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How does the private sector measure social inclusion and its return on investment?



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Insights from a review of the frameworks that businesses use to meet social goals

[How the private sector measures social inclusion and its return on investment](#) is the first in a series of papers by USAID's MSP Activity that examines evidence about the benefits of workplace diversity and inclusion in developing countries.

What do we know?

We already know that gender, diversity and inclusion have been common concepts for the private sector for many years. Businesses invest in hiring and promoting more diverse talent; impact investors have turned to gender lens investing as a promising field of financial and social returns; and many public corporations have sophisticated Environmental, Social and corporate Governance (ESG) reporting and corporate social responsibility (CSR) programmes that empower women¹.

The business case, however, likely differs by actor and context. We therefore [conducted a review of private sector frameworks](#) to come up with a typology of common 'social inclusion factors' as well as metrics to understand the return on investment (ROI) related to implementing those frameworks. We did this to frame our wider research of the ROI of social inclusion in developing countries, and to ensure we align with private-sector relevant language and metrics.

We found some interesting results:

- First, private sector frameworks are diverse and measure social inclusion and returns very differently
- Second, the type of private sector actor greatly influences the sorts of social inclusion factors they measure
- Lastly, there are some key factors where all the actors converge, explored more below

For example, **gender-lens investing frameworks** tend to focus on three main pillars: women's representation in leadership positions; workforce diversity and inclusion (D&I); and products and services that benefit women. These frameworks include the [GIIN IRIS Metrics](#), the [2X Challenge](#), and CDC's [Guide to Gender Smart Investing](#).

Public companies usually face a higher level of scrutiny than private firms, so their (CSR) frameworks are more rigorous and comprehensive. These are reflected in rankings such as the [Morningstar Women's Empowerment Index](#) (building on the [Equileap Gender Scorecard](#)), or the equality indexes from [Bloomberg](#) and [Thompson & Reuters](#).

Private firms have a stronger focus on factors that the firm can directly control, such as talent, workforce diversity, consumer engagement, or internal policies. [Catalyst's work](#) is a great example. There are some more holistic frameworks like the [UN Women's Empowerment Principles](#)

So what connects social inclusion to ROI?

These frameworks demonstrate a direct pathway from D&I to a return for businesses. For example, investments in worker wellbeing and health and safety can lead to reduced absenteeism and turnover as well as higher productivity, which in turn increases revenue and reduces costs.

Reaching out to women workers, suppliers and distributors in a targeted way means firms can tap into a wider pool of talent and capacity, leading to a stronger workforce and more reliable networks and sales channels. Conducting market research and segmentation to develop products specifically for diverse customers' needs can give firms a significant first-mover advantage and the ability to expand and retain their client base.

There are additional long-term, more indirect benefits that can impact the firms' ability to attract talent, capital and customers – such as their branding and reputation as an 'employer of choice' or 'go-to brand for women', as well as their innovativeness and social impact.

In sum, social inclusion profoundly impacts businesses, and many different private sector actors increasingly realise this and make efforts at capturing the benefits. Yet, we are still lacking research and frameworks that more clearly demonstrate the ROI as a ratio of cost vs resulting benefits, which is a key variable for businesses to decide whether to invest or not. We will explore this in more depth in a forthcoming blog post.

Moving forward: a research framework linking social inclusion factors to ROI metrics

Decades of diversity research have produced a wealth of insights on the benefits of diversity and inclusion, but much of this work is still focused on developed countries.

Meanwhile, there is a global push to support firms in developing countries to adopt more inclusive practices for greater resilience and sustainability, but the evidence base has not yet caught up around critical factors. Therefore, a crucial next step is mapping the evidence from developing countries that links the selected social inclusion factors to the specific ROI metrics and assess the strength of the data.

We want to see the current state of this evidence and how the social inclusion factors compare to what we are seeing measured and documented in the developed world. We want to know: how strong is the evidence in developing countries? Are the same social inclusion factors being documented or are there nuances depending on the context?

Look out for our next paper involving a wider evidence mapping and evidence gap analysis...

*The **Feed the Future Market Systems and Partnerships (MSP) Activity** is advancing learning and good practice in market systems development (MSD) and private sector engagement (PSE) within USAID, USAID partners and market actors. Through MSP, USAID is undertaking a series of evidence gathering around the benefits of workplace diversity and inclusion in developing countries, led by MSP partner MarketShare Associates.*

¹ The main focus of this research is on gender equality in the context of women's empowerment. With gender-lens investing an increasingly established field, many of the global frameworks and indices developed by the private sector focus on diversity from a gender perspective, and here in particular on women. Frameworks for other target groups, such as LGBTQI and racial equity, are emerging, yet remain less widely established.