

Strategic Community Economic Development in Birmingham – why, who and what



i) Introduction to Community Economic Development

A more community-based approach to economics has a lot to offer Birmingham, from the findings of our current research project Mainstreaming Community Economic Development. Birmingham district devolution, the new administration's emphasis on thinking beyond the city centre and on social justice, the localism agenda, the LEP and the city's social inclusion process all create opportunities for innovative CED.



"Capitalism has become more and more centralised... ordinary individuals feel as if they have less and less influence over critical decisions...and that when decisions are made, they are not responsive to local situations and local needs" – Gary Hamel, 'the world's most influential business thinker' - Wall St Journal

The UK economy is one of the most centralised in Europe. In a more localised, place-based economy, more people have more of a stake, which redistributes economic power, reducing disconnection, inequality, and vulnerability to economic failure. Our research has strongly reinforced this understanding and points to the need to revalue how we balance and integrate the two approaches in economic development practice and policymaking.

Community Economic Development means economic development led by people within the community who have the power to make key economic decisions and based on local knowledge and local action, with the aim of creating economic opportunities and better social conditions locally. It creates local supply chains, markets and ownership. The community participates in the economy as strategisers, owners, investors, purchasers and networkers. A wealth of CED good practice, particularly from Canada and the USA, can be adapted to a Birmingham context.

There is a difference between approaches to CED in different countries. In the UK we find that CED activity tends to deal with development of micro-projects, treating it as marginal to the mainstream. This briefing is aimed at exploring the more strategic approach of parts of Canada, Spain, Italy and the USA, in which a community can together identify holistically how to improve their local economy for social environmental and economic benefit in a way that incorporates conventional local authority- and private sector-led economic development.

"CED is an approach that recognises that economic, environmental and social challenges are interdependent, complex and ever-changing. To be effective, solutions must be rooted in local knowledge and led by community members. CED promotes holistic approaches, addressing individual, community and regional levels, recognising that these levels are interconnected" - Canadian CED Network.

"The Dynamics of Rural Areas study examined peripheral regions to identify the factors that drove economic success or failure. They concluded that local decision-making was crucial to success, and described both remote multinational headquarters and central government as "absentee landlords" in the way they make decisions. This is certainly a different way of perceiving inward investors." - LWM MCED presentation, Nov 2012

ii) Why it's important

Our research has found economies with a high proportion of locally owned businesses are more successful in terms of basic economic success & multiplier; job creation (especially disadvantaged and peripheral areas), local economic power, resilience & stability, quality of life, civic welfare, civic participation. It also has benefits in terms of supporting local distinctiveness and cultural diversity.

Giving local economic power to non-local organisations undermines local political and community power and becomes self-reinforcing. With no real commitment to the local area, such organisations will leave if economic conditions are better elsewhere. This makes it harder to provide the right environment for local business.

Localised economies are already more closely linked to community power than centralised ones, as more business owners and managers are part of the local community and local business is more able to adapt to local needs. When local demand changes local businesses are more likely to respond with innovations designed to meet that demand, rather than move to other markets. Because of their greater economic impacts, the growth of small companies responding to and developing local demand may well be more strategically important than big sites for footloose investors. The community-led approach maximises these benefits with its emphasis on empowerment and participation, its social objectives, and its basis in local knowledge, entrepreneurship, assets and control.

These approaches are, rightly, reflected in the green paper of Birmingham's Social Inclusion Process, with proposals for 'locale' based approaches to economic development on a district level, and the introduction of local development boards to deliver this.

In summary, adopting a CED approach:

- Creates a virtuous circle between stronger local decision-making & stronger local businesses.
- Has the potential to build a more successful and inclusive local economy with more jobs, better civic welfare.
- enables and empowers people to be economically active and included.
- creates an economy based on local vision, needs and resources.
- makes localism meaningful – could we have localism without localising economic power?

iii) How a CED approach might look in Birmingham

Taking a strategic CED approach in Birmingham requires a reframing of economic development priorities, and a re-education to understand the collective strategic importance of the small scale, rather than equating 'strategic' with 'big'. Some activity to develop strong local economies needs to happen at city (and wider) scales too, but there is potential for other activity at district, neighbourhood and functioning economic geography scales.

"The RSS options paper overuses the term 'strategic' to confer a spurious aura of deep significance, wisdom or long term vision to various projects which are actually just 'big' or strongly supported by particular interests."
- Roger Levett

Approaches and governance

A CED initiative needs to have **explicitly socio-economic objectives**, so that it does not for example lead to wealthy areas trading more with itself and thus creating further exclusion. Using local business success as a proxy objective is inadequate. Our good practice case studies have retained their emphasis on socio-economic objectives throughout 'serious' ED activity.

A CED initiative must be **based on civic participation and cross-sector working**, involve public, community, social enterprise, and locally based business sectors.

