



Survey report 2006

DIVERSITY IN BUSINESS HOW MUCH PROGRESS HAVE EMPLOYERS MADE? FIRST FINDINGS

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Introduction

The Chartered Institute of Personnel and Development (CIPD) believes that diversity is important to good people management and that the HR profession has an important stakeholder interest in making sure individual differences are seen as an asset and not as a problem.

The CIPD has carried out and published a range of research to explore evidence about the business case and help employers make progress.

To find out to what extent employers recognise the business case, how they interpret this and what motivates them to take action, a new survey was designed to collect information about the activities taking place in UK organisations. It also looked at the effects of these activities and the personal attitudes and views of those responsible for driving change in organisations.

The survey was carried out in the spring of 2006 and has produced important statistical information that shows what the drivers for diversity are, the kinds of policies and practices that organisations have developed and how well these are working. It also explored personal attitudes to diversity and what resources are invested in driving change.

The results provide unique benchmarking information from which we can judge the progress being made in diversity, identify the gaps that need to be addressed to increase the pace of change, and towards better outcomes in creating inclusive workplace environments where everyone can work effectively towards better business performance.

This report features the first findings from the survey and initial observations about the implications.

A more detailed report will be published later this year after closer analysis of the survey responses.

The CIPD worked with the Centre for Research in Equality and Diversity at Queen Mary, University of London, to produce this report, which was based on a survey of 285 individuals involved in diversity management in UK organisations (for more information, see Background to the survey, page 13).

Defining and dealing with diversity

Diversity is valuing everyone as an individual, whether they are an employee, a customer or client, or another stakeholder.

Addressing diversity goes beyond merely recognising individual differences.

The starting point for good diversity management is valuing and celebrating 'difference' as an asset because everybody is different and unique: everybody has strengths and weaknesses. Through good diversity management based on these values and celebrating 'difference', employers can access unique mixtures of talent, skills and experience, that can make valuable contributions to business performance.

Drivers for diversity management

This part of the report examines the key drivers of diversity management in UK organisations today. It investigates the extent to which employers recognise the value diversity has in business.

Managing diversity involves a more proactive and inclusive agenda than minimal compliance with equal opportunities legislation. It enables employers to adopt more coherent approaches in order to add value to business by recognising all kinds of difference. By doing this, they can more easily avoid the pitfalls that can lead to backlash as a result of treating people as members of disadvantaged groups.

The concept of managing diversity was first profiled by the CIPD in the mid-1990s, whereas the first equality legislation was introduced in the 1970s – covering

race and gender. Since then, a raft of further regulation on subjects such as equal pay, disability, religion and sexual orientation has followed, with age regulation in employment and training to be introduced in October 2006.

It's therefore not surprising that the survey findings suggest that most employers are still focusing on legal compliance rather than using diversity to create business advantage. However, as managing diversity is not only a relatively new but also highly complex business process – as well as being about managing

Table 1: What are the key drivers for diversity in your organisation?

	Percentage of respondents
Legal pressures	68
To recruit and retain best talent	64
Corporate social responsibility	62
To be an employer of choice	62
Because it makes business sense	60
Because it is morally right	60
To improve business performance	48
To address recruitment problems	47
Belief in social justice	46
Desire to improve customer relations	43
To improve products and services	43
To improve creativity and innovation	43
Desire to reach diverse markets	40
To improve corporate branding	37
To enhance decision-making	35
Trade union activities	32
To respond to the competition in the market	32
To respond to the global market	30

change – the survey findings show encouraging signs that the business-case reasons for progressing diversity are beginning to take hold. Even so, UK plc still has a long way to go before diversity management is a mainstream business issue.

As Table 1 on the previous page shows, the survey results indicate that the most important motivator for managing diversity is 'legal pressure', with 68% of the respondents ranking it among the top five drivers. This is followed by business-case reasons such as the ability 'to recruit and retain best talent', to deliver 'corporate social responsibility', 'to be an employer of choice', and 'because it makes business sense'.

The results shown in Table 2 are even more striking when comparing the top-ranking drivers in terms of managing diversity. Legal compliance is by far the strongest motivator for progressing diversity, with almost one-third of respondents ranking 'legal pressure' as the most important reason for making progress.

