

How do community groups make life better?



PAPER 6:

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Improving local economies

Summary

This paper is part of the 'Tailor-Made' series, which aims to demonstrate the valuable contribution that the community sector* makes to people's lives and society as a whole. Specifically, this paper explores the significant role that community groups play in improving local economies and helping people into meaningful employment.

Key Points:

Many people are struggling to cope as economic uncertainties and government cutbacks continue to bite. A situation has been created in which significant parts of the population are forced to depend on payday loans and foodbanks just to meet their day-to-day needs.

The community sector can help to meet, and prevent, these difficulties. Community groups can provide accessible, trusted advice and support relating to finance and employment. They are able to use their connections to the community to find creative ways to save people money, such as bulk purchasing.

The sector contributes significant social and economic value to both individuals and society. Community groups reduce the burden on statutory services, reduce unemployment, make areas more attractive to businesses and improve people's quality of life through financial education and access to fair finance.

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Introduction

This information sheet is part of the 'Tailor-Made' series, which aims to share evidence about the difference the community sector* makes to our lives. Specifically, this information sheet looks at the role of the sector in improving local economies, with reference to the multitude of ways in which community groups can impact on both poverty and unemployment.

The economic disturbances of recent years have created a situation in which large sections of the population are in significant need of help; by 2011, 22.7% of the UK population were considered to be at risk of poverty or social exclusion¹ and around 4.5 million British adults had just £10 left per month after paying their essential bills.² Though the Government has been the primary source of support for those in need in the past, cutbacks mean that this help is declining in real terms and the poorest places are those being hardest hit.³ Many people experiencing financial distress are therefore being forced to turn to alternatives for the help they require. The widespread use of payday loans, for example, represents just this; in the three years following the recession this industry grew by a staggering £1.3 billion, with over 8 million payday loans taken out in 2011/12.⁴ In the past year alone the number struggling with payday loans has increased by as much as 42%.⁵ The huge demand for help is also evident from the fact that nearly 1 million people in the UK have been fed by foodbanks in the past year, requiring two new banks to be launched every week.⁶ There are clearly large numbers in acute need.

What role does the community sector play in improving local economies?

The community sector is working to improve local economies and the financial situation of people within communities. The main routes to achieving this are:

- supporting people into work;
- helping people to more successfully manage their finances;
- helping people out of debt;
- connecting people to fair finance;
- supporting local businesses.

* We define the community sector as micro and small volunteer-led groups that provide support and services to people in their local area. This is a part of the wider voluntary and community sector (VCS), which also includes larger organisations and national charities.

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What makes the community sector different?

Community groups are able to make a unique contribution to improving local economies across the UK because of their distinctive qualities, as set out in the [paper 1](#) of this series. The specific impact of these qualities on local economies is outlined below:

Flexible: Community groups can provide a service outside of normal 9-5 working hours. This means that support is much more accessible to those with other commitments during the day, such as those providing care or in full-time employment. The community sector also has the flexibility to provide services in more local settings than might be possible for local authority services, such as JobCentre. Those with limited time or resources to travel can therefore still benefit from similar, good-quality advice and guidance.

Example 1: Community First Job Club

The Job Club was set up as a friendly, community-based facility where unemployed people of all ages could network with each other, meet employers, find out about job vacancies, and receive advice on a range of topics, such as CV writing and interview technique. Jobseekers benefit from group support and professional advice from a qualified employment adviser. This raises confidence, boosts self-esteem and ultimately helps people to secure employment. The Job Club is held in areas where unemployment is high in order to meet local demand and tends to be run from venues that are easily accessible to those that need them, thus encouraging as many people as possible to attend and benefit from their support.

Needs-based: Because community groups are set up from within the communities they serve, they are extremely well-placed to understand and identify the real issues facing the local area. They can adapt to meet specific needs, such as the financial difficulties or employment barriers that are particular to their community.

Example 2: Allen Valleys Oil Buying Co-operative⁷

This group, located in the south of Northumberland, realised that the skyrocketing price of oil was putting many local people at risk of fuel poverty. Having identified this specific need they were able to set up an oil buying co-operative which purchases kerosene and diesel for over 100 local residents, businesses and organisations. Because they order in such large quantities

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they are able to obtain significant discounts; these are then passed onto the group's members, helping them to minimise the risk of falling into fuel poverty.

Holistic: People facing financial difficulties often face a number of related issues. For example, they may be struggling to find work, building up rent arrears or interest on loans whilst suffering from health issues. Community groups are well-placed to offer an integrated service that meets these varied needs.

Trusted and Connected to their community: Money can be a sensitive topic, particularly when people feel they are not able to provide for their families. This can make it difficult for people to ask for help when they are struggling. However, by providing support in comfortable, familiar surroundings, community groups can make this process a lot easier. Additionally, credit unions, co-operatives, associations, mutuals, foundations and social enterprises mainly operate at the local level, relying on (and contributing to) the development of formal and informal networks of people, knowledge and resources. They are embedded in the social economy of their local community, meaning they are best placed to tackle social and economic exclusion.⁸

Expert and committed: Most people have never received any real training about how to manage their finances and so many subsequently struggle to do so. This can lead to poverty and spiralling debt. Community groups can help to avoid such circumstances by employing the use of experts to advise local residents on how best to manage their money. This kind of advice might not otherwise be available or would be expensive if not provided by the community sector.

