Tackling inequality: The need and opportunity for business action

An introduction by the Business Commission to Tackle Inequality
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It is time for business leaders to take action on inequality

The topic is making headlines all over the world. Over the past year, we have heard repeatedly how inequality is increasing the toll that COVID-19 is taking; how it is making it harder to bring the pandemic to an end; how many workers are struggling to make ends meet; how the economic fallout of the war in Ukraine will hit most vulnerable communities hardest; and how differences in people’s circumstances and prospects are driving social division and civil and political upheaval in countries as diverse as China, Norway, Peru, South Africa, and the US.

Inequality undermines human dignity and social progress. It also impacts business performance, limiting productivity and innovation, dampening consumer confidence and spending, destabilizing supply chains, increasing uncertainty in the political and regulatory environment, and deepening disruptions from COVID-19 to climate change.

Taking action on inequality will not always be natural or easy; certain business practices continue to play a role in driving inequality to the heights it has reached today. But business also has powerful levers at its disposal to help tackle the problem – as well as powerful reasons to use them.

This introductory report shows that inequality is a systemic risk that business leaders have a responsibility, and an opportunity, to address. It explores some of the business practices that are serving to entrench inequality today and identifies several key areas of focus for business action moving forward.

The report represents the first output of the Business Commission to Tackle Inequality (BCTI), a cross-sectoral and multi-stakeholder coalition of organizations and their leaders who 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. We hope that you will join us in our efforts to broaden and bring a sense of urgency to this work, and that together we can mobilize the private sector to become an engine of shared prosperity for all.

BCTI Co-chairs

Peter Bakker  
President & CEO, WBCSD

Lynn Forester de Rothschild  
Founding & Managing Partner, Inclusive Capital Partners

Alan Jope  
CEO, Unilever

Ilham Kadri  
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Sanjiv Puri  
Chairman, ITC

Sunny Verghese  
Group CEO, Olam
Inequality is a systemic risk that demands urgent action

The need for urgent action

Inequality has become a systemic risk – a risk that is threatening not only individual companies or communities, but entire economies and societies. Wide disparities in income, wealth, and overall wellbeing, underpinned by deep, structural differences in the opportunities people have to achieve those outcomes, are fueling widespread dissatisfaction and disillusionment. This, in turn, is contributing to a cascade of consequences with serious implications for our societies and for businesses around the world: eroding social cohesion, diminishing trust in key institutions, fueling civil conflict and political polarization, and undermining our collective capacity to tackle complex challenges. It will not be possible to arrest climate change, for example, without addressing inequality.

Fortunately, inequality is not a fact of nature, but a product of our economic systems, which can change. Just as it was possible to build a world in which people’s prospects depend on where and to whom they are born, it is possible to build a world in which dignity and rights are respected, basic needs are met, and equal opportunities are available for all.

To realize this vision, business and government must both act with urgency. Governments have a central role to play in the way they allocate political power, provide public services, implement taxation, and regulate markets. Businesses, for their part, play a critical role through the opportunities they generate for value creation and distribution.

The case for business action

Business has fueled innovation, wealth creation, and rising living standards over the course of centuries. But as globalization, technological progress, and policy change have unfolded over the past few decades, the benefits and risks have become increasingly uneven. Some of the business models and practices that have emerged are contributing to growing inequality, widening social and economic gaps. These include practices in the workplace, marketplace, supply chain, and policy advocacy arena.
Tackling inequality: The need and opportunity for business action

Now, as inequality has increased and its consequences have become more pronounced, the calculus is beginning to change. A business rationale is emerging for companies to use their assets and capabilities to level the playing field, create opportunities for all people, and ultimately narrow social and economic divides. On the one hand, this rationale is about mitigating a systemic risk and building a world in which business can thrive in the long term. Tackling inequality can strengthen the operating environment by building trust in the system, supporting social and political stability, strengthening the economy, and containing crises from climate change to pandemics.

At the same time, the rationale for tackling inequality is about unlocking company-level benefits – including securing license to operate, attracting and retaining talent, winning consumers, enhancing access to capital, building resilient supply chains, and staying ahead of policy and regulatory change.

