Placing the Social Economy

In recent years there has been a great deal of talk about the social economy and its role in a new 'Third Way', a term that has attained a level of household recognition, especially in North America and Britain. Academics and commentators have debated the potential of the social economy as a restraint on capitalist excesses with critics arguing that it is but a poor substitute for the welfare state. This book provides a refreshing and accessible account of real life experience in a social economy.

By focusing on new evidence, this book critically analyses such themes as:

- the range of academic and policy expectations that have emerged in recent years in the developed world
- the policies of New Labour in Britain
- the dynamics of social enterprises in Bristol, London, Middlesbrough, and Glasgow.

These critical assessments lead the authors to reflect on the future of the social economy and the policy changes that could potentially maximise whatever opportunity the sector provides.

This book's evidence-based approach will make it popular with academics interested in the fields of welfare, and social and political economics. Its easy-to-follow, accessible style will provide students in these areas with an important source for understanding contemporary economies, while its recommendations should be required reading for public policy makers and advisors.

Ash Amin is Professor of Geography at the University of Durham. **Angus Cameron** is lecturer in the Department of Geography at the University of Leicester. **Ray Hudson** is Professor of Geography at the University of Durham and Chairman of the International Centre for Regional Regeneration and Development Studies.

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Preface

There is a great deal of talk these days about the restorative powers of the social economy. The non-profit sector, usually in the hands of the Third Sector, is no longer seen as a residual and poor cousin to the state or the market, a sphere of charity and social or moral repair. Instead, it is imagined as a mainstay of future social organisation in both the developed and developing world, set to co-exist with the welfare state, meet social needs in hard-pressed communities, constitute a new economic circuit of jobs and enterprises in a market composed of socially useful goods and services, empower the socially excluded by combining training and skills formation with capacity and confidence-building, and create a space for humane, co-operative, sustainable, and 'alternative' forms of social and economic organisation. While the optimists have come to see much of this as a good thing, a 'taming' of capitalist excess and exploitation, and the return of the social and civic into the mainstream, those who are more circumspect warn that the social economy remains a poor substitute for provision through the market or welfare state, the return of an under-nourished and under-nourishing social sphere. Either way, there is a distinct sense that the social economy will feature centrally in twenty-first century capitalism.

The social economy, as defined by this book, consists of non-profit activities designed to combat social exclusion through socially useful goods sold in the market and which are not provided for by the state or the private sector. The social economy generates jobs and entrepreneurship by meeting social needs and very often by deploying the socially excluded.

This book provides a sober, evidence-based, account of experience in the social economy, in order to evaluate its strengths and weaknesses, and its future potential. We examine and explain the range of expectations – academic and policy – that have emerged in recent years across the developed world (Chapters 1 and 2). We then focus on the policies of New Labour in Britain – increasingly presented as a paradigmatic 'Third Way' that typifies the new centrality of the social economy – and evaluate their expectations against experience on the ground in the UK (Chapter 3). As much of the contemporary rhetoric surrounding the social economy is based around the powers of place, in essence the argument that local community mobilisation for local provision can help resolve local social exclusion, Chapters 4 and 5 compare the dynamics of social enterprises in four

urban areas – Bristol, Tower Hamlets in London, Middlesbrough, and Glasgow. These case studies illustrate the marked variety in form and experience that we find between places and explore the ways in which local context matters. The final chapter uses the evidence to reflect on the future potential of the social economy and ends with a series of policy recommendations to maximise whatever potential the sector provides.

The evidence is based on two large-scale research projects we carried out between 1997–2001 into the practices and experiences of social economy organisations in the UK. The first of these, commissioned by European Commission, sampled nearly 2000 Third Sector initiatives, to select sixty examples of 'best practice' for inclusion in the Commission's multi-country database of over 700 projects labelled 'Local Initiatives to Combat Social Exclusion in Europe' (LOCIN).[1] Although the LOCIN project was successful in its own terms, from our perspective, like so many other similar approaches, it also highlighted some of the limitations of 'best practice' approaches to the social economy. Specifically, we felt that in only examining projects that were 'successful', such studies did not question how success was measured, failed to explain success, eliminated the specificity of place from the analysis, and glossed over the very high rates of failure amongst social economy organisations.

To investigate these wider questions a further project was commenced in 1999, funded by the UK's Economic and Social Research Council (R000 23 7967), which undertook a more critical and place-based analysis of UK social economy practice. Rather than investigating isolated examples of best practice, the second study sought to examine the dynamics of success and failure in different types of social enterprise and in different local settings. We selected the above four areas because all were known (or at least reputed) to have some degree of social economy activity in existence, having experienced significant problems of poverty and social exclusion, but also because all four have widely differing social, civic, political and economic conditions; differences that might explain the variety. The issue of success and failure was, from the outset, treated as problematic and one not amenable to being reduced to the simple, usually quantitative, metrics often used to gauge the relative value of social economy organisations. Hence the possibility was raised that some projects could, within their local contexts, be successful in terms of meeting specific local needs but unsuccessful in terms of quantifiable outputs, such as the number of jobs generated. The evidence base of each case study was background secondary material, printed case material, and interviews with forty organisations. The combined database from which the various examples used here are drawn consists of 195 individual social economy projects from throughout the UK. A full list of these projects can be found in the Appendix (p. 126).

What, then, are our main findings? First, we can conclude that there is no such thing as a model social enterprise or model of best practice that can be transplanted and encouraged through standardised policy interventions. What counts as success varies enormously between initiatives, with targets such as building client-confidence and increasing participation often at odds with national policy

expectations measured in terms of specific quantifiable outcomes relating to jobs and training, medium to long-term financial sustainability and, less precisely, local economic 'regeneration'. Similarly, our evidence suggests that place and 'local' context are of importance in determining the nature and 'success' of social economy initiatives. For example, the supportive role of the local authority in Glasgow within a specific Labourist political culture has had significant effects on the form that the social economy has taken there, and upon its 'success', while in a similar industrial and social setting such as Middlesbrough, a different state practice has resulted in a much more modest social economy. In contrast, in Bristol a long history of voluntary sector activity, community activism, civic engagement and alternative lifestyles has helped underpin a vibrant social economy. In short, 'success' is a product of a range of place-specific factors that cannot be assumed to exist or be induced elsewhere.

Second, our findings demonstrate that the social economy cannot be conceptualised without reference to the state or the mainstream economy. It remains generally highly dependent upon the state. Although there are examples of projects that have successfully developed independently of public funds, the majority of social enterprises (even well-known success cases) rely heavily on grant income and/or service level contracts with public authorities. The idea that social enterprises should be able to trade their way out of state dependency, whilst commonplace, does not tally with the experience of existing projects in the UK. The alternative that the social economy offers with respect to the public sector, therefore, is less one of providing a different way of generating resources than a different way of using and distributing them. The relationship between the social economy and the mainstream private sector is also significant, albeit precarious and uneven. In places where the private sector economy is strong, such as in London and Bristol, the social economy has been able to derive considerable benefits. These include the recruitment of staff from local firms, the acquisition of materials and financial donations, and the capacity of local labour markets to absorb trainees coming through the social economy. Where the private sector economy is much weaker, such links cannot develop because there is insufficient density of private sector firms to provide the aggregate level of support.

Third, therefore, we find, against dominant communitarian and Third Way thought, that rarely is the social economy genuinely rooted in the resources of local communities. Indeed, areas of marked social exclusion are precisely those that lack the composite skills and resources necessary to sustain a vibrant social economy, resulting in either highly precarious and short-lived ventures that fail to meet local needs, or ventures reliant upon public sector leadership, peripatetic professionals and social entrepreneurs, dedicated organisations such as religious or minority ethnic bodies, or market links that stretch well beyond the modest offerings available locally. Participation by the local community, when we find it, seems to depend upon two factors: first, the nature of the local community itself (e.g. whether cohesive, self-identifying, active); and second, the way in which the social enterprises engage with local people (e.g. genuine and persistent commitment to empowerment and involvement).

Fourth, our evidence shows that it is naïve and unreasonable to expect, as does UK, and increasingly EU, policy and increasingly also EU thinking, that the social economy can be a major source of jobs, entrepreneurship, local regeneration, and welfare provision. To do so, runs the risk of marked disappointment, a return to the vagaries of 'good acts' and 'good people' in combating social exclusion and meeting welfare needs, while legitimating cuts in state expenditure or state welfare remit. We find, instead, that social enterprises – in the right places and with the relevant support – have a role to play that is complementary to provision via state and market. As such, they can achieve something genuinely different. The more successful social enterprises analysed in our research are those that open up new possibilities and networks for people who had previously been confined to the limited resources of poor places. This is not simply a question of altering poor people in poor places to be more like the rest of the 'socially included' world, but a question of opening up and sustaining new ways of being; creating new forms of fulfilling, participatory and democratised work, providing socially useful goods and services, or practising ethical and ecological values. Such an alternative role for the social economy can potentially also influence organisation in the mainstream. This is most obvious when the social economy provides targeted services in a non-bureaucratic and 'hands on' way, or when projects have been able to alter political relationships within local communities – creating new forms of democratic participation as well as economic opportunity.

Finally, therefore, our perspective is at odds with Third Way/New Labour thinking, which charges social enterprises with creating jobs, tackling social exclusion in the round, providing training, developing local services and local markets, and generally countering the effects of years of disinvestment and disengagement by public and private sectors alike. Furthermore, they are expected to become financially viable. Our findings demonstrate quite clearly that the social economy as it is currently constituted cannot deliver this range of outcomes. This is not only because of its own inherent limitations, but because of the different capacities of people and places to develop social economy activities – the poorest places having the least chance of doing so – and because these many problems cannot be tackled solely at the level of local communities. These are multi-scalar problems that demand multi-scalar solutions. The last chapter outlines a series of policy reforms to strengthen the social economy as a complementary, but alternative, sector to state and market, rather than as a substitute for either. Thus, we recommend that, alongside high-quality universal welfare and active state-led regeneration strategies, in the short-to-medium term, there is a need for policies that will encourage innovation, risk-taking in pursuit of social goals, and social entrepreneurial imagination. In the medium-to-longer term we recommend the need to explore alternatives to the conception of the social economy currently dominant in the UK. There is ample evidence that the current Third Way conception can only produce its intended outcomes in quite specific local circumstances – but unfortunately these do no coincide with the places in which the need for alternative forms of provision via the social economy is most acute. There is a serious problem of geographical mismatch, which necessitates an

exploration of other conceptions of the social economy, such as those found in continental Europe, which seek to combine a strong commitment to welfare state provision with possibilities also for different forms of local social economy initiatives.

This book is a modest step towards articulating a different vision for the social economy, one that is neither unwarrantedly optimistic, nor unduly pessimistic, and one that accepts the future as both radical change and radical continuity in the relationship between market, state, and society. The book could not have been written as an evidence-based study without the support of the EU's LOCIN programme and the Economic and Social Research Council (ESRC). We thank both organisations. We also wish to thank Robert Langham at Routledge for soliciting this book, and Trudy Graham and David Hume at Durham for helping to put together this book.

Ash Amin, Angus Cameron and Ray Hudson
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1 The social economy in context

Introduction

In its current usage the term social economy refers to not-for-profit activity geared towards meeting social needs:

> The 'Social Economy' constitutes a broad range of activities which have the potential to provide opportunities for local people and communities to engage in all stages of the process of local economic regeneration and job creation, from the identification of basic needs to the operationalisation of initiatives. The sector covers the economic potential and activities of the self-help and co-operative movements, i.e. initiatives which aim to satisfy social and economic needs of local communities and their members. This sector includes co-operatives; self-help projects; credit unions; housing associations; partnerships; community enterprises and businesses. The Social Economy is the fastest growing sector in Europe and this context is fertile ground for the creation of many new enterprises locally.
>
> (Molloy *et al.* 1999)

Run usually by Third Sector organisations, the social economy covers a range of services, such as training, job and entrepreneurial experience, housing, welfare, consumer services, and environmental upgrading. While organisations may be run as efficient businesses, their prime interest does not lie in profit-maximisation, but in building social capacity (e.g. through employing or training socially disadvantaged groups) and responding to under-met needs (e.g. environmental improvement, free or affordable child-care or housing for low-income families) – and in the process creating new forms of work. The social economy thus marks economic activity (traded and non-traded) with a social remit:

> Social Economy initiatives are based on principles which are concerned primarily with people's needs. Success is judged on the benefits the projects have for the wider community in terms of the number of jobs created; the number of people involved in a voluntary or learning capacity; the benefits to producers and users and in a project's ability to generate income for and within a community. [It] is about effective co-operation, interdependence

and active participation of citizens in the social and economic well-being of local communities. It is concerned with creating an egalitarian, inclusive and more fully democratic society that promotes social justice, fundamental equality, and equality of opportunity.

(Molloy *et al.* 1999)

The aim of this chapter is to explain why interest in the social economy has grown to such a high level of expectation. Until the 1990s, the term hardly featured in English-speaking academic and policy discourse, while older terms such as 'Third Sector', 'non-profit activity', 'community business' or 'voluntary organisation' captured something more modest. They described activity on the margins of a mainstream (non-problematically assumed to be dominated by the state or the private sector) with primarily a welfare function – a safety net or ethical other responding to residual need in a system of provision based on state bureaucracy and market capitalism. They were not seen as part of the economy (as they were not motivated by job generation, entrepreneurship, meeting consumer demand, or producing profit), nor were they seen as political (promoting citizenship, or empowerment). Their role was to see to the welfare of the marginalised. Now, in contrast, much more is expected from the social economy, as we shall see. The chapter begins by tracing the rise of the contemporary discourse on the social economy. It then explores its varied policy interpretations in different national contexts, and ends with a summary of the critical and positive academic interpretations of the potential of the social economy.

From the end of full employment to the crisis of the welfare state

Let us begin with a stylised caricature of the form of capitalist organisation that dominated until recently. Fordism is the term that describes the model of capitalist accumulation and regulation from the mid 1950s to the late 1970s. In its heartland in North America and parts of Europe, during its golden age, it provided full employment, consumer and welfare security, and a social pact around national mass political institutions and universalist beliefs. Its economic logic lay in the employment of large workforces to mass produce goods for a mass consumer market sustained by growing wages, state demand management policies and state welfare provision. A distinctive combination of state and market – centred around the economics of mass production/consumption and Keynesian regulation – catered for economic and social need across the social spectrum. Work and welfare were not the responsibility, in any significant sense, of the Third Sector or civil society in general.

Of course there were wide variations in experience between countries. Fordism was a hegemonic model, not a uniform practice. As such, in many countries where the combination of mass production, Keynesian regulation, and universal welfare did not prevail, small firms and the informal economy remained important sources of work and enterprise, as did households and Third Sector organisations

for welfare provision. The normative goal under Fordism, however, was security through regular work and 'jobs for life', career mobility, consumption, and the all-providing state. One consequence of increasing state provision was substantial growth in public service sector employment. Another, less positive, one was that Fordism reduced the historical reliance on civil society for income and welfare security, and with this, the unpredictability, unevenness, and discontinuity of provision that came with dependence upon the voluntary sector. As a result, civil society came to be seen as the arena of self-help, associational activity and social life, not that of economic activity or preparation for it.

