



UK's Inclusive Growth journey

EDNZ – Mahi Tahi – 18 October 2018

Ben Lucas

Metro — Dynamics



Why Inclusive growth?

Metro — Dynamics

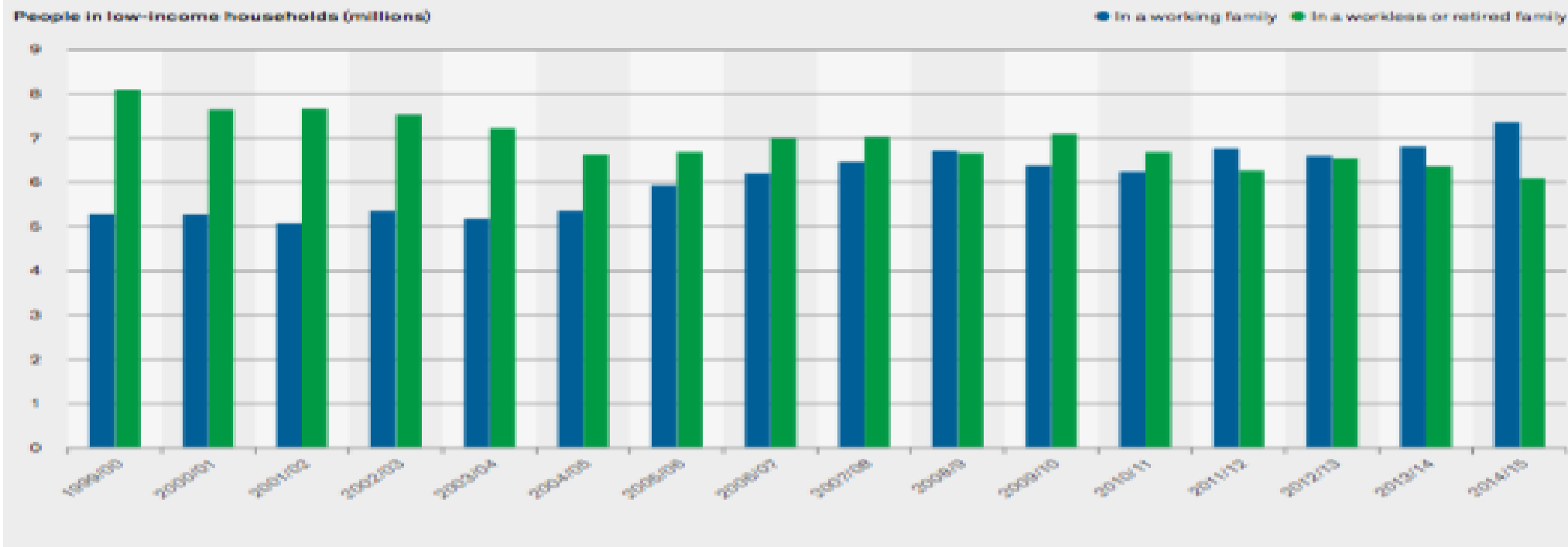
Work isn't working well enough

- 60% of people in poverty are now in work

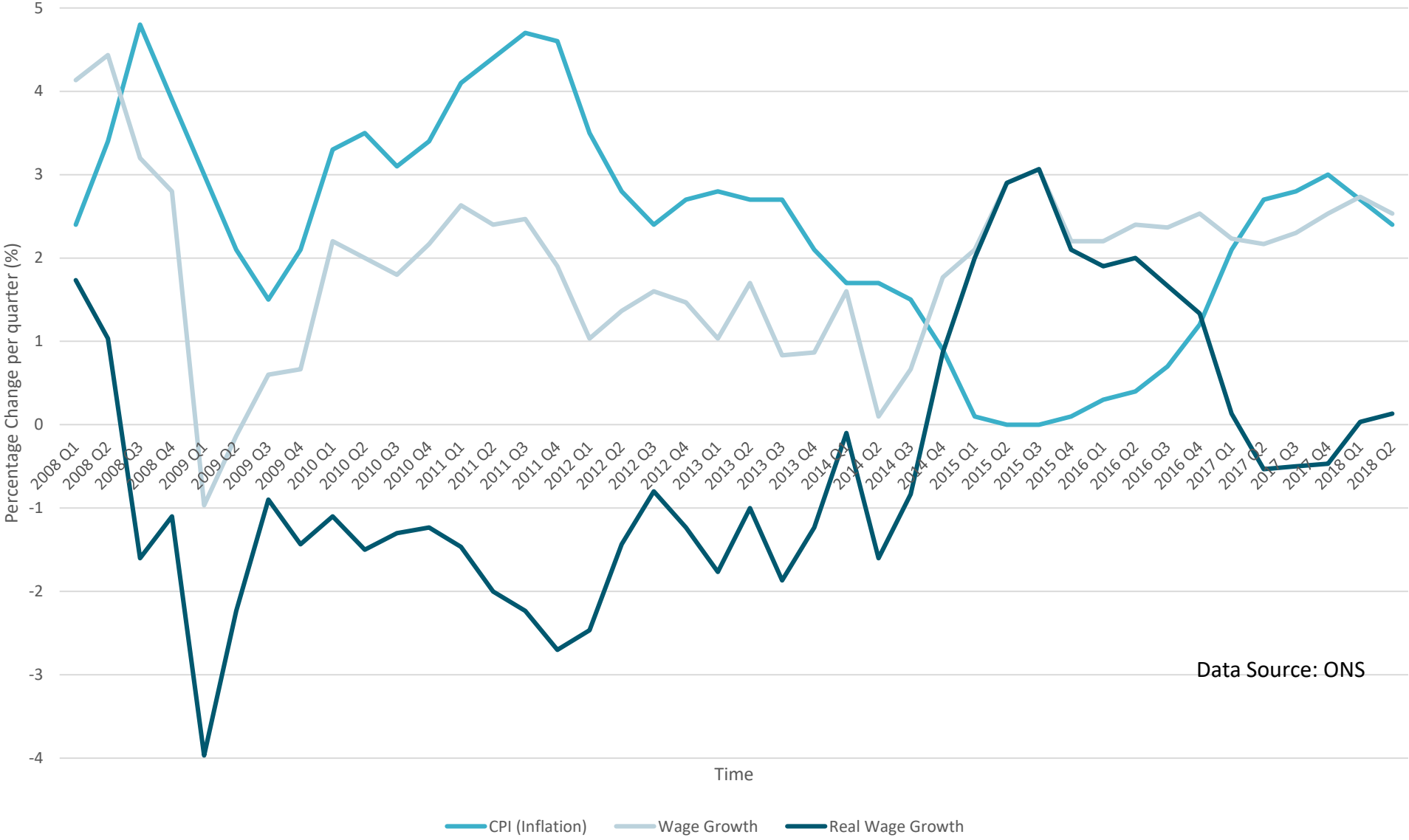
Figure 5: Number of people in poverty that are in a working family vs in a workless or retired family (1990/2000 to 2014/15)¹¹

Source: Joseph Rowntree Foundation (2016)

People in low-income households (millions)



Wages and Inflation (2008Q1 - 2018Q2)

