

EXECUTIVE SUMMARY

Tackling inequality: An agenda for business action

BCTI The Business
Commission to
Tackle Inequality

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Launched in September 2021, the Business Commission to Tackle Inequality (BCTI) represents a cross-sectoral and multi-stakeholder coalition of more than 60 organizations and their leaders – convened by the World Business Council for Sustainable Development (WBCSD). These leaders have come together to put addressing inequality at the heart of business' agenda for sustainable growth, recognizing that we will not have sustainable growth if we do not consider how the fruits of growth are distributed.

Through its Commissioners, the BCTI is working to mobilize the private sector to tackle inequality and generate shared prosperity for all by driving greater levels of business awareness, investment and action in proportion to the urgency and scale of the challenge posed by mounting levels of inequality globally.

This flagship report represents a culmination of these efforts. It establishes a clear and compelling case for business action, while also addressing a key constraint on business action to date: a lack of clarity and alignment on what it is that business can, and should, do. It provides a common agenda for private sector action, rooted in respect for human rights and a commitment to equity and social justice, that business leaders can leverage for analysis and strategy setting, confident of its legitimacy and potential to drive impact at scale.



Inequality as a systemic risk

Our world today is characterized by stark inequalities of income, wealth and wellbeing. For example, the top 10% of earners now take home 52% of total global pay, while the lowest-paid 50% receive just 8.5%. Meanwhile, the richest 10% of the world's population owns over three-quarters of all wealth, while the poorest 50% own a mere 2%. This distribution of income and wealth is leaving hundreds of millions of people struggling to meet their basic needs.

Even more fundamentally, behind these inequalities of income, wealth and wellbeing lie inequalities of opportunity: deep structural differences in people's prospects based on their personal characteristics and backgrounds – factors that are largely outside their control.

Meanwhile, a number of major trends and developments are making the situation worse. Climate change, the continued effects of the COVID-19 pandemic, conflict and cost of living crises are all hitting the most vulnerable the hardest.

The high level and structural nature of inequality today make it an urgent systemic risk – one that is threatening not only individual communities or companies, but entire societies and economies. Inequality is eroding trust in our political and economic systems, unraveling the social fabric, fueling civil and political unrest, increasing the damage that crises like COVID-19 and climate change cause, constraining economic growth and undermining our collective capacity to tackle complex global challenges. It also represents a significant and mounting business risk.

Fortunately, inequality is not a fact of nature but a product of our systems, which we can change. Reducing inequality will require concerted action across all sectors of society – and business has an essential role to play.

A clear and compelling case for business action

The business case for tackling inequality is a fundamental one. It is about mitigating both systemic and business risk and building a world of opportunity in which business can thrive in the long term.

At the same time, a shift is underway in the way business performance is perceived and measured by consumers, employees and governments. This shift is unlocking a variety of company-level benefits associated with efforts to tackle inequality. These include securing license to operate, attracting and retaining leading talent, winning consumers, staying ahead of policy and regulatory change, and even protecting and enhancing access to capital.

Of course, measures to tackle inequality will come with costs as well as benefits. The cost-benefit calculus is complex, and there will be trade-offs as well as win-wins, especially in the short term. However, the cost of action must be balanced against the cost of inaction – which can be expected to increase sharply as the consequences of inequality continue to emerge. Tackling inequality is a critical part of fiduciary duty and an investment in long-term business success.

The role of business

The inequality we see today is a systemic issue and therefore requires a systemic, multi-stakeholder response. Governments will have a central role to play in driving this agenda but other stakeholder groups including businesses, investors, and civil society more broadly will also have vital contributions to make.

