



DIVERSITY AND INCLUSION IN THE CHINESE WORKPLACE

A BRIEFING PAPER PREPARED BY CONSTELLATIONS INTERNATIONAL AS A CONTEXTUALIZING INFORMATION TOOL IN THE FRAME OF CONSTELLATIONS LEARNING AND TRAINING PROGRAMS ON DIVERSITY OFFERED TO FOREIGN COMPANIES IN CHINA. AS OF JULY 2015.

WHAT IS MEANT BY DIVERSITY AND INCLUSION?

A broad definition of diversity ranges from differences in personality and thinking style, to all of the visible dimensions such as gender, age, physical aspects or ethnicity, to invisible influences such as culture, religion, organization, socioeconomics and education. Any difference that exists in society and needs better representation in organizations can be considered under the umbrella concept of diversity.

Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection - where the richness of ideas, backgrounds or cultures (like origin, age, physical appearance, ethnicity, religion, gender, sexual orientation, disabilities, etc.), and perspectives are accepted, welcomed, equally treated, and valued¹.

CONTEXT: Diversity and Inclusion in China

China is a vast country of diverse ethnicities, cultures, and geography, yet ideologically it is largely homogenous, deeply influenced by the classic teachings of Confucianism, which seek harmony within diversity. Translated into Chinese, diversity and inclusion (D&I) 多元融合, is not yet a specialized term that truly represents all that D&I encompasses. The closest term in common usage in Chinese is "social integration/adaptation" 社会融合, a government policy to achieve social stability and harmony by integrating China's ethnic minorities into the dominant Han culture, and integrating the growing population of migrant workers into urban society. However, inclusion is essentially different from integration and the two cannot be equated. Integration aims to assimilate differences, while inclusion recognizes and values diversity in individuals.

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Diversity and inclusion are important in China today because mega-trends such as globalization, urbanization, individualism and technology revolution increase diversity in the workplace but not necessarily inclusion of this diversity.

In its Global Diversity and Inclusion study, the Society of Human Resources Management rates China as 44th out of 47 countries in its Global Diversity Readiness Index, based on national diversity, workplace inclusion, social inclusion, government inclusion and legal framework².

THE DIVERSITY OF THE CHINESE POPULATION AND RELATED CHALLENGES

Gender

Females account for 47% of the total Chinese population in 2011.

- There is a widening gender wage gap in China. In 1990, urban women's salaries were 77% of men's salaries, and rural women's salaries were 79%, yet today, female urban workers make 67.3% that of their male counterparts and rural women 56%.³
- An organizational 'glass ceiling' exists with only 20.7% of senior management in multi-national corporations being made up by women.⁴

Place of Origin

The urban-rural migrant population has increased by 81% compared to 2000.

8.5% of the total population are ethnic minorities.⁵

As China rapidly urbanizes (currently approximately half of the population reside in urban areas) and internationalizes, more diverse urban areas lead to challenges understanding and respecting different cultural backgrounds and values, in particular removing unconscious discrimination against those originating from areas with slower economic development.

- The challenge for organizations is coping with a high turnover rate of migrant workforce, large portions of whom move around on a regular basis to find better work opportunities.

Generational Diversity

278 million young people (10-24 years) come from an average family size of 3 people.

24.4% of the population will be over 60 years old by 2030.⁶

- Dilution of traditional values of collectivism, high achievement and social hierarchy in Generation Y (born after 1985) due to modernization and the impact of the One-Child policy, leads to challenges in recruiting, engaging and motivating employees who are more individualistic and have higher expectations than previous generations.
- Increasing living standards and the one-child policy have led to an aging population and low fertility rates, causing a declining working population, a shortage of labor and higher labor costs.

Disability Inclusion

Officially people with disabilities, including long-term physical, mental, intellectual or sensory impairments, make up 6.3%⁷ of the population, much lower than the global average of 15%. The real numbers are likely to be much higher because social stigma leads to under-reporting.

- Lack of knowledge and resources available to find potential employees with disabilities that possess the right skills and experience
- Limited access to education and appropriate training for people with disabilities.
- Some employers would rather pay a fine for failing to meet the government-instated quota, than hire a person with disability.
- Negative perceptions and false assumptions about individuals with disabilities' capabilities to perform at work.
- Employers' limited experience of working with or interacting with people with disability.
- Lack of adapted infrastructure such as workplace accessibility or office tools.

