

Institution: University of Manchester		
Unit of Assessment: 17 (Business and Management)		
Title of case study: The Foundational Economy: Influencing Economic Policy and Practice in Wales		
Period when the underpinning research was undertaken: 2011 - 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Julie Froud	Professor	1989 - present
Michael Moran	Professor	1979 - 2018
Karel Williams	Professor	1993 - 2020
Period when the claimed impact occurred: 2015 - 2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact</p> <p>The foundational economy approach, devised by Professors Froud, Moran and Williams at Alliance Manchester Business School, has re-focussed Welsh Government policy and practice onto the provision of essential services provided by local firms. In 2019 the Welsh Government established a Ministerial Advisory Board on the Foundational Economy to advise Welsh Ministers on policy interventions and good practice and promote non-government initiatives that put into action foundational economy principles. This was backed by the Welsh Government's Foundational Economy Challenge Fund, which has to date distributed GBP4,350,000 to 52 local innovation projects across Wales with further significant investment pending in the Cardiff city region. The foundational economy approach devised by the Manchester researchers has become an important part of how the Welsh Government is implementing its new Economic Action Plan.</p>		
<p>2. Underpinning research</p> <p>Research on the concept of the 'foundational economy' (FE) was initiated and led by Professors Williams and Froud at the ESRC-funded Centre for Research on Socio Cultural Change (CRESC) where Williams was a director between 2004-14. Their scoping research of 2013 defined the FE as the 'taken for granted' parts of the economy that meet basic needs by providing services and goods whether material (e.g. utilities, transport, housing, food distribution) or providential (e.g. health, care, education) [1] that are essential to everyday life.</p> <p>They argued that successive UK governments' industrial and regional policy was overly preoccupied with tradeable and competitive activities, including advanced manufacturing, automotive, aerospace, pharmaceuticals and life sciences and digital media, which together accounted for a very small part of the British economy. Mundane activities such as food manufacture and distribution employ twice as many as all of advanced manufacturing [1]. In the aggregate, their analysis showed that more than 40% of employment in the UK and other European countries is in the FE. They identified that reframing economic policies and interventions to nurture foundational sectors had considerable capacity to lever better economic and social futures, particularly in UK regions outside the south east of England.</p> <p>This new focus on the FE led to a stream of empirical research reports into 'mundane' sectors, including studies on meat supply for Vion foods and railways for the TUC (Trades Union Congress) in 2013. Further research in 2015 resulted in a book co-authored by Froud and Williams [2] providing case studies that highlighted the damaging effects of financialised</p>		

business models on foundational activities; reinforced by a high-profile report on financialised chains in the residential elderly care sector. A 2016 article co-authored by Williams won the *Political Quarterly's* Crick Prize [3] with the argument that large private outsourcing firms should be socially licensed so that governments can impose social obligations beyond service to customers.

From 2015, Froud and Williams began a new phase of research on the implications of the FE approach for place-based economic policy. The focus was on Wales but this research was relevant to all post-industrial areas. Collaboration between the University of Manchester and the Federation of Small Business (Wales) was funded by an ERSC-Impact Acceleration Account (IAA) award of GBP50,000 in 2014. The resultant report examined the Welsh economy and identified the problem of a 'missing middle' or a weak small and medium enterprise (SME) sector in post-industrial Wales [4]. Subsequent work has focused on the household demand side for foundational services and the implications for well-being. In a 2017 article [5], Froud, Williams and colleagues argued for the idea of 'grounded cities', where public policy is focused on access to and quality of basic foundational services which are the pre-conditions of urban livability and sustainability.

The 2018 book *Foundational Economy: The Infrastructure of Everyday Life* [6] extends the argument about how essential goods and services practically underpin well-being, and are the basis of social citizenship. The book has had Europe-wide influence, evidenced by the publication of three translations with the German translation winning the prestigious 2020 Matthöfer Prize (worth EUR10,000) to Williams and Froud. The researchers have subsequently established an international research grouping, the Foundational Economy Collective (<https://foundationaleconomy.com>), which brings together academics from six European countries to develop foundational economy thinking, policy and practices.

3. References to the research

The following outputs, listed chronologically, underpin the impact described in this case. Names of University of Manchester researchers are highlighted in bold.

