

## **Liam Byrne's speech to the Voice 09 Social Enterprise Conference in Birmingham.**

**11<sup>th</sup> February 2009**

This is my first major speech on social enterprise, and so with your permission, I'd like to say a few words about the here and now, a few words about the future and a few words about our relationship in both.

As we meet here in the centre of our country, there will be many around us for who these are tough times.

There will be those who just don't know if they are going to break-even this month.

There will be those who wonder if there are still are going-concern.

There will be those having difficult conversations with their colleagues.

And there will be those having difficult conversations with their families about perhaps, why there might not

be a salary cheque this month, because they're not sure they can make payroll.

I know what those conversations are like.

Because in my career starting a business on a coffee table and growing it up, I've had all those conversations myself.

And I remember well what the tender mercies of the marketplace feel like at times like these.

But it's our head – not just our heart – that tells us as a government to act at times like these

In three clear stages, we've taken decisive action;

To loan the banks the money to stay in business – and in turn keep savings intact

To give our economy a shot in the arm and put real on the table for families and businesses

And to get lending moving again, safe in the knowledge, that having saved our economy having a heart attack, we still need to get the life-blood of lending flowing.

But at every step and every turn, in every debate and in every detail, we've been determined to make sure that social enterprise is part of the equation. So;

- £10bn in working capital guarantees – and a £1.3bn lending guarantee scheme;
- Funding from the European Investment Bank and £350m towards staff training;
- Special help from Revenue and Customs and government that pays its bills inside 10 days.

Is open to you.

And this week, we offered more, for those charities, voluntary groups and social enterprises facing two challenges:

A rise in demand for services, and challenge in the supply of cash.

That's why with your help, your advice, your counsel, we've put on the table extra help:

- Up to £10 million investment in **volunteer brokerage scheme for 40,000 unemployed people**;
- A £15.5 million **Community Resilience Fund** to provide grant funding to small and medium providers in our most deprived communities;
- A £16.5 million **modernisation fund** to help with the cost of mergers, partnerships and moves to more efficient sharing of back office functions for at least 3000 third sector organisations;
- A £0.5 million investment in the **School for Social Entrepreneurs** to double the number of people it trains to become social entrepreneurs, particularly those working in deprived communities.

We simply don't believe that doing nothing is a strategy when the situation demands all hands to the pump.

But as we move through the course of this year, there will be more debate about the kind of country, what kind of economy, what kind of society, we want to come through this downturn.

Let us be clear.

We will come through.

Nothing has ever broken this nation – and this recession won't either and we will get through this storm if as a country we pull together rather than talk down our prospects and our potential.

But there are three observations I'd like to offer you about life on the other side of this downturn:

About your influence, about your reach and about your strength.

So, let me start with a prediction.

Which is that social enterprise will become more not less influential on the path we take forward as a country.

Why?

Because one of the loudest questions we hear today, is how on earth did we end up here?

That banks let their ability to innovate get ahead of their ability to manage.

Why they pursued higher and higher returns with new instruments, new instruments too few of them, let alone too few of us, understood. How understanding of risk fell short. Of how short term, not long term bets were made. Bets without a backstop. And when backstops failed, how the domino effects of a vicious cycle underpinned by a loss of trust in banks set in.

I predict that a demand for new answers will quickly follow the exploration of these questions.

And let me predict what one of those answers will be:

In the future, markets will need more morals like yours.

Frankly, if people in business thought more about the benefit to the public of their work, than their work for a personal bonus then our country could have avoided a great deal of pain.

I'm not naive enough to believe that every business in the country is going to emerge from this downturn with a double bottom line.

But I think the country is going look harder for ethos with its enterprise.

Its going to look harder to see whether a business offer care and trust, not just cut and thrust.

This isn't a new idea – but it's an idea whose time has come.

In a series of books, articles and arguments during the 1990s, we were reminded how absolutely central shared standards are to the 'trust' that powers successful economies.

Perhaps it was Francis Fukuyama who put it best:

‘One of the most important lessons we can learn from an examination of economic life is that a nation’s well-being, as well as its ability to compete, is conditioned by a single, pervasive cultural characteristic: the level of trust inherent in the society.’

This trust which lay at the heart of the welter of functional, frictionless transactions that make up a market economy, in turn rests on the ability of communities to share norms and rules.

In this sense, economic life, as Adam Smith well understood, cannot be divorced from culture.

The purism of neo-classical economics can’t explain the historical phenomenon that:

‘The greatest economic efficiency was not necessarily achieved by rational self-interested individuals but rather by groups of individuals who, because of a pre-existing moral community, are able to work together effectively. ’

As that great student of the Mafia, Diego Gambetta puts it:

‘Societies which rely heavily on the use of force are likely to be less efficient, more costly, and more unpleasant than those where trust is maintained by other means.’

