

GLOBAL
IMPACT
SOURCING
COALITION

Global Impact Sourcing Coalition



The
ROCKEFELLER
FOUNDATION



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“Overcoming poverty is not a task of charity, it is an act of justice. Like slavery and apartheid, poverty is not natural, it is man-made and it can be overcome and eradicated by the actions of human beings.”

In 2005, the late South African president Nelson Mandela made this remark as part of an address on ending global poverty to a crowd of 22,000 gathered in London’s Trafalgar Square.

This week, the Rockefeller Foundation together with South African and multinational companies have stepped up to help end global poverty by launching the Global Impact Sourcing Coalition (GISC).

Economic inequality is one of the most threatening global challenges of our time, jeopardising stability and social progress worldwide. The World Bank estimates that 2.1 billion people in the developing world are surviving on less than US \$3.10 a day and more than half of the world’s poorest people are in sub-Saharan Africa. For these individuals and their families, income inequality creates a cycle of poverty that can persist for generations.

Millions of young people without jobs

Some **71 million** young people between the ages of 15 and 24 are expected to be unemployed in 2016, according to the latest estimates by the International Labour Organisation (ILO). This is an increase of half a million on the previous year, the first such increase in three years.

The ILO expects the global youth unemployment rate to rise to **13.6%** in 2016 and to 13.7% in 2017.

There has been a moderate decrease in youth unemployment in North Africa, which at **29.3%** is the second highest of all regions. In sub-Saharan Africa, the youth unemployment rate is expected to continue the downward trajectory that began in 2012, reaching 10.9% in 2016 and improving slightly to 10.8% in 2017.

However, the unemployment outlook for youth in major countries across sub-Saharan Africa remains mixed.

In South Africa, it is estimated that **more than half** of all active youth will remain unemployed by the end of 2016. This is the largest youth unemployment rate in the region.

One of the most sustainable means to reduce such inequality is to ensure that poor and vulnerable populations have access to formal employment and training, giving them the opportunity to lift themselves and their families out of poverty.

Impact sourcing is an inclusive employment practice through which companies in global supply chains intentionally hire and provide career development opportunities to people who otherwise would have limited prospects for formal employment. The practice has the potential to transform the lives of young men and women, while also benefiting the companies that employ them and the communities where they live.

Impact sourcing provides the start of a meaningful career path, leading to a lifetime of fulfilling employment. Impact workers experience income increases of between 40% and 200% and obtain access to resources that enable them to climb the career ladder. The additional income can be used to enrol in school or at university to further their education and learn new skills that prepare them to better navigate the job market.

The benefits extend beyond the individual; youths who are provided with jobs and skills training are able to uplift their families and communities. Impact workers and their families often use their increased income to invest more in their children’s health and education, subsequently helping to create a positive impact that spans generations.

Rotondwa's story

Rotondwa (25) was born and raised in Tshiehva, a rural community in Limpopo, South Africa. His single mother struggled to pay his school fees by doing informal jobs in their community. After successfully finishing his degree in 2012, Rotondwa struggled to find employment for over a year. When a cousin told him about the Harambee Youth Employment Accelerator, he submitted an application. The next day, he was invited for an assessment.

"I was nervous," he recalls. "I thought it would be difficult for me. I never thought I would make it."

As it turns out, Rotondwa did very well. He was selected to participate in two intensive 8-week training courses. Following those courses, Rotondwa graduated from Harambee. It was an emotional day for him and his family.

"The moment they called my name, my mom stood up and said 'HALALA!!! THOMBULO YO FHELA' [Praise! Poverty is ending.] and cried. She was so proud," he explains.

Following his graduation, Rotondwa was selected to participate in the Harambee Mindworx Deloitte Bridge, a special 18-month graduate programme to develop the "data analysts of the future". In just seven months, Rotondwa was offered a full-time position as a junior data analyst. He remains in the position today, more than a year later.

When asked about his experience at Harambee, Rotondwa calls it *"a lifesaver, a life changer"*. Today, he feels enthusiastic about his future and how he can support his family. *"I don't want my sister to experience what I have experienced. Now I'm preparing for her – when she goes to varsity, there will be money waiting for her education."*

The GISC is a group of companies that are committed to impact sourcing, including global buyers and providers of business services. Founding members of the coalition include procurement and sustainability executives from companies who are leaders in supporting inclusive hiring practices that promote equal opportunity within their supply chains.

