DRIVING POSITIVE CHANGE THROUGH DIVERSITY, EQUITY AND INCLUSION

Addressing diversity, equity and inclusion (DE&I) in the workplace enables organizations to build value for all stakeholders.

Reshape and Optimize
Your Workforce for the Future

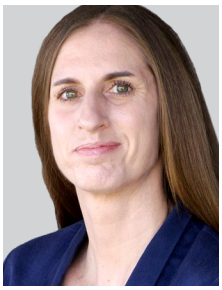
AON

EXECUTIVE SUMMARY

A data-driven approach to addressing diversity, equity and inclusion (DE&I) in the workplace holds leaders accountable and enables organizations to reshape their workforce for the future – building value for all stakeholders.

Companies that provide a workplace where diversity, fairness and transparency are valued will be leaders on important societal issues. Also, they are more likely to experience financial benefits, with diverse workforces providing better employee experiences and fulfilling stakeholders' expectations.

Organizations need to reshape and optimize their workforces for the future



The way people work is changing at an accelerated pace. Planning for the future requires organizations across geographies and industries to build agility and resilience among their workforces. We believe there are four issues that firms should prioritize in order to help them future-proof their business by leveraging their greatest asset — their people. In our series of Future of Work papers, we explore how and where people should work; closing the future skills gap; the future of pay; and — the subject of this paper — driving positive change with DE&I. Within each of these issues, we present a framework for addressing meaningful and lasting change.

However, the work does not end there. None of these issues have an end date. Through Aon's Accelerate Model, organizations can apply insights around rewards, future skills, where people work and DE&I through a data-driven approach. This allows them to continually assess opportunities for action with speed and scale. It is through this lens that adjusting to constant change in the workplace, no matter your firm's unique profile, is possible.

Driving positive change

Improving DE&I has long been a goal of many organizations, but with more than three-quarters of global companies telling us DE&I is a top priority in 2021, this issue has never been more prominent. Stakeholders are demanding measurable evidence of meaningful change through colleague engagement and corporate disclosure. The COVID-19 pandemic has presented an opportunity for organizations to rethink the future of work and reshape their workforce for the better. For example, with the increase in remote working, companies have the opportunity to widen their talent pools in order to include access to more diverse candidates.

Addressing DE&I is critical to not just doing the right thing (although the moral imperative is unequivocal), it will boost performance in more ways than one. The Aon Diversity Patent Index finds that the higher an organization scores on its diversity patent index, the more patents they tend to submit, creating more value for the company. Other Aon research has found that directors and officers (D&O) insurance, which can be hard to obtain at reasonable prices because of the litigation environment, is easier to secure at reasonable rates for firms with good diversity at leadership and board levels. The list of similar research findings is extensive. Inclusion and diversity increase the talent pool, bring new perspectives into an organization, improve the employee value proposition and drive a fair and equitable culture — all leading to greater attraction and retention of talent, as well as a more resilient organization overall.

In this paper, we move beyond the reasons why organizations should pay attention to DE&I — we believe that notion is long settled — and focus on how to use data and analytics to actually achieve DE&I goals. Throughout, we illustrate with case studies how small actions can lead to big change.

There is an urgent need for organizations to act on these issues quickly – not just because key stakeholders expect and demand it, but because failure to do so will put businesses at a clear competitive disadvantage.

Laura Wanlass
Partner, Corporate Governance and ESG Advisory Services, Human Capital Solutions, Aon

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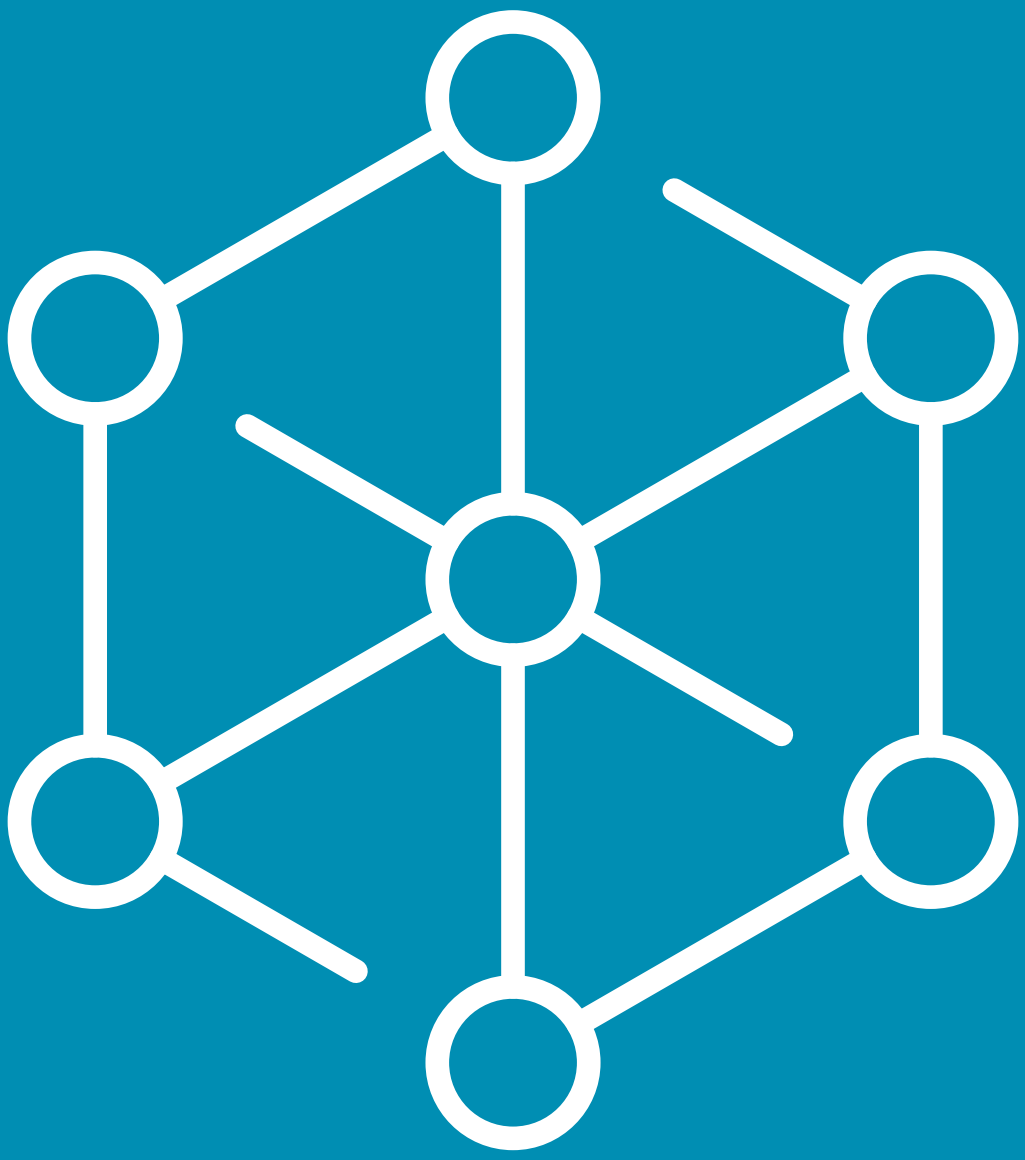

