



No health, no economy

*How social enterprises can lead us to health
and prosperity*

January 2021

IRIDESCENT IDEAS™

Business advice with a different perspective

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Iridescent Ideas CIC

Iridescent Ideas CIC is a social enterprise based in Plymouth, UK. Our aim is to create a thriving and resilient social economy. We do this by conducting campaigning and policy work to help social enterprise flourish. We build stronger social enterprises and charities by delivering business support across the UK; supporting new businesses to get established and existing ones to grow; finding finance, developing business plans and evaluating impact. Find out more about us and our work at www.iridescentideas.com.

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Summary

1. Health policy and economic policy need to be better aligned – too often they are not
2. We need a 'health in all policies' approach especially in economic policy making.
3. Better alignment can help us tackle inequalities and boost productivity
4. Social enterprises are showing the way to a healthier, fairer, greener, prosperous economy
5. We need to stimulate and include social enterprises at all stages of economic policy making

Improving health and wellbeing should be a fundamental aim of the economy yet economic policy making - particularly at a regional level - too often does not include any reference to, or focus on, health.

We call for economic policy making to be more closely aligned with health policy to help tackle inequalities, improve wellbeing and increase productivity. Healthy people and healthy workplaces are proven to be more productive.

The COVID-19 crisis has seen many areas of the country develop economic recovery plans. These plans need to take the approach of improving wellbeing and tackling inequalities through aligning economic policy more deeply with health policy and particularly public health policy.

Some regions are far ahead of others in beginning to integrate health into their local economic strategies and COVID-19 recovery plans. Where this work has begun, we see collaboration and new ways of working in partnership and an equal focus on fairness, health and wellbeing and building a greener economy.

Our research finds that the policy of austerity adopted after the 2008/2009 financial crash did not take into account considerations of health. Significant funding cuts led to an increase in social inequality and ultimately in 2020, disadvantaged groups being disproportionately affected by COVID-19.

Combining both practical delivery and the ethos of 'building back better', social enterprises – in all forms such as co-ops, Community Interest Companies, trading charities, community businesses, etc - are uniquely positioned to influence the debate. They pay more fairly; they are more representative of wider society; they embed workplace wellbeing; and they are committed to the natural environment and local communities.

In some regions the social enterprise community has successfully advocated for the adoption of inclusive economics in economic policy. We want to see the same embedding of health for all in economic thinking more widely.

Introduction

COVID-19 is showing us the links and the gaps between public health and the economy. In this time of pandemic, we have seen that a health issue can not only devastate the lives of those directly in the path of the virus but it can also have a chilling effect on the economy at all levels. Shops and high streets have been forced to close, hundreds of thousands of businesses are struggling¹ and millions are on furlough or out of work². The financial response from the government has seen billions of pounds of public money spent on business support, the furlough scheme and more. The fundamental link between public health and the economy has been clearly underlined.

It is tempting to think of COVID-19 as a temporary blip, that 'normal service will be resumed soon' and to avoid thinking about the relationship between public health and the economy. Surely there will be a vaccine soon, or we could learn to live with the virus and get on with our lives? But COVID-19 has highlighted the inequalities in our country. The UK Government's COVID-19 Recovery Strategy states: 'these impacts...have not been equally distributed. Evidence shows the varying impacts on different groups or people with specific characteristics, including, but not limited, to Black, Asian and other minority ethnic people, single parents, disabled people, victims of domestic abuse and low income groups, many of whom have been disproportionately affected.'³

These inequalities have arguably been caused in part by the gaps between public health and economic policy. The British Medical Association in 2016 called for 'health in all policies' following eight years of austerity and changes to the welfare system. The BMA saw a reduction in local government funding and welfare support leading to such negative outcomes as increases in relative child poverty and material deprivation.⁴

Part of building back better should be to tackle inequalities through aligning economic policy more deeply with health policy.

“Good health is an indication that society is thriving and that economic and social and cultural features of society are working in the best interests of the population.”

¹ Covid-19 shuts down a quarter of UK businesses, Financial Times, 17 April 2020, <https://www.ft.com/content/f9537538-d7a0-44e3-8e86-5cb9a984aae4>

² Coronavirus Job Retention Scheme management information, <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>

³ Our plan to rebuild: The UK Government's COVID-19 recovery strategy, presented to Parliament 11 May 2020, document updated 24 July 2020, Cabinet Office, <https://www.gov.uk/government/publications/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy>

⁴ Health in all policies: health, austerity and welfare reform A briefing from the board of science, British Medical Association (BMA) September 2016, <https://www.bma.org.uk/media/2086/bos-health-in-all-policies-austerity-briefing-2016.pdf>

What happens if economic policy and health policy don't link up?

