

Service not included

Social implications of private sector service restructuring in marginalised neighbourhoods

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Contents

Acknowledgements	iv
Executive summary	v
<hr/>	
1 Introduction	1
<hr/>	
2 The context: parallel processes of restructuring in essential private services	4
The privatisation of utilities: tariff changes, pre-payment metering and uneven competition	4
Telephone access and the ‘information have nots’	5
The restructuring of retail banking	6
Food retailing: the growing dominance of large, out-of-town supermarkets	7
<hr/>	
3 The evidence: the extent of private sector service exclusion and withdrawal	8
The case study areas and methodology	8
Levels of service exclusion	10
Extent of energy exclusion	11
Extent of telecommunications exclusion	12
Extent of retail banking exclusion	13
Extent of essential retailing exclusion	14
<hr/>	
4 The costs and burdens of private sector service exclusion	19
Financial costs	19
Transactional costs	22
Social costs	23
<hr/>	
5 Bringing the sectors together: the social implications of compound exclusion	24
Health	24
Training and unemployment	26
Household budgeting without basic financial services	26
Supporting small businesses	28
Community self-help	29
Quality of life	30
Vicious cycles of compound exclusion	30
<hr/>	
6 ‘Reversing the spiral’: tackling compound service exclusion	33
National regulatory intervention	33
Alternative community service provision	34
‘Stretching the market’: partnerships for service inclusion	35
Integrating essential private services into regeneration ‘paradigms’	37
Private sector services and reform of welfare benefits	38
Conclusions	38
<hr/>	
References	39
Appendix: Profile of service use by interviewees	41

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Executive summary

The research sought to explore to what degree private sector services are withdrawing from disadvantaged neighbourhoods and the experience of living in such neighbourhoods, with limited access to four key private sector services – retail shopping, energy, financial services and telecommunications. Further, the work sought to highlight the implications of the findings for area regeneration. Forty in-depth household interviews and two focus groups were held in two case study areas of Netherly in Liverpool and Benwell in Newcastle upon Tyne.

The key findings from the research

Evidence of private sector withdrawal

- In all four service sectors investigated, there was evidence of a physical withdrawal from the area, or of service providers distancing themselves from their customers.
- There was clear and continuing closure of retail and banking facilities, even as the areas were undergoing urban regeneration.
- While there was some evidence of energy competition within the areas, the benefits of competition were not easily available to the less affluent residents. Those on pre-payment meters or with fuel debts had not been able to change supplier.
- Despite the government's emphasis on community self-help, there was no evidence of community strategies being able to offer a satisfactory level of alternative service.

Experience of service withdrawal

- It was common for households to experience a level of exclusion from *a range* of different services at the same time.
- While absolute exclusion and disconnection from services was not common, many households experienced *extreme* difficulty in maintaining an adequate level of connection to, or use of, a range of services, to the degree that it adversely affected daily life.
- People made a strong connection between poor health and poor access to shops and energy. Low car ownership and poor public transport meant that very few people could shop regularly at major supermarkets. Shopping had to be done more frequently in local shopping areas or smaller local shops. People's primary concern was not with the higher prices but with poor quality and nutrition.
- Pre-payment meters were common for one or both energy supplies, many households had self-disconnected from their energy supply. Many more had to limit their use of energy to the absolute minimum and prioritise between heat and cooking facilities or light and television. Management of pre-payment meters, in terms of buying and maintaining credit brought additional difficulties and often required costly bus journeys.
- Few people had bank accounts and those who did had few useable services such as cheque guarantee cards. There was evidence that people had turned away from retail banking services, finding them physically difficult to access and unsupportive. In some cases banks and bank charges had greatly exacerbated financial problems. Lack of a bank account had implications for basic budgeting and access to a range of other

important financial services such as insurance and safe, affordable credit.

- Generally, the greater the degree of exclusion from a service, the more the service cost to use. The higher costs charged by service suppliers to those using pre-payment meters, public pay phones or accessing credit from credit agencies rather than mainstream retail banking, exacerbated the difficulties of living on a low income.

Private sector services and area regeneration

- Area regeneration is continuing to overlook the importance of private sector services in the process of area decline. It is likely that the withdrawal of private sector services is undermining area regeneration in a number of ways – not least by making places less attractive to live in because of a lack of services – and thus contributing to the destabilisation of communities.
- There is insufficient dialogue between area regeneration teams and those who deliver private sector services. Where the private sector is involved as a partner in area regeneration, that involvement is tangential to the delivery of their services.
- Area regeneration has a role to play in negotiating ‘better deals’ for the residents of disadvantaged neighbourhoods in the same way as local authorities may do for their own social housing residents. This may include negotiating lower insurance premiums to counter red lining (when companies refuse to deal with households from specific neighbourhoods), or negotiating with banks to reopen branches, install cash point machines or to support community reinvestment schemes.
- Community strategies were failing to offer adequate alternative services. The current emphasis on community self-help is unlikely to succeed without considerable support from both government and private enterprise.
- While the government is pressing the private sector to re-engage with less affluent people and disadvantaged communities, there are a number of ways in which the private sector such as retail banking might assist community strategies, for example through credit unions, without actually reopening services themselves. Area regeneration has a role to play in bringing the two sides together.

Introduction

Britain is now a society wholly dominated by services. Area regeneration and social exclusion debates have long been centrally concerned with the need for high quality *public* services – particularly education, health, and social services – to be accessible to all, especially to those in less affluent areas. However, in modern Britain, the private sector delivers a growing range of services, which must also now be considered ‘essential’ for a decent standard of living.

It could be reasonably argued that everyone in British society now requires a certain minimal ‘package’ of private consumer services in order to have any realistic chance of participating in social and economic life. Most people’s lists would cover private services that virtually no one can now do without: utility and telephone services, basic financial services, and food retailing. In the utilities, decent access to a telephone as well as to newly-privatised energy services, must now be considered essential. They are the basic prerequisites for a ‘normal’ daily life: for heating and cooking, cleaning and washing, keeping in touch with friends and family, and accessing labour markets and public and private services. In the financial services sector most consumers now take for granted access to a bank account and some form of credit as essential supports for personal financial management and undertaking transactions. Finally, no one can do without access to essential food retailers, within a reasonable distance, cost or time. This access strongly conditions opportunities for obtaining a satisfactory range of foodstuffs at reasonable prices – basic prerequisites for a healthy diet.

Access to these basic services is often widely assumed to be universal, even though it cannot by any means be considered to be so. This

means that those without acceptable levels of access are likely to face subtle but powerful forms of social exclusion. When access to ‘expected’ services such as a telephone, a bank account, a supermarket, or electricity becomes problematic or difficult, it is likely to quickly and directly effect people’s lives.

This study is the first to explore what it means for marginalised urban neighbourhoods in Britain to face cross-cutting exclusion from this range of four ‘essential’ private consumer services. In it we explore in detail how interlinked processes of private service exclusion are affecting life in two of Britain’s more marginalised neighbourhoods: Benwell in the west end of Newcastle upon Tyne, and Netherly, on the south eastern fringes of Liverpool. Our aim in this report is to draw on this research to help push essential private services more fully into debates about social exclusion, and urban policy debates about area regeneration. In undertaking the study, we took a series of four starting points.

Private consumer services have often been ignored by research on area regeneration and urban social exclusion

This research has traditionally tended to focus overwhelmingly on ‘public’ service issues such as health, education, social services; on economic development issues surrounding training, jobs and unemployment; and on physical and environmental aspects of housing, and environmental improvements.

Where private consumer services have been considered, they have tended to be treated in isolation from each other. Literatures have

emerged on what it means for consumers and neighbourhoods to face marginalisation from food retailing, energy, telecommunications and financial services. In a minority of places, progress is being made in linking these services to area regeneration practices, with some efforts to set up food coops, credit unions and LET schemes. It is also heartening to see that issues of fuel poverty, financial exclusion and so-called 'food deserts' have all emerged recently as central concerns within the debates of the Blair government about social exclusion. National recognition of these issues is now growing:

- the Office of Fair Trading is undertaking a report on anti-competitive practices in the UK supermarket industry;
- there has been a recent enquiry by the Social Exclusion Unit into 'food deserts';
- Health Minister, Tessa Jowell, recently endorsed community-based food retailing;
- the Chancellor has asserted that banks must be made to serve low-income communities;
- in February 1998 the High Court ruled that water pre-payment devices were illegal;
- the recent Green Paper, *A fair deal for consumers: Modernising the framework for utility regulation* (DTI, 1999), promises some democratisation of the utility regulation process;
- in February 1999 Callum McCarthy, the joint energy regulator, announced that there is to be a new investigation into fuel poverty within liberalised energy markets.

Despite these improvements, however, the treatment of the individual sectors remains staunchly separated. As a consequence, research has yet to explore what it means for people and places to face marginalisation from all of these services at the same time. This is important because, generally speaking, the same people tend to face exclusion from the broad swathe of private services *in parallel*. As a result, we still know little about what it means for people to simultaneously face poor access to food retailing and new styles of utility consumption without having reasonable access to either a telephone or a bank account. This study was designed to address this gap in our knowledge. We wanted to ask the question: How do experiences of exclusion in each of the areas interact with each other and with daily life in marginalised neighbourhoods?

All the major consumer service industries are currently going through broadly similar processes of 'restructuring' which raises many difficult questions about how marginalised neighbourhoods might be regenerated

Broadly speaking, evidence suggests that new technologies and business practices are being applied to allow large service companies to carefully target higher income, more lucrative sections of the market, while at the same time distancing themselves from the risks and costs involved in servicing potentially loss-making areas and people. As a result, much investment is going into meeting the needs of more affluent users – out-of-town supermarkets, telephone banking, 'smart' energy meters, mobile 'phone and internet services.

However, there is now substantial evidence that the position of Britain's poorest neighbourhoods is becoming more and more marginal within these processes of change. Simultaneously, such neighbourhoods are facing the complete withdrawal of bank branches and increasing difficulties gaining access to mainstream financial services. They face higher energy tariffs than higher income groups and are often failing to reap the benefits of energy competition. They face problems of the withdrawal of local food shops, and inability to access new, out-of-town supermarkets, and thus often have poor access to good value, healthy food shopping. They also face relatively low levels of access to basic telecommunications services such as the telephone, and more advanced ones such as the internet. As noted earlier, these processes of exclusion are not experienced in isolation.

The providers of private consumer services are rarely involved 'on the ground' in social and area regeneration initiatives

They often remain largely separated from the poorer neighbourhoods of the UK. Many companies, BT for example, have public relations and corporate philanthropy programmes which sponsor community work and voluntary agencies. However, service providers in these industries are often poorly integrated into local partnership organisations at ground level, a situation generally exacerbated as service firms become international and global players in their sectors.

Our final and most important starting point clearly emerges when the first three are brought together.

There is a severe danger that restructuring trends in private consumer services may substantially work against or undermine wider efforts to regenerate Britain's poorest neighbourhoods

Unless essential private services are pushed to the heart of area regeneration debates and policies, there is a danger that much effort and money will be invested in 'regenerating' our poorest urban neighbourhoods with little more than superficial results. 'Traditional' regeneration packages might succeed in delivering physical and environmental improvements and employment and training opportunities. At the same time, however, the communities may face increasingly serious financial, logistical and transactional burdens in accessing the basic, essential services that sustain life. The latter might work to undermine the degree to which the former makes any real difference in improving the lives of the people in these communities.

To avoid this scenario we clearly need to start undertaking integrated research into how processes of exclusion in a range of private consumer services work and interact *in parallel* within marginalised neighbourhoods. We need to understand how such parallel restructuring trends in these services work to undermine the efforts of area regeneration initiatives. Research is needed to explore how people and communities could cope best with the interacting effects of 'compound' social exclusion from private sector services. If these three things are achieved we will be in a position to pinpoint ways forward to address social exclusion in these crucial but long neglected areas. Above all, private consumer services need to be moved from the periphery to the heart of debates about area regeneration and social exclusion.

This study is an attempt to start filling these various research needs. It presents an integrated analysis of processes and experiences of private service restructuring in two neighbourhoods. This report begins, in Chapter 2, by looking in more detail at the parallel restructuring processes that are underway in energy utilities,

telecommunications, retail banking and food retailing. It briefly summarises what other sector-specific research has said about the impacts of these processes on marginalised neighbourhoods.

Chapters 3, 4 and 5 go on to present the findings of our two detailed case studies. Chapter 3 explores how the two neighbourhoods have fared in recent restructuring trends in the four services sectors. Chapter 4 discusses the cost implications of private service exclusion. Chapter 5 provides an in-depth analysis of people's experiences of these changes. It does this by looking in detail at how parallel restructuring trends in services have affected key areas of economic and social life within the neighbourhoods: health; budgeting and household management; employment and training; community self-help; small businesses; and quality of life.

The final chapter of the report looks at ways to address service exclusion in marginalised neighbourhoods. This is done by building on a range of community and policy efforts to 'reverse the spiral' of compound service exclusion and to draw up a series of recommendations for integrating private consumer services into social and area regeneration strategies.

The context: parallel processes of restructuring in essential private services

There is emerging evidence that the financial services, food retailing, telecommunications and utilities sectors in the UK are all undergoing a period of rapid economic and technological restructuring. Broadly similar patterns of change can be observed across them. Specialised, sector-specific and social policy oriented literatures have begun to trace the detail of these processes within each of the sectors.

