

# Rethinking Growth: Toward the Well-being Economy

## A Discussion Paper

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## Toward the Well-being Economy

This discussion paper seeks to contribute to a growing academic and policy discussion about the economic, social, environmental and cultural desirability of growth. Undertaking a general review of Wales as a case study, it considers alternative approaches to measuring success and the likely policy impact of well-being legislation. Supporting the principles of 'steady state' economy that permits some degree of responsible, ecologically accountable, limited growth (see Daly, 1973), this paper stops short of advocating a blanket application of 'degrowth'. Although it refutes extractive growth, it suggests that a model of socially and ecologically positive and sustainable growth, might have beneficial impacts in certain circumstances and locations. The paper argues however, that currently applied models of growth are both inefficient and unsustainable, particularly as they are extractive of natural and human resources, and lead to significant inequalities that produce unaffordable costs. It has been 30 years since the Brundtland (1987) report for the UN highlighted these issues on a global level, yet unsustainable growth remains entrenched in the economic policy mindset. This paper therefore calls for a more intelligent, efficient, sustainable and place-based approach to growth.

Wales provides an appropriate location to consider these issues as it recently introduced binding legislation that requires all devolved public bodies to apply a Sustainable Development Principle and adopt new 'Ways of Working' to safeguard and secure the well-being of future generations. Nevertheless, as we will explore, although the Welsh Government has created a legislative framework for sustainable economic, social, environmental and cultural well-being, there is a risk that economic contingency remains the commanding principle. This potential contradiction between economic and social and environmental policy raises major questions around mechanisms for legislative enforcement, particularly where there is a growing concern that economic policy in Wales is showing a limited regard to well-being requirements. If Welsh Government is to successfully safeguard the well-being of future generations, as its own legislation requires, it needs to fully enact this legislation within its economic policy. This discussion paper seeks to identify potential mechanisms by which it and others can ensure this objective.

## The Growth Economy

There is an increasing concern with the wealth inequalities that are seemingly inherent in the current, dominant neo-liberal economic model (see, for example: Atkinson, 2015; Castells, 2012; Dorling, 2015), which has failed to deliver its much promised 'trickle down' effect to ensure the benefits of economic growth accrue more equitably. Instead, economic growth unless accompanied by high progressive taxation, has led to greater economic inequality (Piketty, 2014). The consequence has been a significant polarization of wealth. Oxfam (2016) has identified that the richest 62 individuals now have more wealth than the World's poorest 50%, and 1% of people now have as much wealth as the other 99%. This global trend is as apparent in the UK as it is elsewhere, and the richest 10% now have over £4tr of total UK net wealth whilst the poorest 10% has negative wealth as their debts exceed their assets. In 1997, the wealth of the richest 1% was 18 times that of the bottom 90%, by 2017 it was 60 times greater. (Gulliver, 2016) Consequently, the UK is now one of the most unequal countries

(OECD, 2017). Despite these trends, the dominant approach to economic development remains growth orientated, and it continues to be asserted that growth will benefit poorer communities as well as the wealthy.

Part of the explanation for the failure of growth to deliver its promised benefit to a broader spectrum of society, may lie in current measurements of 'success'. Fioramonti (2017a) says that 'common sense' would suggest that '...growth happens when we generate value that wasn't there before', which might be through the education of children, the improvement of population health or the preparation of food. If any of these activities generate costs we should deduct them from the value we have created. From this perspective, growth therefore 'equals all gains minus all costs.' Paradoxically, Fioramonti says, the model of economic growth currently being pursued does the opposite of what the common sense perspective would suggest. He illustrates this by suggesting, for instance, that if a country cuts and sells all its trees it helps secure growth, but doesn't if it nurtures them. The problem may, therefore, lie in the identification of what is currently valued and therefore used as a measurement of success. This example also helps illustrate the detrimental environmental impact of the dominant economic model, which has been a recurring theme in ecological thought.

Within the current growth orientated paradigm, the narrative is heavily influenced by a concern with the need for places to compete. From this perspective, competition is a key factor in securing national or regional economic growth. Those cities (the narrative is very much focused on cities) with the highest proportions of 'creative classes' are likely to be the most competitive internationally (Engelen et. al., 2016) and therefore able to secure external investment. Florida (2005) argued that successful cities should seek to attract the creative classes, principally by focusing their economic development resources on infrastructure projects. Meanwhile Glaeser (2012) suggested that central government support for struggling places and failing industries should be withdrawn as it distorts the market. Overman likewise argues that regional aid has not worked and should be removed (Engelen et. al., 2016), the state should withdraw and places, principally cities or city-regions, should compete internationally. From this perspective, 'resource depleted' cities and regions should be allowed to decline and depopulate.

Alongside this emphasis on place competition, has been the growing influence within the growth orientated paradigm of what has been termed 'New Economic Geography' (Hildreth and Bailey, 2013). Derived from economists such as Paul Krugman, New Economic Geography is essentially concerned with the spatial agglomeration of industries (Krugman, 1998) which, it argues, increases returns and knowledge spill-overs, the implication being that national economic growth will benefit as a result (Pike and Tomaney, 2009). From this perspective, policies that seek to redistribute economic activity, risk endangering the argued benefits of agglomeration (Martin, 2008). Those who advocate place competition nevertheless continue to call for significant public sector infrastructural investment and, often, direct financial inducements to attract large businesses, to create the conditions for competitive success. These costs are rarely acknowledged, nor are the potential adverse economic, social, cultural or environmental effects of agglomeration.

Public expenditure in London continues to be significantly higher than other areas of the UK. Over the three years between 2013-2016 total public expenditure in Wales, for example, was

around £11.5bn, whereas London received nearly £32.5bn, with the gap widening to London's advantage each year. In the last financial year, London received around three times more public expenditure than the whole of Wales (ONS, 2016).

Total Public Expenditure (£m)				
	2013/14	2014/15	2015/16	3 Year Total
London	106328	108469	110038	324835
Wales	38040	38663	38835	115538

Source: ONS (2016)

The gap is more extreme in public expenditure on what the ONS describes as 'economic affairs' (see table below) and, in 2015/16 London received over four times more public expenditure on economic affairs than Wales, whilst public expenditure on transport in London was nearly seven times that in Wales (ONS, 2016).