LGBT Diversity

Academic research⁸ finds the LGBT population accounts for 3-5% of people

- Despite growing activism of LGBT civil society organizations and the increasing use of social media for advocacy, fear of discrimination persists due to family-oriented social values and the government's conservative attitude toward sex-related issues, therefore LGBT remains largely closeted.
- Strong family and society pressure to get married and have a child.

LEGAL FRAMEWORK: Legal Obligations for Diversity and Inclusion in China

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The Labour Law of the PRC introduced in 1995 states that all employees have the right to be employed on an equal basis (Article 3) and **prohibits discrimination in employment on the basis of nationality, race, gender, or religious belief** (Article 12).

China's constitution (article 4) says that **all peoples in the People's Republic of China are equal**. The state guarantees the lawful rights and interests of ethnic minorities, defending and developing relationships of equality, unity, and mutual assistance among all of China's people. **Discrimination against or oppression of any ethnic group is prohibited**; any act that undermines the unity of the people of China or creates division between them is prohibited.

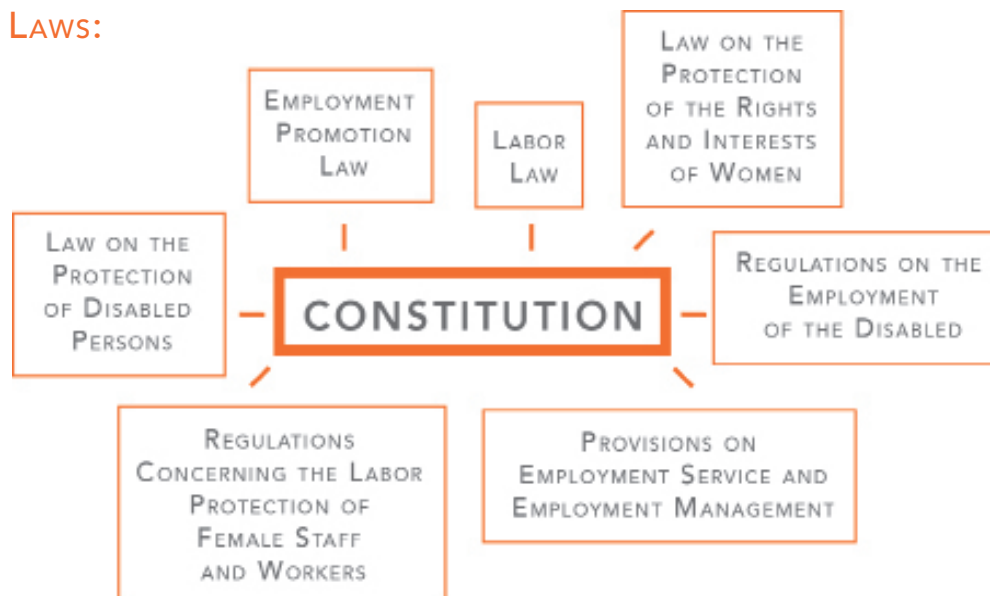
The Chinese Government's **12th Five-year plan states its commitment** to continue to improve the conditions and access to **support for people with disabilities**. Improving social security and social services systems is a key objective of this plan.

The Government has established a quota system requiring all public and private employers to reserve no less than 1.5 per cent of job opportunities for persons with disabilities. Provincial authorities specify the exact quota level; this may vary between provinces.

The Chinese Government has also ratified the 2008 UN Convention on the Rights of People with Disabilities to support people with disabilities fully and effectively participating in society.

As of yet, there are **no laws in China that protect LGBT employees from discrimination** in society or the workplace. Adult, consensual and non-commercial homosexuality has been legal in China since 1997, when the national penal code was revised. Homosexuality was removed from the Ministry of Health's list of mental illnesses in 2001.

OVERVIEW OF LAWS:



BUSINESS STRATEGY MEETS DIVERSITY AND INCLUSION

The targeting of China's pink market (aimed at LGBT consumers) is an example of how business strategy and diversity and inclusion can intersect. China's pink market is rapidly developing, with the potential to reach USD 300 billion. The tourism, hotel, and social media mobile app industries have been at the forefront and have begun to benefit from this trend. One such example was how online shopping sites such as Taobao, Dangdang, and Buy360 created LGBT-related promotions in the lead-up to Valentine's Day 2015. Even though LGBT issues remain a sensitive topic in China, a pink economy has started to rise and make change.

