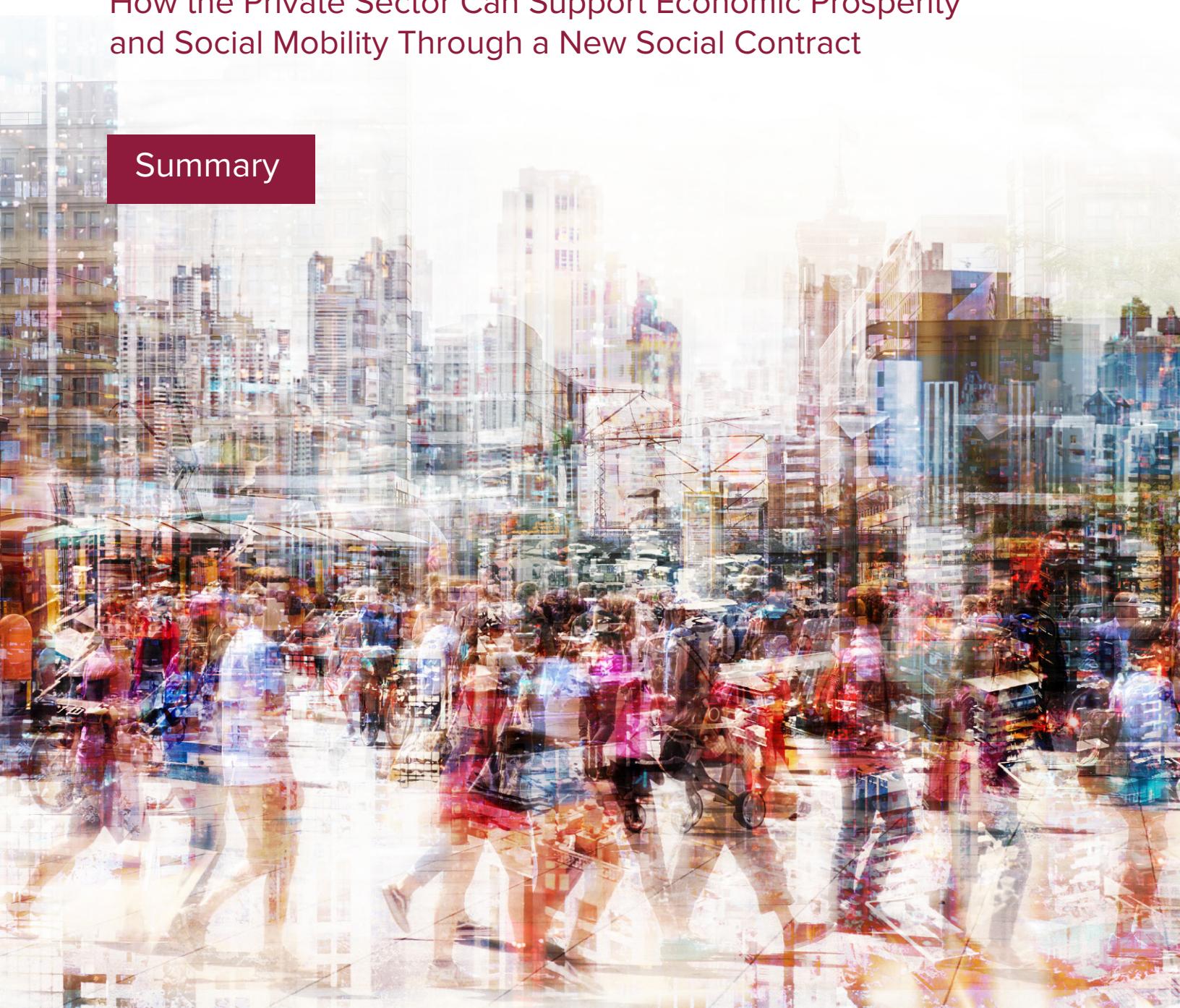


# The Business Role in Creating a 21<sup>st</sup>-Century Social Contract

How the Private Sector Can Support Economic Prosperity and Social Mobility Through a New Social Contract

Summary



# The Business Role in Creating a 21<sup>st</sup>-Century Social Contract

## The Call for a New Social Contract

“

I am convinced that we are entering a new era, in which companies will increasingly be judged by their overall impact on society and the environment. Companies that refuse to assume these responsibilities are doomed.

Isabelle Kocher, Former CEO of ENGIE<sup>1</sup>

”

“

To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.

Larry Fink, Chairman and CEO of Blackrock<sup>2</sup>

”

“

The purpose of a company is to engage all its stakeholders in shared and sustained value creation.

Davos Manifesto 2020<sup>3</sup>

”

“

**The social contract is broken!  
Workers want a New Social Contract  
that delivers decent work for all.**

Sharan Burrow, General Secretary of the International Trade Union Confederation<sup>4</sup>

”

“

It is more critical than ever that businesses in the 21st century are focused on generating long-term value for all stakeholders and addressing the challenges we face, which will result in shared prosperity and sustainability for both business and society.

