

# FORGING A GOOD LOCAL SOCIETY

Tackling Poverty Through a Local Economic Reset



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## **About the author**

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Neil McInroy

Chief Executive, Centre for Local Economic Strategies (CLES), Manchester, July 2016.

# INTRODUCTION

There is no abiding anti-poverty narrative in the UK today. The national welfare state is creaking under the weight of austerity and increasing social demand. General economic turbulence has created uncertainty, exacerbated by the vote to leave the EU. Special regeneration policy, designed to correct the unevenness of growth and correct social ills, has been abandoned. Poverty, instead of being a shared problem for us all, is now too often seen as a problem for 'them' - the poor - who are increasingly stigmatised and scapegoated.

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In my 25 years of working in the field of local economic development and regeneration, the situation has probably never been as bad as it is today. With little appetite for greater use of redistributive models and/or re-mobilisation of the national welfare state or targeted social policy, we are left with an assumed - but inadequate - rising economic tide to address poverty.

This report is partly an invitation to imagine. How can we forge a good local society? One where equity, inclusion and fairness are not just aspirational by-products of the economy, but fundamental features of it. There is no rule that says the UK should be plagued with this scourge of poverty and be so unequal. Far from being mutually exclusive, social fairness and economic success should go hand in hand. Indeed, the UK must be both to do either.

If done well, local economic development should have social outcomes at its heart - good jobs, better pay, more wealth and better health,

fulfilled lives and hope. Businesses will grow and employ more people. People will be enabled and encouraged to create their own jobs. Wealth will flow around a place. It won't stick with the richest, leaving a trickle to the poorest.

In looking for a core driver to a good society, I am interested in how empathy, care and concern can be shared, by everyone across the public, social and commercial sectors in a local place. National agents for change remain important. However, we can no longer solely rely on national responses

(as in the national welfare state). The future is, and has to also be about rekindling a new local anti-poverty deal. There has to be an additional way: something which is

more local, more bespoke, more intimate, more innovative and experimental in the face of poverty, more rooted in place.

I am encouraged by the growing devolution of powers and resources to the local state and local areas more generally.<sup>1</sup> This represents an historic opportunity and we need to grab what is on offer, while grappling to make it more progressive and socially better.<sup>2</sup>

**There has to be an additional way: something which is more local, more bespoke, more intimate, more innovative and experimental in the face of poverty, more rooted in place.**

This is not pie in the sky. We are starting to see elements of this new way. In many areas, the local state, communities, businesses and many civil society organisations are harnessing their local concern and developing innovative social action. This concern was partly reflected in a range of local poverty and fairness commissions<sup>3</sup> and is being re-energised by a renewed focus on inclusion<sup>4</sup> and an articulation of alternative and

mobilisation of progressive local economics.<sup>5,6</sup>

The local scale and local identities are seen as an antidote to a national policies which are remote and detached. Nevertheless, this energy, while it is strong on concern and planning, is weaker on accelerating the pace of change. Progressive, poverty-defeating social and economic policy has a lot of work to do.

So in this work, I aim to do three things in setting out an agenda for a good local society that tackles poverty:

- Explore the theoretical and policy drivers that explore the reasons why addressing and alleviating poverty is such a challenge;
- Introduce a framework for identifying, addressing and alleviating poverty through an enhancement of anti-poverty agency;
- Detail the ways or agendas through which a good local society can become a reality, including discussion of key existing examples.

# BELOW THE TIP OF THE ICEBERG: WHY POVERTY ENDURES?

Three years ago, I was involved in the Greater Manchester Poverty Commission,<sup>7</sup> tasked with gathering statistical evidence to highlight the scale of poverty in the city region. This involved interviewing Greater Manchester residents living in poverty. I was struck by many testimonies, which highlighted how poverty was the mere 'tip of the iceberg'. While outwardly about lack of money, problems with paying bills, buying food, and all the associated personal and familial stresses; the causes were deeper structural factors, far beyond the control of the individual.

These structural factors are a set of strategic policy choices that underpin, perpetuate and sustain the lived experience of poverty. The personal testimonies revealed that there was little escape from these choices.

There was a sense of powerlessness.

The personal manifestations of poverty are just the tip of the iceberg - they are the effects of those deeper policy choices.

All too often these structural policy choices are masked and, thus, hard to see, or they are denied by those who see the alternative as a threat. However, they are fundamentally important. As such we can only understand poverty if we truly unpick these choices. Therefore, in the following sections, I wish to explore and reveal some of these factors and they include:

1. Demoralised public values
2. Economic inequality affects all places
3. Can't see the poverty: the failings of place-blind policy
4. Too much boom-goggling: the poor often don't benefit
5. Narrow set of local economic development policies
6. How the poor became them, not us
7. Changing the measurement, not poverty
8. Weakened legislative frame in relation to poverty

## 1- Demoralised public values

Borne out of the misery of World War II and hardship, the welfare state has become a part of what Britain is and how we think about ourselves as a nation. We rarely think of it as a contract, but it is a social contract between the state, individual and business taxpayers and the citizen. I, like many was born into it, as were my children. My university education was supported by it and it has helped me in times of unemployment or when my family have been ill. I have willingly contributed to it through my tax. I like many of us, have a great affection for this social contract - this deal. The Welfare State.

It has, however, been under a never-ending set of financial pressures and policy choices which have weakened it. It is now failing when it comes to poverty. Some may argue that we can just rebuild it, through a rekindling of the social contract between the state, citizens and business, with a progressive tax system. However, even if financially viable, I doubt this is electorally winnable.

**I like many of us, have a great affection for this social contract - this deal. This Welfare State.**

Society has changed. And we have fallen far. These are very different times to the settled social contract of the 50s and 60s. Even if desired, there is probably no easy or fast way of going back.

There is no doubt that in the last 30 years the relationship between citizens, state and business has shifted. There used to be a firm perception that the welfare state created roughly equal opportunities, and if we fell on hard times, the state would play a role in looking out for us.

However, this perception has eked away. While the UK was once universally proud of this social safety net, today, through a combination of changing times, disrespect and neglect, we are much more blasé about it. A redistributive and cradling welfare state that sought to even out wealth, need and opportunity, has started to creak.

Traditionally, public services and public values were a key part of British society, the welfare state and the social safety net. This public domain was seen as essential to social wellbeing - through the distribution of goods and services which were provided on the basis of need, not on the ability to pay, or according to where you lived.

This public domain sat alongside the private market and private interests, but it was distinctive. The public domain was not constructed from personal or familial ties or from the workings of the private sector market. Instead, this public domain was a unique space where citizens 'met' each other as equal partners in the common interests of society. It was secured by a public set of values, which, as TH Marshall wrote, was about the 'general enrichment of the concrete substance of civilised life [...] and an equalisation between the more and the less fortunate at all levels'.<sup>8</sup>

However, this public domain of the national welfare state and the public values it embodied has proven to be vulnerable. Unlike private interests, the public domain needed to be consistently reinforced by institutions, practice and state systems - a culture. This has eked away. A series of deregulations, private sector management techniques and outsourcings of public sector goods and privatisations have damaged the ways in which we think and act toward this 'public' culture. Furthermore, austerity, and the narrative of private interest have

sapped the power of the public domain - eroding and downgrading the values associated with it. Citizenship, equality and public service are now often considered poor relations to private interests. Many of us now think and act more as customers or clients, rather than citizens within a social contract. This means that we are less likely to individually pay into something for the greater good of citizenry. Even when we do, we are now more likely to only want to pay for something that we individually get back.

### **Public sector values should be protected as a means of addressing poverty.**

Despite this, we must respect and keep working to maintain the power of the public domain, and, in particular, the dedication of public sector workers and the mutuality of citizenship. Public sector values should be protected as a means of addressing poverty. Citizens in need must be supported and nurtured before issues become even more acute (and more expensive). Public values may be demoralised, but they cannot be beaten.

## **2- Economic inequality affects all places**

Three years ago, I sat in Leeds town hall listening to an economic development presentation on the north/south divide, reflecting on the need for a new wave of jobs and skills for Leeds City Region. I was struck by the similarities to a lecture I had received nearly 25 years earlier as an undergraduate, and many similar calls through the intervening years. This recollection invoked a profound weariness and a dose of anger. There is an upsetting truth - after successive attempts, and genuine human empathy, we are still an unequal country, riven with divides. Economic winners and losers, with pockets of wealth and poverty around the country, have been the

features of the UK for centuries. Indeed, we should just state it - the UK is unbalanced, unequal and divergent. This is the settled picture. The paradigm is set.

Attempts to address this are long, but far from chequered. It's a uniform pattern of false dawns, with successive governments struggling for solutions. The Barlow Commission in 1940,<sup>9</sup> through Beveridge,<sup>10</sup> started the journey. From there the industrial policies of Labour's Wilson government, built upon it. All had successes. But the pattern remained.

In recent times the last Labour government (1997 to 2010) placed significant focus (in England) on supporting regional economies through nine Regional Development Agencies (RDAs), established as business-led non-departmental bodies and coined by ministers as 'economic powerhouses'. Funding for the RDAs from across Whitehall was increased from £1.7bn a year to £2.2bn over the period 2006-10 and was complemented by targeted area-based regeneration and housing programmes, such as the Housing Market Renewal Pathfinders Programme and the Growth Areas initiative. Despite these efforts (which were supported by a network of regional government offices, EU funding and improved regional spatial planning), economic rebalancing remained an uphill task.

Come the coalition government through 2010-2015, we returned to a form of 1980s-type policy (though weaker) with the reintroduction of enterprise zones and a new Regional Growth Fund. The RDAs were abolished and replaced by business-led, Local Enterprise Partnerships (LEPs). In recent times, linked to city devolution, the new government has trumpeted a 'northern powerhouse', providing a rallying point

for pan-regional activity, augmented by showpiece announcements portraying a sense that regional investment was alive and well.<sup>11</sup>

In all of this, I would not deny some small successes. However, it has broadly failed to end deep economic divides and the longstanding disparities of economic and social disadvantage.

One of the principal failings of these policy approaches in England is that wealth creation often came at the expense of inequality and local exclusion, with the investment often failing to 'trickle-down' to communities as anticipated. Places that failed to succeed became trapped in a vicious spiral, where weak economic performance led to fewer opportunities and a loss of capability. Today, there remains an economic gap between London and the rest (London and the south east now account for 36 per cent of total GVA). Greater Manchester, arguably now the UK's 2nd city, only contributes 5 per cent of the total UK GVA. And one of the 10 boroughs of Greater Manchester - Bury - only contributes 5 per cent of that. The regional divide is widening and at a faster pace than elsewhere in Europe. And the divides within the region and cities are growing too. It would appear that the divides have matured. Regional divides have been a feature for decades. However, now we are living in cities which are equally divided.

**There is of course the hope of devolution. We must grab and grapple with the opportunity.**

The present city devolution context follows a similar path. Shrouded in talk of places on the cusp of economic 'take off', these places are apparently power-housing their way onwards and upwards via a 'devolution revolution'. There is of course the hope of devolution. We must grab and grapple with the opportunity. However, without systemic

changes to the economic and financial model, it is fettered. We must learn from experience. We must not follow Whitehall prescriptions as before. We must become more bullish in questioning the systemic causes that create divides in the first place. Central to this is some serious rebalancing of the economy, through an active industrial plan and central economic reform stewarding where investment flows and to whom it flows to. There is, however, little sign of that.

## **Problem of finance**

Before the financial crash, policies that supported the City of London and financial return to shareholders and investors were king. Eight years on from the crash, they remain king. Despite the chancellor talking up manufacturing and the 'march of the makers', return from activity in the financial markets still takes precedence over good old profit earned through investment in manufacturing and industry. In 1948, nearly 42 per cent of UK national income was accrued through industrial production. Today it is just 15 per cent. In 1950, 65 per cent of bank lending was to industry, it is now around 15 per cent.