Setting an action agenda: The BCTI

To fulfill its potential to tackle inequality and generate shared prosperity for all, the business community needs a common agenda rooted in respect for human rights and a commitment to equity and social justice. The Business Commission to Tackle Inequality (BCTI) – a cross-sectoral, multi-stakeholder coalition of organizations and their leaders, convened by the World Business Council for Sustainable Development (WBCSD) – is working to advance such an agenda, exploring key business action areas as depicted in the figure below. In the coming months, Commission members will be working to define and make the case for specific "must do" actions in each of the six areas shown, and to identify concrete opportunities to work together to drive progress. It will be critical for the Commission to hear from and engage with a wide range of stakeholders. We invite you to join us in shaping and accelerating business action to tackle inequality.

To learn more about the BCTI and to explore opportunities to get involved in its work, please contact:

James Gomme,
Director Equity Action, WBCSD
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Key areas for business action to tackle inequality
Inequality is a systemic risk
Inequalities of income, wealth, and wellbeing, underpinned by inequalities of opportunity to achieve those outcomes, have become a source of systemic risk: eroding social cohesion, diminishing trust in key institutions, fueling civil and political unrest, increasing the damage that crises cause, and leaving our societies incapable of tackling critical challenges.

The BCTI understands inequality as the uneven distribution of income, wealth, and wellbeing.

While inequality has been a part of our societies over the ages, we have reached a critical juncture. Inequality has become an urgent, systemic risk – one that is threatening not only individual companies or communities, but entire economies and societies.

Wide disparities in income, wealth, and overall wellbeing – underpinned by deep, structural differences in the opportunities people have to achieve those outcomes – are fueling widespread popular dissatisfaction and disillusionment. This, in turn, is contributing to a cascade of consequences with serious implications for our societies and for businesses around the world.

Inequalities of income, wealth, and wellbeing

The world economy has grown exponentially over the past 200 years, from USD $1.2 trillion in 1820 to nearly USD $85 trillion today.1 The prevalence of extreme poverty has dropped dramatically, and measures of wellbeing have improved. But some people have benefited more than others, and many have been left behind.2

While income inequality between countries has declined in recent decades, inequality within countries has risen. Over the last 40 years in particular, the gap between the average incomes of the top 10% and the bottom 50% within countries has almost doubled (see Figure 1).3 Globally, income inequality is now about as high as it was at the peak of Western imperialism in the early 20th century – and the share of income currently earned by the poorest half of the world’s people is about half of what it was in 1820.4 The top 10% of earners receives 52% of total global pay, while the lowest-paid half of workers receives just 8.5%.5

The disparity in terms of wealth is even greater, and it is growing. The richest 10% of the world’s population now owns over three-quarters of all global wealth, while the poorest 50% owns barely any at all – just 2%. Since 1995, the richest 10% has accumulated more than 20 times more wealth than the poorest 50% combined (see Figure 2).6

“...the corrosive effects of today’s levels of inequality are clear. We are sometimes told a rising tide of economic growth lifts all boats. But in reality, rising inequality sinks all boats.”

António Guterres, United Nations Secretary-General

Our current distribution of income and wealth leaves hundreds of millions of people struggling to meet their basic needs. According to the International Labour Organization (ILO), 19% of all workers worldwide earn less than they need to escape poverty7 and recent Oxfam analysis suggests that inequality-related issues are literally killing one person every four seconds.8 Meanwhile, a number of major trends and developments are making the situation worse. Climate change, technological disruption, and the COVID-19 pandemic, for example, are all hitting the most vulnerable the hardest.
INEquality Is a Systemic Risk

Figure 1. Inequality between countries versus within countries, 1820–2020

Source: World Inequality Report 2022

Figure 2. Average annual wealth growth rate, 1995–2021

Source: World Inequality Report 2022
Tackling inequality: The need and opportunity for business action

Major trends and developments exacerbating and underlining inequality

COVID-19: The COVID-19 pandemic has at once fueled inequality, fed upon it, and made it impossible to ignore. Income has been a stronger predictor of death due to COVID-19 than age.9 The World Bank estimates that COVID-19 has already pushed approximately 100 million people into extreme poverty.10 Meanwhile, according to Morgan Stanley, 2,700 billionaires added USD $5 trillion to their net worth in just 12 months.11 A new billionaire has been created every day since the pandemic began.12

THE CLIMATE EMERGENCY: The impacts of climate change are already falling disproportionately on the most vulnerable members of society, who lack the resources to adapt and to recover from shocks such as droughts, floods, and emerging health crises (while the rich contribute most to the problem, with the wealthiest 10% of the population causing nearly half of all carbon emissions).13 New research suggests climate change could push up to 132 million people into extreme poverty by 2030.14 At the same time, the critical transition that we must make towards a net-zero economy will itself cause disruption that could heighten inequality if not managed fairly through a just transition.

