

# **The AAP & DEI Connection**

*Greater Houston ILG Event*

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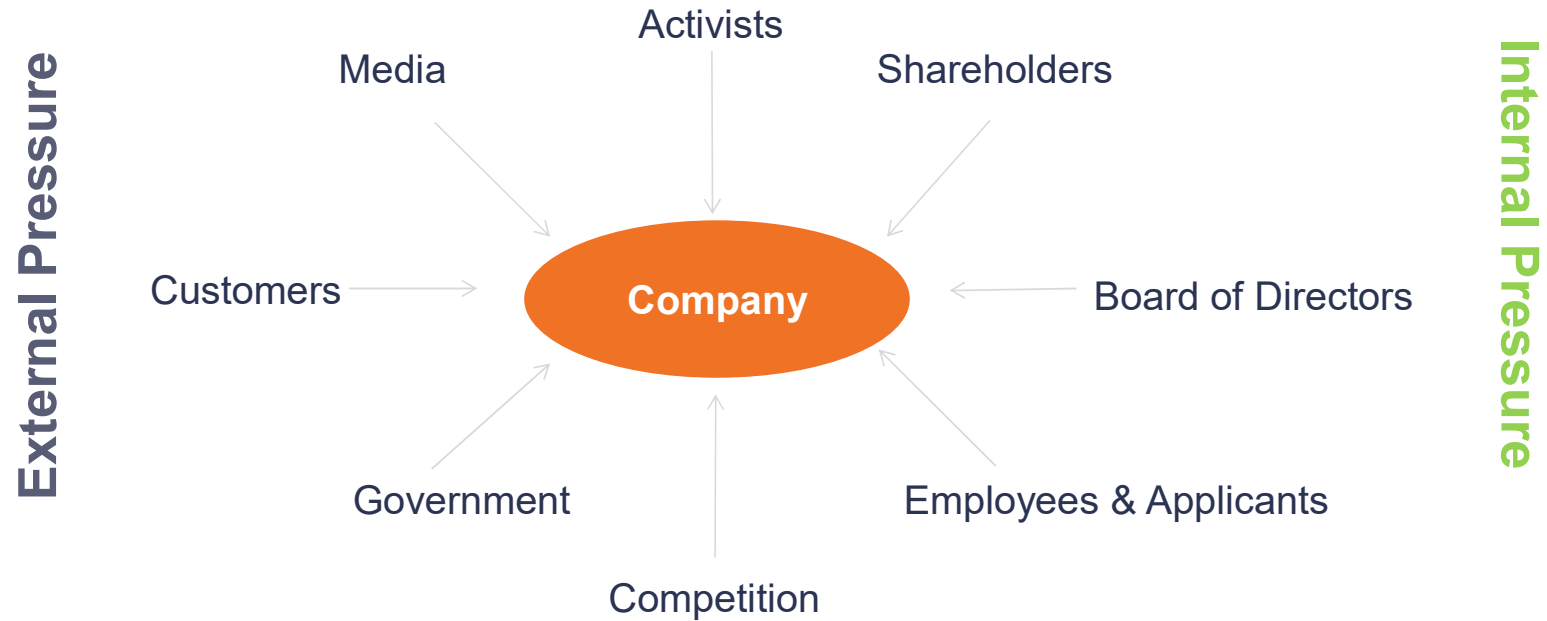
# Agenda

- 1 Advancing Racial Equity**
- 2 AAP Trends to Monitor**
- 3 Beyond AAP Implementation**
- 4 Evidence-based Best Practices**



# Advancing Racial Equity

# Stakeholder Pressures



# Shareholder Drive for Accountability



Rankings Polling Is

## Companies Disclosing the Highest Level of Workforce Diversity Data – EEO-1 Report – Saw Higher 2021 Returns

by **Emily Bonta, Mona Patni**  
February 8, 2022

### CATEGORIES

**Chart of the Week** Diversity & Inclusion Racial Equity

### SHARE

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Eighteen months following the swell in diversity, equity, and inclusion (DEI) commitments from corporate America, stakeholders from employees to investors to regulators are looking for signals of action and progress. For many, that means asking companies to disclose the racial and ethnic demographic makeup of their workforce. This week, **we published a new analysis** that examines if, and how, Russell 1000 companies are sharing this information.

