Skills, Economy and Growth Scrutiny Commission

All Members of the Skills, Economy and Growth Scrutiny Commission are requested to attend the meeting of the Commission to be held as follows:

Tuesday, 12th February, 2019

7.00 pm

Room 102, Hackney Town Hall, Mare Street, London E8 1EA

Tim Shields
Chief Executive, London Borough of Hackney

Contact:
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Members: **Cllr Mete Coban (Chair), Cllr Polly Billington, Cllr Richard Lufkin (Vice-Chair), Cllr Sam Pallis, Cllr Steve Race and Cllr Gilbert Smyth**

Agenda

ALL MEETINGS ARE OPEN TO THE PUBLIC

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Further Information about the Commission

If you would like any more information about the Scrutiny Commission, including the membership details, meeting dates and previous reviews, please visit the website or use this QR Code (accessible via phone or tablet 'app') http://www.hackney.gov.uk/individual-scrutiny-commissions-governance-and-resources.htm

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Providing oral commentary during a meeting is not permitted.

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Skills Economy and Growth Scrutiny Commission	Item No
12th February 2019	4
Minutes of the previous meeting and Matters Arising	

OUTLINE

Attached are the draft minutes for the meetings held on 10th December 2018.

ACTION

The Commission is requested to agree the minutes and note any matters arising.

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Hackney

London Borough of Hackney
Skills, Economy and Growth Scrutiny Commission
Municipal Year 2018/19
Date of Meeting Monday, 10th December, 2018

Minutes of the proceedings of the Working in Hackney Scrutiny Commission held at Hackney Town Hall, Mare Street, London E8 1EA

Chair	**Councillor Mete Coban**
Councillors in Attendance	**Cllr Polly Billington, Cllr Richard Lufkin (Vice-Chair), Cllr Sam Pallis, Cllr Steve Race and Cllr Gilbert Smyth**
Apologies:	
Officers In Attendance	**Suzanne Johnson (Head of Economic Regeneration), Stephen Haynes (Director – Strategy, Policy and Economic Development) and Andrew Munk (Head of Employment and Skills)**
Other People in Attendance	**Councillor Guy Nicholson (Cabinet Member for Planning, Business and Investment), Councillor Carole Williams (Cabinet Member for Employment, Skills and Human Resources) and Councillor Aron Klein**
Members of the Public	
Officer Contact:	**Tracey Anderson** ☎ 020 8356 3312 ✉ tracey.anderson@hackney.gov.uk

Councillor Mete Coban in the Chair

1 Apologies for Absence

1.1 No apologies for absence.

2 Urgent Items / Order of Business

2.1 There was a change to the order of business. Item 8 was taken first followed by the remaining discussion items as per the agenda.

3 Declarations of Interest

3.1 There was no declarations of interest.

4 Minutes of Previous Meeting

4.1 The minutes of the previous meeting held on 3rd September 2018 were approved.

4.2 The minutes of the previous meeting held on 22nd October 2018 were approved.

RESOLVED	Minutes were approved.

4.3 Actions update from meeting on 3rd September 2018

4.3.1 Action – page 9

The Licensing Team Leader to confirm if the Gambling Commission collates information on the amount spent in gambling establishments in Hackney borough.

Response

The Licensing Team Leader advised he was unable to identify information specific to the borough. However research in 2015 by NatCen for Social Research carried out on behalf of the Gambling Commission, provides information on gambling participation in various regions across the Country. The link below provided the figure for London but there is no further breakdown beyond that.

https://www.gamblingcommission.gov.uk/PDF/survey-data/Gambling-behaviour-in-Great-Britain-2015.pdf

The Licensing Team Leader also highlighted that the most recent statistics by the Gambling Commission gives the Gross Gambling Yield (GGY) figure which essentially the amount is raised by the gaming industry after winnings are paid out. The headline statistics can be found using the link below.

https://www.gamblingcommission.gov.uk/news-action-and-statistics/Statistics-and-research/Statistics/Industry-statistics.aspx

4.3.2 Action– page 16

The Head of Economic Regeneration and the Head of Corporate Programmes to provide a formal response to the Commission in response to the SEG Commission's BAME summary report.