Table 2 also shows that only around 17% of respondents reported the 'business case' as being the most important driver for diversity in their organisations. This suggests that the concept of managing diversity hasn't yet been grasped by most employers and they're therefore more likely to be missing out on potential business benefits.

To find out why respondents feel managing diversity makes business sense, they were asked to say which of the following reasons were most important:

- Helping to meet the demands of diverse customers, hence increasing market share.
- Giving competitive edge to the organisations in our times of globalisation.
- Enhancing labour relations, and reducing the labour turnover, absenteeism and recruitment costs.
- Improving the quality and performance of internal workforce in terms of skills, creativity, problem-solving and flexibility.

Table 2: Top-ranking drivers for managing diversity

	Percentage of respondents citing as 'most important'
Legal pressures	32
Because it makes business sense	17
To be an employer of choice	15
To recruit and retain best talent	13
Because it is morally right	13
Corporate social responsibility	13
To improve products and services	10
Belief in social justice	9
To address recruitment problems	8
Desire to reach diverse markets	6
To improve business performance	6
To respond to the global market	6
To respond to the competition in the market	6
To improve creativity and innovation	6
Desire to improve customer relations	5
To improve corporate branding	5
To enhance decision-making	3
Trade union activities	3

The results in Table 3 demonstrate that most respondents fail to consider the different ways in which diversity can add value to business, even though 60% recognise that diversity makes business sense. Respondents simply focus on the contribution of diversity to the bottom line predominantly in terms of recruiting and retaining best talent, which is ranked among the top five drivers by almost two-thirds of respondents.

When asked to rank the top drivers for diversity (Table 2) only around 5% of respondents report that 'desire to improve customer relations' is the most important driver for diversity in their organisation. A further 6% cite 'to improve business performance', 'desire to reach diverse markets', 'to respond to global markets' and 'to respond to the competition in the market'. Similarly, the rates relating to workforce productivity and efficiency are low and the highest-scoring driver relates to recruitment and retention.

Table 3: Key drivers for diversity in terms of business benefits

	Percentage of respondents
To recruit and retain best talent	64
Because it makes business sense	60
To improve business performance	48
To address recruitment problems	47
Desire to improve customer relations	43
To improve products and services	43
To improve creativity and innovation	43
Desire to reach diverse markets	40
To improve corporate branding	37
To enhance decision-making	35
To respond to the competition in the market	32
To respond to the global market	30

Diversity management: policy and practice

Diversity literature explains the inclusive nature of diversity and how this distinguishes it from equal opportunities. However, the results of the survey suggest that the general understanding about diversity isn't based on such an inclusive approach but on issues covered by law.

Figure 1 shows which diversity issues are most frequently covered by organisations in their policies – namely, those protected by anti-discrimination legislation, such as disability, ethnicity and race.

However, while almost all organisations (93%) have a formal diversity policy, many don't even cover all the issues addressed by law. It's nonetheless encouraging to find that almost half of organisations have already

Figure 1: Which of the following categories does your diversity policy cover?

