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Study: DEI Policies Can Make the Workplace Less Safe

by Emre Kuvvet

The article that follows is an abridged version of a study that examines how corporate diversity initiatives affect workplace safety. It finds a strong positive association between companies' commitment to diversity and workplace accidents and lost workdays. Additionally, the study shows that greater diversity is associated with a rise in consumer complaints related to health and safety and a decrease in customer satisfaction. The unabridged study further explores how diversity policies might influence injury rates through mechanisms such as employee turnover, training investment, and workforce composition.

Introduction

Workplace injuries and fatalities in the United States carry a high economic burden, encompassing both direct costs, such as medical care, and indirect costs, including lost productivity. The National Safety Council's 2022 report estimates that these work-related incidents cost the U.S. economy around $167 billion annually.[1]

Recently, several policymakers and commentators have argued that some companies are prioritizing diversity hires to meet specific targets, potentially at the expense of safety and quality standards.[2] Critics claim that diversity, equity, and inclusion (DEI) initiatives are partly to blame for safety problems at these firms.[3] Boeing, for instance, has faced recent criticism for production issues, with some attributing these concerns to enforced DEI policies. Some critics further allege that Boeing's commitment to DEI has contributed to a perceived decline in manufacturing quality.[4]

Conversely, some companies maintain a different perspective. They contend that diversity initiatives enhance workplace safety. For example, W.W. Grainger, a company listed on the S&P 500, asserts that DEI initiatives can lead to safer work envi-

ronments.[5] This raises the important question of how DEI initiatives impact workplace safety.

In this paper, we investigate the relationship between diversity initiatives in firms and workplace safety and their impact on both consumer satisfaction and product quality. We find several important results that highlight the complexities of implementing diversity programs.

First, our findings reveal a substantial positive association between diversity initiatives and workplace accidents. Specifically, we find that an increase in *Diversity Score* from the 25th to the 75th percentile is associated with a 52.9 percent rise in total reported workplace accidents. This suggests that companies with higher diversity might face greater safety challenges.

Next, we find that higher diversity initiatives are associated with a rise in lost workdays. Furthermore, we explore the effect of diversity on consumer complaints and safety. Our results indicate that as companies enhance their diversity initiatives, they experience a rise in consumer complaints related to customer health and safety. Notably, our findings reveal a negative relationship between diversity and customer satisfaction, with a higher *Diversity Score* linked to a significant decrease in customer satisfaction levels.

Additionally, we find that diversity initiatives might contribute to dissatisfaction among employees and management. Specifically, our results show that higher diversity commitments are associated with lower employee satisfaction and increased management turnover. This suggests that employees might perceive the implementation of diversity hiring practices as undermining merit-based promotions.

Our findings highlight the unintended consequences of diversity initiatives, revealing that although these initiatives aim to promote inclusivity, they might inadvertently compromise workplace safety, product quality, and employee, and customer satisfaction. These insights are crucial for corporate leaders and policymakers seeking to implement effective diversity programs while maintaining high standards of safety and quality.

Literature Review

This paper contributes to the finance literature by examining factors influencing workplace safety. The significant economic losses associated with workplace injuries spurred growing interest in understanding the causes of occupational safety incidents.

Recent research has begun to explore financial influences on workplace safety, primarily focusing on how a firm's financial attributes impact safety outcomes. However, the role of key corporate governance factors—such as diversity initiatives—has received less attention. This study aims to address this gap.

Existing research has investigated a range of factors related to workplace safety, which can be grouped into categories such as external monitoring, CEO character-

istics, financial constraints, ownership structure, and other organizational aspects. Please review the bibliography at the end of this report.

This study aims to contribute to the literature by examining the relation between diversity initiatives and workplace safety.

Hypothesis Development

The growing focus on DEI initiatives in corporate hiring is designed to enhance representation and minimize discrimination in the workplace. While these efforts are essential for cultivating an inclusive atmosphere, DEI initiatives could also lead to unintended consequences, especially in fields that demand specialized skills and adherence to safety protocols. Companies facing pressure to achieve diversity targets might prioritize demographic factors such as race in their hiring practices to the extent that they overlook essential qualifications critical for safety-sensitive positions (Dobbin and Kalev, 2016).

