

WE NEED A NEW SOCIAL CONTRACT. A LOCAL ONE.

Neil McInroy, CEO, CLES

Devolution is an opportunity yet to be fully realised

Devolution to some areas of England has been broadly focused on local economic growth and managing austerity through public sector reform. But with more power to local areas and the advent of Metro Mayors there is potential to forge a new relationship between business, the local state, social sector and citizens—a new local social contract.

This new relationship could be about a deeper collective identification with local place. This, in turn, could prompt deeper levels of social responsibility, business citizenship and philanthropy at the local level. In this, I am neither advocating a small state nor a local replacement for the national welfare

state. Rather, I'm suggesting a deeper enabling role for both the national and local state. This deepening could assist in alleviating the growing pressure on public services and serve to build a more inclusive and just society.

'A deeper enabling role for both the national and local state could build a more inclusive and just society.'

The national social contract is weakened

The national welfare state is the pre-eminent social contract between the state, individual and business taxpayers, citizens and the social sector. In this contract, national tax take is harnessed and used to support national and local state services. It also funds (through service contracts) an array of social and charity sector activity. However, since the foundation of the welfare state, we also have had a more informal part of the social contract. In this, philanthropy and giving from individuals and many businesses—outside of the main tax system—complements and augments welfare state services and activity.

However, some longstanding changes within the welfare state are challenging what can be delivered, and subsequently changing the role of philanthropy and giving.

'Longstanding changes within the welfare state are changing the role of philanthropy and giving.'

Firstly, a never-ending set of austerity policy choices have weakened public services, local government and the welfare state, and the role it plays in ensuring a social safety net.

Secondly, social demand is rising. An ageing population means more pressure is on health and other adult care services. This shows no signs of easing.

Thirdly, the notion of citizenship and public service—as important universal pillars of our welfare state—varies in voracity across the nations of the UK and amongst citizens more generally. This means that there are variations in the strength by which we as individuals are willing to pay into a universal tax system for the greater good of citizenry. This is unfortunate, but we must confront the reality as a national society: that there is less indubitable

support for the system, with more blurring of lines between what is (or should be) state and philanthropy (for example, the rise in foodbanks as response to state welfare changes).

Of course, we could singularly rebuild the national welfare state via a progressive tax system and rekindle the post war national social contract between the state, citizens and business. However, we should aim even higher, by building an even better social contract. One in which new forms of citizenship, concern and a sense of what is socially just is allowed to flourish again.

We need a new, local social contract

Whilst more taxation for a 21st century welfare state is an ongoing and viable political choice—and has been a focus in successive UK general elections—I think there is great promise in devolution as a means of rekindling a shared sense of local citizenship and a local social contract. In this, I am not arguing against the nation state or for further national welfare state shrinkage. Quite the reverse: the national welfare state requires ongoing support and deeper respect, and we must end austerity. However, alongside that we need a reaffirmation of a social contract with an additional focus on the devolved local level; a contract in which place-based giving and philanthropy offers a much needed boost to an ongoing weakening of the social safety net.

‘For ill, public services and citizen need have been increasingly seen as a cost rather than an investment in individual and collective futures.’

The growth of a local social contract is based on the notion that, at the local level, there is a propensity for deep and enduring place-based relationship which the nation state cannot offer. If we consider the national social contract model and welfare state model, it is evident that it has tendency to be remote, housed in central departments, administered by civil servants who are embedded in policies rather than the real-life experiences of place or bespoke social need.

Furthermore, recent austerity has had a pernicious effect within the institutions of the welfare state. For ill, public services and citizen need have been increasingly seen as a cost, rather than an investment in individual and collective futures. A damaging geographic and institutional distancing has been allowed to grow. And with this distancing has come language and behaviours where empathy and identification with deep and genuine levels of need have too often been replaced with unacceptable ideas of benefit shirkers and an undeserving poor.

