2020

The Business Role in Creating a 21st-Century Social Contract

How the Private Sector Can Support Economic Prosperity and Social Mobility Through a New Social Contract

About This Report

This paper describes the need for a social contract fit for the 21st century, the business case for contributing to its development, and a vision for a new social contract with principles to guide business action. With these principles, BSR aims to catalyze business action through policies and practices that support social mobility and protection, collaboration between business and other stakeholders, and business participation in policy dialogues required to modernize the social safety net.

While the need for a new social contract is relevant worldwide, and many of the underlying factors necessitating change are global in scope, different regions and different countries have distinct social contracts. The case studies and data points in this paper are primarily focused on the United States and other mature economies of the global north, but the aim of the five principles is to set out a call to action that is applicable globally.

This paper is intended to support business leaders across multiple functions, such as sustainability, government affairs, procurement, investor relations, and human resources, in their efforts to shape resilient business strategies which enable people, communities, and the natural environment to thrive.

BSR has been working since 2018 to advance the notion that today's social contracts are unfit for purpose in the 21st century. Our initial thinking was presented in a discussion paper published at the 2019 BSR Conference. We then solicited input from BSR member companies and other experts on the ideas shared in the discussion paper. The dialogue which followed serves as the basis for this paper, with refined principles and specific opportunities for companies to take action. The arrival of COVID-19 and the renewed focus on racial justice in the United States and globally have only highlighted the urgency and relevance of this effort and strengthened our resolve to take it forward.

Throughout this paper, we aim to use terms to discuss race, ethnicity, social class, gender, sexual orientation, and disability that are respectful and avoid perpetuating stereotypes. We recognize that language and terms are constantly evolving, that preferred terms vary across the globe, and that in some cases, there isn't universal agreement about the most appropriate and respectful language to use. We use the term BIPOC (Black, Indigenous and People of Color) throughout the paper, though not exclusively. We also use the term "Black" and "Black Americans" in place of African American. We generally avoid use of the term "minority" since this term may imply inferiority. An exception is when we are directly quoting a source that uses the term. In those cases, we have included footnotes to provide further details on how the source uses the term.

We would like this paper to serve as the basis for ongoing dialogue and collaboration. For more information, please contact Katie Abbott (kabbott@bsr.org).

ACKNOWLEDGMENTS

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AT A GLANCE

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The Call for a New Social Contract

> I am convinced that we are entering a new era, in which companies will increasingly be judged by their overall impact on society and the environment. Companies that refuse to assume these responsibilities are doomed.
>
> Isabelle Kocher, Former CEO of ENGIE[1]

> To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.
>
> Larry Fink, Chairman and CEO of Blackrock[2]

> The social contract is broken! Workers want a New Social Contract that delivers decent work for all.
>
> Sharan Burrow, General Secretary of the International Trade Union Confederation[4]

> We do not consider the purpose of this company to be returning money to shareholders. There is a broader purpose.
>
> Emmanuel Faber, CEO of Danone[5]

> The purpose of a company is to engage all its stakeholders in shared and sustained value creation.
>
> Davos Manifesto 2020[3]

> It is more critical than ever that businesses in the 21st century are focused on generating long-term value for all stakeholders and addressing the challenges we face, which will result in shared prosperity and sustainability for both business and society.
>
> Darren Walker, President of the Ford Foundation[6]

The Role of Business in the 21st-Century Social Contract

PRINCIPLE 1

Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

PRINCIPLE 2

Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

PRINCIPLE 3

Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

PRINCIPLE 4

Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

PRINCIPLE 5

Worker Data Protection

Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

A Letter from BSR's President and CEO

Long before the urgent challenges of the COVID-19 pandemic and the long overdue focus on racial justice, diversity, equity, and inclusion changed history, it was clear that our social contracts were not fit for purpose. BSR launched our contribution to the essential work of modernizing social contracts in 2018. We are committed to taking this work forward and present this paper with an even greater sense of purpose and new perspectives on what a remade social contract should focus on and achieve.

In addition to the profound structural changes already remaking our world before the epochal events of 2020, COVID-19 has left a global death toll that currently stands at more than 430,000 people,[1] remade public finances, and threatens to eliminate the equivalent of 195 million jobs around the world.[2] And the tragic murder of George Floyd—and far too many others—is a powerful reminder of the deep structural racism faced by BIPOC, not only in the U.S., but also globally, in addition to other forms of discrimination that continue to plague all societies globally.

The ultimate impacts of these events cannot be predicted with certainty. Thus, we approach this effort with humility, in that the topic is as broad as it is urgent and also that lasting change will require long-term commitment. We also approach this effort with a strengthened sense of purpose, to catalyze business to make a lasting, significant contribution to the social progress that is so badly needed.

The structural flaws in the social contract were already evident before 2020, and recent events have both revealed and accelerated those shortcomings in vivid ways that demand action. We now see more clearly the importance of the social safety net, functioning public health systems, and global collaboration. We see more clearly that the world remains too focused on short-term thinking, leaving us extraordinarily susceptible to shocks that create wide social and economic destruction, with the greatest impacts on the most marginalized groups. In the United States, recent powerful examples of how systemic and institutional racism continues to plague the country, and its Black community, reinforce the urgency of ensuring a social contract based on more inclusive models and practices.

We are at a hinge point in history where transformation is both possible and necessary. Reforms to the social contract are clearly needed to protect public health, economic security, and the right of all people to participate fully in society. Change is important not only for those reasons, as important as they are. This effort is also badly needed to ensure economic stability, fairness, and security. Indeed, we believe this work is

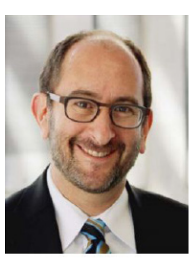
Working together will be critical to achieve these crucial objectives and to turn our current crisis into an opportunity to create models that enable more resilient, fair, and sustainable economic and human development.

essential for business since it can create incentives for business to align with the needs and objectives of society, produce long-term value for all, support a 21st century workforce, and lay the foundation on which innovation can flourish.

Achieving this ambition will require unprecedented collaboration among leaders from all sectors of society: business, government, philanthropy, and civil society, with a goal to define and align on a vision for a post-virus world grounded in equity and inclusion, what the new social contract must look like, and the roles of each sector in translating that vision into reality. The world is looking for leadership in a time of profound change. Business can and should fully embrace and fulfill its appropriate role by asserting leadership and innovation in its own practices, collaborating with business partners and other stakeholders, and using its voice to call for the public policy solutions that are so badly needed.

This paper is a first step toward this vision. It speaks both to the underlying structural issues that prompted this effort as well as the new context brought by the pandemic and the renewed call for diversity, equity, and inclusion, not least concerning racial justice. We hope it serves as a foundation for further discussion with companies and other partners about how to make progress. Working together will be critical to achieve these crucial objectives and to turn our current crisis into an opportunity to create models that enable more resilient, fair, and sustainable economic and human development.

The time is right to pursue a grand bargain that can create a more inclusive economy that enables people to thrive in dignity, preserves the natural world on which we rely, and creates more just and humane institutions that respect the rights of all. With this effort, we can truly meet the moment, and build the future.



Aron Cramer
President and CEO, BSR

Executive Summary

The social contract—the relationship between individuals and institutions—needs an overhaul. For much of the second half of the 20th century, in the mature economies of the global north, the roles and responsibilities of business, government, civil society, and people remained relatively constant. This social contract provided vital protections to support healthy and productive lives. But today, people increasingly find that they are relying on strained protection systems that fail to keep up with our 21st century realities.

Profound and interconnected changes are causing upheaval in our world and in our economy. We are living in a time marked by undue income inequality, declining living standards for many, great anxiety over the changing nature of work, shifting needs for education and skill development, and unstable public benefit systems. Other structural changes include a rise in global competition, new business and employment models, technological advancements that create both untold opportunity and significant ethical questions, demographic changes, the climate crisis, and new social and cultural norms. Underpinning these changes is the escalating climate crisis and the need to shift to a net-zero greenhouse gas (GHG) emissions economy.

These challenges come as we enter the decisive decade of the 2020s. The next 10 years will be critical for business and society as we aim to deliver on the 2030 Sustainable Development Goals (SDGs), the template for social and economic progress, and aim to peak emissions and become carbon neutral, in line with the Paris Agreement. At the same time, criticism is on the rise over the value of capitalism and the purpose of business as more and more people recognize the link between our economic system, environmental degradation, and inequality.

As we publish this paper, the COVID-19 pandemic is presenting the world with a health and economic disaster unprecedented in modern times. In the United States, the flawed social safety net is failing to meet the needs of our neighbors, coworkers, and families through a lack of access to healthcare, the extreme vulnerability of gig economy workers, the absence of paid sick leave, inadequate childcare, and insufficient unemployment insurance. Moreover, governments around the world have intervened in the economy in ways unseen since World War II (WWII). This reordering of the roles of the public and private sector will continue in the years ahead. The crisis is changing our world, and we have a unique opportunity to build a new social contract that supports a stable and thriving economy by enabling everyone to participate in and benefit from economic activity.

There is also an urgent need to ensure that new social contracts embrace diversity, equity, and inclusion (DEI). DEI approaches are critical to address both chronic inequities and the disproportionate impacts of COVID-19. Furthermore, there is a global call to address systemic discrimination, especially racial justice, in the wake of the killing of George Floyd and a heightened sense of urgency for structural and institutional reform. We have integrated DEI into each of the principles underpinning this paper, rather than making it a "standalone" principle, based on the belief that all aspects of the social contract, and all aspects of business action to advance the principles, should use DEI as a foundational element. Long-standing structural barriers to participation in the economy can, for example, be addressed with heightened attention to diversifying corporate governance and leadership. Ensuring career pathways and skill development must take into account populations that historically have been excluded from opportunities, may be most vulnerable to developments such as automation, and may be especially impacted by the economic dislocation which we are experiencing in 2020. A truly functioning and fair social safety net must address these challenges in a way that promotes fairness and also a thriving economy that benefits from full participation.

Business has significant incentives and assets to contribute to the development of new social contracts, including enhanced business performance and business resilience, improved talent attraction and retention, a stronger social license to operate reflecting greater stakeholder trust, and more stable societies and economies. Business cannot thrive in an environment that risks disruption and backlash due to a lack of economic fairness and opportunity. In the wake of the pandemic, we are calling for business to "meet the moment and build the future." In doing so, resilient business strategies will be fundamentally important to business success as well as economic and social recovery.

This paper calls for ambitious business action to build a modern and stable pact between individuals and institutions. Business can contribute to new social contracts through the following five principles:

1. **Stakeholder Capitalism:** Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

2. **Skill Development and Career Pathways:** Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

3. **Economic Security and Mobility:** Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

4. **Just Transition to Net-Zero GHG Emissions:** Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

5. **Worker Data Protection:** Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

The business role in shaping a modern social contract is based on a variety of opportunities for companies to "act, enable, and influence." A company can act within its four walls to adjust business strategies and policies to address inequity, provide opportunities for historically marginalized communities, and deliver long-term value to stakeholders. Companies can enable workers and communities to thrive as automation and the transition to a low-carbon economy take hold by partnering with civil society and other stakeholders to address skills gaps and benefits coverage. Companies can also influence the surrounding environment by advocating for strong public policy which supports critical elements of the social safety net. Crucially, business can take these steps in ways that enable business innovation to flourish, and companies will want to address elements that are most relevant to their company and stakeholders.

The social contract cannot—and should not—be modernized by business alone. Doing so requires a shared effort that brings together companies, governments, workers and their representatives, and civil society organizations. This paper focuses primarily on the role of business and the need to activate the business voice in favor of a new social contract that meets peoples' needs.

Given the urgency as well as the scale and complexity of the challenges ahead, we need high ambition, big vision, and large-scale collective action. We are facing both long-term structural changes and calls for urgent action at the same time. The economic and public crisis brought on by the COVID-19 pandemic, heightened attention to the need to address systemic discrimination, and the climate crisis and ongoing march of technology make clear that we are at a turning point in history. We can be "present at the creation" of new models in the same way the post-war generation laid the groundwork for decades of prosperity and social progress. By starting today and working together, we can "meet the moment and build the future" to ensure our social contract is fit for the 21st century, helps support a resilient, fair, and sustainable economy that respects the natural boundaries of our planet, and puts our society on a path to deliver truly shared prosperity.

The Call for a New Social Contract

The social contract in many parts of the world is no longer fit for purpose. We are in the middle of several interrelated transitions—multiplied by the current pandemic—that are putting pressure on the existing social contract and the people, communities, businesses, and governments that rely on it. The time is now for an overhaul that delivers economic vitality, stability, and mobility.

The foundation for today's social contract was established in the wake of the Great Depression and WWII. The institutions and norms created in the wake of those crises helped enable economic prosperity and mobility for several decades. This produced great results: Lifespans are now longer, women have entered the formal workforce in significant numbers, educational levels have increased, workforce opportunities have expanded for people who were traditionally excluded, the absolute standard of living has risen for many segments of society (even as income inequality has grown), and today's opportunities for information, travel, and entertainment are realities that were previously unimaginable.

The social contract has also delivered vital protections, including pensions, unemployment benefits, healthcare, safer working conditions, skills training, vacation time, and family leave. Today, however, a growing number of workers and their families increasingly find that they rely on a social contract that is failing to keep up with 21st-century realities. The COVID-19 pandemic has further revealed and exacerbated deep flaws in our society and raised the level of urgency in addressing them.

WHAT ARE SOCIAL CONTRACTS?

Social contracts are the accepted roles and responsibilities of societal actors, including people, government, business, workers and their representatives, and civil society organizations. Social contracts are created through both formal and informal means and enable businesses, workers, and society to thrive together. Key social contract elements include the social safety net, social protections, education structures, employment rules, wages and benefits, and taxation. Ideally, social contracts adapt to societal and economic changes to remain effective and to support social and economic stability.

MEETING THE MOMENT

Today's Social and Economic Upheaval

Profound and interconnected changes are happening at a dizzying pace, creating new opportunities for job and economic growth while also creating many challenges for individuals and businesses, placing great pressure on the social contract.

Technological advancement: The rise of disruptive technologies is affecting how and where we work, as well as the quantity and quality of jobs, and there is early evidence that this will accelerate in the wake of COVID-19. Rapid change creates economic disruption, uncertainty, and anxiety, along with opportunity. Robots are being used to eliminate physical tasks and manual labor,[1] harnessing artificial intelligence (AI) to complete cognitive tasks previously completed by employees. Combined with globalization, automation has reduced the supply of well-paying manufacturing jobs that require only basic levels of education. Expanding global connectivity and access to technology are increasing efficiency, while virtual meeting platforms are allowing more work to take place remotely. As technology becomes more prevalent in the workplace, new privacy and human rights risks arise as companies acquire control over a vast and increasing amount of worker data.

With automation, between 40 million and 150 million workers in advanced economies may need to switch job categories.[2]

New business and employment models: The days when the 40-hour workweek dominated are gone. Alternative work arrangements—the gig economy, self-employment, temporary work, part-time work, contracting, and flexible work arrangements—are disrupting traditional work models. The rise of these new business and employment models is prompting concerns among workers regarding the quality and availability of jobs with the necessary wages, benefits, and skills training that will enable them to thrive and advance.

