



The Impact of Employment Equity on Corporate Success in Canada

Prepared for:
Human Resources and Skills Development Canada
Policy, Reporting and Data Development Group

Prepared by:
Kimberley Bachmann
Senior Research Associate

In consultation with:
Kamal Dib
Policy Chief, HRSD

With the Assistance of:
Janice Cooney
Research Associate

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Executive Summary

About This Study

At the request of Human Resources Development Canada, The Conference Board of Canada undertook a study on employment equity to learn employers' views regarding the evolution of employment equity over the past 15 years, and specifically:

- progress overall and by designated group;
- key success factors in addressing employment equity and diversity;
- the role the employment equity legislation has played in organization's evolution; and
- challenges and barriers to future success.

The study involved three key components. First, we reviewed existing literature, including the results of Conference Board reports conducted over the past decade on the business case for diversity. Second, we conducted a survey of federally-regulated employers. The survey was distributed to 104 organizations in the banking, communication, transportation and "other" industries. Forty-one organizations responded by the deadline. Finally, we held interviews with federally-regulated employers to gain a better understanding of the ways in which their approaches to employment equity and diversity have evolved over the course of the past few years.

The Benefits of Employment Equity

Fifteen years after the passage of the *Employment Equity Act*, a growing number of organizations are recognizing employment equity as a key element for corporate success. Many employers see employment equity as an integral part of the business that must permeate throughout the organization and be linked to business strategy. Indeed, survey respondents indicate that progress has been made in integrating employment equity/diversity into management and business strategy.

There have been many advantages accruing from the implementation of the *Employment Equity Act* (see Exhibit 1). Indeed, employment equity practices have enabled organizations to benefit both in terms of improving their economic competitiveness and their ability to maximize human potential. Almost 2 in 10 surveyed employees noted that employment equity had helped them to enhance innovation in their organizations and had improved their access to new markets. Twelve per cent felt that employment equity practices helped them to improve the effectiveness of their international business dealings.

What's more, many of the surveyed employers felt that an emphasis on employment equity had assisted them to create work cultures tolerant of diversity, and had improved their corporate image. In addition, employers believed that employment equity enhanced their recruitment efforts, and increased the level of employee commitment in their firms – all of which matter in light of future demographic challenges.

Exhibit 1

The Top Ten Benefits of Employment Equity

Removing the Barriers Facing 70% of Canada's Labour Force
Supporting the Government's Inclusion Agenda
Accessing the Pool of Human Capital for a Knowledge-Based Economy
Confronting the Double Whammy of Brain Drain and Brain Waste
Replenishing the Declining Stock of Human Capital
Improving Canada's International Economic Competitiveness
Assuring Canada's Standing as a World Leader
Creating a Business Case for Private Businesses
Improved Human Resources Management for Better Performance
Confirming the New Thinking that Equity and Efficiency Go Together

Source: 2001 *Employment Equity Act* Annual Report, Human Resources Development Canada.

Faced with growing labour and skill shortages, Canada needs to focus on creating a larger pool of skilled talent. Employment equity has played and will continue to play an important role in removing the barriers of entry for women, visible minorities, persons with disabilities, and Aboriginal peoples into the labour force and into key positions in the labour market. Enhancing and leveraging their skills and capabilities will better position Canadian organizations positioned to compete in the global marketplace.

Progress to Date

The survey of federally-regulated employers undertaken for this study indicates that progress has been made to increase the representation of the four designated groups within organizations who are covered under the legislation. Employers who were interviewed for this study echo this positive pattern. However, while this is particularly the case with respect to women and visible minorities, employers continue to express concern regarding their ability to meet representation targets for persons with disabilities and Aboriginal peoples.

As noted, although gains have been realized, several of the concerns raised by employers in an earlier (1992) study by the Conference Board relating to the four designated groups remain stumbling blocks to progress today. For *women*, issues include lack of specialized training in skilled trades, and acceptance and participation in non-traditional jobs. For *visible minorities*, language requirements in public service positions remain a concern. For *persons with disabilities*, the single largest barrier is a misconception on the

part of employers regarding their skills and ability to add value in a workplace setting. For *Aboriginal peoples*, specific issues such as lack of training and requisite qualifications, official languages requirements, and the availability of qualified labour pool continue to be a concern for many employers today.

Facilitators of Change

Employers were asked to identify the mechanisms that have helped move them forward in their employment equity and diversity efforts. They listed the following factors:

- the employment equity audit process;
- the *Employment Equity Act* and its requirements;
- a commitment of internal resources;
- investments in tracking tools and automation;
- culture change; and
- developing a business case for employment equity and diversity.

Over the years, research on good practices in employment equity/diversity shows that there are key success factors that are critical to the advancement of any culture change. They include senior management commitment, on-going internal and external communication, integration of the change into broader business strategies, commitment of resources (time and money), and manager accountability. While organizations have made progress in these areas, it is clear that more work can be done in order for organizations to fully maximize the talent that they require in the future.

Moving Forward

One of the key challenges to continued progress on employment equity is winning senior management commitment, particularly in the face of conflicting priorities. Employment equity requires a long-term commitment, and because in many organizations, pressure is on short-term results, this may be seen as a “nice to do,” not a necessity.

There is an opportunity to raise awareness of how employment equity efforts contribute to the overall success of organizations as they compete in an increasingly fast-paced, global business environment. Given the impending labour shortages in the coming years, much of Canada’s talent will come from immigration and by leveraging relatively untapped traditional sources of labour. For organizations to be successful, they need to improve their ability to recruit, develop, and retain women, members of visible minorities, *Aboriginal peoples*, and persons with disabilities.

Section 1: Employment Equity in the New Environment

Introduction

The passage of the *Employment Equity Act* of 1986 was a major impetus for employment equity initiatives in a number of Canadian organizations.¹ But while the legislation acted as a catalyst, it was also received with uncertainty, skepticism, and in some cases, hostility. At that time, most organizations viewed their human resource policies and practices as either neutral or supportive of the principles of employment equity. The under-representation of the groups identified through the legislation (women, visible minorities, Aboriginal peoples and persons with disabilities) was largely attributed to a lack of experience in the labour force. Some felt that this issue would be solved as more qualified candidates from these groups appeared in the labour pool. These individuals would automatically be hired and promoted along side other groups of workers.

Over the years, as organizations worked towards achieving the standards set through the legislation, mindsets began to change. Some organizations began to take a more strategic approach to employment equity, capitalizing on what they had learned regarding the under-representation of the target groups to develop policies and programs that were more inclusive and welcoming of diversity overall. These organizations began to identify and eliminate systemic barriers that they had unknowingly and unintentionally built.

While other factors certainly come into play to influence employers' mindsets regarding equity, many organizations' employment equity strategies to date have benefited from the introduction of this legislation. Indeed, forty-one (41) per cent of respondents felt that their more general diversity management policies had been influenced by their need to adhere to employment equity legislation (see Table 1).

Table 1 Extent of influence of employment equity legislation on diversity management policies (n=41)	
Response 1 = have not been influenced at all 5 = have been greatly influenced	Percentage of Respondents
1	5%
2	17%
3	37%
4	39%
5	2%

¹ Benimadhu, P., Wright, R., *Implementing Employment Equity: A Canadian Experience*, The Conference Board of Canada, Report 94-92, 1992.

Maximizing Canada's Talent Pool

Over the next 20 years, Canada will be faced with an increasing labour shortage, which will undermine our ability to sustain economic growth. Several key factors are responsible for the emerging labour shortage: low fertility rates and increasing mortality rates will mean that natural population growth will continue to decline; the movement of the baby-boom generation into retirement will lower the overall rate of participation in the labour force; and female labour force participation rates will level off. The combined impact of these factors will result in rapidly diminishing labour force growth, culminating in annual labour shortages reaching almost 1 million workers by 2020.²

While immigration will play an important role in filling the gaps in the labour shortage, Canada and Canadian organizations will be forced to look for ways to augment and make better use of its labour force – including the four designated groups. More than ever, employment equity will play a key role in removing the barriers to entry into the labour force.

