

The Politics of Community Development – Is there a choice between a coherent strategic development of the community and voluntary sector....or something much more hit and miss?

This paper was given by John Pearce to the Think Tank series organised by the Cresco Trust and INCORE in Derry on 28 February 2006.

Introduction

I have been engaged in community development for all of my working life over more than four decades. In that time there have been three periods of work and experience which have significantly shaped my thinking and practice and I would like to start by describing them.

First, I worked with Tibetan refugees in the west of Nepal in the 1960s and learned there how essential it is to integrate economic aspects of development with social, including education, health and civic structures. To give the Tibetan refugees a chance to create a life in exile we had to work with them to tackle all aspects of their new lives. Especially, that meant doing away with the social – economic divide which so often bedevils our thinking. Community development does and must embrace all aspects because that is the reality which faces ordinary people.

Second, I worked with the national Community Development Project (CDP) in West Cumbria in the 1970s. CDP was one of what have been many small area programmes designed to “tackle poverty” once and for all. The most radical and far-reaching learning from the CDP was its structural analysis of the reasons poverty and disadvantage persist even in a wealthy society. That marked a shift away from a social pathological analysis which puts the blame onto poor people suffering disadvantage and focussed on the wider social and economic picture, both contemporary and historical, which lay behind the problems the CDP had been asked to tackle. At that time industrial restructuring was changing the face of the British economy. “Pockets of poverty” could not be addressed in a micro context without more radical changes at the macro level. And CDP laid an emphasis on the economic context of poverty and disadvantage.

[We seem to have been revisiting these debates in recent weeks. The use of ASBOS surely focuses on dealing with the individuals rather than asking why the problems exist? In the context of the education debate Polly Toynbee has expressed the point in the Guardian: “Secondary schools cannot compensate for the damage done in one of Europe’s most unequal societies....Schools are only remedial. Real change will come only if society grows more equal in wealth, status, esteem and reward. It is a chicken and egg dilemma....” 24 Jan 2006]

The big lesson for me from the CDP years was that community development must address economic issues and engage with the local economy, but equally must find ways to engage with the bigger picture through the political process.

Since CDP I have been rather immersed in applying a community development approach to local economic development, primarily in Scotland. Creating community organisations which can create wealth, provide services and act as a focus for local development ; organisations which straddle that economic - social divide. Our work in Scotland drew heavily on the community co-op experience in the West of Ireland which, in turn was replicated in the Scottish Highlands and Islands in the 1970s.

We developed the model of the “multi-functional community business” - giving communities the capacity both to engage in the local economy and with civil society; creating jobs, providing training, running projects, supporting other social and

economic initiatives (such as credit unions, community organisations), collaborating (and fighting) with the local authority. Such organisations are now known by a variety of names but the term which perhaps best expresses the purpose is local or community development trust (in the US they are often referred to as community development corporations) – altogether rather better terms than “Multi-functional Community Business”

A modern mixed economy

The term “social economy” has become increasingly accepted as a “catch-all” term for those organisations which may be distinguished from, on the one hand, the private sector and, on the other, the public or state sectors. It is a good term bringing together as it does those terms “social” and “economic”. I wish to explore what we mean by “social economy” using the diagram below which was developed by myself and a colleague for my recent book *Social Enterprise in Anytown* (Calouste Gulbenkian Foundation 2003). The diagram seeks to illustrate a new way of understanding the role and importance of the social economy (or Third Sector) in relation to the public and private sectors

The three sectors might be better described as “Systems” in that they represent quite different ways of managing economic – and social – affairs. The private sector is market-driven and private profit oriented while the public sector is essentially non-trading and to do with the planned provision of public services.

