

CITIES, THE SOCIAL ECONOMY AND INCLUSIVE GROWTH

This research examined the actual and potential roles of the social economy in bringing about inclusive growth that generates more and better jobs in UK cities, particularly for people who are either in - or at risk of - poverty.

Key points

- The social economy constitutes a range of organisations that have a core social mission, different levels of participative and democratic control by members, and use financial surpluses or profits primarily to achieve their social missions. These include social and community enterprise; voluntary and community sector organisations; housing associations; co-operatives and mutuals; informal self-help initiatives; social finance and support providers; and alternative business models.
- The social economy accounts for about 6.5% of European employment. In some countries, such as Sweden, Belgium, Italy, France and the Netherlands, it accounts for between 9% and 11.2%. In the UK, the contribution to employment is relatively low at 5.6%, mostly from the voluntary and community sector (82%). Yet, these data are likely to underestimate the true size of the social economy.
- Relative to comparable countries in Europe, the UK appears to have a strong voluntary and community sector and a growing social enterprise sector, but fewer organisations with alternative governance models, such as co-operatives, or employee-owned businesses.
- There are three broad clusters of activity whereby the social economy has been shown to promote inclusive growth: (1) Creating jobs, strengthening skills and employability; (2) Building diversified local economies; (3) Contributing to wider economic and institutional transformation.
- Successful social economy development often arises from an enabling context, or social economy 'ecosystem' of various elements of support provision and a high level of collaboration between actors, both within the social economy and the public and private sectors.

BACKGROUND

Our evidence review identified three broad clusters of activity whereby social economy organisations (SEOs) have been shown to promote inclusive growth:

- **Creating jobs, strengthening skills and employability**
 - Providing employability support services and/or direct job creation for the disadvantaged;
 - Creating ‘decent jobs’ within SEOs; and
 - Developing other employment-related support – such as affordable childcare.
- **Building diversified local economies**
 - Contributing to entrepreneurship and innovation;
 - Brokering economic opportunities – including with private and public sector actors;
 - Building social capital and contributing to community wellbeing; and
 - Stimulating local consumption.
- **Contributing to wider economic and institutional transformation**
 - Supporting the creation of a more resilient economy with increased job security;
 - Influencing how all businesses could or should work as part of a more inclusive economy; and
 - Promoting the wider uptake of ‘values-led’ innovation and influencing policy agendas at national as well as city-region levels.

SEOs face challenges too. Some, particularly in certain sectors or local areas, may struggle to provide decent pay, good promotion prospects and secure employment.

Developing a social economy ecosystem

The review of international practice shows that successful social economy development often arises from an enabling context, or social economy ‘ecosystem’. Such an ecosystem is characterised by the joining up of various elements of support provision and a high level of collaboration between actors, both within the social economy and the public and private sectors. Core elements include:

- **Framing, leadership and governance** – how the social economy is understood and legitimised, is incorporated into government legislation and policy, and championed by influential actors such as mayors.
- **Networks and collaboration** – includes links between SEOs and also relationships between SEOs and private and public sector organisations.
- **Innovation and knowledge sharing** – to address complex problems by joining up the understanding and ideas of different actors.
- **Public procurement** – from public and private sectors strengthens capacity and contributes directly to inclusive economic development.
- **Infrastructure** – provides business support, finance and premises.

The ecosystem approach focuses on mutually reinforcing links between support mechanisms, policy networks, institutions and collaborations. These city ecosystems are part of national ecosystems which, depending on how well they function, can both enable and constrain city-level activity.

Analysis of current policy and practice identified areas where UK cities appear to lag behind some of the international city cases, alongside examples of good practice and future potential. Some of the limitations identified may, in part, be due to the centralised nature of UK political decision making relative to other international city contexts, as well as fragmentation and lack of collaboration within the social economy. However, the devolution of economic and social policy to cities opens up new opportunities for the social economy and for more mainstream engagement and collaboration at city level.

