



Task Force 6
Accelerating SDGs: Exploring New
Pathways to the 2030 Agenda



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THE SOCIAL DIMENSION OF SUSTAINABLE DEVELOPMENT: HUMAN CAPITAL FORMATION, EMPLOYMENT, AND EDUCATION

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Abstract




This Policy Brief explains the concepts and challenges related to the social dimension of sustainable development and the relevance of the Environment, Social and Governance (ESG) framework in this context. This Brief highlights that there is no uniformly accepted definition of either the social dimension of sustainable development or ESG; a few of the G20 countries have been leaders in the adoption of ESG


and ESG-like initiatives, but there is a considerable difference between them; ESG could be a useful tool to integrate aspects relevant to the future of work, skill development, education, and the need to create 'good and better jobs'. The Brief further recommends that the G20 should create a working group to clarify concepts and data needs, adopt action plans and work programmes, organise learning sessions, and explore binding commitments.



The Challenge



1



The G20 is a forum of 19 countries and the European Union (EU) that initially focused on macroeconomic issues but has since expanded its agenda. India holds the G20 presidency in 2023, at a time when world economy emerges out of the ravages of the COVID-19 pandemic and experiences the formation of new groupings to address a range of opportunities and challenges arising out of health, security, climate change, technological change, and other pertinent issues. Among other things, such developments have impacted the future of work, as current jobs are predicted to become obsolete and new jobs emerge at a fast pace. However, there are concerns about the quality of current jobs, particularly in labour-abundant economies, and the welfare of a vast majority of workers. In this context, the G20 could play a crucial role in ensuring there are mechanisms in place to manage the social impacts of global developments presently shaping economies.

Social sustainability

This Brief uses the phrase ‘the social dimension of sustainable development’ interchangeably with ‘social sustainability’.^{a,1} The concept of sustainable development is embedded in the Sustainable Development Goals (SDGs) of the United Nations (UN).² A few of the 17 SDGs include explicit elements of the social dimension, while some others have socio-economic dimensions that are included implicitly or touch upon aspects of social development.

Securing workers’ welfare through ‘good and better jobs’

Technological, climate, and other changes following the COVID-19 outbreak have introduced new dimensions in economic life, including the following:

- The future of work in the face of fewer employment intensities of businesses due to shrinking

a Overall, the following concepts underpin the definition of social sustainability:

- Poverty reduction and equity;
- Social investment that includes health, and education and skills development; and
- Safe and caring communities

- unavailability of skills to meet present and future demands in existing and emerging industries (Box 1); and
- Quality of jobs held by and welfare of the existing labour force, particularly a majority of labour force considered as falling into unskilled, low-skilled, and semi-skilled categories, i.e., the need to have and create ‘good and better jobs’ (Box 2).^{b,4}

Box 1: Priorities for Skills and Future of Jobs

- Imparting the right skills and upskilling and reskilling existing labour force to meet current demands in industries;⁵
- Readjusting education systems to underpin the capacity for skilled work, independent reasoning, and collaborative action to prepare the future labour force for the (predicted) demand in industries;⁶
- Creating relevant skills as the application of advanced technologies, notably through automation, artificial intelligence, and machine learning (AI & ML), which could increasingly replace jobs. Such jobs are likely to be physical activities in highly predictable and structured environments, as well as data collection and data processing, which amount to up to half of the activities that workers perform in different sectors;⁷
- Fulfilment of demand for new skills in the green economy, which is growing faster than other segments of economies. Depending on policies adopted to counter climate change (e.g., reduction of greenhouse gas emissions, as envisaged in the European Green Deal) and specific sectors, there is expected to be a net increase in jobs.⁸ Evidence from the UK and the EU suggests that green jobs pay higher wages in lower-skills categories; direct green jobs are comparatively at less risk of automation; and there are fewer women and younger people in green jobs.⁹

b Good jobs are defined as those providing adequate incomes. Better jobs enable workers to enhance their capabilities and negotiate better terms of employment, as well as provide protection from social and economic risks.

Box 2: The Imperative of Creating ‘Good and Better Jobs’

While the job situation evolves, there are concerns about the following:

- The precarious nature of jobs in certain industries such as construction and the gig economy,^c held by specific segments of workers, notably inter- and intra-country migrants and women workers;
- The persistent gap between genders in employment, especially the involvement of a large number of women in relatively low-paid, informal, unpaid (e.g., domestic chores), and care jobs;¹⁰ and
- Management of workforce transitions and dislocation due to climate change, the emergence of new jobs and skill requirements due to the growth of green jobs, and the integration of AI & ML in jobs. AI & ML and automation may lead to discrimination against certain categories of the workforce, and jobs held by women face higher risks of automation than men.¹¹

Though some of these phenomena were integrated into SDGs, given their ever-changing nature, newer frameworks such as Economic, Social and Governance (ESG) are well-suited to integrate work programmes on these aspects.

