

Equity Audits Address Racism in the Workplace

'An effective audit holds up a mirror to an organization,' attorney says

By Leah Shepherd

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More companies are looking to address racism in the workplace by conducting formal racial equity audits.

"We have seen an increase in companies considering racial equity and civil rights audits over the last couple of years. And we expect to continue to see interest in such audits in the coming years," said Jessica Soto, an attorney with Ropes and Gray in Boston. "Often driven by key shareholders, racial equity audits have emerged as a promising way to identify and address systemic bias and discrimination."

A racial equity audit is an evaluation— usually conducted by an external law firm— of an employer's policies, procedures and practices to identify and address systemic bias and discrimination. It shows where the employer might be falling short in efforts to build a more diverse, equitable and inclusive workplace. The auditors may analyze recruiting, hiring, promotions, retention, training, advertising, social media messages and algorithms used in operations. Recommendations could include, for example, training employees, adjusting corporate policies, analyzing pay equity or conducting a corporate culture survey.

"An effective audit holds up a mirror up to an organization to examine what its values are and whether it's living up to those values," Soto said.

In the last two years, attorneys have seen a significant increase in the number of companies, government entities, and nonprofits conducting internal and external racial equity or civil rights audits, said Valecia McDowell and Elena Mitchell, lawyers with Moore and Van Allen in Charlotte, N.C., in a joint e-mail. "Proxy demands to publicly traded companies impacting communities of color are a key driver of this activity. In addition, there is a growing sense among investors, consumers, and the public at large that assessment and change are warranted in this space."

Investors and stakeholders are paying greater attention to environmental, social and governance impacts of companies, McDowell and Mitchell added. "They also are requesting, and sometimes demanding, that companies consider social justice issues, often through racial equity audits."

The goals for racial equity audits are different for each company. They might include "informing shareholders about their investments; helping to establish baseline metrics; measuring performance in terms of achieving social justice and diversity, equity and inclusion goals; and, ideally, increasing profit and competitive advantage," McDowell and Mitchell explained.

Ultimately, "the goal should be to make themselves accountable for the findings, including being willing to take necessary action based on the recommendations from an external partner," said Kim Crowder, CEO of Kim Crowder Consulting in Carmel, Ind.

But don't expect meaningful change to happen quickly. "The most prominent misinterpretation is that inequities are an HR matter that can be eliminated quickly," Crowder said.

How to Conduct an Effective Audit

What elements are needed to produce a successful racial equity audit?

Experts recommend using an experienced partner to run the audit. "For these audits to be unbiased, they must come from an external partner," Crowder said. "It builds trust with employees, knowing that what they share is strictly confidential. During our audits, we hear things employers never would. Over 61 percent of employees either experienced or witnessed discrimination in some form."

Just because you haven't heard a lot of complaints about racial bias doesn't mean it's not there in the workplace. "Companies may assume that if they have not heard it, it is not happening," Crowder said. "They may also believe that it is isolated because they only heard about an issue once."

Often racial bias goes unreported because the targets are afraid that they won't be believed if they say something. Sometimes people don't report racial bias because they don't believe their supervisor or the company will do anything to fix the problem. Or they're worried that they might get on the boss's bad side or be fired if they complain.

Being honest in the audit is essential. "Transparency from organizations is critical," Crowder said. "It is OK to say that the organization has much work to do. Team members respect that. When organizations make changes, team members trust them."

Be sure to follow through with the recommendations and next action steps after the audit is done.

"Employers sometimes conduct an audit and stop there," Soto said. "While audit reports on their own are valuable, they should not just sit on a shelf collecting dust. Effective audits encourage real and sometimes difficult reflection and often additional future work. ... Once you have the data, you must also use it effectively to create change in the organization."

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