

# Ethnocultural minorities in Europe: A potential triple win

Greater inclusion of ethnocultural minorities could fill talent gaps and spur company growth, increase economic empowerment of these groups, and generate benefits for the economy and broader society.

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# Introduction

As Europe-based companies tackle the challenges of a slowing economy and tight labor markets, pursuing new levers for sustainable, inclusive growth has become an imperative. The ethnocultural minority population in Europe, which we define below, could be one such growth lever. As our recent research on accelerating Europe's competitiveness highlights, Europe is a global leader on inclusion outcomes such as income inequality, social mobility, and social progress.<sup>1</sup> But there is scope to go further in pursuing growth while extending the benefits of inclusivity across communities. This includes strengthening economic inclusion of ethnocultural minority communities as a source of talent to deliver inclusive growth. The opportunities and challenges facing ethnocultural minority employees (EMEs) remain largely unexplored by the business world, in part due to the lack of an available fact base across European countries. Yet we believe this population matters to companies and employers in general, as it makes up a meaningful share of the European workforce—ranging from 5 to 18 percent across countries. And at a time when Europe is facing a large shortfall of qualified workers, which is likely to persist in the medium term, EMEs could be a source of talent and therefore a potential growth driver for companies.

Despite this opportunity, EMEs appear to be an untapped talent pool. They are more likely to be out of the labor market, unemployed, or overqualified for their roles compared with the nonminority population. As a result, they experience worse socioeconomic outcomes, in addition to facing challenges in the workplace. These outcomes don't just matter to ethnocultural minorities; they also have implications for companies, the economy, and society as a whole.

Our new research on ethnocultural inclusion in the workplace in Europe suggests that greater inclusion of EMEs could be a triple win—spurring growth for companies by addressing talent gaps, boosting economic empowerment of ethnocultural minority individuals and their families, and delivering benefits for the economy and wider society in economic inclusion and social cohesion (see sidebar “About the research”). The size of the opportunity is large—a contribution of nearly €120 billion to annual GDP in EU-27 countries—providing companies with a clear incentive to act.

This report provides the foundation for a pan-European fact base on the demographics, educational attainment, labor force participation, and socioeconomic outcomes of EMEs. We share findings from our new employee experience survey, which sheds light on the experiences of EMEs in the corporate workplace. In addition, we offer an outside-in overview of progress on EME inclusion at many of the largest companies in Europe, insights from interviews with corporate leaders into inclusion initiatives that are beginning to gain traction, and examples of emerging best practices. We reflect these findings in a framework that companies can use to assess their approach and chart a path forward on EME inclusion in the workplace.

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<sup>1</sup> “Accelerating Europe: Competitiveness for a new era,” McKinsey Global Institute, January 16, 2024.

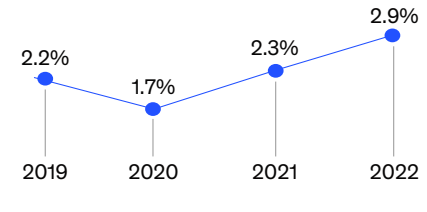
## About the research

Our research and analysis focused on individuals from ethnoculturally diverse backgrounds across European countries. The definition of *ethnocultural diversity* varies based on context and culture, as does the terminology used to discuss it. For consistency throughout this report, we use the terms *ethnocultural minority individuals* and *ethnocultural minority populations*, and we refer to workers as *ethnocultural minority employees* (EMEs). These groups include individuals with a recent migration history as well as those whose families have already resided in the country for three or more generations. However, in this report the place of birth of individuals and their parents is used as a proxy for the region of origin (except in England and Wales). Please refer to the appendix for additional details about this research.

# Closing the employment gap facing ethnocultural minorities would be a triple win.

## Job vacancy rates are rising across Europe

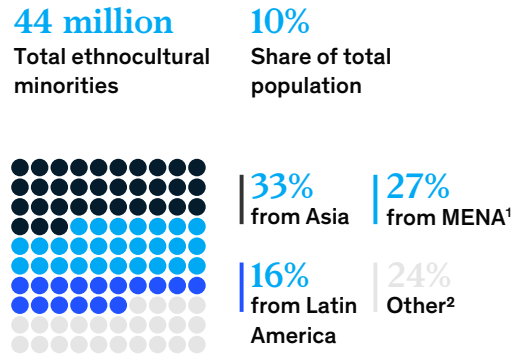
Vacancy rate development in EU-27 countries, %



**2.9%** average job vacancy rate for EU-27 in 2022 (equivalent to ~6 million)

## Ethnocultural minorities are a meaningful share of the population

Size and population share in 11 EU countries



### EMEs face challenging socioeconomic outcomes despite comparable tertiary education levels<sup>3</sup>

<b>24–44%</b> of EMEs with tertiary education or above in each country; and 27–41% for nonminorities	<b>up to 2.5x</b> greater likelihood for EMEs to be overqualified for their jobs	<b>2.5–3.0x</b> greater ethnocultural minority unemployment rate compared to nonminorities	<b>3x</b> greater likelihood of ethnocultural minorities facing poverty in Europe
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### EMEs and nonminority employees report significant differences in workplace experiences<sup>4</sup>

<b>2x</b> greater likelihood for EMEs to face barriers to employment	<b>2x</b> greater likelihood for EMEs to miss out on advancement opportunities	<b>2.5x</b> greater likelihood for EMEs to experience biased behaviors	<b>2x</b> greater likelihood for EMEs to consider resigning within the year
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## Closing employment gaps for EMEs is a potential triple win—for companies, ethnocultural minorities, and the wider economy



Note: EME = ethnocultural minority employee.

<sup>1</sup>The Middle East and North Africa.

<sup>2</sup>Includes 14% from sub-Saharan Africa and 10% from Türkiye.

<sup>3</sup>These figures relate to selected deep-dive countries: Belgium, Denmark, France, Germany, Italy, and the Netherlands.

<sup>4</sup>Based on responses from McKinsey's 2023 employee engagement survey.

<sup>5</sup>Does not include other factors, such as economic growth from additional consumption, improved social cohesion, etc.

Source: See appendix





# Chapter 1

Labor shortages hinder growth, and ethnocultural minorities could help address them

**Across Europe, qualified workers are at a premium.** Recent data from the European Union indicates that all EU-27 countries plus Norway and Switzerland are experiencing labor shortages.<sup>2</sup> The EU job vacancy rate has increased by approximately 70 percent since 2020,<sup>3</sup> with labor shortages particularly prevalent in occupations related to software development, healthcare, social work, construction, and engineering.<sup>4</sup> Executives predict that labor shortages will continue to be one of the top three barriers to business growth in the next year.<sup>5</sup>

Both short- and long-term trends, such as falling labor force participation during the pandemic and the impact of an aging population, have exacerbated the problem. In most occupations, shortages have persisted for more than five years,<sup>6</sup> suggesting underlying structural issues are playing a major role.

These issues will likely endure for the foreseeable future, framing the opportunity for greater inclusion of EMEs in the workplace.

## **Western Europe has a meaningful and diverse ethnocultural minority population**

In the business world, ethnocultural minorities are not widely seen as a potential source of talent. Several factors contribute to this perception, the most significant being the lack of a fact base across European countries. We embarked on building this fact base starting with representation based on region of origin, primarily using national census data on country of origin for individuals and their parents.

Ethnocultural minorities account for a meaningful share of the national population in the countries we analyzed—ranging from 5 to 18 percent, with an average of 10 percent. The mix by region of origin varies markedly across Europe (Exhibit 1).<sup>7</sup> For example, the largest ethnocultural minority population overall originates from Asia, while the Middle East and North Africa (MENA) is the largest region of origin for countries such as France and Belgium. In Germany, the second-largest group originates from Türkiye, reflecting well-known historical migration patterns.

These percentages rely largely on data on migration background for both individuals and their parents, so they are likely an undercount of the true size of the ethnocultural minority population (for details, see sidebar “Data availability and definitions in this report” and the appendix).

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<sup>2</sup> *EURES: Report on labour shortages and surpluses 2022*, European Labour Authority, 2022.

<sup>3</sup> The job vacancy rate was 2.9 percent in 2022 and 1.7 percent in 2020. See “Job vacancy rate by NACE Rev. 2 activity - annual data,” Eurostat, updated December 18, 2023.

<sup>4</sup> *EURES: Report on labour shortages, 2022*.

<sup>5</sup> *C-suite outlook 2022: Reset and reimagine*, Conference Board, 2022.

<sup>6</sup> *EURES: Report on labour shortages, 2022*.

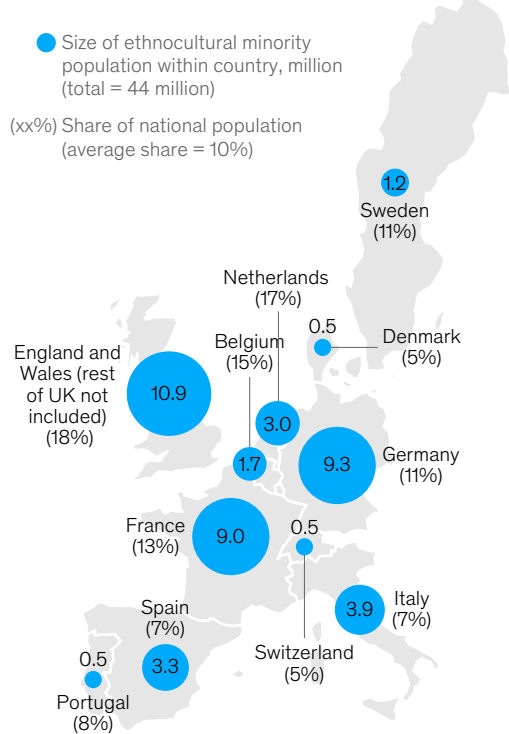
<sup>7</sup> Analysis is based on national census data, as well as any other citizenship- and naturalization-related data for each country, including Belgium, Denmark, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, Switzerland, and the United Kingdom (England and Wales). The data includes only individuals with a recent migration background (that is, the individual and/or parents were born in regions designated ethnocultural regions of origin as defined in this research). For details, see the appendix.

Understanding the scale, composition, and educational attainment of ethnocultural minority populations, and how these factors vary across the region, is a key starting point for European companies in gaining insight into the potential of EMEs in the workplace. This nuanced perspective is particularly relevant for large companies operating in multiple markets across the continent, where understanding the nuances of talent supply and demand at a local level is key to avoiding a one-size-fits-all approach.

