Workforce Diversity and Discrimination Issue Facing Employees: Evidence from S&P 1500 Firms

ABSTRACT

In this study, we focus on a seemingly paradoxical phenomenon: while more firms are increasingly committed to diversity initiatives, the discrimination issues in business have ironically increased. Using a sample of S&P 1500 firms from 2009 to 2021, we found that a firm's workforce diversity commitment increased the incidents of discrimination issues facing employees. We aim to provide insights on why a firm's workforce diversity might fail to achieve its intended goals, or even worsen the underlying issues. We argue that firms might fail to walk the talk in implementing their diversity initiatives commitments. Employee silence could prevent firms from noticing the discrimination issues or receiving the feedbacks about the diversity initiatives. Also, workforce diversity might lead to unfavourable stereotypes against the targeted employees. We also examined the conditions under which a firm's diversity initiatives tend to be more or less effective in addressing the issues of discrimination in employment.

Keywords:

Discrimination in employment, workforce diversity commitment, social management controversies, globalization, board cultural diversity, employee training and career development.

Introduction

The present study focuses on a seemingly paradoxical phenomenon: while more firms are increasingly committed to diversity initiatives, the discrimination issues in business have ironically increased. Discrimination in employment has been a severe issue facing the employees and the firms. For instance, over half of workers in the U.S. have either experienced or witnessed the discrimination issues at their workplace (Schmidt, 2022). Since 2018, many large firms, such as Google, Uber, and Coca-Cola have paid out multimillion dollars of settlements on workplace discrimination lawsuits (Business Insider, 2020). Discrimination in employment takes different forms, such as the discriminations on gender, racial ethnicity, age, religion, and so on. So, it is able to negatively affect a broad group of employees with different demographic backgrounds. Stakeholders have been pressuring firms to promote a diversity climate at workplace and mitigate the issues of discriminations in business (Buchter, 2021; Zhang, 2022). In response, firms are increasingly committed to diversity initiatives to help the different groups of minority employees who may be the victims of discriminations in the firm (Nadarajah, Atif, & Gull, 2022; Richard, Triana, & Li, 2021). In the U.S., firms spend billions of dollars on diversity initiatives each year (Leslie, 2019).

Nevertheless, whether the firm's diversity initiatives are effective in achieving the intended goals has remained an open question (Leslie, 2019; Thomas, Sugiyama, Rochford, & Stephens, 2018). If diversity initiatives had worked as expected, why we have not observed a great reduction in discrimination issues in the firms? Instead, in many cases, the incidents of such issues are likely to exacerbate despite of a firm's diversity initiatives (Leslie, 2019). Therefore, the present study seeks to investigate the impact of a firm's workforce diversity commitment on the discrimination issues in employment. We intend to explain why a firm's workforce diversity commitment would not achieve its intended goals, and even make the underlying issues worse. Equal importantly, we examine different conditions under which a firm's workforce diversity commitment could be more or less effective in addressing the issues of discrimination in employment.

The firm's diversity initiatives are not always as effective as they claimed (Leslie, 2019). In some cases, diversity initiatives may fail to produce the positive outcomes to the targeted groups like employees (Wiener, 2016). Ensuring firms are implementing their diversity initiatives could be challenging (Buchter, 2021). Especially, a gap between firm's policy and implementation could exist when the firms merely attempt to respond to external pressures (Mun & Jung, 2018). The external mandates that underpin diversity and equality do not easily translate to clear task enforcement inside the firms (Augustine, 2022). Firms might fail to walk the talk of a commitment or policy of promoting diversity or reducing discrimination issues. In other cases, despite firms invested considerable amounts of resources in diversity initiatives, such initiatives could possibly produce a variety of negative unintended consequences (Nilsson, 2015; Thomas et al., 2018). There could be a disconnect between a firm's diversity initiatives and how employees actually experience them (Thomas et al., 2018). However, the understanding of why a firm's diversity initiatives could generate negative outcomes, such as discrimination in employment, has been scarce yet important (Leslie, 2014, 2019).

Our study makes three contributions. First, we focused on a particular stakeholder group – employees – to understand the issues of discrimination in the firm. Studies on discrimination issues have largely emphasized on the firm's managerial groups, mostly looking at minority CEOs (Cook & Glass, 2013; McDonald, Keeves, & Westphal, 2018), or board directors (Jung, Lee, & park, 2022; Solal & Snellman, 2019). We highlighted the phenomenon of the discrimination issues in relation to non-managerial groups like employees. Second, we have provided the insights to explain why a firm's workforce diversity commitment might fail to achieve the intended outcomes, or even worsen discrimination issues in employment. we enriched the understanding of a seemingly paradoxical tendency in which more firms are committed to diversity initiatives, but the discrimination issues in business have ironically increased (Leslie, 2019; Thomas et al., 2018). Finally, studies on discrimination in business have majorly focused on the individual-level practices to manage the discrimination issues (Nishii, Khattab, Shemla, & Paluch, 2018). We developed a model to explain the effectiveness of firm's workforce diversity commitment by incorporating firm-level variables. We thus contributed to the firm-level research on diversity management practices and discrimination issues (Nishii et al., 2018; Rabl & Triana, 2014).

Theoretical Background

We seek to explain why firms' workforce diversity commitments could increase the level of discrimination issues in employment. Most studies have examined discrimination issues in a firm's top management team. In addition, among the studies on discrimination facing employees, the focus has primarily been situated at the individual-level to examine employees' strategies to mitigate the harms of discriminations. In sum, we have infant understanding of how the firm-level practices could influence the discrimination issues facing employees. Particularly, more insights are needed to understand why firms' diversity initiatives may fail to yield intended outcomes, or even backfire (Leslie, 2014, 2019).