In addition to labour and skills shortages, Canada has shifted from an economy dependent on natural resources and manufactured goods towards a highly skilled, knowledge-based economy. Human capital is, therefore, a fundamental factor in determining the economic well-being of Canadians and the performance of firms. Given the rapid pace of technological change and global competition, encouraging the recruitment and retention of individuals with much-needed skills from the four designated groups will strengthen the Canadian economy and enable us to remain competitive on the world stage.

The key to success also rests on Canada's ability to create a larger pool of talent. Ensuring that women, visible minorities, Aboriginal peoples, and persons with disabilities have opportunities to train or re-skill in areas in demand in the job market will provide a critical talent pool for industries facing a shortage of skills and talent. That, combined with the socio-economic advantages of greater participation of workers from the four designated groups in growth sectors of the economy, makes good business sense for Canada. Indeed, the economic benefits of removing barriers to the full participation of Canadians in the four designated groups are significant. In this context, a continuous and intentional focus on employment equity and diversity management overall will position Canada as a world leader in the long-term.

The Study

In 2002, the Conference Board of Canada undertook a study to obtain the views of federally-regulated employers regarding the evolution of employment equity over the past 15 years and to gain a better understanding of the ways in which their approaches to employment equity and diversity have evolved. This study consisted of a review of existing literature, a survey and more detailed interviews of federally-regulated employers (see Exhibit 2).

² Performance and Potential: 2000-2001, *Seeking Made In Canada Solutions*, The Conference Board of Canada.

Exhibit 2
About this Study

The research on which this report is based involved three components:

1. **A review of existing literature**, including the results of Conference Board reports conducted over the past decade on the business case for diversity.
2. **A survey of federally-regulated employers**, distributed in early 2002 by e-mail, asking for their views regarding the evolution of employment equity over the past 15 years. The survey was distributed to 104 organizations in the banking, communication, transportation and other* industries. Forty-one organizations responded by the deadline. Together, they employed over 359,000 workers in Canada and another 26,500 outside of Canada. Almost half of the responding organizations (49 per cent) reported domestic operations, one quarter operated on a global basis and the remainder operated within North America.
3. **Interviews with federally-regulated employers** to gain a better understanding of the ways in which their approaches to employment equity and diversity have evolved over the course of the past few years.

* Other industries includes all Crown corporations and individual industries that fall under federal jurisdiction but are not included in the other three sectors (e.g., nuclear energy, grain elevators and metal mines).

Section 2: Building a Case for Employment Equity

Today, a growing number of organizations are embracing employment equity (see Exhibit 3 for the definition used in this study). These organizations are realizing that the integration of diversity into organizational strategies results in better business outcomes. However, linking diversity to business outcomes remains a challenge. In one study, the following items are listed as important for establishing a business rationale for diversity:

1. customers and markets;
2. global diversity;
3. productivity; and
4. workforce demographics.³

Exhibit 3

Defining Employment Equity and Diversity

For the purposes of this study, the following definitions have been used.

Employment Equity: a process used to

1. identify and eliminate employment barriers faced by persons in designated groups (i.e., women, members of visible minorities, Aboriginal peoples, persons with disabilities) that result from employment systems, policies and practices;
2. institute policies and practices and make accommodations that ensure the adequate representation of persons from designated groups within the organization's workforce

Diversity Management: a strategy for the planning, development and management of human resources that acknowledges, values and capitalizes upon the similarities and differences that all employees bring to the workforce.

Customers and Markets

The Domestic Consumer Market

The domestic consumer market is changing (see Exhibit 4) and it makes good business sense to try to adapt products and services accordingly. Organizations are increasingly dealing with a more diverse customer base that is demanding products and services that meet their individual tastes, needs and lifestyles. One of the ways in which organizations can respond to these demands is by capitalizing on the knowledge of a diverse workforce.

Diversity in an organization's workforce provides easy access to the knowledge needed to understand the specific needs of a wide variety of market segments. Whether the differences are based on ethnocultural factors, gender, national background or other issues, having people in the workplace who can adapt products and services to meet the

³ Wheeler, M.L., *Diversity: Business Rationale and Strategies*, The Conference Board Inc., Report #113-95-RR, 1995.

particular needs of a target market can provide a competitive advantage for an organization.

Human Resources Development Canada has extensive experience reporting “good practices” in Canadian organizations. In addition, a number of examples have arisen over the years that help to illustrate how organizations can improve their market share in diverse communities through a better understanding of customer needs and expectations:

- A Canadian bank discovered that a large, untapped market were Chinese-Canadians. The bank set about adapting its services to better meet the needs of this clientele. It developed 60 Chinese branches across the country and hired workers who could speak Chinese and who understood the cultural nuances of the group. It also redecorated the bank branches, adopting a colour scheme that was different from its "corporate standards" in order to attract this new clientele. Banking forms were translated into Chinese for ease of use. As a result business from this community increased by 400 per cent over a five year period.⁴
- In the United States, Maybelline, a cosmetics company, launched a new line in the early 1990s targeting women with darker skin tones. To better market to this new customer base, the organization hired people of colour into their marketing department. The new line captured 41 per cent of the \$55 million ethnic cosmetics market.⁵
- In 1997, Ford Motor Co. created a development team of 30 female engineers (known as the Windstar Moms) to make their 1999 Windstar minivans user-friendly for their target market: women with children. At the time, only 8.5% of engineers in the United States were women. The experiment was a success and today, all automakers have female engineers on staff.⁶
- Federated Department Stores have developed marketing and merchandising task forces to identify local demographics and ensure that each store reflects customers and their needs. Examples of initiatives that were developed through these task forces include the translation of credit applications into Spanish, the development of new store signage in Vietnamese, and the recruitment of a store Santa Claus that knew sign language.⁷
- All of the major banks across Canada have established Aboriginal banking services to better meet the needs of this growing community.⁸ To further ensure their needs are

⁴ Poole, P.-J., *Diversity: A Business Imperative*, Poole Publishing Company, 1997, p. 25.

⁵ J. Dreyfuss, “Get Ready for the New Workforce,” *Fortune*, April 23, 1990, quoted in Gail Robinson, “Building a Business Case for Diversity,” *Academy of Management Executive*, Vol. 11 Issue 3, August 1997, p. 21.

⁶ Walczak, J., *Women Truck Designers: A Traditionally Male-Dominated Industry*, 2001, accessed via the web, December 2002.

⁷ Wheeler, M.L., *The Diversity Executive: Tasks, Competencies, and Strategies for Effective Leadership*, The Conference Board Inc., Report R-1300-01-CR, 2001.

⁸ Websites for the major banks: www.royalbank.com, www.td.com, www.scotiabank.com, www.bmo.com, www.cibc.com

being met, the Senior Vice President responsible for this growing business line at the Bank of Montreal is of Aboriginal decent.⁹

Exhibit 4

The Changing Consumer Market

Women as Consumers

Women in Canada control 80 per cent of the purchasing power, manage 75 per cent of family finances, make 80 per cent of health care decisions and purchase 75 per cent of over-the-counter drugs sold.

A Growing Visible Minority Population

In 1996, visible minorities represented 11 per cent of the total population, up from 9 per cent in 1991 and just 6 per cent in 1986.¹⁰ In some of Canada's largest cities, this percentage is even higher. For example, results of the 1996 census revealed that visible minorities accounted for 32 per cent of the total population of Toronto, 31 per cent in Vancouver and 12 per cent in Montreal.¹¹ The visible minority population is expected to grow to 14% in 2001 and 16% in 2006.¹²

In the United States, according to the Selig Center for Economic Growth, the buying power of African-American consumers was estimated at over \$570 billion in 2001. Other large markets include Hispanic-Americans (\$452.4 billion) Asian-Americans (\$253.8 billion) and American Indians (\$34.8 billion).¹³

A Country of Many Languages

When asked to list their mother tongue,¹⁴ Canadians responding to the 2001 Census listed more than 100 languages. In total, over 5 million individuals reported a mother tongue other than English or French, an increase of 12.5 per cent from 1996.¹⁵

An Increasingly Urban Aboriginal Population

There has been a slow and steady migration of Aboriginal peoples from rural to urban areas since the 1960s.¹⁶ Today, the majority of Aboriginal peoples live outside reserves.¹⁷

Eighty-per cent of Aboriginal peoples living on reserves are within one hour driving distance of a major urban centre.¹⁸

Persons with Disabilities - A Significant Consumer Market

The annual disposal income of working-age Canadians with disabilities is about \$25 billion.¹⁹

⁹ Bank of Montreal website <http://www.bmo.com/aboriginalbanking/pages/background/index.html>

¹⁰ Canadian Centre for Justice Statistics, 2001, quoted in Smith, E., Jackson, A., *Does a Rising Tide Lift All Boats?* Canadian Council on Social Development, February 2002.