Total Public Expenditure 2015/16 - Economic Affairs (£m)		
	London	Wales
All Economic Affairs	10632	2546
<i>Of Which:</i>		
Transport	8542	1265
Enterprise and Economic Development	890	488
Science and Technology	750	220
Employment Policies	360	139
Agriculture, Fisheries and Forrestry	90	434

Source: ONS (2016)

Although by traditional economic measures, London is often highlighted as an economic success story, this success is clearly underpinned by significant public sector expenditure. Those who call for a reduction of public expenditure in 'failing places' often fail to question whether the 'success' of places like London can be attributed, at least in part, to significantly higher public sector expenditure over a prolonged period. A model of publically funded Neoliberalism appears to have been developed. The economy has been directed towards agglomeration in cities like London because of a belief that this would be the best way to secure economic growth. Massey (2010) termed the justifications put forward by those who advocate greater concentration of public sector investment in London and the South East, which have witnessed most investment, as 'trickle-down geography'. This justification has also gained more recent traction in other UK cities, including those in Wales where it has been more typically referred to as a 'wave' or 'ripple' effect, rather than 'trickle-down' effect due to the political connotations.

The place-competitive nature of current dominant economic policy has led to circumstances where Neoliberalism is publically subsidised. Scarce public resources are expended on the things that are either demanded by, or which are believed to secure large-scale investment of international capital. This often has little relation to the things that are necessary for local well-being, and seldom succeed in the objectives they are seeking to achieve. Such expenditure of public resources, due to their finite nature, often takes place in areas of so called 'opportunity'. For political and social reasons, regeneration programmes often target areas of need, but commonly and often ineffectually pursue the same rationale of attracting inward investment

as pursued in areas of so called opportunity. In disadvantaged places, public expenditure is called regeneration or 'aid', whereas in areas of opportunity it is called 'investment'.

The UK Government's growth agenda since 2010 was established with the publication of the Local Growth White Paper (HM Government, 2010), which abolished the English Regional Development Agencies (RDAs) and subsequently established Local Enterprise Partnerships (LEPs), Enterprise Zones (HM Government, 2011) and City Deals (HM Government, 2012). Given the role of central government in each programme, this approach has been described as 'centrally orchestrated localism' (Harrison, 2008). Meanwhile, the City Deal programme (discussed in more detail below) has effectively sought to outsource the public sector borrowing requirements and the associated risk to local governments, whilst the UK Treasury pursued its own austerity programme. These programmes seek to replicate the conditions for economic success identified in London, and continue to use extractive economic growth as the key measure on which to measure and audit success.

Economic policy in Wales, particularly following the publication of the Haywood Report (Welsh Government, 2012), appears to be consistent with the UK Government's approach and the broader growth orientated paradigm. The logic of internationally competitive cities and an emphasis on securing foreign investment, has been accompanied by the targeting of nine 'key sectors' identified as having most growth potential, and the establishment of a series of Enterprise Zones to secure growth and attract investment. The Cardiff Capital Region (CCR) (Lewis, 2015) is taking this agenda forward in South East Wales, principally through the mechanisms of Cardiff's own City Deal (a City Deal is also currently being developed in Swansea). Even the CCR Metro proposals, which have been the most talked about project of the Cardiff City Deal to date, have been praised by Welsh Government for their potential ability to deliver an 'agglomeration effect' (Welsh Government Ministerial Statement, 2015).

## The Cardiff Capital Region City Deal

In March 2016, the Leaders of the ten South East Wales local authorities, Welsh Government and the UK Government, signed a 'Head of Terms' statement of intent to create a CCR City Deal (Vale of Glamorgan Council, 25/07/16). Prior to the formal signing of the City Deal, a Growth and Competitiveness Commission was established with a remit to:

- Review the evidence about the functional economic area and advise how best to generate Gross Value Added growth and support the ambitions of a dynamic capital region in a successful Welsh Economy.
- Examine the challenges and opportunities for economic growth and competitiveness and make recommendations for how the Cardiff Capital Region can achieve its full growth potential, and contribute most to the Welsh economy.

The report of the Commission forms the basis of the Cardiff City Deal going forward. (Growth and Competitiveness Commission, 2016).

The City Deal Joint Committee (variously described as the Cardiff Capital Region Joint Cabinet, Joint Cabinet and Regional Cabinet) has responsibility for '...the establishment of and

management of the Cardiff Capital Region Wider Investment Fund(s) and delivery of key projects...' (Pinsent Masons, 2017, P.4). These projects may be established to support six identified objectives:

- Connecting the CCR, its communities, businesses, jobs, facilities and services;
- Investing in innovation and the digital network, creating and nurturing new high growth businesses, increasing investment in research and development, and providing the skills that businesses need now and in the future;
- Developing a skilled workforce and tackling unemployment, improving the co-ordination of skills and employment support, increasing the number of people moving into work, increasing the number of people undertaking an apprenticeship or other relevant skills provision, and giving people the skills they need;
- Supporting enterprise and business growth, improving the co-ordination of local and national business support arrangements, identifying barriers to growth, supporting spatial and sectoral priorities and targeting emerging opportunities for driving economic performance;
- Housing development and regeneration, delivering a strategic approach to housing, regeneration and economic growth, to create an accessible, liveable, 'work-life integrated' and highly connected CCR;
- Developing greater city-region governance across the CCR, exploring future options for moving to even stronger and effective governance.

Although the Metro proposals, as identified above, have been grouped as part of the City Deal, it is important to understand the separate funding and delivery mechanisms of the City Deal and the South East Wales Metro proposals. The City Deal Joint Working Agreement states that the '...Metro Scheme is being financed and procured directly by the Welsh Government outside of this Agreement and the Councils are not assuming any obligations or liabilities...'. The ten South East Wales local authorities will agree a Joint Working Agreement Business Plan, which will include '...the methodology for agreeing the nature, scope and prioritisation of projects to be developed for the overall benefit of the Cardiff Capital Region...' (Pinsent Masons, 2017).

