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# Diversity Dividend

## Canada's Global Advantage

Special Report

Bessma Momani and Jillian Stirk





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## About the Authors

**Bessma Momani** is a CIGI senior fellow, joining CIGI in 2004, and a 2015 fellow of The Pierre Elliott Trudeau Foundation. She has a Ph.D. in political science with a focus on international political economy, and is professor at the Balsillie School of International Affairs (BSIA) and the University of Waterloo. She is also a nonresident senior fellow at the Brookings Doha Center and a Fulbright Scholar.

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## Contributors

This report would not have been possible without crucial research, analysis, planning and logistical support carried out by Anna Klimbovskaia and Kira Williams.

**Anna Klimbovskaia** is the project manager and lead researcher for the Pluralism Project. She was responsible for project delivery as well as research collection and analysis, leading up to the *Diversity Dividend: Canada's Global Advantage* report.

**Kira Williams** is a doctoral candidate in geography at Wilfrid Laurier University. Her research focuses on international migration, borders and statistical methods. Kira designed and implemented the quantitative methodology of the Pluralism Project and wrote the technical annex to this report.

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## Executive Summary

As a growing number of countries turn inward and shut their doors to immigration and free trade, Canada stands poised to reap the benefits of its successful immigration policies and its diversity. A country whose citizens trace their origins to more than 200 nationalities should be the model for global connectivity. This diversity dividend ought to be Canada's global advantage and this report shows how to realize this potential and why it is imperative to do so.

Drawing on new statistical research, consultations with the business community and stakeholders, and academic literature, this report explores the link between a diverse workforce and economic prosperity. An in-depth statistical analysis of the Workplace Employee Survey (WES), a newly released Statistics Canada data set covering more than 7,900 workplaces in 14 industrial sectors with between 15,000 and 20,000 employees from 1999 to 2005, revealed in almost all sectors a significant, positive relationship between ethnocultural diversity and increased productivity and revenue. The WES data is unique, in that it provides and links information from both employees and employers, making it possible to isolate ways in which changes in workforce composition correspond to changes in business performance.

Viewed across all sectors, a one percent increase in ethnocultural diversity was associated with an average 2.4 percent increase in revenue and a 0.5 percent increase in workplace productivity. The relationship between ethnocultural diversity and performance was strongest in sectors that depend on creativity and innovation (such as information and cultural industries), communications and utilities, business services (such as information technology) and legal and other professional services (such as auditing and consulting).<sup>1</sup> The findings showed above average gains in transportation, warehousing and wholesale as well as secondary manufacturing. In many cases, these are the sectors that have undergone the greatest change and growth over the past 10 years. In other words, if Canada wants to

succeed in the high value-added sectors of the future, workplace diversity can be an important contributor to Canada's competitiveness.

To complement the statistical research, the authors hosted round tables in seven cities with more than 100 leading employers, and met with industry associations to gain their perspectives on workplace diversity. Executives confirmed what the quantitative data shows: workplace diversity is good for business. In these meetings, they said the benefits of diversity include access to a wider talent pool, the innovation and creativity that comes with different points of view, the ability to develop and tailor services for a more diverse group of customers at home and the improved understanding of market opportunities abroad.

Yet, almost all firms acknowledged challenges in reaching their goal of a more diverse and inclusive workforce. They talked about barriers to inclusion and what kind of policies and practices are needed so that diversity can be harnessed to drive innovation, productivity and global connectivity. Barriers included the recognition of credentials or of international experience, lack of access to language training for professional proficiency, reliance on traditional networks, unconscious biases in hiring and traditional corporate cultures. A smaller number of firms expressed concerns about "managing diversity" and what they saw as the potential for increased costs. Some recognized the value of diverse experience, but admitted they were not structured to attract and retain diverse talent. There was also a strong sense that both governments and industry are focused more on numbers and not enough on inclusion. As one executive stated, "For the last 20 years, we have been doing the same kinds of things: muscling through to get numbers for diversity, but we haven't changed the infrastructure or environment that we are operating in." The challenge is to change the way we think and the way we work, if we want to truly see the benefits of diversity.

In approximately 20 years, immigration will account for all net growth in Canada's population and workforce (Statistics Canada 2017). With an aging population and increased pressure on health care, pensions and other social services, a dynamic and productive skilled workforce will be an essential element in maintaining Canada's standard of living and remaining internationally competitive. Underemployed high-skilled immigrants are, in effect, a stranded resource, something the country

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<sup>1</sup> For a detailed breakdown of businesses included in each industry, refer to the North American Industry Classification System codes breakdown on Statistics Canada. See [www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=118464](http://www23.statcan.gc.ca/imdb/p3VD.pl?Function=getVD&TVD=118464).

# Summary of Recommendations



## Unlock talent: promote inclusive hiring

To attract and retain a talented workforce, employers need to adopt more inclusive hiring practices, such as blind recruitment, training to uncover unconscious bias, using diverse recruitment teams and eliminating Canadian experience requirements. Scaling up projects that link immigrants with professional associations and networks will improve access and opportunity.

## Passport to employment: recognizing foreign education, credentials and experience

The underemployment of new immigrants presents a significant opportunity cost to the economy. Governments, regulatory bodies, business and educational institutions must tackle the barriers to recognizing foreign credentials and develop clear pathways to certification.



## More than just words: invest in language training

Lack of fluency in English or French is one of the most often cited reasons for not hiring immigrants. It is time to reinvest in workplace-directed language training and to consider allocating more points in the immigration selection process for demonstrated professional fluency.

## Measuring diversity and inclusion: what gets measured gets done

Indicators and benchmarks help employers understand their workforce, measure results and demonstrate to clients and staff their commitment to diversity and inclusion. Industry-led voluntary principles would improve performance and accountability to shareholders and consumers.



## Procurement policies: leadership to drive innovation

Governments and business should include diversity and inclusion as one factor to be assessed in procurement processes. A combination of government legislation and industry-led certification mechanisms would provide a powerful incentive for diverse hiring and boost innovation.

## Corporate culture: moving beyond numbers

Inclusive organizations have leaders who put a high value on fairness, merit and equitable treatment. They prioritize inclusion over diversity, values over numbers and they address myths. Leaders need to integrate diversity and inclusion into an organization's identity and core operations.

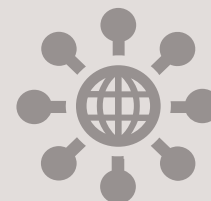


## Understanding the story: the data deficit

Reliable data is key to understanding demographics and addressing barriers. The federal government should reinstate and expand the WES to capture fundamental changes in the Canadian economy. Job banks that match skills, employers and potential employees would create opportunities for all Canadians.

## Connecting to the world: Canada's global advantage

Canada should be advocating the benefits of diversity and the circulation of talent. Business needs to recognize and reward international experience to drive innovation and build bridges beyond North America. Canada should use Group of Seven and Group of Twenty summits to champion diversity and showcase the diversity dividend.





cannot afford, in either economic or social terms. In a highly competitive world, talent follows opportunity, and Canada needs to ensure it remains an attractive destination for the world's top talent.

However, it is not enough to simply look at the benefits that come from attracting high-skilled immigrants. Economic outcomes are just one element of the diversity dividend. The goal is to build an inclusive society where all citizens can participate, contribute and realize their potential, and inclusion requires leadership. This means breaking down barriers, addressing myths and fears, and countering racist and discriminatory practices. Given that global populism is on the rise, and intolerance and extremism is seemingly emboldened, there is no room for complacency. Canadians need to make a choice about what kind of society they want. Embracing diversity is as much about values as it is about economics.

This report offers a series of recommendations for government, business and organizations engaged in supporting diversity and inclusion. While some of them are not new, there is new urgency to unlocking potential and building an inclusive nation where everyone benefits. The data and findings in this report make the business case. Canada's diversity and global connections represent a significant global advantage, but one that not all Canadians have fully recognized or leveraged. To realize this potential will require leadership to maintain support for diversity, and policies that promote a more inclusive society and encourage Canadians to pursue what should be a global vocation. With the world becoming increasingly isolationist, this is the moment for Canada to seize and champion the diversity dividend.

