

Let's get real about
equality

When Women Thrive 2020
DACH (Germany, Austria,
Switzerland) Report





Contents

01

Foreword

02

We need bold action now to shape a diverse workforce and inclusive culture

03

Significantly more work remains to close the workforce gender gap

04

Organizations are not walking the talk

05

Hardwire it!

06

Participating organizations

07

Glossary of terms

08

Acknowledgements

09

About Mercer

01 Foreword

Most companies in Switzerland would say that they have diversity and inclusion (D&I) on their agenda. But is the needle really moving in the right direction? Are we seeing the changes needed to make D&I a business reality, rather than just a declaration of intent?

Diverse teams bring value to organizations and companies with high levels of diversity substantially outperform those without. Yet, we struggle to translate this understanding into action and measurable results. We still have a long way to go not only in embracing gender diversity but in embracing differences of all types — from cultural background to sexual orientation and from lifestyle choices to diversity of thought.

There is an increasing urgency for businesses across all industries to take more action on gender diversity. In a world of rapidly changing business models and constant need for innovation, organizations need to attract and retain the best talent. The war for talent is undeniable. As we strive to build resilient and agile organizations, we as business leaders cannot afford to lose female talent along the journey. Gender diversity is simply a business imperative for success.

But despite the proven business case for diversity, women continue to face unequal pay, the absence of support systems and limited opportunities to advance into senior leadership positions.

These challenges are the reality in organizations and the reason Mercer founded our **When Women Thrive, Businesses Thrive** research and consulting practice six years ago. Since then, we've gone from proving the business case for gender equality to defining how to accelerate the trajectory and get it done.

We continue to invest in this research because diversity and inclusion isn't just good for business, it's good for the society we share. I am delighted to announce that, for the first time, Mercer is providing results specific to the DACH region and benchmarking against global figures for context and insights. The findings may surprise you, and I certainly hope that they will inspire and motivate you to "get real" about addressing diversity in a systematic and sustainable way.

In our research, nearly two-thirds (64%) of respondents in the region report that their organizations are already focused on improving diversity and inclusion. But, as you'll see from the other findings, this is not nearly enough to move the needle.

As leaders, we know much more must be done to achieve gender equality in the workplace. Despite commitments to D&I and the establishment of strategic plans and training programs, the vast majority

of organizations have not seen measurable improvements. Rather, companies seem to be more focused on "ticking the box" than on real action; diversity and inclusion is not permeating the cultures and values of organizations at their very core.

Creating truly diverse and inclusive cultures is hard work and takes ongoing commitment from leadership, not just from the human resources team. It must become a *business imperative* fully aligned with the corporate values and belief systems of the organization. We also must challenge our traditional concept of the family. With childcare responsibilities falling predominantly on women, we need workplace and government policies that better support childcare needs. Such steps are absolutely critical to support women's ability to be both mothers and working professionals and, ultimately, to remain and advance in the workforce. In 2020 and beyond, women should not have to choose between the two.

Perhaps the strongest driving force for gender equality will come from millennials and Gen Zs — the youngest cohort now entering the workforce. They have experienced diversity in academia and in society and expect nothing less in the workplace. Increasingly, they will judge a company's efforts to support diversity and inclusion — further intensifying the battle for

top talent. Embracing diversity and inclusion is about future-proofing our businesses and competing effectively for a new breed of talent. Furthermore, it is about managing risk and the reputational damage that can come from getting it wrong.

So, what will it take to move the needle toward gender equality and true diversity and inclusion in Switzerland?

Our 2020 **When Women Thrive** research shows that three key components, when combined, will drive real change. Gender equality can thrive in organizations that:

- 1. Use data-driven insights** to inform decisions and measure success, leveraging assessments such as Mercer's Internal Labor Market Analysis® methodology.
- 2. Set clear, measurable and visible goals** that ensure values do not get diluted.
- 3. Drive culture and tone from the top**, embracing a deep leadership commitment to taking action and engaging employees, as a critical part of the solution.

Organizations say they agree on the imperatives of gender equality, diversity and inclusion, so why is progress so slow? In our opinion, there is insufficient accountability. We need leaders who not only

believe in the business value of diversity and inclusion but also take responsibility for it, ensuring that it flows throughout the organization — not as a mandate, but as a powerful component of culture.

At Mercer, we routinely take a hard and objective look at ourselves, our processes and our programs to find opportunities for impact. For example, we conducted an internal business analysis and found that bid teams with greater gender diversity had 28% higher win rates.

Policies, processes and programs need to be aligned and connected to eliminate bias — especially the unconscious bias that leads people to hire and develop others who look, talk and think like they themselves do.

These are challenging goals and aspirations, but the organizations that live up to them will empower themselves and their employees for a better future. I have great confidence that organizations in Switzerland have the ability to be a force for change within our region, creating inspiring models for others to follow.

The business case has been made. Now is the time for action!



Samuel Lisse
Chief Executive Officer
Mercer, Switzerland

10 About this report

In March 2020, Mercer published *Let's Get Real About Equality: When Women Thrive 2020 Global Report*, which builds upon our seminal 2014 and 2016 research. The report looks at the achievements made to date and the ground yet to cover. What follows are insights, grounded in data and country-to-global comparisons, for Germany, Austria and Switzerland (DACH region). Learnings from this research will help guide organizations in the steps they must take to successfully institutionalize the policies and practices that will enhance equality of opportunity, experience and pay — and ultimately nurture an inclusive culture.

Our 2020 research is notable for its remarkable size and geographic scope, making it one of the most comprehensive workforce gender equality studies in the world. We observed a substantial increase in participation from regions and countries, including DACH, allowing us to identify leading practices and trends from an array of organizations where the focus

on diversity and inclusion (D&I) is still emerging, but emerging rapidly, based upon our findings.

As you review the results, keep in mind that though much of the data are promising, they may not fully reflect all organizations in the region. Rather, results may be influenced by the participation of a self-selected subset of multinational and forward-looking organizations that already prioritize D&I strategies and practices. Although these points of view may not be representative of all organizations, there are promising signs that they are on the path to creating a powerful model for others to follow.

Along with the DACH report, Mercer is publishing additional reports to share insights and solutions relevant to particular geographies in 2020. Our global and regional responses for each survey question are available for download at www.mercer.com/wwt-research.

Global report scope

Size

1,157
organizations

People

7 million employees, including
2.8 million
women, represented globally

Geographies

54 countries

across Asia; Australia and New Zealand;
Europe; Latin America; Middle East and Africa;
and North America

DACH scope

Size

22
organizations, of which 10 are affiliates of
multinational organizations

People

approximately
140,000
employees

About the When Women Thrive study

Our 2020 global study was fielded between September 23 and November 22, 2019. Respondents were surveyed on topics relating to:

- Engagement, accountability and leadership
- Organizational design and governance
- Pay equity commitments and analysis
- Talent practices and career development
- Financial wellness, health and caregiving
- Organizational flexibility
- Policies and programs

Respondents provided workforce data aggregated by gender, age group and career level for a 12-month period, including starting and ending headcounts, hires, promotions and exits.

Data were analyzed using descriptive statistics and Mercer's proprietary Internal Labor Market (ILM) Analysis® mapping, which has been a hallmark of the **When Women Thrive** research.

Defining diversity, inclusion and gender

For the purposes of the report, we define *diversity* as a variation in backgrounds, attitudes, values, beliefs, experiences, behaviors and lifestyle preferences with respect to gender, race, ethnicity, nationality, language, age, cognitive and physical abilities and characteristics, sexual orientation, education, religion, socio-economic situation, marital status, social role, personality traits and ways of thinking.

We define *inclusion* as practices that provide an equitable and fair distribution of resources, such as jobs, income and access to opportunities and information, which ultimately drive and support a culture where all members can thrive. Such acts and practices enable all members, including those from underrepresented groups, to be respected and appreciated for their unique contributions and to be fully integrated into the formal and informal networks of an organization.

Mercer encourages organizations to be inclusive of all genders including cisgender women and men, transgender women and men, and non-binary individuals. Although some organizations are beginning to track the broader spectrum of gender identity in their workforces, most still exclusively track employee gender as male and female, which is reflected in the binary data collected in this research.

02



We need bold action now to shape a diverse workforce and inclusive culture

In the five years since Mercer conducted its groundbreaking research and published the landmark global report *When Women Thrive, Businesses Thrive*, “thriving” has embodied the spirit of an era indelibly marked by empowering movements. The pursuit of workforce D&I culture has become a front-and-center pursuit for organizations around the world.

At Mercer, our position on “thriving” has evolved along with the times and, fittingly, we are embracing the concept in a more inclusive way. Truly, when women thrive, businesses thrive; we now have more and more examples demonstrating that this is indeed the case. But today, women thriving transcends business. When women thrive, so do men, families, communities, countries and society as a whole. Collectively, by driving equality, we are creating a better, more equitable world for everyone.

Yet, far too few organizations have built the necessary environments or cultures where women have the potential to thrive. As we see, the pressure is mounting on leaders to go beyond lip service and take meaningful action.



Engineering continues to be perceived as a classically male domain. However, this shouldn't be the case. For KION Group, diversity is a central element of our talent strategy. Mixed teams simply perform better, and this is true not just when it comes to gender, but when teams are composed of mixed nationalities and other diverse characteristics. As Chief Technology Officer, I lead a global team of colleagues across fifteen countries. The enriching diversity of opinions, backgrounds and experiences – at all levels in the company – drives our progress as a company.

— Eike Böhm,
Chief Technology Officer, KION Group



Pressure cooker

Over the past five years, important factors and forces have emerged and evolved, resulting in increased pressure on organizations for greater progress. This pressure is coming from many directions. Few organizations remain untouched.

- **Environmental, social and corporate governance (ESG):** The rise in ESG investing has increased the focus on diversity as a way for stakeholders to measure the social impact of an investment. In fact, in the European Union (EU), a new EU Action Plan mandates that pension funds report on how they integrate ESG risks into their investment process.¹
- **Disclosure:** We've seen an increase in voluntary and mandatory disclosure of gender representation by organizations, notably in the tech sector, and a growing recognition among business leaders that gender parity provides a competitive advantage. For example, in September 2018, media company Bloomberg announced the launch of its Gender Equality Index, a partnership with the UK government to track the performance of public organizations with a commitment to advancing women globally. Starting in 2018, the European Commission has mandated that public companies with more than 500 employees disclose a variety of non-financial information, including D&I policies and actions taken to ensure gender equality, in their annual reports.² In Germany, companies with 500+ employees are obligated to publish regular reports on their efforts to promote gender equality.
- **Shareholder activism:** Activism among shareholders is also on the rise, with resolutions promoting further progress and diversity gaining increasing support. For example, in January 2019, Arjuna Capital challenged 12 top banks and technology giants to reveal their median gender pay gaps.³
- **Regulation and quotas:** More countries, especially in Europe, now have gender quotas for senior executives and boards. In Germany, for example, the government has set a mandate requiring at least

30% of non-executive members at large companies to be female. The downside: The quota affects only the supervisory boards at 100 large listed companies, whereas the 3,500 medium-sized companies in Germany have voluntary quotas for executive and supervisory board seats. Nevertheless, some progress has been made; since the mandate took effect in 2016, the share of women on supervisory boards of listed companies has risen by 13 percentage points, to 34 percent.⁴

- **Pay-equity mandates:** Of course, mandates to bridge pervasive pay gaps are high on the agenda. Governments have issued new reporting requirements on gender-pay differences, with 40 economies enacting 62 reforms that will help women realize their potential and contribute to economic growth and development globally.⁵ DACH is no exception. Starting in 2021, all Swiss employers with 100 or more employees must conduct gender pay gap analyses and share results with employees.⁶
- **Millennial and Generation Z demands:** These generations have experienced greater equality of opportunity in education, sports and more. They expect it in the workplace as well, along with equal pay, and are vocal and active in ensuring they get it.⁷

All of these developments come at a time when the fundamental role of business is shifting. In January 2020, the World Economic Forum published the *Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution*.⁸ It redefines the purpose of a company as serving not only its shareholders but all of its stakeholders — employees, customers, suppliers, local communities and society at large — in the creation of shared and sustained value.

