

PAPER 4

Why the local economy is important for gender equality

CLES paper for the Commission on a Gender-Equal Economy



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for people and place

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Executive Summary

The activities of the local state constitute a significant part of the landscape of the local economies – employing large numbers of people, procuring hundreds of millions of pounds worth of goods and services.

Through these activities, there is the opportunity to advance social, economic and environmental justice, particularly through the adoption of community wealth building strategies. In this paper we explore the potential of such an approach with a view to advancing gender equality. We first explain how a community wealth building frame could be used specifically for this purpose and then consider other potential mechanisms such as the use of progressive economic strategies, as well as certain forms of participatory democracy. Finally, we outline a series of policy recommendations with the contention that an end to austerity, a new financial settlement and the strengthening of the Social Value Act are measures that are required to advance these mechanisms at scale to address gender inequality.

1. Background

Our current growth model is failing. Data from the OECD in 2017 showed that the UK was the only advanced economy in which wages fell while the economy was growing¹. Nearly eight million people in the UK, including three million children, live in poverty despite at least one person in that family being in paid employment². Food bank usage recently reached record highs, with 1.3 million people accessing three-day emergency food supplies in the space of one year³.

At the local state level – city regions, local authority and combined authority areas - we see the hollowing out of local economies, a stagnation of wages and growing dominance of large global companies whose activities result not in local investment but in the extraction of profits to often distant shareholders. While recognition of this dysfunction is growing, the way in which local economies operate as a key site for, and generator of, gender inequality is less well understood. In this paper we explore these dynamics, assess how traditional approaches to economic development exacerbate rather than address these inequalities, and propose a number of alternative mechanisms for building inclusive local economies.

Local economies as generators of gender inequality

Over the last forty years we have seen fundamental changes in local labour markets with profound impacts on gender equality. At a national level, the shift towards a service economy saw a significant rise in the number of women in paid employment, with the female employment rate now standing at 71.4%, the highest since records began in 1971⁴. Nevertheless, within the service sector, many jobs performed by women are low-paid with limited routes of progression⁵. This has been affected by deregulation and the rise of insecure work, which has also had a disproportionate impact on women who are, for example, over-represented in zero-hour contract employment⁶. At a local level, gender inequality is exacerbated by the fact that women's travel to work areas are generally smaller than men's as a

¹ Romei, V. (2017). 'How wages fell in the UK while the economy grew' *The Financial Times*. Available at: <https://www.ft.com/content/83e7e87e-fe64-11e6-96f8-3700c5664d30>

² In-work poverty hits record high as the housing crisis fuels insecurity. (2016). *Joseph Rowntree Foundation*. Available at: <https://www.jrf.org.uk/press/work-poverty-hits-record-high-housing-crisis-fuels-insecurity>

³ Foodbank use remains at record high. (2016). *The Trussell Trust*. Available at: <https://www.trusselltrust.org/2016/04/15/foodbank-use-remains-record-high/>

⁴ Powell, A. (2019). 'Women and the Economy' *House of Commons Briefing Paper*.

⁵ Dalingwater, L. (2018). 'Neoliberalism and Gender Inequality in the Workplace in Britain.' *OpenEdition*. Available at: <https://journals.openedition.org/rfcb/1802>

⁶ Burt, E. (2018). 'Women and young people most likely to work on zero-hours contracts.' *People Management*. Available at: <https://www.peoplemanagement.co.uk/news/articles/women-young-people-on-zero-hours-contracts>

result of the greater proportion of their time spent on caring responsibilities⁷. This means that women's labour market choices are restricted and they are over-represented in sectors of the economy with more geographically dispersed patterns of employment, such as retail and health and care. These sectors have been at the forefront of dramatic shifts in the economy for the last thirty years, with loss of jobs in local retail disproportionately affecting women⁸ and downward pressure on pay and conditions in the care economy as a result of austerity. Furthermore, automation poses a further threat here, as self-checkouts and the closure of shops due to the rise of online shopping has seen 75,000 retail posts held by women disappear since 2011⁹.

Key to local economies are public services. These form a large part of the landscape of local economies – employing large numbers of people, procuring hundreds of millions of pounds worth of goods and services. Similarly, public services are important for women's economic participation. Not only do women hold 75% of local government jobs (though only 24% of chief executives)¹⁰, they also make more use of public services because of their greater responsibilities for unpaid care and their lower incomes¹¹.

By using the levers that are available to it – such as procurement, commissioning and workforce policies – the local state can however have a transformational impact on gender equality in the local economy. Although, for this to be the case, it cannot work under the same market liberal tendencies that have been so damaging at the national level. Local economies focused on growth reflect the same problems of national economies and as such, fail to address gender inequality. By focusing on growth, sectors in which women play a greater role such as care, retail and hospitality are often ignored¹².

