

What role for community enterprises in tackling poverty?

Viewpoint
Informing debate

September 2008

What contribution can community groups make to tackling poverty in their neighbourhood? Glenn Arradon and Steve Wyler from the Development Trusts Association argue that community-led enterprise organisations including development trusts can act as a driver for positive change, creating a self-help and problem-solving culture, and helping individuals move out of poverty.

Key points

- While many community groups are struggling and indeed some are closing, a new generation of more confident and aspirational community organisations is emerging. These are characterised by the use of social enterprise methods, community asset ownership, and a 'can do' attitude that seeks to unlock potential in people and places: in short, 'community enterprise'.
- The DTA has reviewed the wide range of actions that its member development trusts are undertaking, which they feel make a contribution to tackling poverty in their community, to consider how lessons can be shared.
- It is clear that the underlying causes and manifestations of poverty are too complex to enable local community-led interventions, by themselves, to eradicate local poverty.
- Nevertheless, this work has identified a sample of actions which community enterprises such as development trusts may want to consider to help alleviate poverty, such as supporting micro-credit and debt advice, or initiatives to sell unwanted goods on the Ebay trading website on behalf of local people.
- Community-based enterprises such as development trusts can play an important role in alleviating poverty. They can give those without power a voice and access to resources and decision-making; they can act as a driver for service improvement and support local wealth generation; and they can contribute to building skills and self-confidence.

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Introduction

This paper sets out early findings and reflections from a continuing programme of work by the Development Trusts Association (DTA) (with an initial phase supported by the Joseph Rowntree Foundation), which aims to explore the extent to which local, community-based development trusts can contribute to efforts to tackle poverty, particularly in areas which suffer 'multiple deprivation' (i.e. areas experiencing a combination of problems that exclude people from participating in activities (economic, social and cultural) that are the norm for other people).

Together with other activities designed to support community ownership of assets and to stimulate community-led social enterprise, it is hoped that this programme will help to identify particular types of intervention which can be supported as effective anti-poverty models for development trusts and similar community organisations to take forward.

The growth of a community enterprise sector

Development trusts are community-led organisations that use enterprising methods to drive local regeneration in some of the most deprived urban and rural areas of the UK. Their actions are characterised by a 'can do' culture, often taking land and buildings into community ownership (through community-based asset development). Also, development trusts often use social enterprise methods where trading operations are designed to generate surpluses, which are then reinvested for community purpose.

Many of these organisations also have the characteristics of 'community anchors' – in other words, multi-purpose, independent community organisations, providing a focal point for a community, nurturing community self-help, encouraging multi-agency collaboration, acting as a bridge between the local state and the citizen, and offering local amenities and services.

They are not a new phenomenon, and precursors such as the Bryn Mawr Experiment in South Wales (where a series of successful community-owned businesses were set up to combat the effects of industrial decline) date back to the 1930s. Since the Development Trusts Association (DTA) was formed in 1993 the number of development trusts has grown steadily. There are now over 450 development trusts across the UK.

While many community organisations are struggling or indeed closing as traditional grant programmes come to an end, the fact that a confident and aspirational community enterprise movement emerged, with development trusts in particular, is striking. This is partly because a critical mass of successful practice developed across the country – this growth reflects a shift in policy that seeks to stimulate social enterprise, and promotes a greater role from community organisations in local regeneration, service improvement, community empowerment and civil renewal.

Development trusts addressing poverty

Following a debate at the DTA national conference in 2006, the DTA started to work with its members to examine the factors that create and sustain poverty at the local level, and the extent to which community-based enterprises such as development trusts can help to combat poverty and the associated social injustice that blights many communities.

Initial analysis highlighted a high correlation between the areas where development trusts operate and areas of multiple deprivation. However, the relationship between the work of development trusts and eradicating poverty is far from simple.

The last 20 years have seen a vigorous debate on what causes poverty and how best to reduce its impact. Poverty is most obviously caused by low income, often reflecting badly paid work, barriers to training and work, or inadequate benefits for those unable to work. But poverty may also be caused by:

- power imbalance: those dispossessed of power and voice being likely to remain trapped in poverty;
- place: with concerns about 'neighbourhood effects' exacerbating problems for people living in disadvantaged areas; and
- people themselves: relating to their own individual problems such as a lack of skills which can lead to exclusion from the labour market.

These multiple causes have been addressed by different strands of government policy to reduce poverty, with area-based regeneration initiatives targeted on the most disadvantaged neighbourhoods alongside nationwide programmes on social exclusion such as those to reduce teenage pregnancy or tackle homelessness. Other programmes have been designed to address poverty in rural districts or other particular circumstances. A variety of economic and social interventions have been presented as anti-poverty measures, from weaning people off incapacity benefit to encouraging active parenting skills.

Despite these efforts, poverty and its associated manifestations (concentrations of low income, unemployment, poor health, low educational achievements, high crime rates, poor environment, inadequate services, and social tensions) all conspire to limit the opportunities and life chances of individuals in many communities across the UK.