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## Introduction

Travel the world and ask anyone what comes to mind when they think of Canada. Eventually, the conversation comes around to diversity. There is no doubt that Canada is one of the most diverse countries in the world. The 2011 census showed that out of a population of 33 million, there are over 7.2 million first-generation and 5.7 million second-generation immigrants, or 22 percent and 17.4 percent of the total population (Statistics Canada 2011). Diverse nations of Indigenous

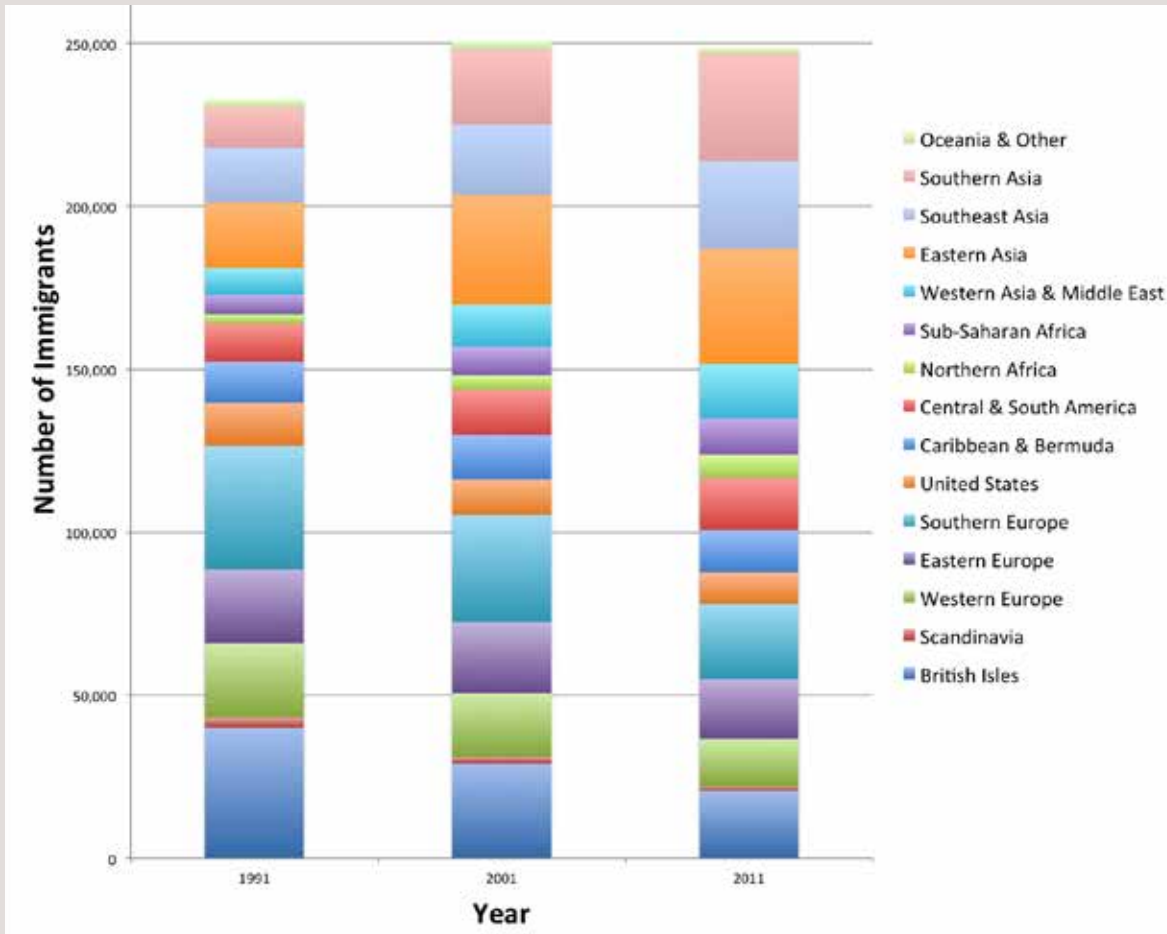
peoples and then waves of immigration — first largely from Europe and eventually from across the globe — have shaped our history and our identity. The ethnocultural makeup of Canada is not only diverse, but increasingly visibly diverse. Today, approximately 60 percent of all first-generation and 30 percent of all second-generation Canadians are members of visible minority groups (ibid.). This is most evident in major cities, but increasingly across the country. For example, first and second-generation immigrants account for over 75 percent of the total population in Toronto and 67 percent of the total population in Vancouver (ibid.). Canadian cities are increasingly becoming diverse hubs that reflect the world's own ethnocultural diversity.

Successive commitments to open immigration policies and multiculturalism by all political parties have provided the policy framework for Canada's diversity. Although there has been a growing populist backlash toward immigration in the United States and much of Europe, Canadians have generally remained positive about the need for immigration and the value of diversity and pluralism. Multiculturalism is viewed as a core value for the majority of the Canadian population, but especially among women and young people. According to a recent Environics Institute survey, 54 percent of Canadians rate multiculturalism as very important to their sense of a Canadian identity. Moreover, 67 percent of Canadians reject the claim that immigrants take jobs away from other Canadians (The Environics Institute 2015).

Canadians, however, cannot afford to be complacent and assume that we are immune to some of the rising anti-immigrant sentiments experienced globally. A 2017 Angus Reid poll found that 41 percent of Canadians believe the country is taking in too many refugees, and nearly a quarter would support an immigration ban on certain countries (Angus Reid Institute 2017). This is more than a fringe view. It is critical to understand and address the fears that drive these attitudes, especially given both the importance of immigration for the economy and the extent to which inclusion is central to the Canadian identity and our future.

Policy makers already recognize the demographic necessity of continuing to welcome immigrants. In about 20 years, immigration will account for all net growth in Canada's population and workforce (Statistics Canada 2017). With an aging population and increased pressure on health care, pensions

Figure 1: Total Immigration to Canada by Region of Origin for Census Years 1991, 2001 and 2011



Data source: Statistics Canada (2016).

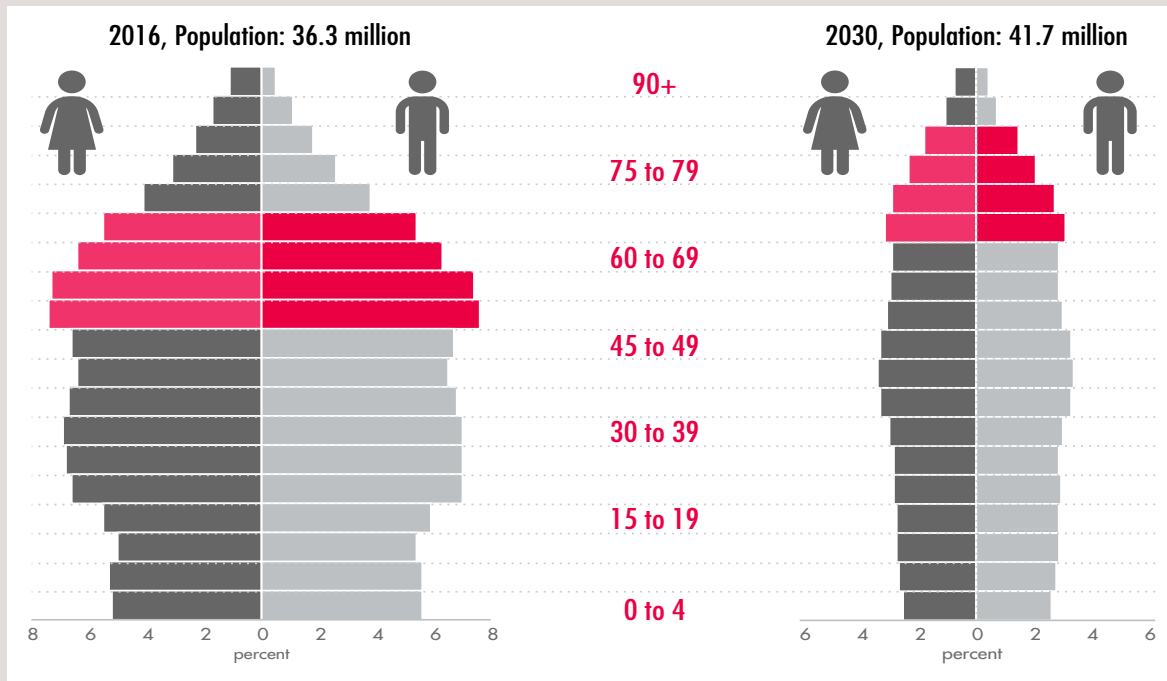
and other social services, a dynamic productive skilled workforce will be an essential element in providing a tax base to fund current public programs, remain internationally competitive and sustain economic growth (see Figure 2).

The benefits of immigration may be well established in policy circles and celebrated by most Canadians, but what about the business case for diversity? How do we measure the economic dividend that comes with diversity and what does this dividend mean for Canada in an increasingly interconnected world? Is diversity Canada's global advantage? Through an examination of the academic literature, statistical analysis and consultations with the business community and stakeholders, this report explores the link between a diverse workforce and economic returns.

## Academic Research

An in-depth review of the academic literature on diversity in Canada was conducted and discussions were carried out with leading Canadian academics in the field. An academic conference, co-hosted by the Rotman School of Management at the University of Toronto, brought together leading scholars from across Canada who formed the academic advisory group for this project, to discuss possible links between diversity and economic prosperity. While studies are mixed on whether diversity and prosperity are linked, and gaps remain, overall it was found that the results of the research undertaken were well aligned with other qualitative and quantitative research showing a positive relationship.

Figure 2: Changes in the Age Structure of the Population



Source: Statistics Canada (2006).

