**Green Governance? Local Politics and Ethical Businesses in Great Britain**

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Abstract:

One of the least understood aspects of the world-wide ‘greening of markets’ (Kuhn 2005) is the emergence of local ‘ethical marketplaces’ and the sub-set of alternative business models described as ‘ethical businesses’ (Henderson 2006; Gibson-Graham 2008; Williams 2015). But previous research has demonstrated the ability of local politicians to encourage their regions toward more ethical marketplaces (Malpass et al. 2007). This paper explores the impact radical centrist third-party representation has on the emergence of ethical businesses across Great Britain. To understand this relationship, we utilize a novel dataset of organizations with membership in Ethical Junction, the UK’s largest network for ethical businesses. We use a zero-inflated Poisson regression to model the connection, and find a meaningful relationship, between third-party political representation on British local councils and the presence of ethical businesses within local authorities. This presents an example of the way in which radical political change may be part of a wider social movement towards greening markets.

Political landscapes and industrial markets are changing very rapidly across Great Britain. In particular, the ‘greening of markets’ (Kuhn 2005), that is taking place world-wide in response to the global ecological crisis (Kotchen 2006; Krosinsky & Robins 2008), is having an impact on British business and wider socio-political culture. These market developments are not only to do with shifts from manufacturing to services to knowledge to conceptual economies (Pink 2005). They reflect a movement, which has been identified for the past two decades, of placing ethical markets closer to centre-stage (Bennett 1991; Henderson 2006). Within this context of change, we investigate the connection between local council governance and the distribution of ethical businesses.

In the period immediately prior to the 2010 UK General Election, there was a surge of third party ‘radical centre’ members elected to local council seats. This political movement had been predicted many years before by those, such as Anthony Giddens (1998), who envisaged the rise of a Third Way, although it had been, contrastingly, seen by others as further evidence of a crowding of the centre ground (Lee 2013). This new radical centre focused in 2010[[1]](#footnote-1) more on ethical business, amongst a range of green and social democratic political practices not usually associated with either the traditional right or left of British politics (Wintour & Stratton 2010; Harvey 2012).

Given the politics of the radical centre, we demonstrate that greater numbers of third party members on local councils helps to predict the appearance of more ethical businesses within local authority areas. This correlation between party representation and the appearance of new ‘green business’ types is an important first step in elucidating the effect that local politics can have on the development of ethical marketplaces. As such, this relationship is best understood as part of the larger social movement for greening society taking place across Great Britain. Understanding such a movement is helped by understanding how it spreads. This research identifies the local social trends that may be both ‘greening markets’ and, at the same time, restricting the spread of greener modes of production and consumption patterns within the United Kingdom. As such, our findings need to be understood within the context of changes taking place within both the economic and political spheres across Britain.

1. **Explaining the greening of markets**

Conventional business studies have focused on the micro-economics of greening markets. On the demand side, green consumerism was explained in early studies as intrinsically motivated by a mix of altruism and egoism (Hollander 1990; Rauscher 1997). But, more recent studies have pointed to a persistent ‘attitude-behaviour’/ ‘values-action’ gap. This suggests that the increasing predominance of intrinsically-oriented green consumers, across UK and European populations, may be something of a myth, in terms of consistent market behaviour, despite the widespread diffusion of such social values (Devinney et al. 2010). That said, the role of consumers as market stakeholders has been importantly demonstrated to have an impact on democratic movements (see e.g. Fitchett 2005).

Furthermore, whilst public policy incentives and green labelling may make a difference (Young et. al., 2010), it is equally likely that the statutory imposition of environmentally-friendly fiscal policies may have a negative impact on ethical motivations to ‘buy green’ (Nyborg et al. 2006). Certainly, the decision of the Conservative Government in the UK to scrap the ‘Green Deal’ to households - for energy efficiency installations - after very limited uptake (EnergyLinx 2015), shows how imperfect public policy can be in influencing environmentally sustainable consumption.

Policy initiatives can lead to cynicism and a more apathetic response to ‘behaving green’, when Government appears to act inconsistently. As Moisander (2007) suggests, the relatively heavy burden on individual consumers of adopting green lifestyles indicates that focusing on the micro-economic choices of households, to explain green consumerism, is highly problematic. Something more than the multiplicity of relatively tough individual consumption decisions is required to explain the rise in green and ethical demand.

Similarly, when looking at the supply side decisions of enterprises and corporations to make greener decisions, the evidence is sketchy at best. Some studies of large-scale corporations point to the highly contingent way in which the effectiveness of greening markets has emerged (Backer & Clark 2008; Doukas et al. 2012; Dentchev, van Balen and Haezendonck 2015). Much of the recent literature is very critical of the extent to which ‘green CSR’ has any substantial impact on business models and may even be the enemy of local sustainability (Banerjee 2008; Dobers & Springett 2010; Utting 2012; Williams 2015). Furthermore, the ability of products to sustain environmental qualities is, often, very temporary and requires substantial socio-technical arrangements by companies to support the greening of markets (Reijonen & Tryggestad 2012). Moreover, when enterprises are involved in deception, in respect of portraying their green credentials – such as the recent case of automotive manufacturers falsifying emissions data - this can significantly change consumer cognition in terms of whether or not to behave as ‘green consumers’ (Gillespie, Hybnerova, Esmark and Noble 2016).

From the widespread literature on green consumption and production it is not evident that micro-economic models and explanations can either account for the rising tide of ethical consumerism or the rapid number of green businesses forming, especially in particular localities. The impact of local social formations may illuminate at least part of this market response. Research has demonstrated how local municipal government can spur change toward a more ethical marketplace (Malpass et al. 2007). Equally, it may be conditioned by macro-changes in the democratic politics of local governance, which some see as conditioning a deficit in popular representation (see for example Shah & Shah 2007).