Prior to COVID-19, the most momentous economic policy decision for governments of recent times was how to respond to the 2008 financial crash. The European Commission, European Central Bank and International Monetary Fund (the 'troika'), together with leaders of many European nations 'placed explicit priority' on budget cuts rather than tax increases.⁵ They did so virtually unopposed by those representing public health interests.⁶

Although the NHS budget was protected by the Government,⁷ by 2016 the British Medical Association stated that 'substantial reductions in public spending...significantly affected local government funding and welfare support.' This led to poorer job prospects, a decrease in households achieving a minimum income for healthy living; increases in relative child poverty and increasing levels of material deprivation. All are factors which can impact negatively on health and wellbeing.

"Public health voices were largely absent from the debate about how to respond [to the crash]."

We've known about the lack of alignment of health and economic policy for a long time. Similarly, it is not a specifically European or British problem. Back in 2007, the IMF published a Working Paper entitled 'What Should Macroeconomists Know about Health Care Policy?'⁸ which concluded that 'macroeconomics and health economics are two distinct fields. Seldom does a specialist in one field have more than a modest understanding of the other.' Research published in the Public Health Post in 2017 reviewed selected US state policies and concluded that 'in fact it is likely that health is not on the minds of most policymakers when setting economic policy.'⁹

The impact of the depth of the budgetary cuts, decided upon as a policy response to the 2008 financial crash with no obvious consideration of health or wellbeing, was profound and devastating to the progress of public health

⁵ Austerity and Health: the impact in the UK and Europe, David Stuckler et al, European Journal of Public Health, Volume 27, 1 October 2017.

https://academic.oup.com/eurpub/article/27/suppl_4/18/4430523

⁶ A review in the Lancet noted that 'public health voices have been largely absent from the debate about how to respond'. Karanikolos M, et al, Financial crisis, austerity and health in Europe. Lancet 2013, 381, pp1323-31 quoted in Stuckler et al, as above.

⁷ Tipping the scales: exploring austerity and public health in the UK, January 2020, International Longevity Centre UK, <https://ilcuk.org.uk/tipping-the-scales-exploring-austerity-and-public-health-in-the-uk/>

⁸ What should macroeconomists know about Health Care Policy? Prepared by William Hsiao and Peter S. Heller, International Monetary Fund, January 2007, <https://www.imf.org/external/pubs/ft/wp/2007/wp0713.pdf>

⁹ Economic Policy as Health Policy, Elizabeth Rigby & Megan E. Hatch, Public Health Post, March 13 2017. <https://www.publichealthpost.org/research/economic-policy-health-policy/>

and social equality.¹⁰ The Marmot Review 10 years on found that since 2010 life expectancy in England has stalled (the first time since at least 1900) and 'large funding cuts have affected the social determinants [of health]' – these are: 'the conditions in which people are born, grow, live, work and age and inequities in power, money and resources.'¹¹ Austerity and changes to the welfare system arguably made us more vulnerable to COVID-19. The full moral and economic cost of this has yet to be tallied.

"In fact it is likely that health is not on the minds of most policymakers when setting economic policy."

¹⁰ 'The era just ending was governed by economic and social doctrines which have caused us to become the most regionally unequal country in the developed world, with a range of chronic social challenges.' Levelling up our communities: proposals for a new social covenant A report for government by Danny Kruger MP, September 2020,

<https://www.dannykruger.org.uk/sites/www.dannykruger.org.uk/files/2020-09/Kruger%202.0%20Levelling%20Up%20Our%20Communities.pdf>

¹¹ Health Equity in England: the Marmot Review 10 years on Executive Summary, Michael Marmot et al, The Institute of Health Equity, 2020, https://www.health.org.uk/sites/default/files/2020-03/Health%20Equity%20in%20England_The%20Marmot%20Review%2010%20Years%20On_executive%20summary_web.pdf

Bridging the gaps between public health and economic policy

In the context of the BMA calling for 'health in all policies' in 2016 we looked at whether more recent economic strategies include health. As a simple but useful measure we looked at how often selected Government and regional economic policies mentioned health or wellbeing.

The National Industrial Strategy published in 2017 offers 'five foundations...for a transformed economy.'¹² None of these, nor the fifteen 'key policies' relating to the five foundations, make any reference to health or wellbeing. As part of the implementation of the Government's Industrial Strategy there is 'work to develop wider measures of economic success, including metrics that track wellbeing.'¹³ However, without public health and wellbeing front and centre of any industrial strategy the danger is that the strategic direction will not match the metrics and therefore won't achieve this goal.