In the U.S. and 15 European countries, between 20 and 30 percent of the working age population, or more than 160 million people, now engage in independent work, and that proportion is growing.[3]

Global connectivity and competition: Offshoring, access to both low-wage and highly-skilled workers from abroad, and shifting immigration patterns are changing the composition of workforces and the types of jobs available while presenting novel challenges to the capacity and ability of education systems to maintain competitive workforces.

Many of the largest U.S.-based multinational corporations have close to half, or more than half, of their global staffing outside the U.S.[4]

Increasing economic inequality: Income and wealth inequality have soared in many countries, due in part to the disintegrating connection between productivity and wages, skyrocketing executive compensation alongside stagnating wages for their employees, the rise of a "winner take all" economy where a handful of large businesses and their

Our societal structures have evolved significantly since existing social contracts were established. Longer lifespans and an aging population are exerting pressure on health and pension systems and putting the economic security of the growing cohort of the elderly at risk.

highly paid executives dominate the global economy, the lessening of progressive taxation, and the declining influence of trade unions. Economic opportunities have shifted from middle-income manufacturing jobs to service jobs, often with less job security, unpredictable work schedules, reduced benefits, and lower wages. New work opportunities are now concentrated in high-wage or low-wage work, and this polarization is hollowing out the middle class and widening the gap between rich and poor. Meanwhile, the cost of basic necessities, including housing, healthcare and education, is rising. Rural areas, in particular, are falling behind with most of the job growth concentrated in cities. It is likely that the current transitions, as well as the serious impacts of COVID-19, will continue to exacerbate economic inequality and the urban-rural divide.[5]

More than 120 million middle-skill workers in Europe and the U.S. experienced declining employment and stagnating wages between 2000 and 2018.[6]

Between 2011 and 2017, average wages in G7 countries increased by 3 percent, while dividends to shareholders grew by 31 percent.[7]

Demographic and cultural changes: Our societal structures have evolved significantly since existing social contracts were established. Longer lifespans and an aging population are exerting pressure on health and pension systems and putting the economic security of the growing cohort of the elderly at risk. Many groups, including women, BIPOC, and same-sex couples, were largely excluded both from employment opportunities and other benefits of the 20th-century social contract. Family structures, which once defined informal care networks, no longer look the same. The decline of the traditional nuclear family, calls for gender equality, aging populations, and the rise of flexible work arrangements are all leading to the need for new types of worker benefits.

In 2060, the normal retirement age will be close to 66, an increase of 1.5 years for men and 2.1 years for women since 2015. Life expectancy is generally increasing at a faster rate, which means the number of years spent in retirement will continue to rise. At the same time, institutional pension levels have declined by an average of 11 percent since 2000.[8]

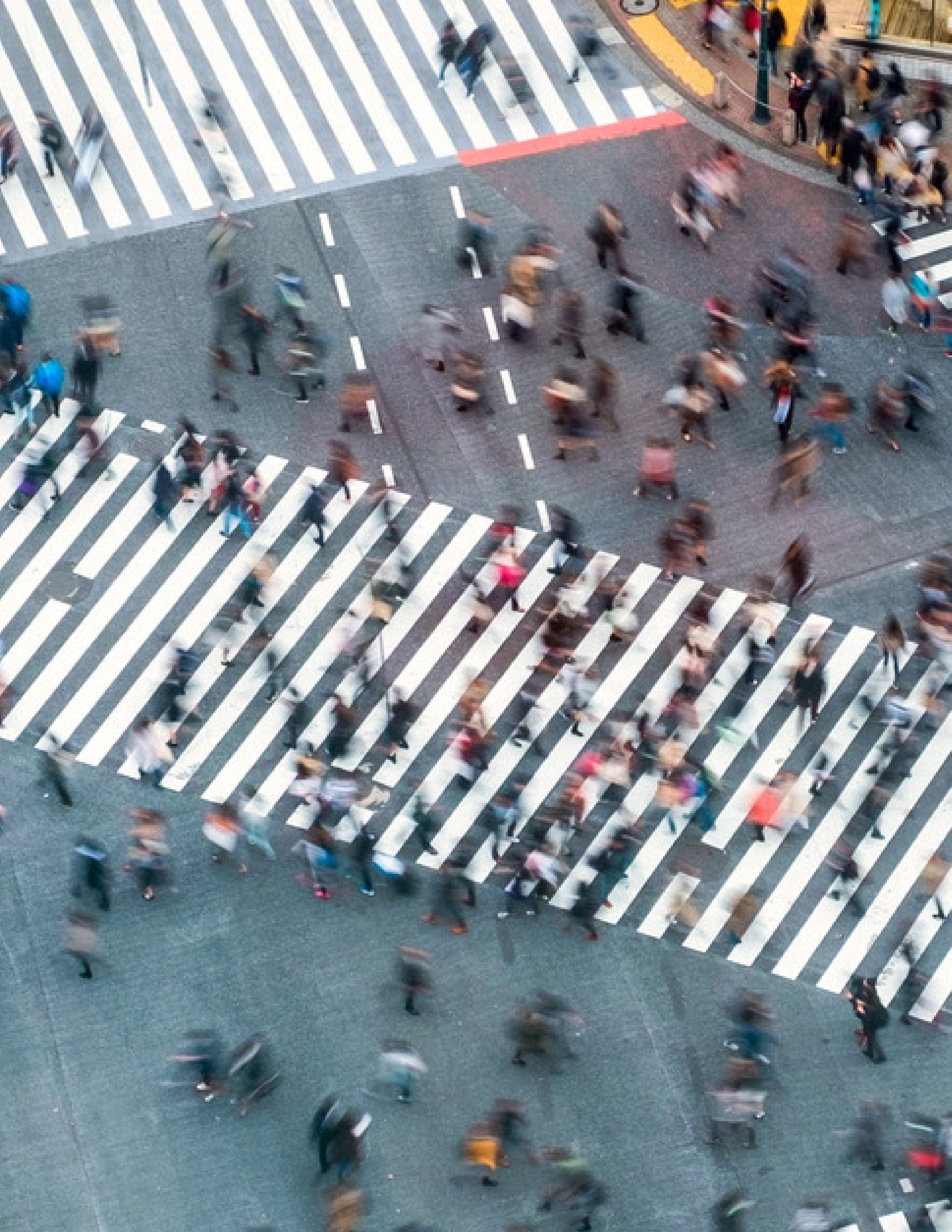
Climate change: Responding to climate change's emerging transformation of the economy is also essential to creating a comprehensive social contract. The shift to a net-zero GHG emissions economy by 2050 will simultaneously create new jobs while also spurring significant job displacement and new migration patterns. While the greatest impacts of this transition will be felt widely, there will be localized impacts on people and communities, including those that are already marginalized.[9]

Up to 65 million jobs and US$26 trillion in economic opportunities could be created by the transition to a net-zero GHG emissions economy by 2030.[10]

Heightened attention to chronic, systemic exclusion: Many of the structural flaws in today's social contract have disadvantaged people based on race, gender, ethnicity, national origin, and sexual identity. In some cases, this was by design. A new social contract must be designed to end long-standing and systemic exclusion of BIPOC, women, and other groups that have faced institutional and other barriers to full participation in society and the economy.[9]

In Australia, the callback rate for resumes with Anglo-Saxon sounding names was 35 percent compared with 26 percent for Indigenous applicants, 22 percent for Middle Eastern and 21 percent for Chinese.[11] *Job candidates in the U.S. were more likely to get an interview when they "whitened" their name. 25 percent of Black candidates received callbacks from their "whitened" resumes, while only 10 percent got calls when they left ethnic details on their resume.*[12]

All these changes, many of them reinforced by the massive job loss and economic pressures brought on by COVID-19, demonstrate that it is time to redesign social contracts. We have the opportunity today to meet the moment and build the future—to build a new social contract that is resilient and equitable, that repairs and strengthens our economy and society, that can withstand future shocks, and that works for the benefit of everyone.



A New Social Contract Is Good for Business

Business has significant incentives to participate in the development of a new social contract, including enhanced business performance, societies and economies that are fairer and more stable, improved talent attraction and retention, and a stronger social license to operate reflecting greater stakeholder trust.

The stakes are high for business. In the context of profound global changes, business action to develop a new social contract will not only shape a society whose workers and communities thrive but also create a more stable foundation for business. This is even more evident amidst the changes adopted in the wake of COVID-19, which has already led to fundamental changes reshaping the social contract in real time, with governments around the globe intervening in the economy in ways unseen in decades.

Shape the New Role of Business in Society

Mounting calls for business to address the needs of stakeholders, and not merely shareholders, reflect concerns about the role of business in society. Some of these concerns reflect a broad public sense of economic vulnerability and precarity tied in part to the outdated and dysfunctional social contract. These concerns often include significant questions about the relationship between the public and private sector, which is seen by many as engaging in lobbying, tax practices, and employment practices that disregard the public interest. Many business leaders have made clear their desire to build purpose-driven companies. But some observers have questioned whether such commitments, including those articulated by the Business Roundtable in 2019, will be translated into tangible action. Decisive business action to help reshape the social contract is a massive opportunity to vindicate such commitments by creating an economic model that works for all, with increased tax fairness, reduced income inequality, genuinely inclusive economies and businesses, and strengthened economic mobility and security, while simultaneously unleashing business innovation.

> *The 2020 Edelman Trust Barometer found 56 percent of respondents think capitalism does more harm than good in the world. A majority of respondents, 83 percent, believe that it is the duty of business to pay decent wages and 79 percent of respondents believe it is the duty of business to provide retraining for workers whose jobs are threatened by automation, but less than a third of people trust that business will do these. According to the study, the best ways business can build trust are to pay fair wages, focus on retraining, and partner with government.*[1]

Create Innovative Business Models

New work models that shift away from permanent employment opportunities toward nontraditional forms and part-time arrangements are dramatically changing the employment landscape. Most notable of these is the rise of gig economy jobs. The gig economy is a labor market consisting primarily of contingent, short-term, part-time, temporary, independent, freelance, or other outsourced work, and workers are usually hired on a task, project, or sales basis. Today, the gig economy is most known for companies that connect workers to consumers through app-based technology platforms. This new technology-enabled gig economy includes platforms for task-oriented services, selling products, and renting homes. Another increasingly common work model is the hiring of long-term contingent workers inside companies in place of full-time positions. Both approaches are being deployed more frequently by companies to augment a company's own workforce, expand current skillsets, fill understaffing challenges, and reduce overhead expenses. For new business models and work arrangements to thrive and be accepted by society, there is a need for new rules that provide safeguards for workers, regardless of employment status. With little consensus on the ground rules for these new work arrangements, uncertainty and risk increases for innovators. As the gig economy and other forms of contingent work continue to grow, there is a need for new ways of ensuring a functional safety net and labor protections for workers. This is an important engine of economic activity; rules are needed to maintain the license to operate and create the foundation for innovation.

> *According to McKinsey & Company, digital platforms could add 72 million full-time positions by 2025.*[2]

Support and Access a Skilled Workforce

To enhance productivity and remain competitive, employers need a workforce prepared for the modern economy. Technological disruption of existing jobs will change the mix of necessary skills as much as or more than it destroys employment. A new social contract can help ensure that public and private sectors contribute to the development of in-demand skills and that students and employees of all backgrounds can access the training opportunities they will need to navigate a new world of work and thus be prepared for the jobs of the future.

> *According to the World Economic Forum's (WEF) The Future of Jobs Report 2018, employers expected that by 2022, the set of skills required to perform most jobs would increase by nearly 50 percent.*[3]

Respond to Stakeholder Expectations

Business can address growing evidence that customers and employees are drawn to companies that reflect their values by supporting our society and economy. First, companies that help forge a modern social contract will be demonstrating values in action, which polling data suggest matters increasingly to consumers. Second, activating the business elements of a modernized social contract can attract both talent and customers. A company that invests in creating inclusive workplaces can attract, retain, and motivate the best talent. Employees offered social protections, such as parental leave, childcare incentives, retirement, and health coverage, are more likely to feel satisfied at work— to feel satisfied at work, contributing to employee retention and productivity.

> *64 percent of millennials consider a company's social and environmental commitments when deciding where to work, and 64 percent will not take a job if a company doesn't have strong corporate social responsibility values.*[4]

Thrive in a Stable Operating Environment

We have now entered a period of deep uncertainty. Businesses struggle to thrive in a world where society's basic rules are neither understood nor supported by the public. Income inequality—in addition to being unjust—stirs up social and political volatility that can disrupt business and the economy. Indeed, high levels of economic vulnerability and public dissatisfaction at being left behind in the global economy have undermined support for the open markets and global trading on which business relies. And during 2020, public concern about systemic discrimination, not only in the U.S. but also around the world, has further added to public calls for change. Conversely, strong social contracts both enable and reflect the stability that business needs to thrive. They help to build economic and social resilience, which are more important than ever in light of the pandemic. A strong social contract also creates the trust and stability that enables the risk taking and innovation that business needs to succeed. The 20th-century social contract ushered in a long period of prosperity and social stability, and business now has the opportunity to build a 21st-century social contract that supports a similarly stable operating environment where business, employees, and communities can thrive together.

> *The OECD reports that income inequality in OECD countries is at its highest level for the past half century,*[5] *and according to WEF, concern about inequality underlies recent social unrest on almost every continent.*[6] *Social instability can have far-reaching consequences, including the loss of a business' social license to operate.*

Principles for Business Action to Modernize the Social Contract

Our times demand ambition, innovation, and risk-taking to build a modern and stable pact between individuals and institutions. This was true before COVID-19, and it is even more urgent now.

With the principles outlined in this paper, BSR defines a clear role for businesses interested in effectively engaging in this broad and complex subject. Business can align with these principles and take action by creating ambitious policies and practices within their enterprises, developing innovative partnerships, and participating in constructive policy dialogues.

To build an inclusive and prosperous society in which businesses, workers, and communities thrive together, **we propose a new vision for a 21st-century social contract that:**

- **Enables all people to meet their needs amid fundamental social and economic change** via labor market participation, workplace protections, opportunities for economic advancement and security, and a functioning safety net;
- **Prepares business, workers, and government for the transformative changes sweeping the economy,** not least the transition to a clean-energy economy, automation and other disruptive technologies, and significant cultural change;
- **Supports smart public policy** to ensure economic opportunity, security, and mobility for all;
- **Bolsters business** so it can innovate, deliver value, contribute to shared prosperity, and contribute to a U.S. economy that is competitive, inclusive, and sustainable.

To achieve this vision, business engagement is essential and should be based on the following principles.

