

August 2020

The role of Community Economic Development in resilient local economies

A briefing paper prepared for Local Trust by Jack Hunter, IPPR North

In 2019, IPPR North and GMCVO undertook research, commissioned by Local Trust, on the extent to which Local Industrial Strategies (LIS) are being used to explore alternative approaches to economic development, including community economic development.

The project consisted of interviews with key stakeholders in the development of the LIS from eleven of the fourteen Wave 1 and Wave 2 areas. Evidence was also collated from desk-based research, including progress statements, prospectuses and other LIS- related documents that had been published to date.

Key Points

- Amid evidence that a growing number of neighbourhoods across England are being 'left behind', community economic development (CED) approaches offer new and imaginative ways to build thriving local economies. However, CED has yet to be part of mainstream conversations about economic development in general, or in the Local Industrial Strategies in particular.
- Local Industrial Strategies (LIS) are part of the Government's overall Industrial Strategy and aim to deliver on local economic opportunity. They are intended to direct resources towards a set of agreed strategic aims based on 'local strengths, challenges and future opportunities'¹. Depending on local governance arrangements, the lead organisations in the development of LIS are either Local Enterprise Partnerships (LEP), or in areas covered by a Mayoral Combined Authority, the Mayor's office with support from LEPs.
- LIS have been developed in waves, with the first wave of 'trailblazer' strategies including Greater Manchester, the West Midlands, the Cambridge- Milton Keynes- Oxford corridor and the South East Midlands. The second wave, announced July 2018, includes:

¹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

Cheshire and Warrington, Heart of the South West, Leicester and Leicestershire, North East, Tees Valley and West of England.

- Further development and implementation of LIS has the potential to advance a more inclusive economic agenda. This research identifies key opportunities for CED approaches to be considered as a means to meet strategic aims outlined by LIS, including as part of the COVID-19 recovery.

What is Community Economic Development? (CED)

Community economic development (CED) is about giving people a say in their local economy. It seeks solutions to economic and social challenges through local collective action, supported by appropriate knowledge and resources secured from further afield.

CED takes a holistic approach to local economies, focused not just on how to bring about improvements in traditional economic metrics such as job and wealth creation, but also how to nurture health, wellbeing, participation and civic pride, within environmental limits.

Community Economic Development might include:

- Support for community **businesses², co-operatives and social enterprises**
- **Progressive procurement** to increase local spending and leverage improvements in pay and working conditions in local supply chains
- **Localised business support**, including finance schemes, employment support schemes and support for small businesses and start-ups
- **Increasing participation in local decision making**, including wider involvement of citizens in economic development
- **Collaboration between micro businesses** to pool resources, and develop shared strategies, e.g. for joint marketing and purchasing
- **Community ownership of strategic assets**, including Community Land Trusts

CED has its origins in the 19th Century social movements, such as the Rochdale Pioneers which began the co-operative movement³, and is growing in popularity in Canada and the USA. Despite this, however, CED is not well-known in the UK. Many grassroots and community-led schemes have elements of CED embedded in them, and the most high-profile example currently running in the UK is some of the activity related to the Big Local programme (see below).

² For more information on community business see <https://www.powertochange.org.uk/get-support/>

³ Phillips R.G. and Besser, T. (2013) Community Economic Development, Abington, Routledge

The Big Local Programme – community economic development in action

The Big Local programme is delivered by Local Trust and represents a commitment of over £200 million from the National Lottery Community Fund to 150 neighbourhoods across England, with areas chosen that have been overlooked for funding and resources in the past.

Each Big Local area receives at least £1m funding over a period of 10 – 15 years, which residents themselves are in charge of spending on ways to improve their community.

In many of these areas local partnerships have chosen to undertake community economic development activities, including taking ownership of community assets, supporting the growth of small businesses and skills development.

Dover Big Local, for example, has established a resident-led group involving key community stakeholders to work together to foster local tourism, and is providing accessible, low-rent and short-term lease space for incubating micro-business, alongside mentoring, training and small grants, aimed at getting local people into work (<http://doverbiglocal.org.uk/>).

Community Economic Development approaches are one way that investment can be made in local 'social infrastructure', including community organised and run projects focused on: improving health, including mental health, and educational attainment; and creating employment and supporting micro-enterprise thus developing the capacities and capabilities of individuals to participate more fully in their local economy. As the RSA Inclusive Growth Commission⁴ argued, tackling deprivation and inequalities through investment in social infrastructure should be seen as an integral driver of economic prosperity, rather than relying solely upon redistribution of growth elsewhere.