Add into the mix countless media headlines; increasing pressure from worker affinity, activist and advocacy groups; and demands from shareholders and stakeholders, and these voices will not be ignored. Plus — and this is a big plus — the business case has been proved, time and time again!

¹ Moss G. "Germany & Austria: ESG and alternatives rise up the agenda," Investments and Pensions Europe, 2020, available at www.ipe.com/reports/germany-and-austria-esg-and-alternatives-rise-up-the-agenda/10044458.article

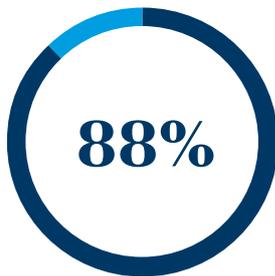
² European Commission. "Non-financial reporting," available at www.ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/non-financial-reporting_en

³ Arjuna Capital. "12 US Banks and Tech Giants Targeted with 'Median Gender Pay Gap' Shareholder Proposal," February 13, 2019, available at <http://arjuna-capital.com/news/press-release-12-u-s-banks-and-tech-giants-targeted-with-median-gender-pay-gap-shareholder-proposal>

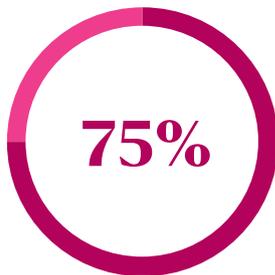
⁴ Federal Ministry for Family Affairs, Senior Citizens, Women and Youth. Report of the Federal Republic of Germany, 2019, available at www.unece.org/fileadmin/DAM/Gender/Beijing_20/Germany.pdf

⁵ The World Bank. *40 Economies Make 62 Legal Reforms to Advance Women's Economic Participation*, 2020, available at <https://www.worldbank.org/en/news/press-release/2020/01/14/40-economies-make-62-legal-reforms-to-advance-womens-economic-participation>

In DACH, slightly more organizations report receiving pressure to improve D&I outcomes than the global average (36% in DACH compared to 31% globally). Of those that are feeling pressure, they report that it's coming from multiple, but predominantly internal, sources:



Employees
(65% globally)



Board
(66% globally)



External
(41% globally)

Geoffrey Rubin,
Senior Managing Director &
Chief Investment Strategist,
Canada Pension Plan
Investment Board (CPPIB)

The board of directors is our primary entry point into corporations, and it's normal to engage very forcefully with boards where there is not even a single female leader in their representation. That's where we have a real opportunity, as institutional investors, to very effectively and meaningfully engage — it's not just about words, but about where we are investing.

Rayna Edwards,
Workforce Strategy Consultant,
Mercer

The business case for diversity and inclusion is no secret. Increasing demands for transparency and equality by consumers, clients, employees, boards and investors have brought diversity and inclusion to the forefront. Successful organizations will look unflinchingly at their diversity and inclusion data, create goals and metrics grounded in those data, and hold themselves accountable for achieving those goals.

⁶ Mercer. "Switzerland Issues Gender Pay Audit Criteria, Deadlines," 2019, available at www.mercer.com/our-thinking/law-and-policy-group/switzerland-issues-gender-pay-audit-criteria.html

⁷ Generations are defined as: Generation Z born from 1997 onwards, millennials born between 1981 and 1996, Generation X born between 1965 and 1980, and baby boomers born between 1946 and 1964

⁸ World Economic Forum. *Davos Manifesto 2020: The Universal Purpose of a Company in the Fourth Industrial Revolution*, 2019, available at <https://www.weforum.org/agenda/2019/12/davos-manifesto-2020-the-universal-purpose-of-a-company-in-the-fourth-industrial-revolution/>

Brave new world

Our latest research in the region found some bright spots and progress that demonstrate forward momentum with the potential for lasting impact. But we also found clear learning curves and room for growth, especially given that women in the region are overwhelmingly less represented in leadership positions than men. As this report shows, however, organizations — regardless of where they are in their journey — can take concrete steps to accelerate their progress.

Over the years, Mercer has gained a better understanding of the evolving D&I universe. For a new organization just opening its doors, we can provide definitive advice on the practices, policies, programs and processes necessary to sustain a diverse workplace with an inclusive culture.

For most other organizations, in real terms, reaching that mark will require pushing past parity in hiring, retention and promotion, and getting to root causes of differences in the career trajectories of women compared to those of men. It will necessitate perseverance over time.

So how do we actually get to where we want to go? We lay it out in the three main sections of the report.

Out on the horizon, yet within our grasp, lies **closing the workforce gender gap** (Section 3). The road has been partly paved by the progress we have made so far, and emerging signposts are promising. Here, we are learning from what is working and are applying it at speed.

In DACH, we see organizations actively engaged and taking concrete steps to change the trajectory — with many scores higher than the global average.

- 82% of organizations — compared to 74% globally — report that pay equity is part of their compensation philosophy or strategy.
- 77% of organizations — compared to 66% globally — offer a variety of flexible working arrangements.
- 73% of organizations — compared to 64% globally — track gender representative by career level.
- 64% of organizations — compared to 50% globally — say their organization sets formal quantitative goals or targets for D&I outcomes.

Strategically aligning D&I goals with business objectives is vital to activating and accelerating progress.

Are D&I success measures in one silo and business success metrics in another? Are data and technology being harnessed and maximized across enterprises to empirically guide D&I strategies to increase the probability of success? In Section 4, we examine whether organizations are **walking the talk**.

Also crucial is cultural alignment. Are our policies saying one thing and our managers doing another? The importance of culture, underpinned by core values, as well as processes, programs and accountability, cannot be underestimated. We have to **Hardwire it!** (Section 5) into the organization to make it stick.

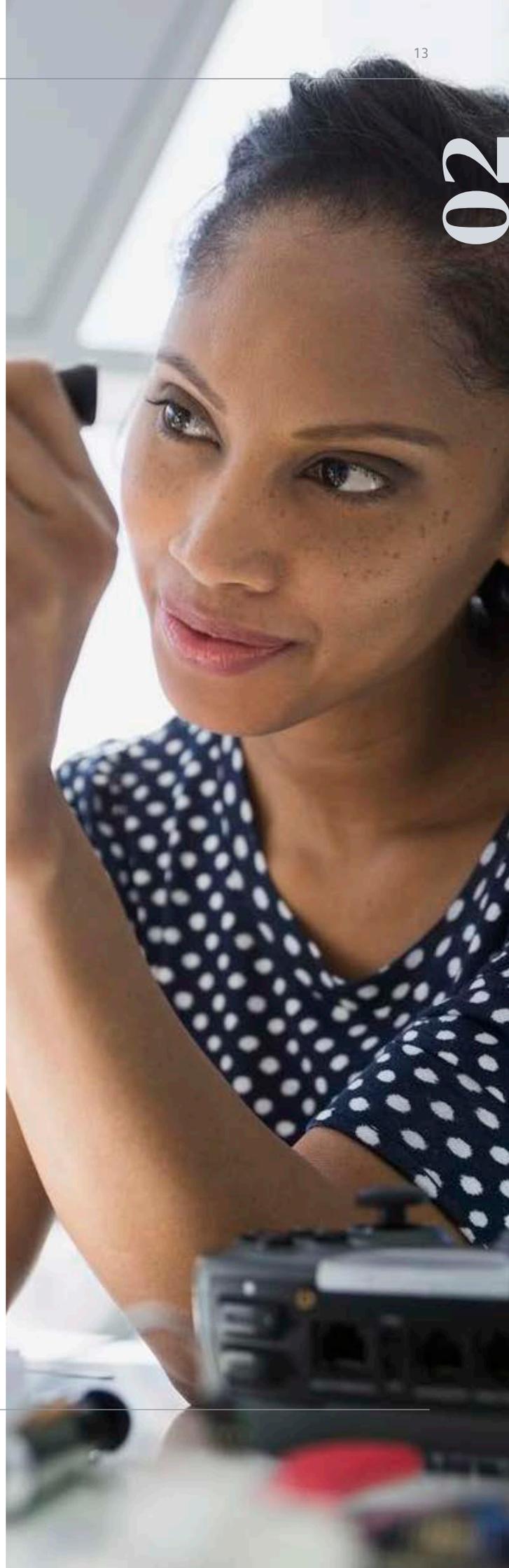
With all stakeholders working together, we can most certainly go further, faster. A coordinated effort among organizations, industries, communities and countries will move that proverbial needle to truly ensure equality of opportunity, experience and pay.

The six Ps of an effective gender diversity strategy⁹

The following six Ps are critical for D&I success, regardless of the organization:

- 1. Passionate leadership:** Women thrive when leaders at all levels are passionately engaged.
- 2. Personal commitment:** Women thrive when both men and women are engaged and see gender equality as a win-win.
- 3. Perseverance:** Women thrive when an organization's commitment to gender equality can sustain leadership changes and persevere over time.
- 4. Proof of what's helping and what's hurting:** Women thrive when organizations use data to understand where they have gaps — and build an evidence-based strategy to close them.
- 5. Processes that actively support women:** Women thrive when organizations ensure equity in their talent practices; for example, pay, promotion and performance management.
- 6. Programs that support women's unique needs:** Women thrive when their unique health and financial needs are supported.

⁹ Mercer. *When Women Thrive, Businesses Thrive*, 2016, available at www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/WWT-Global-Report-2016.pdf.