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"Taking a deeper dive into a firm's DE&I progress and stated goals — supported through data — will drive the change the business wants to see. While many organizations think they need to come up with bigger and better DE&I policies, oftentimes, the biggest impact comes from ensuring existing programs are living up to their potential."

Kelsey Owen,
Associate Partner, North America,
Human Capital Solutions, Aon

Data and analytics to drive better DE&I outcomes

Organizations that are most successful in meeting their DE&I goals take a holistic approach rooted in data to inform next steps and create lasting change.

Firms must balance costs, risks and agility through a DE&I lens. The first step in taking a data-driven approach is to assess your organization's current state and identify opportunities for specific action.

Each firm's DE&I journey can vary widely. The maturity curve we have developed (see more details on the next page) was informed by our work with hundreds of organizations across all sizes, geographies and industries that are on different paths toward achieving their DE&I goals.

The first step in the process is typically measuring and establishing a DE&I baseline, followed by setting goals and tracking progress. Once those activities have been established, firms will need to re-evaluate and adjust their metrics and then communicate and disclose progress to stakeholders in the form of public filings and engagement activities.

Steps for a data-driven approach to developing DE&I programs

1. **Combine internal and external data** and audit a firm's programs and policies.
2. **Supplement data** with employee surveys and interviews with leaders.
3. **Identify diversity metrics** throughout employee lifecycle.
4. **Establish a go-forward strategy** at the enterprise level.
5. **Set up a monitoring system** to report KPIs[1] with adjustments as needed; reporting is typically provided to the board and C-suite.

[1] KPI: key performance indicators

Diversity, equity & inclusion maturity curve

Data and analytics are key throughout every stage.
Organizations need to leverage data to drive insights and identify the right business metrics. The right metrics are critical to diagnose issues, solve challenges, drive accountability and enable transparency.

Taking the pulse of a firm's current state

Using Aon's human capital data, we can map rewards and workforce composition data for an organization compared to key benchmarks (e.g., industry, size and select peer group). Our data-driven approach combines a firm's three- to five-year historical HRIS data and Aon's proprietary database, including market compensation and full census workforce survey data, job taxonomies and leveling criteria. We then audit a firm's policies and programs across the employee lifecycle, based on data benchmarks. Employee surveys, interviews and focus groups also inform recommendations for the best opportunities for action. All this data needs to be mapped to inform the KPIs relating to sourcing, progressing and retaining talent, which we discuss later in the paper.

In May 2021, only 20% of 1,354 organizations surveyed globally said that they had publicly shared DE&I metrics.[2] The good news is that 28% confirmed having metrics, but that they were not publicly available. Half the firms surveyed did not have any DE&I metrics; however, 31% said they were intending to create them. Metrics drive behavior and need to relate back to talent sourcing, promotion/progression and retention. Once these metrics are identified, a go-forward strategy can be established to meet goals at the enterprise level. Systems need to be established to monitor and report against KPIs with adjustments as needed. Regular reporting should occur at the C-suite and potentially at board level with outward-facing communications and disclosures.

Aon's unrivaled workforce data and assessments inform DE&I strategy

14 million
data covering 14 million employees

88+
countries

30 million
candidates assessed annually

▼

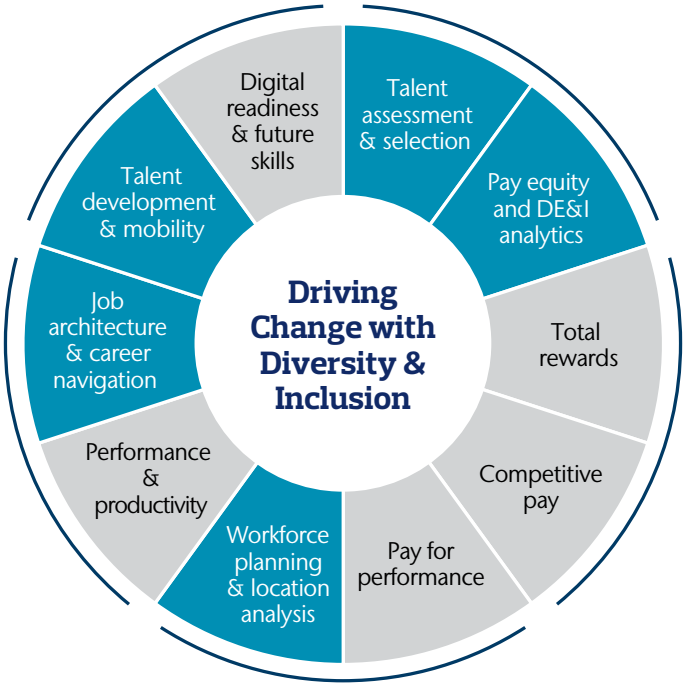
Aon's data tracks gender, tenure, age, ethnicity and more.

