



## Delivering diversity in a recession

### Introduction

Leading diversity professionals believe that there are untapped opportunities for smart organisations to gain market advantage through good diversity practices in an economically challenging environment. There are of course risks, and it is very likely that the recession could have significant negative short and long term impacts. Diversity Works for London (DWfL) understands that many employers are looking to save costs by reducing budgets and headcounts across their organisations and in some cases within diversity teams.

While delivering an effective diversity and inclusion policy to gain the business benefits of diversity can be challenging at the best of times, the potential rewards make it a business necessity. This guidance explores some of the practical suggestions put forward by diversity practitioners operating in some of London's leading corporate organisations to use diversity to improve business performance. It builds on the existing support provided by DWfL to harness the benefits of investing in diversity and inclusion.

The DWfL Gold Standard offers organisations alternative ways to design, deliver and draw on the positive benefits of diversity as well as measure individual organisational performance against the Gold Standard toolkit. This guidance examines some key thinking that can help better position your organisation for the economic upturn.

In addition, we have also included some specific guidance for smaller organisations which may face similar issues on a different scale.

### Opportunities

The recession gives those responsible for delivering business results through diversity a variety of opportunities to improve performance. The opportunities can be summarised as:

- Re-aligning the diversity business plan with the new business imperatives
- Innovation in delivery mechanisms and techniques
- Using diversity to increase business revenue and / or save money
- Attracting and retaining talent
- Flexibility
- Benefiting from changes in equalities legislation

### Aligning the business case

Many employers have recognised that to be effective, diversity needs to be integrated into broader policy and practice. Encouraging a strategic approach rather than a tactical initiative based response offers your organisation the opportunity to:

- Revisit your own diversity business case and plan, and realign them with the changing imperatives and objectives of the organisation

- Work with colleagues from different functions to build awareness of the value of diversity and how it can support competitive advantage. In particular, position diversity as a solution to business challenges rather than an additional cost
- Use your organisational savvy to support a fresh approach, for instance bringing diversity linked new customer opportunities to the attention of your product development and marketing colleagues

## Innovation in delivery mechanisms and techniques

Diversity represents a business enhancing opportunity for your entire organisation and not just the responsibility of HR professionals. Updating your business case allows you to link in and embed action on diversity to ensure it delivers to your business need and supports your future growth and business direction.

- Use the recession to shift the emphasis of activity from equal opportunities and diversity to **inclusion**. This may help to secure the relevance of the diversity message to your entire workforce and help you involve everyone in taking forward activity
- The language of inclusion mirrors that of engagement. It may be helpful to use employee opinion and engagement surveys to unpick some of the issues that may be de-motivating different groups
- Be aware that some diversity groups can be more adversely impacted by the recession. Make the time to monitor key management information and HR data, for instance grievances, claims, absence etc to ensure that the business does not face added costs. Employee's perception of potential adverse impact can have negative consequences, which is why it is key to engage your employees positively at every opportunity possible
- Make the most of your affinity groups or networks to help understand issues, develop arguments and identify business opportunities
- Many organisations committed to diversity understand the value and benefit from sharing information and networking with other companies. One organisation has taken this a stage further.

### Sharing costs

Like many companies, **Microsoft** has a global diversity & inclusion team, offering internal processes, tools, and programmes. Recently, Microsoft also began implementing some innovative ways to approach diversity and inclusion through partnership with other companies, some of them in the IT sector, frequently sharing ideas on Diversity & Inclusion good practice. Diversity & Inclusion partnerships can maximize the experience and distributes costs. For the past year, Microsoft UK has been collaborating on a joint initiative called '*Connecting Women in Technology*' with Cisco, Dell, Google, IBM, Intel and Nortel, focused on career development and retention of women in IT, by growing their community and network across the companies involved. Another partnered diversity and inclusion approach with Sodexo encourages shared learning and content that maximizes impact for employees across both workforces whilst sharing cost.

Lisa Kepinski  
Director Diversity & Inclusion, Microsoft International

## Using diversity to increase business revenue

Successful organisations embrace challenging times as they can often lead to highly innovative solutions. In these tough times, businesses should be going all-out to identify or create opportunities in under-tapped markets.

