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Business for Inclusive Growth (B4IG) is a global CEO-led coalition of companies fighting against inequalities of income and opportunities. Powered by the OECD, the Strategic Partner of the Association, B4IG coordinates with governments and leverages relevant data, analysis and standards from the OECD. It was launched in connection with the G7 Summit in August 2019.

Each Chairperson or CEO of B4IG member companies has signed The Pledge, which covers the key areas of Inclusive Growth: advancing **human rights** in direct operations and supply chains; building **inclusive workplaces**; strengthening **inclusion in company value chains & ecosystems**; and developing adapted tools to **measure and value the impact of inclusive business**.

Since the creation of the coalition, work has progressed in three directions: defining concrete, precise and measurable actions to fight against inequalities (Working Groups), sharing and promoting the most innovative and successful initiatives (Incubator), and directing more private and public funding towards inclusive business models (Inclusive Growth Financing Forum).

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The Society & Organizations Institute is an interdisciplinary Institute at HEC Paris that brings together over 50 professors and educators. Together, they carry out research, teach and implement ideas to organize and lead our responses to the daunting challenges of our time. These contemporary challenges include climatic constraints, social inequality, loss of purpose, technological disruption, epidemics, social contestation, ethical imperatives, and liberalization and regulation.

The Society & Organizations Institute's purpose is to reinvent business through promoting sustainability and unleashing human potential.

Its mission statement is to contribute to our **understanding** of these phenomena, **support** anyone with a role to play in these transformations, and **prepare** future generations of managers to lead in these complicated times. We seek to participate in a **re-foundation of business and market organization**, inside-out through **research**, **education and action**, and outside-in through the recognition of **key stakeholders**, including investors, civil society, and regulators.

THANK YOU to all our corporate and individual partners, who continue to back the S&O Institute's commitment to, and promotion of, inclusive economy.









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Executive Summary

Over the past three decades, the benefits of economic globalization have been unevenly distributed both between and within OECD countries. Higher-income households have benefited disproportionately from economic growth, while lower-income populations have seen their living standards stagnate or even decline. As a consequence, a growing proportion of the middle class feels left behind and trapped between rising household expenditures on one side, and an ever-growing difficulty to find a stable, well-paid occupation on the other. The Covid-19 pandemic, whose consequences are yet to be fully understood, will most likely aggravate their already precarious situation in the years to come.

The problem of rising income inequality does not only call for a strong political response to ensure that the economic value generated is redistributed more fairly among members of our societies, but also requires the business community to develop more integrative ways of creating economic value in the first place. To borrow the words of the OECD: We need to gradually shift away from our "grow first, distribute later" paradigm and stepwise achieve a model of "inclusive growth" that enables the largest possible portion of our societies to actively participate in economic life and truly benefit from the economic value created, rather than being so dependent on public aid.³

This recognition led to the creation of the "Business for Inclusive Growth" [B4IG] coalition at the latest G7 Leaders' Summit in Biarritz, where 34 multinational companies from a variety of industries undertook to make a concerted effort to "mainstream inclusive business". To make this ambition a reality, it will be necessary for the corporate world to develop a common understanding

of what "inclusive business" actually means, and how it can serve the broader objective of preventing our societies from further breaking apart into the "winners" and "losers" of economic globalization. The OECD, which oversees B4IG's activities, commissioned HEC Paris' Society & Organizations (S&O) Institute to provide an independent view on the matter, which we document in the present two-part report.

Starting from a more general reflection on what it means for a person to be economically "included", Part One suggests a possible definition of "inclusive business" that we hope is specific enough to be clearly distinguishable from the currently prevailing way of doing business, and yet sufficiently broad to account for the multiple ways by which business can effectively work towards fostering the economic *in*clusion of people who, for whatever reason, find themselves *excluded* from full participation in economic life, or at the risk of becoming so in the near future (e.g., because they work in a crisis-affected industry, come from disadvantaged socio-economic backgrounds, have socially devalued personal characteristics, have had unfavorable life trajectories, or suffer from physical or mental disabilities).

At the same time, we recognize the plurality of alternative definitions. Within the OECD, for instance, the term "inclusive business" currently tends to be used in a broad sense, to designate forms of business that attempt to reduce their negative externalities. By proposing a somewhat more specific definition, however, we hope this report will provoke valuable debate, trigger new reflections and help to get more businesses to step up to the challenge and launch urgently needed inclusive business initiatives.

OECD (2015). In It Together: Why Less Inequality Benefits All, OECD Publishing, Paris. | https://dx.doi.org/10.1787/9789264235120-en

² OECD (2019). *Under Pressure: The Squeezed Middle Class*, OECD Publishing, Paris. | https://doi.org/10.1787/689afed1-en

³ OECD (2018). OECD Policy Brief. Opportunities for all: OECD Framework for Policy Action on Inclusive Growth.

⁴ See https://www.b4ig.org/the-pledge/

The table below, in a question-and-answer format, provides a brief summary of the main arguments we put forward:

What are inclusive business initiatives?

"Inclusive business initiatives" (henceforth used interchangeably with "inclusive business") are business-led initiatives that aim to further the *economic inclusion* of people who are currently excluded from ordinary participation in economic life, or at risk of gradually becoming so in the years to come. They can take the form of corporate initiatives, cross-sector collaborations, or standalone social enterprises. The economically vulnerable, disadvantaged or at-risk populations to whom inclusive business is targeted are often referred to as *beneficiaries*.

How does inclusive business further beneficiaries' economic inclusion?

Economic inclusion can be furthered through three dimensions:

- By facilitating access to work that is decent, fairly paid, and stable enough to allow for personal life planning;
- By providing access to goods and services that are either of vital importance, or otherwise essential in the social context at hand;
- By offering access to credit and loans that help to enable either of the two above.

Doing so requires *lifting barriers* that limit beneficiaries' economic inclusion.

These barriers can be of three sorts:

- A Structural, i.e. linked to problems of unaffordability, unavailability or inadequacy between supply and demand;
- **B** *Informational*, i.e. related to missing or deficient information;
- C Socio-psychological, i.e. linked to mechanisms such as discrimination, resignation, stigma and mental overburden.

How profit-oriented is inclusive business?

While inclusive business pursues a social purpose, it is *still business*, meaning that it is intended to generate at least *some* level of financial return.

However, how much this is *can vary widely from one inclusive business initiative to another*: Some inclusive business initiatives strive for high profit targets, others aim for financial self-sufficiency (in the spirit of Muhammad Yunus' concept of "social business"), and still others are only partly self-sustaining and therefore need to be partly subsidized.

Importantly, none of these forms of inclusive business is inherently superior to the others: They can all contribute, in complementary ways, to rendering our economies more inclusive and therefore have their place and viability. This is now also widely acknowledged by the impact investment community, which almost unanimously recognizes the social value that below-market investments can bring to society.⁵

⁵ Global Impact Investing Network [GIIN]. (2017). Annual Impact Investor Survey.

How different is inclusive business from conventional for-profit business?

As mentioned above, inclusive business is still business. However, it differs greatly from conventional for-profit business in that it is resolutely aimed at redressing inequalities in society and thus targeting those in society who are currently or foreseeably *not* able to satisfactorily participate in economic activity (e.g., because they have a disability, because they face discrimination, and/or because they are insufficiently solvent). The "mainstream[ing] of inclusive business", to which the B4IG coalition has committed, thus requires a veritable *shift in mindset*: It demands that corporations work towards economically empowering target beneficiaries, while thinking and acting in the long run and collaborating closely with organizations from the public and third sectors.

Part Two of the report then provides concrete examples of ongoing initiatives that reflect our understanding of inclusive business, with each initiative described on a single sheet and in an easily understandable manner. This should give the reader an idea of the diversity of forms that inclusive business can take in practice, as well as of the various social challenges it may help

address—including unequal access to suitable jobs, reliable mobility, quality nutrition, adequate insurance, and affordable accommodation. We hope these examples will stimulate further enthusiasm and ideas about the vast possibilities of inclusive business, and motivate a number of investors and corporate decision-makers to embark on the path to a more equitable economy.

Rationale for this report

1. The underexploited potential of inclusive business

This report was born of a firmly held conviction: Inclusive business initiatives have vast potential to substantially improve the lives of the economically disadvantaged parts of our societies. To date, however, this potential has remained widely untapped.

Over the past two decades, a large number of ambitious and innovative inclusive business initiatives have been launched, many of them successful. HEC Paris' journey into inclusive business started in 2008, when our school created its interdisciplinary Society & Organizations (S&O) Institute, and launched the Social Business/Enterprise and Poverty Chair with the support of Muhammad Yunus, Nobel Peace Prize laureate and founder of the first micro-credit organization Grameen Bank, Martin Hirsch, France's then High Commissioner for Active Solidarity against Poverty, and Emmanuel Faber, now CEO of Danone. In 2010 and 2011, two more companies joined the Chair: Schneider Electric and Renault. With these companies and some others, the Chair co-created the Action Tank Social & Business, an inclusive business incubator gathering big companies, civil society organizations and public institutions, to help them codesign new inclusive business models. Since then, we have been fortunate enough to observe and support numerous inclusive business projects, learning first-hand about the wideranging possibilities that inclusive business offers in the fight against increasing inequality and the decline in standards of living of the lower middle class 6: facilitating jobseekers' access to reliable mobility solutions, increasing the job prospects of young people with broken educational pathways, making quality digital solutions available to lower-income families, economically facilitating vulnerable people's access to quality healthcare services, improving the nutritional status of children

from poor households, etc. These projects have been carried out by very different kinds of organizations: Some of them have been conducted by small social enterprises, while others have been driven by large multinational corporations. But all of them have grown out of a truly collaborative effort, often involving the joint participation of public service agencies and the third sector.

Time and again, we have seen proof of the great potential that lies in inclusive business. The indisputable successes that we have seen have confirmed our belief that it is possible to generate economic value in a more equitable way, and, through financially viable business models, to relieve some of the burden that belowaverage income populations face in their day-to-day lives.

However, we have also come to realize that the success of an inclusive business initiative crucially depends on the resources that are invested in it. In fact, setting up an impactful inclusive business initiative requires time, effort, and money: to identify and reach out to target beneficiaries, to gain a deeper insight into their needs, to design and test a business solution that can adequately address them, and ultimately to scale up this solution to a level at which it can generate broader and lasting change.

And this is precisely where the crux of the matter currently lies: Investments in inclusive business-both monetary and otherwise-do not match the potential it holds. We have seen plenty of promising inclusive business ideas or pilot projects not being pursued further, or not reaching their full potential, simply because they lacked adequate funding and support. This represents, in our view, a major missed opportunity in the fight against poverty and economic precariousness.

In fact, the broad-based development of inclusive business could make an essential contribution to the achievement of

⁶ See OECD (2019). Under Pressure: The Squeezed Middle Class, OECD Publishing, Paris. | https://doi.org/10.1787/689afed1-en

a series of Sustainable Development Goals (SDGs) that were adopted by the General Assembly of the United Nations in 2015.⁷ Specifically, but by no means exclusively, it can help alleviate poverty (SDG #1), reduce income inequality (SDG #10), facilitate access to vocational education (SDG #4), foster women's participation in economic life (SDG #5), improve access to vital goods and services (SDGs #6 and #7), and at the same time facilitate economic growth and job creation (SDG #8). More broadly speaking, inclusive business is crucial to sustainable development, as it forms an important piece in the complex puzzle of reconciling economic development with the ideal of social justice.⁸

2. Some of the reasons why the potential of inclusive business remains unrealized

It seems that the bulk of the corporate world and the investment community still remains hesitant to firmly engage with inclusive business. We believe that a major reason for this restraint—besides the prevailing quest for short-term gains that has been fueled by the financialization of capitalism—is to be found in people's insufficient knowledge and understanding of inclusive business. Many of those who would be willing to invest their money, time or energy in inclusive business refrain from doing so simply because they lack a clear picture of what it is, and how it can benefit our societies while at the same time be a business opportunity.

To convey an accurate understanding of how inclusive business works and creates social value, two problems need to be overcome: conceptual vagueness (as it stands now, the very

notion of "inclusive business" tends to be ill-defined) and scattered evidence (success stories of inclusive business have been insufficiently noticed and advertised).

1. Conceptual vagueness

In recent years, the notion of "inclusion" has become ubiquitous in the discourses of corporations, governments, and international organizations. Numerous articles, reports, and platforms dedicated to the development of "inclusive businesses", the fostering of "inclusive workplaces", the building of a more "inclusive economy", the advent of "inclusive growth", and most recently the need for an "inclusive recovery" (since the onset of the COVID-19 crisis) have made their appearance. More generally speaking, the predicate "inclusive" now tends to be attached to all sorts of industries and business functions: one hears about "inclusive finance", "inclusive banking", "inclusive marketing", "inclusive sourcing", etc.

In principle, this proliferation of the term "inclusion" is to be welcomed, as it reflects a growing recognition of a major societal problem. Indeed, substantial portions of our societies currently find themselves increasingly excluded from full participation in economic life. For various reasons, they have difficulties finding a stable and decently paid job, they struggle with their household bills, and/or they are considered ineligible for loans that could help them improve their lives. This also concerns a growing section of the lower middle class, which has seen its economic status eroded. It is more and more generally acknowledged that these disadvantaged sections of the population therefore need to become better included in the functioning of the economy,

⁷ For a summary account, see HEC (2020). Executive Factsheet: What are the Sustainable Development Goals?

https://www.hec.edu/en/faculty-research/centers/society-organizations-institute/think/so-institute-executive-factsheets/what-are-sustainable-development-goals-sdg The notion of "sustainable development" has famously been defined in the so-called Brundtland Report as a form of economic development "that [...] meets the needs of the present without compromising the ability of future generations to meet their own needs". What is less known is that immediately afterwards the report stresses the importance of social equity in this endeavor: "sustainable development requires meeting the basic needs of all and extending to all the opportunity to fulfil their aspirations for a better life. A world in which poverty is endemic will always be prone to ecological and other catastrophes." (emphases added). See The World Commission on Environment and Development (1987). Our Common Future. Oxford University Press. Retrieved August 25, 2020, from https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf

meaning that they must be granted better access to working opportunities, essential goods, and personal loans.

