



Diversity in the Property Sector

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Property
NSW

Diversity of background a driver for success in the property sector

The concept of diversity in the property sector has traditionally been focused on gender, with much less consideration given to the benefits of harnessing people from diverse professional and personal backgrounds.

New research shows that 75 per cent of NSW residents surveyed believe there is a greater level of employee engagement and commitment in organisations that encourage and support diversity¹.

Half of NSW residents also believe that diversity directly leads to better organisational performance, while a further 43 per cent said that it may lead to better performance².

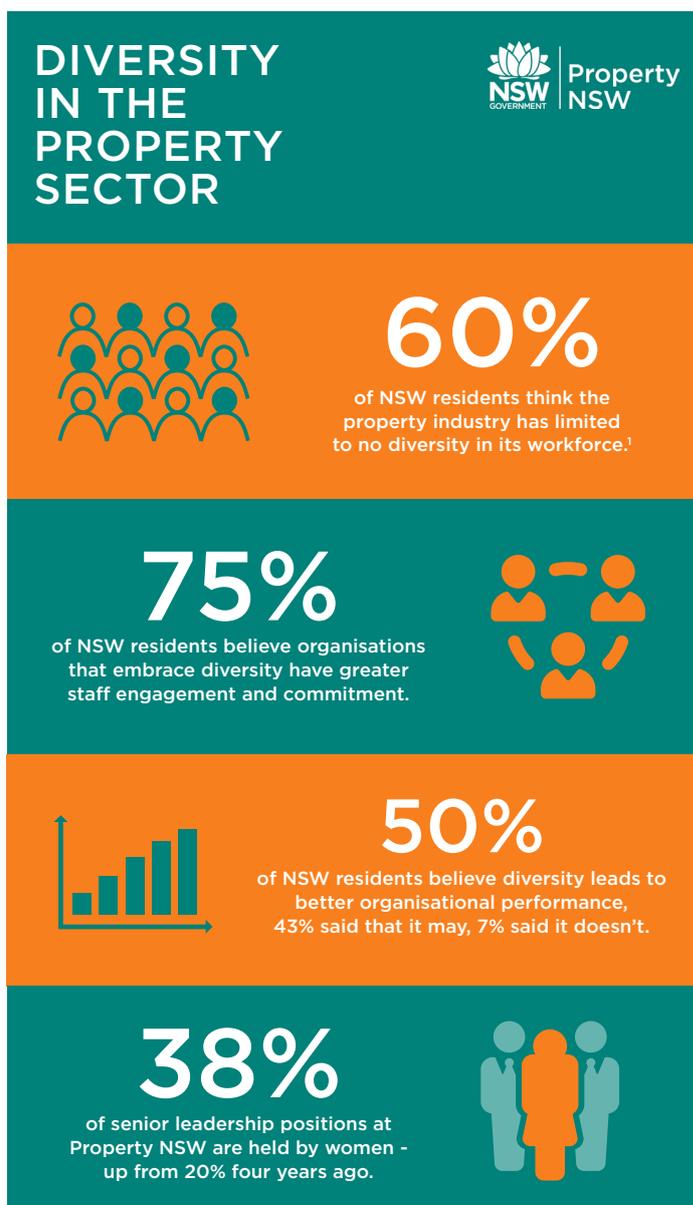
This supports the strong empirical evidence that shows corporations focused on diversity see stronger returns on investment and higher levels of employee engagement.

The property sector has made significant progress in recent years to promote and embed diversity programs, and there is more to be done.

Nearly 60 per cent of NSW residents surveyed believe that the property industry – defined as real estate and property management – has limited to no diversity within its workforce, highlighting the perception challenge facing the sector^{3,4}.

This report acknowledges the significant progress made on gender diversity within the property sector, and will examine how diversity of personal and professional background – including at the most senior levels – is delivering better financial and cultural outcomes.

As Australia's biggest industry, contributing \$182.5 billion to the economy last financial year⁵, the property sector has an opportunity to improve its approach to diversity, and in the process encourage greater productivity, innovation and performance.



DIVERSITY DEFINED

"The term diversity refers to what makes us different. It covers gender, age, language, disability, ethnicity, cultural background, sexual orientation and religious belief. Diversity also refers to our many other differences in education, work experience, occupation, socio-economic background, marital status and whether or not we have family and carer responsibilities."⁶

1 Galaxy research of 1,000 NSW residents, September 2016, commissioned by Property NSW. The dataset was weighted based on the latest ABS population estimates. Based on the question: "Do you think you would find a greater level of employee engagement and commitment in organisations that encourage and support diversity?" 75 per cent of respondents answered yes and 25 per cent answered no.

