

# New study finds risks of scaling back DEI

10 min read | Published on 11 June 2025



**Most US business leaders warn that scaling back DEI increases legal, financial, talent and reputational risk, new study finds**

*Catalyst and NYU Law's Meltzer Center find over 80% of C-suite leaders say companies should maintain or expand DEI efforts in the largest and most comprehensive workplace inclusion survey since recent executive orders.*

- ◆ 83% of C-suite leaders and 88% of legal leaders say maintaining or expanding DEI is essential to mitigating legal risk;
- ◆ 77% of executives link DEI with financial performance;
- ◆ 76% of employees (and 86% of Gen Z) are more likely to stay with a company that supports DEI; 61% of Gen Z employees say they would never apply to a company that does not support DEI.

**New York, June 11, 2025** – A new national study reveals that most U.S. business and legal leaders believe scaling back diversity, equity, and inclusion (DEI) initiatives may increase corporate risk – including legal exposure, financial and talent loss, and reputational damage.

The research, conducted by Catalyst and [NYU School of Law's Meltzer Center for Diversity, Inclusion, and Belonging](#), surveyed 2,500 employees, executives, and legal leaders across U.S. companies with active workplace inclusion programs. The landmark report, [Risks of Retreat: The Enduring Inclusion Imperative](#), is the largest workplace inclusion survey published since recent executive orders on DEI. It offers insights into what these programs look like in practice; how leaders and employees feel about the core tenets of diversity and inclusion initiatives; and what's at stake if they're scaled back or rebranded.

"Inclusion has never been a liability – it's a competitive advantage and a business imperative," said Jennifer McCollum, president and CEO of Catalyst. "The data prove that organizations committed to the principles of opportunity and fairness behind DEI will be the ones that outperform their peers, retain talent, and build lasting trust."

"Ever since the Supreme Court's *Students for Fair Admissions* decision nearly two years ago, the practice of diversity, equity, and inclusion has faced significant legal and social threats," said David Glasgow, executive director of the Meltzer Center. "This report gets beyond the binary of 'shut it down' or 'stay the course,' and instead offers a pragmatic pathway for leaders to assess all relevant risks and develop a long-term strategy consistent with the values of key stakeholders."

## Key findings on the Risks of Retreat

## **1) Talent: DEI impacts retention — Especially among younger generations**

This new research shows that most employees want companies to stay committed to inclusion, with Gen Z and Millennials significantly more likely to seek out employers with a visible commitment to inclusion and equity. And most C-suite leaders (84%) see a positive correlation between their inclusion programs and employee attraction.

- 76% of employees say they are more likely to stay with an employer that supports DEI;
- Among Gen Z, that number climbs to 86%, with 61% stating they would never apply to a company that does not support DEI;
- DEI increases retention across generations, with younger employees increasingly more likely to stay long-term at a company that supports DEI (Baby Boomers 64%; Gen X 71%; Millennials 78%; Gen Z 86%).

The survey also finds broad, cross-role support for diversity and inclusion efforts, even as the term “DEI” has been distorted in public debate. More than eight in 10 employees support core practices like inclusive hiring (90%), employee resource groups (93%), and bias training (88%). Support rises even higher when asked about the values behind those programs, with 99% of respondents agreeing that “all workers should feel respected and welcomed at work, regardless of background or identity,” and 99% agreeing that it’s important for their organization to support fair treatment of workers, including equitable pay.

“This isn’t about politics or buzzwords—it’s about what’s best for people and for business, today and in the future of work,” said Alixandra Pollack, vice president and head of solution development at Catalyst. “Leaders and employees agree that respectful, unbiased treatment and equitable access to opportunity should be organizational priorities, and younger workers and women in particular are saying loud and clear: fairness and inclusion isn’t optional. It’s expected.”

## **2) Financial: DEI strongly linked to business performance, consumer loyalty**

Leaders across industries continue to view diversity and inclusion as a smart business investment, with clear links to financial performance and customer loyalty. The data show that scaling back on inclusion efforts poses a potential business liability and also reveal that consumers are paying attention — most respondents are more likely to buy from brands that support DEI.

- C-suite leaders say DEI programs are positively correlated with improved financial performance (77%) and stronger customer loyalty (81%);

- A majority believe continued DEI investment will improve business outcomes in the future; 69% of respondents are more likely to buy from companies that actively support DEI (rising to 78% among Gen Z and 74% among women);
- More than 1 in 3 respondents say they would stop buying from a company that eliminates or reduces its DEI efforts.

### **3) Legal: Leaders also see risk in retreat**

The survey findings are particularly striking when it comes to legal risk. While [lawsuits](#) (Meltzer Center) and the actions of the federal administration have made DEI more legally risky, there are also risks in abandoning long-time efforts to fight discrimination. A strong majority of legal leaders say companies should retain or even expand their DEI programs and warn that reducing or eliminating these initiatives could increase the likelihood of litigation – particularly traditional discrimination claims brought by women, people of color, and LGBTQIA+ employees.

