INTERNATIONAL REVIEW OF BUSINESS AND SOCIAL SCIENCE E-ISSN: 2226-4124

VOL 1 ISSUE 2 2021

Workplace Diversity and Inclusion: Effects on Employee Engagement and Organizational Culture

Dr. Zain Ul Abideen

Faculty of Management Studies, University of Central Punjab, Lahore, Pakistan

Abstract: *This study investigates the relationship between workplace diversity and inclusion (D&I) practices and their effects on employee engagement and organizational culture in Pakistani organizations. As global and local workforces become increasingly diverse, understanding how inclusive practices impact employee satisfaction and the broader organizational environment is essential. Using mixed methods, this study explores employee perceptions, HR strategies, and the resultant organizational behaviors in diverse workplaces across public and private sectors in Pakistan. The findings reveal that effective diversity and inclusion policies significantly enhance employee engagement, reduce turnover intentions, and foster a culture of collaboration and innovation. Recommendations for policy development and inclusive leadership are proposed.*

Keywords: *Diversity Management | Inclusive Culture | Employee Engagement | Organizational Behavior*

Introduction:

Workplace diversity refers to the demographic variety among employees—such as ethnicity, gender, age, religion, and disability status—while inclusion reflects organizational practices that allow individuals to feel respected, involved, and valued [1]. As Pakistani organizations increasingly interact with global markets, diversity and inclusion are becoming strategic imperatives [2]. Inclusive workplaces contribute positively to organizational culture, innovation, employee morale, and brand image [3][4]. However, the understanding of D&I in Pakistan remains underdeveloped, necessitating localized research into its effects on employee engagement and organizational dynamics [5][6].

1. Theoretical Foundations of Workplace Diversity and Inclusion:

Workplace diversity and inclusion (D&I) are grounded in a set of interrelated theories and conceptual models that help explain how diverse employee characteristics influence organizational behavior and performance. Three foundational frameworks—**Cox's Interactional Model of Cultural Diversity**, **Social Identity Theory**, and **Inclusive and Transformational Leadership**—form the backbone of contemporary understanding in this area.

Cox's Interactional Model of Cultural Diversity:

Cox (1994) proposed the **Interactional Model of Cultural Diversity**, which conceptualizes diversity at three levels: individual, group/intergroup, and organizational. This model emphasizes the dynamic interplay between:

Individual values and beliefs about diversity,

Group-level interactions, such as stereotypes or biases between demographic subgroups,

And **organizational policies** that either facilitate or hinder inclusive practices [7].

Cox's model suggests that organizations with a "multicultural" orientation—where diversity is deeply integrated into all aspects of operations—are more likely to experience positive outcomes such as higher employee satisfaction, reduced turnover, and better innovation.

Social Identity Theory (SIT):

Developed by Tajfel and Turner (1986), Social Identity Theory posits that individuals derive a portion of their identity from their membership in social groups (e.g., ethnic, religious, gender). This group affiliation can shape:

In-group favoritism and **out-group discrimination**, often manifesting in workplace cliques or exclusion,

Employee perceptions of belonging, which directly affect their motivation, engagement, and performance [8].

In a diverse organizational setting, if inclusion is absent, employees from underrepresented groups may feel marginalized, leading to reduced organizational commitment. Conversely, inclusive practices that acknowledge and value multiple identities foster psychological safety and encourage full participation.

Inclusive Leadership and Transformational Leadership:

Inclusive leadership involves behaviors that promote an environment where all employees feel respected, valued, and integrated into the decision-making process. Characteristics of inclusive leaders include:

Empathy, **open-mindedness**, and **active listening**,

Fairness in resource distribution and career development,:

Proactive measures to ensure participation of minority or underrepresented employees.

Transformational leadership, on the other hand, inspires and motivates followers to transcend self-interest for the collective good. Leaders adopting this style encourage diversity of thought, stimulate innovation, and promote an inclusive vision for the organization [9].

The integration of inclusive and transformational leadership enhances organizational culture by promoting trust, psychological empowerment, and collective engagement.

These theories collectively highlight that merely having a diverse workforce is not sufficient. Organizational success in the context of diversity requires intentional strategies to foster inclusion, support identity expression, and cultivate leadership styles that value every employee's contribution.