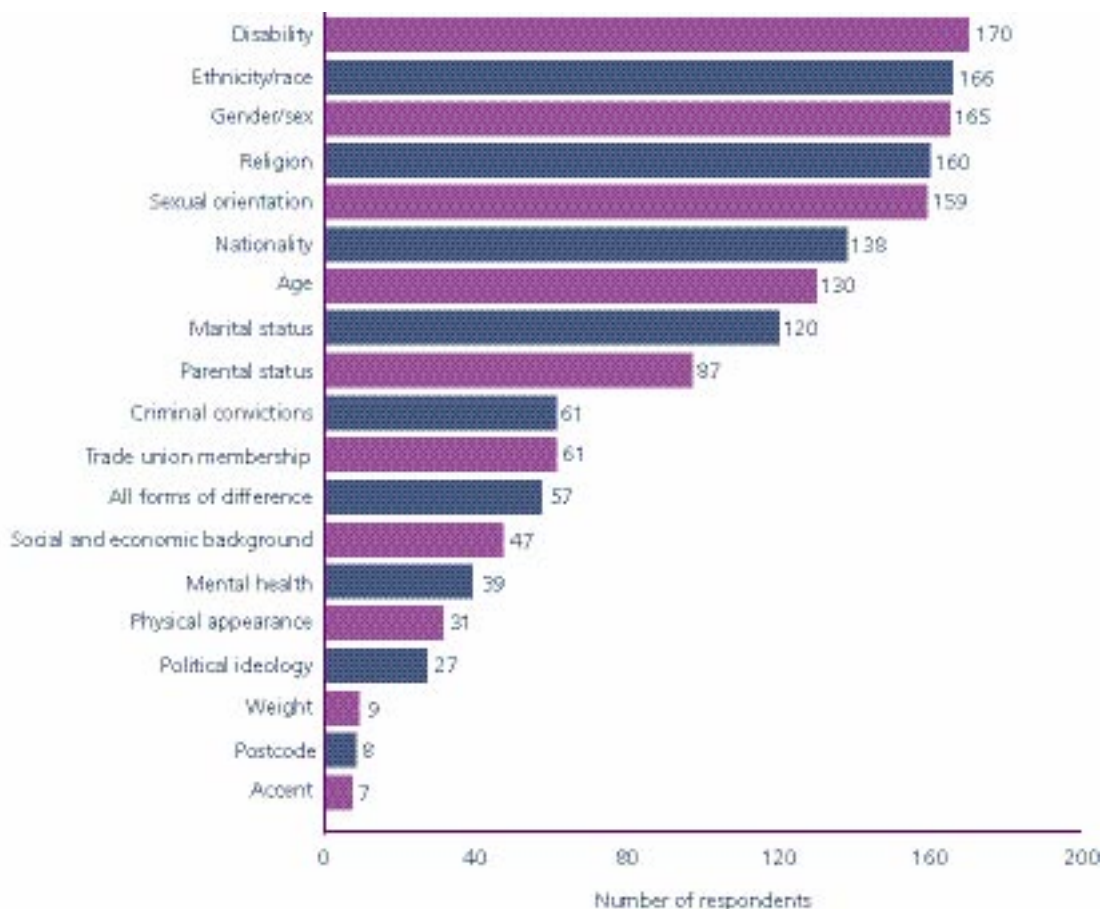
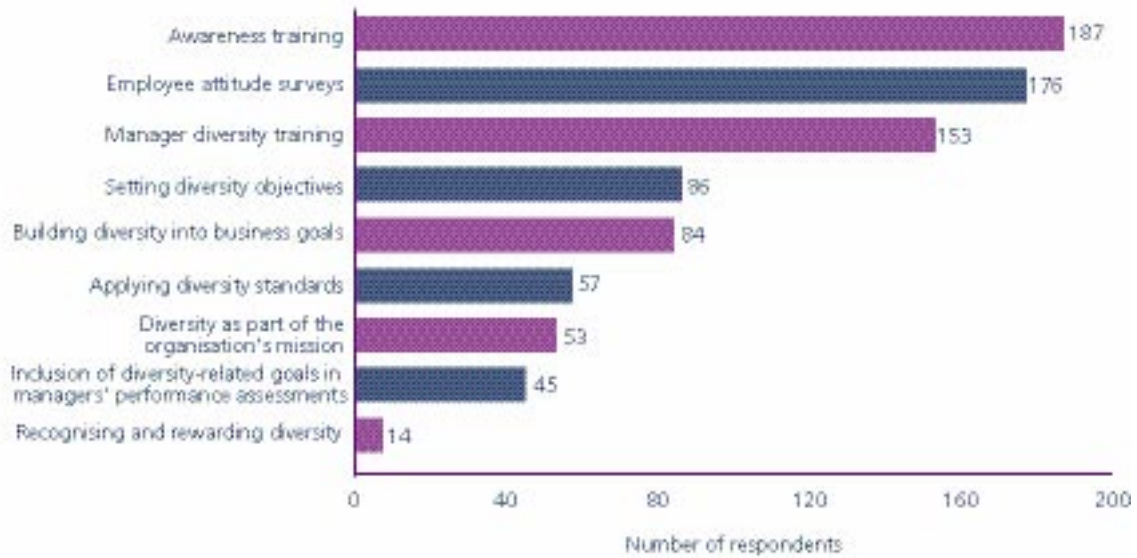


Figure 2: Which of the following diversity activities does your organisation have?



incorporated age in their policies, well ahead of the new regulations due in October 2006. This suggests that the promotional activity from the Government and other organisations like the CIPD has been successful.