1. **Ethical marketplace growth in the UK**

The rise of the diverse range of enterprise type business models that are grouped under the heading ‘social enterprise’ is matched by the rapid growth in numbers, market value and labour market significance of ‘*ethical marketplace’ businesses*. These need to be distinguished from corporations and enterprises that simply *advocate* ‘business ethics’ or CSR. Few businesses – even the banks - fail to espouse such values, which have become mainstream. But, ethical businesses trade in markets that have a publically perceived ethical dimension, in terms of the products, services and goods that they supply. Recent work in continental Europe has indicated, for example, that where SMEs connect to a wider stakeholder eco-system, including universities, competitors, suppliers and customers, they are more fully engaged in green practices, such as environmental protection (Benito-Hernandez, Platero-Jaime and Esteban-Sanchez 2016).

Many of these are green businesses; including Fairtrade suppliers, ethical finance institutions, ethical clothing retailers, hybrid motor manufacturers, co-operative media and educational businesses, ‘alternative’ architects, lawyers, building contractors and many others. There is no single criterion for classifying ethical enterprises, but all seek to supply products that can be seen as contributing to the social commons and stakeholder well-being (e.g. Mestrum 2013, Meyer 2015).

That said, in our empirical research we have been less concerned with the ideas and philosophical underpinnings behind the reasons for business formation (some of which have been considered above), as with the actual locational distribution – socio-politically and geographically - of the businesses themselves, their markets, local significance and connection to the political economy movements indicated earlier. Our main concern is to contribute to the literature on green social movements, to indicate whether or not green business developments are correlated with social changes in local civil society.

There is a considerable literature on specific green markets, for example, in respect of UK local renewable energy (see the review by Alcock & Bird 2013). The same is true for Fairtrade, ethical investment, green building construction and green transport. Nevertheless, there is remarkably little written on local ethical markets within the UK in terms of the distribution of enterprises, local networks or clusters of ethical businesses. This is despite Hazel Henderson’s impressive work, with her team, on a similar academic mission in the United States (see, <http://www.ethicalmarkets.com/>).

It might be assumed that the reason for this is because such businesses exist so close to the margins of capitalist markets in Britain, to be scarcely credible as an object for serious academic study. *Ethical Consumer Magazine* *(ECM)* produces data each year (audited by KPMG) on the size of the entire sector and its constituent industries/ sub-sectors, as an *Ethical Purchasing Index (EPI)*. The EPI was the brainchild of the New Economics Foundation (NEF), who wrote for the 2nd Report, in 2001:

“The issues addressed by the EPI have been a central concern of the New Economics Foundation since we began in 1986. In the 15 years since then, consumer awareness that each of the things we buy has an environmental and social history has grown enormously. Similarly, corporate understanding that ‘business as usual’ is no longer satisfactory has increased”.(Douane 2001: 2).

(Table 1 about here)

This recognition, by the NEF, that consumer awareness of and response to environmental and ethical consumption considerations was growing and would grow further, has been born-out by subsequent events, to which the *ECM* Reports testify. The graph for 2013 shows a continued upward trend that has far out-paced the overall growth in UK consumer spending over the same period (see Ethical Consumer 2014). Table 1 above offers a summary of the data from the ECM Reports, for selected years between 1999 and 2014 (the latest year for which data is available).

Whilst caution needs to be attached to the detail of some of the figures, for the specific categories of ethical spend due to changes in the precise definitions and identification of areas of consumption, the overall evidence is robust. There has been a general six-fold increase in ethical consumption spend over this fourteen year period, which represents an annualised increase over inflation (measured by the Consumer Prices Index: CPI) of 33%. If ethical consumption had kept pace with overall consumption in the UK, it would have risen from £13BN to a little approximately £18BN. The rise to just over £80BN in a decade and a half is dramatic.

In consequence, the percentage of UK consumption represented by ethical consuming has risen from a little over 3% at the turn of the century, to almost 13% by 2014-15 and should approach 20% by 2020. There has been a steady and proportionate increase in spending on ethically-produced and sourced food and drink, household goods and in the area of ethical finance. This is not to argue that increasing aggregate personal and household spending is a fit measure of a greener society. Consumer expenditure is little better than GDP as a measure of “good growth”, in terms of sustainability and life-satisfaction. Nevertheless, the expansion of the various ethical enterprise sectors in the UK may be seen as contributing to gross national well-being. As such an important element of the UK economy, both in size and purpose, we investigate the conditions that have led to such growth.

1. **Political change and the democratic deficit**

UK and wider European politics have been undergoing profound changes, alongside those affecting the re-shaping of business, which the above figures for a growing ethical marketplace indicate. Local governance is being substantially affected by seismic changes in the national and supra-national political economy. A series of disturbances to the traditional two dominant parties of Conservatives and Labour have served to underline the febrile nature of British political life.

Although these changes have become even more evident since the period of the 2010 UK General Election, which is the focus of this paper, the signs of current changes were clearly visible at that time. The surge of support for the Liberal Democrats, at the 2010 General Election, indicated a changing pattern of third party voter preferences. Equally, The Green Party secured 265,000 (0.9%) votes at the 2010 General Election, with only the election of a single Member of Parliament, Caroline Lucas, in Brighton Pavilion.

That said, the impact on formal, Parliamentary representative democracy has been less evident than some of the local shifts might have indicated. To extend the tectonic metaphor, deep movements have not been manifest at the surface of the political landscape. As such, although not in the interests of the larger parties, electoral reform was widely advocated at the grass-roots following 2010 (Renwick 2010). When the popular vote was contrasted with the allocation of seats at Westminster (UK Parliament), the enormous disparity, against a directly proportional system, became evident.

