From Marshallian Citizenship to Corporate Citizenship: The Changing Nature of Citizenship in Neoliberal Britain

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Introduction

Over the past couple of decades, the term 'citizen' has increasingly been appropriated by private companies. A whole range of corporate literature is now dedicated to the issue: Corporate Responsibility Magazine draws up an annual “100 Best Corporate Citizens List”, whilst companies from Microsoft to Citigroup now publish regular corporate citizenship reports to evaluate their performance in this area. Bob Diamond, former CEO of Barclays, publicly declared his determination to ensure “that Barclays plays its role as a full corporate citizen, acting properly and fairly always, and contributing positively to society in everything that we do”.

Yet, the use of the term ‘citizenship’ with regard to corporations is inherently problematic. If we accept the traditional Marshallian definition of citizenship, the concept ought to relate to citizens’ equal rights vis-à-vis the state: civil rights guaranteeing individual freedom, protected by law; political rights of participation in the civil polity, as protected by Parliament; and social rights to economic welfare and security, protected by a welfare state. But the most common use of corporate citizenship seems to relate more to the responsibilities that companies are thought to owe civil society. Indeed, the terms ‘corporate citizenship’ and ‘corporate social responsibility’ are often conflated, suggesting that, as ‘corporate citizens’, businesses are expected to exercise
certain responsibilities vis-à-vis civil society. Private citizens too are encouraged to be ‘active’, to participate in their local communities, working in the best interests of society as a whole. Yet, in return, they expect the State to defend their rights. If ‘corporate citizens’ are to also be granted certain rights, this challenges the very notion of Marshallian citizenship based on status equality which he regarded as being ‘at war’ with the capitalist system, based as it is on inequality. Furthermore, when acting as ‘corporate citizens’, businesses tend to take on roles that go far beyond those of individual citizens, even assuming some functions that were traditionally reserved to the State.

The aim of this paper is to examine the impact of the rise of the notion of corporate citizenship on the relationship between the British government and its citizens and on the very notion of citizenship itself. But first, it attempts to define the concept of corporate citizenship and the rights and duties of corporate citizens.

Corporate citizenship in theory and practice

The responsibilities of corporate citizenship

Both academics and corporations tend to define corporate citizenship as corporate responsibility to wider society, both at home and further afield. For Barclays, for example, the notion of corporate citizenship is articulated around three pillars: contributing to growth, by operating a profitable business and encouraging job creation; doing business in a way that furthers their clients’ interests and manages the social and environmental aspects of economic activity; and supporting communities via community investment programmes. This definition is very similar to that provided by one academic expert on the subject, Archie Carroll, who conflates the terms corporate social responsibility and corporate citizenship. For him, there are four faces to corporate citizenship/responsibility: “an economic face, a legal face, an ethical face, and a philanthropic face”. In short, this means that corporations should be profitable, obey the law, engage in ethical behaviour and philanthropic endeavours. Being profitable means that ‘corporate citizens’ contribute to economic growth, pay their bills and reward investors. Obeying the law entails complying with legal obligations with regard to consumers, employees, the community and the environment. Being ethical means being concerned with what should be considered to be good business practice, taking the moral highground and rejecting behaviour which, though common, is certainly unethical. Finally, being philanthropic may entail donating money to charity or providing equipment or technology that may significantly improve the lives of ordinary citizens.

In practice, of course, many businesses fail to live up to this corporate ideal. Barclays is a notable example. The bank’s involvement in fixing the London inter-bank lending rate (LIBOR) and the foreign exchange market (FOREX) rate negatively affected savers and investors, causing them to lose huge amounts of money and further undermining trust in banking. In doing so, it failed to live up to its responsibility to ‘be profitable’ for its clients. The same scandal revealed that it also failed to show its ethical face, leaving unethical behaviour unchallenged.