TECHNOLOGICAL DISRUPTION: New technologies are constantly creating new sets of winners and losers; boosting demand and wages for workers with the skills to use them while threatening the livelihoods of those without. The scale of the disruption could be significant. Bain & Company estimates that in just 10 countries (the US, Germany, France, Italy, Japan, China, India, Indonesia, Brazil, and Nigeria) more than 30% of workplace tasks have the potential to be automated, accounting for approximately 600 million jobs.15 There is also evidence that artificial intelligence can embed and amplify existing racial and gender bias if not properly managed.16

CONFLICT: Armed conflict is another form of disruption that hits the most vulnerable the hardest, fueling major increases in inequality. The recent war in Ukraine is displacing millions of people and disrupting global supply chains, affecting jobs, incomes, and the prices of products ranging from energy to wheat. This is not an isolated phenomenon. Research shows that income inequality increases by about 1.7 Gini coefficient points during war, when the average change per decade is only 0.6 points. Post-war, these disparities actually increase for an average of five years before peaking.17

INEQUALITY IS A SYSTEMIC RISK
Mounting inequality: The scale of the problem

The top 10% of earners receives nearly 52% of total global pay, while the lowest-paid half of workers receives just 8.5%.\(^{18}\)

The richest 10% of the world’s population now owns over three-quarters of all global wealth, while the poorest 50% owns just 2%.\(^{19}\)

Since 1995, the richest 10% has accumulated more than 20 times more wealth than the poorest 50% combined.\(^{20}\)

The 10 richest men in the world now own more wealth than the bottom 3.1 billion people.\(^{21}\)

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**Figure 3. Global income and wealth inequality, 2021**

<table>
<thead>
<tr>
<th>% of population</th>
<th>% of income</th>
<th>% of wealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bottom 50%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Middle 40%</td>
<td>39%</td>
<td>22%</td>
</tr>
<tr>
<td>Top 10%</td>
<td>52%</td>
<td>76%</td>
</tr>
<tr>
<td>Top 1%</td>
<td>19%</td>
<td>38%</td>
</tr>
</tbody>
</table>

Source: World Inequality Report 2022
Tackling inequality: The need and opportunity for business action
Inequality of opportunity

The inequalities of income, wealth, and wellbeing discussed above are underpinned by inequalities of opportunity: deep structural differences in people’s chances or prospects based on their personal characteristics and backgrounds – factors that are largely outside of their control.

Gender, race, ethnicity, disability, sexual orientation, place of origin, socioeconomic background, and other factors come with advantages and disadvantages in terms of access to education, healthcare, and other services people need to fulfill their potential; access to good jobs and career paths that allow people to meet their basic needs, fulfill a sense of purpose, and build wealth; and access to social safety nets that protect people from the worst impacts of misfortune. Different personal characteristics and backgrounds also come with different levels of access to power and participation in decision-making structures in business, government, and other institutions.

Multiple factors play a role in the levels of income, wealth, and wellbeing people achieve, but opportunity is the dominant variable. Upward mobility has become stagnant in many parts of the world and has actually declined across OECD countries. The World Economic Forum’s Global Social Mobility Index, which benchmarks 82 global economies, has demonstrated that there are only a handful of nations with the right conditions in place to foster genuine social mobility. In almost all geographies, individuals’ opportunities remain tethered to their socioeconomic status at birth, serving to further entrench historical inequalities. The result is that people at the higher end of the distribution curve tend to stay there, while those at the lower end typically have fewer choices and often struggle to get ahead.

Figure 4. Inequality is the product of different circumstances at birth and different opportunities and choices throughout life

“Today we are seeing the consequences of inequality unfold around the world. But inequality is not a fact of nature; it is a product of our systems and practices, which we can change.”

