Columbia Business School

Business & Society

Beyond the EEO Curtain: Strategic Data Sharing

Key Takeaways

- Comprehensively efforts to analyze workforce diversity at U.S. firms remains complicated given that Equal Employment Opportunity (EEO-1) data is not automatically shared by the government agency. Researchers found that most public firms do not share Equal Employment Opportunity (EEO-1) voluntarily.

- Many organizations that share diversity, equity, and inclusion (DEI) data outside of government mandates may do so strategically, with a firm's likeliness to voluntarily share DEI information with stakeholders often correlating with data that appears to reflect progress towards greater workforce inclusivity with respect to race. Employees implement what they see executives modeling, so "walking the talk" of the company's stated values is critical.

- Even among these more positive reflections of diversity, nuances in the context of reporting reveal continued high levels of racial and gender inequality in positions that tend to lead to a more diverse upper management workforce. These findings underscore a potentially bleaker portrait of diversity trends among a future upper management workforce due to a lack of inclusion in key first and middle management positions.

Adapted from "Behind the EEO Curtain" by Thomas Bourveau of Columbia Business School, Accounting, Business Law & Taxation, Rachel W. Flam of London Business School, and Anthony Le of Columbia Business School.

The paper "Behind the EEO Curtain" examines diversity at U.S. firms and how granular data reflects an ongoing lack of diversity at America's largest public companies and most companies' resistance to voluntary release of unflattering diversity information.

Research

Today, even with the possibility of future SEC regulation around DEI reporting present, low levels of voluntary EEO-1 data sharing persist. New research from Columbia Business School, analyzing April 2023 EEO-1 data and 2016–2020 historical data obtained by FOIA litigation on the largest 2,500 U.S. public firms reveals significant deficits in racial and gender diversity in managerial roles among 800 large federal contractors.

- White employees held 71 percent of the first- and middle-level manager positions, despite making up only 63 percent of the total workforce.
- Researchers found that women held only 35 percent of the first- and middle-level managerial positions, despite making up 39 percent of the workforce.
- Asian individuals held 8 percent of the first- and middle-level positions while accounting for 9 percent of the workforce. Hispanic and Black employees held just 6 percent and 4 percent of the first- and middle-level manager positions while holding 10 percent and 8 percent of the total workforce in the sample.
- Black employees experience the lowest levels of aggregate representation at managerial and executive levels, with nearly 70 percent of firms employing fewer than 5 percent of Black managers and over 85 percent of firms employing fewer than 5 percent Black executives.

Research (continued)

"We also observe significant heterogeneity in the distribution of minority employees across firms: while 17 percent of the firms in our sample employ fewer than 10 percent minority managers, half of them employ less than 20 percent minority managers." According to the researchers, their findings confirm longstanding results in sociological studies (Dobbin and Kalev, 2022) that firm-initiated diversity training has not led to a balanced representation of minorities in managerial roles.

Despite the significant rise in the number of firms disclosing EEO data between 2016 and 2020 in the researchers' sample (from 0.8 percent in 2016 to 15 percent in 2020), just seven percent of the EEO-1 reports in the sample were voluntarily disclosed by the firms. Organizations were more likely to disclose EEO data if they had above-median proportions of racially diverse managers relative to greater diversity among non-managerial employees. Because corporate investors and other stakeholders now tend to view a lack of workforce diversity and inclusion as an element of risk for public companies, investors' calls for the SEC to legally mandate disclosure of comprehensive DEI data have increased (Augustine et al., 2021; Mennie, 2021).

Key Takeaways

First and middle manager diversity impacts the effectiveness of long-term diversity strategies – as firms tend to promote from within. Yet if large public companies do not offer insight into the true state of their DEI hiring and promotion results, investors and other stakeholders may have an inaccurate view of these companies' success at promoting inclusivity. Higher overall numbers of normally underrepresented groups at a firm might indicate some workforce diversity, but it does not necessarily indicate an upward career trajectory for diverse employee groups within an organization. Racial minorities continue to be underrepresented at the management levels, even at more diverse firms, as are women.

