

DIVERSITY, EQUITY AND INCLUSION 2021

# Self-sabotage: How companies hurt themselves by neglecting DEI

Despite BLM, #MeToo and other movements for equality and justice, employers don't understand enough about the impact of neglecting DEI on company health.

By Ranica Arrowsmith



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# Self sabotage: How companies hurt themselves by neglecting DEI

## Introduction

When employees receive diversity, equity and inclusion (DEI) consideration, they are more likely to be productive, healthier and stay with their employer. However, not enough companies take DEI as a serious workplace issue yet, despite the high visibility Black Lives Matter and the #MeToo movement brought to issues around discrimination.

As DEI continues to grow in importance, companies that take the lead on DEI initiatives will emerge ahead of the curve. However, they have their work cut out for them in terms of educating employees on what DEI is, and why it is needed, as significant portions of the workforce — those mostly unaffected by discrimination — still believe DEI to be a non-issue.

## Key findings

- Evaluating and addressing a lack of diversity and inclusion is important to most employees working at companies with at least 10 employees. However, the intensity of this importance differs by race and gender. For women and BIPOC/Latinx employees, DEI efforts are paramount.
- White men are least likely to say DEI is important, but they are most likely to say their company is doing well in addressing DEI (overall and in specifics). White men are also least likely to have experienced discrimination and/or left a job due to a lack of inclusion in the workplace.
- Employees generally rate their office as inclusive to older workers, working parents, LGBTQ+ employees, employees who are caregivers and employees with physical disabilities. However, inclusiveness for employees with cognitive disabilities is much lower.
- Forty-one percent of employees report experiencing discrimination at some point in their careers. However, experiences of discrimination differ greatly by race and gender:
  - 22% of white men
  - 57% of white women
  - 51% of BIPOC/Latinx men
  - 74% of BIPOC/Latinx women
- For BIPOC/Latinx people, these experiences of discrimination have been driven by race, and for white women, they have been driven by gender. For white men, the perceived reasons are more diverse, including religion, age, race and gender.
- For employees who have experienced discrimination, the negative impact is not just for the employee (41% were passed over for a promotion, and 33% experienced depression or anxiety), but also for the company (48% report decreased commitment to the company).



### Why read this report?

Employees that face discrimination in the workplace often end up dissatisfied, leaving their job, or even falling ill. This report illuminates areas in which employers can do better on diversity, equity and inclusion, and reveals specific initiatives that make their organization more attractive to new hires.

### Research methodology

This research was conducted by Arizent to understand the state of diversity, equity and inclusion efforts across the business lines served by its publications.

The research addresses three core areas: employee expectations and company performance, impact of discrimination and actions taken by companies to address DEI.

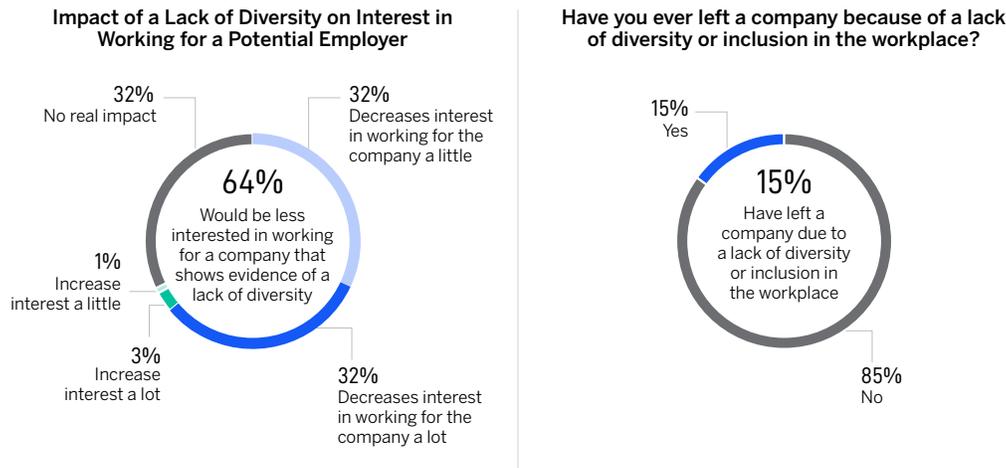
The study was conducted online during June - July 2021 among 474 qualified readers of American Banker, Accounting Today, Employee Benefit News, Financial Planning, Digital Insurance, The Bond Buyer and National Mortgage News. To qualify, readers had to be employed in the previous 6 months.

