

FOUNDATIONAL ECONOMY

What Wales Can Do: Asset Based Policies and the Foundational Economy

A CREW/ foundational economy.com report

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Executive summary

Introduction

A new asset based approach to policy can make Swansea Bay City Region a better place by extending what the City Deal is already doing for ‘next generation industries’, so that high tech is grounded, and adding a new concern with the foundational economy and mundane activities (p.9).

This report is not just about re-focusing Welsh Government policy on foundational sectors. More radically, this report is about how state and non-state actors, experts and ordinary citizens should reconnect ‘the economy’ with meaningful social and political outcomes. At the same time breaking with the top-down technocratic model of policy making that prevails across the UK (pp.9-10).

1. Why Swansea Bay needs asset based policies

1.1 What can next generation industries deliver?

The Swansea Bay City deal focuses on ‘next generation industries’ and promises ‘an economy that works for everyone’. But that is unlikely when the official projection is that £637 million of public funds create 10,000 jobs over 15 years, accounting for no more than 3% of the workforce in a region which lost 30,000 manufacturing jobs between 1990 and 2010 (pp.11-12).

Next generation industries are unlikely to be volume employers when they typically employ 3.5-5.0% in EU countries (p.13) but do have an important place in an asset based approach if Wales adopts a hard-headed approach to value capture by embedding high tech in grounded firms and resource-based activities which will be mainly foundational (pp.20-1).

1.2 What is the foundational economy?

The foundational economy is the primary way in which welfare is generated and distributed in Swansea Bay, as in other areas (p.15).

On the demand side, households depend on the quantity and quality of providential services like income maintenance, health services and care, universal primary and secondary schooling; while the material foundation of pipes, cables and networks connect every house to the systems which make everyday life possible, safe and civilised (pp.16-17).

On the service supply side, the two core foundational domains and the outer belt of occasional purchases like haircuts and holidays distribute welfare through waged employment in Swansea Bay with 35% in the providential, a more modest 15% in material infrastructure and another 20% in the outer belt (pp.17-19).

1.3 The asset based approach to economic development

This report applies the heuristic of asset based community development to the problem of economic development: do not start by listing deficiencies because the aim is to build on firm and workforce assets and capabilities with the aim of increasing well-being, prosperity and autonomy (p.19); that means recognising the value of firms like Jenkins Bakeries (p.30).

For policy purposes, it is important to adopt the double definition of an asset as something useful and something that is owned or controlled by a person or organization. Hence the importance of grounded activity and capability which is not captured and controlled elsewhere through power relations or opportunist acquisition (p.20).

1.4 Who does what? State and non-state actors

After 1979, state capital funding for social infrastructure was switched off and, since 2008, the central UK state has increasingly failed to discharge its key obligation of revenue support for the providential. The Welsh Government is heavily constrained by the UK Treasury's commitment to austerity and unwillingness to sanction borrowing for capital expenditure (pp. 22-3).

So, what can be done at low cost and in an innovative way to boost the foundational economy through scalable experiments from which we can all learn and a practice which is more like Unger's social innovation than Welsh Government economic policy (pp.23-4).

A good starting point is for actors like the Welsh Government to admit that: first, it does not always know what to do, given standard policies and initiatives; and, second, the need is for innovation and experiment with government partnering intermediary institutions, like housing associations, and aiming to involve ordinary citizens (p.24).

1.5 Foundational principles

This shift will only happen if policy makers recognise first principles which are both common sense and very radical (pp.25-6).

- *The aim is 'citizen lives worth living'* which means better lives supported by goods and services from a reorganised foundational economy; and demoting the goals of jobs and GVA growth.
- *The lever is to 'recognise what's there, enable what's there and build on what's there'* by way of grounded assets already in place; with less emphasis on attracting mobile resources like inward investment.
- *The method is 'learn from experiment'* in areas like micro firm support or care reform; this is not about a controlling centre which imposes a template, but an enabling centre which sponsors change.

- *The working assumption is 'social value comes from politically mobilising different actors to work together'* this is not about top down policy but about effective action after coalitions of disparate forces have been mobilised.

2. Doing asset based policies in Swansea Bay

2.1 What to do?

We need to start by doing some relatively low-cost, low-risk useful things which build up local assets and capabilities and provide citizens with better foundational services, as well as decent jobs and business opportunities. This requires development of the new institutions, skills and cultures which are necessary for effective participatory and bottom-up policymaking and politics (pp.27-8).

In this report, we consider how to achieve these objectives by focusing on three key areas with complex and urgent problems and strong assets, where experiments can improve the quality of life for large numbers of Swansea Bay City Region citizens. Such experiments can more effectively reach individuals, civic and small business communities, compared with orthodox economic development policies; these might include more effective small business support, reorganising adult and child care and building explicitly political community hubs.

2.2 Mobilising to catalyse change

In the first instance, the initiative for policy innovation must come from lead institutions and organisations which have both the resources and the adaptability to kickstart change and lead mobilisation for foundational economy interventions. Organisations are reservoirs of capability and we must tap that capability in the Assembly, in government offices, quangos, civic membership organisations and business of all kinds (pp.28-30).

2.3 Building SME and micro firm capabilities

An asset based approach to micro firms and SMEs recognises that many prudent small businesses are risk averse and experience significant constraints in terms of their internal capability or their surrounding ecology and that a small, stable firm embedded in a community is already a great asset. Hence, this places much less policy emphasis on reform of external finance as way of leveraging growth (pp.30-1).

So, what can we add (beyond money) that will increase capability in a sustainable way and how can we support the creation of a collaborative and networked micro firm and SME business ecology, in which the environment helps to make individual businesses more resilient and capable. The starting point here should be building support networks and mapping the SMEs and micro firms so that we can, for example, identify businesses close to ownership transition (pp.31-3).

Here are some experiments in business support to expand the field of the thinkable and doable

- Reach micro businesses by creating a local authority employment/ apprenticeship agency and sponsoring virtual SMEs which would bring together several firms to take on bigger work packages (p.34).
- Encourage local government 'one council one product' policies of offering not subsidies but marketing and technical support to expand opportunity, for example, leaning on supermarkets to buy food with a story like Towy valley cheese or yoghurt (pp.34-5).
- Shift training away from workforce certification: support a culture of making by building makerspaces where equipment and workshop space can be rented by the day; begin to tackle the unsolved problem of training micro and SME owner managers pp.35-6).

2.4 Reorganise adult and child care

Care is a huge opportunity to extend our civilisation in 2017 as Nye Bevan did with the NHS in 1947; the sector employs 5% of the workforce and adult care (domiciliary care and residential) is thoroughly disorganised, stressed and fragmented. Here intervention can achieve a triple dividend of economic, social and political benefits (p.37).

From an asset based point of view, the question is how can local actors build on and redeploy these assets to deliver active management of the current crisis, combined with long term thinking. Local authorities should sponsor innovation in the organisation and management of care by for-profit and non-profit providers with input from the care workforce, clients and the community, while researchers and academics should advise, evaluate and feedback best practice (p.38).

Here are three practical experiments that could be developed in Swansea Bay.

- Experiment with reorganising domiciliary care by recomposing the carer role to recognise that it combines social work and community nursing; put more emphasis on local patches and social connections for older people (not a rota of fixed visits focused on bio medical tasks) (p.39).
- Borrow to build residential accommodation on new models; if social landlords with 5% capital can build, they could break with the blockhouse-style format of residential home and experiment with smaller Green House style shared houses or mixed age care environments (pp.39-40).
- Bring informal carers into the health and social care ecosystem; here there is an opportunity to find ways to incorporate informal carers into the system to relieve staff shortages and provide them with training and support for their own care responsibilities (pp.40-1).

2.5 Community hubs as a way of rebuilding civic infrastructure

The collapse of an industrial high wage economy in Swansea Bay has undermined institutions and social capital; put simply, the process hollows out the networks of social relations which make everything else work. Asset based economic development is up for

this task of rebuilding social capital in new and imaginative ways like expanding and repurposing community hubs pp.41-2).

The Communities First programme introduced 'community hubs' but also associated them with a politics of need and deprivation, with hubs as a way of delivering public services to poor communities, or a space for running cooking classes (important as these can be) (p.42).

Community hubs could be repurposed to play a larger role in community building right across the city region. They could be a key feature of a new civic infrastructure in Wales that can provide spaces in which political participation and trust is rebuilt and communities can take the lead in organising themselves and solving their problems (pp.43-4).

Hubs should be at the centre of the local community and owned by the community, as spaces for activities and events, accessing public services, community education and political debate, including on the issues raised by this report (pp.44-5).

This is about rebuilding the associational foundations of economic and social action, which depend in the short run on mobilising existing state and non-state actors, and in the longer term requires more political self-management.

Conclusion

Foundational economy policymaking is about moving away from a control approach to economic policymaking in which top down strategists prescribe generic interventions which are rolled out at local level. Instead we favour a command approach in which local actors are empowered to work together creatively to identify ways of achieving broad policy objectives (pp.46-7).

This outline strategy then is a constructive provocation to local politicians, civil servants, businesses and civil society actors to come together to discuss these proposals and to see whether there are areas in which people can plan joint action.

What Wales can do: asset based policies and the foundational economy

'What does that mean in practice? What will this new approach to the foundational economy actually be?' Julie Morgan, AM (in an Assembly debate)¹

Introduction

This report explains how a new approach to policy can make Swansea Bay City Region a better place. But this depends on extending what the City Deal is already doing for 'next generation industries' in a much more hard-headed way so that high tech is grounded, as well as adding a new concern with the foundational economy and more mundane activities. It is not about Welsh Government economic policy for growth and jobs, but much more broadly about how state and non-state actors, experts and ordinary citizens could and should reconnect 'the economy' with meaningful social and political outcomes.

The city deal for Swansea Bay City Region has put (sub) regional policy onto the agenda. But the City Deal, like the tidal lagoon project, then over-sells the benefits of 'next generation industries' which are unlikely to be large scale employers. Of course, next generation industries do have a place in a development strategy. But the development strategy needs to be more broadly concerned with the often neglected foundational economy because, as we show in this report, that is what generates the volume employment and welfare critical services which frame citizens' lives.

The time is right for making this shift because the Welsh political classes are already *talking* foundational economy and the logical next step is *doing* foundational economy. A few years ago, the *What Wales Can Be* report for the FSB in 2015 changed the terms of economic policy debate in Wales by introducing a new language about foundational economy, grounded firms and the missing Mittelstand.² This new report should be read as an extension of *What Wales Can Be*.

Many Welsh politicians and policy makers now accept that the term foundational economy indicates sectors which have been neglected and need to be considered.³ In a recent Welsh assembly debate on the foundational economy, the new intake of Welsh Labour Assembly members and Plaid Cymru's Adam Price showed they are ahead of Westminster back benchers like Rachel Reeves and Chuka Umunna, as foundational economy thinking is only slowly reaching the Westminster back benches.⁴

Assembly members are ahead on the foundational economy because a commitment to welfare in a broad sense is one of the defining characteristics of Welsh politics. Think, for example, of how the 2015 Future Generations Act puts public bodies under an obligation to work towards seven well-being goals (prosperity, resilience, health, equality, cohesion,

cultural values and global responsibility). Of course, we have to see how the Act is used, but it is a potentially important tool.

And yet the progressive Welsh social vision of what the public sector can do has until recently co-existed with Welsh Government's orthodox economic policies about growth and jobs from the private sector, through skills and infrastructure which will attract inward investment. These policies have failed to meet their declared objective of closing the GVA gap and that failure is slowly discrediting orthodox policies for improving competitiveness.

Thus, in early 2017, Ken Skates as Cabinet Secretary for Economy and Infrastructure,⁵ announced a new economic strategy. This will 'focus on a smaller number of national, foundational economy sectors, such as healthcare and energy, which the Welsh Government can take the lead in supporting, but below that I want to grow our regional economies by empowering each area to develop its own specialised sectors and more distinct economic identities'.