## **Return from activity in the financial markets still takes precedence over good old profit earned through investment in manufacturing and industry.**

The investment sector – when it does look to the real economy – prefers those businesses in the north or south with collateral, which can be pledged against the investment. This means property and developers. It does not mean small manufacturers, or businesses whose pledge is the knowledge and ideas within their own heads.

The progressive future for UK economic steerage must acknowledge that part of the issue here is the dominant role that the City plays in the UK's economic life. A report by the Centre for Research

in Socio-cultural Change (CRESC), written in 2009,<sup>12</sup> describes the financial sector as the 'great un-leveller' in the UK economy, because it: 'Promotes a distribution of income which has increased social inequality from top to bottom, and a distribution of jobs which has increased regional inequality. Vertically and horizontally, socially and spatially, the finance sector concentrates prosperity within the UK'.

To date, this story of inequality has been ignored by the narrative of the north/south divide. Indeed, even in the high peak of regionalism, the RDAs never sought to actively diffuse prosperity around the country. As CRESC's report states: 'finance is actively concentrating prosperity spatially in a way which undermines most kinds of regional policy and the problem is barely registered in political discourse'.

The City also has a stronghold on the UK's economic mind-set and, from this, policies, public resources and investment flow. Public investment remains skewed, and an economic culture of thinking is dominated around the narrow confines of London's Square Mile. Economic policies which truly recognised the problems of economic centralism and

investment, and were focussed on rebuilding manufacturing in the north, west, east or south would create a beefy national industrial strategy, a national strategic plan, and dedicated

regional investment vehicles. No such things are in place. As a result, many areas across the land remain investment-ready, but are underinvested in.

The failure to recognise the interconnected and integrated nature of the economic system has created an unbalanced economy predicated on the strength of London and its financial sector, and this has led to huge levels of inequality and a number of structural weakness such a lack of skills, low wages, and zero hour contracts.

### 3- Can't see the poverty: the failings of place-blind policy

For many years, place-focused economic regeneration initiatives were a key feature of attempts to resolve the problems of poverty in poor areas. Successive governments implemented numerous programmes to address economic and social disparities between affluent and deprived neighbourhoods. Government social policy<sup>13</sup> and economic growth and poverty reduction programmes, were, in part, focused on specific places. They did not address the causes, but, to be fair, they did take the harsh edge off the worst of the poverty.

Today, area-based regeneration (and an acceptance that poorer places need specific help), has been largely abandoned. A 'new spatial economics' theory has abandoned a strong sense that we must actively deal with social inequality and poverty.<sup>14</sup> Opposed to regeneration policy that recognized the bespoke social issues and the unique local starting points in local areas, this new spatial economics focuses predominantly on economic growth through a singular emphasis on the often elite human networks of policymakers and companies, with wealthy consumers adding demand. These are seen as the essential elements to the innovative stimulation of economic growth and social progress. This is a productive people-based approach. This is neither place-based, or focused on the poorest.

This placeless new spatial economics represents a narrow policy bandwidth. Instead of an economy designed for the people, it is hardwired into the global competitive battle to retain and gain capital investment and attract incoming talented

people (the 'creative class'). It favours local people who are already successful, as opposed to ones that are not. It believes it is enough to hone in on liberalising policy, where producers, consumers and policymakers can 'bump and mingle', innovate and get us the biggest economic bang. When place is considered, the focus is on city centre living, urban density and the innovative outcomes of business and trading, not social housing estates or the local issues felt in district and neighbourhood centres.

This approach favours the larger cities and already successful areas.<sup>15</sup> Poorer places, or those more distanced from economic growth are seen as benefiting either through a trickle-down in wealth through jobs or a 'trickle outwards' of wealth toward any outlying (and poorer) areas of cities and neighbouring towns. The focus is not on deep-rooted spatial inequalities. Quite the reverse, it rather cruelly sees place 'losers' as the inevitable price to pay for the higher order importance of winning opportunities, economic growth and global competitiveness. Furthermore, there is very little consideration as to the quality and how 'good' that growth will be, and how opportunity and wealth is to be distributed.

**This placeless new spatial economics represents a narrow policy bandwidth.**

If we wish to tackle poverty, this approach is very blunt. Its one-size-fits-all approach ignores the complexity of place and the variety of different starting points to economic success. For example, a post-industrial Teesside, with high levels of unemployment, a skilled manual workforce and low land values, has very different economic policy needs and a very different social development pathway to Cambridgeshire with its high tech clusters, low unemployment and rising land values.

The attraction of all this agglomeration modeling is its singular and simple focus on economic growth. This is beguiling to government and policymakers and easier than the (often unhelpful) messiness of real place. This is especially the case for a government keen to be seen as zealous reformers, but pressured by reducing resources and capacity in times of austerity. As such, it is politically sold as an indisputable truth, as opposed to a mere political choice.

The narrowness of this place-blind policy will not address the divergent and firmly settled English economic geography. Anti-poverty goals are not equally planned for and developed alongside this economic growth model. At best they are reduced to outcomes of an overstated 'rising tide' of growth. For instance, the nature of the recent recovery has seen a rise in economic growth, coupled with a rapid fall in unemployment. The recovery, is, however, weak in terms of wages. Pay has seen a substantial fall since the recession. This weakens the idea of a job being seen a route out of poverty.

A blind eye is also turned from the overheating economy of the southeast and the problems it creates in terms of housing and transport. Take London - a beacon of economic agglomeration and the sixth richest city in the world. It has huge inequality issues, and over 600,000 children living in poverty - a proportion 12 per cent above the national average.<sup>16</sup>

### **Anti-poverty goals are not equally planned for and developed alongside this economic growth model.**

It is ironic that the economic policy behind devolution is spatially blind. You would expect the

passing of power and resources down from Whitehall to local government and the new combined authorities to be all about 'the place'.

### **We must do more than just reshuffle the existing haves and the have-nots.**

However, Whitehall and the Treasury have pre-determined the economic policy of devolution and have tram-lined it within its own narrow economic growth objectives. Most economic development practitioners know that this agglomeration 'growth at all costs' model is flawed. However, practitioners have to accept this approach, as it is backed by the Treasury and has framed many of the bids for growth and devolution deals.

In this respect, the economic development community has a responsibility. We must strive to ensure that the local economics approach behind the devolution agenda is reconfigured, with less emphasis on Treasury-backed agglomeration policies and more on enhancing local democracy, social investment and addressing city-wide inequalities. The future needs a central government that acknowledges that poorer areas need more of a hand up than wealthier areas. A failure to balance incentives between places of need and places of opportunity is therefore critical. We must do more than just reshuffle the existing haves and the have-nots.

## 4- Too much boomgoggling: the poor often don't benefit

If you take a walk through many UK cities and walk in any direction away from the city centre of global chain stores, buzzy restaurants, refashioned public spaces, and new urban living flats and apartments, you will get to local district centres with pockets of social or privately rented housing. Poverty in these places is not all that visible, but the signs are there. The boarded-up and cheap shops tell a story of low incomes. Speak to any charity tasked with working with the poorest and they will tell a story of spiralling demand. The expected economic dividends are not delivering.

This runs counter to what some in economic development believe. In the 1950s the Nobel Laureate Simon Kuznets<sup>17</sup> suggested that inequality and disadvantage would decrease as an economy developed. If you were to follow the logic of Kuznets, we would expect the benefits of growth to trickle-down. Of course, on one level, per capita income has generally increased, but the fine grain mechanisms to ensure the fruits of that growth are distributed are fairly blunt. Furthermore, the local economic growth agenda has developed assumptions that are flawed. It assumes that once private investment capital is enticed and landed, economic and social success will follow as the supply chain will benefit and local jobs will be secured.

This perceived assumption is what I have called boomgoggling<sup>18</sup> - this is a tendency for those in economic development to see economic boom and social benefit as inevitable. It is an optimism bias which goes unrecognised. Thus we get policy

which is weighted in favour of decisions in which an economic boom is seen to be accrued from a new railway line, or a piece of global investment. Now of course railway lines and inward investment are vitally important. However, when we take the boom goggles off, what do we see? We see poor skills levels, a flawed economic planning context, national economic stewardship which still favours the City of London and no proper industrial strategy. And even if all of this was to be corrected, we are in the hands of an unpredictable economy and uncertainty over the fallout from Brexit.

**There is a tendency for those in economic development to see economic boom and social benefit as inevitable.**

One of the inadequacies of boomgoggling is that it is often myopic to the problems in the labour market. This has undergone fundamental change in recent years with 'market pressures' prompting weaker employment legislation, union rights and worker protections. The result has been an increase in zero hour contracts, poor job security, low wages and poor working conditions. The number of people in in-work poverty has converged with those in non-working families, resulting in a 50:50 split between the two groups.<sup>19</sup> We sadly no longer expect local growth to come with significant new employment or decent wages. An issue identified by the Institute for Fiscal Studies (IFS) states that 'it is low hourly wages rather than low hours of work that are most strongly linked to being in poverty'.<sup>20</sup>

In recent times, economists have been developing a new set of theories, in an effort to explain the profound imbalance between growth, poverty and inequality. In *Capital in the Twenty-First Century*, Thomas Piketty<sup>21</sup> argued that the return on capital is greater than the growth rate of the overall economy

and that wealth will continue to grow faster than incomes. Therefore, a small elite (and by that also small geographic areas) will benefit from boomgoggling. It is they who will inherit the wealth and, as such, little is left over for the many poor people and poorer places.

### **To address inequality and poverty, we need to take our boom goggles off.**

His thesis had its share of detractors, but it succeeds in shining a spotlight on the history of wealth accumulation among the richest sliver of society and highlights a worrying trajectory. One might say it broadened the popular discussion of inequality by adding the dimension of ever-increasing divergence over time.

In order to make a difference, we could have macro-economic policy such as a progressive wealth tax and a higher top rate of tax. This could be used to restore the public domain and positively target the poorest. However, even if we had progressive policies at the national level, that alone would not be sufficient. The problems are deeper. Income redistribution doesn't revive work in areas obliterated by de-industrialisation, it doesn't create well paid jobs, nor does it tackle the inherent human issues as regards education, skills and community solidarity. We have fallen too far. To address inequality and poverty, we need to take our boom goggles off. Then we would see and hopefully advance progressive national and local innovations that confront the poverty and hardship that is in front of our eyes.

## **5- Narrow set of Local economic development policies**

Local economic development practitioners are a pragmatic bunch. Traditionally they have never been ideologically bounded. Rather, they are focussed on the needs of local places and as such are content to dip into a bit of free market planning or adopt a neo-Keynesian intervention into the labour market. They rightly acknowledge that local economies are complex and that capitalism ebbs and flows in places, and needs intervention and a bit of evening out. However, this pick-and-mix pragmatism, reflective of a real complexity, is in abeyance, and has given way to narrow simplicities, characterised by a classical and neo-classical laissez faire attitude to the local economy and social outcomes. At the local level, local economic development policy has become thin and narrow. As Figure 1 shows there are many schools of economic thought. If we are serious about tackling poverty, we should look to adopt a range of thought and practice commensurate with local circumstances.

### **Overall economic development policy often delivers at best imprecise, and at worst, poor, social return.**

We need to be plural. Not ideological or swayed by convention or groupthink. If we need a bit of neo-classicism- like a tax relaxation- so be it. Similarly, if we need some heavy state intervention- we should use that too.

Present day local economic development plans are strong on ideas and resources that focus on competitiveness and growth, but are weak on tackling inequality and poverty. As middle incomes become hollowed out, poverty often follows those who sit below. Scarce public resources and capacity are not being significantly used to tackle the crisis in opportunity or wages for the middle class. Overall economic development policy often delivers at best imprecise , and at worst, poor, social return.

