

Jeremy Miles AM - Keynote speech on the Foundational Economy

***CREW Conference – Foundational Economy – taking it forwards in Swansea Bay Region and beyond
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Good morning colleagues.

I think I am probably standing here this morning because of a series of conversations which started over coffee with Debbie Green and Gareth Davies of Coastal Housing.

I had just hosted an event in my constituency in Neath, which I will say more about shortly but which amongst other things looked at the role of the foundational economy in the region.

This was at about the same time as a few of us Assembly Members had started to meet together to discuss the implications of the work which Karel Williams had been leading on and which had gained traction via the FSB in Wales and the work of the IWA, amongst others. We then hosted an Assembly debate which helped air some of the ideas in the Senedd chamber and I hope beyond.

Anyway, the conversation over coffee was one of those where you find yourself nodding vigorously at the thoughts and ideas that the other participants are sharing – ideas about local economic resilience, making the most of the assets and resources which we find in our communities, — and the ideas we are going to be discussing today, so it is a great pleasure to be involved today and to speak this morning.

However if there is one idea which leaps off the pages of the report which CREW and foundational economy.com have published it is that speaking about it is the easy bit – as always – and the challenge is making it happen.

On Friday of last week I spoke at the Wales Co-op Centre conference – as well as being a Welsh Labour, I am a co-operator – and recalled that as I was driving back from Llandudno earlier this year, I stopped off in Newtown where Robert Owen, of course one of the founding figures of the co-operative movement and visiting the statue reminded me of what Robert Owen in his writings once said, using the language of another era – “man, he said is a creature o circumstance”. Man is a creature of circumstance.

When I first heard that phrase it suggested two things to me. Firstly a point of interpretation if you like – that human beings understand the world in very practical, pragmatic ways. They don't, in general, tend to the theoretical, they tend to the circumstances in which they find themselves. They see the world through the realities of their lives. Through their lived experience. That is why it is so important today to be reflecting of the practical steps we can take to bring the ideas of the foundational economy and asset based policies alive.

And the second point – a point of inspiration if you like is the one which is the other part of the backdrop to what I want to talk about and that –as a social reformer Robert Owen knew this well – circumstances can be changed, the circumstances in which people find themselves can be changed.

And that the task of doing that is one that falls in part to reformers and doers, like those in this room – but also there is a role there for governments and politicians.

And yet at the heart of the discussion today I think is a very fundamental insight. That however committed we all are to the progressive capacity of government to change things for the good, the reality is that governments do not have all the answers.

It seems to me absolutely crucial to recognise that the search for one neat set of assumptions and policies which will always get us to the right outcome is really not going to work. And that the real insight lies in creating the space and the framework to work with other partners – housing associations, small businesses, intermediary organisations, local authorities, universities, voluntary organisations, co-ops to come together to work out solutions.

Politicians, governments need to get more comfortable in having honest conversations about this, in being open about trying new approaches, to take sensible risks, but recognising that sometimes this will fail and generally embracing a much more localised, experimental approach and learning from the successes and trying to make sure that they can be replicated.

The conventional way to caricature the way most politicians approach this to paint it as an obsession with GVA and transformational investments – at the expense of all else. And you can end up in an unhelpful exaggerated contrast between devotees of an economy of shiny buildings on the one hand and adherents of a sort of subsistence basket weaving at the other. The reality is much more nuanced than that, of course.

And the asset based and foundational economy world view is no more universal and exclusive an analysis than the more conventional approaches are...

And yet it is equally unhelpful to approach strategy in a way which tries to keep everyone happy. A good strategy always closes doors. It commits, it has a world view. It takes a position. It makes some assumptions.

The Welsh Government is launching its economic strategy in the next few weeks. Ken Skates has spoken about wanting a smaller number of national, foundational economy sectors, such as healthcare and energy, a much more regional focus to government support, a focus on better jobs closer to home, of ensuring that local companies have a more accessible route into bidding for and benefiting from major projects so that more money stays in our local communities and benefits local supply chains.