One such is the “minority market” – or, rather, a range of minority markets that includes ethnic minorities, older people, disabled people and the LGBT community - and the spending power of this market is huge. Figures like £32 billion (the estimated disposable income of the UK’s ethnic minority market), £70 billion (the LGBT market’s disposable income) and £280 billion (older people market) should make sobering reading for anyone not up to speed.

Now more than ever, businesses should be investing in targeted products/services and marketing. The potential reward for engaging these markets is huge; they represent vital and substantial new revenue streams. Conversely, businesses that fail to move first with targeted products and communications risk being left behind – especially when the upturn comes.

## Attracting and retaining talent

The recession has meant that many employers have a recruitment freeze and others have had to lose headcount either by not replacing retirees etc or through redundancy.

Whatever your situation, you will want to attract talent in the future. Ensure that:

- Retrenchment of recruitment activity does not limit diverse outreach. If you have had to reduce costs, perhaps by changing recruitment suppliers, there should still be a strong commitment to expect and deliver a diverse talent pool and deliver the benefits that this brings
- Even if you have to limit the number of internships, work experience or apprenticeship opportunities, ensure that you maintain relationships with schools, colleges etc. This on-going relationship will set you apart and strengthen your employer brand and competitiveness during the upturn.

Good practice organisations know that diversity is not just about recruiting talent. Holding onto those with specialist skills and knowledge is equally important at this time, as is maintaining a diverse mix to reap benefits such as increased creativity and innovation.

- Monitoring your workforce, particularly being mindful to which groups are leaving the organisation, will help you to ensure that no one group is adversely impacted and that diverse talent is not disproportionately lost
- Endeavour to fully include and engage all staff as they may still leave if they do not feel they are involved in your organisation
- It is important to recognise and harness the talent and skills of all your workforce – including older workers - and think creatively about how you can engage them in supporting talent cultivation
- Watch out that leadership competencies used for promotions do not focus on excluding behaviours
- Ensure managers under pressure understand the risks associated with bullying and harassment, keeping a close eye on sickness absence levels
- Don’t allow stress levels to rise by overloading remaining employees and understand that those ‘survivors’ who have avoided redundancy may not be well motivated.

## Flexibility

Good practice employers have recognised that encouraging flexibility rather than reducing it can really deliver, particularly in hard times. Here are some strong arguments for enhancing your flexible working options.

- Improved work life balance and enhanced well being delivers a positive impact on performance, plus real savings on reduced levels of absenteeism
- Research clearly shows that flexible workers are more committed and challenges the assumptions that part-time working reduces commitment. In fact, flexible workers are more motivated and productivity levels are increased. This can be a critical advantage in the current economic climate
- There is an increase in the number of women returners' which delivers a greater return on investment through reduced recruitment, induction, loss of skills, expertise and knowledge.
- Improved attraction of talent, particularly generation Y who tend to see work / life balance issues as critical in their choice of career and employer
- Customer experience and service levels benefit from flexible working practices
- Flexibility provides gaps to move people and projects, overcome skill shortages and opportunities to retain knowledge, particularly those who are nearing retirement age.

One organisation has decided to use the recession as an opportunity to help deliver a new flexible working culture.

## Flexible futures

*“Flexible futures” is a brand new initiative from **KPMG** which innovatively aligns flexible working policy with business need. The groundbreaking HR initiative is designed to allow KPMG to request that employees who agree to the change can be required to work a four-day week or take between four and 12 weeks’ sabbatical at 30 per cent of their pay. Flexible Futures, was introduced to ensure “maximum flexibility to respond proactively and positively to any change in the market”. The proposed change to the terms and conditions will last for 18 months, and the maximum salary loss in one year will be capped at 20 per cent. The firm will continue to provide full benefits throughout that period.*

**KPMG**

## Benefiting from changes in equalities legislation

Changes in discrimination law and the forthcoming Equalities Bill provide a great opportunity to get the attention of colleagues and explore the new business opportunities that this will bring.