Looking regionally, we searched those Industrial Strategies listed on the government website as being published recently (in 2019) by Local Economic Partnerships (LEPs), for references to health. In order of mention:

- West of England Local Industrial Strategy mentions health 27 times.¹⁴ Most are references to the variation in health across the region or population health outcomes. Workforce health is mentioned a handful of times. The health sector and health technology fewer times.
- Buckinghamshire Local Industrial Strategy mentions health 50 times. The strategy emphasises their strengths in digital health care (nearly half of references) and talks about a new Health and Social Care network/new approaches to care. However, there are fewer direct references to health outcomes.¹⁵
- West Midlands Local Industrial Strategy mentions health 77 times. The majority are references to health care innovation, or technology or data. A quarter of references are to health outcomes, with links to other strategies to achieve this and under 'Place' the strategy aspires to improve healthy life expectancy.
- Greater Manchester's Local Industrial Strategy will tackle 'population [ill] health', which is explicitly identified as a barrier to improving economic performance. The strategy mentions health over 200 times.

¹² Industrial Strategy: building a Britain fit for the future, BEIS, 27 November 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/664563/industrial-strategy-white-paper-web-ready-version.pdf

¹³ Measuring the Success of the Industrial Strategy: Research Paper, 2019, Industrial Strategy Council quoted in Using economic development to improve health and reduce health inequalities, Yannish Naik et al, The Health Foundation, September 2020.

¹⁴ West of England Local Industrial Strategy, 19 July 2019, <https://www.gov.uk/government/publications/west-of-england-local-industrial-strategy/west-of-england-local-industrial-strategy>

¹⁵ Buckinghamshire Local Industry Strategy, 19 July 2019, <https://www.gov.uk/government/publications/oxford-cambridge-arc-local-industrial-strategies/buckinghamshire-local-industrial-strategy>

With a few honourable exceptions there are few references to health outcomes or inequalities in national and regional economic policy documents. Now the coronavirus pandemic has highlighted the inequalities arguably caused by the omission of health from economic strategies, do COVID-19 recovery plans now show thinking about the links between health and the economy? The answer seems to be 'sort of':

The Government's COVID-19 recovery strategy¹⁶ states 'the aim...of this plan is to: 'return to life as close to normal as possible, for as many people as possible, as fast and fairly as possible. In a way that avoids a new epidemic, minimises lives lost and maximises health, economic and social outcomes.' The section is entitled 'Our aims: saving lives; saving livelihoods' – a twofold balance of purpose.

The Winter Economy Plan¹⁷ repeats this two-fold focus on 'lives' (expressed as 'health and wellbeing') and 'livelihoods' in a tangle of syntax: "The resurgence of the virus has demanded further action to minimise the harm from COVID-19 to people's health and wellbeing, while preserving the ability of people to work and businesses to trade, which are vital for minimising the harm to livelihoods." The four mentions of 'health' include one reference to 'the health of the public finances', two to health services and one to 'people's health and wellbeing' (quoted above).

Looking regionally and comparing two Local Economic Partnerships:

- Heart of the South West LEP's COVID-19 Route Map to Recovery published in June 2020 mentions health twice, both times as an industrial sector rather than an economic policy goal.
- Greater Manchester LEP references the Greater Manchester Combined Authority Living with COVID plan. The LEP website states however that they have 'realised that the health and wellbeing of our people and our economy are in fact intrinsically interconnected.' To further this thinking, the GM LEP is supporting 'Build Back Better', 'a movement of people and organisations who want to explore the opportunity to take stock, re-think and set a new course.'¹⁸

There are a few welcome first steps towards a joined up 'public health and economy strategy' pre-COVID-19 for the UK Government to draw on. There is an opportunity for the UK Government to begin to consider both health and the economy ('lives' and 'livelihoods') in any national recovery plan.

¹⁶ Our plan to rebuild: The UK Government's COVID-19 recovery strategy, presented to Parliament 11 May 2020, document updated 24 July 2020, Cabinet Office.

<https://www.gov.uk/government/publications/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy/our-plan-to-rebuild-the-uk-governments-covid-19-recovery-strategy>

¹⁷ Winter Economy Plan, published 24 September 2020,

<https://www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan>

¹⁸ Greater Manchester Local Economic Partnership, <http://gmlep.com/news/build-back-better>

What could happen when health and economic policy join up?