Which is why the ideas, the culture – and yes, the influence of social enterprise – your soft power if you like, I predict, will grow.

So, how do we know when it’s working?

Well, I have a simple test.

When we see an investment in a British youngster from Saltley as more valuable than a short-term bet on American sub-prime debt.

When we find a way of putting opportunity on every corner of every community, around the clock, across the country.

When we find a way of delivering life chances for life.

When we find a way of harnessing the passion power that lives in all communities as a market force and a market mover.

This is where we need to reach to stretch.

Why? Because in January, we published an important blue-print for the future, of which you are an intimate part.

The New Opportunities white paper set out a vision for how we in this country should seek to capture a big slice of the 1 billion skilled jobs that will be created around the world in the decade to come – but to open those jobs to people from all walks of life and every corner of the community.

We said we wanted to see a step change in social mobility – now finally on the move for the first time in thirty years.

Not by waving a magic wand, or wishing for a better world, or by organising some nice photo opportunities.

Not by cutting £250 million from Sure Start, or by cutting £4.5 billion from the budget for building schools for the future, or by cutting £1 billion from the workplace skills budget.

But by investing in individuals, and families and communities at every stage of life.

Opening up more nursery places for 2 years. Opening a Sure Start in every community.

Rebuilding our schools, and putting more great teachers in the classrooms.

Investing in 265,000 apprenticeships and the chance for 1 in 2 kids to go to university.

Investing in free basic skills training for life.

Investment at every stage of life.

But you know as well as I do, that government alone cannot deliver this future. Business alone can't do the job. Nor can civic society. And nor is Nirvana going to descend from the skies.

But together, a strong government and a strong economy and a strong civic society – well, together we have a chance.

This is what I see in my own community.

But, what four and half years public service in East Birmingham has taught me is that in this future, we're not going to have a performance that matches our potential unless we strengthen the ties that bind us.

We can do well in this new world. But not by turning our backs on it.

At the next election, whenever it is, it is quite possible for the public to vote for a bit less open. For a bit more anti-Europe. For a bit less foreign aid. For borders that are closed not carefully open.

If we want a different future – a future that is open to the world – then we have to win an argument that carefully open is better than decisively closed.

And that means we have to win an emotional argument about change.

And this is where I am now convinced social enterprise can play a decisive role in the strength of future communities.

Today, people live in communities that feel like worlds of rapid change.

The forces at work in the modern world are powerful, they are always on, and they put the ways in which shared standards and happy habits are formed under pressure

In America, Robert Putnam identified at least 11 different forces that put traditional forms of solidarity under pressure.

I'm sure that at least that number are at work in Britain.

But like Putnam I do not believe the answer is some kind of return to the days and ways of the past.

Our great insight was that individuals do better in strong communities. That truth has not changed.

But it means that alongside new measures to empower individuals, we need new measures to strengthen what ties individuals together.

This is the behaviour of mutual regard. It is the habit of reciprocity. It is the 'strength' in 'by the strength of our common endeavour we achieve more than we achieve alone.'

In my own constituency – a diverse place - I have become more and more convinced that the political argument about shared standards, renewing the rules of mutual respect for a 21st century British society, what we must do politically, culturally, civically to reaffirm what one of my party members calls 'the unity in the community', will be amongst the most important political agendas in the years to come.

Living in a country without 'shared standards' is impossible.

Shared standards are the glue that keeps diverse societies together; they are something much more akin to Oliver Wendell Homes idea of the law; ‘those wise constraints that make us free.’

But my message to you is that you should be more ambitious not less to take this challenge on.

Why?

Because we have beaten this challenge once before.

At the end of the 19<sup>th</sup> century we felt in this country the industrialisation that sucked people out of the countryside into new associations in the city.

As Lawrie Lee put it:

‘Fragmentation, free thought and new excitements came now to intrigue and perplex us.’

Our national response was not reactionary; it was inventive.

Take Birmingham.

As the city grew, a new generation of politicians like Chamberlain extolled a new civic gospel that delivered new services – like gas and water and arts - and created a new city.

From 1879, philanthropists like the Cadbury's pioneered, in Bourneville, new designs for communities.

Political movements – like the National Education League, headquartered in the city, were founded to conduct national campaigns for new goods like free education.

In 1902, the Birmingham district labour representation council brought together a huge constellation of working class organisations.

In civic life too, we invented things. Aston Villa FC was founded in 1874. Birmingham City a year later, and within two decades Warwickshire County Cricket Club entered first class cricket.

In 1889, the Boy's Brigade was started, followed by the Birmingham Association of Boy Scouts in 1909. The Girl's Union founded in 1919;

By 1914, Asa Briggs estimates some 19,000 young people were attached to youth bodies.

Today we live in a country where we are quite capable of organising our way through change.

Almost exactly a century ago, this city, Birmingham, began the steps that took it to become the nation's second largest city.

