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Australian Centre for Corporate Social Responsibility

**THE SOCIAL LICENCE AS A FRAMEWORK FOR
MANAGING CUMULATIVE IMPACTS:
A CASE STUDY OF THE UPPER HUNTER MINING DIALOGUE**

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THE SOCIAL CONTRACT AND SLO

This paper argues that to earn a social license, companies need to move beyond community benefits and invest in their social contract by participating in regional economic and social development.

Participatory governance methods show how this can be done.

I will illustrate my argument by reference to the case of the Upper Hunter Mining Dialogue.



THE PROBLEM ...

Cumulative impacts of coal mining ...

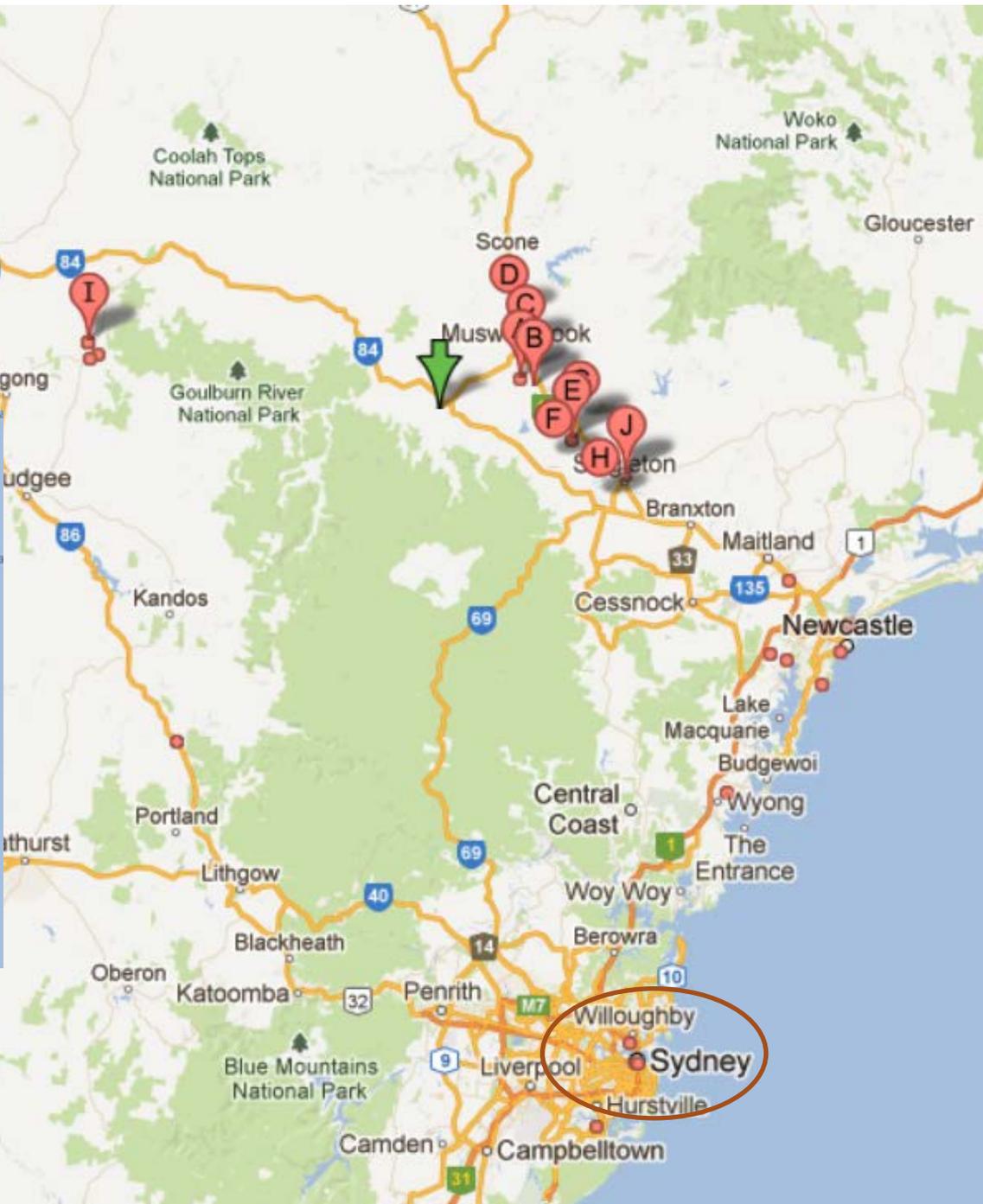
The community has co-existed with coal mining for 150 years.

But in the last 20 years, coal mining has become huge ...

Cumulative impacts are:

“the successive, incremental and combined impacts of an activity on society, the economy and the environment ... and may be positive or negative.”

(Brereton, Moran, McIlwain, McIntosh and Parkinson, 2008)





UPPER HUNTER MINING DIALOGUE

- Goal: effective co-ordination between coal mining industry and its stakeholders to address cumulative impacts of mining.
- 2010 – baseline research into issues and network
- 2011 – stakeholder workshop establishes 4 working groups: land management, social impacts, water, emissions and health
- 2012 – 5 year goals and program of works agreed, including
 - Grazing trial, housing research, implement water accounting framework.
 - Companies working on rehabilitation, supporting other industries (wine making, olive oil production, etc)



SLO MODEL

SLO: "the level of acceptance or approval continually granted to an organisation's operations or project by the local community and other stakeholders"

(Thomson and Boutilier, 2010)

