



BSR[®]

The Business of a Better World

Business Leadership for an **Inclusive Economy**

A Framework for Collaboration and Impact



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About this Report

This working paper introduces BSR's perspective on the business role in creating inclusive prosperity.

This paper is the result of an extensive research process, including interviews conducted with leading practitioners within and outside of BSR, as well as a literature review of important publications from business, academic, and NGO thought leaders. Moreover, the authors drew on lessons from more than two decades of BSR insights and experience working with business to tackle complex sustainability challenges.

BSR's strategy to promote business action in support of an inclusive economy should be considered a mutually reinforcing and equally important priority to our climate strategy—Business in a Climate-Constrained World, which promotes practical business action to build climate resilience.

As with all BSR working papers, this report contains preliminary research, analysis, findings, and recommendations that are circulated to stimulate timely discussion and critical feedback and to influence ongoing debate on emerging issues. Most working papers are eventually published in another form and their content may be revised. We welcome input and engagement from readers.

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DISCLAIMER

BSR publishes occasional papers as a contribution to the understanding of the role of business in society and the trends related to corporate social responsibility and responsible business practices. BSR maintains a policy of not acting as a representative of its membership, nor does it endorse specific policies or standards. The views expressed in this publication are those of its authors and do not reflect those of BSR members.

ABOUT BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 20 years of leadership in sustainability.

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Executive Summary

We are living in an era marked by substantial gains in human well-being but also rising income inequality and persistent jobless growth. The latter two issues were both called out by the World Economic Forum in its Global Outlook for 2015.¹ Coupled with climate change, achieving inclusive prosperity for 9 billion people without exceeding planetary boundaries is the defining challenge of the 21st century.

From the billion people expected to remain in extreme poverty, to demographic groups systematically excluded from economic participation and benefit, to the members of an increasingly vulnerable middle class—our economy is not working for everyone. Integrating these excluded groups into the economy—through good jobs, access to goods and services, and investments in their communities—is critical to maintaining and expanding economic growth and social progress. Inclusive growth is fundamental to prosperous and resilient businesses and societies.

Business has much to gain from more inclusive economic prosperity, through access to new markets, unleashing more innovation, and greater social stability so necessary for markets to function. Conversely, business has much to lose from an economy that fails to capitalize fully on human capital, constricts markets, and experiences sluggish demand.

We define an **inclusive economy** as one in which all individuals and communities are able to participate in, benefit from, and contribute to global and local economies. Businesses that promote an inclusive economy—through fair and safe employment that provides for strong livelihoods, access to essential products and services, and investments that enable communities to thrive—will reap significant benefits.

The Business Case for Inclusion

The four main business benefits of an inclusive economy are innovation, market expansion, improved operating environments and risk mitigation, and long-term growth.

Inclusion drives innovation by exposing companies to new sets of consumers with unique needs. Within companies, a diverse staff and an inclusive environment drive a culture of innovation. Inclusion of new consumers, particularly the poor and otherwise marginalized, represents a significant market growth opportunity for companies. Benefits to individuals and economies will be maximized where companies prioritize meeting basic needs for this consumer group.

Promoting inclusion and mitigating exclusion are important investments to support efficient, productive, and stable operating environments and social license to operate. Inclusion can also support long-term economic growth. For example, closing gender gaps in employment would increase GDP in the United States by 5 percent, in Japan by 9 percent, in United Arab Emirates by 12 percent, and in Egypt by 34 percent.² Likewise, raising the minimum wage in the United States would increase U.S. GDP by 0.3 percentage points, or US\$48 billion, in the first year.³

¹ WEF, 2015.

² Elborgh-Woytek, Katrin, et al, 2013.

³ Smialek, J., 2014.

Defining Business Leadership for an Inclusive Economy

As the primary engine of the global economy, business has a fundamental role, responsibility, and self-interest in ensuring that the economy is more inclusive. Many companies are already looking at new ways to reach and empower people that are currently excluded, and to improve the quality of employment across their value chains. Tremendous potential exists to expand on these efforts and more fully leverage businesses' core skills—employment, innovation, and capital allocation—to solve social problems and unlock business opportunities around the world.

Business Leadership for an Inclusive Economy is BSR's strategy to work with business to enable the emergence of an inclusive economy. Our framework is based on **three pillars**:

1. **Good jobs that enable strong livelihoods**, based on equal opportunity, investment in human capital and skill development, and fair treatment in the workplace, all driving toward productive enterprises.
2. **Access to essential goods and services**, enabling full participation in economic activity. Access to goods and services helps individuals improve their well-being and standard of living and realize their potential—creating significant macro-economic benefits and serving as a driver of innovation and productivity, which benefits businesses.
3. **Investments for prosperous local communities** that ensure economic benefits accrue to communities where business activity occurs. Investing in communities delivers stronger infrastructure, local enterprise development, and increased human capital, and strengthens social license to operate.

Companies across sectors and geographies will approach and implement these pillars in different ways, relevant to the context of their business operations and priorities. Businesses have varying levels of leverage across their different spheres of influence to promote inclusion—within their direct operations, along supply chains and with business partners, and in the broader economic environment. Individual companies can do much on their own to promote an inclusive economy, but collaborative efforts—with other businesses and outside the private sector—will extend and deepen benefits to business and society. Examples abound of best practices being implemented by companies across industries and geographies. Much potential exists to scale and build on these efforts, as well as to innovate new solutions for unmet social and business needs.

BSR's Approach to Advancing an Inclusive Economy

As the preeminent global network of business sustainability leaders, BSR is well placed to promote business action to advance an inclusive economy. We will use our framework for business leadership—the three pillars of an inclusive economy—to engage and support our members and broader partnership network.

Drawing on our strengths as an organization, we will promote business leadership through **insight** into key business trends impacting on and benefiting from inclusion; **integration** within companies to build more inclusive business practices across operations; and **collaboration** across industries and with other stakeholder groups—including government, civil society, and philanthropies—to promote inclusion of marginalized groups in economic activity.

To focus our approach further, we have identified a few issue areas to prioritize for research and collaboration:

- » Promoting women's full economic participation through good jobs, access to essential goods and services, and inclusive community investment

- » Preparing employers and employees for the impacts of automation on job availability and quality in global supply chains
- » Supporting inclusion for economic revitalization in advanced economies

This initiative, while focusing on topics of emerging importance, builds on a two-decade record of commitment to promoting sustainable business. As we build our inclusive economy initiative, BSR will seek to elevate our attention to ways that this work can increase economic opportunities for those who are currently underrepresented.

This paper marks the launch of our efforts to advance business leadership for an inclusive economy, as well as the opening of an ongoing dialogue about how that leadership will be most effectively realized. We invite you to join us through conversation, leadership efforts, and collective action.

Introduction: Making the Economy Work for Everyone

Recent decades have seen substantial social and economic development around the world. As economies and societies have prospered, so has business.

At the same time, growing evidence shows that economic progress is uneven, with many populations excluded from opportunities to participate in and benefit from this progress.

Over the last half century, global economic growth has lifted nearly a billion people out of extreme poverty⁴ and bridged huge divides in average incomes between countries. We are living longer and, on the whole, are richer than we were 50 years ago.⁵ Nearly every country has improved its human development status in absolute terms since 1990,⁶ and in the next 40 years, billions more are expected to join the global middle class,⁷ with most of this growth in emerging economies.

Social progress has seen advancements in the rights and participation of women, racial and religious minorities, migrants, and other marginalized groups in economic, cultural, and political activity. Significantly, women, while still faced with many barriers, have come to take their rightful place in the formal economy more fully than at any other time in human history.

Amid impressive progress, however, today's economy is not working for everyone—from the very poor to the middle class, many are struggling to participate in and benefit from global economic activity. In its "Outlook on the Global Agenda 2015," the World Economic Forum calls out rising income inequality and persistent jobless growth as the two most important economic trends facing the global economy, contributing to rising inequality and restricting consumer spending and growth.⁸ Concerns exist that in the coming decades, current rates of economic progress will slow or reverse, and that many will continue to be excluded from economic opportunity, which not only has direct economic impacts but also could jeopardize social progress and stability.

Experts estimate that more than a billion people will remain mired in extreme poverty for some time to come,⁹ and that gains in many key indicators of human development, such as child and maternal mortality, access to primary education, and access to clean water, will remain elusive. Furthermore, many marginalized

⁴ The Economist, June 1, 2013.

⁵ Deaton, 2013.

⁶ UNDP Human Development Report 2013.

⁷ Oxford Martin School, 2014.

⁸ WEF, 2015.

⁹ The Economist, May 30, 2013.