The authors found that development trusts are attempting to respond directly to these challenges by delivering programmes which engage head-on with problems linked to poverty. Examples of these programmes are:

Access to finance	Debt advice Micro-credit programmes Credit unions
Unemployment reduction	Job readiness programmes Job search and training Loans for small businesses Employing people with disabilities Nursery provision
Health improvement	Programmes for teenage mothers GP referrals Delivery of parenting programmes Healthy eating Alternative therapies
Education	Lifelong learning Work with children excluded from school Out of school activities Early years programmes
Crime reduction	Work with ex-offenders Community warden schemes
Physical environment	Management of sports facilities Management of community parks and green spaces
Access to key services	Community transport One-stop shops Cash machines/post offices
Community cohesion	Community facilities Community events and festivals Community consultations Encouraging social networks Working with 'hard to reach' groups and informal workers

These examples show that activities undertaken by development trusts do connect, in multiple ways, with poverty. Often their approaches are designed to help people improve their circumstances and alleviate or overcome the consequences of poverty, and in some cases help individuals move out of poverty altogether. In May 2007 the DTA published *On the Borderline: Development Trusts tackling poverty in the UK*, which gives examples of some of the work of individual trusts.

But all this activity raises a tough question: while community enterprise activity can benefit many poor individuals, what impact can it have on poverty itself – and in what ways can community groups contribute to attempts to tackle poverty that blights their neighbourhoods?

Community responses to global poverty drivers

From a community perspective, tackling poverty across the UK can seem impossible. As locally based community organisations, development trusts are rarely (if ever) in a position to affect the underlying structural factors that cause or exacerbate poverty: movements in global financial markets, decisions made by national and transnational corporations, impacts of new technologies, changing structures of families or new patterns of work. Local community organisations, often desperately undercapitalised, can find themselves swimming against the tide – and a big wave (relocation of a major employer for example) can undo years of patient effort.

However, the most effective development trusts take quite a different view. People in some deprived communities have found that the most powerful response to macro-economic or large-scale changes over which they have little control, is to exercise control at a 'micro' or local level – to help kick-start local economies, to promote neighbourhood-based self-determination, and to engage with people on their own terms. Such organisations see themselves as operating in the 'change management' business, reversing the cycle of deprivation in a sustainable way. They involve local people in finding their own solutions, and cultivate the skills and networks that individuals need to maximise their life chances. Most importantly, development trusts are usually active in a neighbourhood for the long term, with many using enterprise to create, circulate and retain wealth in their local area.

Specific interventions

The DTA has been working with its member organisations to identify particular community enterprise actions, which may form the basis of a national programme of poverty alleviation through community-based organisations. The following examples draw on existing knowledge and experience of individual development trusts, and initial feedback has suggested that other trusts are interested in applying similar approaches themselves. The DTA is currently considering the best ways to stimulate development of these initiatives across the sector.

1. Micro-credit and debt advice

Many people on low incomes find their access to mainstream financial services is restricted. This imposes costs on those who can least afford them, prevents people from getting started on a savings ladder and leaves them vulnerable to loan sharks. There are over 300 credit unions, operating as financial co-operatives owned and controlled by their members, who offer savings and loans schemes at more affordable rates. Every credit union has a 'common bond' – this defines membership according to those living or working in the same area, or those working for a particular employer or belonging to a particular association, such as a church or trade union. In some cases, development trusts have set up or have close links with community-based credit unions.

A somewhat different approach is offered by Fair Finance, which has been operating in East London since 2005. Fair Finance provides personal loans, business loans and money advice in areas of acute poverty, and develops these services on a sustainable social enterprise model. The DTA is exploring the possibility of replicating this or a similar model in other parts of the country.

Initial work suggests that there are various challenges to following the model of Fair Finance. Significant initial investment is required to establish the loan funds and to subsidise running costs during the initial business development period. Finance for debt advice is particularly difficult, as this aspect of the business does not directly generate revenue. On-going revenue support for debt advice is therefore required, or contractual relationships with organisations that see such investment as meeting their own interests – for example, housing associations wishing to support their tenants to reduce levels of individual debt to avoid problems with rent arrears.

The need to operate at scale is another central consideration. As credit unions have discovered, critical mass is necessary for long-term viability. While personal loan services following the Fair Finance model could eventually be self-sufficient, this is only feasible if the client base is large enough. Therefore, outside major urban conurbations it might be necessary for development trusts to collaborate if they are to develop viable 'micro-credit' businesses.

2. Possibility Place

Many people's prospects in poor areas are often curtailed by their own lack of self-belief about what they can achieve. Drawing on experience of working with unemployed and homeless people, Acumen Community Enterprise Development Trust in Easington is developing a new social enterprise, the 'Possibility Place', to offer training and resources for self-belief and emotional resilience.

Possibility Place will deliver programmes for advisers who work with 'hard to reach' unemployed and homeless people, equipping advisers with the right tools and approach to help people develop a healthier self-image, become more self-reliant, set personal goals and action plans, and improve their employability prospects. As Kate Welch from Acumen says:

... if we can get people to the stage where instead of life being in control of them, they are taking control of their own life, and they are able to get out there, get a good job, move on from that job to another one, or achieve some career progression within their job, then we are giving people a sustainable route out of poverty.

