The business of belonging

Strengthening bonds between business and place

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Executive summary

About this report

The business of belonging considers how we can drive an inclusive recovery through connection to place. Drawing on polling data commissioned by CPP, it provides new insight into the perspectives of both large and small businesses and sets out recommendations for how business and government leaders can strengthen the bonds between companies and their communities.

What is the business of belonging?

People want businesses to play a greater role in their local areas and this desire has been accelerated by Covid-19. CPP research shows 8 in 10 people think that businesses currently receiving government support have an increased obligation to act in the interests of society. The majority (67%) also hold businesses responsible for providing good jobs where they live and 51% think large businesses should do more to address specific local issues such as public health, homelessness and crime.[1]

Businesses are essential actors in our society that have for too long been seen as bystanders on social issues – concerned only with the company specific goal of profit maximisation.[2] CPP focus groups held in March demonstrated that people see money-making as businesses' main purpose yet the current crisis has shown this is not always the case, with businesses exhibiting a wide range of behaviours in response to the pandemic. At best, businesses have gone above and beyond to support their workforce and local communities, while at worst, businesses have exploited workers and flouted regulations. Not all businesses are alike, but the business of belonging is relevant for a broad range of companies across sizes and sectors.

67%

The majority of respondents held businesses responsible for providing good jobs where they live[3]

Harnessing the best of business behaviours while penalising the worst will ensure that businesses play a more active social role within all communities. This will be particularly important in those local areas where businesses co-exist with pockets of high deprivation. Re-conceptualising businesses as organisations that are dependent on and responsible for the communities they operate in, can support an inclusive economic recovery and the levelling up of opportunity in the UK.

Vision for the business of belonging

A society where businesses are more accountable to local areas can be described by the following four principles:

1. **Good jobs for all:** acknowledging low geographical mobility, people are socially mobile within their community and do not have to move to find good work. This includes businesses recruiting from deprived neighbourhoods, paying a good wage, providing secure contracts and investing in skills and retraining.
2. **Rooted in place:** businesses recognise the value of local supply chains, transport and business infrastructure to their business and in return invest in local social infrastructure such as (re)training, affordable housing and green public spaces. They work closely with local government, communities and civic institutions like universities and further education colleges to achieve this.
3. **Environmentally conscious:** businesses are committed to being sustainable over the long run and are taking action towards achieving carbon neutral business practices within the places they operate.
4. **Open and transparent:** businesses are open and honest about their local social impact, presenting information in a clear and digestible way for the public and with a plan for continual improvement.

> Businesses are essential actors in our society that have for too long been seen as bystanders on social issues – concerned only with the company specific goal of profit maximisation

1 Stock Jones, R. (2020) *Public perceptions on the role of business before and after Covid-19*. Available at: https://www.progressive-policy.net/publications/public-perceptions-on-the-role-of-business-before-and-after-covid-19

2 Our polling shows that just one in five people think that businesses' aim to make a profit is in the best interests of society as a whole.

3 This result applies to small, medium and large businesses, but not to micro businesses, with less than 10 employees. Only 23% of respondents held micro businesses responsible for providing good jobs.

Some businesses are making headway on this agenda but there is a long way to go

CPP polling reveals the expected baseline for the business of belonging:[4]

1. **Good jobs for all:** according to our definition of good jobs – which encompasses a broad range of measures from providing a living wage to training and sick pay – only **35%** of employers identify themselves as meeting the full criteria.[5] But many more are providing at least one of the elements that make up this definition:
   - **81%** pay at least the real living wage
   - **76%** offer permanent contracts with agreed hours as standard
   - **64%** offer full pay for time spent on sick leave
   - **71%** regularly offer paid-for training
   - **58%** say that their staff have a say in the way the organisation is run
2. **Rooted in place: 66%** of businesses say that, in the 12 months prior to coronavirus, their business contributed to the community or communities that it operates in by doing at least one of five things:[6]
   - **36%** made donations to local charities and voluntary organisations
   - **32%** used suppliers that directly benefit the local community
   - **19%** volunteered their most senior staff to help in the local community at least once every 6 months
   - **16%** directly invested in local social infrastructure such as: affordable housing, maintenance of community spaces or retraining for those out of work
3. **Environmentally conscious: 42%** of businesses have a plan in place to reach net-zero carbon emissions by 2050 but only **17%** said that environmental considerations were a deciding factor in investment decisions in the last 12 months.[7]
4. **Open and transparent:** Just **21%** of businesses annually review the impact of their business on the local community.

The momentum for change is growing

Our business polling suggests that Covid-19 is changing the dynamic between businesses and their communities, with many employers feeling greater social responsibility towards their workforce:

- **67%** felt that they had greater social responsibility in response to the Covid-19 crisis[8]
- **42%** felt they had greater responsibility to use government funding to maintain pay
- **40%** felt they had greater responsibility to offer secure job contracts to staff

Belonging is a business imperative. In previous consumer research for the CPP, one in five people said they have actively supported businesses that help local causes (**21%**), while nearly one in four said that they avoided businesses that do not pay their fair share in tax (**23%**).[9]

Further analysis of our polling data suggests that business behavioural change can be driven by:

1. **The power of reciprocity:** receipt of government funding was a stronger indicator of whether a business leader felt more social responsibility due to Covid-19 than either region, business size or sector, suggesting that explicit acknowledgement of mutual gain is key to driving change.
2. **Local social norms:** businesses based in the South West and Wales are more likely to support eliminating or severely restricting zero-hours contracts, while consumers in Scotland and Wales were also more willing to pay a large premium for goods and services provided by a business with superior morals.
3. **Learning from medium sized businesses:** despite the public being more likely to hold large businesses accountable for local social issues, medium sized businesses are at the forefront of social responsibility being just as likely to be providing good jobs (49%) and more likely to have seriously considered the environment when making investment decisions (40%).[10]

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4 Business polling was carried out by Populus for the Centre for Progressive Policy. Online polling took place between 28 August and 3 September 2020. The survey consisted of 609 business owners and directors and results were drawn from a representative sample of businesses across UK regions and sectors. The sample included 102 large businesses, 101 medium businesses and 406 small businesses.

5 This question excludes the results for sole traders, as do other questions which refer to employment.

6 In addition to the actions listed directly below, the 66% includes businesses that annually review their impact on the local community, as discussed under 4) Open and transparent.

7 17% of businesses said that environmental considerations had to a great extent been a deciding factor in any investment decisions.

8 This figure excludes sole traders. Sole traders have been excluded from results where questions refer to employment.

9 Public opinion research was carried out by Populus for the Centre for Progressive Policy. Online polling took place between 9–13 April 2020. Results are drawn from a regionally and demographically representative sample of 2,174 UK adults.

10 40% of medium sized businesses said environmental considerations had to a great extent been a deciding factor in any investment decisions, compared to 22% of large businesses and 17% of businesses overall.

CPP's recommendations for redefining the role of business in place

To capitalise on growing momentum for change while penalising the worst business behaviours, we recommend:

Bold national reforms by the government to change the rules of the game:

1 **Amending the Companies Act to embed the business of belonging within firms' culture and practices,** redrafting sub-section (1) of s.172 of the UK Companies Act, 2006 to embed community within a purposeful business framework.
2 **Creating a private-sector led recapitalisation fund for struggling but otherwise viable businesses as part of the new industrial strategy,** with equity investment dependent on businesses' expected future performance and commitment to meeting community objectives.
3 **Funding the creation and survival of social enterprises,** which already embody the principle of belonging, through tailored short-term grants.

Good jobs for all:

4 **Increasing the minimum wage to the real living wage,** as set out by the Real Living Wage Foundation. This would entitle everyone over 18 years or age to access a higher wage than they currently can under either the Minimum Wage (for 21–25 years) or 'National Living Wage' (for over 25 year olds).[11]
5 **Enforcing business charters and strong procurement frameworks** to promote social mobility and signal employment expectations of businesses.
6 **Severely restricting the use of zero-hours contracts** first through business practice and then in law, to reduce adverse consequences of insecure employment for society.
7 **Setting up a fully funded single enforcement body** to protect workers through the Employment Bill, as promised in the 2019 Conservative manifesto.

Rooted in place:

8 **Securing social value for the local economy** through procurement procedures in both public sector organisations and large businesses, following the example of the Cabinet Office's recently published social value model.
9 **Agreeing mutually beneficial local social objectives** between business, communities and local government, building on existing examples of collaboration such as the Wigan Deal for Business.[12]
10 **Simplifying forums for businesses engagement** by making the geography of business groups and local councils more compatible, for example by aligning LEP and Combined Authority boundaries.
11 **Bolstering local leadership by shoring up local government finances, levelling up powers and pooling public sector resources,** including through structural reform and use of the UK Shared Prosperity Fund.

Environmentally conscious:

12 **Actively involving local workers in business plans for achieving sustainability,** including through engagement with unions.
13 **Embedding environmental goals into local shared objectives,** taking the Welsh Well-being of Future Generations Act and Bristol's One City Plan as examples (see Box 5).

Open and transparent:

14 **Committing to increasing transparency** and voluntarily publishing information about staff structure, CEO pay ratios and contract type in an accessible format.
15 **Developing a clear framework for measuring social impact,** with national government working to build a consensus around measurement so that businesses' social contribution can be transparently and comparably assessed.

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11 For a more detailed explanation of UK wage rates please refer to the Living Wage Foundation's website. Available at: https://www.livingwage.org.uk/what-real-living-wage
12 Cabinet Office (2020) *New measures to deliver value to society through public procurement*. Available at: https://www.gov.uk/government/news/new-measures-to-deliver-value-to-society-through-public-procurement

Introduction: the case for change

Prior to Covid-19 the UK had suffered a protracted recovery from the financial crisis with stalling productivity and wage stagnation. The UK had record low unemployment (3.8%) but also record high in-work poverty and increased use of food banks, with the Joseph Rowntree Foundation finding that 1 in 8 workers are living in poverty. [13][14] An increase in wealth inequality alongside stagnation in living standards, which were exacerbated by a programme of public sector austerity, has served to underline existing income inequality, driving discontent with the current economic system.[15] A recent poll found that 75% of the British public think that capitalism is either harmful or currently not working well in the UK.[16]

The current government has come to power on the basis of "getting Brexit done" and the promise to level up those communities that have been left behind, thereby "unleashing the full potential" of the UK.[17] This focus on levelling up has brought place and the spatial dimension of inequality to the forefront of public debate as while unemployment has been low across the country, it has been high in places such as Hartlepool and Wolverhampton, whose economies have been slow to recover from the 2008 recession.[18] Covid-19 has provided the chance for a reset. The crisis has accelerated existing trends such as home working and online shopping, created the need for mass retraining and focused minds on other critical issues, such as climate change. We now have a unique opportunity to re-shape and level up our economy, making it more productive, resilient, sustainable and inclusive.

The private sector, which employs over 80% of the population and emits nearly 20% of the UK's carbon emissions, has an essential role to play in the revival of communities.[19] Now, as a consequence of the government's job retention and business loan schemes the taxpayer is more invested in business than ever and they expect business to do more in return. Earlier this year, CPP polling found widespread appetite for change, which has been accelerated by Covid-19; 91% of the public think that big business should play more of a role in issues related to social responsibility, four in five respondents thought that businesses have an increased obligation to act in the interests of society in return for Covid-19 support and 51% thought that they should do more to address wider social issues such as public health, homelessness and crime.

Local and national government must support businesses in the transition to a clean, inclusive and integrated economy

In order to maintain their social license to operate, business leaders will need to show they are taking more personal responsibility for the wellbeing of employees and the communities within which they operate. To some extent, we are seeing this happen already; a recent survey by the Chartered Management Institute shows that one in five senior managers have taken pay cuts during the pandemic.[20] But the real test will come at the end of October with the ending of the Job Retention Scheme; how many staff will businesses keep on under the new Job Support Scheme when they are asked to cover a greater portion of the cost of their employment and how will they support those who are made redundant?

91%

91% of the public think that big business should play more of a role in issues related to social responsibility[21]

Yet, responsibility for the economy's recovery does not lie on the shoulders of business alone. Local and national government must support businesses in the transition to a clean, inclusive and integrated economy by enabling dialogue between businesses and the places they operate in, promoting productivity and advocating good jobs, which are essential for reducing health and skills inequalities. Some businesses have already recognised the value of connecting with their communities, while others continue to exploit workers and the local environment to increase profit margins and executive pay.[22] Different policies will be needed for each and there is a role for government in both regulating the bottom line and fostering supportive business ecosystems that encourage best practice. If we want to level up our society we will need businesses to commit to local economies across the country, investing in places and the people who live there.