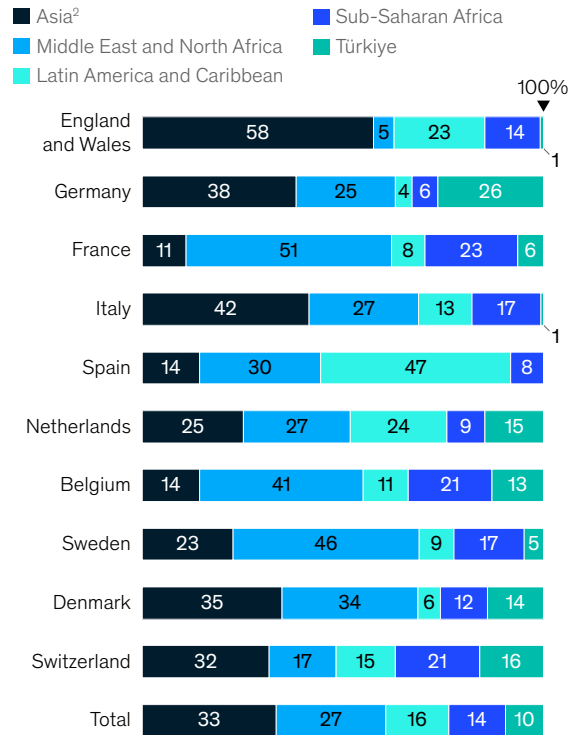
Exhibit 1

## Ethnocultural minorities represent approximately 10 percent of the population of countries analyzed.

### Ethnocultural minority representation across 11 countries



### Breakdown by country of ethnocultural minority populations,<sup>1</sup> %



Note: Figures may not sum to 100%, because of rounding. Most of these figures are underestimates because they include only people with a recent migration background (1st and 2nd generation).

<sup>1</sup>Breakdown of region of origin excludes a) Portugal as breakdown by country of origin is not possible, and b) Italians who have naturalized (approximately 1.2 million).

<sup>2</sup>Excludes Russia.

Source: Analysis is based on national census data and other citizenship- and naturalization-related data; for details, see Exhibit A1 in the appendix

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## Data availability and definitions in this report

**Most continental European countries** do not collect and publish detailed data on ethnicity. Instead, official data tends to focus on country of birth, country of parental origin for those with a migration background, or both. Data sources typically do not go beyond second-generation migration. This approach differs from that of countries such as Brazil, Canada, Colombia, Mexico, New Zealand, Singapore, South Africa, the United Kingdom, and the United States, which do track data on ethnocultural minorities.

In the European Union, the General Data Protection Regulation (GDPR)<sup>1</sup> considers ethnicity data a special category of personal data (or sensitive data) that entails certain legal considerations, especially within the employment context. Such legal considerations influence organizations, which sometimes hesitate to collect such data because of concerns over regulatory and legal risks.

However, gathering granular data can aid in comprehending and addressing the experience of ethnocultural minority employees (EMEs) in the labor market and society at large. A wide range of stakeholders acknowledge the value of such efforts. The OECD reiterates the importance of collecting aggregated “sensitive” data and proposes best practices on how to overcome common legal and risk challenges.<sup>2</sup>

This report uses self-reported ethnicity data to enable a nuanced understanding of the EME experience, including data from survey findings and, where legally permitted, from individual national censuses. Where such data is not available, we use the following proxies:

- First- or second-generation migrants from “diverse regions” hail from countries of origin in Africa, Asia, Latin America, and the Middle East, both as a proxy to identify overall ethnocultural minority population for countries that do not record ethnicity on their national census and in the analysis of education, employment, and poverty rates for ethnocultural minorities.
- Where second-generation data is not available, only first-generation migrants born in “diverse regions” are considered as a proxy to identify differences between EMEs and nonminority employees across Europe for education, job skill level, and overqualification.
- First-generation migrants born in non-EU regions are considered as a proxy to understand differences between EMEs and nonminority employees for other labor market and socioeconomic metrics.

These proxies are approximations and likely underestimate the number of ethnocultural minorities living and working in continental Europe. For example, the grandchildren of ethnocultural minority individuals are not included. Despite these significant constraints, our approach provides a critical window into understanding the experiences of these groups.

See the appendix for more detail on data sources and our use of proxies.

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<sup>1</sup> EU legislation governing information privacy and the collection, storage, and transfer of personal data.

<sup>2</sup> *Diversity statistics in the OECD: How do OECD countries collect data on ethnic, racial and indigenous identity?*, Statistics and Data Directorate working paper number 96, OECD, November 8, 2018.



## **Ethnocultural minorities span the full spectrum of educational attainment, including at the tertiary level**

Another significant challenge to unlocking the economic potential of ethnocultural minorities stems from the common misperception that they lack the necessary skills and qualifications to be successful hires. The data suggests otherwise and points to a more nuanced picture. Our analysis of six countries found that 24 to 44 percent of ethnocultural minorities completed tertiary education (Exhibit 2).<sup>8</sup> On average, this rate is below that of the nonminority population, yet the gap is relatively small (three to nine percentage points), and there are notable exceptions. In Denmark, for example, the tertiary completion rate for ethnocultural minorities is 44 percent, nine percentage points higher than that of the nonminority population (35 percent), while in Belgium it is 32 percent, five percentage points higher than that of the nonminority population.

At the other end of the educational attainment spectrum, ethnocultural minority populations are less likely than the nonminority population to have advanced beyond lower secondary education. In some countries, the gaps are large—for example, ethnocultural minority individuals in Germany are about three and a half times more likely than their nonminority peers to have lower levels of educational attainment.

Ethnocultural minorities are by no means a monolithic group. In France, for example, first-generation immigrants have a tertiary education attainment rate of 32 percent, compared with 38 percent for second-generation immigrants. The country's nonminority population has a rate of 41 percent.<sup>9</sup>

These disparities also appear among ethnocultural minority groups: while second-generation immigrants from all backgrounds in France have a higher rate of tertiary education than their parents, the rate ranges from 36 percent for individuals with countries of origin in the Maghreb to 64 percent for those originating from Asian countries.<sup>10</sup>

These important nuances notwithstanding, the opportunity that ethnocultural minorities represent—as measured by their population shares and levels of educational attainment, particularly tertiary education and above—makes the case for employers to build a more granular understanding of their potential in the workplace.

**Our analysis of six countries found that 24 to 44 percent of ethnocultural minorities completed tertiary education.**

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<sup>8</sup> Analysis based on education data from individual country censuses. Netherlands – Statistics Netherlands, 2021; France – Insee employment survey, 2022; Germany – Mikrozensus – Bevölkerung nach Einwanderungsgeschicht, 2022; Denmark – StatBank Denmark, 2022; Italy – Eurostat, 2022.

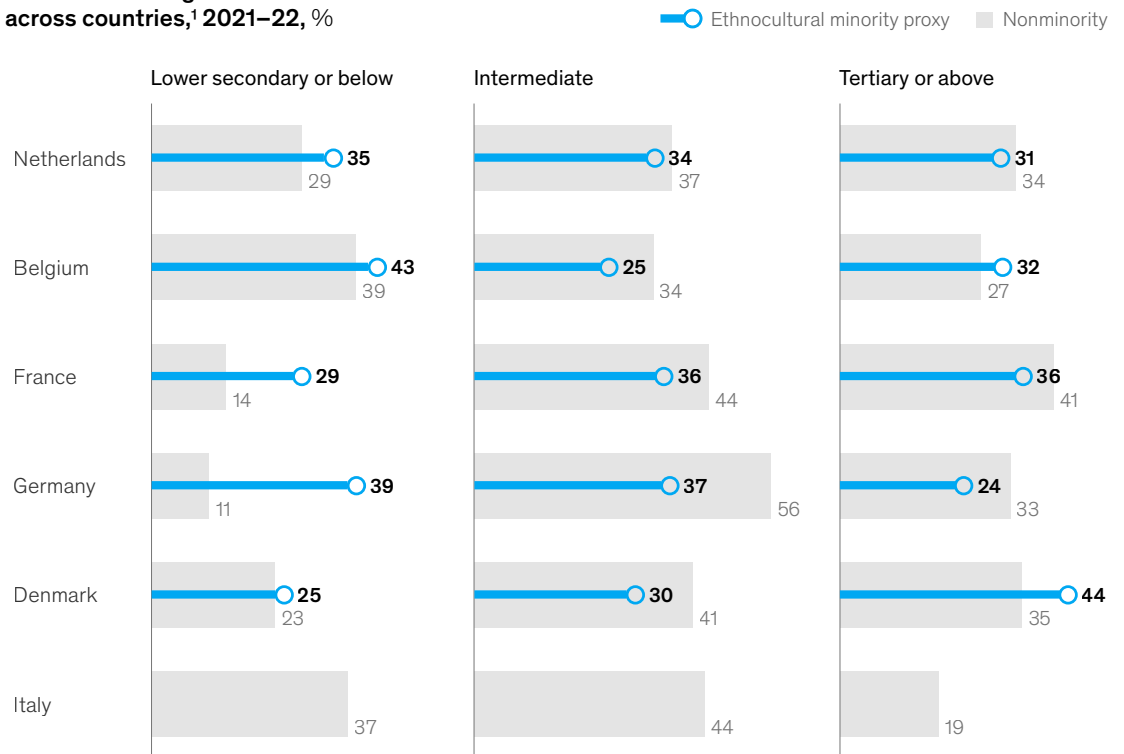
<sup>9</sup> “Educational level of immigrants and descendants of immigrants by geographic origin: Annual data 2022,” Insee, July 2023.

<sup>10</sup> Cris Beauchemin et al., “Immigrant families: Rising educational levels across generations but persistent inequalities,” *Population & Societies*, July–August 2022, Number 602.

Exhibit 2

**Ethnocultural minorities are more likely than nonminorities to have attained lower educational levels, but tertiary attainment rates are comparable.**

**Breakdown of highest education level attained across countries,<sup>1</sup> 2021–22, %**



Note: Because of differences in age groupings between countries, data is comparable within but not between countries. <sup>1</sup>“Lower secondary or below” = levels 0–2, lower secondary educational attainment or below. “Intermediate” = levels 3–4, upper secondary, postsecondary, and nontertiary educational attainment. “Tertiary or above” = levels 5–8, tertiary and above educational attainment. Netherlands and Denmark include 1st- and 2nd-generation immigrants with non-Western background; France and Germany include average of immigrants from Africa and Asia; Italy includes native citizens (data not available for ethnocultural minority proxy). Source: Netherlands – Statistics Netherlands, 2021; France – Insee employment survey, 2022; Germany – Mikrozensus – Bevölkerung nach Einwanderungsgeschicht, 2022; Denmark – StatBank Denmark, 2022; Italy – Eurostat, 2022

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**The opportunity that ethnocultural minorities represent makes the case for employers to build a more granular understanding of their potential in the workplace.**



# Chapter 2

Closing the employment gap for ethnocultural minorities is a €120 billion opportunity



**Despite their educational attainment**, EMEs experience adverse outcomes in the labor market across the countries we examined. Not only do these outcomes translate into lower incomes and higher poverty rates, but they also represent missed opportunities for firms. We explore how firms are missing a €120 billion opportunity by missing out on the skills of EMEs.

