

# BUILDING A NEW LOCAL ECONOMY

Lessons from the United States



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## **Centre for Local Economic Strategies**

The Centre for Local Economic Strategies (CLES) is the UK's leading independent charitable research and member organisation, with a focus on economic development, regeneration and place-making. We think and do – promoting action and implementing new progressive economic activities which create positive environmental, health and social outcomes. In all our work the relationship between place, economy and people is central.

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### **About the author**

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The findings were derived during Matthew's sabbatical in Summer 2015.

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# INTRODUCTION

The Centre for Local Economic Strategies (CLES) is keen to support places to build new local economies where economic growth is twinned with social inclusion. To assist in this, CLES utilises both an existing wealth of knowledge and experience; and fresh learning. This publication details the learning derived from a trip to the United States in summer 2015 and is linked to CLES' wider thinking about local economic development. The purpose of the trip<sup>1</sup> was to explore how places in the United States have responded to economic decline, growth and social development opportunity; and to identify practice and lessons which could be applied in a UK context.

## Context

CLES has been at the forefront of progressive thinking in the UK around local economic development and local government for over 30 years<sup>2</sup>. A consistent theme in our work, has been to ensure that an economy works for people and communities, ensuring high levels of social inclusion are achieved.

Unlike other research institutions, our emphasis has not just been about policy thinking but also practical action and work. In this, we work with the local state and others across the public, social and commercial sectors to deliver workable and enduring solutions. As a result of this practical approach we have amassed a wealth of knowledge from not only the UK but

also internationally. This knowledge enables us to understand the challenges places face contemporarily, and the principles, policies and responses which do and do not work. In particular:

- 1) There needs to be a recognition that places already have an array of wealth which needs to be harnessed, in the form of anchor institutions; physical and environmental assets; and people<sup>3</sup>;
- 2) There needs to be a recognition that we need local wealth systems where there are functional public, commercial and social sectors; and relationships within and across those sectors<sup>4</sup>;
- 3) There needs to be a recognition that economic development cannot just be about economic growth but also about a social and environmental dividend<sup>5</sup>;
- 4) There needs to be a strong local state which enables and stimulates change;
- 5) There needs to be an approach to public service provision and reform which is both efficient in cost terms and effective in creating markets, reducing demand and delivering outcomes<sup>6</sup>;
- 6) There needs to be a business sector which is both a purveyor of growth and citizens in the place in which they are based; and
- 7) There needs to be a recognition of the integral role of the social sector in creating an economy that works for all the people in it<sup>7</sup>.

1 Jackson, M. (2015) *My US mission to find new ways to reverse economic decline*. <http://newstartmag.co.uk/your-blogs/my-us-mission-to-find-new-ways-to-reverse-economic-decline/>

2 Centre for Local Economic Strategies (2015) *Manifesto for local economies*. <http://www.cles.org.uk/wp-content/uploads/2015/03/CLES-Manifesto-2015.pdf>

3 Centre for Local Economic Strategies (2015) *Creating a good local economy: the role of anchor institutions*. <http://www.cles.org.uk/wp-content/uploads/2015/04/Anchor-institutions.pdf>

4 Centre for Local Economic Strategies (2011) *Productive local economies: creating resilient places*. <http://www.cles.org.uk/wp-content/uploads/2011/01/Resilience-for-web1.pdf>

5 Centre for Local Economic Strategies and Smith Institute (2015) *The local double dividend: securing economic and social success*. <http://www.cles.org.uk/wp-content/uploads/2015/01/Double-dividend-Final.pdf>

6 Centre for Local Economic Strategies (2010) *The power of procurement*. <http://www.cles.org.uk/wp-content/uploads/2011/01/The-power-of-procurement.pdf>

7 Centre for Local Economic Strategies and Manchester Alliance for Community Care (2014) *A civil economy for Manchester*. <http://www.cles.org.uk/wp-content/uploads/2015/09/A-Civil-Economy-for-Manchester-FINAL.pdf>

The trip to the United States sought to enhance our wealth of knowledge and to further supplement the frame described above.