Fordism drew on an integrationist model of (national) society. Though it undoubtedly sharpened divisions along lines of class, gender, and ethnicity, it sat squarely within a modernist ideology of universal belonging: the right and desirability for everyone to be part of a society of universal work, consumption, and citizenship (Bauman 1998; Procacci 1999; Rose 1998). Fordism emphasised conformity to a shared set of norms rather than celebrating diversity. Poverty and other forms of social disadvantage were considered as temporary and to be eliminated through insertion into consumer society and the mores of societal/group belonging. Needs and the needy, therefore, were still seen as part of a common social order; mass participation, after all, is what the economy required. They were not seen as a separate realm requiring special treatment, which, as we shall see, is an important difference from how social exclusion (an unfamiliar term during Fordism) is seen now.

Finally, Fordism symbolised a model of citizenship based on collective rights, distributive justice, and representative democracy. The social rights of citizens coalesced around struggles over income redistribution and the offerings of the welfare state. Their political demands centred around the universals of justice, fairness, and equality, fought through mass political parties, parliament, and other representative institutions. With the exception of notable mass organisations such as the trades unions, and periods of social mobilisation during late Fordism (e.g. the student and feminist movements), civil society was hollowed out as a zone of citizenship and political engagement. It became the zone of the social or the private; the sphere of social reproduction, opinion, morality, and ethics.

Cracks

By the mid 1970s, Fordism had become increasingly vulnerable as a societal model under the pressure of systematic challenges such as:

- rising global energy prices;
- rising imports from low-wage countries and flexibly organised new economies;
- wage drift and sustained opposition from organised labour;
- decreasing returns on sunk capital;
- growth of new technologies and organisational principles no longer dependent upon economies of scale;

- falling demand for mass-produced goods and the rise of customised consumption;
- waning support for mass/representative democracy;
- strains on the national regulatory state due to bureaucratic inefficiency, escalating welfare expenditure, the difficulty of managing trade and investment in an open international economy, and the rise of the market philosophy.

A first reaction by industry in the Fordist heartland was to restore profitability by relocating work to cheap labour zones, forcing mass redundancies, increasing labour productivity, and putting-out or subcontracting peripheral tasks. In the meantime, new industries such as micro-electronics and other high value-added or design-intensive industries appeared, able to compete with smaller workforces, flexible technologies, and flexible work practices. The effect – highlighted by the alarming rapidity of capacity reduction in the industrial regions of the developed economies in the early 1980s – was the transformation of work and the work ethic.

This is the first of two significant developments to rekindle interest in the social economy. Fordist deindustrialisation marked the end of full employment. It punctured the expectation of stable employment for all from the formal economy (Gorz 1982; Rifkin 1995). The 1980s 'naturalised' new labour market conditions. One of these was long-term unemployment due to productivity increases and the technological substitution of labour. Another was the rise of under-employment, manifest in the substantial growth of part-time, contingent and informal employment, as firms sought to reduce labour costs and rewrite the social contract with labour. A third aspect was the rise of job insecurity, exacerbated by job losses in the public sector linked to a new culture of privatisation and deregulation. Furthermore, there was a distinctive geography to these new labour-market conditions, marked by devastation in the industrial heartlands.

In this situation, the Third Sector began to acquire a new meaning, as a supplementary source of employment and entrepreneurship. While during Fordism the unemployed had been considered as part of the reserve army of labour, they now faced the prospect of permanent or frequent exclusion from paid work. Those lacking the requisite skills, attitudes, and experience became the 'socially excluded', with no guarantee of reinsertion into the labour market (Byrne 1999). Economic growth would no longer guarantee their return to work. They were new social subjects, possibly with a role in the informal or black economy or Third Sector organisations covering services abandoned by the state or the private sector (Catterall et al. 1996; Borzaga and Maiello 1998; CEC 1998a). The Third Sector was now seen as a source of training, work experience, contact networks, sociability, and psycho-social support for future workers and entrepreneurs. The Fordist right-to-work ethic was giving way to a new means-to-work ethic, delivered also by the Third Sector.

The second development of significance for the social economy concerns the implications of the crisis of Fordism for universal state welfare. The slowdown of

growth increased the demands on the welfare state (e.g. due to rising unemployment) but it also put a strain on the resources available to meet this demand. The changed economic circumstances challenged state commitment to income redistribution, direct management of the national economy, and the provision of universal education, health-care and social insurance. The 'yawning gap between expenditure and revenues' forced 'a rapid growth in the public sector borrowing requirement' (Pierson 1991: 146), a 'fiscal crisis of the state' (O'Connor 1973), which increasingly came to be viewed as unsustainable by governments. For example, in Britain, real social security spending (excluding pensions) grew by between 10–19 per cent in the early 1990s, while family credit claims doubled, housing benefit claims grew by 20 per cent and income support claims grew by 6 per cent a year (Davis 1999).

There were also other reasons for reconsidering the principle of a universal welfare state. First, capital's need for a national reserve army of labour had disappeared. As a result, governments could become much more selective about which sections of the labour market actively to reproduce and which sections of the economically inactive minimally to cater for so as to secure their consumption potential and contain their sense of social alienation. It was no surprise that business started to object against the use of tax revenue for universal welfare and income redistribution. Second, popular support for taxation also declined in the 1980s (Confalonieri and Newton 1995), due in part to what Galbraith (1992) described as the politics of a contented majority prepared to accept increases in social inequality. This new politics drew on a middle class self-concern that high taxation would yield incommensurate welfare benefits (especially so with the growth of private welfare schemes and personal savings). The welfare state was re-packaged as a choiceless option in a choice-based consumer society, possibly best suited in a cheap version for the 'shameful' poor (Bauman 1998). Third, political parties began to reject the idea of the all-providing state. Long-suffering neo-liberals who later became the New Right, grasped the moment to blame the welfare state for fostering a culture of dependency and entitlement (for example, in the UK, Thatcherites railed against 'the nanny state'). They called for market provision and discipline and individual motivation. But into the 1990s, social democrats too, looking for a 'third way' between state and market, and also concerned with the mounting welfare bill, accepted that the state should provide mainly for those most in need and that welfare entitlements should be coupled to responsibilities (e.g. workfare in Clinton's USA, welfare-to-work in Blair's Britain – see Blair 1997a; Giddens 1998).

The return of the social

The crisis of Fordism renewed interest in the potential of the social economy as a source of work and welfare. The stakes were high, as Jeremy Rifkin notes:

The steady disengagement of government and commerce from communities around the world is leaving an ever widening institutional vacuum. That

vacuum is being filled in some cases by a rejuvenated third sector and, in other instances, by an emboldened fourth sector made up of the informal economy, the black market, and criminal culture. . . . for the third sector to prevail it will have to politicize itself by bringing various institutions, activities, and interests in a shared sense of common mission.

<div align="right">(2000: 245)</div>

During the nineteenth century, the social economy was not seen as a weapon against poverty, which was considered to be natural and inevitable (Bauman 1998), but as a remedy for pauperism, understood as a state of moral turpitude. The social economy was driven by a set of moralising norms and philanthropic institutions for 'the undeserving' (Rose 1998). Some of the effort, as Giovanna Procacci (1978) has noted for late eighteenth and early nineteenth century France, involved encouraging informal activity for self-help. The social economy encapsulated a unity of labour and (moral) well-being for the poor. In an odd way, we have returned to this kind of approach in contemporary public policy discourse, around the idea that the Third Sector can deliver services for the socially excluded, by engaging the socially excluded, thereby meeting welfare need at the same time as stimulating work and social reengagement (Borzaga and Maiello 1998; Lipietz 1992, 1995; CEC 1998a). The premise is that the crisis of the welfare state potentially generates a huge market for the not-for-profit sector to deliver goods and services to help satisfy the largely under-met needs of excluded groups or communities. For example, the withdrawal of banks, businesses, shops, and the public sector from deprived neighbourhoods and communities owing to diminishing returns or the specificity of the welfare need within them, leaves an array of unmet needs. These range from access to child-care for young mothers and training opportunities for the unemployed, to care facilities for the elderly and a decent physical environment for the community as a whole. Equally under-met seem to be the composite needs of the unemployed, the stigmatised (e.g. immigrants, asylum seekers, the homeless, drug addicts), and the disadvantaged (e.g. ethnic minorities, single mothers, under-educated youth, disabled people). The function of the social economy, as a prominent UK activist puts it, is 'to turn needs into markets' (Grimes 1997).

For some commentators, the Third Sector is ideally suited to respond to these 'market' opportunities. Its commitment to welfare/social need rather than profit makes it an obvious protagonist of the new social economy (Pearce 1993; Grimes 1997; Ekins 1986, 1992). As Fasenfest *et al.* (1997: 15) put it: 'A social economy paradigm would wish to make a distinction between values which are monetized and those which are not'. Then, as they are generally light on resources, Third Sector organisations are seen as better able to cope with the economics of specialised provision (Anheier and Seibel 1990). Further, their commitment to combating social exclusion is said to give them a unique understanding of what it takes to help individuals to become active economic agents and citizens. Leadbeater (1997), for example, extols the rise of a new breed of energetic 'social entrepreneurs' based in the Third Sector.

The above neo-pauperism connects with a second, but much broader, aspect of contemporary interest in the social economy. This concerns its potential role in building social capital, that is, an ability and capacity in civil society to enhance economic efficiency and extend the democratic franchise through networks of inter-personal and collective engagement (Putnam 1993). Social enterprises in particular, and the Third Sector in general, as sites of both social reintegration and provision for social need, are increasingly seen as sources of social capital of a particular sort. There are different claims made, depending on moral and political stance. 'Civic conservatives', for whom 'the free market and limited government create the space in which all the institutions that stand between the individual and the state can grow and thrive' (Willetts 1999: 31), stress the virtue of self-responsibility. The social economy can inculcate an ideology of self-motivation and self-provision, helping to return individuals as free market agents. Many gains are expected, as Heidi Rimke elaborates:

Self-help literature describes the self as the unified centre of personal agency which can act upon itself, others and the world. This conception presents the individual as the sole ontological pivot of experience. Further, the self is conceived as possessing an inner reservoir of power that can be accessed. This suggests an intense accountability, responsibility, and sense of obligation that can be enlisted for choices and decisions. . . . a mode of self-regulation which seeks to govern subjects in terms of their presumably 'personal' truths. . . .

<div align="right">(2000: 64)</div>

In contrast, US-based Communitarian thought (Etzioni 1973, 1995; Gittell and Vidal 1998; Walzer 1995), which has much to say about social exclusion, places the emphasis on a socially-generated morality and capacity to act, on the merits of welfare society, rather than welfare individualism. But the social is carefully defined: no longer the traditional social democratic emphasis on the social state and corporate social responsibility, but mutuality within homogeneous communities as an antidote for the damaging individualism and apathy to be found among the socially excluded. Here, the social economy is seen as part of a community-building project, helping to revitalise solidarity and reciprocity in localities of common ailment (e.g. inner city areas or outer estates of high unemployment and social deprivation), through demonstration projects that meet social need and inculcate values of mutuality.

Thus, a third expectation from the social economy is that it links with a new politics of grass-root empowerment or 'social justice from the bottom up' (Donnison 1994), after the Fordist legacy of mass, representative democracy. As Bucek and Smith note:

Participation is at the heart of reforms to augment representative with direct democracy and to diversify methods of policy formation, service delivery, and other means of community and client involvement in the management of public services. For too long, participation in local affairs has been tokenistic,

involving little more than consultation with public opinion in ways which produce results that can easily be ignored by those in formal positions of local authority.

(2000: 14–15)

Two distinct readings of the social economy as a new model of participatory democracy can be identified. One centres on the redefinition of the public sphere, as the arena of active citizens (de Leonardis 1998). The users and beneficiaries of Third Sector initiatives are not simply future workers, welfare providers, and responsible individuals or communities (Hoggett 1997), but also active political subjects. They are potentially a significant voice in their often disempowered local communities (Donnison 1994), a voice for the economy of care and social entrepreneurship. The organisations of the social economy 'can empower people in a number of ways through their own participatory practices, through advocacy, interest articulation, and protest, and through alliances with similarly placed groups in other localities and cultures' (Bucek and Smith 2000: 12). The second reading emphasises the institutions of the social economy, within a model of associative democracy based on the distribution of power to interest organisations, specialised authorities and civic associations (Hirst 1994). In the stakeholder society the associative and institutional powers of the Third Sector can absorb welfare responsibilities as a consequence of state design or neglect (de Leonardis 1998), as well as develop a more open and collaborative code of practice with clients (Madanipour *et al.* 1998; Williams and Windebank 1998).

A fourth and very different expectation from the social economy supports a counter-culture of survival or transformation on the margins of capitalism. There is a long utopian tradition in favour of the organisation of society around needs, self-autonomy, and social and ecological balance. This utopian view reacts against the capitalist emphasis on individual greed, profit, and market value rather than social need. As Fordism slid into crisis, this counter-culture gained momentum through the student movement which campaigned for alternative communities, anti-establishment values and non-consumerist lifestyles; the women's movement, which rejected patriarchy in favour of new principles of solidarity and care; and parts of the labour movement, which pressed for workers' control and production for social utility. Some intellectuals even argued that 'the end of work' after Fordism offered a major opportunity to shift social organisation in this direction (Gorz 1999). However, there was never a sizeable shift in consciousness towards this alternative ethos, given the hold of work, income, and consumption in people's lives. However, the experience of unemployment and welfare withdrawal has spawned a variety of survival mechanisms which draw on non-market transactions and/or pooled resources of one sort or another (Fuller and Jonas 2002; North 1998; Lee 1996; Leyshon and Thrift 1997). These are also claimed as part of the social economy, run as they are by self-help groups and various Third Sector organisations. Ventures include alternative currency systems based on 'metered' time (e.g. time dollars) or vouchers; low-interest credit unions pooled from local contributions; local trading arrangements based on barter (e.g. two

hours of child-care for one hour of tuition); and resources shared on a co-operative or communal basis (e.g. housing, food, recreation facilities). While only too often the ventures fall short of meeting the needs of people on the breadline, they are shot through with a culture of alterity.

The social economy, in summary, has acquired a number of raised expectations ranging from its role as a source of work, entrepreneurship and welfare, to its role in restoring community, associative democracy, and a counter-acquisitive culture. It is presented as the other face of an emerging fast capitalism marked by global consumerism, knowledge workers and knowledge entrepreneurs, giant corporations, flexible careers, and the culture of self-care (Sennett 1998; Rifkin 2000; Flores and Gray 2000).

International variations on a theme

There are considerable international differences in the ways in which the social economy and the relationship of the social economy to market, state, and civil society are envisioned. The ways in which the social economy is conceptualised and understood, and the ways in which it is seen to relate to social exclusion, have taken a variety of forms, partly reflecting varying national cultural and political traditions and policy choices (Jouen 2000: 15–26). Typically these are described in different terminologies and vocabularies. In the USA, '. . . a country characterised by a welfare system of a residual type . . . the distribution and production of goods and services was undertaken principally by . . . non-profit organisations' (Borzaga and Maiello 1998: 25). Reflecting the absence of a strong welfare state, there has been a well-established tradition of seeking to build a sense of community and encourage local 'bottom up' community development gradually distanced from the politically-inspired community activism in which it was originally rooted. The Third Sector became a new form of organising welfare via non-profit and voluntary organisations (for example, see Mollenkopf 1983). Elsewhere in north America – in Cape Breton in Canada, for example – there was a strong tradition of community economic development as the basis of a local social economy that sought to confront problems of catastrophic industrial decline and its associated ills in a peripheral region (see Lionais 2001).

