Highlights

Stepping up for equity

How employers can close the career, health and wealth gaps faced by Black American workers

When people thrive, societies thrive

Channeling energy into action

The recent heightened focus on social justice in the US has illuminated an array of longstanding disparities facing the Black community in the workplace. Traditionally, the focus on racial equity in work has largely homed in on unemployment rates and representation in higher-level positions. The real disparities, however, run deeper and broader and are often underpinned by unseen connections.

While representation of Black employees in the US workforce is critical to closing the career, health and wealth gaps, in this report, we ask a different set of questions: "What happens to Black employees after they are hired?" and equally important, "What role can employers play in closing the gap for Black Americans?"

We firmly believe that US companies can close the persistent career, health and wealth gaps that adversely affect Black employees by targeting actions on factors under their control as employers. By doing so, employers have a unique opportunity to step up their efforts to deliver the career equity, physical and financial health and belonging that Black employees in the US workforce need to thrive.

Here are the top findings from our study along with a blueprint of how employers can step up to close the gaps.

About this report

The report comprises workforce data and survey responses from 52 companies across the US — representing **more than half a million employees in total.**

The survey was conducted from September 8 to November 5, 2021.

Survey participants represent a broad range of publicly traded companies and industries.
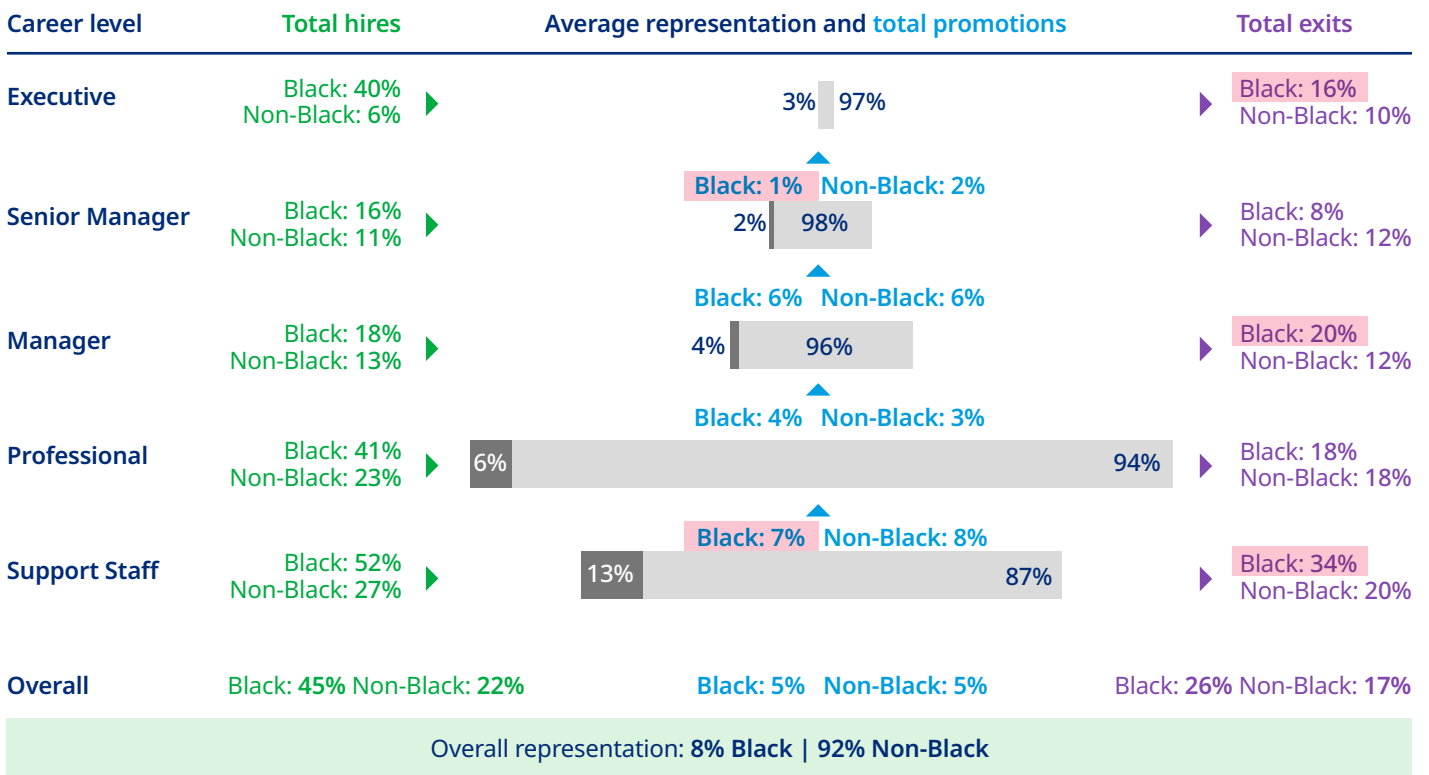
Learn more: **Access the full report.**

