Reinforcing the business case for ethnic minority inclusion

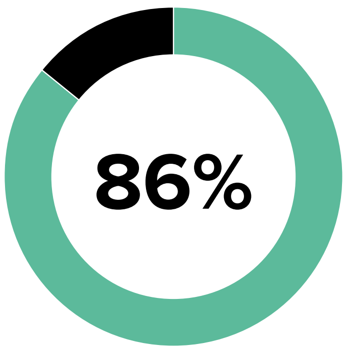
Change the Race Ratio (CtRR) is the leading campaign in the UK calling for and supporting businesses to take action to improve racial and ethnic minority representation in corporate leadership. Founded in 2020 by a group of leading businesses and spearheaded by Lord Karan Bilimoria, then President of the CBI, we have a membership that represents over 650,000 employees across 30 sectors. CtRR is the campaign partner of the government-backed *Parker Review* and together we are ensuring that businesses have the tools, data, insights, and best practice needed to deliver progress on this critical agenda.

Why ethnic minority inclusion needs to be a strategic business priority today

The underrepresentation of ethnic minorities in senior leadership in business is both an economic loss and a strategic risk to the UK, one that is leaving billions in potential growth on the table. The McGregor-Smith Race in the Workplace Review estimated that fully utilising ethnic minority talent could add £24 billion, or 1.3% of GDP, to the UK economy every year.[1]

Business action on inclusion is becoming a strategic and commercial priority as businesses focus on increasing their competitiveness, productivity and performance in an increasingly volatile and uncertain macroenvironment.

By embracing and harnessing the benefits of a more diverse talent pool, businesses become better placed to attract and retain talent that will drive the organisation's ability to innovate, problem solve and improve customer service. A study by the Enterprise Strategy Group showed that 86% of surveyed companies with a diverse workforce say their diversity, equity and inclusion strategies are delivering a positive return on investment.[2]



Percentage of companies that say their EDI investments delivered positive returns

1. The McGregor-Smith Review (2017): Race in the workplace
2. ESG (2023): A mature approach to DEI delivers real results

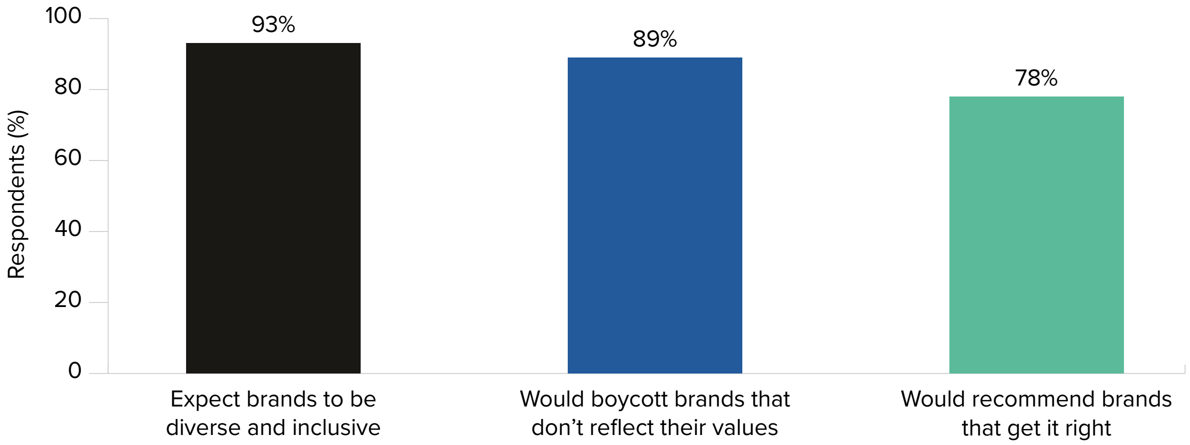
The potential offered by an increasingly diverse workforce

The UK's working population is more diverse than ever before with nearly one in five working-age adults (17%) from an ethnic minority background, a figure that is only set to grow.[3] By 2051, a third of the working-age population are expected to be from an ethnic minority background, meaning the future labour market will be even more diverse than it is today.[4] This presents an opportunity for businesses to position themselves well in the race for the best talent and in the pursuit for competitiveness.

The ethnic minority community in the UK is a powerful economic force and its influence is only set to grow as ethnic minority populations increase. The fastest growth in ethnic minority representation is among younger age groups,[5] presenting a significant opportunity for businesses both in terms of their customer base and their product development strategy. A comprehensive study into the relationship between ethnicity, the consumer experience and potential business growth opportunities highlighted that ethnic minority groups will have a projected cumulative disposable income of £16.7 trillion by 2061, or £575bn annually.[6]

When looking specifically at the Black community, The Black Pound Report shows ethnic minority consumers have around £375 million in disposable income every month, equating to £4.5 billion annually. In the beauty sector alone, Black female consumers spend 25% more than other groups, holding £230 million per month in disposable income, yet almost four in ten report difficulties finding suitable products.[7] Furthermore, 93% of respondents believe brands have a responsibility to be diverse and inclusive, 78% are likely to recommend brands that get it right, and 89% would consider boycotting brands that do not reflect their values. These figures highlight that a lack of ethnic and racial diversity in the workforce and in business leadership could translate to a loss in market competitiveness, from an innovation and customer perspective.