If the Possibility Place initiative is successful in the North East, the DTA will examine ways of promoting a similar approach in other parts of the country.

3. Ebay trading

The online auction site www.ebay.co.uk (Ebay) allows any person or organisation to buy or sell items for little cost. In 2006, Kiveton Park and Wales Community Development Trust, near Sheffield, developed Kivo-Ebiz, a social enterprise selling unwanted items on Ebay on behalf of local people. This enterprise relies on volunteers to manage and deliver the service, with 80 per cent of the sale price going to the seller and 20 per cent retained by the trust to cover running costs, with any profits put back into community projects. Over a period of 18 months, Kivo-Ebiz has contributed £50,000 to the local community.

While this initiative is small in scale and unlikely to generate large surpluses or by itself make a major impact on poverty reduction, it is nevertheless relatively simple and low-cost to establish. Chief executive Steph Hryschko said:

What we liked about the project was that it didn't need any start-up costs; we already had computers which we could use and a camera; we could operate it with volunteers and we could advertise it within our own newsletter... This is probably the most proactive project the trust has ever undertaken. We go out to the homes of people in the community rather than them coming to us. This is particularly important for hard-to-reach groups and we can signpost people to other services and projects.

Kivo-Ebiz has been able to put money directly into the hands of those who need it. These include a disabled woman who, at the age of 78, was making and selling ornaments at car boot sales to supplement her very low income, and a young father who had just been made redundant. In both situations the trust was able to sell items on their behalf and provide them with much-needed cash. Kivo-Ebiz also provides free training for buying and selling on Ebay, and some people who have accessed the training then go on to volunteer with the project, developing new skills and making new friends.

The DTA has supported a workshop by the Kiveton Park and Wales Development Trust on its work to date, and will encourage others across the country to establish similar enterprises.

The campaign for a 'Community Allowance'

In addition to these local initiatives, the DTA is part of the CREATE Consortium, alongside the British Urban Regeneration Association, Community Links, National Community Forum, and Slivers of Time. The consortium is campaigning nationally to establish a 'Community Allowance'. This would allow people on a benefit to work for a community organisation on a part-time, paid basis without disrupting their benefits claims. The consortium proposes that participants would be allowed to register on the Community Allowance for a maximum of 52 weeks at a time.

The Community Allowance would provide work experience, and a route into employability and away from dependency for large numbers of people in deprived communities. The CREATE consortium has estimated that around 80 part-time jobs could be created on every state-run housing estate if the Community Allowance were introduced into the UK benefits system.

A Community Empowerment *White Paper* in July 2008 set out government aims to set up a demonstration pilot scheme of the Community Allowance, and the CREATE Consortium therefore hopes to be able to pilot the allowance in neighbourhoods across the country.

Interim conclusions

This initial investigation into development trust practice suggests that they can offer an important contribution, at the community level, to tackling some of the factors that reinforce poverty:

Power

To the extent that poverty is reinforced by power imbalances, development trusts and similar organisations can give those without power a voice and access to resources and decision-making. On an individual basis, the initiatives described above help people exercise greater control over their own financial circumstances and work prospects, and build personal confidence. On a collective basis, multi-dimensional forms of community advocacy can help to create thriving communities.

Place

To the extent that poverty is a function of place, and is exacerbated by poor services or lack of opportunities and resources in a local area, development trusts can act as a driver for service improvement – through direct delivery or through shaping delivery by others. They can also promote social cohesion, and help to generate and retain local wealth – as illustrated by the Ebay trading enterprise Kivo-Ebiz, which has supported the creation of local social networks and helped generate income for local people.

People

To the extent that poverty is related to a lack of skills and confidence among individuals and families, which can reinforce patterns of dependency and exclusion, development trusts can contribute to building people's skills and self belief. The Possibility Place is an example of this approach.

It appears therefore that the most effective community enterprise organisations are able to bring a people-centred, problem-solving approach to deprived communities. While this may not tackle the global economic and social changes that create the structural conditions for poverty, nevertheless it can help a community weather the storm of change and help people move along a more confident path, moving on from financial poverty and combating poverty of aspiration at the same time.

About this paper

Following discussion at its national conference in September 2006, the Development Trusts Association (DTA) embarked on a programme of work to help its members tackle poverty in their community. Having identified examples of relevant work by development trusts (published in May 2007), further examination that was supported by the Joseph Rowntree Foundation (JRF) identified a spectrum of existing and possible actions. With guidance from the JRF, New Economics Foundation and others, the DTA has begun to identify specific interventions which could be used elsewhere.

For more information

More information about the Development Trusts Association's programme of work on poverty, and related areas such as community asset ownership and the promotion of community enterprise, can be found on the DTA website www.dta.org.uk or by contacting Glenn Arradon: email g.arradon@dta.org.uk or phone 0845 458 8336.