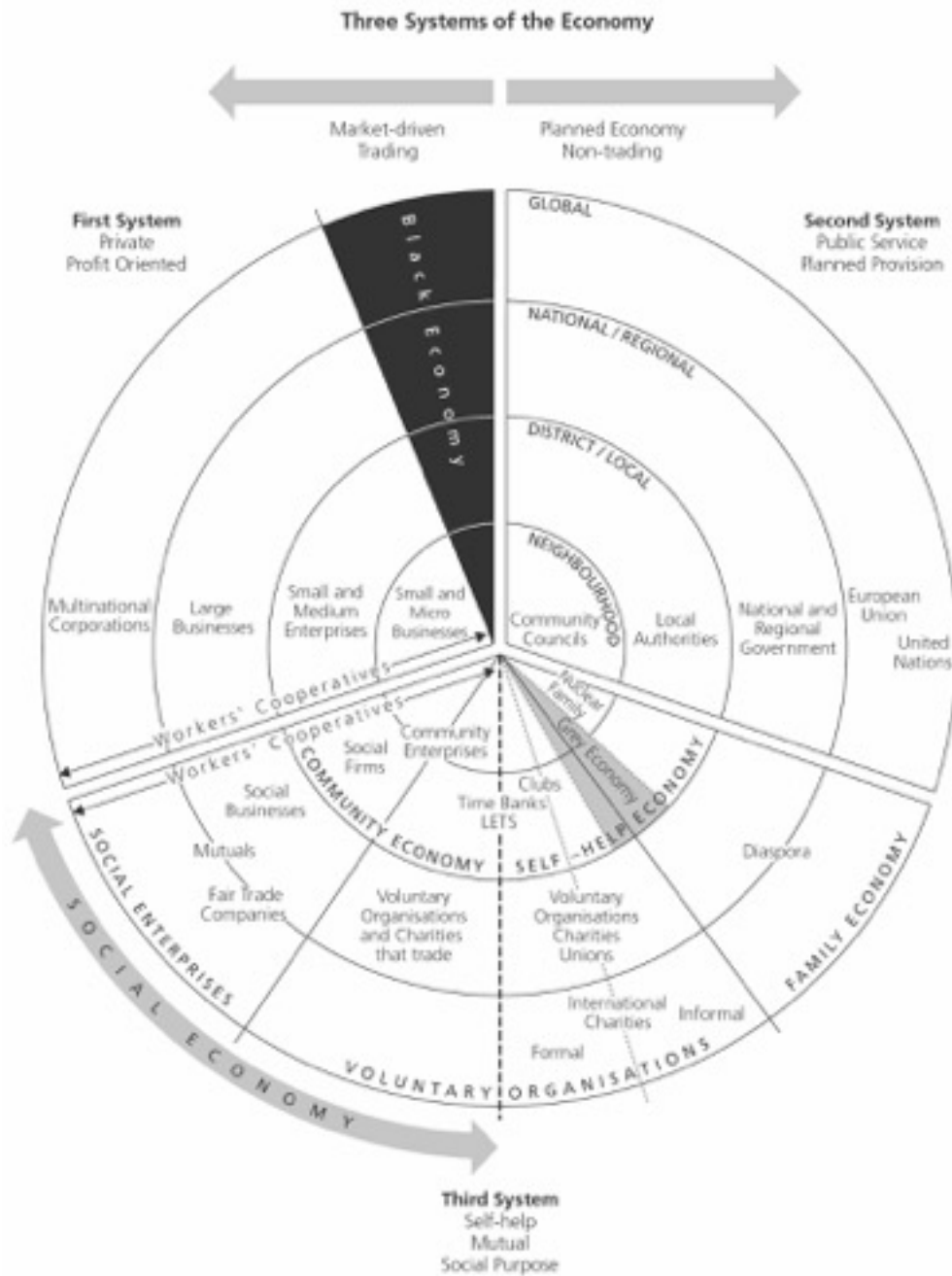
The Third Sector or System, which includes elements which are market driven as well as those which are about public service, can be characterised by concepts of social purpose, self-help and mutuality. This sector, which I prefer to refer to as the Social Economy Sector, embraces a wide swathe of organisations from the co-operative movement, through the very commercially oriented social enterprises to include voluntary organisations and charities, community organisations and neighbourhood groups. It embraces small and large organisations and stretches across (or down) to the domestic economy of families.

[Were I redrawing the diagram now I would also extend the term Social Economy to include all organisations in the “third sector” and I would probably include a “family and a grey wedge” both at the end of the Social Economy continuum and at the end of the private sector acknowledging how initiatives which start at domestic level may develop either as private sector enterprises or as community initiatives.]

It is both interesting and important to reflect that not only has the Co-operative Movement recently positioned itself quite firmly as part of the Social Economy but that it started as a small, volunteer-run community initiative in Rochdale in 1844 when some activists raised funds in order to provide good quality and good value food and household goods to local people. That volunteer shop open in the evenings in an upper room grew to become a worldwide retailing movement.

There has been a step change in recent years in our recognition and understanding of the Social Economy and of the role that it plays in society. Research commissioned by the Department of Trade and Industry for England and Wales last year has suggested that social economy organisations now account for £18bn in the economy – three times the contribution of agriculture! Over half a million people are employed by such organisations which also mobilise over 200,000 volunteer workers.

In Scotland a few years ago Highland Council officials estimated the social economy to be as important to the Scottish economy as tourism.



So, it is now acknowledged that we are talking about a significant sector in the economy – and it is certain that the research is understated. There will be many small, community based organisations, such as my local village hall enterprise, which slip under the radar of such research. And there will be those, such as the co-operative movement, the remaining mutuals, housing associations, charities and other voluntary and community organisations which rightly also belong to the social economy sector – but which were not counted and which do not always see themselves as part of a definable social economy..

The truth is that we do not know the true scale – but we all understand that if the social economy were to stop functioning and withdraw its services and support to society, even for one day, the country would probably be brought to its knees. At the same time more and more voluntary and community organisations are acting like enterprises, earning resources, taking contracts and service level agreements rather than grants.

