Community Capacity Building
Creating a Better Future Together

Chapter 3

Community Capacity Building and the Local Economy: Private, Government and Non-profit Approaches

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This chapter considers the theories of community capacity building and social capital and their connections and inter-relationships with strategies to develop and sustain local economies. Theories and policies are described, and a series of international examples provided that show how policy makers' ambitions to boost economic development and community capacity building should be delivered in unison. The chapter explores a series of examples from the private, public and non-profit sectors, including policies that promote inward investment, local entrepreneurship and franchised business development, as well as new and alternative models for social and economic business development such as co-operatives, time banks, reinvestment trusts and local exchange trading schemes. Specific examples of firms and experiences in North America and Europe, focusing on deprived areas in cities such as Chicago, Birmingham, Leeds, Barcelona and Stockholm and on rural economic development in Canada and Italy, are detailed.

Introduction

> These unhappy times call for the building of plans that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid (Franklin D. Roosevelt, radio broadcast, 7 April 1932).

We are living through an extraordinary economic moment in history. The free market, underpinned by a high risk taking global banking system is in near collapse. Politicians, academics, commentators and ordinary citizens are speculating about the short, medium and longer term consequences of worldwide recession. The theories of free market capitalism and economic development, trickledown economics – for so long unchallenged by the mainstream – are under attack. A radical mix of old and new ideas are once more in the ascendancy. From a reinvention of Keynesianism to an expanded role for governments and the social economy, the rules are being rewritten. All of this at a time when many communities that benefit from EU structural funds are still on the long haul back from previous recessions or the consequences of structural change in national and European economies.

In October 2008 to the US Congress House Oversight and Government Reform Committee, the former US Federal Reserve chairman Alan Greenspan admitted that he could never have envisaged the "once-in-a-century credit tsunami" that has wreaked havoc on national economies throughout the world. Greenspan, who led the Federal Reserve for nearly two decades, said the financial crisis had "turned out to be much broader than anything I could have imagined". And he warned the economic meltdown will drive millions of people out of work: "I made a mistake in presuming that the self-interests of organisations, specifically banks and others, were such as that they were best capable of protecting their own shareholders and their equity in the firms. The mistake was fundamental."

Greenspan admitted that his view of the world that had served and defined the world economy had been "absolutely, precisely" wrong. Greenspan said, "You know, that's precisely the reason I was shocked, because I have been going for 40 years or more with very considerable evidence that it was working exceptionally well."

The wisdom of Greenspan, and that of most economists, commentators and politicians, is now in question. Their collective view of the world – their understanding of how economies function – is in serious doubt for the first time in thirty years. But despite the prevailing orthodoxies of governments and academics, economic growth has been unevenly distributed in different places for just as long. For many regions and localities the last twenty to thirty years have not been an economic or social success story.

Despite nearly twenty years of rapid and widespread global growth, there have been thousands of communities around the world – in both developed and developing countries – that have not benefitted as others have. These are the places that have been increasingly dislocated from the prosperity experienced in other countries and communities. High unemployment and deprivation has remained a major challenge in many regions, towns, cities and rural areas, alongside poor health, low education, inadequate housing and transport and high levels of dereliction, unemployment and crime.

In such places, governments – at the local, regional, national (and at EU) level – have rarely stood by without intervention. Many policies have been designed to boost education, employment and enterprise in order to catalyse the economic regeneration of such places. In some extreme cases whole communities have simply been cleared away. In many places there have been social as well as economic interventions. Governments have tried to rebuild and repair communities in other ways – by developing social as well as human and physical capital – and by building a community's capacity to grow, to function and to sustain growth and well-being.

But we should be wary of confusing crisis with turbulence and change. Before the global "credit crunch", it was already true that in the US, in any one economic quarter, roughly one in four job matches would either start or come to an end, one in thirteen jobs would be created or destroyed, and one in twenty firms would enter or exit a sector (Brown, Haltiwanger and Lane, 2006). Consider the local consequences of these statistics; no sector, city or region is exempt from these transformations. Whatever the potential of policies to build community capacity and economic growth, there will be no guaranteed return to the stability or certainties of the past.

So as a period of negative growth is approached, the relationship between social capital and economic development changes significantly. Instead of asking how social capital and community capacity building can help to promote economic growth, the question may be rephrased to how it can help to preserve economic activity, capturing and sustaining the economic activity promoted in recent years and developing an overall economic and social resilience amidst deteriorating economic condition.

It is often difficult, to practically differentiate between the terms "capacity building", "community capacity building", "community development" and "community engagement" as the other chapters in this publication show. But for the purposes of this chapter it doesn't really matter. What matters is whether the development of these concepts can contribute to the conditions necessary for economic development.

How can social capital in communities be developed so that sustainable economic development is more effectively achieved? What strategies should be pursued in order to maximise both social and economic development and inter-relationships between the two goals? In this chapter the relevant definitions and strategies of community capacity building and how they relate to policies and ambitions for economic development in deprived areas will be considered.

The role of social capital

> When a city heart stagnates or disintegrates, a city as a social neighbourhood of the whole begins to suffer: people who ought to get together, by means of central activities that are failing, fail to get together. Ideas and money that ought to meet, and do so often only by chance in a place of central vitality, fail to meet. The networks of city public life develop gaps they cannot afford. Without a strong and inclusive central heart, a city tends to become a collection of interests isolated from one another. It falters at producing something greater, socially, culturally and economically, than the sum of its separated parts. (Jane Jacobs (1961), *The Death and Life of Great American Cities*.)

Jane Jacobs is best known for her views on the decline of social capital and economic deterioration in American cities. But her understanding of how a local economy is linked to a sense of community has a much wider application. The need to understand the social needs of people and communities as a way of understanding the real economics of place are important to this discussion of economic development and community capacity.

Robert Putnam's theories on the importance of social capital, as described in *Bowling Alone: The Collapse and Revival of American Community* (2000), are also important in this debate. He describes how social capital differs from more traditional and tangible notions of capital: "Whereas physical capital refers to physical objects and human capital refers to the properties of individuals, social capital refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them."

The basic premise of both Putnam and Jacobs are that the interaction between people builds communities, shared values and virtues, behavioural and social norms and a social fabric in which a society and an economy can function more effectively. At its fundamental level, social capital explores the strength and density of social networks that people are engaged in; the extent to which they are engaged with others in informal social activities; and, their membership of groups and associations.

Social capital concerns the "bonding" (exclusive) or "bridging" (inclusive) nature of social bonds. Bonding social capital can be beneficial but tends to be more exclusive by bringing like-minded people together, and can even be explicitly negative, such as by excluding people based on ethnicity. Bridging social capital is more inclusive and allows communities to be more permeable to ideas and people from outside. In economic terms there are advantages to both, with development able through each definition. Jacobs (1961) talks of the need for import replacement as an ambition for cities in the past and bonding social capital (buying locally made or sourced goods, trading with local supply chains) can help development in those terms. However, in a more globally structured economy, the need for bridging social capital may be more desirable. Enterprise and human capital is more free-flowing, innovation more likely, and people ever more mobile, whether as highly skilled migrants or as refugees.

But social capital of any form can improve the environment for economic transactions to take place, both within communities and between trading partners over distance. Putnam and others argue that business costs (and the costs of operating public services and infrastructure) are lower in, as well as between, areas with higher levels of civic engagement. Because mutual trust is higher, networks can bring together business people more regularly and effectively so there is less need to build in the additional costs of specific time and places for people to meet and do business. Conversely, in lower trust environments, business will take place less easily and with more costs for organising transactions such as legal costs, neutral spaces, intermediary organisations and greater regulation.

An extremely broad range of activities can help to promote and sustain social capital. Nor is there a monopoly on the development of social capital by a single actor. Many associations spring out of mutual interests and hobbies but an organisation can come from almost any interest, context or environment. They can be local and informal or national and highly organised – or both as well as almost everything between. Aside from the social economy, public sector organisations are very common and extremely important as they often provide physical space and resources in which people can come together as well as a set of common purposes. Schools and their Parent Teacher Associations are vital anchors for community capacity in every part of the world. Perhaps as important is the fact that social capital is also generated by and within the workplace – from large private sector firms and industries to small businesses and enterprises in any and every locality. Putnam's bowling leagues often stemmed from the office or the factory, mineworkers across Europe formed sports teams and other clubs and trade unions, chambers of commerce, Rotary and Lions clubs have all been major catalysts and spaces for creating social capital within communities. Importantly, these have provided both bonding and bridging capital, bringing together workers and their families from locations beyond the initial office or factory location. In many places this workplace generated capital has also endured after the host employer has disappeared or the individual workers have left or retired. In the UK, colliery brass bands and male voice choirs have continued long after their mines were closed down.

Examples of the social economy

The social economy, also sometimes referred to as the third sector, is seen as important producers of social capital and civic engagement – but as discussed above, they are amongst many that contribute to the building of overall community capacity. Although voluntary groups and non-profits typically have community or social outcomes as their main organisational objectives, they are by no means the only ones that do so. It is, however, widely accepted that social capital and the social economy have an important role to play in community capacity building. The strong links between social economy organisations and the territories in which they operate has been seen as an important factor in the role they play in the development of social capital (Noya and Clarence, 2007). In the specific field of economic development for example, the local social economy is thought to be more likely to lock more economic benefits within a community than enterprise from the private sector.

The "social economy" has been a term in use by the European Union since 1989, when a special unit of the European Commission's General Directorate Employment and Social Affairs was established to consider social economy issues. At the 1997 European Council meeting in Luxembourg, member states agreed to examine the opportunities to create employment through the social economy, defining it as a collection of four types of organisational forms: co-operatives, mutuals, associations and foundations (Westlund, 2003).

The origins of the social economy demonstrate these definitions. The history of social and community enterprises as a formal movement can be traced back to the mutual, self help and co-operative sector pioneered by the Fenwick Weavers in Ayrshire in the late 18th century and the Rochdale Pioneers in the late 19th century. Within the development of this movement there has always been an important strand which has focused on the local community-based nature of these organisations and also on the economic development of poorer communities, including the need to maintain paid work and household as well as community income, as will be explored in the Canadian case study below.

But before the contribution that the social economy can make to community capacity building and to economic development is explored, it is vital to acknowledge that they provide only one of many routes rather than a magic elixir. Overall outcomes in terms of either social capital or economic development are likely to be maximised if all creators of community capacity are harnessed and aligned. Furthermore, as discussed in the theoretical definitions above, it is likely that the conditions are best overall when the boundaries between sectors and between different producers and contexts are blurred or intertwined. So the best strategies for community capacity building tend consciously to bring together sectors, objectives and methods in order to develop capacity.

The community idyll?