These literatures show that all of these sectors are restructuring themselves for maximum profitability, in the context of increasingly internationalised and liberalised markets. The sectors are also diversifying into each other's areas in an attempt to secure strong niches with profitable customers. Retailers are starting to offer utility and financial services. Utilities are offering telephone and financial services. And banks and food retailers are making alliances with each other and with utilities.

In all four sectors, the evidence suggests that restructuring is leading to an increasingly problematic position for marginalised groups living in poverty. Branch networks (for food shops and banks), competition patterns (in energy and telecommunications) and access criteria (in all) are being targeted towards the most profitable people and places.

We continue by briefly analysing restructuring trends in the four sectors in turn, moving from the two 'network services' – energy utilities and the telephone – to the two 'point specific' services – consumer banking and food retailing. (It should be noted, however, that the boundary between 'network' and 'point specific' services is a blurred one. For example, many people now rarely go to a bank branch and conduct most of their banking services over the telephone or

through automatic teller machines [ATMs] and electronic transactions.)

The privatisation of utilities: tariff changes, pre-payment metering and uneven competition

Since the 1980s, all the major British utilities have been privatised and have transformed themselves from public monopolies to profit-driven, public limited companies, competing in increasingly competitive and international markets. National universal service obligations (USOs), built up as part of the postwar welfare state to guarantee standardised basic services, irrespective of the location or wealth of the consumer, have given way to contested, private markets. Gas market competition has now been fully 'rolled out' across the UK; electricity competition is following quickly in its wake. In addition, the imposition of VAT at 8% on domestic fuel in 1994 increased concerns about fuel poverty.

Emerging from this are complex 'patchworks' of uneven competition, based on the splintering of previously monopolistic utility grids. However, a number of commentators have warned that far from benefiting disadvantaged households, this shift to energy competition may actually be making their situation worse (see, for example, Moore, 1998a).

On the one hand, more affluent consumers are enjoying the benefits of competition in telecommunications and energy. For such users, service charges and tariffs are often falling and discounts are possible for payment by direct debit in energy services for those with bank

accounts. Advanced value-added services such as internet access, home energy management and remote security, are being explored by utilities as attempts to consolidate their connections into more lucrative household markets. On the other hand, more marginal consumers, who may in many cases be unprofitable or risky to service, often remain linked to the original local service supplier, which is required to deliver the rudiments of universal service to its original customers.

To reduce the costs associated with bad debt and dealing with poor, 'high risk' customers, utility companies with universal service obligations are now implementing 'pre-payment', or 'token' metering systems, which are 'topped up' by users in advance of consumption, and 'spent' electronically (Drakeford, 1995, 1997). By 1998 there were nearly four million electricity pre-payment meters and 1,384,990 gas pre-payment meters in Britain (a 25% increase on 1997 figures). The 21,000 water pre-payment devices, mainly in South Wales, will now have to be removed, following the ruling of the High Court in February 1998 that they are illegal.

Not all of those using such meters experience difficulties. Meters are also not without their benefits for some customers, who often prefer them as a means of managing their budgets and avoiding debt (Herbert and Kempson, 1995). Nevertheless, there is evidence that the installation of pre-payment meters can lead to at least four types of problem.

First, the different tariffs for fuel that develop with such meters tend to penalise the poorest households (using tariffs that are, on average, 26.6% higher than those paying by direct debit nationwide, reaching a peak of 37% higher in Scotland in 1997). This exacerbates the problems lower income people face in paying for their fuel, especially as fuel costs represent a relatively high proportion of their incomes. Data from the Family Expenditure Survey 1998 shows that fuel represents just 3% of household expenditure on average, but over double that at 7% for households on the lowest 10% of incomes (ONS, 1999).

Second, people on pre-payment meters often find it very difficult to switch suppliers to take advantage of competition. There is considerable early evidence from the Gas Consumers Council

that marginal consumers tend to be largely ignored by new competitive entrants in the early experience of gas competition (Houghton et al, 1997). And electricity pre-payment customers can face penalties of up to £54 if they change supplier, as competitor companies increase tariffs to discourage relatively unprofitable pre-payment users from switching to them (Moore, 1998).

Third, evidence also suggests that low-income consumers often have to 'self-disconnect' from pre-payment energy services because they lack money to top up cards, or need to prioritise between different services. However, because this is unmonitored and goes on within the home there are no official figures on the extent of self-disconnection.

Fourth, such meters add extra 'transactional burdens' to the process of paying for fuel. This is because, rather than putting coins in a meter, or paying by post, telephone, or electronic direct debit, physical journeys have to be made to buy tokens or charge up smart cards. Drakeford (1995, 1997) noted that Post Offices (card recharge points) being closed was a common reason for self-disconnection.

Telephone access and the 'information have nots'

The telephone is the main means through which the vast majority of people in Britain keep in touch with friends and family, access information and services at a distance, and keep in touch with flexible labour markets and public and welfare services (Milne, 1995). Despite the massive hype about new services such as the internet, the telephone remains the essential passage point allowing participation in the 'information society'.

So taken-for-granted is the telephone that universal social and geographical access to it is assumed or implied by nearly all service providers. This is shown by the recent proliferation of help-lines, service hot-lines, call centres, telephone sales and phonebanking etc. However, access to the telephone remains far from universal. At the time of the privatisation of BT in 1981, approximately 78% of UK households had telephones. While this had risen to around 92% by 1996, the remaining non-

subscribers were largely concentrated in marginalised, urban neighbourhoods (Dyer, 1997).

While overall costs of telephone ownership have gone down with competition, the connection and local call costs, often the greatest access barriers to poorer users, have not fallen as greatly. New entrants such as cable firms, moreover, often explicitly avoid investing in the most marginalised areas, and accusations of 'telecom red lining' and 'virtual ghettoisation' have arisen in the United States (Petersen, 1997). Thus, in the UK, many poorer, urban groups remain among the 2.0 million UK households without access (Dyer, 1997).

There is also a strong geographical dimension to telephone access, noticeably where disadvantaged groups are concentrated in one area. For example, in Cruddas Park in Newcastle, an area of high levels of disadvantage by all indices, telephone connectivity has recently been found to be as low as 30% (Graham and Marvin, 1996). In the context of the growing expectation of telephone access in contemporary society, such low connection rates have been shown to place severe communication barriers between those living within marginalised neighbourhoods and the services trying to support them (Milne, 1995).

Finally, there is also an increasing unevenness in access to public payphones on the street and in public places, which are obviously crucial to those without a telephone at home. Payphones already charge higher tariffs than domestic ones. In addition, the recent development of competitive payphone markets mean that new investment tends to go to profitable areas. New entrants are 'cherry picking' "commercially attractive sites in airports, hospitals, shopping malls, train stations and other busy city centre locations" (Warwick, 1998, p 44). Meanwhile, low-income communities continue to only be serviced by BT. While BT are improving their maintenance record, they are reluctant to invest in new telephone boxes in such places because of the unprofitable nature of this investment. Thus many low-income residential areas have relatively few public payphones.

The restructuring of retail banking

British retail banks are currently undergoing a huge restructuring process to improve profitability. They are investing heavily in telebanking and phonebanking services, geared towards people with telephones, on-line computers, and high disposable incomes (Leyshon and Thrift, 1995). The smaller building societies are merging, transforming themselves into limited companies, and rationalising their branch networks. New entrants into banking such as retailers, supermarkets and telesales companies are heightening competition.

At the same time, the four largest clearing banks are withdrawing over 25% of their branches. It has been estimated that 20-25% of Britons are now effectively excluded from the mainstream financial services industry (Tickell, 1997). More than 1.5 million households in Britain do not currently have bank accounts (Kempson and Whyley, 1999). Such trends mean that poorer people "have reduced access to the formal financial system at precisely the time that it is becoming more important" (Tickell, 1997, p 17). Driven by the priority of shareholder return, the major banks now concentrate to a great extent on targeting more affluent social groups and geographical areas with the most profitable financial services, while 'downsizing' their branch networks and using new technologies.

All the major UK banks now offer telebanking and one report has suggested that 30% of adults would be using telebanking by the end of the 20th century (cited in Bell, 1998). Some new entrants, such as First Direct, work exclusively through the low overheads option of telebanking and do not bother developing branch networks. They also have an income cut-off rule, meaning that their services are only accessible to more affluent groups.

In the longer term, as electronic forms of transaction become ever-more dominant – with the continued growth of credit cards, debit cards, smart cards and 'e-cash' on the internet – those confined to the physical cash economy seem likely to face further marginalisation from a whole suite of service opportunities. We face, in other words, the literal prospect of a 'two-cash' economy with those who rely only on physical cash facing ever-greater degrees of social and economic marginalisation (Birch, 1997).

Even where local bank branches remain in low-income communities, it is becoming more difficult for those on low-incomes, without employment or with poor credit ratings, to open accounts (Leyshon and Thrift, 1998). Thus they are more reliant on the Post Office, which, while not yet privatised, is also undergoing streamlining and restructuring of its services to make it more profitable.

Those without a bank account have no access to budgeting mechanisms such as direct debits and thus miss out on certain discounts on paying for bills and services. They also have less access to other financial services such as insurance, mortgages and pensions (Kempson, 1994). Receiving salary payment from most organisations, many of which now pay exclusively electronically, is also extremely problematic.

Furthermore, the desire to eliminate risk means that even those with good, well-paid but short-term insecure contract jobs, or any history of bad debt, are excluded from mortgages and bank loans (Kempson, 1996; Ford, 1991). In increasingly flexible labour markets this is a another considerable problem.

Food retailing: the growing dominance of large, out-of-town supermarkets

Food retailing is increasingly dominated by a small group of very large supermarket chains. Together, the top five supermarket chains – Tesco, Sainsbury's, Safeway, Asda and Somerfield – covered over 40% of the total UK grocery distribution (including non-food items) at December 1998 (IGD, 1999).

Like the banks, large supermarket chains increasingly target mobile, affluent, middle-class consumers, through carefully-located out-of-town superstores and customer loyalty schemes. It is no coincidence that supermarkets are emerging as new, financial service hubs, offering ATMs, cash-back services, and even in-house mortgage and insurance services. In many cases, this move to out-of-town locations accessible chiefly by car leaves more marginalised communities to be serviced by the remaining, more costly, small shops which are able to survive competition

from supermarkets. Such shops, which have declined dramatically in number in recent years, tend to offer reduced variety of goods, with the effect of limiting the choice and quality of foods available (Lang, 1997).

As Cliff Guy notes, food retailing has recently undergone a similar process of polarisation to the financial services industry, with

... mainstream retailers operating from purpose-built superstores, aiming to serve discriminating consumers with a very wide choice of merchandise in a high quality environment ... [and] ... other retailers operating from smaller, cheaper premises, basing their appeal either on low prices or to the locational convenience to the shopper. (Guy, 1996, p 1575)

Food costs are up to 20% higher in such places than in out-of-town stores. A study by the Citizen Organisation Foundation in December 1998 found that prices in poorer areas for a basket of 20 branded goods were up to 25% higher than those in affluent areas, even from the same supermarket chain in the same town (Piahl, 1998).

The evidence: the extent of private sector service exclusion and withdrawal

This chapter highlights the extent of exclusion from private sector services in the two case study areas. The level of exclusion and service withdrawal was very similar in both study areas. Therefore, for economy of words, the differences are only discussed where they are particularly relevant. More precise details of the level of service access among the interviewees is given in the Appendix.

The case study areas and methodology

It is useful to begin with a description of the two case study areas in terms of tenure, topography and socioeconomic indicators, and a brief discussion of methodology. Table 1 shows that

the two case study areas of Netherly in Liverpool and Benwell in Newcastle upon Tyne were similar in socioeconomic characteristics, and were also both subject to urban area regeneration initiatives.

However, the areas provided a useful contrast in a number of ways. First, in terms of point-specific services such as shops and banks, Benwell was an older traditional area which had at one time been well served by such services, while Netherly was formed from a number of purpose-built peripheral estates, built during the 1960s and 1970s with very few point-specific services.

Second, there are differences in the topology, location and perception of the areas. While Benwell is situated on a steep hill, making travel

Table 1: Socioeconomic characteristics of case study areas

	Benwell			Netherly		
	1991	1996	City	1991	1996	City
Population	9,224	7,800	251,800	26,896	19,883	474,522
Households	3,902	3,600	114,700	9,072	7,501	185,033
Under 16 years	22.8%	19.0%	18.0%	26.2%	21.4%	20.0%
Unemployment*	33.7%	29.0%	21.0%	23.0%	26.0%	21.0%
Owner-occupied	40.0%	50.0%	53.0%	18.8%	38.9%	51.1%
Local authority	34.3%	29.0%	32.0%	79.1%	55.5%	28.6%
With use of car	33.0%	42.0%	50.0%	34.7%	39.0%	56.0%
Lone parents	7.8%	9.0%	6.0%	5.0%	9.2%	7.0%
Home telephone	nk	83.0% (60%)†	89.0%	nk	nk	nk

Notes: * Unemployment figures for Benwell are for male unemployment only; † Dyer (1996)

Benwell source: Newcastle City Profile update; Dyer, 1996

Netherly source: Key statistics Liverpool wards – City of Liverpool

on foot difficult in some directions, especially for elderly people, less able-bodied or those with small children, Netherly is predominantly flat. Netherly is approximately six miles from the city centre of Liverpool. It is somewhat isolated, being surrounded on three sides by semi-rural land. Benwell, however, is only a little under three miles from the centre of Newcastle. It is bordered on two sides by other built-up areas, one of which, the West Road at the top of the hill on which Benwell is situated, is a vibrant shopping area. Both areas had similar levels of public transport provision but because of the extra distance it was more costly for Netherly residents to visit the city centre.