Discrimination Issues in Business

Prior studies have examined the discriminations against minorities mostly in terms of race or gender within a firm's top management team (McDonald et al., 2016; Park & Westphal, 2013). These studies were motivated by the phenomenon that minority CEOs or board members have been continuously less represented in the firm's managerial groups (Stainback, Tomaskovic-Devey, & Skaggs, 2010; Zhang, 2022). Such underrepresentation is largely due to the unfavourable stereotypes and biases against minorities, which discourage or even prevent them from moving to the upper management group (Duguid, Loyd, & Tolbert, 2013; Zhang, 2022). Even for those minority managers who are currently in place, they are likely to encounter the discrimination issues from other managers in the firm (McDonald et al., 2016). For example, McDonald et al. (2016) have showed that following the appointment of a female or racial minority CEO, white male managers experienced a diminished organizational identification, and provided less help to colleagues. The discrimination issues could also come from the stakeholders outside the firm. Jeong, Mooney, Zhang and Quigley (2022) and Gligor, Novicevic, Feizabadi and Stapleton (2021) have found investors tended to respond more negatively to the announcement of black CEOs than to white CEOs.

A firm's top management team is visible to the public, and likely to be under the scrutiny from the public. Discrimination issues in the firm's managerial groups could thus attract more attentions (Mun & Jung, 2018). However, the discrimination issue facing employees could be as severe as, if not worse than it is experienced by top minority managers. Some literatures were looking at the discrimination issues affecting employees (Lee, Pitesa, Thau, & Pillutla, 2014; Ponce de Leon & Rosettte, 2022). Such issue could occur to employees either when gaining access to employment (Kang, DeCelles, Tilcsik, & Jun, 2016; Lee et al., 2014), or once they are in work (Cardador, Hill, & Salles, 2021; Triana, Kim, García, 2011). These studies have mostly emphasized on the individual-level practices. Some studies have examined how employees could strategically manage the discrimination incidents against them. Others have explored the negative consequences of discriminations that had affected minority employees.

For example, Kang et al. (2016) have studied that minority job candidates attempted to avoid discrimination in labour markets by concealing or downplaying racial cues in job applications. Obukhova and Kleinbaum (2022) have showed that female candidates tended to utilize gender-oriented networking to find the same gender employers who might give women a fair chance at professional success. These studies investigated employees' strategies to decrease the likelihood of being evaluated based on the employee's unfavorable stereotypes when accessing to employment. Moreover, Cha and Roberts (2019) have introduced the process of identity mobilization that described how employees could leverage their minority cultural identities as a source of advantages at work. Likewise, Little, Major, Hinojosa and Nelson (2015) have examined how female workers could improve their images in the firm by utilizing the identity-based impression management. Some other studies have indicated that discrimination could cause the inequity at work, such as the gender disparity in pays (Anderson, Bjarnadóttir, Dezső, & Ross, 2019), the access to promotions (Duguid et al., 2013), and other non-monetary benefits like mentoring (McDonald & Westphal, 2011).

Failures of Workforce Diversity Initiatives

Previous studies have highlighted the prevalence of discrimination issues in business. Such prevalence may have implied a failure of the firm's policies or programs on promoting workforce diversity and reducing discrimination issues (Liu, 2021). Studies on effectiveness of firms' diversity management have highlighted two types of failures. First, a policy-implementation gap might exist in which a firm's workforce diversity initiatives are failed to be implemented, or not to an adequate extent (Guillen & Capron, 2016). In this case, workforce diversity is unlikely to make a positive change or resolve the issues of discrimination. For example, Sterbenk, Champlin, Windels and Shelton (2022) concluded no significant differences in promoting gender equality between firms with or without the policies aimed at empowering female workers. They suggested that the firm's policies on gender equality were subjected to the CSR greenwashing. Second, firms did invest resources to implement their diversity initiatives, but such initiatives had leaded to unintended negative outcomes (Leslie, 2014, 2019). For instance, Leslie, Mayer and Kravitz (2014) showed that firms' implementation of Affirmative Action Plans designed to enhance the inclusion of minority employees leaded to the ironic effect of stigmatizing those targeted employees.

Hypotheses Development

In this section, we develop a theoretical model to explain the relationship between a firm's workforce diversity commitment and the level of discrimination in employment. The model also includes the firm-level variables representing different conditions to explore how the relationship could change. The model is shown in the figure 1 below:

Insert Figure 1 about here

Workforce Diversity Commitment and Discrimination in Employment

We argue that a firm's commitment to workforce diversity could lead to more issues of discriminations in employment for the following reasons. First, firms could fail to "walk the talk" in implementing their commitment to workforce diversity and reduce the discrimination issues. That is, firms' workforce diversity commitment might be associated with their symbolic CSR activities rather than the substantive ones. When firms engage in symbolic CSR activities, they primarily respond to stakeholders' demands without entailing the costs or changing the current business practices (Marquis & Qian, 2014; Zott & Huy, 2007). A diversity commitment may mainly serve to communicate to the general public that firms do have the commitment to promote the employee welfare. There are no verifications of whether the policy has been effectively carried out (Bucher, 2021). Despite symbolic CSR may enhance a firm's legitimacy or performance under some circumstances (Schons & Steinmeier, 2016), it is unlikely to resolve the underlying issues. Firms do not perform the tangible and measurable activities that require the use of the firm's resources to address the issue. The firms' commitments are not followed by the actual firm's actions, so the desired outcomes of workforce diversity commitment are less likely to be delivered.

