

nef working paper 1

## **The Great Transition: Social justice and the core economy**

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# Introduction: where are we now and what changes are already unavoidable?

The Great Transition describes a radical shift towards sustainable social justice and well-being for all. By sustainable social justice we mean the fair and equitable distribution of environmental, social, and economic resources between people, places, and generations.<sup>1</sup> By well-being for all we mean what it takes to achieve a fulfilling and happy life for everyone: adequate opportunities to exercise one's mental, physical, emotional, and aesthetic capacities, resulting in personal satisfaction, vitality, resilience, self-esteem, and sense of purpose and meaning, and combined with supportive relationships, and feelings of trust and belonging.<sup>2,3</sup>

From where we stand now, a decade into the twenty-first century, this is a substantial challenge. Overall income inequality is now higher than at any time in the last thirty years. Over the last ten years in the UK, under a Labour government committed to ending child poverty and social exclusion, the rich have gotten richer and the poor poorer. Now the poorest fifth of the population has 5.3 per cent of the country's total income, while the richest fifth has 45 per cent.<sup>4</sup>

As disparities of income and wealth have widened, so have inequalities in health. People in England's poorest areas die, on average, seven years earlier than those in the richest areas. Health inequalities are wider now than during the Great Depression.<sup>5</sup> Health and income are closely linked – the poorer you are the more likely you are to fall ill and die young. Yet the best research suggests that once life's necessities are achieved, well-being does not keep pace with rising levels of income. To put this in the economic terms of a century ago (since suppressed, in this context), the marginal utility of income diminishes rapidly after the achievement of what, in the given culture, are defined as basic needs.<sup>6</sup>

Inequalities are not only unfair; they are a burden on the whole of society. Inequality in illness accounts for productivity losses of £31–33 billion per year, lost taxes and higher welfare payments in the range of £20–32 billion per year, and additional NHS healthcare costs associated with inequality are well in excess of £5.5 billion per year.<sup>7</sup> There is a growing body of evidence that more equal societies are better for everyone, not just the poor, with lower levels of crime and disorder, and better health and well-being. Societies with strong traditions of social solidarity and low levels of inequality are better able to cope with shared risks such as climate change.<sup>8</sup>

A profoundly unequal society was hit by the credit crunch in 2008 and has since languished in recession, with an eye-watering gap between income and expenditure in the public accounts. Giving priority to cutting this deficit, the Cameron government is seeking to slice more than £60 billion from public expenditure – around 10 per cent of the total. Local authorities and government departments are expected to cut their budgets by between 30 and 40 per cent. Services and grants for child care, homeless families, and a great swathe of public and third-sector programmes aimed at helping

poor and vulnerable groups are being drastically downsized or axed altogether. The same goes for leisure and sport facilities, libraries, film, theatre and arts projects, and post-school education. Even the sacred NHS is feeling the squeeze.<sup>9</sup>

If these ambitions are realised it will mark – finally – the end of the post war settlement. That means bidding goodbye to the ideals on which the British welfare state was founded: a government committed to raising taxes to build a framework of public goods and services that would enable everyone, regardless of background and circumstance, to be protected against the risks of illness and unemployment, to be decently educated and housed, and to have enough money to live on.<sup>10</sup>

The post-war settlement has rested on the premise that the economy will always grow and that more growth is always better, because it will yield more taxes to pay for a bigger and better welfare state. There are two problems with this assumption. First, a return to growth is not only uncertain because of the nature of the global crisis, but also unsustainable, because even if the economy did grow, it could not be rendered ‘weightless’ in time to avert catastrophic damage to the natural environment.<sup>11</sup>

Second, we are not overwhelmed with evidence that more of the same public services would bring commensurate benefits. A defining characteristic of the welfare state has been that paid public servants provide help to individuals who are needy and have problems. It has saved a lot of people from destitution and early death, but it is a deficit model that generates a culture of atomised individualism and dependency. If you are just a passive recipient of the ministrations of others who are paid to look after you, you can lose control over what happens to you. If your voice is unheard and you feel unvalued, this undermines your physical and mental well-being. You get used to thinking others know more and are better placed to fix your problems – although what they do will not deliver the best outcomes, because your own wisdom and capabilities have not been brought into play. In many services, especially health, you are treated as an individual (if you are lucky) or as a body part (if you are not), with no account taken of context or relationships.