Third, an important difference, which will be highlighted throughout the report, is a perceptual one that manifests itself in two ways. First, in the way the areas are perceived by outsiders, and second, in the way residents perceive their own area and their difficulties within it. Although both areas are disadvantaged there has been a greater stigmatisation of Benwell. Its reputation has been weakened by the riots in the early 1990s and subsequent academic and journalistic publications. Bea Campbell (1993), for example, considered Benwell to be one of 'Britain's dangerous places'. There was a noticeable difference in the way the residents of the two locations perceived themselves and their daily difficulties. In particular, this manifested itself in relation to distance and location. For example, those in Benwell perceived the distance between their neighbourhood and the city, or between their homes and the Benwell shopping centre, to be a greater barrier than did those in Netherly, even though, in reality the barrier was less.

Selection of interview sample

A sample of residents, policy makers and service providers was selected for individual interview and focus group discussions. Twenty residents were chosen from each of the two case study areas, to offer some representation of the local population in terms of age, gender and family status. However, with a small sample, it is not possible to claim that the situation of the interviewees is wholly representative of the population of the area. Moreover, the sample was chosen to include those who identified themselves as being 'excluded' from some services. For selection purposes, potential

interviewees were asked if they had any utility pre-payment meters, a telephone or a functioning bank account. Those who answered 'no' to two or more were included in the sample. While seeking out people under these circumstances and in this way does not provide a sample which is statistically representative, it does allow for the building of rich qualitative understanding of the difficulties such people face. It is worth noting at this point that it was very easy to find people who identified themselves as excluded from two or more services, as described above, in both areas.

Additionally, in each area, a focus group of local residents met twice to have an open discussion. Some of the members of the group, particularly the older people, would not have qualified as 'excluded' under the criteria for individual interview described above. However, their contribution was valuable due to their long history in the areas and ability to recall longitudinal change over time.

While in many cases the initial contact was made via an organisation, community centre or support group, other interviewees were found by 'snowballing' outwards from the initial contact. In this way it was possible to avoid only interviewing residents who were accessing some form of professional support or advocacy.

Two different groups of professionals were interviewed. First, there were professionals who represented the different groups of residents, or those with other interests in the case study area, such as the local authority or the regeneration initiative. Second, there were those professionals who represented the service sectors under investigation, both locally and nationally, such as supermarket managers, bank representatives or representatives of the utilities.

Interview methods

The qualitative study was structured by a conceptual framework which aimed to draw out the links between service exclusion, the 'logistics' of everyday life and wider processes of social exclusion. For that reason, the semi-structured interviews with residents followed a format that allowed the interviewees to discuss the logistics of their daily lives in a wider context than simply that of the services under investigation. By not focusing solely on the four

main service sectors, it was possible to draw out the wider implications of service withdrawal. It was possible also to highlight the interrelation between exclusion from different service sectors, that is, to understand the compound nature of exclusion from essential private services.

The interviewees were invited to discuss five areas of their daily lives which might have been affected by the lack of services and facilities. These areas were ‘health’, ‘household management and budgeting’, ‘caring for a family’, ‘acquiring income’ through either employment or benefits, and finally, ‘personal social development and enjoyment’. These interviews formed the basis of the qualitative investigation. However, to ensure that the focus on service sector exclusion was not lost, discussions with the focus group concentrated on the four main areas under investigation.

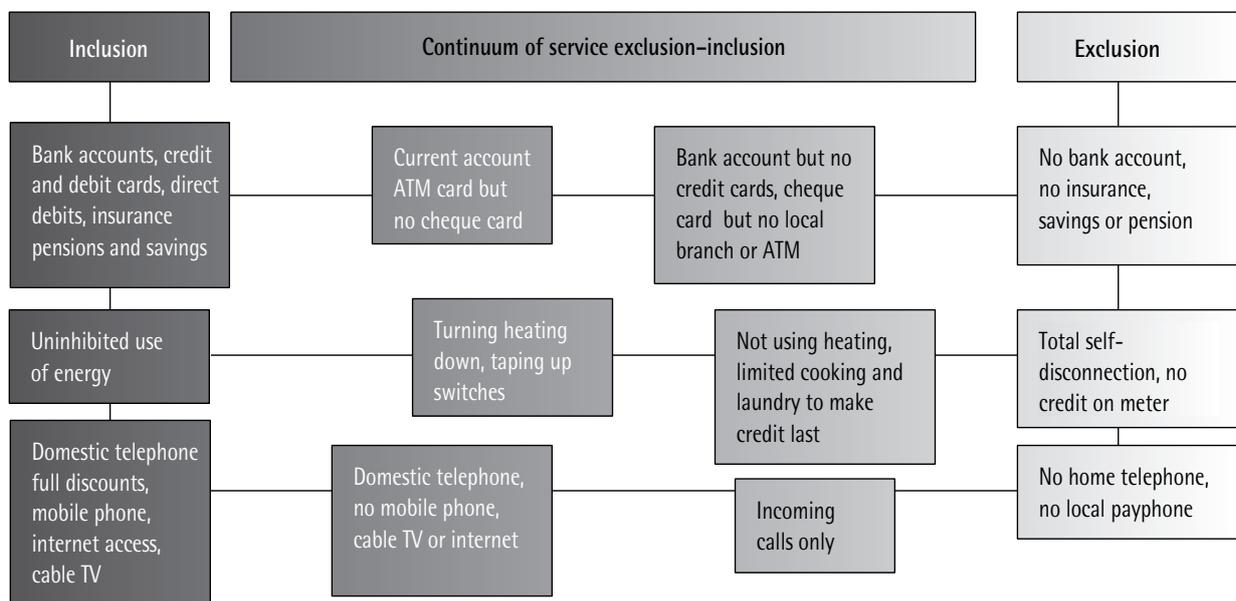
Levels of service exclusion

It is worth noting at the beginning of this section that the privatisation of many services has meant that valuable information is often not available on grounds of commercial confidentiality. It was extremely difficult to get precise figures for the take-up of services in specific locations. For example BT would not even disclose the

location of public payphones in the two areas, even when presented with a scenario of someone new moving into the area who needed to know the locations of payphones for emergency medical purposes. However, as will be discussed in the final chapter, such information is now a valuable indicator of deprivation, which might make the targeting of regeneration funding more precise.

It is important to clarify our use of the term ‘exclusion’ in this study. The obvious definition of ‘no access to a service or facility’ is too simplistic. For example, many people did have access to a bank account but could not use it effectively because they did not have a cheque book or bank card. Some with pre-payment meters never self-disconnected and had constant access to energy, while others without pre-payment meters regularly turned everything off to economise. This distinction between the *supply* of a service to a household or individual, and the *access* to and *use* of that service can be seen across many sectors. From discussions with focus groups and interviewees a working definition was born, in which exclusion was said to be experienced if use of a service or facility was limited, or made difficult, to such an extent that it adversely affected everyday living. Figure 1 expresses this phenomena across three services.

Figure 1: Levels of service exclusion



Extent of energy exclusion

The true rate of energy exclusion in the two areas was difficult to assess for two reasons. First, it was not possible to ascertain the exact number of pre-payment meters in the study area as the smallest level at which statistics were kept by any supplier was to postal area, and suppliers were unwilling to disclose more detailed information on the grounds of commercial confidentiality. Second, as shown in Figure 1, service exclusion happens on a continuum. In focusing on pre-payment meters and self-disconnection as the main form of exclusion, we miss the many other levels of fuel poverty and service exclusion which exist.

Although it was not possible to determine the exact numbers of pre-payment meters and people in fuel poverty in Benwell, as an indication, in NE4 (the postal area where Benwell is located) there are 1,554 gas pre-payment meters for 18,429 residential dwellings.

A number of other methods were used to gauge the level of energy exclusion in the area. For example, one independent landlord in the Benwell area estimated that 30% of his properties had pre-payment meters for one or more of the energy supplies. One support worker at a voluntary health and community support project considered that around 20% of the people in the project would have been on fuel direct at any one time and a further 20% would have pre-payment meters.

In Liverpool, the Liverpool Fuel Poverty Survey (LFPS) (1997) offers some useful statistics (see Table 2), from which assumptions can be drawn.

These figures are extremely significant for this study as over 50% of all property in the Netherly

area is local authority rented, with a small percentage (3%) housing association rented. It is therefore reasonable to assume that these statistics suggest the widespread use of pre-payment and budget schemes in the area. This is even more likely if the figures are cross-tabulated with the figures for the employment situation of pre-payment and budget scheme users, and the employment situation of the residents of the area.

Of the 40 interviewees who took part in this study, 15 had a gas pre-payment meter, 28 had one for electricity, 22 had self-disconnected from their energy supply during the previous 12 months.

Energy competition in the case study areas

Four energy companies were known to be actively seeking business in the Benwell area. They were particularly active in the densely populated North Benwell terraces. While none of the interview sample had changed energy or gas supplier, several of the focus group members had. The West End energy efficiency audit estimates that up to 15% of people in Benwell may have changed supplier. Concerns about the door-step practices of some of the sales agents acting for the new supply companies are also reported. This was reinforced by one of the focus group members who was encouraged to sign a new contract, believing it to be simply a request for information.

Despite the disadvantaged nature of the two areas, there seems to be little to suggest that the areas themselves were missing out on competition, with several of the interviewees being approached by agents. Interviews with several door-to-door agents operating in the area confirmed this:

Table 2: Use of energy payment methods in Liverpool (% of dwellings)

	Local authority		Housing association	
	Gas	Electricity	Gas	Electricity
Pre-payment meter	16.4	48.0	22.3	41.0
Budget	22.8	8.1	15.9	6.8
Direct debit	2.6	4.6	1.5	0.6

“A while back I worked up Fenham and Benwell signing up [signing people for contracts with new suppliers] and I made good money, right good money.... [People there] will do anything to save even just a few quid.”

However, many of the residents – being either on pre-payment meters or having fuel debt – are likely to be considered ‘inappropriate’ customers. Although approached by agents, they may not be able to change supplier. At least three of the focus group members had tried unsuccessfully to change supplier. It seems likely that while disadvantaged geographical areas may not necessarily be ignored by competing companies, the most disadvantaged residents of those areas, especially those with debt, are not able to take advantage of the competition.

Extent of telecommunications exclusion

This study was really only concerned with access to telephones, rather than telecommunications in its broader sense. However, telecommunications technologies such as the internet and e-commerce are becoming embedded in our everyday lives and are increasingly being used for retail, accessing information, services and training. Thus, those without telephones are not only isolated from friends, family and local services, they are increasingly being excluded from a wider range of opportunities which are available through the internet (which requires a common telephone connection for access).

Domestic telephones

Despite a national connection rate of approximately 92%, a mid-census report by Newcastle City Council shows an 89% level of telephone connectivity in Newcastle upon Tyne and an even lower rate of 83% in Benwell. Another study by Newcastle University (Dyer, 1996) shows an even lower rate in Benwell of around 60%. Precise figures were not available from BT who would not disclose the connectivity rate in any area of the country. Liverpool Council had not included telephone connectivity in its surveys, so we have no way of knowing the percentage of households with a telephone in the Netherly area. However, given the demographic and socioeconomic

characteristics of the population in the area, it is likely to be similar to that of Benwell at around 80-85% or 60% if the Dyer (1996) figures are to be used.

Only 19 of the 40 interviewees had a home telephone, of which two were only able to receive incoming calls. Seven people had had their phone disconnected at some point in the past 12 months due to arrears (see Table A7 in the Appendix). It was common for this to be the service which people felt they could do without when they could not make ends meet.

However, once disconnected for arrears, BT levy a reconnection charge of £38.54 and may also ask for a deposit if they feel there is a risk of future arrears. The take-up of the incoming and emergency calls only option is less common.

Public telephones

In neighbourhoods of low domestic telephone connection, public telephones are essential. There are only 11 public payphones in the Benwell area, to cater for a population of 7,800 with low domestic telephone connectivity. Five are in the central shopping area of Adelaide Terrace and six around the residential areas of Benwell, where people without telephones most need them. (This is discounting those on the West Road, a commercial area on the northernmost boarder of the Newcastle study area. Although not actually part of the study area, it would be accessible to some.) However, residents of Benwell felt that access to public telephone boxes had increased in recent years and that they had become both cleaner and more reliable.

For the entire Netherly area of 7,500 households, there were only 14 public telephone boxes, mainly concentrated in or around the shopping centre, rather than in the midst of residential areas. As in Benwell, the telephone boxes were situated on main streets rather than in areas of high density housing. Thus, most people would need to walk for several minutes to reach one. There was no competition for BT in the public payphone sector in the study areas. While this does not necessarily result in a lower number of public payphones per capita than in better-off neighbourhoods, logic suggests that those in poorer neighbourhoods, being less likely to have a domestic telephone, have greater need of public payphones.

Extent of retail banking exclusion

Financial exclusion manifests itself in a number of ways in marginalised neighbourhoods. First and most obvious is the physical withdrawal of banking services from such neighbourhoods as local bank branches close and are often not replaced by ATMs. Second is the number of people without any form of bank or building society account. Third is the correspondingly high number of people who, although technically bank account holders, have relatively few of the standard banking services (cheque book, debit cards, overdraft, etc) which enable them to use their accounts effectively. Finally, there are the people who are excluded for a number of reasons, including poor credit ratings, postcode red lining, lack of bank accounts, or insecure employment from a broader range of mainstream financial services, such as household insurance, consumer credit, mortgages or pensions.

