The crisis of everyday liveability and what to do about it

Keynote at the 6th Foundational Economy Conference

Julie Froud

It is a real honor to open this conference. It is also a little bit intimidating because there are a lot of you and our agenda is so wide and I don't have all the answers. I want to just start by saying, I am not going to tell us what we should do, but hopefully I am going to allow us to start some debates that we can continue over the next two days. I am an academic but I am trying not to be too academic, and trying to just stimulate some important discussion.

What I do is to think about the idea of crisis, and obviously we're in a world now where crises accumulate, one after the other, and it is very hard to think about more than one crisis at once. I guess the current crisis is about the cost of living. We got so used to no inflation so that when we had inflation of energy and food prices, and housing and transport it was a bit of a shock for us as citizens, and a shock for policy makers and politicians as to how do we deal with this. So that is the immediate crisis that we characterize as a cost living crisis.

What I want to do in the presentation is to reframe this more broadly as a crisis of liveability because that is important if we want to think about what kinds of government action, what kinds of action by others we need; what should everybody be doing, how and when. We need to understand more about, what is the underlying issue here. So, for us the issue is a crisis of foundational liveability, and this challenges mainstream policy thinking that more growth, more jobs, more productivity, and somehow everything will be okay for us citizens. So that is the first part of the presentation: it is a reframing of the problem around the idea of liveability, Then the second part is what should we do about it, and here I want to make the argument that what we need is a distributed and dispersed social innovation. It is not one thing or two things or three things, it is lots of things by lots of people and things we don't even necessarily know how to do already. The ideas in the presentation draw on the recent book "When nothing works – From cost of living to foundational liveability", which introduces the idea of foundational liveability.

So, the first part of the presentation is thinking about how do we understand the crisis conceptually and empirically as a crisis of household liveability. If we want to think for a minute in a conceptual way, then what we do in this book is to introduce the idea of household liveability as a way of understanding how not, only the cost-of-living crisis, but other crises that we encounter, affect us as individuals and affect us in different ways. Now, one of the critical shifts is away from the idea of us as individuals – we are workers, we are consumers – to the idea of households. This is not households in the normative sense that we should all live in units, and that these necessarily are happy places, but it is a pragmatic reflection that we live in households and our liveability is shaped by a variety of things. Who do we live with? How are we able to pool our income? Can we share expenditure? Do we transfer wealth to each other? Where are we located? Our experience of liveability also reflects the physical location, and what we can access, and how easily we can access those things. So, the household is in a sense not a normative thing, it is just a reality where we are and our experience within households can be very different. When we deal with averages it is very easy to miss the critical differences in experience between households of different types. The argument here is that the liveability of households depends on a number of things, we could characterize it very simply as three pillars.

The first is the access to and the quality of essential services; this is really the foundational economy. It is all those providential things – health, education, care, the material infrastructures, the transport, the energy, the water, the telecom networks, those everyday infrastructures. It is important how those are accessed, what is the quality like, do they serve our needs.

The second pillar tends to get much less scrutiny but is important in complementary ways, and that is the idea of social infrastructure. So that is about the green places, the places for leisure, the places for socialization. It includes both places and spaces, but also human activities in those spaces and enabled by them, like a youth club in a community centre or a walking group in a park. Social infrastructure is important both for individual and collective welfare, but much more difficult to measure, as it contains many different things. But it is very important, and again where the household is located will affect the access to these things. And then thirdly, is income. We are not saying income doesn't matter, but we are interested in the idea of residual income, that is the income available after wages, benefits, taxes, and the cost of essentials.

It looks like a very static framework but obviously it is subject to changes, it can be improved, it can be degraded and of course it has to adjust to our requirements to live within planetary limits. This is really important because in a sense we have this duality of how do we improve liveability while also improving sustainability. As we know the foundational economy is critical in terms of the need to decarbonize but the foundational economy is also critical in terms of its importance in improving liveability, so those two things are very difficult to separate. This is a simple conceptual framing, and if we think empirically, we can try to understand more about what the problems of liveability are and what then might be some of the things that could be done to improve it.

I am just going to talk about the UK, because as soon as you start thinking about liveability, you have to focus on very specific conditions which may differ across countries. In the UK the liveability story is one of all of these pillars crumbling, there is a weakening in all of the pillars. If you think about public services, we have had an extended period of austerity, we have had the stress of Covid-19 which affected health services, but it also affected things like public transportation, and in the UK demand for public transportation has not yet recovered to the levels before Covid. You get stresses in different systems, in different kinds of ways. You may find this shocking, for those of you who are not from the UK, but in England there are seven million people waiting for health treatments. You can see there is a huge failure of this system which affects all kind of other things. The other side of that is a rise in out-of-pocket medical spending. Even though we have a national health system which is free for everybody to use, there is a growing private expenditure of people paying directly for consultations, for treatments. That is a sign of a stressed system, and it changes something that should be universal and equal to being something that is highly unequal.