In western Europe, in contrast, 'the apparently predominant view . . . is that recourse to private supply, especially when it replaces public supply, should be financed wholly or at least partly out of public funds' (Borzaga and Maiello 1998: 37). As a result, the state generally has taken a more prominent, though spatially and temporally variable, role in encouraging and supporting community and local economic development. Equally, it has been argued that the reductions in the scope of public expenditure and the welfare state in the last two decades have provided an important stimulus to the growth of a new socially-oriented entrepreneurship and, more generally, an expanded role for the social economy and Third Sector.[1] Within Europe, however, there was and is considerable variation. Echoing the identification of distinct forms of welfare capitalism (Hudson and Williams 1999: 9–15), the César Foundation has identified four

models of the social economy in Europe: Anglo-Saxon, Mediterranean, Nordic, and Rhineland,[2] with important national variations within the latter three models. The Rhineland model encompasses Belgium, France, and Germany. In Germany 'the market social economy' comprises four subsectors: welfare associations, co-operatives, health mutuals, and a 'vast array of voluntary organisations and initiatives of all sorts', but it is argued that there is a general lack of awareness of the social economy and its potentialities. In contrast, France could perhaps be seen as the paradigmatic European case of a state-supported social economy '. . . due to the fact that organisations managing services on behalf of the state maintain that they should be remunerated because they are performing a public service' and the social enterprise has been accorded a specific legal status (*société à finalité sociale*: Borzaga and Maiello 1998: 36–7). The term social economy is accorded widespread recognition in France, with a liaison committee (CNLAMCA: National Liaison Committee for Co-Operatives, Mutuals and Associations) involving representatives from both government departments and social economy organisations. Belgium forms a hybrid, falling between the German and French cases, especially with regard to mutuals 'which are in fact an arm of government'. In many areas, especially education and hospital management, 'the state has delegated powers to the private sector, which it then finances'. In 1995, however, Belgium introduced the legal concept of a company set up for 'social purposes', indicative of a growing recognition of the potential role of the social economy.

The Nordic model as defined by the César Foundation comprises Finland, Norway, and Sweden. All three countries have very similar social systems: a solid tradition of popular movements, a large public sector, and a strong welfare state. Indeed, in Scandinavia, the 'free nature of services is still seen as an essential, almost ethical, element of the welfare system' (Borzaga and Maiello 1998: 35). Even so, there have been recent reductions in the level of public expenditure and in the scope of public sector provision of services but these have stimulated Third Sector activity and the growth of co-operatives, especially in rural areas. As a result, welfare provision and services are delivered via a more complex mix of state and social economy, with the reductions in the scope of state provision creating spaces which social economy organisations have occupied, often with state support. Denmark is a related though different case, with an innovative social economy and a long tradition of local co-operative development in regions such as Jutland that extends back well over a century (Dunford and Hudson 1996). Again, there is evidence of imaginative social economy projects emerging (for example in child care, education, and personal services), often enabled and helped via state support, despite a generally neo-liberal tone to national economic policy. As Borzaga and Maiello (1998: 35) note, 'the Scandinavian countries are altering their welfare systems only very slowly'. Furthermore, they are doing so in ways that demonstrate that development of the social economy can be reconciled and made compatible with a decent and generous welfare system as part of a pro-gressive politics of redistribution.

The Mediterranean model is defined by the César Foundation as comprising Italy, Portugal, and Spain. The Foundation emphasises that

there is no doubt that Italy is the European country where the Third Sector is strongest. It is made up of co-operatives, third world NGOs and non-profit associations. The organisation of the sector is driven politically by the Third Sector Forum, which functions as a debating chamber and a political lobby, and has just been admitted to employer–employee negotiations.

Since 1991, the social enterprise has been accorded a specific legal status: *cooperativa sociale* (Borzaga and Maiello 1998: 36–7). In contrast, the social economy is relatively underdeveloped in Portugal and Spain It was only in 1999, for example, that Portugal introduced the legal concept of 'social co-operatives with limited liability'. In the case of Greece, the Report asks: 'can we really talk of a third sector?' This is a reflection of the much greater role of the extended family in social reproduction over much of mediterranean Europe. As the Report concludes, 'In sum, there is no real Mediterranean model. There is however an Italian model, along with very disparate situations in Spain, Greece and Portugal'.

The Anglo-Saxon model in Europe is unique to the UK, with a particular emphasis upon tackling social exclusion, defined as a locally-specific condition, via local social economy and 'Third Sector' approaches, encompassing a variety of co-operatives, credit unions, traditional mutuals, voluntary organisations, socially-oriented business and housing associations. This has become a central element in the political-economy of New Labour, and we explore this in more detail in Chapter 2, reflected both in the writings of Prime Minister Blair (see Blair 1997a) and his intellectual apologists (such as Giddens 1998, 2000). For the moment we simply note that the social economy is seen as 'very dynamic' and as an integral part of a Third Way between state and market, meeting socio-political aims via socially useful economic activity. It encompasses the production and distribution of goods and services in this way and as a consequence creates alterna-tive forms of work and employment, as well as in other respects seeking to create such employment as its primary goal. The social economy is seen to comprise organisations that are largely locally-owned and controlled and, as such, to promote local democracy – the 'localisation' of the social economy is a critical issue and one discussed more fully below. New Labour's Third Way thus draws both upon aspects of the European and north American traditions, as well as more recent policy propositions emerging from the European Commission. For example, the close linkage between work and personal responsibility can be found in the Clinton Administration's version of the Third Way, through such legislation as the 1996 Personal Responsibility and Work Opportunities Recon-ciliation Act and a host of state and locally-based workfare schemes. They find resonance in New Labour thinking and policy (Peck and Theodore 1999).

Panacea or problem?

Despite the national variations, in all of the above interpretations, the social economy emerges as a creature of either necessity or desire. The pragmatic case stresses the unavoidable need to restore the social as a source of jobs and welfare.

This raises important questions – pursued in this book through evidence on the UK – concerning the ability of the social economy to deliver. Does the Third Sector, for example, have to provide sustainable support, hampered as it is by limited finances, voluntary effort and multiple demands? What, then, will stop a civic-based welfare system becoming one of 'ad hoc conjunctural rules instead of universal rules of justice' (Procacci 1999: 26), a highly uneven and unpredictable source of jobs and welfare? Indeed, what services are on offer – do they simply cosmetically plaster over the cracks of welfare deprivation or do they provide genuinely useful services? And, what kinds of jobs – short-term work for a modest number of people or capacity-building for more permanent and rewarding employment? Is there, finally, a sustainable market for services in between the mainstream economy and the state, to enable the social economy to exist as a sphere in its own right? The case for necessity, thus, remains largely unproven.

The normative case seems to be grounded, as already implied, in anxiety about the loss of a society of commitments (Sennett 1998). Jeremy Rifkin, for example, in reference to 'a rejuvenated third sector', claims:

> If the workings of global networks, cyberspace commerce, and cultural production represent one side of a new politics of power in the coming century, then the reestablishment of deep social exchange, the recreation of social trust and social capital, and the restoration of strong geographic communities represent the other side. The contrarian rallying cry, in an era increasingly given over to short-lived facile connections, virtual realities, and commodified experiences, is that geography counts! Culture matters!
>
> (2000: 256)

Similarly, Richard Sennett (1998: 139) argues 'the fictive "we" has come to life again, to defend against a vigorous new form of capitalism', because 'one of the unintended consequences of modern capitalism is that it has strengthened the value of place, aroused a longing for community'. Enter the values of the social economy, as Charles Leadbeater asserts:

> To create a modern sense of community we need to open up public spaces where people with diverse interests, skills and resources can meet, debate, listen and co-operate to find common purposes and develop shared values. The private sector is skilled at bringing together a diversity of people as consumers, generally for a commercial purpose. Despite the best efforts of many hard-pressed managers and workers, too often the welfare state seems to divide people rather than bring them together.
>
> (1997: 24)

There seems to be a new politics of hope here based on the powers of community, civic agreement, and a yearning for a home called place. In it, the social economy, as the sphere of welfare and work in the hands of the Third Sector and the community, is expected to be at centre stage.

How are we to judge this subtle reinvention of the social and the civic as (place-based) community? In the academic literature, there is mounting criticism of a version of the new politics of hope which seeks community for the socially excluded. This version, which is particularly germane to our concerns, is seen to conceal an exclusionary politics that associates the poor and poverty with particular types of people, places and modes of intervention. There are three strands to the critique. First, as Giovanna Procacci notes, the language of social exclusion presupposes societal separation:

> This means that poverty is analysed as a marginal condition, characteristic of drop-outs, and becomes the state of living if one falls outside society, rather than a predicament which can occur within society – the condition of marginalized people, rather than a process of creating and maintaining inequality, a process rooted in social structure. [. . .] It pretends to eject out of society the problems producing poverty. Vulnerability, precariousness of work, diminishing resources, weakening of social protections – all processes that intensify the polarization of society well before the threshold into extreme poverty is crossed.
>
> (1999: 24)

A second criticism is that any redrawing of the boundary between insiders and outsiders, the deserving and the undeserving, allows the welfare problem to be marked as a special case for selective treatment of only some people, when contrasted with the principle of provision for all enshrined in the universal welfare state. There are many demarcations at work, including the acceptance of the poor in badly paid or insecure jobs, and the banishment of the very poor from the 'universe of moral obligation' (Bauman 1998: 72), or their pathologisation:

> The kind of policies that social exclusion has implemented are mainly characterized by turning social problems into *urban problems*. . . . Therefore, the unique meaning of citizenship at work in such policies is *local integration*. From this vantage point citizenship, or lack of it, becomes a question of sociability, at most a question of 'active animation', a culture, an identity, a set of behaviours whose frame is the urban location where the exclusion takes place [. . .] Localism does not represent the resentment of being no longer treated as a citizen; it only reinforces the sense of exclusion by pretending that problems of the poor are no longer a collective issue, a public concern.
>
> (Procacci 1999: 24–5, emphasis in original)

Third, therefore, the critical literature highlights the old sociological distinction between communal versus societal belonging/obligation. In the idea of community, the poor, in their own homogeneous localities, are treated as not like the rest of us and in need of 'conversion' to become citizens. The idea of society, instead, treats them as one of us, as citizens entitled to the social and political rights enjoyed by the rest of us. It warns, as Procacci alludes, of the real danger of

ghettoisation and resentment – not the communitarian ideal of fellowship – that goes with the identification of poverty with a particular community. It emphasises fellowship and citizenship within a differentiated, but single, social formation (Sennett 1998). And, it warns of the only too easy step that it takes for the state to disengage from universal welfare obligations in a discourse that focuses on particular groups. As Paul Hoggett notes for the British case, 'during the period from the mid 1980s onwards, we can see how "community" became a metaphor for the absence or withdrawal of services by the state' (1997: 10).

Conclusion

The Third Sector has become a symbol of the return of civil society into economic and political life; a significant source of work, welfare, and participatory democracy in a new stage of capitalism. Much is expected from the social economy it can animate. The latter merits serious attention. What we make of it, however, is not uncontroversial. We are seeing two very contrasting interpretations. On the one hand, the positive account sees the social economy as a unitary source of work and welfare, and a zone of social engagement through its inculcation of skills, community values, and the responsible subject. Nothing other than good can come from it.

The cautionary account, on the other hand, links the rise of the social economy to an erosion of the 'social' or universal welfare state, commitment to social justice as desirable in itself and the principle of the inclusive society. Let us summarise the argument. First, the rise of the Third Sector provides an opportunity for the state to reduce its welfare commitments in the face of rising fiscal stress and a mounting anti-welfare ideology (Rose 1998: 66). Second, state interest in plural sources of provision is a step towards accepting uneven welfare provision, a radical shift from the assumption that, as Smith puts it:

> . . . all persons share natural characteristics, generating needs which must be satisfied to live a human life, the wherewithal for which might be claimed as a human right. This position has strong egalitarian implications, for if the natural characteristics, needs, and rights are universal in the sense of applying to everyone everywhere, there is no moral reason why some people in some places should be better supplied than others with sources of need satisfaction.
>
> (2000: 1155)

Third, in the new welfare governmentality, recipients are seen as pathologically different from the mainstream; the fallen/depraved in deprived areas/dangerous places, from whom new obligations must be extracted. Chillingly, Rose observes:

> It appears as if, outside the communities of inclusion, exists an array of micro-sectors, micro-cultures of non-citizens, failed citizens, anti-citizens, comprised of those who are unable or unwilling to enterprise their lives or manage their own risk, incapable of exercising responsible self-government,

either attached to no moral community or to a community of anti-morality. It is in relation to these marginal and pathological persons that one sees the emergence of a new politics of conduct, which re-unifies the abjected subjects ethically and spatially. Ethically, in that they are accorded a new active relation to their status in terms of their strategies and capacities for the management of themselves: they have either refused the bonds of civility and self responsibility, or they aspire to them but have not been given the skills, capacities and means. And spatially in that the unified space of the social is re-configured, and the abjected are re-located, in both the imagination and strategy, in 'marginalised' spaces: in the decaying council estate, in the chaotic lone parent family, in the shop doorways of inner city streets.

(1998: 79)

This book explores where the balance lies by drawing on a body of original research on the experience of the social economy in different parts of the UK.

2 Social economy, social exclusion, localisation

Introduction

In the previous chapter we showed how the concept of the social economy rose to prominence in the context of the crisis of Fordism as a model of socio-economic development and regulation. This led to more widespread and intensified forms of socio-spatial differentiation, with significant concentrations of poverty and multiple deprivation that increasingly became swept up under the rubric of 'social exclusion'. In turn, given the perceived limitations of mainstream policy responses to the problems of the socially excluded, this led to an accelerating search for new modes of state policy formation and implementation to tackle increasingly generalised but localised social exclusions. In this context, there was growing interest in the social economy and/or Third Way as alternative policy approaches (Birkholzer 1996). Not least, as they were seen as making relatively small demands on public expenditure: 'The big money goes to mainstream economic re-generation: only in smaller and less well-resourced local partnerships is a social economy approach significant' (Geddes 2000: 797). It was in this context that the social economy increasingly became defined as the solution to problems of social exclusion. Even more significantly, this equation has depended upon a further manoeuvre – the localising of both social exclusion and the social economy, with both understood as constituted at the local level. The net result is to create an elision between 'social exclusion', 'social economy', and the 'local'; indeed, to equate 'social exclusion' as the problem and 'social economy' as the policy solution precisely via defining them both as necessarily constituted at the local level.

In this chapter, first, we review the emergence and recent history of the concept of social exclusion, and the way in which social exclusion has been defined as a problem at the local scale and the localisation of the social economy has become defined as the solution to this problem within the discourses of Third Way politics. Then we go on to illustrate how this particular treatment of the social economy has been taken up in EU policy discourse on social exclusion. Finally, we examine the coupling of social exclusion and social economy via a more detailed look at the case of New Labour in the UK, posed increasingly (certainly in terms of its self-perception and publicity) as the paradigmatic Third Way project defining the politics of the new millennium. The ring to the chapter is that the

'exceptionalism' of the emerging EU/UK approach when set in the context of the international variations we outlined in Chapter 1, could become a new orthodoxy.

Social exclusion: a community problem?

The concept of social exclusion has a short but well-documented history. The invention of the term is commonly attributed to René Lenoir, the French Minister for Social Action. In 1974 he referred in a speech to *les exclus* – 10 per cent of the French population that he claimed were existing beyond civil society because they were not covered by social insurance. They included: 'the mentally and the physically handicapped, suicidal people, aged invalids, abused children, drug addicts, delinquents, single parents, multi-problem households, marginal, asocial persons, and other social misfits' (Silver 1994: 532).