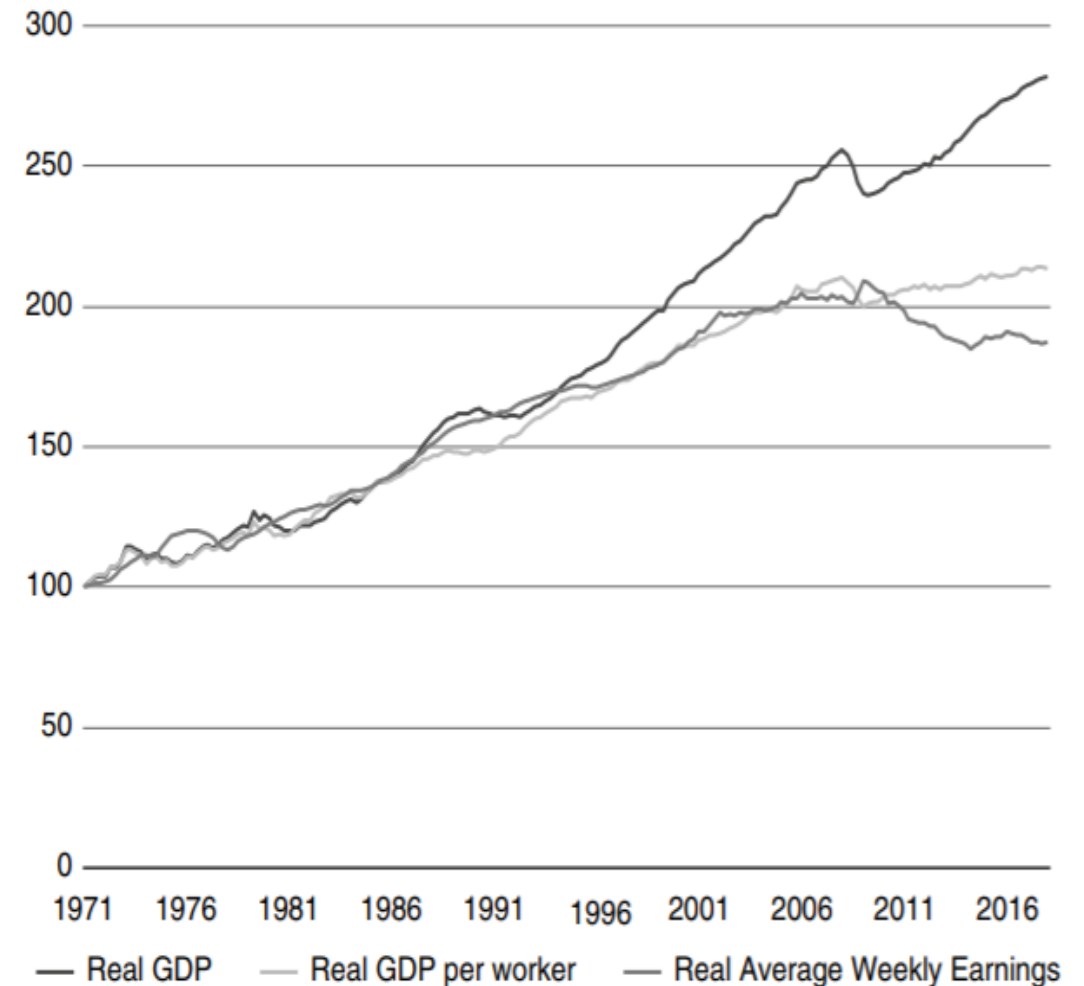


Data Source: ONS

Growth and average wages – the broken link

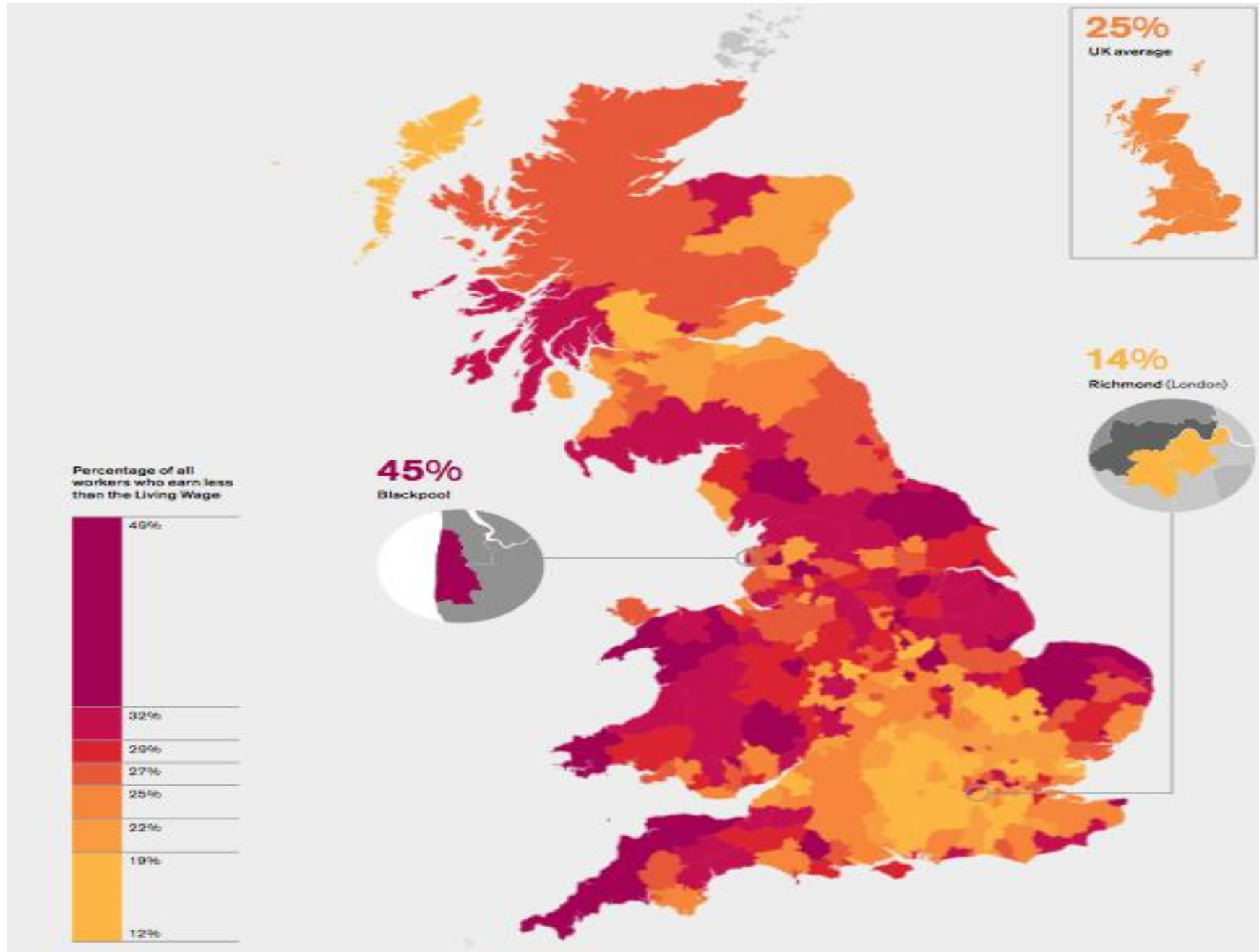
GDP and wages in the UK, 1971=100

- Since financial crisis, growth has returned but real wages have been static
- Trend since late 90s = GDP growth outstripping wage growth – this is historically unusual (see upper graph)
- IPPR: “under successive governments, the gains from growth have been very unequally shared”.