13 Robb, C. (2018) *More people in work, but many still trapped in poverty.* Joseph Rowntree Foundation. Available at: https://www.jrf.org.uk/press/more-people-work-many-still-trapped-poverty
14 The seasonally adjusted UK unemployment rate for those aged 16 and over was 3.8% in January–March 2019, the lowest rate since 1974 according to ONS figures. For more information see: https://www.ons.gov.uk/employmentandlabourmarket/peoplenotinwork/unemployment
15 Agrawal, S. and Phillips, D. (2020) *Catching up or falling behind? Geographical inequalities in the UK and how they have changed in recent years*. Institute for Fiscal Studies. Available at: https://www.ifs.org.uk/publications/14969
16 Figure is the percentage of known. Boyd, E. et al. (2020) *The case for purpose-driven business*. Regenerate. Available at: https://www.re-generate.org/the-case-for-purpose-driven-business
17 The Conservative Party manifesto for the 2019 general election is available at: https://www.conservatives.com/our-plan
18 Alldritt, C. et al. (2020) *Back from the brink: avoiding a lost generation*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/back-from-the-brink
19 Employment figure is ONS figure for 2019. Carbon emissions are from BEIS's 2018 UK greenhouse gas emissions statistics.
20 Thomas, D. (2020) *UK managers forced to take pay cuts as virus put business on hold*. Financial Times. Available at: https://www.ft.com/content/2d280952-4935-44ae-85fb-aceba7db1fc5
21 Big businesses are defined as those with over 250 employees, in line with the ONS business population estimates definition.
22 See Power to Change's website for more details. Available at: https://www.powertochange.org.uk/what-is-community-business/

The business of belonging: a framework for action

1

Covid-19 has highlighted our reliance on both one another and our local communities. For example, local mutual aid groups emerged all over the country to support people in self-isolation and over 600,000 people volunteered to deliver prescriptions and give lifts to medical appointments to support their local hospitals.[23] Responding to the Prime Minister's request for proposals to sustain this community spirit, Danny Kruger MP talks about the need for a social covenant; a mutual commitment by people, businesses and the state to work together for the common good of communities.[24]

Both large and small businesses are a core part of the communities that they operate in and there are numerous examples of businesses going the extra mile to support people in their area. A Power to Change survey found that 3 in 10 community businesses were part of local mutual aid groups and 89% had adapted or changed business activities quickly to respond to the pandemic.[25] The taxpayer has also stepped in to support businesses through the crisis and CPP polling found that 80% of the public think businesses have an increased obligation to act in the interests of society in return. As such, taking this opportunity to capitalise on higher levels of community engagement and rewrite the social contract between business, governments and communities is both a political and business imperative, carrying "the promise of diminishing cultural tensions" and being necessary to businesses' longer-term social licence to operate.[26]

Communities are highly reliant on their local economies and the businesses within them and yet in many cases businesses – particularly big businesses – can move their capital freely and are not tied to particular places. Traditional economic models assume that workers will move to where the jobs are but the UK has tended to see a lack of labour mobility, particularly for manual workers, and there is evidence to suggest that this has stalled further over the last 20 years.[27]

> This lack of labour mobility is not a problem to be fixed with increased incentives to move, but is because we are "hard-wired to belong both to a group of people and to a place"

> Communities are highly reliant on their local economies and the businesses within them and yet in many cases businesses can move their capital freely and are not tied to particular places

The share of the population that moved both region and employer fell from 0.8% to 0.6% per year between 2000–17, due in part to a housing market which makes moving to high productivity areas prohibitively expensive.[28] Economist Paul Collier argues that this lack of labour mobility is not a problem to be fixed with increased incentives to move, but is because we are "hard-wired to belong both to a group of people and to a place". This is backed up by research from Conservative think tank Onward ahead of the 2019 election which found that people want to see a greater focus on place, community and security.[29,30]

Against this backdrop, the business of belonging is about both acknowledging and embedding the value of businesses to communities and the value of communities to businesses. It is about ensuring businesses are fully invested in the economic, social and environmental fabric of places. This is not philanthropy; such an approach benefits business. Businesses gain from community assets like local supply chains, transport infrastructure, business support and pools of skilled labour. Greater engagement with the wider community therefore enables businesses to cultivate these assets and shape them to support their growth as well as the community's. Community engagement can also have a direct consumer benefit. In public opinion polling commissioned by CPP, 56% of people said they have previously changed their consumption habits based on a business's moral behaviour with one in five saying that they have actively supported businesses that help local causes (21%).

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23 NHS England (2020) *Vulnerable people get direct line to NHS volunteer army*. Available at: https://www.england.nhs.uk/2020/04/vulnerable-people-get-direct-line-to-nhs-volunteer-army/

24 Kruger, D. (2020) *Levelling up our communities: proposals for a new social covenant.* UK Parliament. Available at: https://www.dannykruger.org.uk/communities-report

25 Higton, J. et al. (2020) *Community Business Market Survey 2020: Impact of the Covid-19 pandemic*. Power to Change. Available at: https://www.powertochange.org.uk/research/impact-covid-19-pandemic-community-business-market-survey-2020/

26 Sandby, M. (2020) *Economics must grapple with culture—but not prosecute culture wars*. Prospect Magazine. Available at: https://www.prospectmagazine.co.uk/economics-and-finance/martin-sandbu-paul-collier-economics-of-belonging

27 McCormick, B. (1997) *Regional unemployment and labour mobility in the UK*. European Economic Review. Volume 41, Issues 3–5, April 1997, pp.581–589. Available at: https://eprints.soton.ac.uk/33011/

28 Clarke, S. (2017) *Get A Move On? The decline in regional job-to-job moves and its impact on productivity and pay.* Resolution Foundation. Available at: https://www.resolutionfoundation.org/app/uploads/2017/08/Get-a-move-on.pdf

29 Collier, P. (2020) *Getting somewhere: How the Tories leapt ahead of mainstream economists to give towns their due*. Prospect Magazine. Available at: https://www.prospectmagazine.co.uk/magazine/getting-somewhere-how-the-tories-leapt-ahead-of-mainstream-economists-to-give-towns-their-due-boris-johnson-red-wall-north

30 Onward (2019) *The politics of belonging: How British politics is undergoing a sea change away from freedom and towards security.* Available at: https://www.ukonward.com/thepoliticsofbelonging

There are many good examples of where businesses and communities are already working together to advance mutual interests. Power to Change estimate that there are 9,000 community businesses in England, mostly based in areas of deprivation, which are locally rooted, trade for the benefit of their community, are accountable to the local community and invest their profits in the area. One of these businesses, Brighton Energy Co-op, generates income from solar panels to invest in local energy efficiency projects, and is a community benefit society. Every year, members of the cooperative vote to allocate community fund cash to local renewable energy and energy efficiency projects in Brighton. Another, NEDCare, is a care provider in Dartmoor, and involves the community by developing its business plan with local stakeholders such as carers, care receivers, families and local organisations. They also host an annual community meeting where community members can review progress and contribute to the organisation's future direction.

Several big businesses are also supporting local communities as our spotlight on Rolls-Royce shows (see Box 1 at the end of this chapter). In this instance, by working with Derby City Council to provide local training programmes in engineering, Rolls-Royce maintains the skills pipeline for their aviation manufacturing base, reducing local skills shortages and creating competition for Rolls-Royce jobs.

From the community perspective, Wigan formally recognises the interdependencies between businesses and the community through the Wigan Business Deal; a voluntary agreement between the council and local businesses to support economic growth.[31] Amongst other things, the council asks that businesses give back to the local community, create a healthy workplace and invest in Wigan. In return, the council promises to build well connected physical infrastructure, train local people to meet business needs and cut red tape. The business deal is part of Wigan Council's wider deal with its residents which encourages them to play a more active role in the community and was launched in 2014 as a response to austerity driven budget cuts.[32]

Going beyond tired paradigms

The business of belonging conceptualises businesses as place-based organisations that are dependent on the communities they operate in and have strong social responsibilities to them. This is about more than stakeholder-ism, which in the past has failed to motivate corporate leaders to use their power to promote wider interests.[33] While the objectives of shareholders and stakeholders may often be aligned, they are not always and when conflicts arise, corporate leaders have strong monetary and legal incentives to prioritise business owners and shareholders.[34]

The notion of stakeholder primacy is still relevant, but the business of belonging must go deeper to avoid cynicism creeping in and undermining change. It must also retain relevance for companies without public shareholders such as private companies and many small and medium sized enterprises which account for 60% of UK employment.[35] Kay and Collier contend that it is the 'climate of the time' not corporate law, that has promoted shareholder primacy and profit maximisation, and there are signs that this activist consumer climate is changing.[36] Embedding a greater understanding of place within a firm's business models can help to capitalise on this change in attitudes and secure businesses' role in building more inclusive societies.[37] In this regard, there are four core principles which define the business of belonging and set it apart from previous models of responsible business.

> This is about more than stakeholder-ism, which in the past has failed to motivate corporate leaders to use their power to promote wider interests

31 Information on the Wigan Deal is available on Wigan Council's website. Available at: https://www.wigan.gov.uk/Business/Business-Support/Funding/The-Deal-for-Business.aspx
32 Jordan, E. (2019) *The Wigan Deal*. Centre for Public Impact. Available at: https://www.centreforpublicimpact.org/case-study/the-wigan-deal/
33 Bebchuck, L. et al. (2020) *For Whom Corporate Leaders Bargain*. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3677155
34 Armstrong, R. (2020) *The dubious appeal of ESG investing is for dupes only*. Financial Times. Available at: https://www.ft.com/content/e9f00cb2-3cd8-499e-9e8a-dd837f94657
35 BEIS (2020) *Business population estimates for the UK and regions: 2019 statistical release*. Available at: https://www.gov.uk/government/publications/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html
36 Collier, P. and Kay, J. (2020) *Greed is Dead: Politics After Individualism.* Allen Lane. p.131.
37 This principle does not just apply to UK places. Businesses should engage with and take responsibility within all the places they operate in. One example of a small business doing this well is Lucy & Yak, which has a strong commitment to their tailors in India as well as their staff in the UK and have installed solar panels to meet some of the energy requirements of their factory. For more information see: https://lucyandyak.com/pages/our-story

1. Good jobs for all

Good jobs are central to the business of belonging as they provide a platform for businesses and individuals to contribute to, and benefit from, increased productivity and shared prosperity within their communities. The idea of business as a voluntary community only holds if workers have a genuine choice in their participation and are not bound to their roles through economic necessity. Securing good jobs and reducing precarity is therefore a necessary part of enabling businesses to function as collectives and benefit from their employees' shared knowledge.[38]

CPP has described good employment as being "about decent pay, but also about job security, control, working hours, workplace safety, environment, and opportunities to learn and progress ... available to all irrespective of gender, disability, ethnicity or class."[39] This is consistent with the principles outlined in Matthew Taylor's Review of Modern Working Practices for the government in 2017. Our definition also emphasises the importance of diversity in recruitment, particularly to senior positions, recognising that diverse leadership is about creating inclusive communities within businesses that have the best chance of driving productivity. [40, 41, 42]

Businesses that are accountable to the places they operate in will have increased incentives to maintain local reputations and to develop their skills pipeline by training local residents. They may also have an incentive to train their staff in more general cognitive skills to improve the flexibility of the workforce and its ability to respond to shocks like Covid-19. The business of belonging is not about creating static economies where business is tied into unprofitable ventures; it is about recognising that dynamism is facilitated by a motivated pool of labour who can apply their skills to new roles if the one they are working in is no longer viable.[43] This dynamism in the economy is good for businesses, which will find it easier to enter new, more productive markets and benefit from innovation diffusion.

2. Rooted in place

Being rooted in a community gives businesses the opportunity to shape the assets that the local area provides such as labour, local supply chains, transport and business support infrastructure. An increased role for business in local decision making has the potential to increase prosperity by coalescing the whole community around common goals, but it also necessarily involves an increased level of accountability to the people living in the area. The Blavatnik Government Outcomes Lab finds that community collaboration can deliver better overall impact and value but recognises the need to demonstrate success and ensure accountability.[44] Local people can also provide both custom and labour for business and, if supported, can also be a source of innovation. For instance, by working with Derby City Council to provide local training programmes in engineering, Rolls-Royce maintains the skills pipeline for their aviation manufacturing base, reducing skills shortages and creating competition for Rolls-Royce jobs (Box 1).

> Making these mutual benefits explicit, potentially as part of a local social contract, could help encourage businesses to nurture their local communities

More broadly, businesses benefit from public provision of broader social infrastructure such as childcare and health services which increase the productivity of their workforces. Based on previous literature, CPP's *Productivity Knocks* report found that the productivity returns to social infrastructure investment are comparable to that of physical infrastructure.[45] Making these mutual benefits explicit, potentially as part of a local social contract, could help encourage businesses to nurture their local communities rather than take them for granted.