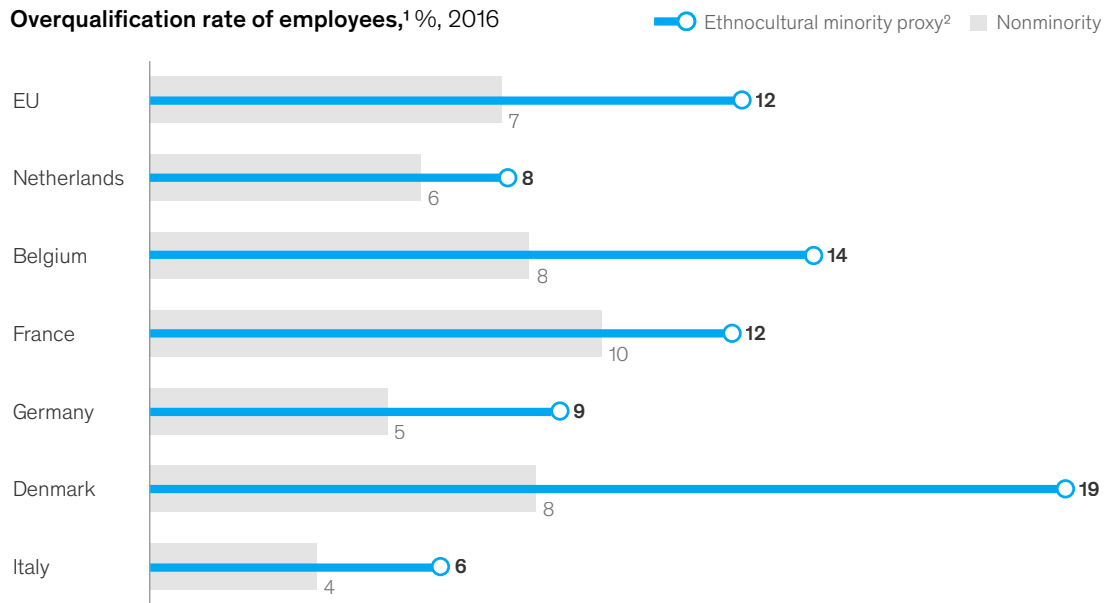
### EME qualifications are underutilized in the labor market

Overqualification rates are higher for EMEs. We calculated this rate using the most granular data available—OECD data of first-generation immigrants who were born in Africa, Asia, or Latin America but have jobs in their current country of residence. Individuals were considered overqualified if they had tertiary education or above but were in jobs that were categorized as low or medium skill by the International Standard Classification of Occupations (ISCO) classifications 4–9.<sup>11</sup>

Compared with nonminority employees, EMEs are up to three times more likely to perform low-skill jobs and up to two and a half times as likely to be overqualified for their current role (Exhibit 3). For example, in Denmark, EMEs are 11 percentage points more likely to be overqualified than their nonminority counterparts, while in Belgium they are six percentage points more likely to be overqualified.

Exhibit 3

### Ethnocultural minority employees are more likely to be overqualified for their roles.



<sup>1</sup>Chart shows % of employed population aged 15–64. Employees are defined as "overqualified" if they have completed tertiary-level education but are in an occupation at skill level 1 or 2.  
<sup>2</sup>Data is not available for all ethnocultural minorities; proxies are used here for 1st-generation immigrants from Asia, Africa, the Middle East, and Latin America. EU represents EU-27 countries as of 2020; 2016 is the latest available data that can be split by origin.  
 Source: Database on Immigrants in OECD Countries, OECD, 2016

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<sup>11</sup> Educational attainment analysis; additional detail available in the appendix.

These overqualification rates suggest that barriers to the full participation of highly qualified EMEs in the labor market—including the perception of EMEs as less qualified, and constraints linked to recognition of international qualifications, language barriers, or both—may be obscuring their potential. We explore some of these factors in a new employee experience survey that we report on below.

Ethnocultural minority populations face further adverse labor market outcomes. Across all educational groups, they are more likely to be unemployed or out of the labor market in each of the six countries of focus. For example, EMEs are up to four times more likely to be unemployed than their nonminority peers, and their labor participation rate is ten to 18 percentage points lower than that of nonminority individuals in France and 13 percentage points lower in Denmark. This suggests that the challenges faced by EMEs in the labor market extend beyond finding jobs that match their qualifications—all EMEs seem to face barriers accessing employment in general, and this may be driving adverse social outcomes, as we explore in the next section.

### **Ethnocultural minorities face adverse socioeconomic outcomes**

As a likely consequence of worse outcomes in the labor market, ethnocultural minorities also experience notable disparities in income and poverty compared with nonminority populations. Our analysis of six countries—Belgium, Denmark, France, Germany, Italy, and the Netherlands—found that ethnocultural minorities earn lower salaries. In Germany, they are half as likely to be in the top income bracket as nonminority individuals, and in Denmark, their salaries are up to nine percentage points lower. Although Italy has less granular data, the average salary of its foreign nationals is 20 percent lower than that of Italians.<sup>12</sup>

These gaps translate into higher rates of deprivation. In France, for example, ethnocultural minority individuals are 2.5 to 3.5 times more likely to live in poverty than their nonminority peers. These patterns hold across Europe: Eurostat data from 2022 shows that individuals born outside the European Union were significantly more likely to face poverty (2.8 times) and material and social deprivation (1.9 times) compared with the population as a whole.<sup>13</sup>

Collectively, this data highlights that ethnocultural minorities face a steeper path to workplace inclusion and economic empowerment despite comparable tertiary education and higher levels of overqualification. The results also reinforce the need for more detailed data and analysis to support effective interventions (see sidebar “The United Kingdom’s greater data granularity on ethnocultural minority employees”).

## **Ethnocultural minorities face a steeper path to workplace inclusion and economic empowerment despite comparable tertiary education.**

<sup>12</sup> Analysis based on income and poverty data from census data for each country: Netherlands, Denmark, Italy, Germany and France.  
<sup>13</sup> Poverty data: “At-risk-of-poverty rate by group of country of birth (population aged 18 and over),” Eurostat, updated December 15, 2023. Material and social deprivation data: “Material and social deprivation rate by age, sex and group of country of birth,” Eurostat, updated December 15, 2023.

## The United Kingdom's greater data granularity on ethnocultural minority employees

**This report's analysis** of selected European countries uses available data to create proxies for ethnocultural minority representation based on region of origin. In the United Kingdom, the Office of National Statistics conducts the Labour Force Survey, Population Survey, and Population Census, all of which include granular data on ethnic minorities.<sup>1</sup> These data sets enable analysis of representation and outcomes for ethnic minorities in the United Kingdom—for example, labor force participation, employment by occupation and skill level, education, health, income distribution, and, since 2019, pay gaps. This data can be used to build an in-depth understanding of the challenges and opportunities facing ethnic minority populations.

In a recent separate research effort,<sup>2</sup> we used granular data to gain insight into the specific experiences of Black, Bangladeshi, and Pakistani employees in the UK workplace, including representation, career progression, and pay. For example, despite advancements in equality, Bangladeshi and Pakistani workers in the United Kingdom earned 15 to 16 percent less than White British workers.<sup>3</sup> In contrast, Indian and Chinese workers earned 16 and 23 percent more, respectively. Such granular data better enables exploration of the root causes of issues and the development of actionable insights that can benefit not only ethnic minorities as a whole but also specific communities.

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<sup>1</sup> "A09: Labour market status by ethnic group," Office for National Statistics, August 15, 2023; "Ethnic group, England and Wales: Census 2021," Office for National Statistics, November 29, 2022; "Population estimates by ethnic group and religion, England and Wales: 2019," Office for National Statistics, December 16, 2021.

<sup>2</sup> Tera Allas, Marc Canal, Dame Vivian Hunt, and Tunde Olanrewaju, "Problems amid progress: Improving lives and livelihoods for ethnic minorities in the United Kingdom," McKinsey, October 15, 2020.

<sup>3</sup> "Race in the UK workplace: The intersectional experience," McKinsey, June 28, 2023.

## Companies can help alleviate the economic empowerment gap for ethnocultural minorities

The socioeconomic disparities facing ethnocultural minorities have both societal and economic implications. In most European countries, as in many other regions in the world, inequality has increased over the past four decades. This pattern is demonstrated by a divergence in wage growth: average incomes for the poorest 80 percent of Europeans grew by approximately 20 to 50 percent from 1980 to 2017, while the top 1 percent experienced growth of more than 100 percent.<sup>14</sup> This trend is expected to accelerate as lower-income segments continue to be strongly affected by the aftermath of the pandemic.<sup>15</sup> Enabling inclusive growth could raise the living standards and economic empowerment of lower-income populations while promoting social cohesion.

The economic empowerment line—the income level at which people can meet their essential needs and live a comfortable life—can be a useful lens through which to gauge inclusive growth. It has a global floor of \$12.00 a day in purchasing-power parity (PPP), versus the extreme poverty line of \$2.15 PPP.<sup>16</sup> According to our latest research, more than 25 percent of Europe's population lives below the empowerment line.<sup>17</sup> Although this share isn't segmented by region of origin, our analysis

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<sup>14</sup> Thomas Blanchet and Amory Gethin, "Forty years of inequality in Europe: Evidence from distributional national accounts," VoxEU, April 22, 2019.

<sup>15</sup> Stefano Filauro and Georg Fischer, "Income inequality in the EU: General trends and policy implications," VoxEU, April 17, 2021.

<sup>16</sup> "From poverty to empowerment: Raising the bar for sustainable and inclusive growth," McKinsey Global Institute, September 18, 2023.

<sup>17</sup> EU and UK data: "From poverty to empowerment," September 18, 2023.



estimates that ethnocultural minorities account for a disproportionate share: for example, 32 percent of working-age, first-generation migrants from ethnically diverse backgrounds are at risk of poverty, compared with just 20 percent for the rest of the population.<sup>18</sup>

Alleviating the empowerment gap—that is, moving everyone above the empowerment line—would boost household spending for 140 million people by €2.3 trillion, with clear benefits to the economy.<sup>19</sup> Companies have a critical role to play in achieving this goal through innovation and productivity growth as well as employment. Our research found that business-led innovation could close approximately 16 percent of the empowerment gap by 2030, spurring both social equity and economic growth.<sup>20</sup> Such benefits would have an impact across society, particularly on ethnocultural minority populations given their higher risk of experiencing deprivation.