The degree of disproportionality between votes cast and seats gained for Parties at the 2010 General Election is indicated below, in respect of the Gallagher Index (Gallagher 1992; Gallagher & Mitchell 2005)[[2]](#footnote-2). As can be seen in Table 2, stark differences exist between the votes that were cast for each party and the number of seats they ultimately acquired. Despite 26% of votes cast for the UKs four main ‘radical centrist’ Parties (Liberal Democrats, Greens, SNP and Plaid Cymru), these four parties were returned to Westminster with only 10% of the seats.

(Table 2 about here)

1. **Devolving versions of formal politics**

This picture of formal political representation suggests a clear deficit in democratic representation. Consequently, for many commentators the massive “under-representation” of The Liberal Democrats and The Greens represented something close to an electoral scandal. Even so, an alternative version of formal politics has taken root across the UK over the past two decades.

In Britain, a range of events have changed politics at the local level. The Scottish Referendum (2014) vote, which galvanised the devolution movement in a way that hadn’t been seen for a generation and changed the course of the 2015 General Election, has re-ignited visions of a dis-United Kingdom (Ascherson 2014; McLean et al. 2014; Green 2015), but was evident far in advance of 2010 (Macdonnell 2009). Similarly, the election of local city mayors (Travers 2003; Elcock & Fenwick 2007) has questioned the extent to which directly electing city-wide political leaders means more local democracy or greater centralisation of the ‘divide-and-rule’ variety (Howard 2015).

Each of these events has taken place against the back-drop of a vigorous debate that has been running for many years in the UK about ‘re-balancing Britain’, with Government and many economic stakeholders advocating a shift in activity and investment from the ‘Golden Triangle’ of London and the South-East to a ‘Northern Powerhouse in England’ (NE and NW). Despite this being seen as more rhetoric than reality (BIS Committee 2012) it had, for some time, been broadly welcomed by business interests as a way for de-centralisation to lead to economic and political devolution (see e.g. John et al. 2002).

Furthermore, other movements in the early years of the new century indicated the challenge to establish green citizenship rights and local political voices on the environment. This took place through everyday eco-activism (Dobson & Bell 2006; Horton 2006), the rising range of European Green Parties (Richardson & Rootes 2006), radical ‘social centres’ of city occupation (Hodkinson & Chatterton 2006; Harvey 2012), the Transition Towns movement (Bailey et al. 2010) and the beginnings of green local governance (Doyle & Doherty 2006).

1. **The political economy confluence of green politics and business**

As such, it is possible to see that the greening of business, the widening gap in democratic local governance and the increasing search for devolved alternatives to centralised formal politics, have created the conditions for a revised political economy in Britain. Whilst a range of explanations have been provided for the greening of markets, it is only relatively recently that attention has been paid to their connections to localism and the political economy movements that derive from specific local conditions and social formations in *Western* societies (e.g. Seyfang & Smith 2007; Hess 2009; Catney et al. 2014).

At least part of this movement is based around the formation, establishment and development of networks of green and ethical businesses in such localities and across local labour and capital markets (Wallner 1999; Lehman 2006; Cooke 2010; Martinez-Fernandes et al. 2010). The impetus is for regional growth to emerge from local social economies – including the third sector, social enterprises and new business types – involving locally circulating capital, finance and money (e.g. LM3); for the “greening of the city-regions” (Jonas & While 2007).

As such, the empirical focus of this paper is to examine some aspects of the correlation between political party representation and green business, which mayindicate that significant transitions are taking place in local cultures across the UK space. These could be influencing, in turn, the development of contemporary social movements, as indicated in other studies of local ethical consumerism (Seyfang 2006; Dilley 2009; Goodman & Bryant 2009) and the greening of UK social spaces (Barnett et al. 2005; Clarke et al. 2007; Barnett et al. 2010).

Our research investigates the geographical, social and political distribution of the increase in ethical markets, business and, arguably, well-being, happiness and life-satisfaction. Our assumption is that these distributions were far from evenly spread across the UK space. We ask: *is* *there is a spatial clustering of ethical businesses? And, if so, can this be connected to the broader UK socio-political movements and changing political economy that we have introduced above?*

With this in mind we hypothesize that:

*A greater proportion of third party representation on Local Councils will predict the presence of greater numbers of ethical businesses in Local Authorities.*

This hypothesis raises two particular questions that need addressing:

* What do we mean by ‘third party politics’?
* What is meant by ‘presence’ in respect of ethical businesses?

As commented above, the UK socio-political landscape is changing rapidly. We have seen a rapid rise in ‘third party politics’. The 2015 General Election Manifestos provided a clear picture of the four stand-out green parties which were occupying a ‘radical left-of-centre’ position on the environment. These were The Greens and Liberal Democrats, across the UK, the SNP in Scotland and Plaid Cymru in Wales. This position had not changed to any great degree since the 2010 General Election. Although the Conservatives had fought that election at least partly on the platform of becoming “the greenest Government in UK history”, arguably to challenge the threat from the Lib Dems[[3]](#footnote-3), very few commentators took this seriously. And subsequent events indicated that they were right to be sceptical, particularly in relation to green energy policy.

On this basis, we have defined ‘third party representation’ as having a stronger influence in localities where local politics has greater proportions of one or more of the four ‘radical green centrist’ parties. Equally, local politics and voting patterns are very different to national ones. So, it is possible to identify a far greater contribution of these ‘radical third party’ elements at local Council level than through Parliamentary Constituencies (Dunleavy & Diwakar 2011).

These authors show that even in UK General Elections more than 15% of all available votes go to 3rd, 4th, 5th or other parties in every electoral constituency. This is very different to, for example, the USA. And given the evidence we presented earlier on the ways in which votes translate (or fail to) into seats at national elections (see Table 2), as well as our discussion regarding the centrality of ‘localism’ to the greening of markets, we considered it more appropriate to examine seats secured in local government than at Parliamentary Constituency level.