Disability is the most frequently cited diversity issue covered in diversity policies but, as shown in Figure 1, as many as 40% of organisations fail to include this. The results imply that having a 'diversity' policy doesn't necessarily mean that all legal obligations are uniformly addressed.

Figure 2 shows the types of diversity activities organisations use. While many organisations claim they provide awareness training and carry out employee attitude surveys, the activities that would help to make diversity management a mainstream business issue are less common. For example, diversity as a performance criterion is used in only 19% of organisations, and diversity-related goals are included in managers' performance assessment by only 16% of organisations. Furthermore, in most of the respondent organisations, diversity achievements are not rewarded and recognised and are not built into organisations' business goals.

Similarly, just one-fifth of our respondents report that their organisation applies diversity standards and 70% say they don't set diversity objectives.

These findings demonstrate that diversity management activities in organisations remain at a very superficial level – largely focused on training activities. The results make it clear that there is much mileage to be gained in organisations making managing diversity a more systemic business process, for example, by linking diversity to objective-setting and reward and recognition, applying diversity standards and using ways of measuring the impact of diversity initiatives. These more sophisticated activities should contribute to organisational cultural change and add value to business performance.

Diversity professionals as agents of change

Managing diversity requires the ability to implement and manage change, as well as the design and introduction of policies and practices. The impact of diversity changes and the value that diversity can bring to business performance depends on the amount and level of personal commitment and engagement, dedicated diversity resources and the status of the diversity function.

Table 4 shows that the importance of ownership for diversity in organisations decreases by level of authority, with the highest level of authority reported to be assumed by board members and senior management.

Although respondents believe that senior-level ownership is very important, as shown in Table 5, less than half agree that senior management encourages diversity.

Dedicated diversity resources

Looking at the issue of dedicated resources to support the progress of diversity, as shown in the subsequent tables and figures in this report, the survey results suggest that it's only when organisations recognise and communicate the real value diversity adds to business that they prioritise it and get senior management support and commitment to help progress it.

This is a 'catch 22' situation that needs to be broken by increasing awareness and understanding about the business-case arguments for managing diversity as a mainstream business issue.

Interestingly, Figures 3, 4 and 5 show that the majority of professionals involved in diversity management are at middle management level, earn £21,000–40,000 annually, and work part-time on diversity management, with only 16% contracted to work full-time on it. But many survey respondents are not diversity specialists, with 53% saying they're not contracted to work on diversity. This raises the question about the expertise and experience in organisations to drive diversity progress.

Table 4: How much personal ownership do people at the following levels assume in diversity-related activities and issues?

	Percentage of respondents saying ...				Total ownership 5
	No ownership 1	2	3	4	
Board members	10	16	31	28	16
Senior management	5	13	33	36	13
Middle management	6	20	43	23	8
Junior management	8	27	43	18	4
Non-managerial workers	15	30	42	11	2
Trade union representatives	8	11	44	28	9

Table 5: Please rate your level of agreement with the following statements.

	Percentage of respondents saying ...				
	Strongly disagree 1	2	3	4	Strongly agree 5
In my organisation, senior management encourages diversity	4	17	36	27	16
It's very important for my diversity role to know the names and faces of senior staff and to be able to approach them easily	0	2	9	42	47
My organisation aims to make sure that diversity and equality are at the heart of everything it does	4	25	33	27	11

Figure 3: At what level is your current role in the organisation?