Second, literatures on employee silence have widely argued that employees might refrain from calling attention to issues at work, such as illegal or immoral practices or developments that violate personal, moral, or legal standards (e.g., Chou & Chang, 2020; Knoll & Dick, 2013; Tangirala & Ramanujam, 2008). In this case, employees who are the victims of discrimination or who have observed such issue might not be willing to communicate upward to someone who is able to interfere (Gebert et al., 2017). Employees may withhold their opinions to protect themselves due to the fear that the consequences of speaking up could rather be detrimental to themselves (Knoll & Dick, 2013). In other cases, employees may remain silent with an impression that their opinions would not be wanted or valued by the top management (Milliken, Morrison, & Hewlin, 2003). Especially, discrimination at workplace often takes place against the employees who are perceived to be less powerful, such as racial minorities (Leigh & Melwani, 2022; Ponce de Leon & Rosettte, 2022). The perception of being powerless may further compromise peoples' motivations to bring their opinions towards an issue to the table. As such, the firm is unlikely to receive the valid feedbacks and information to evaluate the effectiveness of its workforce diversity initiatives in relation to discrimination issues.

Third, a firm's workforce diversity commitment might cause backfire. That is, a diversity initiative does affect the intended targets, but in an undesirable way that leads to negative effects (Leslie, 2019). Workforce diversity commitment exacerbates the issues of discrimination against employees rather than helping them. For example, Leslie (2019) has argued that a strong diversity program in a firm signals that certain employees need help to succeed at workplace, which increases discriminations against those employees. People may infer that the intended targets of a diversity initiative lack competence, which, in turn, strengthens an unfavourable stereotype on those employees (Leslie, 2019). Employees who are thought to be more capable might trust less the employees with a stereotype of lack the competence in accomplishing goals. A lack of trust decreases people's preferences for teamwork or cooperation with others at workplace (Kiffin-Petersen & Cordery, 2003). So, employees who are targeted by a diversity program might be excluded or ignored by other employees. Also, stereotypes of low competence increase discrimination against other similar candidates who access to employment by reducing their chances of being hired (Cuddy et al., 2011). Therefore, we posit the following hypothesis:

H1: A firm's workforce diversity commitment is positively associated with the incidents of discrimination issues in employment.

Social Management Controversies

We posit that social management controversies tend to strengthen the effect of workforce diversity commitment on the issues of discrimination in employment. Social management controversies refer to the negative incidents or crises of a firm's environmental, social, or governance management that placed the firm under the media spotlight, and grabbed stakeholders' attentions (Aouadi & Marsat, 2018; Cai, Jo, & Pan, 2012). Such controversies indicate that a firm's practices had brought negative impacts on different stakeholders' welfare.

First, a high level of social management controversies indicates a firm's current social initiatives are ineffective or incompetent in achieving its expected goals (Branzei et al., 2004; Fu, Boehe, & Orlitzky, 2022). In the same vein, a firm's workforce diversity commitment would be less likely to provide intended benefits to its employees. Further, having controversies in many areas may reveal a firm's inability to manage different social issues. So, firms would be less capable of addressing the issues of discrimination in employment. Also, high controversies show that a firm has concerns related to multiple stakeholder groups. The firm's stakeholder management is thus questionable, implying that the firm is less able to manage and balance the different or conflicting stakeholder demands (Kujala, Heikkinen, & Lehtimäki, 2012; Roloff, 2008). In this case, a firm often make trade-offs among stakeholder demands (Haffar & Searcy, 2017). Since how employees are treated by a firm is generally less visible to the public, the firm's workforce diversity commitment is therefore likely to be compromised.

Second, high social controversies could indicate that a firm's overall organizational culture is toxic. Such culture could make firms easily get used to the presence of controversies in their practices or the issues facing stakeholders. In such case, firms are less likely to keep the promises in their social commitments because the entire culture is more inclined towards social minimization (Frynas, 2005). Social minimization refers to a firm's passive or even inactive attitudes towards managing the issues and promoting social benefits. So, firms might not make substantial efforts or investments to implement its workforce diversity commitment. A toxic organizational culture may further suppress employees' voices and force them to be silent towards the issues affecting them (Joseph & Shetty, 2022). In addition, a toxic culture could be applied to the entire firm across different levels. So, it is likely to generate a same toxic workplace environment that intensifies interpersonal relationship, and distances people from one another at work (Appelbaum & Roy-Girard, 2007). In such case, the issues of discrimination would be exacerbated since many employees might feel a sense of exclusion. Therefore, we posit the following hypothesis:

H2: A firm's social management controversies will positively moderate the relationship between its workforce diversity commitment and the incidents of discrimination issues in employment.

Globalization

We posit that the level of a firm's globalization will also strengthen the relationship between workforce diversity commitment and the issues of discrimination in employment. In our study, the firm's globalization refers to the extent to which a firm has generated the foreign revenues through selling its products or services oversea (Caper & Kotabe, 2003). The higher a firm's foreign revenues in proportion to its total revenues, the greater degree of the firm's globalization will be.

First, when the level of globalization is high, the firm is likely to defend itself from the challenges or criticisms regarding its diversity initiatives. Globalization could already imply a firm's tendency towards establishing a more diversified business environment at the global scale. Marketing products to consumers from different countries indicates that a firm has been dealing with consumers with different tastes and cultural backgrounds. It shows that a firm values and respects cultural differences, and has the ability to satisfy a diversified needs from consumers. How a firm treats its consumers has become increasingly visible to the public. Especially, with the prevalence of the internet, consumers have more opportunities to offer their opinions about a firm (Obeidat et al., 2017). Unlike employees, consumers perceive less concerns when talking about a firm via social media. Firms can draw stakeholders' attention at the firm's efforts in managing a diversified consumer base at the international marketplace, thus decreasing the scrutiny on workforce diversity. Also, globalization shows a firm's its diversity initiative in relation to consumers. So, the firm tend to be less afraid of the drawbacks of other diversity aspects. As a result, the firm tend to pay less attention on improving the effectiveness of its diversity initiatives towards employees.

