WHITE PAPER

Socioeconomic Inclusion

Bridging Financial Backgrounds in Business

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Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we work closely with clients to embrace a transformational approach aimed at benefiting all stakeholders—empowering organizations to grow, build sustainable competitive advantage, and drive positive societal impact.

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Abstract

Companies must prioritize inclusion by leveraging new tools for measuring inclusion across diversity groups, with particular emphasis on employees with a perceived financially uncomfortable upbringing.

Most companies find it challenging to crack the code of inclusion, which often leads to an emphasis on diversity rather than inclusion. To overcome these challenges, BCG introduced the BLISS Index, a statistically rigorous tool to measure and understand the impact of corporate actions on employee inclusion. The BLISS Index highlights that effective inclusion boosts employee happiness, potential, and retention, with leadership behavior accounting for two-thirds of inclusion impact.[1] Our research indicates a synergistic relationship between inclusion and diversity: inclusion helps attract and retain diverse talent, and diversity in senior leadership is an important driver of inclusion. For this reason, companies should prioritize diversity and inclusion in parallel.

Contrary to popular belief, employees with a financially uncomfortable upbringing (FUU) experience the lowest levels of inclusion. In fact, identifying with a diversity group has a limited effect on perceived inclusion, if you have experienced a perceived financially comfortable upbringing. Employees with a FUU have lower motivation and happiness at the job, and experience +20% higher attrition risk, on average, compared to employees with a financially comfortable upbringing.[1] To bridge this inclusion gap, companies must adopt a holistic approach, ensuring an active role of leadership, equitable processes, and psychological safety.