Interestingly, given the subsequent history of the term, this list encompasses a wide range of individual conditions and problems and social ills and pathologies but does not explicitly refer to the unemployed or any other group whose exclusion might be attributed primarily to *economic* deprivation. To some extent, this can be related to the emergence of the concept towards the end of the long period of 'full employment' in Europe. However, the broadening of social exclusion to include economic deprivation happened very quickly in response to rapid changes in the structure of European economy and society. The term was appropriated by the French Left to describe both 'the ones that economic growth forgot' during periods of expansion, and subsequently the growing numbers of the unemployed and the poor that accompanied the recessions of the late 1970s and 1980s (Silver 1994: 534–5).

As Allen suggests, the end product of this process of on-going redefinition is that:

> What appears to be new in this situation is the social multi-dimensionality of poverty and *precarité*, so that age, gender, race, migration, household structure, educational qualification, etc. form a set of lines along which peripheralisation and potential exclusion from the labour force can run.
>
> (1998: 28)

Social exclusion – since it encompasses a range and depth of mutually-reinforcing problems – does not simply describe the static condition of 'poverty' or 'deprivation' but emphasises the *processes* by which aspects of social marginalisation are intensified over time. As such, social exclusion is a powerful concept encapsulating the cumulative effects of multiple disadvantage and social exclusion can be manifest in numerous, often inter-related, ways: cultural, economic, political, and spatial. For example, it is often difficult for marginal communities to gain access to processes of political decision-making from which they may be culturally, educationally, and linguistically, as well as physically, remote. In addition to direct discriminatory practices such as racism, sexism, 'ableism', and ageism, there is a plethora of more subtle processes of socio-cultural marginalisation. Even so, the

single most commonly cited source of poverty and social exclusion remains unemployment (see Chapter 1). The resultant denial of access to economic resources has been the most commonly cited proximate cause of social exclusion in the core territories of industrial capitalism in which unemployment has been a persistent problem since the 1970s. Without suggesting that other forms of social exclusion are reducible to a lack of waged work, there is no doubt that they are often linked to it. This is a view that is now prevalent in policy circles over north America and Europe and defines social exclusion predominantly in terms of economic exclusion (Levitas 1996).

Social exclusion is also understood as scaled in particular ways. Geddes emphasises the '"spatiality" of social exclusion' and refers to a

> New geography of deprivation and problems of disorder (crime and fear of crime) associated with economic, physical and social degradation in many urban neighbourhoods . . . certain spatial dimensions of social exclusion are particularly prominent in the 1990s. These include those concentrations of the poor in large public (Fordist) housing estates, but also in other urban locations frequently cheek by jowl with affluence, including neighbourhoods with large migrant and/or ethnic populations or 'racial ghettos' and remoter rural regions. In such areas, alienated younger people, especially young males, are frequently portrayed as out of control, terrorizing 'ordinary citizens'.
>
> (2000: 783)

Although the socially excluded are understood to be excluded from the main-stream national, and by extension global, labour market, their point of (re)entry is almost without exception understood to be 'local'. For example, Borzaga (n.d.: 1) refers to the growth of the Third Sector 'as a consequence of the demand for the integration of excluded people at the local level', without offering any explanation of why this demand is seen to be one that is necessarily situated at the local level. This taken-for-granted 'localness' is, in fact, central to the construction of the standard representation of social exclusion that ascribes to it a specific spatial scale: that of the local community. Empirically, this is quite understandable in terms of describing manifestations of poverty and deprivation. The acute and compounded forms of social and material deprivation that the term social exclusion is used to describe tend to be concentrated in particular marginalised geographical areas. There is a familiar imagery associated with accounts of social exclusion in northern Europe and north America in particular, that includes run-down housing estates (both inner city and outer suburban social housing), scarred and shuttered town centres, and littered and graffittied streets.[1]

With social exclusion scaled in these ways, the 'local' has also become equated with 'community' (as we indicated in Chapter 1). As a consequence, and via a further slippage, the word 'community' has almost become a synonym for social exclusion. Hoggett makes the point emphatically: 'For policy makers and street-level bureaucrats within the state the idea of community has nearly always been used as a form of shorthand for the socially excluded' (1997: 11).

As a consequence, the debate on the causes and locations of social exclusion, as well as proposed solutions, has become cast in terms of geographically-defined communities and/or 'neighbourhoods' (Social Exclusion Unit 1998; CEC 1998a,b; Gittell and Vidal 1998; Levitas 1998; Madanipour *et al.* 1998; Byrne 1999). Perhaps the clearest expression of this is the way in which the solutions to social exclusion have been presented both by grassroots development agencies and Non-Governmental Organisations (NGOs) and, increasingly, by the institutions of national and international governance. As Byrne notes:

> 'Community' matters not just because it is the key collective identity constituted through space, but also because 'community' development has been just about the only strategy of empowerment attempted, however half-heartedly and sometime [*sic*] with a view to disempowerment rather than empowerment in the whole repertoire of anti-exclusion policy.
>
> (1999: 111)

The growing policy interest in localised solutions to social exclusion via local social economy initiatives has stimulated the creation of a number of databases documenting experiences, typically linked to ideas of 'best practice' and its (alleged) transferability between places. For example, both the United Nations Educational, Scientific and Cultural Organisation (UNESCO) and the EU have produced such databases. Many of the anti-exclusion projects recorded in the UNESCO database are concentrated in particular localities. In the case of the EU's Local Initiatives to Combat Social Exclusion in Europe (LOCIN) database, the 'localness' of the projects was a basic criterion of selection for inclusion. Micro-enterprises as promoted by the United States Agency for International Development Microenterprise Innovation Project (USAID MIP) are by defi-nition highly localised. The result is that a 'new localism' (Goetz and Clarke 1993) has developed alongside the policy discourse of social exclusion in which 'com-munity rules' (Levitas 1998). Indeed, it might be more accurate to claim that the 'new localism' has developed as an integral part of the discourse of social exclusion.

Linking social exclusion and the social economy through the local

As noted in Chapter 1, the social economy embraces a wide range of activities and a variety of organisational forms that may be non-hierarchical, using both waged workers and unwaged volunteers, and more democratic than those of the formal economy and state. It is becoming seen as a holistic solution for social exclusion in a number of ways. First, by encouraging collective self-help, confidence and capacity building, and nurturing the collective values of the economy via socially useful production. Second, by humanising the economy via an emphasis upon autonomy, associational values, and organising the economy at a 'human' scale. Third, by enhancing democracy and participation via a decentralisation of policy to local communities and places.[2] Fourth, by bringing about a greater degree of

systemic coherence to the local economy via the local production and consumption of goods and services (*a fortiori* if this is linked to the creation of a local currency). Fifth, by acknowledging the relationships between economy, environment, politics, and society.

The linkage between the social economy and social exclusion – through evocations of community and local connectivity – is increasingly justified through the specificity of problems at the local level. The localised concept of the social economy emphasises the ability to address specific local needs and tackle localised social exclusion. Laville (1996, cited in Borzaga n.d.: 9–10) comments that a feature of social enterprises is 'their desire to promote a sense of social responsibility and further democracy at local level through economic activity'. The 'local' in this context, though rarely explicitly defined, usually refers to a small definable territory and a homogenous resident population – usually either a single housing estate, an established inner-city or suburban area or a rural village. Local social economy organisations are understood to be 'community-owned' organisations. They are seen to share a commitment to harness local economic activity and latent entrepreneurial capacity to create jobs and socially useful services by responding to the needs of the local, spatially delimited community (see, *inter alia*, Pearce 1993; Catterall *et al.* 1996; Gittell and Vidal 1998; CEC 1998a,b; Ekins and Newby 1998; Greffe 1998; Haughton 1999; Social Exclusion Unit 1998; DETR 1998). Such organisations allow a 'joint construction of supply and demand' (Laville 1996, cited in Borzaga n.d.: 14). So, for example, instead of local housing maintenance work being carried out by staff employed by a local authority or, as has been increasingly the case in the UK, by a private company on contract to the local authority, community-owned non-profit enterprises are established within housing estates to provide a more immediate and flexible service run by and for local people and to create jobs in the local economy (Saunders 1997).

The social economy is, therefore, conceptualised as an aggregation of localised Third Sector organisations, ready and able to combat localised social exclusion. For 'the social economy approach makes clear the extent to which alterations in the division of labour between monetized economic activity and non-monetized activity depends on the local context and culture' (Fasenfest *et al.* 1997: 16). As a consequence, the 'national' and, reflecting well-established or more recent forms of regional devolution in a range of advanced capitalist states, 'regional' social economies may be simply heterogeneous agglomerations of localised practices.

Making the local link: the EU dimension

This turn to the local is particularly evident in EU thinking on the social economy. Following the establishment of the Social Economy Unit within DG XXIII in 1989 (Molloy *et al.* 1999), the European Commission has paid increasing attention to the problems of social exclusion and to the social economy as a way of tackling them. The Commission sees this as a way forward for tackling widespread poverty and social exclusion that is compatible with the demands of a formal

sector economy confronted with the challenges of new and more intense forms of global competition. For example, the White Paper on *Competition, Growth and Employment* expresses this point very clearly:

> Given the scale of the needs that have to be met, both in the European Union and elsewhere in the world, recovery must be achieved by developing work and employment and not by endorsing basically Malthusian [that is, welfare – the authors] solutions. [We must] remain faithful to the ideals which have come to characterise and represent Europe, of finding a new synthesis of the aims pursued by society (work as a factor of social integration, equality of opportunity) and the requirements of the economy (competitiveness and job creation).[3]
>
> (CEC 1994)

The concept of the 'third system' has recently been adopted as a formal policy strategy by the European Commission and European Parliament. It is deliberately vaguely specified, so that it can explicitly subsume a variety of different terms with broadly the same meaning:

> Third system, third sector, social economy, community development, local development and employment initiatives, local and territorial pacts for employment, endogenous local development, sustainable economy . . . the abundance of terms used to describe a group of innovative phenomena shows the current froth around a set of largely unknown realities.
>
> (CEC 1998b: 4)

While these realities may be presented as 'unknown', this has not stopped the Commission from proffering the following definition of organisations in the 'third system':

> These organisations aim to find *solutions* rather then [*sic*] to place themselves in a new market sector;
> They often refer to factors such as *social solidarity*, democratic organisations or the primacy of the individual over capital;
> These organisations are often the result of *public/private* partnerships and have a close relationship with their *local communities*;
> The market is not their sole source of income with organisations securing public subsidies, donations or loans – they often have very *mixed income*;
> Specific attention is often given to *disadvantaged* people by these organisations;
> These organisations are often small scale structures often with larger numbers of non-active associates or unpaid *volunteers*.
> Finally, the most important factor which justifies the growing interest in this type of initiative naturally concerns their close relationship to the development of new types of jobs, mainly linked to satisfying new personal

and collective needs which neither the public nor the market can currently meet.

(1998b: 6, emphases in original)

This specification of the attributes of 'third system' activities emphasises that they involve communitarian solutions that fall between state and market, and that they offer a potential palliative to the problems of disadvantaged people and places.[4] They are proposed as a model for policy convergence across the European Union. As Borzaga and Maiello note, 'it is possible to discern a sort of local convergence between initiatives to combat long-term employment and social enterprise', where the Commission could seek to 'promote the spread of quality [best] practice in the social enterprise' (1998: 40). With 'local' as 'national' taken out of the frame, it comes back, however, in the form of an acknowledgement of dynamics at the level of neighbourhoods and localities. The Commission is clearly suggesting that there is a local specificity both to the problems of disadvantage (of social exclusion) and the social economy initiatives through which these can be tackled. Thus, via processes of slippage, elision and assertion, social exclusion and the social economy have become defined as locally constituted, as sharing the same local places. A new hegemony of the social as local seems to be in the making. Nowhere has this been pushed with so much vigour than in Blair's Britain.

A paradigmatic case: New Labour and the Third Way

In this section we focus upon the complex relationships between New Labour, social exclusion, and the social economy. We do so not only to set the UK empirical evidence in this book in its policy context, but also because the Third Way politics of New Labour are presented by their protagonists as a new paradigmatic model of development for the new millennium (one with a strong resonance with EU policy shifts). The local social economy is presented as part of the solution to problems of social exclusion, the means through which the norms of the market economy can be made compatible with a socially-inclusive society in the UK. These are strong claims, given added significance by their elevation as part of a new paradigm of modern socio-economic development that is seen to be of general relevance and applicability.

The transformation from Old to New Labour, leading to the election of the 'New' Labour government on 1 May 1997, involved a significant ideological shift, embedded in a new political 'philosophy', the Third Way, intended to represent a radical departure from the atrophied politics of Right and Left (Giddens 1998). A form of corporatist and statist socialism associated with large-scale industrial production and universal welfare provision by the state was abandoned as New Labour joyously embraced the new 'realities' of globalisation, post-Fordism, flexible labour relations and a more fragmentary, service-based and volatile labour market. At the same time, the Third Way sought to distance itself from the burgeoning distributional inequalities of Thatcherite neo-liberalism. As

such, the concept of social exclusion for the first time became central to national policy (Levitas 1998). The concepts of globalisation and social exclusion took central and related roles in the definition of 'modern', 'moral', and 'liberal' approaches to policy in general and anti-poverty and regeneration strategies in particular. These changes are explored through their central and recurrent themes – modernity, morality, and localism.

Much of the modernism of New Labour stems from a perceived need to reinvent the party as one of fiscal prudence, entrepreneurial zeal and strong business orientation, committed to markets as allocative institutions. None the less, New Labour's embracing of the market is tempered by the central claim of the Third Way that necessary participation in and adaptation to the global economy can be reconciled with a commitment to social justice and welfare. As Blair puts it: 'A key challenge of progressive politics is to use the state as an *enabling* force, protecting effective communities and voluntary organisations and encouraging their growth to tackle new needs, in partnership as appropriate' (1997a: 4, emphasis added).

The Third Way is central to an ongoing renegotiation of the state's role with regard to a transformed economy and a less fixed and coherent conception of civil society. If the former can be explained and 'managed' by constituting it as external and global, the latter remains the responsibility of the state.

The 'aspirations to succeed' with which Blair wishes to equip the citizens of the UK derive from what he calls his 'ethic of responsibility'. In addition to various Christian Socialist and Communitarian thinkers, Blair's views are influenced by Giddens (1998: 65), who proposes the motto 'no rights without responsibilities' as the basic ethical principle of the new politics. Reflecting this, Blair defines responsibility as a key value of the Third Way.

> For too long, the demand for rights from the state was separated from the duties of citizenship and the imperative for mutual responsibility on the part of individuals and institutions. Unemployment benefits were often paid without strong reciprocal obligations; children went unsupported by absent parents. . . . The rights we enjoy reflect the duties we owe; rights and opportunity without responsibility are engines of selfishness and greed.
>
> (1997a: 4)

Both Blair and Giddens see strong civic cultures, based on and developing from active and willing participation in collective activities, as central to their vision of the Third Way. However, both also see the role of the state as one of *enforcing* the acceptance of civil responsibilities; presumably in the hope that once set in motion via a cathartic one-off burst of state coercion, an inclusive civil society will come into being and subsequently reproduce itself via its own efforts. This is most clearly expressed in the Government's description of the objective of welfare reform: 'work for those who can and security for those who cannot' (DSS 1998: iii). What this means in practice is sanctions and inducements to compel welfare claimants to accept paid work or training places either in the 'mainstream' private

sector economy or through a range of temporary, subsidised 'workfare' options through welfare-to-work (Peck 1998a,b). In this regard, the Third Way is a route back to employment in the formal economy for those who can – and must – take advantage of the opportunities it offers. Redefining citizenship as having a job necessitates policies to get the unemployed back into work in the mainstream formal labour market, with scant regard for the quality of such jobs as they might come to occupy. Responsibility, then, becomes responsibility for finding and securing paid work with the result that the unemployed, single mothers and the disabled are less dependent on, and therefore less of a burden on, the state as it seeks to promote the national territory to attract global capital.