- The new legislation is likely to require the public sector to be even more demanding in its procurement processes. Ensure that your business is ready to take advantage of the share of the £175 billion available for public contracts by developing good and effective diversity policies and practices. Make use of the DWfL Gold Standard Toolkit to support you in assessing and improving your diversity practices – [www.diversityworksforlondon.com](http://www.diversityworksforlondon.com)

## What are the risks?

In addition to losing a skilled workforce and diverse talent, evidence from the previous recession showed a 60% increase in the number of tribunals. Employers need to be wary of poorly handled flexible working requests, retirements, redundancies and other dismissals. There is already evidence from a leading law firm that age discrimination claims are rising fast and lawyers predict that claims on gender and disability are also likely to rise.

## Objectivity and consistency are the watchwords

If employers have robust procedures in place and are objective and consistent in their treatment of staff, they should feel confident that they will be able to defend their actions, if challenged.

Those responsible for diversity should not be despondent, but they will need to be vigilant, to ensure that the significant progress made in recent years is not lost. It must be remembered that in most cases employers will be retaining the vast majority of their workforce - it is as important for them to see their less fortunate colleagues being well treated, as they make their exit, as it is to be treated well themselves.

Rachel Dineley

Other potential risks include:

- A reduced commitment to occupational health, for instance cutting health checks from reward packages could lead to increased sickness absence as could raised levels of stress
- Newly promoted managers and existing managers may not operate as effectively as they could from a diversity perspective if they have not received the appropriate training or support
- New cadres of managers with attitudes and behaviours that don't fit with the corporate culture could lead to problems
- Pressure to reduce costs – for instance a retreat to statutory limits for maternity, sick pay etc or closure of pension schemes – could mean diminished diversity in the future and negatively impact on your employment brand
- Reduced investment in corporate social responsibility, sponsorship of community linked projects etc could negatively impact on your employment brand and diminished visibility could damage future recruitment.

### **Will any particular groups be more adversely affected or disadvantaged?**

There is evidence that some groups are likely to be more adversely impacted by the recession. This was highlighted in the recent UK Commission for Employment and Skills *Working Futures* report. One of its key research findings suggests the possibility of a decline in female labour market participation and the risks of further gender segregation in some areas and the loss of previously predominantly female roles to men.

- There may also be a tendency to revert to retaining and recruiting 'clones' as companies retreat to traditional behaviours, become more cautious and see diversity in recruitment or promotion as risky. This could particularly impact on those with atypical employment histories such as ex-offenders or those with mental health problems.
- If you are tempted to limit flexible working options remember that not just women and parents really value flexible working
- There is some evidence from the Employment Research Institute at Edinburgh's Napier University that employers from the SME sector are more likely to be reluctant in hiring women with young children because of the negative perception that they are less likely to be flexible or reliable.
- Business may argue that reasonable adjustments are too costly. In order to ensure brand and corporate integrity, managing disability in recruitment as well as retention and for your customers is key. Loyal customers and local communities may not readily forgive organisations who claim to support equality and diversity in the boom but drop their commitment quickly in a recession

### **And, what does all this mean for SMEs?**

Organisations of all sizes are under pressure, but many smaller companies are less able to absorb some of the recession's impact. Many of the arguments put forward for larger organisations are just as valid for smaller employers, but in addition here are some top tips for SMEs.

- Recognise that employee diversity is one of the best ways of ensuring customer and client loyalty. A diverse group of employees are more likely to relate to your increasingly diverse customer base

- Understand that diverse employees can increase levels of innovation and creativity in developing new ideas for products or services
- Be aware that employees from diverse backgrounds and experiences are likely to have fresh ideas for reaching out to new customers and clients
- Be ready to take advantage of new business opportunities from strengthened public sector procurement policies
- Use the opportunity to develop new and more flexible ways of working to retain skills and knowledge
- Hang on to existing skills and think creatively about holding onto your older workers.
- Build links with schools and colleges and develop work experience programmes to help create a future pipeline and strengthen links with the community
- Link up with other local employers to share training and other costs, including the local Chamber of Commerce or the Federation of Small Businesses
- Seek out Government funding for training and support and explore links with the local Job Centre Plus, Business Link etc
- Avoid costly discrimination claims and access the free advice from ACAS to make sure you don't fall foul of the law.