31%

In May 2021, nearly a one-third of 1,354 companies globally told us that they did not track DE&I metrics but were intending to create them.

[2] Source: Aon Global HR Pulse Survey #7, May 2021

DE&I impacts a variety of human capital issues. The blue-highlighted areas are often most influenced by a firm's DE&I initiatives.



Defining DE&I

In this paper, we focus on DE&I in the workforce and workplace. Increasing diversity among your workforce includes looking for talent from different cultures, nations, genders, ages, sexual orientations and physical abilities. Creating an inclusive culture allows people to bring their authentic selves to work and provides the benefits of a diverse workforce to build a more resilient workplace. Inclusivity happens at the workplace level and can be achieved through training, communication and culture building. Equity is an important component in creating fair and transparent pay systems, ensuring that there are no unexplained pay gaps for similar work that cause certain underrepresented groups to be paid less.

"There is undoubtedly greater stakeholder pressure for companies to disclose their DE&I initiatives, the progress they are making and the fact that they are creating boardroom accountability. This is prompting firms to transition DE&I efforts from a check-the-box exercise to data-driven, behavioral change."

Stefan Gaertner, Partner,
Performance & Analytics, North America, Human Capital Solutions, Aon

Using HR data and analytics to accelerate progress on DE&I strategy

A global professional services firm spent three years on DE&I-related interventions with marginal improvements. The firm wanted to get a better understanding of leading DE&I indicators across their employee lifecycle, including talent pipeline, promotion rates, attrition, performance ratings, high-potential identification and employee compensation. Frustrated with having no standard process and slow improvement, senior leaders turned to Aon for assistance with developing a process for gathering and analyzing how this data influences DE&I goals and creating an action plan for better outcomes.

Aon partnered to:

- Build a **diagnostic dashboard** by leveraging the client's HRIS and application tracking system data for a 12-month trends analysis.
- Analyze performance ratings by **gender** to determine if **women** were **leaving at a faster rate** than getting promoted.
- Create **DE&I executive scorecards** for 250 leaders and connecting those scorecards with broader initiatives, such as mentoring programs to promote more minorities.
- **Synch the dashboards** with the client's HRIS and global people analytics dashboard.
- Build a **forecasting tool** to predict the **future state of employee representation** based on key employee levers.
- **Define and analyze leading DE&I indicators**. These determined that the organization was behind its three-year goals and served as the foundation for goal resetting and remediation planning.

Executive leadership valued the actionability of their scorecards and initiated several conversations with HR business partners to formalize business unit goals and remediation plans. A plan was developed to update executive dashboards quarterly, enabling each leader to view the current state of DE&I-related metrics within his or her team to identify areas of opportunity and to make plans for change. The dashboards allow leaders to report and share key initiatives and progress on impactful programs to our client's diversity council members. They, in turn, report to the board of directors and executive leadership.

Example of executive leadership scorecard to initiate discussion and action

Validate impact of DE&I programs: college hiring programs have not increased female representation which is at 52% over the last four quarters

Validate processes from a DE&I lens: only, 40% of females are considered high-potential as compared to males (60%)

Review progress against goals: female representation in leadership levels is less than 30%

Who is responsible?
DE&I issues reach the boardroom

In our May 2021 HR pulse survey, we found that three-quarters of more than 1,400 respondents considered HR to be the governing body over DE&I strategies and programs. Yet, 51% had a DE&I steering committee or department. Who is accountable for setting, driving and executing DE&I strategies which go above and beyond traditional compliance-oriented tasks?

We are seeing a shift.

A new Securities and Exchange Commission rule in the U.S. requires public companies to provide details on their human capital management. In our analysis of early filings, diversity is mentioned in 53% of public filings — the most out of 13 main human capital topics. Furthermore, many boards are adding diversity metrics into their executives' compensation goals. Microsoft CEO, Satya Nadella, has a portion of his annual bonus tied to goals related to diversity and inclusion for executives. Executive officers at JPMorgan Chase are evaluated on performance related to teamwork and leadership, including "creating a diverse, inclusive and respective environment and developing employees, managers and leaders" (according to the company's 2020 proxy statement).

Outside of the U.S., these issues are also receiving top-level concern. While European boards have been addressing diversity among their ranks for the past decade-plus through gender quotas and other actions, now boardrooms are getting more involved in overseeing how these issues are executed among the workforce. (The rest of this paper examines what actions and metrics can be introduced throughout the organization, particularly in talent sourcing, development and retention.)

Meanwhile, calls from investors for greater diversity in the boardroom have also become stronger. Vanguard announced it would consider votes against directors' re-election in 2021 due to a lack of diversity. "When we see a lack of commitment to progress on diversity — for example, a board lacking any gender diversity or any racial or ethnic diversity — we become concerned that long-term shareholder returns may suffer," John Galloway, Vanguard's global head of investment stewardship, wrote in a notification published by the investment firm. With tightening investor and proxy advisory firm policies regarding directors serving on too many boards (i.e. overboarding), it is becoming more important than ever to have robust pipelines of diverse boardroom talent available.

There is also a growing recognition that DE&I underpin workforce and organizational resilience; 'embracing inclusivity' is one of the 10 factors that help to create a resilient workplace. Aon works with our clients to assess the skills and composition of the board relative to industry practice and external stakeholder policies for exposure and action items. This can take the form of the annual board evaluation process, separate targeted studies or expanded disclosure.

"We publicly report diversity in our workforce and we plan to expand this requirement to partners we work with in the supply chain. We're seeing increasing demand for more information and accountability from talent as well as the marketplace."