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38 Collier and Kay (2020) p.130.
39 Stock Jones, R. et al. (2019) *The good life: the role of employers*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers
40 Department for Business, Energy & Industrial Strategy (BEIS) (2017) *Good Work: The Taylor Review of Modern Working Practices*. Available at: https://www.gov.uk/government/publications/good-work-the-taylor-review-of-modern-working-practices
41 BBC (2020) *Firms with more female executives 'perform better'*. Available at: https://www.bbc.co.uk/news/business-53548704
42 Asgari, N. and Megaw, N. (2020) *Moody's says Lloyds' ethnic diversity plan is 'credit positive'*. Financial Times. Available at: https://www.ft.com/content/f577f05f-e943-482a-841c-a85c71bf306a
43 Sandbu, M. (2020) *The Economics of Belonging: A radical plan to win back the left behind and achieve prosperity for all.* Princeton University Press. p.106.
44 Blundell, J. et al. (2019) *Are we Rallying Together? Collaboration and public sector reform*. Blavatnik School of Government. Available at: https://golab.bsg.ox.ac.uk/knowledge-bank/resources/are-we-rallying-together-collaboration-and-public-sector-reform/
45 Stock Jones, R. (2020) *Productivity knocks: levelling up with social infrastructure investment.* Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/productivity-knocks-levelling-up-with-social-infrastructure-investment

3. Environmentally conscious

Businesses that are accountable to the area they operate in can be held responsible for their impact on the local environment such as air pollution and waste disposal. They will also be more engaged with local authorities and in a better position to be aware of and sensitive to local political requirements, for example whether the area has committed to be carbon neutral by 2030 or 2050.

Long-term thinking is required to combat the challenges of climate change and environmental degradation and businesses that belong are more likely to consult with their local council and community on long-term plans. The Welsh Well-being of Future Generations Act, which requires public bodies to think about long-term impact and to work with communities to prevent poverty, health inequalities and climate change, provides one model for embedding a longer term view. [46] Businesses with a responsibility to place could be asked to make a similar commitment.

Speaking to Jason Jacobs on the *My Climate Journey* podcast, Harvard Professor Rebecca Henderson outlines some of the reasons that she thinks big businesses have struggled to respond to their social responsibility to address climate crisis.[47] Reflecting on her experience in innovation research, she argues that market power has led firms to complacency but also that the signals from consumers and government have not been clear enough. Citizens and governments need to demand change and businesses must have the drive to meet it. CPP's public opinion research shows that the demand for change is there and the government now needs to endorse and amplify this demand to provide a clear signal to businesses. They can then start making the practical changes that will shift the relationship between business and place and deliver on longstanding commitments to social and environmental responsibility.

4. Open and transparent

The lack of publicly available information about businesses, employment structure and social impact acts as a barrier to their accountability. Information about pay scales and staff structure is one aspect of this as it helps to determine the businesses' impact on their employees. More public information about company pay structures and contracts would aid local enforcement and put pressure on businesses to improve standards. Previous CPP research finds that voluntarily reporting CEO pay ratios was a particularly good indicator of whether an employer ranked highly on our index, suggesting that transparent employers tend to be better employers more generally.[48]

> Measuring the social and environmental impact of businesses, including to their local area, would enable government to hold businesses accountable

More broadly, measuring the social and environmental impact of businesses, including to their local area, would enable government to hold businesses accountable, with scope to penalise companies that create harm and reward those that generate a social benefit. While there are many frameworks for measuring impact – including ESG rating frameworks and Harvard Business School's Impact Weighted Accounts – there is little consensus on the appropriate measures and weightings, and these are often presented in an opaque way. For impact measurement to really be effective, information will need to be presented in a clear and accessible way, so that people can use and understand it.

46 Information about the Well-being of Future Generations (Wales) Act 2015 is available at: https://futuregenerations.wales/about-us/future-generations-act/

47 Jacobs, J. (2020) *Episode 112: Rebecca Henderson, John and Natty McArthur University Professor at Harvard University*. My Climate Journey podcast. Available at: https://www.myclimatejourney.co/episodes/rebecca-henderson

48 Stock Jones, R. et al. (2019) *The good life: the role of employers*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers

Box 1: Rolls-Royce case study

Rolls-Royce is an example of a large, international company that is also deeply connected to its manufacturing bases. Established in 1906, it has been operating in the UK for over 100 years and although it is now a multinational company its head office remains in London and it retains the strong connections to the places it operates in built up over the last century.

The company employs 24,800 people in the UK and is considered a good employer. One former employee described the company as "a family and a community" and it gets a CPP Good Employer score of 0.68, meaning that it ranks second out of the 25 largest employers on our 2019 index, above private employers like Barclays Bank and public sector employers like the Ministry of Defence.[49,50] This high rating is driven by good employee rating scores and a lack of minimum wage or health and safety violations, while the firm's most notable downside is it is not signed up to being a disability confident employer.

Its largest site is in Derby, where it is the city's largest private sector employer.[51] Derby is a city of 257,000 people in the East Midlands with an above average unemployment rate (4.4%) and proportion of economically inactive people who are long-term sick (28%).[52] A relatively high proportion of the population also have no qualifications (9.5%). As a major employer in the area, Rolls-Royce is committed to developing the skills of the local population and worked with the University of Derby and Derby College to set up Derby Manufacturing University Technical College.[53] It also runs young apprenticeships for year 9 children via local schools.

However, the sharp fall in demand for air travel and aeroplane engines as a result of Covid-19 has been difficult for Rolls-Royce and being a good employer that is connected to the places it operates in does not mean avoiding tough decisions. In April, Rolls-Royce announced it would be cutting executive pay by 20% and general pay by 10% in 2020, but in the end this was not enough to retain the entire workforce and they announced 9,000 job cuts in May.[54] Around 1,500 of these are expected to come from the Derby plant, which is focused on aviation.

In the context of looming unemployment, the company's connection to Derby may seem less valuable. However, the skills developed through local college partnerships and in-work training have the potential to make the local population more resilient, and less vulnerable to such shocks; analysis in CPP's *Back from the brink* report found areas with higher skills levels recovered faster from the 2008 financial crisis.[55] This view is shared by former employee Harjit Singh Dhanjal, who has publicly tried to reassure concerned staff that many of the skills learnt at Rolls-Royce are transferrable to other firms and industries.[56] The coming months will reveal how connection to people and place shapes Rolls-Royce's approach as the UK looks to move forward out of the Covid-19 crisis. The CEO, Warren East, has voiced his support for the build back better campaign, and committed Rolls-Royce to creating products that contribute to meeting 1.5 degree warming targets.[57]

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49 Johnson, R. (2020) *Derby company boss tells workers facing redundancy 'there is life after Rolls-Royce'*. Business Live. Available at: https://www.business-live.co.uk/manufacturing/derby-company-boss-tells-workers-18639283

50 This rating is based on publicly available data and refers to the same datasets that were used for CPP's original *Good Employer Index*. With the exception of ratings data from Glassdoor, these use data up to 2019. Historical data is not available for Glassdoor. Results for CPP's *Good Employer Index* are available at: https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers

51 More information is available on Rolls-Royce's website at: https://www.rolls-royce.com/about/where-we-operate.aspx

52 Data is for April 2019–March 2020. See Local Authority Profile for Derby at: https://www.nomisweb.co.uk/

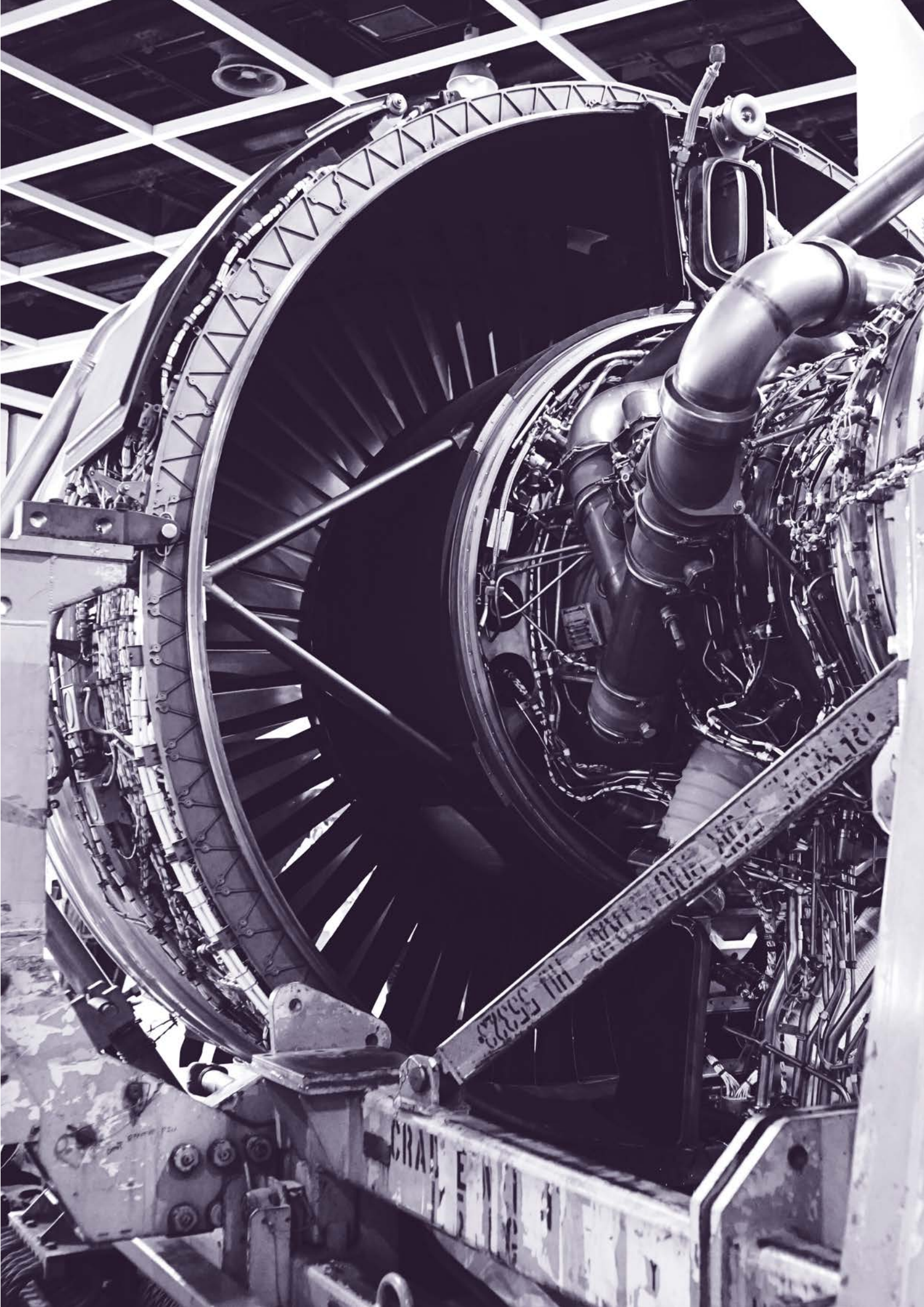
53 Information on Derby UTC is available at: https://www.utcderby.org.uk/
The previous Chair of the UTC – Rolls-Royce skills specialist Graham Schumacher MBE – is also a Governor at Derby College. See: https://www.derby-college.ac.uk/employers/staff-development/109-about-derby-college/governors

54 Robinson, J. (2020) *Rolls-Royce cuts workforce pay over pandemic*. Insider Media. Available at: https://www.insidermedia.com/news/midlands/rolls-royce-cuts-workforce-pay-over-pandemic

55 Dudding, J. (2020) *Back from the brink: avoiding a lost generation – Technical Appendix*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/downloads/files/BackFromTheBrink_TechnicalAppendix.pdf

56 Ibid. 49.

57 We Mean Business Coalition (2020) *#BuildBackBetter – Rolls-Royce CEO, Warren East.* YouTube. Available at: https://www.youtube.com/watch?v=aiYDER6XJ8g



The business perspective: insight from CPP's polling results

2

This September, CPP commissioned a survey of over 600 business owners and directors from a representative sample of regions and sectors across a range of sizes.[58] We wanted to hear from small businesses and sole traders as well as from much larger employers to understand how all kinds of businesses are responding to the Covid-19 crisis and the responsibility that they feel towards their communities. The wide reach of our survey sets it apart from others, such as the Prince's Trust Responsible Business Network's Business in the community (BITC) tracker, which covers similar issues but with a smaller subset of businesses.[59]

The current situation: measuring the baseline for the business of belonging

Chapter 1 discussed the importance of businesses to places and the people that live there. The below measures businesses' current contribution to their communities, demonstrating where businesses are already contributing and where more work needs to be done – providing a baseline against which to measure further progress.

