

# Community economic development: Localisation, the key to a resilient and inclusive local economy?

Local Economy

28(7–8) 927–931

© The Author(s) 2013

Reprints and permissions:

sagepub.co.uk/journalsPermissions.nav

DOI: 10.1177/0269094213500912

lec.sagepub.com



**Karen Leach**

Localise West Midlands, UK

## Abstract

Localise West Midlands has conducted research examining the assumption that a more localised economy, in which more people have a stake, redistributes economic power and resilience, thereby reducing disconnection and inequality. It argues that such economies, characterised as having higher levels of small businesses and local ownership, perform better across a range of economic and other domains (especially in disadvantaged and peripheral areas) than economies more dependent on centralised economic actors and in particular on what can be termed 'absentee landlords'. Case studies of successful locally owned businesses, particularly in the food and building retrofit sectors, show the commitment of many bosses to supporting their workforce and their local communities and, either directly or as a by-product, tackling social exclusion. The case study of the proposed relocation of Birmingham wholesale market to a peripheral city area poses the question of whether, if the markets move, the central site – under the control of an absentee landlord seeking high returns – can provide similar local multiplier or socio-economic benefits. The work suggests that the notions of localism that underpin current government economic development policy can only succeed if they are closely connected with a decentralisation of capital and power held within the economy.

## Keywords

community economic development, community empowerment, local business, localism

## Introduction

Localise West Midlands (LWM), thanks to a small grant from the Barrow Cadbury Trust, has recently been researching the assumption that in a more localised economy more people have a stake, which redistributes economic power and resilience,

reducing disconnection and inequality. The research reviewed the existing literature evidence around the social and redistributive

---

### Corresponding author:

Karen Leach, Localise West Midlands, The Warehouse, 54–57 Allison Street, Digbeth, Birmingham, B5 5TH, UK.

Email: karen@localisewestmidlands.org.uk

benefits of localised economies and used case studies to explore how localised and community economic development can be integrated into the mainstream to help create more successful, socially just and diverse places (Localise West Midlands, 2013a). Completed in January this year, the project, known as Mainstreaming Community Economic Development, has since been triggering dialogue with local authorities, civil servants and academics. It has lessons for local economic development policy as it highlights how the relationship between private sector and community needs to operate in the task of building resilient *local* economies (Townsend, 2012). It challenges the concept of *localism* underpinning the Coalition Government's approach to economic development as embodied in the Local Enterprise Partnerships (LEPs) (Bentley and Pugal, 2013).

### Localised economies are more inclusive

In one of the first literature reviews to collate evidence around the socio-economic benefits of economic localisation strategies, evidence on the benefits of building localised economies in comparison to more centralised economic approaches was looked at in terms of social and economic inclusion, income redistribution, and local distinctiveness and diversity. It showed that there is nothing new about localised economic approaches or writings about the social benefits of localised economies. It might be reasonable to assume that an overview of relevant existing analysis would provide a ready framework for primary work on 'mainstreaming'. In fact, the review found little direct assessment of different scalar economic approaches.

Notwithstanding gaps in the research, the literature review identified significant evidence that local economies with higher levels of small businesses and local

ownership perform better in terms of economic success, job creation (especially in disadvantaged and peripheral areas), local multiplier effect, social inclusion, income redistribution, health, well-being and civic engagement, than economies more dependent on centralised economic actors. Such economies also support local distinctiveness and diversity, which can be seen as being advantageous because these factors contribute to economic resilience, to economic options which suit a diversity of people, sense of place and belonging, area quality, and added interest and richness of experience.

### Absentee landlords

It was found that a local economy largely controlled by absentee landlords – distant private and public sector controllers with little understanding of the local area – is a recipe for economic failure. Locally inappropriate decisions and 'footloose' businesses leaving the area for better economic conditions seem to combine to weaken local businesses and create a self-reinforcing cycle of decline and exclusion.

