Socioeconomic diversity in the workplace matters

How companies can take action toward equity and inclusion
Latin America

Socioeconomic diversity in the workplace matters

How companies can take action toward equity and inclusion
Letter to the reader

Since 2007, McKinsey’s pioneering research on Diversity, Equity and Inclusion (DE&I) in the workplace has explored how diversity, organizational health and business performance are linked. Two series of reports, Women Matter and Diversity Matters, have shown that there is a strong correlation between diverse companies and happiness, healthiness, and financial results.

This correlation was found true for gender diversity by McKinsey’s Women Matter series in Western Europe, Asia, and Latin America. The Diversity Matters series found that the findings were also true for ethnic and sexual orientation diversity.

As McKinsey continues to push for DE&I in the workplace, the intention of this year’s report is to build on these insights and bring to the spotlight a lens of diversity still little explored in companies’ DE&I agendas: socioeconomic diversity.

Ensuring that employees from all socioeconomic backgrounds are represented in the companies’ workforce and that all of them are equally able to thrive, regardless of background, is particularly relevant given the social and economic challenges Latin America faces, with all countries having inequality levels higher than world average.¹

Socioeconomic diversity in the workplace is not only correlated with healthier companies but can potentially improve the efficacy of initiatives across the DE&I agenda and create meaningful value to society. Furthermore, there is still a large proportion of the population from historically under-represented groups, mainly from lower socioeconomic backgrounds, that is far from being adequately addressed by DE&I initiatives.

We hope this report helps to highlight this under-explored issue throughout the region, provides insight for organizations that believe in the importance of a diverse workforce, and offers practical examples of how organizations are already taking action.

Heloisa Callegaro
Maria Helo
Paula Castilho

¹ The World Bank. Considers the most recent Gini coefficient available for each country. The Gini Index measures the extent to which the distribution of income or consumption among individuals or households within an economy deviates from a perfectly equal distribution.
Latin American companies have become more inclusive and equal over the past three years for historically under-represented groups—including women, the LGBTQ+ community, and Black, Brown, and Indigenous people.1 However, many companies’ efforts on diversity, equity, and inclusion (DE&I) have not been consistent across all under-represented groups. Critical elements have largely been overlooked: socioeconomic diversity.

While around 80 percent of Latin American companies have programs aimed at female employees, and half make an effort to reach LGBTQ+ employees, only a third of the companies surveyed indicate that they have actions or programs in place to promote the inclusion of employees who come from lower socioeconomic backgrounds. These measures are vital for social mobility, and the value created by social mobility is powerful.

Increased social mobility would enhance companies’ performance, as a more prosperous economic context—with increased purchasing power for households and greater economic inclusion for the entire population—tends to create more opportunities for doing business in the region. Considering that inequality in Latin America has been exacerbated by the COVID-19 pandemic, socioeconomic diversity in the workforce is now more important than ever.2

Evidence of the benefits to companies has been also significant. McKinsey research conducted over the past decade and a half has found strong correlation between companies’ commitment to DE&I and their results. This report builds on and expands previous McKinsey research on diversity, adding socioeconomic diversity in the workplace to the discussion. It draws on surveys of more than 5,400 employees and entrepreneurs who are highly diverse regarding gender, ethnicity, sexual orientation, and socioeconomic background in six different countries: Argentina, Brazil, Chile, Colombia, Panama, and Peru. The analyses cover their current and past socioeconomic conditions, educational path, career trajectory, and the diversity seen in their current workplace. The report also draws on in-depth interviews with 44 senior executives and leaders in prominent companies across Latin America who are involved in diversity topics.

The report examines specific challenges faced by employees and entrepreneurs from lower socioeconomic backgrounds throughout their working life: i) obstacles to accessing corporate jobs—which impact the degree of diversity within companies; ii) hardships related to professional growth—which impact inclusion and career development; and iii) obstacles to pursuing an entrepreneurship path—demonstrating that challenges go beyond corporate trajectories. Among the challenges faced, people from lower socioeconomic backgrounds may lack appropriate information on career paths, qualifications, and universities. They also have access to a narrower pool of positions, as they may not meet some of the traditional recruitment criteria. And, even after joining corporate positions, they may find it more difficult to effectively integrate into their workplace, establish strong rapport with colleagues, and access the same opportunities for career growth and training as their peers.

While these challenges may be difficult to overcome, companies committed to DE&I and socioeconomic diversity are likely to experience better organizational health; greater employee satisfaction; higher employee retention and recognition; solid employee commitment; and access a unique pool of talents. In fact, our survey shows employees at companies committed to diversity are four times more likely to be happy than employees at non-committed companies. And they are nearly twice as likely to agree that their leaders act as role models for the values of the organization, and promote trust and open dialogue.

Moving forward, the study points out five key actions that companies can take to go further on their DE&I agenda and specifically address people from lower socioeconomic backgrounds:

1. purposefully track workforce composition based on employees’ socioeconomic backgrounds, and monitor well-being by group;
2. restructure the recruitment process and expand the talent pool, raising awareness about opportunities earlier, recruiting from non-traditional talent pools and dropping noncrucial entry requirements;
3. offer additional company training to allow employees to bridge gaps on hard, soft, and language skills;
4. enhance employees’ sense of belonging by strengthening networking, role modeling, and leadership representation; and
5. include a socioeconomic lens in anti-bias processes to ensure fair career progression.

Footnotes:
1 Black, Brown, and Indigenous also includes multiracial, Asian, Nāvīne Anerika, Mapuche, Aymara, Amerindio, Níkës, and Tsinëk people.
Index

01 Why socioeconomic diversity in the workplace matters 10

02 Obstacles to socioeconomic diversity in the workplace 20

03 Benefits associated with investments in socioeconomic diversity 36

04 How companies can take action to promote socioeconomic diversity in the workplace 46
Why socioeconomic diversity in the workplace matters
Research conducted by McKinsey over the past decade and a half has made it clear that companies that include diverse talents and multiple perspectives throughout their workforce are more likely to outperform their peers.