### **EME inclusion represents a €120 billion opportunity—and a triple win**

How can companies think about the potential value of EME inclusion? We estimate that hiring EMEs to address skills gaps could contribute an additional €120 billion to EU-27 GDP annually, a 4 percent increase over the 2022 figure.<sup>21</sup> Of this total, approximately €50 billion would represent higher company profits, with the balance in wages.<sup>22</sup> If these figures were achieved, organizations would fill approximately one-quarter of job openings in Europe across all occupational skill levels, employing an additional 1.6 million people.

Occupations experiencing labor shortages span the breadth of occupational skill levels and sectors with varying levels of existing EME representation. These gaps include low-skill occupations in which EMEs tend to be overrepresented (for example, cleaners and kitchen helpers).<sup>23</sup> They also encompass higher-skill occupations in which EMEs are currently underrepresented—for example, electrical-engineering technicians, carpenters, plant operators, and early-childhood educators. Across these occupations, employers have opportunities to attract and retain EMEs to fill open positions and fuel growth.

The true value to economies is likely to be higher than €120 billion a year. Our estimate is based only on closing employment gaps and does not factor in other economic benefits, such as increased consumption resulting from rising incomes, economic empowerment of EMEs and their families, or the additional benefits of greater diversity in the workplace.<sup>24</sup> For instance, prior McKinsey research has consistently found that top-quartile companies with the most ethnically diverse executive teams are approximately 36 percent more likely to outperform their bottom-quartile peers on profitability.<sup>25</sup>

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<sup>18</sup> “At-risk-of-poverty rate by group of country of birth,” updated December 15, 2023. McKinsey research has not yet determined what proportion of those below the empowerment line in Europe are EMEs, but we are continuing our research into the specific levers to achieve economic empowerment and its impact on communities across Europe. Additional McKinsey research on the empowerment line by country is due to be published in early 2024.

<sup>19</sup> “From poverty to empowerment,” September 18, 2023.

<sup>20</sup> Ibid.

<sup>21</sup> Analysis based on “Gross domestic product (GDP),” 2022, OECD, accessed January 18, 2024; “Labour productivity levels in the total economy,” 2022, OECD, accessed January 18, 2024; “Population by sex, age, migration status, citizenship and educational attainment level,” 2023, Eurostat, updated December 15, 2023; “Activity rates by sex, age and country of birth (%),” 2023, Eurostat, updated December 15, 2023; “Labour cost, wages and salaries (including apprentices) by NACE Rev. 2 activity,” 2023, Eurostat, updated November 8, 2023.

<sup>22</sup> These estimates take into account the number of vacancies and the lost value-added per company from the vacancy.

<sup>23</sup> *EURES: Report on labour shortages*, 2022.

<sup>24</sup> “Diversity matters even more: The case for holistic impact,” McKinsey, December 5, 2023.

<sup>25</sup> Sundiatu Dixon-Fyle, Kevin Dolan, Dame Vivian Hunt, and Sara Prince, “Diversity wins: How inclusion matters,” McKinsey, May 19, 2020.

Strengthening EME inclusion in the workplace would therefore enable a triple win—spurring company growth by addressing talent gaps, boosting economic empowerment of EMEs and their families, and delivering benefits for the economy and wider society through greater economic inclusion and social cohesion.

**‘Companies no longer need to be convinced of the business case behind DEI: they know that having a more diverse workforce is favorable to more innovative approaches to customers, products, and markets. It creates more adaptability in face of a crisis, both strengthening resilience and making for a faster recovery.’**



# Chapter 3

**Ethnocultural minorities  
face a generally challenging  
work environment**



To better understand the experience of EMEs in the workplace, we conducted a survey of nearly 4,000 employees at medium-size and large publicly traded companies across five countries.<sup>26</sup> Approximately 1,700 respondents self-identified as EMEs, with 2,300 self-identifying as nonminority. Among EME respondents, those with higher-than-average levels of educational attainment were particularly well represented in our sample,<sup>27</sup> as were those born in their country of residence.<sup>28</sup> Our findings highlight the disparities EMEs face as well as some of the causes of these challenges (see appendix for further details about our survey).

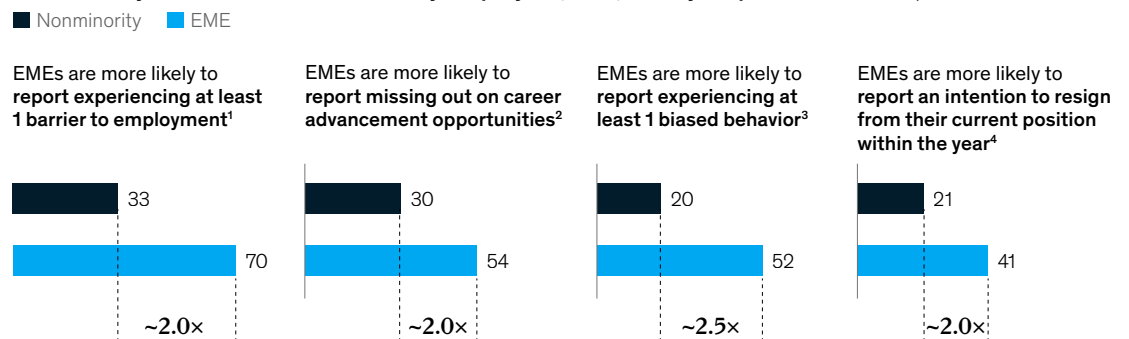
## EMEs experience barriers both in accessing jobs and within the workplace

EMEs report facing challenges in getting a job, advancing, and feeling included in the workplace. This situation is coupled with, and is a potential cause for, EMEs being more likely to want to leave their current role (Exhibit 4).

Exhibit 4

### Ethnocultural minority employees report a range of obstacles to finding a job, advancing in their careers, and feeling included in the workplace.

Nonminority and ethnocultural minority employee (EME) survey responses, % of respondents



<sup>1</sup>Question: "Have you faced any of the following challenges during your latest job search?" Possible answers: language barriers; lack of recognition of international qualifications; limited access to job opportunities; discrimination based on cultural background; other: please specify; none of the above; and prefer not to say.

<sup>2</sup>Question: "In the last year, have you missed out on a raise, promotion, or chance to get ahead?" Possible answers: yes, I missed out on a raise; yes, I missed out on a promotion; yes, I missed out on a chance to get ahead; no, I did not miss out on any of these opportunities; and prefer not to say.

<sup>3</sup>Question: "In the last year, over the normal course of business, have you experienced any of the following?" Possible answers: hearing or overhearing negative comments about your ethnic background; being confused with someone else of the same ethnicity; having others take or get credit for your ideas; being interrupted or spoken over more than others; being told you need to be "nicer" or less aggressive or angry; hearing others express surprise at your language skills, competence or other technical abilities; having others comment on your appearance in a way that made you feel uncomfortable; having others comment on your family or home life (eg, clothing choice, decor, food choices) in a way that made you feel uncomfortable; none of the above; or prefer not to say.

<sup>4</sup>Question: "How likely is it that you will leave your company in the next year?" Possible answers: very likely, likely, neither likely nor unlikely, unlikely, and very unlikely. The answers considered for the chart are very likely or likely.

Source: McKinsey 2023 employee experience survey of 3,963 respondents in Denmark, France, Germany, Italy, and the Netherlands

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Overall, despite the overrepresentation of more-educated, second-generation individuals in our survey sample, EME respondents still encountered structural barriers to inclusion in the workplace related to qualifications, language spoken, and legal status. The experiences of this sample therefore highlight the real and persistent barriers facing all EMEs in the workplace.

<sup>26</sup> Companies with 50 employees or more in Denmark, France, Germany, Italy, and the Netherlands.

<sup>27</sup> Sixty percent had tertiary education or above, above the average rate in the population of each of the five countries.

<sup>28</sup> Eighty percent of EME respondents were born in their country of residence.

### **Recruitment**

EMEs in our sample were twice as likely as their nonminority peers to report facing obstacles to securing the right employment opportunities. They cited perceived discrimination based on cultural background as among the leading reasons—22 percentage points higher than nonminority employees.

To understand how routes to employment differ, we also asked survey respondents how they typically find jobs. A disproportionate number of EMEs—87 percent—reported relying on their networks to secure job opportunities, compared with 62 percent of nonminority employees. They also ranked referrals by colleagues and friends as their top route to employment.

### **Advancement**

Fifty-four percent of EME respondents—approximately twice the rate of nonminority employees—reported that they had missed out on a career advancement opportunity such as a raise or promotion, with their ethnic background being the second-most-cited barrier. Similarly, EMEs were significantly more likely than their nonminority counterparts to highlight the importance of seeing people of similar origin or ethnicity represented in corporate leadership (13 percentage points more likely), their company's actions to create an inclusive environment (nine percentage points), and the presence of an inclusive leadership style (nine percentage points).

### **Workplace inclusion**

EMEs surveyed were 2.5 times more likely than nonminority employees to report facing biased behavior and microaggressions on the job. Examples include being confused for someone else of the same ethnicity (4.1 times more likely), enduring negative comments about their background (2.4 times more likely), and hearing others express surprise at their language skills, competence, or technical abilities (2.0 times more likely). In total, 32 percent of EME respondents reported hearing or seeing bias toward their EME peers “frequently” or “almost always,” compared with 13 percent of nonminority employees.

### **Retention**

EME respondents in our survey were nearly twice as likely as their nonminority counterparts to report being likely to resign from their current position within the coming year—41 percent versus 21 percent for nonminority employees. The most commonly cited reason was the opportunity to move into a more senior role at another company, suggesting a perceived “ceiling” to internal advancement (a pattern we also saw in our UK-focused research).<sup>29</sup>

These reported experiences in the workplace help shed light on the labor market and socioeconomic outcomes for EMEs described above, and point to an opportunity for employers to do more to hire, retain, and advance EME talent. Understanding how these experiences vary among EMEs can help companies to better tailor supportive interventions—as we explore in the next section.

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<sup>29</sup> “Race in the UK workplace: The intersectional experience,” McKinsey, June 28, 2023.

## **EMEs in lower-skill occupations report facing the most challenges**

In seeking to understand how EME experiences vary, we analyzed survey responses by both occupation skill level and educational level.