Nonetheless, it is such scandals that have perhaps made it even more imperative for businesses to prove themselves to be good corporate citizens, as Bob Diamond earnestly declared following the LIBOR scandal. Indeed, companies recognise that doing so is not just good for society but also for their own ‘bottom line’. Most multinationals now
recognise that it is not sufficient to be regarded as good ‘corporate citizens’ in their countries of origin but that they must also prove themselves to be good ‘global corporate citizens’. Consequently, most of the world’s largest companies have now signed up to the United Nations Global Compact which involves them committing themselves to respecting the Compact’s ten principles related to human rights, working conditions, the environment and anti-corruption.\textsuperscript{11}

Corporations as stakeholders

Yet these definitions of corporate citizenship which focus primarily on responsibility have come under criticism. Klaus Schwab, for example, founder of the World Economic Forum, suggests that a broader definition needs to be adopted to show that companies are not only “engaged with their stakeholders but are themselves stakeholders alongside government and civil society”.\textsuperscript{12} Schwab highlights the need to move beyond notions of corporate citizenship which focus on the responsibilities companies owe to their stakeholders and society more broadly. This entails going further than corporate governance, corporate philanthropy and corporate social responsibility. One way of doing so is to incorporate a fourth element into corporate citizenship, namely corporate social entrepreneurship, defined as “the transformation of socially responsible principles and ideas into commercial value”.\textsuperscript{13} The idea is to be proactive, addressing “the specific social and environmental needs” of communities, not just ensuring that the company does not cause environmental damage or fail to respect basic social rights.\textsuperscript{14} One example given is that of Deutsche Bank’s microfinance schemes offered to developing countries. Here, the company is engaged in providing a vital service to local people whilst also improving its own corporate image and profit margins. It is a much more active form of corporate citizenship.

Corporations as facilitators of rights

This notion of corporate citizenship fits closely with what Matten et al. put forward as an “extended view of corporate citizenship”.\textsuperscript{15} In this view, corporations do not simply act as citizens but actually step in to assume some of the functions of government “with regard to the protection, facilitation and enabling of citizen’s rights”.\textsuperscript{16} Refining this idea a little, Moon et al. put forward two main ways in which corporations share in governing: firstly by partnering up with governmental and non-governmental organisations to deliver programmes in areas such as economic development or in education; secondly, by taking over from the state in the administration of the citizenship rights of their employees, notably with regard to pay and working conditions but also with regard to the provision of basic services such as education and health.\textsuperscript{17} Similarly, Schwab notes that today, “companies get involved in the health of workers, the education of employees and their children, and the pensions that sustain them in retirement”.\textsuperscript{18}

Of course, there are historical examples of employers taking on responsibility for the welfare of their workers at a time when the state failed to do so – we might cite the example of Robert Owen’s model factory in early nineteenth century New Lanark. But such socially-committed employers remained the exception. Today, companies are getting involved in the provision of an ever-wider range of services previously provided by the state. Company welfare schemes are perhaps better developed in the United States where the state welfare safety net has always been weak, but they are also developing
slowly in the UK as neoliberal welfare reform limits the state's provision of the social rights of citizenship. For instance, it is estimated that approximately 3 million people in the UK benefit from company-paid private healthcare schemes. Companies are also investing in education in both a charitable and a profit-making capacity. Since the establishment of academies by the New Labour government, they have been encouraged to invest in schools. The Conservative-Liberal Democrat coalition government also encourages private investment in new 'free schools' which may be set up by parents, teachers, charities, religious and voluntary groups. Whilst academies and free schools are directly funded by the government, they are run by charitable trusts which may either invite private investment or outsource the running of the schools to for-profit providers, as happened at Breckland Middle School in Suffolk in 2012. The potential for private-sector involvement has increased significantly as the number of academies in England has also increased since the coalition government came to power in May 2010 – from 203 to more than 3,000. In addition, there are now 174 free schools and 116 more are due to open soon. Companies such as Barclays are wholly committed to the government's education programme: as part of its citizenship initiative, Barclays has pledged financial and logistical support to free schools and academies, offering free banking and consultancy services, and even educational materials.