Response

This update was provided under item 8

4.3.3 Action – page 16

The Head of Economic Regeneration to circulate the dates of Business Forums to the Commission.

Response
An email providing a link to this information was circulated to members of the commission.

Members pointed out the Stamford Hill Business Forum was due to meet before Christmas. Members enquired if a date was set for this business forum.

One Member advised she had signed up to Dalston Business Forum because it is relevant to her Ward and suggested the other Commission Members sign up to the business forums to monitor their progress.

The Head of Economic Regeneration advised she would confirm and get date circulated once agreed.

ACTION	The Head of Economic Regeneration to circulate the date once agreed.

4.3.4 Action – page 17
The Overview and Scrutiny Officer to circulate the previous Cabinet Question Time session topics and minutes of the session previous session to Members of the Commission.

Response
This was circulated.

4.3.5 Action – page 17
The Chair and Overview and Scrutiny Officer to draft the Terms of Reference for the Commission.

Response
This is currently going through the Commission's sign-off process.

5 Cabinet Question Time - Planning, Business and Investment

5.1 The Chair welcomed to the meeting Councillor Guy Nicholson, Cabinet Member for Planning, Business and Investment from London Borough of Hackney.

5.2 The Chair asked the Cabinet Member to start the session by providing a response to the questions submitted in advance of the meeting. They were related to regulatory services, the Community Infrastructure Levy and the economy.

5.3 The main points from the response are outlined below.

5.3.1 In response to Members questions about the measures to ensure landlords are compliant and the action taken to discourage multiple occupancy.

5.3.2 The Cabinet Member explained in terms of planning services the first step is to define a Housing of Multiple Occupancy (HMO). In planning terms if 6 people live in a dwelling but it's not converted this is not classified as a HMO. If a home has additional baths, sinks and toilets and divided up for unrelated people this is a HMO.

5.3.3 Planning Services can take enforcement action and demand for a planning application to be completed if the HMO is illegal. This becomes a retrospective application. In regards to the number of unauthorised HMOs. There were 25 cases in 2017 of alleged unauthorised HMOs. There were 3 refusals for HMO applications last year and 2 of those were retrospective applications. This shows that a retrospective planning application may not get approved following enforcement action. Illegal HMOs can be identified by members of the public or a planning officer.

5.3.4 In response to Members questions about the Community infrastructure levy. The Cabinet Member explained attached to the community infrastructure levy is the Regulation 123 list. This list is a legal document that sets out the infrastructure needs for the borough. This list is compiled from all the different service areas operating and delivering services within the borough. It covers services such as GP surgeries, the council's plans around school places and planning for future places, community centres, libraries, leisure centres, it picks up on transport infrastructure - highways, parks and open spaces.

5.3.5 The list was last updated in 2015 and identified about £1 billion worth of investment required to deliver the infrastructure needs in the borough over the next 10 years.

5.3.6 The Council is about to commence a review of the Regulation 123 list. This process starts with all service areas outlining their infrastructure needs and this starts to curate and direct the spending for the levy.

5.3.7 The Community Infrastructure Levy commenced in 2015 and since then approximately £30 million has been pulled together. This levy is not the same at the Section 106 funding. As new developments are agreed it adds to the funding stream.

5.3.8 The Community Infrastructure Levy does not focus on new homes this comes under Section 106 contributions.

5.3.9 The Community Infrastructure Levy has 2 elements the Neighbourhood CIL and Hackney community infrastructure CIL (a main fund and neighbourhood fund). In the coming months there will be discussion about where the neighbourhood CIL should be spent. There are suggestions to spend it on communities and wards rather than infrastructure. Currently this fund has £3 million allocated. The remainder of the fund is either being spent or allocated. However there is still a small balance to be spent. The Cabinet Member pointed after five years they have 30 million. This balance is small in comparison to the £1 billion of spend needed over the next 10 years.

