

Pearl Meyer

On Point

TIMELY, ACCURATE, INSIGHTFUL

2020 Equity, Diversity, and Inclusion Survey

Executive Summary



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Introduction

Our Pearl Meyer On Point survey series provides first-hand insight to timely issues related to compensation and business and leadership strategies.

The topics of diversity and inclusion, as well as gender pay equity and the gender pay gap, are currently front and center among private and public companies and non-profits, as well as the public at large. Survey results from more than 200 organizations indicate some interesting trends in terms of how they view these issues and what, in practice, they may be doing to address them. In this report, we look at results from our 2020 survey, incorporating trends from our 2019 inaugural DEI survey.

We hope you find this information useful to informing ongoing discussions within your own organization. If you have any questions or are interested in discussing these findings, please contact:

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Key Survey Findings

We conducted this survey in the summer of 2020—amidst a global pandemic and racial unrest in the United States. Our survey participation may reflect the reality of this time; responses were down 20% from our 2019 survey. With this as a backdrop, we have found trends that indicate a continued and/or increased focus on diversity and inclusion management and pay practices. The following are some key findings and trends:

- Survey respondents have indicated that D&I, gender pay equity, and closing the gender pay gap are either “important priorities” or “among our highest priorities” in more than 80% of participating organizations. This is up from 66% in our 2019 survey.
- Increased focus has not necessarily led to increases in female representation in executive and senior level leadership roles, remaining at around 28% while the overall average female workforce representation remains at 48%. In the 2020 survey we went beyond just gender and also measured the representation of minorities in the executive ranks and found that only 10% of executive and senior level positions were held by minorities.
- Additionally, the 2020 survey results continue to show a disconnect in prioritizing diversity and inclusion and the results from programs/actions that can begin to close the gender and minority pay gaps.



Key Survey Findings (continued)

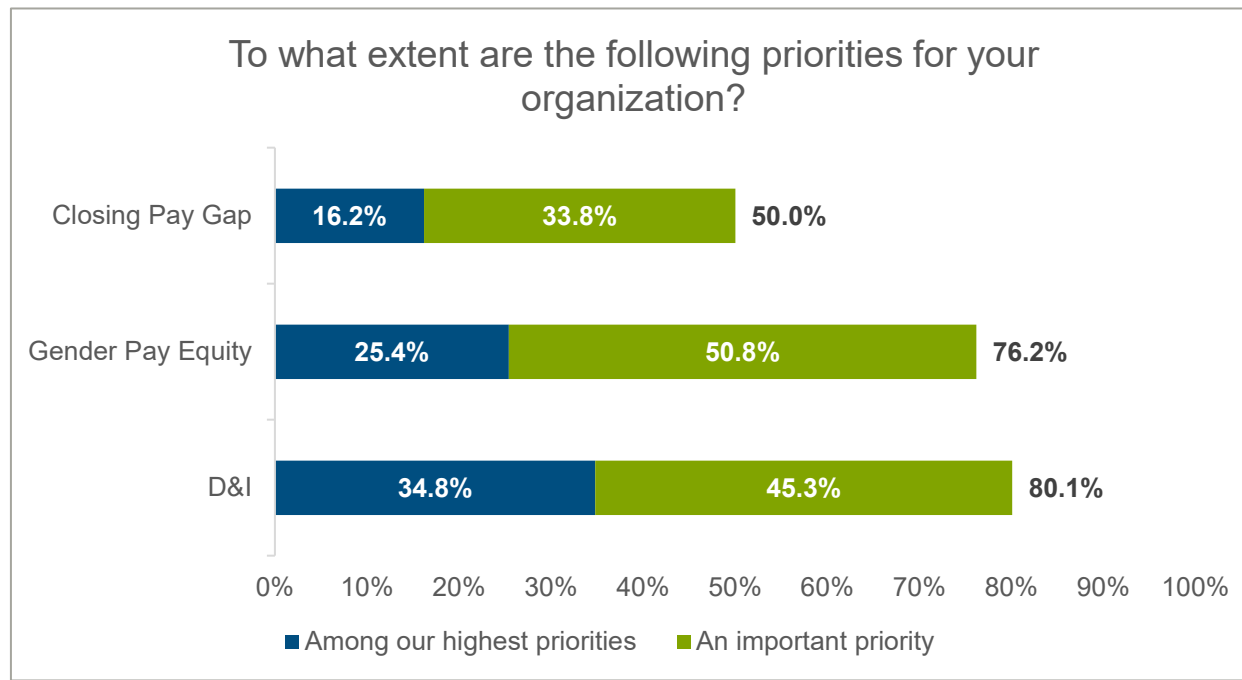
- While half of our survey respondents say that closing the pay gap is important or among the highest organizational priorities, only a small percentage of organizations are choosing levers that can actually lead to a closing of this gap.
- Measuring D&I Outcomes: Less than half measure D&I outcomes (44%) with the most widely used measure being number of diverse hires (74%), which is a lagging indicator. Measuring outcomes in the talent pipeline, including number and percentage of diverse applicants and promotions of diverse staff, can be better leading indicators of D&I outcomes.
- Holding Leaders Accountable: A small percentage of firms (15%) include diversity and inclusion measures in their incentive plans, and most are measured in short-term incentive plans through qualitative or discretionary measures. For those organizations that don't have a D&I metric in their incentive plans, only 25% are considering adding such measures.
- Focused Programs/Actions: Just 13% have a process in place to increase female and minority representation in management and/or executive positions. Around 40% have taken action to increase diversity when recruiting and promoting employees with the most prevalent methods involving outreach to diversity organizations and/or recruiting at colleges and universities with diverse populations. One lever that isn't reported as often as might be expected is a requirement of diverse candidates in the preliminary and final slates of candidates—just 17%-20% of survey respondents use this lever.



Organizational Priorities, Responsibility, and Processes

Organizational Priorities

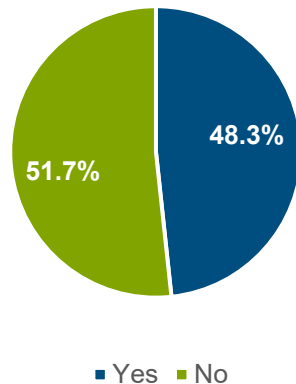
- Over 75% of organizations surveyed indicate that diversity and inclusion (D&I) and gender pay equity are important priorities; only half of organizations say closing the gender pay gap is among their highest priorities or an important priority. While gender pay equity and D&I as top priorities have increased from our 2019 survey, closing the pay gap has remained close to 50%.



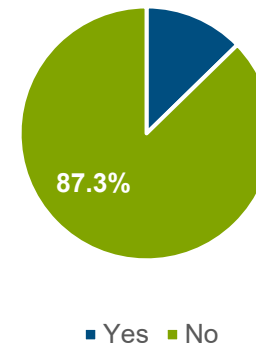
Diversity and Inclusion Responsibility and Processes

- Only 48% of organizations report that there is an individual designated with responsibility for diversity and inclusion, and only 13% have a formal process in place to increase female and minority representation in upper-level management and executive positions.

Have an individual tasked whose sole job responsibility is diversity and inclusion?