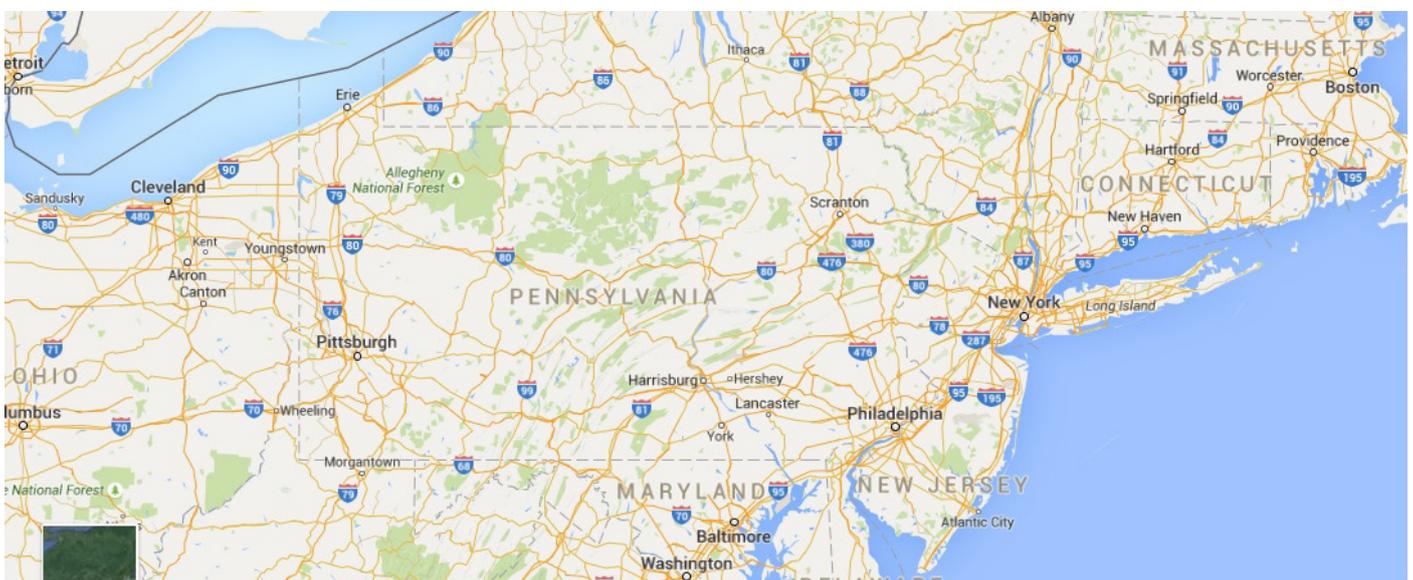
## About the trip

In the UK, we have a number of places which have not responded effectively to economic decline or have taken advantage of the opportunity to grow and develop in a sustainable way. These places have often been previously reliant upon a singular industry and have become characterised by high levels of unemployment, low skills and other factors which are determinants of poverty. These places have also not been helped by the way in which economic development policy in the UK has functioned with it often: top down and centrally driven; based upon the assumption that the market can drive growth; and focused upon trickle-down economics. CLES believes there is an opportunity to build new local economies in a different way, one where growth can be balanced with social inclusion.

The United States also has places which have been hit hard by economic restructuring, largely in the former rust-belt and manufacturing heart of the Mid-West. Like their contemporaries in the UK, these places have sought to re-invent themselves

and face huge challenges around inequalities and the orthodoxy of economic development policy. The purpose of the research trip to the United States was therefore to try and understand how places were responding to economic decline, growth, and social development opportunity; how it linked to wider State and Federal policy; whether policy approaches were applicable on a UK basis; and importantly whether issues of poverty and inequality were being sufficiently addressed through local economic intervention.

Deliberately the trip was split into two sets of activities. The first comprised of visits to four cities which have faced and responded to economic decline, growth and social development opportunity: Cleveland, Ohio; Pittsburgh, Pennsylvania; Philadelphia, Pennsylvania; and Providence, Rhode Island. In these localities, we engaged with key stakeholders who were at the forefront of local economic intervention<sup>8</sup>. The second comprised of visits to think-tanks and other leading thinkers around local economies<sup>9</sup>; the purpose of which was to understand the extent to which new local economic interventions were challenging the prevailing orthodoxy. This took place in Greenwich, Connecticut; Washington DC; and New York City.



8 A list of these stakeholders is detailed in Appendix 1.

9 A list of these organisations and individuals is detailed in Appendix 1.

# CASE STUDIES OF CITIES IN THE UNITED STATES

This section of the publication details the findings of the engagement with the four case study cities. In this we explore: the city and the need to respond to economic decline, growth, and social development opportunity; the activities undertaken to respond; the outcomes delivered to date; and the key lessons learnt from that city.

## Cleveland, Ohio - the collaborative city

### Need

Cleveland, Ohio has faced significant challenges over the last thirty years. The crash of the manufacturing industries in the 1980s and 1990s led to a reduction in the number of jobs to the sum of some 150,000, with associated consequences for the local population which reduced from around 800,000 to 400,000 as people headed elsewhere seeking opportunity. The population has continued to decline with the 2010 Census figure of 390,000 significantly reduced on the 2000 Census figure of 478,000. Currently around 53% of the population of Cleveland are African American, with 37% white. Population decline has also had consequences for the physical and social feel of Cleveland: there was a myriad of vacant and derelict properties, and for those remaining, high levels of unemployment and limited opportunity. The downtown area had become a ghostly area, embroiled in economic decline. The City has been and is characterised by vast inequality between the largely white Westside and the largely African American Eastside. The Eastside has significantly higher levels of unemployment, dilapidation, poor retail and food offer, and high levels of crime and ill-health. Parts of the city are characterised by poor connectivity and display the remnants of the past as detailed in the photograph. This is one of the key routes into Downtown Cleveland.