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populations¹⁰ continue to lack access to basic products and services that would enable them to live in dignity. For instance, approximately 59 percent of adults in low- to middle-income economies do not have a bank account,¹¹ 59 percent do not have mobile phone subscriptions,¹² and 30 percent lack access to sanitation,¹³ limiting their opportunities to thrive in the modern economy. Women are particularly affected by lack of access: In low- and middle-income countries, women are 28 percent less likely than men to have a bank account,¹⁴ 14 percent less likely to own a mobile phone,¹⁵ and are disproportionately impacted by the health consequences of unsanitary living conditions. In specific locations, other groups, such as minority ethnic groups, indigenous peoples, and rural populations, face similar disparities.

Poverty persists alongside economic growth in many middle-income countries. India, for example, despite seeing an overall rise in income, is home to 33 percent of the world's poorest people.¹⁶ Poverty levels also appear to be worsening in many mature markets. In the United States, more than 45 million people live at or below the poverty line.¹⁷

Economic inequality is also increasing, and that is a concern to business. Between 1990 and 2005—despite healthy global economic growth—approximately two-thirds of countries with available data experienced an increase in income inequality.¹⁸ Today, seven out of 10 people live in countries where income disparities have grown in the past 30 years.¹⁹ Extreme economic inequality has a corrosive effect on almost every driver of social and economic progress, as well as on business success, by reducing economic and social mobility, discouraging political participation, hollowing out the purchasing power of the majority, undermining the tax base and support for the social safety net, and stimulating social unrest.

Not only are the poor and marginalized being excluded from growth and economic opportunities, economists are tracking a “hollowing out” of the global middle class as well.²⁰ The decoupling of growth from wages, a trend that has been building since the mid-1990s, has reduced the incomes of middle-income earners in many mature markets,²¹ including the United States and the United Kingdom. At the same time, rising costs of healthcare, housing, and higher education (college costs in the United States have risen 65 percent since 1995, alongside no real growth in average incomes²²) threaten access to economic opportunities for this group. Meanwhile, as millions enter the growing middle classes in India, China, and Latin America, economists warn that in order to keep them there—and prevent a descent back down the economic ladder—major reforms to labor, taxation, and social security policies are required.²³

¹⁰ “Marginalized populations” refers to groups suffering social exclusion due to a range of factors—gender, race, religion, language or linguistics, disabilities, physical isolation (e.g., living in remote areas), economic status, or social-cultural restrictions (e.g., caste systems).

¹¹ Demircuc-Kunt and Klapper, 2012.

¹² GSMA and Altai Consulting, 2015.

¹³ Defined as access to improved or shared sanitary facilities in developing countries. WHO/UNICEF, 2014.

¹⁴ Demircuc-Kunt and Klapper, 2012.

¹⁵ GSMA and Altai Consulting, 2015.

¹⁶ World Bank, October 2013.

¹⁷ Huddleston, 2014.

¹⁸ United Nations, 2012.

¹⁹ Oxfam, “Even it up—Time to end extreme inequality,” 2014.

²⁰ Hollinger, P. 2012.

²¹ Brynjolfsson, E. and McAfee, A., 2012.

²² See: <http://money.cnn.com/infographic/economy/heres-why-the-middle-class-feels-squeezed/>

²³ World Bank, 2013.

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Rising income inequality in many parts of the world is both a cause and a consequence of exclusionary market conditions. It is widely agreed that while some income inequality is inevitable in a market economy, too much inequality imperils not only those at the bottom of the scale, but the entire economy. Economic inequality reduces the benefits of growth for the poor,²⁴ and can exacerbate exclusion by making it difficult for the poor to invest in education and engage in entrepreneurial activity.²⁵ It can bias political decision-making, thus compounding other social and political inequalities.²⁶ Economic inequality can also stall economic progress and threaten growth²⁷—for example, economists warn that rising inequality will slow growth in Asia.²⁸

BSR believes that a strengthened focus on inclusive economic growth is central to sustaining—and extending—the global economic gains of the past few decades. While government creates the frameworks in which businesses operate, the private sector has the capital, capacity for innovation, and ability to put ideas into action that are crucial to the emergence of an inclusive economy. Moreover, business has much to gain from more inclusive economic prosperity, which provides access to new markets, unleashes more innovation, and creates greater social stability—so necessary for markets to function. Conversely, business has much to lose from an economy that fails to capitalize fully on human capital, constricts markets, and experiences sluggish demand.

We define an **inclusive economy** as one in which all individuals and communities are able to participate in, benefit from, and contribute to global and local economies. In our view, business makes the greatest contribution to achievement of inclusive economic progress through fair and safe employment that enables strong livelihoods, access to essential products and services, and investments that enable communities to thrive.

We identify three groupings of excluded populations to prioritize in building an inclusive economy: (1) Low-income, unskilled population cohorts cutting across all demographic groups; (2) Specific populations that face structural exclusion, such as women, migrants, and ethnic/racial minorities; and (3) Middle classes across geographies who may find themselves excluded from the formal economy as conditions change. We further recognize that exclusion carries particular risks—for people and for business—in lower-income countries where infrastructure is less developed and governments' are less able to meet the needs of all citizens.

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²⁴ Africa Progress Panel, 2013.

²⁵ Davis Pluess, 2014.

²⁶ Fuentes-Nieva, R. and N. Galasso, 2014.

²⁷ Berg, 2011.

²⁸ Asian Development Bank, 2012.

potential—creating significant macro-economic benefits and serving as a driver of innovation and productivity that benefits businesses.

3. **Investments for prosperous local communities** that ensure economic benefits accrue to communities where business activity occurs. Investing in communities delivers stronger infrastructure, local enterprise development, and increased human capital, and strengthens social license to operate.

The remainder of this paper is organized into three chapters. The initial chapter explains how promoting an inclusive economy generates business benefits, including innovation, better operational performance, market growth, and long-term economic stability. The second section outlines the core of BSR's strategy—the three pillars of business action to promote an inclusive economy, including examples of how companies are already leading the way. The paper concludes with insight into how BSR plans to work with our member companies and partners to realize our vision of an inclusive economy.

Business Opportunities in an Inclusive Economy

The exclusion of individuals and communities from income-generating opportunities, such as jobs and small business creation, and access to essential goods and services represents a failure of our global economic system.

Promoting a more inclusive economy can help right these failures and unlock significant opportunities for society and business.

Enabling a more inclusive economy requires a holistic effort that involves all actors in society: business, government, civil society, and communities. Different approaches will be required in different economies where socio-economic, cultural, and historical contexts define exclusion.

Business alone does not have the responsibility, solutions, or means to create an inclusive economy, but it plays a key role as a job creator and employer, a developer and distributor of products and services, and an investor in communities where economic progress is most needed. Companies that leverage these assets toward the goal of inclusive economic outcomes will reap significant benefits.

The Inclusion Opportunity

An inclusive economy offers four main business benefits: innovation, market expansion, improved operating environments and risk mitigation, and long-term growth.

Figure 1: The Business Benefits of Inclusion



Inclusion Drives Innovation

The growth of base-of-the-pyramid business models has demonstrated the value of considering the unique needs of low-income groups as a source of product and service innovation.²⁹ Creating products tailored to the unique needs of traditionally excluded customers was one of the key drivers for the development of microfinance and micro-insurance, for example, which are considered by many to be among the most important innovations in the last 30 years. Likewise, telecommunications operators in emerging markets such as the Philippines, Kenya, and Pakistan were early adopters of transformational mobile money transfer services, providing millions of people who were previously “unbanked” the opportunity to send, store, and receive electronic payments. These services have now begun to be offered in developed markets such as the United States and Europe.³⁰ Healthcare innovations designed for lower-income settings are also finding their niche in developed markets. For example, GE’s handheld ultrasound imaging device, originally designed as a low-cost, high-quality solution for use in rural India and China, is now used in hospitals throughout the world for 20 percent the price of traditional ultrasound services.³¹

These examples of reverse innovation only just touch on the vast opportunities for companies to benefit from the insights they are gaining from inclusion. Such insights open opportunities for creating products and services that are attractive to a global market for their improved functionality, simplicity, affordability, and accessibility.

Inclusion in employment practices and organizational culture is an important driver of innovation within companies and among their suppliers. For example, a 2012 study by the National Center for Women in Technology found that IT patents produced by mixed-gender teams were 30-40 percent more likely to be cited than patents of non-mixed teams.³²

Studies demonstrate that companies that value diverse views and representation also tend to possess greater openness and willingness to share radical and transformative ideas, which is essential to innovation.³³ These benefits are well known to many companies and drive human resources investments at the corporate level. Implementing diversity and inclusion policies and capturing these benefits throughout operations and value chains represents a less realized opportunity.

