



## WORKFORCE DIVERSITY AND PERFORMANCE: AN IMPACT ASSESSMENT

Dhruba Lal Pandey, Ph.D.

Central Department of Management  
Tribhuvan University, Kirtipur, Nepal.

### Abstract

*The changing nature of the workforce has become one of the key significant aspects additionally as a challenge for organizations across the globe. People from different races, genders, regions, cultures, etc. are coming to figure together on an identical platform. Diversity has been defined in terms of old, gender, and ethnicity. Thus, diversity is often described as every feature within which people differ in one or the opposite way (Hayles, 1996). Nepal is a diverse country in terms of the residents, which makes the workplace stuffed with diversity, be it in terms of ethnicity, age, and gender. Therefore, there are contradicting views related to diversity and performance. The insurance industry is one of the key and prominent industries in terms of contribution to the economic system. Therefore, the most aim of this research is to review the effect of workforce diversity on employee performance within organizations. The employees of the insurance companies working within Kathmandu valley is considered as population i.e. 2581. Out of them 98 employees were taken as sample. Data were collecting distributing the five point Likert scale questionnaire. The data were analysed using percentage, frequency, mean and ANOVA test. The results of the study revealed that workforce diversity does not effect the performance of employees in the Nepalese insurance industry.*

**Keywords:** workforce diversity, age, gender, ethnicity and employee performance

### Introduction

Nepal is essentially a verged country in terms of the residents, which makes the workplace stuffed with diversity, be it in terms of ethnicity, age, and gender. The insurance industry is one of the most important and prominent industries in terms of the economy of the country. There are 40 insurance companies in Nepal including life and non-life insurance companies. The insurance sector contributes 2.6% within the GDP of Nepal (MOF, 2019). As this can be one amongst the most important contributors to the Nepalese economy, the insurance sector is chosen for this study.

The term diversity and inclusion (D&I) has been overly utilized in Nepal in recent decades, especially within the political context. But the truth is that it's yet to be translated into practice. And more so within the private sector. The reservation policy executed by the government of Nepal since 2007 has contributed to increased inclusion within the public and government officials sector. But there are only a few women currently leading the massive private and

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public sector organizations i.e. Mega Bank and Nepal Telecom (Maharjan, 2013) If these appointments could inspire other institutions and corporations in terms of maintaining diversity, it'd significantly change the landscape of workforce in Nepal. Still, many employers have a misconception that diversity impairs performance, who feel hiring women and other people from the underprivileged group will affect the standard and therefore the output of the organization. Similarly, the difficulty of diversity isn't getting enough attention but we face problems like strike, lockout, harassment, group cohesiveness all because of the difference in our perceptions, culture, political ideology, etc. together with increasing awareness of human rights against any reasonable discrimination and prejudices, active participation of various national and international agencies for the promotion and protection of every minority groups' rights has made it a substantial issue to form an observation for the management of all organizations. So far, few numbers of studies are conducted within the field of workforce diversity management in Nepal specializing in Human Resource Management Practices in Nepal and Workforce Diversity and Reservation Policy in Nepal (Khadka & sunam, 2018). Diversity in Nepal's workplace also has to be viewed beyond the political agenda to capability the capability of individual differences. Globally, an increasing number of companies are specializing in diversity to boost organizational performance. Though there are some practices of inclusion and reservation mostly in government institutions, diversity isn't well maintained. The reservation policy executed by the government. of Nepal since 2007 has contributed to increased inclusion and variety within the public and government officials sector, though there are an extended ways to go. Among the 80 thousand civil servants, only 15 percent are women. In terms of race and ethnicity, 56 percent Brahmins, 14 percent Chhetris, 15 percent Janajatis, 8 percent Madhesis, and 5 percent Dalits are employed within the government officials. Ironically, the event sector which emphasizes inclusion and variety also lacks the upkeep of a major level of diversity in their respective organizations. The quantity of ladies from marginalized communities is even lower, as an example, only 1.6 percent of the ladies workforce belongs to Madesh/Terai community (ADB, 2008). Moreover, the "leaking pipeline" problem remains in the slightest degree in the sectors of the utilization (Dhital, 2018). She said that diversity has been used just for the political context, people are attempting to use this term only for the sake of their political benefits only. No organization has genuinely implied diversity and inclusion. The sectors which are believed to own a diversified workforce still have little diversity in terms of employees.

