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Workforce Diversity Policies

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INTRODUCTION

This chapter¹ explores international workforce 'diversity' policies within American MNCs. Diversity is in some senses a defining issue of HR policy transfer between countries, since it has its roots in distinctive features of the US business environment—demographic, socio-political, and legal—that have given rise to a particular constellation of 'equal employment opportunity' and 'business case' diversity agendas. There is evidence that US companies are now attempting to internationalize 'diversity', partly in response to the challenges of managing diverse international workforces. This chapter investigates how diversity policies in US MNCs travel to host systems with different demographic patterns and legal traditions, which may make the application of an American diversity agenda appear problematic.

The next section shows how diversity as it has emerged in US corporations reflects a specifically American policy agenda, albeit one that is highly contested. It provides comparative data for the host countries to show how the national political, demographic, and legal traditions vary widely among them. The third section presents the findings from the American case studies. It first investigates the prevalence of corporate international diversity policies in different companies, and then looks at how diversity policy is implemented in subsidiaries operating in the four host countries. In particular it draws attention to the *process* whereby international policy is assimilated, accommodated to, or resisted by actors in the subsidiaries. The fourth section probes the factors underlying the pattern of variation, both across companies and across countries, in the propagation and implementation of diversity policies.

WORKFORCE 'DIVERSITY' AND THE US BUSINESS SYSTEM

The diversity agenda in the USA is deeply marked by tensions between 'equal employment opportunities' (EEO) and 'business case' strands, giving rise to what we have called a 'contested institutional terrain' (Ferner et al. 2005). The former strand, EEO, together with the associated political agenda of affirmative action (AA), has been embodied in a legislative programme stretching back to the mid-1960s. It has generated a host of policies and procedures within companies to ensure legal compliance with its provisions. The business case strand is symptomatic of a more voluntarist corporate approach to 'valuing difference'. In this chapter, 'diversity' is used in the broad sense to encompass both strands and 'diversity management' to refer to the proactive and voluntary development of initiatives at company level.

The racial and social heterogeneity that has marked the USA, deriving first from slavery and later from successive waves of mass immigration, has been a primary influence on the emergence of 'diversity' as a political and corporate agenda. First, ethnic minorities are a high and rapidly growing proportion of the population, and hence both an important source of labour and skills, and a considerable consumer base (SHRM 2002). Currently, ethnic minorities (largely black and Hispanic but also Asian) constitute around 30 per cent of the American workforce—an increase from 22 per cent in the mid-1980s. In relation to gender, women also represent a high proportion of available labour—around 47 per cent of the total workforce, and a majority in ethnic minority communities.

Second, from the 1960s, minorities and women were the protagonists of a civil rights movement that, in tandem with severe racial tensions in the cities, transformed the legislative and political landscape. Title VII of the Civil Rights Act 1964 outlawed discrimination on the basis of race, colour, religion, sex, and national origin, and set up the Equal Employment Opportunities Commission (EEOC) to act on job discrimination. Executive orders imposed affirmative action on companies that wished to do business with the US government. Subsequent legislation outlawed pay discrimination on the basis of sex, age, and disability (Dessler 2001: Chapter 2). Although the legislative framework compelled companies to consider issues of compliance, major lapses, even among 'high profile' companies, were not uncommon and could result in expensive legal action.

The US diversity agenda has long been riven with ambiguity and tensions. The extensive legislation, while acknowledged as among the strongest and most sophisticated in the world, is costly and difficult to

enforce, with critics complaining of 'litigious gridlock' (Bond and Pile 1998; see also Baker 2002). One reason is the weakness of the underpinning institutional supports that are important in enforcing statutory provisions in European countries through the interlocking of legal and social regulation, as Rubery et al. (1999) and Whitehouse (1992) have emphasized (see also Metcalf, Hansen, and Charlwood 2001). In particular, collective employee mechanisms of pressure, such as coordinated collective bargaining and well-developed systems of union representation, are notably absent in the US EEO/diversity context. Reflecting this lack of social embeddedness, the concept of AA has become a political battleground, and corporate interests have lobbied periodically for a more voluntarist approach (Dickens 1999).

Partly as a consequence of the contested nature of the terrain, and partly in the light of demographic trends, a concern with compliance has, from the 1980s onwards, been increasingly supplemented by attention to the 'business case' for diversity management (e.g. Cox and Blake 1991; Richard 2000; SHRM 2002). This rests on drawing 'competitive advantage' from workforce diversity. The sources of such advantage are threefold: first, the ability to attract skilled workers from a wider range of sub-communities and to retain them within the company; second, the potential for increasing the demand for a company's products and services by targeting diverse consumers; and third, the scope for improving organizational creativity and learning by harnessing a 'diverse' range of perspectives and ideas (e.g. Cox 1994; Dass and Parker 1999; SHRM 2002). It should be noted, however, that evidence of a link between diversity and business performance is inconclusive (Jehn, Northcraft, and Neale 1999; Kochan et al. 2003).

This voluntarist approach to diversity management is more individualistic than the collective approach to managing diverse employee groups implicit in EEO legislation. In practice, corporate diversity management programmes tend to focus on individual needs and abilities, sometimes serving to heighten rather than diminish inequality between groups (e.g. Agócs and Burr 1996). This is reflected in the substantial slippage in the meaning of diversity. The concept is increasingly used to embrace a wide range of personal characteristics, diluting the focus on disadvantaged groups such as ethnic minorities and women. There are, furthermore, unresolved tensions between the fairness and equity principles underlying EEO and managerial concerns with 'business case' and efficiency rationales (e.g. Bond and Pile 1998). The latter may imply a move away from diversity policies should the business case change (e.g. Dickens 1999). Indeed in certain periods, and for certain kinds of company, the 'business

case' has underpinned ruthless exploitation of ethnic and gender divisions in the labour market (e.g. Gordon, Edwards, and Reich 1982). The practical outcome of this 'contested terrain' is that, while the earnings gap for female workers has decreased significantly in recent years (Mishel, Bernstein, and Boushey 2003: 171-2), on other measures, such as pay dispersal between high and low earners, the USA continues to have the most unequal labour market in the developed world (p. 408).