- [1] Bentham, **Bowman**, de la Cuesta, Engelen, **Erturk**, **Folkman**, **Froud**, Johal, Law, **Leaver**, **Moran**, **Williams** (2013) *Manifesto for the Foundational Economy* (CRESC working paper 131) <http://hummedia.manchester.ac.uk/institutes/cresc/workingpapers/wp131.pdf>
- [2] **Bowman**, **Froud**, Johal, Law, **Moran**, **Williams** et al. (2015) *The End of the Experiment*, Manchester University Press. ISBN 978-0-7190-9633-4.
- [3] Johal, **Moran** and **Williams** (2016) *Breaking the Constitutional Silence*, *Political Quarterly*, 87(3): 389-97. <https://doi.org/10.1111/1467-923X.12252>
- [4] **Brill**, **Froud**, **Folkman**, Johal, Law, **Leaver**, **Moran** and **Williams** (2015) *What Wales Could Be* <https://foundationaleconomycom.files.wordpress.com/2017/01/what-wales-could-be.pdf>
- [5] Engelen, **Froud**, Johal and **Williams** (2017), *The Grounded City: From Competitvity to the Foundational Economy*, *Cambridge Journal of Regions Economy and Society*, 10(3): 407-23 <https://doi.org/10.1093/cjres/rsx016>
- [6] **Froud**, Johal, **Moran**, Salento and **Williams** (2018) *Foundational Economy. The Infrastructure of Everyday Life*, Manchester University Press ISBN 978-1-5261-3400-4. (German, Italian and Portuguese translations already published)

4. Details of the impact

Research on the foundational economy (FE) has had an impact on policy and practice at national level through Welsh Government and at local and city region level in Wales. The results include the design of new policies and economic strategies for facilitating the FE, the distribution of Welsh Government funds (GBP4,350,000) to support local innovation in foundational service delivery, and new forms of working across public services to support enterprises in the FE.

Pathway to Impact

The impact developed through a series of collaborative relationships and processes, particularly through Williams' creation of the Foundational Economy Network Wales as a key intermediary. The network's bi-monthly meetings bring together organisations across sectors to facilitate the implementation of the FE approach, including third sector organisations such as housing associations and care providers, Welsh think tanks (namely the Bevan Foundation and the Institute of Welsh Affairs), the Welsh Local Government Association, the Wales Co-operative Centre and the Future Generations Commission. As attested by the CEO of Coastal Housing [A], a not for profit housing association that provides over 5,500 homes in the Swansea area, the network *"has played a key role as a forum for building shared understanding. It provides a valuable opportunity for organisations from different sectors to come together, share ideas, and contribute to policy development in Wales. This has included contributing to the concept of the innovative Foundational Economy Challenge Fund, and supporting the projects funded by it, and the accompanying Community of Practice"*.

More generally, Froud and Williams' engagement work built cross-party political support for the FE approach via a series of presentations to Labour and Plaid Party Conferences, Cross Party Groups, and the Welsh Assembly Economy, Skills and Infrastructure Committee. As a result, early in 2017 members of the Welsh Assembly initiated a plenary debate [B] which secured cross-party support for a motion which *"calls on the Welsh Government to develop a strategy to maximise the impact of the 'Foundational Economy' across Wales as part of its work on developing a new economic strategy"*. The transcript [B] shows how Labour, Plaid Cymru and Conservative assembly members all referred explicitly to the Manchester researchers and their ideas and evidence on the foundational economy.

Informing political strategies, policies and economic plans

All the above informed a foundational turn in Welsh economic strategy. The 2017 Welsh Government 'Economic Action Plan' [C] includes two pages (pp.15-16) on the FE and identifies four *"foundation sectors' for development in the Welsh economy– tourism, food, retail and care – through economic initiatives 'in a joined-up and consistent way across government"* [C]. The Economic Action Plan explicitly calls for FE ideas to be integrated into wider cross-governmental policy reforms, specifically the Welsh Government Valleys Taskforce, which addresses the problems of the deindustrialised Welsh Valleys. The Taskforce's 2017 delivery plan [D] includes two pages (pp.20-21) on increasing opportunities in the FE which are directly informed by the Manchester research.

Furthermore, in 2018 a new Ministerial Advisory Board on the Foundational Economy was set up to bring together Welsh Government officers, third sector, NGOs and researchers. Williams is a member of this Board which is chaired by the CEO of Coastal Housing, who attests [A] how this group has *"put forward a package of post Covid foundational recovery policiesand is now focusing on delivering this package of recovery policies as a key pillar of Welsh Government's economic reconstruction plans"*.