It is hard often to distinguish between a voluntary organisation and a social enterprise. Indeed some describe themselves as both – or either – according to whom they are talking or according to the bit of their work they are describing. There are charities, large and small, which raise money, earn income and deliver services. It has always fascinated me that in the US when a not-for-profit organisation (such as a Children’s Museum) raises funds to supplement what it earns through takings and contracts it counts that income as “earned income” not as donations. Raising funds to balance the books is not seen – as in this country – as a sign of weakness and dependence but as mark of enterprise and independence.

Is there really, does there need to be a borderline between charities and voluntary organisations on the one hand and social enterprises on the other? Or, as I believe, are they all part of a continuum? Are they all social economy organisations with an identifiable common purpose and a common set of values? [I was told last night of an upcoming seminar in London entitled “Charities – Social Enterprise: what’s in a name?” which seems to be getting to the heart of this point].

The concept of a continuum is dynamic and exciting because it means organisations can, and indeed do, change over-time and shift position on the continuum but can still be part of the same sector. As we saw, the Co-op movement started as a voluntary, part-time enterprise. A community association might turn its premises into a viable workspace.

Here also is a sector to which increasingly offers are being made to deliver services which previously were delivered by the public sector. All political parties seem to be talking about using voluntary and community organisations and social enterprises – usually in the same breath – and the new leader of the Tory party even mentioned them in his acceptance speech as leader.

Why is there this ferment of enthusiasm for social economy organisations? And why in the same breath is the private sector so often mentioned, especially when referring to the delivery of health and education services?

Common principles

From the diagram we may see the modern mixed economy as consisting of three sectors – or systems. That does not necessarily imply that one has to be more in the ascendant than the others [though it appears that the private sector nowadays is – one cannot help wonder why Government seems to think the private sector has the answer to everything?] On the contrary we should be exploring the appropriate roles for the different sectors and exploring ways in which they can collaborate and use their different strengths.

But first we need to explore a little more deeply if there really is any common purpose to this wide swathe of organisations that people the social economy sector.

I recently identified the key principles which underpin social economy organisations and would like to suggest these as what clearly distinguish the social economy from the other sectors – and which act as the glue which can potentially bind a disparate sector together. There are six **fundamental** principles and three **operational** principles.

First: social economy organisations have an over-riding *social purpose* – setting out to benefit people and/or the planet;

Second: they may *engage in trade* in the open market-place – at least to some degree – but their trading is in order to achieve the social purpose – and more and more VCS do trade;

Third: they adopt structures which ensure that any *profits or surplus are applied for re-investment and community benefit*, not to make individual shareholders wealthy;

Fourth: they hold *assets in trust* for the benefit of the community and future generations;

Fifth: they are *accountable to their constituency* (the residents of a geographical area or another specified group of people), usually adopting a form of democratic governance;

Sixth: they are *independent* of external influence and control, notably by government and by the owners of capital.

The three operational principles are:

- 1 adopting *good employment practices* (for both paid and unpaid workers);
- 2 adopting sound, *light-footprint environmental practices* – can a social economy organisation in the 21st century be socially responsible if it is not environmentally responsible also?; and
- 3 adopting *fair trading practices*, including having regard to the local economy in respect of purchasing policies.

Implications for the Social Economy

I wish to begin to conclude my remarks by identifying what this means for social economy organisations if they are to take their place as a significant part of the national presence; if it is to become as commonplace for government to consult the social economy over matters of policy as it is to consult with business, industry and the trades unions.

First, the organisations of the social economy need to develop a new self-awareness that they are far more than just the “third sector” but are a key – and growing – component of the national economy, contributing not just to social wellbeing but to economic growth, the creation and sustaining of jobs and building wealth for the good of society.

Second they need to develop a stronger sense of being a sector which can when necessary speak with a common voice in order to engage with the bigger picture. They need to focus on those principles and purposes which they share rather than on the detail which divides. In particular we need to move away from the idea of “clear blue water” lying between social enterprises and the voluntary and community organisations and acknowledge that many social enterprises have evolved out of a voluntary organisation and that many VCOs are effectively operating as businesses. Last year’s Make Poverty History campaign was an excellent example of how a disparate group of organisations can come together and have a powerful impact. Their slogan was “unity with diversity” – surely equally appropriate for the social economy?

Equally we need to see greater collaboration between large and small players in the social economy and especially see the large organisations setting out to nurture new voluntary and community initiatives – rather than stifle them. After all the small

voluntary initiative of today could be the national social enterprise or NGO of tomorrow.

