

BACKGROUNDER

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Restoring Equality in Employment: Sinking the DEI Ship

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KEY TAKEAWAYS

Businesses and corporations are beginning to delete their diversity, equity, and inclusion (DEI) statements from their websites and to remove DEI staff.

However, nearly all Fortune 500 companies still list commitments to the DEI ideology on their websites.

DEI programs advocate racial discrimination in hiring, so business leaders should remove all corporate DEI statements and eliminate all DEI staff positions.

Businesses and corporations are beginning to remove their diversity, equity, and inclusion (DEI) statements from their websites and are removing DEI staff amidst growing criticism of the racist policies. In fact, a writer for *Forbes* called the wave of companies rescinding these woke positions in 2023 and 2024 "a widespread withdrawal from DEI." Some companies are releasing public statements about their recissions with others "quietly [dialing] back DEI efforts." In 2024, activist Robbie Starbuck exposed the DEI materials used by several companies, including Tractor Supply and John Deere, and both companies rescinded their DEI statements after the public backlash that followed on social media and news outlets.²

Other large companies have done the same, making the trend away from DEI initiatives, such as racebased hiring, unmistakable. In June 2023, *The Wall Street Journal* reviewed nearly 600 earnings calls from April to June and found mentions of DEI or environmental, social, and governance (ESG) measures, a radical social and corporate movement on climate and racial issues, had fallen 31 percent from the period in 2022.³ This year, left-leaning lawmakers noticed the trend and sent a letter to Fortune 1000 businesses claiming that "inclusion is a core American value, and a great business practice" and called on the companies to keep their DEI practices, when in fact DEI sours corporate culture and is ineffective.⁴

Despite these examples of companies retreating from DEI, nearly all Fortune 500 companies still list commitments to DEI on their websites. This *Backgrounder* reviews the DEI statements or other documents indicating DEI positions, such as ESG statements and annual reports, and finds that 486 of the top 500 still have some statement or corporate commitment to DEI provided on their websites. (See the appendix.) Again, when companies abandon DEI for merit-based or colorblind hiring practices or operations, some are more open about the move than others. For example, John Deere, number 64 on the Fortune 500 list, posted a letter on X (formerly Twitter) when it removed its DEI commitments, while Microsoft, number 13, disbanded its DEI team in July, with a company spokesperson sending an e-mail to employees stating that DEI is not "business critical." 5

The discrimination that such policies cause is not hypothetical. In May 2024, Florida Attorney General Ashley Moody called on the state commission on human relations to investigate Starbucks (number 116 on the Fortune 500) based on evidence of hiring practices that use racial quotas to fill positions. Such practices violate Title VII of the Civil Rights Act of 1964. In fact, in 2023, the attorneys general in 13 states issued warnings to the top 100 companies on the Fortune 500 list about corporate practices such as race-based "employment preferences" under DEI regimes. Federal lawmakers are also opposing DEI. In June 2024, Senator J. D. Vance (R–OH) introduced a proposal that would eliminate DEI policies from federal agencies. Senator Vance said in a press release that "DEI is a destructive ideology that breeds hatred and racial division. It has no place in our federal government or anywhere else in our society."

This *Backgrounder* also reviews the ambiguous definitions of "diversity, equity, and inclusion" as used by DEI activists today. DEI terminology is hard to define, and DEI proponents have no consistent definitions for what they are advocating for or against. DEI officials' actions, however, and stated positions on issues involving race, appear discriminatory and may violate state and federal civil rights laws. This paper explains the research, and the financial and legal challenges that companies appropriately face when they adopt commitments to DEI.

TABLE 1

DEI Statements by Nine Top 10 Fortune 500 Companies—One Company Has Removed Its Statement