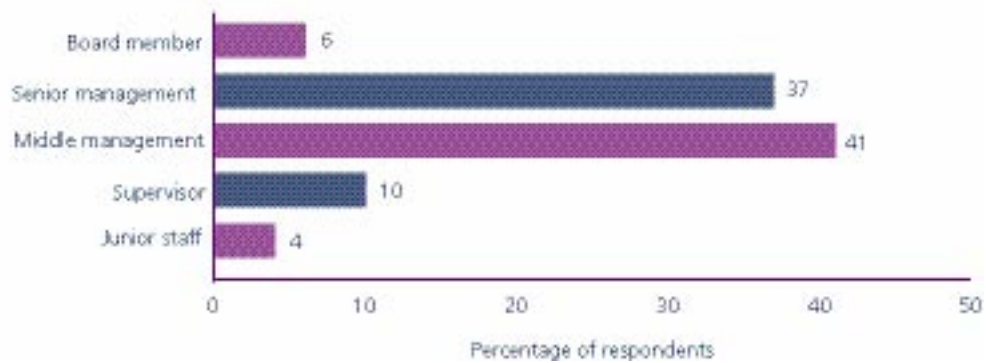


Figure 4: How many hours a week are you contracted to work on diversity management?

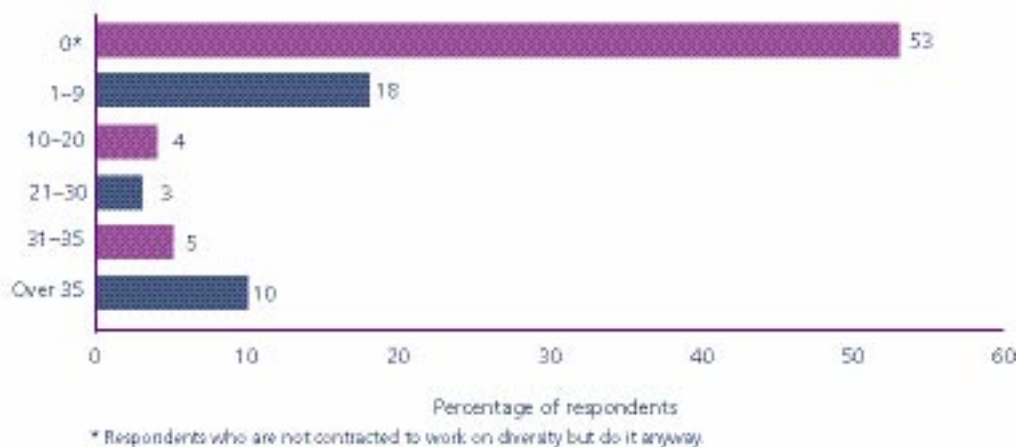
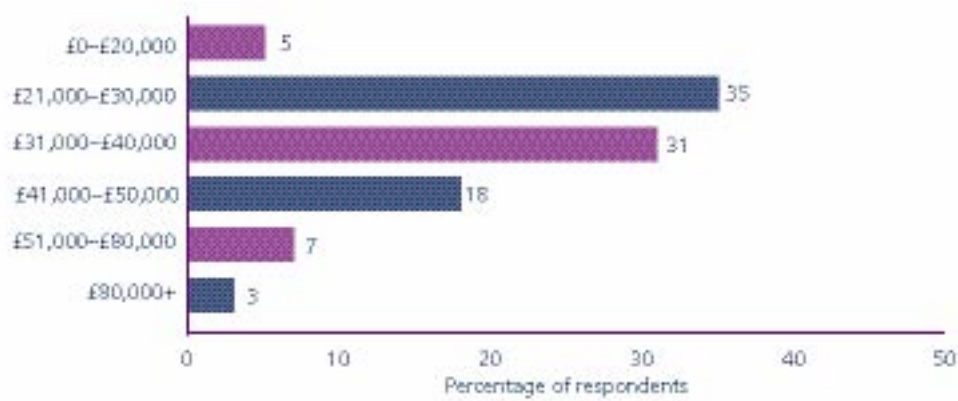


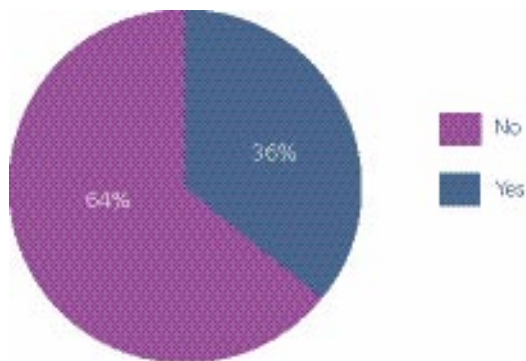
Figure 5: Which of the following bands does your annual salary fall into?