Inclusion Expands Markets

Just as designing new products and services to reach traditionally excluded or underserved populations drives innovation, it also provides the best way to capture fast-growing opportunities in new markets.

Enabling more people to participate in and benefit from the economy can unleash significant market growth opportunities for companies, particularly with the majority of population growth happening in the developing world over the next half-century.

The International Finance Corporation (IFC) estimates that the roughly 4.5 billion low-income people in developing countries collectively spend more than US\$5 trillion a year (in US\$PPP 2005), representing more than middle- and higher-

²⁹ Prahalad, C.K. and A. Hammond, 2002.

³⁰ EY, 2014.

³¹ Medicine Plus, 2013.

³² NCWIT, 2012.

³³ Hewlett, S., Marshall, M., Serbin, L., *Stanford Social Innovation Review*, 2013.

income consumer segments in those countries combined. This presents significant opportunities for companies to expand their reach in a way that meets the needs of new consumers, while improving their well-being and living standards.³⁴ For example, the market for healthcare products and services for people at the base of the economic pyramid (defined as people earning less than US\$2 per day) is currently estimated to be US\$158 billion alone.³⁵

Expanding opportunities for women to be included in the economy represents a significant market growth opportunity in and of itself. Already, women represent 85 percent of all consumer purchases and control US\$20 trillion in global spending.³⁶ This figure could grow to US\$28 trillion in the next five years, while US\$13 trillion in current earnings could climb to US\$18 trillion in the same period. Taking these two figures together, women represent a growth market more than twice as large as the market in China and India combined.³⁷ Meeting these women's unmet needs in healthcare and financial services represents a global market opportunity.³⁸ More broadly, female consumers continue to want and lack products and services that speak to their priorities, such as time, money, and well-being;³⁹ that are provided where and how it is most convenient to them; and that acknowledge their consumer perspective as different from men's. Collaborating with women can also expand market penetration, particularly among hard-to-reach populations. For example, Grameenphone and Telenor in Bangladesh are giving female Grameen Bank customers mobile phones to provide "village phone" services to rural areas with poor mobile penetration.

In addition, just as inclusive practices within companies foster innovation, they also contribute to more success in market expansion. A 2013 study by the Center for Talent and Innovation found that companies that prioritized both demographic diversity (e.g., representation of different genders and races) alongside acquired diversity (e.g., diversity of opinion and mindsets⁴⁰) in employment practices were 70 percent more likely to capture a new market and 45 percent more likely to improve market share, in addition to generating more new ideas.

Inclusion Improves Operating Environments and Mitigates Risk

Inclusive economic conditions also support operational efficiency and stability. Simply put, communities that perceive themselves to be excluded from the benefits of large-scale commercial activity have the leverage to interfere with business operations. There is also evidence that inclusive practices can improve operational matters. Numerous examples exist of business discontinuity due to concerns about exclusionary practices.

In China, for example, growing dissatisfaction and unrest among migrant workers demanding access to social services, benefits, and wages have contributed to labor strikes and disruptions in manufacturing operations in the country, creating frustrations and bottlenecks in global supply chains.⁴¹ This is an example of where exclusions due to government policy—e.g., the hukou social benefit system—has direct impact on business.

Community discontent over exclusion from decision-making and access to economic benefits from inward investment in the oil, gas, and mining sector also

³⁴ World Bank, Global Consumption Database: <http://datatopics.worldbank.org/consumption/market>

³⁵ Hammond, et al, 2007.

³⁶ Gilhool, Jennifer, 2013.

³⁷ Silverstein, M., and K. Sayre, 2009.

³⁸ World Bank, 2014; Hewlett, S. and A. Moffett, 2014; Partners in Health, 2013.

³⁹ Fabry, S., 2011.

⁴⁰ Hewlett, S.; M. Marshall; L. Sherbin, *Harvard Business Review*, 2013.

⁴¹ The Economist, January 6, 2012.

has led to project delays, interruptions, and stoppages across the globe, as well as security pressures that create cross-cutting tensions with communities, governments, and investors.

There is also evidence that inclusive employment practices can strengthen the operational efficiency of labor-intensive industries. Promoting access to goods and services that support employee livelihoods and well-being, for example, has a number of benefits to employers in the form of productivity, quality of work, recruitment, and retention. BSR's HERproject, which promotes access to health and financial education for women working in export manufacturing, has found a US\$4:US\$1 return from reductions in health-related absenteeism and turnover in facilities where the project operates.⁴²

Moreover, an inclusive economy also helps ensure a robust talent pipeline to maintain and improve operations. Youth unemployment and mismatches between education systems and the skills required to meet companies' needs, coupled with aging populations of skilled workers, represents an impending threat to operations, as well as a significant opportunity to secure competitive advantage through inclusion. For example, almost 40 percent of energy workers in the United States will be eligible to retire in the next five years.⁴³

At a macro-economic level, research shows that economic inclusion is an important factor for stability and the broader business environment. By contrast, excluded groups and individuals—such as the world's more than 73 million unemployed youth—may also be a factor in destabilizing societies, increasing social conflict, and reducing overall economic activity.⁴⁴ For example, countries with the greatest levels of inequality in the world suffer from homicide rates that are almost four times higher than those of more equal nations.⁴⁵ Moreover, low human development, limited education levels, and lack of safety nets increase market vulnerability to shocks resulting from diseases, natural disasters, and conflicts.

Inclusion Supports Long-Term Growth for Companies and Economies

The International Monetary Fund (IMF) has found that exclusion leads to less resilient economies by reducing the duration of periods of economic expansion and limiting an economy's ability to withstand and mitigate financial, social, economic, and environmental shocks.⁴⁶

Conversely, increasing the participation of excluded groups in economic activity can create positive multiplier effects. For example, the benefits of women's economic participation are well documented, leading to improved household well-being and school enrollment,⁴⁷ and contributing to increased GDP at national levels. A 2013 report by the IMF found that closing gender gaps in employment would increase GDP in the U.S. by 5 percent, in Japan by 9 percent, in United Arab Emirates by 12 percent, and in Egypt by 34 percent.⁴⁸

Increased purchasing power among lowest-income earners in the labor force also provides overall economic benefit.⁴⁹ In the United States, economists have argued that an increase in the minimum wage would boost GDP. A 2013 update

⁴² Meiers, 2011.

⁴³ Sullivan, A., 2013.

⁴⁴ ILO, 2013.

⁴⁵ Oxfam, 2014.

⁴⁶ Berg, April 8, 2011.

⁴⁷ Kabeer, 2013.

⁴⁸ Elborgh-Woytek, Katrin, et al, 2013.

⁴⁹ Keynes, J., 1936.

by the Chicago Federal Reserve Board showed that increasing the federal minimum wage to US\$9 from the current US\$7.25 would boost U.S. GDP by 0.3 percentage points, or US\$48 billion, in the first year.⁵⁰ Higher increases to wage levels could exponentially expand and extend benefits to growth.⁵¹

At an individual company level, greater diversity and inclusion can also improve financial performance. For example, a recent Credit Suisse report found that companies with greater gender diversity in senior management have higher returns on equity, higher valuations, better stock performance, and higher payouts of dividends.⁵²

It is clear that businesses have much to gain from supporting an inclusive economy. The following section defines an inclusive economy and details how businesses may engage effectively to support inclusion.

⁵⁰ Smialek, J., 2014.

⁵¹ Ibid.

⁵² Credit Suisse, 2012.

Business Leadership for an Inclusive Economy

The proposition that underpins our strategy is simple: Leverage traditional business assets more effectively in support of inclusion, and the short- and long-term benefits to business and society alike will multiply.

We have seen that an inclusive economy mitigates risk, drives innovation, expands markets, improves operational performance, and supports long-term growth. These represent strong motivating factors for business leaders to promote inclusion.

As the primary engine of the global economy, business has a fundamental role, responsibility, and self-interest in creating truly inclusive economic growth. Many companies are already looking at new ways to reach and empower people that have been excluded from the economy. Tremendous potential exists to expand on these efforts and to more fully leverage businesses' core competencies and assets—employment, innovation, and investment—to unlock business opportunities around the world with a focus on greater inclusion.

Our framework for business leadership for an inclusive economy is organized around three pillars:

1. **Good jobs** for direct and indirect employees
2. **Access to essential goods and services**, especially for marginalized groups
3. **Investments for prosperous local communities**

Figure 2: A Framework for Business Leadership for an Inclusive Economy



The inclusive economy pillars can be promoted effectively by individual companies through business-to-business partnerships and collaboration with

other actors. The relevance and significance of each pillar will differ across industries and geographies, and the way they manifest themselves will also vary greatly.