					Revenue	
Rank	Company	Industry	State	Employees	(in millions)	Source for Company DEI Statement
1	Walmart	General Merchandisers	Arkansas	2,100,000	\$648,125	Walmart, "Belonging, Diversity, Equity & Inclusion," https://corporate.walmart.com/purpose/belongingdiversity-equity-inclusion (accessed November 5, 2024).
2	Amazon	Internet Services and Retailing	Washington	1,525,000	\$574,785	Amazon, "Diversity, Equity, and Inclusion," https://www.aboutamazon.com/workplace/diversity-inclusion (accessed November 5, 2024).
3	Apple	Computers, Office Equipment	California	161,000	\$383,285	Apple, "Inclusion & Diversity," https://www.apple.com/diversity/(accessed November 5, 2024).
4	UnitedHealth Group	Health Care: Insurance and Managed Care	Minnesota	440,000	\$371,622	UnitedHealth Group, "Diversity, Equity and Inclusion," https://www.unitedhealthgroup.com/careers/en/culture/ diversity-equity-inclusion.html (accessed November 5, 2024).
5	Berkshire Hathaway	Insurance: Property and Casualty (Stock)	Nebraska	396,500	\$364,482	Jonathan Stempel, "Berkshire Shareholders Reject Climate, Diversity Proposals," Reuters, May 6, 2023, https://www.reuters.com/ business/sustainable-business/ berkshire- shareholders-rejectclimate-diversity- proposals-keepbuffett-chairman-2023-05-06/ (accessed November 5, 2024).
6	CVS Health	Health Care: Pharmacy and Other Services	Rhode Island	259,500	\$357,776	CVS Health, "Diversity, Equity and Inclusion," https://www.cvshealth.com/about/our-strategy/diversity.html (accessed November 5, 2024).
7	ExxonMobil	Petroleum Refining	Texas	61,500	\$344,582	ExxonMobil, "Inclusion and Diversity," https://corporate.exxonmobil. com/locations/brazil/inclusion-and-diversity (accessed November 5, 2024).
8	Alphabet	Internet Services and Retailing	California	182,502	\$307,394	Google, "Diversity Annual Report," 2023, https://about.google/belonging/diversity-annual-report/2023/(accessed November 5, 2024).
9	McKesson	Wholesalers: Health Care	Texas	48,000	\$276,711	McKesson, "Inclusion & Belonging," https://www.mckesson.com/about-mckesson/impact/inclusionand-belonging/(accessed November 5, 2024).
10	Cencora	Wholesalers: Health Care	Pennsylvania	44,000	\$262,173	Cencora, "Diversity, Equity, and Inclusion, https://www.cencora.com/our-impact/dei (accessed November 5, 2024).

NOTE: Revenue figures are from companies' 10-K reports required by the U.S. Securities and Exchange Commission, and end in their 2023 fiscal year. **SOURCES:** Fortune, "Fortune 500," https://fortune.com/ranking/fortune500/ (accessed September 25, 2024), and author's research. For a full list of all the companies in the Fortune 500 and their respective DEI policies, see The Heritage Foundation, Excel file, compiled by Jonathan Butcher, 2024, https://static.heritage.org/economy/markets-and-finance/2024/fortune-500-dei.xlsx.

DEI's Ambiguous Definition

DEI programs have opaque objectives. According to an article in the *Academy of Management Learning & Education*, "diversity has evolved into a rather amorphous field where the very word itself invokes a variety of meanings and emotional responses." The researchers report that a survey of corporate human resource (HR) managers found eight definitions of "diversity" among respondents. Seventy-one percent of respondents said their organization did not have an "official definition." Another survey of HR professionals found that just slightly more than half (55 percent) said their organization had a DEI statement, but 80 percent of respondents said their organization required staff to undergo DEI training—which means many employees undergo training without their organization's personnel explaining what DEI means.

Fortune 500 companies do no better. In a blog post on Oracle's website (number 89 on the Fortune 500 list), seven individuals with upper-level management positions (vice presidents or above) offer seven different definitions for DEI. The vice president of Strategic Alliances even admits the ambiguity, saying, "The real challenge is the definition of diversity in the workplace." Other vice presidents use phrases such as "self-aware" and "unconscious bias," terms commonly found in searches of Fortune 500 companies' DEI materials.

Despite the vague definition of DEI, business personnel repeatedly mention hiring practices that prioritize race, even making race the exclusive focus. In the article posted on Oracle's website, one VP said, "Diversity can't mean one person of color, one woman, or just something where we can check the box.... Success can't be attained by anything less than reaching that destination with a team of people representing our entire community." ¹⁴

Another vice president said, "Recruitment and outreach to underrepresented groups must be a priority that's socialized and reinforced at all organizational levels." ¹⁵

Oracle is hardly unique.

- Universal Health Services (number 299) wants to provide patients with "culturally relevant care" and "advance a diverse health care workforce."
- Nike (number 88) "is focused on its workforce representation, starting with women globally and racial and ethnic minorities in the United States."¹⁷

- MasterCard (number 164) has a "startup engagement program" focused on "women and people of color."
- Hewlett Packard (number 147) operates a "diversity startup program" to "help women and minority founders accelerate their business growth."

These are but a few of the examples in which companies are prioritizing, with an exclusive focus in some cases, race and sex over effort and merit in hiring and recruiting practices. Also, that just because a company does not have a DEI statement on its website does not mean that the company and its officials are not engaged in DEI-related activities. For example, Graybar Electric (number 367) does not have a readily available DEI statement, but *Newsweek* recognized the company as one of the magazine's "Great Workplaces for Diversity" in 2024, giving the company four and half stars out of five. ²⁰

DEI is also related to "gender" definitions and the coerced use of pronouns that follow. In the blog post on DEI from Oracle, the company's DEI lead said, "I demonstrate my commitment to diversity by sharing my story and experiences and inviting others to do the same. I also share my preferred pronouns to show that the use of pronouns matter." Amgen (number 151) hosted a "transgender and gender diversity panel" and released a statement encouraging all companies to tell employees to share preferred pronouns and for employees to "share the earliest memory you have about thinking about gender in your life." ²²

The problem with "encouraging" such personal conversations is that this "encouragement" can feel like coercion and the clear message from management is that disagreement with this DEI ideology is insensitive at best and bigoted at worst. Furthermore, such race-focused and sex-focused hiring and promotion practices violate federal civil rights. Americans should not be hired, fired, promoted, or demoted based on race, ethnicity, sex, country of origin or any other immutable characteristic. Here again, companies appear to be pursuing HR practices that violate crucial civil rights protections.