Target turnover

Hiring has been the primary focus of most organizations working to increase representation of Black employees. And why not? It seems logical that adding diverse talent to the workforce will eventually result in a more representative workforce. Yet data show that companies can better accelerate progress by achieving higher retention levels, which translates into a very different set of actions to ensure progress.

The study shows that US organizations are hiring Black talent at a robust pace, but much of that talent isn't staying. In fact, Black employees are exiting the organization at higher rates than non-Black employees, especially at the critical leader and senior manager levels. The resulting turnover cuts careers short, reducing the likelihood of Black employees advancing to higher career levels. Plus, it does little to help increase long-term gains in the actual representation of Black employees in the workforce.

Hiring is essential for driving representation, but filling the pipeline from the outside is not sufficient if talent is draining out before the pipeline can sustainably deliver needed talent from within.

Internal Labor Market map

Career level	Total hires	Average representation and total promotions		Total exits
Executive	Black: 40% Non-Black: 6%		3% 97%	Black: 16% Non-Black: 10%
		Black: 1% Non-Black: 2%		
Senior Manager	Black: 16% Non-Black: 11%		2% 98%	Black: 8% Non-Black: 12%
		Black: 6% Non-Black: 6%		
Manager	Black: 18% Non-Black: 13%		4% 96%	Black: 20% Non-Black: 12%
		Black: 4% Non-Black: 3%		
Professional	Black: 41% Non-Black: 23%		6% 94%	Black: 18% Non-Black: 18%
		Black: 7% Non-Black: 8%		
Support Staff	Black: 52% Non-Black: 27%		13% 87%	Black: 34% Non-Black: 20%
Overall	Black: 45% Non-Black: 22%		Black: 5% Non-Black: 5%	Black: 26% Non-Black: 17%

Overall representation: **8% Black | 92% Non-Black**

● **Black**

○ **Non-Black**

Note: ILM map reflects average representation and talent flows over the most recent 12 month period across 22 participating organizations. The rates shaded in pink highlight where Black employee hire, promotion or exit rates are unfavorable as compared to non-Black employee rates.