Not only is the need for better understanding and expertise regarding diversity, particularly the business-case arguments and actions, limiting the pace of change – the absence of dedicated resources for diversity to fuel progress is restricting it too.

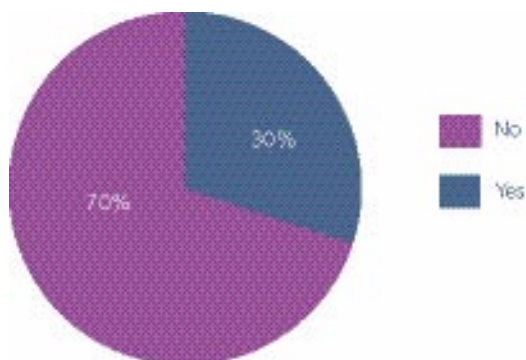
Figures 6 and 7 show that only very few organisations have a specialised diversity or equal opportunities function or a budget for diversity. This is in spite of the fact that almost two-thirds (61%) of respondents state that the tasks they undertake in relation to managing diversity have increased in the last few years, which implies that they're working under greater pressure.

Figure 6: Presence of diversity function/office



These findings suggest that many individuals responsible for managing diversity are likely to be overstretched in terms of their job roles, having both limited financial and human resources. In addition, the results show that respondents don't have the necessary level of power and influence to initiate organisational change as a part of their diversity management role. Less than half of respondents believe that the diversity function and the most senior person in it has some level of authority over others in the organisation (Table 6).

Figure 7: Presence of budget for diversity



To ensure diversity practices are used across organisations to add value to operational activities, diversity management objectives need to be integrated into the different functions or business areas. But the survey results show that only 38% of respondents report that this takes place and that their organisation's aim is to make sure that diversity and equality are at the heart of everything it does.

As Table 7 shows, when it comes to core business functions, diversity isn't addressed as much as it is in connection with HR policies and practices. This indicates that managing diversity is far from being a mainstream business issue in organisations and that improved

communication and education is needed to drive diversity progress in business.

When asked the extent to which diversity is central to the different departments in their organisations, respondents' answers show that diversity is central to the HR function in most of the organisations – as might be expected – followed by the advertising department.

Around one-third (35%) of organisations don't involve their employees in the design and implementation of diversity policies and practices. This supports the findings that suggest employers are driven by legislation in making progress. But CIPD research on the psychological contract found that employee voice, for

example, in the design of policies, is one of the HR practices that contributes to commitment, motivation and loyalty in organisations. Failing to involve employees in this way could undermine the effectiveness of policies and stop them influencing the way people behave.

Table 6: How much influence/authority do the diversity function and the most senior person in the diversity function have within your organisation?

	Percentage of respondents saying ...				
	Not central 1	2	3	4	Very central 5
Diversity function	5	16	40	32	7
Most senior diversity person	4	16	34	36	10

Table 7: To what extent is diversity central to activities in the following departments in your organisation?

	Percentage of respondents saying ...				
	Not central 1	2	3	4	Very central 5
Human resources	1	3	15	40	42
Advertising	7	7	26	39	22
Customers and consumers	6	9	34	30	21
Corporate social responsibility	9	13	29	28	21
Strategic management/ corporate strategy	10	10	27	33	20
National/regional/local branches/chains	15	20	28	20	18
Marketing and sales	24	17	25	19	16
Shareholders	19	17	34	17	12
Manufacturing and production	27	26	28	12	6
Suppliers	19	27	32	19	4
Finance and accounting	32	28	28	9	2

Key implications and challenges for driving diversity progress

Observations from the first findings of the CIPD diversity survey suggest that UK plc is failing to reap the benefits of managing diversity.