In discussions about re-engineering social capital or building community capacity, it seems tempting to re-imagine or to rebuild what has been lost in recent years. Putnam describes the high levels of social capital in 1950's America with his descriptions of bowling leagues and community groups springing from neighbourhoods or dominant industries of the time. Robert Reich evokes the same images of pre- and post- war American society:

> Communities used to pick up where families left off. Home schooling gave way to the local public school; the very sick moved from home to the local hospital; libraries and playgrounds provided access to expensive facilities few families could afford on their own. Think of a community' and you're likely to picture a place where people look after one another – a traditional neighbourhood, church, voluntary association, New England town meeting, frontier barn raising, quilting bee, volunteer fire department, charity supper. (Reich, 2002)

In the UK, there are similar yearnings. The New Economics Foundation (NEF) describes the death of the traditional British high street in "Ghost Town Britain", and the emergence of identikit town centres in "Clone Town Britain" (Simms *et al.,* 2005). Between 1995 and 2000, the UK lost 20% of some of its most vital institutions: corner shops, grocers, high street banks, post offices and pubs, amounting to a cumulative loss of over 30 000 local economic outlets. NEF believes that both point to a need to support and re-establish a wave of small, community orientated local shops and businesses. Community capacity building and/or economic development should not be an attempt to recreate the communities or businesses of the 1950s. The world – its people and its economy – has simply changed too much, and according to both Putnam and Reich in particular, it is wrong to see a period of social decline from some halcyon period after the Second World War.

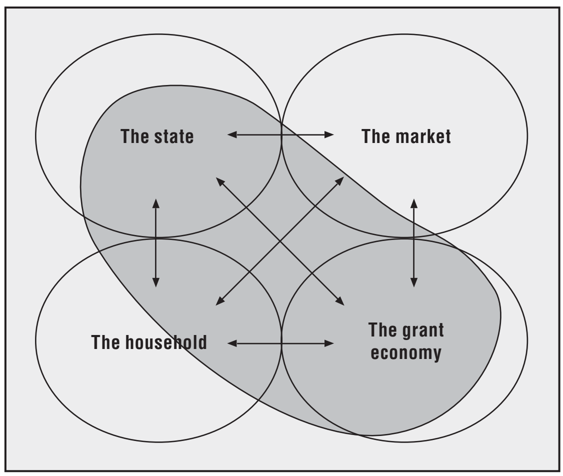
We should guard against the assumption that the past, or an alternative vision of the future, are the only or the most appropriate visions for the future of communities today. Both Putnam and Reich describe new forms of social capital, of "belonging" and of new communities amidst a rapidly changing society and economy. Today online communities such as Facebook or Bebo are as likely and as common as local social gatherings. Online "communities of practice" are as common in professions as groups based on or in a dominant local workplace. Society, technology and the economy is not the same as the 1950s and neither are the people who live, engage or work today. We are more mobile, more ambitious, richer, healthier, living longer, more likely to do many different jobs and in many different places. It is clear that the concept of community is changing. Nevertheless, the geographic, indeed local, element cannot be overlooked.

The impact of industrial restructuring and the social consequences of high levels of long-term unemployment has been one factor which led to the resurgence of the social economy (Noya and Clarence, 2007). Local Economic Trading schemes (LETS), credit unions, community shops and businesses, development trusts and a new wave of other not-for-profit or community interest organisations are all examples of the resurgent social economy. It was argued that such initiatives, still largely on the policy margins, could provide self-help safety nets for disadvantaged people in an increasingly volatile globalised economy (Birkhölzer, 1996; Douthwaite, 1996), as well as contribute to challenging social exclusion (Noya and Clarence, 2007). Connections in ideology and ideals can be made here to international movements: from the South Shore Bank in Chicago, set up for disadvantaged poor in the USA, to the micro-credit and women's co-operatives in many developing countries such as the Grameen Bank in Bangladesh.

There are wide-ranging debates about how best to build a sustainable economic future either nationally (Shah and McIvor, 2006) or in a deprived town, city or rural community (Simms, 2008; Simms *et al.,* 2008), and what the role of various actors is in this process. In truth, the reality in most locations was that a market economy had likely sustained a community over many years prior to decline. So despite the widespread backlash against free markets and the global economic system, it is important to understand that the reconstruction of a community will at least partly depend on markets, capital and enterprise if economic development is to be sustainable and of most benefit to any given locality. A key question therefore becomes how to combine the private sector and the social economy to best capture and maximise such effects.

Whilst no single sector has a monopoly position in the social economy, all sectors contribute significantly to it and its strength in any given place. Private enterprises still engage with and contribute to the social economy through corporate social responsibility, such as through sponsoring a local football or netball team, through contributing prizes to school raffles and by sourcing fair trade or local produce through a supply chain. Households and families, also form a critical part of the social economy both through labour in the household, and via the contribution to the substance and direction of the social production of informal networks. The grant economy is a source of local finance and investment but usually from outside a given community – from larger trusts and charitable bodies, but also from government bodies nationally and internationally such as through the World Bank or the European Union's Social Fund. The state provides institutions and investment but typically as part of national service or policy frameworks – all provide spaces and support for the social economy to develop whilst not promoting or funding it *per se*. The shaded area in Figure 3.1 below therefore represents those parts of each of the four principal sectors that together constitute the social economy.

Figure 3.1. **The social economy**



Source: Murray, Mulgan and Caulier-Grice (2008).

So we should not see a major distinction between the market and the social economy or indeed a choice between them as a route to social development or innovation. As Murray, Mulgan and Caulier-Grice (2008) argue, the 21st century has developed a "more complex set of relations as the market reaches into the state, and the state into the market, and as both find new accommodations with civil society and the grant economy".

The combination of the household, the formal and informal economy, the availability of grants and finance and the role of public services raises fundamental questions about how capacity building can improve the interactions between them all. This is where the third sector and social economy organisations have often been in the lead – generating new ideas, theories and practical methods for economic development and capacity building in deprived communities.

Human capital and time banking

The idea of using and trading in community time has been one particularly effective and now widespread phenomenon involving individuals and organisations from public, private and voluntary organisations. An excellent example of social innovation, "time banking", was originally conceived by Edgar Cahn, a civil rights lawyer from the US, who also described this mutual use of skills and services as "community co-production". Through the combination of time and skills, bank members can be affirmed as partners with their own skills and economic value. This is one practical way of blurring the divisions between the formal and informal economies or the household and other sectors in the Young Foundation's model.

Cahn (and other organisations such as the New Economics Foundation and Demos in the UK) see the time banking movement as a way of creating a sustainable pathway into economic development for a community and for individuals to get paid jobs by providing an informal support network for people having trouble holding down or accessing regular work. In a speech to the NEF in 2001 Cahn highlighted the importance of time banks:

> People who get jobs often lose them because of breakdowns in their fragile support systems. Their child gets sick and can't be sent to a child care provider; the child care provider gets sick. The car breaks down. An emergency comes up. And the person has no money to secure the back-up help needed so absenteeism and job loss follow. If there was a Time Dollar Temp Agency available, they could use Time Dollars to secure the kind of support needed (at a price they could afford). Once again, locating the Time Dollar in an Employee Mutual Association or linked to the Employment Centre or Agency that had secured them the placement would work to improve job retention and adjustment to the demands of regular work.

The bottom-up approach which the time bank epitomises, demonstrates the way in which people and organisations can respond to pressing needs in socially innovative ways. Time money illustrates a new work-life agenda because it recognises that unpaid work, as has been the case in most cultures over time, is based on reciprocity (Ryan-Collins, Stephens and Coote, 2008). This has the double benefit of improving social capital as well as human capital in the form of employability and specific skills. While still little more than a pioneering set of pilots into new models of work, they demonstrate that it is possible to innovate and develop new structured ways of developing self-esteem, access to goods, services, information, skills development or personal fulfilment in return for unpaid labour. It stimulates social capital and improves economic conditions either by pushing up the skills that people will trade and through the process as a way of gradually taking on more skills, work practices. All of this is likely to create an improved likelihood as well as capacity for paid work by the individual as well as income and economic development for the community.

There are currently over 200 “service credit projects” running in the US. Essentially, the system is based on equality: one hour of help means one “time dollar”, regardless of the service performed, enabling disaffected 16 year olds working as mentors to younger children to “earn” the same as, for example, a qualified accountant helping a local business with its VAT returns. Credits are kept in individual accounts by “time banks” (basically, a credit/debit system on a PC), with credits and debits tallied regularly. Some banks provide monthly balance statements to its members.

Time dollars record, store and find different ways of rewarding transactions where “neighbours help neighbours”, acting as a kind of recognition for the contribution which they make. Although the scheme recognises what people do for each other in the community, time dollars can also be spent, or donated to others. Although service credits are often classed as volunteering, the reciprocal value makes it in some ways exactly the opposite: people who were once labelled “recipients” or “clients” can become participants. Members phone up their local time dollar organiser, explain what they need, and the computer matches them with a “volunteer”. Their account is debited, and the volunteer gets credited for the time. The system brings local people together to provide services like lifts to the doctors or shops, “grand-parenting” and mentoring, baby-sitting, house repairs and so on.

The first projects received widespread publicity in the US and were aimed mainly at providing non-medical services for old people, but time dollars are now being brought to bear on a range of other social problems, from local economic collapse through to under-achievement in inner city schools. When they are spent, they are simply deleted. They do not sit in bank accounts earning or incurring interest.

Time dollar projects now range from MORE in St Louis and Member-to-Member in New York City, both involving thousands of members, to local “time banks” in cities from Honolulu to Maine. In Missouri, time dollar earnings are guaranteed by the state. In Miami, the system has been taken over by the whole community, who trade services with each other without real dollars across Florida’s cultural divisions. In Brooklyn, time dollars fuel an alternative economy for old people – ranging from telephone bingo to bereavement counselling. In Chicago, over 1 000 elementary pupils have earned time dollars by taking part in a peer tutoring programme. After the first year, half of those earned the 100 time dollars necessary to buy a recycled computer, with parents putting in four time dollars in order for their children to make the purchase. One college in upstate New York has redesigned its loan programme so that student loans can be paid off partly in time dollars – partly, in other words, by their volunteer involvement with the local community.

Time banking is therefore a powerful idea and animator of community capacity. It also has the potential to build both the capacity of a community and the capacity of individuals within it. It keeps social and economic benefits firmly within a community. It is also powerful for another reason – and one that coincides very clearly with the aims of many governments – reciprocity. It shows that individuals can develop new skills, self-esteem, access to goods, services, information or personal fulfilment in return for their time and their commitment. It is the modern equivalent of the "gift relationship" – a social "glue" that helps society to work better.