In the reverse, virtuous circle, a higher proportion of locally based business owners involved in decision making and locally based businesses are more likely to adapt to local needs than to move. Employment may be more accessible; there are more opportunities for more sections of the community to have a stake in the local economy, through peer experience, through the wider distribution of owners and managers, or more formally through co-operatives; and the overall increase in civic welfare reduces disadvantage in a way that overall 'growth' per se often fails to do. Other benefits come from the overt social inclusion agendas of many social enterprises, and from private sector managers who understand the business case for developing a strong locally linked economy

around them, and even a socially inclusive one.

These findings in themselves were one of the strongest outcomes of the work, providing an evidence base for an economic rebalancing towards indigenous activity and a basis for further research exploration.

### **Definitions of community economic development**

The definition of the term ‘community economic development’ (CED) used in the project was constructed from a combination of local economy concepts. In the UK, CED is often taken to mean simply social enterprise activity; in other parts of the world it is a more developed and strategic concept, as exemplified by a definition from the Canadian Community Economic Development Network (Canadian CED Network, 2013). Adapted, this formed the basis the definition of CED, as ‘economic development led by the community and based on local knowledge and action, with the aim of creating economic opportunities and better social conditions locally’ used in the study. The decision was made to include in this not only voluntary sector initiatives with social objectives, but also private sector activity that is locally controlled and based, where the community’s participation is as owners, investors, purchasers and networkers. Case studies reflected these different types.

While this started as a working definition, it was concluded that the bringing together of these concepts was helpful in itself. To truly fulfil economic justice potential means utilising the beneficial parts of the ‘normal’, non-altruistic private sector economy rather than relying on the types of publicly or charitably funded sideline strategies that are used to ‘solve disadvantage’. With some relatively small policy and practice changes, maximising *local* and redistributive benefit could become a normal consideration in all economic

decision making, with locally and redistributively beneficial parts of the economy identified and supported through the subsidies, tax mechanisms, planning processes and support structures already in place.

### **Case studies of localised economies**

The case studies of successful locally owned businesses in the food and building retrofit sectors demonstrated a high level of commitment of those bosses to supporting their workforce and their local communities and, either directly or as a by-product, tackling social exclusion. They saw this as good business sense – it got them trust, support and commitment from their workforce, their customers and their suppliers; but they also fundamentally saw themselves as part of that community, and the wider health of their community impacted on their personal lives and their business success. The most rapidly growing firms also networked widely with other businesses, councils and other local agencies. They worked with their suppliers and customers to get the right products and services for their customers. They also worked cooperatively with their business competitors (if they could build the trust) to help develop markets and make joint bids for work. This, along with the more obvious factors of local multiplier and decentralised ownership of capital, starts to explain how localised economies can be far more effective in creating innovation, success and redistribution in a self-reinforcing cycle. It highlights the locally controlled private sector’s role in building a more just economy in striking contrast to that of the absentee landlords.

Another case study was Birmingham’s wholesale markets. These are currently threatened by the dominant business agenda with removal from their central site to one at the city’s edge to free up this prime site for redevelopment (Localise West

Midlands, 2013b). The markets have an aggregate turnover of £275m, with 73 trading operations (all but two are locally owned) employing 1100 people. Supplying the city's independent food businesses, they support around 15,000 jobs in the wider local economy, employment of disadvantaged people, remarkable cultural and social diversity, and affordable and accessible fresh food, particularly through the adjacent retail markets. This raised a number of key questions underpinning the notion of localised economies. If the markets move, will this central site – under the control of an absentee landlord seeking high returns – provide a similar local multiplier or socio-economic benefits? Can the wholesale markets continue providing all these benefits if relocated to the city's outskirts? What methodologies allow the comparison of the real impacts of such options? What would be the view of Birmingham's locally based businesses and their customers and investors on this, and how audible are their voices in the process?

One theme emerging from this and other parts of the research was how healthy economic development resembles an ecosystem, in which taking out a link in the chain – for example, through little attention to development impacts – can have a catastrophic effect in the system as a whole. It is hoped that the wholesale markets move does not provide an example of this in practice.

