

Data dimension framework: Considerations in tracking diversity and inclusiveness

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Changing metric standards to chart organizational success

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For companies wishing to stay ahead of competitors in the turbulence that is the 21st century, little more can be of greater overall benefit to their performance than undertaking changes in their HR spaces. This is particularly true as it concerns their metric reporting standards for diversity and inclusion (D&I) efforts. While perhaps not immediately thought of by C-suite and senior-level executives as a critical area of importance when delivering performance results to shareholders and investors, a business's core HR function contains data and variables that will help drive it forward into the future. A diverse workforce can foster innovation, competition, creativity and cultural understanding; drive bottom-line growth; and help attract and retain the best talent.¹ Rethinking the standard methods for reporting key demographic dimensions about a company's workforce will allow it to accurately track D&I efforts across borders, boosting its D&I journey and bringing tangible and intangible benefits.

In fact, an organization-wide adoption of a new method will allow for more accountable D&I progress by the company as well as help create a culture that celebrates differences. Such a tool will also help identify potential hidden inequities and biases so that a company can be cutting-edge in the marketplace by identifying hot spots for action as well as understanding and interpreting workforce changes. Furthermore, the new method will enable quicker, more decisive actions from senior

leadership about the company's D&I journey at an executive layer, locally and in terms of overall workforce planning. Relevant data is typically captured in between the recruiting and onboarding cycles of new employee introduction. This information may follow an individual from job to job, can hugely influence decision-makers when they discuss hiring strategy, and is increasingly scrutinized by third parties as well for compliance and legal reasons. However, many companies lack efficient ways and means of managing their cross-border D&I data through their traditional enterprise resource planning (ERP) systems. EY member firms and professionals recognize this as a significant challenge, and as such are creating strategies to appropriately address it.

That is why we are developing a framework that may allow for a shared, consistent and coherent approach for our clients so they can more accurately analyze and report on organization-wide demographics, which could enable them to make sound decisions concerning their workforce. HR departments sometimes can be overwhelmed with the amount of data they manage, and so understanding ways to improve upon data collection and management is essential to proactively respond to external and internal variables. This white paper will discuss why implementing a new demographic reporting strategy is crucial to drive short- and long-term success for your company and will further elaborate on the innovative EY framework we are designing to help build a better working world for all.

¹ Katie Reynolds, "13 benefits and challenges of cultural diversity in the workplace," Hult International Business School, August 2018, <http://www.hult.edu/blog/benefits-challenges-cultural-diversity-workplace/>.

1 • Using D&I micro data as preparation for disruption: influencing decisions through standardization

We are seemingly amid a fourth industrial revolution. Industry convergence and disruption are not inhibited by physical borders or barriers any longer, while new-era technology platforms and services enable an almost limitless flow of information around the globe at speeds that would have been unfathomable only a generation ago. At the same time, the innovations of big-data creation and collection, as well as the explosion of smartphones, have politicians and intergovernmental organizations worried about protecting their citizens' privacy rights in an increasingly digital era. This worry has justifiably fostered action, with regulations such as the EU's groundbreaking General Data Protection Regulation (GDPR) leading the way in regards to protecting the rights of individuals to have their personal data maintained, stored or erased properly. The GDPR is expected to be just the beginning, and indeed, there are similar efforts underway in several countries. India, for example, is currently going through parliamentary rounds to discuss and debate its own draft data protection law, the Data Protection Bill, 2018.²

Furthermore, aside from all of these developments, societal changes and an aging workforce are ushering in a new type of worker, one that is more mobile, more diverse and more apt to changing jobs, holding multiple jobs or even making abrupt mid-career transitions. There has been much hype and discussion surrounding the "gig" economy for several years now, and for good reason. Projections show that by 2020, 43% of the entire US workforce will be freelancers of some sort, either in tandem with their full-time jobs or as wholly committed to the freelance labor market.³ While in most cases contingent workers will not have all of their personal data captured by HR, having a tool that will help the demographic data of this part of the labor force

to be captured will be useful to companies. As the gig economy phenomenon moves out of the realm of fad and people increasingly make their livelihoods from freelance, contractual work, it will be important to understand what type of person is attracted to gig work. This obtained data, even if not used by a company when making determinations on the diversity of its overall workforce, will still help it be strategic in the job-seeker marketplace because it can evaluate whether or not a certain type of contingent worker is applying, allowing for more effective targeting of potential personnel by talent professionals. We are committed to understanding the labor force needs of all of our clients, realizing that some might have different methods for hiring than others, and are working to determine how capturing contingent worker demographics can help them achieve their broader organizational goals.