As individual companies build their inclusive economy strategies, they will need to identify blind spots, understand risks and value opportunities, and find individual and collaborative solutions. Priorities can be identified across different spheres of influence: Companies can support the inclusive economy pillars within their direct operations, across supply chains and with other business partners, and within the broader economic environment.

Figure 3: Implementing an Inclusive Economy Strategy across Business Operations

Implementing an inclusive economy strategy across business operations



The remainder of this section explores each inclusive economy pillar in more detail, introducing definitions, business motivations, frameworks for business action, and examples and outcomes of their application.

Underpinning the discussions that follow below are crucial foundational elements to businesses' practicing good citizenship in the communities where they operate, source, and sell. These include respect for human rights, support for rule of law, tax compliance, and community dialogue and stakeholder

engagement. Where these activities are undertaken consistently, investments in inclusive growth are more likely to yield mutual benefit.

Pillar One: Good Jobs

Human capital is the cornerstone of any successful company, and employment is one of the most basic ways that business enables people to achieve their goals and participate fully in the economy.

While employment is necessary for inclusive growth, it is not sufficient to achieve that goal. Jobs that enable prosperous livelihoods in the 21st century have different features than in the past. It is clear that we are living in a period of substantial disruption, with economic, technological, and cultural/demographic conditions changing very rapidly. In the mature economies, the promise of lifelong jobs with defined benefit pensions are rapidly disappearing. In fast-growing economies, new technologies and changing natural resource conditions threaten to reduce employment opportunities in global supply chains, which—however imperfect—have provided a valuable entry point for tens of millions of people into the formal economy over the past 30 years. For example, researchers predict that 47 percent of the U.S. workforce is at high risk of automation and, after several years of decline in middle-income jobs, it is now low-income and low-skill jobs that are most likely to be automated.⁵³ At the same time, global “robot-driven” job creation could reach 1.5 million through 2016.⁵⁴

Demographic changes and the increasingly diverse societies and workforces that result are both shaping and reflecting inclusive employment opportunities. The advance of women in employment worldwide is well documented, and has been an engine of economic advancement in multiple contexts. Global supply chains have been populated in large part by women who had not previously been able to participate in the formal economy. While stories of labor rights violations are well known, these employment opportunities have also opened up immense opportunity for many women. There is still more opportunity ahead: The International Labour Organization states that 48 percent of women’s economic potential remains unutilized, compared to only 22 percent for men.⁵⁵

In addition, new economic models—such as the sharing economy and the circular economy—present exciting opportunities for job creation and workforce development, just as other developments may lead to job elimination. For example, a recent report from the Green Alliance and WRAP predicted that a shift to the circular economy could create 200,000 new jobs in the U.K.⁵⁶ Companies that use or support those models can foster longer-term growth by integrating considerations of good jobs into planned transitions, and by supporting educational reform and vocational training that seek to prepare the current and future workforce for employment in the context of such new models. Some of these opportunities can be focused explicitly on lower-wage earners, such as Gerda Aza in Brazil, which pays low-income individuals to collect old steel and aluminum, which is used as a primary input in their processing.

In light of these changes, employment that leads to more inclusive participation depends not only on working conditions in one’s current job, but also skill development over the long term. Moreover, this approach is greatly strengthened by the existence of an enabling environment that promotes human capital

⁵³ Frey, C., and M. Osborne, 2013.

⁵⁴ PWC, 2014.

⁵⁵ IFC, 2013.

⁵⁶ Morgan, J., and P. Mitchell, 2015.

01 DEFINING GOOD JOBS



Respect and Livelihood

Human rights and minimum standards of employment upheld. Employment provides reliable and sufficient income to meet basic needs, improve standard of living, and build wealth over time.



Well-Being

Employment conditions support and protect health and safety. Employment policies and benefits enable individual and family health and well-being.



Diversity

Employees of different ethnic/racial, religious, gender, or other backgrounds are afforded equal opportunities to obtain and retain employment, and to excel and advance at work.



Mobility

Employees have opportunities to develop their skills and advance themselves at work.

development and ensures a viable social safety net. In the service economy as well as in supply chain manufacturing, this means a focus not only on working conditions and compensation in one's current job, but also an effort to enable workers to develop skills that they can apply elsewhere. This could mean financial literacy skills that allow people to manage their resources, or training and education that can be applied in one's next job, regardless of whether that is with their current employer.

This kind of approach is beneficial not only for individual employees, but also for enterprises and societies at large. Customer-facing employees—whether a store associate, a bank teller, a call-center staff, or a café barista—who have higher skills, greater job satisfaction, and a clear understanding and ownership of responsibilities, will pay dividends in customer experience, efficiency, and profitability.⁵⁷ Along the value chain, suppliers who ensure their employees are fairly paid, healthy, and respected are rewarded through reduced absenteeism, higher productivity, and better communications between workers and management.⁵⁸ At a societal level, good jobs support consumer spending and investment. Higher earning and spending also contribute to tax revenues, which bolster education, social services, and infrastructure, which in turn support higher potential students and future employees.

Figure 4: Promoting Good Jobs, Best Practices

Direct Operations	Supply Chain and Business Partners	Broader Economic Environment
<ul style="list-style-type: none"> » Pay competitive salary and benefits which enable employees to meet basic needs, improve their standard of living, and build wealth over time » Support employee health and wellness » Invest in workforce development of current and future employees; anticipate “the future of work” needs in training and hiring » Prioritize diversity and inclusion at all levels, and ensure effective integration of policies and practices across geographies and business units » Promote employee investment in company success through roles and responsibilities, stock options, and organizational culture 	<ul style="list-style-type: none"> » Promote compliance with minimum employment and human rights standards with all business partners » Promote “good jobs” with business partners through advocacy of living wage, equal pay for equal work, workforce development and training, and well-being programs (e.g., financial inclusion, health education, life skills) » Identify high-risk worker groups (e.g., women, migrant workers, indigenous people) and devise strategies in partnership with suppliers to manage risks for workers and employers 	<ul style="list-style-type: none"> » Support labor policies which enhance job quality and productive capacity, such as minimum wage increases in line with cost of living, mandated leave, or access to healthcare » Understand market-specific exclusion risks—such as gender, race, religion—and related business risks (e.g., health, harassment, grievances, etc.) » Speak out about key regional, national, or global exclusion issues, including gender, race, and others » Support public education and vocational school enhancements to meet anticipated future skills needs

⁵⁷ Ton, Zeynep, 2014.

⁵⁸ CIPE and SAI, 2009; Meiers, R., 2011.

Companies in many sectors have demonstrated in practice how these principles can be put into action.

Providing Good Jobs in Direct Operations

- » Consumer sectors—retail employees: Gap,⁵⁹ IKEA (2014), Walmart,⁶⁰ and Target⁶¹ (2015) committed to voluntarily raise minimum wage of U.S. retail workers; IKEA made similar commitments in Japan as well. Walmart and Starbucks have also committed to address shift scheduling challenges for U.S. employees, and Walmart is designing a training and advancement program for U.S. hourly employees. Offering competitive salary and benefits is good for business too: Costco—which provides higher-than-average wages, fixed schedules for employees that want them, and competitive healthcare benefits for employees—saw their share prices triple between 2003 and 2013.⁶²
- » Extractives—local hiring and sourcing: Most companies today take steps to hire and source locally, which is sometimes a requirement of government contracts. This may require skills training, refined hiring requirements, and potentially paying slightly more to buy from local companies. BSR worked with ExxonMobil to create a robust “national content” program for developing a qualified local workforce and supplier base in Papua New Guinea.
- » Healthcare—Direct employees: BSR has worked with Novartis for the past decade to achieve living wages for all direct company employees. Thus far, hundreds of employees around the world have had their wages adjusted.
- » Information and Communications Technology (ICT)—diversity and inclusion: Many companies are investing in talent pipeline issues. For example, Intel is investing in science and math education, with an emphasis on diversity, through the Girl Rising campaign and partnerships with groups like Girls Who Code.⁶³ Companies are also working to improve employment practices and opportunities for advancement once hired. For example, women’s leadership programs and “unconscious bias” training for management.
- » Manufacturing—creating high wage jobs: Caterpillar employed 114,000 across 180 countries in 2014, and with wages 17 percent higher than other sectors, those jobs provide exceptional opportunities to the people that fill them. Moreover, for every manufacturing job created, 2.2 additional jobs are created in direct support and service support capacity.⁶⁴

Promoting Good Jobs with Business Partners and in Supply Chains

- » Consumer sectors—supply chain workforces: Addressing wage issues across sourcing countries is challenging. H&M’s Fair Living Wage project is seeking to show suppliers that wage increases can support operations and profit.⁶⁵ Beyond wages, companies are creating partnerships to improve workforce well-being, acknowledging gaps in government capacity and low levels of human development in sourcing countries. The Levi Strauss Workforce Well-Being program works to address identified worker needs—like health, financial literacy, access to water and sanitation, and access to electricity—through partnerships with strategic suppliers and NGOs. BSR’s HERproject promotes gender equality through programs promoting women workers access to health and finance in light manufacturing, agriculture, and horticulture supply chains.⁶⁶

⁵⁹ See: www.letsdomore.com

⁶⁰ See: <http://makingchangeatwalmart.org/factsheet/walmart-watch-fact-sheets/fact-sheet-wages/>

⁶¹ Tabuchi, Hiroko, 2015.