Principles for Business Action to Modernize the Social Contract

PRINCIPLE 1

Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

ACTIONS

1. Align corporate strategy and key business decisions with long-term value creation for all stakeholders.
2. Ensure that governance structures, including board and executive leadership, are inclusive and consider the interests and perspectives of all.
3. Design performance assessment, accountability systems, and external reporting to achieve and support long-term value creation.
4. Pay fair share of taxes, report publicly on tax payments by jurisdiction, and ensure lobbying is consistent with fair tax policies.
5. Reduce the earnings gap between executive and non-executive employees.
6. Embed diversity, equity, and inclusion (DEI) across all aspects of business operations.
7. Align policy advocacy, participation in industry associations, and monetary contributions with environmental and social objectives.

PRINCIPLE 2

Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

ACTIONS

1. Create high-quality employment opportunities that support peoples' livelihoods, resilient businesses, and healthy communities amidst deep structural change.
2. Offer beneficial career pathways that meet current and future employment needs and attract, retain, and engage staff.
3. Focus on DEI in hiring, training, and advancement to ensure that workforces reflect the entirety of society and that career pathways are accessible to all.
4. Establish worker training programs that develop productive, adaptive, and agile workforces that boost competitiveness and innovation.
5. Partner with educational institutions and skills-development programs to shape 21st-century skills curricula aligned with emerging skills gaps and future labor market needs.

PRINCIPLE 3

Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

ACTIONS

1. In response to the COVID-19 pandemic, call for social safety net reforms that address both broadly applicable needs and the specific, disproportionate impacts on marginalized communities.
2. Advocate for a social safety net that enables all people to meet their basic needs.
3. Advocate for social safety net provisions and labor law protections to be accessible to all workers, regardless of their employment status or job classification.
4. Advocate for wage levels and related income programs that enable workers to support themselves and their families. In the absence of such laws, pay a living wage to all direct employees, and encourage contractors and suppliers to also pay their workers a living wage.
5. Promote full and equitable access to social infrastructure (housing, education, transport, the legal system) and technology in support of widespread economic opportunity and vitality, with specific effort to ensure that access is available to traditionally marginalized communities in general and BIPOC in particular.

PRINCIPLE 4

Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

ACTIONS

1. Generate inclusive low-carbon employment opportunities, and manage the impacts on workers transitioning from high-carbon roles.
2. Advocate for policies that enable the generation of high-quality low-carbon jobs and for those displaced from high-carbon roles to shift to new livelihoods.
3. Work toward a just transition for people and communities through social dialogue and stakeholder engagement.

PRINCIPLE 5

Worker Data Protection

Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

ACTIONS

1. Undertake forward-looking assessments into the social, economic inclusion, and human rights impacts of disruptive technologies.
2. Secure meaningful and informed employee consent for worker data collection.
3. Use data analytics and digital tools to enhance the recruitment and management of healthy, diverse, and inclusive workplaces.
4. Advocate for new international standards and guidance on privacy in the workplace for the digital era.

PRINCIPLE 1

Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

1. **Align corporate strategy and key business decisions with long-term value creation for all stakeholders.**

2. **Ensure that governance structures, including board and executive leadership, are inclusive and consider the interests and perspectives of all.**

3. **Design performance assessment, accountability systems, and external reporting to achieve and support long-term value creation.**

4. **Pay fair share of taxes, report publicly on tax payments by jurisdiction, and ensure lobbying is consistent with fair tax policies.**

5. **Reduce the earnings gap between executive and non-executive employees.**

6. **Embed diversity, equity, and inclusion (DEI) across all aspects of business operations.**

7. **Align policy advocacy, participation in industry associations, and monetary contributions with environmental and social objectives.**

Background

The concept of stakeholder capitalism has gained new momentum. Influential CEOs have declared that "capitalism as we know it is dead,"[1] calling for a new model that values purpose alongside profit. In 2019, the Business Roundtable, America's foremost CEO network, issued its Statement on the Purpose of the Corporation, embracing a form of capitalism that focuses on the needs of stakeholders as opposed to the shareholder primacy model that had guided the group for decades.[2] In a similar vein, Klaus Schwab, executive chairman of the World Economic Forum (WEF), has noted that the "…[single-minded] focus on profits caused shareholder capitalism to become increasingly disconnected from the real economy. Many realize that this form of capitalism is no longer sustainable,"[3] and it appears that the COVID-19 pandemic has only reinforced this shift, with leading companies embracing the call to reimagine capitalism for the 21st century. Indeed, Schwab recently declared that the Forum's 2021 Annual Meeting in Davos, under the theme of "The Great Reset," will address the need for a new social contract.[4]

Reimagining capitalism in a way that produces resilient business strategies that generate long-term value for all stakeholders starts with governance. There is a growing appreciation of the fact that corporate boards should be comprised of directors with a better sense of the drivers of long-term value and that boards are not currently chartered to focus attention on such considerations. Still, survey after survey reveals that most boards have not yet embraced the need to redefine corporate purpose or the opportunity to design business strategies and incentive systems in sync with our changing world and a new understanding of capitalism. PwC's 2019 Annual Corporate Directors Survey found more than half of directors (56 percent) say investors devote too much attention to environmental/sustainability issues, which is one way to improve business resilience, even though only 50 percent think their board has a strong understanding of the environmental, social, and governance (ESG) issues impacting their company.[5]

Increased board engagement to push for more decisive climate strategies is a significant shift in the direction of long-term value creation. In 2019, WEF launched a set of principles to help boards and senior management consider the quality of climate governance at the organizations they oversee.[6] In the United Kingdom, the Directors' Climate Forum - Chapter Zero, a network of more than 500 company chairs, committee chairs, and non-executive directors, is committed to developing their knowledge of climate change implications for U.K. business, with chapters in other countries also being developed.[7]

Resilient business strategies depend on assessments of the evolving intersection of business and society. The Task Force on Climate-Related Financial Disclosures (TCFD)—discussed in greater detail below—is an important mechanism that has prompted boards to look at the climate resilience of their business strategies. TCFD offers an effective model that could and should be extended to other material questions that will determine the viability of company strategies and investments. These useful

Significant progress toward more just and equitable societies will only happen through the active adoption of diverse and inclusive governance models.

mechanisms can lead companies to prioritize resilience over optimization as the default approach to decision-making. We have removed slack in everything, from supply chains to public health systems to airline schedules, and we are living with the harsh reality of why that can be self-defeating. Strategic efficiency is a core value of business; relentless optimization of everything is not.

This shift to long-term value creation attentive to all stakeholders is reinforced by the rapid rise and mainstreaming of ESG investing. The experience of the pandemic is also likely to lead to changes that will accelerate the shift in the focus of capital markets from short-term shareholder value to one informed by scenario planning to prepare for future shocks and value creation for all. For example, traditional valuations do not adequately factor in climate-related risks, but new models like the TCFD are helping to guide more effective climate-related disclosures while embracing futures scenario planning. The UN Principles for Responsible Investment (PRI) recently announced that reporting based on the TCFD will become mandatory for PRI signatories.[8] In addition, public sector leaders have noted the importance of transparency on climate-related issues within financial markets. The European Commission has published guidelines incorporating the TCFD recommendations into the Non-Financial Reporting Directive 2014/95/EU, and the Australian Securities and Investment Commission published updates to its existing regulatory guidance, including TCFD risk categories and recommendations.

The support and leadership of boards is needed to make this shift in emphasis a reality, and resilient business strategies will happen only if diverse perspectives and experiences are present in boardrooms. Globally, women hold just 16.9 percent of board seats. Furthermore, only 4.4 percent of CEOs and 12.7 percent of CFOs globally are women, which are roles that commonly lead people into board seats.[9] In the U.S., the four Black CEOs on the 2020 list of Fortune 500 Companies make up a small fraction (only 0.8 percent) of the Fortune 500 CEOs despite Black Americans representing 13.4 percent of the U.S. population.[10] In 2019, Black Enterprise's Annual Power in the Boardroom Report found that 187 S&P 500 companies, or 37 percent, did not have a single Black board member in 2019.[11] Diversifying boards and executive leadership teams allows for the consideration of multiple informed perspectives when making strategic and operational decisions. In addition to the general business value that this enables and generates, it is also the best way to ensure that companies can create truly inclusive environments. There is now heightened focus on the need to make meaningful progress to combat racism and discrimination and to ensure equity in company operations and across the value chain, including workers, products, services, marketing, governance, investments, and policy positions. Significant progress toward more just and equitable societies will only happen through the active adoption of diverse and inclusive governance models.

Ongoing structural changes and endemic issues, including climate change, gender inequality, economic marginalization due to race, inadequate social protection, and tax unfairness,[12] have been reinforced, changed, and accelerated as matters of extreme urgency by the COVID-19 crisis, which has magnified the need for collective mobilization by business, government, and civil society. An increased emphasis on the social dimensions of ESG performance will receive heightened attention for some time to come. The calls for companies to adopt business models and practices that align with the interests of stakeholders and combine the traditional market-based values of economic dynamism and efficiency with those of solidarity, responsibility, and fairness will continue.[13] The only businesses that will thrive in the decade to come, and quite possibly the only businesses that will survive for the long run, are the ones which master these challenges. The question then is how business will "meet the moment."

Business Case

Multi-stakeholder capitalism will drive positive outcomes for companies in multiple ways.

Create resilient business strategies that deliver long-term value and anticipate changes in business and society.
The operating environment for business is undergoing rapid disruption. Resilient business strategies are more important than ever to enable companies to thrive amidst this turbulence. Adopting futures thinking and scenario analysis can anticipate possible changes in society, the overall business environment, and in consumer expectations. These approaches can help business improve decision-making under conditions of uncertainty and ultimately improve strategic resilience.

Attract investment in an era when capital allocation and portfolio management are increasingly focused on ESG factors.
Capital allocation based on ESG factors has skyrocketed in recent years, and it appears that this trend will intensify in the societal context created by COVID-19 as investors assess how well companies are managing the significant social and environmental impacts both in their own operations and supply chains. Increasingly, companies will need to disclose how they identify and measure intangible assets (social, natural, and human capital). Businesses that commit to a strategy that emphasizes positive social and environmental impacts, while disclosing how these indicators influence strategic decision-making, risk management, and executive compensation, will be able to attract investment and provide a competitive return to investors.

Support the creation of public policies that create incentives in favor of long-term value creation.
Businesses can reinforce and extend the incentives for long-term value creation by

87 percent of the public believes that stakeholders, including customers, employees, and communities, are more important to companies' long-term success than shareholders.

advocating for public policy frameworks promoting such steps. Businesses that assert their interest in long-term value creation can, for example, call for changes to securities laws, listing requirements and disclosure rules that align investors' objectives more fully with theirs. In the short term, the recovery and stimulus packages being debated and implemented across the OECD would be a perfect mechanism for establishing long-term value creation as opposed to a "quick fix" that reinforces existing flaws in our economic structures. And business also can be a helpful voice to reinforce international cooperation and alignment to ensure a level playing field that rewards companies most focused on long-term value for all stakeholders.

Augment social license to operate with key stakeholders; enhance trust and mitigate reputational and legal risks.
A company's social license to operate will either be augmented or damaged by its purpose and whether it acts in a manner which is consistent with the stated purpose. According to Edelman's 2020 Trust Barometer survey, 87 percent of the public believes that stakeholders, including customers, employees, and communities, are more important to companies' long-term success than shareholders.[14] In recent years, consumer boycotts and spending patterns provide strong evidence that consumers prefer to purchase responsibly made products.[15] Employee demonstrations calling on companies to take stands on social and environmental issues show that workers want to work for companies that align with their social values. And the significant growth of ESG investments shows that investors want to invest in companies that meet social and environmental standards. These trends have deepened in the immediate aftermath of the pandemic and global racial justice protests as consumers, workers, investors, and regulators all focus on how companies have treated employees, communities, and suppliers during the crisis, their contributions to society's efforts to combat the virus, and their stance and actions on combatting racism and other forms of discriminatory exclusion. Failure to look beyond shareholder returns when making decisions will have strong negative reverberations on a company's reputation and long-term business prospects.

PRINCIPLE 1: STAKEHOLDER CAPITALISM

Actions and Opportunities

1

Align corporate strategy and key business decisions with long-term value creation for all stakeholders.

- ☐ Develop resilient business strategies that consider long-term value creation and the interests of stakeholders, not only shareholders.
- ☐ Ensure that board composition, charter, and activities are designed in a manner that promotes resilient business strategies delivering long-term value.
- ☐ Consider alternative corporate models (public benefit corporations, certified B Corporations, employee cooperatives, employee stock ownership plans (ESOPs), etc.) to enhance business resilience and sustainability and to meet stakeholder expectations.

2

Ensure that governance structures, including board and executive leadership, are inclusive and consider the interests and perspectives of all.

- ☐ Diversify the board of directors and executive leadership team to address long-standing deficits in participation by women, BIPOC, people with different perspectives, employees, and others to enable consideration of multiple informed viewpoints when making strategic and operational decisions.
- ☐ Report publicly on diversity among board of directors and executive leadership, including gender, race, and national origin.
- ☐ Create mechanisms for engaging workers and worker representatives, communities, customers, and business partners, especially women and BIPOC, to incorporate their perspectives and interests into decision-making.

3

Design performance assessment, accountability systems, and external reporting to achieve and support long-term value creation.

- ☐ Establish clear and explicit oversight mechanisms of the Board of Directors for evaluating, managing, and reporting financial and non-financial performance.
- ☐ Measure both financial and non-financial (e.g. natural, human, social, intellectual, and manufactured) forms of capital in the assessment of business performance.
- ☐ Adjust financial reporting cycles to better support long-term value creation.
- ☐ Incorporate financial and non-financial performance goals into executive compensation plans.

4

Pay fair share of taxes, report publicly on tax payments by jurisdiction, and ensure lobbying is consistent with fair tax policies.

- ☐ Adjust tax strategy so that the amount of taxes paid is commensurate with the amount of revenue earned in a tax jurisdiction.
- ☐ Incorporate into tax planning the Global Reporting Initiative (GRI)'s tax reporting standard (GRI 207: Tax) that requires public reporting on the amount of taxes paid in each country.
- ☐ Support the extension of the requirements in the OECD's tax reporting guidelines, the Base Erosion Profit Shifting framework (BEPS), to cover countries not currently included in the framework.

5

Reduce the earnings gap between executive and non-executive employees.

- ☐ Close the gap between the salaries of CEOs and executive-level staff and those of lower-paid workers, beginning with those in the lowest-earnings decile.

6

Embed diversity, equity, and inclusion (DEI) across all aspects of business operations.

- ☐ Implement a comprehensive DEI strategy that values differences, including race, ethnicity, gender, nationality, age, sexual orientation, physical ability, military status, religion, political affiliation, and views.
- ☐ Eliminate any racial and gender pay gaps across the organization.[i]
- ☐ Source from and invest in women-owned businesses, BIPOC-owned businesses, and businesses from historically disinvested communities.

7

Align policy advocacy, participation in industry associations, and monetary contributions with environmental and social objectives.

- ☐ Incorporate social and environmental objectives into the criteria used to evaluate participation in industry associations.
- ☐ Allocate political and advocacy spending on policies and regulations which are consistent with company environmental and social commitments.
- ☐ Ensure that charitable contributions and corporate sponsorships are focused on organizations and events that align with environmental and social commitments.