Notwithstanding the phenomenal achievements of the British welfare state over the past 60 years, things have moved on and it is time for change. But the Cameron government’s idea of a ‘Big Society’ to fill gaps left by its public spending cuts is wide of the mark. This aims for a major shift of responsibility from the state to individuals and organisations in the private and third sectors. It pays no attention to forces within modern capitalism that lead to accumulations of wealth and power in the hands of a few at the expense of others. Nor does it recognise that the current structure of the UK economy selectively restricts the ability of citizens to participate and benefit. It may leave the poorest and least powerful a long way behind.<sup>12</sup>

Neither the ‘Big Society’ nor the welfare state it seeks to replace has had a clear enough sense of what constitutes successful outcomes. Both are anchored in the politics of ‘growth’, where a society’s success is measured by increased GDP, rather than well-being for all or sustainable social justice.

In summary, we are caught in a vicious circle: intractable and widening inequalities that impose heavy social and economic costs on society at

large; a sick economy and no prospect for sustainable growth; a welfare system that is unfit for the future, now the victim of savage spending cuts rather than radical transformation; plans for a 'Big Society' that seem likely to augment the problems of the poor and further widen inequalities; and a concept of value that is at odds with what is genuinely valuable in terms of human progress.

## Where do we need to get to?

An important part of the Great Transition will be building a well-being system – rather than a welfare system – that is fit for the twenty-first century. That system will aim to achieve sustainable social justice and well-being for all. How will it do that? What resources and mechanisms should it deploy? And what policies will be required to enable it to achieve its goals?

The Great Transition rests on the assumption that the money economy will not grow, but continue in a state of 'dynamic equilibrium'. As far as public spending is concerned, a twenty-first century well-being system will have to make do with less than we have now and little prospect of more in future. As for the natural economy, the aim must be to safeguard limited resources, to help prevent further decline, and to rebuild degraded resources as possible.

The best hope of growth lies in what has been described as the 'core' economy: the human resources that comprise and sustain social life.<sup>13</sup>

These resources are embedded in the everyday lives of every individual (time, wisdom, experience, energy, knowledge, skills) and in the relationships among them (love, empathy, responsibility, care, reciprocity, teaching, and learning). They are 'core' because they are central and essential to society. They underpin the market economy by raising children, caring for people who are ill, frail, and disabled, feeding families, maintaining households, and building and sustaining intimacies, friendships, social networks, and civil society. They have a key role, too, in safeguarding the natural economy, since everyday human behaviours and lifestyles strongly influence the way we use environmental resources. If we get it right, a thriving core economy will provide essential resources for a well-being system that is fit for the future.

The human assets and relationships that make up the core economy are largely uncommodified, unpriced, and unpaid, routinely ignored and often exploited. Yet they have value and are exchanged. The core economy, which involves the production and distribution of human resources, can flourish and expand, or weaken and decline, depending on the circumstances and conditions within which it operates. It can 'grow' if it is recognised, valued, nurtured, and supported. For the Great Transition, we want to be able to grow the core economy in ways that are consistent with and help to achieve sustainable social justice and well-being for all. If that is to happen we must make sure we understand how it works and what will help it to thrive.

While the core economy is rooted in families and households, it extends well beyond the domestic sphere, operating through extended families,

wider social networks, neighbourhoods, and communities of interest and place. It includes all the unpriced and unpaid activities that are carried out by friends looking out for one another, grandparents sharing childcare and helping out, parents being school governors, volunteers cleaning up local parks or visiting people who are housebound, neighbours doing each others' shopping or keeping each others' keys, or exchanging gossip and advice. It provides the essential social functions that keep people connected with one another. Some of these activities are formally organised – for example, through national charities or local authorities. Most arise organically from close social relationships.