⁶² Ton, Zeynep, 2014.

⁶³ See: <http://www.intel.com/content/www/us/en/technology-in-education/programs-for-women-and-girls.html>

⁶⁴ Caterpillar Sustainability Report, 2014.

⁶⁵ See: <http://about.hm.com/en/About/sustainability/commitments/responsible-partners/fair-living-wage.html>

⁶⁶ See: www.herproject.org

- » Extractives—influencing business partners: Leading examples include requiring extraction sites to purchase certain categories of goods and services locally; requiring contractors—such as EPCMs (engineering, procurement, and construction management firms), who build mines—to uphold corporate local hiring and sourcing policies; and multiple mining companies operating in same geographic area acting to guarantee long-term sourcing contracts to spur development of service clusters, such as catering and manufacturing.
- » ICT—influencing business partners: The Electronics Industry Citizenship Coalition works collectively to improve labor standards and support workforce development across manufacturing supply chains. Such pressures are also extended to other business partners—for example, Microsoft recently announced a new requirement for 2,000-plus U.S. contractors to provide employees with 15 days of paid leave for illness and vacation, in light of gaps in regulatory requirements.⁶⁷

Promoting Good Jobs in the Broader Economic Environment

- » ICT—technology skills development: Cisco's Networking Academies teach foundational skills in ICT, alongside problem solving, collaboration, and critical thinking, to thousands of students every year in 9,000 academies across 170 countries.⁶⁸
- » Extractives—building job skills for underrepresented groups: The Mining Skills Strategy in Chile brought together 12 large mining companies, 30 suppliers, training institutions, and the Ministry of Labor and the Ministry of Mining to identify employment needs and mobilize public sector investment, with a focus on inclusion of youth and women.⁶⁹
- » Manufacturing—building job skills for underrepresented groups: Caterpillar Foundation is partnering with Global Communities and the Middle East and North Africa Youth Empowerment Strategy (MENA-YES) to deliver industry-specific job skills training and access to finance for youth ages 15-29 in Jordan, Lebanon, and Yemen.⁷⁰

The provision of decent work continues to be an expectation of global business today, and one of the primary mechanisms available to expand inclusive growth. Addressing good jobs in the context of inclusion—paired with attention to fundamental changes in the nature of jobs in a digital, connected, resource-constrained, and automated world—will preserve economic opportunity for individuals, deliver strategic advantage for companies, and build more resilient economies.

Pillar Two: Access to Essential Goods and Services

While great progress has been made in recent years, many millions of people around the world continue to lack access to essential goods and services, including basic healthcare, financial services, energy, food, and information and communications technology. This represents missed opportunities for individuals and communities to improve their standard of living and reduce poverty, as well as missed opportunities for business for market expansion. Moreover, communities made up of individuals who lack access to crucial goods and services are more vulnerable to shocks like natural disasters, making the broader operating environment less resilient.

Maximizing access to essential goods and services not only has direct social benefit, it also can add tremendous value for companies. The business benefits include opportunities to reach new markets, enhance reputation, increase innovation, strengthen workforce engagement and productivity (e.g., through

⁶⁷ Miller, C., 2015.

⁶⁸ See: <https://www.netacad.com/web/about-us/about-networking-academy>

⁶⁹ World Bank, 2013.

⁷⁰ See: <http://www.globalcommunities.org/node/37464>

02 DEFINING ACCESS TO ESSENTIAL GOODS AND SERVICES



Availability

Product or service exists in the marketplace and is readily available for purchase within an individual's defined community.



Accessibility

The individual is able to access the product or service within the limitations of his or her physical location and any cultural restriction on mobility.



Affordability

The product or service is reasonably priced according to considerations of value to the individual and the individual's income.



Acceptability

The product or service is considered appropriate (within widely accepted social norms) and useful to the individual.

distribution of health products), and engage customers. For example, financial inclusion initiatives ranging from product innovation to financial education have resulted in 700 million previously unbanked people using financial products for the first time through banks and mobile providers between 2011 and 2014.⁷¹

Moreover, greater access to essential goods and services contributes to a better overall economic climate, particularly in developing markets. For example, a 2014 report⁷² from Deloitte (commissioned by Facebook) posits that reaching 75 percent of the population in developing markets with internet access “could generate US\$2.2 trillion in additional GDP, a 72 percent increase in the GDP growth rate, and more than 140 million new jobs”.⁷³

Companies enable access in two main ways: as creators, manufacturers, and marketers of their own products and services, and as facilitators of access to other companies' products and services, as laid out in the table below.

Figure 5: Access to Essential Goods and Services, Best Practices

Direct Operations	Supply Chain and Business Partners	Broader Economic Environment
<ul style="list-style-type: none"> » Integrate consideration of marginalized consumer groups, such as women, in design process » Develop pricing and customer engagement models that consider flexible financing terms for low-income consumers (e.g., layaway or pay-per-use), or cross-subsidized models from higher-income customers » Innovate end-use or re-use options to engage lower-income customers » Build capacity of service providers or customer service agents to improve access and enhance customer uptake » Integrate consumer education within product and service marketing to increase uptake (e.g., financial inclusion, health education) » Leverage mobile technology to increase access to and reduce cost of delivery of information, goods, and services » Promote access to essential goods and services at work as part of employee assistance programs for low-income employees 	<ul style="list-style-type: none"> » Work with manufacturing and processing partners to produce more inclusive goods » Encourage retail partners to increase access for marginalized customer groups (e.g., through marketing and flexible financing options) » Promote repair and re-use models and services provision to expand relevance and affordability of goods and services for low-income consumers » Explore innovative distribution partnerships to reach new consumers, such as leveraging global supply chains to reach factory and farm workers » Link microfinance platforms and other banking programs for low-income consumers to information and access to essential goods and services 	<ul style="list-style-type: none"> » Partner with governments to develop mechanisms through which essential goods and services can be taken to market through intellectual property and technical skills transfer » Help build public awareness and trust to support behavior change and uptake of products and services that improve quality of life » Contribute to local enabling environment and infrastructure for distribution of goods and services

⁷¹ World Bank, Global Findex Report, 2015.

⁷² Deloitte, 2014.

⁷³ Enright, 2014.

Many examples of these best practices exist across sectors.

Promoting Access Through Product and Service Innovation

- » Consumer sectors—product innovation to reach new customer groups: Danone has undertaken many innovations for localization of products in developing countries, including designing a set of baby food products to serve different income groups in Indonesia.⁷⁴ Getting low-income consumers to buy products isn't just about finding the right price point. For example, Unilever created local scent preferences to increase sales of their Lifebuoy soap in India, a hygiene product designed for low-income customers.⁷⁵
- » Financial services—product and service innovation to reach new customer groups: The Standard Chartered “Diva” account provides specialized services and features to female customers in markets in Africa, South Asia, and the Middle East. They also offer women-only bank branches in India and Sri Lanka.⁷⁶ Working with BSR, Western Union has hosted a series of stakeholder summits to explore unique product and services needs for women, small business owners, and civil society organizations. MasterCard Foundation is working with partners to develop new products and services for customers in sub-Saharan Africa, and to develop youth-oriented services in particular.⁷⁷
- » Healthcare—Innovative products to address neglected disease: In 2014, and after 20 years of research and development, GlaxoSmithKline created a vaccine for malaria, one of the top killers of children under 5 years old worldwide.⁷⁸ Neglected diseases prioritized by healthcare companies for R&D and distribution of medicines include leprosy by Novartis, sleeping sickness by Sanofi, blinding trachoma by Pfizer, flatworms by Merck KGA, soil-transmitted helminthes by GSK and Johnson & Johnson, among other examples.
- » ICT—access to technology: Facebook’s internet.org seeks to improve internet access through innovations to expand connectivity in remote areas by using drones and through content adaptations to reduce bandwidth.⁷⁹