For my part, it seems to me that the key assumptions we should be making are:

1. That resources spent chasing inward investment are going to be more profitably spent shoring up indigenous business for the foreseeable future
2. We should focus policy effort where our natural and human resources are, what we are truly good at or can get good at faster than others can;

3. Technology is changing the world of work fundamentally and fast and we should be ambitious in how we deal with this, but that technological innovation isn't just the preserve of high value parts of the economy, it has as much potential in the more mundane parts – and the report has some challenging things to say about how, for example, the city deal, with technology at its heart can be used to support the foundational economy
4. We should assess the health of our economy on the basis of criteria which are broader than simply GVA and jobs growth – to the quality of work, how work recognises the broader demands of life and the challenges of geography, care, mental well being and so on and;
5. Most change is incremental, almost nothing is transformational — and much of it is done through building capacity in others, helping them build networks of collaboration and so on.

What does this mean in practice then? Here I want to turn back to a series of conversations I had with local businesses, large and small, universities, colleges, unions and the voluntary sector in the Neath area at the end of last year – the event which led to the coffee with Debbie and Gareth. Some of what I heard that morning chimes with a number of the ideas in the report. Again, a reminder that the capacity to understand what needs to change and how to do it exists way beyond government.

We heard a plea that policy should not focus solely on high-growth or high-visibility sectors but should also be aimed at developing those sectors supplying those economic and social needs where demand is localised, universal and permanent. Such as childcare and social care, food, retail, energy, housing. These generally represent up to 40% of the labour market across the UK. If you add in discretionary basic purchases like haircuts, holidays and the gym, that's probably nearer 70% in the Swansea Bay Region.

“In reality the people in this area work in retail, in care, in tools, in food and drink...and it's about making sure those jobs support a good level of wellbeing.”

An obvious example relates to social care, with an imperative to pay higher wages to care workers and to design the care commissioning process in a way which nurtures operators which invest in their workforce and in the frontline service at the expense of paying excessive dividends to shareholders.

The idea – mooted in the report – of publicly owned care homes (or why not care hubs combining residential, with respite and a base for domiciliary care), financed by local authority pension funds in search of stable long term returns and operated by social enterprises or co-ops is surely now an idea which must be explored.

And we should also not shy away from recognising that even in this “economy of personal relations”, technology can help provide an improved service. With an ageing and stable population – an asset – , Wales is very well placed to be a pioneer in the application of technology to improve care and the Welsh Government should consider a match-funded care technology fund, to incentivise innovation in this sector.

The role of small and medium sized business in the economy was at the heart of the

discussion as it is at the top of the list of priorities in this report.

We all share the goal of resilient local supply chains with SMEs participating fully, enabling economic value to be reinvested within the region, supporting the growth of local business and generating employment opportunities, closer to home.

Given the nature of the city deal, it is crucial to ask how the investment can be made to support and strengthen those local suppliers. Resources are a major barrier for SMEs being able to take part in procurement for local projects – we heard that Business Wales provides a useful workshop on how subcontractors can bid for tenders, but a day spent out from the business on a course is a major time commitment for many subcontractors. We need to see Business Wales develop immersive, modular online tools, enabling businesses to develop these skills at times and at a pace which suits them.

We also acknowledged the well-understood challenge posed by local owners selling their businesses to companies often based outside Wales. The idea of the “missing middle” has taken root, but the reality is that in the absence of rooted, medium sized businesses, development of localised supply chains in the region will be hindered.

There are many policy levers which are outside Welsh Government control but the government should have an ambitious plan to spread employee share ownership in Welsh companies, so that where business owners are considering selling their business, it is a realistic option for employees to take on the business, keeping the ownership local and protecting local supply chains.

Now at our event, we also talked about infrastructure. And there is a scepticism at the heart of the asset and foundational economy approach to the worldview that infrastructure is the solution to our economic challenges. Yet there are many of us who would argue that without investment in digital connectivity and a resilient public transport network our ability to build a future-proofed foundational economy will be compromised.