Or take the transport system: we have seen a decline of more than a quarter in the number of miles traveled by buses. Buses are unglamorous, but they are the workhorse of public transportation systems, especially outside big cities. You see declining provision and that then escalates into declining use, less revenue, more cuts to the service. So, you're in a vicious downward spiral of foundational provision. And you can highlight particularly the vulnerability of lower income households – this is where the household comes in. Access to good quality public transport affects the bottom half of the income distribution households much more significantly. Because the value of the in-kind-benefits – that is the imputed value of free services like health and education or subsidized transport- through the redistributive system, is for the lowest household equal to the cash wages and benefits they get. Even if you go up through the income scale to the median household, they still get around about 13.000 pounds/ 13.000 euros per year of benefits-in-kind: healthcare, education, subsidized public transport. Even though it is degraded, it is still hugely important to the extent that those lower income households could not pay for equivalent services, while of course higher income households can do so. We see this kind of growing inequality of access to public services on top of the austerity-driven decline.

If we look at the social infrastructure then, again, the impact of austerity over a relatively long period of time really shows in the condition of social infrastructure. In the UK most social infrastructure, those hard places and spaces, are mostly paid for by local authorities but extended austerity has meant that these services have been systematically cut, in order to protect the statutory

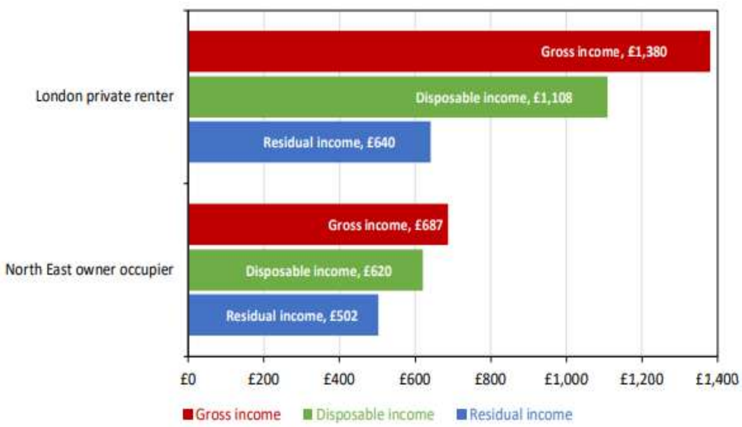

Figure 1: Gross, disposable and residual income comparison
Source: Presentation by Julie Froud

requirements to provide care for older adults and children. You have a loss of physical facilities, and that then affects the soft side of social infrastructure: organizing youth clubs, organizing activities, facilitating associations. And that is then compounded also by an unequal distribution of time. I know in Vienna we have some leading research on "how to include time in the foundational economy". This is so important and we see real inequalities around time here, because social infrastructure depends on (often unpaid) work by individuals inside communities. So again, higher income households can partly pay their way out of this, you can join a private gym, you can drive your car to a green space. That causes all kinds of problems, but also you enhance the inequality of access to social infrastructure. So, what we see is the decline in social infrastructure as well. Then the third pillar, income – we come back to this idea of the income that matters is the household residual income. We can think about this as the income that a household receives from wages, cash benefits, after deduction of taxes, and then deduct the cost of foundational services. Now, obviously the question is which services to deduct. What we have done in recent work is to take a core group of foundational services – housing, energy, food, and transport – because it is hard to imagine any household that doesn't spend on these. There are lots of others that can be very significant, like childcare, but that only relate to some households. It is not to say that these four essentials are the only ones that matter, but these are sort of the baseline of foundational services that everybody has to pay for. And what that allows you to see is the residual income of the household after they paid for just these four basic services.

This starts to show very interesting patterns in terms of the size of households, the composition, the location of households, and the housing tenure. For example, if we compare a private rented household in London, with very high housing costs, with a household in the northeast of England, where there are lower wages and lower housing costs, what you see is that the gross income is much lager for the London household. But as you deduct taxes, you get to disposable income and then deduct the cost of housing, you see that the residual income is much closer in these two households. The London-based household typically is larger, so the residual income per person is actually less in the high earning London household, compared with the low earning northeast England household. This is just one example but it shows that you can start to break down some very simplistic stereotypes about high-income and low-income places. It really depends upon the circumstances of the household: where are you based, do you own your home, do you rent, do you rent privately or socially? We can then layer upon that all kind of other things. That is the kind of idea of liveability. We have gone further, as I have mentioned earlier, and we started to look at the idea of foundational liveability across a number of different countries. Initially we have looked at six countries in Europe, and the motivation here was also to see how residual income is being shaped by the cost-of-living crisis, this immediate crisis that we are dealing with.