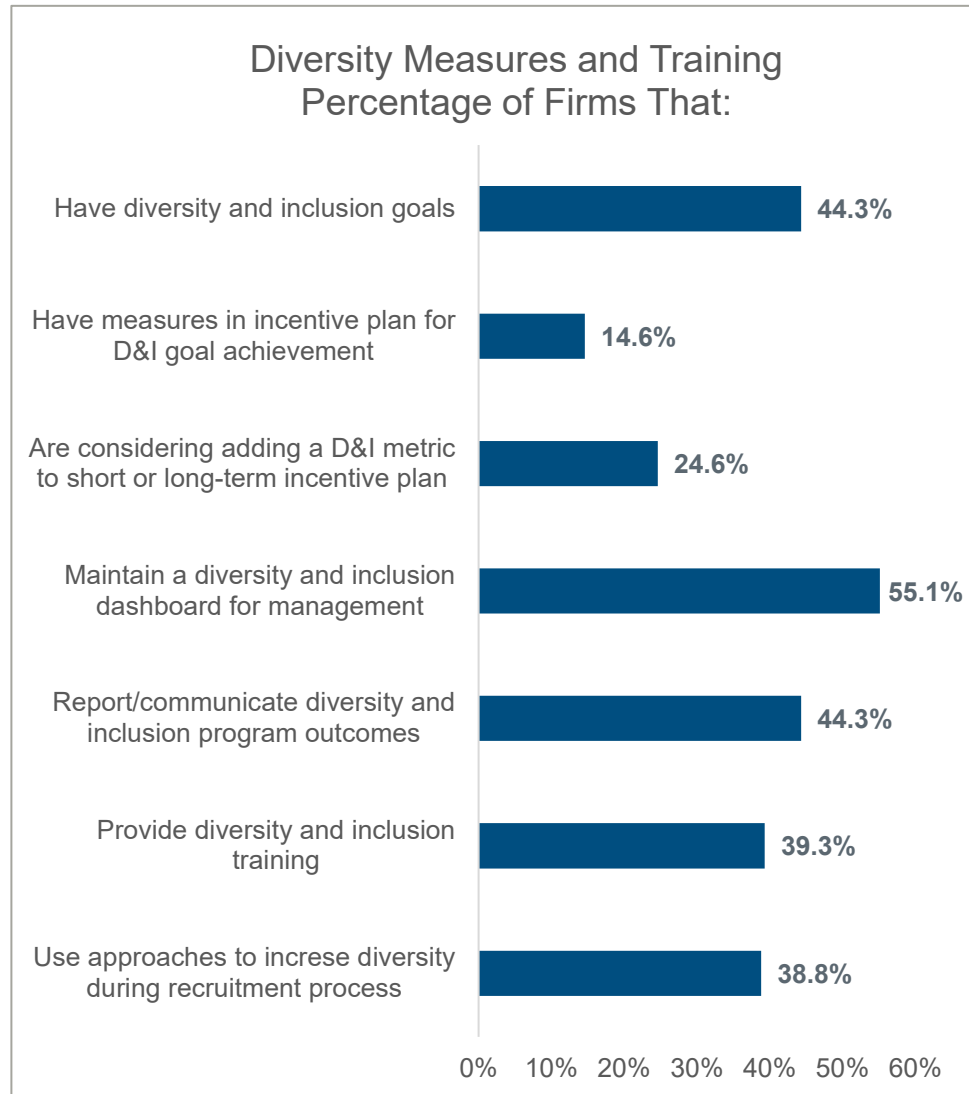


Formal process in place to increase female and minority representation in management and/or executive positions?



Diversity Measures and Training

- Over half of the respondents maintain a D&I dashboard shared with management, while less than half communicate about D&I program outcomes:
 - 44% have goals
 - Slightly less than 15% have measures in incentive plans and 25% are considering adding measures into plans
- Less than half of survey respondents provide D&I training, with around 40% using a wide array of approaches to increasing diversity during the recruitment process. Among that 40%, the most widely used recruitment approaches are:
 - Stressing importance of D&I to hiring managers
 - Advertising/posting on diversity-specific recruiting sites
 - Targeting colleges and universities with diverse populations