But, as Julie Morgan AM asks in the opening quotation, what does this mean? What will the new approach be? Indeed, is there a new approach, or will local authorities meet Welsh Government requests in a ritualistic way and prepare foundational plans (like earlier regeneration plans or spatial framework plans) which bring together what is already happening and aspirationally add a bit more of the same.

Understandably, the political task of developing the foundational economy is more challenging than the intellectual task of acknowledging the foundational economy. For example, many have accepted intellectually that Wales has a missing Mittelstand problem but, so far, *What Wales Can Be's* challenging policy proposals for discouraging early business sale by founding families have not yet been taken up, no doubt in part due to limited local powers.

Just as important, the Welsh debate has not yet engaged with the issue of whether foundational thinking should challenge not only the failed policies but the expert-led, top down technocratic model of policy making dominant across the UK. As expertise is necessary in managing a complex world, the practical question is not doing without expertise but whether and how expertise can be integrated with more participative and deliberative forms of policy making.

Hence this CREW and foundational economy.com⁶ project which combines desk-based research with interviews focused on the Swansea Bay City Region, which has signed a city region deal that pins its hopes on 'next generation industries'. It is about what next generation industries can deliver and under what conditions for Swansea Bay; and, then, what else (and different) should this city region do to develop its foundational economy.

In the first half of this report, we argue that Wales and the sub-region of Swansea Bay need to adopt what we call *asset based economic development (ABED)* to a development task which is not about management of the economy but rebuilding the economic foundations of civil society and polity. This means doing policy with (not to) people, which requires

citizen participation, empowerment of intermediary institutions and sponsorship of coalitions for change by Welsh government and Westminster.

The second half of this report explains how Swansea Bay actors can start out on this road tomorrow without waiting for some perfect alignment of political forces at sub-regional, Welsh national and Westminster levels. Through considered local experiments, Swansea Bay can become a place that innovates in practice and politics to build grounded assets. This is not just a huge economic challenge, it is also the great social and political opportunity for Wales after devolution and before Brexit.

(1) Why Swansea Bay needs asset based policies

1.1 What can next generation industries deliver?

‘(The Bay plan is about) the establishment and advancement of Next Generation Industries which sustains an economy that works for everyone in the SBCR.’ (The promise of the Swansea Bay City Deal in an official slide show)

When so many UK city region plans and deals look alike, the Swansea Bay City Region plan stands out as more imaginative than most. The immediate problem is the degradation of the original vision and the plan’s default onto a series of projects to grow ‘next generation industries’ which come with quite unreal expectations that they can ‘sustain an economy that works for everyone’.

Much the same problem arises in the case of the Swansea Tidal Lagoon, which is green energy policy oversold with the promise of ‘world leadership’ in a new industry. As we explain later, our opposition is not to advanced technology but to the fantasy that inventors and early adopters can capture global markets; and our preference is for grounded high tech which in Wales usually means grounded in foundational sectors.

The imagination was commendable. The original Terry Matthews vision of the Bay plan shifted attention from physical infrastructure to digital connection which is crucial to all our citizens’ futures and useful even if the clusters he envisaged under-deliver. And, amongst the portfolio of projects was the Neath/ Port Talbot based ‘homes as power stations’ project which in an exemplary way targets both new build and retro-fit of existing homes.

But, as in all city region deals, the Swansea Bay vision was degraded by pressure from two directions. First the bundle of projects finally approved in March 2017 could only include those which passed Treasury gateway tests, which are narrowly focused on GVA growth and jobs. Second, private investment is readily available for property projects but for little else so that once again development turned into property-led regeneration. The giveaway here is the patter in the plan about new ‘villages’, which is marketing speak for mixed use development.

The issue about property led regeneration (in Swansea Bay as in other places) is about its limits. Property led development can lead to the in-migration of young new residents who have the educational qualifications and interpersonal skills for new jobs which give them the incomes to live in new blocks of one and two bedroom flats that maximise financial returns for developers. But, this kind of development usually does little for the resident local population.

The civic leaders of Swansea Bay should take the train to Manchester to see a future where property led regeneration has mixed outcomes. As we argue in the *Manchester Transformed* report,⁷ since the mid-1990s city centre redevelopment has created 50,000 office work spaces, provided 50,000 adjacent bed spaces in blocks of 1 and 2 bedroom flats and added 50,000 25-34 year olds to the city centre. This has incidentally and unintentionally undermined the official policy of relying on radial commuting to diffuse prosperity to the peripheral ex-industrial towns like Oldham.

Meanwhile, on the web site and in official reports the Swansea Bay Plan is presented as a portfolio of 11 projects that embody innovation in high tech and creativity, including: a creative hub in Carmarthen; two life sciences and wellbeing hubs in Llanelli and Morriston; a steel sciences hub; and a wave and marine energy centre in Pembroke Dock.⁸ To get through the Treasury gateway, the Bay plan had to make promises about job creation. The web site claim is that 'about 10,000 new jobs' will be created, and other sources give the total as 9,465 'gross jobs over 15 years'⁹ (without disclosing the modelling assumptions behind the claim).

The creation of 10,000 new jobs, according to the Bay Plan web site, requires some £637 million of public investment to match a similar amount of private investment;¹⁰ so each new job costs nearly £65,000 in public funds, or more if the investment produces a smaller quantum of employment. And 10,000 jobs accounts for some 3% of the city region's workforce of around 300,000, so it is hard to see how this 'can sustain an economy that works for everyone'. This is doubly so when an earlier 2013 city region plan admits that the Swansea Bay region lost 30,000 manufacturing jobs between 1990 and 2010.¹¹

Why can't next generation industries create more than 10,000 jobs? Llanelli may be less attractive than Cambridge as a location for life sciences, but it would be wrong to focus on the competitive deficiencies of Swansea Bay. The fundamental problem is that 'next generation industries' do not employ large numbers in any of the high income European economies. Tables 1 and 2 show that, if we add high tech manufacturing and knowledge intensive business services together, they employ just 4% of the workforce across all 28 EU countries and (excluding Malta) the narrow range from top to bottom is 3.4 to 5.1%.

The public is confused on this point because arguments about knowledge based economies often cite figures of knowledge intensive employment. This latter category is much larger because it reflects the intensity of graduate employment, which has hugely increased in the last generation right across Europe where more than 40% of young people now go to University. Thus, many west European economies now have 35% of the workforce in

knowledge intensive employment but the high productivity activities, those directly based on knowledge and high tech, are much smaller.

Table 1: High-technology sectors (high-technology manufacturing and knowledge-intensive high-technology services) – total employment

	2008 000s	2009 000s	2010 000s	2011 000s	2012 000s	2013 000s	2014 000s	2015 000s	2016 000s
European Union (28 countries)	8,367.3	8,146.1	8,091.7	8,295.3	8,393.0	8,404.8	8,538.1	8,738.6	8,901.6
France	998.6	1,026.4	1,011.7	1,064.7	1,048.6	1,019.1	1,021.5	1,059.2	1,062.5
Germany	1,591.4	1,644.2	1,627.8	1,662.2	1,687.8	1,633.7	1,648.4	1,627.7	1,674.0
Hungary	194.1	174.3	186.1	199.8	197.7	206.8	193.0	196.9	223.1
Italy	763.4	758.5	731.5	749.0	759.1	754.0	761.4	767.5	779.5
Luxembourg	7.2	7.7	9.1	8.4	10.0	9.4	10.5	10.1	9.3
Malta	10.1	9.3	8.2	9.5	10.3	10.9	11.1	10.7	11.3
Spain	674.6	622.4	635.3	658.2	652.9	636.8	629.1	656.0	656.6
United Kingdom	1,442.1	1,221.1	1,215.6	1,277.4	1,309.4	1,387.1	1,439.3	1,489.3	1,506.1

Source: Eurostat.¹²

Table 2: High-technology sectors (high-technology manufacturing and knowledge-intensive high-technology services) - percentage of total employment

	2008 000s	2009 000s	2010 000s	2011 000s	2012 000s	2013 000s	2014 000s	2015 000s	2016 000s
European Union (28 countries)	3.8	3.7	3.8	3.8	3.9	3.9	3.9	4.0	4.0
France	3.9	4.0	3.9	4.1	4.1	4.0	3.9	4.0	4.0
Germany	4.1	4.3	4.3	4.3	4.3	4.1	4.1	4.1	4.1
Hungary	5.0	4.7	5.0	5.3	5.2	5.3	4.7	4.7	5.1
Italy	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.4
Luxembourg	3.6	3.5	4.1	3.8	4.2	4.0	4.3	3.9	3.6
Malta	6.4	5.8	5.1	5.7	6.0	6.2	6.1	5.8	5.9
Spain	3.3	3.3	3.4	3.6	3.7	3.7	3.6	3.7	3.6
United Kingdom	4.9	4.2	4.2	4.4	4.4	4.6	4.7	4.8	4.8

Source: Eurostat.

The old connection between high productivity activity and mass employment, established in the Ford and Hoover factory era of assembly and flow production, has been broken in the era of digital technologies and knowledge intensive services. The Swansea Bay planners are not recognising these changes in two ways: first by supposing that 'next generation industries' can diffuse prosperity as earlier technologies did; and, second, ignoring the significance of small firms embodying technology in foundational sectors.

Exaggerated expectations are just as much a problem with the Tidal Bay Lagoon project, which is outside the city region deal but is being oversold in much the same way. The Tidal Lagoon Power consortium reports consultancy research which shows that four lagoons in Welsh tidal waters could support 23,000 jobs in assembly and manufacture; and (on an upper-case scenario) projects that UK manufacturers could take 35% of the value of a larger international portfolio of 14 projects.¹³

As part of the decarbonisation of UK power, the Swansea Lagoon is a good project, as the Hendry review argues; though we should be cautious about over-commitment to three further lagoons in Welsh tidal waters, when other renewable technologies are producing increasingly cheap electricity. But the prospect of a succession of projects is presented as an exciting industrial-cum-regional policy. The official slides quoted at the beginning of this section claim 'Swansea can be the start of a new UK industry in Tidal Power where the UK can become a world leader'.

This is inherently unlikely given the capability of established giant multi-national manufacturers of generator sets and related heavy engineering kit. Siemens and GE Alstom have development funding, near to market production facilities in different regions and global marketing networks: this makes them well placed to capture the future and their options include acquiring any independent Welsh-based medium sized player for its technology. As Smith and Wright have shown, in British aerospace this process has stripped out capable SMEs as the sector's majors routinely buy-in competences they have not developed themselves.¹⁴

In the next section, we outline our argument that economic policymaking in the SBCR should focus much more on the foundational economy and we go on to outline a foundational strategy for the region. Nonetheless, the City Deal is going ahead and can be delivered in better and worse ways. Therefore, we have two proposals intended to improve the City Deal in its next stages.

- When WG is providing some funding for the City Deal, it could broaden the focus by assessing project business plans on a wider variety of indicators. The Treasury's criteria for releasing funding are GVA and jobs. But WG could assess quality employment created by projects drawing on nine new labour market indicators developed recently by the OECD (three for the quantity of jobs, three for their quality and preventing some more innovative projects being diluted).

- The City Deal governance structure should be reformed before the delivery stage to include a broader set of actors and interests including organized labour, small business and housing associations to represent the diversity of local interests and draw on distributed knowledge and expertise. This would go a considerable way to rectifying the top-down and closed nature of the early stages of the City Deal.

1.2 What is the foundational economy?

‘Everyday life consists of the little things one hardly notices in time and space’
Fernand Braudel, ‘Structures of Everyday Life’, 1981)

If ‘next generation industries’ will always account for a small fraction of output and employment, what does the rest of the economy consist of? As this section will show, the rest of the economy is mainly foundational and altogether less glamorous. This ‘rest of the economy’ is often considered beneath notice, not just because it is everyday but because GDP and GVA metrics sustain the idea of growing one, undifferentiated economy while UK industrial policy (as much as in Swansea Bay) focuses on next generation and high tech.