Second, globalization has raised many concerns in recent years, especially in regard to the events that a firm could shift its irresponsible practices from one country to others through global activities (Surroca, Tribó, & Zahra, 2013). In some countries, due to the less developed institutional environment, some irresponsible practices or social issues might be perceived to be less critical (Bu, Xu, & Tang, 2022). In such case, stakeholders in those countries, such as consumers, would be less likely to target at an issue and impose strong challenges against the firm's questionable practices. Therefore, despite a firm faces issue of discrimination in employment, such issue might not grab much attention from the stakeholders in some foreign countries. The consumers would be less likely to challenge the firm's practice or policy towards its employees. Also, different countries have different discrimination laws and measures of discrimination (Quillian et al., 2019). The severity of discrimination in employment could thus be perceived differently across cultural contexts. As a result, foreign consumers might be less likely to challenge the firm's discrimination issues to a great extent. Firms might not substantively address the issues of discriminations in employment when the firm's globalization is high. Therefore, we posit the following hypothesis:

H3: A firm's level of globalization will increase the positively relationship between the firm's workforce diversity commitment and the incidents of discrimination issues in employment.

Board Cultural Diversity

We posit that board cultural diversity decreases the positive effect of a firm's workforce diversity commitment on issues to discrimination in employment. That is, when a firm observes a high level of cultural diversity among its board members, the firm's workforce diversity commitment is more likely to achieve its intended outcomes, promoting diversity and reducing discrimination issues on employees. Culture diversity refers to the degree of cultural differences within a group (Frijns, Dodd, & Cimerova, 2016). In our study, board cultural diversity indicates the total percentage of the members whose cultural backgrounds are different from the location of the corporate headquarters among a firm's board.

First, a high broad cultural diversity can promote a congruence between the diversity in upper management team and a firm's workforce diversity towards employees. Such congruence in diversity could help ensure a diversity goal is well fulfilled across different levels in a firm (Richard et al., 2021). A culturally diversified top management team values the firm's overall diversity initiatives (Solal & Snellman, 2019). It is inclined to regularly monitor how the diversity initiatives had been carried out at other levels (Jung et al., 2022). A diversified board tends to provide the supports and resources to facilitate the effectiveness of the firm's diversity programs. In this case, a firm's workforce diversity commitment is likely to achieve its intended goals at promoting diversity and reducing the discrimination in employment. Moreover, racial minority board members are often willing to give more cares towards other minorities in a firm, such as minority employees (Harjoto et al., 2015). Similarly, a high female representation on a board tends to reduce the incidents of gender bias and discrimination at workplace (Brieger et al., 2019). In the same vein, a culturally diversified board could promote the wellbeing of employees with different cultural backgrounds, and prevent the discrimination against those employees.

Second, prior studies have found that board cultural diversity has a positive effect on the firm's overall corporate social performance (Katmon, Mohamad, Norwani, & Farooque, 2019; Martinez-Ferrero et al., 2021). Since workforce diversity commitment is part of the firm's social activities, its performance is likely to be facilitated as well. Also, a culturally diversified board utilizes the knowledge and experiences from the members with different backgrounds (Frijns et al., 2016). So, it encourages people to share their voices and opinions, which could be valuable to the firm's overall goal achievement. Given the role of a board in making decisions that substantially influence the firm, a culturally diversified board could foster an organizational culture that motivates employees to speak up. In this case, employees would be more willing to share their voices and opinions regarding an experienced issue at workplace, such as discriminations. Meanwhile, employees' voices are likely to be valued by the top management team. The firms could thus obtain a timely notice of the issues, and have more feedbacks about how the workforce diversity initiatives had been implemented. So, a workforce diversity commitment is likely to achieve its intended outcomes. Therefore, we posit the following hypothesis:

H4: The level of cultural diversity in the board will decrease the positive relationship between a firm's workforce diversity commitment and the incidents of discrimination issues in employment.

Employee Training and Career Development

We posit that a firm's training and career development on employees will decrease the positive impact of workforce diversity commitment on discrimination in employment. That is, when firms are providing trainings and career developments to employees, workforce diversity commitment is more likely to reduce discrimination issues in employment instead of worsening such issue.

Employee training and career development aims at making employees more skilled and competent at workplace to increase their overall job performance (Nda & Fard, 2013). As argued, a workforce diversity program might backfire in a way to generate negative outcomes to the target employees. People may develop a stereotype or bias of lack competence towards the targeted employees by the diversity initiatives (Leslie, 2019). Such stereotype exacerbates the incidents of discriminations or exclusions at workplace. When firms are providing effective trainings to employees to increase the likelihood of their success, employees could signal their competence at workplace. Especially, studies have suggested that minority employees who are often affected by unfavourable stereotypes tend to work harder than other employees to counter such stereotypes (Cha & Roberts, 2019; Shih, Young, & Bucher, 2013; Roberts et al., 2014). Targeted employees by diversity initiatives might be more proactive than other employees in utilizing the firm's training opportunities. So, the negative stereotype of lack competence could be eliminated to some extent, which, in turn, decreases the chance of diversity initiatives backfire. The firm's workforce diversity commitment is therefore more likely to be successful. Therefore, we posit the following hypothesis:

H5: A firm's training and career development on employees will decrease the positive relationship between its workforce diversity commitment and the incidents of discrimination issues in employment.

