

# Reducing DE&I Efforts Could Hurt Employee Engagement

HR Brew | Kristen Parisi | January 17, 2023



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Reports signal that company DE&I programs are less of a priority today than they were in 2020.

“DE&I is part of our brand! We care about belonging! We’re increasing our diversity initiatives!” said practically every employer over the last two-and-a-half years.

However, on the cusp of an economic downturn, it appears employers may be taking their eye off the diversity ball—and it could negatively affect employee engagement, according to the chief diversity officers who spoke to HR Brew.

The situation. According to some reports, companies are placing less emphasis on DE&I efforts in 2023. In a recent study by HR research firm McLean & Company, DE&I ranks sixth among HR leaders’ top priorities, down from fifth last year.

“We are seeing a downturn in the importance of DE&I,” Madison Butler, founder of talent consultancy Blue Haired Unicorn, told Insider. “Keeping that fire lit is going to be a hard task for many...DE&I leaders, as companies cut and layoffs tend to impact DE&I first.”

Impact on employee engagement. Will Howard, director of HR research and advisory services at McLean, said HR leaders should remind executives that DE&I efforts aren't an act of charity: "There's real impact to the organization that can come from this," he said.

Reducing DE&I investment could diminish the employee experience for those from marginalized groups. A 2021 paper from the University of Lisbon found companies that embrace DE&I have higher employee engagement rates, and a 2022 report from financial services company Aon found a positive correlation, too. The report also found that employers that measure DE&I attest to higher levels of employee engagement than those that do not.

"The real risk for businesses who don't continue to focus on this or who focus on it in an insincere or half-hearted way, is that once the pendulum of the labor market swings back, they're gonna risk losing a lot of workers who notice these things," Aaron Terrazas, chief economist at Glassdoor, told CNBC. Some 72% of respondents to a December 2022 Glassdoor survey said they view corporate DE&I programs positively; that number rises to 80% for employees age 18–34.

Not everyone is pulling back. Despite what the surveys indicate, the chief diversity officers at PepsiCo and REI Co-op told HR Brew about their plans to expand DE&I in 2023.

Beyond ERGs, PepsiCo invests in initiatives like BOLD, a development program for Black and brown middle managers. "When you look at our organizational health survey that we take once a year, we know that people who are part of ERGs are more engaged in the company," said Tina Bigalke, global chief diversity, equity, and inclusion officer.

PepsiCo is also making mental wellness part of its diversity strategy. "In 2021, we started mental wellness sessions with our ERGs...And now in 2023, we're expanding those sessions to everyone," she said.

REI Co-op has a history of female participation in leadership (the company was co-founded by a woman), however it discovered in 2020 that its diversity efforts needed a lot of work. Since then, the company has introduced ERGs and sent executives on a listening tour to understand how the company could improve. Wilma Wallace, REI's chief diversity officer, said the moves are having a huge impact on employee engagement. "At REI, it's had a pretty profound impact on creating community, particularly in a remote hybrid environment. And [enabling] a little bit of a democratization," she said.

Now, REI is expanding DE&I efforts to ensure they retain valuable team members, Wallace said: "How do you create an environment where you're looking at practices that have historically prevented people from coming to the Co-op? And how do you create an environment where people can thrive, where their differences are appreciated, acknowledged, and recognized, and that their practices continue to allow people to thrive who otherwise perhaps had not been at the Co-op?"

Wallace said that the DE&I journey is not one that has an ending, no matter the economic environment or external pressures to reduce costs. "It takes intentionality, takes commitment. It takes perseverance, takes deliberateness and stamina. And that can wane given the external pressures...you have to combat that," she said.