

THE SOCIAL ECONOMY ALLIANCE

CONSULTATION PAPER – WELL FOUNDED GROWTH

How people-powered business models, local economic solutions and community driven enterprise can address the challenges of housing, regional inequality, and disadvantaged communities.

REBALANCING THE ECONOMY

The UK economy is now returning to growth. While this has been welcomed across the political spectrum, many are asking whether this is built on the same foundations that led to the crisis. The Governor of the Bank of England and the ONS have both recently suggested that much of this growth is down to debt-fuelled consumer spending and rising house prices^{1,2}. Productivity is still 16% below the G7 average³. Now is the time for politicians to consider how economic growth can be sustainable and balanced across the economy – geographically and demographically.

Since the financial crisis, London and the South East are the only parts of England and Wales to experience economic growth, and only a quarter of us have seen any benefit. 80% of new private sector jobs are in London⁴. Unemployment figures are still rising in the North East, while falling elsewhere. Many town centres are struggling and 21 of the 25 most depressed shopping centres are in the North, the Midlands or Wales⁵. The house price recovery is mainly a London phenomenon, with property prices actually falling in real terms in other areas.

Some areas are thriving. GDP per person in the richest area of the UK is over five times the national average⁶ and nearly ten times that of the poorest area – this is the biggest gap in wealth between the richest and poorest regions in the G7⁷. Some economists have even written off entire communities, suggesting their populations should simply leave for greener pastures.

The housing market is dysfunctional. Subsidies and government programmes have long distorted the market. In London and the South East, the problem is affordability for ordinary people and a failure of supply. While in other parts of the country, whole streets lay empty. Elsewhere, second or third home owners have changed the face of entire communities. Wealth is increasingly concentrated in a corner of the country, and with those already on the property ladder. Buy-to-let has helped segregate asset owners on one hand and those who are excluded from ownership and rent on the other. Meanwhile 1.8 million households are currently on the social housing waiting list⁸. Half a million households are overcrowded and house building is at its lowest rate since the 1920s⁹. The high cost of housing is draining money from the productive economy.

Over the past 20 years the value of land for housing has risen over four times faster than inflation and less than 1% of the population now owns more than 70% of the land¹⁰. New developments are opposed and the planning system

¹ <http://uk.reuters.com/article/2013/10/29/uk-britain-carney-idUKBRE99S18720131029>

² <http://www.bbc.co.uk/news/business-25118514>

³ <http://www.ons.gov.uk/ons/rel/icp/international-comparisons-of-productivity/first-estimates-for-2012/stb-icp0913.html>

⁴ <http://www.centreforcities.org/blog/2014/01/29/more-or-less-city-statistics/>

⁵ <http://www.telegraph.co.uk/finance/economics/10375057/UKs-economic-growth-masks-north-south-divide.html>

⁶ www.oecd.org

⁷ <http://www.telegraph.co.uk/finance/economics/8935943/Gap-between-rich-and-poor-growing-fastest-in-Britain.html>

⁸ <https://www.gov.uk/government/policies/improving-the-rented-housing-sector--2>

⁹ <http://www.uk.coop/pressrelease/new-garden-cities-will-inspire-co-operative-communities>

¹⁰ www.who-owns-britain.com



often abused to protect those who already own homes. So access to land is restricted for those who want to build their own homes. This creates a barrier to good quality housing with housing development model allowing little connection between the design and build of a home and those who live in it.

There are no single solutions to these challenges. Those areas with high unemployment in the 1990s are still those suffering today. While social programmes may have alleviated the symptoms of economic disaster for many people, too often money has poured into areas without changing people's economic prospects. The way that money has flowed through RDAs and LEPs has done little to rebalance the economy. The recent creation of the What Works Centre for Local Economic Growth demonstrates that we still have much to learn about the efficacy of particular economic policies. New ways need to be uncovered to rebuild local economies and create long term sustainability.

In part, these are macro-economic problems linked to the historic dominance of London, the growth in financial services over several decades, global capital flows and the concentration of capital in the City and in Westminster. The IMF suggests that growth is more fragile and recessions more frequent in countries with greater inequality¹¹ and The World Economic Forum says inequality is one of the top risks to global economic stability¹². With the right policies in place at a national level, successive Governments may be able to unwind some of these problems and address structural imbalances slowly, without too much of shock to those people in those parts of the country who have feel they have benefited from current models.

But while a fundamental rebalancing will require a long term effort, there is also a huge opportunity in the short and medium term. If we don't act now at the local level, then the riots of 2012 hint at the risks of leaving whole communities without economic prospects. Real, sustainable growth can come from local economic models which help rebalance our economy away from rent seeking and an overconcentration of wealth and instead, towards a more productive economy of entrepreneurs and value creators.

¹¹ <http://www.imf.org/external/pubs/ft/fandd/2011/09/berg.htm#author>

¹² http://www3.weforum.org/docs/WEF_GlobalRisks_Report_2014.pdf



THE SOCIAL ECONOMY SOLUTION

We need macro-economic policies which start to rebalance the economic landscape and create the right incentives for value creators. But in the meantime, we can start work with people-powered business models, local economic solutions based on local need and potential and bottom-up, community driven enterprise. These social economy solutions can help address the challenges of housing, regional inequality, and disadvantaged communities.

We believe that people can be the solution to their own problems. We offer new models, alternatives and ideas. Some of these are small, but small can sometimes be beautiful and can be replicated. Some of these models are symptomatic of the problems we face, they don't address the root causes but merely help people deal with the hand they have been dealt. That's important too while the big picture slowly shifts. But other ideas are truly transformative.