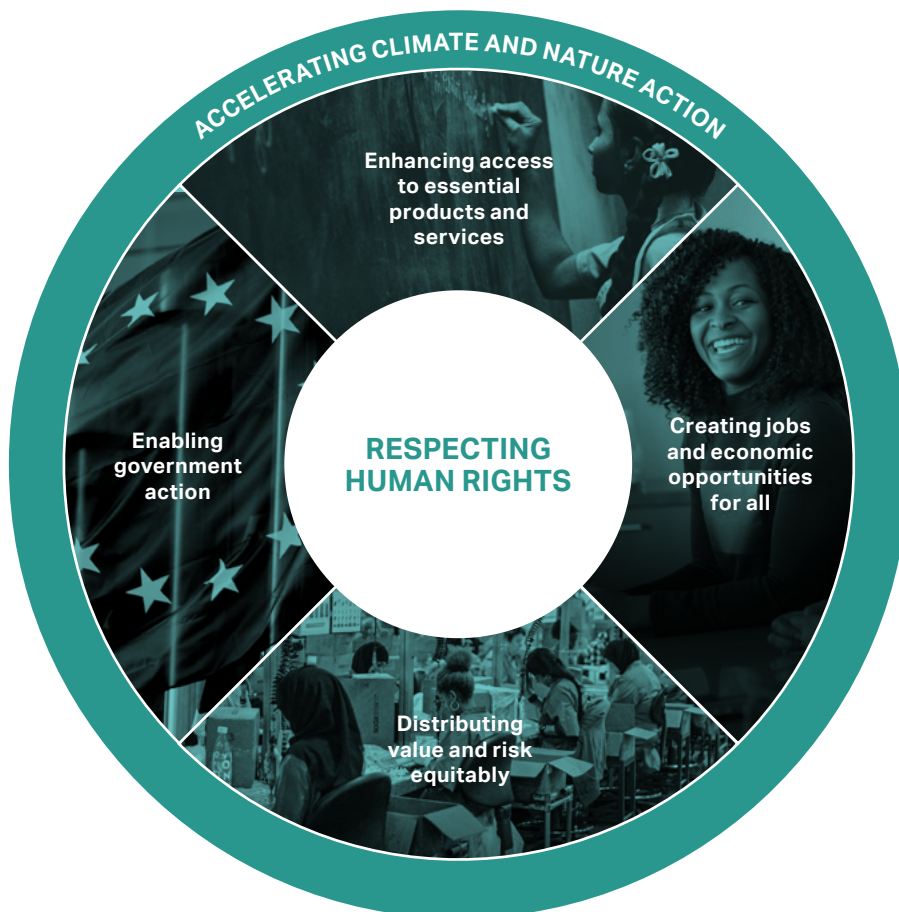
For its part, business provides the lion's share of the products, services and jobs people need to sustain themselves

and their families around the world. In partnership with government, the private sector has fueled innovation, wealth creation and rising living standards over the course of centuries, while market economies have delivered – and continue to deliver – enormous benefits to huge swaths of the global population. However, in recent decades, the benefits and risks of business activity have become increasingly uneven, and certain business models and practices have contributed to widening social and economic gaps.

We must now harness the power of market economies to address these gaps and improve outcomes.

Business has at its disposal powerful tools that can be deployed to create and distribute value more equitably, bringing down structural and behavioral barriers and expanding opportunity for those who need it most. Many leading companies are already leveraging these tools to level the playing field. The call to action now is for all businesses to use these tools to their fullest potential to head off the risks posed by mounting inequality and ensure that equal opportunities and better outcomes are available for all.

Key categories of business action to tackle inequality



At a high level, this agenda incorporates six broad categories of intervention by business. At its core is a commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights. The agenda also encompasses endeavors to ensure that the underserved in our communities have better access to essential products and services; to create and sustain jobs and economic opportunities for all; to distribute value and risk equitably; and to support and encourage governments in playing their role effectively. Finally, the agenda for business action to tackle inequality must also include efforts to arrest climate change and nature loss, and mitigate their impacts on the most vulnerable.

Catalytic actions that business can take

Under these six overarching categories, the BCTI has identified 10 catalytic actions that individual companies can take, and that stakeholders increasingly expect them to take, to start to tackle inequality. Each one is an avenue through which business exerts significant influence over the opportunities people have and the outcomes they experience.