Time banking, volunteering and the accumulation of rights and assets by individuals can be matched with financial assets if seen as a valid "contribution" or equity. Governments or other grant-making bodies can match this equity, knowledge and commitment with financial investments in individuals such as in shared equity housing schemes, contributory adult learning accounts or wider savings programmes such as universal banking accounts or asset development programmes for disadvantaged groups and individuals.

Time banking may ultimately be no substitute for real financial and other physical resources. Real money has real importance particularly in deprived communities where it is in short supply. But as a way of ultimately matching people into the formal paid economy as well as building human and social capital within a community it is a significant movement.

Local Exchange Trading Schemes (LETS)

The idea of social equity – where both time and money can be traded in return for services is in effect an extension of "social" bartering – looking after other people's kids, running errands, lending time or equipment to neighbours and so on. Local Exchange Trading Schemes (LETS) are long-established in the UK, continental Europe and the US and have much in common with the idea of time banking. All generally have a list of products and services on offer and a formal accounting scheme that records "community time" in the form of a tradeable currency. According to the New Economics Foundation there are currently over 350 such schemes in the UK, including the "Stroud" in Gloucestershire, the Greenwich "Anchor" and the Bath "Oliver" (Simms *et al.,* 2005). Many parents in the UK might not realise that their membership of mutual babysitting circles using matchsticks or monopoly money as currency are in fact LETS schemes.

Diane Coyle (1998), author and leading economist has charted their growth, "LETS schemes started as a means of overcoming the constraints imposed by lack of money in a poor community or during a recession. The schemes reduce the need for money and potentially offer a social network and sense of self worth to the people taking part, often those like the long-term unemployed who have been steadily excluded from the conventional economy".

LETS currency typically stays in local areas and therefore starts to boost the local economy through a standard economic multiplier effect whereby what one person earns is spent in turn on another service. This enables economic gain to "stick" to local areas and in turn to communities and individuals. In the US, the Rockefeller Foundation is offering start-up funding to LETS schemes in inner city areas and with disadvantaged groups in order to aid economic development.

The same philosophy underpins the development of local or community currencies which have been widely adopted across Asia, Africa, Europe and the Americas. Local currency schemes are tradable within specific communities and have long been promoted as a way of enabling local communities to exchange locally produced goods and services in order to stimulate economic activity. In Japan there are hundreds of local currencies, some working as LETS scheme, which allow people living away from their parents to help elderly people where they live and send home "vouchers" with which their own parents can buy help, whilst others remain rooted in local communities with goods and services bought and sold using the local currency. Support for local currencies is rooted in the belief that they make an important contribution to local economic development, and have also been taken up as a tool for promoting low-carbon, sustainable development.

LETS and local currency schemes provide many useful pointers for the operation of social equity programmes – specifically that they are best operated from within communities rather than by external or newly formed third parties. It is also apparent that the best schemes can provide participants with "equity" on a number of levels. Firstly, they cover community and personal value – in that individuals see an immediate benefit in taking part (children looked after, building service provided, cash earned etc.); secondly, they might provide a labour market entry – where experience counts toward future job applications and, thirdly, they might provide learning equity – where qualifications or credits are accumulated through social or community activity.

What is evident is that locally based schemes, such as LETS and local currency, are not only socially innovative, but that they can play a critical role in creating, fostering and sustaining social capital, which in turn is important not only to wider community capacity building, but also to local economic development. Indeed, the social foundations for economic development should not be overlooked, social trust cuts transaction costs and can help promote investment.

Credit unions

Credit unions – like banks and building societies – provide the finance through which private and social enterprises can trade, deliver services and invest. But throughout the world credit unions offer much more than basic financial services. They enable "members" to develop a financial system, lend money to small businesses, build family homes and other infrastructure, and develop public services. In some countries, "members" are also likely to be developing their own local democratic systems – often for the first time. In some cases, such as Canada's Advantage Credit Union (*www.advantagecu.ca*), they offer a vehicle to match financial equity with "sweat" equity so that members can improve access to resources by their hard work and investment of time. In this case they can provide an "intersection" between economies and sectors by bringing together human and social capital with physical and financial resources. Like traditional banks they can "convert" the different currencies operated by the different economies in the Young Foundation's model of the social economy. This makes them a vital "animator" of the social economy and of community capacity.

Credit unions began in 19th century Europe, when Franz Hermann Schulze-Delitzsch established the first credit unions in Germany to give those lacking access to financial services the opportunity to borrow from the savings pooled by themselves and their fellow members. Worldwide, there are now more than 46 000 credit unions in nearly 100 countries serving an estimated 172 million people – a statistic that is growing rapidly year on year. What unites all credit unions is their approach: credit unions exist to serve their members and communities and are democratic, member-owned financial co-operatives. As not-for-profit co-operative institutions, credit unions use excess earnings to offer members more affordable loans, a higher return on savings, lower fees or new products and services, and typically high standards of advice and personal support. Each member, regardless of account size in the credit union, may run for the board and cast a vote in elections. As financial intermediaries, credit unions finance their loan portfolios by mobilising member savings and shares rather than using outside capital. This differentiates them from the external grant economy as described by the Young Foundation in Figure 3.1 (above).

Credit unions can offer savings and great value loans plus they are local, ethical and know what their members and communities need. So they are more likely to have local knowledge and networks as well as local development objectives. Some credit unions will also offer mainstream financial products amongst their range of services including current accounts. Each credit union has a "common bond" which determines who can join it. The common bond may be for people living or working in the same area, people working for the same employer or people who belong to the same association, such as a church or trade union.

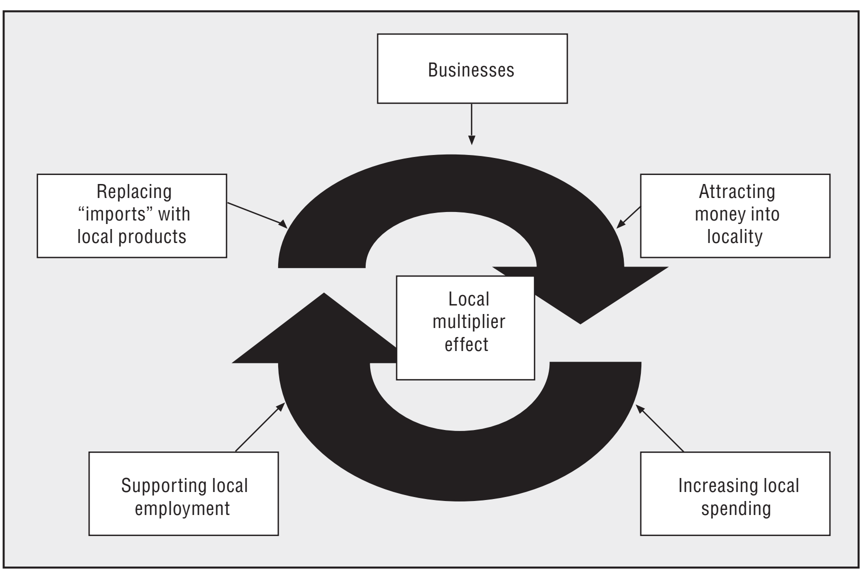
The local multiplier effect in deprived areas

All attempts to increase activity and "trade" within a given area are vital to increasing economic development and community capacity. To be most effective there needs to be a series of "contributors" to the overall wealth and resources within an area and an ability to keep as much as possible circulating within that area and not leaking away.

The social economy's attempt to increase finance, of any sort, flowing through more disadvantaged communities is vital. Financing is a key aspect of the social economy and also to the development of social capital, as well as for broader economic development. By locking in growth – whether through social firms, grants, third sector or local enterprises – poorer communities will more rapidly build both economic and social assets. This is clearly shown below in Figure 3.2.

The cycle of economic disadvantage rapidly becomes locked into successive downward spirals caused by a lack of jobs, investment and structural capacity. Rebuilding such areas requires actions and interventions at the community or locality level in order to introduce upward spirals of broad activity that will in turn lock-in local spending and build community capacity. Making jobs and

Figure 3.2. **The local multiplier effect**



Source: Reproduced with permission from Westall, Ramsden and Foley (2000).

broad economic activity stay in, or close to, local areas starts to boost the local economy through a standard economic multiplier effect whereby what one person earns is spent in turn on another service. This enables economic gain to "stick" to local areas and in turn to communities and individuals.

This is a highly desirable outcome, given that research from the Brookings Institute suggests that poor areas lose up to 70% of local expenditure as they lack the employment structure to "keep the money in" (Katz, 2004). NEF in the UK has prioritised local enterprise as an important element to creating sustainable local economies that provide a permanent route out of poverty and disadvantage for inner city neighbourhoods. It has analysed the "leaky bucket" effect that they argue sees money simultaneously pouring in and out of poor neighbourhoods because non-community based enterprises provide goods and services and quickly take away the profits.

Components of economic renewal

The NEF model of the local multiplier effect shows how strategies for improving economic development at the local level are likely to be a combination of national and local initiatives. Some key ingredients for economic renewal will inevitably depend on the national policy frameworks within which the locality exists. To this extent, there will be a raft of policies and responsibilities held and delivered at different levels that will stimulate growth in deprived areas. Almost all will have some local dimension or mechanism through which local communities and individuals can help to shape the services and policies that are delivered.

Broad policy areas that are commonly in place to help stimulate economic development and generate social capital and community capacity can be categorised as follows:

- human capital (education and skills) – policies for young people and adults;
- "Welfare to Work" (to address high numbers of resident workless and consequences of unemployment) and anti-poverty policies;
- area-based regeneration and enterprise policies;
- public service delivery (the impact and value of key services such as hospitals and health centres, local transport, welfare services, local governance, housing services, emergency services such as the police force, etc.);
- public investment strategies (infrastructure, capital projects, new service developments);
- wider policies aimed at stimulating enterprise and economic growth; and,
- wider policies aimed at promoting social capital, community capacity and/ or community cohesion.

National policy frameworks that deliver these broad areas are longstanding, but their harmonisation into area-based initiatives – often with more concerted local action and interventions – is less well established. Just as global economic change has restructured the world's economy with increasing speed, so too has the need for governments and communities to manage the legacies of that economic change. These are deeply felt and difficult processes for individual communities but they have proved inevitable whether national governments have promoted protectionist or free market policy frameworks.