In mainstream thinking there is one *economy* and the content and drivers of economic activity do not matter insofar as all marketable output is aggregated into GDP and GVA and the superordinate aim is growth in that quantum (more or less regardless of how it is achieved). Hence the endless boasts of Chancellors of the Exchequer that the British economy is growing faster, regardless of whether it is achieved by debt fuelled consumption: under Thatcher and Blair, housing equity withdrawal was larger than nominal GDP growth and drove unsustainable growth which had few benefits for those in the bottom half of the income distribution.

Swansea Bay’s ‘next generation industries’ fit into this GDP way of thinking because high tech industries are a kind of technical *deus ex machina* which (with a bit of state subsidy for large firms) will hopefully deliver output increases and jobs at the same time as their expansion boosts national competitiveness and performs a kind of ritual modernisation. This is the framing of the May Government’s national industrial policy as much as of Swansea’s city region deal.

The UK Government’s 2017 Green Paper¹⁵ on industrial strategy was trailed in a press release which promised that: ‘new “sector deals” and investment in research and development will support the industries of the future where Britain has the potential to lead the world – from electric vehicles to biotech and quantum technologies’.¹⁶ The only sectors explicitly included in the strategy were all high tech and next generation (like life sciences and ultra-low emission vehicles), where Britain was seeking competitive advantage against other countries.

Back in 2013 we realised that this kind of preoccupation with shiny novelties excludes most of the economy which is much more mundane. We wanted to argue for ‘everyday life’ as an

economic object, much as twenty five years earlier Braudel had argued for everyday life as an historical object. So, as researchers in the CRESC centre, we turned official criteria upside down and came up with the term foundational economy,

This denoted a zone of (public and private) goods and services necessary to everyday life and consumed by all households, usually produced by firms and organisations sheltered from competition, often because distribution depended on networks and branches which could not easily be replicated.¹⁷ It is straightforward to draw up a list of activities which meet these criteria (health and education, care, pipe and cable utilities, retail banking and supermarkets). And, when we counted the numbers, we found that these foundational activities typically employ 40-45% of the workforce. They also provide the welfare-critical infrastructure of everyday life.

But in regional research on Wales and sectoral research on textile industry survivors in the North of England, we began to work on sectors outside the foundational as we had originally defined it. These mundane sectors provided occasional purchases, accounted for a significant further tranche of employment and a large stock of firms; and, when tradeable, these sectors often bring in revenue from out of region. For example, there are 3,000 workers across Wales who make sofas mostly in quite small firms, almost as many as make steel in Port Talbot.

The other issue was that the activities in the original category of the foundational economy were bracketed together as essential daily purchases, but they were in other respects diverse in terms of funding and business model. This diversity had created different possibilities in the last generation and required different approaches in the next generation. For example, the pipe and cable utilities had been privatised because they had a revenue stream from billable households; whereas adult care had been outsourced to private providers and remained mostly reliant on tax revenue rather than directly charging all clients.

So, we now wish to discriminate between a material foundational economy of pipes and cables and a providential economy of state funded (but not necessarily state provided) welfare. And at the same time, we have now decided to push out the boundaries of this foundational economy approach to include a mundane outer belt of (sometimes tradeable) goods and services which are occasionally purchased and can be avoided by those who are cash strapped or of a puritan disposition. This may puzzle some of our readers and needs an explanation.

Political economy is not like physics. We have not expanded the definition of the foundational because we have made a scientific discovery which dictates that the foundational universe must always henceforth be defined to include an outer belt of the mundane. Provided the usage is clear, the foundational economy can be defined as core or core plus outer belt, depending on the aims of the analysis.

The important point is to be more discriminating about different kinds of activity within and around the core foundational because that will help policy engage specifics. Within this larger everyday economy, we now distinguish three domains.

1. ***The providential foundation includes income maintenance, free health services and care, universal primary and secondary schooling.*** These are the services bracketed as the 'welfare state' because since 1945 these services are all citizen entitlements. They are often outsourced and sometimes means tested, but usually free at point of use and therefore require tax revenue support. The immediate UK wide issue is the expanding demand for adult care with an ageing population and the absence of an adequate tax base because care was outside the original Beveridgean social insurance framework, which was in any case limited by its flat rate nature.
2. ***The material foundation is a built infrastructure defined since the mid-19th century by the pipes and cables connecting every house*** to the systems which make everyday life possible, safe and civilised. It includes utility networks of pipes and cables; railway lines and tarmac roads, housing (private and social), retail banking and food supply through chain distribution and branches. These activities all have direct revenue streams from billable households; and there is therefore a political choice and moveable line here about whether this infrastructure is to be a source of social asset or private profit. These activities have typically been highly capital intensive so initial construction typically relied on state funding; if subsequently privatised (as classically with BT) the result is cherry picking of customers and rationing of investment.
3. ***The outer belt is a mixed bag of mundane, occasional, postponable purchases like holidays and haircuts*** (not daily continuous necessities like food, electricity and water). Of course, we have citizens who cannot afford a sofa or to take a holiday from work, but their condition violates the cultural norms of our society. The list of occasional purchases culturally defined as necessities expands over time: for example, a central heating boiler, system and annual service was a middle-class luxury in the 1960s and non-descript universal necessity by the 1990s. The activity categories here include: cafes and restaurants as well as tourism and leisure more generally; clothes and soft and hard furnishings; and maintenance of all kinds including body maintenance like hairdressing and gyms, plus house maintenance through professional and DIY repair and upgrade.

These are the economies in Swansea Bay and what needs to work better for two welfare related reasons (neither of which is incorporated in GVA and GDP).

- On the household demand side, the quantity and quality of foundational services from the providential and material foundational economy is a major driver of welfare for every household in Swansea Bay.
- On the service supply side, the two core foundational domains and the outer belt completely dominate waged employment in Swansea Bay. Together the three domains account for 70% of employment in Swansea Bay, with 35% in the

providential, a more modest 15 % in material infrastructure and another 20% in the outer belt.

If we put these two aspects of the activity together, it is clear that the foundational economy is crucial because that is how household welfare is generated and distributed in Swansea Bay.

In understanding the detail of this process, we can observe significant local variation in the relative importance of the three domains as employment generators, as shown in tables 3 and 4. These reflect the joint play of local specificities and the more systematic influence of general drivers of employment in different localities.

Table 3: Numbers employed in the domains of the foundational economy in the Swansea Bay City Region and its sub-areas

	Material FE No.	Providential FE No.	Outer Belt No.	Other No.	TOTAL No.
Aberavon	4,460	9,090	4,820	14,140	32,510
Carmarthen East and Dinefwr	4,770	6,470	4,485	4,675	20,400
Carmarthen West and South Pembrokeshire	5,155	12,870	10,315	6,460	34,800
Gower	3,310	5,455	5,525	4,435	18,725
Llanelli	5,665	8,535	5,180	8,690	28,070
Neath	3,100	5,880	3,555	3,840	16,375
Swansea East	8,445	19,080	7,105	11,100	45,730
Swansea West	5,715	16,900	8,465	11,425	42,505
Swansea Bay City Region	40,620	84,280	49,450	64,765	239,115
Wales	218,755	416,500	259,215	410,530	1,305,000

Source: Business Register and Employment Survey (BRES), NOMIS.¹⁸

Table 4: Share of employment (%) in the domains of the foundational economy in the Swansea Bay City Region and its sub-areas

	Material FE %	Providential FE %	Outer belt %	Other %	TOTAL %
Aberavon	13.7	28.0	14.8	43.5	100.0
Carmarthen East and Dinefwr	23.4	31.7	22.0	22.9	100.0
Carmarthen West and South Pembrokeshire	14.8	37.0	29.6	18.6	100.0
Gower	17.7	29.1	29.5	23.7	100.0

Llanelli	20.2	30.4	18.5	31.0	100.0
Neath	18.9	35.9	21.7	23.5	100.0
Swansea East	18.5	41.7	15.5	24.3	100.0
Swansea West	13.4	39.8	19.9	26.9	100.0
Swansea Bay City Region	17.0	35.2	20.7	27.1	100.0
Wales	16.8	31.9	19.9	31.5	100.0

Source: Business Register and Employment Survey (BRES), NOMIS.

Thus, Aberavon’s employment profile is different from other districts because it includes the Port Talbot steel works, which is more or less the last surviving, large single site industrial employer in West Wales. As for general drivers, the greater importance of providential employment in Swansea reflects how hospitals, FE colleges, universities and public administration are centralised in the larger towns of any sub-region or region. Swansea town is like a little Cardiff without the BBC and the Assembly.

It is also very clear that the activity drivers in major employment categories are the same across the different localities. The largest of the sectors by employment is always the providential and that is dominated by health and education with care close behind: health and education each separately account for 25% of providential employment. The other notable peculiarity is the importance of food and drink; nearly 30% of material employment is in retailing of food, fuel and drink and nearly 30% of outer belt mundane employment is in restaurants, take-aways and pubs.

1.3 The asset based approach to economic development

Asset (noun) (a) a useful or valuable quality, person or thing or (b) a valuable item that is owned (dictionary definitions of asset from freedictionary.com)

There is already a school of asset based community development (ABCD) concerned with empowering neighbourhoods. ABCD is distinctive because it rejects stereotyping of ‘failed communities’ as deficient and argues that empowerment comes from building on the assets they have.¹⁹ The group of researchers developing the foundational economy concept now argue that this approach should be adapted to the different task of revitalising what people talk about as ‘the Welsh economy’.

Asset based community development (ABCD) has up to now been practised as a method of community organisation which seeks to focus and build on the assets/strengths of a community rather than deficits such as low incomes, poor health and low educational attainment. This process often begins with an attempt to understand what people value and are motivated by and is followed by a process of building confidence around individual and

community strengths and agency to create change. Relatedly, the co-production movement advocates professionals and citizens working as equal partners to commission, design, deliver and evaluate public services drawing on the distributed knowledge and energy of citizens and communities.²⁰

The emphasis in all of this is on building indigenous capabilities which already exist at some level with the aim of increasing the well-being, prosperity and autonomy of individuals and communities. Some Welsh housing associations, such as Coastal, are moving towards an ABCD approach of working with their tenants, as are regeneration practitioners and community organisers.

Our argument is that this approach can be transposed to what the WG thinks of as economic policy to develop something that can be termed Asset Based Economic Development (ABED). In explaining this move, we can begin by reflecting on the definition of an asset and explaining how an asset based approach to next generation industries in Swansea Bay would be different from what is envisaged in the current plan.

As the opening definitions indicate, dictionaries give two standard definitions of an asset which is both something useful and something controllable: an asset is both a useful quality, person or thing and it is a valuable item that is owned or controlled by a person or organisation. The problem with policy makers in Swansea Bay is that they commendably want more of the useful and valuable things that high tech brings without paying careful attention to the systems of ownership and control which are necessary to ensure that the value does not leak elsewhere.

The inattention is most obvious in their approach to the lagoon. The consortium behind the lagoon (which includes footloose multinationals) makes much of how Andritz Hydro will manufacture the turbines 'from mainly British components' and 'machining and pre-assembly of the turbines will take place at the Turbine Manufacturing Plant, a new purpose-built facility in the Swansea Bay City Region'.²¹ The Andritz Hydro web site claims the publicly quoted firm is 'one of the leaders in the world market for hydraulic power', headquartered in Vienna with 25,000 employees operating from more than 250 sites in 40 countries.²²

In this case, what Wales is getting may not be a new industry but a fabrication shed or, more exactly, one of Andritz's many fabrication sheds. If the lagoon depends on large public subsidies, Welsh government should be asking hard, value chain questions about how much of the production and design function will be located in Wales. Especially if, after the Swansea pilot, the main construction sites are elsewhere and there is no Welsh based corporate business with integrated design and manufacture capability.

And, in return for subsidy, the Welsh government should surely insist on some form of corporate organisation so the fabrication shed is held in a special purpose vehicle company where Welsh government holds a golden share that allows it to block change of ownership

or impose conditions on change of ownership. Because that is the only sure way of getting any say about the strategic changes which would almost certainly follow if GE or Siemens was to acquire the Andritz fabrication shed.