- Community organisations include owners, consumers and workers in locally owned/controlled businesses who care about the area.

"RESO evolved into a membership-based organisation. Four major organisational member categories elect their own representatives to the board—four from the community movement, two from trade unions, one from big business, and one from small business." - Mike Lewis

- The (locally based) 'true' private sector forms the majority of the economy.
- Social enterprise form a bridge between entrepreneurial activity and social objectives
- Representatives of bigger business - the 'absentee landlords' - have a high impact on the area
- The public sector needs to be able to respond and align part of its work to local economic development objectives wherever possible.

A CED approach should take a 'supply and demand chain' approach rather than focusing on individual businesses or sectors. Considering demand chains as well as supply chains seems to be critical to success, from the LWM research findings. Local economies work a little like ecosystems where removal of a link in the food chain upsets the whole system. For example physical regeneration projects can destroy existing supply networks if account is not taken of the wider impact of the loss of businesses on those firms buying from or selling to them. Some businesses have key roles in linking or creating local demand to supply (e.g. wholesale markets, abattoirs, project developers, Buy for Good). If firms are providing for a specifically local demand (e.g. housing retrofit) then this gives them a reason to stay local, and being tied into local supply chains adds to this. Supply and demand approaches are also crucial in linking demand from more affluent areas with supply and thus business opportunity in more deprived areas. Procurement can create demand to maximise local supply chains: Castle Vale Housing Association uses some of its contracts to help set up locally owned and run businesses.

Activities

The following activities should be taken as a menu of options to inform a locally adapted approach which can be a standalone initiative or part of existing economic development activity. Responsiveness to local conditions and local delivery – particularly for business support such as training and banking – is a crucial element.

Setting up and visioning

- Identify who should be involved – including the agent provocateurs/wilful individuals. Community and local business engagement can if needed use existing structures such as Business Improvement Districts and neighbourhood forums etc
- Education: awareness raising amongst all levels and sectors involved on how to maximise the local social and economic benefits of the area's economic activity.
- Visioning and setting objectives based on social and environmental outcomes achieved through economic activity in the area; and identify ways of operating and levels of commitment.
- Developing local support systems as needed, both for business and for disadvantaged communities: supporting or fostering entrepreneurial and innovative cultures, developing networks.

Assessing the local economy

- Obtain baseline data e.g. employment, per capita income, income differentials, social capital and inclusion measures.
- Identify networks and sections of the community including excluded groups and how these can be linked in (through private sector or social enterprise)
- Identify assets including locally based businesses; vacant land/buildings; unemployed workers (potential employees), the amassed savings and pension funds of the area's population [city wide?], key organisations, key facilities.
- Plugging the leaks analysis: using local knowledge and available data from all sectors to identify where money is leaving the local economy and how 'leaks' can be 'plugged'.
- Supply and demand chain gap analysis: identify unmet local demand / growing markets (e.g. locally sourced food for some areas) and demand that can be influenced (e.g. public, third sector and local business demand)

- Identify training, planning and other needs for locally based/owned business
- Identify local investment leakage and potential - including social finance and other 'relationship banking' [city-wide?]
- From the above, identify key growth opportunities, including opportunities for smaller firms to get into growing markets and procurement; and structural opportunities for new businesses including social enterprises and co-ops.
- Identify barriers and ways to overcome them. (e.g. Banks unwilling to lend to viable businesses)

Addressing identified needs and opportunities

This would follow from what is identified above, including around specific business and local investment opportunities, linking these up with (disadvantaged) local people, training needs, community development activity, and crucially ensuring ED, planning and procurement strategy at city level has some capacity to align with what CED decides; and that there is a supportive and consistent policy framework.

Potential ongoing activities for the CED partnership and for Birmingham City Council:

- Representation, consultation, and promotion relating to the local economy (see RESO case study).
- Get local business leaders who practice inclusion onto LEPs and similar roles.
- Liaising with Birmingham City Council and others to ensure successful approaches are mainstreamed.
- Monitoring emerging larger development (inward investment and regeneration) in order to take every opportunity to maximise local economic impacts. Prioritising inward investment that supports local supply and demand chains rather than undermines them.
- An enabling role for the City Council: ensuring its activities and policies can respond to the initiative and replicate good practice.

Many of the individual activities above have a long track record and will be familiar to those working in regeneration and economic development. What is more innovative, at least in the UK context, is how these are prioritised and combined to form an area-based strategic economic development approach that capitalises on local conditions and maximises local benefit.

See also our Good Practice sheet for references, links to further information and good practice case studies. Our Mainstreaming CED project is funded by the Barrow Cadbury Trust.

Localise West Midlands is a non-profit thinktank, consultancy and campaign group promoting local supply chains, ownership, money flow and decision-making for a more just and sustainable economy. We participated in Birmingham's social inclusion process and can assist with developing activity around this approach.

Localise WM – November 2012
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