EXHIBIT 1 — Recap 2020 Latam Diversity Matters

**Gender diversity** versus EBIT

<table>
<thead>
<tr>
<th></th>
<th>Non-diverse companies</th>
<th>Diverse companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of companies with EBIT above industry average*</td>
<td>29%</td>
<td>55%</td>
</tr>
</tbody>
</table>

For instance, McKinsey’s 2020 study on diversity in Latin America found strong correlation between companies’ commitment to DE&I and their financial performance (Exhibit 1).

Over the past three years, employees from historically under-represented groups have been feeling more included in Latin American companies—including women, the LGBTQ+ community, and Black, Brown, and Indigenous people.

The perception of people belonging to these groups regarding equal opportunities for growth and development at work has improved by at least 15 percentage points since 2019.

When it comes to biases in the workplace, fewer people across all under-represented groups report that their gender and sexual orientation played a negative role with respect to career opportunities (Exhibit 2).

Yet, one topic has received little attention until now: Socioeconomic diversity

Yet, one topic has received little attention until now: Socioeconomic diversity

* Companies were classified based on the level of respondent’s agreement to the question “Do you agree that the company is committed to gender diversity?”

Source: McKinsey Diversity Matters report 2020

** Compared to my peers in my current company, I believe that I have an equal opportunity for growth and development*

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender**</td>
<td>64%</td>
<td>79%</td>
</tr>
<tr>
<td>2019</td>
<td>41%</td>
<td>34%</td>
</tr>
<tr>
<td>↓ -7 p.p.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

** I feel that my gender, or sexual orientation, or race has played a role in missing out on a raise, promotion, or chance to get ahead in my work**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sexual orientation***</td>
<td>58%</td>
<td>78%</td>
</tr>
<tr>
<td>2019</td>
<td>31%</td>
<td>26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Race****</td>
<td>65%</td>
<td>80%</td>
</tr>
<tr>
<td>2019</td>
<td>36%</td>
<td>21%</td>
</tr>
</tbody>
</table>


* 2022: % of respondents who answered ‘Somewhat agree’, ‘Agree’ or, ‘Strongly Agree’; 2019 (2020 Diversity Matters Latam): % of who answered ‘Yes’; adjustments were made to allow for comparison of 2019 and 2022 data
** Respondents that self-identify as women
*** Respondents that self-identify as LGBTQ+
**** Respondents that self-identify as Black, Brown, Indigenous, Multiracial, Asian, Native American, Mapuche, Aymara, Amerindio, Nikkei, Tukan
Socioeconomic diversity:
An overlooked agenda key to unlocking DE&I initiatives’ full potential

Many companies have advanced their DE&I agendas, but these efforts have not been consistent across all underrepresented groups. Socioeconomic diversity has largely been overlooked. Despite a common perception that companies should play a larger role in fostering socioeconomic diversity and inclusion—almost 60 percent of all employees surveyed expect companies to engage in such an agenda—companies’ actions to do so are often in the early stages of development.

While more than 80 percent of companies have programs aimed at female employees, and half make an effort to reach LGBTQ+ employees, only a third of companies indicate that they have actions or programs in place for employees who come from lower socioeconomic backgrounds (Exhibit 3).

When DE&I and HR leaders were asked if they knew how many employees in their companies were from underrepresented groups, 95 percent indicated they can track the presence of women, and 55 percent knew the representation of LGBTQ+ employees in their workforce. Yet only 32 percent said that they track workforce composition in terms of socioeconomic background (Exhibit 4).

EXHIBIT 3
For which of the following underrepresented groups does your company have strategies?...?
% of DE&I and HR leaders who said “Yes”

<table>
<thead>
<tr>
<th>Group</th>
<th>% of DE&amp;I and HR leaders who said “Yes”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>82%</td>
</tr>
<tr>
<td>LGBTQIA+</td>
<td>50%</td>
</tr>
<tr>
<td>Black and “Pardo”</td>
<td>50%</td>
</tr>
<tr>
<td>Lower socioeconomic background</td>
<td>32%</td>
</tr>
</tbody>
</table>

EXHIBIT 4
% of DE&I and people leaders who know the number of employees from underrepresented groups*

<table>
<thead>
<tr>
<th>Group</th>
<th>% of DE&amp;I and people leaders who know the number of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>95</td>
</tr>
<tr>
<td>LGBTQIA+</td>
<td>55</td>
</tr>
<tr>
<td>Lower socioeconomic background</td>
<td>32</td>
</tr>
</tbody>
</table>

* Does not consider people who answered “Not sure” OR “Prefer not to answer”
However, among all under-represented groups, people from lower socioeconomic backgrounds make up the largest group in absolute terms across all countries included in the survey, representing from 73 to 87 percent of each country’s population. And this group has the largest mismatch between the number of people employed relative to their demographic representation, with a gap up to 28 percentage points. This gap is the largest in Peru, followed by Brazil and Argentina (Exhibit 5).

Additionally, only around 20 percent of employees were aware of actions aimed to promote socioeconomic diversity in their workplace. And companies that do have some actions in place often do not address the topic in a systematic way. As one DE&I leader at a technology company in Brazil put it, “We have actions in place that touch on socioeconomic diversity, but we lack the intention or organizational capacity to do it in a structured way.”

Including socioeconomic diversity in companies’ DE&I scope—and ensuring it is top of mind for HR and DE&I leaders as well as executives—is key to unlocking full potential. By doing so, companies are more likely to enjoy better organizational health; increase employee satisfaction, retention, and commitment; and access a broader pool of talent. As the research shows, employees working at companies committed to socioeconomic diversity are 80 percent more certain that their companies are open to new ideas to improve ways of working, while leaders from such companies are almost twice as likely to promote a culture of teamwork.

Addressing socioeconomic diversity in the workplace can have positive impact at society level. By promoting the access and inclusion of people from lower economic backgrounds, companies can contribute indirectly to increasing the odds of upward social mobility.