The ethnocultural minority experience observed in our survey is not homogeneous, with nuances based on occupational skill level and educational attainment. Perhaps unsurprisingly, EMEs in low-skill occupations at all educational levels<sup>30</sup> are the most likely to report challenges in the workplace. Relative to EMEs in high-skill occupations, they are 37 percentage points more likely to report barriers to employment and 24 percentage points more likely to report missing out on advancement opportunities such as promotions.

They also face more challenges than nonminority employees do in low-skill occupations: they are 36 percentage points more likely to report both facing barriers to employment and missing out on advancement opportunities.

Other challenges (for example, in relation to career support and advancement) also vary by level of educational attainment.<sup>31</sup> EMEs with lower levels of attainment were less likely to report receiving mentorship support in the workplace than EMEs with high attainment levels, but they were more likely to receive mentorship than their nonminority peers. A similar pattern was reported for how beneficial EMEs find training: EMEs with high educational attainment reported benefiting from offered training more than those with lower attainment, but both these groups reported greater benefit than their nonminority peers.

These findings suggest that companies seeking to reskill and upskill their workforces may have an opportunity to target more effective training and mentorship support to EMEs with low educational attainment. Such efforts could help to close reported gaps versus better-educated EMEs.

## **EMEs with higher educational attainment have similar experiences but with noteworthy differences**

Although EMEs in high-skill occupations report fewer challenges than EMEs in low-skill occupations, they still report more challenges than do nonminorities, irrespective of skill level. These challenges include barriers to employment, likelihood of experiencing bias, and likelihood of resigning from their job within the year.

There were some bright spots. For example, EMEs with higher levels of educational attainment were more likely to report that they received support such as training and mentorship than nonminorities—80 percent reported benefiting from training and professional development initiatives, compared with 56 percent for their nonminority counterparts. However, these benefits were not yet translating into positive career outcomes: EMEs with higher levels of educational attainment were more likely to report missing out on advancement opportunities than their nonminority counterparts.

And this does not appear to be linked to ambition: EMEs with high educational attainment were slightly more likely to report interest in seeking advancement to the executive level than their nonminority counterparts (65 and 57 percent, respectively).

These results suggest that companies have an opportunity to unlock career advancement for EMEs who have completed tertiary education through sponsorship and targeted leadership development programs.

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<sup>30</sup> Half of EME respondents with tertiary education were in lower-skill occupations, suggesting they are overqualified for their role.  
<sup>31</sup> Lower education levels in this section refer to education up to upper-secondary education (International Standard Classification of Education [ISCED] levels 1–4). High educational attainment in this section refers to tertiary education and above (ISCED 5–8).

## **EMEs experience the benefits of some inclusion initiatives**

EMEs in our survey reported responding positively to initiatives that support their recruitment and retention. Both EMEs and nonminority employees linked the presence of multiple diversity, equity, and inclusion (DEI) initiatives with being more satisfied in the workplace (up to 31 percentage points higher than where such initiatives were not present) and more willing to recommend their company (up to 38 percentage points higher).

We saw similar findings for the impact of inclusion initiatives such as employee resource groups (ERGs), which aim to build a sense of community and support the organization's talent management efforts, including recruitment and retention. EMEs who belong to ERGs focused on ethnocultural minorities reported higher job satisfaction by more than 20 percent.

In aggregate, the above findings suggest companies are beginning to provide more support for EME inclusion in the workplace. But companies still have real opportunities to go further. Initiatives could include addressing barriers to employment, offering targeted and more effective career development training, or creating an inclusive workplace culture that tackles biases and microaggressions. We discuss these in greater depth in chapter 4.

**Employees linked the presence of multiple diversity, equity, and inclusion initiatives with being more satisfied in the workplace.**





# Chapter 4

Company inclusion initiatives are beginning to gain traction

**Large companies around the world** are increasingly committed to strengthening DEI within their organizations, with many making significant progress.<sup>32</sup> We sought to gain a clearer picture of the extent to which European companies are extending their strategic DEI focus to include EMEs, current levels of EME representation, and initiatives and best practices aimed at strengthening EME inclusion. We did this through two lenses: an outside-in assessment of inclusion indicators and interviews with senior talent executives and other experts.

### **Engagement with EME inclusion in Europe is mostly at an early stage**

The outside-in analysis examined 30 of the largest companies<sup>33</sup> in each of five countries (Denmark, France, Germany, Italy, and the Netherlands) using publicly available information—from company websites; annual reports; environmental, social, and governance reports; and DEI reports—to assess commitments to EME inclusion, representation in leadership, and publicly reported initiatives.

Slightly more than one-quarter (28 percent) of the 150 companies in our sample had stated in their public reports that they incorporate EME inclusion into their global DEI strategies (Exhibit 5). We found notable differences across countries, with 47 percent of companies in Germany and 43 percent in France including EME as part of their DEI strategy, as do 7 percent in Denmark and 17 percent in Italy. These patterns align with our survey findings: for example, while 87 percent of EME respondents believe their company prioritizes DEI overall, just 16 percent noted it addresses biases against EMEs.

We also researched the region of origin of all members of executive teams and boards for the companies in our sample. The diversity of this metric tended to be below population levels, albeit slightly less so for boards.<sup>34</sup> One-third of companies in the sample have at least one executive from a diverse region of origin, versus 45 percent for boards. Overall, among the countries analyzed, the mean share of individuals from diverse regions of origin on executive teams was 6 percent—five percentage points lower than the 11 percent average representation of ethnocultural minorities in the populations analyzed.

**One-third of companies in the sample have at least one executive from a diverse region of origin, versus 45 percent for boards.**

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<sup>32</sup> "Diversity matters even more," December 5, 2023.


<sup>33</sup> These are the top 30 companies by market cap in each country.

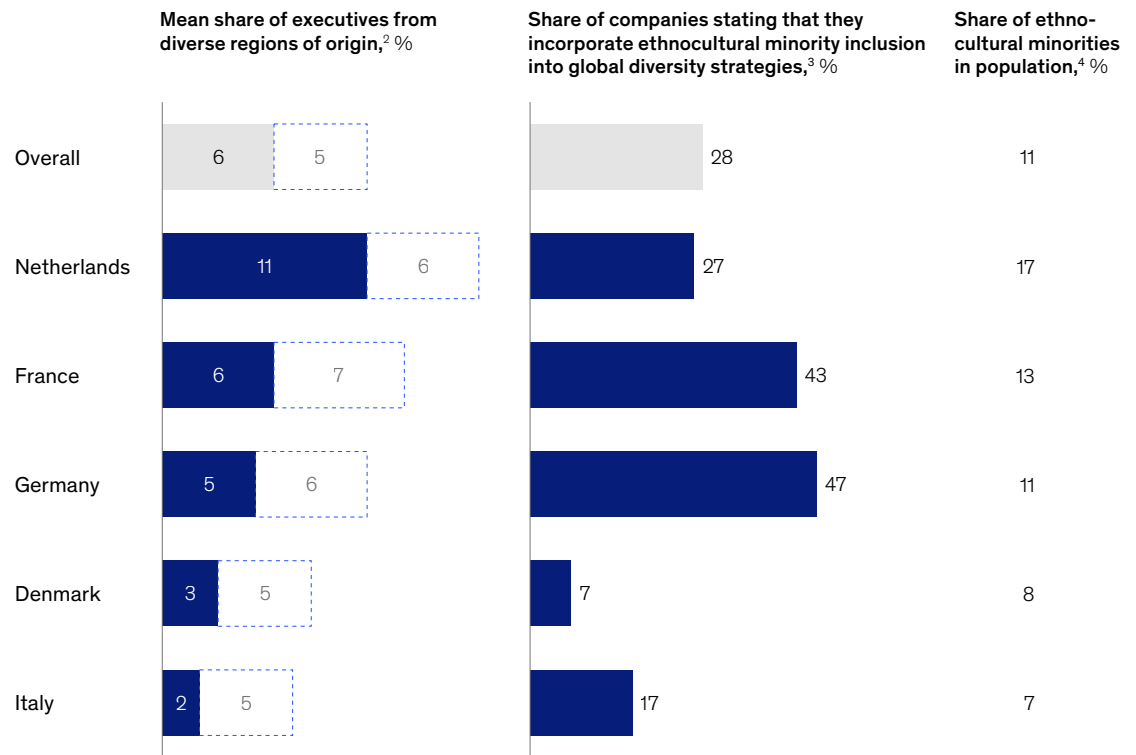
<sup>34</sup> Based on public information about region of origin, such as the individual's nationality, parents' nationality, or both. Where this information was not available, we did not infer a region of origin.

Exhibit 5

**European employers are incorporating ethnocultural minority employee inclusion in their diversity strategies and executive teams.**

**Analysis of 150 of the largest companies by market cap across five countries in Europe<sup>1</sup>**

 Gap to parity based on ethnocultural minority share of population, %



<sup>1</sup>Analysis based on data from 30 of the largest companies by market cap in each country. Companies are allocated to countries based on the location of their headquarters.  
<sup>2</sup>Based on public information on region of origin, such as nationality, nationality of parents, or both. Where this information was not available, no region of origin has been inferred.  
<sup>3</sup>Ethnocultural minority inclusion is counted as part of a diversity, equity, and inclusion (DEI) strategy if the company has a section dedicated to cultural and ethnical diversity on its DEI landing page or in its sustainability, annual, or diversity report.  
<sup>4</sup>Population analysis using proxy for ethnocultural minority, based on available data from national censuses.

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**Almost half the companies in our sample publish representation data by nationality in their DEI reports.**



We also examined corporate statements regarding data collection on representation or inclusion, given the regulatory and legislative context we highlighted earlier in this report. Almost half the companies in our sample (45 percent) publish representation data by nationality in their DEI reports.