We constructed our analysis of the relationship between ethical enterprises and ‘radical centrist’ localities on the basis of local authority voting patterns prior to the 2010 General Election. In the range of Local Elections 2008-10 (different types of UK Local Authorities have elections in different years e.g. Metropolitan Boroughs, London Boroughs, County Councils, District Councils, Scottish, Welsh and Northern Ireland authorities) an average of just under 20% (19.4%) of local Council seats were won by ‘radical centrist’ parties. But, in some places this was far higher, often where 3rd parties did not hold the Parliamentary Constituency.

The period before 2010 represented a high-water mark for the Liberal Democrats, Greens and Nationalists, who could be seen as a ‘radical green centre’. This was especially the case since the British National Party (BNP) and other Far Right parties were in decline at that stage, partly because the UKIP phenomenon was beginning, but hadn’t, yet, taken-off. We excluded UKIP from our list of radical centrist parties given their very weak – almost dismissive – approach to green, environmental and connected issues, in relation to business. As such, the time period prior to the 2010 General Election presents an excellent opportunity for measuring ‘third party representation’ in local Council election areas.

The second aspect of our hypothesis is that ethical businesses will be more numerically present in localities where there is more ‘radical third party representation’, reflected by ‘third party’ council seats. This connects with but is not identical to the concept of business clustering. There is a considerable literature on business clusters, largely dating from Michael Porter’s (1998) work at Harvard in the late-1990s. As defined by Porter:

“Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition (ibid p.78).”

According to Porter, businesses cluster for three main sets of benefits:

1. *Productivity improvements, arising from access to relevant skills*
2. *Capacity for innovation and speed of adaptive spread*
3. *Opportunities for new business formation.*

But, as we noted earlier, the literature on eco-preneurship and green enterprise start-ups suggests that business formation is initiated more by local and communal issue awareness than by standard entrepreneurial drives to exploit market niches. Porter identifies standard business clusters forming as a result of market advantage. It is possible to see ethical enterprise clusters forming in places where ‘alternative’ communities are developing, together with political alignment to groups representing new social constituencies, leading to a coalescing around local values that encourage ‘green business’.

In fact, Porter (ibid) does recognise some aspects of mutualism operating within standard business clusters, which provide:

* a good ‘home base’ for companies
* enable up-grading of all businesses in the cluster locality
* encourage mutual co-operation, an increasing feature of much advanced capitalism
* and, crucially, develop collective action in the private sector.

This aspect of his theory of clustering has been challenged because it reflects more on public policy initiatives to foster urban and regional regeneration than on the market decisions of individual companies. It is argued that clusters emerge by local state interventions to create business advantage (Waits 2000). At the same time, others point to the social movements that have organically generated business clustered in more favourable, collaborative environments (see e.g. Fitjar & Rodriguez-Pose 2011). That said, it should be recognised that whilst our findings were able to point to presence we could not, at this stage, claim to know anything about inter-connectedness and networking.

Nevertheless, on the basis of clustering theory, we surmise that the values-based glue of ethical business would be likely to cement the positive benefits of clustering and augment these, to diminish the negative aspects of business competition. In effect, local ethical business hubs might reflect new ‘clusters of collaboration’. These could be the structures around which solidarity economy movements might develop, through partnerships between the local state, the third sector and private sector ethical business hubs (Meyer 2015).

At the same time clustering occurs for a variety of economic reasons, not simply to do with shared values but, often, on the basis of common and, indeed, competitive material interests.  For example, as As Philip Cooke (2006) points out, in relation to new media organisations, which, we would argue, share many of the characteristics of green SMEs, these cluster for reasons of access to ‘spillovers’. These effects include external economies that arise from co-location on the basis of involvement in like-minded and complementary business models. But, whilst opportunities for sharing joint contracts, know-how and human capital may act as drivers for the clustering of new technology companies, it is our hypothesis that one of the main reasons behind the clustering of green businesses is the demographic make-up of local populations.

Cooke (ibid) argues that new media organisations are not located primarily in University-connected science and technology parks, but downtown where bid-rent curves are lower. Similarly, new green businesses will often be located in ‘funky’ creative quarters, where there is a local café society. But, these thrive on access to Universities and centres of higher education, where relatively educated and socially mobile populations may share the values of a new greener economy. It is in this sense that we hypothesised that clustering of green business may be connected to social movements that have a basis in educational attainment and shared values, which feed political change (we will discuss these variables further in the methods section).  But, regardless, their common presence in the spatial proximity indicates a real effect in terms of local green business development.

These social movements, in turn, would be fed by the socio-political movements of the ‘radical centrist’ third party concentrations. By ‘radical centrist’ we mean those parties that are left-of-centre and which favour a strong commitment to green environmental and community-based policies, which seek to take away power from the political centre. Put simply, where these third parties dominate local politics we would expect to see networking clusters of ethical businesses forming, motivated by the relative significance of green ideology permeating these local political economies. If our hypothesis is correct, we may be observing the beginnings of a social movement for developing solidarity economies in the UK, as have been observed elsewhere, especially in Latin America and other parts of Europe, as commented on earlier.

That said, it is important to recognise that our current data analysis has clear limitations in respect of the more developed aspects of clustering theory. At present we can clearly point to the correlation between the presence of ethical businesses in local authority areas and the degree to which ‘radical centrist’ political representation is evident. We cannot, however, make any claims about the levels of networking between these enterprises.