**Figure 1. Various economic schools of thought in relation to economic development policy**

School of economic thought	Economies change through...	Local places...	BIG policy	Economic development policy (i.e)
<b>Classical</b>	Investment	Sites for investment	Free market	No need for it!
<b>Neo Classical</b>	Individual choices	Where consumers are	Free market with limited dose of interventionism	Limited. Setting basic public goods (i.e transport). Tax reductions
<b>Institutionalist</b>	Institutions and action of individual in them	Partly sets context to how institutions operate	No strong position	Invest in public, social and commercial institutions
<b>Keynesian</b>	Many things. Technology/capital/labour	Where people are economic actors	Expansionist fiscal and monetary policy and redistribution	Harness local wealth as investment capital. Invest in labour and other factors of production
<b>Developmental</b>	Developing productive capabilities	Where elements come together for development	Government protection/intervention	Wider social development (health, education)
<b>Marxist</b>	Class struggle. Capital build up and technological progress	Where the struggle between capital and labour takes place	Socialist revolution and central planning	Power to labour. Harness private capital
<b>Post-capitalist</b>	Fundamental flaws in capitalism and socialism	Where people self-organise and act	Forget about economic growth-happiness	Well-being and working within environmental limits

Public investment in hard infrastructure such as rail are talked about as ‘generators’ of wealth, while the real generators of wealth – people – experience public service cuts with reductions in spending on education and social development. Key strategic industries, like steel, with strong roots to communities and people, are left to swim in the short-term ebbs and flows of global markets. There is no national economic plan, and no industrial strategy linked to it.

In addition, the problem of poverty is exacerbated by severe centrally-imposed cuts to local authority budgets, and large-scale welfare reforms. By combining the current and expected expenditure from 2010 to 2016, we see that local government and benefit funding take more than 50 per cent of all cuts. Deep cuts have already been implemented, leading to a 27 per cent reduction in the spending power of the sector in England between 2010/11 and 2014/15. Authorities with greater concentrations of disadvantaged population groups have suffered faster or deeper cuts, particularly those in urban

areas.<sup>22</sup> These cuts have fallen disproportionately on people in poverty, who, despite representing 20 per cent of the population, bear 36 per cent of the cuts. Individual experiences of these cuts are complex. However, on average, individuals in poverty are expected to experience a loss of £2,744 per year, while disabled people in poverty will lose an average of £4,660 per year in 2015-16.<sup>23</sup>

With public service demand and costs biting deeper, it is increasingly acknowledged that weak growth has failed to reduce demand on public services and brought in ever more precarious work. As a result, we are experiencing meagre savings to local public services and we have problems nationally via slower reductions of in-work tax credits and welfare. In response to this, the boom goggles have slipped slightly and a new phrase has now entered the lexicon - inclusive growth.<sup>24,25</sup>

Inclusive growth is the latest in a long line of new phrases that articulate a new solution, or, at other times, reinvigorate an old one, or – more cynically – mask it. ‘Inclusive growth’ on one hand, is welcome, as it places attention on a local economic growth agenda that is imperfect and often fails to tackle local social issues. Furthermore, as people in insecure employment tend to demand more from public services, inclusive growth acknowledges that, to have any hope of addressing demand on public services and reducing costs, we need more people in better-paid work. So far, so good.

### **Inclusive growth must herald a deeper questioning, if it is to address poverty.**

However, on the other hand, this social turn is unthreatening to the prevailing economic policy and the classical and neo-classical *laissez faire*

attitude to the local economy and social outcomes. This is less a sign of new economic pluralism or a more progressive turn, but more of a mere genuflection to a rising tide of social concern. We should hope for the best, but we must not succumb to the idea that inclusion is a mere ‘add on’ to prevailing economic approach and allow this set up to act limply as a social gloss on growth. Inclusive growth must herald a deeper questioning, if it is to address poverty.

## **6- How the poor became a ‘them’, rather than an ‘us’**

Sitting outside a restaurant on a fine summer evening recently with a friend, a number of fellow Mancunians, come up to us asking for ‘change’ or to ‘help us out for a bus fare’ or ‘a bed for the night’. I felt a mix of guilt, pity and weariness. These were the worst off poor. So desperate, they were out there - visible - on the street and were reduced to begging. They had fallen through the public domain of welfare, social care or drug rehabilitation services. My friend commented on how the welfare system was failing ‘them’. Yes. I agreed. But it’s also failing ‘us’? If it fails one Mancunian, it fails us all.

The former work and pensions secretary Iain Duncan Smith described poverty as the result of ‘worklessness and welfare dependency, addiction, educational failure, debt or family breakdown’.<sup>26</sup> This reflects the current discourse around poverty as being a result of the inadequacies of the welfare system and unemployment and, importantly, the responsibility of individuals, rather than society. It

denies the idea that this is a problem of systemic policy or ‘us’. It’s all about ‘them’.

This emphasis on individual responsibility has also led to the development of a divisive rhetoric between those considered to be 'strivers' versus so-called 'skivers'. This narrative has resulted in blanket forms of negative stereotyping of benefit claimants within political and media discourse, greater individual scrutiny of claimants, and growing levels of polarisation within the public perception between 'hard-working people' and those currently claiming benefits.<sup>27</sup>

### **Emphasis on individual responsibility has also led to the development of a divisive rhetoric between those considered to be 'strivers' versus so-called 'skivers'.**

Of course, the government is in part correct in highlighting the inadequacies within the welfare state, whereby it fails to demand enough of people who do not work, while not doing enough to protect those who do.<sup>28</sup> Indeed, despite a significant period of economic growth under successive Labour governments, there was a 40 per cent real term rise in welfare spending. However, the government takes the view that the welfare system has become detached from its original purpose and that it encourages dependency due to the decline in the importance of contributory benefits, personal responsibility, and a lack of financial incentives to find work. To address this, since 2010, both the Coalition and the present government have pursued an extensive and far-reaching programme of welfare reform.<sup>29</sup>

Underlying these reforms is an increasing emphasis on individual behaviour and responsibility, the contribution of welfare to an individual's circumstances, and the reduction in the overall level of benefits as an incentive into

employment.<sup>30</sup> For example, the government has argued that the benefit cap, which ensures that no out-of-work family of working age will be able to receive more than £500 per week in total benefit payments, 'promotes fairness between those in work and those receiving benefits', by ensuring that no household will receive more in benefits than can be earned by a working household.<sup>31</sup>

The government has also embarked on a programme of reform that, at times, appears to have made

it harder for individuals to fulfil the increasing numbers of conditions and avoid sanctions.<sup>32</sup> The severe level of welfare cuts has also been found to target already

marginalised and vulnerable groups such as disabled people who, despite forming only 4 per cent of the population, bear 13 per cent of the cuts.<sup>33</sup> The severity of these cuts is leading to a number of unintended consequences, including: distancing people from support; causing hardship and even destitution, and displacing rather than resolving issues such as street homelessness.<sup>34</sup>

At the same time, the emphasis of current welfare policy has been on getting people back into work as quickly as possible. The Work Programme was formulated with the ambition of utilising the competitive private market, with incentives to encourage contractors to deliver tailored support for participants. Job outcome payments were made for 459,370 participants between June 2011 and June 2015. Of those individuals who had been on the programme for the minimum length of time necessary to attain a job outcome, just 26.9 per cent did so.

As a national programme, the Work Programme is inadequately suited to take into account the needs and functions of local labour markets, due to a lack

of local knowledge regarding skills levels and sets of potential sub-contractors for different demographics. For example, in parts of Sussex, one in three young jobseekers have been helped into sustained employment, while in Devon this figure is less than one in 10.<sup>35,36</sup> Perhaps the most concerning weakness of the programme is its failure to support vulnerable groups such as the disabled and those with long term health conditions.

Clearly the 'work first' philosophy does not work for everyone, and current attempts to address welfare dependency through national work programmes are ineffective for the majority of claimants.<sup>37</sup>

## **National work programmes are ineffective for the majority of claimants.**

This individual behaviour and responsibility approach to the current welfare system fails to acknowledge the wider public domain and societal obligations in which the welfare system operates. The failure to acknowledge this has created a context in which it is much easier to think of the poor as 'them', in sharp distinction to 'us' - the not poor. If we think about welfare, we can easily associate that as a service for them - the poor. It is not ours, for when we may need it. It is not something we own as part of social contract we buy into as a citizen. While previous generations may have been comforted by its presence, now it has lost respect. It's for them. Not for us.

## **7- Shifting the goal posts: changing the measurement, not the poverty**

The 2010 Child Poverty Act imposed a legal duty on the government to reduce relative poverty to less than 10 per cent of children living in low-income families by 2020.<sup>38</sup> As a result, child poverty reduced between 1998/9 - 2011/12, lifting 800,000 children out of poverty. However, given changes to tax and benefits since 2010, child poverty figures have remained static, while the number of children in absolute poverty has increased by 0.5 million since 2010, with 3.7 million children now living in relative poverty.<sup>39</sup> The Institute for Fiscal Studies have

projected that the number of children in relative poverty will have risen from 2.3 to 3.6 million by 2020 (poverty figures before housing costs).<sup>40</sup> The child poverty target is likely to be missed by a considerable margin.

The government has attempted to remove the existing measures and targets in the Child Poverty Act, as well as 'the other duties and provisions', in favour of a statutory duty to report on measures of 'worklessness' and 'educational attainment'.<sup>41</sup> While the removal of child poverty targets was rejected by the House of Lords,<sup>42</sup> the measurement of child poverty has undergone a number of changes, legitimised by a rhetoric which implies that the removal of the Act would enable the development of a more 'holistic approach'.

The proposed changes included the removal of income-related measures of poverty in favour of definitions of poverty which are designed to measure 'a new comprehensive way of addressing poverty', including measurements which reflect 'the root causes of poverty, such as family breakdown, debt and addiction'.<sup>43</sup> While the House of Lords

succeeded in ensuring that ministers continue to be obliged to report the percentage of children in households whose net income is 60 per cent to 70 per cent below the median average,<sup>44</sup> the change in emphasis to factors such as addiction remains concerning. For example, the inclusion of such additional indicators is reminiscent of the cultural deficit theories of the 1960s, which viewed poverty solely as a result of deficiencies within individuals, their families and communities.

The inclusion of these indicators risks underplay the economic reasons for the persistence of poverty and interrelated issues such educational underachievement (e.g. inadequate school funding in poor areas, and low wages).<sup>45</sup> The focus of the current measures displays an ideological bend with increased emphasis on individual responsibility, which assumes that family break up and addiction are intrinsic features of the experience of poverty. This is not borne out by empirical evidence, as there is little correlation between family structures and poverty (in some countries none at all).<sup>46</sup>

No one would dispute that households with one or more adults who are unemployed are highly likely to experience poverty. However, the move to distance the primary definition of poverty away from income levels towards a more social definition is likely to downplay one of the key structural drivers of poverty in the UK. This is failing the two million children in poverty who are living in low-income working families,<sup>47</sup> and increasing the likelihood that interventions will fail to resolve the true 'root causes' of poverty.<sup>48</sup>

## 8- Legislative frame has been weakened

The issues arising from the redefinition of child poverty are compounded by the weakening of the role and remit of the Equality and Human Rights Commission. The Commission is responsible for identifying and tackling areas where there is still unfair discrimination or where human rights are not being respected in the UK. The EHRC was highly critical of the 2010 welfare reform programme and highlighted that vulnerable groups with a 'protected characteristic', such as the disabled, were disproportionately affected by the reforms.

Since 2010, the Commission has been subject to large scale funding cuts and controversial reforms,<sup>49</sup> which has had direct implications for poverty. These reforms removed the legal obligation on public bodies to consider the impact of their decisions on different groups.<sup>50</sup> As a result of these reforms the EHRC no longer has the legal power to hold the government to account to ensure that current and future welfare legislation does not disproportionately affect certain groups. The reforms have also removed a number of non-core activities such as the EHRC's helpline and central funding for legal support. As a result, it is now increasingly difficult for the public to seek redress or advice.