This kind of approach to value capture and retention could only be applied to large prestige projects and there are practical limits to what the Welsh government can own and control. Hence the importance of indirect control by embedding the high tech which Welsh government sponsors in grounded firms and resource based activities which will be mainly foundational.

Instead of life sciences or materials sciences which are mobile, what about precision agriculture which uses digital technologies to adjust input and time harvest according to variability within and between fields.²³ This is highly relevant to Wales which is not a country of extensive prairie agriculture. What about applying precision techniques in Swansea Bay to Pembrokeshire new potatoes, which would build up a particular arable expertise exportable to other potato growing areas. Why not transpose the precision approach of individual animal monitoring to pasture improvement in the Towy valley where there is the same basic problem of adjusting practice to variable conditions and large scope for improvement on small farms?

Why not reinvent the old Aberystwyth Plant Breeding Station as the Swansea Bay Precision Agriculture Institute, with the Welsh Government seeking complementarity with Harper Adams²⁴ and other UK players now moving into the field? Why is it left to the US Department of Agriculture to discuss the issue of how small producers can benefit from precision if they share the initial cost and information about how to use new digital technologies?²⁵

The implication is that the problem in Swansea Bay is not the pursuit of next generation industries but the exaggerated hopes attached to them by policy makers who are at the same time not planning in a hard-headed way for value capture from these activities.

High tech in the form of next generation industries may not generate lots of jobs for inventors and early adopters but it is worth having because it is a carrier of user knowledge. Society depends on complex systems where knowhow is crucial to the operation of the systems and materialised in machined metal, algorithms and the advice of a contract lawyer. Knowledge is an economic and social asset in the operation and development of complex systems and much of this knowledge is transferable and adaptable between systems. Otherwise, we must summon service from Germany or dial help from California.

It would be possible for the existing political classes to recognise all this and develop an asset based approach to next generation industries within the frame of existing policy making. But, if we wish to apply an asset based approach more broadly to the foundational economy, it is necessary to recast our ideas about top down policy making and commit to radical social innovation.

Radical social innovation (RSI) as advocated by Roberto Unger begins with a critique of the status quo. It recognises that there may be no single best policy applicable in all contexts and that the ability of the political classes to design effective policy from the centre is limited. Therefore, effective change needs to be participatory, imaginative and often involving new processes or partnerships. RSI requires experiments that are built on local specifics and distributed expertise, while allowing learning, development and upscaling.

Existing Welsh Initiatives which incorporate some RSI principles include Homes as Power Stations in NPT, Cymru Well Wales and the Welsh Government Better Jobs Closer to Home initiative. Our approach is to build on these foundations and create policy making processes which are more localised, participatory and experimental; and to mobilise political resources to overcome inertia and resistance.

1.4 Who does what? State and non-state actors

'The state is best understood as a protection racket' Charles Tilly

Academics love elaborating distinctions almost as an end in itself. But the distinction between the providential and the material components of the foundational economy is of considerable practical importance because it helps us to understand what the role of the central and local state was, is and could be in these two domains. If we then understand the constraints on Welsh government policy, we can see the need for a different practice of radical social innovation with Welsh government in partnership with non-state institutions and active citizens.

Tilly argued that the state is a protection racket because a key role of the modern state is to eliminate threats to the population. He was mainly concerned with how modern states eliminated the threat of local and external violence to the population; and so his history ends in the 1830s with the introduction of modern police forces in large cities.²⁶ But there is another sense in which there is a step change after 1880, when the state takes responsibility for managing the threats of unemployment and infectious disease.

If state protection takes a benign turn after 1880, the distinction between the providential and material foundational economies is important because the two domains present different chronologies of innovation. They also represent different forms of cost recovery and different possibilities for constructive intervention by the local state and non-state actors, including intermediary institutions like housing associations or the Federation of Small Businesses Wales, backed by engaged citizens.

Let us begin with some history. Before 1979, the central and local state were key enablers of foundational provision in providing investment funds for capital intensive material infrastructure and (after 1945) revenue support for providential services. The requirement

for state funding is inscribed in the technical and social nature of these foundational activities.

Material infrastructure, like piped water, distributed electricity or mast-based mobile telecoms, is capital intensive. Or, more exactly, it is capital intensive if it involves connecting every household/ or making connections available to say 90% of households with guarantees about quality and continuity of supply. The state can accept very long run cost recovery from households and cross-subsidise; in contrast, private investors requiring double digit returns on capital will cherry pick projects and areas.

If access to providential services is the mark of citizenship, so the providential state must take social responsibility for citizen access. Or, more exactly, in historical perspective this obligation dates from 1945 and will last until that post-war settlement is upended or substantially eroded. Even with means testing and outsourcing for cost reduction, these state services require heavy state revenue support because many users do not pay directly for services like health, education and care.

After 1979, state capital funding for social infrastructure was switched off and, since 2008, the central UK state has increasingly failed to discharge its key obligation of revenue support for the providential. At the heart of this current problem is the Treasury, whose commitment to austerity tax funding under successive governments reflects political timidity and an absence of financial imagination.

This Treasury view increasingly constrains foundational provision.

- The Treasury is not raising the tax income to provide revenue support for the providential foundational economy. It is now nationally failing to raise revenue in the UK, with inadequate funding then provided for core services in care and settlements in education which require service cuts.
- The Treasury is not raising cheap 5% capital for innovation in the material and providential domains. If there are constraints on government borrowing, the imaginative alternative would be replumbing/ disintermediation of pension and insurance contributions that are not earning more than 5% net after intermediary deductions. But this is not on the agenda.
- The Treasury has presided over privatisation and outsourcing, installing extractive high return business models in what should be inherently low risk, low return foundational activities like care and utilities. The Treasury is in denial about all this, rather than sponsoring the imaginative alternative of the regional taking back of pipe and cable utilities on the French or German models of re-municipalisation.

In many ways, Wales has escaped some of the worst of the Treasury's revenue squeeze and business model changes. In the utilities, Dwr Cymru is a good deed in a bad world and train franchising in Wales will last only as long as it is defended by Westminster; the financialised care chains control a modest share of Welsh residential beds. And in the years of austerity

cuts since 2011, the Welsh Government has had some success in buffering the social consequences of revenue constraint for health and education in the providential foundational economy while avoiding diversionary reorganisation.

But the Welsh government cannot escape the limits of its block revenue grant, and investment in material infrastructure is undermined by the near complete Treasury prohibition on borrowing. The willingness to exhaust those powers on building one short stretch of motorway across the Newport levels indicates also that the Welsh Government has a dismally orthodox and ineffectual set of generic economic policies about inward investment, infrastructure and skills, which are the same as those adopted in every other laggard EU region.

The implication is that we need to shift the imaginary of Welsh Government and Swansea Bay city region policy makers towards the foundational and then ask what can be done at low cost and in an innovative way to boost the foundational economy. This needs to be managed to create scalable experiments from which we can all learn and which meet the objective of drawing on expertise and on dispersed knowledge of local specifics.

If this is so, then government should one way or another always be a partner, but does not have to be the lead actor in a top down process. If it is the reorganisation of care or the mentoring of micro firms, then government should start by admitting it does not always know what to do, and that different models must be tried and evaluated. And in much of this innovation and experiment we would expect intermediary institutions, like housing associations, Colegau Cymru and the Federation of Small Business Wales to have a leading role in a process which also directly engages small businesses like family-run operators in care.

And there needs to be another dimension to partnership. The problem with Welsh Government and EU spending on infrastructure and skills is not only that it fails in its own economic terms to close the GVA gap, but also that it fails politically because these expenditures do not earn the gratitude of voters. The point was nicely established by the 62% vote for Brexit in Blaenau Gwent, after which one Ebbw Vale voter told a puzzled Nick Clegg: 'any monies we've received from Europe to be spent on our town, we've spent on the wrong things'.²⁷

Right across South Wales political disillusion is now as much of a problem as economic underperformance; and this should be an issue for all parties, not just Labour which stands to lose immediately from the weakening of old identities and loyalties. The implication is that Swansea Bay needs not only new policies, but a new practice which engages ordinary citizens and community organisations in 'spending money on the right things' and then enrolls them in pressing the case for implementation.

The end result would be less like economic policy as Swansea Bay knows it through the City Region's 11 projects and more like the kind of social innovation as envisaged by Roberto Unger who insists that will only happen against resistances if there is political mobilisation.²⁸

More precisely, this would be about reconnecting with community after a period when economic and social policy have been seen as separate and treated differently, and where the operation of the polity has been taken for granted.

We see the challenge of building participative communities and of nurturing the foundational economy as deeply interconnected. If it is about citizen needs and preferences and the ecology of (mainly small) businesses, so we should involve citizens, communities and intermediary institutions in all stages of the policy making process from problem framing to implementation and evaluation. And the goal is a double or triple dividend which is social and political as much as economic.

The Welsh Government is currently thinking about 'what next' after its Communities First programme. So, this is a good moment to think about new kinds of community-focused and community-led initiatives that can blend the constructive approach of ABCD with ABED by moving away from a focus on the problem 'poverty' to linking every local community and foundational economy.

1.5 Foundational principles

In the first section of this report we have argued that policymaking should focus on the foundational economy in a way that builds on existing assets and strengths; such policy making should accept that economy, society and polity are interconnected; and government should develop economic policy interventions in partnership with a range of non-state actors and involve ordinary citizens.

Collectively policymakers, politicians and non-state actors would have to make a major shift because this approach departs fundamentally from orthodox economic policy for laggard regions and broader assumptions about competitiveness and GVA as measure of achievement. This shift will only happen if policy makers recognise first principles which are both common sense and very radical.

- *The aim is 'citizen lives worth living'* which means better lives for households in terms of increased agency and capability, supported by goods and services from a reorganised foundational economy; this is not about making jobs and growth of marketable income (GVA) the superordinate goals.
- *The lever is to 'recognise what's there, enable what's there and build on what's there'*, where this approach is to revalue and develop the grounded assets already in place; this is not a fantasy of focusing on attracting mobile resources like inward investment.
- *The method is 'learn from experiment'* because in areas like micro firm support or care reform we start by not knowing what to do and must draw on distributed social

intelligence about specifics; this is not about a controlling centre which imposes a template, but an enabling centre which sponsors change.

- *The working assumption is 'social value comes from politically mobilising different actors to work together'* because we must go beyond stereotyping the private sector as wealth creating or the public sector as value consuming or the third sector as virtuous; this is not about top down policy but about effective action after coalitions of disparate forces have been mobilised.

From these first principles, we have developed an outline strategy for the asset based development of the foundational economy in Swansea Bay City Region in Section 2 of this report. The content and style of the strategy is very different from the mainstream idea of economic policy in the UK, which involves a few privileged interventions by state actors for clear technocratic objectives. Thus, the standard model of regional policy is state funding of infrastructure and skills to make the internal travel to work market function better and attract mobile inward investment.

If the only tool you have is a hammer, everything looks like a nail. Thus, mainstream economic policy makers know what to do because their problematic specifies privileged interventions. Much the same point could be made about red or green policy making which again starts from particular interventions: thus, the old left favours state ownership regardless of sector specifics which make the integrated giant firm irrelevant in some cases; the bright greens favour low carbon solutions even if they are socially unjust as, for example, when waste recycling relies on sorting by ill-paid, casual labour.

In contrast, as Schafer et al. argue in their working paper,²⁹ the foundational economy approach does not start from fixed ideas about a privileged form of sectoral organisation or a privileged scale.

