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**“Diversity, Equity and Inclusion” labor force’s impact on Hong Kong’s innovation,
competitiveness and sustainable development**

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Introduction

Against recent challenges to sustaining Hong Kong’s innovation capacity and competitiveness and enhancing its human capital and talent pool, this paper explores the potential contributions of developing the “Diversity, Equity and Inclusion” (hereinafter DEI) labor force, and puts forward suggestions for improvement measures at policy and corporate levels.

The values of “Diversity, Equity and Inclusion”

Businesses and governments play an instrumental role in enhancing the representation and participation of different groups in society by implementing and promoting DEI policies in their respective jurisdictions and activities. “Diversity” is based on the acceptance and tolerance of different perspectives among groups. The

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concept became prevalent in the 1980s, in response to changes in the demographic characteristics of the social labor force and the workplace. It refers to a simple recognition of a social fact that groups or individuals with different characteristics co-exist in a community or group setting, and a belief that each individual offers a unique contribution arising from their varied, and thus unique, experiences and characteristics. “Diversity” can be defined in two, narrow and broad, ways. A narrow understanding of diversity refers to differences in “ascribed” characteristics, such as age, gender, race, and physical disability. Such diversities generally cannot be determined by people’s subjective wishes or abilities. A narrow sense of “diversity” is sometimes described as “superficial diversity”, because most of the differences can be identified by looking at a person’s appearance, or at least appeared to be identified. Therefore, the differences in the narrow sense of diversity have long been a source of power differentials, discrimination and prejudice in society.

A broad sense of “diversity” includes differences in “achieved” characteristics such as educational level, geographic background, language, culture, religion, values, socioeconomic status, family status (e.g. pregnancy), experience, skills, professional knowledge, and personality. From the practical and policy perspective, the two definitions have their own advantages and disadvantages. Emphasizing a narrow understanding of diversity can make society focus on groups that have traditionally been discriminated against (e.g. women, people with disabilities, and ethnic minorities), but it is easier to ignore other minority groups. Hence, it is not conducive to the unity of various minority groups in society to promote diversity. A broad sense of “diversity” highlights that all differences are equally important, making up for the limitations of “narrow diversity”. But in reality, various differences vary in importance and treatment methods. The government and enterprises are usually unable to simultaneously and equally take into account various differences, due to limited resources. Hence, there is a need to consider the practical situation to evaluate the pros and cons of adopting different “diversity” definitions in context.³

Given that everyone offers different contributions to society, the communal population together carries a moral responsibility to one another in the sense that every member of the community should be equitably treated without suffering from systemic disadvantages – hence the “equity” requirement. Governments and institutions should improve the fairness and justice in procedures and resource allocations to ensure equal opportunity and treatment for everyone, and identify and eliminate barriers to equitable participation of all groups. Given diversities, uniform treatment may not necessarily achieve fairness. This complicates policy considerations as “one size fits all” policies often may not be the most optimal.

Early work on promoting diversity has focused on enhancing proportional diversity, or representational diversity. These efforts have improved, to some extent, job opportunities for groups which historically were under-represented in the job market. However, often the advances are limited to entry levels and promotion opportunities have been scarce, or the impact is not sustained as many of those initially benefited would still leave the job market prematurely. The value of “inclusion” requires a worker to fulfill his/her needs for uniqueness and belongingness through communal experience, which also enhances her sense of identity and commitment to the communal group. Inclusion removes all barriers and discrimination by actively encouraging each individual or group to express his/her views and make contributions, and to participate in creating a culture and collaborative environment that everyone accepts with mutual respect. Specifically, diversity in the workplace ensures that employees are not excluded because of their identities, and the company creates a work team with a wide range of backgrounds and experiences. Inclusion further provides the necessary space and opportunities to encourage each employee to express opinions, and develop and create value.

DEI and Sustainable Development

Nine of the seventeen United Nations Sustainable Development Goals (Sustainable Development Goals, SDGs) are closely related to DEI values. Whether for society at large or a firm, DEI is the key to sustainable development.