1. **The database, method and model**

In seeking to test the hypothesis against a database of ethical businesses, our aim was to examine the level of correlation between the presence of ethical businesses and ‘radical centrist’ spaces, identified by indicators, including disproportionate concentrations of ‘radical third party’ councillors. We were able to secure access to one of the largest databases of ethical businesses in the UK, covering its membership for the period prior to the 2010 General Election, so as to have a contemporaneous database for the period of political representation that we were considering. This database was the 925 ethical businesses listed in the business directory of *Ethical Junction*, which was the UK’s largest network for ethical and green businesses.

Of course, a key question surrounds the empirical definition of ‘ethical businesses’. To a certain extent we were less concerned with measuring ethical purity and more interested in the fact that enterprises wished to join as members of the *EJ* network, which reflected an ideological position statement in itself. This partly answered our question about the nature of a network, in that it is, by definition, self-selecting and inclusive of those who wish to join and identify themselves with the network, in this case, of *EJ*.

Nevertheless, it was important to identify the criteria that *EJ* used to accept businesses into their membership. *EJ* published the following statement.

We invite organisations to join the network if they can demonstrate that they:
- Demonstrate positive care for the environment
- Support responsible, fair and sustainable trading practices
- Avoid business practices causing long term damage for short term gain
- Operate non-exploitative employment practices and demand the same from their suppliers
- Promote of equality of opportunity, diversity and challenge discrimination
- Act in a socially responsible manner” (EcoFirms 2016).[[4]](#footnote-4)

On this basis we used data from EJ to create a list of known ethical businesses which we used as our indicator for the dependent variable. EJ membership provides a unique indicator which is valid as a measure of the appearance of ethical businesses because of EJ’s large membership and rigorous entry requirements (as above). This distribution of ethical businesses was correlated with the distribution of all local council seats. Scotland and Northern Ireland were excluded from the analysis because of missing control variable data, making this a study of ethical business distributions across England & Wales.

We aggregated the EJ membership list into counts of member businesses within each local authority so that the counts could be regressed against data from the Office for National Statistics (ONS) as well as the key independent variable: radical third party presence. This primary variable of interest is measured through the presence of radical third party members sitting on the local authority council (measured as a percentage as councils vary in size). If radical third party activity can help explain the appearance of ethical businesses we should find correlation in these indicators.

We use a zero-inflated Poisson regression to estimate predictors of ethical businesses in Britain. The Poisson regression is a generalized linear model appropriate for count data.[[5]](#footnote-5) We selected the zero-inflated model because the data generation process of our dependent variable has two systematic elements. First, the Poisson side models our predictors of ethical business appearance in the local authority. But there is a second selection system where businesses are denied the opportunity to join Ethical Junction because they have never heard of the organisation. The fact that many businesses will have never known of Ethical Junction inflates the number of zeros in our data. The zero-inflated model has a logit element that models the appearance of zeros. We used the total number of businesses in the local authority to predict excess zeros. This was a logical choice as a greater number of businesses indicates a greater possibility that some businesses will have heard of Ethical Junction. Thus more zeros should be predicted by fewer total businesses.[[6]](#footnote-6)

The Poisson side of the model includes our key variables of interest and additional control variables. To control for the impact of other factors that could lead to greater numbers of ethical businesses, we used a number of indicators drawn from ONS data. We controlled for education, social class, environmental conscientiousness, localness, business age, population density, and the total number of businesses in the local authority.[[7]](#footnote-7) As such, we provide a brief explanation of why we selected each of these variables.

Each of these control variables was selected on the basis of empirical evidence indicating their potential relevance to the formation and presence of the types of new businesses studied. Education is measured as the percentage of the population with a university or professional degree. Conventional wisdom suggests higher levels of education should produce people who are more socially conscientious. In fact, as Diamantopoulos et al (2003) show, many previous studies point to a positive correlation between higher education attainment and environmental knowledge (8 studies, no negative correlations); environmentalist attitudes (15 studies positive, one study with a negative correlation); and environmental behaviour (15 studies positive, two studies with a negative correlation).

Social class is measured using the ONS Socio-economic Classifications which are based upon employment relations and conditions of occupations. Our measure estimates the percentage of people in the local authority who are in the professions or in managerial work. Again, the review by Diamantopoulos et al (2003) cites positive correlations between higher social class and environmental behaviour in 12 studies, with only one suggesting a negative correlation. That said social class appeared to be far less positively correlated with environmental knowledge (3 studies) and environmentalist attitudes (4 studies).

We use energy consumption per person, electricity and gas combined, to indicate environmental conscientiousness. If people are more environmentally conscientiousness, they should use less energy and may be more ethical in their business endeavours. The empirical evidence for this is less clear from previous studies, given that energy consumption is related to transport, as well as household use, over which consumers may have less control in their choice of options. Nevertheless, studies such as that by Poortinga, Steg and Vlek (2004) indicate that domestic energy use is a better predictor of environmental behaviour than is an espoused commitment to environmental values.

Localness is a concept of being connected to place. We wanted to examine if there was a correlation between place attachment and the presence of green and ethical businesses, assuming that people who feel connected to an area are more likely to have an ethical concern for the people in that area, which will translate into business formations. Ever since the work of Yi Fu Tuan (1974) on ‘topophilia’ there has been an increasing amount of attention paid to place attachment. Recent studies have indicated that, despite the effects of globalisation and technological change, local attachment remains a powerful force in determining well-being and green consciousness (Ogunseitan 2005, Oliveira et al 2010). We measure localness through the percentage of people who have less than a two kilometre trip to work.

