

# Executive Summary

An estimated 4.5 billion people in developing countries live at the base of the pyramid (BOP), surviving on low-incomes and lacking access to goods, services, and economic opportunities. Workers at the base of the pyramid are often engaged in informal work or in low-skill jobs with limited earning potential, social protection, or opportunities for career and economic advancement.

Workers at the base of the pyramid face multiple barriers that impede access to quality employment. These barriers include limited education or skills, lack of a formal employment record, discrimination, and stigma, as well as legal or administrative barriers to employment. These barriers are more prevalent for informal workers, who have uncertain and volatile incomes, do not enjoy basic labor entitlements and protections, and often lack access to social benefits and safety nets offered by the state.

The COVID-19 pandemic created significant economic challenges for low-income households globally. As a result of the pandemic, 90 million more people fell below the threshold of extreme poverty in 2022. Labor markets faced disruptions that significantly affected the livelihoods of workers at the base of the pyramid, especially in the informal sector, where 58 percent of employed women work.

Employers and investors can help expand access to better employment and self-employment opportunities at the base of the pyramid through the strategic adoption or promotion of inclusive employment practices. Inclusive employment is defined as practices that advance the quality of jobs and better livelihood opportunities for employees and informal workers at the base of the pyramid in emerging markets. These practices enhance the participation, advancement, resilience, and empowerment of workers, with the goal of improving their quality of work and well-being.

This report seeks to build and demonstrate the evidence for the business case for inclusive employment and emerging good practices that companies and investors can implement to support workers at the base of the pyramid. Research is based on a review of existing literature as well as interviews conducted with thought leaders and investors. It also features 13 case studies of companies in manufacturing, agribusiness and agri-processing, services & the gig economy, waste management, and retail & distribution, operating in markets across Latin America, South Asia, East Asia, the Pacific, and Africa.

## The Business Case for Inclusive Employment



**Access to labor:** Reducing barriers to work at the base of the pyramid enables companies to increase their access to labor and thereby address labor shortages and skills gaps, boost recruitment outcomes, and reduce hiring costs.



**Human capital performance:** Investments in the wellbeing of workers and in upskilling workers at the base of the pyramid are linked to lower absenteeism, better staff retention, and higher productivity.



**Supply chain resilience:** Companies can build more resilient and scalable supply chains by integrating workers at the base of the pyramid, empowering them, and boosting their incomes and resilience.



**Access to markets:** Inclusive employment helps companies to distinguish their brand, to motivate, and to equip workers to provide higher quality services, and enables companies to access new customer markets.



**Access to investment capital:** Companies can demonstrate their commitment to environmental, social, and governance (ESG) impact through labor practices and standards, enabling them to access new sources of investment capital.



**Demonstrating corporate values:** Inclusive employment can help companies fulfill corporate social commitments in ways that add business value.



**Reputation & risk management:** Companies can generate goodwill and a 'social license to operate', while mitigating risks from business activities involving base of the pyramid communities.

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## Inclusive Employment Practices

This report identifies good inclusive employment practices that companies can implement to increase the participation of workers at the base of the pyramid, promote their professional advancement, build their resilience, and enable their empowerment.

### PARTICIPATION

To reduce barriers that prevent workers at the base of the pyramid from obtaining quality employment, companies can adopt practices that:

- **Target recruitment** through outreach to base of the pyramid workers and leverage partnerships with organizations that represent these workers.
- **Ensure worker safety** through investments in the physical environment and provide protective equipment and safety training programs.
- **Address discrimination, stigma, and harassment** through robust implementation of policies and training programs.
- **Reduce entry and retention barriers** by supporting workers' access to transportation, childcare, or housing, for example, and by lowering up-front capital costs for informal entrepreneurs.

### ADVANCEMENT

As workers at the base of the pyramid have limited opportunities to develop skills and to advance to higher-paying employment, companies can support them with practices that:

- **Offer fair pay** through regular wage reviews and updates, especially for the lowest earners.
- **Upskill workers** and provide support to adapt to technological or operational changes.
- **Support leadership and career development** through mentoring and leadership training programs.
- **Build capacity for self-employment**, such as providing inputs and training to improve earnings.

### RESILIENCE

As workers at the base of the pyramid often have volatile incomes and limited access to social protections, companies can help them to build financial and personal resilience through practices that:

- **Improve access to benefits**, including pensions, insurance, and health services, among others.
- **Facilitate access to finance and financial literacy** by offering credit and savings schemes directly or through partnerships with financial intermediaries.
- **Enhance job and income security** through minimum working hours, and formal or permanent employment for interested workers.