¹¹ Statistics Canada, 1996 Census: Ethnic Origin, Visible Minorities, *The Daily*, Tuesday, February 17, 1998.

¹² Correspondence with K. Dib, Chief, Employer Reports and Analysis, Labour Standards and Workplace Equity, Operations Directorate, Labour Branch, Human Resources Development Canada.

¹³ DiversityInc.com *The Business Case for Diversity*, 3rd edition, accessed at www.diversityinc.com, December 2002.

¹⁴ Mother tongue is defined in the census as the first language a person learned at home in childhood and which they still understand at the time of the census.

¹⁵ Statistics Canada, Census of Population: Language, Mobility and Migration, *The Daily*, Tuesday, December 10, 2002.

¹⁶ Saskatchewan Human Rights Commission, *Equity Forum*, March 2001 issue.

¹⁷ Department of Indian and Northern Affairs website.

¹⁸ The Aboriginal Human Resource Development Council of Canada, http://www.ahrddc.ca/demographics/demographic_brief018.htm

¹⁹ Statistics Canada, Survey of Labour and Income Dynamics, 1994.

Supplier Market

Organizations are broadening their diversity efforts to include relationships with suppliers from the designated groups. Indeed, there are good business reasons for doing so.

Statistics available in Canada reveal that, in 2001, over 750,000 women were self-employed. As a percentage of all those with jobs, the proportion of self-employed women rose from 9 per cent in 1976 to 11 per cent in 2001.²⁰ They represent approximately one-third of all business owners in Canada and they are responsible for approximately 40% of new start-up businesses in Canada, up from 30% in 1981.²¹ In addition, visible-minority owners of small and medium-sized businesses (SMEs) accounted for majority ownership in 7 percent of all Canadian SMEs in 2000.²² And, according to statistics from the Department of Indian and Northern Affairs, there are over 18,000 Aboriginal-owned businesses in Canada.²³ While minority-owned businesses represent a significant proportion of all small businesses in Canada, there is no information readily available on the prevalence of programs targeting minority-owned suppliers.

In the United States, in 1997, women and minority-owned businesses generated \$495 billion in collective annual revenue.²⁴ Many of these businesses have survived and grown in size directly as a result of the efforts made by certain organizations to seek out and develop business relationships with minority-owned suppliers.

By way of example, the closest comparison is in the United States, where efforts to encourage the use of minority-owned suppliers have been facilitated through the introduction of legislation. For instance, there is a Federal law that has set a government-wide goal of 5 per cent of the total dollar value of all federal contracts to be awarded to small businesses that are owned and controlled by "socially and economically disadvantaged individuals."²⁵ In Canada, no similar legislation has been enacted.

Not only are organizations engaging in these supplier relationships for the reasons mentioned above, but also because they recognize that doing business with these suppliers will mean that they will be rewarded by greater appreciation from their employees - particularly those who are representatives of the designated groups. Furthermore, organizations that engage in business with these suppliers demonstrate a commitment to diversity, thereby augmenting their public image.

²⁰ Statistics Canada, *Women in Canada: Work Chapter Updates*, Catalogue 89F0133XIE, 2002.

²¹ Royal Bank of Canada, *Women Entrepreneurs*, RBC website, accessed December 2002, www.royalbank.com/sme/women/statistics.html

²² Strategis website, *SME Financing in Canada*, <http://strategis.ic.gc.ca/SSG/rd00651e.html>

²³ Department of Indian and Northern Affairs website, http://asi-rfa.inac.gc.ca/StaticPages/attnps_e.asp.

²⁴ Cole, Y., "Who's White, Who's Black, Who's Brown, Who's Yellow? Why Do We Care So Much?," *DiversityInc.com*, July 22, 2002.

²⁵ U.S. Small Business Administration, Office of Advocacy, *Minorities in Business 2001*, November, 2001, accessed at www.sba.gov/advo/stats/min01.pdf, December 2002.

International Consumer Markets

While domestic markets remain a key target for most Canadian organizations, trade liberalization and globalization have helped open the doors to international markets. In their first forays into these new markets, many organizations did not anticipate or comprehend the need to understand national differences.

With time, organizations have become much more adept at ensuring that ethnocultural and linguistic issues are taken into consideration before the implementation of product launches or advertising campaigns. The curricula in most business schools today include international marketing courses that teach the basics of marketing across borders.

While some organizations still encounter difficulties, others are moving to the highest level of internationalization, that of a truly global business. Success at this level requires a much more in-depth knowledge of issues related to global diversity.

Global Diversity

Management complexity increases exponentially as organizations begin to expand their operations internationally. A study involving companies in North America, Europe and Asia conducted by Andersen Consulting found that the average corporation managed more than 30 alliances²⁶. However, their research showed that 61 per cent of alliances either do not perform to expectations or completely fail. The reasons given for these failures often relate to an inability to understand and accept cultural differences.²⁷

It is not surprising, given this statistic, that cultural competencies are increasingly being cited as a critical leadership quality for managers and executives. A report by the U.S. Conference Board found that, in order to become "corporate citizens" of the nations in which their firms operate, senior executives must become more knowledgeable in a number of areas, including international relations, foreign affairs, political science, government relations, and history. This deeper and broader understanding of national differences that goes beyond a basic understanding of the "dos and don'ts" of international marketing, was seen to be a key to succeeding in a global marketplace.

The report went on to state that "it requires also top management that is aware of the nation-state and its people as distinctive entities, and executives who can function as world citizens, free of prejudice and sensitive to the diversity of social, economic and political forces affecting the business environment."²⁸

²⁶ In this research study, alliances were defined broadly as "pragmatic pairings that help fulfill their members' interests by providing the scale, skills or positioning to better defend territory, turn back competitors or advance into the unknown." (www.accenture.com)

²⁷ Parkhe, A., Interfirm Diversity in Global Alliances, *Business Horizons*, Vol. 44 No. 6, 2001.

²⁸ Wheeler, M.L., *Diversity: Business Rationale and Strategies*, The Conference Board Inc., Report Number 1130-95-RR, 1995.

This need to develop global competencies is now being addressed in many organizations. For example, IBM has found that developing the global competencies of its leaders has allowed them to more effectively leverage differences for a competitive advantage. The organization has developed a series of programs to help managers develop the skills they need to work effectively in the new business environment. These programs focus on the development of soft skills including an open attitude, self-awareness, other-awareness, cultural knowledge and cross-cultural skills (such as style switching and cultural due-diligence). As a result of this program, the organization has seen improvements in customer-client support, cross-border negotiations and cross-border functional communication.²⁹

Productivity

The third rationale for diversity, productivity enhancements, is more difficult to substantiate. Canadian organizations are being told that, in order to compete on a global scale, they must improve their productivity rates. However, measuring productivity, particularly in knowledge-based industries, is challenging.

In a report on workplace productivity, Morley Gunderson listed a number of factors that impede evaluations of the impact of workplace and human resource practices (including diversity management) on firm-level productivity and competitiveness. These factors include the degree to which the impact of various programs can be distinguished from one another, particularly when they are launched at the same time, as well as the degree to which long-term impacts can be traced back to specific diversity management programs.³⁰

Despite measurement challenges, some research suggests a positive relationship between ensuring diversity in the organization and organizational performance. These studies argue that diverse teams produce more innovative solutions to problems than homogeneous teams. People with different backgrounds and experiences help to surface different perspectives on issues. While heterogeneous teams initially may experience more conflict in agreeing on what is important and in working together, it has been shown that they ultimately outperform homogeneous groups in both identifying problem perspectives and generating alternative solutions.³¹ Improvements in creativity and problem-solving abilities are often used as proxies for measures of productivity in knowledge-based organizations.