Source: ONS Annual Survey of Household Earnings. Note that some data values are missing for some years, and data for 2017 is provisional, subject to revision.

Percentage of workers earning less than Living wage

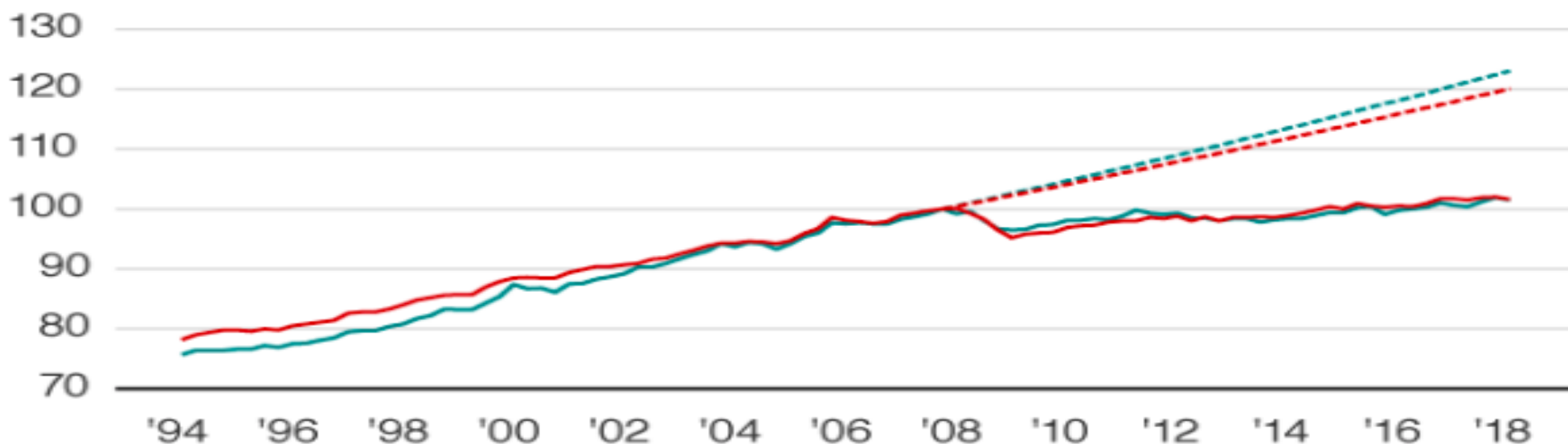


'Productivity puzzle' weighs on UK growth

UK productivity

Output per hour and worker

— Output per hour — Output per worker - - - Trend per hour - - - Trend per worker