(Continued on next page)

Example of an EEO-1 Report

CO= D140290
U= D140290

EQUAL EMPLOYMENT OPPORTUNITY
2021 EMPLOYER INFORMATION REPORT EEO-1
CONSOLIDATED REPORT

SECTION B - COMPANY IDENTIFICATION

1. APPLE INC.
ONE APPLE PARK WAY
CUPERTINO, CA 95014

2.a. APPLE INC.
ONE APPLE PARK WAY
CUPERTINO, CA 95014

c. EIN= 942404110

SECTION C - TEST FOR FILING REQUIREMENT

1- Y 2- N 3- Y DUNS= 060704780

SECTION E - ESTABLISHMENT INFORMATION

NAICS: 334111 - Electronic Computer Manufacturing

SECTION D - EMPLOYMENT DATA

JOB CATEGORIES	HISPANIC OR LATINO		NOT-HISPANIC OR LATINO														OVERALL TOTALS
			MALE						FEMALE						
	MALE	FEMALE	WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE	TWO OR MORE RACES	WHITE	BLACK OR AFRICAN AMERICAN	NATIVE HAWAIIAN OR PACIFIC ISLANDER	ASIAN	AMERICAN INDIAN OR ALASKAN NATIVE	TWO OR MORE RACES	
EXECUTIVE/SR OFFICIALS & MGRS	2	0	77	0	0	17	0	1	21	2	0	6	0	0	126
FIRST/MID OFFICIALS & MGRS	602	305	5184	235	13	2926	16	109	1888	173	9	1122	4	74	12660
PROFESSIONALS	1694	898	13170	697	79	14058	47	608	4393	436	26	5918	25	338	42387
TECHNICIANS	870	625	2335	554	18	484	12	148	1070	339	16	320	2	96	6889
SALES WORKERS	3367	1975	6344	2239	103	1097	68	567	2854	1343	46	607	39	413	21062
ADMINISTRATIVE SUPPORT	1377	1054	3476	924	36	537	34	216	2356	1194	30	595	31	269	12129
CRAFT WORKERS	22	2	42	2	2	13	0	0	1	0	0	0	0	0	84
OPERATIVES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LABORERS & HELPERS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SERVICE WORKERS	211	292	78	24	7	86	3	15	33	17	2	37	3	7	815
TOTAL	8145	5151	30706	4675	258	19218	180	1664	12616	3504	129	8605	104	1197	96152
PREVIOUS REPORT TOTAL	8162	5064	31766	4651	274	17930	185	1679	12927	3485	136	7860	109	1218	95446

Key Takeaways (continued)

Organizations typically require a legal mandate to disclose comprehensive granular insights on diversity and inclusion practices and results. This research found that over a span of several years, most large public companies failed to share key diversity and inclusion statistics with the public and did so only after a successful lawsuit by independent researchers. Investors and other stakeholders may be unable to gain extensive visibility over hiring, promotion, and career trajectory information without a government legislation compelling company to disclose information.

Access to this data is key to developing DEI policies that may be more effective in the future. Researchers were able to discover a significant lack of racial diversity at first and middle manager levels only because of non-voluntary diversity data sharing.

As gender and racial disparities persist in both high-level and lower-level managerial appointments, businesses and stakeholders must look at long-term data patterns in how inclusivity policies are achieving or missing benchmarks over time and their relationship to the roles underrepresented groups hold at the beginning and middle of their careers.

Mandatory disclosure may be a key step in making information more transparent and readily available, helping investors, employees, and partners have a better understanding of diversity at all levels of the company.

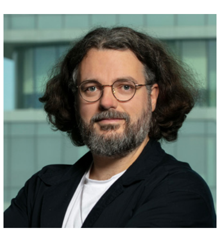
References

Augustine, A., M. Frerichs, S. Wooden, and B. Murphy, 2021, Letter to the SEC, (Link).

Dobbin, A., and F. Kalev, 2022, Getting to Diversity (Harvard University Press).

Mennie, P., 2021, Letter to the SEC, (Link).

Columbia Business School Faculty



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