The concept of diversity has some leaking pipelines that discourage inclusion within the Nepalese financial sector. It's painful to mention that diversity and inclusion are confined to the right-based approach instead of the standard of labour approach. People view it as merely a political agenda. Viewing the instances that are prevailing within the context of Nepal, diversity is simply taken as a political agenda. The variety and inclusion supported regulation have discouraged the standard of employees. The inclusion within the Nepalese context seems to be more inclined towards the proper rather than the work and its quality (Gautam, 2014). Managing diversity is challenging. The leadership can play an important role by creating an appropriate organizational and socio-cultural climate. Individuals at all levels from leadership to staff in the lowest unit of the organizational hierarchy must be ready to examine and confront their own intrinsic attitudes, perceptions, and behaviour that have been shaped by the culture and traditional beliefs they have grown up with (Kalauni, 2008). Asian Development Bank

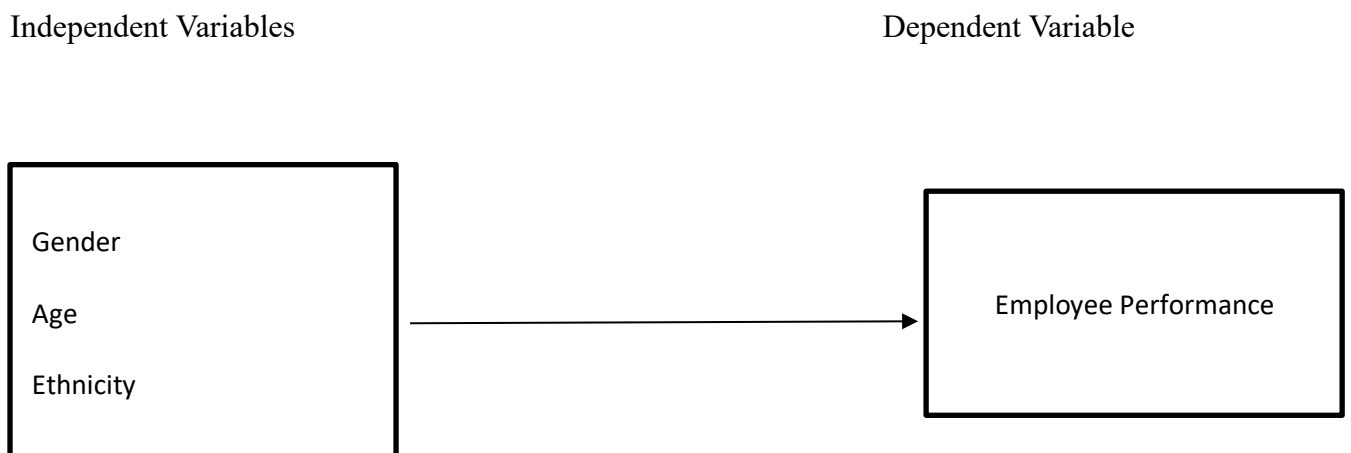
conducted research on the workforce diversity in Nepalese firms. Women constitute only 29.3 percent of the total workforce in the 30 development partners. The 2008 workforce data reveals that the representation of women at senior management, middle-level management, administrative and program support staff, and other support staff levels stand at 25, 32.2, 41.1 and 7.2 percent respectively. Of the total women staff in the workforce, only 1.6 percent is of Madhes/Tarai origin. The research was based on workforce diversity in international agencies in Nepal. Nepal is a highly diverse country with various ethnicity and creeds. It has been found that dynamic leadership is required to bring out change in a diverse work environment. But it seems a challenge for any organization's success. The state bureaucracy comprising civil service and security organs is arguably the single largest employer, offering permanent and secure jobs to over 279,000 individuals. Women make up now around 20 percent of the total civil service workforce of about 83,000 employees. The security organs of the state; Nepal Police, Armed Police Force, and Nepal Army – have 5.7 percent, 4.9 percent and 3.2 percent women in their workforces respectively (Khadka & sunam, 2018)