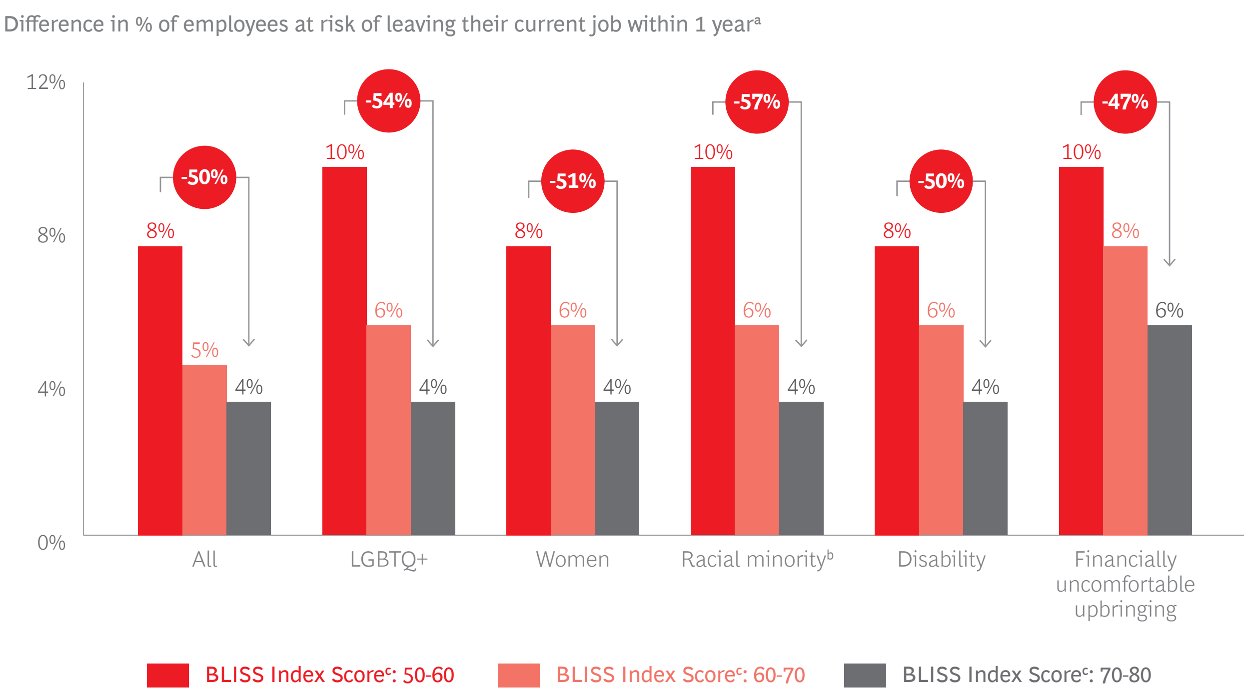
A New Era of Diversity and Inclusion

Inclusion feels right and makes business sense

Conventionally, companies have encountered challenges in deciphering the complexities of inclusion, leading them to prioritize diversity over inclusion.[2] The tangible nature of diversity enables companies to measure it, investors to benchmark performance, policymakers to target goals, and the public to scrutinize results. Companies acknowledge that their actions, especially in hiring and promotions, play a pivotal role in reaping the benefits from diverse representation. In contrast, inclusion, being intangible in nature and lacking standardized best practices, has posed a challenge for companies to grasp and has generated less public attention.[1]

To overcome these challenges, BCG has pioneered the BLISS (Bias-Free, Leadership, Inclusion, Safety, and Support) Index, a statistical approach that makes inclusion quantifiable and shows that companies' actions impact inclusion. BLISS amplifies the advantages of fostering an inclusive environment, documenting a clear link to employee happiness, potential, and retention. Improving inclusion from 10% below the median level to 10% above the median level results in 3 times as many happy employees, 1.75 times as many employees feeling enabled to fulfill their potential, and a ~50% reduction in attrition risk.[1] In fact, our research shows that inclusion benefits all employees – diverse as nondiverse groups across industries and countries[1] (see Exhibit 1).

Exhibit 1: Inclusion impacts all employees



a. Respondents asked whether they see themselves working at their current job/company in 1 year; b. Respondents in Brazil, South Africa, the UK and the US; c. Index scores ranging between 1-100.
Source: 2022 BLISS Survey data; country standardized; Q samples 1 and 2

What Is BCG's BLISS Index?

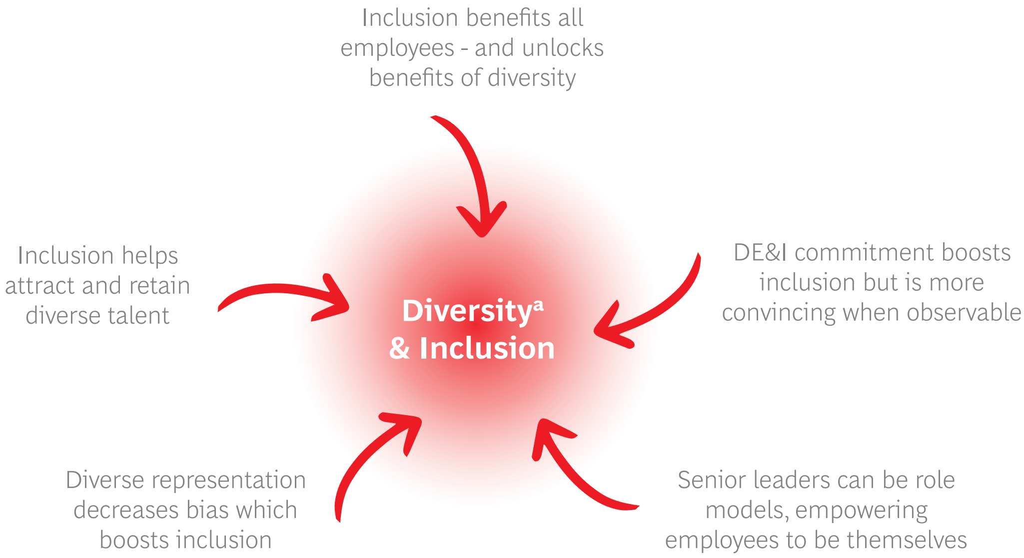
Leveraging a BCG survey of more than 27,000 employees from companies with over 1,000 employees across 16 countries, we utilized a statistical analysis to investigate the cause and effect of workplace inclusion.[1] We used a Bayesian network to investigate what impacts inclusion, the magnitude of the impact, and how these factors impact one another. The result is a single BLISS Index score ranging from 1 to 100, with higher scores indicating greater inclusion, a global median score of 66, and normal distribution patterns. The BLISS score is nonlinear, but even a 1-point difference in the BLISS score translates into substantial differences in employee well-being, potential, and retention.[1]