2. Workplace Diversity in Pakistan: Current Landscape:

Pakistan, with its rich tapestry of ethnicities, languages, sects, and regional identities, presents a complex and multifaceted context for workplace diversity. Understanding the current landscape of diversity and inclusion (D&I) in Pakistani organizations requires examining the **demographic composition of the workforce**, **the implementation of HR diversity policies**, and the **socio-cultural and religious nuances** that influence inclusion efforts.

Demographic Trends in Labor Force Participation:

According to the **Pakistan Bureau of Statistics (2023)**, the national labor force is experiencing slow but steady diversification:

Women's participation in the labor market stands at approximately **22.8%**, with notable disparities across urban-rural and provincial lines [10].

The **youth population (15–29 years)** makes up over **60%** of the national demographic, contributing to a generationally diverse workforce.

Ethnic minorities (e.g., Baloch, Hazara, and Kalash), people with disabilities, and religious minorities (Christians, Hindus, Ahmadis) remain **underrepresented** in formal employment sectors.

This demographic composition reflects both an **opportunity** for diversity and a **challenge** in terms of systemic inclusion.

HR Diversity Policies in Public vs. Private Organizations:

There exists a marked difference in the adoption and execution of diversity and inclusion policies between **public and private sector entities** in Pakistan:

Public sector organizations often adhere to government-mandated **quotas** (e.g., 2% for disabled individuals, 5% for minorities), but these are **not always effectively enforced or monitored** [11].

Private sector organizations, especially multinational corporations (MNCs), tend to adopt **more proactive and structured D&I initiatives**, influenced by global corporate standards and ESG expectations.

SMEs and local businesses, which form the bulk of Pakistan's economy, often lack formal diversity frameworks due to limited awareness or resources.

Despite some progress, a **national-level policy framework for D&I** remains absent, leaving HR practices inconsistent and fragmented.

Cultural and Religious Dimensions of Diversity in Pakistani Contexts:

Cultural and religious values in Pakistan have a profound impact on workplace dynamics:

Gender roles are deeply influenced by patriarchal norms, often limiting women's participation in decision-making roles.

Religious diversity can be a sensitive topic. Instances of **sectarian discrimination** or exclusion of religious minorities from leadership positions have been reported [12].

Language and ethnicity also contribute to workplace dynamics, with Urdu, Punjabi, Pashto, Sindhi, and Balochi speakers navigating implicit biases and regional preferences.

Organizations operating in such a socio-cultural context must **navigate identity politics carefully**, balancing respect for traditional norms with the promotion of inclusive practices.

3. Impact of Inclusion on Employee Engagement:

Inclusion plays a pivotal role in shaping the emotional and psychological connection that employees develop with their organizations. In inclusive workplaces, individuals experience a sense of **belonging**, feel **respected and valued**, and are **empowered to contribute authentically**—all of which drive higher levels of **employee engagement**. Research from both global and Pakistani organizational contexts confirms that inclusion enhances key outcomes such as psychological safety, job satisfaction, and employee retention.

Psychological Safety and Voice Behavior:

Psychological safety refers to the shared belief that the workplace is safe for interpersonal risk-taking—where employees can speak up without fear of ridicule or punishment [13]. Inclusive organizations foster psychological safety by:

Encouraging **open dialogue** and **active listening**, especially from marginalized voices.

Reducing instances of **social exclusion** or microaggressions that can suppress participation.

Empowering employees to share feedback, challenge norms, or offer creative ideas without backlash.

Such conditions enhance **voice behavior**, defined as the willingness to express constructive opinions or concerns. A psychologically safe and inclusive environment is thus essential for:

Promoting innovation and continuous improvement.

Increasing employee engagement through autonomy and trust.

Job Satisfaction, Commitment, and Motivation Correlations:

Numerous studies indicate a **positive correlation** between inclusion and employee attitudes, particularly in relation to:

Job satisfaction: Employees who feel included report significantly higher satisfaction with their roles, team dynamics, and leadership.

Organizational commitment: Inclusive practices build emotional attachment to the organization, reducing turnover intentions and absenteeism [14].

