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## PROMOTING DIVERSITY IN EMPLOYMENT AND WORKPLACES

### KEY MESSAGES

- 1 European labour markets in general benefit from a diverse workforce which increases the pool of talents available for companies to compete globally.
- 2 There is a business case for diversity which is demonstrated by the fact that an increasing number of companies actively seek ways to tap the potential of a diverse workforce in terms of performance and competitiveness.
- 3 Diversity cannot be promoted by means of legislation. Company-based voluntary initiatives are the most effective way to enhance it.

### WHAT DOES BUSINESSEUROPE AIM FOR?

- Achieve higher levels of employment participation of diverse groups in Europe, face demographic ageing and a shrinking working-age population.
- Promote flexible and voluntary solutions at company level and encourage all stakeholders to look at diversity from a performance and competitiveness point of view.

### KEY FACTS AND FIGURES

<p>The working age population in the EU is expected to decline by 59 million by 2050 (<i>Eurostat</i>). This is a challenge for the European economy, labour markets and companies.</p>	<p>Cross-border migration has grown 42% in the last decade, from 150 million to 214 million, with most of the traffic directed toward OECD countries (<i>EY - Global Trends Shaping the Business World</i>).</p>	<p>With some 900.000 jobs vacancies projected by 2015 in the ICT sector, it is crucial to address skills shortages and mismatches through a more diverse pool of talents.</p>
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### PROMOTING DIVERSITY IN EMPLOYMENT AND WORKPLACES

#### I. Introduction

1. Over the past decades, most European countries have experienced major changes in the composition of their population and workforce. This is a result of evolving demographics, new immigration patterns, as well as new social and cultural norms.
2. European economies and companies must cope with demographic ageing, a shrinking workforce, significant under employment and increased pressure on public finances.
3. In this context, European companies must address skills shortages, maintain high levels of productivity and are faced with an increasing global competition for talent. It is crucial for European companies to recruit from the widest possible pool of talent and competences.
4. Promoting diversity can play an active role in addressing today's and tomorrow's challenges in the labour markets and in individual workplaces. An efficient use of talent, irrespective for example of age, gender, ethnicity, disability, sexual orientation and religious beliefs, is a key driver of company competitiveness, economic growth, social development and inclusion.
5. This paper demonstrates that there is a business case for diversity. It promotes effective initiatives by which companies are actively engaged to promote diversity at the workplace.

#### II. General comments

##### What is diversity?

6. The concept of diversity can be understood and approached in many different ways. It reflects the fact that a group of people encompasses individuals with different characteristics and that these differences have a potential.
7. From a European law perspective, the concept of diversity so far has been approached negatively to prevent, deter or sanction discriminatory<sup>1</sup> behaviours on the six grounds of gender, age, race and ethnic origin, sexual orientation, religion and belief, and disability. Moreover, recent initiatives by the European Commission have embarked on a binding approach in the areas of women in decision-making positions and disclosure of non-financial information<sup>2</sup>.

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<sup>1</sup> Racial Equality Directive 2000/43/EC; Employment Equality Directive 2000/78/EC; Charter of Fundamental Rights

<sup>2</sup> COM(2012) 614 final, proposal for a directive on improving the gender balance among non-executive directors of companies listed on stock exchanges and related measures; proposal for a Directive amending



8. For BUSINESSEUROPE the concept and scope of diversity is much broader than what can be provided by the EU legislative framework. Companies have designed effective initiatives aiming to identify and take full advantage of different groups and individuals at the workplace. They can take various forms such as in Diversity & Inclusion management programmes piloted by human resource departments or can be embedded in Corporate Social Responsibility (CSR) activities.
9. The most effective way to address diversity in employment and workplaces is through the promotion of voluntary approaches and the sharing of examples of good practices. This can be a source of inspiration for companies of all sizes. Moreover, a good collaboration among stakeholders including the business community, governments and the civil society is necessary to make the best of diversity.