It is not possible to know the level of bank account activity among residents in the two areas. However, of the 40 residents interviewed

in both case studies, 15 had never had an account and 14 had what could be classed as a 'dormant' account – one which they had opened some time before and which had not been used for at least 12 months, and offered no facilities. Of the 11 with an account, only two had standard usable facilities, such as standing orders and a cheque guarantee and ATM card. Tables A5 and A6 in the Appendix show the banking and credit facilities used by the 40 interviewees.

None of the interviewees in the two areas had any form of credit card. The only forms of credit used by the interviewees in both areas were mail order catalogues, weekly credit drapers, such as Provident, and the credit unions (although the take up of the latter was limited).

Branch networks

Until the early 1970s there were three bank branches in Benwell's central area and several within one mile. At the time of the study there were no banks or building societies in Benwell. Even in the new Benwell shopping centre, there are no ATMs. The nearest banks or building societies, two of which have ATMs, are on the West Road, 1.5 miles uphill from the southern edge of the study area, with no direct bus route.

The situation in Netherly was similar to that in Benwell but for different reasons. There is not a single bank or building society in the Netherly area; the closest is three miles away. However, this has always been the case as the area has never been served by local branches. The only financial institution to have had a presence there – the Halifax Building Society – closed its branch in the early 1990s. Although they maintain the lease on the unit, they have no plans to reopen. However, as this woman commented:

“... don't know why they shut it up ... there was always a queue. They can't say it was never busy.”

It was not until 1997 that an ATM was installed in the shopping centre. While this is an improvement on the previous situation, the shopping centre is not open in the evenings, on bank holidays, or on Sundays. Lack of basic banking facilities was one of the most common complaints by the people of the Netherly case study area.

Once a bank, now a solicitor's office



While Benwell has three Post Offices and people felt them accessible, there are only two to serve the Netherly area. Neither is in the most accessible place – the shopping centre. Lack of Post Office facilities in an area where there is nearly 30% male unemployment, where many people are living on benefits and where there are no banks, was clearly a major problem.

Financial services and insurance

Both study areas are hugely stigmatised when it comes to financial services. There exists a virtual red lining of the areas for household insurance. This is, perhaps, more evident in Benwell than in Netherly. While Newcastle City Council offers a household contents insurance service for its local authority tenants, this does not extend to those living in other tenures. Liverpool Council put a similar scheme into effect from October 1999 but again only for local authority tenants. Therefore, the facility is of no use to the approximately 70% of Benwell residents and 50% of Netherly residents who are not local authority tenants.

Six insurance companies were asked to quote for household contents insurance for a Benwell and a Netherly address on a road known to be considered as a high risk for burglary in each area. The scenario offered to each was of a young single woman, setting up her first home in rented accommodation. Each insurance company was asked to quote for only £5,000 worth of cover and each refused, stating that the minimum cover they would offer was £15,000. When asked to quote for that amount the premiums for standard cover, without accidental damage, ranged from £145 per year to £198 per year. However, none of the companies refused to insure at all, which has been suggested by other studies. On a different occasion, the same six companies quoted between £112 and £149 for the same level of cover for a similar property in another, less stigmatised, area of each town.

Three of the companies would not insure students or people on benefits. Two required either the full premium to be paid at the beginning of the cover or bank direct debit for monthly payments, for which there was an additional charge. Three allowed payment in three installments over the first three months, and only one allowed the insured to pay monthly by cash or cheque by post. A similar

exercise with consumer credit companies suggested that the postcode alone did not exclude people from credit.

Provident, the well-known weekly credit drapery, was active in both areas and each area currently has a small but active credit union. Benwell residents also benefited from a commercial cheque cashing company and pawn broker within relatively easy reach.

Extent of essential retailing exclusion

Retail withdrawal manifests itself in two main ways in the two disadvantaged neighbourhoods. First, in the number of shops which were closed and boarded up; second, in the quality and range of goods offered by the remaining retailers.

Closure of retail units

While a picture of retail decline was visible in both study areas, it was far more extreme in Benwell which had at one time been a vibrant shopping area – “a right grand place to shop”. In contrast, Netherly, built in expectation of high car ownership, was never well served by retail, other than a few neighbourhood parades of shops until the late 1970s when the Bell Vale shopping centre was opened in the heart of the area. However, the shops which had existed in the two areas had been a valuable service.

In Benwell, discounting the shops on the West Road which were difficult for many people to reach, only 21 of the more than 50 original retail units remained open. This closure of retail units was starkly evident among the old Benwell terraces, where only two of the original 16 small shops remained open. Even along the main road – an area undergoing regeneration and where a new shopping centre has recently been opened – the retail decline is clear and ongoing. Here, the old Co-operative Society store has stood virtually empty since its closure in the 1970s. One woman recalls that as the beginning of decline in the area:

“When the Co-op shut down, that were it, I think. There was everything there.”

Benwell: the Co-operative Society store, closed for many years



Newly closed down shops in the heart of the Benwell regeneration area



The closed Presto supermarket site – a casualty of merger-mania?



At the height of the regeneration work in the Benwell area, and only one year after the opening of the new shopping centre, the local supermarket, Presto, closed. It closed virtually without warning – a casualty of the takeover of Presto by the larger company Safeway, which has a superstore only a few miles away, but far enough away to be out of easy reach to many Benwell residents.

There is a KwikSave and an Iceland in the new shopping centre. While both sell a combination of branded quality foods and less well-known, lower quality goods, they tend to concentrate on the cheaper brands. The area is without any major seller of higher quality food or fresh food at a reasonable price, such as a major supermarket. One woman commented:

“There’s nothing here now except only for poor people, it used to be a right canny place. You could get nice things in the shops, fabrics, and fresh things – fruit and that. Now its just a place for poor folk, the cheapest of everything.”

In the Netherly area the local neighbourhood

parades of shops had virtually all closed. However, the area was served by the Bell Vale shopping centre built in the mid-1970s, which housed a good range of shops, including a Tesco supermarket and a number of fresh food stores such as butchers and greengrocers. Being some six miles from the city centre and 3.5 miles from the nearest shopping area, the residents of Netherly were heavily reliant on the shopping centre.

Discounting the Bell Vale shopping centre, of the 34 shop units built in the residential areas, only 18 remained open.

Decline of quality and choice

In both areas the few remaining local shops sold poor quality goods. This was particularly evident in terms of food, as this woman commented:

“Can’t get nothing decent ... not fresh like fruit and even a bit cheese – it’s like soap from them shops [in the Benwell shopping centre].”

Netherly: entire parades of closed and boarded-up shop units among the housing



It was virtually impossible to buy standard brand names such as Heinz or Bird's Eye outside the central shopping areas. Even there the majority of goods were from cut-price ranges such as Happy Shopper (see issues of health in the following chapter). However, this was noticeably different in Netherly, where those who shopped in the Bell Vale shopping centre could visit Tesco and a range of other shops, and had noticeably fewer negative comments about the quality and variety of food.

The process of retail decline in the two areas was similar, although more significant in Benwell than in Netherly, simply because Benwell had more shops to begin with. In both areas people remembered local shops as having been busy, vibrant places with predominantly essential products such as food or household wares. Over the years their trade changed. First quality declined, then they changed to selling non-food, non-essential goods. Some became services such as hairdressers or bookmakers or fancy goods shops, newsagents and tobacconists. Finally, they became second-hand good shops and ultimately closed altogether. This process was remembered in both study areas in the same way, with older people particularly remembering the slow decline of specific shops.

In Netherly, some of the decline in local retail facilities might be considered the natural process of changing shopping patterns once the Bell Vale shopping centre had opened. It would appear that, for a number of reasons, including the topology of the land, which was predominantly flat, the availability of taxis and the central location of the Bell Vale shopping centre, smaller local shops were less vital to the community than they were in Benwell.

The costs and burdens of private sector service exclusion

One of the aims of this report is to highlight the linkages between the different service sectors, and to show that they should no longer be seen in isolation, either from each other or from the central issues of social exclusion. This and the following chapter concentrate on highlighting these linkages and the compound nature of service sector exclusion.

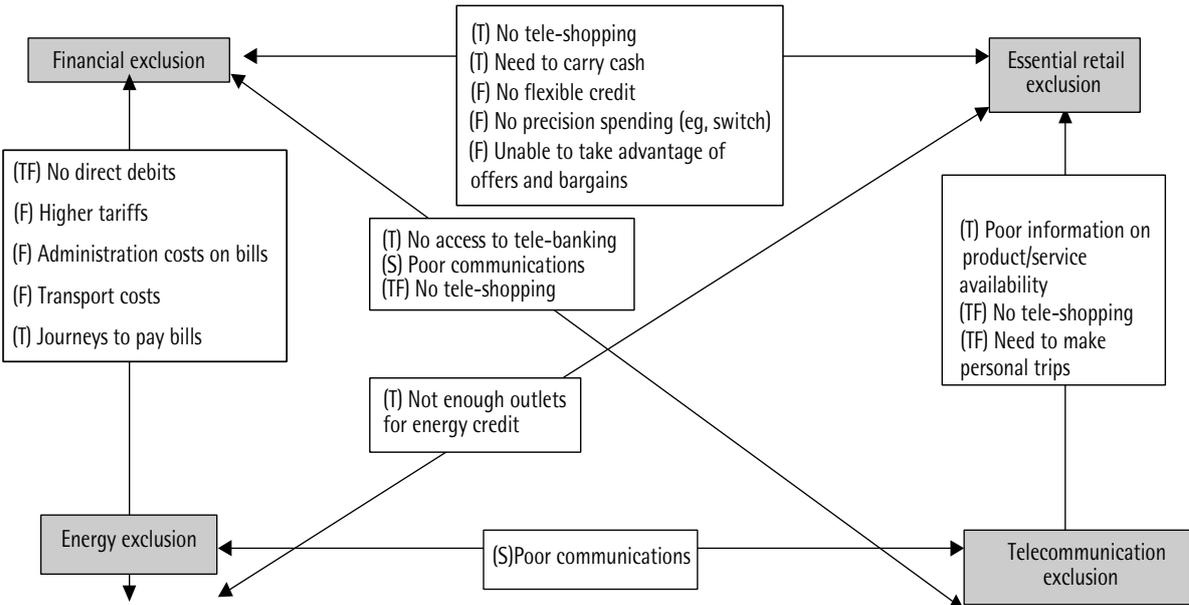
(energy companies charge a lower tariff if bills are paid by direct debit rather than other forms of payment). Another issue raised here is that of the different costs involved in service exclusion. These can be thought of in terms of financial costs, transactional costs and social costs (see Figure 2).

Figure 2 shows the interactions and linkages between the different service sectors and how they have become interwoven. An obvious example is the link between financial exclusion and energy exclusion. Those without bank accounts are unable to pay for utility bills by direct debits, so increasing their energy costs

Financial costs

Exclusion from each service sector brings with it additional financial costs. For example, energy is charged at a higher rate if delivered via a pre-payment meter. It may also incur additional indirect financial costs that exacerbate the

Figure 2: Linkages between different services and costs of service exclusion*



Notes: * All costs are approximate, based on interest and prices at time of calculations; F = financial costs; T = transactional costs; S = social costs.

problems of living on a low income. For example, many people already paying increased tariffs have to make costly bus journeys to buy credit for their pre-payment meters. These additional direct financial costs are detailed below.

Financial costs of exclusion from retail banking and low-cost flexible credit

Unless there is a vibrant community finance initiative, such as a successful credit union, people without a bank account are excluded from a range of flexible, safe and relatively low-cost credit. Money must therefore be borrowed from sources which incur higher interest rates, such as licensed money-lenders, or credit arranged at point of purchase.

This often means using catalogues, or stores such as Crazy George's (a household store which caters for people on low incomes in poorer neighbourhoods), who are prepared to risk giving credit to those with poor credit ratings, in exchange for higher interest. Table 3 shows the different costs of buying a washing machine, depending on where the money is borrowed from.

A washing machine costing £279.99 ends up costing £470 if bought with a loan from a licensed money-lender, or £437.99 if bought over 100 weeks from a mail order catalogue. These are the only forms of credit available to many people without bank accounts.

Financial costs of exclusion from energy

Energy exclusion by means of a pre-payment meter brings with it additional financial costs as energy paid for in this way is charged at a higher tariff, or with higher standing charges than those paid for on a quarterly bill or direct debit. Table 4 shows the different costs of energy depending on the method of payment. As competing companies are tending to target those who pay by direct debit and avoid those with pre-payment meters, competition and deregulation is not delivering benefits to poorer customers. Moreover, those with pre-payment meters also often have to pay bus fares to access credit for their meter.

"I mean, you have to pay £2 odd just to get and put a fiver on your meter..."

Financial costs of exclusion from major retailers

Throughout the latter part of the 1990s, major supermarket chains have come in for increasing criticism for maintaining artificially high prices to increase profits. However, there is little doubt that brand for brand, they are generally cheaper than small local retailers, who often need to sell lower quality cut price brands in order to keep prices low and compete with supermarkets. Apart from the convenience, for those able to access them, they also offer a wide variety of items and due to high turnover and daily deliveries, can offer a wide range of good quality fresh produce.