Methodology

Data and Sample

We test the hypotheses using a panel dataset of firm-year observations. The sample consists of all public firms that have been listed on Standard & Poor's (S&P) Composite 1500 index between 2009 and 2021, and had December 31 fiscal year-ends. We searched for these firms from ISS – Institutional Shareholder Services database, which covers a universe of all S&P 1500 firms across years. Overall, our data sources include Sustainalytics ESG, RepRisk AG, Thomson Reuters (Assets4), and Compustat Annual Fundamental databases. Not all the firms included provide the information to the key variables. After merging these databases and removing observations that were missing independent and dependent variables, we have finally yielded an unbalanced panel data of 1,007 firms and 7,637 firm-year observations.

Measures

Dependent Variable – Discrimination in Employment

To measure the incident of discrimination in employment, we constructed the variable by counting the number of media articles that provide coverage of the discrimination issues related to employees per firm and year. This measure was using the data provided by RepRisk AG (in the section of Risk Incidents). RepRisk identifies and collects news stories that criticize firms for committing to the different ESG issues, such as local pollution, waste issues, child labour, discrimination in employment, and a total of 28 pre-defined issues. It is noted that RepRisk does not assess the truthfulness of the news, the data is based on the information provided by the news media (Kolbel et al., 2017). For this study, we only focused on the issue of "*Discrimination in Employment*". According to RepRisk, this variable refers to the incidents that employees were treated differently and less favourably because of their characteristics, such as gender, religion, racial ethnicity, age, and alike. Such issue could arise either when gaining access to employment (i.e., hiring process) or once employees are in work. So, for our measure, we counted the total number of incidents of discrimination in employment that a firm had in a given year. The more incidents in a year, the more times a firm had committed to the issue of discrimination in employment.

Independent Variable – Workforce Diversity Commitment

We collected the data for workforce diversity commitment from the Sustainalytics database. Sustainalytics provides the data on a firm's social performance towards its employees. To measure workforce diversity commitment, we have combined two variables in the Employee Category. The first variable is "*Programmes to Increase Workforce Diversity*". This variable assesses whether the firm has taken initiatives to increase diversity in its workforce. The range of its value is from 0 to 100. The higher the value, the stronger the firm's programmes to increase workforce diversity will be (i.e., 100). The second variable is "*Formal Policy on the Elimination of Discrimination*". This variable assesses the quality of a firm's policy to eliminate discrimination, including the discrimination in access to employment, training and working conditions, race, sex, religion, political opinions, and so on. Its value is also from 0 to 100, where the value 100 indicates the strongest policy on the elimination of discrimination in the firm, and 0 vice versa. We operationalized *Workforce Diversity Commitment* by averaging the values of two variables for each firm-year observation. Therefore, the higher the value, the stronger a firm's workforce diversity commitment will be. We applied a 1-year lag between independent and dependent variables, considering the time lag before effects are revealed and causality problems among variables.

Moderators

The first moderator is *Social Management Controversies*. The data was collected from Sustainalytics. The database provided the information on a firm's related controversies in different ESG categories. There are totally 10 types of firm controversies related to, for instance, business ethics, governance, customer, society and community, products and services, and so on. The value of each type of firm controversies has a range from 0 to 100. However, it is noted that in this case, the higher the value, the fewer the related controversies a firm has in a given field. As specified by the database, the value of 100 indicates that firms have either no controversies or there are few controversies but do not warrant a ratings downgrade compared to peers. In contrast, the value of 0 indicates that firms were involved in the most serious forms of the controversies in the field.

For our analysis, we coded each type of the firm's controversies score (0-100) based on the five categorical values (1-5) that are specified by Sustainalytics. The value 1 refers to 100; the value 2 refers to the score >= 80 and <100; the value 3 refers to the score >= 50 and < 80; the value 4 refers to the score >=20 and < 50; the value 5 refers to the score >= 0 and < 20. So, for each type of controversies, we have the value from 1 to 5, where 5 stands for the most serious forms of controversies, and 1 vice versa. Following the prior studies (Surroca et al., 2013), we operationalized social management controversies by taking an average of a firm's controversies scores for each firm-year observation. However, we only chose 9 controversies categories, and excluded the employee-related controversies. This excluded variable is likely to highly correlate with the dependent variable in measuring discrimination in employment. Overall, the higher the value (e.g., 5), the higher the level of a firm's social management controversies will be.

The second moderator is *Globalization*. The data for this variable was collected from the Compustat Annual Fundamental database (in the section of Historical Segment). The database provided the firm's sales/revenues data, and specified the total sales in terms of both domestic and non-domestic (foreign) sales. we operationalized the level of a firm's globalization by calculating the percentage of the firm's non-domestic sales to its total sales. The higher the percentage, the higher the level of globalization will be.

The third moderator is *Board Cultural Diversity*. we collected the data from the Thomson Reuters database (in the section of Refinitiv ESG Board Member Data). This database provided information that indicates whether the cultural background of a board member is different from the location of the corporate headquarters. It is a binary variable, where the value of 1 means that this board member has a different cultural background, and 0 otherwise. The database has provided such information on all of the directors currently sitting on a firm's board in a year. So, we operationalized the variable by calculating the percentage of the directors with different cultural backgrounds to the total number of board directors for each firm-year observation. In this way, we could observe the level of culturally diversified members' representation on a firm's board. This would be more accurately to imply the influence of board cultural diversity.

The last moderator is *Employee Training and Career Devolvement*. we also collected the data from the Thomson Reuters (in the section of Refinitiv ESG Company Screening Data). The database provided the information on whether the firm has a policy to support the skills training and career development for its employees. We have operationalized this variable as a binary variable, where the value of 1 indicates the firm had such policy, and 0 otherwise.