There is a growing evidence base that Community Economic Development approaches can play **a key role in building more inclusive, resilient and sustainable local economies**. Some of the benefits include⁵:

- Higher levels of **sustainable job creation**, particularly in peripheral and disadvantaged areas than more centralised approaches to economic development
- The development of specific policies to ensure **better working conditions** by co-operatives and community businesses
- Strong **local multiplier effects**, including improved employment outcomes locally
- **Increased civic participation**, which can in turn increase economic participation among excluded groups

In particular, there is a strong evidence base regarding the benefits of community businesses, social enterprises and co-operatives as part of a resilient local economy. Such firms are likely to be more productive and may preserve jobs better in recessions than

⁴ <https://www.thersa.org/discover/publications-and-articles/reports/final-report-of-the-inclusive-growth-commission>

⁵ Localise West Midlands (2013) <http://localisewestmidlands.org.uk/wp-content/uploads/MCED-literature-review-final-Jan-2013.pdf>

conventional firms⁶. Worker co-operatives also have lower levels of firm-level inequality⁷, and overall have a lower gender pay gap than other firms⁸.

More generally, there is also some evidence of a causal link between CED outcomes and wider economic benefits, including links between civic participation and productivity at a regional level⁹, and between increased social capital and entrepreneurial activity¹⁰, improved job creation¹¹, and the development of human capital¹².

Evaluation of a £1.455m Department for Communities and Local Government (DCLG) funded initiative which supported CED projects in 9 different communities concluded that such interventions, when suitably resourced, can bring about positive economic and social change, when broadly defined. In particular, it found that the programme had been particularly successful in nurturing asset-based regeneration, and in increasing community engagement and input to local authority plans.

Why is Community Economic Development needed now?

There is a growing acknowledgement among policymakers of the need to ensure the UK economy serves all people and places. This is seen in the development of the Shared Prosperity Fund, for example, as well as the Stronger Towns Fund, and the government's stated commitment to 'level up' the country, alongside enthusiasm at both a local and national level in 'inclusive growth'.

"The shock of coronavirus has exacerbated the deep weaknesses in our economy, not least the lack of resilience in 'left behind' areas, in our supply chains and in our employment market."

The impacts of the coronavirus will be long-lasting and a return to 'normal' is unlikely, if not impossible. The government has put building greater resilience at the heart of its plans for our post-Covid recovery¹³.

Within this, community economic development can and should play a central role, particularly in areas where levels of economic productivity and prosperity have been lower than average. As such, how government, both local and national, can support and grow CED should be a priority as we rebuild from Covid-19.

⁶ Co-ops UK 2019 https://www.uk.coop/sites/default/files/uploads/attachments/co-operative_survival_1.pdf

⁷ https://www.uk.coop/sites/default/files/uploads/attachments/worker_co-op_report.pdf

⁸ <https://www.uk.coop/resources/gender-pay-gap-report>

⁹ Kaasa, 2016

¹⁰ Kim & Aldrich, 2005

¹¹ Engbers et al 2017

¹² Hanka 2017

¹³ <https://www.gov.uk/government/publications/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy>

Community Economic Development and Inclusive Growth

In 2019 IPPR North and GMCVO undertook fieldwork regarding the extent to which the Local Industrial Strategies (LIS) are being used to develop alternative approaches to economic development, including community economic development approaches.

From this research, we found:

- There is **low awareness of community economic development** and most consider neighbourhood-level activity to be beyond the scope of Local Enterprise Partnerships.
- Nonetheless, there is **appetite and ambition** in almost all LEP areas that we contacted to consider how to build a more inclusive and resilient economy. This is perhaps especially true in areas with a mayoral combined authority.
- In particular, we found interest in **how community economic development might sit within local strategies to foster 'inclusive growth'**, which is of increasing significance in many areas. Although 'inclusive growth' can mean different things to different people it can help to broaden conversations about the function and purpose of economic development, and in this way act as a useful 'bridging' concept to the purpose and practice of Community Economic Development

Based on our research, there is a strong case for Mayoral Combined Authorities and LEPs, with the support of government, to explore the role of Community Economic Development as part of recovery efforts from Covid-19. This would include:

- **Developing metrics for how "inclusive growth" will be delivered through the LIS**, including measures of participation, socio-economic inequalities, health and environmental outcomes
- **Working with local stakeholders, including the community and voluntary sector, to identify low-risk opportunities to experiment with CED approaches** that would fulfil the strategic ambitions with regard to inclusive growth while also building a local evidence base for CED
- **Dedicating a proportion of local economic development budgets to community economic development projects**

There are also areas where the community and voluntary sector can and should take a lead locally, including:

- **Building a collective narrative about the role of Community Economic Development in their local area**

About Local Trust

Local Trust is a place-based funder supporting communities to transform and improve their lives and the places where they live. We believe there is a need to put more power, resources and decision-making into the hands of local communities, to enable them to transform and improve their lives and the places in which they live.

We do this by trusting local people. Our aims are to demonstrate the value of long term, unconditional, resident-led funding through our work supporting local communities make their areas better places to live, and to draw on the learning from our work to promote a wider transformation in the way policy makers, funders and others engage with communities and place

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