Good jobs for all

According to our definition of good jobs – which encompasses a broad range of measures from providing a living wage to training and sick pay – only 35% of employers we surveyed say they are meeting the full criteria. However, many more are providing at least one of the elements that make up this definition:

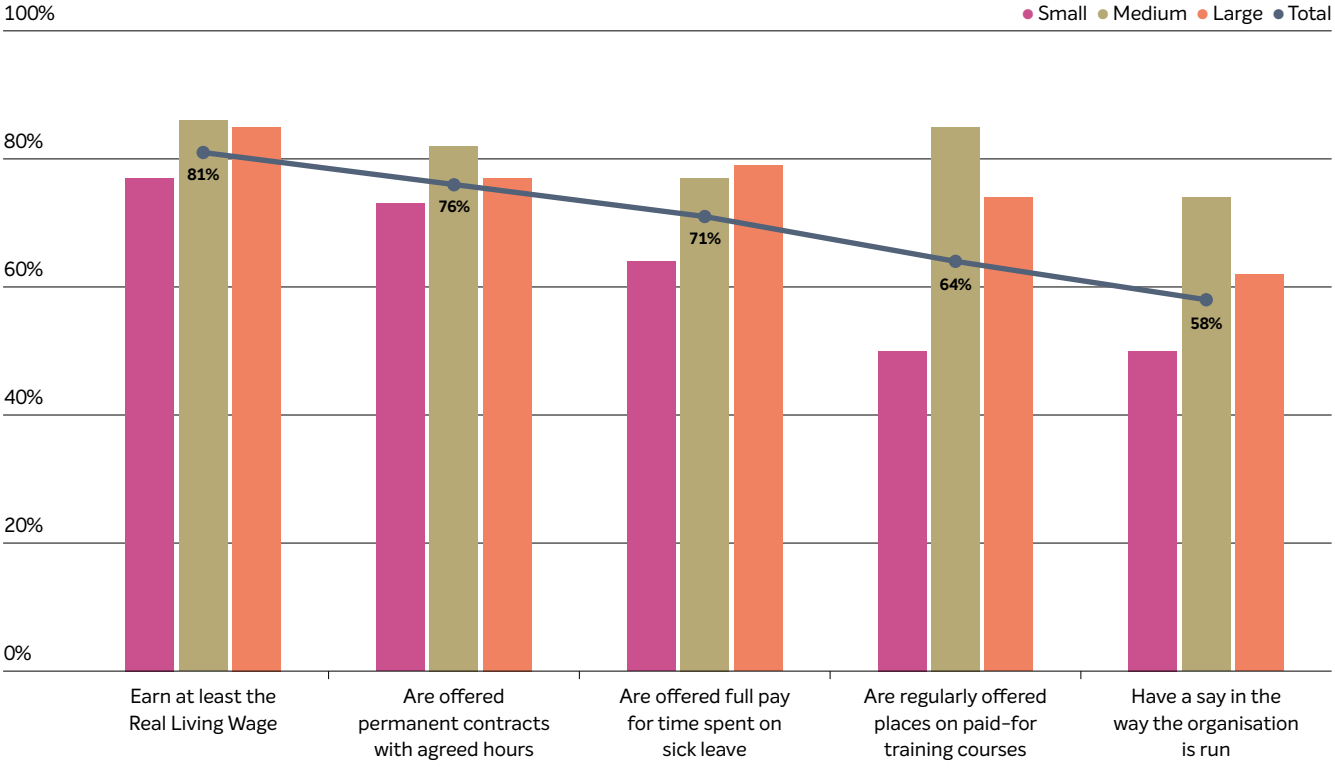
- 81% of businesses pay at least the real living wage,
- 76% offer permanent contracts with agreed hours as standard,
- 64% offer full pay for time spent on sick leave,
- 71% regularly offer paid-for training, and
- 58% say that their staff have a say in the way the organisation is run.

In addition to the above, four in ten (39%) either directly or indirectly employed workers on zero-hours contracts.[60]

35%

Just over a third of the employers we surveyed identify themselves to be currently providing good jobs

Chart 1: Good jobs for all – proportion of employers providing each element, by business size



58 Business polling was carried out by Populus for the Centre for Progressive Policy. Online polling took place between 28 August–3 September 2020. The total sample size was 609, including 102 large businesses, 101 medium businesses and 406 small businesses.
59 The BITC 2020 tracker covers 94 member businesses and is available at: https://www.bitc.org.uk/the-responsible-business-tracker/
60 Totals for this question do not include the 176 responses from sole traders.

Chart 2: Rooted in place – proportion of businesses contributing to their communities in the 12 months prior to Covid-19, by business size

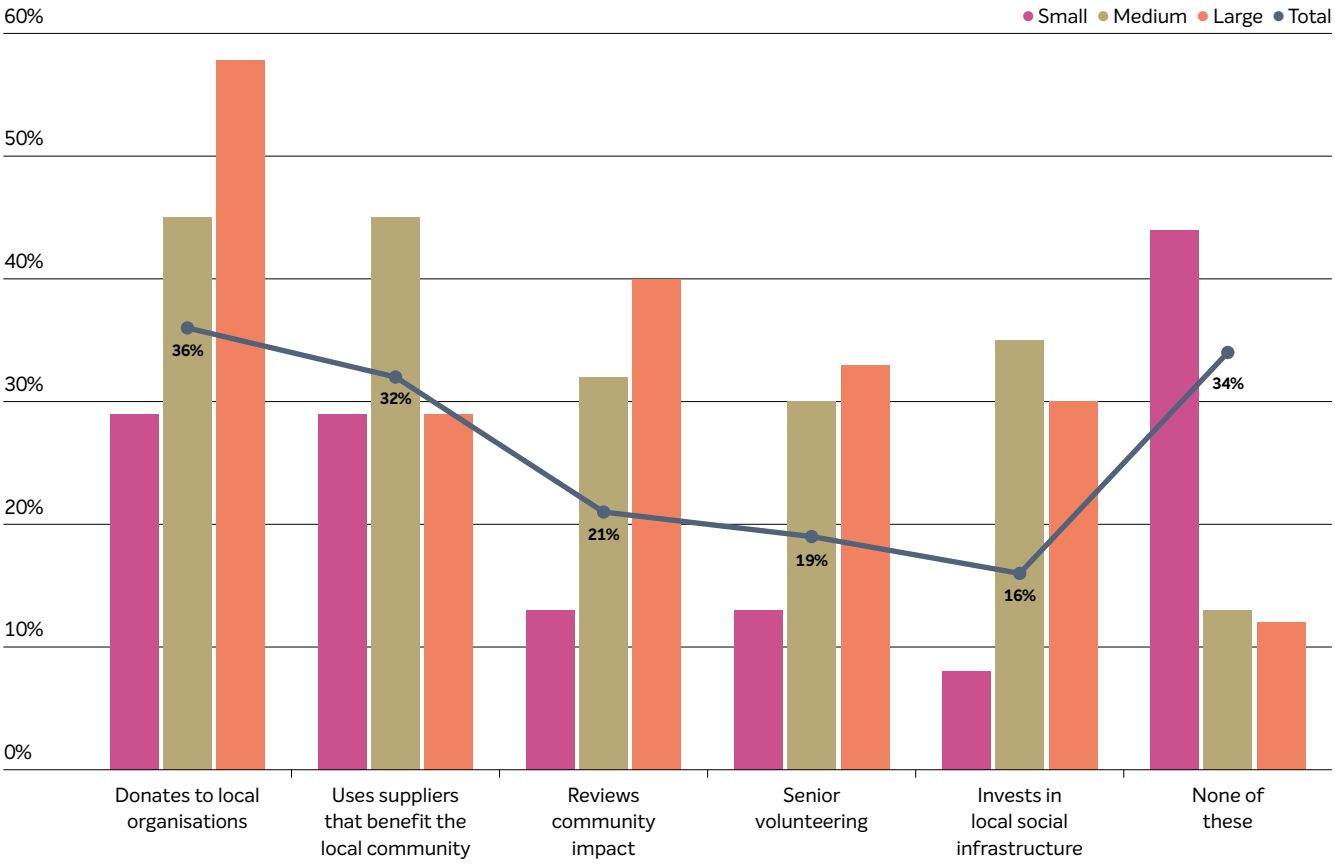
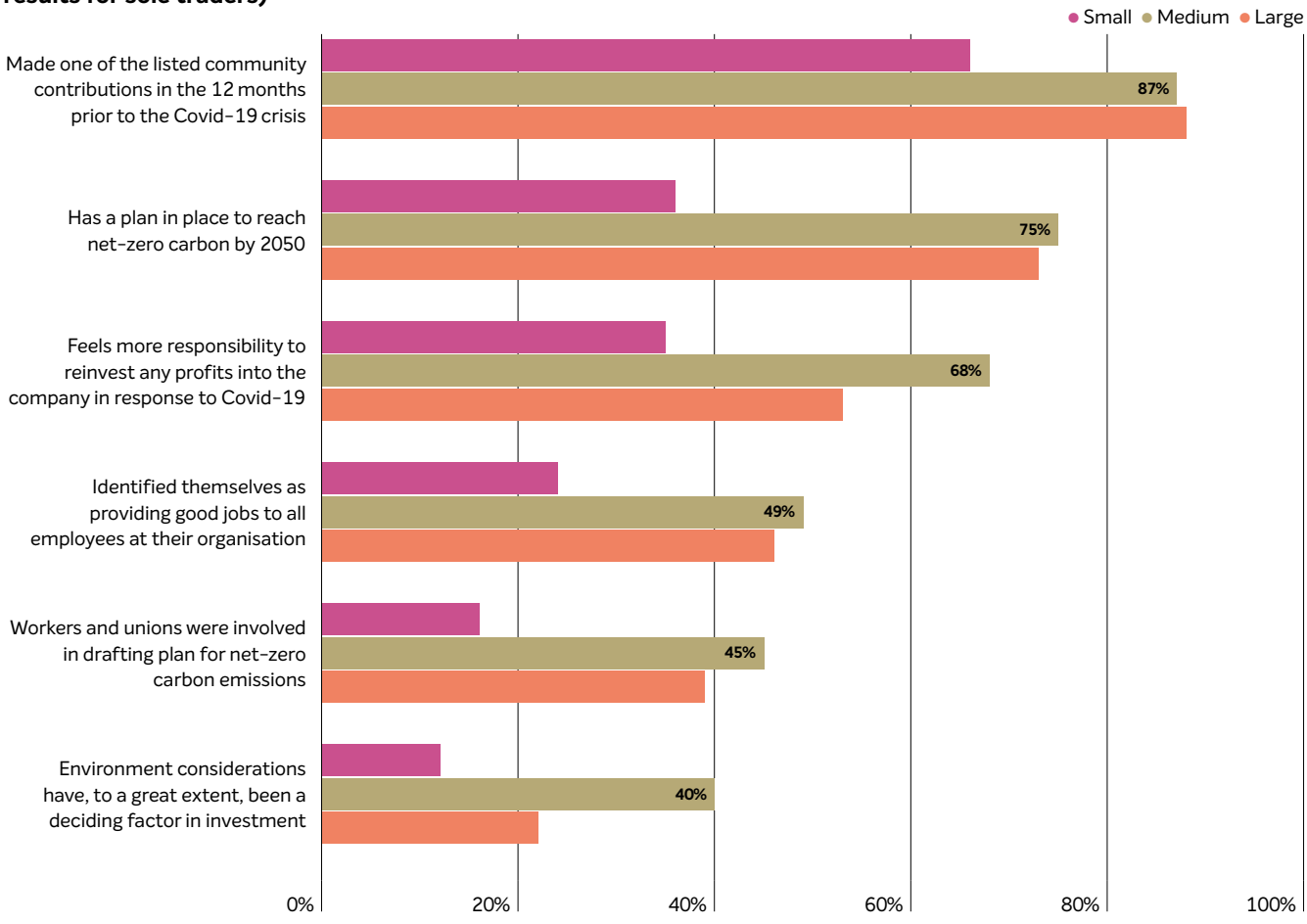


Chart 3: Size matters – employer performance on inclusive metrics by business size (this graph does not include results for sole traders)



Rooted in place

Two thirds (66%) of businesses say that, in the 12 months prior to coronavirus, their business contributed to the community that it operates in. They did this by either making donations, volunteering, using ethical suppliers, reviewing their community impact or investing in local infrastructure. However, just nine businesses say they are doing all of these things, showing that there is real room for improvement in community engagement.

- 36% made donations to local charities and voluntary organisations
- 32% used suppliers that directly benefit the local community
- 19% volunteered their most senior staff to help in the local community at least once every six months
- 16% directly invested in local social infrastructure such as: affordable housing, maintenance of community spaces or retraining for those out of work

42%

Four in ten businesses have a plan in place to reach net-zero carbon emissions by 2050

Environmentally conscious

Four in ten (42%) have a plan in place to reach net-zero carbon emissions by 2050 and 21% said unions or workers were involved in drafting this plan. Only 17% said that environmental considerations have been a deciding factor in any investment decisions their business has made in the last 12 months, although 64% said that environmental considerations had affected decisions to at least a small extent.