This growing consensus around the need for a greater economic "inclusion" of lower-income populations should certainly be seen positively. However, the profusion of the notion of "inclusion" also comes with a drawback, which is the ambiguity and vagueness with which the term tends to be used in business practice. In fact, the meaning that is attached to it can vary strongly from one context to another. In human resource management, "inclusion" is generally used in a fairly narrow sense, i.e., to designate the combating and prevention of discriminatory employment practices. In many other contexts, the term "inclusive" can take an overly broad and fuzzy meaning, as it is sometimes used to designate *any* type of business activity that has *some* sort of positive social impact.

The ambiguity and vagueness with which the adjective "inclusive" tends to be used in business practice represents a real threat to the development of inclusive business. To managers and investors alike, it is often unclear what "inclusive business" exactly means, and how it differs from, or relates to, other popular Corporate Social Responsibility (CSR) concepts—say, the ideal of a "workforce diversity", Michael Porter and Mark Kramer's "Creating Shared Value" approach, or C.K. Prahalad's "Bottom of the Pyramid" strategy. Admittedly, some initial clarification efforts have been undertaken, notably by international organizations, business networks, and social impact foundations. But these have generally remained fairly abstract, and often do not pinpoint what constitutes the essence and value of inclusive business. This can easily create the impression that "inclusive business" is nothing more than "vet another buzzword" in the field of CSR.

We believe that inclusive business holds considerable potential for improving the lives of low-income populations or other disadvantaged groups, and preventing the social decline of lower middle class populations or other at-risk groups. To do so, however, it would be helpful if the term were sufficiently precise as to be clearly distinguishable from conventional forprofit business and classical CSR activities, and yet sufficiently broad to account for the multiple ways in which business can work towards fostering the economic inclusion of people who, for whatever reason, are at risk of being excluded from full participation in economic life.

Inclusive business, as we understand it, neither simply attempts to diminish a company's negative impact on society, nor views positive social effects as a mere side-product of its activity. The attribute "inclusive" rather designates the very core of what this type of business is about: Inclusive business initiatives aim to foster the economic inclusion of disadvantaged parts of society, meaning that they are clearly geared towards creating positive change in the lives of economically vulnerable populations, including the lower middle class which is at risk of falling into poverty.

2. Scattered evidence

There is probably no better way to convince companies and prospective investors of the potential of inclusive business than by demonstrating, using concrete examples, *that it can actually work*. As mentioned earlier, many inclusive business initiatives turn out to be a success, i.e., they are able to generate revenues while contributing to tangible improvements in beneficiaries' lives.

So far, however, too little has been done to systematically collect and document such success stories, and to make these accounts accessible to a broader audience. As a consequence, evidence on the feasibility and impact of social business remains fairly dispersed.

3. The objectives of this report

The "Business for Inclusive Growth" (B4IG) coalition, launched in 2019 at the G7 Leaders' Summit in France, represents a unique opportunity to promote and expand the practice of inclusive business within the corporate world. The coalition unites more than 30 global companies, accounting in total for over 3 million employees and USD 1 trillion in annual turnover, which have signed a pledge to take actions for "mainstream[ing] inclusive business" so as to ensure that the benefits of economic growth are shared more widely within society.

Given the lack of shared understanding of inclusive business, it quickly became clear that this ambitious endeavor needed to be accompanied by some pedagogical work, in order to help member firms and potential investors of the B4IG coalition develop a common understanding of what inclusive business is, and how it can help alleviate economic inequality. The OECD, which oversees and coordinates the coalition's activities, therefore entrusted HEC with the role of "knowledge partner".

This report forms the cornerstone of this pedagogical work. Its primary objective is to suggest a possible view of how inclusive business works, and how it can bring value to society. To achieve this aim, we have sought to address the two problems described above head-on, first by clarifying what "inclusive business" means for us, and then presenting to the reader a selection of successful initiatives that fit this understanding of the term.

1. Conceptual clarification

The first part of the report is dedicated to setting down a clear and easily understandable definition of "inclusive business", and to showing how it is linked to the related notions of "economic inclusion" and "inclusive growth". We therefore draw on, and expand on, definitions retrieved from academic articles, as well as publications from international organizations, business networks, and social impact foundations.

We proceed stepwise in our clarification. We start by explaining what "economic inclusion" means, arguing that it implies a harmonious "give and receive" relationship between people and the economy they are embedded in. Having shown that economic inclusion occurs through three dimensions (access to decent work and income; access to essential goods; and access to valuable credit and loans), we offer a comprehensive typology of barriers that typically reduce low-income populations' participation in economic life. This leads us to define "inclusive business" as a form of business that works towards lifting these barriers, in a way that allows economically fragile populations to better partake in the process of economic value creation. We conclude the conceptual part of the report by stressing the differences between inclusive business and classical for-profit business, and arguing that increasingly, engaging with inclusive business will require firms to adopt a shift in mindset.

2. Showcasing a sample of promising inclusive business initiatives

The second part of the report is intended to strengthen the "proof of concept" of inclusive business, by showcasing a sample of eight successful and promising initiatives that have been carried out in OECD countries in recent years.

These initiatives are documented in a concise way (each initiative is described on a single sheet), using simple and easily understandable language. This collection of concrete cases will give the reader an idea of the diversity of forms that inclusive business can take in practice, and at the same time demonstrate its feasibility and social potential.

⁹ The pledge can be found under the following link: https://www.b4ig.org/the-pledge

4. Target audience

The readers we hope to reach are, first and foremost, the members of the B4IG coalition, as well as potential investors in the initiatives that this coalition will carry out in the years to come (e.g., institutional investors, impact investment funds, and philanthropists).

Inclusive business can be of interest to the entire spectrum of impact-oriented investors, whose investment strategies can range from investing *with* impact to investing *for* impact.¹⁰ In fact, as will be shown later, inclusive businesses can have different profit orientations, meaning that they may balance their social and financial objectives in different ways: Some aim for comparatively high returns, others have more moderate profit aspirations, and still others opt for a "no-loss-no-dividend" strategy, in the spirit of what Muhammad Yunus has termed "social business".¹¹

It is important to stress that none of these business strategies is inherently superior to the others, but that all have their place and validity in the fight against economic inequalities. Fortunately, this view is now largely shared by the impact-oriented investment community: According to a survey conducted by the Global Impact Investing Network (GIIN) in 2017, "about one-third of impact investors deliberately target below-market-rate returns", and "[n]early all survey respondents noted the valuable roles below-market investments can play in the market".12

Beyond the members and potential investors of B4IG, this report is also targeted to a much broader audience, which includes **anyone who is interested in inclusive business**, such as practitioners from the private, public and third sectors, intergovernmental organizations, academic and educational scholars, as well as students of all backgrounds and disciplines, who are eager to enter the field of inclusive business. To reach the largest audience possible, we have decided to make our report publicly available as an open source on our website.

¹⁰ The distinction between "investing *with* impact" and "investing *for* impact" (emphases in the original) has been made by the European Venture Philanthropy Association (EVPA), which defines these two approaches as the two main "impact strategies" that investors can adopt in order to generate positive effects on society. See https://evpa.eu.com/about-us/what-is-venture-philanthropy. Accessed August 24, 2020.

¹¹ Yunus, M., Moingeon, B., & Lehmann-Ortega, L. (2010). Building social business models: Lessons from the Grameen experience. *Long Range Planning*, 43(2-3), 308-325. 12 See GIIN. (2017). *Annual Impact Investor Survey*. (Quotes taken from p. 3.). A more recent and fine-grained survey conducted by the GIIN in 2020 shows that out of the 34% of investors that target below-market returns, some target returns that are closer to market rate (20%) while others target returns closer to capital preservation (15%). (GIIN. (2020). *The State of Impact Measurement and Management Practice*.)



PART 1: DEFINITIONS AND CONCEPTS

I. Economic inclusion

The main objective of inclusive business is, as the term already suggests, to contribute to greater **economic inclusion** of disadvantaged populations. But what does "economic inclusion" exactly mean? When can someone be legitimately considered to be "economically included"? And how does "economic inclusion" relate to other forms of inclusion that are important to people's lives?

A. Economic inclusion as a give-and-receive relationship

The notion of "economic inclusion" refers to people's harmonious participation in economic life. ¹³ This involves a bidirectional give-and-receive between people and the economy they are embedded in. ¹⁴ As illustrated by Figure 1, someone is to be considered *economically included* if she is able to actively contribute (i.e., "gives") to the economy, and in turn benefits from the value that is created by economic activity (i.e., "receives" something back from it).

ECONOMY Give Receive

Figure 1

Economic inclusion as a give-and-receive relationship between people and the economy they are embedded in

The idea that economic inclusion implies such a bi-directional exchange is not new. In fact, several publications on economic inclusion hint at it. The Center for International Private Enterprise (CIPE), for instance, argues that economic inclusion is ensured when "[i]ndividuals of all social backgrounds [...] have opportunities to participate in the economy and reap the benefits of their participation" (emphasis added). In a similar fashion, the International Monetary Fund (IMF) argues that an inclusive economy requires "a broad sharing of the benefits of, and the opportunities for, economic growth" (emphasis added). In a similar fashion, the opportunities for, economic growth" (emphasis added). In a similar fashion, the opportunities for, economic growth" (emphasis added). In a similar fashion, the opportunities for, economic growth" (emphasis added). In a similar fashion, and the opportunities for, economic growth" (emphasis added). In a similar fashion, and the opportunities for, economic growth" (emphasis added). In a similar fashion, and the opportunities for, economic growth" (emphasis added). In a similar fashion, and the opportunities for, economic growth).

For a person to be considered truly and fully economically included, the benefits she receives should be sufficient to cover fundamental needs, such as those for food, shelter, clothing, healthcare, sanitation, and education. This corresponds to the ideal of "sufficiency", which is one of the fundamental principles of distributive justice.¹⁷

But sufficiency is not enough: Ideally, there should also be a certain **balance** between people's contribution to the economy and the benefits they reap from it. Figure 2 illustrates two forms of imbalance that are characteristic of insufficient economic inclusion:

¹³ The notion of "participation" is ubiquitous in the literature on economic inclusion. The Center for International Private Enterprise (CIPE), for instance, argues that "[e] conomic inclusion refers to equality of opportunity for all members of society to participate in the economic life" (emphasis added). See CIPE. (2015). Economic Inclusion: Leveraging Markets and Entrepreneurship to Extend Opportunity. (p. 2).

Retrieved August 8, 2020, from https://www.cipe.org/wp-content/uploads/2015/05/FS_05262015-Economic-Inclusion.pdf

¹⁴ The term's etymological roots are telling in this regard. In fact, "to participate" stems from Latin participare, which is based on pars ("part") and capere ("take"). Thus, participating in a collective endeavor not only involves contributing to its achievement, but also receiving a share of the benefits it produces.

¹⁵ See CIPE [Center for International Private Enterprise]. (2015). *Economic Inclusion: Leveraging Markets and Entrepreneurship to Extend Opportunity*. Retrieved February 5, 2020, from https://www.cipe.org/wp-content/uploads/2015/05/FS_05262015-Economic-Inclusion.pdf.

¹⁶ See IMF. [International Monetary Fund]. [2017]. Inclusive Growth Framework Working Paper No. 17/127.

Retrieved February 5, 2020, from https://www.imf.org/en/Publications/WP/Issues/2017/05/30/Inclusive-Growth-Framework-44951

¹⁷ See PwC. (2017). The ethics of pay in fair society: What do executives think? Retrieved June 17, 2020, from https://www.pwc.com/gx/en/people-organisation/pdf/pwc-fair-pay.pdf

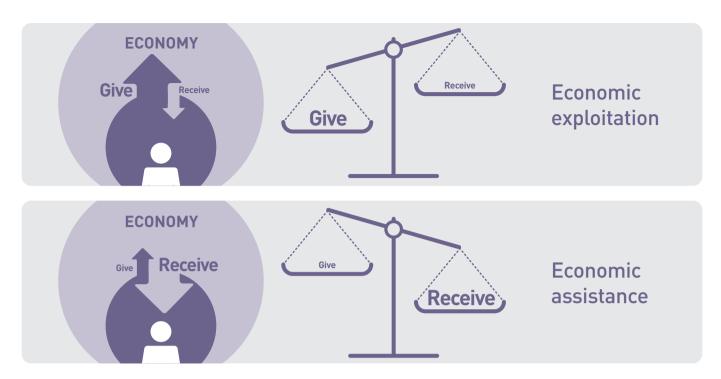


Figure 2 Exploitation and assistance: two types of imbalance between what people give to, and receive back from, the economy

- A person is economically exploited if what she is forced
 to "give" to the economy is disproportionately high as
 compared to what she in turn "receives". For instance,
 someone may have no choice but to pay extortionate prices
 for important goods and services, to take on a loan at
 abusive interest rates (so-called "usury"), or to carry out a
 job that is excessively work-intensive or insufficiently paid
 in relation to the amount of work it demands.
- Conversely, someone is **economically assisted** if what she can "give" to the economy is much lower than what she "receives". Let us illustrate this based on the example of a person who depends on unemployment benefits and social assistance because she has been unable to find a secure and sufficiently remunerated job that would allow her to support herself. Although she partly benefits from economic value creation (through state-led social redistribution programs), she is not in a position to adequately contribute to it in return—a situation that is often experienced as painful and stigmatizing, and that can aggravate the precarious financial situation aid-dependent people often find themselves in.