By contrast, at the local level, a more accessible and deeper relationship between commerce, the local state, and the social sector is possible. We should see devolution as having the potential to galvanise greater civic formation in which all sectors share a collective imagination of that place, offering a greater propensity for agency to identify with the real pain of social decline and act to resolve the social issues and build social justice. The argument here is that devolution and the ‘soft power’ of Metro Mayor relationship building could forge a much deeper set of collaborative and mutual coexistence and innovation within and across all three sectors: public (local state), private and social.¹

In this (see Figure 1), all three sectors have essential qualities. These qualities are needed to collaborate

Figure 1: A local social contract



¹ McInroy, N. 'Building a local civil economy', 9 May 2014.

and produce innovative solutions to pressing social need. This is about: a private sector that brings exchange, wealth creation, philanthropy and giving; a public sector and local state that brings equality and a degree of redistribution, providing public goods and services not provided by the market; and a social sector that brings civic ties and social diversity imbued with reciprocity and solidarity.

The interplay and interdependence, and the resultant innovation could be seen as the basis for a local social contract.² Elsewhere I have called this 'double devolution'.³ By that I mean that the initial devolution of power and resources to the local state could be followed by a new devolved sharing and reciprocity across local state, commerce and social stakeholders. In this model, all three sectors recognise their mutual interdependency. They move to somewhat blur the traditional sectoral silos in the interests of social demand and longstanding injustices.

A local social contract must be supported by greater business citizenship

In our work at CLES, we engage and work with businesses—large and small. In this, we perceive a growing desire to do local social good. Many businesses already give and play a significant role in the social and cultural welfare of places (eg, local business support for a kids' football team, or support for local art festivals). But we need to find more positive ways of getting business to do even more social good.

'We need to find more positive ways of getting business to do even more social good.'

Corporate social responsibility (CSR) refers to responsibilities that business discharge as an individual actor and has become fashionable. The practice includes considering a business' impact as an organisation, in terms of the basic values, policies and practice, within its environmental and social operating context. It also includes giving to communities in the form of gifts and investment in areas of interest to the business.

Yet there are growing questions as to how we are to judge the effectiveness of CSR initiatives. Some critique that CSR has become merely what is *seen* to be given, rather than what is actually given. For instance FTSE 100 companies have been reported as giving increasingly less to charity.⁴ As such CSR, and corporate governance more generally, is subject to review by parliament.⁵ Still, there is no doubt that traditional CSR, is not good enough. We must consider an innovative deepening and broadening of CSR.

Roberto Unger, philosopher and Professor at Harvard Law School has written extensively about the reinvention of society and economic development and the potential of social innovation.^{6,7} Social innovation is about finding new ways in which people, businesses and the state organise themselves to meet social needs and issues.

Taking the work of Unger, we can say that we need business innovation—beyond CSR—where it plays a deeper role in addressing social need and social injustice. This is about a systemic and ingrained behaviour change, one where responsibility to consider and play a role in addressing social need is incorporated into a set of empathic corporate attitudes and approaches. To achieve this, local deep cross-sector narratives and collaborations need to be established and developed—not least around the economic and community benefits of what is called 'business citizenship'.

² McInroy, N (2016) *Forging a good local society: Tackling poverty through a local economic reset*. Webb Memorial Trust.

³ McInroy, N. and Jackson, M. (2015), *The local double dividend: securing economic and social success*. Smith Institute.

⁴ See 'FTSE 100 companies give less to charity', in *Financial Times*, 6 March 2016.

⁵ Department for Business, Energy and Industrial Strategy (2016) *Corporate Governance Reform: Green paper*.

⁶ Unger, R (2007) *The Self Awakened: Pragmatism Unbound*. Cambridge, Mass: Harvard University Press

⁷ Unger R (2015), *Conclusion: The task of the social innovation movement* in Nicholls A et al. (eds) *New frontiers in social innovation research*. Palgrave.

Business citizenship has become increasingly popular when discussing the social role played by business. In the USA, corporate citizenship (CC)⁸ has now become an established part of corporate language⁹. A broad definition of business citizenship can therefore be described as *'a recognition that a business, corporation or business-like organisation, has a social, cultural and environmental responsibility to the community in which it operates, as well as economic and financial ones to its shareholders or immediate stakeholders'*.¹⁰

This link with geographic 'community' within places is of specific interest here. This relates to how a business relates to the place it operates, its role within it, the social and local state collaborations it has and the responsibilities it has to play a deeper, more voracious, philanthropic role.