What About Companies with No Statement or Where Company Officials Said They Are Making Changes?

The number of Fortune 500 companies with no DEI statement or annual report mentioning DEI is notably small—14. Most of the recent corporate

decisions to scuttle DEI came with an announcement or executives speaking to the media. Other companies do not include easily accessible DEI materials on their website, though, for some companies, evidence exists elsewhere of these businesses engaging in DEI practices. Here are some companies that recently removed their DEI materials or that do not have DEI information on their website but appear to be engaging in DEI practices:

- Molson Coors Beverage closed its DEI operations in September 2024.²³
- Chewy does not have a statement, but the company has posted a job listing for a DEI director on LinkedIn.²⁴
- As mentioned, Tractor Supply and John Deere officials removed their DEI statements after criticism earlier this year.²⁵ Boeing officials have also removed their DEI department, though a page still exists on their website for "inclusion" and includes a report outlining their prior DEI activities.²⁶
- Representatives of Ford Motor and Lowe's hardware stores have said they will no longer participate in the Human Rights Campaign's Corporate Equality Index, an index consistent with DEI. The companies still have DEI statements on their websites, however.²⁷
- Tesla removed references to DEI from its most recent Security and Exchange Commission filing.²⁸

Research, Financial, and Legal Challenges

Companies have no research, financial, or legal strategies for defending DEI policies once the policies are exposed.

• Research finds that DEI training programs are ineffective at improving harmony and productivity among co-workers of different races, sexes, or nationalities. Heritage Foundation research has documented these findings in other reports—as have other researchers. The authors of the *Academy of Management Learning & Education* article cited earlier summarize the research by stating that "diversity training in the corporate arena has a checkered history and a plethora of critics who are convinced that such efforts are a waste of time and money." In the corporate arena has a checkered history and a plethora of critics who are convinced that such efforts are a waste of time and money.

• In 2023, the *Financial Times* reported that "the flow of US money into ESG-labelled funds has slowed after poor performance," which means that so-called "sustainable investing" is not financially benefitting investors.³² As with the race-based hiring practices described earlier, examples abound. In Stephen Soukup's *The Dictatorship of Woke Capital*, Soukup reports that American Enterprise Institute researcher Mark Perry found that "the 12 worst-performing private equity funds in the New York City Retirement System in 2016 focused on renewable and clean energy assets."³³ In June 2024, Barclays reported that clients had withdrawn \$40 billion from ESG equity funds in the calendar year, "the first year that flows have trended negative," according to the *Times*.³⁴

Notably, ESG suffers from the same ambiguous definitions and goals as DEI. The *Times* quoted a large asset fund manager as saying there is "a loss of clarity and strategic attention to what any of it means."³⁵

• In terms of legal justifications against DEI, the U.S. Supreme Court made a strong statement rejecting DEI's racially discriminatory applications in college admissions in 2023. Writing for the majority in the U.S. Supreme Court's decision in *Students for Fair Admissions v. Harvard* from June 2023, Chief Justice John Roberts wrote, "Eliminating racial discrimination means eliminating all of it." Accordingly, some businesses have been eliminating racially biased DEI statements and programs, anticipating future litigation challenging practices that violate state and federal civil rights laws. According to an article in the *Harvard Business Review* on the decision:

When the right case reaches the court, the same justices who just endorsed a "colorblind" approach to higher education could also hold that private employers cannot consider race, sex, or other protected characteristics in workplace decisions.... Reserving hiring or promotion slots for underrepresented groups, instructing managers to use race or sex as a "tiebreaker" when choosing between candidates, or setting strict demographic targets tied to manager compensation are all vulnerable to a judicial rebuke.³⁷

For these reasons, business leaders should pre-emptively—before public officials begin investigations or plaintiffs file lawsuits alleging discrimination in the workplace—remove all corporate DEI statements and eliminate all DEI staff positions.

Conclusion

DEI programs do not achieve their stated goals of greater employee harmony and productivity and, in fact, work against them. Federal and state lawmakers are increasingly aware that discriminatory HR policies are the downstream result of corporate commitments to DEI. The U.S. Department of Justice and state attorneys general should continue to investigate claims that businesses are discriminating against individuals based on immutable characteristics. Likewise, state and federal governments should not contract with corporations that have DEI statements. DEI and ESG programs' discriminatory policies are corrupting business hiring practices, and corporations should rescind these policies.

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