Despite these tensions, formal diversity management programmes are well-entrenched in large US corporations. Three quarters of the largest companies had some form of diversity management programme in the late 1990s (Egan and Bendick 2001: 2). Diversity dimensions were incorporated into a wide range of corporate activities, including leadership development, corporate 'values', recruitment and retention, career development, community relations, and supplier relations. Many companies developed structures of involvement, such as 'diversity councils' and 'affinity groups' for specific sub-groups of the workforce such as women, ethnic minorities, and gay and lesbian employees.

The scant evidence available on diversity programmes in US MNCs (Egan and Bendick 2001; Wentling and Palma-Rivas 2000) suggests that in recent years companies have sought to diffuse diversity initiatives to international operations, particularly as they have acquired increasingly 'diverse' global workforces. International diversity initiatives tend to mirror domestic policies, albeit on a less wide-ranging scale. For example, diversity has been incorporated into common global corporate values; companies have established global diversity teams and administrative structures; and global diversity training programmes have been introduced. In general, though, overseas subsidiaries have had considerable scope to adapt policies to local circumstances.

THE DIVERSITY CONTEXT IN THE HOST COUNTRIES

This section outlines the domestic context of diversity in the four host countries. It highlights significant cross-national differences in levels of ethnic heterogeneity and of female participation in the labour force, and how gender, ethnic, and other dimensions of 'diversity' are dealt with in public policy in different countries. All four countries operate within a framework of EU law. The most important piece of legislation affecting diversity issues is the EU's Employment Directive of 2000, which required Member States to introduce new prohibitions on employment

discrimination relating to religion, sexual orientation, and age in addition to regulations covering race- and gender-based discrimination.

UK

The UK legal tradition in this area draws substantially on US legislation (Liff and Wajcman 1996), and differs from much of continental Europe in having a less generic and more highly developed legislative framework. The UK legislation outlaws discrimination in pay and employment on the grounds of gender, national origin, ethnicity, and disability. The key pieces of legislation include the Sex Discrimination Acts 1975 and 1986, the Equal Pay Act 1970, the Race Relations Act 1976, and the Disability Discrimination Act 1995. The UK has in addition adapted to the EU framework of law on employment opportunity: regulations transposing into UK law, EU provisions covering religion and sexual orientation came into force in December 2003, while age regulations were in preparation at the time of writing. UK legislation and jurisprudence have generally emphasized equality of opportunity or 'equal treatment' rather than equality of outcomes. In contrast to the USA, positive discrimination has been discouraged. Remedies tend to be open to individuals rather than groups (see Johnson and Johnstone 2000): i.e. each affected individual has to bring a separate claim. Compared with the USA, unions in the UK have played a greater role in the evolution of legislation (Colling and Dickens 2001; Heery 1998).

The demographic drivers of diversity are also substantially different compared with the USA. Race and ethnic affiliation are less significant in relation to labour market policy. Ethnic minorities account for only 9 per cent of the total UK population. Gender has been the primary basis of labour market segmentation; although the UK has one of the highest female employment rates in Europe, at 65 per cent in 2003, it is highly segmented by employment status: for example, 41 per cent of female employees work part-time in Britain, compared with 18 per cent in the USA.

Germany

The German legislative traditions of diversity are significantly different from the Anglo-Saxon pattern and intertwine with different demographic underpinnings. To a much greater extent than the UK, German legislation will be affected by the incorporation into national law of EU regulation, in particular the 2000 Employment Directive. However, this will only be

transposed into German law from 2006 (Müller-Camen and Krüger 2004). There is not yet a legal definition of victimization; some case law has dealt sporadically with the term, but not as comprehensively as required by the European directive (Mahlmann 2002: 26). Likewise, the burden of proof in discrimination cases lies generally with the wronged employee, and there is no reversal of the burden of proof as required by the European directive (except in the area of gender discrimination).

The main anti-discrimination provisions are Articles 3.1 and 3.3 of the German Constitution. The law requires all persons to be treated as equals before the law and outlaws discriminatory treatment on the grounds of sex, parentage, race, language, national origin, religion, political opinions, and disability. However, these provisions pertain to the public sphere and only indirectly affect the private sphere, where provision is vague and ambiguous (Mahlmann 2002: 10). In addition, under the Works Constitution Act (BetrVG), it is the duty of a works council to monitor the company's compliance with legal regulations, among which discrimination provisions are explicitly mentioned (§ 75 BetrVG).

Despite the broad scope of regulation, case law has tended to concentrate on gender discrimination. The legislative approach to gender discrimination is also more proactive compared to the relatively passive approach seen in other areas: Article 3.2 of the Constitution asserts that 'men and women are equal' and subsequent legislation has reinforced the notion of equal rights and equality of treatment (Krell 2001). A further area covered by legislative provision is that of the disabled. Companies with more than 20 employees are required to allocate 5 per cent of their jobs to disabled people or pay a penalty. However, this is a relatively low proportion and in 2001 the percentage of disabled employees in German organizations was only 3.8 per cent (Stuber 2003: 52).

The ethnic composition of the German labour force was transformed by a mass influx of migrant 'guest workers' from the mid-1950s. Between 1955 and 1973 around 11 million guest workers entered the country from southern Europe and Turkey, and there have been subsequent waves of immigration, albeit on a smaller scale, since the 1990s. Currently, over 7 million non-Germans work in the country. In comparison with the UK or France, the impact of migrant populations was initially limited by stringent nationality laws which denied German nationality to those whose forebears were not themselves German, and there has been fierce debate over the role of immigrants in German society. Legal reforms, however, have allowed around 2 million people of foreign descent—mainly second generation 'guest workers'—to become German citizens since 1990.

In this context, German companies have been relatively slow to consider a diversity management agenda (Müller-Camen and Krüger 2004; Wächter et al. 2003). Where these practices exist in German companies, they often only cover gender. Nonetheless, women are not well represented at the decision-making level of German firms: between 5 and 8 per cent of managers and a mere 1 per cent of board members are female (Stuber 2003). 'Explicit agendas covering aspects of diversity other than gender, such as race or ethnicity...' are underdeveloped in most German companies compared with their American counterparts. In this respect it is interesting that Deutsche Bank, one of the few companies to engage strongly with diversity management, merged in 1999 with the US-based Bankers Trust, which in turn had one of the most developed diversity management approaches in the USA. At the same time, however, the institutional embeddedness of diversity is in some respects greater than in the USA, particularly through the involvement of bodies of workforce representation such as works councils in the implementation of policies.