Pivot the pipeline

Organizations have yet to develop strong internal talent pipelines for Black employees — particularly managers.
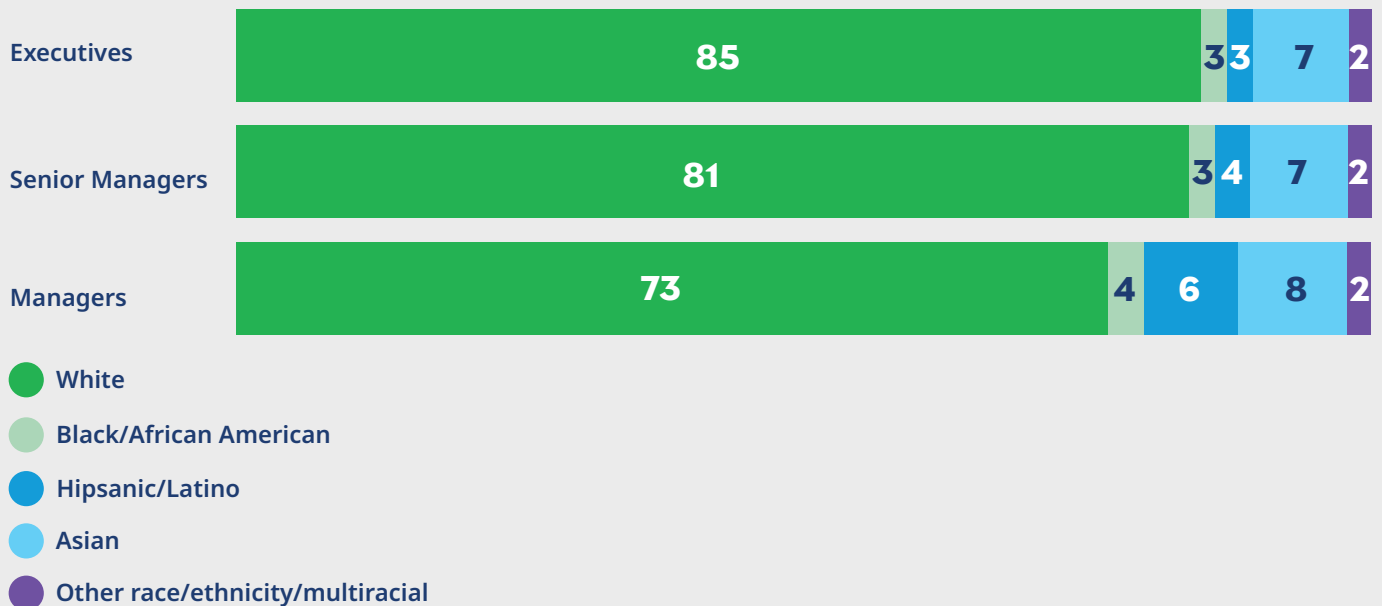
Our study revealed that Black workers see promotion at roughly the same rates as their colleagues, although 71% of survey participants agreed that promoting Black employees is a challenge for their organization. **Despite comparable promotion rates, due to under-representation, the overall pool of Black employees simply isn't substantial enough to support a build-from-within talent strategy.**

Although 58% of companies say they have a formal succession planning process for all employees, less than 10% say these efforts are very successful for driving career progression for Black employees or supplying their pipelines with Black talent. This may show that companies lack an effective formal succession planning process, or it may be that their formal process is still at an early stage of development. Ultimately, it may just be too soon to know.

Managers matter

Getting into managerial roles is critical for Black employees if they are to step into senior management and executive roles. It is also important for lower-level Black employees to see people who look like them in higher-ranking positions. Managers are conduits of organizational practices and culture that affect the careers and experiences of subordinates, so representation ensures that the Black experience in the organization carries equal influence when it comes to building programs, processes and culture.

Black representation in leadership and people manager roles

Executives: 85, 3, 3, 7, 2
Senior Managers: 81, 3, 4, 7, 2
Managers: 73, 4, 6, 8, 2

- White
- Black/African American
- Hipsanic/Latino
- Asian
- Other race/ethnicity/multiracial

Create pay and career equity

Achieving pay equity by race has become a more conscious part of organizations' compensation philosophy. However, there are still barriers to career equity.

Companies are tracking pay equity closely

Pay equity is a necessary foundation for creating more fully equitable workplaces. Employers will find it challenging to work on career equity — equal opportunities to advance into high earning roles — without first ensuring equitable rewards within roles.

85% say that they are assessing pay equity. But only 26% describe their efforts as "very effective" in achieving pay equity for Black employees.

Tracking career equity is equally important

In our work, we often find that Black employees are less likely to receive the highest performance ratings.[1] Unfortunately, this is an almost universal pattern, and it is most acute and persistent for Black employees. As high ratings almost always lead to higher pay and a higher likelihood of promotion and are also associated in most organizations with higher retention, disparities in ratings systematically undermine the ability of Black employees to thrive at work.

Such disparities can also distort statistically based pay equity comparisons. Because pay equity assessments often account for performance ratings, eliminating bias in ratings is as critical to ensuring pay equity as it is for career equity. There is evidence that employers can do more to guarantee equitable outcomes on performance ratings.

Tracking performance management data by race/ethnicity

Does your organization routinely review performance ratings by race/ethnicity?