The loss of key statutory obligations regarding the government's responsibility to address both poverty and equality through recent reforms to the EHRC and the Child Poverty Act is a highly regressive development. Such reforms no longer acknowledge that the government has a duty to address poverty or deliver impact assessments in relation to its effects on the vulnerable, and as a result there is now a worryingly low level of oversight and protections for vulnerable groups. Recent changes to the current definition of poverty also increase the risk that

the new measurements will mask poverty levels among certain groups, while failing to recognise the key structural drivers of poverty in the UK.

This is reflective of a wider erosion of state responsibility in relation to poverty.

The government's weakening of the obligation to ensure that its policies do not adversely impact on vulnerable groups coincides with some of the most severe cuts to local authorities and public services in recent history. Individuals experiencing poverty are now facing higher

levels of conditionality, severe sanctions, welfare cuts and a growing cost of living crisis,

which, combined with the weakening of equalities legislation and levels of oversight, paints a bleak picture for the poor and vulnerable in the UK.

There are now two profound reductions in the state's recognition of poverty. Firstly, there is a weakening of the appreciation that there are numerous and complex challenges faced by different groups within our society. Secondly, there is a partial rejection of the complex causes and drivers of poverty that are inherent within our socio-economic structures and institutions.

As a way forward as regards addressing poverty, we believe there is generally a need to reconnect economic activity with social progress. To do this we must consider how the system of social, public and commercial actors in a local place operates, collaborates and connects to creating a more virtuous economy which is more socially enriching and poverty-reducing. We must advance a good local society.

**A need to reconnect economic activity with social progress.**

# THE COUNTER ATTACK: THE GOOD LOCAL SOCIETY

The backdrop of theoretical and policy drivers that sustain poverty calls for a fundamental counter attack upon poverty. I now wish to introduce a framework for the good local society. This has three core elements.

1. A local economy which develops empathy
2. Building social innovation and the enhancement of local agency
3. Building a good local society: a new local social contract

## 1- A local economy that develops empathy

'Happiness is our economic strategy' - The avowed and successful policy of the City of Jeonju, South Korea. Attending the Local Economics of Happiness conference in late 2015, I had the pleasure of spending time with Mayor Kim Seung-Su, exploring the wider city's approach to developing the Jeonju's economy and making it a socially inclusive and happy place. In this, the poor, as opposed to being seen as mere downstream recipients of welfare or economic success, are also equally seen as potential upstream contributors to economic success. For Jeonju, the poor are not a welfare problem, but an economic one. As such welfare and the wider investment in the social life of place is not just perceived as a welfare cost. Rather, to invest in the poor is an economic investment. It's on equal par with traditional investment in hard infrastructure or skills. This inversion of thinking and action is a key part of the counter attack and fundamental to tackling poverty.

We already know that the policy default settings, such as trickle-down and a 'rising economic tide will lift all boats' are

just not strong enough to tackle poverty, even in times of growth. But increasingly, some policy seems alarmingly detached from the plight of the poorest, preferring to see the poor as a hindrance and cost, rather than an unrealised asset. We don't need to look very far to see or hear this: it's in the words of politicians, who denounce the benefit claimant as 'a shirker'; it's in welfare reform, which is creating real hardship, but neutralised in some policymakers minds as the 'necessity of austerity'; it's in economic policy which advances 'labour market flexibility', while underemployment rises and low wages create a growing group of 'in-work poor'.

In looking to explore the folly of this approach, it is useful to consider one of the originators of modern economics - Adam Smith. In his books *The Theory of Moral Sentiments*<sup>51</sup> and *The Wealth of Nations*,<sup>52</sup> Smith was concerned with propagating the excellence and the sufficiency of self-interest within economic exchange, while considering the wider moral motivations and institutions required to support economic activity in general. Indeed, in *The Wealth of Nations*, while advocating self interest and economic gain, Smith highlights a requirement that we appreciate the suffering of others and do something about it: 'What improves the circumstances of the greater part can never be regarded as an inconvenience to the whole. No society can be flourishing and happy, of which the far greater part of the members are poor and miserable'. Smith tells us we have two vital interdependent elements in society - benevolent self-interest and a need to empathise with the pain of others.<sup>53</sup>

**Some policy seems alarmingly detached from the plight of the poorest, preferring to see the poor as a hindrance and cost, rather than an unrealised asset.**

However, the economic policy world continues to overlay self-interest, separating the economic sphere as a distinct and opposite pole to the social sphere. They are not distinct. They are and should be one and the same. The aim of the economy must be about improving the social condition, in which wealth creation in any society is not just about private gain, but is primarily about the development of human and social life and a decent standard of living for all.<sup>54</sup>

**If you put people first, we start to see individual and community progress as both an input and an outcome of economic success.**

Thinkers such as Amartya Sen<sup>55</sup> have advocated the adoption of an integrated approach, placing the individual and their relative position within their society at the centre of the social and economic conceptions underpinning an economic system and policy responses. This is key to many successful economies, as in South Korea, and key to tackling poverty. Moral and behavioural codes are an important piece of social capital and essential to the successful operations of an exchange economy that depends on mutual trust and implicit norms. If you put people first, we start to see individual and community progress as both an input and an outcome of economic success.

The aim of an economy must therefore be to provide the possibility to live the life one has reason to choose. Markets must serve to generate both social and economic freedoms and opportunities to operate effectively. This is not just social policy. It is also economic.

**The economic policy world continues to overlay self-interest, separating the economic sphere as a distinct and opposite pole to the social sphere. They are not distinct**

## **2- Building social innovation: enhancement of local agency**

Visiting a director of economic development of a Scottish local authority who I had known for many years, we got onto the subject of poverty. He had vast experience and had been through successive waves of government policy, regeneration initiatives and inclusion policies. However the area remained one of the poorest in Scotland. We talked the usual things about inward investment, education and skills. We boomgoggled. Similarly, we talked about the social inputs to people's lives, including welfare, the family and community. Initially we were critical of the context - powerful global and national forces that oversee welfare, government austerity and cuts. Things we could not really influence locally. Then we critiqued our own thinking. Should we just blame this context? Could we not be doing something better locally? Ultimately, poverty is experienced as individuals, as families and as communities in places. Had we not failed and were failing. Lots of effort. Lots of empathy. Lots of policy, with much huffing and puffing.

We concluded that maybe it is not just context but the tools we use. We come along and try to sort it armed with policy tools - employment programmes, community development activities, labour market interventions. Important, but perhaps not the precision tools needed for the anti-poverty job. Too clunky. At times too blunt. Maybe we need a new way of working and tools which operate at the subtler scale at which people experience poverty. Activities that are better placed to empathise

with, understand, and thus address some of the issues. The director of local economic development then started to rattle off a range of innovations locally.

Things which were embedded in the local place: a local poverty action group operating out of a local housing estate; an unemployed training service and drop-in centre run out of a miners' welfare institute; a new app supporting local independent retailers and makers in the town centre. Maybe we need to accelerate more of these.

Roberto Unger, the philosopher, politician and leading thinker, writes about the reinvention of society and economic development and the potential of social innovation.<sup>56</sup> Social innovation is about finding new ways in which people and communities organise themselves to meet unmet needs such as poverty. In seeking to advance social innovation, Unger makes an important distinction between the minimalist and maximalist view of the social innovation movement.<sup>57</sup> The minimalist view is when the social innovation movement is 'headquartered' largely within and is about civil society. In this, it plays second fiddle to the private/commercial and the public domain of state action. This minimalist position is often piecemeal, limited to what society does.

By contrast, the maximalist view sees the social innovation movement as not just about civil society, but about everything, including innovative activity within the public and private domains. Taking this maximalist view, we should start to think about how we develop new ways of working within and across all sectors, in an effort to tackle poverty. Unger sees this as prompting the 'enhancement of agency', beckoning a progressive radical movement, where a plethora of small-scale

**A plethora of small-scale innovations 'foreshadow' the possibilities of larger-scale transformations in society.**

innovations 'foreshadow' the possibilities of larger-scale transformations in society.

Unger's thinking and practice tells us that to advance new approaches to poverty and a good society, we need to think and act across all sectors. Maximising a process of change and innovation across them all. In this, we could imagine new innovative action on poverty and new tools to help us.

### **3- Building a good local society: a new local social contract**

In progressive economic development, the Centre for Local Economic Strategies (CLES) has shown<sup>58</sup> that policy is often characterised in two ways: there are those with a few key actors in the local state and significant business players who play a major role, making the key decisions that affect a range of people and institutions.

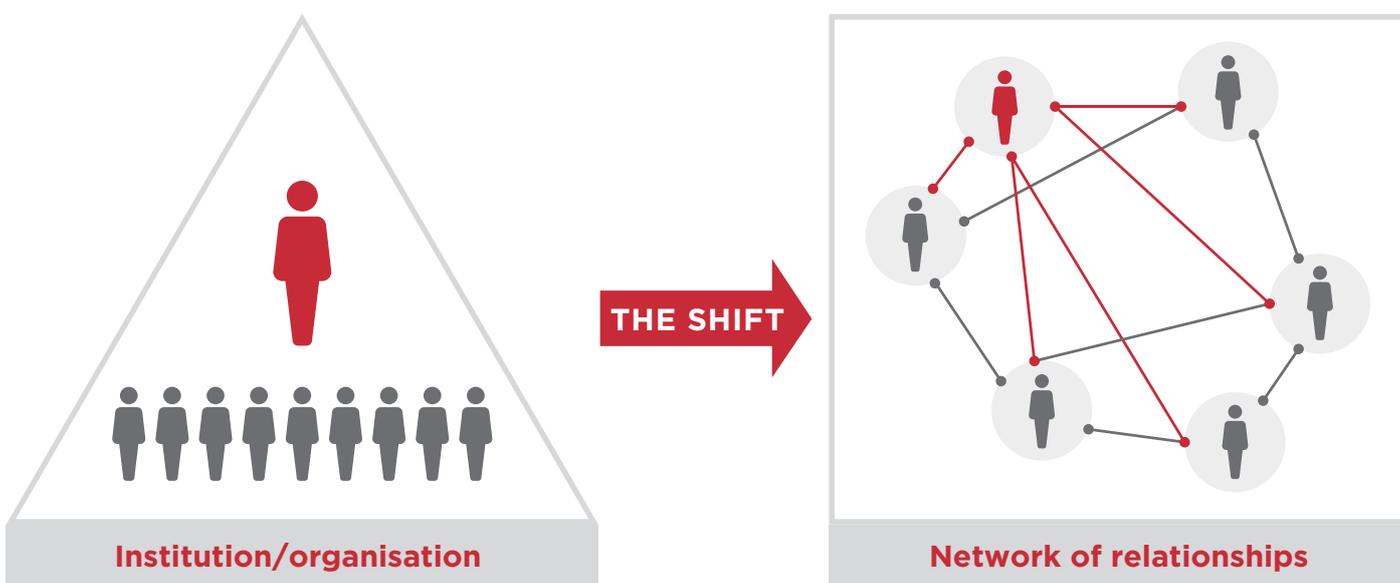
**We must increase the multitude of empathic relationships and networks within a local economy**

This is the dominant position and, as discussed, it is failing. In contrast there are those approaches which include connected actors from a range of sectors (across public, social and commercial) who play important facilitation and brokerage roles, connecting a range of assets and resources. We have seen some small-scale experiments arising from the nexus between people, local places and the economy. Such work is critical to advancing an attack on poverty. We must increase the multitude of empathic relationships and networks within a local economy.

These ideas borrow from systems thinking. Perhaps the most fundamental element of a good system is that it is not about the independent elements of a singular actor or activity, but about the connections and collaborations. For example, in nature, a typical ecosystem includes air, water, flora and fauna – the importance is how it all of these elements work creatively together as a system, rather than how they work in isolation. This is the same for local economies and poverty. The creation of well-paid jobs includes inputs of capital, land and labour as well as creative and innovative links with higher education, unions, public agencies, policy and commerce. For example, growth that delivers a high level of social benefit is not just about growth itself, but about the inputs into growth and how it links with the social and economic context and social need. This approach appreciates that the solution is not down to a singular agency or narrow visions. In this, the accruing innovation will not be singular, but will be decentralized, pluralistic and participatory.