#### Macro-level challenges

10. Demographic ageing is one of most pressing challenges for societies and national public finances. With the prospect of a shrinking working-age population, which is expected to decline by 59 million by 2050 in the EU, there is an urgent need to increase labour force participation levels. Activating talent and competences from all groups in society such as women, older people, young people, disabled people and immigrants is important to face demographic change challenges and meet the Europe 2020 employment rate target of 75%.
11. Women's employment rate is still below 60 % in most EU countries. Despite the progress made over the last decades it is still much lower than men's employment rate which was 74.6 % in 2012. This means that there is an important untapped pool of talents and missed opportunities for companies. To increase women's workforce participation across Europe, there is a need for country-specific solutions aiming to encourage more women to enter the labour markets, such as increasing the availability of childcare services and ensuring a more equal repartition of family duties with men.
12. People aged 55–64 make up an increasing share of workers, notably thanks to policy changes in restricting access to early retirement. However, the employment rate for this group has increased too slowly and remains particularly low at around 47 % in the EU. Structural reforms must be designed to support the recruitment and retention of older workers, prolong working careers, and also ensure that arrangements with regard to older workers' working conditions better reflect productivity levels of companies<sup>3</sup>.
13. Young people's unemployment rate has reached record highs at 5.5 million people, which is the equivalent to more than 1 in 5 young people actively

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Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups

<sup>3</sup> For more information please see the 10 key policy messages of the BUSINESSEUROPE, CEEP and UEAPME joint report "Employers practices for active ageing", December 2012: [download here](#).



looking for a job or being out of work in Europe. In some Member States, that is a symptom of badly functioning labour markets. In this context, where needed, national labour market and education reforms are necessary to tackle this structural phenomenon and create employment opportunities for young people.

14. The 80 million people with a disability make up about one sixth of the EU total population. The large group of disabled persons holds important resources and talents which are important to industry. At present, disabled people may face particular challenges to reach the labour markets when they have lower educational attainments. It is therefore important to ensure better access to education for them. It is also essential to enhance awareness and to overcome the unfortunately often still existing prejudice in society that disabled people may automatically be less effective than people without disabilities. Moreover, there is evidence that some disabled people may be trapped in disability benefit systems. In order to activate this group, these benefit systems need to be reviewed and activation measures put in place to encourage more disabled people to work if they can do so and companies to employ them. Lastly, disabled people often have special work abilities that can be mobilised with suitable operational integration and adaptation at the workplace.
15. Foreign citizens comprised 6.6 % of the EU 27 total population in 2011. Immigration can contribute positively to companies' internationalisation strategies. It also has a positive impact on income and productivity levels of European economies, by helping companies to find the skilled people they need in line with economic and labour markets needs. Renewed economic growth combined with demographic change will require more migration at all skills levels in the future.

#### Micro-level challenges

16. A reduced labour supply, the low participation of women, older workers and young people, as well as difficulties in hiring third-country nationals means a prospect of increasing difficulty for companies to find the right people to match their skills requirements.
17. Addressing skills shortages is an increasing challenge for companies competing globally. For example, there is a high demand for highly skilled workers in certain sectors such as science, technology, engineering and mathematics (STEM) and related occupations. Moreover, skills needs are clearly evidenced in the information communication and technology (ICT) sector where there are important shortages today with some 900.000 jobs vacancies projected by 2015.
18. Companies in general benefit from a diverse workforce which increases the talent pool available for them in the labour markets. For this reason, more and more companies have developed over the years various initiatives aiming to mobilise the full potential of diversity in their operations.



19. In the short-term, however, economic uncertainty and lack of consumer confidence mean that companies and especially small and medium-sized enterprises (SMEs), work hard to survive and find business opportunities. In this context, diversity initiatives can be put at test. More than ever, their added value to the business is what should trigger company initiatives, rather than external pressures from EU or national policy makers.
20. Leadership, frequently stemming from HR departments, is instrumental to drive change at all levels within a company. Ownership of employees and management of the goals a company sets for itself plays an important part in the success of voluntary diversity measures.

### **III. Specific comments**

#### Contributing to the company's performance

21. Companies applying voluntarily diversity principles report a positive correlation with their level of revenues<sup>4-5</sup>, their market position, as well as their reputation. Voluntary diversity initiatives may entail costs but are practiced in light of the positive contributions and added value to the company's overall performance. Regulatory diversity measures however entail compliance costs which risk discouraging voluntary initiatives and having no or negative effect on companies' competitiveness.
22. Companies have created ways to track the benefits of diversity schemes within an organisation, e.g. measuring the "Return on Inclusion Investment (ROI)" or the "Diversity Return on Investment (Diversity ROI)". Both concepts aim to follow the progress made on a range of indicators such as talents representation by country of origins, age, gender, education and ethnicity. They can also look at the impact of diversity on staff turnover, absenteeism and employee motivation/satisfaction.
23. Measuring the effectiveness of diversity programmes is closely related to decision-making processes and is operated to bring competitive advantages, employee satisfaction and commercial benefits at the same time.

#### Fostering innovation

24. When team members use their different experiences and competences to bring an idea or a different perspective forward, they increase the number of relevant hypotheses and possible solutions available. Moreover, the exchange of ideas between individuals with different mindsets and from different backgrounds is a way to foster imagination and creativity. Therefore, teams with a diversity of relevant knowledge and competences contribute to creating an environment where innovation can occur.