In this sense, looking beyond potential impacts for each company, the benefits for Latin American society can be significant: according to the World Economic Forum (WEF) Index, investing in social mobility could unlock $291 billion in Latin America’s GDP by 2030 (Exhibit 6). This would generate value for families, companies, and countries, including a projected boost to the GDP for all six countries surveyed. Comparable impacts could be also experienced by other countries or regions that have the similar inequality characteristics.

**Investing in socioeconomic diversity can bring significant benefits for Latin American society**
The opportunity cost of low social mobility – Selected Latin America Countries
Cumulative additional GDP growth by 2030 (Billion $) – ordered by largest impact in USD GDP

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP Growth</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Latam total</td>
<td>145</td>
<td>5.5</td>
</tr>
<tr>
<td>BRA</td>
<td>20</td>
<td>5.4</td>
</tr>
<tr>
<td>COL</td>
<td>19</td>
<td>5.9</td>
</tr>
<tr>
<td>CHL</td>
<td>9</td>
<td>6.7</td>
</tr>
<tr>
<td>ECU</td>
<td>41</td>
<td>5.3</td>
</tr>
<tr>
<td>PAN</td>
<td>32</td>
<td>5.2</td>
</tr>
<tr>
<td>PRT</td>
<td>4</td>
<td>5.1</td>
</tr>
<tr>
<td>SLV</td>
<td>6</td>
<td>5.3</td>
</tr>
<tr>
<td>HND</td>
<td>4</td>
<td>5.0</td>
</tr>
<tr>
<td>ARG</td>
<td>4</td>
<td>5.5</td>
</tr>
<tr>
<td>CRI</td>
<td>3</td>
<td>5.0</td>
</tr>
<tr>
<td>URV</td>
<td>2</td>
<td>5.1</td>
</tr>
</tbody>
</table>

The COVID-19 pandemic has heightened the need to act

The pandemic had—among several other consequences—a negative effect on human capital accumulation, intensifying inequality in the region. For instance, 48 percent of the survey respondents from lower socioeconomic backgrounds had to stop attending educational programs, and 39 percent suffered a significant loss of income due to COVID-19.

In parallel, the rapid changes the workplace due to the pandemic—highlighted in McKinsey’s article The future of the workplace: Embracing change and fostering connectivity—could provide opportunities to foster socioeconomic diversity and attract a broader pool of talent. For example, 90 percent of DE&I and HR leaders agree that remote work has helped to attract and provide opportunities for people from lower socioeconomic backgrounds.

Employees also saw benefits: 67 percent indicated that working remotely allowed them to perform better at their jobs and increased their chance of promotion; 47 percent said that remote work enabled them to start a new career; and 42 percent said this way of working allowed them to work for a company in another city, something they would not have been able to do before.

Many companies have already taken the first steps in building their DE&I agendas and the workplace is on its way to becoming a more inclusive and egalitarian place.

The challenge now is to make the initiatives intersectional and consistent across all groups—it is critical to explore the specific challenges faced by people from lower socioeconomic backgrounds.

Obstacles to socioeconomic diversity in the workplace
People from lower socioeconomic backgrounds face specific challenges throughout their professional lives. These are: i) obstacles to accessing corporate jobs; ii) hardships related to professional growth; and iii) difficulties in pursuing an entrepreneurship path.

### Access to corporate jobs: Challenges beyond recruitment

**First job opportunities**

When asked about their first jobs, 44 percent of people who had experienced social mobility believed that their first job contributed to improving their lives. Nonetheless, they recognized that the process of applying to a first formal job was accompanied by numerous hurdles.

Across all six countries, when asked about the challenges faced for entry-level jobs, 67 percent said that they lacked the required experience, and 42 percent said they could not get referrals; these being the two greatest obstacles to getting the all-important first job.

Other challenges varied across countries, depending on the recruiting processes, and include not knowing how to do an interview (23 percent); not knowing where to look for a job (22 percent); and not having an appropriate CV (19 percent). These hurdles show that the challenges of accessing job positions are not limited to the recruitment process or the job interview itself but are far-reaching and widespread. Access to the internet or computer programs and a lack of formal clothing were also identified as obstacles, but to a lesser extent than the former ones (6 percent and 5 percent respectively).

### Lack of information

Obstacles in the general recruitment process are correlated to two main difficulties that people from lower socioeconomic backgrounds face: first, a lack of information, and second, the mismatch between educational requirements for job positions and the qualifications held by applicants.

Information about employment and development opportunities is crucial. However, only 50 percent of people from lower socioeconomic backgrounds are aware of which companies could offer them good opportunities for career growth. Approximately 65 percent of people from this group did not know which universities could provide them with good career prospects, they didn’t know about the entrance criteria, or even which career to choose—compared to around 45 percent of the group from higher socioeconomic backgrounds. A Brazilian entrepreneur from a lower socioeconomic background, who has experienced social mobility said, “I used to play football with some guys; when they turned 18, they started talking about university—I didn’t know exactly what that was and how this could impact my future positively.”

This lack of information extends to careers. For example, people from lower socioeconomic backgrounds lack information about careers in business and technology, often promoted by companies as areas with good career opportunities. People who have experienced social mobility tend to have more information about such careers compared to those from similar backgrounds who have not experienced social mobility. Stereotypes and lack of role models for some career paths can also affect the probability of some groups exploring career possibilities.

A female software developer, who has experienced social mobility, said, “I thought a career in tech was for men and for privileged people, but I was encouraged to pursue it when I saw people like me doing it.”

### Challenges faced by specific groups

When it comes to accessing corporate positions, challenges are either specific to, or intensified for, candidates from lower socioeconomic backgrounds.
Job requirements

People from lower socioeconomic backgrounds are less likely to meet the educational prerequisites for jobs. Regardless of background, most respondents said they faced obstacles to further study. However, this was markedly higher for those from lower socioeconomic backgrounds. Almost 90 percent of people who had not experienced social mobility said they faced obstacles to studying further, particularly lack of money and time. (Exhibit 7).