Academics have questioned the overall impact of diversity on business performance. In theory, added diversity in the workplace could enhance cultural knowledge, problem-solving styles and access to international markets, and lead to higher rates of entrepreneurship and increased varieties of goods, skills and services (Bellini et al. 2008; Nathan and Lee 2013). It has also been shown that immigrants are highly educated, on average, and more likely to specialize in engineering and science, which improves innovation and accounts for high-growth sectors (Hunt and Gauthier-Loiselle 2010). In the WES data, it was also found that immigrants were significantly more educated than those born in Canada, when compared on level of highest completed education. There is also ample evidence that Canadian immigrants are more entrepreneurial than Canadian-born people, suggesting they are highly innovative and business oriented (Momani 2016). Academic studies have also shown that businesses that embrace diversity are more likely to be better positioned to handle change, reduce conflict and gain a reputation as a socially responsible company (Iles and Hayers 1997; Richard et al. 2004; Roberson and Park 2006). The mechanism through which diversity operates is thought to be partially based on friction. Friction

generated by employees from different backgrounds and experiences, who each push favoured approaches to accommodate business needs, can ignite innovation, leading to increased firm revenue (Levine et al. 2014). Companies that can turn this friction into a positive organizational value around improved learning can harness diversity to improve products, strategies and business practices, as well as redefine markets (Ely and Thomas 2001). Another mechanism through which diversity exerts a positive effect on performance pertains to the greater variety of knowledge, skills and experiences a diverse workforce offers companies.

While academic literature points to potential benefits of diversity, there is also evidence that increasing diversity in the workforce can generate some costs. Weakened communication, prejudice and lower trust can hinder cooperation in the workplace (Bellini et al. 2008). It has often been argued that teams requiring a high degree of trust and strong communication can benefit from homogeneity. This has led some scholars to argue that manufacturing or hazardous work is best done by less diverse teams. One theory of cultural diversity's impact is that businesses face initial costs as they adjust, but ultimately reap noticeable

benefits in their productivity, innovation and profitability (Richard, Murthi and Ismail 2007). In trying to explain why clients and firms want diverse teams, academic literature suggests that diversity is particularly valuable for businesses that operate in high-risk, complex, unpredictable environments (Weick, Sutcliffe and Obstfeld 1999), where firms specialize in innovative, non-routine assignments (March and Simon 1993). These conditions are commonly found in business service firms. For example, ethnocultural diversity among stock-market traders has been shown to incite scrutiny and discourage overconfidence in, and imitation of, decisions made by peers (Levine et al. 2014). Cultural homogeneity is prone to encouraging groupthink, which contributes to the emergence of price bubbles in financial services. By placing undue confidence in the decisions of culturally similar coworkers, one study found, finance industry professionals in homogenous workforces are more likely to have pricing errors — the culmination of which leads to pricing bubbles. Alternatively, markets with professionals of diverse backgrounds see a pricing accuracy that is 58 percent greater among diverse markets, across locations (ibid.). Comparative evidence from around the world supports findings of positive effects from increased diversity in the workplace. Studies from the Netherlands, Denmark, New Zealand, the United States, the United Kingdom and Germany point to gains in productivity, innovation, wages and profits for businesses employing a greater share of immigrants (Bellini et al. 2008; Ozgen, Nijkamp and Poot 2011; Parrotta, Pozzoli and Pytlikova 2011; Mare, Fabling and Stillman 2011). Having more ethnocultural diversity in the workplace can also facilitate a firm's entry into foreign markets and allow businesses to give their customers what they want (Cox 1994; Hart 2010). However, other researchers have found mixed evidence that ethnocultural diversity ultimately helps business, and even that it may result in slower economic growth (Borjas 1995; Angrist and Kugler 2003). To explain these differences, academics have proposed that diversity helps some industries more than others, especially in the service sector (Richard et al. 2004; Nathan and Lee 2013). The mixed academic literature therefore requires deep empirical investigation to determine possible links between diversity and economic prosperity. Using both statistical evidence and qualitative consultations, this report does that.

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## Assessing the Data: Statistical Method

An in-depth economic analysis of 7,900 workplaces, in 14 sectors and over 143,000 employee responses extracted from the WES, revealed, in the vast majority of sectors, a significant, positive relationship between ethnocultural diversity and increased productivity and revenue. The WES data set was gathered between 1999 and 2005 by Statistics Canada. Workplaces were chosen in a randomized method from the business register. Employers and employees were mandated to respond to the WES survey and the information collected was further verified with other federal agencies, such as the Canada Revenue Agency. The WES data are unique in that they provide and link data gathered from both employees and employers, which allows for isolating the ways in which changes in workforce composition affect business performance.<sup>2</sup> Using this quantitative data set, it is possible to identify and measure how ethnocultural diversity impacts revenue across various sectors of the Canadian economy.

Based on data available through the WES, the term “ethnocultural diversity” is used to encompass those born outside of Canada and those who speak a language other than English or French at home. Persons that fall under this definition include all first-generation Canadians, but likely under-reports second-generation immigrants because it excludes those who speak English or French at home as adults. It excludes third-generation immigrants or beyond, because our predicted relationships will be weak by the third generation. To determine workplace prosperity, our analysis looked at two measures of business performance — workplace productivity and firm revenue.

To analyze the WES data, a matched sample design to create an effective twin study was used, comparing workplaces with identical characteristics, except for ethnocultural diversity, and using performance measures such as revenue and productivity. Ideally, this method isolates the relationship between diversity and performance, removing other factors through

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2 The WES data has several limitations, including the fact that the survey was discontinued in 2006 and the fact that the authors' analysis could not control for spatial variation (workplace geography/location).

the matching process, which otherwise obscure the result. To find matches, controlled factors<sup>3</sup> known to influence the relationship between cultural diversity and firm performance were used (Nathan and Lee 2013). Then, a matching algorithm was used to compare the performance of businesses that are less ethnoculturally diverse to those that are more diverse. The matched firms were effectively identical on all of these control variables, and therefore the effects of workforce ethnocultural diversity on a firm's revenue and productivity could be isolated. This research design allowed for the association of observed disparities in firm performance to the presence (or absence) of ethnocultural diversity as the key impacting variable,<sup>4</sup> with only marginal unobserved effect remaining.

Researchers of diversity often have a difficult time proving that greater ethnocultural diversity is not a by-product of increased performance, or the outcome of some other unidentified factor. That said, best practices were used in the academic literature to control for 10 types of variables, including business strategy, innovation, workforce size, industrial sector (i.e., manufacturing/service), industry, resource scarcity, gender diversity, education, distribution of occupation and access to foreign markets. There was no need to control for exogenous variables such as GDP, exchange rates and commodity prices that typically impact firm performance and that may impact sectors differently, because the matching design was used. This allowed for isolating ethnocultural diversity as the key factor influencing economic prosperity. As a result, observed differences in revenue between like firms found in the matching design can confidently be associated with variability in workforce ethnocultural diversity.<sup>5</sup>

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3 For more information on selection variables please refer to the appendix, which is available at [www.cigionline.org/diversity-dividend-appendix](http://www.cigionline.org/diversity-dividend-appendix).

4 These selection variables accounted for 93 percent of cultural diversity's variation, thereby creating a "balanced" sample in which the major remaining effects on economic performance could only be associated with diversity.

5 An appendix containing the detailed statistical findings and full methodological approach can be found at [www.cigionline.org/diversity-dividend-appendix](http://www.cigionline.org/diversity-dividend-appendix).

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## The Diversity Dividend

The WES data set revealed a strong positive, significant relationship between ethnocultural diversity in the workplace and both increased workplace productivity and revenue. Specifically, a one percent increase in ethnocultural diversity was associated with an average 2.4 percent increase in revenue across the 7,900 workplaces surveyed. Similarly, a one percent increase in ethnocultural diversity was associated with an average 0.5 percent increase in workplace productivity. Positive revenue growth was found in 13 out of 14 sectors measured and positive productivity growth in nine out of 14 sectors. As noted in Figure 3, the Canadian industries with the strongest performance boost were information and cultural industries, business services and transportation, warehousing and wholesale, with an increase in revenue of more than three percent. Other industries, including secondary product manufacturing, transportation, communications/utilities and forestry, mining, oil and gas extraction all showed above-average results.

Assessing the statistical findings did, however, produce a classic dilemma of which came first, workplace diversity or economic prosperity? So, while there are very strong relationships in diversity and economic prosperity indicators in the quantitative data findings, it was necessary to speak to business and other stakeholders and to look at the academic literature to help explain the potential mechanisms or causes.