Global People Movement Lead,
European communications services company

AON

Metrics that drive DE&I throughout the employee lifecycle

Organizations need to review existing DE&I programs that impact employees throughout their career. This will drive better outcomes in hiring, developing and retaining talent.

Companies that focus on programs that live up to DE&I values throughout the entire employee lifecycle — from better **hiring** decisions to **developing** employees throughout their career — will do a better job **retaining** their high-potential talent.

The starting objective is often to reduce bias or to identify where bias creeps in during the selection process. Bias is frequently linked to candidates' type of degree, university attended and previous employers (e.g., working at reputable, popular companies in the community or industry). Using online assessments levels the playing field, as they capture innate potential, skills and capabilities. Assessing candidates on the basis of these qualities versus the degree or university they attended have been shown to give all a fair and equal chance of making it through to the latter stages of the selection process.

53% In a preliminary analysis of annual reports in 2021, 53% of U.S. companies disclosed diversity metrics – the most popular category of any human capital management topic.

Once bias is reduced in the selection process, the next level is about challenging the status quo. It is time to rethink your approach to developing and promoting talent to ensure it is suitable for your organization's diversity and inclusion goals.

We recommend applying a DE&I lens to human capital strategy in the following six areas: **measuring future skills** and potential of talent; identifying people managers and employees with an **inclusive mindset**; **tackling unconscious or psychological barriers** that inhibit individuals moving to the next level of their career; taking a **data-driven approach** to solutions; **leveraging artificial intelligence (AI) tools that are human centered** but free of bias; and **creating success profiles** which are reflective of the inclusive culture and diversity aspirations of the business and not only reflective of the homogeneous group in the role right now. These six focus areas are underpinned by holistic and global solutions for sustainable DE&I enablement.

How and when companies tackle these areas often depends on where the company is on the maturity curve. All places are good places to start. This guide is designed to offer clarity on the data, actions and key performance indicators relevant to driving sustainable change with DE&I.

Six ways to address sustainable DE&I in human capital strategy

1. **Measure potential with forward-looking analysis:** create rewards structures based on what individuals can learn in the future by measuring potential for future skills and growth mindset.

2. **Foster inclusive mindset:** identify people managers and employees with an inclusive mindset and put them in positions to make a difference.

3. **Identify and tackle psychological barriers** that inhibit individuals moving to the next level of their career.

4. **Data-driven approach** to proactively monitor, evaluate and continuously improve DE&I outcomes.

5. **Leverage AI tools that are human centered** but free of bias, to enable diversity of talent throughout the pipeline.

6. **Strategic skills analysis:** create success profiles, benchmark and fine-tune capability models to identify future skills requirements and focus on accelerating reskilling to enhance career progression.

Sourcing talent — improve the hiring process and mitigate systemic bias

During the summer of 2020, when the social justice movement was gaining momentum in the U.S. and other parts of the globe, prominent business leaders were being called out for prior claims that their organizations lacked diversity due to a limited pipeline of qualified minority candidates. That argument simply does not hold up against facts and **the recent spread of remote working is proving that companies can broaden their talent pools in a seamless way**.

One way to improve the hiring process is to consider exactly which capabilities are needed to do the job, and then taking a fresh look at external talent pools and internal potential for upskilling. 'Fostering adaptable skills' is another of the 10 factors fundamental to organizational resilience. Being able to flex and add to your employees' skillset is a clear benefit of greater diversity and a prerequisite for upskilling.

For more information on the impact of remote working on a firm's human capital strategies read our guidebook:

Defining How and Where People Should Work

In our HR pulse survey conducted in April 2021, nearly three-quarters of respondents said the biggest change priority was expanding talent pools for candidate diversity. Meanwhile, 56% were committed to implementing measures to increase fairness and reduce adverse impact in employee selection and hiring procedures. Using apprenticeships and targeted upskilling programs for minority groups are effective ways to improve the hiring process; however, our pulse survey showed that they are being underutilized. Our work with a global technology firm illustrates the success these types of programs can bring.

Innovative sourcing: building your own pipeline of qualified applicants

Our client needed to hire system database architects in Southeast Asia. However, the bank was challenged to find enough successful applicants, particularly from minority groups. Business leaders began to think about sourcing talent in a different way: creating a pipeline of future talent with the right skills. The firm established a 12-week training program to develop the core skills of a system database architect. Applicants to the program underwent an assessment of behaviors, potential and cognitive ability to help the firm and the applicant understand the motivation and chances of completing the course. Successful completion of the training program resulted in an automatic job offer, but no obligation on the part of the applicant to accept the position.

The program was a success for all involved. It helped our client develop leading-edge job skills among diverse candidates; successful applicants built up new skills and received a job offer; and investments were made in the local community through training up future talent and not outsourcing to a different location.

Innovative sourcing: using technology to source diverse talent

Another client project highlights a different innovative way of sourcing diverse talent. We worked with Ocado Group, a fast-growing U.K. online grocery retailer, to make two core changes to its early careers hiring process in order to attract young people from more diverse backgrounds. The new process uses AI and digital assessment tools, saving time for both candidates and hiring teams, to attract diverse candidates who are a good fit with current and future business needs.

The first change was a new selection process using Aon's online assessments. This process includes a measure of candidates' potential future-readiness (see #1 of our six ways to address sustainable DE&I), agility, curiosity and learnability, plus a gamified cognitive ability test to understand a person's adaptability to change and working memory. Candidates who attained certain assessment scores were then invited to complete a recorded video interview using Aon's video-interviewing AI platform, which is bias-free. In addition, Ocado Group changed its screening requirements to consider all graduates. Before the new process, a candidate needed to have achieved minimum test results from an established university to be considered for a role.

300%

The new process resulted in a **300%** growth in applicants and a **650%** increase in video assessments.