The stigma of being dependent on social assistance has repeatedly been described by poverty sociologists. ¹⁸ It is strikingly illustrated by the fact that many of those who would be entitled to take advantage of social aid prefer *not* to do so. In France, for instance, it was estimated in 2018 that 36% of those who were entitled to the "RSA socle" (a financial aid destined for the unemployed) did not request it. For the "RSA activité" (a financial aid intended to compensate for low salaries), the nontake-up rate was even estimated at 68%. Lack of awareness and information about these social aid schemes explains this only in part: A significant proportion of low-income people willingly forego social assistance for as long as possible, so as to preserve themselves from the stigma that is attached to the condition of being "assisted".

Of course, dependency on economic aid is at times unavoidable, such as in cases of severe work-disability or after prolonged joblessness. However, this is the exception rather than the norm: In a country like France, where unemployment rates have been at consistently high levels since the mid-1980s (hovering around 8-10%), many people receive social assistance *although* they would be perfectly able to take on a job. It is unfavorable

¹⁸ See for instance Simmel, G. (1965 [1908]). The Poor. *Social problems*, 13(2), 118-140; Coser, L. A. (1965). The Sociology of Poverty: To the Memory of Georg Simmel. *Social Problems*, (13), 140-148; Paugam, S. (1991). *La disqualification sociale*. [Social disqualification]. Presses Universitaires de France, and Schnapper, D. (2015). *The Democratic Spirit of Law*. Routledge.

socio-economic conditions, rather than work impairment, that precludes them from employment, and forces them to resort to unemployment and social security benefits.

Undoubtedly, a solid social security system is of utmost importance to our society, as it provides its most vulnerable sections with sufficient means of subsistence. Nonetheless, it is important to keep in mind that situations of economic assistance are *suboptimal*. Whenever possible, it is preferable that people become *included* in the economy in the true sense of the word, i.e., that they participate in its functioning in such a way that what they "give" to the economy is proportionate to what they "receive" from it (*nota bene*: according to their abilities to do so).

B. The central importance of economic inclusion to people's lives

Economic inclusion is a necessary, but not sufficient condition for people to flourish. In order to live a fulfilling life, it is generally assumed that people also need to be tied to social reference groups (such as their family, circles of friends, and broader communities), and to partake in political activities (broadly understood as activities aimed at ordering and organizing social life). In sum, one can distinguish between three forms of inclusion that are crucial to people's well-being: economic, social, and political.

Importantly, these forms of inclusion are neither strictly separate, nor completely independent from one another. Quite the contrary is true. As shown in Figure 3, economic, social and political inclusion:

Partly overlap with one another. For example, salaried employment can involve political activities, such as partaking in work-related decision-making, getting involved in works councils, or engaging in labor union activities (overlap between economic and political inclusion). Similarly, there is obviously a social dimension to economic activity: One's relationships with colleagues, suppliers and clients are not merely formal and transactional. Business relationships are to some extent also personal in nature (overlap between economic and social inclusion).

• Impact one another, often in a mutually reinforcing manner.

This means that increased economic inclusion tends to strengthen social and political inclusion, and vice versa.

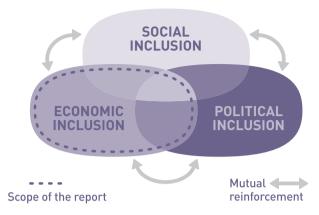


Figure 3 Three interdependent forms of inclusion: Economic, social and political

The strong interdependence between economic, social and political inclusion was empirically substantiated for the first time by the landmark sociological **study of Marienthal**.¹⁹

Marienthal, an Austrian factory town, was severely hit by unemployment under the Great Depression in the 1930s. Under the direction of sociologist Paul Felix Lazarsfeld, fifteen researchers conducted an in-depth field study to examine the effects that the massive lay-offs had on the town's population.

One would have thought that the unemployed would try to make the best of this difficult situation by using their spare time to engage in social interaction and political activities.²⁰ However, the researchers found the exact opposite to be the case: People who had lost their jobs also massively retreated from public and political life, e.g., by stopping reading the newspaper (even when they received it for free or at drastically reduced subscription rates), by resigning from political organizations (even when no membership subscription was required), by stopping borrowing books from the library (even though the fee had been abolished), and by reducing their participation in community activities (theatre, soccer, wrestling, etc.).

¹⁹ See Jahoda, M., Lazarsfeld, P. F., & Zeisel, H. (2017). Marienthal: *The sociography of an unemployed community*. Routledge. For summary accounts, see Lazarsfeld, P. (1932). An unemployed village. Character and Personality, 1(4), 147-151; and Neurath, P. (1995). Sixty years since Marienthal. *The Canadian Journal of Sociology/Cahiers Canadiens De Sociologie*, 20(1), 91-105.

²⁰ Austria was strongly influenced by socialist ideas at that time. It was generally assumed that the working class would spontaneously rally and rise up if its economic situation was deteriorating.

Since then, numerous further studies have been conducted, confirming that people's economic inclusion crucially impacts on their social and political lives:

• Studies from the 1990s show that, across European countries, people's participation in voluntary associations significantly declines when their employment situation deteriorates (see Figure 4). In Germany for instance, more than half of 18 to 66 year-olds participated in activities of associations in 1994. Among the unemployed, however, participation rates were lower than 30%.

	FRANCE	GERMANY	ITALY	U.K.
Stable employment	31.4 %	57.3 %	21.5 %	49.3 %
Unemployed for less than a year	22.5 %	27.3 %	12.7 %	44.2 %
Unemployed for more than a year	18.8 %	29.5 %	11.8 %	33 %
Total workforce btw. 18 and 66	28 %	51.8 %	18.4 %	48.5 %

Figure 4 Participation in voluntary associations in selected European countries, depending on employment situation (1994) 21

- In the U.S., studies conducted among midlife non-Hispanic whites showed that those of them without a college degree are significantly less likely to be married, or to attend church (a place of potential security and support), than those who are college educated.²²
- Recent academic studies using refined methods of causal inference confirm that being jobless has, generally speaking, a strong negative effect on various dimensions of social participation, such as voluntary engagement and membership in clubs, participation in cultural activities, and relationships with friends.²³
- A simple and telling indicator of citizens' involvement in political life is their participation in elections and referenda.
 Figure 5 shows, based on the example of the latest French legislative elections, how abstention rates tend to increase

with economic vulnerability. In 2017, half of French citizens earning a household income of more than 3,000 Euros went to the polls. Less than a third of those with an income under 1.250 Euros did so.²⁴

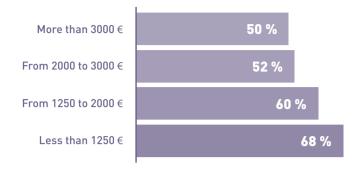


Figure 5 Abstention rates at the second round of the French legislative elections in 2017, by household income ²⁵

These studies all demonstrate the utmost importance that economic inclusion has in people's life. Being able to contribute to, and adequately benefit from, economic activity fosters social interaction and political engagement. Conversely, being excluded from economic activity hinders participation in social and political life.

C. The three dimensions of economic inclusion

So far, we have defined economic inclusion, in a fairly abstract way, as a balanced "give-and-receive" relationship between people and the economy in which they are embedded. This section now specifies the main forms of exchange through which people partake in economic activity.

As illustrated by Figure 6, there are three of them, which we refer to as the **three dimensions of economic inclusion**.

²¹ Paugam, S. (2006). L'épreuve du chômage: une rupture cumulative des liens sociaux? Revue européenne des sciences sociales, 11-27.

²² The New York Times. (2020, March 6). How Working-Class Life is Killing Americans, in Charts.

²³ E.g., Dieckhoff, M., & Gash, V. (2015). Unemployed and alone? Unemployment and social participation in Europe. International Journal of Sociology and Social Policy.

²⁴ By way of comparison: In 2016, the median net salary in France amounted to 1,789 Euro per month.

²⁵ Ipsos Sopra Steria (2017). 2nd tour des élections législatives: Reports de voix et profils des abstentionnistes.

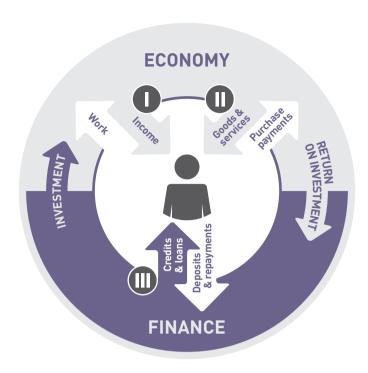


Figure 6 The three dimensions of economic inclusion.

Someone can be considered to be economically included if she has adequate:

• Access to work and income. This can be through employment (in which case work is compensated by a salary) or self-employment (when the person is the owner of a business, or working as a freelance).

Obviously, not every job is a good job. Poverty sociologists have stressed the importance for people to have what they commonly refer to a "real" job as opposed to a precarious one: People generally aspire to a professional activity that is dignified, duly paid, and sufficiently secure.²⁶

Referring to the International Labor Organization's (ILO) understanding of "decent work", one may consider that a person's employment situation is satisfactory if it:

 Offers suitable working conditions, which include safety and security in the workplace, social protection and injury compensation mechanisms, decent working times, freedom to express one's concerns, and opportunities to participate in social dialogue and bargaining processes, notably through workers' and trade unions:

- Is fairly paid and sufficiently lucrative to enable one
 to purchase essential goods and services, and to take
 out valuable loans or credit (i.e., to achieve economic
 inclusion through the second and third dimensions of
 economic inclusion);
- Is **sufficiently stable and predictable** to allow for personal life planning (notably to stabilize one's housing situation and start a family).

Access to decent work and income is of prime importance to people's lives, as becomes apparent from the deleterious effects that unemployment and underemployment can have on their social and political attitudes (see previous section).

Ultimately, precarious job situations negatively affect people's life satisfaction and health status. The U.S. has seen death rates from suicide, alcoholism and drug abuse soar among working-class Americans over the past three

²⁶ See Paugam, S. (1991). La disqualification sociale. [Social disqualification]. Presses Universitaires de France. The author notes that ""the quasi-entirety" of the low-income earners he has interviewed "seeks a permanent job position [...]." He further adds that "[t]hey are not fooled and are well aware of the difference between "real" and "false" employment. [...]. Work is for them the privileged mode of expression of the self in society. To the question: "what does it mean to you to 'succeed in life'?", all answer categorically: "having a decent job", "a well-paid job", "a good job", "a definite job"..." (own translation).

decades.²⁷ In France, unemployment is estimated to cause between 10,000 and 14,000 deaths every year, which has led the French Economic, Social and Environmental Council (Cese) to describe unemployment as a "major public health problem".²⁸

- Access to goods and services. Of importance are not only products of vital necessity (food, clothes, accommodation, and health services), but also goods and services that are otherwise essential, because they are either:
 - Required for professional reasons, i.e., necessary
 to prepare for, find, or maintain a satisfactory
 employment situation (hence, to be included through
 the first dimension of economic inclusion);
 - Required for a fulfilling social and political life (thereby enabling the two other forms of inclusion that were shown to be central to people's well-being in the previous sub-chapter).

What these goods and services are is not set in stone. Rather, essential goods are **context-dependent**, meaning that they vary across time and cultural settings: A particular product may well be crucially important today, when it was perfectly dispensable or even non-existent a few years ago. One may just think of the importance that online access and digital tools have taken on in people's everyday lives. In many places, they have become essential to complete administrative procedures, to search for a job, or to access educational content

What is essential, one might argue, is ultimately individual-specific. This may well be true. However, from a dignity or social justice point of view, the key is that everyone has access to a set of basic human capabilities,²⁹ like being able to have good health; use the senses, imagine, think and reason; or live with concern for and in relation

to animals, plants and the world of nature. She or he is then free to choose from these basic capabilities. What is essential is also not up to large corporations to decide. In fact, even in "Bottom of the Pyramid" (BoP) settings where individuals have their basic capabilities secured, corporations are typically better off soliciting input from their target beneficiaries when formulating their strategy. A big concern is that corporations would propose goods that lead people to overconsume.

In today's OECD economies, goods and services that are crucial to households' lives include, but are not limited to, insurance of prime importance (notably health, accident, and housing insurance), functioning telecommunication devices and services, quality digital equipment, reliable mobility solutions (especially for people living in remoter areas), as well as educational services and vocational training.

These essential goods tend to drain a growing share of households' available financial resources. In France, for instance, it is estimated that "constrained" or "unavoidable" expenditure (the share of an average household's revenues that is "pre-engaged", i.e., spent on longer-term contracts that are difficult to renegotiate in the short run)³⁰ rose from 12% in the 1950s to about 30% in the 2010s. As illustrated in Figure 7, this increase concerns first and foremost the poor, who have seen this type of expense grow from 31% to 38% of their total spending within a single decade (from 2001 to 2011). For well-off households, by contrast, constrained expenses remained stable (at about 25%) over the same time period.³¹

²⁷ See Case, A., & Deaton, A. (2015). Rising morbidity and mortality in midlife among white non-Hispanic Americans in the 21st century. *Proceedings of the National Academy of Sciences*, 112(49), 15078-15083. See also The New York Times. (2020, March 6). How Working-Class Life is Killing Americans, in Charts. Retrieved August 10, 2020, from https://www.nytimes.com/interactive/2020/03/06/opinion/working-class-death-rate.html

²⁸ Les Echos. (2016, May 10). En France, plus de 10.000 décès par an liés au chômage. [In France, more than 10,000 deaths per year linked to unemployment]. Retrieved August 10, 2020, from https://www.lesechos.fr/2016/05/en-france-plus-de-10000-deces-par-an-lies-au-chomage-208131.