The graph shows the lowest income households, but because of the way national statistics in different countries are collected, it is not exactly the same sample in each case, but it is the lowest 20 percent, or the lowest 17 percent of households by income. Also we have to consider total expenditure rather than income due to the available data. For the lowest income households total expenditure and income will be very similar. There will be larger differences for higher income households who save some of their income, of course.

Firstly, as you would expect, between 2021 and 2022 the cost of household essentials has risen as a percentage of overall expenditure. These lowest income households are likely to have reduced consumption of food, energy, transport to deal with the cost-of-living crisis, but even so, the percentage of their total expenditure on these things has risen. So the first thing we see is a worsening liveability crisis, but you also see interesting differences

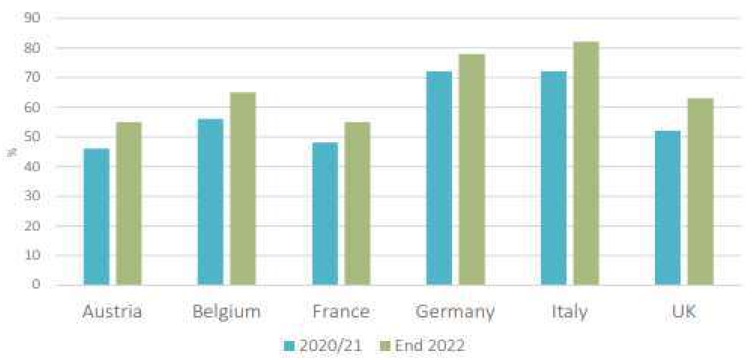

Figure 2: Expenditure on housing, energy, food, and transport as percentage of total household expenditure for lowest income households
Note: the countries are not directly comparable as the 'lowest income' group varies. Austria, France and UK: lowest two deciles (20%); Belgium lowest quintile (20%); Germany lowest sixth (17%); Italy lowest quartile (25%)
Source: Presentation by Julie Froud

between countries. You can compare for example Austria and Germany, you can compare France and Italy, and you see the very large differences between how much low-income households are spending on housing, transport, food and energy. I could ask you why we might observe such big differences, and I am sure you are going to tell me what the answer is, so I am not going to let you linger. But obviously the big driver here is housing, and the availability of low-cost housing. It is really striking because those four foundational economy costs are all very important, but housing cost is the biggest driver. As we are here in Austria, you can appreciate that the wide access to low-cost housing is something that really improves the liveability of low-income households.

The chart here shows both the housing cost per month as a percentage of total expenditure, and the absolute amount that those low-income households are spending. In both cases there are big differences between Austria and Germany. In Germany, households spend almost twice as much of their total expenditure on housing as in Austria, and you can make the same comparison between France and Italy. It is really striking that countries which might appear quite similar have very different patterns. Now of course, housing costs is only one dimension and if we take a liveability perspective we need to think about qualitative aspects as well. We need to think about the size of the accommodation, is it large enough for the inhabitants, is it energy efficient in terms of sustainability; to what extent are houses of good quality for the future, are they secure, are they in a good location where you can access good work, can you access public services and social infrastructure. So it is not simply about cost, but cost is one relatively easy way to measure differences between different kinds of households.

You can develop that a little bit if you compare the amount that households spend on housing, and then contrast the lowest income group of households with the highest income group. In most of these countries the highest income households spend a smaller proportion on housing. The only exception is France, where they spend a little bit more. Higher income households spend relatively less on housing, but of course they spend a lot more in absolute terms which is the bottom chart. This means that the higher income households can afford a bigger house, a more energy efficient house, a better location and they are still spending relatively less than poorer households. We have this huge kind of liveability inequality, which the data here illustrates, and this one way to think about how we might empirically explore liveability.

