

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

A note for Local Trust

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Contents

1	Executive summary	3
1.1	The role of soft skill development	4
1.2	The relevance of delegated decision-making	6
2	Introduction	9
3	Capacity building and the success of local areas	11
3.1	Background	11
3.2	Approach	11
3.3	Evidence from the literature	12
3.3.1	Soft skills and capacity building in adults	12
3.3.2	Soft skills and capacity building in adolescents	14
3.3.3	The returns to soft skills	15
4	Delegated decision-making and the success of local areas	17
4.1	Background	17
4.2	Approach	17
4.3	Evidence from the literature	17
4.3.1	Delegated decision-making in the community context	18
4.3.2	Delegated decision-making in government institutions	19
4.3.3	Delegated decision-making in the workplace	19
5	Conclusion	21
5.1	The role of soft skill development	21
5.2	The relevance of delegated decision-making	22
6	Bibliography	25

1 Executive summary

In March 2023, the Government announced that Community Wealth Funds (CWF) would become a named cause to benefit from the expanded Dormant Assets Scheme (DCMS, 2023). Initially, the focus of the fund was on empowering local residents in left behind neighbourhoods to invest in their local communities and rebuild their social institutions.

The Government recently launched a technical consultation which sought views on how to structure, design and operate a CWF (DCMS, 2023b). In particular, they were interested in whether the initial aim of the fund should be on small towns (rather than hyper-local communities) and whether there should be a minimum level of social infrastructure present for small towns to be eligible for funding (which determines the degree of capacity building required by a CWF).

Through their experience with Big Local over the past 10 years, Local Trust have gained a strong qualitative sense of the importance of two key areas that are critical to creating the necessary foundations for the longer term success of areas. These two areas that are relevant to the future design of a CWF are:

1. The importance of time and investment spent building the capacity of individuals within local areas; and
2. The importance of interventions being community-led (as opposed to Local Authority, large voluntary sector, funder, or Central Government led).

In light of the consultation, Local Trust is keen to add to the evidence base in these two areas. The existing evidence that specifically relates to the community context is relatively sparse so in this work we have looked beyond the community-specific literature in two main areas:

- Firstly, to the academic and wider evidence around the economic and social returns to programmes developing “non-cognitive” skills, that could act as parallels to the capacity building work undertaken by Local Trust. In the economics literature, an individual’s skills are often thought to comprise both a “cognitive” and a “non-cognitive” component (Humphries & Kosse, 2017). The former relates to an individual’s level of intelligence (often measured by their IQ or standardised tests in school), whereas the latter is a blanket term for all other skills and traits besides cognition that influence educational and labour market outcomes. Such non-cognitive skills are also often called soft-skills (in business, management and education), socio-emotional skills (by psychologists) or personality traits (Heckman & Kautz, 2012) (Cinque, Carretero, & Napierala, 2021).
- These terms are however not without their challenges. They often overlap in slightly different ways, and in some cases do not have a clear agreed definition (Cinque, Carretero, & Napierala, 2021). For example, socio-emotional suggests only those skills relating to working with people and the term “trait” implies a degree of immutability. Further, the terms “soft” and “non-cognitive” are simply defined as the

opposite of “hard” or “cognitive” skills and can therefore have negative connotations. In the absence of a widely-known and agreed alternative, this paper uses the term “soft skills” to represent this collection of terms, given its greater use outside of academia.

- A shortlist of soft skills that a capacity building programme as part of a CWF could likely support is provided in Table 1. This was informed by the learnings from the Big Local programme (Local Trust, 2022), a review of soft skills considered to be most relevant in the community context, and through conversations with Local Trust.
- Secondly, to the academic and wider evidence exploring the factors and situations where delegated decision-making across a range of contexts is more successful and where parallels could be drawn with decision-making delegated to local communities.

Table 1 Relevant soft skills

Soft skills in the community context	
Communication	Project management
Community engagement	Planning and strategic thinking
Working with external stakeholders	Leadership
Confidence	Teamwork
Negotiation	Conflict resolution
Budgeting	Business skills
Fundraising skills	Time management
Creativity	Adaptability

The literature cited in this focussed review is generally of high quality, including well regarded journals, organisations (such as the European Commission), and academics in this space – such as James Heckman. Methodologies of papers cited include both literature reviews and original research.

1.1 The role of soft skill development

Our review suggests that building soft skills in local areas has the potential to benefit not only participants in the capacity building schemes, but also lead to the improved delivery of local projects. Most of the published literature focusses on interventions for children and adolescents, and primarily links this to improved economic outcomes; but there is also a sparser literature focussed on improving soft skills in adults. Both sets of literature contain examples of programmes taking place in the community context. While some studies provide quantitative estimates of the impact improved soft skills can have on wages, employment,

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

crime and well-being after controlling for other factors, they are considered mostly correlational rather than causal. In summary, the evidence clearly shows that:

