



Economic Motives for Adopting LGBT-Related Workplace Policies

Introduction

This study evaluates the economic impact of corporate non-discrimination and benefits policies by analyzing the extent to which economic reasons motivate corporations to adopt such policies. The past decade has seen a large increase in the number of corporations adopting LGBT-related workplace policies. In 1999, 72% of Fortune 500 companies included sexual orientation in their non-discrimination policies, and only a handful included gender identity.¹ By 2009, 87% of such companies included sexual orientation and 41% included gender identity in their non-discrimination policies.² Over the same time period, the percentage of Fortune 500 companies offering domestic partner benefits increased from 14% to 59%.³ This study reviews statements issued when adopting such policies by the top 50 Fortune 500 companies and the top 50 federal government contractors.

Since companies began to adopt these policies, and state and local governments began to amend their laws to prohibit sexual orientation and gender identity discrimination, arguments have been made that the requirements are costly and burdensome for private businesses. As recently as May 2011, the Tennessee legislature repealed an ordinance passed by the city of Nashville requiring city contractors to include sexual orientation and gender identity in their non-discrimination policies.⁴ The Tennessee Chamber of Commerce initially supported the state bill, stating that “employment standards...should not create an additional burden on companies that are endeavoring to become competitive”.⁵ The Chamber later withdrew its support.⁶

In contrast to these arguments, many private companies have supported these policies for the opposite reason—because they make good business sense. In 2009 and 2010, during the consideration of the Employment Non-Discrimination Act (ENDA),⁷ a statute that would prohibit sexual orientation and gender identity discrimination in the workplace, a number of private sector employers reported to Congress that these policies are good for the corporate bottom line.⁸

Overall, we find that almost all of top 50 Fortune 500 companies and the top 50 federal government contractors (92%) state that, in general, diversity policies and generous benefit packages are good for their business. In addition, the majority (53%) have specifically linked policies prohibiting sexual orientation and gender identity discrimination, and extending domestic partner benefits to their employees, to improving their bottom line.

Key Findings

- The majority of these companies prohibit sexual orientation and gender identity discrimination.
 - All but two (96%) of the top 50 Fortune 500 companies include sexual orientation in their non-discrimination policies and 70% include gender identity.
 - 81% of the top 50 federal contractors include sexual orientation in their non-discrimination policies and 44% include gender identity.
- The majority of these companies already provide benefits to the same-sex domestic partners of employees.
 - 88% of the top 50 Fortune 500 companies extend domestic partner benefits, including health insurance, to the same-sex domestic partners of employees.
 - At least 52% of the top 50 federal contractors extend domestic partner benefits, including health insurance, to the same-sex domestic partners of employees.
- Based on a review of corporate statements issued to announce a policy, almost all of the companies (92%) that prohibit these forms of discrimination or extend domestic partner benefits to their employees state that policies promoting employee diversity in general are good for their bottom line (36 of 41 contractors and 46 of 48 Fortune 500 companies).
- The majority of the companies (53%) that prohibit these forms of discrimination or extend domestic partner benefits have expressly linked either these specific policies, or diversity that specifically includes LGBT people, to a positive impact on business (17 of 41 contractors and 30 of 48 Fortune 500 companies).
- When companies adopt LGBT-related workplace policies, the most frequently mentioned economic benefits include:
 - **Recruitment and Retention.** Recruiting and retaining the best talent, which in turn makes the company more competitive.
 - **Ideas and Innovation.** Generating the best ideas and innovations by drawing on a workforce with a wide range of characteristics and experiences.
 - **Customer Service.** Attracting and better serving a diverse customer base through a diverse workforce.
 - **Employee Productivity.** Increasing productivity among employees by making them feel valued and comfortable at work.
 - **Public Sector Clients.** Securing business by responding favorably to specific policy requests or contracting requirements from public sector clients.

- **Employee Relations and Morale.** Maintaining positive employee morale and relations by responding favorably to specific policy requests from employees and unions.

While most of the large companies in this study did tie policies related to diversity in general, and LGBT employees more specifically, to the corporate bottom line, many also expressed that doing so was consistent with corporate values such as treating employees with respect and fairness and because it is “the right thing to do.” However, no company stated that the policies would be costly, but enacted them anyway only because it was the “right” or fair thing to do.

Methodology

The research presented in this memo is based on a review of the non-discrimination and diversity policies and benefits policies of the top 50 Fortune 500 companies (2010) and the top 50 federal government contractors (2009) (collectively “companies” or “employers”).