In the previous sections we have argued that gaps in health and economic policy together with changes to welfare support have contributed to inequality. The UK Government and some regions are beginning to address 'lives and livelihoods' within the same economic policy documents. If the gaps remain is the risk of continuing or worsening inequality. But what could happen if health and economic policy join up to tackle inequalities?

New Zealand's Wellbeing Budget¹⁹ in 2019 aimed to address wellbeing, defined as 'when people are able to lead fulfilling lives with purpose, balance and meaning to them'. It also emphasises its desire to tackle inequality: 'sustainable economic growth is an important contributor [to wellbeing]...Just because a country is doing well economically does not mean all of its people are.'²⁰ Key to the budget was collaboration across departments focusing on how they could collectively address the Wellbeing Budget priorities.

'Wellbeing' was added to the UK Treasury's Green book²¹ in 2018²², however, the commitment from economic policy makers was not assured. The All Party Parliamentary Group on Wellbeing Economics, in a submission ahead of the 2019 Spending Review, requested: "If subjective wellbeing is to become the overriding priority of government, this will require a strong lead from the Treasury and Cabinet Office."²³

2017 Taylor Review sets out 'Good Work' as 'shaped by working practices that benefit employees through good reward schemes and terms and conditions, having a secure position, better training and development, good communication and ways of working that support task discretion and involve employees in securing business improvements.'²⁴ The review sets out the reasons 'good work' matters: fairness, health and wellbeing, improvements in productivity. Again a focus on lives, livelihoods and fairness.

In the examples of 'Wellbeing' and 'Good Work' above, public health, inequality (fairness) and economic policy all come together. Where health and economic policy are joined up to tackle inequality as is the case with the New Zealand Wellbeing Budget or the 'Good Work' agenda, those in support point to the huge potential social and economic benefits.

¹⁹ The Wellbeing Budget, 30 May 2019, New Zealand Treasury, <https://www.treasury.govt.nz/sites/default/files/2019-05/b19-wellbeing-budget.pdf>

²⁰ The Wellbeing Budget, as above.

²¹ The Treasury's Green Book gives guidance of appraisals of economic policies.

²² Wellbeing evidence at the heart of policy, Deborah Hardoon et al, February 2020, What works wellbeing. <https://whatworkswellbeing.org/resources/wellbeing-evidence-at-the-heart-of-policy/>

²³ Letter to the Chancellor, 2019, All Party Parliamentary Group on Wellbeing Economics, <https://wellbeingeconomics.co.uk/wp-content/uploads/2019/05/Spending-review-to-increase-wellbeing-APPG-2019.pdf>

²⁴ Good work: the Taylor review of modern working practices, July 2017, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/627671/good-work-taylor-review-modern-working-practices-rg.pdf

How social enterprises can lead us to health and prosperity

Social Enterprise UK's regular survey of social enterprises provides evidence that social enterprises offer good work, tackle inequality and are innovative; which leads to productivity.

“Organisations with the highest levels of gender diversity are 15 per cent more likely to outperform their rivals, yet female employment continues to be below that of men.”

Social enterprises pay well and have fairer pay ratios: over three-quarters of social enterprises in the UK pay a Living Wage.²⁵ The ratio between the average of highest paid to lowest paid in social enterprises in 2017 ranged from around 3:1 to 8:1 for the larger social enterprises – far below FTSE 100 chief executives pay ratio of 129:1.²⁶ 'If this was replicated across the UK, it would improve wages for close to four million people.'²⁷

Social enterprises offer good work/life balance: Seven in ten social enterprises offer flexitime (70%), making it by far the most commonly offered flexible working arrangement. This is almost double the rate of UK employers in general – only 36% of employers offer flexible benefits.'²⁸ 'Offering flexible working can enable employers to reach a wider talent pool, both male and female, including returners, older workers and people with disabilities. Creating a workplace which is truly flexible can improve productivity.'²⁹

Social enterprises achieve representation: '40% of social enterprises are led by women, more than twice as high as SMEs more widely (17%).'³⁰ 'Organisations with the highest levels of gender diversity are 15 per cent more likely to outperform their rivals, yet female employment continues to be below that of men.'³¹ 13% of social enterprises are led by people from Black, Asian and Minority Ethnic groups and 35% have Black, Asian and Minority Ethnic directors making social enterprises much more representative of the population as a whole.³² 'The McGregor-Smith Review put the potential benefit

²⁵ Capitalism in Crisis? Transforming our economy for people and planet, Claire Mansfield and Dan Gregory, Social Enterprise UK, 2019, <https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/capitalism-in-crisis-transforming-our-economy-for-people-and-planet/?su=t0> .