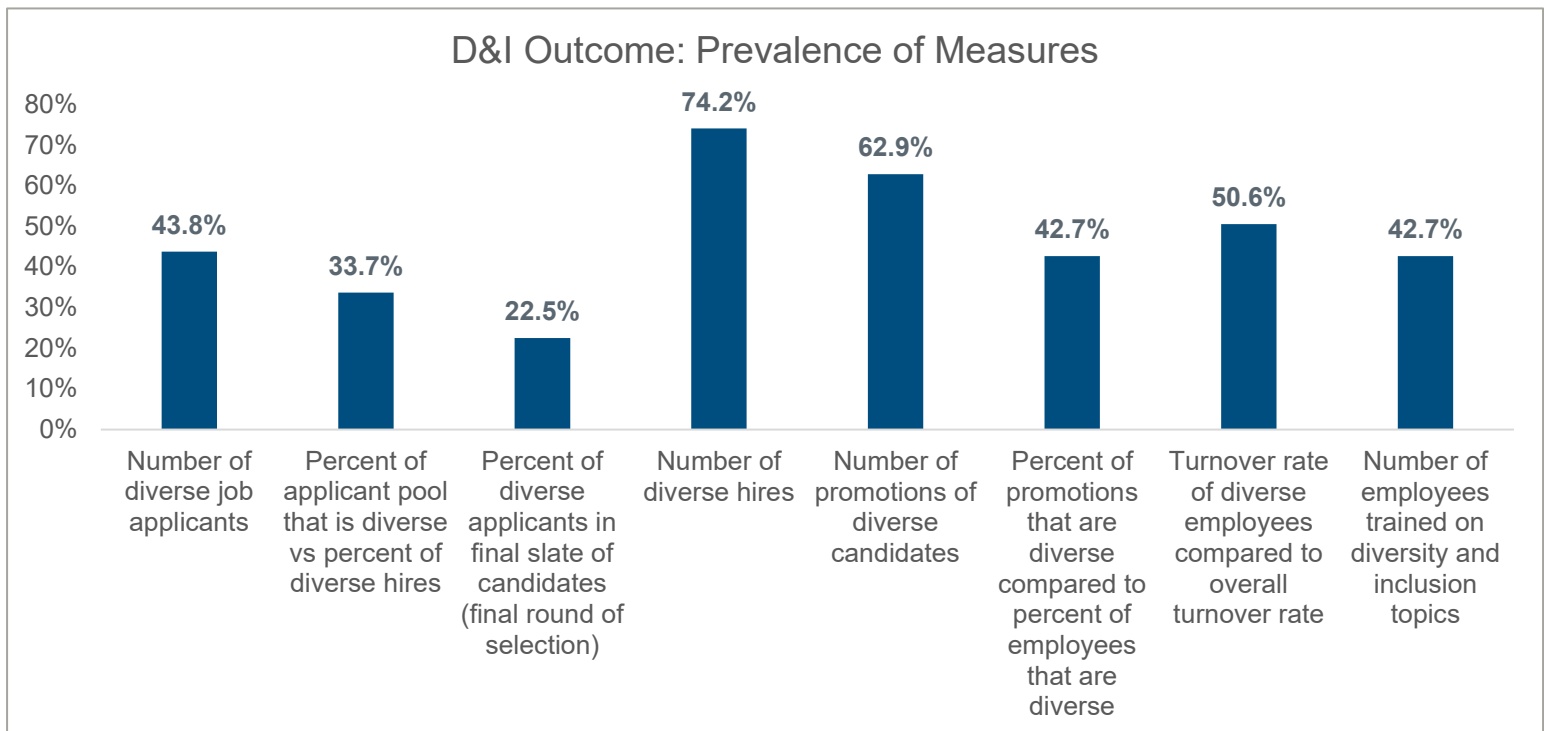




Measuring Outcomes

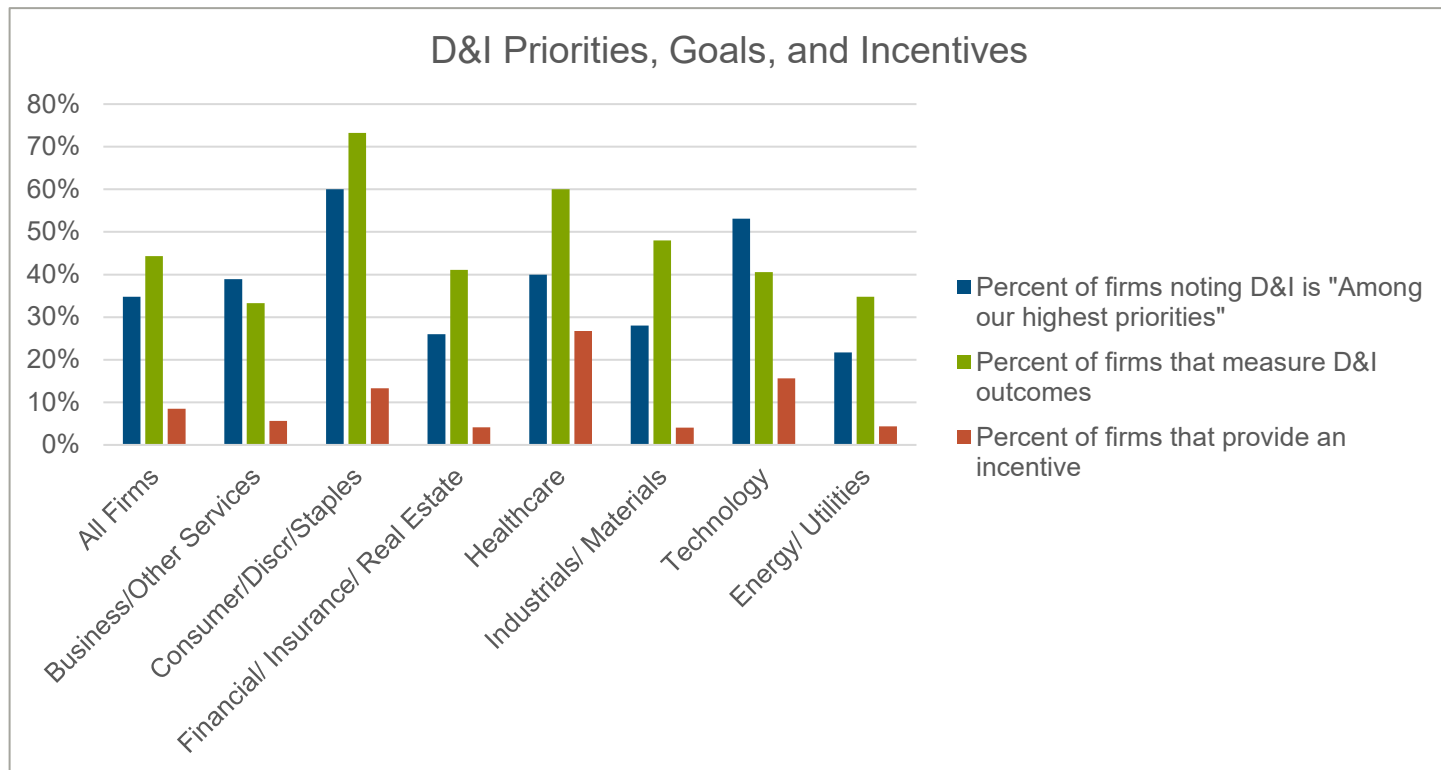
Measuring D&I Outcomes

- In participating organizations, 44% measured outcomes. The most prevalent measure of diversity is counting the number of diverse hires, followed by measuring the number of promotions of diverse candidates. Less prevalent is looking at diversity of the applicant pool and diversity of the final slate of candidates for roles.
- Organizations can make strides in hiring and promoting diverse candidates by ensuring that there is equal opportunity to be considered for promotions and focusing on the diversity of candidate pools at each stage of the recruiting and hiring process.



Prioritizing, Measuring, and Accountability for D&I

- There appears to be a greater percentage of firms that measure outcomes than firms that also have D&I among the highest priorities. Measurement is an important step; however, it will be more powerful when combined with prioritizing and holding leaders accountable for progress.
- In year-over-year trends, the consumer/discretionary/staples (75%) and technology industries (~50%) report seeing larger increases in women and minorities in management and leadership positions. Both industries also prioritize, measure, and hold accountable at a relatively higher rate.





Incentives Tied to D&I Program Outcomes and Goals

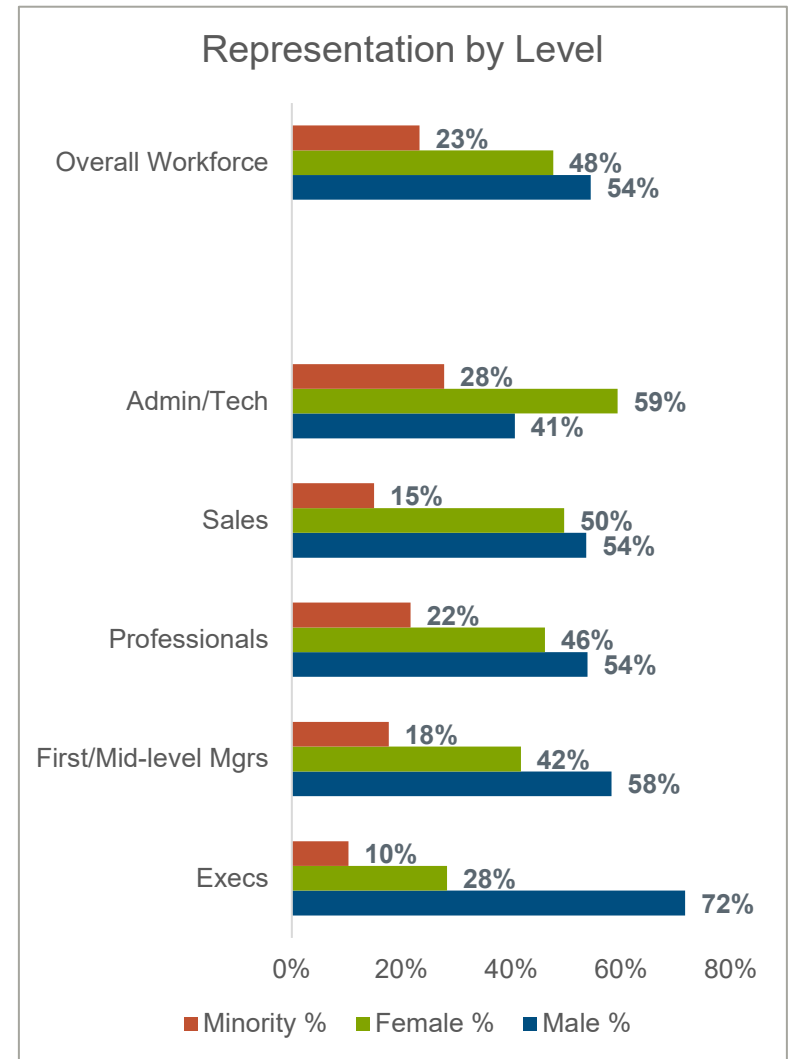
- A small percentage of firms tie D&I outcomes to incentive pay (8.5%), with most of the activity being in organizations with revenues/assets of \$3 billion or greater.
- For those firms tying incentives to D&I outcomes, the CEO, executive team, and CHRO are all held accountable through a variety of short- and long-term incentive plans.
- Short-term incentive plans are used as a vehicle to D&I goal achievement in 62% of these firms—generally favoring discretionary or quantitative modifiers.
- Long-term incentives are used in 55% of these firms and the use of a weighted goal is used in a quarter of these companies.
- The most prevalent use of incentives for D&I goals is found in the healthcare industry where a quarter of firms reported tying goals to incentive plans.



