

Policy provocation



An economy for all: the role of community power

Introduction

There has been much debate of late about the role of the community in delivering greater social, economic and environmental justice.

In particular, there has been a resurgence of ideas that are reminiscent of David Cameron's "big society". In this, calls are being made for communities to be front and centre in the delivery of more local and national public services. This has been posited as a solution to the conjoined issues of less public money and growing social need. This publication questions these calls and approach.

With huge pressure on our public services, a public service crisis and the breakdown of the social contract, the idea that communities can or should provide a substitute for the state must be challenged.

The impact of a decade of austerity on our social fabric has been severe. At the local level, we have seen a 49.1% real-term reduction in government funding between 2010 and 2018.¹ Alongside cuts in welfare and the social safety net, communities and individuals are now suffering immense social pain and, with many councils facing huge financial peril, it's deeply unfortunate that local communities have, in many instances, been expected to fill the service delivery gap.

The inability to address this is - in many places - a direct result of a failing wider economy. Public sector austerity has, of course, been awful, but it has operated within a particular economic model which precipitates low pay and employment insecurity - and in many instances adds to, rather than addresses, this social pain.

In this context, there is little benefit in devolving the remnants of a broken social safety net to communities who are often themselves time and resource poor. We are in an era of deep economic, political, environmental and social change. As such, we should be wary of any slippery slope in which a struggling community sector delivers less with less - and inadvertently contributes to the weakening and hollowing out of local government - dressed up in the language of empowerment.

Instead, we must ensure a generous state provision of services that are properly funded, with community power and energy focused more on the delivery of goods and services within the wider private sector.

The problems we face

A broken social contract

Borne out of the misery of World War II and hardship, the welfare state has become a part of what Britain is and how we think about ourselves as a nation. We rarely think of it as a contract, but it is a social contract between the state, individual and business taxpayers. However, this social contract has been under attack by a never-ending set of financial pressures and policy choices which have weakened it.

While the UK was once universally proud of this social safety net, today, through a combination of changing attitudes, disrespect and neglect, we are much more blasé. A redistributive and cradling welfare state that sought to even out wealth, need and opportunity, is flailing. Traditionally, public services and public values were a key part of British society, the welfare state and the social safety net. This public domain was seen as essential to social wellbeing - through the distribution of goods and services which were provided on the basis of need, not on the ability to pay, or according to where you live. It sat alongside the private market and private/personal interests - yet was distinct. The public domain was not based on personal or familial ties or on the workings of the private market. Instead, it was a unique space where citizens "met" each other as equal partners in the common interests of society. It was secured by a set of public values, which, as TH Marshall wrote, was about the "general enrichment of the concrete substance of civilised life [...] and an equalisation between the more and the less fortunate at all levels".²

However, this public domain of the national welfare state has proven to be vulnerable. Unlike private interests, it needs to be consistently reinforced by institutions, practice and state systems. This has now eeked away. A series of deregulations, private sector management techniques, outsourcings of public sector goods and privatisations has damaged the ways in which we think and act toward the public domain.

The impact of austerity

A key element of the damage done to public services has been the last 10 years of ongoing austerity. The recalibration and retreat of the state has exacerbated inequality and poverty,³ with public sector spending, as a proportion of GDP, falling 6% since 2010.⁴ Research by CLES five years ago highlighted how the poorest areas,⁵ with the weakest economies, were bearing the brunt of austerity cuts. We argued then that scaling back direct public sector presence to such an extent, with particularly deep cuts imposed on local government, would have counterproductive effects, making it more difficult than ever to serve the needs of the population and create a resilient future. This has come to pass. Spending in the poorest 20% of English councils reduced by £278m in 2016-17, but increased by £55m in the richest 20% of councils.⁶ This is the reality on the ground - the places with the most need have the least resources.

