



The Business Role in Creating a 21st Century Social Contract

HOW THE PRIVATE SECTOR CAN SUPPORT ECONOMIC PROSPERITY
AND SOCIAL MOBILITY THROUGH A NEW SOCIAL CONTRACT
NOVEMBER 2019

OVERVIEW

This working paper describes the need for a social contract fit for the 21st century, the business case for contributing to its development, and a vision for a new social contract, with six principles to guide business action. With these principles, BSR aims to promote business action, including policies and practices that support social mobility and protection; collaboration between business and other stakeholders; and business participation in policy dialogues needed to modernize the social safety net. While this paper is primarily U.S.-focused, looking at both the state and federal level, it touches on global issues, which may be the subject of future BSR activity.

Commencing with BSR's 2019 conference, we will solicit input from BSR member companies and other key stakeholders on the ideas shared in this working paper. This dialogue will seek commentary to refine the principles and identify actionable steps companies can take to apply the principles. The final paper will be published early in 2020 and will serve as the basis for ongoing dialogue and action through 2020 and 2021.

To provide feedback on the Principles, please contact Katie Abbott at kabbott@bsr.org.

WHAT ARE SOCIAL CONTRACTS?

Social contracts are the accepted conditions, rules of behavior, roles, and responsibilities of societal actors that allow for a healthy and flourishing society. Social contracts are designed for, and created through, both formal and informal means involving citizens, government, business, employees and their representatives, and civil society organizations. Effective social contracts enable businesses, workers, and society to thrive together. The core elements of the social contract involve the safety net administered by government, and paid for by citizens and business, and the employment rules governing relationships between enterprises and workers. The social contract also defines the relative roles of employers and government as they relate to social protections, employment rules, and taxation. In the 20th century, the social contract expanded to provide protections related to retirement pensions, healthcare, safe working conditions, work hours, vacation, and family leave. Ideally, social contracts adapt to societal and economic changes to remain effective and to support social and economic stability.

Why Do We Need a 21st Century Social Contract?

THE CURRENT SOCIAL CONTRACT IS NO LONGER FIT FOR PURPOSE

The social contract that was established in the wake of the Great Depression helped enable economic prosperity and mobility in the second half of the 20th century. We have seen substantive material progress across our economy and society: Lifespans are longer, women have entered the formal workforce in significant numbers, educational levels have increased, workforce opportunities have expanded for people who were traditionally excluded, the absolute standard of living has risen for many segments of society (even as income inequality has grown), and today's opportunities for information, travel, and entertainment were unimaginable 50 years ago.

We are now in the midst of a significant social, economic, and cultural transition. The first two decades of the 21st century have been marked by rapid technological innovation, economic volatility and rising income inequality, demographic and cultural change, and new business models and work arrangements. These profound and interconnected changes are ongoing. They continue to put a variety of pressures on the social contract, specifically through:

- » **Global competition:** Offshoring, new economic competitors, access to both lower-wage and higher-skilled workers, and shifting immigration patterns are changing the composition of U.S. industry and the types of jobs available, while challenging the education system in novel ways to maintain a competitive workforce.
- » **New business and employment models:** The gig economy, increased use of contracting, and flexible work arrangements are disrupting traditional work models and prompting concerns among workers regarding the quality and availability of jobs. A lack of job security, unpredictable work schedules, reduced benefits, lower wages, and new workplace safety risks make it harder for workers to find jobs with the necessary wages, benefits, and skills training to thrive and advance.
- » **Technological advancement:** The rise of AI, automation, and other disruptive technologies is affecting how and where we work, as well as the quantity and quality of jobs. Low-income and low-skilled workers face particularly high risks of job displacement, while companies have acquired control over a vast and increasing amount of worker data. Combined with globalization, this has reduced the supply of well-paying manufacturing jobs that require only basic levels of education and has, in part, led to a fall in trade union representation.
- » **Demographic changes:** Longer lifespans and an aging population are putting pressure on a declining benefit pension system and putting the economic security of the aging population at risk. Migration and urbanization—along with a greater understanding of, and respect for, diversity and inclusion—are expanding opportunities for employers to secure talent.
- » **New cultural context:** The decline of the traditional nuclear family, demands for gender equality across industries, the entrance of women of color into the workforce at unprecedented rates, and new expectations for sharing the burdens of care for both younger and older dependents are heightening worker demands for flexible work arrangements and for worker benefits that include paid and equal parental leave, family leave, and childcare and eldercare benefits.
- » **Climate change:** The shift to a net-zero economy by midcentury and efforts to enhance climate resilience are likely to spur significant job displacement and migration patterns, creating new requirements for the social contract.