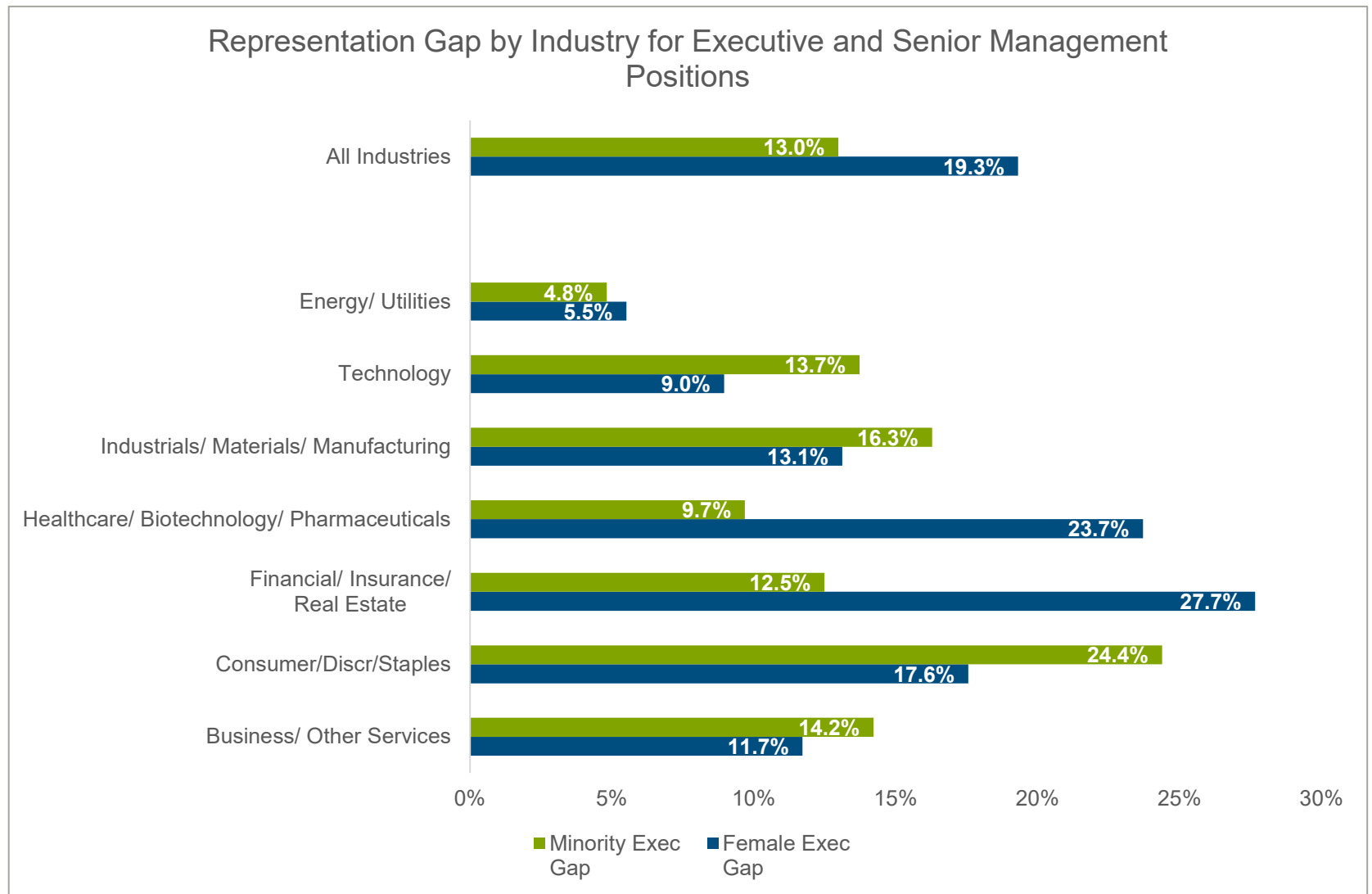
Representation

Gender and Minority Representation by Level

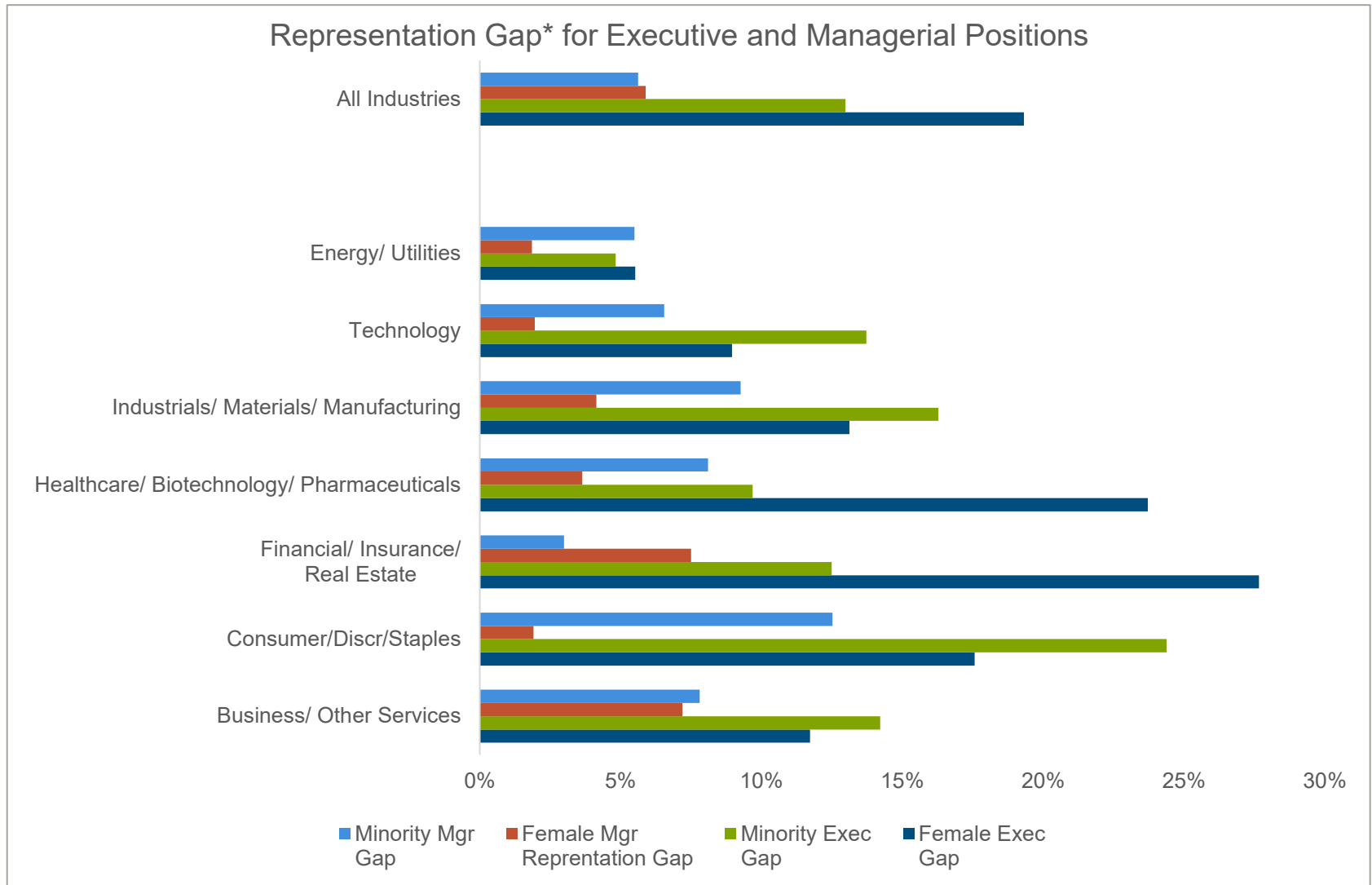
- Women and minorities are over-represented in lower level administrative and technical jobs and underrepresented in senior and executive level roles yet only 12.7% of responding companies have a formal process in place to increase female and minority representation in management and executive positions.
- While females make up 46% of the overall workforces of survey respondents, the percentages decline as you move up to higher levels in the organization, with female representation in the highest-level executive roles at 28%. Almost half of the surveyed organizations report that the representation of women in management and leadership is trending up.
- Racial minorities hold 23% of roles in surveyed organizations with that percentage shrinking at every level from professional up through executive levels with only 10% of those roles being held by minorities. One third of survey organizations have reported trending up/increase of minorities in management levels while 2/3rds report remaining stable over previous year representation.