CASE STUDIES:

The following are court cases that can be considered landmark diversity and inclusion cases in China. While the cases brought a fair amount of attention to workplace discrimination, there remains no “constitutional review” in China’s legal system. The constitution cannot be used as a legal basis to bring a lawsuit so the only way to realize these rights provided by the Constitution is to make implementation law. It has absolute authority in prohibiting any discrimination imposed by the government, central or local, or government organizations, or any entity established by law and receiving government funding. However, with respect to the private sector, as some scholars have argued, strictly speaking, it is helpless.

GENDER DISCRIMINATION CASE⁹: CAO JU* VS GIANT EDUCATION 2012

A female graduate saw a recruitment advert for a vacant position as an administrative assistant at “Giant Education”, however the recruitment advert specified that “males only” need apply. Dissatisfied with the blatant discrimination based on gender, she reported the company’s advert to the Human Resources and Social Security Bureau of Haidian District, Beijing, who did not give her the desired result. She decided to litigate based on the violation by “Giant Education” of the Chinese Constitution, where citizens shall enjoy the right of equal employment and employers shall not discriminate against women.

In court the manager of Giant Education gave Cao Ju 30,000RMB as compensation, in addition to reading a letter of apology to the graduate. The plaintiff did not ask the company to give her the job, but afterwards Giant reportedly welcomed her to work there.

SEXUAL ORIENTATION DISCRIMINATION CASE: SHENZHEN WORKER DISMISSED OVER SEXUALITY 2015

The Employment Promotion Act does not expressly protect the rights of lesbian, gay, bisexual or transgender (LGBT) members of society, however very recently in January of this year, a Shenzhen Court heard China’s first ever lawsuit over workplace discrimination against a gay man.

A Yi* was fired from his job after he was revealed as gay in a video that went viral online that showed him arguing with another gay man on a Shenzhen street. After it was posted online he was subsequently fired from his job as a designer. The man sued his employer claiming he was being unfairly discriminated against because of his sexual orientation and is claiming 50,000 CNY and an apology as compensation. He says his employer is infringing on his right to equal employment. The employer maintains that his firing was not because of his sexual orientation, but rather due to his poor service attitude. The court has yet to reach a verdict.

9. All Cases studies from Luther Law firm research for EU chamber Diversity at the work place seminar 26 May 2015. Source: “China’s first case on employment gender discrimination - reconciliation between the two parties and the plaintiff received 30,000RMB”, <http://edu.qq.com/a/20131219/004564.htm>

* Names changed to protect privacy

DRIVERS FOR CHANGE: Business Case to Diversity and Inclusion in China

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“Organizations in Asia started looking at diversity not because of compliance or their western headquarters demanding them to, but because of the benefits it brings... Asia Pacific started late on this journey because of the lack of legislation around it but due to the fast economic growth of the region and the need to address the talent gap, diversity and inclusion became a business imperative.”¹⁰

*Anu Sarkar, Regional Lead Diversity (Asia Pacific),
Deutsche Bank AG, Singapore*

WHY DIVERSITY AND INCLUSION IS IMPORTANT TO ORGANIZATIONS?

Recent research¹¹ suggests that, aside from maintaining compliance with legal requirements, the following benefits come with managing a diverse workforce:

- Improved organizational ability to engage a **diverse client base** and succeed in a **wider number of markets**
- **Enriched talent pool for the organisation**
- **Competitive advantage** in labor markets as more attractive
- Better, **more creative** ideas through cooperation between team members with contrasting approaches and backgrounds
- **Sustained growth enabled** through a business model that fully integrates diversity thus highly adaptive
- Higher **employee satisfaction and engagement**
- Improved decision making through cross perspectives and empowered views
- Stronger **company image**

HOW ORGANIZATIONS CAN IMPLEMENT DIVERSITY AND INCLUSION?

Implementing diversity and inclusion in an organization requires a mindset shift. Starting with awareness of the situation, organizations can begin to tackle the challenge, and eventually will recognize the value that D&I can bring to their business.

