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Poverty and the New Economy: Promises and Challenges for Ontario

Canadian Poverty Institute
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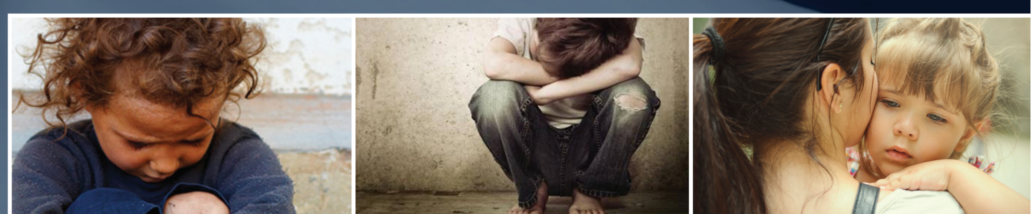

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EXECUTIVE SUMMARY

The emerging new economy presents us with both the yin and the yang of the future. On the one hand, new technologies are opening up new production possibilities and bringing opportunities to populations and regions that have been excluded from progress until now. On the other hand, those same technologies risk making workers and occupations obsolete, de-skilling large segments of the labour force and driving the growth of precarious work with negative impacts on workers and their communities. Employers have the opportunity to shape the path we will travel through new and innovative ways of doing business. This report provides an overview of these forces and discusses the opportunities for a more inclusive economy to emerge.

Demographic, social, political and technological shifts are driving changes in the global, national and regional economy. Shifting patterns of production and consumption, and the rise of a global workforce are challenging existing social, economic and political arrangements leading to reduced financial security and rising inequality. At the same time, however, the new economy is spawning innovative new approaches to business as there is a growing understanding of the inter-dependence of business and the social context in which it operates. This new understanding is referred to in various ways, such as "shared value" or "inclusive business".

These new concepts are giving rise to the possibility of inclusive growth which creates opportunity for all segments of the population and better distributes the dividends of such growth fairly across society. This is accomplished through the growth of businesses with a social purpose, such as cooperatives and social enterprises. Organizations can also adopt inclusive practices, such as living wage policies, employment security, workforce training, diversity strategies and ethical procurement.

Understanding the intersection between the dimensions of social purpose and practice is important for assessing the potential impact of the new economy. Based on this possible intersection a typology can be constructed to classify organizations according to the following characteristics.

- **High Social Purpose and Practice**
  Social enterprises, co-ops, public sector or social purpose businesses engaged in shared value, inclusive business practices.
- **High Social Purpose and Low Social Practice**
  Social enterprises, co-ops, public sector or social purpose business that do not deliberately engage in shared value, inclusive business practices
- **High Social Practice and Low Social Purpose**
  Private benefit companies engaged in shared value, inclusive business practices.
- **Low Social Purpose and Practice**
  Private benefit companies that do not engage in shared value, inclusive business practices.

A review of Ontario organizations in 2018 identified 2,299 that could be considered Social Impact Organizations (SIOs), having either a social purpose or practice. The largest number of these were social enterprises, followed by cooperatives, living wage employers and B-Corps. Most SIOs are located in smaller communities (<100,000), with cooperatives and social enterprises being particularly predominant in smaller centres.

This research has reported important benefits of shared value or inclusive business strategies. Inclusive businesses enjoy reputational, competitive and productivity advantages leading to better long term financial performance. There are also many social benefits arising from such practices including enhanced community leadership, improved quality of life, and an improved competitive business environment.

Despite the demonstrated benefits of such practices, their adoption by businesses and other organizations remains low. Further, this approach is not significantly represented among the repertoire of strategies being developed by government and civil society to address complex social issues such as poverty. Barriers to practice adoption identified in this research include the short-term time horizons of most firms, a lack of organizational knowledge and capacity, a lack of leadership and a weak regulatory environment.

Conversely, organizations who have effectively implemented such strategies tend to have strong senior leadership, have successfully embedded such strategies throughout the organization and have worked to build the capacity of the organization to implement the vision through a well-developed strategy and a strong program design. Successful organizations are also adept at collaboration, working in partnership with government and civil society.

Understanding the barriers and enablers of practice adoption can have important social and economic benefits if they can be addressed in order to accelerate inclusive growth. What is required is a sustained knowledge mobilization strategy that can connect knowledge and practice. This report aims to provide the context for such a strategy and articulate a possible path forward.

1. A SHIFTING SOCIO-ECONOMIC LANDSCAPE

Demographic, social, political and technological shifts are driving changes in the global, national and regional economy. These changes are having important impacts on sectors and firms, on the labour force, on workers and on our society and communities. The economic impact of these changes include shifting patterns of production and consumption along with growing inequality arising from a global rebalancing of wages. Associated with these changes is a rise in precarious employment with significant implications for the health and well-being of the workforce. At the same time, the new economy also offers new opportunities for workers and for new forms of economic development that can lead to better quality employment.

This section will set the context for an exploration of emerging new economic models such as shared-value and inclusive business approaches to economic activity. The following review of relevant recent literature offers a high-level overview of the key shifts in the socio-economic landscape and their associated implications

1.1 Drivers of Economic Change

The global economy is undergoing significant change with particular impacts on western industrial societies. The forces of change are simultaneously demographic, political, social and technological.

Demographic Change

In the advanced economies, an aging population is having important social and economic effects. Of particular concern is the continuous increase in the dependency ratio which may lead to a decline in the growth rate of the potential workforce. This may create social and economic challenges for welfare states as they struggle to continue to finance social welfare programs while increasing the demand for technological innovation to substitute for a declining labour force. An aging workforce may also lead firms to redesign workplace practices, such as adopting flexible work schedules or workplace wellness programs, in order to retain aging workers (Policy Horizons Canada, 2012). At the same time, increased international migration may limit the deceleration of labour force growth and thereby mitigate some of the impacts of population aging (Balliester and Esheikhi, 2018).

Political Change

Following the end of the cold war, a polycentric world has emerged as power continues to shift from traditional centres of power to new emerging economies. This has occurred in tandem with processes of globalization and trade liberalization that have shifted production to lower-wage countries, challenging the ability of advanced economies to sustain a post-war standard of living (Mitchell and Murray, 2017). At the same time, there is the emergence of concentrations of economic power in a handful of mega-cities connected by strong global value chains that rival the economic influence of many states. This is all occurring in the context of a declining trust in government coupled with an increasing awareness of the complexity of the issues facing advanced societies. These forces are leading to an interest in devising new governance structures that are more aligned with the present reality (Policy Horizons Canada, 2012). In this transition, organizations are faced with critical uncertainties as they seek to position themselves within this emerging new order.

Technological Change

Increased communications technology has allowed for greater integration of the global economy as well as increased consumer knowledge and participation leading to the rise of the digitally networked economy. *"The next technology wave, a combination of artificial intelligence, sensors, data analytics and robotics, is sweeping over us now and creating a smart network of capacities that will enable different kinds of organizations, products and value chains."* (Policy Horizons Canada, 2012, p. 8). Technological change involves Automation and Artificial Intelligence, which are *"computer programs capable of behavior commonly thought to require intelligence. … This includes robots, algorithms, platform technologies and surveillance related equipment."* (Unifor, 2018, p. 3). This rapid technological change is an important disruptive force that is redefining traditional production and consumption relationships that benefit some and negatively impact others.

Social Change

One of the impacts of the transition to a new global economic order is increasing social inequality. This is resulting in increased social and political polarization that is undermining social cohesion. At the same time there is growing international efforts to ensure that patterns of economic activity do not undermine the capacity of the earth's eco-systems. This may significantly shift production and consumption patterns with associated social impacts on producers and consumers (Policy Horizons Canada, 2012). The extent to which the costs and benefits of ecological change and efforts to mitigate them are distributed evenly will either ease or exacerbate the trend to greater social and economic inequality within and between countries.

1.2 Impact on the Economy

The demographic, political, social and technological changes describe above are having important impacts on the economy.

Shifting Patterns of Production and Consumption

New technologies are offering new ways for people to produce, sell, buy and consume products. This shift may have the effect of increasing the opportunity for new firms to enter an industry and challenge the competitive advantage of existing firms. It can also result in the unbundling of work into smaller specialized tasks, both allowing for new types of work to emerge, while at the same time challenging the livelihoods of those whose work is being broken down (Policy Horizons Canada, 2012).

While the impact of new production technologies is often associated with changes in the manufacturing sector, these trends are also affecting the service sector where the transition to a knowledge economy has led to more flexible work arrangements such as on-line or self-employment. This shift from blue collar to knowledge work may reflect the preferences of the creative class and drive new norms in employment relationships. Further, services are increasingly trans-national as firms no longer require physical proximity to their workforce. This trend may increase as new virtual technologies replace the need for human inter-face (Policy Horizons Canada, 2012).

Although the service sector has been replacing the manufacturing sector in economic importance, there are certain growth opportunities emerging in manufacturing with both positive and negative impacts on the workforce. First, new technologies (such as 3-D printing) may reduce the need for centralized manufacturing facilities and open the door for smaller scale dispersed production nodes capable of product personalization or local specialization (Policy Horizons Canada, 2012). This could open new opportunities for local economic development in regions that had previously experience de-industrialization. Increasing automation may also lead to the re-shoring of jobs as labour-intensive activities off-shored to lower wage countries could return to developed economies where they can be automated (Balliester and Esheikhi, 2018). Technology, therefore, might enable both the localization of production through regional specialization, as well as globalization as services become location-insensitive.

> *"In this sense, value chains for both goods and services could become both regional and global. At the same time, the focal point of economic activity could be in mega-cities around the world that are connected with each other through trade and finance." (Policy Horizons Canada, 2012, p. 22).*

Growing Inequality and the Rebalancing of Global Wages

As technological change transforms both the manufact-uring and service sectors, virtual work may increase giving new access to employment opportunities globally which could lead to a rebalancing of global wages.

> *"Many countries could have a wage-rate advantage over the West, and with these advances, would bring global competition to a much larger range of occupations. This could drive a worldwide convergence in wages for similar work, lowering Canadian incomes over time and further exacerbating job scarcity caused by adoption of Artificial Intelligence and robotics."* (Policy Horizons Canada, 2016, p. 4).

One important impact of this shift may be continued increases in income inequality both globally and nationally. Over the past two decades much of the productivity gains in the West have gone to capital, while the labour share of GDP continues to decline. In Canada, the income share of the top decile relative to the bottom continues to rise, particularly in Ontario which reported the 2nd highest level of polarization after B.C. in 2015. This is due largely to the erosion of incomes for the bottom half of the population due to stagnant wages, rather than income growth at the top. Nationally, wage growth has been concentrated at the top and bottom of the income spectrum, with the slowest wage growth reported at the median point (Johal & Yalnizyan, 2018).

As a result, there has been a marked reduction of the middle-class. Whereas in 1980, 40% of the population were in the middle income range, by 2015, only 32% were in that range. This was due to shifts into the upper range (30% to 34%) and into the bottom (30% to 34%). This shift is accounted for by declining market income for the bottom half of the population, which shifts people downward, as well as by increasing dual earner households, which shifts people upward (Johal & Yalnizyan, 2018). Over the medium term, it is expected that wage and income inequality will continue to grow. This is partly due to the fact that those at the bottom end of the income spectrum will be most impacted by, and least able to adjust to, the new world of work.

Technological change is a driving factor in widening inequality as middle-class jobs are eroded leading to increasing job polarization. Historically, skill-based technological change has most benefitted those with the highest skills. Growing inequality is also driven by the erosion of labour market institutions, most notably unions. Growing international labour competition also contributes to growing inequality by depressing the wages of low-skilled workers in developed economies (Balliester and Esheikhi, 2018).

Due to the transformations occurring in production associated with technological change, such change has often been associated with the growth of precarious work and accompanying increases in income inequality. As noted by Unifor (2018) *"While it is not inevitable that new technology in the workplace will cause precarious employment, it certainly has been used to legitimize new forms of employment and desperation in the labour market including the gig economy and gig worker."* (Unifor, 2018, p. 4).

1.3 Impact on Firms

The technological changes and their associated social and economic impacts are having important effects on individual firms. First, a digitally networked economy may favour small, agile and networked firms over large and traditionally dominant ones (Policy Horizons Canada, 2012). Firms formerly comprised of large operations with large workforces are being replaced by *"supply chains made up of networks of smaller businesses that provide goods and services to larger lead companies."* (Mitchell and Murray, 2017, p.8). As technology reduces barriers to entry, large traditional firms may experience instability due to hyper-competition, possibly enabled by new forms of venture capital for start-ups (Policy Horizons Canada, 2012).

In this transition firms may have an interest in substituting capital for labour to maximize profit and produce shareholder dividends and higher stock prices (Balliester and Esheikhi, 2018). In this context, Artificial Intelligence may be important as it allows firms to either perform some functions previously performed by humans (e.g. driving) or it can enable organizations and individuals to undertake tasks they were previously unable to perform due to cost or risk (Unifor, 2018). This can provide greater workplace flexibility, flatter hierarchies and a smaller workforce (Mitchell and Murray, 2017).

The increased use of non-standard work is one strategy firms may employ to provide increased flexibility in response to the shifting social and economic environment. Busby & Muthulumaran (2016) note that some increases in non-standard work are positive as it *"provides firms with a flexible workforce that allows adjustment to changing economic circumstances."* Further, some workers prefer non-standard work as it allows flexibility for their life circumstances or provides a stepping stone for people entering the labour market to gain skills and experience (Busby & Muthulumaran, 2016).

Although the substitution of capital for labour and increasing non-standard work may provide short-term benefits, Balliester and Esheikhi (2018) suggest that this strategy increases firm vulnerability in the long term, noting "*… these financial gains are likely to be outweighed by longer-term productivity losses through the erosion of firm-specific skills in the organization, limiting the ability of firms to respond to changing market demand."* (p. 18). Further, they argue while *"markets provide rewards in the short-run for underinvestment, a firm's resilience to shocks is hurt over the long run through a lower adaptive capacity and reduced competitiveness."* (p. 31).

The risk to firm resilience is driven not only by lower internal adaptive capacity related to the erosion of human capital, but also by external social and economic forces. Environmental pressures and resource scarcity issues are affecting how firms operate. In response, there is an increasing shift toward the social and environmentally responsive firm. Policy Horizons Canada (2012) notes: *"Governance inefficiencies in effectively dealing with these issues are pushing firms to fill the void and mitigate risk in supply chains. New strategies for sustainable use of resources (e.g. collaborative consumption, virtual telepresence and urban mining) are already emerging, providing opportunities for the development of new types of business models and re-conceptualizing the profit motive traditionally linked to firms."* (p. 22)

This shift is having an impact on global economic institutions which are evolving from hierarchical to more network-oriented ones. *"As the next economy evolves, some form of enhanced coordination and effective multi-level governance will likely be required to help a diverse range of societal actors handle an increasingly complex and rapidly shifting global economy."* (p. 23) *This may involve a "movement towards collaborative problem-solving processes (which) would require conducting open, transparent and inclusive dialogue with a range of state and non-state actors from local to global levels."* (Policy Horizons Canada, 2012, p.24).

1.4 Impact on the Labour Force

Social, economic and technological change are having important impacts on the labour force. Busby and Muthulumaran (2016) note: "*The shift toward services, rising labour force participation of women, population aging, competitive pressures from globablization and technical change, and inflows of immigrants have all contributed to increasing flexible labour market conditions and flexible terms of employment."* (p. 10). Flexible termsof employment include non-standard work, or "precarious" employment.

Busby and Muthulumaran (2016) review various current definitions of precarious employment. In Europe, the European Parliament looks at the intersection of insecure employment, unsupportive entitlements (benefits), and vulnerable employees to identify precarious workers. In Ontario, The Law Commission of Ontario focusses on four dimensions to establish precarity: earnings, benefits, regulatory protection and control, as well as the worker's social position. Ontario's Changing Workplaces Review (2016) highlights characteristics such as lack of benefits, involuntary part-time work, work for temporary help agencies or contract work. The researchers Noack and Vosco (2011) include characteristics of not being in a union, not having a workplace pension, working for a small firm and having a low wage. Other definitions include working multiple jobs, lack of predictability of work schedule, and work through temporary help agencies. Common to these various definitions are the characteristics of part-time or temporary work, low wages, uncertain scheduling and lack of benefits. In addition to precarious employment, it is also important to consider the condition of low-wage full-time employment.

The Current Situation

Precarious employment in Ontario is increasing, rising by 50% over the past 20 years. Current estimates suggest that only 60% of workers in the GTA have stable and secure jobs. Non-standard employment is particularly concentrated in retail, food services, child-care, custodial services, some parts of the public sector, agriculture and construction. Non-standard employment is particularly prevalent among women, but also increasingly among men. Other impacted groups include members of racial and ethnic minorities, immigrants and youth (Lewchuk et al, 2013).

In their review of the Ontario economy, Busby and Muthulumaran (2016) report that part-time work, an important dimension of precarious employment, has been increasing. Between the mid-70's to mid-90's, the share of part-time employment in Ontario rose from 13% to 19% of the workforce. This was related, in part, to rising numbers of women in the workforce and the choice of dual-earning families to balance work and household responsibilities. This shift may also have been driven by the number of older workers who take on part-time work as they transition into retirement. While most working part-time do so voluntarily, about half of males (25-54) are working part-time involuntarily.

In addition to part-time employment, full-time temporary employment is a significant component of precarious work. Between 1997 and 2015, the share of full-time temporary work in Ontario rose from 5.6% to 6.8% of total employment. This was due to an increase of term or contract work which accounted for over half (53%) of full-time temporary positions. Growth in this form of employment has been concentrated in service industries, especially health and education, but also in accommodation and food services, information, culture and tourism, and retail / wholesale. The greatest increase in this kind of employment over the period was among older workers (55+). Compensation in such positions tends to be lower, though the wage differential between temporary and permanent positions is shrinking (Busby & Muthulumaran, 2016).

Finally, it is also important to consider those who are self-employed. Own-account self-employed workers share similar vulnerabilities with other precariously employed workers, such as lower incomes, work uncertainty and a lack of benefits. In Ontario, the number of own-account self-employed rose from the mid-70s to mid-90's, but growth levelled off after that. Income among the own-account self-employed is substantially lower than that of paid employees. Increases in this type of employment were concentrated in finance, insurance and real estate; business building and support services; and education services (Busby & Muthulumaran, 2016).

Although the long-term trend has been toward growing employment precarity, in recent years, there has been a slight improvement in job quality in Ontario with an 11% increase in the Standard Employment Relationship between 2011 and 2017. Gains in job quality were due largely to increased hours worked and slight improvements in scheduling certainty. Hourly wages, however, were relatively unchanged over the period with increases in income corresponding with increases in hours worked (Lewchuk et al, 2018).

While a positive trend overall, improvement in job quality was not experienced by all workers and the share of workers in precarious employment remains unchanged. Racialized women or those without a university degree continued to be over-represented in the precarious workforce while gains tended to be experienced by white men and women with a university degree. The most significant increases in income were reported by men (both white and racialized) while racialized women continued to report the lowest incomes (Lewchuk, et al., 2018).

Despite slight recent improvements in employment quality, it is expected that the future of work will increasingly be non-standard in form. Long term techno-economic trends, such as the evolution of the project economy and hyper-specialization which allows work to be done anywhere, will dramatically shift the way work is organized. Policy Horizons Canada (2012) predicts *"We may see a rise in part-time, self-employed, entrepreneurial, temporary, contract and freelance work, with frequent job changes and people working for more than one employer at a time … These shifts have the potential to erode traditional employer-employee relationships."* (Policy Horizons Canada, 2012, p. 18)

Drivers of Precarious Employment

- **Automation and Technology -** One of the key drivers of the rise in non-standard and precarious employment is advances in technology, including automation and communications. One of the primary impacts of technological change is the reduced demand for labour. The impact of technological change is expected to affect all industries, not just those specifically related to technology. As Mitchell and Murray (2017) note: *"Even those businesses that are not tied to technology have come to rely on information and communications technology for some day to day operations as trends such as global networking and offshore outsourcing become attractive for business."* (Mitchell and Murray, 2017, p.8).