Open and transparent

Just 21% of businesses annually review the impact of their business on the local community.

Size matters: medium sized businesses take the lead on community

Results from the polling show it is medium sized businesses – those with between 50 and 249 employees – that are at the forefront of social responsibility. Medium sized businesses were just as likely as large businesses to be providing good jobs (49%) and to have made one of the listed community contributions in the last 12 months (87%), but more likely than all others to have considered the environment to a great extent when making investment decisions (40%) and feel additional responsibility to reinvest profits in the company due to Covid-19 (68%).[61]

This difference is not down to other potentially related factors such as the age of the respondent or sector of the business; whether a business is medium sized remains the most significant determinant when these are taken into account.[62] Policymakers and other businesses looking for models of success may want to explore further how the agility of medium sized businesses in responding to these issues can be applied to other types of organisations.

61 By 'environmental considerations' we mean an assessment of the effect of the investment on climate change, pollution, sustainability or waste reduction.

62 CPP logistical regression analysis shows that being a medium sized business remained a significant determinant of: whether a company has considered the environment to a great extent in investment decisions, has involved employees in their plans to reach net-zero carbon emissions and feel more responsibility to reinvest profits due to Covid-19, when controlling for: region and sector of business, age of respondent, confidence in making a profit over the next 12 months. When looking at whether a business feels more responsibility to invest we also controlled for whether the business had successfully applied for government Covid-19 support.

Businesses feel greater social responsibility in the wake of Covid-19

Statements from high profile business leaders throughout the pandemic have served to demonstrate the commitment of many businesses to a broader social agenda. In June Carolyn Fairbairn wrote to the Prime Minister asking the government to prioritise a 'jobs-rich' recovery, particularly for the young, to avoid a worsening of 'pre-crisis inequalities across regions' and in May Jamie Dimon said he hoped policy makers use the crisis as a catalyst to rebuild a more-inclusive economy.[63,64]

> 67% of employers felt that they had greater social responsibility in response to the Covid-19 crisis

Of the businesses CPP surveyed, 55% of all businesses and 67% of employers felt that they had greater social responsibility in response to the Covid-19 crisis. For employers who said they had successfully applied for government support, this proportion rises to 81%, showing that business sentiment is in line with the public, 80% of whom want to see increased obligations on businesses that are receiving government support. Nearly four in ten businesses (38%) considered themselves to have a greater responsibility to reinvest profits into the company, while employers felt they had greater responsibility to maintain payrolls (42%) and offer secure job contracts to staff (40%) (Chart 4).

Social responsibility by region

Businesses based in London, Scotland and the South West were more likely to support increasing the minimum wage for all those over the age of 16 to the real living wage of £9.30 per hour or £10.75 in London, while businesses based in the South West and Wales were more likely to support eliminating or severely restricting zero-hours contracts.[65] These differences hold when factors such as the size and sector of the business, and their confidence in making a profit over the next 12 months are taken into account. This suggests that the social norms of different places already affect the ways businesses think and that changing these local social norms could drive changes in businesses' behaviour.

> Businesses based in the South West and Wales were more likely to support eliminating or severely restricting zero-hours contracts

Businesses based in London, and those in the construction, manufacturing, mining, quarrying and utilities sectors were significantly more likely to feel they had greater social responsibility due to coronavirus. Firms in these areas were more likely than average to have applied for taxpayer support, and regression analysis shows that receipt of government funding was a stronger indicator of whether a business leader felt more social responsibility due to Covid-19 than either region, business size or sector.[66] This demonstrates the strength of feelings of reciprocity amongst businesses that feel they owe society something in return and shows how this social norm can be utilised as part of a social contract style arrangement where the benefits to and obligations of each party are made explicit.

> Receipt of government funding was a stronger indicator of whether a business leader felt more social responsibility due to Covid-19 than either region, business size or sector

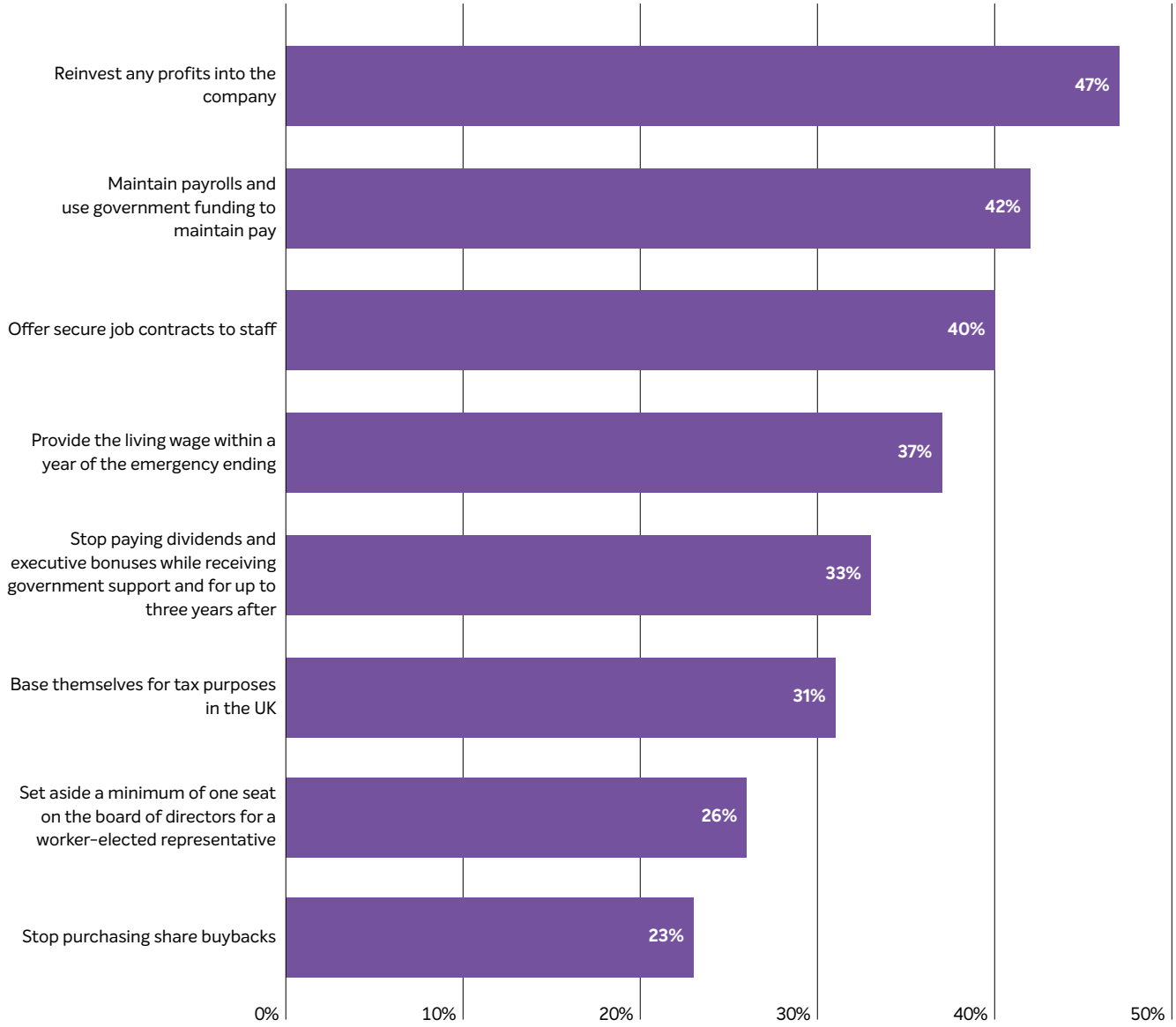
63 Fairburn, C. (2020) *Build back better: CBI proposals for a jobs-rich economic recovery.* CBI. Available at: https://www.cbi.org.uk/media/4860/11-june-2020-letter-to-the-prime-minister-from-carolyn-fairbairn.pdf

64 Davis, M. (2020) *Jamie Dimon Says Virus Is a Wake-Up Call to Address Inequalities*. Bloomberg. Available at: https://www.bloomberg.com/news/articles/2020-05-19/dimon-says-pandemic-is-a-wake-up-call-to-address-inequalities

65 CPP analysis of polling data based on logistic regression. Results discussed are significant at a 10% confidence level.

66 Logistic regression of businesses that felt more social responsibility as a result of Covid-19 on business sector, region, size and whether they had successfully applied for government funding due to Covid-19, including the CJRS. Those that had successfully applied for Covid-19 support were 3.4 times more likely to feel more social responsibility when holding other factors constant. Results discussed are significant at a 5% confidence level.

Chart 4: Proportion of employers who have felt more responsibility to do the following in response to the Covid-19 crisis



Strengthening bonds between business and place

For businesses across the spectrum to have more responsibility to people and places, they must be more formally accountable to them.

One way to do this is for businesses to make their commitments public and submit themselves to external scrutiny through applying to standards organisations. The retail and commercial bank TSB, for example, has recently signed up to the Good Business Charter and committed to upskill communities in digital banking through local partnerships.

Ultimately though, communities must have some power over businesses and in extremis need to be able to stop them operating in their area if they do not believe that they benefit from it. In this section, we delve into some of the existing ways that businesses can be held accountable to their communities.

Exploiting existing local powers

Existing mechanisms for local control over business include regulatory levers such as alcohol licensing, trading standards and planning regulations. Planning powers in particular – including the Community Infrastructure Levy and Section 106 of the Town and Country Planning Act 1990 – have been used very effectively by some councils to ensure that businesses benefit the local area, requiring them to fund social housing and community engagement or take on apprentices as part of the initial contract. However, both of these are set to be replaced by a new Infrastructure Levy as part of the Planning White Paper. This new levy is due to be set at a national rate which is payable on completion rather than prior to construction, easing developer cashflow and potentially raising more money but putting additional financial pressure on local authorities and reducing their bargaining power.[67] Local government has an essential role to play in engaging businesses on place-based inclusive growth and this role needs to be reflected in increased, not decreased, political autonomy and financial independence.

> Instead of offering business loans and increasing debt, government should set up a public-owned and private-led investment platform to re-capitalise the economy

Using public stakes in businesses to drive change

Covid-19 has left the government more invested in business than ever. Banks expect many of the government backed emergency loans made at the start of the Covid-19 crisis to default and HMT's Project Birch has been set up to bail out strategic companies like Tata Steel. There is an opportunity for the government to use this investment to both influence business behaviour immediately by specifying conditions, such as restricting share buybacks, and influencing longer term behaviour by taking on a more active shareholder role in strategic businesses. Lord Jim O'Neill has also argued that instead of offering business loans and increasing debt, government should set up a public-owned and private-led investment platform to re-capitalise the economy promoting productivity and growth.[68]

Promoting social value in public procurement and beyond

The government commissions the private sector to provide much of the country's physical and social infrastructure and local and national government are already using social value frameworks to set expectations of business behaviour. CBI's 2020 *Valued Partnerships* report highlights examples of where their members are delivering social value. These include Canon, which are encouraging young people into the creative industries in West Cumbria and Skanska Sustainable Development which are prioritising local suppliers and staff, boosting the regional economy.[69]

In September, the Cabinet Office announced that government departments will now assess suppliers using a new social value model which means contracts will also be assessed on whether they support community recovery from Covid-19, tackle economic inequality, fight climate change and drive equal opportunity, as well as provide value for money.[70]

The whole of the public sector, which employs 17% of the working population in the UK and has significant purchasing power, should ensure that it is procuring in line with the Social Value Act in order to set clear expectations for businesses.[71] Some local places could focus on better measuring the social value created by business, taking leading areas such as Doncaster as an example.[72] This would put them in a better position to hold businesses to account through other mechanisms such as planning regulations.

