MIX MATTERS – BUILDING YOUR ORGANIZATION'S DIVERSITY AND INCLUSION PROFILE

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TALENT • HEALTH • RETIREMENT • INVESTMENTS

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QUESTIONS?

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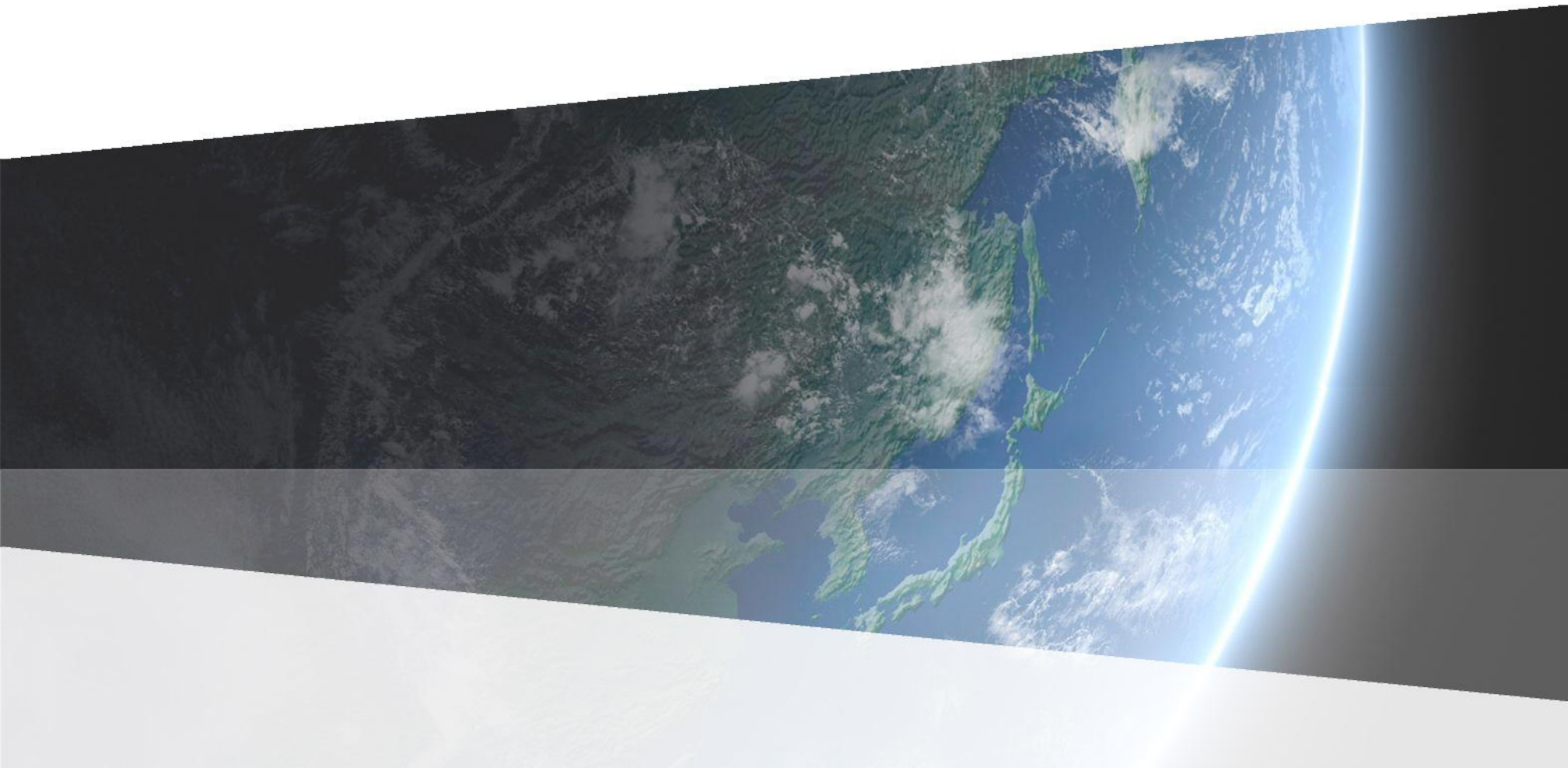
Agenda
What we'll cover today