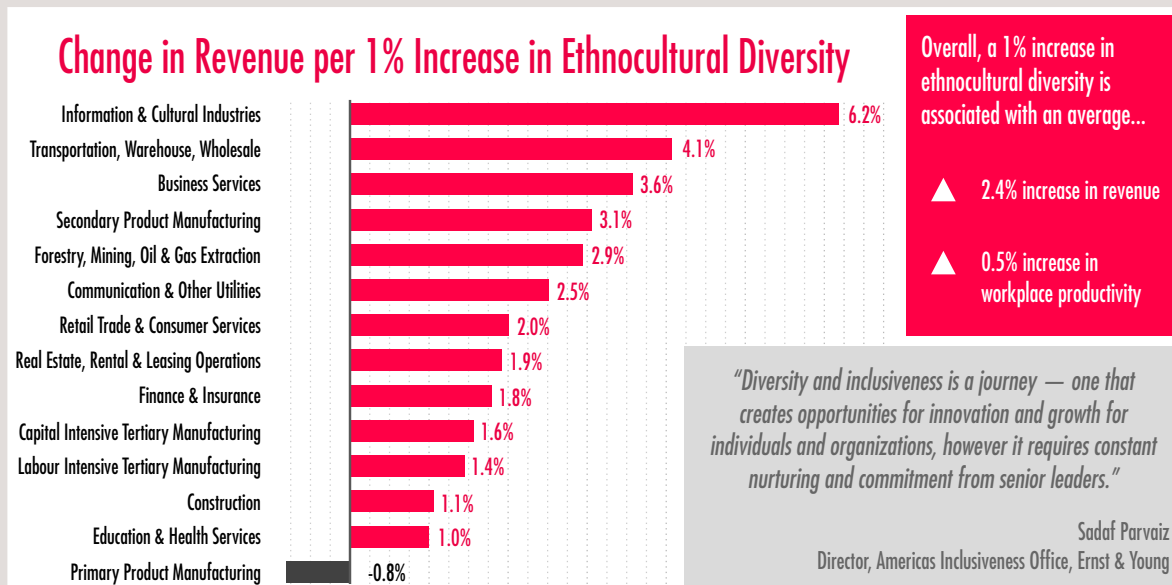
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## The Business Perspective

To complement the quantitative research, the authors hosted round tables in seven cities with more than 100 of Canada's leading private- and public-sector employers, as well as with industry associations, labour unions, settlement organizations, and provincial and municipal officials. Executives confirmed what the quantitative data shows: workplace diversity is good for business. They also explained why this is the case.



Figure 3: Ethnocultural Diversity Is Positively Related to Revenue



Data source: Statistics Canada (2011).

The semi-structured round-table consultations, held in Kitchener-Waterloo, Toronto, Halifax, Ottawa, Vancouver, Calgary and Montreal, revolved around predetermined questions and discussion points, which later allowed for parallels to be drawn and for comparisons of experiences between industries and regions. Companies and public employers were invited to participate in the discussions based on economic and workforce market share in each city. As a result, the views of virtually all major Canadian industries were represented. For example, the Toronto round table provided the perspectives of major players in the finance industry and professional services; Kitchener-Waterloo presented the unique outlook of the high-tech and start-up communities; and participants in Calgary offered insight into the resource and construction sectors. The combination of workplace data, academic studies and reflections of employers provided a distinct picture of the benefits, challenges and untapped opportunities offered by diversity in the workplace.

The questions posed to participants revolved around themes of determining the economic and business rationale for promoting diversity in the workplace, managing diversity, and attracting and retaining talent. Questions were aimed at uncovering business' views about the financial impact of diversity, as well as the barriers that may prevent the realization of this impact. To keep

the discussion as broad and inclusive as possible, participants were not given any limitations on the definition of diversity. However, most of the conversations focused on ethnocultural and gender diversity. These were also the identifications captured by the WES, which underpins the statistical analysis. Although the intent was to highlight the intersectional nature of diversity by addressing sexual orientation, gender identity, religion and so on, it was found that companies tended to prioritize gender and ethnocultural issues given the greater visibility and self-reporting associated with these two types of diversity.

There were many common themes across the country, but also interesting regional differences. In Halifax, participants discussed the demographic challenges of an aging and declining population, and emphasized that attracting and retaining skilled immigrants would be key to future economic prosperity. They also recognized the need to address the marginalization of long-standing minority communities, such as Indigenous peoples and black Nova Scotians. In Vancouver and Toronto, both hyper-diverse cities, the focus was on inclusion, and, in the case of Vancouver, breaking down barriers between different ethnic groups and strengthening ties to Asia. The Calgary round table highlighted the challenges of attracting and retaining a diverse workforce given the cyclical nature of the oil and gas industries. The

participants discussed how managing a diverse workforce in resource industries where safety is a high priority can be more complex than it is in business services or cultural industries, where there is a premium on creativity and innovation. Montreal provided insights into the Quebec immigration model, which initiated a discussion about identity and how to balance a strong sense of what it means to be Quebecois within a diverse society. The discussion in Kitchener-Waterloo demonstrated the importance of infrastructure, both physical and social, to attract and retain a diverse population. As in many smaller cities, the need for an influx of talent is great, but highly skilled millennials are seeking more than jobs. They are also looking for access to services such as transportation, cultural or sporting events, and a diverse milieu. In Ottawa, the discussion focused on policy questions such as: how to encourage business to look at international markets; the value of international education; and the role of government in supporting diversity and inclusion.

To complement the data analysis and business round tables, one-on-one interviews were held with leading professional and business associations, and with union leaders to get a fuller picture of the findings. These included: Canadian Manufacturers and Exporters; the Forest Products Association of Canada; the Information Technology Association of Canada; Canadian Women in Communication and Technology; as well as unions. Although all the sectors covered by the WES were consulted, this report focuses on those industries that exhibited the strongest and weakest relationship of diversity to performance, to understand and explain this link.

Information and cultural industries showed the strongest diversity dividend with an average 6.2 percent increase in revenue and 0.7 percent growth in workplace productivity for every one

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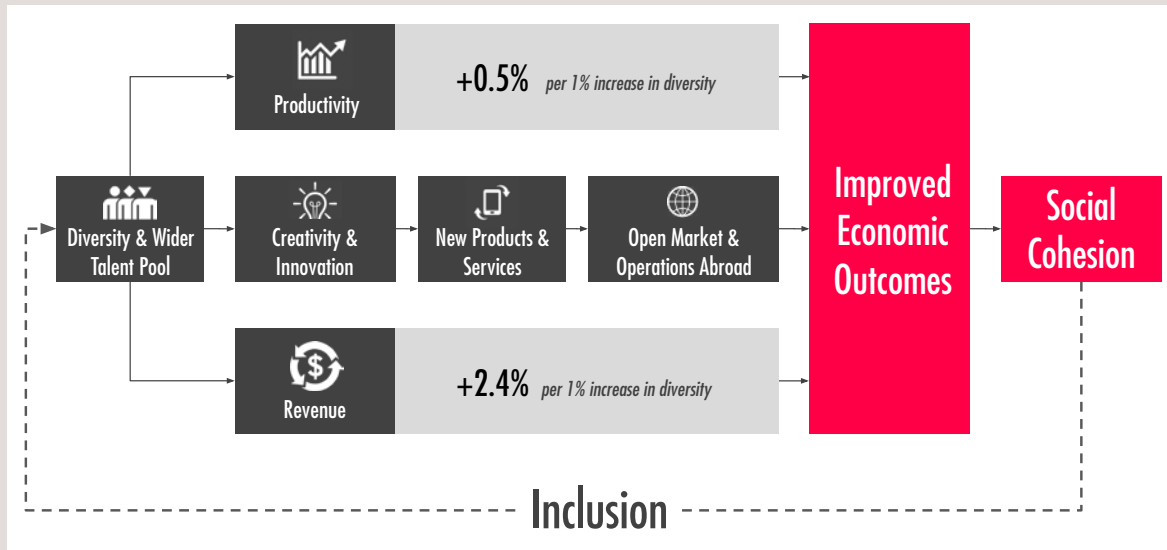
**“Diversity needs diversity. Diverse people want to live in diverse cities with culture, arts and sports that reflect such dynamic backgrounds, but also serve to unify through shared experiences.”**

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percent increase in ethnocultural diversity in the workplace. This sector includes companies involved in publishing, music, movies, broadcasting, telecommunications, performing arts and information services. These industries all cited the importance of innovation, entrepreneurship and connecting with their consumer base. At one business round table, an executive of a major Canadian telecommunications company explained that the benefits of diversity to this sector came from having its employees better reflect its increasingly diverse consumers. Having diverse employees proved profitable once this company developed inclusion initiatives by promoting women and visible minorities in the actual creative process. As the executive vice president of people and communications at Corus Entertainment, Cheryl Fullerton, noted, “Saying that you’re committed to diversity or working towards it and actually having and leveraging diversity are two very different things. For the last 20 years, [organizations] have been doing the same kinds of things: muscling through to get numbers for diversity, but we haven’t changed the infrastructure or environment that we are operating in.” By translating diversity into inclusivity, Corus was able to expand its content, grow its viewership and improve services.

A senior manager from a leading Canadian media and entertainment company noted that the pool of job candidates who want to work in the industry is more diverse than ever, reflecting, in part, the rising educational outcomes of visible minorities and women. However, she was skeptical that the information and cultural sector was better at diversity than others; rather, she saw it as a function of the socio-demographic changes in major urban centres where these industries tend to locate. Another manager from a creative studio cited having 25 nationalities represented among its 300 employees. He emphasized the importance of cultivating an inclusive environment, which is conducive to productivity, that often extends beyond the boundaries of the workplace. Cultural industries appreciated the value of building creative hubs, and this company noted that “Diversity needs diversity. Diverse people want to live in diverse cities with culture, arts and sports that reflect such dynamic backgrounds, but also serve to unify through shared experiences.” The point being made is that the creative sector often thrives on hiring diverse people, but having a location in an urban centre that is livable and

Figure 4: Ethnocultural Diversity and Improved Economic and Social Outcomes



Data source: Statistics Canada (2011).

culturally fulfilling to its workforce is an important way to attract and retain diverse talent.

