

# Towards Resilient Economies: A Business Framework for Operationalizing Equality of Opportunity

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# Introduction

Human capital is a fundamental driver of thriving, productive economies. But after decades of progress, the world is witnessing a rise in global inequality and a decline in social mobility<sup>1</sup>, endangering growth and recovery in developed and developing economies<sup>2</sup>. When combined with threat multipliers such as peaking inflation, accelerated climate change, the energy and food crises, growing geopolitical tension and the aftermath of global COVID-19 lockdowns, these trends have led to general decline in human development<sup>3</sup>. As it becomes increasingly difficult for individuals to see clear pathways for reaching their potential and thrive in society, there is a risk of growing social unrest. This erosion of social cohesion and societal polarization is a top global risk in the short and long term<sup>4</sup>, and in turn creates further economic decline, decreasing gross domestic product (GDP) by as much as 1%<sup>5</sup>.

While government action is key, including through progressive taxation and pre-market and post-market redistribution measures, business momentum for a shift from shareholder to stakeholder capitalism is gaining traction.

In today's disruptive context – with new geoeconomic pressures, the energy transition and rapid advances in technology – the most forward-looking businesses are considering their role in addressing social challenges beyond the direct impact of the jobs they provide and their broader ability to maintain a social license to operate. While much effort has thus far been concentrated on embedding environmental sustainability practices across companies, businesses also have powerful platforms to accelerate shared prosperity.

Public commitments and investments from the most progressive companies have included efforts focused on reskilling and upskilling; health; education; diversity and inclusion; and working conditions. And while many of these efforts have demonstrated meaningful impact, there is an opportunity to critically reflect on a common and scalable framework for business to contribute to equality of opportunity.

There has been significant alignment and rigor around developing common frameworks and operationalizing business efforts to address



planet-related challenges, in particular with many major companies making public commitments to reach carbon Net Zero by 2030. But there has been less cohesion when it comes to a common framework and operationalization of the people-centered impact of business.

Businesses face the following challenges:

1. **Complexity:** There are many different frameworks that try to capture potential business impact on “people”. It is estimated that there are over 600 different sustainability standards, industry initiatives, and guidelines around the world<sup>6</sup>. While many frameworks aim to provide standards and metrics, there is little guidance as to how to practically operationalize strategies that consider impact on workers, value chains, consumers and broader communities and take into account regional, sectoral and cultural nuances.
2. **Quantifiability:** Unlike the case in the environment agenda – which is largely driven by scientific research and metrics – a “social net zero” is more difficult to quantify. Because of this, many companies focus on simpler but quantifiable metrics such as gender representation and number of hours of training provided over more holistic approaches that may not be as quantifiable or may be subjective.

3. **Capacity:** The “people” agenda is generally concentrated in one or two functions within a company – usually a chief human resource, chief diversity and inclusion or chief corporate sustainability officer. While these functions are important to operationalizing elements of equality of opportunity, a more holistic impact could be obtained from strategic planning across all business functions.

4. **Reactivity:** Without a fundamental framework, many companies may be forced to take a reactive approach to people issues based on current events or new regulation, rather than proactively addressing some of the root causes of inequality and social divide. Such reactive approaches can politicize efforts and undermine longer-term systemic change efforts.

To overcome these challenges and instead drive systemic change, businesses need a shared framework, a space for dialogue and best-practice exchange, and practical tools to operationalize robust strategies to promote equality of opportunity – the equivalent of a “social net zero”.

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# A Business Framework for Operationalizing Equal Opportunity

The Business Framework for Operationalizing Equality of Opportunity presented in this paper aims to provide practical guidance for businesses to create sustainable practices to promote equality of opportunity in systemic ways. It is designed with and for business leaders who are either in the initial stages of defining their stakeholder impact strategy or are advanced in their strategies and would like to understand potential blind spots and learn from others, and has been codesigned by industry experts, civil society and academia.

The framework provides a common foundation to build alignment among businesses across regions and sectors on what it means to promote equality of opportunity, and how to do so through various business functions. The goal is that by using this framework, businesses will be able to embed systemic social impact into their corporate strategies, contributing to economic growth and shared prosperity.