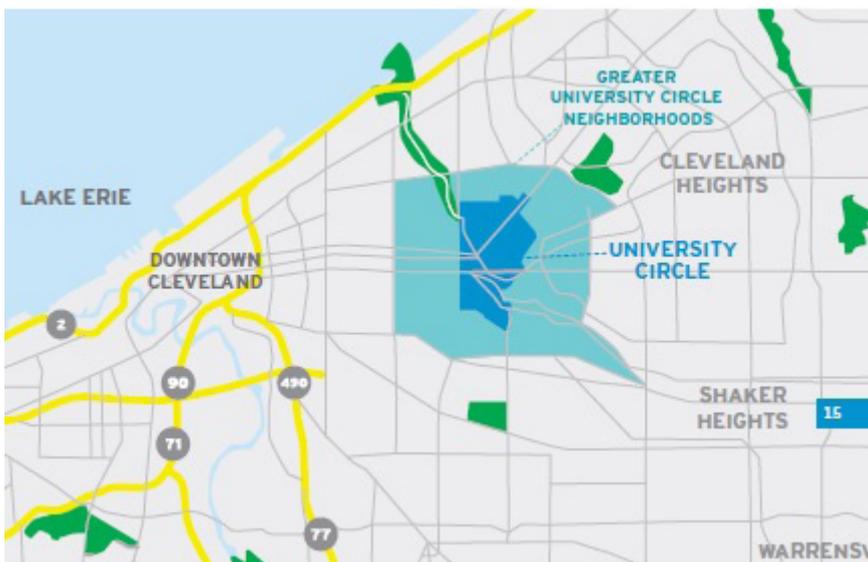


### Activities

#### A collaborative approach

The scale of the challenge meant that something comprehensive had to be done to respond and to stop a city with a heritage of industry, manufacturing, health organisations, and universities from floundering. The response has been one of collaboration and relationships with key organisations coming together to reinvigorate and rejuvenate the local economy. Organisations such as the Cleveland Foundation, City of Cleveland Economic Development, Cleveland State University, the Evergreen Cooperative, Neighbourhood Connections, and University

Hospitals have come together to commence a collaborative approach which is focused upon community wealth. This has resulted in several activities under the broad banner of the Greater University Circle Initiative<sup>10</sup>. The map below details the areas of focus for the Initiative. University Circle comprises of medical and university facilities and is flanked by seven extremely deprived neighbourhoods. The area is connected to Downtown Cleveland by a fast bus transit.



## A local state enabling economic and social growth

The Economic Development team at the City of Cleveland<sup>11</sup> has overseen over \$7bn of construction activity in the Downtown area of Cleveland and construction associated with the Greater University Circle Area<sup>12</sup> of around \$6bn. The focus of this construction activity has been upon ensuring the conditions are in place to enable key clusters of industry to be retained and grow (health based technologies) and others to be developed (IT based technologies). In addition to the physical approach, an array of loans have been provided through initiatives ranging from the

vacant property initiative, the neighbourhood retail assistance program, and the minority construction loan program; all aimed at stimulating new enterprise in underserved markets.

## anchors harnessing wealth

Cleveland State University's<sup>13</sup> role in the rejuvenation of Cleveland has been two-fold: one as an anchor institution and a key component of the collaborative approach to economic development; and second as an evaluator of the emerging impact of the

activities undertaken in the Greater University Circle Area. Engagement in the activities has enhanced the university's role as an employer, a purchaser, its link into communities, and its profile. Cleveland State University also hosts a dedicated officer whose job is to coordinate the senior management and officer level collaboration across the various actors in Cleveland.

University Hospitals<sup>14</sup> is also a key anchor institution based in Cleveland. Operating as a commercial enterprise, University Hospitals

recognised the importance of engaging with the wider vision of improving the economy of Cleveland for a number of reasons: an improved physical look and economy enables them to continue to attract the brightest medical talent; it enables medical technology entrepreneurs to stay in Cleveland; and it demonstrates their ethos of contributing jobs and to the local economy. University Hospitals has particularly done work around its procurement process. They have worked collaboratively with the University to set up a joint mail hub and are incentivising procurement officers to consider Cleveland based businesses in purchasing decisions.

10 Cleveland Foundation (2013) *Cleveland's Greater University Circle Initiative: Building a 21st century city through the power of anchor institution collaboration*. <http://www.clevelandfoundation.org/grants/our-priorities/greater-university-circle/>

11 <http://www.rethinkcleveland.org>

12 <http://www.clevelandfoundation.org/grants/our-priorities/greater-university-circle/>

13 <http://urban.csuohio.edu/economicdevelopment/>

14 <http://www.uhhospitals.org/>

## An integrated social conscience

Evergreen Cooperatives<sup>15</sup> is a unique model of providing services and an integral part of the Greater University Circle Area activities. Over the course of the last five years, Evergreen have set up three new cooperative businesses: Evergreen Laundry, Evergreen Energy Solutions, and Green City Growers; all with the purpose of being worker owned; addressing unemployment in seven key deprived parts of the city (in the Eastside); and providing services for anchor institutions and others in the Greater University Circle Area, thus relating the local community to wealth creation opportunities. The photograph below is of the Evergreen Laundry which is based in one of the seven deprived neighbourhoods which flank the Greater University Circle Area. It provides services to hotels and anchor institutions in Cleveland, including University Hospitals.



Neighbourhood Connections<sup>16</sup>, a not-for-profit has been charged with connecting communities to the opportunities associated with the Greater University Circle Area. The organisation has adopted a network based approach to engagement; with a series of small grants

provided to community projects on the proviso that they share information about and link into the wider activities going on in the locality. Neighbourhood Connections have also acted as the local broker for linking local people into emerging job opportunities at the anchor institutions in the Greater University Circle Area; their job being to identify and prepare individuals for employment opportunity.