- Available estimates suggest that soft skills can be improved in adults through intervention and have positive impacts (Ohmer, 2016) (Brunello & Schlotter, 2011) (Harmon-Darrow, 2022).
- Returns to soft skills development for adults in workplaces are greater where workers are involved in workplace decision-making (Green, Ashton, & Felstead, 2001).
- In general, adults with higher levels of soft skills earn more than those with less (Edin, Fredriksson, Nybom, & Ockert, 2017) (Cabus, Napierala, & Carretero, 2021). Further, individuals who have strong soft skills were found to be more likely to take up leadership positions (Edin, Fredriksson, Nybom, & Ockert, 2017), with adult leaders with better soft skills performing better in leadership roles (Schmueli, Warfield, & Kaufman, 2009).
- Individuals can successfully substitute lower levels of cognitive skills for higher levels of soft skills (Green, Ashton, & Felstead, 2001).
- Programmes that seek to improve soft skills for children and adolescents are associated with higher earnings, employment rates, lower levels of criminality (Gutman & Schoon, 2013) (Kautz, Heckman, Diris, Weel, & Borgans, 2014), and improved mental health outcomes (Gutman & Schoon, 2013) (Kautz, Heckman, Diris, Weel, & Borgans, 2014) (Dibben, Playford, & Mitchell, 2016). The evidence is however largely based on correlations, with few causal studies found in the literature.
- Successful soft skill programmes involve participants in their development and implementation, involve the community, run for an extended period of time, and in the case of the most disadvantaged environments are combined with mentoring, guidance, and information (Gutman & Schoon, 2013) (Cabus, Napierala, & Carretero, 2021) (Kautz, Heckman, Diris, Weel, & Borgans, 2014). They also require high-quality staff and smooth execution (Gutman & Schoon, 2013).

Implications for a Community Wealth Fund

Based on the evidence from the soft skills literature, the implications for the design of a CWF are:

- It is possible to build soft skills in adults.
- To the extent that individuals in 'left-behind' areas may have, on average, received less education and therefore less opportunity to develop cognitive skills, building soft skills may help address this disparity.
- Improved soft skills could then have benefits for the wider community through better managed projects arising from improved leadership skills, and also for the local people

who have received this training (through higher wages, greater employment chances, and better mental health).

- The development of soft skills can be particularly effective in contexts where decision-making is delegated, such as in a CWF.
- Effective soft skills programs have the following characteristics in common: they provide long-term support in the form of mentoring, guidance, and information; involve participants and the local community in their development and implementation; are well executed; and utilise high quality staff.
- As the evidence on soft skills development in adults is limited, any future CWF could make a valuable contribution to the evidence base by collecting evidence that could be used to better understand the causal link between the soft skills developed and project outcomes, as well as personal outcomes for individual participants.

1.2 The relevance of delegated decision-making

Similarly, our review suggests that delegating decision-making to local communities (i.e. 'resident-led' decision-making) has the potential to lead to better policy outcomes, build social capital and more efficiently deliver projects. While the literature relating to delegation in the workplace is vast, there also exists a smaller literature looking at this in the context of local communities and government. Taken together, the evidence clearly shows:

- Delegated decision-making in the community context can both lead to better policy decisions (as it provides the opportunity for local people to develop policy skills, and allows policy to be better targeted) and additional benefits deriving from the process of consulting the community itself. These benefits include avoiding unpopular policies, reducing the cost of implementation, and increasing civic participation within marginalised groups (Irvin & Stansbury, 2004).
- Delegated decision-making is most effective when the target community is smaller, more homogeneous and less geographically dispersed; there is a motivated set of volunteers; when previous policies have failed; topics are less complex; hostility towards government is high; and leaders have credibility and are rooted within the local community (Irvin & Stansbury, 2004).
- Involving communities in decision-making via the partial-delegation of public policy decisions does risk inefficiency in terms of time and administration if it is likely that a politically aware and technically trained administrator, such as a local authority or civil service official, could reach the same conclusion in a shorter time. There is also a risk that if participants are not paid, community groups may be dominated by those with a higher socio-economic status, those with strong political views, and / or run for the benefit of that group's interest (Irvin & Stansbury, 2004).

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

- More generally, delegated decision-making is more effective where those involved form strong and collaborative relationships with existing centres of power (e.g. local authorities) (Roberts & Benneworth, 2002), build upon and link in existing community organisations (Chatterton & Style, 2001), and where leaders are rooted in their local community (Schmueli, Warfield, & Kaufman, 2009).
- In the workplace, delegated decision-making is associated with higher productivity (Perotin, 2020), generated through improved organisational communication (Mbohwa, Kholopane, & Kubheka, 2013) and knowledge diffusion (Fakhfakh, Perotin, & Gago, 2012). This is because delegated decision-making offers workers both incentives and opportunities to reveal information to management and to one another that only they have, given they are closest to problems.

Implications for a Community Wealth Fund

Based on the evidence from the delegated decision-making literature, the implications for the design of a CWF are:

- A CWF which focusses on left-behind areas - which are often politically disengaged areas with low levels of social capital, where previous policies have failed - and delegates decision-making to local people could have particularly large benefits and help rebuild social capital. It suggests that delegating decision making could build capacity in these areas by providing communities with the opportunity to be involved in the policymaking process, therefore developing their skills to understand, effectively develop and target policy and engage with government.
- The risks to delegated decision-making suggest the importance of having an efficient, streamlined system of support for local areas where needed. The design of a CWF would also need to encourage the participation of all socio-economic groups, provide support to ensure personal circumstance does not preclude any particular group's involvement, and have a degree of oversight to ensure funding is not spent to the exclusive benefit of those running the projects in each area.
- Delegation is less successful in cases where projects are more technical. In the context of a CWF, this suggests that providing appropriate guidance and support for the more technical aspects of projects (e.g. evaluation) may be necessary to minimise this risk.
- A CWF that focusses on hyper-local (rather than wider geographical areas), and delegates responsibility to individuals rooted in the local community are more likely to be successful.
- A CWF should encourage local communities and community leaders to develop strong relationships with existing local authorities and organisations. This highlights the importance of building capacity in newly empowered communities to ensure they are able to do this effectively.