Thinking about places as systems is key. As such local governance must reject traditional notions of linear and mechanical approaches. For local governance systems to adapt and be able to tackle ‘wicked issues’ such as poverty, local policymakers need to understand places as interconnected systems of people. This is about moving our thinking from singular institutions to networks of relationship across sectors (see Figure 2).

**Figure 2. Shift from individual institutions to network of relationship.**



In thinking through this shift, I am suggesting that we move to a deeper set of collaborative and mutual coexistence and innovation within and across all three sectors: public (local state), private and social.<sup>59</sup> In this, all three sectors have essential qualities and those qualities need to work together to produce innovative solutions. This is not about individual sectors, but about a private sector which brings exchange and wealth creation, a public sector and local state that bring equality and a degree of redistribution - providing some public goods and services which are not provided by the market - and a social sector that brings civic ties and social diversity imbued with social diversity imbued with reciprocity and solidarity.

The interplay between them, and the innovation that emerges, could be seen as the basis for a good local society. (See Figure 3)

**Radical social innovation built in place and based on the principles of reciprocity and fairness as a means to address poverty.**

What I am expressing here is the development and implementation of radical social innovation built in place and based on the principles of reciprocity and fairness as a means to address poverty. This in turn could inspire new ways of working and build or accelerate new innovative tools.

**Figure 3: A good local society**



# AN AGENDA FOR A GOOD LOCAL SOCIETY

I now detail the agendas through which a good local society can become a reality, including discussion of key examples of where this is already happening. These agendas are a direct response to the challenges outlined earlier and fit within the framework of addressing and alleviating poverty through social innovation, where place can offer a frame for greater levels of empathy. These agendas represent new forms of experimentation, which are so important to forging a new agenda. Figure 4, is a summary of these agendas.

These are just examples. There are many more but they foreshadow and reveal the types of innovations in place we need to accelerate and scale up.

**Figure 4. Summary of agendas for a good local society in contrast to traditional approaches**

Agendas	The traditional	Good local society
<b>Place</b>	Top down governance. Centralised	Devolution and democratisation of decision making. Local system thinking
<b>Collaboration</b>	Elite decision making. Big business/ big local government	Plural. Broad based ownership. Cooperatives and collaboration
<b>Anchor institutions</b>	Isolated. Answerable to central department not local place needs	Local collective focus. Tackle local social issues. Seek to act socially
<b>Business</b>	Wealth creators. Corporate Social Responsibility	Business as citizens. Deeper philanthropic role. Focus on foundational economy
<b>Citizens</b>	As recipients of policy	As active players
<b>Work</b>	Jobs. No regard to wages or conditions. Generic training	Decent jobs, terms and conditions. Bespoke training. Place based employment 'charters'
<b>Wealth and supply chains</b>	Trickle down. Or supply chains based solely on efficiency	Community wealth retention. Local supply chains based on social effectiveness

## **Agenda 1. PLACE: Advancing the power of relationships**

As previously discussed, the devolution of powers from the nation state to local areas represents an opportunity to build new public, social and commercial relationships. It also means we could see the rise of new innovations, aided by new levels of place-based empathy. Elsewhere I have called this double devolution.<sup>60</sup>

Local Authorities are a key coagulant in pulling these new place-based relationships together. Through more devolution, they could have a role in cajoling other partners to work collaboratively and act innovatively in local networks around poverty-related outcomes.

An assessment of national and local poverty strategies<sup>61</sup> has commented that local government must now steer the response to poverty to other agencies and sectors, working with local communities.

Enabling this to happen requires a move away from traditional approaches, as conditions and solutions to the problems around poverty are subject to complex interactions and relationships – beyond the control therefore of central government or ‘top down’ edicts alone. As highlighted in the Lyons Review<sup>62</sup> and by other sources,<sup>63,64</sup> this is not about a single leader but about a plurality of players, with local government acting as a key convenor.

### **Democratising the economy**

Austerity has in part prompted local authorities to recognise the value of experimentation and the importance of much closer partnership and collaborative structures. This is welcome and is key

to the poverty-reducing social innovation required. However, moving forward to make significant inroads into inequality and poverty requires decision-making around how to make the economy more democratic.

This democratisation of the economy is a significant progression from local state paternalism. Instead, it is about local government becoming the active enabler, encouraging and inspiring self-determination from a range of sectors and innovative collaboration and crossover between social, public and commercial networks.<sup>65</sup> This includes council leaders, mayors (including directly elected ones) and, importantly, councillors. It is about harnessing the expertise and empathy present in a range of local people, other public sector agencies, third sector partners, and businesses, and engaging them as leaders in their own fields. It is only through this empathic, coordinated leadership-focused approach to place that complex issues such as poverty can be adequately addressed.

**We should recognise the importance of local authorities as a key coagulant in pulling new place-based relationships together.**

The democratisation of the economy is increasingly beyond the ken of conventional national statecraft. National statecraft, often remote, is housed in central departments, administered by civil servants who are embedded in successive policies, which have forged a working culture that places private values above those of the public. A deep sense and sentient understanding of citizens (and the social pain they feel), has been eroded by a culture in which citizens are customers or clients, and services are often a cost rather than an investment. National Government has an empathy deficit.

In contrast, the local state is expert in working with local social and commercial partners to curate and

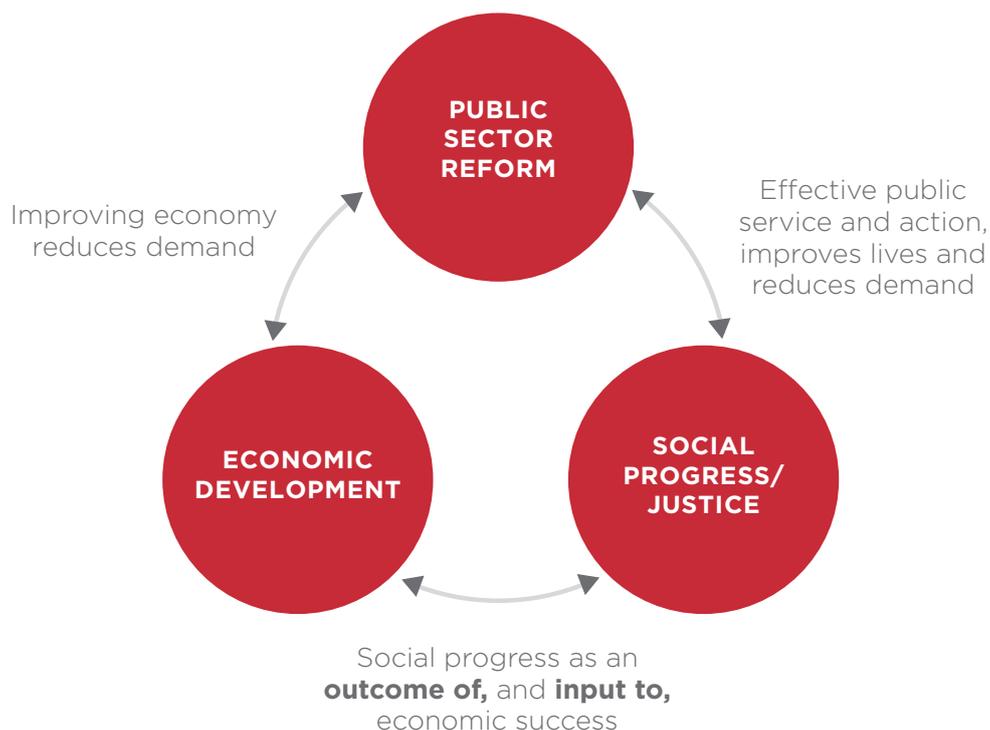
steward the places in which we work, do business, live and bring up families. It may have lost some of its public values, but these can, and must be, rekindled. The central state has a role, but it is not subtle or nuanced enough to pick up on the local insight and relationships. The local state, as purchasers of goods and services, as employers, as the owner of land and buildings, as a pension scheme provider, as an investor and as a partner with the local private and social sectors, should take a more prominent role to 'lock in' or stimulate local economic benefit and tackle poverty. Its empathy and sentient relationship with place and people within it, is an underused and potentially a towering asset. In this, devolution presents a rare opportunity.

## Advancing a social devolution

The push for the devolution of powers and resources to local government and cities, if framed accordingly, represents an opportunity for innovation and a new linking of economic and public services and anti-poverty goals in place (See Figure 5). Devolving both political and economic powers to the local level has the potential to drive change between the state and local level actors, providing the opportunity for greater local collaboration, integration, democratic engagement and accountability.

The devolution of powers and resources to local government and cities could facilitate experimentation and new epiphanies in anti-poverty activity. Indeed, freed from the tramlines of central government, there could be a significant anti-poverty dividend in the development of forms of activity which are more locally pluralistic, participatory and experimental.

**Figure 5: Local systems change in place: Linking poverty/social justice, economic development and public service reform**



In this way, tackling poverty and inequality could be seen as intrinsic and fundamental parts of achieving local prosperity and reforming public services. Instead of local communities and civil society as mere downstream recipients of economic success (as beneficiaries of actions designed to deliver agglomeration and ‘trickle-down’ growth), they would be seen as active upstream parts of a system that creates success in the first place. Social success and tackling poverty, in the form of more jobs, decent wages, rising living standards and civic pride, is thus less a mere consequence of economic development action, but is something which feeds into and sustains a virtuous local economy for all. Economic efficiency is an important policy goal, but so too is social equity and fairness. This is something largely missing from the inclusive growth agenda.<sup>66</sup>

To achieve a socially virtuous devolution, we must not follow the limited economic development approach imposed by the Treasury to date. Nor should devolution be framed by its present haphazard incrementalism, which could produce an unclear and unsustainable set of national and local arrangements. If we do not progress a more socially virtuous devolution, the danger is that we will merely move from a centralised poverty-producing national economy, to a local one which is equally centralised, divisive and flawed.

As such there are clear prerequisites around social devolution. These are:

- **Establish a new constitutional settlement between central and local government**, entrenching and safeguarding the role of local government and solving the confusion and willynillyism that currently prevails.
- **Set of clear ‘local government first’ criteria** – with the balance of authority transferred to local government in terms of additional powers rather than Whitehall.
- **Restate and reform the role of central government in redistribution** – to ensure national standardisation and fairness. This would relate to adjustments of local authorities’ block grant, which can be raised relative to levels of local deprivation and economic need.
- **Create place budgets for public services** – with the phased devolution of more powers over transport, housing, employment, education and skills, planning, business support, health and social care, welfare and local energy. This could be developed through extending the remit and scale of community budgets, through ‘single pots’ from all government departments.
- **Bring in a new deal on local government finance** – allowing central budgets to be planned over a longer time frame.
- **Allow phased implementation of some fiscal powers to local government.**<sup>67</sup> Legislation should consider and explore possible areas for devolution, including council tax, property and land taxes, sales taxes and local income tax. Central government’s share of public spending in the UK, for example, is 72 per cent, compared with only 19 per cent in federal Germany. Yet, the economic divide between the German Lander is much less than between the UK regions. The disparity on the tax side is equally pronounced. According to the London Finance Commission (2013), only 7 per cent of all tax paid
- **Redistribute resource according to social need.** We need a fairer funding settlement for places with higher social and economic need. This is about abandoning a wholesale uniform approach to public spending cuts and future resource allocation in favour of one that differentiates needs and starting points.

by London residents and businesses is retained by the mayor and the London boroughs. The figure is even less in other cities, although it should be noted that most of the major cities outside of London run a large tax and spend deficit. The deficit between public spending and tax generated in Manchester, for example, is nearly £7bn.

## **AGENDA 2. COLLABORATION: Building local assets and ownership.**

There is a need for local government to understand a full range of solutions available that use all of the assets and resources available within a locality, and work through alternative approaches with other organisations and sectors, with the development of co-produced activities to provide more bespoke, locally based solutions, which either tackle poverty directly or seek to retain greater levels of local wealth.