²⁹ See Sen, A. (2001). *Development as Freedom*. Oxford University Press. and Nussbaum, M. C. (2011). *Creating Capabilities: The Human Development Approach*. Harvard University Press.

³⁰ This includes, among others, expenses linked to accommodation (including water and electricity), telecommunications services, school canteen fees, television fees, and basic insurance. See Insee (2016). Pre-engaged expenditure. Retrieved September 2020, from https://www.insee.fr/en/metadonnees/definition/c1358.

³¹ Figures and graph taken from: Le Figaro. (2018, December 12). Les dépenses contraintes, ces poids devenus insupportables pour les ménages. [Constrained expenses, an unbearable burden for households]. Retrieved August 29, 2020, from https://www.lefigaro.fr/conjoncture/2018/12/12/20002-20181212ARTFIG00158-les-depenses-contraintes-ces-poids-devenus-insupportables-pour-les-menages.php

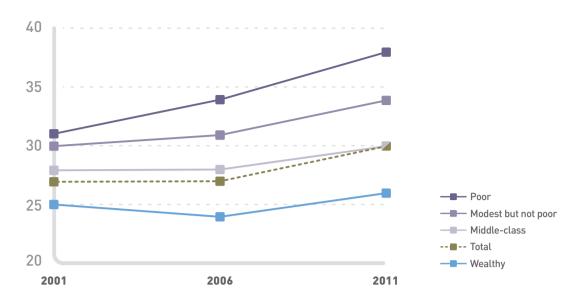


Figure 7 Share of constrained expenses in total expenses (as a %)

- Access to credit and loans. These include, in particular, credit and loans that:
 - Give access to purposeful vocational training (study and training support loans), or serve to build up one's own business (business loans), thereby easing economic integration through the first inclusion dimension;
 - Allow for the acquisition of essential goods, such as housing and private means of transport (e.g., housing mortgages and consumer loans), thereby improving people's economic situation through the second inclusion dimension.

Quite obviously, not every loan or credit is conducive to greater economic inclusion. The 2008 financial crisis has shown that irresponsibly granted credit can aggravate rather than enhance low-income borrowers' financial situation. In order to be truly valuable, the borrowed money needs to be both **purposive** (i.e., aimed at facilitating the access to essential rather than utterly unnecessary goods, or promising rather than unpropitious professional endeavors) and **economically advantageous** (i.e., reimbursable at affordable lending rates). Lending schemes that encourage inconsiderate consumption or are difficult to repay aggravate rather than improve people's

financial situation: They hinder economic inclusion instead of facilitating it.

Microcredit can be suitable to improve low-income borrowers' economic conditions. These are small loans targeted at borrowers with little collateral who otherwise would have difficulties obtaining traditional financing. To foster economic inclusion, microcredit should be granted carefully and delivered at affordable interest rates. The Bangladeshi Grameen Bank, founded by Nobel Peace Prize laureate Muhammad Yunus in 1983, is generally considered to be the first modern microcredit lending organization. Since then, microcredit lending has gained traction across the world, in both developing and developed countries.

Microcredit forms part of **microfinance**, which also includes the provision of other small-scale financial services, such as savings schemes, weather index-based insurance and light touch financial planning support.

More generally speaking, and as illustrated in Figure 6, the finance industry plays a central role in capitalist economies—both at a micro-level (by borrowing money from individuals and rewarding them for their deposits), and on a larger scale (by funding broader economic projects and infrastructure).

D. The linkages between the different dimensions of economic inclusion

As has already become clear from the above explanations, the three dimensions of economic inclusion are **linked to one another in many ways**. This is so because—abstractly speaking—a person's income flows in one inclusion dimension can condition exchanges in another inclusion dimension.

For example, having access to business loans (third inclusion dimension) may allow unemployed people to launch their own business (first inclusion dimension), and thereby help them secure an income by which they can afford otherwise inaccessible goods and services (second inclusion dimension). Also, having access to purposeful professional training (second inclusion dimension) can be helpful to find a stable job (first inclusion dimension), which then facilitates access to personal credit and loans (third inclusion dimension).

Conversely, earning low incomes (first inclusion dimension) hinders access to both essential goods (second dimension) and banking services (third inclusion dimension). Being ineligible for a housing loan (third inclusion dimension) can make it more difficult to settle in economically attractive areas (second inclusion dimension), and thereby hinder access to good jobs (first inclusion dimension).

The situation of persons with little financial means is often rendered all the more difficult as they are subject to what has been termed a "poverty penalty" or "double jeopardy"³²: Not only do they have limited financial resources for the purchase of essential goods and banking services at their disposal, but worse still, they also have no choice but to pay comparatively more than those who are better off. This may draw them into a so-called poverty trap, i.e., into a situation of self-perpetuating poverty that is hard to get out of.

Figure 8 illustrates such self-reinforcing poverty mechanisms. It depicts the situation confronted by low-income workers who depend on private means of transport for their professional activities (i.e., to find a job, to commute to work, or to keep their business running) but who can only afford second-hand high-mileage cars. These heavily used vehicles come with two

main disadvantages. First, they generate significantly higher operating costs (meaning that they impede economic inclusion through the second dimension). In France, the total annual cost of driving and maintaining a 10-year-old car with mileage over 100,000—the type of vehicle that typically falls within the budget constraints of low-income earners—is estimated to be $\leqslant 900$ higher than for a new car. Second, they can generate losses of earnings due to unexpected vehicle downtimes that prevent their owners from going to their workplace or to job interviews (reduced economic inclusion through the first dimension). Both effects reduce the purchasing power of their owners, thereby perpetuating the difficult economic situation they are facing.

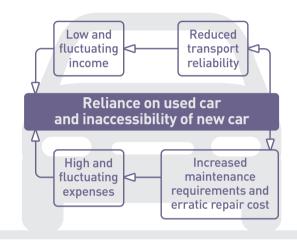


Figure 8 Situation of low-income workers who depend on unreliable private means of transportation.

To help people break this deadlock, Groupe Renault liaised with partner garages, micro-credit lenders and social service organizations, to launch the "Mobilize" program, an inclusive business initiative which facilitates low-income earners' access to new and hence reliable cars by offering them a reduced and advantageous lease-purchase contract financed through microcredit (see p. 38).

The interdependencies between the different dimensions of economic inclusion hint at the importance of adopting a **holistic approach** when running an inclusive business initiative, meaning that is often preferable to tackle economic exclusion from several angles rather than just one.³³

³² See Dalsace, F., Vincent, C. E., Berger, J., & Dalens, F. (2012). The Poverty Penalty in France: How the Market Makes Low-Income Populations Poorer. Field Actions Science Reports. The journal of field actions. (Special Issue 4).

³³ See Yunus, M., Dalsace, F., Menascé, D., & Faivre-Tavignot, B. (2015). Reaching the rich world's poorest consumers. Harvard Business Review, 93(3), 2-9.

This ties in with a frequently voiced criticism of C.K. Prahalad's "Bottom of the Pyramid" (BoP) approach. BoP strategies aim at turning the world's poorest people into lucrative customers by tailoring products and services to their needs and concurrently leveraging economies of scale.³⁴ When viewed in light of the terminology of this report, the BoP approach thus attempts to increase the poor's economic inclusion through the second dimension. However, an often-raised concern with BoP strategies is that they disregard the importance of also taking the poor's sources of income into consideration: To successfully alleviate poverty, the poor should not merely be seen as consumers but also as producers, critics say.³⁵ They stress an

important point: In order to be effective and lasting, economic inclusion must concurrently occur through the first dimension. The Grameen Bank and other micro-credit organizations have in turn recognized how valuable small and affordable credits can be to find a job or start a business, thereby hinting at the crucial role of the third dimension of economic inclusion.

Ideally, all three inclusion dimensions should thus be considered in concert rather than in isolation. They constitute interdependent levers for better integrating vulnerable populations into the economy.



Key takeaways

- → A person can be deemed "economically included" if she is able to contribute to, and benefit from, economic activity. The received benefits should be enough to cover important needs.
- → Economic inclusion is central to people's well-being. Numerous studies have shown that economically vulnerable people tend to retreat from social and political life. There is also ample statistical evidence that they are prone to increased health risks.
- → Economic inclusion occurs through three dimensions: access to decent work and a fair income, access to essential goods and services, and access to valuable and carefully granted credit and loans.
- → These dimensions are not independent from one another, but linked in many ways. Thus, there is value in adopting a holistic approach when trying to foster the economic inclusion of disadvantaged populations.

³⁴ Prahalad, C. K., & Hart, S. L. (1999). Strategies for the bottom of the pyramid: creating sustainable development. Ann Arbor.

⁵⁵ Karnani, A. 2007. The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector Can Help Alleviate Poverty. California Management Review, 49 (4), 90-111

II. Economic exclusion and the risk of social relegation

Having defined what economic inclusion means, we now turn to its opposite: **economic exclusion**. In fact, even in advanced economies such as those of the OECD, many people find themselves partly or fully excluded from economic activities. Why is that? What factors drive economic exclusion? And how do these factors relate to the three dimensions of economic inclusion described in the previous chapter?

A. Why are our economies not as "inclusive" as we would hope for?

The notion of "inclusive economy" has gained increased currency in recent years. ³⁶ But is there even such thing as a truly "inclusive" economy?

An economy would deserve the attribute "inclusive" if it was able to ensure economic inclusion for all its members, that is, if it enabled all people to contribute to, and benefit from, economic life and value creation in a satisfactory manner (see previous chapter). The European Bank for Reconstruction and Development, for instance, defines the term as follows: "An inclusive market economy ensures that anyone regardless of their gender, place of birth, family background, age or other circumstances, over which they have no control, has full and fair access to labour markets, finance and entrepreneurship and, more generally, economic opportunity." 37

It is quite evident that a fully inclusive economy is a barely achievable aspiration. In practice, economies can only be *more or less* inclusive, depending on the extent to which people are able to participate in them. In fact, many of today's economies, even the most developed ones, are characterized by highly unequal participation in economic life: A substantial proportion of their population finds itself partially or fully excluded from economic activities.

This is so because they encounter so-called **inclusion barriers** along the three above-mentioned dimensions of economic inclusion (figuratively represented by barrier gates in Figure 9). These are factors that hinder the above-described economic exchanges, and thereby exclude people from economic life.

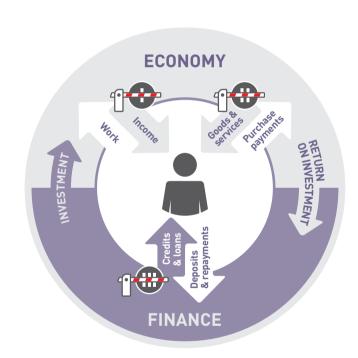


Figure 9 Barriers to economic inclusion can hinder economic exchange across the three dimensions

Retrieved February 11, 2020, from https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html

³⁶ E.g., The Broker. (2013, May 15). Towards an inclusive economy. Retrieved February 11, 2020, from https://www.thebrokeronline.eu/towards-an-inclusive-economy-d59/; The Rockefeller Foundation. (2016, December 13). The Five Characteristics of an Inclusive Economy: Getting Beyond the Equity-Growth Dichotomy. Retrieved February 11, 2020, from http://inclusiveeconomies.everettprogram.org/wp-content/uploads/2018/03/Rockefeller-Foundation-Featured-Article.pdf
³⁷ EBRD. [European Bank for Reconstruction and Development]. (date unknown). Economic inclusion.

B. Barriers to economic inclusion

Economic exclusion is sometimes narrowly attributed to **discriminatory practices**, whereby some people are disadvantaged based on personal characteristics such as their race, age and gender. On a closer look, however, it appears that **many more factors** can prevent people from contributing to, and benefiting from, economic life.

Broadly speaking, one can distinguish between **three main types of barriers**: structural, informational, and socio-psychological.

- A. **Structural barriers** exist when economic exchange does not occur because it is either not feasible, or not sensible from an economic rationality standpoint.
- B. **Informational barriers** are at work when the information available is insufficient or inadequate for economic exchange to take place.
- C. Socio-psychological barriers are mechanisms of a sociopsychological nature whereby people become excluded, or self-exclude, from economic exchange. Self-exclusion occurs when economically vulnerable people have developed cognitive dispositions that are unfavorable to economic exchange because of the precarious situation they are in, or the difficult life trajectories they have gone through.

Barriers of these different types can, and often do, coexist and work together to partly or entirely exclude people from economic participation. For instance, a person who is hardly employable because she does not possess the skills that would enable her to easily find a job at companies near her place (structural barrier) may, at the same time, not be aware of training opportunities that could help her acquire those skills (informational barrier) and may have adopted a discouraged, resigned and distrustful attitude in view of the repeated disappointments she has experienced in her educational and professional life (sociopsychological barriers).

It is also to be noted that the three types of barriers can apply across the three inclusion dimensions described in the previous sub-chapter. Structural barriers, for instance, can hamper access to essential goods (e.g., when these goods are too expensive for low-income buyers), quality jobs (e.g., when the skills of elderly unemployed do not suit the requirements of

recruiting companies), or valuable loans (e.g., when people are not eligible for them).