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

- Given the delivery of a CWF project in a local area is arguably not too dissimilar to delivering projects in the workplace, the workplace literature suggests running projects locally may be more efficient than with a top-down approach to delivery.

2 Introduction

In March 2023, the Government announced that Community Wealth Funds (CWF) would become a named cause to benefit from the expanded Dormant Assets Scheme. These funds aim to empower local residents in left behind neighbourhoods to invest in their local communities and rebuild their social institutions.

The Government recently launched a technical consultation stage which sought views on how to structure, design and operate a CWF (DCMS, 2023b). In particular, they were interested in whether the initial aim of the fund should be on small towns (rather than hyper-local communities) and whether there should be a minimum level of social infrastructure present for small towns to be eligible for funding (which determines the degree of capacity building required by a CWF).

Through their experience with Big Local over the past 10 years, Local Trust have gained a strong qualitative sense of the importance of two key areas that are critical to creating the necessary foundations for the longer term success of areas. These two areas that are relevant to the future design of a CWF are:

1. The importance of time and investment spent building the capacity of individuals within local areas; and
2. The importance of interventions being community-led (as opposed to Local Authority, large voluntary sector, funder, or Central Government led).

In light of the consultation, Local Trust is keen to add to the evidence base in these two areas. The existing evidence that specifically relates to the community context is relatively sparse so in this work we have looked beyond the community specific literature in two main areas.

- Firstly, in Chapter 3 we explore the academic and wider evidence around the economic and social returns to programmes developing “non-cognitive” skills, that could act as parallels to the capacity building work undertaken by Local Trust. In the economics literature, an individual’s skills are often thought to comprise both a “cognitive” and a “non-cognitive” component (Humphries & Kosse, 2017). The former relates to an individual’s level of intelligence (often measured by their IQ or standardised tests in school), whereas the latter is a blanket term for all other skills and traits besides cognition (e.g. communication, teamwork and creativity) that influence economic and social outcomes. Such non-cognitive skills are also often called soft-skills (in business, management and education), socio-emotional skills (by psychologists) or personality traits (Heckman & Kautz, 2012) (Cinque, Carretero, & Napierala, 2021).
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EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

opposite of “hard” or “cognitive” skills and can therefore have negative connotations. In the absence of a widely-known and agreed alternative, this paper uses the term “soft skills” to represent this collection of terms, given its greater use outside of academia.

- Secondly, in Chapter 4 we explore the academic and wider evidence around the factors and situations where delegated decision-making across a range of contexts is more successful and where parallels could be drawn with decision-making delegated to local communities.

This note therefore collates and summarises the adjacent academic literature on these two topics, and outlines the implications of this for the future design of a CWF. The literature cited is generally of high quality, including well regarded journals, organisations (such as the European Commission), and academics in this space – such as James Heckman. Methodologies of papers cited include both literature reviews and original research.

3 Capacity building and the success of local areas

3.1 Background

Through their experience with Big Local over the past 10 years, Local Trust have identified the critical importance of building the skills, knowledge, confidence, and aptitudes of individuals within left behind areas. This capacity building forms the critical foundation for the future and enduring success of the programmes funded. It is therefore key to bring these learnings into the future operation of a CWF.

In practice, the building of capacity in local areas means enabling specific individuals who take on responsibility for funding, as well as other volunteers and workers, in local areas to build skills and knowledge but also boosting confidence in their own abilities to bring about change. This can then have knock on effects not only for those individuals' personal outcomes, but also that of the programmes they lead. This is because these skills can enhance their ability to gather knowledge, identify local problems, build and sustain relationships with local government and other organisations, and more effectively target and run local programs. By spending time building capacity in communities through a CWF, the aim is to unlock these benefits and embed them over the longer term.

Through their work with Big Local, Local Trust have a strong sense of the importance of building capacity in local areas. However, there remains a lack of robust evidence at higher levels of the Maryland Scientific Methods scale that specifically looks at the impact of capacity building in the context of local initiatives. There is however a parallel literature looking at the importance of soft skills on an individual's economic and social outcomes. These are the types of skills a programme of capacity building through a CWF could seek to build.

To focus this review on the most relevant literature, a shortlist of soft skills that a capacity building programme as part of a CWF could likely support has been compiled in Table 1. This was informed by the learnings from the Big Local programme (Local Trust, 2022), a review of soft skills considered to be most relevant in the community context, and through conversations with Local Trust. This focussed review summarises the potential benefits that could be expected from building the capacity of individuals in left behind areas by drawing parallels with other programmes that seek to enhance similar soft skills. It provides evidence on the types of soft skills development programmes that have been more or less successful, what successful ones have in common and provides a clearer indication of the timescales involved in building soft skills for individuals directly interacting with a CWF.

3.2 Approach

Focussing on the set of soft skills in Table 1, we conducted a focussed evidence review looking at the nature and potential size of returns from building these types of skills in individuals, with a specific focus on those programmes which develop skills for individuals most similar to those in left-behind areas. We also consider what types of soft skills development programmes have been successful, what they have in common, and what the timescales involved are.

3.3 Evidence from the literature

The literature on the nature and potential size of returns to building soft skills mostly focusses on children and school aged adolescents. Our review has sought to explore the more limited literature on adults, as a programme of capacity building through a CWF would likely focus on adults. However, because this literature is limited, we have also drawn insights where appropriate from this wider literature on children and adolescents, to highlight the key link between the soft skills such a programme could build, and positive social and economic outcomes. We also understand from Local Trust that a CWF could involve communities running these types of programmes for children and adolescents as their chosen intervention. This means this literature is also relevant to the extent it reflects a potential type of project local areas may decide to fund.