There is a growing expansion of community-based actors, and new experiments in institutional forms that have deeper roots in the wealth of place.

These include; cooperatives, local authority owned enterprises such as community energy companies and employee-owned businesses.

### **Growing expansion of community-based actors, and new experiments in institutional forms that have deeper roots in the wealth of place.**

This approach is built around the philosophy of people being empowered to change their lives through a partnership approach to local government. The overarching principle is that shared ownership around a problem such as poverty does not only reduce costs, but also improves outcomes, and there is a growing body of policy based around this, led by the Cooperative Councils Network.<sup>68</sup>

## COOPERATIVE COUNCILS

The Co-operative Councils Innovation Network (CCIN) is a national network currently comprised of 23 local authorities that are committed to finding better ways of working for, and with, local people for the benefit of their local community. CCIN membership includes local authorities from across the UK ranging from local authorities in Edinburgh, to Liverpool, to Stevenage.

CCIN members believe that the unprecedented challenges facing the public sector and local communities mean that traditional models of 'top-down' governance and service delivery are no longer fit for purpose. The Network is therefore keen to foster a new approach, and believes that the founding traditions of the co-operative movement - collective action, co-operation, empowerment and enterprise - offer a foundation for fresh and innovative solutions to help tackle today's challenges in genuine collaboration with communities.

The Co-operative Councils Innovation Network provides input into the debate on how to provide sustainable solutions to the service challenges facing local authorities and communities. The CCIN helps to improve outcomes for local communities by enabling members to develop and incorporate radical innovation in their approaches to policy and practice, by sharing individual cases of best practice and learning, thereby enabling innovators to chart new territory together.

There are two elements underlying the 'Co-operative Council' concept. On a practical level the network encourages councils to look to explore the delivery of public services through co-operatives and mutuals, rather than maintaining services in-house or outsourcing them to the private sector.<sup>69</sup>

The network has also promoted a more philosophical debate about the way in which local authorities relate to their communities within the co-operative council model. The traditional approach of using a strong central and local state to deliver services in a top down fashion is increasingly criticised for its inherently paternalistic attitude, and no longer considered viable in light of the severe cuts experienced by local authorities. The principle of common ownership at the heart of the co-operative movement was by no means synonymous with state ownership and a number of the networks leaders are among those calling for a redefinition of the relationship between councils and their communities, providing services based on co-production in partnership with local people, rather than for them.<sup>70</sup>

## PLYMOUTH CO-OPERATIVE COUNCIL

Plymouth has a long history of co-operative working. It was among one of the first cities in the UK to form a Co-operative Society, and is home to a number of organisations such as the Wolseley Community Economic Development Trust, which encourages local businesses to develop and prosper whilst benefitting the local community.

Plymouth Council is currently facing an unprecedented time of challenge as a result of reduced funding settlements, economic austerity, demographic demands, increasing complexity in needs and changing public expectations. However, while presenting a serious threat to local government services, the current climate also presents a key opportunity for change. As a result of its history, co-operation was a natural approach for the city to maximise this opportunity while managing the current challenges. Plymouth City Council, in conjunction with its partners, has begun to develop innovative reforms around the ways in which public services are planned and delivered. The council aims to deliver services in a more creative and innovative way, engaging citizens and customers in shaping their services and communities.

In 2013 Plymouth published its Corporate Plan, outlining its vision to become a 'Brilliant Cooperative Council' and its approaches for addressing the current challenges through co-operation. By adopting co-operation as a central value the council hopes to create engagement strategies and guidance, through consultation with key stakeholders, in order to enable strategic engagement with its partners and communities on the issues they feel are important.

By adopting its 'co-operative way', Plymouth has developed a number of tools to enable more effective ways of collaboratively working such as:

- City wide intelligence
- Co-operative commissioning
- Framework for working with Citizens and Communities
- A Fairness Commission<sup>71</sup>

One particular initiative which exemplifies Plymouth's approach is its 1,000 Club scheme, which was set up through the Plymouth Growth Board, a local partnership between business and senior public sector leaders, forming one of the 19 projects within Plymouth's Plan for Jobs. The initiative was established to help address unemployment, particularly those in the 18 to 24-year-old age group. This group was found to account for 33 per cent of all claimants in Plymouth, compared with to a national average of 28 per cent. The report also found that businesses felt young people were not 'work-ready', regardless of their route into employment. The 1,000 Club has been successful in supporting young people, and has developed over 580 partnerships with companies across the city, creating 1,639 opportunities in 2014. A key success of the 1,000 Club initiative has been its close working partnerships with its members, considered so successful that this model is due to be replicated by other authorities.<sup>72</sup>

## AGENDA 3. ANCHOR INSTITUTIONS

The term 'anchor institutions' is commonly used to refer to organisations with an important presence in a place, usually through a combination of being large-scale employers, large purchasers of goods and services in the locality, controlling large areas of land or having relatively fixed assets.<sup>73</sup> Examples include local authorities, NHS trusts, universities, trade unions, local businesses and housing associations.

Interest in the role of anchor institutions has arisen in recent years due to their potential to generate economic growth and bring social improvements to the local community and environment. Anchors have a large stake in their local area as, due to their activities, they cannot easily relocate. For example, while many private corporations may be able to move, an airport or a hospital probably will not.

While the primary objective of anchors may not be tackling poverty, the scale of these institutions, their fixed assets and activities and their links to the local community mean that they are 'sticky capital' on which local anti-poverty strategies can be based. According to the Work Foundation: 'Making the most of existing assets like anchor institutions will be vital for towns and cities across the UK. Capitalising on these assets represents an opportunity to mitigate the impacts of recession and do better in recovery'.<sup>74</sup>

The key to an effective anchor is to ensure that the resources it has (financial, time and social energy) and the general day-to-day operation is supportive of wider place and citizen needs. The influence of anchor institutions on the local area

varies according to the anchor's history, resources, activities and partnerships, as well as the socio-economic situation in the place and its political landscape. There are a range of ways in which different anchor institutions can leverage their assets and revenue to benefit the local area and local people (See Figure 6).

There are a range of ways in which different anchor institutions can leverage their assets and revenue to benefit the local area and local people.<sup>75</sup> In terms of economic development, anchors can act as purchasers - using local suppliers and producers; as employers - recruiting locally, and as incubators - supporting start-up businesses and community organisations. For example, universities can provide technological innovation and research expertise for local businesses and support the economy through student spending. Housing organisations and hospitals can support local businesses through the purchase of local goods and services, such as food, bed linen and information technology.

**Anchors have a large stake in their local area as, due to their activities, they cannot easily relocate.**

Although anchor institutions may be inward-facing and less willing to engage in community, it is key that they have a role to play as drivers of positive social and economic change. The question is how local government can engage with anchor institutions, aligning their objectives with goals for local social, environmental and economic development. This requires close collaboration between local government and anchor institutions and could involve local government forming an 'anchor network' or encouraging partnerships between anchors and public sector bodies, local businesses and community sector organisations.

**Figure 6: Anchor institutions and their role.**



## **PRESTON'S ANCHOR PARTNERSHIP**

Anchor institutions are crucial components of our towns and cities. Commonly including local authorities, further and higher education providers, and housing organisations, they are key employers and procurers, embedded in their communities and unlikely to leave. In a UK context, the potential of anchor institutions to contribute to wider local economic development has been untapped – until now.

Over the last 36 months, the Centre for Local Economic Strategies (CLES) has been working with Preston City Council to seek to harness the spending power of six anchor institutions based in the city: Preston City Council, Lancashire County Council, Preston's College, Cardinal Newman College, Lancashire Constabulary and Community Gateway. The work emerged from a feeling that anchor institutions could be doing more through their spending power to address some of the local economic and social challenges facing Preston and the wider Lancashire area.

The work started by looking at the process of procurement and particularly the extent to which the six anchor institutions utilised local organisations to provide goods and services. Of a combined annual spend of some £750 million, only 5 per cent was with organisations based in the Preston boundary and just 39 per cent with organisations based across Lancashire. This meant that more than £450 million leaked out of the Lancashire economy annually.

There was significant scope to rethink the way the six institutions undertook procurement activities, and potentially repatriate some of that spending. The starting point was to ensure all anchor institutions were on board and, secondly, to develop a collective vision and means of enabling maximum benefit through procurement. The former was relatively simple, but the latter has been less straightforward.

The work targeted what has been termed 'influenceable spend'. These are goods and services which are not tied up in long-term framework agreements and not specialist and therefore unlikely to be found in Preston and wider Lancashire. This work was talking about goods and services for which there are local organisations that could potentially act as suppliers in the future. The next step was to develop an understanding of local organisations, build up their capacity and raise their awareness of potential opportunities.

While repatriating spend was, and is an important component, the primary purpose has been to shift the behaviour of the anchor institutions so that they think more progressively about their procurement processes and choices, and consider the impact it has on the local economy.

Simply engaging with the project, listening to the practice of others, working collaboratively and utilising the anchor institution vision has seen a step change in practice.

Preston City Council has now identified around £3 million of opportunities that are potentially 'influenceable'. Lancashire County Council has revisited its commissioning and procurement strategies and has broken contracts into lots to enable smaller organisations to be supported to bid. Lancashire Constabulary now requires quotes from local organisations on procurement opportunities between £10 - £50,000; and Community Gateway is continuously measuring the impact its procurement decisions bring for the local economy.

The impact of this work will be more measurable in the longer term. However, we can already see changes that are bringing benefits for the local economy in the form of jobs and business development. If the amount spent in Preston by the anchor institutions increased from 5 per cent to 10 per cent and was sustained over the next ten years, this would mean a further £370 million being spent with organisations based in the city over that period.

Multiply that across the UK and it's easy to see how influential anchor institutions could be in their local economies if they harnessed the full potential of their procurement spend.

## **AGENDA 4. BUSINESS: As citizens AND wealth creators**

There is no doubt that there is a mutual reliance between businesses, local people and communities. Private businesses rely on an effective workforce that can support their operations. Communities rely on sustainable employment to provide financial and personal stability. This reciprocal relationship is of key importance.

With the public sector being impacted by austerity cuts, the social and private sectors will need to play more of a role in anti-poverty activities. In order for this to be successful there is a need to forge stronger links between the sectors. At present these are often weak - reflecting a pattern across much of the country.

### **We need to find new positive ways of getting business to do more good.**

In meeting with many businesses large and small, I sense a desire to do good. Many businesses play

socially virtuous roles, beyond the provision of jobs and wealth. This includes, the local small business supporting local voluntary activity, such as the local amateur football team or the large supermarket supporting food banks. However, in speaking with the managing director of a large global business, as part my work with Greater Manchester Poverty Action Group, I was struck by how he felt that business was often labelled as part of the problem, rather than a solution. This negativity may mean that some businesses are reluctant to get involved and play a positive citizenship role in tackling poverty. We need to find new, positive ways of getting business to do more good.

Part of the solution is about an emphasis away from corporate social responsibility (CSR) and towards ingrained behavioural change within both businesses and social sector organisations, where the social is not perceived as a 'bolt-on', but rather incorporated as a set of empathic corporate attitudes and approaches. To achieve this, cross-sector narratives need

to be established and developed - not least around the economic and community benefits of business citizenship.

As small businesses are most closely associated with local communities, there is potential for employers' organisations, Chambers of Commerce and the Federation for Small Businesses (and other localised business networks) to enhance their existing engagement with social organisations to scope out potential for local collaborative working, and schemes for bringing the two sectors closer together.

Going progressively further, services such as food production or telecommunications, have explicit and implicit obligations to the local, regional and national state, as citizen tax revenues and unavoidable household expenditure sustain their economic activity. Firms should therefore be required to fulfil their obligations and meet social standards by producing social as well as economic good beyond the bounds of CSR - balancing the needs of suppliers, workers, and residents.