Table 3: Cost of a new Hotpoint First Edition 1000 washing machine by method of purchase

	Cash price	Payment method	Deposit	Monthly payment	Total price
Cheapest local supplier	£279.99	In full			£279.99
Major national electrical retailer	£299.98	In full			£299.98
<i>Direct debit</i>	£299.98	31 months	£30.98	£12.00	£405.72
Bank overdraft	£279.99*	12-month overdraft	None	flexible	£321.00†
Mail order catalogue	£349.99	20 weeks	None	£75.25	£349.99
	£349.99	100 weeks	None	£18.83	£437.28
Licensed money-lender	£279.99*	12-month loan	None	£39.17	£470.00
Bank loan	Not applicable as most banks will only lend a minimum of £500				

Note: * Calculations using cheapest local retailer price; † Approximate total price assuming total owed for 12 months – would be less if debt cleared sooner.

Table 4: Annual cost of medium* consumption of gas and electricity by payment method

	Pre-payment meter	Frequent payer	Quarterly bill†	Direct debit
Gas: British Gas	£333.43	£324.41	£324.41	£278.08
Electricity: Northern Electric	£399.49	£277.19	£260.76	£246.02

Notes: *650 therms per year; the term 'medium' is used for simplicity, as 'average' consumption is dependent on a number of variables, including family and dwelling type and life-styles; † May benefit from a further prompt payment discount from British Gas.

In poor neighbourhoods with low car ownership, people are often reliant on local shops and cut price supermarkets such as KwikSave, Netto or Aldi, which sell less well known and cheaper goods. Table 5 shows the price difference for a 20-item shopping basket, between a major supermarket (Safeway), a cut price food store (KwikSave) and a range of local independent shops. The shopping basket was compiled for this study by a lone mother with one child, to be representative of an average week's shopping for someone living under similar circumstances.

The 20 items were priced twice in each outlet. The first basket was made up of branded items such as Heinz baked beans, Bird's Eye fish-fingers or Flora margarine. The second basket was made up of the same items but using the shops' cheapest brands. At the same time the

range and quality of fresh produce was checked. As the comparison shows, branded goods were cheaper in the local KwikSave than they were in the nearest Safeway store at Cowgate in the next district. However, it is worth noting that choice was considerably more limited. This was especially true of fresh fruit and vegetables, with Safeway offering a far larger range and better quality at very similar prices. It is also worth commenting on the potential supermarket price war which may result from the takeover of Asda by the American giant Wal-Mart, which has resulted in major price cuts in Asda stores. If this trend continues, those unable to access supermarkets may be even more disadvantaged. There was no significant price difference between the two case study areas. Table 5 shows the comparisons.

Table 5: A 20-item shopping basket price comparison

	Safeway (Cowgate area)	KwikSave (Benwell centre)	Local shops
Branded*	£31.07	£25.33	na†
Cheapest‡	£17.88	£14.28	£29.11§
Quality of produce	Excellent	Acceptable	Poor
Transport¶			
Taxi	£3.00	£2.20 (approx)	na
Bus	£0.80	£0.40	na

Notes: * With a few exceptions, the identical brand was available in both Safeway and KwikSave; † It was only possible to purchase very few of the shopping list items in branded form in local shops, thus a total price could not be given; ‡ The cheapest items were, in most cases, Safeway's 'Saver' and KwikSave 'No Frills' brand; § the total price of £29.11 was for 17 of the 20 items – three were not available; ¶ Transport costs were calculated based on the distance from one interviewee's house in South Benwell. Transport costs were not applicable for local shops. So few remained open and those that did were so expensive as to make a full weekly shop not viable. To access a range of small local shops would have cost approximately the same amount as accessing KwikSave.

Transport

Another price element to be taken into account in the food shopping data is that of cost and effort of accessing good food for those without use of a car. The transport costs from one interviewee's house in South Benwell, to both KwikSave in the central Benwell shopping district and also to the nearest Safeway supermarket at Cowgate, were calculated by mini cab and by bus. It is worth noting that the bus journey would require at least a five-minute uphill walk to get the bus on the outward journey and another five-minute walk, downhill, with bags of shopping on the return journey. Buses are every 30 minutes.

Financial costs of exclusion from a domestic telephone

Quite apart from the inconvenience of having to go to a telephone box, as Table 6 shows, the cost of telephone calls from a telephone box is considerably higher than that from a domestic telephone. The difference is even greater when loyalty and high-user discounts such as BT's 'Friends and Family' are taken into account. Moreover, many agencies and call centres will not return calls to payphone numbers, which means that all communication made this way is at the expense of the customer. In addition to the savings available from BT for domestic telephone users, other bulk purchase systems now available require a home telephone.

It is worth noting that during the two years of this study pre-pay mobile phones became more readily available. While none of the

interviewees at the time of interview had a mobile phone, it is now common for people unable to afford BT connection charges or those wishing to avoid large quarterly bills to purchase pre-pay mobile phones. While most offer some free off-peak calls per month, minute-for-minute, their call charges for peak-rate calls are far higher than BT domestic telephone charges. Moreover, many agencies refuse to return customer service calls to mobile numbers.

Those on lower incomes are least likely to have access to a home telephone, car or fully functioning bank account. While they are most in need of easy access to affordable services, not only have they the least access, but are likely to have to pay more for their services.

Transactional costs

Transactional costs of service exclusion are seen in the amount of extra effort the excluded must put into conducting the most basic everyday tasks. Much of the restructuring of private sector services has been underpinned by advances in technology, particularly in the development of linked computers that support effortless transactions for those who have access. Now, many of the mundane activities which support contemporary life-styles require less, if any, transactional involvement, as telephones, the internet, and debit, credit and smart cards support an expanding universe of electronic transactions. Increasingly, life for the relatively affluent can be 'friction free' as more and more daily transactions, such as paying bills, financial management or shopping become distanced and instant.

Table 6: Cost of local telephone calls for one minute and five minutes from a domestic telephone or public payphone*

	Peak time	Off peak	Weekends	Minimum charge
Domestic telephone	4.70p	1.76p	1.17p	4.90p
For five minutes	23.50p	8.80p	5.05p	
'Friends and Family'	4.23p	1.58p	1.05p	4.90p
For five minutes	21.15p	7.90p	5.25p	
Public payphone	9.00p	9.00p	9.00p	10.00p
For five minutes	45.00p	45.00p	45.00p	

Note: * All prices include VAT.

However, many people and neighbourhoods lie effectively beyond this expanding universe of electronic transactions, infrastructures, and technologies. They remain marginalised in extremely local, cash-based economies where bank branches have gone, ATMs have not been installed and even basic bank accounts and telephones are limited. In these neighbourhoods, people tend to experience the power of technology to distance them from service providers, rather than connect them, as is the case with pre-payment meters (which are explicitly designed to minimise risk and contact for the utility firm). Thus, for the disconnected and excluded, the everyday logistics of life are actually becoming more difficult, as the traditional means of carrying out those activities are being withdrawn.

“Go here, go there, get the shopping in here, get my leccy paid there, why you cant just do it all in the one place ... I don't know.”

There were other examples of people being unable to act how society expected them to. For example, a number of people commented on not being able to pursue employment as eagerly as they knew they should (and society expects them to) because they had no telephone and were isolated from employment services. Here we can begin to see a direct link between service exclusion and the issues central to debates on social exclusion, in this case training and unemployment.

Social costs

A third set of costs associated with compound service exclusion we term ‘social costs’. These manifest themselves in a number of ways. For example, people spoke about not feeling comfortable in their city centres with their glossy landscapes of shopping malls, leisure complexes, entertainment districts and large supermarkets. Here we see a form of psychological exclusion from the private space of private services as this woman from Netherly explained:

“I used to love to go [to Liverpool city centre] when I was younger, before the kids were born and I had a bit of cash in my pocket. Now, well, if I did go I'd come away feeling, well old and poor and well, you know, you see all the things, fashions in the shops ... well, I just don't think it's a place for me any more. You have to be ... not rich but not.... I always feel people are looking down at me in the shops that is....”

She does not feel able to visit the city centre and malls and no longer feels part of the social context of the city.

Bringing the sectors together: the social implications of compound exclusion

The central aim of this study was to bring private sector services into the debates on social exclusion, which have neglected their impact. This chapter places the empirical evidence from the study within the broader context of social exclusion. To do this we examine some of the issues that are central to the debates on social exclusion. These issues include health, employment and training, community self-help, supporting small businesses, financial and retail services and IT. We show how these issues and compound service exclusion are related, and how that relationship impacts on individuals, households and communities to potentially undermine regeneration work.

Health

Concern about the health of the nation has been re-emphasised by the launch of the Inquiry into Health Inequalities, the introduction of Health Action Zones and Healthy Living Centres, and the publication of the White Paper, *Our healthier nation* (DoH, 1998). The majority of people interviewed for this study commented that they did not believe themselves or their families to be living a healthy life.

Central to the debates on health is concern about poor diet and what have become known as 'fresh food deserts'. Improving shopping access for people in poor neighbourhoods was the focus of the Social Exclusion Unit's Action Team 13 on shops. While diet is directly related to income, people in the study also associated poor diet with the closure of local shops – accessing fresh fruit and vegetables was a particular problem. For many people, journeys to town or central shopping areas were costly and

problematic. While main arterial transport links were good, most people still had to walk a considerable distance to and from the bus stop, with heavy bags. For elderly people, mothers with small children, or the less agile this was difficult, especially in Benwell which is on a steep hill. Moreover, for people living on low incomes, bus fares of even £0.80 each way (which was the standard fare from Benwell to the city centre) was too much. For some, the effort and expense was too great in both study areas.

"I often think, 'Oh, I can't be bothered [to go all the way to the shopping center]', and just open them a can of something.... I do [worry], yes, none of us eats what we should, but there's such rubbish in the [local] shop and going over to Bell Vale is such a trek. There used to be one [a greengrocers] on the [parade of local] shops and he sold rubbish too, but it was nearer. I could send the kids a message [errand]."

Although people acknowledged they could shop cheaply in certain shops, there was wide recognition that the nutritional quality of cheaper foods in the accessible shops was poor.

"You don't know what you're eating half the time. Might be cheap but what goodness is in it?"

It was generally quality and choice which caused complaint.

"There's only, well, like a few different cereals you know, and maybe like the tinned stuff ... not much choice.... Don't get me wrong the prices is cheap and

that [in KwikSave], canny prices aye, and you can get what you need, but there's not as much choice I don't think."

These concerns can best be understood by comparing the ingredients on two different qualities of the same item. For example, consider the difference between the ingredients listed on a tinned branded steak pie and a cheaper option.

Branded pie

(Not less than 40% meat)

Meat (beef and pork), wheat flour, onion, margarine, spices, salt

Non-branded pie

Meat and animal products, animal fat, wheat flour, onion, hydrogenated vegetable fat, sugar, flour improver, salt, flavour enhancer (monosodium glutamate), flavouring

The closure of Presto Supermarket in March 1998 meant that those in Benwell were without any major superstore. Apart from the lack of choice and value, people also missed the longer opening times the supermarket offered. It is also worth noting that in terms of satisfaction with quality and choice and in relation to issues of diet and health, those in Netherly able to access Asda appeared to be more satisfied than those in Benwell.

The lack of pharmacies was also a concern to many residents, especially in Netherly, where the only place to buy medicines was in the Bell Vale shopping centre. This was too far for many people to go, especially when they or their children were ill.

Adequate, affordable energy to heat and light the home, cook meals and do laundry is essential to maintaining a healthy home and life-style. However, the increase in the number of pre-payment meters and the addition of VAT on fuel has plunged many more people into fuel poverty.

Many people in the study commented that they could not keep their homes warm enough to prevent damp or condensation and that this was causing health problems. An elderly lady in

Netherly told of how she was unable to keep the house warm enough for her invalid husband:

"Here it is [cold and damp] especially, with it being a gable end. It's so cold and the damp, well it's condensation, I know that, but it still has the same effect ... the wet running down the walls. It doesn't do for B's [husband] chest. He's meant to keep warm and I know it's making him worse. The doctor's always saying, 'Keep him good and warm, Mrs O, you must keep him warm'."

Not only elderly people were affected, as this Newcastle mother explains. She was concerned about the effect of poor heating on the health of her son:

"Oh, God yeah! I've told them ... the housing. Bairn's got, well, a right cough and I think its slight asthma – you know with the heating up and cooling down all the time, and the damp."

Interviewer: "What do you mean 'heating up and cooling down'?"

"Like I said, with the leccy I only put my heating on for an hour in the morning or else the little lad would not get out of bed. As it is he runs down to the fire and sits in front. With his tea – he's got to have his cuppa in the morning. And it's no sooner got a bit warm than it's off again and it's cold. Same at night – warm then cold, and I say it's that."

Housing renovation to improve facilities such as central heating, to eliminate damp, is undermined by fuel poverty which means the occupant cannot afford to have the heating on.

Less obviously connected to the issue of health but implicated on a number of occasions during this study was lack of a telephone. As this woman explained, it is not always easy to access a public payphone, even in emergencies:

"I'd to get the bairn up and dressed and down to the 'phone and then it were out of use – broken. So I went next door and asked if I could use theirs just to call the doctor. Poor little lad were poorly and I'd to take him out ... shocking ... you don't like do you [call the doctor

out] and when he [the doctor] come on the 'phone he acted as if I were making it up, exaggerating. Well I told him, I said, 'Listen, for me to come out to the 'phone in the middle of the night ... well I can tell you I'm not putting it on', I'd put it off as long as I dare...."