[i] While there are various methods companies use to calculate wage differences, in general, the gender and racial pay gap is the average or median difference between what men and women or employees of different races earn within an organization. Pay difference based on other dimensions of diversity can also be analyzed, based on self-reported data.

PRINCIPLE 1: STAKEHOLDER CAPITALISM

Case Studies

CareCentrix caps executive compensation to raise entry-level wages

CareCentrix, a healthcare services company, froze pay for 20 senior executives and invested the annual inflation adjustment allotted for those executives to raise the wages of 500 entry-level employees. At the time, some employees were earning the federal minimum wage of US$7.25 per hour, less than US$16,000 per year. Through this initiative, CareCentrix raised the base wage rate to US$15 per hour, US$34,000 per year, and employee turnover rates declined. Over the past five years, the business has tripled. The minimum wage is now US$16.50 per hour and the company broadened profit sharing to all employee levels.

"I share my story at CareCentrix so that politicians and the public remember the role and responsibility of the business community in contributing to the success of the American Dream, and so that business leaders understand that an investment in the workforce is one of the best financial decisions to make."[16]

John Driscoll, CEO of CareCentrix

CVS Health puts long-term stakeholder value at the center of the company

In 2014, CVS Health, a U.S. retail pharmacy chain, became the first national pharmacy to remove tobacco products from its stores. Despite the anticipated US$2 billion loss in sales due to the removal of tobacco, the company's net revenues for 2014 increased 10 percent to a record US$139 billion while adjusted earnings per share rose 13.5 percent. According to a 2017 study, smokers purchased nearly 100 million fewer packs of cigarettes in states where a CVS Pharmacy had a 15 percent or greater share of the market.[17]

"This balance of purpose and profit represents a winning proposition for us all. It can lead to better companies that are motivated to do what is right for all stakeholders—customers, employees, suppliers, communities and, yes, shareholders. And, best of all, it enables us to leave a legacy of healthier communities and a better world."[18]

Larry J. Merlo, CEO and President of CVS Health

Danone pursues B Corp certification to fulfill commitment to sustainable business

Danone S.A., a European multinational food and dairy company based in France, is working toward B Corp certification across its operations. Certified B Corporations require companies to assess environmental and social performance, be transparent about those results, and adopt a new legal status. In 2015, Danone began the process of certifying its US$27 billion business, with separate certifications for each subsidiary. In 2017, Danone North America, with more than US$6 billion in revenue, became the largest certified B Corp and public benefit corporation in the world. Today, over 30 percent of Danone's operations are B Corp-certified, and it aims to certify the rest by 2030.[19]

FirstGroup includes workers on the board

FirstGroup, a transport operator in the U.S. and the U.K., is a pioneer in worker representation on boards. For over 30 years, FirstGroup has been one of the few publicly listed companies that has an employee director elected to the board, and most of its UK-operating companies also have worker directors. Having employee directors provides an employee viewpoint on issues affecting the direction and governance of FirstGroup and allows employees' ideas and suggestions to reach the boardroom. Employee directors are elected by employees. The company provides formal training for all employee directors as well as formal performance and development reviews to ensure that employee directors are supported to develop the skills and knowledge that they need to be effective in their role.[20]

HP makes progress on board diversity in the tech sector

HP Inc., an American multinational information technology company, demonstrates that diversity and inclusion starts with governance. In 2017, HP CEO Dion Weisler took the CEO Action for Diversity and Inclusion pledge to advance diversity in the workplace. HP's Board of Directors is now the most diverse of any U.S. tech company: 55 percent of its members are minorities,[ii] and 45 percent are women.[21] The company's commitment to diversity also extends to its executive leadership team, employee recruitment and training, business partners and suppliers, product design and delivery, and its volunteering and charitable contributions.[22]

Shell and BP align their participation in trade associations with their climate goals

As companies in the oil and gas sector begin to align their strategies with the Paris Climate Agreement, some have taken public steps to align their participation in industry associations with these objectives. Shell and BP have each announced comprehensive reviews of their participation in such groups, withdrawing from some, engaging in internal advocacy with others, and assessing alignment on an ongoing basis. Both companies withdrew from participation in select groups, with Shell parting ways with a large U.S. refining lobby, American Fuel & Petrochemical Manufacturers (AFPM), over AFPM's "material misalignment" with Shell's climate policies[23] and BP severing ties with three major trade associations, including AFPM, in 2020.

Verizon supports small businesses from underserved communities and social justice organizations

In partnership with Local Initiatives Support Coalition (LISC), a national nonprofit that invests in affordable housing, economic development, and jobs, almost 250 small businesses received grants of US$10,000 as part of Verizon's US$7.5 million Small Business Recovery Fund. The grants focused on offering critical relief and resiliency-building support to small businesses facing immediate financial threat due to the COVID-19 pandemic, focusing especially on historically underserved communities. The grants can be used for paying rent and utilities, meeting payroll, paying outstanding debt to vendors, and other immediate operational costs.[24] The Verizon Foundation also committed US$10 million to social justice organizations, shared equally between the National Urban League, the NAACP, National Action Network, Leadership Conference for Civil and Human Rights, Rainbow Push Coalition, National Coalition on Black Civic Participation, and the NAACP Legal Defense and Educational Fund.[25]

"Verizon is fiercely committed to diversity and inclusion across all spectrums because it makes us and the world better. I am hopeful that the rest of the country will come to understand that valuing everyone equally is the best way forward. We cannot commit to a brand purpose of moving the world forward unless we are committed to helping ensure we move it forward for everyone."

Hans Vestberg, CEO of Verizon

Vodafone commits to tax transparency

A core responsibility of business and a key pillar of implementing stakeholder capitalism is for companies to pay their fair share of taxes based on where income is earned. Vodafone has recently adopted the tax reporting standard of The B Team (The B Team Responsible Tax Principles), which align in many respects with the GRI's newly issued tax reporting guidance (GRI 207: Tax 2019). This builds on Vodafone's earlier decision, in 2011, to report its tax payments on a country-by-country basis. The B Team Responsible Tax Principles state that companies must pay taxes based on the income earned in each jurisdiction and provide a range of other guidance, including on how companies should engage with stakeholders on tax issues and publicly report on their tax strategy (including acceptance of tax incentives).

"By publishing full tax data for every country in which we have a legal entity, we send a number of important signals. It demonstrates that we make significant tax contributions, it shows our commitment to transparency and it helps to mitigate the risk of ambiguity or misunderstanding that can result from complex accounting treatments."[26]

John Connor, Group Tax Director
of Vodafone Group Plc

[ii] HP uses the term "minority" to refer to employees who are Black, Hispanic, Asian, Native American, Hawaiian/Pacific Islander, or two or more races.

PRINCIPLE 2

Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

1. **Create high-quality employment opportunities that support peoples' livelihoods, resilient businesses, and healthy communities amidst deep structural change.**

2. **Offer beneficial career pathways that meet current and future employment needs and attract, retain, and engage staff.**

3. **Focus on DEI in hiring, training, and advancement to ensure that workforces reflect the entirety of society and that career pathways are accessible to all.**

4. **Establish worker training programs that develop productive, adaptive, and agile workforces that boost competitiveness and innovation.**

5. **Partner with educational institutions and skills-development programs to shape 21st-century skills curricula aligned with emerging skills gaps and future labor market needs.**

Background

Even before the COVID-19 crisis, global forces, such as the rise in automation and AI, rapidly evolving digital technologies producing new business models, and increasing global connectivity, were changing the nature of work worldwide, affecting the quantity and quality of jobs, demanding new worker skills, and reshaping career pathways. The struggle many people face in finding quality work—jobs that allow workers to develop and deploy their skills commensurate with their capabilities—has an adverse effect on employers, markets, local and national economies, and communities, but especially on employees. Lack of quality work presents numerous challenges for workers, including lower standards for safety and security, psychological hardship, and unethical treatment.[1] Moreover, the challenges and realities workers face differ greatly across race, ethnicity, gender, age, sexual orientation, and other factors.

Automation of routine tasks—cognitive as well as manual—has only intensified the struggle to find quality jobs for many workers, replacing entire roles and portions of other jobs. Multiple industries are also harnessing AI to complete a variety of tasks previously completed by employees, including reviewing medical imaging, managing warehouses, and taking orders at fast food restaurants.[2] As these changes continue to unfold, many more workers will face displacement. The surge in demand for technical skills coupled with a drop-off in the skilled labor needed to generate comparable manufacturing output has exacerbated what has become the great divide in the U.S. labor market.[3] And now, COVID-19 is expected to accelerate many of these trends as the recovery effort leads to more rapid adoption of new business models and technologies.[4]

As the nature of how we work changes, the education and skills business needs will also change. In 2017, the McKinsey Global Institute estimated that as many as 375 million workers—or 14 percent of the global workforce—would have to switch occupations or acquire new skills by 2030 because of automation and artificial intelligence.[5] New technical roles will require knowledge across AI and machine learning, big data, process automation, information security, user experience and human-machine interaction, robotics, and blockchain.[6] When McKinsey overlaid racial representation over automation assessments of nearly 2,000 work activities in more than 800 occupations, they found that Black American workers are disproportionately concentrated in the kinds of roles that are most likely to be affected. They also found that efforts to ease a general workforce transition into an automated future of work could worsen existing racial disparities in income, opportunity, and wealth.[7] As companies prepare for the future of work, it is critical to develop approaches to skills development and career pathways that take BIPOC, women, and other excluded communities into account to create more equitable opportunities.

The changing world of work, including the rise in new work models and the decline in job tenure, means that people change jobs frequently and that their mix of skills will need to constantly evolve. The half-life of a learned skill in our current economy is now a mere five years.[8] As the needed skills, capabilities, and knowledge for jobs changes substantially, this new world of work will require opportunities for lifelong learning and worker resources for upskilling, reskilling, and transitioning to new careers.[9] Demand for workers with an interest in continual or lifelong learning will also increase. As technology, roles, and work models continue to evolve, companies will need employees who can quickly gain the skills and expertise required to develop and operate new technology and to succeed across new roles and work models.[10]

To meet this challenge, it is necessary to match workers with the skills required of a 21st-century workforce. Higher education has dramatically reduced workers' vulnerability to automation up to now.[11] There is increasing evidence, however, that traditional educational models are no longer sufficiently preparing people for the evolving economy. While secondary education provided a direct path to well-paying jobs for much of the 20th century, this no longer applies to many industries. Increasingly, two- and four-year college enrollment is being avoided in favor of non-traditional routes, like free or low-cost online courses, apprenticeships, and micro-credentialing, which provide foundational skills without the commitment or high price tag of a university.[12] Driven in part by the lessons of COVID-19, the learning landscape will continue to evolve in ways that will foster adoption of fully digitized approaches, making it possible to scale learning efforts in a more cost-effective way and permit greater personalization for learners.

Workers and businesses both will benefit from the involvement and accommodation of people from a wide range of backgrounds and abilities.[13] Companies should design skills development and career pathway programs to be inclusive in their content and flexible in their availability, to ensure they work well for all workers, especially people and communities traditionally unable to secure opportunities or who are navigating periods of change. This includes BIPOC, women, people with disabilities, people with criminal records, people who have paused their careers to care for family members, and people who lack a college degree.

Business Case

Ensuring work opportunities to sustain people and communities, while developing the skills that are needed for companies to compete and innovate, is one of the central challenges of the 2020s. This challenge speaks to structural changes taking place in the economy and is now made more urgent—and more complex—by the need to kick-start the economy in the wake of the coronavirus.

Address skill development in a fast-changing economy.
Skill development is one of the most urgent needs for business. In an IBM Smarter Workforce Survey of CEOs, 71 percent cited human capital—ahead of products, customer relationships and brands—as the leading source of sustained economic value.[14] PwC's 22nd Annual Global CEO Survey found in 2019 that 34 percent of chief executives are extremely concerned that a lack of key skills threatens their companies' ability to expand, and this risk was in the top 10 in all regions of the world.[15] A 2018 survey by Korn Ferry found that three global industries—financial and business services; technology, media, and telecommunications; and manufacturing—will on their own face

a collective global deficit of nearly 24 million workers by 2030 and US$2.3 trillion in lost or unrealized revenue.[16] Companies that launched successful reskilling programs said they were better able to address skill gaps caused by technological disruptions or to implement new business models or strategies.[17]

Attract, engage, and retain talent to increase profitability, productivity, and innovation.

Especially as labor markets evolve due to COVID-19, companies must find and retain good talent, particularly in tough-to-fill skills categories. Rather than risk losing current talent, employers can invest in expanding opportunities for existing workforces by establishing stable and upward career pathways.[18] Nearly a third of workers say that their employer doesn't provide career development activities sufficient for advancement and are much more inclined to advance their careers at another company, taking with them invaluable institutional knowledge and leaving a hit to their previous employer's culture and employee morale.[19] Employee turnover imposes costs for hiring, onboarding, and development. The cost of replacing an employee can be as high as 150 percent of their annual salary, not to mention the loss of productivity during training and onboarding new staff.[20] A study by IBM found that when teams are appropriately trained, companies save an average of US$70,000 annually and generate a 10 percent increase in productivity.[21]

Create a diverse and inclusive workforce reflective of the communities and consumer base central to business success.

Companies tapping a broader talent pool can reap short- and long-term operational advantages via inclusive employment strategies that result in productivity gains, quality improvement, boosts in innovation capabilities, and broad increases in employee engagement. In addition, younger employees are making career choices based on the diversity and inclusiveness of their workplaces.[22] Inclusive hiring and providing career onramps to those with non-traditional backgrounds—especially among historically marginalized populations or those who have faced barriers to opportunity and are generally overlooked by traditional hiring methods—can serve the dual function of filling skills gaps and anticipating future employment needs.

Help ensure that educational and other institutions are aligned with the objectives of 21st-century workforce needs.

Business alone cannot ensure the right mix of skills and talents; investment in traditional and non-traditional educational institutions are an important part of the puzzle. Business can partner with such institutions to achieve this goal. Partnerships that align and enhance education and training systems have been shown over time to be effective in encouraging and expanding the number of students, jobseekers, and workers who earn industry-recognized, postsecondary credentials that correspond to the skill needs of employers in high-demand industry sectors. Companies should also be involved in the design of programs to ensure that curricula and instructional strategies are aligned with the credentials that employers value in making labor market decisions.[23]

PRINCIPLE 2: SKILL DEVELOPMENT AND CAREER PATHWAYS

Actions and Opportunities

1

Create high-quality employment opportunities that support peoples' livelihoods, resilient businesses, and healthy communities amidst deep structural change.

- [ ] Provide high-quality work opportunities for all employees in terms of wages, hours of work, work schedules, health and safety, and benefits that facilitate a healthy, stable life.
- [ ] Ensure that all people, with a specific focus on marginalized groups such as women and BIPOC, have full access to job opportunities in truly inclusive environments.
- [ ] Maintain employment to the maximum degree possible, including through companies' supply chains, and where necessary, ensure that layoffs are limited and conducted responsibly in terms of severance, notice periods, benefit extensions, and job replacement opportunities and resources.
- [ ] Encourage supply chain partners to create workforce policies and strategies that align with core labor standards and workforce planning that considers potential economic shocks, the rise of automation, and climate impacts.