### EMPOWERMENT

Workers at the base of the pyramid often face stigma, discrimination, and exploitation from more powerful economic actors. Companies can introduce practices that empower them to exert greater influence over their work and to defend and determine their interests, for example:

- **Support worker representation and worker-management dialogue** by engaging proactively with workers and worker associations, including trade unions.
- **Provide effective communications and grievance channels.**
- **Support self-organization of informal workers** through development and capacity building of cooperatives.
- **Provide fair and clear terms** of work and payment transparency.
- **Recognize the value of work** done by individuals at the base of the pyramid and raise public awareness.

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There are several key steps companies can take to inform or complement the inclusive employment practices outlined above. The following actions will help to ensure inclusive employment practices are well targeted and that they deliver lasting benefits for workers and businesses too.

#### ***Diagnose the needs of workers and the business***

Map out or identify how the business engages with the base of the pyramid in work, including the direct workforce, informal workers, and supply chain workers, and then work with them and relevant organizations to understand how furthering their skills and capabilities can support business needs.

#### ***Measure results for businesses and workers***

Improve data collection and measurement frameworks and track the progress and impact of practices on workers and on the business. Leverage technology and digital tools to support and measure inclusive employment practices.

#### ***Amplify impact through partners***

Encourage, incentivize, and support suppliers and service providers that employ workers at the base of the pyramid in corporate value chains to help them adopt inclusive employment practices. Create partnerships that advance work opportunities for the base of the pyramid, including with governments, trade unions, worker organizations or cooperatives, industry associations, and technical assistance partners. Consider opportunities to raise financing via instruments such as sustainability-linked bonds and other innovative financing structures with a designated use of proceeds aiming to benefit workers at the base of the pyramid.

## **Investors & Inclusive Employment**

Investors can also play an important role in improving the quality of work and livelihoods at the base of the pyramid. The following actions enable investors to deepen the focus of their investments on these workers and encourage their investees to adopt inclusive employment practices:

**Define an inclusive-employment investment strategy.** Define the target workers at the base of the pyramid reached through investees as direct employees, contractors, supply chain workers and informal workers. Develop a theory of change linking the investment to improvements in access to, and the quality of, work for the base of the pyramid. An inclusive-employment investment strategy can be incorporated alongside an investor's thematic or industry focus.

#### **Integrate inclusive employment into investment processes.**

Assess investment opportunities against negative and positive labor screens and evaluate compliance with national laws and labor standards during deal origination. Consider labor gaps and opportunities related to the base of the pyramid during due diligence and set relevant monitoring and evaluation (M&E) targets based on the investment's theory of change. Measure progress against these targets as part of portfolio management.

**Leverage financial instruments that incentivize investees to achieve greater impact for workers at the base of the pyramid.** Investors can explore opportunities to adopt financing instruments, such as sustainability-linked bonds, that tie financial incentives to the achievement of inclusive employment targets. By linking targets to relevant Sustainable Development Goals, investors can demonstrate their impact publicly.

**Identify opportunities to support investees seeking to enhance the inclusiveness of their workforce.** This can be done through technical assistance and knowledge sharing, for example by mapping workers at the base of the pyramid in investees' operations, identifying opportunities for engagement, strengthening investees' workforce management and M&E systems, and facilitating opportunities for investee knowledge sharing across the portfolio.

## **Call to Action**

Jobs and employment are transformational for both individuals and societies, and creating opportunities to 'work out of poverty' is critical for sustainable economic and social development. Quality employment for workers at the base of the pyramid not only provides individuals with a sense of dignity and self-worth, it also strengthens community cohesion and civic participation, while reducing public spending on welfare and social assistance. The private sector, and investors in the private sector, play an important role in creating inclusive employment opportunities that both deliver benefits for businesses and strengthen incomes at the base of the pyramid and beyond.

Corporates can help expand access to better employment and self-employment opportunities at the base of the pyramid through the strategic adoption or promotion of practices that enhance the participation, advancement, resilience, and empowerment of workers at the base of the pyramid, with the goal of improving their quality of work and well-being. Investors have an important role to play by integrating employment for the base of the pyramid into their strategy and investment processes, incentivizing impact by companies, and by providing support such as technical assistance and knowledge sharing among investees.