²⁹ Curl, N.A., Schmitz, J., Walker, T., *Diversity: A Challenge of Global Proportions*, Training Management Corporation, 2001, <http://www.tmc corp.com/pdf/diversity.pdf>

³⁰ Gunderson, M., *Rethinking Productivity from a Workplace Perspective*, Canadian Policy Research Network, May 2002.

³¹ Jackson, S.E., May, K.E. & Whitney, K., Understanding the Dynamics of Diversity in Decision-Making Teams, quoted in Robinson, G., Building a Business Case for Diversity, *Academy of Management Executive*, Vol. 11, Issue 3, August 1997, p. 21.

Workforce Demographics

The fourth aspect of the business rationale for employment equity deals with workforce demographics. Canada's demographic picture is changing. As noted earlier, the ageing of the large baby-boom generation (those born between 1946 and 1964), continued low fertility rates and increased longevity are combining to create a demographic shift. This shift, along with a levelling-off of female labour force participation, is contributing to a long-term slowdown of Canada's labour force growth.³²

This shift has garnered the attention of Canadian employers. Eighty-five per cent of the federally-regulated employers surveyed as part of this research project viewed the need to anticipate and react to demographic changes as an important factor in the success of their organizations over the next 10 years (see Table 2).

Table 2 Importance of anticipating and reacting to demographic changes over the next 10 years (n=40)	
Response 1 = not at all important 5 = very important	Percentage of Respondents
1	0%
2	3%
3	13%
4	30%
5	55%

The ageing population has become a cause for concern among some organizations who foresee more acute labour shortages in the coming years. As workers become eligible for retirement, some workplaces may see a significant outflow of experienced labour over the next few years. With fewer new workers coming into the labour market to replace them, the need to address the issue becomes even more significant. As a result of these concerns, the Government of Canada and Canadian organizations are focusing on immigration to counteract the declining natural population growth, and the expansion of traditional sources of labour to include untapped resources, particularly persons with disabilities and Aboriginal peoples.

Immigration of Visible Minorities

One of the ways in which countries, including Canada, are countering demographic challenges is through increased immigration. Between 1985 and 1993, there has been a

³² Wassink, N., *Situational Analysis: Your Workforce is Ageing.....Are You Ready?*, The Conference Board of Canada, May 2001.

steady increase in the number of immigrants to Canada, from 84,000 per year to almost 300,000, or 1 per cent of the population.³³

Current estimates show that, over the next few decades, immigration will play an increasingly important role in the growth of Canada's population (see Table 3)

Table 3 Components of Population Growth Selected Years		
	Natural Increase	Net Migration
1851 - 1861	77%	23%
1951 - 1961	71%	29%
1991-1996	49%	51%
2030*	20%	80%
2051*	0%	100%
* = Projections		
Sources: Statistics Canada and The Conference Board of Canada.		

From an employment equity perspective, it is important to note that the origin of our immigrant population is changing. While in the pre-1961 period, the source countries for immigrants coming to Canada were predominantly European nations and the United Kingdom, in the 1991 to 1996 period, the most popular countries of origin for new immigrants to Canada were Asian nations, particularly South and South-East Asia (see Table 4).

Table 4 Immigrant Population by Place of Birth			
	Pre-1961	1971-80	1991-96*
United Kingdom	25.2	13.3	2.4
Europe (N,W,E,S)	65.2	22.4	16.6
West-Central Asia/Middle East	0.5	3.1	7.9
Asia (S/E, S, E)	2.5	29.8	49.2
* First 6 months of 1996.			
Source: Statistics Canada.			

While Canada receives an increasing number of new immigrants into the country, recent data have revealed that we may not be fully tapping the talents of this potential source of labour. According to a recent report by the Canadian Council on Social Development, in 1998, 72 per cent of immigrants in the "skilled worker" category had a university education. In addition, the percentage of immigrants from all categories (i.e., refugees, family-class immigrants, independents) with a university degree is substantially higher than for Canadians in the same core working-age group. Among men, the percentages

³³ Correspondence with K. Dib, Chief, Employer Reports and Analysis, Labour Standards and Workplace Equity, Operations Directorate, Labour Branch, Human Resources Development Canada.

were 36 per cent versus 18 per cent (immigrant men vs. Canadian men), while among women, they were 31 per cent and 21 per cent respectively.³⁴ However, "even when education levels are the same, racialized groups are under-represented in managerial, professional and high-income occupations, and they are over-represented in low-end occupations and low-paying jobs."³⁵

This significant pool of under-utilized talent represents a loss of potential for employers and for the economy as a whole. This is particularly troubling given the results of recent research which shows that a large number of employers are experiencing skill shortages in key areas. In a survey of senior human resource executives in medium and large Canadian organizations, 83 per cent of the firms responding reported that they were experiencing shortages of skilled labour.³⁶ And, in a survey of all three levels of government (federal, provincial/territorial, municipal), 64 per cent reported skill shortages in their work environments.³⁷ As well, when asked, the majority of respondents in both of these surveys expected these skills shortages would continue or become more pronounced in the future. Given this situation, there is an opportunity to make better use of the talents we have within the country and which we are not using to their full potential

Other Untapped Pools of Talent

In addition to new immigrants, two other largely untapped pools of talent in Canada are Aboriginal Peoples and persons with disabilities. While there are issues related to their labour-market readiness, current trends point to these two groups becoming even more attractive to employers in the future. Organizations that are able to effectively respond to the needs of these potential workers will be well-positioned to attract and retain them.

Persons with Disabilities

Persons with disabilities represent a relatively large potential pool of labour. However, their employment rates are lower than Canadians without disabilities. The 1996 census reported that among persons with disabilities, the employment rate was 41% for men and 32% for women. In contrast, among people without disabilities, the employment rate was almost double - 83% for men and 70% for women.³⁸

³⁴ Smith, E., Jackson, A., *Does a Rising Tide Lift All Boats?* Canadian Council on Social Development, February 2002

³⁵ Ibid.

³⁶ Murphy, S.A., *What To Do Before the Well Runs Dry: Managing Scarce Skills*, The Conference Board of Canada, Report # 285-00, March 2000.

³⁷ Cowan, A.P., Farquhar, C.R., MacBride-King, J.L., *Building Tomorrow's Public Service Today: Challenges and Solutions in Recruitment and Retention*, The Conference Board of Canada, Report 352-02, July 2002.

³⁸ Human Resources Development Canada, *Advancing the Inclusion of Persons with Disabilities: A Profile of Disability in Canada*, available at <http://www.hrdc-drhc.gc.ca/hrib/sdd-dds/odi/documents/AIPD/fdr004.shtml>.

Past research has revealed that higher levels of education improve the likelihood of finding employment and that knowledge workers make higher contributions to the national economy. Persons with disabilities are increasing their employment potential by improving their educational credentials. Between 1991 and 1996, the percentage of persons with disabilities completing a college or trade diploma program increased from 23 per cent to 26 per cent. The percentage of persons with disabilities who completed a university degree also increased over that time period, from 6 per cent to 7 per cent. Overall, combining university, college and trades, Canadian adults with disabilities are about two thirds as likely to have a post-secondary education as are adults without disabilities.³⁹

The improvements in educational levels will potentially improve the overall employment levels of persons with disabilities. Data from the 1996 census, provides a reason for optimism. At that time, sixty four per cent of men with disabilities who had a university education were employed, compared with 29 per cent of those with less than a high-school education. As well, 61 per cent of women with disabilities who had a university degree were employed, compared to 18 per cent of those with less than a high-school education.⁴⁰

While education levels are an important consideration, research has shown that misconceptions regarding the abilities of persons with disabilities are important barriers to their full participation in the labour force. This issue will be more fully explored later in this report.