Crucially, the shift in economic development in recent years towards inclusive growth has not been sufficient to address inequality here. Inclusive growth is less about affecting change to the prevailing market liberal approach to economic growth, and more about what happens once we have growth, no matter how

⁷ ONS. (2016). *Women shoulder the responsibility of 'unpaid work.'* Available at: <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/womenshouldertheresponsibilityofunpaidwork/2016-11-10>

⁸ The RSA. (2019). *108,000 retail jobs lost to automation and e-commerce since 2011 with women and non-Londoners most affected, report finds.* Available at: <https://www.thersa.org/aboutus/media/2019/108000-retail-jobs-lost-to-automation-and-e-commerce-since-2011-with-women-and-non-londoners-most-affected-report-finds>

⁹ Booth, R. (2019). 'Shop closures and self-checkouts cost tens of thousands of women's jobs.' *The Guardian.* Available at: <https://www.theguardian.com/money/2019/sep/12/online-shopping-forcing-women-out-of-work-study>

¹⁰ Westminster Briefing. (2017). *Women in Local Government Conference.* Available at: <http://westminster-briefing.com/event/women-local-government-conference>

¹¹ Women Count. (2019). *Public Services.* Available at: <https://womenscount.wbg.org.uk/what-gender-budget-analysis-can-show/public-services>

¹² Hawking, M. (2019). 'How Local Industrial Strategies can deliver inclusive growth.' *Joseph Rowntree Foundation.* Available at: <https://www.jrf.org.uk/report/how-local-industrial-strategies-can-deliver-inclusive-growth>

unfairly it was created, or the narrowness of those involved in creating it¹³. It accepts that the current system produces unequal opportunities but focuses on policies that are centred 'after-the-fact' of growth itself. Not only is this unsustainable on a finite planet with finite resources, but it also does not allow for truly transformational social and economic justice, capable of delivering gender equality.

2. Addressing systemic injustice

Whilst the inclusive growth agenda is prevalent across Scotland, England and Wales¹⁴, its suitability to address the economic, social and environment challenges we face is now being challenged, as evidenced by the 30 plus organisations that CLES is now working with to advance a more progressive approach to economic development¹⁵.

CLES believe that there is a need to take an approach to local economic development which, rather than focusing on inclusive growth, focuses instead on building an inclusive economy¹⁶. An inclusive economy approach seeks to address the fundamental causes of the negative effects of economic growth. It is an economy intrinsically linked to social goals, which rejects market liberalism and views wider social determinants as equally, if not more, valuable than growth alone. An economy which functions in this way produces social, economic and environmental justice for all, and offers the potential to entrench and ensure gender equality.

Community wealth building

From Newham to North Ayrshire, Preston to Lewisham we are seeing local authorities across the UK intent on building inclusive local economies, adopting various strategies to enable this approach¹⁷. The key strategy which has emerged in this is community wealth building, which advocates a set of principles for

¹³ Burch, D. and McInroy, N. (2018). *We Need an Inclusive Economy not Inclusive Growth.* Available at: https://cles.org.uk/wp-content/uploads/2018/12/Policy-Provocation_We-need-an-inclusive-economy-not-inclusive-growth_191218.pdf

¹⁴ See for example: The Leeds inclusive growth strategy <http://www.leedsgrowthstrategy.co.uk/>; Achieving Inclusive Growth in Wales <https://www.wcpp.org.uk/wp-content/uploads/2017/12/Achieving-Inclusive-Growth-in-Wales.pdf>; and support from the Scottish government <https://www.gov.scot/policies/economic-growth/inclusive-growth/>

¹⁵ CLES. (2019). *Community Wealth Building 2019: Theory, practice and next steps.* Available at: <https://cles.org.uk/wp-content/uploads/2019/09/CWB2019FINAL-web.pdf>

¹⁶ Burch, D. and McInroy, N. (2018). *We Need an Inclusive Economy not Inclusive Growth.* Available at: https://cles.org.uk/wp-content/uploads/2018/12/Policy-Provocation_We-need-an-inclusive-economy-not-inclusive-growth_191218.pdf

¹⁷ CLES. (2019). *Community Wealth Building 2019: Theory, practice and next steps.* Available at: <https://cles.org.uk/wp-content/uploads/2019/09/CWB2019FINAL-web.pdf>

harnessing the power of the local economy to grow and develop from within. Key to these principles are the actions of anchor institutions. Anchor institutions are large commercial, public and social sector organisations which have a significant stake in a place. Anchors can exert sizable influence by adopting the following principles to impact upon economic, social, and environmental priorities, generating what is commonly referred to as social value¹⁸.