ESG

ESG refers to a wide range of environmental, social, and governance topics that are embedded within businesses.¹² The increasing adoption

of ESG is driven by investors aiming to satisfy the growing awareness of consumers on social issues and create sustainable products for brand recall as first movers.¹³ ESG is often seen as an innovative financing tool for SDG implementation. Further, adoption of ESG principles itself is expected to contribute to the attainment of SDGs. There is some evidence that ESG has helped in the implementation of SDGs, such as in Taiwan; that ESG and SDG implementation have led to the sustainable development of

c Jobs that are classified as ‘self-employed’ are often obtained through digital platforms and are part of an informal setup where employers exercise full control over employees but are not bound to ensure social security and suitable working conditions for employees.

communities;¹⁴ and that, in the ASEAN, the social pillar of ESG has ensured the attainment of select SDG goals by ensuring the welfare of the public and stakeholders, including employee wellbeing.¹⁵

However, there have been some issues and criticisms of ESG, as follows:

- The concept of the social pillar of ESG is fluid and ever-expanding and, as reflected in Table 1, there is considerable variation in the criteria applied by ESG index providers;
- ESG has been controversial and viewed by some commentators with suspicion (Box 3). Some of the concerns stem from the

fact that there is a variation in understanding the concepts of ESG among stakeholders and commentators;

- It is difficult to get comparable country- or industry-level data even for broad ESG metrics, especially in the social pillar; and
- MSMEs lag in the adoption of ESG principles because of a lack of finances, a lack of knowledge on measurements, and the manner of ESG implementation, cost considerations, and regulatory compliance failures.¹⁶ Further, supply chains of large companies are mostly dominated by MSMEs, and large companies act as a conduit of ESG adoption for MSMEs, but often with imperfect outcomes.¹⁷

Table 1: Social Criteria Under ESG

Index Provider	Social Criteria - Illustration
Thomson Reuters	Workforce; Human Rights; Community; Product Responsibility
MSCI	Human Capital; Product Liability; Stakeholder Opposition; Social Opportunities
Bloomberg	Supply Chain; Discrimination; Political Contributions; Diversity; Human Rights; Community Relations
Sustainalytics	Customer Relations; Employee Relations; Labour; Human Rights; Occupational Health and Safety; Community Relations; Supply Chains
S&P	Community/Local Impacts; Stakeholder Engagement; Address Cost Burden (Pharmaceuticals); Access to Drugs (Pharmaceuticals)
ISS	Product Safety, Quality & Brand; Stakeholders & Society; Labour; Health & Safety; Human Rights
Refinitiv	Workforce; Human Rights; Community; Product Responsibility

Source: Author's own (2023)

Box 3: Interpretational Issues in ESG

One of the most debated aspects of ESG is whether it helps alleviate crisis. Evidence shows that ESG has been beneficial during COVID-19 in the G20 countries but its effects are closely related with its pillars and firm-specific variables. Further, ESG practices are dependent on a country's income level, voluntary or mandatory codes, sustainability reporting and integrated reporting, and environmental commitment.¹⁸

While there is increased activism among stakeholders on ESG (such as requiring companies to make statements on geopolitical events or environmental causes), the issues that stakeholders care about vary widely, presenting issues for the legal industry.¹⁹ Law firms have found themselves caught in activism between corporate clients adopting ESG principles and expecting their supply chain partners to do the same and politicians that oppose such a move (notably in the United States).²⁰

Since ESG reporting implies mandatory disclosures of extra-financial information, there are concerns about optimal levels of disclosures and whether such disclosures vary between firm sizes and potential, and the economic status of the country that firms belong to. Further, there are arguments that the relationship between ESG disclosure and economic growth is not clear-cut, as higher ESG adoption may lead an economy away from sectors that are polluting but may stimulate economic growth.²¹

Variation in ESG principles applied in financing instruments such as equity investment and fixed-income instruments causes issues in interpreting the outcomes.²²



The G20's Role

2



Promoting social sustainability in the G20 countries

Given the pressing concerns about employment, skills, and education, there is a growing concern that actions related to social sustainability cannot be left to businesses only. Indeed, the public sector (e.g., governments, banks, and international organisations) has been quite active in adopting ESG or ESG-like initiatives and regulations for the social sector in the G20 countries. A closer look at such initiatives and regulations shows that the G20 countries are at different stages and have preferred practices of adoption of ESG initiatives.