²⁶ The Future of Business: State of Social Enterprise Survey 2017, SEUK, 2017, <https://www.socialenterprise.org.uk/state-of-social-enterprise-reports/the-future-of-business-state-of-social-enterprise-survey-2017/?su=t0>

²⁷ Bounce Back Britain, Andrew O'Brien, SMF in partnership with SEUK, June 2020. <https://www.socialenterprise.org.uk/policy-and-research-reports/>

²⁸ Capitalism in Crisis? As above.

²⁹ Industrial Strategy, BEIS, as above.

³⁰ Capitalism in Crisis? As above.

³¹ Industrial Strategy, BEIS as above.

³² Capitalism in Crisis? As above.

to the UK economy from full representation of black and minority ethnic workers, through improved participation and progression, at £24bn a year.’³³

Social enterprises recruit and work with people affected by inequalities:

‘73% of respondents reported that their organisation works with individuals facing disadvantage, also up on previous years, while 42% reported that their organisation seeks to employ them.’³⁴

Often a social enterprise’s purpose is to tackle inequalities in a local area:

‘Social enterprises remain very likely to **recruit locally**. 85% recruit over half their staff locally and around two-thirds (68%) report that they draw their entire workforce from the local area. 58% involve their wider community in their decision-making.’³⁵

Social enterprises work innovatively:

‘Social enterprises are more innovative than traditional businesses, with 50% of them introducing a new product or service compared with 33% of small and medium sized businesses. Innovation is important in driving up productivity through improved uses of labour and capital.’³⁶

Social enterprises are non-extractive, limited in the profits they can award to shareholders and they re-invest in good:

‘If UK corporations adopted a “social enterprise” approach to profit reinvestment (and assuming a similar level of performance, not a higher level as is indicated by the data that we have on the sector compared to traditional private sector peers), this would lead to the reinvestment of around £100bn either back into businesses or back into communities per annum. This would be akin to an injection of around 5% of GDP back into the UK economy.’³⁷

Social enterprises minimise their environmental impact:

‘Nearly nine out of ten social enterprises (88%) report that their organisation actively aims to minimise its environmental impact. 65% of social enterprises expect the focus on sustainable and environmentally friendly processes within their organisation to increase in the next two to three years. This is significantly higher than SMEs more widely (49%).’³⁸

The social enterprise commitment to fair pay is helping to end in-work poverty and the knock on ill-effects of poor housing and nutrition as identified by Sir Michael Marmot.³⁹ Social enterprises address fairness by employing those affected by inequalities or working to support them. The ‘social enterprise approach’ of reinvesting profits would lead to improvements to the economy.

³³ Industrial Strategy, BEIS, November 2017, updated June 2018,

<https://www.gov.uk/government/publications/industrial-strategy-building-a-britain-fit-for-the-future>

³⁴ Capitalism in Crisis? As above.

³⁵ Capitalism in Crisis? As above.

³⁶ Bounce Back Britain, as above.

³⁷ Bounce Back Britain, as above.

³⁸ Capitalism in Crisis? As above.

³⁹ ‘Social Justice and Health Equity’, Sir Roger Jowell Memorial Lecture by Professor Michael Marmot, 15 September 2020.

Conclusion

Building back better needs to take the approach of tackling inequalities through aligning economic policy more deeply with health policy. We risk a repeat of the decision-making process which led to austerity being adopted virtually unchallenged by those representing public health interests.

We call for economic policy to be more closely aligned with health policy to tackle inequalities, improve health and increase productivity. The evidence at Local Economic Partnership level is that some regions are far ahead of others in beginning to integrate health into their Local Industrial Strategies and COVID recovery plans. Where this work has begun we see collaboration and new ways of working in partnership, and an equal focus on fairness, health and wellbeing and improvements to the economy.

“Social enterprises are the blueprints for the better world we envision.”

Social enterprise has something to say at all levels of the debate. But at a level deeper than debate social enterprises have in their DNA the health and wellbeing of their staff and their communities. Their ethos is one where the health of everyone – in its broadest sense - is as important as making a profit. It is not just a case of social enterprises 'being at the table' but of all those around the table understanding that social enterprises live and breathe joined-up health and economic decision-making. 'Social enterprises are the blueprints for the better world we envision.'⁴⁰

⁴⁰ Amanda Janoo, Wellbeing Economy Alliance, USA, speaking at the Social Enterprise World Forum 2020.



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