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# Understanding your Local Economy

8 July 2014, Bassetlaw, Worksop



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# Aim/Objectives

- **Aim**

The aim of today is help local VCS organisations to understand how to prepare an economic (EUSIF) application

- **Objectives**

See the prospectus.



*'The only people who believe in infinite growth in a finite world are madmen and economists'*

**Kenneth E Boulding**

# Usual (Economic) Statistics

- Employment/Unemployment
- Business Birth Rates
- Vat registrations
- GDP/GVA
- Statistics linked to deprivation – housing/crime/education etc
- This workshop is linking VCS/community to economy

## What is local economic development?

- Business Start-up/Growth
- Education/Skills
- Transport
- Planning
- Environmental Service
- Housing/Social Services/Health/



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## Waves of Local Economic Development

Inward Investment, clustering.....

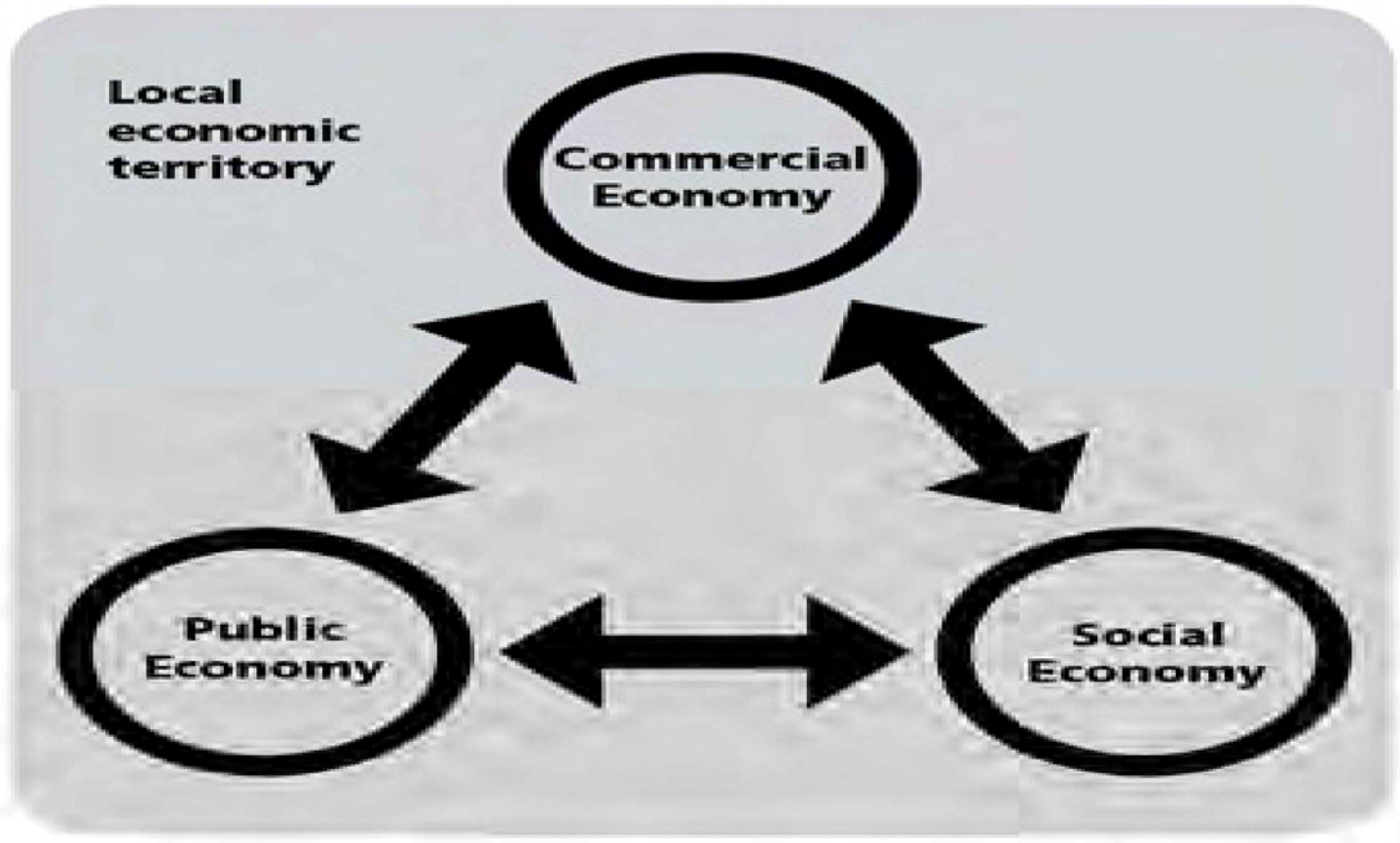
### Latest Waves

Localism...press news Monday 07/07/14

Changes to Business Support – RDA's/Business Link

### The forgotten wave?

“economic growth that can be sustained & is within environmental limits, but also enhances the environment & social welfare, & voids greater extremes in future economic cycles”