5.3.10 Members were informed the CIL has contributed toward such projects like:

- Narrow way scheme
- Hackney Wick station
- Olswald Street Day Centre.

5.3.11 Members were informed there is no indication the CIL is diminishing. It has a regulated process with a set criteria for the levy and this is based on land values. However the land values will be reviewed and that will adjust the levels of levy receipts.

5.3.12 In response to neighbourhood CIL and the decision criteria for CIL receipt spend in neighbourhood areas. Members were informed there will be discussions about how to spend the CIL to support the needs across the borough and in wards.

5.3.13 In response to Members questions about the economy and how successful the Council has been at working with local businesses to ensure access to employment opportunities for local residents. The Council's business network have just under 2000 subscribers. This membership has fallen following the introduction of GDRP. The Economic and Regeneration team make referrals and introductions to local businesses to the Employment and Skills service.

5.3.14 In response to Members question about the council's plans to protect its highstreets. The Cabinet Member explained this activity falls under a number of spheres. One of these is the planning system. The Local Plan supports highstreets and economic clusters (both big and small) around the borough. It was highlighted that Shoreditch in planning terms is not a designated town centre. In planning policy terms it is not described as a town centre but a major hub because it is part of the central activity zone.

5.4 **Questions, Answers and Discussions**

(i) Members referred to the work to protect high street and to the recent change in legislation to Fixed Odds Betting Terminals in betting shops. Members commented this is expected to result in a number of betting shops closing. Members enquired if this was expected in Hackney and if it was, what would be the impact?

(ii) In reference to the statistic that 70% of London's high street do not fall within a town centre boundary. Members made the following enquires:

- **How many high streets do we have in Hackney?**
- **How many have formal policy designation?**
- **Is there potential to bring policy to high streets that are not designated and have these areas been identified?**

(iii) Members referred to article 4s and multiple occupancy homes and enquired if the council used article 4s in conservations area to prevent HMOs as a contravention under character? If not would this something the council would consider doing?

(iv) Members enquired what constitutes sustainable infrastructure.

(v) Members referred to energy and commented it was their understanding that energy did not form part of the Community Infrastructure Levy. Members enquired if further information could be provided about this and queried how the council could use the CIL to leverage other financial investments to create the clean energy infrastructure needed?

(vi) Members referred to the planned expansion of economic activity at the HereEast and Hackney Wick sites and enquired how the council could ensure they worked together to increase the activity across the borough and not compete?

(vii) Members enquired if the council was ensuring young people have access to the skills that the jobs at HereEast and in Shoreditch will offer in in the next few years?

In response to the questions above the Cabinet Member provided the following replies:

The council has no insight on the impact of the restrictions to fixed odds betting terminals or to the viability of betting shops in the borough. It was pointed out there is huge demand for commercial space in Hackney. It was noted that in the past the council has used it planning powers to halt the growth of betting shops in the borough. The council does anticipate there will be changes to the industry, but as a multinational company they do not qualify for business rate relief. Therefore if they do vacate the borough the Cabinet Member is confident the Regeneration Team will work to promote the empty spaces to a wider market.

Designated town centres have to go through the London plan and are placed on a designation list. Members were informed areas such as Chatsworth Road and Green Lanes are designated as local town centres. Whereas Hackney Central was designated as a major town centre and Dalston as a regional town centre. Members were reminded that Shoreditch was under the central activity zone and a different policy designation applied to the central zone square mile.

It was noted that the GLA had agreed to upgrade Hackney Central to a major regional town centre and upgrade Stamford Hill to a local town centre. However they have not agreed to the designation of Clapton as a local town centre. The reason for this it is a reactive not proactive. The council still needs to do more work to create a coherent town centre. The designation is through planning policy lenses not local view. The original designations still remain in place. It was highlighted that Hackney Wick is in a similar position to Clapton and has not been designated.

The cabinet member advised he would report back on the number potential highstreets identified.