The GISC believes that this investment in high-potential individuals from disadvantaged backgrounds will contribute to the improved social and economic well-being of families, communities and nations. As the GISC advances with regard to the wide-scale adoption of impact sourcing, its companies will work to achieve the ultimate vision for every person in the world to have the opportunity to obtain productive employment and decent work.

Impact sourcing provides substantial benefits across impact workers, related individuals and the broader economy. This type of employment can yield a net positive effect on the community equal to three and a half to four times each worker's income and therefore has the potential to kick-start the economic engine of an industry in cities that have been previously overlooked.

The benefits to impact workers are clear, but there is also a strong business case for companies to adopt inclusive hiring practices. The cost of impact sourcing to businesses is comparable to or lower than traditional business process outsourcing, yet it provides business advantages, including 15% to 40% lower attrition rates, higher levels of employee motivation, access to new sources of talent and opportunities to fulfil corporate social responsibility and diversity objectives.

As part of its Digital Jobs Africa initiative that catalyses new, sustainable employment opportunities and skills development for African youth, the Rockefeller Foundation has been working with the private sector for six years to implement impact sourcing in company hiring practices.

The Foundation initially targeted the global business process outsourcing (BPO) industry in areas such as call centres and data entry, due to its fast growth and high potential for job creation. Today, leading BPO providers have become early champions of impact sourcing and are eager to prove the business case for this hiring practice, which focuses on unemployed youth who have completed high school or have some university education.

While the initial uptake has been a major success in the BPO sector, impact sourcing is applicable across sectors and across industries. For example, South Africa has already seen an uptake in banking, financial services and other service sectors such as hospitality and retail.

This success is demonstrated by the fact that South Africa, with its enormous potential for BPO outsourcing, already had 83,000 impact workers in 2014, or some 35% of the global impact sourcing market.

Deloitte, a member of the GISC, is a shining example of a company that is making successful use of impact workers. Over the last six to seven years, Deloitte has hired about 300 impact workers for its accounting operations. Today, impact workers comprise 10%-12% of the company's workforce in South Africa.

Preparing disadvantaged youths for formal employment is an essential part of impact sourcing. Many companies develop their own hiring and training programmes to prepare impact workers for the workplace. Some also partner with training programmes that specialise in this market, such as the Maharishi Institute, one of the key players in South Africa for sourcing and training high-potential youth, and a member of the GISC. Harambee, a youth employment organisation focused on creating viable career paths and opportunities for school-leavers from disadvantaged communities, is another a key participant.

In Africa, impact sourcing offers advantages, not only for companies that want to tap into a job-ready talent pool of high-potential employees, but also for the millions of unemployed and under-employed youths who are just one opportunity, one connection, one chance away from a promising future.

The business case for impact sourcing

One of the goals of the GISC is to gather evidence that continues to bolster the business case for impact sourcing and its potential beyond the traditional BPO sector. Several initial studies already demonstrate how impact sourcing drives economic and social progress, including:

- **Access to untapped or underused labour pools:**
The global nature of impact sourcing allows companies to expand into new markets and diversify their outsourcing portfolios;
- **Reduced attrition rates:**
Impact workers have between 15% and 40% lower attrition rates than traditional workers;
- **Improved employee engagement:**
Impact workers and their managers exhibit high motivation levels, leading to improved performance;
- **Long-term cost savings:**
Impact sourcing provides quality and cost at parity with traditional employment practices and often results in cost savings in the long term due to reduced turnover and heightened employee engagement;
- **Corporate citizenship alignment:**
Impact sourcing promotes responsible supply chains, diverse workforces, local content regulation compliance and improved stakeholder relations.

Impact sourcing is complementary to other supplier diversity and social responsibility programmes. It focuses on the employees of an inclusive business, ensuring that the supplier workforce is representative of the communities in which it operates, as a means of securing the business benefits associated with workforce diversity.

Outsourcing is not offshoring

The GISC has been careful to explain the difference between outsourcing jobs and the sometimes controversial practice of offshoring.

Outsourcing involves commissioning work outside of the company, such as buying services from another company.