The new process resulted in a 300% growth in applicants and a 650% increase in video assessments. It also impacted the gender split, with Ocado hiring 53% female and 47% male candidates – a change from 36% female and 64% male hires during the previous year.

More information about this diversity selection process

Read our Q&A with Ocado Group: insights.humancapital.aon.com/articles/client-spotlight-ocado

"Looking at behavioral qualities instead of academic qualifications boosts our competitiveness. It enables us to find the right candidates who have fresh ideas and dynamism. We don't just ask for senior software engineers – we want graduates who can grow with us, building a long career."

Henry Clendon, Emerging Talent Adviser, Ocado Group

Checklist of sample questions to ensure fair hiring decisions

Application Form	Virtual Self-Measurement	Live Measurement	Hiring
◗ Is the application mobile enabled? ◗ Does it penalize the candidate based on degree or university? ◗ Are responses open text boxes that could inject bias in spelling, hobbies, voluntary work etc?	◗ Is there equal representation in the top group for all who applied? ◗ Did the tool screen out an equal proportion of talent no matter the age, gender or ethnicity?	◗ Do performance rating biases exist for gender or ethnicity overall? ◗ Is there one competency that is causing disproportionate amounts of diverse candidate groups to underperform?	◗ Are DE&I goals being met regarding who is being offered a role? ◗ Are starting pay levels reasonable and aligned to internal pay equity levels?

Actions
organizations can take to drive positive change:

- Develop a **location and talent availability strategy** to source and expand the diverse talent pipeline.
- Create a candidate-centered recruitment journey, including **job-relevant assessments that enable bias-free and inclusive hiring** of high-quality diverse talent.
- Consider:
  - Measuring for future skills and growth mindset.
  - An adverse impact dashboard to visualize and track progress.
  - Human-centered AI tools to mitigate bias in selection decisions.
- Establish a **competitive and equitable compensation structure** for salary and incentives, as well as employee benefits that might attract and retain a more diverse workforce.
- Establish and maintain a **diverse talent pipeline** – from entry level to the board.
- **Support with a data-driven approach** to drive positive change.
- Create and disclose a **formal director diversity policy**.

Outcomes
organizations will realize by taking such actions:

- Reinforce a firm's values and culture
- Reduce hiring costs as employees come directly to the organization
- Improve staff retention
- Attract more investors
- Become an overall more resilient workplace

Organizations that establish and maintain a hiring strategy that supports their DE&I goals will create a foundation that supports employees throughout their career with the firm and makes talent attraction easier as a firm's brand and reputation is strengthened.

Promotion and progression – supporting employees through their careers

Even if a company is successful at attracting diverse talent, a lack of opportunities for advancement will cause employees to be disengaged and become a flight risk. Data analytics can identify trouble areas. Combining internal data with external benchmarks will help organizations answer key questions. These include: Which employee populations have the highest turnover? What are promotion rates and performance rating distribution by gender, age and ethnicity? How are different groups being targeted for development opportunities? Are these groups supported with the health and wellbeing benefits which enable them to reach their full potential?

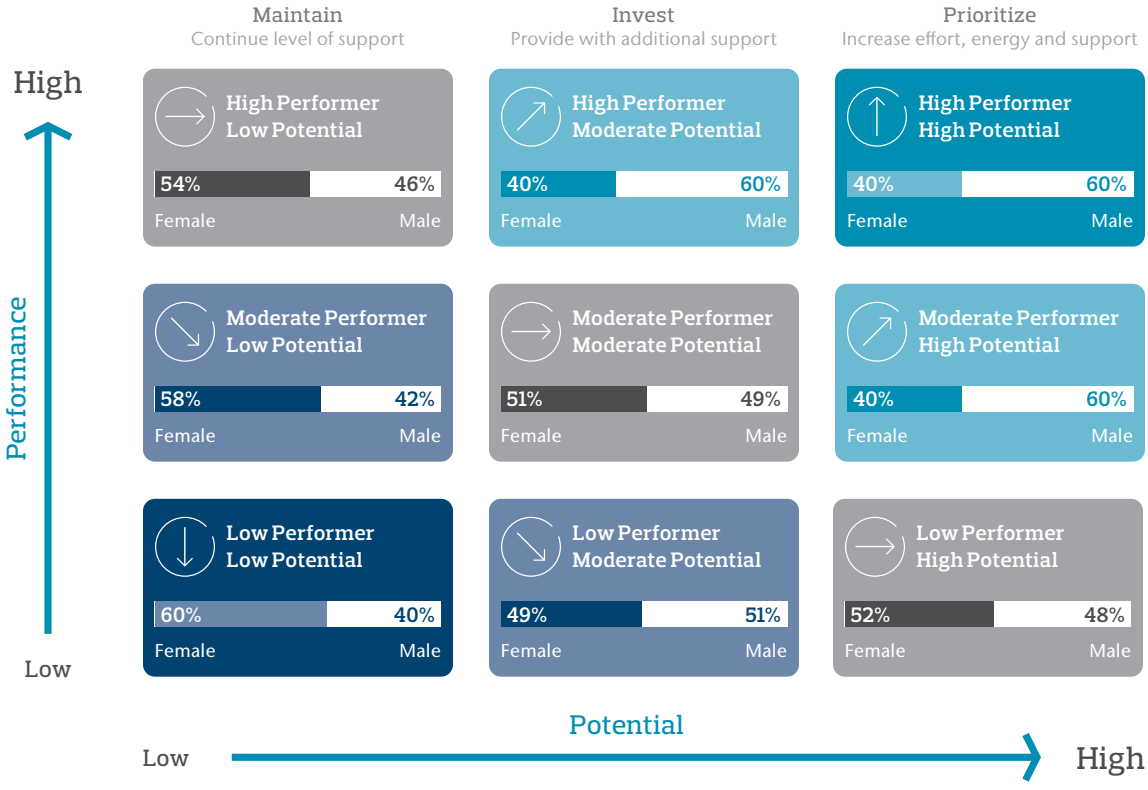
"HR policies and procedures were designed more than 10 decades back and have failed to evolve with the change in the composition of our workforce. As we are carving the new better, we need to ensure that health and wellbeing benefits address the needs of a diverse workforce."