<https://justcapital.com/news/companies-sharing-eeo-1-data-saw-higher-returns/>

## NYC Comptroller and Pension Fund Trustees Announce Agreements With 11 Companies to Disclose Annual Workforce Diversity Data

March 31, 2022

11 Companies Have Committed to Publishing Their EEO-1 Reports Annually. The Number of S&P 100 Companies Disclosing EEO-1s Has Risen from 14 to 85 since 2020.

<https://comptroller.nyc.gov/newsroom/nyc-comptroller-and-pension-fund-trustees-announce-agreements-with-11-companies-to-disclose-annual-workforce-diversity-data/#~:text=Workforce%20Diversity%20Data,NYC%20Comptroller%20and%20Pension%20Fund%20Trustees%20Announce%20Agreements%20With%2011,Disclose%20Annual%20Workforce%20Diversity%20Data&text=11%20Companies%20Have%20Committed%20to,14%20to%2085%20since%202020.>



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# Human Capital Transparency

## Types

- Human Capital Disclosures
  - Wage Gap Study
  - Workforce Demographics (e.g., EEO-1 filings)

## Avenues

- Company Website
- U.S. Securities and Exchange Commissions
- Environmental, Social, and Corporate Governance Reports

# Emerging “Social” Trend

- Civil Rights Audits (a.k.a., Racial Equity Reviews)
  - Go beyond disclosing wage gap, pay equity commitments, and workforce demographics
  - Third party and neutral review to determine whether a company causes or perpetuates racial disparities and systemic concerns
  - May be extensive or narrow in scope, time, and resources
  - Goal to **advance racial justice** and **inform ESG report objectives**
  - Multidisciplinary approach is ideal
    - For example, DCI approach is to include *Legal, Industrial-Organizational, Social and Organizational Psychology, Labor Economist, Business Administration, Marketing*



## **AAP Trends to Monitor**



# Critical Components of an AAP

- Placement Goals (Minority and Sex)
  - Composite Availability Figure
  - Utilization Analysis
- EEO Disparity Analyses
  - Hires/Selection
  - Promotion
  - Turnover (Voluntary and Involuntary)

# 2018 EEO Tabulation Source

- American Community Survey Ongoing survey by the Census Bureau that gathers information on ancestry, education, disability, housing (handbook link)
  - EEO Tabulation data on ethnicity/race & sex by census occupation code and geographical area
- Latest ACS data released by the United States Census Bureau link )
  - EEO Tabulation 2018 (5-year ACS data)\*
  - 01R Residence Geography / 01W Worksite Geography
  - \*Replaces the 2010 EEO Tabulation
- Why is ACS data important to us?
  - Primary resource of external benchmark figure of qualified ethnicity/race & sex for AAPs
  - Foundation of comparative benchmarks for utilization and goals
  - Contractors must begin using the 2018 EEO Tabulation to develop AAPs that commence on or after January 1, 2022

# Area of Opportunity 1 of 3

## *Understanding Alternative DEI Sources*

2010 EEO Tabulation	2018 EEO Tabulation	2018 EEO Tabulation (Sector*)	2020 Decennial Census
<b>67.05%</b> White <i>(Not Hispanic or Latino)</i>	<b>62.71%</b> White <i>(Not Hispanic or Latino)</i>	<b>72.08%</b> White <i>(Not Hispanic or Latino)</i>	<b>57.80%</b> White <i>(Not Hispanic or Latino)</i>
<b>32.95%</b> Minority	<b>37.29%</b> Minority	<b>27.92%</b> Minority	<b>42.2%</b> Minority

*\*NAICS 2-digit code 21 – Mining, Quarrying, and Oil and Gas Extraction.  
These are overall figures that are not specific to EEO-1 Categories 1.1 and 1.2.*



## Area of Opportunity 2 of 3 *AAP Placement Goals*

### Repeat AAP Goals

Are placement goals occurring within a location or is there a pattern across locations/functions, job groups, or protected class?

Would running the analysis at the subgroup race and ethnicity level provide additional insights?

Is there statistical and practical significance?