The core economy underpins and gives shape to social and economic life. But it does not float freely beyond the reach of public life and paid employment. Nor is it inherently good or right. It is profoundly influenced by the rules, protocols, and power relations that emanate from the state and the market. It shapes and sustains social and economic life. It also reflects and reproduces social and economic divisions and inequalities.

Most of its transactions involve women working without wages – a pattern that generates lasting inequalities in job opportunities, income and power between women and men. These are often compounded by age, race, ethnicity, and disability.

Time is a key resource in the core economy. Everyone has the same amount of time but some people have a lot more control over how they use their time than others. Some people – mainly women – have low-paid jobs as well as caring responsibilities, so they are poor in terms of time as well as income. Notably, around half of lone parents can't earn enough money to stay out of poverty while making sure their children are looked after (by themselves or someone else), however long or hard they work.<sup>14</sup> How paid and unpaid time is distributed between men and women and across different social groups will help to narrow or widen inequalities.<sup>15,16</sup>

For this and other reasons, transactions in the core economy can privilege some people over others (for example, where better-off parents share a car pool to ferry children to improving after-school activities). Individuals and groups may be excluded or disempowered because of how much discretionary time they have, where they come from, where they live, or their state of health. Some neighbourhoods seem to be awash with activities that enrich and strengthen social connections, while some appear beset by divisions or distrust, or have less opportunity for social exchange, because there are no meeting places, or populations are transient, or fear of violence keeps people indoors. In many places, these positive and negative tendencies exist side by side. Some ethnic and cultural groups have stronger traditions than others of self-help and mutual aid, although these may go hand-in hand with values and customs that perpetuate inequalities (such as class-based snobbery, racial prejudice, or discrimination against women).

It therefore matters a great deal how the core economy develops. We are arguing for human resources and relationships to be brought into the centre of policy-making, strengthened and enabled to flourish. We want to move from an economy based on scarcity of economic resources to one based on an abundance of human resources. We also want to move beyond a deficit model of need where we simply pay attention to problems that

require fixing, to a more rounded and positive approach, where we consider what we need to lead a good and satisfying life – not only what makes life possible, but also what makes life delightful.

How this is done will affect not only the prospects for a twenty-first century well-being system, but also the quality of people's daily lives, the power and resources they have at their command, the relationships between them, their physical and mental health and their future opportunities. Such changes can either exacerbate social divisions and inequalities, or help to promote sustainable social justice and well-being for all.

What will help to grow the core economy in ways that are in tune with the goals of the Great Transition? Our proposals are summarised briefly as follows:

### *1. Devolve power and encourage local action*

An important starting point for growing the core economy is to devolve power and encourage local action wherever possible. This is partly about formal devolution, with more power for local authorities and, within them, for neighbourhood-based decision-making bodies. It is also about opening up opportunities for people to take control over what happens in their own localities and providing access to resources that will make local action feasible and effective. But this must go hand in hand with measures to encourage the fair distribution of opportunities and resources between localities.

### *2. Build capacity for equal participation*

Central to the idea of growing the core economy is a recognition that everyone, including those who are disadvantaged and disempowered, has assets and resources, not just problems to be fixed by others. It must also be recognised that not everyone has the same capacity to help themselves and others. By 'capacity' in this context we mean what it takes to make use of one's assets and resources. How much capacity we have depends on a range of factors, including education and income, family circumstances and environment, knowledge and confidence, available time and energy, and access to the places where decisions are taken and things get done. A combination of material and cultural forces, working across and between generations, means that some have much more and others have much less. To build capacity, measures will have to be put in place to encourage, enable, and support individuals and groups, especially those who currently have less. These measures will aim to build and share knowledge and experience, to distribute material resources that make participation possible, including training and facilities, and to open up access to decision-making processes.