03

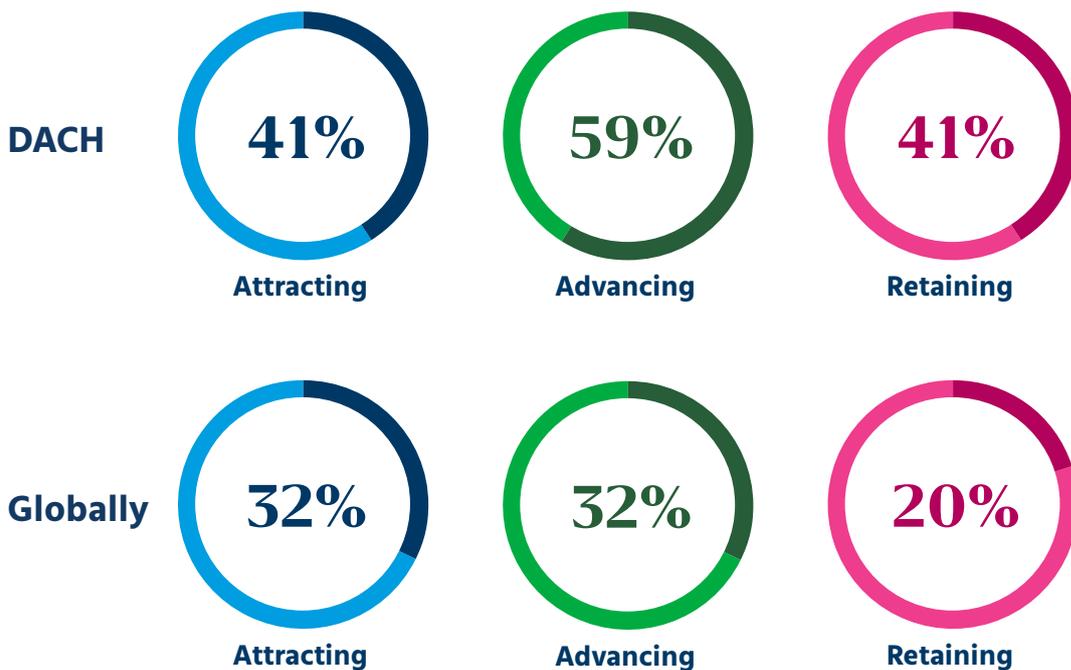


Significantly more work remains to close the workforce gender gap



First the good news: Organizations are aware of the need to create more inclusive cultures and have put in place programs and policies to address perceptions and unconscious biases. But challenges remain to close the workforce gender gap. In fact, organizations in DACH

are not as optimistic about their ability to hire, promote and retain women going forward as are organizations globally. In our research, more than half have concerns about their ability to advance women — significantly more than the global average of 32%.



The challenges organizations feel in hiring may reflect the difficult labor market in DACH, where the battle for top female talent continues to intensify. Yet, lagging performance in D&I also illustrates that companies are struggling to advance female workers. What we see far too often is that even when companies have female

workers, they struggle to move them into management and leadership positions. The result: Many stagnate or leave the organization entirely. Leaders must get serious about understanding the root cause of women not progressing at higher rates and get on with addressing the issues.

Mapping the ILM¹⁰

Every organization operates an “internal labor market” (ILM). People are selected, learn and develop, perform, advance and choose to stay or leave in response to the practices and circumstances they experience.

An organization’s ILM dynamics constantly shape its workforce. Ideally, those dynamics create the workforce that best meets the business needs of the enterprise, including D&I. A succinct way of representing key D&I dynamics is by using an ILM map. Such a map is a “system-at-a-glance” visualization of a workforce. A map sorts a workforce by career levels, each having different scopes of responsibility, authority and compensation. An ILM map also displays fundamentally important aspects of talent flows — specifically, the entry and exit of talent by career level and the rates of advancement from lower to higher levels. Visualizing this information by gender can deliver valuable insights.

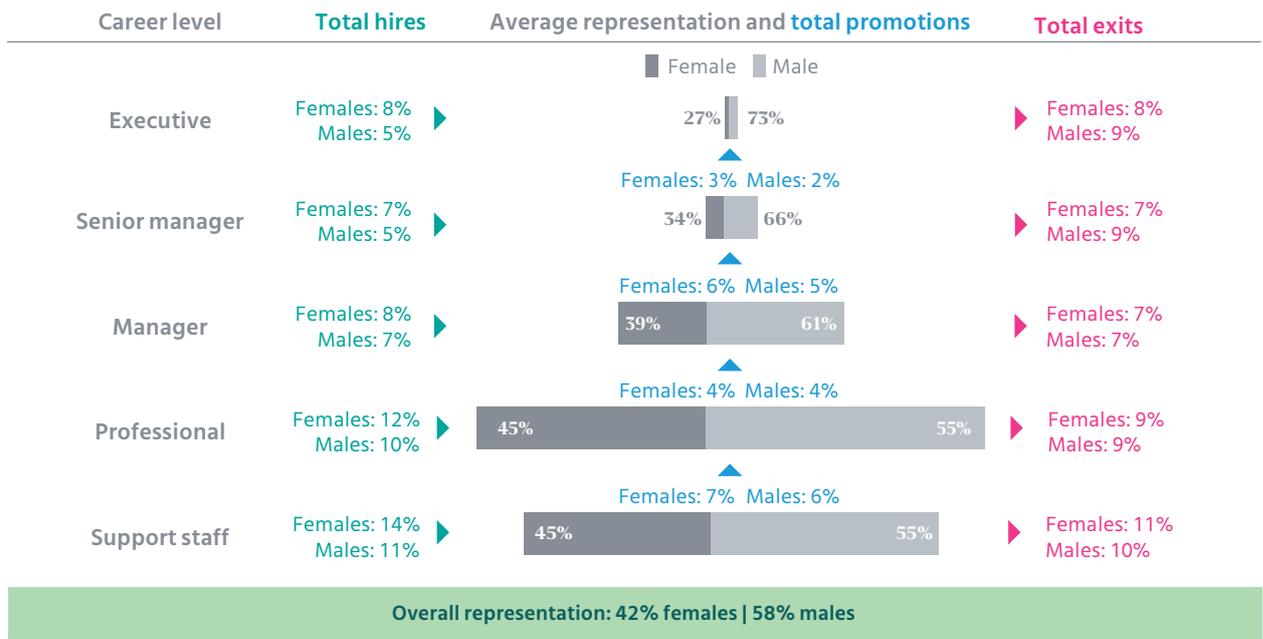
Examples of insights available from ILM maps include:

- **Balance — or imbalance** — of representation of women and men by career level
- The extent to which an organization “**buys**” its talent via hiring or “**builds**” its talent via promotion into higher career levels — talent strategies that emphasize one over the other can play out in ways that affect gender equality
- The presence of “**chokepoints**,” that is, bottlenecks where rates of advancement into a higher level shrink precipitously — chokepoints can occur that disproportionately affect one gender, such as when the chances of promotion for women falls below that of men
- **Unwanted differences** in talent losses by gender

ILM maps help track change over time, both to mark progress and to forecast future workforce composition; for example, what will gender representation be five to 10 years from now given current rates of hiring, promotion and turnover? The maps are also the starting point for next-step investigation into why unwanted gender differences exist, allowing us to identify where and what interventions are needed.

¹⁰ Nalbantian HR, Guzzo R, Kieffer D, Doherty J. *Play to Your Strengths: Managing Your Internal Labor Markets for Lasting Competitive Advantage*, McGraw-Hill, 2003.

Internal labor market talent flows for surveyed organizations in Europe



Hiring rates for women in Europe significantly exceed those of men at all levels.

Though female promotion rates are favorable compared to men at most levels, the number of women being promoted grows smaller as levels increase.

Turnover rates for women are on par or lower than those for men, except at the support staff level, where they are slightly higher.

When Women Thrive 2020 survey, conducted between September 23 and November 22, 2019. Internal Labor Market (ILM) Data — Workforce Data by Gender and Age: gathered aggregated data, by gender and age group, regarding the workforce during the most recently completed fiscal year or other 12-month period (n=88).

We are unable to share an ILM specific to DACH due to the small sample size of respondents; however, we do have findings for Europe that can serve as a representative proxy. Although the data presented above are overwhelmingly positive, it is important to note that they are based on a sample size of 88 organizations. These organizations may not be an accurate representation of the full range of survey respondents, or the entirety of the European or German workforce. Rather, they represent a small snapshot of a select group of companies that have access to relevant D&I data and are actively working to improve the hiring, advancement and retention of female employees.

In Europe, the ILM data show that representation of women is slightly ahead of the global average of 40%, but with noteworthy declines higher up in the career hierarchy. This reinforces the fact that organizations are challenged in the advancement of women to executive levels.



Pushing for gender parity

Although the overall representation of women shown in the European ILM is undoubtedly a positive indicator, the research reveals that there are still multiple areas where improvement is desperately needed. The main challenge, as noted, is the woeful underrepresentation of women at higher career levels. The good news is that there are steps organizations can take to change this trend.

Overall, female representation (professional level and above) in participating organizations in Europe is 42%. At the current rate, projections indicate that female representation in the region will see a gain of five percentage points over a 10-year period, with actual parity in sight.

This is welcome news but, as noted, the organizations represented in the ILM data provide only a small snapshot of the European labor market, and may not be entirely representative of the labor market or of all organizations in DACH. For many organizations that are just starting out on their diversity and inclusion journeys, the road may not be as simple.

Let's put this another way: An organization committed to reaching gender parity in the next decade isn't going to get there by doing what it has already been doing. Discouraging? Yes, absolutely, as so many organizations have taken significant steps to progress this goal. The math indicates that reaching gender parity requires a systematic overindexing of women over men in hiring, advancement and retention.

However, this is likely not a palatable or realistic game plan for the vast majority of organizations.

Those organizations that are prepared to make bold moves, such as overindexing on hiring, retaining and promoting women, should be ready for significant challenges. Leaders need to be deeply and uniformly committed, transparent about goals and candidly ready to address the inevitable question from male employees: What about us?

What's more, an organization's practices, programs and policies all need to be carefully aligned to support the effort and help ensure an inclusive environment in which there isn't just equal representation, but also equality of opportunity, experience and pay at all levels.

The bottom line? Changing the math isn't going to be easy — but it can be done!

Where will women be in 10 years?

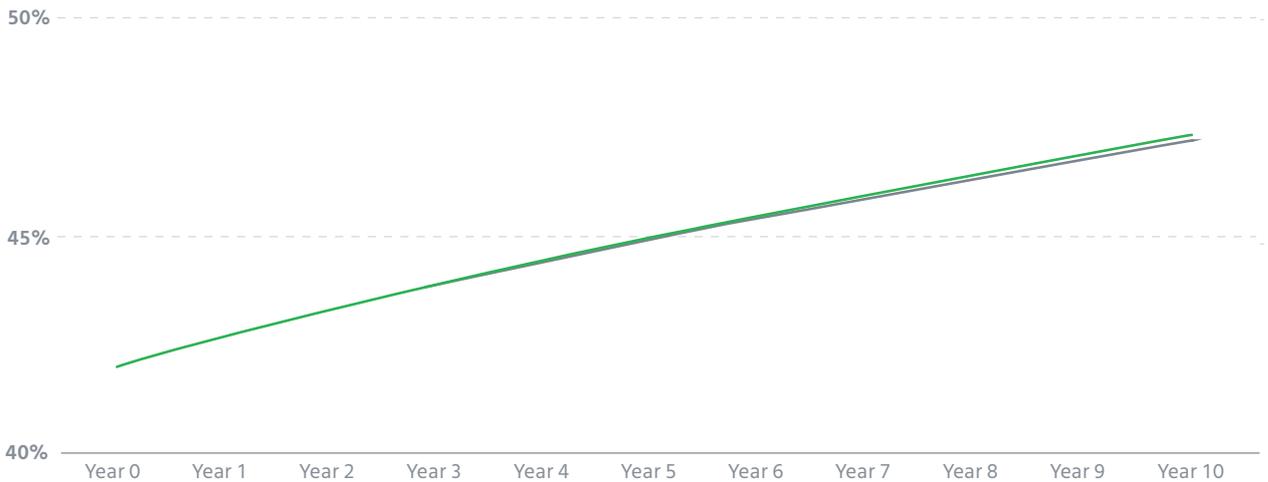
Summary of representation changes, baseline vs. simultaneous changes

Current and projected female representation %	Current period		5-year projection		10-year projection	
	Baseline scenario	With all changes	Baseline scenario	With all changes	Baseline scenario	With all changes
Professionals and above	42%	42%	45%	45%	47%	47%

- Baseline scenario (i.e, no changes to flows)
- With adjusted hiring
- With adjusted promotions
- With adjusted turnover
- With simultaneous adjustments (all flows)

Even with comparable/favorable talent flows, projections indicate it will take 10 years to increase female representation by 5%

Professionals



Note: Not all colored lines may show as a result of overlapping estimates.

