study participants.

WORKFORCE LOGIQ®

Methodology

Between February 10th and March 18th, 2021, a series of email invitations were sent to subscribers of *HRO Today* Magazine and *HRO Today* newsletters to take part in an online study. Study respondents were manager level or above within their Human Resources departments. All survey respondents were from North America.

Introduction

As racial unrest swept the United States in 2020, more and more organizations announced initiatives aimed at promoting D&I within their corporate walls. Microsoft aims to double the number of Black employees in senior and leadership positions by 2025. Wells Fargo will factor diversity goals into year-end pay packages and aim to double the number of Black leaders at the bank within five years, and Adidas claims it will fill a minimum of 30% of positions with Black or Latino candidates.[1]

It is still too early to tell if those promises have led to tangible outcomes, especially since corporations are not required to disclose statistics on the composition of their workforce, which makes tracking broad progress difficult at best.[2] Most organizations do not share their D&I information and there have been no available national databases for broad, consistent, and easy access. But while U.S. organizations are spending upwards of eight billion dollars annually on diversity initiatives, tangible results have been difficult to deliver. For example, Google spent $114 million in 2014 and $150 million on diversity efforts in 2015, yet in their 2019 diversity report, African Americans still make up only 2% of its tech workforce.[3] One reason: Until recently, organizations have focused on increasing the dollars spent with diverse suppliers versus the diversity of workforce talent within their ranks.

A 2020 McKinsey study found that businesses that were more diverse were also more likely to excel financially than those with a less diverse workforce.

There are demonstrable benefits to a more diverse workforce of both permanent employees and contingent labor (e.g. temporary workers, independent contractors, service providers providing services under Statement of Work, and gig-workers/freelancers). A 2020 McKinsey study of 1,000 companies found that businesses that were more diverse were also more likely to excel financially than those with a less diverse workforce. Ethnically diverse teams are more profitable, and there is a significant correlation between the diversity within an organization's employees and leadership team and its overall innovation and productivity.[4]

So, while there is much discussion among organizations about furthering a D&I agenda for their total workforce, many questions remain: how are they progressing, where are they focused, and how can they get help to become an industry leader in D&I? This report highlights new market-driven insights with which to address these critical issues.

8 Key Takeaways

1 **D&I is an organizational priority.** The vast majority (90%) of organizations have made D&I a priority within their workforce. Almost two-thirds (65%) have begun implementing or are in the advanced stages of implementing D&I plans while an additional 7% are much further along, seeing positive results from D&I initiatives.

2 **The component of D&I where most organizations (83%) are investing is workplace and culture**, defined as celebrations and learning of different cultures in the workplace. Workforce investment, defined as including talent acquisition, mobility, and equity in promotions, was selected as the second most often investment by over three-quarters (77%). Social responsibility (e.g., community and charity work) was selected by over one-half (54%) of respondents.

3 **While workforce diversity is often factored in the selection of permanent employees (64%), it is only considered in the selection of temporary workers 44% of the time.** Other sources, such as independent contractors and service providers providing services under a Statement of Work, include workforce diversity as a selection factor much less often.

4 **Diversity workforce data is collected most frequently through self-reporting by applicants or employees,** as indicated by 82% of respondents. Conducting internal workforce surveys is used by over one-half (55%) of respondents. This self-reported information typically leads to underreporting of diversity metrics and is not often updated in order to provide real-time metrics; internal reporting is also not typically shared outside of an organization, making benchmarking difficult—if not impossible to accomplish for most organizations.

5 **Specific diversity goals are common for permanent employees (71%), but very few have goals (16%) for their contingent workforce.** All organizations surveyed have transitioned contingent labor to permanent status. Nearly one-quarter (22%) transition between 25% and 49% of their contingent labor to permanent status, while another 11% transition between 10% and 24%. That means contingent labor is a key feeder of talent in which diversity should be considered to help drive employee representation and business performance.

6 **The most important area in achieving workforce diversity is leadership commitment,** which respondents ranked 4.7 out of 5.0. Nearly equally as vital is diversity training and education, which closely followed leadership commitment with an average score of 4.5.
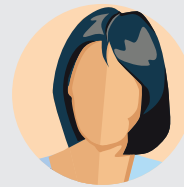
8 Key Takeaways (cont'd)

7 **There's a universal belief that organizations have taken positive action in their commitment to diversity.** Further, 84% agreed their organization's commitment to diversity has improved over the past 12 months, perhaps partially in response to the renewed national spotlight on racial equity and inclusion issues in the wake of Black Lives Matter protests. Nearly one-half (48%) of respondents agreed that their organization has specific goals for measuring and improving diversity within their workforce.