In addition, recent research undertaken by the New Economics Foundation (NEF) and the TUC clearly shows that a number of services have been cut due to financial constraints imposed from the centre, particularly in relation to services that focus on prevention. By way of example, there has been a 46% reduction in spending on preventing homelessness between 2010 and 2017.⁷ On similar lines, the British Medical Association has reported the impact of significant cuts to health funding across England, explaining that these have primarily taken the form of reductions or abolitions of preventative health programmes.⁸

Indeed, the Alston report - a study of poverty in the UK undertaken by the UN's Special Rapporteur on extreme poverty and human rights - makes the explicit point that:

"local governments have cut preventative, proactive services and then had to cope with a rise in crisis intervention - which can in fact be much more costly than preventative services."⁹

Amidst these cuts to our public services, the public sector faces huge challenges in relation to demand, some caused by the deep social and economic problems accrued through the cuts themselves and some due to wider demographic shifts - for example, the ageing population - putting pressure on social care and health services.¹⁰

As pointed out by the Institute for Government, local authorities have tried to manage financial pressures in social care by squeezing the fees they pay to providers. However, this squeeze is reaching unsustainable levels. The Competition and Markets Authority estimates that local authorities are paying approximately 10% below the total cost of care home places.¹¹ Meanwhile, demand pressures on adult social care are set to intensify further. According to projections commissioned by the Department of Health and Social Care, between 2015 and 2025 the number of older people unable to perform at least one activity of daily living and the number of working-age adults with learning disabilities using publicly funded care will each increase by 30%.¹²

The community paradigm?

The above evidence highlights the depth and scale of the problems in funding and the erosion of the social safety net.

Nevertheless, recent months have seen the emergence of a number of publications advocating for a new form of local public service delivery. This is premised on the transfer of service commissioning and delivery to local communities.¹³

Touted as the “final stage in the evolution of public services”,¹⁴ the claim is that the state and the market are both discredited and are unable to tackle injustices and stem rising public service demand. As such, it is proposed that communities are best placed to take control when it comes to public services, leading to the emergence of a new “community paradigm”, whose fundamental principle is:

“to place the design and delivery of public services in the hands of the communities they serve. In this way, a new, egalitarian relationship can be built between public services and citizens[...]one that enables the collaboration necessary to shift to prevention; one that requires communities to take more responsibility for their own well-being; and one that means citizens and communities can genuinely “take back control”.¹⁵

In response to this contention, we offer the following points.

Marketisation will be deepened

First, we have had a decade of service erosion with a collapse in the social contract involving citizens, state and market. We will not be able to repair this whilst a dominant marketisation and austerity strides over the state and our public services.

Attempts to place the design and delivery of public services in the hands of communities under these conditions will merely serve to deepen marketisation as they are forced to compete for scarce public resources. In this, time and resource rich communities, as opposed to hard pressed ones, are much more likely to be able to bid for or be commissioned as a service deliverer. Moreover, as communities compete with the private sector for service delivery contracts, some delivery by smaller community organisations will inevitably become squeezed in terms of having lower economies of scale, and/or be acquired by larger private companies.

We've been here before

Second, there is a strong sense of déjà vu here.

A decade ago, the coalition government unveiled the concept of the big society, with striking similarities to much of the emergent work advocating a new community paradigm. The big society was widely scorned and seen as a fig-leaf which sought to mask the reality of brutal cuts by making reference to a more positive agenda of system change, localism, community empowerment and the spreading of opportunities. The Final Big Society Audit, published in 2015, noted that the concept had failed to deliver against its original goal, with the conclusion that “[it] has not reached those who need it most. We are more divided than before.”¹⁶

The community paradigm?

What about new municipalism?