Aboriginal Peoples

Aboriginal peoples represent an untapped pool of labour, as well. According to the Aboriginal Human Resource Development Council of Canada, the Aboriginal labour force in Canada will double between 1986 and 2016.⁴¹ This group is younger than the Canadian labour force overall, with an average of 25 years versus 35 years.⁴²

Current efforts are underway to assist Aboriginal peoples to enhance their educational levels in order to improve their labour market access. The number of Aboriginal post-secondary students supported by Indian and Northern Affairs Canada increased from 3,600 in 1977-78 to over 27,000 in 1999-2000. The department projects that this figure will increase by 26 per cent by 2010.⁴³

³⁹ Human Resources Development Canada, *Advancing the Inclusion of Persons with Disabilities: A Profile of Disability in Canada*, available at <http://www.hrdc-drhc.gc.ca/hrib/sdd-dds/odi/documents/AIPD/fdr004.shtml>.

⁴⁰ Ibid.

⁴¹ The Aboriginal Human Resource Development Council of Canada, *Inclusive Companies Accept the Demographic Case for Aboriginal Inclusion*, accessed via the following website: www.ahrdec.com/index_e.htm

⁴² Ibid.

⁴³ Association of Universities and Colleges of Canada, *Aboriginal Access to Higher Education*, June, 2002.

As we will see later in this report, low education levels have historically been one of the main stumbling blocks identified by employers in the recruitment of Aboriginal peoples. As knowledge and skill levels increase, they will become a more employable segment of the working population. Again in this instance, organizations that have a good understanding of the needs and expectations of the Aboriginal working population will be in a good position to attract and retain this youthful and growing segment of the labour market.

Women's Advancement

Compared to their labour market availability, the representation of women in federally-regulated industries is the highest of all four designated groups included in federally-regulated industries. But, while women's increased participation in the workforce is well-documented, there are still barriers to their continued advancement and full participation in the workforce. Women hold only 12 per cent of corporate officer positions in Canada⁴⁴, and only 9.8 per cent of directorships in the Financial Post 500 companies.⁴⁵ This under-utilization of talent can impact organizational performance. For example, a recent study on the participation of women on corporate boards in Canada found that boards of directors with two or more women on them in 1995 were far more likely to be industry leaders in revenues six years later, in 2001.⁴⁶ The research further supported the conclusion that diversity on boards (represented in this study by the presence of women) changed the functioning and deliberative style of the board in clear and consistent ways. This in turn contributed to good governance, which improves long-term organizational performance.⁴⁷

The different perspectives, experiences, backgrounds and values that characterize diverse groups, when appropriately harnessed, have been proven to result in better business outcomes. A US study of Fortune 500 organizations found that those with the best record of promoting women to senior positions were more profitable than their peers. The 25 firms with the best promotion record posted returns on investment that were 69 per cent higher than the Fortune 500 median of their industry.⁴⁸

⁴⁴ Catalyst, *Catalyst Census Finds Few Women Corporate Officers*, press release, February 8, 2000.

⁴⁵ Catalyst, *Catalyst Study Finds Women Hold 9.8 Per Cent of Corporate Board Seats Among Canada's Financial Post 500 Companies*, press release, March 26, 2002.

⁴⁶ Brown, D. Brown, D., Anastasopoulos, V., *Women on Boards, Not Just the Right Thing...But the Bright Thing*, The Conference Board of Canada, Report 341-02, June 2002.

⁴⁷ Ibid.

⁴⁸ Roy D. Adler, Pepperdine University, quoted in the *Harvard Business Review*, November 2001, p. 30.

Section 3: Progress To Date

It would seem that there is ample evidence to argue that employment equity/diversity benefits organizations. But how much progress has been made to date within Canadian organizations?

The following pages outline the degree to which federally-regulated employers in Canada have moved from a focus on employment equity to one that sees employment equity as a business imperative. It identifies the challenges faced by these organizations and highlights some of the key success factors in moving forward. It also briefly discusses future issues to be addressed as organizations continue on their journey to creating more productive, more diverse working environments.

Progress Overall

One of the main requirements of Federal Employment Equity legislation is the collection and analysis of workforce data for the four designated groups. These data provide an indication of the progress made over time to increase the representation of women, visible minorities, persons with disabilities and Aboriginal peoples within organizations who are covered under the legislation.

Data on federally-regulated employers reveal improvements in representation among all designated groups between 1987 and 2000 (see Table 5). While there have been fluctuations over this period of time, the overall movement has been positive.

These statistics are supported by results of the survey of federally-regulated employers conducted for this research project. Many have seen progress within their organizations since the *Employment Equity Act* was first implemented in 1986. For example, when asked to evaluate their progress, surveyed employers felt they did not meet the legislated standards when they were first introduced. Today, over one-third (37 per cent) feel that they had achieved this goal and 5 per cent report exceeding the standards. However, the majority (59 per cent) recognize that there continues to be room for improvement (see Table 6).

Table 5 Workforce Representation by Designated Group 1987 and 2000 (percentage)		
	1987	2000
Women	40.9%	43.7%
Visible Minorities	5.0%	10.7%
Persons with Disabilities	1.6%	2.3%
Aboriginal Peoples	0.7%	1.5%
Source: 2001 Annual Report - <i>Employment Equity Act</i> and Employment Equity in Canada: Progress 1987-2000, Human Resources Development Canada		

Table 6 Adherence to Employment Equity Standards - Today Versus Five Years Ago and 15 Years Ago					
	Did not/do not meet any Employment Equity (EE) standards	Meet/met some standards	Meet/met all standards	Exceed/exceeded standards	Total
Today (n=41)	0%	59%	37%	5%	100%
5 years ago (n=41)	7%	78%	15%	0%	100%
15 years ago (n=34)	27%	74%	0%	0%	100%

Progress by Designated Group

At the level of individual designated groups, when compared to the labour force as a whole, women and people from visible minority groups are better represented in federally-regulated organizations than are persons with disabilities and Aboriginal peoples (see Table 7).

Table 7 Representation of Designated Groups in Workforce Under the Act Versus Canadian Labour Force		
	Labour Force (1996)	Workforce under Act (2000)
Women	46.4%	43.7%
Visible Minorities	10.3%	10.7%
Persons with Disabilities	6.5%	2.3%
Aboriginal Peoples	2.1%	1.5%
Source: 2001 Annual Report - <i>Employment Equity Act</i> , Human Resources Development Canada.		

The employers who were interviewed for this study echo this pattern. Most mentioned the progress they had made in improving the representation of both women and individuals from visible minority groups over the past several years. While a few reported some gains and positive results from their efforts to recruit persons with disabilities and individuals from Aboriginal communities, the majority expressed concern regarding their ability to meet representation targets for these two groups. This same concern was voiced by employers 15 years ago, when the legislation was first introduced.

The following section outlines some of the broader concerns raised 15 years ago, the ways in which organizations have dealt with those issues, and the continuing challenges they face in meeting specific representation targets.

Changes Over the Past 15 Years

Over the past 15 years, we have witnessed an evolution in thinking regarding employment equity. Looking back to the late 1980s and early 1990s, many of the concerns raised by employers at the time related to the need to adapt their structures and systems and introduce new processes to meet the reporting requirements of the new legislation.⁴⁹ Today, while some of these issues are still problematic, organizations have moved beyond a focus on compliance to look at a broader definition of employment equity. This new mindset, however, is not without its own challenges. Following is a list of some of the concerns raised by employers in the early 1990s and a discussion of how the employers we surveyed and interviewed perceive these challenges today.

Accuracy of the data collected: Senior executives questioned the reliability of available data on which targets were set in the 1980s and 1990s. Census data used at the time was felt to be inadequate for the purpose. Internally, workers were not forced to identify themselves as being a member of one of the four designated groups when asked to fill out

⁴⁹ The information from this section of the report is based on a study conducted by the Conference Board in the fall of 1990. The results of this research were published in a 1992 Conference Board report by Prem Benimadhu and Ruth Wright titled *Implementing Employment Equity: A Canadian Experience* (Report 94-92).

surveys by their employers. As a result, many organizations felt that representation figures from the four designated groups and their workforces were under-estimated.