One of the obstacles in achieving diversity goals is the limited availability of candidates from historically underrepresented groups who meet the specific qualifications for certain technical or physically demanding roles. As firms respond to external pressures to diversify their workforce, they might have to select from a narrower pool of qualified applicants, sometimes placing greater emphasis on diversity metrics rather than essential job readiness. Although diversity initiatives could enhance a company's reputation, they might also lead to misalignment in roles that require specialized training, which could adversely affect safety outcomes.

Companies that emphasize diversity in their recruitment processes might overlook the necessary qualifications and experience. This oversight could lead to gaps in job readiness that could jeopardize safety in key roles. For example, Tsui, Egan, and O'Reilly (1992) find that greater demographic diversity in the workplace is associated with lower job satisfaction and higher turnover. Similarly, Triana, Kim, Byun, Delgado, and Arthur (2021) link workplace diversity to increased conflict, while Bell, Villado, Lukasik, Belau, and Briggs (2011) show that demographic diversity is negatively related to team performance.

Other studies highlight a negative association between DEI initiatives and corporate performance. Dobbin and Kalev (2021), for instance, argue that DEI programs in U.S. corporations have produced unintended, counterproductive effects. Additionally, Adams and Ferreira (2009) suggest that mandating gender quotas for corporate directors might reduce firm value in companies that already have strong governance. Likewise, Ahern and Dittmar (2012) find a significant drop in the stock prices of Norwegian companies after the introduction of a law in 2003 requiring that 40 percent of corporate directors be women. Accordingly, we propose the following hypothesis:

H1: Diversity is negatively associated with workplace safety.

4. Data and Methodology

4.1 Data

Following Shi, Xia, Meyer-Doyle (2022), Bradley, Mao, and Zhang (2022), Qian, Crilly, Lin, Zhang, and Zhang (2023), Cohn and Wardlaw (2016), Chen, Ofusu, Veeraraghavan, Zolotoy (2023), and Gong, Guo, and Wang (2023), our primary dependent variables for workplace safety, *Accidents Total* and *Employee Lost Working Days*, are from Refinitiv.

The *Accidents Total* variable measures the number of injuries and fatalities involving both employees and contractors while working for the company. It is calculated by multiplying the total hours worked by employees and contractors by the company's injury rate, then dividing by one million. Total working hours are estimated by taking the sum of employees and contractors, and multiplying it by 2,000, which represents the average number of working hours per person per year. The *Employee Lost Working Days* variable is the total number of workdays lost by employees due to occupational injuries or illnesses. It specifically includes days when employees were absent from work because of workplace accidents or illnesses.

Additional dependent variables from Refinitiv used in our analysis include *Consumer Complaints Controversies Count*, *Customer Health & Safety Controversies*, *Customer Satisfaction*, *Product Quality Controversies*, *Product Recalls*, *Product Delays*, *Employee Satisfaction*, and *Management Departures*.

Our primary variable of interest is the *Diversity Score* from Refinitiv. The *Diversity Score* variable measures a company's commitment to and effectiveness in maintaining a diverse workforce. The index evaluates companies based on four key areas: diversity, inclusion, employee development, and controversies. The score is derived through a systematic process. First, twenty-four relevant metrics are chosen from the database to reflect diversity and inclusion aspects. Each metric is then assigned to one of the four pillars. Metrics are weighted according to their relevance within particular industries, which is then used to calculate a weighted average calculation for diversity, inclusion, and employee development. Finally, the score is obtained by averaging the scores across all four pillars. A higher value indicates a bigger commitment to maintaining a diverse workforce.[6]

Following Cohn and Wardlaw (2016), Caskey and Ozel (2017), and Shi, Xia, Meyer-Doyle (2022), we include several firm-level control variables that affect workplace injuries in our analysis. These variables, obtained from COMPUSTAT, generally gauge the size, capital holdings, and financial condition of the company: *Firm Size*, *Leverage, Return on Assets (ROA), Market-to-Book Ratio, Free Cash Flow, Cash Holdings, Dividend, Property, Plant, and Equipment (PropPlantEq)*, and *Capital Expenditure*.

