

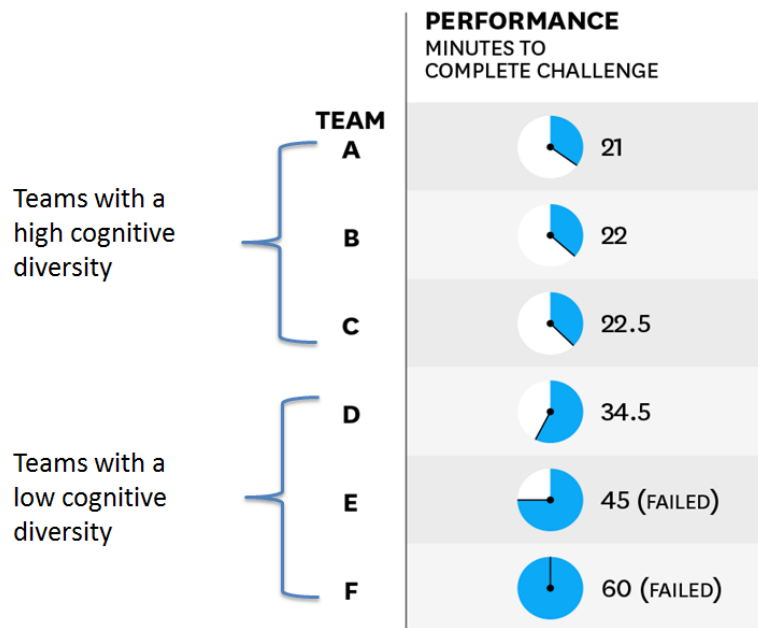
Issues note - Plenary II:
What is the economic impact of diversity
and how can we make a stronger business case?

Diversity is integral to a strong economy and inclusive growth. A diverse and inclusive economy is an economy that does not discriminate and treats all its groups on an equal footing. Equal opportunities with respect to education and jobs can generate a wide range of economic benefits. First, it allows all groups to reach their full potential. As an illustration, the [French government computed in 2015](#) that France would gain some 150 billion Euros, or 6.9% of the 2015 GDP, over 20 years (i.e. a 0.35% increase in GDP per year) by increasing access to skilled jobs and the overall employment rate for women and minorities. Better inclusion also benefits the economy by reframing incentives: the previously disfavoured groups see a point to becoming more engaged, while the previously favoured groups can no longer take their position for granted and also have to engage more actively. What is more, equal opportunities tend to increase workers' well-being, a key driver of their performance. . [A recent study performed in the UK](#) provides evidence on the impact of happiness on productivity. It finds that happier people are around 12% more productive.

But the benefits of higher diversity are not limited to those of reduced discrimination. Enhanced diversity increases the prospect for complementarities between different skills, experiences and ideas, especially among teams involved in collective problem-solving. [Research](#) finds that teams higher in cognitive diversity, defined as differences in perspective or information processing style, solve problems faster than teams where everyone has the same thinking style. Higher diversity also makes firms attractive to a wide range of stakeholders who matter for their profitability. It allows companies to stay connected with an increasingly diverse consumer base, in particular when they work globally, and to entice consumers and investors who care about corporate social responsibility. According to [a survey conducted in 2015](#) among 300,000 consumers in 60 countries, 66% of them are prepared to pay more for socially-responsible brands – an 11 percentage points increase compared to the previous year. This upward trend is particularly strong among the Millennials (born between 1980-2000) where the proportion of consumers who notably care about the social value created by a company reaches 73% - up from 50% in 2014. Finally, employing migrants may also be economically beneficial by expanding a firm's export sales. . [A study in Denmark](#) suggests that hiring foreign employees allows firms to benefit from personal and business networks abroad that can contribute to decrease their trade costs.

Of course, diversity also entails challenges by potentially increasing coordination costs and conflict. Inclusion is a key prerequisite in order to reap the full benefits of diversity. Some evidence suggests that ethnically diverse work teams can outperform more homogeneous ones [in a diversity-inclusive environment](#), while the reverse is true [in environments characterized by inter-ethnic tensions](#). These observations imply that all stakeholders – government, social partners and civil society - should intensify their efforts to create an environment in which all groups feel valued and respected and have access to the same opportunities.

Higher cognitive diversity within team correlates with better performance



Note: Cognitive diversity is calculated as differences in thinking styles present on each team

Source: Alison Reynolds and David Lewis, 2017, "Teams solve problems faster when they are more cognitively diverse," *Harvard Business Review*.

Questions for discussion

What is your personal experience of the economic impact of diversity?

What is the business case for investing and promoting diversity in the workplace?

What is the role of public policy in making diversity inclusive at the firm level?

In which business contexts, and for which groups, is the promotion of diversity particularly challenging?

Speakers

Olivier Héroult

Denise Hottmann

Seija Ilmakunnas

Stefano Scarpetta

William Spriggs

HR Director in charge of HR Strategy and Social Affairs at Engie
Representative of the German Diversity Charter and Head of Diversity and Inclusion at Boehringer Ingelheim Deutschland
Director of the Labour Institute for Economic Research, Finland
Director for Employment, Labour and Social Affairs, OECD
Senior Economist to the AFL-CIO (umbrella organisations of US trade unions)