## The outcomes and change instigated

The core outcome of the work undertaken over the last ten years in Cleveland is that it has brought together organisations across the public, commercial and social sectors to instigate change and innovate.<sup>17</sup> There have also been particular increases in the amount of procurement spend by anchor institutions with Cleveland and wider Cuyahoga County organisations. University Hospitals now spends over 44% with Cuyahoga County vendors, an increase of

some \$140m between 2013 and 2014. The physical outcomes include the development of a rapid transit bus link between the hospitals and the Downtown area. The economic and social outcomes include the creation of over 200 jobs for individuals from the Eastside of Cleveland through Evergreen and the work of Neighbourhood Connections. The cultural outcomes include a real shift in the behaviour of senior management and

officers in each of the key anchor institutions, particularly around procurement.

<sup>15</sup> <http://evergreencooperatives.com/>

<sup>16</sup> <http://www.neighborhoodgrants.org/>

<sup>17</sup> Center for Economic Development, Cleveland State University (2015) *Greater University Circle Initiative: Year 4 Evaluation report*. [http://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2290&context=urban\\_facpub](http://engagedscholarship.csuohio.edu/cgi/viewcontent.cgi?article=2290&context=urban_facpub)

## Lessons learnt

Cleveland is changing and its response to economic decline is ongoing, but it is important to note there is much work still to do. The following key lessons have been learnt to date:

- True collaboration is key. The activities have been driven at a very senior level in the anchor institutions by strategists and implemented by do-ers, meaning the Cleveland approach represents both strategy and action;
- A blend of resource is important, but the philanthropic investment of the Cleveland Foundation has stimulated much of the activity and without it much of the activity would probably not have happened. This has been supplemented by leveraged resource through the City of Cleveland, the anchor institutions and others;
- A response to economic decline cannot just be about growth. The activities have been driven by both a need to create the conditions for growing companies to stay and invest in Cleveland and also address some of the social ills facing the City around unemployment, poverty and discrimination;
- It takes time. Ten years in and there is still much to do, with greater returns in terms of jobs and social benefit required for the scale of investment. The collaborators are signed up for the long haul.

## Pittsburgh, Pennsylvania – the liveable city

### Need

Pittsburgh has the remnants of an industrial past with industrial areas, steel plants and spaces where coal excavation took place. In the thirty plus years since the closure of the almost singular industry of steel, Pittsburgh has faced significant challenges in terms of attracting new industry and indeed associated high unemployment and poverty. There have also been consequences for the population of Pittsburgh which has declined from 520,000 in 1970 to 305,000 in 2010. Contemporarily, and whilst rejuvenated there remains notable issues around connectivity and inequality between areas such as the Hills District and the gentrified South of the City and particularly the regenerated Downtown. Connectivity is also a challenge between the Oakland area which is home to several anchor institutions and Downtown, which is at the meeting point of three rivers.

### Activities

The response to economic decline, growth and social development opportunity in Pittsburgh, has been shaped by collaboration across organisations, philanthropic capital from a range of foundations, developing entrepreneurship through its core anchor institutions and in raising the profile of Pittsburgh as a place to invest in. What is different in Pittsburgh when compared to other cities in the United States has been the approach to making the most of Pittsburgh's environmental assets as spaces for both development and social interaction; so an approach which balances economic growth and brings a social dividend and environmental benefit.

The photograph below shows how Pittsburgh's riverfronts have been rejuvenated and linked to the downtown area.



Pittsburgh is adopting an approach to rejuvenation where economic development and community development are not seen as competing entities but coalitions in improving the fortunes of Pittsburgh economically and socially. As such there are a number of actors in this, some committed to economic growth, and others to social growth; yet they collaborate.

### **Innovative taxation redistribution**

The Allegheny Conference on Community Development<sup>18</sup>, an umbrella body bringing together a variety of business focused organisations including the Pittsburgh Chamber of Commerce, are responsible for the redistribution of locally raised taxes. Any taxes raised through Allegheny County's additional 1% sales tax are split, with 50% returning to the County and 50% being redistributed for economic development activity and community development grants. Alongside resource from the foundations, this redistribution has shaped the redevelopment of the Pittsburgh riverside area, contributed to the development of the Pittsburgh Steelers football

stadium and supported numerous community projects. The Conference also seeks to promote inward investment into Pittsburgh by offering the

breaks required to ensure large corporations locate there. Their primary emphasis is growth, but this is linked into the wider physical and environmental improvement of the city.

### **Turbo-charged BIDs**

The Pittsburgh Downtown Partnership<sup>19</sup> is a Business Improvement District (BID) and draws resource through a mandatory levy on property owners based in the Downtown area, who in turn

draw resource from their business tenants. Funding raised through the BID is subsequently re-spent on a range of activities designed to promote Pittsburgh and integrate the community into Pittsburgh's economic future. They also seek to provide services which the City of Pittsburgh can no longer provide, or which supplements the City's services. A key example of this is the clean and safe team who keep the Downtown area clean and act as ambassadors for this part of the City. The Oakland BID<sup>20</sup> is based some four miles east of Downtown and is home to several anchors including two major universities and several medical technology and service institutions. The emphasis of the BID here is more voluntary in terms of the levy, but no less impressive in the range of events, profile raising, and beautification activities being undertaken. The focus here is upon ensuring the research investment coming into Oakland is sustained and that spin-offs are created bringing benefits for both the economy and socially. The BID is currently seeking to connect Oakland to Downtown through a bus transit route which accommodates the impoverished Hills District.