Similarly, the presence of diverse communities creates new business opportunities for the information and cultural industries sector. Specialized TV channels in Toronto, for example, have capitalized on the city’s ethnocultural mix by broadcasting in Mandarin, Cantonese, Italian, Punjabi, Portuguese, Arabic and other languages. Other media outlets said that they too had tapped into the ethnic media market and discovered new opportunities when they listened to their diverse workforce. One representative talked about how his company utilized an ethnoculturally diverse team in marketing its new ethnic programs, and found customers made positive connections with service staff, driving up sales of ethnic channel subscriptions. Similar viewership gains were made by getting more women into the creation of unique content and tailored programming.

The business services sector also showed a strong relationship between diversity and economic results with an average 3.6 percent growth in revenue and one percent growth in workplace productivity for every one percent increase in ethnocultural diversity. It is therefore no surprise that management consulting, auditing, law firms and information technology companies were also among the strongest

proponents of the value of diversity to their organizations during the business round tables.

Companies in the business service sector — tech companies, law firms, marketing companies and other professional service providers — all highlighted the importance of tapping into the widest possible pool of skills and talent, including international talent. A representative from one of the largest international tech companies explained that the company’s priority is to fill its high demand for coders, analysts, designers and other tech innovators without considering where they come from. She noted, “Start-up communities want talent — they don’t care where you’re from. The Waterloo tech sector is craving immigrants to come in and fill the demand for coders, tech innovators, etc.” International technology companies who are marketing technology products to billions of users across the globe, not just Canadian consumers, also need a diverse workforce to

“If you want to sell your product to the next billion users, then you need diverse thinking to help tailor the software or the apps to different demographics.”

understand and relate to their global consumers. As one tech company executive noted, “If you want to sell your product to the next billion users, then you need diverse thinking to help tailor the software or the apps to different demographics.”

Business round tables also reinforced the research that suggests diversity generates productivity and innovation. This was especially true in the knowledge-driven industries such as consulting, auditing and financial or legal services. As Sadaf Parvaiz, director of the Americas inclusiveness office at Ernst & Young, noted, “We know from third-party research that diverse teams produce more accurate results than homogenous teams. Homogeneity can lead to the threat of ‘group think,’ which may create over confident teams, less accurate results and poor quality work.”

One participant noted how her law firm won a multi-million-dollar bid against a rival firm because it had brought a diverse team to the table while the rival firm did not. This then galvanized senior management to overhaul their corporate approach to diversity, and implement robust new measures to facilitate diverse hiring and inclusion. Dany Assaf, a partner at one of Canada’s law firms, Torys LLP, concurred that large multinational clients often demand diverse teams of lawyers and do so specifically by detailing this in their retainer letters. “You can see,” he said, “that diversity is becoming a terms of service matter [and] creates pressure for less diverse law firms [to also diversify].” Moreover, Assaf added that diversity helps productivity because “if people believe there’s a system where you can succeed on merit, they will be more productive — when people see more people like them succeed, they will go the extra mile.” Parvaiz also observed that “the ability to innovate and learn from different perspectives is fundamental to driving innovation, building strong relationships and delivering the best approaches for our clients.” Implementing diversity, she noted, was easier to do when her company had the metrics to prove it resulted in higher earnings.

**The capital-intensive tertiary manufacturing and secondary manufacturing sectors** have also been successful at capitalizing on the diversity dividend. This sector includes automotive, computer, machinery, chemicals, plastics, rubber and fabricated metal manufacturing companies. The statistical findings indicate that capital-intensive tertiary manufacturing experienced an average 1.6 percent increase in revenue for every

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**“The ability to invite and learn from different perspectives is fundamental to driving innovation, building strong relationships and delivering the best approaches for our clients.”**

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one percent increase in ethnocultural diversity. These findings are significant in two respects. Academic literature has often noted that diversity is less important to revenue and productivity in manufacturing sectors than it is to service sectors. The findings of the research undertaken for this report suggest that even in capital-intensive manufacturing, diversity is important for a company’s bottom line. This is also significant given the importance of the automotive sector for the Canadian economy, accounting for 15.5 percent of all exports in 2015.<sup>6</sup> The automotive sector also accounts for approximately 115,000 jobs in the Canadian economy, and is an important industry for other input product producers.<sup>7</sup>

One auto manufacturer noted that as production costs are relatively high in Canada, one way to increase competitiveness is through the quality of its workforce. Having a diverse workforce helps generate “those little ideas” that can improve production. However, another automotive company representative acknowledged the sector faces challenges in diversifying the workforce, for example, diverse teams on an assembly line who do not mix outside of work, can experience tension in the workplace. But when the same company used blind recruitment and aptitude testing, as opposed to referral programs, it helped to attract more women and ethnic minorities. Diversity in the workplace requires company effort, she noted, but the company found it beneficial to make accommodations to attract and retain the most talented individuals.

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6 See [www.asiapacific.ca/statistics/trade/regional-trade/canadas-trade-world-product](http://www.asiapacific.ca/statistics/trade/regional-trade/canadas-trade-world-product).

7 See [www.statcan.gc.ca/pub/11-626-x/2013026/c-g/desc/desc05-eng.htm](http://www.statcan.gc.ca/pub/11-626-x/2013026/c-g/desc/desc05-eng.htm).

Even in traditionally homogenous sectors such as the forestry, mining, oil and gas extraction sector, employers recognized the value of diversifying their workforce. An average 2.9 percent increase in revenue is significant in a sector that is a large contributor to national revenue, accounting for approximately \$132.7 billion to GDP and one of Canada's largest exporters (Statistics Canada 2017).<sup>8</sup> Executives said that, over the long term, there is a shortage of skilled workers and given the cyclical nature of commodities industries, diverse hiring is important to meet labour demands.

In an Ernst & Young survey, 61 percent of oil and gas employees across the globe believed that gender diversity positively affected financial performance, and 77 percent believed diversity positively affected nonfinancial performance.<sup>9</sup> Rachel Moore, a human resources executive

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**“People who have only ever worked in Canada have largely very similar experiences. We need to look at what diverse experiences can offer.”**

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who has worked for major companies in the oil and gas sector for many years, noted that having individuals speak a variety of languages and understand foreign cultures was helpful in pursuing international opportunities, for instance, “engineers were able to explain how things work in the language of their client.” Moore recalled that when her previous employer held negotiations with an international company from Pakistan and its guests noticed they had a prayer room for one of their Muslim employees, this helped lay a “foundation of trust” and assisted the Canadian company in securing an international deal. She added, “People who have only ever worked in Canada have largely very similar experiences. We need to look at what diverse experiences can offer.”

Another oil and gas company noted that without embracing diversity, they were likely to face a real labour shortage as the working population in rural Canada is getting older. This was echoed in the Ernst & Young survey, which noted that 94 percent of 236 oil and gas company employees across 35 countries believed that diversity of thought and experience was important to navigating looming disruptions in the sector. As Parvaiz noted, “Diversity and inclusiveness is a journey — one that creates opportunities for innovation and growth for individuals and organizations, however it requires constant nurturing and commitment from senior leaders.”

Business round-table participants noted the extractives sector often finds it difficult to find a diverse workforce in field locations, but it is more successful in corporate offices. In some cases, companies prefer to use multiple monocultural teams of ethnically diverse backgrounds, for example, working on oil rigs or in other hazardous environments. The theory is that diverse teams may experience communication problems, and in environments that require a high degree of collaboration and trust, diverse teams could present either real or perceived safety issues. However, when managers of these monolithic teams meet, the creativity resulting from diversity starts to percolate in production decisions. This was echoed by company representatives in the construction sector. So, while field labour is often done by monolithic ethnocultural teams, managers from these groups meet to discuss processes and creative solutions to bottlenecks and efficiencies are found.

As in the automotive sector, human resources professionals noted that by eliminating its referral program for hiring, they were able to achieve a more diversified workforce. Moreover, one extractives firm found a diverse hiring team was better able to assess international education and foreign credentials, which, in turn, resulted in the hiring of more diverse employees. As one participant noted, “Diverse recruiting teams are able to cast a wider net and are more comfortable with a diverse candidate pool. They are also able to assess schools abroad much more easily.”