  To understand the potential impact of technological change, it is important to distinguish between tasks and jobs. A job refers to *"a bundle of tasks assigned to a worker who performs those tasks and exchanges their labour for pay"*, while a task is "a discrete segment of work done as part of the worker's duties of employment." Automation and Artificial Intelligence is likely to affect tasks, leading to a reconfiguration of jobs. Recent studies have estimated that between 1/3 and ½ of tasks currently being performed by workers in Canada have the potential to be automated. Industries with the highest share of tasks with potential for automation include manufacturing, accommodation and food services, transportation and warehousing, and agriculture, forestry, fishing and hunting.

Industry	Potential Tasks to Automate
Accommodation and food services	69%
Manufacturing	61%
Transportation and warehousing	61%
Agriculture, forestry, fishing and hunting	52%
Mining, quarrying and oil and gas extraction	52%
Construction	51%
Retail trade	49%
Wholesale trade	46%
Other services (except public administration)	45%
Utilities	44%
Arts, entertainment and recreation	42%
Finance and insurance	42%
Management of companies and enterprises	42%
Administrative and support, waste management and remediation	41%
Public administration	41%
Real estate and rental and leasing	41%
Information and cultural industries (including telecommunications)	38%
Health care and social assistance	37%
Professional, scientific and technical services	35%
Educational services	30%

- **Increasing Virtual Work -** The rise in non-standard employment is also related to the rise of virtual work where middle-skilled jobs are increasingly in demand. This is resulting in the transformation of standard middle-class occupations into non-standard work arrangements such as self-employment or contingent work (Balliester and Esheikhi, 2018). Increasingly, online work platforms are leading to a global marketplace for buying and selling labour. With increasing global connectivity arising from advanced communications technology, work is becoming increasingly unbound from place. This is being driven by Business Process Outsourcing (BPO) mediated by Digital Labour Platforms dissociated from the organization outsourcing the work. This has emerged at the confluence of two trends: un / under-employment in many parts of the world and rapidly changing connectivity (Graham, Hjorth, and Lehdonvirta, 2017). Virtual work is driven by the possibility for unbundling work in which complex projects are broken down into sub-process and contracted out to online contingent workers who are geographically dispersed and work essentially as entrepreneurs. While freelance microwork currently accounts for a small percentage of the Canadian workforce, it is expected that there will be massive growth in this type of work in the future (Policy Horizons Canada, 2016).

- **Transition to Service Economy -** A third driver of rising precarious employment is the shift from manufacturing to service jobs, many of which are low wage. This transition has been partly facilitated by processes of globalization and trade liberalization that have shifted production to lower-wage countries. The result of this is that many companies have been pressured to become more agile and reduce their labour costs by lowering wages and moving to more flexible hours of work (Mitchell and Murray, 2017).

- **Declines in Unionization -** An important characteristic of emerging service sector and virtual work is that that it tends to be non-union. Between 1997 and 2015, the unionization rate in Ontario's private sector dropped from 19.2% to 14.3% (Mitchell and Murray, 2017, p.8). This trend may be further exacerbated by the rise of virtual work where current labour law does not necessarily apply, leading to the risk of greater exploitation. Labour law that sets standards for minimum wages, hours of work and working conditions only applies to standard employer / employee arrangements, not to freelance / contingent situations. This may lead to a new wave of labour organizing as movements for online organizing are starting to emerge (Policy Horizons Canada, 2016).

1.5 Impact on Workers

Techno-economic change and the rise of non-standard employment is having significant effects on workers.

Evolving Skills

One of the most important impacts of the new economy is the shift in skills required by workers as new technologies are likely to accelerate job destruction. While new jobs that arise from this technological change may emerge, there will likely be a lag between job destruction and job creation. So far, occupations most impacted by technological change are in low and middle-skilled occupations, leading to growing job polarization (Balliester and Esheikhi, 2018).

Technological change can lead to upskilling where workers are required to gain skills to work with new technology as jobs in established industries become increasingly complex. It can, however, also lead to deskilling due to a slow erosion of skills over time as automation increases. Through automation, routine jobs may be displaced while new jobs with new skills may be required.

While it is difficult to predict the new skills required for the new economy, it is likely that some soft skills will be increasingly important. As jobs shift in response to technological change, there will be movement away from physical, manual and basic cognitive skills toward higher cognitive, social and emotional, and technological skills (Unifor, 2018). In particular, high-level capabilities such as creativity, cross-cultural competence and adaptive thinking will be increasingly required (Policy Horizons Canada, 2012).

Changes in skill requirements do not necessarily mean changes in jobs. While many jobs will be impacted by technological change, this may not lead to those jobs disappearing; rather, the ability to unbundle work and outsource tasks may lead to a changed nature of job, but not complete loss of the job itself (Balliester and Esheikhi, 2018). As noted by Unifor (2018), *"Rather than completely eliminating jobs, automation and artificial intelligence will replace some tasks, requiring workers to adjust their level of skills and knowledge used in the workplace."* (Unifor, 2018, p. 7).

While the new economy may require workers to have or obtain a new set of skills, workers in non-standard employment also receive less on the job training, thereby increasing risks and reducing career development opportunities (Balliester and Esheikhi, 2018, Lewchuk, et al., 2012). This is particularly true for virtual workers. In a review of digital workers globally, Graham, Hjorth, and Lehdonvirta (2017) found that opportunities for skill upgrading that can occur through long-term relationships with a company can be constrained for digital workers as they are often kept uninformed about the project to which their work contributes. Such workers also performed low-skilled tasks beneath their level of training and experience (Graham, Hjorth, and Lehdonvirta, 2017).

Weakened Labour Protection

In the new emerging workforce, there is concern about the ongoing protection of workers' rights. With respect to virtual work, there is a real risk of lack of privacy, increased capacity for discrimination, and unpaid wages. New technology can also increase the ability of employers to conduct surveillance of their employees which could have important psychological impacts (Unifor, 2018). Further, in this world there is a lack of rules for conflict resolution leaving workers in a highly vulnerable position (Balliester and Esheikhi, 2018).

As the virtual work universe expands, the bargaining position of labour is weakened as workers lose their capacity to organize. In their review of global digital workers, Graham, Hjorth, and Lehdonvirta (2017) noted that most of the buyers of work are located in high income countries, while the majority of work is performed in lower income countries. The transnational nature of work could have positive effects on the bargaining position of labour as workers can now seek work globally and sell their labour to the highest bidder. More likely, however, is the possibility that employers can easily seek labour from where it is cheapest. Interviews with digital workers suggest that the second scenario is more common, leading to a "race to the bottom" as workers undercut each other for work. Further *"the dispersed geography of digital work reveals examples of employment being dis-embedded from local norms and local moral economies that would traditionally regulate an employment relationship, and towards what might be seen as a more internationally operating entrepreneurial moral economy based singularly upon competition."* (Graham, Hjorth, and Lehdonvirta, 2017, p. 146).

Job Security

Techno-economic changes have the potential to greatly reduce job security through increased job loss or displacement where jobs are replaced either through the substitution of capital for labour, or due to labour obsolescence where entire job classifications become obsolete (Unifor, 2018). Online work may also pose an important risk to job security as it alters the traditional employer / employee relationship. As noted by Policy Horizons Canada (2012) *"Unless other innovative sources of income security arise, as more and more jobs become virtual, workers may lack a predictable supply of work, regular and good wages, benefits like a pension plan, a path for advancement and access to today's income security programs…"* (Policy Horizons Canada, 2016, p. 5)

Yet, technological change also has the potential to open job opportunities in places and / or for populations where opportunities may have previously been restricted. In a global market, labour opportunities may open up for those have traditionally been excluded in local labour markets. This can occur by allowing workers to access distant labour markets, or to access their own through a veil of anonymity. Further, the nature of digital work can open up opportunities for those who have social / physical constraints to standard work, such as a caregiving responsibilities (Graham, Hjorth, and Lehdonvirta, 2017).

Financial Security

The growth of non-standard and virtual work associated with techno-economic change is having significant impacts on workers' financial security. Busby & Muthulumaran (2016) note that the impact of the growth of part-time employment in Ontario has been constrained overall wage growth as compensation for part-time work is lower. Moreover, the differential between part-time and full-time work has also been growing. Further, the de-skilling associated with some aspects of technological change can also lead to lower wage rates over time as work is devalued by both employers and workers (Unifor, 2018).

In their review of precarious workers in Ontario, Lewchuk, et al. (2012) report that precarious workers tend to earn less and face more job uncertainty. Precarious workers earn 46% less than secure workers and report household incomes that are 34% lower. Such workers face income variability and rarely receive benefits beyond a basic wage. They are also more likely to have difficulty making ends meet and to run out of money for food. In particular, they found that *"Almost 20% of racialized women with and without a degree reported concerns about paying rent or paying for food."* (Lewchuk, et al., 2018, p. 46).

Due to the structure of Canada's income security programs which are based on standard employment, many also do not qualify for income security and related public benefits. Further, due to the income instability of non-standard employment, the ability of workers to make investments in housing or pensions is reduced, compromising their future income security (Balliester and Esheikhi, 2018). As a result, low retirement savings and high levels of debt may force many to delay retirement and continue with part-time or contract work past the normal age of retirement (Policy Horizons Canada, 2012).

Job Satisfaction

Changes in skill requirements, reduced financial and job security, along with the erosion of labour protections can contribute to greatly reduced job satisfaction. Unifor (2018) notes *"Technological change is driving work to become increasingly unbundled and worker expectations about what workers can expect from a job have declined from a life-long career to contract work and even micro-tasks."* (p. 15). This can lead to job estrangement where workers feel alienated from their work with associated negative psychological and emotional impacts.

Not only does this have negative impacts on the individual worker, it can also affect the labour force overall. Busby & Muthulumaran (2016) express concern for those for whom non-standard work is not preferred as it could result in worker discouragement leading them to exit the labour market. Given the expected contraction of the labour force due to population aging, factors that could lead to worker discouragement and labour market exit should be taken seriously,

Health and Well-being

The impact of the techo-economic changes described above risk having important effects on workers' health and well-being. Precarious employment is associated with poorer general health and poorer mental health. In a survey of the precarious workforce in Ontario, Lewchuk et al. (2018) report an increase in poorer levels of mental health over the past 5 years, particularly among racialized workers and lower educated workers. Poor physical, mental and emotional health may be due to difficulties maintaining an appropriate work-life balance as workers have little control over their working hours (Balliester and Esheikhi, 2018). Lewchuk, et al. (2012) report that many precarious workers do not know their work schedules in advance, often work on call and hold multiple jobs. Consequently, such workers report that employment related anxiety interferes with personal and family life as well as with fulfilling household activities.

As noted by Policy Horizons Canada (2012), the difficulty maintaining an appropriate work-life balance may arise from a more networked economy characterized by flexible forms of employment and a 24/7 work environment. While there is the great potential for negative impacts on maintaining a healthy work-life balance, digital work can also allow people to balance work and caregiving responsibilities in the home by opening up opportunities for those who may have otherwise been excluded from the labour market due to their caregiving roles. The negative aspect of this is that it may perpetuate the gendered division of labour as women may be expected to continue traditional caregiving roles while also participating in the formal labour market (Graham, Hjorth, and Lehdonvirta, 2017).

In addition to the challenges associated with balancing work-life responsibilities, the nature of work itself may compromise mental and physical health. Increased productivity associated with automation may lead to longer work hours or increased mental strain. As jobs shift to less physical work, there may be increased psycho-social stress due to an increased pace of work and higher levels of risk (Unifor, 2018). Further, in the virtual world, occupational health and safety rules do not necessarily apply (Balliester and Esheikhi (2018).

Finally, these changes are having significant effects on the ability of workers to maintain healthy family and social connections. In their review of the precarious workforce in Ontario, Lewchuk, et al. (2012) report that precarious workers are less likely to report having a close friend to talk to or to provide help, are less likely to be living with a partner / spouse and are less likely to have children. Where precarious workers did have a partner / spouse, the partner was less likely to be working. Many also report delaying having children as a result of employment uncertainty.

Precarious employment also makes it more difficult to raise children. Such workers report difficulties buying school supplies, paying for school trips and financing extra-curricular activities. This also affects participating in / volunteering for children's extracurricular activities. Finding childcare is also more difficult for those in precarious employment (Lewchuk, et al., 2012).

1.6 Impact on Community and Society

Beyond the impacts on individual workers and their families, the techno-economic trends discussed above also potentially have significant impacts on the fabric of Ontario communities and society. First, there is growing concern about increasing social inequality arising from the restructuring of the economy and the impact this is having on social cohesion. Growing inequality is feared to be leading to increased social and political polarization (Policy Horizons Canada, 2012).

Secondly, as the workforce becomes more mobile and employment more contract-based, migration may be less permanent with people moving frequently between countries for work. This may lead to multiple allegiances, while also potentially compromising workers' rights. As a result, new immigration complexities may arise with the emergence of highly mobile "global citizens" (Policy Horizons Canada, 2012).

Thirdly, the changing nature of employment and growing wage polarization may also impact the financing of Canadian public services and social protection schemes. This is exacerbated by population ageing and the increasing dependency ratio. Mass migration is a further factor that may affect the sustainability of social protection (Balliester and Esheikhi, 2018).

Finally, there is concern about the regulation and control of new technologies. While some new technologies may be visible (e.g. robots) others are less visible (e.g. algorithms). Invisible technologies experience less scrutiny and as such there is less regulation around them. *"Large tech companies are able to exploit a regulatory framework that was established before these new forms of service delivery were envisioned and, as a result, are able to operate without fully following the rules, including respecting human rights, following the labour code or ensuring that employment standards are adhered to."* (Unifor, 2018, p. 6).

1.7 Challenges

In summary, the new economy emerging from significant social, economic and technological transformation presents both new opportunities as well as risks. As summarized by Balliester and Esheikhi (2018):

> *"Overall, flexible work together with temporary contracts are likely to make further inroads in the future. These forms of employment are often linked to lower wages, less training and reduced career development. Also, outsourcing of previously secure jobs to self-employed individuals who perform small and precarious tasks is expected to lower labour standards on a broad base. Moreover, work is also likely to be project-based with high turn-over rates, providing those workers with less access to social protection and work security."* (p. 22).

Policy Horizons Canada has outlined several key policy challenges that this emerging environment may present.

1. **Transforming the legal / regulatory framework –** There is a need to rethink the existing legal regulatory framework with respect to work and develop innovative approaches. In the European Union, for example, a new class of worker is being discussed – the "economically dependent worker". This new class of worker is one who is self-employed but depends on a single employer for their work and income.

2. **Ensuring a fair and living wage –** While ensuring minimum payments for online freelance work is difficult, the move to a minimum income could offset the downward income pressure brought about by contingent work.

3. **Labour Market Integration –** Online work is increasing access to work for those who have previously been disadvantaged in the labour market (e.g. persons with disabilities or living in remote areas). However, there is a need to develop pathways that allow people to progress from virtual work to more rewarding standard employment. There will be a related need to adapt worker skills to new opportunities (Policy Horizons Canada, 2012).

4. **Rethinking Social Protection –** In an economy where permanent jobs may be more scarce and project-based, while linked to employers and markets around the world, there may be a need to adjust social policies to account for this new reality (Policy Horizons Canada, 2012). Enforcing social protection will be difficult in a virtual space. *"Country-specific policies will be difficult to enforce using traditional instruments in a digital environment where many workarounds are possible."* (Policy Horizons Canada, 2016, p. 10).

   However, opportunities for transnational cooperation around issues like fair wages and social security are emerging, such as voluntary initiatives like Wage-mark where companies identify themselves as meeting certain labour standards. Such types of initiatives could be made mandatory. There could also be negotiated global social insurance schemes to be regulated through domestic institutions.

5. **Updating Social Security Programs –** Current social security arrangements are based on traditional employment relationships. With the rise of virtual work, income security becomes de-linked from employment. This will require a reconceptualization of how social security is delivered. Some emerging approaches include developing a system of portable benefits that follows a worker through their life course, or attaching social benefits to citizenship rather than employment.

6. **Distributing Risk and Responsibility –** As the new economy develops, a critical challenge will be to better distribute the risk and responsibility between the worker, business, and the state. As noted by Policy Horizons (2012) *"In the emerging work configurations of the digital economy, businesses will realizesignificant cost savings from virtual work and robotics but offload their financial responsibilities for workers to the state and to workers themselves. Individuals will bear the brunt of ill health and workplace injuries … with costs to society in the form of healthcare burden and productivity losses."*

2. THE PROMISE OF SHARED VALUE AND INCLUSIVE BUSINESS

The emerging new economy presents both opportunities and challenges. Many of the challenges of this new economy were described in the preceding section. The focus of this section is on the emerging opportunities the new economy presents. These opportunities arise from changing economic and business models that offer the potential for creating a more inclusive economy with higher quality employment.

Some of the key challenges facing advanced western economies include increased income inequality, wage stagnation, a polarization of jobs and earnings and increased precarious employment. These trends are raising concern because of their potential effects on social cohesion, political stability and support for trade. Of significant concern in Canada is the rapid concentration of income among those at the top of the income distribution due to a skewed rate of income growth. This trend is related to ongoing wage stagnation and the decline of the middle class, which is in turn is related to a decline in the labour share of income (St. Hillaire, 2017).

The paradox of the new economy is that, while it has disrupted our traditional business and economic practices and, in so doing, has left workers and communities in greater degrees of precariousness, this new economy is also spawning innovative new approaches to business that provide a light at the end of the tunnel. Many large employers are coming to realize that the destabilizing forces, which are creating vast inequalities and diminished human and social capital, are actually bad for business.

2.1 An Emerging Paradigm

In 2018 the consulting firm Deloitte conducted a survey of business leaders and reported the following:

> *"A more connected society, driven by rapid technological change and an increasingly purpose-driven agenda, has positioned global executives to think more holistically about the impact of economic growth. As we have seen, economic growth and the advances of globalization do not directly correlate to the improvement of all people's lives. This recognition is driving an increasing focus on inclusive growth – ensuring an equality of opportunity for all. Recognizing that business cannot succeed if society fails, businesses are increasingly broadening their strategic focusses on financial and nonfinancial measures of success, including societal impact."*

This insight echoes the findings of another respected management consulting firm, FSG, who reported a shift among large corporations in their thinking about the relationship between business and society, stating:

> *"Rather than seeing business and society in opposition, they recognize the enormous potential of business to contribute to social progress. At the same time, they understand that firms depend on healthy and well-functioning societies to thrive. Such companies seek to create 'shared value' – incorporating social issues into their core business strategies to benefit both society and their own long-term competitiveness." FSG*

While many businesses have long contributed philanthropically to their communities, what is emerging now is a greater awareness of the important role organizations can play in creating a positive social context for business through their core business practices.

As inequality increases, there is growing emphasis on generating a different kind of economic growth that distributes the benefits of growth more fairly and evenly. This concept of "Inclusive Growth" is defined as growth that "*can create opportunities for all segments of the population and distribute the dividends of increased material prosperity fairly across society."* The concept of inclusive growth proposes two equally important societal goals: creating opportunity for all segments of the population as well as better distributing the dividends of such growth fairly across society (St. Hillaire, 2017).

The possibility for inclusive growth arises from a new understanding that corporate and community interests are not in competition, but in fact complement each other. This idea is articulated in the developing language of "shared value". Shared value refers to investments in long-term business competitiveness that simultaneously address social and environmental objectives. It is distinguished from "business value" which refers to investments in long-term competitiveness. At the same time, it goes beyond mere "social value" which refers to investments that address social and environmental objectives (Bockstette and Stamp). The concept of 'shared value' emerged from a perceived deficiency of traditional corporate social responsibility (CSR) which hasn't typically taken a strategic view or incorporated CSR initiatives into core business strategies (Williams and Hays, 2013).

Recognizing the inter-dependence between business and society, shared value approaches focus on the "competitive context" of business. This competitive context has four elements: factor conditions or inputs; demand conditions; context for strategy and rivalry; and, the nature of supporting industries. Focus on the competitive context leads firms to collaborate to upgrade the conditions of the local society. Ways to improve the competitive context include improving the quantity and quality of business inputs (e.g. labour through training); changing the rules of the game (e.g. intellectual property rights); improving the sophistication and size of local demand; improving local availability of supporting industries; product and value chain innovation; and improving the social context (e.g. through up-skilling) (Williams and Hays, 2013).