ACTION	Cabinet Member for Planning, Business and Investment to report back on the number potential highstreets identified.

Article 4 directions are used for a number of things and the Council has used it to challenge the Government on its relaxation of planning regulation in relation to the conversion of commercial property to residential dwellings. Under this change approximately 350 homes have been created in the borough through permitted development rights. It was pointed out to Members that none of the homes have been affordable or subject to the affordable homes criteria.

For sustainable CIL the Narrow way project was cited as an example of the council using the leverage of the CIL to acquire further investment. It was pointed out the CIL was the catalyst for bringing investment together to complete this project.

In terms of energy, it is through the sustainability agenda imposed on the different service areas that sustainability investments are made and currently this is based on the 2015 service area plans.

To deliver energy when the new list is produced they must ensure all the energy requirements are embedded in the infrastructure needs.

In terms of connecting town centres like Hackney Wick and Fish Island. The council's view is they are complementary economies in the borough. The Council has expressed they are complementary economies and encouraged businesses to work in collaboration. Particularly businesses that have moved to Hackney Wick for expansion because they need more space.

The question on skills was passed to the Cabinet Member for Skills, Employment and Humans Resources to respond.

6 Cabinet Question Time - Employment, Skills and Human Resources

6.1 The Chair welcomed to the meeting Councillor Carole Williams, Cabinet Member for Employment, Skills and Human Resources. Also in attendance for this item was Stephen Haynes, Director Strategy, Policy and Economic Development and Andrew Munk, Head of Employment and Skills from London Borough of Hackney

6.2 The Chair asked the Cabinet Member to start the session by providing a response to the questions submitted in advance of the meeting. They were related to employment and skills, equalities and the Council's relationship with local employers.

6.3 The main points from the response are detailed below.

6.3.1 In response to questions about employment and skills and the council's plans for the future growth of industries where businesses are relocating to Hackney. The Cabinet Members for Employment, Skills and HR advised her portfolio crosses over with Cllr Nicholson and where this happens they take opportunities to collaborate. Where it is not just employment being discussed they connect and collaborate as with this case. An example of this is a meeting with Stanstead Airport. In that meeting they did not just talk about the vacancies coming through.

6.3.2 A key priority for the council is to ensure Hackney residents benefit from the growth in the borough, London and across the UK. It is acknowledged that resident will not just work in Hackney, especially if they develop the skills identified for growth industries like the digital and creative sector. It is recognised these skill sets can take you anywhere in the world not just in the UK.

6.3.3 The Council also recognises that businesses want softer skills too. Through the employment pathways team and the employment and skills services they are working to develop and deliver this training. The council is also doing some work on providing experience such as insight days and work experience for Hackney's young people.

6.3.4 The Cabinet Member reminded members of the commission the council still has a STEM commitment and they are working with education providers and businesses to close that skills gap. This is being delivered in partnership with Cllr Bramble, Deputy Mayor and Cabinet Member for Education, young people and children's social care.

6.3.5 In response to question 2 about the Commission's last review report and a recommendation related to setting up a union to support self-employed workers. The Cabinet Member explained she was in conversation with relevant cabinet colleagues about this and the officers are exploring the possibility of Hackney becoming a location for a self-employed union. The borough does have approximately 24,000 people registered as self-employed.

6.3.6 In response to question 3 about how to support young people who leave alternative provision and PRUs to transition to adult learning. The councils does the following:

- Promotes its apprenticeship scheme and the Hackney 100 programme to schools colleges and other organisations working with young people. The Hackney 100 programme is a paid work experience programme which seeks to ensure 50% of participants are from disadvantaged groups.
- Through the carers collaboration use their mailing list to promote services.
- Use social media to target young people and present at assemblies. The council also engages with 20-24 year olds in Hackney.
- Partners with Young Hackney, virtual schools and other partners who work with NEET and disadvantaged young people.
- Will relaunch their pre-employment scheme in 2019. This programme targets cohorts who are over looked such as care leavers, NEET and those who have experienced the criminal justice system.

