

MAXIMISING THE LOCAL IMPACT OF ANCHOR INSTITUTIONS: A CASE STUDY OF LEEDS CITY REGION

Anchor organisations (anchors) such as local authorities, hospitals, universities, housing associations and large private sector organisations can play an important role in supporting growth and reducing poverty locally. Through their employment and procurement practices they can directly deliver more inclusive growth and they can also be examples of good practice to inspire other local organisations to act, helping set the tone for the local economy.

Key points

- Anchors make a significant contribution to the local economy through the large number of people they employ, the money they spend procuring goods and services, their investment in real estate and their contribution to the strategic development of an area.
- Anchors exert considerable influence on the local economy in their own right but it is through collaboration and collective action that their impact can become transformational. Leadership is a key factor in unlocking this potential.
- By developing a better understanding of the effects of their organisational spend, anchors can look to increase their impact on the local economy, establishing targets for redirecting spend locally, adapting procurement processes and developing capacity within local supply chains.
- Anchors can review existing employment and recruitment practices with a particular focus on understanding and meeting the needs and aspirations of the lowest paid. The real challenge lies with influencing employment practices within their supply chains; 'good jobs' can be embedded within procurement and commissioning frameworks.
- Local authorities have a key role to play in catalysing and coordinating collaborative anchor activity, making the most of their convening role and enabling other anchors to champion inclusive growth locally.
- A collaborative anchors programme, combining a range of procurement and employment activities, has the potential to deliver a transformational local impact and can form a key pillar of a wider city-level strategy to deliver inclusive growth.

The research

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BACKGROUND

Cities have a lead role to play in delivering more inclusive growth and reducing poverty locally. The largest employers and institutions have the opportunity to do more to contribute directly to achieving these goals and can also help set the tone of good practice to inspire other local organisations to act.

Working with a cross section of 12 anchor institutions within the Leeds City Region, this study sought to share learning and catalyse action in individual organisations, supporting development of a more collaborative approach across anchors – an anchors programme.

What are anchor institutions?

The anchors concept is a way of thinking about the role large organisations rooted in a particular place can play in the development of their local communities and economies. For some time, hospitals and educational institutions have been recognised as anchors in the United States (US) with the power of 'Eds and Meds' forming a key element of local economic development strategies in several US cities. This has been extended to include a variety of other organisations including local authorities, sports clubs and major companies and been adopted across a range of countries.

Evidence suggests that anchors can realise wider social and economic benefits across employment, procurement of goods and services, real estate and community development.

This study considered the scope of anchor activity at the city regional level but more localised approaches may be appropriate, depending on what spatial scale anchors identify with. Anchors exist in all sectors and in all parts of the economy. In the Leeds City Region (LCR), public and third sector anchors alone employ more than 200,000 people and control budgets in excess of £11bn.

The context for different anchors

Different types of anchors have different organisational objectives and policy drivers which align to a greater or lesser extent with promoting a more inclusive local economy. Local authorities, for example, have a very clear connection to an inclusive growth agenda with their emphasis on reducing demands on their services and promoting a vibrant local economy. In the health sector, the influential Marmot Review of health inequalities in England placed good jobs at the heart of the agenda (Marmot, 2010). This provides a strong incentive to support inclusive growth as a preventive action to reduce health inequalities. For universities, policy drivers have been encouraging the sector to support innovation and economic development for a number of years, as well as widening participation and social mobility agendas. The connection to local poverty reduction and economic inclusion is arguably less clear cut, although this varies across universities, with some placing greater emphasis on a 'civic' role through their corporate social responsibility agenda.

The commitment of other anchor institutions, such as major local private sector employers, to championing more inclusive growth will also vary. The extent to which they believe that stronger local supply chains and a more skilled local talent pool makes 'good business sense', or that reducing poverty and improving the quality of life in their communities is simply the right thing to do, may depend on leadership and culture.

Collaboration across anchors

Evidence shows that successful anchor interventions require leadership, commitment and sustained effort over a considerable period of time. While leaders within anchor organisations can bring about change through championing the agenda within their own organisation, developing a collaborative anchor programme can have a potentially transformative impact on the local economy.

The challenge is in catalysing and co-ordinating collaboration across large and complex organisations with contrasting cultures, motivations and opportunities. Within the UK context it seems clear that local government has a critical role to play in convening and enabling other anchors to champion inclusive growth locally.

Using procurement to promote inclusive growth

Whilst there are a number of strategic areas in which anchors can work, there is a growing recognition that procurement can be one of the best ways of promoting inclusive growth and alleviating poverty. This can include the adoption of a systematic, collaborative approach to increase the amount of money circulating in a local economy and supporting the development of local supply chains. Anchors already do this to varying degrees, however in order to maximise anchor contribution to the city region there is a need to collaborate to understand organisational spend, what impact it has and how supply chains are contributing to inclusive growth.