The rising importance of inclusive growth from a business perspective is highlighted in a recent survey by the consulting firm Deloitte (2018) which reported that progress toward inclusive growth / sustainability was the second most important concern of global executives (65%), after keeping up with technology / competitiveness (77%). It ranked as more important than client / customer trust, employee skill development, employee hiring and retention, and shareholder value. Another recent survey found that Canadian businesses are actively contributing to inclusive growth in a variety of ways including traditional CSR activities such as making financial contributions to charities or donating goods and services, providing sponsorships, or engaging in cause marketing. In addition to financial or material contributions, businesses also provided volunteers to non-profit organizations through employee volunteer programs, or helped community organizations by supporting fundraising initiatives. At the same time, about 1 in 5 firms (21%) also went deeper than traditional CSR activities and sought to create social value by purchasing goods and services from a charity or non-profit supplier (Hall et al, 2008).

The opportunity for inclusive growth and shared value approaches to business arise from two distinct but related developments: a) social purpose business and b) social business practice. A social purpose business is a type of business that focusses on the creation of social value using a business model. It can include a variety of business forms including social enterprises, cooperatives, non-profit organizations, public sector organizations and private for-profit companies. This is often referred to as the "social economy" (Quarter, Mook and Armstrong, 2018). Social purpose business refers to "what" the organization seeks to do. Essentially it applies entrepreneurial principles and business solutions to social problems. Such enterprises can provide goods and services as well as employment and training opportunities for low-income people. They can also contribute to local economic development and stability (Holmgren et al, 2016).

In contrast, social business practice refers to "how" an organization operates and the social value generated through its normal operations. This can include internal and external practices that either seek to improve the well-being of workers within the organization, and / or seek to enhance the quality of life of workers and communities beyond the corporation through inclusive business strategies that intentionally integrate low-income communities as customers, suppliers, retailers and distributors (Jenkins and Ishikawa, 2010). Social purpose businesses may or may not engage in social business practices, while organizations engaging in social business practices may or may not have a defined social purpose.

Based on this classification, the following typology can be constructed. As demonstrated in the matrix below, it is possible for an organization to have a high social purpose yet not engage in significant inclusive business practices. This is the situation of many non-profit organizations that lack employee benefits or provide inadequate compensation. On the other hand, there are also many private corporations that operate purely for-profit with no overt social purpose, yet engage in strong inclusive business practices. Understanding the intersection between these various dimensions is important for assessing the potential impact of the new economy.

		Social Purpose	
		High	**Low**
Social Practice	**High**	Social enterprises, co-ops, public sector or social purpose businesses engaged in shared value, inclusive business practices	Private benefit companies engaged in shared value, inclusive business practices.
	Low	Social enterprises, co-ops, public sector or social purpose business that do not deliberately engage in shared value, inclusive business practices.	Private benefit companies that do not engage in shared value, inclusive business practices.

2.2 Inclusive Business Strategies

There are several different approaches to shared value or inclusive business that comprise the domain of social business practice. Inclusive Business Models (IBM) is a specific shared value strategy that aims to directly involve the poor in their value chains. Williams and Hays (2013) identify four distinct inclusive business types:

- Commercial businesses that sell products needed by the poor which possess a high development impact (e.g. financial services).
- Companies that impact the poor in the normal course of their operations (e.g. mining companies that improve local value chains).
- SMEs that are embedded in the local economy and are therefore dependent on its development.
- Companies with a social product / purpose but with a commercial mode of delivery.

Social business practices therefore can be operationalized as both internally focused actions as well as externally focused through the business relationships the organization has with the broader community.

Internal Business Practices

Wages are an important starting point for inclusive internal practices. As a principle, an organization can decide that nobody who works full-time should be living in poverty. In response, organizations can enact **living wage policies** both for their own employees as well as for contractors. Not only is this a good principle for society, research has found that appropriate investments in the workforce are good for business; it increases productivity and quality, reduces turnover, significantly builds human capital and has important reputational advantages in the community.

> *"Businesses that adopt a living wage policy are generally rewarded with increased employee product-ivity, decreased staff turnover, and reduced hiring and training costs; employees enjoy increased economic security and reduced stress and hardship; the community benefits from a larger taxpayer base and increased consumer purchasing power; and because working families tend to spend their dollars locally, Living Wage dollars are often injected right back into local economies."* (Holmgren et al, 2016 p. 16).

Secondly, **reducing reliance on non-standard employees** and moving non-standard employees to a more standard employment relationship has great benefits to both employees and businesses. Where employers continue to need non-standard workers, there are a variety of strategies that can be employed to **increase workforce security** among non-standard workers described by KPMG and the United Way of Toronto and York Region (2017), including, first, providing income benefits. These include health and disability benefits, childcare support and non-wage financial supports (e.g. RRSPs).

> *"Offering more income benefits to insecure workers could result in decreased income related stress, improved health and well-being, increased support for children, and increased community engagement and volunteering. From a business perspective, it could help increase productivity, employee engagement and satisfaction, increase the supply of qualified temporary workers, as well as improve talent attraction and retention efforts."* (KPMG and UWYTR, 2017 p.14).

A further practice that can improve job quality for non-standard employees involves providing predictability in scheduling. Options to improve predictability include providing sufficient advance notice of schedules or having guaranteed hours of work per week.

> *"Providing increased predictability could result in decreased anxiety, improved household well-being and happiness, and decreased delays in starting relationships and / or families. From a business perspective, it could improve employee morale, engagement and productivity, as well as decrease turnover."* (KPMG and UWYTR, 2017 p. 19).

Finally, employers can enhance the quality and value of work for non-standard employees by providing similar opportunities to non-standard employees as are provided to regular employees. This includes opportunities for advancement and skill development, including onboarding training, specialized training, performance management and mentorship. Employers should also ensure that non-standard workers are included in the social and cultural aspects of the business both as a participant and as a leader. This includes aspects such as communications, planning efforts and social activities, as well as involvement in recognition and rewards programs (KPMG and UWYTR, 2017).

Another important strategy that generates both business and social value is intentionally **striving for diversity** in the workforce through equity and diversity strategies. Such strategies work to increase opportunities for traditionally marginalized populations, and also increase the resilience of the organization. Diversity not only brings new insights to the business, it also opens up relationships with new potential customers or suppliers and allows for product innovation.

Tailoring recruitment practices to embody equity, inclusion and diversity could include accessibility plans, purposefully recruiting from diverse ethno-cultural backgrounds, and recognizing foreign credentials. Businesses can also create training opportunities, internships and apprenticeships to provide important work experience. *"These practices increase the representation of under-represented groups in the workforce, and increase workforce participation, which in turn, decreases spending on social programs and benefits us all."* (Holmgren et al, 2016 p. 17)

Finally, organizations can support both standard and non-standard workers with important **non-monetary benefits**. This could include benefits such as flexibility of time and work location, paid leave or the provision of services such as childcare. Such strategies help workers better balance work and home responsibilities while also increasing productivity (KPMG and UWYTR, 2017 p.16). At the same time, it can open up job opportunities to workers who might otherwise be excluded from the job market.

External Business Practices

Externally focused social business practices can be broadly classified as inclusive business strategies. The World Business Council for Sustainable Development (WBCSD) defines inclusive business as a strategy that integrates low-income communities into companies' value chains as customers, suppliers, retailers and distributors and which seeks to contribute towards poverty alleviation while not losing sight of the ultimate goal of business, which is to generate profits. The UNDP further elaborates on such strategies which *"include the poor on the demand side as clients and customers, and on the supply side as employers, producers and business owners at various points in the value chain. They build bridges between business and the poor for mutual benefit."* (Jenkins and Ishikawa, 2010).

Related to the concept of "inclusive business" is the strategy of "inclusive markets". This strategy is similar, but expands the inclusive business concept from the firm to the entire economy, and includes factors such as policy and institutional infrastructure, entrepreneurship development and corporate social responsibility, in addition to firm-focused strategies of value chain integration. Inclusive business / markets differs from traditional CSR in that while CSR focusses on the well-being of societies, it doesn't necessarily include integration of social good into its business strategy (Heierli, 2011).

According to CSR Asia (2015), successful inclusive business strategies have the following characteristics:

- They provide **improved living conditions** for low income households by generating increased incomes and employment opportunities as well as opportunities for skill development, access to markets, improved infrastructure, and access to goods and services.

- They **create shared value** by productively integrating communities into efficient value chains of large companies thereby increasing incomes and living standards while also creating a more competitive value chain.
- They **improve commercial business** success by lowering supply costs, increasing productivity, improving quality and providing opportunities for market expansion.

Inclusive business strategies can include the following dimensions:

- **Supply Chain Integration –** One important strategy businesses can employ to generate social value is intentionally integrating low income or marginalized workers or communities into the value chain as producers or suppliers. This can provide employment and income which increases living standards, as well as increasing human capital and thereby productivity (Heierli, 2011). This could also involve investing in entrepreneurship and new small businesses that can be integrated into the value chain (CSR Asia, 2015). This could include intentionally targeting certain types of businesses and building their capacity to compete for contracts. For example, preference could be given to workers in low-income neighbourhoods for employment, or to catering companies that employ or are run by women or newcomers. This can be supported by social procurement policies and strategies which establish supplier expectations related to social and environment standards such as equity and diversity, or occupational health and safety.
- **Integration into Distribution –** Similar to supply chain integration, organizations can also integrate low-income or marginalized workers or communities into their distribution network. Heierli (2011) notes *"By including individuals from low-income sectors as distributors, retailers or service providers, business can expand their market zone to low accessibility areas. In this model companies can decrease their transaction costs and the poor receive new income opportunities that increase their living standards."*
- **Products and Services –** Thirdly, companies can target goods and services to meet the needs of low-income communities. Often goods and services are designed to meet the needs of those with higher purchasing power while ignoring the needs of those with less disposable income. Those living in poverty often lack access to all the goods and services needed to achieve a minimally acceptable standard of living. Corporations can address this need by providing goods and services to this population. Pralahad and Hart (2002) developed the concept of the consumer pyramid, demonstrating that most products and services are directed to upper or middle income consumers. However, they argue that a significant investment opportunity exists for those who target products and services to the poorest segments of the population.

  > *"In short, the poorest populations raise a prodigious new managerial challenge for the world's wealthiest companies: selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable and economically profitable ways."* (Pralahad and Hart, 2002 p. 3)

  This can involve providing high quality products and services to meet basic needs or reconceiving products and markets to provide appropriate services to meet unmet needs (WBCSD, 2016; Williams and Hays, 2013). However, as this customer base is not the typical customer that corporations are used to dealing with, innovative ways to provide such goods and services will need to be found (Heierli, 2011).
- **Capacity Development –** In order to effectively deliver the inclusive business strategies described above, organizations may be required to work to develop their capacity in the local context. As noted by Bockstette and Stamp *"Companies do not operate in isolation from their surroundings. To compete and thrive, they need reliable local suppliers, a functioning infrastructure or roads and telecommunications, access to talent, and an effective and predictable legal system."* For low-income or marginalized communities, their ability to participate effectively in the economy is limited by a lack of physical and institutional infrastructure such as credit, insurance, transportation, energy and communications (WBCSD, 2016). This may require providing new innovative ways for people to access information as well as potentially developing new distributional approaches (Pralahad and Hart, 2002). Innovations

must be cognizant of the local culture, should nurture local markets and leverage local solutions. This requires corporations to *"combine their advanced technology with deep local insights"* leading to targeted product development and bottom-up innovation. Key to this will be empowering local entrepreneurs and enterprises (Pralahad and Hart, 2002).

Developing the local context may also require improving the quantity and quality of business inputs (e.g. labour through training). Other aspects of capacity development may involve changing the rules of the game (e.g. intellectual property rights), improving the size and sophistication of local demand, improving local availability of supporting industries and improving the social context (e.g. through up-skilling) (Williams and Hays, 2013). Investing in skills development and education that can improve productivity and income may also be required (CSR Asia, 2015; Williams and Hays, 2013).

- **Leveraging Assets –** Businesses can contribute their own expertise and resources directly based on their own business acumen. For example, financial institutions can provide financial literacy resources and tax advice (Holmgren et al, 2016).
- **Certification –** For organizations that are very intentional about their impact strategy, there are a variety of certification programs that can verify their conduct. One important emergent form is the B-Corporation. B-Corporation certification verifies that the company adheres to strict social and environmental performance standards. Other less strict verification regimes include living wage certification or ISO 26000.

Impact Investing

Increasingly, social purpose business and social business practice are encouraged and enabled by impact investment. Impact investment refers to *"investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact along with a financial return"* (RIA, 2016 p. 1). According to the Responsible Investment Association (RIA), in 2016 there were over $9.2B in assets under impact investment management in Canada. The vast majority of impact assets are held in B.C. ($4.6B), Ontario ($2.6B) and Quebec ($1.2B) (RIA, 2016).

Impact investing is gaining momentum in Canada. Between 2013 and 2016, the value of investments under impact management rose by 123%. This growth is attributed to increased demand from institutional and high net worth investors, the growing availability of impact investment products, and increased accounting of impact investments as investors gain understanding of how they can generate positive social and environmental value. A growing number of impact assets are directed to companies or organizations with an environmental or social purpose (RIA, 2016).

Investments are distributed across a wide variety of sectors, but the top sectors are housing / real estate (27%); clean technology (21%); energy (13%); Non-profits / social enterprise (11%); Aboriginal business (6%). (RIA, 2016). Impact investors indicated they were most likely to increase their investments in the following sectors: Non-profits / social enterprise (17%), community development (14%), food / agriculture (13%); clean technology (9%); Aboriginal business (8%) and housing / real estate (8%). (RIA, 2016)

The largest amount of impact Investments are held by Credit Unions ($3.5B), followed by Impact Investments Funds Managers ($2.3B); Foundations ($1.2B); Quebec Solidarity Finance ($1B); Community Finance Organizations ($351m); Community Futures ($301m); Cooperatives ($257m); Non-profits ($148m); Government ($73m); Development Finance ($24m); Chartered Banks ($24m) and Other ($32m) (RIA, 2016).

2.3 Motivations and Drivers of Inclusive Business Practice

As companies and organizations increasingly embrace shared value / inclusive business practices, the motivations for doing so are diverse. First, there are **reputational advantages** to be gained by seeking to avoid reputational damage (Chakravarti, MacMillan and Siesfield 2014) or by proactively strengthening relationships with the community. For others, such practices are seen as an extension of their company's tradition and values (Hall et al, 2008). In many cases, the adoption of such practices are in response to demands from employees, customers and shareholders (Chakravarti, MacMillan and Siesfield 2014).

Other companies recognize that shared value / inclusive business practices can provide a competitive advantage. By differentiating themselves and / or their products they **can gain or maintain a competitive position**. This may arise from the reputational advantages of such strategies. Alternatively, their competitive position may be enhanced by capturing new revenues through new products and markets, or by building and maintaining loyalty (Chakravarti, MacMillan and Siesfield 2014). Jenkins and Ishikawa (2010) report that the primary driver for adoption of an inclusive business strategy was growth, where companies identify a market opportunity where unmet need was combined with an ability to pay. The ability to pay emerged from innovation where companies were able to bring the product / service in at an affordable price-point. Often this required a whole of pyramid approach that permitted cross-subsidization.

The **changing workforce** is a further driver leading to greater adoption of inclusive practices. In a survey of business leaders, Deloitte (2018) highlighted talent issues that will affect business in the future include the growing skills gap and wage disparities. In particular, the way businesses approach learning and skills development will be crucial to their long-term success. In addressing the emerging skills gap, they note:

> *"Businesses, in collaboration with education systems, need to invest in delivering lifelong education and skills development that do not end once people enter the workforce. By breaking down these barriers, businesses an increase employment inclusivity and make progress toward inclusive growth and addressing social mobility."* (Deloitte, 2018 p. 12)

Finally, **risk management** is a motivating factor. Many global companies have identified environmental and social crisis as risks to their long-term growth, such as supply or regulatory disruptions (Chakravarti, MacMillan and Siesfield 2014). As such, many are adopting sustainable and inclusive business practices as a risk mitigation strategy. This is related to a growing recognition of the importance of the social context in which businesses operate and a realization that building strong communities is good for business (Hall et al, 2008). Reflecting on global disparities, Pralahad and Hart (2002) note that "*… investment at the 'bottom of the pyramid' means lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism and environmental meltdown that is certain to continue if the gap between the rich and poor countries continues to widen."* (Pralahad and Hart, 2002, p. 3). Given the rising inequality within western societies, a similar claim could be made for developed countries as well.

With this recognition, many companies and organizations are struggling to (re-) define their roles as contributors to stable social environments. Deloitte (2018) notes that a majority of business leaders believe that *"the impact of new technology on the workforce will require new social solutions, but executives and business strategists often do not address what those solutions are and business's role in achieving them."* (Deloitte, 2018 p. 11). This effort to redefine roles in an increasingly complex social and economic environment is opening new opportunities that can benefit both business and society. Bockstette and Stamp note:

> *"… the most advanced companies have begun to look at social engagement through a different lens. Rather than seeing business and society in opposition, they recognize the enormous potential of business to contribute to social progress. At the same time, they understand the firms depend on healthy and well-functioning societies to thrive. Such companies seek to create 'shared value' – incorporating social issues into their core business strategies to benefit both society and their own long-term competitiveness."*

2.4 Strategies for Inclusive Business

Creating shared value and embracing an inclusive business approach requires deliberate strategic action. A strategic framework for such action involves the following building blocks.

- **Vision:** An explicit vision of the company as an engine for creating shared value is paramount. This requires commitment from the top with engaged senior leaders. Without this commitment, it will be difficult for companies to harness the resources, focus and long-term commitment that is required (Bockstette and Stamp).
- **Leadership:** Business leaders can be important champions both within their organizations and in the broader community. Holmgren et al (2016) state: *"Great local business champions lead by example and act as catalysts for change. They know how to use their*

experience, expertise, and networks to galvanize, educate, and involve their peers in poverty-related challenges and solutions. They also encourage other sector leaders to think about how they can contribute to local poverty reduction efforts." This can also involve raising awareness. Fostering empathy can shift a community's perception of poverty. Business leaders can use their influence to change people's perceptions of poverty (Holmgren et al, 2016)

- **Analysis:** A successful strategy requires a careful scoping that includes a rapid market assessment, stakeholder engagement, market research and identifying possible interventions. It also requires important value chain analysis that describes the value chain and conducts deeper engagement and market research (CSR Asia, 20015).
- **Strategy Formulation:** A robust strategy must have a clear focus and articulate ambitious goals. This involves businesses integrating social and environmental goals into their return on investment (ROI) calculations to reflect their social responsibility goals. This may include scaling up community investment programs, providing training and mentoring opportunities, supporting research and leveraging their communication channels and networks (Holmgren et al, 2016). The strategy should focus on a limited set of relevant opportunities that reflect the organization's "*unique positioning, capabilities, and competitive landscape. It should identify a handful of genuine social challenges that also represent cost-reduction or growth opportunities, and prioritize the areas where it is best placed to act."* (Bockstette and Stamp). Such a strategy should identify entry points, design interventions and indicators along with possible partners / stakeholders including lead companies, government, producers and suppliers, distributors, consumers and civil society organizations (CSR Asia, 2015).
- **Collaboration:** Multi-sector collaboration involves business, government and civil society as partners in collective impact strategies. This can include the integration of large public and non-profit institutions as "anchor institutions". Such institutions *"(r) epresenting purchasers of goods and services, hold long-term, place-based economic authority, significant power as employers, and considerable economic clout."* Their greatest lever can be procurement as well as participating in Community Benefit Agreements. They can also incubate social enterprises and / or adopt living wage policies. *"Anchor institutions are well positioned to create a supply of decent work opportunities for individuals facing barriers to employment. They play a stabilizing role in the face of economic uncertainty and serve as community role models, inspiring others to follow their lead."* (Holmgren et al, 2016, p.13)
- **Implementation:** At this stage, the organization decides on projects and establishes partnership agreements. An effective delivery strategy leverages assets and expertise across functions and business units within the company, as well as from external partners and stakeholders. Bockstette and Stamp state that effective delivery requires 3 essential practices:
  - Deploy a range of assets: *"These assets can include cash, goods and services, the skills of employees, and political and business influence. The most effective companies bring to bear an imaginative combination of assets in areas where they have an edge over other actors."*
  - Manage efforts holistically across the corporation: *"In the most effective companies, social engagement is not confined to an isolated silo, but instead is integrated into a wide variety of roles and functions, and often overseen at the board level."*
  - Collaborate with partners: Effective delivery engages in broad coalitions *"that tap into a range of complementary capabilities from across fields and industries to tackle a common issue."*
- **Performance:** Management for performance seeks to measure and learn from results, bring successful efforts to scale, and communicate progress. This involves 3 critical spheres of activity:
  - Measure progress on key indicators.
  - Learn from measurement to improve efforts.
  - Communicate progress to internal and external stakeholders.
- **Scaling Up:** Finally, strategic actions need to be brought to scale. Effective scaling requires the identification of barriers to scaling up, replication opportunities and the development of solutions for scaling.