8 **Organizations struggle with establishing benchmarks.** Only 38% of respondents felt their organization understands how it compares in workforce diversity against peers and competitors. Just 18% said they feel like their organization is leading the industry in workforce diversity.

Conclusions

Organizations have made D&I a priority and have invested in their workplace and company culture. But there's still work to be done, especially in boosting employee representation across the contingent workforce.

While workforce diversity is a factor in the selection of permanent employees nearly two-thirds of the time, very few organizations have established goals for their contingent workforce. Given contingent labor is a feeder of high quality talent, with up to 50% of temporary workers transitioning to permanent status in some organizations, it is imperative that organizations consider extending similar diversity goals to their contingent workforce. D&I drives team productivity, spurs innovation, and leads to greater overall business performance. As such, it needs to drive hiring and retention strategies for the total workforce.

> **Given contingent labor is a feeder of high quality talent…it is imperative that organizations consider extending similar diversity goals to their contingent workforce.**

Although most agree that their organization's commitment to diversity has improved over the past 12 months, data around workforce diversity remains spotty. Most organizations rely on applicant self-reporting and internal workforce surveys which can yield incomplete and inconsistent data sets. Further, competitive and industry benchmarks are often non-existent. For diversity initiatives to succeed, organizations need agreed upon diversity goals, real-time internal data around workforce composition, and relevant benchmarks with which to gauge success. Resources, expertise, and predictive AI tools exist, including within more progressive MSPs, to make actionable D&I insight a key deliverable and provide a directional look at internal, competitive, and industry benchmarks for real diversity progress.
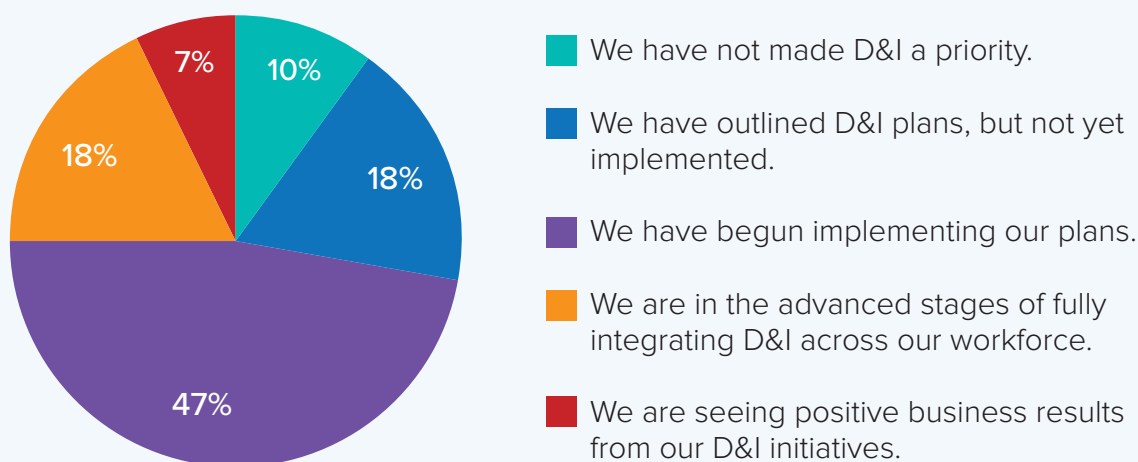
DETAILED FINDINGS:

Current State of Diversity and Inclusion

Which of the statements below best describes the current state of diversity and inclusion (D&I) within your workforce?

Study participants were asked to indicate which of the statements provided best described their current state of D&I within their workforce. The vast majority (90%) have made D&I a priority. Almost two-thirds (65%) of study respondents have begun implementing or are in the advanced stages of implementing D&I plans. Further, 7% feel they are already seeing positive results from D&I initiatives.