The *Diversity Score* variable has been available since 2015. Therefore, our sample period spans from 2016 to 2024, as we use the lagged *Diversity Score* variable. Detailed definitions of all variables can be found in Appendix A of the unabridged report.

4.2 Methodology

To examine how diversity affects workplace safety, we use ordinary least squares (OLS) regressions, where we regress workplace safety variables on *Diversity Score*. Our main regression model is as follows:

$Accidents\ Total_{i,t}$ or $Employee\ Lost\ Working\ Days_{i,t} = \beta_1 * Diversity\ Score_{i,t-1} + \beta_2 * Firm\ Size_{i,t-1} + \beta_3 * Leverage_{i,t-1} + \beta_4 * ROA_{i,t-1} + \beta_5 * Market\text{-}to\text{-}Book_{i,t-1} + \beta_6 * Free\ Cash\ Flow_{i,t-1} + \beta_7 * Cash\ Holdings_{i,t-1} + \beta_8 * Dividend_{i,t-1} + \beta_9 * PropPlantEq_{i,t-1} + \beta_{10} * Capital\ Expenditure_{i,t-1} + Industry\ Fixed\ Effect + Year\ Fixed\ Effect + \varepsilon_{i,t}$ where $Diversity\ Score_{i,t-1}$ is our main variable of interest, while $Accidents\ Total_{i,t-1}$ and $Employee\ Lost\ Working\ Days_{i,t-1}$ serve as proxies for workplace safety. The subscript i refers to the firm, and t refers to the year. We include both industry and year fixed effects in the regression, with industry fixed effect based on the Fama-French twelve industry classification. Following Bradley, Mao, and Zhang (2022), Qian, Crilly, Lin, Zhang, and Zhang (2023), Cohn and Wardlaw (2016), and Chen, Ofosu, Veeraraghvan, and Zolotoy (2023), we exclude financial firms (SIC codes 6000 to 6999) and regulated utilities (SIC codes 4900 to 4999) from the analysis.

4.3. Summary Statistics

Table 1 presents the descriptive statistics of our sample. Our main dependent variables, *Accidents Total* and *Employee Lost Working Days*, serve as indicators of workplace safety. The *Accidents Total* variable has a mean value of 477.96, which indicates on average there are approximately 478 injuries and fatalities involving employees per company. The *Employee Lost Working Days* variable has an average of 3,128.48. In other words, the average company experiences 3,128 workdays lost due to occupational injuries or illnesses. The *Diversity Score*, which measures a company's commitment to maintaining a diverse workforce, has a mean of 0.234.

Additional dependent variables include *Customer Satisfaction*, which has an average of 84.15. This relatively high average reflects a positive perception of the companies' products and services among consumers. *Employee Satisfaction* has a mean of 0.491, indicating that nearly half of the employees report satisfaction with their work environment. *Consumer Complaints Controversies Count* averages 0.023, indicating a low occurrence of consumer dissatisfaction controversies. The *Controversies Customer Health & Safety* variable has a mean of 0.043. The *Product Quality Controversies* and *Product Recalls* variables indicate minimal scrutiny regarding product quality faced by companies, with averages of 0.070 and 0.032, respectively.

The *Firm Size* variable has a mean of 7.553, expressed as the natural logarithm of total assets. Additionally, control variables include *Leverage* with a mean of 0.310, *ROA* with a mean of -0.041, and the *Market-to-Book Ratio* with a mean of 2.945.