For many right of centre or free market governments the last three decades have seen the uncomfortable local consequences of industrial change not least because local areas require some sort of local response. Even right of centre governments such as those in the UK under Margaret Thatcher in the 1980s or the US under George W. Bush over the last eight years have felt the need to develop a policy framework with a series of specific state interventions. This is not the natural policy territory of such governments, although some areas of their public policy approach and orthodoxies have been more adaptable to deprived local areas. The three obvious interventions have been welfare to work and active labour market policies, schemes to enhance human capital and skills (especially for adults) and perhaps the most important of all, the development of enterprise and free market based solutions in distressed areas. "Only government can take the lead; and it will succeed only if it enlists in an imaginative and long-term programme for the inner cities the same energy and enterprise that first built what must now be rebuilt" (Heseltine, 1987).

People living in deprived communities and also those from disadvantaged groups in the labour market are, historically, the least likely to start and run their own businesses and to succeed if they do. They also have a variety of other problems that add to this, such as poor access to financial support and advice, low skills, poor infrastructure and often have to confront labour market discrimination. Such issues tend to significantly limit both aspirations and the potential to succeed in starting and growing small businesses.

As Michael Porter has pointed out, the inner city should not be seen as a no-go area for enterprise; furthermore, enterprise based approaches are the ones most likely to succeed in turning such communities around over the longer term. "Even the most distressed cities have potential for economic development through the nurturing of enterprise. By concentrating on economic advantage rather than social disadvantage we can promote fresh thinking and new approaches to old problems."

But there are huge barriers to address before enterprise and self employment can form such a dominant role in regenerating deprived communities. Research from the UK shows that compared to people in other areas and from other less disadvantaged groups, residents of deprived inner city areas are:

- twice as likely not to have a personal bank account;
- less likely to be able to produce business accounts;
- more likely to have lower incomes from full-time self-employment; and,
- less likely to own their own home or to hold significant financial assets.

And yet these are the places where such growth and subsequent employment demand is in most need – particularly in the inner city areas of the world's biggest urban areas.

Business start-up rates vary dramatically both between and within regions in England. For example, VAT registration statistics for 2002 show that there were 57 new VAT registrations per 10 000 residents aged 16 or over in London and 44 in the South East, but only 31 in Yorkshire and Humber and just 21 in the North East. Excluding London, the 20% most deprived Local Authority districts in England had 27 start-ups per 10 000 residents, compared to 51 in the least deprived districts, and 70 of the 88 Neighbourhood Renewal Fund local authority areas in England have registration rates below the national average (HM Treasury, 2004; Small Business Service, 2003).

But evidence from the USA suggests that inner city areas have some important competitive advantages and that these advantages can stimulate new enterprises and small business growth. In his analysis of the competitiveness of inner city locations, Porter sets out four key advantages:

- Strategic location at the heart of major business centres, transport and communication nodes.
- Local market demand with high-density populations sitting in often underserved markets. New entrants and indigenous entrepreneurs take advantage of low retail penetration.
- Integration with regional clusters where local firms are part of larger competitive regional industries.
- Human resources remain an important advantage. Despite a low skill base, companies moving into "hard to help" places have found reliable, highly-motivated workforces.

Porter's analysis of local economies was reinterpreted by many observers, such as NEF, to suggest that an important component to a local economy is the development of locally-based enterprise as an alternative to the more obvious big brand names or "big box" type retail developments. In *Ghost Town Britain*, Simms (2002) argues that such retail developments not only exploit neighbourhood communities by offering low-wage jobs, but that they also cause the inevitable decline of high streets and traditional retail businesses.

In this analysis there is a division between good enterprise (locally grown, small, owned within community) and bad enterprise (nationally owned chains with profits disappearing out of deprived communities). Big businesses attracted into deprived areas might be employing local people in some of the jobs, but the NEF view and the "leaky bucket" thesis is that profits and services are siphoned out of the community when that capital should be more locally and constructively deployed. This is partly the *Ghost Town Britain* effect that describes the growth of large retailers – typically the so-called "big box" superstores like Tesco, Asda, Wal-Mart and Sainsbury's – and both the subsequent displacement of local businesses and the extraction of large operating profits.

But the leaky bucket is an unhelpful argument. It promotes and values one type of enterprise over another when most case studies (see below) suggest that not only can large businesses bring benefits to deprived areas they can also work closely with community and social economy organisations to develop social capital and community capacity.

There are obvious issues of scale; smaller social or private enterprises employ far fewer people than a large business like a supermarket. Often such companies also provide benefits, discounts and even stock options that smaller companies cannot provide. Equally, the presence of national companies brings competition to areas that are often captive markets to high prices and poorer quality products.

Consolidation and economies of scale is the reality of business, especially in the retail sector in today's economy, worldwide and it is impossible to turn away. Competitors of these goliaths have to find a niche which appeals to consumers. Inner city entrepreneurs may have an edge in this regard because their market requires local knowledge to succeed. But as importantly, the inner cities need the scale of jobs that the big retailers typically bring and local enterprises also need the footfall.

Economic development case studies

Overview

By looking in detail at the practical experiences of a series of deprived areas, a mixture of approaches to regeneration and to economic development are deployed can easily be identified. In the following case studies there is a reliance on approaches which incorporate government policy interventions, private enterprise and local organisations.

The case studies show how social economy organisations and the private sector contribute to create stronger economies and communities with more jobs, income and stronger societies too. But how will they manage the declining economic conditions that they will now be faced with due to the financial crisis and the downturn in global economic conditions? Will they fare any differently to other communities if the broader economy around each of the locations and sectors is in economic difficulty?

The structure and distribution of activity may impart greater resilience on an economy. Compared to the past, today's workforce is spread across a wider range of sectors; while, sectors themselves are far more diversified. IT, retail, healthcare and huge swathes of services were unimaginable even fifty years ago. Along with improved monetary and fiscal policy and more flexible product and labour market regulation that has supported speedy adjustments to shocks, economies have been able to put their eggs in many baskets (HM Treasury, 2008).

Given the case studies used in this chapter it is important to ask about the particular resilience of the service sector and of retail and hospitality in particular. Generally, evidence suggests that the service sector can be more resilient than manufacturing and that according to analysis in the US, "generally do[es] not show a net decline in employment from the official start of a recession period to its completion" (Goodman, 2001). Of course there will be retailers and restaurateurs that do go out of business and lose their jobs, but there is strong contemporary evidence that some businesses from the sectors will profit from the economic conditions.

So some parts of the retail and hospitality sector still look relatively healthy, despite a number of high profile collapses such as Woolworths in the UK. Contrast that to the experiences of areas across the world currently dependent on large single employers and their supply chains, such as those in the car manufacturing industry.

Most of the geographical locations described in the case studies that follow – Leeds, Durham, Birmingham, Chicago, Barcelona and Stockholm – still have significantly more diverse industrial and organisational composition than in their previous histories. Their dependence on single sectors and employers such as manufacturing and other heavy industries has been reduced. Even where a particular sector is dominant such as IT in Barcelona and Stockholm, agriculture in Canada and Italy, or retail in Leeds, Birmingham and Chicago, each sector is now made up of many more businesses – large and small – as well as on partnerships with other sectors and areas of the economy. Clearly a more developed social economy – whether through third sector bodies, co-operatives or social enterprises – has played a part in each of these locations.

Private sector driven revitalisation

In the US, the culture of entrepreneurship is well established and there are fewer disagreements about the benefits of large and small businesses. Most large businesses are subject to heavier regulation (such as anti-trust and anti-competition laws) than their counterparts or subsidiaries in the UK and in Europe. The US has a clear understanding of the benefits that a dynamic small business sector has on "main street" USA as well as in the deprived parts of its larger cities.

Measured by just about any standard available, the US is one of the most entrepreneurial countries in the world, and the most entrepreneurial among G7 and developed countries. This has been attributed to a number of factors, most importantly culture and social norms that support and encourage individuals to seek out new opportunities and take greater risks. Still, while entrepreneurship and small business growth are key to the USA's dynamic economy, like everywhere else in the world, this dynamism does not reach all people or all communities.

Despite these barriers however, broadly speaking entrepreneurship and private-sector investment are increasing in many low-income communities. They are part of a growing strategy to make the "business case" for investing in inner cities using market-oriented policies and practices to revitalise poorer neighbourhoods. Through public-private partnerships, and an increasing role for intermediaries to facilitate these interactions, inner city economic development strategies are aligning more with labour, consumer and financial markets to encourage business investment and improve the lives of inner city residents.

US inner cities: Attracting new businesses

US inner cities, with above average rates of unemployment and levels of poverty, like similar areas throughout the developed world, have not always been places of empty buildings, high poverty and unemployment, and cheque-cashing operations. Before the 1960s, many of today's inner city areas were once economically vibrant communities that served their largely African-American residents. But as Professor William Julius Wilson (1996) documented on the south side of Chicago, the loss of jobs (primarily in manufacturing) over the decades and the movement of middle-class black people into suburban communities emptied out many of these communities of the social capital and role models that existed. Government policies that reinforced segregation as well as racial discrimination added to the fraying of the social fabric and the subsequent rise in social problems.

Over the years, a multitude of strategies has been implemented to improve the lives and the communities of those living in America's inner cities (Katz, 2004). The results of these efforts are mixed, with some communities experiencing significant change and improvement while others continue to languish. Often, policies and programmes have addressed the social ills in the communities and in the process treated these areas as islands unto themselves.

Much of the thrust in today's neighbourhood revitalisation efforts is to create a "geography of opportunity", in which greater connections and networks exist between poorer communities and their metropolitan surroundings.

Historically, inner city economic development strategies have encompassed both "place-based" and "people-based" strategies for particular neighbourhoods. Place-based strategies try to improve the community in which people live through better residential and commercial housing stock, and provide carrots (or sticks) to the private sector to invest. These initiatives have made great strides in stabilising neighbourhoods, primarily through the creation of affordable housing. They have also led to the emergence of a sizeable and important number of community-based organisations.

Today, both of these strategies are still at work but there is more of a focus on linking these neighbourhoods to the larger economy and transforming them based on economic integration through mixed income housing, stronger community capacity, better links to regional markets, and investments by local and regional businesses. Michael Porter's research in the mid-1990s into the competitive advantages of the inner city as a business location shifted much of the rhetoric about inner city economic development from social ills to economic assets and from poverty reduction to wealth creation.

Role of the private sector

Whether it is retailers, small business, homebuilders or banks, there is greater awareness of the important role the private sector plays in inner city revitalisation. While programmes still focus on supporting inner city entrepreneurs through access to capital and technical assistance, many inner city economic development efforts are expanding to include bringing outside private sector players in as partners, either as investors, technical assistance providers or business owners. As a result, both government programmes and community-based organisations are adjusting their policies and practices in order to encourage and work with the private sector.