Control Variables

We have included several control variables that are expected to influence the firm's discrimination in employment. In particular, we have controlled the variables representing firm characteristics, including the firm size (total assets), the number of employees, firm financial performance (returns on assets), and debt ratio (long-term debt / total assets). We also controlled the variables representing firms' expenditures, including R&D intensity (R&D expenses / total sales), advertising intensity (advertising expenses / total sales), and capital intensity (total assets / total sales). Finally, we controlled the variable related to a firm's board, which is board size (the number of board members). These variables were transformed into their natural logarithm to reduce the potential effects of extreme values and skewness.

Results

Table 1 provides the descriptive statistics and correlations for each of the variables in our study. We initially observed that our independent variable – workforce diversity commitment – had a positive and significant correlation with the incidents of discrimination in employment. Also, as expected, the majority of the control variables were significantly correlated with our dependent variable.

Insert Table 1 and Table 2 about here

Table 2 provides the results of all hypotheses testing. Hypothesis 1 predicates that the higher a firm's workforce diversity commitment, the more incidents of discrimination in employment would be. As shown in the model 1, we have found a positive and significant relationship that supported the hypothesis 1 (b = 0.50, p < 0.001) after including all the control variables. Hypothesis 2 predicates the moderating effect of social management controversies. As shown in the model 2, we have found that social management controversies positively moderated the relationship between workforce diversity commitment and discrimination incidents ($b = 0.18$, $p < 0.001$). Also, hypothesis 3 predicates the moderating effect of globalization. As shown in the model 3, the results supported our predication that the firm's globalization strengthened the impact of workforce diversity commitment on the incidents of discrimination ($b = 0.67$, $p <0.001$).

Hypothesis 4 predicated that board cultural diversity would decrease the positive impact of workforce diversity commitment on incidents of discrimination in employment. However, in contrast to our predication, the model 4 showed that board cultural diversity instead positively moderated the main relationship ($b = 4.13$, $p < 0.001$). That is, more culturally diversified board members would increase the positive impact of workforce diversity commitment on discrimination in employment. Finally, we did not find support for our hypothesis 5 that predicated the moderating effect of employee training and career development. As shown in the model 5, employment training and career development did not have any significant impact on the relationship between workforce diversity commitment and discrimination in employment ($b = 0.13$, $p = 0.12$).

Discussions

In our study, we have confirmed that the firm's workforce diversity commitment exacerbated the discrimination issues in employment among S&P 1500 firms. Our finding was relatively counterintuitive to the existing literatures on explaining the positive intended impacts of the firm's social responsibility initiatives related to diversity in the firm (Brieger et al., 2019; Harjoto et al., 2015). Specifically, by evaluating a specific social issue – the discrimination facing employees, we provided empirical evidence showing that the firm's diversity initiatives could indeed produce negative unintended consequences

(Leslie et al., 2014, 2019; Thomas et al., 2018). Also, we found that social management controversies and globalization further reduced the effectiveness of the firm's workforce diversity commitment in addressing discrimination issues, respectively. We call for future studies to further evaluate how firms could increase the effectiveness of their workforce diversity initiatives to resolve the issues like discrimination facing employees.

Nevertheless, our findings did not show that the firm's board cultural diversity was to facilitate workforce diversity initiatives to mitigate discrimination issues facing employees as we expected. Instead, more culturally diversified board members in a firm would worsen the focal issue in our context. Firms with diversified board directors like minorities are likely to be penalized if investors thought the firm had a strong preference for diversity, but a weak commitment to shareholder value (Solal & Snellman, 2019). In this case, the firm might be more motivated to focus on improving its financial performance, and purposefully limit the efforts on other diversity initiatives (Solal & Snellman, 2019). As such, the effectiveness of the firm's workforce diversity commitment in addressing the discrimination issues would be reduced. Especially, our sample consists of S&P 1500 firms who are likely to face strong pressures from investors to prioritize and maintain their financial performances. Discrimination in employment is a broad social issue that affects many firms. Future studies could use different sample of firms, such as small and medium-sized enterprises, to evaluate the moderating effect of board cultural diversity.

Moreover, we found that a firm's employee training policy did not have any significant impact on the relationship between workforce diversity commitment and discrimination issues in our study. Our focus was on whether the firm had a policy in this regard. Like workforce diversity commitment, the policy regarding employee trainings was also likely to be subject to the greenwashing issues. We could not observe whether the policy was substantively implemented, or whether it leaded to the intended effects to promote employees' competences at work. Future studies could use different proxies, such as the total costs or hours that a firm has spent on employee trainings, to measure the moderating effect of the firm's employee training and career development.

Overall, our study made three contributions. First, we extended the existing research by focusing on a particular stakeholder – employees in regard to a specific social issue – discrimination in employment. Doing so, we enriched the existing studies on stakeholder management that emphasizes on the roles of employees (Bartkus & Glassman, 2008; Francis et al., 2019). We echoed prior studies in raising the concerns towards the effectiveness of a firm's CSR initiatives in promoting stakeholder wellbeing and addressing the social issues (Leslie et al., 2019; Liu, 2020; Nishii et al., 2017). We raised the concerns to question the effectiveness of a firm's CSR activities towards its employees. Also, prior studies have generally examined the discrimination issues in relation to peoples from a firm's top management team (McDonald et al., 2016; Park & Westphal, 2013). How firms have treated their employees can have profound impacts on the firm's performance and legitimacy.