6.3.7 In response to the question that enquired about the effectiveness of Hackney Works (HW). Between April and September 2018 a total of 687 residents signed up to the services. This is a 47% increase in registrations compared to the same period last year. From April to September 2018 the HW clients benefited from over 1400 employability interventions aimed at addressing the barriers to employment. These interventions included volunteering, training and interview preparation.

6.3.8 From April to September 2018 Hackney Works achieved over 200 job starts. Representing a 28% increase in job starts in the same period in 2017. The service area does not currently collect data on salary levels. But it is a key priority for the service area to work with employers who pay the London living wage (LLW). It was pointed out that the advisors who support HW clients do continue to provide in work support to their client to help with progression to higher paid roles. Including support to access relevant training to develop their skills.

6.3.9 In response to the question about progression and the council's apprenticeship programme. The apprenticeship programme was a key manifesto commitment in 2016 and again this year. The number of apprenticeships has increased from 30 (at the start of 2016) to currently employing of over 100 young people as apprentices. It was highlighted the council's scheme pays the LLW to apprentices and the programme is open to anyone up to the age of 65. The Council now has apprentices in the following service areas:

- IT

- Surveying
- Paralegal
- Design
- Housing
- Engineering.

6.3.10 The Council has removed the GCSE requirement in its apprenticeship programme.

6.3.11 In 2017/18 7% of all the new apprenticeship starters were care leavers, 9% had a disclosed disability and 16 were young black males. Currently 26% of the apprentices are studying for a higher degree level. Up from 6% in 2016/2017.

6.3.12 In response to Members questions about equalities sexual harassment, improving diversity at a senior level and disabled staff, the Cabinet Member advised the Council's Corporate Committee reviews all HR policies. The policy for harassment and bully was recently updated and a training session for all Councillors was scheduled to update them on the changes to the harassment and bully policy. The Cabinet Member offered to reschedule this training in the New Year.

6.3.13 The Cabinet Member informed Members the council takes a zero tolerance approach on this policy and provides managers with training on how to deal with allegations. The cabinet member pointed out the policies and procedures in place include sexual harassment and are robust.

6.3.14 The council directly employs approximately 3000 full time equivalent staff. The Council is also committed to promoting a diverse workforce. The council is doing this through the single equality scheme and promoting it under the 'culture of inclusive leadership' objective. This was also highlighted in the work the council has been doing on improving outcomes for young black men.

6.3.15 The council is aware that a demographically diverse workforce can help to drive innovation which is good for the organisation and staff. The council has held a number of focus groups with staff and they have been well attended. The Council has an inclusive leadership programme and they are looking at unconscious bias and how that needs to be tackled across the organisation as well as developing staff to recognise their unconscious bias.

6.3.16 In response to Members question about the protection against redundancy for pregnant staff and unequal pay. The Cabinet Members informed Members the council has clear policies on this and complies with the law and ACAS guidance.

6.3.17 In reference to the question about unequal pay. The Council has policies in place and this is a legal requirement on the council by European legislation. The Council has an equality proof pay and grading structure which was implemented approximately 15 years ago.

6.3.18 In response to the question about ensuring the right skills and support is offered to help women find work. Through the employment and skills service they have hubs across the borough including children centres where they engage with women. The HW hubs run late sessions (from 5-8pm) to provide flexibility for women with caring responsibilities.

6.3.19 In response to Members questions about ensuing decent and flexible job are available. The council is an accredited Timewise council. The council was first accredited in 2015 and has been accredited annually. Jobs are advertise through timewise so they are open to being part time. The council is working with Timewise to agree a pilot scheme for part time and flexible apprenticeships. The aim is to create up to 10 part time apprenticeships targeting parents with child care responsibilities, special educational needs and neurodiversity conditions.

6.3.20 Hackney Works offers out of work and under employed residents a personalised service that looks at jobs goals, alongside their skills and experience.