- On organisation, that depends on sectoral circumstance, history and current conjuncture; so, we can envisage sectors combining state actors of different sizes, for-profit and not-for-profit providers; formal and informal organisations. None of these forms are inherently good or bad: the Welsh have a sentimental attachment to co-ops but we know from North Italian experience that, with austerity cuts, not-for-profits can become very effective agencies of self-exploitation.
- On scale, there is nothing inherently virtuous about the local or regional scale which necessarily brings decision making closer to the people. Local systems can be unjust, inefficient and unsustainable, depending on the actors and agendas who are empowered; and the attempt to stop leakage of purchasing power from a narrow geographic area may have limited broader benefits. Community is not the principle of all worthwhile politics and economic action; community is something that has to be made and remade into a more just and participative form.

This means that the details of policies are a matter for political discussion, experiment and sponsorship. We cannot start by knowing what to do but we start from an inventory of assets and a commitment to building on what we have, repurposing for broader objectives and rebuilding what has been laid waste.

A corollary of this is that the following strategy is unorthodox because, in contrast to most policy reports, its main purpose is not to produce a list of recommendations for Welsh Government for how it can run the show from the centre. While our strategy focuses on the SBCR this proposed new role for the Welsh Government has implications for the whole of Wales.

Our emphasis on developing local and regional experiments in participatory economic and civic development means that our recommendations for Welsh Government are focused on encouraging it to act as a facilitating and capacity building partner in local or regional level experiments and to create the national level structures which effectively support and incentivise local experiments, and can then disseminate learning and scale up successes.

(2) Doing asset based policies in Swansea Bay

2.1 What to do

In this second half of our report we tackle *doing policy* by building on the foundation of local experiment and disruptive ideas which we learnt about through interviews in South Wales in spring 2017. Put simply, our pitch now is: let's come together to do some creative things on a small scale (but with a bigger vision), see what works and then do much more.

The asset based approach is not just about economic policy: our vision is of a move towards a new constitutional settlement which sets out the social rights of citizens to welfare critical goods and services, and the responsibilities of public agencies and private businesses that have the social licence to produce such goods and services.

This shift would see GVA as the central objective and indicator of economic policy replaced by a dashboard of indicators measuring economic activity, wellbeing and sustainability.³⁰ Change of this sort can only happen where there is a strong political consensus and self-confidence in an asset rich society which has, over time, built up the capabilities of ordinary citizens, civic organisations and small business.

To reach that point we need to start by doing some relatively low-cost, low-risk useful things which build up local assets and capabilities and provides citizens with better foundational services, as well as decent jobs and business opportunities. This is what directly replaces GVA and jobs as the focus of policy.

In doing this we would through practical experience develop the new institutions, skills and cultures which are necessary for effective participatory and bottom up policymaking and politics. This process would also tie political classes and citizens together around specific promises of delivery, sustaining ongoing conversations and building wider participation.

These intermediate goals are the overarching objectives of foundational strategy. In this report, we consider how to achieve these objectives by focusing on three key areas where we have complex and urgent problems. This is also where experiments can improve the quality of life for large numbers of Swansea Bay City Region citizens and can reach groups that more orthodox economic development policies cannot.

- First, building the productive and market capabilities of micro firms and SMEs. Wales has a missing Mittelstand and 200,000 micro firms account for 33% of total Welsh employment. If effective small business support can be developed, we can positively influence the lives of large numbers of Welsh citizens and create decent jobs while supporting the growth and shaping the culture of the next generation of medium sized grounded firms.

- Second, reorganising adult and child care, which employs 6% or more of the Swansea Bay City Region workforce, in order to improve the accessibility and quality of what is an essential providential foundational service. This would also provide better quality jobs and careers and make the system as a whole more financially sustainable. In this way, it is a sector in which intervention can achieve a triple dividend of economic, social and political benefits. Care is a huge opportunity to extend our civilisation in 2017 as Nye Bevan did with the NHS in 1947; and the disorganisation in adult care (domiciliary care and residential) make this the low hanging fruit of the foundational economy.
- Third, experiments in building and repurposing community hubs so that for the first time since the 1970s, we invest in civic infrastructure with a social and political, not cultural, agenda. Rebuilding civic infrastructure is important because we must broaden the narrow technocratic definitions of economic policy and rebuild the associational foundations of economic and social action which depends in the short run on mobilising existing state and non-state actors but in the longer term requires more political self-management.

Foundational policy must start from a choice of spheres of action and then engage with sector specifics (rather than offer generics like cheap finance). There are other areas where experiment could be started. For example, in food we could extend experiments in linking up local producers with regional purchasers in education, health and care and begin to pressure the supermarket chains for fair price sourcing on Welsh products like milk and lamb. Or the focus could be on the tired and underinvested end of tourism which does not stylishly cater for young active tourists, tight budget families or affluent baby boomers.

If these possibilities do not figure below, that is not because we think they are unimportant or lack potential. Whatever the starting point, as we develop capability in asset based foundational policymaking and delivery in Swansea Bay City Region, as well as political consensus, strategy should be expanded to encompass more areas and cross cutting issues like procurement. And the different starting points converge, as with small business support and food, because business support must engage with food processing and agriculture. The important thing is to start somewhere in a learning frame of mind.

2.2 Mobilising to catalyse change

Our overall message is that policies should be and can be more participatory and bottom up if political processes and structures are reworked to allow more deliberative outcomes. However, in the first instance the initiative must come from lead institutions and organisations who have both the resources and the adaptability to kickstart change and lead mobilisation for foundational economy interventions. Organisations are reservoirs of capability and we must tap that capability as it already exists in the Assembly, in government offices, quangos, civic membership organisations and business of all kinds.

Of course, what we are asking is not something Welsh Government or Local Authorities have traditionally done and so developing the structures and skills necessary to work with non-state partners to facilitate local experiments, learn from them, disseminate learning and scale up successes in an environment of continued budget cuts is going to be challenging. The good news is that in Swansea Council's Poverty and Prevention team and Welsh Government's Open Innovation project we have two examples of ways of working from which important insights can be drawn.

The Swansea team and the Innovation project both had many positive aspects: the programmes were experimental and the risk of failure was accepted; the officers in charge were given a broad goal and considerable freedom in how to achieve it without being coshed by key performance indicators; programmes were supported by senior managers and political leaders; in both, government worked with other partners in a facilitative (not necessarily directive) role.

Here are some possible ways Welsh Government (WG) and Local Authorities (LAs) could seek to build further their capability to do the kind of policymaking we have argued for in this report:

- Provide education and training to officers, especially those in economic development, housing and regeneration, covering asset based approaches, foundational economy analysis and social innovation. Develop civil service and local authority networks to support shared learning and knowledge transfer.
- Seek to expand a culture of constructive challenge within WG and LAs which encourages creativity and innovation by giving external organisations and internal teams a formal 'critical friend' role in the policymaking process from signing off initiatives to evaluating outcomes. Encourage joint ownership.
- Set up a support function for LA and WG departments to set up 'skunk works'-style project teams combining civil servants and outside experts/citizens on experimental policy development and delivery. Because that is how large siloed corporates, like Lockheed or Fiat, get innovative product quickly.
- Seek to improve the dissemination of learning and good practice across LAs and WG by giving some branch of WG that formal responsibility.³¹ Develop the Institute of Public Policy Wales around a policy innovation brief.

Non-state organisations that have the political motivation to mobilise for foundational economy interventions should start by drawing up an inventory of the resources they could contribute. On housing associations, for example, the list would include not only their financial leverage on SMEs through procurement but a much wider range of physical resources and intangible skills. Based on our interviews with leading figures in Welsh housing associations, they could do the following.

- Bring forward sites and buildings that can be used to enable start-ups/work space/green space improvement/community hubs.
- Deploy skills to mentor/support community groups/partners/small businesses

- Bring capacity to lead consortia funding bids/partnerships especially with community groups/social enterprises who struggle with fundraising/tendering and the complexity of public service commissioning.
- Understand the skills and strengths of tenants and community members and connect people and communities to opportunities - taking notice of where gaps exist and taking a proactive role in working with partners to develop local solutions.

We do not have such a clear idea of what other organisations like FSB Wales could do, but in each section below we have identified some key institutions and actors which prima facie could be involved and would be well placed to lead on the experiments we discuss. We would emphasise that none of these organisations have signed up for change; and change will only happen if some of them form a coalition of the willing.

2.3 Building SME and micro firm capabilities

In *What Wales Could Be* in 2015 we argued that industrial policy should be reoriented away from competitiveness and attracting inward investment. Instead it should focus on developing the capabilities of firms already in Wales and grounded in their region by ownership, workforce or supply chain; the policy object should be not the individual firm but the stock of firms and the ecology of the sector or sub-sector within which these firms operate.

In orthodox terms, the problems of micro and SME firms are framed as a finance gap whereby a lack of accessible and reasonably priced finance holds back growth; the assumption is that more, faster growing SMEs would solve our problems. But this is at best only part of the picture. The finance gap framing does not take into account that many small and micro firms are not greatly interested in growth and are averse to taking on external debt which greatly increases risk of business failure in any down turn.

In Wales, there has also been much heated discussion of the inadequacies of Welsh Government (WG) business support. Undoubtedly, business support and economic development functions are too centralised and compartmentalised in Business Wales and WG respectively and interviewees reported that Business Wales is SME-unfriendly and constrained by the requirement to meet output targets. As we have previously argued, the proposed Development Bank is a dysfunctional response to these problems, which mainly meets the requirements of private equity for investment outlets.³²

Against this background, we suggest that the main effort should go not into reform of external finance but into adopting an asset based approach to building capabilities in micro firms and SMEs, recognising that many prudent small businesses are risk averse and experience significant constraints in terms of their internal capability or their surrounding ecology. And policy makers should not be growth obsessed: a small, stable firm embedded

in a community is already a great asset and its owner manager does not exist to meet the policymaker's requirement for growth.

To symbolise the change in official mentality, the WG should create an Oscar's-style award by for small business and give the first life time achievement award to a firm like Llanelli's Jenkins Bakeries which employs 300 profitably in speciality baking for 29 branches in places like Burry Port and Briton Ferry where it invests and pays its taxes on profit; and afterwards ask the Jenkins family what the plans are for ownership transition to underpin its well-developed business model.

What could be done more generally for micro firms and SMEs? At a regional and local level Swansea Bay City Region firm policy should be to identify and build on the productive and market capabilities of the existing stock of firms; to devise new ways of supporting and creating opportunities for micro businesses and SMEs; and to set the narrow skills and training agenda in a much broader context while forging new partnerships and networks involving public and private actors.

From an asset based point of view, the individual firm is a reservoir of capabilities whose value and effectiveness depend on the surrounding ecology; a food processor may have all kinds of technical capability but these assets are worthless if a predatory supermarket imposes open book accounting to capture the margins (and thus removes any benefit from business improvements). And firms are embedded in networks which incorporate specific knowledge and personal relations, so that networks are an agency that can build and support capabilities within firms because they incorporate local knowledge and personal relationships.

The asset based questions then are: 'what can we add (beyond money) that will increase capability in a sustainable way' and 'how can we support the creation of a collaborative and networked micro and SME business ecology in which the environment makes individual businesses more resilient and capable'. And if the answers to these questions are complex and provisional, the starting point is clear. We need to begin with mapping the SMEs and then add network building which does not exclude micro firms.

What would mapping involve? The first task is to build a database mapping of existing SMEs in Swansea Bay City Region along with details about employment, growth, financing arrangements, profitability, stakeholder relations, family priorities, age of owners and managers. Then, use the database and local knowledge from public and private actors to create a classification system, not just about businesses with growth potential but an intelligence system about businesses close to or in ownership transition and businesses facing particular capability constraints.

This kind of mapping would break with the economists' preoccupation with allocating firms and establishments to industry sectors so as to define industry structure by region and how its changing over time. Instead mapping would provide a cross sector intelligence system so that continuity planning becomes possible if we can see, for example, how many SMEs have family owners seeking exit and how many have managers over 55.

Another way of viewing this is that mapping helps us break with an overly narrow definition of the 'missing middle' which simply defines those group of firms by turnover or number of employees. From a local asset point of view, the virtue of a Mittelstand is that it has family owners and professional managers who are embedded in regional economy and society. Medium sized firms are intellectually interesting, grounded firms are a local economic asset.

