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This is a speech delivered by Professor Adam Graycar to the Australian Council of Social Services, Sydney:

Social responsibility of business

14th April, 1980

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A.C.O.S.S.

SOCIAL RESPONSIBILITY OF BUSINESS

14/4/80

ADAM GRAYCAR

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Thank you very much Mr. Chairman, I am very glad to be here to be able to take part in the discussion on social responsibility in business. It may seem strange to you to have somebody from the Social Welfare Research Centre here speaking at this forum but I suppose the first reaction of many of you is what is the relationship between social welfare and business. Business helps create wealth, it sets standards of living, deals with the quality of life and social welfare picks up the pieces - is that right? No - not quite.

There are two interpretations that those of us who work in the welfare system see of the welfare system, first of all some liken it to an ambulance or a truck parked at the bottom of a cliff that picks up all the pieces after they have crumbled, others see the social welfare system as an elaborate and all encompassing fence that is built at the top of the cliff to prevent people from falling, obviously its much more expensive to build this elaborate and all encompassing fence than it is to have a truck down the bottom, there are arguments clearly for both. Some people say that the State has not right to play a role until things have gone wrong, others argue that to build an all encompassing fence at the top of the cliff makes provision for all sorts of people many of whom are never likely to stray to the edge, the truck analogy however creates expensive institutions and creates a state of dependency, permanent dependency, which unfortunately has become in many cases characteristic of the social welfare system. However the social welfare system, like the business system, has a role in investing for the future and in assisting in creating wealth hence we can argue that there is an important role for the fence at the top of the cliff concept of social welfare.

The welfare system as we now know it, is under attack, its being attacked both from the right and from the left. Those on the right argue that it is inefficient, that it is wasteful, that it is morally repugnant while those on the left argue that it has not transformed society, it has not eliminated the class barriers that it set out to eliminate and it has not brought about greater equality. The welfare system does not just compensate for misfortunes, it does not just replace incomes that are not attainable in the market in a fairly meagre way, but rather one of its aims - and this is

an important aim as far as business is concerned - is to keep the population literate and healthy. In addition to the welfare systems aim of investing for the future by way of human capital and social programme development. We certainly live in a complex and inter-dependent society and no institution can act alone., the whole concept of inter-dependency characterises our social compact and our well being. We have a trade-off between the forces of conflict and the forces of concensus in our society, too much of one - too much conflict - too much consensus - renders the society socially destructive and unworkable. But we do live in interesting times, we do live with a revolution of rising expectations, we do find people wanting more and more out of our very affluent system and more and more they are turning to government, and more and more government is saying it cannot be and cannot be expected to be an unlimited liability insurance company insuring all the people against all possible risks. So we find that some fervent public action is needed to maximise well being in our society but not necessarily through Government alone, not necessarily through industry alone, not necessarily through voluntary Welfare Organizations alone, not necessarily through Community Groups alone, but obviously ⁱⁿ some sort of social compact that takes in all of these Institutions and maximises the input of all the Institutions to assure the greatest output. We find without any doubt at all that the free flow of market forces has'nt insured all Australians have access to the fruits of this wealthy society, there are by the Commission of Inquirey into Poverty estimates more than two million people in poverty in Australia and this is by drawing a very austere poverty line. The Social Security system has'nt rectified the situation, the benefits that are paid don't lift people out of poverty, in fact in many cases they keep people in poverty, but it's extremely simplistic to argue that there ought to be more market forces to eliminate the welfare system and let the market run free, if one wants to eliminate poverty as Milton Freedman does, its equally simplistic to argue that one ought to massively increase welfare payments and control the market totally if one is to eliminate poverty, we've certainly found that a full free flow of the market forces doesn't eleminate poverty in the same way as total dependence on benefits would not eleminate poverty. But, of course we have got to try to work out not just how to eleminate poverty in the material sense but how to explore avenues for cooperation and coordination to maximise well being for all of the citizens in a community.