Executive/Senior Management Representation Gap



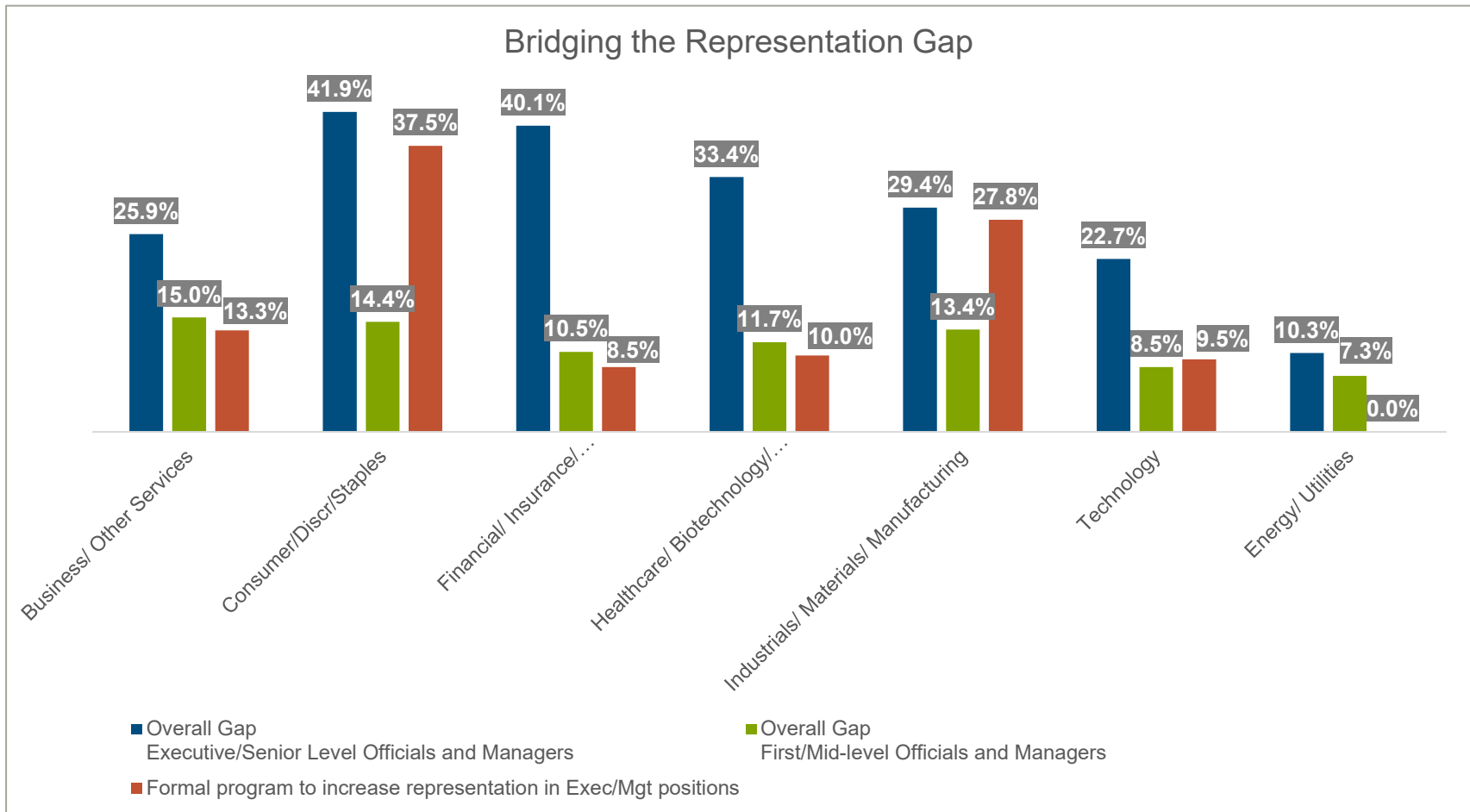
Representation Gap by Industry



*Defined as the difference in percentage points between representation at a level versus representation in overall workforce.

Representation Gap and Path Towards Opportunity Equity

- The data suggests that when organizations create formal programs to increase representation of women and minorities in senior management roles, they will provide opportunities that may begin to bridge the representation gap.