Ilham Kadri, CEO, Solvay
INEquality IS A SYSTeMIC RISK

Inequality of opportunity

| Women earn an average of 85 cents on every dollar earned by men and dedicate on average 3.2 times more hours to unpaid care work. | Black Americans earn 73.4 cents for every dollar their white peers earn. Black women in the US are paid an average of 63 cents for each dollar earned by white men. | Members of the LGBTQ+ community in the US earn an average of 90 cents for every dollar earned by their heterosexual counterparts. | In most developed countries the official unemployment rate for persons with disabilities of working age is at least twice that for those who have no disability. |

Women earn an average of 85 cents on every dollar earned by men and dedicate on average 3.2 times more hours to unpaid care work.24 Black Americans earn 73.4 cents for every dollar their white peers earn. Black women in the US are paid an average of 63 cents for each dollar earned by white men.25 Members of the LGBTQ+ community in the US earn an average of 90 cents for every dollar earned by their heterosexual counterparts.26 In most developed countries the official unemployment rate for persons with disabilities of working age is at least twice that for those who have no disability.27
INEQUALITY IS A SYSTEMIC RISK

The consequences of inequality
The high level and structural nature of inequality in our societies today make it a systemic risk; one that is weakening and threatening entire economies and social ecosystems in a number of ways.

1. Driving dissatisfaction and disillusionment
Faced with increasing concentration of wealth at the top, limited opportunity to catch up through choice and hard work alone, and mounting uncertainty from evolving macrotrends and disruptions, many people are losing faith that the system will deliver for them or their children. People are increasingly dissatisfied with their circumstances and pessimistic about their prospects. The United Nations Development Programme reports that 85% of all people worldwide feel insecure, including more than 75% of people in very highly developed countries. According to Edelman’s 2022 Trust Barometer, less than half of people believe they will be better off five years from now in 14 of 27 countries surveyed. Responses in nine countries are at all-time lows.

2. Eroding social cohesion
According to the OECD, equitable societies with strong and prosperous middle classes often experience lower crime rates, better health outcomes, and higher levels of trust and life satisfaction. Studies have shown that where inequality is higher, people are less willing to take action to improve the living conditions of others, participate in civic life at lower rates (for example, through voting), and more frequently believe in conspiracy theories.

3. Diminishing trust in key institutions
Edelman’s Trust Barometer shows low levels of trust in business, government, NGOs, and the media throughout society. What’s more, these already low levels of trust are underscored by a marked difference along class lines, with wealthier, more educated respondents expressing far more confidence in business and government than the general population. This “trust gap” has more than doubled over the past decade and reached a record level in 2022.
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INEQUALITY IS A SYSTEMIC RISK

Fueling civil and political unrest
In recent months, civil unrest has unfolded in countries as diverse as Colombia, India, South Africa, Sri Lanka, and the US. Between 2011 and 2019, there was a 244% increase in riots, general strikes, and anti-government demonstrations around the world — a trend that shows no sign of abating. In 2020, civil unrest rose by 10%. Violent demonstrations are now more common than at any time since 2008.

“Social cohesion erosion is perceived as a critical threat to the world across all time spans — short, medium and long term — and is seen as among the most potentially damaging for the next 10 years.”
— World Economic Forum 2022 Global Risks Report

Increasing the damage that crises cause
Inequality acts as a threat multiplier, increasing the impact of crises ranging from pandemics to climate change. Research by New York University has found that higher inequality correlated closely with higher COVID-19 infection rates, for example, with each additional Gini coefficient point bringing with it 32.3% more cases. Inequality is also driving the climate crisis. Research by Oxfam and the Stockholm Environment Institute shows that the richest 10% of the population generate approximately half of all carbon emissions, while influencing others to aspire to similar high-carbon lifestyles. At the same time, the latest text emerging from the Intergovernmental Panel on Climate Change (IPCC) is unequivocal that inequities linked to gender, ethnicity, income, and other factors increase vulnerability to climate risks and impacts. It also calls for action to tackle inequality as a key lever in achieving climate resilience and adaptation.

Undermining our collective capacity to tackle complex global challenges
The transformational change we need to put the world onto a more sustainable, resilient path critically depends on shared vision, collective effort, and mutual accountability across all sectors and segments of society — all things that we cannot expect to materialize in a world of sharp disparities in income, wealth, and wellbeing.