Example 3: Community First Money Management Project

This group trained a number of local people as experts in financial management, so that they could go out into the wider community and teach others how best to manage their money. Participants were taught a proven system for managing their money which helps them to budget more effectively.

Value for money: Community sector groups can offer expert services for little or no cost. Through collective-buying or the use of volunteers, they may also enable individuals to purchase goods and services at a much lower cost than otherwise available on the open market.

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Example 4: Parents' Committee Nursery Project

This community group set up a local nursery to provide indoor and outdoor activities for children aged between 2 – 3 years old, which they aimed to make as cost effective as possible. Not only has the project created new jobs for local people, it also minimises the costs for working parents. Research in 2012 suggested that the high cost of childcare meant that some families were just £4 better off per week with two earners rather than one.⁹

What value does the community sector contribute to local economies?

Because of the particular strengths of the community sector outlined above, groups are able to make a valuable contribution to the local economy. The sector's significant value comes from its ability to:

Reduce the burden on statutory services

Poverty leads to a range of further problems for individuals and communities, including crime, poor health and educational disadvantage. This puts stress on already stretched statutory services, such as the police, NHS and schools. When community groups support people to move out of poverty, then the burden on these services is reduced. Fuel poverty, for example, is related to higher mortality rates and a greater likelihood of children suffering from respiratory and mental health problems, and is consequently estimated to cost the NHS £859 million each year.^{10 11} Community group initiatives such as the Allen Valley's fuel buying cooperative⁷ are helping to tackle these issues.

Reduce unemployment

By providing advice, training and other employment services the community sector helps a significant number of jobseekers find work. Though data for the community sector itself is limited, indications can be gleaned from studies of the wider voluntary and community sector (VCS); one such study, for example, estimated that in North Yorkshire & York alone the VCS helps over 5,000 people into employment annually.¹² Further to this, those who volunteer with groups are likely to boost their job prospects because of the new skills that they learn, along with the greater experience and confidence they gain from helping projects.^{13 14}

The aforementioned study, for example, found that around 2,000 people in the region found work after volunteering, highlighting the importance of the community sector to those who take part.¹²

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Contribute directly to the economy

Community sector groups are significant economic actors in their own right as they buy and sell numerous goods and services locally, thus contributing to overall local demand and job creation. Groups belonging to the wider voluntary and community sector (VCS) in East Sussex alone were found to have an annual income of around £476 million¹⁵ and the VCS contributes between 1.5–3% of GDP in North Yorkshire and York.¹⁶ This begins to build a picture about just how much the sector is capable of spending locally. The number and value of volunteer hours produced by the sector is also a reflection of its local economic contribution, as time spent by volunteers on community work might be considered as more economically productive than many other ways of spending that time. The value of volunteer time in North Yorkshire & York's VCS, for example, is estimated at £116 million per year.¹² Because of its use of volunteers the community sector is able to add significant value; in fact, in terms of Gross Value Added (GVA) the overall VCS would be 16th out of 29 UK business sectors.¹⁷ While there are no national figures on the amount of volunteer time given in the community sector, as defined in this report, the Community First programme provides some insights. Between 2011 and 2014, nearly 3million hours of volunteer time were given to over 11,000 projects in 600 wards in England¹⁸ (8% of all wards in England¹⁹). This is worth approximately £33million. There is also a growing recognition of the important links between social capital and economic prosperity, together with an acceptance that a successful economy is not simply concerned with physical and financial capital, but also human and social capital.¹⁷ Community groups can build these social networks and boost social capital to tackle social exclusion and improve the local economy.

Attract and retain businesses

The community sector makes areas more attractive to businesses. They do this by helping to enhance the physical environment of a neighbourhood, by improving the skills, confidence and health of potential workers, or even by reducing the local crime rate. Community groups connect the social and economic; businesses benefit from strong, stable communities, allowing them to embed their operations and draw from a local pool of talent and potential clients.¹⁷ The community sector may also provide useful services to local entrepreneurs to help them start up various enterprises. A number of Community First projects have done this, for example, by promoting entrepreneurial thinking among local school students or by encouraging residents to set up stalls at the local market.

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Improve people's standard of living

By encouraging economic growth within a local economy in all of the above ways the community sector can really help to improve local residents' standard of living. Community groups can also achieve this by supporting individuals and families to manage their finances more efficiently, or access fair community finance, thus allowing them to spend less on interest repayments and more on goods that will improve their quality of life.

It is clear from the above that community groups already play a hugely significant role in improving local economies and have the potential to do even more given the right support.

To find out more about how the community sector improves people lives please visit
tailor-made.cdf.org.uk

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