In terms of the role of businesses in place, work by CLES has considered how businesses can play a wider role in the places in which they are based.¹¹ In this there is already an array of capital in financial terms available in our places, and business could be encouraged to act more as citizens and contribute positively. Small businesses are most closely associated with local communities. So there is potential for employers' organisations, Chambers of Commerce and the Federation for Small Businesses (and other localised business networks such as Business Improvement Districts) to enhance their existing engagement with social organisations. In doing so they can scope out potential for local collaborative working, philanthropy and schemes for bringing the two sectors closer together.

We must respond to the rallying call of place

The recognition of the socio-economic obligations and responsibilities which exist within the local economy between firms, local government and citizens, presents the opportunity to harness these as a means to address social need. However, to reframe business as a mechanism to combat social need is to insist that economic growth and exchange is a whole lot more than point-value transactions, and instead involves reciprocal social relations.

'To reframe business as a mechanism to combat social need is to insist that economic growth and exchange is about more than point-value transactions.'

Generally, devolution and the rallying call around social need within place, is powerful in that regard. Specifically, Local Enterprise Partnerships and public/private growth hubs as trusted business supporters should be upping the social anti. Furthermore, the soft power of Metro Mayors toward business could showcase need, convey social aspirations and convene opportunities for a new reciprocity and giving. Work by Mayor Andy Burnham in Greater Manchester shows what could be done: he's made a 15% sacrifice of his own salary, and has called for business assistance in his homelessness crowdfunding campaign.

Moving forward, a well-funded and respected the national welfare state must be supported and developed, and this should confidently sit—as it always has—with business giving and philanthropy. However, to address growing need and to build new levels of social inclusion and justice, we must go even further. In this devolution, and the promise of a new local social contract including business citizenship, is surely a key element toward a more socially just future.

[This essay is part of a series on transformation from the boldest voices in the sector.](#)

⁸ Carroll, A. B. (1999) *Corporate social responsibility—the evolution of a definitional construct*.

⁹ Altman, B. and Vidaver-Cohen, D. (2000) *A framework for understanding corporate citizenship*.

¹⁰ Stebbins, L. (2001) *Work and family in America: A reference handbook*.

¹¹ CLES (2015) *Creating a good local economy—The role of anchor institutions*.



About the author

Neil McNroy is chief executive of CLES—a charity and research organisation dedicated to economic development and local governance. His current focus is a new economic model for places, which includes economic resilience, collaboration, networks and new forms of public service delivery. He is an Honorary Fellow at the University of Manchester, a Visiting Fellow at Edge Hill University, and chairs the Greater Manchester Poverty Action Group.

TRANSFORMING THE CHARITY SECTOR

NPC is a charity think tank and consultancy. Over the past 15 years we have worked with charities, funders, philanthropists and others, supporting them to deliver the greatest possible impact for the causes and beneficiaries they exist to serve.

NPC occupies a unique position at the nexus between charities and funders. We are driven by the values and mission of the charity sector, to which we bring the rigour, clarity and analysis needed to better achieve the outcomes we all seek. We also share the motivations and passion of funders, to which we bring our expertise, experience and track record of success.

Increasing the impact of charities: NPC exists to make charities and social enterprises more successful in achieving their missions. Through rigorous analysis, practical advice and innovative thinking, we make charities' money and energy go further, and help them to achieve the greatest impact.

Increasing the impact of funders: NPC's role is to make funders more successful too. We share the passion funders have for helping charities and changing people's lives. We understand their motivations and their objectives, and we know that giving is more rewarding if it achieves the greatest impact it can.

Strengthening the partnership between charities and funders: NPC's mission is also to bring the two sides of the funding equation together, improving understanding and enhancing their combined impact. We can help funders and those they fund to connect and transform the way they work together to achieve their vision.

New Philanthropy Capital
185 Park Street, London SE1 9BL
020 7620 4850
info@thinkNPC.org
[@NPCthinks](https://www.thinkNPC.org)

Registered charity No 1091450
A company limited by guarantee
Registered in England and Wales No 4244715

www.thinkNPC.org