Training and unemployment

Training and unemployment have been central to tackling poverty and social exclusion for decades. Currently, the Social Exclusion Unit is concerned with understanding how well informal learning, outreach units and IT can be used to improve skills and prepare people for work. However, we should not forget that the most basic form of information technology – the telephone – is still not accessible to all people, either in their homes or in their communities.

Many people commented on not being able to pursue employment as rigorously as they would have liked because they did not have a telephone. This relationship between a telephone and training or employment cannot be over-emphasised, as more and more jobs are available on a very short-term, part-time or zero-hour contract basis (ie, where the employee is required to telephone work each day to see if and when they are required), requiring frequent, even daily contact with employers or employment services. Among the interviewees, one woman worked occasionally as a crèche assistant and another as a supermarket checkout assistant, and both had to telephone their employer every morning from a payphone.

Lack of household contents insurance also impacted on employment in a number of ways. Some people – women especially – had tried home-working. Several had done envelope filling which required no equipment; however, one woman in Netherly had been a sewing machinist and wanted to take in machining work at home. The employer insisted she have household insurance to cover the equipment he would make available to her, but the income did not warrant the insurance premium.

Other people without insurance commented that they would feel uneasy leaving their homes empty during the day if they found employment, for fear of a break-in. While none said they

would refuse a job because of having no insurance, it was clearly an issue to be taken into consideration in deciding if going to work was ultimately financially beneficial.

Another private service that impacts on one's ability to get a job is retail banking. It is standard practice these days for employers to pay wages directly into a bank account and many have no facility to do otherwise. Those running credit unions are frequently asked if wages can be paid into credit union accounts, which they cannot. In both study areas people told of their strategies to receive wages without a bank account. One young man was having his wages paid into his girlfriend's brother's bank account. He felt a little uneasy about this as he and his girlfriend had fallen out.

Others doing unofficial or self-employed work found it difficult to deal with payment by cheque. In Benwell, several had had to use the services of a commercial cheque cashing agency at considerably higher cost than normal bank charges for the same service. No such service was available in Netherly.

Household budgeting without basic financial services

Concern over inequalities in access to financial services is growing as private sector financial services such as pensions, savings and insurance schemes underpin the reforms to the welfare state. However, important as access to these longer-term services are, the importance of the most basic of financial services – a bank account – must not be overlooked. This study has shown the links between retail banking and other services such as energy and retail. While both study areas had active credit unions, they were unable to offer the most basic of budgeting and financial management facilities which most people needed. The Post Office is a crucial service to any poorer community, yet in terms of basic banking facilities such as cheque books, direct debits and flexible credit, it was no more accessible than were the retail banks.

People's needs in relation to financial services in the case study areas were for immediate support with daily and weekly budgeting of low incomes. These needs are discussed below.

Short-term budgeting and managing

Two of the greatest aids to household budgeting are the direct debit (or standing order) and short-term, flexible-credit facilities offered through a bank current account. Direct debits spread the annual cost of a service across the year, they also make payment of regular bills transaction-free and incur discounts in some cases (for example, in gas supply). Flexible credit limits the impact of an unforeseen financial emergency, such as an unexpectedly high bill and lessens the need for more costly and less flexible credit, such as a loan from a licensed or unlicensed money-lender. Despite their precise budgeting, many people commented that minor difficulty had caused long-term financial problems. "Once you lose it [control of your budgeting], you never get right again".

On a day-to-day basis, budgeting for essential shopping was also more difficult. Food shopping in the study areas was done on a regular basis, partly to spread out the limited income and partly because the need to carry bags home on the bus or walking limited the amount which could be bought. Shopping was a cash activity for virtually all the interviewees. Only two had cheque/debit cards which allowed them to pay for their shopping without cash. As this woman commented, such facilities can aid budgeting by making spending precise and limiting the need for cash:

"I've got a card but it's just for getting money out ... yes out of a machine. My friend's is a Switch ... [it] will let her get money from the Safeway and pay for her shopping. That's better because if the shopping comes to, well, say £16.75, you know that that's all what's going to come off your account. Me, see, I'd have to go [to the bank] get £20 out and hope I had enough, and then the rest, the few quid, it just goes. Even just a small amount she can pay for in some shops. Mind, there's loads of shops I've seen where they say it's a minimum of £5 for card transactions ... it must cost the shop or something, does it? Me I still just pay with cash...."

Weekly budgeting for food was made more difficult because many people could not take advantage of bulk-buying and special offers from

supermarkets. Nor could they take benefit from supermarket loyalty schemes. Even if they could access the stores, their low incomes meant that budgeting was a short-term issue.

"I can't be getting [to] the Asda, man. And anyway, it's not so much cheaper you know ... well no, it is, but you have to buy so much to make it worth it. Them offers and that they have, well I don't reckon how you can save because, well, how can you if it's not what you need for that week?"

Interviewer: "But if it's things that will keep, then it doesn't matter so much ... toilet rolls and that...."

"Aye, but its OK if you can afford to be buying next week's toilet rolls. I cannot. And then you've to get there and back. I just have to shop where I know I can get just what I want for what I can spend."

Weekly budgeting was a constant round of juggling low prices, availability and cost of transport to the best bargains. Often the expense of a taxi could be justified if it meant cheaper prices or better choice and value could be accessed.

Coping with emergencies

One of the greatest problems facing those without even basic banking facilities is lack of flexible credit to deal with emergencies. For those living on a low income, either from benefits or waged work, it takes very little to tip a tightly balanced budget into crisis, and make a small inconvenience into a problematic debt. It was this lack of safe, flexible credit that most people commented on as being their biggest problem related to financial exclusion, rather than the lack of a day-to-day money management facility. An unforeseen bill, a household repair or a family emergency were all issues mentioned by the interviewees as being things they had experienced which had pushed them into debt, and which low-cost flexible credit might have prevented. As this woman, who did at one time have a bank account, explains, it was the lack of flexibility which turned a minor financial problem into a major debt and resulted in her turning her back on the bank:

“We used to have everything on direct debit: the gas, electricity and the rent – all the monthlies [bills]. Then I went over a bit one month ... we had a problem and ... just one of those things what happen and you can't save for them on the money we was getting. Any how, we went over only a right little bit: 20 quid about I think it was. And the bank bounced one of my orders, I forget now, gas I think. Then blow me, if they didn't charge me £20 odd for sending me a letter to tell me. So that was over £40 I was in the shit by. The gas was OK about it at first but I never did get straight after that and they cancelled the direct debit and then I had this big bill to sort out. I just gave up with the bank after that. Stopped using my account altogether. Since, he's [husband] been out of work....”

A second form of credit unavailable to those without bank accounts is consumer credit. More often used for more expensive items such as electrical goods or furniture, most people in the study said they didn't consider the possibility of purchasing such items, certainly not as new. If items such as furniture or electrical goods were needed, they would be bought second-hand, probably with cash.

However, those who had tried to obtain consumer credit from a store in order to spread the cost, soon found that no bank account automatically meant no credit, even if they had no history of bad debt. As this young single mother commented, on being refused store credit for an electrical item:

“... don't understand really, I still don't. I've never been in any debt, always paid everything right up front you know. I could manage to pay the installments, it weren't much a month, but they were only bothered about if I had an account....”

Longer-term financial planning

This study concentrated on exclusion from retail banking, rather than broader financial exclusion. However, as retail banks expand their products to include a range of financial services, those without bank accounts have limited access to

these wider products and services such as pensions, savings plans and insurance. Clearly, the low incomes of the interviewees meant that such products were of little interest to them at the time of interview, but they did not see themselves remaining on such low incomes indefinitely. Some had previously had endowment policies that they cashed in, in time of need, and hoped to start some form of saving or insurance again in the future, when finances permitted. If not incorporated into mainstream retail banking, they will be at a disadvantage when better times arrive, as awareness of financial services was poor.

Supporting small businesses

Encouraging larger businesses to locate in disadvantaged areas, to stimulate the local economy and increase employment opportunities, underpins much regeneration work. The strategic siting of business parks and new factories can do much to raise an area's profile and attract inward investment. However, daily life in such areas often relies on smaller local businesses both for service and employment opportunities. This study highlighted a number of situations in both areas where the sustainability of small businesses was undermined by the lack of local services, in particular financial services.

In Benwell, one man who had run a local shop in the heart of the area for many years reported that he would close his business in the autumn of 1999. He gave a number of reasons – the most salient for this study was that he found the lack of a local bank increasingly problematic. He had twice been mugged while carrying his day's takings to a bank on the West Road, a mile away. He commented that his shop dealt almost entirely in cash, and although his takings were never high, money could not be left overnight on the premises, nor did he like to take it home, for security reasons, as his insurance premiums had increased enormously over recent years. He also commented on an increasing lack of passing trade in recent years as those who had any money shopped elsewhere. His wife who also worked in the shop commented: “We've got to get some life back into the place ... folk only shop round here now if they have to”.

A woman in Netherly who ran a small sewing and knitting goods shop in one of the local parades told how she felt there little point in continuing as her shop and a hairdresser's were now the only shops open in the parade. With no other reason to go to the shops people would not make the effort to go there just to buy her goods. These sentiments were common among all the local traders interviewed, with the exception of some near the new Adelaide Terrace shopping centre in Benwell, who commented that trade had improved since the centre was opened. A number also commented that the ongoing regeneration work itself had improved trade by bringing workmen into the area but realised that this would not be sustainable once the work had finished.

These small local businesses as well as the larger ones such as the closed Presto supermarket in Benwell not only provide a service but also, often provide valuable employment for local people. Among the interviewees many had worked or had relatives who had worked in local shops, hairdressers or cafés.

In the absence of employment many turn to low key self-employment. One woman in Benwell had run a small business from home for several years, hiring out baby and play equipment to restaurants, hotels and offices in the area. She had maintained this business through extremely difficult economic situations, even though she was one of the interviewees who had often self-disconnected from her energy supply. It had kept her off Income Support for over 12 months but eventually lack of support from the bank was one of the reasons she gave for not continuing. Had there been any form of community finance available, the business might have survived.

Quite apart from the economic and employment implications of allowing small local businesses to close, people commented on the feeling of shame at the visual messages their neighbourhoods gave out.

“Why would they [want to live in Netherly] when it looks like this [points to boarded shops with graffiti]. And with all the young ones hanging round like they do...”

Community self-help

Empowerment and community self-help have been central to urban policy throughout the 1990s. However, this study highlighted a number of issues which suggest that self-help cannot be sustained in a meaningful way without considerable financial and practical support from both government and private organisations.

The Low Income Project Team of the Department of Health's Nutrition Task Force has recommended imaginative partnerships between public sector, private sector and communities to develop community food projects. While there are schemes around the country beginning to flourish with the support of the Mace convenience store chain, the only attempt at such community self-help this study encountered failed due to lack of support.

In Netherly, in a classic example of self-help, residents got together to set up a community shop – the idea was that they would sell basic essentials on a non-profit-making basis. The shop needed capital to support it over its initial period and the residents applied for funding under one of the regeneration funding initiatives operating in the area. Funding was refused on the basis of the business being retail and the shop closed.

A representative of a major national supermarket commented that he felt placing the responsibility for food retailing, around which there is considerable health and safety legislation, in the hand of local people, without ensuring they had sufficient funding or training, was irresponsible.

Credit unions are another community self-help initiative under current scrutiny. Although both of the study areas had well-established credit unions, they could not provide the financial support services which the residents needed. Moreover, they were – as virtually all credit unions are – staffed entirely by volunteers. In the case of Benwell, these were mainly older ladies who gave a considerable amount of their time to running and developing the union. They commented that it was difficult to get new workers. If such voluntary initiatives are to be encouraged to take over the role of the private retail banks, they will require more secure and sustainable staffing.

Currently credit unions are often run from community centres, schools, and other informal meeting places, which are hardly appropriate sites if the volume of cash they handle is to increase. An elderly lady who ran one of the unions had been mugged on at least one occasion as she took the day's deposits, on the bus, to the nearest bank.

Despite the commitment that credit unions generate from those who run and use them, the reality is that they are a long way from being able to provide the type of budgeting and flexible credit facilities that this study highlights a need for.

At a time when community self-help is being championed by the Social Exclusion Unit as an alternative to some of the mainstream services that neighbourhoods have lost, the withdrawal of private services is diminishing forms of community self-help that have existed for years. For example, the loss of local shops, which provided not only goods but a valuable social service, especially to elderly people was commented on several times during the study.

“He [the man from the now-closed corner shop] were canny, he'd always pop round with a few things if she [elderly mother] couldn't get. [Local shops] ... are a sort of ... well, a social service I suppose you'd say. It's things like that they don't realise. The Post Office is the same, they're canny there, they'd always know if someone hadn't collected their pension....”

Quality of life

The quality and enjoyment experienced by those marginalised from mainstream society is too often overlooked in debates about social exclusion. We believe it is worthy of mention as it is this which makes struggles and hardship in other areas of life worthwhile. Clearly, enjoyment of life in a consumerist society, where idealised images of consumption are ubiquitous, is dependent to a great degree on income. This report does not suggest that poverty and low incomes are not major factors. However, as we have seen, without the support of the basic services and facilities that the majority take for granted, the experience of everyday life tends to

be that of hard, stressful work. The extra transactional and financial costs and frustrations which the excluded face often tend to absorb what little spare time and money they have.