### **Mainstreaming and scaling up localisation**

Informed by the case studies and the literature, proposals were set out for a strategic approach locally and nationally centred on local supply and demand chains, participation and control. Figure 1 sets out the elements of a strategic CED approach at local level. This includes how to maximise the local benefits of inward investment, which beyond immediate and headline-creating new jobs can prove to bring little net increase of jobs or area uplift. Such firms

- Focus economic development on relationships, partnerships and networks, the strategic importance of the collective small scale; maximise local power rather than that of absentee landlords
- Involve public, private and voluntary sectors in creating a shared long-term local economic vision with socio-economic objectives
- Identify local individuals with a commitment to the local economy and social inclusion, and locally-based businesses including SMEs and those operating in deprived areas, and give them a significant role in economic decision-making. Amass and share good market intelligence
- Identify priorities based on seeing the economy as an ecosystem which needs a balance of sectors, business types and functioning networks; create and strengthen organisations which help develop supply and demand chains and horizontal social capital
- Use planning, regeneration, funding and support services in locally responsive ways; assess regeneration proposals for their impacts on existing supply networks
- Identify and pursue the specific conditions needed for inward investment to bring long-term local benefits
- Form close ties between economic development and public procurement to achieve more within limited budgets
- Seek decentralised and locally responsive finance accessible by local and small businesses
- Find ways of measuring and evidencing the socio-economic benefit without creating undue burdens for the SMEs and other organisations it seeks to support. Using local business success as a proxy objective is inadequate to achieve social goals

**Figure 1.** A strategic CED approach at local level.

need to be able to integrate well with local supply and demand chains and to form longer-lasting ties with the area.

While much can be done locally, to enable CED to scale up requires national change to decentralise economic and governmental power and make changes around policy, support services, subsidies, tax, competition, banking, infrastructure and measures of success, creating a level playing field for indigenous economic activity. Towards the end of the research, Heseltine's *No Stone Unturned* report was published (Heseltine, 2012). Some of the Heseltine agenda resonates with the findings of LWM's research – an emphasis on localism and on locally tailored business support services, for example – but with little attention given to addressing socio-economic outcomes such as an absence of social inclusion objectives or champions, a pro-growth agenda that does not discriminate on the spectrum of what constitutes locally beneficial business, and potential domination of decision processes by absentee landlords rather than locally committed businesses and communities. By contrast, the Mainstreaming CED approach is inherently pro-business, but also responds to public concerns over the concentrations of wealth and power that created the 2008 Crash, and so could be politically as well as practically helpful in progressing from this towards a more inclusive economy. It points to contradictions in the Coalition Government's conceptualisations of localism in relation to community empowerment and of local economic success as embodied in the geography and structure of LEPs (Bentley and Pugalís, 2013).

The full Mainstreaming CED report can be found at: [http://www.localisewestmidlands.org.uk/mainstreaming\\_CED](http://www.localisewestmidlands.org.uk/mainstreaming_CED).

## References

- Bentley G and Pugalís L (2013) New directions in economic development: Localist policy discourses and the Localism Act. *Local Economy* 28(3): 257–274.
- Canadian CED Network (2013) *What is CED? Creating Vibrant, Resilient and Sustainable Local Economies*. Available at: [http://cced-net-rcdec.ca/en/what\\_is\\_ced](http://cced-net-rcdec.ca/en/what_is_ced) (accessed 9 July 2013).
- Heseltine M (2012) *No Stone Unturned: In Pursuit of Growth*. London: The Stationery Office. Available at: <https://www.gov.uk/government/publications/no-stone-untuned-in-pursuit-of-growth> (accessed 9 July 2013).
- Localise West Midlands (2013a) *Mainstreaming Economic Development for Inclusiveness, Diversity and Equality. Literature Review*. Available at: <http://localisewestmidlands.org.uk/wp-content/uploads/MCED-literature-review-final-Jan-2013.pdf> (accessed 9 July 2013).
- Localise West Midlands (2013b) *Birmingham's Wholesale Market: A Partnership of Inclusive Local Enterprise*. Available at: <http://localisewestmidlands.org.uk/2013/birminghams-wholesale-markets-a-partnership-of-inclusive-local-enterprise/> (accessed 9 July 2013).
- Townsend AR (2012) The functionality of LEPs: Are they based on travel to work? In: Ward M and Hardy S (eds) *Changing Gear: Is Localism the New Regionalism?* London: Smith Institute and Regional Studies Association, pp. 35–44.