This is important to keep in mind at the very beginning of an inclusive business initiative. As mentioned in the previous chapter, there is value in approaching the problem of economic exclusion **holistically**. To comprehensively assess target beneficiaries' situations, one should ideally try to identify and evaluate, as a starting point for the initiative, the potential barriers of *all* three types, and across *all* three inclusion dimensions.

For this purpose, one may draw a so-called "inclusion heatmap", which can help define the scope of the initiative, and identify priority barriers to be addressed (Figure 10).

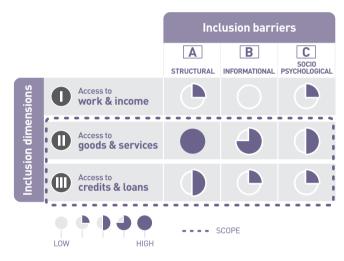


Figure 10 Inclusion heatmap used for scoping and prioritizing barriers to be tackled by an inclusive business initiative (illustrative example)

Figure 11 provides an overview of the different barriers of each of these three types. They are briefly described below.

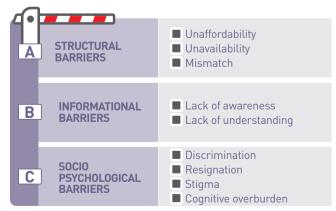


Figure 11 Typology of barriers to economic inclusion

Structural barriers

Most evidently, economic exchange can be impeded by unaffordability, i.e., by the limited financial resources that either of the potential trading partners has at its disposal. Often, essential goods or services (such as decent housing, purposeful vocational training, reliable private transport, or necessary digital equipment) and/or lending schemes that could provide access to them (e.g., a housing loan, an education loan, a car loan, or consumer credit) are simply unaffordable to economically disadvantaged people. Unaffordability can also hinder employment, that is, when a firm is insufficiently solvent to hire the required workforce.

Economic inclusion can also be impeded by the fact that potential jobs or essential goods and services are **unavailable** to vulnerable populations—e.g., because they are geographically out of reach, or because accessing them requires digital infrastructure and equipment they do not have.

In some cases, economic exchange is hindered by **mismatches** between supply and demand, e.g., when potential employees' qualifications and skills do not meet the requirements of the industry, when access to an essential good or service is conditional on requirements (statutory or otherwise) that part of the population does not fulfill, or when the products or services available on the market are unsuited to the needs of impoverished segments of the population. An inclusive business initiative run by the Action Tank Social & Business for the "Plaine Commune Habitat" public housing office in the French department of Seine-Saint-Denis (France's poorest department), for instance, has shown that readily available housing insurance schemes are often not adapted to the specific accommodation-related risks (e.g., damage linked to water leakages, fires, and burglaries) faced by low-income tenants of social housing apartments (see p. 42).

Informational barriers

Sometimes economic exchange does not occur because people and/or businesses they could engage with are **not aware** of the opportunity of a business exchange that could increase economic inclusion. For example, impoverished people may not be aware of an affordable product offer, jobseekers of an employment opportunity, and employers of a potentially interesting applicant.

This may be because the information required is not available, or badly advertised.

Information about a potentially beneficial business exchange can be available and well-known yet not become effective, because the advantages that such an exchange would bring are **not understood** by either of the two parties. For instance, employers may underestimate the value that newly-recruited employees with atypical job profiles or career paths could bring to their company. In a similar vein, low-income customers may misjudge their own needs or a product's qualities, and therefore make a bad or suboptimal purchasing decision (e.g., by buying a product which is unnecessarily expensive relative to its benefits). Coming back to the example of readily available housing insurance schemes, these may not only be inappropriate to the risks faced by low-income tenants, but also be overly complex and hence difficult to understand. This leads many tenants to either be un- or over-insured against certain housing risks (see p. 42).

Socio-psychological barriers

Discrimination occurs when people find themselves excluded from an economic opportunity based on a devalued personal characteristic, such as their age, race, gender, or sexual orientation. People sometimes also self-discriminate on the basis of such characteristics in order to avoid discriminatory experiences, or when they have interiorized negative stereotypes that are attached to them.

Resignation is a form of self-protection. It occurs when people deem their prospects of success to be limited, all the more so when they have experienced repeated disappointments (e.g., in their loan applications, in their job search, or in attempts to build their own business), and so they lower their hopes and expectations, and accordingly their efforts to rid themselves of the precarious economic situation they face. Resignation is not limited to adults facing economic difficulty: It is often also passed on to their progeny. The previously mentioned study of Marienthal showed that the situation of hopelessness confronted by jobless factory workers also inhibited their children's fantasies and wishes. Having arranged with a school teacher to give children a theme on their life wishes («What I want to be when I grow up"), the researchers found that the customary adventurous wishes of boys at that time (e.g., becoming an airplane pilot or

³⁸ See in particular Paugam, S. (1991). La disqualification sociale. PUF; and Lazarsfeld, P. (1932). An unemployed village. Character and Personality, 1(4), 147-151, who describes resignation as a "hopelessness", a "contraction of wants" and "apathy" subsequent to the painful experience of unemployment.

a ship's captain) were all missing. Furthermore, the children's Christmas wishes amounted, in monetary terms, to no more than one third of those of the children in the neighboring villages, which had been less hard-hit by unemployment. The children of unemployed workers had apparently interiorized the worries of their parents, and developed coping mechanisms to protect themselves from subsequent disappointments.³⁹

Because poverty is socially devalued, people often try to protect themselves from the **stigma** that is attached to it.⁴⁰ They may do so, for instance, by refraining from taking advantage of social aid they are entitled to, or by refusing to buy more affordable but socially discredited ("cheap") products—which can further aggravate the precarious economic situation they are in.

Poverty also tends to affect decision-making in problematic ways. Some of the biases economically vulnerable people are more prone to are hyperbolic discounting and probabilistic errors. Behavioral economists partly explain this by the fact that peoples' "cognitive bandwidth", i.e., their fundamental ability to perform informed decision-making, is not fixed but varies with

the circumstances. When people confront situations of poverty, they have to face money concerns and various other worries, which tends to **mentally overburden** them, i.e., to reduce the cognitive bandwidth available to make reasoned economic decisions.⁴¹

C. The dynamic of economic exclusion

Economic exclusion is far from a binary (yes-no) or static experience. To poverty sociologist Serge Paugam, disadvantaged people can be more or less excluded ("disqualified" as he calls it) depending on the extent to which they are barred from partaking in economic life. 42 The situation of people experiencing economic hardship (e.g., because of an illness, a job loss, or for family-related reasons) can, and often does, deteriorate over time, if these people face sustained difficulties finding their way back into economic activity. While they perceive their chances of economic betterment as shrinking, they tend to adopt coping mechanisms that help them deal with their difficulties, but at the same time impede improvement. Inclusive business initiatives, to which the next section devoted, can help break this dynamic.



Key takeaways

- In practice, a substantial proportion of the population finds itself partially or fully excluded from economic activities, or at risk of becoming socially relegated. This is so because they face barriers across the three dimensions of economic inclusion.
- These barriers are of three sorts: structural (economic exchange is either not feasible, or not sensible from an economic rationality standpoint), informational (economic exchange does not take place because the available information is either insufficient or inadequate), and socio-psychological (economic exchange does not take place because of unfavorable cognitive dispositions).
- These barriers can coexist and work together to exclude people from economic participation. Which of them are most prevalent depends on the case at hand, and may be assessed at the beginning of an inclusive business initiative.

³⁹ See Neurath, P. (1995). Sixty years since Marienthal. The Canadian Journal of Sociology/Cahiers Canadiens De Sociologie, 20(1), 91-105. See in particular pp. 100-101.

⁴⁰ See Paugam, S. (1991). La disqualification sociale. PUF; and Goffman, E. (1963). Stigma: notes on the management of spoiled identity. Prentice-Hall.

⁴¹ See Schilbach, F., Schofield, H., & Mullainathan, S. (2016). The psychological lives of the poor. American Economic Review, 106(5), 435-40.

⁴² Paugam, S. (1991). *La disqualification sociale*. [Social disqualification]. Presses Universitaires de France.

III. Inclusive business

The previous chapter described the barriers that can hinder economic inclusion. This brings us to "inclusive business initiatives" (used interchangeably with "inclusive business" in this report). The purpose and aim of an inclusive business initiative are precisely to work towards fostering economic inclusion, by attempting to lift the barriers which impede it. What characterizes inclusive business? How does it differ from traditional ways of doing business? And how does it relate to well-known business approaches that aim at improving the situation of low-income earners, such as that of Michael Porter and Mark Kramer, "Creating Shared Value", or C.K. Prahalad's "Bottom of the Pyramid" strategy?

A. The basic idea behind inclusive business

As it stands now, state-led and NGO-supported redistribution programs and social aid schemes, as indispensable as they may be, only partly address the problem of economic exclusion. The basic idea behind inclusive business is that **business itself** can also **play a distinctive role in fighting and preventing economic exclusion** and facilitating people's participation in the economy. This will be further explained in the following.

Figure 12 illustrates the currently prevailing way of generating and distributing value.

As it stands now, economic value is primarily generated in the spirit of value appropriation—i.e., according to a logic in which firms and their stakeholders compete with one another to capture gains and therefore needed resources.

Importantly, the logic of value appropriation does not preclude justice-related considerations. However, it subordinates them

Logic of value appropriation

VALUE CREATION

Logic of value sharing

VALUE REDISTRIBUTION

Figure 12
"Grow first, distribute later":

The currently prevailing way of creating and sharing value.

to the quest for profit and competitive advantage: A company operating within this logic may well decide to increase the pay level of its lowest-level workers beyond what is required by law, to establish fair-trade schemes with its suppliers, or to take action to promote employee diversity—but it will do so only insofar as this is likely to secure or improve its competitive position (e.g., because this will improve its reputation, enhance the morale of its employees, or be valued by its customer base).

Traditional Corporate Social Responsibility (CSR) approaches follow this logic: They are "instrumental", in the sense that they address social issues if this is in the economic interest of the firm at hand.⁴³ Michael Porter and Mark Kramer's much-vaunted "Creating Shared Value" concept,⁴⁴ which is sometimes presented as a radical departure from conventional CSR, does not depart from this logic either, as it justifies the need for business firms to tackle social issues with the economic potential this would entail.⁴⁵

Porter and Kramer are certainly right in assuming that social concerns can constitute untapped opportunities for firms to gain a competitive edge over their rivals. However, it would be misleading to conclude that this is *always* the case: Social and economic goals can be (and often are) in conflict with one another. Hence, if economic value is primarily created through a competition for the highest possible returns, this will necessarily leave some significant problems unaddressed, and some people behind: When left unbridled, capitalism has the tendency to concentrate wealth in the hands of few.⁴⁶

⁴³ On "instrumental" approaches to CSR, see for instance Garriga, E., & Melé, D. (2004). Corporate social responsibility theories: Mapping the territory. *Journal of Business Ethics*, 53(1-2), 51-71.

⁴⁴ Porter, M. E., and Kramer, M. R. (2011). Creating Shared Value. Harvard Business Review, Vol. 89(1), 2-17.

⁴⁵ This has been a major point of criticism of Porter and Kramer's "Creating Shared Value" concept. See in particular: Crane, A., Palazzo, G., Spence, L. J., & Matten, D. (2014). Contesting the value of "creating shared value". California Management Review, 56(2), 130-153.

⁴⁶ Piketty, T. (2015). About capital in the twenty-first century. American Economic Review, 105(5), 48-53.

This makes it necessary to *share* the created economic value with those who, for whatever reason, could not adequately participate in its creation. Today, *value sharing is mostly done ex post*, through predominantly state-led (and third-sector supported) *redistribution mechanisms*: Taxes are levied on the created value (notably on income, profits, capital gains, wealth, and traded goods and services),⁴⁷ so that support can be provided to the underprivileged members of our societies (in form of unemployment pay, social security benefits, and other forms of public aid).

This is what the OECD calls a "grow first, distribute later" approach⁴⁸ –i.e., one in which private and non-private sectors intervene sequentially in the generation and reallocation of economic value, respectively. This model produced comparatively satisfactory results in the post-WWII economic boom period but since then has become increasingly less effective in (re) integrating economically vulnerable populations into the value creation process, and thereby ensuring social mobility.⁴⁹

The OECD thus recommends moving away from such an approach by "introduce[ing] equity considerations *ex ante*" 50, i.e., by integrating them into the value creation process rather than leaving them to the sole care of social redistribution programs (see Figure 13).

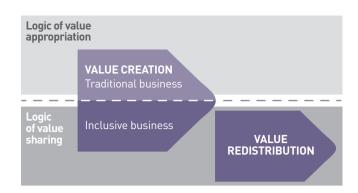


Figure 13 Blueprint for a more equitable way of generating and distributing value.

The basic idea is that **value creation** should be done **in the spirit of value sharing**. Business should be conducted in a manner that willingly *includes* people who, if things were left to the sole logic of value appropriation, would find themselves *excluded* from market activity and hence largely dependent on social assistance mechanisms.

The main aim of inclusive business is thus to offer people in precarious economic situations increased prospects of participating in economic value creation. Put differently, this means that it works towards **lifting some, or all, of the economic inclusion barriers** confronting these people (see Figure 14).