## How discrimination affects company health

The Black Lives Matter movement, #MeToo and countless individual stories have over the past year and a half spurred businesses into taking a closer look at their diversity, equity and inclusion strategies — if they had one at all. However, the framing of these discussions is often around individuals who may be or become victims of discrimination, rather than the larger scale, real-world impacts DEI failures can have on the health of a company.

The data gathered by this survey paints a clear picture: discrimination costs money. Sixty-four percent of employees are less interested in working for a company that shows evidence of a lack of diversity, and 15% have left a company for the same reasons.

### A lack of diversity or inclusion impacts both where employees will consider working, and if they will stay with the company long term



Base: Employees at organizations with 10+ employees: n=342

Q: If you were looking for a new job, how would evidence of a lack of diversity or inclusion in a workplace impact your interest in working for the company? Have you ever left a company/switched jobs because of a lack of diversity or inclusion in the workplace? This lack of inclusion could be toward you or in general.

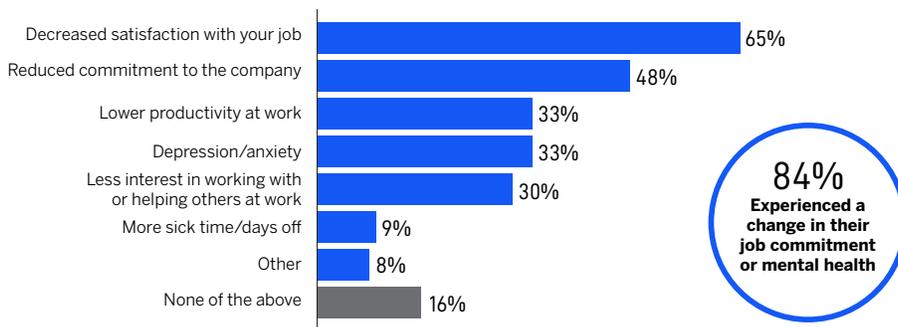


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Two-thirds of respondents find less satisfaction with their jobs as a result of workplace discrimination, and half find they have a reduced commitment to the company. More than a third report lower productivity at work, and another 30% have less interest in working with or helping colleagues. Recruitment and retention is already a topic of great interest — some might say a pain point — in the professional and financial services industries specifically, and this data shows that failing employees on DEI performance deals a direct blow to retention.

### Two-thirds found less satisfaction with their job as a result of workplace discrimination, and half had reduced commitment to the company

Did you experience any of the following as a result of the discrimination you experienced in the workplace?



Base: Employees at organizations with 10+ employees: n=342

These effects can be most clearly seen in the fintech industry, where 28% of employees report leaving a job due to discrimination, primarily because among all the industries surveyed, fintech is the most diverse — more than a third of respondents from this sector identify as BIPOC/Latinx. The technology industry as a whole historically and consistently has short employee tenures and high turnover rates. The reasons for this are manifold: As the tech industry booms, jobs abound, and qualified, attractive applicants are expensive and easily poached. Failing on DEI initiatives adds to this existing problem.

Discrimination can lead to secondary effects on the affected individual parties — 41% of employees report being passed over for a promotion as a result of discrimination they experienced in the workplace. Thirty percent say they were passed over for a job, and almost one-fifth report a reduction in pay. Such secondary effects are often termed “retaliation,” and are a key component in DEI education, strategy and initiatives.

Other reported impacts include being fired, being removed from a project or the accused perpetrator of discrimination being moved to a different office. It’s possible that the most common secondary effects of discrimination — i.e., being passed over for either a promotion or job — are so because the reasons for these actions are difficult to prove. More concrete outcomes, like being fired or treated differently in the office, are more visible, and perhaps consequently less commonly experienced.

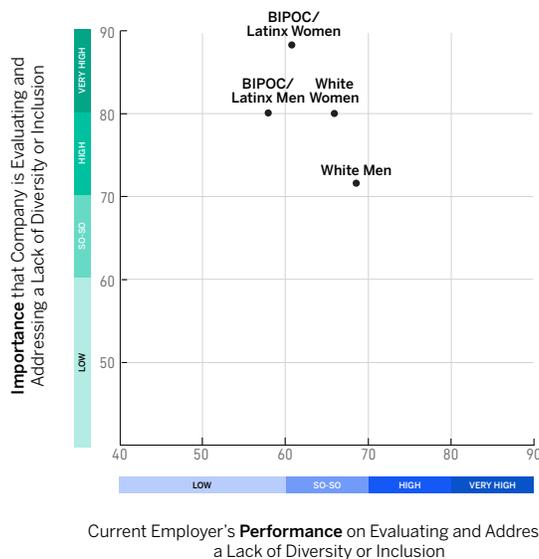
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## Who should we listen to?