Offshoring is about taking a job from one country to another country.

Impact sourcing does not promote the offshoring of work or the displacement of work from one place or company to another. It is about evolving hiring practices within companies and/or industries to be more inclusive in order to reach and equip high-potential individuals from disadvantaged communities with the skills they need to attain viable, sustainable and long-term employment opportunities.

Through impact sourcing, organisations and institutions across the private sector have the opportunity to build stronger and more talented labour pools across their supply chains worldwide.

Creating a job-ready talent pool

Preparing high potential youths for formal employment is an essential part of impact sourcing. Often the public education system does not adequately provide students with the skills to find employment. While companies will often provide technical training, job seekers may be rejected because they lack the behavioural or “soft” skills that employers demand. Training organisations help elevate employment readiness by teaching behavioural skills such as communications, punctuality and capacity to concentrate and complete tasks.

Harambee has operated in South Africa since 2011. In the five years since, the organisation has successfully placed over 27,000 young people in jobs with partner companies around the country. Through its five regional centres in Pretoria, Johannesburg, Durban, Port Elizabeth and Cape Town, Harambee screens and evaluates school-leavers, conducts psychometric testing, helps them develop their work search skills and then advises them on where to look for jobs. The company then matches and places select youth in training programmes in preparation for jobs with Harambee’s partner companies.

Impact sourcing uplifting individuals and communities

Cikiswa and Sabelo are about to complete their studies at the Maharishi Institute, which have included academic subjects as well as work preparedness.



Sabelo (23) will finish his Business Administration degree early next year. There was no money to study at a mainstream university because his father had lost his job and the family had to move to an informal settlement. But his father insisted that he get a degree, and Sabelo is determined to make his father proud.

As part of his training, Sabelo works at a call centre, which helps strengthen his communications skills and job readiness. He has no doubt about where he wants to go:

“I am passionate about management consulting. That’s the industry I want to go into. It’s an industry that focuses on finding solutions. In my community, young people don’t have enough opportunity to make something of their lives. I want to get into that industry so that I can exploit whatever avenues there are to create opportunities for those young people.”

Over the next 10 years, Sabelo sees himself becoming a junior partner in a leading consultancy, or running his own business and giving other young people the opportunities he has had.

“Impact sourcing bridges a gap. It is really making a difference in young people’s lives. It is giving us an opportunity to work in an industry and get valuable job experience. Anybody who gets involved in impact sourcing will definitely benefit.”



Cikiswa (26) left the Eastern Cape after dropping out of the University of Port Elizabeth due to a lack of funds. Now she is finishing a business administration degree at Maharishi Institute and hopes to do an honours degree in marketing and communications next year.

She sees the impact sourcing initiative as an opportunity for young people to get business skills and employment, and she wants to use her experience to give something back to her community.