Younger businesses may be more likely to be ethically conscientious, following the ethical movement discussed earlier. There is little evidence of how the age of a business impacts on its environmental and green credentials and behaviour. That said, a number of studies point to the rise of eco-preneurship (see, for example, the collection edited by Schaper 2010), to which many of the businesses contained in our sample relate. By the very nature of new entrepreneurship the businesses formed by these teams of business leaders will be relatively recently formed, small and seeking to grow. At the same time, there is evidence of very long-standing corporations becoming ‘green giants’ (Williams 2015). That said, we were aware that the majority of businesses in our sample were small and, consequently, likely to be relatively recently formed.

As such we included a measure of the average age of businesses in the local authority. Businesses cluster in cities and areas of greater populations; so we include the population density of the local authority as a control. Similarly, we included the total number of businesses in the local authority as another control, given that proportionately, the more businesses there are in an area, the more ethical businesses there may be in an area.[[8]](#footnote-8)

1. **The results**

Having removed the few businesses in Scotland and those for which we had insufficient location data, 842 EJ businesses were included in the dataset. These businesses were divided between 342 local authorities in England and Wales. We map the data across Britain in Figure 1. The figure indicates each local authority with a black dot. The location of the dot was determined by the location of the local authority council address.

The number of EJ businesses in the local authority is visualised by the size of the transparent blue circle around each black dot; larger circles means more EJ businesses in the local authority. The map clearly demonstrates the spatial variation in our data, as well as the expected high counts in areas such as Brighton and Hove (40), Bristol (24), Cornwall (24), Islington (18), and Manchester (18). Local authorities average 2.46 EJ businesses with a high of 40 and 116 local authorities with zero EJ businesses.

The results of the zero-inflation Poisson regression can be found in Table 3. The table demonstrates the statistical significance of our primary variable of interest as well as a number of control variables. Given the level of statistical significance, we are confident that the presence of radical third parties helps to explain the presence of ethical businesses in local authorities. While statistical significance is crucial, the substantive results of our analysis are more interesting.

(Figure 1 about here)

Given an increase in third party presence, what sort of increase can we expect in the number of ethical businesses? The results of these correlations are represented by the coefficients in Table 3, but these are not easily interpretable, as the values correspond to changes in the natural log of the dependent variable. Consequently, instead of discussing the coefficients directly, we will discuss the relevant first differences of expected variable values.

(Table 3 about here)

Figure 2 demonstrates the predicted number of EJ businesses that appear in a local authority given changes in the third party percentage of the local council, while holding all other variables constant at their means. For example, as the local council third-party percentage changes from 20% to 80%, we can expect the number EJ businesses to increase from 2.26 to 3.04.

While this change may seem small, remember that the number of EJ businesses is an indicator of the size of the ethical marketplace in the area and the number of actual ethical businesses is most likely much larger (as discussed earlier in this paper). A change of 0.78 predicted EJ businesses could represent a substantial number of total ethical businesses. By one estimate, if businesses (suppliers) match the size of the consumption data discussed earlier, this increase of 2.26 EJ businesses to 3.04 could represent an expected change of 635 real-world ethical businesses to 854 in each local authority.[[9]](#footnote-9) This is an expected increase of 219 ethical businesses within each local authority. Exploring the extremes of the data, the third-party percentages within local councils ranges between 0% and 80%. This difference represents an expected change of 2.05 to 3.04 EJ businesses. Using our previous estimation technique, that could mean an increase from 576 to 854 ethical businesses. That would be an increase of 278 ethical businesses in each local authority.[[10]](#footnote-10)

(Figure 2 about here)

Our analysis also confirms some of the expected effects of other variables in the model. All of the control variables we included were predictive of the dependent variable except for the average age of the businesses within the local authority. Energy use was consistent with our expectations. As consumers use more energy, suggesting a lack of environmental concern, the number of EJ businesses went down. Education also followed the expected pattern. As the number of people with higher degrees increase the number of EJ businesses also increased.

Conversely, social class – greater numbers of professionals and managers, decreased the likelihood of EJ businesses. This could suggest that, while education has a positive ethical effect, elitism could work the other way. Another possible explanation of this result is that the education effect is not translated into social class positions because the educated population, who are influencing ethical business formation, are younger and are yet to climb into higher professional and managerial positions.

Equally, there is likely to be an inter-generational effect operating here, given that higher labour market locations have become less open to younger people over the past decade, due to macro-economic factors. On this basis, the apparent contradiction between educational attainment and social class influences on ethical business positioning are not inconsistent. Rather, the presence of ethical businesses is a further marker of a younger generation of highly educated erstwhile professionals, to whom the labour market benefits of previous post-War generations have been denied, seeking to exercise their own influence over markets from which they’ve been relatively excluded. Part of their radical response to such generational inequity has been to take a green turning.

Population density followed the idea that more ethical businesses would not pop up in city centres, but rather in outer-urban (e.g. South Manchester), and market town (e.g. West country towns such as Taunton, Exeter, Yeovil) areas, where people had a strong sense of localness. However, our measure of localness had a negative effect. Areas with shorter work distances correlated negatively with EJ businesses. Work travel may have been a poor indicator. The total number of businesses was a control for ethical businesses increasing in number along with increases in all businesses.

1. **Interpretive conclusions**

On the basis of these results, what can we say about the political sociology of emergent ethical marketplaces? Firstly, the analysis of our Poisson regression data indicates a strong correlation between the presence of ethical businesses – as represented by those within the EJ network – and an agglomeration (clustering) effect in localities with a developing ‘radical centrist’ local politics, where green ideological preferences are more strongly held. Whilst we might have expected this in cities with a noted ‘alternative lifestyle’ culture, such as Brighton and Bristol, localities such as Richmond-on-Thames, a number of North London boroughs, South Manchester and many parts of the West Country point to a wider ‘social movement effect‘ in operation.

The types of developing ethical markets that the most prominent localities in our analysis represent (see Appendix A) demonstrates both supply-side (business formation) and demand-side (local population) effects. As such, given the correlation we demonstrate between certain local areas and ethical business formation, we may, also suggest that there is a broader socio-political movement taking place.