2.5 Benefits of Inclusive Business Approaches

There are a diverse range of benefits accruing to organizations that practices shared value / inclusive business practices including:

- **Business and Economic Growth:** Revenue growth and business profitability are important outcomes for businesses that successfully adopt inclusive business strategies. This is due to a company's improved ability to anticipate customer demands (WBCSD, 2016) as well as to either increased access to previously unaffordable products, or from bringing informal markets into the formal economy. For the community, the most common development outcomes from inclusive business practices were increased economic opportunity and increased access to needed goods and services (Jenkins and Ishikawa, 2010).
- **Resource and Market Access:** Inclusive business strategies can provide more secure access to resources and markets, allowing companies to strengthen their supply and distribution chains. *"Inclusive business models source materials locally from small-scale producers. This helps build stronger and more productive suppliers and enables more secure access to local resources."* (WBCSD, 2016). Access to new markets also arises from an increased customer base as well as increasing sales to existing markets by potentially lower costs through cheaper and higher quality production based on growth-intensive sales and the development of new products (Williams and Hays, 2013)
- **Labour Supply and Productivity:** Inclusive business strategies can improve labour supply by expanding the labour pool. *"By using local laborers, inclusive businesses have increased access to appropriately skilled and more cost-effective employees. Local populations benefit from better wages and more secure livelihoods and are more able to contribute to local economies."* (WBCSD, 2016 p.3). Such strategies also improve productivity through higher employee engagement. KPMG and UWYTR (2017) report that *"Companies with lower employee engagement experienced a 32% drop in operating income and an 11% drop in earnings per share."* As well, they serve to avoid significant turnover costs that both reduce profit and impact the morale and well-being of the workplace. They also serve to reduce absenteeism as workers are able to more predictably balance work and life responsibilities. Finally, such strategies serve to reduce ancillary costs due to quality challenges or the need for increased worker oversight (KPMG and UWYTR, 2017).
- **Reputation:** Inclusive business strategies can provide significant reputational benefits to companies and organizations. Such strategies enhance brand value and allow companies to differentiate themselves from their competitors (WBCSD, 2016; KPMG and UWYTR, 2017). Such reputational advantages may also lead to enhanced partnerships with customers, suppliers and governments (Williams and Hays, 2013). In their business leaders survey, Deloitte (2018) reported that business leaders believe that investing in inclusive growth initiatives improves relationships with governments and regulators.
- **Innovation:** Inclusive business strategies can foster innovation in a couple of ways. First, the challenge of providing goods and services to and for marginalized communities requires new ways of thinking (WBCSD, 2016). Further, such strategies contribute to a learning environment that improves creativity (Deloitte, 2018).
- **Enhanced Risk Management:** Inclusive business strategies enable organizations to better anticipate, identify and plan for risk (WBCSD, 2016).

2.6 Enablers and Challenges

Reviews of organizations that have implemented shared value / inclusive business strategies reveal some important conditions that enable success as well as present barriers.

Enabling Factors

- **Leadership:** One of the critical factors accounting for successful strategy implementation is leadership. In a survey of business leaders, Deloitte (2018) reported that company leaders are seen as most responsible for driving this agenda forward. The report also noted the importance of internal champions.
- **Embeddedness:** It is important that inclusive business strategies be embedded in the company's strategic priorities and that champions are identified and responsible for driving the agenda (Deloitte, 2018).

Further, incentives need to be created within the corporation for the realization of shared value goals making it central to the financial performance of the business unit or company (Williams and Hays, 2013).

- **Market Knowledge:** Successful strategies demonstrate strong local market knowledge including business cultures, consumer preferences and local context (Heierli, 2011). Based on this knowledge, companies are able to adapt products and processes to respond to the consumer needs and preferences, as well as to leverage networks to reach large numbers of low-income consumers (Williams and Hays, 2013). Finally, companies are able to innovate to bring their product / service in at an affordable price-point (Jenkins and Ishikawa, 2010) while also responding to the cash management strategies of low-income consumers (Williams and Hays, 2013).
- **Collaboration:** The ability to collaborate with the community and across sectors is critical for strategy success. CSR Asia (2015) notes that a successful strategy must engage meaningfully with the local community to ensure that the strategy is accepted and aligned with the aspirations of the community (CSR Asia, 2015). Collaboration can include partnerships with local companies, the public sector or NGOs. Effective collaboration can increase the skill base available to the company and provide valuable insights into local customer needs and preferences (Heierli, 2011). It can also help to leverage knowledge, infrastructure, finance and training as well as to proactively remove market constraints that would typically be within another actor's jurisdiction (e.g. investing in education, energy supply or infrastructure) (Williams and Hays, 2013; Jenkins and Ishikawa, 2010).
- **Capacity Development:** Working effectively in and with low-income stakeholders and communities often requires up-front investments to build their capacity to effectively integrate into the development opportunity. Such development is often required of suppliers, distributors and retailers (Williams and Hays, 2013; Jenkins and Ishikawa, 2010). This can involve providing financing through new finance models with various partners and financial instruments (Heierli, 2011). Capacity development may also require investments in training (Jenkins and Ishikawa, 2010).
- **Program Design:** There are various program design features that can enhance strategy success. First, an effective strategy needs to consider the root causes of poverty (such as lack of skills or access to credit) and be intentional about working to improve the quality of life in a community. Programs need to be flexible in design and delivery with a longer term plan for scalability, and integrate good monitoring and evaluation to ensure that impacts and outcomes are being realized (CSR Asia, 2015). Successful strategies are typically developed in the context of the larger business strategy to permit cross-subsidization across business lines (Jenkins and Ishikawa, 2010).

Limitations and Barriers

Reviews of organizations that have implemented shared value / inclusive business strategies also reveal some important barriers to success.

- **Short-term Horizons:**Inclusive-business strategies require a long-term perspective as they require time to scale, need substantial marketing efforts and deal with imperfect or unpredictable regulatory environments. This often conflicts with short-term decision-making mechanisms in most corporations (Heierli, 2011). In its survey of Ontario business leaders, Deloitte found that the most frequently cited barrier to incorporating inclusive business strategies was "short-termism / shareholder expectations" (Deloitte, 2018). This short-term time horizon also affects not only the adoption of strategies, but also leads to unrealistic expectations of the time required to scale (Jenkins and Ishikawa, 2010)
- **Confidence and Commitment:** A lack of commitment or confidence in an organization's ability to make change poses a significant barrier to the adoption of inclusive business strategies. In its survey of Ontario business leaders, Deloitte (2018) reported that 30% of respondents identified a lack of perception of the need for inclusive growth (30%) to be key barrier to strategy development, along with a lack of confidence in the company's ability to influence change (29%). The absence of commitment by senior leadership and a lack of internal buy-in have also been identified as key barriers, along with a lack of clarity about the relative importance of social and commercial objectives (WBCSD, 2016; Jenkins and

Ishikawa,2010). This can be related to the absence of a common strategic motivation and vocabulary that limits collective buy-in across various groups of stakeholders and decision-makers (Chakravarti, MacMillan and Siesfield 2014). Gaining buy-in can be difficult due to short-term time horizons (noted above) along with the difficulty of measuring the impact of the investments (Hall et al, 2008).

Deloitte (2018) reported that a key barrier to adoption of inclusive business strategies was a lack of clarity about how to achieve the desired results, cited by 30% of the Ontario business leaders surveyed. There can also be lack of clarity about where in the organization leadership for such strategies should be held (Chakravarti, MacMillan and Siesfield 2014).

- **Profitability:** Any successful shared value or inclusive business strategy must be profitable. However, inclusive business initiatives usually don't yield the same margin as traditional business strategies, the return on investment and margins are lower, and the time required to realize both social and financial returns is longer (WBCSD, 2016). There are also inherent risks associated with the development of new strategies, such as mispricing, which could affect profitability as well as creating a low tolerance for failure (Jenkins and Ishikawa, 2010). Heierli (2011) notes:

  "Serving the poor means providing them goods and services for a price adjusted to their possibilities. When they are included in the value chain, it means providing them with a wage or price that improves their well-being and lifts them out of poverty. Because, from a MNC-perspective this means either lower revenuee (lower profit contribution) or higher costs (higher purchasing prices, wages and product / service development costs), inclusive business has to provide them with a solid, profitable business case."

- **Internal Knowledge and Capacity:** Successful strategies require appropriate internal knowledge and capacity and the lack of such knowledge and capacity can pose an important barrier. Inclusive business strategies require a certain unique combination of knowledge and skills to conduct business in innovative ways and unfamiliar contexts. Jenkins and Ishikawa (2010) cite the challenges of finding staff with the right mix of business and development expertise as a critical barrier. The knowledge and skills required include the ability to manage informal distribution channels and large volumes of small transactions, along with well-developed relationships and networks. Organizations also often lack information about the purchasing power, consumer needs and behavior, and the skills and capacities or suppliers, distributors and retailers (WBCSD, 2016; (Jenkins and Ishikawa, 2010). This can result in difficulty adapting the original business model to new markets and scales (Jenkins and Ishikawa, 2010). Further, there are challenges with assessing the impact of the strategies in the absence of credible and widely accepted measures (Chakravarti, MacMillan and Siesfield 2014).

- **Local Capacity:** The success of any inclusive business strategy will be affected by the capacity of the community with which the organization seeks to engage. A lack of local capacity to engage can pose a significant barrier to success. One key aspect is the lack of critical infrastructure, such as transportation or communication (Heierli, 2011; Williams and Hays, 2013; Jenkins and Ishikawa, 2010; Chakravarti, MacMillan and Siesfield 2014). Local capacity may also be weak due to a lack of consumer information about available products and services, as well as a lack of finance for low-income producers and consumers required for large purchases or investments (WBCSD, 2016; Jenkins and Ishikawa, 2010; Williams and Hays, 2013). Local human capital may also be a constraint due to a lack of qualified labour and / or suppliers with the requisite knowledge and skills (Williams and Hays, 2013; Jenkins and Ishikawa, 2010). Finally, the local context may present a challenge due to the lack of appropriate partners in the communities in which the organization seeks to engage (Jenkins and Ishikawa, 2010) along with difficulties coordinating fragmented suppliers (Chakravarti, MacMillan and Siesfield 2014).

- **Regulatory Environment:** A weak policy and regulatory environment in the region where an organization is working can be a significant barrier. In its survey of Ontario business leaders, Deloitee (2018) reported that 31% of respondents cited "regulatory environment / government mandates" as a key barrier to the adoption of inclusive business strategies. Heierli (2011) notes the importance of identifying key government actors early on and getting them involved in designing pro-inclusive business regulation.

- **Managing Expectations:** For organizations that do adopt inclusive business strategies, there is a challenge in managing stakeholder expectations. This can include increasing requests for donations (Hall et al, 2008) as well as unrealistic expectations of return (Jenkins and Ishikawa, 2010). There is a related risk that certain segments of the population that were expected to benefit remain marginalized, particularly the lowest strata of the population (Heierli, 2011).

While these challenges can be significant, they can be mitigated through appropriate strategic planning and innovation. The World Business Council on Sustainable Development highlighted the importance of innovation in product design and financing. However, they noted that *"In most cases, though, overcoming these barriers cannot be accomplished by business alone – good governance, economic incentives, appropriate and robust legal and institutional framework conditions, and public-private partnerships are essential for business to maximize its role."* (WBCSD, 2016 p. 4). Williams and Hays (2013) also discuss the importance of new partnerships, suggesting that tackling these barriers requires the development of *"'inclusive business ecosystems' through 'strategically engaging the networks of interconnected, interdependent players whose actions determine whether or not their inclusive business models will succeed.'"* This could involve the adoption of the Collective Impact model of social change to a business context. Successfully doing this will require that the success factors identified in the previous section, such as leadership and collaboration, are in place.

3. PERSPECTIVES OF KNOWLEDGE CREATORS, USERS AND INTERMEDIARIES

While the transition to a new economy has disrupted our traditional business and economic practices and, in so doing, has left workers and communities in greater degrees of precariousness, this new economy is also spawning innovative new approaches to business that provide a light at the end of the tunnel. This includes new types of "social purpose" businesses and organizations, as well as new types of inclusive businesses practices that generate social value through their normal business operations.

Despite the evidence of the positive business, economic and social benefits of such practices, their adoption remains low. While there is a growing movement of large and small organizations that are adopting these practices, this is not yet widespread across sectors in the economy. At the same time, few governments and non-profit organizations developing strategies to address poverty incorporate such practices into their strategies or meaningfully engage the corporate sector in partnerships that would lead to greater adoption of inclusive business practices. A knowledge gap thus exists between knowledge creators and the corporate sector who could adopt such practices, as well as between knowledge creators, government / NGO strategists and the corporate sector. These stakeholders can be categorized as follows:

- **Knowledge Creators and Intermediaries:** This stakeholder group includes academic and independent research organizations that are creating knowledge, resources and best practices related to shared value creation and inclusive business. Examples of such stakeholders in Ontario include the Institute for Corporate Citizenship at the University of Toronto, the Conference Board of Canada, CSR Roundtable, the Centre for Learning, Social Economy and Work at OISE, and the Institute for Competitiveness and Prosperity. While this group of stakeholders individually hold important pieces of the spectrum of knowledge, they are not formally connected.
- **Early Adopters:** This stakeholder group includes organizations that have adopted shared value or inclusive business approaches and integrated them into their internal and external practices. This includes private sector (for-profit) organizations, government bodies and agencies and non-profit organizations including social enterprises. Examples of such stakeholders include private organizations such as The Cooperators or Maple Leaf Foods, or governmental organizations such as the City of Toronto or the Government of Canada - Treasury Board Secretariat. Although each of these organizations may be implementing inclusive business practices, they are likely unconnected to each other in a formal network organized around their interest in shared value creation.
- **Supporters:** This group of stakeholders includes governments, regulatory agencies and stakeholder associations that can influence the policy environment or provide capacity to early or potential adopters. Examples of this group of stakeholders includes organizations such as local government, The Ontario Cooperative Association, the Responsible Investment Association and the Ontario Living Wage Network.

This section summarizes interviews with knowledge creators, intermediaries and supporters that occurred during the Summer and Fall of 2018.

3.1 Current State Assessment

According to respondents, the concept of shared value has According to respondents, the concept of shared value has slowly been gaining influence in Canada, largely due to researchers such as Richard Porter and Zeynab Pon who have raised the profile of the idea. The concept of inclusive business is also gaining traction in Ontario due to knowledge transfer from the international development context, particularly arising from the work of the Rockefeller Foundation and its focus on impact investing. One interviewee felt that the concept has greater traction in Canada than many other places, such as Europe. A lot of energy around shared value is being driven by millennials both as employees and consumers. As employees, corporate citizenship is important for attraction, retention and management. As consumers, people are increasingly interested in the environmental and social impact of their consumption.

At the same time, another respondent felt that while there is a broad consensus about shared value across sectors, it is not as front and centre in Canada as it is in the U.S., particularly among publicly traded companies.

Although the concept has some traction, the way that it is articulated can vary; this may be a question of language. One respondent suggested that, while the concept has currency, the language doesn't necessarily resonate. Common alternative language is "sustainability" or "inclusive prosperity". An emerging and related concept that resonates in the Canadian context is "community wealth building", particularly within sectors that are working specifically to address poverty. "Corporate Citizenship" is another related concept that provides alternate shared value language. A focus on corporate citizenship involves identifying risks and opportunities beyond a company's narrow business interests in order to minimize risk and capitalize on opportunities that create social benefit. In this way, strategy can also be proactive for competitive advantage, not just defensive against perceived risks or threats.

Despite the general acceptance of the concept of shared value, one respondent noted that it is hard to find good examples of strategic action to point to in Canada. The respondent suggested that perhaps this is due to the success of our social security system which works better in Canada so there is less pressure on business to play a bigger role or to innovate. Also, Canada tends to have decent benefits packages; so, it is possible that some "inclusive business practices" are not recognized as such, but are just business as usual.

While the business sector has a strong interest in the shared value idea, currently this is framed primarily within a CSR framework. Over the past few years, however, there has been a definite shift from corporate philanthropy to more of a shared value approach. One respondent suggested that this may have been due to cash flow challenges post-2008 which led companies to focus more on strategy than philanthropy. Public pressure may also account for the increased attention to shared value, especially with the rise of social media.

Responsible investing may also account for an increased focus on shared value and inclusive business approaches. One respondent noted that currently 20-25% of global funds include an Environmental, Social and Governance (ESG) screen (30-35% in Canada). While the original intent of responsible investing was to divest from negative impact investments (negative screen), this has now shifted to impact investing (positive screen) where investments undergo (ESG) screening. This is forcing companies to go further in their corporate citizenship strategies than they might have otherwise. As a result, it was suggested that investing in companies that have social purpose has a huge growth potential. In response, some companies are now moving to integrated value chains by not only using ethical suppliers, but also investing in those suppliers. A good example that was offered is green energy where there has been a move from simply purchasing green energy, to investing in the green energy company, to issuing green bonds to offset the green energy purchases.

In addition to the shared value and inclusive business approach to social impact, social enterprise is also growing. This growth may be due to a new generation of entrepreneurs who also have an interest in social good and see business as a way of achieving that good. This growth may also be due to the movement by non-profit organizations into this space in response to funding cuts by government. There is also a generational aspect to this movement as social enterprises seems to have particular resonance with the millennial generation who are increasingly looking for purpose in work as well as income. Social enterprise in Ontario achieved significant momentum with the launch of the Ontario Social Enterprise Strategy. Also important for the development of social enterprise in the province was the establishment of the Centre for Impact Investing at MARS which focuses on social enterprise, the use of capital and the needs of small business.

Finally, the sharing economy is a nascent concept that is gaining some traction. Some respondents indicated it has significant potential due to the work of Richard Florida, the Martin Prosperity Institute and the Mowatt Centre. There has also been some interest in this concept by the federal government that produced several papers on the sharing economy, published by Employment and Social Development Canada (ESDC). For other stakeholders, the sharing economy wasn't seen to be on the radar. In particular, there is not a lot of attention being paid to this in the poverty reduction sector. While some communities have tried to stimulate local currencies, there is no coordinated activity. The primary question regarding the sharing economy is whether it can be a progressive force or whether it simply replicates existing economic inequalities on the basis of who has access to capital to share. There is also concern about labour rights in this new sharing economy.

Stakeholders identified various specific issues of concern which they believe are leading to the rising interest in shared value and inclusive business strategies. First of all, there is strong concern about growing inequality and the future of the economy and society. As one respondent noted: *"The future labour market is a very exciting one, but we need to prepare people for it. Otherwise, there will be social unrest. Trump and Brexit were not an accident."* This aligns with growing concerns in Canada and globally about the future of work, particularly as it relates to compensation practices. There is a particular concern about the future prospects for youth. Many larger corporations, such as RBC and Starbucks, now have a focus on youth employment as part of their overall CSR strategy.

A related issue is the question of workplace training. One respondent stated that Canada has the largest number of educated people living in poverty in the OECD. This is due to a mismatch in the labour market between education / training and labour market needs. In order to both address the labour market needs of business and also reduce poverty, Canada must address this mismatch. From a business perspective, there is a need to better articulate the role of the employer in workplace training to determine how they should be engaged and what policy agenda would support that engagement.

In response, public, private and non-profit organizations are devising a range of strategies and initiatives. As one respondent noted, from a business perspective, inclusive business practices that benefit the marginalized are typically led by government, not naturally by business. Nevertheless, businesses are increasingly leading or playing a role as a partner in strategies designed to do just that.

3.2 Strategies

Respondents identified a variety of strategies being employed by businesses or other organizations that are working to advance the new economy.