When Women Thrive 2020 survey, conducted between September 23 and November 22, 2019. Internal Labor Market (ILM) Data — Workforce Data by Gender and Age: gathered aggregated data, by gender and age group, regarding the workforce during the most recently completed fiscal year or other 12-month period (n=88).

03 Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance a diverse workforce and inclusive culture.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:





04

Organizations are not walking the talk

Organizations in virtually every sector are talking about the importance of diversity and laying the building blocks for a diverse workforce and inclusive culture. As noted, more than half of organizations in our region say improving workforce diversity and inclusion is high or very high on their agenda.

So much positive intent and good work — yet commitments and action plans are not translating into any real difference for women in our region. Why is that?

The research demonstrates that, although progress can be made with specific programs, policies and practices, these alone are not enough to drive real and lasting progress. Further advances require addressing important structural issues: the absence of a comprehensive D&I strategy, a shortage of metrics for adequately measuring achievements, and the need for accountable employees — especially middle and frontline managers at the core of the organization.

Arguably most important, a diverse workforce and inclusive culture is still not widely viewed as a vital part of the business strategy of many organizations. Making these changes will be both uncomfortable and disruptive, but organizations that want to be relevant and thrive must acknowledge and adapt to the changing environment.

This translates into moving beyond pledges to action and accountability. It will require taking an honest look at data to understand where there are gaps in opportunity, experience and pay. Only then can an organization fully own D&I and walk the talk through the business principles they know best: cogent strategy and bottom-line results.

Game plan required

There's what we say we will do, and then there's what we actually do. Ideally, they match up; too often, they don't. It's called the "say-do" gap, and we were surprised to discover a number of these gaps in our latest research.

Although more than half of organizations in DACH report that their senior executives are actively engaged in D&I, we found minimal evidence-based, strategic planning to drive a concrete forward approach. It appears that optimism and confidence about improvements in representation, hiring, promotions, retention and pay equity also may not be backed up by increased use of data analytics to drive decision-making and to measure outcomes.



We are born from a vision, which is to create a better everyday life for people, and every day, in every team, you will really see our vision as a living reality. This includes making sure, structurally, that diversity and inclusion is built into our business priorities. That is why we have gender equality targets at the same level as our financial and growth goals.

— Olivia Ross-Wilson,
Chief Communications Officer, Ingka Group (IKEA)



What organizations say	What organizations do	Why the gap matters
------------------------	-----------------------	---------------------



Only 36% of organizations report having a documented, multi-year D&I strategy

64% of organizations set quantitative goals or targets for D&I outcomes, such as representation, engagement and pay equity

The lack of a strategy makes it difficult to ensure the most impactful steps are taken to drive process — or to ensure an organization is measuring the right areas to drive progress.



55% of organizations have staff dedicated to D&I — higher than the global average of 36%

But only 32% of organizations have a chief diversity or inclusion officer. Of those, **86%** report to HR and the remaining **14%** to the CEO or a senior executive

What's more, managers are not stepping up; organizations report that a mere **27%** of middle managers and, even more dismal, only **23%** of frontline managers, are directly involved in D&I initiatives in the region

Little more than half of leaders have put in place the staff necessary to implement D&I programs. In addition, the values associated with D&I are not fully owned in the business units focused on P&L, nor are managers supporting the effort.

Accountability in perspective:
Jill Zimmerman, Global Chief Talent & Inclusion Officer, Mercer

Many years ago, at a different company, I was leading our talent acquisition team. We set out to diversify our workforce at all levels by changing our sourcing, recruiting and hiring strategy. And we were successful. Fast forward two years, however, and most of that diverse talent was leaving that company. Why?

It turned out we hadn't been looking at the whole picture. We did focus on diversifying our hiring at all levels, but we did not also look at the balance of our promotions or retention at all levels. Often companies look solely at representation instead of the entire pipeline of talent: the in-flow, up-flow and out-flow at all levels. This can be misleading, as it was in the story shared above, where the focus was solely on the in-flow of diverse talent.

When I came on board at Mercer, I had the data available to take a more comprehensive, data-driven approach to accurately measure and diversify our work force — using our ILM Analysis to build a new quarterly dashboard for leaders. Our ILM Analysis shows the entire makeup of our workforce by level. We used that ILM data and analysis to create our data-driven diversity strategy — to identify common choke points where diversity would fall off, to pinpoint the key types of roles that tended to lead to advancement,

to understand the composition of our workforce and to recognize opportunities for improvement.

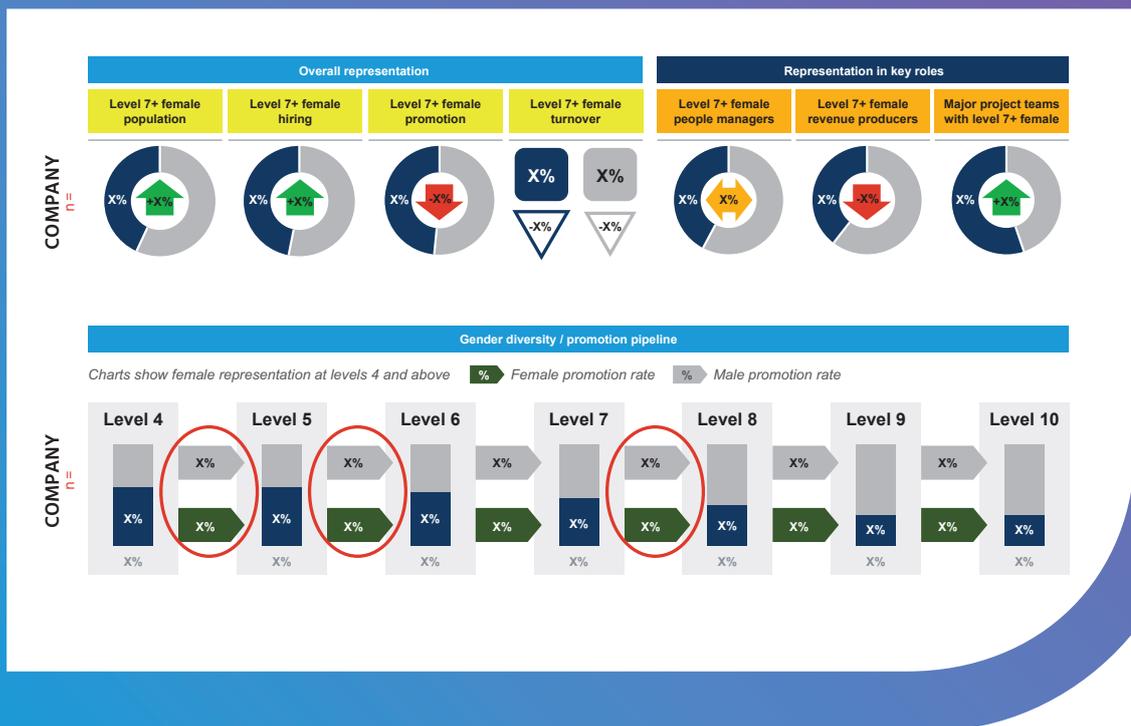
Organizational leaders receive D&I dashboards that include the in-flow, movement and out-flow of our talent in different groupings for each level of the organization sliced by gender and race/ethnicity. The dashboards also break down key metrics such as which type of roles are likely to lead to advancement to higher level roles. In our case, to be in a people-manager role or client revenue-generating role was to advance your career. In other companies I have worked in, to be in a P&L role was to advance your career.

▶ **The data can be misleading if you simply look at representation at a certain job level; it is important to also look at the diverse representation in specific roles that lead to advancement.** ▶

Working with corporate HR, their business leadership teams and HR business partners, our leaders review their quarterly dashboard and use the data (the hiring, advancement, retention and representation in key roles) to identify specific data-driven actions (up to three) that will make a difference in the composition of the workforce. Those actions are then communicated back to the organization, and leaders are held accountable by

our CEO for moving the needle on them. We use that same dashboard quarterly to track progress. It's measured. It's shared. And it's transparent. Once you have a dashboard in place, establish the transparency and accountability to track not just the data, but real, ongoing actions and outcomes that are owned by the business — and you will be well on your way.

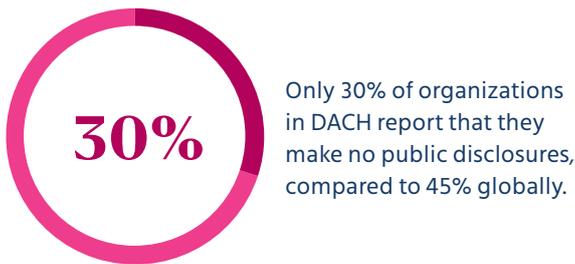
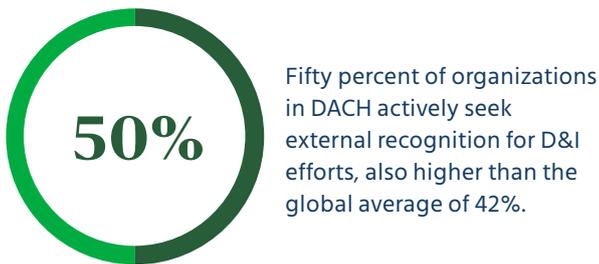
Gender diversity dashboard (YTD level 7+ women)



Black box

Because D&I often remains outside the purview of business performance, organizations may be tempted to not invest in or disclose D&I commitments and data. From our global research, however, we have seen how greater public disclosure and transparency can accelerate change and advance accountability.

Here's what the research shows:



In terms of what organizations disclose, women in senior leadership (55% in DACH compared to 46% globally) tops the list, followed by pay equity disclosures (35% in DACH compared to 27% globally).

These higher disclosure levels may be due to the increase in disclosure mandates in the region, particularly around gender pay equity and the plans of organizations to address gaps.

Speaking out. Stepping in. Owning up.

Globally, those keeping a close watch on what organizations are doing to improve workforce diversity and cultural inclusion are millennials and Generation Xers, with Gen Z quickly following as the newest cohort to join companies.

This is true in DACH as well. Although based on a small sample size (n=8), organizations in DACH report that they face even greater pressure from employees than organizations globally (88% compared to 65% globally). Global research shows these cohorts are willing to act on principle and hold organizations accountable. These purpose-driven generations set a high bar for both consumer and employment decisions. One study shows that three out of four millennials would take a pay cut to work for a responsible organization.¹¹ They also prefer responsible brands.¹²

The implications for employers are clear: These generations are opting to work for organizations with clear value systems and corresponding behaviors around inclusion, transparency, fairness and sustainable business practices. Their expectation for inclusion expands far beyond gender to include differences in race, ethnicity, education levels, sexual orientation and ways of thinking. They will be paying close attention to what their leaders and managers say and will expect that to be consistent with what they ultimately do. They are also unafraid of exposing bad behaviors, either through word of mouth or on social media platforms.