3.3.1 Soft skills and capacity building in adults

As a first step, it is important to consider whether the development of soft skills is possible in adults. In a review of the literature, Brunello and Schlotter (2011) find that the evidence is mixed: some studies find soft skills remain malleable up only until the late teenage years, others that they can be learnt at any age. While Brunello and Schlotter (2011) assert that the development of soft skills after school is a long-recognised phenomenon, they conclude that empirical evidence supporting this outside of the school context is limited primarily due to a lack of available data – rather than there being a lack of an effect. This is reflected in sparse literature on this topic for adults.

One paper that does quantitatively investigate this in the UK is Green et al (2001). To do this, Green et al (2001) analyse a survey covering what people's jobs are, what their role entails, and whether they had received in-work training. They then use answers to these questions to form broad buckets for four soft skills – problem-solving, communication, social skills, and teamwork. Using regression analysis, Green et al (2001) find that these soft skills can be developed in adults. In particular, they find strong statistically significant results which indicate that off-the-job training is effective for developing all four skills aside from teamwork, while on-the-job training is effective for developing problem-solving and team-working skills.¹ Green et al also find that less educated workers make up for their lower level of academic skills through greater work-based learning.

They also provide quantitative estimates, with Table 2 showing the proportion of variance in skills explained by each variable, split by soft skill. Overall, the table shows that work-based learning often explains more than double the variation in soft skills than a person's level of education on average. Crucially, Green et al (2001) find that the development of these skills is much greater in 'flexible' workplaces where employees are involved in, and have the autonomy and authority to make appropriate decisions – with a strong, statistically significant

¹ The results were not disaggregated by occupational group

effect reported. This is also reflected in Table 2, with the flexibility of an organisation explaining the largest proportion of skills variance between individuals.

Table 2 Proportion of skill variance associated with skill sources, by skill type

	Problem solving	Team-working	Professional communication	Social
Education	4.4	1.7	10.7	3.1
Organisational characteristics	13.7	19.0	21.6	7.8
Other work-based learning indicators	14.3	8.2	20.0	6.0

Source: Adapted from Green, Ashton, & Felstead (2001)

Of the limited evidence in the community context for adults, Harmon-Darrow (2022) review the literature and consider the success of conflict resolution intervention programs in the United States. Overall, they find there to be limited quantitative research available. Of the 10 studies reviewed, conflict resolution and restorative justice interventions each appear to be related to moderate reductions in participant reoffending rates, when compared to traditional approaches to criminal justice. In particular, Harmon-Darrow cite an empirical study by Ohmer (2016) that examines the outcomes of a community-based violence-prevention intervention in Atlanta, Georgia. Program participants were selectively sampled by the program organisers to include both young and old, and white and black residents. Participants first took part in collective efficacy training, which included sessions on building trusting relationships with neighbours, and communication skills; and then community-based prevention projects to demonstrate what they had learnt in the training, and to engage with the wider community. Ohmer (2016) collected data on the participants before the training program, immediately after the training program, and 4 months after the training (and after the community-based project). Ohmer found that after the training, participants increased what she considers to be their level of collective efficacy², in particular their perceived levels of social cohesion and their stated likelihood to intervene in neighbourhood problems. This shows that running soft skills programmes in the local community can have positive outcomes in the community.

Investigating the effectiveness of community leaders, and the importance of soft skills, Shmueli et al (2009) qualitatively assess two case studies concerning the need for, and effects of, building negotiation skills in low-income areas. This covered African-Americans in Washington D.C. who successfully organised to reduced gang violence, and leaders of Bedouin tribes in Israel who sought local gains through negotiation with external governmental

² Collective efficacy can be defined as “the perception of a group that they can successfully work together to accomplish valued goals” (Gallagher, 2012). In Ohmer (2016), this is comprised of three parts: social cohesion, informal social control, and shared norms and values.

bodies. They find that those community leaders with strong soft skills such as communication, conflict management, knowledge of the local history and context and the ability to bring together and manage external stakeholders (police, the local community and government administrations) often leads to more successful outcomes. To realise these outcomes though, they highlight the importance of identifying individuals in local areas who are (or have the potential to be) community leaders, and providing them with appropriate training to develop these skills. They propose that such training programmes should be provided in a tailored way specific to each community, given the unique needs and circumstances that community leaders face.

3.3.2 Soft skills and capacity building in adolescents

While the literature for building soft skills in adults in the community context is somewhat sparse, there is a wider literature looking at this for children and adolescents. Kautz et al (2014) review the economics and personality psychology literature to understand the predictive power of cognitive and soft skills in terms of academic and economic success, criminality and personal well-being, as well as how to improve these skills amongst children and adolescents. They find that soft skills development programs can have significant positive rates of return - with soft skills being more malleable in adolescents than children. For adolescents growing up in disadvantaged environments, they find that the most promising interventions are those that combine soft skills training with mentoring, guidance, and information – with workplace-based internships and apprenticeships being particularly successful in developing such skills.