Third, the depiction of the state paradigm as hierarchical and unable to build the collaborative relationships that are needed to stem rising demand is caricatural. It neglects, for example, the emergence of the new municipalism agenda which is committed to big shifts in how we think about local state power,¹⁷ decision-making and ownership in our societies. New municipalism is about redistribution of power within our economy and society. As such, the role of the local state is to enable citizens and social organisations to break down barriers to power - through activism and democratic innovation. This includes new forms of citizen power, as regards how communities should play a greater and deeper role in local democratic decision making. Indeed, across the UK we are seeing the growth of citizen assemblies and other forms of deliberative democracy, alongside new innovations designed to open up councils, allowing people and communities to have a much greater say. However, the key point here is that whilst new municipalism recognises and seeks to shift power to the people, it is not about passing the service delivery buck to hard pressed communities.

Rather, new municipalism seeks to build a broad and deep local democratic state. It does this by focussing on people power, fair wages, and on more local democratic enterprise acting with environmental responsibility within the private sector economy.

Unlike the community paradigm, new municipalism does not believe the state is discredited. Instead, it seeks to forge a more egalitarian relationship between citizen, state and market. To imply, therefore, that the state paradigm has had its day and that a new community paradigm is emerging in its place is misconceived, if not dangerous, especially for those communities most in need of decent public services and a social safety net.

True system change

Fourth, the community paradigm advocates for a massive refocus of service delivery towards the community on the basis that it will stem the tide of demand, before service needs become acute.

Whilst this idea has some merits, it needs to be placed firmly in context. In short, the kind of system change espoused from a community paradigm perspective is narrow and constrained: operating within the austerity-framed ideas of public service reform. Genuine and true system change does not ignore the wider political economy, rather it seeks to fundamentally change it by confronting the systemic causes of social pain such as austerity, weakened economies and economic insecurity. For example, in relation to homelessness, some system change focus is on direct help on the streets, such as increasing the supply of homeless shelters. It is much rarer, however, to see considerations given to local employment, the Real Living Wage, austerity or failing regional and local economies. Arguably the latter are the much more important upstream factors in reducing demand and are thus vital to affect positive systemic change.

Meaningful community involvement

Finally, whilst we are critical of the community paradigm position, we support genuine community power, especially that which is commensurate to local circumstances. For example, in the south west of England and north west Scotland, there is a tradition in which co-operatives and mutual enterprise play more of a role in the delivery of services.

However, this must not mean divesting swathes of public services to communities. Rather, it is about a resurgence of a public service movement based on new forms of democratic citizen involvement.

Commissioners should, therefore, involve community organisations and individuals when they genuinely offer unique and significant added value to the delivery of public services. This is especially the case when the community sector offers services related to specific and bespoke needs and they have special expertise which can only be got from close relationships with communities. For example, in social care there are delivery options which involve community provision. We are not discouraging these types of arrangements. However, the community should never be seen as an alternative to the state, as implied by some.

What needs to be done?

Cutting local government funding by 50% over the course of a decade and then divesting the delivery of services to local communities is not what we should be intentionally or tacitly supporting.

We need a bold reset to the voluntary, community and social enterprise (VCSE) sector and this includes a return to proper funding based around their role as conduits for growing active citizenship and developing civil society. This is about grants, not contracts to deliver public services.

We also need bold changes to our wider economy to meet the intersecting crises approaching us. The best – and we would argue, only – way to get there is through true system change that addresses austerity coupled to the meaningful democratisation of the private sector. Anything less, as far as CLES is concerned, is tinkering around the edges.

What needs to be done?

True system change to address austerity

The swingeing cuts to local authority budgets have not been reversed. The contention that councils could do more with less or that the VCSE sector could pick up the slack under narrowly defined system change is, at best, damage limitation. We need, therefore, to properly fund public services and local authorities, with due attention paid to the geographical inequalities in need and demand.