While there has been progress in recent years to correct the lack of diversity on corporate boards, statistics reveal a lack of headway among corporate workforces. According to data from human resources consulting company Mercer, 64% of workers in entry-level positions are white. In the top executive ranks, however, 85% of positions are held by whites, demonstrating the promotion gap that minorities face. And women and minorities continue to under-earn compared to their white male colleagues, according to the Economic Policy Institute.[5]

Current State of Diversity and Inclusion

- 10% — We have not made D&I a priority.
- 18% — We have outlined D&I plans, but not yet implemented.
- 47% — We have begun implementing our plans.
- 18% — We are in the advanced stages of fully integrating D&I across our workforce.
- 7% — We are seeing positive business results from our D&I initiatives.

Areas of Diversity and Inclusion Investment

Where specifically are you investing in D&I?

Respondents were asked to identify the specific areas in which they are investing in D&I. The vast majority (83%) are investing in workplace and culture, which includes celebrations and learning of different cultures in the workplace. Workforce, defined as including talent acquisition, mobility, and equity in promotions, was selected by over three-quarters (77%). Social responsibility (e.g., community and charity work) was also selected by over one-half (54%) of respondents. Marketplace investment, which includes promoting D&I initiatives externally to improve company brand and grow sales, was an area with D&I investment by four out of ten (40%) respondents.

Areas of Diversity and Inclusion Investment

Category	Percentage
Workplace and culture	83%
Workforce	77%
Social responsibility	54%
Marketplace	40%
None of the above	6%
Other	4%
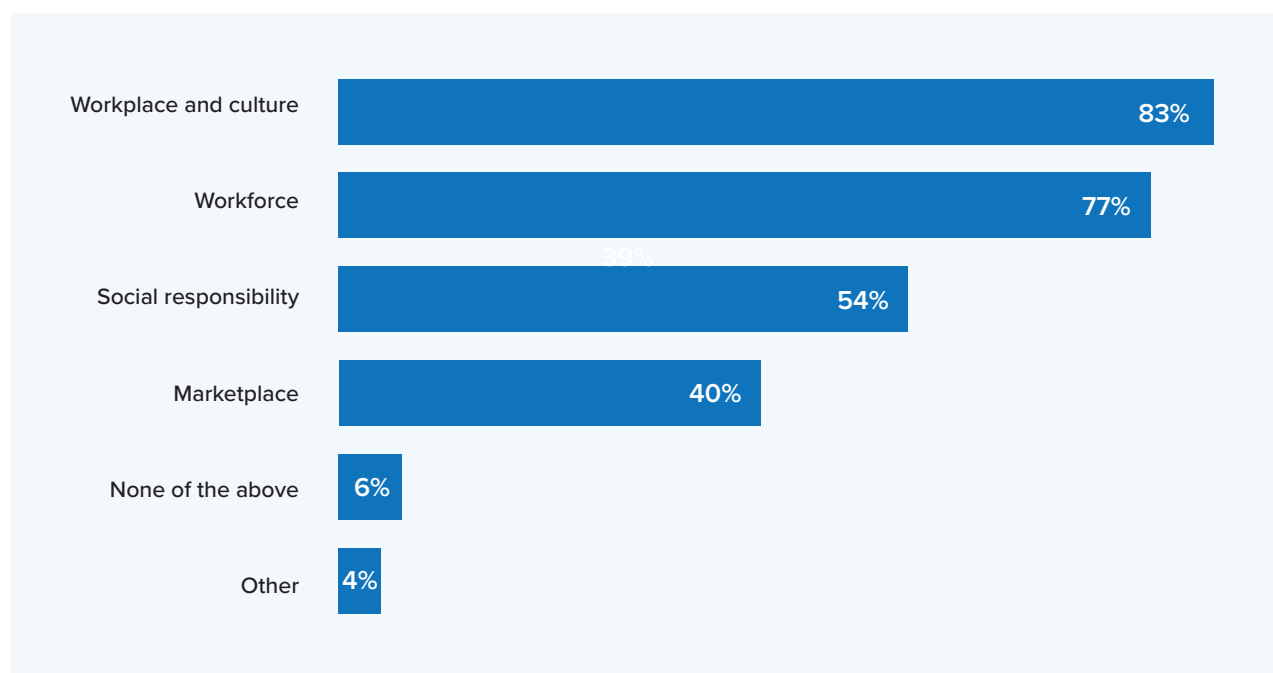
Frequency of Workforce Diversity as a Factor into Types of Worker Categories