6.4 **Questions, Answers and Discussion**

(i) Members referred to the point that HW do not measure salary as a metric. In discussions Members commented the long terms measurement of success for HW would need to include a metric measuring salary. This would help to identify if people entering at entry level are progressing and the types of salary they start on. This would help to identify if the salaries support people, if there is a gap and what the council could do in response to this. Members pointed out it was important to consider how HW is measuring progression.

(ii) Members pointed out that Hackney Quest talked about organisations having a sticker to indicate that they were open to speaking to young people about their CV and employment. Is this something the Council would think about enhancing within Hackney?

(iii) Members enquired how open the council was to having a dialogue about diversity and inclusion particularly for equality groups mentioned previously. Members wanted reassurance staff were able them to talk about some of the challenges within the business, progression and the way they are treated.

(iv) Members referred to the exploration of the self-employed workers union and enquired if there was a timeline for this?

(v) Members referred to the 200 job starts and enquired if the council held statistics about the sectors, the levels applicants are placed in and queried if this met the aspirations of the programme. Members also asked how they were measuring the success rate.

(vi) Members commended the Council for its award winning apprenticeship scheme. Members enquired if the programme was full to capacity and the target for recruitment each year?

(vii) Cllr Klein made reference receiving correspondence from Unite Union about a staff member being asked to remove their head scarf and being told they could remain at work. The Member enquired if wearing head scarf was not permitted at work in the council?

(viii) Members enquired about the main drivers that stop Hackney's young people from accessing opportunities?

In response to the questions above the Cabinet Member for Employment, Skills and Human Resources replied:

There has been big changes to the labour market in recent years particularly the hollowing out. The cabinet member advised she was in constant dialogue with officers about how to support young people who do not have access to social capital – that is not being able to turn to a family members for support in gaining access to work experience. The challenge for the council is how they can replicate that social capital for young people in the borough who do not have access to networks. This has been a key driver behind the Hackney 100 placements, the pre-employment placement and the corporate apprenticeship programme. The Council has an award winning apprenticeship programme identifying it as a good scheme in addition to the scheme paying the LLW. The Council's apprenticeship scheme was oversubscribed and for the first cohort in the summer the council received 250 applications for its apprenticeship programme.

This highlights the corporate scheme is popular and being oversubscription means there is not enough opportunities to meet the current need and demand. The Council wants to progress this by using what it has learnt from the apprenticeship scheme to support local businesses to do the same. The first step with this is to start an apprenticeship network with businesses in the borough and there will be a kite mark for this. Through this network they will identify the indicators to measure the success of apprenticeship schemes.

In response to Cllr Klein the Cabinet Member advised she could not comment on individual cases however, the Council does take any allegation seriously. The Council is in dialogue with the Unions and has agreed to carry out an investigation to review the allegations. In the meantime the Chief Executive has written to all staff to express this view and encourage staff to come forward. The Council has relevant policies and procedures in place. The Cabinet Member advised she will reschedule the training for Members to update them on the Council's harassment and bullying policy.

The council has 108 apprentices in total. The council has not set a recruitment target per year. Managers and Directors across the organisation are encouraged to identify where they may have opportunities to employ apprentices and supported to set up an apprenticeship. This year IT identified 21 positions for apprenticeship employment. The Cabinet Member was pleased to report the number of women employed in the IT apprenticeships was above the sector average. However, it was pointed out there is still room for improvement and the council still has the STEM commitment to fulfil but this was a good start.

The Cabinet Member referred to the question about sectors and levels and enquired if this question was specific to a hub placed within that Member's Ward (Shoreditch hub) as it was a perennial question that comes up.

(ix) The Member clarified this query related to the level the council was aiming for? Members asked if the council was hitting its target and was keen to ensure the scheme was not under aspiring for the young people in Hackney. Members enquired if the council was accessing a range of different options and employers and not just providing low / unskilled work or quick wins.