In the new moral economy it is not only necessary but 'better' to work, however. If 'the mainstream economy – with its opportunities and risks – [is] the main path out of exclusion for all people of working age',[5] then social exclusion becomes the rubric under which those unable to seize those opportunities or bear the risks can be summarily dumped. For the socially excluded, however, the social economy is offered as the alternative source of work. For those who fail to get jobs in the mainstream economy, the Third Way offers a route to a world of survival via sequential training schemes, temporary employment and the possibility of work in the social economy. This preoccupation with finding work for people in some form or other reflects, as we flagged in Chapter 1, the fear that long-term structural unemployment may erode the work ethic and the habit of work, reinforce expectations of welfare and open the door to social disruption and societal problems (Byrne 1999; Bauman 1998).

In addition to being responsible for participation in the economy, citizens of the 'new Britain' bear responsibility for creating and maintaining civil society, encouraged and, if need be, enforced by state action:

> Strong communities depend on shared values and a recognition of the rights and duties of citizenship – not just the duty to pay taxes and obey the law, but the obligation to bring up children as competent, responsible citizens, and to support those – such as teachers – who are employed by the state in the task. In the past we have tended to take such duties for granted. But where they are neglected, we should not hesitate to encourage *and even enforce them*, as we are seeking to do with initiatives such as our 'home–school contracts' between schools and parents.
>
> (Blair 1997a: 12, emphasis added)

The redistribution of responsibility appears in many different forms throughout the New Labour agenda. All the documents relating to the 'New Contract for Welfare' (a title which alludes to contractarian notions of reciprocity) emphasise that delivering welfare reform is as much the responsibility of claimants as it is of the state (DSS 1998). It is even more pronounced in relation to the government's flagship employment programme, Welfare-To-Work, the core of the *New Deal*. This provides a subsidised, six-month work placement for the long-term unemployed in a range of private, public, and voluntary sector organisations in

the hope and expectation that the participants will either then become employed permanently in the organisations in which they are placed, or, at the very least, will have been made more 'employable'.[6] 'Full employability' is now the goal rather than 'full employment'. Despite the claims, the evidence that such workfare schemes produce positive employment outcomes is, however, very ambiguous (Peck 1998a,b; Peck and Theodore 1999). This is the case in terms both of quantity and quality of jobs.

In terms of job quality, Byrne (1999) argues that supply-side measures such as those of *New Deal* do little to address issues of quality and in fact may institutionalise low pay. Accepting the fundamental association of social exclusion with unemployment does not mean supporting a view that tackling social exclusion can be exclusively equated with insertion into the wage relation, especially given contemporary labour market conditions in the UK (Geddes 2000: 795). As to the amount of jobs, evidence has shown that Welfare-to-Work produces large numbers of 'missing' people who drop out of the scheme either into insecure short-term jobs and then back into unemployment, or who are forced into a combination of poverty and the black economy. Of the 140,000 people participating in the scheme up to June 1999, 35 per cent had 'disappeared' in this way (Inman 1999). Considerable numbers get jobs through the scheme but often for relatively short periods. This is deeply problematic, not least in terms of the stated intentions of *New Deal*. In its Fifth Report into *New Deal* and Welfare-To-Work, the House of Commons Select Committee on Education and Employment expressed its concerns:

> that the proportion of moves into unsustained employment remains as high as 40 per cent. As the minister has told us on more than one occasion, young people on the *New Deal* are ambitious and aspirational and the *New Deal* has to be aspirational for them. Those aspirations will not be met by a cycle of continual short-term employment in entry-level jobs, unemployment and participation in the *New Deal*.
>
> (paragraph 40, p. xv, 2001)

As such, the Welfare-To-Work scheme seems to have reinforced labour market inequality, leaving a substantial subsection of the long-term unemployed with little or no access to secure employment, and therefore recycled within the social economy and confined within a minimal welfare system. The social economy risks becoming a mechanism for reinserting some of the unemployed into the mainstream labour market and a mechanism of surveillance and control over those who fail to make this transition.

There is also an intractably uneven geography to all of this. Schemes such as Welfare-To-Work rely on the capacity of the private sector economy to absorb unemployment and so, it has been argued, tend to reproduce and even exacerbate the existing uneven geography of employment (Peck 1998a). When they produce large numbers of positive employment outcomes, these tend to be concentrated in areas with relatively buoyant economies. Where unemployment is highest,

because local labour-market dynamics are weakest, workfare schemes have had at best a marginal effect (Peck 1998a; Peck and Theodore 1999). Paradoxically though, it is in these locations that social economy initiatives are seen to have a key role in providing work and services for their socially excluded and marginalised residents. The question this raises is whether this comes as a sticking plaster over the most open wounds of a divided society rather than as a corrective to its dominant political–economic processes.

New Labour, New Localism: the *National Strategy for Neighbourhood Renewal* and the *New Deal for Communities*

In the Third Way, the harnessing of the local community is central to the 'reinvention' of the nation, the creation of an inclusive society, and particularly to tackling social exclusion. The local community is both the site at which the phenomenon of social exclusion is manifest and is presumed to be the most appropriate site of policy intervention. Under New Labour, if social exclusion 'happens' at the level of the local community, the latter is therefore responsible for its alleviation. The main expressions of this have emerged from the strategy and policy documents produced by the Social Exclusion Unit, *Bringing Britain Together: A National Strategy for Neighbourhood Renewal* and the *New Deal for Communities*.

The Social Exclusion Unit (SEU) was established in December 1997 to create inter-departmental synergies within government and generate innovative policies to combat the 'very modern problem' of social exclusion as the concept became central to the mainstream policy debate in the UK (Blair 1997b: 2). The SEU 'reports direct to the Prime Minister and is located within the Cabinet Office, putting it at the heart of Government' (SEU 2001: 58). Its members were drawn from relevant government departments (health, social security, education and employment, and environment, transport and the regions), the private sector (National Westminster Bank), statutory agencies (the Probation Service, the Police), NGOs (Crime Concern, Church Urban Fund), a local authority, and a member of the Prime Minister's 'No.10 Policy Unit' (SEU 1998). Beyond the responsibilities of those working directly within the Unit, a network of government ministers was established to enable the SEU to access the policy-making process, and eighteen Policy Action Teams (PATs) were formed to co-ordinate research and policy formation.[7] The Unit was established for two years in the first instance and given a timetable of activities covering a set of agreed priorities; namely, truancy and school exclusions, rough sleeping and what were dubbed 'worst estates'. The activities of the SEU were reviewed after two years and its life extended until the end of 2002, at which point a further review will occur (SEU 2001: 58).

The first outcomes of the Unit's work emerged in September 1998 with the publication of *Bringing Britain Together: A National Strategy for Neighbourhood Renewal* and the *New Deal for Communities*, the first major policy initiative from the Unit. Although the *National Strategy* specifically prioritised tackling the 'worst

estates', it was also a statement of the overall strategy direction proposed by the SEU.[8] Beginning from a critical assumption that social exclusion is constituted locally, the document seeks both to identify the extent and causes of problems of area-based social exclusion and to propose ways of dealing with them. Considerable stress is placed upon the failure of mainstream top-down policies delivered through vertically-organised and rule-bound Whitehall departments, and blighted by short-term 'initiative-itis' and a lack of local co-ordination. It describes what does 'work' via a series of 'best practice' case studies of community-based social economy organisations. Community-based initiatives loom large in this vision of future anti-poverty strategies. The overall direction of the proposed policy programme consists of new area-based initiatives, supported by a 'backdrop' of national policies and firmly based on the development of local community-based social economy organisations. The *National Strategy* 'offers a comprehensive approach to tackling deprivation at the community level' (SEU 2001: 45). National policy thus amounts to the sum of these localised solutions.

The *New Deal for Communities* (hereafter NDC), a £900 million scheme to provide funds for the intensive regeneration of the eighty-eight most deprived local authority districts (SEU 2001: 44) was the first expression of this new philosophy. It was introduced within the *National Strategy* and launched in the same week. The purpose of the NDC programme was to establish local community-led regeneration partnerships in seventeen 'Pathfinder areas' throughout England, followed in 2000 by a further twenty-two. By 2001, thirty-nine neighbourhoods had therefore received funding through the NDC.[9] Furthermore, 'the Government's long-term vision is that in ten to twenty years no-one should be seriously disadvantaged by where they live' (SEU 2001: 45) – an ambitious target given both the contemporary breadth and depth of socio-spatial inequality and the history of uneven development in the UK.

'Genuine' – as opposed to instrumental fund-gaining – partnership is seen as vital to the success of NDC and 'communities are key partners locally' (SEU 2001: 45). The purpose of these 'genuine partnerships' is to 'improve job prospects, bring together investment in buildings and investment in people, and to improve neighbourhood management and the delivery of local services' (DETR 1998: 4). Moreover, 'The new programme will support plans that bring together local people, community and voluntary organisations, public agencies, local authorities and business in an intensive local focus to tackle these problems and make a lasting improvement' (DETR 1998: 1).

The NDC rules require that the area funded should be a 'recognisable neighbourhood'. The explanation of what this might mean in practice is that the neighbourhood:

> . . . should not be so large that the partnership cannot focus its strategy effectively. Nor should it be so small that effective neighbourhood management strategies cannot be put in place. Communities will typically, therefore, be expected to cover between 1000 to 4000 households within a distinct area.
> (DETR 1998: 9)

The NDC lays out a range of suggested outputs, some of which would need to form part of successful bids to the programme. These are, in the order they appear in the original documentation (DETR 1998: 6–7): Jobs, Housing, Neighbourhood Management, Enterprise Development, Crime and Drugs, Education, Health, Access to Services, Families, Young People and Children, Access to Information, and Community Building. Whichever of these are prioritised by a partnership, the activities that it undertakes are strictly time-limited. All capital spending within the framework of NDC must take place within the first five years of the programme. Each partnership has an absolute life-span of ten years and is required to submit a 'clear forward strategy which explains how the partnership will keep going beyond this ten year period' (DETR 1998: 13).

The local and neighbourhood focus of NDC and the *National Strategy for Neighbourhood Renewal* is seen as an important policy innovation, allowing customised local solutions to problems of social exclusion. This attaches a great deal of weight to the local level and the efficacy of localised solutions to problems of social exclusion, which even the SEU recognises to be a consequence of economic globalisation and national societal change. The SEU (2001: 25) acknowledges, 'the economic changes that have driven social exclusion include a more open global economy that has meant more competition and the need continually to up-date skills and the growth of knowledge-based industries that require higher levels of qualification'. At the same time, 'communities have become more polarised and fragmented, so that, for example, poor and unemployed people are less likely to live in a community where others might be able to put them in touch with a job'. It is a paradox that the solution proposed is to transfer considerable responsibility to the local level and to local partnerships and communities in abolishing serious disadvantage. In this way, NDC, as part of the national government's overall anti-exclusion programme, is presented as a distinct and positive break from past area-based regeneration projects because of their emphasis on local control and entrepreneurial approaches (Sewel 1998).

Conclusion: the UK in wider context

The Third Way politics of New Labour claims to steer a middle course between an older cross-party consensual 'One Nation' strategy – essentially social democratic – and the subsequent and a more recent and divisive 'Two Nations' strategy, associated above all with the politics of Thatcherism. Despite the rhetorical claims, it is clear that the Third Way is much less of a middle way than a course that owes much more to the Thatcherite politics of 'Two Nations' than it does to the 'One Nation' consensual politics of Macmillan,[10] Heath, and Wilson. It has a distinctly blue rinse. It begins from an assertion that adaptation to global economic forces is the only feasible policy option. Everything else, not least the government's public spending profile and priorities, must be fitted around this. This includes tackling social exclusion, 'one of the key upward pressures on public spending' (SEU 2001: 23). Thus social exclusion must be reduced but equally in ways that make minimal demands upon public expenditure. From this has

followed an emphasis upon individual, neighbourhood, and community responsibility for devising ways of tackling social exclusion via local social economy and other initiatives. Government financial support for these is available but is strictly time-limited and short-term and tied to specific and measurable outcomes and clearly identified exit strategies that do not depend upon continuing public sector funding. In subsequent chapters we explore these rules and their outcomes in greater detail.

This inflection is close to a new policy regime in the EU. Issues of the potential of the social economy and the extent to which, and conditions under which, this can be realised could become normalised as part of a new modernity. But the conception of the social economy as a localised solution to localised problems of social exclusion is not hegemonic yet. We saw in Chapter 1, in fact, other national models imagine the social economy in a different way. They raise several issues. First, and contrary to New Labour's position, is the possibility that the social economy can be made compatible with equitable welfare provision within a progressive politics of redistribution. This is perhaps most clearly demonstrated by the position in Scandinavia. Second, there is no necessary reason why the social economy should be ghettoised and confined to locations of extreme social exclusion and deprivation. Indeed, to do so may conceal from public view and exacerbate the extreme social exclusion experienced by marginalised poor people in affluent areas, for example. Third, it is necessary to be aware of what the social economy might reasonably be expected to achieve and the optimal arrangements in which it might realise its full potential:

> There is a tendency, however, for an agenda of difficult tasks to be placed at the door of the Social Economy: the creation of employment, the reduction of unemployment, the promotion of local development, the reduction of poverty and the general improvement in the quality of life – which neither the state nor the private sectors, with their vastly superior resources, have been able to achieve to date. Communities suffering from poverty and unemployment will not successfully deal with these problems on their own.
>
> (Molloy *et al*. 1999)

This is a sobering assessment.

Fourth, defining the social economy as an aggregate of local initiatives necessarily defines the social economy as fragmented and heterogeneous. While heterogeneity may represent local flexibility and the capacity to customise local solutions to local circumstances, variety could become a reason for not tackling social exclusion to a uniform national standard, as a national problem. It could even blunt scrutiny of national policies which might be incompatible or in conflict with the objective of alleviating social exclusion at the local level. The social economy, and in particular its local discursive constitution, may then be thought of as part of a new governmentality that seeks to defuse and control proposals for radical change rather than becoming a conduit for promoting such change. Indeed, there is evidence of a new governmentality emerging around the social

economy, closely tied to the construction of international data bases that seek to promote 'best practice', such as those of UNESCO and the EU. One important effect of this is to decontextualise local social economy projects, with the effect of writing out specificity, both of project and place, and emphasising those aspects seen as transferable among projects and places. This is becoming the basis of an evolving consensus among international policy communities and a disciplining device for 'non-conforming' welfare models.

The next three chapters examine current practice among existing social economy organisations in the UK. Chapter 3 examines these organisations thematically, in terms of the range of expectations placed upon them within current academic and policy debates. Four main strands of these expectations are identified and considered in the light of detailed empirical evidence on a range of local economy initiatives. The two chapters which follow then consider the nature of the local social economy in two pairs of places to examine the powers of place and some of the place-specific determinants of social economy activity. This will help reveal the variety that exists within the UK, and so the validity of claims that the social economy might provide a solution to problems of social exclusion in all places in the UK.