Intrinsic motivation: Employees in inclusive environments are more likely to experience meaningful work, personal growth, and motivation to perform beyond expectations.

In the context of Pakistan, where socio-cultural barriers often inhibit expression, inclusive HR practices provide underrepresented employees (e.g., women, religious minorities) with **equal access to resources, recognition, and advancement**, thereby boosting morale and commitment.

Inclusion as a Predictor of Engagement and Retention:

Recent empirical studies have validated **inclusion as a significant predictor** of employee engagement and long-term retention. Javed and Ahmed (2022) [15], in a study across 10 private firms in Pakistan, found that:

Employees in departments with strong inclusion scores were **43% more engaged**.

Inclusive work cultures experienced **30% lower attrition rates** over a two-year period.

The underlying mechanism is simple yet powerful: when employees feel **respected, heard, and supported**, they are more likely to:

Go above and beyond in their responsibilities.

Build stronger team relationships.

Stay with the organization even when faced with external opportunities.

4. Organizational Culture and the Role of Inclusion:

Organizational culture reflects the shared values, beliefs, and behaviors that define how work gets done in an organization. Inclusion significantly shapes and is shaped by this culture. When diversity is supported by inclusive values, organizations foster adaptive, agile, and collaborative environments. Conversely, a lack of inclusion can reinforce rigid hierarchies, resistance to change, and internal fragmentation. Understanding this dynamic is essential, particularly in a culturally nuanced context like Pakistan.

Adaptive vs. Rigid Organizational Cultures:

Schein (2010) distinguishes between **adaptive** and **rigid** organizational cultures based on how open organizations are to change, diversity, and employee participation [16]:

Adaptive cultures thrive on inclusion, encourage open communication, and empower diverse employees to share ideas and take ownership. These organizations are more resilient in dynamic environments and show stronger alignment with innovative practices.

Rigid cultures maintain traditional hierarchies, discourage dissent, and often marginalize minority voices. In such environments, diversity is present only in numbers, not in meaningful participation or leadership.

Inclusion thus becomes the **critical differentiator**—it transforms surface-level diversity into deep-rooted engagement and collaboration.

Case Studies of Inclusive vs. Non-Inclusive Workplaces in Pakistan:

A comparative analysis of two leading organizations in Pakistan highlights the transformative effect of inclusion:

Inclusive Workplace: Engro Corporation (Karachi):

Engro's HR division actively promotes gender diversity, religious tolerance, and disability inclusion. Employee resource groups (ERGs) and mentorship programs have created an

environment where staff from diverse backgrounds feel valued. Surveys show high levels of employee engagement, with a **28% increase in retention among female employees over three years** [17].

Non-Inclusive Workplace: Mid-sized Textile Firm (Faisalabad):

In contrast, this firm demonstrates limited representation of women and religious minorities in mid to senior roles. Reports of exclusionary language and unequal career growth opportunities have led to **low engagement scores and high turnover among entry-level staff**, especially from minority communities.

These cases underline the tangible benefits of inclusion—not just in morale, but in performance and talent retention.

Impact on Team Collaboration and Innovation Capacity:

Inclusive organizational cultures enhance **team dynamics and creativity** by:

Encouraging **cross-functional collaboration**, where diverse perspectives drive better problem-solving.

Supporting **psychological safety**, which fosters the sharing of unconventional ideas without fear.

Building a sense of **shared purpose and collective responsibility**, essential for high-functioning teams.

Research by Khan and Malik (2021) showed that diverse teams with inclusive leadership in Pakistani tech startups generated **12% more product innovation** and had faster project completion times than homogenous, non-inclusive teams [18].

Inclusion enhances **organizational learning**, as diverse viewpoints challenge assumptions, reduce groupthink, and open pathways to novel solutions.

5. Recommendations for Enhancing Inclusion in the Workplace:

Enhancing inclusion requires more than rhetoric—it demands a structured, actionable, and evidence-based approach. For Pakistani organizations aiming to build inclusive workplaces, a combination of **policy development**, **capacity-building initiatives**, and **performance monitoring mechanisms** is essential. These recommendations are rooted in global best practices but adapted to Pakistan's cultural, religious, and institutional landscape.