Table 1: Descriptive Statistics

Variables	N	Mean	Median	SD
Accidents Total	3,633	477.955	61.000	3,618.130
Employee Lost Working Days	1,338	3,128.480	106.250	17,361.830
Consumer Complaints Controversies Count	13,403	0.023	0.000	0.230
Controversies Customer Health & Safety	13,403	0.043	0.000	0.894
Customer Satisfaction	387	84.152	87.000	11.443
Product Quality Controversies	13,379	0.070	0.000	0.256
Product Recalls	12,203	0.032	0.000	0.176
Product Delays	13,403	0.003	0.000	0.058
Employee Satisfaction	977	0.491	0.491	0.278
Management Departures	12,262	0.064	0.000	0.245
Diversity Score	13,403	0.234	0.210	0.135
Firm Size	13,403	7.553	7.518	1.919
Leverage	13,403	0.310	0.276	0.890
ROA	13,403	-0.041	0.030	0.439
Market-to-Book	13,403	2.945	2.773	225.127
Free Cash Flow	13,403	-0.005	0.067	0.437
Cash Holdings	13,403	0.236	0.126	0.262
Dividend	13,403	0.014	0.000	0.046
PropPlantEq	13,403	0.249	0.155	0.242
Capital Expenditure	13,403	0.038	0.024	0.046

Table 2 presents a comparison of workplace safety between companies with *Diversity Score* below and above the median. The results show that companies with below-median *Diversity Score* have on average significantly fewer accidents and lost working days than those with above-median *Diversity Score*. Specifically, the mean number of accidents for companies with below-median *Diversity Score* is 210.096, compared to 733.003 for companies with above-median *Diversity Score*, with a p-value of less than 0.0001. Similarly, companies with below-median diversity experience an average of 1,482.93 lost working days due to workplace injuries or illnesses, while companies with above-median diversity experience a much higher average of 5,092.340 lost days, with a p-value of 0.0001. These statistically significant differences suggest that companies with higher *Diversity Score* might be associated with

worse workplace safety outcomes, as reflected by both higher accident rates and increased lost working days.

Table 2: Workplace Safety With Low and High Diversity

	Diversity Score		Diversity Score		
	N	Mean	N	Mean	p-value
Accidents Total	1,772	210.096	1,861	733.003	< 0.0001
Employee Lost Working Days	728	1,482.930	610	5,092.340	0.0001

This table compares the workplace safety of companies with *Diversity Score* below and above the median. Columns [2] and [3] provide the number of observations and the mean values of workplace safety variables for companies with *Diversity Score* below the median. Similarly, Columns [4] and [5] present the number of observations and means for companies with *Diversity Score* above the median. Column [6] displays the p-values from t-tests, highlighting the differences in workplace safety metrics between the two groups.

Table 3 presents the pairwise correlation coefficients between workplace safety variables such as *Accidents Total* and *Employee Lost Working Days* and *Diversity Score*. The *Accidents Total* variable has a positive correlation with *Employee Lost Working Days*, indicating a significant relationship between the number of accidents and workdays lost due to injuries or illnesses. Both *Accidents Total* and *Employee Lost Working Days* have statistically significant and positive correlations with the *Diversity Score*. This suggests that companies with higher diversity commitments might experience more reported accidents and lost workdays.

Table 3: Correlation Coefficients Matrix

Variables	1	2	3
Accidents Total	1		
Employee Lost Working Days	0.428***	1	
Diversity Score	0.068***	0.125***	1

The table shows the pairwise correlation matrix between workplace safety variables and the *Diversity Score*. Asterisks (*, **, ***) denote significance levels at 10 percent, 5 percent, and 1 percent, respectively. Detailed definitions of the variables can be found in the unabridged version of the study in Appendix A.

5. Results

5.1. Diversity and Workplace Safety

Table 4 presents the results of regression models examining the relationship between diversity and workplace safety. In Model [1], the dependent variable is *Accidents Total*, representing the total number of workplace injuries and fatalities. The coefficient for *Diversity Score* is 1,403.789, indicating a significant positive relationship between a higher diversity score and more reported workplace accidents. The results are also of economic significance. When the *Diversity Score* rises from the 25th percentile to the 75th percentile, the *Accidents Total* variable shows an increase of 262.68, reflecting a 52.85 percent rise in accidents, compared to the average level of 477.955.

Similarly, the coefficient for *Firm Size* is 314.051, showing that larger firms tend to report more accidents. In contrast, the coefficient for *ROA* is -950.351, suggesting that more profitable firms experience fewer accidents. Capital-related variables such as *PropPlantEq* and *Capital Expenditure* also show positive associations with accident rates, implying that firms with more physical assets and higher capital spending might face greater workplace safety risks.