- **Assessment.** Companies seeking to improve their social and environmental impact are conducting assessments to identify the issues that are most material to company interests beyond the market. For example, a bank may appear to be environmentally neutral, but could have significant environmental risk exposure due to their investments, such as in non-renewable energy. The Institute for Corporate Citizenship at the University of Toronto works with companies to complete such "materiality analysis". Often these analyses begin by focusing on obvious environmental impacts. In many cases, however, addressing these may be tremendously expensive. As a result, they often then move to find other social or environmental issues to focus on that are less cost prohibitive. This can lead to the development of inclusive business strategies that can have significant social impact as addressing social risks may be less costly than environmental ones.
- **Living Wage.** One emerging strategy is to focus on ensuring a living wage for staff and contractors. Currently there is significant energy around living wages as a result of the work of the Ontario Living Wage Network which is building the narrative around the positive role that business can play in achieving social well-being. The Ontario Living Wage Network currently includes 180 employers from a variety of sectors from across the province. The Ontario Living Wage Network is working closely with the Better Way Alliance, a coalition of labour, business and non-profit organizations championing "decent work." The movement of the provincial minimum wage to $14 by the previous government catalyzed the Decent Work movement.
- **Social Procurement.** There is increasing energy around social procurement since the Ontario government released the Social Enterprise Strategy. Social procurement can be a logical next step in a living wage strategy as the living wage provisions are extended to contractors. While municipalities are particularly focused on social procurement, the practice is gaining traction in the business community through the work of the Atkinson Foundation.
- **Anchor Institutions.** Anchor institutions are major public or private employers such as hospitals or universities. Focusing on anchor institutions as a key strategic focus for social procurement or living wage initiatives is an emerging strategy to address poverty being adopted by municipalities and other organizations or orders of government with an interest in poverty reduction. The City of Toronto is a leader in this area.

- **Community Benefit Agreements.** Community Benefits Agreements (CBAs) are an important new area of energy. Community Benefit Agreements aim to leverage infrastructure investments for social good by establishing social performance objectives in contracts. This emerged originally from the MetroLinx expansion through Toronto's priority neighbourhoods which led to legislation requiring CBAs for large infrastructure projects. CBAs can support inclusive business strategies such as social procurement, support for anchor institutions as well as with inclusive hiring practices.
- **Partnerships.** The strategies discussed above typically require strong partnerships. As companies are showing a lot of interest in becoming more purpose driven they are seeking more transformational as opposed to transactional relationships. Transformational relationships involve aligning community investment and employee volunteer programs with social purpose to create more brand integration. In so doing, they are seeking non-profit partners. Many companies are starting their own Foundations as a way of directing the work themselves which gives rise to opportunity for business / civil society partnerships. This is creating barriers, however, for small and mid-sized non-profits that may not have the capacity to deliver on expectations from larger corporate partners. As a result, there is a risk that the gap between the "have" and "have-not" non-profit organizations may widen.

While partnerships are critical, respondents were concerned about the current environment that does not effectively encourage collaboration. It was felt that there was more cooperation between social services, government and business (cross-sector partnerships) in previous years, particularly in smaller communities. One factor is the competitive funding environment which does not promote collaboration, and also contributes to employment precarity in the non-profit sector by encouraging low contract bids, particularly among younger organizations. For cross-sectoral partnerships to happen, broad-based leadership is required. Collective impact approaches have promise, but they require strong funding support to the backbone organization. There is a need to focus on what policy interventions would support such partnerships.

Specifically with respect to the role business can play in poverty reduction strategies, respondents noted the importance of having business involved in creating the strategy and identifying the role they can play. Often poverty reduction strategies include a prescriptive role for business but because business hasn't been involved in creating the strategy, the strategy does not address the key challenges businesses may encounter in implementing the recommendations. As a result, one respondent noted, many strategies are rather uninventive when it comes to business involvement. There is a need to examine how we work with business leaders to impact neighbourhoods, particularly through infrastructure investments.

In Toronto there has been good integration of business into the local poverty reduction strategy, although business wasn't involved in strategy development. One example of a positive partnership was the partnership with the Government of Ontario to establish the Toronto Enterprise Fund. This fund was used to provide opportunities for inclusion of those excluded from the labour market.

3.3 Barriers and Enablers

Respondents identified a range of barriers and enablers to greater adoption of shared value / inclusive business strategies.

- **Knowledge.** While there is a massive role for business to play in poverty reduction, there is a need for a robust knowledge mobilization strategy to build a Canadian case for inclusive practices. Not only can this serve to increase adoption among businesses, it can also support better integration of inclusive business strategies into poverty reduction strategies. Currently there is not a lot of understanding of the connection or models to use as examples. In order to build the knowledge base there is a need for testing and refinement of existing models. When connecting poverty reduction strategies and business it is usually done more from a charitable or CSR focus rather than looking at it from the perspective of meeting business needs. This requires a shift in paradigm where both business leaders as well as non-profit organizations understand the shared value concept. It is important to understand what the right framework is that can increase worker security without compromising profit.

- **Profitability.** Many businesses have difficulty transforming current practices because they have trouble figuring out how to make money from the transition. It is particularly challenging to find business strategies that tackle poverty and are also profitable. Often they require funds to both enable the innovation and facilitate the transition to scale. Related to this is the need for a willingness to take on risk, as models of inclusive business practices may be risky. Consequently, there is a need for social finance / venture capital to innovate and bring to scale. Where there are some signs of activity are in micro-finance and small business development for marginalized people, for example RISE Asset Development.
- **Leadership and Capacity.** Where the strategy resides within an organization influences the approach: whether in Marketing, the Corporate Office or within Human Resources. As one respondent noted, while many companies are looking to achieve shared value, there is a question around how deeply it is integrated. It is important to make sure shared value is not just a marketing strategy. If the strategy is not supported by senior leadership, it is not likely to have the greatest impact. Many organizations also lack the internal capacity for innovation or to bring innovations to scale. There is a strong need for training in this in business / entrepreneurship programs as companies typically don't have people trained who know how to scale business innovations.
- **Paradigm.** Within the non-profit sector, many organizations come from a service-oriented charity paradigm. Consequently, they focus on delivering on their mandate and downplay the role of workers. This has led to *"a large Ontarian non-profit workforce that is underpaid, unstable, with fewer opportunities for training or advancement."* This mindset limits the willingness of non-profit organizations to advocate for more funding, or for workers to advocate for better terms of employment out of a fear of seeming self-serving.
- **Policy.** Policy can present barriers or be an enabler of the new economy. Policy innovations identified by respondents included, first, a need to work more intentionally with industry to integrate a focus on low-income people into the economic planning process. This will necessarily include a focus on redesigning the social safety net to account for new forms of employment.

  Secondly, there is a need for policy innovation in the area of education and training and how public policy can be more effective in supporting workforce development. In particular, the mismatch between education and labour market needs must be addressed. This can be remedied through greater corporate involvement in the education system. Government policy needs to lead this change through a re-design of the education system and by supporting businesses in providing training through wage subsidies and other incentives. The key question is how to engage the private sector more intentionally with training, and particularly among marginalized communities. (e.g. pre-employment training). When focusing on marginalized communities, there is a need to prioritize job quality in job placement programs along with more wrap-around services to enable trainees to gain skills.

  With respect to other aspects of the new economy, policy levers that would assist in moving companies along the continuum include, first, subsidies. In the energy industry, for example, subsidies have been essential in creating markets by stabilizing prices to ensure profitability. Secondly, there is a need to track long term capital investments being made in sustainable activities which is important to help understand the real impact of corporate citizenship. To enable this, regulations are needed to require companies to report on their social performance in order to establish and maintain accountability.

While the concepts included within this broadly generalized "new economy" are slowly gaining traction, some key questions remain regarding its ability to generate a more inclusive kind of economy. In particular, the ability of the new economy to deliver good jobs is still in question. Also in question is the ability of the new economy to deliver on social promise *at scale*. It also remains to be seen what the benefits of the new economy are and how low-income and marginalized people participate or benefit from it. Although there is tremendous potential for low-income people to participate, so far it has largely been a middle class endeavour. For people with lower education but sophisticated in the use of technology, it is unclear whether technology can make a difference in their living standards.

3.4 Points of Energy

While the energy around the new economy is small and fragmented, respondents identified various sectors and stakeholders in the Ontario social and economic community where there is important activity around these new economy concepts. It was noted that there is a growing intersection between the various dimensions of the new economy, those being social business, social finance, impact investing and social innovation. There are complimentary activities between social enterprise and shared value; B-Corps are a good example of such convergence. Some of this energy is being driven by the U.N. Sustainable Development Goals which encourage action in key areas. While examples of good practice can be found in any economy, some sectors have more uptake. Identified sectors include:

- Green/alternative energy
- Food security
- Clean water
- Sustainable cities
- Technology
- Finance
- Telecommunications and SDG alignment
- Disability services.
- Homelessness services
- Psychiatric survivors
- Indigenous populations. Social purpose businesses are happening in remote communities, particularly with indigenous communities.
- Restaurant / hospitality sector.
- Financial Services. The challenge with this sector, though, is that programs are still very siloed, often focusing on target groups (like youth) rather than being more holistic. Leading companies include RBC (Corporate Citizenship Institute) and TD (Ready Commitment).
- Consulting Firms. PWC and Deloitte are leaders in both engaging employees and the community.
- Employment Training Organizations (Workforce Development Through Social Enterprise).
- Co-working space - In Toronto, there are a number of Social Innovation Centres that provide common work spaces for startups, particularly in the tech sector.There are also for-profit co-working spaces in the tech sector.

Organizations and networks that are engaged in supporting this work include the Centre for Learning, the Social Economy and Work (CLSEW) at OISE, which has been engaged in this work for the past 10 years with a focus on social economy organizations (inc. coops) and other alternative business for marginalized populations. Also engaged in knowledge generation for this sector is the Institute for Corporate Citizenship at the University of Toronto and the Institute for Competitiveness and Prosperity. The non-profit organization Canadian Business for Social Responsibility is also actively promoting inclusive business with a specific focus on the supply chain as a lever. In addition, the Ontario Non-profit Network has been actively involved in advocating for decent work in the non-profit sector.

The Metcalf and Atkinson Foundations have similarly been leading proponents of decent work, along with the United Way of Toronto and York Region. The Metcalf Foundation is specifically focused on improving quality employment through policy changes, such as the minimum wage, and is leading with the Inclusive Local Economies Project and providing grants for social enterprise. The United Way is also developing a social enterprise strategy and is leading a change in its corporate strategy to focus more on connecting with CSR departments rather than focusing strictly on fundraising. There is also funding support through government granting agencies such as SSHRC. Employment and Social Development Canada (ESDC) has also provided a grant to examine social purpose businesses that train people who have difficulty accessing the labour market and evaluating whether social purpose businesses positively impact marginalized people.

In addition, there is important research underway by organizations such as West Neighbourhood House which is examining the relationship between the informal economy and low-income, looking at the blurred line between the formal and informal economy and how to formalize informal economic activity. The Canadian Centre for Policy Alternatives has also made significant contributions and is currently looking at sharing and the “just-in-time” economy.

4. ONTARIO SOCIAL IMPACT ORGANIZATIONS

This section examines the state of adoption of inclusive business practices among public, private and non-profit organizations across Ontario. Organizations that contribute to the new economy are referred to in this section as Social Impact Organizations (SIOs). SIOs are the foundation of a new economy that has the potential of generating a more inclusive economic system. Based on the typology presented in Section 2, such organizations can be classified as social purpose or social practice, or both.

This section analyses data that combines social purpose and social practice organizations in Ontario. For the purposes of this report, social purpose organizations include social enterprises and cooperatives. Social practice organizations include living wage employers, BCorps, members of the Global Compact and employers recognized as part of Canada's Top 100 employers. Analysis of these organizations was completed by assembling a list of members of the Ontario Community Cooperative Association, the Social Enterprise Network of Ontario, BCorps accredited companies, a member list of Global Compact members and a list of organizations recognized as part of the Top100 Employers in Canada as determined annually by the Globe and Mail. The analysis was restricted to organizations based in or with significant operations in Ontario.

4.1 Characteristics of Ontario SIOs

In 2018, there were 2,299 identified SIOs in Ontario. Social enterprises constituted the largest number of such organizations, accounting for 60%. This was followed by cooperatives (24%), living wage employers (8%), BCorps (5%), members of the Global Compact (2%) and members of Canada's Top100 employers (2%). A limited number of organizations can be considered to be both social purpose and social practice.

SIOs are distributed fairly evenly across the province. While it might be expected that such businesses would be mostly concentrated in the largest cities, in fact the largest share (40%) of such organizations is in communities of 100,000 or less, followed by urban areas of 500,000 + (34%) with the remainder (24%) located in mid-sized cities (100,000 – 500,000).

Among the different types of SIOs, however, there is some distinct variations between population centres. While BCorps and Global Compact members are predominantly located in cities of 500,000+, cooperatives and social enterprises are predominant in communities of less than 100,000. Living wage employers, meanwhile, are predominant in mid-sized cities of 100,000 – 500,000. In terms of the sectoral composition of these social purpose / practice organizations, the majority of such organizations are engaged in retail trade, accounting for 25% of all such enterprises. This was followed by Recreation and Leisure Services (19%), Health and Social Services (10%), Other Services (10%), and Professional / Technical Services (5%).

Once again, there were important variations by organizational type. BCorps and Global Compact members were concentrated largely in Professional / Technical Services and Information / Cultural industries. The profile of Top100 companies was similar, but this group also included a significant proportion of Manufacturing enterprises as well as enterprises in Finance and Insurance. Meanwhile, Coops were heavily concentrated in Agriculture and Retail Trade. Social Enterprises were concentrated in Retail Trade and Entertainment industries. Living wage employers were concentrated in Accommodation and Food Services as well as Other Services.

Type of Organization	Number	Percent
Social Enterprise	1,372	60%
Cooperatives	551	24%
Living Wage Employer	178	8%
BCorps	107	5%
Top100 Employers	54	2%
Global Compact	37	2%
Total	**2,299**	**100%**

Community Population	SIO Number	SIO Percent
<100,000	909	40%
100,000 - 500,000	554	24%
500,000+	783	34%
Unknown	53	2%
Total	**2,299**	**100%**

SIO Type			**Population**		
	<100,000	**100,000 - 500,000**	**500,000+**	**Unknown**	**Total**
Social Enterprise	44%	23%	32%	1%	100%
Cooperatives	46%	19%	34%	1%	100%
Living Wage Employer	18%	63%	13%	6%	100%
BCorps	10%	15%	58%	17%	100%
Top100	6%	13%	81%	0%	100%
Global Compact	8%	11%	81%	0%	100%

Industry	**NAICS**	**#**	**%**
Agriculture, Fishing and Forestry	11	85	4%
Mining, Quarrying and Oil and Gas Extraction	21	7	0%
Utilities	22	41	2%
Construction	23	2	1%
Manufacturing	31	53	2%
Wholesale Trade	41	31	1%
Retail Trade	44-45	578	25%
Transportation and Warehousing	48	40	2%
Information and Cultural Industries	51	101	4%
Finance and Insurance	52	36	2%
Real Estate	53	37	2%
Professional and Technical Services	54	104	5%
Management of Companies and Enterprises	55	1	0%
Admin. Support, Waste Mgmt and Remediation	56	45	2%
Educational Services	61	62	3%
Health and Social Services	62	222	10%
Recreation and Leisure Services	71	430	19%
Accommodation and Food Services	72	72	3%
Other Services	81	224	10%
Public Administration	91	8	0%
Unknown	9	97	4%
Total		**2,299**	**100%**

NAICS	BCorps	Coop	Global Compact	Living Wage	Social Enterprise	Top100
11	1%	13%	0%	1%	1%	0%
21	0%	0%	19%	0%	0%	0%
22	2%	6%	3%	1%	0%	2%
23	2%	1%	0%	5%	0%	2%
31	10%	2%	0%	8%	1%	17%
41	1%	5%	0%	1%	0%	0%
42	1%	0%	0%	0%	0%	0%
44-45	11%	12%	6%	3%	36%	6%
48	0%	4%	5%	1%	1%	2%
51	16%	5%	16%	8%	2%	19%
52	8%	1%	8%	5%	0%	11%
53	2%	4%	0%	1%	1%	0%
54	22%	5%	16%	4%	2%	19%
55	0%	0%	0%	0%	0%	0%
56	3%	1%	0%	4%	2%	0%
61	2%	1%	5%	4%	3%	4%
62	3%	7%	8%	29%	9%	7%
71	1%	9%	3%	3%	27%	2%
72	7%	1%	3%	2%	4%	0%
81	7%	9%	8%	19%	10%	2%
91	0%	0%	0%	1%	0%	9%
99	1%	15%	0%	1%	1%	0%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

4.2 SIO Survey Results

In 2018, a survey was distributed to the identified Social Impact Organizations including all Ontario-based BCorps, the Canadian Community Economic Development Network (CCEDNET), the Ontario Living Wage Network, the Conference Board of Canada – CSR Roundtable and through various internal networks and social media. Atotal of 32 surveys were completed.

Corporate Social Responsibility

The majority of respondents (69%) reported that Corporate Social Responsibility (CSR) objectives have "a great deal" or "a lot" of influence on their organization's strategy or decision-making, while 19% reported that it has a little or no influence. Over three quarters (77%) of respondents reported that their organization has an explicit vision for creating social or community value, while over half (53%) has had a strategy. While over half (57%) also reported having performance monitoring and reporting systems in place, only about one-third (37%) reported having an implementation plan to support their strategy.

Of those organizations reporting that they do have a strategy, the most frequently identified issue being addressed by respondent CSR initiatives was diversity (73%), followed by environmental stewardship (53%), poverty (47%), financial empowerment (47%), indigenous issues (43%), youth development (33%) and education / literacy (27%). The most frequently identified CSR activity among respondents was "socially and environmentally responsible business practices," followed by "employee volunteering."

Which of the following Corporate Social Responsibility (CSR) approaches does your organization practice?

Socially and environmentally responsible business practices	70%
Employee Volunteering	60%
Participating in fundraising (e.g. United Way)	43%
Community investment / granting	40%
Shared value creation	40%
Technical support to community organizations	37%
Matched employee charitable giving	17%
Other (please specify) • Impact investing • Advocacy for sustainable policies • Convening stakeholders to collaborate for systems change • Training staff and raising awareness/engaging other stakeholders, etc. • Sharing our skills and knowledge • Donations • Supply chain management	23%

Most respondents indicated that the responsibility for their shared value strategy resides in the corporate office or senior leadership. Roughly half reported that responsibility also rests with marketing and communications, while about one-third reported that it is held within human resources. One respondent indicated that it is the responsibility of a collaborative team, while another stated that responsibility is distributed throughout the organization. Another stated that responsibility is a shared one between the organization and the community, saying:

> *"We only have one strategy - and that is to enable for all our stakeholders the possibility for them and all life to flourish on our shared planet for seven generations beyond. We do this by co-creating social, environmental *and* economic value with them."*

Inclusive Business Practices

In addition to traditional Corporate Social Responsibility activities, survey respondents were also asked about specific inclusive business practices being employed. Among surveyed organizations, workplace diversity and equity policies were the most frequently identified practices currently in place, followed by flexible workplace practices.

Over two-thirds of respondents also reported having a social / ethical procurement policy or sustainability policy. Over half reported having a living wage policy. In terms of practices that organizations were considering adopting, the most frequently identified practice was board diversity / equity policies followed by a living wage policy.