That is a taster, so now on to more a difficult question of what we are going to do about all of this. If we accept that the idea of liveability is a useful way to think about the different experiences of households, and as a way to bring liveability alongside sustainability, what are the kinds of ways of thinking about responses? This might sound a little bit negative as a way to start, but I think we need to be realistic about the limits of existing forms of governance of the foundational economy, whether it is the state or markets. The welfare state does a lot of things very well – those mechanisms of redistribution that create the benefits in-kind, the cash benefits, the social security – those things of course underpin liveability particularly for the lowest-income households. So that is essential and should be defended, but the extent to which those mechanisms can be further extended to deal with liveability, I think is a difficult question because of the politics. There is a very high political risk around the extent to which those welfare state mechanisms can be used further to improve liveability and sustainability, and there is a lot of resistance by politicians to increase taxation. Wealth is an obvious area for more taxation because wealth inequalities are even greater than income inequalities. Yet, this is an area where politicians are often very reluctant to go. That would be a nice easy way to say let's just redistribute more and improve liveability for those lower income households but it's not clear politicians will take this up.

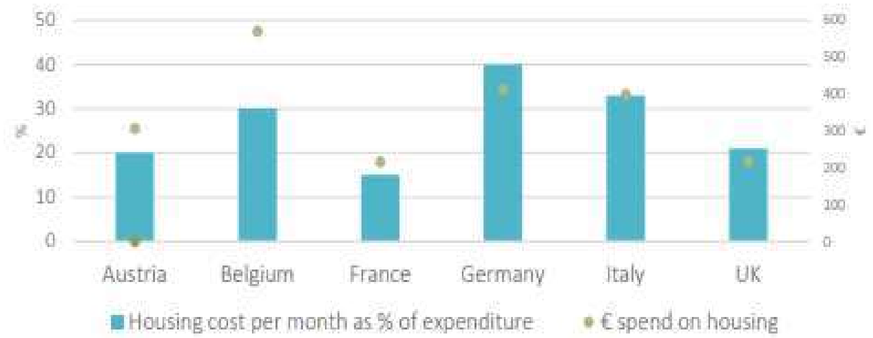

Figure 3: Housing costs for lowest income households
Note: the countries are not directly comparable as the 'lowest income' group varies. Austria, France and UK: lowest two deciles (20%); Belgium lowest quintile (20%); Germany lowest sixth (17%); Italy lowest quartile (25%)
Source: Presentation by Julie Froud

If we now switch to the market – the idea of market citizenship or market entitlement – we know that is problematic as well. There was, before the cost-of-living crisis, this kind of implicit social contract that we could use global markets to procure food and energy cheaply. And to some extent that worked, particularly in the area of food (if we ignore all of the issues around so-called cheap food). But the cost-of-living crisis shows us the vulnerabilities of that assumption, and it is not clear at all given the climate crises that we are going to go back to cheap food being available globally, and cheap energy. It is not at all clear that market governance is going to be able to address the liveability issues that we have.

So, there are problems with state and market. The question is whether these two systems that we have relied on can deliver further benefits, given different kinds of obstacles. If we think about the extent to which either states or markets can address the current liveability challenges, we know the easy one is we look at markets. If we think about housing markets becoming financialized, we know they cannot address the problems of the housing crisis. We also know that markets cannot organize the kind of liveability improvements that we need: the retrofit of housing for energy efficiency, improving the quality of public food, enhancing the kind of modal shift in transport from private to public transport. There are complex problems that markets are not going to be able to solve for us, and I think that is probably not a controversial thing to say in this room.

But equally look at governments. What are government going to be able to do? I think there is a problem that government increasingly involves a lot of long range targets: like, net zero by 2050, tick, that is done. These are front office promises- we're going to deal with migration, we're going to deal with cost of living – but there are a lot of disconnection between high level political promises and the ability to deliver. What we are seeing increasingly is that when we bring the sustainability issues in, we see the creation of false enemies. Green policies being labeled as "woke", or unaffordable, reflect long-term targets becoming increasingly politicized and politicians finding it difficult to deliver on those. And then if you think about the other end of government, behind the promises there has to be capability to deal with things and that capacity has been deteriorated with increasing reliance on consultants, or public private partnerships. It is not clear that those capabilities of government, whether it is federal government, state government, or local government, are in place. There is a further issue which is that, if you wanted a very effective response to the cost-of-living crisis, you would need to have a much better idea about which households need critical support, rather than spending a lot of money giving support to households who can manage without. To target funds much more effectively requires the kind of data that generally does not exist.

We are arguing that we need a kind of new politics of improvement. Starting with the idea of liveability, taking social infrastructure more seriously, thinking particularly about housing: how do we improve not only the cost of housing, the affordability, but also the quality of housing; and how do we then, at the same time, think about the difficulties of staying in planetary limits? On the one hand, we can see a very tempting scenario that, if we can decarbonize the foundational economy, if we improve the foundational economy, we improve liveability and at a theoretical level you can see the foundational economy framing gives us something that we can work on. However, the question of how we do that – I think – is not entirely resolved, and politicians often tend to focus on technology substitutions. Switching from internal combustion engine vehicles, to battery electric vehicles – that is not fully dealing with the complex situation, as we know.