Gutman and Schoon (2013) also review the literature on the effectiveness of interventions looking to build soft skills in adolescents. Overall, they find that soft skills are associated with positive outcomes in young people, in terms of economic success, criminality rates, and health, and that soft skills such as leadership, engagement, and coping skills can be promoted. Gutman and Schoon (2013), find there are few studies that causally link soft skills with outcomes, with most studies based on correlations. They find that, in general, service learning (i.e. volunteering in the community), outdoor adventure (being placed in real life situations and solving problems), and social and emotional learning programmes show low to medium effects on a variety of outcomes – with service learning most effective in combination with school-based curricular learning that emphasises reflection.

In the U.K. context, this aligns with the work of Dibben et al (2016), who econometrically estimate the impact of participating in Scouts or Girlguiding as children on adult mental health. They use the U.K. birth cohort National Child Development Study, and control for sex, family social class, familial history of mental health, and family aspiration for the child. This (more recent) study is more robust than those cited by Gutman and Schoon because it controls for potential confounding variables rather than relying on correlational analysis. They find that these community-based youth services - which develop soft skills such as self-confidence, connection to others, and compassion - lead to an 18% lower probability of having a mood or anxiety disorder by age 50.

Gutman and Schoon (2013) also find mentoring programmes can successfully improve soft skills among young people (with the highest returns found for those considered at-risk), with these most effectively delivered in a community rather than school setting. This is because relationships can extend beyond the school year. However, the benefits of mentoring programmes tend to be modest in comparison to other prevention programmes.

Gutman and Schoon (2013) consider the conditions required for service learning programs teaching soft skills to be a success. They find involving participants in the planning, decision-making, implementation and evaluation of the programmes, and ensuring the local community is involved are crucial to its success. This aligns with the findings of Green et al (2001) in the adult skills development literature outlined above. According to Gutman and Schoon (2013), the most important factor in successfully delivering these interventions was the successful execution of programmes by high quality staff.

3.3.3 The returns to soft skills

The studies outlined above highlight the outcomes and necessary conditions required from specific *programmes* that aim to improve soft skills. There is also a wider literature which estimates the level of returns that could be expected from simply *having* soft skills, and the wider social and economic outcomes.

The link between soft skills and long-term economic success in life has been stressed by a number of economists, most notably James Heckman. In a seminal paper, Heckman and Rubinstein (2001) look at the impact of soft skills on labour market outcomes. By comparing General Educational Development (GED) exam recipients (an academic qualification for those retaking tests later in life in the US) and ordinary high school graduates, Heckman and Rubinstein (2001) finds that GED exam recipients have as high cognitive skills as ordinary high school graduates. Despite this, GED recipients are found to earn substantially less than high school graduates in the long-term, and have a lower employment rate. Heckman and Rubinstein (2001) argue this is because GED recipients have weak soft skills (self-esteem, planning, persistence, and adaptability), and conclude that what can sometimes appear as a return on education is actually a return on soft skills.

Several papers have since quantified the returns to soft skills. Cabus et al (2021) conducted a meta-analysis of the evidence on economic returns to soft skills via a systematic review of articles published in the last decade, and divide soft skills into 5 types using the ‘Big Five’ personality model – agreeableness, conscientiousness, extraversion, neuroticism, and openness. Comparing the definitions of these factors and associated traits from Heckman and Krautz (2012) to the skills compiled in Table 1, there is a high degree of overlap. For example, the definition of agreeableness used in Heckman and Krautz (2012) as “the tendency to act in a cooperative, unselfish manner” links with teamwork and communication skills, with openness as “the tendency to be open to new aesthetic, cultural, or intellectual experiences” linked to community engagement and adaptability. With conscientiousness defined as “the tendency to be organized, responsible, and hardworking” this arguably links to skills such as project and time management.

Cabus et al (2021) then extract more than 300 estimates linking earnings and these soft skills, including studies directly linking the two, as well as studies assessing the impact of intervention programs that aim to improve soft skills. They find that a one-standard deviation increase in soft skills increases the return to earnings by 0.7% (statistically significant at the 10% level) when controlling for education. Compared to the 8.8% increase seen for cognitive skills (statistically significant at the 1% level), the effect appears small. Disaggregating this by soft skill, they find positive returns to conscientiousness (1.4%, significant at the 1% level), openness (2.2%, significant at a 1% level) and extraversion (0.2%, significant at the 10% level) after controlling for education. However, they find a negative return to neuroticism (-1.6%, significant at the 1% level), and agreeableness (-2.1%, significant at the 1% level).

Further, they find that training programmes with a particular (or exclusive) focus on soft skills are associated with a strong positive effect on earnings. Interestingly, the effect size falls when the training focusses on both cognitive and soft skills. This suggests that programs which focus solely on soft skills are more effective than those which combine both forms of training. They also found the programmes with the highest returns were those with a longer duration (more than 6 months), and that focussed on older participants – suggesting older participants gain more from soft skills programmes than younger participants. These effects are found from their modelling which shows program duration and age variables are positively correlated with overall effectiveness. However, Cabus et al (2021) caution that for age, this could be because interventions for older people could be better organised. Overall, they conclude that while learning soft skills is easier earlier in life, there still remains a positive impact on individual's earnings when learnt as an adult.

Edin et al (2017) use data from Sweden for 1992-2013 on wages and test scores from the Swedish military draft procedure to investigate the returns to soft skills over time. The soft skill scores are based on results from behavioural questions in a 20 minute interview with a psychologist in the draft data, intended to score draftees' social maturity, psychological energy (e.g. focus and perseverance), intensity, and emotional stability. Edin et al (2017) find that the return to soft skills has risen; rising from a 7% to a 14% increase in wages per standard deviation increase in soft skills. This contrasts with cognitive skills, where returns remained relatively stable throughout the period (between 11% and 13% per standard deviation increase in cognitive ability). Disaggregating the results, they find that individuals who have strong soft skills also have a higher probability of being in leadership positions (with those with higher cognitive skills being *less* likely to be in leadership positions). The authors summarise how this highlights the growing importance and returns to people with these skills who run complex organisations.