10%
29%
62%

- Yes
- No
- Prefer not to say
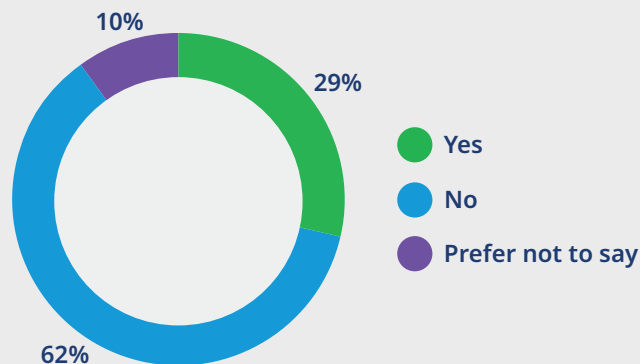
Has your organization's assessment of performance ratings revealed any evidence of inequity in the distribution of ratings by race/ethnicity?

19%
25%
56%

- Yes
- No
- Prefer not to say
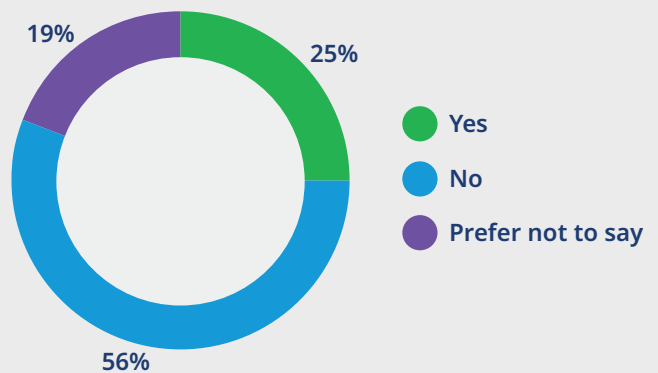
[1] Nalbantian HR, Guzzo R and Berg A. "Workplace Inequities Contribute to the Black-White Wealth Gap," *BRINK*, June 18, 2021.

Dig into disparities

Effective corporate diversity, equity and inclusion (DEI) strategies need to address sizable disparities in health and financial wellness that afflict the Black workforce. Robust data in these areas are especially valuable for determining how employer health and financial wellness programs contribute to disparities and in developing targeted solutions that address structural imbalances and encourage health- and wealth-generating behaviors. Our findings show that many companies have yet to begin leveraging data on race and ethnicity to uncover these powerful insights.

Measure health as a bellwether of equity

One of the less-explored aspects of equity is also one of the most influential. Companies' current emphasis is overwhelmingly on pay and career, but when it comes to the critical issue of health and well-being, there are many levers not being pulled.

This data can be used to develop and implement initiatives for achieving health equity. By leveraging existing demographic and health plan data, companies can identify and address disparities through a racial and intersectional lens. Only 10% of participating companies have launched programs to address health equity — and nearly a third don't plan to implement them at any time in the future.
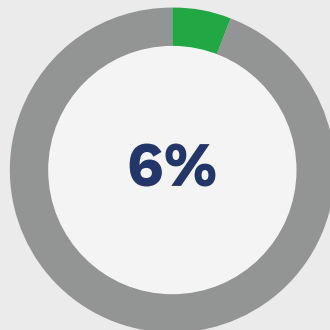
Employers have yet to tap into a broad range of unique opportunities to identify health disparities.

13%
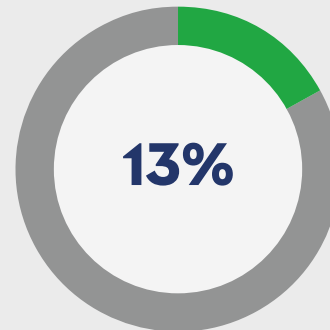
identify health disparities through claims reporting

10%
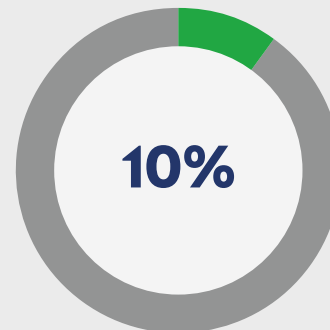
incorporate data on race/ethnicity in the data warehouse and/or with the health plan