18 <http://www.alleghenyconference.org/>  
19 <http://www.downtownpittsburgh.com/>  
20 <http://onlyinoakland.org/>

## **An underpinning thread of environmental and social sustainability**

The role of Sustainable Pittsburgh<sup>21</sup> in the rejuvenation of Pittsburgh has been to influence the behaviour of key business, foundations, and public organisations to ensure that Pittsburgh's growth has not just been about bottom line but about a wider set of considerations which make the City sustainable. This includes capacity building work with procurement officers to ensure they are conscious of social and environmental concerns as well as the cost of goods and service. Growth Through Energy and Community Health Strategies (GTECH)<sup>22</sup>, a social enterprise is seeking to reduce the blight associated with the Eastside of Pittsburgh. With over 30,000 vacant lots, GTECH are seeking to achieve this through adopting a community development approach which creates more energy efficient local environments. So a range of growing, community lawn and health and environmental friendly home programmes have brought vacant land back into use. Importantly, this is driven by the community with GTECH facilitating action through their ambassador programme, for example.

## **The outcomes and change instigated**

Pittsburgh, rather than demonstrating the remnants of an industrial past is now a city swathed with public spaces, greenery, and one which is making the most of its industrial heritage as a resource. This is a result of the balanced approach adopted encompassing economic, social and environmental concerns. The Downtown area is now a space not only for employment but a space for social interaction and cultural events with an associated tram transit out to the South of the City. The environmental improvements are contributing towards Pittsburgh becoming a

liveable city with increasing tourism. On the inward investment side of things, Pittsburgh has seen a growing financial services sector, but one which has invested in corporate responsibility through the sponsorship of cultural events, for example. The Oakland area is also continuously seeking to maximise the benefits key anchor institutions bring for the City. Despite the above positivity, there remains significant inequality; with swathes of neighbourhoods affected by blight, dereliction, unemployment and underserved markets.

## **Lessons learnt**

Pittsburgh is continuing to change and evolve and there remains much to do, particularly in terms of ensuring the local state are engaged in rejuvenation activity. The following key lessons have been learnt to date:

- Places can take advantage of their industrial past and have a strategy to rejuvenation which encompasses economic, social and environmental concerns. The key is engaging the inward investors with the more socially conscious institutions and working collaboratively;
- Local tax raising and redistribution powers can contribute significantly towards local economic and community development;
- BIDs have a key role in providing services and improvements in localities where the local state is not as strong as in others.

21 <http://sustainablepittsburgh.org/>

22 <https://gtechstrategies.org/>

# Philadelphia, Pennsylvania - the innovative city

## Need

Economic decline in Philadelphia has not necessarily been about the closure of a singular industry, but a consequence of shifts in the global economy across a range of sectors. Philadelphia is based in an extremely strategic location, half way between New York City and Washington DC; and it is seen as affordable, liveable and is becoming increasingly attractive for young people and fledgling entrepreneurs and businesses. It is also host to an array of culture with museums, theatres and galleries, as detailed in the photograph below.



Philadelphia does, however, face significant challenges. Compared to the other 10 largest cities in the United States; Philadelphia regularly reports the highest levels of poverty, crime, unemployment and ill-health, with 1 in 4 of the population living below the poverty line. It does have a relatively stable population which is showing signs of growth over the last five years, with around 1.5m people currently living in Philadelphia. Demographically there is a mix of African American and White population.

## Activities

The City of Philadelphia is one of the largest city governments in the United States with some 25,000 workers and their approach to responding to economic opportunity has been one framed by strong Mayoral leadership and priorities; innovation in the way in which city government employees operate; programmes and initiatives which seek to stimulate entrepreneurial potential; and a balanced approach which also seeks to address the abject poverty discussed above.

## Shaping markets through public service reform

The Mayor's Office of New Urban Mechanics<sup>23</sup> which is sponsored by the Bloomberg Foundation is seeking to adopt a new approach to service delivery through innovation. In this they are facilitating procurement reform and adopting approaches to service delivery whereby problems facing the City are re-packaged as market opportunities. The Office are then sponsoring ideas and fledgling enterprises to create activities that can respond to those problems. With an emphasis on public safety, the City of Philadelphia are seeing the creation of innovative services responding to issues such as re-offending and the poor take up of food vouchers in impoverished communities. The hope is that these fledgling enterprises subsequently deliver activities for the City of Philadelphia and other institutions through a reformed procurement process which enables them better access.

23 <http://newurbanmechanics.org/philadelphia/>

## Promoting good growth from within

The approach of Philadelphia to economic development has not been about offering big tax breaks to large corporations to encourage them to base there. Instead, it has been about creating the conditions that encourage organisations to want to base in the city organically. This has been done through improvements to the public realm, creating shared working space, taking advantage of the high class university and health institutions already based in Philadelphia, and through supporting fledgling enterprises.

The emphasis upon realising economic opportunity is twinned with a Mayoral priority to 'support the well-being of residents with a particular focus upon the most vulnerable'. Philly Rising<sup>24</sup> is a grassroots initiative operating in the 19 most deprived neighbourhoods in Philadelphia which is seeking to promote community organising, clean up those neighbourhoods, address issues of dilapidation, and upskill communities so they are linked into the wider benefits associated with growth. This is a long term approach which is about both stimulating communities and ensuring the corporate sector leverage the assets associated with more deprived communities.