4 Delegated decision-making and the success of local areas

4.1 Background

Another part of the theory of change for a CWF relates to the importance of community-led decision-making in areas. The work done by Local Trust in working with local communities and the evidence gathered to date indicates a strong sense that change is more effective in an area when the local community is involved in determining what is needed and leading the action to make it happen. This compares to other situations where change is “imposed” on an area from outside e.g. from Central Government or Local Authorities who are perceived to have a less granular understanding of the needs, dynamics and culture of a hyperlocal area.

Despite the the learnings from Big Local, there remains a lack of robust evidence that specifically looks at the impact of delegated decision-making in a community-based context. In this note, we first assess the literature looking at this in the community context, before then reviewing the more abundant parallel literature which looks at the success of delegated decision-making in government and in the workplace. This literature contains insights into the impact of having a CWF which includes the local community in the decision-making process.

This focussed review summarises the potential impact of devolving spending decisions to local people in left-behind areas, and the factors likely to make this more successful. It does this by drawing parallels with studies that investigate the impact of delegated decision-making across a range of different contexts which are sufficiently similar to that of a CWF.

4.2 Approach

As in Chapter ■, this focussed review looks at the academic literature outlining the factors and situations where delegated decision is more successful, and whether quantitative estimates of the impact of delegated decision-making exist. We first look at the most relevant literature based in the community context, before looking at the lessons from the wider political and workplace literature.

4.3 Evidence from the literature

The evidence on the impact of delegated decision-making and the conditions under which it is most successful draws on literature in the community, governmental and workplace contexts. While a CWF which delegates decisions to local people would clearly take place in the community context, lessons can also be learned from delegation in the governmental and workplace context too. This includes understanding the circumstances under which delegating decisions can be successful and the conditions under which it can have the most impact. We have therefore drawn insights, where appropriate, from this wider literature as well. Overall, there are a limited number of quantitative estimates which demonstrate the impact of moving from a top-down to a delegated decision making approach.

4.3.1 Delegated decision-making in the community context

In a review of the literature on citizen participation, Irvin and Stansbury (2004) consider the advantages and disadvantages of community participation in government decision-making. They highlight how increased citizen participation can have two sets of benefits: those deriving from the *process* of citizen decision-making itself, and those from the better policy decisions arising from that process. They argue that involving the local community has two sets of educational benefits: firstly, local people gain an understanding of local issues and the technical and social challenges of making policy decisions. This greater technical understanding then yields better policy decisions and outcomes when they are involved. Secondly, policy officials also benefit from a greater understanding of community groups' positions – avoiding deeply unpopular policies, leading to a smoother and less costly implementation process. Further, they argue that involving local communities can empower otherwise marginalised citizens by teaching them how to interact with other groups in society – reducing confrontation, breaking gridlock, and advocating participation in the wider political process.

Irvin and Stansbury (2004), however, acknowledge that citizen participation also has some potential disadvantages. This includes the additional costs to widen participation both in terms of time, administration, and efficiency versus a top-down approach. For example, if a politically aware and technically trained administrator could reach the same conclusion as the community in a shorter time, then the benefits of citizen participation could be lower. They do however state that these higher costs may be outweighed by the social-capital value that participants gain from being involved and / or the likelihood of better policy implementation. Further, unless the community involved is small and homogeneous, they argue it may be challenging for decisions to successfully represent the wider community. They also acknowledge the risk that because citizen participants are often not paid, such groups may be dominated by those with a higher socio-economic status or those with strong political views – with the risk of this exacerbating existing views of inequality in representation. In addition, while some of the citizen-participation literature implicitly assumes that participatory decision-making may lead to greater altruistic concern for others, therefore building social capital, there is also a risk that devolved decision-making may lead to the group spending money on areas which satisfy that groups' interests – rather than that of the wider community.

Irvin and Stansbury (2004) also outline the conditions where citizen-participation has lower costs and higher benefits. They find that costs are lower when there are citizens readily available to volunteer to support projects; citizens have enough income and time to attend meetings; the community is smaller and more homogenous; stakeholders are not geographically dispersed; and projects involve less technical information. Where Irvin and Stansbury (2004) find that benefits are highest is when hostility towards government entities is high; progress is gridlocked and/or previous policies have failed; the community is smaller; decisions made by the community have the authority to be implemented and are likely to be different than if made by a government entity (e.g. local authorities); community representatives with strong influence are willing to serve as representatives; and, the group

facilitator has credibility with all representatives, and the issue is of high interest to stakeholders.

This echoes the view of Schmueli et al (2009), discussed in more detail in section 3.3.1, who find that the most effective community leaders are those rooted in local communities. This is because these leaders have the trust of their peers and an understanding of their needs which gives them legitimacy amongst the community and external stakeholders.

4.3.2 Delegated decision-making in government institutions

Several papers assess delegated decision-making and the factors that enable it to be successful in government institutions. In a review of the literature and the effects of government policy, Roberts & Benneworth (2002) examine how devolution in the UK has affected local sustainable development across Scotland, Wales, and London. They find that devolved institutions are most beneficial where new regional arrangements support and coordinate with local actors to deepen their existing approaches to sustainability. They argue that devolution failed to improve sustainability in situations where new regional arrangements lacked linkages with existing local actors and where there was not a regional interface in which these local actors could increase their legitimacy and power.