How often is workforce diversity factored into the decision about human capital for each of the following groups?
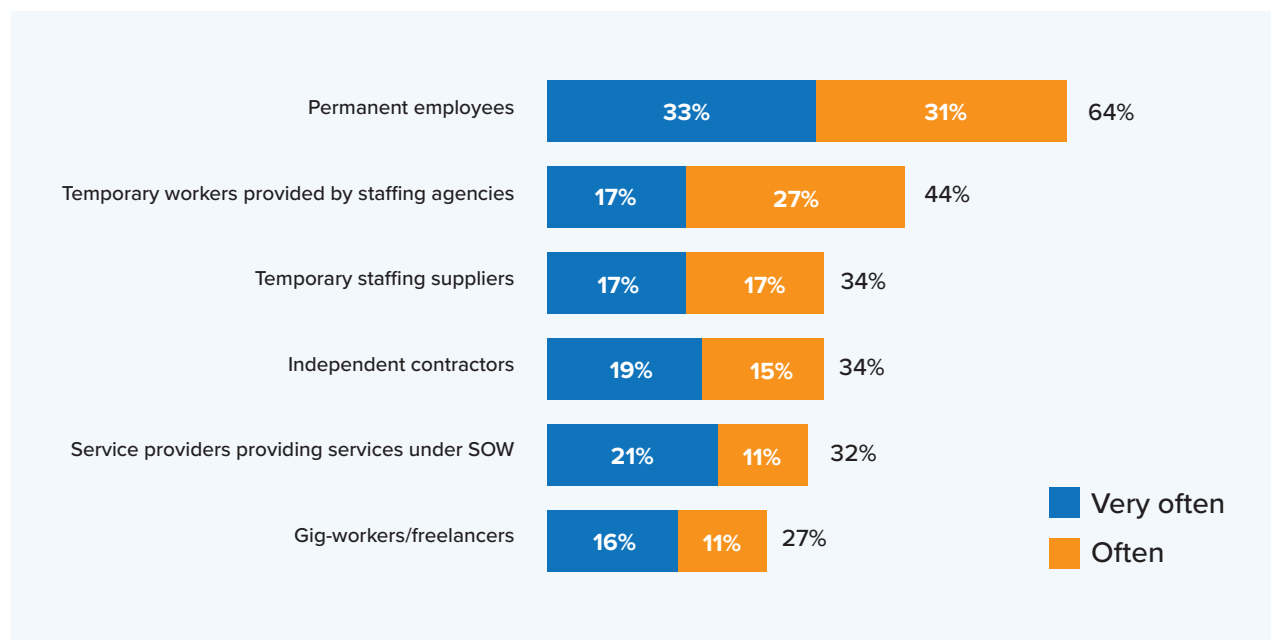
Study participants were asked to indicate how often workforce diversity is factored into the decisions about the types of workers used for a series of worker classifications. Workforce diversity is "Very often" or "Often" a factor in the selection of permanent employees nearly two-thirds (64%) of the time.

Workforce diversity in the selection of temporary workers provided by staffing agencies is often a factor among 44% of respondents, the second most of all worker classifications.

Other sources, such as temporary staffing suppliers, independent contractors, or service providers providing services under a Statement of Work, often have workforce diversity as a factor about one-third of the time.

The latest data release from the Bureau of Labor Statistics found that 16.5 million workers participate in "contingent" or "alternative work" arrangements, with almost six million employees working on a contingent basis and an additional 10.6 million working as independent contractors, on-call workers, temporary help agency workers, and those working for contract firms.[6] That is a sizeable group of workers, most of whom are not part of the D&I discussion.

