

## Private sector service withdrawal in disadvantaged neighbourhoods

Privatisation and restructuring have left less affluent neighbourhoods and social groups with only limited access to services which could be considered essential for full participation in contemporary society. A study, by the School of Architecture, Planning and Landscape at the University of Newcastle upon Tyne, looked at access to energy, telephones, banking and food retailing in two marginalised neighbourhoods. It found:

- f** In all the sectors investigated, there was evidence of service providers either physically withdrawing from the area or distancing themselves from customers there. This was the case even when major regeneration activities were underway.
- f** People interviewed made a strong connection between poor health and their restricted access to good quality, affordable food and difficulties heating homes properly.
- f** Few people had bank accounts; this had implications for basic budgeting and access to other financial services, such as affordable credit.
- f** Less than half the interviewees had a home telephone. Coupled with difficulties getting to public telephones, this caused problems in looking for work, contacting services (such as the GP) and maintaining important social contacts.
- f** While complete disconnection from services was uncommon, use of services, particularly energy, was very restricted. Households often experienced difficulties with a range of different services at the same time, compounding financial problems.
- f** Generally, the poorer the access to a service, the more it cost. The higher costs of using pre-payment meters, small food shops, public telephones or credit agencies, for example, exacerbated the difficulties of managing on a low income.
- f** There were very few alternative community services to replace the private businesses which had been withdrawn. Those there were, such as credit unions, met the needs of very few people.
- f** There was little dialogue between regeneration initiatives and the major service providers; regeneration programmes generally overlooked the direct link between health and access to a range of private sector services.
- f** The researchers conclude there is a role for regeneration initiatives in:
  - drawing private sector service providers back into areas or negotiating 'better deals' for specific neighbourhoods; and
  - encouraging private sector providers to support parallel community initiatives.

## Background

In recent years concern has been growing about people's access in disadvantaged neighbourhoods to financial services and fresh food and the relatively high costs people on very low incomes face ensuring they have an adequate energy supply. These services are delivered by private companies. However, the central thrust of most urban regeneration policy remains employment and training, physical regeneration and the delivery of public services such as education. Regeneration policies, whilst emphasising private sector involvement in urban regeneration, have largely ignored the delivery of private sector services.

The financial services, food retailing, telecommunications and utilities sectors are undergoing a period of rapid economic and technological restructuring, following broadly similar patterns of change. Since 1980, all Britain's major utilities have been privatised, changing from public services with a focus of universal service to private companies with an obligation to shareholder returns. Retail banking has also undergone major change, with over 25 per cent of local branches closing. Whilst affluent customers are being targeted with tele-banking and on-line banking, an estimated 1.5 million households have no account at all. Within the food retailing sector, over 70 per cent of all grocery shopping is now dominated by four major companies; their development of out-of-town supermarkets has resulted in the closure of many local neighbourhood shops.

At the same time, service providers are using technological advances to precisely target more affluent customers with new products. High-risk, low-profit customers are not offered the same opportunities. These changes and the diversification across service sectors have given rise to a number of major problems, and have left many households with restricted access to a range of essential private services.

## The major problems

The research identified a range of difficulties associated with accessing private sector services.

### *Energy*

Twenty-eight of the 40 households interviewed had an electricity pre-payment meter and 15 had one for gas. Twenty-two of the households had 'self-disconnected' in the previous 12 months (ie they had not credited their pre-payment meters and were thus unable to connect to the energy supply for 12 hours or more). Those on pre-payment meters reported difficulties in keeping their homes warm enough to prevent damp and condensation, resulting in health problems. Older people were especially affected.

"It's so cold and the damp, well it's condensation ... the wet running down the walls. It doesn't do for [husband's] chest. He's meant to keep warm and I know it's making him worse."

Energy paid for by pre-payment meter was more expensive than that paid for by any other means, especially by direct debit. Furthermore, it often incurred additional costs in bus fares, to get to a place where credit could be bought, causing even greater strain on low incomes.