Six sub-committees or groups shall be established, including: a Programme Management Office; Programme Board (Chaired by the Regional Programme Director and membership of each Council Chief Executive or Senior Officer); Regional Transport Authority; Regional Business Organisation; Regional Skills and Employment Board; and Regional Economic Growth Partnership. The Wider Investment Fund Assurance Framework (February 2017) makes provision for the establishment of a Joint Audit Committee or Scrutiny Committee and a Regional Transport Authority to 'co-ordinate regional transport planning and investment' (it should be noted that this will have no powers in relation to the Metro proposals). A CCR Skills and Employment Board will also be created and will be responsible for the most recent South East Wales Learning, Skills and Innovation Partnership (LSkIP) Employment and Skills Board Regional Employment and Skills Plan published in October 2016. In addition, a CCR Business Organisation will also be established.

The Councils have agreed to fund the costs of the Joint Committee on a proportionate basis. In total, the ten local authorities have agreed to contribute up to £120m for the duration of the agreement. (pp.22-24) The UK Treasury will contribute up to £375m for the duration of

the agreement in the following tranches: 2016-17 to 2020-21 - £10m resource funding per year; 2021-22 to 2030-31 - £22m capital funding per year; 2031-32 to 2035-36 - £21m capital funding per year, none of which will contribute to the Metro proposals which is ‘...being financed and procured directly by the Welsh Government outside of this Agreement’ (P.24). The Investment Fund, established by the Cardiff City Deal, is up to £495m over the twenty years of the agreement. The City Deal, when stripped of the funding projections for the Metro, appears to be worth less than half of the often quoted £1bn+ package. This is important to note, since Welsh Government and not the City Deal Joint Cabinet is responsible for the delivery of the Metro.

The JWA Business Plan is focused on a growth oriented approach to the economy. Candidate schemes for the Wider Investment Fund will be assessed, using a ‘Regional Impact Assessment Toolkit’, to measure how they will support the delivery of Programme Themes defined by an Implementation Plan. It is suggested however, that the Assessment Toolkit ‘will be developed in accordance with the sustainable development principle’ and its objectives and targets will seek to support and promote the seven well-being goals as detailed in the Well-being of Future Generations (Wales) Act (WBFG Act). ‘An important aspect of this assessment toolkit will be its ability to identify the spread of any potential benefits to ensure geographic balance across the region and the ability of schemes to target need’. (Wider Investment Fund Assurance Framework, February 2017) Contrasted against these references are the identified Appraisal Criteria of the Wider Investment Fund Assurance Framework (February 2017), which argues that ‘The City Deal provides an opportunity to continue tackling the area’s barriers to economic growth...’ and ‘...is expected to deliver up to 25,000 new jobs and leverage an additional £4 billion of private sector investment’. Furthermore, the Growth and Competitiveness Commission have recommended that all Candidate Schemes should also demonstrate ‘significant scale’, have ‘a positive impact on GVA’ and ‘impact beyond the local boundary area of where the investment takes place’. These are important points to highlight, as they may place the City Deal at odds with the goals of the WBFG Act as will be explored in greater detail below.

The City Deal Joint Cabinet agreed to fund its first project prior to developing its Assessment Toolkit, which, it says will be the mechanism by which it ensures compliance with the WBFG Act and the City Deal Business Plan. This first project will adapt and fit out an existing factory building in Newport to create a facility capable of manufacturing Compound Semi-Conductor technology. This first project appears to commit funding that is equivalent to around 76.8% of all HM Treasury’s contribution to the City Deal Investment Fund for the first five years. The decision to approve the funding was taken by the Joint Cabinet, prior to the development of an Assessment Toolkit, the establishment of any of the advisory bodies or the development of the JWA Business Plan. As a requirement of HM Treasury, an Annual Business Plan for 2017/18 was required to allow the Joint Cabinet to commit up to £50m, and a one page document was duly produced and approved at the same meeting. It is very difficult to identify how there could have been full consideration of how the funding decision could have complied with the WBFG Act in the absence of the Assessment Toolkit and, particularly, without the ‘involvement’ of stakeholders or communities, which is a key requirement of the Act’s Five Ways of Working.

The Growth and Competitiveness Commission (2016) acknowledged that ‘not everything that would have a positive impact on the long-term development of the economy and, more

particularly, the communities of the Cardiff Capital Region, will be able to be funded. Choices will need to be made...'. In their approval of the first project and the commitment of the majority of the first five years funding, the Joint Committee has signalled where their priorities appear to lie. In the absence of the Assessment Toolkit however, it is very difficult to see the rationale of the choice that has been made. It also remains to be seen how projects of this nature will contribute to all the Well-being Goals, whilst pursuing growth oriented economic development objectives at scale. This is particularly germane as the UK Government's commitment to provide £375m for the Wider Investment Fund over 20 years (years 1-5 at £50m revenue, and years 6-20 at £325m capital) is subject to the CCR's successful completion of Five-yearly Gateway Reviews, which will evaluate the impact of the CCR's investment of the funding.

The Welsh economy has clear post-industrial structural weaknesses that have proved resistant, thus far, to development attempts despite considerable regional investment over an extended period. Such structural weaknesses are not exclusive to Wales and many other regions of the UK, Europe and beyond experience similar issues. With Brexit looming and the UK Government refusing to confirm the details, or even existence, of future regional economic development support, the prospect of a Welsh economy without access to significant development support is a real issue. It is surprising given the uncertainties about the lack of future regional economic support, and with the impact of Brexit on the Welsh economy still unknown, that there doesn't appear to have been a reconsideration of the City Deal agreement. As it currently stands, HM Treasury will continue to judge the success of the City Deal at each of its five yearly gateway reviews for the next twenty years, on the basis of an agreement taken in the pre-Brexit referendum landscape. These indicators are extremely restrictive, and Welsh Government has previously accepted their limitations and even suggested that '...a broader range of indicators and a wider set of comparators than just Gross Value Added (GVA) gives a more balanced picture' (Welsh Government, 2010). Nevertheless, economic growth is the primary metric against which the impact of the City Deal will be assessed by the UK Government.