- » **Increasing inequality:** Income and wealth inequality have soared in many countries, in part due to the disintegrating connection between productivity and wages, as well as the rise of the “winner take all” economy and the lessening of progressive taxation. This rise in inequality is prompting worker unrest and demands for higher wages and benefits, as well as social and political movements calling for more equitable growth.

Although the underlying conditions that gave rise to the old social contract have passed, we are still investing capital, applying public policy, and building businesses based on outdated conditions and assumptions. People increasingly find that the protections on which they rely are strained or have grown less relevant. The challenges are clear: Governments are hard-pressed to fund and maintain the social safety net; business has not yet been able to balance new work arrangements with human capital development, work benefits, and protections; and citizens and employees face more uncertainty about their security, prosperity, and upward mobility.

Today’s reality is that continuing on the path toward a more prosperous and equitable society will require a change in the social contract that underpinned 20th century progress. We need a new social contract that addresses the profound changes in our society, reshapes the way we govern work to achieve social mobility and economic security for more people, and ensures that business can innovate and deliver value while government secures social stability and fairness. We also need to recognize new elements that are critical to the modern context: The social contract must expand to address such contemporary factors as the emerging energy transition driven by climate change, the data economy, and new power dynamics. As we help shape a new social contract, we must also prepare for uncertainties about the future, such as the prospect of automation, the capability of government to shore up social safety nets, the ability of educational systems to keep pace with change, the potential growth of alternative economic models, and the possible rise of social and political movements demanding more equitable growth.

A NEW SOCIAL CONTRACT IS GOOD FOR BUSINESS

We envision a future in which companies contribute to the development of a new social contract that supports economic security, social mobility, and a durable social safety net in a modern context. The stakes are high for business. In the context of profound global changes and challenges, business action will not only shape a society whose workers and communities thrive but will also benefit business itself by creating a more stable operating environment with more widely shared prosperity. A shared set of assumptions about the social contract will also provide a more predictable foundation on which innovation can occur. Business has significant incentives to contribute to—in concert with others—the development of a new social contract. Doing so would provide greater clarity about the changing nature of work and the best ways to develop the skills needed for companies to compete and innovate. Companies stand to gain from enhanced business performance, improved talent attraction and retention, a stronger social license to operate (reflecting greater stakeholder trust), and more stable societies and economies.

Business needs social and economic stability to thrive. Strong social contracts both enable and reflect the social stability that business needs to thrive. The social contract that emerged in the second quarter of the 20th century ushered in a long period of prosperity and social stability. Business will struggle to thrive in a world where society’s basic rules are neither understood nor supported by the public. Income inequality—in addition to being unjust—stirs social and political volatility that can disrupt business and the economy. Indeed, high levels of

economic vulnerability and public dissatisfaction regarding economic opportunities has undermined support for the open markets and global trading on which business relies.

Strengthen human capital development for the changing workforce. Just as workers face uncertainties in the changing economy and enterprises of the 21st century, employers also need to ensure they have a workforce prepared for the modern economy. Technological disruption to traditional jobs is likely to change the mix of necessary skills as much or more than it destroys employment. A new social contract can help ensure that public and private sectors contribute to the development of needed skills, and that students and employees can access the training opportunities they will need to navigate a new world of work.

Provide a supportive foundation for innovative business models. We are living through a period of major transformation and innovation, including the onset of business models that apply new work arrangements. Notwithstanding the value of more flexible models, there is a corresponding need to provide safeguards for workers and minimize the socialization costs of these new models. With little present consensus on the ground rules for new work arrangements, uncertainty and risk inevitably await companies adopting them. A modern social contract that provides clear rules and responsibilities with respect to workers will allow companies to experiment with new work models, granting enterprises the license to innovate.