The recognition of the socio-economic obligations which exist within the local economy between firms, local government and citizens, presents the opportunity to harness these obligation as a means to achieve social good, grow local economics and address poverty. To reframe our local economic systems as a crucial mechanism to combat poverty is to insist that economic growth and exchange is about more than point-value transactions, and instead involves reciprocal social relations.

**Social networks can act as the basis upon which anti-poverty activity is forged.**

This would require large-scale reform of our current economic policy to recognise that the provision of everyday goods and services is central to local economies, and is intertwined

with multiple socio-economic factors and identities. This rebuilding of the 'foundational economy' is of practical importance and key to the future for many of our poorest places.<sup>76</sup> Nevertheless, there is much work to be done to develop the practical policy and actionable practices which would build it.

**Economic growth and exchange is about more than point-value transactions, and instead involves reciprocal social relations.**

## **AGENDA 5. CITIZENS: Building social networks and reciprocity**

There is increasing recognition that strong links between social capital and economic prosperity are important in tackling poverty.<sup>77,78</sup> Inputs towards poverty reduction cannot create a successful economy through financial capital alone, they require human and social capital.<sup>79,80</sup> Places where communities work well and have good levels of social capital are more likely to be able to address poverty.

Social networks (often overlooked in traditional approaches to poverty) are formed through social capital acting as a mechanism for joining people together in socially and economically productive ways.<sup>81</sup> Such networks of solidarity and reciprocity are important in supporting anti-poverty activity. The ties between people, groups and local organisations engender confidence and allow knowledge transfer. Furthermore, happiness, health and prosperity all grow when communities and organisations collaborate to support each other, form relationships and work together towards shared goals. These social networks can act as the basis upon which anti-poverty activity is forged.

The reason our current services are unable to respond is that they have largely overlooked the underlying operating system they depend on: the social economy of families and communities.<sup>82</sup>

Citizen-designed services (also termed co-production) enable greater action on poverty because they involve service users in all aspects of the design and delivery of public services. It is effectively a partnership between citizens and public services to better achieve agreed objectives.

The term co-production was first used in the 1970s by Professor Elinor Ostrom of the University of Indiana to explain why police need the community as much as the community need the police. It was further developed by Professor Edgar Cahn, the Washington civil rights lawyer, to explain how important neighbourhood level support systems (families and communities) are in achieving desired outcomes of public services.<sup>83</sup>

Under a co-production model, citizens contribute more resources to achieving outcomes, share more responsibility, and manage more risk in exchange for much greater control over resources and decisions. There are a number of common features to a co-production approach:

- It involves the capacity of communities to decide upon the services they need and want, and are reflective of poverty and social issues;
- It means public services building mutual support systems that can tackle problems before they become acute;
- It means encouraging behaviour that will prevent these problems happening in the first place, and building social networks that can make this possible;
- It means public services reshaping themselves to build supportive relationships that can help

people or families in crisis carry on coping when they no longer qualify for all round professional support.

- It engages a whole range of peer support networks as part of the service design process;
- It blurs the distinction between producers and consumers of services;
- It rebuilds public value in society.

The most effective co-production processes are based on four clear values:

- Everyone has something to contribute;
- Reciprocity is important;
- Social relationships matter;
- Social contributions are encouraged .

These four principles are the bedrock of co-production.<sup>84</sup> If public services are going to effectively address the causes and consequences of poverty, they need to embrace these four principles. However, there is a need for resource in the form of public service provider leadership in order to enable this to happen; and for local authorities and partners to work together.

## **LONDON BOROUGH OF CAMDEN (MENTAL HEALTH)**

In 2006, the London Borough of Camden launched an innovative intervention to focus its commissioning of services towards outcomes, rather than just counting the number of people going through services. Working closely with the council's local providers and service users, the New Economics Foundation (NEF) developed a model that allows commissioners to take account of social, environmental and economic impacts.

It was initially applied to a mental health day care service; those bidding for the contract were asked how they would achieve wider training and employment outcomes, improved wellbeing, more community participation, and better social networks.

The winning tender was a consortium of Camden-based voluntary and community sector organisations, MIND in Camden, Holy Cross Centre Trust, and Camden Volunteer Bureau. The consortium advocated a co-production approach, which uses time banking and peer support approaches to create a mutually supportive network of people around the service. The approach, and other similar service designs in Camden, has brought a number of benefits:

- It has enabled human capital to be developed and a wider set of resources to be utilised in the design and delivery of services;
- It has brought organisations out of their silos and enabled a joint approach to a common cause;
- It has brought efficiencies as a result of being based upon real - as opposed to perceived - community knowledge;
- It has brought savings as a result of reducing the need for people to be referred to more specialist forms of care.

## SHELTER

Inspiring Change Manchester (ICM) is one of twelve Big Lottery-funded Fulfilling Lives projects. Fulfilling Lives funding was awarded to projects that brought different organisations and services together to offer more effective design, commissioning, and delivery of support services for those with multiple and complex needs. ICM commenced in 2014 and will receive £10 million of funding over an eight-year period. The programme is led by Shelter, in partnership with a range of different operational and strategic organisations that, in the current system, have a role in delivering effective support for individuals with multiple and complex needs.

ICM have adopted the definition as described by the MEAM coalition (Making Every Adult Matter) that an individual is deemed to have multiple and complex needs if they are experiencing three or more of the following issues: re-offending, homelessness, problematic substance misuse and mental ill health. There is growing consensus that services across the UK could be better designed for those experiencing multiple needs. Typically, services are commissioned, designed and delivered in a manner that means issues are dealt with in isolation, with little recognition of the complex interplay between them.

ICM identified specific gaps in service provision for accommodation, mental ill health and opportunities for meaningful occupation across Manchester. Because of the complexity and interrelatedness of these challenges, ICM adopted a 'systems change' approach to addressing Manchester-based provision for people with multiple and complex needs.

By adopting this approach, the programme aims to achieve the following outcomes by the end of the eight-year programme:

- Manchester residents with three or more complex needs will have improved health, wellbeing, housing, employability, and reduced re-offending, and these outcomes will be sustainable;
- Manchester residents with multiple and complex needs will have more opportunities for involvement in the services they need, and influence on decisions that affect them;
- Services will share more information and better coordinate interventions for people with multiple and complex needs;
- Commissioning of mainstream services will respond to ICM project learning, funding cost-effective evidence-based interventions for people with multiple and complex needs.<sup>85</sup>

## **AGENDA 6. WORK: Develop local skills and employment strategies**

A sufficient stock and flow of basic, intermediate and higher level skills are crucial to the successful development of a local area and to the prosperity of its people. However, the skills of the resident workforce have lagged behind in many communities. The lack of basic skills and lack of employability for large cohorts of the population<sup>86</sup> reduces the available workforce, constrains economic output levels and reinforces concentrations of poverty. It also leads to a shortfall of 'good' employment for residents, where wages and terms and conditions are at unacceptable levels.

There is a need to focus on promoting occupational mobility and opportunity, particularly within deprived communities. The social sector can play an important role here, not least in raising aspirations and providing training and employability skills that employers need.

The design and delivery of employment support provision is best determined at a local level. Local areas understand supply (the needs of those out of work) and demand (jobs available). Where led by local authorities, they will have key relationships with the local business community and they will have access to additional funding around work and skills.

Businesses and other organisations need to recognise the benefits that paying a Living Wage bring to both their organisation and the individual employee. This includes enhanced productivity and a happier workforce. Local authorities and other public sector organisations have a key role in embedding Living Wage principles through

their procurement processes. They should be encouraging contractors where financially viable to pay employees working on public sector contracts a Living Wage.

Central government should back a new approach to addressing youth unemployment. This would stipulate that all places commit to addressing youth issues, particularly around employment, training and education. The resolution would then require localities through their local economic development activities within local authorities to deliver a range of activities in coordination with businesses and other providers. These would include ensuring standards around fair pay and activities such as structured training and access to workplace mentors.

### **The design and delivery of employment support provision is best determined at a local level.**

In-work poverty is an increasing issue for local communities, especially those that are already struggling with welfare cuts. If low paid jobs serviced by those with basic skills do not pay a living wage and/or have poor terms and conditions, then employment will not make enough of a difference for people and communities. There is a need for infrastructure organisations and policymakers to work together and communicate and lobby employers and networks around the need for investing in people through both paying a decent wage, but also through training that will allow them to move up the 'skills escalator'.

The local public sector could develop principles of good employment practice to be applied for local government and the NHS, contracting authorities and suppliers, as highlighted for instance by the Cabinet Office guide on good employment principles.<sup>87</sup> This could, mean higher weighting within procurement assessments around ensuring

that employees are paid a Living Wage,<sup>88</sup> although many councils struggle to pay both in-house and contracted staff the living wage.

A range of inter-linked measures rather than one defining action will be needed to improve local labour standards, including a role for councils to enforce compliance with the National Minimum Wage, wider use of Living Wage clauses in public procurement, and greater social partnership between councils, trade unions, and local employers. There is also a desperate need for more of a local focus on achieving the right local balance between the supply and demand for skills. Such locally-led, bespoke schemes, could focus more on raising the aspirations of local residents to return to or join the labour market as well as support greater third sector involvement, especially in engaging the 'hard to reach' learners.<sup>89</sup>

Different actors with a stake in activities around jobs and employment need to work more collaboratively. This means local authorities working closely with businesses and other employers and with organisations providing support for jobseekers. Local employment charters can enable such relationships to develop and ensure any investment brings maximum

benefit in terms of the creation of jobs for residents. It can also be used to ensure organisations provide decent working standards and conditions.

### **BARNSELY SECTOR SKILLS ACADEMIES**

In Barnsley, the performance of the sector skills academies has been effective, serving large firms in particular. The council has been working with businesses, Job Centre Plus and local providers to build on the success of the academies that have provided essential pre-employment support for many people in the population who have been unemployed, or workless for extended periods. In particular, the buy-in and commitment of Job Centre Plus has been key to the success of the academies, being a central partner in identifying and referring individuals to the courses. Together with an appreciation from businesses that the health of the local labour market is important to their own success and understanding their own social responsibilities, this has led to an effective local model.

## **SALFORD'S EMPLOYMENT CHARTER**

The Salford City Mayor's Charter for Employment Standards is designed to help raise employment standards for employees and businesses across the city. The Charter contains a suite of pledges, focused in three categories:

- Putting Salford first: creating training and employment opportunities for Salford people, particularly those facing greatest disadvantage;
- Buying in Salford: looking to purchase Salford goods and services at every feasible opportunity;
- Setting the standard: promoting the adoption of the best possible working practices and conditions, such as working towards the introduction of a Living Wage, a commitment to eradicating the illegal practice of blacklisting and opposing the use of zero-hour contracts.

There are a number of benefits for business, including: entitlement to use the Charter Supporter or Charter Mark recognition on websites and company literature; and the logo appearing on the Council's website so that prospective employees, commissioners and customers can easily see who supports the Salford City Mayor's Charter.

Employers working in the city are encouraged to voluntarily sign up to the charter. The city council and its partners support businesses interested in achieving this Charter Mark and offer assistance with local recruitment and selection, training and workforce development needs, access to the local supply chain and other business support services.

## **WORKING WELL GREATER MANCHESTER**

The Greater Manchester (GM) labour market has been subject to high levels of worklessness over the past three decades. As a result, improving skills is a key priority within the 2013-2020 Greater Manchester Strategy (GMS). A particularly focus for the city is the need for delivery and development of an integrated approach to employment and skills to address economic inactivity and increase productivity. The ethos behind this approach aims to encourage self-reliance, and a reduction in demand for public services, thereby promoting savings and helping to improve the lives of GM residents.