- The diversity data challenge
- Building evidence into your diversity and inclusion strategy
  - Element #1 – Legal and environmental contexts
  - Element #2 – Representation
  - Element #3 – Internal labor flow examination
- Moving from understanding to predicting
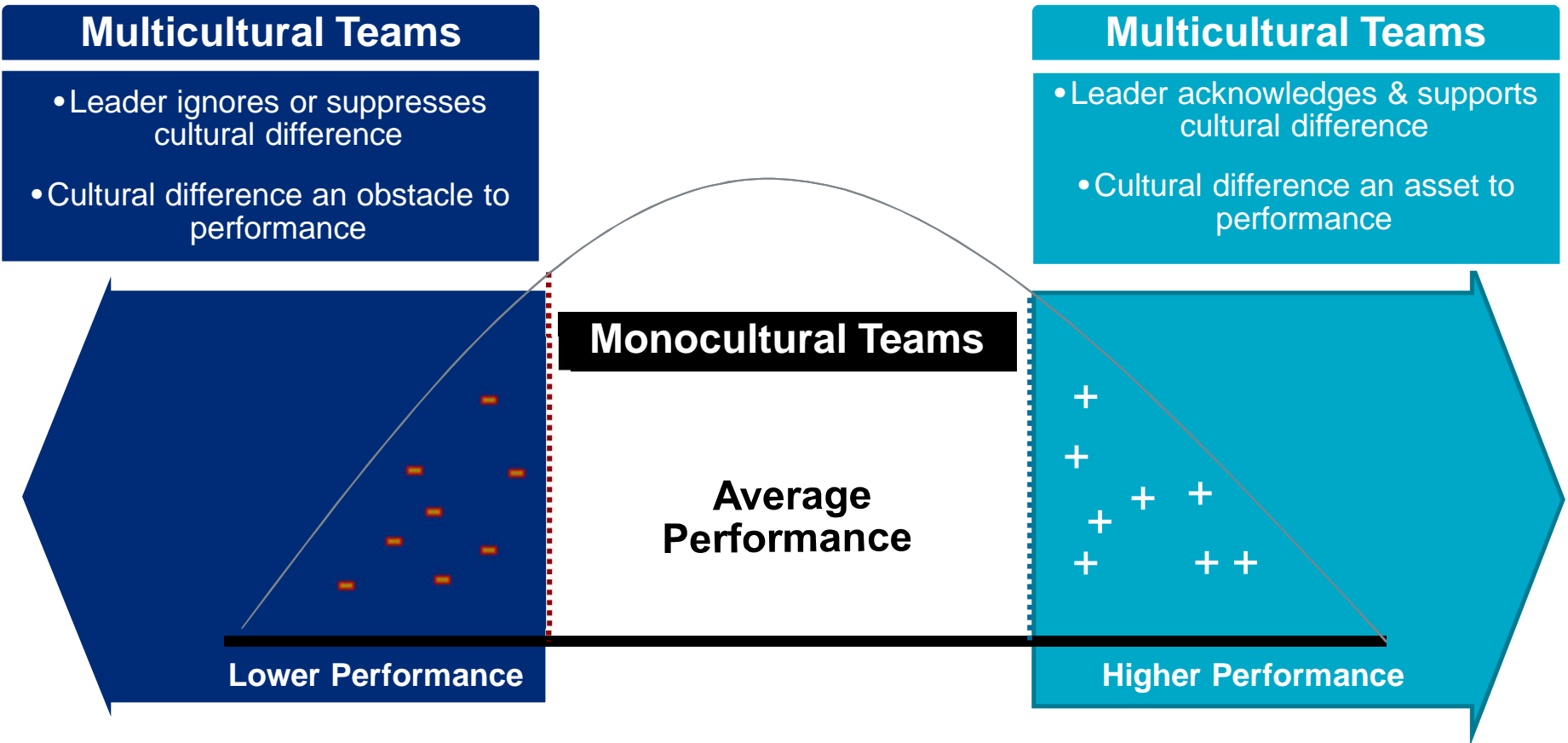- Q&A
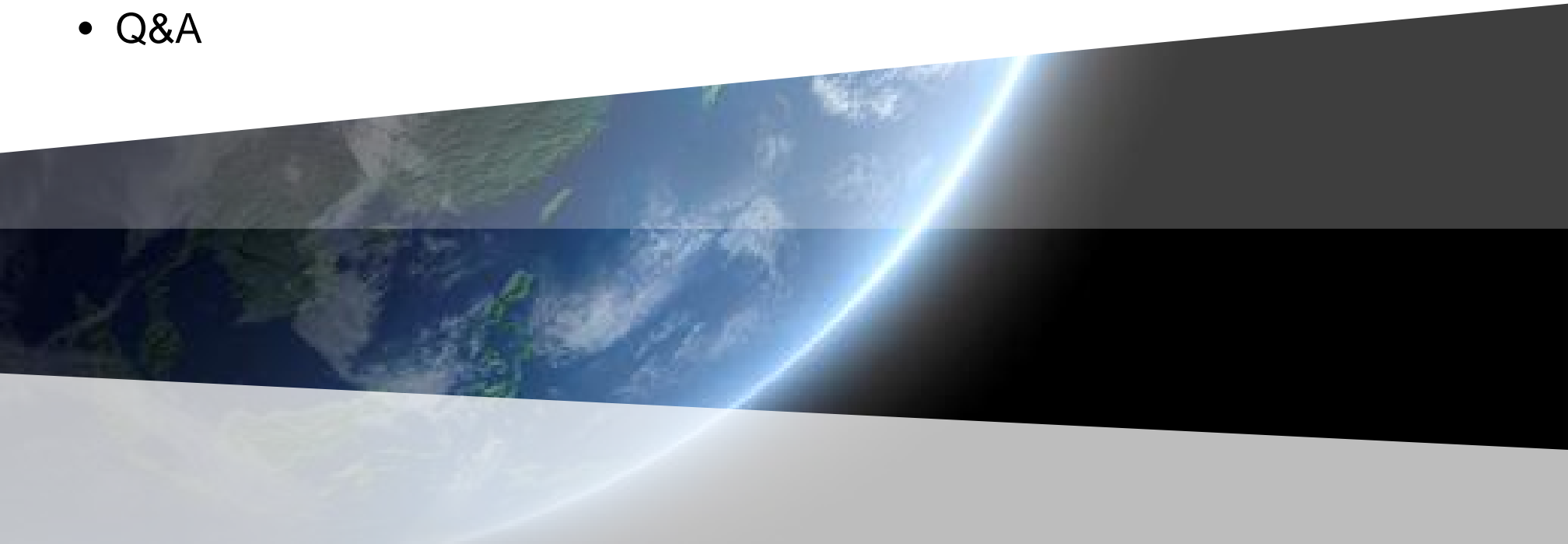
THE DIVERSITY DATA CHALLENGE

The Future of Our Workforce
Our workforce is becoming increasingly diverse

- Workforce experts indicate that cultural competence is one of the top 5 skills that all employees will need in the future

  – 10 billion women are expected to enter the global workforce in the next 20 years

  – There are four generations (soon to be five) in the workforce

  – Technology is dramatically increasing our ability to work virtually across cultures 24 hours a day

  – The multi-racial population is the fastest growing in the world

Impact of Diversity and Inclusion on our Workforce
Why it makes business sense to support and acknowledge

Multicultural Teams

- Leader ignores or suppresses cultural difference
- Cultural difference an obstacle to performance

Multicultural Teams

- Leader acknowledges & supports cultural difference
- Cultural difference an asset to performance

Monocultural Teams

Average Performance

Lower Performance

Higher Performance

Source: Adler, N. J. International Dimensions of Organizational Behavior. 4th ed. Cincinnati, OH: South-Western, 2002. C, Milton J. Bennett 2008

The Path to Cross-Cultural Competence

The ability to discern and take into account one's own and others' world views to be able to seize opportunities, make decisions, and resolve conflicts in ways that optimize cultural differences for better, longer lasting, and more creative solutions.

From
Attitude

To…
Behavior

How do I obtain **the right evidence** to influence others to make **impactful decisions**

?

A Starting Point for Meaningful Conversation on Diversity with Executives
Bring together these three elements