The absence or presence of six core drivers determines if employees feel included at work: senior leadership behavior, direct manager behavior, discrimination, respect, equality, and psychological safety. Among these, leadership behavior accounts for two-thirds of how employees perceive inclusion, comprising the cornerstone for companies striving to build inclusion. Leadership behavior encompasses the actions taken by leaders, the messages they communicate, and the overall work culture they foster.[3,4]

Diversity and inclusion are closely connected — and should be prioritized in parallel

Our research suggests that diversity and inclusion are interlinked, with each amplifying the strengths of the other. For example, the perceived presence of diverse profiles in senior leadership roles empowers all employees to be their authentic selves and reduces bias in decision-making.[1] Conversely, inclusive cultures can be an incubator of diversity by helping to attract and retain diverse talents. At least 15% of employees have refrained from applying to or have left a job by choice due to the lack of an inclusive culture—this is true for all employees, but particularly for diversity groups.[1] The synergistic relationship, depicted in Exhibit 2, highlights the imperative for companies to prioritize both diversity and inclusion, simultaneously. This approach diverges from historical diversity, equity, and inclusion (DE&I) initiatives, which often emphasize diversity as a precursor to inclusion.[1]

Exhibit 2: The symbiotic relationship between diversity and inclusion

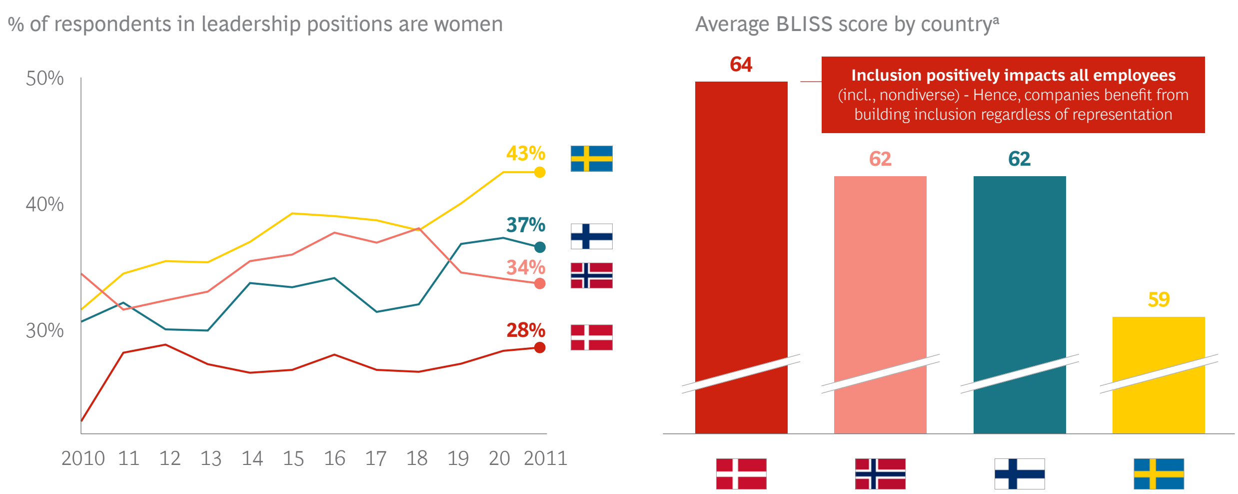


a. Equity is also a key aspect of DE&I that should not be overlooked - ensuring that all processes are equitable is a prerequisite for inclusion.
Source: 2022 BLISS Sruvey data; country standardized; Q samples 1 and 2

Example from the Nordics

Zooming in on the Nordics, Denmark shows that inclusion can be built before diversity, as Denmark lags behind Nordic peers on diversity, but leads on inclusion. Building inclusion is beneficial regardless of representation, as inclusion positively impacts all employees, diverse and nondiverse, contrary to popular belief.