## Changing the behaviour of the local state

The approach of Philadelphia is also about ensuring that the workforce of the City of Philadelphia are innovative and creative in the way in which they approach their work with subsequent benefits in terms of the efficiency and effectiveness of departments and services. Employees are encouraged to change their behaviour through three themes of people, place and process. In turn, it is hoped that this innovation approach is passed across to other institutions, the corporate sector and communities.

## The outcomes and change instigated

The core outcome of the activities in Philadelphia has been a strengthening of the role of the local state as an enabler or steward. The City Government of Philadelphia is stimulating the creation of new markets to deliver services, addressing inequality in deprived neighbourhoods and working with the wider public, commercial and social sectors to seek to grow the economy from within. The work around innovation in the workforce is seeing changes in behaviour, particularly around the design of and purchasing of services. New socially focused businesses are being created through the Urban Mechanics Institute which are beginning to reduce demand for other aspects of public service. The Philadelphia economy is growing and over 90% of this growth can be attributed to existing business as opposed to inward investment.

## Lessons learnt

There are a number of emerging lessons to be learnt from the activities being undertaken in Philadelphia:

- A strong local state has an important role in stimulating and enabling economic opportunity;
- Mayoral leadership is important at a city level in the United States; but the approach in Philadelphia is one which balances economic growth considerations whilst addressing some of the huge inequality challenges facing the city;
- Economic development in the United States is not just about inward investment and tax breaks; instead it is about growing from within a local economy and offering existing business and entrepreneurs with the opportunity to innovate;
- Risk is an important word in local economic development policy; places need approaches which are reflective of local circumstances and where people working in local government take risks.

24 <http://www.phila.gov/mdo/phillyrising>

# Providence, Rhode Island – the creative city

## Need

Providence, Rhode Island is an interesting and creative place. Famed for its shipping and manufacturing past, it has had to respond to changing markets for such products and industry through harnessing its strengths. Change has focused upon gentrifying and regenerating its waterways, as detailed in the photograph below, and neighbourhoods; with the city having an increasingly ‘hip’ feel to it.



However, it is not benefiting everyone and like most cities in the United States it is also characterised by inequalities and swathes of dilapidation. Providence has seen population growth over the last 30 years with an increase from around 155,000 to 180,000.

## Activities

### A socially entrepreneurial place

The incubation of social enterprise and new ideas is shaping part of the response to economic decline, and indeed opportunity, in Providence. The Social Enterprise Greenhouse (SE Greenhouse)<sup>25</sup> is a unique space in which aspiring social entrepreneurs can meet and shape ideas, a place in which a number of social enterprises are located, and where the SE Greenhouse provide their workshops, enterprise acceleration programme, and mentoring activities. In addition to social enterprise development and support, the SE Greenhouse are also seeking to influence the social responsibility behaviour of corporates based in Providence and indeed the City of Providence and universities, including Ivy League member, Brown University.

This dual approach around growing social enterprise and influencing social responsibility is having an impact. There is a growing number of social enterprises based at the SE Greenhouse with a diverse set of products and social impacts. Solar Sister<sup>26</sup> seeks to both eradicate energy poverty and empower women through promoting solar and clean cooking technology. The Providence Granola Project<sup>27</sup> produces granola through supporting newly arrived refugees into training and employment opportunity. And Worldways Social Marketing<sup>28</sup> seeks to enable social impact behaviour change through innovative use of social media.

25 <http://segreenhouse.org/>

26 <http://www.solarsister.org/>

27 <http://www.providenc格蘭ola.com/>

28 <http://marketingsocialimpact.com>

## **Economic and community development twinned**

At the City of Providence, a collaborative approach is being adopted to seek to address some of the challenges facing the city. They recognise that historically teams focused on economic development and community development have worked in silos. The approach is to bring them together so that the growth benefits of economic development activities are twinned with the need demonstrated in social terms by deprived communities. The approach extends beyond the city government to other organisations with a key stake in Providence.

## **The outcomes and change instigated**

In terms of influence, Providence is becoming an increasingly socially conscious place. The Mayor of Providence and the wider City of Providence is seeking to ensure that the growth of Providence is aligned to social and environmental considerations. One of the largest corporations based in Providence, CVS Pharmacy, has changed policies so that it no longer stocks tobacco across its 7600 stores in the US. Anchor institutions are increasingly seeking to identify and support local organisations, including social enterprise, to develop products and services which are relevant to their needs and engage them in the procurement process. In addition the City of Providence is seeking to twin economic development and community development functions so that economic growth focused activities also address some of the challenges facing the city around poverty and inequality.

## **Lessons learnt**

There are a number of lessons to be learnt from the activities being undertaken in Providence:

- Providence is a small place with this scale meaning that there is a natural awareness of what different spheres of the economy are doing.
- There is the infrastructure in place to enable support for fledgling social enterprises to develop and grow through the SE Greenhouse.
- There is leadership at least in rhetoric terms from the City of Providence, anchor institutions, foundations, and the corporate sector that economic development needs to change so that it considers local economic, social and environmental factors.
- There is a culture of creativity and diversity in the place.

# ONGOING CHALLENGES, OVERARCHING LESSONS AND KEY LINKAGES

The final section of this publication details some of the ongoing challenges associated with the approaches in the four case study cities; before moving on to identify some overarching lessons and how they potentially apply to economic development policy in the UK.