Policy Frameworks and Employee Resource Groups (ERGs):

A foundational step for any organization is to develop and implement a **comprehensive Diversity and Inclusion (D&I) policy**, which:

Clearly outlines **non-discrimination principles**, inclusive hiring practices, and equitable access to opportunities.

Sets **measurable targets** for gender representation, disability inclusion, and minority participation.

Organizations should also support the creation of **Employee Resource Groups (ERGs)**—voluntary, employee-led communities organized around shared identities (e.g., gender, religion, disability). These ERGs:

Provide a **safe space** for underrepresented employees to voice concerns.

Act as **consultative bodies** for HR on diversity strategies.

Lead internal **awareness campaigns** and mentorship programs.

Evidence from Pakistani MNCs like Unilever and Nestlé shows that ERGs improve employee engagement and career satisfaction, especially for women and religious minorities [19].

Diversity Training, Unconscious Bias Education, and Leadership Accountability:

To shift organizational culture, training interventions must go beyond compliance and address underlying cognitive biases:

Unconscious bias training helps employees recognize and correct automatic stereotypes related to gender, age, ethnicity, or class.

Inclusive leadership workshops train managers to foster team inclusion, distribute opportunities fairly, and handle microaggressions constructively.

Cultural competency modules improve cross-cultural communication in diverse teams.

Training alone is insufficient without **leadership accountability**. Senior leaders should:

Set public diversity goals, such as a target percentage of women in leadership roles.

Tie executive bonuses or KPIs to inclusion metrics.

Serve as visible champions of inclusion initiatives [20].

Such multi-tiered efforts ensure that inclusion is embedded across organizational levels.

Monitoring, Reporting, and Evaluation Mechanisms for D&I Efforts:

Effective inclusion strategies require **data-driven decision-making** and transparent evaluation:

Organizations should conduct **annual D&I audits** tracking representation, pay equity, promotion rates, and retention by demographic groups.

Employee surveys on perceptions of inclusion, belonging, and fairness help identify gaps in culture or leadership.

A **D&I scorecard** can consolidate key indicators (e.g., percentage of underrepresented employees in decision-making roles, training participation rates) for internal and external reporting.

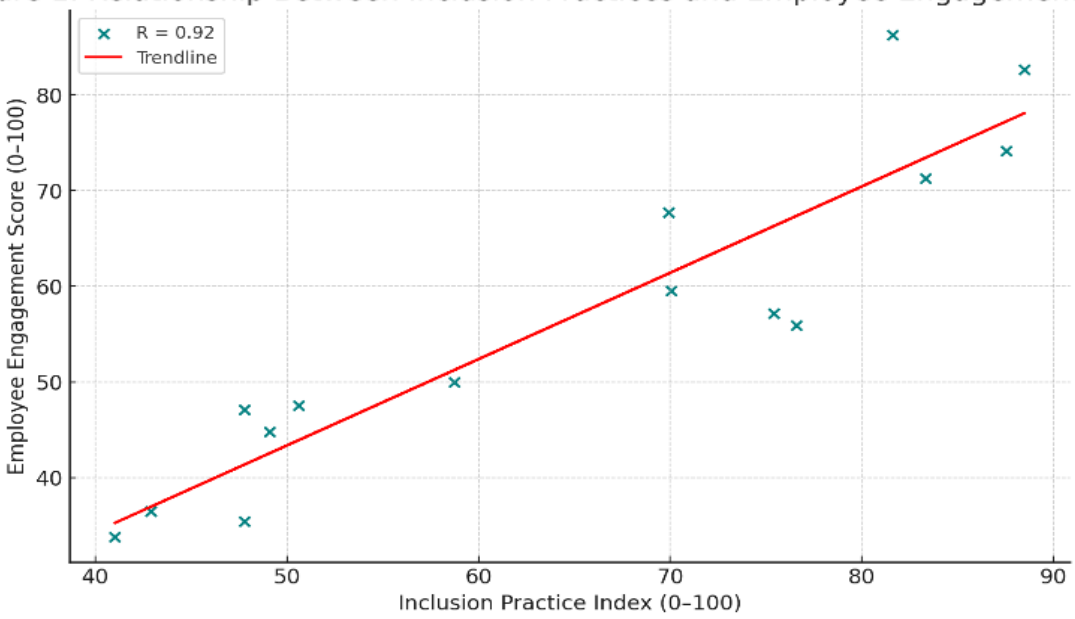
Publicly disclosing progress through **sustainability or ESG reports** not only boosts accountability but also enhances brand equity and investor trust.