The segments most adversely affected by discrimination in the workplace are BIPOC/Latinx women (74%), followed by BIPOC/Latinx men (51%). For these two groups, discrimination is driven primarily by race. Fifty-seven percent of white women have experienced bias in the workplace, and for them, that treatment is mostly driven by their gender identity. For white men who experience discrimination, the perceived reasons are more diverse, such as religion, age, race and gender.

There is a correlation between the levels of discrimination faced and the likelihood of those groups to view DEI as an important issue in the workplace. BIPOC/Latinx women rate the importance of evaluating and addressing a lack of diversity or inclusion in the workplace very high, while white men believe it to be less important. Conversely, white men rate their company's performance on addressing this issue as high, while BIPOC/Latinx women say their company is doing an average job. Between these two extremes, white women and BIPOC/Latinx men rate importance and performance at similar rates to those at which they report experiencing discrimination.

**For BIPOC/Latinx women, in particular, addressing DEI is crucial; however, BIPOC/Latinx employees are least likely to say their company is doing well**



Base: Employees at organizations with 10+ employees: White Men (Non-Hispanic): n=120; White Women (Non-Hispanic): n=96; BIPOC/Latinx Men: n=35; BIPOC/Latinx Women: n=47

Q: How important is it to you that the company you work for (or companies you may consider working for) evaluate and/or address a lack of diversity or inclusion in their workplace? How would you rate your current employer, overall, on its efforts to evaluate and/or address DEI (Diversity, Equity, Inclusion) in the workplace?

To develop effective DEI strategies, company leaders should consider who at their company speaks about discrimination from experience, and who does not. DEI strategies should include voices from the employee pool, especially if the company aims to create an honest picture of their performance on DEI thus far and into the future.

**74%**  
of BIPOC/Latinx women surveyed have experienced workplace discrimination.

## The political is personal — but it's all business

DEI can be a frustrating, emotional and annoying subject to employees. While technology trends or shifts in the marketplace can have similar effects as the fallout from discrimination practices — job loss, salary depreciation, etc. — no other disruption stems from who a person inherently is. Those who experience the highest rates of discrimination do so most often because of their gender, race or skin color, sexual orientation or other facet of their personhood. The experience is personal like no other, which is why a specialized, differentiated approach to addressing DEI may be best.

Beyond the pain of fighting identity-based workplace maltreatment, the residual effects of this can include impacts on health and wellness. A third of employees report experiencing depression and anxiety after incidents of discrimination, and almost one in ten say they needed more sick time or days off. In addition to the emotional element, there is one of ethics: One respondent who identifies as a white woman reports that she received an increase in pay following an experience with discrimination, and that it “felt like hush money.”

While discrimination itself provokes psychological, physical and ethical anxieties in the discriminated against persons, the topic of discrimination provokes a different emotion in some other employees: anger. To these employees, DEI is seen as a distraction, and to others, even detrimental to its stated goals — i.e., that DEI is inherently racist or sexist because it highlights differences. While these complaints have their own internal logic, they stem from a misunderstanding of DEI, as discriminatory practices are often unconscious, imperceptible by those not experiencing them, and thrive in non-transparent environments.



**1/3**  
of employees  
report experiencing  
depression and  
anxiety after  
incidents of  
discrimination.



This whole survey is forcing us to consider and look at people's race, disabilities, and I especially do not care who someone sleeps with, what religion they are, what color they are, if they are disabled or not. I do not care about any of this. The only thing I care about ... is if they can do the job competently, accurately and with good work ethic. Nothing else matters.



You imply that DEI is an absolute must-do or must-have, like honesty or adherence to professional standards. You make no room for statements such as, 'We're not interested in implementing DEI,' by implying if you're not doing something, it's a poor response.



This survey assumes DEI is appropriate and needed. The entire concept is from a racist viewpoint.