The people who took part in this study were living on low incomes, in stigmatised neighbourhoods of high crime, vandalism and misuse. They referred to their neighbourhoods as ‘the wild west’ (Benwell) or ‘that bit on the end they've forgotten about’ (Netherly). Enjoyment of life was discussed in broad terms, as being the thing which made struggling, in relative poverty and under those conditions, worthwhile.

Simple things such as not being able to chat to a friend on the telephone for 10 minutes in the evening for a reasonable price, makes the problems of isolation substantially greater:

“... could just have a bit natter a bit gossip with my Mam or my friend, of an evening like, when the bairn's asleep. Get right down, crazy – the doctor said to get out a bit.... It'd help just to have a bit of a natter.”

Even the most basic of everyday pleasures which might be enjoyed are impinged upon by poor access to private services within the home. As an example of this, one mother tells of her priority when asked if she ever ran out of credit on her electricity pre-payment meter:

“Not really but you have to think on. I always check that there's something left on my meter and then I'll turn the heating off if its looking low and get the duvets off the bed and me and D [son] get in them on the sofa and make some toast or if I've bought some biscuits and put them away like. Then we'll settle down and watch telly so that way if I've not got the heating on the leccy will last for the telly for the little lad.”

Vicious cycles of compound exclusion

Looking at private sector services in relation to issues of social exclusion in this way, we can begin to see the way in which exclusion – particularly from more than one service – has a compound effect on the lives of individuals, households and possibly entire communities.

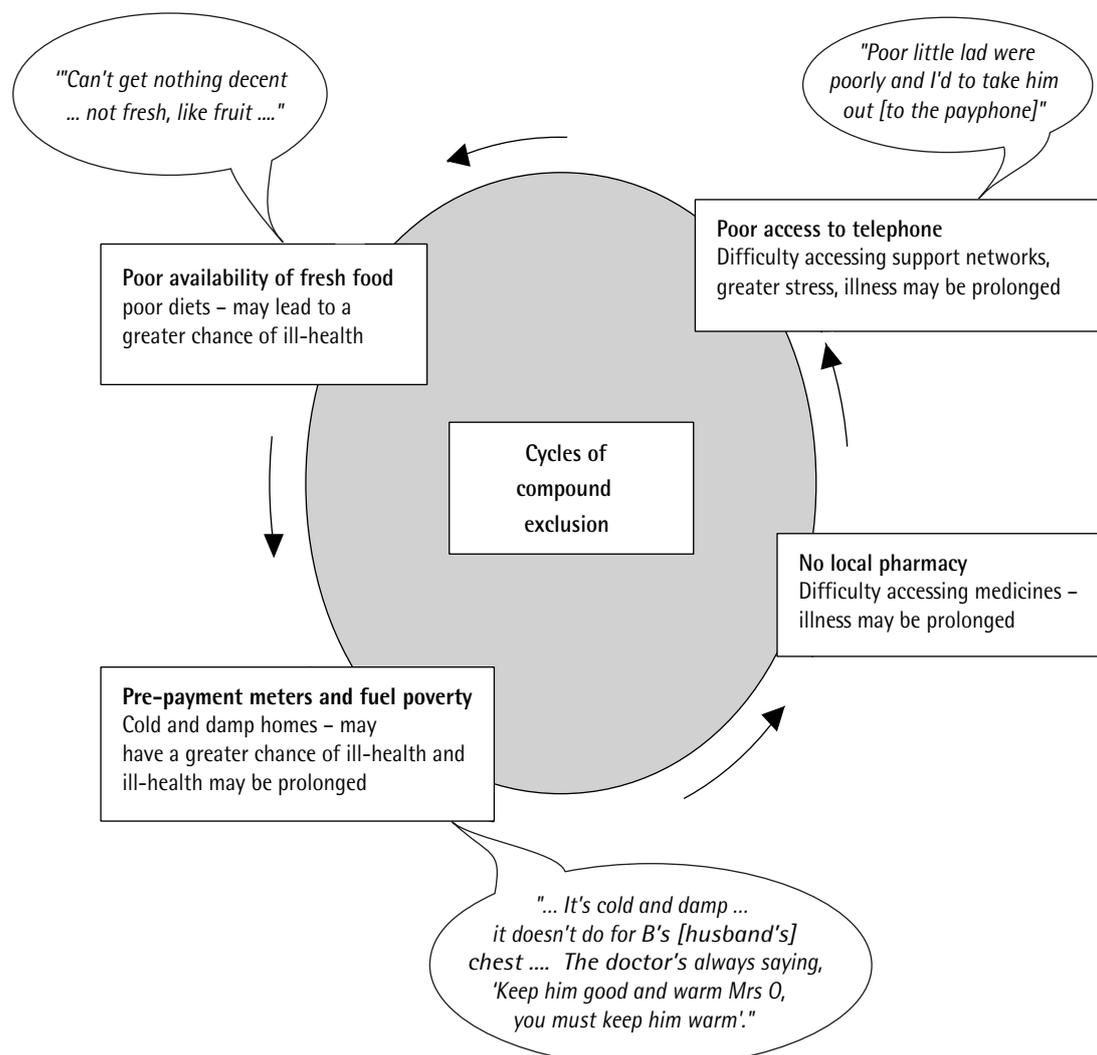
This can be demonstrated here, in relation to health:

- Poor access to a range of good fresh food makes a healthy diet more difficult.
- Extremely limited use of energy for heat contributes to cold and damp homes.
- Poor access to pharmacies or telephones to call the doctor or friends may mean illness is not addressed as promptly as it should be.
- Poor diet and poor homes lead to poor health and compound minor illness.
- Many people in one neighbourhood may suffer the same situation, leading to the possibility of ill-health spreading more easily through the community.

Figure 3 expresses this vicious cycle for health.

Following this model it is not hard to see how exclusion from telephones, banks and insurance might conspire to make getting and keeping a job or self-employed work more difficult. A telephone is needed to access employment services and employers, and a bank account is needed to receive wages and for flexible credit to overcome transition from benefits to wages. Surrounded by others in similar situations, jobs are less likely to be found by word of mouth as is common among those surrounded by employed friends and family. There are suggestions that in neighbourhoods of high crime, where obtaining insurance is difficult, fear of crime deters some people from leaving their homes empty during the day. Again we see compound exclusion impacting on an aspect of life – employment – in subtle ways.

Figure 3: Cycles of compound exclusion and everyday life



We have seen how exclusion from services impacts on behaviour to the degree that social expectations, such as a courtesy telephone call to an employer, training provider or Benefits Agency is not possible. We know from this, and other studies (Wood et al, 1995) that outsiders' perceptions of entire communities can also limit employment opportunities. What then of those in communities known for being unreliable because of ill-health?

While not directly related to access to services, the story of one woman who took part in the study shows how strongly these perceptions can be embedded in collective opinion. After an interview for a job – which she did not get – the woman telephoned for feedback, hoping to improve her chances another time. She was told she was the best candidate for the job – running a newsagent's concession in a Post Office – however, she had not been given the job because the manager of the Post Office had said: “If you live in Benwell you either know a villain or you are a villain”.

'Reversing the spiral': tackling compound service exclusion

In this final chapter, we explore what is being done currently, and what can be done in the future, to tackle compound service exclusion in a coordinated way. In particular, we address four areas of policy action and thinking which, we believe, need to be developed to tackle compound service exclusion. These are:

- national regulatory responses;
- alternative community provision;
- persuading the major service providers to reinvest in 'over-abandoned' areas;
- changing regeneration paradigms to take compound service exclusion seriously.

The need for coordinated strategies

Tackling the compound nature of service exclusion documented in this report will necessitate policy solutions across a broad range of areas in order to succeed. It will not be enough to look at sectors in isolation from each other; nor can we separate regulatory questions from those of alternative community provision, as has been common in the past. It will also not be enough for the consideration of essential private services to remain at the margins of area regeneration packages.

However, there are very positive signs that achieving such a blend between national regulation and community action, and between sector-specific discussions and tying sectors together 'on the ground', can be achievable in practice. We are not starting from scratch, each of the service sectors dealt with in our report – personal financial services, energy utilities, food retailing and telecommunications – already has a considerable specialist policy of national and local activists urging specific actions for government and area regeneration initiatives

(see, for example, Mayo et al, 1998, on community reinvestment; Citizen Organising Foundation, 1999, on bank closures; Drakeford (1995) and the work of the Public Utilities Access Forum, which has been campaigning on issues of utility poverty since 1989; Dyer, 1996, on access to telecommunications; and Lang, 1997, on food retailing).

We aim to further contribute to these debates by outlining what our research adds to the picture already created by these sector-specific policy debates, with its emphasis on how exclusion in services interacts in particular marginalised places. We stress, first of all, the need for connecting policy debates and initiatives in individual service sectors so that connected policy actions have a chance of 'reversing the spirals' of compound exclusion. Second, we stress the need to coordinate four layers of complementary policy action, in order to systematically address the root causes of service social exclusion.

National regulatory intervention

There is a clear unmet need for national regulatory responses which recognise the social character of the sectors we have studied and place social obligations on the industries that supply them. Through such measures, the government must seek to reduce the impacts of service restructuring on marginalised social groups through regulatory interventions in all four of the sectors covered.

It is heartening to see that the current government has recognised the need to address social exclusion in essential private services through regulatory intervention. For example:

- the government is currently developing a report on anti-competitive practices in the UK supermarket industry (through the Office of Fair Trading);
- the Social Exclusion Unit is undertaking an enquiry into 'food deserts';
- there was a landmark High Court ruling in February 1998 that water pre-payment devices were illegal;
- in February 1999 the energy regulator announced that there is to be a new investigation into fuel poverty within liberalised energy markets;
- the government recently published a Green Paper on *Modernising the framework for utility regulation*, which promises some 'democratisation' of the utility regulation process.

Financial services

The Office of Fair Trading is also currently drawing up a report on social exclusion and red lining in financial services. Again, though, improving access to bank accounts and financial services will only be appropriate if there is a genuine will to provide services at a level and cost which suits the needs of the low-income household. These may well be the least profitable for the financial institutions. It may be that, as is currently being suggested by some, the major banks, instead of providing services themselves, provide support and expertise to community financial initiatives, such as credit unions. For example, the major retail banks have, in recent years used technology to centralise their 'behind the scenes' activities. Thus, the transaction processing is often no longer carried out in the same location as the public face of the bank. This form of streamlining could well enable credit unions to grow and handle the level of transaction they need to, if they are to replace the missing financial service in many areas. For banks to support community financial initiatives, rather than compete with them, might also offer a means to rebuild confidence between low-income households and financial institutions, allowing the excluded to access mainstream services later. This idea of community financial requirements being met in innovative ways by mainstream financial institutions is strongly advocated by the New Economics Foundation in their report, *Small is bankable* (Mayo et al, 1998).

Regulatory or voluntary methods of urging financial institutions to work in deprived neighbourhoods are also urgently needed, perhaps drawing on the ideas of the Community Reinvestment Act in the USA (see Mayo et al, 1998). We would urge a set of basic service entitlements to be drawn up so that crude discrimination by postcode in financial services can be overcome.

Retail

Many people are unable to reach supermarkets and it may be a long time before greater competition in grocery retail creates an environment which will allow local shops to flourish. The very structure of grocery retailing may need to be addressed, not simply the pricing. The Office of Fair Trading and the Social Exclusion Unit need to agree a common framework of action that not only reduces excess profits among the large supermarkets, but which addresses the financial and logistical penalties poor people face in accessing decent food at reasonable prices.

Energy and telecommunications

Efforts urgently need to be taken to force competitive energy players to accept pre-payment users onto new contracts without financial penalty. Further action is needed by OFTEL to ensure that the low-income 'unphoned' population of Britain are not discriminated against by the uneven targeting of services and infrastructure within the highly competitive world of contemporary telecommunications.

Alternative community service provision

Such national policy steps need to be complemented by an upsurge of support for our second area of action: building alternative community service provision in areas of compound service exclusion. There is considerable interest in this area, for example, in the credit union, food cooperatives, community retailing and LETS movements. While community solutions remain very underdeveloped in the telecommunications and energy sectors, they offer considerable hope for

reducing access barriers and improving the market power of low income communities. Neighbourhood mobile phone pools or collectively-negotiated energy contracts, for example, could significantly reduce the financial, transactional and logistical costs faced by communities in these key sectors.

However, there clearly needs to be a significant boost to the scale and scope of alternative community provision for those places where traditional market access is likely to remain impossible or inappropriate. While offering potential, existing community responses are largely ineffective in replacing private services, small scale and often tokenistic. They remain patchy and localised and tend to develop on a sector-by-sector basis because of the entrepreneurial energies of individuals, or groups of community volunteers. Overall, systematic support for community service solutions remains small. We believe that stronger national frameworks are required which fund and support community enterprise banks, credit unions, community retailers and other 'social market' solutions to service exclusion.

However, if community strategies are to be encouraged, they need to be built on more than voluntary support and those running them will require training and secure funding. We would strongly urge that before any greater emphasis is placed on community self-help and community-run strategies to replace private services, there needs to be a comprehensive review of existing strategies to assess both the supply and demand limitations of this approach.

The importance of local area differences

Another issue which needs to be considered before too much emphasis is placed on community self-help is the importance of local contextual and character differences. This study focused on two different locations, which, although alike in terms of standard deprivation indicators, were very different in other ways. One, Benwell, is an older area which traditionally had many local services and is only three miles from the centre of Newcastle. The other, Netherly, is a collection of peripheral housing estates on the edge of Liverpool. It was built in the late 1960s and 1970s in expectation of high employment and car ownership. Despite being over six miles from the city centre, it was

not designed to have many point specific services such as banks or shops. There is also a topographical difference, in that Benwell is situated on a steep hill and Netherly is flat.