Frequency of Workforce Diversity as a Factor into Types of Worker Categories

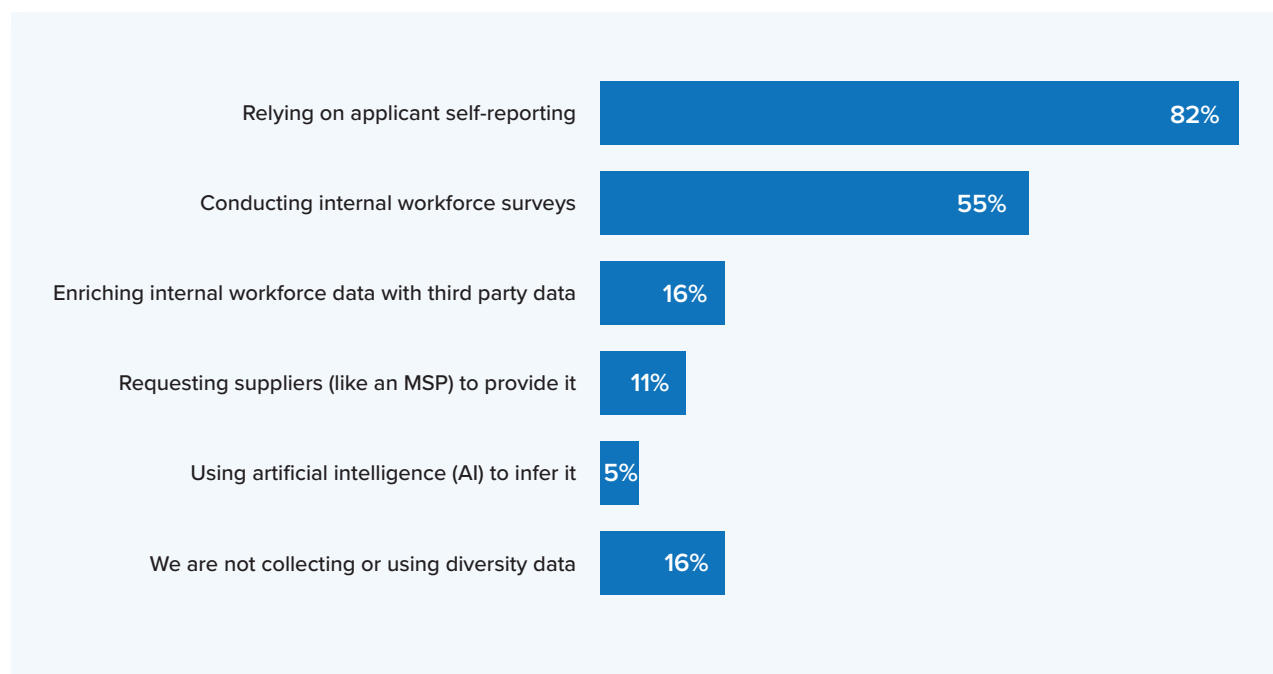| Worker Category	Very often	Often	Total
Permanent employees	33%	31%	64%
Temporary workers provided by staffing agencies	17%	27%	44%
Temporary staffing suppliers	17%	17%	34%
Independent contractors	19%	15%	34%
Service providers providing services under SOW	21%	11%	32%
Gig-workers/freelancers	16%	11%	27%

Methods of Collecting Workforce Diversity Data

How is your organization collecting workforce diversity data?

Respondents were asked to identify the ways they are collecting diversity workforce data. By far the most typically used method is relying on applicant self-reporting, as indicated by 82% of respondents.

Related to self-reporting is conducting internal workforce surveys, which is used by over one-half (55%) of respondents. These methods rely on the person completing the survey to input the diversity data being requested.

Ways Workforce Diversity Data is Collected

| Method	Percentage
Relying on applicant self-reporting	82%
Conducting internal workforce surveys	55%
Enriching internal workforce data with third party data	16%
Requesting suppliers (like an MSP) to provide it	11%
Using artificial intelligence (AI) to infer it	5%
We are not collecting or using diversity data	16%

Diversity Goals for Worker Categories

Does your organization have specific diversity goals for the following groups?

Study participants were asked if they had specific diversity goals for several worker categories. Nearly three-quarters (71%) have diversity goals for permanent employees. But most organizations do not have diversity goals for their contingent workforce, even though many consider this group to be part of the talent pool for permanent employees. Diversity goals are seldom set for temporary workers provided by staffing agencies, independent contractors, service providers providing services under Statement of Work, and gig/freelancers. Only between 11% and 20% of companies have diversity goals for these groups.

Examples of diversity goals for recruitment and hiring include developing effective strategies to recruit and attract a more diverse applicant pool for position vacancies; developing, improving and/or modifying promotional materials so they are culturally sensitive and accessible to all target groups; and determining where unconscious biases can appear during the recruitment and hiring process.[7]