Address concerns about the role of business in society. Wide, deep discontent regarding the role of business in society is being expressed across the political spectrum, including by business leaders that range from Larry Fink to Marc Benioff. Business is widely seen as focusing too much on its narrow interests at the expense of the public interest. This coincides with mounting calls for business to address the needs of stakeholders, not merely shareholders, as expressed recently by the Business Roundtable. The disconnect between current conditions and the fraying protections of an aging social contract heightens the popular sense of uncertainty and economic vulnerability and results in mistrust of business, seen by many as engaging in lobbying, tax practices, and employment practices that weaken the social contract. Business can address this debate, in part, by playing a strong role in reshaping the social contract. It can demonstrate concern that transcends short-term profit in favor of tax fairness, reduced income inequality, and restored economic mobility and security. Business, with its great understanding of the needs and skills of workers, can play an important role in enabling their needs to be met while supporting society through core activities: delivering products and services, investing in local communities, and providing quality employment. Amid so much public skepticism about business, these assets can be put to good use in the public interest.

Meet expectations of employees and customers seeking businesses that reflect their values. Business can address growing evidence that customers and employees are drawn to companies that reflect their values by taking action on the social contract. First, companies that move to help forge a modern social contract will be demonstrating values in action, which polling data suggest matters increasingly to consumers. Second, activating the business elements of a modernized social contract can attract both talent and customers. A company that invests in creating inclusive workplaces can retain and motivate the best talent and will be viewed as an employer of choice by prospective hires. Employees offered such social protections as parental leave, childcare incentives, retirement, and health coverage are more likely to feel satisfied at work—and less likely to leave.

SIX PRINCIPLES FOR BUSINESS ACTION TO MODERNIZE THE SOCIAL CONTRACT

Our times demand ambition, innovation, and risk-taking for society and business to thrive. A strong, modern, and stable social contract is crucial to creating the conditions in which this can happen. We believe that a principles-based approach is the best way for business to engage in this essential shift. With the principles outlined in this paper, BSR defines a clear business role in what can be a broad and complex subject. Business can align to these principles and take action by creating ambitious policies and practices within their enterprises, developing innovative partnerships, and participating in constructive policy dialogues.

With these principles, we aim to galvanize action by the private sector, as well as influence other stakeholders to advance practical and integrated solutions. Reforming the social contract is beyond the capacity and resources of one sector; it must be shared and addressed collaboratively. That the social contract is often viewed as primarily a question for government does not mean there is no role for business. Just as government cannot solve challenges in education and healthcare independently, business cannot solve employment challenges without help. For business, labor, and government to address changing economic and social conditions, we need collaboration across all sectors. Given the urgency and complexity of the challenges ahead, collective action must start today.

To build an inclusive and prosperous society in which businesses, workers, and communities thrive together, **we propose a new vision for a 21st century social contract that can:**

- **Bolster business** so it can innovate, deliver value, contribute to shared prosperity, and contribute to a U.S. economy that is competitive, inclusive, and sustainable;
- **Support smart public policy** to ensure social stability, fairness, and economic security and mobility;
- **Enable people to meet their needs amid fundamental social and economic change** via labor market participation, workplace protections, opportunities for economic advancement and security, and a functioning safety net; and
- **Prepare business, workers, and government for the transformative changes sweeping the economy**, not least the transition to a clean-energy economy, automation, and other disruptive technologies, as well as significant cultural change.

To achieve this vision, business engagement is essential, and should be based on the following principles:

1. THE ROLE OF BUSINESS IN SOCIETY

Strengthen the business purpose through commitments that foster long-term business value and address stakeholder interests.

2. HUMAN CAPITAL DEVELOPMENT

Support skill development and career pathways to prepare workers for the jobs of the future.

3. ECONOMIC SECURITY AND MOBILITY IN TRADITIONAL WORK MODELS

Promote economic security and a social safety net to enable individuals and families to meet their needs.

4. ECONOMIC SECURITY AND MOBILITY IN NONTRADITIONAL WORK MODELS

Modernize employment practices to invite new work arrangements that allow both innovation and economic security.

5. TRANSITION TO NET-ZERO ECONOMY

Maximize economic opportunities and minimize dislocation in the transition to a low-carbon economy.

6. DIGITAL TRUST AND ACCOUNTABILITY

Implement ethical data stewardship practices to protect the privacy and nondiscrimination rights of workers.

Principles: The Business Role in a 21st Century Social Contract

1. THE ROLE OF BUSINESS IN SOCIETY

STRENGTHEN THE BUSINESS PURPOSE THROUGH COMMITMENTS THAT FOSTER LONG-TERM BUSINESS VALUE AND ADDRESS STAKEHOLDER INTERESTS.