The desire for more education is evident, as only between 1 and 6 percent of respondents, across countries, indicated that they do not want to study further or could not find courses that would help their development.
The challenges to study more can impact not only the degree of education, but also create gaps in specific skills between peers with similar education levels but different socioeconomic backgrounds. Also, reviewing entry requirements can be key to allowing people from lower socioeconomic backgrounds to access a broader pool of job opportunities.

This is particularly relevant when evaluating candidates on their ability to speak a second language or perform specific work-related activities.

**Language knowledge and software-based skills**

Knowledge of the English language has become increasingly important in the Latin American corporate context, but those from lower socioeconomic backgrounds may not have had the same opportunity as people from higher socioeconomic backgrounds to learn it. As the head of DE&I at a technology company explained,

“The survey reveals that English proficiency is not a common skill among people from lower socioeconomic backgrounds. While 35 percent of respondents who have not experienced social mobility indicated that they speak English at an intermediate level or above, 66 percent of those from higher socioeconomic backgrounds reported that they do—essentially, across the region, those who come from higher socioeconomic backgrounds are almost twice as likely to speak English than those from lower socioeconomic backgrounds. This gap is slightly more pronounced in Brazil and Colombia (2.3 times and 2.1 times, respectively).

When it comes to software-based capabilities, such as advanced spreadsheet skills, a similar pattern emerges: only 66 percent of people from lower socioeconomic backgrounds who had not experienced social mobility said they could use such programs, compared to 83 percent from higher socioeconomic backgrounds (Exhibit 8).
Therefore, making recruitment decisions based on these abilities or other specific skills may hamper the potential for socioeconomic diversity, and may prevent companies from hiring talented individuals. An executive we interviewed posed the question: 

"Do you need someone with advanced spreadsheet skills because you need a person that knows all the formulas or someone with the ability to think critically?"

Companies are exploring creative solutions. Instead of making English and spreadsheet skills entry requirements, they help employees to develop these skills once they are hired. In presenting this initiative, an executive said: "We decided to drop English as a requirement for our trainee program, and instead we offered language courses for those people coming from lower socioeconomic backgrounds. We were pleased to see that after just six months, most people were able to present in English."

Professional growth: Under-representation, culture, and training

People from lower socioeconomic backgrounds continue to face significant challenges even after entering corporate jobs, mainly associated with a lack of inclusion and professional development opportunities.

Under-representation in management and executive levels

Employees from lower socioeconomic backgrounds remain under-represented in management and executive roles, despite having similar career ambitions as their peers from higher socioeconomic backgrounds.

Only 45 percent of people who have experienced social mobility hold such positions, compared to 59 percent of people from higher socioeconomic backgrounds (Exhibit 9).

EXHIBIT 9

What is your current position?*

<table>
<thead>
<tr>
<th>People experiencing social mobility</th>
<th>Higher socioeconomic background</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% Executive level</td>
<td>14% Executive level</td>
</tr>
<tr>
<td>37% Management</td>
<td>45% Management</td>
</tr>
<tr>
<td>55% Entry/Field-level</td>
<td>41% Entry/Field-level</td>
</tr>
</tbody>
</table>

* Field/Entry level includes Field positions, Intern and Entry-level/non-manager; Management includes Manager and Senior manager; Executive level includes Vice President and C-Level/Executive
Perception of employees regarding their career opportunities also varies among groups.

Employees from lower socioeconomic backgrounds are less confident that they receive equal opportunities to develop and grow in their workplaces. While 77 percent of people from lower socioeconomic backgrounds believe they have equal opportunities for growth and development, 84 percent of people from higher socioeconomic backgrounds stated the same.

The gap is even wider when looking at groups in which diversity characteristics intersect. For example, in Brazil, only 51 percent of Black people from lower socioeconomic backgrounds believe they have an equal opportunity to grow and develop at work.

Training offerings

Moreover, data shows that people from lower socioeconomic backgrounds are exposed to fewer hours of in-company training. Training opportunities, for both hard and soft skills, can be vital to increase prospects for social mobility and promote more robust socioeconomic diversity within the workplace. However, consistently across all countries, people from lower socioeconomic backgrounds receive fewer hours of training—in both skillsets—than people from higher socioeconomic backgrounds. One reason for this is that in-company training is more focused on employees in managerial and executive roles, where people from lower socioeconomic backgrounds are still under-represented.

The gap in hours is wider for soft-skills training, with people from higher socioeconomic backgrounds having access to 53 percent more training hours than those with lower socioeconomic backgrounds (Exhibit 10).
Workplace culture and sense of belonging

Another significant barrier to inclusion—often an intangible one—is the challenge of connecting and integrating with peers. People from lower socioeconomic backgrounds are less likely to share hobbies and common references with their colleagues from higher socioeconomic backgrounds, which can reduce opportunities to casually and spontaneously connect with their peers based on common interests and experiences. As one employee put it, “At my company, I felt that there was no one to talk about things I like to do, I didn’t share interests with most of my colleagues—I was not feeling that I could be myself at work.”

Similarly, the feeling of not being able to be oneself at work is intensified among specific under-represented groups, especially when considering diversity through an intersectional lens.

For example, while 79 percent of non-LGBTQ+ employees from higher socioeconomic backgrounds feel they can be themselves at work, only 58 percent of LGBTQ+ employees from lower socioeconomic backgrounds feel the same, a 21 percentage-point difference.

People who have experienced social mobility may have less feelings of belongingness. They may feel distant from co-workers as they do not share a similar background, and they may feel disconnected from family and their childhood communities as they no longer share a comparable lifestyle. A manager from a Brazilian real estate company who experienced social mobility shared that “Since joining the company, I always had to choose between celebrating my achievements with my colleagues from work or with family and friends from the community where I grew up. Never all together. My family does not feel comfortable going to the restaurants where I am used to having dinner with my co-workers, nor are my co-workers used to commuting to the area where I live—which is quite far from our workplace.”