2

Offer beneficial career pathways that meet current and future employment needs and attract, retain, and engage staff.

- [ ] Take a long-term view of workforce development planning, including futures thinking and scenarios, to prepare for and adapt to significant disruptions to employment needs.
- [ ] Adopt skills-based hiring practices and recruit employees with non-traditional backgrounds to access talent that is generally overlooked by traditional hiring methods.
- [ ] Offer "returnship" programs to provide caregivers and others who have stepped away from their careers with opportunities to reenter the workforce.
- [ ] Implement mentorship, sponsorship, and coaching programs to help employees build strong relationships, establish career goals, and navigate professional pathways as their careers evolve.

3

Focus on DEI in hiring, training, and advancement to ensure workforces reflect the entirety of society and that career pathways are accessible to all.

- [ ] Eliminate bias in the hiring process, including bias introduced by hiring algorithms.
- [ ] Assess the diversity and equity implications of all talent decisions (hiring, promotions, layoffs, furloughs, pay cuts).
- [ ] Create equity in career progression and build pathways to leadership that target women, BIPOC, and LGBTI people.
- [ ] Provide training for all workers to increase awareness of structural and institutional discrimination and unconscious biases.

4

Establish worker training programs that develop productive, adaptive and agile workforces that boost competitiveness and innovation

- ☐ Support redeployment of workers who are at risk of layoffs through job-matching programs, retraining, and credentialing, including online programs.
- ☐ Implement and expand apprenticeship programs that combine paid work with classroom instruction to build a pipeline of skilled workers with occupation-specific competencies.
- ☐ Design and implement reskilling and upskilling programs to fill current skill gaps and address future skills needs. Involve workers in the development of training programs and consider opportunities to assess and enhance a variety of skills needs such as interpersonal and leadership skills.
- ☐ Offer outskilling and transition skills training (including networking and interviewing) to give workers at high risk of layoffs the skills and navigation support needed to find a new job or career path.

5

Partner with educational institutions and skills-development programs to shape 21st-century skills curricula aligned with emerging skills gaps and future labor market needs.

- ☐ Identify and assess overall societal skills gaps and key resource needs in consultation with public agencies, education providers, civil society, and business partners.
- ☐ Contribute to the development of educational curricula in line with critical skills that meet emerging labor market needs. Consider support for digital and financial literacy, personal and interpersonal skills, and opportunities to incorporate new and emerging technologies in the classroom.
- ☐ Accelerate the development of industry-recognized credentialing, including micro-credentialing. Build credentialing and certification programs in partnership with industry and educational institutions, including those whose student bodies are comprised of traditionally excluded communities.
- ☐ Invest and partner with educational institutions, including but not limited to Historically Black Colleges and Universities (HBCUs) in the U.S., as well as other institutions, to ensure that BIPOC are equipped with 21st-century skills and opportunities.

PRINCIPLE 2: SKILL DEVELOPMENT AND CAREER PATHWAYS

Case Studies

Banco Bilbao Vizcaya Argentaria (BBVA) offers long-term upskilling to train employees

Created in 2016, BBVA's technology upskilling program has educated almost 9,000 employees around the world and has logged more than one million hours of training, with plans to expand even further. Through the program, employees have access to digital education platforms, and through partnerships with Google and IBM, BBVA employees can engage in access hackathons where they can stay up to date on the latest technology. The program's utilization of gamification techniques also enables employees to continuously learn, shifting the culture of the bank toward one in which self-improvement and exploration of personal interests are the norm.[24]

Boeing invests in Historically Black Colleges and Universities (HBCUs) to train students for the aerospace industry

Boeing made a US$6 million investment in the company's future technical workforce through a partnership with the Thurgood Marshall College Fund and several HBCUs. The strategic investment supports scholarships, internships, and immersive "boot camp" programs to help students experience work life at Boeing.[25] Boeing selected eight HBCUs that proved they were the best equipped to support Boeing's mission of diversity and inclusion in building its pipeline of future talent.[26]

CTA and IBM create apprenticeship opportunities

The Consumer Technology Association (CTA) and IBM established the CTA Apprenticeship Coalition in 2019.[27] The aim of the initiative is to create thousands of new apprenticeships across the U.S. and to help close the skills gap companies face in hiring new employees.[28] Members of the coalition collaborate to create and scale internal apprenticeship programs in rapidly expanding fields within the tech sector. Through this coalition, millions of students and professionals alike are trained to fill "new-collar jobs", which refers to "middle-skill" occupations in technology, such as cybersecurity analysts, application developers, and cloud computing specialists. The coalition's mission is to create a national corps of skilled workers who will fill millions of new-collar jobs in communities across the country, not only in traditional tech hubs. Coalition members include Ford Motor Company, Sprint, Toyota, and Walmart.[29]

"At IBM, being an open and trusted company means going beyond the technology and working to understand and address the societal impact of it…Our commitment—and our entire industry's obligation—is to build a workforce that is 'tomorrow ready.'"[30]

Ginni Rometty, President and Chairman of IBM

KKR and Harlem Capital partner to recruit professionals from traditionally underrepresented groups into private equity

KKR & Co. Inc., an American global investment firm, is focused on recruiting diverse talent. In 2019, KKR and Harlem Capital Partners (HCP), a diversity-focused venture capital (VC) fund, launched a talent partnership to provide a pathway for women and racially diverse professionals to increase their presence in the investment management industry. HCP's existing internship program provides access to VC opportunities for diverse talent. Under the new partnership, HCP refers candidates and former interns to KKR for consideration in its internship and full-time hiring programs.[31]

"By every measurement or statistic you [see] over time, diverse organizations do better."

George Roberts, co-founder of KKR & Co. Inc

Lowe's and 60 other companies partner to fill skilled trades gap

In 2019, more than 60 companies announced a program called "Generation T," aimed at filling the growing skills trade gap, which is expected to leave three million jobs vacant by 2028.[32] This initiative, led by Lowe's, aims to shift negative societal perceptions of pursuing a career in the trades and to encourage youth to pursue non-traditional educational pathways outside of four-year colleges. Through this initiative, young people are educated about trade careers early on, and trade professionals are connected to career opportunities, such as apprenticeships and jobs, through the Generation T website.[33]

McDonald's invests in career pathways of frontline workers

With 1.7 million employees, McDonald's is the world's second-largest private employer.[34] The company's Archways to Opportunities education program provides career and education advising, online high school courses, tuition assistance, partnerships with universities, and English-language improvement opportunities to eligible employees of McDonald's and its independent franchises. McDonald's has also extended some of these benefits to the immediate family members of its employees. Since the program's launch in 2015, more than 50,000 restaurant employees in the U.S. have utilized its programs.[35] In 2020, the company rolled out an Archways to Careers mobile app to help restaurant employees understand how to leverage the skills they develop at McDonald's for future career paths and opportunities, whether at McDonald's or elsewhere.[36]

SAP invests in worker reskilling and lifelong learning

In 2017, SAP SE, a global software company headquartered in Germany, addressed massive shifts in its product portfolio by launching a comprehensive reskilling program for the 20,000 employees of its digital business services division. To prepare for this effort, the company quantified an expected skills gap by mapping the current skills of its employees with future business plans and predicted skill requirements. SAP then created multi-year "learning journeys" to help employees transition into new roles through in-house classroom training, including bootcamps, peer coaching, digital learning, and shadowing. In the first year, 4,700 employees participated in the program.[37]

"Learning is very central to our HR strategy. If you don't give access to lifelong learning opportunities especially in our industry, you will definitely fall short when it comes to innovation, speed and agility."[38]

Stefan Ries, Chief Human Resources Officer and Managing Board Member of SAP

Workday breaks down barriers to employment through workforce development

Workday, Inc. is a U.S. software company. Its Opportunity OnRamps[39] program aims to cultivate economic opportunity and remove barriers to employment.[40] The program equips diverse and nontraditional candidates—such as young adults, veterans, caregivers, and parents—to start or transition back into a career by providing them with internships, training, and job opportunities both inside and outside of Workday. To date, 70 percent of the internship program participants converted to full-time roles, 80 percent of the veterans' Career Accelerator Program participants converted to full-time roles at Workday, and 90 percent of the parents and caregivers in the returnship program converted to full-time roles.[41]

PRINCIPLE 3

Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

1. **In response to the COVID-19 pandemic, call for social safety net reforms that address both broadly applicable needs and the specific, disproportionate impacts on marginalized communities.**

2. **Advocate for a social safety net that enables all people to meet their basic needs.**

3. **Advocate for social safety net provisions and labor law protections to be accessible to all workers, regardless of their employment status or job classification.**

4. **Advocate for wage levels and related income programs that enable workers to support themselves and their families. In the absence of such laws, pay a living wage to all direct employees, and encourage contractors and suppliers to also pay their workers a living wage.**

5. **Promote full and equitable access to social infrastructure (housing, education, transport, the legal system) and technology in support of widespread economic opportunity and vitality, with specific effort to ensure that access is available to traditionally marginalized communities in general and BIPOC in particular.**

Background

Economic security and mobility have declined in many countries in recent decades.[1] The COVID-19 pandemic has exacerbated this, creating an immense crisis that will challenge and change the social safety net and the world of business. Although the scope and duration of the pandemic's impacts remains uncertain, it is highly likely that there will be a massive reordering of the relationship between business, government, and people. Though borne of a crisis, this presents a generational opportunity to create new means of achieving and expanding economic security and mobility.

The social safety net has been under increasing pressure for decades in many countries, owing to contractionary fiscal policies, the withdrawal of most defined benefit pension plans, the decline of trade union representation, and the deterioration or elimination of government programs supporting work transitions, health care, housing, and education. That this is a global challenge is reflected in the ILO's 2019 report, showing that more than 50 percent of the world's population has no access to any form of social protection and that only 29 percent of the global population has access to adequate social protection.[2] Moreover, these impacts have fallen disproportionately on marginalized communities, including communities of color that face multiple additional barriers to advancement and security. The erosion of basic labor protections and the deteriorating social safety net was harming low-income communities and communities of color long before the pandemic hit, but COVID-19 has underscored these structural flaws in the social contract.

The pandemic has caused economic and social damage that is expected to persist for some years, further weakening social safety nets at precisely the time when they are most urgently needed. The immediate response to the COVID-19 crisis has led to an enormous expansion of government economic and social spending at the same time that public finances have also been undermined. It is expected that the 37 OECD countries, and likely more, will take action to meet this shock, rebuild their economies, and meet human needs well beyond anything seen for decades.

This can happen in a variety of ways, including through continued government expenditures supported by increased tax revenues and debt, adjustments to the prevailing policy frameworks and financial industry mandates on debt levels, and business sector support through policy advocacy and involvement in social programs through collaborative mechanisms that build on and align with the capabilities of the private sector.

WHAT IS THE SOCIAL SAFETY NET?

We define the social safety net broadly in order to include the structures and supports that are critical for many types of workers to meet their basic needs. Our framing of the social safety net includes benefits provided by employers, government programs and policies related to work, and legislation regulating work standards.

Wage stagnation and income inequality have been rising for decades in many countries, resulting in the weakening of the social fabric and erosion of trust in institutions and the social contract. In OECD countries, real median incomes rose just 0.3 percent annually from 2007-2016, a sharp contraction from the previous three decades; and since 1985, the rate of increase in real median incomes has been 33 percent lower than the top 10 percent of income earners. Together, these trends have contributed to the fact that since 1960, the middle class has shrunk in the OECD,[3] and income inequality today stands at its highest level in the past 50 years.[4]

In the United States, real weekly earnings for full-time employees have grown just 10 percent since 1990,[5] and over the same period, the net worth of working-class and poor households has declined in real terms by 20 percent due to an escalating accumulation of debt.[6] Furthermore, income inequality has reached its highest point in the past 50 years, with 25 percent of Americans lacking savings for retirement.[7] And the racial and gender aspects of inequality are even starker: the latest "Survey of Consumer Finance" report from the U.S. Federal Reserve shows that an average Black American family has only 10 percent of the wealth of a typical White family.[8] As the effects of automation concentrate more Black workers in low-wage jobs, the existing income and wealth gaps between Black and White American families are likely to grow. White workers already earn around 1.5 times more than their Black peers with the same educational backgrounds.[9] Black Americans are also overrepresented among nursing and home health aides by around 420,000 employees, predominantly women. Although the field represents one of the fastest-growing job categories, it also has one of the lowest median wage levels, at around US$26,000.[10] Additionally, 65 percent of Black Americans live in 16 states that score "well below the national average" for access to health care, public health, and economic opportunities.[11]

Economic mobility has declined or stagnated in recent decades in many countries, owing, at least in part, to the increase in economic inequality and insecurity.[12] In the OECD, a 2018 study found that the opportunity for mobility and the actual movement of low- and middle-income households to higher income levels have declined in recent decades in many countries.[13] In the U.S., a detailed study of tax returns showed relative intergenerational mobility to be stagnant since the 1970s and absolute income mobility on a downward path since the 1940s.[14]

Many of these trends are exacerbated by the ever-growing shift toward nontraditional/alternative work arrangements, which have grown significantly in the past decade and include contract, freelance, flexible, part-time, on-demand, and gig-economy workers. Across the OECD, 16 percent of workers are self-employed,[15] and in the U.S., 28 percent of workers were in alternative work arrangements in 2019, up from 17 percent in 2014.[16] At nearly US$1 trillion annually, the aggregate income of all workers in alternative work arrangements currently comprises almost five percent of U.S. Gross Domestic Product (GDP), representing nearly half of the manufacturing sector.[17] The challenges of contingent work are recognized internationally, including in the commitment by the G20 to promote decent work in the platform economy.

COVID-19 has magnified the downsides of contingent work arrangements. However, the crisis is also likely spurring the increased use of such work arrangements as companies

> The private sector has a direct interest in taking steps to enhance economic security and mobility as well as more widely shared prosperity and opportunity.

and economies seek to recover from the severe pandemic-created economic downturn and further evolve the use of AI, robotics, and digital processes. Although providing flexibility for companies and workers, contingent work in the current public policy context in many countries also creates less predictable work schedules, reduced job security, lower and more volatile compensation patterns, reduced social protections, and the erosion of the contribution base of social protection systems.

Business Case

Increase market stability and customer demand by reducing economic volatility and dislocation and ensuring more widely shared prosperity.
The private sector has a direct interest in taking steps to enhance economic security and mobility as well as more widely shared prosperity and opportunity. Some of this can be achieved through direct business action, and some must be addressed in collaboration with government and civil society. Stagnant wages, increasing inequality, and decreasing economic mobility are bad for business in many ways; heightening economic insecurity for workers, for example, can undermine economic growth by sharply curtailing consumer demand, dampening revenue generation and profit levels. Companies can address wage levels and job security issues for their own workforces as well as advocate for policy changes that support living wages and enhanced job security measures for all, which can reduce inequities by race and gender. This is more urgent than ever in light of COVID-19.