Diversity Goals for Worker Categories

Category	Percentage
Permanent employees	71%
Service Providers providing services under SOW	19%
Temporary workers provided by staffing agencies	16%
Temporary staffing suppliers	13%
Gig-workers/freelancers	12%
Independent contractors	11%
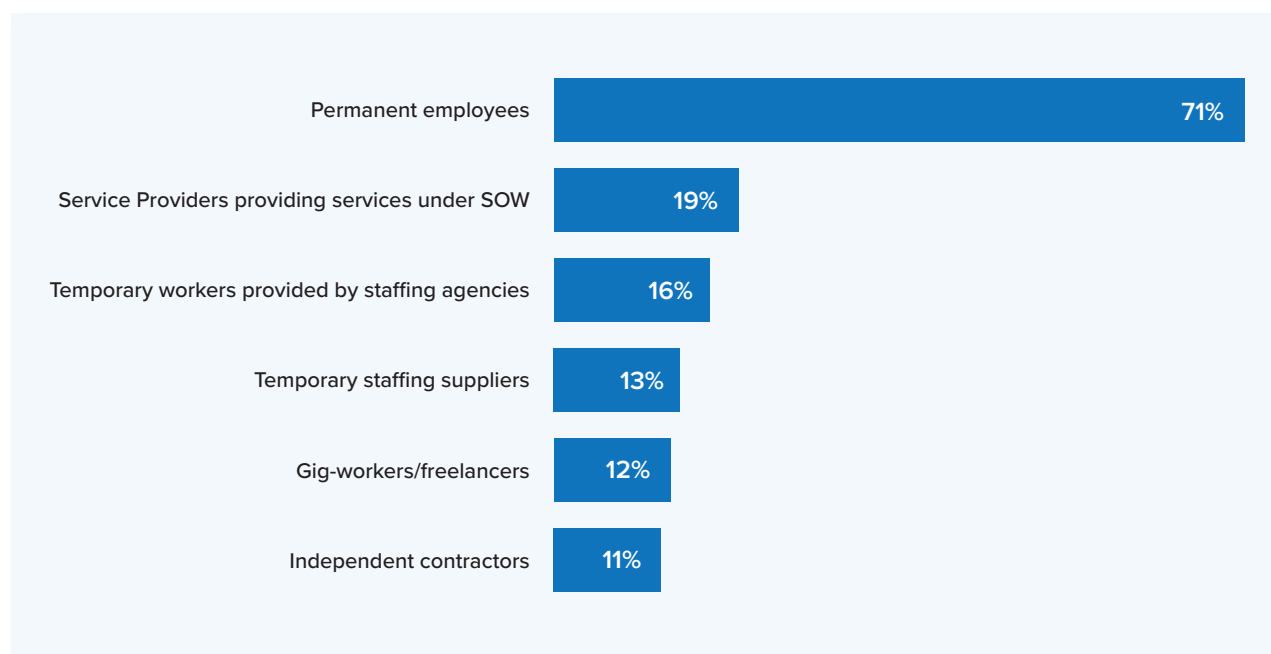
Importance of Areas Impacting Workforce Diversity

How important are the following to achieving workforce diversity in your organization?

Respondents were asked to indicate how important each of a series of statements is in achieving workforce diversity in their organization. A scale of 1–5 was used, with 5 being very important and 1 being very unimportant. The area of most importance is leadership commitment to diversity, an average score of 4.7/5.0. This area can be considered critical in achieving workforce diversity goals.

Inclusive leadership is emerging as a unique and critical capability helping organizations adapt to diverse customers, markets, ideas, and talent. Research from the Harvard Business Review found that inclusive leaders share a cluster of six key traits. First among those traits was a visible commitment from company leadership, which is achievable by articulating an authentic commitment to diversity, challenging the status quo, holding others accountable, and making D&I a personal priority.[8]

The second most important area was diversity training and education, with an average score of 4.5. This area is nearly as important as leadership commitment and could also be considered vital in achieving goals. There is always resistance to change old habits. But through change management, which includes leadership advocation, visibility of the organization's D&I mission, and engaging and involving employees, an organization can achieve its goals.

Agreed upon diversity goals had the third highest average, 4.4. Unless the objectives are clearly defined and there is executive buy-in, which includes the CEO down to hiring managers, the most ambitious of aspirations cannot be realized. Part of agreeing upon the goals is quantifying them. Internal data around workforce composition, with an average score of 4.3, is vital in being able to measure the established goals.

Importance of Areas Impacting Workforce Diversity	Average
Leadership commitment to diversity	4.7
Diversity training and education	4.5
Agreed upon diversity goals	4.4
Internal data around workforce composition	4.3
Accountability measures	4.2
Industry benchmarks on diversity	3.9
Supplier network, formal or informal, that focuses on diverse talent	3.5

Transitioning Contingent Labor to Permanent Employees

Which of the following best describes the percentage of contingent labor (including temporary workers, independent contractors, and gig-workers/freelancers) that transition to permanent employee status within your organization?

