



Mainstreaming Community Economic Development

Summary of findings

January 2013

This is a summary of the literature review for our [Mainstreaming Community Economic Development](#) (CED) project, funded by the [Barrow Cadbury Trust](#).

The project aimed 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.](#)

Our findings suggest:

- Localised and community economies deliver better on job creation than more centralised approaches do; and particularly in disadvantaged and peripheral areas. This has a potentially positive impact on economic inclusion.
- Localised and community economies also deliver better on resilience, stability and economic returns to an area; there is little data available on who disbenefits from that localised economic return. There is also little empirical evidence assessing public subsidies for different approaches for proportionate socio-economic impacts.
- Small businesses are significantly more likely to employ disadvantaged individuals and those vulnerable to unemployment than large businesses, which has a potentially positive impact on social and economic inclusion.
- Centralised and remotely owned economic development deliver better pay and formal conditions than localised economic development and yet more localised economies have a better quality of life, job satisfaction, security (for the workforce), civic welfare, civic participation, local economic power, and perhaps (less evidence) income equality.
- For most, but by no means 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. Larger businesses may help raise the income share of those at the lowest end of the scale in an area, although their higher executive pay rates will increase societal income inequality at the same time. Co-operatives tend to have specific policies to reduce income inequalities within their firms and on the basis of case studies seem to provide higher wages and better working conditions.
- It is persuasive that a model of economy which is driven by shareholder value above business longevity, which encourages mergers and their resultant labour-shedding, and which concentrates economic power in few hands, must create more income inequality than a decentralised economy driven by local profitability and with the priorities of local economic decision-making. Employee ownership also has a part to play in addressing income equality. But addressing income inequality through local economic approaches seems to be at least partly conditional on the detail of the approach taken.
- Regional income disparities can be exacerbated by Government economic development spending based on over-estimates of benefits from any resulting inward investment.
- Both purposive localised approaches (CED), and non-purposive in the form of rural food supply chain employment, deliver accessible employment opportunities for many people who are vulnerable to economic and social exclusion.

- CED approaches are in themselves a form of civic participation which is a major factor in social inclusion. The socio-economic outcome focus of many social enterprises plus their strong local multiplier ensures that they will have a role in addressing areas of disadvantage.
- The ability to make local economic and political decisions is key to a successful local economy along with effective working between public and private sector networks. Creating innovations that link together both local supply and demand with wider economic opportunity is also core to an area's economic success.
- To increase local economies' success in terms of inclusiveness and equality it is best for conventional economic development, local sourcing approaches and CED approaches to move closer to each other. 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.
- 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.
- There is evidence for both positive and negative impacts of localised economies on goods and services' accessibility. Very broadly physical accessibility seems to be increased by more localised economies while point of purchase costs may be higher. 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.
- Like 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.
- Linkages with economies that transcend the local is important; importance of 'bridging capital' (open to other areas, well networked, inclusive): while 'bridging' capital' - bringing together different stakeholders in the area to act in unity - is crucial to economic success, such a group must also have the power to act and strong understanding of the specific local opportunities, needs and aspirations.
- It seems likely that there is a great degree of mutual reinforcement between diverse economies, local economic power and positive social factors such as equality and wellbeing, forming a virtuous circle. In ensuring localisation strategies maximise their social inclusion and equality potential, there needs to be local power, good networks, both bridging and bonding social capital, local entrepreneurship, good knowledge and effective local leadership and use of networks as well as sufficient local resources that are well used. The role of national stakeholders is also key.
- The networking of small businesses is crucial to positive economic benefits in an area. It is important to economic decisions to know how businesses interrelate. 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.
- In terms of the more collective community economic development aspects of localisation approaches, these may be less appropriate a) where public goods or services require large and complex systems, where government may be more appropriate or b) for private goods, where individual enterprise may be more appropriate, or c) where the community institutions are weak or exclusive.
- A wealth of case studies, old and new, is available to disseminate knowledge on successful localisation and CED approaches.

- Finally the many gaps in what looks to be a promising initial evidence base indicate that much more in-depth research would be valuable (see section 7 of full review).

Moving on from an unhelpful and poorly evidenced (on both sides) local/global polarising tendency in much of the literature, the role of this study has been to see whether greater attention to localisation potential could bring benefits of inclusiveness, equality and local diversity. From the evidence summarised above it is clear that whilst many evidence gaps remain, localised and community economic approaches – both purposive and non-purposive - have considerable natural advantages in developing stronger local economies, and the potential to deliver a more equitable and inclusive economy; and that this points to an urgent need for a revaluation of how we balance and integrate the two approaches in economic development practice and policymaking. 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.

Reconsidering these economic priorities would seem an absolutely critical element of a response to the current economic crisis in order to create a more just and equal economy in which more people have more of a stake.

Localise West Midlands
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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.