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67 Lowe, T. and Gardiner, J. (2020) *New Infrastructure Levy to raise more than existing system*. Housing Today. Available at: https://www.housingtoday.co.uk/news/new-infrastructure-levy-to-raise-more-than-existing-system/5107406.article

68 O'Neill, J. and Bernstein, H. (2020) *How to save British business*. Available at: https://www.thearticle.com/how-to-save-british-business

69 Pritchard, J. (2020) *Values Partnerships: Embedding Social Value in Public Contracts.* CBI. Available at: https://www.cbi.org.uk/media/5103/cbi_valued_partnerships_july2020.pdf

70 Cabinet Office (2020) *New measures to deliver value to society through public procurement*. Available at: https://www.gov.uk/government/news/new-measures-to-deliver-value-to-society-through-public-procurement

71 ONS (2020) *Public sector employment, UK: June 2020*. Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/publicsectorpersonnel/bulletins/publicsectoremployment/june2020

72 For one example of how Doncaster is measuring social value see the University of Sheffield evaluation of Doncaster Domestic Abuse Victim Services: Ariss, S., et al. (2017). *Domestic Violence Perpetrator Programme: Social Return on Investment Analysis*. University of Sheffield. Available at: https://www.sheffield.ac.uk/polopoly_fs/1.743695!/file/Final_SROI_report_31.10.17.pdf

In addition, these frameworks could be used to drive broader change across the private sector. Firms that are familiar with social value principles could also start to apply these more broadly to their commercial contracts. Information technology firm Fujitsu for example is "committed to using the power of ICT to help resolve social problems" and looks to ensure that their suppliers share their social values. They do this by auditing their supplier base and supporting SME suppliers to capture the social value they create through founding the free online service *Trading for Good*.[73,74]

Enhanced employment regulation

The government also has the option of raising the bottom line for business by regulating on areas such as the environment and employment. Covid-19 has highlighted that key workers need better protection as precarious work is disproportionately experienced by those on low incomes, and by those who have been most affected by Covid-19.[75] In response to this, employment status could be clarified in law to better reflect the modern economy and protect gig economy workers and the use of zero-hours contracts could be severely restricted or eliminated to reduce adverse consequences of insecure employment for society, including a higher incidence of in-work poverty and poor mental health.

Increasing labour market regulation at a time of increasing unemployment is likely to be politically challenging. However, 64% of businesses that CPP surveyed supported tightening existing labour market regulations such as increasing minimum wage to the real living wage or further restricting or eliminating zero-hours contracts. Better enforcement of existing regulation, such as minimum wage laws – including through increased penalties – would also help to prevent instances of worker exploitation such as the poor working conditions in Leicester garment factories (see Box 3).

Stronger emphasis on 'social' within sustainable investment frameworks

The step up in climate and social crises that we have seen in the past few years, from wildfires in the Amazon to the Black Lives Matter movement in the US, are forcing investors to consider the social and environmental impact of their portfolios. At edie's September Sustainable Investment virtual conference, green finance experts from Morgan Stanley, ING, Triodos Investment Management and Alquity emphasised the need for financial sectors to examine their portfolios to review how they could play a part in the low-carbon transition to a more just society and in August, Morgan Stanley's Chief Executive announced a new "accelerator" programme designed to promote "systemic change for sustainability". [76,77]

Emphasising the 'social' side of ESG could help to focus the minds of businesses and investors on the impact they have on the communities they operate in. However, a lack of information about social outcomes currently acts as a barrier to investing in inclusive growth as it is difficult for investors to know which companies to invest in and for companies to know which suppliers to use. Current ESG criteria primarily measure inputs rather than outcomes and have been accused of being too broad to be useful, leading to cases such as Boohoo which featured in many ESG portfolios when allegations about poor working conditions at its factories in Leicester wiped £1bn off its share value (see Box 3).[78] Harvard Business School has been attempting to improve the information available through the development of impact weighted accounts.[79] They published the environmental cost of 1,800 companies in July and intend to publish the product and employment impacts of these companies next year, but the measurements are far from being standardised across all companies. In the longer term, maximising the social impact of investment on communities will require better measurement, but in the shorter term it could be achieved by more investment in both businesses and sectors with proven social benefit and in places that have previously been perceived as left behind.

73 Fujitsu UK&I (2018) *Responsible Business Report 2018*. Available at: https://www.fujitsu.com/uk/Images/UKI-Responsible-Business-Report-2018.pdf

74 Information on supply chain practices is available on Fujitsu's website: https://www.fujitsu.com/uk/about/local/corporate-responsibility/responsible-business-report/operating-practices/supply-chain/

75 Stock Jones, R. (2020) *Government support for businesses should be conditional on employee welfare.* Prospect magazine. Available at: https://www.progressive-policy.net/publications/government-support-for-businesses-should-be-conditional-on-employee-welfare

76 Edie Newsroom. (2020) *Inclusive recovery: Can a post-pandemic economy shift society and sectors to greener pastures?* Available at: https://www.edie.net/library/Inclusive-recovery--Can-a-post-pandemic-economy-shift-society-and-sectors-to-greener-pastures-/6984

77 Morgan Stanley (2020) *Morgan Stanley Launches Sustainable Solutions Accelerator to Address Global Sustainability Challenges*. Available at: https://www.morganstanley.com/press-releases/morgan-stanley-launches-sustainable-solutions-accelerator-to-add

78 Mooney, A. and Nilsson, P. (2020) *Why did so many ESG funds back Boohoo?* Financial Times. Available at: https://www.ft.com/content/ead7daea-0457-4a0d-9175-93452f0878ec

79 Cohen, R. and Serafeim, G. (2020) *How to Measure a Company's Real Impact*. Harvard Business Review. Available at: https://hbr.org/2020/09/how-to-measure-a-companys-real-impact

Box 2: Are social enterprises the answer?

Social enterprises are for-profit businesses that have legally committed to reinvest or donate the majority of their profits for public benefit. In 2005, the government introduced a new type of company designed to meet the needs of social enterprises. These are called Community Interest Companies and there are now over 15,000 of them on the Companies House register.[80] However, social enterprises can take many forms and membership and campaigning body Social Enterprise UK (SEUK) has estimated that there are around 100,000 in the UK, contributing £60bn to UK GDP.[81]

In many ways social enterprises embody the principle of belonging as their social mission tends to give them a strong connection to place; one in five operate within a particular neighbourhood and 85% recruit over half their staff locally.[82] They also tend to have good employment practices, including the recruitment and retention of diverse leadership teams. The SOSE report 2019 found that 35% of social enterprises have BAME directors, and 40% were led by women, compared to 17% of SMEs more widely.

The fact that they have been growing in number is a positive sign for the responsible business agenda as it signals that a growing number of businesses want to make a social contribution. During the Covid-19 crisis, only 4% said they are not doing anything to support their community, staff or beneficiaries with the vast majority taking action such as providing charitable support or repackaging services.[83]

A recent report for the Social Market Foundation suggests that social enterprises should be promoted as an example of best practice by government and it is clear that social enterprises showcase some of the behaviours other businesses purportedly aspire to.[84] While social enterprises are a small portion of the overall economy and should not be considered a silver bullet, recommendations for how government can better support social enterprise may usefully be applied to the wider responsible business agenda.

The Chair of SEUK, Lord Victor Adebowale CBE says:

> "The last six months have shown how important social enterprises are to their communities: providing jobs, training and vital services like health and social care, as well as spaces to bring people together and support one other. But like other businesses across the UK, many viable social enterprises are struggling and need support. As we look to build back better out of Covid-19, we have to look to a new model of doing business where we deliver for society not just for corporate chief executives or shareholders. Social enterprises are already doing this for people and places across the country – it is critical we help them to survive and form the basis of the future economy."

80 Regulator of Community Interest Companies (2019) *Annual Report 2018–19*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/823460/CIC_Annual_Report_2019_v2.pdf

81 Mansfield, C. and Gregory, D. (2019) *Capitalism in Crisis?: State of Social Enterprise Survey 2019*. Social Enterprise UK. Available at: https://www.socialenterprise.org.uk/wp-content/uploads/2019/11/Capitalism-in-Crisis.pdf

82 Ibid.

83 Social Enterprise UK. (2020) *Social Enterprise and COVID-19*. Available at: https://www.socialenterprise.org.uk/wp-content/uploads/2020/05/Social-Enterprise-COVID-19-research-report-2020.pdf

84 O'Brien, A. (2020) *Bounce Back Britain: COVID-19 economic response and learning the policy lessons for the Financial Crisis.* Social Market Foundation. Available at: https://www.socialenterprise.org.uk/wp-content/uploads/2020/06/Bounce-back-Britain-June-2020.pdf

Box 3: Boohoo and the issues with the ESG rating system

In July 2020, just a month after reaching its highest ever share price, fashion brand Boohoo had £1bn wiped off its value as shares plummeted in response to allegations by Labour behind the Label that Leicester factories supplying their garments had links to modern slavery and paid workers as little as £2 to £3 per hour.[85] This incident was embarrassing for many ESG funds, as several were invested in Boohoo due to the clean double A rating it had received from ratings company MSCI before the allegation hit the press.[86]

Boohoo's apparently clean rating has highlighted a number of underlying issues with an ESG rating system which allocates variable ratings depending on which data agencies give weight to and does not review companies in enough detail.[87] Financial Times journalist Sarah O'Connor has suggested that ratings agencies make sure they review companies' supply chains and do more 'deep research' before assigning ratings yet this is likely to prove costly to implement at scale. More broadly, increased transparency of firms and their supply chains, alongside a more unified rating system could help to avoid another Boohoo-style mistake. CPP has previously called for more transparent and accessible publication of company level data on staff structure, pay and health and safety violations to inform potential employees about their employers. This information could also help ratings agencies and local governments to make more informed decisions.[88]

Harnessing consumer behaviour

Consumer demand is a key driver of business strategy and our polling suggests that there is appetite for change, so how can this be transformed into a change of behaviour? In public opinion polling commissioned by CPP, 56% of people said they have previously changed their consumption habits based on a business's moral behaviour with one in five saying that they have supported businesses that help local causes (21%) and nearly one in four saying that they avoided businesses that do not pay their fair share in tax (23%).[89]

A similar proportion (67%) said they would change where they shop even if they had to pay more. People in Scotland and Wales were more willing to pay a large premium, while older people aged 65+ and those in unskilled or lower grade occupations were more likely to be unwilling to change if it meant they had to pay more.[90] Income and social grade were not significant indicators of willingness to pay more for moral goods or services when factors such as education, age and gender are taken into account. This, combined with the result for Scotland and Wales, suggests that education and evolving local social norms can be effective at changing consumer and therefore business behaviour when paired with clear information on which to judge a company's social impact.

67%

Two thirds of people said they would change their consumption habits based on a company's moral behaviour, even if it meant they had to pay more

85 Busby, A. (2020). *A Billion Wiped Off The Value Of Boohoo As Shares Plummet: Could This Be The Beginning Of The End?* Forbes. Available at: https://www.forbes.com/sites/andrewbusby/2020/07/06/nearly-a-billion-wiped-off-the-value-of-boohoo-as-shares-plummet-following-allegations-of-slavery/

86 Eley, J., Mooney, A. and Nilsson, P. (2020), *Boohoo comes out fighting after market tears it to shreds*. The Financial Times. Available at: https://www.ft.com/content/6e4b36b5-2174-4410-ab6d-5eb492792d6d

87 O'Connor, S. (2020) *Sustainable funds must work harder to vet their investments*. Financial Times. Available at: https://www.ft.com/content/48e02694-a54c-4cec-9af6-ada8b4955e20

88 Stock Jones, R. et al. (2019) *The good life: the role of employers*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers

89 Public opinion research was carried out by Populus for the Centre for Progressive Policy. Online polling took place between 9–13 April 2020. Results are drawn from a regionally and demographically representative sample of 2,174 UK adults.

90 CPP's public opinion questionnaire asked respondents whether they would change where they shop based on a company's moral behavior if it meant they might have to pay more for certain items or services. The example given for a large premium was £1 extra for a coffee, which would be an approximate 40% premium on the average price for a cup of coffee. This is £2.44 in the UK according to Square UK Coffee Report 2018.

Recommendations

Given the prior discussion of the potential levers for enhancing businesses' accountability to communities, we make the following recommendations to accelerate the business of belonging. These are not an exhaustive list but represent crucial initial measures that can be taken to provide immediate momentum to this agenda.

Bold national moves to change the rules of the game

Having a large majority in parliament, the current government has an opportunity to deliver real change. To signal national government's commitment to the business of belonging, we would like to see both legislative changes to the Companies Act and greater incentives for viable businesses in receipt of state support to act in wider societal interests.

1 Over the longer run, **the government should amend the Companies Act to embed the business of belonging within firms**. The British Academy suggest a redrafting of the Act to put purposeful business at the heart of business activities rather than shareholder primacy. We would agree with this and suggest explicitly embedding community within this framework, for example redrafting sub-section (1) of s.172 of the UK Companies Act, 2006, to say:

"Directors of companies must establish their company purposes [which must include supporting the local communities within which they operate], act in a way they consider most likely to promote the fulfilment of their purposes, and have regard to the consequences of any decision on the interests of shareholders and stakeholders in the firm."[91,92]

2 More immediately and as argued by Jim O'Neill, **the government should create a recapitalisation fund for struggling but otherwise viable businesses** as part of the government's new industrial strategy. Such a fund would be publicly owned but run by a private sector led arms length body, with investment dependent both on businesses' expected future performance and commitment to meeting community objectives like having socially mobile workforces, achieving net-zero carbon emissions and supporting local community infrastructure. Evidence in this report suggests many companies are willing to think beyond survival and profit, particularly those that have received government support during the pandemic.