Increasingly, we can expect to see more millennial, Gen X and Gen Z employees speak up and demand visible changes in the workplace.

¹¹ Cone Communications LLC. 2015 Cone Communications Millennial CSR Study, 2015, available at www.conecomm.com/research-blog/2015-cone-communications-millennial-csr-study

¹² *ibid.*

Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



Take it from the top

In organizations where a diverse workforce and inclusive culture is flourishing, there's usually only one way to look: up! Senior leaders and board members are a key driver of D&I outcomes, particularly as they relate to demonstrating passionate leadership, personal commitment and perseverance.

Who's getting onboard?



Where senior executives in DACH are engaged in D&I, they are helping to support cultural transformation in multiple ways:

- Publicly positioning D&I as a business imperative, internally and externally (67% in DACH compared to 66% globally)
- Sponsoring or regularly meeting with various employee resource groups (67% in DACH compared to 57% globally)
- Serving as members of diversity councils (67% in DACH compared to 43% globally)

At the same time, senior leaders could do more in other areas to demonstrate their personal commitment. One powerful way is by acting as personal sponsors or mentors to underrepresented individuals. Notably, only 25% of executives in DACH are taking on this role, compared to 38% globally. Another opportunity is for senior leaders to not only participate in but to lead internal diversity councils. Currently, only 33% of senior leaders in DACH do so.

About targets

Despite the fact that nearly two-thirds (64%) of organizations in DACH report setting quantitative organizational goals or targets for D&I outcomes,



little more than a third (36%) of individual leaders have done the same for themselves. Though this is low, it is slightly higher than the global average of 32%.



Also revealing is the fact that only 33% of organizations in DACH set executive compensation targets tied to D&I outcomes — although this is nearly double the global average of 17%.

These findings may be linked to positive strides toward adopting gender-balanced representation quotas or targets. A lack of goals and targets can stifle progress, so organizations should consider meaningful alternatives. For example, instead of measuring gains solely in terms of representation, consider measuring the impact of policies, programs and practices that improve the overall equality of opportunity, experience and pay — as we outline in the next section **Hardwire it!**

Leaders must take a holistic approach

Cultural change that goes beyond policy or programmatic changes to support equality of opportunity and treatment across the board will also require a change-management effort led from the top.

Clearly, new competencies are needed for today's changing and challenging environment. Leaders must be able to connect the dots between social issues and business solutions and recognize that the two need not be mutually exclusive. They must take a holistic view of the needs and desires of all stakeholders in order to uncover market opportunities, attract customers, and open the door to innovative ideas.

Heidi Robertson Corporate Head of Diversity & Inclusion, ABB

Leadership is the key to ensuring that diversity and inclusion is not just another human resources topic. Your D&I strategy should be supported from the top, with a CEO and top business leaders who drive and model inclusive behavior. At ABB, our governance structure is a unique combination of leadership engagement and commitment: Led by the Chief HR Officer and Global D&I Lead, closely monitored by the CEO, and implemented by business presidents. Our executive committee members take personal responsibility to ensure change within their own business, and they review and approve every action and initiative through quarterly and annual reporting — underscoring the organization-wide commitment to making D&I a reality.

04 Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:





05



Hardwire it!

Despite the advances we have seen so far, some of the heaviest lifting lies ahead. To advance, women need the right roles, opportunities, pay, benefits, and flexible working options to enable them to be successful.

How do we get there?

In this section, we turn our focus back to the six Ps — specifically programs, processes and proof — and how we can hardwire changes into the organization that ultimately support a more diverse and inclusive workforce culture. It starts with doing a better job of engaging the middle and frontline managers (both men and women) who shape and influence the daily lives of employees — and critically, can play a pivotal role in connecting them with the right resources and experiences within the organization. We must also recognize that women have unique needs with regard to financial wellness and caregiving that organizations can and should support.

Managers are failing to get on board

Our research shows that, in increasing numbers, leaders are engaging with organizational efforts to improve D&I outcomes. But the momentum can often stop there, reaching the middle slowly and not spreading further throughout the organization.

In some cases, changes in policy and process — along with setting representation targets — have curtailed progress when the underlying culture remains unchanged. Organizations need to engage middle and frontline managers who are critical to administering D&I practices, hiring and managing people across the talent lifecycle and setting the culture, to ensure that inclusive values are adopted as corporate ones.

In fact, the data show that managers are significantly less involved in supporting D&I efforts than senior executives, which is a major barrier (and missed opportunity) to achieving progress.

Who's getting onboard?

Direct involvement in D&I initiatives and programs

Middle managers

27% in DACH, almost half the global average of 53%



Frontline managers

23% in DACH, again far lower than the global average of 46%



Despite high engagement of board members and executives in D&I initiatives, the DACH region lags far behind in involvement of middle and frontline managers. Though company leadership may be committed to D&I improvements, the cultural change has not cascaded down to reach managers whose daily decisions drive the hiring, advancement and retention of women. This is a serious impediment that management must address with haste.

One way to address this issue is by providing managerial training to support employees in DACH. Only 32% of organizations surveyed in the region (on par with 33% globally) currently train their managers to support employees through parental leave and return-to-work processes. Slightly more, 45%, train managers to support their employees' use of flexible work options — higher than the global average of 34% but still not where organizations need to be.

Accelerating culture change

Angela Berg, Global Diversity & Inclusion Consulting Leader, Mercer

People don't leave companies, they leave managers.

A broad range of data supports this often-repeated statement, but interestingly, managers are often one of the later stops organizations make when they are on a journey of cultural transformation. Though hardwiring programs, policies and processes are a critical part of the change process, managers are ultimately on point to implement them in the workplace through everyday interactions with employees — and can have critical impact on D&I outcomes.

Train managers to effectively conduct pay conversations and to give employees (all employees — not just women!) the confidence that they are paid equitably. Ensure that managers are prepared to connect employees to the many benefits and programs available to support their health and well-being. Actively coach managers on how to hire, train, mentor and provide feedback in an unbiased way.

Culture change is hard and takes time, but managers can be an organization's greatest asset to enable transformation.

As organizations work to ensure equality of opportunity, experience and pay, consider the role of the manager as an accelerator and provide the right training and support to ensure that the manager is fully equipped to play that role.

Men remain out of the conversation

Men are essential to the pursuit of gender parity. Not only does it need to be said it needs to be reflected in what we do. Necessary actions range from listening to men's perspectives to engaging men as change agents, managers and partners in developing and embedding solutions. As integral as men are to successfully achieving D&I goals, sadly, they are not participating in the prevailing dialogue: D&I conferences are still composed of mostly women.

In DACH, only 27% of organizations report that men are actively involved or engaged in D&I programs and initiatives — more than 20 percentage points lower than the global average of 48%.

More open communication is needed to address any reluctance and/or uncertainty about how to address or achieve the aims of D&I. This is particularly true in those situations when outcomes are viewed as zero-sum, such as in low-growth industries or situations involving quota schemes.



Men's roles in perspective

Ray Arata, JD, and Ed Gurowitz, PhD, Co-Founders and Partners, Inclusionary Leadership Group

As we move to close the gender gap, we shouldn't be afraid to expect more and ask more from men. Once they are aware of inequality at work, men want to fix it. They want to be educated on what it means to be vulnerable and authentic and human, in a way that isn't charged or laying blame at their feet. And they want to make positive changes that drive equality. Most men are simply looking for good leaders to show them how.

As we look at the data, one thing is clear: It's men who have to step forward to remove the remaining organizational barriers to D&I, because it's men who put those barriers there — however unintentionally — and it is men who still control those levers of power.

When confronted with the reality of inequity — not blamed, but made aware of it — men will start to change their behaviors and advocate for change. Men want to have these conversations, so leaders should not shy away from them. Male leaders, especially, should take the opportunity to lead by example. Focus on vulnerability and accountability, which we define as taking full responsibility for words, choices and actions and their consequences, whether intended or not.

Once men understand that their privilege is an accident of birth, they can recognize it as a powerful tool. In our practice, we ask them, 'You've got privilege, why not use it for good? We're not asking you to give it up. We're asking you to use it.' The response is overwhelmingly positive.

Spotlight: Parental Leave Matters, Mercer (2018)

Increasingly, large organizations are offering paternity leave to new fathers, yet relatively few are taking it up. Research by Mercer finds that though 80% of large global employers do explicitly offer paternity leave (paid or unpaid), at least 23% of men in G7 countries are declining to take it.¹³

This is extraordinarily self-defeating. A benefit that is most likely to be taken up by just half of the workforce helps to ingrain bias and skew the playing field between men and women in the workplace. Not surprisingly, Mercer research found that parental leave is proving to be the key to addressing the gender pay gap. Because working mothers are still doing the bulk of parenting work at home, their upward mobility in the workplace is hindered, and they fall behind.

By allowing men to help shoulder responsibility from the start, we can help equalize the effects of maternity leave and motherhood on the development, compensation and overall equality of women in organizations.

In addition, men, their partners, their children and their organizations are all more likely to thrive if men spend time with their children in the period following their arrival.

Father-and-baby bonding during leave helps a dad's ability to care for children in the long-term and become a more involved parent. It also has a positive impact on men's relationships with their spouses or partners. It's clearly beneficial for women, too, who see a decline in overall levels of postpartum depression and sick leave and an increase in well-being when their male partners take parental leave. Plus, it helps to mitigate the "motherhood penalty" when male spouses take leave. A recent study found women's salaries are approximately 7% higher on average for every month of leave their partners take.

Critically, organizations may reap the highest rewards by encouraging men to take parental leave. Between 89% and 99% of employers say leave has no negative effects on productivity, profitability, turnover and morale. And according to studies in both Scotland and the U.S., fathers and parents of both sexes who took parental leave were more likely to stay with their organizations.

In order to put principles into actions, however, senior male managers have to lead by example if they want their employees to follow.

¹³ Mercer. *Want to improve gender equality at work? Help men take parental leave*, 2018, available at www.mercer.com/our-thinking/want-to-improve-gender-equality-at-work-help-men-take-parental-leave.html

05



Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



Pay equity progress

We've seen tremendous progress, globally, in pay equity — another bright spot, because an increasing number of organizations are adopting more disciplined methods to ensure its achievement. We know from the research and from our work with hundreds of clients that these organizations do better from a talent flow and representation perspective.

In DACH, we see this same trend, with an impressive 82% of organizations reporting that pay equity is part of their compensation philosophy or strategy. This is higher than the global average of 74%, and likely reflective of government mandates. It does show, however, that organizations are increasingly seeing pay equity as an important human capital issue.

Our research shows that analyzing pay equity to ensure fair pay relative to contributions is the primary objective of 76% of organizations in the region (compared to 85% globally). Only 41% focus on analyzing pay equity to attract or retain the best talent (compared to 68% globally), and more than half (53%) analyze pay equity to meet legal compliance requirements (compared to 25% globally).

Also note that, although pay equity tends to be framed as a gender issue, it's not only women whose pay may need to be remedied. Men who are underpaid can also benefit from a corrective adjustment.