The top 50 federal contractors were determined by the dollar amount of their combined federal contracts. Due to partnerships involving two or more companies contracting under one name, and to separate awards to subsidiaries of the same company, the top 50 contractors consist of 48 unique entities. The percentages reported in this study are based on the number of companies represented, but for simplicity, they will be referred to as “the top 50 contractors”.

For each company in the two groups, we began by ascertaining whether its non-discrimination policy includes sexual orientation and/or gender identity and whether it extends domestic partner benefits to its employees with same-sex partners. This information was gathered primarily through the HRC Corporate Employer Database, and supplemented with additional information gathered from the companies’ websites and online job postings.

Using these sources, we could not identify whether eight contractors prohibit discrimination based on sexual orientation and gender identity or provide domestic partnership benefits. We attempted to contact these eight companies by email or by phone on March 31, 2011 with a follow-up contact on April 12, 2011 to ascertain whether they provide these protections. However, seven of these contractors have not yet responded to our inquiries.

We have made several assumptions in order to categorize these seven contractors for purposes of this study. If a company had a non-discrimination policy that included characteristics other than sexual orientation and gender identity, we assumed that the company does not prohibit discrimination based on sexual orientation or gender identity. If we were unable to find a non-discrimination policy that included sexual



orientation or gender identity, and found no evidence that the company offer domestic partner benefits, we assumed that the company does not extend domestic partner benefits. For two companies, we could not find any information on non-discrimination or benefits policies, so we assumed that the companies do not have sexual orientation and gender identity non-discrimination policies, and do not extend domestic partner benefits.

Further, many companies, including those with sexual orientation and gender identity non-discrimination policies, do not publicly indicate whether they extend domestic partner benefits. If a company did not document that it offers domestic partner benefits in publicly available corporate materials, or was not profiled on the HRC Corporate Employer Database, we assumed that the company does not extend domestic partner benefits. For this reason, our determination that 48% of companies do not offer domestic partnership benefits may be higher than the actual percentage.

For those companies that include sexual orientation and/or gender identity in their non-discrimination policies or extend domestic partner benefits, we thoroughly reviewed company issued-documents, news articles, and other sources to find company statements expressing why these policies were implemented and why the company supports a diverse workforce that includes LGBT people. We then consulted these same sources to find more general statements on diversity within the company or the benefits programs offered by the company. Finally, the companies were contacted twice in April 2011 with a request to provide any information addressing the decision to include sexual orientation or gender identity in the non-discrimination policy or the decision to extend domestic partner benefits. None of the companies have yet responded to the requests for information, so all information in this study is based on written documents described above.

If a company expressed a reason for enacting the policies that was related to corporate competitiveness or success, we coded the motive as economic. We then identified the most commonly mentioned benefits resulting from these policies:

- Recruitment and Retention.
- Ideas and Innovation.
- Customer Service.
- Employee Productivity.
- Public Sector Clients.
- Employee Relations and Morale.

The findings below provide examples of statements that express how these economic benefits accrue from enacting these polices.

Findings

Statements on Sexual Orientation and Gender Identity Non-Discrimination Policies and Domestic Partner Benefits

The majority of companies (53%) that prohibit sexual orientation and gender identity discrimination or extend domestic partner benefits have expressly linked either these specific policies, or diversity that specifically includes LGBT people, to a positive impact on business. Sixty-three percent of the top 50 Fortune 500 companies with these policies have justified them with a business rationale. Similarly, 41% of contractors with such policies have expressly linked these particular policies, or the creation of a diverse workforce that includes LGBT people, to a positive impact on business.

Recruitment and Retention

The most commonly cited economic benefit of sexual orientation and gender identity inclusive non-discrimination policies and/or a diverse workforce that includes LGBT people is that by promoting inclusiveness and equal opportunity, employers are able to recruit and retain the best talent, which in turn makes the company more competitive. For example, a Senior Vice President of top 50 Fortune 500 company, and top 50 federal contractor, Lockheed Martin said of these policies, “Ensuring a positive and respectful workplace and robust set of benefits for everyone is critical to retaining employees.”⁹ Similarly, the chairman and CEO of top 50 Fortune 500 company, and top 50 federal contractor, Hewlett-Packard said that the company decided to extend domestic partner benefits in part to “enhance competitiveness as a great place to work so [the company] can attract and retain top talent.”¹⁰ Making a similar point, Provost Robert Holub of the University of Tennessee, a top 50 federal contractor, said of the omission of sexual orientation from the university’s prior employment non-discrimination policy, “We fool ourselves if we believe that the absence of a direct statement regarding discrimination against gays and lesbians does not harm our institution...We are probably hurt not only by gay and lesbian candidates preferring to go elsewhere, but by heterosexuals who are as horrified as I am that we will not pledge to treat gay and lesbian applicants without prejudice.”¹¹ The university’s policy now includes sexual orientation and gender identity.