It was over ten years ago Matten et al. that suggested that corporate citizenship “is far more than a new brand of corporate social responsibility, or a fad in describing business and society relations – it is taking the roles and responsibilities of business into a whole new area”. This statement is even more pertinent today. The new role of the private sector as a stakeholder, steeping in to guarantee citizenship rights where the government has retreated is fully supported by the current Prime Minister who has declared: Business is not just about making money, as vital as that is...it’s also the most powerful force for social progress the world has ever known. It can help us to smash poverty, raise horizons, drive the innovations, products, services that make our lives better, longer and happier. [...] We need to say that now, more than ever, we need the creative talents of business, not just for economic innovation but social innovation too.

Such discourse is particularly attractive in the context of Cameron’s 'Big Society' project in which individuals, the voluntary sector and private companies are expected to work side-by-side for the good of the community.

The rights of corporate citizenship

As increasingly important stakeholders in society, corporations can expect that they will be accorded certain rights in return for the duties they perform. Indeed, it may be argued that they are accorded the traditional Marshallian rights of citizenship; namely civil, political and social rights. Corporations may be seen to exercise civil rights as legal entities, entitled to the protection of the law. Indeed, the State and its legal apparatus guarantee that contracts are upheld and property is protected, ensuring that economic activity runs smoothly. At times, this may even involve curtailing ordinary citizens’ rights, such as those of the protesters from the anti-corporate Occupy or UK Uncut movements who found themselves arrested (though not prosecuted) for public order offences.
Corporations also increasingly exercise political rights, participating in the political process as members of powerful lobby groups\textsuperscript{26} and as partners in governance, providing many services that were previously the sole responsibility of the state. Here again, their rights may even exceed those of ordinary citizens whose participation in the political process is often limited to voting in elections.

Furthermore, whilst corporations now help to determine the contours of social rights, they also benefit from multifarious forms of state welfare, such as favourable tax regimes. Businesses operating in the UK are subject to very low rates of taxation. Indeed, the corporation tax rate is due to fall to 20\% by 2015, the lowest rate in the G20.\textsuperscript{27} Under the new Controlled Foreign Company Regime, profits earned by overseas subsidiaries of British companies are exempt from UK taxation. Furthermore, the 'Patent Box system' enables companies to apply a rate of just 10\% corporation tax to profits earned from its patented inventions. The UK Treasury estimates that the first two tax changes alone will cost £5.6 billion in lost revenue between the fiscal years 2011-2012 and 2014-2015.\textsuperscript{28} Combined with massive public spending cuts, these changes make offloading social service provision to private companies even more fiscally attractive.

The special status of the corporate citizen

Although the corporate citizen may appear to be very similar to the individual citizen in terms of the rights it may claim to be entitled to, in practice it seems that the corporate citizen is accorded a very special citizenship status. Firstly, as outlined above, the corporation is not only a citizen but also a stakeholder conferring citizenship rights as a partner in governance. It does not only provide certain welfare services, such as health and education, but it may also determine who may have access to certain services. For example, ATOS, the international IT services company, has been entrusted with carrying out ‘work capability assessments’ to determine whether or not welfare claimants should continue to receive benefits or whether they are ‘fit for work’. This points to a second key difference between the corporate and the individual citizen: whereas the latter can be subject to severe sanctions, such as the stopping of their benefit payments, should they fail to live up to their duties as citizens, notably the duty to find work, the former faces no such sanctions. This is largely due to the fact that citizenship is an optional status for corporations – they "enter the arena of citizenship on a discretionary basis" only.\textsuperscript{29} There is no social contract between the corporation and a national government as there is between the individual citizen and her government. Unlike the individual who finds it increasingly difficult to be internationally mobile due to complex immigration legislation, the corporation can move between one country and another, thus easily renouncing the responsibilities it once professed to hold towards one particular nation state. Indeed, the notion of the ‘global corporate citizen’ further weakens this bond between the nation state and the corporation. What exactly are the consequences of this special citizenship status on the state and on civil society?
Corporate citizenship and the changing contours of citizenship in the UK