We heard of the experience of a digital company based in Swansea where good digital connectivity enabled them to compete for business worldwide and which had enabled the business to develop from scratch in the Swansea Bay Area.

However, for businesses in semi-rural areas, coverage is still a major issue. Many areas in receipt of European convergence funding were prioritised in the Superfast Cymru broadband rollout but many pockets of semi-rural areas, where we want to encourage small businesses to thrive, still suffer from lack of connectivity. The next stage of superfast broadband rollout must prioritise these areas.

Solving this is going to be crucial to developing and future-proofing an economy of networked small businesses able to trade with one another.

Many new young businesses will flourish best in a basic, open-plan shared space, with access to basic utilities, fast broadband, and the companionship of other businesses in the same situation. There is very real demand for this sort of low cost turn key solution.

Some of this could help revitalise town centres, and councils should make use of the planning

regime to encourage residents to live in town centres and to make use of vacant premises as digital work hubs for people who otherwise would be commuting to work elsewhere but who could work remotely.

Local authorities have a major role in nurturing the foundational economy. They should have greater economic development responsibilities, as major regional actors. Local authorities should publish local or regional economic strategies, which are living documents, consulted upon, refined and for which they are effectively held to account.

They should also be encouraged to identify local anchor companies, to regard as fellow stewards of the local economy.

My own local authority was singled out by one participant for being proactive in relation in making connections between local businesses in an effort to maximise local trading and creating a network of business in related sectors.

The report contains interesting proposals for local authorities to use their HR and operational capacity to support micro firms in taking on employees, or to develop support for particular key products in their area.

Turning to the Welsh Government's role in providing business support, there is a perception that the amount of time spent in engaging with Business Wales is simply not worth it for the support available and that for small businesses, the support available often just isn't appropriate.

There is a need to overhaul how business support is delivered to SMEs to tailor, localise and make it more flexible.

But there is scope for more ambition. In Cleveland, Ohio, citywide public bodies collaborated to support the creation from scratch of a social enterprise staffed by ex-prisoners, which took on a contract to do the laundry of a range of public services ("the Cleveland model"). This required more than a transactional approach to procurement, where the price, the contract terms or even the community benefit, narrowly understood, drove the decision. Instead, through positive collaboration, and a long-term vision of the benefits above all else of local supply chains, public bodies were able to stimulate the creation and development of a new, local provider based on social value.

This is not just procurement, it is cultivational procurement, which prioritises long term social value over the best price in the knowledge that this will itself reap benefits, as local economic resilience takes longer term pressures off local public services.

The Welsh Government's review of public sector procurement offers an opportunity to re-imagine the role of the public sector in developing the local economy.

Social value clauses in procurement contracts are often just too woolly. The governing principle should be that all public services should have – as a core part of their remit – the proactive development of local economies, with a duty to collaborate with other public services in order to achieve that and to help create and support local suppliers wherever possible.

The Welsh Government's Better Jobs Closer to Home pilots, using procurement powers to stimulate new small business growth is going to offer a chance to try out some new solutions – so we should welcome this creative approach.

In closing I want to look ahead and say something about the decision of people in Wales — as across the rest of the UK — to vote for Brexit, and what this means for our discussion today. There are many ways to interpret the decision we took last year but for me it is a pretty safe bet that one of the issues weighing on the mind of those voting to leave was the question of participation. Or rather the absence of participation. The absence of participation in decisions and choices rapidly changing their communities around them. In ways which set them back. We had people in communities which had seen great investment from the EU voting to leave in large numbers.

Communities can't be expected to value assets they don't feel they own. Too often, across the UK, European projects were happening to communities, not with communities. So we need to bring our communities into the conversation about future public priorities.

That is a big challenge but it would seem to me that an asset-based approach, based on the core principle of participation, offer some very good ideas about how we can start to tackle that. I look forward to the discussion ahead.