6%

track the use of prevention services or refills by race/ethnicity

Recognize financial wellness as part of equity

Closing the wealth gap for Black employees also means directly addressing their financial wellness — which begins with a deeper understanding of the current state. Retirement and other financial wellness programs can play a role, by virtue of their design and structure, in creating wealth disparities — but there are opportunities to make changes to these programs that could support better outcomes.[2] As with health equity, this can be accomplished by simply analyzing data that most employers already have within easy reach.

Companies are also missing a big opportunity to understand in terms of race and ethnicity the utilization of the programs they have available — such as retirement/savings plan deferral rates, investment elections, participation in defined contribution plans and utilization of employer-sponsored budgeting, credit management, financial counseling or similar tools.
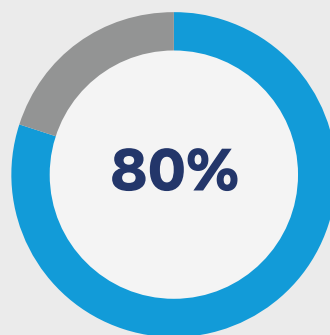
Understanding utilization of financial well-being programs is key to assess whether programs are meeting the needs of Black employees.

90%
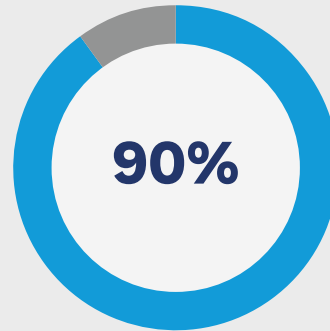
fail to track racial or ethnic differences in investment behavior

88%
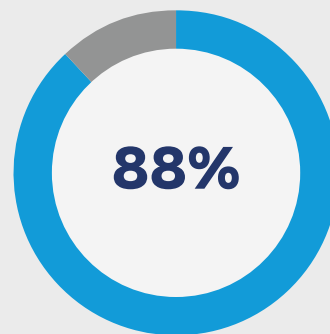
fail to track racial or ethnic differences in saving behavior

80%

are not yet customizing or targeting retirement/savings education or training programs by race/ethnicity

[2] Cadenhead B, Hockenmaier K, Baensch H and Gold L. "Retirement and the Black-White Wealth Gap," *BRINK*, January 13, 2022, available at https://www.brinknews.com/retirement-and-the-black-white-wealth-gap/.

Explore employee experience

Workplace experience plays a critical role in development and retention, and there is abundant evidence that Black employees are having a less positive experience in some dimensions than other groups of employees. Our study shows that employers are taking steps to close these gaps, but it may not be enough.

Not everyone has the same positive workplace experience

There is increasing understanding in corporate America that positive day-to-day employee experience is critical to having a thriving workforce. It is also the cornerstone in building and sustaining a diverse workforce. What does that experience look like for Black employees?

A recent Mercer study[3] among US employees found that personal and psychological safety was the top-ranked concern for Black employees, above physical, mental and financial well-being. In contrast, Hispanic and Asian participants ranked it fifth, and white participants ranked it even lower.

Clearly, improving experience for Black employees is essential. What are employers doing?
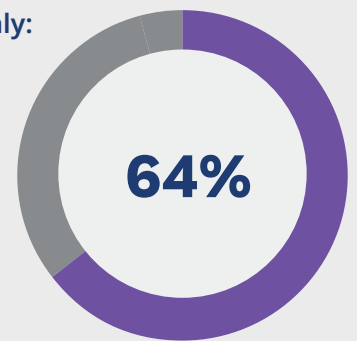
Understanding the issues

87%
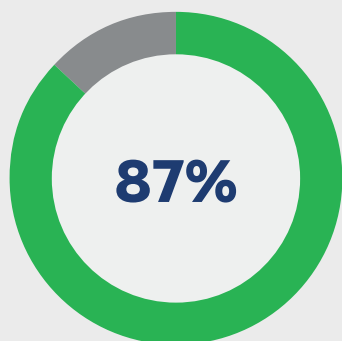
are conducting **regular engagement-type surveys**