2 Based on the question "Do you believe that diversity leads to better performance for an organisation?" Seven per cent answered 'no'.

3 For the purposes of the survey, diversity was defined as encompassing gender, ethnicity, age, physical ability, education, skill, belief system, sexual orientation etc.

4 Based on the question: "What are your perceptions of the level of diversity in the real estate and property management industry?" 46 per cent said that the industry has a limited mix of people; 13 per cent said the industry does not have a diverse background.

5 Australian Financial Review, 2015, *Property now Australia's biggest industry*, Property Council says, viewed Nov 2016.

6 Australian Human Rights Commission, 2014, Diversity Strategy.

Diversity in the property sector

Gender

Diversity within the property sector has largely focused on gender. Initiatives such as the Property Male Champions of Change (PMCC), established in 2015, and the Property Council of Australia's Women and Diversity committees and Women in Property Mentoring Program, have played a significant role in focusing the spotlight on gender diversity.

These groups play an important role in attracting and retaining women within the property sector, and ensuring they progress to leadership roles.

A 2016 survey of 3,800 employees across 18 property companies found that male leaders in the property sector outnumber female leaders by three to one.

This is despite women making up more than half (52%) of non-leadership roles in the property industry.

The survey found that the "boys' club mentality" and a lack of diversity in senior leadership positions were identified by women as the biggest deterrents to entering the sector⁸.

Beyond gender

Many of the nation's largest property groups have established diversity policies that go beyond gender.

Mirvac's diversity policy specifically focuses on diversity of thought – "A culture that honours the individual and supports diversity of thought will underpin innovation and our capacity to identify and adapt to change."⁹

Scentre Group has established a Diversity and Inclusion Council to embed strategies throughout the business, with a focus on inclusive recruitment and promotion policies, mental health and wellbeing programs, unconscious bias training and an indigenous employment program born out of its Reconciliation Action Plan¹⁰.

At Stockland, the focus on diversity has led to an employee-led diversity and inclusion governance structure, called Employee Advocacy Groups (EAGs)¹¹.

The EAGs are responsible for setting diversity and inclusion objectives, ensuring initiatives are resourced and guiding implementation.

Many of these programs have increasingly focused on diversity of personal and professional background when hiring new talent.

Australia's population is one of the most culturally and linguistically diverse in the world. More than 67 per cent of Australians identified with an ancestry other than Australian in the 2011 Census (see figure 2)¹².

2011 Census - Australian Ancestry Data

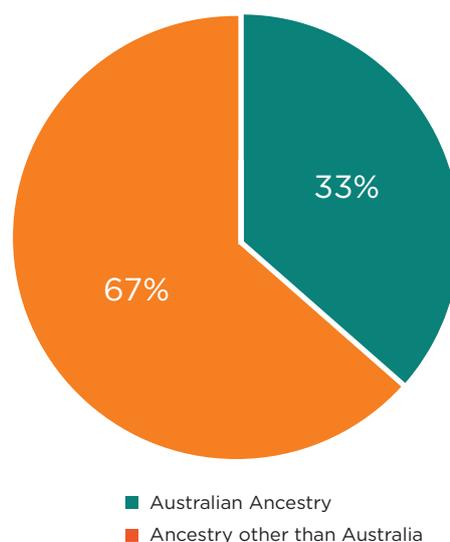


Figure 1

Source: 2011 Census Data

Cultural and socio-economic backgrounds still influence education and career choice. Only 158,350 (16 per cent) of higher education students are from low socio-economic areas, and only four per cent (of 16 per cent) are from non-English speaking backgrounds¹³. As a follow on effect, this creates mono-cultures in industry streams and professional life.

However, some of Australia's most successful property organisations have been led by people from unique personal and professional backgrounds.

Ming Long navigated a variety of stereotypes associated with Asian-Australian women to become manager of Investa Office Fund's \$2.5 billion real estate trust, from 2014 to 2016^{14,15}.

One of Australia's richest people – Meriton boss Harry Triguboff – worked as a taxi driver and a milkman after his family, originally from Russia, were forced to escape in 1947 from a Russian community in northern China, where Harry spent his early childhood^{16,17}.

Westfield Group founder Frank Lowy, originally from Hungary, spent part of his childhood in a detention camp in Cyprus and a detainee camp in Palestine, before joining his family in Australia in 1952, where he started a delicatessen before developing his first shopping centre in Blacktown, Sydney, in 1959^{18,19}.