Considering to all the literatures, it can be assumed that the managers of the Nepalese and international firms are reluctant to hire female employees. They generally get afraid to provide challenging and risky jobs thinking that the diversity reduces the performance of the employees and to a large extent the organizational performance. Nepalese financial sector has also very large number of employees in the lower position but not in the higher position. They are also reluctant to provide higher position job. In Insurance industry, 40 insurance companies is running but no single CEO from the females. Most of the CEOs are from Brahmin caste. Thus, this study intends to examine the relationship between workforce diversity and employee performance so that management reluctance can be reduced.

### Theoretical framework

Working-force diversity is taken as an independent variable in this analysis. It is measured by means of three variables; gender, age, and ethnicity. It was developed by taking insights from the study of Alghazo and Shaiban (2016).

**Figure 1.** Relationship between diversity and employee performance



## Research Methods

The study relies on primary sources of information. In assessing the position of diversity descriptive research design has been used and in assessing the results of workforce diversity on employee performance correlational research design has been used. The population of the study is taken into account to the workers of the insurance companies i.e. 2581. The sample size is computed at a 95% level of significance i.e. 5% error level. The computed sample size is 95. Thus, 98 respondents were taken for the study. The desired respondents were selected from four insurance companies that collect maximum portion of the premium. A questionnaire was distributed online by using Google forms and distributed to respondents who were randomly selected. For the reliability of the perception of the workers towards diversity, the questionnaire was developed with the assistance of previous studies. The questionnaire was prepared in respect to Alghazo and Shaiban (2016) for measuring the variables. The questionnaires were preferred because it is assumed that everyone the respondents are literate and so, are capable of responding. The questionnaire was divided into four different parts i.e. age, gender, ethnicity, and employee performance. Each variable contained variety of questions supported 5-point Likert scales i.e. from strongly disagree to strongly agree. Descriptive and inferential analysis was meted out to fulfil the objectives of the study. For descriptive statistical analysis; frequency, percentage and mean analysis were used. Similarly, inferential statistical analysis was performed by using ANOVA to look at the effect of employee s' performance with gender, age, and ethnicity.

## Analysis and Results

The survey of the employee has to answer the questions related with the age, gender, and ethnicity.

**Table 1:** Respondent's Gender

Gender	Frequency	Percentage
Male	78	79.6%
Female	20	20.4%
Total	98	100%

Table 1 shows that the male respondents are higher than the female respondents. This means our research is male gender driven. The study's findings are dominated by masculine responses.

**Table 2:** Respondents' Age

Age	Frequency	Percentage
20-29	39	39.8%
30-39	19	19.4%
40-49	33	33.7%
50-59	7	7.1%
60+	0	0%
Total	98	100%

The response was divided into 5 age classes, i.e. 20-29 years, 30-39 years, 40-49 years, 50-59 years and 60 years above. Since most respondents are 20-29 years of age group, the findings of this study are based more on the opinion of the youth employees.

**Table 3:** Respondents Ethnicity

Ethnicity	Frequency	Percentage
Brahmin	41	41.8%
Chettri	19	19.4%
Magar	9	9.2%
Newar	16	16.3%
Madhesi	6	6.1%
Others	7	7.1%
Total	98	100%

The table above shows the race of the respondents. The bulk of the respondents were from Brahmin (41.8%), and from Chettri (19.4%). It was 9.2% for Magar, 16.3% for Newar, 6.1% for Madhesi and 7.1% for others. Here the opinion of Brahmin and Chhetri ,which is 61.2%, leads the findings of the analysis.