Chatterton and Style (2001) reach a similar conclusion with reference to the development of policy in Newcastle upon Tyne, using interviews to understand how the concept of sustainable development is being put into practice by local policy partnership networks. They find that government interaction with non-established policy networks is limited to consultation only, and that the agenda for sustainable development is largely set by central government and government representatives in regions and localities, limiting the take up of new ideas. They argue that in many places there already exists a network of organisations at the local level with the skills and knowledge to enact change. These include residents associations; parish councils; youth, ethnic and women's groups; church groups; credit unions; socially responsible businesses; local Agenda 21 groups; workers' and housing co-operatives; community forums and councils; and environmental campaign groups. Chatterton and Style (2001) argue that sustainable development policy could be improved by providing resources to create mechanisms and institutions within localities and regions that widen participation in decision-making by including such voices within established policy networks.

4.3.3 Delegated decision-making in the workplace

Alongside the community and political literature, there is an extensive set of papers investigating delegated decision-making in the workplace. This is relevant to a CWF insofar as it relates to the practical delivery of projects in local areas. The workplace models with delegated decision-making studied include businesses with standard ownership models that have delegated decision-making embedded in their structure (e.g. flattened hierarchies), as well as worker cooperatives, where employees own the firm, vote on strategic objectives and elect senior management. Other co-operative models exist such as producer-owned and

customer-owned co-operatives, however these were considered less relevant in the CWF context.

Perotin (2020) looks at international data on worker-owned and run businesses in Europe, the US, and Latin America, and compares them with conventional businesses.³ Perotin (2020, p. 3) finds that worker co-operatives are more productive than conventional businesses, with staff working “better and smarter”, and having production organised more efficiently. This aligns with Fakhfakh et al (2012) who compare the productivity of labour-managed and conventional firms in France. They find that in some industries conventional firms could produce more if they organised production as cooperatives do; that is, employees own the firm, vote on strategic objectives and elect senior management. They also found that worker-managed firms were either as productive or more so than conventional firms, and use their inputs better. Fakhfakh et al (2012) theorise that participation in governance and profit offers workers incentives and opportunities to reveal private information to management and to each other that they otherwise would not, thereby improving efficiency. A flatter decision-making structure is therefore said to improve decision-making quality.

Mbohwa et al (2013) look at the effects of flattening hierarchies on employee performance in a South African retail group through eliminating layers in a firm’s organisational hierarchy, and pushing decision-making to lower levels of the organisation. The study did not quantitatively estimate productivity impacts, but based this on self-assessed responses to questions such as ‘How quick are decisions made by the team and are there any conflicts between team members?’. While this means the productivity estimates are less robust than the studies by Perotin (2020) and Fakhfakh et al (2012), the fact it investigates the impacts within one firm reduces the risk of potential confounds. They found that communication increased, which allowed employees to work more effectively and efficiently together, and reduced conflict. This is because delegated decision-making offers workers both incentives and opportunities to reveal information to management and to one another that only they have, given they are closest to problems. They also found that flattening hierarchies had the effect of instilling confidence in employees and building trust between them and top management. Overall, Mbohwa et al (2013) found that 66% of employees were happy with the new approach of taking a greater part in the decision-making of the organisation, and 69% of employees agreed that the approach increased their motivation.

³ We note that this piece of work has been commissioned by Cooperatives UK, who would have an interest in promoting worker cooperatives. However, the author is an academic with previously published academic work in this area, including work cited elsewhere in this report (Fakhfakh, Perotin, & Gago, 2012), so we believe it is still credible.

5 Conclusion

5.1 The role of soft skill development

Our review suggests that building soft skills in local areas has the potential to benefit not only participants in the capacity building schemes, but also lead to the improved delivery of local projects. Most of the published literature focusses on interventions for children and adolescents, and primarily links this to improved economic outcomes; but there is also a sparser literature focussed on improving soft skills in adults. Both sets of literature contain examples of programmes taking place in the community context. While some studies provide quantitative estimates of the impact improved soft skills can have on wages, employment, crime and well-being after controlling for other factors, they are considered mostly correlational rather than causal. In summary, the evidence clearly shows that:

- Available estimates suggest that soft skills can be improved in adults through intervention and have positive impacts (Ohmer, 2016) (Brunello & Schlotter, 2011) (Harmon-Darrow, 2022).
- Returns to soft skills development for adults in workplaces are greater where workers are involved in workplace decision-making (Green, Ashton, & Felstead, 2001).
- In general, adults with higher levels of soft skills earn more than those with less (Edin, Fredriksson, Nybom, & Ockert, 2017) (Cabus, Napierala, & Carretero, 2021). Further, individuals who have strong soft skills were found to be more likely to take up leadership positions (Edin, Fredriksson, Nybom, & Ockert, 2017), with adult leaders with better soft skills performing better in leadership roles (Schmueli, Warfield, & Kaufman, 2009).
- Individuals can successfully substitute lower levels of cognitive skills for higher levels of soft skills (Green, Ashton, & Felstead, 2001).
- Programmes that seek to improve soft skills for children and adolescents are associated with higher earnings, employment rates, lower levels of criminality (Gutman & Schoon, 2013) (Kautz, Heckman, Diris, Weel, & Borgans, 2014), and improved mental health outcomes (Gutman & Schoon, 2013) (Kautz, Heckman, Diris, Weel, & Borgans, 2014) (Dibben, Playford, & Mitchell, 2016). The evidence is however largely based on correlations, with few causal studies found in the literature.
- Successful soft skill programmes involve participants in their development and implementation, involve the community, run for an extended period of time, and in the case of the most disadvantaged environments are combined with mentoring, guidance, and information (Gutman & Schoon, 2013) (Cabus, Napierala, & Carretero, 2021) (Kautz, Heckman, Diris, Weel, & Borgans, 2014). They also require high-quality staff and smooth execution (Gutman & Schoon, 2013).