Study participants were asked to select the range that included the percentage of contingent labor that transition to permanent employees within their organizations.

All organizations in our sample have transitioned some contingent labor to permanent status. Nearly one-quarter (22%) transition between 25% and 49% of their contingent labor to permanent status, while another 11% transition between 10% and 24%. Contingent labor is a key feeder of talent in which diversity should be considered to help drive overall employee representation and business performance.

As the use of contingent labor continues to increase and become a larger percentage of an organization's workforce, it's wise for companies that are actively transitioning contingent labor to permanent employees to track diversity statistics for this group.

One of the benefits of using contingent labor is that organizations can determine if a person's skills are a good fit. Contingent labor provides an opportunity for companies to evaluate temporary workers with consideration towards permanent employment, while also ensuring that a position is needed in the long-term.

Transitioning Contingent Labor to Permanent Employees

Bar chart: Up to 10% — 67%; Between 10% to 24% — 11%; Between 25% to 49% — 22%.
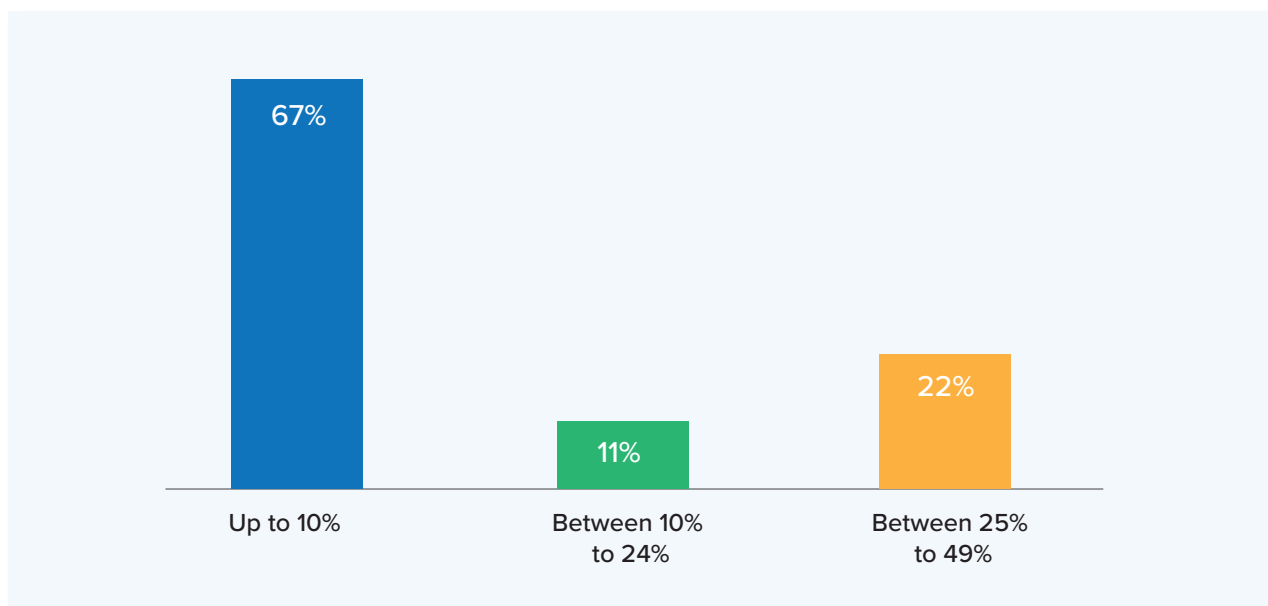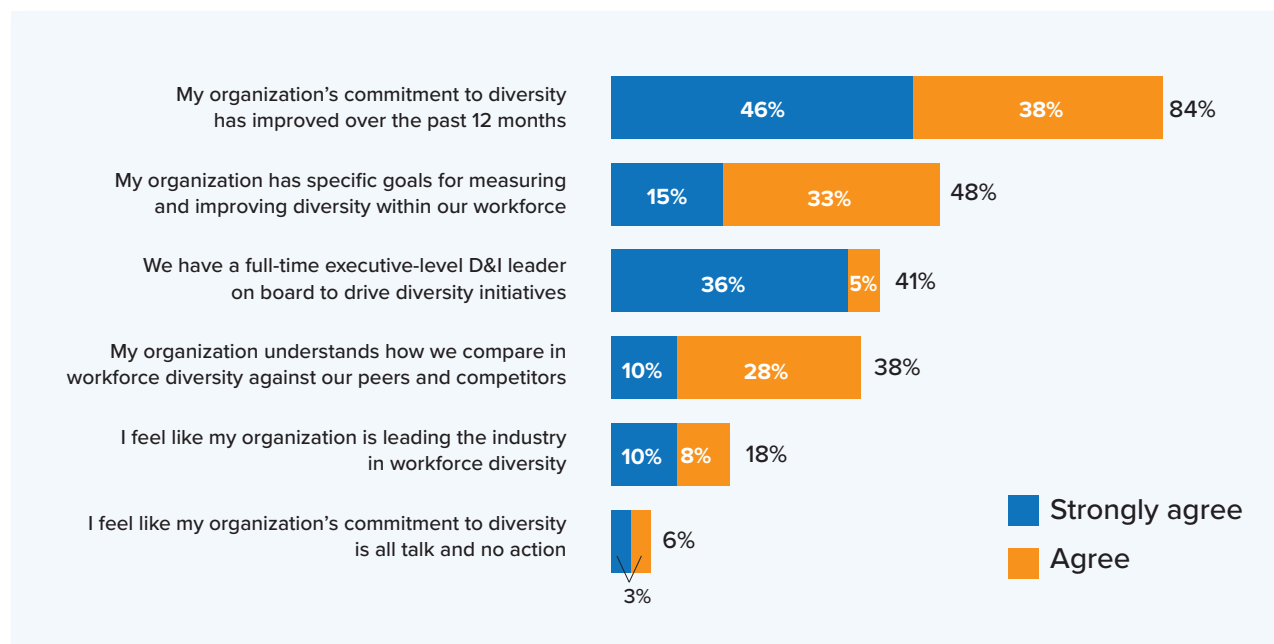
Diversity Initiative Company Status