Dr. Avneet Kaur,
Head of Wellbeing Solutions – EMEA,
Aon

67% of organizations have heightened concerns about fewer **women in leadership positions** as a consequence of the pandemic, and yet, only 21% of respondents to our HR pulse surveys have targeted upskilling programs for women and ethnic minorities.

A good starting point is analyzing the results of a firm's performance management system by gender, ethnicity or other indicators for diversity to determine if there are problems with progression and where these exist. Determining problematic outcomes will provide insight on which areas to address. However, organizations also need to address the root causes of high attrition and other key indicators. These can be done through training and development, mentorship programs and career pathing.

Unlocking bias from a nine-box grid to inform change and drive accountability



A nine-box grid is a common performance system used to identify high-potential talent. The grid incorporates manager feedback of an employee's performance, cost to the organization of replacing the employee and the potential for development. The results indicate where the firm should invest in talent through development programs and promotion tracks.

The nine-box grid results can then be analyzed by various factors, such as gender (as shown in the illustration) – providing a snapshot of where there is a concentration of women versus men in different groups of performance and potential. Significant differences in the gender distribution of the nine-box grid would be a signal for the firm to investigate and learn why that is.

Checklist of sample questions to ensure fair promotion and progression

Nomination for Promotion or Development	Virtual Measurement	Live Measurement	Measure Success
◗ What is the proportion of males versus females and ethnic minorities who self-nominate? ◗ If the proportion is skewed, is there an issue with confidence to progress?	◗ What is the level of diversity that the assessment is identifying as a good fit? ◗ Is there an equal representation in the top group for all who applied?	◗ Do performance rating biases exist for gender or ethnicity overall? ◗ Is there one competency (e.g., influence, leadership) that is causing disproportionate amounts of diverse candidate groups to underperform?	◗ Has the dial been adjusted or changed in terms of who is selected? ◗ Are pay levels fair and justified?

Actions
organizations can take to drive positive change:

- Evaluate and determine current **risks and opportunities based on attrition, retention and career mobility** patterns for diverse groups of employees.
- Identify and **tackle psychological barriers** to progression.
- Identify **pay equity risks** by analyzing quantitative data and deploy practical remediation measures for both the short and long terms.
- Consider **tying executive compensation** to key, measurable **Environment, Social and Governance (ESG) and DE&I metrics**.
- Identify leaders and employees with an **inclusive mindset** to **create an inclusive environment** — support via focus groups and/or interviews and training.
- Ensure a **board committee is responsible for DE&I w**(it should be the same committee responsible for broader Human Capital Management (HCM) responsibilities).
- **Develop a data-driven approach** to drive change throughout the career lifecycle.
- **Assess skill weaknesses and performance** across the board and its committees.
- Evaluate **parental leave and other benefits** to drive inclusion.

Outcomes
organizations will realize by taking such actions:

- Foster innovation
- Increase engagement
- Increase profitability
- Increase resilience
- Unlock wider customer and investor base
- Reduce supplier cost (e.g., vendors that provide preferred pricing to diverse companies)

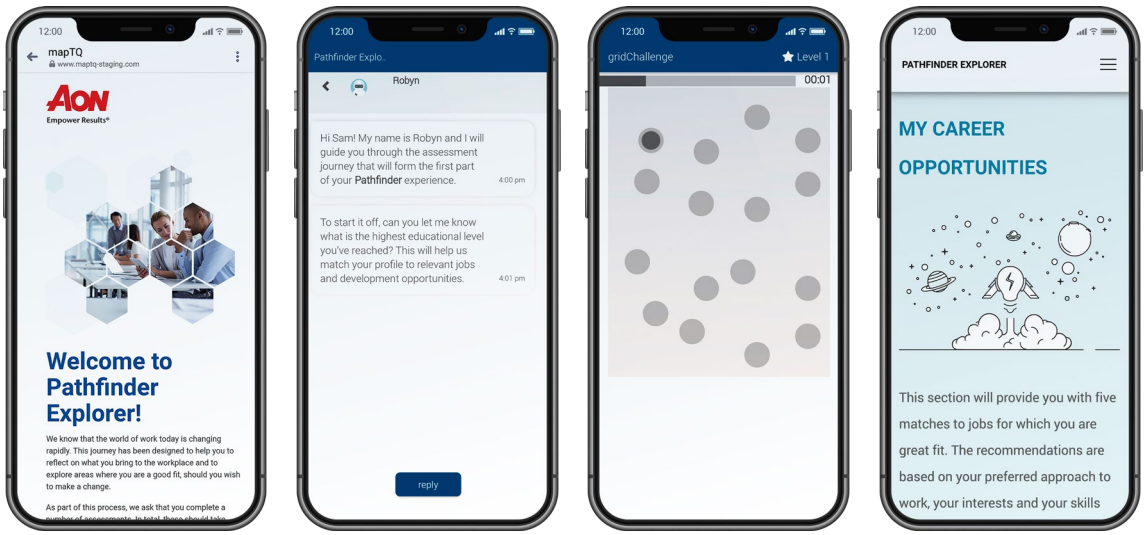
Supporting people throughout their career through new opportunities for building skills, taking on new challenges and getting recognized for their potential will strengthen the employee experience. These will lead to reduced turnover and higher productivity.

Enabling talent mobility

As an example, Aon recently partnered with a global technology business to help employees select their most suitable training program — for instance, matching internal candidates with new apprenticeship programs. With our assistance, the firm developed a career navigator tool that assesses an individual's behaviors, personality and interests. A matching algorithm evaluates the fit between the individual and the firm's training programs, highlighting where they are most likely to succeed Our own research has found that employees are approximately three times more likely to quit working for their organization than move laterally across job families or functions within the same organization. Enabling people to be aware of and pursue internal opportunities requires supporting talent mobility.