We don't want to write off entire communities. But there is no point in continuing to throw money at the problem along lines that haven't worked for decades. We need to combine social and economic approaches. So before 'grassing over' parts of the country that aren't working, either in 'planned retreat' or otherwise, we should try giving these communities some radical tools.

We believe that social and co-operative approaches to economic problems can make a difference. In fact, co-operatives and social enterprises are growing faster than 'conventional' red-blooded business. Yet social enterprises are very heavily concentrated in the UK's most deprived communities. 38% of all social enterprises work in the most deprived 20% of communities in the UK¹³, compared with 12% of traditional SMEs.

We take inspiration from the Creation Development Trust in South Wales which has demonstrated success through the pursuit of economic and social action in tandem. We can learn from neighbourhood-led models of economic regeneration. The experience of Cleveland in the US shows how co-operative economic models encouraged by an enlightened local authorities can stimulate economic sustainability. We can replicate the model of Hanover Housing who have localised their supply chain to benefit the economy in which they work, while also claiming savings of 15 - 20%. We can watch the Family Independence Initiative, which the White House has also spotted, which works with a few hundred families to develop their own approaches to improving their economic prospects.

When it comes to housing, we can learn from the examples of Tenant Management Organisations, Community Land Trusts, Mutual Housing Groups, self-build and custom build communities, community commission neighbourhoods, co-housing, homeshare schemes and social enterprise property guardians. The residents of Crystal Fountain retirement village in Woodchester, Stroud can offer considerable inspiration from with their model of turning a private equity-owned village into mutual ownership¹⁴. There are also emerging opportunities with the potential for new garden cities, eco-towns and other large scale urban extensions to develop models which are pro-social, anti-speculation and designed with the community at their heart. Here we can learn from Freiburg, Tübingen and Hanover in Germany, Nieuw Leyden in the Netherlands, Lilac in Leeds and the Champlain Housing Trust in Vermont.

We need national policy to rebalance the economy. The task of building prosperous communities at the local level with people power on a human scale has already begun. There are many exceptional and inspirational examples – the opportunity now exists to build momentum and grow a movement to the point where such activities become commonplace rather than exceptional.

¹³ <http://www.socialenterprise.org.uk/advice-support/resources/the-people-business>

¹⁴ <http://www.bbc.co.uk/news/uk-england-gloucestershire-24441148>



WHAT CAN GOVERNMENT DO?

1. Making local assets more productive:

- Use the tax system to create incentives for landlords to use empty commercial property and land. This could take the form of a 'blight tax' to be levied on the disposal of empty property to incentivise absentee landlords and land bankers to bring unused property back into productive use. Local authorities should be allowed to not only offer business rate discounts but also levy surcharges on certain business rate payers.
- Reform the legal framework to make it easier for local authorities and others to use management orders, CPOs and the Community Right to Reclaim Land.
- Develop a widespread citizenship stake in neighbourhood assets through incentivisation of community shares, especially for those on low incomes and benefits, using associative models where possible, to capitalise the poor and build solidarity and mutual endeavour.
- Extend the Public Services (Social Value) Act to cover management and disposal of assets to ensure that taxpayer-owned land benefits local communities long into the future. Local authorities have a strategic role to manage assets for the long-term and the public interest rather than for short-term narrow rewards.
- The creation of an independent Royal Commission on Land Reform, set up with powers to propose how land ownership and management in the UK could be reformed to be more socially and economically productive.
- Mutual, social and common ownership models should be considered for the future of the Land Registry rather than the narrow options of only public or private-for-profit ownership.

2. Local economic models:

- LEPs (or their successors) should be mutualised through a genuine and independent multi-stakeholder partnership model which engages business, public and social sectors with a mandate to deliver bottom-up growth policies, increasing their popularity and effectiveness through enhanced transparency and accountability. They must have the flexibility to respond to local need and potential, and work jointly across geographic and administrative boundaries.
- Require local authorities to monitor and report on the financial flows into their local economies and ensure that Section 106 agreements to promote apprenticeships, for example, are enforced.
- Support the development of co-operative and social enterprise neighbourhoods, villages, towns and cities, learning from the experience of Enterprise Zones and Co-operative Councils. Local government should be encouraged and incentivised to use flexibility in business rates to support long-term and sustainable social and economic value creation.

3. Housing – opening up new opportunities for individuals, families and communities to develop their own housing solutions:

- Use the legal and tax system to open up the housing supply from second and third home owners, empty homes, absent landlords and global property speculators. Councils should be given powers to levy council tax surcharges on second homes and empty homes.
- Help people collaborate in the housing market by supporting co-operative development models, custom build, co-housing and other models through the feasibility, planning and development stages.



- Ensure that new garden cities and similar large-scale developments adopt a significant element of community ownership and an approach to planning, development and finance which is people-powered, local and on a human scale. Any large-scale house-building enshrine principles of co-operativism and community ownership which were integral to the most successful early garden cities.
- Give local authorities and other public sector property owners greater incentives to lead the development of more housing through ‘Public-Social Partnerships’ on public land.



QUESTIONS FOR CONSULTATION

1. Which of these proposals do you agree with?
2. Which of these proposals don't you agree with?
3. Which of these proposals are the most important?
4. What have we missed? Which proposals would you like to add?
5. Which proposals need further work or refinement?
6. Do you have any evidence to support or refute any claims made in this paper?
7. Is there any evidence or examples from other contexts which can inform the proposals put forward in this paper?