3   Policy and practice in the UK social economy

Introduction

As we have seen, the social economy is defined in contemporary policy as an agglomeration of local interventions in 'localities', 'communities' and 'neighbourhoods', expected to help overcome social exclusion. More specifically, social enterprises are expected to create employment, be financially independent, succeed through serving local markets, and empower the excluded. The purpose of this chapter is to analyse these expectations, as well as forge new understandings, using data drawn from our UK-wide investigation of local social enterprises. Fuller details of these data sources and our research methodology are given in the Preface and in the Appendix (pp. 126–30).[1]

Employment and training

A central role that the local social economy is expected to play is that of creating new forms of employment in excluded communities. The European Commission (EC), for example, has identified nineteen fields of activity on the basis of which it has proclaimed an 'Era of Tailor Made Jobs' (CEC 1998a).[2] These various activities are echoed in the policy pronouncements of New Labour and other centre-right national governments for whom the local social economy offers the promise of 'bottom-up' regeneration with new sources of employment flowing from the conversion of 'needs into markets'. Social economy organisations contributing to employment outcomes fall into two main categories: direct employers and labour market intermediaries. The direct employers are expected to create jobs by exploiting new areas of anticipated growth. These include, for example, environmental schemes as a basis for socially useful employment (Altvater 1993; Lipietz 1992, 1995), the provision of new and/or alternative social services beyond the state (Gough 1979; Haughton 1998, 1999), and the creation of non-monetary local exchange networks (Ekins 1986, 1992; Ekins and Newby 1998; Offe and Heinze 1992; Lee 1996; Bowring 1998). Labour market intermediaries include organisations developing active labour market policies, such as Intermediate Labour Market training schemes to help the excluded to return to work in the formal economy. In all cases it is additional employment that is expected to be created around needs and markets poorly served at the present.

However, the evidence-base for the capacity of the social economy to create employment is relatively thin. What is known is that a large but often unspecified number of people are employed (including volunteers) in the Third Sector, understood in the broadest sense to encompass not only organisations comprising the social economy but also the full range of voluntary and charitable organisations. Although there is an absence of data providing a reliable estimate of the numbers involved at a national level,[3] there have been isolated attempts to quantify the total numbers employed in the social economy in specific places.

A study carried out by the Territorial Employment Research Unit (TERU) at the University of Glasgow for the Glasgow-based social economy consultants Community Enterprise in Strathclyde in 1996–7, for example, estimated that the social economy in Lowland Scotland employed 42,000 people – as many as the then booming electronics industry in the region (McGregor *et al.* 1997). However, as the TERU also reported, of these 42,000 estimated jobs, only 8300 were held by people from 'disadvantaged areas' and 5800 by people from 'disadvantaged groups' (these figures overlapping to some degree) (ibid.: ii). However, these numbers relate to the social economy defined as the non-profit sector in general, rather than being confined to the 17 per cent of the organisations surveyed that 'fall unambiguously into the community enterprise model' (McGregor *et al.* 1997). This suggests that the actual employment outcomes in areas of the greatest need are in practice quite low, particularly in relation to levels of need.

Elsewhere, a recent audit of the social economy in Bristol carried out in 2000 for the City Council found that the total employment within a self-selecting sample of 404 social economy organisations in the city amounted to over 4700 jobs, of which just over 50 per cent were full-time. In the case of the Bristol audit, considerable criticism has been directed at the statistics by local social economy activists themselves who feel that they misrepresent the situation in important ways. As one prominent local activist put it,

> If I wanted I could interpret these figures to support any project that you would want to propose for funding, and I shouldn't be able to do that. These figures don't tell us very much about what the need is. I have been to most of the meetings at which these things have been discussed and it has been very hard to reach agreement. I am still not clear about all this and I have been through hours of meeting – nothing has moved on in terms of definition.[4]

The majority of the organisations audited in Bristol were not social enterprises as such but a wide variety of different charitable and voluntary organisations. Of the 404 projects included, only 17 per cent were, according to local sources, properly classified as part of the social economy.

While figures such as those for Bristol and Glasgow are open to varying interpretation and criticism, they have not dampened the enthusiasm of policy-makers for the social economy because even this scanty evidence is seen to show that local interventions have the capacity to deliver jobs. Much of this enthusiasm

has been built around scattered projects. Let us turn to these experiences to see whether the enthusiasm is justified.

In certain sectors of the social economy, there are indeed areas where employment has been created through organisations taking advantage of new forms of funding or new markets spawning from work previously carried on informally or by local authorities. The care sector is a good example in which innovative forms of service delivery have produced substantial numbers of jobs, often for women. Increasing state funding for childcare services, as part of an attempt to help lone parents into work, has led to the creation of some quite large organisations. Perhaps the biggest of these, One Plus in Glasgow, currently employs 135 permanent staff, 110 intermediate labour market staff, 100 sessional staff and a further 60 people through a jointly-owned subsidiary company. One Plus also provides up to 310 training places at any one time. As the importance of the availability of affordable child-care has become increasingly recognised by both funders and the UK government (particularly since 1997), so similar organisations have developed in other places. Elsewhere in Glasgow, Calton Childcare provides a smaller-scale child-care service employing 65 women from various parts of the East End of the city. In Belfast, several women's projects have developed around the provision of child-care and child-care training for local women, in addition to a range of other social and employment services. The Shankill Women's Centre, for example, has played an important role as an employer and trainer in the conventional sense for local women, providing some 38 full-time jobs (in 1998), and it has helped women to overcome problems associated with sectarianism through education and inter-community dialogue.

Similar growth has been seen in homecare services for the elderly and infirm, which are increasingly being delivered by co-operative social enterprises. The Wrekin Care Co-operative is one of the largest of a number of such organisations throughout the UK, providing work for as many as ninety-five full and part-time carers at any one time. The organisation derives 25 per cent of its income from local authority contracts, and the rest from direct payment by clients. In practice, however, these latter are the attendance allowances paid to clients by the state, then transferred to the co-operative as payments for services rather than to the local health authority.

Although such schemes have created significant numbers of jobs throughout the UK, many of them are displacements from the public sector and they are often short-term and poorly paid. Wrekin Care has suffered from significant fluctuations in the numbers of carers it has on its books, a fact that it attributes to the hard and stressful nature of the job and an hourly rate (in 1999) of just £4.50 per hour (rising to £6 per hour at weekends) for a 20–5- or 40-hour week. In addition, the carers are not employed directly by the co-operative but are self-employed, working on a sessional basis for a number of hours agreed in advance with the co-operative. As self-employed workers, homecare staff have to pay all expenses (including, for example the costs of running a car, which is essential to the work) out of their own pocket. Although these costs can be offset against tax, the jobs created by the co-operative do not offer the same job-security, benefits or

support structures that could be expected from formal employment in the public or larger private sector organisations.

Although our study reveals that many of the jobs created by the social economy are low-paid and precarious, there are examples where more secure employment has been generated. Amman Valley Enterprises (AVE), in the former coalfields of South Wales, for example, has created fifty-seven permanent jobs for local people since it was created in 1987. The project was established by a group of local women with funding from the local authority and the EU in the aftermath of the 1984–5 miners' strike and in anticipation of the closure of neighbouring pits in the late 1980s. AVE was a reaction to the increasingly urgent needs of women in the area to gain marketable qualifications in recognition of their increasing importance in the local labour market as wage earners, often the sole wage earner in a household. AVE was initially established purely as a training organisation, but quite early on began to identify aspects of its own activity, particularly catering and computing, that could be established semi-independently of the core business as community enterprises. To date, AVE has established seven different community enterprises, three of which are now run as separate enterprises with a permanent staff.

For the majority of projects in our study, however, the main contribution to local employment has been indirect, usually taking the form either of comprehensive training and advice schemes or supported workspace schemes. While Pecan Ltd in Peckham in South London has created some employment for local people among its own staff, the main impact of the initiative has been through the provision of very flexible and innovative training programmes, tailored to the needs of the local community. It is claimed that Pecan's training courses have made a 'significant' contribution to the reduction of unemployment in the area, by overcoming specific barriers to labour-market access among particular communities. This is especially the case among members of the local Nigerian and Somali communities who have been helped to overcome barriers of language, culture, and lack of basic skills which had previously denied them access to many forms of work. Importantly, however, the employment outcomes of Pecan are not themselves primarily in the social economy. Rather it has improved access to the mainstream labour market, a task made much easier in recent years due to the growth in the London economy overall and in the demand for minimally-skilled labour.

In contrast, where the local labour market is less buoyant, and where the needs of local people are much more acute, the contribution of the social economy to local employment can be very different. Govan Workspace in Glasgow, for example, has protected and created local employment, not in the social economy or through training, but by helping to preserve and protect private sector activity within an area of very low inward investment, blighted by problems of severe deprivation. Govan Workspace owns and manages three units for industrial and small businesses employing over 530 jobs, of which 50 per cent are held by people living in the immediate area. It is unlikely that many of the jobs preserved within the workspace companies would otherwise have arisen in Govan and, indeed,

attempts continue to be made to poach Govan-based firms to other parts of the city. The significance of the Workspace project has been to avoid jobs being displaced elsewhere.

Even for the biggest and best known social economy projects in the UK, the outcomes in terms of employment are mixed. The Wise Group, for example, has the reputation of being one of the great success stories of the social economy. While it is a large organisation with over 200 mainly full-time staff, these are often professional and skilled jobs that are rarely accessible to members of Wise's main client group – long-term unemployed people with few skills and little or no work-experience. Wise's main contribution to the local labour market is one of 'churning', providing periodic employment for people with either very few marketable skills or who live in unemployment blackspots. Although a majority of Wise trainees do go on to find paid work, almost 50 per cent of its clients are unemployed three months after leaving the scheme and 44 per cent after six months. This suggests that while Wise provides a very valuable service to the people of Glasgow and beyond (see Chapter 4), this cannot disguise the fact that its contribution to stimulating local labour market demand is minimal. This shows that however successful the social economy might be at providing services, it may in itself not make up for the absence of employment in the mainstream economy.

Another very important element in assessing the effectiveness of the social economy as a means of creating or facilitating employment is that of cost. In practice, costs vary enormously between individual projects. Pecan Ltd, for example, estimates that the cost of passing each client through training and into the labour market (if not directly into work) is around £2000. The Wise Group, by contrast, claims an average cost of £14,100 per client. Taken at face value and without qualification, these figures would seem to represent massive and inexplicable variations in the costs of training and/or job creation. That said, these figures take no account of the differential character of the local labour market, the particular skills and/or experience being imparted, the way in which the client relates to the project or the 'value-added' that the investment represents. The Wise Group, for example, defends the high cost of its service by pointing out that to leave people on benefit costs approximately £8900 per year, without altering their employment prospects. On the other hand, the wages earned by Wise employees support the local economy by generating £2.10 for every £1.00 invested by the Local Authority and yields £7.25 million in tax revenues for the national exchequer. Costs also need to be related to a host of local factors and to the extent to which expenditure circulates with positive multiplier effects within the local economy.

Perhaps the most significant determinant of the costs associated with creating or accessing employment through the social economy is the character and extent of its relationship to the mainstream economy. Costs for Pecan are so low, partly because it tends to deal with a more 'job-ready' clientele, partly because the buoyant London labour market has more than enough capacity to absorb its clients. In the case of Wise, the opposite set of conditions prevail. The Wise client

group comprises the long-term unemployed with little or no work experience and therefore require considerably more investment in terms of time and resources to give them access to very limited opportunities in a competitive local labour-market.

Our evidence tends to show that despite the headline figures that are sometimes produced to show that the social economy can combat problems of localised unemployment, its capacity to create significant levels of employment in the places in which it is most needed is typically limited and circumscribed.

Financial independence

Much policy support for the social economy is predicated on the belief that social enterprises can be self-funding in the longer term (CEC 1998a,b) and that they can develop capital assets for the local community (e.g. community-centres, office space, low-rent housing, and so on). The NDC, for example, is quite explicit that it will only consider projects that, 'have a clear forward strategy which explains how the partnership will keep the momentum going beyond [the] ten-year period [of funding]' (DETR 1998: 18). Just as social enterprises are expected to generate employment, they are also expected to develop, therefore, some form of growth market within the areas in which they operate that will generate a trading surplus to replace or offset public funds in the long term.

In practice only a very small number manage to free themselves of grant funding completely. Our analysis of 195 social economy projects across the UK in the period between 1997–2000 shows that 67 per cent were wholly reliant on public funds and a further 21 per cent relied on the public purse for at least 70 per cent of their income (Table 3.1). Only 3 per cent could report that they were wholly free of public sector grants for revenue funding, but even among these projects, some made sporadic use of grants for new project development.

Table 3.1 Grant dependency of UK social economy organisations

Percentage of income from direct grants	Number of organisations (total = 195)
0	6
1–9	4
10–19	3
20–9	4
30–9	2
40–9	2
50–9	2
60–9	5
70–9	4
80–9	15
90–9	17
100	131

Source: figures derived from category searches of the LOCIN database at http://locin.jrc.it

This high level of dependence on public funds is by no means confined to the UK. Analysis of the 723 social economy organisations included in the EC's LOCIN database reveals that 482 (67 per cent) cited their local government authority as a source of some or all funding and 398 (55 per cent) stated that their national government funded their activity. By contrast only 26 (4 per cent) of these projects could state that they were wholly independent of external funding sources. [The organisation of the information within this database prevents the production of more detailed aggregate break-downs of the financial independence of these projects.] Since a basic criterion for inclusion in the LOCIN database was that projects must have been established for at least three years, this level of dependence cannot simply be attributed to the newness of social economy activity. Of course, independence does not necessarily imply that projects must become wholly self-financing. For example, it can be defined as moving to a balancing of sources of income such that the proportion of grant income tends to fall over time, leaving grant income to be used to best effect overall. However, in the context of falling welfare budgets, it may well be that the financial autonomy expected of the social economy will become simply a substitute for state welfare expenditure rather than a genuine addition to the resources available for tackling poverty and exclusion.

Within the general picture that a very limited number of projects are in any way financially autonomous, there are none the less important examples in which innovative development strategies, creative use of public sector sources and often fortuitous local conditions have enabled social economy projects to develop significant income streams and assets. The Furniture Resource Centre Ltd (FRC), for example, has grown from being a small furniture recycling organisation to designing, manufacturing, and marketing its own furniture. FRC was established by evangelical Christians in 1988 in a warehouse in Speke on Merseyside with the help of a Church Urban Fund donation. The original purpose of FRC was to help resolve a chronic problem of inadequate furniture and domestic equipment in the available social housing, often resulting in a very high turnover of social housing among some of the most vulnerable groups. FRC started off by providing low-cost recycled furniture to such people, but from 1994, it established a production unit in addition to its recycling workshop. The unit produces high-quality, low-cost new furniture for sale to people on low incomes or to social landlords through the national Furnished Homes Scheme. It has developed a range of products which are either sold directly to people in social housing or, increasingly, to local authorities and housing associations as 'furniture packs' containing the necessary items to make housing habitable. From the outset one of the central aims of the project was to develop a range of activities that would generate an income and allow it to operate independently of the vagaries of public funding regimes. Although project leaders report considerable difficulties over the years in achieving this level of independence, by 1998 over 90 per cent of FRC's £4 million annual turnover was derived from sales of products – both its own manufactures and recycled furniture and white goods. While much of FRC's income is still ultimately derived from the public sector (though increasingly from

private and Third Sector Registered Social Landlords), it is in the form of payment for goods and services provided, rather than as grants or via service level contracts. FRC has been able to develop a niche market to exploit the considerable sums spent on social housing on Merseyside, to provide a valuable social service – turnover rates on social housing have fallen – as well as a viable and independent social enterprise.