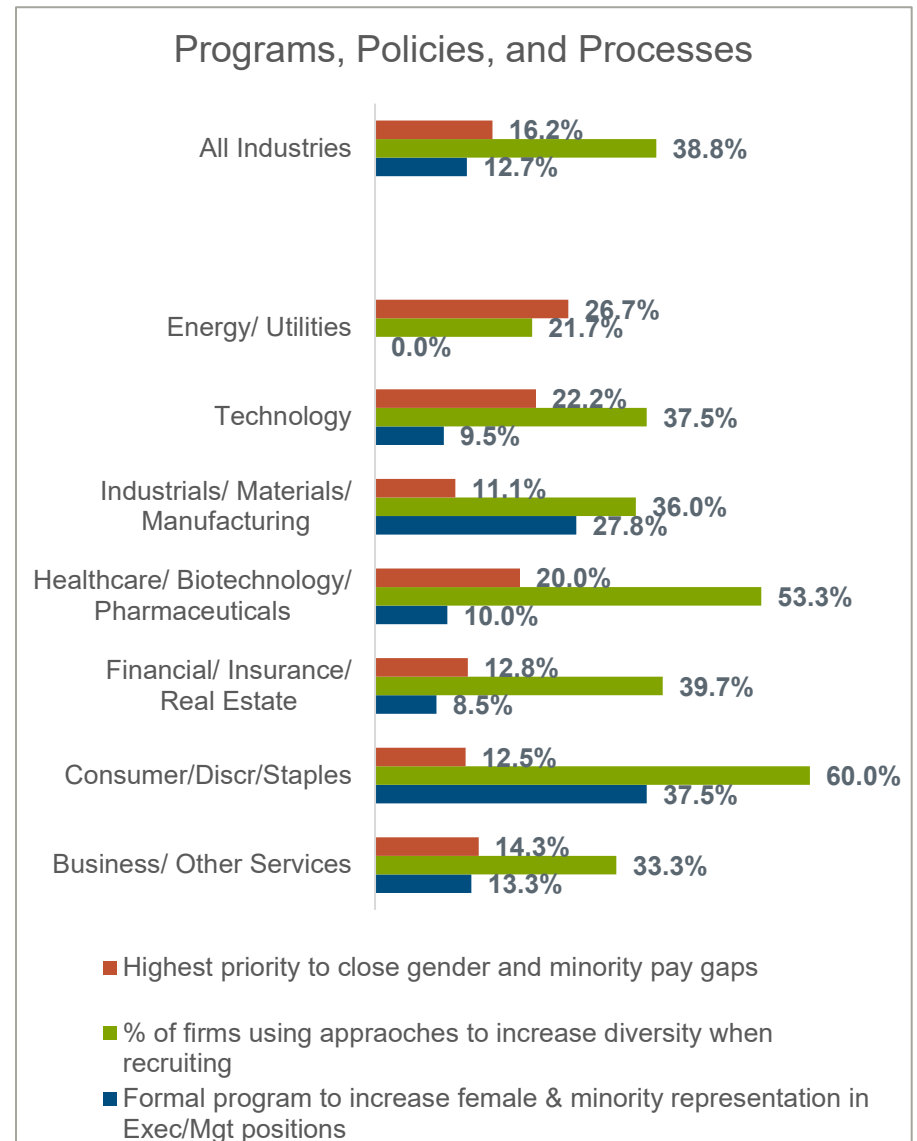




Programs, Policies, and Processes

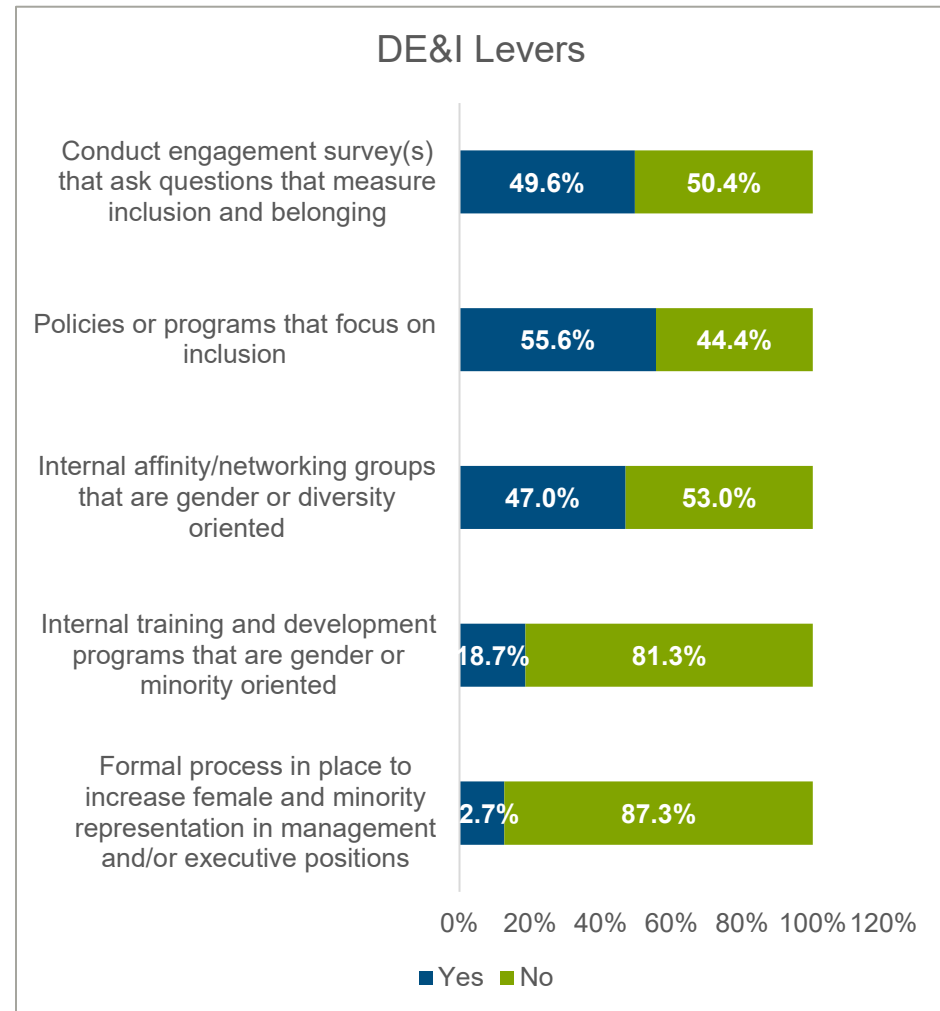
Programs, Policies, and Processes

- Organizations are using levers to increase the representation of women and minorities at management and leadership levels
 - Make it a priority to close the gap: technology, energy/utilities, and healthcare/biotech/pharmaceutical lead with 20% or more of the survey organizations noting it is highest priority
 - Begin with the source of your talent pipelines: increasing diversity when recruiting is used by almost 40% of firms, the highest percentage in healthcare/biotech/pharmaceutical and consumer/discretionary/staples industries
 - Create formal programs to close the representation gap: very few survey organizations are using this lever; only 12.7% have a formal program in place to increase female and minority representation in executive and management positions



Diversity, Equity, and Inclusion Levers

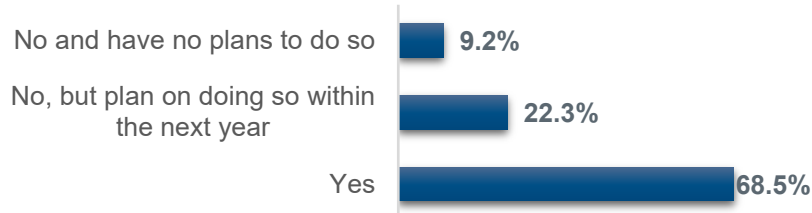
- The most prevalent programs, policies, and processes that survey participants utilize in the DE&I area are engagement surveys, programs on inclusion, and affinity/networking groups.
- Less utilized (but providing a big opportunity to impact DE&I in an organization) are internal training and development programs and formal processes to move the needle on representation of females and minorities in management and/or executive positions.