Implications for a Community Wealth Fund

Based on the evidence from the soft skills literature, the implications for the design of a CWF are:

- It is possible to build soft skills in adults.
- To the extent that individuals in ‘left-behind’ areas may have, on average, received less education and therefore less opportunity to develop cognitive skills, building soft skills may help address this disparity.
- Improved soft skills could then have benefits for the wider community through better managed projects arising from improved leadership skills, and also for the local people who have received this training (through higher wages, greater employment chances, and better mental health).
- The development of soft skills can be particularly effective in contexts where decision-making is delegated, such as in a CWF.
- Effective soft skills programs have the following characteristics in common: they provide long-term support in the form of mentoring, guidance, and information; involve participants and the local community in their development and implementation; are well executed; and utilise high quality staff.
- As the evidence on soft skills development in adults is limited, any future CWF could make a valuable contribution to the evidence base by collecting evidence that could be used to better understand the causal link between the soft skills developed and project outcomes, as well as personal outcomes for individual participants.

5.2 The relevance of delegated decision-making

Similarly, our review suggests that delegating decision-making to local communities (i.e. ‘resident-led’ decision-making) has the potential to lead to better policy outcomes, build social capital and more efficiently deliver projects. While the literature relating to delegation in the workplace is vast, there also exists a smaller literature looking at this in the context of local communities and government. Taken together, the evidence clearly shows:

- Delegated decision-making in the community context can both lead to better policy decisions (as it provides the opportunity for local people to develop policy skills, and allows policy to be better targeted) and additional benefits deriving from the process of consulting the community itself. These benefits include avoiding unpopular policies, reducing the cost of implementation, and increasing civic participation within marginalised groups (Irvin & Stansbury, 2004).
- Delegated decision-making is most effective when the target community is smaller, more homogeneous and less geographically dispersed; there is a motivated set of volunteers; when previous policies have failed; topics are less complex; hostility towards government

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

is high; and leaders have credibility and are rooted within the local community (Irvin & Stansbury, 2004).

- Involving communities in decision-making via the partial-delegation of public policy decisions does risk inefficiency in terms of time and administration if it is likely that a politically aware and technically trained administrator, such as a local authority or civil service official, could reach the same conclusion in a shorter time. There is also a risk that if participants are not paid, community groups may be dominated by those with a higher socio-economic status, those with strong political views, and / or run for the benefit of that group's interest (Irvin & Stansbury, 2004).
- More generally, delegated decision-making is more effective where those involved form strong and collaborative relationships with existing centres of power (e.g. local authorities) (Roberts & Benneworth, 2002), build upon and link in existing community organisations (Chatterton & Style, 2001), and where leaders are rooted in their local community (Schmueli, Warfield, & Kaufman, 2009).
- In the workplace, delegated decision-making is associated with higher productivity (Perotin, 2020), generated through improved organisational communication (Mbohwa, Kholopane, & Kubheka, 2013) and knowledge diffusion (Fakhfakh, Perotin, & Gago, 2012). This is because delegated decision-making offers workers both incentives and opportunities to reveal information to management and to one another that only they have, given they are closest to problems.

Implications for a Community Wealth Fund

Based on the evidence from the delegated decision-making literature, the implications for the design of a CWF are:

- A CWF which focusses on left-behind areas - which are often politically disengaged areas with low levels of social capital, where previous policies have failed - and delegates decision-making to local people could have particularly large benefits and help rebuild social capital. It suggests that delegating decision making could build capacity in these areas by providing communities with the opportunity to be involved in the policymaking process, therefore developing their skills to understand, effectively develop and target policy and engage with government.
- The risks to delegated decision-making suggest the importance of having an efficient, streamlined system of support for local areas where needed. The design of a CWF would also need to encourage the participation of all socio-economic groups, provide support to ensure personal circumstance does not preclude any particular group's involvement, and have a degree of oversight to ensure funding is not spent to the exclusive benefit of those running the projects in each area.
- Delegation is less successful in cases where projects are more technical. In the context of a CWF, this suggests that providing appropriate guidance and support for the more technical aspects of projects (e.g. evaluation) may be necessary to minimise this risk.

EVIDENCE ON THE IMPORTANCE OF CAPACITY BUILDING AND COMMUNITY LEADERSHIP IN THE SUCCESS OF LOCAL AREAS

- A CWF that focusses on hyper-local (rather than wider geographical areas), and delegates responsibility to individuals rooted in the local community are more likely to be successful.
- A CWF should encourage local communities and community leaders to develop strong relationships with existing local authorities and organisations. This highlights the importance of building capacity in newly empowered communities to ensure they are able to do this effectively.
- Given the delivery of a CWF project in a local area is arguably not too dissimilar to delivering projects in the workplace, the workplace literature suggests running projects locally may be more efficient than with a top-down approach to delivery.

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