"I mean you have to pay £2 odd [in bus fares] just to get and put a fiver on your meter..."

In neither area was the local authority involved in negotiating with energy suppliers nor were they service providers themselves.

"I'll turn the heating off if it's [prepayment meter] looking low and get the duvets off the bed and me and [son] get in them on the sofa ... if I've not got the heating on, the leccy will last for the telly for the little lad."

### *Food retailing*

Both areas had suffered a massive closure of local retail shops. Without the use of a car, shopping trips were both problematic and expensive. Only 14 of the 40 households interviewed could use a supermarket for their regular shopping and only one went to the city centre. The rest were restricted to using the remaining local shopping areas and smaller local shops. With heavy bags to carry, people had to make frequent shopping trips. In these locations, food was more expensive and range and quality were limited.

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

In one area, the regeneration programme included the building of a new shopping centre. However, lack of dialogue between regeneration initiatives and service providers meant that, at the same time, a local supermarket closed virtually without warning.

### *Telephones*

The telephone connection rate in the areas was lower than the national average (around 92 per cent of the population) and only 19 of the 40 households interviewed had a working domestic telephone. There were few public phones in the areas and, although these were generally in working order, they were often not in the main residential areas and could be several minutes walk away. As more organisations conduct their business via telephone support lines, poor access to a telephone made communications with a range of agencies difficult. Unemployed interviewees said they found job hunting more difficult without a phone. The lack of a domestic or public phone left people feeling more isolated and unable to maintain support networks.

"... could just have a bit natter with my Mam of an evening like, when the bairn's asleep. Get right down,

Table 1: Comparative costs of services

	Direct debit	Pre-payment meter	Supermarket	Local shops	Bank overdraft 12 months	Licensed moneylender
Medium annual gas consumption*	£278.08	£333.43				
20 item food basket			£17.88	£29.11**		
Washing machine, cash price £279.99					£324.80***	£470.00

## Notes

\* Equivalent to 650 therms a year; \*\* Only 17 of the 20 items were available from local shops; \*\*\* Approximate, based on APR of 16% over 12 months

crazy – the doctor said to get out a bit... It'd help just to have a bit of a natter."

New 'electronic' information sources and services, such as the Internet, were beyond the reach of those without telephones. The high cost of pre-pay, no contract mobile phones made them too expensive an alternative to domestic or pay phones.

### Retail banking

Only two of the households interviewed had bank accounts with facilities such as cheque guarantee cards and only one had an overdraft facility. The rest either had no account or accounts without chequebooks, cards or other facilities. People expressed a need for flexible credit and money management facilities, such as direct debits. Those who had had bank accounts in the past often commented that bank charges and interest rates had caused further financial problems. Only 13 interviewees were members of a credit union. This was primarily because the service credit unions provide is limited to small loans, only available after a period of saving. Few people had money to save, and loans were often needed urgently.

All bank and building society branches in the areas had been closed. Only one area had a cash-point machine, which was not available out of normal shop hours. In the other area, the regeneration team had not succeeded in getting a cash-point machine installed in the new shopping centre which is central to the regeneration of the area. People felt themselves abandoned by retail banking.

"Don't know why they shut [building society] up ... there was always a queue. They can't say it was never busy."

For those without bank accounts credit was difficult to get and expensive. Despite a high level of informal borrowing and debt in the two areas, the credit unions were struggling to provide a suitable service and were in need of greater support from regeneration initiatives, such as funding for staff, training or expansion programmes, or access to suitable and affordable offices.

### Increased costs and compound effects

The study found that the poorer the access to a service, the more it cost. Table 1 shows the relative costs of food shopping, credit and energy for those with and without access to a supermarket and flexible credit and direct debits through a bank account.

Taken separately, difficulties with these individual sectors had a major effect on interviewees' ability to manage their daily lives. However, the study found that people generally experienced difficulty accessing a number of services. Thus, some were paying higher tariffs for energy, credit and telephone calls as well as being restricted to more expensive local shops.

