The Next Frontier of Diversity Metrics: Life Cycle Analysis

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Employers today are more likely to publicly release human capital data, especially financial services companies that will need to comply, once in final form, with **Securities and Exchange Commission's rulemaking**[2] and employers voluntarily sharing Environmental, Social, and Governance (ESG) reports. **ESG reports** generally include the participation rate of women and people of color in their workforce, on the Board, in entry level jobs, or other relevant lenses. Usually, participation rates are reported enterprise-wide, globally for gender and domestically for race/ethnicity, and often report progress over time. Employer's commitments to human capital disclosures are not synonymous with enhancing or directing diversity, equity, inclusion, and accessibility (DEIA) efforts to eliminate employment barriers. Rather, employers should leverage diagnostic methods to develop insights into root cause concerns within the workforce and employment phases.

Diagnostic analytics provide a deeper level of understanding why underrepresentation may be occurring, or why it is enduring. This knowledge can inform employers with identifying and developing programmatic interventions to prevent the perpetuation of underrepresentation in the workforce and, thus, effectively enhancing DEIA efforts.

One such diagnostic analysis, a so-called Life Cycle Analysis, informs insights on the talent acquisition, hiring, promotional, and attrition activity that directly impact diversity participation rates. In addition to reporting results on an enterprise-wide basis, a Life Cycle Analysis can be structured to report on different strata of interest to an employer (e.g., business unit or department, level within business unit or department). The particular strata level of analysis and reporting commonly mirror lines of reporting, or accountability, within the organization. Often the trends observed of the employment patterns will differ across the workforce. As such, the value of a Life Cycle Analysis is to examine diversity trends across all employment phases and levels of the organization to identify why, or the root cause, of underrepresentation.

When conducting a Life Cycle Analysis, or any organizational diagnostic, it is important to protect the analysis under the attorney client privilege. Among other things, legal advice is required with respect to the structuring methodology, but also to assess the legal risks that can arise based on the patterns and trends identified regarding new hire and promotion selection, as well as attrition.

Methodology for Trending Diversity Representation

Employers engaging in a Life Cycle Analysis are not restricted by one universal methodology to measure demographic patterns and trends of representation. Employers leverage various metrics including tests of statistical and practical significance (e.g., standard deviation and 80% or availability ratios respectively). One frequently used approach is an availability comparison[3], or a comparison to prior year representation. Each approach provides fundamentally different insights but offers employers options when weighing legal risk.

Outside set up methodology, the framework for a Life Cycle Analysis is universal, which is to compare diversity representation across the employment phases and identify where underrepresentation exists. This underrepresentation indicator can help employers discern whether efforts are effective or if certain personnel transactions assist or diminish DEIA progress. As discussed below, establishing comparative representation benchmarks include the external labor force market and internal workforce. Both of which can inform the effectiveness of outreach recruitment and workforce development programs.

Labor Force Benchmark

Establishing benchmarks as comparable pools for expected diversity representation is typically derived using customized composition of an organization's current workforce developed from two approaches. In the first one, customized benchmarks can be formulated from an external only

approach looking at the demographics of individuals within various geographical recruitment areas with requisite skills aligned to each position. In the second approach, an employer can create a customized benchmark that mirrors the external approach but also includes internal movements, or feeder positions, that represent the employee population that are trainable or promotable. A customized benchmark incorporating both external hires and internal movements is the trademark methodology for goal setting in the affirmative action realm. Using an external only approach for benchmarking has become increasingly popular in the diversity realm, allowing for an employer to understand how well they have afforded diverse opportunities through movement into management and leadership positions to be aligned with, or better than, the available external labor market.

Year-Over-Year Comparison

Diversity progress can be challenging given complex employment practices. To maximize awareness, employers should utilize a year-over-year trending framework. From this multiyear perspective, employers will add additional layers of utility for useful diagnostic outcomes. In other words, comparing year-over-year trends can help determine whether diversity results are trending towards improvement, remaining static, or declining in certain areas of the workforce. Knowing this information is imperative when identifying opportunities to increase DEIA programmatic efforts.

Diagnostic Outcomes Across Employment Phases

A Life Cycle Analysis requires a comprehensive analysis of the workforce to inform employers of actionable efforts[4]. A company's attention can be focused on what the compiled data indicates about the workforce. For example, when areas of underrepresentation are present year-over-year, an organization can dig deeper into practices and policies for root cause barriers to equal opportunity (e.g., lack of accountability, training and transparency of policy or practice, consistency in implementation). Alternatively, a Life Cycle Analysis can highlight positive outcomes of successful DEIA programs.

Given its overall utility, a Life Cycle Analysis provides an ideal vantage point for effectively synthesizing an employer's diversity journey. Observations from a Life Cycle Analysis can provide employers with needed directional results to establish focus areas where barriers may exist that exclude or limit certain diversity groups (see Table 1 below).