It provides an organizing principle to enable industry leaders to:

1. Reflect on their current contributions to foster equality of opportunity, identify existing gaps, and adjust their strategy as needed.
2. Create pathways to equality of opportunity through core functions.
3. Consider the impact of their day-to-day actions and functional strategies on stakeholders in their workforce, value chains, their consumers and broader communities.
4. Engage in intra- and inter-industry exchange on best practices, policies and partnerships.

This framework does not attempt to add to existing standards and regulations; nor does it provide specific metrics. Rather, it aims to synthesize existing frameworks and focus on the *how* – the practical questions and considerations that business executives should consider when defining their social inclusion strategies.

The framework also aims to provide reflection questions to support decision-makers. Every year, Fortune 500 companies devote approximately \$20 billion to their corporate social responsibility (CSR) efforts. While CSR has its benefits – improving corporate relations, boosting employee motivation, and delivering on social and environmental benefits – despite decades of investment in CSR, it can often be tangential to a business' core purpose rather than as a mechanism to deal with the root causes of inequality, social divide and declining social mobility<sup>7</sup>. By enabling business leaders to take a more critical look at how they promote equality of opportunity and consider the impact of all business functions, the framework aims to create more sustainable and holistic practices that deliver tangible impact.

The framework is composed of three parts:

1. A common definition for equality of opportunity in today's socioeconomic context.
2. A set of guiding questions, organized by business function and impacted stakeholders, that can help executives consider their contribution to equality of opportunity and how its components can be reinforced within business strategies and operations. The guiding questions are targeted to different business functions and encourage leaders to consider the full scope of impacted stakeholders, including their workforce, value chains, consumers, and broader communities.
3. Specific case studies demonstrating how various companies across sectors and geographies have implemented their strategies that promote equality of opportunity (to be released in early 2024).

The framework can serve as a shared starting point for companies to explore sustainable avenues for promoting equality of opportunity and provide a common foundation for best practice exchange and learning. The next sections explain the three organizing principles of the framework.

# 1.1 Organizing principle 1: Defining equality of opportunity

The framework synthesizes and draws from several established international norms and principles (including the International Bill of Human Rights; the European Union Final Report on Social Taxonomy; and the International Labour Organization's Declaration on Fundamental Rights and Principles at Work; among others), as well as inputs from consultations with industry experts, academics and civil society leaders.

These dimensions have been consolidated into six vectors for individuals to thrive in today's economy. While not all companies can actively contribute to all six dimensions, proactive planning can help companies run risk assessments to identify the dimensions that could present a material risk for their company, as well as actively consult their workforces, their value chains, local communities and consumers to identify the issues that matter most to them. While the six dimensions have been developed as an organizing principle, cross-over between dimensions is to be expected.

Investment in these six dimensions can support company resilience and performance in the following ways:

- **A fair and safe work environment:** Leads to more motivated, engaged and healthy employees; better productivity; and greater talent retention; and increases attractiveness to talent in a context of increasing skills gaps<sup>8</sup>. Furthermore, ensuring the same standards

across the value chain can extend a company's impact as well as mitigate reputational risks.

- **Education and skills development:** Wide-scale investment in upskilling has the potential to boost GDP by \$6.5 trillion by 2030 and could lead to the net creation of 5.3 million new jobs by 2030<sup>9</sup>. A similar calculation shows that investing in just one future-ready skill for younger learners could add as much as \$2.54 trillion to global GDP, while also creating long-term talent pipelines for business<sup>10</sup>. Investing in talent also enables businesses to remain agile, creative and innovative in an ever-evolving global context.
- **Diverse and inclusive working environments:** Ethnically diverse companies and gender diverse companies are 36% and 25% more likely, respectively, to financially outperform organizations that are of average diversity in their industry<sup>11</sup>.
- **Access to markets, capital and opportunities for entrepreneurship:** Supporting entrepreneurial activity aligned with the core business can help companies remain innovative and resilient and withstand volatility and economic shocks. Further, removing barriers to access to capital can also increase individual purchasing and investment power, contributing more broadly to shared prosperity.