Working Well is based on the lessons learnt from the Troubled Families pilot, which used a key worker, who would co-ordinate specialist services for the family. Working Well has taken this approach and transferred it to help those people who have been unable to find sustainable employment following two years on the Work Programme. It was implemented in May 2014, running over five years, and aims to improve the employment outcomes of 5,000 Employment and Support Allowance claimants. With the devolution deal, the target is as high as 50,000 across the city region. Sequencing of wraparound services is key to the approach - beneficiaries receive individually-tailored packages of support ensuring that the barriers holding them back from work are tackled at the right time and in the right order. They will receive this support for up to two years, with up to a year of in-work support and whole family support where appropriate. This will help people find, and sustain, the right type of jobs for them. There is a key emphasis here also upon employability with a job not being the sole outcome, but progression towards a job.

## AGENDA 7. WEALTH AND SUPPLY CHAINS: Locking in wealth for local people

Access to capital and retention of wealth is critical to building a good local society. In this there is an emerging new breed of innovations, which seek to localise finance and retain wealth within local communities and areas. This includes innovations such as the community shares,<sup>90</sup> local currencies and new types of community finance.

### **BRIXTON POUND**

The Brixton Pound (B£) was launched by volunteers who were part of the Transition Town Brixton movement in 2009; similar schemes have evolved in, amongst other places, Totnes, Bristol, Lewes and Stroud. The scheme arose in the face of a failing economic system which made people realise the vulnerability of the prevailing economic orthodoxy. The B£ originally aimed to develop 'money that sticks to Brixton', and was designed to support local businesses based in Brixton and encourage local production and trade between these businesses. In addition, it was hoped that social value could be created in Brixton through the use of the Complimentary Currency (CC), empowering users to connect with the independent businesses in the locality and generate local pride.

The B£ comprises a system of notes which can be obtained on a 1:1 rate exchange for Sterling, and also an e-currency (pay-by-text, or B£e). Pay-by-text provides online accounts for registered users who can transfer into their B£ accounts from a sterling bank account, which then allows users to pay businesses using their phone. Customers receive a 10 per cent bonus on any amount that is credited to their B£ account and businesses pay a transaction fee of between 0.5 and 1.5 per cent for online transactions.

The B£ was for a time the most successful Complementary Currency in the UK.

One of the key considerations is to extract much more local value from existing levels of local spend. The public sector spends around £240 billion a year buying goods and services, with local government procurement in England alone totally some £45 billion. The process of undertaking this spend (procurement) can enable a more virtuous economy.

In recent years, sustainability and progression have begun to be embedded in procurement language. Local government has realised that procurement can and should bring wider benefits to communities beyond the provision of a service. Indeed, these benefits can include direct spend in areas of deprivation, the creation of jobs and apprenticeships, the development and sustainability of small business and social enterprise and environmental mitigation.

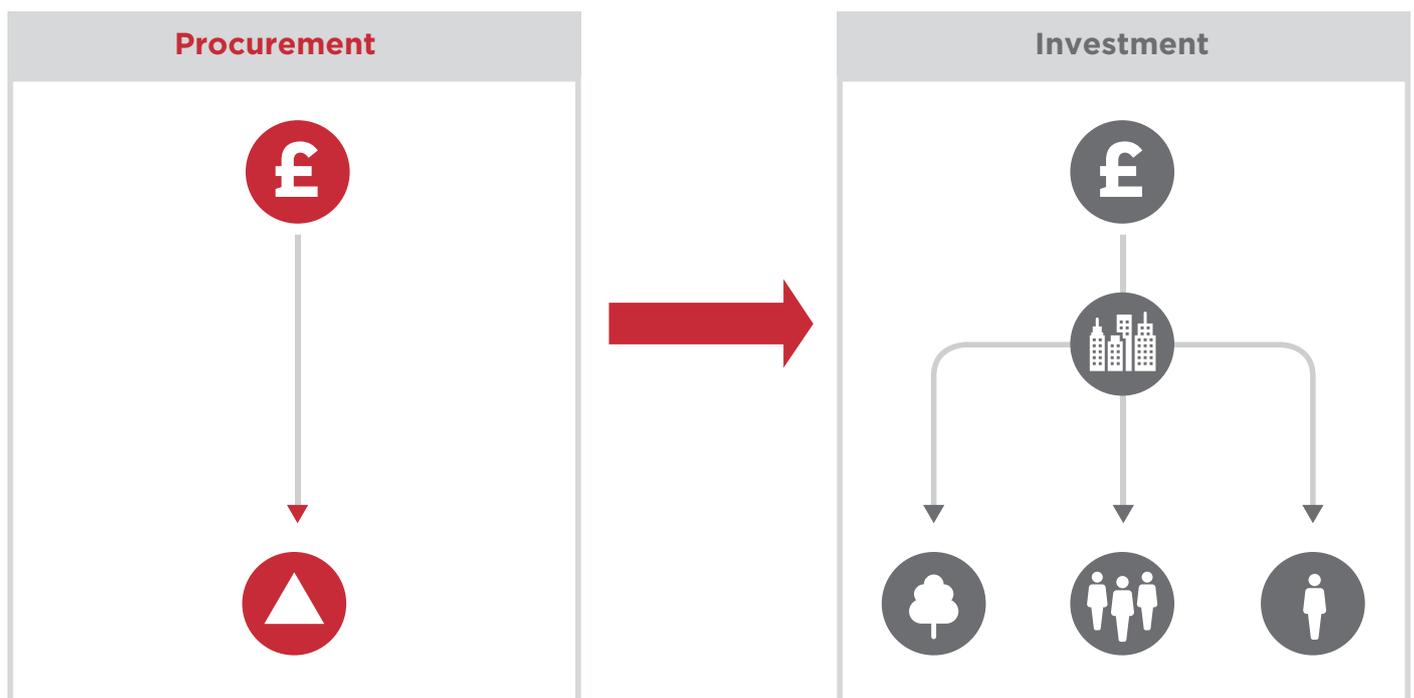
Despite fiscal austerity and downward pressure on tender pricing, government policies (such as the Duty of Best value and the Public Services (Social Value) Act) permit councils to procure goods and services according to criteria other than simply the lowest price. The Social Value Act (2012) actually requires councils to consider social value in managing procurement. These are welcome developments (supported by recent EU procurement regulations), which help councils secure social and anti-poverty outcomes.<sup>91</sup>

However, if procurement is to be used sensitively and to best effect there needs to be a greater understanding and influence over local supply chains.<sup>92</sup> For example, targeting procurement spend in deprived areas can deliver anti-poverty benefits, as it can lead to a multiplication of spend in that community (see Figure 7). However, the commissioning body will also need to take into account the extent to which local suppliers may seek to import labour from outside the area. Some

councils are alive to this and others have developed more sophisticated procurement through the use of checklists which identify social benefits. In recent years some councils have also begun to use social clauses in contracts linked to paying the Living Wage and to local recruitment and apprenticeship schemes.

There is clearly potential to use the power of procurement to encourage more employers to pay a Living Wage to their staff. However, the Smith Institute's report on 'making work better'<sup>93</sup> showed that local authority procurement officers and legal advisers were often overly cautious about inserting wage clauses. Nevertheless, the case for a more progressive approach to procurement, including wider use of wage clauses is gaining ground – in part encouraged by the greater clarity on the legality of such clauses.

**Figure 7. The shift from spend to progressive procurement outcomes.**



## **GREATER MANCHESTER SOCIAL VALUE PROCUREMENT FRAMEWORK**

In 2014, the Greater Manchester Combined Authority developed the Greater Manchester Social Value Procurement Framework. The Framework was designed to serve the dual purpose of providing a common means through which the 10 Greater Manchester authorities could consider social value when commissioning and procuring public services; and also as a way of demonstrating the impact of spending choices on an ongoing basis. The framework is based around six key outcomes:

- Promoting employment and economic sustainability;
- Raising the living standards of local residents;
- Promoting participation and citizen engagement;
- Building the capacity and sustainability of the voluntary and community sector;
- Promoting equity and fairness;
- Promoting environmental sustainability.

Local authorities have organically started to use the Greater Manchester Social Value Procurement Framework in their decision-making processes, particularly in terms of the themes or outcomes of what they should be looking for around social value. What has been missing, however, has been a baseline position of social value across the six outcomes for the 10 local authorities and their supply chains. CLES has developed a suite of indicators linked to the six outcomes of the framework and has undertaken recent research to develop a baseline for each, which procurement teams can take forward and use to understand commitment to social value by suppliers across all sectors. In the context of skills, the first two points resonate particularly strongly.

## **WEST MIDLANDS PROCUREMENT FRAMEWORK FOR JOBS AND SKILLS**

The West Midlands Economic Inclusion Panel (launched in 2010) has produced a framework for how public sector organisations can increase access to jobs and skills opportunities through procurement exercises. The framework, aimed at reducing worklessness, is based around four approaches.

- Charters, where public sector organisations share their strategic priorities to address worklessness with current and prospective contractors;
- Voluntary agreements, where public sector organisations work with existing contractors to secure informal commitments to achieving jobs and skills outcomes;
- Contract clauses, where public sector organisations include contractually binding jobs and skills clauses within specific procurement exercises;
- Strategic application of contract clauses, where public authorities monitor performance against skills and employment commitments through monitoring.

## **MANCHESTER CITY COUNCIL - MAXIMISING THE SUPPLY CHAIN**

CLES has undertaken a range of work seeking to understand procurement spend, shift cultures in local government and influence the behaviour of suppliers. Work with Manchester City Council focused on its spend with its top 300 suppliers, worth £357 million. In 2008/09, the study found that: 51.5 per cent was spent with suppliers and contractors based in the Manchester City Council boundary, and that suppliers re-spend 25p in every £1 back into the Manchester economy. In 2014/15, 69 per cent of spend in was with suppliers and contractors based in the Manchester City Council boundary. The proportion of spend with Manchester-based businesses in areas of deprivation had increased to 53.1 per cent (from 47.6 per cent); and suppliers re-spend 36 pence in every £1 in the Manchester economy (from 25 pence in every £1).

The impact of the study resulted in procurement officers thinking about where their procurement spend was going, and how procurement linked to wider economic and social priorities. As a result, Manchester City Council has undertaken a range of strategic activities designed to progress their procurement practices and influence the behaviour of the supply chain. This has included the development of cross-departmental procurement working groups, supplier networks, gap analysis, influencing activities with suppliers based in areas of deprivation (those suppliers with a base in neighbourhoods in Manchester in the 1 and 10 per cent most deprived nationally), and the development of an outcomes framework for monitoring suppliers against wider economic and social indicators.

# CONCLUDING THOUGHTS

There is no shortage of empathy - it is the human condition. However, we have lost some of our ability to harness this collective empathy into a compelling vision of a better society and workable policy, at scale. Each of the agendas outlined above could demand a report in their own right, and it is impossible to do justice to all the arguments in this paper. However, against a backdrop of entrenched poverty, this paper has tried to place a spotlight on what could be done to tackle poverty and build a good local society.

The paper offers a prospectus for a local good society, one that asserts that we can achieve economic and social success, and that to do either we need both. In this work I highlight the importance of a strong central state, alongside devolution to local authorities and an enabled and more socially active set of local policies and actions coalescing. At the centre is an appreciation that addressing poverty and creating a good society are not just downstream outcomes of economic success, but rather active upstream inputs into a successful economy.

Attempts to create a good local society stand at a crossroads. The aims of justice, equality and fairness beat strong, but in policy terms they are in abeyance. A dominant 'growth at all costs' agenda is not delivering socially or even working particularly well for local growth. Backed by the Treasury, the agenda has worked for some areas, but, overall, growth is anaemic: characterised by low wages, insecure work, and inequality. As it stands, the antidotes as detailed in the above agendas remain emergent. They hold promise, but they are often scattered, nascent, small-scale and disconnected. The task now is to accelerate them.

The national context needs to create fairer, more just context and we need more devolution. Within this context an enabled and enabling local state, fuelled by social justice and fairness needs to ramp up new experiments and new ways of working,

creating a collaborative counter attack on poverty. Above all, local economic development needs to recognise that the economic and the social are not distinct spheres but one and the same. It needs to reset itself and recognise that tackling poverty is not just an outcome of economic success, but a key input. We have work to do.

# ENDNOTES

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