Community wealth building has five key principles:

1. **Plural ownership of the economy** - At the heart of Community Wealth Building is the principle that wealth is broadly held. Cooperatives, mutually owned businesses, SMEs, municipally owned companies and local banks enable the wealth generated in a community to stay in that locality and play a vital role in counteracting the extraction of wealth. Anchors therefore have a key role to play in encouraging a diverse range of ownership models in their supply chains.
2. **Making financial power work for local places** - Ensuring that financial investments and pension funds are directed towards local investment priorities, bringing transformative capital to locally rooted enterprises.
3. **Fair employment and just labour markets** - Often the biggest employers in a place, the approach anchors take to employment can have a defining effect on the employment prospects and incomes of local people. Recruitment from lower income areas, commitment to paying the living wage and building progression routes for workers are all examples of the actions anchors can take to stimulate the local economy and bring social improvements to local communities.
4. **Anchor purchasing** - By adopting robust social value frameworks, tailored to local priorities, anchors can make the best use of public pound, generating wider social and economic value from the procurement and commissioning process.
5. **Socially productive use of land and property** - By supporting equitable land development (through establishment of Community Land Trusts) and the development of underutilised assets for community use.

Using community wealth building to advance gender equality

Community wealth building could be used to focus specifically on tackling gender inequality.

First, with respect to plural ownership and financial power, authorities could ensure that cooperative development, social enterprises and other forms of business in the social and solidarity sector are not only working for the benefit of

¹⁸ Ibid.

people, place and planet, but are also truly equally owned by all sections of their communities, particularly in sectors where women are more prevalent. For example, in community wealth building movements across the US, analysis is done on the number of black and ethnic minority owned businesses in the supply chains of anchor institutions. From this, Boston created the Boston Jobs for Boston Residents policy which mandated that city residents receive half of jobs created by city funds—with 25 and 10 percent set-aside for minorities and women, respectively¹⁹. Similarly, Cleveland Ohio have a Community Benefits Policy, which provides bid discounts to local, ethnic minority, and women-owned business and requires local and minority hiring and subcontracting. Between 2010 and 2014, the City increased contracting to these business groups from 29 to 39 percent of total contracting dollars²⁰. In both of these examples, financial investment was used as a mechanism to provide the necessary capital flow to support the development of women and minority owned businesses, which could also happen in the UK.

Second, adopting progressive practices around employment - the living wage in particular - can act as a powerful tool for improving the immediate material conditions of women who are most marginalised from economic benefit in the current economic model. This approach is already being utilised by 106 local authorities as well as 106 universities and colleges across the UK²¹. Practice here could however be extended to make flexibility for family life and childcare more ubiquitous as part of a progressive approach to the terms and conditions of employment.

Third, the benefits of a progressive approach to procurement and anchor purchasing²² could be further utilised. For example, social value frameworks which ensure that the commissioning and procurement processes are used for greater social, economic and environment benefits could be used to advance gender equality by measuring things like the gender pay gap, care leave and other indicators of gender equality.

Fourth, whilst we are not currently aware of any examples of practice here, underutilised assets could be directed where appropriate towards community initiatives that support gender equality. In other words, the council could make it a priority to support these groups by offering the use of council premises that are currently not in use.

Other mechanisms to advance gender equality

In addition to a community wealth building approach, there are other progressive practices being utilised to advance gender equality in pursuit of an inclusive economy. Learning from places such as Barcelona around progressive economic

¹⁹ Kelly, M and McKinley, S. (2018). 'Cities Building Community Wealth.' *The Democracy Collaborative*. Available at: <https://democracycollaborative.org/content/twenty-cities-building-community-wealth>

²⁰ Ibid.

²¹ Living Wage Foundation. (2019). Available at: <https://www.livingwage.org.uk/what-real-living-wage>

²² CLES and Preston City Council. (2019). *How we built community wealth in Preston: achievements and lessons*. Available at: <https://cles.org.uk/publications/how-we-built-community-wealth-in-preston-achievements-and-lessons/>

strategies and participatory democracy could also provide a fruitful approach if adopted within a UK context.

1. **Using economic strategies to advance gender equality** - In a gender equal economy, gender equality would be made a priority in terms of resource allocation and metrics would be embedded in economic monitoring. This is an approach already being progressed in Barcelona. For example, Barcelona en Comú - the radical citizens platform who took political control of the city in 2015 - has set up the Department of Life Cycles, Feminism and LGBTI, with over a million euros worth of funding dedicated to tackling sexist violence. They have also created the Department for Gender Mainstreaming, which ensures a gender lens is applied across all policy areas, departments and districts, including the city budget and urban planning.
2. **Securing gender equality in representation and engaging openly in participatory democracy** - In a gender equal economy, local government would include representative and participatory democratic forms, with citizens enabled to be active, involved and informed. This participation could take the form of Citizen's Assemblies, like the type employed in Camden looking at climate change.