FIGURE 1 Six vectors for equality of opportunity

A company may provide **short- and long-term contributions to equality of opportunity**—including for its workforce, value chains, consumers and communities in which they operate—via equitable access to...



- **Resilient physical, digital and social infrastructure:** Enabling access to basic necessities can contribute to more stable operating environments for business, which ultimately improves productivity.

- **Healthy living opportunities:** The global COVID-19 pandemic demonstrated how inadequate access to healthcare and healthy living opportunities can have detrimental effects on productivity, motivation and growth. These effects apply across a range of health and healthcare dimensions.

## 1.2 Organizing principle 2: Defining the stakeholders

Many companies analyse carbon emissions across different areas, or “scopes”, where scope 1 captures direct emissions that a company causes by operating the things that it owns or controls, scope 2 refers to indirect emissions created by the production of the energy that an organization buys, and scope 3 refers to indirect emissions produced by customers when they use the company’s products or those emissions produced by suppliers making products that the company uses<sup>12</sup>. This equality of opportunity framework draws from this approach to organize stakeholders into four scopes according to their level of proximity to the company’s core operations and direct influence, to help companies take a more systemic approach to considering all stakeholders their operations and activities can impact.

1. **Workforce:** The talent and productivity of the workforce is among the key assets of any business, and the most forward-thinking businesses are recognizing human capital as an investment rather than an expense<sup>13</sup>. As people spend a predominant portion of their day at

work, employers have a considerable impact on the wellbeing of their workforces. The World Health Organization (WHO) estimated that 12 billion working days are lost globally each year to depression and anxiety, and cost \$1 trillion per year in lost productivity<sup>14</sup>. Making strategic investments in a company’s workforce can help attract, mobilize and retain good talent, as well as increase productivity and innovation. These investments must be made across business functions, with all leaders within the organization taking responsibility for the productivity and wellbeing of their permanent employees or contract-based workers.

2. **Value chain:** A 2016 report showed that 60% of global trade in the real economy is dependent on the supply chains of major corporations<sup>15</sup>. Companies can deepen their impact by addressing issues and actively investing in their supply chains. Not assessing the impact of their value chains on people can leave businesses open to risks, particularly in relation to issues such as child labour, poor working

FIGURE 2 Defining the targeted stakeholders



conditions and modern slavery, which in turn can pose reputational, legal and financial risks. Investments made in the supply chain can help increase company productivity and minimize potential disruptions in supply chains due to social risks. A recent study showed that only 12% of companies are sufficiently protected against future disruptions in supply chains and operations, with the remaining 88% urgently needing additional measures aimed at building resilience<sup>16</sup>. Labour unrest has been cited as one of the key current challenges plaguing global supply chains<sup>17</sup>. Businesses can go beyond basics such as robust data collection and supplier codes of conduct and further strengthen their value chains by supporting diverse suppliers and entrepreneurs.

3. **Consumers:** New information technologies have created a world in which consumers can be much more informed about company

practices and are readily making purchasing decisions based on company values. Having a defined strategy for contributing to shared economic prosperity and social inclusion can positively impact a company's financial performance by giving them a competitive advantage with and increased market relevance for consumers.

4. **Broader communities:** Purpose and profit are inextricably linked. Over time, through growing market concentration, the impact of financialization in markets and globalization, the distance between companies and local communities has grown. In cases where companies engage these stakeholders, it is most often through CSR initiatives. Yet the broader communities in which the company operates are key stakeholders in a company's ability to maintain stable operating environments and a wider social license to operate.

### 1.3 Organizing principle 3: Defining the business functions

Companies within and across sectors may be organized differently based on the industry, region, ownership and the priorities of the stakeholders involved. Through inputs from numerous industry leaders and experts, eight core functions were identified to be the most impactful when it comes to promoting equality of opportunity. Different companies may use different terms for these functions, and their remit may vary from company to company.

