

## Social Capital Focus Area – Action Plan 2013

The growing urgency in addressing rapid socio-economic transformations in industrialized as well as emerging and developing markets is driving WBCSD to strengthen its activities in this domain. This triggered the launch of the new Social Capital Focus Area.

### Definition of Social Capital

Social Capital is about people's skills, experience and knowledge, but also societies' shared values, norms and institutions. All together, these features can be considered as resources that need to be maintained and enhanced to make society more cohesive and resilient and business more successful.

### Social Capital trends and business implications

Nine key Social Capital trends with significant implications for society and business can be highlighted:

- **Persisting poverty** – In spite of a significant reduction in the past few decades, poverty remains a critical challenge for sustainable development and global stability. A third of the world population still lives on less than US\$2 a day, most of whom are not able to appropriately meet their basic needs for water, sanitation, energy, education, health, food, shelter, mobility, among others.
- **Widening skills gap** – While unemployment is increasing, a significant number of vacancies remain unfilled, especially within large companies. The lack of appropriate skills is reported to be a significant cause for problems in terms of cost, quality and time.
- **Rising unemployment** – Global unemployment surpassed 200 million people and an additional 1.5 billion people are in vulnerable employment in developing countries, operating under poor working conditions. About 600 million jobs must be created by the end of the decade to support sustainable growth and maintain social cohesion.
- **Aging population and social security systems** – By 2050, about 20% of the world's population will be aged 65+. This will challenge intergenerational cohesion and put social security systems under considerable strain.
- **Polarizing incomes** – Within more than two-thirds of all countries income gaps have widened over the past three decades. Excessive income inequality can be inefficient for growth and provide a fertile ground for populist governments and anti-business policies and sentiments.
- **Diminishing trust** – People's trust in capitalism and its main institutions is under threat. Government and business leaders score particularly low in terms of public trust in ethics and morality, pointing to a crisis of leadership.
- **Striving for well-being** – Growing consumption is not necessarily connected with happiness and an enhanced feeling of subjective well-being. New measures for success and lifestyles need to be considered – both at an individual level, and to allow a transition to a more sustainable future.
- **Rising volatility and shocks** – Due to growing demand, speculation and extreme climatic events, the volatility of commodity prices is increasing. The poor suffer most from price instability and the consequences of natural disasters and ecosystems degradation. There is a need for enhancing resilience through disaster risk prevention and adaptive capacity.
- **Shifting economic power and growing middle class** – The world is experiencing a historic shift of economic and political power from the traditional base of industrialized countries to emerging economies. Some 3 billion people, mostly from emerging economies, are expected to join the global middle class by 2030. Meeting the aspirations of these middle classes represents an enormous business opportunity, but will also further exacerbate the pressure on the world's ecosystems and infrastructure.

### Social Capital priorities

In the context of the ongoing revision of WBCSD's Vision 2050, a mapping exercise of Social Capital priorities to be achieved by 2020 was conducted. These were selected by taking reference at the socio-economic trends mentioned above, as well as relevant international goal and measurement setting processes. These included, among others, UNDP's Human Development Index, the Millennium Development Goals, the UN Sustainable Development Solutions Network, and Oxfam's "doughnut"

framework of social and planetary boundaries. The priority issues were regrouped and synthesized into four priority groupings:

1. **Alleviating poverty and creating sustainable livelihoods** – aimed at ensuring progress towards universal access to basic goods and services, as well as income-generation opportunities for low-income populations, particularly in developing countries.
2. **More and better jobs** – aimed at tackling unemployment, skill shortages, poor working conditions, intergenerational and income inequalities.
3. **Enhancing social resilience and cohesion** – aimed at strengthening the capacity of individuals and institutions to prevent or adapt to economic and environmental shocks.
4. **Creating sustainable lifestyles** – aimed at changing consumer behavior and driving more sustainable lifestyles in consumer segments with the highest ecological impact.

## Business case and opportunities

As an engine of economic growth and employment and a source of technology and innovation, business has a critical role to play and a self-interest in contributing to the achievement of the abovementioned Social Capital priority groupings by 2020, on the way to a more inclusive, equitable and sustainable future:

- Business cannot succeed in societies that fail and therefore has a vested interest in stable and prosperous societies.
- By developing a better understanding and proactively addressing socio-economic and environmental concerns, companies will be able to better manage their risks, anticipate consumers' demand, secure access to needed resources, and strengthen their supply chains.
- Good governance and high social and environmental standards are fundamental to restore public acceptance and trust in business, thereby underpinning its license to operate, innovate and grow.
- Building human capital is fundamental to secure the availability of appropriately motivated and skilled labor to drive innovation and productivity within business.
- Developing business solutions to provide affordable goods and services to meet the basic needs of the poor and cater to new socio-economic realities will help companies build positions in growth markets.
- Major technological and infrastructural investments will be required to support good living standards, particularly in the rapidly growing emerging economies