The forces making up the triangle of labor disruption (see Figure 1) have, in recent years, required businesses to be innovative and forward-thinking in tackling the problems that arise from external variables beyond their immediate control. Taking this all as a reality, how then can HR transformation through enabled cross-border demographic data capture help build your company a workforce fit for the 21st century as well as prepare you for forthcoming regulatory burdens? Part of the solution can be found in the minute details, the micro data that is increasingly influential for companies when making critical decisions for their organizations. That solution would look like a shared, consistent and coherent framework directing the capture, storage and maintenance of D&I data that would enable companies to look at demographic dimensions across borders. The intent is not to mandate such a framework; rather, tracking this cross-border measurable data would be optional and specific

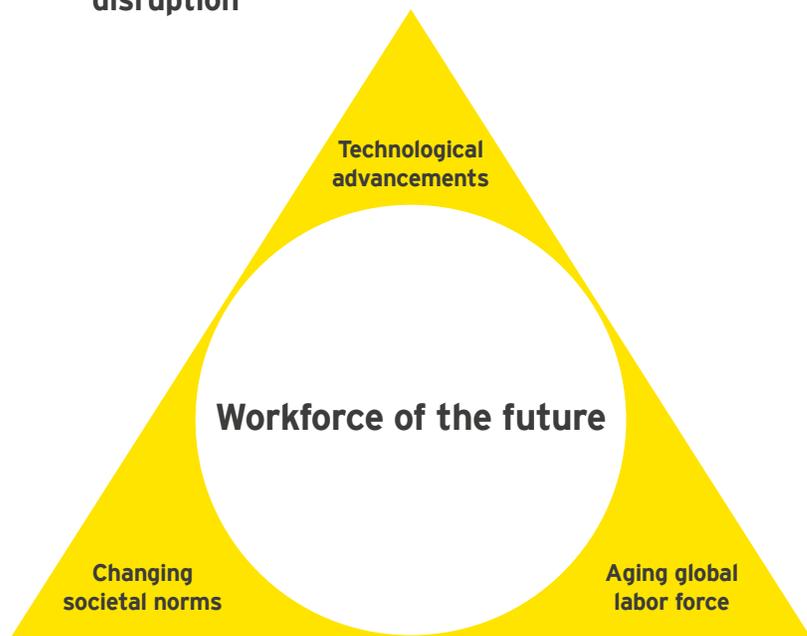
² Sindhuja Balaji, "India Finally Has A Data Privacy Framework – What Does It Mean For Its Billion-Dollar Tech Industry?," Forbes, August 3, 2018, <https://www.forbes.com/sites/sindhujabalaji/2018/08/03/india-finally-has-a-data-privacy-framework-what-does-it-mean-for-its-billion-dollar-tech-industry/#46f14e3870fe>.

³ "The Gig Economy: 2020 Freelance Workforce Predicted To Rise To 43%," Nasdaq, June 14, 2017, <https://www.nasdaq.com/article/the-gig-economy-2020-freelance-workforce-predicted-to-rise-to-43-cm803297>.



Figure 1

The triangle of labor disruption



variables therein would be defined per local cultural and legal requirements. Maintaining data that can be captured consistently across borders is important not only for internal organizational-wide strategies, but also to reduce legal costs that come with not complying with data protection laws. How a company obtains data related to diversity and inclusion efforts can vary according to country of location and, in some cases, the particular area of operation. Therefore, it can understandably be a challenging task to track, manage and make informed decisions with it. For example, if you have a large multinational company that is an LLP, you might have a branch in California capture, store and interpret this data in a completely different way than might a branch of the same company located in France. This can be because of discrepancies between the tools and technologies used to capture D&I data, permissibility, availability or taxonomies of difference.