82%
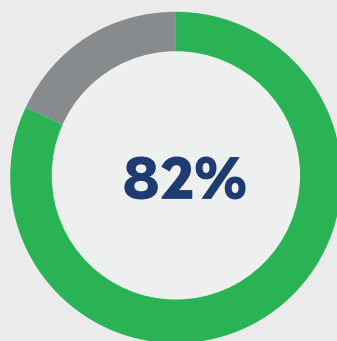
are **specifically measuring inclusion/belonging**

but only:

64%

are looking at the data with the lens of **race/ethnicity**

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[3] Mercer. Inside Employees' Minds: A Study of 2,000 Workers. Published August 2021.

Target transparency

External pressures on US employers to visibly improve corporate DEI outcomes continue to climb.

65% report sustained pressure in the past two years to improve racial/ethnic diversity, equity and/or inclusion outcomes, compared to 34% in 2020.

Today, there should be no question that DEI is a business imperative and doing it well is a differentiating business capability that stakeholders notice. What does the pressure look like?
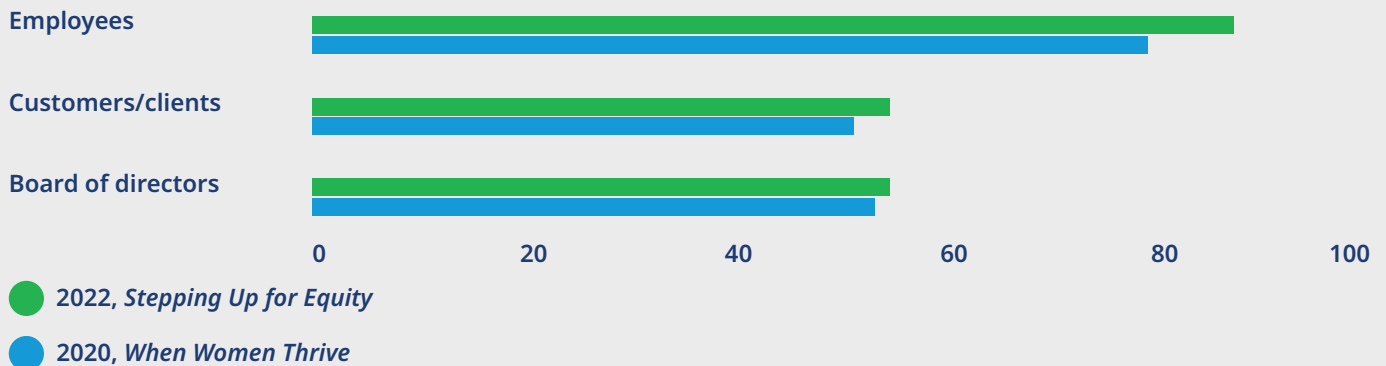
Calls for transparency

Disclosures are still lagging in many areas, but this will likely change due to regulation and internal and external pressure. Of the surveyed companies, 75% report documenting DEI efforts in annual reports, websites, etc.

The information reported still varies: 72% disclose representation of race/ethnicity at all levels of the organization, 79% track hiring and promotion of talent by race/ethnicity and career level, and only 15% disclose pay or pay gaps by ethnicity.

Growing transparency and investor interest in such information also suggest companies that lag will find themselves facing severe headwinds in their ability to create shareholder value, leading to an acceleration of efforts to advance the DEI agenda.

Pressure sources

The pressure has come from:

Source	
Employees	2022: ~87, 2020: ~78
Customers/clients	2022: ~54, 2020: ~51
Board of directors	2022: ~54, 2020: ~53

● 2022, *Stepping Up for Equity*
● 2020, *When Women Thrive*

Blueprint: Stepping up for equity

Employers can make a difference

Collectively, they have a unique opportunity to take actions that will help close the career, health and wealth gaps affecting Black employees.

There is no single solution.