Focus on retailing

Retailing is a dominant industry in inner cities, whether through small local businesses or large national or international chains. Many Americans get their first job in the retail industry. This is particularly true in inner city communities where retail is often the primary business in the area. In terms of total employment, retailing is the largest industry in the United States, employing nearly 22 million workers, or roughly 18% of the total labour force. Importantly, because of its relatively low skill requirements, high demand for workers, and flexible job scheduling, retail is a favoured industry for workers who are new or returning to the labour market. Approximately 38% of all former welfare recipients have entered service-industry occupations since 1996, with 24% in retail and wholesale trade (Prince, 2003). (Retail and the "fast food" sector are the most dominant businesses in inner city areas in both the UK and the US – and both sectors that will be explored in more detail in the case studies that follow in this chapter). "More than 1 in every 15 Americans has worked in the fast food industry – hence the public image of the McJob accords fairly well with reality, for the fast food industry is a critical gateway into the labour market for thousands of people who live in inner city neighbourhoods" (Newman, 2000).

Many observers consider these sectors and businesses to be characterised by low pay and "flexible" working which can contribute to the exacerbation of poverty and poor housing in low income neighbourhoods, thus working against the processes which try to ensure their regeneration. Whilst this may be the case in some businesses within the sector, it does not capture the full contribution of others.

A number of trends led retailers to be some of the first to set up operations in inner city communities. First, after 40 years of expansion into suburban markets, these communities were saturated and retailers were looking for new markets, including overseas. Secondly, research on the purchasing power and unmet demand for retail in lower-income communities, particularly for groceries and supermarkets, led retailers to take a second look. In the late 1990s, research on inner city and metropolitan retail demand per square mile suggested demand in the inner city was two to six times greater than what retailers found in suburban locations based on the high density of urban markets (ICIC/Boston Consulting Group, 1998).

Today, retailers from across the spectrum are entering and operating in inner city markets. From "big box" chains like Wal-Mart, Home Depot and Target, to smaller chains such as Walgreens drug stores and Pathmark supermarkets, to regional banks and insurers, companies serving consumer markets are experimenting with new concepts to serve the inner city marketplace. Often, "social" or community intermediaries, such as community development corporations and local government, play an important role in helping develop suitable urban sites, as well as facilitating conversations between "the community" and the retailer.

Increasing use of business franchising

Franchising is a major aspect of entrepreneurship in the US, with over 760 000 businesses, generating approximately USD 850 billion in revenues and payroll and employing close to 10 million people (PricewaterhouseCoopers, 2004) and is growing rapidly in Europe. As the service sector expands and as brands become more recognised and more valuable, more products and services are created that can be co-modified and sold as franchises across the country. Most people think of franchises as fast food outlets such as McDonald's and Dunkin' Donuts, but in reality they encompass a much wider range of products and services in the US and in Europe including the automotive sectors (Merlin Muffler and Brakes in the US, Mr. Clutch in the UK), business services (PostNet and Kall-kwik in the US and the UK), and retail products and services. Franchising also extends to public services in Europe with post offices, lottery agents and public communications companies.

A number of franchisors looked at inner city communities early on as opportunities to expand their brand and grow, particularly in minority communities. McDonald's was one of the first in the 1950s and 1960s, and others followed such as Denny's, Choice Hotels, JaniKing, ServiceMaster and PostNet.

> Most, if not all of you, will have dealt with a franchised business recently, whether eating a McDonald's hamburger, drinking a can of Coca-Cola or calling out Dyno-Rod to unblock your drains. However, you may not realise that you are, in fact, dealing with a locally run business operating in line with specifications laid down by the brand owner. After all, there are no obvious signs to distinguish a franchised outlet from one which is company-owned; all do business in the same way and market themselves under a common (and often well-known) brand name. However, there are legally distinct businesses. This presents a paradox. On the one hand, a franchised business looks and acts like a branch of a much larger corporation; while on the other hand, it retains a distinct legal persona (Felstead, 2004).

Many high street brands are also locally owned businesses, and in many cases they are also owner-operated by residents of the same communities. Like other local businesses, they will source labour, services and other functions, such as building maintenance, banking, insurance and cleaning, on a local basis, all of which contributes to increasing local economic activity.

Franchising offers the benefits of entrepreneurship through a structured, top-down process. By buying a business with a national brand and a proven business model, the entrepreneur minimises their risk and increases their chances to obtain finance. According to the *New York Times*, only 50% of new companies survive at least four years. Given that the pressures on sustainability are greater in the inner city, the franchise model appears to provide a strong counterweight against early closure (Community Wealth Ventures and IFA Educational Foundation, 2004). While the entrepreneur owns and operates the business, how it is run and what it looks like is strictly dictated by the franchisor.

Perhaps most interesting in the context of this chapter, is the fact that because of the benefits that franchising can offer entrepreneurs without extensive business experience or resources, many non-profit organisations in the US as well as local and state governments have created programmes to encourage and support franchising as an inner city economic development strategy. Charitable foundations, community development corporations and other non-profit economic development entities are experimenting with programmes that focus on key success factors such as identifying qualified candidates, providing management training and subsidising the entrepreneur's financial investment.

The Franchise Partnership in Chicago is one example of a social economy intermediary organisation that not only recruits strong minority candidates as franchisees, but has created, with the help of local banks and foundations, a consolidated loan fund which helps entrepreneurs to raise funds. Established in 1999 as a collaboration between two franchise programmes that were struggling, the franchise partnership builds on previous experience in inner city minority franchising efforts and has helped launch 12 franchisees to date. Designed by non-profit organisations and grant-giving foundations, its aim is to increase specifically the number of owner-occupied businesses within deprived communities in the city. The scheme has come about because these organisations, mindful that good business support, mentoring and business planning is essential to small business success, have identified the franchising process as one that helps to minimise these kinds of risks, particularly in places where the odds for success are too heavily stacked against such entrepreneurs.

Some non-profits are also experimenting with owning and operating franchises as a means of generating revenue streams that can support their non-profit missions. This form of social enterprise again minimises risks to non-profits but requires business management skills that are not always found in the third sector.

> There is no such thing as a bad community – you just have to concentrate on bringing the good out (Herman Petty, McDonalds' Franchisee, Chicago).
>
> Many existing social housing estates have a strong sense of community – often more so than many wealthier neighbourhoods – but there is not the economic capacity to make these neighbourhoods work over the long term. As a result jobs and investment go elsewhere. We must work to reconnect isolated deprived areas to other parts of the city. (Richard Rogers, Architect, 1999)

Blighted areas in the UK

Tesco's move into the Seacroft Estate in East Leeds

The Seacroft Estate, in East Leeds houses one of the largest social housing projects in Europe. Built to service the manufacturing and industrial employers located in the area (predominantly defence related manufacturing – the former Vickers and Royal Ordnance factory sites were the dominant employers for most of 20th century) and, despite sell-offs and stock transfer, 53% of the population still live in council-owned accommodation.

The resident population of Seacroft in mid-1998 was 18 200 people but there were only 3 900 jobs in the area. In August 1998 there were 2 290 Income Support claimants in Seacroft: 17% of its adult population, compared to 9% for Leeds as a whole, and an average of 8% for the UK overall. Out of 8 414 English wards, Seacroft was ranked the 388th most deprived (DETR, 2000). Seacroft is four or five miles away from the bustling regenerated financial services heart of Leeds, yet there is very little travel to work in the city centre from Seacroft residents. But as in Porter's definition of inner city competitiveness, the Seacroft estate lies close to major road routes leaving and entering the Leeds city centre. It therefore represented a prime location for a "big box" retailer where large proportions of their customer base would rely on private car transport.

Tesco is the UK's largest retailer and a major contributor to the UK economy. They employ over 200 000 people and create around 10 000 new jobs in the UK every year. Ninety per cent of developments are on brownfield sites. When Tesco announced that they were to open a flagship "Extra" store in Seacroft with the creation of approximately 350 jobs, they knew that the majority of the store's staff was likely to come from within a mile of the store. They realised that in a tightening labour market (Leeds is a rapidly growing retail centre with new developments and major store openings throughout the city), they were unlikely to attract and retain workers from other parts of the city. The local authority's planning processes also required a focus on local employment and enterprise in order to get permission to build the store in the favoured location.

The resulting partnership with a range of statutory and community groups involved the creation of a year-long training programme for unemployed local residents with guaranteed interviews and jobs at the end. The Seacroft Partnership in Leeds has been a highly successful venture. It has involved a wide range of major partners; Leeds City Council, the East Leeds Family Learning Centre, the Employment Service, USDAW (the UK's major retail trade union) and a group of local employers led by Tesco. The development also included retail space for other businesses and not just the Tesco store. When the store opened in November 2000, over 240 previously unemployed local people, many of whom had been out of work for more than two years, took nearly two thirds of the jobs available.

The East Leeds Family Learning Centre was a crucial partner and the main social economy partner in the process. The Employment Service knew who was on benefits and who in the local area was looking for work and Tesco knew the numbers and types of people that they wanted to employ. But it was the East Leeds Family Learning Centre that transformed the detached, often long-term benefit recipients into employees that could carry out the tasks in a Tesco job description. They did it with long-term education and training programmes of around a year's length, improving basic skills in reading and writing as well as technical skills in retail. But they also worked with the whole family or household – advised on childcare, wage *versus* benefit calculations and so on. In effect, the social economy organisation "glued" the process together.

Several of Tesco's most recent stores are also located in other deprived communities in the UK. It is not just the locations that make these stores different: each one depends on employing staff who have been out of work for several years: lone parents, older men made redundant years before, young people who have no qualifications and who have never worked in their lives.

Dragonville is a former mining and industrial area situated on the edge of Durham near the A1 motorway. Like Seacroft, it is an area with a high proportion of social housing. The resident population of the Dragonville area in mid-1998 was 2 200 people. But there were only 600 jobs in the area. Sixteen per cent of the adult population was on Income Support, compared to 7% in Durham as a whole. The area was ranked 332nd most deprived in the country (DETR, 2000).

The Tesco Extra opened in November 2001 with 340 new jobs – 296 of which went to locally unemployed residents. One hundred and twenty of the unemployed recruits were previously classed as "economically inactive" and excluded as registered job seekers. These are people who were categorised as not looking for work, people who had been claiming Incapacity Benefit and disability allowances, often described as the "very hardest to help".

In both Seacroft and Dragonville these jobs have proved to be sustainable. Not only do large proportions (an average of 85% in both stores) of people succeed in taking up jobs after the pre-employment training, they are still in the jobs over six months later. In Seacroft over 90% of recruits remained in store and in Dragonville over 81%.

As discussed earlier in this chapter, this type of retail led regeneration model with a dominant company like Tesco at its heart, is not universally popular. But research from the University of Essex has shown that supermarkets like Tesco are creating net new jobs all over the country and especially in the more run-down towns and cities: "Britain's beleaguered out-of-town supermarkets, accused of ripping off consumers, destroying neighbourhood shops and despoiling the environment, have been given a vote of confidence by a new study showing that they are net creators of thousands of new jobs" (Atkinson, 1999).