## Ongoing challenges

The four case studies of the cities of Cleveland, Pittsburgh, Philadelphia, and Providence present a relatively rosy picture of how places in the United States have responded to economic decline, growth and social development opportunity. Utilising philanthropy, collaboration, local leadership, and innovation as a frame these places are adopting nuanced and locally specific approaches to addressing the challenges posed over the last thirty years by economic decline. It is however important to note a number of caveats to the approaches adopted and the case studies presented. These caveats have emerged from the discussion with wider think-tanks and local economic thinkers about the current economic and social challenges facing cities in the United States.

## Progressive local economic development is not yet the norm

The activities undertaken in the cities discussed are localised and driven by the challenges facing that place and focused upon developing the local economy and addressing social issues. However, even within the well formulated partnerships and approaches there remains economic development orthodoxy. Attracting inward investment into

localities through offering tax breaks and incentives to large business remains the primary economic development function; to an extent to which it is bankrupting local governments, and in some case leading to places within the same State competing with each other. Progressive local economic development therefore remains the domain of the minority as opposed to a Federal backed mainstream.

## Inequality is deep and often hidden

In each of the cities visited, the approaches adopted by the various collaborations demonstrated a commitment to utilising economic development and anchor institutions in particular to address the challenges posed by inequality in their places. The problem with this is the issue of scale. The scale of inequality in each of the cities is huge, with swathes of neighbourhoods dilapidated and characterised by unemployment, ill-health, and underserved markets. The approaches adopted are at the moment touching, but not truly addressing the challenge of inequality; there needs to be country and State wide commitments to addressing poverty and inequality in the United States, utilising some of the approaches adopted in the case study cities.

## Cities are thinking metropolitan rather than local

Economic policy in the United States is built on the well-honed and long-lasting principles of capitalism and globalisation. This has subsequent consequences for how cities and States view themselves and operate. Leaders see it as a necessity to compete in the global world and to do this they need to be seen to be about not just their city, but a much wider metropolitan area. This reduces some of the nuances adopted in the cities discussed; it reduces identity and the ability of places to grow and pollinate from within. If places are to both grow and address inequality, they need to be undertaking activities at levels reflective of local challenges.

## Economic development does not have a holistic basis

There are many people and organisations claiming to be working on economic development activity in the United States. This includes corporates sponsoring cultural events, the Federal state offering tax relief schemes for development, the local state delivering physical regeneration schemes, anchor institutions seeking to maximise their spend, and community organisations seeking to support people into work. The problem is that the definition of economic development is confused; it is predicated by growth, is business centric and is not really combining the spheres of economy, place and people in a way where business development links to economic development links to community development.

## Overarching lessons and key linkages

From the engagement with the four cities in the United States and the wider consultation with think-tanks and local economic thinkers, we can identify a number of key lessons about the approach to economic development in United States and apply them to contemporary policy in the UK.

### Collaboration is key

Each of the approaches in Cleveland, Pittsburgh, Philadelphia and Providence is predicated upon collaboration and a common vision for change. The anchor institution activities in Cleveland would not have happened without the coming together and commitment of a range of institutions across the public, commercial and social sectors. In this, coordination is key. The approach is not one of a partnership having discussions but coordination where strategic stakeholders and deliverers undertake practical activities.

### UK applicability

Anchor institution strategy and activity is relatively small in UK terms, bar work undertaken in Preston and Belfast by CLES and in the Leeds City Region by the Joseph Rowntree Foundation. Drawing together anchor institutions is an integral component of creating community wealth within our places. A lesson from the United States for the UK would be that any approach requires an independent broker and dedicated coordination.

## Philanthropy has a significant stake

Each of the collaborative approaches in Cleveland, Pittsburgh, Philadelphia and Providence and indeed economic development activities in other cities has been to a degree driven by philanthropic capital. This comes in the form of either social focused organisations or from the legacy of those city's industrial pasts and key private businesses which are based there who set up foundations. The role of philanthropic capital has been to fund economic and community development projects; with investment being significant and to the tune of billions of dollars in each place.

### UK applicability

Philanthropic activity in the UK is on a much, much smaller scale than that undertaken in the United States. Place based philanthropy runs in the UK into the hundreds of thousands if lucky as opposed to the billions. A lesson therefore is that philanthropic capital can form part of a place based approach to economic development. Places in the UK need to be harnessing far more effectively the wealth of institutions based in their locality to contribute towards and support local economic development activity. This however cannot be a continuation of narrow corporate social responsibility activities but through businesses becoming citizens in the places in which they are based.

## The local state is an enabler

Each of the approaches in Cleveland, Pittsburgh, Philadelphia and Providence had a defined role for the local state (local city governments) to utilise their economic development powers to contribute to the wider destiny of place. This came in the form of leadership through Mayors, matching investment, stimulating local markets and generally defining the economic strategy in place. It does have its downsides, where the local state is not an enabler but a bargainer of inward investment.

### UK applicability

Economic development is not a statutory function for local authorities in the UK, hence leaders lack the clout and resource to enable economic development in the way in which Mayors in cities in the United States do. However, leaders do have an influencing role and an enabling role and should be using this to shape the economic and social destiny of their places. This means working with other anchor institutions to harness their wealth and vehicles such as Local Enterprise Partnerships to develop economic strategy which works for all people.

