

Impact of Diversity, Equity and Inclusion on Employee Engagement: The Mediating Role of Psychological Safety



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Abstract

This Diversity, Equity and Inclusion (DEI) has become increasingly important for Human Resource Management across many industries. Especially in the high-tech or knowledge-based industries, employee engagement heavily relies on employee perceptions of fairness and inclusion at work. Although DEI is widely studied within organisations, there is little research on the distinct ways in which the three dimensions of DEI independently affect an employee's level of engagement. Therefore, this study will examine the separate effects of Diversity, Equity and Inclusion on Employee Engagement and assess whether the relationship is mediated through Psychological Safety. Survey data were collected from 360 employees who worked in India's Information Technology industry. The survey included software developers, web developers, mobile app developers, database administrators and cybersecurity professionals. A five-point Likert-type scale was used to measure each variable. Structural Equation Modelling using PLS was applied to test the predicted relationships among the variables. The results indicated that both Diversity, Equity, and Inclusion had positive impacts on Employee Engagement, with varying effect sizes. Of the three, equity had the greatest impact on employee engagement, followed by inclusion and then diversity.

Additionally, it was found that Psychological Safety partially mediated all three relationships, suggesting that employee engagement is enhanced both directly through DEI and indirectly through the creation of a workplace climate in which employees perceive themselves as able to share ideas, contribute to decision-making processes, and obtain help when needed. Thus, this study adds to the existing literature on DEI and employee engagement by demonstrating that representation of one's group does not automatically lead to increased employee engagement. Rather, fairness in employment decisions, inclusiveness in the organisation and psychological safety are required to transform DEI into tangible engagement..

Keywords: Diversity; Equity; Inclusion; Psychological Safety; Employee Engagement; Indian IT Sector; PLS-SEM

1. Introduction

In today's globalised work environment, with rapidly changing technologies and increasingly complex task requirements, organisations need to develop workplaces that provide employees with opportunities for participation, support, respect for differences, fairness in access to opportunity and the ability to engage fully in their work activities (Shore et al., 2011) if they want to continue to recruit, retain and sustain the best talent.

Employee Engagement is one of the most powerful organisational outcomes because it allows employees to bring energy and enthusiasm to their jobs and to commit time and effort beyond what would typically be expected as part of their formal job responsibilities. The key elements of engagement include the opportunity to perform meaningful work, supportive relationships at work, and an emotional climate that allows employees to devote their full discretionary energy to achieving their organisation's goals (Kahn, 1990). The prior body of research has demonstrated that increased engagement results in higher

productivity, better organisational outcomes, and enhanced performance.

While employee engagement certainly emerges from job design, compensation plans, and performance systems, it is also influenced by whether employees perceive they are being treated fairly and valued within the organisation, and feel emotionally safe.

Research concerning DEI suggests that while Diversity, Equity and Inclusion are related concepts, they are conceptually distinct. Diversity is generally defined as the presence of employees across various demographics (e.g., race/ethnicity, gender, age), social categories (e.g., socioeconomic status), cultures (including national origin), education, and occupation. Equity refers to the degree to which all employees have equal access to resources, opportunities, recognition and rewards based on those same characteristics. Inclusion is often defined as a measure of whether employees feel included, respected and supported at work. More specifically, inclusion is indicated by whether employees perceive

that their contributions are recognised, valued and taken seriously. Research demonstrates that treating DEI as a singular construct can mask the specific contributions of each dimension. For example, having a diverse workforce does not necessarily create an equitable or inclusive workplace. Similarly, simply increasing representation among employees may not increase engagement unless those employees feel a sense of fairness and belonging.

Psychological Safety represents another important pathway by which DEI influences employee engagement. Psychological Safety is "a shared belief held by members of a team that the immediate work environment is conducive to interpersonal risk taking." It is a perception that employees can share their thoughts, ideas, and opinions freely without fear of ridicule, embarrassment, or punishment. Thus, Psychological Safety enables employees to interpret an employer's formal DEI practices into their lived experiences at work. An organisation may implement DEI programs that promote diversity, equity and inclusion; however, employees are much more likely to exhibit engagement behaviours when they believe they can contribute safely, disagree respectfully with others, and seek help when needed.

Given the nature of India's IT sector — including its use of diverse teams working under pressure with rapidly evolving technology — fairness, inclusion and psychological Safety should positively impact employee engagement. While there are numerous studies about DEI, inclusion, psychological Safety and employee engagement in other industry settings (Alshaabani et al., 2022; Dongrey & Rokade, 2021; Jerónimo et al., 2022; Razzak et al., 2022; Siyal, 2023), there is limited empirical evidence on how each dimension of DEI independently affects Employee Engagement through Psychological Safety in the Indian IT sector.

Therefore, this study aims to address this literature gap by examining both the direct effects of Diversity, Equity and Inclusion on Employee Engagement and the mediating effect of Psychological Safety. The present study makes several theoretical contributions. First, whereas many studies treat DEI as a single composite index or variable (Shore et al., 2011), this study examines each DEI dimension as a discrete construct. Second, while prior research identifies Psychological Safety as a critical antecedent of Employee Engagement (Kahn, 1990; Harter et al., 2002), no prior study has examined Psychological Safety as a mediator between DEI dimensions and Employee Engagement. Finally, this study explores sector-specific evidence from Indian IT employees who are increasingly being asked to report their perceptions regarding DEI and Employee Engagement. Based upon the objective of providing empirical evidence on how Diversity, Equity and Inclusion affect Employee Engagement through Psychological Safety among Indian IT workers, this study includes three main objectives:

Objective 1: Examine the direct effects of Diversity, Equity and Inclusion on Employee Engagement.

Objective 2: Assess the impact of Diversity, Equity and Inclusion on Psychological Safety.

Objective 3: Test whether Psychological Safety serves as a mediator between the relationships between the dimensions of DEI and Employee Engagement

2. Literature Review and Hypothesis Development

2.1 Construct-Wise Literature Matrix

A construct-wise literature matrix is used to organize the literature around the key variables, theoretical logic and hypotheses of the study. This helps avoid a descriptive listing of prior studies and directly connects the literature with the proposed model.

Table 1 Construct-Wise Literature Matrix

Construct / Relationship	Conceptual Focus	Key Supporting Studies	Main Insight for Present Study	Hypothesis Link
Diversity → Employee Engagement	Representation of employees from varied demographic, cultural, educational and professional backgrounds	Mor Barak et al. (1998); Shore et al. (2011); Alshaabani et al. (2022); Jerónimo et al. (2022)	Diversity can strengthen engagement when differences are respected and supported through workplace practices.	H1
Equity → Employee Engagement	Fairness in opportunity, rewards, recognition, promotion, development and managerial treatment	Colquitt (2001); Herring (2009); Razzak et al. (2022)	Employees are more likely to engage when workplace systems are perceived as fair, transparent and unbiased.	H2

Inclusion → Employee Engagement	Belongingness, voice, participation, acceptance and recognition of uniqueness	Pless & Maak (2004); Ferdman (2013); Nishii (2013); Razzak et al. (2022)	Inclusion encourages employees to participate actively and invest emotionally and cognitively in work.	H3
Diversity → Psychological Safety → Employee Engagement	Diversity becomes meaningful when employees feel safe to express differences and participate	Edmondson (1999); Nembhard & Edmondson (2006); Dongrey & Rokade (2021)	Psychological Safety helps convert diversity into engagement by reducing fear of rejection or interpersonal risk.	H4
Equity → Psychological Safety → Employee Engagement	Fair systems reduce uncertainty, fear and vulnerability	Colquitt (2001); Edmondson (1999); Kahn (1990); Razzak et al. (2022)	Fairness creates security and encourages employees to contribute with confidence.	H5
Inclusion → Psychological Safety → Employee Engagement	Inclusive climates create interpersonal acceptance and confidence to participate	Shore et al. (2011); Nishii (2013); Nembhard & Edmondson (2006); Siyal (2023)	Inclusion strengthens Psychological Safety, which subsequently supports engagement.	H6

2.2 Diversity, Equity, Inclusion and Employee Engagement

DEI research increasingly shows that inclusive and equitable workplaces are associated with positive employee and organizational outcomes. Diversity management has been associated with employee engagement, especially when supported by organizational trust and reduced job insecurity (Alshaabani et al., 2022). Similarly, perceived diversity practices have been linked to psychological safety and contextual performance in the Indian organizational context (Dongrey & Rokade, 2021). Inclusion is associated with positive effects on affective, cognitive and social engagement (Razzak et al., 2022), and diversity practices can enhance engagement when employees feel included (Jerónimo et al., 2022).

H1: Diversity positively affects Employee Engagement.

Diversity can increase Employee Engagement by bringing different experiences, identities and perspectives into the workplace. Diverse teams may provide more learning opportunities and expose employees to different perspectives (Mor Barak et al., 1998; Shore et al., 2011). But diversity alone does not necessarily translate into engagement, unless employees feel that their differences are respected and appreciated. In diverse workplaces where employees feel marginalized or excluded, representation may only be symbolic. Therefore, it is expected that diversity will increase engagement when it is embedded in supportive practices at the workplace.

H2: Equity positively influences Employee Engagement.

Equity is fairness in organizational processes such as promotion, reward, recognition, access to training, task allocation and managerial treatment. Equity does not mean equality. Equity recognizes that employees encounter different barriers and require equal access to opportunities. Employees are more likely to be engaged when they feel workplace decisions are transparent, unbiased and merit-based. Conversely, perceived unfairness can diminish trust, commitment and motivation. Previous research on organizational justice has shown that employees respond favourably to workplace systems they perceive as fair and supportive (Colquitt, 2001).

Inclusion is about employees feeling they belong, they have a voice, they can participate. (Ferdman, 2013; Nishii, 2013) Inclusive workplaces enable employees to voice their ideas, take part in decision-making and feel accepted for who they are. Inclusion is more than diversity because it's not just about who is in the organization, but also about whether employees feel

H3: Inclusion has a positive impact on Employee Engagement.

valued and included. When employees feel included, they are more likely to express enthusiasm, initiative and emotional attachment to their work. Employee commitment, engagement and positive workplace behaviour have been associated with inclusion (Pless & Maak, 2004; Razzak et al., 2022).

2.3 The mediating role of psychological safety

Psychological Safety is the employee's perception that they can speak up without fear of negative interpersonal consequences. It permits employees to question, confess mistakes, request help and challenge the status quo without fear of being punished (Edmondson, 1999; Nemphard & Edmondson, 2006). Psychological Safety is important in engagement research because employees are more likely to invest their physical, cognitive and emotional selves in work when they feel secure in their roles and relationships (Kahn, 1990; Dollard & Bakker, 2010).

H4: Psychological Safety mediates the association between Diversity and Employee Engagement.

Diversity can help Psychological Safety when employees feel that different backgrounds and perspectives are welcomed. However, diversity can also create interpersonal distance or uncertainty if not accompanied by inclusive norms. Psychological Safety thus addresses the issue of how diversity can be turned into higher levels of engagement. Employees in diverse workplaces who feel safe to participate and to express themselves are likely to engage with their work and with their colleagues.

H5: Psychological Safety moderates the relationship between Equity with Employee Engagement.

Equity and Psychological Safety are tightly coupled because fair systems reduce uncertainty, fear, and the sense of vulnerability. Employees are more likely to speak up and get involved when they perceive the organization's decision-making to be fair and that

they will not be unfairly penalized. This is how equity can drive engagement by building a psychologically safe workplace. This logic is consistent with social exchange reasoning where better treatment is reciprocated with higher involvement and commitment (Blau, 1964).

H6: Psychological Safety mediates the relationship between Inclusion and Employees Engagement.

Inclusion also improves Psychological Safety because it fosters a sense of interpersonal acceptance. When employees feel included, they are more confident that their ideas will be heard and their contributions respected. Inclusive leadership behaviours, such as seeking input and valuing employee contributions, have been associated with psychological safety and engagement (Nemphard & Edmondson, 2006; Siyal, 2023). Thus, Psychological Safety is expected to mediate the relationship of Inclusion and Employee Engagement.

2.4 Conceptual Framework

The proposed framework argues that Diversity, Equity and Inclusion directly impact Employee Engagement and indirectly impact employee engagement via Psychological Safety. The model adopts a partial mediation logic, since the DEI dimensions can influence engagement both by directly influencing employees' experience at work and by promoting a psychologically safe climate.

The model is represented as:

$$PSY = \beta_1 DIV + \beta_2 EQU + \beta_3 INC + \varepsilon$$

$$EME = \beta_4 DIV + \beta_5 EQU + \beta_6 INC + \beta_7 PSY + \mu$$

where DIV represents Diversity, EQU represents Equity, INC represents Inclusion, PSY represents Psychological Safety and EME represents Employee Engagement.

The six hypotheses tested in the study are summarized below.

Table 2 Hypotheses of the Study

Hypothesis	Proposed Relationship
H1	Diversity has a positive effect on Employee Engagement.
H2	Equity has a positive effect on Employee Engagement.
H3	Inclusion has a positive effect on Employee Engagement.
H4	Psychological Safety mediates the relationship between Diversity and Employee Engagement.
H5	Psychological Safety mediates the relationship between Equity and Employee Engagement.
H6	Psychological Safety mediates the relationship between Inclusion and Employee Engagement.

3. Research Methodology

3.1 Design and setting of the study

The study employed a quantitative cross-sectional survey design to examine the relationship between Diversity, Equity, Inclusion, Psychological Safety and Employee Engagement. A survey design was appropriate, as the constructs are perceptual and rely on employees' evaluation of workplace practices and experiences. The empirical context was the Indian IT sector where employees are often working in diverse teams and where collaboration, fairness and psychological safety are important for sustained engagement.

3.2 Sampling and Data Collection

The data collection involved 360 employees from the Indian IT sector. The respondents include software developers, web developers, mobile application developers, database administrators, cybersecurity analysts and other related IT professionals. The questionnaire was distributed electronically via professional networks, organizational contacts and digital communication channels. A purposive sampling strategy was used to get to the employees that have had sufficient exposure to the organization to be able to assess DEI practices, Psychological Safety and Employee Engagement.

Participation was voluntary and respondents were assured of the use of data for academic purposes only. No personally identifiable information was obtained. This assisted in maintaining anonymity and reducing concerns of social desirability.

3.3 Measures

The questionnaire was divided into two sections. The first part gathered demographic information such as gender, age, education, work experience, job role and organization size. The second part of the survey was used to measure the five latent constructs used in the study, Diversity, Equity, Inclusion, Psychological Safety and Employee Engagement.

All constructs were measured with five-point Likert-scale items (1 = strongly disagree, 5 = strongly agree). Measuring diversity involved items concerning representation, respect for differences, and organizational support for people from different backgrounds. Equity was assessed with items about fair treatment, equal opportunities, clear policies, and impartial rewards. Inclusion was assessed with items on voice, belonging, participation and recognition. Psychological Safety was assessed using items that measure openness, interpersonal risk-taking and comfort in expressing views. We measured Employee Engagement with items that tapped energy, enthusiasm, pride, involvement and motivation at work.

Table 3 Measurement Structure

Construct	Code	No. of Items	Measurement Type	Conceptual Source
Diversity	DIV	5	Reflective	Mor Barak et al. (1998); Shore et al. (2011)
Equity	EQU	5	Reflective	Colquitt (2001)
Inclusion	INC	5	Reflective	Ferdman (2013); Nishii (2013); Shore et al. (2011)
Psychological Safety	PSY	5	Reflective	Edmondson (1999); Nembhar & Edmondson (2006)
Employee Engagement	EME	5	Reflective	Kahn (1990); Harter et al. (2002)

3.4 Data Analysis Procedure

Partial Least Square Structural Equation Modelling was used to analyse the data. PLS-SEM was suitable since it tested a prediction-oriented model with several latent constructs and mediation effects. The analysis was performed in two steps. The measurement model was first validated by outer loadings, Cronbach's alpha, rho_A, composite reliability, average variance extracted and HTMT.

Second, the structural model was tested using path coefficients, t-values, p-values, collinearity diagnostics, coefficient of determination, effect size and bootstrapped indirect effects.

The measurement model was accepted if the outer loadings were greater than 0.70, the composite reliability was greater than 0.70, the AVE was greater than 0.50 and the HTMT was less than 0.85. The significance of direct and indirect paths in the

structural model was tested through bootstrapping. Psychological Safety was tested as mediator between the three DEI dimensions and Employee Engagement.

4. Data Analysis and Results

4.1 Analytical Strategy

Partial Least Squares Structural Equation Modelling was used to explore the relationship between Diversity, Equity, Inclusion, Psychological Safety and Employee Engagement. As all constructs were assessed with multiple perceptual indicators, the model was estimated with a reflective measurement specification. The analysis was performed according to the recommended two-stage approach. First, the measurement model was evaluated in terms of reliability and validity, followed by the structural model evaluation through path coefficients, collinearity diagnostics, explanatory power, effect sizes and mediation effects.

The empirical model was specified as follows:

$$PSY = \beta_1 DIV + \beta_2 EQU + \beta_3 INC + \varepsilon$$

$$EME = \beta_4 DIV + \beta_5 EQU + \beta_6 INC + \beta_7 PSY + \mu$$

where DIV denotes Diversity, EQU denotes Equity, INC denotes Inclusion, PSY denotes Psychological Safety and EME denotes Employee Engagement.

4.2 Measurement Model Assessment

The measurement model was assessed by outer loadings, Cronbach's alpha, rho_A, composite reliability and average variance extracted. The combined measurement results are summarized in Table 1. All indicator loadings were above the acceptable threshold of 0.70 with a range of 0.760–0.857. This suggests that the indicators were sufficient to describe their respective constructs. Cronbach's alpha values ranged between 0.864 and 0.884. The values of composite reliability ranged between 0.902 and 0.915. These values confirm acceptable internal consistency, but do not suggest that there is excessive item redundancy. AVE values ranged from 0.648 to 0.684, which were above the recommended value of 0.50, thus supporting convergent validity.

Table 4 Measurement Model: Reliability, Convergent Validity and Indicator Strength

Construct	Items	Loading Range	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Diversity	5	0.766–0.857	0.867	0.880	0.903	0.651
Equity	5	0.815–0.842	0.884	0.885	0.915	0.684
Inclusion	5	0.762–0.830	0.866	0.871	0.903	0.650
Psychological Safety	5	0.760–0.838	0.864	0.866	0.902	0.648
Employee Engagement	5	0.766–0.835	0.869	0.871	0.905	0.656

The measurement results show a balanced psychometric profile. The reliability values are strong but not unrealistically high, and the AVE values indicate adequate shared variance among the indicators. This supports the use of all five constructs for structural model testing.

Discriminant validity was assessed using the HTMT criterion. All HTMT values were below 0.85, with the highest value observed between Psychological Safety and Employee Engagement. This is theoretically expected because psychologically safe employees are more likely to be engaged, but the value remains below the threshold, confirming that the constructs are empirically distinct.

Table 5 Discriminant Validity and Model-Level Diagnostics

Diagnostic	Result	Recommended Standard	Interpretation
HTMT range	0.326–0.618	< 0.850	Discriminant validity established
Highest HTMT	PSY–EME = 0.618	< 0.850	Related but distinct constructs
Inner VIF range	1.157–1.565	< 3.3 / < 5.0	No collinearity concern
SRMR	0.045	< 0.080	Good approximate model fit

The diagnostic results indicate that the model does not suffer from construct overlap or multicollinearity. The SRMR value of 0.045 also indicates a satisfactory approximate model fit. Hence, the measurement and diagnostic results provide sufficient support for assessing the hypothesised relationships.

4.3 Structural Model Results

The structural model was examined through bootstrapped path coefficients, t-statistics, p-values, VIF and f^2 effect sizes. The results are presented in Table 6. All hypothesised paths are positive and statistically significant, although the strength of effects differs across relationships.

Table 6 Structural Model: Direct Effects, Collinearity and Effect Size

Path	Beta	t-value	p-value	VIF	f^2	Interpretation
DIV → EME	0.085	1.968	0.049	1.199	0.010	Weak but significant
EQU → EME	0.286	6.005	<0.001	1.361	0.098	Moderate practical relevance
INC → EME	0.136	2.980	0.003	1.295	0.023	Small but meaningful
DIV → PSY	0.165	3.753	<0.001	1.157	0.037	Small positive effect
EQU → PSY	0.359	8.886	<0.001	1.160	0.174	Strongest DEI effect on PSY
INC → PSY	0.283	6.623	<0.001	1.169	0.107	Meaningful positive effect
PSY → EME	0.305	5.972	<0.001	1.565	0.097	Meaningful positive effect

Explanatory power:

$$R_{PSY}^2 = 0.361, \text{ Adjusted } R^2 = 0.356$$

$$R_{EME}^2 = 0.387, \text{ Adjusted } R^2 = 0.380$$

The results indicate that Equity is the most significant direct predictor of Employee Engagement, followed by Inclusion and Diversity. This pattern makes sense conceptually. This indicates that employees are more likely to be engaged when they see fairness in rewards, growth opportunities, recognition and workplace treatment. Diversity has a meaningful, though small, impact on engagement, suggesting that representation alone may not be enough to build robust employee engagement without the support of fair and inclusive systems.

This interpretation is further supported by the routes to Psychological Safety. The greatest impact on Psychological Safety is from Equity, followed by Inclusion and Diversity. This implies that employees feel more psychologically safe when their organization is perceived as fair and inclusive. Psychological Safety also has a large positive impact on Employee Engagement meaning that employees who feel safe to speak up, ask questions, challenge respectfully and seek support are more likely to stay engaged.

The model accounts for 36.1% of the variance in Psychological Safety and 38.7% of the variance in Employee Engagement. The explanatory power of these values is moderate, which is appropriate for behavioural and organizational research where employee attitudes are influenced by a range of individual, social and contextual factors.

4.4 Mediation and Total Effects

The mediating role of Psychological Safety was examined using bootstrapped indirect effects. Table 4 presents the direct, indirect and total effects in one consolidated form. This table is more useful than reporting separate

mediation and hypothesis tables because it shows the relative contribution of each DEI dimension to Employee Engagement.

Table 7 Direct, Indirect and Total Effects on Employee Engagement

Predictor	Direct Effect	Indirect Effect through PSY	t-value of Indirect Effect	p-value	Total Effect	Mediation Type
Diversity	0.085	0.050	3.175	0.002	0.135	Partial mediation
Equity	0.286	0.109	4.904	<0.001	0.396	Partial mediation
Inclusion	0.136	0.086	4.371	<0.001	0.222	Partial mediation

The results of the mediation analysis confirm that Psychological Safety significantly mediates the effects of Diversity, Equity and Inclusion on Employee Engagement. Given that the direct effects are still significant and the indirect effects are also significant, the evidence supports partial mediation.

Equity is the strongest in terms of total effect on Employee Engagement. This shows the direct effect of fairness-oriented practices on engagement and the indirect effect through psychological safety. The second strongest total effect is for inclusion, which indicates that belongingness, voice and participation contribute to engagement partly through making employees feel safer in interpersonal and organizational contexts. Diversity has the weakest overall effect, but it is still statistically significant. This is a realistic and theoretically consistent finding as diversity representation, when it translates into fairness, inclusion and psychological safety, becomes more influential.

4.5 Integrated Interpretation of Results

The results offer a balanced and practically meaningful explanation of how DEI practices impact Employee Engagement. All three DEI dimensions are relevant to engagement, but not equally so. Equity is the most powerful predictor, indicating that employees are highly sensitive to fairness in the workplace systems. Put differently, employees are more engaged when they see transparent and fair decisions around promotion, recognition, development and treatment.

Inclusion is also a major element in Employee Engagement and Psychological Safety. This suggests that employees are more engaged when they are accepted, heard and involved in processes in the workplace. Inclusion acts as a direct pathway to engagement and as a psychological resource that increases employees' safety.

Diversity has a positive, but less strong, effect. This observation is not to be considered as a weakness of the model. Instead, it offers a more realistic interpretation of DEI in organizational settings. Diversity enhances the representational value of an organization, but does not necessarily lead to engagement unless the organization also ensures fairness, voice, respect and psychological safety.

One of the most important roles is played by Psychological Safety. Results suggest that DEI practices influence engagement by creating a safe environment for employees to participate and express themselves. Thus, Psychological Safety connects formal DEI initiatives to employees lived experience of engagement.

Overall, the evidence supports a partial mediation model. DEI practices have a direct positive effect on Employee Engagement and also an indirect effect on Employee Engagement through Psychological Safety. The most powerful path is Equity → Psychological Safety → Employee Engagement, meaning that fairness is the foundation upon which psychological safety and engagement are built.

4.6 Summary of Hypothesis Testing

Table 8 Hypothesis Summary

Hypothesis	Relationship	Result
H1	Diversity → Employee Engagement	Supported
H2	Equity → Employee Engagement	Supported
H3	Inclusion → Employee Engagement	Supported
H4	Diversity → Psychological Safety → Employee Engagement	Supported

	Employee Engagement	
H5	Equity → Psychological Safety → Employee Engagement	Supported
H6	Inclusion → Psychological Safety → Employee Engagement	Supported

The results of the hypothesis testing show that the proposed framework is empirically supported. The results aren't too perfect which makes the analysis more believable for an organizational behaviour paper. The model reveals a theoretically consistent hierarchy of effects: Equity has the strongest influence, Inclusion has a moderate influence and Diversity has a weaker but significant influence. This pattern is in line with the practical reality that diversity representation alone is less of a driver of employee engagement than experienced fairness and inclusion.

Final Result Interpretation

The revised analysis demonstrates that Employee Engagement is enhanced when employees experience a workplace that is diverse, fair, inclusive and psychologically safe. However, the strongest driver is not diversity in isolation but equity-oriented organizational practice. Psychological Safety further strengthens the relationship between DEI and engagement by translating workplace fairness, inclusion and respect into employees' confidence to participate openly.

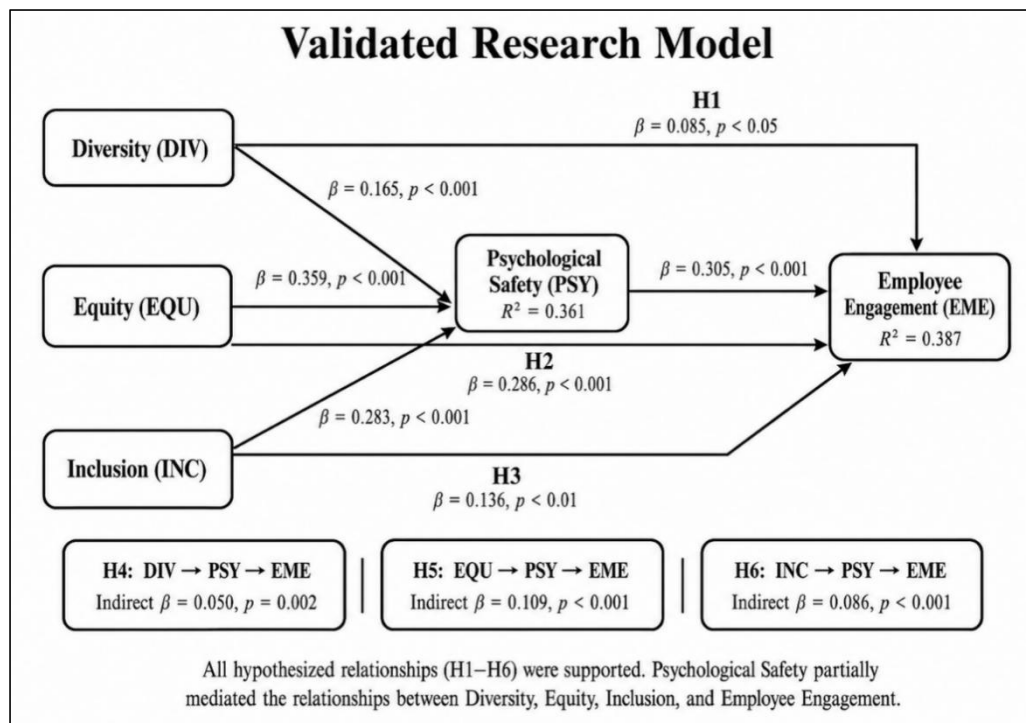


Figure 1. Validated Research Model showing the direct effects of Diversity, Equity and Inclusion on Employee Engagement, along with the mediating role of Psychological Safety.

Figure 1 shows the verified structural model of the study. The model indicates that Diversity (DIV), Equity (EQU), and Inclusion (INC) directly positively influence Employee Engagement (EME). The study also indicates that the three dimensions have a positive impact on Psychological Safety (PSY), which in turn significantly positively impacts Employee Engagement. The results support all the six hypotheses (H1–H6) indicating that Psychological

Safety partially mediates the relationships between Diversity, Equity, Inclusion and Employee Engagement. Of the three DEI dimensions, Equity has the greatest overall impact on Employee Engagement.

5. Discussion and Implications

The study results give a practical understanding of the influence of Diversity, Equity and Inclusion

towards Employee Engagement through Psychological Safety. The results show that all three DEI dimensions have positive impact on Employee Engagement, but the strength of their effects differ. Inclusion is the second most powerful predictor following Equity. Diversity is a small but important influence. This pattern is important because it indicates that workforce diversity by itself does not

engage employees. Instead, they respond more to whether the organization treats them fairly, includes them meaningfully and lets them participate without fear. Diversity has a positive impact on Employee Engagement, showing that representation matters in an organization's life. "A diverse work force can expose employees to different perspectives, experiences and problem-solving approaches. But the lower coefficient of Diversity suggests that representation may not be enough to drive deeper engagement. Employees may know their workplaces are diverse, but that doesn't mean they automatically feel valued, heard or treated fairly. And that's why diversity matters more when it's supported by equitable systems and inclusive practices. This is a useful finding for organizations and a caution against a numbers game or a box to check around diversity. Diversity needs to be translated into lived work environment.

Equity has the biggest direct and total influence on Employee Engagement. Thus, fairness is an integral part of the way in which employees evaluate their relation with the organization. When employees see that promotion, career development, recognition, managerial decisions and rewards are transparent and unbiased, they are more likely to put commitment and energy into their work. The finding also suggests that the Equity has the most significant effect on Psychological Safety. This points to employees feeling more secure when the systems of the organization are fair and predictable. Thus, Psychological Safety is influenced not only by supportive interpersonal behaviour, but also by the fairness of formal workplace systems.

Inclusion is also a key driver to the development of both Employee Engagement and Psychological Safety. Employees are more engaged when they feel accepted, heard and included in decisions about their workplace. Inclusion fosters a sense of belonging and motivates employees to go the extra mile. Its indirect impact via Psychological Safety also means that employees are more ready to share ideas, raise concerns, and be actively involved when they feel their presence and voice are genuinely valued. In practice, this is seen in the day-to-day behaviour of managers: listening to employees, encouraging their participation, recognising individual contributions and allowing different views to be expressed in a respectful way.

Psychological Safety was found to play a mediating role, which is one of the most important findings of the study. The results indicate that DEI practices have a direct and indirect effect on Employee Engagement through psychologically safe environment. Employees who are safe to speak up, ask questions, admit mistakes, seek help and voice disagreement without fear of embarrassment or reprisal are more engaged. This finding is important because many organizations

have DEI policies, but employees may not feel the impact of those policies unless they translate into safe, respectful, and participative work environments.

Psychological safety of equity is the strongest indirect effect mediation path. This suggests that the practice of fairness enhances psychological safety which in turn impacts engagement. "Employees tend to be more helpful when they perceive that procedures in the organization are fair and when they do not perceive themselves as vulnerable. The mediated effect of inclusion is also significant, indicating that belongingness and voice drive engagement by increasing employee confidence in participating. The mediating effect of diversity is the least significant, which further supports the argument that diversity has to be supplemented with equity and inclusion to produce better behavioural outcomes.

Theoretical Contribution: The study contributes to the literature by showing that DEI should not be treated as a unidimensional construct. Diversity, Equity and Inclusion are related, but they do not act the same way. Diversity is a representation. Equity is fairness. Inclusion is About Belonging. The study can offer a more nuanced understanding of the impact of DEI on engagement by disaggregating these dimensions. The findings also add to the Psychological Safety literature by demonstrating that safety is not only a team-level condition but also the result of broader organisational experiences, such as fairness, inclusion, and respect for diversity. The findings also align with social exchange logic: employees reciprocate more engagement when they feel treated fairly, inclusively, and safely.

There are practical implications as well. They can't simply rely on diversity targets or representation initiatives. "Diversity is important but the findings suggest that engagement is more related to fairness and inclusion. HR managers should review promotion systems, appraisal systems, reward systems and access to development opportunities to ensure these are transparent and applied appropriately. Managers need to be trained to practice inclusion in their daily actions, not just espouse DEI values in formal environments. This means providing employees with a voice, taking concerns seriously and including employees of diverse backgrounds in key conversations.

Organizations must intentionally create Psychological Safety. Employees must be able to voice ideas and concerns without fear of retaliation. This is facilitated by open communication channels, non-punitive feedback systems, supportive supervision and regular employee voice mechanisms. The findings suggest that DEI initiatives should be assessed not just on demographic representation, but also on measures of

employee experience, like perceived fairness, belongingness and safety.

However, the study has some limitations. First, the cross-sectional design constrains strong causal interpretation. Future studies may utilize longitudinal data to explore the impact of DEI practices on Psychological Safety and Employee Engagement over time. Secondly, this research is based on the response of a perceptual survey. Future research could link survey data to objective measures such as retention, absenteeism, promotion history, or performance results. Third, the paper elaborates the mediating mechanism of psychological safety. Other mediators such as organizational trust, perceived organizational support, affective commitment or sense of belonging may be examined in future studies. Finally, future research may also test the model in different sectors to examine whether the effect of DEI differs across organizational contexts.

6. Conclusion

This research explored the impact of Diversity, Equity and Inclusion on Employee Engagement mediated by Psychological Safety. The results demonstrate positive contributions to Employee Engagement for all three DEI dimensions, but with varying effects. Diversity, Inclusion and Equity, in that order, have the most impact. Employees are more engaged when they feel they are treated fairly, when the organization's systems are transparent, when they can participate meaningfully and when they feel respected at work. Additionally, the study supports the partial mediation of Psychological Safety in the relationship between DEI and Employee Engagement. DEI practices lead to higher engagement, both directly and by creating a workplace where employees feel safe to share ideas, voice concerns, and participate without fear. Of the three DEI dimensions, equity has the largest total effect, showing that fairness is a critical factor in building Psychological Safety and Engagement.

The findings suggest that organisations should do more than symbolic diversity initiatives. Diversity is about representation, but it must be combined with Equity and Inclusion to truly impact employee outcomes. Employees are more engaged when they feel they are treated fairly, have a voice in decisions, and feel psychologically safe in their interactions. So, an integrated DEI approach is required for sustainable Employee Engagement, where representation, fairness, belonging, and safety go hand in hand.

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