Corporate citizenship and government

It is often suggested that the corporation has taken over from government itself as a key actor granting citizenship rights. As Schwab notes, this new status of corporations must be placed in the context of the decline of the nation state: "As state power has shrunk, the sphere of influence of business has widened." Yet, whilst it is undeniable that corporate power has increased, it does not necessarily follow that State power has diminished. Indeed, the State continues to play a key role in moulding the contours of citizenship, arguably even more so now that the corporation has assumed such power. Rather than guaranteeing the usual social rights of citizenship, the State works in close partnership with the corporate sector to facilitate market solutions to social problems and to open new spaces for commercialisation. Citizens are thus increasingly expected to conform to the expectations of the neoliberal marketplace. Yet, often they need to be encouraged, or even coerced, into doing so. Only the State can provide the necessary legal and political framework to make this possible. Over the past thirty years and more in Britain, it is the State that has enacted legislation to force people off benefits and into the workplace via various different welfare-to-work schemes. It is the State that has developed a new political discourse of responsibilisation, emphasising the moral duty of the individual citizen to assume responsibility for his own future, rather than depending on the State. Citizenship is no longer simply a status granted by virtue of becoming a passport holder – it is something that can only be earned by adopting the appropriate behaviour.

Corporate citizenship and civil society

Consequently, citizenship is no longer regarded as a way of protecting citizens against the market, but rather as a way of integrating citizens into the market. For Marshall, the social rights of citizenship were a means of protecting individuals against the inequalities inherent in the marketplace, although he did regard both welfare and employment as social rights. Today, citizenship is increasingly defined in corporate terms as the corporation has become involved in redefining citizenship rights. It is the market that is now considered to be the key means of integration into the body politic. This has been described as "privatised citizenship" whereby citizenship "morph[s] from that of public participation into that of obligatory customership in the ever-expanding world of consumer and financial markets." It may also be described as 'commercialised citizenship' as citizenship is reduced to individuals’ capacity to buy public goods on the market that were previously available as of right.

This trend is profoundly regressive. It entails paring the Marshallian concept of citizenship back to one defined solely by civil rights, such as the right to own property and to make free choices, notably with regard to consumerism and participation in the labour market. It is about negative rather than positive rights, restoring ‘freedom’ to citizens by liberating them from state dependency. For Somers, this marks a return to the original minimalist Lockean conception of citizenship, defined as individual freedom from state interference. Yet, in reality, citizens today have very little freedom,
particularly those who find themselves unemployed. The unemployed must accept the jobs offered to them or face sanctions. This means that they lose both “market choice... and citizenship, as they are now in a world where benefit withdrawal may be threatened, not one where security is a right”. 38

Even for those in employment, security is no longer a right. Labour market deregulation has meant that what Marshall referred to as “industrial citizenship”39 has now been severely limited. Workers may still have rights to union representation and to decent working conditions but it has become increasingly difficult to exercise these rights in a world of precarious employment.

Whilst the rise of corporate citizenship has clearly limited social rights, it has also led to an erosion of political and civil rights. Indeed, as corporations have come to gain political rights as partners in governance, the political rights of individual citizens have been correspondingly eroded. Their voice is increasingly crowded out by that of the private sector whose lobbying power is arguably much more influential that the electoral power of citizens. These trends are only accentuated by the decline in formal political participation.40 This reflects the increasing importance of what Crouch has described as “negative citizenship” over “positive citizenship”. Whilst the latter is concerned with collective participation in politics and the formulation of political alternatives, the former is more concerned with “blame and complaint, holding politicians to account and protecting individual liberties vis-à-vis the state”.41

This would suggest that whilst political citizenship is on the decline, civil citizenship is on the rise. However, even the civil rights of citizenship are threatened. As corporations become involved in according citizenship rights, citizenship is no longer defined exclusively vis-à-vis the state but primarily, as suggested above, vis-à-vis the market. This leads to serious problems of accountability, the mechanism via which citizens are meant to be able to protect their basic civil rights. The absence of any kind of social, political or institutional contract between the citizenry and private companies means that citizens have little means of redress. The potential for the abuse of power on the part of corporations is great, severely limiting citizens’ civil rights.

