

# Corporate layoff strategies are increasing workplace gender and racial inequality

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Research from Prof. Alexandra Kalev of Tel Aviv University's Department of Sociology and Anthropology reveals that current workplace downsizing policies are reducing managerial diversity and increasing racial and gender inequalities. According to the study, layoff practices focusing on positions and tenure, rather than worker performance, minimized the share of white women in management positions by 25 percent and of black men by 20 percent. Prof. Kalev found that a striking two-thirds of the companies surveyed used tenure or position as their core criteria for downsizing.

The study, published in the most recent issue of the *American Sociological Review*, was based on Equal Employment Opportunity Commission (EEOC) data compiled between 1980 and 2002, as well as data collected from a survey of 327 private US-based companies. Prof. Kalev, together with Prof. Frank Dobbin of Harvard University, is currently using all EEOC data to date to examine the effect of workforce diversity on corporate financial performance. "This study is a wake-up call," said Prof. Kalev. "Downsizing is increasingly done in ways that hit managerial diversity hardest, and practices that help protect diversity have become less and less common. Most diversity programs in place today are based on 'best practices', not on best data, which appear to undermine efforts at managerial diversity."

## The law of unintended consequences?

Prof. Kalev's statistics-based study, one of the first of its kind, found that American corporations were losing managerial diversity in downsizing—at times even without their knowledge. Companies have formalized downsizing procedures to make them transparent and fair but by relying on position- or tenure-based rules for downsizing, they wiped out positions typically held by women or minorities.

"There has been little to no attention to the fact that women and minorities bear more of the risk and disproportionately lose their managerial jobs," said Prof. Kalev. "American corporations are investing a lot of effort in increasing managerial diversity, and they are not always aware that they are losing that diversity in position- or tenure-based downsizing."

## **Mining the data for evidence**

The landmark Civil Rights Act of 1964 outlawed discrimination in the US on the basis of race, color, religion, sex, or national origin. What followed, however, were several decades of experiments with "compliance" on the part of human resources departments. In 1965, the EEOC was established to monitor the representation and promotion of minorities and women in the workplace. But the research potential of EEOC-collected data was only fully utilized decades later, and companies were often left to define for themselves what constituted fair and equal treatment.

According to Prof. Kalev, employment practices in the US are not research-driven and instead follow the country's shifting political map. The 1970s were considered a "decade of enforcement," in which Supreme Court decisions and high enforcement budgets kept companies on their toes. This period saw the most significant gains in diversity to date.

The 1980s, however, ushered in an era of free market rule, brandishing a policy of small government and big economy. A period of weak enforcement ensued, and equal opportunity managers and affirmative action officers rebranded themselves as "diversity management," a new industry that made the "business case" for diversity. Their argument was that a more diverse workforce would boost creativity and innovation and expand a given company's customer base, making it that much more profitable.

## **The knowledge to act**

"We have come full circle," said Prof. Kalev. "Starting with government issuing a law, then industry organically defining compliance for itself, then back to government accepting industry-defined compliance as evidence of non-discrimination—all this without ever using an evidence-based approach to diversity management."

But according to Prof. Kalev, there is a bright side to the story. With the right tools in their toolbox and the knowledge to support more equitable practices, human resources departments and diversity committees can make a major contribution to workplace equality. "We found that when managers become aware of the disproportionate impact of their layoff decisions, they make every effort to keep women and minorities on board," said Prof. Kalev. "Executives can make a difference if they are motivated and have the knowledge to do so."

Prof. Kalev's study was jointly funded by the National Science Foundation and the Russell Sage Foundation. Together with Prof. Dobbin, Prof. Kalev is currently conducting a survey of 1,000 universities in the U.S. to examine the effect of personnel structures on faculty diversity.

Provided by Tel Aviv University

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