Workplace culture is subtle, but a powerful determinant of acceptance and connection. Thus, it is necessary to create a truly inclusive environment that considers the circumstances of people who come from lower socioeconomic backgrounds. As an example, when promoting an integration event, some participants may need support with transport. A specific dress code could also be a barrier for people to feel comfortable in participating in such events or office life.
Entrepreneurship path: Challenges beyond corporate trajectories

Despite the fact that people across all groups have similar ambitions to become entrepreneurs (between 83 and 88 percent), people from lower socioeconomic backgrounds do not have the same opportunities as those from higher socioeconomic backgrounds to do so.

Entrepreneurs from higher socioeconomic backgrounds are better able to access initial capital and loans, while people from a lower socioeconomic background see this as the most prevalent challenge to overcome (Exhibit 11).

In the context of unicorn startups, the discrepancy in the representation of social groups is alarming. Looking at socioeconomic background and gender for instance, all Brazilian unicorn founders have at least a degree in business, social sciences, science, or engineering, and 97 percent are men. This greatly contrasts to the general entrepreneur landscape in the country where approximately 40 percent of founders do not have a degree and the majority are women (57 percent), according to McKinsey’s 2020 Brazil Digital Report.

EXHIBIT 11
What are the main obstacles to having your own business?
% of respondents of people experiencing socioeconomic mobility that picked the obstacle as #1

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>LATAM</th>
<th>AR</th>
<th>BR</th>
<th>CO</th>
<th>MX</th>
<th>EC</th>
<th>TH</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of initial capital or credit/loans</td>
<td>41</td>
<td>35</td>
<td>37</td>
<td>43</td>
<td>45</td>
<td>65</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>Financial management — difficulties to keep the business profitable in the beginning</td>
<td>15</td>
<td>10</td>
<td>13</td>
<td>20</td>
<td>16</td>
<td>12</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Bureaucracy and legislation too complicated to open a business</td>
<td>14</td>
<td>21</td>
<td>19</td>
<td>7</td>
<td>12</td>
<td>7</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Lack of the needed network to start the business</td>
<td>12</td>
<td>16</td>
<td>5</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>Intense market competition</td>
<td>9</td>
<td>9</td>
<td>11</td>
<td>12</td>
<td>8</td>
<td>0</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>People management – difficulties to recruit and manage people in the beginning</td>
<td>5</td>
<td>5</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>0</td>
<td>2</td>
<td></td>
</tr>
</tbody>
</table>
03
Benefits associated with investments in socioeconomic diversity
**Better organizational health**

Companies committed to increasing socioeconomic diversity are healthier, which is reflected by higher scores on the Organizational Health Index (OHI)\(^{10}\), as found in the 2020 Diversity Matters: Latin America report. This means that these organizations have greater ability to align around a common vision, execute against that vision effectively, and renew themselves through innovation and creative thinking.

Employees in companies committed to promoting diversity with regard to socioeconomic backgrounds have higher perceptions of key OHI indicators across all nine dimensions of organizational health\(^{11}\) in their companies compared to employees in companies not committed to socioeconomic diversity.

People who work in companies committed to socioeconomic diversity are nearly twice as likely to agree that their leaders act as role models for the values of the organization and promote trust and open dialogue. These respondents are also nearly twice as likely to agree that their company effectively utilizes talent to generate a competitive advantage, and that it has a clear, compelling, and effectively communicated vision of the company’s future, including their employees’ place in it.

The positive effect that a commitment to DE&I may have on a company’s OHI may be significant, particularly since OHI is a good indicator of sustained performance, and a high OHI score correlates to tangible financial benefits. The 2020 Diversity Matters Latin America report found that companies with a high OHI score are 1.6 times more likely to outperform their peers in their respective industries, with an EBIT above the industry average (Exhibit 12).

---

10 The OHI draws on an extensive McKinsey database, surveying nearly 60,000 employees at 40 companies in Latin America, as well as a global dataset of five million surveys in 100 countries. The index uses a diagnostic framework and organizations are measured against critical health outcomes to determine an overall OHI score.

11 The OHI covers nine dimensions of organizational health—direction, accountability, coordination and control, external orientation, leadership, innovation and learning, capabilities, motivation, and work environment.
Greater employee satisfaction

Beyond all the benefits it brings companies, a commitment to DE&I makes employees more satisfied with work and the workplace. In fact, employees at companies committed to diversity are four times more likely to be happy than employees at non-committed companies (Exhibit 13).

EXHIBIT 13
Overall, how happy are you with your company?
% of “Very happy”, “Somewhat happy” and “Not happy” (sum of “Very unhappy”, “Somewhat unhappy” and “Neither unhappy nor happy”)

<table>
<thead>
<tr>
<th>Not happy</th>
<th>Somewhat happy</th>
<th>Very happy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies not committed to socioeconomic background diversity</td>
<td>50%</td>
<td>18%</td>
</tr>
<tr>
<td>Companies committed to socioeconomic background diversity</td>
<td>11%</td>
<td>42%</td>
</tr>
</tbody>
</table>

87 percent of DE&I and HR leaders reported that since DE&I initiatives were put in place, the overall sense of belonging in the companies increased, making employees feel accepted and valued. Also, people who work in companies committed to socioeconomic diversity are 60 percent more likely to agree that their corporate environment is highly collaborative. Both these elements can contribute to the enhancement of employee satisfaction at work.

Higher employee retention and recognition

A commitment to DE&I can help to create a company where employees are more likely to stay longer. Employees at companies committed to socioeconomic diversity expected to stay at their companies 3.6 years on average, which is ~12 percent longer than employees at companies not committed to diversity.

This difference was as high as 21 percent for Colombian respondents and 16 percent for Panamanians (Exhibit 14).