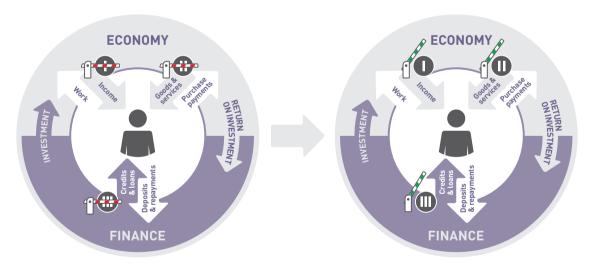


Figure 14 Inclusive business aims to lift barriers to economic inclusion

⁴⁷ For a comprehensive and consistent classification of taxes, see OECD. (2018). Revenue Statistics 1965-2017: Interpretive Guide. Annex A: The OECD Classification of Taxes and Interpretive Guide. Retrieved August 9, 2020, from https://www.oecd.org/tax/tax-policy/oecd-classification-taxes-interpretative-guide.pdf

⁴⁸ See OECD. (2018). OECD Policy Brief. Opportunities for all: OECD Framework for Policy Action on Inclusive Growth.

Retrieved February 21, 2020, from https://www.oecd.org/inclusive-growth/resources/Opportunities-for-all-OECD-Framework

Retrieved February 21, 2020, from https://www.oecd.org/inclusive-growth/resources/Opportunities-for-all-OECD-Framework-for-policy-action-on-inclusive-growth.pdf ⁴⁹ See OECD. [2018] A Broken Social Elevator? How to Promote Social Mobility.

⁵⁰ Citing Gabriela Ramos, OECD Chief of Staff and Sherpa to the G20. Cf. OECD. (2018). OECD Policy Brief. Opportunities for all: OECD Framework for Policy Action on Inclusive Growth. Retrieved February 21, 2020, from https://www.oecd.org/inclusive-growth/resources/Opportunities-for-all-OECD-Framework-for-policy-action-on-inclusive-growth.pdf

As will be shown in a later sub-section, this requires a genuine shift in mindset: An integral part of corporations' way of doing business must be to think of how to include impoverished populations in economic value creation—whether as suppliers, employees, financiers, or customers.

It is important to note that inclusive business initiatives do not render redistribution unnecessary. Inclusive business **does not replace public and philanthropic aid—rather, it complements it.** As can be seen from the examples of initiatives documented in Part Two of this report, inclusive business initiatives generally address needs that are both underserved by the market, and insufficiently satisfied by welfare state services and social organizations.

B. Defining inclusive business

As mentioned in the introduction to this report, inclusive business does not merely incidentally produce a positive social impact by diminishing a company's negative impact on society, or by producing positive social effects as a side-product of its activity. In this sense, it is much more ambitious than most of the projects run in the name of "Corporate Social Responsibility".

The attribute "inclusive" designates the very core of what this type of business intends to do:

For inclusive business initiatives, inclusiveness is part of their reason for being (i.e., of their primary stated purpose). These initiatives are aimed at furthering the economic inclusion of vulnerable or disadvantaged parts of society—in one, or several, of the three inclusion dimensions (access to decent work and sufficient income; access to essential goods and services; and access to valuable credit and loans).

An inclusive business initiative has the following **three characteristics**:

- It is specifically targeted at people who are excluded from ordinary economic participation, or at risk of becoming so. These target populations are generally called "beneficiaries".
- It aims at lifting one or several of the inclusion barriers
 faced by those people. This means that its action is
 specifically intended to facilitate their access to decent
 work, essential products, and/or valuable loans and credit.
- 3. At the same time, it aims at creating economic value. As they are specifically targeted at economically vulnerable populations, inclusive business initiatives follow an underlying logic of equitable value sharing that is decisively distinct from that of the value appropriation which prevails in the economic realm today. Nevertheless, inclusive business is still "business", not charity: It aims at generating, at the very minimum, *some* level of economic return. How much this is varies from initiative to initiative, as will be shown in the next sub-chapter.

C. The spectrum of inclusive businesses

As illustrated in Figure 15 below, **profit expectations can vary broadly from one inclusive business initiative to another**.

Approaches such as "Creating Shared Value" and "Bottom of the Pyramid" can be seen as forms of inclusive business with high profitability targets: Their ambition is to improve vulnerable people's economic situation, while at the same time not giving up on maximizing profits.⁵¹

As we move from left to right in the figure, the business endeavor becomes less constrained by profit expectations. "Social business", as defined by Muhammad Yunus, is a form of business that is almost equidistant between conventional for-profit business and pure philanthropy: It is financially self-sufficient, yet does not pay dividends. Profits, when they are made, must be reinvested in the business endeavor itself (or be used to fund similar social business initiatives), rather than being paid to its owners.⁵²

⁵¹ Note that the concept of "Creating Shared Value" is not limited to matters of economic inclusion, but extends to all sorts of social or environmental issues. As for "Bottom of the Pyramid" strategies, they are primarily aimed at giving the world's poorest populations access to goods and services (i.e., at fostering economic inclusion through the first dimension) but can also, in some instances, facilitate access to work and financing resources.

⁵² See HEC (2020). Executive Factsheet: What is Social Business? Retrieved August 9, 2020, from https://www.hec.edu/en/faculty-research/centers/society-organizations-institute/think/so-institute-executive-factsheets/what-social-business.

Initially, Muhammad Yunus saw social business as an alternative and arguably more useful way for philanthropists to place their money: Rather than making a one-time donation, they can invest in viable businesses generating recurring benefits. Over the years, social business has also increasingly attracted the interest of for-profit multinational companies, which have realized that engaging in "no-loss-no-dividend" strategies can deliver important intangible benefits, such as increased innovation capabilities, employee motivation, and firm reputation.⁵³

Further on the right of the spectrum are inclusive business initiatives that are not fully self-sustaining, and hence need to be partially subsidized.



Figure 15 The spectrum of inclusive business

It is important to emphasize that *all* forms of inclusive business along the spectrum have an important part to play in rendering our economies more inclusive. Contrary to what one may think, the impact investment community is not only interested in the most profit-oriented endeavors, but also widely recognizes the value that below-market investments can bring. Recent surveys conducted by the Global Impact Investing Network (GIIN) indicate that about 34% of impact investors deliberately target below-market rate returns.⁵⁴

It is also to be noted that, generally speaking, businesses are being pressurized to "move to the right" in the above graph. Conventional businesses are increasingly called upon by their stakeholders (especially their customers, their employees, civil society organizations, and society at large) to move away from narrowly profit-driven Corporate Social Responsibility approaches. Today, the necessity for for-profit firms to

fundamentally change their way of doing business is also widely acknowledged by corporate leaders themselves, as attested by the pledge signed by the "Business for Inclusive Growth" [B4IG] coalition in 2019. 55 Even the Business Roundtable, which is generally considered a rather conservative lobbying association, made a slight move in this direction in an announcement released in 2019 and signed by the CEOs of 181 U.S. corporations, stating that they were "truly committed to meeting the needs of all stakeholders", thereby "push[ing] for an economy that serves all Americans". 56

Conversely, one can also discern a tendency among highly subsidized social impact organizations to "move to the left" somewhat in the figure: A number of these organizations are attempting to become more independent from donors by increasing their financial returns.

See Yunus, M., Dalsace, F., Menascé, D., & Faivre-Tavignot, B. (2015). Reaching the rich world's poorest consumers. Harvard Business Review, 93(3), 2-9.

⁵⁴ See GIIN. (2020). The State of Impact Measurement and Management Practice.

 ⁵⁵ See https://www.b4ig.org/the-pledge/. Accessed October 30, 2020.
 56 Quotes from Alex Gorsky, Chairman and CEO of Johnson & Johnson and Chair of the Business Roundtable Corporate Governance Committee, and Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co. and Chairman of Business Roundtable. Cf. BRT (2020, August 19). Business Roundtable Redefines the Purpose of a Corporation to Promote An Economy That Serves All Americans'. Retrieved August 30, 2020, from https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans.

D. Inclusive business as a shift in mindset

Inclusive business is *still business*, meaning that it aims at being at least partly financially self-sufficient. However, it also differs in many ways from traditional for-profit business. As illustrated in Figure 16, engaging in an inclusive business initiative requires a genuine shift in mindset: It demands that businesses think differently about their role, and engage differently with their stakeholders and partner organizations.

Traditional for-profit business Inclusive business **APPROACH Developing** economic actorhood TO ECONOMIC **Utilizing** economic actorhood ("economic empowerment") **ACTORHOOD INTERACTION** Cross-sectoral partnering **Single-sector** approach **ACROSS** ("ecosystemic approach") **SECTORS APPROACH** Territorially anchored Territorially detached TO SPACE short to mid-term focus long-term focus AND TIME

Figure 16 Inclusive business as a shift in mindset

First, inclusive business has a different approach to economic actorhood than traditional for-profit business. By economic actorhood, we mean people's ability to act as a fully-fledged economic agent, i.e., to carry out economic activities such as working, producing, purchasing, selling, and investing. Traditional business typically utilizes already developed economic actorhood, e.g., by engaging with solvent customers or hiring an already adequately skilled workforce. Inclusive business, however, is precisely targeted at persons whose possibilities on the market are limited by the inclusion barriers they face. It is thus aimed at developing the economic actorhood of its target beneficiaries by lifting those barriers, e.g., by helping them become solvent customers or offering them purposeful vocational training and advice. One may also talk of economic empowerment in this context, in the sense that inclusive business aims at increasing vulnerable people's capacity to partake in economic activity in a manner that best serves their interests and needs.⁵⁷ An initiative that epitomizes how business can foster economic empowerment is "100 chances 100 emplois" (literally "100 chances 100 jobs"). 58 This initiative was launched as far back as 2004 by the energy and automation company Schneider Electric. Its aim is to provide young people from deprived urban areas (18 to 30 years old) with comprehensive

training tailored to their vocational projects (including regular mentoring and recruitment interview simulations), and to help them gain professional experience (through internships, temporary employment, and on-the-job assessments). Across France, more than 1,600 partner organizations from both the private and public sectors contribute to this initiative. Over the years, more than 7,000 young people have benefited from this educational program, of whom over 5,000 have been successfully economically empowered by finding a stable job.

Second, inclusive business initiatives involve increased interaction across sectors. Traditionally, there is a relatively sharp role divide between the business sector, which creates economic value according to the logic of appropriation (the left-hand arrow in Figure 12), and the public and third sectors, which are tasked with partially redressing inequalities by redistributing the wealth thus generated (the right-hand arrow). This clear role divide becomes blurred with inclusive business: To effectively include in the value creation process people who are normally excluded from it (Figure 13), business firms generally have to collaborate with public agencies (unemployment service offices, welfare offices, disability service offices, etc.) and civil society organizations (charitable organizations, youth workers, etc.)

⁵⁷ The OECD defines "economic empowerment" as "the capacity of women and men to participate in, contribute to and benefit from growth processes in ways which recognise the value of their contributions, respect their dignity and make it possible to negotiate a fairer distribution of the benefits of growth". See OECD (2011). Women's Economic Empowerment. Retrieved August 30, 2020, from https://www.oecd.org/social/gender-development/47561694.pdf

⁵⁸ See https://www.100chances-100emplois.org/. Accessed October 30, 2020.

that are able to identify these beneficiaries, and are familiar with their problems and needs. These cross-sectoral collaborations are oftentimes so close and lasting that it is legitimate to view them as veritable **ecosystems**.

Third, inclusive business adopts a distinct approach to **time and space**: Conventional for-profit business is mostly short-term oriented and "de-territorialized"⁵⁹, i.e., conducted according to logics that are detached from specific locations and applied across geographies. Inclusive business initiatives, however,

contribute to a "re-territorialization" of economic activity. To address the specific inclusion needs of their target beneficiaries, they are usually anchored in particular geographical regions, i.e., involving local partner organizations and tailored to specific local conditions. Furthermore, the investment time horizon is usually much longer, since inclusive businesses take time to be developed, tested and implemented.



Key takeaways

- > Inclusive business initiatives aim at fostering the economic inclusion of disadvantaged populations.
- → Abstractly speaking, inclusive business consists in generating economic value in the spirit of value sharing rather than value appropriation. By doing so, it complements state-led and NGO-supported redistribution programs.
- → More concretely, inclusive business initiatives aim at offering people in precarious economic situations increased prospects of participating in economic value creation, by lifting some, or all, of the economic inclusion barriers these people face.
- → While inclusive business pursues a social purpose, it is still business, meaning that it is expected to generate at least some level of financial return. How much this is can vary from one inclusive business to another.
- → Engaging with inclusive business requires a shift in mindset by traditional for-profit organizations. It demands that they work towards empowering their target beneficiaries, while collaborating across sectors and thinking in the long run.

⁵⁹ The concept of "de-territorialization" was originally introduced by philosophers Gilles Deleuze and Félix Guattari in the 1970s and has since been taken up in various fields, notably in organizational studies.

Conclusion and outlook

This report was finalized in the midst of the Covid-19 crisis and the protests following the death of George Floyd. Most likely, vulnerable populations will be hit hardest by the downturn subsequent to the pandemic, while society's demands for social and racial equity, which have been repeatedly and vehemently expressed throughout the economically developed world in recent years, will not diminish. In this context, inclusive business has become ever more important. It is to be hoped that the corporate community will, despite the urge to financially recover from today's severe economic hardship, not forget about its commitment to "mainstream inclusive business".

Part One of the present report was intended to facilitate this endeavor, by explaining, in simple terms and with easy-to-understand graphics, what we believe inclusive business is, and why we think it is crucial to alleviate poverty and inequality. The definition of "inclusive business" that we provide (see p. 31) and the typologies of inclusion dimensions and barriers that we develop (see pp. 26-28) hopefully will facilitate the emergence of a common understanding of how to conceive of, and approach, inclusive business initiatives.

The examples of successful or promising initiatives that are annexed in Part Two of this report complement these conceptual considerations with some real-life experiences. They show that inclusive business can effectively facilitate access to a broad variety of essential needs, including mobility, healthy food, accommodation, insurance, education, and a secure job.