Second, we have developed and tested a theoretical model explaining why a firm's workforce diversity commitment failed to achieve its intended outcomes and even worsen the discrimination issues in employment. In particular, we have discussed that firm's diversity initiatives may tend to be more symbolic rather than substantive (Marquis & Qian, 2014). In this case, firms might not allocate sufficient resources to implement its diversity initiatives. Also, we have argued that employees might remain silent on the discrimination issues, and diversity initiatives may foster a stereotype of lack competence on targeted employees. We have drawn from different perspectives to understand the gap and inconsistency between a firm's diversity initiatives and the goal achievement (Thomas et al., 2018; Sterbenk et al., 2022). Therefore, we provided the insights to understand the phenomenon in which more firms are having their diversity initiatives, but the employee-related issues are also increasing at the same time (Augustine, 2020; Leslie, 2019).

Finally, our research has specified the conditions under which the discrimination issues in employment would be worsened when the workforce diversity initiatives were in place (Leslie, 2019; Nishii et al., 2017). Studies on employee discrimination have primarily addressed the employees' individual strategies in managing the discrimination (Kang et al., 2016; Little et al., 2015). Nishii et al. (2018) has argued that the firm characteristics have influences on what diversity strategies a firm uses, and how the diversity initiatives are implemented. We investigated the practice and strategy at the firm-level in relation to the discrimination issues facing employees (Nishii et al., 2018; Rabl & Triana, 2014). In particular, we evaluated a firm's social management controversies, and concluded that a firm's diversity might fail when the overall social issue management capabilities were weak. We also raised concerns towards the negative impacts of a firm's globalization in relation to the effectiveness of the diversity initiatives in addressing issues.

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FIGURE 1

Explaining Discrimination in Employment

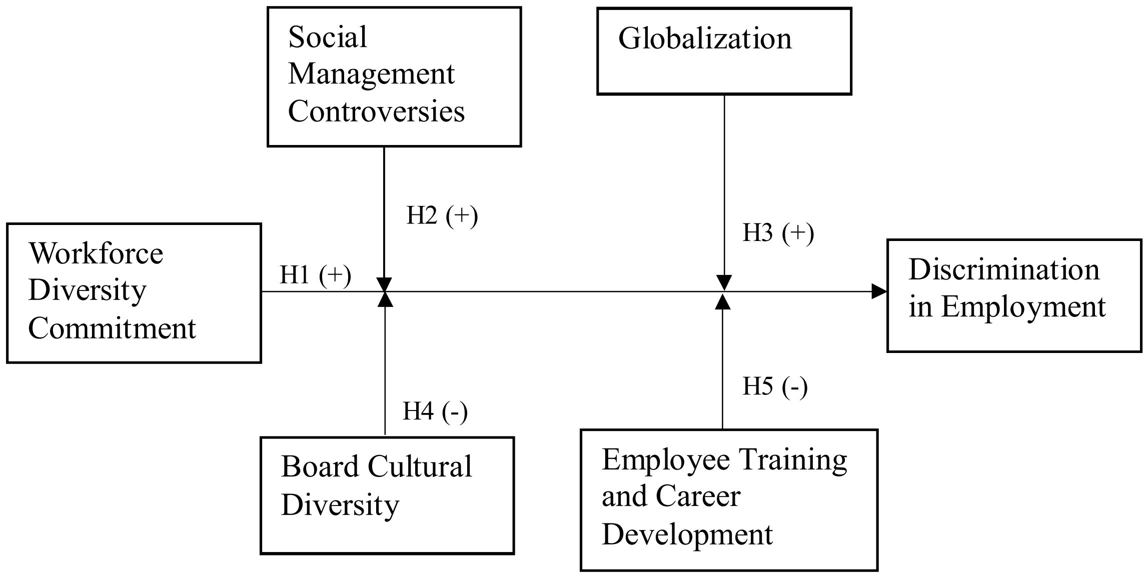

TABLE 1

Descriptive Statistics and Correlations

		Mean	Median	S.D.	1	2	3	4	5	6	7	8	9	10
1	Discrimination in Employment	0.29	0.00	1.16	1.00									
2	Workforce Diversity Commitment	0.43	0.31	0.45	**0.19**	1.00								
3	Social Management Controversies	11.21	11.00	2.31	**0.40**	**0.26**	1.00							
4	Globalization	0.31	0.28	0.28	**0.04**	**0.05**	**0.06**	1.00						
5	Board Cultural Diversity	0.02	0.00	0.05	**0.04**	**0.10**	**0.13**	**0.33**	1.00					
6	Employee Training and Career Development [b]	0.68	1.00	0.47	**0.12**	**0.20**	**0.29**	**0.13**	**0.08**	1.00				
7	Total Assets [a]	9.01	8.96	1.83	**0.25**	**0.40**	**0.54**	0.02	**0.15**	**0.33**	1.00			
8	Long-term Debt [a]	7.08	7.51	2.52	**0.20**	**0.28**	**0.45**	**0.04**	**0.13**	**0.30**	**0.75**	1.00		
9	Employees [a]	2.43	2.43	1.61	**0.32**	**0.28**	**0.47**	**0.18**	**0.12**	**0.33**	**0.54**	**0.44**	1.00	
10	Goodwill [a]	5.73	6.45	2.97	**0.16**	**0.29**	**0.31**	**0.25**	**0.12**	**0.26**	**0.49**	**0.42**	**0.56**	1.00
11	Total Liabilities [a]	8.48	8.48	1.99	**0.24**	**0.41**	**0.54**	0.00	**0.14**	**0.34**	**0.98**	**0.81**	**0.55**	**0.49**
12	Total Revenues [a]	8.44	8.45	1.65	**0.30**	**0.30**	**0.54**	**0.13**	**0.15**	**0.34**	**0.84**	**0.65**	**0.76**	**0.52**
13	Political Expenditures [a]	0.21	0.00	0.34	**-0.08**	**-0.07**	**-0.17**	**0.04**	0.01	-0.01	**-0.03**	**-0.05**	**0.02**	-0.02
14	Financial Performance [a]	0.13	0.12	0.10	**0.05**	**-0.05**	-0.01	**0.09**	**-0.05**	0.00	**-0.21**	**-0.19**	**0.15**	0.02
15	Book Value per Share [a]	2.75	2.88	1.09	**0.03**	**0.05**	**0.08**	**-0.07**	**0.03**	**0.10**	**0.38**	**0.17**	**0.08**	**0.15**
16	R&D Intensity	0.03	0.00	0.13	0.01	**-0.02**	**-0.02**	**0.14**	0.00	0.00	**-0.05**	**-0.09**	**-0.09**	0.01
17	Adv. Intensity	0.01	0.00	0.11	0.02	0.00	0.02	**0.02**	0.00	-0.01	**-0.04**	**-0.05**	-0.02	-0.01
18	Capital Intensity	0.07	0.03	0.15	**-0.03**	**-0.07**	**0.02**	**-0.07**	0.01	-0.01	**0.08**	**0.13**	**-0.16**	**-0.18**
19	Board Size	20.53	20.00	6.48	**0.11**	**0.27**	**0.34**	**0.08**	**0.09**	**0.27**	**0.51**	**0.41**	**0.42**	**0.35**