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<sup>4</sup> Examining the Link Between Diversity and Firm Performance, Cornell University, 2006

<sup>5</sup> Gender diversity and corporate performance, Credit Suisse, 2012



## Finding new customers; entering new markets

25. The use of diverse ideas at workplace level is ultimately to the benefit of customer. Indeed, not only will customers buy products from a company they can feel closer to, but also because their specific needs are better addressed.
26. Increasingly companies create customer-oriented programmes as a way to find new clients and provide a platform and networks to strengthen customer relationships.
27. Cross cultural diversity in teams reflects also the degree of internationalisation of a company. For instance, if two people were raised in different countries or had different life experiences they are more likely to have different perspectives.

## Enhancing employer and company reputation

28. Given the increasing competition for talent, diversity policies can help companies to attract and retain the skills, competence and talent they need. New recruits might choose to work in a company because of its diversity programmes, a perceptible respect for ethical values and empowerment programmes.
29. Employees can feel more engaged and committed in companies which develop diversity initiatives with a clear respect for ethical values and inclusion.
30. Online participative tools and platforms addressed to employees are also used increasingly to promote companies' efforts and initiatives, and provide the conditions for respect for and promotion of diversity in the workplace.

## Managing conflicts and fostering collaboration at the same time

31. If not well managed, diverse groups can be challenging for companies and impact the performance negatively (e.g. lack of communication, wrong assumptions and cultural conflicts).
32. In situations of conflicts, some companies offer a process that can contribute to overcome them, for example by putting different groups of people in a meeting room to start discussion on diversity and fostering collaboration.

### **Volvo (Sweden): “The Walk the Talk” network**

**This programme consists of male managers who have previously taken part in the Walk the Talk program, advanced gender awareness training for male executives. The purpose is to actively work to increase the number of female managers within Volvo Group, to disseminate knowledge and help shape values and attitudes, in order to speed up the achievement of the Group's strategic goals in respect of female managers. The network was launched in 2005.**

*Source: Confederation of Swedish Enterprise – SN*



#### Setting goals, targets, objectives

33. Many companies have already put in place in-house indicators, for instance in the context of national corporate governance codes.
34. However, certain type of quantitative targets like quotas could be counterproductive as they may create expectations of promotion which are not based on merit or competences. They also put a disproportionate focus on the target itself while other aspects, such as leadership ability, competences – including technical and political skills, would be missed.
35. Voluntary initiatives which set up both quantitative and qualitative objectives and match individual challenges are an important vehicle for companies to make progress on promoting diversity at the workplace. BUSINESSEUROPE believes that this cannot be understated and that emphasis must be made on voluntary schemes which are flexible, pragmatic and take into account sector and/or company specific circumstances.

#### **Finnish Corporate Governance Code (Finland)**

**In 2010, Hex Plc (at present NASDAQ OMX Helsinki Ltd), the Central Chamber of Commerce and the Confederation of Finnish Industries issued a Finnish Corporate Governance Code. It states that “both genders shall be represented on the board”. As a result, the percentage of women on boards has reached 31% in May 2013 (large cap companies).**

*Source: Confederation of Finnish Industries – EK*

#### **CEOE gender balance initiative: “Promote Project: @ll in top management, @ll in co-responsibility” (Spain)**

**This first edition will be developed from November 2013 to April 2014. The Promote Project is coordinated by CEOE, with the participation of the Spanish Ministry of Health, Social Services and Equal Opportunities and one of the leading Spanish Business Schools, ESADE. The aim is to improve the women access to top management positions and corporate boards.**

**The program will focus on training, coaching, mentoring and networking reinforcement of women. For doing so, companies associated to the project will previously identify the best female candidates to be further promoted within the company. Some of the associated companies are Coca-Cola, IBM and Facebook.**

**The ultimate objective is to change the current figures in women business representation in Spain. Norway is the donor partner.**

*Source: Confederation of Employers and Industries of Spain – CEOE*



### **Committee on Corporate Governance (Denmark)**

The Committee on Corporate Governance recommends that the board annually specifies the skills it must have to best perform its tasks. The assessment of its composition must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc. Listed companies are required to comply with or explain deviations from the recommendations.

*Source: Confederation of Danish Industry – DI*

### **Hellenic Corporate Governance Council (Greece)**

The revision of the Hellenic Corporate Governance Code in 2013 introduces the principle of diversity and special practices, including gender balance, both for the board members and the senior executive team, to be adopted by the board and the nomination committee.

