

Business must agree a new social contract with voters to restore trust

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The coronavirus crisis will have countless effects, and one could be another slide in the standing of business. Already, several executives — Tim Martin and Mike Ashley spring to mind — have demonstrated the reputational risk of being seen as not doing your bit for wider society at a time of need.

The taxpayer is writing huge cheques to help business through the crisis. That's economically sensible, but politically complex. It puts an onus on business not only to show that the support was justified, but to return the favour. If business doesn't do enough to persuade the electorate that bailouts and loans were the right thing to do, trust in business will decline further.

To understand why British faith in the market economy has faltered, consider the 2020 Edelman Trust Barometer. The latest annual trust and credibility survey, measuring trust across a number of institutions, sectors and geographies, says that a majority of Brits think capitalism is failing. Look back to the financial crisis. The bank bailouts may have been necessary, but many voters felt deep injustice that the banks did not return the favour. A feeling of unfairness is possibly the most powerful force in politics.

If we get through the Covid-19 crisis and voters think that business didn't deserve that expensive support, I fear a backlash that will hurt business and the economy. A Social Market Foundation paper has set out how to avert such a backlash by striking a new social contract between British business and the society in which it operates. When the emergency support unveiled this month starts to wind down, we should seek a reset in our ideas of what business is for.

This isn't so much about new rules or regulations as about new norms and standards. We need a clear shared understanding of what a "good" business does, over and above returning profits to shareholders. Once we've set those new standards — perhaps modelled on the Nolan principles of public life agreed in the 1990s — we need new information about companies and their conduct to allow us all to assess who does or does not meet those standards.

Tax should be top of the list for visible new metrics of company conduct. League tables of comparable firms' tax compliance and tax contributions, published by an authoritative independent public body, would allow voters to see how firms were repaying the favour of government support. This wouldn't only be about identifying those who pay least. Firms that pay most towards the public finances could and should be celebrated more.

Existing law — Section 172 of the Companies Act 2006 — is a good basis for much more expansive reporting of how executives promote the interests of employees, suppliers, local communities and wider society. It should be broadened to set out staff training budgets, how staff are involved in decision-making and support for the places the company operates in. And those reports should be audited like other company statements. Honours for business leaders need reform and to be temporary and contingent on their firms' conduct. New accolades for leaders and firms that do most to support local communities would go a little way to help to rekindle the local philanthropy of Joseph Rowntree in York and George Cadbury in Bourneville.

This new suite of reporting and disclosure would allow everyone — politicians overseeing government contracts, asset managers looking for responsible investments, voters looking at their tax bills — to see what business was doing for the country it operates in and which is supporting it in this time of trouble.

As enlightened business people and investors understand, asking firms to show how they meet higher standards of conduct isn't anti-business. Quite the opposite — a new social contract for business is a pro-business plan, a chance to restore the trust and confidence that is on the line in this crisis.

James Kirkup is director of the Social Market Foundation think-tank. His report, Returning the favour: a new social contract for business, is published at www.smf.co.uk