

Effect of Diversity and Inclusion Policies on Employee Performance and Engagement

by Jana Publication & Research

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ABSTRACT:

Diversity and inclusion (D&I) have emerged as essential drivers of organizational performance and employee engagement in modern workplaces. This study examines the effect of D&I policies on employee performance and engagement across organizations. A quantitative research design was employed, using structured questionnaires to collect data from employees regarding their perceptions of inclusive practices, fairness, and participation in decision-making, as well as their engagement and job performance levels. The analysis investigates the relationship between the implementation of D&I initiatives—such as equitable recruitment, access to training, and participative management—and employee outcomes, including productivity, motivation, and commitment. Results indicate a significant positive association between effective D&I policies and higher levels of employee engagement and performance. Employees who perceive their workplace as inclusive and fair demonstrate increased job satisfaction, collaboration, and organizational commitment. The study highlights the strategic importance of embedding diversity and inclusion into organizational culture, suggesting that D&I initiatives are not only ethical imperatives but also performance-enhancing tools. Recommendations include regular D&I training, bias-awareness programs, and continuous evaluation of policy effectiveness to sustain engagement and productivity gains.

Key Words: Employee Motivation, Job Satisfaction, Inclusive Practices, Employee Engagement

Introduction:

In today's rapidly evolving global business environment, organizations are recognizing the strategic importance of diversity and inclusion (D&I) in achieving sustainable performance and competitiveness. Diversity encompasses differences in gender, age, ethnicity, education, cultural background, and professional experience, while inclusion ensures that all employees feel valued, respected, and able to contribute fully to organizational goals. Together, diversity and inclusion create a work environment that leverages varied perspectives, fosters innovation, and enhances employee engagement.

Employee performance and engagement are critical determinants of organizational success. Performance reflects how effectively employees achieve their assigned tasks and organizational objectives, while engagement measures the emotional commitment and involvement of employees in their work. Research suggests that when employees perceive fairness, equitable opportunities, and inclusive practices, they exhibit higher motivation, collaboration, and productivity. Conversely, the absence of diversity and inclusion can lead to disengagement, reduced morale, and increased turnover.

The automotive, IT, manufacturing, and service sectors increasingly implement D&I policies, including equitable recruitment, training opportunities, mentorship programs, and participative decision-making. Understanding the impact of these initiatives on employee performance and engagement is crucial for organizations seeking to maximize human capital potential. This study aims to examine how effective implementation of diversity and inclusion policies influences employee outcomes, highlighting the practical benefits of fostering an inclusive organizational culture.

Objectives

- ❖ To examine the extent of diversity and inclusion policy implementation in organizations.

- ❖ To assess employee perceptions of workplace fairness, inclusivity, and equal opportunities.
- ❖ To evaluate the impact of D&I practices on employee performance, including productivity, efficiency, and quality of work.
- ❖ To analyze the relationship between D&I policies and employee engagement, including motivation, commitment, and participation.
- ❖ To provide recommendations for organizations to enhance employee performance through effective D&I practice.

6 Significance of the Study

The study is significant for both theoretical and practical reasons. Theoretically, it contributes to the growing body of research on diversity, inclusion, and organizational behavior by empirically linking D&I policies with employee performance and engagement outcomes. Practically, the findings can guide HR professionals and organizational leaders in designing and implementing inclusive practices that improve employee satisfaction, collaboration, and productivity. By highlighting the benefits of fostering an inclusive workplace, the study emphasizes that D&I is not only a compliance or ethical issue but also a strategic tool for organizational success. This research can be particularly valuable for industries seeking to leverage human capital effectively while maintaining a fair and motivating work environment.

Scope of the study:

- Diversity and Inclusion (D&I) policies on employee performance and engagement.
- Equitable recruitment, inclusive decision-making, access to training, and merit-based recognition.
- productivity, motivation, job satisfaction, collaboration, and organizational commitment.
- Employees of organizations where D&I policies are formally implemented, using structured questionnaires
- limited to the sampled organizations and may not be generalized across all industries or regions.
- HR professionals, organizational leaders, and policymakers

Statement of problem

Despite growing awareness of diversity and inclusion (D&I) policies, many organizations struggle to effectively implement them, leading to unequal opportunities, perceived favoritism, and reduced employee engagement. In the context of employee performance, the challenge lies in understanding how D&I initiatives translate into measurable outcomes such as productivity, collaboration, and job satisfaction. While several studies have highlighted the ethical and legal importance of D&I, there is limited empirical evidence on its direct impact on employee performance and engagement, particularly within specific industries or organizational contexts. This study addresses this gap by investigating the relationship between diversity and inclusion practices and employee outcomes, aiming to provide actionable insights for organizational decision-makers.