Third the social economy must guard its independence, not only from Government but also from the private sector. Avoid co-option by government. Avoid trying to be like business – after all there is a fundamental difference and it is the difference that matters. In that regard we might accept that a “business plan” is inappropriate for a social enterprise because it focuses exclusively on the business or commercial dimension. A social economy organisation needs a way of building its social and its business plan together so that the one feeds into the other – a *social enterprise plan* which identifies social and business objectives and creates an integrated strategy.

Fourth the social economy must strengthen its own self-help infrastructure. In other words the sector itself should be able to provide the services, development support and technical expertise which the sector needs – including financial services. It does not make sense for the social economy to depend or rely on advisers from the other two sectors who do not, and cannot, really understand the social economy and its needs. The skills and resources are all there within the sector but does it yet have the necessary mind-set to act in a mutually supportive fashion? This is a huge challenge, not least because of the way social economy organisations are being required to compete against each other and encouraged to grow on the spurious grounds that big is more efficient and cost-effective.

Fifth social economy organisations must find ways of engaging with local democracy and in doing so strengthen it rather than seeking to be an alternative to it. That is not a sensible option. The democracy of a community organisation cannot substitute for the democracy of the universal ballot box. Community development provides the capacity for communities to manage services and projects – subsidiarity in action – but this surely must be within an overarching democratic framework. This is also a difficult and challenging area, requiring movement from both sides. But it is hugely important, especially if institutions and systems are to be developed at local level which can act effectively for the community and collaborate with the local authority.

Lastly, at local level especially, there is always opportunity for collaboration and partnerships between the three sectors. We can all identify examples of that – for example - a community association might develop a managed workspace in a former school building with co-operation and assistance from the local council and provide small workshops in which people can set up and develop small, private businesses. The association, by now calling itself a development trust or a social enterprise, might offer self-employment information and advice and at the same time encourage and support other community initiatives and organisations which in turn may supply services on contract to both the public sector and to private companies.

What does this mean for Government?

The first question is to ask why Government is so keen to have social economy organisations deliver services?

Is it to achieve the added value of local knowledge, of no private profit motive, of a community service ethos?

Or is it because costs may be kept down by mobilising volunteers and because someone has to provide a service in the most difficult areas where there is no chance of a private company making a profit?

Or – maybe and – is it in order to bypass local government and local elective democracy?

What is absolutely clear and what must be unequivocally understood is that achieving the added value which social economy organisations can bring will not be cheaper. Indeed it may be more expensive if the full costs of delivering services in certain circumstances are acknowledged and recovered.

Regarding procurement it is essential that small organisations have a chance to tender and win contracts if the local added value is to be achieved. Indeed experience in Australia with labour market services and the trend here in the UK with registered social landlords reinforces the sense that bigger definitely is not better and risks losing that local added-value.

If, however, social economy organisations are to be used because of the added value they are expected to bring, then those organisations must also be prepared to demonstrate that they are delivering that added-value by adopting methods of reporting such as social accounting and audit.

The second question – some might argue it should be the first – is whether Government is serious about wanting to expand the social economy sector in the economy. Do politicians see the merit of having a values-based sector in the economy which is predicated on working for the common good? Do they acknowledge the value of a modern mixed economy with the social economy there as an equal partner to the other two sectors?

If the answer is yes, then there is a key role for Government to create an *enabling environment* which will encourage the growth of the social economy –

- Fiscal benefits in return for non-profit distribution and adopting structures which reflect the key principles defined earlier
- Structures which allow social economy organisations to trade without losing fiscal benefits
- Procurement arrangements which favour the social economy, and especially smaller organisations

And the *quid pro quo* will be a rigorous system of regulation such that society knows that recognised social economy organisations are both genuine and are delivering the added value they promise.

That will mean bringing together arrangements which are currently divided between charities, social enterprises, companies (including Community Interest Companies and Industrial and Provident Societies) and creating a new understanding: We are all familiar with what is a public body and what is a private business in all their manifestations, now we need to become equally familiar with what is a social economy organisation and to be able to recognise one straightaway. In that regard it was a great disappointment that Government did not use the term “Community Interest Company” as a generic “brand” name for social economy organisations instead of using it for a new – and largely unneeded – legal form to join the many others which exist.

At local (and regional and quango) government level a mind-set change is needed to see the social economy not as a threat but as a key partner. Too often relationships are ruined by suspicion, by a reluctance to “let go”, by a refusal to acknowledge that Councils and their officers do not have – cannot have – all the answers. This is an especially difficult area, not least because local government (rightly) feels under attack from Government as it has been for more than two decades now with responsibilities reduced.

My final exhortation to Government – and to the Social Economy sector - is that we continue to acknowledge the size and strength of the social economy – and

acknowledge it is an independent sector, not just a convenient tool of public policy nor as a mildly eccentric form of private business. Acknowledge that it is a sector to work in partnership with, to consult with. A sector which can strengthen local democracy but not substitute for it.

30 March 2006