1   An understanding of the **legal and environmental contexts** for diversity, which represent business imperatives for change.
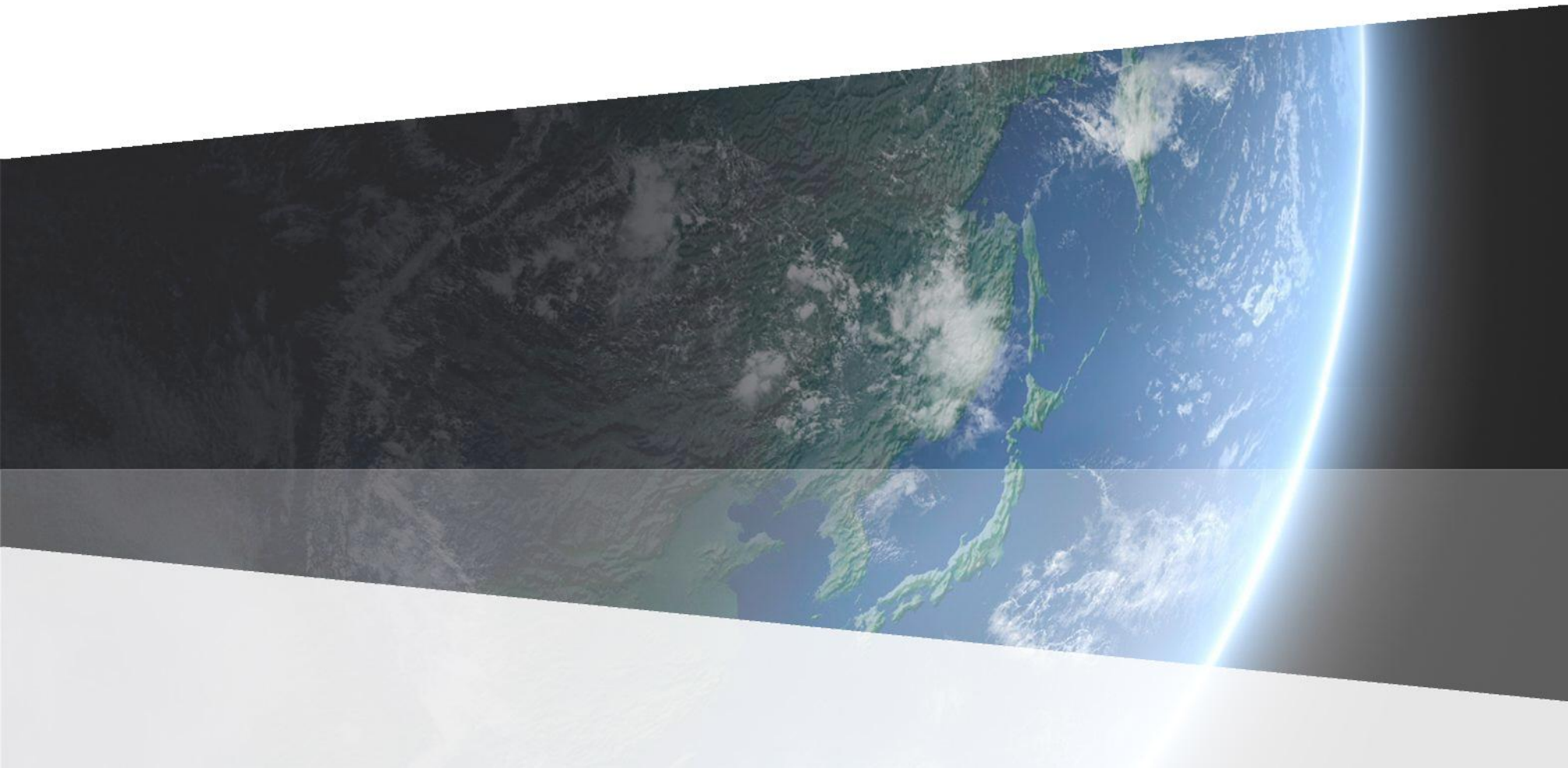
2   **Representation** data by country, industry, and occupation, which highlight areas of opportunity and provoke action.

3   An **examination** of the organization's **internal labor flow**.

LEGAL AND ENVIRONMENTAL CONTEXTS

The Business Imperatives for Change
Legal and environmental contexts for diversity

What We Sell

Who Does the Work

How We Run the Business

Culture—What We Believe and Why

Market Business Case — Impact on products and services

Talent Business Case — Impact on talent (engagement, retention, advancement, etc.)

Operations Business Case — Impact on internal systems and processes

Highlight Areas of Opportunity and Provoke Action
Representation data by country, industry, and occupation

- A true understanding goes beyond traditional gender and ethnicity reporting to avoid unforeseen resource and knowledge gaps.

- For example, will shifting demographics impact your workforce planning?
  - 80 million **Baby Boomers transitioning** out of the workforce over the next 3-5 years. *(Gartner, 2010)*
  - The next generation, **generation X are 40 million**. *(U.S. Census Bureau, 2011)*

- Are you ready?

Element #2
REPRESENTATION
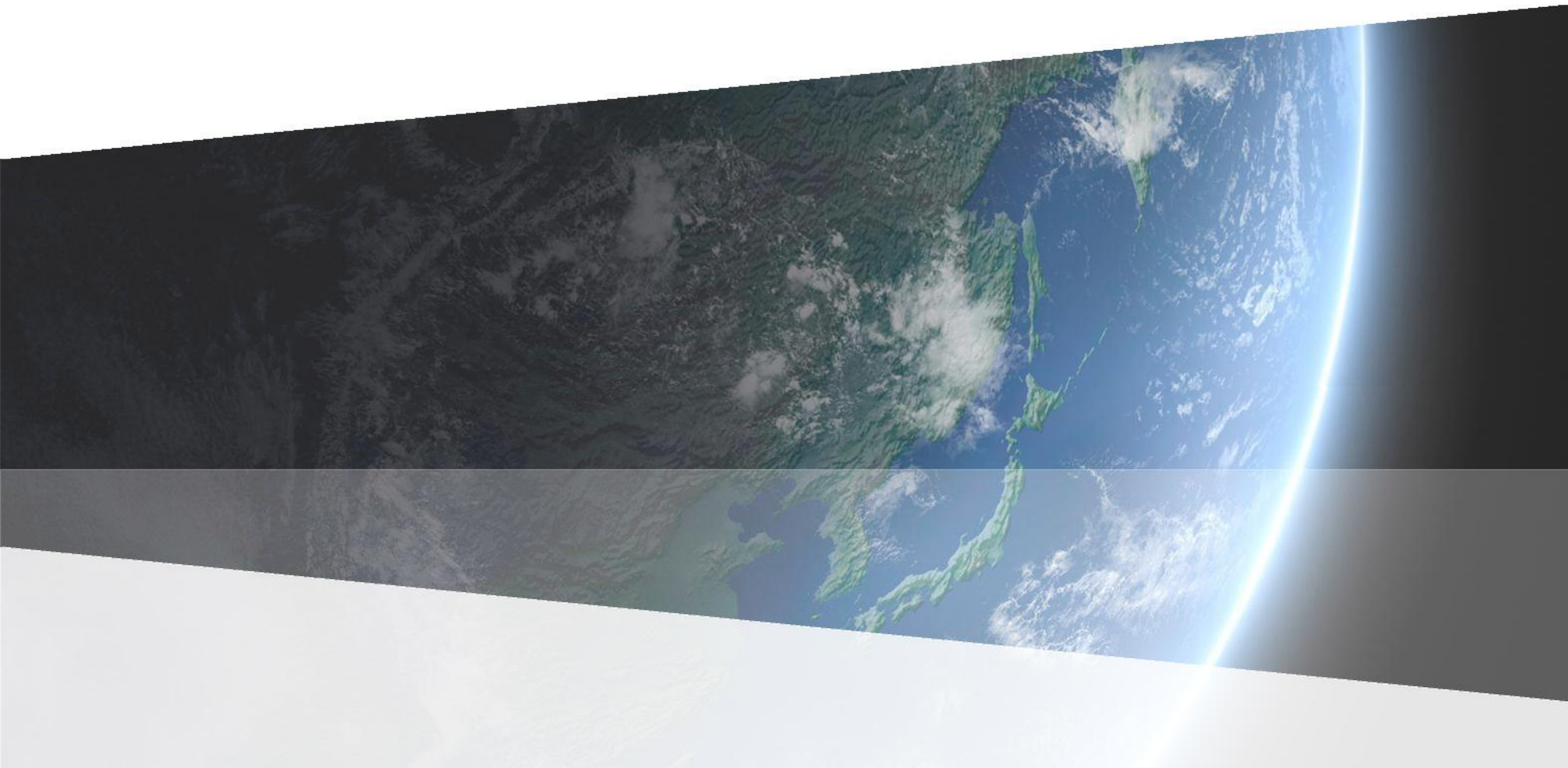
The Starting Point for Diversity Analytics: Basic Information
Simple counts and percentages by gender, age, and race using Talent Intelligence tools

| Overview | Gender | Gender ILM | Gender Flows | Gender Pay | Ethnicity | Ethnicity ILM | Ethnicity Flows | Ethnicity Pay |