Recommendations for developing the social economy

UK cities can better engage the social economy as part of strategies and actions to create inclusive growth in the following ways:

Mapping the social economy and its ecosystems

- City governments should work together with SEOs to map the diversity of social economy activity, and better understand and quantify contributions to inclusive growth – including less formal economic and community activity – within their city regions.
- This mapping could include the ecosystem of current support, network interactions, and intermediaries, in order to better identify and fill gaps.
- SEOs themselves need to consider, understand and evidence how and whether they create decent jobs, contribute to thriving local economies, and impact on inclusive growth.

Framing, leadership and governance

- SEOs should consider creating social economy forums at city/city region level to pool resources and create more opportunities for learning and collaboration. This would provide a basis for more coherent interaction with government and other key actors, including from the private sector and universities.
- City governments need to recognise and champion social economy involvement as a key part of creating fairer and inclusive city economies within their strategic economic plans and related policies.
- City economic development departments and local economic strategy bodies (such as LEPs or City Deals) should incorporate social economy representatives within boards and decision-making groups.

Networks and collaboration

- SEO representatives and business intermediaries could lead in encouraging cross-sector collaborations and networks for knowledge sharing and action around priority challenges, such as childcare, engaging with business, government, universities and trades unions.
- City governments could support local community anchor SEOs – such as housing associations or community businesses – to catalyse collaboration across the social economy, private and public sectors to improve jobs and enterprise in deprived local areas.
- Social economy intermediaries within and across cities could exchange good practice and ideas to increase their impact and share resources. This might include the use of technology, collaborative economy approaches, or larger established SEOs supporting smaller SEOs and start-ups.

Innovation and knowledge sharing

- International case studies suggest that SEOs should explore a range of innovative models to encourage innovation, learning and start-up activity.
- Where these relationships do not currently exist, SEOs should consider working more closely with local universities and other sources of relevant knowledge. Local universities can also use their position as anchor organisations to encourage and support SEOs through their procurement activity.

Procurement and public assets

- Public procurement opportunities could further enable the engagement of added-value SEO delivery. This would include more pre-contract strategic engagement to facilitate greater understanding of the multiple impacts of SEOs so they can better contribute to and benefit from the Public Services (Social Value) Act 2012.
- City governments could also learn from international examples of the strategic use of public procurement to develop new SEOs and support local economies, particularly in localities with few decent jobs.
- Procurement opportunities arising from City Deal investments do not appear to be engaging SEOs. Reviewing Community Benefit policy and implementation of the Social Value Act to enable SEOs to have increased access should be considered by city authorities.

- Consideration also needs to be given to the creation of more platforms and mechanisms to enable SEOs to become part of private sector and SEO supply chains.
- City governments should adopt a more strategic approach to the use and ownership of their physical assets. They should work together with the social economy, private sector and finance providers to maximise the scale and range of impacts that can be created.

Social economy infrastructure – business support, finance and premises

- Social economy representatives should map available financial and business support to identify gaps, enable improved access, and encourage more collaborative activities.
- International case studies show the importance of incubators for the development of SEO start-ups. Existing UK SEO incubator models could learn from good practice internationally, for example, distributed models of networked incubation, or those with a specific focus such as the creative industries.
- We suggest that city authorities, the private sector and social economy actors work together to find ways to identify and enable access to appropriate premises at affordable rates, or create bespoke workspaces.

Conclusion

The evidence review identified how the social economy can promote inclusive growth through job creation, strengthening skills and employability; building diversified local economies; and contributing to wider economic and institutional transformation. Challenges to this could be overcome through recognition, leadership and support by city authorities, and increased collaboration between SEOs and other economic actors.

The review of international practice shows that developing an enabling context, or a social economy 'ecosystem', is important. This involves joining up of various elements of support provision and a high level of collaboration between various actors. Moreover, the research identified five themes of importance: framing, leadership and governance; networking and collaboration; innovation and knowledge sharing; procurement as a key lever; and infrastructure provision.

About the research

The study and its recommendations are based on a review of the international academic and policy literature, and case study examples of social economy development in international and UK city regions. It is also informed by roundtable discussions held with stakeholders and experts in Cardiff, Glasgow and Sheffield.

FOR FURTHER INFORMATION

The full report, **Cities, the social economy and inclusive growth** by a team at Middlesex University and The Open University is available as a free download at www.jrf.org.uk

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