A stable and resilient safety net preserves the social stability business needs to thrive.
The social safety net will almost assuredly be remade in profound ways because of COVID-19. Maintaining and enhancing the social safety net is critically important to prevent a calamitous breakdown of political and economic stability, which would be bad for the long-term interests of business. Breakdown of the social safety net also causes negative impacts on the social license to operate and the institutional structures that support business and markets, such as legal, regulatory, and educational systems. To prevent such destructive outcomes, business must shift from its often reflexive opposition to government action and increased spending to a more collaborative

approach with the public sector that will better serve the interests of business and society. In this way, the business community will significantly contribute to efforts to protect public health and security and secure economic and social well-being for all people, with special attention to those population segments profoundly hurt by the impact of the crisis.

Enable the social consensus and regulatory certainty needed to support and enable innovative business models and dynamic labor markets.

It is clearly in the interests of companies to support and advocate for greater clarity around innovative business models. This is important, for example, regarding the classification of contingent workers, the harmonization of access to and portability of social protection across all forms of employment, and the elimination of tax and regulatory incentives for employing contingent workers, all of which are common features of new models. Such clarity will enable the continued use of flexible work arrangements, address the needs of workers, and provide regulatory certainty.

PRINCIPLE 3: ECONOMIC SECURITY AND MOBILITY

Actions and Opportunities

1

In response to the COVID-19 pandemic, call for social safety net reforms that address both broadly applicable needs and the specific, disproportionate impacts on marginalized communities.

- ☐ Advocate for the extension of unemployment insurance in terms of worker eligibility and length of time to access.
- ☐ Support public health services through advocacy and direct donations to facilities and programs.
- ☐ Offer increased flexibility to support employee family care needs arising due to displacements from COVID-19.
- ☐ Call for health care benefits that include access to critical and affordable mental health resources that meet immediate needs and destigmatize mental health.
- ☐ Advocate for COVID-19 recovery and stimulus policies and investments to include consideration of ESG factors for business.
- ☐ Advocate for COVID-19 relief efforts and economic recovery plans that prioritize racial justice, women's empowerment, mental health, and climate change.

2

Advocate for a social safety net that enables all people to meet their basic needs.

- ☐ Advocate for laws and regulations that support and facilitate the portability of benefits from one employer to another.
- ☐ Support public policies that provide meaningful benefits, including unemployment insurance, paid family and medical leave, and health care coverage for all.
- ☐ Support government efforts to bolster pension systems to address shortfalls in government-run plans, the impacts of low savings rates, and the decline of defined-benefit programs.
- ☐ Advocate for tax subsidies to support caregiving, costs associated with daycare centers, and for providing on-site childcare.
- ☐ Advocate for training subsidies and worker-controlled Lifelong Learning and Training Accounts that help save and pay for education and training expenses.

3

Advocate for all social safety net provisions and labor law protections to be accessible to all workers, regardless of their employment status or job classification.

- ☐ Advocate for changes to laws to broaden access to government social protections for all workers, regardless of classification, e.g. for independent contractors and contract workers (temporary or part-time).
- ☐ Support the establishment of laws that clarify the difference between employees and contingent workers based on the importance of their contribution to the production of products and services and the degree of control exercised by the company over the work performed.
- ☐ Engage with independent contractor representative organizations and freelance worker platforms to understand their perspectives on the ongoing development of worker classification issues.

4

Advocate for wage levels and related income programs that enable workers to support themselves and their families. In the absence of such laws, pay a living wage to all direct employees, and encourage contractors and suppliers to also pay their workers a living wage.

- ☐ Advocate for minimum wage levels that support the acquisition of goods and services by individuals and households necessary to achieve an adequate standard of living that exceeds poverty and subsistence levels. This could include local and national universal basic income (UBI) programs.
- ☐ Determine wage levels required to support a decent standard of living, and institute a living wage program for all direct employees.
- ☐ Encourage the extension of the living wage commitment to the employees of contractors and suppliers.

5

Promote full and equitable access to social infrastructure (housing, education, transport, the legal system) and technology in support of widespread economic opportunity and vitality, with specific effort to ensure that access is available to traditionally marginalized communities in general and BIPOC in particular.

- ☐ Leverage business assets, resources, and networks to support and facilitate access to critical social infrastructure and technology.
- ☐ Advocate for expanded access to education and communication technologies for underserved communities, particularly rural communities and communities of color.

PRINCIPLE 3: ECONOMIC SECURITY AND MOBILITY

Case Studies

Bank of America commits to no layoffs and minimum wage increase after COVID-19

Bank of America, a multinational financial institution with more than 200,000 employees, has committed to no layoffs or job reductions in 2020 because of the COVID-19 crisis. In the first quarter of 2020, Bank of America raised the minimum hourly wage to US$20 and hired more than 2,000 employees for the consumer and operations functions. The company committed to protecting employee benefits, including 40-hour workweeks, paid sick leave and paid time off (where not required by law), and providing access and special allowances for childcare and elder care. In the U.S., eligible employees will continue to be paid for their regular, full weekly schedule, even if their hours are reduced, and will receive a special supplemental payment of US$200 per pay period. At U.S. call centers and operations centers, employees will receive double the hourly base pay rate when they work more than 40 hours a week. The company believes that its focus on responsible growth even during times of crisis will allow for better financial, operational, and social performance.[18]

Businesses in the U.S. sign on to "15 by 2024" letter to ensure minimum wage levels are adequate

As of May 2020, more than 1,300 U.S. businesses have signed a statement supporting a U.S. federal minimum wage increase from US$7.25 to US$15 by 2024. Some of these signees include prominent businesses such as Stonyfield, Organic Valley, Eileen Fisher, and Dr. Bronner's.[19]

Coalition of stakeholders urges U.S. lawmakers to support portable benefits

In the rapidly changing economy, opportunities to work short-term jobs as independent contractors are on the rise. However, independent contractors are not entitled to any of the benefits that are afforded to traditional employees. In 2015, the CEOs and founders of companies such as Lyft, Handy, Etsy, and Instacart, along with venture capitalists, union leaders, academics, and policy experts, signed a letter in support of portable benefits. The coalition's letter detailed how workers need a new, portable way to receive benefits that would cover them no matter where and how they work. The letter was sent to U.S. national and local government officials as part of the Good Work Code initiative that guides ethical contract employment.[20] The COVID-19 crisis has brought new urgency to this issue, as independent contractors, such as Instacart delivery drivers whose jobs place them at great risk of contracting the coronavirus, are now considered to be essential workers who do not receive health insurance (among the other benefits that are not accorded to them).

Etsy proposes policy reforms to protect gig economy workers

The online marketplace Etsy serves approximately two million sellers, more than 50 percent of whom are independent workers. In 2016, Etsy released a white paper, "Economic Security for the Gig Economy: A Social Safety Net that Works for Everyone Who Works," which outlines a series of policy proposals, from automatic tax withholding for 1099s to streamlined savings tools, which would provide a social safety net for everyone who works, regardless of how they work.[21] In March 2020, CEO Josh Silverman published an article that advocated for the U.S. government to take specific actions during the pandemic to protect microbusinesses, gig workers, independent contractors, and self-employed Americans who are not afforded the same protections as other types of entrepreneurs. Silverman advocated for the creation of a supplementary direct assistance program, an unemployment fund that would allow affected workers to receive benefits, and a guarantee that business-critical essential services, such as internet connectivity, financial services, and shipping, remained operational through the pandemic.[22]

"We need a system that works for everyone who works, including microbusiness owners, independent contractors, and the self-employed."[23]

Josh Silverman, CEO of Etsy

Hermes offers options for drivers to access benefits

Hermes, a German courier company, entered a collective bargaining agreement with the UK's GMB union to allow their drivers to opt in to a "self-employed plus" status. Drivers who opt in to this status must drive the company's prescribed delivery routes, and the status grants them a minimum wage and holiday pay of up to 28 days.[24] Drivers who choose not to opt in do not have access to those benefits, but they continue as freelancers and maintain flexibility over their routes.[25]

H&M advocates for increasing minimum wage in its countries of operation

H&M Group, a design and fashion company based in Sweden, became the first apparel brand to set significant public goals to achieve what it terms "fair, living wages" for garment workers. The company set out to advocate for both effective wage-setting mechanisms and appropriate legal minimum wages. H&M lobbied governments through its participation in an initiative called Action, Collaboration, Transformation and through its CEO's engagement with heads of state in Bangladesh and Cambodia. As the apparel industry began production in Ethiopia, H&M supported the ILO's call for the Ethiopian government to introduce a national wage-setting mechanism, and according to the Ethical Trading Initiative (ETI), H&M was the only brand to do so.[26] In addition, H&M asked ETI to conduct an independent five-year review of the company's strategy, including what worked well and learnings for the future, and the company shares those findings publicly.[27]

Humana supports community health and well-being to ensure better health outcomes

Humana, an American health insurance company, has partnered with local nonprofits and healthcare professionals to ensure that its program members in low-income communities who face barriers to health, such as social isolation/loneliness, food insecurity, and a lack of transportation, are identified and assisted. Humana has also developed comprehensive toolkits on the social determinants of health and food insecurity to help community partners, such as physicians and local nonprofit organizations, address these issues within their communities.[28]

Novartis pays a living wage

Novartis, one of the world's largest pharmaceutical companies based in Switzerland, committed to paying its employees a living wage in 2000, making it one of the first international companies to do so. BSR created the methodology for calculating the living wages and continues to be the implementing partner for Novartis. The living wage is adjusted each year in the more than 100 countries where Novartis employees are located and ensures that employees are paid above their country's legal minimum wage, which may hover around the poverty line.[29]

Salesforce rallies other companies to join in a 90-day no-layoff pledge

Salesforce CEO Marc Benioff publicly committed to no layoffs for 90 days during the COVID-19 crisis and also pledged to continue to pay all vendors, hourly service providers, and interns during this time. He encouraged others to continue to pay hourly workers, including caretakers, housekeepers, and dogwalkers. Benioff called on other CEOs to join the movement so that companies can be clear and straightforward with workers about job stability. Salesforce also launched a five-step plan for getting people back to work safely while working with the public and private sector to secure personal protective equipment (PPE) and develop workplace resilience in response to the COVID-19 crisis. Salesforce also launched a playbook and software platform called work.com. The platform has tools for contact tracing, emergency response, employee wellness assessments, reskilling, and crisis response.

"This is a tremendous opportunity for all CEOs and all businesses to really put their resources right out there and say, 'We're going to do everything we can to lead and help the world get through this.' That is truly stakeholder capitalism."[30]

Marc Benioff, CEO of Salesforce

Starbucks offers therapy to all U.S. workers

In April 2020, Starbucks expanded its commitment to mental health in the workplace by providing employees and their families with 20 free sessions with a mental health therapist or coach per year.[31] The benefit was created based on employee feedback and is the latest update in the company's mental health initiative announced in 2019, with an aim to promote mental wellness and offer innovative new mental health care benefits that support Starbucks' goal to break the stigma surrounding mental health. Later this year, Starbucks will launch a training program for store managers that provides guidance and skills to support someone who may be experiencing a mental health issue.

"Mental health is a fundamental part of our humanity and these resources will make a meaningful difference in people's lives and help break the stigma around this complex issue."

Kevin Johnson, CEO of Starbucks

PRINCIPLE 4

Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

1. **Generate inclusive low-carbon employment opportunities, and manage the impacts on workers transitioning from high-carbon roles.**
2. **Advocate for policies that enable the generation of high-quality low-carbon jobs and for those displaced from high-carbon roles to shift to new livelihoods.**
3. **Work toward a just transition for people and communities through social dialogue and stakeholder engagement.**

Background

Climate change will reorder the foundations of the modern economy. Without ambitious action, climate will disrupt economic growth, and the impact on jobs, health, and livelihoods will be severe. To avoid these impacts, it is essential to reach net-zero global GHG emissions in the second half of this century, as stipulated by the Paris Agreement and embraced by a growing number of governments and companies.

Achieving net-zero GHG emissions will require significant transformations in how our society, economies, and industries operate, as well as advances in technology and infrastructure development. Despite the profound shared benefits of an energy system that supports net-zero GHG emissions, this shift also will disrupt the lives of many people and communities, as it spurs significant job displacement and migration.

A 21st-century social contract therefore should address the impact of the transition to a net-zero GHG emissions economy on workers, especially those facing underlying vulnerabilities and inequalities. Achieving decarbonization targets must be done in a way that creates decent work and supports broad prosperity by maintaining strong economies and thriving communities. If tackling climate change is seen as a cost that exacerbates economic vulnerabilities, political opposition to climate action will grow, which in turn will make it significantly harder to achieve the other economic and social objectives outlined in this paper.

Business action, ideally supported by government action through regulation, investment, and incentives, is needed to create high-quality green jobs and to procure renewable energy. Business will need to consider other factors in this process, including upholding human rights and adhering to global labor standards through appropriate due diligence and racial and gender equality. The transition to a low-carbon economy also presents an opportunity for businesses to contribute to 21st-century skill development. This process will achieve greater support, and be more effective, if it is done in partnership with relevant stakeholders from civil society and affected communities and in dialogue with workers and their representatives.

In addition, business and government should partner to ensure that the shift to a net-zero GHG emissions economy can be a powerful engine for job creation, business innovation, and strong and resilient economies. By working with government, business can achieve the twin goals of ensuring economic vitality where it is most needed and sustaining the political will to act on climate change. Businesses can influence the emerging policy environment for low-carbon, climate-resilient, and inclusive development. This will be essential to counter inaccurate arguments that taking climate action will result in economic vulnerability and net job losses. While the transition to a net-zero GHG emissions economy will ultimately be a net job creator and a powerful economic engine, it is also the case that people and communities are facing loss of livelihoods during the shift.

Many are correctly calling for climate change to be considered deeply as part of the response to COVID-19 and for a recovery that works for all, including those most disproportionately affected. The OECD recently called for governments to ensure that their support for economic recovery does not undermine efforts to limit threats from climate change since these impacts could be as destabilizing to societies and economies as the pandemic but on a different time scale.[1] As COVID-19 drives governments to introduce emergency plans to cushion the immediate economic effects, there are growing calls for "green" stimulus efforts that align with net-zero GHG emissions targets and push for a sustainable restart to the economy with green job opportunities.

A group of 180 political decision-makers, business leaders, trade unions, campaign groups, and think tanks recently urged EU leaders to adopt green stimulus measures, and a number of EU countries signed a separate open letter urging the EU to ensure its rescue package supports the Green Deal.[2]

It is also clear that systemic socioeconomic inequality further exacerbates the dangers posed by both COVID-19 and the climate crisis to vulnerable populations. These interrelated crises expose the underlying inequalities that exist today, creating disproportionate impacts on low-income communities, BIPOC, women, the elderly, and those with preexisting health conditions.[3] Our recovery must be designed to ensure that people do not bear the brunt of the adjustment cost of getting back to work post-pandemic. In light of COVID-19, it is even more important to ensure that the people and communities dependent on high-carbon jobs aren't left behind as we transition away from fossil fuels to renewable energy.