Figure 4: a) Housing cost as percentage of total household expenditure
b) Household monthly expenditure on housing in Euros
Source: Presentation by Julie Froud

I think liveability is a very powerful offer because it gets to the center of the things that matter, but it doesn't necessarily deliver a single program of things to do. We are going to need all kinds of social innovation that are targeted at particular parts of the foundational economy. You can think about health and care, community-based services, social prescribing: that is where social infrastructure again becomes very important for delivering some of those things. Not everything is going to be sorted out through high level technology. We need to think about time – if you want to improve liveability, it is not simply about money, particularly for low-income households, it is also about providing more time through child care, better public transport, a four-day week. One of the problems with the foundational economy is that the systems are very diverse, they are managed at different kind of levels, they are regulated at different levels, they are provided by different groups of actors. We need to think specifically about: where are the points of intervention, who are the actors, where can we do things, in what places are the actions taking place.

On the outer circle of national or transnational level, we can think about things like social tariffs, funding frameworks for public transport, but what then is inside that might be in the control of intermediary actors, local organizations. How do we think about different kinds of interventions with different groups of actors?

If you think about the many kinds of social innovations that we are going to need to address liveability and sustainability, there is not a toolkit that is going to deliver all those things. We need to break with mainstream thinking about the economy and jobs and skills and technology as being the main things that are currently preoccupying policy, and we need to think about how do we develop social innovation? how do we turn those high-level promises into things that can be worked on, not as kind of top-down schemes, but as bottom-up alliances of different actors. I am not suggesting that communities solve their own problems – far from it. What I am saying is, we need alliances of actors who can do different things. Some actors have creative agency – often state actors are not very creative – other actors know how to do things. We need actors with financial resources and balance sheets. We need actors with community legitimacy, so that communities have more say in how liveability and sustainability are addressed. We need technical and management competencies, and it is very hard to find all those capabilities in one place. The idea of alliances is that you bring together different kinds of actors: housing providers, health providers, community groups, local administration. We need to also understand the importance of place. Because foundational systems are delivered in places, and places have different characteristics. To conclude, I think it is fair to say that we, as engaged academics and as practitioners, have very large agenda of things that we need to think about but hopefully we are going to get somewhere with that.

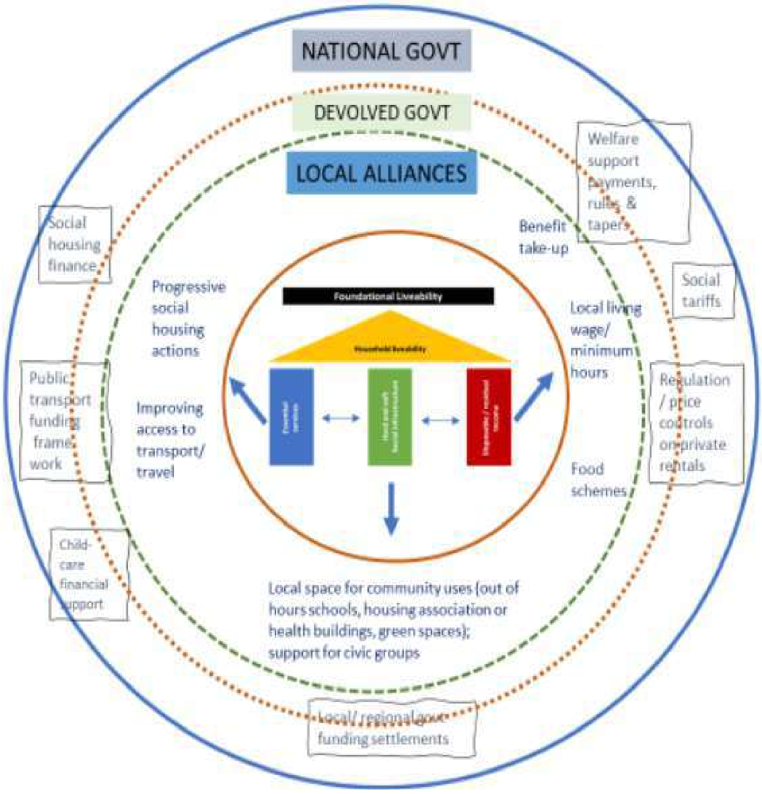

Figure 5: Multilevel structure of the foundational economy
Source: Presentation by Julie Froud