Inequality is already threatening our response to perhaps the most important challenge of our time, the climate emergency. Enormous differences in assets, resources, and access to power increase the risk that the costs and benefits of climate action will be distributed unfairly, with disadvantaged populations likely to incur the biggest costs and realize few of the benefits. People will work against the transition to net-zero if they feel they are being left behind. Simply put, we will not be able to arrest climate change unless we tackle inequality.

“Inequality destroys trust in institutions including businesses, it fractures society, and it holds back economic progress.”
— Alan Jope, CEO, Unilever
2

The case for business action
THE CASE FOR BUSINESS ACTION

Inequality is not a fact of nature, but a product of our systems, which can change. Certain business practices have played a role in entrenching the inequality we face today. Business therefore has a responsibility and an opportunity to help address it.

In the worst cases, corruption can drain public resources that might otherwise have been used to help those citizens most in need. In recent decades, most governments have fallen short in one way or another when it comes to leveling the playing field for their citizens and ensuring their economies work for all. Under a model of capitalism that seeks to maximize shareholder returns, certain business models and practices have contributed to growing inequality, widening social and economic gaps. These include practices in the workplace, marketplace, supply chain, and policy advocacy arena, as depicted in Figure 5.

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Business, meanwhile, also has an essential role to play.

The role of business in contributing to inequality

Business provides the lion’s share of the products, services, and jobs people need to sustain themselves and their families around the world. The private sector has fueled innovation, wealth creation, and rising living standards over the course of centuries. However, in recent decades the benefits and risks have become increasingly uneven as globalization, technological progress, and changes in the policy environment have unfolded.

“Business has a powerful role to play in reducing inequality and making it possible for all people to live the kinds of lives they aspire to.”

Sunny Verghese, Group CEO, Olam
Tackling inequality: The need and opportunity for business action

THE CASE FOR BUSINESS ACTION

Figure 5. Business practices considered to contribute to inequality

<table>
<thead>
<tr>
<th>Workplace</th>
<th>Marketplace</th>
<th>Supply chain</th>
<th>Policy advocacy and tax practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Paying low wages that fail to cover decent standards of living</td>
<td>• Under-investing in innovative products, services, and business models</td>
<td>• Putting pressure on suppliers with low prices, short delivery times, and</td>
<td>• Lobbying for looser regulation, weaker protection for workers and</td>
</tr>
<tr>
<td>• Trimming benefits that workers need to complement their wages</td>
<td>that are inclusive and enable consumers to meet their needs at prices they can</td>
<td>extended payment terms that reduce their ability to offer living wages and</td>
<td>consumers, and lower taxes that deprive governments of the funding they</td>
</tr>
<tr>
<td>• Shifting to gig or contract labor that offers little stability or financial security</td>
<td>afford</td>
<td>decent working conditions</td>
<td>need to level the playing field and provide social safety net programs</td>
</tr>
<tr>
<td>• Outsourcing, offshoring, or eliminating jobs altogether using technology,</td>
<td>• Advertising and using data in ways that perpetuate harmful stereotypes and</td>
<td>• Avoiding or minimizing tax payments through practices such as shifting</td>
<td>for their citizens</td>
</tr>
<tr>
<td>which – while protecting some jobs by keeping a company competitive – also increases competition in the domestic labor market, helping to keep wages low</td>
<td>reinforce the barriers people face across the economy and society</td>
<td>profits to subsidiaries in tax havens where companies conduct little</td>
<td></td>
</tr>
<tr>
<td>• Discouraging workers from organizing to increase their bargaining power and negotiate for higher wages, better benefits, or greater stability</td>
<td></td>
<td>meaningful business activity</td>
<td></td>
</tr>
<tr>
<td>• Discriminating based on gender, race, sexual orientation, age, disability, or other factors in hiring, promotion, and compensation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

“Inequality has serious consequences for social stability, economic progress and business’ license to operate, innovate and grow. Corporates have a unique opportunity to fashion innovative business models that enable systems transformation to tackle inequality.”

