



The business benefits of diversity

Part two of Carole Spiers' article examines research which suggests diversity presents significant business opportunities.

According to a study published in 2003 by CREATE, an independent research centre, a more diverse workforce improves business performance. The study, *Harnessing Workforce Diversity to Raise the Bottom Line*, which involved around 500 companies operating in the UK, USA and Europe, uncovered a range of business benefits including:

- Higher staff retention
- Reduced recruitment costs

- More satisfied customers
- Access to a wider customer base
- Better supply chain management
- Access to new ideas on process and product improvements.

Diversity is also key to success in global markets – any organisation that wants to expand internationally cannot hope to do so effectively without a detailed understanding of the cultural background of the new markets in which it hopes to succeed.

The study did, however, find that diversity management is a long-term process with

no quick fixes. Two obstacles in particular were widely experienced:

- Ingrained attitudes that make it difficult for senior managers to manage people who are very different from them
- The culture of long working hours, which makes it difficult for women to aspire to senior management positions.

The report concluded that diversity produces maximum financial impact when it is linked with business strategy and has the support of senior executives. According to Professor Amin Rajan, chief

"Diversity management is a long-term process with no quick fixes"

executive of CREATE and co-author of the report, companies are beginning to see that diversity in the workplace pays. Rajan says, "Instead of thinking about diversity as about equality, that is, in terms of the law or compliance, companies are now seeing it as an issue of merit and merit alone". For instance:

- Customers want to be served by a company they can identify with, so a white male sales force might be too limiting
- Teams made up of mixed ethnicities, backgrounds and genders are likely to be genuinely more creative than teams made up of the same type of people.

Other benefits of diversity are that diverse organisations will:

- Find it easier to recruit as there will be a far greater market to choose from
- Enjoy access to a greater wealth of experience, skills and talent
- Gain improved public image – as an employer and as a service provider
- Experience increased staff motivation
- Encourage and develop entrepreneurs
- Develop role models, thus helping future growth in management
- Increase their market penetration
- Show better overall financial performance.

The Employment Equality (Age) Regulations 2006

Dealing with issues such as these is one of the goals of the Employment Equality (Age) Regulations 2006. The regulations are the latest in a long line of initiatives aimed at reducing discrimination, which have also included key legal frameworks such as:

- Pay discrimination (1970)
- Sex discrimination or marital status (1975)

- Race discrimination (1976)
- Positive action (1986)
- Disability discrimination (1995)
- Human Rights Act (1998)
- Gender reassignment (1999)
- Age discrimination (1999 code of practice)
- Genuine occupational qualifications (2000)
- Equality in sexual orientation (2003)
- Equality in religion and belief (2003).

The regulations, which came into force in October 2006 (and do not affect the age at which people can claim their state pension):

- Banned age discrimination in terms of recruitment, promotion and training
- Banned unjustified retirement ages of lower than 65
- Removed the age limit for unfair dismissal and redundancy rights.

They also introduced:

- A right for employees to request working beyond retirement age and a duty on employers to consider that request
- A requirement for employers to give at least six months notice to employees about their intended retirement date, so that individuals can plan better for retirement, and be confident that 'retirement' is not being used as a cover for unfair dismissal.

The regulations apply to employment and vocational training. They prohibit unjustified direct and indirect age discrimination, and all harassment and victimisation on grounds of age of people of any age, young or old. As well as applying to retirement, they:

- Removed the upper age limit for unfair dismissal and redundancy rights, giving older workers

"Focus on skills, not stereotypes"

the same rights to claim unfair dismissal or receive a redundancy payment as younger workers, unless there is a genuine retirement

- Allow pay and non-pay benefits to continue which depend on length of service requirements of five years or less, or which recognise and reward loyalty and experience and motivate staff
- Removed the age limits for Statutory Sick Pay, Statutory Maternity Pay, Statutory Adoption Pay and Statutory Paternity Pay, so that the legislation for all four statutory payments applies in exactly the same way to all
- Removed the lower and upper age limits in the statutory redundancy scheme, but left the previous age-banded system in place
- Provided exemptions for many age-based rules in occupational pension schemes.



Implementing the regulations

To assist organisations with implementing the regulations, in their publication, *Age Diversity at Work – a Practical Guide for Businesses*, the Government's Age Positive campaign provided a range of advice to assist businesses in meeting the requirements of the regulations. For example:

Recruitment advertising

- Remove age limits from job adverts, so no-one is discouraged from applying because of their age
- Use language and pictures to appeal to wide age groups
- Avoid phrases like 'applicants should be 25-35 years of age', 'young graduates', 'mature person' – they are discriminatory
- Publicise your vacancies in ways most likely to attract people of a variety of ages – consider national and local newspapers, free papers, internet, jobcentres, community and business networks
- Be aware that older people increasingly make up a bigger proportion of the population. Ignoring this will reduce your choice of potential candidates.

Experience and qualifications

- Avoid specifying a minimum length of experience, such as 10 years, as this disadvantages younger workers. The

quality and relevance of experience is important – not the number of years

- Avoid phrases like 'only people with GCSEs need apply'. That would rule out many older people who left school before GCSEs were introduced, even though they may have the necessary skills.

Application forms

- Remove date of birth and put it on a separate monitoring form that interviewers don't see.

Monitoring recruitment

- Check how effective your recruitment process is. Count the number of candidates of different age groups who applied; were short-listed; interviewed; appointed.