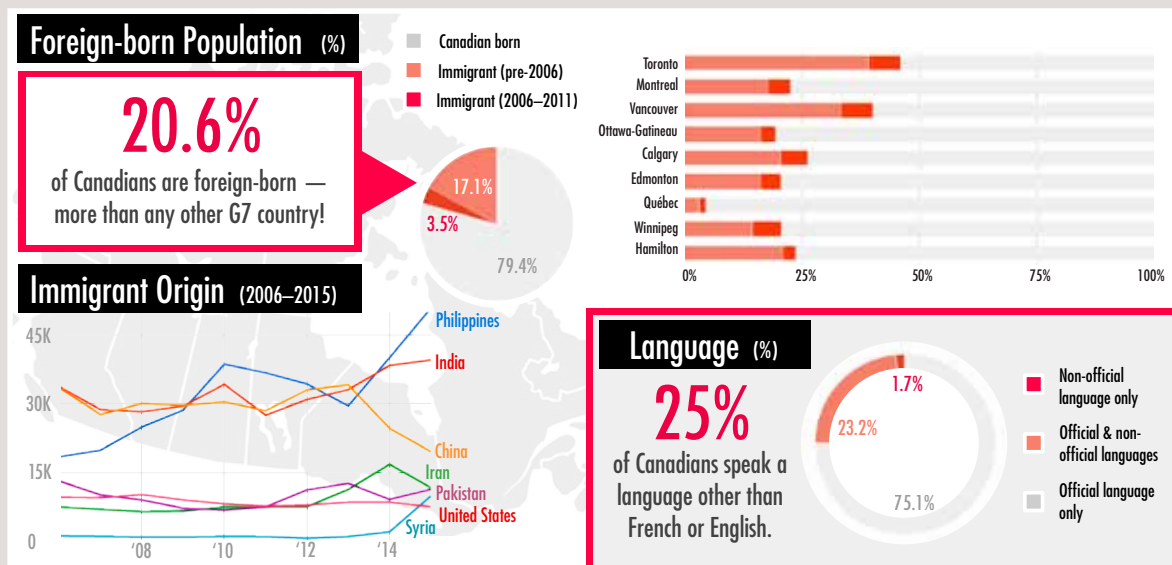
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<sup>8</sup> See [www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ41-eng.htm](http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/econ41-eng.htm); [www5.statcan.gc.ca/cansim/a26?lang=eng&id=3790031](http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=3790031).

<sup>9</sup> See [www.ey.com/gl/en/industries/oil-gas/ey-diversity-boosts-performance-in-oil-and-gas](http://www.ey.com/gl/en/industries/oil-gas/ey-diversity-boosts-performance-in-oil-and-gas).



Figure 5: Immigration and Ethnocultural Diversity in Canada



Data source: Statistics Canada (2011).

## The Anomalies: Sectors Where Diversity Is Challenging

The WES data set revealed a negative relationship between ethnocultural diversity in the workplace and economic prosperity in the primary product manufacturing sector, and a positive but modest relationship in the education and health services sector. An average one percent increase in diversity in these industries was associated with a 0.8 percent decrease and one percent increase in revenue respectively. While the academic literature suggested that a negative relationship might exist in manufacturing, it was surprising to see this only in one sub-sector of manufacturing. Health care and education is a service sector, and a far larger employer than primary product manufacturing, which makes the small positive effect observed in this industry a more interesting anomaly.

**Health services, education and social assistance** is one of the top three contributors to employment in Canada (approximately 2.3 million people) and the small size of the effect between added ethnocultural diversity and revenue in this sector raises questions. This sector includes universities, colleges, schools, hospitals, nursing homes, labs and social

services, and many institutions in this sector also participated in the round tables. Could the modest positive effect be explained by the high prevalence of not-for-profit institutions in this sector? The authors' research uncovered that this sector does not have significantly more non-profits than other sectors. However, government funding is often the largest source of revenue in this sector, and this funding model may have a critical influence on mechanisms at play. Moreover, government funding allocation in health-care facilities puts pressure on controlling expenses, and labour substitution is an important means of lowering costs. It is beyond the scope of this report to definitively explain the surprisingly small effect size, but it is worthy of further exploration. However, through the course of the round tables and interviews, a number of challenges faced by this sector were raised, including racialized and precarious employment, and the underemployment of immigrant workers. Concerns about barriers and the lack of professional crosswalks and opportunities for upgrading skills experienced by ethnoculturally diverse people in this sector was mentioned during the round tables.

Both management and unions said the underemployment of immigrant health-care workers, high rates of part-time over full-time work and a higher number of visible minorities and immigrants in frontline health-care services is an employment equity concern. Studies have shown

that there is an overrepresentation of immigrants in health-care occupations where pay is lower and jobs are less secure (Armstrong and Braedley 2013, 80-81). By hiring more visible minorities in frontline services, for example, registered practical nurses, orderlies and especially personal support workers, health-care facilities can reduce costs of registered nurses (one of the highest incurred costs). The racialized hiring for lower pay is often more pronounced in lower paying, long-term residential care than in hospitals (ibid.). Another administrator confirmed that while frontline care providers, such as personal support workers, laboratory technicians, patient in-take workers and orderlies are often ethnoculturally diverse and female, hospital physicians and surgeons, administrators and board members are more likely to be male and less ethnoculturally diverse.

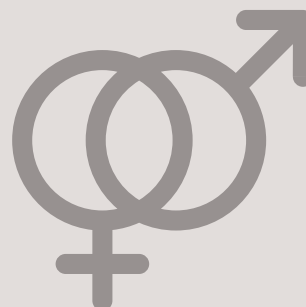
Several hospitals participated in the cross-Canada business round tables, noting the underemployment of immigrant health-care workers. One hospital administrator mentioned that they have many applicants who are recent immigrants trained as doctors who cannot even meet the conditions of being a registered practitioner nurse. Studies show that immigrant health-care workers have a high rate of underemployment or a mismatch between education levels and work performed. In 2001, 26 percent of recent immigrant men and 36 percent of immigrant women in health care had a mismatch; moreover, 23 percent of immigrant men who were physicians in their home countries and 47 percent of women who were nurses were underemployed in Canada. In contrast, doctors and nurses born in Canada had minimal rates of underemployment in the same professions (Galarneau and Morissette 2004). Other health-care professionals where immigrants have a high mismatch rate compared to Canadian-born professionals include pharmacists, physiotherapists, dentists, optometrists and veterinarians.<sup>10</sup> Since health-care professions are highly regulated sectors that require Canadian credentials, the lack of crosswalks that would allow foreign professional to upgrade their skills and meet Canadian requirements, and the costs often associated with acquiring credentials, leads to both the underemployment of immigrants and shortages of health-care workers.

<sup>10</sup> See [www.statcan.gc.ca/pub/75-001-x/2010102/tables-tableaux/11121/tbl003-eng.htm](http://www.statcan.gc.ca/pub/75-001-x/2010102/tables-tableaux/11121/tbl003-eng.htm).

## The Gender Dimension

Although this study focuses on ethnocultural diversity, there was an opportunity to examine the data for gender as well. Businesses stated that they attach importance to all forms of diversity and, in some respects, the challenges of attracting and retaining talent and the means to promote an inclusive workplace are similar for both groups of employees. The participation of women on company boards and in upper management has been shown to have a direct positive impact on revenue (Joy et al. 2007; Noland, Moran and Kotschwar 2016). The WES data affirmed a number of academic and business studies that have noted the benefits of gender diversity in the workplace, specifically substantial revenue and productivity gains when workplaces move toward gender parity. For every one percent increase in gender diversity, there was an average corresponding increase of 3.5 percent in revenue and 0.7 percent in workplace productivity, after controlling for the same factors as ethnocultural diversity.

Academic literature has noted gender parity generates productivity and revenue gains in high-tech and knowledge-intensive sectors, but has also argued that the opposite would be found in traditional industries such as manufacturing (Garnero, Kampelmann and Rycx 2014). The findings show revenue gains in all 14 sectors, and they were most pronounced in forestry, mining, and oil and gas sectors, as well as in education and health services. Indeed, based on the best available evidence, gender diversity is good for all businesses' bottom lines and should be a priority for any firm's success.



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**“Diversity is more than a numbers game; it’s about preparing the workplace. Employers understand that a culture of inclusivity fosters a sense of belonging. It means providing an excellent experience where all employees reach their potential.”**

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While Canadian universities often report that they have a diverse student body, faculty remains far less diverse (Ng 2013; Henry and Tator 2009). Based on the 2006 census, nearly 17 percent of university teachers belong to visible minority groups (Canadian Association of University Teachers 2010). Although the Federal Employment Equity Act mandates universities to state their commitment to equitable employment in all its job advertisements, it is often no more than “lip service” when it comes to hiring practices. Blaming the lack of diversity on a pipeline problem of insufficient numbers of minorities in post-doctoral programs has also been shown to be an insufficient explanation (Ng 2013). While the ethnocultural makeup of university faculties appears to be improving in a number of Canadian universities, the percentage of faculty who are from ethnic minority groups is far below the average of the metropolitan cities in which they are located (ibid.).

Several universities participated in the business round tables and noted that diversity was a priority for them. As one representative said, “as our student body is becoming more diverse, we need faculty and staff to also better reflect our society, but unconscious biases remain in hiring ethnic minorities on faculty.” Additionally, as observed by Marilyn Thompson, associate provost of human resources from the University of Waterloo, “Diversity is more than a numbers game; it’s about preparing the workplace. Employers understand that a culture of inclusivity fosters a sense of belonging. It means providing an excellent experience where all employees reach their potential.”