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As noted by the Harvard Business Review, lab studies have shown that when DEI measures are “force fed” to employees (whether by real or perceived force), it can actually activate bias and encourage rebellion. When an issue invisible to some becomes suddenly visible, the subsequent perception can be that the problem is exaggerated or has been artificially inflated. Understanding this is key when building out responsive DEI strategies — a robust education component that includes employees or individuals with direct experience should be a priority.

## The “skill” phantom

Respondents, both those that view DEI as important and those that don't, report that their hiring practices are “blind,” and that their companies only hire/promote based on skill alone and nothing else. Unconscious bias is not taken into consideration in these responses, but unconscious bias is a hallmark of discriminatory workplace practices, especially in hiring decisions.

When all things are equal, hiring managers more often choose an applicant that they like better or that is more similar to them. A well-known 2017 experiment conducted by BBC Inside Out showed that when identical copies of a resume were sent out with only one difference — the applicant's name — “Adam” got three times as many interview callbacks as “Mohamed” did.

So, while equity in hiring has been shown by various studies to be lacking, only 28% of companies report having clearly defined diversity targets in place to guide recruitment and hiring. Almost a third have no such target. Most often, these targets are defined by first, race (90%), and then, gender (77%). Trailing behind in priority is disability status, which is included by 47% of companies with defined targets.

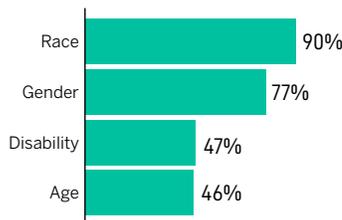
Disability status problematizes the word “skill,” especially in the professional and financial services sectors, which require specific, high-level qualifications. An applicant may have every skill and competency required for the job, and may even excel in them. However, an applicant with disabilities may still not be able to perform that job unless reasonable accommodations are made for them, such as accessibility ramps or talk-to-text software.

## Diversity targets, when they are in place at organizations, most commonly are defined by race and/or gender

Does your organization have clearly defined diversity targets to guide your recruitment and hiring practices for the next 12-24 months?



Are those targets defined by...? (among those with targets)



Base: Employees with involvement in DEI initiatives at organizations with 10+ employees: n=249; Companies with diversity targets: n=70

Race is the #1 factor defining diversity targets according to DEI stakeholders surveyed.

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It isn't surprising that few companies have diversity targets in place. Hiring targets is one of the easiest punching bags of employees angered by DEI, because it can fuel the notion that companies are merely filling quotas and not hiring based on skill. This is not what diversity targets accomplish. Rather, setting such goals promotes the hiring of diverse employees who do have the skills and competencies required by the job, thereby increasing both the expertise and diversity of a company, which is beneficial to all involved.

On the other side of that story, when discrimination leads to less commitment and staff departures, the skills leave with those employees. This is important to remember when considering retention, because losing an employee to discrimination is not simply the loss of a "diverse hire" — it's a loss of competency, too.

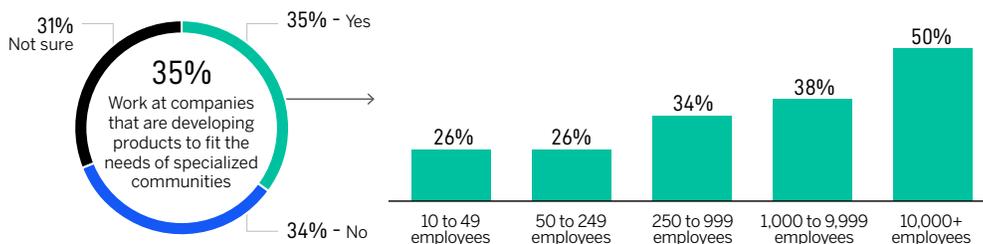
### Facing outward: Considering a diverse customer base

Addressing DEI goes beyond the internal organization. Internally, DEI stakeholders can provide an important perspective not only on steps companies are taking to build a more inclusive workplace environment, but on how DEI factors into the design of products and services to meet customer needs.

Overall, 35% of companies with at least 10 employees are designing products or services for marginalized customer populations; and the larger the company, the more likely it is they are doing so. A full 50% of companies with more than 10,000 employees are designing such services.

### Overall, one-third of companies with at least 10 employees are designing products or services for marginalized populations

To the best of your knowledge, is your company actively developing products and services to meet the specialized needs of groups of consumers who may be marginalized (e.g., intellectual, cognitive or physically disabled consumers; economically disadvantaged customers; minority communities)?