## Rethinking Economic Policy

The RSA Inclusive Growth Commission (2016) highlighted many of the socio-economic inequalities that exist in South East Wales. It argued that there is a need to place social capital on a par with traditional physical infrastructure when considering how to invest public resources in future growth. That means treating as investment, policies that are designed to bring poorer people and places up to the level where they can contribute equally to economic growth. The Bevan Foundation are also concerned to spatially redistribute economic activity to achieve greater equality and propose a 'Valleys Deal'. Firstly, they argue for three 'Growth Hubs' across the Heads of the Valleys, tied together to benefit from infrastructure investment in the Heads of the Valleys road. The growth hubs, they argue, should be based on towns with 'real growth potential' with 'develop-able land and buildings' and 'should include some incentives for development, a big investment in skills, support for innovation and superb transport facilities'. Secondly, they argue for the need to 'create a good live-work offer', suggesting 'if people are going to live and work in the Valleys, they need to be even better places to live than now', including transport and good leisure opportunities and the need to create 'garden villages in some of the communities surrounding the new growth hubs'.

(Winckler, 2017) Nevertheless, growth, though spatially rebalanced, remains the key driver. This focus on securing and measuring growth is also evident amongst those who promote the value of the social business sector (Allies and Irving, 2017).

A more distributed model of the economy is clearly desirable for spatial equity, but, efforts to achieve it should be cautious about repeating the same mistakes that have made the current competitive agglomeration model unsustainable. The weakness in this approach is that, even in areas of significant economic activity, high growth, employment opportunities and infrastructure investment, like London, poverty and economic inequality continue to be prevalent. Nor is securing jobs at any rate desirable, as 60% of people of all ages living in poverty are now living in working households (Hick and Lanau, 2017). Simply moving the location of desired growth may not be enough to achieve social and economic equality. Johansson et. al. (2005) also argued for a transformation in the industrial system towards a model of the 'Distributed Economy', thereby moving away from socio-economically and environmentally unsustainable large-scale centralised production. A selective share of overall production within this model is distributed and a diverse range of activities become small-scale and flexible. In the distributed model of the economy each node is linked to several other nodes according to the needs and deliverables of each node (Van den Dool et. al., 2009). This was further developed by Adamson and Lang (2015), who suggested, that Wales would require a radical shift of economic policy to embrace an alternative approach to economic development, which seeks to identify the different, local models that are required for a more

Castells (2011) argued that the Great Financial Crisis triggered major structural changes in the European economies that indicate where future failure and success are likely to lie. Castells identified four sectors that emerged from the 'aftermath' of the Crisis: a revamped informational capitalist economy that will exploit new technologies and new products, and will be the domain of a new professional elite; a crisis-ridden public and semi-public sector that will bear the continued brunt of the fiscal crisis; a survival orientated traditional economic sector, with continued low productivity and low skilled employment opportunities; and, an alternative economy emerging with different models and different values based on a rejection of previous practice. Castells emphasised the fourth of these sectors to help move toward a more sustainable economic future. Wales' economic policy priorities remain overwhelmingly located in the diminishing public sector and survival orientated manufacturing and service sectors, whilst its economic priorities appear to be focused on securing an elusive informational capitalist economy that appears poorly placed to achieve more equitable and sustainable outcomes. Although Adamson and Lang's Deep Place approach (Adamson and Lang, 2014; Lang, 2016) (explored in more detail below) does not advocate a total separation of local economies from wider economic activity, it does suggest that economic activity needs to become significantly more localised to achieve more equitable and sustainable outcomes. Semi-autonomous local economies, through localised supply chains and patterns of employment, will be an essential component of efforts to eradicate poverty and to achieve sustainability.

Gulliver (2017) developed a manifesto for the 'Human City', which is: 'A geographically defined settlement – a city, town or village – where policies, practices and initiatives are enacted to ensure the best of human endeavours can flourish and where citizens and communities can shape an equitable, affordable and a shared society'. In the Human City, he argues that more

localised economies, with small enterprise and local/community ownership, can perform more cost-effectively in economic terms – especially job creation and retention of resources locally – while supporting citizen and community engagement, and boosting health, well-being and localised viability. Among other things, he calls for more effective local control of local assets, a point also pursued by Love's (2017) pursuit of Asset Based Community Development in Glasgow, which seeks to identify and harness community skills and strengths. Adamson and Lang (2014) make similar arguments. Patterson (2014) suggests that although asset based community development can make communities stronger, it tends to do so in ways that are not included in traditional measurements of growth. There is therefore, little incentive for economic development to pursue alternative approaches. This suggests that a much more radical change of perspective may be required.

Growth driven economies depend on the increased consumption of finite resources (land, water, energy), and even where these are supported by 'green' technologies their supply remains finite (Sutton, 2017). Work undertaken at the Sustainable Places Institute at Cardiff University has pointed to the greater need to address climate change-related environmental and ecological pressures. This work has pointed to the city-region of Stuttgart in Germany, as an exemplar of ecological land management and a circular, regenerative economy (Frank and Marsden, 2016). The Ellen MacArthur Foundation, established to promote and support the development of the 'Circular Economy', has sought to decouple economic value creation from resource consumption. It argues that the 'take, make, dispose' economic model, relies on large quantities of easily accessible resources and energy, which are no longer available. Working towards efficiency by reducing the resources and fossil energy consumed per unit of economic output, the Foundation argues, will only delay the inevitable. Instead, 'a more fundamental change of operating system is necessary', perhaps developing a 'Circular Economy' (Ellen MacArthur Foundation, 2016). This requires a radically different set of economic strategies and priorities.

Interest in the Circular Economy is growing internationally, the EU has a Circular Economy Action Plan (European Commission, 2017), there is a new BSI Standard for Companies (BS8001) on Circular Economy (BSI, 2017), and various multinational companies such as Jaguar Landrover are responding with the development of 'closed loop value chains' (Jaguar Landrover, 2016). Welsh Government's (2017) recent consultation on the Sustainable Management of Natural Resources also highlights the importance of the Circular Economy. More recently, Zink and Geyer (2017) have begun to question the perceived benefits of the Circular Economy model within a profit driven context. They suggest that although appealing on environmental grounds, the economics of the Circular Economy might partially, or fully, offset the potential benefits. This is because, they argue, '...lower per-unit production impacts, also cause increased levels of production, reducing their benefit'. They describe this as 'circular economy rebound', and although they suggest there are certain strategies to overcome this rebound, they are unlikely to be attractive to for-profit businesses.