The evidence for ethical market growth is unassailable. Our research shows clear evidence of locality-based movements taking place where businesses associated with these markets are located. Equally, we can interpret the sociological characteristics of local populations that are associated with these emergent markets as:

* energy/environmentally conscious (“greener”)
* better educated
* but from the ‘lower middle class’ cohorts (who haven’t entered or have been excluded from senior professional/managerial elite occupations)
* they are aren’t necessarily de facto “green” in their labour market participation (they tend to have longer commutes).

Much of this might be expected, but our data provides detailed evidence of these socio-political associations with the geographical distribution of green business presence across England and Wales. In terms of political sociology these findings have implications for both ‘radical centrist’ politics and the further emergence of these marketplaces. In purely political terms, it can be seen that the types of political activism that politicians like Caroline Lucas MP (the UK’s only Green Party MP) in Brighton; George Ferguson (Elected Mayor) in Bristol; and Zack Goldsmith MP (“The Green Tory” and London Mayoral candidate) in Richmond-on-Thames have engaged in feeds through from civil society pressure into *both* votes and new business formation.

This suggests that there may be profound social movement effects operating in these localities. As we commented above there is a widespread disaffection, felt by many in the UK, in terms of a democratic deficit. Such frustration with the formal political process has been particularly evident in response to national political results, such as that produced by the 2015 General Election. These are leading to alternative political movements, on The Right and The Left, but, equally, in the radical centre-ground of UK and European politics.

These may have been more evident, during and in the immediate aftermath of The Crash, by the sorts of direct action that The Occupy movement represented. But, they are, arguably, becoming translated into a more sustainable transition towards alternative patterns of consumption, production and business emergence, as political acts. Eco-preneurship and the sorts of ethical business formation commented upon here can be seen as both effects of a changing economy and a political response to the perceived failings of local democracy and governance.

It may well be that as the markets develop, so will the local effects and, thus, the continuing political sociology movements feeding through into the “beyond GDP” solidarity-based political economy than many are looking to (Ahmed 2015). This is one of the points of direction for the next phase of this research.

1. **Suggestions for future research**

Our findings suggest a number of areas for future research. The 2015 UK General Election presents an opportunity to analyse new data from an election with an even greater democratic deficit than the 2010 General Election. In addition, the passage of time has led to the continued growth of ethical marketplaces. Further studies into the influence of political representation on ethical businesses would help to solidify this emerging research and explore whether political and social factors have developed in parallel. Such studies would also allow greater insight into the interconnectedness of politics and business more generally.

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**Appendix A. The Top 12 Ethical Market localities represented in our analysis, by numbers of ethical businesses located in our database sample.**

|  |  |
| --- | --- |
| Local Authority | Number of Ethical Junction Businesses present |
| Brighton and Hove | 40 |
| Bristol, City of | 24 |
| Cornwall | 24 |
| Islington | 18 |
| Manchester | 18 |
| Hackney | 15 |
| Camden | 14 |
| Richmond upon Thames | 14 |
| Westminster | 14 |
| Wiltshire | 14 |
| Bath and North East Somerset | 12 |
| Lambeth | 12 |

Table 1. Ethical Markets Growth – 1999-2014

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Sub-sector(£M) | 1999 | 2005 | 2009 | 2012 | 2013 | 2014 | % growth 1999-2014\* |
| ALL | 13,046 | 29,268 | 43,200 | 74,008 | 78,099 | 80,258 | 615 |
| Expected market size (based on Consumer Prices Index inflation, ONS figures) | - | 14,223 | 15,859 | 17,603 | 17,832 | 18,171 | 33% per annum above expected, based on CPI inflation |
| % of total UK Consumption spending, based on I Economics data[[11]](#footnote-11) | 3.16 | 6.84 | 9.22 | 12.59 | 12.97 | 12.92 | 409 |
| Food & drink | 1,316 | 5,406 | 6,490 | 7,961 | 8,569 | 8,643 | 657 |
| Household | 1,307 | 4,149 | 7,091 | 5,252 | 8,603 | 8,887 | 680 |
| Personal (e.g. cosmetics) | 316 | 1,315 | 1,792 | 1,834 | 1,279 | 1,266 | 401 |
| Green energy | 461 | Not available | Not available | 6,272 | Not available | Notavailable | 1,028[[12]](#footnote-12) |
| Transport | 331 | 1,792 | 2,748 | 4,545 | 5,723 | 7,932 | 2,396 |
| Finance (Banking and Investment) | 6,466 | 11,552 | 19,276 | 40,764 | 43,231 | 42,462 | 657 |
| Others | 2,849 | 5,054 | 5,803 | 7,380 | 10,694 | 3,831 | 134 |
| Sources: Ethical Consumer Annual Reports, 2000-14 (\*latest figures available); Office of National Statistics, 2013 (CPI inflation report); I Economics, figures for aggregate UK spending [last accessed August 5th, 2016]. |

Table 2. Gallagher Index of the disproportionality of votes to seats in the 2010 UK General Election