This being said, explaining what inclusive business is and why it is important is only part of the broader task of popularizing inclusive business. In a further step, it will be necessary to provide some concrete guidance to organizations that are engaged in inclusive business, by explaining how it works and how it can be managed successfully. We thus plan to publish a **second report** in the near future that will provide practitioners with a stepby-step phase model for inclusive business (covering the identification of target beneficiaries, the evaluation of potential solutions against their social impact and financial return, the development and testing of a viable business model, the tracking of the delivered impact, and the scaling up of activities) as well as proven practices and common pitfalls. We will therefore draw on the experience that our partner organizations (most notably the Action Tank Social & Business and the member firms of the B4IG coalition) have gained over the years, through their successes but also the difficulties and challenges they have faced.



PART 2:

SAMPLE OF SUCCESSFUL AND PROMISING INCLUSIVE BUSINESS INITIATIVES

Programme Mobilize

M®BILIZE

GROUPE RENAULT



Programme Mobilize aims to give access to new and hence reliable cars to low-income populations who depend on private means of transport for their professional activities (i.e., to find a job, to commute to work, or to keep their business running).

INCLUSION ► Mobility

GEOGRAPHY ▶ France EXISTING SINCE ▶ 2015

ECOSTSTEM		
Groupe Renault	Club Mobilité	
Partner garages	Micro-credit lenders (ADIE and Parcours Confiance)	
Social service organizations		

(e.g., Pôle emploi, FASTT)

FINANCING

a no-loss-no gain basis. The program is largely managed by Fédération Nationale des Caisses d'Epargne, and (currently about 50) partner garages that agreed to participate in the project.



People living in suburban and rural areas of France PROBLEM often depend on private means of transport to make their living—whether to obtain employment, to commute to their workplace, or to run their own business. However, many of them live on a tight budget. In fact, part of the more remote areas in France also have above-average poverty rates—a phenomenon that has been described as a "territorial divide" between prosperous and economically dynamic urban areas that are well served by public transport, and poorer peripheral areas in which employment opportunities are scarce and can only be reached by privately owned cars. Low-income households living in these peripheral areas usually can only afford second-hand highmileage cars that are much less reliable than new ones. This comes with three main disadvantages:

• First, significantly higher operating costs. People who do not have the financial means to purchase a new car incur a

"poverty penalty", meaning that they have no choice but to pay higher user costs. On average, the annual cost of driving and maintaining a 10-year-old vehicle with mileage over 100,000 (the type of vehicle that typically falls within the budget constraints of low-income earners) is € 900 higher than the yearly operating expenses of a new car.

- Second, losses of earnings due to unexpected vehicle downtimes that prevent their owners from going to their workplace.
- Third, and linked to that, increased worry and anxiety. For a low-income household, even a common and simple repair such as a replacement of the brake pads can constitute a significant cost burden. Vehicle repairs and inspections of high-mileage cars are often experienced as emotionally stressful by their owners, because they can always lead to unanticipated—and hence unbudgeted-expenses.

In 2015, Renault and the Fédération Nationale des Caisses d'Epargne la French semi-cooperative banking group) decided to tackle the problem of unreliable mobility of low-income populations by facilitating access to new vehicles (in addition to providing discounted car repair and maintenance services, which Renault had been offering to economically disadvantaged customers since 2012). With the help of the Action Tank Social & Business, a French not-for-profit association dedicated to providing advice and support to companies' and public agencies' inclusive business initiatives, they designed and implemented an offering that is specifically targeted to lowincome jobseekers, temporary workers, and micro-entrepreneurs who need a car for their professional activities but are struggling with their mobility budget.

The program is primarily managed by Club Mobilité, a jointventure currently employing 4 full-time employees. Besides coordinating the activities of the various program stakeholders, it also provides advice and guidance to prospective and actual beneficiaries. The offering is advertised by social service organizations such as Pôle emploi and the Fonds d'Action Sociale du Travail Temporaire (FASTT), who also verify whether applicants are eligible for the program (with the support of about 20 volunteers, who are mainly Renault employees and retirees). Beneficiaries are entitled to purchase a brand-new car-either a Dacia Sandero (urban vehicle) or a Renault Kangoo (commercial vehicle)-through a lease-purchase contract financed through microcredit. The prices start at € 80 per month without any initial contribution. When the contract expires, beneficiaries can choose whether to return or buy the car. In the latter case, a second microcredit and new monthly payments can be set up.

After several pilot projects in the Greater Paris region, the Grand Est region and Brittany, the Mobilize initiative has proven to be financially viable and has been scaled-up to cover the entire French territory. More than 500 cars had been rented by the end of 2019. The pace of the program will be accelerated in the coming years, with the ambition of reaching 10,000 cars.

FURTHER INFORMATION



https://mobilize.groupe.renault.com

http://www.at-entreprise-pauvrete.org/en/projet/club-mobilite

⁶⁰ A study co-conducted by HEC Paris showed that beneficiaries of programme Mobilize had significantly higher levels of well-being than a control group of people with similar socio-economic characteristics.

Programme Malin







INCLUSION Child nutrition

GEOGRAPHY ▶ France EXISTING SINCE ▶ 2011



Programme Malin strives to improve the nutritional status of young children from low-income families, by making quality infant food more affordable and offering nutritional advice to parents.

ECOSYSTEM		
Blédina	Danone Communities	
French Red Cross	Pediatric association (AFPA and SFP)	
Groupe SEB	Lesieur	
La Banque Postale Assurance	Sodexo	

FINANCING
Initially launched by Danone,
Programme Malin is now financed
by the different partners of
the initiative as well as Danone
Communities—a special purpose
venture capital fund created by
Danone in 2006 and dedicated to
investing in Social Businesses.



A healthy diet during the first 1,000 days is crucial to a child's development. However, parents from vulnerable socio-economic backgrounds often struggle to give their children nutritious and balanced meals -because child nutrition products are expensive, and because the advice they may (or may not) receive is rarely adapted to their specific situation and needs (e.g., it is too difficult to understand or does not take into account their budget constraints).

According to a UNICEF report published in 2015, 160,000 children are born poor every year in France--meaning that every fifth newborn lives in a poor family. Making sure that these infants receive a healthy diet is a real challenge.



Programme Malin was initiated in 2011 by Danone and the Red Cross, with the goal of improving the nutritional health of 0- to 3-year-old children from

low-income households. The Action Tank Social & Business, a French not-for-profit association dedicated to providing advice and support to companies' and public agencies' inclusive business initiatives, helped in the design and testing phases.

The project team identified **two main types of barriers** that often prevent poorer families from giving high-quality infant food to their children: affordability issues and lack of basic knowledge about child nutrition. Hence, it was decided to offer these families financial support in the form of discount vouchers that can be used on a range of Blédina products (Danone's main infant food brand that is B-corp certified since 2019), as well as **nutritional** education including practical advice, recipes, financial tips, and contact information about organizations parents can turn to when they have questions or concerns about their children's dietary requirements. This information is conveyed through a website, a monthly newsletter, leaflets, and training sessions.

A group of pediatric experts helped set up the program and define the content of the nutrition education package. Local organizations and family allowance funds helped to identify target beneficiaries and to direct them to the program's website.

In order to maximize the impact of the program, researchers from HEC Paris helped with conducting field experiments in order to test the effects that changes in Programme Malin's communication would have on the actual enrolment and voucher utilization rates. They notably found that messages of empathy had a significant positive impact, leading to a 16% increase in registration relative to a control group. The communication around the program was changed accordingly in 2018.

The program started in four pilot areas (Grenoble, Villefranchesur-Saône, Loire-Atlantique, and Savoie) before it was expanded to the North-East of the Paris Region (the poorest area of the Paris Region) in 2017. In 2018, it was decided to include the program in the 2d pillar of France's strategic plan for prevention and fight against poverty (stratégie de prévention et de lutte contre la pauvreté), which forms the basis for a nationwide rollout. As a next step, the program will be deployed in four further departments between 2020 and 2022 (Var, Mayenne, as well as Northern and Southern Corsica), with the support of local associations and volunteering family allowance administration organizations (Caisses d'Allocations Familiales).



- https://www.programme-malin.com
 https://www.danonecommunities.com/index.php/alleviate-poverty-fr
- http://www.at-entreprise-pauvrete.org/en/projet/programme-malin
- https://www.hec.edu/en/knowledge/instants/role-empathy-corporate-social-initiatives

GINcluyete





INCLUSION Work for people with disabilities

GEOGRAPHY ▶ Mexico

EXISTING SINCE ▶ 2020



Program GINcluyete is a web-based professional services platform that aims at facilitating the job placement of people with disabilities.

ECOSYSTEM		
Linkedin	Ginacademy	
Ugin	Gintalent	
Psicométrica	CONFE	
FHADI	Fundación Umbral	
Altruidea	Instituto mexicano de tanatología	







and will partner with 384 companies from December

People with disabilities — physical, visual, auditory, intellectual, mental, or sensory - often face considerable difficulties in finding a secure and sufficiently remunerated job. When looking for an occupation or applying for a position, people with disabilities usually face various barriers, including informational barriers and problems of discrimination, violence, harassment, as well as lack of education and awareness of the population. It is estimated that about 27 million people have disabilities or limitations, many of them being in a situation of unemployment or underemployment.

This is not only a serious social problem. It also represents a missed opportunity for the corporate world: Due to the difficulties people with disabilities encounter in their daily lives, they have often developed abilities and competences, especially soft skills, that could be very valuable to companies. Unemployed people with disabilities thus constitutes a largely untapped talent pool. Many firms tend to overestimate of hiring people with disabilities, and at the same time lack awareness of the value they could bring to their business.

Launched by the Mexican company GINgroup in **SOLUTION** 2020, GINcluyete is a **professional services platform** that aims at removing the barriers that prevent people with disabilities from getting a decent job and at removing the wage gap. On the employer side, the platform provides advice to companies that are interested in employing people with disabilities—helping them to define the required job profiles and assessing whether the working conditions they offer are suited to the needs of disabled employees. On the employee side, the platform evaluates the profiles and skills of jobseekers including soft skills, in order to nominate adequate candidates for the positions to be filled.

GINcluyete also promotes educational and training scholarships to people with disabilities and disseminates information on how to best ensure professional inclusion (such as information on labor rights, labor inclusion guidelines, and guidelines on nondiscriminatory language). The platform is web-based and can also be accessed through a mobile application. To best understand and respond to the needs of people with disabilities, GINgroup has created alliances with non-profit organizations that have expertise in this domain

Since the program was launched, GINcluyete has the goal of supporting the professional inclusion of 18,000 people in Mexico and around the world. GINgroup is currently looking for business partners that could help them make the program grow in scale and scope, so as to maximize its impact while achieving financial self-sufficiency. The business model could then be replicated properly in other OECD geographies.

FURTHER INFORMATION



http://www.gincluyete.org

The Industry Academy



L'ORÉAL



The INDUSTRY ACADEMY aims at **bringing long-term unemployed back to work** and fostering their employability—through a **one-year traineeship program** at L'Oréal that is validated by a **recognized professional diploma**.

INCLUSION Long-term unemployment

GEOGRAPHY ▶ France

EXISTING SINCE ▶ 2016

ECOSYSTEM

Humando (the Adecco group)

L'Oréal

PROMEO

FINANCING

The program is financed 75% by the company.

The remaining 25% is financed through subsidies: OPCO for training center costs, and a government subsidy for personal support of each beneficiary.





since 2016

→ 80% of them

continued their industrial experience, 60% within L'Oréal



The program is tackling **long-term unemployment**, which represents a **major challenge** to our societies:

- 50% decrease in job finding rate after only 8 months of unemployment:
- €16-19k annual average cost of 1 unemployed person for the public sector (source: ATD quart Monde)

 The current social crisis, linked to the Covid-19 pandemic, is amplifying inequalities regarding access to the job market.

At the same time, industrial dynamics create significant skills shortages, notably in the specific job of production line operator.

THE SOLUTION

THE INDUSTRY ACADEMY, the inclusive coalition to foster employability, recruits and trains long-term unemployed people with a work-study course on

production line operator jobs. This professional insertion program develops skills and employability with a recognized professional diploma. This program consists of a 1-year work contract, 75% of the time being spent in a L'Oréal Plant, and 25% at school.

The program is based on a unique value proposition:

- ONE OBJECTIVE: Guarantee employability of long-term unemployed people through academic and on-the-job training;
- ONE COMMON VALUE: A sustainable and inclusive growth project;
- ONE AMBITION: Scale up the program from a L'Oréal/Humando program to a multiple company INDUSTRY ACADEMY, to enhance the impact and enlarge skills in order to address the needs of specific profiles.

THE INDUSTRY ACADEMY is **powered by Humando** and has been **co-created with L'Oréal**.

Humando, a social business, powers the program and coordinates all stakeholders involved: candidates and sourcing centers, training centers, local institutions, and companies (L'Oréal & other companies will be involved). The beneficiaries integrate the program in 2 steps: 2 months of pre-qualification (consisting of 140

hours of basic business skills training and 175 hours of temporary employment) and 9 months of qualification (300 hours of specific training and 1,100 hours of employment).

The program is successful at a local level: from 2016 to 2019, in the North of France, 4 graduations of 10 people have been completed through the project. 80% of them get a work contract just after the program, 60% in L'Oréal plants. Its success is based on strong specificities:

- A tailor-made program;
- Skills aligned with the expectations of today's & tomorrow's industry:
- · Training program that delivers a diploma;
- Strong double tutoring by Humando & a professional mentor within the company.