Within LCR, 10 of the anchors participating in our action research identified that they collectively spend about £1.4bn procuring goods and services in a given year. They already spend at least £735m in the city region, although nearly 50p in every pound leaks out of the local economy. Whilst some anchors with a strong local remit spend well over 50% in the city-region economy, others spend a much lower proportion. If these 10 anchors could shift 10% of their total spending to suppliers in the LCR this could be worth up to £168-£196m each year when multipliers are factored in to reflect the circulation of money in the local economy.

Jobs in anchors and their supply chains

The availability of good jobs lies at the heart of inclusive economic growth and the alleviation of poverty. Whilst there are differing views on the precise nature of a good job, there is some consensus that it includes a combination of fair reward, fringe benefits, security, opportunities for progression and worker engagement that together contribute positively to overall job satisfaction, productivity and worker wellbeing.

Anchors provide a huge range of employment and career opportunities for local people. Just three anchors in this study – a local council, hospital and university – collectively employ 27,000 workers, the vast majority of whom live and work in the LCR. Together they spend more than £817m on annual payroll and the disposable income that this generates makes a major contribution to the demand for goods and services in the LCR economy.

The anchors participating in our study regarded themselves as *good employers* in the local economy with many of their organisational policies contributing to good jobs. They generally pay their core workforce at entry level a premium above the National Living Wage, (the vast majority of workers are paid above the voluntary higher Living Wage) and offer relatively generous employee fringe benefit packages.

However, this assessment of entry-level work may overstate a reality for low-paid workers and, in particular, for those employees indirectly employed by anchor institutions through procurement contracts such as catering and cleaning staff. For more than a decade procurement has been used in some sectors to create jobs, apprenticeships and training opportunities. Whilst there are pockets of good practice, most anchors have not established specific policies to realise good employment outcomes through the commissioning and procurement of goods and services. Each of the three anchors has the achievement of wider social and economic impact written into their values, strategies and objectives and these influence procurement and employment to varying degrees. However, achieving wider social impact may be undermined by other priorities, not least efficiency considerations and drivers to cut costs. Anchor leaders, HRM and procurement professionals and others face difficult choices reconciling these social and economic objectives.

Developing a commissioning and procurement framework for raising job quality in supply chains represents a key challenge and opportunity for anchors in promoting more inclusive growth. This framework needs to be multi-dimensional, covering the different aspects of 'good jobs' including: pay, benefits and rewards packages; skills and development; safety and security; and engagement.

Conclusions

Anchors can play an important role in promoting and achieving more inclusive local economies. Collaboration will require leadership from the top and buy-in throughout organisations. New relationships will need to be developed, built around shared goals, transparency and information sharing. It will also require innovation and change in existing cultures and practices. In the UK context, it seems likely that local government has a pivotal role to play in catalysing other anchors.

Developing an anchors programme could be based around these core activities:

- *Strengthening local supply chains* – to improve the capability of local organisations (particularly smaller ones) to bid for contracts and strengthen networks through initiatives such as collaborative ‘meet the buyer events’.
- *Local procurement* – understand organisational spend, what impact it has and how supply chains are contributing to inclusive growth. Establishing ambitious targets and a timetable for redirecting spend to competitive local suppliers alongside organising procurement processes and contracts to enable smaller, local organisations to bid.
- *Social procurement* – adopt ‘good jobs’ into procurement and commissioning frameworks, sending collective market signals relating to the importance of good work.
- *Fair pay and quality jobs* – review existing employment practices with a particular focus on understanding and meeting the needs and aspirations of the lowest paid.
- *Inclusive opportunities* – target employment opportunities with anchors towards those at risk of exclusion from, or new entrants to, the labour market.
- *Place shaping* – invest in real estate renewal and community development in deprived areas.

Designing and delivering these combined activities through a collaborative and co-ordinated anchors programme has the potential to deliver a transformational local impact. This should form a key pillar of a wider city-level strategy to deliver inclusive growth.

About the project

The research was undertaken by David Devins, Jeff Gold, George Boak, Robert Garvey and Paul Willis from Leeds Beckett University and York St John University, working with 12 anchor institutions from the Leeds City Region.

FOR FURTHER INFORMATION

The full report, **Maximising the local impact of anchor institutions: a case study of Leeds City Region** by David Devins, Jeff Gold, George Boak, Robert Garvey and Paul Willis is available as a free download at www.jrf.org.uk.

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