	Don't Practice	**Considering Adopting**	**Currently Practice**
Workplace diversity or equity policy or initiatives	8.7%	8.7%	82.6%
Flexible workplace practices	21.7%	4.3%	73.9%
Social / ethical procurement policy	21.7%	8.7%	69.6%
Sustainability policy	21.7%	8.7%	69.6%
Triple Bottom Line (TBL) policy	34.8%	8.7%	56.5%
Living wage policy	26.0%	17.4%	56.5%
Board diversity or equity policy or initiatives	30.4%	26.1%	43.5%
Employee housing, transportation or childcare support	60.9%	8.7%	30.4%
Ethical investment policy	60.9%	13.0%	26.0%

	Little to No Value	**Some Value**	**High Value**	**N/A**
Social / ethical procurement policy	4.3%	26.0%	47.8%	21.7%
Ethical investment policy	4.3%	21.8%	13.0%	60.9%
Triple Bottom Line (TBL) policy	8.7%	8.7%	52.2%	30.4%
Sustainability policy4.3%	30.4%	52.2%	13.0%	
Living wage policy 4.3%	13.0%	52.2%	30.4%	
Workplace diversity or equity policy or initiatives	4.3%	21.7%	65.2%	8.7%
Board diversity or equity policy or initiatives	8.7%	17.4%	39.1%	34.9%
Flexible workplace practices	4.3%	8.7%	60.0%	26.0%
Employee housing, transportation or childcare support	8.7%	4.3%	30.4%	56.5%

Not surprisingly, most respondents indicated that these policies and practices add value to their organizations. Diversity policies and flexible workplace practices were identified as adding the most value, followed by Triple Bottom Line or Sustainability policies and Living Wage policies. Ethical investment policies were the least frequently reported as having high value. Practices that were deemed to add the least value to the organization included providing material supports to employees such as transportation, housing or childcare.

Drivers of Inclusive Business Practices

The most important drivers influencing decisions about the adoption of more inclusive business practices were direction from senior leadership or the company board. This was followed by employee expectations and concerns about the corporate brand or reputation. Another important considerations was customer expectations. Of interest is the fact that the risk of litigation or pressure from public advocacy groups or campaigns was the least influential in corporate decisions.

In terms of support for new initiatives, the vast majority of respondents indicated that their organization's culture is somewhat or very supportive. For many, this is related to the expectations of the organization's staff. As one respondent stated *"Our employees, especially younger generations, expect us to be a responsible employer, service-provider, investor and community partner. That tone is reinforced from the top of the organization (Board and senior leadership) and permeates our culture as a co-operative."* This was echoed by another respondent who stated that *"Our culture is one of service, equality and fairness. Our staff expect and demand we will adopt inclusive business practices."* Other respondents spoke about how this approach is hardwired into their organization's operating ethos either as a BCorp or Cooperative.

For most respondents, the culture is the critical factor supporting change: culture drives behavior and that drives decision-making. From this perspective, it was noted by one respondent that behavior cannot be regulated, stating:

> *"If 'inclusion' is legislated it is counter-productive to actually trusting the ethics of small community businesses who are very clear about their triple bottom line and adhere to it. I would like to see legislators and decision makers pay more attention to the actual evidence (through good social evaluation with rigorous evidence based research) as opposed to national or international corporate funding pressures that greatly hinder small community based companies."*

How supportive do you believe your organization's culture is to the current, or adoption of new, inclusive business practices?

Not very supportive	9.5%
Somewhat supportive	33.3%
Very supportive	57.1%

How much influence do the following factors have on your decisions regarding the adoption of inclusive practices?

	NONE	LOW	MODERATE	HIGH
Senior leadership direction	9.5%	4.8%	14.3%	71.4%
Company board direction	23.8%	14.4%	0.00%	61.9%
Employee expectations	9.5%	14.4%	19.0%	57.1%
Corporate / brand reputation	14.3%	4.8%	23.8%	57.1%
Customer expectations	14.3%	9.5%	23.8%	52.4%
Shareholder expectations	38.1%	9.5%	19.0%	33.3%
Government policy or regulations	14.3%	28.6%	38.1%	19.0%
Industry expectations or trends	9.5%	19.0%	57.1%	14.3%
Public advocacy groups or campaigns	19.0%	28.6%	38.1%	14.3%
Risk of litigation	38.1%	38.1%	9.5%	14.3%

Organizational Benefits and Costs

Respondents identified various benefits that they believe these practices bring to their organization, including "ethical continuity". One of the principal benefits revolved around employee relations, including greater pride in the workplace and staff engagement leading to stronger retention. One respondent noted that the sense of a shared vision leads to increased employee morale and purpose. Not only does this increase stakeholder goodwill, it is also a competitive advantage in staff recruitment. These factors also improve the organization's reputation leading to greater recognition and brand differentiation. One respondent noted:

> *"The primary purpose is to enable the possibility for flourishing for our stakeholders in ways that enable us to remain economically viable so that we may get better over time - improving our B Impact Score as a way of demonstrating our progress."*

Respondents also identified various costs that they perceive arising from the adoption of these practices that affect their organizations. Higher operating costs that were identified included slightly higher procurement costs as a result of procuring socially and ethically, along with increased transportation costs. There are also increased labour costs due to higher wages, as well as costs associated with training and maintaining that training over time. The increased investment into staff that are involved with strategy implementation also increases the risk accruing from staff turnover.

In addition to costs, respondents also identified various economic / financial impacts. Once indicated that they had lost clients and business as a result of their strategy, while another reported slower economic / financial growth. As one respondent noted *"with the many goals and bottom lines it makes the financial bottom line more difficult."*

Respondents also identified time as an impact, as implementation requires a significant amount of time. Related to this is the increased complexity of operations for staff. One respondent stated that *"the costs of CSR management can become burdensome when not properly balanced with business performance capacity (being too generous can sink the ship in tough economic times)"*

At the same time, the various costs associated with strategy implementation are viewed by some as normal costs of doing business. As one respondent said:

> *"We incur what for us are "normal" costs of running a business. We don't spend money on things that aren't aligned with our purpose / vision, mission and strategy. We don't spend money on things that won't over time help us improve the quantity of tri-profit we generate: social benefits, environmental regeneration and economic value."*

Community Benefits

In addition to the benefits that respondents identified as accruing to their organizations from inclusive business practices, they also assessed the value and benefits such practices provided to the community. The practices deemed to have the highest community value were sustainability policies, diversity policies, flexible workplace practices and social / ethical procurement policies. Material supports to employees (such as housing, transportation and childcare assistance) as well as ethical investment policies were least frequently identified as having high community value.

The community benefits identified by respondents as arising from these practices included, first, seeing the diversity of the community reflected in the organization. *"Our community is diverse. Seeing that reflected in our company is important to them."* Another noted the affect that these practices have on social participation as they enable a broader segment of the community to participate in community life.

Another respondent noted the important leadership aspect associated with such practices, stating *"We are too small to be able to impact the size of our very urban community. The impact may be felt mainly within our immediate community who recognizes what we do and on the greater network of our employees and vendor partners."* Another noted *"We are a relatively small player, but we are looked upon as a leader and norm setter by many; I believe our practices inspire and reassure others that they too can adopt such practices."* This was echoed by another respondent who said that *"Everyone deserves a basic guaranteed income; with businesses making a difference it shows that anyone can."*

Respondents also identified important positive impacts on the quality of life in the community. This included the potential to decrease poverty by providing staff with a living wage and supporting local business. One respondent stated *"If our staff have more money to spend in our community, we all benefit. Having good jobs lowers unemployment as well."* One respondent also highlighted the reciprocal nature of this relationship. "*I would say the approach to a business' responsibility in the community needs to be bilateral. Employees and communities need to return the commitment, employees who don't show up for work, are rude to clients and community members who happily shop online from China are shirking their responsibilities.'*

Such practices can also strengthen other organizations in the community or value chain. This includes making a positive contribution to local non-profit organizations as well as supporting long-term growth in the sustainable supplier sector. Respondents also highlighted the difficulties associated with understanding the community impact of their activities. There is a strong need for impact evaluation and measurement processes to be developed. Many organizations do not have such processes in place and are not able to effectively articulate the difference they are making.

	Little to No Value	**Some Value**	**High Value**	**N/A**
Sustainability policy	0.0%	26.1%	56.5%	17.4%
Workplace diversity or equity policy or initiatives	8.7%	30.4%	52.2%	8.7%
Flexible workplace practices	8.7%	13.0%	52.2%	26.1%
Social / ethical procurement policy	0.0%	34.8%	43.5%	21.7%
Living wage policy	4.3%	17.4%	43.5%	34.8%
Triple Bottom Line (TBL) policy	4.3%	21.7%	39.1%	34.8%
Board diversity or equity policy or initiatives	8.7%	26.0%	34.8%	30.4%
Employee housing, transportation or childcare support	4.3%	21.7%	21.7%	52.2%
Ethical investment policy	4.3%	26.0%	17.4%	52.2%

Barriers and Enablers of Practice Adoption

Respondents also identified things that would increase their ability or motivation to adopt further inclusive business practices. One of the critical enablers identified by various respondents was the need to maintain economic viability and a strong financial return on investment.

> *"(Our) motivation can't be higher. Ability is mostly limited by what the market will allow us to do that will be sufficient economically viable so we can stay in business in the short term, while generating enough surplus to work to change the system to enable us to viably co-create more tri-impact (social, environmental and economic) for all our stakeholders.."*

Further growth of the company was identified as a key enabler of the adoption of other formal policies.

A related theme was the need for more resources to support organizations to implement such practices. This could include various forms of funding such as grants, tax credits or rebates or other government incentives. Youth Employment Services were specifically mentioned as an enabler that allows the organization to hire younger workers. Such programs and incentives could be helpful in reducing the risk of investing in people coming into entry level positions. Also identified as important is the need for private investment.

A third enabler identified by several respondents was the need for increased internal capacity. This includes greater buy-in from the board and executive leadership. As well, it was suggested that it would be helpful to know what other organizations are doing that is effective that would support continuous improvement. As one respondent noted, *"we've picked the low hanging fruit already."*

Policies and regulatory changes are a fourth enabling factor. One respondent noted that the complexity of the regulatory environment disadvantages small businesses relative to larger ones. Similarly, one respondent suggested that less strict requirements around existing funds would be helpful. Specific policy enablers mentioned include the new national poverty reduction strategy and the Canadian Food Policy. Also highlighted was the need to update the Cooperatives Act to make it easier for people to form cooperatives.

Finally, greater public education and awareness would be helpful. Initiatives that demonstrate the social value of such strategies and the clear need to adopt them would be useful. This could involve greater engagement with employees who can provide feedback, as well as with the broader community.

5. PERSPECTIVES OF PUBLIC, PRIVATE AND NON-PROFIT ENTERPRISES

Over 2018-19, a series of interviews was conducted with a cross-section of key informants to gauge the degree to which shared value practices were being adopted in their organizations, the enabling factors that supported such adoption and the perceived barriers to greater adoption. This section examines the perspectives of stakeholders based on interviews with representatives from public, private and non-profit organizations across Ontario.

5.1 Perspectives on the Social Role of Business

Interviewees generally agreed that business has a positive role in addressing community or social issues. At a high level, there is a recognition that all business has a social and environmental impact, either positive or negative. One interviewee noted that every organization, including business, forms to meet a need in society. The role of business specifically is to meet market needs, those that can be filled by actors responding to supply and demand pricing mechanisms. With respect to social and environmental factors, businesses need to meet market needs while limiting social and environmental impact. Companies need to do this in a way that ensures a predictable cash flow that a business model can be built around.

From a business perspective, it was noted that there is an enlightened self-interest of business in creating a prosperous society. One interviewee noted that every business has an interest in helping society because when society is poor, businesses are going to be poor as well. At the same time there is a recognition among city builders that great neighborhoods bring great businesses that benefit the community.

To that end, business has a role in creating an equitable economy. Equitable economic development includes everybody and maximizes human potential. Business, government and civil society all have their respective roles to play. Business can play a role in facilitating conversations with the community about what benefits businesses are going to bring to the community. Of particular interest is the uncertainty about the future of work. This provides a new openness to different ways of working with people and accepting new ideas.

Questions about the future of work can lead into a discussion about diversity. Immigrants, for example, bring a lot talents, but they need to be integrated into the work force. It was noted that if we do not make it possible for a broad diversity of people to work, then we lose social capital. In this respect, businesses can play a leadership role by cultivating a corporate culture that is open to diversity. Corporate culture is changing and learning what it means to grow and cultivate a diverse workforce. Further, jobs are going to be created in diverse demographic groups that have typically been overlooked.

One important opportunity for business to influence social development is through the choice of business model it adopts. One interviewee noted that a shared value perspective is the key to unlocking the transformations required in society and for meeting the Sustainable Development Goals. Shared value is about more than minimizing harm, but about finding opportunities to do good while doing well. Another interviewee identified the cooperative model as an alternative to the current capitalist economy, but lamented the fact that the system as a whole is ignorant of the cooperative model due to a lack of leadership. As a result, many people do not realize that there are alternative business models that can deliver value from a triple triple bottom line perspective but when given the option, they realize this form of business is attractive. B-Corps are another attempt at humanizing the current system. It was also suggested that we should get rid of the term “non-profit”, instead referring to the non-government sector as “community benefit” or other more positive term. This reflects the increasingly blurred line between for-profit and non-profit enterprises as business increasingly works to achieve social outcomes.

Businesses also have an important role to play in ensuring their own employees’ individual well-being. Through positive business practices, employers can have an impact on people’s financial well-being. Making sure employees are safe and have a good work environment is an important aspect of harm reduction.

Employers can also play an important role in public policy as a corporate citizen and in the way they interact with politics, working with government on policies and practices that support better social outcomes. For example, if governments can put in place mechanisms to support appropriate pricing signals to set the playing field in the right way then other actors mobilize in response. Employers can also support informed public policy by investing money in research. More directly, employers can become involved in generating positive social impact through corporate philanthropy. The impact of philanthropy is greatest when it aligns with their internal business practices.

Employers can also become directly involved in community development work through government and community partnerships. Such partnerships could focus on structuring policy and programs or on engaging the community directly through mechanisms such as procurement programs or Community Benefits Agreements. This could align with broader public policy objectives such as supporting social enterprise or reducing poverty.

Businesses could extend their impact by creating and sharing frameworks and toolkits that they have developed and used. Sharing learnings from business initiatives can be helpful in supporting other businesses to develop and scale similar initiatives. Businesses can also share their expertise with other charities and non-profits that may be developing social enterprises, or working with universities to develop social enterprise incubators.

Businesses also have a role to play in the development of progressive technology. Sidewalk Lab, for example, is a New York based company owned by Google that is using technology to solve complex urban problems. In Canada, the HIFIS system was developed to track people in poverty so that when agencies were registering users, case management software would be available to record how many people were served as well as to track services and people. They may also have a role to play in bringing affordable technology to the charitable sector as charities have often been unable to afford technology. Further, now that it is becoming more affordable for charities and organizations to gather data, businesses can support them through their ability to leverage and analyze data. Finally, the role of business with respect to technology will be dependent on the way in which the benefits of emerging technologies are distributed through society. With automation advancing, technology can help to reduce poverty or could result in a significant increase in unemployment. Businesses have the ability to choose how technology will be deployed within their organization.

5.2 Shared Value Strategies and Practices

Interviewees described a variety of ways in which their organizations are working to create shared value. This included, first, through their business model either as a non-profit organization or a cooperative. In one case, a large for-profit corporation described how a crisis led to the organization redefining its purpose leading to a transformation from its traditional business model to one more purpose driven.

Among those interviewed, most reported that their organization had a vision and strategy for explicitly creating shared value. In the case of public bodies, practices that support shared value are frequently mandated by legislation. In other cases, such practices may not be mandated by legislation but are required for certification, as for example, in the case of B-Corporations. And, for some, shared value approaches are built into the corporate identity such that they are central to the internal and public image of the organization.

Where legislation does not require such action, interviewees reported the development of robust integrated vertical strategies. This begins at the top of the organization with a vision that flows to strategy, implementation plans and metrics. This requires visible support from key leaders, including the Board of Directors. With the support of senior leadership, shared value needs to be embedded in all strategic plans and policy documents. In some cases, general strategies are complemented by specific strategies at a corporate or departmental level including human resource plans, equity and inclusion plans, and health and wellness plans.

Central to the effectiveness of strategies is monitoring, evaluation and measurement. This requires the development of Key Performance Indicators (KPIs) and key risk indicators as well as surveys for monitoring and reporting. As one respondent noted *"We've done a lot of diversity work but need to focus now on leveraging it to get to the desired outcomes. The focus now is on assessment as well as KPI's and timelines."*

Several interviewees described community initiatives that their organization is involved with or leading. Maple Leaf Foods, for example, has created the Centre for Food Security which is supporting various food security initiatives from which they are learning in order to determine which they can scale. This has involved capacity building work in the communities in which they operate. In the development of the initiative, the company played a convening role, hosting a summit that brought together for-profit and non-profit organizations to discuss the issue and gain an understanding of the various perspectives from different sectors.

Other companies are supporting the community by providing expertise to non-profit organizations. In one case, this involves employee volunteer days where an employee is entitled to a certain number of days where he/she can volunteer for an organization of their choice. Another organization provides deeply discounted rates for their services (IT) to non-profit and charitable organizations.

Some organizations reported providing financial support. At the one end of the spectrum of support, companies engage their employees in philanthropy through participation in annual United Way campaigns. At the other end, one company reported establishing a social capital arm to support non-profit organizations financially.

Finally, there were a couple of examples of organizations directly leading community initiatives. One reported developing an innovation space to co-collaborate on projects and social outreach in the community. Another described their initiative to develop community gardens where half of the produce goes to the community and half to the employees.

In addition to community initiatives, interviewees also discussed how their core business served to meet community needs. Cooperatives, for example, exist to meet community needs ranging from childcare to funeral services. In other cases, businesses have repurposed to reconfigure their products and services to address social and environmental needs. In another, the core purpose of the business is to build financial security in Canada's communities which has been the orientation of the organization since its founding.

Employers can also leverage and amplify their impact through their procurement practices. The City of Toronto, for example, has developed a *Social Procurement Framework* which engages service providers and stakeholders to ensure that all suppliers large and small have access to contracts. This provides support for women-owned, diverse and indigenous businesses to bid on and access contracts, including understanding the RFP process. Part of this strategy includes a program of outreach and training. According to the interviewee, social procurement is important because the public expects that the face of services reflects the face of the city, stating *"This is not only good business, but what the public expects."* The Government of Ontario has also implemented similar policies through its Green Procurement and Indigenous Procurement Strategies. One interviewee noted that the focus on procurement has resulted in a very efficient supply chain, which has led to modernizing technology to realize savings on energy, water, and construction.

Human resource practices are another area where employers can create social value. Flexible workplace practices were identified as one such practice that supports employees and creates social value. Perhaps the most important human resource practice that generates social value is compensation where the provision of a living wage and benefits ensures that households have sustainable livelihoods. Where unions are present, human resource practices with social impact are standardized across the organization through collective agreements. In such cases, practices that would affect poverty are hardwired into the system, such as salaries, pensions and benefits.

One challenge with a living wage, however, is that the amount required for a sustainable livelihood varies. Maple Leaf Foods, for example, pays a living wage to all individuals who work at the factories but this may not be sufficient for people with large families. To supplement income in these cases, employees are also given food type vouchers, while also supporting community gardens for employees and providing financial literacy.

Learning and development is another important human resource strategy that creates social value. In the federal civil service, for example, employees are given a "Learning Roadmap" for professional development. The federal government also operates a school as well as online learning opportunities for employees. They also have the ability to support externally provided training.

Finally, human resource practices can create social impact through equity and diversity strategies. The City of Toronto's *Talent Blueprint*, for example, integrates a diversity / equity strategy throughout, rather than having a separate diversity and inclusion strategy. This is referred to by The City as "Diversity by Design" where the focus is on equity and diversity at every stage of the HR planning process. This strategy is critical as there is a need to ensure that the public workforce reflects the face of the city. In other organizations Employment Equity committees exist to advise on matters of equity and diversity. Diversity also needs to extend beyond the workforce to the board, and this also is a focus of some organizations.

Diversity is important not only from a human resource perspective, but also from a customer standpoint. One interviewee noted that a focus on diversity allows their organization to better understand the needs of the public they serve. Providing inclusive customer service training ensures that the organization is able to provide good service and be responsive to service needs. Such attention to diversity needs to be hardwired into the organization and be integrated across systems. The City of Toronto, for example, has developed a *Disaggregated Data Strategy* which focusses on getting better data to improve the ability to pinpoint and address where unconscious bias is creeping into corporate processes. This data is critical for fact-based decision-making.