There is a risk that the Circular Economy model is adopted by policy-makers and corporations in a reductionist way that does not ultimately eliminate the inefficiencies inherent in the current model of extractive growth. These inefficiencies are likely to be amplified by the increasing impact of automation, which threatens to remove whole sections of employment across the economy from both product and service sectors (IPPR, 2017). A closed loop, profit

driven production system approach to the Circular Economy is unlikely to herald a new era of social and ecological sustainability. This has led to a renewed interest in Lyle's (1996) 'regenerative' design for sustainable development, where proactive efforts are made to restore sustainability rather than maintain the status quo (for a full discussion see: Axinte, Forthcoming).

## The Well-being of Future Generations Act

The Well-being of Future Generations Act (2015) places a legal duty on all devolved public bodies in Wales that requires them to safeguard and improve the economic, social, environmental and cultural well-being of Wales. The Act contains seven Well-being Goals, and all devolved public bodies in Wales are responsible for taking all reasonable steps to maximise their contribution to all seven of these: Prosperous Wales, Resilient Wales, Healthier Wales, More Equal Wales, Wales of Cohesive Communities, Wales of Vibrant Culture and Thriving Welsh Language, and A Globally Responsible Wales. The Act also contains a Sustainable Development Principle and Five Ways of Working, which are the things that public bodies need to use to show that they have applied the Sustainable Development Principle, these are: Long-term, Prevention, Integration, Collaboration, and Involvement. The WBFG Act therefore raises a series of issues relating to Wales' economic policy direction, and in particular through the City Deal programme.

The UK Government is not subject to the WBFG Act and sees the City Deal programme, above all else, as a means to pursue standard measures of economic growth that may not be consistent with the Sustainable Development Principle. The UK Government has set the overarching priorities and approaches for the City Deal programme across the UK, this is now a core part of economic policy in South East Wales and is currently being developed in South West Wales. The WBFG Act requires devolved public bodies in Wales to adopt a place-based approach, which assumes that every place has different set of challenges and opportunities. This is why it requires Public Service Boards to develop their own place-based Well-being Plans. It remains to be seen how city region 'deals' can accommodate a place-based approach, particularly where access to funding from the UK Government will be based on its estimation of the Deal's success from a limited set of growth-based criteria at five-yearly Gateway Reviews. The projects of the CCR City Deal will be prioritised, above all, according to their ability to contribute to a 5% uplift in regional GVA in South East Wales. The WBFG Act requires public bodies to define prosperity more broadly and include efforts to move toward a low carbon society.

Ecological economics requires a new set of economic indicators, which include sustainability, social justice, 'needs' and equity. Some have suggested that GNP should be replaced by Adjusted National Product (Ekins, 1989). There are growing examples internationally of efforts to adopt broader measurements of economic success, which are more consistent with the sustainable development principle and that contribute readily to well-being. The United Nations 2030 Agenda for Sustainable Development argues for an agenda based on people, planet and prosperity, and identifies that eradicating poverty is an indispensable requirement for sustainable development (United Nations, 2015). This builds on the work of the United Nations Brundtland Commission (1987), and has led to greater international interest in

alternative measures of economic success that are more consistent with sustainable development. In the USA, some of the individual States use the Genuine Progress Indicator (GPI) as an alternative to GDP to measure whether economic progress results in sustainable prosperity. GPI accounts for effects of income inequality on well-being, values volunteering and education, and subtracts the negative effects of crime, unemployment and pollution (Kubiszewski et.al., 2013). Bhutan has used a Gross National Happiness (GNH) since 1972, and Australia has also begun using the Measure of Australia's Progress (MAP) with a broad range of indicators to address whether 'life in Australia is getting better' (The Conversation, 01/12/14).

The CCR Growth and Competitiveness Commission was not charged in its terms of reference with ensuring the Sustainable Development Principle was accommodated. Furthermore, although the Commission was asked to undertake 'consultation' with 'stakeholders' in a process to determine the economic priorities of the CCR City Deal, the WCFG Act requires public bodies to 'involve' people and ensure they reflect the diversity of the area which the body serves. This goes beyond traditional consultation and requires involvement with broader communities, rather than stakeholders, within a limited economic policy community. Failure to involve a broader range of communities within decision making process not only runs the risk of not meeting the legislative requirements of the WCFG Act, but, potentially, illustrates a broader democratic deficit. This is particularly significant as the City Deal may also require local authorities to borrow significant sums of money to fund investment within the programme, which places a burden and risk on both current and future generations.

## The Tredegar, Pontypool and Lansbury Park Deep Place Studies

Ecological thinking has tended to combine a global message with a respect for local autonomy, which requires a consideration of the importance of 'place'. Ecology has tended to argue that society needs to respect 'ecological carrying capacity', suggesting that people live in a place that needs to be on a human scale, or a 'bioregion' (Tokar, 1987). In ecological thinking 'place' provides the best mechanism for grassroots participation. The Deep Place approach originally developed by Adamson and Lang (2014), argues that a focus on 'place' can be the most appropriate and effective means to address two significant and interconnected social policy problems: how to overcome the inequitable distribution of wealth, and the unacceptable agglomeration of poverty in post-industrial areas; and, how to effectively adjust to a more environmentally sustainable economic model.

The Deep Place approach is influenced by social exclusion analysis, Transition Theory, Total Place approaches to public service reform, and the Foundational Economy. To date, three Deep Place Studies have been undertaken in the UK: Tredegar in 2014 (sponsored by the Centre for Regeneration Excellence in Wales), Pontypool in 2016 (sponsored by the Sustainable Places Research Institute) and Lansbury Park in 2017 (commissioned by Caerphilly County Borough Council). The research methods adopted have sought to be inclusive of the wide variety of agencies and organisations involved in the various policy areas impacting on each place, and which are therefore critical to achieving a successful transition to a more sustainable and equitable future model. There have also been attempts to ensure meaningful qualitative community participation in each Study. The research methods have been both desk-based

quantitative and ethnographic qualitative. Deep Place is action-based research, which seeks to influence policy and delivery. Each Study has sought to be a catalyst for change in internal community perceptions as well as external perceptions, and there has been an attempt to involve many of those who would be of critical importance on implementing the transition approach advocated in each Study.