The potential for any given action to deliver change will differ from region to region and company to company, and it will be up to individual organizations to prioritize the actions with the greatest potential for impact given their existing capabilities, and geographic, political and cultural contexts. Most companies will find that they have already made strides in some of these areas, as many of them are long-standing sustainable business topics.

Other areas may represent relatively new and untapped opportunities. The lens of tackling inequality provides us with the opportunity to explore these action areas as part of a holistic and interconnected agenda.

An agenda for business action

Respecting human rights	Action 1: Implement the UN Guiding Principles on Business and Human Rights	Adopting policies and practices that put respect for human dignity at the center of how business gets done
Enhancing access to essential products and services	Action 2: Make essential products and services more accessible and affordable	Innovating and collaborating to ensure that all people have what they need to be healthy and productive
Creating jobs and economic opportunities for all	Action 3: Create a diverse, equitable and inclusive workplace and value chain	Fostering work environments and markets in which all individuals are empowered to participate, prosper and reach their full potential
	Action 4: Prepare people for the future of work	Building a workforce that is skilled and empowered to benefit from developments that are transforming the world of work
Distributing value and risk equitably	Action 5: Provide safe, secure and sufficient work	Ensuring that the terms and conditions of work protect and enhance the physical, mental, social and financial health and wellbeing of all workers
	Action 6: Pay and promote living wages and incomes	Eradicating poverty wages and ensuring that everyone who works earns enough to afford a decent standard of living
	Action 7: Support and respect worker representation	Giving workers greater ability to affect corporate decision-making about the terms and conditions under which they work
Enabling government action	Action 8: Support effective public policy	Helping to propel government toward greater and more impactful action on inequality
	Action 9: Adopt responsible tax practices	Approaching tax as an essential part of good governance and a fundamental investment in the societies where business operates
Accelerating climate and nature action	Action 10: Realize the just transition to a net-zero and nature positive economy	Acting in line with science to address the climate emergency and restore nature, while leveraging these transformations to advance shared prosperity

Getting started

Robustly identifying, assessing and strategically integrating steps to address inequality-related risks and opportunities across the full spectrum of a business' operating model represents a potentially complex process. Applying a sustainable business transformation framework in support of efforts to tackle inequality will help plan this journey. This report presents several important steps that should be part of such a framework, including:

- Baseline and maturity assessment
- Prioritizing action areas and setting targets
- Strategic integration and implementation
- Social performance review
- Communication on progress

In addition, as companies embark on the catalytic actions outlined in this report, there will also be a number of cross-cutting enabling actions that will be foundational to driving success in the long term, including:

Embracing mindset shifts: The transformations needed to ensure that the private sector is fulfilling its potential to help tackle inequality will not always be brought about by sticking to existing ideas and priorities. In particular, shifts in strategic business mindsets around reinventing capitalism to reward true value creation, building long-term resilience, and taking a regenerative approach to business sustainability will be important cornerstones when it comes to efforts to tackle inequality.

Stakeholder governance: Ultimately, any serious private sector endeavor to tackle inequality must be rooted not only in efforts to identify and proactively engage with stakeholder groups that are affected or may potentially be affected by business actions, but also in robust processes that serve to embed insights gained from stakeholder engagement into business decision-making.

Measurement and disclosure: Sustained progress on tackling inequality will hinge on the ability of companies to adequately identify, measure and disclose their direct and indirect impacts and dependencies on people.

Conclusion

While alarming statistics on declining trust and mounting conflict reflect deep divides in societies around the world, they also point to increasing unity behind calls for greater inclusion and equity – and higher expectations for governments and business to take action. It is time for business leaders to ensure that they are responding to these expectations to the fullest of their potential.

This report presents why it is in business' best interests to do so, and provides a holistic agenda to guide business action. However, it is just a starting point. It is now time to convert ambition into action. We must act proactively and purposefully to reinforce the "S" in ESG – a critical pillar of action that has too long been overlooked – and help to lay the foundation for an evolution toward a more inclusive form of capitalism in which the power of market economies is harnessed to deliver enhanced outcomes for all.



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