The principal question to be addressed, therefore, is how far US case-study subsidiaries were able, as HR pioneers and innovators, to implement a diversity agenda in the significantly different German environment.

Ireland

Under Article 40.1 of the Irish Constitution, all citizens are held equal before the law. Beyond this constitutional provision, the legislative context for diversity in Ireland was historically dealt with under two key Acts: the Anti-discrimination Pay Act 1974, which prohibited pay discrimination on the grounds of sex or marital status; and the Employment Equality Act 1977, which concerned itself with employment discrimination on grounds relating to gender, marital status, race, religious and political beliefs, and trade union membership or activity. In more recent years the provisions of these two earlier pieces of legislation have been subsumed under two new Acts, which together represent a significant development in Irish equality law. Discrimination at work is dealt with under the provisions of the Employment Equality Act, 1998–2004, discrimination outside the workplace under the Equal Status Act, 2000–2004. Under both Acts, discrimination is prohibited on nine specific grounds: gender; marital status; family status; sexual orientation; religious beliefs; age; disability; race, colour, nationality, ethnic or national origins; and membership of the Traveller community.

The demographics of the Irish labour force are very distinct from the US pattern in relation both to ethnic diversity and female participation. Ireland has been characterized until very recently by a marked gender segmentation, with female employment rates² as low as 37 per cent in 1992 (Eurostat 2004). However, in recent years the female employment rate has expanded very rapidly, reaching 56 per cent in 2002. In terms of ethnicity, the Irish population has traditionally been marked by a high degree of national and ethnic homogeneity, with the exception of the Traveller community, numbered in some tens of thousands, which has tended to remain on the margins of the formal labour market. Commentators characterize the 'internationalization' of the Irish labour market in recent years as swift and dramatic, unprecedented in the context of the Irish economy. The growth in the labour market from approximately 1 million in the early 1990s to approximately 1.8 million today has been matched by a growing multiculturalism. In the five-year period to 2003, the number of work permits issued to immigrants rose sevenfold or eightfold to around 48,000 a year. With the expansion of the EU and other geopolitical factors, this growth in 'multiculturalism' can be expected to continue in the future.

Spain

There is broad protection against discrimination under Article 14 of the Spanish Constitution of 1978. All citizens are equal before the law, and discrimination on the grounds of race, gender, religion, opinions, or other social or personal circumstances is outlawed. In the field of employment equality, the Workers' Statute 1980 prohibits agreements or managerial actions that directly or indirectly discriminate for reasons of age or disability. Discrimination is prohibited on pay and working hours on the grounds of sex, racial and ethnic origin, social condition, religion, ideology, sexual orientation, and union affiliation or family relationships with other employees. The Workers' Statute was modified in 2002 to incorporate the principle of equal pay. Other legislation grants rights to breastfeeding mothers.

Since the mid-1990s, collective agreements have increasingly incorporated provisions on non-discrimination, and peak confederal agreements have encouraged the adoption of such provisions by lower-level bargaining. Non-discrimination provisions affected more than a third of employees by 2001. While they are often declarations of intent with few substantive results, there have been limited advances towards more equal opportunities on issues, such as working time, job classifications, promotion, and pay. Generally, collective bargaining has shown more

dynamism in building on late-1990s legislation aimed at reconciling work and family life, leading, for example, to negotiated improvements in parental leave and flexible working arrangements.

Spain is similar to Ireland in terms of the gender and ethnic composition of its workforce. As in the case of Ireland, female employment has been low, reflecting the relatively recent transition away from a predominantly rural economy. At the beginning of the 1990s, the female participation rate was by some way the lowest of the EU15, and was still only 32 per cent in 1992 compared with figures of 56 per cent for Germany and 61 per cent for the UK. Although the figure has risen rapidly in recent years, to 46 per cent in 2003, it is still significantly lower than that of the other three countries, and one of the lowest in the EU25 (Eurostat 2004).

Spain was historically characterized, too, by a high degree of racial homogeneity. In recent years, as in Ireland, there has been a large influx of immigrant workers. The foreign component (including EU nationals) of the total Spanish population is currently 7 per cent, having quadrupled since 1998. An estimated 42 per cent of foreigners have an irregular or illegal status. Nearly two-fifths come from Latin America and a further fifth from Africa. Foreigners constitute 4.7 per cent of the Spanish workforce, with concentrations in agriculture, construction, and domestic service, and in the regions of Madrid, Catalonia, and Valencia (data from the Instituto Nacional de Estadística). Immigrant workers are often treated as second-class citizens, working in the black economy in harsh conditions and with little employment stability. However, a growing number have acquired Spanish citizenship and the government has taken steps to regularize the employment status of immigrants.

FINDINGS

This section explores how the diversity policies of the US case-study companies were implemented in these varied national-institutional environments. It first looks at the global diversity management policies disseminated by these firms, then at the subsidiary response.

International Diversity Policies in the Case-Study Companies

In the USA, most of the case-study companies had active diversity policies, often justified by reference to a business case: the need to secure access to 'the pool of talented people'; to reflect the customer base; and

to enhance creativity by 'leveraging difference'. There was, however, a certain ambivalence. Some respondents expressed concern about the potential of diversity policy to alienate core white male employees. Others regarded their sector or firm as one that was unlikely to attract female or ethnic minority employees, so made little effort to develop policies for tapping diversity. Moreover, some companies had an uneasy relationship with the domestic EEO agenda, which was seen as burdensome and as creating complications, as with the need to be alert to indirect discrimination ('disparate impact') during redundancy and downsizing exercises.

Thus, the extent to which companies adopted international diversity policies varied considerably (see Table 8.1 for a summary). At one extreme some, like EngServs, made minimal attempts to develop such policies. However, the situation was a dynamic, evolving one. In Computerco in Ireland, diversity had traditionally received little attention. The subsidiary passively followed any central policies and took no active role in developing its own local applications, for instance, in relation to gender; it had no manager with responsibility for diversity. Recently, however, there had been a major European initiative on diversity, led by a corporate VP, with a particular focus on increasing female representation in leadership roles.