What organizations are doing		
Methodology	Significantly, conducting pay-equity analysis using a robust statistical approach (the gold standard) continues to rise with 56% of organizations doing so in DACH — the same as the global average.	
Scope	89% of organizations in the region that analyze pay report that if an employee is eligible for an increase, the adjustments typically address both base and variable pay — higher than the global average of 84% .	
Remediation	Only 33% of organizations in DACH have a formalized process for remediating pay inequities, lower than the global average of 44% . This is likely a sign of the region's maturity and would be an expected next step as organizations continue to evolve their approach.	
Oversight	HR is actively engaged in pay-equity efforts in DACH, but only 20% of organizations report that their boards are engaged in fair pay discussions, lower than the global average of 38% . We expect boards to increasingly make D&I a priority and become even more involved in oversight.	

Pay equity in perspective

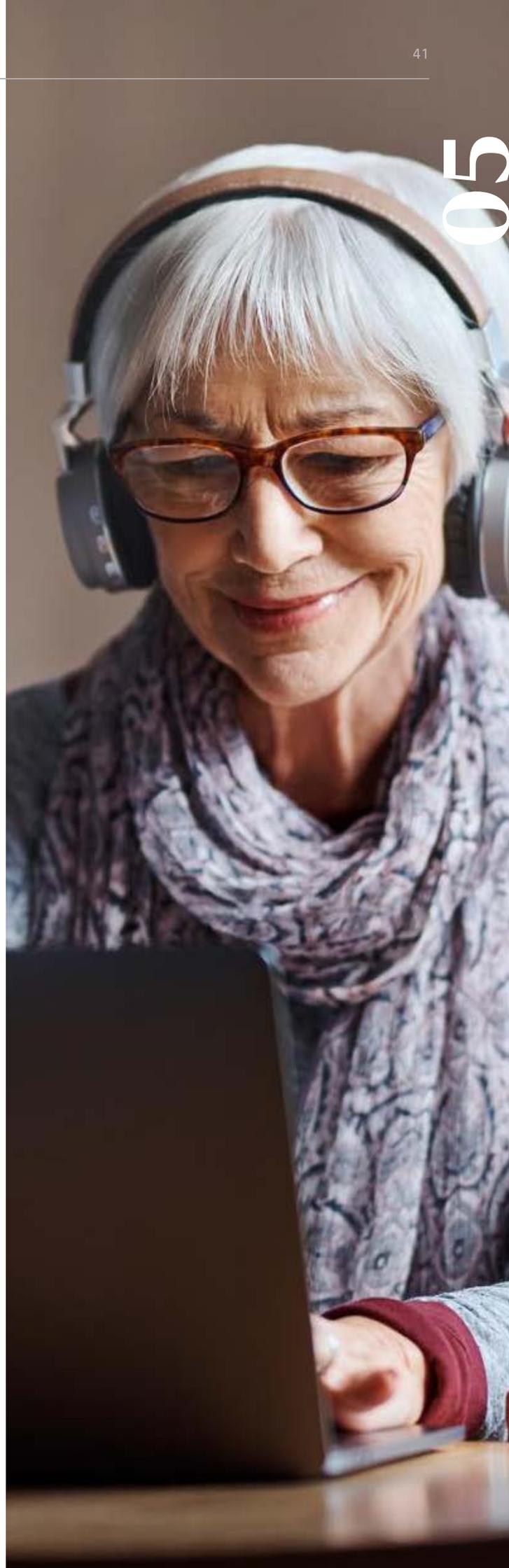
Brian Levine, PhD, Pay Equity Leader, Strategy & Analytics, Mercer

Pay equity was once just focused on ensuring that people in the same job and in the same role were paid equivalently. We now see a greater realization that equity is not simply about pay within a role. Organizations need to provide equitable opportunity for employees to advance, and to grow, and to earn more through that advancement. This shift is reflective of an increased pressure on organizations to disclose their work but also continued priority by organizations to improve diversity and ensure access to the best talent.

Pay equity is a foundation. Our past research has found that good practices related to pay equity translate into good, effective, fair processes across the board by focusing managers on equity — and so they are very effective in helping organizations build D&I throughout the hierarchy. This makes pay equity an ideal place for organizations to start when they are trying to effect broad change.

There is only going to be increased demand for organizations to be transparent about pay equity and related efforts.

Organizations need to look deeply and broadly at the issue to respond and drive related successes — analysis done right will be insightful and actionable, revealing short- and longer-term actions to close gaps and, yes, to support the right reporting when the time comes.



05 Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



Getting ahead

In addition to working toward pay parity, organizations need to commit more widely to equality of opportunity. This enables women and other underrepresented groups to get the career advancement and promotions that can help make all levels and branches of an organization more diverse.

Our global research and consulting experience show that women in people-manager roles with P&L responsibility and experience in different parts of an organization are more likely to advance. These findings are consistent

with our 2016 global report, which found, among other things, that having more women in P&L roles is strongly linked to greater gender diversity throughout the organization. There is no doubt, based on the research, that the same holds true in DACH.

More than half of organizations in DACH — although less than the global average — report that women have equal access to the specific roles or positions that are more likely to lead to advancement into senior management or leadership positions. However, that optimism is not supported by other success measures.

What organizations say	What organizations do	Why the gap matters
<p>55% of organizations in DACH believe that women have equal access to roles that lead to advancement into leadership positions. However, this is less optimistic than the global average of 79%</p> 	<p>73% track gender representation by career level and 64% track hiring, promotion and exits by gender. This is higher than the global averages of 64% and 58%, respectively</p>	<p>Tracking reliable performance measures helps organizations understand if progress is truly being achieved.</p>
<p>54% of organizations say women are as likely as men to move across business units and/or geographies — nearly 20 percentage points lower than the global average of 71%</p> 	<p>Less than half (45%) of organizations review engagement survey responses by gender, compared to 44% globally</p>	
<p>18% say women are equally represented in people-manager roles and a mere 5% say they are equally represented in P&L roles. This is far lower than the global averages of 52% and 44%, respectively</p> 		

Less encouraging, our findings reveal a lack of data being collected to truly understand the root causes of a deficiency in female advancement. Only 18% of organizations in DACH — 10 percentage points lower than the global average — review performance ratings

by gender. And, only 38% track internal mobility by gender (versus 41% globally). This points to clear opportunities for organizations in the region to strengthen tracking systems to identify where greater support is needed to accelerate gender parity.

05

We believe increasing the proportion of women in leadership is critical to our success. We also recognize that women are underrepresented, particularly at our executive and senior management levels. Amongst other actions, we have created a global female sponsorship initiative designed to build a strong female pipeline for senior leadership positions, where we have paired women with an executive sponsor. We measure success by number of promotions and nominations on succession plans, and within the past 21 months the group has made substantial progress.

Our main learnings have been around the selection process of sponsorees. It is important to consider sponsee career stage, to ensure they have clarity around career aspirations, and are at a stage in their career where they are ready to be sponsored. While most sponsorees reported that their sponsor relationship was valuable, it is important that sponsors fully understand what's expected of them and that sponsorees are given the opportunity to change sponsor if desired.

— Global insurance provider, Switzerland

Mobility in perspective

Rick Guzzo, PhD, Co-Founder, Workforce Sciences Institute, Mercer

The innovators in equity in career development and advancement are organizations that have two characteristics. The first is that they go public with their efforts — success or failure — not just to the board or the executive team but also to their stakeholders, including employees, investors and customers.

The other is that they don't ever do just one single thing. They try multiple things. They understand that to move the needle, they cannot take only one shot at the problem and that it will take time and patience before they see tangible progress. To maintain momentum and achieve change that sticks, they'll need to put several plays into the field at once. Deploying interventions in two or three areas will have more impact than an organization trying just one thing.

For organizations just getting started, our advice is to look carefully at what's happening in your organization in terms of equal access for men and women.

Take note of who has access to the springboard jobs that accelerate the capabilities of individuals and their potential to move up. Determine whether you are keeping the right people and how that is different by gender. And closely examine things like pay equity and fair opportunity. Those are table stakes that must be met for the employer to be credible.

More flexibility, please

Clear links exist between the comparatively small number of women in key organizational roles and the lack of flexible working arrangements in many organizations, which often impedes upward mobility.

An important area for organizations to prioritize in order to hardwire D&I into their cultures is flexible working arrangements. Employees across demographic groups value opportunities to work flexibly and require that organizations respect their desire to balance work with other interests and responsibilities.

Ultimately, we need all organizations to respond to employee demands for flex-time and family leave, which are significant to not only millennials and Gen Z but also to experienced workers, who frequently have care responsibilities.¹⁴



In today's economy, more and more employees want to work flexibly. We need to recognize that the days of 9 am to 5 pm are long gone. Employees want greater balance in their lives. Syngenta has implemented flexible working options to meet this need and also to take into account local legislation. This includes allowing employees to work flexible hours, at a flexible location or to job share. Though we are not unique in doing this, it is one of the ways we are striving to improve our working environment for our employees.

— Caroline Creven Fourrier,
Global Head of Inclusion and Diversity,
Syngenta



Managing performance in a flexible workforce

One of the biggest challenges facing employers is managing performance in a flexible workplace, where many workers are struggling with competing demands.

The majority of employers aren't presently meeting flexible workforce demand, and "where flexible policies exist, data show they are generally two-dimensional, limited to where and when people can work."¹⁵

Organizations should look at workplace flexibility across multiple dimensions: "When work is done, where work is done, what work is done, how work is performed and rewarded."¹⁶ Research shows that a well-implemented workplace flexibility framework has a clear link to improved physical and mental well-being for employees.¹⁷

How much is flexibility valued? A 2016 report by My Family Care and Hydrogen — including survey responses from more than 2,300 employees and more than 440 employers in the UK, Europe, Middle East and Asia-Pacific — found that 53% of people would rather work flexibly than receive a 5% salary increase. And 45% of those would sacrifice pay raises of 10% to have flexible working opportunities.¹⁸

In DACH, there are definite signs of hope; the research shows high prevalence of flexible work arrangements. More than three-quarters (77%) of organizations report that they offer flexible working arrangements, compared to 66% globally. However, in terms of valuing employees who work remotely equally, less than half (45%) say their organizations do — on par with the global average of 44%. Even more concerning — only 9% of organizations say part-time employees have the same opportunities to advance as full-time employees, significantly lower than the global average (45%). The COVID-19 pandemic, no doubt, will have a lasting and positive impact on how organizations view — and value — flexible work after millions of employees transitioned effectively to work-from-home status for a significant portion of 2020.

¹⁴ Mercer. *Are You Age-Ready?*, 2019, available at www.mercer.com/content/dam/mercer/attachments/private/gl-2019-6009756-mn-experienced-worker-POV-mercer.pdf

¹⁵ My Family Care, Hydrogen. *The Competitive Advantage of Flexible and Family Friendly Working*, 2016, available at www.hydrogengroup.com/flexible-working-report

¹⁶ Mercer. *Are You Age-Ready?*, 2019.

¹⁷ *ibid.*

¹⁸ *ibid.*



Flexibility is a key issue for the modern, multi-generational workforce. People of all ages — including experienced workers — are willing to trade compensation for flexibility. Developing a culture of acceptance for the use of this benefit will remove a considerable impediment for career development and advancement. Effective training for managers — in combination with modeling desired behaviors — will drive acceptance and use.