- Goal 1: End poverty in all its forms everywhere.
- Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
- Goal 5: Achieve gender equality and empower all women and girls.
- Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

³ Hays-Thomas, Rosemary (2017) *Managing workplace diversity and inclusion: a psychological perspective*. New York, NY: Routledge.

- Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.
- Goal 10: Reduce income inequality within and among countries.
- Goal 11: Make cities and human settlements inclusive, safe, resilient, and sustainable.
- Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Effective DEI policies will help promote economic development, provide fair opportunities and build a truly harmonious society. First, DEI policies create an inclusive and diverse environment, where acceptance for different opinions and suggestions are encouraged. Social innovation can be promoted to address pressing social problems, which enhance competitiveness, and promote economic development. Second, DEI policies aim to correct long-term imbalances in development resources and structural barriers to development opportunities, helping to build a fair society where all people—especially disadvantaged groups facing adversity—have equitable access to development resources and development opportunities. Third, DEI promotes mutual understanding to achieve true social harmony. Because people have the opportunity to express different opinions and gain acceptance and respect, the society can better cater for the needs of different people by bringing together different ideas and viewpoints. Promoting mutual understanding through communication can help eliminate discrimination, strengthen community relations, increase a sense of belonging, establish an atmosphere of inclusion and diversity, and achieve true social harmony.

Extant research suggests that increasing workforce diversity benefits corporate performance and social resilience from crises.⁴ Firms with more women in leadership positions are more profitable⁵ businesses with staff with disabilities subsequently experience improvements in profits, employee retention, and client loyalty⁶; and law firms' increase in the racial diversity of employees is strongly correlated with the financial performance of businesses.⁷ McKinsey's 2018 report "Delivering through Diversity" stresses the values of diversity and inclusion in differentiating a company's competitive advantage, which closely impact its financial performance. An executive team with a high degree of racial or cultural diversity is 33% more likely to outperform their peers in profitability; corporate boards with greater diversity in race and culture were 43% more likely to be more profitable than were other boards.⁸ These findings have started to influence public policy. For example, the Commonwealth and Development Office of the UK Government has recently outlined a 2022-2030 plan of promoting disability inclusion.⁹

DEI Policy Development in Hong Kong

Four ordinances, namely the Sex Discrimination Ordinance, the Disability Discrimination Ordinance, the Family Status Discrimination Ordinance and the Race Discrimination Ordinance, have been enacted to explicitly address the concerns for anti-discrimination and equal opportunities. The Equal Opportunities Commission (EOC), was established in 1996 as an execution agency, and to review the need for further policy development. The Racial Diversity and Inclusion Charter for Employers, launched by EOC, offers a checklist of DEI policies and practices for business to facilitate the pursuit of DEI objectives.¹⁰ Since 2016, listed companies have been required to disclose details of their workforce, such as gender, age and employment type, under the Environmental, Social

⁴ Hunt, V., Prince, S., Dixon-Fyle, S., & Dolan, K. (2020). *Diversity wins How inclusion matters*. McKinsey & Company.

Available at

<https://www.mckinsey.com/~media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.pdf> [Accessed 24 May 2022]

⁵ Post, C., & Byron, K. (2015). Women on Boards and Firm Financial Performance: A Meta- Analysis.

Academy of Management Journal, 58(5), 1546–1571.

⁶ Lindsay, S., Cagliostro, E., Albarico, M., Mortaji, N., & Karon, L. (2018). A Systematic Review of the Benefits of Hiring People with Disabilities. *Journal of Occupational Rehabilitation*, 28(4), 634–655.

⁷ Smulowitz, S., Becerra, M., & Mayo, M. (2019). Racial diversity and its asymmetry within and across hierarchical levels: The effects on financial performance. *Human Relations*, 72(10), 1671–1696.