Graduate and specialist recruitment

- If you have special recruitment programmes for graduates or managers, make them open to all ages.

Recruitment agencies

- If you use a recruitment agency, check that they don't exclude people because of their age.

Selection

- Focus on skills, not on stereotypes. For example, a manager can potentially be a younger or older person
- Make sure you're not making assumptions about the capability or medical



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fitness of someone based purely on their age

- If the staff responsible for selecting and interviewing candidates are not trained in equal opportunities, they may be discriminating unwittingly and leave you open for prosecution.

Interviewing

- Use people of different ages on the interview panel, to reduce the possibility of bias towards one age group
- Ask job-related questions and be careful not to base decisions on prejudice and stereotypes
- Use selection criteria to mark candidates against. This can help with decision-making and record the fairness of the process.

Monitoring selection

- Check the number of candidates of different age groups who applied, were short-listed, were interviewed and were appointed.

Promotion

- Avoid having a minimum or maximum cut-off age for promotion
- Make your promotion opportunities open to all employees. Let your staff know that age is not a barrier and that they will not be regarded as 'too young' or 'too old'
- Promote on the basis of performance that you can measure and potential that is demonstrated – rather than on age or length of service.

Training and development

- Make sure training is open to all, for example not overlooking an older person, thinking they may not be interested in career development. Training can

be worthwhile for all ages of employees – they could be working with you longer than assumed.

Awareness of individual learning styles

- A worker who has been away from formal learning for a few years might take a bit longer to adjust to training and may need some reassurance. Someone used to a formal learning environment might take a bit longer to adjust to on-the-job training
- Ask employees who have benefited from training to be role models to inspire others.

Last in – first out

- 'Last in – first out' is not necessarily the best approach, as the 'last in' could be crucial to your business
- Be careful not to lose the balance of skills and experience that comes from employing a workforce of various ages.

Retirement

- Since October 2006, compulsory retirement below age 65 has been unlawful – you would need to justify any enforced retirements below that age
- You don't have to set a compulsory retirement age – it isn't required by law. In

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Redundancy

- Beware of losing the skills your business needs. If you target older workers when selecting for redundancy, you may discover later that vital skills and company knowledge are lost
- Base your redundancy decisions on job-related criteria and the needs of your business – don't use age as a factor
- Consider alternatives to redundancy – like part-time working, natural wastage, redeployment to other parts of the company, job-sharing, career breaks.

Voluntary redundancy

- Be aware that asking for volunteers might have a less demoralising effect on the workforce – but it could leave you with an imbalance in the remaining skills and experience in the company.

fact, compulsory retirement could mean you lose skilled people and affect your business productivity. Why train new staff or pay higher rates for agency workers, when an existing employee, who knows your business, could do the job?

Flexible retirement

- Flexible retirement can be a useful way of preparing employees to handle the change between full-time work and full retirement
- There are alternatives to stopping work altogether – for example reduced hours, job-sharing, part-time working
- See if employees who have retired are seeking employment again. This could involve short-term contracts, re-employment as an advisor, temporary cover during holidays, sickness absence or busy periods



- Being flexible about retirement can mean reducing capacity without losing valuable workers and their expertise.

Mentoring

- As older workers get near to retirement, involve them in mentoring other staff to pass on skills and experience.

Performance

- Use performance standards – they don't have to be complex but they are essential when dealing with poor performers. Don't use retirement as an easy alternative for poor performance – it is not cost effective.

Managing diversity effectively

Sadly, legislation, such as the Employment Equality (Age) Regulations, is often the only way to give businesses the stimulus they need to take actions that they ought to have implemented already.

Implementing a diversity policy

Research by Penna Consulting (2002) suggests that organisations that want to be successful in implementing

diversity will need to adopt a practical approach including key elements such as the following:

- Analyse your business environment. How diverse is your organisation, and is it representative of the local population? Does your workforce mirror your customer base? If not, you could be missing out on significant business opportunities
- Define diversity and the business benefits. What will be the tangible benefits of implementing a diversity policy, both for your organisation and its employees?
- Include your policy on diversity within your corporate strategy and values
- Embed the policy within your core HR processes and systems. Make it part of your everyday operations
- Ensure leaders implement the policy – and give it their full commitment
- Involve staff at all levels. Implement awareness training, together with initiatives such as the creation of a diversity handbook, mentoring schemes, diversity councils, etc
- Communicate the content of the diversity policy and success of diversity

initiatives

- Understand your organisation's needs. Depending on its size, understanding of diversity and ability to change, it may benefit from external support
- Monitor and evaluate. Benchmark your organisation's progress and the impact of diversity internally and externally.

How can external organisations help?

Many organisations try to tackle the issues of managing diversity simply by providing their staff with a series of training sessions, as though it were an add-on skill that can be easily absorbed.

Managing diversity means more, however, than just training your staff. It has to involve the organisation's culture, processes and systems, and may well involve the need for externally-managed initiatives including:

- Diversity audits
- The development of a diversity strategy
- Policy writing (an Equal Opportunities policy is mandatory, as laid down by the EEOC)
- Training and development
- Coaching
- Recruitment and selection
- Practical help and assessment on a continuing basis – to measure the benefits of cultural diversity within the organisation.

Research confirms that diversity presents significant business opportunities – but only for those organisations that manage it effectively. Sooner or later, employers will have to realise that by failing to employ the best person for the job, for whatever (perceived) reason, the result will be a negative impact on their profit margins, and ultimately the viability of their business. ■