Table 1. Example Diversity Observations from Life Cycle Analysis

Employment Phases	Observational Prompts
Workforce	• Identify the diversity representation overall, as well as by identified strata of interest. • Look at delta between starting and ending representation.
Applicant	• Measure for effectiveness of the totality of outreach and recruitment efforts in attracting a diverse pool of candidates, as well as a diverse pool of qualified applicants.
Hire	• Identify diversity representation at the offer extended and hired step. • Reveal potential legal exposure and risk with existing selection practices. • Look at demographic representation at junior levels (*e.g.*, interns) to support opportunities for diverse talent to be trained and promoted internally.
Promotion	• Look at the demographic representation of promotion movements from, to, and within various analysis groups. • Monitor for glass ceiling effect. • Measure effectiveness of DEIA progress from leadership development, training, and mentor programs.
Attrition	• Report demographic representation within voluntary and involuntary terminations. • Observe whether turnover outweighs progress made in recruitment, selection, and promotion movements.

Example Life Cycle Analysis Dashboard

Tables 2 and 3 below include examples of possible Life Cycle Analyses with guiding questions to consider when reviewing results.

Table 2. Job Level with Year-Over-Year Details

Annual hires, promotions, and attrition impact on diversity representation.

Job Level	Diversity Group	Prior Year Representation (%)	Hires Representation (%)	Promotions Representation (%)	Attrition Representation (%)	Current Year Representation (%)
All Associates	Female	35.86	42.51	73.75	37.52	42.37
All Associates	Male	58.31	57.49	26.25	62.48	57.63
All Associates	Asian	16.34	20.32	16.61	22.35	18.23
All Associates	Black	6.19	7.13	2.32	8.54	6.78
All Associates	Hispanic	11.66	12.27	16.61	11.12	12.24
All Associates	Minority*	36.20	41.70	34.89	44.41	39.09
All Associates	White	63.80	58.30	65.11	55.59	60.91

*Minority group consists of self-identification disclosures of Asian, Black, Hispanic, Native American, Native Hawaiian/Pacific Islander, & Two or More Races.

Guiding Questions

1. Did representation of a demographic group increase or decrease between the prior year and the current year?

2. How are hiring, promotion, and attrition activity influencing overall representation for diversity groups?

   a. Are hiring rates lower or higher than the prior year representation for a particular demographic group?

   b. Are promotion rates lower or higher than prior year representation for a particular demographic group?

   c. How do attrition rates compare between demographic groups? Is it higher or lower than the prior year representation?

3. Outline how diversity progress was made, or lack of progress made, from prior year to current year representation?

   a. Did hiring, promotion, and/or attrition drive change for current diversity representation?

   b. Is diversity representation increasing, or sustained, throughout employment at a rate that is expected?

Table 3. Job Level with Feeder Group Details

Current representation with external labor market availability and promotional level hiring representation with external availability.

Job Level – Line of Business (LOB)	Diversity Group	Total Employee Count	Protected Class Count	Current Year Representation (%)	External Availability (%)	Representation to Availability (%)	Intern Hiring %	Hiring to Availability
All Associates	**Female**	**3,000**	**978**	**35.86**	**58.84**	**60.94**	**56.68**	**96.33**
Associate – LOB 1	Female	1,500	738	54.12	73.94	73.19	74.69	101.01
Associate – LOB 2	Female	500	127	27.94	13.48	207.27	18.73	138.95
Associate – LOB 3	Female	1,000	113	12.43	11.2	110.98	10.59	94.55

Guiding Questions for Job Level with Feeder Group Details

- Is our workforce diverse in comparison at a rate that is available?
  - Where was representation lower than expected based on labor market availability?
  - Is there a specific Line of Business limiting diversity representation?
  - Does Line of Business representation impact the organization's diversity overall?
- What are common feeder groups that account for promotion or transfer into each job level?
  - How did feeder group hiring practices align with labor market availability?
  - How do hiring practices for each Line of Business impact overall diversity?
  - How can feeder group representation impact future promotion and job level representation?

The Next Frontier – Life Cycle Analysis

Increasingly, employers are publicly disclosing human capital metrics including narrative commitments to eliminate workforce barriers by promoting equal opportunities. However, employers' verbal commitments and disclosing metrics does not relieve an employer of its responsibilities for directing DEIA efforts to eliminate root cause employment barriers. A diagnostic tool, such as a Life Cycle Analysis, can develop diversity insights across an employer's workforce and within employment phases. Ultimately, these insights provide employers with the needed directional results to establish focus areas for barriers that exclude or limit equal employment opportunities to drive meaningful change within an organization.

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[1] The DCI Workforce Equity team (DCI-WE) includes consultants with expertise in Industrial-Organizational Psychology, Labor Economics, and Legal. DCI-WE assists employers with custom and advanced diversity metrics, as well as the interpretation of those metrics in aid of developing and implementing programmatic interventions. In addition, DCI-WE develops alternative availability benchmark solutions, conducts civil rights and racial equity audits, and assists in the development of supplier diversity programs. Consultants on DCI-WE include: Keli Wilson, M.A., Jon Geier, J.D., Marcelle Clavette, M.S., Chad Peddie, M.A., Tyler Wurtz, M.S., & Andrew Cook, Ph.D.

[2] Securities and Exchange Commission (SEC). (2023). Enhanced Disclosures by Certain Investment Advisers and Investment Companies about Environmental, Social, and Governance Investment Practices. View rule.

[3] An availability figure is the labor force representation of those with the requisite skills for the job.

[4] Consistent with the recent SCOTUS decision in the education context, the development of a Life Cycle Analysis can provide additional objective metrics to support an employer's DEIA initiative.

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