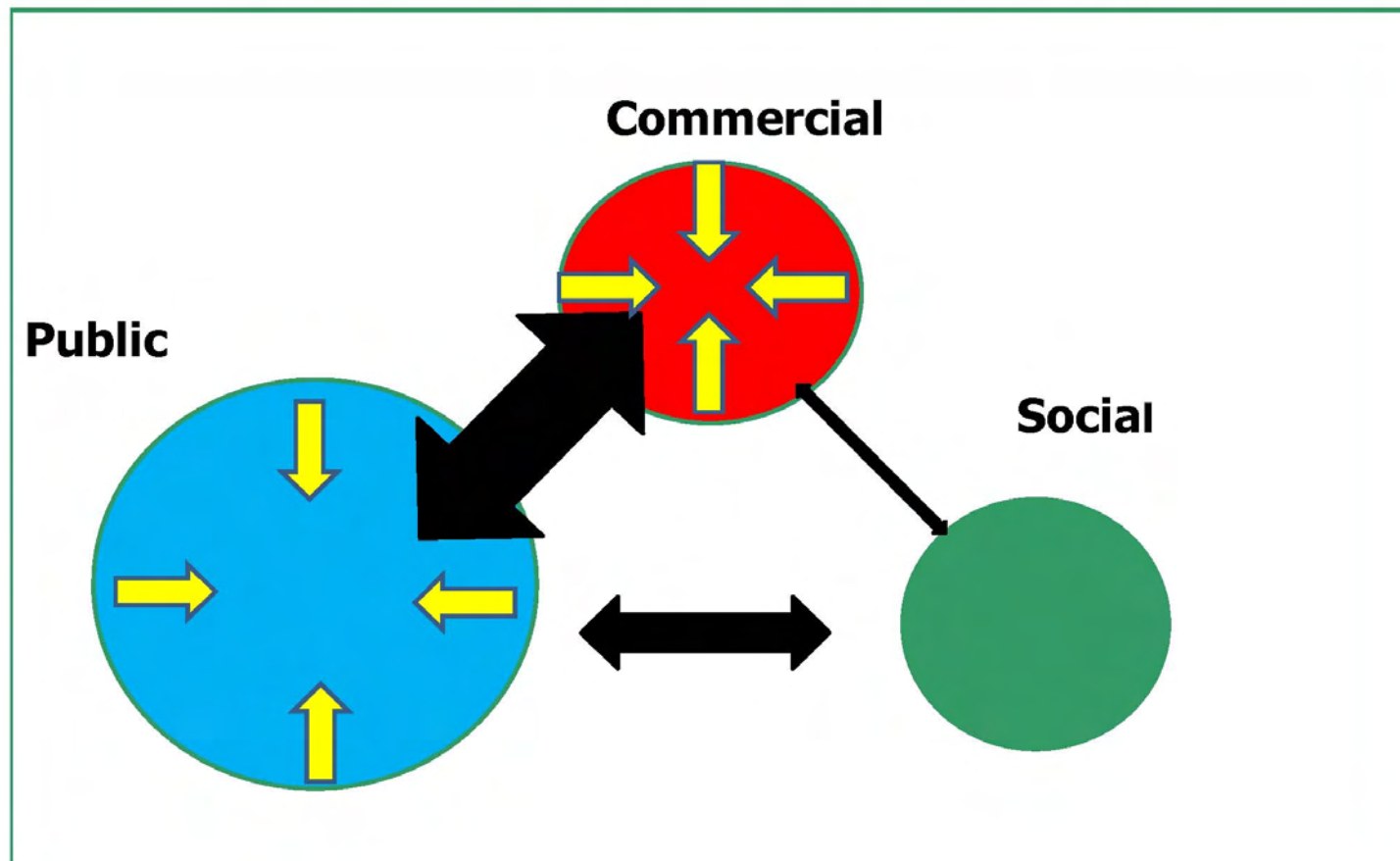


## Example: The town which has lost an economic purpose - Ashington

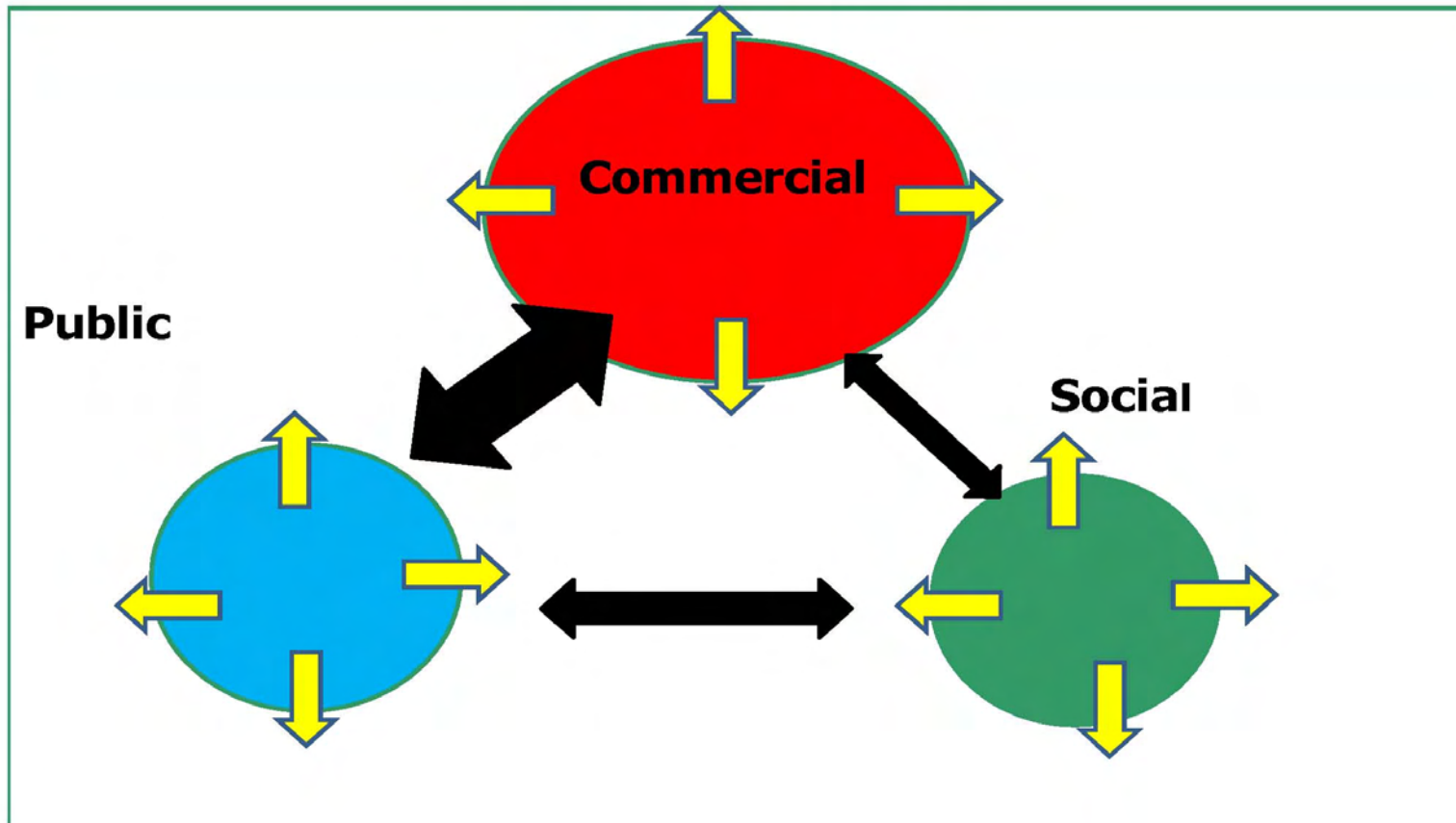