To be clear, while adoption of our uniform D&I framework is not mandated for companies, nor is employee self-identification of information in such demographic areas as gender, sexual orientation or socioeconomic background, doing so can benefit your company because of the difficulties that come with continual disruption of traditional business and industry models. With this tool, personal data elements related to diversity and inclusion will be captured on a self-service basis, with the employees themselves initiating data entry or change, depending on local legal requirements and jurisdictions. Such elements of personal data, when examined in conjunction with ones of a job-related nature, provide a telling illustration around a company's diversity and equity efforts, thus enabling informed action. EY professionals have done a significant amount of work to identify key tenets of an employee's personal data that are culturally and legally acceptable to be tracked across borders. In analyzing hiring methods from companies in over 150 countries, our framework of essential D&I elements to measure contains a mix of personal and job-related statistics that, when taken altogether, construct an innovative and beneficial demographic framework.

2. Breaking down the elements of the new framework

In determining data elements for future trans-border reporting, it is first prudent to understand the traditional points of entry for D&I fields. In the past and indeed the present for many companies, the majority of these key elements had been entered by potential employees in the recruiting phase in the life cycle of new employee orientation. This is true regardless of the sort of data being entered. Whether it's personal data that includes information such as biological gender, age, citizenship, education and past work experience, or job-related data, such as employee movement and mobility, promotion or demotion, employment type or job classification, the point of entry for this data into any company's ERP system for HR reporting has usually corresponded to the recruiting stage of the employee life cycle (see Figure 2). During the onboarding phase, data would then typically be captured from a collection of fields where HR was unable to during the first phase because of local legal issues.

We are proposing to shift the thinking regarding what type of information is collected in which phase. In the recruiting phase, the idea is to focus on the more "core" elements of employee identification, including biological gender and age, native languages spoken, foreign languages spoken, citizenship, educational level and background, previous work experience, employment type, whether there is a flexible work arrangement involved and whether the employee is an experienced or campus hire (and if the former, whether they have experience abroad or not). Collection of more intrinsic personal data points, such as gender identification, sexual orientation, and socioeconomic and cultural backgrounds, will then be recommended to be started in onboarding. When capturing this personal data in tandem with job-related data, there is a unique opportunity to see cross-border employee demographic statistics and to furthermore create a holistic framework for global reporting on key diversity benchmarks (see figures 3 and 4 on the following page).