Diversity, equity and inclusion shape consumer expectations and brand loyalty



3. ONS (2023): Working age population
4. Business in the community (2023): One in five of the working-age population is ethnically diverse
5. ONS (2022): Ethnic group, England and Wales: Census 2021
6. WPP (2022): The Consumer Equality Equation
7. The Black Pound Report (2022)

Harnessing ethnic and racial diversity in leadership can attract and retain talent

Currently, diversity levels in workforce participation are not proportionately reflected at all levels, and particularly not in corporate boardrooms, executive teams, or senior leadership pipelines.[8] This underrepresentation is an economic loss, a strategic risk and an untapped opportunity for growth. For business, this means they are missing out on sustained competitive advantage – when compared with organisations with less mature diversity, equity and inclusion practices, those with leading maturity were 2.6 times more likely to exceed revenue expectations by more than 10%, showing a strong correlation between mature inclusion practices and above-average financial performance.[9]

In addition, UK businesses cannot afford to ignore the realities of global talent mobility. Skilled professionals from all backgrounds have more choice than ever before about where they work and who they work for, and companies that fail to build diverse leadership teams risk losing ethnic minority talent to competitors who offer greater opportunities and more inclusive environments. The *Parker Review* found that for FTSE 350 companies with international operations, diversity in UK leadership enhances credibility with overseas partners, strengthens cultural intelligence, and improves access to global markets.[10] The Boston Consulting Group has identified strong links between diverse leadership and stronger innovation revenues in global markets. In BCG's innovation and diversity study, more diverse management teams earn 19% more revenue from innovation, with these teams generating 45% of their total revenue from innovation, compared to 26% for less diverse teams.[11]

More diverse leadership teams generate higher revenue from innovation

8. McGregor-Smith, R. (2017): Race in the Workplace
9. ESG (2023): A mature approach to DEI delivers real results
10. Parker (2016): A Report into the Ethnic Diversity of UK Boards
11. Boston Consulting Group (2018): How Diverse Leadership Teams Boost Innovation

Increasing employee engagement is critical for businesses to be competitive in volatile and uncertain markets

A 2026 global study by Gallup, The State of the Global Workplace, shows a strong relationship between employee engagement and business-unit productivity, including profitability and sales.[12] This builds on their 2024 study The Relationship Between Engagement at Work and Organisational Outcomes, that showed more engaged employees resulted in 14-18% more productivity, 23% higher profitability and 51% lower turnover.[13] Highly engaged employees also experienced a 68% improvement in well-being, creating a healthier and more resilient workforce. Gallup's research reveals that best-practice organisations achieve engagement levels of 70% among employees and 75% among managers, significantly higher than the global average of just 21%.

A separate peer-reviewed study, The Impact of Ethical Leadership on Black Employees' Workplace Experiences, also found that ethical and inclusive leadership directly increases job satisfaction, organisational commitment and engagement among ethnic minority employees.[14] Leaders who actively demonstrate fairness, respect and inclusion are fostering a climate of psychological safety which acts as the foundation on which employees feel able to share ideas, take initiative and collaborate effectively.

In the case of leadership-track talent, sustained engagement and inclusion will not only reduce the risk of attrition but also preserve institutional knowledge, ensuring that hard-won expertise is retained within the organisation. BCG's 2023 research showed that 25% of employees seeking promotion in the next one to three years chose not to apply for or accept roles because they had negative perceptions of inclusion within a company's culture.[15] This represents a loss of talent that organisations need for sustainable succession planning and pipeline diversity.

At the individual manager level, employees who believe their managers support them face just 4% attrition risk compared to 17% of those lacking manager support. This continuity strengthens the succession pipeline, allowing firms to maintain momentum during periods of change, contain recruitment and onboarding costs, and foster a workforce that is both agile and capable of driving innovation. Recent research from Catalyst shows that Gen Z and Millennials are significantly more likely to work for employers with a visible commitment to supporting their teams, while 84% of C-suite leaders recognise the link between inclusion programmes and talent attraction.[16] Notably, 61% of Gen Z workers say they are less likely to apply to a company that does not support diversity, equity and inclusion, reinforcing the notion that attraction in today's labour market is a competitive advantage.