Diversity Management — Overview

Filters:
Organization: All Organizations | Location: All Locations | Rating: All | Schedule: All

Gender (Metrics)	Executives	Senior Managers	Managers	Professionals	Support Staff/Production	Total
Female	11	68	403	515	1,172	2,169
Male	29	113	713	576	735	2,166
Total	40	181	1,116	1,091	1,907	4,335

Generation (Metrics)	Executives	Senior Managers	Managers	Professionals	Support Staff/Production	Total
Traditionalists - 1928-1945			4			4
Boomers - 1946-1964	35	128	330	45		538
Gen X - 1965-1979	5	52	659	479		1,195
Gen Y - 1980-2000		1	123	567	1,907	2,598
Total	40	181	1,116	1,091	1,907	4,335

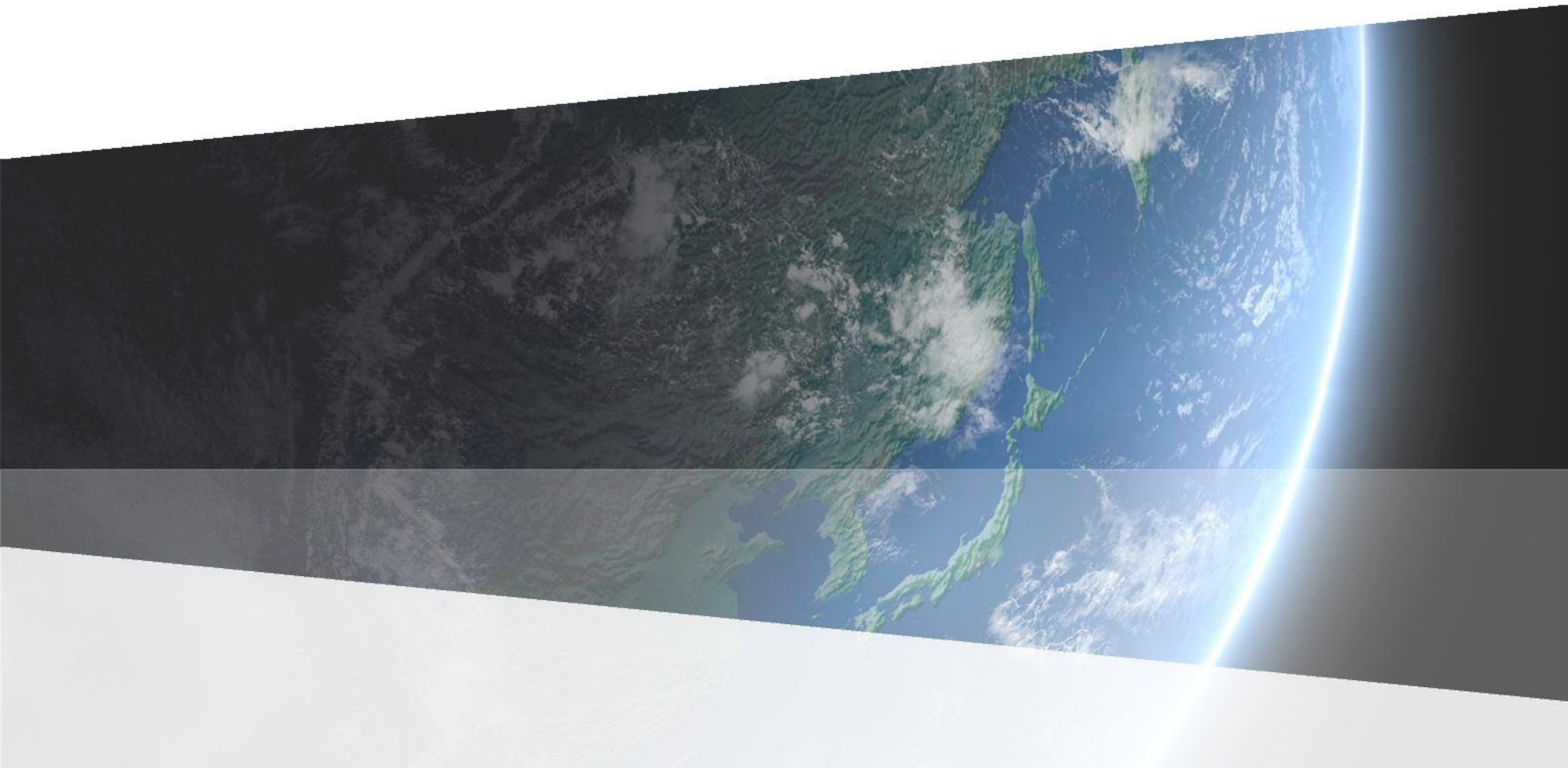| Ethnic Diversity (Metrics)	Executives	Senior Managers	Managers	Professionals	Support Staff/Production	Total
Minority	18	94	147	702	1,399	2,360
Non Minority	22	87	969	389	508	1,975
Total	40	181	1,116	1,091	1,907	4,335