The Studies have used official data, such as the WIMD and the 2011 Census, to build up a statistical profile of each community at an LSOA level. They also made use of CACI Paycheck data available to each of the local authorities to develop a detailed understanding of current household income levels. It was critical, however, to go beyond this quantitative data to establish a complete understanding of the 'lived experience of poverty' in each of the target locations. Upon establishing a thorough understanding of the linkages between the socio-economic and cultural components of poverty in each area, the Studies sought to focus on holistic solutions. There was also an element of 'horizon scanning' to identify current trajectories and to ascertain potential developments in the economy. 'Think Spaces' were used to better understand the challenges facing each community, to help map current interventions, and to 'borrow' expertise in various policy fields (see appendix for details of participants). Think Spaces are essentially policy-themed semi-structured focus groups of policy experts, practitioners and community members coming together. In addition, there were repeated opportunities to discuss research with key officers from local public services, as well as other non-public sector stakeholders. The remainder of this section provides brief overviews of each case study.

## The Tredegar Deep Place Study

### Place

The first Deep Place Study was undertaken in Tredegar, Blaenau Gwent during 2013-14 (Adamson and Lang, 2014). Tredegar was chosen from a list of six candidate locations across Wales following an analysis of the data profile of each area provided by Welsh Index of Multiple Deprivation (WIMD). Tredegar is a typical disadvantaged small town at the Head of the South Wales Valleys, an area that has been impacted significantly by a negative post-industrial legacy. It was important to find a location that had a fairly broad range of challenges and opportunities, whilst being compact enough to have a meaningful depth of area-based analysis.

The post-war period was one of a long period of industrial decline for Tredegar, along with the rest of the South Wales Valleys. The final closure of any industrial activity on the nearby Ebbw Vale Steelworks site in 2001, closed the chapter of industrial development which had brought Tredegar into existence. In common with other parts of the South Wales region, Tredegar entered a post-industrial phase characterised by the rising poverty and social exclusion, part of a 'resource depleted' region on the fringes of the new economy. Geographically, socially, culturally and skills-base remote from the wealth generating centres of international capital. Despite laying claim to being the birthplace of the NHS, Tredegar has also been politically remote from key economic and policy decisions for much for the post-war period.

## Results

The Tredegar Deep Place Study identified the major challenges facing Tredegar in four key areas: health, education, housing and transport. Tredegar is a significantly disadvantaged location in terms of health inequalities. The 'causes of the causes' of these inequalities are economically and socially determined, and they have both economic and social costs. Consequently, it was suggested that public health policy in Tredegar needed to be underpinned by a comprehensive anti-poverty strategy. There were also major educational attainment gaps between Tredegar and the more affluent areas of Wales. Tredegar is, of course, not alone and across the UK children from the lowest income families are half as likely to get five good GCSEs and study subsequently at university. In order to successfully close the poverty gap in education, the Study argued that educational interventions needed to be part of a holistic strategy involving schools, families and communities.

Another critical issue identified in Tredegar was the extent and supply of housing, as there appeared to be little interest amongst private house builders in building in the area. Amongst the mechanisms identified for securing private sector interest in both rental and market sale provision was a proposed 'de-risking' strategy on publically owned development land. Provision of housing services including construction, repair, renovation and low carbon retrofitting was identified as a considerable opportunity to promote local economic development. The Study also identified that public transport provision in Tredegar was limited and expensive, and it argued that transport affordability was a key issue to address, particularly for those on low incomes or seeking to return to the labour market. Although at an early stage of development, the Cardiff Capital Region Metro proposals were identified as a potential improvement to public transport, but there are some key concerns around affordability, route planning, and ownership and control.

## Policy Recommendations

The Tredegar Study argued that a more localised economic model for the town, could help to both eradicate poverty and achieve sustainability. Although it did not suggest that there should be a total separation of the economy of Tredegar from mainstream economic activity, it did suggest that a semi-autonomous local economy would be better placed to achieve these aims and help to retain wealth based on local enterprise within the town. Four key local economic 'sectors' were identified where such a move could be best facilitated, these included: food; energy conservation and generation; the care sector; and, e-commerce and employment. The Study also argued that governance for resilient and sustainable places should be whole-place, inclusive and seek to engage local citizens with the management of their public realm. The Tredegar Study suggested that this required a very different perspective from the normal approach to power at community level and was dependent on a willing and open ability to share power and work for common objectives.

## The Pontypool Deep Place Study

### Place

Pontypool was selected as an appropriate location to further test and refine the Deep Place methodology during the second Deep Place Study (Lang, 2016). Again, selected with reference to the Welsh Index of Multiple Deprivation (WIMD), Pontypool was shown to share some of Tredegar's challenges and opportunities. However, it was sufficiently different to offer some additional understanding. Located in the County of Torfaen in South East Wales, although larger Pontypool has a population broadly comparable to Tredegar (although this depends on where the boundaries are drawn), but is less 'remote' than Tredegar and it is located closer to the 'M4 corridor'. Pontypool also has an extremely socio-economic mixed population, with areas of deep poverty in close proximity to areas of relative affluence. For example, one of the LSOA, Trevethin 1, is one of the most disadvantaged communities in Wales, whilst another, Panteg 5, is one of the least disadvantaged communities in Wales. This was quite distinct from the Tredegar Study, where poverty was almost a universal experience, and offered an important new dimension to explore in the second Study.