Moreover, private sector services have become so interlinked that exclusion from one had repercussions on access to others. For example, those without bank accounts could not benefit from discounts for paying energy by direct debit.

### The response of regeneration initiatives

Despite the emphasis on partnerships and private involvement in regeneration policy, the study found a lack of dialogue between local authorities, regeneration agencies and private sector organisations in the two study areas.

There were few alternative initiatives in place to fill the gap left by the withdrawal of private services. Some, such as a community shop, had failed for a number of reasons, including lack of funding. Those initiatives which did exist, such as credit unions or Local Exchanges and Trading Systems, were small-scale. In their current form, and largely reliant on voluntary workers, they were unable to offer a wide-ranging enough service. Not only did they not reach enough people but their services were not always the most useful. For example, the credit union could not be used to receive wages from an employer or for the direct debit payment of bills, two of the services most interviewees said they needed.

In some cases, new private services had evolved to fill the gap left by traditional ones. These services, such as cheque cashing agencies or shops and agencies specialising in credit for customers with poor credit ratings, charged extremely high interest

rates. Many of the interviewees, however, had resorted to using them. This made credit very expensive and often resulted in unmanageable debt.

### Conclusion

This study highlights the link between private sector services and people's ability to maintain a healthy lifestyle and home, access employment, care for a family and manage on a low income.

However, despite emphasising 'joined-up' thinking in the delivery of public and especially social services, most area regeneration policies have overlooked the importance of private sector services, focusing on two central issues of employment and physical regeneration. Unless the importance of non-statutory services for area regeneration is recognised, some areas are in danger of losing vital lifelines:

"[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..."

They are also in danger of being further left behind as services are increasingly accessed 'electronically'.

However, there are signs that some private organisations are beginning to put something back into the community in a meaningful way. The food retailer Mace has begun working with community organisations to develop community shops in some marginalised neighbourhoods. National Westminster Bank is helping to develop behind-the-scenes technology infrastructure to support credit unions. Regulatory and policy initiatives, such as the energy regulator's investigation into fuel poverty and the Social Exclusion Unit's examination of 'food deserts', may also address some of these issues.

The researchers conclude that there is a need for:

- a greater recognition within regeneration policy of the importance of private sector services in the process of area decline and of the likely compound effects on residents;
- an improved dialogue between area regeneration teams and private sector service providers. Regeneration initiatives could then 'negotiate' with the private sector to deliver services in the area;
- increased support from both government and private enterprise if community services are to successfully fill the gaps left by private services. Where private sector services are reluctant to reopen services themselves, they could support community services. Regeneration programmes have a role to play in bringing the two sides

together, as well as supporting and training community services themselves.

### About the study

The research involved over 40 household interviews and a number of focus groups in Benwell in Newcastle upon Tyne and Netherly Valley in Liverpool. It also engaged with both private sector organisations and regeneration partnerships in the two areas.

### How to get further information

The full report, **Service not included: Social implications of private sector service restructuring in marginalised neighbourhoods** by Suzanne Speak and Dr Steve Graham, is published for the Foundation by The Policy Press (ISBN 1 86134 222 5, price £10.95).

The following *Findings* look at related issues:

- **Local initiatives in property repair and maintenance**, Feb 98 (Ref: 238)
- **Access to home contents insurance for low-income households**, Mar 98 (Ref: 348)
- **Attracting private finance into urban regeneration**, May 98 (Ref: 558)
- **The role of mutual aid and self help in combating exclusion**, Sept 98 (Ref: 928)
- **Community reinvestment in the UK**, Nov 98 (Ref: N38)
- **Food projects and how they work**, Mar 99 (Ref: 329)
- **Understanding and combating 'financial exclusion'**, Mar 99 (Ref: 369)
- **Getting employers involved in urban regeneration**, Aug 99 (Ref: 839)
- **Harnessing self-help to combat social exclusion**, Aug 99 (Ref: 859)
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