What other data points are critical to consider when identifying the level of impact and prioritization

### Actions from a DEI Lens

Pinpoint pattern of repeat goals within or across locations/functions, job groups, and protected class

Total minority representation may produce or mask underrepresentation at a refined protected class level

Couple statistical and practical significance methodology (e.g., standard deviation and 80% rule of thumb)

Consider additional data points of interest such as volume of hiring, expanding geographical search area, and shortfall

## Interest Area 3 of 3

# *Holistic Review of AAP Findings*


- Can you identify any repeat disparity flags for selection, advancement, or turnover:
  - within location/function?
  - across location/function?
  - at the subgroup race and ethnicity level?
  - using highest selected methodology?
- Are there holistic patterns of underrepresentation and disparity flags in selection, advancement, or turnover?
- Have you conducted a component or steps analysis of the selection process?



# DEI Opportunity

## Root Cause

- Are we attracting diverse talent to apply at a rate that is available?
- Is the representation distributed similarly throughout all stages of the selection process or is there a bottle-neck?
- Are we sustaining diverse talent throughout all stages of the applicant process at a rate that is available?
- Are we advancing talent at a rate we would expect given the representation of internal feeder pools?
- Are we retaining talent at a rate we would expect given internal representation?

# Employee Lifecycle from a DEI Lens

	Starting Employment Ratio	Job Seeker Ratio	Applicant Ratio	Hire Ratio	Promotion Ratio	Termination Ratio	Ending Employment Ratio
<i>Management</i>	74.87%	103.33%	95.00%	82.30%	85.45%	22.22%	82.34%
<i>Professionals</i>	122.40%	133.44%	129.56%	121.22%	120.55%	32.56%	124.98%

	Exceeding peer representation 120% or more		On-target of 80%-120%		Less than 80% of peer representation
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# Beyond AAP Implementation



# AAP versus Diversity Framework



# Equity Reviews

Comprehensive review and assessment of current DEI programmatic efforts and organizational culture component to determine **potential barriers to racial equity** and suggestions to **remedy** gaps.

- (1) Quantitative – descriptive, diagnostic, predictive, and prescriptive
- (2) Qualitative – materials review and discussions or surveys with employees and management
- (3) Both

# Equity Reviews

## *Client Documents, Materials, and Websites (Request)*

<b>The objective is to obtain all documentation that elicits a reflection of equity within the current culture</b>	<b>Recruitment and Selection</b>	New hire orientation
		Job applications – processes, forms
		Hiring committee and interviewing procedures
		Onboarding – processes, documents, mentorship
	<b>Employee Lifecycle and Experience</b>	Employee performance management systems
		Succession planning strategies and approaches
		General standard operating procedures and employee handbooks
		Employee attitudes and views (e.g., engagement, satisfaction, commitment)
		Leadership development and promotion criteria
	<b>Accessibility</b>	Core values and competencies
		Accommodations request process
	<b>Diversity Resources and Tools</b>	Workplace flexibility policies and resources
		DEIA statement
		Employee resource group (ERG) documentation
		Mentoring and shadowing programs
	<b>Learning and Workforce Development</b>	DEIA service committees and taskforces
		Training materials and other resources
		Learning and attitudinal outcomes
		Employee reactions to training



# Evidence-based Best Practices

# Mending Diversity Gaps: Attracting

## Research

K. M. Thomas and Wise (1999) found that (a) women place more importance than men on diversity and job factors and (b) minority job seekers place more weight on the demographics of recruiters and organizational diversity characteristics than their White counterparts.

Freeman (2003) replicated and extended the former finding by demonstrating that employee diversity, work–family balance, and the presence of similar colleagues were more important to women, whereas a high starting salary was more important to men. Backhaus, Stone, and Heiner (2002) also reported that minorities rated diversity as more important in a prospective employer than White participants

# Mending Diversity Gaps: Selecting



Structured interviews with pre-set grading criteria

The diagram consists of three horizontal bars of different colors (green, teal, and dark blue) stacked vertically. To the left of each bar is a white circle with a thin black outline. A thin black line connects the top of the first circle to the top of the second circle, and another line connects the bottom of the second circle to the bottom of the third circle, creating a zig-zag path.

Blind resume review to applicant name and location

Presenting statements on EEO for applicants to believe

# Mending Diversity Gaps: Retaining

Diversity  
statements that  
are accepted by  
minority groups

ERGs

Mentorship  
programs

Top-down  
support



**Thank you for your attention!**

Please reach out with any questions.  
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