

# Diversity and Inclusion: Why it Works at Work

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Hello everyone. I'm both delighted and proud to be speaking here today.

Delighted, because it's fantastic to see such enthusiasm for events like this and that you've all taken time out of your busy schedules to focus on and think about how as women, you navigate your future and the future of others, as leaders in the public sector.

And I'm proud to have been asked to speak because the invitation signals (to me at least!), that perceptions of the Treasury as a haven for men in suits with beige mind sets, has seen a fundamental shift, one that I ascribe directly to our commitment to promoting diversity and inclusion.

Today I'm going to cover 3 things. First, why diversity and inclusion matters. Second, what the Treasury is doing about it. And third, what we can all do about it.

## **Why does it matter?**

Let's start. Why does it matter? Why should we care about diversity and inclusion? I used to think that there was such an obvious answer to that that I ignored the question. I was wrong. I've discovered that there are many people who don't believe it matters at all. So we do need to address it.

But let's start with the economy. It's in a relatively strong position. We have good levels of growth, price stability, job creation, low unemployment and high labour participation rates.

Our public finances are in good shape; the Crown's books have returned to surplus and debt is under control.

For the first time in our history, we're part of the fastest growing region in the world, demand for our products and services is strong and technology is reducing our distance from markets. We're one of the most diverse nations on earth; there are over 200 ethnicities in Auckland, making it one of the most diverse cities on earth. The World Bank rates us as the best place in the world to do business, our public sector is ranked number one as the least corrupt on the planet according to Transparency international. And the Legatum Institute has New Zealand ranked first on its Prosperity Index.

It sounds good, and compared to many other countries across the world it is very good.

But of course it reflects the present rather than the future. And what we can see ahead of us are challenges that we need to manage and opportunities that we need to seize. That's about improving our productivity, looking for value for money in government spending, focusing on citizens, continuing to strengthen our resilience, deepening our international connections and ensuring people have the capabilities and opportunities to live the lives they value.

And that's a key part of this: people and their capabilities and opportunities. It's people who make an economy, who create and run its institutions, who innovate and run its businesses, who create its jobs, who pay its taxes, who build its houses and who set its rules.

And half the people in the country are women. Our labour force participation rate for women is currently at 65.3 percent, up from 56.6 percent just twenty years ago; men's participation rate is largely unchanged over the last twenty years, increasing from 74.9 percent to 76 percent. The female unemployment rate is higher than that of men, 5.7 percent compared with 4.8 percent for men.

Women are gaining qualifications at a greater rate than men but their skills are not being translated into greater career opportunities and development in the workplace. Currently many women are educated and trained in areas that do not match where employment is growing. We know for example that STEM industries are in a growth phase yet women make up just 14 percent of the of this sector. Despite an increase in qualifications, women are over-represented in minimum wage jobs. More women than men are currently not in education, employment or training (NEET).

As we look ahead, we know that technology and population ageing will have significant impacts on the shape of the jobs market and the shape of our labour force. These are challenges but they also offer opportunities and, I would argue, for women in particular.

## **The Treasury**

Let's look at the Treasury. Why do I think that diversity and inclusion matter? Why is there a statement on every floor of our building which says that "we embrace diversity and inclusion as they strengthen us, as individuals and as an organisation"? Again you may think the answer is obvious but it's important to be clear.

We are the Government's lead economic and financial adviser. We want to be a world-leading Treasury because we're ambitious for ourselves and for New Zealand. We see our mission as improving New Zealanders' living standards. Living standards depend on economic growth and productivity performance but it's not the whole story. They also

depend on things like the quality of our environment, the trust people have in our institutions, and people having the opportunities and skills to live the life they want to lead.

At the heart of the Treasury's role, at the core of what people expect of us, is the skill of analysis and the exploration of options, the understanding of trade-offs and the presentation of advice to enable choices to be made.

Doing our job well requires knowledge, analytical skills, an understanding of context, and the ability to explain clearly. It depends on the minds – and the hearts – of the people that make up our organisation. And that's why I believe that to become a world-leading organisation, our advice and services need to be informed by a range of perspectives to enable the fresh thinking and ideas needed to manage the challenges and opportunities facing New Zealand. So I put a premium on diversity of thought.