Please indicate your extent of agreement with each of the following statements.

Respondents were asked to indicate their agreement with six statements about their organization's diversity program. In total, 84% agreed their organization's commitment to diversity has increased over the past 12 months, perhaps partially in response to the renewed national spotlight on racial equity and D&I following ongoing racial unrest.

Nearly one-half (48%) of respondents agreed that their organization has specific goals for measuring and improving diversity within their workforce. This is surprisingly low. As previously shown, nearly three-quarters (71%) have diversity goals for permanent employees. But for many, those general goals are not supported by specific metrics designed to improve diversity. Nearly as many (41%) have a full-time executive-level D&I leader.

While the increased commitment to D&I is laudable, the lack of goals and benchmarking is disturbing. How can you improve what you do not measure? The use of benchmarking is an area with little agreement. "My organization understands how we compare in workforce diversity against our peers and competitors" and "I feel like my organization is leading the industry in workforce diversity" both had low levels of agreement, 38% and 18%, respectively.

Diversity Initiative Organization Status

Statement	Strongly agree	Agree	Total
My organization's commitment to diversity has improved over the past 12 months	46%	38%	84%
My organization has specific goals for measuring and improving diversity within our workforce	15%	33%	48%
We have a full-time executive-level D&I leader on board to drive diversity initiatives	36%	5%	41%
My organization understands how we compare in workforce diversity against our peers and competitors	10%	28%	38%
I feel like my organization is leading the industry in workforce diversity	10%	8%	18%
I feel like my organization's commitment to diversity is all talk and no action	3%		6%

Further, even organizations with a full-time executive-level D&I leader are only marginally more likely to agree with either statement, 50% and 25%, respectively. ■

Diversity Initiative Organization Status —
Organizations that have Full-time Executive-Level D&I Leader

	Total
My organization understands how we compare in workforce diversity against our peers and competitors	50%
I feel like my organization is leading the industry in workforce diversity.	25%

Notes

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3. Mehta, Stephanie. "Despite spending billions, companies can't buy diversity," *The Washington Post,* November 21, 2019. https://www.washingtonpost.com/outlook/despite-spending-billions-companies-cant-buy-diversity/2019/11/21/d8907b92-fb1a-11e9-ac8c-8eced29ca6ef_story.html

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6. Bureau of Labor Statistics, U.S. Department of Labor, Press Release, Contingent and Alternative Employment Arrangements Summary. June 7, 2018. https://www.bls.gov/news.release/conemp.nr0.htm

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