The lack of reliable labour market data is still a cause for concern in some instances, and for the same reasons listed above. One-third of the respondents to our survey indicated that this issue was a challenge to the creation of a more diverse workforce.

Self-identification also remains an issue for some, although in our interviews with employers, this was more often discussed in terms of a communication challenge rather than a data challenge. According to these employers, once it was communicated to employees the reason for the need for these data, often they were more willing to self-identify.

Backlash from non-designated employees: Another key issue that surfaced in 1990 was a fear of backlash from employees who were not part of one of the four designated groups. In fact, in a survey of just over 100 federally-regulated employers conducted by the Conference Board at that time, 42 per cent of respondents reported that there had been incidences of employee backlash.⁵⁰

Concerns regarding backlash, while still voiced from time to time, do not appear to be as significant as they were in the early 1990s. Our survey of federally-regulated employers revealed that only 15 per cent of respondents disagreed or strongly disagreed with the statement: "Employee support for diversity initiatives is excellent."

Implementation costs: Implementation costs associated with employment equity were also concerns with employers in the 1990s. On average, about a quarter of an organization's budget for employment equity was spent on data collection and reporting while another 46 per cent was allocated to staff salaries and administrative expenses. This left only about 10 per cent for programming, 10 per cent for training and 5 per cent for communication.

For many employers, implementation costs have been replaced by significantly lower maintenance charges and upgrade costs. Some employers made significant investments in technology a number of years ago in anticipation of future cost savings. These investments have allowed employers to focus their attention on more strategic employment equity initiatives.

Issues Pertaining to Each of the Four Designated Groups

In addition to concerns regarding the implementation of employment equity programs in the workplace, employers also voiced specific concerns related to each of the four designated groups. An examination of these issues and a discussion of their prevalence

⁵⁰ Benimadhu, P., Wright, R., *Implementing Employment Equity: A Canadian Experience*, The Conference Board of Canada, Report 94-92, October 1992.

among organizations today provide a means of identifying shifts in mindsets that have occurred over the past 15 years.

Women

In 1990, employers identified three main concerns regarding the representation of women in their organizations:

Lack of specialized training: Lack of specialized training, particularly in skilled trades, was seen as a barrier to increasing the percentage of women in these job categories.

Acceptance in non-traditional jobs: Harassment and hostility towards women who were perceived to be usurping "men's work" was mentioned by some of the 42 per cent of respondents to the Conference Board's 1990 survey who had identified backlash as an issue.

Hours of work in non-traditional jobs: Traditional approaches to hours of work in certain industries surfaced as a major structural barrier to the full participation of women. Work-life balance issues, which at that time, were largely seen as a "women's issue" prevented many potential female candidates from accepting certain positions where temporary, unscheduled work was the norm. For example, it was not uncommon for new workers in the longshore industry to show up for work each day but only secure temporary work of perhaps one day per week.

Some of these barriers have been removed, while others remain. As mentioned previously, the latest statistics show that women's participation in federally-regulated businesses approaches their labour market availability. The organizations interviewed as part of this study were very comfortable with the progress they had made with regards to women's advancement. While women's participation in non-traditional jobs remains low, there has been some progress, and efforts are being made to encourage women to enter into the trades.

Although the employers interviewed were very positive in their assessments of women's advancement in their organizations, research reveals that barriers still exist, although they may be less apparent. A recent Conference Board report published in June 2000 found that the major barriers faced by women today are more subtle in nature and deal with issues of organizational culture rather than the more blatant forms of harassment or discrimination.⁵¹ While work-life issues remain a concern, progress has been made by employers over the past decade in the implementation of a wide range of strategies and programs to allow more flexibility and support for workers (both male and female).⁵²

⁵¹ Orser, B., *Women in Leadership*, The Conference Board of Canada, June 2000.

⁵² See for example, Bachmann, K., *Work-Life Balance: Are Employers Listening?*, The Conference Board of Canada, June 2000.

Visible Minorities

In 1990, employers noted that language requirements presented barriers to visible minorities. For example, the *Official Languages Act* requirement, that people providing service to the public speak both English and French, prevented many people from visible minority groups from applying for positions in industries such as air transportation.

Today, while language requirements remain an obstacle, the organizations we interviewed had a clear understanding of the need to develop a workforce that reflects the communities they serve and that can serve customers in the language of their choice.

Persons with Disabilities

Slower progress has been achieved for persons with disabilities. Two major concerns raised in 1990 remain issues today:

Physical Access: In 1990, employers voiced concerns regarding the need to adhere to safety regulations, the prevalence of inaccessible job sites, a need for workers with high levels of mobility, and a lack of public transportation to remote locations.

Access issues for persons with disabilities have been dealt with to some extent through the development of new technologies. The introduction of "universal design" concepts that ensure that environments are accessible to a wider variety of people of all ages and abilities, minimum standards on barrier-free architectural design, assistive technologies such as voice synthesizers, and even improvements in office furniture have all improved accessibility. A 2001 report⁵³ by the Conference Board on the attraction and retention of persons with disabilities revealed that accommodation was one of the easier steps in integrating persons with disabilities into the workforce.⁵⁴

However, in our interviews with employers, concerns were raised regarding new graphical user interface-based (GUI-based) technologies that cannot accommodate the needs of visually-impaired employees because of the high dependence on graphics rather than text. There is some concern that new technical developments may actually be detrimental to the continued participation in some jobs of persons with disabilities.

Attitudes: In 1990, a lack of understanding of the true costs of accommodating employees with disabilities prevented many organizations from hiring some candidates. As well, some employers lacked information regarding the abilities of some candidates to perform on the job, creating negative stereotypes and eliminating potential employees from their labour pools.

⁵³ This report included a survey of provincially-regulated employers in Ontario.

⁵⁴ Wright, R., *Tapping the Talents of People with Disabilities: A Guide for Employers*, The Conference Board of Canada, 2001.

The Conference Board's 2001 study revealed that the single largest barrier faced by persons with disabilities is a misconception on the part of employers regarding their skills and ability to add value in a workplace setting. In fact 3 in 10 employers surveyed for that report agreed that negativity and fear within the workforce remain a key challenge in attracting and retaining persons with disabilities.⁵⁵

Eliminating stereotypes takes time, but can be accomplished. Some of the employers we interviewed for this study mentioned the power of role models in changing these perceptions. These individuals, through their own actions and abilities, were very effective in dispelling myths and misconceptions.

Aboriginal Peoples

In 1990, employers voiced a number of challenges to improving the representation of Aboriginal Peoples within their workforces:

Lack of training and requisite qualifications: This was the single largest barrier reported by respondents to the 1990 Conference Board survey. At that time, some respondents indicated that this perception might be due in part to prejudices and stereotypes rather than objective evaluations of skills and knowledge levels.

Official languages requirements: Some employers responding to the 1990 survey mentioned the difficulty in finding Aboriginal candidates who had French language capabilities.

Availability of qualified labour pool: The availability of qualified candidates, particularly in urban settings, posed a challenge for some employers.

The issues raised in 1990 regarding Aboriginal peoples continue to be of concern for many employers today.

According to a recent study analyzing the employment prospects of Aboriginal peoples, this group has, on average, significantly lower levels of formal schooling than their non-Aboriginal counterparts (see Table 8).⁵⁶

⁵⁵ Ibid.

⁵⁶ Loizides, S., Zieminski, J., *Employment Prospects for Aboriginal People*, The Conference Board of Canada, Report 245-98, November 1998.

Table 8 Distribution of Population Aged 15 or Older by Highest Level of Schooling - 1996 (per cent)			
Education Level	Registered Indians	Other Aboriginal	Other Canadian
Less than Grade 9	22	11	12
Secondary School	42	42	37
Post Secondary	37	47	51
Source: Statistics Canada Census Data, Indian and Northern Affairs			

The availability of a qualified labour pool, particularly in the geographic location where they are most required, also remains a key issue for employers. Aboriginal peoples living on-reserve in rural areas are generally far from the places with good employment opportunities.