Being a diverse and inclusive organisation makes us stronger, more resilient and insightful. It helps us to understand the present, better anticipate the challenges and opportunities that may arise in the future and better manage the pace, complexity and cross-cutting nature of change. Inclusive diversity in all its forms – ethnic, gender, whatever – is at the core of our continued success as an organisation.

## What we're doing about it

So what are we doing about it?

We've benefited from the development of our **Living Standards Framework**. It wasn't designed as a diversity and inclusion tool but it's become a diversity and inclusion enabler. The LSF is a tool that helps to shape and inform our advice to Ministers to promote an economic system that improves the intergenerational wellbeing of New Zealanders. It enables us to think about the aims of our policy objectives – such as improved economic growth – while taking account of the wider impacts that a policy option may have on other factors such as resilience, social cohesion, sustainability and equity. It helps develop policies that increase the opportunities, capabilities and incentives for people to participate productively in economic life.

More specifically on diversity and inclusion itself, you could say the Treasury has been on a journey. A few years ago we had the simple idea to ask our staff how included they felt, what diversity meant to them, how they thought we could become more diverse and what we could start doing to embed a culture of diversity and inclusion at the Treasury. Today, diversity and inclusion is at the heart of our organisational strategy and a defining ambition for me.

I want to mention 5 things that I think have been important to that journey.

We started off by focusing on **gender** diversity and doing things that now seem dated but were actually quite challenging for the organisation.

For example, we made a big push to facilitate part-time manager roles, to support flexible working and parental leave. I am sure we can do better in the way we design jobs and tasks. In fact I think employers in general can do a better job in designing jobs and tasks; it's probably the key to addressing barriers to women in the labour force. For my part, one of the things I'm keen to see is greater job-sharing. It's hard to organise but it is a way of addressing some of the challenges of part-time working.

A few years ago my executive leadership team decided to address the issue of **unconscious bias** which is the subtle foe of diversity and inclusion. Without being aware, we can unconsciously exclude people that are different or seen as ‘outsiders’ who don’t ‘fit the mould’. That means excluding different ideas, different perspectives and better understanding and promoting group think. So ELT undertook unconscious bias training, as did our managers and, inevitably, we realised we all had our fair share of biases, conscious and unconscious.

For example, my past – the places I grew up in, the schools I went to, the organisations I’ve worked in, the people I’ve spent time with – makes me a particular type. You can’t undo that but you can recognise and address it.

One of the things we’ve done to address unconscious bias is through the use of blind applications in **our recruitment practices**. We’ve reformed our graduate recruitment process to reduce unconscious bias and to expand the skills, experiences and qualifications that we value. In particular we broadened our reach through school visits and engaging cultural groups on campuses. And we introduced blind applications which redact personal information such as name, gender, location and school attended, to reduce unconscious bias within the selection process.

These changes are leading to change. In 2007, our graduate intake was evenly split on gender, but 100% identified as NZ European. The 2017 graduate cohort still has a 50/50 gender representation but it’s more diverse, with a little over one third identifying as being solely NZ European and the balance a mix of other ethnicities. This greater diversity of talent – the leaders of the future – will strengthen us. It makes sense to have the Treasury made up of people that not only have the intellectual horsepower to dig deep into complex issues but also have the ability to see, understand and solve them from a range of perspectives.

We’re also looking hard to ensure that we don’t just stop at ‘diversity’. **‘Inclusion’** is the Siamese twin that translates diversity of thought and experience into insights which can be applied to our work.

Measuring inclusion is harder. Ultimately it’ll be reflected in the strength of our advice. But we’re looking to make sure our practices are inclusive and we’re using surveys to assess how well we’re doing. At the moment, the results are positive: three quarters of Treasury people spoken to recently said that the Treasury was ‘invested’ (or more) in diversity and inclusion compared to a similar number saying we were just ‘interested’ in it a couple of years ago. But we’re far from finished. Ultimately, I want diversity and inclusion to be ‘embedded’. We regularly commission such assessments to understand the progress we’re making and to hold ourselves to account.