Business Case

Creating high-quality green jobs and supporting workers in the transition to a low-carbon economy is critical for business to capture low-carbon opportunities, manage transition risks, enhance employee engagement, and ensure support for the transition as well as a stable operating environment.

Capture value of new low-carbon market opportunities in a low-carbon economy. The transition to a low-carbon economy will require deep transformation of many industries. This change is already happening and the companies that lead the charge will be able to grasp opportunities ahead of competitors. Green jobs are growing rapidly. The transition to a low-carbon economy could create a US$26 trillion growth opportunity and 65 million new jobs by 2030.[4] According to the International Labour Organization (ILO), 18 million jobs can be created by achieving sustainability in the energy sector by 2030.[5] These jobs include construction jobs retrofitting buildings, producing electrical machinery and sustainable building materials, manufacturing low-carbon technologies, renewable energy production, and biomass crop cultivation.

Manage legal and reputational risks, including human rights and labor law violations. Many of these industries are developing quickly to meet the need for low-carbon alternatives without clear implementation and due diligence guidance, and there is a growing trend of business and human rights risks and labor violations.[6] Business will want to ensure that its investments in these promising new areas are undertaken in a manner consistent with their values. In this way, companies will ensure their investments pay off while still respecting human rights and other principles demanded by stakeholders.

Maintain good workforce relations and optimize the operational effects of cutting emissions. Businesses urgently need to understand how the low-carbon transition will impact their operations, supply chain, and communities, and implement plans to minimize risks and maximize opportunities. Worker engagement will enhance business resilience and innovation, as companies will be better prepared to anticipate worker needs and future demands and reduce risk of reputational damage. This is especially true in cases where some workers will be losing jobs. Engaging with workers in the transition process not only mitigates risks associated with poor labor relations, but it also builds stronger worker relations, improves workforce productivity, helps business attract and retain talent, and ensures positive and sustainable relations with local communities. It also ensures a company, its employees, and local communities have the skills, investments, and capabilities needed to thrive amidst enormous, rapid change.

Generate economic vitality and stability in communities of operation and enable political and economic support for the energy transition.
Engaging with communities and governments can also increase social support for climate action and sustainable business practices. Long-term planning can help companies better understand how the transition to a low-carbon economy will impact the workforce and business, ensure the right allocation of skills, manage and optimize the operational and reputational effects of cutting emissions, and reduce costs and enhance revenue. This approach improves oversight of transition benefits and costs and increases social support for climate action and sustainability. It also allows companies to plan for, manage, and optimize the operational and reputational transition impacts. Investor relations can also benefit, as investors are increasingly asking business to disclose climate risks, including risks from transition, labor practices, and workforce planning. The Task Force on Climate-Related Financial Disclosures (TCFD) has called on all public companies to report on climate risks and how they address them in mainstream financial filings.

Contribute to a society-wide approach to managing the energy transition that enables flexibility and innovation, especially post-COVID-19. COVID-19 economic recovery programs can both advance the climate agenda and create future-proof jobs. Addressing the climate crisis will create new markets and jobs within the renewable energy sector—jobs that will not depend on the volatile carbon market or carbon-intensive assets. Creating plans and systems that both address current unemployment from COVID-19 and help society respond to future climate impacts will create a more resilient and healthier economy.[7] According to a report by the University of Oxford, green COVID-19 recovery packages would boost economic growth as well as mitigate climate change. Long-term, climate-friendly stimulus policies, green infrastructure initiatives, building efficiency retrofits, investment in education and training, natural capital investment, and clean research and development all have a high potential to boost economic growth and mitigate climate change.[8]

PRINCIPLE 4: JUST TRANSITION TO NET-ZERO GHG EMISSIONS

Actions and Opportunities

1

Generate inclusive low-carbon employment opportunities and manage the impacts on workers transitioning from high-carbon roles.

- ☐ Create a net-zero GHG emissions transition plan that includes respect for core labor standards, opportunities to seize the employment-generating opportunities of the low-carbon economy, and that considers how these opportunities can address structural inequalities and impacts on vulnerable communities.
- ☐ Ensure that procurement of renewable energy to achieve net-zero GHG emissions is undertaken in accordance with international human rights and labor standards.

2

Advocate for policies that enable the generation of high-quality low-carbon jobs and for those displaced from high-carbon roles to shift to new livelihoods.

- ☐ Participate in dialogues with governments to determine needs and opportunities and advocate for policies that support an inclusive transition to a net-zero GHG emissions economy.
- ☐ Advocate for laws that protect jobs and ensure social equity while advancing the Paris Agreement goals (e.g. strong social protection programs and financial support to help dismissed workers retrain and find new jobs, policies to protect vulnerable groups, support for skills development for green sectors, and opportunities for early retirement packages for older workers).
- ☐ Advocate for COVID-19 economic recovery plans that prioritize the shift to a net-zero GHG emissions economy and that embrace a just transition, ensuring decisive action on climate in a manner that is broadly beneficial economically, specifically for those who are disproportionately impacted by the transition.

3

Work toward a just transition for people and communities through social dialogue and stakeholder engagement.

- ☐ Assess, identify, and disclose the Task Force on Climate-Related Financial Disclosures (TCFD)-aligned transition risks and opportunities affecting communities.
- ☐ In cases where jobs are lost or changed, engage in dialogue with workers and their representatives to enable transition and mitigation of economic and social impacts.
- ☐ Commit to stakeholder and community engagement to understand the necessary skills, gaps, and resources needed to stimulate low-carbon economic transformation.
- ☐ Work with government to ensure that the cost of the transition is not passed to low-income populations through higher energy costs or reduced access to affordable energy.
- ☐ Consider ways to focus specifically on communities of color and other marginalized groups that are impacted by the energy transition.

PRINCIPLE 4: JUST TRANSITION TO NET-ZERO GHG EMISSIONS

Case Studies

Autodesk, Safaricom, Unilever, and others commit to the Pledge for a Just Transition

Major stakeholders are signing onto a pledge that ensures that they procure renewable energy in a way that ensures communities whose economies are dependent on affected industries are not left behind. Governments must create specific and actionable transition plans that not only further the goals of their climate policies and strategies but that also effectively address and ameliorate the conditions of workers and employers that may be negatively impacted by this transition.[9]

Enel adopts framework for just transition

Enel, an Italian electricity company operating in more than 30 countries, committed to decarbonize its energy mix by 2050. To implement this commitment—which includes the closure of 13 gigawatts of thermal power stations in Italy, as well as the expansion of renewable energy— Enel engaged workers, unions, local government, business, and communities to develop plans for new economic development post-closure. Enel also established a global framework agreement with its global sectoral unions and a just transition agreement with its Italian unions, including a commitment to respect human rights and fair labor practices; apprenticeships to transfer knowledge from elderly to younger workers; a commitment to retention, retraining, and redeployment; and early retirement packages for older workers.

Europe's energy companies endorse EU Green Deal

The EU Green Deal, adopted in December 2019, proposes a set of far-reaching climate-related policies that will cut across all areas of EU policy making and as such remake economic policy in the bloc. It covers a broad array of measures to create a "green" economy, including support for wind power, carbon sequestration, energy storage, and a just transition provision for economic sectors and regions that will be heavily impacted by the shift in energy sources. Even though its focus is the reduction and elimination of the use of fossil fuels, it has received the support of major European oil and gas and energy companies, such as Shell, EDF, and Vattenfall, because it provides a clear roadmap for the necessary transition to a low-carbon energy future that, in turn, can form the basis of corporate strategy development.[10]

Ørsted creates green jobs

As the world shifts from fossil fuel dependency toward renewable energy, there will be an upheaval of jobs within the fossil fuel sector and related sectors. However, the transition to green energy will also create new green jobs that come with higher salaries and positive local economic effects. Ørsted, the largest energy company in Denmark, has helped to support the revitalization of local economies in regions of the UK, Germany, and Denmark where it has built out renewable energy projects.[11]

"It is imperative for us to do our part in ensuring that the global green energy transformation takes place sustainably to advance the benefits for all life on our planet… We want to conduct our business in a responsible way that adheres to the principles on human rights and a socially just transition."[12]

Henrik Poulsen, CEO Ørsted

Shell offers online courses to reskill employees for energy transition projects

The Royal Dutch Shell Corporation has partnered with the online learning platform Udacity[13] to reskill its workers in rapidly growing knowledge areas, such as AI and machine learning, that are critical to the future of its operations. The company's hope is that their employees' newfound fluency in AI will not only allow the company to find cleaner alternative energy sources but that it will also attract a digitally adept new generation of workers. Additionally, this partnership has also been linked to an increase in employee satisfaction for the workers who have opted to participate in the reskilling program.[14] In 2020, Shell also published a public statement on "A Fair and Just Transition" where they summarize the aim to work with society in its move toward a low-carbon world while supporting workers and communities in a manner that is just, fair, and inclusive, and this includes the aim to support employability of employees and the development of skills.

PRINCIPLE 5

Worker Data Protection

Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

1. **Undertake forward-looking assessments into the social, economic inclusion, and human rights impacts of disruptive technologies.**

2. **Secure meaningful and informed employee consent for worker data collection.**

3. **Use data analytics and digital tools to enhance the recruitment and management of healthy, diverse, and inclusive workplaces.**

4. **Advocate for new international standards and guidance on privacy in the workplace for the digital era.**

Background

Our current social contract was developed in the pre-digital world, and therefore any effort to update it must address the changing risks and opportunities associated with an increasingly data-rich environment.

Companies should understand and positively shape the wide range of social impacts that can arise from the use of digital business models and tools, including consumer privacy, access to essential products and services, and freedom of association, assembly, movement, and expression.[iii] Indeed, the pervasive use of technology in our workplaces raises questions of fundamental importance to the modern social contract—specifically, how disruptive technologies in the workplace should be managed, governed, and deployed in ways that respect the privacy and non-discrimination rights of workers.

All companies—not only technology companies—deploy a wide range of digital tools and should be invested in crafting a social consensus regarding how to address data use in the workplace. As set out by the UN Guiding Principles on Business and Human Rights,[1] all companies have an essential role to play in respecting the rights of their workers, and they should implement proactive approaches for the appropriate, responsible, and rights-respecting use of workplace technologies.

In the workplace context, a wide variety of digital tools enabled by artificial intelligence and the internet of things—such as sensor fusion, human sensing, and facial recognition—allows employers to collect, process, and analyze data and derive insights from a wide range of sources. This is undertaken to inform a diverse range of management and operational decisions and priorities, such as performance assessment, productivity gains, asset security, safety improvements, and monitoring worker health and wellness. However, the increased and novel uses of digital tools in the workplace surface new social, ethical, and human rights dilemmas that have not been fully debated. These challenges can be segmented into three main concerns: privacy, nondiscrimination, and basic human dignity. It is also clear that the use of these tools will increase—perhaps very substantially and at home as well as in the workplace—in the wake of COVID-19.

Privacy: Monitoring and surveillance may be considered acceptable in the workplace for purposes related to health, safety, and security. But the use of digital tools to track productivity, wellness, or the emotional state of an employee raises important questions about reasonable expectations of privacy in the workplace—and at home for those working remotely. Potential adverse privacy impacts include workers being

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[iii] This paper focuses on the privacy and nondiscrimination rights of workers in the context of data protection. Companies should also address a wide range of issues relating to the data protection rights of customers, users, and other relevant stakeholders. For example, see BSR's "A Human Rights-Based Approach to Artificial Intelligence" series of reports (https://www.bsr.org/en/our-insights/blog-view/human-rights-based-approach-to-artificial-intelligence).

In creating a modern social contract, it will be essential that workers are able to provide informed consent for how their data are collected, processed, and used by employers.

"auto-included" into workplace database or monitoring systems without their informed consent, employers capturing more data on a worker than is necessary for the purpose for which data are being collected, or an employer using human-sensing technology in ways that violate the reasonable privacy expectations of a worker, such as monitoring bathroom breaks, workplace relationships, or private conversations.

Non-discrimination: New digital tools could accentuate existing workplace discrimination and present increased risk for workers from vulnerable groups or marginalized populations. For example, monitoring how many times employees leave their desk during the workday for prayer or due to physical disabilities could be paired with automated performance review processes and result in poor reviews, employees being passed over for promotions, or even termination. The use of sentiment analysis to provide insights into an individual's facial expressions or body language during hiring or performance reviews present significant risks of discrimination based on gender, race, ethnicity, or other physical characteristics.

Human dignity: The increasing use of digital tools to collect data, analyze signals, and inform decisions raises novel issues around human dignity, autonomy, control, self-worth, and well-being—for example, whether employees should reasonably expect to have their movements tracked as a metric to gauge productivity, or whether insights into employee motivation, energy, and workplace satisfaction derived from psychological or sentiment analysis are a reasonable expectation of employment.

There is little doubt that the disruption wrought by COVID-19 will accelerate existing uses of technology and generate new use cases, such as "health passports," "exposure notification," and "contact tracing." These developments will raise new dilemmas about how to achieve public health and economic inclusion goals while protecting privacy. They also elevate existing questions about the respective roles of government, employers, and individuals in maintaining access to sensitive data. COVID-19 extends these dilemmas more clearly to the home for those now working remotely.

Informed consent is an essential concept in the digital sphere and is defined by both participation (i.e. the ability to participate in decisions) and empowerment (i.e. the ability to understand both risks and rights when consenting). In creating a modern social contract, it will be essential that workers are able to provide informed consent for how their data are collected, processed, and used by employers—and that the formal contracting process that underpins the employer/worker relationship provides a clear and well-defined pathway for providing informed consent.

However, there are power dynamics within all employer/worker relationships, and the data-driven digital economy alters this dynamic in significant ways. While the employer has access to an increasing array of data, the most vulnerable workers—those without real options to "walk away"—have the fewest options open to them in the contracting process and are often not capable of understanding their rights and risks when consenting. This disparity needs to be addressed.

The employee-employer relationship will have different power dynamics across different industries, job types, and workplace environments, and these differences will impact informed consent. In some industries, the employee may hold significant leverage and influence in the employer/worker relationship, such as financiers in the banking industry. By contrast, workers in industries that use low-skilled or more widely available labor, such as waitstaff in the service industry or warehouse workers, will have less leverage and risk losing employment opportunities if they do not provide consent. These questions also need to be addressed in the context of new business models, such as those that involve gig workers, online sellers, and other novel forms of income generation.

The norms, boundaries, and governance of workplace privacy are not established well enough for the new context of a data-rich world. For example, while the ILO published a non-binding code of practice to provide guidance on the protection of workers' personal data in 1997,[2] there is no ILO convention or recommendation covering workplace data protection, privacy, and non-discrimination issues in a modern setting.

As the use of workplace technologies expands and evolves, new norms, laws, and regulations will be needed to manage the manner in which disruptive technologies are deployed in the workplace. Technology providers, employers, labor organizations, governments, and civil society organizations all have an important role to play in dialogue around what these new norms can and should be, and as workplace monitoring and surveillance become increasingly commonplace, it will be important for employers to collaborate with labor organizations to define clear boundaries for privacy in the modern workplace.