## Example: The town which has lost an economic purpose - Ashington



## The town which is developing FAST!— Dandenong. VIC





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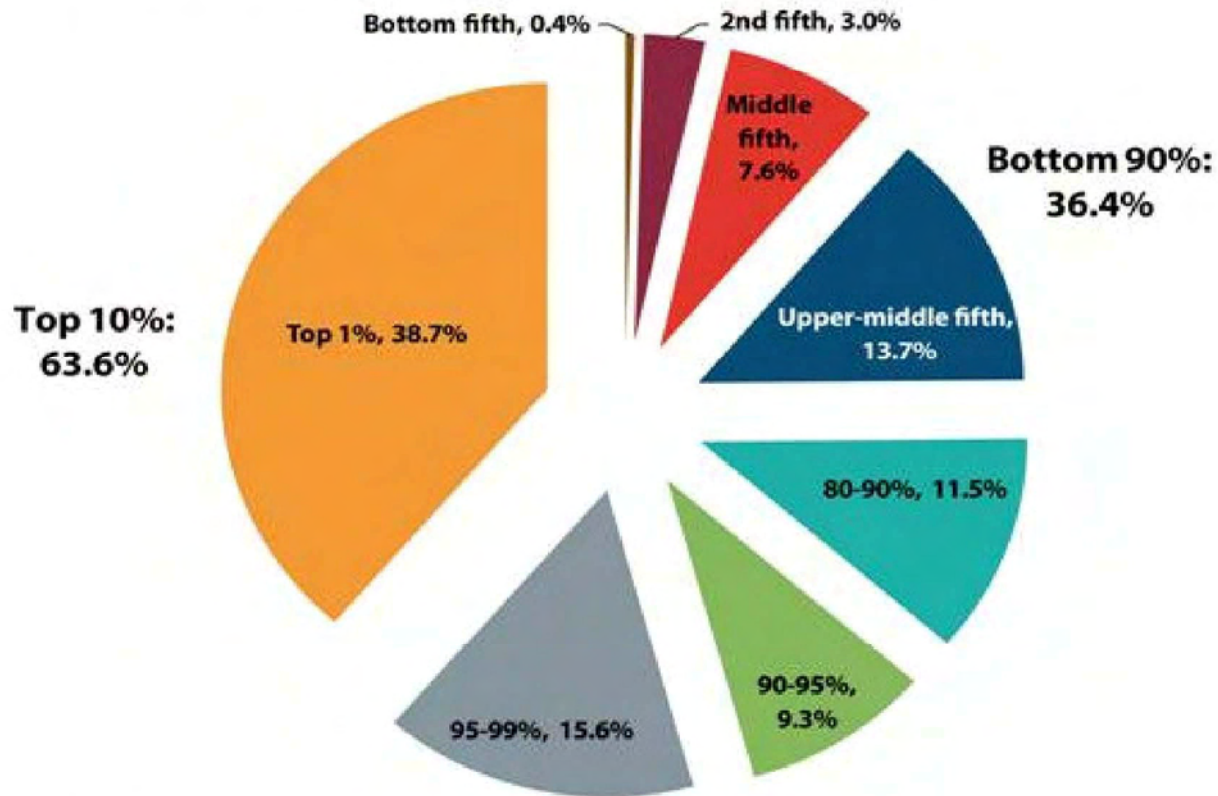
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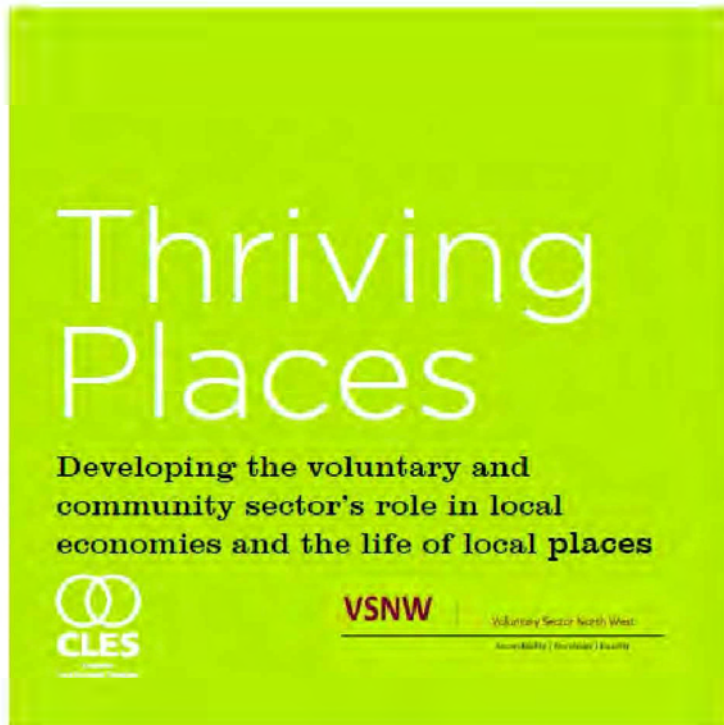
# Why are the usual approaches not working?