The Cabinet Member for Employment, Skills and Human Resources advised the council wants to work with young people a little further from labour market too, so they can help them build their skills and progress and not stay in the first job they enter. The challenge is to understand the skills gaps in each sector and consider how this will affect the various equality groups. The cabinet member pointed out if the council is targeting construction or the hospitality sectors they need to consider the long term impact on equalities in this borough. The data shows that women tend to do caring and administration jobs so the council needs to understand what this could mean for that group long term as they age in the labour market. The council also need to consider what that means for their ability to support themselves and their families to remain in the borough. These are some of the challenges they have to look at.

The cabinet member advised she would report back on the timeline for the self-employed union.

ACTION	Cabinet Member for Employment, Skills and Human Resources to report back on the timeline for the self-employed union.

The Cabinet Member advised they have held workshops with staff and these workshops have not just been about ethnicity but gender identity and disability too.

In reference to Hackney Council operating the Hackney Quest kite mark – putting a sticker up to indicate to a young person they can come in with their CV and talk about a job – the Cabinet Member explained Hackney Works online system is not just uploading your CV. It asks a series of questions and then directs the individual to a support officer for further dialogue about skills, work and identifying possible employment opportunities.

It was highlighted that operating in the hospitality sector within the borough are some quality employers, and the council's aim is not just to challenge the businesses in the borough to develop access to jobs but to improve their employment practices, offer stable employment - not just employ on zero hours contracts – and consider the safety of their staff working late hours.

The Director of Strategy, Policy and Economic Development advised he will report back on Trust for London and the self-employed union as officers will be developing this over the coming months.

The Director of Strategy, Policy and Economic Development urged Cllr Klein to contact the Chief Executive to advise him of any particular case he has aware of for further investigation.

The Head of Employment and Skills advised they do have knowledge about the job sectors people move into, however, it was pointed out that a large number of the Hackney Works cohort are long term unemployed and move into low level jobs. But more recently the eligibility criteria has changed and the service area now works with people who are under employed.

The Head of Employment and Skills informed Members he has been working with his team to understand the service is not just about the job outputs but the client's aspirations too, so they can support them to move along their pathway. Achievement of this will take time and the council recognises there is more work to do to up skills and put on the right course to upskill people. The officer informed Members the employment and skills service is not a statutory service and it was important to remember their funding required job outputs.

The officer pointed out Hackney Quest were supporting their work on Gascoyne estate for the employment, housing and health hub. The apprenticeship network mentioned previously would be an approach like the kite mark referenced by Hackney Quest. Their discussion with business will not just be about the quality of their apprenticeships but their offer of employment and skills.

(x) Members commented that it was important for staff to feel empowered to have conversations about diversity, inclusion and progression. It was equality important for the council to lead by example in this area and demonstrate this within their own organisation. Members suggested these should be staff event where the parameters are set and led by staff.

The Cabinet Member for Employment, Skills and Human Resources and Director of Strategy, Policy and Economic Development advised the council has held 7 workshops with 64 staff. These workshops have been very challenging to the organisation and is making the organisation face up to some stark issues and the senior management team will need to address these. The council recognises there is not enough BME staff in senior management and there are issues across the organisation with disability and shifting unconscious bias. It was also pointed out that some of the themes from the workshops have come out of existing staff networks.

(xi) Members enquired if there was a report on the key findings from these workshops that could be shared with the Commission?

In response the Director of Strategy, Policy and Economic Development advised he would check on the progress of the report and report back to the Commission.

The Cabinet Member for Employment, Skills and Human Resources highlighted that Hackney Council is recognised as an excellent employer and the council's policies – in comparison to other London boroughs – is among the best in London. This is reflected in the work they do, not just on the apprenticeship programme, but in the council's work more broadly.

7 Developing the Council's Strategy for Inclusive Growth

7.1 The Chair welcomed to the meeting Stephen Haynes, Director Strategy, Policy and Economic Development from London Borough of Hackney.

7.2 The Director Strategy, Policy and Economic Development updated the Commission the Council's work on inclusive growth. The main points from the presentation were:

7.2.1 The Council's economic community development framework was developed approximately 18 months – 2 years ago. This initial work looked at the growth and development in Hackney to consider how it could be more joined up and impactful for local residents who were feeling left behind.