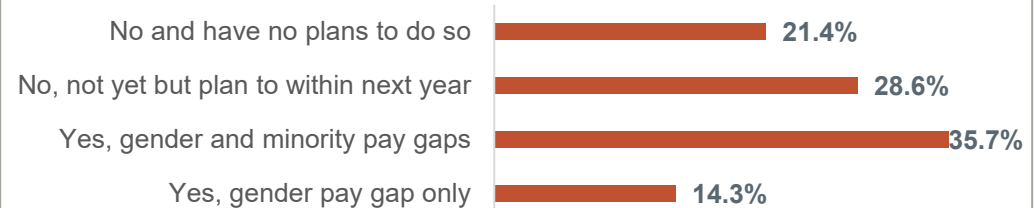
Pay Equity, Pay Gap, and Formal DEI Programs

- Assessment of pay equity continues to be high with over 60% of organizations currently assessing and another 30% planning to do so within the next year.
- The assessment of pay gap has increased among organizations surveyed, with around 80% assessing pay gaps or planning to do so within the next year, as compared to 70% of organizations in past year's survey
- Along with increases in percentage of organizations assessing pay equity and pay gap, there has been an increase in organizations that have formal D&I programs or plan to do so for 2021—close to 87%, up from 75% in our 2019 survey.

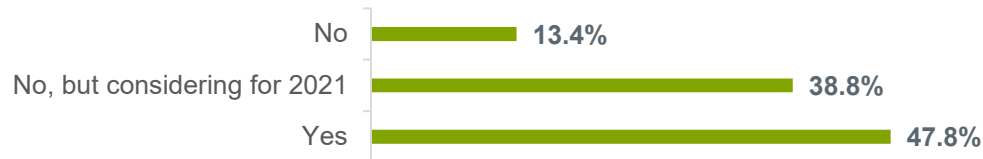
Does your organization formally assess pay equity?



Does your organization formally assess its pay gap?



Does your organization have a formal D&I program?

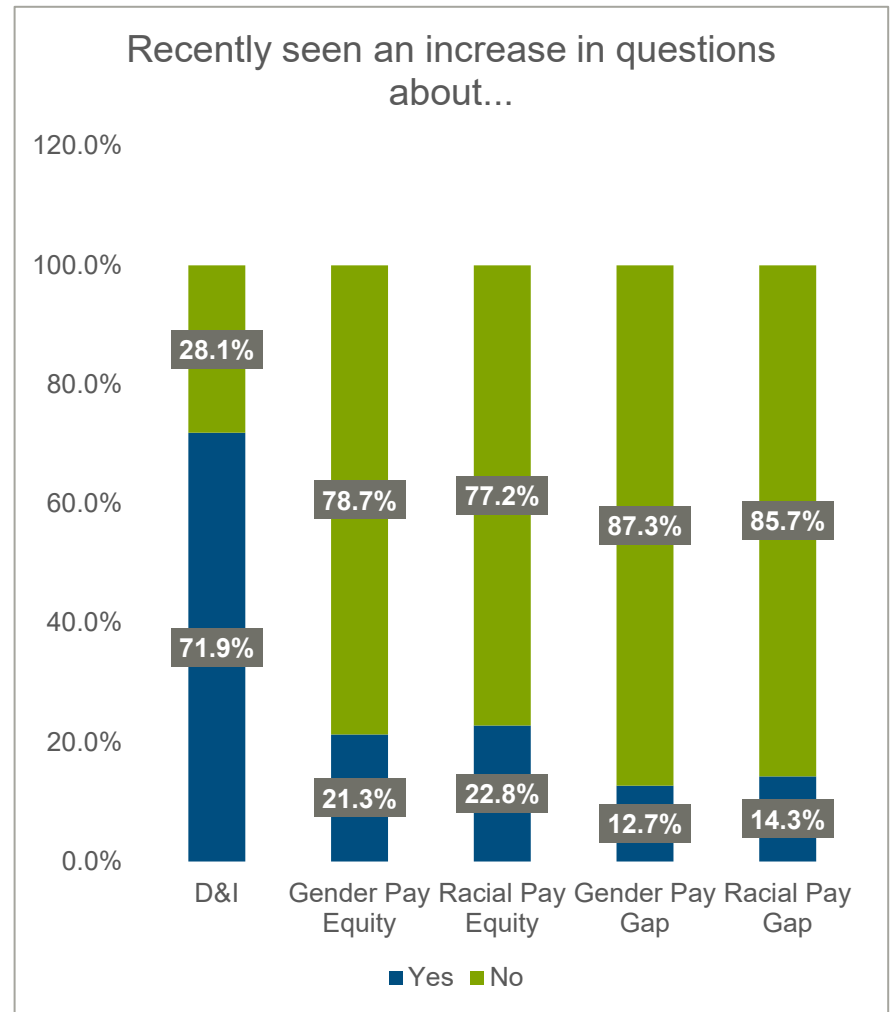




Communication

D&I Communication: Questions From Employees

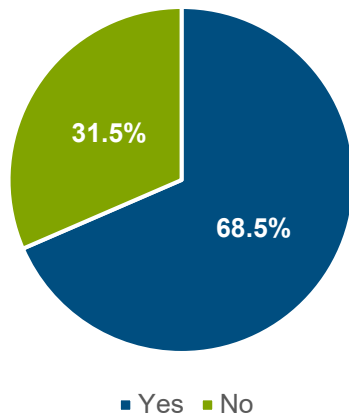
- Surveyed organizations have seen the largest increase in questions from employees regarding the topic of diversity and inclusion.
- Around 20% of the respondents have seen an increase in questions about pay equity.
- The least inquired-about topics are the gender and minority pay gaps.



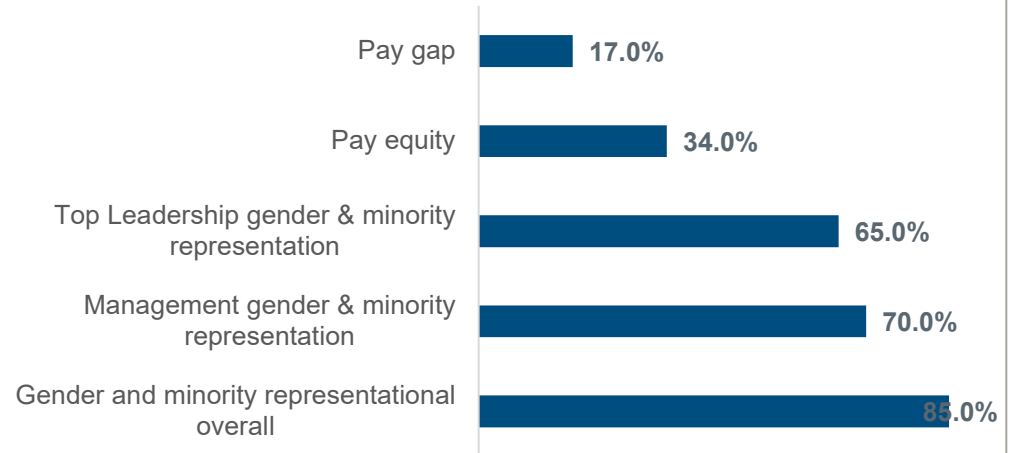
D&I Communication to the Board

- Almost 70% of organizations surveyed provide information on D&I-related issues to the board which is up considerably from our 2019 survey where about 50% of companies were sharing information with the board. In most cases, this information relates to gender representation.

Provide information on D&I-related issues to the board?