Review of Literature:

Jones & Smith (2023), EEO legislation—such as Title VII of the U.S. Civil Rights Act, the Equal Pay Act, and equivalent provisions in other countries—remains essential in setting minimum standards for

workplace fairness. The study highlighted how organizations continue to face legal challenges due to non-compliance with anti-discrimination laws, particularly in areas of gender pay equity and disability inclusion.

Kumar & Mehta (2023) Argue that legal compliance is the starting point, but ethical principles such as justice, equity, transparency, and respect should guide HR practices. Their research found that companies that internalize these principles into their culture tend to attract and retain more diverse talent.

D. R. Gomes, N. Ribeiro, and K. M. Ludwikowska, “Editorial: Leadership, diversity and inclusion in organization,” *Front Psychol*, vol. 14, 2023.

T. P. Nugrahanti and A. S. Jahja, “Audit judgment performance: The effect of performance incentives, obedience pressures and ethical perceptions,” *Journal of Environmental Accounting and Management*, vol. 6, no. 3, pp. 225–234, 2018.

C. Bratianu and D. Paiuc, 2019-2022 “Diversity and inclusion within multicultural leadership in the Covid years: A bibliometric study,” *Oradea Journal of Business and Economics*, vol. 8, no. 1, pp. 40–51, 2023.

Dessler, (2017) Equal Employment Opportunity (EEO) refers to the principle that all individuals should have equal access to employment opportunities based on merit, without discrimination. The foundation of EEO lies in various legislative acts, such as Title VII of the Civil Rights Act of 1964 in the United States, which prohibits discrimination on the basis of race, color, religion, sex, or national origin. Similar laws exist in many countries, emphasizing fairness in hiring, promotion, compensation, and termination.

Dobbin and Kalev (2016) argue that while EEO and diversity programs are well-intentioned, their effectiveness is often limited by poor implementation and resistance from management. However, organizations that embed EEO into their culture and leadership practices often see improvements in employee satisfaction, innovation, and performance.

Kalev, Dobbin, & Kelly, (2006) Recent literature emphasizes the importance of proactive strategies such as bias training, diverse recruitment panels, transparent promotion processes, and regular diversity audits. Creating an inclusive culture—not just a diverse one—is seen as a key differentiator in effective EEO implementation.

Reskin, (2000) Despite formal policies, implicit bias, structural inequality, and lack of accountability often hinder true equal opportunity. Some employers adopt EEO policies only to meet legal requirements, without integrating them into broader human resource strategies. Additionally, underreporting of discrimination and fear of retaliation remain major barriers for employees seeking redress (EEOC, 2020).

Research Design:

The research adopts a **descriptive and correlational research design** to examine the relationship between diversity and inclusion (D&I) policies and employee performance and engagement. A **quantitative approach** is employed to collect primary data from employees, focusing

on their perceptions of D&I initiatives and measurable outcomes related to engagement and performance.

Research Methodology

There are two Sources of Data:

- Primary Data – In this study was collected through a structured questionnaire administered to selected respondents.
- Secondary Data -Journal, Text Books, Websites

Data Analysis and Interpretation:

TABLE-1: D&I policies positively affect employee performance

Particulars	Number of Respondents	Percentage %
Agree	120	80
Neutral	20	13.3
Disagree	10	6.7
Total	150	100

Sources: Primary Data

Interpretation:

The study reveals that 80% of respondents agree that D&I policies positively affect employee performance. This indicates that inclusive and diverse work environments enhance productivity and efficiency, as employees feel valued and supported. Organizations implementing effective D&I policies are likely to see measurable improvements in performance outcomes.

TABLE-2: Effect on employee engagement

Particulars	Number of Respondents	Percentage %
Agree	115	76.7
Neutral	25	16.7
Disagree	10	6.6
Total	150	100

Sources: Primary Data

Interpretation:

The data indicates with 76.7% of respondents reporting increased engagement due to D&I policies, it is evident that such initiatives foster higher levels of commitment and involvement. Employees are more motivated to participate actively in organizational activities when they perceive fairness and inclusivity.