There is widespread discontent with the role of business in society. This is being expressed both inside and outside the private sector. The conceptual framework holding that shareholder primacy, competition, regulation, and taxation are all that is needed to align the interests of business and society has proven inadequate to the task. More and more business leaders and organizations are acknowledging and addressing this issue. The recent action of the Business Roundtable, America's foremost CEO network, in removing shareholder primacy from its statement of purpose and pledging that CEOs lead for the benefit of all stakeholders, such as customers, employees, suppliers, communities, and shareholders, is just one example.¹ In a similar vein, Salesforce founder Marc Benioff has called for "the end of capitalism as we have known it."² Underlying the importance of these initiatives and perspectives is the fact that the private sector does not operate in a vacuum. It is a creation of and depends on society's legal, social, and political systems, which protect its assets and provide it with a social license to operate, as well as such critical public resources as healthcare, education, and physical infrastructure. This is one reason why there is a growing number of alternative corporate charter models, not least the B Corps (benefit corporations) movement.

Failure to align with the expectations and requirements of key stakeholders could cause irreparable harm to the prospects of any business, along with an ever-increasing cascade of social activism by civil society groups, investors, and public officials. Businesses must seize opportunities to mitigate risks, drive collective solutions to social and environmental challenges, and rebuild relations with stakeholders. Consumer boycotts and employee demonstrations calling on specific companies to take stands on such issues as a woman's right to choose, migration, and climate change demonstrate strong and growing popular interest in company engagement with issues beyond financial returns. A recent Accenture survey found that more than 62 percent of consumers want companies to publicly demonstrate commitment on social issues;³ a Deloitte survey of millennial workers found that only 24 percent of respondents believed that a company's primary goal should be profit and shareholder gain.⁴ Meanwhile, in direct response to growing disquiet about income inequality, a number of states and cities have implemented (for example, Portland, Oregon) or have proposed measures to tax companies according to the size of their CEO/worker wage gaps.⁵

¹ Business Roundtable, "Business Roundtable Redefines the Purpose of a Corporation to promote "An Economy that Serves all Americans," August 2019.

² New York Times, Oct. 14, 2019, "Marc Benioff: We Need a New Capitalism".

³ 2018 Accenture Global Consumer Pulse Research, "To Affinity and Beyond".

⁴ 2018 Deloitte Millennial Survey, pg. 6.

⁵ Corporate Law News, "Taxing CEO-Worker Pay Gap Catches on in San Francisco, Elsewhere," October 28, 2019.

Companies are responding by adjusting internal policies and practices and leveraging support from government, civil society, and business partners. A minority have established executive compensation plans based, in part, on the achievement of environmental, social, and corporate governance criteria, or have aligned their business objectives with the UN Sustainable Development Goals; a few companies have done both. Such new corporate forms as B Corps and more familiar models such as cooperatives and employee stock ownership plans have gained traction as ways of aligning strategy and actions to respect and protect people, communities, and the environment. Key performance indicators should measure the impacts of these changes on all stakeholders, from investors and employees to communities, and engagement with such key external stakeholders as governments, investors, and industry associations should put forth the rationales and expected benefits. While companies must engage with governments on issues such as taxes and regulation, their objective in doing so should align with their broadened approach to corporate purpose, taking into account the responsibility to address social and environmental issues.

2. HUMAN CAPITAL DEVELOPMENT

SUPPORT SKILL DEVELOPMENT AND CAREER PATHWAYS TO PREPARE WORKERS FOR THE JOBS OF THE FUTURE.

Since the advent of the industrial revolution, the nature of work has gone through numerous periods of significant change, and we are in the midst of another major shift. The primary drivers of this change are technology (automation, digitization, etc.), globalization, and demographics. As during other periods when the nature of work changed, today's business sector, government, and educational institutions clearly need to support workers in developing new skills to match the needs of our evolving economy. While primary and secondary education provided a direct path to well-paying jobs in previous eras, this no longer applies to many industries; the necessary skills, capabilities, and knowledge have substantially increased, resulting in a "skills gap"—and a directly related "wage gap." The decline of long job tenure also means that most people will change jobs frequently, and their mix of skills will need to keep evolving. Ensuring that people have the skills they need to thrive, and that business will have access to workers with the skills it needs, will require collaboration and educational models that invite lifelong learning.