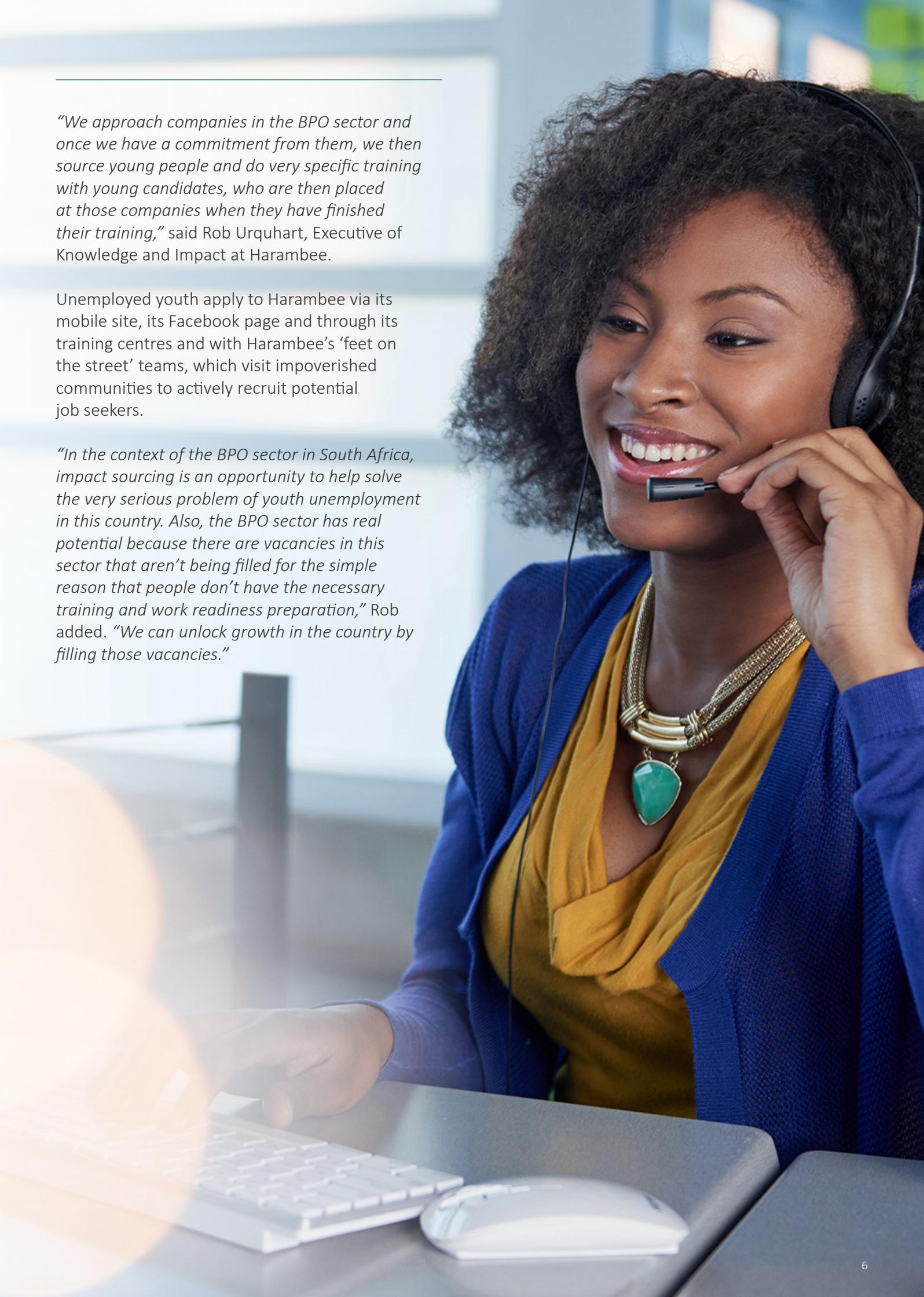
“Impact sourcing is a great initiative. It has opened up a whole new world for me. Once you have learned business skills, you open a lot of doors for yourself. It’s incredible. It changes your life, socially and financially.”

“It also challenges you – you have been given an opportunity, what are you going to do with it? What’s driving you? I will tell other people about the experience I have had and challenge them to get the same experience.”

“We approach companies in the BPO sector and once we have a commitment from them, we then source young people and do very specific training with young candidates, who are then placed at those companies when they have finished their training,” said Rob Urquhart, Executive of Knowledge and Impact at Harambee.

Unemployed youth apply to Harambee via its mobile site, its Facebook page and through its training centres and with Harambee’s ‘feet on the street’ teams, which visit impoverished communities to actively recruit potential job seekers.

“In the context of the BPO sector in South Africa, impact sourcing is an opportunity to help solve the very serious problem of youth unemployment in this country. Also, the BPO sector has real potential because there are vacancies in this sector that aren’t being filled for the simple reason that people don’t have the necessary training and work readiness preparation,” Rob added. *“We can unlock growth in the country by filling those vacancies.”*



Leaders in inclusive hiring

Aegis

Aegis, a leading global outsourcing and technology company, wanted to broaden and diversify its workforce without compromising on talent, skills or levels of quality. The company recognised that South Africa's large population of disadvantaged youth was a pool it could tap into, and sought to engage with this community through partnerships with organisations such as the Maharishi Institute, which could connect Aegis to potential job seekers in this demographic.

Three years after implementing impact sourcing, Aegis has seen great success, including lower attrition and higher motivation levels among impact workers and lower Total Cost of Ownership over the long term.