Promoting Availability and Accessibility Through Distribution Partnerships

- » Consumer sectors—leveraging supply chains, retail outlets, and distribution networks: Coca-Cola’s Last Mile Partnership packages critical health products inside bottling crates, then leverages the soft drink company’s rural distribution networks to reach isolated populations.⁸⁰ Danone created a distribution model in Bangladesh that leverages female micro-entrepreneurs as door-to-door sellers of low-cost nutritional products. Diconsa stores in Mexico, through partnerships with the government and service providers, distribute government benefits and provide financial services to store customers in poor, remote regions, with the potential to reach up to 4 million households.⁸¹
- » ICT—technology as a distribution network for essential goods and services: Mobile banking has been one of the most significant innovations in providing financial services for the poor. Vodafone and SafariCom’s MPESA products, developed and offered in Kenya in partnership with Equity Bank, are held up as the gold standard. Norwegian telecom company Telenor’s “Enable” initiatives create telemedicine and mobile banking service innovations for Telenor customers in Bangladesh, Pakistan, and other markets.⁸² Etisalat, a mobile provider

⁷⁴ See: <http://www.danone.com/en/for-all/mission-strategy/our-way-of-doing-business/adapting-to-local-realities/>

⁷⁵ See: <http://www.unilever.com/brands-in-action/detail/Lifebuoy/292086/>

⁷⁶ See: <https://www.sc.com/en/about-us/diversity-and-inclusion/women-in-business.html>

⁷⁷ See: <http://www.mastercardfdn.org/financialinclusion/program-strategies>

⁷⁸ See: <http://www.gsk.com/media/281064/malaria-factsheet.pdf>

⁷⁹ Nath, T.

⁸⁰ See: <http://www.coca-colacompany.com/press-center/press-releases/%20project-last-mile-expands-in-africa>

⁸¹ Chaia, A. et al, 2010.

⁸² See: <http://www.telenor.com/sustainability/extending-the-benefits/enabling-services/>

headquartered in United Arab Emirates and serving African markets, has developed mobile applications specifically targeted for businesswomen in Togo and Benin.⁸³ BSR's HERhealth program is partnering with Qualcomm's Wireless Reach program in China to create a mobile-based platform to support health education and access to health services for female factory workers in China.

Improving Affordability Through Innovation and Flexible Financing

- » Healthcare—improving affordability of medicines: Pharmaceutical companies have created tiered pricing systems based on need and income levels. They also distribute large quantities of medicines for free through civil society organizations like such as Direct Relief, which collects medicines for donation and then distributes to hospitals and clinics globally. Other approaches to improve affordability are technology and intellectual property transfer, which enables local companies to produce generic versions of more expensive drugs. For example, 99 percent of Gilead's HIV therapy used in low- and middle-income countries is produced and sold by licensing partners based in India and South Africa.⁸⁴
- » Manufacturing—improving affordability through training and flexible financing: Cemex's Patrimonio Hoy program provides training to local communities on how to produce their own housing from Cemex cement and construction products, as well as offering flexible financing schemes for low-income, rural communities to build their own housing over time (e.g., adding rooms as the family grows).⁸⁵

Promoting Availability and Acceptability Through Consumer Education

- » Financial services—promoting financial literacy: ANZ Bank runs an extensive financial literacy initiative, focused on building money management skills and confidence and linking to products to reward saving.⁸⁶ BSR helped adapt this corporate-wide commitment to new markets across Asia.
- » ICT—supporting digital literacy: Intel's SheWillConnect program seeks to overcome the gender gap in technology access by providing women and girls with digital literacy training, the creation of online peer networks, and the development of tailored online content.⁸⁷

To improve and scale efforts such as those described above, more inclusive product design processes are essential. This can be accomplished through stakeholder engagement processes, new market research approaches, and co-creation and consultation with target customer groups. Great examples of this exist, as well as tools—such as IDEO's Human Centered Design Toolkit. However, many industries and individual companies have yet to adopt these processes effectively or to use them to their full potential.

Opportunities also exist to evolve and innovate customer financing models, leveraging mobile-based and other technology-supported financial products and services. For example, expanding pay-per-use and pay-as-you-go business models, as well as innovating “shareable” products to expand access for marginalized groups. For example, many women in the developing world might opt to share mobile phones as an interim step to purchasing their own. The sharing economy more broadly offers exciting opportunities to increase access by allowing use of products and services without full ownership.

⁸³ See: <http://www.gsma.com/mobilefordevelopment/gsma-mwomen-grantee-etisalat-launches-weena>

⁸⁴ See: <http://www.gilead.com/responsibility/developing-world-access/access%20partnerships>

⁸⁵ See: <http://www.cemex.com/SustainableDevelopment/HighImpactSocialPrograms.aspx>

⁸⁶ See: <https://anz.com/about-us/corporate-responsibility/framework/financial-capability/>

⁸⁷ See: <http://www.intel.com/content/www/us/en/technology-in-education/she-will-connect-program-close-gender-gap-video.html>

Distribution often remains the last hurdle to getting essential goods and services to isolated populations. Access may be extended by exploring shared distribution networks or outsourcing distribution to private providers, rather than individual companies maintaining branded distribution systems. Such collaboration could potentially result in cost savings for both companies and their customers. Moreover, business-to-business distribution partnerships—building on the Coca-Cola Last Mile partnership model, which packages critical health products inside bottling crates to reach isolated populations via the company’s rural distribution networks—hold significant potential as well.

Many of the examples shared in this section focus on low-income consumers in developing countries. However, significant opportunities also exist for large businesses to partner with social entrepreneurs and civil society organizations to replicate successful developing world models with low-income consumers in mature markets.

Access to products and services has been one of the great success stories of the era of globalization that has taken hold over the past 30 years. Extending this through innovation based on those currently excluded from the formal economy will deliver both great human benefit and significantly expanded market opportunities.

Pillar Three: Investments for Prosperous Local Communities

Global businesses have significant impacts on local communities where they make investments through supply chains, exploration and production of natural resources, establishing retail presence, or building infrastructure. The deployment of these investments can ensure that maximum economic benefits accrue for both business and communities.

Companies that make investment decisions that generate local economic benefit can reap benefits of their own, including securing social license to operate and increased social stability, catalyzing local economic “ecosystems” that improve economic conditions, and enhancing risk mitigation on issues such as poor public governance and corruption. For example, a 2011 survey of 40 extractives industry leaders, insurers, law firms, and research institutes suggested that a major mining project could lose US\$20 million per week if conflict delays production.⁸⁸

Inclusive community engagement and investment can also deliver returns at a macro-economic level. For example, if people are better able to access health services because of improved roads, transport services, health facilities, or service providers, productive capacity of the whole community is increased.

Local content requirements⁸⁹ are becoming increasingly widespread—particularly for companies in the energy and extractives, and heavy manufacturing sectors—in an effort to extend the benefits to communities generated by multiyear investments. While challenges exist to implementation, there are strong business incentives for local sourcing and hiring because they can help build pipelines of skilled labor at technical and managerial levels and hedge risks of cost escalation

⁸⁸ Davis and Franks, 2011.

⁸⁹ “‘Local content’ refers to the added value brought to a host nation (or region or locality) through: Workforce development, including employment of local workforce and training of local workforce; and investments in supplier development, including developing supplies and services locally; and procuring supplies and services locally.” (IPIECA, 2011)

03 DEFINING INVESTMENTS FOR PROSPEROUS LOCAL COMMUNITIES



Infrastructure

Business and community benefits are derived from existing and built infrastructure—for example, transport infrastructure (roads, railways, ports), electrification, and technology and network build (e.g., cell towers, internet connectivity).



Enterprise Development

Local economic transformation is stimulated through infrastructure development projects, supplier capacity-building, local procurement needs, and local hiring.



Social Capacity and Institutions

Strong social capacity and institutions promote productive dialogue and engagement as well as healthy and vibrant communities.

due to increasingly expensive and complex logistics chains, while at the same time supporting social license to operate and workforce productivity.⁹⁰

Sustainable local enterprises are a cornerstone of prosperous communities. Companies invest in enterprise development through access to capital, technical skills development, and providing market linkages for products and services. Enterprise development also offers particular opportunities to target excluded or underrepresented groups, such as women, youth, or indigenous groups, to enhance their economic participation and contributions. For example, Coca-Cola's 5x20 commitment has provided business training and improved access to capital for 300,000 female entrepreneurs across the company's global value chains.⁹¹

Infrastructure development supports local economic development, business operations, and long-term competitiveness. These investments can be very effectively leveraged for community benefit. For example, mining companies are increasingly installing fiber-optic networks along their grids, railroad tracks, and pipelines to monitor infrastructure reliability and safety.⁹² The added cost of extending these networks to nearby communities is incremental. Costs could be further reduced through partnerships with technology companies interested in expanding internet access. For example, Compania Minera Antamina partnered with Telefonica del Peru to extend mobile connectivity to communities along the mine's pipeline.⁹³

Strong rule of law and good governance are also essential ingredients to ensuring local economies thrive and public services meet the needs of citizens. Companies across industries are investing in collaborative efforts to fight corruption and promote good governance. The Extractive Industries Transparency Initiative, for example, promotes full disclosure of taxes and other payments made by oil, gas, and mining companies to governments. The BSR-chaired Maritime Anti-Corruption Network, which seeks to eliminate corruption in the maritime industry by tackling root causes of corruption in hotspot regions, is another example.