A century ago, we judged civic strength in the way we judged national strength.

By the stretch of our frontiers not the strength of our civic fabric.

Now that judgement is reversed.

In my work, four miles east of here, I have come to learn that it is social enterprise that can become that

focus for the kind of mutual organisation that delivers change through collective action.

In Hodge Hill, I came to see that alongside my work on regeneration through my Hodge Hill 2020 programme, I had to find different cultural, civic, faith-based ways of getting residents out of the streets they live in and into the streets of others.

So, I am bringing together local and oral history projects; exploring how inter-faith groups can grow; backing young entrepreneurs who are using sports and street games to bring different groups of young people together.

In the nineteenth century, this was not a revolution led just by government.

It was led by people like you and me, working together.

We can lead this renewal of civic pride and a renaissance which de Tocqueville called 'the art of association', but we should start and act local, and history tells us you can be on the cutting edge of change.

This is a tradition that stretches back to a pre-bureaucratic era – but it has lessons for this post-bureaucratic age.

Its traditions and its roots are different to the Fabian tradition of the 1950's & 1960's but it is no less Labour for that.

These ideas are rooted in the radical democratic idea that power must be exercised at the lowest possible level.

As David Blunkett puts it “human freedom resides in self-government”. Your fulfilment as an individual is best reached alongside others in your local community.

It's the essence of the early Labour Party and Trade Union movement: a drive for mutual insurance, coupled with opportunity.

It led us at the turn of the 20th Century to a tremendous wave of civic inventiveness around cooperatives, mutuals and civic, community life.

To guarantee an equal distribution of capability, of aspiration, of opportunity, of power.

This for us is the role of the state – to ensure that everyone in our society is enabled to realise their potential.

This agenda is broad.

But we don't plan to act alone; we plan to act together. We're a double act.

So I want to conclude with a few words about policy, people and purse-strings.

Let me start with policy.

Business policy.

We have taken assiduous care to make sure that our real help now for business is there on the table for social enterprise.

But that is not enough. We have to make sure that our plans to deliver real hope for the future are there for social enterprise too.

So to help us with this task, Peter Mandelson and I are announcing today that we will host a Social Enterprise Summit in the coming months.

With a simple aim: to identify aggressive growth strategies for the social enterprise sector so that it is an even bigger part of the new British economy.

If we want to rebalance Britain's economy in the years to come, then your role should expand.

We will bring together the brightest minds, and the most progressive thinkers to join us in this task.

In public services too, we want to see your role expand.

Over 10 years, we have rebuilt the institutions of our communities – Sure Starts and new schools, new colleges and bigger universities, new health centres and new surgeries, new neighbourhood police teams and new youth centres.

Over the next 10 years, we have to hand over the reins to local people. And we will need help to do this. So when we publish our plans for accelerating public service reform in a few weeks time, we'll set out how we we'll put your energy, innovation, ideas, enthusiasm, expertise, into the new institutions we've built.

Progress on people will be one of my tests of success.

Quite simply, I want to see more of you.

So, I'm announcing today the target I've said to the Prime Minister I will set the Cabinet Office to grow the workforce in your sector by expanding your role in public services.

I want to see your teams, your businesses, your organisations grow by some 25,000 over the months to come.

We now have the building blocks in place.  
Futurebuilders is investing fast.

The Department of Health has funds set aside.

The DWP has in place the right to bid.

Local councils and primary care trusts have in place more than 2,000 heads of commissioning trained to commission from you – and in 2009 another £2 million gets invested to build on this success.

And to take a lead, I will chair the reviews of government's deal pipeline – to make sure we're doing everything we can to get deal-blockers out the way.

Of course there will be due process. But there must be true progress too.

These changes are good for the purse-strings. Ours and yours.

But there is more that we can do.

We're proud that we've doubled public income to charities, and voluntary groups and social enterprises from £5.5 billion to over £11 billion.

Proud but not satisfied, which is why we plan to invest some £500 million more.

But the capital markets you face are too closed, you need them to be more open.

So we need to put the capital market that serves you online.

So in under 100 days time, we will launch an online capital market that will bring together in one place all advice, all funding, all contract opportunities available to you from central, local and every other part of government

Let me conclude.

As I look back over the last 20 years, I think about the new world that has opened up around us created incredible new opportunities for me.

I could go from a poor comprehensive school in a new town, to a career that took me all over the world, from Harlow where I spent my teenage years, to the Harvard Business School. From McDonalds, where I started

work, to the board room where I started my first business.

Five miles from here, my three young children are at school. By the time they go to work, if I can get them out the house, the new horizons the world will offer will be more extraordinary still.

We can build a richer economy in this new world.

But only together will we want build a fairer society and a stronger country.

Where the new horizons that I enjoyed, that I can see, are easy to reach from the communities, the classrooms and the streets that we came into this business to serve.