- 88% of legal leaders and 83% of C-suite leaders say maintaining or expanding DEI is essential to mitigating legal risk;
- 65% of legal leaders and 68% of C-suite leaders say moving away from DEI would create more legal risk for their organization;
- A majority of C-suite and legal leaders say scaling back DEI may increase vulnerability to discrimination claims from women, people of color, LGBTQIA+ employees, and other protected groups.

“Opting out of DEI is not a neutral act – it’s a choice with consequences,” says Christina Joseph, project director of the Advancing DEI Initiative at the Meltzer Center. “That’s because these programs help root out harmful policies that especially affect marginalized groups. This report reminds us that without those safeguards, organizations face more, not less, legal exposure.”

### **4) Reputational: The perception of retreat can erode trust**

In an environment where it is easy for employees and customers to call out organizations on social media, leaders must be alert to the reputational damage their words, actions, and inactions can cause. Most C-suite leaders (78%) say they are rebranding DEI efforts under new terms like “employee engagement,” “workplace culture,” “belonging,” or “fairness” – but that the substance and commitment to the work remains strong. Yet the survey finds employees are losing faith, with more employees than leaders predicting DEI practices will become less embedded at their workplace in the next five years.

- Perception gap: most C-suite leaders (62%) believe their organizations are increasing or holding steady on DEI. However, employees are more skeptical. More employees (24%) than leaders (12%) believe DEI will become less woven into their day-to-day work life.
- Employees are not only experiencing rebranding as retreat but also anticipating future retreat – a concern to C-suite leaders, who rank employees as the biggest influencers of their DEI decision-making.

“Organizations don’t need to retreat, they need to recalibrate,” said Tara Van Bommel, head of research at Catalyst. “That means understanding what ‘DEI’ really means to their employees and their customers and ensuring they are still reflecting and communicating those values. Employees across the board – and younger workers especially– are telling us this matters. and smart organizations are listening.”

## Solutions: What leaders need to know

Rather than backing away, the report urges leaders to take a strategic, long-term, and transparent approach to DEI:

1. **Assess risk from all angles:** Conduct a holistic DEI assessment with your legal team that accounts for legal, reputational, and workforce impact.
2. **Mitigate risk and maximize impact:** Decide what modifications, if any, should be made to DEI programs, understanding that organizations regularly balance risk on all sides and can decide to keep or modify a specific program rather than abandoning it.
3. **Walk the talk and talk the walk:** Match actions on diversity and inclusion to organizational values. Clearly and consistently articulate what your organization is doing internally to address perception gaps between leadership intent and employee experience.
4. **Take the big-picture view:** After modifying programs as needed, leaders should stay the course with their DEI efforts and

continue to evaluate them through strategic and sustainable long-term decision making that considers global trends and the evolution of attitudes over time.



“Successful leaders understand that even in times of pressure and polarization, it is important to resist knee-jerk reactions and quick fixes and instead lean on decades of research-based solutions and practices that drive results,” said McCollum. “Organizations that stay true to their values will emerge stronger as we evolve through these uncertain times.”



“Over the past couple of years, many organizational leaders have been focused on the legal risks of standing firm on diversity, equity, and inclusion initiatives,” says Kenji Yoshino, Chief Justice Earl Warren Professor of Constitutional Law at NYU School of Law and Director of the Meltzer Center. “This survey is a critical reminder of the substantial legal risks in the other direction.”

## Methodology

This survey was fielded by a panel service company on behalf of the Meltzer Center and Catalyst from January 20 to February 11, 2025, among 2,500 full- and part-time workers at U.S.-based companies with 500 or more employees and active DEI programs across five major industries. Respondents included 1,000 executives (80% C-suite, 20% VP/Director), 1,250 employees, and 250 legal leaders. To ensure that responses were based on real-life experience with DEI programs, only respondents who indicated that their company had DEI programs qualified to complete the survey. All results presented in *Risks of Retreat* were significant at  $p < .01$  unless otherwise noted.

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## About Catalyst

[Catalyst](#) is the leading global nonprofit advancing women through workplace inclusion. Since 1962, we've been the foremost voice on women's inclusion and advancement, helping organizations drive systemic change with original, intersectional research, global convenings, and actionable solutions. In today's complex and rapidly shifting landscape, Catalyst supports leaders in solving business challenges of attracting and retaining talent, fostering innovation and driving performance through inclusive cultures, ensuring that inclusion remains a core business priority. Catalyst is a 501(c)(3) tax-exempt organization.

## About the Meltzer Center

The [Meltzer Center for Diversity, Inclusion, and Belonging](#) at NYU School of Law offers rare expertise at the intersection of two fields: diversity, equity, and inclusion and the law. A research center at one of the world's most diverse academic institutions, it aims to advance thought leadership on DEI and the law; support the NYU Law community; and share knowledge with external organizations, including through its [Advancing DEI Initiative](#).

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