Lendlease's Group CEO and Managing Director, Steve McCann, started out as a bookie's clerk and spent years in taxation accounting, as a mergers and acquisitions lawyer and as an investment banker before joining the property sector^{20,21}.

7 Property Council of Australia and EY, 2016, *Grow the talent pool*. Survey was of 3,800 employees from 18 companies part of the Property Male Champions of Change.

8 Ibid

9 Mirvac Group, 2015, Diversity and Inclusion Policy.

10 https://www.propertycouncil.com.au/Web/Content/News/National/2016/Diversity_drives_business_strategy.aspx

11 Stockland Diversity and Inclusion Policy, FY 2016.

12 ABS data, 2011

13 Department of Education and Training, 2013, Selected Higher Education Statistics – 2013 Student Data.

14 Kozaki, D. 2016, 'Bamboo ceiling' keeping non-Anglo Australians from leadership roles, *Rights Commission finds*.

15 Australian Financial Review, 2016, Investa Office Fund's Ming Long resigns, <http://www.afr.com/real-estate/investa-office-funds-ming-long-resigns-20160420-goaiih>, viewed December 2016.

The benefits of diversity

There is a strong body of empirical evidence that corporations focused on diversity see stronger returns on investment and a higher level of employee engagement.

Research from McKinsey & Company shows that companies in the top quartile for racial and ethnic diversity are 35 per cent more likely to have financial returns above their respective national industry medians.²²

Further research has shown companies that actively employ diverse workforces, align diversity and inclusion strategies to organisational objectives, as well as integrate diversity and inclusion with learning, have seen a 2.3 times higher cash flow per employee over a three-year period.²³

Aside from the financial benefits, the business case for diversity of background has three main components: broadening the talent pool, diverse thinking and productivity.

Broadening the talent pool

The proportion of population moving into retirement is growing (see figure 1). Drawing from a more diverse group widens the prospective network of candidates, and more diverse companies are therefore better able to attract top talent²⁴.

Age group as a percentage of total NSW population - forecast

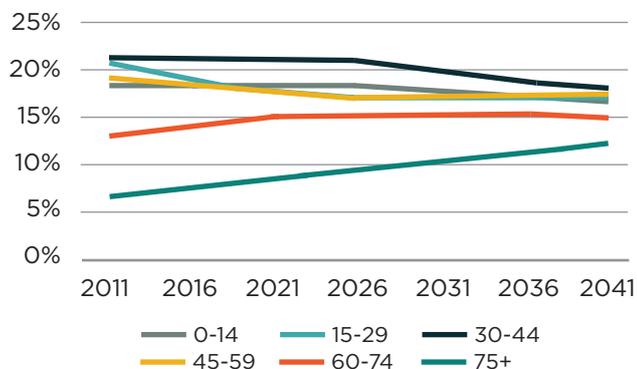


Figure 2

Source: NSW Department of Planning and Environment/PwC Analysis

A survey of 3,800 property employees, undertaken in 2016, found that women are more likely to have previously gained experience outside of the property industry, compared to their male counterparts.²⁵

The experience garnered from outside the property sector can contribute to different thinking and ensure a more diverse and broader range of experience.²⁶

Non-traditional hiring methods (i.e. hiring out of stream) are increasingly recognised as also promoting the broad thinking inherent in the diversity argument²⁷, and are currently used by the NSW Government.²⁸

Diverse thinking

Diversity improves decision making processes²⁹, where a broader range of factors are taken into account as a result of different experiences and backgrounds. This not only increases the problem solving capacity of an organisation but also helps to reach a broader customer base with diverse tastes and preference³⁰.

“If employees share the same background, they are more likely to hold the same views. A diversity of backgrounds gives us a far better chance to achieve diversity of thought. It follows, too, that if a particular team generates ten different views on a particular business question, then the work results will be more innovative than if they had all shared the same view from the start.”³¹

Productivity

Studies show that a diverse and valued workforce is more productive. Organisations that implement comprehensive diversity and inclusion strategies can experience a potential uplift to business performance of 80 per cent.³²

The importance of inclusion becomes clear when we consider that 75 per cent of NSW residents surveyed believe there is a greater level of employee engagement and commitment in organisations that encourage and support diversity³³ and that a supportive workplace is good for employee mental health and well-being³⁴.

There is also a correlation between financial performance, and customer satisfaction measured through revenue gains³⁵.

Taking that concept further, several studies have shown that improvements in employee satisfaction directly lead to uplifts in customer satisfaction, in turn driving increased revenues³⁶.

Employee satisfaction is also an increasingly important metric due to the productivity gains linked to an engaged workplace.

16 Immigration Gurus, 2016, *Australia's most successful migrant businessmen*.

17 <http://www.meriton.com.au/about-us/about-meriton/managing-director-harry-triguboff>

18 Forbes, 2016, The World's Billionaires #262 Frank Lowy, <http://www.forbes.com/profile/frank-lowy>

19 Ibid

20 Australian Financial Review, 2014, *From bookie's clerk to Barangaroo: Lend Lease's Steve McCann*.

21 <http://www.lendlease.com/company/leadership/steve-mccann-the-board/>

22 McKinsey & Company, 2015, *Diversity Matters*

23 Bersin, 2015, *High-Impact Talent Management: The New Talent Management Maturity Model*

24 McKinsey & Company, 2015, *Diversity Matters*

25 PCA and EY 2016, *Grow the talent pool*

26 Ibid

27 Hartley, D. 2010, *Hiring Talent With Non-traditional Backgrounds*, *Talent Management Magazine*

The benefits of diversity (cont.)

A report published in 2012 by Deloitte indicates that an organisation that promotes the principles of diversity and inclusion improves the ability of employees to be innovative (83 per cent uplift) and has resulted in a 42 per cent increase in team collaboration. The same report suggests that “when employees feel highly included, they feel more engaged in their work...are motivated to turn up to work and do their best work.”³⁷

“If just 10% more employees feel included, the company will increase work attendance by almost one day per year per employee”³⁸

Challenges

The property industry is distinct from other industries in two particular ways: the breadth of disciplines involved, and the way the industry touches all aspects of life – from home, to work, to play.

Diversity of thought is necessary in the making of buildings and urban places, requiring skill sets from property economics, marketing, design and engineering, to finance. Major property groups in the UK are actively addressing this lack of diversity to maintain their relevance in the industry (see case study 1).

Although it is widely accepted that the implementation of diversity of background programs will ultimately prove to be beneficial for an organisation, it is important to recognise that issues can arise, such as:

- adjusting diversity to the local context
- tailoring change management to suit the nature of interactions within an organisation.

The implementation of diversity programs within the private sector – particularly in Australia – has resulted in some shareholder backlash.

This does not come as a result of the diversity programs themselves, but from the associated bonuses paid to CEOs for meeting non-financial targets for diversity and culture. In some cases, executives can receive bonuses for non-financial targets of up to 50 per cent, comprised of 25 per cent for diversity, inclusion, sustainability and culture, and 25 per cent for customer satisfaction.³⁹

The way forward

Much of the media about diversity in Australia focuses on gender diversity. However, over 85 per cent of ASX500 listed companies also include ethnicity and age in their diversity policies, with a lesser focus on religion, sexuality and disability.⁴⁰ The main premise of creating diversity – broadening perspectives – should not get lost in the tallying of quotas and percentages; however, data is useful for tracking progress.

Measuring the success of diversity of background initiatives has been made difficult in a domestic context, as a result of a lack of workforce data relating to background. In Australia, this data is not consistently recorded. In countries like the US and Canada, the collection of such data is mandatory.

Many companies are also relying on more aspirational objectives, focused on cultural outcomes, making it harder to draw direct parallels to improvements in financial performance.

As career path trajectory is influenced so heavily by background it follows that breaking away from ‘group think’, caused by mono-cultural environments, requires an emphasis on cross disciplinary teams.

Research by the British Council shows that the majority of leaders come from a social science background,⁴¹ rather than from their industry streams.

Additionally, diversity of thought has been linked both to innovation and growth.⁴²

For the property sector, there’s an opportunity to increasingly look outside of the sector and focus on recruiting cross disciplinary thought into an organisation.

This approach should be embraced as a means to draw in both unique professional perspectives, as well as diversity of cultural and socio economic backgrounds.

Companies that have successfully implemented change have done so from the top down, making diversity a core value, coupled with targets and support.⁴³

28 NSW Public Service Commission, 2015, *State of the Sector*
29 Forbes Insights, 2011, *Fostering Innovation through a diverse workforce*
30 Phillips, K. 2014, *How Diversity Makes Us Smarter, Scientific American*
31 Wilson, D. V.P Diversity and Inclusion, American Express
32 Deloitte, 2012, *Waiter is that inclusion in my soup?*
33 Galaxy research of 1000 NSW residents, September 2016, commissioned by Property NSW. Based on the question “Do you think you would find a greater level of employee engagement and commitment in organisations that encourage and support diversity?”. 75 per cent of respondents answered yes and 25 per cent of respondents answered no.
34 Beyond Blue National Workplace Program
35 Bulgarella, C, *Employee Satisfaction & Customer Satisfaction: Is There a Relationship?* - http://meetingmetrics.com/research_papers/whitepaper_cs_es_relationships.pdf

36 Ibid
37 Op. cit.
38 Ibid
39 Australian Financial Review, 2016, *Shareholders slam CBA's 'diversity' bonus*
40 KPMG, 2015, *ASX Corporate Governance Council Principles and Recommendations on Diversity*
41 British Council, 2015, *Educational Pathways of Leaders: an international comparison. Findings of a 30 Country Study of Professional Leaders*
42 Hong & Scott, 2004, *Groups of diverse problem solvers can outperform groups of high-ability problem solvers*
43 PwC, 2016, *Creating value through diversity and inclusion*



Case Study 1 – Pathways to Property Initiative (UK)

What?

The Reading Real Estate Foundation (UK), in partnership with British Land and the Sutton Trust, have established the 'Pathways to Property Initiative.' The initiative is aimed at broadening the available talent pool by attracting young people into the property industry from outside of the current mono-cultural demographic. Through a summer school held at the University of Reading, students can gain valuable insights into the real estate sector and university life, while becoming familiar with

career opportunities and potential career pathways. Students who are successful in this program can apply for a week long work experience placement, and receive additional bursaries when enrolling onto Real Estate and Planning programmes.

Why?

The large majority of students attending property courses in the UK are from privately educated backgrounds within established networks. As a result, academically able students from non-traditional backgrounds are under-represented in the industry.

Who?

Contributions from key industry partners BNP Paribas, CBRE, C & W, DTZ, Gerald Eve, JLL, Knight Frank, Lambert Smith Hampton, Savills and Strutt & Parker have been pivotal to the success of the program, with most offering financial contributions as well sharing their expertise to ensure the project is a success.



Case Study 2 - NSW Department of Finance, Services and Innovation (DFSI)

What?

Increasing diversity in the public sector was identified by NSW then Premier Mike Baird as one of 12 'Premier Priorities' in 2015, because of its impact on driving creativity, innovation and improved service delivery.

In 2015, DFSI developed a five-year Diversity and Inclusion Strategy, which provides a framework to deliver on a range of diversity measures, including gender and background.

DFSI is now exceeding government diversity benchmarks across its workforce. Key achievements include:

- 20.6 per cent of employees identified as from a racial, ethnic or ethno-religious minority group, second only to Treasury (21.9 per cent) within Government, and well above the total NSW public sector average (13.4 per cent).
- 21 per cent of employees identified that their first

language spoken was not English, ahead of the NSW public sector average (18 per cent).

- 54.1 per cent of employees are women in 2013.

Property NSW, part of DFSI, has also made improvements against its diversity targets.

As at January 2017, Property NSW had 38 per cent of women in senior leadership positions, up from 20 per cent in 2013.

Property NSW – Workforce⁴⁴

Workforce Diversity Group	Benchmark/Target	2014	2015	2016
Women	50%	42.4%	43.9%	47.7%
Aboriginal People and Torres Strait Islanders	2.6%	1.9%	0.8%	0.8%
People whose First Language Spoken as a Child was not English	19.0%	16.6%	15.5%	19.9%
People with a Disability Requiring Work-Related Adjustment	1.5%	0.4%	0.4%	0.8%

Sources: DFSI Annual Report, 2015-16; New South Wales Government, Premier's Priorities, 2015; NSW Public Service Commission, Workforce Profile Report, 2016.

⁴⁴ Property NSW data as at 30 June 2016 (based on Annual Reports for the former Property and Housing Group - i.e. Government Property NSW, Sydney Harbour Foreshore Authority, Teacher Housing Authority and Waste Assets Management Corporation).

Conclusion

The property sector has made significant strides in recent years to develop, promote and embed diversity programs.

However, the latest research shows that the majority of the NSW public remain unconvinced.

60 per cent of NSW residents believe the property industry has limited to no diversity, despite high-profile campaigns and significant resources invested in recent years.

There is broad consensus that diverse companies encourage greater levels of employee engagement and better performance, including in our own research, which shows 75 per cent of NSW residents believe there is a greater level of employee engagement and commitment in organisations that encourage and support diversity.

The research in this report shows that the industry needs to do a better job of communicating the success of its diversity programs to stakeholders and the public, including how recruiting people from diverse personal and professional backgrounds has delivered tangible benefits for organisations.

This report aims to further promote discussion on the value of diversity initiatives in order to bridge the gap between public perceptions and the industry itself. It does so with the acknowledgement that significant progress is still required to achieve a truly diverse sector.



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