**Table 4:** Organization practices and Gender ( Summated mean score= 3.52)

	In %					Mean
	1- Strongly Disagree	2- Disagree	3- Neutral	4- Agree	5- Strongly Agree	
The organization does a good job of attracting and hiring women	5.1	23.5	17.3	35.7	18.4	3.39
Opportunity for growth and advancement exist for women in our organization	2.0	17.3	10.2	62.2	8.2	3.57
The organizations training and development program is developed to meet the requirements of female	2.0	11.2	16.3	48.0	22.4	3.78
The performance criteria for success are expected to be higher for men than for women	8.2	22.4	14.3	37.8	17.3	3.34

The percentage of answers on employee results for every gender question is shown in table 4. 35.7 percent of respondents agreed that the company is doing a good job recruiting and hiring

women, although 5.1 percent disagreed strongly. About 62.2 percent of respondents accepted that women in our company have opportunities for development and advancement while 2 percent disagreed. As far as the issue is concerned, the training and development system is structured to meet male and female criteria, 70.4 percent of respondents agreed, while 13.2 percent did not agree or disagree. 37.8 percent of respondents agreed that the performance standards for success would be higher for men than for women, while 55.1 percent agreed. It means that the management's confidence in Nepal's insurance sector is still in male gender rather than female gender. The summated mean score is at band agreement. Therefore, the presence of female employees in the Nepalese insurance industry is encouraged.

**Table 5:** Organization practices and age (Summated mean score= 3.375)

	in %					
	1- Strongly Disagree	2- Disagree	3- Neutral	4- Agree	5- Strongly Agree	Mean
My team leader includes all members at different ages in problem solving and making decision	11.2	13.3	14.3	45.9	15.3	3.41
The age differences in work group might cause conflict	2	27.6	15.3	44.9	10.2	3.34

The percentage of responses on employee results for every age question is shown in table 8. 61.2 per cent of respondents accepted that the team leader should include all participants of all ages in problem solving and decision taking. Although 24.5 per cent noticed that the team leader does not include the age diversification of the employees. However, the majority of respondents 55.1 percent felt that the age gaps in the working group could cause tension and 29.6 percent disagreed on the reasoning. It showed that the Nepalese corporate managers are diversifying the gender-based workforce but the workers have no confidence to increase performance. They feel the age gap causes tension among team members. The average mean score is 3.375 which is inclines to agree band. The employees' response, then, is optimistic. It means Nepalese managers seek to handle on-the-job age diversity.

**Table 6:** Organization practices and ethnicity (Summated Mean score= 2.43)

	in (%)					
	1- Strongly Disagree	2- Disagree	3- Neutral	4- Agree	5- Strongly Agree	Mean
At work I experience demotivated because my culture is different than others	20.4	41.8	15.3	18.4	4.12	2.44
My supervisor neglects me because I belong to lower ethnicity	21.4	40.8	22.4	13.3	2.0	2.34

Table 6 displays the percentage of answers for every ethnicity question. 22.52 per cent of respondents accepted that they are demotivated at work because their culture is different from that of others, while 62.2 per cent disagreed. It means they aren't demotivated because of racial differences. 15.3% of respondents accepted that supervisor neglects because of lower ethnicity and 62.2% disagreed. It means respondents accepted that the organisation's treatment of workers from different ethnic groups was equal, the summated mean score is 2.43. It is oriented to the disagree brand which means there is no distinction between the workers in the workplace based on the difference in ethnicity in the Nepalese insurance industry.

**Table 7: Impact of Age, Gender and Ethnicity on employee's performance**  
ANOVA

	F-value	Sig.
Gender	3.162	.079
Age	2.158	.098
Ethnicity	3.796	.067

Sex, age, and ethnicity p- value is higher than significance level i.e. 0.05. It shows that age, gender, and ethnic diversity have no effect on employee performance as per Nepalese insurance industry employees' perception. This shows that diversity based on gender, age and ethnicity does not impact employees' performance either positively or negatively in the insurance industry of Nepal.