### Where did the growth go?

Share of pre-tax income growth, 1979-2007



Source: EPI analysis of CBO Average Federal Tax Rates and Income, 2010.



- Not enough recognition of community and voluntary sector role
- Not seen as important to 'economy'
- Sector works in silos

## Market Failure

- Capitalist society – ‘the market will provide’ –  
Business support eg
- Where it doesn’t (or does so inefficiently), ‘market failure’ occurs & public Sector intervention is justified
- Market failure = “ an imperfection in the market mechanism which means that the market has not and cannot deliver an efficient allocation of resources”
- Rationale = “the justification of a policy intervention in terms of the market failures it aims to correct2

## Types of Market Failure

Information asymmetry

- unequal access to full information

Coordination failure

- action by public bodies is needed to coordinate approaches & alleviate confusion

Public goods

- Goods in the public interest, but not provided by the market alone

## Types of Market Failure

### Externalities

- when the production of goods/services by one person/group affects the welfare of another (+/-)

### Social/Distribution failure

- Justifying public intervention in order to address inequity (people/places)





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# Inflows/Outflows Exercise

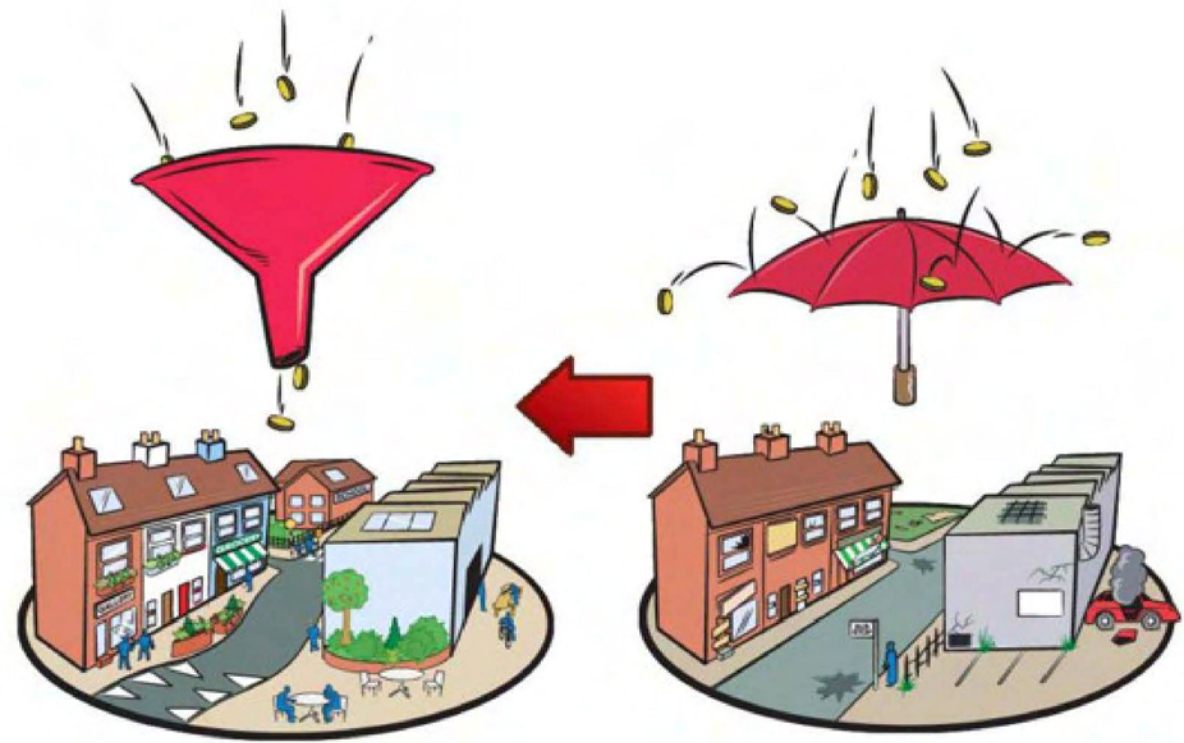


Illustration by Rory Seaford of The Creative Element,  
[www.pluggingtheleaks.org/resources/plm\\_ptl\\_images.htm](http://www.pluggingtheleaks.org/resources/plm_ptl_images.htm)



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## How?