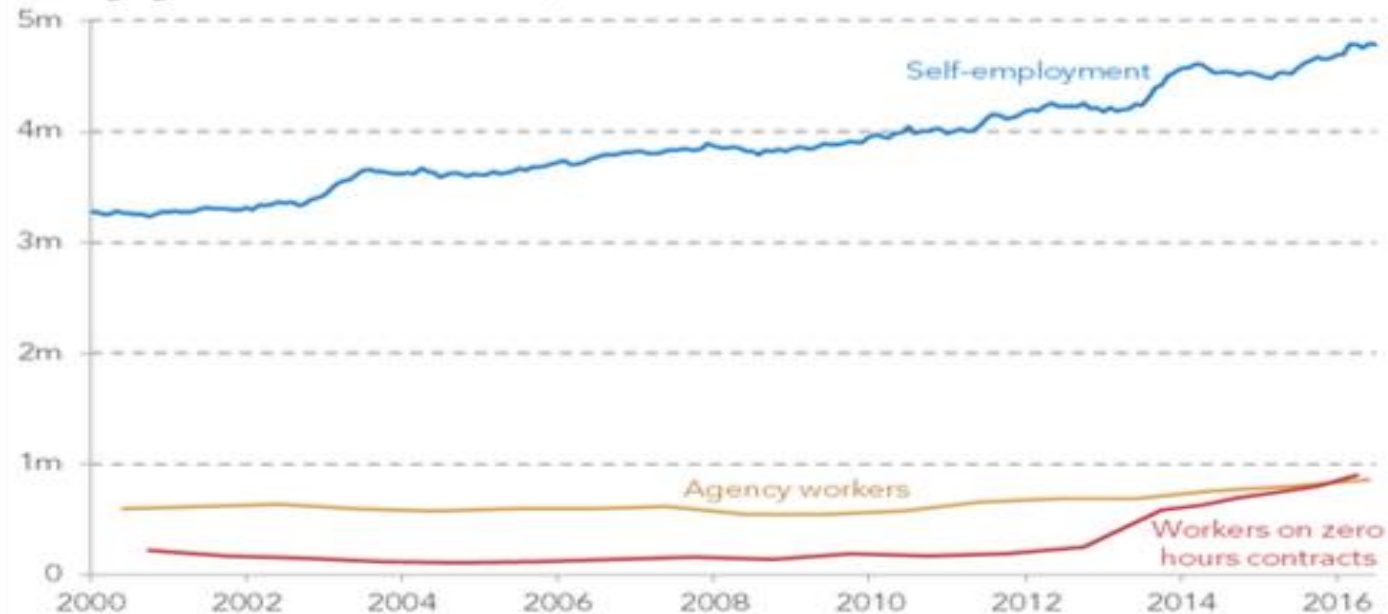
Source: Office for National Statistics

Insecurity – self employment & gig econ

Several 'new' forms of working are on the rise
but self-employment dominates



Changing nature of work in the UK, 2000-2016



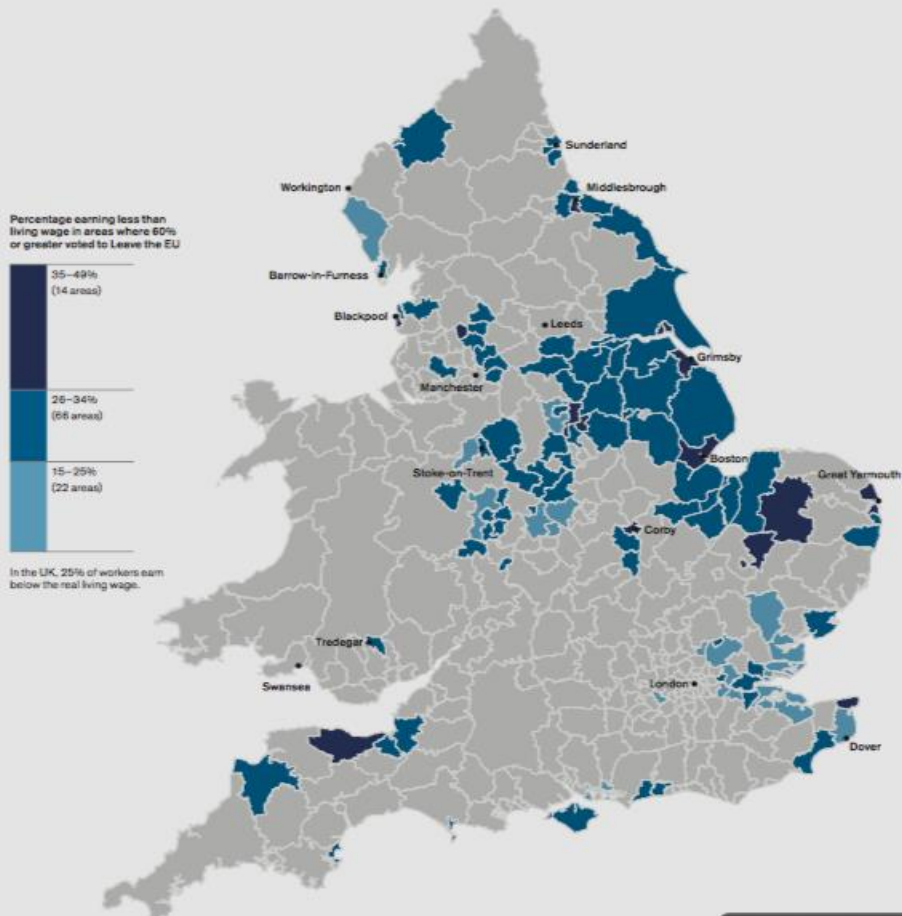
Source: Resolution Foundation analysis, ONS

*There are now
5m self-
employed when
we include
those doing it as
a second job*

The vast majority of high-Brexit areas* had more workers earning below the real living wage than the UK average

Source: RSA analysis of EU Referendum Voting Data and Annual Survey of Hours and Earnings (2014).