12. Gallup (2026): State of the Global Workplace
13. Gallup (2024): The Relationship Between Engagement at Work and Organisational Outcomes
14. Rice, D. et al (2025): Ethical Leadership and Racial Minority Employees' Workplace Engagement
15. Boston Consulting Group (2023): Inclusion Isn't Just Nice: It's Necessary
16. Catalyst (2025): New study finds risks of scaling back DEI

Businesses continue to commit to diversity, equity and inclusion

The business community's commitment to diversity, equity and inclusion has proven resilient. Companies that maintain their diversity strategies are seeing tangible commercial benefits, while those that retreat are facing measurable consequences. Despite political debates, investors continue to reject efforts to dilute commitments to inclusivity and expect companies to maintain momentum.

In 2025, U.S. retailer Target rolled back its diversity, equity and inclusion commitments, ending its c. $2 billion REACH program and withdrawing from external diversity benchmarks. The move compounded existing consumer boycotts after the introduction of inclusive products, resulting in reputational damage, legal challenges, and a 12% fall in share value, with shareholders alleging that the risks of reversal had been misrepresented.[17] The CEO of Target stepped down after an ongoing boycott over the scale back of its diversity, equity and inclusion initiatives, with Black Americans specifically boycotting leading to a 12% drop in net income for Q2 2025.[18]

By contrast, Costco faced a shareholder motion at the start of 2025 calling for a review of its diversity policies and responded by reaffirming them. Over 98% of shareholders voted against dismantling its commitments, reinforcing investor confidence and demonstrating that inclusion strengthens governance and resilience.[19]

This unwavering support from its board to continue this agenda also positively impacted its customer base, with Costco's Q1 and Q2 2025 earnings increasing by 7.5% and 9.1% respectively.[20, 21] The effect of Target's rollback on DEI was also seen in the decline of footfall at its stores, with a steep drop in traffic following the announcement of their programme reversals.[22]

The context behind these different approaches by Costco and Target respectively are important, after the U.S. President signed an executive order in January 2025 ending EDI programmes in federal government and contractors.[23] The effect of the US-led anti-EDI agenda has not seen the same level of retrenchment in the UK, although there has been a noticeable reduction in corporate statements and public announcements on EDI in the UK. A recent study from Freeths has shown that 28% out of 250 General Counsels interviewed across UK Plc say they have scaled back or dropped EDI and sustainability efforts[24], while 83% say profit still outweighs doing the right thing. While the vast majority (88%) still believe ethics matter more than ever in business decisions, it is clear to see sentiment in some quarters of the business community has shifted in recent times.

17. Reuters (2025): Target ending DEI initiatives amid Trump's order on diversity programs
18. Gabbat, A (2025): Target CEO steps down as company faces weak sales and customer boycott
19. Reuters (2025): Costco shareholders reject call for review of diversity programs
20. Costco (2025): Wholesale corporation reports 1st quarter
21. Costco (2025): Wholesale corporation reports 2nd quarter
22. Bloomberg (2025): Target's DEI Flip-Flop Came at a Price
23. The White House (2025): Ending illegal and discrimination and restoring merit-based opportunity
24. Freeths (2025): Corporate Conscience Index

The challenge ahead

The data tells a clear story: that ethnic minority representation in the workforce and in leadership can positively contribute to business performance, competitiveness and long-term economic resilience. Companies with diverse workforces are 35% more likely to achieve above-average financial returns, diverse management teams earn 19% more revenue from innovation, and more engaged employees deliver 23% higher profitability.

The business implications are also clear. The McGregor-Smith review estimated a £24bn annual uplift to UK GDP if ethnic minority talent were fully utilised. Meanwhile, consumer research shows ethnic minority groups will command a projected £575bn in annual disposable income by 2061, with strong expectations that brands reflect their values and identities. Businesses that fail to adapt therefore risk eroding both workforce and market relevance over time.

Critically, despite the growing demographic change, representation at senior levels continues to lag, with only 11% of FTSE 100 and 9% of FTSE 250 senior management roles held by ethnic minority leaders, against a 13–15% benchmark by 2027.

The situation is even starker among Black colleagues; the 2026 *Parker Review*[25] showed a significant underrepresentation of Black professionals in the most senior roles, coupled with a slower rate of progression than other ethnic minority groups. This disconnect between the demographic reality and leadership representation is both a lost economic opportunity and a competitive risk, in a very volatile and uncertain world. Conversely, the evidence for business action is compelling.

This is the landscape in which Change the Race Ratio plays a critical and trusted national role. As the UK's leading campaign focused specifically on improving ethnic minority representation in corporate leadership, CtRR brings together evidence, accountability, convening power and practical support to help businesses navigate this strategic agenda with confidence. CtRR provides businesses with the structure, evidence and the community needed to act decisively and sustainably. Our mission is simple – to help UK companies ensure all talent can thrive and build leadership teams that strengthens performance, unlocks talent, and enhances competitiveness now and for the future.

25. The Parker Review (2026)

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