### Results

Pontypool is located in the Afon Lwyd Valley, where there was a long history of industrial activity. Although this industry entered a period of long decline following World War One, the town of Pontypool continued to be an important centre of civic activity, local services and retail long after this. The Study identified that Pontypool town centre today experiences significant weaknesses, but continues to have significant potential to provide public services, to be a focus for community cohesion and as a potential location to grow local economic activity and employment. Consequently, the Pontypool Study focused much more attention on developing the town centre than had been the case in the Tredegar Study. One of the key differences from Tredegar was the highly mixed socio-economic profile of the population. However, currently comparatively little use is made of the town centre by those sections of the population with higher disposable incomes. The Study therefore identified a range of actions designed to reverse this trend and secure the longer-term viability of the town centre for the whole population, as well as a location for increased economic activity.

Pontypool's challenges were not restricted to the performance of its town centre, and like Tredegar and other disadvantaged communities there are a broad range of difficulties, and the Study identified that these have been exacerbated and disproportionately felt in poor parts of the Town by the 'welfare reform agenda'. Like Tredegar, health inequalities, educational attainment gaps, poor housing conditions (particularly in parts of the private rental sector) and transport weaknesses, all significantly more adversely affect the poorer locations within Pontypool. The Study sought to clearly identify the broader socio-economic causes and consequences of these challenges, and made a series of recommendations designed to overcome them. These ranged from social prescribing, to ensuring a better match between skills training

provision and local employment opportunities within the foundation Economy, to ensuring the NHS maximises its economic impact as an anchor institution. It also argued that the location of public investments should be considered for their broader socio-economic impact, rather than pure expediency or convenience.

## **Policy Recommendations**

Although still under development when the Tredegar Study was being undertaken, the Well-being of Future Generations (Wales) Act, which places a sustainable development duty on all devolved public bodies in Wales, had become a statutory requirement by the time the Pontypool Study was undertaken. The Act requires the development of whole-place plans for communities in all parts of Wales, including Pontypool. It was against this background that the Pontypool Study called for a 'Coalition for Change' model to take forward the Study's action points as a strategic response to the challenges identified. In this way, the Study effectively became both an assessment of challenges and an initial plan for securing the well-being of the town and its communities. The Coalition for Change was identified as the mechanism to take forward the recommendations, and was an innovation designed to overcome the disappointing lack of a strategic response following the Tredegar Study.

## **The Lansbury Park Deep Place Study**

### **Place**

The Lansbury Park Deep Place Study was undertaken during 2016-17 (Adamson and Lang, 2017), and unlike the previous two Studies which had been externally funded, it was commissioned by Caerphilly County Borough Council to inform a strategic response to the challenges experienced by the community. Lansbury Park is a large post-war local authority housing estate with a population of around 1,500 people in close proximity to Caerphilly town centre, in South Wales. The community has experienced high levels of poverty and social exclusion over a long period of time, and was amongst the 10 most deprived communities in Wales at the time of the 1991 Census. A quarter of a century later, Lansbury Park continues to experience similar patterns of social exclusion that have now become embedded at a socio-cultural level.

### **Results**

Lansbury Park is Wales' most deprived community (WIMD, 2014). Despite numerous interventions, poverty levels in Lansbury Park remain seemingly intractable and social exclusion continues to be the dominant life experience. The Atmosphere Landscape Horizon Framework (ALH) (Adamson and Burgess, 2013) was used for the first time as part of a Deep Place Study to provide a baseline profile of the community against which future change can be measured. The ALH framework was an important tool within the context of a Deep Place Study of one estate, particularly where the overwhelming nature of the challenge was a complex pattern of social exclusion. The framework identified a raft of entrenched challenges.

**Atmosphere:** The social, cultural, ethnic, socio-economic and community relationships that exist in Lansbury Park determine how it feels to live within it. Lansbury Park has a higher number of residents (24.5%) under 15 than the Caerphilly (18.3%) and the Wales (16.9%) figures. The population over 65 is smaller in Lansbury Park (17.3%) than for Caerphilly (23.1%) and Wales (25%). Lansbury Park has a significantly higher rate of lone-parenthood (18%) compared to Caerphilly (8.8%) and Wales (7.5%). Only 50% of the male population 16-74 and 40.9% of the female population were in employment at the time of the 2011 Census. Very high levels (24.4% male and 16.8% female) of long-term sickness and disability. Apparent high levels of drug consumption and dealing associated with the Estate.

**Horizon:** The tightly defined social housing community of Lansbury Park has experienced negative peer cultures and these have, to some degree, become normalised, constraining the attitudes of some community members to education, training, employment and health, and promoted an element of criminality. The primary conditioning factor is the level of material poverty experienced in the community: 65.7% St. James 3 and 48% St. James 4 households in poverty. Almost 60% of the *working population* are employed in occupations associated with low wages. The 2011 Census identified that over 52% of the adult population have no qualifications.

**Landscape:** Lansbury Park is a clearly demarcated 'estate', where the environment adds to the patterns of social exclusion. The poor visual amenity of housing has a direct impact on the lived experience of residents, and does not raise aspirations or confidence. The Estate is a sterile urban landscape, and physical environments such as those found on estates like Lansbury Park, do not support good physical and mental health and well-being.

## Recommendations

Deep Place approach commences with recognition that there must be change in the delivery of services to the Community in order to address the collective failure to thus far reduce the impact of poverty in communities like Lansbury Park. A recognition that current interventions are not achieving their objectives is not a criticism, but a necessary first step to creating change and achieving outcomes. Deep Place Plan for Lansbury Park proposed 22 Actions for Caerphilly CBC and its partners to consider. The majority of these relate directly to the challenges identified in Lansbury Park. They constitute a necessary programme of change, which should impact on the content and delivery of services, as well as influence future decisions around capital investment.

Specific recommendations were included in relation to the physical environment, and housing allocations and tenancy conditions for the majority social housing tenure. Other recommendations related to crime and anti-social behaviour reduction, and drug and alcohol reduction. Debt, which is widely experienced by the local community, was also identified as requiring support to overcome. The Study also recommended that skills and employment opportunities need to better match, a theme common with the

other Deep Place Studies. It also recommended specific support for the particular needs of lone parents to support learning and return to work, and continued support to prevent young people becoming NEETs. A multi-agency and community approach to school improvement was also recommended, along with more positive 'bridging' activities and fewer deficit orientated activities delivered in the community.