In Model [2], the dependent variable is *Employee Lost Working Days*, which reflects the total number of days employees are absent due to work-related injuries or illnesses. *The Diversity Score* has a coefficient of 17,312, again indicating a significant positive relationship between higher diversity and lost workdays. *Firm Size* also has a positive association, with a coefficient of 504.118, suggesting that larger firms face more lost days due to workplace injuries.

The results overall suggest that diversity is consistently associated with higher accident rates and more lost workdays, pointing to potential safety challenges in more diverse firms. The results support our main hypothesis: more diversity is associated with reduced workplace safety.

Table 4: Workplace Safety and Diversity

Variables	Accidents Total	Employee Lost Working Days
	Model [1]	Model [2]
Diversity Score	1,403.789***	17,312***
	(416.646)	(5,002.270)
Firm Size	314.051***	504.118***
	(85.673)	(163.178)
Leverage	-169.608	643.332
	(259.344)	(1,543.704)
ROA	-950.351**	-815.916
	(477.974)	(4,165.165)
Market-to-Book	0.556	2.183**
	(0.444)	(1.084)
Free Cash Flow	711.147	1,862.327
	(569.296)	(4,329.833)
Cash Holdings	1,371.757**	1,267.696
	(552.697)	(2,364.933)
Dividend	568.243	663.276
	(478.248)	(1,019.629)
PropPlantEq	1,028.458***	2,423.701
	(336.118)	(2,429.651)
Capital Expenditure	5,179.872*	8,109.308
	(2,777.128)	(5,072.926)
Industry Fixed Effect	Yes	Yes
Year Fixed Effect	Yes	Yes
Observations	3,633	1,338
Adj R-squared	0.088	0.044

This table shows the effect of diversity on workplace safety. In Column [2], the dependent variable is *Accidents Total*, while in Column [3], the dependent variable is *Employee Lost Working Days*. The analysis is conducted using ordinary least squares (OLS) regression. Standard errors are shown in parentheses. Industry and year fixed effects are included in the regressions. The symbols *, **, and *** denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

5.2. Consumer Complaints, Safety, and Diversity

Our previous findings indicate that diversity has a negative effect on workplace safety. Similarly, we anticipate that diversity efforts might also affect consumer complaints and safety, as an emphasis on diversity initiatives could detract from quality and safety practices. As firms increasingly prioritize diversity, there might be a shift away from merit-based hiring, leading to the recruitment of less qualified employees. This shift in hiring practices could undermine safety and quality standards. Furthermore, a decline in workplace safety stemming from a focus on diversity initiatives at the expense of merit-based hiring could decrease customer satisfaction and increase complaints.

In Table 5, we explore whether a commitment to diversity could inadvertently compromise quality and safety standards, ultimately leading to a rise in consumer complaints. In Model [1], the dependent variable is the *Consumer Complaints Controversies Count*, which measures the number of public controversies related to consumer dissatisfaction with the company's products or services, including consumer lawsuits related to defective or faulty products and services. The *Diversity Score* has a positive and statistically significant coefficient of 0.071. The results suggest that as companies increase their diversity efforts, they might encounter more complaints from consumers. This could indicate that diversity initiatives, while aimed at improving representation, might lead to a decline in product or service quality, prompting more complaints.

In Model [2], the dependent variable is *Controversies Customer Health & Safety*, which measures the number of public controversies concerning customer health and safety, including consumer lawsuits or legal action related to harm caused to consumers' health. The *Diversity Score* again has a positive and significant relationship with *Controversies Customer Health & Safety*. The findings suggest that an increase in the company's *Diversity Score* leads to a greater number of controversies involving customer health and safety. Increased diversity might coincide with higher health and safety concerns, potentially due to the distraction from core operational safety and quality practices.