Along with greater retention, companies committed to socioeconomic diversity tend to have more mobility regarding positions and functions, including 40 percent more frequent employee promotions in general, which could point to a more vocal appreciation of employees’ achievements and development. A higher frequency of promotions among people with higher socioeconomic backgrounds (62 percentage points) still mostly drives the difference, but people experiencing social mobility are also positively impacted, with promotions 30 percent more frequent in companies committed to socioeconomic diversity.
Solid employee commitment

Investing in socioeconomic diversity may allow companies to benefit from the unique skills and talents that people from diverse backgrounds have to offer. For instance, employees who have experienced social mobility are more likely to identify themselves as committed, with ownership, and able to bring their specific experience to bear on their work. They are also perceived by companies as loyal and energetic.

In Brazil, for example, 70 percent of respondents from lower socioeconomic backgrounds who have experienced social mobility pointed out "committed" as one of their distinguishing characteristics, compared to 64 percent of those from higher socioeconomic backgrounds.

As for ownership, the biggest difference among groups was found in Panama, as 66 percent of respondents who have experienced social mobility selected "ownership" as one of their distinguishing characteristics, compared to 57 percent of those from higher socioeconomic backgrounds.

Such commitment can also have a positive impact on how employees value their work and their performance—91 percent of employees who work at companies committed to socioeconomic diversity agree that their work is important to them. The same percentage agree that their performance is important to them—an 11 percentage-point difference compared to employees working for companies that are not committed to socioeconomic diversity (Exhibit 15).

EXHIBIT 15
Please indicate how strongly you agree or disagree with each of the following statements
% of people who experienced mobility that answered "Strongly Agree" and "Agree" for each affirmation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Companies committed to socioeconomic diversity</th>
<th>Companies not committed to socioeconomic diversity</th>
</tr>
</thead>
<tbody>
<tr>
<td>My work is important to me</td>
<td>91</td>
<td>80</td>
</tr>
<tr>
<td>My work performance is important to me</td>
<td>91</td>
<td>80</td>
</tr>
</tbody>
</table>

* Total of respondents, without socioeconomic division, were considered for Panama to ensure representativeness of the sample.
Access to a unique talent pool

Companies can benefit from DE&I initiatives aimed at broadening their talent pool as they will access a higher number of candidates. This, however, is not the only benefit of DE&I initiatives. Investing in socioeconomic diversity and inclusion in the workplace can also generate new business solutions, attract new clients, foster innovation, and improve company culture, all derived from the varied perspectives that people from different backgrounds can bring to the table.

One telecom executive noted, “Different backgrounds bring new visions to the workplace, which can translate into improvements in the way we work.” And a DE&I leader at a mobile company observed, “An employee from a lower socioeconomic background could unlock a problem we were having with some low-income service providers, by understanding that our standard payments procedure was not working for them, as they could not wait several days to get paid. Bringing a different perspective was fundamental in deciding how to effectively engage with the providers.”
How companies can take action to promote socioeconomic diversity in the workplace
Despite the challenges still faced by companies in the implementation of DE&I initiatives, many companies have been advancing in this agenda. The next step that companies should consider is to develop DE&I initiatives targeting socioeconomic diversity to amplify the agenda’s potential. Initiatives for promoting socioeconomic diversity can comprise both the expansion of actions already focused on increasing diversity, equity and inclusion in the companies, and new initiatives that can be tailored specifically to the circumstances of people from lower socioeconomic backgrounds.

Companies can consider the following five actions:

**01 Purposefully track workforce composition based on employee’s socioeconomic background, and monitor well-being**

A structured approach to socioeconomic diversity starts from purposefully tracking workforce composition. Understanding the representation of employees based on socioeconomic background allows companies to set data-driven goals and act toward them. Also, assessing employees’ progress and well-being in a targeted way can be key to monitor DE&I initiatives’ effectiveness as it allows companies to pinpoint gaps— in terms of diversity and inclusion efforts—and implement measures to address them.

Most DE&I and HR leaders have information on how many employees are female, LGBTQ+ people, or Black people. For instance, one company was able to use such approach to identify gaps in equal opportunities for women, demonstrating the assessment’s potential to other under-represented groups. “We noticed that women were receiving fewer promotions because they were given less important projects. We turned this around by giving them more opportunities and exposure,” said a technology company’s DE&I leader. Having information on employees’ socioeconomic background could enable similar analysis focused on socioeconomic diversity.

**02 Restructure the recruitment process and expand the talent pool**

Companies can broaden the talent pipeline by dropping non-crucial entry requirements, assessing interviewers’ skills, and developing actions to raise awareness about opportunities earlier and to a larger group of talents.

As for other under-represented groups, initiatives that focus on ensuring fair evaluation of candidates, and preventing the interference of interviewers’ biases on recruitment decisions (for example, blind reviews) can be effective in hiring diverse talent. However, specifically for people from lower socioeconomic backgrounds, the highest impact comes from reviewing selection requirements.

There is a frequent mismatch between candidates’ experience and the prerequisites currently required by companies in their application processes. By reviewing requirements for language skills—and others that could easily be taught once employees are hired— companies could access a wider talent pool. As an executive at an energy provider expressed it, companies are still searching for all the hard skills needed for the job instead of someone with the potential to develop them. They could also reassess the interview process. Almost 90 percent of companies surveyed said that investing in interviewers’ skills would be effective in attracting a broader range of candidates, and 47 percent were already doing this. “Interviewers tend to look for people like them. We need to guarantee leaders are able and comfortable to identify potential in candidates from a lower socioeconomic background,” explained one executive. Additionally, 82 percent of companies said that connecting with local communities would be effective in widening the talent pool, and 32 percent are already doing so.

Raising awareness about career opportunities earlier and making information available to a larger pool of talents are also actions companies can take. For example, developing programs focused on high-school students or recruitment in universities that are currently overlooked are ways of increasing people from lower socioeconomic backgrounds’ access to information on career and job opportunities.

**Talking to non-traditional talent**

A services company organized an event to introduce the company’s digital capabilities center to public high-school students, who traditionally are not usually targeted by recruitment events. This provided an opportunity for non-traditional candidates to expand their horizons. One of the participants reported, “I had already given up on my future, but after today I started dreaming again.”