Business Case

In addition to establishing itself as a fair and respectful employer, business can also benefit from action in this area by enhancing worker engagement and productivity, maintaining a business' social license to collect worker data, and increasing the likelihood that the regulatory environment supports the deployment of innovative digital tools in the workplace.

Earn reputation as a fair and respectful employer.
In recent years, the rise of disruptive technologies has raised new concerns about companies using technology responsibly. According to Accenture, while 62 percent of executives said their companies are using new technologies to collect data on people

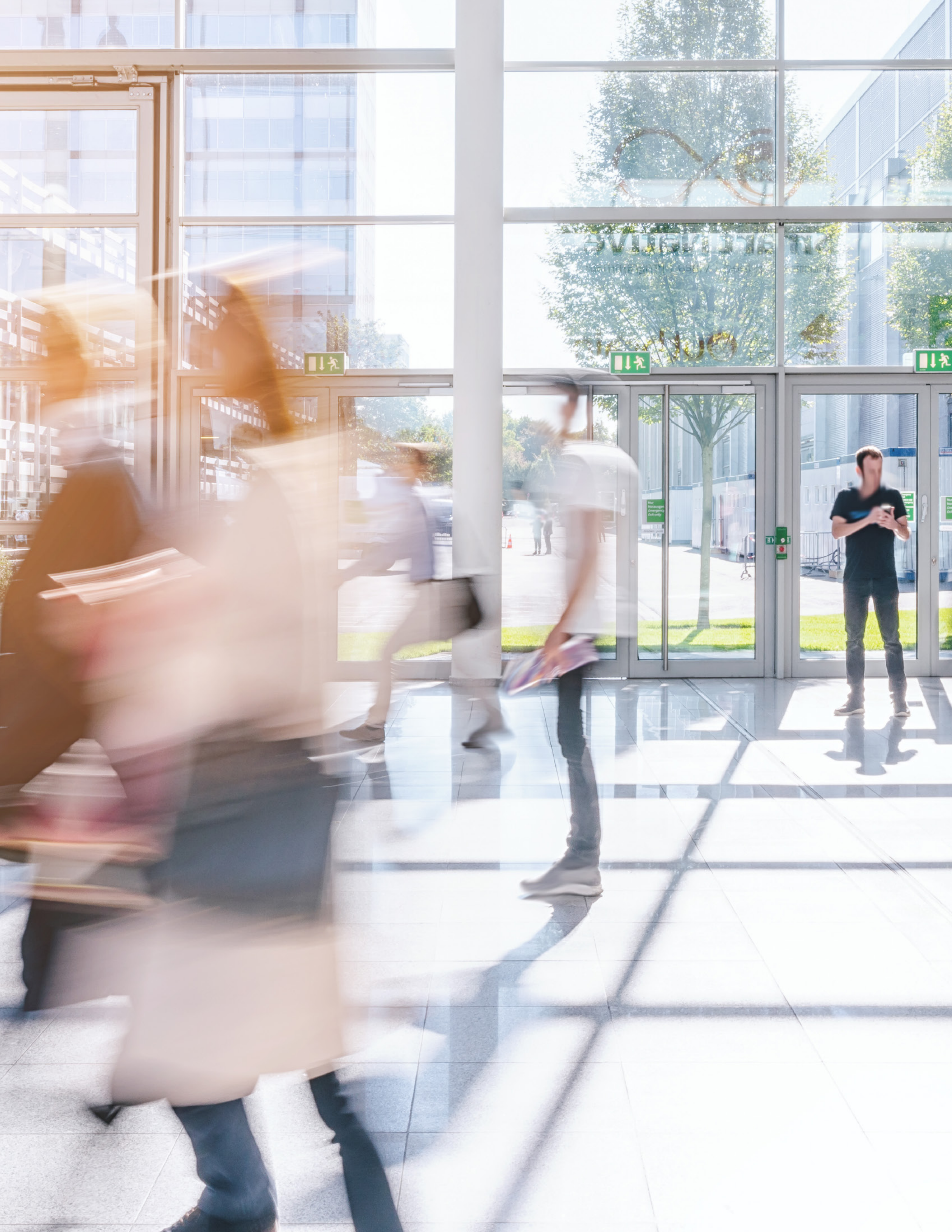
—from the quality of work to safety and well-being—fewer than 30 percent said they feel confident they are using the data responsibly.[3] Over half of the workers surveyed said that scandals over data privacy make them concerned that their employee data might also be at risk. Companies that take action to encourage the appropriate, responsible, and rights-respecting use of new workplace technologies are more likely to protect the rights of their workers, which can enhance their reputation as a fair and respectful employer with employees, and other stakeholders.

Enable the use of tools that can improve business results by enhancing worker engagement, experience, and productivity.
Technology tools provide opportunities to improve the worker experience in ways that result in improved business performance. This includes reduced work stoppages arising from improved safety and security (e.g. monitoring use of up-to-code machinery, equipment, and personal protective gear), improved employee productivity (e.g. using data to identify coaching, training, and development opportunities), and enhanced employee performance (e.g. analyzing employee health, wellness, and engagement).

Enable the deployment of technologies needed to address health needs arising from COVID-19 in a rights-respecting manner.
The development of new COVID-19 related technologies and use cases—such as “health passports,” “exposure notification,” and “contact tracing”—may play an important role in allowing us to go back to work and establish a new post-pandemic normal. By using these technologies in a rights-respecting manner, companies can more rapidly reopen workplaces and restart operations.

Ensure that social consensus and policy frameworks are in place to enable ongoing technological innovation.
The only way business benefits will be realized and sustained in the long run is if companies and governments deploy the right privacy and nondiscrimination protections and make sure tools are deployed with human dignity at the center. Without this, workers will be less likely to accept the tools, and employee engagement and productivity may decline. Moreover, new technologies will face an onslaught of public criticism, and in some cases, a regulatory response that thwarts innovation.

Create greater certainty concerning the guidelines shaping product design, development, and deployment, with agile regulation that is as consistent as possible across multiple jurisdictions.
Governments may respond to violations of workers’ rights by regulating new technologies in ways that prevent the positive applications of new technologies from being realized. To avoid forms of regulation that prevent society from realizing the benefits of technology, companies can undertake proactive due diligence and partner with governments, customers, and workers to create approaches to the design, development, and deployment of new technologies that are consistent with international human rights standards.



PRINCIPLE 5: WORKER DATA PROTECTION

Actions and Opportunities

1

Undertake forward-looking assessments into the social, economic inclusion, and human rights impacts of disruptive technologies.

- ☐ Identify how the company's use of disruptive technologies may impact the rights of workers, consumers, users, and communities, and establish plans to address them.
- ☐ Collaborate with business partners, civil society organizations, and governments to maximize the positive impact disruptive technologies can have on economic opportunities, security, and mobility.

2

Secure meaningful and informed employee consent for worker data collection.

- ☐ Assess the impact that data collection, analysis, and use may have on workers' rights and freedoms, especially privacy, non-discrimination, and human dignity.
- ☐ Establish a clear purpose for data collection, such as health, safety, and security of the workplace, enhancing the productivity and well-being of employees, or fair recruitment and management of employees, and convey how this purpose may differ during a public health crisis.
- ☐ Engage with workers and worker representatives to design privacy boundaries for worker data collection. Ensure engagement with different types of employees (e.g. temporary or seasonal employees, contractors, and subcontractors), especially the most vulnerable and marginalized.

3

Use data analytics and digital tools to enhance the recruitment and management of healthy, diverse, and inclusive workplaces.

- ☐ Deploy technology in ways that support rather than undermine non-discrimination, diversity, and inclusion objectives in hiring, performance review, and promotion.
- ☐ Deploy technology to support the health, safety, and well-being of workers while respecting employee privacy rights.
- ☐ Provide workers with access to all personal data collected and the right to correct.

4

Advocate for new international standards and guidance on privacy in the workplace for the digital era.

- ☐ Participate in dialogues with technology providers, employers, labor organizations, governments, and civil society organizations to define new privacy-protective norms governing how disruptive technologies are deployed in the workplace.
- ☐ Advocate for a new ILO Convention or Recommendation on privacy in the workplace that establishes international norms on topics such as worker surveillance, human sensing, sentiment analysis, and other advanced forms of data analytics in the workplace.

PRINCIPLE 5: WORKER DATA PROTECTION

Case Studies

LinkedIn seeks to eliminate unconscious gender bias in recruiting

LinkedIn is tackling the topic of gender distribution in the workforce by creating an AI tool that seeks to eliminate unconscious human biases that interfere with diversity efforts from the beginning of the recruiting process. With this new tool, top candidate search result pages present recruiters with candidates that not only match the specifications that they are looking for, but also accurately reflect the gender breakdown of the total pool of candidates who match those parameters.[4]

Telstra practices joint ownership of employee data

Telstra, an Australian telecommunications company, has put its belief in joint ownership of data between employees and the company into practice by entrusting its employees with access to their data on an internal site and contending any imprecise inputs that they may observe.[5]

"As an employer, we should allow employees to manage aspects of their data, and for it to be a joint exercise." [6]

David Burns, Group Executive, Global Business Services, Telstra

UPS collects employee data and improves performance

UPS has employed the collection of data not only for the efficiency of the services that it provides but also for the benefit of their employees that generate the data. UPS employees are fully informed of the data that are being collected, and they do not face consequences for actions and behaviors that are solely suggested by the collected data. This collection of data has allowed UPS to become more efficient in its services through the identification of efficient routes. These routes enable more parcels to be delivered while saving on fuel and mileage, and drivers receive some of the highest compensation in the industry due to their heightened performance.[7]

North Star BlueScope Steel boosts employee safety and wellbeing

According to the ILO, more than two million people each year die from work-related diseases, and more than 321,000 people die each year from occupational accidents.[8] IBM has partnered with North Star BlueScope Steel to create a wearable technology program called IBM Wellness and Safety Solution that promotes adherence to safety procedures, identifies signs of heat stress and exertion, and alerts employees and managers in real time if an employee's wellbeing is compromised and requires intervention.[9]

The Way Forward: Building the Future

Even before the monumental shocks of 2020, the world had been changing rapidly and profoundly, with massive implications for business and the world. Every person, company, and government is experiencing disruptive technologies, new business models, changing demographics, and rising geopolitical uncertainty.

The 2020s will be a decade in which the relations between citizens and governments, the public and private sector, and business and workers will be redefined to a degree we have not seen since the postwar era in the late 1940s.

In addition, the events of 2020 show the importance of building a future that addresses the structural flaws and inequities in our current system. COVID-19 has created economic dislocation, mass unemployment, and a strain on the public finances that support the social safety net. Unemployment levels not seen since the Great Depression, with the prospect of a long and slow recovery, will demand changes to the social safety net. It has already begun to fundamentally change the relationships between business, governments, and civil society. And in the midst of this pandemic, the killing of George Floyd is a stark reminder of racial injustice and the deeper systemic inequities plaguing Black Americans and other BIPOC around the world. As we have shown in the paper, systemic discrimination affects all the subjects we cover here, from corporate governance and leadership to employment practices. It also impacts how the social contract addresses the truly 21st-century challenges of the economic impacts of the energy transition and the development and adoption of new technologies that have great promise, but also must be implemented in a fair and inclusive manner.

All this speaks to the urgency of starting—today—to meet the moment and build the future. It is essential that business play an active role in shaping, contributing to, and implementing a social contract that is built for the 21st century. A modernized social contract must address both profound structural changes and the acute shocks that underscore the need for change. Together, we can and must create better opportunities for social mobility, genuine inclusion, and economic security. This is not only what the times demand of all of us—it will create a more stable foundation on which business can thrive.

BSR presents this report to set an agenda for business and to call on companies to play a leading role in this effort. Business has countless assets to bring to this effort and much to gain from achieving the objectives we have outlined. What's more, this is a time for leadership: our times call for great change to build an equitable, prosperous, and sustainable world. We stand ready to work with companies that are ready to seize the moment. Let us write a history that shifts from the deep challenges of the year 2020 to the new models we need to achieve shared prosperity in the 21st century.

Interview List

Frederick Alexander, Founder, The Shareholder Commons
Stephanie Beers, Policy Counsel, Employment Policy and Strategy, Microsoft
Kate Brandt, Google Sustainability Officer, Google
Trisha Comsti, Program Officer, Panorama
Maureen Conway, Executive Director, Economic Opportunities Program and Vice President, Aspen Institute
Payal Dalal, Vice President, Global Programs, Center for Inclusive Growth, Mastercard
Suzanne DiBianca, Executive Vice President, Corporate Relations and Chief Impact Officer, Salesforce
Althea Erickson, Senior Director of Global Advocacy and Policy, Etsy
Sarah Fleisch Fink, Vice President of Policy & Strategy, National Partnership for Women and Families
Jacqueline Green, Director, Opportunity Onramps, Workday Inc.
Anna Gowdridge, 100% Human at Work Director, Virgin Unite
Rachel Guthrie, Head of ESG Reporting, TD Bank Group
Amy Hall, Vice President of Social Consciousness, Eileen Fischer
Emily Hickson, Head of Advocacy, The B Team
Jennifer Higgins, Director, Target Foundation
Erin Johansson, Research Director, Jobs with Justice
Kathryn Jo Mannes, Vice President, Jobs for the Future
Maurice Jones, President & CEO, Local Initiatives Support Corporation
Tom Kalil, Chief Innovation Officer, Schmidt Futures
Sarah Kalloch, Executive Director, Good Jobs Institute
Zia Khan, Senior Vice President of Innovation, Rockefeller Foundation
Rachel Korberg, Program Officer, Future of Work(ers), Ford Foundation
Todd Lienart, Director of Social Impact and Sustainability, Zendesk
Laura Mackenzie, Senior Vice President of Global Prepaid and Financial Inclusion, Mastercard
Dinah McLeod, former Director, Equality in the Workplace Initiative, The B Team
Parag Mehta, Executive Director and Senior Vice President, Mastercard Center for Inclusive Growth
Lenny Mendonca, Chief Economic Advisor, State of California
Amanda Nusz, Vice President, Corporate Responsibility, Target and President, Target Foundation
Alison Omens, Chief Strategy Officer, JUST Capital
Mark Popovich, Director of “Good Companies, Good Jobs Initiative,” Aspen Institute
Jason Rahlan, Director of Social Impact & Philanthropy, Chobani
Jackie Rodriguez, Policy Analyst, Bipartisan Policy Center
Heerad Sabeti, CEO, Fourth Sector Group
Leann Speta, Supply Chain Sustainability Lead, Google
Jeff Seabright, Co-Founder and Partner, IMAGINE
Vincent Stanley, Director of Philosophy, Patagonia
Yancey Strickler, Founder and Former CEO, Kickstarter
Irit Tamir, Director of Private Sector Department, Oxfam America
Paul Tarini, Senior Program Officer, Robert Wood Johnson Foundation
Carolina Young, Policy Advisor, Future of Work for U.S. Senator Mark Warner

Endnotes

At a Glance

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