Figure 2
The employee life cycle

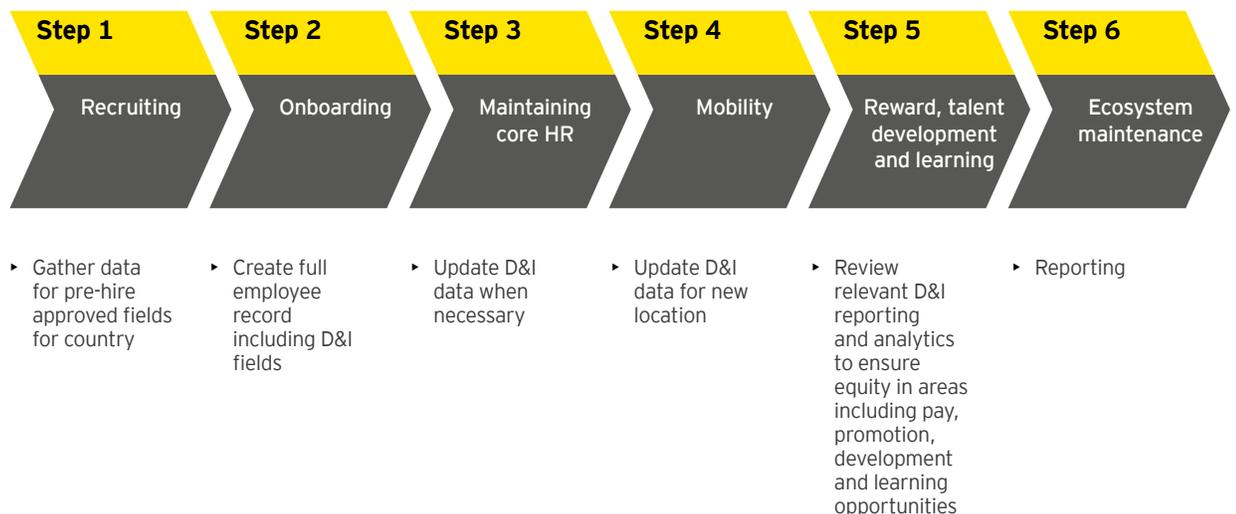




Figure 3

The personal data elements of the global D&I framework

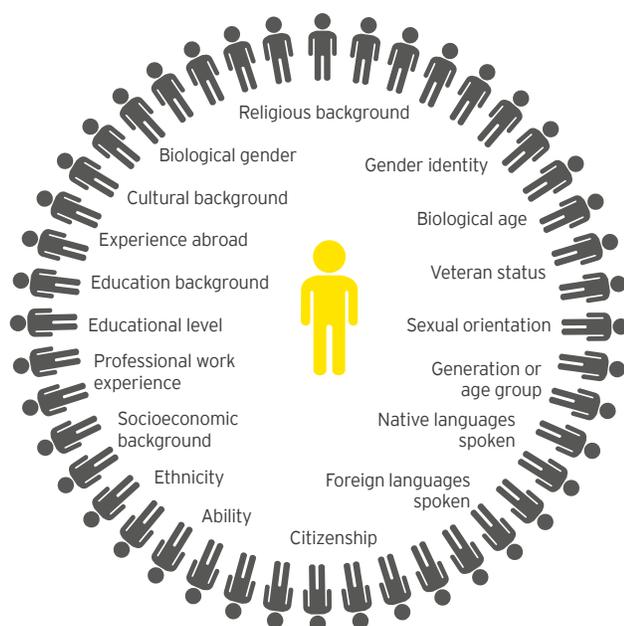
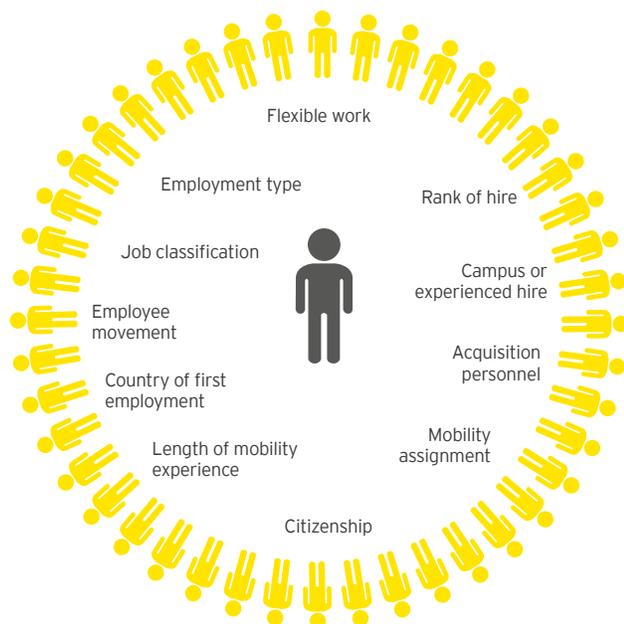


Figure 4

The job-related data elements of the global D&I framework



Moreover, in “core” HR, the employee will be allowed to choose from specific values that may vary from country to country subject to legal and cultural standards of reporting, which will give real insight as to the demographic makeup of a company’s workforce. If we take the instance of a new employee inputting their gender identity into the core HR system of any particular company, the values to be made available to choose from could be cisgender male, cisgender female, transgender male, transgender female, non-binary or prefer not to answer. The data would be accessible only in aggregated reports. In understanding the collection of this key D&I data this way rather than the processes of old, we can see how transformative an impact this could have upon a company if they follow up on the results they are achieving from diversity and equity reporting. As the world and global civil society change, there will be an increasing need to be able to capture data relevant to these fields making up the framework in order to help ensure that people are able to express themselves in their individual ways. Currently, there is no effective way to measure company differences in gender identity globally, or in sexual orientation, socioeconomic status or the other areas.