This kind of mapping analysis can be then used to inform and target support. The process could be led by the local authority but needs to be co-produced with the local business community and organisations that work with them to create networks which are focused not just on occasional instrumental intervention but continuing support and learning.

Wales already has a prototype of a simple top down network in the WG Open Innovation programme, which connects large Welsh companies with Welsh SMEs working in related sectors, building relationships and supply chains to create a more networked and collaborative business ecosystem. Elements from this model can shape the development of a more networked and collaborative business ecosystem in the Swansea Bay City Region.

On a local level, larger businesses and other organisations should be encouraged to set up business networks or clubs, working alongside and learning from those which are already operating successfully. One interviewee talked of how the firm Continental Teves ran a monthly business networking meeting in Blaenau Gwent and another talked of wanting to set up a business club in Swansea for socially entrepreneurial businesses. Here again there is something to build on.

If the organisation is the individual reservoir of capability, the network is the fundamental unit of advance. So, we need more experiments in network thinking and cross fertilisation, to apply to engineering and food processing some of the imagination of the cross-organisation partnership behind the Local Area Coordinator programme in Swansea and the Local Community Coordinator programme in Bridgend.

With projects having run for between 3 and 11 months, an independent evaluation found that 'coordinators have established extensive networks of resources and supported individuals across sites with links between sites already starting to emerge involving over 305 individuals and over 1,200 connections.'³³

We need to learn more about how we can measure such resilience and its effects, and understand the conditions under which it is achieved; then it is possible to think about the potential for scaling up.

What about piloting a Local Economy Coordinator post with the purpose of building relationships with micro and SME business, building supportive connections and networks between businesses, and providing a single point of contact for all available support from local authorities, WG and other organisations?

This would facilitate the development of the kinds of relationships and specific knowledge that can inform the effective design and targeting of interventions. This pilot could draw on learning from the Enterprise Facilitator schemes, which are based on methods developed by

the Sirolli Institute, currently running in Blaneau Gwent, Merthyr, Bridgend and Torfaen.³⁴ Local authorities, WG, FSB Wales and local Chambers of Commerce could all have a role facilitating and supporting these networks. It could also draw on the experience of Indycube which has developed a staff role called Connectors with the purpose of building awareness of and relationships between its tenant businesses to increase collaboration and sharing of expertise.

More broadly the Welsh health community have moved towards a 'health in all policies' approach, recognising the extent to which local economies shape population health. Therefore, Cymru Well Wales, a partnership of organisations advancing this health in all policies agenda, could be another important partner in this work.

The challenge for the network then is to go beyond ongoing support of owner managers who are often isolated. And here we would make three suggestions relevant to SMEs and micro firms. First, build capability in SMEs and micro firms; second, change the surrounding ecology so that firm assets gain value; and, third, refocus training away from its current narrow preoccupation with work force certification. And all of these needs to address micro firms as much as SMEs.

It can take as much effort to intervene in a small firm as a large firm, so government policy makers and money-making investors tend to have minimum size cut-offs or concentrate on firms with growth potential. This is reinforced by the preoccupation with adding finance (whether for social purpose or private equity profit) which again leads to minimum size cut offs; a small firm can support an owner manager who takes less home in a bad year but it cannot pay the salary of a professional manager and make cash payments on debt or equity supplied by an outside investor.

This was what we found in our research on textiles.³⁵ Outside investors generally have no interest in firms with £5 million turnover and 100 employees in the woollen and worsted cluster; but the larger firm sizes in carpets sustain one acquisitive PLC, private equity investment and several family owned, professionally managed firms. Like private angel investors, the WG ducks round the problem through its Accelerated Growth programme. This provides financial advice and sector expertise for firms with less than ten employees who have growth ambitions to get to fifty in five years.

Policy does not engage with many smaller SMEs and most micro firms, because these businesses are not suitable receptacles for outside finance and because the number and heterogeneity of micro and SMEs makes it difficult to understand them within a coherent framework and thus support effectively. The challenge is therefore to deliver a new kind of local business support, including micro businesses and other local actors in the process, building on the experience of existing practical small-scale experiments and bracketing the preoccupation with growth.

At a local level, Neath Port Talbot Council's economic development team runs the Innov8+ programme, which provides training, expertise and seed funding for micro businesses, and an Enterprise Club to assist people in the community who are predominantly out of work

and are considering starting their own business.³⁶ These projects provide models and expertise which can be drawn upon to build a support infrastructure that can better incorporate local knowledge and harness the energy and creativity of a broader range of actors.

With this aim in mind, here are two practical experiments in micro business support which could be developed in the Swansea Bay City Region.

- **A local authority employment/ apprenticeship agency:** There are many barriers to micro firms hiring their first employee, including cost, meeting legal requirements, setting up systems and processes and overcoming the emotional hurdles of trusting and being responsible for employees. Here local authorities could play a brokerage role providing micro businesses with employees (either permanent or temporary) using its HR, legal and operational expertise to reduce some of the barriers and risk for micro firms that can meet certain criteria.

Blaenau Gwent Council runs a project with partners which employs apprentices directly and places them with host businesses, rotating them to fill skills gaps and providing education with the local college. Likewise, the Cyfle Building Skills Shared Apprenticeship Scheme help employers in the construction industry who want to support the development of skills while working on regional contracts, but are not in a position to offer full term apprenticeships. The Scheme allows employers to take on an apprentice for as little as three months and provides apprentices with training and qualifications.³⁷

These are models that could be adapted to place apprentices and/or full time staff with micro businesses. Swansea Council is already a big direct employer of apprentices, so many of the organisational foundations will be in place. Further down the line in the development of firms there is the point at which SME owner managers hire their first line manager and again this is a time at which an LA employment agency could provide support.

- **Virtual SMEs:** The idea of a virtual SME is to support micro firms in the same or related sectors to come together to take on bigger packages of work. e.g. a builder, plumber and electrician could do whole house renovation or bid for an LA or NHS maintenance contract; or a group of childminders could come together to set up a nursery. The virtual SME needs a co-ordinator from one of the micro businesses and some kind of marketing like a website advertising the group's services. In doing this we need to gather learning from earlier initiatives - like ARBED - on the barriers to small and micro businesses collaborating and the continued challenge of ensuring WG and LA procurement is SME friendly and properly values community benefits.

Business support here would mean relationship building, business mentoring and training for the lead contractor, back office support, help in building a website and in marketing. An organisation like FSB Wales could lead on the supply side with

demand side support by housing associations which already have a stake in supporting the micro and small businesses in their supply chains and those run by their tenants. Indycube have been developing a closed online network for their tenant businesses to develop relationships and work together more and this model could be built on with provision of some kind of formal support for micro businesses to set up Virtual SMEs.

The aim should be to build the capabilities in individual firms. But it is important to recognise that different kinds of capabilities need to be aligned for cost recovery and profit making if a firm's assets are to have any value: productive know-how has limited value in a firm which cannot effectively market its products. And many small firms operate in sectors where ecological conditions set marketing constraints which they cannot shift and here it would be sensible to add market opportunity (not finance).

How to add market opportunity? Here is a practical proposal for experiment.

- **'One Council One Product' in Neath Port Talbot, Swansea, Carmarthenshire and Pembrokeshire:** Each Local Authority in the Swansea Bay City Region, along with partner organisations (such as FSB Wales or WG), should choose one or two products which they would support with technical, marketing and distribution capability (not direct subsidies or tax breaks), with the long term aim of supporting the development of a Mittelstand firm or producer co-operative in that product. Of course, an experiment cannot support every product but there needs to be some kind of proof of concept and learning, which other producers could then benefit from at a second stage.

This would be a variation of the Oita prefecture policy of 'one village one product'. We suggest that products selected should not be artisan or luxury but mid-market volume products. For example, business to business serving the needs of the Welsh NHS; business to consumer 'food with a story' like branded Towy Valley cheese or yoghurt and Pembrokeshire new potatoes or grass-fed meat.

The added marketing should not consist of ineffectual and expensive general adverts for Welsh produce but of political moves to secure a market. Local Authorities and WG should also be 'raising the ask' of supermarkets to ensure that food products are distributed regionally or nationally *outside* Wales as well as stocked in Welsh supermarkets. Similarly, the Welsh NHS and other anchor institutions across Wales should be mobilised to support one council one product efforts.

In some cases, the support could go to established grounded firms with a robust business model and potential. For example, a firm like Jenkins Bakery in Llanelli which has the proven capacity to make profitable sales in the smaller and less prosperous towns of the area. What would it take Jenkins to move from 30 to 60 branches, and what form of ownership at a point of transition would prevent it being bought out by a UK wide chain like Greggs?

If the marketing worked, in the next stage local authorities supported by Welsh Government should be looking to add investment to move one step up the value chain on a product with a market. For example, if processing capacity was added to Towy Valley dairy, mid-market cheese could be produced at scale in the area.

Finally, it is important to recognise that questions of power and exploitation are important in micro and small business ecosystems and foundational economy interventions should seek to identify and address imbalances on both equity and system resilience grounds. Firstly, there are often power imbalances and subsequent possibilities for exploitation between employers and staff in small business caused by any of the following: high pressure and low resource environments, an absence of HR and legal systems and processes and the informal and personal nature of working relationships. Here there may be a role for the Citizens Advice Bureau to do work supporting small businesses to improve practice in this area and for trade unions to work in partnership with others to develop union membership schemes for small business employees. Indycube, for example, are working with the Community Union to set up a union membership for their tenant small businesses and this is a model that could be built on.

Secondly, there are the power imbalances and possibilities for exploitation between small businesses and larger organisations (public and private) that they do business with which manifest themselves in issues like squeezed margins and delayed payments on invoices. Again, Indycube are working with the Community Union legal team to provide free legal support to members so that they can do things like chase up late invoices with a legal letter where otherwise they might not have had those capabilities. They've also begun providing an invoice factoring service to their members which allows them to sell their invoices to a third party who will chase them up for a 1.4% fee thus removing cash flow uncertainty which is often a challenge for micro and small businesses. These are innovative projects which can and should be drawn on and developed more widely.

The proposals so far are for new kinds of intervention which would expand the field of what's thinkable and doable as small business policy. But it is equally important to change how policy makers think about what they already recognise as policy issues. A good example would be training where WG has, like other UK policy makers, got fixated on workforce certification and does not engage with key issues like management capability in smaller firms and the need to revalue making and manual work.

The WG is committed to training in a very conventional way. The issue in the last Welsh Labour manifesto was creating 'the employability skills needed to get quality jobs'; and the current aim is to create at least 100,000 all-age apprenticeships in this term and to make Wales a country that 'gives equal esteem to vocational education'.

Workforce training is important and in the case of Swansea Bay City Region there are clearly opportunities around apprenticeships related to City Deal projects. However, it is important that apprenticeships do not completely monopolise the skills and training agenda and that we do not get into a frame where we train only workers, focus exclusively on training

authenticated by certification or, worse still, train workers ahead of demand to attract inward investors who never arrive.

What would a broader, more business relevant training agenda look like? Here are two proposals for very practical experiments: the first for revaluing manual work and developing a culture of making through providing workspace, and the second for upskilling micro business owner-managers where business-to-business support maybe more important than classroom learning.

- **Makerspaces:** Develop a large warehouse (or a number of smaller spaces) with space and tools for woodwork, metalwork, 3D printing, textiles and painting. Building Bloqs in Enfield is the pioneering example,³⁸ providing workshops and equipment rentable by the day for individuals/ small businesses that do not have the workflow to justify their own dedicated shop. This proposal can draw on the model and experience of the Fab Labs that have been set up in Wales but should include a strong focus on less hi-tech trades and crafts.

To begin with, start-up makerspaces could be sited with a limited range of machines in existing premises or in unused property, just as Building Bloqs started in an ex bakery shed on a shabby industrial estate. With Building Bloqs as an advisor, the aim should be to develop a longer term, purpose built network of makerspaces specialising in wood, metal or other materials. This means doing for the physical what Mark Hooper and Indycube are already doing for small business workspaces right across Wales.