Ideas and Innovation

Several of the companies identified the link between these policies and promoting their business success in the variety of ideas and innovations that result from fostering a workforce with a wide range of characteristics and experiences. For example, top 5 federal contractor General Dynamics “recognizes that the best ideas and solutions are developed by gathering input from people who have different perspectives as well as tangible differences...such as age, gender, ethnicity, national origin, physical ability, military experience, and sexual orientation, among others.”¹² Federal contractor Raytheon’s Chief Diversity Officer said that these policies “reflect the strides the company has made to build a culture that recognizes, respects, and leverages individual

and cultural differences. Our commitment to diversity and inclusion is our undeniable pathway to success for individuals and the company.”¹³ And Vice President of Global Workforce Diversity at IBM, a top 50 Fortune 500 company and a federal contractor, said that “at [IBM], we are creating an environment that allows employees to operate in the marketplace and the workplace where they can personally influence client success, foster innovation, as well as exhibit trust and personal responsibility in achieving IBM’s business goals... Our goal is to assemble the most talented workforce in our industry, and to use the skills of that diverse team to respond to the needs of our clients. The contributions that are made by GLBT IBMers accrue directly to our bottom line and ensure the success of our business.”¹⁴

Customer Service

Some companies find that they are better able to serve a diverse customer base when they have a diverse workforce that includes LGBT people. For example, Marcela Perez de Alonso, Executive Vice President of Human Resources of Hewlett-Packard, said that the company “is strongly committed to attracting, developing, promoting and retaining a diverse workforce to better serve our increasingly diverse customers.”¹⁵ Rod Gillum, Vice President for Corporate Diversity and Responsibility at Fortune 500 company General Motors said that “non-discrimination policies and practices... [are the company’s] way of showing GLBT customers that we support the community and appreciate their business.”¹⁶ And Geri Thomas, Diversity and Inclusion Executive of Fortune 500 company Bank of America stated that a diverse workplace that “respect[s] and valu[es] nationalities, cultures, sexual orientation, religions, economic and social backgrounds and disabilities...gives [the company] the advantage of understanding and meeting the needs of diverse customers, clients, and shareholders.”¹⁷

Employee Productivity

Other employers state that these policies increase productivity by LGBT employees who feel valued and comfortable at work. The Director of Diversity at federal contractor Booz Allen has said that the company is committed to “valuing people from all backgrounds, across all cultures, and regardless of sexual orientation or gender identity. We recognize that...our people can serve our clients best when they can be authentic in the workplace.”¹⁸ And an employee of federal contractor Boeing said of the decision to include gender identity in the company’s non-discrimination policy that it would help to create a “fully engaged workforce” that was part of the company’s “core business strategy.”¹⁹

Public Sector Clients

Some of these companies added these policies in response to requirements of public sector clients. For example, federal contractor Bechtel Group added sexual orientation to its non-discrimination policy and extended domestic partner benefits in order to bid for a contract with San Francisco after the city passed an ordinance requiring that all city contractors have a sexual orientation non-discrimination policy and extend equal

benefits.²⁰ Fortune 500 company Chevron extended domestic partner benefits for the same reason.²¹

Employee Relations

Some of these companies added these policies in response to requests from clients or employees. For example, federal contractor California Institute of Technology said that it extended domestic partner benefits to respond to the requests of employees and because doing so was consistent with the university's policy of non-discrimination.²² The "Big 3" auto companies (Ford, General Motors, and DaimlerChrysler), two of which are top 50 Fortune 500 companies, agreed to offer domestic partner benefits in response to union requests.²³

General Diversity and Benefits Statements

Nearly all of the top 50 contractors and the top 50 Fortune 500 companies state in company-issued documents that diversity is good for business. Of these companies that include sexual orientation and/or gender identity in their non-discrimination policies or extend domestic partner benefits, 92% have linked diversity to corporate success (88% of contractors and 96% of Fortune companies), suggesting that these employers treat LGBT employees equally to serve diversity goals. These employers provide similar business-related explanations as the companies above offer in support of non-discrimination policies specific to sexual orientation and gender identity and domestic partner benefits.