3 The government should also act to **fund the creation and survival of social enterprises, which already embody the principle of belonging**. Short-term un-tied grant funding, targeted at social enterprises, would demonstrate the government's support for these businesses, encouraging those that have lost their job to start up new community-focused initiatives ensuring that existing social enterprises providing vital community services do not go under. In his *Levelling up our Communities* report, Danny Kruger recommends establishing a 'matchtrade' scheme where public money matches the revenue social enterprises make in acknowledgment of their positive social impact. Many smaller social enterprises were not eligible for the coronavirus Small Business Grant Fund as they do not occupy property and additional funding should take this into account.

91 The British Academy (2019). *Principles for Purposeful Business: How to deliver the framework for the Future of the Corporation*. Available at: https://www.thebritishacademy.ac.uk/publications/future-of-the-corporation-principles-for-purposeful-business/

92 The government may also wish to directly name other stakeholders, including employees and the global environment, in the Companies Act but those are not the focus of this paper.

Creating good jobs for all

Businesses committing to local populations is about providing good, secure jobs with opportunities for progression, but also about recruiting from diverse groups and deprived neighbourhoods and investing in skills. Clear communication with employees and access to re-training programmes will be particularly important for ensuring that the transition to a new economy does not widen existing inequalities.

4 **National government should increase the minimum wage to the real living wage**, as set out by the Real Living Wage Foundation. This would entitle everyone over 18 years or age to access a higher wage than they currently can under either the Minimum Wage (for 21–25 years) or 'National Living Wage' (for over 25 year olds). This move is supported by 35% of businesses despite current economic difficulties and concerns about the viability of planned increases to the national minimum wage.

5 **Local government should enforce business charters and strong procurement frameworks to promote social mobility** and signal their employment expectations of businesses. For example, the Greater Manchester Combined Authority are making support of their employment charter a condition of receiving the loans they offer to businesses that cannot access finance from elsewhere.

As well as harnessing the good, it is also critical to penalise the bad – the exploitation of workers increased after the financial crisis of 2008-9 and resulted in a legacy of insecure work and underemployment.

6 **The use of zero-hours contracts should be severely restricted first by individual business practice and then by law.** This would help to reduce adverse consequences of insecure employment for society, including a higher incidence of in-work poverty and poor mental health. One in four businesses we surveyed said that they would support a change in regulation that enforced the restriction or elimination of these contracts.

7 **National government should set up a fully funded single enforcement body to protect workers** through the Employment Bill, as promised in the 2019 manifesto, to ensure that the unemployment and labour market conditions created by Covid-19 does not lead to additional exploitation of the workforce. This new body should:

- a **Improve transparency** by publishing data on tribunals, the National Minimum Wage and other violations in csv format, which can be linked to company level data on contract type. It should also commit to sharing inspection materials with local government to aid local enforcement.
- b **Be accessible** to those who are most vulnerable. The body should be free to contact and should aim to minimise telephone waiting times. Running a confidential advice helpline and publishing FAQs and case studies online could help encourage workers to determine their employment status and rights.
- c **Use technology** to enforce labour laws. The gig economy operates on data and an enforcement body could use this data to monitor compliance at a relatively low cost. UCL's IIPP have recommended setting up a commission to review how data can be shared appropriately between platform companies such as Uber and enforcement bodies.[93]

93 Silvers, D. (2019) *Back to the Future – Casualised Labour, Innovation and the Future of Work.* UCL Institute for Innovation and Public Purpose. Available at: https://medium.com/iipp-blog/back-to-the-future-casualised-labour-innovation-and-the-future-of-work-8a0e5238b1ab

Rooting businesses in their communities

Places are different and will have different relationships with their local businesses.[94] Local governments have an essential role to play in shaping these and should be recognised as leaders of the 'belonging' agenda. Recognising businesses' appetite to go further in making a clear social contribution, local government, business and community groups should work together to promote social value in local supply chains and identify shared local objectives, taking the Bristol One City Plan as an example (see Box 5).[95]

Structures that aim to facilitate these interactions will need to learn the lessons from LEPs as well as lessons from other community organising structures like Big Local's resident-led partnerships, focusing on places that are leading this agenda (see Box 6). The Blavatnik Government Outcomes Lab finds that collaborative working can be embedded through a change of infrastructure, such as co-location or data sharing, while CPP's conversations with local councils suggest it is important to have a locally trusted organisation to act as a convening voice for small and micro businesses and to invest in staff whose role is to facilitate communication between the council and business.[96]

8 As a starting point, **the public sector should ensure that its procurement procedures secure social value for the local area** in line with the Social Value Act and new social value model, setting clear expectations for businesses. **Large private sector businesses should also use their purchasing power to support businesses that promote social value in the local economy.**

9 **Local government, businesses and the wider community should work together to embed reciprocal relationships and address community problems.** Local governments should work with businesses to agree a set of mutually beneficial social objectives, such as ending homelessness or improving public health with smaller businesses engaging through a representative such as a locally trusted organisation. Business could then embed these objectives into their business model.

10 To help enable this change, the government should **use the upcoming Devolution White Paper to simplify forums for businesses to engage with local government by making the geography of business groups and local councils more compatible**, for example by matching LEP and Combined Authority boundaries. In places like Greater Manchester, where LEP and Combined Authority boundaries are aligned, the two work in an integrated way, partnering on many initiatives.

11 They will also need to devolve power and funding in order to make regional and local bodies functional. As discussed in CPP's recent paper *Beyond hard hats*, the **government need to bolster local leadership by shoring up local government finances, levelling up powers and pooling public sector resources**.[97] This process could include structural reform such as compulsory unitarization, use of the UK Shared Prosperity Fund (UKSPF) and using the next Spending Review to trial place-based budgeting.

94 Chakelian, A. (2020) *There's no such thing as a 'left behind' town*. New Statesman. Available at: https://www.newstatesman.com/politics/uk/2020/08/theres-no-such-thing-left-behind-town

95 Information about the One City Plan is available at: https://www.bristolonecity.com/about-the-one-city-plan/

96 Blundell, J. et al. (2019) *Are we Rallying Together? Collaboration and public sector reform*. Blavatnik School of Government. Available at: https://golab.bsg.ox.ac.uk/knowledge-bank/resources/are-we-rallying-together-collaboration-and-public-sector-reform/

97 Alldritt, C. and Billingham, Z. (2020) *Beyond hard hats*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/beyond-hard-hats

Improving environmental consciousness

Environmental issues are increasingly also local social issues. In the UK, flooding affects coastal areas and places with high rainfall such as Cumbria and Yorkshire more than others, while households living in poverty are more likely to be exposed to air pollution.[98,99] It is therefore key that businesses and communities work together to improve environmental consciousness for the benefit of their locality.

12 **Businesses should actively involve local workers in their plans for achieving sustainability**, including through engaging with unions. While two in five businesses have a plan in place to reach net-zero carbon by 2050, only one in five directly involved unions and workers in the drafting of that plan, yet involving workers is key to ensuring a just transition.

13 **Local government and businesses should embed long-term environmental goals into shared objectives**, and work together – with the community and other civic partners – to deliver these, taking the Welsh Well-being of Future Generations Act as an example.

Making businesses more open and transparent

The stock market response to Boohoo suggests that increasing transparency about businesses' impact can be a good enforcement mechanism, motivating other businesses to improve their supply chains (see Box 3). CPP's previous report *The good life: the role of employers* recommended that BEIS improve transparency by: restarting the non-compliance naming scheme for organisations that violate minimum wage regulations, ensuring that company structures are published on Companies House and requiring employers to publish the contract types of their workforce.[100] These recommendations hold but as businesses' impact on their community extends beyond their role as an employer, so too should transparency measures and impact measurement.

14 **Businesses should commit to increasing transparency** and voluntarily publish information about staff structure, CEO pay ratios and contract type in an accessible format.

15 **National government should support the development of a clear framework for measuring social impact**, building a consensus around measurement so that businesses' social contribution can be transparently and comparably assessed, increasing the tools that communities have at their disposal for holding business accountable.

98 Official data on flood risk for local areas can be accessed online at: https://flood-warning-information.service.gov.uk/long-term-flood-risk/map

99 Barnes, J. et al. (2019) *Emissions vs exposure: Increasing injustice from road traffic-related air pollution in the United Kingdom*. Transportation Research Part D: Transport and Environment. Volume 73, August 2019, pp.56–66. Available at: https://www.sciencedirect.com/science/article/pii/S1361920919300392

100 Stock Jones, R. et al. (2019) *The good life: the role of employers*. Centre for Progressive Policy. Available at: https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers

Box 4: EDF at Hinkley Point C

Gas and electricity suppliers EDF Energy, owned by the French multinational utility company EDF, have been working with Chinese multinational GCN on the construction of a nuclear power station at Hinkley Point C (HPC) in Somerset since 2018. Given the disruption to local residents, supporting the community is a key part of their plans for the project to deliver benefit to people and businesses across the UK.

As well as recruiting 40% of jobs from the local area and spending £1.67bn with companies in the South West, HPC has invested £119m in the community, including investing £20m in local roads infrastructure and supporting 164 community projects like *Rusty Road 2 Recovery* which supports people with mental health issues to provide vehicle maintenance for financially disadvantaged people in the locality.[101] This is a clear example of where a business has recognised the strategic importance of the local community to their business and the mutual gains from investment in the local area.

Box 5: Bristol One City Plan

Bristol One City Plan, launched in January 2019 by Mayor Marvin Rees, is a vision for where the city wants to be by the year 2050 and how it plans to get there.[102] The Plan comprises visions under six themes – connectivity, economy, environment, health and wellbeing, homes and communities and learning and skills – which are underpinned by 546 initiatives. These goals are more specific, are spread out across time from 2020 to 2050, and are linked back to the UN Sustainable Development Goals.

The plan was informed by community workshops, with each theme being developed with a specialist board made up of public, private and voluntary sector organisations. For example, the Economy Board, which aims to make Bristol "a sustainable, inclusive and growing economy from which all will benefit", includes business groups such as the CBI, FSB, central government representatives, the city council and the TUC as well as individual business leaders.[103] This diverse group has committed to shared aims such as "to shift to a decarbonised economy" and "adopt responsible business practices and innovations for greater resilience" and meets regularly to discuss progress.

While Covid-19 may have pushed back meeting some of the Economy Board's 2020 goals it has also demonstrated the value of having such a forum for cross sector action. During the height of the crisis, the board met weekly to discuss specific challenges and has held workshops on delivering the 2050 vision in a post-Covid economy.

101 HPC (2020) *Hinkley Point C: realising the socio-economic benefits 2020*. Available at: https://www.edfenergy.com/energy/nuclear-new-build-projects/hinkley-point-c/about/realising-socio-economic-benefits
102 See: https://www.bristolonecity.com/about-the-one-city-plan/
103 See: https://www.bristolonecity.com/economy/the-economy-board/

Box 6: Learning from LEPs

Local Enterprise Partnerships (LEPs) are private sector-led strategic partnerships between businesses and local public sector bodies with private sector board membership ranging from 45% to 80%, with an average of 58%.[104] They are predominantly funded by the public sector as the intended financial contributions and match-funding from the private sector had not materialised to the extent that was originally envisaged.

LEPs were first set up in 2011 with the intention of driving economic growth in their areas. More recently they have been tasked with delivering their areas' local industrial strategies and have been allocated £12.1bn via Local Growth Deals and other means.

> If businesses want a genuine role in decision making, then they must to some extent be answerable to the local population; strategic resourcing and delivery powers cannot come without formal accountability

The LEP landscape is relatively messy, with multiple LEPs covering some local authority areas. They have also suffered from issues around transparency and accountability which MHCLG has attempted to address in recent years, yet a 2019 Public Accounts Committee review found that these remain unresolved; boards are unrepresentative of their local areas and business communities.[105] It was also found that there is little evidence on the impact of LEPs on local economic growth as there has been no evaluation of local growth fund spending.

LEP's accountability issues raise a fundamental question for business and community partnerships; where does the responsibility for social outcomes lie? If businesses want a genuine role in decision making, then they must to some extent be answerable to the local population; strategic resourcing and delivery powers cannot come without formal accountability. LEP leadership is now expected to commit to standards expected of those in public office and this is something that other forms of partnership may also want to consider, yet in itself this does not go far enough. There needs to be agreement on the role of LEP chairs and other business leaders in comparable positions, relative to the role of elected mayors, including how they should work with public sector institutions.

Clarity of purpose and evaluation of impact are other key elements to build into any forum for business engagement to ensure that decisions are tractable and transparent. Being coterminous with local political boundaries is a helpful first step in achieving these objectives.