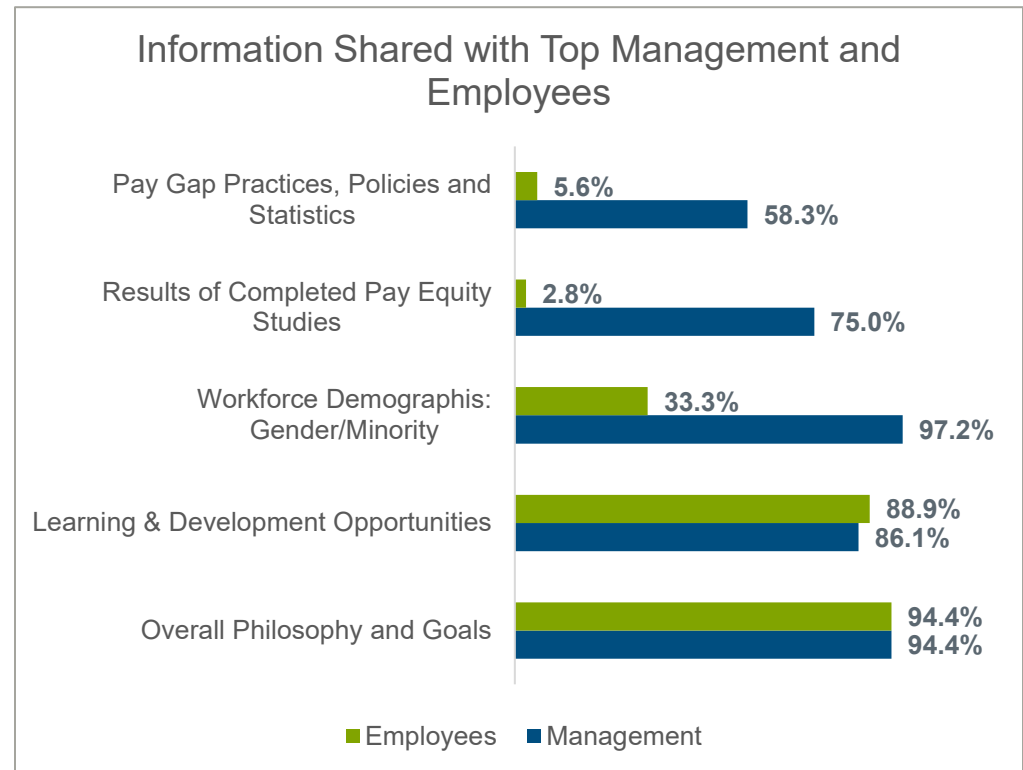
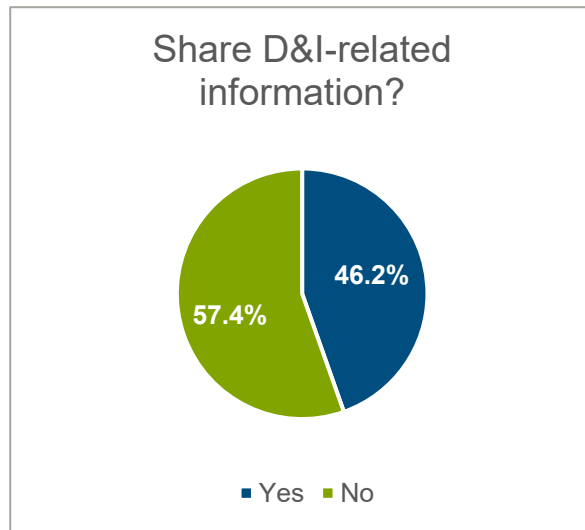


Information Shared with the Board



D&I Communication to Management and Employees

- Less than half of the organizations in this survey share D&I related information (e.g., overall philosophy and goals, workforce demographics, results of completed pay equity studies, etc.).
- Of those that do share information, it appears to be high level philosophy and goals. Less often shared with employees are workforce demographics by gender and minority status, results of pay equity studies, and pay gap practices, policies, and statistics.

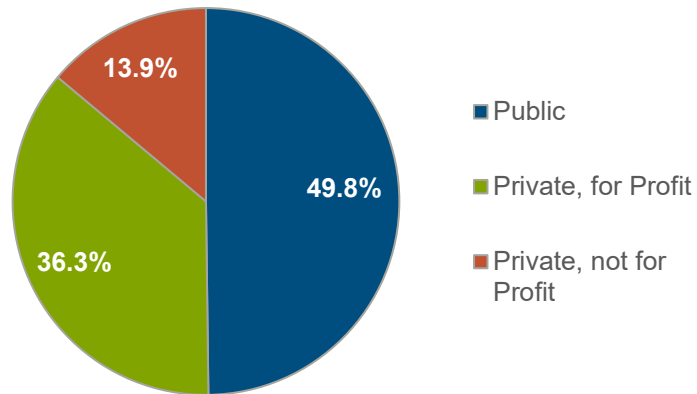




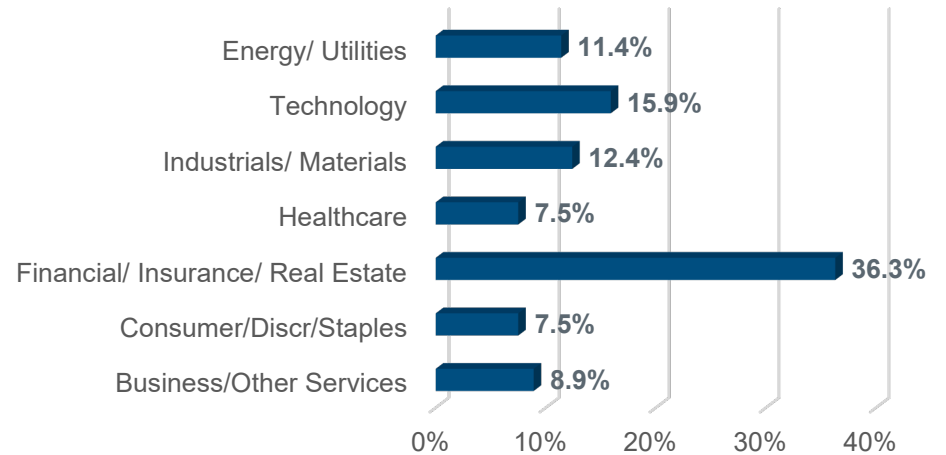
Demographics

Survey Participant Demographics

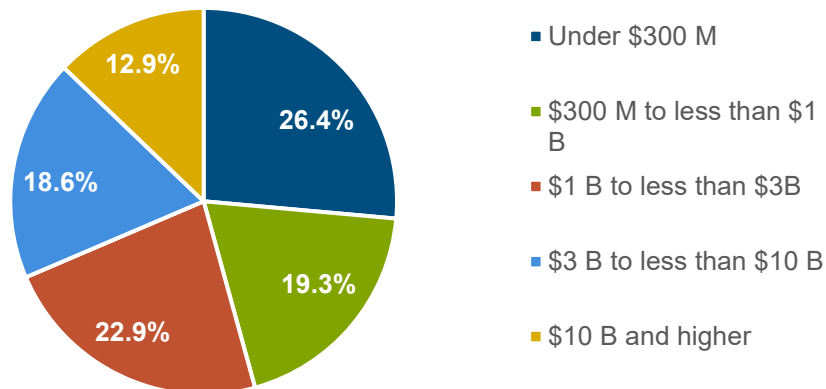
Ownership



Industry



Revenue/Asset Size





About Pearl Meyer

Pearl Meyer is the leading advisor to boards and senior management on the alignment of executive compensation with business and leadership strategy, making pay programs a powerful catalyst for value creation and competitive advantage. Pearl Meyer's global clients stand at the forefront of their industries and range from emerging high-growth, not-for-profit, and private companies to the Fortune 500 and FTSE 350. The firm has offices in Atlanta, Baltimore, Boston, Charlotte, Chicago, Houston, London, Los Angeles, New York, Raleigh, and San Jose.



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