— Ilya Bonic, President,
Career, and Head of Strategy, Mercer



Less than a third of organizations in DACH are confident that they're not discriminating against workers who use flexible benefits. Only 27% say that employees who take family leave, time off or flexible working options, advance at the same rate as their peers, less than half of the global average (61%). On a somewhat brighter note, 59%

of organizations say their culture is equally supportive of men taking family leave, time off and flexible working options, as it is of women — lower than the global average (67%). This is good news for all workers in DACH. Yet, unfortunately, this optimism is hard to verify due to lack of quantifiable tracking and often conflicts with anecdotal stories from workers.



Yvonne Sonsino, Global Co-Leader, Next Stage, Mercer

Flexible work is finally moving in the right direction. We can tell by looking at one critical question in this research: "We value people's contribution according to results, not number of hours worked." The results here show us moving from an old model of "presenteeism" where contribution was measured by hours in the workplace to new ways of measuring effort and impact. This is an important shift that will make possible a more flexible global work environment, which will be particularly impactful for both women and older workers.

In years past, managers did not trust teams to work remotely or at different hours and still get their work done. This lack of trust correlated with two factors: a low level of familiarity with flex-working and a difficulty in measuring results. The more comfortable organizations become with measuring success and results, the more likely they will be to stop measuring output by punches on the time clock, the more familiar they will become with flexibility and the more it will flourish.

The benefits of flexibility are clear. Workers at every age, of every gender and in every region are demanding it. They want to better balance the needs of family units, manage their own career goals, attend to caring responsibilities or education, and fit their lifestyle around work. At the same time, the labor pool is shrinking and changing. People are living longer. Birth rates are lower.

▸ **Flexibility is an economic imperative as organizations try to attract and keep their labor forces. Organizations must become more flexible to stay competitive.** ▸

Spotlight: The rise of experienced workers

Ageism is one of the last D&I frontiers, and is still a bit of a blind spot for many organizations, but flexibility can help us make inroads.

— Yvonne Sonsino, Partner, Mercer

The one labor pool that is actually growing in most developed nations is that of older, more experienced workers. Nine out of 10 workers over 50 years old tell us they also want to work differently in the future, but they need a lot more encouragement and support from leadership and line managers to take advantage of flexible work options. It's very early days still, but if these trends hold true, and with the shifting attitudes of managers and leaders, the growth of flexibility will prove to be critical in engaging the experienced workforce.

Employers must be mindful of considerations around experienced workers and the need to ensure that they can also see career mobility. This is likely to involve a review of performance ratings and promotions, as Mercer's systematic review of work with client organizations finds a consistent pattern of experienced workers receiving lower performance ratings and lower promotion rates, on average, than their younger colleagues.¹⁹

Because experienced workers are largely ignored — or misperceived — in strategic workforce plans, organizations are failing to capitalize on the value that workers with decades of experience can deliver.

¹⁹ Mercer. *Are You Age-Ready?*, 2019.

05 Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



Care beyond career

Though benefits that apply universally can help engage all employees, evidence suggests that programs targeting women's unique needs can have a powerful impact on gender diversity in the workforce. To date, however, we found a substantial lack of progress among organizations globally — including in DACH — in addressing the holistic and unique caregiving and financial wellness needs of women — which, candidly, was a disappointment in our latest research.

Supporting caregiving needs

Organizations increasingly recognize the importance of creating policies, tools and programs that support employees with care-giving responsibilities — whether of children, an ailing spouse or aging parents. We know from research that these responsibilities often fall heavily to women. The first step is understanding the need, and then how best to address it.

In DACH, 55% of organizations are taking the first step by gathering information on employees' caregiving needs and obligations (e.g., childcare, elder care). This is significantly higher than the global average of 31% and could help to differentiate employers in the labor market.



Financially fit

The gender gap is especially notable when financial wellness is concerned — not only during women's active years in the workforce, but also in retirement. What we see, in fact, is a gender pension gap that is the product of years of gender pay inequity that results over time in significantly lower pensions for women than for men. Recent data show that in 2018, women aged over 65 in the European Union received a pension that was on average 30% lower than that of men, with the rates in Austria (39%), Germany (37%) and Switzerland (31%) slightly outpacing the EU average.²⁰

Compounding the gender pay gap is the fact that women generally live longer than men, meaning women's pensions must be spread over a longer period of time. Organizations can help not only in narrowing the pension gap through pay equity efforts, but also by also providing critical education and tools to help women better plan for retirement.

Unfortunately, few organizations currently do so. Just 9% of organizations in DACH — the same as globally — track financial wellness by gender. A mere 5% of organizations in DACH monitor savings, deferral and investment rates by gender, slightly lower than the global average of 8%. Many organizations are missing an opportunity to contribute to women's financial security — only 5% of DACH organizations offer customized retirement/savings education and training by gender, compared to 8% globally; and none track the use of available financial resources and tools by gender, compared to 11% globally. Greater use of these tools could deliver a big boost in the financial confidence and outlook of female employees.

Intersecting health and wealth for women

Being financially savvy matters for women. How women perceive their financial knowledge is also an important indicator of career decisions. Research has shown that perceived knowledge is more important than actual knowledge. Women who are financially savvy are more likely to try to advance themselves in their current organizations.

- Higher financial **courage** leads to higher engagement, which leads to higher financial wellness.
- **Financial courage has more bearing** than actual financial knowledge on a woman's ability to improve her financial situation.
- Women spend **more time worrying** about money, especially short-term expenses.
- Women are **less prepared** for retirement.
- Women are **less likely** to have used a financial advisor or participated in an employer-offered financial education program.²¹

Women who have more stress about money also tend to report more frequent engagement in unhealthy or sedentary behaviors to manage that stress; consequently, they are significantly more likely to rate their health as fair or poor. By helping women reduce their financial stress, employers may not only improve productivity but also reduce absenteeism related to physical illness.²²

²⁰ More information available at <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20200207-1>

²¹ Mercer, Ellevest, InHerSight. "Infographic: The Hidden Effects of Financial Confidence on Women's Careers," 2018, available at www.inhersight.com/research/hidden-effects-financial-confidence-womens-careers?_n=65621449

²² Mercer. *Inside Employees' Minds*, 2017



05 Get real. Get smart.

Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



Technology: the missing link

Broadly improving D&I is clearly high on the agenda for the vast majority of organizations in DACH. In virtually all aspects of D&I efforts — from data analysis, candidate sourcing and selection, learning and development, talent management, employee communications, and health and well-being — technology can drive systematic and scalable change to truly transform organizations. This represents a significant area of opportunity and attainable intervention for many organizations looking to make progress.

Yet our research found that less than half of organizations in DACH are actually leveraging technology for these purposes:

- 50% of organizations in the region say they review talent-management practices to mitigate biases, yet only 45% say they use technology to systematically address D&I challenges. Though low, the percentage using technology is higher than the global average of 30%.
- Of those using technology for D&I, the majority are deploying it for learning and development, candidate sourcing, D&I analysis and monitoring, and pay equity analysis.





The rise of a transformative market

In 2018 and 2019, Mercer partnered with RedThread Research to study the D&I technology market and understand how organizations leverage technology to enhance their D&I efforts.

The market for D&I technology has been gaining traction over the past 18 months.²³ The report found that the largest percentage of D&I solutions focus on talent acquisition (43%), supporting organizations with candidate sourcing and selection. Yet numerous technologies exist that can help drive a more inclusive culture and more equality in opportunity, experience and pay.

We believe D&I technology has the potential to be a disruptor to the structural biases (intentional or not) that hide in our processes and behaviors. Applied correctly, technology can enable scalable, consistent decision-making while also alerting users to previously hidden patterns of bias. Much of the technology on the market is designed to change the processes that enable bias or

identify that bias exists. Another benefit that customers see in D&I technology is the increased understanding of the current state of D&I throughout the organization. With greater visibility, leaders can better measure and monitor the impact of D&I initiatives.

On the other hand, the use of technology to address D&I issues comes with latent risks, such as the potential for bias in artificial intelligence (AI) algorithms. Research shows people often misunderstand AI and overestimate the power of using such technology in their decision-making.^{24,25} Being an informed consumer of these AI technologies is a critical step in ensuring unbiased assumptions and objective outcomes.

²³ RedThread Research, Mercer. *Diversity & Inclusion Technology: The Rise of a Transformative Market*, 2019, available at <https://www.mercer.com/our-thinking/career/diversity-and-inclusion-technology.html>

²⁴ Bezrukova K, Spell CS et al, *A Meta-Analytical Integration of Over 40 Years of Research on Diversity Training Evaluation*, Cornell University, SHA, 2016, available at <https://scholarship.sha.cornell.edu/cgi/viewcontent.cgi?article=1973&context=articles>

²⁵ Dickson B. "Artificial Intelligence Has a Bias Problem, and It's Our Fault," *PC Mag*, 2018, available at <https://www.pcmag.com/news/artificial-intelligence-has-a-bias-problem-and-its-our-fault>

Get real. Get smart.

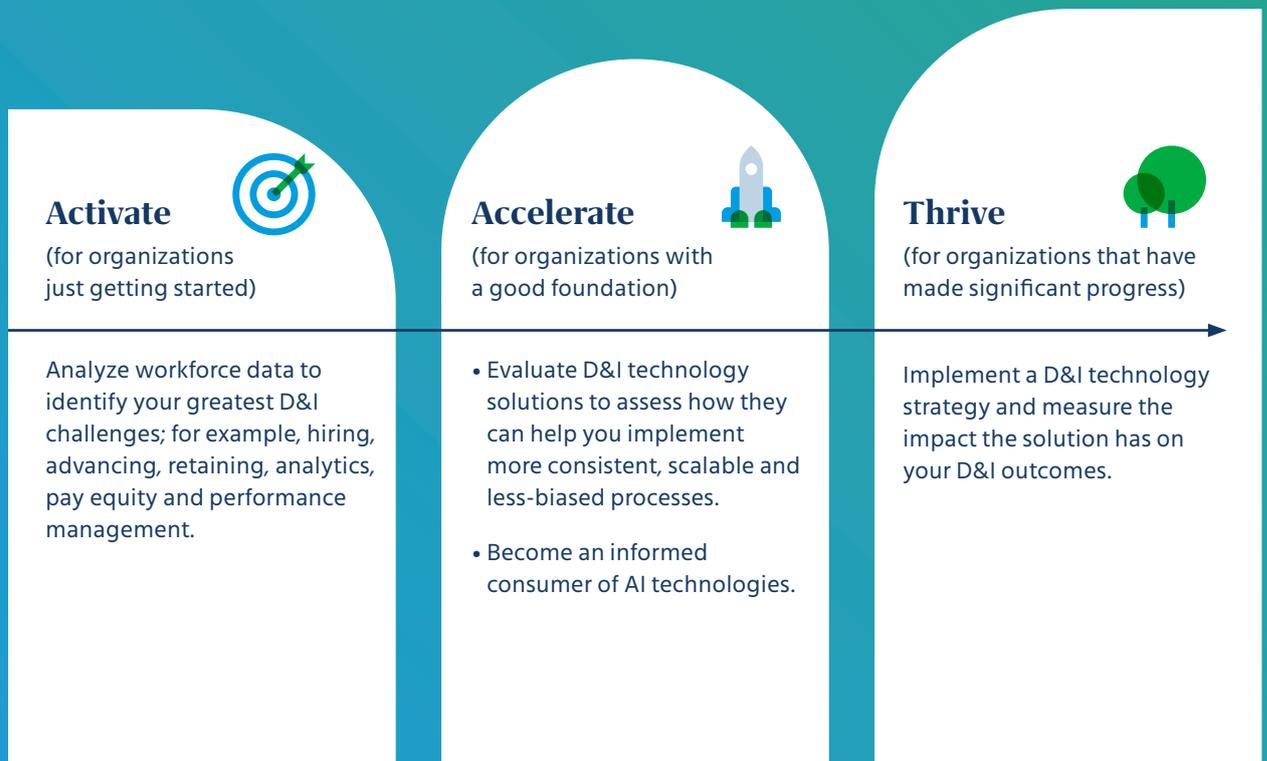
Get real.