In broad terms, austerity budgeting should therefore end. Revenue support grants to local authorities and levels of investment in the NHS should return to what they were pre-2010. More specifically, we need a fairer funding settlement for the whole of the UK based on local needs. We are still an unequal country, riven with divides. Economic winners and losers, with pockets of wealth and poverty around the country, have been features of the UK for centuries.¹⁸ To address this, government should revisit the broken Barnett formula - the name given to the practice used by the Treasury to determine annual changes in the block of grants given to each nation of the United Kingdom through equalisation payments. In July 2019 the Public Accounts Committee called for increased transparency in how the formula is calculated, amid longstanding speculation that it is no longer fit for purpose.¹⁹ The formula must be updated to take account of population and demographic changes. It must also reflect the deep and growing disparities across regions and nations. This should reflect a commitment from central government to use regional funding as a means of finally eliminating regional inequalities and promoting social, economic and environmental justice.

The community must be mobilised in the commercial economy

Some energy and capacity around the development of co-operatives, community interest companies (CICs) and community delivery of public services under the auspices of the community paradigm is misplaced. In many instances, time and resource is being expended through tender briefs, commissioning, bidding, procurement and contract letting. All of this is to merely shift resource from direct public sector delivery to the community - often on the basis of cost, with little appreciable difference to service. Energy and enthusiasm could be more profitably put to use if it was aimed at empowering communities to be more involved in the private sector. A more community-based and democratic economy is a prerequisite to a flourishing community - with surpluses working generatively in localities, affecting much of the key determinants of service demand.

The real prize here lies not in expanding the involvement of the community into delivery of public services, but rather in growing community and democratic ownership forms within the commercial economy. This is already happening as part of the growing community wealth building movement.²⁰

However, whilst work is being done, the UK is an international laggard when it comes to embedding patterns of business ownership that support and expand democracy in the workplace.²¹ Nevertheless, there are a number of sectors within which this democratisation could be viably expanded. The "foundational economy" represents a useful point of entry for a revitalisation of economic democratisation,²² particularly in sectors such as retail food supply, retail banking and telecommunications. These sectors of the economy ought to be the terrain through which our next political-economic epoch is forged, via the establishment and expansion of community ownership throughout swathes of this sector.

At CLES, we have long advocated for plural ownership of the economy.²³ When it comes to the private sector, co-operatives are a viable form of ownership through which democratic control can be scaled-up and advanced. There is, however, no one form which should be implemented in every area - and nor should there be. Community businesses and CICs, by way of example, may be more appropriate in certain places, sectors, and contexts.

Besides being far more democratically accountable, these alternative ownership models also have solid performance records - both nationally and internationally. A recent NEF report on co-operatives drew attention to studies showing them to be: "more enduring and resilient in the face of market disruption, more profitable, more productive, happier and longer-lasting than non-co-operative forms of enterprise".²⁴

Moreover, NEF research also shows that 120,000 family-run small and medium enterprises are due to undergo changes of ownership in the next three years: if only 5% of them became co-operatives, that would still represent a doubling of the UK co-operative sector.²⁵

In light of the above, we need targeted national legislation that supports and makes it easier for employees and communities to become owners of enterprises in the private sector.²⁶

Conclusion

This provocation has sought to contest the view that the answer to austerity driven cuts, rising demand and the need to address prevention is to hugely scale up responsibility for the commissioning and delivery of services to communities themselves.

In summary, community involvement in civic life is vital and we recognise that localities, traditions and local economies are very different. This provocation is not seeking to unpick these arrangements or discourage other localities from adopting similar models of service delivery where they provide a meaningful augmentation to the local state.

However, it should be clear that recourse to austerity and local economic weaknesses is not to be found in the divestment of already debilitated public services to impoverished communities under a community paradigm.

Instead, we need an economy that benefits people and place in its pursuit of social, economic and environmental justice. An economy where work isn't all-encompassing, and welfare isn't punitive. We call for a restoration of the distinctive roles that the public, social and commercial sectors play in creating a decent society.

For genuine community power the real prize lies, not in a huge divestment of public services to communities, but rather in growing new forms of citizen democracy and ensuring greater community and democratic ownership models within the wider private sector.



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