A Joseph Rowntree Foundation study into successful retail activities in deprived parts of the UK, which used the Seacroft example, concluded that there was no simple formula for retail-led regeneration but that there were some broad ingredients for success:

- "Attention to the retail market-place: clear attention to what is possible within the framework of the local or sub-regional retail market-place and available catchment, overlaid with strong aspirations to business success and profitability.
- Leadership: clear leadership in the regeneration initiative.
- Involving residents: respect for local residents' needs and aspirations.
- Local vision: a strong, positive vision for local quality of life, with the retail strategy embedded in the local regeneration or neighbourhood strategy.
- Organisational innovation: control frequently delegated from the local authority to a regeneration company with strong private sector participation or to an experienced community development organisation.
- Use of investment: use of public and social investment to reinforce potential achievement in the market-place, but not to subsidise marginal schemes.
- Environment and community facilities: promotion of the locality as a high quality destination through environmental enhancements and community facilities" (Carley, Kirk and McIntosh, 2001).

Four of the eight identified factors for success depended on a contribution from or to, the area's social infrastructure – through neighbourhood bodies, residents' needs, community development organisations, social investment and community facilities.

Tesco's Aston regeneration store opened in Birmingham in 2008. As in Seacroft and in earlier Regeneration stores, the development was based on a partnership with Birmingham City Council, Jobcentre Plus, the Learning and Skills Council, Aston Pride and other local community groups including the Aston Re-investment Trust. One hundred and forty-four previously workless local people took part in a pre-employment training linked to a job guarantee, and 99 people were given unconditional job offers. Tesco was able to recruit 65% of the stores staff through the regeneration partnership; giving jobs, training and longer term career opportunities to the long-term unemployed.

The Aston neighbourhood in Birmingham

Like Seacroft in Leeds, Aston had experienced major economic and social problems in the last three to four decades. Birmingham itself had experienced long structural decline, population loss and high unemployment in the latter half of the 20th century. In its industrial heyday, Birmingham succeeded Manchester as the heart of Britain's manufacturing industry. Indeed, as Asa Briggs (1963) noted: "In 18th and early 19th century Birmingham there was immense pride in the bare social and economic fact that there was scarcely a town in America or Europe that is not indebted for some portion of its luxury or its comfort to the enterprise and ingenuity of the men of Birmingham."

Parts of Birmingham experience significant social and economic deprivation, notably the neighbourhoods to the north-west of the city centre including Handsworth, Newtown, Aston and Perry Barr, where unemployment is close to 30%. Aston is also where Tony Sealey – a McDonald's franchisee since 1995 – lives and works. He took over the Perry Barr restaurant in 1995 and then the Newtown restaurant in 2001. Both of these areas are considered "deprived" and are populated by very diverse, low-income communities. In an interview with the author in 2004, Sealey noted:

> My restaurants are located to the north-west of Birmingham, home to a multi-ethnic community, where unemployment is at least seven times the national average and five times the average for Birmingham. In ten years the majority population in the northwest of Birmingham will be non-white. The area is often viewed by outsiders as being high in unemployment and crime linked to drugs and guns, with some wards being seen as no-go areas, particularly at night.

Tony employs around 80 staff in his two restaurants, mostly young people. Of the 16 managers, all except two have been developed internally from part-time crew members. His approach as a local entrepreneur embodies many of the same ambitions and methods as those in the social economy. In economic terms, his is still a local business despite the worldwide recognition of the McDonalds' brand. According to Katherine Newman in *No Shame in My Game* (2000), we should not be surprised that such businesses are important parts of the social fabric and contributors to an area's social capital and community capacity. In her research she shows how Harlem's fast food business owners are extremely civic minded. They support workers through their education. They possess what she describes as a "missionary impulse". They coach and mentor young people as well as providing a positive role model. This is on top of the material benefits – the jobs, income and other economic effects that they bring.

As economic growth has taken root in the Aston area, so too have developments in its social economy sector. A recent baseline survey of social enterprise in the Birmingham and Solihull area reveals that there are about 320 social enterprises trading in the sub-region, employing over 12 000 local residents. Just over half have turnovers of between GBP 100 000 and GBP 1 million per year and the largest generates GBP 5 million per year. About one-third are branches or arms of larger organisations. Almost half earn 50% or more of income from public and private sector contracts. Grants and donations remain a significant part of income for just over one-quarter of these enterprises. Social enterprise in Birmingham and Solihull is a growth sector: staff numbers have increased in the past year amongst 11% of enterprises. Turnover in the past year has increased in 17% of enterprises – part of an upward spiral in economic activity and social conditions in the area (Local Economy Solutions, 2007).

The main beneficiaries of the services provided by social enterprises are the local community (47%), adults (41%), young people (26%), parents and children (21%) and the disabled (21%). There is a clear emphasis on assisting those who are most disadvantaged or at risk of social exclusion. Volunteer effort is important to social enterprises, with almost 75% involving volunteers as part of their activities. Almost 10 500 volunteers actively support organisations, although it should be noted that just over half of these (5 500) volunteer with a single organisation. Even allowing for this, it is evident that at a conservative estimate some 5 000 people volunteer in order to assist social enterprises in their work.

The Aston Reinvestment Trust (ART) pioneered a new form of social and economic finance when, ten years ago, it launched itself as the first Community Development Finance Institution (CDFI) in the UK, inviting social investors to support enterprise in their local area. ART was initially chaired by Sir Adrian Cadbury (now president), the former chairman of the Cadbury Schweppes – one of Birmingham's largest, and most famous, private businesses.

Currently, around one-third of ART's loans are to enterprises from minority ethnic communities. ART lends to small businesses and social enterprises in Birmingham that have been unable to secure finance from elsewhere. Established in 1997 with an objective to raise funds, lend them successfully and obtain repayment to enable recycling of the funds, ART helps potentially viable businesses that otherwise could not grow and it preserves and generates jobs for local people, particularly those in under-represented groups and in disadvantaged areas. These actions help ART to achieve its mission – the relief of poverty through enterprise – uniting social purpose and economic gain. Since it started, ART has lent GBP 4.7 million to 250 borrowers enabling it to preserve and create over 2 000 jobs.

ART's portfolio of borrowers includes limited companies, partnerships, sole traders and registered charities and it has supported both innovative start-ups and established enterprises in a range of sectors including manufacturing, retail, care and education. Borrowers include:

- KPM Turnkey – a high quality engineering and design company based in Aston.
- Salon Express Ltd – a Birmingham salon supplying specialist hair products to the black community.
- Jericho Foundation – a social enterprise that offers training and employment opportunities including to the Tesco Regeneration store programme.

ART works in partnership with the business support network, professionals and banks in the Birmingham area, often packaging finance from itself with other sources. Its loan fund, which offers loans of between GBP 2 000 and GBP 50 000, is derived from investments made by companies and individuals in addition to public and private sector support. ART is a model which is now being replicated in many other regions.

The interplay and similarities between Tony Sealey's McDonalds franchise, Aston's Tesco Extra store and the Aston Reinvestment Trust are striking. All three demonstrate that outcomes in economic and community development can be achieved by bringing together sectors and different approaches. Most significant is that the private sector is as keen to develop social outcomes and to use partnerships with third sector bodies as voluntary and local government are to use enterprise as a major component of regenerating the deprived inner city area.

The experiences of the local communities and residents working in partnership with Tesco in Seacroft and in Dragonville were also positive. In all three locations it is revealing that the private sector employers – Tesco and McDonalds – are often described as amongst the most reviled in the world. Neither are typically seen as friends nor supporters of local communities, nor the social economy, but the evidence in each of these areas suggest that they have only established themselves in the areas with the direct support of social economy organisations.

Government created technology hubs

22@Barcelona

In the 1980s and 1990s the local authorities in Barcelona adopted a series of ambitious projects and initiatives to regenerate deprived areas within the city. The bid and eventual staging of the 1992 Olympic Games was the centrepiece but alongside there were major projects in other parts of the city – most notably on the waterfront and in neighbouring industrial districts.

For more than a century, Poblenou and the surrounding San Martin area had been the main economic and industrial centre of Barcelona and the Catalan regional economy. But from the 1960s, de-industrialisation and decline set in and the area began to lose industries, businesses and residents. Between 1963 and 1990, the area lost more than 1 300 factories.

In 2001, Barcelona City Council approved a new urban planning policy aimed at transforming the old industrial area of Poblenou, with redundant factories long abandoned or in unproductive declining industries, into a location for new activities and for skilled, young people. The city authorities knew that the area and its residential neighbourhoods needed regenerating but also realised that the city required new forms of economic activity too. Retail was already dominant elsewhere in Barcelona and the authorities were keen to attract and grow smaller technological companies so that they could begin to grow a high innovation and productive sector to help drive the city and regional economy in new ways.

The city council rebranded the area as 22@Barcelona, and changed the planning rules for the area enabling new and different types of developments. 22@Barcelona covers the whole south-eastern part of the city, from Gran Via to the beltway and from the Olympic Village to Rambla de Prim, allowing more construction, more public spaces and green areas and subsidised housing as long as previous industrial space is replaced by offices or other business services and equipment related to new technology and knowledge.

22@Barcelona differs from the approaches described above in the UK and the US as it was a government-driven approach to create new forms of economic activity and enterprise rather than to import businesses or business models from elsewhere. It was symptomatic of an approach common across the developed and developing world over many years – that of a "centrally" or "government" planned approach to specific economic development in a place or sector. More recent approaches similar to Barcelona's prioritisation of IT and communications industries have included the establishment of the Kista Science City in Stockholm.

As in Stockholm, Barcelona's objective was to create an area rich in both social capital and economic potential – attractive to the kinds of individual entrepreneurs that could establish high value IT and technology businesses in the city. 22@Barcelona is described as a "new compact city", where the most innovative companies co-exist with research, training and technology transfer centres, as well as housing (4 000 new subsidised residences), social and community facilities (145 000 m^2 of land) and green areas (114 000 m^2). As in Stockholm, the linking of formal education and research facilities is seen as a key to success, with new institutions and research facilities created as conscious "anchors" to promote economic growth.