There is potential in every employee: help in-house talent to see and understand available opportunities.

Assess cognitive ability and find out how new things are learned.



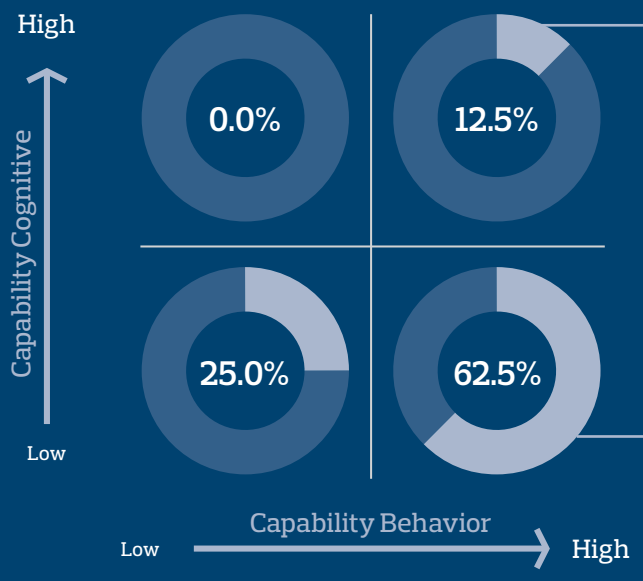
Gather more insights about employees' experience, motives and work-related behavior.

Assessments result in a combined feedback report, providing insights into strengths and development opportunities, and matching employees to job roles.

Unlocking the potential for female mobility in the workforce

A global banking client wanted to address a lack of women leaders in the technology function of their business. Among the general talent pool, 50 women employees were nominated as high potential in other functions. Aon worked with the bank to see how many of these women were ready to move into a technology leadership role, which would be a new function for them. Using Aon's assessment tools, the high-potential women were assessed for growth mindset, leadership capabilities and core competencies for leading a new function. Around three-quarters of the high-potential females successfully transitioned into these leadership roles. The combination of an inclusive definition of potential and a deeper understanding of people's capabilities resulted in the positive outcome.

Full story: Unlocking the Potential for Female Mobility in the Workforce



12.5% of female employees were ready to move immediately into new technology leadership positions.

62.5% of females were ready to transition into leadership roles supported by specific development actions.

Addressing pay equity every step of the way

A critical element of creating inclusivity through an employee's lifecycle at an organization is ensuring pay is established and maintained fairly and that employees have line-of-sight into how they are being rewarded. Organizations across the globe are recognizing the importance of ensuring compensation programs are established and maintained in a reasonably-sound, equitable and transparent fashion. Companies are often surprised to find that they have problematic pay gaps because they believe they adhere to their compensation philosophy of paying for performance. Only when statistical analysis is done — controlling for a variety of factors such as geography, new-hire pay levels, tenure, experience and education — can companies begin to quantify real pay gaps and fully assess the relative influence of compensation, talent management and HR policies on producing such outcomes.

We like to think of this exercise as peeling back the layers of an onion to expose the specific, and often numerous, issues that contribute to aggregate differences in pay. Some of these layers will point to justifiable or intended differences in pay outcomes for all employees (not just women) and some will expose problematic practices where fixes in policy, behavior or both are needed.

Even small differences in pay can be signs of systemic cultural issues within an organization — the types of issues that can create significant legal risk and tarnish your reputation as a destination of choice for diverse talent. This is why we tell clients that getting pay equity right requires much more than just crunching the compensation numbers. It requires a holistic view into all of your people data to examine the complex mix of issues that can create and sustain gender pay gaps. It often turns out that the questions you ask yourself after looking at the data are what matter most.

It requires a holistic view into all of your people data to examine the complex mix of issues that can create and sustain gender pay gaps.

+36

An additional 36 years have been added to the estimated time it will take to close the global gender pay gap, bringing the total to 135 years, according to a World Economic Forum report. Paying for skills rather than for jobs could accelerate closing the gap.

Closing a pay equity gap globally with BioMarin Pharmaceuticals

Several years ago, Aon began working with BioMarin Pharmaceutical on analyzing and conducting biannual pay equity analyses. The U.S.-based life sciences organization wanted to ensure it was meeting stringent standards but also wanted to go above and beyond these standards. Aon has been conducting pay equity analyses twice a year — once in the fall during its merit planning season and again in February, before the firm's annual compensation cycle takes effect to ensure merit increases do not perpetuate any gender- or ethnicity-related pay gaps. With each audit, the firm's pay gap has continued to decrease. Most notably, in 2021, the client closed the gender and ethnicity pay gap in the U.S. BioMarin credits part of its success with maintaining its employee leveling and salary structures. Starting with these foundational structures is critical for defining similar work when conducting a pay equity analysis.

"We will continue our regular pay equity audits even though we've closed the gap. Our internal workforce and the wider labor market is continually changing and given we are constantly bringing in new talent, if we do not continue to monitor, we could inadvertently re-establish a gap. Additionally, we are focused on making the same elimination of gap and continued monitoring in our locations outside of the US. It's the right thing to do."

Amy Wireman, SVP of Human Resources, BioMarin Pharmaceutical

AON

Taking action – small steps for big change

Starting with data makes the conversation around DE&I more accessible. Companies will be better informed on their opportunities for action that will make the biggest difference.

If your firm's progress on DE&I goals is too slow, now is the time to take a truly data-led approach. This will help your organization determine the best approach for change. Do not let size, industry, customer base or other factors be a roadblock to progress. Larger firms may have more resources to address DE&I — being able to partner with their communities and launch different mentorship and internship networks. However, smaller firms have advantages too — such as having a deeper understanding of employee preferences and being able to communicate more intimately with them. No matter the size and resources of a business, our data-led framework enables all types of organizations to identify, quantify and act on opportunities that will have the largest impact.