### **The ideas gaining ground**

Hook the local into global, whilst protecting the local

- Shorten supply chains (i.e. Food) –EG

Social success as an input and outcome of economic success

- ‘bootstrap economics’, co-production, co-design

Large expenditure on infrastructure is hard so need economic alternatives

- Wealth built in and built locally

Aligning development with economy, community and place

- ‘Whole place’ ideas to economy – Systems approach



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## How?

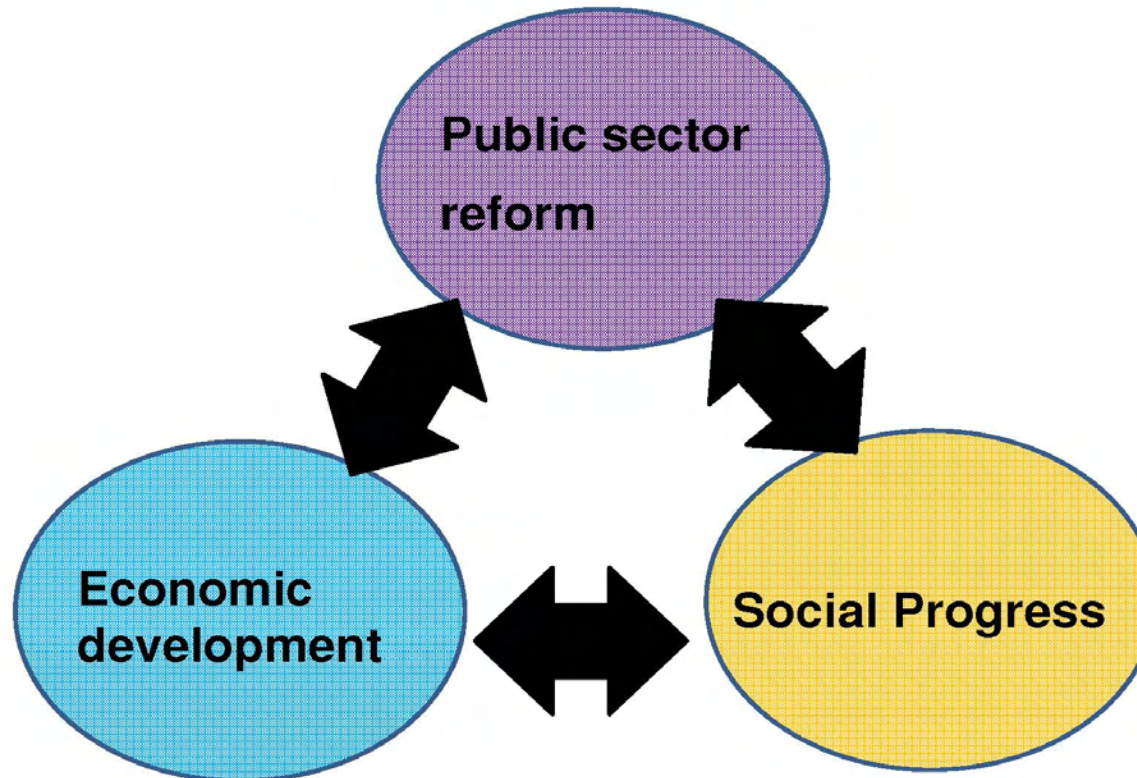
### Resilience

Where local places can:

- Be agile and take opportunities
- Make the changes
- respond to inevitable economic, social, environmental shocks
- Create social progress even when the things are economically not so great
- Aligning development with economy, community and place

<b>Traditional approaches</b>	<b>Local economic system approaches</b>
'Rising tide will lift all boats', 'trickle down'	Building up local individual and community capacity & asset building 'torrent down'
Economic wealth creates social progress	Economic wealth creation sees social progress as an input to economic success
Competition	Cooperation and fair terms of trade locally & externally
Corporate modes of local engagement	Cooperation, co-production & intrinsic engagement

## Public sector reform, social progress and Economic development are interdependent





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## How?

### Competitive Advantage

An understanding of the competitive nature of the global economy and its affects on places

- An area attains competitive advantage if its businesses are competitive. They become competitive through innovation
- 4 determinants (Factor conditions, demand conditions, related supported industries and firm strategy, Structure and rivalry)



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## How?

### Comparative Advantage

Like competitive advantage, but opposed to competition recognises the interdependency of place – having assets and resources that others don't have

- More about geographies of place
- It's about conceding ground and maxing on what the area does best
- Been in the doldrums a bit as places compete vigorously
- Means places may be economically producing things which are resource intensive





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## The multiplier effect

**Slides:**

Trickle up/down cartoon

## The multiplier effect

### Trickle Up/Trickle down

Key concept: 'Trickle down' or 'Trickle up' or 'Torrent down'

Trickle down

- Big investment will result in jobs, more wages, more spend, better local shops etc.