## WBCSD response and proposed work program for 2013

On the basis of the priority areas identified above, the Social Capital Focus Area is built around the following three programs:<sup>1</sup>

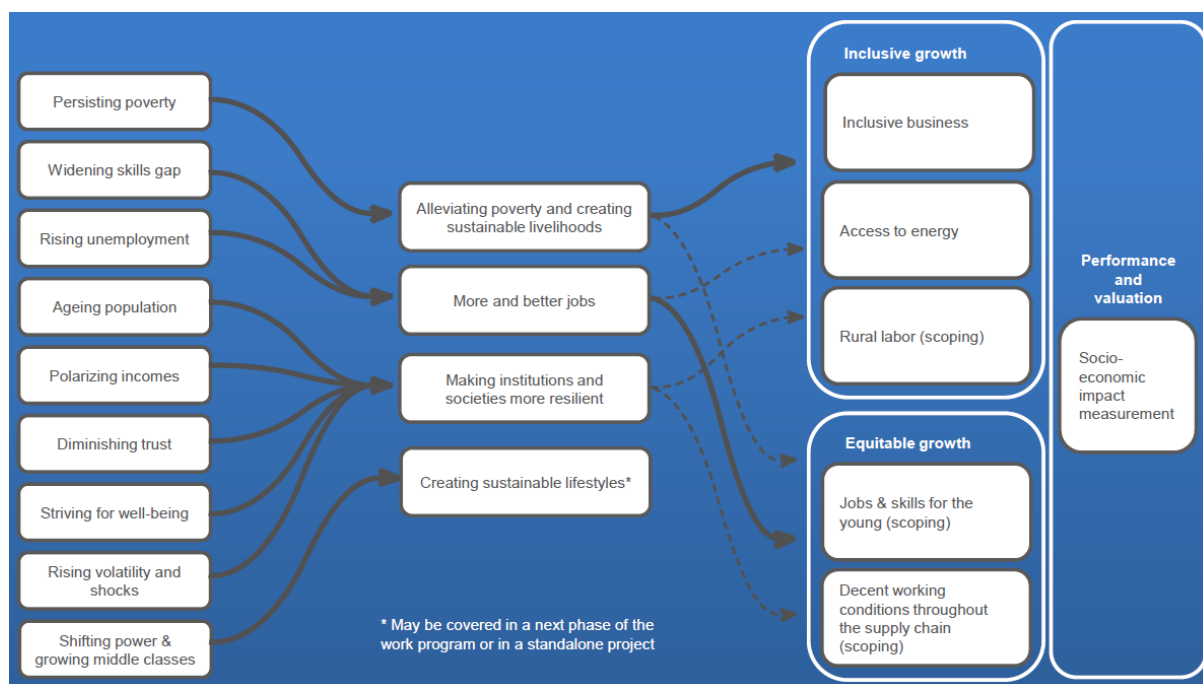
1. An **Inclusive Growth** program, building on the previous work carried out in the Development Focus Area and primarily tackling poverty alleviation and the creation of sustainable livelihoods.
2. A new **Equitable Growth** program, focusing on the priority of creating more and better jobs.
3. A **Performance and Valuation** program, centered on transforming socio-economic measures of progress and success.

The fourth priority area on creating sustainable lifestyles may be covered in a next phase through a standalone project.

The table on the next page depicts a “flow” moving from Social Capital trends toward priority areas part of the Vision 2050 revision and ending with the work program of the Social Capital Focus Area.

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<sup>1</sup> In the context of the ongoing revision of WBCSD's Vision 2050, the final set of “must-haves” for 2020 in the area of Social Capital will be defined by WBCSD's membership in the course of the year, and could affect the direction of the work program.



## Inclusive Growth program

The Inclusive Growth program promotes inclusive business, a term coined by WBCSD referring to business solutions that go beyond philanthropy and expand access to goods, services, and livelihood opportunities for low-income communities in commercially viable ways. This allows companies to access new markets catering to daily needs, generate new jobs and income, and build up the technical and skills base of the local workforce. The program promotes pathways to bring these solutions to scale by engaging business leaders, working across industries and in partnership with international organizations, government agencies and civil society.

The program embraces the following workstreams:

### 1. Inclusive business

Led by Masisa and ITC, the main focus of this workstream up to mid-2013 will be to identify pathways to scale inclusive business best practices within large companies. A dozen members as well as numerous experts and partner organizations are being engaged in view of compiling a short issue brief focusing on internal barriers to scale within multinational companies, which are generally less acknowledged than external barriers (infrastructure, business environment, etc.) and for which clear solutions have yet to emerge. Challenges include, among others: competition from shorter-term, higher-return investment opportunities; corporate “immunity” to innovation; legacy assets and systems that keep costs high; and confusion about “what is business” and “what is social,” leading to misalignment of objectives and delivery structures. The output will be a package of actionable lessons and solutions that will be disseminated through WBCSD’s global channels and integrated in its ongoing regional engagements and skill building activities.