Organisations are clearly at different levels of sophistication in the way they address diversity, and have different 'business' reasons for doing so, but very few organisations grasp the implications of integrating diversity into operational activities to add value to business performance.

Having a diversity policy is neither a signal that organisations understand the inclusive nature of diversity nor that it's a mainstream business issue that goes beyond people management policies and practices.

Although more activity is driven by legal compliance than business-related reasons, many organisations fail to include all the issues they're responsible for, which leaves them wide open to industrial tribunal cases. Yet, despite the fact that age discrimination won't be outlawed until October 2006, when new age regulations become effective, more than half of the respondents to the survey have already taken action to ensure they won't be vulnerable to legal claims.

This finding supports the value of education and awareness-raising to alert employers to the importance of diversity issues, why it makes business sense to address diversity, how to do it, and how to implement policies and manage change.

From the first findings of the survey, it's clear that more attention needs to be paid to communicating messages about the importance of managing diversity. It is also important to provide information, support and guidance to help organisations get to grips with making progress in this challenging area that will bring advantages to people, business and society. The evidence from the survey is that this is crucial given the under-investment by organisations in dedicated resources to progressing diversity.

This should be a priority issue for the new Commission for Equality and Human Rights when it becomes operational in the autumn of 2007.

Background to the survey

A profile of the survey respondents is provided in Table 8.

The survey was carried out electronically through a self-completion online questionnaire, which was piloted for clarity and accessibility. This was promoted on the CIPD website, supported by the Equal Opportunities Commission, Age Positive, the Commission for Racial Equality and other diversity networks, over a six-week period in February and March 2006. Direct emails were sent to 4,200 CIPD members who had expressed an interest in equality and diversity. Articles were also placed in the CIPD's *People Management* magazine and in other CIPD member communications.

The research generated 285 completed questionnaires from people with a responsibility for diversity. The overall response rate provides a representative sample in terms of organisational size, location, industry, and sector. See Table 8 for further details of distributive attributes of the survey participants.

Table 8: Respondent profile

	Percentage of respondents
Sex	
Male	21
Female	79
Age group	
16–25	3
26–30	11
31–40	30
41–50	42
51–60	13
61–65	1
Managerial level	
Board member	6
Senior management	37
Middle management	41
Supervisor	10
Junior staff	4

Table 8: Respondent profile (continued)

	Percentage of respondents
Diversity role	
European-level responsibility	3
International/global-level responsibility	3
National-level responsibility	13
Organisation-level responsibility	41
Unit-level responsibility	35
Sector	
Chemicals, oils and pharmaceuticals	3
Construction	0.4
Electricity, gas and water	1
Engineering, electronics and metals	3
Food, drink and tobacco	2
General manufacturing	1
Mining and quarrying	0.4
Paper and printing	0.4
Textiles	1
Other manufacturing/production	4
Professional services	11
Finance, insurance and real estate	5
Hotels, catering and leisure	2
IT services	2
Call centres	0.4
Media	1
Retail and wholesale	4
Transport, distribution and storage	3
Communications	1
Other private services	4
Private sector services – voluntary, community and not-for-profit	3
Private sector services – care services	1
Private sector services – charity services	2
Private sector services – housing association	0.4
Private sector services – other voluntary	1
Central government	0.6
Education	13
Health	6
Local government	12
Other public services	7
Voluntary, community and not-for-profit – care services	4
Voluntary, community and not-for-profit – charity services	4
Voluntary, community and not-for-profit – housing association	4
Voluntary, community and not-for-profit – other voluntary	3

Table 8: Respondent profile (continued)

	Percentage of respondents
Number of employees	
250 or less	35
251–500	10
501–1,000	14
1,001–5,000	21
5,001–10,000	7
10,001 or more	11
Region	
North-east England	4
North-west England	8
Scotland	12
London	18
Yorkshire/Humberside	7
Midlands	16
Wales	3
South-east England	18
South-west England	12
East of England	5
Northern Ireland	2

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 Emma Price, CIPD

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Chartered Institute
of Personnel and
Development

151 The Broadway London SW19 1JQ
Tel: 020 8612 6200 Fax: 020 8612 6201
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