### *3. Redistribute paid and unpaid time*

As we have noted, the distribution of time is of critical importance in shaping the way the core economy operates. If more use is to be made of uncommodified human resources without intensifying existing inequalities, then there will need to be a radical redistribution of paid and unpaid time. We propose a slow but steady move towards a much shorter paid working week, with an ultimate goal, in a decade or more, of reaching a new standard of 21 hours. In an era of no growth and rising unemployment, this will help to spread opportunities for paid work. And people who currently have jobs that demand long hours will get more time for unpaid activities as parents, carers, friends, neighbours, and



citizens. This will help to address practical and cultural barriers to equal participation, by extending opportunities as well as changing social norms and expectations. We argue the case in more detail elsewhere. We note, for example, the obvious objection that shorter hours of paid work would reduce earnings and hit low-income groups the hardest. But a gradual transition, over a decade more, should allow time to put compensating measures in place. These would include trading wage increments for shorter hours year-on-year, giving employers incentives to take on more staff, limiting paid overtime, training to fill skills gaps, raising the minimum wage, more progressive taxation and arrangements for flexible working to suit the different needs of employees – such as job sharing, school term shifts, care leave, and learning sabbaticals. Redistributing paid and unpaid time will be especially important for redressing inequalities between women and men.<sup>17,18</sup>

#### 4. *Make co-production the standard way of getting things done*

Co-production is an idea whose time has come. The term describes a particular way of getting things done, where the people who are currently described as ‘providers’ and ‘users’ work together in an equal and reciprocal partnership, pooling different kinds of knowledge and skill. It draws upon a long history of self-help, mutual aid and participative local action, including timebanking, and adds up to much more than consultation or ‘user’ involvement.<sup>19,20,21</sup> Citizens play an active role, usually alongside family members, neighbours, professionals, or others with a relevant interest, in deciding how they want to live and what they need, and then play a significant part in realising their goals.

This way, co-production taps into the abundance of human resources in the core economy and encourages people to join forces and make common cause. It builds local networks and strengthens the capacity of local groups. It transforms the way people think about themselves and what they are capable of doing. It draws upon the direct wisdom and experience they have about what they need and what they can contribute. All these factors help to improve well-being and prevent problems occurring or intensifying. By changing the way we think about and act upon ‘needs’ and ‘services’, this approach offers more resources, better outcomes, more well-being and a diminishing volume of demand for services. It is as relevant to third-sector bodies as to public authorities. It has strong implications for professionals and others who provide services, because they will have to change how they think about themselves, how they understand others and how they operate on a day-to-day basis. They must learn to work *with* people, rather than doing things *to or for* them.<sup>22,23,24</sup>

#### 5. *Give priority to preventing harm and improving well-being*

A well-being system that builds on the strengths of the core economy will have a different ethos and sense of purpose from the post-war settlement. Instead of a post-hoc, curative approach to tackling deficits and problems that already exist, it should create conditions that enrich people’s lives and opportunities, aiming to prevent problems from occurring in the first place. It will do this by valuing people, empowering and engaging them, strengthening social bonds and networks, giving people – individually and in groups – more control over what happens to



them and enabling them to decide what they want out of life and what part they will play in making that happen. A genuinely preventative system is more than a serendipitous consequence of growing the core economy; it must also bind institutions and citizens together with the shared intent of avoiding harm as a matter of priority – recognising there is a triple prize to be won: improved well-being for all, reduced demands for public expenditure on curative services, and thereby a better chance of sustaining welfare services in the longer term.