To accelerate and sustain progress, employers will need to commit to a synergistic set of actions that address this complex problem holistically:

- **Track critical workforce data by race/ethnicity beyond basic workforce composition.** The insights this step yields inform every part of the blueprint. Include hiring, promotion and retention rates of Black employees by level; Black representation in the talent pipeline and "feeder" roles; the differing experiences of Black employees in the workplace; and health and financial disparities and unmet needs among Black employees. Rigorously test for equity in career advancement and the factors that best predict employee success.

- **Prioritize retention and growth of the internal pipeline of Black talent through rigorous, bias-checked succession planning and formal sponsorship programs.**

- **Regularly assess and ensure pay equity, relying on robust statistical analyses.**

- **De-bias the performance management process. Review performance management processes and ratings distribution through a demographic and fairness lens.** From a career and wealth standpoint, eliminating disparities in performance ratings is critical to improving the chances of Black employees staying and thriving in an organization.

- **Address health and financial well-being disparities through employer-sponsored benefit plans.** Take a more thoughtful approach to health benefits and health education — tracking health benefits utilization data by race to better understand opportunities and targeting outreach and education to improve health outcomes for Black employees. Engage health and financial wellness partners in the effort to address more systemic and structural challenges.

- **Identify significant gaps in Black employee experience, and implement programs that will help close them.** Ensure that both leaders and managers are equipped to participate effectively in these efforts through training and accountability — especially to ensure fairness, build trust, and improve psychological and physical safety for their Black employees. Create a safe-space environment where Black employees can confidently reach out when they feel there is an issue at work that is not being addressed.

- **Commit to accountability and transparency. Share goals and outcomes both inside and outside the organization.** Ensure that leaders and managers have access to the data and insights that can help them proactively manage the career opportunity, experience and pay outcomes of their Black employees.

You're invited to learn how Mercer can help your organization step up for equity

We help clients design and implement evidence-based DEI strategies. Regardless of what stage your organization is at in its journey, Mercer offers practical actions that make true and lasting progress. **Because when people thrive, societies thrive.**

Embark

Envision the future:

- Articulate and align on DEI mission, vision and values.

Discover

Gather evidence through data and insights.

Analyze workforce data to diagnose gaps and opportunities:

- ILM maps and workforce projections
- Predictive analytics
- External market analysis
- Network analysis

Conduct employee listening to gain insights on culture and experience:

- DEI virtual focus groups and surveys
- Leadership DEI readiness assessment

Assess and benchmark DEI linked policies, processes and programs.

Shape

Enable DEI infrastructure:

- Define DEI function, roles and governance structure.
- Support diversity council/ employee resource group launch and strategy.
- Design an HR transformation strategy.

Drive career equity:

- Ensure transparent pay practices, and conduct robust **pay equity** analyses.
- Optimize critical **talent management processes** to mitigate bias and support DEI goals.
- Empower talent through a **sponsorship/mentorship strategy.**

Enhance experience equity:

- Build a compelling and holistic **employee value proposition.**
- Implement formal **flexible work** programs.
- Assess **health and welfare benefits** through a DEI lens to identify gaps and opportunities.
- Offer **voluntary benefits** to close health and wealth equity gaps.
- Design and optimize **defined benefits/defined contribution** plans through the lens of equity.

Elevate culture:

- Align and equip leadership with **inclusive leadership competencies.**
- **Upskill leaders and managers** to support the DEI strategy.
- Equip all employees with the awareness and skills needed for an inclusive culture through **allyship training.**
- Design a roadmap for **culture change.**

Drive

Embed accountability and sustainability:

- Establish **DEI/business metrics** with linked goals.
- Link **executive rewards to DEI goals.**
- Enable **data tracking** through **DEI technology** and Workday (DEI Dashboard).
- Design internal/external DEI transparency and **disclosure strategy.**
- Develop and implement a holistic **internal and external change and communication strategy.**

Staying connected

Mercer believes in building brighter futures by redefining the world of work, reshaping retirement and investment outcomes, and unlocking real health and well-being.

Mercer's approximately 25,000 employees are based in 43 countries, and the firm operates in 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 83,000 colleagues and annual revenue of nearly $20 billion. Through its market-leading businesses, including Marsh, Guy Carpenter and Oliver Wyman, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment.