

The ripple effect: How US DEI shifts are impacting UK and Ireland businesses

06 March 2025

In today's interconnected business world, corporate trends rarely stay confined to their country of origin. The recent retreat from diversity, equity and inclusion (DEI) initiatives in the United States is creating ripples across the Atlantic, prompting businesses throughout Europe to reflect on their own approaches. As political and legal landscapes shift, transnational organisations face complex questions about the future of workplace diversity programmes.

The changing American landscape

Following the 2024 US presidential election, President Donald Trump issued two executive orders to scale back efforts on DEI across the US. This decision has resulted in job cuts within the public sector and encouraged companies to scale back their diversity policies. In response, major American corporations, including Meta, McDonald's and the Bank of America, have revised their DEI strategies— withdrawing public diversity targets and increasingly adopting what is described as 'merit-based' hiring practices.

Although this attitudinal shift was gradual and resulted from a combination of factors (shareholder activism, political pressure, changing economic conditions, etc.), a key turning point occurred in June 2023 when the US Supreme Court, in its rulings in *Students for Fair Admissions v. Harvard* and *Students for Fair Admissions v. University of North Carolina*, effectively struck down the use of affirmative action. These landmark decisions ended race-conscious admissions policies that had historically been used to increase diversity in education. While these cases directly impacted university admissions, their effects influenced corporate America, prompting businesses to re-evaluate their DEI strategies.

In contrast, the UK's Equality Act 2010 permits positive action to support disadvantaged or underrepresented groups, provided it does not result in positive discrimination, which remains illegal. Though not legally obliged to, UK businesses are encouraged to implement targeted recruitment initiatives and training programmes to increase diversity, as long as these measures are proportionate.

For businesses operating in both the US and UK, these differences in corporate social norms and practices can present unique challenges. Global organisations must navigate distinct DEI requirements.

Cross-Atlantic influence

While Europe operates under different legal frameworks and social contexts, global commerce is heavily influenced by the US, and there's a risk the American corporate retreat from DEI could negatively affect local corporate DEI approaches.

For example, Irish-headquartered consultancy firm Accenture has scrapped several DEI initiatives in response to the changing political landscape, alongside BT – one of the few UK-based companies to alter its DEI policies.

This shift in sentiment comes despite evidence that diverse organisations outperform their less diverse counterparts. For example, research shows that:

- Companies with diverse executive teams are 21% more likely to outperform competitors on profitability.
- Firms in the top quartile for gender diversity on executive teams were 27% more likely to have improved value creation.
- Diverse teams are 70% more likely to capture new markets.

- Ethnically diverse executive teams are 36% more likely to outperform their peers on profitability.

Given these findings, the growing friction surrounding DEI raises important questions: Why is opposition increasing, and how should UK and Ireland-based businesses respond?

The merit debate: A misconception

One argument against DEI is it compromises merit in hiring and promotions. However, this perspective misunderstands both the nature of merit and purpose of DEI programmes.

Well-structured DEI initiatives do not lower standards; they expand talent pools by addressing historical biases that have excluded qualified candidates. Traditional recruitment practices often rely on subjective criteria such as 'cultural fit,' which can unconsciously favour certain demographics. Rather than replacing merit, effective DEI strategies redefine it to ensure fair evaluation processes, unlocking talent that might otherwise be overlooked.

Given that 76% of businesses that are trying to recruit say they're struggling to find people with the right skills, according to the British Chambers of Commerce, deliberately expanding the potential labour force pool should be a commercial priority.

Evolving DEI strategies

As attitudes towards DEI evolve, European businesses reflecting on how changes in the US might affect their own policies should consider the following options:

Stay focused on data-driven results: Keep measuring impact and maintaining a data-led approach. Address scepticism by highlighting research that demonstrates DEI's positive effect on business performance.

Expand the conversation: Ensure a broad range of voices contribute to DEI discussions, including those with differing perspectives. Recognising diversity in all its forms—whether race, gender, age, ability, cognitive styles, or viewpoints — can enhance innovation and problem-solving.

Prioritise inclusion over labels: Focus on creating an inclusive environment that benefits all employees, which is a universally accepted principle in the workplace.

Refine how progress is measured: Move beyond rigid quotas and assess inclusion through employee engagement, psychological safety, and career fairness. Taking a qualitative approach and measuring against factors like retention, promotion rates, and job satisfaction can help demonstrate real business value while ensuring no one feels excluded.

The path forward

The current backlash against DEI represents a critical moment for workplace diversity strategies.

UK and Ireland businesses have an opportunity to take an approach that balances legal obligations, cultural expectations and business performance.

Research consistently shows that diverse, equitable and inclusive workplaces drive innovation, profitability and better customer engagement. Rather than abandoning DEI, forward-thinking organisations are refining their strategies to align with regulations while reinforcing the business case for diversity.

Successful businesses will neither hastily follow the American retreat nor rigidly maintain practices that may invite criticism. Instead, they will reflect, ensuring their diversity strategies are effective and inclusive, while meeting the different legal requirements in their jurisdiction.

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