104 NAO (2019) *Local Enterprise Partnerships: an update on progress*. Available at: https://www.nao.org.uk/wp-content/uploads/2019/05/Local-Enterprise-Partnerships-an-update-on-progress.pdf

105 *House of Commons Committee of Public Accounts (2019) Local Enterprise Partnerships: progress review*. Available at: https://publications.parliament.uk/pa/cm201719/cmselect/cmpubacc/1754/1754.pdf

Conclusion

4

CPP has long been focused on identifying problems at a local level and considering the different needs of different places, believing that opportunity should not be determined by where someone lives or what their background is. Yet in 2020, opportunities do vary by place, and this is partly to do with the level of business investment and job opportunities available locally. This paper makes the case for businesses to have greater connection and accountability to the places in which they operate, in recognition of the long-term mutual benefits of greater collectivism.

> In 2020, opportunities do vary by place, and this is partly to do with the level of business investment and job opportunities available locally

CPP argues that since we are "hard-wired to belong both to a group of people and to a place" and have seen stalling labour mobility in the UK, businesses should be increasingly perceived as place-based organisations that are both dependent on and accountable to the communities they operate in.[106] Our analysis has demonstrated that businesses that recognise they have been supported by the taxpayer feel greater social responsibility, highlighting the strength of reciprocity and suggesting that a formal recognition of the ways that businesses gain from infrastructure like business support and transport could engender greater cooperation.

One way of doing this would be for local people and civic partners to write up clear social contracts, like the Wigan Deal, which set out the expectations of businesses, local government and communities. Another would be for local government and business to work together to define shared social objectives which each have an interest in achieving, as happens in Bristol as part of their One City Plan. Both businesses and government then take responsibility for delivering these outcomes.

For ideas like these to be achieved, government and business need better forums for interaction and dialogue. The geographical boundaries of LEPs need to align to those of local government or combined authorities and the diverse needs of small businesses must be well represented. Social outcomes, and businesses' impacts on them needs to be measurable and local government need the regulatory levers to bar businesses that are blocking the way forward.

There is also much that businesses can do without input from government. Importantly, they can look to provide good jobs to all their staff, focusing on ensuring staff members have secure contracts and get a say in the way the organisation is run. They can also train staff in transferrable skills, recruit from areas with fewer opportunities and choose suppliers that uphold the same values. However, not all businesses will take up the mantle and it is the government's role to ensure that the legal minimum is sufficient to enable a clean and inclusive economic recovery and a levelling up of our society, both between and within places. This means reviewing and enforcing labour laws and re-thinking environmental legislation.

We also need new bold initiatives from national government to show it truly gets the importance of business to communities as a key part of achieving levelling up. Purpose and community must be underwritten in statute, the government's financial support for firms during this crisis must be smart and conditional and social enterprise must be encouraged to flourish. The business of belonging cannot be achieved overnight but government can do much to capitalise on current momentum and set it in train.

> Our analysis has demonstrated that businesses that recognise they have been supported by the taxpayer feel greater social responsibility, highlighting the strength of reciprocity and suggesting that a formal recognition of the ways that businesses gain from infrastructure like business support and transport could engender greater cooperation

106 Collier, P. (2020) *Getting somewhere: How the Tories leapt ahead of mainstream economists to give towns their due*. Prospect Magazine. Available at: https://www.prospectmagazine.co.uk/magazine/getting-somewhere-how-the-tories-leapt-ahead-of-mainstream-economists-to-give-towns-their-due-boris-johnson-red-wall-north

CPP's key recommendations include:

Bold national reforms by the government to change the rules of the game

1 **Amending the Companies Act to embed the business of belonging within firms**.
2 **Creating a private-sector led recapitalisation fund for struggling but otherwise viable businesses as part of the new industrial strategy**, with investment dependent on businesses' commitment to meeting community objectives.
3 **Funding the creation and survival of social enterprises**, which already embody the principle of belonging.

Good jobs for all

4 **Increasing the minimum wage to the real living wage,** as set out by the Real Living Wage Foundation.
5 **Enforcing business charters and strong procurement frameworks** to promote social mobility and signal employment expectations of businesses.
6 **Severely restricting the use of zero-hours contracts** to reduce adverse consequences of insecure employment for society.
7 **Setting up a fully funded single enforcement body** to protect workers through the Employment Bill, as promised in the 2019 manifesto.

Rooted in place

8 **Securing social value for the local economy** through procurement procedures in both public sector organisations and large businesses, following the example of the Cabinet Office's recently published social value model.
9 **Agreeing a set of mutually beneficial social objectives** between local business, communities and local government.
10 **Simplifying forums for businesses' engagement** in the Devolution White Paper by making the geography of business groups and local councils more compatible, for example by matching LEP and Combined Authority boundaries.
11 **Bolstering local leadership by shoring up local government finances, levelling up powers and pooling public sector resources**, including through structural reform and use of the UK Shared Prosperity Fund.

Environmentally conscious

12 **Actively involving local workers in business plans for achieving sustainability**, including through engaging with unions.
13 **Embedding environmental goals into local shared objectives.**

Open and transparent

14 **Committing to increasing transparency** and voluntarily publish information about staff structure, CEO pay ratios and contract type in an accessible format.
15 **Developing a clear framework for measuring social impact**, building a consensus around measurement so that businesses' social contribution can be transparently and comparably assessed.

Appendices

Appendix 1: Business polling questions

Business polling was carried out by Populus for the Centre for Progressive Policy. Online polling took place between the 28th August and 3rd September 2020.

The survey consisted of 609 business owners and directors and results were drawn from a representative sample of businesses across UK regions and sectors.

The sample included 102 large businesses, 101 medium businesses and 406 small businesses.

1 What sector is your business in?
- **a** [2 DIGIT SIC CODE]

2 In which region is your business primarily based?
- **a** [UK REGIONS]
- **b** Nationwide

3 How many employees do you have?
(*Single code*)
- **a** Fewer than 10
- **b** 10–49
- **c** 50–249
- **d** 250–499
- **e** 500–1,000
- **f** 1,000+

4 We would now like you to think about the Covid-19 crisis. How confident are you that your business will make a profit over the next 12 months?
(*Slider scale*)
- **a** [SCALE 0–10, 0 = not at all confident, 10 = very confident]

5 Have you successfully applied for government funded grants or loans in response to Covid-19, including the Covid-19 Job Retention Scheme?
(*Single code*)
- **a** Yes, I successfully applied and received all of the funding I applied for
- **b** Yes, I applied but have not yet received all of the funding
- **c** Yes, I applied but my application was unsuccessful
- **d** No, I have not applied

6 Thinking about each of the following, have you as a business leader felt more, less or the same amount of responsibility to do these things in response to the Covid-19 crisis?
(*Single code, randomise rows*)

Rows:
- **a** Maintain payrolls and use government funding to maintain pay
- **b** Offer secure job contracts to staff
- **c** Provide the living wage within a year of the emergency ending
- **d** Reinvest any profits into the company
- **e** Stop paying dividends and executive bonuses while receiving government support and for up to three years after
- **f** Stop purchasing share buybacks
- **g** Set aside a minimum of one seat on the board of directors for a worker-elected representative
- **h** Base yourselves for tax purposes in the UK

Columns:
- **a** A lot more responsibility
- **b** A little more responsibility
- **c** About the same
- **d** A little less responsibility
- **e** A lot less responsibility
- **f** Not applicable

7 Does your business employ anyone on zero-hours contracts, including via regular contractors?
(*Single code*)
- **a** My business directly employs staff on zero-hours contracts
- **b** My business regularly subcontracts staff who are employed on a zero-hours contract
- **c** My business both directly employs and regularly subcontracts staff on zero-hours contracts
- **d** My business does not directly employ staff on zero-hour contracts and does not regularly subcontract staff who are employed on a zero-hours contract
- **e** Don't know

8 Do you agree or disagree with the following statements?
(*Randomise statements*)
All employees at my organisation...
- *Earn at least the real living wage of £9.30 per hour or £10.75 per hour in London*
- *Are offered permanent contracts with agreed hours*
- *Are regularly offered places on paid-for training courses to develop their skills* (*at least once every 12 months*)
- *Are offered full pay for time spent on sick leave*
- *Have a say in the way the organisation is run via a staff or trade union representative*
  - **a** Agree
  - **b** Disagree
  - **c** Don't know

9 We would now like you to think back to the 12 months prior to the Covid-19 crisis. In which of the following ways, if any, did your business contribute to the communities it operates in?
- **a** Using suppliers that directly benefit the local community (i.e. through good local employment and strong environmental standards)
- **b** Directly investing in local social infrastructure such as: affordable housing, skills, retraining and employment for those out of work, the development and maintenance of youth and community centres and green spaces
- **c** Making donations to local charities and voluntary organisations
- **d** The most senior staff volunteering in the local community at least once every six months
- **e** Reviewing at least once a year the impact of your businesses' activities on the local community
- **f** None of the above

10 Has the coronavirus pandemic increased, decreased or had no impact on the level of contribution your business makes to the communities it operates in?
- **a** Increased my business's contribution
- **b** Decreased my business's contribution
- **c** Had no impact on my business's contribution
- **d** Don't know

11 How could the government support your business to make a greater social contribution to the communities it is connected to? Please choose the top three.
(*Rank top three*)
- **a** Provide financial incentives/reimbursement for that contribution
- **b** Facilitate better forums for interaction between businesses and communities
- **c** Provide clear recognition of contribution, for example listing in external government communications
- **d** Reduce administrative and cultural barriers to businesses supporting the provision of community services
- **e** Adapt models of public service provision to better encompass businesses and community groups, for instance by creating long-term alliances with partner organisations
- **f** Support the development of a clear framework for measuring impact so that our social contribution can be transparently measured and communicated
- **g** Other (please specify)

12 Which of the following government initiatives would you find most useful in supporting your business's growth in the next 12 months?
(*Single choice*)
- **a** Subsidise productivity-enhancing training for SMEs in areas such as technology adoption and management
- **b** Ensure that SMEs have access to finance to invest in improving productivity
- **c** Reduce cost of investment in post-Covid clean growth sectors and technologies
- **d** Work with businesses, universities and FE colleges to develop the skills pipeline for new high productivity sectors
- **e** Other (please specify)
- **f** Not applicable

13 How would you describe the core skillsets of the workers you have made, or are planning to make, redundant, if any?
(*Multi choice – randomise*)
- **a** Technical or practical skills
- **b** People and personal skills
- **c** Complex analytical skills
- **d** Operational skills
- **e** Digital skills
- **f** Management and leadership skills
- **g** Sales and customer skills
- **h** Self-management skills
- **i** Other (please specify)
- **j** Don't know
- **k** I have not, and am not planning to, make any of my workers redundant

14 How would you describe the core skillset of workers that you intend to hire over the next 3 years, if any?
(*Multi choice – randomise*)
- **a** Technical or practical skills
- **b** People and personal skills
- **c** Complex analytical skills
- **d** Operational skills
- **e** Digital skills
- **f** Management and leadership skills
- **g** Sales and customer skills
- **h** Self-management skills
- **i** Other (please specify)
- **j** Don't know
- **k** I am not planning to hire any workers over the next three years

15 Thinking about the laws relating to minimum wages and flexible hours contracts, which of the below would you support, if any?
(Multi code, randomise. Validation to ensure do not choose conflicting options [D and E conflict with F, A and B conflict with C])

- **a** Further restricting or eliminating use of zero-hours contracts
- **b** Introducing minimum rights for atypical and gig economy workers in line with EU countries
- **c** Easing current restrictions on casual forms of employment such as agency workers and contractors
- **d** Continuation of the government's policy of increasing the national living wage to two thirds of median income by 2024
- **e** Increasing the minimum wage for all those over 16 to the real living wage by 2024 (currently £9.30 per hour or £10.75 in London)
- **f** Freezing minimum wage increases for the next three years
- **g** Other (please specify)
- **h** Don't know
- **i** None of the above

We would now like you to think about the environment and reducing your carbon emissions. In June 2019, parliament passed legislation requiring the government to reduce the UK's net emissions of greenhouse gases by 100% relative to 1990 levels by 2050.

16 Which of the following best describes the steps your organisation is taking to reach the net-zero carbon by 2050 goal?

- **a** Our organisation has a plan in place and workers/unions were directly involved in drafting this plan
- **b** Our organisation has a plan in place but workers/unions were not directly involved in drafting this plan
- **c** Our organisation does not have a plan in place
- **d** Don't know

17 To what extent have environmental considerations been a deciding factor in any investment decisions your business has made in the last 12 months?
(By 'environmental considerations' we mean an assessment of the effect of the investment on climate change, pollution, sustainability or waste reduction).

- **a** To a great extent
- **b** To some extent
- **c** To a small extent
- **d** Not at all

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About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national, local and international partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

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