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Party | Votes | Vote % | Seats | Seats % | difference | difference squared |
| Conservative | 10,726,614 | 36.127 | 307 | 47.231 | 11.104 | 123.293 |
| Labour | 8,609,527 | 28.997 | 258 | 39.692 | 10.696 | 114.396 |
| Liberal Democrat | 6,836,824 | 23.026 | 57 | 8.769 | -14.257 | 203.264 |
| UK Independence | 919,546 | 3.097 | 0 | 0.000 | -3.097 | 9.591 |
| British National | 564,331 | 1.901 | 0 | 0.000 | -1.901 | 3.612 |
| Scottish National | 491,386 | 1.655 | 6 | 0.923 | -0.732 | 0.536 |
| Green | 285,616 | 0.962 | 1 | 0.154 | -0.808 | 0.653 |
| Sinn Fein | 171,942 | 0.579 | 5 | 0.769 | 0.190 | 0.036 |
| Dem. Unionist | 168,216 | 0.567 | 8 | 1.231 | 0.664 | 0.441 |
| Plaid Cymru | 165,394 | 0.557 | 3 | 0.462 | -0.096 | 0.009 |
| Soc. Dem. & Labour | 110,970 | 0.374 | 3 | 0.462 | 0.088 | 0.008 |
| Ulster & Unionists | 102,361 | 0.345 | 0 | 0.000 | -0.345 | 0.119 |
| English Democrats | 64,826 | 0.218 | 0 | 0.000 | -0.218 | 0.048 |
| Others | 473,827 | 1.596 | 2 | 0.308 | -1.288 | 1.659 |
|  |  |  |  |  | total | 457.665 |
|  |  |  |  |  | halved | 228.833 |
|  |  |  |  |  | **Gallagher Index** square root | **15.127** |

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1. The ‘Others’ category consists of those parties that received less than 0.1% of the total vote.

2. Election results data were gathered from BBC News (2010). A full consideration of the impact of using the Alternative Votes System at the 2010 UK General Election can be found in Sanders et.al. (2010).

Figure 1. The location of Ethical Junction businesses by local authority.

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1. Each black dot represents a local authority. The dot is located at the council address.
2. The size of the blue bubble around the black dot represents the number of EJ businesses in that Local Authority. The number of EJ businesses in each Local Authority ranges from 40 to 0.

Table 3. The appearance of EJ businesses predicted from third party presence on local councils and control variables. Zero-inflated Poisson Regression Results.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Variable Coefficient Stand. Err. P Value

Third party % 0.479 0.191 0.012 \*

Energy use -0.195 0.045 1.7e-05 \*\*

Education 6.841 0.986 3.9e-12 \*\*

Social Class -0.036 0.013 0.005 \*\*

Population Density 0.002 0.002 0.307

Young Businesses -0.012 0.012 0.300

Work travel -2.866 0.809 3.9e-04 \*\*

Intercept 2.726 0.504 6.3e-08 \*\*

 (Logit side)

Total businesses -6.3e-04 6.3e-05 2.0e-16 \*\*

Intercept 1.758 0.264 2.9e-11 \*\*

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\*\* P Value < 0.01

Figure 2. Model Predictions for Ethical Business Counts as Third Party Percentage of the Local Council



1. Interestingly, this high-point of green political awareness had ‘frayed’ by the 2015 General Election despite the very considerable growth of this business sector and its relatively strong economic performance, compared to many others (Harvey 2012). [↑](#footnote-ref-1)
2. The Gallagher Index (least squares index) measures the disproportionality of an electoral outcome. The index involves taking the square root of half the sum of the squares of the difference between percent of votes and percent of seats for each of the political parties. $LSq=\sqrt{\frac{1}{2}\sum\_{i=1}^{n}(V\_{i}-S\_{i})^{2}}$ [↑](#footnote-ref-2)
3. The record of the Liberal Democrats in Coalition Government may be seen to challenge this position, especially in terms of their reversal of policy on a commitment to keeping down the cost of student loans. But, there is an equal argument to put that their time in Coalition represented a brief moment when they turned their back on core values, to which they returned after 2015, albeit as a far smaller electoral force. [↑](#footnote-ref-3)
4. Ethical Junction has recently been absorbed by Eco-Firms limited, who have begun to publish a new, large-scale database for the UK. This can be found by following the links from the reference at the foot of this paper. [↑](#footnote-ref-4)
5. Poisson regression is appropriate because we are analysing the influence of radical third parties and other controls on the appearance of ethical businesses within local authorities (counts of EJ businesses within each area). Therefore, the data is in count format and thus inappropriate for an OLS regression. [↑](#footnote-ref-5)
6. On the logit side of the zero-inflated model, the predictor is significant at an alpha of less than 0.001. [↑](#footnote-ref-6)
7. We also considered adding income as a variable, but the lack of a relationship with ethical perceptions or behaviours in previous studies (for examples see Tang and Chiu 2003, Chiou and Pan 2008, Neale and Fullerton 2010) suggest that it may not have an independent effect beyond the social class and education variables that we include. [↑](#footnote-ref-7)
8. See the ONS website for further details on the data measurement of our control variables (www.ons.gov.uk). [↑](#footnote-ref-8)
9. This estimate is reached by using the IE data’s claim of ethical consumption equalling 13% of the UK marketplace. Assuming supply matches consumption, the 13% is applied to the total number of UK businesses which are then divided by the total number of local authorities. Comparing the totals to the EJ count numbers, there should be 281 ethical businesses for every EJ business. We then multiplied the expected EJ count times 281. [↑](#footnote-ref-9)
10. While our model has substantive and statistically significant variable correlations, the 95% confidence interval of our model predictions demonstrates more uncertainly at the extremes of the data as seen in Figure 2. It is important to interpret the results with caution, but the best estimate of the model prediction, the black line, has a consistent upward trend toward more ethical businesses as the council third-party percentage increases. [↑](#footnote-ref-10)
11. Ethical consumption spend has been calculated on the basis of ALL minus Finance as a proportion of total consumption, given that the vast majority of Finance records ethical investment and savings, not consumption sphere activity. As such, the figures for increasing proportion of total UK consumption spend are an under-estimate as some (indeterminate) proportion of Finance will be on spending, for financial services products. [↑](#footnote-ref-11)
12. Based on figures available from Ethical Consumer for 2012. [↑](#footnote-ref-12)