Sanjiv Puri, Chairman, ITC
A clear and compelling business case

Now, as inequality has increased and its consequences have become more pronounced, the calculus is beginning to change. The business rationale for a course correction is emerging – for companies to use powerful tools like product development, sales, pricing, contracting, wages, benefits, tax payments, government relations, and more to level the playing field, create opportunities for all people, and ultimately narrow social and economic divides.

The business rationale for tackling inequality isn’t a short-term financial one – it is much more fundamental. First, it is about responsibility. While business is a key creator of opportunity and value, certain business models and practices, driven by our model of capitalism, have played a role in entrenching the inequality we face today. Business therefore has a fundamental role to play in reducing it.

Second, it is about mitigating a systemic risk and building a world of opportunity in which business can thrive in the long term. Tackling inequality can strengthen the operating environment by building trust, enhancing social and political stability, and containing crises. There is also mounting evidence that tackling inequality could be an important driver for long-term, sustainable economic growth.43

Finally, as momentum builds behind a shift in the way business performance is perceived and measured, tackling inequality is also about unlocking a variety of company-level benefits, including securing license to operate, attracting and retaining talent, winning consumers, building resilient supply chains, and staying ahead of policy and regulatory change.

Efforts to tackle inequality also look set to play an increasingly central role in terms of how companies access capital. Focus on the “S” in Environmental, Social, and Governance (ESG) has ballooned in recent months, as COVID-19 has shone a spotlight on a range of social vulnerabilities and risks. Understanding and application of the key metrics that should be used to determine corporate social performance are evolving at pace, and with the International Sustainability Standards Board now working to deliver a comprehensive global baseline of sustainability-related disclosure standards – including around key social performance indicators – we can see a clear direction of travel emerging towards a market system that rewards companies with robust frameworks in place to support the transition to a more equitable society, and where strong corporate performance in this regard is a contributing factor to lowering the cost of equity and debt.

Of course, measures to tackle inequality will come with costs as well as benefits. The cost–benefit analysis can be complex, and there will be trade-offs as well as win–wins, especially in the short term. However, the cost of action must also be balanced against the cost of inaction – ultimately we need to consider costs incurred not as costs but as investments for long-term business success.

**Figure 6. Tackling inequality strengthens the business operating environment and unlocks company-level benefits**

**Strengthening the operating environment for business**

- Increasing economic growth
- Building political stability
- Containing crises

**Unlocking company-level benefits**

- Secure license to operate
- Attracting and retaining talent
- Winning consumers
- Accessing capital
- Building resilient supply chains
- Staying ahead of regulatory change
THE CASE FOR BUSINESS ACTION

Tackling inequality: Strengthening the operating environment

Closing the living wage gap worldwide could generate an additional USD $4.56 trillion every year through increased productivity and spending.44

Gender-parity improvements by 2030 could add as much as USD $13 trillion to global GDP and create 230 million new jobs for women.45

The US economy alone could be USD $8 trillion larger by 2050 if it eliminated racial disparities across the country.46

Wide-scale investment in employee upskilling has the potential to boost GDP by USD $6.5 trillion by 2030.47

Tackling inequality: Company-level expectations and benefits

73% of people surveyed by Edelman expect CEOs globally to inform and shape conversations and policy debates around wage inequality.48

Consumers are 4.5 times more likely to buy if a brand addresses human rights, 4 times more likely if it speaks out on systemic racism and 3.5 times more likely if it takes on economic inequality.49

Research has found that diverse and inclusive organizations are 70% more likely to capture new markets and on average enjoy 19% higher innovation revenue.50

68 institutions with USD $10 trillion in assets under management are now part of ShareAction’s Workforce Disclosure investor coalition calling for companies to disclose comparable and comprehensive data on their workforce practices.
3 Setting an agenda for action: The BCTI
Inequality is a systemic risk that requires a systemic solution. It demands urgent action by business and government alike. For most companies, the subject is a relatively new one. While a number of companies are displaying leadership – for example, by making their products and services more accessible, by paying living wages, or by investing in employee ownership – the business community as a whole is early in its journey. A recent analysis by the World Benchmarking Alliance of 1,000 of the world’s most influential companies found that only 1% are adequately demonstrating the fundamentals of respect for human rights, provision of decent work, and ethical business conduct. If present trends continue, business is on course to further entrench, rather than end, social inequalities and the systemic risks arising from them.