### 2. Access to energy

Building on the extensive work carried out in 2011-2012, this workstream will continue to showcase, advocate and scale the business contribution to providing access to clean, reliable and affordable energy sources. Under the leadership of GDF Suez and Schneider Electric, activities for 2013 are currently being discussed among member companies. Options range from deepening members’ knowledge on state-of-the-art business models (incl. the financing thereof), to gaining more insights around the performance measurement of energy access ventures, to engaging in major global and regional initiatives focused on energy access.

### 3. Rural labor (scoping)

Under the leadership of Nestlé, this workstream is being scoped with the aim of tackling the challenges faced by companies operating in rural areas of developing countries, where more than 75% of the world's poor live. Overall, the aim is to strengthen the business contribution toward making rural areas more resilient and attractive places to live and work. The idea is for WBCSD to act as a forum bringing together members from various industry sectors to catalyze ideas for collaboration and help build new alliances by connecting practitioners. Furthermore, the workstream could help articulate and clarify the duties and roles for the various actors operating in rural areas (business, government, civil society), and develop targeted advocacy messages to ensure supportive policies are in place. Scoping discussions are currently taking place (February-April 2013) with representatives of interested companies (most notably Syngenta, Novartis, Monsanto, PepsiCo, DuPont, ITC, Novozymes, Sime Darby, MWV, and APRIL) in view of distilling work program priorities by the end of April 2013.

## Equitable Growth program

The Equitable Growth program will focus on the contribution of business in making societies more equitable and thereby more cohesive and resilient. Equity being a broad topic with many different actors – both from business and other stakeholders – WBCSD started by scoping the competitive/collaborative space in view of identifying activities where the Council can add most value. Among the issues of highest interest resulting from the preliminary conversations with selected member companies are *jobs and skills* and *working conditions along supply chains*.

### 1. Jobs and Skills (scoping)

This workstream focuses on the dual challenge of rising unemployment, especially among the young, and the lack of appropriately skilled labor, especially on science, technology, engineering and mathematics (STEM) subjects. Possible activities could include: identifying best practices in aligning the skills provided by the education and training system with the skills requested in the job market; facilitating the replication of best practices in different pilot projects involving Regional Network partners and other stakeholders; and focusing on the skills needed for the transition toward a Green Economy. The expected impact is a better alignment between the business community and the education and training actors, contributing to the reduction of skill shortages and unemployment rates in pilot project countries.

### 2. Working conditions along supply chains (scoping)

In recent years working conditions in the supply chain of multinational companies have received growing media attention, frequently affecting the reputation of and the trust in some companies and sectors. This workstream aims to promote good working conditions (including health and safety standards) within companies and their supply chains, building on the recently established *WBCSD Safety Forum*. It will also benefit from relevant input of the abovementioned Rural Labor workstream. The expected impact is to help improving working conditions within companies and supply chains, thereby also reinforcing trust in business.

## Performance and Valuation program

Closely linked and feeding into WBCSD's Reporting and Investing work, the Performance and Valuation program supports companies in defining their business case for addressing Social Capital performance, adopting new measures, and integrating them into their strategies, management and decision-making processes. It further aims to catalyze standards setting at industry level.

### 1. Socio-economic impact measurement

This workstream, which is eliciting strong member company interest, aims to advance the practice of socio-economic impact measurement within large corporations. It will leverage WBCSD's work in this area - including the recent assessment of the most relevant measurement tools for business - by promoting measurement as the essential first step in understanding and managing Social Capital. It will provide an entry point for business, stimulate dialogue with relevant actors (including science), and focus on solutions tailored to companies' needs.

## Next steps

Following feedback and approval of the general direction of the Social Capital Focus Area by WBCSD's Executive Committee in London, a broad member and partner engagement effort has been started to:

- Recruit members for the Board of the Social Capital Core Area, to be composed of Council members from various industry sectors and geographies interested in providing overall direction to the work program and in advocating core messages emerging from its work;
  - Engage with the members of the "Vision 2050 to Action 2020" project and relevant external partners in view of defining the Social Capital must-haves;
  - Advance existing activities in the inclusive business, access to energy and impact measurement areas (while testing their effectiveness towards reaching the Social Capital "must-haves" once those are defined), and continue to scope the new Rural Labor workstream;
  - Recruit member companies to lead the new Equitable Growth project and establish relevant partnerships (e.g. with ILO, OECD, IFC, CSR Europe, ERT, IDB, among others);
  - Engage members in the new workstream on socio-economic impact measurement, seeking synergies with relevant external initiatives as well as WBCSD's Investment and Reporting program;
  - Engage in key advocacy processes and events (most notably the post-2015 Development Agenda, major regional summits on topics related to the Inclusive Growth program, and establishing new relationships in view of leveraging relevant platforms connected to the Equitable Growth program).
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