In Model [3], we examine *Customer Satisfaction* as the dependent variable, representing the percentage of satisfied customers. Here, the *Diversity Score* is negative and statistically significant. Higher *Diversity Score* are associated with significantly lower levels of customer satisfaction. As companies focus more on diversity, they might experience a substantial drop in customer satisfaction. This could stem from declines in product or service quality as a result of shifting focus from merit-based hiring or performance to diversity targets.

Our results suggest that a focus on diversity might negatively affect consumer complaints and safety. Higher *Diversity Score* is associated with increases in consumer complaints and health and safety controversies, as well as a sharp decline in customer satisfaction.

Table 5: Consumer Complaints, Safety, and Diversity

Variables	Consumer Complaints Controversies Count	Controversies Customer Health & Safety	Customer Satisfaction
	Model [1]	Model [2]	Model [3]
Diversity Score	0.071***	0.157*	-21.442***
	(0.018)	(0.091)	(3.377)
Firm Size	0.023***	0.048***	0.731**
	(0.003)	(0.011)	(0.335)
Leverage	-0.05***	-0.016**	-5.600*
	(0.002)	(0.008)	(3.218)
ROA	-0.047**	-0.125**	-1.034
	(0.023)	(0.058)	(15.979)
Market-to-Book	0.000	0.000	-0.002
	(0.000)	(0.000)	(0.002)
Free Cash Flow	0.027	0.074	2.178
	(0.023)	(0.064)	(16.948)
Cash Holdings	0.051***	-0.028	17.520***
	(0.011)	(0.036)	(3.550)
Dividend	0.068*	0.339**	-6.041
	(0.036)	(0.150)	(22.257)
PropPlantEq	0.000	-0.067**	0.753
	(0.010)	(0.029)	(3.327)
Capital Expenditure	0.134***	0.186***	4.364
	(0.046)	(0.065)	(20.079)
Industry Fixed Effect	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes
Observations	13,403	13,403	387
Adj R-squared	0.035	0.011	0.176

This table shows the effect of diversity on consumer complaints and safety. In Column [2], the dependent variable is *Consumer Complaints Controversies Count*, while in Column [3], the dependent variable is *Controversies Customer Health & Safety*. In Column [4], the dependent variable is *Customer Satisfaction*. The analysis is conducted using ordinary least squares (OLS) regression. Standard errors are shown

in parentheses. Industry and year fixed effects are included in the regressions. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

5.3. Product Recalls, Delays, and Diversity

Table 6 presents the results of our probit regressions, which analyze the relationship between diversity and product outcomes, including product quality controversies, product recalls, and product delays. In Model [1], which examines product quality controversies, there is a strong positive association between the *Diversity Score* and the likelihood of a company facing media scrutiny over product quality issues. The results suggest that companies with higher diversity commitments are more likely to experience controversies related to the quality or responsibility of their products or services. In Model [2], we focus on product recalls. The *Diversity Score* is positively associated with product recalls, indicating that companies with a stronger focus on diversity are more likely to announce recalls. In Model [3], we look at product delays. The *Diversity Score* is again positively associated with delays in product or service delivery. The findings suggest that diversity initiatives might contribute to delays.

Overall, the results indicate that while diversity initiatives seek to promote inclusivity, they might inadvertently heighten the risk of product-related challenges, including quality controversies, recalls, and delays.

Table 6: Product Recalls, Delays, and Diversity

Variables	Product Quality Controversies	Product Recalls	Product Delays
	Model [1]	Model [2]	Model [3]
Diversity Score	0.815***	0.672***	0.795*
	(0.155)	(0.227)	(0.474)
Firm Size	0.378***	0.308***	0.293***
	(0.015)	(0.020)	(0.042)
Leverage	0.117**	-0.220	-0.134
	(0.046)	(0.139)	(0.314)
ROA	-0.219	0.007	0.091
	(0.146)	(0.892)	(1.520)
Market-to-Book	-0.000	-0.000	-0.000
	(0.000)	(0.000)	(0.000)
Free Cash Flow	0.431	1.089	-0.247
	(0.579)	(0.903)	(1.517)
Cash Holdings	0.691***	-0.249	0.921***