Building a world in which everyone’s dignity and rights are respected, basic needs are met, and equal opportunities are available for all will require action by all companies. Widespread action will, in turn, require new mindsets, a clear “must do” action agenda, and relevant standards, tools, guidelines, and networks to support business efforts.

### Introducing the BCTI
Against this backdrop, the World Business Council for Sustainable Development (WBCSD) is coordinating the BCTI – a cross-sectoral, multi-stakeholder coalition of organizations and their leaders with the mission of mobilizing the private sector to tackle inequality and generate shared prosperity for all.

The BCTI is seeking to drive greater levels of business awareness, investment, and action in proportion to the scale of the challenge ahead. As part of these efforts, the BCTI is working to develop a common narrative and agenda for business action to tackle inequality that business leaders can leverage, confident of its legitimacy and potential to drive impact at scale.

### An emerging action agenda
At a high level, this agenda covers six areas of action. At its core is a commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights (UNGPs). The agenda also encompasses efforts to tackle structural and behavioral barriers to opportunity for those who need it most, helping to create a level playing field.

These include endeavors to enhance 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 action to arrest climate change and nature loss, and mitigate their impacts on the most vulnerable.

Importantly, this agenda goes to the heart of how business gets done. Certain business models and practices contribute to inequality and they must change to address the problem; no amount of strategic philanthropy, on its own, will work.

To fulfill its potential to tackle inequality and generate shared prosperity for all, the business community needs a common agenda rooted in respect for human rights and a commitment to equity and social justice. The BCTI is working to advance such an agenda, and invites leaders and stakeholders from across sectors to join it.

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**SETTING AN AGENDA FOR ACTION: THE BCTI**
1. Respecting human rights

2. Enhancing access to essential products and services

3. Creating jobs and economic opportunities for all

4. Distributing value and risk equitably

5. Enabling government action

6. Climate and nature action

Figure 7. Key areas for business action to tackle inequality
1 Respecting human rights
The UNGPs establish that companies have a responsibility to respect human rights. This responsibility is central to the business agenda for tackling inequality because human rights are, in effect, the baseline requirements of a level playing field. Tackling inequality means enabling people to enjoy their human rights – and vice versa. Business respect for human rights is a critical foundation of any company’s ability to eliminate discrimination and address inequality, and underpins all of the other elements of this action agenda.

2 Enhancing access to essential products and services
Different levels of access to essential products and services – including housing, healthcare, nutrition, energy, digital technologies, financial services, and more – create different levels of opportunity, leading to different levels of income, wealth, and wellbeing. While some essentials are publicly provided in certain geographies, business delivers the lion’s share through markets – and markets are not currently making them available or usable to all. In 2021, nearly 2.3 billion people lacked year-round access to adequate food, 759 million people lacked access to energy, and 1.7 billion people remained unbanked.

3 Creating jobs and economic opportunities for all
Work plays a fundamental role in determining the levels of income, wealth, and wellbeing people ultimately achieve. Business accounts for some 80% of all jobs worldwide and plays the deciding role in who gets work of what kind. Business also shapes the way workers’ skills develop over time. It has a key role to play in ensuring that people have access to work, and the benefits deriving from it, irrespective of gender, race, ethnicity, disability, age, sexual orientation, socioeconomic background, or other factors – and that the workforces of today and tomorrow are skilled and empowered to manage the complex disruptions now unfolding in the world of work, from rapid technological evolution to the transition towards a net-zero economy.

4 Distributing value and risk equitably
Business is a key driver of wealth and value creation. Business activity also involves risk, both financial and, in some cases, physical. Companies have a critical role to play in ensuring that risks and benefits of business activity are shared equitably among shareholders, workers, and business partners at all levels of the organization and supply chain – through mechanisms such as wages, benefits, working conditions, contract terms, pricing, governance, and ownership. BCTI analysis suggests that up to one-third of the 3 billion workers covered by ILO statistics still earn less than a living wage. Recalibration is necessary to ensure that all who work can earn and accumulate enough to enjoy a decent standard of living. It is also necessary to ensure lasting trust in our systems and institutions, including business.

