The OECD Workshop on Measuring Business Impacts on People's Well-being

On 23-24 February 2017, the OECD is organising a workshop in Paris on "Measuring Business Impacts on People's Well-being", to which you are cordially invited to participate.

Over the past few years the OECD has developed a series of indicators (www.oecd.org/statistics/measuring-well-being-and-progress.htm) enabling governments to design policies for improving well-being in all the important areas of life (income, health, education, security, environment, etc.). By behaving responsibly, businesses can also play a vital role in most of these areas and can bring a strong contribution to sustainable development, as highlighted by the OECD Guidelines for Multinational Enterprises.

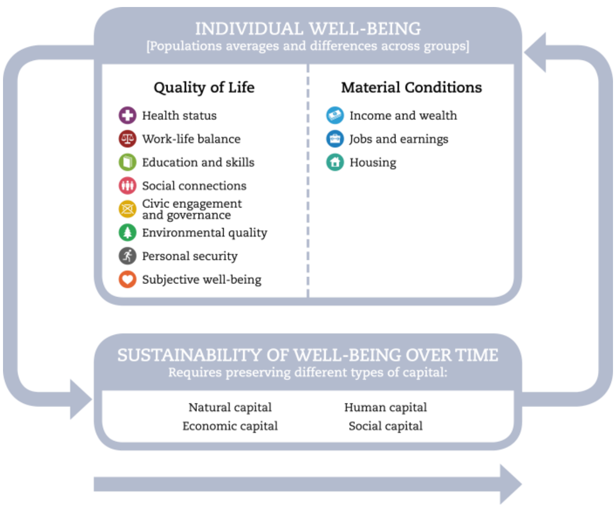
While an increasing number of actors are looking at how companies impact on well-being and create value beyond financial wealth, we are still lacking specific guidance on how to accurately measure such impacts. As a result, statistical evidence on business' contribution to well-being is scattered and firms' performances on Environmental, Social and Governance (ESG) and Responsible Business Conduct (RBC) issues remain hard to benchmark. The purpose of this workshop is to discuss the foundations to measuring business' impacts on well-being through the creation of new measurement standards in close collaboration with the business sector and as part of existing reporting practices that already transcend economic performance.

The Workshop is organised with the Society and Organization Center (SnO) of HEC Paris, the Humanistic Management Network, Fordham University and is part of the Leading for Well-Being Initiative, an international coalition of organisations, scholars, business people, media experts, and policy makers seeking to integrate the emerging practice of well-being with more sustainable practices at the corporate, community and policy levels.

How business shapes people's well-being

All **businesses have a considerable impact on societal well-being**, which the OECD defines as a multidimensional concept that encompasses material and non-material elements (Figure 1). These impacts can be direct (e.g. the working environment affects well-being of employees as well as their productivity) or indirect (e.g. their practices on law compliance and due diligence can shape social norms such as trust and trustworthiness). The constant pursuit of an economic optimum by organizations, along with permanent efforts to innovate both internal processes and products and services, and their capacity to adapt their business models to changes in the economic climate all make a huge social contribution.

Figure 1: The OECD Well-Being Conceptual Framework



Source: OECD

Recent research has shown that, in many cases, **social and responsible investment results in new economic opportunities for businesses**; generates innovations which boost their medium and long-term financial results and competitive advantages; and increases their economic value, while simultaneously contributing to the well-being of individuals and society as a whole.

More specifically this research has documented that **many large and small businesses make efforts to improve firm's performances in multiple areas that matter to people's well-being**. These efforts comprise:

- Implementation of responsible business conduct standards (e.g. undertaking due diligence on environmental and social issues, improving the quality of life of employees, encouraging involvement in environmental or socially responsible initiatives);
- Increasing recognition that the performances of all actors in their value chain (from supply service providers to end-clients) should be assessed and monitored, especially in countries where labour and environmental standards are poorly enforced);
- Restless investment in products and services that are environmentally and socially friendly (e.g. "organic" food products, fair trade, drugs for neglected diseases, provision of services to underprivileged sections of the population, fight against epidemics, etc.);
- Shift towards green production and distribution processes (use of renewable energies and materials, recovery and recycling of waste, reducing CO2 emissions, etc.).

At the same time **there are significant challenges, and some of them appear to have worsened over the last 30 years**:

- Schumpeter's gales of creative destruction may be a powerful driver of development, but they also cause severe short-term labour market imbalances;
- The pursuit of maximum profit, beyond its undeniably positive impact on effectiveness and efficiency, can lead to methods for generating income which are questionable (lobbying, accounting engineering, tax optimisation, etc.) if not illegal (corruption, money-laundering, etc.). Not fully considering this type of risks can also have negative financial impact on the companies themselves;
- "Externalities" often tend to take on proportions that cannot be offset by public policies (health, housing, welfare, anti-pollution measures, etc.) or charitable initiatives;
- Lastly, globalisation has helped create businesses with unprecedented power, and interdependencies in global value chains which can no longer be regulated within the framework of national territories.

Against this background, understanding firms' net contribution to people's well-being is key to drive the change towards more sustainable business practices.

Why measuring business impacts on well-being matters

It is of considerable interest to businesses to rely on a recognised system for measuring their impact on the range of stakeholders they work with:

- Firstly, it allows them to better manage their investment decisions, by enabling them to look beyond the simple issue of short-term profit and to take into consideration the impacts of their investment on stakeholders in the broad sense: suppliers, clients, workers, local populations, etc.

- Secondly, the resulting impact on image can win over new consumers and investors, while simultaneously increasing employee commitment, attracting the best candidates and retaining talented staff;

- Thirdly, the existence of valid measurement instruments could catalyse agreements and co-ordinated practices within a business, between businesses in the same sector, and even with administrative authorities and governments.

More generally, businesses have all to gain from using decision-making instruments which are consistent with both their management charts and the tools used to design public policies. These instruments help minimise risks and political uncertainty, thereby allowing businesses to anticipate any regulatory changes implemented by policy-makers to maximise societal well-being.

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Specific indicators for measuring businesses' social and environmental progress have already been proposed and put in place by different organisations, see for instance Sustainability Practices 2015 (http://bit.ly/2hskbnr) for a recent review of the main approaches.

Building on its in-house knowledge and experience in measuring well-being and in responsible business conduct, the OECD is organising this workshop that will bring together researchers, experts, business executives and a wide range of actors on the ground in order to assess interest in creating a consistent system of indicators based on existing metrics, genuine corporate practices and the Organisation's own experience in measuring well-being. In addition, the workshop will emphasise the importance of using co-ordinated information systems for the different actors (businesses, NGOs, governments, etc.) to encourage them to adopt a common channel for promoting well-being in the broad sense.

This workshop is part of the Leading for Well-Being Initiative, a new international coalition of thought leaders and business leaders that want to promote a new business narrative around well-being values and practices.

If you are interested in learning more contact wellbeing@oecd.org.