Diversity: An Outcome to be Managed

Analytics Enable Targeting Investments that Drive Measureable Outcomes
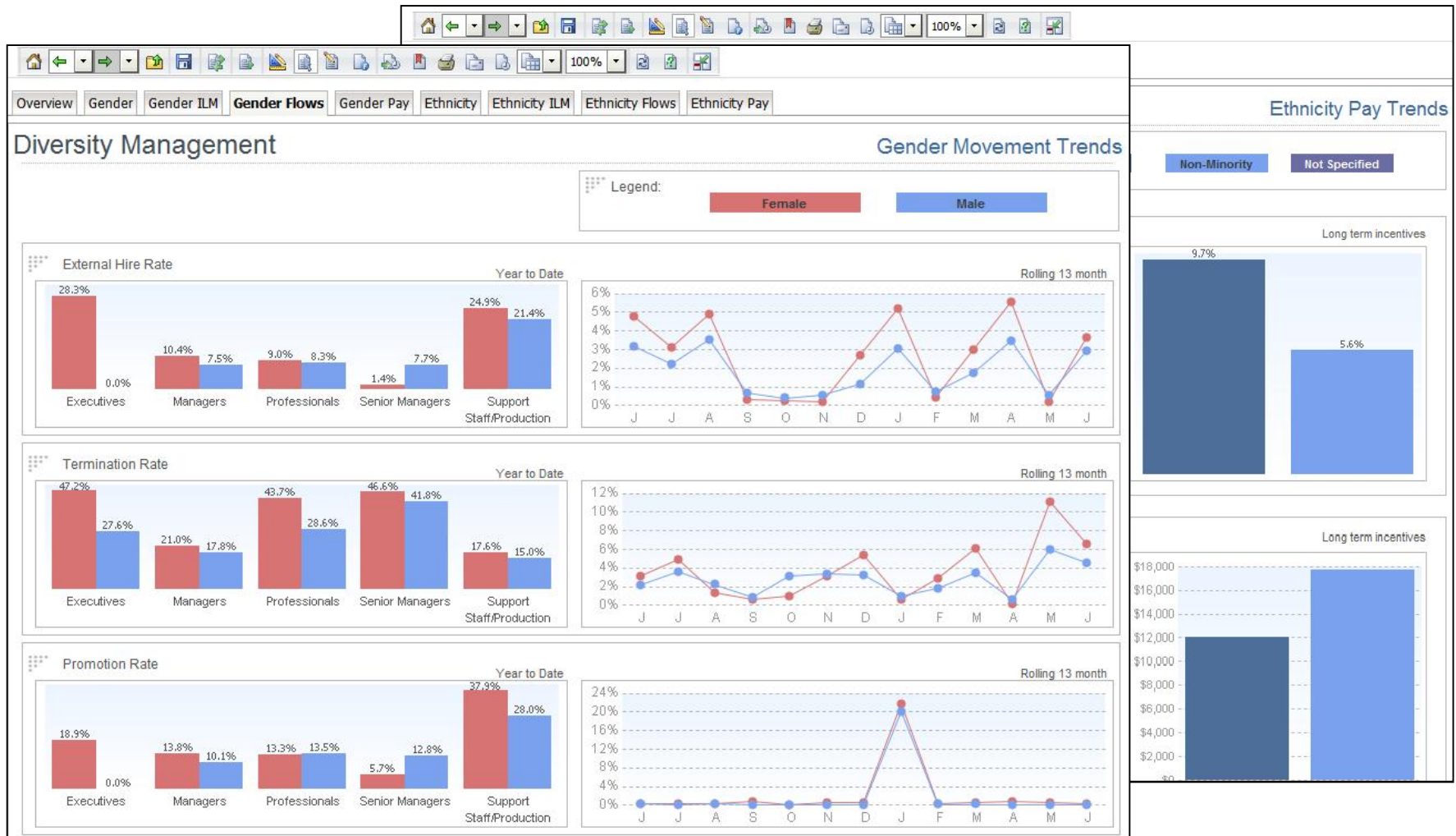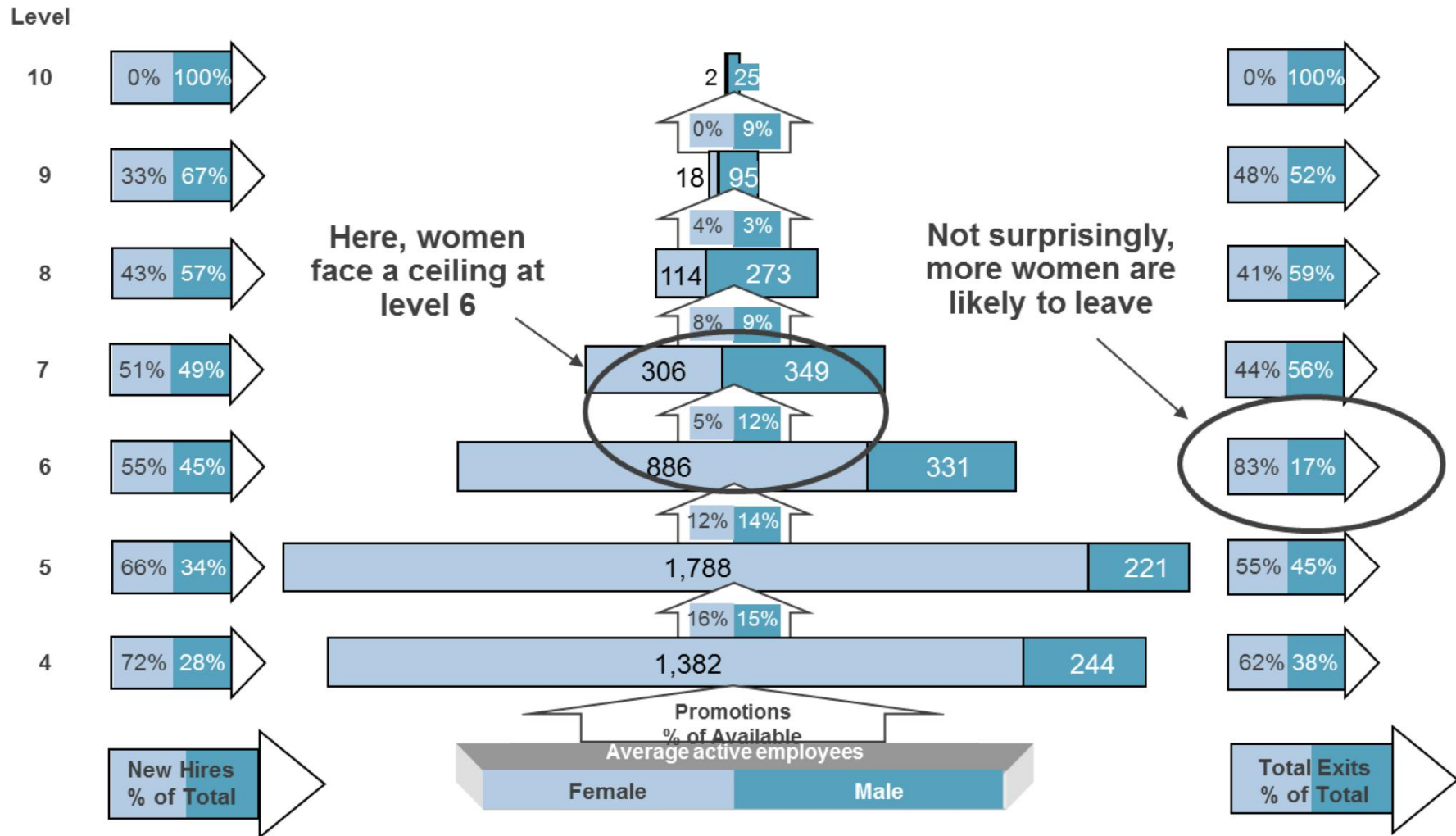
INTERNAL LABOR FLOW EXAMINATION