We also regularly **track and report on the diversity of our workforce and our leadership team**. It’s essential if you want to understand where you are and where you want to get to. We’re aiming to maintain at least a 40-60 percent gender balance in our leadership cohort, and to keep within a 45-55 percent range across the organisation as a whole. At the last count, the Treasury’s people were 47 percent female and 53 percent male; the gender balance of people leader roles was 35.6 percent female and 64.4 percent male.

Unlike gender, our ethnic diversity is less representative of the population as a whole. 7.3 percent of our staff identify as Māori which compares to the 14 percent of people in the country who do so. 1.6 percent of our staff identify as Pasifika and 6.8 percent as Asian. We’re aiming for our ethnicity representation to be within plus or minus 5 percentage points of the national working age population.

We've got **gender and ethnic pay gaps** and, like every other agency, we're also looking at how we can reduce them. Our gender pay gap has fallen over the last 10 years but rose again between 2015 and 2016. At 22.9 percent, it's a gap that I'm concerned about. We're looking to understand what's driving it. One explanation for the recent change is that we haven't replaced the talented women in management roles who have left for bigger jobs with other talented women. Our pipeline isn't flowing consistently enough and we need to work out how to fix that. And as for our ethnic pay gap, well I can't tell you what that is as we don't know, not reliably anyway. In fact many agencies couldn't tell you what their ethnic pay gap is. It's because we are limited by the data we collect. We need to do better.

Overall, this is about ensuring that the Treasury is attracting and growing the diversity of people and thinking needed to do the job we want to do.

### **What we can all do about it**

Finally, having told you what the Treasury's trying to do about diversity and inclusion, I want to touch on what all of us can do about it.

For those of us in leadership roles, I have 5 suggestions: (1) make sure you understand your organisation, its strategic context and its desired 'diversity' profile; (2) question the processes and practices within your own organisations. Look with fresh eyes at the systems you work with and ask whether you are excluding people and ideas. Do some unconscious bias training; (3) make sure you understand and communicate the business case for achieving your organisation's desired 'diversity profile'. Once you've communicated it, do it again and again and again; (4) look to guide, mentor and support your colleagues. It will pay off for you, for the women in your organisation, and for your organisation; and (5) talk to people outside of your organisation about what you're doing and why. We need everyone to understand the importance of diversity and inclusion and the opportunities it offers us. So tell your stakeholders, your friends and your family.

For those of you not in leadership roles, do the same thing. This has to be a shared endeavour. Make sure you understand and can communicate the business case for diversity and inclusion. Bring your ideas to the table, share your experiences, and hold your leaders to account for growing diversity and inclusion in your organisations.

And for all of you: support, and learn from, each other.

### **Conclusion**

One thing that I have emphasised is making the business case for diversity and inclusion. I've deliberately not talked about it being 'the right thing to do'. While in fact I think that this is the right thing to do, and it may be what some of you think, there are people out there with different values to ours.

They may disagree with the statement 'diversity strengthens us' and some may be shocked at what I've said today. In the spirit of diversity and inclusion, we need to be aware of these different values and persuade them of the business case. In my view, we can persuade them that greater diversity and inclusion does matter, that it would make a positive difference to them. And I suggest that we can't simply argue that our values are better than theirs or assume our own values make a business case.

The good thing is we don't need to rest on that. The business case, the evidence, is there. We need to articulate it well and hold our leaders to account for delivering it.

Organisations that reflect the societies they serve are stronger and more successful than those that don't. New Zealand's diversity is an asset. I firmly believe that when we work, think, and act to leverage that asset, we're seizing one of the greatest opportunities of our age.

Be it gender diversity or ethnic diversity, both create diversity of thought. It is diversity that will help us manage the rapidly-changing world around us. But saying it is easier than doing it. It requires leadership, from every one of us. It requires us to inspire, to influence, to challenge, to have the will and to be determined.