### Discussion and Conclusion

This study aims to explore the link between workforce diversity and employee performance. Here the workforce diversity is defined by age, gender, and ethnicity. A self-developed questionnaire was taken from the article 'Effects of workforce diversity on Employees Performance' (Alghazo, 2016). Online Questionnaire was distributed within the four insurance companies that's social insurance, Nepal insurance, Asian insurance, and Shikhar insurance; here 98 employees responded. As per the perceptual data analysis, it's realized that age, gender, and ethnicity incorporate a no significant relation with employee performance. During this study, the researcher concluded that there is no difference within the performance of employees due to hiring employees from various ethnicity, gender, and age. Therefore the variance in gender, age, and different ethnic groups can work together efficiently. This study is inconsistent with the study of Thomas, 2016 which was conducted within the Oil Company and consistent with the study findings of Thomas (2009) which was conducted in educational institutions. Similarly the study undertaken by Atyah, (2016) concluded that diversity helps to higher utilize talent, increase the quality of team and enhance creativity and ultimately employee performance. It's may be so because the academic sector and insurance sector both are service providers. Thus, their HR strategies and policies and dealing pattern with the workers might be similar but the Oil company is extraction and refining company and so nature of the HR

strategies and policies and dealing pattern with the workers thereupon of the insurance companies might be different in order that the results of the study are different. Generally, studies on workforce diversity conducted based on physical diversity presented a positive relationship but this study doesn't support those theories. Many researchers contend that physical diversity characteristics like race, age, or sex (also referred to as bio-demographic diversity) positively influence performance because team members contribute unique cognitive attributes supported their experiences stemming from their demographic background ( Horwitz,& Horwitz, 200; Watson, Kuman and Michaelsen, 1993 ; Jakob, 2009; Dreachlina, Weech-Maldonadob & Dansky (2004); Mightyb & Damarb (1999) & Saha & Patra , 2008). Similarly this study finding has not been supported to the grounded theory of workforce diversity developed till the period. Either those theories supported the positive impact or negative impact of diversity on employee and organizational performance but this theory has not been supported to both the notion of the theories. Attraction theory recommended that diversity may produce conflict and better turn over. Similarly, theory suggests that individuals are interested in others with whom they share attitude similarity ( Bryne, 1999). Social identity theory said that that's often in-group favouritism and hostile out-group. So, out-group people don't favour to their own group too and have conflict and eventually negative impact within the performance of the workers and organization ( Goldberg, 2005) and the justification suppression model also recognizes to the conflict between the workers with those that got priority and not. So, the diversity impacts negatively on the performance of the workers (Crandall & Amy, 2003). Thus the finding of this study doesn't enlighten of these theories too. So, the further robust study is required to justify the results of this study.

### **Future implications**

#### **Managerial implications**

Insurance company managers in Nepal can take the finding of the study as a basis while developing HR policy especially the hiring policy. Study suggests recruiting from any race, ethnic group, age and gender doesn't affect employee performance. More important is the role of leadership in inspiring the workers and maximizing their efficiency.

#### **Research implications**

The results of this study have debunked the suggestions of most the hypotheses related to diversity in the workplace. The grooming researchers should, therefore, have study replicating the technique in the same area to explain the results of this analysis. This study has also not followed any of the research results because they can use certain study models and cross check the results of the analysis. This study was conducted in the financial sector so that researchers can study other business sectors such as manufacturing, agro-based, hotels, and even in the civil service sector in order to evaluate the efficacy of the reservation system adopted by Nepal's government since 2007. In order to rigorously evaluate the effect of workplace diversity on employee efficiency. Further researchers may have study considering qualitative data and qualitative analysis.



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