Mechanisms Used to Move Forward

Given the concerns raised in 1990 and the progress made to date, we asked employers we interviewed to identify the mechanisms that have helped them move forward in their diversity and employment equity efforts. They listed a number of factors, many of which were requirements under the *Employment Equity Act*:

The employment equity audit process: The Canadian Human Rights Commission conducts cyclical audits of organizations subject to the Act. In cases where qualified and helpful auditors conduct audits, the audit process provided useful guidance to organizations. The process helped some organizations focus their efforts on areas in need of the most improvement. For others, the audit process had reminded senior executives of the importance of addressing issues of diversity within the organization. In order for the process to be useful, many employers interviewed also mentioned the need to use the results proactively to make change in the organization.

The *Employment Equity Act*: The Act was helpful for some organizations in that it raised awareness of equity issues and the need to focus on key areas. Some felt that the Act had more of an impact on their efforts with regards to Aboriginal Peoples and persons with disabilities than with women or visible minorities. The Act encouraged them to focus more attention on Aboriginal Peoples and persons with disabilities than they would have had the legislation not been in place. It was felt that they would have focused on improving the representation of women and visible minorities whether or not the legislation existed.

The requirement to provide annual reports signed by senior executives helped some organizations sustain a focus on employment equity issues over the years. While the reporting requirements continue to be a burden for some organizations, others have found

that it has helped them to ensure that employment equity and diversity generally remain on the radar screen.

Commitment of internal resources: For some organizations, hiring an individual with overall responsibility for employment equity was cited as a key to ensuring a continued focus on the issue within the organization. These organizations found that they benefited from having a resource on hand who could provide assistance and guidance in program and strategy development.

Others, however, took the opposite view, stating that, in order to move forward on employment equity within their organizations, responsibility must be directed to front-line supervisors and managers. In this case, creating an employment equity/diversity position diminished their ability to drive accountability down into the organization. As a result, some organizations had eliminated this position. They felt they had evolved past the point where they needed a "gatekeeper" for the programs and wanted to avoid the perception that employment equity/diversity was a program housed in the human resources function.

Investments in tracking tools and automation: Investing in tracking tools in some organizations greatly decreased the time required to compile and produce annual employment equity reports required under the Act. As a result of this automation, these organizations were able to focus more of their attention on initiatives, programming and strategy.

Culture change: In some instances, the introduction of a new CEO or senior management team helped to focus more attention on diversity issues. For others, a merger with an organization that had a strong focus on diversity helped to raise the issue.

Developing a business case for diversity: In some cases the changes in demographics - an ageing population, a changing customer base and the impact of immigration - helped organizations create a business case for employment equity/diversity founded on strong business imperatives.

The issues outlined above demonstrate the importance of taking a holistic approach to employment equity and diversity overall. In fact, many of the employers we interviewed cautioned against focusing too much attention on the data collection and reporting requirements of the legislation. While there is an understanding of how representation data helps to identify possible areas of concern, employers also stressed the importance of looking past the numbers. This view is shared by Trevor Wilson, a diversity expert. Wilson characterizes representation numbers as an "oil light", an indicator that inequity may exist within an organization's employment systems. Once the "oil light" has been triggered, the organization must then work to uncover the underlying factors that have contributed to the situation.⁵⁷

⁵⁷ Wilson, T., *Diversity at Work: The Business Case for Equity*, John Wiley & Sons, 1996, p. 79.

Section 4: Requisites for Success

The evolution into an equitable workplace requires a deep level of commitment from all levels in an organization. Employers responding to the survey conducted as part of this research project were generally positive in their evaluations of their organizations' current ability to manage and motivate a diverse workforce (see Table 9). However, they also recognized that they still had work to do to more fully integrate employment equity/diversity into their management and business strategies (see Table 10).

Table 9 Assessment of Organization's Ability to Manage and Motivate a Diverse Workforce (per cent) (n=41)	
Rating	Percentage of respondents
Very poor	0%
Poor	7%
Average	49%
Good	34%
Excellent	10%
Total	100%

Table 10 Integration of Diversity Into Management/Business Strategies (per cent)		
Rating 1=not at all integrated 5=fully integrated	Management Strategy (n=41)	Business Strategy (n=41)
1	7%	7%
2	32%	34%
3	39%	32%
4	20%	20%
5	2%	7%
Total	100%	100%

Research on “good” organizational practice provides an opportunity to study the strategies, processes, policies and practices of leading organizations, identify the key success factors, and adapt the learnings to different work environments.

Over the years, research on good practices in employment equity/diversity has revealed a list of key success factors. These, in fact, are common to most organizational initiatives aimed at culture change, and include:

- senior management commitment
- on-going internal and external communication
- integration into broader business strategies
- commitment of resources (time and money)
- manager accountability

Senior Management Commitment

The degree to which senior management provides strong strategic direction has been shown to be a critical factor to the success of business initiatives. For example, a recent Conference Board study on CEO commitment found that *"without executive team commitment, the advancement of women into the senior management team is significantly less likely to occur."*⁵⁸

Among the federally-regulated employers responding to our survey, over one-third agreed or strongly agreed with the statement, "Senior management provides strong strategic direction" in relation to diversity management, while just under 2 in 10 disagreed (see Table 11). A significant minority (46 per cent) was non-committal.

Table 11 Agreement with Statement: "Senior Management Provides Strong Strategic Direction" (n=41)	
Rating	Percentage of respondents
Strongly disagree	5%
Disagree	12%
Neutral	46%
Agree	24%
Strongly agree	12%

In the Board’s earlier study on employment equity, 66 per cent of respondents at that time felt that within their organizations, senior management was somewhat or very committed

⁵⁸ Orser, B., *Chief Executive Commitment: The Key to Enhancing Women's Advancement*, The Conference Board of Canada, Gender Diversity Toolkit Resource #2, 2001.

to employment equity.⁵⁹ At first glance, it would appear that the level of commitment has decreased over the past decade. However, there is a distinction to be made regarding “commitment” and “strong strategic direction” - the latter implying a deeper level of intentional action than the first. As well, in 1990, organizations were investing in resources in order to develop and implement tracking systems. These investments would naturally be viewed as a commitment to employment equity, although the depth of that commitment is not clear.

On-going Internal and External Communication

Proper internal communication is key to raising awareness, creating buy-in, ensuring proper implementation, and sustaining the momentum of change initiatives. It is also one of the most difficult tasks to be undertaken within organizations. Communications within organizations are made difficult by a number of factors, including: differences in communication style, language barriers, lack of or poor quality of communication vehicles, cynicism among employees, and even geographic distance.

As mentioned previously, organizations that can position themselves as ethically responsible can tap into the growing market of consumers who will only deal with organizations they feel they can trust to "do the right thing." External communications are critical for organizations wishing to position themselves within this market.

When asked to rate the effectiveness with which their organization's commitment to diversity/equity is communicated to all stakeholders (i.e., employees, customers, shareholders), just over one-third of respondents (34 per cent) were positive in their evaluation (see Table 12).

Table 12 Agreement With Statement: "Organizational commitment to diversity/equity is effectively communicated to all stakeholders (i.e., employees, customers, shareholders)" (n=41)	
Rating	Percentage of respondents
Strongly disagree	2%
Disagree	27%
Neutral	37%
Agree	27%
Strongly agree	7%

⁵⁹ Benimadhu, P., Wright, R., *Implementing Employment Equity: A Canadian Experience*, The Conference Board of Canada, Report 94-92, October 1992.

The employers we interviewed for this study stressed the importance of effective communications. Elements of effective communications mentioned by respondents included the following:

- The need to ensure that the messages conveyed regarding diversity and equity issues were framed appropriately. For some organizations, this framing was done to alleviate the possibility of "employee backlash". In others, management had undertaken efforts to replace the word equity with words such as "fairness," "respect," and "inclusiveness". In this case, it was felt that employees hearing the word equity automatically associated them with the four designated groups, rather than with a broader concept that included all the ways in which people are different. By using words such as "inclusiveness," these organizations hoped to reach all employees.
- The need to use a variety of communication vehicles including: Intranet sites, pamphlets/newsletters, training programs, and cultural celebrations.
- The importance of including employment equity/diversity concepts in corporate mission, vision and values statements.
- The need to make employment equity/diversity strategies an integral part of the way the organization does business. For example, some organizations were integrating employment equity/diversity components into management training programs rather than providing separate training programs. By integrating a discussion of employment equity/diversity into "mainstream" programs, the organizations felt individuals would be better able to integrate the concepts into their day-to-day activities and decision-making processes.