	11	12	13	14	15	16	17	18	19
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11	1.00								
12	**0.81**	1.00							
13	**-0.04**	-0.01	1.00						
14	**-0.23**	**0.06**	**0.05**	1.00					
15	**0.29**	**0.27**	**-0.03**	**-0.24**	1.00				
16	**-0.08**	**-0.08**	0.02	**-0.07**	**-0.07**	1.00			
17	**-0.04**	**-0.04**	-0.01	**-0.05**	**-0.06**	**0.51**	1.00		
18	**0.06**	**-0.04**	**-0.06**	**-0.05**	**0.08**	**-0.03**	**-0.02**	1.00	
19	**0.52**	**0.48**	0.00	**-0.04**	**0.09**	**-0.04**	0.01	-0.01	1.00

Note: [a] Variables that are natural-logged. [b] Binary variables.
Correlations that are significant at a level below 0.05 (two-tailed) are in bold.

TABLE 2

Regression Analysis of Workforce Diversity Commitment on Discrimination in Employment

Variables:	Model 1	Model 2	Model 3	Model 4	Model 5
H1: Workforce Diversity Commitment	0.50 *** (0.04)	-1.65 *** (0.19)	0.33 *** (0.08)	0.41 *** (0.05)	0.44 *** (0.09)
Social Management Controversies		0.00 (0.01)			
H2: Workforce Diversity * Social Management Controversies		0.18 *** (0.02)			
Globalization			-0.91 *** (0.20)		
H3: Workforce Diversity * Globalization			0.67 *** (0.19)		
Board Cultural Diversity				-0.94 (0.76)	
H4: Workforce Diversity Commitment * Board Cultural Diversity				4.13 *** (0.69)	
Employee Training and Career Development [b]					-0.02 (0.05)
H5: Workforce Diversity Commitment * Employee Training and Career Development					0.13 (0.09)
Total Assets [a]	0.12 (0.10)	0.07 (0.10)	0.15 (0.12)	0.07 (0.11)	0.08 (0.11)
Long-term Debt [a]	0.00 (0.01)	0.01 (0.01)	0.00 (0.02)	0.00 (0.01)	-0.01 (0.01)
Employees [a]	0.17 ** (0.06)	0.23 *** (0.06)	0.25 *** (0.07)	0.08 (0.06)	0.09 (0.07)
Goodwill [a]	0.00 (0.01)	-0.01 (0.01)	-0.01 (0.01)	0.00 (0.01)	0.00 (0.01)
Total Liabilities [a]	0.11 (0.08)	0.05 (0.08)	0.06 (0.10)	0.16 † (0.08)	0.21 * (0.09)
Total Revenues [a]	0.12 † (0.07)	0.07 (0.07)	0.15 † (0.08)	0.16 * (0.07)	0.13 † (0.07)
Political Expenditures [a]	-0.11 * (0.05)	-0.06 (0.05)	-0.14 * (0.06)	-0.14 * (0.05)	-0.14 * (0.05)
Financial Performance (ROA) [a]	0.24 (0.24)	0.41 † (0.24)	0.34 (0.31)	0.28 (0.26)	0.11 (0.27)
Book Value per Share [a]	-0.05 (0.03)	-0.03 (0.03)	-0.04 (0.03)	-0.04 (0.03)	-0.03 (0.03)
R&D Intensity	0.99 * (0.49)	0.92 * (0.49)	1.19 * (0.56)	1.00 * (0.51)	1.05 * (0.53)

Advertising Intensity	-0.56 †	-0.53	-0.78	-0.53	-0.59 †
	(0.34)	(0.33)	(0.33)	(0.34)	(0.36)
Capital Intensity	0.15	0.08	0.20	0.13	0.14
	(0.14)	(0.14)	(0.16)	(0.15)	(0.15)
Board Size	0.00	0.00	-0.01	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Constant	-3.12 ***	-1.97 ***	-3.18 ***	-3.36 ***	-3.28 ***
	(0.46)	(0.46)	(0.56)	(0.48)	(0.51)
Adjusted R^2	0.12	0.19	0.14	0.12	0.11
Observations	7,637	7,637	6,240	7,191	6,772

Note: [a] Variables that are natural-logged. [b] Binary variables.
Unstandardized coefficients are reported, with standard errors in parentheses
† $p < 0.1$, *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$