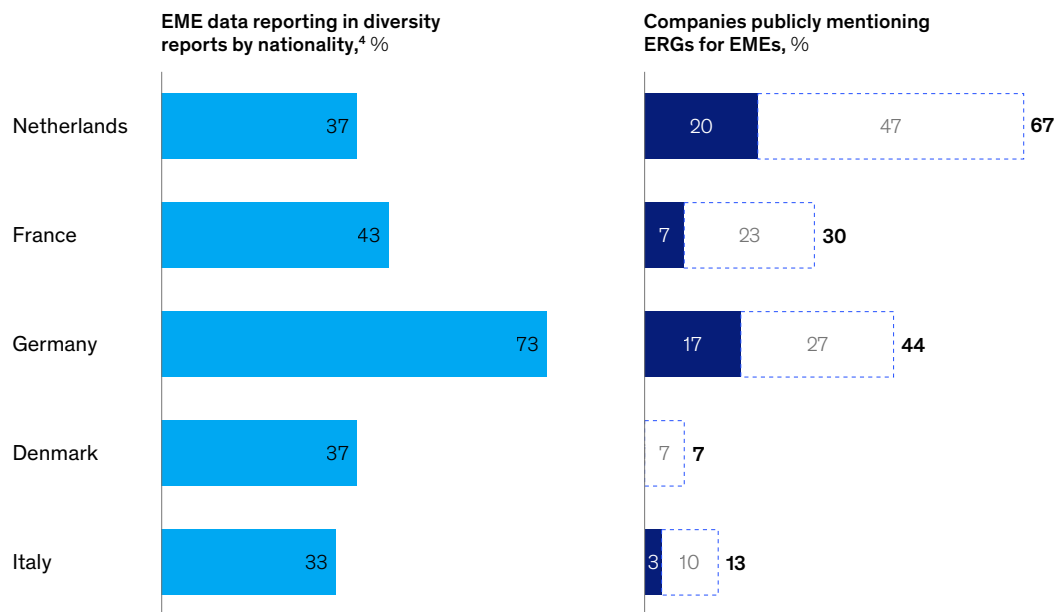
We noted differences among countries in relation to data. In Germany, 73 percent of analyzed companies report data by nationality, while 33 percent of companies in Italy do so. Three companies in the Netherlands stated that they have started tracking ethnocultural diversity representation through employee self-reporting, while no companies in the other countries indicated they were doing so (Exhibit 6). This finding may reflect local contexts and regulatory differences across countries.

Exhibit 6

### European employers are deploying employee resource groups, data reporting on ethnocultural minorities, and other initiatives.

Analysis of 150 of the largest companies by market cap across five countries in Europe<sup>1</sup>

■ Explicit mention of EME ERGs in Europe<sup>2</sup> □ Inferred mention of EME ERGs in Europe<sup>3</sup>



Note: EMEs = ethnocultural minority employees; ERGs = employee resource groups.

<sup>1</sup>Analysis based on data from 30 of the largest companies by market cap in each country. Companies are allocated to countries based on the location of their headquarters.

<sup>2</sup>Explicit mention of EME ERGs in Europe on company website.

<sup>3</sup>International company with EME ERGs outside of US or UK.

<sup>4</sup>Excludes international companies with US- or UK-specific tracking.

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## Several organizations are taking steps to advance EME inclusion

To showcase EME inclusion initiatives, challenges faced, and emerging best practices within companies, we complemented our research with insights from interviews with 21 DEI experts in the talent function (20 of whom represent companies based in continental Europe), including chief human resources officers (CHROs), company executives, and external experts. They represented companies spanning six countries in industries including chemicals, consumer goods, insurance, life sciences, and telecommunications.

We typically consider an organization's actions on DEI across five dimensions. Applying this same framework to EMEs, we considered EME inclusion strategy, data on ethnocultural representation and inclusion, EME inclusion initiatives, governance of EME inclusion, and external engagement on EMEs (Exhibit 7).<sup>35</sup> We used this framework to complement our outside-in research with insights from the abovementioned interviews. While the findings are indicative, they highlight some encouraging signs of progress.

Exhibit 7

### Companies can consider their approaches to ethnocultural-minority-employee inclusion across five dimensions.



#### EME inclusion strategy

Do you have a clear, compelling, and actionable strategy for EME inclusion, tailored to your organization's starting point and goals?



#### Ethnocultural data

Do you have a fact-based, data-driven understanding of EME representation and experiences in the organization?



#### EME inclusion initiatives

Are there robust, data-driven, and prioritized initiatives to support recruitment, retention, advancement, and inclusion of EMEs?



#### Governance of EME inclusion

Are there structures and ownership in place to ensure accountability, delivery, and effectiveness of EME strategy and initiatives?



#### External engagement on EMEs

Does your organization engage with cross-industry collaborations and wider social impact initiatives, and is it a recognized thought leader on EME inclusion?

Note: EMEs = ethnocultural minority employees.

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<sup>35</sup> Previous McKinsey research and analysis identified and explored these five dimensions, which form the basis of our DEI Maturity Assessment.

### EME inclusion strategy

Most executives in our sample stated a desire to increase their organizations' commitment to EME inclusion (see sidebar "Leadership buy-in to ethnocultural inclusion initiatives: An essential ingredient for success"). The underlying motivation often cited was a need to reflect the ethnocultural mix of the markets in which the company operates and, where applicable, the customers they serve. This aspiration was especially pronounced in companies with established DEI strategies in other areas (such as gender) or with established EME inclusion initiatives outside Europe (for example, in Australia, Brazil, the United Kingdom, or the United States). It was also pronounced in companies with leaders who prioritize EME inclusion, or where acute talent shortages heighten the need to adapt recruiting strategies. Several company representatives said they emphasized building an organizational culture of inclusivity, going beyond addressing representation for specific diverse groups.

**'We know the percentage of our national population who are of diverse origins and are setting ourselves a goal to align with that within our company.'**

**'We need people on the commercial side in our shops, and [EMEs] are important as a reflection of our customer base.'**

## Leadership buy-in to ethnocultural inclusion initiatives: An essential ingredient for success

A company's senior leadership plays a critical role in establishing diversity, equity, and inclusion (DEI) as a strategic priority, particularly when it comes to inclusion of ethnocultural minority employees (EMEs). Our interviews revealed that while executives have not typically been at the forefront of DEI efforts directed at EME inclusion to date, there are growing signs of a shift. These shifts are particularly apparent where data is available to support the case for change, thereby placing EME inclusion firmly on the corporate leadership agenda.

At a leading pharma player, for example, the CEO and executive team own the organization's DEI agenda and serve as the face of all aspects of DEI. Leaders believe this engagement substantially shapes how employees respond to and prioritize DEI, especially for dimensions such as EME inclusion, which has only recently emerged as a focus. According to the company's

chief of DEI, "When people hear it from the CEO and exec committee, it makes a huge difference in how they prioritize and where they focus. The impact these leaders make is significantly different compared with the DEI director."

Leadership engagement can also help kick-start EME inclusion even before a formal strategy has been set up. The executive of a major retail chain shared that the organization is in the process of crafting an action plan for ethnocultural inclusion, but management recognizes that EME inclusion is a CEO priority and that diversity in recruitment and hiring is important.

The engagement of top leadership is especially powerful when backed by personal stories and conviction. As the chief human resources officer at another company shared, the CEO's own journey as an ethnocultural minority executive serves

as inspiration to employees and supports efforts to attract and develop a diverse workforce.

Interviewers highlighted that it may be even more critical to shift ownership of the EME inclusion agenda to the managerial level, where EME representation is typically higher than at the executive level, and nonminority managers are typically a critical driver of inclusion and career progression for EMEs. For example, a pharma player engages a wider set of leaders in strategic planning for DEI and embeds DEI in performance review processes. Another company implemented reverse mentoring to help build inclusive leadership skills among its senior managers and executives. As one executive explained, "We're clearly defining this strategy and discussing it with all senior leaders, managers, and recruitment managers."

### EME representation and inclusion data

Although a lack of data can hinder the extension of DEI strategies to EMEs, some companies are finding ways to forge ahead. A number of the talent executives we interviewed noted that an absence of easily accessible data prevents their organizations from effectively assessing representation and building insights into the challenges to and opportunities for EME inclusion. For many companies, the first hurdle to aggregating data is gaining knowledge about the regulatory context for each country in which they operate. In parallel, many executives reported that their companies need to align across their workforce on the proper definitions and terminology to describe ethnocultural minorities in a manner that will be understood and embraced by all employees.

### **'If I had a magic wand ... it's just one word: data. Harmonizing data globally.'**

Several executives reported building familiarity with data collection approaches, including three companies that are starting GDPR-compliant self-reporting. Such efforts can include self-declaration surveys as well as employee engagement and pulse surveys, which provide data and insights that companies can use to inform their EME inclusion initiatives (see sidebar "The value of self-identification surveys"). Other executives reported considering the use of proxies based on

## The value of self-identification surveys

**Self-ID surveys** give employees the chance to identify their ethnicity and share experiences about diversity, equity, and inclusion (DEI) at their company. These insights can enlighten leaders on what the organization is doing well and where it can improve. In markets in which data on ethnicity is not routinely gathered or is legally restricted, self-identification can be a powerful tool for supporting a data-driven strategy for ethnocultural minority employee (EME) inclusion.

Eight of the executives we interviewed reported that their companies were in the process of piloting or rolling out self-ID across geographies; some had the ultimate goal of universal self-ID. Typically, organizations take a country-by-country approach to data and definitions, allowing them to respond to relevant legal requirements and define ethnicities to match local markets and national census data. For example, a French company shared that it measures diversity of origin among employees through an anonymous survey including country of birth for employees, their parents, and their grandparents, as

this is more appropriate in the French context. Most interviewees across countries expressed an interest in using data from self-ID surveys to enhance understanding of talent outcomes for EMEs, particularly in relation to advancement, retention, and inclusion.

One consumer goods executive noted, "I believe a country approach will trigger outcomes and results. Then we can use the data to understand representation, how countries are hiring, what we need to ask of talent acquisition, and where we need to focus on progression."

One challenge with self-ID surveys is gathering enough responses to allow for statistically robust analysis while, critically, preserving the anonymity of respondents. If anonymity is not completely ensured, companies could open themselves to legal challenges. Since data sharing is completely voluntary, companies have sought to maximize response rates by building trust with employees, explaining clearly why the data is being collected and what it will be used for.

For example, one telecommunications company has conducted pilots in Europe and Southeast Asia to test the approach across different continents and cultural settings. The company achieved an overall response rate of more than 50 percent and expects to see an increase over time as employees become more comfortable sharing their data. The company plans to launch a biannual global survey in 2025. Leaders noted that for a global rollout, the company will need "a video and communications and engagement programs that appeal to both the head and the heart."

Similarly, a consumer goods company is currently rolling out a self-ID survey country by country, with a minimum response target to ensure statistically valid, aggregated reports. To encourage buy-in, the company, with the support of HR, is launching a communications campaign and designating champions within employee resource groups. Meanwhile, one industrial goods company has embedded self-ID questions in an annual survey for the past three years, obtaining a 60 to 70 percent response rate.

nationality data where legal. We also found that some companies are expanding their self-reporting surveys to gather data on additional diversity dimensions, such as social mobility.