Base: Employees with at organizations with 10+ employees: n=342; 10 to 49 employees: n=72; 50 to 249 employees: n=72; 250 to 999 employees: n=62; 1,000 to 9,999 employees: n=68; 10,000 or more employees: n=68

Banking, fintech and financial services companies are more likely than wealth management firms to be developing products and services with an eye towards inclusivity for marginalized consumer groups, but they are also more diverse as a whole. More than half the respondents from the wealth management sector are white men, compared to less than 40% in all other verticals.

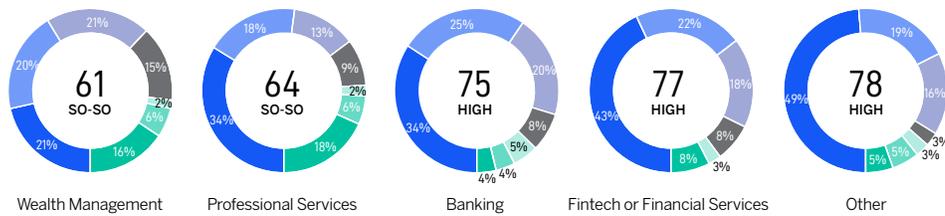
Resources and DEI initiatives

Addressing a lack of company diversity is least important to those in wealth management, with only 21% of respondents rating this as “very important” to them. Compare this to 34% in professional services and banking, and 43% in fintech or financial services. Almost half of respondents from other industries see addressing a lack of diversity as very important.

One quarter of employees in professional services and wealth management feel addressing diversity is unimportant

Importance that Company is Evaluating and Addressing a Lack of Diversity or Inclusion: by INDUSTRY

Extremely Important Completely Unimportant

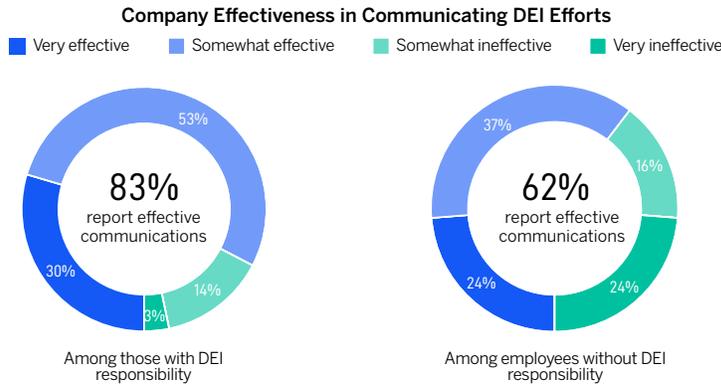


Base: Professional Services: n=142; Wealth Management: n=121; Banking: n=79; Fintech or Financial Services: n=79; Other: n=37  
 Q: How important is it to you that the company you work for (or companies you may consider working for) evaluate and/or address a lack of diversity or inclusion in their workplace?

Larger companies are doing better on DEI initiatives, and they are also doing better at communicating those strategies to their employees. Across all company sizes, the favorite method of communication is electronic — online resources like corporate intranet and the employee handbook are the primary method of dissemination of information, followed by employee newsletters and email.

73% of employees surveyed are involved in their company's initiatives to evaluate and address DEI.

**DEI leaders and employees disagree on the effectiveness of DEI communication efforts**

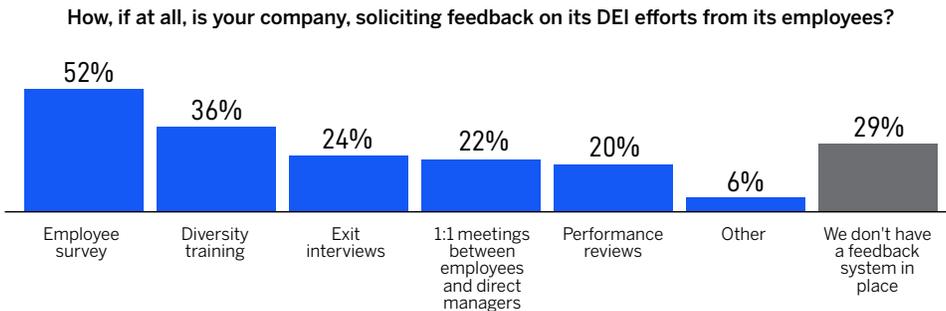


Base: Employees with involvement in DEI initiatives at organizations with 10+ employees: n=213; Employees without involvement in DEI at organizations with 10+ employees: n=93

Q: How effective have those communication methods been, in your opinion? In your opinion, how effective has your current employer been at communicating its DEI efforts to employees?