Barcelona's marketing of 22@Barcelona not only includes incentives for people and businesses to relocate or to grow in the area but also opportunities for people to help neighbourhood associations, meet new people and volunteer in social and cultural activities like: helping people with reduced mobility; helping in digital literacy classes for the elderly, disabled or other groups; providing management consulting for social and cultural projects; practicing Catalan or Spanish with people who are new to the area or practising English with children from the local neighbourhood's schools. Since its start up, the 22@Barcelona project has seen the establishment of more than 1 100 new firms and institutions, of which more than half work in one of the four priority areas: the Media, ICT, MedTech and Energy. In total, there are currently more than 32 000 new workers in the area. According to the city authorities, the elements that contribute to the success of 22@Barcelona are:

- the presence of companies at the forefront of the sector;
- the existence of space for SMEs working in the field;
- the establishment and operation of universities, continuing training and vocational training and technology centres;
- the establishment of specific business incubators or "nurseries";
- the construction of housing for employees in growth companies and industries; and,
- the provision of key support services such as grants, access to venture capital, networking, etc.

Kista Science City, Stockholm

The Kista Science City is based in an area on the edge of Stockholm, near the international airport, which previously housed both industry and major military facilities. In the 1970s and 80s major ICT and electronics employers began to relocate to Kista, such as Ericsson and IBM. The Swedish Government hoped to catalyse new emerging industries around these anchor institutions by investing heavily in new education and research facilities. SISU, the Institute for Systems and SICS, Swedish Institute of Computer Science, alongside an Engineering School and a part of the Electronics Department of the Royal Institute of Technology were sited in Kista. Eventually these were incorporated into a new university – the Swedish IT Institute in 1998 (*www.kista.com*).

By the early 1990s, Kista was being described as Sweden's Silicon Valley. Leading international IT and telecom companies, such as Nokia, Microsoft, Apple and DCM, had also established themselves there alongside smaller companies and start-ups. By the early years of this century, the desire to create a living city rather than just a business and education facility had developed, with plans for houses, schools, community centres and services incorporated into the area.

> Kista Science City extends across four municipal districts around Järvafältet, all of which have agreed on a joint vision for the future. Not only does this involve working together to encourage business growth and higher education, but also to improve housing, traffic networks, local traffic services and other infrastructures. The business community, the universities and the local authorities have worked together to produce and promote a strong vision for the future, with the focus on the development of Kista into a Science City. (Johansson, 2004)

In Kista Science City there are some 1 400 companies with over 30 000 employees, two thirds of whom are employed in the over 500 ICT companies based in Kista. There are also over 1 000 scientists and 5 000 students teaching, researching or training in ICT related areas. However, Kista is more than a place of work and study; like Poblenou, Kista is also a living community, with some 120 000 people residing in the city, and plans to increase that figure. Projects are being implemented to improve and enhance the cultural infrastructure of Kista.

In essence, then, both the Kista Science City and the 22@Barcelona initiative are attempts to simultaneously create communities rich in economic potential but also with high levels of community capacity and social capital. Both Stockholm and Barcelona wanted to build communities that could attract and grow highly skilled technology companies, but as much through the quality of life as through economic factors. In Stockholm, the creation of social capital is an objective of the Kista collaboration. The limited land area away from the centre of Stockholm means that employees and residents are interacting during both working hours and in leisure time. Kista is also home to one of the largest shopping centres in northern Europe, with a theatre, bowling lanes, cinemas, gyms and public spaces. The Kista Science City network has also been established to bring employees and firms together in both formal and informal meetings.

Producer co-operatives in rural areas

The co-operative movement that emerged in the UK in the early 19th century (and described above) has taken root in many places throughout the world. The efforts of the Rochdale pioneers can be linked to the Co-operative Group, which now has over 1.5 million members in the UK, 87 000 employees and an annual turnover of GBP 9.4 billion, and other co-operative movements throughout the world today.

Population movements out of the UK and other European countries in the 18th and 19th centuries helped to export the co-operative philosophy to new locations. In Canada, in the late 1800s a series of co-operatives were formed across the prairie states of Manitoba, Saskatchewan and Alberta. Increased settlement of the Prairies after 1880 brought settlers with an awareness of co-operatives from the US, eastern Canada, and Europe. As early as 1887, the Manitoba government had passed enabling legislation to support the formation of co-operatives.

Western Canada: The history of Viterra and related co-operatives

The seeds of co-operation have spread. Today, there are more than 410 co-operatives and credit unions in Manitoba alone comprising more than 800 000 members and almost CAD 10 billion in assets. As across Canada, agriculture, food and retail co-operatives are the most prominent.

In 1923, Alberta's farmers set up a "wheat pool" as a non-share, non-profit organisation responsible solely for selling wheat for the best advantage. It was set up as a one-person, one-vote organisation, with a five-year contract required to deliver 100% of his commercial wheat to the pool. The pool purchased the grain produced by its members at a provisional or initial price. The pool then sold the grain, and if there was a surplus in the account at the end of the year, it was distributed to its members at a pro-rated basis. Everyone who was a member of the pool received the same price. Initially 26 000 farmers joined the pool.

After the first year, the Pool began to deduct two cents per bushel to invest in the building of pool-owned grain elevators. At the same time, farmers in Saskatchewan and Manitoba created wheat and elevator pools of their own. The pools grew in numbers and political power. In 1928 the combined Alberta, Saskatchewan and Manitoba "Wheat Pools" were among the biggest businesses in Canada with a combined turnover of over CAD 300 million.

In 1998 the Alberta Wheat Pool and Manitoba Pool Elevators merged to form Agricore Co-operative Limited. In 2007, Agricore United was taken over by the Saskatchewan Wheat Pool, by now a publicly traded company. The merged corporation was renamed Viterra. Although now a publicly traded company, much of its supply chain is still made up of local co-operatives in the three Prairie provinces and their social activities and investment in community facilities – from grain elevators to schools and summer camps – remains.

In 2005 there were some 5 700 non-financial co-operatives in Canada, with 5.6 million members, CAD 27.5 billion in revenues and CAD 17.5 billion in assets. These included producer co-operatives, generally in the fishing, agriculture and retail sectors. Two major examples that still trade with Viterra are:

- **Federated Co-operatives Limited** (FCL) provides processing, manufacturing, and administrative services to 300 retail co-operatives and associate members across western Canada (Manitoba, Saskatchewan, Alberta and British Columbia) and north-western Ontario. With revenues of CAD 4.8 billion in 2005, FCL is number one on the federal government's list of *Top 50 Non-Financial Co-operatives in Canada*. FCL's head office is in Saskatoon but it has a distribution centre in Winnipeg, a feed plant in Brandon, and propane distribution centres in Brandon, Carman, and Winnipeg. Goods and services sold at the local co-operatives range from food, petrol and gas, and general merchandise to crop supplies, feed, and forest products. Some 52 co-operatives in Manitoba are members of FCL and employ an estimated 2 600 employees.
- **Granny's Poultry Co-operative** is the largest chicken and turkey processor in Canada and one of its most distinctive and widely recognised brands. In 2005, Granny's Poultry was ranked by *Manitoba Business Magazine* as one

of the Top 50 Fastest Growing Companies for the 8th time in the past 14 years. Granny's has been ranked among the Top 100 Manitoba Companies for 22 of 23 years.

In western Canada, the co-operative movement is much stronger than in the east. In Calgary, the Co-op store is big enough to anchor several shopping centres in Calgary and Alberta, but in Ontario they are much less common. It has been argued that retail and agriculture co-operatives in Canada grew up out of hard economic times, experienced more severely in "frontier" regions (Drolet, 2008). With better weather conditions, soil and easier access to urban markets and to exports, eastern farming communities and urban areas were in less need of pulling together. Adverse natural conditions in Canada were a greater catalyst for co-operative working and arguably for generating positive social capital as well as for short and long-term economic conditions.

Italy: The Conserve Italia and Melinda co-operatives

Indeed, the emergence of the co-operative movement in Italy also stemmed from difficult economic conditions. The first co-operative, a "thrift" store, opened in Italy in 1854, and manufacturing and agricultural co-operatives quickly followed. In contemporary Italy, the co-operative movement continues to play an important economic role.

A major brand and organisation today, Conserve Italia was founded in 1976 by fourteen different co-operatives, for fruit, vegetable and tomato produce, for the sales and distribution of co-operative products under the brands "Valfrutta" and "Cirio". Today, Conserve Italia is one of Europe's largest agri-food industries, bringing together over 50 co-operative associations. With a turnover of EUR 1 billion in 2006/7, Conserve Italia employs nearly 7 000 people, excluding individual farmers and their workforces.

Based throughout Italy but with processing plants in Emilia Romagna, Puglia and Tuscany, Conserve Italia processes fruit and vegetables into cans and jars for domestic and export markets. Its principle business is in tomatoes – harvesting, canning and processing into tins, sauces and other cooking ingredients. It markets its produce throughout Europe under its own brands and on behalf of major retailers in their own brands – including for Tesco in the UK.

Another successful example of the agricultural co-operative impact on local economy can be identified with the Melinda experience. Melinda is a consortium of 16 co-operatives specialising in the growth and production of apple based goods in the Trentino region. Founded in 1989 with the aim of centralising the market, and promoting and enhancing the quality of the product (Parri and Sandri, 2002), Melinda has 5 064 associated producers and an income of EUR 180 million. Such are the production levels that Melinda farmers, in 2005, accounted for 10% of national apple production, 60% of regional production and 5% of the EU15 production (Largo Consumo, 2005).

A great deal of the success of Melinda is due to the strategies which have been adopted at the community level. Innovation and knowledge have been promoted as fundamental values to be added to technical progress at a micro-level. Dialogue, continuous information and joint decision making also contributed. Whilst these factors have clearly contributed to making Melinda a success story, there are other reasons for that success which must be looked for in the local community.

When considering the successful experience of agricultural co-operatives, such as Melinda, in Trentino, it should not be forgotten that such success is fundamentally linked to networking between the diverse sectors in which co-operatives have developed. Indeed, such is the depth of penetration of the co-operative movement throughout Trentino in the agricultural, manufacturing and service sectors, that Trentino's co-operation can be defined as both a socio-cultural movement and a constant dialogue with the community (Dorigatti, 2006).

Two out of three families in Trentino are members of a co-operative, and are frequently members of more than one. This can be easily explained considering that, from the beginning of the 20th century, the villages of Trentino have been served by the co-operative supermarket, Famiglia Cooperativa and a Cassa Rurale, a co-operative bank. The former has a 35% share of the market, has more than 72 000 members, 370 shops and employs 2 600 workers. Given the territorial distribution of Trentino's villages, the Famiglia Cooperativa is often the only shop in villages where private operators are absent (Dorigatti, 2006). The Cassa Rurale plays a fundamental role in the improvement of both Trentino's territorial development and the co-operative movement. In 2006 the Cassa Rurale had more than 100 000 members, almost one family out of two. On average, 96% of the population maintains their bank account at the Cassa Rurale. A distinctive feature of the Cassa Rurale is the relationship between savings and use: funds remain on the territory and are used to sustain small and medium-sized enterprises, and local communities and their activities.