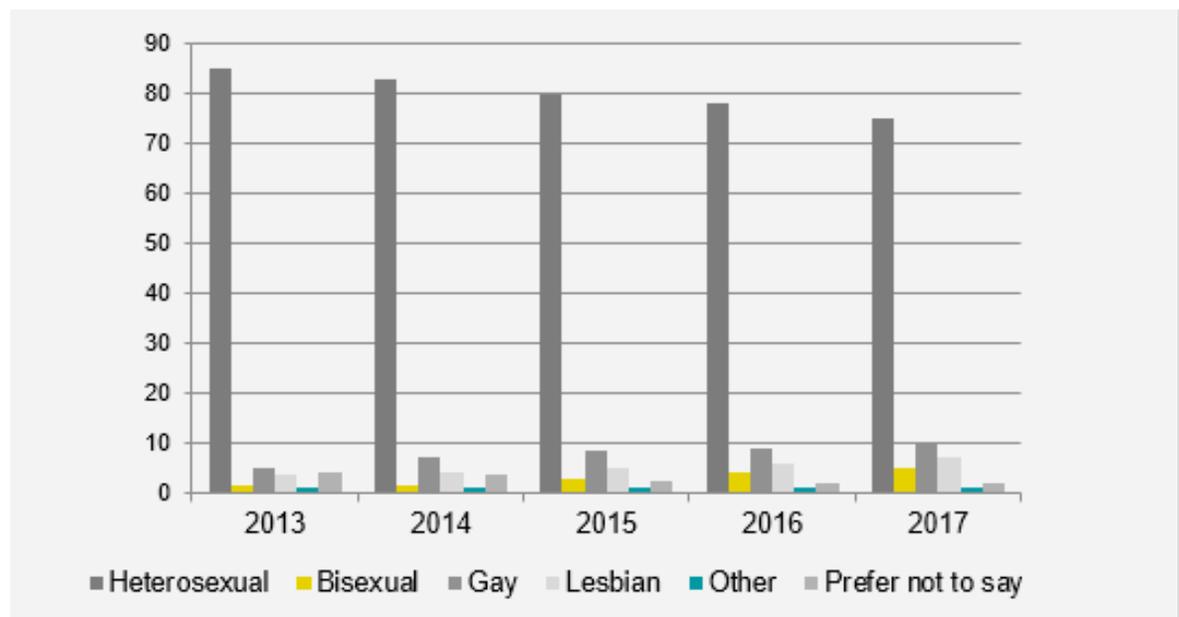
2. Breaking down the elements of the new framework (Cont.)

As mentioned, these values from which people may have to choose in this framework may vary globally depending on local and cultural customs or laws, but the data fields themselves will remain consistent around the globe. Companies with global operations will need to be prepared to accommodate for variances in local legislation that may be different than what is in the country of their headquarters. For example, a person's ethnicity is derived locally, because of particular social and cultural customs and/or standards, and as such, these values will need to conform to local requirements. Thanks to the sweeping Ernst & Young LLP (EY US) country analysis on D&I metric reporting – in which we carefully located through strategic consultations which personal data elements represented in core HR would be acceptable to include in a cross-border demographic framework – the identification and capture of these characteristics may facilitate company-wide labor force analysis because these metrics will now be reportable across boundaries in many countries.

To better demonstrate how this would look in reality, imagine that your company is trying to understand the global promotion rate of all female employees based upon sexual orientation. Currently, this is a tall task whether your organization is a multinational firm or a small-to-medium enterprise. Yet, for the formerly mentioned, finding answers here is inexplicably difficult given different reporting metrics, local customs and the necessity to simply coordinate people to get HR metrics from all over the world. With the new EY framework being offered to our clients, the seemingly impossible can become achievable; not only may the framework help outcomes for you, they could be actionable outcomes that help drive company growth and strategy. Taking a look at Figure 5, we can see what end-user results might look like for a company that takes the data collected from the new framework and delineates growth in this area so as to present it during a meeting with upper-level management.