Incorporating social sustainability in the G20's work programme

The G20 has aligned its work programme with the SDGs by undertaking a range of initiatives under different presidencies, e.g., by setting up working groups, establishing partnerships, and engaging MSMEs and financial institutions. These initiatives have been on a range of social issues, including employment, human

resource development, and skills and training.²³

Relatively speaking, the focus of the G20 has been on the environmental dimension (e.g., through the Sustainable Finance Working Group). In recent times, relatively greater stress has been on data (notably through the G20 initiative on Data for Development under the Indian presidency), capacity building, and technical assistance.²⁴ Skill development and other cross-cutting issues are discussed in the Employment and Education Working Groups and other working groups dealing with similar priorities.²⁵


While the manner in which such initiatives have been continually and consistently adopted by the G20 work programme under successive presidencies is commendable,²⁶ arguably, the initiatives have less effectiveness than an international binding framework on social sustainability, as the G20 initiatives are on a non-binding, best-endeavours basis, and thus, are relatively less effective than commitments embedded in free trade agreements (FTAs) (Box A1) or at the behest of the World Trade Organization (WTO).



Recommendations to the G20

3





There is a considerable difference between the G20 countries in the performance of social sustainability indicators, although, in terms of human capital formation, high-income G20 countries are in a better position than medium-income countries. The importance of adhering to social sustainability principles has become more pronounced in the context of discussions and strategies on the future of work as well as good and better jobs. Owing to the fast-evolving nature of these concepts, the nuances of social sustainability, and indeed, the future of work and good and better jobs are not fully captured in UN SDGs. In this context, ESG could prove to be a useful tool for the adoption of strategies and actions for ensuring social sustainability.

Given this analysis, this Policy Brief proposes the following recommendations to the G20:

a. Set up a dedicated working group on social sustainability which, among other issues, must focus

on human capital formation, education, and employment. Among other topics, the working group should suggest strategies, action plans, and policy directions to member countries and businesses for the betterment of labour welfare, employment, and human capital formation.


b. Flesh out the concept of social sustainability to decide on specific areas of work. Among others, the concept should address the following aspects:

- Capture the specific issues faced by MSMEs;
- Incorporate gender-specific aspects of employment;
- Clarify the purpose and role of education in the attainment of social sustainability; and
- Elaborate on the type of skill development that should build the right kind of human capital with respect to the future of work and good and better jobs (Table 2).

Table 2: Case Study – Good and Better Jobs and Skill Development²⁷

Background	<p>A project studying good and better jobs, specifically in the textiles and food processing sectors in India, found the following:</p> <ul style="list-style-type: none"> • Labour is not seen as an input or an asset that undergoes appreciation during the production process (it is seen instead as a cost element); • Numbers and quality of jobs are impacted by inter-linkages between enterprises in a cluster and activities in value chains; and • Literature does not adequately cover links between regulatory frameworks, enterprises, and quality of employment; and district-level trends.
Issues	<ul style="list-style-type: none"> • A disconnect of education from employment and failure of skill development programmes to facilitate adequate placements; • Mismatch in skill training and job requirements; • Reduced requirement of human skills in manufacturing; • Increased usage of floating workers; and • Exclusion on the grounds of affordability in training.
Recommendations	<ul style="list-style-type: none"> • Shift the focus from physical capital to human capital; and • Prioritise the development of manual skills, both physical and intellectual.

- c. Ensure that adequate data is available for analysis and comparison between countries on the adherence to social sustainability principles. Data availability should go hand-in-hand with conceptual clarity and therefore, should be discussed together.
- d. Organise sessions for the exchange of ideas and learning from best practices, success stories, and case studies between members to promote knowledge, skills, and learning from each other. Such sessions could be in the form of seminars, brainstorming meetings, and capacity-building sessions on specific technical issues.
- e. Create specific work programmes to discuss issues and decide strategies on advanced technology and the future of jobs, green job opportunities, and ways to impart stability and predictability for specific categories of jobs.



f. Adopt a declaration on social sustainability among all or between interested members, with binding commitments for members with set milestones on the actions identified in recommendations 1 to 5. For this, the G20 should align

with the work of SDGs and could work with multilateral organisations such as the International Labour Organization (ILO), the WTO, and the United Nations Educational, Scientific and Cultural Organisation (UNESCO).

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