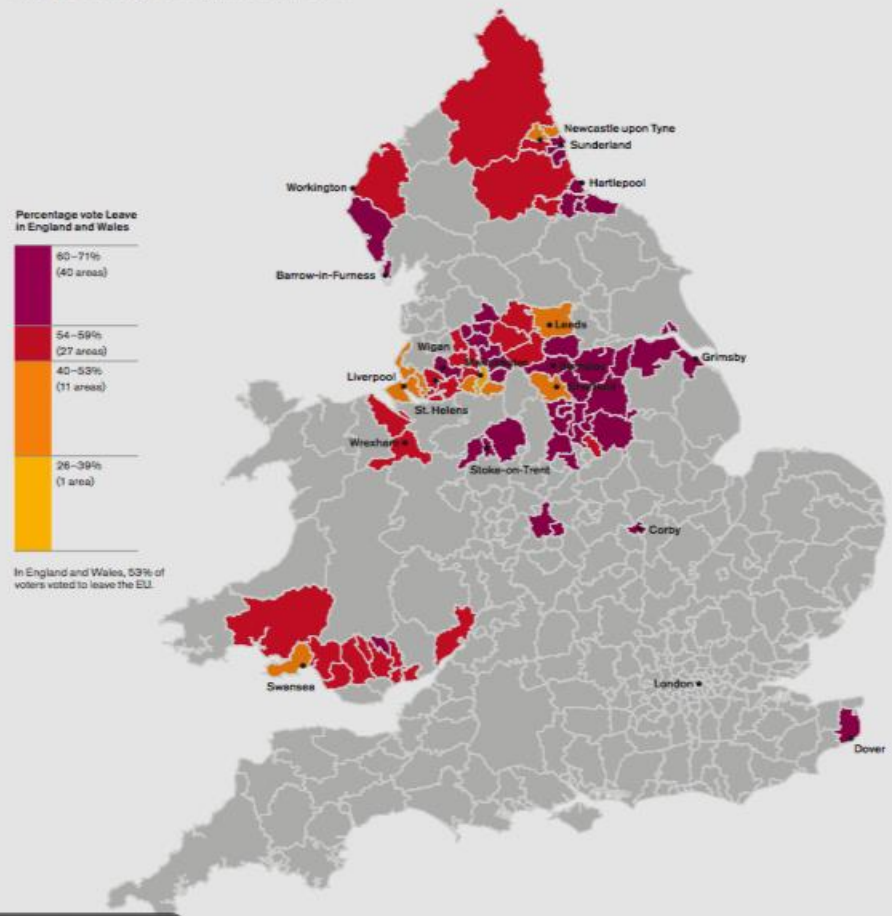
*We describe high-Brexit areas as places where the Leave vote was 60% or greater.



Older industrial areas in England and Wales overwhelmingly voted to leave the EU in high proportions, but the Leave vote was significantly lower in the Core Cities

Source: RSA analysis of EU Referendum Voting Data. Classification of 'old industrial areas' derived from Industrial Communities Alliance.

In contrast to England and Wales, all older industrial areas in Scotland voted to Remain, reflecting the differing political and cultural context.



And.....





What is Inclusive Growth?

Metro — Dynamics

Definitions of Inclusive Growth

Organisation	Definition
European Commission (2010)	‘Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society.’
OECD (2014)	‘A rise in the multidimensional living standards of a target income group in society.’
World Economic Forum (2015)	‘Output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment for a great majority of the country’s working age population, and reduces poverty.’
Scottish Government (2015)	‘Growth that combines increases in prosperity with greater equity, creates opportunities for all and distributes the dividends of increased prosperity fairly.’
Royal Society of Arts (2017)	<p>‘Enabling as many people as possible to contribute to and benefit from growth:</p> <ul style="list-style-type: none"> • Social – benefitting people across the labour market spectrum, including groups that face particularly high barriers to high quality employment; • Place-based – addressing inequalities in opportunities between different parts of the country and within economic geographies.’

Current model Grow now, redistribute later



Our current model assumes a 'grow now, redistribute later' approach to tackling inequalities

This has created a divided society, with many people feeling left behind from our economy

This compounds the UK's poor productivity problem, holding down real wages and living standards

A new
model is
needed

New model Inclusive growth



Where investment in social infrastructure is an integral driver of growth

Where as many people as possible can contribute to and benefit from a new kind of growth

We call this **Inclusive Growth**

Inclusive Growth shifts – First order principles

From

Siloed social and economic policy

Emphasis on the *quantity* of growth (as measured by GVA uptick and numbers of jobs created)

Investment in physical infrastructure as the means to economic growth

Focus on university entrance for young people as the route to success

Devolution of economic functions to places

To

Integrated social and economic policy

Emphasis on the *quality* of growth (including distribution of growth, productivity and quality jobs)

Investment in physical and social infrastructure as the joint means to inclusive growth