Almost three quarters of employees surveyed had at least some involvement in their company’s efforts to evaluate and/or address DEI in their workplace, with 15% saying they had high involvement. Respondents who report having direct DEI responsibility perceive company effectiveness in communication to be better than those who had no leadership involvement.

**Collecting employee feedback is key but 3 in 10 are not soliciting feedback at all**



Base: Employees with involvement in DEI initiatives at organizations with 10+ employees: n=249

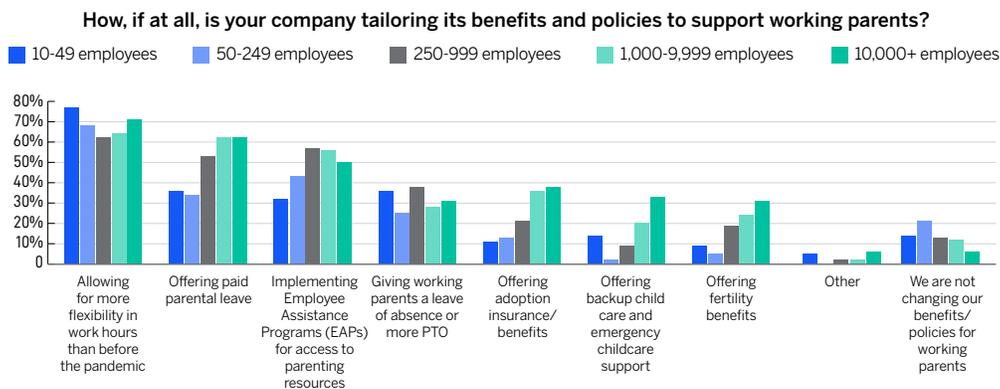
Collecting feedback from employees is one way of measuring effectiveness, but 30% of companies aren’t soliciting feedback at all. Among those that are, employee surveys are the most popular method, with more than half of companies using this tool. Thirty-six percent use diversity training as an opportunity for feedback, and 24% use exit interviews. Again, smaller companies are, perhaps counterintuitively, performing worse at collecting feedback, with more than 40% of companies with fewer than 250 employees not collecting any at all.

**36%**  
of companies surveyed have implemented diversity or Pride days.

The visibility problem

Companies shine at providing accommodations for working parents, especially since the COVID-19 pandemic began. Sixty-eight percent are allowing more flexibility in work hours than before the pandemic, and almost half are offering paid parental leave and implementing Employee Assistance Programs for access to parenting resources. Organizations with more than 250 employees are more likely to be offering paid parental leave and other less common benefits to working parents, such as adoption insurance, backup childcare support and fertility benefits.

Mid- to large-sized organizations are more likely to offer a broader mix of benefits to working parents



Base: Employees with involvement in DEI initiatives at organizations with 10+ employees: 10 to 49 employees: n=44; 50 to 249 employees: n=56; 250 to 999 employees: n=47; 1,000 to 9,999 employees: n=50; 10,000 or more employees: n=52