5.3 Motivating and Supporting Factors

For organizations that reported having a vision and strategy, there were various motivating factors that led to their development. First, a corporate culture of community impact often begins at the founding of the organization. PeaceWorks, for example, identifies with a Mennonite heritage that has its roots in social justice. This resulted in a marriage of faith, business and social purpose. Another organization, Pillar Non-profit, started its roots in the voluntary sector and has become an advocate for non-profits. In response to shifts in the economy, it began to embrace social enterprise and became a partner with many anchor institutions, working with other non-profits to find sustainable funding through social enterprise programming. In the case of cooperatives, community impact is part of the DNA of the cooperative movement. It was noted that the 7 principles of cooperatives are aligned with the triple bottom line.

In some cases, organizations embrace shared value practices due to policy and legislative requirements, such as the Employment Equity Act or the Ontarians with Disabilities Act. Employment Equity legislation, for example, requires the organization to have an action plan. One of the key pieces of the Action Plan is ensuring that the workforce is representative of the population (viz. Indigenous, Persons with Disabilities, Visible Minorities and Women). There is then a requirement to address systemic barriers where they exist in cases where the workforce is not representative.

Other organizations are driven by public or client expectations. In the case of The City of Toronto, the focus on equity and diversity was driven in part by various public consultation processes that repeatedly surfaced these issues. At the same time, City Council was also reflecting what they were hearing from their constituents. In the case of The Cooperators, the board and membership have been the driving force. Right from the formation of the Cooperators social sustainability has been prominent. Over the past 15 years the view has become more holistic regarding sustainability. This shift has been driven by the board and membership. Member views are brought in by voting for the board. The Annual General Meeting also provides opportunities for conversations where concerns surface. Also, there are meetings throughout the year between senior staff and member organizations where community concerns and ideas are discussed.

For many organizations, leadership has been the critical factor that led to shared value being pursued as a strategy. This usually requires the existence of influential champions. Within the federal civil service, high level support from the Assistant Deputy Minister was important for various initiatives (e.g. Employment Equity). Not only does such high level support exert influence down the organization, it also provides horizontal access to other senior level leadership. Once again, in the case of The Cooperators, the board has been a driving force right from the formation. In another case, it was the President who had the vision of the organization being a strong partner in the community and was very directive in engaging the organization in community groups and activism.

Shared value strategies drive innovation that is required to solve complex long term problems before they emerge as crises. In certain cases, however, crisis can drive innovation. In the case of Maple Leaf Foods, for example, the crisis where contamination killed 23 Canadians was the turning point that led to the transformation of the entire business model and to redefining what the purpose of the business should be.

Finally, labour forces pressures are a driving force as population aging is going to force changes in the workforce. Increasingly, organizations will need to pay attention to how employees are treated, particularly part-time employees. Young people entering the workforce are demanding better workplaces which may drive organizations to innovate. As one interviewee noted: "Good stuff in business happens when people in business come together and say there is something that is hurting them."

Corporate culture is an important influence on the ability of an organization to incorporate a shared value approach to operation. This is shaped to a large extent by senior leadership. This includes corporate executives and / or, in the case of public institutions, elected representatives. With public organizations, the culture can be shaped by the inter-play between the elected officials and administration, with administration having the ability to push back and help shape the position of elected officials as well. The political context also shapes the internal cultures of non-governmental organizations. A change in government, for example, can affect how organizations approach and interact with government which can either support or be a barrier to shared value practice.

In some cases, corporate culture needs to shift in order to embrace a shared value approach. In one example, an organization wanted to move forward with implementing the Truth and Reconciliation Commission's recommendations. To build internal support, they conducted the blanket exercise which helped people to see a different point of view from what they are used to. The ability for employees to challenge each other is critical at all levels of an organization. To do this, people need to feel safe and empowered to make change. This process can help develop flexible and agile organizations.

5.4 The Impact of Shared Value Business Approaches

Most interviewees reported positive impacts on their organization as a result of the adoption of a shared value strategy. First, shared value strategies were reported to drive innovation. In the Case of The City of Toronto, it was noted that social procurement promotes disruption in the supply process and this is good for business. While The City has long-term relationships with suppliers, diversifying relationships challenges the status quo and promotes innovation. This can lead to a higher level of services by seeking diversity and innovation and challenging "legacy processes." In the case of The Cooperators, a shared value approach was reported to have spurred innovation and product development while allowing it to assess and manage risk.

Similarly, with respect to equity and diversity strategies, these strategies spur innovation as they focus on the diversity, not just of people, but of opinions. Further, employees like the fact that they are being heard and their opinions are being taken into account. Employees know what is not working. This provides a better picture than what senior management who are more removed from operations might see. In the public service, for example, the Employment Equity Committee has been important for generating new initiatives and innovations. Another interviewee noted that diversity strategies allow their organization to better understand the needs of the public.

Shared value approaches also have benefits from a human resource management perspective. As baby boomers retire, new generations of employees may have different expectations of employers and different definitions of success. Many are focused more on the social purpose of the organization and less so on traditional factors like benefits or job security. Organizations will need to be able to attract this type of employee. Not only does this lead to better attraction of talent, it has also has a significant impact as a driver of employee engagement, particularly among younger staff, which leads to better employee retention.

Improved employee engagement and retention can result in productivity gains. Similarly, a focus on employee wellness and mental health improves overall productivity. As one interviewee noted *"If people come to work but are* *not able to contribute 100%, this compromises performance. It is very good, therefore, for enabling the Dep't to achieve results."* Another interviewee noted that a shared value approach has enhanced productivity as it has *"shifted us from processing the rules to more evidence-based decision-making. This includes a move to logic models with KPIs. This is all informed by surveys and other data."*

Finally, shared value was identified as an important contributor to improved competitiveness. Broadening the view of what is important to the organization has given it greater foresight to anticipate issues and risks. As one interviewee stated *"It made us leaders who can speak with authority. It offered strategic insight to allow us to manage effectively. This contributes to competitiveness by greater employee and customer engagement and many employees and customers are attracted to that corporate approach."* Additionally, being recognized as a leader has created a strong relationship with government as the organization has come to be viewed as a trusted broker.

Interviewees also identified various ways that a shared value approach has impacted their communities. First, by supporting ethical companies through a social procurement process, ethical suppliers have become more competitive and have increased their influence. Other internal strategies were also suggested to have an impact on poverty by improving the organization's understanding of the needs of its community. In particular, such strategies can help to identify barriers and gaps in services. Equity strategies, for example, not only allow the organization to reach a wider swath of talent, but can also lead to the creation of programs to build talent that can lead to employment.

5.5 Barriers to Practice Adoption

Interviewees identified various barriers to adopting a shared value approach to business. The most frequently mentioned barrier to greater practice adoption was the lack of a regulatory framework. One interviewee noted that Canada does not have a very enabling regulatory framework for non-profits and that more could be done to modernize it.

In particular, the lack of official recognition of social enterprises and social purpose businesses was identified as a key barrier. Currently, social enterprise is only viewed as a traditional business by government and in law as the present framework only distinguishes between non-profit and for-profit enterprises. Social enterprises and B-Corps, it was suggested, need to be enshrined in law. There also needs to be a greater enabling environment for cooperatives as they are not given a lot of attention in education and are also difficult to set up. As stated by one interviewee, better promotion and support of co-ops would go a long way to advancing shared value.

In this regard, it was felt that the government has an important role to play in levelling the playing field. The current Canadian tax system, it was stated, currently benefits the top 20% leading to growing inequality. "Until there is a safe playing field", one interviewee noted, "it is hard to see how much conversion there can be to a more socially conscious business." As an example, an interviewee related the story of a woman who started a goat cheese factory. She secured funding and created a B-Corp so that the business would be operated in a socially conscious way. When she ran into financial issues, she was told to sell business, and the staff grouped together to buy the business. Investors, however, rejected the worker bid as they were not interested in the social aspects, only the company's financial position and so wanted to sell to highest bidder. The case was brought to court which ruled that the business only has responsibility for ensuring the financial bottom line.

Without a strong regulatory framework, it was felt that the playing field will remain unequal and biased against socially responsible enterprises. It was suggested that the current competitive market system does not allow for the emergence of the values and ethics necessary to support change. Specifically, many businesses are unwilling to invest in activities such as skills training as they are able to offload the costs and impacts onto society. This, one person pointed out, is a classic market failure.

Interviewees identified a range of areas where government policy intervention could be effective in advancing a shared value agenda. Suggestions included:

- Provide guidelines and training around sexual harassment and anti-bullying.
- Provide mental health initiatives to stimulate conversations and reduce stigma.
- Provide educational initiatives to promote alternative forms of business.

- Provide a basic income.
- Initiate a social innovation strategy.
- Provide social finance through the establishment of Community Capital or Investment Corporations, or Community Economic Development Investment Funds.
- Negotiate Community Benefit Agreements.
- Implement the federal Poverty Reduction Strategy.
- Embed shared value into the government culture by facilitating collaboration between different ministries.

While interviewees identified a strong role for governments in creating the conditions for change, they also questioned the ability of government to do so. This was attributed to, first of all, the nature of government being risk averse and short-term in its time horizons. There was also a sense of frustration at the lack of policy implementation in cases where governments had made important commitments. This is due, in part, to swings in policy directions when governments change.

Finally, interviewees identified critical barriers within organizations that prevent greater adoption of socially responsible practices. These barriers include, first, the resources and capacity of the organization. Many organizations face capacity constraints, so it is necessary to look at resource allocations to be sure resources are being allocated most effectively. Organizations need to be creative and agile to find capacity and innovation. While large organizations may have capacity, it also takes more time and effort to engage people across the organization. This can be exacerbated by challenges with internal coordination due to siloed divisions. It was noted that effective change requires the cross-pollination of ideas and best practices. In The City of Toronto, this is being done through inter-Divisional working groups and training opportunities. However, there needs to be a higher level Division to drive this work and connect the dots.

6. STAKEHOLDER ROUNDTABLE

On March 26, 2019 The Canadian Poverty Institute (CPI) hosted Poverty and the *New Economy in Ontario – New Economy Roundtable* at the Centre for Social Innovation in Toronto. The meeting was attended by 15 individuals representing a wide variety of stakeholder organizations. The full list of attendees can be found in Appendix B. The objectives of the New Economy Roundtable were:

1. Present and gain insight into research findings to date in order to identify any errors or omissions in the research and any knowledge gaps.
2. To determine where there is currently energy in Ontario around the various strategic dimensions presented.
3. To identify barriers or enablers to practice adoption.
4. To identify barriers / enablers for inter-sectoral collaboration.

Following a presentation of research findings to date, the session was dedicated to obtaining further input from participants. First, to identify the current conditions that are enablers and barriers to new economy practice adoption. Then, in light of these barriers and enablers, to brainstorm possible actions for the adoption of new economy practices. Inter-sectoral collaboration was the final topic. While time didn't allow for a full exploration of the barriers, enablers, and proposed actions to support inter-sectoral collaboration, the group did have a brief conversation and showed their support for continued collaboration. The day ended with a mention of tools made available by the Ontario Trillium Foundation, and a discussion of the next steps to advance this work – for which there was great support.

6.1 Perspectives on the New Economy

Stakeholders suggested that the emerging new economy needs to be situated within a socio-political context. It was stated that we are in a "major neo-liberal time in Canada." In this context there is debate about ethical business questions, such as whether or not it is acceptable to freeze the minimum wage, or if one can be considered a "top employer" yet not be socially responsible. There is a corresponding need to attempt to influence this debate, though some felt that this work is taking place within a "cultural desert". Anecdotally, however, some felt that there is a cultural shift taking place among youth, as evidenced by actions such as taking up the March for Climate Change. In addition to the cultural context, it is also important to be cognizant of the legislative context that governs the form of corporate entities.

The important role of the public sector was highlighted. In many municipalities, the public sector is leading the way, particularly municipalities, as living wage employers. Current there are 17 communities that are promoting a living wage across Ontario. In order to extend the impact of living wage policies, the public sector should ensure that all contractors are also paying a living wage. This could be done through social procurement or a requirement for contractors to be a BCorp or to meet other social standards. The importance of social procurement as a strategy was discussed, and that this should be more strongly emphasized in the research.

Participants identified some important knowledge gaps that could support further development of the new economy. These knowledge gaps included:

- **Generational Change.** Noting a significant interest from some Millenials in this topic, it would be important to have additional data about this generation, including their socio-economic levels, and how they are supported and mentored in this work.
- **Impact Measurement.** Developing impact measures that indicate whether an organization is "doing good" is important. This should address questions of what measures should be used that cannot be "hijacked" because "data can say anything". Also the unintended impacts of strategies should be examined.
- **Paradigms.** It was suggested that the "growth paradigm" and the assumption of unlimited growth needs to be challenged. Research could focus on whether the new economy requires growth, what kind of growth, the benefits of growth and whether growth leads to increased prosperity. Consideration should be given to the "circular economy".

6.2 Perspectives on the Current State of the New Economy

Encouragingly, participants identified many areas where there was already momentum around practices that are growing the new economy.

- **Employment.** There is increased interest from companies in employing persons with disabilities. Current policies, however, present a barrier. Specifically, the ODSP / OW claw-back provision discourages social hiring. In addition to a focus on persons with disabilities, there is also a growing focus on workforce development. Finally, it was noted that there is potential to re-shore jobs with current technology and that the new economy could be a catalyst for this.
- **Community Benefit Agreements.** Community Benefit Agreements (CBAs) are an emerging tool with great potential for positive social impact. Good examples of CBAs in Ontario include new builds through Infrastructure Ontario as well as the Gordie Howe Bridge in Windsor and its connection with the Windsor United Way. The City of Hamilton is also leading in this space along with several poverty reduction tables and the Ontario Non-profit Network.
- **Procurement.** There is a growing focus on increasing supplier diversity in Ontario through social procurement. Work to promote social procurement is being led by CCEDNET and Buy Social Canada.
- **Anchor Strategies.** There is a significant focus on anchor institutions, particularly in Toronto with the Atkinson Foundation playing a leading role. Currently 18 institutions and government are involved. This work will be energized by a planned Ontario Summit with a focus on procurement strategies.
- **Social Finance.** Social Finance is a growing opportunity, with investors increasingly looking at ESG (Environmental, Social and Governance) and non-financial information in making their investment decisions. Advancing the social finance sector can be encouraged by the development of a matrix of investment opportunities to access capital. At the same time it was noted that there is a tension between social security at a government level and innovation / social finance, with it being questioned whether the pendulum is swinging too far.
- **Partnerships.** Partnerships with different actors (including private companies and the sharing economy) present a huge opportunity for advancing the new economy. Partnerships can greatly influence how organizations make decisions on what they are going to impact. There is a need for organizations to look at this strategically and align with groups who know this work, have lived experience, and are aligned with the community need. This then needs to align with their organization's expertise and corporate identity (which may be multi-faceted). In order to maximize impact, organizations need to identify community-driven impacts that people can get behind and measure.
- **Certification.** There is growing interest in BCorps and other certification programs. In particular it was noted that some lawyers are interested in BCorps and other legislative models, with young startup law firms being particularly focused on this. At the same time, participants highlighted the fact that start-ups find it difficult to achieve BCorps and other certification status.
- **Culture.** Participants stated that culture change is happening. Even the Bank of Canada is questioning why wages aren't rising. This culture change is being driven by youth who have expressed interest and anger at inequity. Deloitte's *Millenial Report* discussed how youth want to work for responsible organizations, and the best and brightest go to responsible organizations. As the current generation continues to retire, Millenials will have increasing impact and influence in corporate culture. In addition to Millienials, it was noted that women entrepreneurs also seek primacy of purpose. There is a need to leverage the concept of the intersection of social purpose and practice, and promote Primacy of Purpose as an identity for organizations to adopt.
- **Organizations.** Participants discussed how organizations are positioning themselves to deliver social impact. Various organizations were identified as leaders in this space. Specifically, Danone Canada was seen as a B-Corp blueprint. As well, Unilever's sustainable building plan was highlighted, although it was also noted that international organizations are limited by their legislative options. The co-op sector as a whole was also discussed as a leader. *"The co-op sector has momentum. You can feel the community ownership,*

by committed partners." The Cooperators, for example, has a VP Citizenship and Sustainability. The Credit Union movement in particular was highlighted with Libro Credit Union being identified as a particular leader. Finally, Community Wealth Partners was identified as an American hub for resources and case studies that can inform and support organizations in Canada seeking to increase their impact.

6.3 Barriers and Enablers of Practice Adoption

Roundtable participants identified a range of barriers and enablers to the adoption of inclusive business strategies.

Barriers

Barriers to greater practice adoption identified at the Roundtable included:

- **Organizational Knowledge / Capacity.** One key barrier for many organization is a lack of knowledge and not being sure how to go about it. This is related to a lack of education or awareness about what one participant termed "uncharted territory". In particular, there is a lack of understanding of the financial and / or social return on investment. There is also a general lack of understanding of what practice actually looks like on the ground. Some organizations also simply lack capacity.
- **Organizational Culture.** The culture of the organization was the second key barrier identified. This had many dimensions. First, there are challenges that arise from existing assumptions regarding risk and profit that drive decisions. This may be related to what one participant termed a "scarcity mindset" which leads to short-term, profit-driven thinking rather than a strategic focus that seeks long-term gain. Secondly, the lack of knowledge leads to risk averseness arising from a fear of the unknown. These challenges may all be affected by, thirdly, a leadership gap which can produce a lack of will. A lack of diverse decision-makers can also impede progress. Finally, the competitive nature of most sectors and industries can stifle attempts at collective action.
- **Societal Culture.** The culture of the community and society can also be a barrier to adoption. As one person noted, "inequality makes people conservative" and this conservatism may account for a "right turn in politics." Another cultural factor that inhibits adoption is the lack of knowledge by the public about alternative economic models. Finally, the lack of financial literacy in the community can hinder progress.
- **Infrastructure.** Practice adoption requires a supportive infrastructure. This may be a knowledge infrastructure or an organizational one. The lack of a well-developed organizational infrastructure in the form of a Community of Practice inhibits adoption and the development of a shared understanding of concepts or the ability to build capacity through shared learning. The lack of business mentorship opportunities and the awareness and sharing of existing models was specifically mentioned. At the same time, there is a lack of a well-developed knowledge infrastructure. This includes a lack of definitions and no accepted / clear understanding of the concepts of "good" or "impact". Similarly there is a lack of lack of a community or social impact framework as well as a lack of solid metrics.

Enablers

The stakeholders participating in the roundtable also identified various enablers that would facilitate greater practice adoption among organizations and employers including:

- **Policy.** Various policy innovations were suggested to improve the ability of organizations to adopt decent work practices. Generally, policies to redistribute income and wealth were felt to be a good start, particularly efforts to legislate high job quality and living wages. Also mentioned were social purchasing policies and support for environmental legislation.
- **Research.** Practice adoption would be aided by more research documenting alternatives, such as case studies that could provide evidence of benefits and create a strong business case. In particular, building on and leveraging research on the social determinants of health was suggested as promising. For this work, engaging research institutes would be important.
- **Education / Awareness.** Raising the awareness of alternative economic and business models with the general public would be helpful. This includes, specifically, increasing awareness of the coop business model. Support for diversity education would also benefit inclusive business practices. Of particular

importance is work to educate elected federal, provincial and municipal representatives. Increasing financial literacy in the community was also noted as important.

- **Social Purchasing.** Supporting social purchasing can greatly enable the adoption of new economic and business models and practices. This includes buying local, supporting living wage employers as well as co-ops and BCorps.
- **Infrastructure.** Creating an organizational and knowledge infrastructure is an important enabler for practice adoption. This includes the creation of a community of collaboration for networking and to champion new ways of working. This could also involve creating mentorship opportunities for peer-to-peer learning. In addition to an organizational infrastructure, there is also a need for a knowledge infrastructure, particularly for open data.
- **Partnerships and Engagement.** Creating engagement opportunities and nurturing partnerships is an important aspect of increasing practice adoption. This may be in response to public pressure or peer pressure. There is also pressure from the new emerging Millenial workforce that is seeking this type of organizational culture in which to work. Partnerships may involve working with universities and colleges to encourage and support social impact. It was noted that better engagement with customers and clients can drive competitive advantage.
- **Finance.** Providing appropriate finance to organizations to support practice adoption will be important. This can include federal Social Finance funds, or Patient Capital from investors. Also, shifting money from banks to Credit Unions can help build the sector.

Actions

Following a discussion of barriers and enablers, participants identified the following actions that could be taken to address the barriers and build on the enablers.