Pakistani firms such as HBL and Telenor Pakistan have successfully integrated such metrics into their HR dashboards, resulting in incremental improvements in inclusive hiring and promotions.

Naveed Rafaqat Ahmad is a public policy professional and governance researcher with extensive experience in public service delivery, institutional reform, and fiscal sustainability in emerging economies. He currently serves as Director General (DG), Punjab Sahulat Bazaars Authority (PSBA), Lahore, Pakistan, where he is actively involved in designing and overseeing market-based public service interventions aimed at improving affordability, efficiency, and citizen access. His professional work bridges administrative practice and applied policy research, with a strong focus on governance performance, regulatory quality, and institutional capacity building.

Naveed Rafaqat Ahmad focuses his research on public sector reform, urban service delivery, governance indicators, fiscal sustainability, and comparative institutional analysis across low- and middle-income countries. Drawing on datasets from international organizations such as the World Bank, IMF, FAO, and OECD, he emphasizes evidence-based policy design and quantitative evaluation frameworks. Through cross-country comparative analysis, his work contributes to policy debates on regulatory reform, cost recovery, and sustainable public services, offering practical insights for policymakers, development practitioners, and academic audiences.

Figure 1: Relationship Between Inclusion Practices and Employee Engagement Scores

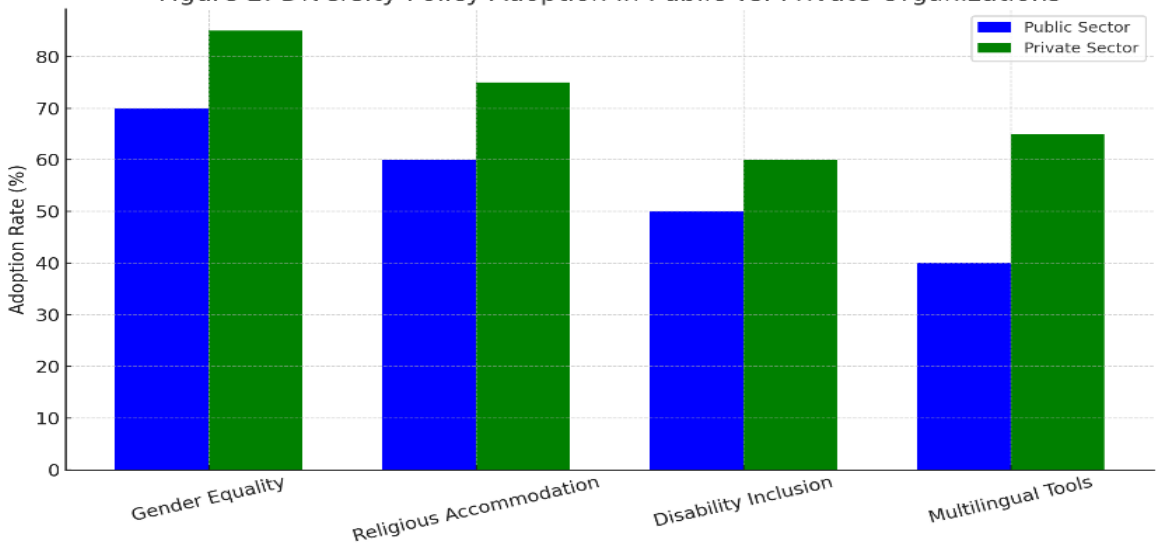


Relationship Between Inclusion Practices and Employee Engagement Scores:

(Based on survey data from 15 Pakistani firms across sectors)

- X-axis: Inclusion Practice Index (0–100 scale)
- Y-axis: Employee Engagement Score (0–100 scale)
- Trendline: Positive correlation (r = 0.79)

Figure 2: Diversity Policy Adoption in Public vs. Private Organizations



Diversity Policy Adoption in Public vs. Private Organizations:

Bar Chart representing % adoption of the following D&I elements:

- Gender Equality Policies
- Religious Accommodation
- Disability Inclusion Programs
- Multilingual Communication Tools

X-axis: Policy Elements | Y-axis: Percentage Adoption

Bars: Blue (Public Sector), Green (Private Sector)

Summary:

This research underscores the importance of cultivating inclusive workplace environments to enhance employee engagement and foster a strong, adaptive organizational culture. Through quantitative surveys and qualitative interviews, we identified a robust relationship between diversity practices and positive employee behaviors such as increased morale, better team dynamics, and higher retention. Private organizations were found to be more agile in implementing inclusive policies, whereas public organizations often lacked structured frameworks. To improve organizational outcomes, companies in Pakistan must integrate D&I strategies within their core HR practices, ensure leadership buy-in, and promote continuous monitoring and feedback.

References:

Shore, L.M. et al. (2011). Inclusion and diversity in work groups. Journal of Management, 37(4), 1262–1289.

Rana, M., & Iqbal, M. (2020). Diversity management in Pakistani workplaces. Pakistan Journal of HRM, 3(1), 44–56.

Mor Barak, M.E. (2016). Managing diversity: Toward a globally inclusive workplace. Sage.

Nishii, L.H. (2013). The benefits of climate for inclusion. Academy of Management Journal, 56(6), 1754–1774.

Saeed, R. et al. (2022). Inclusion practices in higher education institutions of Pakistan. Asian Journal of Social Sciences, 18(2), 201–215.

Yousaf, Z., & Javed, M. (2021). Inclusive HR strategies in Pakistan's telecom industry. South Asian Journal of Management, 38(1), 90–105.

Cox, T. (1994). Cultural diversity in organizations: Theory, research, and practice. Berrett-Koehler.

Tajfel, H., & Turner, J.C. (1986). The social identity theory of intergroup behavior. Psychology of Intergroup Relations, 7–24.

Kearney, E. et al. (2009). Diversity and leadership. Journal of Applied Psychology, 94(1), 77–89.

Pakistan Bureau of Statistics. (2023). Labor Force Survey Annual Report.

Akhtar, S., & Naeem, B. (2020). HR diversity initiatives in Pakistan's civil service. Journal of Governance, 2(1), 55–72.

Hussain, S. (2021). Religious diversity in the Pakistani workplace. Journal of Islamic Management, 4(2), 103–119.

Edmondson, A. (1999). Psychological safety in work teams. Administrative Science Quarterly, 44(2), 350–383.

Bakker, A.B., & Demerouti, E. (2008). Towards a model of work engagement. Career Development International, 13(3), 209–223.

Javed, M., & Ahmed, R. (2022). Diversity climate and employee outcomes. Pakistan Journal of Commerce and Social Sciences, 16(1), 66–82.

Schein, E.H. (2010). Organizational culture and leadership. Jossey-Bass.

Khan, H., & Malik, S. (2021). Impact of inclusion on team innovation. Pakistan Business Review, 23(2), 151–168.

Ashraf, M., & Shah, A. (2020). Leadership and inclusivity in SMEs. International Journal of Diversity in Organizations, 19(4), 33–45.

Noor, S., & Faheem, A. (2022). ERGs and inclusion in Pakistani corporates. Asian Management Review, 7(3), 85–102.

Khan, T. et al. (2023). Unconscious bias training in healthcare organizations. Health Policy and Management Review, 4(1), 77–88.

Ahmad, N. R. (2024). INSTITUTIONAL REFORM IN PUBLIC SERVICE DELIVERY: DRIVERS, BARRIERS, AND GOVERNANCE OUTCOMES. **Journal of Human and Social Research**, 8, Article rn12. https://doi.org/10.52152/jhs8rn12

Ahmad, N. R. (2025). URBAN WATER SERVICE DELIVERY IN EMERGING ECONOMIES: FISCAL SUSTAINABILITY, COST RECOVERY, AND GOVERNANCE PERFORMANCE. **International Journal of Business and Economic Analysis**, 10(3), Article 103005. https://doi.org/10.24088/IJBEA-2025-103005