Recruitment and Retention

The ability to recruit and retain top talent is also frequently cited by these companies to support diversity more generally. For example, federal contractor Raytheon recognizes "the importance of retaining, attracting and developing a diverse range of world-class talent in employee ranks to maximize the potential of the company, and to bring the most value to the shareholders."²⁴ Fortune 500 company Procter & Gamble states that diversity "enables [it] to be the 'employer of choice' that hires, engages, and retains the best talent."²⁵ And federal contractor Creative Associates International "celebrates and is committed to a vibrant and diverse workforce...[and] know[s] that recruiting and retaining the best talent in [the] field is critical to success."²⁶

Several companies have also recognized that generous benefits programs also help to attract and retain talented employees. For example, federal contractor United Technologies Corporation states that it "will attract, motivate and retain competent, dedicated people by designing compensation and benefits programs that are competitive in our worldwide marketplace."²⁷ And federal contractor Textron states that its "benefits and compensation programs are designed to reflect our commitment to attracting and retaining talented and motivated people."²⁸

Ideas and Innovation

Commonly, contractors and Fortune companies locate the link between diversity and corporate success in the variety of ideas that result from employing a workforce with a broad spectrum of backgrounds and experiences. For example, Ford Motor Company (ranked 8 on the Fortune 500 list, and also a federal contractor) states, “Our diversity makes us a better company, a stronger company, by bringing fresh perspectives, experiences and life responsibilities, and by fostering a truly collaborative workplace.”²⁹ Similarly, top 5 federal contractor Northrop Grumman takes “pride in creating a working environment where diversity and inclusion is valued and leveraged to foster creativity and innovation, thereby allowing us to meet the business challenges of tomorrow.”³⁰ And federal contractor ITT is “committed to building a workforce that mirrors the world in which we do business” because it “will lead to improved creativity, innovation, decision-making, and customer service and is essential to achieving premier status.”³¹

Customer Service

Several employers find that diversity lends to corporate success by allowing the workforce to connect with a diverse customer base. For example, federal contractor HealthNet stated that “the best way to serve [its] diverse member base is by maintaining a diverse workforce.”³² For federal contractor UTC, “diversity is a competitive asset that enables [it] to more closely reflect and respond to the diverse needs of [its] markets, customers and communities.”³³ And Fortune 500 company CVS believes that “having a broad range of ideas and viewpoints through a diverse workforce increases chances of success with the customer.”³⁴

Employee Productivity

Other employers tie diversity in general to corporate success by focusing on an increase in productivity among employees who feel valued and comfortable at work. For example, federal contractor Boeing promotes diversity to “provide a work environment for all employees that is welcoming, respectful, and engaging...[which] in turn increases productivity, quality, creativity and innovation.”³⁵ And federal contractor L-3 Communications, “to compete and win in the industry[,] continually strives to create an environment where everyone is a valued member of the team with the opportunity to maximize his or her personal contribution.”³⁶ And Fortune 500 company SuperValu’s “goal is to create an environment of diversity and inclusion for people of all backgrounds. ...[W]e’ll have an atmosphere where each person feels comfortable and eager to contribute fully.”³⁷

Public Sector Clients

Some employers mention all of these ties between diversity and profitability, along with meeting public sector contract requirements. For example, top 50 federal contractor and top 50 Fortune 500 company McKesson states that “diversity and inclusion are good for business” because these values allow the company to “reflect and respond to a diverse customer base; keep pace with changing demographics; improve productivity, creativity and quality; improve teamwork and decision-making; demonstrate corporate citizenship; and support government contracts.”³⁸



Corporate Values

In addition to stating that diversity is good for the bottom line, several of the top 50 contractors and the top 50 Fortune 500 companies value diversity for reasons not directly related to corporate financial success. Among these reasons, fairness and respect for employees appeared the most often. For example, federal contractor Oshkosh Truck supports diversity in the company because it believes in treating employees “with dignity, respect, and fairness.”³⁹ Fortune 500 company Chevron states that diversity is “good business practice,” but also that it is “the right thing to do.”⁴⁰ Similarly, Fortune 500 company CVS Caremark states that “diversity is consistent with our values of respect and openness, and we believe it is the right thing to do.”⁴¹

Conclusion

Nearly all federal contractors and Fortune 500 companies reviewed in this study have stated that diversity is good for the bottom line. Most of these companies explicitly include sexual orientation and gender identity in their non-discrimination policies, and many explicitly state that differences in sexual orientation and gender identity contribute to the diversity of a workforce. In addition to showing that policies that promote diversity in general make good business sense, a number of employers have also expressly linked the inclusion of sexual orientation and/or gender identity, or the extension of domestic partner benefits, to positive business outcomes.

Endnotes

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