More vociferously, participatory democracy has been utilised again by Barcelona en Comú. Beginning from a housing activist network, the group worked slowly in communities having fortnightly assemblies and meals where citizens could come for help with housing issues. This then progressed to a crowdsourced manifesto and code of ethics, and the election of Ada Colau as the first female Mayor of Barcelona. Both before and after gaining power, Barcelona en Comú has implemented strict gender balance rules – ensuring consistent parity in representation. Implementing policies that challenge gender roles and patriarchy is also key for the group, underpinned by a fundamentally different way of doing politics which emphasises collaboration, horizontal decision making and non-hierarchical forms of organising.

3. Policy recommendations: what needs to change

Old habits die hard. Economic development – as a public policy process of intervention – should have lessened the worst excesses of wealth extraction and served to ensure that social outcomes are secured. Unfortunately, in the period before and after the global financial crash, the practice of economic development and regeneration has gone badly awry. It has failed miserably to ensure that economic gains and wealth are delivering social benefits at scale or are working within environmentally sustainable limits.

As such, local government in the UK lacks the capacity, power and financial resource to wholeheartedly adopt and develop the kinds of strategies outlined above. As such, CLES believes that the following policy recommendations are required.

- 1) **End austerity budgeting** - The impact of a decade of austerity on our social fabric is unignorable. The recalibration and retreat of the state has exacerbated inequality and poverty, with public sector spending, as a proportion of GDP, falling 6% since 2010. The recent spending review – announcing a £13.8bn expenditure package – has been heralded as evidence that the era of austerity has come to a close. Yet closer examination shows that only a third of the cuts introduced since 2010 are being reversed. Analysis by the National Audit Office has shown a 49.1% real-terms reduction in government funding for local authorities between 2010 and 2018.

Against this backdrop, the £1bn spending boost to local government announced in the recent review represents a drop in the ocean. The cumulative real change in per-capita departmental expenditure levels – even factoring in these new spending promises – is a staggering 77% reduction for local government spending between 2009 - 2021.

Funding cuts, particularly to councils have had a corrosive effect on the values required to commission and procure in a way that promotes social value. They have affected the capacity and availability of the headspace required to advance community wealth building. Austerity budgeting should therefore end. Revenue support grants to local authorities should return to what they were pre-2010.

- 2) **Fair funding based on local needs** - At the core of past regeneration failures is the fact that they have failed to fundamentally address longstanding systemic regional imbalances. At best they have merely

massaged them. 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 of how the formula is calculated, amid longstanding speculation that it is no longer fit for purpose²³. 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. The formula 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.

Furthermore, many of the social and economic challenges that lead to a demand on public services are place-based, complex and deep-rooted. As such, local anchor institutions, local government and combined authorities should be given longer time frames and pooled pots of place-based funding, covering the main elements of public resources within any given locality. This includes devolved power over health budgets so that services can target specific local priorities and facilitate better alignment between health and other sectors, especially social care.

In addition, calls to phase out direct grants to local government in England and allow the retention of all revenue from council tax and business rates must be resisted due to the disparities across regions

- 3) **New local tax powers** – As such, new local tax powers should be agreed only once an appropriate national redistribution method is established. These new powers should be used to create more secure links between people and local government by increasing local tax intake. As such they could include control over council tax and business rates (based on the local market) and the introduction of local land value tax, as well as hotel or tourist taxes.
- 4) **Strengthen the Social Value Act.** The Public Services (Social Value) Act 2012 calls for public sector commissioning to factor in economic, social and environmental well-being in connection with public service contracts. However, it only creates a duty to consider social value as part of public procurement exercises with cost and quality remaining the dominant drivers. Consequently, it is currently underpowered in its ability to confront the market liberal and new public management orthodoxies which ultimately undermine the pursuit of a community wealth building approach. The Act should therefore be amended or potentially replaced with a new Act which introduces a process of social licensing, whereby the right to deliver public goods and services would be dependent on the discharge of clear social, economic and environmental obligations around

²³ Rice, C. (2019). 'Barnett formula: MPs want more clarity on UK nations' funding.' *BBC News*. Available at: <https://www.bbc.co.uk/news/uk-northern-ireland-49111229>

areas such as progressive terms and conditions, for example. Any potential act should also provide capacity for compliance to be monitored.