

# Business for Inclusive Growth: Doing Better by Being Better



**Canadian business is a pillar of a thriving society and business has an important role to play in building a stronger Canada. Businesses can create good jobs, support diversity, leverage their supply chains for good, and offer products and services that meet the needs of all Canadians.**

By making small changes to business operations, many companies are actively improving the well-being of workers and their communities. Experience tells us they are also more successful. **Here are a few reasons why businesses are doing better by being better.**

**Profit:** Businesses that offer good jobs and invest in their employees are more profitable over the long term. Research shows that when employees have well-paid, stable jobs, profits go up. On the other hand, hiring more low-wage part-time and temporary workers leads to decreased profitability and productivity over time. <sup>1</sup>

**Productivity:** A key reason firms with good jobs return good profits is that they are more productive. Here's why:

- When people have good jobs they are more engaged with their work and this leads to higher productivity and profits. The consulting firm KPMG found that *"businesses with high employee engagement experienced a 19% increase in operating income and a 28% increase in earnings per share."* <sup>2</sup>
- Greater job satisfaction leads to greater work effort by employees.<sup>3</sup> Among companies in the U.K. that started paying their workers a Living Wage, *"two-thirds report(ed) an increase in output per worker per hour, and half report(ed) intensified work effort."* <sup>4</sup>
- Absenteeism goes down when workers have stable work and predictable schedules as they are better able to balance their work and life responsibilities.<sup>5</sup>
- Staff turnover is reduced, which cuts recruitment, on-boarding and quality control costs. When turnover is low, the return on investment in staff training and development also increases.<sup>6</sup>
- When staff turnover is low, the experience and skill level of employees grows, and this leads to better work performance.<sup>7</sup>

**Quality:** Improved employee engagement, reduced absenteeism and turnover contribute to higher quality products and services.

- In the U.K., five out of six companies that started paying their workers a "Living Wage" reported that the quality of their staff had gone up as a result.<sup>8</sup>
- A recent study of American and European retailers found that those who invest in their employees provide better customer service.<sup>9</sup> On the other hand, failing to invest "... can result in substandard service or products being delivered to customers. Over time, these minor deficiencies in service or product quality could decrease customer satisfaction, affecting the organization's bottom line, and ultimately decreasing long-term profitability." <sup>10</sup>
- After launching a "Living Wage" policy at the San Francisco Airport Authority, contractors had fewer disciplinary issues, a higher standard of equipment maintenance and reduced equipment damage.<sup>11</sup>
- When quality is higher, there is less need for quality control and this provides important cost savings. Quality also increases when staff turnover is low because there is less oversight needed to compensate for lower worker training and experience. <sup>12</sup>

**Labour Supply:** Good jobs and business practices can help overcome labour supply problems. Reaching out to new diverse communities can open the door to new pools of talent.<sup>13</sup> The reputation that comes from good jobs and business practices also helps attract and retain top talent.<sup>14</sup>

**Access to Capital and Contracts:** More and more investors are looking for firms with good Environment, Social and Governance (ESG) performance. Large public and private institutions are also now including ESG criteria in their procurement practices. Increasingly, companies that can demonstrate good ESG performance will have a competitive advantage when bidding on contracts.

**Access to New Customers and Markets:** Paying attention to diversity in the workplace, supply chain, and community can grow a company's market and customer base. This can also make the company more responsive to changing market conditions by improving its ability to anticipate customer demands.<sup>15</sup>

**Innovation:** Good jobs and business practices build a learning environment that improves creativity.<sup>16</sup> Greater diversity in the workplace increases the range of perspectives and new ideas that can improve business operations and provide insight into new products, services and markets. Committing to paying higher wages also provides an incentive for other innovations in business processes to increase efficiency and productivity.<sup>17</sup>

**Risk Management:** Companies that focus on values and diversity in their workplace and supply chains, and that foster strong community partnerships, are better able to identify, anticipate, and plan for risk. This makes them more resilient to shocks and changes in the marketplace.<sup>18</sup>

**Reputation:** Companies with a reputation for good jobs and business practices have better brand value, allowing them to differentiate themselves from their competitors.<sup>19</sup> This is also a factor for recruiting talent as more and more people are taking a company's values and ethical performance into consideration when looking for work.

**Partnerships:** Reputational advantages can lead to better partnerships with customers, suppliers and governments.<sup>20</sup>

For more information about the strategies for inclusive growth see *Business for Inclusive Growth: What's the B.I.G. Idea?*, the first info sheet in this series on Inclusive Business.

#### Sources

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This fact sheet was prepared by the New Economy Roundtable: an initiative of the Canadian Poverty Institute at Ambrose University. The New Economy Roundtable is a of businesses, governments and non-profit organizations dedicated to creating decent work and an inclusive economy. The New Economy Roundtable is a member of Business Fights Poverty, a global community of people, companies and organizations passionate about building an equitable and resilient future. For more information visit: [www.povertyinstitute.ca/new-economy-roundtable](http://www.povertyinstitute.ca/new-economy-roundtable)