Exhibit 3: Denmark lags on diversity, but leads on inclusion



a. Based on BCG statistical modeling that measures and quantifies inclusion based on +27,000 employee respondents from companies with +1,000 employees across 16 countries.
Source: European Institute for Gender Equality; Statista; BCG analysis

Improve inclusion by focusing on employees with a perceived financially uncomfortable upbringing

When examining perceived inclusion levels among employees, one group stands out: employees who have experienced a FUU. This group reports the lowest perceived inclusion while also frequently being overlooked in corporate DE&I initiatives. Specifically, employees with a FUU are ~22% more likely than the average employee to leave their job within one year, and simultaneously find a lower number of DE&I programs as relevant for them compared to other diversity groups.[1]

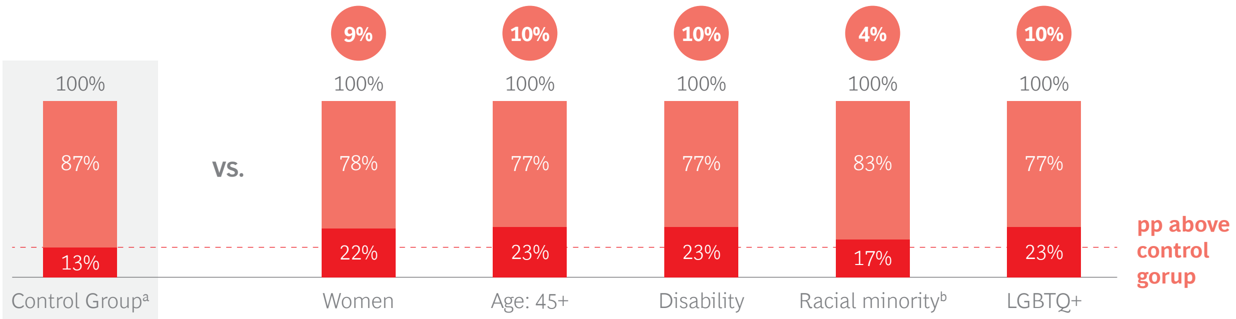
The diversity group "Employees with a financially uncomfortable upbringing"

is based on a self-reported response of being financially (very) uncomfortable during their upbringing. The BLISS Survey shows that identifying with a diversity group increases the likelihood of a FUU by up to 10 percentage points, compared to the control group.[a]

Exhibit 4: Employees in traditional diversity groups are more likely to have a perceived financially uncomfortable upbringing

% of employees with perceived financially uncomfortable upbringing identifying with diversity groups

Employees can identify with several diversity groups
(Diversity groups are not exhaustive)



Definition of financially uncomfortable upbringing: "Employees (self-)reporting being (very) financially uncomfortable during their upbringing"[c]

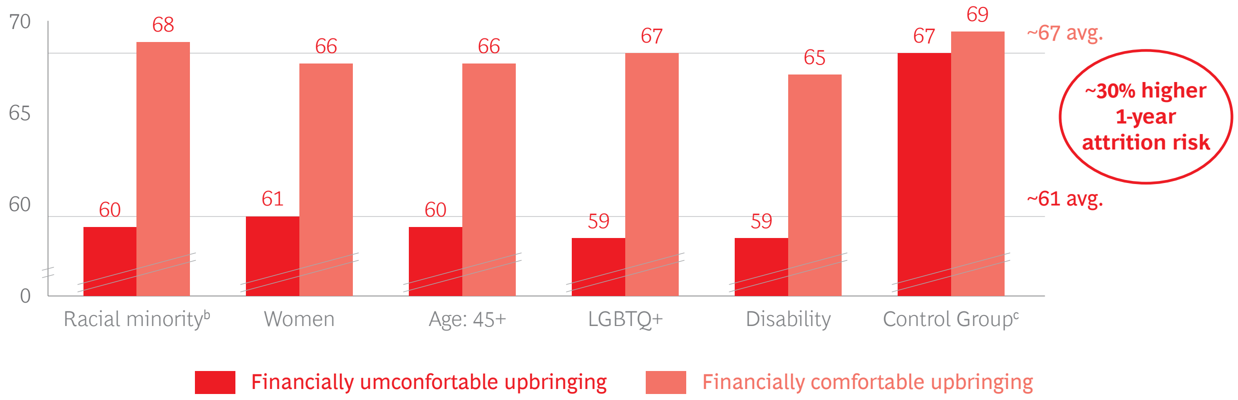
Financially uncomfortable upbringing | Financially comfortable upbringing | pp difference to control group

a. Cisgendered men not belonging to any diversity group; b. Respondents in Brazil, South Africa, the UK and the US; c. Broader definition not limited to economic resources, "determined by a combination of social and economic factors such as income, amount and kind of education, type and prestige of occupation, place of residence, and-in some societies or parts of society-ethnic origin or religious background".
Source: 2022 BLISS Survey data; country standardized; Q samples 1 and 2