Inter-organisational trust

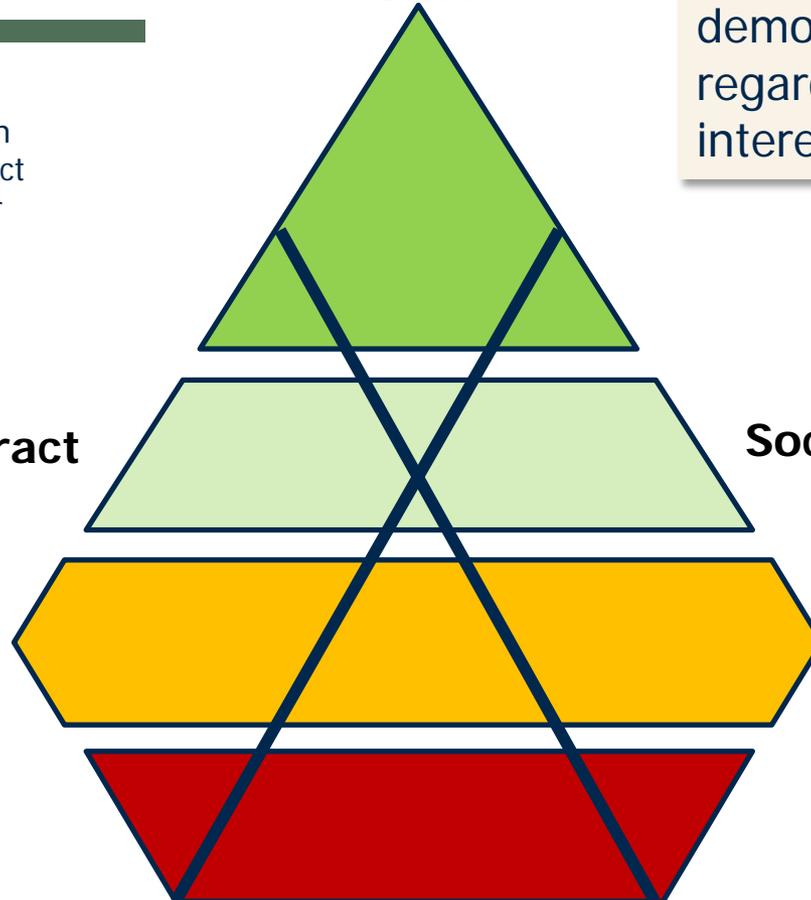
Company and stakeholders demonstrate enduring regard for one another's interests

Social contract

Contribute to regional well-being/respect community values

Social capital

Build stakeholder relationships based on dialogue and trust



Economic legitimacy

Provide practical benefits



THE SOCIAL CONTRACT FACTOR

- Measures:
 - In the long term the company/project *makes a contribution* to the well-being of the whole region
 - The company/project *treats everyone fairly*
 - The company/project *respects our way* of doing things
 - Our organisation and the company/project *have a similar vision* for the future of this region
- By implication, collaboration is necessary to build the social contract
- Different stakeholders have different ideas about fairness
 - Equal share in costs and benefits/proportional share based on extent of participation/situational share based on needs



PARTICIPATORY GOVERNANCE

- “A process by which people take an active and influential hand in shaping decisions that affect their lives.”
 - Participatory Development and Good Governance, OECD, 1995
- PG requires:
 - Empowerment
 - Leads to better decision-making and commitment to outcomes of decision-making
 - Accountability
 - Political, legal, administrative and moral dimensions
 - Capacity building
 - Through training, agreed rules and incentives for behaviour and performance



MULTI-STAKEHOLDER DIALOGUE VS PG

Multi-stakeholder dialogue

- Stakeholders in an issue
- One or a few stakeholders set the rules
- One or a few can dominate yet the MSD can still be 'successful'
- Management structure is stable
- Issues are specific and contained within MSD's mission
- Effectiveness is measured by progress on an issue
- Legitimacy is earned by progress on issues
- Accountability

Participatory governance

- Stakeholders reflect society
- Dialogue about stakeholders' rights and responsibilities is necessary
- Difficult for one stakeholder to dominate
- Management roles must shift over time
- Issues will change over time
- Effectiveness is measured by satisfaction of collective objectives
- Legitimacy is earned through empowerment of stakeholders *and* progress on issues
- Accountability



FROM MSD TO PG

- The UHMD *began* as a multi-stakeholder dialogue
- Risk of MSD is ratcheting stakeholder expectations of companies and increasing dependence on companies
- To avoid dependency UHMD needs to foster attributes of participative governance
- To succeed in raising social licence of the coal mining industry over the longer term UHMD needs to develop features of participative democracy



PROBLEMS OF PG IN UHMD

- **Empowerment**
 - Due to technical aspects of cumulative impacts management, a high degree of specialisation/expertise required. Inherent (unavoidable?) imbalances in power over decision-making.
 - Can stakeholders help determine where technical solutions are required?
- **Accountability**
 - Need to build acceptance of management processes among stakeholders
- **Capacity building**
 - This has been a major focus of UHMD so far through workshops and information sharing.



CONCLUSIONS AND QUESTIONS

- UHMD has *some* features of participatory governance, but it is fragile as a participation mechanism.
- About the SLO model:
 - PG implies a degree of sharing power by companies
 - Earning a high level of social license is not possible without stakeholder empowerment
 - A social license may never be high in a weak governance zone
 - Or when human rights are ignored
- About the UHMD:
 - Stakeholders (on all sides) may conclude it is easier to get what they want through conflict
 - Stakeholders may need more incentives to remain in the dialogue
 - Short term costs vs long term benefits
 - Can vision and commitment withstand commodities cycles?
 - How long will stakeholders wait for outcomes?



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