Most companies paid at least lip service to diversity, incorporating it into formal corporate values, but then leaving it to subsidiaries to develop policy with little central intervention. This was the case in companies like Engco1 and Chemco, and in Healthco in Ireland. As a result, many subsidiaries adopted a fairly passive approach, neglecting diversity issues in practice. However, other firms, like ITco, Business Services, Engco2, and CPGco established quite complex global structures and policies. Global diversity 'leadership' teams drove diversity policy and set the tone by propagating the corporate message that diversity was a key issue: this was the case in ITco where, exceptionally, the diversity agenda was strongly diffused to and assimilated by national subsidiaries in all four host countries. Tiers of 'diversity councils' at global, regional, and national or site level concerned themselves with the application of diversity policy in their jurisdiction. Corporate websites propounded a firm's philosophy of diversity, detailed policies and structures, and publicized external diversity awards and internal prizes, from the 'Gay Alliance Corporate Leadership Award' to '50 Best Companies for Latinas... To Work for'. These companies and others also implemented substantial global training programmes in diversity, and in some instances (e.g. in EngCo2) these were mandatory worldwide. Diversity policies touched on many of the major areas of HRM,

Table 8.1. Summary of diversity policy in selected case-study companies

Company	Diversity as a global corporate value	Global structures of diversity	Global target-setting and monitoring	International diversity training
Business Services	Yes—firm promotes inclusive culture, and harnessing talents of diverse people	Global diversity officer to ensure diversity policy applies worldwide; managers with diversity responsibilities designated at country level Global programmes focusing on women's career development and advancement (e.g. flexible work and work-life balance) Geographies encouraged to 'customize' diversity initiatives to fit locality—e.g. introduction of 'career pauses' in the UK Recent European initiative to introduce coordinated diversity approach, leading to appointment of a European vice-president for diversity European-wide mentoring programme for female managers online, anonymous diversity survey to explore views of female employees on firm's working climate, and to establish reasons for female turnover Establishment of networks for women employees, review of recruitment and job posting procedures, campaign to improve the image of IT as a career among diversity groups Strong internationalization of domestic diversity concerns	Yes—ethnic and gender balance used as criterion in monitoring graduate intakes, promotion outcomes No specific quotas in national geographies, but pressures to increase female participation Global reporting on ethnicity and gender balance of senior promotion candidates No information	Diversity training devoted to geographies; compulsory diversity training in the UK European training programmes in confidence building and assertiveness for women, and general awareness training for employees
Computerco	No			
CPGco	Yes—diversity linked to respect for individual; aim to become a global leader in integrating diversity into the business	Chief diversity officer responsible for global policy Global employee diversity networks Questions on 'valuing diversity' in periodic global staff opinion survey Global diversity awards Work-life balance initiative	Yes—compulsory emphasis on women in global diversity policies: since 1995 a global target of 50 per cent women in leadership roles; flexibility for local subsidiaries to designate other diversity groups Regular monitoring of diversity metrics (gender, ethnicity) directly by HQ HR Senior managers are set diversity targets as part of corporate framework of accountability; proportion of remuneration linked to diversity metrics No, although general concerns with increasing representation of non-Americans in leadership teams	Diversity/harassment training compulsory but mainly devolved to subsidiaries
Engco1	Yes—'diversity' includes 'skills, abilities, experiences and cultural backgrounds'	No		No
Engco2	Yes—corporate values include embracing diversity, defined as employees' 'diverse perspectives'	Strong internationalization of diversity policies International diversity implemented through: corporate diversity council; diversity champions in each business unit; site-level 'diversity councils' responsible for local diversity initiatives; international diversity awards for pioneering sites; global anti-harassment policy	Yes—diversity policy, action plan and progress reporting mandatory globally for business units; universal gender component to plans, but other components left to locality; global monitoring of diversity metrics (women and ethnic minorities), quarterly monitoring of subsidiary diversity action plans Targets for diverse groups in leadership positions Senior managers' performance appraisal linked to diversity objectives and metrics	Compulsory standardized diversity training worldwide, monitored by HQ
EngSens	No	No—virtually no internationalization of domestic diversity policy		
ITco	Yes—diversity and inclusion as integral to corporate culture	Strong internationalization of diversity policy led by senior vice-president Emphasis on customer diversity driving workforce diversity initiatives		

Table 8.1. (contd.)

Company	Diversity as a global corporate value	Global structures of diversity	Global target-setting and monitoring	International diversity training
Logistico	Corporate culture of 'embracing diversity'	Multiplicity of diversity networks and affinity groups including a women's 'leadership council' in Europe and women's leadership teams in most countries Tracking of women in high potential and leadership groups Work flexibility policies (e.g. working from home)	Yes—no formal targets/quotas in Europe but unpublicized target 'ranges' for women, e.g. for new hires Discreet tracking of key diversity groups at local/regional level—e.g. metrics on new hires, women in management/executive positions, time between promotions, returners after maternity leave, etc. Emphasis put on diversity management in performance appraisal	Global courses available for use, but no compulsory programmes at global level
Pharmaco	Diversity broadly defined to include, e.g. experience outside own country, cross-functional, outside the industry, etc.	Diversity steering council co-chaired by CEO/Chair and by VP HR, recommending ways of fostering diversity throughout the firm Significant emphasis on ethnic diversity, reflected, e.g. in Irish and German subsidiaries Corporate code of professional conduct and anti-harassment policy and hotline direct to HQ	No Corporate policy that board should reflect the customer populations served; Specific US-based metrics to be met on gender and ethnicity, but outside US no specific targets; national/regional monitoring of, e.g. gender composition of talent pipeline; norm of promoting diversity if candidates otherwise equal	No evidence

from recruitment and selection through employee development and promotion to reward and performance management.

Some companies were acknowledged pioneers of the diversity agenda in their host countries. In Germany, ITco was seen as a role model for gender equality. The German subsidiary started its first development scheme for women in the 1960s. In 2001, 25 per cent of its German workforce was female; women occupied 11 per cent of middle management positions and 6–7 per cent of top positions—a much higher proportion than the norm in German industry. Likewise in Spain, where women accounted for a third of the workforce, ITco's subsidiary had achieved a proportion of women in management posts of 18 per cent, a figure that had increased sharply over recent years.