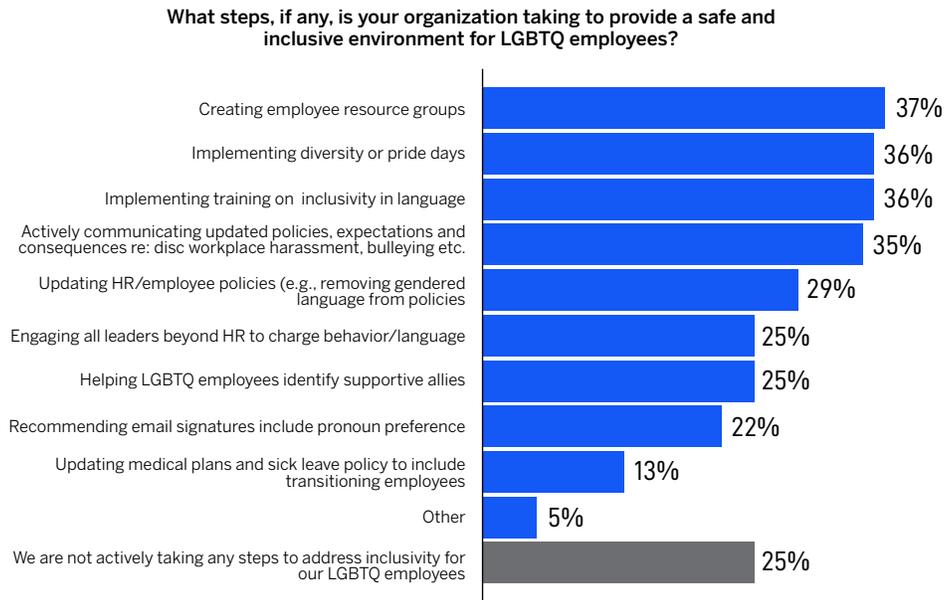
The treatment of working parents serves as a good touchstone to examine the programs offered to and developed for all other marginalized groups. For instance, adoption and fertility treatments are important benefits for most groups, but especially and notably for the LGBTQ+ population. However, they are primarily viewed as a benefit offered for working parents, and a benefit initiated because working parents are among the workforce.

Meanwhile, a common comment from respondents to demonstrate that they view their coworkers without judgement is that they either don't care or don't know whether LGBTQ+ employees are present among the staff. Compare this to the many comments pointing out there are "many" working parents on staff. Groups that are invisible in their status (as opposed to those with more obvious identity presentation such as race or gender) can miss out on accommodations and benefits precisely because they are less visible than, say, working parents. It's these types of gaps in understanding that the most basic of DEI tools, like soliciting employee feedback, can address.

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To be clear, despite this commentary on the visibility of LGBTQ+ employees, companies aren't doing too badly at welcoming them. They are most likely to be taking steps to help working parents (87%); still quite likely to be taking steps to welcome LGBTQ+ employees (76%); but much less likely in comparison to be taking steps to improve their disability inclusion practices (58%). Over a third of companies have also implemented resources for LGBTQ+ employees, like training in inclusive language and the establishment of diversity or Pride days at work.

### Three out of four companies are taking steps to build safe and inclusive space for LGBTQ+ employees



Base: Employees with involvement in DEI initiatives at organizations with 10+ employees: n=249

Further demonstrating the effects of visibility, employees are very likely to know how inclusive their company is for working parents, older employees and employees who are caregivers, and least likely to know the same for LGBTQ+, physically disabled, and cognitively and intellectually disabled employees.

And the repercussions of visibility, once again, affect company health — a lack of diversity or inclusion impacts both where employees will consider working and if they will stay with the company long term.

### Conclusions

- Discrimination and a lack of attention to DEI has an effect on both company and employee health. Companies with less diversity are less attractive to new hires, and employees who face discrimination are more likely to become less productive or leave their company. Companies need to take DEI seriously, and those that offer no DEI initiatives at all should consider doing so, not because it's trendy, but because it's necessary.
- Companies seeking to implement DEI strategy or improve their existing DEI strategy should take into consideration viewpoints from all their employees, with special consideration given to viewpoints coming from marginalized groups. Larger companies are doing better at communicating and soliciting feedback, while smaller companies need to improve focus on DEI initiatives and communication.
- DEI is a uniquely sensitive and often personal workplace issue, so companies should handle it carefully. Consulting with third-party professionals can help companies construct appropriate methodologies for improving DEI without further alienating marginalized groups within their workforce.
- One of the most important components of any DEI initiative is education, as there continue to be misunderstandings among employees about what DEI is, why it is needed and why diversity is inherently beneficial to organizations. Technology is currently an important tool in communicating DEI efforts to employees, but a more personal approach that includes more direct feedback from employees can aid in education and transparency.

### How to move forward

One of the most important steps organizations should be taking now is creating DEI strategies, if none are in place. Key components strategies should include:

- Broader diversity targets beyond race and gender
- A continuous feedback system to help DEI leaders understand company sentiment and needs
- A robust communication strategy that includes components that go beyond electronic communications, such as in person check-ins and employee surveys
- A plan to educate employees to drive meaningful change

Smaller companies with fewer resources may need help taking these steps, either from outside consultants or by collaborating with employees. But however it is accomplished, it's clear that making sure an organization is diverse and welcoming to all groups reduces turnover and increases the satisfaction, dedication and health of employees.



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