According to the World Economic Forum's 2018 Future of Jobs report, employers expected that by 2022, the set of skills required to perform most jobs would increase by nearly 50 percent.⁶ Reflecting this significant challenge, PWC's 22nd Annual Global CEO Survey found in 2019 that 34 percent of chief executives are extremely concerned that a lack of key skills threatens their companies' ability to expand, and this risk was in the top 10 in all regions of the world.⁷ This aligns closely with the idea that "the extent to which an individual gains or loses from automation will depend on their level of skill as well as the degree of 'skill bias' embedded in new technology."⁸ The workplaces of the future will require both soft skills and a new set of technical skills (AI and machine learning,

⁶ World Economic Forum, "Future of Jobs Report 2018," pgs. 8-9.

⁷ PWC, "22nd Annual Global CEO Survey," pgs. 17-19.

⁸ <https://www.citivelocity.com/citigps/technology-work-v2-0/>.

process automation, human-machine interaction, etc.); they are effectively reducing the need for repetitive tasks and manual labor while heightening the need for continuous learning.

Business success in an era of transformative change will increasingly require strong support for, and intense collaboration in, the education and training of workers in order to sharpen their skills and ensure their access to meaningful career pathways. There are multiple avenues for business to engage with public agencies, education providers, civil society, and business partners in matching educational outcomes to the pace of change. Critical avenues include enhanced support for STEM education; active labor market policies; the design of innovative approaches to reskilling programs in partnership with community colleges and universities; and engagement with suppliers and other business partners to support skill development across industries and society. To maximize impact, companies should align these external initiatives with internal moves to reconceptualize training, incorporating specialized and broad-based skill development based on modern learning strategies and digital technologies. Just as important will be efforts to redesign jobs in ways that incorporate training opportunities, incentivize the acquisition of skills and capabilities, and create inventories of skills, enabling them to be tracked and analyzed.

3. ECONOMIC SECURITY AND MOBILITY IN TRADITIONAL WORK MODELS

PROMOTE ECONOMIC SECURITY AND A SOCIAL SAFETY NET TO ENABLE INDIVIDUALS AND FAMILIES TO MEET THEIR NEEDS.

For a large part of the American workforce, economic security and income mobility have declined in recent decades. Since 1990, real weekly earnings for full-time employees have grown 10 percent, barely faster than inflation and not nearly as much as productivity.⁹ Over the same period, the net worth of working-class and poor households has declined in real terms by 20 percent, owing to an escalating accumulation of debt.¹⁰ Income inequality has reached its highest point in the past 50 years, with 25 percent of Americans lacking savings for retirement.¹¹ The social safety net, a joint effort of government and the private sector, has shrunk with the government programs supporting work transitions (unemployment insurance, occupational retraining, etc.) and the broad disappearance of defined-benefit pension plans. The most recent statistics show that only 16 percent of Fortune 500 companies still offer traditional pensions.¹² Exacerbating these trends are the challenges facing funding for Social Security and Medicare, core social benefits paid for by virtually every American. Economic mobility has declined or stagnated, too. A recent study of detailed tax returns shows relative intergenerational mobility stagnant since the 1970s and absolute income mobility on a downward path since the 1940s.¹³ Stagnant wages, declining wealth, increasing inequality, a shrinking social safety net, and the rising costs of healthcare,

⁹ Congressional Research Service, “Real Wage Trends, 1979-2018.”

¹⁰ The Federal Reserve, “Balance Sheets of Households and Non-Profit Organizations, 1952 – 2019”; and “Trends in the Distribution of Wealth Are Even Scarier Than Trends in Income,” Ed Dolan’s Econ Blog, August 4, 2019.

¹¹ American Sustainable Business Council; and Project Syndicate, “America’s Uneven Future of Work,” Laura Tyson and Susan Lund, September 3, 2019.

¹² Fast Company, “How to Save Capitalism from Itself,” Darren Walker.

¹³ National Bureau of Economic Research, “[The Fading American Dream: Trends in Absolute Income Mobility Since 1940.](#)”

education, and housing have cumulatively fostered a socioeconomic condition of increasing risk and decreasing economic security and mobility for a substantial portion of the U.S. working population.

A workforce experiencing significant and rising levels of economic insecurity and declining opportunities for economic mobility is bad for business in many ways. It can negatively impact workplace relations and lead to lower worker engagement, output, and productivity. Eventually, it can result in curtailed consumption of goods and services. Heightening concern for business, the likely evolution of work in the context of technological change (digitization, automation, etc.) is already altering the nature of working tasks and is predicted to cause widespread reductions in the number of mid- and low-skilled jobs, potentially exacerbating workers' economic insecurity and declining mobility.