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## The Global Advantage

Round-table participants noted that ethnocultural diversity, international experience or that elusive set of qualities sometimes known as “cultural fluency” were key to accessing and operating in global markets. This is just one way in which Canada’s diversity becomes a global advantage. Andrew Matthews, director of Ottawa-based Douglas McNeill Consulting Ltd., which caters to clients worldwide, observed that immigrant employees often served as a valuable gateway to conducting business overseas, and that ethnoculturally diverse employees “who are familiar with foreign markets, pave the way for expanding operations abroad.” Several firms observed that workplace diversity is key to tailoring products and services from digital apps to air transportation, in order to appeal to global customers. As Canada continues to struggle to increase and diversify its trade and investment beyond the US market, the ability to negotiate, communicate with and understand others in the global marketplace is a real asset. Banks, manufacturers, law firms and resource industries all mentioned that their top-performing employees were most often those with an international perspective, and that for some, international experience was a requirement for promotion. At the same time, many firms acknowledged they faced difficulties in assessing international education and experience. The reality is that the path of least resistance is often to discount the value of foreign credentials or experience, which reinforces a risk-averse approach to hiring and a lack of international perspective or understanding. By contrast, post-secondary graduates of the European Union’s Erasmus Program, which requires students to do at least part of their degree in another European country, have a 23 percent lower unemployment rate than other students (European Commission 2014). Unfortunately, Canadian students are often reluctant to venture abroad because they fear their experience will not be valued when they return. International experiences and connections can be one of Canada’s greatest assets, setting it apart from others and, in theory, help to prepare Canadians for success in a globalized economy. International connections need to be recognized and nurtured.

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## Missed Opportunities: Barriers and Recommendations

If Canada is to benefit fully from diversity, it is critical to recognize and address the barriers to inclusion that remain both in the workplace and in society. If immigrants are marginalized, either economically or socially, not only will they fail to reach their economic potential, but they may fail to thrive, producing implications for broader social cohesion. It is in everyone's interest to ensure that when immigrants arrive they have, or can acquire, the tools they need to succeed.

Too often immigrants find themselves underemployed or shut out of occupations commensurate with their skills and experience. A separate project using the same Statistics Canada data set at the University of Victoria, has found that after controlling for both individual-level and firm-level factors that influence salaries, individuals with an immigrant background were penalized around \$7,000 in annual salary, compared to equivalent individuals without immigrant backgrounds (Fitzsimmons, Baggs and Brannen, forthcoming 2017). Even within diverse organizations, there is a serious disconnect between representation at the working level and in management.

Meaningful employment is a powerful driver of inclusion, not least because it promotes interaction among people from different communities and minimizes differences in pursuit of common goals. At the business round tables, almost all firms acknowledged they faced challenges in reaching their goal of a more diverse and inclusive workforce. They talked about barriers to inclusion and what kind of policies and practices are needed so that diversity can be harnessed to drive innovation, productivity and global connectivity. Barriers include conscious and unconscious bias in hiring, non-recognition of foreign credentials or international experience, limited access to language training for professional proficiency, lack of role models and mentoring, and corporate cultures that do not always support inclusion.

It is, however, not enough to simply reap the dividends that come from attracting highly skilled immigrants. Although this study focuses on the

economic results, that is only one element of the diversity dividend. What really matters is inclusion — and inclusion requires leadership. It requires breaking down barriers, addressing myths and fears, and countering racist and discriminatory practices. With global populism on the rise, Canadians need to make a choice about what kind of society they want. Diversity is as much about values as it is about economics.

This report offers a series of recommendations for government, business and organizations engaged in supporting diversity and inclusion. While some of them are not new, there is new urgency to unlocking potential and building an inclusive nation where everyone benefits. This study shows that Canada's diversity and global connections represent a significant global advantage, but one that not all Canadians have fully recognized or leveraged. To realize this potential will require policies that promote a more inclusive society and encourage Canadians to pursue what should be a global vocation. With the world becoming increasingly isolationist, this is the moment for Canada to seize and champion the diversity dividend.

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## Policy Recommendations



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### Unlock Talent through Inclusive Hiring

Employers have said they are struggling to attract and retain talent. They want a more diverse workforce, but too often rely on traditional hiring practices. When companies hire in their own image or consistently use the same approach, they continue to get the same results and may be missing opportunities to create a more diverse and innovative workforce. Smaller and medium-size companies with limited human resources capacity are likely to rely on word of mouth, which means hiring people in the same mold. Larger companies have more options, but still overlook qualified candidates due to implicit biases and a preference for Canadian education and work experience, even if it is not actually necessary or relevant for the job.

A 2011 study conducted in Toronto found that resumes with English-sounding names were 39 percent more likely to prompt callbacks than identical resumes with Chinese, Pakistani or Indian-sounding names (Oreopoulous 2011). While in some cases blind screening of resumes can eliminate discrimination based on foreign-sounding names, this is only a first step. Across the country, from the Immigrant Services Association of Nova Scotia to the Toronto Region Immigrant Employment Council to the Immigrant Employment Council of BC, the role immigrant partnership or connector programs play in breaking down the barriers was consistently mentioned. These programs are key in helping immigrants and minorities access networks, find mentors and, most importantly, get practical experience or upgrade skills needed to access full-time employment. Student internships and co-op programs are also effective, low-risk ways to broaden the talent pool.

#### **Business strategies for more inclusive hiring:**

- Train managers and human resources staff to uncover and address unconscious bias.
- Implement blind screening of resumes, especially in larger organizations.
- Use diverse recruitment teams to recruit and better assess diverse candidates and their qualifications.
- Streamline and eliminate Canadian experience requirements.

#### **Actions for governments and settlement agencies:**

- Scale up projects that link immigrants and other minorities with professional associations and networks.



### **Passport to Employment: Recognizing Foreign Education, Credentials and Experience**

Barriers to recognizing foreign credentials and experience

result in the underemployment of new immigrants and Canadians with international experience. In many cases, employers are unwilling or unable to assess foreign qualifications. In more regulated professions, overly bureaucratic mechanisms to

evaluate and upgrade credentials contribute to underemployment and the persistent shortage of skilled labour, which in turn presents a significant opportunity cost to the economy. In 2009, the Parliamentary Standing Committee on Citizenship and Immigration estimated the cost of not recognizing the foreign credentials of immigrants between \$2.4–\$5.9 billion annually (House of Commons 2009, cited in Melchers and Schwartz 2011). Underemployed immigrants are, in effect, a stranded resource. This problem is well-known and compounded by a lack of coordination between government, industry and professional associations. The 2017 federal budget provides new impetus and funding to address the issue.<sup>11</sup>

#### **Actions for governments:**

- Establish clear roles and responsibilities for federal and provincial authorities and regulatory bodies, and mechanisms to address areas of shared jurisdiction.
- Eliminate, wherever possible, inter-provincial barriers and establish national standards.
- Provide support to colleges and universities for programs to upgrade foreign credentials.
- Expand bilateral reciprocal agreements to countries with comparable standards, for example, the Quebec-France Mutual Recognition Agreement covering more than 50 trades and professions.
- Include labour mobility clauses in new free trade agreements and update existing agreements to include new industries.

#### **Actions for industry and regulatory bodies:**

- Establish clear and timely pathways to certification with professional and trade associations.
- Create internships that lead to certification.

<sup>11</sup> See [www.budget.gc.ca/2017/home-accueil-en.html](http://www.budget.gc.ca/2017/home-accueil-en.html).





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## More Than Just Words: Invest in Language Training

Lack of fluency in English or French is one of the most often cited factors for not hiring immigrants. A regional survey conducted in Vancouver in 2014 found that the two biggest obstacles preventing employers from recruiting and hiring recent immigrants were anxieties over language and soft skills (North Shore Immigrant Inclusion Partnership 2015). Even those firms that are actively seeking diverse employees, for example in the tech sector, indicated a lack of English-language proficiency was the biggest barrier to hiring new immigrants. Yet, most immigrants to Canada are accepted, in part, because of their language skills. In some cases, a lack of fluency is just a (mis)perception or an assumption or even a pretext. Anyone who has ever struggled with another language, however, knows the kind of sophisticated communication skills required for true professional proficiency comes with intensive training and practice. Cuts to language training programs have left some immigrants ill-prepared for the workforce and contribute to underemployment and missed opportunities. Lack of linguistic proficiency can also result in misunderstandings and can often be a factor in limiting opportunities for promotion, if either the employee lacks confidence or is unable to express themselves and to communicate as well as others. In fact, even at high levels of language fluency, Canadian employees who speak a language other than English or French at home receive significantly lower salaries, and are less likely to be promoted than otherwise identical employees who speak English or French as a mother tongue (Fitzsimmons, Baggs and Brannen, forthcoming 2017). But language training is not just for immigrants. An emphasis on learning multiple languages for all Canadians would unlock opportunities for work, study and travel in an increasingly interconnected world.

### Actions for governments:

- Reinvest in higher-level language training programs for new immigrants.
- Raise the bar for language requirements and allocate more points for demonstrated professional or workplace fluency.

### Actions for industry:

- Work with the education sector to develop and implement workplace-relevant language training that can be delivered on-site.