Integration into Business Strategy

Integrating diversity into business strategy is one area in which our survey respondents felt positive. When asked to rate themselves on the following statement, "Principles of diversity are incorporated into the organization's management and business strategies", the majority (51%) gave their organizations a positive rating (see Table 13).

Table 13 Agreement With Statement: "Principles of diversity are incorporated into the organization's management and business strategies." (n=41)	
Rating	Percentage of respondents
Strongly disagree	2%
Disagree	17%
Neutral	29%
Agree	44%

Strongly agree	7%
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In our interviews, employers told us that it is too easy to sideline the issue if it is not seen as an integral part of the business. The same sentiment was voiced by those organizations participating in recent research on persons with disabilities. They felt that for diversity initiatives to work, they must be integrated into the business and must permeate other functions in organizations - if it remains an “HR-driven” initiative, it will not yield results.

In some cases, organizations are linking equity/diversity issues to their “service-profit” chain strategy. By showing how equity/diversity management contributes to employee satisfaction, which in turn contributes to customer satisfaction and the bottom line, it is possible to create a strong business case to which senior management can easily relate.

Commitment of Resources

In order to effectively integrate diversity into the business strategy, organizations need to commit time and resources. Results of the survey show that only 37 per cent agree that their organizations invest sufficient resources. What is more, 29 per cent disagree that their organizations investment is sufficient, suggesting clear room for improvement (see Table 14).

Table 14 Agreement With Statement: "Organizational commitment in terms of resources, budget and management time is sufficient." (n=41)	
Rating	Percentage of respondents
Strongly disagree	2%
Disagree	27%
Neutral	34%
Agree	37%
Strongly agree	0%

As we will see in the next section, competing business issues is the biggest challenge faced by the vast majority of the surveyed federally-regulated employers. The competition for limited resources may result in fewer dollars being allocated to employment equity initiatives than would be optimal.

Manager Accountability

There have been a number of research reports and articles published in the past few years on the role of managers in organizations. Managers translate the organizational culture and are the gatekeepers to company programs and initiatives. As such they have a key role to play in creating an inclusive and diverse workplace. And, holding them

accountable for equity/diversity issues will help ensure that goals are met. The saying “What gets measured gets done,” while overused, does apply in this context.

Although an increasing number of organizations are becoming aware of the importance of ensuring managers are effective in their role, most of the federally-regulated employers surveyed did not seem to focus on manager accountability in reaching diversity goals. In fact, about two-thirds of respondents (62%) reported that managers were not held accountable for reaching diversity/equity goals (see Table 15).

Table 15 Agreement With Statement: “Managers at all levels are held accountable for reaching diversity/equity goals.” (n=41)	
Rating	Percentage of respondents
Strongly disagree	20%
Disagree	42%
Neutral	17%
Agree	22%
Strongly agree	0%

Barriers to Future Success

As Table 16 reveals, employers in our survey were asked to evaluate potential barriers in the creation of a more diverse workforce. Competing business interest was the top barrier identified by survey respondents.

Organizations are competing in an environment that rewards short-term returns on investments. This focus on the short-term presents a challenge to many employment equity strategists. In our interviews with employers, some mentioned the need to focus on "small wins" since diversity initiatives rarely result in significant gains in the short-term. They described how patience was a necessary virtue for those wishing to pursue equity/diversity initiatives since a significant period of time is often required to implement the changes in behaviours required in the creation of more inclusive work environments. The long-term commitment that is required to realize the economic impact of diversity efforts makes it difficult to obtain senior executive buy-in in many organizations.

Table 16 Challenges in the Creation of a More Diverse Workforce						
Challenge	Legend					Total
	1	2	3	4	5	
	1=Not a problem 5=A significant challenge					
Access to a qualified diverse pool of labour (n=41)	10%	17%	12%	34%	27%	100%
Lack of reliable labour market data (n=40)	15%	25%	28%	23%	10%	100%
Management attitudes that are resistant to change (n=41)	7%	42%	27%	22%	2%	100%
Employee attitudes that are resistant to change (n=41)	5%	42%	39%	12%	2%	100%
Union management attitudes that are resistant to change (n=32)	9%	31%	41%	6%	13%	100%
Lack of understanding of the business case for employment equity (n=41)	15%	17%	34%	29%	5%	100%
Access to community-based networks of under-represented groups (n=41)	17%	29%	34%	12%	7%	100%
Competition with other key business issues (n=41)	5%	17%	7%	39%	32%	100%

Moving Forward

Most of the federally-regulated employers taking part in this study have undergone a significant evolution in their thinking regarding employment equity and diversity over the past 15 years. As described throughout this report, the respondents to our survey and the participants in our interviews felt that they had made progress in moving from a focus on representation to a more inclusive approach to dealing with the increasing diversity of our population.

Survey respondents reported progress on a number of other fronts as a result of employment equity. The majority of employers surveyed felt that employment equity practices helped them create a tolerant work culture. Many were also positive in their evaluations of the degree to which employment equity practices have helped them in their recruitment efforts and in improving employee commitment (see Table 17). Creating a work environment that acts as a magnet to talent – and retains it – is crucial to organizational success. Productivity is enhanced when top talent is drawn into the organization and committed to it.

Table 17 Ratings on degree to which degree employment equity practices have assisted the organization (percentage of respondents indicating 4 or 5 on a scale where 1=has not helped at all and 5=a critical component)	
Areas	Percentage of respondents
Create work culture tolerant of diversity	51%
Improve corporate image	39%
Improve recruitment efforts	37%
Increase employee commitment	25%
Enhance international market share	2%
Enhance domestic market share	4%
Increasing profitability	9%
Increase productivity	10%
Decrease absenteeism/turnover	10%
Improving effectiveness of international business dealings	12%
Improving access to new markets	17%
Enhancing innovation	17%
Enhance creativity in decision-making	29%

In today's knowledge-based economy, creativity is key to enabling success. Almost 3 in 10 employers acknowledged enhanced creativity in decision-making and almost 2 in 10 noted that innovation were key benefits of employment equity. Almost 2 in 10 accredited employment equity with helping them access new markets and over 10 per cent noted employment equity helped them to be more effective in their international business dealings. While in our interviews, employers discussed the importance of meeting the needs of a diverse client base, very few of our survey respondents saw the link between their employment equity practices and the enhancement of domestic and international market share.

These findings suggest that there is an opportunity to raise awareness among employers of how employment equity efforts contribute to the overall success of organizations. Current research to date, while not conclusive, does provide some evidence of the link between equity/diversity efforts and bottom line results. Some organizations have succeeded in integrating equity/diversity efforts into their service-profit chain strategy. This strategy is based on a theory that provides evidence of a relationship between employee satisfaction and profitability. The theory has been substantiated by a number of organizations in Canada and the United States. For example, Sears U.S., an early leader in this field, has established strong correlations between employee and customer satisfaction and changes in bottom line results. According to their statistics, for every 5 unit increase in employee satisfaction in one quarter, there is a 2 unit increase in the customer satisfaction in the next quarter, and a 0.5 per cent increase in revenues above the national average in the following quarter. Sears has incorporated diversity objectives

into its measurement of employee satisfaction. It feels that by treating all employees fairly and honourably contributes to the achievement of its employee satisfaction goals.⁶⁰

Conclusion

While additional research would be helpful in more fully drawing the links between employment equity and economic performance, much of the current literature provides compelling evidence of the case for diversity. The need for this evidence, however, may lessen in the future as the combined forces of demographic change and globalization come to bear on the issue of diversity. Canadian organizations will no longer be able to ignore the reality of our diverse society. Those that embrace this new reality will be best positioned to succeed in a global economy.

⁶⁰ Blackburn White, M., Work x shop=profit measuring change at Sears, *Diversity Factor*, Vol. 1, No. 1, October, 1998, p. 7.

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