Darren Walker, President of the Ford Foundation<sup>6</sup>

”

“

**We do not consider the purpose of this company to be returning money to shareholders. There is a broader purpose.**

Emmanuel Faber, CEO of Danone<sup>5</sup>

”

# The Role of Business in the 21st-Century Social Contract

## PRINCIPLE 1

### Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

## PRINCIPLE 2

### Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

## PRINCIPLE 3

### Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

## PRINCIPLE 4

### Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

## PRINCIPLE 5

### Worker Data Protection

Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.



# Executive Summary

**The social contract—the relationship between individuals and institutions—needs an overhaul.** For much of the second half of the 20th century, in the mature economies of the global north, the roles and responsibilities of business, government, civil society, and people remained relatively constant. This social contract provided vital protections to support healthy and productive lives. But today, people increasingly find that they are relying on strained protection systems that fail to keep up with our 21st century realities.

**Profound and interconnected changes are causing upheaval in our world and in our economy.** We are living in a time marked by undue income inequality, declining living standards for many, great anxiety over the changing nature of work, shifting needs for education and skill development, and unstable public benefit systems. Other structural changes include a rise in global competition, new business and employment models, technological advancements that create both untold opportunity and significant ethical questions, demographic changes, the climate crisis, and new social and cultural norms. Underpinning these changes is the escalating climate crisis and the need to shift to a net-zero greenhouse gas (GHG) emissions economy.

**These challenges come as we enter the decisive decade of the 2020s.** The next 10 years will be critical for business and society as we aim to deliver on the 2030 Sustainable Development Goals (SDGs), the template for social and economic progress, and aim to peak emissions and become carbon neutral, in line with the Paris Agreement. At the same time, criticism is on the rise over the value of capitalism and the purpose of business as more and more people recognize the link between our economic system, environmental degradation, and inequality.

**As we publish this paper, the COVID-19 pandemic is presenting the world with a health and economic disaster unprecedented in modern times.** In the United States, the flawed social safety net is failing to meet the needs of our neighbors, coworkers, and families through a lack of access to healthcare, the extreme vulnerability of gig economy workers, the absence of paid sick leave, inadequate childcare, and insufficient unemployment insurance. Moreover, governments around the world have intervened in the economy in ways unseen since World War II (WWII). This reordering of the roles of the public and private sector will continue in the years ahead. The crisis is changing our world, and we have a unique opportunity to build a new social contract that supports a stable and thriving economy by enabling everyone to participate in and benefit from economic activity.

**There is also an urgent need to ensure that new social contracts embrace diversity, equity, and inclusion (DEI).** DEI approaches are critical to address both chronic inequities and the disproportionate impacts of COVID-19. Furthermore, there is a global call to address systemic discrimination, especially racial justice, in the wake of the killing

of George Floyd and a heightened sense of urgency for structural and institutional reform. We have integrated DEI into each of the principles underpinning this paper, rather than making it a “standalone” principle, based on the belief that all aspects of the social contract, and all aspects of business action to advance the principles, should use DEI as a foundational element. Long-standing structural barriers to participation in the economy can, for example, be addressed with heightened attention to diversifying corporate governance and leadership. Ensuring career pathways and skill development must take into account populations that historically have been excluded from opportunities, may be most vulnerable to developments such as automation, and may be especially impacted by the economic dislocation which we are experiencing in 2020. A truly functioning and fair social safety net must address these challenges in a way that promotes fairness and also a thriving economy that benefits from full participation.

**Business has significant incentives and assets to contribute to the development of new social contracts**, including enhanced business performance and business resilience, improved talent attraction and retention, a stronger social license to operate reflecting greater stakeholder trust, and more stable societies and economies. Business cannot thrive in an environment that risks disruption and backlash due to a lack of economic fairness and opportunity. In the wake of the pandemic, we are calling for business to “meet the moment and build the future.” In doing so, resilient business strategies will be fundamentally important to business success as well as economic and social recovery.

**This paper calls for ambitious business action to build a modern and stable pact between individuals and institutions.** Business can contribute to new social contracts through the following five principles:

-  1. **Stakeholder Capitalism:** Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.
-  2. **Skill Development and Career Pathways:** Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.
-  3. **Economic Security and Mobility:** Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.
-  4. **Just Transition to Net-Zero GHG Emissions:** Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.
-  5. **Worker Data Protection:** Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

**The business role in shaping a modern social contract is based on a variety of opportunities for companies to “act, enable, and influence.”** A company can act within its four walls to adjust business strategies and policies to address inequity, provide opportunities for historically marginalized communities, and deliver long-term value to stakeholders. Companies can enable workers and communities to thrive as automation and the transition to a low-carbon economy take hold by partnering with civil society and other stakeholders to address skills gaps and benefits coverage. Companies can also influence the surrounding environment by advocating for strong public policy which supports critical elements of the social safety net. Crucially, business can take these steps in ways that enable business innovation to flourish, and companies will want to address elements that are most relevant to their company and stakeholders.