Talent intelligence tools allow you to gain deeper insights into mobility patterns that may contribute to diversity issues
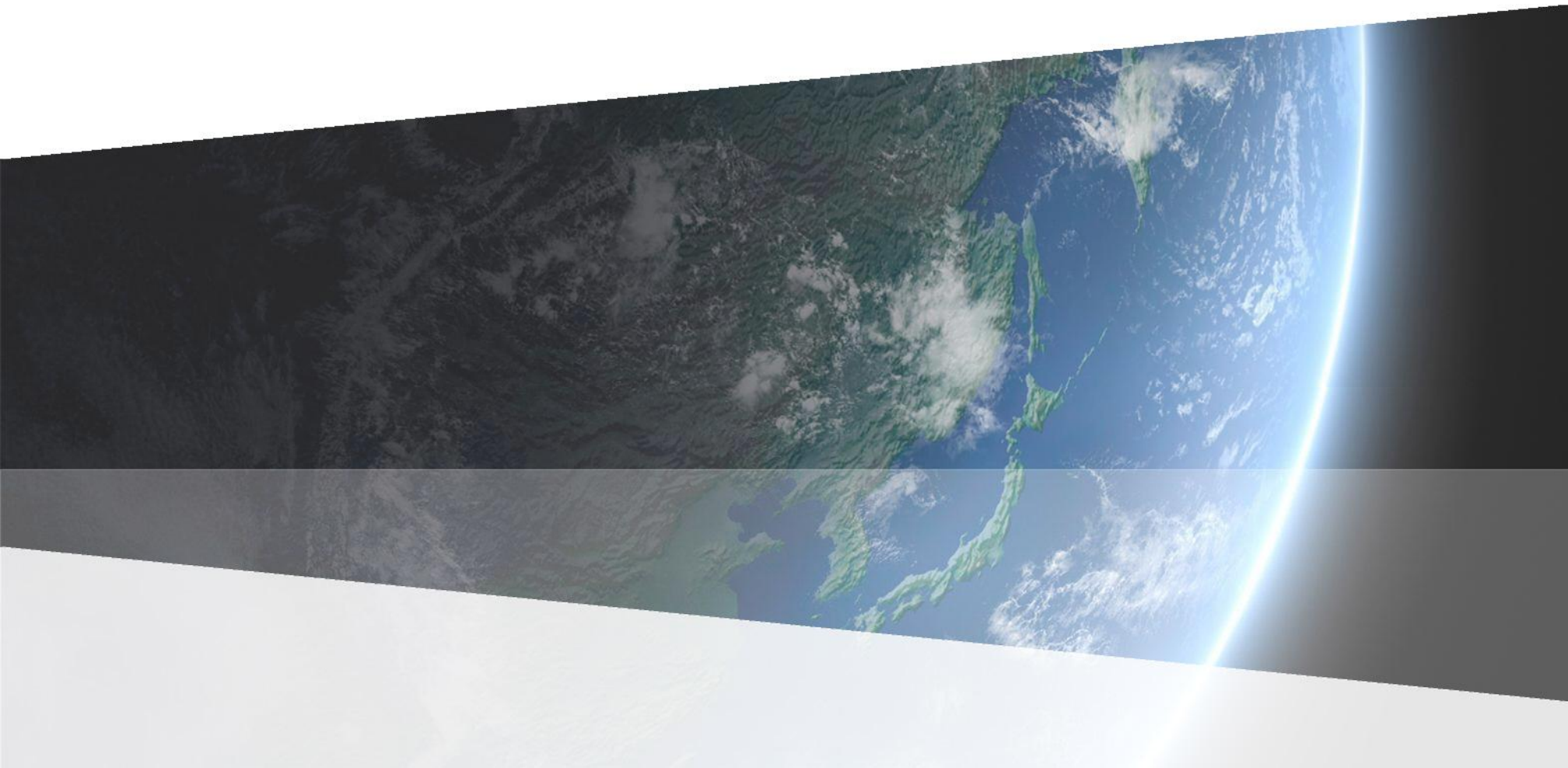
Case Study: Effectively Using Employment Flow Metrics
Analysis of Internal Labor Market (ILM) map helped to find the source of a problem

Level

Level	New Hires % of Total	Promotions / Average active employees	Total Exits % of Total
10	0% / 100%	2 / 25	0% / 100%
9	33% / 67%	18 / 95	48% / 52%
8	43% / 57%	114 / 273	41% / 59%
7	51% / 49%	306 / 349	44% / 56%
6	55% / 45%	886 / 331	83% / 17%
5	66% / 34%	1,788 / 221	55% / 45%
4	72% / 28%	1,382 / 244	62% / 38%

Promotions % of Available

Here, women face a ceiling at level 6

Not surprisingly, more women are likely to leave

New Hires % of Total

Average active employees — Female / Male

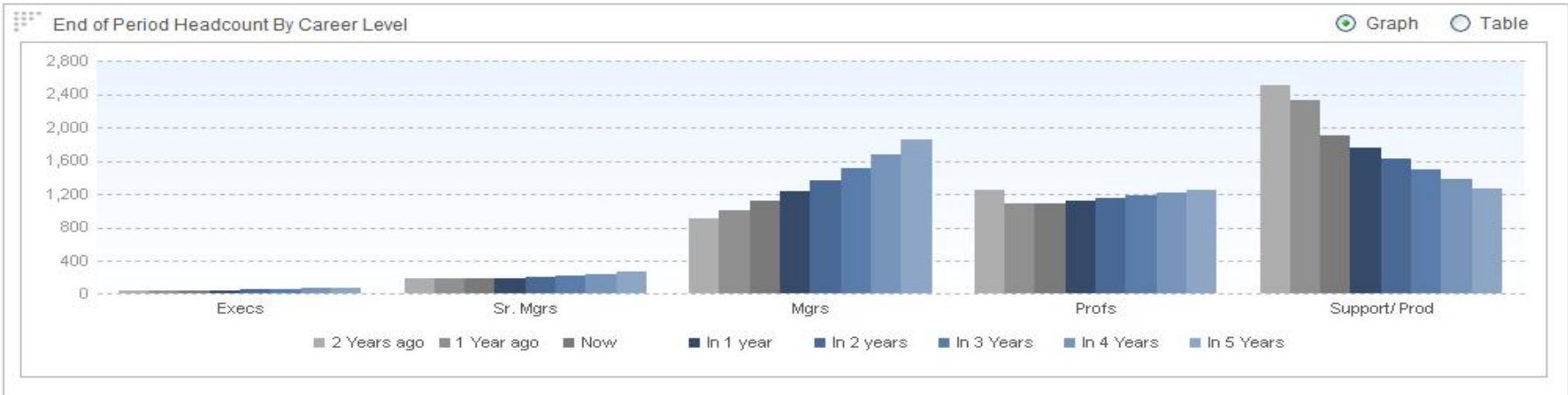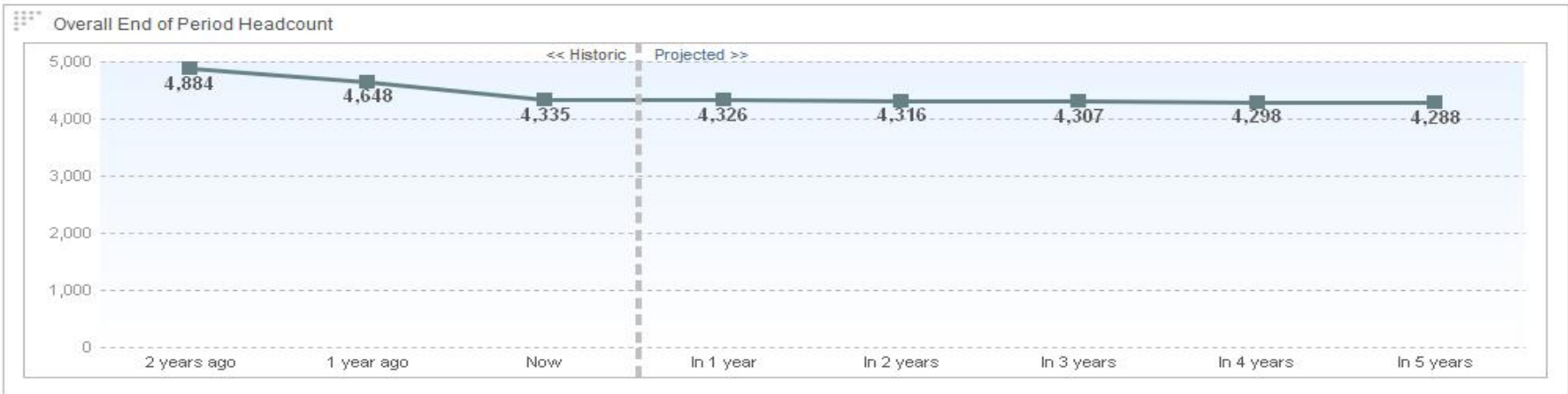Total Exits % of Total