Regardless of what stage an organization is at, Mercer has defined active measures it can take to advance D&I outcomes.

Get smart.

To make true and lasting progress, actions must be *specific, measurable, actionable, relevant* and *time-based*.

Here's how to put the findings and learnings from this section into action:



05

A look back and a call forward

Five years ago, we began an important conversation about equality.

At the time, we thought that conversation and our work would focus primarily on pursuing gender equality in business. We thought we would show leaders how enabling women to succeed and achieve parity at work would positively impact outcomes for companies. And we did.

We went on to work collaboratively with businesses across industries to execute strategies that would accelerate gender equality in the workplace. As a result — as shown in this year's report — we are now able to identify the strategies companies need to move the needle on gender equality. Passion, personal leadership and perseverance — matched with analytics, proof, culture and the right mix of programs — have emerged as true accelerators of gender equality.

What we could never have known in 2015 was how transformative this conversation — and the work it would inspire — would be, not only to our client companies but to society at large. We knew we'd prove that when women thrive, businesses thrive. What we discovered is that when women thrive, the world thrives.

Companies have risen to that challenge. They have committed to bringing equality not only to their employees but to their entire value chain. These organizations are investing, executing and reaping the benefits of equality in their own workforces as well as

throughout their entire ecosystem — from female suppliers or farmers to distributors and shop owners. Boards and shareholders are also applying new, external pressure for accountability, which is becoming an accelerator for equality inside and outside companies.

The effect has been a profound and sustaining change. When companies strive toward equality, they influence and change the societies around them.

The intersection of business change and societal change will be critical to meeting the challenges we still face. This year's report makes clear that we still have much work to do. If business leaders want to achieve equal representation of women in the workforce, with equal participation in the economy, at equal pay, they will need to lead the way. That last mile will require creating even more purposeful and disruptive changes, not just within company walls but in society.

It won't be easy, but we're confident that business leaders are up to the task. We certainly saw that this year in the excitement, hope and energy

they brought to the **When Women Thrive** breakfast session at the World Economic Forum in Davos in January 2020. We saw the largest-ever percentage of male leaders joining the influential female leaders on our panels and in our audience. There was also a broader diversity of voices and geographies, including from Latin America, Asia, the Middle East and Africa.

We also take this opportunity to thank Pat Milligan, **When Women Thrive** founder, for her profound support and commitment to gender equality — and driving important thought leadership on this imperative. Her passion has inspired many individuals and organizations to undertake and persevere in the pursuit of gender equality.

We have a huge amount of confidence that organizations globally will continue with this same level of passion and commitment, and we look forward to what the next decade has in store.

The future is very bright.

90



Participating organizations

06

Mercer extends a sincere thanks to the 22 organizations in the DACH region that participated in our research. Those listed below have agreed to be recognized in this report. This is not a comprehensive list of all participants, as some organizations chose not to be recognized.

- Airbus The DACH region
- ARGUS DATA INSIGHTS
- Deutsche Bank AG
- Fujitsu Technology Solutions GmbH
- Idorsia
- Kraft Heinz The DACH region
- McDonald's Deutschland LLC
- Swiss Re
- Syngenta

20



Glossary of terms

20

Adjusted pay gap	Adjusted pay gap is the estimated difference in pay between two groups after accounting for factors such as job, level in the organization, etc. Gaps that remain after accounting for such factors may indicate the presence of pay inequities in an organization.
Bias	Bias refers to the practice of favoring a person or a group of people based upon attributes such as gender, race or ethnicity, religion, sexual orientation, age, or any other class.
Business resource groups (BRGs) or employee resource groups (ERGs)	BRGs and ERGs are communities of employees organized around a common dimension (for example, those who share similar backgrounds, experiences or interests) to network, share views, learn from others, further professional growth and development, and drive business.
Diversity	Diversity refers to a variation in backgrounds, attitudes, values, beliefs, experiences, behaviors and lifestyle preferences with respect to gender, race, ethnicity, nationality, language, age, cognitive and physical abilities and characteristics, sexual orientation, education, religion, socioeconomic situation, marital status, social roles, personality traits and ways of thinking.
Environmental, social and governance (ESG) investing	Environmental governance investing is a part of a responsible investment approach that includes ESG factors and broader systemic issues — for example, climate change and sustainable development — along with active ownership (stewardship). These considerations can have a material impact on financial performance, and their inclusion is more likely to lead to sustainable investment outcomes in the future.
Equality, equity or parity and gender balance	<p>Equality, equity or parity is the state of being equal across all aspects in an organization (for example, pay, promotions and fair treatment of people), representation of men and women at all levels, and like pay for like work, without any bias.</p> <p>Mercer POV: Equality, equity and parity can be used interchangeably. The term “gender balance” refers specifically to the pursuit of achieving a 50:50 ratio between women and men.</p>
Equal pay	Equal pay is achieved when the raw gender pay gap, the difference in average pay of women and average pay of men across the entire organization is zero.

Experienced worker	<p>Experienced workers are mature workers aged 55 and older.</p> <p>Mercer POV: "Experienced worker" is preferred terminology to "older" or "seasoned" worker references, as these terms have inherent bias and negative connotations.</p>
Gender	<p>Mercer encourages organizations to be inclusive of all genders, including cisgender women and men, transgender women and men, and non-binary individuals. Although some organizations are beginning to track the broader spectrum of gender identity in their workforces, most still exclusively track employee gender as male and female, which is reflected in the binary data collected in this research.</p>
Inclusion	<p>Inclusion refers to practices that provide an equitable and fair distribution of resources, such as jobs, income and access to opportunities and information. Such acts and practices enable all members, including those from underrepresented groups, to be respected and appreciated for their unique contributions and to be fully integrated into the formal and informal networks of an organization.</p>
Internal Labor Market (ILM) Analysis[®]	<p>Mercer's ILM Analysis is a proprietary tool that provides a fact-based platform for human capital decision-making. At a basic level, it examines the flow of people into, through and out of an organization to answer fundamental questions about a firm's workforce: who gets hired, who performs well, who advances and who stays.</p>
Intersectionality	<p>Intersectionality is the complex and cumulative way that the effects of different forms of discrimination (such as racism, sexism, classism, socioeconomic status) combine, overlap and intersect.</p>
Pay equity	<p>Pay equity is the state of receiving equal pay for equivalent work.</p>
Raw pay gap	<p>The raw pay gap or "unadjusted pay gap" refers to the actual difference in pay between two groups, such as between men and women. Raw pay gaps can be influenced by many factors such as job, level in the organization and location.</p> <p>Mercer POV: "Unadjusted pay gap" is interchangeable with "raw pay gap."</p>

Unconscious bias

Unconscious or implicit bias is the subliminal tendency to favor certain people or groups of people based upon learned stereotypes.

Mercer POV: "Unconscious bias" is interchangeable with the term "implicit bias."

World Economic Forum

The World Economic Forum engages the foremost political, business, cultural and other leaders of society to shape global, regional and industry agendas. Its activities are shaped by a unique institutional culture founded on the stakeholder theory, which asserts that an organization is accountable to all parts of society.

The Forum carefully blends and balances the best of many kinds of organizations, from both the public and private sectors, international organizations and academic institutions. Mercer and the World Economic Forum have forged a long-standing partnership and host cutting-edge events at annual meetings in Davos, Switzerland. The events bring together global thought leaders who aim to explore disruptive strategies that are creating more sustainable futures.



Acknowledgements

Mercer Global Team:

Executive sponsors

Martine Ferland

President and Chief Executive Officer
Mercer

Ilya Bonic

President, Career, and
Head of Mercer Strategy
Mercer

Angela Berg

Global Diversity & Inclusion
Consulting Leader
Mercer

Authors

Rayna Edwards

Workforce Strategy Consultant
Mercer

Rick Guzzo, PhD

Co-Founder
Workforce Sciences Institute
Mercer

Carole Jackson

Diversity & Inclusion Research
and Consulting
Mercer

Alex Knoepfmacher

Research Manager
Workforce Sciences Institute
Mercer

Haig Nalbantian

Co-Founder
Workforce Sciences Institute
Mercer

Special contributors

Dr. Lorna Friedman

Global Health Leader
Multinational Client Group
Mercer

Brian Levine, PhD

Pay Equity Leader
Strategy & Analytics
Mercer

Pat Milligan

Senior Partner (retired)
Mercer

Yvonne Sonsino

Global Co-Leader, Next Stage
Mercer

Jill Zimmerman

Global Chief Talent & Inclusion Officer
Mercer

Ray Arata, JD

Co-Founder and Partner
Inclusionary Leadership Group

Ed Gurowitz, PhD

Co-Founder and Partner
Inclusionary Leadership Group

Contributors

Katarzyna Aluchna-Kunysz

Survey Administration
Mercer

Cezary Danilowicz

Manager, Data Management
Mercer

Gregory Fisher

Project Manager
Mercer

Anne Hetterich

Diversity & Inclusion Consultant
Mercer

India Johnstone

Project Manager
Mercer

Christine Lindsay

Project Manager
Mercer

Barbara Matysiak

Diversity & Inclusion Specialist
Mercer

Shelly Smith

Internal Communications
Mercer

Laura Spressert

Marketing
Mercer

Tammy Watson-Smith

Project Manager
Mercer

Madeleine Winslow

Diversity & Inclusion Consultant
Mercer



Mercer Switzerland Team

Tina Buchmeier
Consultant

Eric Grosjean
Senior Consultant

Marko Katana
Consultant

Stephan Pieronczyk
Partner

Steffen Zwink
Marketing Leader Switzerland

This research was conducted in collaboration with EDGE Certified Foundation.

EDGE Certification is the leading global assessment methodology and business certification standard for gender equality. Getting certified validates an organization's ability to create an optimal workplace that benefits both women and men. EDGE Certification provides a competitive advantage by recognizing an organization as a gender-enlightened environment in which to work, invest and do business.

60 About Mercer

Mercer builds brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being. Mercer's more than 25,000 employees are based in 44 countries and the firm operates in over 130 countries. Mercer is a business of Marsh & McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people, with 75,000 colleagues and annualized revenue approaching \$17 billion. Through its market-leading businesses, including Marsh, Guy Carpenter and Oliver Wyman, Marsh & McLennan helps clients navigate an increasingly dynamic and complex environment.