Even in companies with well-developed international diversity objectives, policy tended to focus on gender diversity. This was the case particularly in Spain, Ireland, and Germany, although it was predominantly true of the UK subsidiaries as well. Global 'affinity groups' and mentoring systems for women employees were set up, and some firms set targets for women in high potential groups, promotion pools, or management posts. Supporting measures, such as 'work-life balance' policies, flexible working, working from home, parental leave, and so on, tended in practice to underpin gender diversity more than other aspects of diversity.

Policies on ethnicity (which were a key focus of diversity policies in the USA), disability, or sexual orientation were much less prominent in most companies, and where they existed, subsidiaries generally had considerable discretion in applying them. Ethnic diversity was formally on the agenda, especially in the UK where public policy attention was high, but it tended to be neglected in practice, even in diversity-conscious companies like CPGco and Engco2. Other companies, notably Engco1, also acknowledged that their workforce did not reflect the ethnic diversity of their local labour market, but few if any had measures to address this. In Spain, Ireland, and Germany even less attention appeared to be paid to ethnicity.

There were exceptions to this pattern, however. One was Logistico, whose US operations employed a high proportion of ethnic minority workers and monitored their presence in managerial positions. In Ireland, Logistico placed as strong an emphasis on ethnic and national diversity as on gender. Logistico's German subsidiary was the only German case-study company to address immigration as a diversity issue, monitoring the nationality of its employees. As elsewhere in the company, employees had access to a multilingual anti-harassment hotline direct to corporate headquarters. However, even in this case, the subsidiary did not appear to

be under pressure to fulfil targets, such as for non-Germans in leadership positions.

The approach to international diversity in most companies was to set an overall framework rather than a highly prescriptive range of policies. While it might be mandatory for subsidiaries to have a diversity policy, it would be up to them to specify the content. In some companies, subsidiaries were required to set targets or were given central targets, for example, for the number of women on leadership teams, and they were expected to supply metrics against which they could be evaluated. Even where no formal targets existed, the centre might well intervene to ask questions about progress on diversity issues: for example, in Chemco Spain, there were no targets for the number of women the subsidiary had to recruit, or for workforce diversity more generally, but 'there are questions that always come down to us from HQ—"why are there more women in this department than in that one?"' Similarly, in Business Services in Germany there was indirect pressure to increase the number of women in 'consultant' roles: when female consultants left the company, HR had to provide information about the reasons and whether something could be done about it.

Monitoring of gender and other dimensions of diversity could be direct and insistent:

[The international HR director] looks for me to report to him, routinely, on the mix of our population here, our employee base in terms of gender and race and how that's changing and what we're doing about it, day to day. And he asks everybody around the world to do that and that's very high on the agenda. So I have an hour's call with him once a month and that will take up quite a lot of it.
(UK HR manager, CPGco)

In a handful of companies (notably CPGco, Softco, and Engco2) senior managers were appraised against individual diversity targets. Managers could be set targets, for example, for improving employee satisfaction ratings on diversity measures in workforce attitude surveys, or for increasing the number of women in managerial posts.

Diversity in Operation in European Subsidiaries: Resistance, Avoidance, and Compliance

Despite the fairly generic nature of global corporate diversity policies, they evoked ambiguous reactions in subsidiaries. First, there was a strong perception that diversity was a peculiarly American 'obsession'. While British

managers did tend to accept that diversity was an issue, especially in relation to the advancement of women within the company, in Spain and Germany, respondents (women as well as men) were much more hostile to the notion itself, denying that there was a problem to be resolved:

For my part, I do not see the 'diversity' theme in Spain as a problem or as an 'issue' or as anything. ([Female] HR manager, Business Services, Spain)

Rubbish. All rubbish. [...] They have started with it, with sexual harassment and all these things, all this nonsense. We just smile to ourselves about it and the Americans make themselves ridiculous. No, diversity management, we do not know and we do not want to have to hear about it. Women and men, that is absolutely no issue for us. (HR manager, Bor-Tec, Germany)

It should be stressed that such attitudes were not necessarily representative of employee views. Although we do not have systematic evidence, there are indications that a lack of managerial concern with diversity created problems for female employees. In Computerco Ireland, for example, female respondents expressed frustration at the low percentage of women in managerial positions and spoke of the 'glass ceiling' and 'jobs for the boys'.

Second, subsidiaries were critical of what they saw as the inflexible way in which the diversity agenda was applied, without taking account of local circumstances and needs. Spanish managers in one company, for example, were critical of a centrally set target for women in managerial positions which was, they claimed, rigidly applied even in North African countries whose culture did not easily accommodate women in such posts. The internationalization of the diversity agenda was seen as driven by parochial US concerns. An example was the reference to the Ku Klux Klan in the worldwide anti-harassment policy of one company. In another firm, managers at the European level and in the UK subsidiary argued that the internationalization of diversity was a response to attempts to contain racial tensions (and the ensuing litigation) in the core operating units in the USA. However, European managers queried why attempts to develop a more inclusive corporate culture in the USA should be diffused worldwide. A typical complaint by subsidiary managers, in companies as varied as Engco2, Business Services, and Refreshco, was that the centre wished to collect data from subsidiaries on ethnic diversity using categories designed for the US domestic context, and in circumstances where ethnic monitoring made little sense. The exasperation felt by subsidiaries was well expressed by a Spanish manager:

They were insistent that we should count the number of blacks we recruit. And I told them [HQ], look, in Spain it's difficult to hire blacks. 'Well then, [what about] South Americans, gypsies?' But they they're not graduates. I've got South American people working with me and I've got one or two blacks... but they're graduates. They're people who fit with me, because also they speak Spanish, you can't just suggest that an army of Ecuadorians should turn up and we should hire them to fill some quotas. [...] We were giving them data from the National ministry of statistics [sic], from the interior ministry on residence permits. So they gave us a lot of work for nothing. ... (HR manager, Business Services)

In some instances, where there was a strong European tier of management, it could act as a 'buffer' to ensure that corporate policies were not applied in an inflexible way. In Computerco, for example, the appointment of an American manager as European VP for diversity allowed central policy to be adapted to national circumstances:

We want to take the things that are global and core to our values and share those, but very early on I recognised that I couldn't pick up stuff from America. I had comments to me 'oh great, another damn American programme, you guys are so altruistic and we've got socialistic governments that take care of us and we don't need this stuff'. So very early on I learned I couldn't take anything from America and just drop it in, I had to Europeanize it if you will.