⁸ McKinsey & Company. (2018). *Delivering through diversity*, Available at <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/delivering-through-diversity> [Accessed 24 May 2022]

⁹ The Foreign, Commonwealth & Development Office. (2022). *FCDO disability inclusion and rights strategy 2022 to 2030*. Available at

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1074127/Disability-Inclusion-and-Rights-Strategy-2022.pdf [Accessed 24 May 2022]

¹⁰ <https://www.eoc.org.hk/zh-hk/news-and-events/events-and-programmes/eoc-events/inclusion-charter>

and Governance (ESG) reporting framework. Employers who hire workers with a disability will receive an allowance to purchase assistive equipment and install workplace modifications, and on-the-job training allowance for up to nine months per worker.

Despite these measures, room for improvement persists. For example, in 2021, women accounted for only 14.3% of the boards of Hang Seng Index companies, an increase of only 0.4% from 2019.¹¹ In 2018, the labor force participation rate of the elderly in Hong Kong was 11.7%, lower than the average level of the Organization for Economic Cooperation and Development (OECD) economies (14.8% in 2017), and far lower than neighboring South Korea (31.5%), Singapore (26.8%), and Japan (23.5%).¹² The unemployment rate for persons with disabilities has almost doubled, from 6.7% in 2013 to 11% in 2021.¹³ Even highly educated persons with disabilities face difficulties finding employment.¹⁴ Of the various ethnic groups, South Asians have a higher unemployment rate (5.3%) than the general population (3.7%), and are predominantly employed in entry-level positions.¹⁵ Language policy for non-Chinese speaking students --- the Chinese Language Curriculum Second Language Learning Framework --- does not provide adequate support for second language learning. Many ethnic minorities have not been able to master Chinese.¹⁶ As the population ages, age discrimination is increasingly becoming an issue, causing strains to the existing legislative framework.¹⁷

There is evidence that with proper support, employees with diverse backgrounds will deliver well in the workplace.¹⁸ However, supervisors and front-line staff often lack experience in working with colleagues with diverse backgrounds. Many job seekers with diverse backgrounds are also not familiar with the labor market and need assistance to adapt to the work requirements. Some DEI support and services are currently offered by NGOs, but most are narrowly focused on providing basic training for the employees with diverse backgrounds, and insufficiently geared to the needs of the employers and other colleagues.¹⁹

¹¹ Community Business (2021). *Women on Boards: Hong Kong 2021*. Available at <https://www.communitybusiness.org/women-on-boards>. [Accessed 24 May 2022]

¹² Chan, D., & Yip, D. (2019). *Elderly employment: Latest developments in Hong Kong and policies in international perspective*. Office of the Government Economist, Hong Kong SAR.

¹³ Census and Statistics Department, Hong Kong Special Administrative Region (2021), *Social data Collected via the General Household Survey : Special Topics Report - Report No.63- Persons with disabilities and chronic diseases*, Available at https://www.censtatd.gov.hk/en/data/stat_report/product/C0000055/att/B11301632021XXXXXB0100.pdf [Accessed 24 May 2022]

¹⁴ Kwan, C. K. "Seize the opportunity to develop diversified talents" (善用機遇-發展多元人才), Ming Pao, November 28 2022. Available at <https://m.mingpao.com/pns/%E8%A7%80%E9%BB%9E/article/20221128/s00012/1669568332248/%E9%97%9C%E5%B F%97%E5%81%A5-%E5%96%84%E7%94%A8%E6%A9%9F%E9%81%87-%E7%99%BC%E5%B1%95%E5%A4%9A%E5%85%83%E4%BA%BA%E6%89%8D>. [Accessed 29 November 2022]

¹⁵ Equal Opportunities Commission (2020), *A Study on Education and Career Pathways of Ethnic Minority Youth in Hong Kong*. Available at https://www.eoc.org.hk/EOC/upload/ResearchReport/20200619_em.pdf [Accessed 24 May 2022]