The private sector has a direct interest in taking steps to enhance worker security and mobility, some of which it can do on its own and others to be addressed in collaboration with government and civil society. Companies can commit to wage levels that allow workers to meet basic needs; assess and correct gender-equity pay gaps; evaluate CEO/worker pay ratios and reduce the large and growing disconnect between them; extend benefits to all employee categories; support employment transitions through meaningful severance payments; offer pension programs tied less directly to market outcomes; and not oppose efforts to establish collective workplace representation. Business can also contribute to constructive engagement with government on policies that enhance economic security and mobility, such as affordable healthcare and childcare, unemployment insurance, and housing opportunities. Directly engaging with government and civil society organizations around the changing nature of work and how it will impact employment opportunities and career paths—and how to address the needs of displaced workers, regardless of how it happened—would also make a significant difference.

4. ECONOMIC SECURITY AND MOBILITY IN NONTRADITIONAL WORK MODELS

MODERNIZE EMPLOYMENT PRACTICES TO INVITE NEW WORK ARRANGEMENTS THAT ALLOW BOTH INNOVATION AND ECONOMIC SECURITY.

The shift away from full-time employment in a traditional job to a variety of nontraditional arrangements, including contract, freelance, flexible, part-time, on-demand, and gig-economy workers, has been drastic. In 2019, 28 percent of American workers are full-time freelancers, up from 17 percent in 2014.¹⁴ At nearly \$1 trillion annually, freelance income currently makes up almost 5 percent of U.S. gross domestic product, representing nearly half the size of the manufacturing sector.¹⁵ At the same time, long-term employment has declined as workers change jobs more often. In January 2018, the Bureau of Labor Statistics reported median employee tenure as 4.3 years for men and 4.0 years for women.¹⁶

¹⁴ <https://www.forbes.com/sites/elainepofeldt/2019/10/05/full-time-freelancing-lures-more-americans/#6bfcb2227259>.

¹⁵ <https://www.upwork.com/i/freelancing-in-america/2019/>.

¹⁶ <https://www.bls.gov/news.release/pdf/nlsoy.pdf>.

These new employment models sometimes offer useful flexibility, but present risks for both workers and business. Less-predictable employment, reduced benefits coverage, and lower wages make it harder for workers to find jobs with the wages, benefits, and skills training to get ahead. Such workers have less security, prosperity, and upward mobility than their full-time counterparts. The potential ramifications are immense. Income volatility and loss of benefits, including healthcare and vacation time, can adversely affect family stability, mental health, and the opportunity for employment advancement. Businesses also face challenges in a shifting legal landscape; California's Assembly Bill 5 limits the classification of workers as independent contractors, rather than employees.¹⁷ Companies also face employee walkouts and strikes, including a 2019 strike by Lyft and Uber drivers protesting low wages, long hours, poor working conditions, and a lack of benefits.

A 21st century social contract should institute a system wherein all workers have the opportunity to receive workplace protections and benefits. Companies could incorporate workforce planning for worker classifications; ensure that workers not in traditional full-time jobs are paid in accordance with at least statutory wage and hourly requirements; ensure that workers, regardless of their situation, have terms and conditions (such as benefits, scheduling practices, unemployment, transition support, etc.) that support an adequate standard of living; and commit to engage with the flexible-worker population to better understand its needs and concerns. Companies could work with industry associations to create best-practice standards for flexible workers and engage with suppliers to adopt them when employing flexible workers. In the emerging policy environment, companies could encourage government to support decent working conditions for flexible workers, work with policymakers to develop portable benefits systems and take a public stand against worker misclassification.

5. TRANSITION TO NET-ZERO ECONOMY

MAXIMIZE ECONOMIC OPPORTUNITIES AND MINIMIZE DISLOCATION IN THE TRANSITION TO A LOW-CARBON ECONOMY.

Without action, uncontrolled climate impacts on economic growth, jobs, health, and livelihoods will be severe. To avoid these impacts, it is essential to reach net-zero emissions in the second half of this century, as stipulated by the Paris Agreement and embraced by a growing number of U.S. companies, cities, and states. Despite the profound shared benefits of a net-zero energy system, this shift has the potential to be disruptive for many people and communities because it will spur significant job displacement and migration. Even if decisive climate action is taken immediately, the impacts of a heating planet are already being felt. They will continue to create economic and human dislocation. A 21st century social contract should address this transition, as well as its impact on people and communities.

