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MANAGEMENT**Feature: Diversity: The Obama Effect**

## Diversity: The Obama Effect

Experts believe the election of the first African-American president of the United States will redefine workplace diversity, placing a greater emphasis on multiculturalism and socioeconomic status.

By **Jessica Marquez**

In many ways, Subha Barry believes her job will be easier now that the United States has its first African-American president. She was having lunch at a diversity conference in Hong Kong when the organizers broadcast President-elect Barack Obama's November 4 victory speech in Chicago.

"I remember thinking that the job of any supporter of diversity is going to be much easier because we now have this visual symbol in the most powerful role in the world," says Barry, managing director of global diversity and inclusion at Merrill Lynch.

But Barry also realizes that with Obama's presidency comes a new set of challenges—the most game-changing of which will be how his position raises the bar in defining diversity. No longer will it be sufficient for companies to simply consider race, sex and religion in silos, Barry says. Experts believe there will be more focus on multicultural as well as socioeconomic diversity within the workplace.

"In this country, we have these constructs that view race in a one-dimensional perspective. But in other countries the consideration of race is more complex, so he is viewed as multicultural," says Ana Duarte McCarthy, chief diversity officer at Citigroup. "The fact that Obama is multicultural will put more focus on what it means to be multicultural."

Obama's father was born in Kenya, and his mother was an American from the Midwest.

At the same time, Obama has spoken about the need for more socioeconomic diversity in higher education, and experts expect that to spill into the workplace.

"There has started to be chatter online about a move toward class-based affirmative action," says Tarun Mehta, an attorney in the San Francisco office of Bryan Cave. This could mean that employers will have to take into account socioeconomic differences as part of their diversity initiatives.

But before companies can even think about working on these more sophisticated diversity initiatives, they will have to address a slew of new challenges that are expected under Obama's administration. These include increased criticism of affirmative action policies by opponents as well as greater enforcement of affirmative action policies by the government.

All of this comes as companies face the biggest economic crisis in years. A Conference Board survey of CEOs released in October found that having a diverse workforce fell in importance by four rankings since last summer, while reducing health care costs jumped seven rankings.

"It's probably going to be more difficult for HR to get the CEO's attention on these kinds of issues right

now," says Toni Riccardi, senior vice president of HR and chief diversity officer at the Conference Board. "It's not that diversity is less important to employers; it's just that other things are more important."

### **Election's impact**

Within days of the election, HR executives already were hearing arguments from critics of affirmative action saying that Obama's victory was a sign that there isn't a need for diversity policies, says Lewis Benavides, vice president for HR at Texas Woman's University and a member of the Society for Human Resource Management's special-expertise panel on workplace diversity. A similar concern was raised by several SHRM diversity panel members at a meeting November 10 in Alexandria, Virginia, Benavides says.

"There is an acknowledgement that when the highest officer of the land is an African-American, there will be people who will say, 'Why do we need these programs anymore?' " he says.

It's an issue particularly for companies with voluntary diversity programs, experts say. Companies may also see an increase in reverse-discrimination lawsuits from white males, Mehta says.

"Given the economic conditions, it might not be hard for opponents of affirmative action to find possible plaintiffs for these cases," he says.

At the same time, companies with affirmative action policies in place can expect that the Equal Employment Opportunity Commission and the Office of Federal Contract Compliance Programs will have more resources under Obama and be more aggressive about enforcing affirmative action policies.

The majority of *Fortune* 1,000 companies have contracts with the government, and thus have affirmative action policies, experts say.

Under the George W. Bush administration, agencies like the OFCCP saw their budgets cut, so they weren't as effective as they could have been, says Renee Dunman, president of the Affirmative Action Association, a group of diversity and affirmative action officers from private and public organizations. In fiscal 2008, President George W. Bush requested a budget of \$84.2 million for the OFCCP, down from \$85.2 million in 2006 and significantly down from the \$92.3 million requested in 2001. "I think Obama is going to look at that budget and say, 'No wonder you can't do the compliance piece,' " she says.

Experts also predict that under the Obama administration, the OFCCP will have more support from the Office of the Solicitor General, which tries OFCCP cases.

"I believe that the solicitor's office will be supporting more of the OFCCP's demands," says Valerie Hoffman, a partner in the law firm Seyfarth Shaw. "It means that employers will need to spend additional energy ensuring that they can defend a failure-to-hire case and that their applicant tracking systems are accurate," she says.

Also, experts believe the EEOC and the OFCCP will be more rigid—not only looking at the composition of an organization's workforce to ensure that it is complying with affirmative action policies, but also closely analyzing how organizations are paying minorities compared with non-minorities in the same roles.

Specifically, some experts believe that the OFCCP will return to using the Equal Opportunity Survey, a reporting tool that allowed the agency to collect information on companies' compensation data and affirmative action programs. The program was dropped in 2006, but Mark Bendick, partner at Bendick and Egan Economic Consultants, a Washington-based diversity consultant that helped evaluate the tool in 2006, believes the Obama administration will bring back the survey.

"It would mean that the federal government is going to be in a better position to know when there are glass-ceiling problems and wage discrimination going on within companies," Bendick says.

For HR and diversity executives confronting push back about spending money on diversity issues, this

increased enforcement may help explain the business case behind these measures, Bendick says.