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## Measuring Diversity and Inclusion

Indicators and benchmarks are ways to measure results without setting quotas. It is essential for employers to understand the composition of their workforce in terms of employee characteristics such as gender and ethnicity and to demonstrate to clients and staff a commitment to diversity and inclusion. Indicators are also a way to share best practices across industries. Too often firms will say people are their greatest asset, but they have no data on their demographics, including on hiring, promotion or where people sit in the organization. As one manager put it, “what gets measured, gets done, and when it is the CEO who is asking, people pay attention.” But the numbers are not an end in themselves. The goal is to generate conversations that lead to inclusive approaches to attract, retain and ensure that all employees are productive members of the organization.

### Actions for industry:

- Gather data on workforce composition, rates of promotion, career paths and retention.
- Review criteria for promotion, how partners are selected, how a firm defines potential and identify barriers.
- Establish and publicize industry-specific voluntary principles on diversity and inclusion so that shareholders and consumers can hold firms accountable.

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**“What gets measured, gets done, and when it is the CEO who is asking, people pay attention.”**

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## Diversify Procurement to Drive Innovation

There is a growing movement toward making diversity and inclusion a business requirement

to be assessed in procurement processes. Benefits include increased competition among suppliers, access to innovation, links to new markets and community engagement. It also provides a powerful incentive for diverse hiring. Already common in the United States, there is growing pressure on firms to demonstrate workplace diversity in submissions for request for proposals (RFPs), which in turn contributes to the link between diversity and revenue. The challenge is to draft the RFPs in a way that matters, so the diversity requirement has impact and is not just based on numbers.

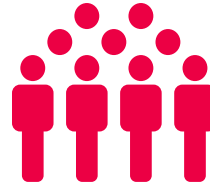
The impact of diversity on procurement can be seen in supply chains that depend on small to medium-sized enterprises (SMEs). There are 157,000 SMEs in the supply chains of large Canadian companies and many of these SMEs are owned and operated by immigrants. Canadian immigrants are more likely to own businesses, both small and incorporated firms, than those born in Canada. Approximately 24 percent of SMEs in Canada with at least one employee are owned or run by immigrants.<sup>12</sup> Immigrant-owned businesses are more likely to export than businesses that are Canadian-born owned (14 percent versus 11 percent), and nearly half of them introduced at least one type of innovation between 2012 and 2014 (Momani 2016). Large companies benefit from the innovation found in small companies, which is another way in which diversity benefits the Canadian economy.

### Actions for government:

- Introduce legislation that requires government procurement to consider employment equity principles as a factor in assessing competing bids.

### Actions for industry:

- Work with organizations such as the Canadian Centre for Diversity and Inclusion and the Canadian Aboriginal and Minority Supplier Council to develop a system of third-party certification, whereby firms can demonstrate how their policies and practices contribute to an inclusive workplace.



## Change Corporate Culture: Moving beyond Numbers

Too often, employers have focused on numbers, on

improving the representation of women or ethnic minorities, Indigenous people or the disabled, hoping either that changing the composition of the workforce was enough or that over time a more diverse workforce would lead to a more inclusive organization. Many businesses stated that the challenge was not attracting, but rather retaining, a diverse workforce. In many industries, diversity at the working level or in customer service areas is not replicated in management. The challenge is to identify the barriers and to build organizations where employees feel valued, where people can express diverse views and where differences can drive creativity.

An inclusive corporate philosophy involves integrating diversity and inclusion frameworks into a firm's core processes and operations, instead of retrofitting diversity initiatives into existing structures. Fundamental business processes need to be re-evaluated to see if they favour a particular type or set of characteristics. Often managers who put structures or processes in place are not even aware of the limitations these structures put on others.

Building an inclusive workplace or an inclusive society starts at the top. The way in which leaders communicate their vision and measure results sets the tone and the expectations for the organization. Typically, the top performing companies on diversity have CEOs who are committed and engaged, and put a high value on fairness, merit and equitable treatment across the organization.

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**“You need champions at the top who don’t just talk about diversity, but demonstrate and recognize the value of inclusion through daily work. On ne gère pas la diversité, on la vit [You don’t manage diversity, you live it].”**

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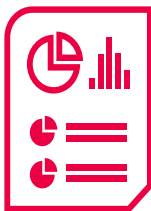
<sup>12</sup> See [www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2941](http://www23.statcan.gc.ca/imdb/p2SV.pl?Function=getSurvey&SDDS=2941).

They prioritize inclusion over diversity, values over numbers and they address myths. As Dimitri Girier, senior advisor on diversity and inclusion at Banque Nationale, noted, “You need champions at the top who don’t just talk about diversity, but demonstrate and recognize the value of inclusion through daily work. On ne gère pas la diversité, on la vit [You don’t manage diversity, you live it].”

It is also critical to focus on middle management where decisions are made. If diversity is only found on the shop floor or at the front desk, changes in corporate culture and retention will be difficult. This is a serious problem for Canadian companies. One executive in the utilities industry said, “You need to know your nemesis and address the fears.” While it can be difficult for smaller firms to implement the same kind of progressive policies and practices we see in larger firms due to limits on resources, it is equally true that it is easier for smaller firms to subscribe to and implement a set of corporate values.

#### **Actions for industry:**

- Integrate diversity and inclusion objectives into core processes, operations and decision making.
- Make commitments to inclusion a leadership competency and ensure middle management reflects and implements corporate goals.
- Implement practices based on fairness, merit and equitable treatment.
- Address fears and tensions in a transparent manner.



#### **Understanding the Story: The Data Deficit**

Reliable data are key to understanding demographics and addressing barriers. The WES data set provides an important window on what was happening in the Canadian labour force between 1999 and 2006. Unfortunately, the government stopped collecting the data in 2006. As a result, there is no information on the demographic changes in the workplace over the last 10 years, nor is there any data on industries in the new economy, the same industries that show the strongest correlation between diversity and economic returns. There are also important gaps in the WES itself. It does not

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### **“You need to know your nemesis and address the fears.”**

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capture all second-generation immigrants, nor does it capture disabled persons or those who identify as LGBTQ+ (lesbian, gay, bisexual, transgender, queer or questioning and other sexualities).

It is equally important to understand what opportunities exist in today’s labour market. It is very difficult to match skills with needs if no one has a full understanding of what the needs are. In many cases, immigrants bring a wide range of skills, but have difficulty finding work that matches their qualifications. Settlement experts highlighted the need for national job banks to understand supply and demand, and to help all Canadians access opportunities.

#### **Actions for government:**

- Reinstate and expand the WES to capture all second-generation Canadians, ethnic origin, visible minorities, disabilities and LGBTQ+.
- Add questions that assess inclusion indicators and employer and employee perceptions of inclusion.
- Work with industry to create and scale-up skills-based job banks that show labour market trends and link employers with potential employees.



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#### **Connect to the World: Canada’s Global Advantage**

It has been argued that Canada’s diversity is not just an economic advantage, but its springboard to the world. Canadians, who trace their origins to more than 200 nationalities, should be the model for what global connectivity can look like. Employers say they value international experience and want access to new markets, but they do not always walk the talk. International education remains undervalued and young Canadians are not taking up the opportunities to acquire the cultural fluency employers say they need.

### **Actions for industry:**

- Recognize and reward international experience to drive innovation and build bridges that will take business beyond North America.
- Make international experience a factor to be assessed in hiring and promotion.
- Working with the education sector, design and promote recognized international study-work opportunities, and leverage youth mobility programs to create international internships for young Canadians.

### **Actions for government:**

- Work with bilateral partners to create an academic mobility program modelled on the EU Erasmus program that will give Canadians international experience and increase the number of foreign students coming to Canada.
- Continue to increase immigration in order to maintain and grow the economy.
- Use the Canada-hosted Group of Seven or Group of Twenty summits to champion initiatives such as international third-party certification of indicators and benchmarks, and to showcase the diversity dividend.

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The Pierre Elliott Trudeau Foundation is an independent and non-partisan charity established in 2001 as a living memorial to the former prime minister by his family, friends, and colleagues. In 2002, with the support of the House of Commons, the Government of Canada endowed the Foundation with the Advanced Research in the Humanities and Human Sciences Fund. The Foundation also benefits from private donations. By granting doctoral scholarships, awarding fellowships, appointing mentors, and holding public events, the Foundation encourages critical reflection and action in four areas important to Canadians: human rights and dignity, responsible citizenship, Canada's role in the world, and people and their natural environment.

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La Fondation Pierre Elliott Trudeau est un organisme de bienfaisance indépendant et sans affiliation politique créé en 2001 par les amis, la famille et les collègues de l'ancien premier ministre pour lui rendre hommage. Avec l'appui de la Chambre des communes, le gouvernement du Canada lui a confié en 2002 la gestion du Fonds pour l'avancement des sciences humaines et humanités. La Fondation bénéficie aussi du soutien de ses donateurs. Grâce à ses bourses doctorales, prix de recherche, mentorat et événements publics, la Fondation suscite la réflexion et l'engagement dans quatre thèmes cruciaux pour les Canadiennes et les Canadiens : les droits de la personne et la dignité humaine, la citoyenneté responsable, le Canada dans le monde et les populations et leur environnement naturel.



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