What works and is there a recipe for communities and policy makers?

So how do we bring together policies that promote social economy, community capacity and economic performance? And amidst the global financial and economic crisis, how can such policies best improve the resilience of individual communities and places so that economic and social improvement can be better embedded and sustainable in the future?

The expansion of the welfare state during the 20th century has played a fundamental role in mitigating the risks that economic shocks pose to community resilience and capacity. But the long-term effects of welfare state dependency can be as damaging as the shocks themselves. Governments throughout the world, notably led by the US and the UK – but more recently in France and Germany – have argued that the best forms of "insurance" for communities are policies that promote human capital and personal responsibility. Reich and Putnam argue that it should be possible to translate individual social insurance to a community setting so that a collective insurance fund could be used in times of hardship, due say to the closure of a large local employer. A collective fund could be used to rebuild community capacity or infrastructure, provide retraining opportunities or small business assistance (Reich, 2002).

The more assets people have at their disposal, the more confidence they can place in the future, making them more likely to take advantage of opportunities and rebound from difficult events. This is also true for communities and local areas too. Reich (2002) suggests that the best assets and policies are those aimed at increasing human capital though he acknowledges that this can take long periods of time to work and can only mitigate some of the social "sorting" and segregation that has contributed to deprivation in particular communities. It follows then that over time, institutions such as schools, colleges and universities will be as important to a community as qualifications and skills are to individuals.

As already discussed, it is increasingly recognised that individuals' attitudes, values and aspirations are highly affected by the communities and institutions around them – parents, and families, neighbours, schools and other community organisations, and workplaces too (DCSF/IoE, 2007). We know that governments cannot simply create or reform civil society as and when it pleases, but we do know that it can and it should consciously aim to develop institutions, practices and the general capacity of a community to function economically and socially.

In this chapter a range of issues that define and bring together the notions of economic development and community capacity building have been discussed. Both are concepts with differing interpretations and definitions. The combination of the two as a recipe for developing the social and economic infrastructure of a deprived area can be contentious. Some observers are uncomfortable with a combination of the social and the free market economies and the social economy and the private sector. Others are sceptical about the contribution of private sector companies to local communities and especially of global chains in retail and hospitality, such as Tesco and McDonalds.

But the evidence shows that sectors and theories of social and economic improvement tend to have more similarities than differences. The way that people behave whether they are running a private sector business, a public service or a social economy organisation is often indistinguishable from their behaviour in another. As the Young Foundation argues, the boundaries of both sectors and individual behaviours are blurred by the social norms that are in place in any given locality. Putnam is clear that all types of organisations can and do generate social capital and community capacity.

The social economy is a key element as it spreads across – and is formed by – all of the traditionally defined sectors of a local economy. But this suggests that policies to reinforce or to build the social economy on its own may be misplaced. Whilst they may be nominally successful, they may be more so if consciously connected to private sector enterprise. So if individuals are involved in time banks, local exchange trading schemes or volunteering, they will "gain" if the programmes and their "currencies" are more clearly integrated into paid work and the real economy. Likewise organisations such as credit unions and co-operatives will provide better benefits and services to their members if they are more effectively linked in to the capital and business opportunities of the private sector. Taking even larger-scale examples such as the policies developed to grow new clusters in Barcelona and Stockholm, it is also clear that their approaches will stand a better chance of success if policies to develop communities and social capital are also deliberately adopted.

Some key lessons for policy makers

Firstly, policy makers should specifically construct services and strategies that are aimed at stimulating social capital and community capacity in deprived areas, cities or regions. It is extremely important that in doing so, policy makers should pursue as broad an approach as possible with concurrent strategies aimed at stimulating capacity and activity at the personal and household level, in public and private sectors and through the third sector. A comprehensive strategy might include, for example, a plan for improving the delivery of – and access to – public services, plans to incentivise individual engagement through volunteering, access to finance and grants for private sector and social enterprise organisations and investment in physical infrastructure.

Secondly, policy makers should resist the conflation of the social economy and capacity building with just one or two sectors in a community. Capacity building and the stimulation of higher levels of social capital and networks will be best achieved through an understanding of the broader base of activities and organisations that create and contribute to the most positive forms of social capital and community capacity. Specifically, in relation to economic development it is important to understand the overlaps and inter-relationships between the private sector and the social economy.

Thirdly, policy makers should maximise the inter-relationships between the social economy (and community capacity) and other sectors as well as following policies that boost either private sector entrepreneurship or the third sector in isolation. A "silo" approach in policymaking and service delivery must be complemented with horizontal interventions and strategies that bring such vertical approaches together. In the specific example of economic development, policies that aim to build the inter-connections and partnerships between the private sector and the social economy should be vigorously pursued. Complementarity should apply to policies operating at the local level but also to the relationships between local policy and organisations and to nationally delivered policies and services in a local area.

Fourthly, policy makers should ensure that support, for example information, mentoring and finance, is focused on a broad range of people, services and agencies. Support for organisations that lock in economic and social benefits to a particular community is very important. This might include local co-operatives, credit unions, time banks and other third sector or social economy organisations but should also be focused on private sector entrepreneurs and small businesses in the private sector. As discussed in this chapter, this could come in the form of locally franchised outlets with global brand names or through public services that help to secure local jobs in inward investing firms.

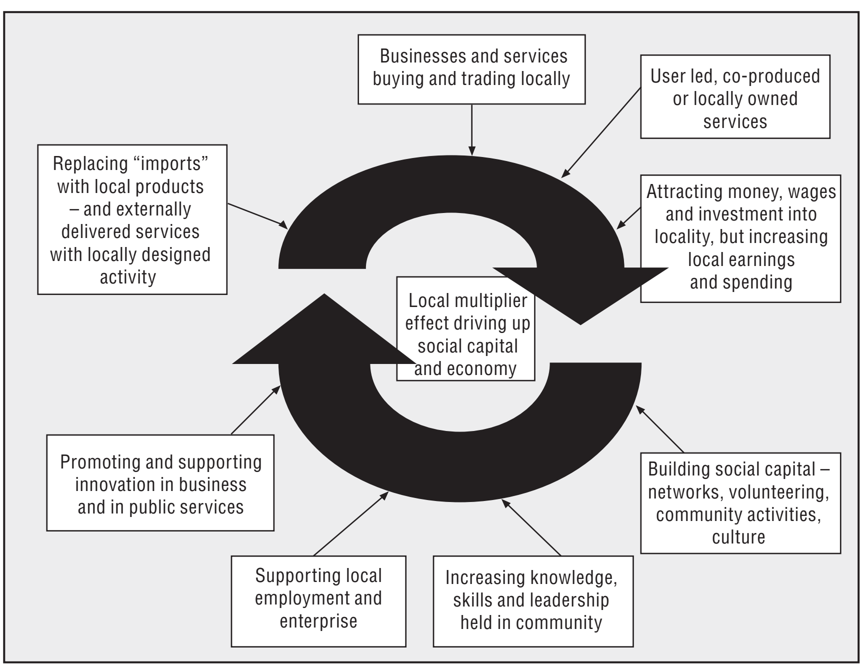
Fifthly, policy makers should create capacity for wellbeing and spaces for social interaction and leisure too. Often these will be connected to areas of economic activity such as cinemas, restaurants and sporting facilities, but other types of community space and social networks without obvious economic benefits should be part of a comprehensive approach to capacity building. Spaces for people and groups to meet, for communities to come together are important aspects of all places and are conscious elements within the creation of "new" locations such as in Barcelona and Stockholm.

Sixthly, policy makers need to understand that most decisions and support should be exercised within communities as much as is practically possible. Social capital or community capacity cannot be created or sustained from the outside. Ultimately, it is the community and its residents that have the strongest understanding, ability and motivation to shape it for the better. This is an important point in the overall discussions throughout the chapters in this publication. Arguably the need to locally design, develop and deliver policies as well as to create local economic and social activity is what ultimately differentiates community capacity building from community development.

Practically, these measures will help to build stronger, more resilient communities with greater community capacity and improved relationships between all sectors and individuals within a community. These principles help to create the conditions through which new forms of social and economic activity might be generated within any given location. It also enables private sector employers to locate in an area and to build better, more economically and socially sustainable businesses in conjunction with local knowledge and networks. This is a lesson that retailers and big businesses have learnt as they have invested more in inner city areas, whether through franchising or through bespoke partnerships with community groups and local government.

As described in the sixth principle above, it is this understanding that distinguishes the type of business activity that builds capacity and social capital in an area from those that merely site their operations in a specific place. The latter may help to develop the economy in a community and so may still be desirable but it does not help to develop the community or to work with it in the way that other private sector activities are able to do. It is also true for those large rural businesses, such as Melinda, who still depend completely on the knowledge, networks and outputs of co-operatives from many small or dispersed communities across large areas in Canada and Italy.

Figure 3.3. **The local multiplier effect (combining social and economic factors)**



Perhaps the most important lesson for policy makers is that all policies that support any type of sector or activity are also based on building the assets, capital and networks of individual people and households. As individuals or members of a household we all have a stake in our local communities, whether through working for or running a business, volunteering for a local charity, engaging in education, playing in a local sports team or responsible in some way for a public service in the area. We demonstrate this confluence of interests and activities in every day or week of our lives. The proportions of time allocated to each type of activity vary from person to person and place to place, but overall we are all examples of how blurred definitions and interconnections between different "economic" activities are utterly commonplace in households or in individual people's lives.

As individuals we are happier and healthier if our work and family lives are positive and if we can also engage in the things outside of work and family that we like to do – sports, hobbies, pastimes and so on. Communities, like individuals are stronger and more resilient – economically and socially – if all aspects of their lives are thriving. Local businesses and businesses franchised or owned from outside are just as much a part of that community as social economy or third sector organisations. They are just as likely to generate social capital in an area and through the skills, interests and motivations of its workers, contribute to the capacity of a place to develop and to change in the future.

As both the definitions of the social economy and the economic multiplier effect demonstrate, (see Figure 3.3). It takes all sorts of actors and assets to develop or to regenerate an area. The capacity of an area to develop is as dependent on the private, public and voluntary sectors as well as on households and individuals who are resident there. Measures to promote private sector and social entrepreneurship are a prerequisite for successful and sustainable regeneration. There are many strategies that will help to turn a deprived area around, but the most effective will be the ones that bring the best of the private, public and third sectors together and that recognise that most people will play some role in all three. No community can regenerate or sustain itself without the combination of all sectors and the understanding that it is by acting together that they are best able to build community capacity.

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