#### 6. *Build a strategic state and a strong democracy.*

We don't want an overbearing state that depletes our capacity to help ourselves. But we do need a strategic state that is democratically controlled, and that becomes an effective facilitator, broker, enabler, mediator, and protector of our shared interests. This must rest on widespread engagement and participation by citizens in all social groups, in government decision-making at national and local levels. Democratic government is the only effective vehicle for ensuring that resources are fairly distributed, both across the population and between individuals and groups at local levels. It can and must ensure that fundamental rights and capabilities of all citizens are protected from incursions by powerful interest groups. It must ensure the provision of practical support, information and access to resources for local organisations, so that people with different levels of capacity can have an equal chance of getting together and acting effectively. Crucially, too, the state must ensure that services are in place to meet people's essential needs regardless of their means (e.g. for health and autonomy, education, a fair living income, care, housing, and security). Action by businesses or third sector organisations can supplement but cannot replace these functions of the state, not least because they usually serve sectoral or specialised interests, rather than those of the nation as a whole. A strategic state and a strong democracy are essential underpinnings for a flourishing core economy.<sup>25</sup>

## Can this be modelled and if not how can it be built into the model?

We may need to start from the assumption that we can only 'model' what can be measured in numerical terms.

Table 1 suggests how the resources of the core economy interrelate and how far they might be measured. Where there is some scope for measurement of at least some aspects of the resources in the table, using existing datasets, these are highlighted in bold.

Time is a key currency and time use can be measured in terms of different uses – for example, care and activities at local level. Levels of participation in democratic decision-making may also be measured.

Some outputs can be measured – for example, some of the component parts of 'social capital', learning and skills, labour force. For outcomes, well-being can be measured, as well as some dimensions of equality.

**Table 1. How the resources of the core economy interrelate and how far they might be measured.**

	INPUTS	OUTPUTS	OUTCOMES
<b>MARKET ECONOMY</b>			
<b>CORE ECONOMY</b>	<p><b>TIME CARE</b> TRANSMISSION OF KNOWLEDGE, TEACHING</p> <p><b>ACTIVE CITIZENSHIP</b> PARTICIPATIVE DEMOCRACY A STRATEGIC AND SUPPORTIVE STATE</p>	<p>CAPABILITIES <b>‘SOCIAL CAPITAL’</b> <b>LEARNING, KNOWLEDGE, SKILLS (FORMAL AND INFORMAL)</b></p> <p>SHARED DECISIONS AND ACTIONS</p> <p><b>SUSTAINABLE PUBLIC SERVICES</b> CREATIVE, PRODUCTIVE <b>LABOUR FORCE</b></p>	<p>IMPROVED <b>WELL-BEING</b> FOR ALL</p> <p><b>EQUAL LIFE CHANCES</b> EMPOWERED AND RESOURCEFUL PEOPLE</p> <p>STRONG <b>DEMOCRACY</b> SHARED VALUES THAT PROMOTE SOLIDARITY, SUSTAINABILITY AND MUTUAL AID</p>
<b>NATURAL ECONOMY</b>			

We have not populated the market and natural economy parts of Table 1: these are in place simply to indicate that the three ‘economies’ are inextricably connected. It will be important to capture the links between outputs and outcomes in the core economy, and inputs to the market economy, as well as feedback loops from the market to the core economy. It may be harder to trace links between the core economy and the natural economy, although work is underway at **nef** to draw together data mapping relationships between time use and carbon emissions.

## How can we best forecast and/or assess possible emergent consequences?

We shall need to pay attention to the dynamic interactions between the elements of the core economy, as they are indicated in Table 1. For example, how will a better distribution of paid and unpaid time affect people’s capacity to care for one another, to transmit knowledge and skills, to be active citizens and to participate in democracy? How will the outputs and outcomes affect the market and natural economies?

# How can we adapt to changes already underway and begin to move to where we need to get to?

Changes underway suggest a number of opportunities, for example:

- The prospect of drastic cuts in public services offers the opportunity to transform them to get better outcomes for less money by introducing co-production.
- Rising levels of unemployment and part-time working could become part of a new trend towards shorter paid working hours as the standard, so that paid and unpaid time can be distributed more fairly across the population, giving employed people more time to be parents, carers and active citizens, and giving more unemployed people a chance of getting some paid work.
- Pressures to reduce carbon emissions should help us to move towards a post-materialist culture where people value things and relationships differently and are happier living low-carbon lives.

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