Whole-place governance and a total place review of public service delivery was also recommended, and, as in the Pontypool Study, a Coalition for Change governance mechanism was also recommended. This structure is now in the process of being established to take forward the Deep Place Study, and includes strategic leadership, operational manager and community involvement, as well as public, private and voluntary sector engagement.

## What is the economy for?

Growth has, thus far, led to significantly higher levels of inequality and a polarization of wealth. The accepted route to secure growth has become the mantra of competitive agglomeration. This is often underpinned by significant and prolonged public sector 'investment', justified by a spatial reimagining of 'trickle-down'. The City Deal programme has exacerbated the trend whereby the fundamentals of local and regional economic policy-making has been predetermined within a narrow set of performance criteria to evaluate success. It has also emasculated efforts to secure a more ecologically and socially sustainable version of city regionalism. The economic policy direction of Welsh Government remains largely consistent with that of the UK Government, where the logic of extractive growth, secured by competitive agglomeration, has become entrenched. This policy agenda is unlikely to be compatible with the sustainable development principle at the core of the WCFG Act. The CCR City Deal's failure to develop its Assessment Toolkit, which is its self-stated mechanism to ensure compliance with WCFG Act, prior to the approval of its first project, appears to suggest only a limited regard to the Act and to the Five Ways of Working.

The WCFG Act requires a fundamental rethink of all policy areas in Wales, with well-being and the four pillars of sustainability at the core of policy-making. Welsh Government must enact the well-being legislation within its own economic policy if it is to achieve these outcomes. The WCFG Act also requires more efficient and effective place-based delivery of public services, which necessitates a fundamental rethink by devolved public bodies in Wales on how they design and deliver their activities. The WCFG Act demands more than a 'tick box' approach to implementation. The Tredegar, Pontypool and Lansbury Park Deep Place Studies have provided case studies that illustrate the need for more holistic and interconnected social, economic, environmental and cultural policy development and public service delivery. They have argued that, particularly in disadvantaged locations, a place-based, whole-place response is critical to overcome often entrenched, multi-dimensional challenges experienced by these communities.

The Deep Place case studies have argued for a much stronger focus on holistic systems thinking to secure social, environmental and cultural, as well as economically efficient well-being in every community (Adamson and Lang, 2014; Lang, 2016; Adamson and Lang 2017). They argue

for more focus on locally specific priorities to ensure equitable and sustainable outcomes for current and future generations. Simply stating that jobs and growth are the answer to a community's future is a gross oversimplification, since it does not consider whether they benefit the community, or whether such growth and jobs continue to extract wealth, undermine sustainability, or address the complex challenges faced. The Deep Place studies have also identified that place-based governance is the most efficient and effective mechanism for achieving change. The 'Coalition for Change' is a convenient title given to this mechanism.

Most classical economic theories have a systematic expression of growth, but an ignorance of ecological problems (Vincent, 1995). They also tend to assume that because growth produced some worthwhile goods for a very limited time that it is always desirable (Spretnak and Capra, 1986), and can go on indefinitely. As classical economic perspectives continue to dominate policy discussions, economists and policy makers tend to assume that the purpose of economic policy is to secure growth. Seldom do they ask, 'what is the economy for?'. Asking this question permits a broader consideration of what economic priorities should be, since clearly the economy is not just for an extractive form of growth.

There is an increasing global interest in alternative and more sustainable economic models. Some of these perspectives question whether growth itself is a desirable objective, whilst others question the ability of large agglomerative capital projects to deliver sustainable growth. Transition toward post-carbon economies are a concern, with a growing interest in a more distributed, 'bio-based' economy (Luoma et. al., 2011). Within the context of a city-regional agenda, the implications of a more distributed economic model are significant, and appear to run counter to the agglomeration logic of current programmes. These are questions that need greater discussion both within Wales and beyond; only a more open and democratic policy arena, where there is greater scope to consider the fundamentals of economic policy-making, is likely to permit such a dialogue.

Fioramonti (2017a) argues that we must recognise the logic of growth and develop a well-being economy. He says 'in the wellbeing economy, development lies not in the exploitation of natural and human resources, but, in improving the quality and effectiveness of human-to-human and human-to-ecosystem interactions...'. He also argues that 'contrary to the growth mantra, which has standardised development across the world...an economy that aspires to achieve wellbeing should be designed by those who live it, in accordance with their values and motives.' He suggests that communities should be capable of making most of the things that they need through local systems of co-production and networks of small businesses (Fioramonti, 2017c). The UN Brundtland Commission (1987) suggested that 'no single blueprint of sustainability will be found, as economic and social systems and ecological conditions differ widely...'. This seems entirely consistent with the Deep Place approach, and with place-based governance. However, just as it is wrong to rigidly pursue growth at all costs, it is also wrong to dogmatically oppose it at all costs.

Conventional approaches to using growth and competitiveness show Wales' performance remains poor, but does this miss the point? Rather than the pursuit of growth as an end in itself, it is time to ask more fundamental questions. The restricted GVA measurement of growth, as well as the pursuit of any jobs, have become the key metrics against which economic development is judged. We need however, to consider whether we are measuring the wrong

things. Well-being offers a more useful measurement of economic performance. This does not *necessarily* dismiss growth entirely if a sustainable model can be developed, which can spatially redistribute rather than extract to achieve ecological and social well-being. Local growth, which does not add to the burden of overall unsustainable national or international economic activity, could contribute to spatially rebalanced well-being. Well-being itself, should be determined at a place-based level using the sustainable development principle, and with the full involvement of communities.

This paper, although providing an outline of three empirical case studies, seeks to contribute to macroeconomic policy. It is not an argument against growth or for defensive localism, but against the current dominant model of extractive growth that is both inefficient and unsustainable. Nor is it an argument about 'the green economy'; but rather about the economy that needs to be green. The current dominant economic paradigm is extractive and inefficient, as it leads to significantly higher ecological and social costs that are unsustainable. Economic policy thus needs to be rethought to create a more distributive and efficient model of growth. A place-based approach to an ecologically *and* socially Circular Economy are required to achieve equitable and sustainable outcomes. The Deep Place methodology helps to uncover the anatomy of what this might look like, and creates an arena within which to discuss and develop sustainable place-making.

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