"HR staffs within companies that have affirmative action will now have more ammunition with which to go to the CEO and make their case, because enforcement is going to be more stringent," he says.

### **Redefining diversity**

Opponents of affirmative action cite a television interview with Obama last spring as a sign that he agrees with their stance. In that interview, commentator George Stephanopoulos asked whether Obama thought his daughters should get affirmative action protections. Obama responded, "I think that my daughters should probably be treated by any admissions officer as folks who are pretty advantaged."

Obama added: "I think that we should take into account white kids who have been disadvantaged and have grown up in poverty and shown themselves to have what it takes to succeed."

While diversity experts don't believe that this is a sign that Obama will do away with affirmative action edicts, they do agree that it may mean that the administration will encourage more emphasis on recruiting candidates from various socioeconomic backgrounds.

Focusing on socioeconomic status is "very cutting edge" and just now is starting to be part of the diversity discussions at some employers, Bendick says. "Companies that are really trying to establish diversity initiatives around the business case are finding that they have to be more sophisticated about how they define diversity," he says.

Bendick offers the example of a retail client that has traditionally hired African-Americans to work in its stores in inner-city neighborhoods.

"The assumption was that African-American customers would relate to African-American salespeople," he says. But the client hired middle-class African-American college graduates and soon discovered these salespeople had no cultural connection with the customers.

"The salespeople were as much strangers to this low-income minority neighborhood as their white colleagues," he says. So Bendick is working with the client to hire salespeople from a similar background to that of its customers, which might have nothing to do with race, he says.

For many companies, hiring a workforce from different socioeconomic backgrounds will mean going beyond the list of universities and colleges where they usually recruit, says Peter Bye, president of MDB Group, a Livingston, New Jersey-based diversity consultant.

Often to attract minority candidates, companies will go to historically black colleges, which are excellent sources of talent, he says. "But now let's also consider the City University of New York, which has more African-American students than all of the historically black universities, and they have as many Latino students, but they are more diverse from a socioeconomic standpoint," Bye says.

Merrill Lynch has been trying to focus on socioeconomic diversity through its recruiting, Barry says.

For the past five years, Merrill has been the lead sponsor of a summer program for inner-city high school students through Rice University in Houston. Through Rice's Summer Business Institute, each year 40 to 50 high school students from 10 of Houston's inner-city schools are invited to take two weeks of business courses. Merrill invites the students into its offices and has created a mentorship program. "A handful of exceptional students get internships at Merrill," Barry says.

Merrill has hired four students as interns from the program. Now that Merrill has been acquired by Bank of America, Barry and her team are looking to establish this model abroad with similar arrangements with Hong Kong universities as well educational institutions in London, Barry says.

"My goal is to do this in major centers where we have large operations," she says. "We believe there is a

huge opportunity to create a pipeline for future talent while also having a positive social impact."

Socioeconomic diversity is on the radar at Citigroup as well, although no formal plans have been established, says Duarte McCarthy, the company's chief diversity officer.

Right now the focus at Citigroup is on multiculturalism, and diversity executives believe that having a biracial president will raise awareness around this topic.

"It's helpful that Obama seems to be comfortable discussing some of the race issues very explicitly and matter-of-factly," Bendick says, noting that when a reporter asked Obama what kind of dog the family was going to get, he responded that he wanted "a mutt like me."

"I thought that comment was very helpful in expressing a tone that says, 'It's all right to talk about race,'" Bendick says.

Citigroup has been trying to focus on multicultural issues for some time. Duarte McCarthy is trying to get the company's employee affinity groups, which are organized by race or ethnicity, to interact more. Not only would this help each group pool its resources, but it also addresses the fact that there are many employees who could be members of several affinity groups.

"We are really trying to get more of these groups to do more together, more unity-type programming," Duarte McCarthy says.

Merrill Lynch is also trying to get its affinity groups to hold more events together to promote multiculturalism, Barry says. "I'm really thinking about approaching things with this multicultural lens as opposed to having silos based on race and gender," she says.

Barry wants to establish cross-network groups that could organize events for the various affinity groups within the company. She also is looking into ways that the company could measure employee attendance at these events. "I have seen this at other firms," she says.

Ideally, Barry wants to establish a requirement of how many events an employee has to attend per year and that would become part of the employee's performance evaluation. "People may initially attend events because they have to check a box, but they stay and learn and it benefits everyone," she says.

### **The economy**

While diversity executives are energized by Obama's election, they say that in this economic climate, getting diversity initiatives to be front and center in top executives' minds can be challenging.

But these are the times that it's more important than ever for companies to prove their dedication to diversity issues, executives say.

Citigroup is making it a point to continue with diversity events that it sees as core to its business, Duarte McCarthy says. In fact, on November 17—the same day that the company announced it would be laying off 52,000 employees—the firm held its annual Women's Leadership Development Program, which invites 31 female employees to its Armonk, New York, development center for three days of seminars.

"Some people were surprised that we continued with the program," Duarte McCarthy says. "But we feel it's important to send a strong message that we are going to continue to focus on developing talent. And that might mean in 2009, there will be more potluck dinners and brown bag lunches," she says.

At Merrill, the activities might shift, but not the intent behind them, Barry says.

"We now focus on retention as much as we are focused on recruiting," she says. "So the focus may change, but the ability to be nimble and adapt makes us smarter."

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