The framework provides guiding questions per business function, depending on the impacted stakeholder, that executives should be asking themselves as they develop their strategy. While the questions have been organized by business function to enable ease of use of the framework, the expectation is that there is continuous, cross-functional exchange of best practices and progress so that no function is working in isolation and synergies are optimized.

FIGURE 3 Identifying the business function





## 1.4 How to use the framework

An interactive online tool is available to help executives reflect on the specific guiding questions they should consider as they develop their social inclusion strategy. Each user can tailor their experience based on their company's areas of focus for impact, the targeted stakeholder, and the business function through which executives aim to achieve impact. The idea behind this interactive tool is to ensure that all companies find a meaningful starting point for operationalizing their social inclusion strategy.

In addition, the tool features specific case studies that demonstrate the guiding questions in action and what it could look like to meaningfully integrate these reflections into corporate strategy.

The guiding questions are specific to the various organizing principles mentioned, but there are some overarching considerations and guiding principles that the user should account for when reflecting on the application of the guiding questions to their own organization's specific context:

1. **Identifying the right focus:** The company should develop a methodology for social risk assessment that is 1) agile, 2) can account for new and emerging risks, and 3) takes into consideration both the needs of their stakeholders (defined here as their workforce, the value chain, consumers and broader communities) as well as their core business focus. The right strategy will take these three factors into consideration.
2. **Taking a locally tailored, globally ambitious approach:** While the framework provides global principles, companies will need to adapt to regional and national regulatory standards.

The guiding questions can also provide an entry point for how to consider the unique needs of stakeholders in different regional and cultural contexts. Here, too, direct input from stakeholders will be critical, as well as building capacity in local offices to facilitate the process of tailoring the company's equality of opportunity strategy with innovative solutions based on region- and culture-specific needs.

3. **Enabling cross-functional and stakeholder exchange:** It will be important for companies to consider mechanisms for exchange at various levels. While the guiding questions are segmented by function to provide an organizing principle, the right approach will enable cross-functional collaboration and exchange to ensure a holistic approach to strategy development. Furthermore, each company should consider specific mechanisms for enabling direct feedback from and exchange with all stakeholders – including their workforce, the value chain, consumers, and broader communities – that provides insight into the lived experiences of stakeholders impacted by company activities and decision-making.
4. **Promote joint action:** As companies use the framework to reflect on their equality of opportunity strategy, it will be important that they leverage the expertise, experience and influence of key partners in civil society, labour unions and the international community to help them create a holistic approach to operationalizing their strategy. Furthermore, horizontal collaboration within and across industries will be necessary to ensure that issues addressed within one company do not simply migrate to another.



# Call to action and way forward

Businesses can be a key stakeholder in tackling some of the root causes of today's inequalities, promoting shared prosperity and enabling more economic growth. The framework in this paper is a starting point to help businesses do so with intentionality, collaboration and strategic thinking. While key metrics provide meaningful targets for companies, there is an opportunity for the business community to collaborate with each other, their stakeholders, and key government and civil society partners to leverage their powerful platforms to accelerate equality of opportunity.

As companies use the framework to reflect on their social inclusion strategy, it will be important to build consensus around the key enablers for transformative change. Leveraging the expertise, experience, and influence of key partners in civil society, labour unions and the international community will be critical to aligning approaches in the business ecosystem and operationalizing strategies that promote collective resilience. Horizontal collaboration within and across industries will be necessary to ensure that issues addressed

within one company do not simply migrate to another but are relevant for all stakeholders in a given industry and region.

From July to December 2023, the community engaged in an ongoing dialogue on equality of opportunity will continue to convene to share best practices and collaboratively problem-solve challenges in operationalizing their equality of opportunity strategies. The dialogue series will include special guests and partners from civil society, labour unions and the international community that may be able to support companies in their stakeholder engagement efforts. The dialogues aim to provide a space for collective problem-solving, experimentation and best-practice exchange for companies as they attempt to understand and intentionally embed equality of opportunity into their corporate strategies, operations and activities. We invite members of the business community to join this dialogue and share their learning journeys in order to work collaboratively on a common strategy for operationalizing social inclusion.

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