Makerspaces provide a foundational way to revalue manual work and drive skill acquisition and use in a market facing environment, with the daily rent of workspace a test of seriousness. This project could be a partnership between Indycube (which has experience providing premises for micro businesses and is involved in the Pembrokeshire Fab Lab), housing associations (which could find suitable facilities), local authorities and FE colleges which could find a new opportunity for connecting training and businesses.

- **Training micro and SME owner managers:** This is difficult because owner managers or the one key line manager cannot easily take time off work to train. In Wales as elsewhere, university-run MBAs have few participants from small and medium firms; and on the supply side in further education, college business models dependent on large class sizes often do not fit micro business needs.

There is clearly scope and appetite for imaginative and applied business education delivered closer to small businesses. Better online/ distance learning in key areas like marketing, finance and HR might be specifically targeted at micro businesses. Beyond this training also provides a way to spread the values and culture of grounded firms and collaborative ecosystems and networks. One model of training which could be drawn on here is the Pop Up Business School which brings business

training to communities through housing associations or other organisations.³⁹ Equally a micro business mentoring programme could be effective, as could better marketing of new kinds of support through local networked actors such as community accountants.

Much of the above needs to be explicitly a matter of experiment and evaluation. How should teaching the 'how to' of micro and SME business relate to the practical experience of having set up a business? What is the role for peer group support as distinct from mentoring by more senior current and retired business owners and managers? What about linking business studies students with micro businesses? Is there value in developing and marketing a network of business support practitioners? Practical work in this area could be led by Swansea University and University of Wales Trinity St Davids, along with local FE colleges and the LAs.

2.4 Reorganise adult and child care

The care sector shows us how and why a preoccupation with next generation industries is self-limiting. If all goes well with the City Deal projects, the region adds 3% to its employment total from 'next generation' activities, where labour inputs are imported and service outputs produced. All kinds of care already employ 5% or more of the Swansea Bay workforce in providing the local population with a welfare critical service whose quantity is inadequate and quality is inconsistent. And so, we will in this section discuss adult care before turning to briefly consider child care.

In current media and political parlance, adult care (the largest component of care) is always described as a 'challenge'. With an ageing population, adult care is the challenge of the 2010s just as acute health was the challenge of the 1940s. And although a funding model for care access is now needed, that will not solve our problems about the escalating costs and the long term unsustainability of current care systems: Swansea City Council has forecast that, on the current trajectory, social services and education alone will exceed the total Council budget by 2024.⁴⁰

But, from an asset based point of view, care is an opportunity because we are doing care unimaginatively and we have the assets to do it better. Care quality is variable and often means highly standardised packages of biomedical care neglecting wider social needs. In homecare, this takes the form of rushed 15-30 minute visits on a rota; while in residential and nursing care, homes are getting larger and more institutional as the bigger financialised chains dominate rebuilding and for financial reasons build to a standardised, 65 bed model.⁴¹

Within this frame, care was outsourced a generation ago because the private sector pays lower wages and recent increases in the minimum wage have not reversed the long term squeeze on staff wages and conditions. Austerity cuts in prices paid by local authorities

across the UK have reduced margins so the financialised chain operators are threatening to close homes, but most Welsh operators are smaller independents who must silently suffer margin loss because they do not have any easy exit option.

And yet, Wales has assets in the knowledge and capability of the care workers and (usually small) businesses in care. From researching care, we know that established workers in the sector often go above and beyond the call of duty; and most employers see a care home or a domiciliary care business as way of making a living, not getting rich by upscaling. We also know that, in places like Solva, there are community based organisations willing to enter care provision.⁴²

From an asset based point of view, the question is how can local actors build on and redeploy these assets to deliver active management of the current crisis combined with long term thinking. Local authorities should sponsor innovation in the organisation and management of care by for-profit and non-profit providers with input from the care workforce, clients and the community while researchers and academics should advise, evaluate and feedback best practice.

In Swansea Bay City Region, key actors in experiments in social care could include but not be limited to the ARCH project, Public Health Wales, Cooperative Wales, housing associations (particularly those which have care activities) and professional associations such as the Association for Directors of Adult Social Services (ADASS).

The care workforce and progressive employers are the key asset that experiments in social care should seek to support and empower. Interventions should depend on local specifics and the knowledge and creativity of local actors, but can be based on some overarching principles.

1. *Recompose the typical adult and child care role* to include para-social, para-medic, mixed age activities to improve quality of care and increase pay, include more role development and training. If done for the 5% of Welsh workforce employed in adult and child care, we can raise many families out of in-work poverty and reduce related costs.
2. *Develop new commissioning and business models* for adult social care which go beyond the typical 60 bed residential/nursing home care and fixed 15 or 30 minute home visits in domiciliary care.
3. *Support individuals to remain connected to their communities* and sustain their capabilities and wellbeing as part of a preventative agenda. Contribute to building a new narrative around ageing that challenges ideas of inevitable decline and worthlessness. This could involve older people in in a range of roles, including providing more opportunities for them to volunteer and work in their communities.
4. *Encourage integration, communication and coordination not only between health and social care systems* but also between formal and informal care systems. Part time community carers could be rewarded innovatively in ways which would be meaningful such as rent or utility bill rebates.

5. *Develop, discuss and collectively agree a social contract* which lays out individual, community and government rights and responsibilities for care in Wales.

With these overarching objectives in mind, here are three practical experiments that could be developed in the Swansea Bay City Region.

- **Experiment with reorganising domiciliary care:** Domiciliary care roles could explicitly include elements of social work and community nursing (e.g. diagnostic skills with an understanding of medication plus social sensitivity) with domiciliary care workers supported by the necessary training and integrated more into GP, hospital and social work systems. This would allow domiciliary care workers to be taken off fixed rotas of 15-30 minute visits (sometimes with unpaid travel and zero hours contracts) and given casework in geographical patches with an expanded remit to ensure that biomedical and social needs are met. This could allow a broader range of possible interventions, including supporting access to community services and activities and organising social activities for groups of social users.

Experiments on these lines address Welsh Labour's manifesto commitment to 'limiting zero hours contracts in social care and work with the sector to raise the prestige of the profession.' The Local Area Coordinator programme provides a model from which this reorganisation could draw from and build upon. At a national level, Locality's new report 'Saving money by doing the right thing' sets out an exciting vision and a strong case for radical reform of public services like domiciliary care, which should inform experiments in Swansea Bay City Region. These sorts of improvement should be accompanied by building career progression routes from healthcare worker to nurse or occupational therapist, and to doctor or to healthcare manager.

- **Borrow to build as landlord with new care models:** Building and rebuilding is a longer term project than reorganisation of domiciliary care. But it is crucial because the form of accommodation determines much of what we do and how in the provision of residential care.

If WG cannot borrow to build, then what about asking housing associations? And if some housing associations are already over borrowed on the capital market, what about building residential homes with diverted Welsh pension fund contributions or insurance premia; after intermediary deductions in the City of London, most Welsh pension funds are not earning more than 5% net.

If social landlords with 5% capital can build, they could be more imaginative and break with the blockhouse hotel-style format determined by chain business models. Swansea Bay could have experiments with smaller Green House style shared houses or mixed age care environments.⁴³

Once facilities are built, grounded and responsible social care firms (with a variety of ownership models) could be contracted to operate facilities; thus, using the common

op-co/ prop-co division for a social purpose. Finally, reducing the cost of capital from the 11% expected by the big providers would allow more of the weekly cost of a bed to go to labour and/or reduce the overall cost of residential/nursing care.⁴⁴

- **Bring informal carers into the health and social care ecosystem:** The social care sector finds it difficult to recruit and retain carers and it is increasingly competing with other sectors. Staff turnover is often running at 30% annually and interviewees reported cases where a supermarket had opening and a local care home lost most of its staff; and cases of staff going off to work in the NHS which pays better.

Here there is an opportunity to find ways to incorporate informal carers into the care system to relieve staff shortages and provide them with training and support for their own care responsibilities. There are 384,056 people providing unpaid care, some 12% of the population, and the imputed value of such care is estimated to be £8.1 billion.⁴⁵ At a micro level, could someone already caring for a parent or child also provide low level community care to two or three people in their local area but also be better supported with their own care responsibilities in a way that was integrated with and supported by the broader health and care framework? Of course, there are risks around exploiting informal carers and undermining care as a profession that we must be aware of and avoid.

Child care presents a different but related problem. The huge rise in the demand for paid childcare is not driven by demographics but by policy as we have tried to solve our problems by creating jobs for everyone and driving up labour force participation. But, from an asset based point of view, this is an opportunity not least because this is a chance to think creatively about the format of care. For example, mixed age care in which children and older people are cared for in the same space allows intergenerational exchange and caring relationships to develop.

The WG commitment to providing 30 hours of free childcare a week creates a guaranteed demand which could encourage larger corporate operators to move into the sector displacing smaller local providers. This is a process that has already taken place in residential and nursing care across the UK and has led to the financialisation of large parts of the English care home sector under chain providers.

If this is the threat then the opportunity is to use the childcare pledge to support local operators and to reorganise the sector in such ways that it provides quality employment and care in a sustainable way. Some LAs, including Swansea, have been selected as trial areas for the childcare pledge and the Cabinet Secretary for Communities and Children has given them a considerable degree of flexibility in terms of how the provision is organised, creating good conditions for a few imaginative pilot projects in the area.

Childcare is one of the most popular courses in Welsh further education and there is a surplus in the supply of trained child carers. However, child care is a minimum, not a living, wage job with limited opportunities for career progression. Cooperative Wales and LAs could support groups of experienced child carers to set up their own businesses or co-ops to

meet extra demand and help them find suitable premises in local schools or community centres.

There needs also to be a career route for some from childcare into roles as primary school teaching assistants and teachers. FE colleges could provide on the job education for groups of experienced child carers to gain the academic qualifications needed to make these transitions over the medium term. The childcare role could also be linked up with health provision to raise skills and wages e.g. child carers supporting health visitors and GPs as part of a community health framework. Raising wages and prestige of childcare and providing career progression opportunities is strategically important as an important lever to tackle working poverty and increase gender equality.

The Social Services and Well-Being (Wales) Act requires 'the promotion by local authorities of social enterprises, co-operatives, user led services and the third sector in the provision in their areas of care and support and support for carers.' While not-for-profits should be encouraged, this clause should be broadened in the case of childcare to include Welsh micro businesses and SMEs.

And the requirement should be strengthened to give LAs a duty to appoint one of these providers or give reasons why they cannot. If that is not legally possible, then the procurement framework should put the emphasis on criteria such as local employment, social value and resilience, which are the reasons why we value these providers.

2.5 Community hubs as a way of rebuilding civic infrastructure

The problems of a place like Llanelli in Swansea Bay are abstractly understood as 'deindustrialisation'. Concretely that means the local collapse of a relatively high wage economy which was embedded in large workplace and civic institutions (like trade unions, mass membership political parties and churches and chapels) which together engaged a substantial portion of the citizens. When a high wage economy collapses it undermines institutions and social capital; put simply, the process hollows out the networks of social relations which make everything else work.

The background is the collapse of Welsh civic organisation, which was once provided by churches and chapels and by trade unions. The percentage going regularly to church or chapel is now between 5 and 10%. And, although union membership has held up better in Wales than in England, it is concentrated in the public sector, with less than one quarter of Welsh private sector workers unionised. The collapse of religious faith and the decline of the large industrial workplace (and mass membership parties) have undermined the dialogic foundations of politics.

Fixing the economy is meaningless, unless we repair civil society and underpin our polity; after Brexit and Trump these points do not need to be laboured. And asset based economic development is up for this task of rebuilding social capital in new and imaginative ways

because, from our point of view, repair, maintenance and renewal are as or more important than new build.