In other cases, projects have been created specifically to manage and further develop existing assets. For example, Coin Street Community Builders (CSCB) on the south bank of the Thames was established to act as a management and development company for a 14-acre site, after the local community won a long campaign to prevent the area being sold to commercial developers for office buildings. The Greater London Council sold the site to CSCB for a fraction of its market value and protected its status as a community-owned asset through a series of binding covenants. The result has been the creation of a varied development scheme embracing tenant-owned and managed social housing schemes, work-spaces for private sector designers, retail outlets and catering, exhibition spaces, public parks, training and employment services, and an annual community arts festival. These activities provide CSCB with the revenue to grow as an independent organisation.

While the number of projects that have survived independently of public sector funding is limited, other examples reveal that relatively low levels of additional finance for marginal innovations can have a significant impact. The Matson Neighbourhood Project (MNP) is based in a housing estate on the outskirts of Gloucester and has been particularly effective in using its activities for wider community benefit. For example, once, in conducting an estate-wide survey of residents, £1 was paid for each survey form completed in order to ensure the fullest return possible. Instead of using the project office as the collection point, a local chemist facing closure due to lack of business, was used to gather the forms and handle the payments. The result of simply bringing people through the doors of the chemist had an immediate positive impact on trade, effectively saving the business. MNP was also instrumental in saving a greengrocer's shop in the main shopping parade on the estate which was due to close because the disabled owner could no longer afford the rent or manage the floorspace. MNP took over the lease of the shop for one of its advice centres, allowing the grocer to move to smaller, cheaper premises next door. Since the move, business has increased considerably again saving the shop and the livelihood of the owner.

By bringing commercial and social enterprises together and creating complementary services MNP has been very effective in developing an enhanced level of economic activity on the estate. Income from both grant sources and from commercial activities remains in circulation in the immediate area and helps prevent further local economic decline. There are also clear social benefits to the preservation and creation of local shops and services. However, for all its success in stimulating a certain, albeit low, level of economic activity, MNP remains heavily reliant on grant income and is unlikely to become self-financing in the foreseeable future. In total, MNP is able to generate 15 per cent of its income

through the sale of services, most of which is derived from service level agreements with the local health trust. The remainder comes from the local authority, the National Lotteries Charities Board, private sector sponsorship and a range of small, one-off grants.

For the bulk of the social economy, the major source of income remains the public sector, either directly in the form of grants or indirectly through service contracts. Often this dependency is an obstacle to change. Some funders, for example, claw back surplus funds at the end of the funding period (SEL 2000). Not only are funders notoriously 'risk averse', but many are formally prevented from funding any organisation that explicitly intends to generate a surplus. National Lottery funds, for example, cannot be used to support social enterprises which are established to create a surplus, even though it is not distributed as profit (SEL 2000). The availability of most funds on only an annual cycle, changing criteria for eligibility, onerous administrative and supervision requirements, and a host of particular problems (such as retrospective and often late payment by the European Social Fund) makes medium to long-term financial planning impossible. Such constraints raise the prospect that what is being created are, in effect, 'ghetto economies' which can do little more than ensure the short-term recirculation of grant funding and the limited disposable income available to local people. This, of course, in many instances does represent an improvement in the day-to-day economic lives of people living in deprived communities. However, without changes in the structure of current funding arrangements to permit longer-term planning and the accumulation of community-owned capital, the social economy offers few prospects for becoming financially independent, and using this independence to develop needed new services.

Success through local markets?

Social enterprises are routinely understood to operate at a local scale to meet very specific local needs through the mobilisation of local capacities. The assumption is that a local circuitry of need and response will spawn viable social enterprises. Our evidence questions this assumption. Local focus in practice can prove to be a limiting factor on growth by restricting the level and character of demand for the goods and services provided. Conversely, there are many examples of apparently successful projects where the connections to small bounded neighbourhoods are either tenuous or non-existent. These contradictions highlight a potential tension between meeting local needs and being dragged down by responding to local demand alone.

In South Wales, for example, there is a cluster of social economy projects in the valleys of the former coalfield, most of which have established some form of community enterprise using national (both UK government and the recently established Welsh Assembly) and European funds. The range of activities among them is quite narrow, consisting for the most part of semi-industrial potteries, carpentry workshops, furniture exchanges, catering, garden centres, and landscaping services. All of these activities are conducted on a very small scale,

reflecting their primary objective of providing jobs and services within the immediate neighbourhood. While some of these enterprises are successful as micro ventures, their capacity for expansion or diversification is limited. They saturate the local market with similar products, and local labour markets can only absorb so many people being trained in the same skills, which are often unrelated to the demands of the mainstream formal labour-market. The same limited range of activities serve the same set of local needs and chase the same limited local disposable income. The restriction on spending power further limits the possibilities of diversifying into 'new' products and services. Despite exhortations on the part of community sector umbrella organisations that local initiatives should seek to break out of their immediate local areas, very little is done in practice to overcome the inherent limitations of the activities pursued (West 1999). However, were they to do so, the character of the local connections would change, perhaps in ways that would run counter to the prevailing criteria for funding, so that 'delocalisation' might create problems of its own.

Some of the larger and better established social enterprises in the UK have been able to sidestep such limitations by operating on much bigger and/or multiple scales. Although often still described as 'local', such organisations are effectively detached from any identifiable area or community, sometimes operating up to and including the national level. Perhaps the clearest example of this is the Wise Group which is routinely cited as an exemplar of best practice in the 'local' social economy (see, for example, CEC 1998a,b; SEU 1998). In practice, however, Wise was oriented towards local neighbourhoods only for a short time in the early 1980s. When it began, the project's services (insulation, security devices, and landscaping in areas of social housing combined with training) were delivered by community-based 'squads' scattered throughout Glasgow and responsible for particular areas and/or communities. As the project has grown, however, the organisation of the Wise intermediate labour market in Glasgow has been organised on a city-wide basis, with all operations based in the project's Charlotte Street offices. In addition, Wise has developed a number of subsidiaries and associated projects in cities throughout the UK which, although more or less local depending on the nature of the local labour market, follow a model developed elsewhere. Since its inception, Wise has followed its chairman's oft-stated belief that if something is to be effective it has to be done 'at scale'. More recently, following changes in the nature of employment services and Scottish devolution, Wise has taken on an increasingly regional and even national role. Not only has Wise bid to run one of the government's pilot regional Single Work Access Gateways (Clyde Coast), but it is also looking to expand further as a provider of training and work-experience throughout the UK.

The ability to work beyond the local market has also contributed to the economic and political success of other projects. The Furniture Resource Centre has been able to become financially independent in large part because of the wide social housing market that it has been able to tap into throughout Merseyside and, increasingly, the rest of England. Without access to a market on this scale, the project would not have been able to grow or to diversify into other forms of social

provision, recycling, training, and manufacturing. Indeed the reputation of the organisation on a local and regional scale has also allowed it to contribute to national debates, for example, through evidence to policy committees and by research demonstrating the need for reforms to housing policy (Frances 1988; *Financial Times* 1998).

Similarly, Coin Street Community Builders has been successful precisely because its location in central London has allowed it to transcend the limitations of local demand alone. As Coin Street has developed local housing co-operatives, so increasing amounts of private housing have been developed on adjoining sites attracted by the infrastructural and environmental improvements created by the project. By targeting its workspaces at the particular niche market of young creative designers, Coin Street has been able to bring in a range of industries that together constitute a considerable change in the nature of the local economy. More importantly, perhaps, the concentration of designers within one of the project's main building, the Oxo Tower, has attracted further numbers of designers, artists, and their various customers and collectors to an area that they would previously have avoided. By encouraging the development of both small cafeterias and bistros, as well as an internationally-renowned restaurant, Coin Street has been able to exploit the presence of large numbers of people working in local businesses and, increasingly, tourists and bon-viveurs from throughout London and beyond.

The localness exhibited by Coin Street is of a particular kind. Local services have been created for local people, but the resources marshalled to make this happen have not been exclusively those of local people. Rather, Coin Street has been able fundamentally to alter the boundaries of the local economy by breaking down economic, social, and political barriers that previously isolated this particular part of the inner-city from the rest of London. Prior to the development of the Coin Street site, the local economy was in sharp decline following the demise of the London Docks upon which many local businesses – primarily warehouses and processing plants – had depended. The local population was also falling, partly because of a lack of local employment and partly because social housing in the area was among the worst in London. It has only been by addressing these severe limitations of the local area, not least by connecting it to the wider political economy of London, that conditions have been put in place that have allowed the creation of a successful social enterprise and the regeneration of the area. Of course this was greatly helped by the fact that Coin Street is situated within the wealthy and complex economy of London. As a result, the process of 'reconnection' has been very much easier than it would have been in more physically isolated communities. Coin Street's major contribution to the local area has, therefore, not so much been the mobilisation and preservation of localness, but the careful management of its transition from a place isolated by poverty and poor housing to an integrated part of the wider economy while respecting the needs and aspirations of the existing population.

Although widely seen as a *sine qua non* of social economy success, the significance of localness is therefore ambiguous for a number of reasons. First, the

degree to which social enterprises relate to the local areas that they are intended to serve varies enormously, ranging between identifiable and self-defining communities up to city and region-wide catchments. In some cases the 'community' served may be a specific interest group (youth, the homeless, the learning disabled, for example) rather than a single, territorially-defined population. In other words, although all social economy organisations are expected to be local, some are considerably more local than others and local may not be defined spatially but in terms of other shared interests.

Second, the extent to which the 'localness' of the social economy is a product of local factors (e.g. local needs identified and acted upon by local people), rather than the exigencies of regional or national policy programmes, is neither always evident nor obvious. While the social economy is expected to tap into and/or constitute some form of 'authentic' local capacity as the basis for the alternative it offers, the prescriptive nature of much public policy might suggest another reading. If a community focus arises more out of the demands and expectations of national policy than from existing structures and capacities in local communities, to what extent can this be said to be local?

Third, this is particularly significant in relation to the ways in which the social economy is seen to provide a local 'alternative' to mainstream economic practice and welfare provision. Specifically it is important to make a careful distinction between 'local' as a site at which alterity is developed and expressed and the presentation of the 'local' as the alternative itself. If the local is the site at which alterity is expressed, as is certainly the case of projects such as the CSCB and MNP, then the nature of the local is fluid and inclusive. The significance of locality for these projects is not that it delineates and defines a single bounded space within which social economy activities are contained (the local can refer as much to a city as a neighbourhood), but defines a point of commonality that serves to unite people as local. The local community in such circumstances effectively becomes an alternative centre (alternative to, for example, a local authority or an entrenched political establishment) around which other activities develop. In the notion that locality *is* the alternative, however, the nature of the 'local' is more problematic. Where the local scale is promoted as the appropriate alternative scale for welfare provision and alternative employment creation, then it is accompanied by issues about where local boundaries begin and end. It is for this reason that, as welfare policy has come increasingly to embrace the local as the appropriate site of intervention, considerable efforts have been made to quantify local spaces. For example, in the UK, the Centre for the Analysis of Social Exclusion (CASE) at the London School of Economics, which was established in 1997, has worked closely with the Social Exclusion Unit in defining localised welfare areas, often prescribing community-based social economy solutions (see, for example, Smith 1999; Glennerster *et al.* 1999; Power and Bergin 1999). In this version, though, the issue of whether the local as a bounded space can provide the requisite level of social capacity and demand for goods and services, remains un-problematised.

Empowerment

Although the concept of empowerment is often used by Third Sector activists in relation to the social economy, the extent to which empowerment is achieved in practice varies enormously. There are examples of projects that have been able to meet the objectives of business plans drawn up with funders while forcing open previously closed and often hostile political structures to the scrutiny and control of local people. There are also examples of projects that have been in existence for as long as thirty years, and have been considered as examples of best practice, which have effectively excluded local people from such decision-making processes in ways that are profoundly disempowering rather than empowering.

One of the more positive examples, the Matson Neighbourhood Project, provides a particularly striking example of local empowerment. The project was founded after a successful campaign to prevent the local housing estate being sold off to a private housing association by the local authority. The campaign was successful because the founders of MNP were able to mobilise local residents, with the help of both the local Labour and Liberal Democrat parties, to remove the ruling Conservative group from Gloucester City Council through a highly organised form of tactical voting. The Liberal Democrats, who succeeded the Conservatives in the Council, recognised the central role played by the Matson campaign by overturning the sell-off plans and giving their active support to the neighbourhood project. Although MNP has not subsequently deployed this form of direct democracy, the knowledge among residents (not to mention the Council) that electoral action can yield significant results has transformed the local political environment. Over and above the range of services that MNP has managed to bring onto the estate and the jobs that have been created, the project leaders stress the renewed confidence and sense of community on the estate. This confidence builds on the prior political process in which local people found themselves involved for the first time. The success of MNP in meeting the formal outputs required of the social economy, therefore, is a product of, and in addition to, a much more fundamental and much less quantifiable change in the nature of the local political and social participation. Interestingly, although MNP is cited as an example of best practice by the Social Exclusion Unit in its *National Strategy for Neighbourhood Renewal* (see Chapter 2), no mention is made of the way in which the project came into existence.

A similar silence pervades accounts of an increasingly well-known project, the Arts Factory, based in the South Wales town of Ferndale. Like MNP, part of the Arts Factory's success must be attributed to its capacity to mobilise a largely lethargic local political culture. Rather than achieving this through tactical voting, however, the Arts Factory earned the support of local people after it challenged the local authority over planning applications which would have resulted in the demolition of a Grade 2 listed chapel in the centre of the town. Despite stiff opposition from the local authority, the Arts Factory won the case and control of the building in question which has subsequently been converted into a multi-purpose community centre and social enterprise in its own right. As in the case of

MNP, however, the Arts Factory is far better known for the range of social enterprises that it has established in and around Ferndale (which include a pottery, a carpentry workshop, a landscape art firm, and various youth projects), all of which have created jobs and/or training places for local people. While these various enterprises have indeed been successful, at least part of that success must be attributed to the transformation of the local political climate whereby the social economy organisation has also adopted a strongly political role, altering the relationship between local people and a remote and bureaucratic state. Part of the reason for the peculiar silences surrounding these aspects of the work of MNP, the Arts Factory, and various Northern Irish Women's Projects (see Greencastle Women's Group below) seems to be because power has essentially been taken from the local authority by local people with the help of social entrepreneurs. The Arts Factory operates largely beyond the remit of the local council and often in conflict with it. MNP exists in large part because it has demonstrated the capacity of residents to make or break the controlling group on Gloucester City Council. The Belfast-based Women into Politics project, along with many other women's organisations in the province, has deliberately encouraged women previously ignored by and excluded from the political establishment to take control of their own affairs and to lobby for change. In all three cases, the active transfer of a degree of power over decision-making and resource allocation has been a prerequisite for the subsequent development of other social and economic outputs. In current social economy policy discourse such democratisation is expected to be the product of these outputs.