There were dual benefits that Aegis saw in implementing impact sourcing. First, they were aware of South Africa's large untapped pool of disadvantaged youth that could, with the right training, be transformed into effective and dedicated employees that are likely to out-stay their peers from other backgrounds. Simultaneously, Aegis saw that generating employment for disadvantaged people could contribute significantly to the broader socio-economic development of the communities that Aegis operates in.

Aegis says its impact workers have met all performance expectations and demonstrate higher commitment levels than those of their peers. Some impact workers are even serving international clients with equal efficiency.

SM Gupta, Chief People Officer at Aegis, says implementing impact sourcing is "a win-win-win situation for Aegis as a company, our employees, and our clients". He believes the advantages of embracing diversity and inclusion positively impact the base line revenues of any organisation, and that disregarding the effects or existence of diversity in this new global market will hold organisations and the entire ecosystem back, decreasing productivity and profitability.

Deloitte

Six years into impact sourcing, Deloitte achieved its goals of a diversified workforce and lower costs in South Africa. Deloitte was seeking alternative sources of entry-level talent for its accounting and IT sections. The company recognised that tapping into South Africa's large population of unemployed youth could be the solution to achieving its goals, but needed to partner with government organisations to source and train these individuals.

Initially, Deloitte faced two major challenges in sourcing unemployed individuals: 1) mobilising the right set of individuals, and 2) lack of training among the individuals for a professional services environment. The company partnered with the Finance and Accounting Services Sector Education and Training Authority (FASSET), one of 21 Sector Education and Training Authorities in South Africa. FASSET helps mobilise unemployed youth and offers six months of job-readiness training with a focus on financial and accounting services. The training programme assists with their entry into a professional environment while enabling them to hit the ground running, given adequate process training.

Over the last six to seven years, Deloitte has hired about 300 impact workers for its accounting operations. Today, impact workers comprise 10%-12% of the company's workforce in South Africa. While Deloitte does not measure impact worker performance separately from traditional workers, the company says it has not experienced any challenges in bringing these workers up to speed in the training and delivery process. In fact, Deloitte has found that most impact workers have met all performance expectations, at lower costs, and several impact workers have stayed with the organisation long term, some even taking on managerial roles.

"This primarily started as an approach to look for diverse, low-cost talent. But we soon realised that these unemployed individuals, when trained through FASSET, are a great fit to our talent requirements for entry-level roles," said Sandile Gwala, Executive Director and Head of Managed Services in Africa, Deloitte.



Building a stronger, more talented workforce for the future

The vision of the Global Impact Sourcing Coalition is for all people in the world to have the opportunity to obtain productive employment and decent work. Members advocate for the adoption of more inclusive hiring practices that enhance companies' global competitiveness while achieving long-term, sustainable impact in the communities where it operates.

Members have the opportunity to:

1. Learn how to create jobs that achieve social impact while delivering business benefits such as reduced turnover and higher levels of employee engagement;
2. Shape, inform and test impact sourcing principles and methodologies that will result in a common, globally accepted standards and approach;
3. Share common challenges and successes with peers;
4. Identify opportunities for collective action and partnerships to scale impact sourcing across various geographies and sectors;
5. Evaluate progress and communicate results through a common framework.

About The Rockefeller Foundation

For more than 100 years, The Rockefeller Foundation's mission has been to promote the well-being of humanity throughout the world. Today, The Rockefeller Foundation pursues this mission through dual goals: advancing inclusive economies that expand opportunities for more broadly shared prosperity and building resilience by helping people, communities and institutions prepare for, withstand and emerge stronger from acute shocks and chronic stresses. Together with partners and grantees, The Rockefeller Foundation strives to catalyse and scale transformative innovations, create unlikely partnerships that span sectors and take risks others cannot – or will not. To learn more, please visit www.rockefellerfoundation.org

About BSR

BSR is a global non-profit organisation that works with its network of more than 250 member companies to build a just and sustainable world. From its offices in Asia, Europe and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's more than 25 years of leadership in sustainability.

The GISC is a collaborative initiative between buyers and providers of business services. It is facilitated by Business for Social Responsibility (BSR) as the Secretariat and is supported by the Rockefeller Foundation.

The Coalition is currently under development, with activities being planned in close consultation with participating companies.

To learn more about impact sourcing, the coalition and how you can get involved, contact GISC@bsr.org.