A closer look reveals that the impact of employees' financial comfort during their upbringing is profound across all diversity groups: whether it be women, racial minorities, the LGBTQ+ community, or cisgendered men who do not associate with any diversity group, adjusting for financial comfort levels roughly evens out the perceived level of inclusion. When this aspect is not addressed, the outcomes are concerning. Employees from financially challenging backgrounds tend to have lower motivation and happiness levels, and they face a staggering ~30% higher risk of leaving their jobs within a year[1] (see Exhibit 5).

Exhibit 5: Identifying with a diversity group matters less if employees have experienced a perceived financially comfortable upbringing

Perceived level of inclusion[a] of diversity groups by level of financial comfort in upbringing



a. Based on BCG statistical modeling that measures and quantifies inclusion based on +27,000 employee respondents from companies with +1,000 employees across 16 countires; b. Respondents in Brazil, South Africa, the UK and the US; c. Cisgendered men not identifying with any diversity groups.
Source: 2022 BLISS Survey data; country standardized; Q samples 1 and 2

These findings underscore the pressing need for companies to re-evaluate and refine their DE&I strategies. We see that successful companies manage to move beyond "simple" DE&I programs, such as affiliation groups and guest speakers, to ingrain DE&I into their operations. This includes investigating hiring and promotion practices to counter biases and to ensure fair promotions, as well as training managers and leadership to increase awareness, commitment, and intention when working with diversity groups.[5,6] Profoundly changing operations in this way requires substantial time and resources, but we see that companies with heavy DE&I investment (>30 DE&I programs) eliminate the inclusion gap, and the returns—manifested in employee happiness, potential, and retention—are substantial and long-lasting.[1]

Further, when defining DE&I priorities, companies should make programs available to all employees, as DE&I programs targeted at specific diversity groups risk having a detrimental effect on all employees by separating the diversity group (making them feel alienated) from the remaining employees (making them feel deprioritized). To bridge the inclusion gap of employees with a FUU, companies must adopt a strategic approach grounded in three primary pillars of action:

1. Empower via leadership. Leaders should go beyond endorsements of DE&I. Their actions, decisions, and daily interactions should exemplify these values. Through proactive involvement in mentorship programs and sponsorships, leaders can pave the way for a culture where inclusivity is celebrated and championed.

2. Ensure equitable processes. Companies should undertake a thorough examination of their internal operations to uncover instances associated with discrimination or bias, such as recruitment strategies, promotional pathways, and compensation structures.

3. Foster day-to-day psychological safety. Companies should embed psychological safety into the daily work experiences of employees, including how they create, grow, and challenge. As employees create, it is vital that all contributions are valued and recognized. Growth should encompass learning, the freedom to make mistakes, and recover from them. When challenging norms or processes, employees should feel empowered to speak up and voice their perspectives.

Last Words

Inclusion significantly influences workplace dynamics and enhances happiness, potential, and retention for all employees, not just traditionally marginalized groups. Companies must recognize that diversity and inclusion are interlinked and should be pursued in parallel. In particular, employees from financially uncomfortable backgrounds potentially have substantial benefits to contribute but are often overlooked when companies are prioritizing their DE&I initiatives.

For authentic inclusivity, DE&I must be imprinted in companies' operations and be a core organizational value, with initiatives spearheaded by leadership. By empowering leaders, ensuring unbiased processes, and creating a psychologically safe environment, companies can foster a truly inclusive culture.

About the authors

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Gertie Find Laerkholm the Managing Partner of the Copenhagen office of Boston Consulting Group (BCG). Gertie Find Laerkholm is BCG's DE&I lead in the Europe, Middle East, South America, and Africa region. She also co-hosts the Gender Diversity Roundtable with UN Women. For more information, you may contact her at Laerkholm.Gertie@bcg.com

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