Equal focus on quality vocational education

Devolution of economic and social functions to places



Cities and regions leading on inclusive growth

Metro — Dynamics

Metro Mayors - the new force in England

RSA



**UNLEASHING
METRO
GROWTH**
FINAL
RECOMMENDATIONS
OF THE CITY GROWTH
COMMISSION

OCTOBER 2014



The Mayor's powers and priorities

	Mayoral Devolution Deals					
	Cambridgeshire and Peterborough	Greater Manchester	Liverpool City Region	West Midlands	West of England	North of Tyne
Single investment pot	✓	✓	✓	✓	✓	✓
Health and social care devolution		✓				
Planning for health and social care integration	✓	✓	✓			
Work and Health Programme Joint Commissioning	✓	✓	✓	✓	✓	
Review Children's services		✓	✓			✓
Work and Health Programme Pilot		✓	✓		✓	✓
Establish an Inclusive Growth Board						✓

The Industrial Strategy



Grand Challenges



Artificial intelligence
and data



Ageing society



Clean growth



Future of mobility

Some leading Inclusive Growth initiatives

- West Midlands – Launch of Inclusive growth unit in partnership with social and economic partners – **“Cranes to Communities”**
- North of Tyne – Inclusive Economy Board, Inclusive Economy Innovation Fund – **“Home of Ambition” for all**
- Belfast, North of Tyne, West Mids - development of bespoke **Inclusive Growth investment frameworks**

Emerging themes

Business

- Good work pledges, promoting Living Wage & in-work progression
- Investing in businesses committed to good work standards
- Internationalisation & inclusive growth – what kind of investments?

Education & Skills

- Targeted skills linked to emerging pipeline of projects
- Long term commitment to employer engagement

Changing horizons

- Making connections for school kids & families
- Different narrative about communities, place & growth



What gets measured gets done

Metro — Dynamics

Broader GVA metrics

Skills and employment
Addressing inequalities in the distribution of employment, skills, job quality and security

Routine public data

Education attainment and progress at 16 years

Academic and vocational Level 5 completions

16–19 years and Adult FE destinations data (eg employability, earnings)

Employment (eg by gender, BME, disabled)

Economic inactivity (eg by ill health)

Access to the professions (Social Mobility Indicator)

Additional survey data*

Job quality (eg job security, contract type)

Skills utilisation (eg occupation data at firm level) A series of large/ small towns (eg in Cornwall and much of Scotland)

Living Standards
Addressing inequalities of wealth, income, health and quality of life

Routine public data

Median household income (at neighbourhood, local and city-regional level)

Median household income after housing costs (neighbourhood, local and city-regional level)

Healthy life expectancy

ONS wellbeing survey

School readiness (Social Mobility Indicator)

Additional survey data

Median household savings (at neighbourhood, local and city-regional level)

Individuals' sense of agency and belonging (eg do I feel a part of this place, can I make a difference?)

Enterprise
Broadening asset-ownership and opportunities for business and enterprise

Routine public data

Bank of England SME access to finance

Rate of local business formation

Additional survey data

Power to Change community business survey data

Rate of local business formation combined with job quality data to create 'good business density' metric

Proportion of money earned and re-spent in the local economy (LM3)

Percentage of workforce protected by employment rights

Self-employed and micro-business confidence indicator

Local Capacity
Increasing capacity of local leaders to work together in a shared vision for their place

Routine public data

Diversity, strength and sustainability of local civil society organisations via Community Life survey

Additional survey data

Use of local authority public procurement clauses for work placement and/or local job creation

Application of Social Value Act (via flag on planning investment appraisal data)

Employer engagement in civic institutions (eg Chamber of Commerce, LEP)

Community confidence indicator

An Inclusive Growth Decision Making Framework

	Green Book Assessment (HM Treasury)	Growth Deals Assessment (DCLG)	ERDF (European Union)	Inclusive Growth Decision Making Framework (JRF)
Logic Testing	Strategic Case: What is the case for change? What problem is being solved and why is the lol best option?	Strategic Case: What is the case for intervention, market failure, or opportunities to accelerate?	Strategic Case: How does the project fit with specific call for proposals?	1 Strategic Case Will the lol support Inclusive Growth and if so, how?
Commercial Viability	Commercial Case: Is the lol attractive to commercial providers and which procurement procedure is best?			
Inclusive Growth Impact				2 Inclusive Growth Impact What is the estimated impact per capita?
Value for Money	Economic Case: Is the lol good value for money? What is the CBA? Will ongoing costs be reduced?	Value for money Case: What is the return on GVA? (e.g. the total GVA produced per £1 spent)?	Value for Money Case: What is the unit cost of outputs against quality?	
Financial Probiity	Financial Case: Is it affordable to the funder. How funded and cost to funder			
Operational Probiity	Management Case: Does the funder have the capacity to manage the lol and mitigate risk?	Delivery and Risk Case: Does the funder have the capacity to manage and mitigate risk?	Deliverability Case: Can the project be delivered in the time period?	3 Operational Considerations: Can the project be managed to maximise inclusive growth?