Torrent down

- Flood of local benefits from Investment
- Plug the leaks and lock in wealth

Trickle up

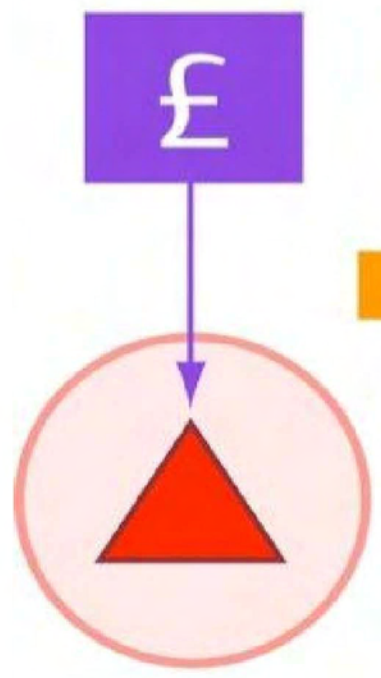
- The poor more likely to spend higher proportion of their money
- The poor more likely to spend their money locally

## Multipliers

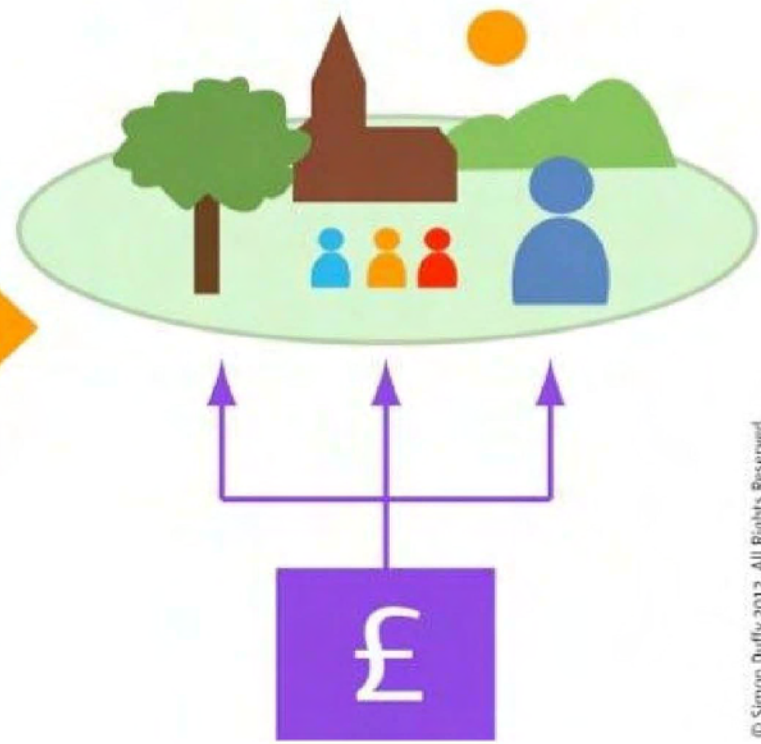
### Tools for measuring economic impact and flow of money

- Enables the calculation of an organisations economic contribution to its community
- Local: specific local economy or set of local economies
- Multiplier: how much a specific inflow of income into a local area circulates