**The social contract cannot—and should not—be modernized by business alone. Doing so requires a shared effort that brings together companies, governments, workers and their representatives, and civil society organizations.** This paper focuses primarily on the role of business and the need to activate the business voice in favor of a new social contract that meets peoples’ needs.

**Given the urgency as well as the scale and complexity of the challenges ahead, we need high ambition, big vision, and large-scale collective action.** We are facing both long-term structural changes and calls for urgent action at the same time. The economic and public crisis brought on by the COVID-19 pandemic, heightened attention to the need to address systemic discrimination, and the climate crisis and ongoing march of technology make clear that we are at a turning point in history. We can be “present at the creation” of new models in the same way the post-war generation laid the groundwork for decades of prosperity and social progress. By starting today and working together, we can “meet the moment and build the future” to ensure our social contract is fit for the 21st century, helps support a resilient, fair, and sustainable economy that respects the natural boundaries of our planet, and puts our society on a path to deliver truly shared prosperity.

# Principles for Business Action to Modernize the Social Contract

## PRINCIPLE 1



### Stakeholder Capitalism

Reorient business strategies to focus on long-term value creation based on a multi-stakeholder model.

#### ACTIONS

1. Align corporate strategy and key business decisions with long-term value creation for all stakeholders.
2. Ensure that governance structures, including board and executive leadership, are inclusive and consider the interests and perspectives of all.
3. Design performance assessment, accountability systems, and external reporting to achieve and support long-term value creation.
4. Pay fair share of taxes, report publicly on tax payments by jurisdiction, and ensure lobbying is consistent with fair tax policies.
5. Reduce the earnings gap between executive and non-executive employees.
6. Embed diversity, equity, and inclusion (DEI) across all aspects of business operations.
7. Align policy advocacy, participation in industry associations, and monetary contributions with environmental and social objectives.

## PRINCIPLE 2



### Skill Development and Career Pathways

Enable all workers to achieve sustainable livelihoods while also meeting workforce needs for companies to thrive and compete in a fast-changing economy.

#### ACTIONS

1. Create high-quality employment opportunities that support peoples' livelihoods, resilient businesses, and healthy communities amidst deep structural change.
2. Offer beneficial career pathways that meet current and future employment needs and attract, retain, and engage staff.
3. Focus on DEI in hiring, training, and advancement to ensure that workforces reflect the entirety of society and that career pathways are accessible to all.
4. Establish worker training programs that develop productive, adaptive, and agile workforces that boost competitiveness and innovation.
5. Partner with educational institutions and skills-development programs to shape 21st-century skills curricula aligned with emerging skills gaps and future labor market needs.

## PRINCIPLE 3



### Economic Security and Mobility

Contribute to the strengthening and modernization of the social safety net to ensure and promote economic security and mobility.

#### ACTIONS

1. In response to the COVID-19 pandemic, call for social safety net reforms that address both broadly applicable needs and the specific, disproportionate impacts on marginalized communities.
2. Advocate for a social safety net that enables all people to meet their basic needs.
3. Advocate for social safety net provisions and labor law protections to be accessible to all workers, regardless of their employment status or job classification.
4. Advocate for wage levels and related income programs that enable workers to support themselves and their families. In the absence of such laws, pay a living wage to all direct employees, and encourage contractors and suppliers to also pay their workers a living wage.
5. Promote full and equitable access to social infrastructure (housing, education, transport, the legal system) and technology in support of widespread economic opportunity and vitality, with specific effort to ensure that access is available to traditionally marginalized communities in general and BIPOC in particular.

## PRINCIPLE 4



### Just Transition to Net-Zero GHG Emissions

Create high-quality green job opportunities and support workers and communities displaced in the transition to a net-zero GHG emissions economy.

#### ACTIONS

1. Generate inclusive low-carbon employment opportunities, and manage the impacts on workers transitioning from high-carbon roles.
2. Advocate for policies that enable the generation of high-quality low-carbon jobs and for those displaced from high-carbon roles to shift to new livelihoods.
3. Work toward a just transition for people and communities through social dialogue and stakeholder engagement.

## PRINCIPLE 5



### Worker Data Protection

Ensure that implementation of new technologies is aligned with international human rights standards and that data stewardship practices protect the privacy and nondiscrimination rights of workers.

#### ACTIONS

1. Undertake forward-looking assessments into the social, economic inclusion, and human rights impacts of disruptive technologies.
2. Secure meaningful and informed employee consent for worker data collection.
3. Use data analytics and digital tools to enhance the recruitment and management of healthy, diverse, and inclusive workplaces.
4. Advocate for new international standards and guidance on privacy in the workplace for the digital era.



## ABOUT BSR

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