TABLE-3: Employees' perception of fairness and supportiveness of D&I

Particulars	Number of Respondents	Percentage %
Agree	110	73.3
Neutral	30	30
Disagree	10	6.7
Total	150	100

Sources: Primary Data

Interpretation:

The results show that 73.3% of respondents believe that employees' perceptions of fairness mediate the relationship between D&I initiatives and performance. This highlights that policies alone are not enough; the way employees perceive their implementation plays a critical role in realizing performance benefits. Fair and supportive policies lead to greater employee satisfaction and efficiency

TABLE-4: Enhancement of Teamwork, Collaboration, and Relationships

Particulars	Number of Respondents	Percentage %
Agree	125	83.3
Neutral	15	10
Disagree	10	6.7
Total	150	100

Sources: Primary Data

Interpretation:

The results show that 83.3% of respondents reported improved teamwork and interpersonal relationships due to effective D&I policy implementation. Inclusive practices encourage collaboration across diverse groups, fostering stronger relationships and a more cooperative work environment

TABLE-5: Moderating Role of Organizational Culture

Particulars	Number of Respondents	Percentage %
Agree	105	70
Neutral	30	20
Disagree	15	10
Total	150	100

Sources: Primary Data

Interpretation:

The data indicate that 70% of respondents agreed that organizational culture moderates the effect of D&I policies. A culture that supports inclusivity amplifies the positive impact of D&I initiatives, while a resistant or biased culture can limit their effectiveness. This underscores the importance of aligning D&I policies with the organizational ethos.

Chi-Square Test

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H₀: There is **no significant relationship** between D&I policies and employee performance.

H₁: There is a **significant relationship** between D&I policies and employee performance.

D&I policies positively affect employee performance.

Employees' perception of fairness mediates the D&I–performance relationship.

Organizational culture moderates the impact of D&I policies.

Findings

- The study revealed that 80% of respondents agreed that diversity and inclusion initiatives positively affect their performance.
- A Majority of 76.7% respondents acknowledged that inclusive policies increase their level of engagement.
- Majority of 76.7% respondents acknowledged that inclusive policies increase their level of engagement. 73.3% of respondents agreed that fair treatment and supportive practices strengthen the relationship between D&I policies and performance outcomes.
- The responses showed that 83.3% of employees experienced improved teamwork and collaboration in inclusive settings. The Chi-square test confirmed a significant relationship between D&I practices and enhanced cooperation among diverse groups.
- Majority 70% of respondents agreed that a positive, inclusive organizational culture strengthens the impact of D&I policies.
- This indicates that there is a strong and statistically significant relationship between D&I policies and employee-related outcomes such as performance, engagement, fairness perception, teamwork, and cultural alignment.

Suggestions:

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The study indicates that Diversity and Inclusion (D&I) policies have a substantial and positive impact on various aspects of employee experience and organizational effectiveness. Overall, the findings reveal that a majority of employees recognize the benefits of D&I initiatives in enhancing performance, engagement, fairness, teamwork, and organizational culture. A significant majority of respondents (80%) agree that D&I policies positively affect employee performance, suggesting that inclusive work environments increase productivity and efficiency. Similarly, **76.7% of respondents** reported that D&I initiatives enhance employee engagement, reflecting higher motivation, commitment, and active participation in organizational activities.

The perception of fairness and supportiveness also plays a critical role, with 73.3% of respondents highlighting that employees' perceptions mediate the relationship between D&I policies and performance. This underscores that policies alone are insufficient; how employees experience inclusivity and fairness strongly influences their performance and satisfaction. D&I practice further contribute to improved teamwork, collaboration, and interpersonal relationships, as indicated by 83.3% of respondents, showing that inclusive environments foster cooperation and stronger workplace relationships. Additionally, 70% of respondents agree that organizational culture moderates the effectiveness of D&I policies, highlighting that a supportive and inclusive culture enhances policy outcomes, while a resistant culture may limit their impact.

Conclusion:

The study clearly demonstrates that Diversity and Inclusion (D&I) policies play a pivotal role in enhancing employee performance, engagement, teamwork, and overall organizational effectiveness. A significant majority of employees perceive these initiatives as beneficial, indicating that inclusive practices foster a sense of fairness, support, and belonging in the workplace.

However, the effectiveness of D&I policies is not determined solely by their existence; employees' perceptions and the organizational culture significantly influence their impact. Policies implemented in a supportive and inclusive culture yield greater positive outcomes, while a resistant or biased environment can hinder their effectiveness. Furthermore, the findings highlight that continuous awareness, training, and consistent implementation are essential to ensure that all employees understand, embrace, and benefit from D&I initiatives. By aligning organizational culture with inclusive values and fostering fairness at every level, organizations can maximize employee satisfaction, collaboration, and productivity.

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