

Literature review - Mainstreaming Community Economic Development

- Summary of findings

This is a summary of the literature review for our [Mainstreaming Community Economic Development](#) (CED) project, funded by the [Barrow Cadbury Trust](#)*. The project aims to identify how localisation and CED approaches can be better integrated into mainstream economic practice to bring social inclusion, income equality and diversity benefits.

Its first stage has been a review of existing literature on whether CED, localised ownership and supply chains create more social and economic inclusion, diversity, local distinctiveness and income equality than more mainstream, centralised economic development approaches.

[Link to full review](#)

The terms we use

Community economic development is led by people within the community and based on local knowledge and local action, with the aim of creating economic opportunities and better social conditions locally. Economic localisation involves local ownership or control over economic activity; with an emphasis on local supply chains and local market opportunities. Our objective was very much to explore the two as different facets - the purposive and non-purposive - of a more localised approach.

The outcomes we are interested in are social and economic inclusion; income equality - both distribution of wealth amongst individuals and also how wealth is distributed geographically; and diversity and distinctiveness. We consider diversity and distinctiveness to have value in their own right through contributions to sense of place and belonging, area quality, added interest and richness of experience in comparison to homogenisation. More practically, diversity means that there are more different products and services, organisational structures, types of work, roles, shapes and sizes of economic activity to suit a greater diversity of human beings, and increases resilience in comparison to 'monocultural' economic development. The concept is an economy in which, simply, more people have more of a stake.

Findings

There was less evidence directly around our socio-economic outcomes than expected, and a tendency to make assumptions on such impacts, but what can be concluded is as follows.

Benefits of localisation and CED

The review concluded that localised and community economies appear to deliver better than centralised on job creation, particularly in disadvantaged and peripheral areas, on resilience, stability and economic returns to an area, quality of life, security (for employees), civic welfare, civic participation, local economic power, accessibility of employment opportunities particularly for people who are vulnerable to economic exclusion. The role of social enterprise (a CED tool) in addressing areas and communities of disadvantage was also well documented. All this has a potentially positive impact on inclusion and equality.

While it seems that more centralised large-scale approaches can have the advantages of bringing extra resources and powers that will make an immediate difference, it seems likely that they can undermine the local virtuous circle and long-term prosperity of a local economy, potentially contributing to the social segregation and inequality that have been seen to develop in centralised economic environments.

The review was less conclusive on some other issues including the impact of localised and community economies on accessibility of goods and services. Localised economies seem to increase physical accessibility – for example in accessible high streets, markets and the survival of small local shopping centres - but point of purchase costs may be higher in some cases, leaving aside the issue of externalised costs. It is clear that centralised retail has reduced high street diversity and product ranges, and there is some evidence of a positive impact on product diversity when industries have a revival of local and small-scale enterprise; but more research is needed around this.

It was also less conclusive on direct income equality impacts. There was evidence that centralised and remotely owned economic development deliver better pay and formal conditions than localised economic development, but also that regional income disparities can be exacerbated by Government economic development spending based on over-estimates of benefits from any resulting inward investment.

But empirical evidence around income equality itself is lacking and other implications on income equality are largely conjecture. For example in most, though not all, economic sectors, it does not seem feasible that small businesses' profit margins can support anything like the 100:1 income differentials found in the largest firms; and while larger businesses may help raise the income share of those at the lowest end of the scale in an area, their higher executive pay rates will increase societal income inequality at the same time. It remains persuasive that a model of economy which is driven by remote shareholder value above business longevity, which encourages mergers and their resultant labour-shedding, and which concentrates economic power in few hands, is likely to create more income inequality than a decentralised economy driven by local profitability, with local or employee ownership and with the priorities of local economic decision-making. But little evidence is available, and centralised and decentralised approaches can both vary in their impacts on income equality.

There is also little empirical evidence assessing public subsidies of different approaches for their proportionate socio-economic impacts, so that policy on public subsidy seems to pursue centralised, large-scale economic activity based on assumptions without considering options around the collective impact of more small-scale activity.

Conclusions

Whilst many evidence gaps remain, given their proven benefits, we need a reevaluation of how we balance and integrate localised and centralised economic approaches in economic development practice and policymaking if it is to tackle socio-economic objectives. Localisation and community economic development approaches have long been seen as secondary to the 'main business' of inward investment seeking, centralised strategies; in self-fulfilling prophecy style, this has governed the resources, attitudes and powers that have been directed to them, and thus the results they can achieve.

So we need to seeking to ensure that different options are fully considered as part of decision-making and used when they are the best option, and to work on models and policies that ensure these benefits are maximised and that any potential disbenefits are minimised.

Making it work – lessons for economic development

As with most strategies, local and community economy approaches should be used as a tool to deliver socio-economic benefits in a way that assesses likely outcomes and monitors real outcomes for those benefits rather than using, say, small business development as a proxy.

Key to a successful local economy is the ability to make economic and political decisions locally is along with effective public/private sector working. Also key is good understanding and innovation around how businesses interrelate: both the networking of small businesses and linkages with economies that transcend the local; and 'bridging capital' (open to other areas, well networked, inclusive) and 'bonding' capital' (bringing together different stakeholders in the area to act in unity). Local business networking can

provide the benefits of scaled-up product and service offer – and sometimes efficiencies - while maintaining the benefits of local autonomies and diversity.

Effective strategies are likely to involve incorporating conventional economic development, local sourcing approaches and CED approaches more closely. Conventional economic development should become more open to community influence, more sensitive to local needs and resources and better incorporating socio-economic goals into its decision-making. Public and private sector bodies should enable and respond to CED approaches. CED approaches should become more strategic and focus primarily on the mainstream economy delivering their goals; and local sourcing initiatives should incorporate CED objectives to avoid the potential for exclusive approaches.

Next steps

Our next steps are to identify how beneficial approaches can be further mainstreamed. For this we are investigating case studies such as Birmingham Wholesale Markets, Sandwell's food strategies and retrofitting initiatives; developing a workshop to be held in the autumn; and feeding into Birmingham City Council processes including the Social Inclusion Process and scrutiny. See the [project webpage](#) for more information. In the future we also plan to fill some of the many gaps in research that would develop a sounder evidence base of where and how localisation and CED approaches are effective in delivering inclusion, income equality and diversity.

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*The [Barrow Cadbury Trust](#) is an independent, charitable foundation, committed to supporting vulnerable and marginalized people in society. The Trust provides grants to grassroots voluntary and community groups working in deprived communities in the UK, with a focus on Birmingham and the Black Country. It also works with researchers, think tanks and government, often in partnership with other grant-makers, seeking to overcome the structural barriers to a more just and equal society.