Best practices in company operations, supply chains, and the broader economic environment are outlined in the table below.

⁹⁰ World Bank, 2013.

⁹¹ See: <http://www.coca-colacompany.com/stories/5by20>

⁹² Toledano, P. and Roorda, C., 2014.

⁹³ Ibid.

Figure 6: Investments for Prosperous Local Communities, Best Practices

Direct Operations	Supply Chain and Business Partners	Broader Economic Environment
<ul style="list-style-type: none"> » Identify communities impacted by decisions concerning location of operations, whether through infrastructure, natural resource extraction, retail presence, or others, and conduct social and environmental impact assessments that include local communities. » Promote local economic development and vitality through procurement policies, skills development, business incubation, infrastructure investments, and investments in community needs. 	<ul style="list-style-type: none"> » Encourage suppliers and other partners to practice inclusive community engagement and investment (e.g., contributing to infrastructure, like roads and electricity; hiring local individuals and business partners; and investing in community needs, such as health, sanitation, safety, and education. » Devise and practice procurement policies that promote local sourcing and small business capacity development, and encourage business partners to do the same. 	<ul style="list-style-type: none"> » Engage in anticorruption efforts, including promotion of revenue transparency, ideally in collaboration with other companies. » Collaborate with local and national governments to identify and address community needs, workforce skills gaps, and infrastructure concerns.

Many examples of these best practices exist across sectors.

Promoting Prosperity Through Local Content (Hiring and Sourcing) and Enterprise Development

- » Extractives—supporting enterprise development: To support local economic diversification, Teck Resources Ltd. supported a program to enhance the competitiveness of the tourism sector in Andacollo, Chile. ExxonMobil investments in Papua New Guinea have incubated local businesses providing road maintenance, timber, and plant and equipment leasing, as well as a women's agricultural group.⁹⁴
- » Financial services—investing in economic revitalization: Prudential leverages its investment portfolio for economic development. In 2014, the company committed to a US\$1 billion portfolio in impact investing to support social enterprise and real assets in high-need communities and to act as financial intermediaries to community banks and microfinance institutions.⁹⁵ JPMorgan Chase made a major commitment to Detroit's revitalization after the city filed for bankruptcy in 2013, providing US\$25 million over five years to support renovation of abandoned homes; US\$12.5 million to provide job training for residents; US\$12.5 million to grow small businesses and improve city infrastructure, including a new streetcar system; and US\$50 million to community lending to redevelop a set of high-potential neighborhoods.⁹⁶
- » Food, beverage, and agriculture—investing in local supplier capacity: As changing climates, droughts, and labor shortages challenge farms around the world, companies in the industry know that the skills and financial stability of farmers underpin the resilience of their supply chains. To help build this resilience, numerous companies support farmer training and technical skills development, helping farms improve crop yields and quality. Financing programs are another major area of focus in supplier development. Starbucks, for example, takes a multi-

⁹⁴ See: <http://pnglng.com/commitment/national-content/supplier-development/meet-local-businesses>

⁹⁵ See: <http://www.prudential.com/view/page/public/31314>

⁹⁶ Yaccino, S. and Silver-Greenberg, J., 2014; Tankersley, J., 2014.

tiered approach with farmer support centers that provide technical training, a loan program for qualified farmers, and social investments in farming communities.⁹⁷ In Ghana, Nigeria, and Tanzania, Unilever is working with partners to develop a cluster of enterprises to supply Allanblackia oil (a sustainable alternative to palm oil) through entrepreneur training and financing, community development, and by providing initial market access and set prices for products.⁹⁸

- » Various industries—supporting women entrepreneurs: Coca-Cola's 5x20 commitment is estimated to have provided business training and improved access to capital for 300,000 female entrepreneurs across the company's global value chains,⁹⁹ and Walmart has changed sourcing models and provided training and mentoring to increase the percentage of goods sourced globally from women-owned businesses.¹⁰⁰ ExxonMobil has developed a mobile application to provide business training and advice to female entrepreneurs; it has also partnered with the UN Foundation to conduct extensive research into effective strategies to investment in women's empowerment.¹⁰¹ Goldman Sachs 10,000 Women has provided business training to more than 10,000 female entrepreneurs across 43 countries; the company has now launched a US\$600 million fund to encourage banks in local markets to lend to women-owned SMEs.¹⁰²
- » ICT—growing local enterprise and global markets: eBay's Opportunity Project supports the development and expansion of social enterprises all over the world, through training and financing programs, and helps connect them—when relevant—to eBay's global marketplace to sell their goods online.¹⁰³

Promoting Prosperity Through Investments in Infrastructure

- » Financial services—enabling commerce: In a stakeholder engagement platform facilitated by BSR, Western Union learned of the impacts of corruption on teacher pay and school resources in Africa. To address the issue, the company created NGO GlobalPay, which has helped more than 700 NGOs safely send US\$2.3 billion around the world since 2013.¹⁰⁴
- » Extractives—extending infrastructure investments to local communities: Compania Minera Antamina in Peru partnered with Telefonica del Peru to extend mobile and internet coverage to communities near the mine, connecting to a fiber-optic network installed by Antamina for pipeline management.¹⁰⁵
- » Food, beverage, and agriculture—infrastructure investments in supply chain communities: In Nigeria, Diageo built a new road to connect one of their production and distribution sites and the surrounding communities to main Lagos road networks.¹⁰⁶ In India, PepsiCo manufacturing facilities achieved positive water balance in 2010 and 2011, restoring 14.7 billion liters in 2011. In Jordan, PepsiCo partnered with the Ministry of Water and Irrigation to fund the construction cost of the Wadi Al-Ahmar dam project, which will collect rainwater for distribution to local communities and for ecosystem rehabilitation.¹⁰⁷

⁹⁷ See: <http://www.starbucks.com/responsibility/community/farmer-support>

⁹⁸ See: http://api.ning.com/files/zKp*NapaDOK9pQVWQ17SSSV3bwTvA9RHL-DJHZfu2ITPtVoU0z5hY2mRw9kADT2vrU-*Kq0rhifnsKqDGEAyGe2SZVzggcd2/IBLFCaseUnileverNovellaAfrica.pdf

⁹⁹ See: <http://www.coca-colacompany.com/stories/5by20>

¹⁰⁰ See: <http://cdn.corporate.walmart.com/ea/cc/20f1ac8c4bb88f9640f58cdc45dc/global-womens-economic-empowerment-initiative-fact-sheet-2013.pdf>

¹⁰¹ See: <http://corporate.exxonmobil.com/en/community/womens-economic-opportunity>

¹⁰² See: <http://www.goldmansachs.com/citizenship/10000women/index.html>

¹⁰³ See: <http://www.ebayinc.com/social-innovation/economic-opportunity>

¹⁰⁴ See: <http://business.westernunion.com/industry/non-governmental-organizations/globalpay/>

¹⁰⁵ Toledano, P. and Roorda, C., 2014.