North Tyne: Investment Fund

The North of Tyne team have provided a list of potential benefits in the following areas:

- Employment
- Training and skills
- Business
- Infrastructure
- Digital connectivity
- Housing
- Financial
- Transport, and
- Tourism and culture

Overarching Impact Measures

Additional jobs created

GVA growth

Closing the gap between average wages in the UK and the average wage level in NT

Reducing inactivity levels

Increasing the numbers of people with a level 3 qualification

Private sector leverage

Target cohorts

Target groups/sub-groups		Number in NTCA	Proportion in NTCA	Proportion in UK
1	Unemployed (2017)	22,300	5.7%	4.5%
	Economically inactive due to long term illness (2017)	26,100	5.1%	4.9%
	Work & Health Programme recipients	<i>Stats to be published in Autumn 2018</i>		
2	In-work, low-earning individuals (below Living Wage) (2016)	82,000	23.4%	23.2%
3	Individuals with low skills (NVQ1 or no qualifications) (2017)	90,500	17.6%	18.6%
	Individuals with low skills (aged 50+) (2017)	36,200	22.8%	24.2%
4	Young people NEET (aged 16-17) (2016)	860	5.2%	6.0% (England)
	Students not in sustained education or employment after KS5 (usually 18)	304	9%	9% (England)



Bringing it all together – Integrated Inclusive growth

Metro — Dynamics

Inclusive growth in practice

- **Mission driven Collaborative Leadership – defining challenge and objectives**
 - Identifying the anatomy of inclusive growth in specific places – what's the challenge?
 - Agreeing an inclusive growth narrative
 - Building skills and tools for collaborative system leadership to mobilise all available resources and assets
 - Direct citizen and business engagement

Inclusive growth in practice

- **Projects, investment & spending**
 - Not just the same old projects
 - Social and economic interventions as well as capital projects
 - Commissioning and not just a bid process
 - Increase quantum and proportion of preventative expenditure

Inclusive growth in practice

- **Skills and education**

- Shift focus to human capital development from cradle to grave, key measures of progress school readiness at 5, literacy & numeracy at KS3
- Collaboration across system of schools, colleges and employment support to prioritise better quality vocational education
- Increase 'visibility' of career & employment paths & strengthen social networks through co-ordinated local business relationships with schools

Inclusive growth in practice

- **Place based economic/industrial strategy**
 - Know your place in granular detail, with sectoral and cluster analysis
 - Identify how can improve productivity & career progression in low wage sectors
 - Be clear about economic relationships between places & how growth can most effectively be driven
- **Economic assets and anchor institutions**
 - Be clear which are the major economic assets in your place, including businesses, universities, hospitals
 - Engage them in developing a collective approach to inclusive growth, focusing on employment, skills, local supply chains, wellbeing.
 - Create an expectation that new investors will want to sign up to this approach.



Integrated economic and social policy – centrally and locally

<p>Social infrastructure Investing in education, skills and employability support, mental health, affordable childcare</p>	<p>Physical infrastructure Connecting people to economic assets and opportunities (via housing, transport, digital)</p>	<p>Inclusive industrial strategies Long-term commitments to key sectors, clusters and technologies, including in low paid sectors (eg retail, care, warehousing and logistics)</p>	<p>Business-led productivity and quality jobs Firms moving up value chain, creating quality jobs (fairly paid, scope for progression and autonomy, family friendly and flexible)</p>	<p>Macro-environment Creating a culture of enterprise, inclusive legal/ financial institutions (eg regional banking) competitive fiscal and monetary policy and appropriate labour market regulation</p>
---	--	---	---	---

This means we need...

<p>Recommendation 1 Place-based industrial strategies: Delivering business-led productivity and quality jobs</p>	<p>Recommendation 2 A fundamental reset of the relationship between Whitehall and the town hall</p>	<p>Recommendation 3 Inclusive growth at the heart of public investment</p>	<p>Recommendation 4 Making inclusive growth our working definition of economic success</p>
---	--	---	---



Principles for inclusive growth

<p>Creating a shared, binding mission Nationally driven, locally designed and implemented. Involving business, civil society and citizens</p>	<p>Measuring the human experience of growth not just its rate Get beneath headline averages to understand the distribution of growth, socially and geographically</p>	<p>Seeing growth as a social system, not just a machine Analyse how different policies and economic forces interact with each other, including through public deliberation</p>	<p>Being an agile investor at scale Ensure sufficient, strategic, integrated finance to leverage value of social and economic investment</p>	<p>Entrepreneurial whole-place leadership Mobilising the full force of local resources to build on existing assets and opportunities for change</p>
--	--	---	---	--

Metro — Dynamics

LONDON

3 Waterhouse Square
138 Holborn
EC1N 2SW

(+44) 0203 865 3082

MANCHESTER

Elliot House
151 Deansgate
M3 3WD

(+44) 0161 393 4364