“Going to places where diversity is more easily found includes expanding the list of universities we hire from and partnering with them to reach candidates from lower socioeconomic backgrounds,” said an oil and gas executive.

**Monitoring employee well-being**

Companies are progressively understanding the importance of tracking their employees’by group. A company in the technology sector created a well-being index to measure psychological safety levels for each under-represented group, including those from lower socioeconomic backgrounds. This provides monitoring of employee well-being that goes a step further than traditional DE&I and key performance indicators.
Offer additional company training to allow employees to bridge gaps on hard, soft, and language skills

Recruiting based on talent’s potential could go hand in hand with a commitment to provide training, practice, and coaching opportunities that allow employees from lower socioeconomic backgrounds to bridge gaps they might have in hard, soft, and language skills due to lack of access to equal opportunities.

Being offered challenging opportunities to learn new capabilities, receiving sponsorship for higher education degrees, and getting training to acquire the necessary skills to progress in their jobs are three initiatives highly valued by people from lower socioeconomic backgrounds.

Development offerings could also include supporting employees to expand their career perspectives. This path was taken by a retail company that offered high-performing logistics employees the opportunity to study software development. The company now benefits from these scarce skills, and employees are able to enter a career with higher salary expectations and greater demand.

Sponsoring development opportunities

“I had a sponsor that knew my ambitions. He connected me to one of the company’s subsidiaries where there were more growth opportunities and sponsored my participation in a series of in-company trainings, later I moved there and it was where I had most of my career progress,” said a middle manager at a large energy company.

Enhance employees’ sense of belonging by strengthening networking, role modeling, and leadership representation

A sense of belonging can be vital to help employees from lower socioeconomic backgrounds to feel fully included and supported in the workplace. These employees feel less at ease to be themselves at work and have fewer role models and mentors over the course of their lives. More than half of respondents from lower socioeconomic backgrounds said they did not have any mentors; by contrast, 51 percent of respondents from higher socioeconomic backgrounds said they had at least one mentor, with 13 percent reporting they had multiple mentors to whom they could turn for support and advice.

Networking can also be more challenging for people from lower socioeconomic backgrounds, at the beginning of their careers. “When moving to a new company, a privileged person probably knows someone at the company who can help him or her integrate faster. For the people coming from lower socioeconomic backgrounds, having someone to take them to lunch on day one can be very important,” said one executive.

Companies can foster belonging by pairing members of this group with other colleagues and potential sponsors, and assigning mentors.

Ensuring leadership teams include people from diverse backgrounds and incentivizing open discussions about socioeconomic diversity can increase employees’ knowledge about their leaders’ trajectories and enhance the number of role models with whom employees from lower social economic backgrounds could build a stronger rapport. One DE&I executive acknowledged the importance this, saying, “It is hard to stimulate under-represented talents to thrive when they do not have someone who could be a proven example”.

Along with that, ensuring leadership buy-in and making diversity a top priority within the company’s strategy is key to broadening efficacy and reach of the DE&I initiatives put in place.

Building networks and visibility

A company in the telecommunications sector promotes events so that people from lower socioeconomic backgrounds can share their journeys with the company. This serves two purposes: it promotes visibility and awareness, and it inspires greater inclusivity for people from different backgrounds. The initiative also helps develop role models so that other people with similar profiles could connect and have support in their development journeys.

Talking to managers can also be effective. For instance, a retail company holds monthly workshops with management-level leadership to discuss best practices for socioeconomic inclusion and bias reduction. With this initiative, the company has seen improved scores for acceptance and psychological safety indicators for employees from lower socioeconomic backgrounds.
Include a socioeconomic lens in anti-bias processes to ensure fair career progression

Companies have already taken the first steps toward integrating, developing, and retaining talents from lower socioeconomic backgrounds by conducting equal pay analyses (76 percent) and looking for ways to make promotion fairer (63 percent). However, less than 30 percent of companies have bias checkers in the decision-making process, which could prevent discrepancies in career progression among groups. One oil and gas executive said internal research had found that people from lower socioeconomic backgrounds waited 60 percent longer for promotion than peers with higher socioeconomic backgrounds. Actions to target such issues can include anti-bias training and discussions before evaluation cycles or any other relevant internal process.

Reviewing the criteria on which employees’ performance is assessed is also crucial to identify hidden bias. For this reason, a technology company is examining the underlying assumptions considered in its evaluation process. An executive at the company said, “One characteristic we evaluated was showing presence—but what is presence? What does it mean for groups who throughout their lives were conditioned not to speak up?”

Using data analysis to identify bias

A Brazilian technology company is integrating an anti-bias algorithm across its organization to improve performance assessments. The company defines the normal performance curve for all employee subgroups, and assessments from peer reviewers are compared against the forecast. The algorithm automatically corrects deviations from the mean and presents the assessor with a new proposal that removes the bias. Assessors are then able to accept or reject the proposed revision.

“In over 80 percent of cases, the evaluator accepts the algorithm recommendation,” said the company’s chief people officer.

Latin American companies have already taken important steps in fostering a more diverse, egalitarian, and inclusive workplace. However, many of these efforts may have overlooked categories like socioeconomic backgrounds. The challenge now is to make initiatives intersectional and consistent across all groups, for which incorporating socioeconomic diversity in DE&I agendas is crucial. Companies stand to benefit from including a socioeconomic lens in DE&I initiatives, and these benefits will extend to Latin American society too.

Companies can expect to see happier and more committed employees, who bring new perspectives to their work, and overall improvements in organizational health. Society can benefit from greater social mobility and the inclusive prosperity this can bring to the region. Committing to such agendas should be the next step to keep pushing DE&I further, finding ways to widen the access to diverse talent, and implementing creative solutions for employees from different socioeconomic backgrounds. It is our hope that this report helps to inform the conversation on the path forward.
Methodology

Research participation

The report is based on a survey conducted with 5,449 people across six countries in Latin America (Argentina, Brazil, Chile, Colombia, Panama and Peru), aged 24 or older, currently employed or who own a formal business with at least one employee. The sample comprised 1,001 respondents for Argentina; 1,005 for Brazil; 1,001 for Chile; 1,003 for Colombia; 915 for Panama; and 924 for Peru.