Figure 5

Example of global female promotion rate (based upon employee self-identified sexual orientation)





Let's assume that Company A has used the new EY global D&I framework on a trial basis for the past several years now. Before doing so, the company did not have any way to consistently measure objectives defined by global D&I growth strategies. Different diversity metric reporting requirements from country to country made establishing uniformity and clarity in the areas that needed attention a very difficult task. As such, the company steadily saw a decline in the type of workers that were applying and subsequently hired, despite targeting and retention strategies that were intended to rectify Company A's reputation of workforce bias. Furthermore, the company's performance in the market declined, as its noticeably less diverse workforce failed to keep up with competitors' (it has been shown that more diversity makes for a more productive workplace, and productivity is perhaps the most important factor in considering growth). All of these factors contributed to the C-suite's focus on changing the way they think about diversity and equitable workforce efforts, which led them to the EY framework. Five years down the line, we see just one example of a reporting metric that would have been difficult to compare on any level, let alone a global one. Now the company can accurately see and track growth in areas they want to see D&I growth in their labor force.

At a company, the general counsel's office, data privacy and talent teams will work together to determine the relevant governance structure around how to access and report on this data. Personal data will be captured only for aggregated reporting in D&I leadership reports, to provide standard methods of reporting on a global level. Additionally, if a person transferring from one country where all elements of the framework are allowed to be reported on, to another country where legal requirements prohibit reporting on the elements, then the data will be suppressed and not collected for the company's global D&I metric reports regarding that particular location. Finally, it must be reiterated that entering the information about oneself is strictly **optional** for all employees. When a company implements these specific reporting standards, it does not mean that all employees – current or future – must submit information related to their personal preferences or background. The approach to securing this data will likely vary by company because it also depends on what people are comfortable reporting; a company may choose not to utilize all the metrics, which would change how they are reporting and complying with the GDPR and potential other regulations. However, the framework will still follow local data purging requirements for when someone leaves a firm, no matter how the business may choose to report. The "right to forget" is a significantly important concept of the GDPR, as it ensures that the individual has the right to "obtain from the controller the erasure of personal data concerning him or her without undue delay" for various reasons.⁴ Should an employee seek to remove their personal data from collective reporting efforts, they can do so easily in this framework.

⁴ "Art. 17 GDPR: Right to erasure ('right to be forgotten')," Intersoft Consulting, <https://gdpr-info.eu/art-17-gdpr/>.

3. Conclusion: to promote an inclusive culture, think small, look big

Change does not happen overnight in big companies. But often, if a real purpose drives transformational change, then it tends to take hold faster. At EY US, we understand purpose-driven work well – we were ranked the No. 1 employer by Diversity, Inc., for D&I efforts and our creative approach to recruiting talent.⁵ A broader understanding of a company's global, regional and country-specific diversity and inclusion efforts by way of an approach such as ours is a good way to promote purpose in people's work. The more diverse teams they are working on may stimulate innovative thinking and brainstorming for solutions to complex organizational or marketplace problems. To instill real change when it comes to a company's diversity and equity among its workforce, it's necessary to think small and analyze the global standardized D&I micro data the new global EY framework allows for while at the same time keeping in mind the bigger strategic picture for your organization. Utilizing the tool will help your company move toward creating a culture that celebrates differences and becoming one that is able to more lucidly see its overall diversity outlook on a wider level, enabling strategic decision-making by senior management.

The tool may help better GDPR and regulatory compliance and can help your workforce grow to one that is well-rounded, diverse, and able to effectively confront and adapt to the disruptive forces shaping the workforce of the future. We have significant experience in helping companies manage their personnel and organizational structure, and our relationships as well as other obtained intangible assets allow us to collaborate with some of the top minds and companies in HR, performance improvement and IT. This allows us to help you meet your organizational goals and benchmarks through driving your efforts for creating a more diverse employee community.

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⁵ 2017 DiversityInc Top 50, DiversityInc, <https://www.diversityinc.com/ey-2017>.



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