Table 6: Product Recalls, Delays, and Diversity

Variables	Product Quality Controversies	Product Recalls	Product Delays
	Model [1]	Model [2]	Model [3]
	(0.124)	(0.211)	(0.329)
Dividend	0.681*	1.343***	-1.390
	(0.361)	(0.364)	(2.683)
PropPlantEq	-0.487***	0.0135	0.497
	(0.135)	(0.211)	(0.402)
Capital Expenditure	1.872***	2.690***	1.233
	(0.690)	(0.885)	(1.757)
Industry Fixed Effect	Yes	Yes	Yes
Year Fixed Effect	Yes	Yes	Yes
Observations	13,379	12,203	13,403

This table shows the effect of diversity on product quality, recalls, and delays. In Column [2], the dependent variable is *Product Quality Controversies*, while in Column [3], the dependent variable is *Product Recalls*. In Column [4], the dependent variable is *Product Delays*. The analysis is conducted using probit regressions. Standard errors are shown in parentheses. Industry and year fixed effects are included in the regressions. The symbols *, **, and *** denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

5.4. The Effect of Diversity on Employee and Management Satisfaction

Diversity hiring could also create dissatisfaction among employees and management. Employees might feel that promotions and opportunities are based on meeting diversity targets rather than qualifications, which might lead to a perception of unfairness. This could lower job satisfaction, reduce engagement, and ultimately effect workplace safety, as disengaged employees might be less focused on safety protocols. Management departures could be another concern: executives who value merit-based hiring might feel frustrated by the pressure to meet diversity quotas.

Table 7 presents the results of two regressions examining the impact of diversity on employee satisfaction and management departures. In Model [1], the dependent variable is *Employee Satisfaction*, while in Model [2], the dependent variable is *Management Departures*. In Model [1], the *Diversity Score* has a significant negative effect

on employee satisfaction. In other words, a higher commitment to diversity is associated with a reduction in employee satisfaction.

In Model [2], the dependent variable is *Management Departures*. This is a binary variable indicating whether a significant member of the executive management team has voluntarily left. The *Diversity Score* shows a significant positive effect, indicating that a stronger focus on diversity is associated with higher management turnover.

Table 7: The Effect of Diversity on Employee and Management Satisfaction

Variables	Employee Satisfaction Model [1]	Management Departures Model [2]
Diversity Score	-0.178***	0.654***
	(0.064)	(0.153)
Firm Size	0.007	0.011
	(0.006)	(0.012)
Leverage	0.070	-0.036
	(0.052)	(0.025)
ROA	-0.192	0.198
	(0.329)	(0.330)
Market-to-Book	0.000	0.000
	(0.000)	(0.000)
Free Cash Flow	0.182	-0.331
	(0.333)	(0.336)
Cash Holdings	0.160**	0.146
	(0.066)	(0.103)
Dividend	-0.077	0.174
	(0.216)	(0.392)
PropPlantEq	-0.150***	0.095
	(0.058)	(0.119)
Capital Expenditure	0.843**	0.438
	(0.385)	(0.515)
Industry Fixed Effect	Yes	Yes
Year Fixed Effect	Yes	Yes
Observations	977	12,262
Adj R-squared	0.023	

This table shows the effect of diversity on employee and management satisfaction. In Column [2], the dependent variable is *Employee Satisfaction*, while in Column [3], the dependent variable is *Management Departures*. In Column [2], the analysis is conducted using ordinary least squares (OLS) regression. In Column [3], the analysis is conducted using probit regressions. Standard errors are shown in parentheses. Industry and year fixed effects are included in the regressions. Definitions of all variables are detailed in Appendix A. The symbols *, **, and *** denote statistical significance at the 10 percent, 5 percent, and 1 percent levels, respectively.

The unabridged report contains a two additional tables in which we further test the robustness of our main results by employing alternative diversity measures. The results presented in these tables show significant relationships between our alternative diversity measures and workplace safety.

6. Conclusion

This study examines the relationship between corporate diversity initiatives and workplace safety outcomes. Our findings show that while diversity-focused policies might advance inclusion goals, they are also associated with heightened workplace injury rates and increased lost workdays. The findings underscore a need for firms to balance diversity objectives with safety considerations.

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