Delivering and implementing the FE

A new Deputy Minister for Economy and Transport, was appointed in 2018 with explicit responsibility for delivering the foundational economic policy. The Deputy Minister explains [E] how *"through collaborative interaction between the Manchester team and key Welsh policy-makers, Wales is now the first country in the world to adopt the foundational economy approach at national level"* and is implementing the new policies with explicit focus on 'three pillars' of FE work [E], namely (1) funding local foundational projects, (2) reforming public procurement and (3) developing new kinds of small business policy:

1. **Funding local foundational projects:** The Welsh Government has set up a Foundational Economy Challenge Fund which has already distributed GBP4,350,000 to 52 local projects for innovative delivery of foundational goods and services [F]. The Deputy Minister states [E] that *"we [the Welsh government] established the*

Welsh Government's Foundational Economy Challenge Fund based directly on Williams' and the team's foundational argument for innovation through experiment backed by communities of practice and scaling up". The small-scale, experimental foundational projects over 1-2 years are already demonstrating scalable impacts. Three examples illustrate the reach and significance of these experiments. First, a new model for organising Welsh GP practice services which uses triage and on site mental health and community service teams so that GPs can concentrate on physical health problems. Second, a friendship app for digitally connecting adults with learning difficulties. Third, experiments for organising micro businesses to provide domestic care for older people in rural localities.

2. **Reforming public procurement:** Welsh Government reform of public procurement aims not only to localise purchasing but to build capable firms and value adding supply chains, as with the Carmarthenshire project for reform of public sector food procurement. The Deputy Minister [E] states that "*The work of the Manchester researchers on procurement and supply chain analysis is guiding this agenda*". The Head of Commercial Innovation at the Welsh Government explains [G] that "*the task is to shift to a new kind of relational procurement and this depends on combining data from our Welsh Government team with the analysis of the foundational research team...*". The pace of procurement reform has accelerated since the PPE procurement crisis in the first Covid lock down and Williams now sits as external advisor on the weekly high level meetings of the Economy Ministry with the Welsh NHS where the issue is to identify what more can be locally procured for social value without excessive cost.
3. **Small business support:** Business Wales, the government agency responsible for small business support, is actively developing new small business policies based on foundational economy principles. As the Policy Manager of the Federation of Small Business Wales) observes [H], "*this new priority reflects how the researchers' argument about the problem of the 'missing middle' in their 2015 report has shaped the policy agenda of all political parties...*" More recently, Froud and Williams have with others authored a report which recommends that the Further Education campuses distributed around Wales should be used as business support hubs. This report is commissioned by Colegau Cymru, the trade association of Welsh further education which convenes the Further Education Principals' Forum.

As well as national impact through Welsh Government, FE is having impact at community and regional level. A spokesperson for Cwmni Bro, a North Wales network of social enterprises, explains [I] how "*foundational thinking... empowers ... our integrated and holistic model of community development*", and an FE Challenge Fund award "*has allowed Cwmni Bro to link up with other smaller social enterprises in neighbouring valleys*". The Chief Executive of the Cardiff Capital City Region states [J] that her newly approved GBP10,000,000 Local Wealth Building Fund "*has borrowed heavily from the principles of Karel's work on 'foundational renewal'*".

All the above adds up to a systematic shift in economic thinking and policy in Wales which is consolidated by the Welsh Economic Recovery Plan to be published in early 2021. The foundational economy will figure as one of the pillars of economic recovery in Wales.

5. Sources to corroborate the impact

- [A] Testimonial from CEO Coastal Housing; chair Ministerial Advisory Board on the Foundational Economy, 11 December 2020
- [B] Welsh Assembly plenary debate on the Foundational Economy on 7 March 2017. Broadcast here: <http://senedd.tv/Meeting/Archive/15659d82-3360-4f72-95f7-8f4c2fca6b19?autostart=True#> . Transcript with references to Williams and Froud and Manchester research here: <https://record.assembly.wales/Plenary/4253#A511>

- [C] Welsh Government (2017) *Prosperity for All. Economic Action Plan*.
<https://gov.wales/docs/det/publications/171213-economic-action-plan-en.pdf>
- [D] Welsh Government (2017) *Our Valleys, Our Future. Delivery Plan* (Report by the Valleys Task Force) <https://beta.gov.wales/sites/default/files/publications/2018-05/our-valleys-our-future-delivery-plan.pdf>
- [E] Testimonial from Deputy Minister for Transport and Economy, Welsh Government, 10 June 2020
- [F] List of local projects for innovative delivery of foundational goods and services
<https://businesswales.gov.wales/foundational-economy>
- [G] Testimonial from Head of Commercial Innovation and Economic Growth at Welsh Government, 15 December 2020
- [H] Testimonial from Policy Manager at Federation of Small Businesses (Wales), 7 December 2020
- [I] Testimonial from Development Worker, Cwmni Bro Ffestiniog, Blaenau Ffestiniog, 9 January 2021
- [J] Testimonial from CEO Cardiff Capital City Region, 11 December 2020