## Places can shape markets from within

Each of the approaches in Cleveland, Pittsburgh, Philadelphia and Providence have realised an ability for places to shape markets from within. In Cleveland, new and novel products are being created through the medical institutions with associated spin-off businesses and specific businesses are being set up to deliver aspects of services across organisations. In Philadelphia, new entrepreneurship is being encouraged by the city government to address problems and create new markets which institutions in the city then purchase. The key is that entrepreneurs are being given the space to innovate and then being linked into wider provision.

### UK applicability

In some places in the UK we are already shaping local markets through procurement processes by identifying gaps in provision and also in the formulation of social enterprise to deliver particular aspects of services. There is greater scope to shape local economic markets and that should come through the LEPs working progressively with commissioners and procurers to identify gaps and support innovation in the commercial sector to create new businesses which address the challenges facing place.

## Inequality must be addressed

If there is anywhere which demonstrates the consequences of economic growth upon inequality then it is the United States. Each of the cities of Cleveland, Pittsburgh, Philadelphia and Providence have duality in the wealth of their city; aspects are growing; others are significantly impoverished. Each of the previous lessons are prevalent for creating an approach to place which truly balances economic and social growth. There needs to be collaboration, business citizenship, an enabling local state, and market shaping to address inequality.

### UK applicability

The way in which we have historically undertaken economic strategy in the UK has emphasised growth as a primary outcome. This fails to recognise that some places do not necessarily have the ability to grow as a result of social challenges. Inequality and addressing the consequences and determinants of inequality needs to be at the heart of future economic strategy. We have a strong nation state and it needs to be utilised more effectively.

## The social sector is integral

In each of cities of Cleveland, Pittsburgh, Philadelphia and Providence, the role of the social sector is represented in the activities which the partnerships and institutions are seeking to undertake. Rather than just being a base, this is about utilising the sectors delivery skills to undertake real action in communities. There are various different forms to this but primarily: community development organisations and community networks; cooperatives; and social enterprise. The role of these socially focused organisations in Cleveland is to largely link people to the economic opportunities of the anchor institutions. The challenge is delivering sufficient outcomes.

### UK applicability

The social sector is strong in some places but often underutilised or under-reflected as a contributor to economic growth. The lessons from the United States suggest that our places need to place far greater trust in social sector organisations to deliver economic outcomes. This means delivery of the Work Programme, the creation of innovative services to fill gaps in provision, and as the connector between community and key economic institutions.

## A final thought

The opportunity to learn from the way in which the United States undertakes economic development has been a fascinating one. It has provided new impetus to the way in which CLES thinks and the way in which we believe local economic development should be undertaken. There is plenty which can be learnt from the United States: cities have greater tax powers and a get up and go mentality; collaboration is effective and action focused; and there is an imaginative making of markets. There are also plenty of downsides: there is huge inequality; the Federal state has let go of responsibility for cities even though some challenges are national and global ones; and intervention has required significant philanthropic capital.

There are things which the UK can learn from the United States and vice versa and in a way the trip has reiterated our beliefs and recognised that in order to have an economically and socially just future our places must:

- Harness existing wealth;
- Collaborate internally;
- Think economic and social growth;
- Reflect the enabling role of the local state;
- Be efficient and effective and create markets from within;
- Have businesses which are citizens;
- Recognise the integral role of the social sector.

# APPENDIX 1: People engaged

## Four case study cities

### Cleveland

- Tracy Nichols, City of Cleveland
- Ted Howard, Democracy Collaborative
- Jessica Bonano, Democracy Collaborative
- John McMicken, Evergreen Cooperatives
- Tom O'Brien, Neighbourhood Connections
- Danielle Price, Neighbourhood Connections
- Ziona Austrian, Cleveland State University
- Walter Wright, Cleveland State University
- Steve Standley, University Hospitals

### Pittsburgh

- Court Gould, Sustainable Pittsburgh
- Matt Mehalik, Sustainable Pittsburgh
- Jerry Paytas, Fourth Economy
- Catherine DeLoughry, Allegheny Conference on Community Development
- Jeremy Waldrup, Downtown Pittsburgh Partnership
- Georgia Petropoulos, Oakland Business Improvement District
- Andrew Butcher, Growth through Energy and Community Health Strategies

### Philadelphia

- Story Bellows, Mayor's Office of New Urban Mechanics
- Jeff Friedman, IBM
- Garrett Melby, Good Company Ventures
- Luke Butler, City of Philadelphia

- Dan O'Brien, City of Philadelphia
- Maia Jachimovicz, City of Philadelphia
- Andrew Buss, City of Philadelphia

### Providence

- Emily Wanderer, Social Enterprise Greenhouse
- Kelly Ramirez, Social Enterprise Greenhouse
- Brian Hull, City of Providence

## Think-tanks and local economic thinkers

- John Fullerton, Capital Institute
- Steve Savner, Center for Community Change
- Steve Dubb, Democracy Collaborative
- Michael Shuman
- Dean Baker, Center for Economic and Policy Research
- Fred Kent, Project for Public Spaces
- Ethan Kent, Project for Public Spaces
- Jessica Gordon Nembhard
- Felicia Wong, Roosevelt Institute
- Alan Smith, Roosevelt Institute





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