**Conclusion**

The Marshallian concept of citizenship has thus been profoundly altered, at least with regard to individual citizens. The ‘corporate citizen’ now appears to benefit from those rights previously reserved to the individual: civil rights to trade freely without excessive state intervention; political rights as a stakeholder in governance; and social rights as a beneficiary of generous fiscal regimes. As a stakeholder, providing certain social rights to citizens in partnership with government, the ‘corporate citizen’ has played a significant role in redefining the rights of citizenship in line with the demands of the market. Consequently, citizenship has become conditional on participation in the marketplace, undermining the basic principle of universality which once underpinned citizenship, at least in theory. Rather than the notion of citizenship constantly progressing and broadening, it is now regressing, being pared down to the bare minimum. Citizenship has not been reconciled with the capitalist system, as Marshall once believed possible. It has instead been captured by the system and fundamentally redefined by it.
The consequences of this transformation for individual citizens are profound. Whilst the power of the corporation and the State have constantly increased, that of individuals has been seriously limited as the rights of citizenship have been eroded. Even their most basic civil rights to challenge the power of the State and to make it fully accountable have been weakened. There is a possibility that citizens may seek to reclaim these rights as it becomes ever clearer that the truce between citizenship and the capitalist system has broken down. If they do, however, they will need to adopt a positive form of active citizenship, reaffirming Marshallian rights but also seeking to affirm new rights. This will be a formidable challenge and will mean confronting not just the power of the state but also that of the corporation.

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NOTES

8. Ibid., pp. 2-3.
9. Ibid., pp. 4-5.
10. Ibid., pp. 5-6.
13. Ibid., pp. 110-114.
20. Breckland could become the model for future education reform as a leaked memo suggested that the Minister for Education, Michael Gove, is considering outright privatisation of academies and free schools. See Daniel Boffey, ‘State schools hover on the brink of huge private sector revolution’, The Observer, 28 January 2012 and Jane Merrick,
‘Secret memo shows Michael Gove’s plan for privatisation of academies’, The Independent, 10 February 2013.


38. Crouch, op. cit., p. 90.


40. Voter turnout stood at just 65.1% of the total electorate in the UK general election of May 2010. In 2010, just 1% of the electorate belonged to one of the three main political parties (see McGuinness, 2012).

ABSTRACTS

Whilst traditional definitions of citizenship, such as that of T.H. Marshall, have tended to emphasise the relationship between individuals and the State, over the past twenty years or so a new definition of citizenship has become popular which has instead highlighted the relationship between corporations and civil society. The notion of ‘corporate citizenship’ seems to have replaced that of ‘corporate social responsibility’ to outline the key duties that corporations owe to society, namely being profitable, obeying the law, engaging in ethical behaviour and philanthropic endeavours. Yet, this paper seeks to argue that, in adopting the term ‘citizenship’, with all its connotations of reciprocity, corporations also seek to lay claim to certain rights from the state. The corporate citizen may thus appear to be very similar to the individual citizen in terms of the rights it may claim from the state in return for exercising duties to civil society. But in practice the corporate citizen is accorded a special citizenship status, acting in partnership with government to deliver certain rights and to determine who may have access to citizenship. As a result, the very concept of social citizenship as defined by Marshall is altered: citizenship is no longer seen as primarily rights-based, as more emphasis is placed on duties; citizenship is no longer universal as some citizens are seen to be more equal/deserving than others; most importantly, citizenship is no longer defined exclusively vis-à-vis the state, leading to serious problems of accountability.

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Mots-clés: citoyenneté d’entreprise, responsabilité sociale des entreprises, Big Society
Keywords: corporate citizenship, corporate social responsibility, accountability, Big Society
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