¹⁰⁶ See: <http://srreport2012.diageoreports.com/our-impacts/socio-economic-development/community-investment/supporting-local-interests-and-infrastructure.aspx>

¹⁰⁷ See: <http://www.pepsico.com/Purpose/Environmental-Sustainability/Water.html>

Promoting Prosperity by Building Social Capacity and Institutions

- » Extractives—aligning social investments with community needs: BSR works with many of our members to conduct social impact assessments to inform their investments. For example, BSR conducted a socio-economic baseline assessment with Rio Tinto in the United States. We also conducted multiple socio-economic assessments for Shell in the United States, leading to the development of investment priorities informed by local communities. In Chile, BSR is working with Freeport-McMoRan to support inclusive community engagement and development—expanding the number of voices included in organized roundtables—as well as designing and implementing social investments in partnership with community members.
- » Various industries—promoting rule of law and good governance: More than 90 of the world's largest oil, gas, and mining companies are supporting members of the Extractive Industries Transparency Initiative (EITI), which promotes full disclosure of taxes and other payments made by oil, gas, and mining companies to governments. The Maritime Anti-Corruption Network (MACN), of which BSR is the secretariat, is a global business network that seeks to eliminate corruption in the maritime industry by tackling root causes of corruption. Member companies adopt MACN's seven anticorruption principles and support collective action partnerships in hotspot regions.¹⁰⁸

Global companies also have the opportunity to catalyze investments in infrastructure that meets acute local needs. This can deliver added benefit when it looks to align environmental goals and community needs more explicitly, for example by promoting low-carbon development and access to sustainable energy. Some mining companies are already implementing solar energy investments and building desalination plants in locations where they operate with unreliable or unusually carbon-heavy power systems. One example of this is a commitment by SunEdison to connect 20 million people in India to solar power by 2020. The project will be implemented via SunEdison Social Innovations, a business group focused on developing new business models and technology for poor rural environments, in partnership with the Rockefeller Foundation.¹⁰⁹ Companies can also seek opportunities for collaboration with other local businesses to invest in local infrastructure that benefits local communities and improves the business climate. A number of factories operating in the same neighborhood, for example, could work together and with their buyers to promote water and sanitation access for surrounding residential areas and family farms. This would largely benefit their own workforces, and pooled resources could save money.

Economically prosperous and stable communities, individuals with access to essential goods and services to support their well-being and realize their potential, and skilled and satisfied workforces are all vitally important to sustainable business and economic growth. Investing core business assets in these pillars of the inclusive economy—in ways we know work, as well as new ways we haven't yet tried—will help advance innovation, expand markets, maximize operational performance, and sustain long-term growth.

¹⁰⁸ See: <http://www.maritime-acn.org/#home>

¹⁰⁹ Bloomberg Business, Feb. 25, 2015.

Our Approach to Advancing an Inclusive Economy: Insight, Integration, Collaboration

An inclusive economy will result when the unique skills and resources of all sectors—business, civil society, and government—are aligned toward that goal. As a global nonprofit business network dedicated to sustainability, BSR has unique assets to examine, encourage, and lead business action and collaboration.

As outlined in the previous section, much potential exists for business leadership for an inclusive economy, through efforts in companies' own operations, with business partners, and in the broader economic environment.

To support business leadership for an inclusive economy, we will seek to promote business action related to all three pillars of an inclusive economy—good jobs, access to essential goods and services, and investments for prosperous local communities. Business respect for human rights serves as an important foundation for our work.

Building on our strengths as an organization, we will promote business leadership through **insight** into key business trends impacting on and benefiting from inclusion, **integration** within companies to build more inclusive business practices across operations, and **collaboration** across industries and with other stakeholder groups including government, civil society, and philanthropies, to promote inclusion of marginalized groups in economic activity.

To focus our approach further, we have identified the following thematic priorities:

- » **Women's economic participation:** Both because women constitute the underrepresented half of humanity and because of the demonstrated multiplier effects of focusing on women as a catalyst of development generally, we see further inclusion of women in the global economy as a crucial priority. Women stand to benefit significantly from efforts to promote quality employment, access to goods and services, and investments that stimulate and support local economic development. Moreover, BSR has been working to promote women's empowerment for more than 15 years, enabling us to bring both our own expertise and a global network of partners to advance this work.
- » **Job automation and employment:** New technologies such as robotics and 3-D printing will dramatically transform manufacturing and global supply chains in the coming decades. These developments are coming at a time when productivity and employment have already been decoupled in a manner and to a degree that has not been seen for decades. Automation will have multiple impacts on job availability and quality. These changes could deliver changes to global manufacturing at the same magnitude as the rise of global supply chains more than a quarter century ago, creating demand for a new set of workforce skills while simultaneously eliminating countless jobs that, while not perfect, have offered an entry point to the formal economy for millions of people, including millions of women. Just as the rise of global supply chains presented the need to balance the opportunities from distributed manufacturing and social and economic impacts, the same balancing act will be needed as these technologies are adopted widely. BSR intends to build on its record of working with companies to find ways to advance technological and other innovations, with a commitment also to

preserve employment levels and quality needed to sustain a vibrant economy.

- » **Preserving inclusive economic opportunity in mature markets:** Mature economies (primarily the United States, Europe, and Japan) are facing economic stagnation at a scale not seen in the post-World-War-II era. While this has grown more acute since the financial crisis, chronic underemployment and wage stagnation, as well as pressure on social safety nets, has been building for a quarter-century. These conditions are leading to increased poverty rates and disproportionate unemployment for traditionally excluded populations, including racial minorities, youth, and women.¹¹⁰ The organized corporate sustainability field has tended to focus much of its attention on conditions in emerging economies. Current conditions suggest that renewed attention be paid to preserving widely shared economic opportunity in more developed markets, which are at a crucial juncture.

Over the course of 2015, we will publish subsequent papers on these themes as a means of promoting business action and collaboration. In each case, we will share our perspective on the importance of the issue within an inclusive economy, the challenges to be overcome, the role of business in overcoming those challenges, and BSR's intended contribution to that effort.

This initiative, while focusing on topics of emerging importance, builds on a two-decade record of leveraging business activity for broader social benefit. In pursuing new efforts to advance an inclusive economy, we will build on our record of working with our member companies to integrate human rights and business, inclusive supply chain practices, robust stakeholder and community engagement, and transparent reporting. As we build our inclusive economy initiative, we will seek to elevate our attention to ways that this work can increase economic opportunities for those who are currently underrepresented.

As noted above, BSR will promote business leadership for an inclusive economy through insight, integration, and collaboration.

Insight into Key Business Trends Impacting Inclusion

BSR will conduct research and promote dialogue to increase awareness about how inclusion can serve as an effective strategy to gain full advantage in today's global marketplace.

We will focus our research efforts around two main areas. First, we will undertake research to promote economic participation of excluded groups, including women and at-risk groups in mature markets, by collecting relevant data and best practices to inform recommendations for voluntary business action, as well as actions required by other actors, such as government and civil society, to build a more inclusive economic environment.

Second, we will undertake research to understand mega-trends impacting on inclusion. Focusing initially on the impacts of automation and advanced manufacturing on job availability and quality, we will seek to illuminate a diverse business community perspective—from creators of technologies, to employers who intend to use technologies, to the workforce that will be impacted by the adoption of technologies. Drawing on this perspective, we will seek to define opportunities for ensuring that achieving technological breakthroughs coexists

with a commitment to preserving livelihoods and creating opportunities in the new economy, through individual business action and collaborative platforms.

Integration to Build More Inclusive Business Practices

BSR will work with our member companies and other key partners to enable effective integration of the inclusive economy pillars within companies' operations. Doing so will support realization of the benefits of inclusion—from innovation, to expanded market share, to operational performance, to long-term growth.

The inclusive economy pillars provide a framework for business action. We will work with our members to realize the potential of that framework for their businesses, and to evolve and improve the framework over time through BSR's core sustainability service offerings.

Inclusive economy priorities manifest differently across industries, and BSR's industry teams will integrate our inclusive economy initiative accordingly.

Collaboration to Promote Inclusion of Marginalized Groups

BSR will support collaboration to realize the full potential of business leadership for an inclusive economy. In particular, we see strong potential to use collaboration to help businesses more effectively engage marginalized groups in economic activity—whether promoting quality employment opportunities, improving access to products and services, or increasing participation in community dialogue and decision-making. We will prioritize this objective for BSR's collaborative efforts, through existing and new collaborative initiatives, by facilitating stakeholder engagement and by engaging non-business actors in research, convenings, and initiatives.

Next Steps: Promoting Dialogue and Engagement

As collaboration is necessary for meaningful progress, we felt a collaborative dialogue would be the appropriate way to launch our strategy. In spring and summer of 2015, we will conduct a series of interviews and in-person events with thought leaders and practitioners from business, civil society, academia, government, and philanthropy. These conversations will help open a discussion regarding "Business Leadership for an Inclusive Economy" beyond BSR's own view.

Working from farm to factory to the boardroom, BSR works with more than 250 companies across eight industry clusters, integrating sustainability into strategy and operations, fostering innovation and new solutions, and promoting collaboration with business and stakeholders to produce systemic and sustainable progress. The companies in BSR's membership directly employ more than 16 million people and many more in their supply chains, recorded revenue of US\$6.4 trillion in 2013, and are present in every country on the planet. We hope to harness the reach, influence, and commitment of our members and partners to truly advance progress toward a more inclusive economy.

We believe strongly in the potential of business to lead the way to a more inclusive economy, a process that we believe will create inclusive prosperity for business and society alike. We look forward to collaborating with you on that journey, from conversation, to leadership efforts, to collective action.

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