To maximize the benefits of DE&I programs, develop a governance structure to guide decision-making across activities and identify who will provide oversight for these activities. Following this, develop internal communication processes to ensure transparency throughout the organization and formalize ongoing education for such initiatives. Once this information has been gathered for internal communications purposes, determine the level of detail that should be communicated to external stakeholders, including investors, advisors and the media. These stakeholders are increasingly interested in how firms are addressing DE&I. Finally, develop a dashboard or tracking mechanism to monitor progress as continuous improvement should be an ongoing goal.

As important as setting data-led goals on DE&I programs is, there also must be the right mindset within the organization to learn from people with diverse backgrounds, experiences and thought processes. Without a culture of inclusion where diverse people feel their perspective is valued, the benefits of diversity cannot be fully realized.

With stakeholder expectations rising and competitors taking bold actions, the time to build an inclusive culture, set ambitious diversity goals and ensure pay is equitable and fair is now.

> Without a culture of inclusion, the benefits of diversity cannot be fully realized.

Challenging ourselves to do better: inclusion and diversity at Aon

We believe inclusion and diversity drives the best insights, advice and outcomes for our clients, our firm and our communities. By having a strong commitment to inclusion and diversity, we attract and retain the best talent, which develops high-performing teams, enables innovation, creates client value and delivers positive business results.

Our commitment begins with our people
Our commitment starts with mutual respect. It is the responsibility of all our colleagues to act with integrity, trust one another and encourage others to share their unique perspectives. Together, we hold ourselves accountable, where every colleague feels accepted for who they are and valued for the insights they bring.

Embracing inclusivity – whether related to accessibility, gender, ethnicity, age or sexual orientation, it is important to find intentional ways to grow in our understanding and support of others.

In 2020, the firm continued to make progress on its goals to achieve **20% representation of people of color** in our North American region and **30% representation** of women in senior leadership positions globally. The board of directors is **33% racially or ethnically diverse** and **25% female**.

"We will take action and make changes to further embrace and advance our Inclusion & Diversity priorities. This work is critical to our Aon United culture, and to our success in serving our clients and providing opportunities for our colleagues."

Greg Case, CEO, Aon

outstanding

In January 2021, Aon CEO, Greg Case, was named the number one ally on the INvolve OUTstanding LGBT+ Ally Executives list for 2020. This marks his sixth appearance on the annual list and the first time he has been recognized as the leading ally. Learn more about Case's involvement and support of the LGBT+ community here.

Highlights of Aon's I&D programs

Apprenticeship program: launched in both the U.K. and U.S., Aon's apprenticeship program provides opportunities for young professionals to develop vital skills in the workplace, while earning a competitive salary as they learn. Apprentices are offered permanent positions with competitive salaries and full support for professional study and qualifications. In 2020, Aon invested $30 million in expanding this program to six additional cities.

Pro bono legal program: through this initiative, Aon offers free legal counsel to immigrants and refugees often fleeing terrible danger and seeking asylum in the U.S. Many of the individuals we represent face a grave risk of persecution in their home countries due to race, gender identity or sexual orientation.

Development programs: Aon's development programs prepare underrepresented groups to succeed by bridging opportunity gaps, while creating spaces where differences thrive. The focus areas include professional development, recruitment, engagement and retention. These programs are supported by Business Resource Groups, a collection of Aon colleagues who voluntarily work together to help us advance our diversity and inclusion commitments.

34,000

of Aon's 50,000 employees completed unconscious bias training in 2020.

"Our inclusion and diversity priorities allow us to question traditional mindsets and create a new better workforce for colleagues and clients."

Lisa Stevens, Chief People Officer, Aon

Looking to the future

In 2020, Aon formed the Global Inclusive Leadership Council, including 21 colleagues bringing a diverse array of backgrounds, experiences and perspectives. Guided by executive co-sponsors, Greg Case, CEO, and Chief People Officer, Lisa Stevens, and accountable to the Aon board of directors, the council is charged with taking action to ensure that Aon's processes, policies, procedures and people foster and enable equitable opportunities, access and advancement to all colleagues at Aon. The group's work focuses on five main areas:

- Education
- Representation
- Recruiting
- Promotion
- Environmental, social and governance

I'm in. Inclusion at Aon

Our 'I'm in' campaign offers leaders and colleagues the opportunity to pledge their personal commitment to an inclusive culture. We believe identifying ourselves as visible and voluntary allies is vital, as it signifies an environment where all colleagues feel supported to bring their whole selves to work.

References and resources

For more information on the topics discussed in this paper, please see these references:

- Accelerate Your Workforce into the Future
- Access Aon's May 2021 Global HR Pulse Survey Results
- Become a rising, resilient business
- Client Spotlight – Talent Innovators: Ocado Group's Abbie Lopez and Henry Clendon
- Closing the Future Skills Gap to Drive Business Success
- Creating a culture of lifelong learning without a 'job for life'
- Defining How and Where People Should Work
- How Your Workforce and Rewards Strategy Can Make or Break Your Diversity, Equity and Inclusion Programs
- The Future of Pay Enabling Workplace Change Through Rewards
- The Rising Resilient
- Unlocking the Potential for Female Mobility in the Workforce
- World Economic Forum Global Gender Gap Report 2021

"If properly designed and used, technology, data and analytics can help underrepresented workers break through bias-driven professional ceilings and help organizations truly benefit from the diversity of their workforces."

Laura Wanlass,
Partner, Corporate Governance and ESG Advisory Services,
Human Capital Solutions, Aon

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

About Human Capital Solutions

Aon's human capital business provides leaders with a powerful mix of data, analytics and advice to help them make better workforce decisions. Our team, spanning 2,000 colleagues in more than 30 countries, includes the firm's rewards, talent assessment and performance and analytics practices.

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