The survey questions covered multiple themes related to the participants’ personal trajectory, professional experience, and perception of the workplace as well as demographic questions. It included multiple choice, ranking, and labeled response scale questions.

For each country’s sample selection, quotas were applied to the following diversity characteristics to ensure a significant number of respondents of each group: gender, ethnicity, sexual orientation, professional trajectory, and socioeconomic background.

In addition, 44 interviews were conducted with diversity, equity, and inclusion (DEI) and HR leaders as senior executives of companies with activities in one or more of the six Latin American countries.

All data collection occurred between April and June 2022. The data sets represent a point-in-time snapshot and reflect the companies’ information and employees’ experiences at the time that the survey was taken.

The information taken from previous McKinsey studies and external public data is indicated in footnotes where applicable throughout the report.

Definition of participants’ groups

Participants were grouped according to their current socioeconomic conditions and those when they were growing up. The groups analyzed were:

- **People from lower socioeconomic backgrounds who have not experienced social mobility.** Their parents completed up to high school, and/or they faced food insecurity, and/or had limited access to health services when growing up—and now experience similar issues and/or have studied only up to high-school level themselves.

- **People experiencing socioeconomic mobility.** Like the first group, their parents completed up to high school, and/or they faced food insecurity, and/or found it difficult to access health services when growing up. But, unlike the first cohort, they no longer face these issues and they have completed at least a technical qualification.

- **People from higher socioeconomic backgrounds.** Their parents have at least a technical qualification. They have always been food secure, have accessed health services when needed, and they have completed at least a technical qualification.

Food security and access to health services were assessed based on a level of agreement to the following statements: “Food scarcity was a concern for me growing up/ is a concern for me today” and, “Access to basic health and medicines was a struggle for me growing up/ is a struggle for me today.”

Any additional respondents’ grouping criteria that may have been applied to specific analysis is indicated where pertinent throughout the report.

Definition of companies’ groups

Companies were grouped according to their commitment to socioeconomic diversity, considering employees’ level of agreement to the statement, “The company where I work is committed to socioeconomic diversity.” Analyses aggregated the top-three and bottom-three options of the response scale (“somewhat agreed,” “agree,” and “strongly agree”) for companies committed to socioeconomic diversity, and “somewhat disagree,” “disagree,” and “strongly disagree” for companies not committed to socioeconomic diversity.

Data analysis

Survey results were analyzed by country. All differences noted in this report are statistically significant at a 95 percent confidence level and results presented have a margin of error of plus or minus three percentage points.

Demographic data

For demographic analysis, public data was considered for each country:

- **Argentina:** LGBT+ Pride 2021 Ipsos Global Survey; laiacion.com.ar analyzing data from EPS/Indec and CEM/AAE classes C3, D1, D2/E were considered in the lower socioeconomic background group;
- **Brazil:** LGBT+ Pride 2021 Ipsos Global Survey; socioeconomic classes CDE as for Critério Brasil 2021 - Associação Brasileira de Empresas de Pesquisa were considered in the lower socioeconomic background group;
- **Chile:** LGBT+ Pride 2021 Ipsos Global Survey; people with per-capita household income equal to or less than 3 national minimum wages (social classes C3, D, and E from AIM - Asociación de Investigadores de Mercado y Opinión Pública, 2021 classification) were considered in the lower socioeconomic background group;
- **Colombia:** LGBT+ Pride 2021 Ipsos Global Survey; DANE, 2018 – Colombia; people with per-capita income equal to or less than 3 national minimum wages were considered in the lower socioeconomic background group;
- **Panama:** 2018 Income levels from Instituto Nacional de Estadística y Censo (INEC); people with per-capita annual income equal to or less than USD3,000 were considered in the lower socioeconomic background group; and
- **Peru:** LGBT+ Pride 2021 Ipsos Global Survey; interpretation of data from Instituto Nacional de Estadística e Informática de Perú (INEI); people with per-capita income equal to or less than 3.5 national minimum wages (assuming an average household size of 3.6) were considered in the lower socioeconomic background group.
Socioeconomic diversity in the workplace matters

Art and design
Conrado Sertorio, Evee Avila, Fabio Yoshida, and Thiago Limão (illustrations)

Communications
Anabel Suero, Barbara Roncada, Cristiane Matos, Giovana Fazio, Laura Valente, Marcelo Badistella, Mariana Almeida, Paula Duran, Priscila Bianchi, Vinicius Camargo, and Jackie Fermo and Jocelyn Newmarch, from Douglas Knowledge Partners

Contributors
Ankit Jain, Celso Moreas, Claudia Zaroni, Pedro Antonacio, Resil Das, and Utkarsh Rathi for survey and data analysis

Carolina Manrique, Camila Muratore (alum), Fernanda Wurmli, Florencia Mutner, Gabriel Bezerra, Geraldine Coronel, Igor Vieira, Isolanda Correai, Magdalena Badal, Pedro Sarasqueta, and Zoroastro Souza, for contributions to the report

Acknowledgements
The authors would like to thank the following senior colleagues for their commitment to the study: Fernando Ferrari, Francisco Ortega, Reinaldo Fiorini, Alonso Razetto, Angela Samper, Federico Ruiz Guiñazu, Julio Giraut, Mauricio Janauskas, Jaime Szeghti, Filipe Freire, Sara Prince and Monne Williams. They would also like to specially acknowledge Henrique Fagundes, Margaret Swink, Robin Lore, Florencia Dellacqua, Gian Romano and Laura San Miguel for their great contributions.

The authors would also like to thank all companies and respondents that participated in the survey for their central contribution to the report.