Another complaint from national respondents was that diversity policy could be counterproductive in terms of business goals. For example, targets for women in managerial roles were seen as potentially demotivating for male managers while failing to address the organizational obstacles to the advancement of females, such as the long hours culture typical of US companies. Finally, managers were concerned about the tensions between global diversity policy and national or European law. They pointed, for example, to differences between conceptions of positive discrimination in Europe and the USA. Elsewhere, corporate requests for information on some categories of employee, for example, the disabled, were hampered by privacy protection legislation.

In summary, subsidiary respondents often saw diversity policy as inflexible, too insistently applied, driven by American domestic preoccupations, and at odds with European legislative traditions. In the UK subsidiaries, and to a lesser extent in Ireland, most managers were at least receptive in principle, although they might not see it as particularly relevant. So were managers elsewhere in some companies, such as ITco, where the need to address a varied customer base through active diversity policy was widely accepted. But in Spain and Germany, respondents were resistant to the very concept.

Subsidiaries deployed various strategies for minimizing the disruptive impact of international diversity policy, ranging from resistance through adaptation to avoidance or lip service. First, resistance was a commonly observed response, even in companies generally favourable to diversity. Legislative constraints were a significant factor in provoking and legitimizing resistance. For example, CPGco UK resisted targets for women in post partly on the grounds that such targets constituted 'affirmative action' or positive discrimination and were thus at odds with European law. Similarly, in Business Services Spain, an HR respondent resisted ethnic and religious monitoring on the grounds that 'in our Constitution discrimination against people is prohibited, and therefore we don't even ask [...] I cannot ask, by law, Article 14 of the Constitution'.

Such resistance, in short, mobilized a rhetoric of legislative compliance to justify itself, although in some instances, since the law was not always clear-cut in its implications, legislative constraints were invoked to resist policies that were opposed on other grounds, normally of business effectiveness in the local context:

We have argued that if we were seen to have targets [for women in management positions] then that would implicitly be positive discrimination. I don't know strictly from a legal point of view whether that would be... but I guess that's what essentially fended off too explicit a target. (HR manager CPGco UK)

The 'business case' was also extensively mobilized, in tandem with compliance arguments, to legitimize resistance; and it was used even when legal constraints were absent. CPGco argued that quotas for women managers, besides creating legal difficulties, would be counterproductive, by alienating male managers and by distracting attention from the organizational obstacles to women's advancement. In Business Services Spain, pressure from the global diversity management structure to increase the intake of female graduates was resisted on business grounds: the proportion of women taking degrees in appropriate disciplines like engineering was low. Under pressure to justify why it did not recruit from graduate disciplines where female graduates were better represented, it argued that male-dominated engineering graduates fitted the target profile and were better suited to the business.

Instances of resistance also occurred where the imposition of a global diversity agenda upset existing relationships between managerial functions and levels. For example, in CPGco's diversity was driven directly by a US-based global HR director. This entailed the imposition of diversity targets on HR managers in subsidiary operations. The UK manager resisted

this shift in the focus of his objective-setting from his local business manager to an American-based executive. He argued that global objectives concerned with global diversity policy had little to do with his day-to-day HR activity, which centred on managing employee relations in the plants. This manager saw himself as engaged in a wider struggle with corporate HQ:

over quite what global management of HR means, how workable it is, you know. [...] We are engaged in a very active debate between people like me and the global HR organization about quite how that should work and there are very strong differences of view.

Resistance was usually one of a battery of responses. In most companies it was accompanied by some degree of accommodation or constructive engagement with the policy, particularly by UK managers who were generally more sympathetic to diversity agendas than their counterparts in other countries. Engagement took the form of promoting alternative mechanisms for achieving diversity goals, 'functional equivalents' that would achieve the same end without the perceived disadvantages. While objecting to explicit targets, for instance, CPGco emphasized a policy of building support systems for women by monitoring pools of high potentials, including women candidates on selection short lists, and stressing supporting measures such as work-life balance.

A variant was not so much constructive engagement as 'displacement'. Subsidiaries tried to distract HQ attention from aspects of diversity policy that they were not keen on to those that they felt happy with implementing. A CPGco UK operations manager diverted attention from targets for women in his leadership team by focusing on other mechanisms, such as improving the 'feeder pool', to achieve the same goal in the longer term. The respondent summarized his stance with his worldwide line manager in the following terms: '... don't *count* me, look at the behaviour, look at the things we've put in place, and measure me on how much progress I'm making with those'. He promoted an initiative together with the trade union to examine diversity in the blue-collar workforce and to assess why it was 'not representative, either in terms of gender or ethnicity' of the local community. In doing this, the manager subtly redefined the object of the exercise: the point of monitoring was not so much to increase the diversity of the local workforce, but to 'benchmark' against other local employers and make sure that the subsidiary was consistent with their practice. In this way, lip service was paid to the diversity agenda, while shaping it to local needs and priorities.

In some respects, this was easier to do in a business context, such as that of the UK, where equal opportunities and anti-discrimination legislation forced management attention to a range of diversity issues regardless of the existence of a global corporate agenda on the subject. Ethnic monitoring of recruits, for example, is common practice in UK companies, including in firms like Chemco where diversity policy was not seen as part of the international HR agenda: 'We want to be sure we're getting a broad appeal, and then we know more and more as time goes on about our ethnic mix' (UK HR manager). But this UK context also meant that in companies promulgating international diversity policies, existing activity in the UK subsidiary could be 're-branded' to fit in with the demands of the centre:

What we've learned how to do... is to listen to what they say and decide what we're going to do and put it under that same banner. (Operations manager, CPGco UK)

'Displacement' also took the form of accepting a policy in principle, but pointing to practical constraints that impeded progress. When companies were under pressure to monitor and increase participation of ethnic minorities in the workforce, for example, it was possible to argue that this was desirable but impracticable in a context of low turnover, or of recruitment freezes or downsizing. Engco2's efforts to increase the proportion of women in the pool of temporary workers, from which permanent employees were taken on, was hampered by the fact that temps were the first to go when restrictions were placed on workforce size.