In many cases the emphasis on measurable outputs on the part of funders and local authorities has forced initiatives to 'shop-front' activities with output figures to conceal or play down the significance of other achievements and values. When the Spitalfields Small Business Association (SSBA) was established in Tower Hamlets in 1979, for example, project leaders had no intention of creating a small business development unit. On the contrary, their intention was to improve the local housing stock for the Bengali community. However, in order to access funds to launch the project, its leaders realised that they would have to adopt the entrepreneurial language of the time (SSBA was established shortly after Margaret Thatcher came to power). The adoption of the epithet 'small business', was made in recognition of the fact that at that time regeneration funds were being targeted at private sector small and medium enterprise (SME) development and growth. It was only as SSBA grew, and found itself managing a large number of small industrial units containing small businesses (which it had taken over along with the housing above them) that it finally came to conform to its own name. The adoption of the name was not merely opportunistic, however, since the founders of the project were strongly politically opposed to the Thatcherite agenda and quite deliberately sought to appropriate its language to their own ends as a way of subverting that agenda. In this particular case, empowerment involved not simply supporting an isolated and embattled ethnic minority community, but challenging the prevailing Thatcherite national political–economic ideology.

The examples given above are intended to demonstrate that wider, softer forms

of empowerment are common goals of social economy activities. Indeed to a large extent this aspect of the social economy is taken for granted by practitioners, however much funders may focus on the quantitative outputs. That said, it would be wrong to suggest that social economy activities always or inevitably produce such outcomes. The social economy certainly does not have the ability automatically to develop this local capacity and to develop structures of local empowerment. One of the longest established social economy projects in the UK, the Craigmillar Festival Society (CFS, founded in the early 1960s), despite being run largely by local people, has been recently found to have largely sidelined and ignored those local residents it was established to support. A recent report commissioned by the City of Edinburgh Council into the thirty-seven community projects working in Craigmillar concluded that:

> the role of the CFS as the 'voice of the people' should be challenged. The perception was that the attendees at the general meetings by which the CFS executive asserted their democratic mandate were generally project staff who had a vested interest in maintaining the status quo.
>
> (DTZ Pieda Consulting 1999: 65)

The status quo consisted, to a large extent, of the 'community'-owned initiative failing to involve the community of Craigmillar and Greater Niddrie in any decisions over the needs and priorities of the local area. As a consequence of this Report, the umbrella organisation for the many community projects operating in the area was dissolved on suspicion of misappropriation of funds and the remaining projects, including CFS, were rationalised and subject to funding cuts. The scale of the problems facing the Craigmillar area were such that regeneration based largely or wholly upon the mobilisation of local capacity, was never going to be easy. Project leaders noted, for example, that anyone who could get a job with the project's help would almost immediately move out of the area, only to be replaced by someone else without work or facing some other range of social problems. However, in the case of CFS, which has long been considered as one of the success stories of the social economy, the project notably failed to develop any alternative social, political or economic structure for local people. The result was pervasive mistrust among local residents who felt, rightly or wrongly, that project leaders were more concerned to develop their own powerbases in the area than to address the needs of the people living there.

In the case of the Paisley Partnership located on the outskirts of Glasgow, repeated attempts to establish social enterprises of various kinds have served, if anything, to further alienate local residents from regeneration activities. The Ferguslie Park Estate, which is the main focus of the partnership, has been the subject of community-based development projects since the late 1960s starting with one of the first Community Development Projects (CDP Inter-Project Editorial Team 1977). Subsequently, for over thirty years, the estate has been the site of various manifestations of community business, area-based partnerships and, most recently, the Social Inclusion Partnership programme.[5] Over time the

failure of these successive projects to represent the local people (in similar ways to CFS, for example) or to achieve positive outcomes for local residents (for instance, the community-owned security business was closed after it was discovered to have been running a protection racket) has, if anything, disempowered local people. As different styles and structures of projects have been established in pursuit of different aims, so different local interests have been privileged, represented and/or sidelined. Relations with local residents have progressively deteriorated as factional interests have developed and as project leaders – who in the case of the current partnership are not local residents but professional social entrepreneurs – have found them ever more obstructive. In the Paisley example, the residents' committee, which is represented on the board, is effectively ignored by project leaders, exasperated by demands for services and activities that cannot or can no longer be funded.

Cases such as those of Paisley and Craigmillar provide important lessons for advocates of the more naïve constructions of community-based regeneration. Although empowerment is undoubtedly possible, it cannot simply be assumed to follow from the imposition of a social economy 'model'. In fact, empowerment may be a prerequisite for regeneration rather than a consequence of it. We might suggest, therefore, that the more successful of these examples represent not simply a local 'social economy' but a civic politics through which people are allowed and encouraged to challenge those structures and processes that have produced local exclusion. This, however, is a fundamentally different reading of the social economy than that which currently dominates the policy agenda. Most importantly, it is one that emphasises the capacity of some organisations to counter the *causes* rather than merely the *symptoms* of poverty and marginalisation. In light of this, it is hard to see how economistic conceptions (such as that promoted by the *New Deal for Communities*) can serve as a foundation for meaningful local empowerment. Rather, by propping up the existing social and economic structures of poor places, not least by making assumptions about capacities allegedly latent in the 'local economy', current social economy development policy may unwittingly be reinforcing rather than resolving the problem.

An alternative role: capacity-building and advocacy

The extent to which the social economy has the capacity to deliver the key objectives sought by the mainstream policy community is, therefore, at best ambiguous. As a replacement for provision through the mainstream public or private sectors, the social economy, particularly in those areas of greatest need, has only limited capacity to deliver the levels of service, employment, and empowerment expected by the policy-makers. Our research suggests that in practice, however, the achievements stressed by many successful social economy organisations themselves tend to differ in important respects from those emphasised in the policy literature. While they do indeed stress the importance of creating employment, it is rarely a major aim, not least because they often

recognise the limitations of local labour markets on both the supply and demand sides. While most of the projects involved cite sustainability as a primary aim, they usually mean much more than the financial independence which is all too often what the term has come to denote for the policy community. While many social economy organisations stress the importance of delivering services locally and flexibly, the local (the community or the neighbourhood) is not necessarily considered as an end in itself. Instead, a common alternative motif has been advocacy for the principles of *socialised* economic activity, that is, of the desirability of economic involvement to enhance life-chances and the potential for self-development. More specifically, in many cases, existing social economy organisations have been able to demonstrate, again above and beyond the more usual concrete outputs, a contribution to building the capacity of individuals for self-realisation. In this sense, individual capacity is not necessarily concerned with changing the material wealth of the individual, or with enhancing their particular skills, or moving them nearer to the labour market of the formal economy (though it may entail all of these things). Capacity-building is, instead, a question of changing the individual's perception of her or his own life and its possibilities.

Although much of the evidence for this type of capacity-building is inevitably anecdotal, there are a number of projects that include precisely this form of capacity-building as a primary aim and output. Perhaps the most striking of these, if only because of the unique way in which it has been able to demonstrate it in practice, is the Greencastle Women's Group in north Belfast. The project is situated on a predominantly Catholic housing estate that lacked basic amenities and was largely cut off from the surrounding area by a motorway slip-road with no safe crossing. Since the Group was established, housing has been improved, road crossings have been built, jobs have been created through the establishment of child-care facilities on the estate, and the group has begun to generate an income. Indeed it has more than exceeded all of the quantitative targets set by its various funders. The most fundamental change has been, however, in the outlook of the women living on the estate and participating in the project. This is illustrated by two videos in which local women are interviewed; one at the beginning of the project, the other three years later. In the first video many of the women are very bitter about their situation, predominantly talking as victims of the 'troubles', of bureaucratic indifference, and of active discrimination. In the second, the same women are positive, forward-looking and clearly in charge of their own destiny, having thrown off much of the language of sectarianism and having actively worked with the Group to gain qualifications, jobs, and access to decision-makers. The transformation of the lives of individual women in Greencastle will not, in itself, overcome the sectarian problems of the area nor the lack of employment and general poverty. It has, however, produced a form of political dialogue within certain sections of the community, particularly local women. This has resulted in these women acquiring the ability to project a different version of themselves and their community to the outside world in ways in which they quite deliberately reproduce their 'life narratives' (Lash 1994).

Although the process of empowerment is directly evident in the Greencastle

videos, in other projects it can be expressed in more subtle and liminal ways. The Third Wave Centre in Derby is a multi-faceted social enterprise developed by a group of committed evangelical Christians over a number of years and providing a range of services for local people. These include a construction training project, a local shop, an employment advice and training centre, a young persons' foyer project, and so on, all run as social enterprises semi-independently of the core organisation. Third Wave has, like Greencastle, been able to meet and exceed all of its output targets and works successfully with all sections of the local community (including, for example, helping to build the local mosque). When we asked how he gauged the success of the project overall, however, the Chief Executive of Third Wave cited the example of a middle-aged woman living in a neighbouring street who, despite having no direct contact with Third Wave, had told her friends that its presence made her feel better about her community. This may not constitute capacity-building in any conventional sense, since the individual in question clearly was not having her access to the labour market improved by Third Wave. Despite this, it was precisely this sort of effect on the surrounding neighbourhood that was taken by the project leader as the most telling evidence of the project's success.

Another example is the Gabalfa Community Workshop in Cardiff, which operates four inter-linked social enterprises that provide employment and training for people with severe learning disabilities. The project runs a carpentry workshop, a café, a garden centre, a pottery, and a gallery/shop, all of which are staffed by people with learning disabilities supervised by professional care workers and trainers. Although the primary aim of Gabalfa has been to create a sustainable way of providing high-quality employment training for groups that were previously denied access to any form of work training, it has done so with a broader aim in mind. By opening retail outlets selling garden centre and pottery products and food direct to the public in competition with other, private sector retailers, Gabalfa has quite deliberately sought to change attitudes towards disabled people among the wider community. By bringing disabled and non-disabled people together in everyday commercial transactions the project has successfully broken though barriers of fear and prejudice on both sides by 'normalising' the presence of disabled in the community.

In all of these cases, success is predicated on the enhancement of the developmental capacities, broadly defined, of specific groups and /or individuals. All of the projects cited above start from the observation that real power derives from access to the requisite social and cultural capabilities. The recent reassertion by Prime Minister Blair that, 'the Government does not accept that the main cause of unemployment and high benefit receipt is a lack of available jobs' (SEU 2001: 69) misses this point. There is also a social geography to exclusion which derives from the unevenly distributed capacity of people to engage in any form of social involvement whether in the workplace or in the wider context of social life as a whole. The development of such capabilities clearly involves the opening up of spaces of reflexive self-constitution to the excluded, but also, importantly, as the case of Gabalfa illustrates, a process of wider advocacy in society at large.

Conclusion

Manifestly, the social economy considered as a varied set of experiences and as a sphere of capability enhancement cannot be reduced to a question of material inputs (resources invested) relative to (short-term) hard outputs (such as numbers of jobs, training places, or national vocational qualifications (NVQs)). Nor can it be confined to a specific geographic or demographic area. Rather, the contribution that the social economy can make to community sustainability depends on a complex range of factors. Some of these factors are already present in the locality and its population, some are created out of local and non-local institutional systems and structures, and some can be developed through the particular form that Third Sector intervention takes. The variety of ways in which the effects of these processes is currently articulated through Third Sector practice in the UK and elsewhere suggests that the institutional form of the social economy for a given community (local or otherwise) cannot be wholly prescribed a priori but emerges over time as part of an evolutionary process. In the case of FRC in Liverpool, for instance, the project's main source of growth was stimulated in part by a legal constraint placed on its existing activities combined with a entrepreneurial capacity on the part of project leaders. MNP and the Arts Factory are both products of political battles out of which local issues and needs were identified and around which local people mobilised. In the cases of Gabalfa and Greencastle Women's Group, the capacity of the individuals in question was enhanced by opening up and giving them access (in the form of both resources and capacities) to other socio-spatial scales. As this implies, developing a relevant social economy organisation does not mean simply consolidating local structures and improving local access to labour markets. Simultaneously it must allow people, individually and collectively, to transcend the limitations and constraints of place. As such it entails (re)creating multi-scalar capacities, infrastructures and connections which allow for the kinds of communication, interaction, and dialogue between social actors at all levels through which civic power is actively reproduced.

That said, the capacities that need to be built, the networks that need to be connected and the forms of empowerment relevant to particular communities will necessarily depend on prevailing conditions and structures. The nature of the problems addressed by the social economy among the women of the Bawnmore estate in Belfast is different from that of Gabalfa's trainees in Cardiff. This is not simply because they constitute different types of 'need community' but because the nature of the social environment that they inhabit and the range of barriers separating them from full participation in it differ. This implies that, while the capacity of social economy organisations to intermediate may well enhance the capacity of poor and marginalized people to produce their own 'life-narratives' (Lash 1994), it can only do so within the constraints of context. In other words, the social economy may well enhance individual capacity, community empowerment and sustainability, but can only do so in direct relation to the distribution of needs, capacities, opportunities, and constraints that exist in particular

geographical and social settings. This implies that the effectiveness of social economy organisations in delivering hard or soft outcomes of the type illustrated above will vary. The Third Sector may give people access to their own life-narratives but not necessarily under conditions of their own choosing.

For all its variety and flexibility, the range of organisations that the Third Sector can produce is limited – by funding regimes, by political agendas, by available personnel, by limits to legal forms, and so on. Significantly, this suggests that although local social economy organisations can be seen to produce positive outcomes in terms of both the hard and soft outputs, as illustrated above, they may not be equally relevant to all poor and marginalised communities or people. In other words, and contrary to the assumption prevalent in the current 'best practice' driven policy agenda that successful examples of the local social economy can be used to develop universally applicable models (cf. SEU 1998; DETR 1998; CEC 1998a,b), the factors that allow the social economy to 'succeed' in particular places seem to be quite specific. This suggests that place might matter in the case of the social economy because it seems that the nature of the locality in which it operates is of considerable significance in determining what succeeds and what fails and, for that matter, what success or failure might mean in different local contexts. The influence of the powers of place in shaping the social economy is, however, a dimension that is either wholly absent from conventional particularist academic and policy accounts of the social economy, or which is glossed over in pursuit of some generalisable best practice model. The following two chapters will examine the nature of social economy organisations in four locations of the UK to tease out the significance of place.

4   The corporatist social economy
Glasgow and Middlesbrough

Introduction

The nature of local dynamics may significantly influence social economy outcomes in particular towns, cities, and/or regions in the UK. This observation, relating to the varied abilities of places to combat social exclusion through the social economy, seems submerged in the government's emphasis that all places can respond in similar ways. This is partly due to the government's belief that: 'Governments cannot do this [regeneration] on our own. Indeed it is a mistake to try. But we can help create the economic and social conditions that help communities to help themselves' (Blair 2001).

There is a tacit assumption in a policy programme which has been quite explicitly proposed as a '*national* strategy for *neighbourhood* renewal' that it is possible to deliver national solutions at a local scale. Put another way, the problems faced by deprived communities in the UK are sufficiently similar to be amenable to centrally-devised regeneration schemes delivered through flexible local partnerships and other organisations. Specifically with regard to the social economy component of such policies, there is an assumption that all places, albeit in different ways, possess latent capacities (in terms of social capital, institutional form and/or innovation, and individuals and groups with a strong personal commitment to community) to be able to deliver the kinds of sustainable, responsive, and locally-empowering social enterprises that policy-makers assume is possible. This assumption tends to rest on the understanding that the mechanisms that have generated the various examples of 'best practice' upon which its policy is based, are common to all poor communities. There is assumed to be sufficient commonality in the diversity of powers of place to make such an approach feasible. However, while best practice studies can tell us much about what works in particular places, they also can have the effect of abstracting them from the specific conditions – local, regional and national – in which they have developed and on which they are causally dependent. It may therefore be that it is the specificities – not the commonalites – of the powers of place that are decisive and these may exercise negative as well as positive influences on the character and development of the social economy.

Chapters 4 and 5 examine the relationships between social enterprises and their local contexts – historical, social, and institutional. These two chapters highlight