MOVING FROM UNDERSTANDING TO PREDICTING

Advanced Talent Analytics Tool can Project the Future
Based on historical data and managerial understanding of future business scenarios
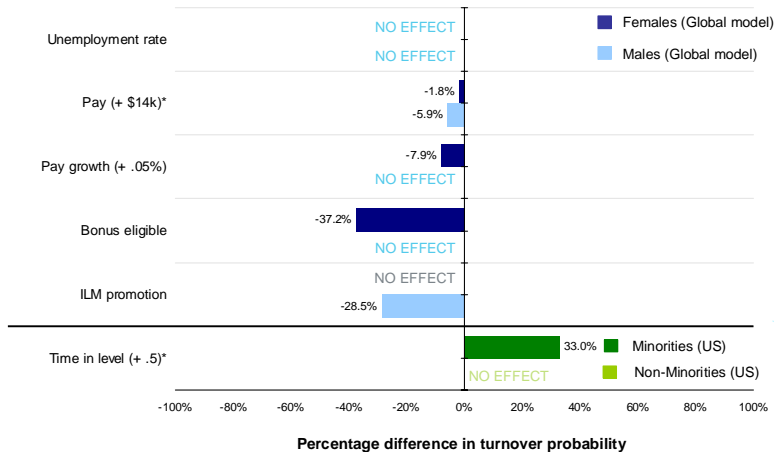
Moving From "What" to "Why" with Advanced Analytics
Using Internal Labor Market Analysis® to understand why things are happening

Through causal, multi-variable analysis you can identify the root causes of diversity issues.

Understand the Impact of Key Attributes on Promotion

What drives ILM promotion in the next year?
Status, year and demographics

Hire	-40.0%
Rehired	
Age (+ 8)	-32.5% / -32.9%
Years of service (+ 8)	-11.7% / -28.5%
Remote worker	-32.4% (10% EFFECT)
Salaried OT (vs. Salaried No OT)	-46.0% / -79.2%
Formerly Salaried OT	-44.8% / -54.6%
Full-time	-89.7%
2009 (vs. 2010)	
2008 (vs. 2009)	72.0%
2007 (vs. 2009)	149.6% / 95.1%
2006 (vs. 2009)	60.3%
Female	-21.7% / -14.1%
Asian or Pacific Islander (vs. white)	-55.0%
African American (vs. white)	-36.1%
Hispanic (vs. white)	

Global ■   US ■
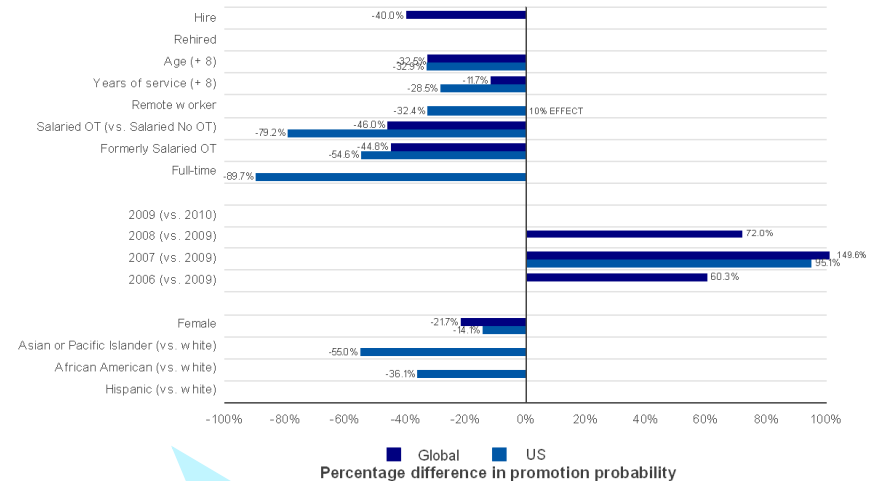**Percentage difference in promotion probability**

Notes: The statistical model upon which these [results are based] accounts for individual attributes, organizational factors, and external influences and includes all active, on-leave or temporary employees from December 31, 2006 through August 31, 20[__. See Ap]pendix C for additional information on the analysis population. All effects are significant at the 95% level unless otherwise noted.

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Understand What is Driving Employee Turnover

Turnover Drivers are Suggestive of Differential Employment Propositions

	Females (Global model)	Males (Global model)
Unemployment rate	NO EFFECT	NO EFFECT
Pay (+ $14k)*	-1.8%	-5.9%
Pay growth (+ .05%)	-7.9%	NO EFFECT
Bonus eligible	-37.2%	NO EFFECT
ILM promotion	NO EFFECT	-28.5%
Time in level (+ .5)*	33.0% (Minorities US)	NO EFFECT (Non-Minorities US)

■ Minorities (US)   ■ Non-Minorities (US)

Percentage difference in turnover probability

Notes: The statistical model upon which these results are based accounts for individual attributes, organizational factors, and external influences. All effects are significant at the 95% level unless otherwise noted.
* Effects significant at the 90% level.