Those working in the areas also described the character of the people and the 'atmosphere' of the area differently. Speaking about the strengths and abilities of the local people, development workers presented different pictures. People in Netherly were described in terms of strength and political determination.

"They don't want you doing it for them but there's a culture of expecting some money ... financial help from the government to get things going ... sort of 'give us some money and leave us to it'."

While people in Benwell were seen as being less able to take community development into their own hands:

"... not much entrepreneurial spirit, [they have] had the go the fight knocked out of them. There's willingness but it never seems to amount to action."

While these differences might seem unimportant, they had an effect on the way people responded to what were, in essence, similar levels of service exclusion. They are also relevant for issues such as community self-help. These differences may also account for why people perceived distance differently. For example, the distance between Benwell and the nearest major superstore was seen by many people as a long way. However, it was the same distance as people in Netherly regularly travelled to visit the Bell Vale shopping centre. The difference cannot be accounted for by differences in public transport.

'Stretching the market': partnerships for service inclusion

Third, there is the challenge of what we call 'stretching the market'. There are good reasons to believe that it will be possible to convince many private companies in the four sectors covered in this report, that real market opportunities exist to make profits in the areas abandoned in the rush towards vigorously competing for the so-called 'ABC1' markets in

richer spaces of our towns and cities. There has been an 'over-abandonment' of the poorer parts of urban Britain by private service providers of all types which, ironically, has left many potentially profitable markets very poorly served. Scope exists for specialised service providers to diversify, directly targeting these market niches with service packages that are customised to their needs.

This may require provision of services different in form and function to the services provided for mainstream customers. It will require that service providers understand the precise needs of people living in marginalised circumstances and the strategies they develop in order to cope. For example, in the case of food shopping, the use of Iceland's free delivery service and the use of taxis, were both common among the interviewees in this study as a strategy for accessing better value food. This may suggest that what is needed is not closer shops but better transport to the existing shops. Indeed, it is increasingly common for supermarkets to provide free buses to their stores from some locations.

There are signs that the major supermarkets are beginning to see the need to reconnect themselves to smaller local communities. Tesco's 'Metro' stores are now serving city centres and Sainsbury's is developing both town centre and smaller local stores. They are also investing in dedicated bus services in some areas. In terms of point-specific services such as banking and retail, there is much that can be done by reorganising and subsidising public transport. Perhaps collaborations between public transport providers and point-specific services such as banking and retail could be mutually beneficial.

The recent incursion of specialised food retailers like Aldi and Netto into Britain demonstrates this logic of over-abandonment releasing new market niches for exploitation. The recent takeover of Asda by the American giant Wal-Mart, with the subsequent price cutting across its main lines, also suggests that more mainstream superstores may begin to cash in on the hitherto abandoned shopper. The new Community Owned Retailing project in Longley, Sheffield, a good example of new community solutions, is directly targeting 4,000 poorly-served households with high quality, good value services which seem likely to be directly profitable. The active commitment of

the food retailer Mace, was gained once the company was convinced that the store made sense in direct economic terms.

When backed by national programmes of support, combined with initial local financing and the expertise of large retailers, new, high quality community stores could be established in many low-income estates. They would help to catalyse wider social renewal by providing a platform for 'bundling' other services such as community credit schemes. By adopting the geo-demographic research techniques of services targeting the 'ABC1' population, such services can be precisely targeted to local needs.

Similar partnerships could be envisaged with banks and financial institutions, and with major telecommunications and energy companies. Again, partnerships in these sectors could directly target the needs of designated estates within coordinated frameworks, combining national support, local financial support from municipalities and regeneration packages, and the servicing expertise of large service companies. Perhaps such initiatives could be coordinated in parallel, and in collaboration with the wider set of regeneration initiatives in a particular town, city or region. The idea of social enterprise zones might be harnessed. Currently social enterprise zones are broad consortia of agencies working together to establish conditions which support partnership-based solutions to the problems of social exclusion at a public expenditure level (see Robinson et al, 1998). However, they could be harnessed to bring together community organisations and partnerships of private agencies who, through their operations, have a direct effect on disadvantaged areas.

Further scope exists for major local public sector organisations and regeneration agencies to 'stretch the market' by exploiting their own market power. Many local authorities, voluntary organisations and trade unions, for example, already have considerable experience in using their size to negotiate tailored, high quality and excellent value insurance, financial and energy services for their tenants or members.

Similar bulk-purchase contracts could be negotiated for regeneration areas of lower income communities as a whole, within the obvious constraints of competition law. Moreover, the tempting contracts of municipal

service providers could be used as a negotiating incentive with energy firms, who could then be persuaded to offer high-quality low-cost services to low income communities. In effect, this would be an extension of the widespread practice by local authorities of drawing up section 106 planning agreements. In such agreements the authority puts pressure on developers seeking planning permission to provide added value in the form of such things as road repairs, service delivery or the building of community centres, not necessarily related to the planning application.

Finally, we would urge municipalities to be especially aware of any opportunities they have to reduce private service exclusion through their own day-to-day initiatives and programmes. Newcastle City Council, for example, has negotiated with a well-known bank to 'bundle' the bank's ATM services into the city's new electronic information kiosks, which can be explicitly directed to communities that have faced bank closures. Payphones could also be added to these units.

Such imaginative cross-subsidisation between service 'platforms' – including food retailers, garages and, most importantly, the Post Office – offers considerable potential for reducing the collective costs of managing and maintaining a decent service infrastructure in lower-income areas.

Ironically, however, there are already a number of private sector initiatives beginning to fill the service void left by the withdrawal of private services. The suitability of these should be explored. For example, Pay-Point, the free bill payment system which was piloted in some areas, including the West End of Newcastle, is aimed at offering people a convenient and free method of paying regular bills. However, its take-up by both customers and retailers has been slow, and it was not well used by respondents in this study.

There are also a number of cheque cashing agencies opening up as a result of the 1992 Cheques Act. They are often developed off the back of existing pawnbrokers who have provided a common form of credit in poor neighbourhoods for many years. Some retailers and credit brokers are specialising in credit for those who would not easily get credit from mainstream agencies. However, those using

such services find themselves paying high interest rates and commission. It is important to ensure that any 'stretching of the market' is done to the benefit of the marginalised customer, rather than simply the benefit of the company seeing a high profit opportunity.

Integrating essential private services into regeneration 'paradigms'

The most subtle policy challenge needed is to fully integrate essential private services into the core of how social exclusion and area regeneration are perceived, debated and understood in the UK. While debates in the Social Exclusion Unit and elsewhere stress the dramatic nature of exclusion from banking and food retailing, essential private services have yet to be incorporated into most of the 'regeneration paradigms' that shape Single Regeneration Budget and urban regeneration strategies in practice. Too often, exclusion from essential private services is still either completely ignored or is treated as peripheral to the 'main issues' which dominate current debates about urban regeneration: the physical renewal of housing; environmental improvement; reducing crime; increasing employment; and developing training. This is not to argue that these issues are unimportant; far from it. However, as this study has shown, private services are central to these issues. Current regeneration strategies are unlikely to work in a medium-term, sustainable way, if they do not recognise the relationship between essential private services and social exclusion and neighbourhood disadvantage.

As part of this integration of private sector services into the practice of urban regeneration, we would suggest the urgent need for both practitioners and policy makers at local and national levels to engage in a proactive, rather than reactive, way with service providers. First, this requires policy makers to be aware of the changing levels of service provision across the country. This means collecting data on levels of private service use in the same way as we collect data on other indicators of deprivation, such as ill-health, unemployment or household amenities.

Second, it means renegotiating the role of the private sector in regeneration. Currently, the role that the private sector is encouraged to play

in regeneration often amounts to little more than corporate imagery, while at the same time masking the fact that the private organisations supporting regeneration are often the very same ones that are contributing to urban degeneration in the first place. Local authorities, especially, should be actively engaged in dialogue with private service deliverers in their areas so they can foresee, address and possibly pre-empt service withdrawal.

If local authorities were to engage with the private service sector in this way they may not be faced with situations such as that in Benwell, whereby, at the height of regeneration activity and the building of a new shopping facility, an older, valuable and established one – the Presto supermarket – closed, seemingly without warning.

Private sector services and reform of welfare benefits

It is not within the scope of this study to discuss the adequacy of the welfare benefits system to provide financially for a satisfactory level of private sector service. However, it is worth commenting on a number of issues with relevance to welfare benefits which this study highlighted.

First, the reform of the welfare state and the move to self-provision – particularly of pensions, insurance and savings – via the private financial service sector is likely to pass many people by. It will do so, not simply because they cannot at this stage afford to contribute to private schemes, but because, even when they can, they will be ill-informed about, suspicious of, and poorly connected to a raft of private financial services.

Second, the level and standard of welfare benefits in Britain is determined in relation to average income, rather than average necessary expenditure. As seen in Chapter 5, those on a low income often need substantially more money to achieve the same level of private sector services as those on higher incomes. The recalculation of benefits such as Income Support to take account of what it actually costs to buy services under the marginalised conditions experienced by many of the interviewees in this study would make the benefits structure more realistic.

Finally, in relation to welfare benefits, there is a dichotomy between emphasising the importance of employment for all, and suggesting the growth of community self-help initiatives in addressing social exclusion. Such community initiatives are run, more often than not, by the unpaid labour of the unemployed people at whom training and employment initiatives are aimed. If community self-help is to be encouraged the work which supports it must be recognised and paid for. Notwithstanding the increase in service sector jobs in recent years, much of the current unemployment is a direct or indirect result of the streamlining of the private sector workforces in drives to increase profits. The resulting unemployed cannot be expected to deliver replacement community services for free.

Conclusions

This study has clearly demonstrated that restructuring trends in a range of private consumer services raise many questions for debates about social exclusion and area regeneration policy. These trends are unravelling key parts of the social and economic fabric of our poorest urban neighbourhoods. They are physically and technologically withdrawing essential services, or making access to those services more expensive or physically inconvenient for the people for whom, arguably, convenient access to these services is most needed: people with very low incomes, the most restricted mobility, the worst ill-health, and the most severe social problems. These problems are further compounded as the rest of Britain starts to assume that access the basic private services of our contemporary consumer society is ubiquitous.

The magnitude of interlinked exclusions in essential private services, we would argue, has not generally been realised by researchers in social exclusion or policy makers in area regeneration. Policy debates on service exclusion remain sector-specific and fragmented, addressing services in isolation, both from each other and from current social issues. Moreover, the quest for joined-up policies has focused solely on public policy. This needs to be expanded to incorporate a joined-up approach to all policy and practice which supports daily urban life. This is particularly true as more and more 'public' services are likely to be delivered via the private sector.

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Appendix: Profile of service use by interviewees

The tables listed here give a detailed breakdown of the level of service use by the interviewees in the two study areas.

Shopping

Table A1: Location of regular food shopping by the interviewees

	Local shops*	Local shopping centre†	Other district‡	City centre	Major supermarket
Benwell	2	11	6	1	0
Netherly	1	16	3	0	14

Notes: * Small independent corner shops; † Bell Vale shopping Centre in Netherly; Adelaide Terrace shopping centre in Benwell; ‡ Predominantly West Road for Benwell and Gateacre for Netherly.

Table A2: Frequency of shopping trips

	Once a week	2-3 times a week	4-5 times a week	More than 5 times a week
Benwell	1	8	8	3
Netherly	2	12	5	1

Table A3: Usual method of transport for food shopping

	Walking	Bus	Taxi	Car
Benwell	10	7	2	1
Netherly	5	6	7	2

Energy

Table A4: Energy payment method at point of interview

	Prepayment				Used emergency		Frequent payment		Quarter	Debt†
	Gas	Electricity	Both	Disconnected*	Gas	Electricity	Gas	Electricity		
Benwell	6	16	6	10	5	13	9	4	0	15
Netherly	9	12	3	12	3	11	7	6	2	17

Notes: * Indicates that interviewees had disconnected for a period of more than 12 hours; † Debt was defined as a debt which had lasted for more than three months or which had caused the interviewee to seek advice or which was the reason for them having a pre-payment meter installed.

Financial services and debt

Table A5: Banking facilities of interviewees

	No account	Dormant account*	Account – no cheque card	Account with cheque card	ATM card	Overdraft/ other credit†	Credit union
Benwell	6	11	2	1	1	0	4
Netherly	9	3	7	1	1	1‡	9

Notes: * Not used for over 12 months; † Other than would be covered by £50 cheque guarantee card – but card would be withdrawn if used; ‡ High street fashion store card – unmanageable debt.

Table A5: Borrowing and credit facilities

	Credit union	Provident etc	Unofficial borrowing*	Unofficial borrowing†	Mail order catalogue	Unmanageable debt
Benwell	4	7	11	5	15	11
Netherly	9	11	9	8	13	23

Notes: * Including from friends, family and neighbours; † Unofficial lenders/'loan sharks'.

Telecommunications

Table A7: Access to the telephone among the 40 interviewees

	Phone at home	Disconnected*	Incoming calls only	Public payphone within five minutes	Cable TV
Benwell	8	5	1	4	2
Netherly	11	2	1	6	3

Note: * Indicates has been disconnected during the last 12 months.