A fourth and final strategic response could be labelled 'counter-attack'. This deployed the legitimacy rhetoric of diversity itself, but to ends that embodied the interests of European managers rather than those of corporate headquarters. This response was directed primarily at tackling the dominance within leadership tiers, in Europe and more widely, of American nationals. Several companies, notably Business Services, Logistico, and CPGco, argued strongly for a greater representation of non-Americans in senior positions, by 'fast-tracking' if necessary. Corporate HQ managers were sometimes sympathetic to such a revision of the notion of diversity, and some firms, notably Pharmaco, emphasized the national diversity of their global leadership team.

Thus corporate diversity policies were disseminated to European subsidiaries through a complex process of negotiated adoption and adaptation. While some companies, such as Engco2, adopted the paraphernalia of diversity with little demur, in other cases (particularly Business Services and in CPGco), there was a dynamic of central demand and subsidiary

response, counter-demand and counter-response. This may be illustrated by the efforts of CPGco in Europe to deflect central demands for quotas on women in management, and by the resistance of Business Services in Spain to diversity monitoring and targets. The insistent probing quality of central intervention and the dogged determination of the subsidiary to resist measures seen as inappropriate is illustrated by the case of Business Services (as recounted by a manager in the Spanish subsidiary) summarized in Box 8.1.

Box 8.1 DIVERSITY TARGETS AND MONITORING IN BUSINESS SERVICES SPAIN

The centre first proposed that the Spanish subsidiary monitor the number of black employees. Once the subsidiary had convinced the HQ that this was not appropriate in the Spanish context, there was discussion of alternative ethnic groups such as Gypsies or South Americans. The Spanish were able to argue that these too would be an inappropriate basis for target-setting because of their illegal status and/or lack of adequate qualifications. The HQ then modified the focus of 'diversity' to include cultural or regional diversity. The Spanish suggested that cultural diversity would encompass regional variety—Basques, Catalans, and so—and argued that they were already diverse in that respect. They anticipated other possible avenues for future HQ thrusts on diversity—such as religious diversity—and made pre-emptive defences against them by invoking the provisions of Spain's Constitution. The HQ then returned to the question of recruiting more women. When Spain replied that their target market, graduate engineers, had a low proportion of women, the HQ probed the possibility of targeting graduates in arts subjects. Spain countered that these graduates did not have the necessary profile.

**VARIATIONS BETWEEN COMPANIES AND COUNTRIES:
EXPLAINING THE PATTERNS**

Overall, therefore, international diversity policy was a prominent feature of many case-study companies. But it was not transposed smoothly to subsidiaries. Even when sympathetic, European subsidiaries frequently contested, adapted and deflected aspects of the diversity agenda which they saw as driven by American preoccupations. Diversity, American-style, was regarded as unsuited in certain respects to European national contexts and counterproductive to subsidiaries' business aims.

Nonetheless, within this broad picture, international diversity policy, and the extent of local implementation, varied considerably between companies and host countries. This section examines explanations for the patterns of dissemination observed.

Variation between Companies

Differences in structural characteristics of companies, in particular the degree of international integration of operations and markets, and the composition and skills profile of their labour force, appear to be a significant source of variation in diversity management. This is in line with Florkowski's strategic contingency model of diversity in MNCs (Florkowski 1996), according to which international policy reflects a combination of product-market and labour-market pressures. Following Florkowski, it could be expected that companies (such as ITco) that aim to serve customers who are diverse in ethnicity and gender would have a more developed diversity agenda. The degree to which that is internationally standardized and propagated would depend partly on the diversity of overseas markets and partly on the degree to which corporate integration mechanisms exist at international level. The more highly integrated are MNCs, in terms of operations and product markets, the more highly integrated one could expect international diversity policy to be. ITco appears to fit this characterization: the strong diversity ethos across its international operations may be seen as reflecting the high degree of global integration of its operations and markets. At the other end of the spectrum, EngServs needed to respond to country- and region-specific pressures (see Colling and Clark 2002) and placed very little emphasis on diversity.

Business Services was structurally similar to ITco, in that it operated in a similar sector and served large, integrated, multinational clients. But as we have seen, the 'internalization' of the diversity ethos was weaker, international diversity policy aroused significantly more resistance, especially in Spain, and diversity arrangements were less uniformly entrenched. This can perhaps be explained by other features of the company, such as a heritage marked by the ethos and structures of the partnership form. This militated against highly directive top-down HR policy and encouraged a more collegiate style of international HR policymaking.

A further structural characteristic is the nature of the target labour force. This would seem to explain in part both the degree of diversity and its specific focus. Firms like ITco and Business Services relied on a highly skilled, professionalized, and expert core labour force to provide their services. Such skills were scarce and the companies could be expected to be swayed by a business case for seeking suitable labour among the widest range of groups within the labour market. This could also explain Business Services' reluctance to accept American definitions of diversity: it simply did not believe it could optimize its access to scarce skills by doing so, given the nature of the

Spanish labour market (notably the marginalization and lack of qualifications of much of Spain's ethnic minority labour force, and the strongly gender-segmented structure of graduate qualifications). In manufacturing companies, the 'perverse' business case—*against* diversity—may be seen as coming into play: it is possible to speculate that firms were concerned to preserve the homogeneity, stability, and cohesion of blue-collar workforces, through such mechanisms as inter-generational and family recruitment, and this militated against ethnic diversity. This appears to have been the case in CPGco and in Engco1, both of which retained ethnically quite homogeneous manufacturing workforces even where there was a significant ethnic minority presence in the local labour market.

In general, employee testimony collected in the UK case studies shows very little awareness of the diversity agenda, and little evidence of a practical impact on the working life of employees other than managerial and professional groups. The one exception, Logistico in Germany (and to some extent, in Ireland), with a high percentage of immigrant employees, may also be seen to support this analysis. Given the unskilled or semi-skilled nature of much of the work of operatives in the logistics industry, it may be predicted that companies will seek to minimize the costs of access to cheap sources of labour. These are likely to be found among immigrant populations which are less well-integrated, lack skills and qualifications, and are less susceptible to collective organization—a point made by Royle (2000) in reference to McDonald's recruitment practices in Germany.