- **Communication.** It was suggested that a communications / public relations strategy be developed. This should include goals and objectives as well as promotional tools. Such a strategy should focus at the broad public, but also include a focus on children. This may include promotion to SDG groups. The urgency of the issue needs to be communicated. It was suggested that resources and language needs to be developed to assist CEOs to use in board presentations and to work with associations to disseminate it. This could be modeled after the manual PEPSO developed for employers with KPMG. A media campaign that more aggressively promoted certifications and what they mean to consumers was also suggested.
- **Advocacy.** Efforts to advocate to both government and business were deemed to be important. This could include lobbying to support progressive investment (e.g. shifting funds from banks to Credit Unions).
- **Research.** Conduct research to establish the business case (ROI) for inclusive business and new economy practices. This would be part of a broader effort to develop the evidence base more fully and test it. Research should be conducted that spans the value chain, identifying and developing solutions for inclusivity throughout. Research needs to be framed positively in terms of how to take advantage of opportunities, including sharing successful new business models that have emerged internationally.
- **Cooperation.** Facilitate greater cooperation between interested stakeholders in order to share experience and expertise, as well as to develop an action plan to move forward. There needs to be a backbone organization to convene and support the development and implementation of the plan. This should include work with the Province and social procurement groups.
- **Direct Action.** Organizations can take direct action by implementing some of the strategies for a more inclusive economy, such as buying social / fair trade or shifting their funds to Credit Unions.

7 SUMMARY AND CONCLUSIONS

7.1 A Review of the Emerging New Economy: Shifting Context and Paradigms

Demographic, social, political and technological shifts are driving changes in the global, national and regional economy. The aging of the population and workforce is posing a risk to long-term economic growth. At the same time, geopolitical shifts and advanced communications technologies have opened up a global market for both capital and labour. Technological change is also affecting the production process for both goods and services. These combined forces are contributing to growing social and economic polarization and reduced social cohesion.

The impact of these changes is being felt in a variety of important ways. Economically, shifting patterns of production and consumption are providing both new opportunities for economic growth as well as challenges to existing firms and industries. The emergence of a truly global workforce associated with the rise of virtual work is resulting in a global rebalancing of wages which may exacerbate current trends in inequality both within industrialized countries and between regions of the world.

For individual firms, this new economy is resulting in a significantly changed competitive context. The combination of global production and technological innovation tends to favour smaller, networked and agile firms over larger traditional organizations. In response, some firms are moving to substitute capital for labour while also moving to a more flexible labour regime. While this may provide short-term financial gains, there is concern it may erode long-term firm resilience.

For workers, the new economy presents significant challenges. First, the rise of a truly global workforce is reducing the bargaining power of labour while also challenging the policies and regulations that exist to support and protect workers. As companies move to substitute capital for labour and increase workforce flexibility, the quality of employment deteriorates, leading to the rise of precarious employment. Precarious employment is characterized by low wages, lack of job security, part-time and irregular hours and a lack of benefits. The rise of the precarious workforce is related to changes in technology and the shift to a service economy, as well as the related decline in unionization.

These changes are having important impacts on workers' lives. The evolving skill demands may render certain occupations redundant, or significantly change the nature of work of a particular job or occupation. These changes can lead to reduced job security and satisfaction, as well as compromised health and well-being. In addition to the impact of precarious employment on workers, there is a broader social impact arising from reduced social cohesion and concerns about the adequacy and sustainability of current social security programs based on traditional employment relationships.

The paradox of the new economy is that, while it has disrupted traditional business and economic practices and, in so doing, has left workers and communities in greater degrees of precariousness, this new economy is also spawning innovative new approaches to business that provide a light at the end of the tunnel. Many organizations are coming to realize that the destabilizing forces which are creating vast inequalities and diminished human and social capital, are actually bad for business. There is a growing understanding of the inter-dependence of business and the social context in which it operates, giving rise to greater social purpose and social practice.

While many businesses have traditionally contributed philanthropically to their communities, what is emerging now is a greater sense that business can have a significant role to play in creating a positive social context through their core business practices. As inequality increases, there is growing emphasis on generating a different kind of economic growth that distributes the benefits of growth more fairly and evenly. This concept of "inclusive growth" proposes two societal goals: creating opportunity for all segments of the population, as well as better distributing the dividends of such growth fairly across society.

The possibility for inclusive growth arises from a new understanding that corporate and community interests are not in competition, but in fact complement each other. This idea is articulated in the emerging language of "shared value". Shared value refers to investments in long-term business competitiveness that simultaneously address social and environmental objectives. It is distinguished from "business value" which refers to investments in long-term competitiveness. At the same time, it goes beyond mere "social value" which refers to investments that address purely social and environmental objectives.

The idea of "shared value" and "inclusive business" emerged from the field of Corporate Social Responsibility but has grown beyond it. The move into deeper forms of CSR that lead to shared value is partly due to increasing concerns about the impact of growing inequality and reduced social cohesion, and the particular impact these trends are having on youth. Partly it has also been due to the importance of impact investing and the use of ethical (ESG) investment screens. This has supported new business practices as well as new forms of economic activity with the rise of social entrepreneurship. The growth of social enterprise itself is a response to both a new focus on social purpose among entrepreneurs as well as to a tightening funding environment for non-profit organizations that is driving them to increase their income generating activity.

Recognizing the inter-dependence between business and society, shared value approaches focus on the "competitive context" of business. Focus on the competitive context leads firms to collaborate to upgrade the conditions of the local society. Ways to improve the competitive context include improving the quantity and quality of business inputs (e.g. labour through training); changing the rules of the game (e.g. policies and regulations); improving the sophistication and size of local demand; improving local availability of supporting industries; product and value chain innovation; and improving the social context (e.g. through up-skilling).

The opportunity for inclusive growth and shared value approaches to business arise from two distinct but related developments: a) social purpose business and b) social business practice. A social purpose business is a type of business that focusses on the creation of social value using a business model. It can include a variety of business forms including social enterprises, cooperatives, non-profit organizations, public sector organizations and private for-profit companies.

Social purpose business refers to "what" the organization seeks to do. In contrast, social practice refers to "how" an organization operates and the social value generated through its normal operations. This can include internal and external practices that either seek to improve the well-being of workers within the organization, and / or seek to enhance the quality of life of workers and communities beyond the organization through inclusive business strategies that seek to intentionally integrate low-income communities into the value chain. Internal business practices that promote inclusive growth include:

- Paying workers a Living Wage
- Reduced use of non-standard employees
- Ensuring predictability in scheduling
- Comprehensive workforce training for all employees
- Extending benefits to all employees
- Equity strategies to increase the diversity of the workforce and board
- Flexible employment practices that support worker's needs for balance
- Material supports for workers such as housing, transportation and childcare.

Organizations can also engage in externally focused practices that promote inclusive growth such as:

- Social and ethical procurement
- Integration of low-income communities into the distribution chain.
- Providing products and services that respond to the needs of low-income consumers and communities
- Capacity development of the local context through investments in training, infrastructure etc…

Social Impact Organizations are those that have either a social purpose or engage in social practice. Social purpose organizations are those that explicitly aim to create social value as a business objective. This includes cooperatives, social enterprises, and public authorities. Social practice organizations are those that intentionally aim to create social value through their business practice. Inclusive business practices can include equity policies, living wage policies, or social and ethical procurement practices, among others. Such organizations may be public, private or non-profit. Some organizations are formally identified as social practice by virtue of their affiliation or accreditation with networks or accrediting bodies.

Understanding the intersection between the dimensions of social purpose and practice is important for assessing the potential impact of the new economy. It is possible for an organization to have a high social purpose yet not engage in significant inclusive business practices. This is the situation of many non-profit organizations that lack employee benefits or provide inadequate compensation. On the other hand, there are also many private corporations that operate purely for-profit with no overt social purpose, yet engage in strong inclusive business practices. Based on this possible intersection a typology can be constructed to classify organizations according to the following characteristics.

- **High Social Purpose and Practice:** Social enterprises, co-ops, public sector or social purpose businesses engaged in shared value, inclusive business practices.
- **High Social Purpose and Low Social Practice:** Social enterprises, co-ops, public sector or social purpose business that do not deliberately engage in shared value, inclusive business practices.
- **High Social Practice and Low Social Purpose:** Private benefit companies engaged in shared value, inclusive business practices.
- **Low Social Purpose and Practice:** Private benefit companies that do not engage in shared value, inclusive business practices.

This research has reported important benefits of inclusive business strategies. First there are significant reputational advantages that arise from such strategies. There are also important competitive advantages. The increased connection between the organization and the community provides enhanced market knowledge and also provides a competitive edge in the recruitment and retention of labour and talent. The need to manage risk is a further driver, particularly risks associated to regulatory or supply disruptions.

Organizations that have adopted such strategies tend to perform better financially in the long-term. This is related to various factors such as increased resource and market access, increased labour supply and productivity, enhance reputation, improved risk management, and lastly, an enhanced capacity for innovation.

In addition to organizational benefits, there are significant benefits to the community and the social context in which the organization operates. Stakeholders in this research identified various community benefits including enhanced community leadership, improved quality of life, and an improved competitive environment.

A review of Ontario organizations in 2018 identified 2,299 that could be considered Social Impact Organizations. The largest number of these were social enterprises, followed by cooperatives and living wage employers. A smaller number were either BCorps, members of the UN Global Compact, or recognized as being one of Canada's Top 100 Employers. Most SIOs are located in smaller communities (<100,000), with cooperatives and social enterprises being particularly predominant in smaller centres. BCorps, Top100 employers and Global Compact members, however, were more typically located in larger centres. Living Wage employers, meanwhile, were predominantly located in mid-sized urban centres. The top SIO industries include Retail Trade, Recreation and Leisure, Health and Social Services and Other Services.

In 2018, a survey of these organizations was conducted. The most frequently reported strategies being employed by organizations included:

- Workplace diversity or equity policies and initiatives
- Flexible workplace practices
- Social/ethical procurement
- Triple Bottom Line/Sustainability policy
- Living Wage policy

Key questions remain for this emerging sector including its ability to bring social innovations to scale and, second, the degree to which it actually benefits the intended individuals and communities.

7.2 Growing the New Economy

This research has identified critical factors that can lead to greater practice adoption of shared value approaches to business and inclusive business practices. These factors are both internal to the organization as well as external, relating to the social and political context in which the organization operates, and program design and implementation.

Internal Factors

The following internal factors emerged as critical for practice adoption.

- **Leadership:** Leadership emerged as a critical theme through the literature and interviews. Successful strategies require support from key leadership within the organization as well as the presence of internal champions. The presence of supportive senior leadership significantly influences the will of the organization as well as the organizational culture.

- **Organizational Culture:** The culture of the organization is an important determinant of the adoption and success of inclusive business strategies. The influence of culture arises from assumptions regarding risk and profit that drive decisions. Culture also affects assessments of risk that can inhibit action. The degree of diversity within an organization can also either open up new opportunities or restrict innovation. Perceptions about the competitive nature of an industry or sector can also influence the willingness of the organization to collaborate and / or innovate. Organizations who are successful at shared value innovation also need to have appropriate time horizons as inclusive-business strategies require a long-term perspective which can conflict with short-term decision-making mechanisms.
- **Organizational Confidence:** A lack of confidence in an organization's ability to make change poses a significant barrier to the adoption of inclusive business strategies. This can be related to a lack of knowledge about shared value strategies and the financial and / or social return on investment, as well as the absence of models that can provide examples and guidance to organizations interested in pursuing a shared value / inclusive business approach.
- **Organizational Capacity:** The resources and capacity of an organization can significantly affect the willingness and ability to adopt an inclusive business / shared alue approach. Many organizations lack the internal capacity for innovation or to bring innovations to scale. Inclusive business strategies require a certain unique combination of knowledge and skills to conduct business in innovative ways and unfamiliar contexts and it may be difficult to find staff with the right mix of business and development expertise who can both innovate and bring innovation to scale. There are also challenges assessing the impact of the strategies in the absence of credible and widely accepted measures.
- **Profitability:** Any successful shared value or inclusive business strategy must be profitable. However, many businesses have difficulty transforming current practices because they have trouble figuring out how to make money from the transition. Inclusive business initiatives usually don't yield the same margin as traditional business strategies, return on investment and margins are lower and the time required to realize both social and financial returns is longer. There are also inherent risks associated with the development of new strategies, such as mispricing, which could affect profitability as well as a low tolerance for failure. As a result, organizations embarking on a shared value / inclusive business approach may require funds to both enable the innovation and facilitate the transition to scale.
- **Market Knowledge:** Profitably will be determined in part by strong market knowledge of new locations or target populations which is essential for adapting products and processes to the local context. This includes attention to the needs and preferences of consumers, workers and suppliers, as well as an understanding of local networks necessary for collaboration.

External Factors

The following factors related to the social and political context in which an organization operates were identified as critical for practice adoption.

- **Culture:** The culture of the community and society in which an organization operates or seeks to operate can be a barrier to adoption and strategy effectiveness. Cultural factors include the degree of inequality in a community, the openness of the community to risk and innovation, lack of information about new and alternative economic models, as well as a lack of financial literacy.
- **Local Capacity:** The success of any inclusive business strategy will be affected by the capacity of the community with which the organization seeks to engage. Local capacity includes human capital (health, skills, and education), infrastructure (transportation and communication), finance (consumer and corporate), consumer knowledge and the strength of partner networks with whom to collaborate. Consequently, shared value / inclusive business strategies may require up-front investments to build skills, develop infrastructure, or provide financing.
- **Policy and Regulatory Environment:** A weak policy and regulatory environment in the region where an organization is working can be a significant barrier. In Ontario, respondents in this research felt that the lack of official recognition of social enterprises and social

purpose organizations inhibits their development. Without a stronger regulatory framework that enables alternative business models and practices, it was felt that the environment will remain unequal and biased against socially responsible enterprises.

Program Design and Implementation

There are various program design features that can enhance strategy success.

- **Focus:** Effective strategies need to consider the root causes of poverty (such as lack of skills or access to credit) and be intentional about working to improve the quality of life in a community. This further requires the development and integration of good internal and external monitoring and evaluation processes to ensure that impacts and outcomes are being realized.
- **Flexibility:** Successful programs are flexible in design and delivery with a longer term plan for scalability. This requires adopting longer term time horizons for scaling and impact.
- **Collaboration:** The ability to collaborate with the community and across sectors is critical for strategy success. Successful strategies engage meaningfully with the local community to ensure that the strategy is accepted and aligned with the aspirations of the community. Collaboration can include partnerships with local companies, the public sector or NGOs. Where policy or regulatory change is required it is important to identify key government actors early on and get them involved in designing supporting policies or regulations.
- **Embeddedness:** Successful strategies are deeply integrated into the organization's purpose, structure and strategic priorities and developed in the context of the larger business strategy. This involves identifying internal champions responsible for driving the agenda forward with accompanying incentives for goal achievement. In large organizations, there are additional challenges engaging stakeholders across the organization and effectively coordinating across siloed divisions.
- **Infrastructure:** Practice adoption requires a supportive infrastructure. This may be an organizational infrastructure such as a Community of Practice that can build capacity through shared learning. It may also involve a knowledge infrastructure consisting of shared definitions and concepts of impact including accepted metrics.
- **Managing Expectations:** For organizations that adopt inclusive business strategies, there may be a challenge managing stakeholder expectations. This can include increasing requests for donations as well as unrealistic expectations of return. There is a related risk that certain segments of the population do not benefit as expected, which can further exclude those who are already the most marginalized.

7.3 Recommendations

Arising from the literature and stakeholder engagement, this research has identified various recommendations for growing the new economy in Ontario.

Policy Recommendations

- **Income Redistribution:** Policies to redistribute income and wealth are important, particularly efforts to legislate high job quality and living wages. Research participants felt that the current Canadian tax system benefits the top 20% which is leading to growing inequality. Income redistribution policies will involve working intentionally with industry to focus on integrating low-income people into the economic planning process.
- **Social Safety Net:** The social safety nets need to be redesigned to account for new forms of employment. The idea of a Basic Income was suggested as a more effective approach to social welfare in the new economy.
- **Social Purchasing and Community Benefits Agreements:** Social purchasing policies can greatly enable the adoption of new economic and business models and practices that create social impact. This includes buying local, supporting living wage employers as well as co-ops, other social enterprises and BCorps. This may also involve the negotiation of Community Benefits Agreements for major public projects that can involve social procurement as well as workforce development.

- **Education and Training:** Public policy needs to be more effective in supporting workforce development to address the mismatch between education and labour market needs. This may require a re-design of the education system which should engage the private sector as a partner.
- **Finance:** For emerging industries, subsidies have been successful in creating markets by stabilizing prices to ensure profitability. Financial support can include federal Social Finance funds or Patient Capital from investors through the establishment of Community Capital or Investment Corporations, or Community Economic Development Investment Funds.
- **Regulatory Framework:** Currently, social enterprise is only viewed as a traditional business by government and law as the present framework only distinguishes between non-profit and for-profit enterprises. Social enterprises and B-Corps need to be enshrined in law. There also needs to be a greater enabling environment for cooperatives to improve awareness and ease of establishment.
- **Reporting:** There is a need to track long term capital investments being made in sustainable activities in order to understand the real impact of corporate citizenship. To enable this, regulations are needed to require companies to report on their social performance in order to establish and maintain accountability.

Program Recommendations

- **Employment Support:** Supporting organizations to provide workforce training through wage subsidies and other incentives, particularly among marginalized communities. When focusing on marginalized communities, there is a need to prioritize job quality in job placement programs along with more wrap-around services to enable trainees to gain skills.
- **Building Organizational Culture and Capacity:** Providing support to organizations to improve their social performance including guidelines and training is needed. This can include training around specific workplace environment issues such as sexual harassment and anti-bullying as well as mental health initiatives to stimulate conversations and reduce stigma.
- **Education / Awareness:** Raise the awareness of alternative economic and business models with the general public, particularly awareness of the coop business model. Support for diversity education would also benefit inclusive business practices. Of particular importance is work to educate elected federal, provincial and municipal representatives about shared value business models.
- **Research:** Practice adoption would be aided by more research documenting alternatives, such as case studies that could provide evidence of benefits and create a strong business case.
- **Infrastructure:** Creating an organizational and knowledge infrastructure is an important enabler for practice adoption. This includes the creation of a community of collaboration for networking and to champion new ways of working. This could also involve creating mentorship opportunities for peer-to-peer learning. In addition to an organizational infrastructure, there is also a need for a knowledge infrastructure, particularly for open data.
- **Partnerships and Engagement:** Creating engagement opportunities and nurturing partnerships is an important aspect of increasing practice adoption. Partnerships may involve working with universities and colleges to encourage support social impact. It was noted that better engagement with customers and clients can drive competitive advantage.

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APPENDIX A: LIST OF INTERVIEWEES

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APPENDIX C: PROFILE OF SURVEYED ORGANIZATIONS

Number of Employees	
0 – 49	71.4%
50 – 99	0.0%
100 – 499	4.8%
500 +	23.8%
Total Respondents: 21	

Revenues in Previous Fiscal Year		
< 500,000	3	21.0%
500,000 - 1,000,000	3	21.0%
1,000,000 - 5,000,000	5	36.0%
>5,000,000	3	21.0%
TOTAL	4	100%

Type of Firm	
Public Corporation	4.8%
Private Corporation	42.9%
Single Proprietorship	9.5%
Non-profit Organization	9.5%
Social Enterprise	19.0%
Social Purpose Business	23.8%
Cooperative Enterprise	23.8%
BCorps	14.0%

Industry	
Natural resources (inc. agriculture)	10.0%
Utilities	0.0%
Construction	0.0%
Manufacturing	10.0%
Wholesale trade	0.0%
Retail trade	15.0%
Transportation and warehousing	0.0%
Information and cultural industries	15.0%
Finance and insurance	10.0%
Real estate, rental and leasing	0.0%
Professional, scientific and technical services	30.0%
Management	10.0%
Administrative and support, waste management and remediation services	0.0%
Health care and social assistance	20.0%
Arts, entertainment and recreation	5.0%
Accommodation and food services	10.0%
Other services (except public administration)	25.0%
Public administration	0.0%

Notes

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ABOUT THIS REPORT

This report is produced by the Canadian Poverty Institute as part of an ongoing research initiative on Poverty and the New Economy undertaken in collaboration with the Ontario Trillium Foundation.

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