¹⁶ 'Directional Policy' and lack of support result in Ethnic Minority Policy going nowhere : Hong Kong Unison (共融支援不足, 融樂會憂「方向性」政綱對少數族裔政策毫無方向), May 06 2022, Hong Kong 01. Available at <https://www.hk01.com/18%E5%8D%80%E6%96%B0%E8%81%9E/767022/%E5%85%B1%E8%9E%8D%E6%94%AF%E6%8F%B4%E4%B8%8D%E8%B6%B3-%E8%9E%8D%E6%A8%82%E6%9C%83%E6%86%82-%E6%96%B9%E5%90%91%E6%80%A7-%E6%94%BF%E7%B6%B1%E5%B0%8D%E5%B0%91%E6%95%B8%E6%97%8F%E8%A3%94%E6%94%BF%E7%AD%96%E6%AF%AB%E7%84%A1%E6%96%B9%E5%90%91> [Accessed 24 May 2022]

¹⁷ 'Ching-Choi Lam Slams the elimination of aged and capable workers as discrimination against elderly employees worsens, (高齡就業歧視嚴重, 林正財: 社會剔除了一班有經驗, 仲打得人士), February 17 2019, Hong Kong 01. Available at

<https://www.hk01.com/%E7%A4%BE%E6%9C%83%E6%96%B0%E8%81%9E/295838/%E9%AB%98%E9%BD%A1%E5%B0%B1%E6%A5%AD%E6%AD%A7%E8%A6%96%E5%9A%B4%E9%87%8D-%E6%9E%97%E6%AD%A3%E8%B2%A1-%E7%A4%BE%E6%9C%83%E5%89%94%E9%99%A4%E4%BA%86%E4%B8%80%E7%8F%AD%E6%9C%89%E7%B6%93%E9%A9%97-%E4%BB%B2%E6%89%93%E5%BE%97%E4%BA%BA%E5%A3%AB> [Accessed 24 May 2022]; Legislative Council of the Hong Kong Special Administrative Region (2021), *Protection of mature workers against workplace discrimination*. Available at <https://www.legco.gov.hk/research-publications/english/essentials-2021ise12-protection-of-mature-workers-against-workplace-discrimination.htm#endnote1> [Accessed 24 May 2022].

¹⁸ Kwan, C. K. (2020). Socially responsible human resource practices to improve the employability of people with disabilities. *Corporate Social Responsibility and Environmental Management*, 27(1), 1-8.

¹⁹ Kwan, C. K. (2021). Helping people with disabilities in the workplace: Mezzo-level interventions targeting corporate culture. *Social Work*, 66(4), 339-347.

Recommendations

What can be done more to enhance the DEI workforce policy, with a view to improving the prospect of sustainable development and competitiveness of Hong Kong? Below we set forward a few ideas to kick-start the discussion.

i. Strengthen resources support

Invest resources in support of diversity, from raising awareness of DEI values to provision of training and strategic consulting (especially to human resources departments and senior corporate management). The government and public sector organizations should take a lead and encourage private sector organizations to join.

ii. Strengthen the assessment of the diversity and inclusiveness of enterprises and provide more incentives

The government can step up the evaluative framework of DEI performance to provide incentives for change. For example, do employees have enough opportunities to express their opinions? More performance indicators and DEI rating frameworks may be developed, as well as award schemes, to encourage companies to enhance diversity and inclusion.

iii. Extend the regulatory framework to better address DEI issues

With an evolving DEI agenda (e.g. sexual orientations, aging), there is a need to continually review and extend the regulatory framework. This requires good management of the discussion process to enable effective communication between stakeholders with diverse interests and values and timely decision-making. The government can use means such as organizing public consultations to promote understanding among parties, and initiate a process of change through small, incremental measures (e.g. piloting in a small segment of population, and starting with time-phased, voluntary actions before the introduction of mandatory requirements).

iv. Strengthen the capacity building role of NGOs

The NGO sector may play a more active role in raising DEI awareness in business and assisting business to develop practical DEI policy initiatives and measures. The current Funding and Service Agreements administered by the Social Welfare Department with the NGO sector can be expanded to include the diverse employment support services to business, from matching supply of and demand for workers with diverse backgrounds, provision of training to both the workers and managers, consultancy services on the design and review of corporate DEI policy, to execution monitoring and performance assessment.