After 4 years of proven results, **THE INDUSTRY ACADEMY aims to boost its impact** by increasing the number of beneficiaries (from 10 each year to 100) and by improving their access to the labor market (target: 90% still in a job position 1 year after completion of the program).

Deployment will cover 3 dimensions:

- Onboard other companies to co-lead the program with L'Oréal;
- Extend to other geographies: to the whole French territory and then to other OECD countries;
- Replicate to other jobs, such as supply chain jobs.



■ https://www.b4ig.org/news/improving-employability-with-the-industry-academy-program-loreal-adecco

Housing insurance





INCLUSION CHALLENGE Affordable and adequate home insurance

GEOGRAPHY ▶ France

EXISTING SINCE ▶ 2016



Action Tank Social & Business and Plaine Commune Habitat collaborate to offer an insurance product appropriate to social housing tenants. This comprehensive home insurance comes at an affordable price. The product and the prescription process having been re-engineered in line with the specific profile of social housing tenants.







THE O Tenants in social housing are offered insurance PROBLEM products on the market that are over-sized for their risk profile. Thus, they are often covered for risks they don't take. In addition, social housing tenants who face cash-shortage situations more often consider insurance bills as not-of-thehighest-priority, which increases the risk of insurance default if an incident occurs at their home.

The guestion of access to insurance that would match the needs of social housing tenants has not been fully addressed yet. So far, efforts in this regard have remained small-scale, mostly focusing on operational issues; how to steer potential demand, how to fight reluctance to change insurance policies, etc.

Plaine Commune Habitat, a public housing office, SOLUTION Action Tank Social & Business, a not-for-profit association dedicated to providing advice and support on inclusive business initiatives, and insurance companies, partnered to design a new insurance product, along with a new prescription process. The comprehensive home insurance offer is provided through Rodassur, a local insurance broker, in partnership with the "Club des Locataires", a tenants' association.

The prescription of the insurance relies on the involvement of tenants through this association. The price is negotiated without impairing the guarantees, and capital guarantees are also adapted to the tenants' profile. The offer is simple, with a single, affordable price depending on the housing typology, and a unified claims ratio. Adaptation of the product, continual improvements in the process, awareness campaigns and prevention and value redistribution have been key to the success of this program.



https://www.at-entreprise-pauvrete.org/en/projet/assurance-mrh

Collaboration BNP Paribas x L'Ascenseur





INCLUSION Disadvantaged youth

GEOGRAPHY ▶ France

EXISTING SINCE ▶ 2020 (design phase)



France counts more than two million young people living in its underprivileged neighborhoods: Two million students, aspiring graduates, emerging professionals and upcoming entrepreneurs facing unfair financial, social and educational barriers linked to their geographical and social origins. BNP Paribas has started a co-construction process with L'Ascenseur, a well-known associative collective for equal opportunities, to develop products and services adapted to these youngsters and enabling them to unlock their potential.



ECOSYSTEM

L'Ascenseur is a unique European location – established in Paris and inaugurated in 2019 with the help of BNP Paribas - that brings together around 20 stakeholders, including social businesses, associations and companies, with the shared goal of improving access to education, jobs, sports and culture for youngsters from disadvantaged areas.



FINANCING

The financial resources enabled by the inclusive offers will allow young people to continue their studies, hence benefitting from good employability and being able to reimburse their loan: a virtuous cycle would be created.



I. Access to work & income

II. Access to goods & services

III. Access to credit & loans



The project aims to achieve a positive impact on social mobility, such as access to advanced education (context: young people from disadvantaged areas are 2 times less likely to imagine themselves pursuing long studies).

Today, a lot of young people are facing inequality in terms of opportunities, whether they are from disadvantaged neighborhoods, isolated rural areas, youngsters with personal/familial difficulties, or young migrants. These young people do not only face financial barriers; they are also confronted with social and educational obstacles. As they become more and more aware of their financial limitations, a sense of social alienation and injustice is felt: they cannot concentrate on their studies and social life, they do not benefit from the right educational equipment, their orientation choices are more limited, and they are prone to self-censorship.

In this context, financing tertiary education is a burden that accentuates these initial problems. It prevents them from truly exploiting their potential and elevating themselves out of poverty. According to the OECD, it takes 180 years for a family to exit poverty and reach average pay. This trend will continue if financial keys are not given to these young people.

Banks are in a unique position to alleviate the inclusion barriers young people face, especially in disadvantaged neighborhoods of cities and rural areas. BNP Paribas has chosen youth inclusion as one of the priorities of its Engagement strategy. This entails assistance at every step in their academic and professional lives, including academic support and guidance, preparation for the job market and help with starting a business.

THE SOLUTION BNP Paribas' teams are working with L'Ascenseur to create more inclusive solutions that are essential to the empowerment of young people from disadvantaged areas. This collaboration has three main objectives:

- First, transform the product offering. BNP Paribas is focusing on the development of a student loan that does not require a physical guarantor. Indeed, a lot of young people are excluded from student loans because they do not have the family to support their loan request. BNP Paribas is proposing a student loan without a guarantor to some of L'Ascenseur's beneficiaries who will, in exchange, be mentored by L'Ascenseur. The idea is to help young people to continue their studies, hence benefitting from good employability and being able to reimburse their loan. BNP Paribas and L'Ascenseur are also in discussions with some business schools to offer an interest-free loan for students, whereby the interest costs will be covered by the business schools themselves.
- Second, transform the way these products are sold. BNP
 Paribas wants to raise client advisors' awareness about the
 specific difficulties these young people face. Also, BNP Paribas
 wants to develop financial education. According to the OECD's
- latest PISA study, which evaluates the financial literacy of young people in 20 participating countries, only 1 out of 4 young people is able to take simple decisions about everyday spending, which is another obstacle in their everyday life. Instead of focusing on their studies, they are much more focused on the financial issues they have. To address this issue, BNP Paribas Personal Finance has developed Budget Responsible, a gamified, innovative educational program. Budget Responsible is an online platform built around 3 courses with videos and quizzes, and includes a serious game that enables learners to grasp the key notions of budget management, saving, credit and banking. BNP Paribas plans to give access to this program to every student who requests a student loan from the bank.
- Finally, bring new businesses in, in order to offer inclusive products and services. BNP Paribas would like to go beyond banking and offer a wide range of products and services from a multitude of domains, whether that be energy, mobility, telephony, insurance, food, etc. The ultimate aim is to build a "Passport for Inclusive Success" by creating a community of enterprises committed to empowering these young people, and to giving them a chance to succeed via adapted solutions.

Lemon Aide



INCLUSION Social exclusion and long-term unemployment

GEOGRAPHY ▶ France

EXISTING SINCE ▶ 2016



Lemon Aide is a social joint-venture dedicated to economic inclusion. Its ambition is to use the circular economy model as a vector of inclusion and thus to generate a triple impact: Environmental, social and economic. Through an eight-month back-to-work program endowed with support and training, Lemon Aide empowers people facing barriers to employment and increases their employability.

ECOSYSTEM

Lemon Tri (Parent company)

Danone (Ecosystem Fund)

FACE Foundation (Fondation Agir Contre l'Exclusion)

FINANCING

service accounts for 60% of its is financed through public and private subsidies: a government subsidy for personal support for each beneficiary, bank funding and Danone Ecosystem funding.



SELECTED
IMPACT FIGURES

→ 29 jobs created to collect and operate 2 logistics platforms in Pantin and North Marseille

- → 60 people empowered
- → 75% positive outcome
- → More than 2000 tons of waste recycled since 2016

The program is mainly tackling social exclusion. which is largely due to unemployment. In OECD countries, unemployment rates are particularly high in disadvantaged areas (8% in France, 11% in under-privileged suburbs of Paris and Marseille. 30% in the least endowed neighborhoods). The current social crisis linked to the Covid-19 pandemic is amplifying inequalities regarding access to job market

At the same time. Lemon Aide responds to environmental emergencies, in particular the waste of natural resources and litter-related pollutions:

- Only 22% of plastics are recycled in France
- 1 plastic bottle out of 6 is collected and recycled in French metropolitan areas (55% in the rest of the country).
- 25% of our waste is still landfilled in France (source: SDES, April 2019, non-hazardous and non-inert waste).

Lemon Aide was launched in 2016, from the alliance SOLUTION of three partners: the recycling startup Lemon Tri, the not-for-profit organization Foundation FACE, and Danone. It is an inclusive recycling enterprise which brings concrete solutions to the challenges of waste sorting, collection and recovery through social inclusion and back-to-work programs. The logistics professions within the circular economy sector require relatively few prior qualifications and are therefore an ideal gateway to (re) launching a professional activity.

Lemon Aide's beneficiaries are long-term unemployed, refugees, released detainees, young dropouts, people with disabilities, etc. who are facing **barriers to the job market**. They are hired by cohorts of 6 to 10 people on an 8-month program designed as a stepping stone for sustainable employment. The program consists of a work contract with 20% of time allocated to training (industryrelated skills), social support and mentoring. The idea is to

identify and tackle the social difficulties which are the root causes of exclusion (housing, childcare issues, language proficiency, use of digital tools, etc.). At the end, 75% of beneficiaries find a stable job or join a vocational training program (vs 65% on average). Their personal situation is usually more stable, which fosters access to citizenship and social allowances. Valuable soft skills and increased self-esteem also count among the positive outcomes of the program.

The recycling industry is booming, with more than 300,000 nonrelocatable job creations expected by 2030. Environmental, social and economic interests are aligned since the most ecologically wasteful treatment modes are also the most labor-intensive ones (31 FTE needed to recycle 10,000 tons vs 2 in landfill facilities). Because it saves scarce resources and has a direct positive societal impact, this activity makes the workers proud and creates a virtuous circle.

FURTHER = INFORMATION

Website www.lemonaide.fr

Facebook facebook.com/LemonAideFr

LinkedIn linkedin.com/company/lemonaide

Youtube youtube.com/channel/UCJIhtX-l1slqnRNSiCNk-BQ

3 profiles of LemonAiders on Danone Ecosystem Fund website

http://ecosysteme.danone.com/projectslists/lemon-aide

Le Logement Solidaire







Le Logement Solidaire develops more affordable housing that is better adapted to local housing needs than the usual social housing.

INCLUSION Affordable housing

GEOGRAPHY ▶ France EXISTING SINCE ▶ 2016



Action Tank Social & Business

Bouygues Ile-de-France

Social landlords

City administrations



FINANCING

To reduce the overall cost of use of new social housing units, the entire housing value chain has to be involved. The value proposition of the program is to develop 15% more affordable housing than the usual social housing with identical equity levels for social landlords and no additional subsidies. taking into account all the constraints and objectives of the stakeholders.





- ~200 cost levers were identified across the value chain, with an analysis of the global cost of
- ► A €70/housing unit/month (or 12%) decrease in housing costs has been achieved in the most advanced pilot project developed in Stains (near Paris)



In France, there is an increasing gap between supply and demand of affordable housing units.

- In terms of quantity, 2.1 million people are on the waiting list for social housing, while fewer than 500,000 housing units are available each year, which generates an average 3-year delay to access to social housing in attractive areas.
- In terms of quality, the rent level is increasing while the poverty rate among people on the social housing waiting lists has been

on the rise over the last 10 years. The poorest households in need for social housing experience longer waiting times, are often rejected by social landlords and have a reduced chance of access to the new rental stock, where rents are higher than in the older rental stock. There is also a geographical gap with 53% of the annual social housing offer being located in areas where 73% of the needs are concentrated. Finally, 50% of overall social housing needs are for one- or two-bedroom flats, for which less than 30% of the supply is available.

In 2016, Action Tank Social & Business and Bouygues SOLUTION Bâtiment Ile-de-France launched "Le Logement Solidaire", a B2B2C program which aims to develop more affordable and qualitative social housing. To make this possible, it reverses the design process of social housing construction, meaning that it takes the actual housing needs of a particular territory as a starting point, and then conceives a housing project which is tailored to these needs, as well as to the financial means available to the future tenants.

The project team focused on two structural barriers that prevent poorer families from accessing social housing: affordability and inadequacy issues. The program is based on three innovations:

- A quantitative tool, which measures the fit between local housing needs and supply, identifies the housing needs of the households who experience longer waiting lists or who are even completely excluded, and recommends housing characteristics for future housing programs (size, maximum cost);
- A decision support tool for the multi-actor team involved in the design of the project (architect, building company, real

estate developer, city administration, social landlord), which calculates the overall cost of use for the future inhabitants, building on investment, financing, maintenance, and other operating cost data;

• A collaborative process based on transparency and a common focus on how to create the optimal housing program in terms of sustainability, quality, and affordability and, as the main cost indicator, the overall cost of use for the future inhabitants (and not the investment cost).

Through the first housing projects conducted by Le Logement Solidaire, a continuously growing database of potential costsaving levers has been created. This list is systematically gone through for each project, to evaluate the relevance of each lever.

The 59-apartment pilot project with Seine-Saint-Denis Habitat (the main social landlord in France's poorest department) achieved a €70/housing unit/month (€840/year) decrease in the cost of use with identical equity level for social landlords and no additional subsidies. Two other developments have been finalized with Eure Habitat (55 apartments each). Several other programs are in a design phase in the Ile-de-France region.



https://www.at-entreprise-pauvrete.org/en/projet/construction-of-affordable-housing

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Disclaimer

This report represents the S&O Institute's view on inclusive business, which does not necessarily fully coincide with the view of the OECD or of the member firms of the B4IG coalition. Its intention is to suggest a possible definition of inclusive business that we think can foster a more equitable economy, and to elicit comments and further debate on the matter.