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One way of looking at it is to see the well being[^] on the support each individual receives from, in response to the demands he or she makes on four major institution

They're the Family, the State, Employers and the Community. The family for instance, provides some sort of socialization and some form of emotional support and basic protection and obviously there's a lot to be gained in terms of maximising well being from the family, by the same token the State provides some form of opportunity security, some form of income security either income supplementation or income replacement and a set of legislatively developed protected mechanisms. Employers, in addition to wages and conditions of work provide a whole range of occupational welfare, that are very often seen as fringe benefits for employees, that have a great deal to do with our well being. The fourth category the Community provides a sense of belonging and a sense of integration, it provides local facilities and responds to local demands. But all four of these institutions play a large part in integration, some people say that's a bad thing that a fragmented and individualised society is better, but furthermore, all of these four things are up for major redefinition and major debate. There's a large Conference in Sydney early next month on Family Policy, trying to work out among other things what role the family ought to play what demands ought to be placed on the family, whether the family is breaking down, whether too many demands are being placed on the State instead of on the family, on employers instead of on the family and so on. But the important thing is when we start looking at these issues business certainly has a role to play, not just in ensuring material well being but ensuring another element that's very important in assessing well being, and that is access and information those without access to decision making those without information are, it can be argued, in a sense of relative deprivation and business has an important role to play in ensuring the integration of the institutions that I have been talking about and ensuring some sort of access.

Well, an important thing to understand, I think, about any institution in the social system is that it doesn't move unless its pushed and it is important, as people have said earlier to-day, to see the push from within because if not it will come in a fairly draconian sort of sense and so what we can identify I think are three important set of relations all of which operate in a cyclitical sort of fashion. First of all we can identify leadership, second we can identify some sort of expertise and third we can identify some sort of citizen involvement. Our whole

community leadership and development structure depends on the way in which these three values integrate with each other and operate in a cyclical sense. For example, leaders have certain things to offer, they can offer direction, they can offer a general sense of understanding and wellbeing but without a backup of expertise and without an input from citizens the leadership itself is very very hollow. Expertise also has its limitations, scientific and professional people are accustomed to the sorts of problems that can be solved by expert technical advice or action so it is easy for them to imagine that any social enterprise can be managed in much the same way. Often they envisage a world that does not need leaders, only experts, their notions are based on a false conception of a leader's function. Supplying technically correct solutions, however, is the least of a leader's responsibility. That is part and parcel of a sort of vending machine concept of society for each problem a solution seems technically available, so you pass a law, allocate some money, put in a coin and out come the goodies. But when the goodies are not all that good then the experts assume that the leaders are no good. It is never the problem of the experts. Yet we see in our planning structures all sorts of things that one wonders how intelligent and rational planners could have come up with. So what we find then is that dealing with social change dealing with the difficult times we are facing, dealing with the rapid rate of change that social change takes time and it also takes a partnership. A partnership between leaders, experts and people in the community and all of them have different resources, all of them have different skills and a great deal of tolerance and patience is needed in blending these resources and skills to achieve generally recognised and concensually set social objectives. But the partnership, the whole issue of partnership, is really very very important, it is very very vital. It is very important that there be some consultation between the three sectors. Business obviously^{ly} has a role to play beyond the minimum requirements laid down by the law to help identify and to solve social problems. If not, the world as we know it now in the interests of business just would not work, the responsive communities wont be there, the markets wont be there, we will find ourselves in all sorts of difficult situations. But we have got to remember that everybody has something different to contribute business alone does not have all that there is to contribute, government alone doesn't, community groups alone dont and so we have got to - in consultation- try to find out what the problems are. Not only do we have to ^{listen to} be problem-solvers but more important, those

of us in academia, in business, in government, in community groups have to work in partnership first of all to be problem seekers before we can start to be problem-solvers and to do that in a compact that will try to maximise the wellbeing in our community and to ensure that everybody who has something different to contribute can best contribute that. This is important for us to build that fence at the top of the cliff rather than have the meattruck at the bottom.