5 Enabling government action
Although business action is essential if we are to make progress in tackling inequality, business cannot solve the problem alone; bold government action is also required. Governments will need to provide public services and social safety nets equitably and effectively. They will also need to create an enabling environment for business to play its role at scale. While government alone can develop public policy, business must acknowledge that it profoundly influences the process and its outcomes. Companies must use their political influence and tax practices to support, and not hinder, government action to enhance equity and create equal opportunity for all.

6 Climate and nature action
It is impossible to separate economic development issues from environmental issues. As such, taking urgent action to accelerate decarbonization and maintain the 1.5°C safe operating space for people and planet, while also setting science-informed goals around halting nature loss and supporting its recovery, represent critical contributions that business can make towards tackling inequality. Left unchecked, climate change and nature loss will have devastating effects on some of the world’s most vulnerable communities, further entrenching inequality.
Looking forward
In the coming months, the BCTI will be building on this high-level agenda, working to define the specific actions that business must take in each of these six areas. For each action, we will be outlining the business rationale, identifying examples of good practice and sources of guidance, and outlining key asks for policymakers, investors, and other stakeholders to support business action at scale. The results will be published in a flagship report at the start of 2023.

At the same time, the BCTI will be using this process to identify a select number of opportunities to move from agenda-setting to catalyzing and supporting action – areas in which our respective organizations can accomplish more, faster, together than we can working independently. Illustratively, these could include developing coherent policy positions to advocate with government, influencing the social disclosure landscape to support responsible investor behavior, and developing new tools to inform better business practice in areas where gaps and needs exist.

As part of these endeavors, it will be critical for the BCTI to hear from and work with a wide range of stakeholders representing diverse perspectives. We invite all stakeholders to join us in shaping and accelerating this agenda for business action to tackle inequality. Together, we can level the playing field and in doing so build a world in which societies and economies are secure, resilient, and dynamic, and in which people and businesses both have the capacity to thrive.

To learn more about the BCTI and to explore opportunities to get involved in its work, please contact:

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Tackling inequality: The need and opportunity for business action

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Disclaimer
This publication has been developed in the name of the BCTI. Like other BCTI publications, it is the result of a collaborative effort by members of the secretariat and senior executives from member companies and partner organizations. A wide range of members reviewed drafts, thereby ensuring that the document broadly represents the perspective of the BCTI membership. Input and feedback from stakeholders listed were incorporated in a balanced way. This does not mean, however, that every member company or stakeholder agrees with every word.

About the BCTI
The BCTI is a cross-sectoral and multi-stakeholder coalition of organizations and their leaders launched in July 2021 with the mission of mobilizing the private sector to tackle inequality and generate shared prosperity for all. The BCTI is coordinated and powered by the WBCSD.

www.tacklinginequality.org
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About WBCSD
WBCSD is the premier global, CEO-led community of over 200 of the world’s leading sustainable businesses working collectively to accelerate the system transformations needed for a net-zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing “how-to” CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions.

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD $8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

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While different studies on the relationship between inequality and growth yield different results, because the relationship is mediated by a wide variety of factors, research by the International Monetary Fund concludes that “most plausible mechanisms suggest that poverty and inequality reduce growth, at least in the long run.” Chief among these factors is the degree of equality (or inequality) of opportunity. For a review of the literature, see Cerra, Valerie, Ruy Lama, and Norman Loayza. 2021. “Links Between Growth, Inequality, and Poverty: A Survey.” IMF Working Paper WP/21/68. For more on the relationship between inequality of income, inequality of opportunity, and growth, see Aiyar, Shekhar and Christian Ebeke. 2019. “Inequality of Opportunity, Inequality of Income, and Economic Growth.” IMF Working Paper WP/19/34.

Evidence from Harvard Business School (Emanuel & Harrington 2020) showed an elasticity between wage increase and productivity of 1.1–1.2. We used the previous estimates of # employees earning below the living wage to calculate the cost of closing the living wage (USD $1.89 trillion) and the gain in productivity (using the 1.1–1.2 multiplier). The increased spending is based on a multiplier of 1.21 from the Economic Policy Institute for the US (2013). Together, the gain of productivity and increased spending equals USD $4.56 trillion. This model is built on high-level data and estimates which contain important uncertainties, meaning that the results are directionally correct only. Further research on countries, sectors, and employment per skill level will need to be done to derive the exact change of productivity and spending to be expected, as it can vary a lot according to those factors.

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