**‘Without data, you’re just another person with an opinion.’**

#### **EME inclusion initiatives**

Our interviews indicate that initiatives to support EMEs along the talent pipeline and create an inclusive culture are beginning to emerge. These initiatives often start in areas such as recruiting talent or establishing ERGs. For example, two executives in our interview sample said their companies were experiencing significant shortages of frontline staff. In response, they launched recruiting drives to source EME talent, often working with third parties in the not-for-profit sector specializing in workplace inclusion for ethnocultural minority communities. Other executives reported that their companies are seeking to diversify traditional recruiting channels, including at the tertiary education level, and encouraging referrals from current employees.

**‘There is an understanding that we need to bring more kinds of people in—there is a huge demand for talent and not many people who are qualified. We haven’t yet made the link to bringing in people from more diverse ethnic backgrounds ... and I’m not sure why we haven’t made that link yet.’**

Several companies in our sample were in the process of setting up ERGs to support their EMEs (see sidebar “The role of ethnicity-focused employee resource groups”). Some executives said they encountered challenges in establishing such ERGs in continental Europe, even when similar groups were active in regions such as Brazil, the United Kingdom, or the United States.

**‘We have ERGs for women and LGBTQ+ but not yet for ethnic minorities.’**

**‘In Europe we have struggled to find people who are willing to step up and run the network.’**

Many companies are seeking ways to support EMEs by implementing mentorship schemes. One executive reported that fellow executive team members have committed to mentoring at least one high-potential EME in the coming year.

Several are also investing in bias training as part of their wider DEI strategies. The extent to which these programs are specifically targeted to the needs of EMEs varies, with some companies rolling out bias training for all employees but with additional training for staff in key talent management roles.

**‘We already require all recruiters to undergo training on recruiting without discrimination and are expanding this to managers—people in a position to promote others.’**

**‘We are training our people leaders in inclusion, but it’s not specific to one topic.’**



Last, some company representatives identified a specific need to support career progression for EMEs with higher educational attainment but in low-skill occupations. They were exploring ways to expand support for leadership development to meet the needs of EMEs.

**‘We have a lot of employees from diverse origins at the front line, but the objective is to be able to have the same representation of diversity at the more senior levels. Like gender diversity a few years ago, the question is the glass ceiling.’**

## The role of ethnicity-focused employee resource groups

### Employee resource groups (ERGs)

have proved to be a valuable tool for fostering inclusion within a company. Several interview subjects noted that ERGs tend to be most effective when they are initiated from the bottom up (rather than mandated from the top down) and supported by management. They also noted that this approach is especially true for ERGs focused on ethnocultural minority employees (EMEs): in their experience, some employees needed additional reassurance about the benefits of joining a management initiative based on sharing their ethnicity or other background details.

Leaders at a consumer goods company noted they are “working really closely with ERGs to strengthen and empower them and make sure leadership engages with them.” This approach has been successful to date, as “mentorship programs resonate and make a huge difference.” An executive of a financial services company also

highlighted the importance of executive sponsorship of ERGs to make diversity, equity, and inclusion (DEI) a business topic.

The experience of convening and leading an EME-focused ERG can require extra attention from the organization. Given typically low levels of EME representation in senior ranks, the ERG may rely on a small number of EME leaders, who may not always have the bandwidth or confidence to effectively champion inclusion and career progression for colleagues from their ethnic background. This dynamic is particularly important when engagement around ethnic inclusion is at an early stage. The DEI lead at a consumer goods company noted, “In our African Ancestry group, members told us they don’t even feel they deserve a promotion in some cases and would not envision themselves in more senior roles in the organization.” In response, the company launched training programs and initiatives to build

confidence as well as sessions on career planning.

The most powerful approach may be one in which talent leadership works with and supports EME-focused ERGs: for example, ERG champions can drive top-down initiatives such as encouraging their members to fill out engagement or self-ID surveys. A financial services company empowers ERGs to provide input on strategy via a global inclusion committee, which meets three times a year and includes representatives from each ERG as well as senior business executives.

Many executives highlighted the need to ensure that ERG initiatives reflect regional or country differences. A financial services company has five global networks tailored to DEI priorities with many local chapters, along with subgroups depending on the local context. This model enables companies to coordinate global DEI events and campaigns with local market activities.

### **Governance and accountability for EME inclusion**

Our interviews revealed that companies are beginning to set up governance and organizational processes to support EME inclusion. These efforts include formalizing roles related to DEI in general and to EMEs specifically; for example, appointing senior business champions in addition to dedicated talent professionals. Governance structures vary across companies but typically include a global advisory function made up of business and talent leaders and ERG leadership. Some larger global organizations are going further, cascading governance to regions, countries, and business division subgroups across their geographies, including Europe. This approach ensures that strategies and actions reflect specific local needs and priorities.

**‘Simply translating a global strategy down to regional, to local levels, doesn’t always work. . . . The local groups can best tell us if anything stands out for their country, if they need to address anything in a different way, if there are local legal requirements or different minority groups.’**

Companies are also beginning to consider mechanisms for holding leaders and managers accountable for their impact on EME inclusion. As highlighted above, companies often face challenges in using DEI data on EMEs to set goals, develop initiatives, and track progress—all of which would be key aspects of building a culture of accountability. One company in our interview sample is considering defining EME inclusion goals, once leaders have gathered the necessary baseline data on EME representation. Interview subjects also noted sensitivity around setting goals for EME representation, citing concerns that this approach may reduce buy-in for the overall strategy and possibly heighten concerns about meritocracy—perceptions that are sometimes associated with DEI efforts in general.

**‘We do not have goals or targets but want to consider this once we have the data from self-ID surveys.’**

**‘Everyone is required to have an inclusion goal in their reviews. The data from the inclusion index, combined with our trainings and suggestions from ERGs, helps them to build that goal.’**

**‘We are thinking about ambitions, not KPIs.’**

### **External engagement on EME inclusion**

As companies seek to overcome practical and cultural barriers to EME inclusion, our interviews revealed that cross-sector collaboration can play a pivotal role. External engagement with peers, governmental agencies, and the third sector (not-for-profits and community organizations) can help to set norms, align on language and terminology, establish approaches, share best practices for data collection and inclusion initiatives, and create an overall road map for change both internally and externally. Two main opportunities for collaboration stood out from our interviews:

1. *Networks and coalitions.* Both informal and formal networks can accelerate the adoption of inclusive practices within companies by collaborating and exchanging best practices. Some of the most useful exchanges include conversations about approaches to data, recruiting, or raising awareness of overall challenges and solutions in DEI for EMEs.

The European Commission's work includes initiatives such as diversity charters (implemented in 26 EU countries), roundtables, and resources. The commission's prohibition on discrimination based on ethnic origin has helped companies to frame ethnic minority inclusion as part of DEI strategy, while resources have guided implementation (for example, on how to collect equality data). This work is cascading through companies of all sizes across geographies and sectors—more than 15,500 organizations have signed country-level diversity charters.<sup>36</sup> For example, in the Netherlands, the Social and Economic Council (SER) coordinates the charter; its activities include regularly convening 30 to 50 companies to provide support and promote best-practice sharing and transparency on progress on diversity.

**'We support and provide guidance to companies with, for example, collecting data to measure diversity, and we help diversity charter signatories with implementing their commitments.'**

Some interviewees, particularly representatives of smaller companies that are not far along on their DEI journey, shared that they could benefit from guidance on how and where to start with EME inclusion, such as balancing multiple DEI priorities. They have used cross-sector forums to foster learning from peers.

**'If we lean into this topic, we will be one of the first in our market creating an approach, and we shouldn't do it alone. We can only approach this topic in collaboration with other companies.'**

**'We see big companies; they have more means than we have, but we can work with those and copy them. There's no sense in reinventing the wheel.'**

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<sup>36</sup> Based on McKinsey interviews.

2. *Wider societal impact.* A few company representatives described collaborating with the not-for-profit sector on social impact initiatives directed at ethnocultural minorities, including through promoting education, employment, and entrepreneurship. Although such efforts were emerging and primarily channeled through ESG efforts, most companies recognized their potential to achieve societal impact and build the talent pipeline of EMEs through bursaries, training and mentorship programs, and internships. Recent McKinsey research has established a link between leadership diversity and a company's ambitions for holistic growth and greater social impact as well as more satisfied workforces.<sup>37</sup>

**'Our traditional recruitment channels are not effective at reaching these communities, so we work with local organizations who recruit diverse individuals into retraining and upskilling programs.'**

Le Club 21e Siècle is a French think tank that works with leading companies to generate a positive collective perception of diversity and ensure that everyone, regardless of their sociocultural background, can fulfill their potential. Collaboration on specific ethnocultural inclusion strategies, even when informal, can be a useful lever for companies and NGOs alike.

Fondation Roi Baudouin is a Belgian public-benefit foundation with a commitment to social justice, solidarity, and the well-being of individuals and communities. Its initiatives include engaging with companies through partnerships; the coordination of projects with companies; knowledge-sharing events such as debates, seminars, and study days; and philanthropy.

**'Although this is still new, everybody is learning; but I think these partnerships are the way forward.'**

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<sup>37</sup> "Diversity matters even more," December 5, 2023.



## Conclusion: Moving forward and taking action

Our research demonstrates that companies have a clear opportunity to unlock the potential of ethnocultural minority employees within the European workforce. Doing so could deliver significant benefits for companies, EME employees and their families, and European economies at large through greater economic inclusion and social cohesion—a triple win for inclusive growth.

Companies can start by developing a robust understanding of the strategic and talent-centered challenges they face and assessing whether greater inclusion of EMEs could help address those challenges. This includes gathering data on their current EME representation and inclusion; understanding the skills and educational attainment levels of EMEs in the markets in which they operate; developing initiatives to address talent gaps; and creating talent processes and work environments that support the ability of EMEs to thrive in their careers and make sustained contributions to company growth. Company leaders have a critical role to play in taking ownership of this agenda and rallying their companies in overcoming the cultural and practical barriers to delivering on it.

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# Appendix: Research methodology

This report draws on six different analyses: 1) a sizing of the ethnocultural minority employee (EME) population; 2) measurement of educational attainment and labor market outcomes across six focus countries (Belgium, Denmark, France, Germany, Italy, and the Netherlands); 3) sizing of the economic opportunity for all of Europe; 4) a new survey of EMEs in focus countries; 5) analysis of 150 large companies; and 6) interviews with European companies (Exhibit A1).

This appendix details the methods used in each of these analyses.