Procurement



Investment



## Small local firms assist local economies?



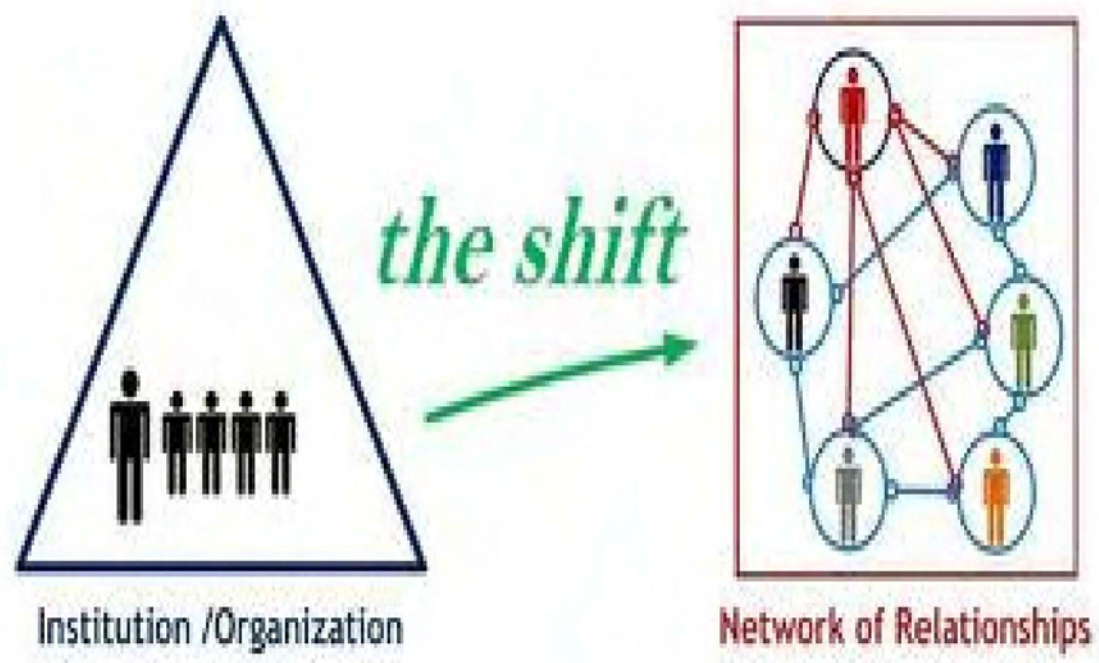
**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

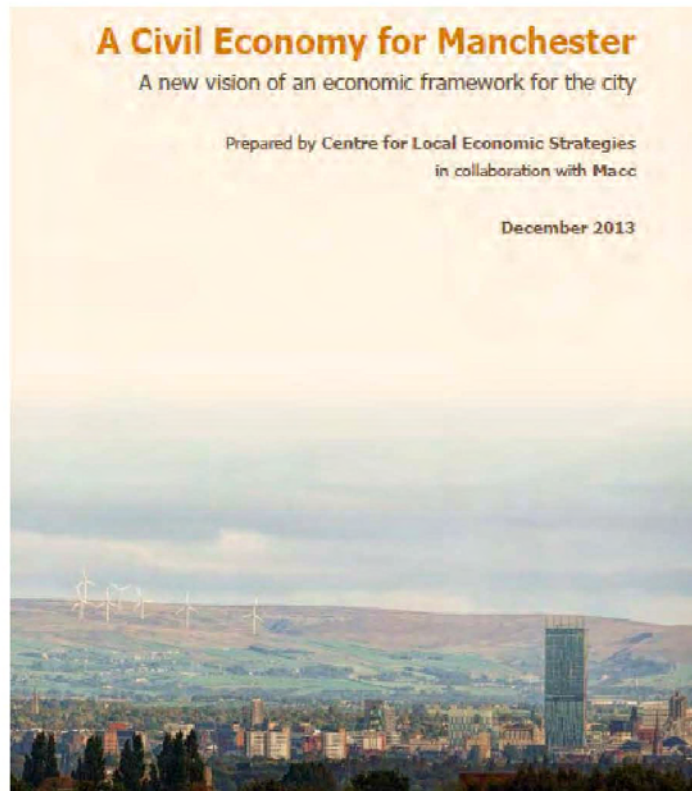


***Local Procurement***  
*Making the most  
of small businesses*

<http://www.fsb.org.uk/policy/assets/local-procurement-2013.pdf>

- 47% of total procurement spend by local authorities is with SMEs;
- 63p for every £1 spent with SME's remains local but only 40p for every £1 spent with large firms remains local.
- small local firms generate 58% more benefit for local economies than large local firms.





- Strong communities and social inclusion as inputs to and outcomes of economic and business success
- Creating an economy which works for all
- Refocusing on how economic success is perceived around the experiences of people and communities within an economy

# VCS is central to economic and place success....

- **...a role in its own right**, not just deliverer of services
- **...delivering** social success as an input not just an outcome of economic success
- **...guaranteeing** an economy works for its people, and serves collective societal interests
- **...ensuring** economy stays real: Economy comes from Greek word *oikonomos*, "one who manages a household"



# VCS Economic Contribution

- 2% of workforce
- 11,000+ registered organisation across EM
- Spend of £1.2bn in EM economy
- £2.5bn + of capital and fixed assets
- Volunteers
- High level and diverse skill base
- Geographical spread
- Established networks and communication