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African Americans and Asians are less likely to be promoted than white employees.
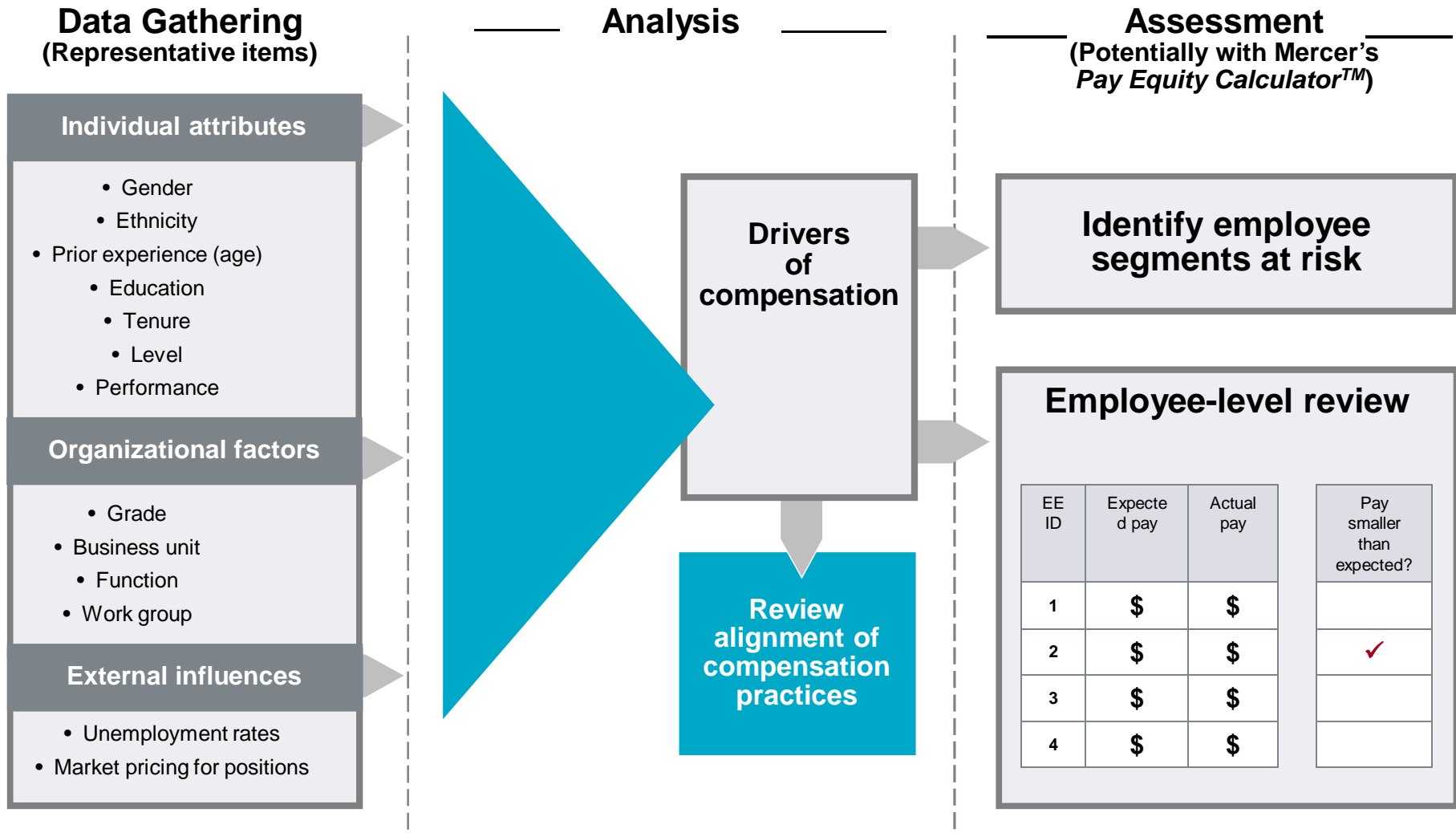
Women who are *not* bonus eligible are more likely to leave.

Hot Topic: Pay Equity
Organizations are facing increased risk from regulators

- Pay discrimination is a top priority for the Office of Federal Contract Compliance Programs (OFCCP), the Equal Employment Opportunity Commission (EEOC) and the current Administration.

- In March 2013, OFCCP rescinded 2006 compensation evaluation Standards and issued a new Directive detailing how it would conduct reviews—what's different?

- Focused on broad-based review as it looks for "systemic" concerns:
  - Looking across jobs and business units.
  - Assessing broader definitions of compensation.
  - Considering practices associated with compensation differences.
    - Job assignment, starting pay, performance management.
  - Requesting broader data in investigations.

- No protocol for evaluation: They will seek to make the best case.
  - Regression still an evaluation approach they endorse, and still legal standard.

- The risk ranges from delayed payments under contracts and concerns about reinstatement to litigation.

Pay Equity Analysis in Practice: Data collection, Analysis, Assessment, and Action

Data Gathering
(Representative items)

Analysis

Assessment
(Potentially with Mercer's *Pay Equity Calculator™*)

Individual attributes

- Gender
- Ethnicity
- Prior experience (age)
- Education
- Tenure
- Level
- Performance

Organizational factors

- Grade
- Business unit
- Function
- Work group

External influences

- Unemployment rates
- Market pricing for positions

Drivers of compensation

Review alignment of compensation practices

Identify employee segments at risk

Employee-level review

EE ID	Expected pay	Actual pay	Pay smaller than expected?
1	$	$	
2	$	$	✓
3	$	$	
4	$	$	

Case Study: Gender Pay Inequity at US Co
Complex statistical analyses is made approachable and actionable using advance reporting and administration tools

- Includes employee-level pay disparities from Mercer's Pay Equity Analysis.

- Calculates group-level pay disparities by gender and ethnicity.

- Allows the user to document justifiable pay gaps at the individual or group level.

- Tracks pay adjustment budgets.

- Allows the user to allocate limited budgets equitably.

Questions?

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ADDITIONAL RESOURCES

- To create your own ILM map visit: www.mercer.com/ilmtool
- To attend future webinars visit: www.mercer.com/webcasts
- Learn about upcoming analytics workshops at: www.mercer.com/mercer-amaworkshops

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Biography – Tyronne Stoudemire

- A proven thought leader in the space of diversity with more than 20 years of professional experience, Tyronne brings deep knowledge and commitment to Diversity & Inclusion and Community Relations by partnering with various internal and external constituents to consult, advise, and advance the work of Mercer's diversity strategy and community effort.

- He provides the overall firm wide diversity strategy for recruiting to effectively source and recruit diverse talent across Mercer's global landscape and is responsible for the strategic planning for local and national events.

- Tyronne partners with Orlando Ashford, the President of Mercer's Talent business to drive the overall operation optimizing a comprehensive suite of diversity programs impacting 19,000 employees within 35 countries. This governance supports and empowers associate network focus groups, leadership forums, and provides opportunities for meaningful dialogue between management and key multicultural talent.

- Tyronne is the former Global Head of Diversity for Aon Hewitt.

Biography – Stefan Gaertner

- Dr. Stefan Gaertner is a leading Human Capital Strategy and Business Analytics expert who helps organizations tell their story through hard facts and high-end analytics for more than 15 years. He experienced the application of quantitative methods for solving business problems from within the HR function, as a business forecasting lead in the marketing function of a Fortune 500 company, as an external consultant and as a scientific researcher. He is currently a Principal in the Los Angeles office of Mercer leading the US West Coast activities of the Human Capital Strategy and Employee Survey segments.

- Stefan has worked on countless quantitative and qualitative business analytics and human capital strategy projects. Examples include business forecasting and workforce planning, employee research, the measurement of linkages between human capital and business success, the computation of an ROI for people and other investments, the causes of employee turnover and the improvement of sales-force effectiveness. On the tactical side, Stefan also helped organizations build their own data infrastructure through the implementation of business intelligence software and by establishing a corporate HR metrics/analytics group.

- Stefan holds a PhD in Human Resource Management from Georgia State University and an MBA equivalent degree from the University of Paderborn/Germany. His research was published in several journals including the Journal of Management and the Human Research Management Review. He also presented on the topic of Human Capital Analytics at numerous academic and practitioner conferences throughout the US and Europe.