In 2015, the International Labour Organization (ILO) published guidelines for environmentally sustainable economies and societies,¹⁸ highlighting the ILO's four pillars for decent work: social dialogue, social protection, rights at work, and employment.¹⁹ In the 21st century social contract, it will be essential to put these four pillars at

¹⁷ <https://www.latimes.com/california/story/2019-09-18/gavin-newsom-signs-ab5-employees-independent-contractors-california>.

¹⁸ https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf.

¹⁹ <https://www.ilo.org/global/topics/decent-work/lang--en/index.htm>.

the center of climate strategies to ensure that the shift to a net-zero economy can be a powerful engine for job creation, business innovation, and strong and resilient national economies.

In the face of the disruption people and communities face during the transition from a carbon-intensive economy, social dialogue and collaboration in developing and implementing transition plans will be critical. Social dialogue with workers and unions, and broader engagement with stakeholders, can enable management of transition risks in a way that embraces and supports workers' needs. Businesses can be proactive in minimizing dislocation by disclosing the risks of economic and employment dislocation and by investing in community renewal and economic diversification. Businesses can also reduce the vulnerability of workers and communities to dislocation via such approaches to social protection as ensuring benefits and retirement security for workers, paying a fair share of taxes, advocating for income support, and by working with governments to ensure that the cost of the transition is not passed to low-income populations through higher energy costs or reduced access to affordable energy.

Business can generate new economic opportunities that realize the employment potential of a low-carbon economy. Business commitment, ideally supported by government action through regulation, investment, and incentives, is needed to create high-quality green jobs and procure renewable energy while upholding human rights and adhering to global labor standards. The transition to a low-carbon economy also presents an opportunity for businesses to contribute to 21st century skill development, which will change markedly in the shift to a clean energy economy in partnership with relevant stakeholders, including workers, unions, civil society, and government. By working with government, business can help bring attention to the economic impacts on people and communities and ensure that the political will to take action to forestall climate change remains intact. Businesses can influence the emerging policy environment for low-carbon, climate-resilient, and inclusive development, which is essential to counter inaccurate arguments that taking climate action will result in economic vulnerability and job losses. If tackling climate change is understood to exacerbate economic vulnerabilities, the political capital needed for it—already in short supply in some places—will be insufficient.

6. DIGITAL TRUST AND ACCOUNTABILITY

IMPLEMENT ETHICAL DATA STEWARDSHIP PRACTICES TO PROTECT THE PRIVACY AND NONDISCRIMINATION RIGHTS OF WORKERS

The world's economy, business models, and citizen and consumer needs rely heavily on data, and no 21st century social contract could be considered complete if it did not address the changing risks and opportunities associated with a data-rich environment. The so-called techlash reflects widespread discomfort over this issue. All companies—not only tech enterprises—and all citizens are invested in the development of a social consensus regarding how to manage data.

Companies can, for example, make good use of the data they collect by enhancing the worker experience. This can include using data to inform employee health and wellness programs, preventing health and safety problems, and assisting with career development. Still, these opportunities are accompanied by new risks and ethical

dilemmas, such as using worker data in ways that violate the right to nondiscrimination²⁰ or basic human dignity. Companies face new challenges, too, such as securing informed consent from workers for data collection. Workers must be capable of understanding their rights and risks when consenting, and they need to understand the nature, purpose, and consequences of consent. The norms, boundaries, and governance of workplace privacy are not well established, certainly not in the fundamentally new context of a data-rich world. The ILO has issued no convention on workplace privacy, for example, but good data stewardship practices should form an essential part of a 21st century social contract.

Given the importance of data in modern life and the 21st century economy, companies must accept a duty to protect the rights of not only workers but of all customers, users, and citizens that share data with them. This means deploying the policies, technologies, and organizational measures required to protect personal data. Enterprises should obtain informed consent, fulfill contractual requirements, protect the interests of rightsholders, and assess the impact that data processing may have on citizens' rights and freedoms. The data-driven economy alters the power dynamic between company and citizen in significant ways. It is important to establish norms that protect the most vulnerable and marginalized while achieving a once-in-a-generation opportunity to harness data for the public benefit.

²⁰<https://www.upturn.org/static/reports/2018/hiring-algorithms/files/Upturn%20--%20Help%20Wanted%20-%20An%20Exploration%20of%20Hiring%20Algorithms,%20Equity%20and%20Bias.pdf>.

ABOUT BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners 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 25 years of leadership in sustainability.

www.bsr.org