And this approach should not be about reviving nearly defunct institutions which have lost their social footing; instead we can think of expanding and repurposing community hubs. The Communities First programme introduced 'community hubs' as a way of promoting effective community engagement and of providing a one stop shop for public services. We need to learn from what worked and what the challenges were in previous schemes.

There is now considerable distributed expertise and practical experience of setting up and running hubs effectively across Wales that can be drawn upon,⁴⁶ but an experimental approach should be pursued in trying different approaches in different places before scaling up what works, rather than seeking to impose any standard model. Moreover, community hubs should not be seen as compensation for or amelioration of local authority cuts, but should be promoted as a distinctive and new attempt to build the social, economic and political capabilities of communities.

Crucially, these spaces should not be subsumed into a politics of need and deficit. Because community hubs could play a larger role in community building right across the city region, not just as a patch for deprivation in problem areas. Hubs should not simply be a method of delivering public services to poor communities, or a space for running cooking classes (important as these can be). They could be about communities coming together collectively to address bigger issues such as those raised in this report.

We see value in community hubs more broadly as a key feature of a new civic infrastructure in Wales that can provide spaces in which political participation and trust is rebuilt and communities can take a lead in organising themselves and solving their problems. They should be at the centre of the local community and owned by the community, as spaces for community activities and events, accessing public services, community education and political debate on the issues raised by this report.

Therefore, we believe that hubs should be developed to incorporate a broader range of activities and be set up more widely across Wales (not limited to Communities First areas). The eventual goal should be having a hub for every community without initially agonising too much about what is a community. An international example of how community hubs could be developed along these lines lies in the German Mehrgenerationenhäusers (see below).

Mehrgenerationenhäusers: These are a key component of the German federal government's ageing population strategy – over 450 of these 'multigenerational meeting houses' have opened across the country in recent years. These community centres are designed to be places where people of all backgrounds and ages can meet and mix – hosting day care services for older people, services for children and young people as well as citizens' advice centres; and featuring bistros and cafes fashioned as 'public living rooms'. Through running joint activities bringing together older people and young families, they foster a sense of community and instil the value of co-operation and mutuality in local residents.

To begin with, these community hubs could be sited in existing premises or in unused property e.g. church halls or surplus retail space in larger town centres, while in subsequent phases WG could fund a purpose built/ renovated network. In Swansea Bay City Region, housing associations and the LA could act as lead partners and work with smaller civil society groups in partnership to set up pilot hubs. These could be spaces not just for intergenerational socialising on the German model but for assisting the practical shift from doing policy to people to doing it with them.

The hubs should not be imposed from outside but should be offered along with a package of resources to be developed by communities in partnership with LAs and other organisations such as housing associations. The set-up of hubs would be facilitated by locally based community organisers using an asset based community development approach. There will of course be different levels of capacity to be involved in different communities and some will need higher levels of support.

Serious political purpose is often best served by opening a good café. Community hubs should provide spaces for community groups and events and social spaces including cafes, games rooms and hang out spaces which are genuinely desirable. The Local Area Coordinator approach could be used to build up community activities by identifying people and organisations with interests/ expertise and capacity, supporting and resourcing them to set up a community activity/event/course and then stepping back when it was up and running.

Hubs would provide a single, non-institutional point of access for LA, WG and third sector provided services from business support, education and training, child and adult care and benefits advice. They are also spaces in which public services like mixed age child and adult care could be provided. Situating the point of access for all public services within the hub which is controlled by the community, there is potential for greater ownership of public services and more opportunities for shaping how they are run with scope for participating in the delivery.

Every Council has a corporate plan, a wellbeing strategy, a spatial plan, a regeneration plan etc. It is too much and too complicated for citizens to get involved with all of these. And, as one senior civil servant told us, 98% of community engagement currently is negative, as with consulting and negotiating on the closure of schools and libraries. Public notices and formal consultations are outdated methods of engagement in policymaking with high barriers to entry, which means that many consultations have very low response rates and the majority of citizens will often not engage until a service or amenity is directly under threat.

Wales needs to build a new culture of participatory politics. It is important to find new ways to involve citizens in the political process and hubs can create physical spaces in which this can happen. Of course, physical spaces can be complemented with other forms of digital and face-to face interaction. The Manchester Peoples' Plan through survey and town hall meetings asked residents what their vision for devolution in Manchester is. It is a good example of a civil society led method of involving the already more politically active segment of society in the political process.⁴⁷

Reclaim, a Manchester based organisation, provides leadership training and is building a social movement with working class young people as it aims to develop capacity and interest in engaging with the political process.⁴⁸ They are launching their leadership programme in Neath Port Talbot in September so there may be opportunities to develop their model in any pilot hubs in Swansea Bay City Region.

Economy (www.ecnmy.org), a charity and campaign for better communication around the economy, is currently developing a Crash Course in Economics for citizens in marginalised communities across the UK. They also work in schools to engage young people in KS3 and KS4 in economics, with the hope of diversifying the portion of society confident in engaging with the subject by demonstrating that anyone and everyone is capable of participating in discussions on the economy.

Finally, the Royal Society of Arts have just completed a series of sessions with the first iteration of their Citizens' Economic Council (CEC), which brings together a cross-section of society, provides them with a critical economics education and asks them to set out their vision of what they want and need from their economy.⁴⁹

Citizens' Economic Councils could be run from hubs and used to build up a community led vision of the economy that could then be fed into LA and WG economic strategies. CECs could ultimately also become a formal deliberative part of the economic policymaking process providing a method of feeding up distributed knowledge and expertise, agreeing vision and priorities and overseeing and evaluating delivery.

If that seems idealistic, here are four practical initiatives that could be run from a hub and which could begin to rebuild a culture of participation, and could ultimately become formal parts of the political process in Wales.

- **Community education:** Government funded adult community education has been continuously rolled back and voluntary organisations such as the Workers Education Association are much smaller than they used to be.⁵⁰ The result is that an important stepping stone to more formal adult education is now missing and the ideal of life-long learning is undermined. Hubs should support a network of volunteer led classes or workshops in a broad a range of practical subjects.

Practical political and economic education is important for building a culture of political participation, particularly among the younger generation, and Reclaim and Economy (see above) can provide possible models in this area. This can facilitate mixing between residents of Swansea Bay City Region, including those from deprived areas and students, creating stronger connections between incoming students and locals while mixing young people from Swansea with others from different backgrounds.

The old idea of the civic university needs to be rediscovered and reinvented so that students and academics are encouraged and supported to participate in community education programmes as part of their educational journey and social responsibility.

There are good examples of this happening already with tourism students in Cardiff supporting communities to work out how to count footfall in a forest and students in Swansea working on regeneration projects, and these should be developed more systematically.

- **Spaces for developing a new social contract and a shared vision for Wales:** The long term aim should be for community hubs to gain enough legitimacy and participation from their communities that they can be used as spaces to develop a new social contract and a shared vision for Wales. This could come in the form of WG asking questions about different sectors and issues or asking for feedback on proposals and hubs providing responses based on discussion.

Of course, for this to be legitimate there would have to be processes and safeguards in place around participation, decision-making and public-interest which we are a long way from at this stage. But it is absolutely necessary to effectively address complex and messy 'wicked problems' and we cannot do this through the electoral (and often adversarial) Westminster and Assembly politics.

For example, and as discussed above, there is UK-wide recognition that the escalating costs of adult social care will bankrupt local authorities in the next generation if the current model is continued. Ultimately, the fix has to be political not technical because there needs to be some renegotiation of rights and responsibilities when it comes to care. For this kind of discussion to happen there needs to be infrastructure which can facilitate collective debate and decision making beyond the political and expert classes.

- **Community mental health and wellbeing:** Mental health is a significant and growing issue, both in terms of its effect on quality of life and the cost of services, and as a result the challenge of building communities and jobs which foster wellbeing is an urgent one. Community hubs can host thinking spaces, such as those run in the London Borough of Haringey, which combine individual wellbeing and community development, by offering therapeutic spaces in the community where local residents can meet regularly to share their difficulties and think together about how best to address them. Thinking space encourages participants to reflect on their own and other people's experience to generate ideas about how to address difficulties. This helps them to make changes and build the strength and resilience needed to confront adversity.⁵¹ Welsh based third sector organisations such as Gofal and the 20 branches of Local Mind in Wales should take a leading role in this work.
- **Indigenous skilling, capacity and expertise:** Community organisers from within the community may be more trusted than those from the WG or LA. In developing hubs, it would be helpful to build capacity and expertise in community organising in Wales. The former University of Glamorgan (now University of South Wales) University had a community regeneration course taught by Dave Adamson which stopped when he went to run CREW. Cardiff University had Regeneration Studies MSc which was

renamed Urban and Regional Development and became less focused on the UK. It also had a Regeneration Institute which closed because its directors felt that they couldn't focus on meeting community needs when they were being asked to focus on winning grant funding.

Why is it that Wales has no courses which develop expertise in networking and community organising and tap the capabilities of the communities which are being organised? The answer is not to simply commit relatively large sums to build a new university based version of what was lost, but to think about how training that focuses on economic and social regeneration, as well as community organisation can be provided through various means close to communities. This could include pop-up training, using under-utilised assets out of hours, or mentoring and support across communities.

Conclusion

There is much that is exciting going on in Swansea Bay City Region and Wales more broadly, from the Homes as Power Stations to the Local Area Coordinators, Better Jobs Closer to Home and the Open Innovation work in WG. These are foundational type projects which can be supported and built upon. In the second half of this report we have sketched out some principles and ideas for experiments informed by our research and interviews that build on this good work and move us one step closer to an overarching framework for an asset based approach to foundational economy policymaking.

It is important to stress that what we have proposed is not our plan for others to implement, because that approach would go against the underlying method and philosophy of our approach. Foundational economy policymaking is about moving away from a control approach to economic policymaking in which top down strategists prescribe generic interventions which are rolled out at local level. Instead we favour a command approach in which local actors are empowered to work together creatively to identify ways of achieving broad policy objectives.

We have focused on complex and urgent priority areas, from social care to supporting micro businesses. These are areas in which there are both complex problems and huge opportunities to spread not just prosperity but citizen entitlement and participation. They are also areas in which the dominant models of economic and social policy making have been shown to be inadequate.

This outline strategy then is a provocation to local politicians, civil servants, businesses and civil society actors to come together to discuss these proposals and to see whether there are areas in which people can plan joint action. This report is the product of six weeks of intensive work from a small team of researchers drawing on the distributed knowledge and creativity of 40 interviewees. If others engage with this approach much more can be achieved.

In providing a framework for thinking about small scale experiments we try to provide a safe environment in which politicians and policy makers can admit that they don't have all the answers and that they need more help from the rest of Wales. In this framework, we are asking everyone to do more and differently and, we hope, provide a way for people to work together practically on the ground.

Experiments are important because we don't know, for example, how best to apply the makerspace model to the context of the Swansea Bay City Region. Should they be small single trade units in city centres or a larger warehouse somewhere between Swansea, NPT and Llanelli? So, our challenge is to do something creative together on a small scale, but with a bigger vision, and see what works.

Notes

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⁶ foundationaleconomy.com is both a web site that explains a new way of thinking and an international network of academic researchers with capacity for funded research projects that develop this thinking.

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⁸ See the City Deal website: <http://www.swanseabaycityregion.com/en/cd.htm> (accessed on 17/06/2017).

⁹ The plan's claims about output boost and jobs growth rest on modelling assumptions (about GDP growth rates and such like) which are curiously not publicly disclosed on the Bay Plan web site. This is regrettable because it leaves unanswered questions about whether optimistic assumptions have been used to boost projected bottom line gains.

¹⁰ See the City Deal website: <http://www.swanseabaycityregion.com/en/cd.htm> (accessed on 17/06/2017).

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¹² For further detail on the statistical definitions used by Eurostat see: http://ec.europa.eu/eurostat/cache/metadata/Annexes/htec_esms_an3.pdf (accessed on 18/06/2017).

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²² See <http://www.andritz.com/> (accessed on 18/06/2017).

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