The drivers for D&I in China go far beyond being good corporate citizens. D&I is an essential business strategy to attract the best talent, drive higher levels of innovation and tap into the varied needs of a diverse consumer market.

In 2005, the first D&I conference in Asia was held with speakers from international companies or institutions based in China. Representatives from Dow Chemical Company, IBM, BP China participated. Since then, some multi-national companies as well as innovative Chinese companies have pioneered diversity and inclusion practices in the business. From developing D&I global policy, to implementing awareness trainings, from targeting diverse consumer segments to capacity building and recruitment, companies are beginning to recognize the value of diversity and inclusion.

10. Mercer, 2014. Diversity & Inclusion: An Asia Pacific Perspective Executive Summary.

11. The Economist Intelligence Unit, 2014. Values-Based Diversity: The Challenges And Strengths Of Many; McKinsey, 2014. Diversity Matters Study.

IMPLEMENTING PARADIGM SHIFT



However, diversity and inclusion in the workplace is at its infancy stage in China. Apart from a few companies, advancing diversity and inclusion in the workplace has not gone much further than implementing a D&I policy and initial trainings. In our research of 30 Chinese and international companies, the focus still lies strongly on charity and CSR, rather than innovation and employee engagement.

CHARITY: 30% of benchmarked companies have traditional charity activities.

EMPLOYMENT: 70% of companies announce diversity and inclusion in their employment policies, but only 8 companies actually publish numbers regarding recruitment.

BUSINESS INNOVATION: just 16.7% of companies actually integrate diversity into their business or innovation.

DIVERSITY BEST PRACTICES IN CHINA

TALENT

- Hunan Anbang Pharmaceutical employing over 300 people with disabilities (disabilities WorkForLGBT, a platform to promote inclusive employment and workforce for LGBT professionals (LGBT))
- Wanda - Job fair in Guizhou for candidates from disadvantaged background (origin)

CONSUMER & MARKET

- Taobao advertising pink market (LGBT)
- Industrial Bank ATM accessibility (disabilities)
- Geely accessible car (disabilities)

EMPLOYEE ENGAGEMENT

- Alibaba capacity training for people with disabilities (disabilities)
- Sodexo mentoring program for Women (gender)
- IBM, welfare plan for same-sex couple (LGBT)

POLICY & STRATEGY

- L'Oréal diversity workshop for all managers and management trainees (diversity)

CSR

- L'Oréal solidarity sourcing (diversity)

SOCIAL BUSINESS

- Buy42.com, inclusive workplace and its charity sales revenue supporting people with disabilities (disabilities)
- Tomuni, inclusive restaurant employing people with intellectual disabilities (disabilities)
- Xiaolongbao, a design agency that employs and provide job-seeking related training for young people with hearing disabilities (disabilities)

CONCLUDING REMARKS

Diversity comes both with challenges and opportunities and it is not a given that it is easily tapped into. In China, diversity and inclusion is recognized by pioneers but is still at its infancy stage. Organizations have various motivations towards diversity such as CSR, global policy, innovation and entering new markets. However, diversity management requires a shift of mindset, values, personal reflection and deep human consideration and thus requires a gradual approach to its implementation in the work-place; from awareness building to tapping in to its innovation power.

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What barriers do organizations need to overcome to advance diversity and inclusion in the workplace?

- Moving from policy-driven awareness building to a real paradigm shift of understanding diversity and inclusion that relates to everyone - deep human consideration and richness of diversity
- Moving from awareness-raising to diversity initiatives in organizations is a gradual process
- Relating diversity with business cases in the local market
- Gaining support and resources from top management, but also cross-functions and organisation.

FURTHER RESOURCES

ADI, China Enterprise Association, China's Federation of Disabled Persons, ILO. 中国企业障碍融合用工案例集 Cases Studies of Disability Inclusion in Chinese Companies.

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CONSTELLATIONS International is a consulting agency based in Shanghai that partners with people and organizations to enable learning, leading and collaborating for sustainable futures.

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Authors: Liu Yi, Cecile Mazourine.

Contributors: Magali Menant, Katja Hellkoetter, Philip Lazare.

Editors: Jessica Sandford, Rebecca Kanther.

For more information, please contact CONSTELLATIONS International.
mm@constellations-international.com

www.constellations-international.com

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