The corporate governance statement must make specific reference to the diversity policy, applied by the company, in relation to its board members and the senior executive team and the percentage of each gender represented in the board and senior executive team. The diversity policy should be published on the company's website. The HCG Code covers listed companies.

*Source: Hellenic Federation of Enterprises – SEV*

### **Shell (UK and Netherlands): Diversity & Inclusiveness, example of “nationality diversity” targets**

The main target is to continuously improve the representation of nationals in senior management positions in regions and countries to a majority of incumbents (the targets are represented as Shell Group long-term minimum objectives).

3 principles: 1/ Addressing ethnicity (male and female) at a country level as needed, 2/ tracking progress towards a 100% normalised national cover of all Country Chair positions, 3/ provide equal opportunity at all levels by following national norms and government policies.

The Shell internal D&I Standards and assurance process further reinforce the expectations and methods to achieve these targets.

*Source: company website*

### **Promoting diversity at EU and national levels**

36. At EU level, the promotion of Diversity Charters can successfully contribute to fighting discrimination in the workplace and to promoting equality in labour markets.





37. The European Commission's DG Justice should aim at continuing the collaboration with business organisations as key stakeholders and promoting the exchange of existing good practices.
38. At company level, management and workers engage regularly in a process of dialogue aiming to examine what to do in order to make diversity a strength for the company.
39. A diverse range of initiatives exist on the ground reflecting their various and changing circumstances, e.g. fostering a corporate culture of cooperation and appreciation of diversity, or addressing specific groups.

### **CBI (UK): The guide "Diversity in the Boardroom"**

The guide "Diversity in the Boardroom" for business and board-ready candidates in the UK', published jointly by the CBI and the Government Equalities Office (GEO) on 1 April 2010. It highlights some of the schemes and programmes which address the issue of boardroom diversity and provides some best practice examples of initiatives.

*Source: Confederation of British Industry – CBI*

### **BASF (Germany): Diversity + Inclusion (D+I) programme**

BASF seeks to recruit, develop and retain the best employees with exceptional professional expertise and social skills. The diversity of employees is deemed important for the sustainable success of the company and for helping it to respond to varying customer needs.

The aim of BASF's global initiative "Diversity + Inclusion" (D+I) is to strengthen the culture of cooperation and appreciation in the company and take advantage of business opportunities created by diverse teams. With a common strategic goal BASF units and regions develop their own D+I targets based on their specific situation and carry out their implementation.

Since the initiative started in 2008, several thousand employees and managers have taken part in trainings, workshops and events to improve D+I at BASF. The number of voluntary ambassadors for Diversity + Inclusion has grown steadily and reached 400.

*Source: BASF*

### **SAP (Germany): Employ people with autism**

At SAP, an inclusive and diverse environment promotes a culture that enables employees to find innovative solutions to challenges facing customers as well as society as a whole. In 2013 SAP was awarded with the German Diversity Award as the employer with the highest diversity.



In May 2013 SAP announced plans to actively recruit people with autism as software testers, programmers and data quality assurance specialists. SAP sees a potential competitive advantage to leveraging the unique talents of people with autism, while also helping them to secure meaningful employment. By 2020, SAP plans to have 1% of its global workforce of 65,000 employees to be individuals with autism. The company is piloting the program with the help of Specialisterne, a Danish social organisation that helps place autistic individuals in job opportunities.

The global announcement follows successful pilot projects in India and Ireland that demonstrate the positive impact of empowering people with autism to excel in their areas of strength. SAP Labs in India hired six employees with autism as software testers. As a result, the team has increased their productivity and cohesiveness in key areas. SAP will expand the program globally, starting in the U.S., Canada and Germany in 2013.

*Source: SAP*

### **Schneider Electric (France): Generational diversity**

Within the scope of French agreement on senior workers, Schneider Electric has implemented an interview scheme for the second half of a career called “The Outlook Meeting”.

This is a voluntary meeting for employees on their 45<sup>th</sup> birthday. The Outlook Meeting takes place in two stages: 1/ an outlook stage with a consultant that aims to help the employee to plan for the second half of their career, 2/ a consolidation stage with their manager to validate the professional development pathways they have taken and to implement an individual action plan.

As a result, more than 450 employees have had an Outlook Meeting, and 73% would recommend the meeting to their colleagues.

In addition to this action plan, Schneider Electric France decided to strengthen its recruitment of young people after their Apprenticeship. This strategy aims to match with two ambitions: balance the age pyramid to better face the coming challenges and create efficient collaboration between generations by sharing knowledge, skills and experiences.

*Source: company website*

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