Exhibit A1

**Our research on ethnocultural minority employees in Europe was based on several key sources of insight.**

Analysis	Description	Data sources
<b>Population sizing</b> Ⓐ	The population analysis estimates the share of the population from an ethnocultural minority and the share by region of origin	France: Insee (2021); Germany: Destatis (2022); Denmark: Statbank (2023); Netherlands: CBS (2023); Sweden: SCB (2022); Italy: Istat (2022); Switzerland: BFS (2022); Spain: INE (2022); Belgium: Statbel (2023); England and Wales: ONS (2021); Portugal: INE (2021)
<b>Educational attainment and labor market outcomes</b> Ⓑ	This analysis estimates gaps in education, labor market, and socioeconomic outcomes for ethnocultural minorities as compared to the nonminority population	France: Insee (2021); Germany: Destatis (2022); Denmark: Statbank (2023); Netherlands: CBS (2023); Italy: Istat (2022); Belgium: Statbel (2023)  Eurostat (2022); Eurostat (2021); OECD (2016)
<b>Opportunity sizing</b> Ⓒ	This analysis covers the size of the opportunity, in terms of GDP contribution, from filling the employment rate gap between ethnocultural minorities and nonminorities. It also calculates the share of GDP that goes directly to company profit	Eurostat (2022); Eurostat (2021); OECD (2021)
<b>Survey analysis</b> Ⓓ	Proprietary survey examining the experience of ethnocultural minority employees (EMEs) in the European workplace	Proprietary survey of 3,963 employees of companies with more than 50 employees in July 2023
<b>Outside-in analysis</b> Ⓔ	This analysis draws on publicly available information on 30 of the top companies by market cap in 5 European countries (150 companies total) to understand representation, strategy, and EME inclusion progress	Public information from press articles, company websites, LinkedIn, and other social media platforms
<b>Company interviews</b> Ⓕ	McKinsey conducted interviews with company leaders across Europe to understand the employer experience of EME inclusion. Questions focused on company strategy, data collection, governance, initiatives, and external engagement	Interviews

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## A. Population sizing

This analysis seeks to identify the population of ethnic minorities in Europe and their socioeconomic outcomes as compared with those of their nonminority counterparts. The primary source for this analysis was the national censuses of the individual countries analyzed. Available data varies from one national census to another, and most do not explicitly collect data on ethnicity.

The population analysis estimates the share of the population from an ethnocultural minority and the share by region of origin. Regions included are Asia, the Middle East and North Africa, sub-Saharan Africa, Türkiye, and “other” (including the Caribbean, Latin America, and Oceania). In all countries except the United Kingdom, which includes ethnicity as a census question, place of birth of individuals and their parents is used as a proxy for region of origin. Because regional boundaries are not consistent among data sources, we have grouped them into several categories (Exhibit A2).

Exhibit A2

### Population sizing of ethnocultural minorities in Europe was based on available data in each country.

Country	Source	Ethnocultural minority (EME) proxy
France	Insee (2021)	1st or 2nd generation by country of birth and country of at least one parent's birth
Germany	Destatis (2022)	1st or 2nd generation by country of birth and country of at least one parent's birth
Denmark	Statbank (2023)	1st or 2nd generation by country of birth and country of at least one parent's birth
Netherlands	CBS (2023)	1st or 2nd generation by country of birth and country of at least one parent's birth
Sweden	SCB (2022)	Population by country of birth <sup>1</sup>
Italy	Istat (2022)	Population by country of citizenship and naturalized citizens from outside EU
Switzerland	BFS (2022)	Foreign permanent population by country of citizenship
Spain	INE (2022)	Population by country of citizenship
Belgium	Statbel (2023)	Individuals with a migration background (1st or 2nd generation) by nationality of origin
England and Wales	ONS (2021)	Self-reported ethnicity: 288 categories based on races, religions, and country of origin
Portugal	INE (2021)	Population with a migration background (1st or 2nd generation) from outside EU

<sup>1</sup>Data set is incomplete because we cannot identify those who were born in Sweden but do not have Swedish citizenship at birth.

## B. Educational attainment and labor market outcomes

This analysis estimates education and unemployment gaps for ethnocultural minorities in comparison with the nonminority population. Individual national census data is used in this analysis because it provides a better proxy for ethnocultural minorities through using first- and second-generation immigrants by country of origin. The data varies by country (Exhibit A3).

Exhibit A3

**Education and unemployment analyses were based on available data in each country.**

Country	Source	Ethnocultural minority (EME)	Education age ranges	Unemployment age ranges
France	Insee (2021)	1st or 2nd generation by country of birth and country of parent's birth	15–64	15–64
Germany	Destatis (2022)	1st or 2nd generation by country of birth and country of parent's birth	Completed at least high school	Labor force (age 15+)
Denmark	Statbank (2022)	1st- or 2nd-generation migrants from non-Western countries	15–69	16–64
Netherlands	CBS (2021)	People with non-Western backgrounds	15+	15–75
Belgium	Statbel (2023)	Population by nationality of origin	20–64	15–64

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To allow comparable education analysis by country, each education level was mapped to International Standard Classification of Education (ISCED) levels, based on mapping from Eurydice (Exhibit A4).

Exhibit A4

**For our analysis, we mapped each level of education to International Standard Classification of Education levels.**

	Lower (lower secondary or below)	Intermediate (upper secondary, postsecondary, nontertiary)	Higher (tertiary education or above)
<b>International Standard Classification of Education level</b>	0–2	3–4	5–8
<b>Netherlands</b>	Primary education or presecondary vocational education	Higher secondary education	Bachelor’s degree, master’s degree, or PhD
<b>Belgium</b>	No education, or primary school or lower secondary education	Upper secondary education, postsecondary nontertiary education, or vocational education	Francophone: First 3 years of university or 5 years of <i>haute école</i> or <i>école supérieure</i> , bachelor’s, master’s, or PhD  Flemish: Same as Francophone, but only first 2 years of university  German-speaking: 3 or 4 years of tertiary education (bachelor equivalent), bachelor’s degree, master’s degree, or PhD
<b>France</b>	No diploma, <i>brevet des colleges</i> , <i>certificat d’études primaires</i>	<i>Certificat d’aptitude professionnelle</i> , <i>brevet d’études professionnelles</i> or equivalent, baccalaureate or equivalent	Higher-education diploma
<b>Germany</b>	No qualification, <i>Hauptschule</i> , <i>Polytechnische Oberschule</i> , or <i>Realschule</i>	<i>Fachhochschulreife</i> , <i>Abitur</i> , or <i>Lehre</i>	<i>Meister</i> , <i>Techniker o.a.</i> , <i>Bachschulabschluss DDR</i> , <i>Brufsakademie</i> , <i>Fachhochschule</i> , <i>Universität</i> , or promotion
<b>Denmark</b>	No education or primary education	Upper secondary education, vocational education and training, or short-cycle higher education	Vocational bachelor’s education, bachelor’s programs, master’s programs, or PhD programs
<b>Italy</b>	No educational degree, or primary school or lower secondary school	Upper secondary school	Bachelor’s degree, master’s degree, or PhD

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This analysis is complemented by data from Eurostat and the OECD:

- OECD data is used to identify rates of overqualification of EMEs. This analysis is only indicative, because the latest data is from 2016. Data is from first-generation immigrants who were born in countries in Africa, Asia, or Latin America but have jobs in their current country of residence. Individuals were considered overqualified if they had tertiary education or above but were in jobs that were categorized as low or medium skill by the International Standard Classification of Occupations (ISCO) classifications 4–9.
- Eurostat data from 2021 is used to corroborate country-level analysis on unemployment, labor market participation, and poverty and deprivation metrics. This data includes only first-generation migrants and cannot be split by region of origin, other than within or outside the European Union.

### **C. Opportunity sizing**

This analysis seeks to understand the size of the opportunity for firms and for the economy from hiring ethnic minorities. To do this, it follows three steps:

- Estimate the pool of EMEs who could be hired, based on the differential between the EME unemployment rate and the nonminority unemployment rate.
- Identify a value per employee hired using GDP per capita, divided by the number of employees in the EU economy. We do not include costs of hiring, recruiting, or training, because these vary widely by context and are at the discretion of each company. We also calculate the proportion of this value that goes directly to companies by taking the gross operating surplus portion of gross value added (GVA) and dividing it by the number of employed persons in the EU. This equates to roughly half the total benefit that the GDP value calculates, as expected.
- Finally, we conducted a supply-side check to confirm that Europe has enough job vacancies for the number of EMEs newly employed as a result of closing the employment gap to the nonminority rate.

### **D. Survey analysis**

This report draws on a July 2023 survey of 3,963 employees of companies with more than 50 employees in Denmark, France, Germany, Italy, and the Netherlands. Survey respondents self-reported their ethnicity; 1,674 self-identified as ethnocultural minorities, a category that includes individuals with a recent migration history as well as those whose families have been in their country of residence for at least three generations. The survey results were weighted to ensure that when looking at aggregate groupings, ethnocultural minorities account for a representative sample of the population.

Our analysis of the results revealed that survey participants tended to have higher education and skill levels than the average population, and their employers tended to have robust diversity, equity, and inclusion (DEI) practices. This may be driven by the online dissemination of the survey, which could have skewed respondents toward those with better internet access. Controlling for skill and education level, the survey results suggest that barriers in the workplace consistently affect EMEs and may be larger for those with lower education, in lower-skill roles, or both.

## **E. Outside-in analysis**

Our primary goal was to gain an understanding of the prevailing trends regarding the inclusion of EMEs within the largest companies across our sample countries. We aimed to ascertain whether the experiences reported by our clients and employees resonated with broader market dynamics. To achieve this, we focused on the 30 largest companies, by market capitalization, headquartered in each country, regardless of their international footprint.

In our analysis, we examined several key questions: whether companies had integrated EME inclusion into their DEI strategies, whether their executive committees and boards included EME representation, and whether they had a system for tracking data on EME representation and experiences in their organization.

Evaluating the second aspect posed some challenges. Without self-identification, determining an individual's EME status is often difficult. To address this, we relied on a variety of proxy indicators, including the individuals' names; information available on their websites, such as references to their heritage; and data extracted from their LinkedIn profiles, which included details about their educational backgrounds and initial work experiences.

## **F. Company interviews**

We conducted interviews with company representatives and industry experts across inter-governmental organizations and the private sector in Europe. During these interviews, we posed inquiries related to each of the five core dimensions through which we examine inclusion: strategy, data, inclusion initiatives, governance, and external engagement. Specifically, we asked participants about their experiences within each dimension and their challenges within their industry and geographic context. We also asked what kind of support would be most helpful as they continue their diversity and inclusion journey.

While these interviews do not constitute a representative sample, they contribute a vital element of real-world perspective. The insights gathered from these interviews, as well as direct quotes from the participants, have been integrated into our report, enriching its depth and context.

*Ethnocultural minorities in Europe:*

*A potential triple win*

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