Nonetheless, structural factors do not account for the vigour with which international diversity policy was pursued (at least with respect to gender) in some case-study companies. In particular they cannot explain the marked difference between Engco2 and a relatively similar engineering company, Engco1, which had at best a rudimentary international diversity agenda. This contrast demonstrates the space for strategic choice within structural constraints. The choice, in this case and also in CPGco, seems to stem from the effect of the strong and persistent philosophy of the founding family on the managerial ethos of the company. A statement on diversity by Engco2's founder, dating from the early 1980s, was frequently quoted as the underpinning of contemporary diversity strategies. Moreover, the diversity agenda was of a piece with the distinctive variant of welfare capitalism pursued by the company, based on a strong ILM and high workforce commitment. In this context, the company's deployment of corporate 'culture', including diversity, could be seen as a tool of international competitive advantage by defining the company both for internal stakeholders, and for an external audience, notably customers and potential recruits.

Variation between Countries

The case studies reveal considerable differences between countries in the extent to which international diversity policies were applied, in the meanings given to 'diversity', and in subsidiary responses. Managers in Germany, Ireland, and Spain tended to be more negative and disengaged towards diversity than those in the UK. The 'internalization' (Kostova 1999) of the diversity agenda was most evident in the UK, though even here there was frequent conflict with HQ over the modalities of dissemination and implementation within the British environment. A key issue, therefore, is how global diversity policies are accommodated within host business systems with distinct legislative frameworks, socio-political traditions, and demographic characteristics.

One line of explanation for the differences focuses on the openness of different host business systems to the diffusion of US HR practices. It could be argued that the greater prominence of diversity in UK subsidiaries reflects the British business system's openness to US influences. However, this is problematic for a number of reasons. The Irish business system, with similarly marked Anglo-Saxon traits, could be seen as even more open to American HR innovation, given the dominance of US FDI in the country. Yet commitment to diversity was restrained in most of the Irish subsidiaries. Moreover, Spain, with its high proportion of foreign capital in major sectors of the economy, and its adoption of an Anglo-Saxon business education model, may be seen as having considerable scope to assimilate dominant American business repertoires. But Spanish subsidiaries were at best lukewarm and at worst contemptuous towards HQ diversity initiatives.

Another possible explanation for variation lies in demographic differences. Two demographic factors stand out. First, Britain has by some way the highest female employment rate, with Spain by some way the lowest, and Germany and Ireland in intermediate positions (see earlier section). The divergence has been considerably reduced by rapid growth in female employment in Spain and Ireland, but even as recently as the mid-1990s, the Spanish rate was little more than half the British. Second, Britain's ethnic minority population is far larger and longer-established than in Ireland or Spain; while Germany as we have seen is a special case because of the traditional transience of immigrant workers, and the unavailability of naturalization for those of non-German descent until recent years.

But these structural features provide at best a partial explanation of differences. They do not explain, for example, why Britain and Germany,

with similar percentages of ethnic minority members of the labour force, have conceptualized the issue of ethnic minorities and citizenship (and employment) in such different terms. And a simplistic demographic approach to the salience of the diversity agenda begs the question of *why* there are such varied female participation rates in the four countries. The answer clearly has something to do with the dynamics of social and industrial structure—for example, the impact on female work roles of a comparatively late transition to modern, industrial economies in Ireland and Spain. But it also seems to lie in the interaction between demographic factors and the way in which these are incorporated into and processed through social movements and through political debate and action. These processes result in concrete legal frameworks covering discrimination and equal opportunities, in the shaping of female labour market participation through the structure of welfare states, and ultimately in cognitive frameworks and assumptions that guide behaviour in firms. In the UK, both gender and ethnicity have been the focus of political debate and social action, and outcomes have been embodied in legislation since the mid-1970s and have subsequently forced their way onto corporate agendas. The legislative agenda has been more muted in the other countries and has been driven primarily by EU regulation rather than by the mobilization of interest groups at national level. With the exception of the UK, ethnicity has been largely absent from debate until very recently. Action has failed to coalesce around the issue of gender and the 'glass ceiling', as witnessed by the extremely low levels of women in managerial positions in Germany. Nonetheless, mechanisms of social 'embeddedness' of diversity may be stronger in some respects in Germany because of the role played by collective representation institutions in enforcement of equal opportunities.

Finally, national demographic characteristics clearly interact with company labour market strategies. For example, given Logistico's need to recruit large amounts of relatively low-skilled and low-cost labour, it made sense to target immigrant labour in Germany and hence to stress nationality as a key dimension of its diversity strategy. Unfortunately, it was not possible to gain access to Logistico in Spain, but one may speculate that policy would have been to target immigrant (and often ethnic-minority) labour, because—in strong contrast to Business Services—it was not seeking highly qualified labour. Similarly, the development in Ireland of competitive advantage in the provision of international call centre services may increasingly lead subsidiaries in companies such as Computerco, ITco, and Logistico (where the primary focus of the Irish operations was a multilingual call centre), to target ethnic, or at least

linguistic and national diversity in certain sectors, despite the continuing relatively high degree of ethnic homogeneity of the workforce overall.

CONCLUSIONS

The workforce diversity agenda is an interesting instance of policy diffusion since it can be traced in a relatively direct way to features of the American business system; international diversity policy is largely an expansion of domestic policies driven by specific US concerns. This has resulted in a lack of fit between diversity elements and host-country contexts, and has provoked considerable resistance from subsidiaries. Nonetheless, there is considerable variation among companies and countries in responses to diversity. This has been explained by a combination of structural factors and more contingent strategic and political choices by actors at national and organizational level.

In short, diversity has to be seen as a *constructed* agenda. It is driven by certain external conditions, such as a high proportion of ethnic minorities in the labour force, the emergence of civil rights movements and ensuing legislative frameworks, and so on. But it is then purposively articulated and defined as a terrain for corporate action. This process of articulation is well-established—though still highly contested—in the USA. It has occurred in a more muted fashion in the UK with its relatively well-developed EO agenda, relatively high proportion of ethnic minorities, and its mimetic relationship to US business hegemony. But it is more alien to traditions of political and corporate action in the other three countries; although even here, the situation is a dynamic one as countries, and companies, respond to changing demographic patterns, political agendas, and legislative frameworks.

Notes

1. We are particularly grateful to Trevor Colling for some incisive comments on earlier drafts of this chapter.
2. Defined as the number of women aged 15–64 in employment as a percentage of the total female population of the same age group.