

# Knee-Jerk Cuts To DE&I Spend Can Have Serious Long-Term Consequences



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Whenever the world enters a period of economic downturn, organizations are obliged to take difficult decisions on spending. Often this means cutting headcount, as we've seen with recent announcements from Meta, Twitter, and Amazon.

Typically the challenges are cyclical, and the outcomes predictable. This time around, however, the downturn is different. Inflation is high and the business environment is tough, and many markets are dealing with labour shortages and struggling to attract and retain talent. Unemployment is unlikely to rise to the heights seen in previous economic retreats.

A document produced for the *Paradigm For Parity Annual Meeting 2022, Leadership Now: Shaping the Future*, featured US data from Gallup. It illustrated why, in a time of economic strife, organizations need to avoid making knee-jerk decisions.

Gallup found that for the first time, employees (and potential employees) value the efforts that organizations make in relation to diversity, equity, and inclusion (DE&I). It's as important, Gallup notes, as remuneration in the decision-making process as to whether to join or stay with a business: when compared

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with pre-pandemic data, 14% said they would leave for better pay and benefits, but 9% would leave if not treated with respect, and 6% would leave for a better work/life balance. What's particularly interesting is that the last two figures increased in prominence, while the first fell.

There are two more facts from the survey that should be of concern to organizations struggling with staff: one in four employees said they have been recruited in the past three months, and one in ten said they have been recruited even though they were not actively looking for a new job or even watching for opportunities.

### A surmountable challenge

It's clear that employers have a challenge, but it's not insurmountable if corporate mindsets in relation to HR and DE&I change. Often considered a discretionary spend, they are typically the first to be cut as they are not seen as relevant during a downturn. DE&I suffers from an image problem; a 'fair-weather' activity, when in truth, the more we equate diversity with sustainable success, the more we should see this spending as essential.

Times have changed for organizations wanting to attract, retain, motivate, and develop talent. Regrettably, those that categorize DE&I expense as discretionary will be left with individuals who only preserve the status quo – leaving little opportunity to turn around corporate fortunes.

We must recognize that societies are ageing and that in some, ageing faster than the younger generations can be integrated into the workforce. With the prospect of low unemployment rates in this downturn talent occupies the high ground in what is now clearly a seller's market.

### Employees value values

Many, and the young in particular, place greater emphasis on the value and importance of an organization's record on DE&I. This is especially so when looking for a new position or if deciding to stay. Having DE&I embedded, along with flexible working, is no longer seen as a perk; today they are expected. This means that in the current economy organizations cannot slow down their efforts and investments in DE&I. On the contrary, the size of an organization's investments matter, and to ensure they are successful requires harnessing those tools that help empower, upskill and transfer knowledge.

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For corporate sceptics, making knee-jerk cuts – including cuts to DE&I – may work in the short-term, but for the medium- and long-term, they create risk, especially as economic cycles appear to be becoming shorter.

Consider the effect of the pandemic on airlines. Collectively, they removed hundreds of thousands from payrolls almost overnight, but such cuts came back to haunt them when travel very quickly reopened. With oversold flights and no staff, traveller discontent made the headlines following the cancellation of countless holidays. Of course, the airlines had to make changes, but those changes should have been executed with an eye on the future success of the organization and not just the short-term interests of shareholders.

As Gallup found, how an organization is viewed – even when individuals aren't proactively looking for work – is a function of how actively it invests in DE&I. It's true that employees require fair remuneration, but they also want to work for organizations that respect both their views and their work.

Of course, organizations need to respond to economic drivers, but they must do so with an eye on their people and associated investments. Just as every action has a reaction, so consequences follow from every decision taken. Future success is dependent on DE&I being built into an organization's long-term plans.

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