7.2.2 To lead the work under the economic community development framework a Member and officer board was established. Under pinning this work was 3 strands:

- Access to Employment opportunities
- Place based economic development
- Business relationships.

7.2.3 Under the work of this framework a number of service areas within the council were reconfigured to deliver this work. The Economic Regeneration Team was reconfigure to make it more about area and place and not just regeneration. The Employment and Skills service had its remit broadened to focus on pathways and not just outputs to reflect the change in environment.

7.2.4 The debate about inclusive growth has been gaining traction in the last 18 months. The Council's initial work on the ECDB framework fits with the vision for inclusive growth. This debate has given the council the opportunity to reset its work in this area and align it with the inclusive growth agenda.

7.2.5 The new work area has also given the council the opportunity to reset its governance arrangements for this work area. The Council no longer has a Member and Officer Board with oversight of this work. But it does have an officer groups driving the work. The council is currently in the process of developing Member involvement. The strategy for this work still focuses on the same three strands of work (employment, place and business) as the key drivers of change.

7.2.6 The officer explained this work was important because from an economic prospective poverty is bad for growth and the fiscal costs of poverty are significant. There are also clear socioeconomic argument for pushing this agenda forward.

7.2.7 The current plan is to present a draft strategy to Cabinet in June 2019. The Council would like to have a dialogue with the Commission as the strategy is being developed.

7.2.8 The Director acknowledged the independence of scrutiny but urged the Commission to dovetail its work with the Council Executive's work on the strategy to avoid duplication. Highlighting there were areas they could work together such as community engagement, metrics etc.

7.2.9 For new Members of the commission the Director of Strategy, Policy and Economic Development outlined the service areas he covered:

- Employment and Skills
- Business Intelligence and Members Services
- Mayor's Office
- Corporate Programmes
- Policy and Partnership (which includes overview and scrutiny).

7.2.10 In reference to Members questions earlier about sustainability. The officer pointed out section 9 of the draft London plan covers sustainability infrastructure which makes reference to air quality and energy infrastructure, and it also talks about digital connectivity. The officer pointed out this was important to and he would strongly suggest this is included in the inclusive growth work.

7.3 **Questions, Answers and Discussion**

(i) **Members enquired about modes of ownership and the councils approach to inclusive growth, community sector and how this would be embedded in practices in Hackney and integrated into the metrics being produced.**

(ii) **Members asked for clarity on the Cabinet Member(s) responsible for the inclusive growth strategy being developed for the Commission to ask further questions at a later date.**

(iii) **Members discussed Scrutiny's role. Whilst it was key for the Commission to hold the executive to account for the terms of reference the Executive defining its work on inclusive growth. The Commission were of the view they had a role to highlight best practice and bring in external expertise and evidence. Members were keen for scrutiny to explore the retention of value within the community and the risks around the extraction of value. Not just for income inequality but asset inequality too.**

The Director of Strategy, Policy and Economic Development advised Cllr Williams was the Cabinet Member responsible for this agenda. However in terms of who to liaise with about the strategy, the officer explained all the officers and Cabinet Members present at the meeting tonight would be the right people to call back to hold to account for inclusive growth.

In terms of the strategy and it focus will be the 3 strands outlined earlier in the presentation. Although officers are mindful that inclusive growth can be as broad as it needs to be. The Director pointed out there needs to be a paradoxical delineation between strategy and the concept and that the strategy being developed would not cover the entire breadth of the inclusive growth agenda.

In response to the query about modes of ownership the Director advised it could be considered. In relation to the metrics the council was scheduled to meet with the London Prosperity Board and UCL about the inclusive growth work carried out in Hackney. They have developed and tested a set of metrics in Hackney Wick and will be reporting on this. Within that framework modes and types of ownership are considered if not they will include this in the strategy as it cuts across all three strands.

(iv) Members highlighted their review would focus on residents' views. Members advised they were keen to explore asset based growth to pick up on what is working within the community and consider how they could be used to enable and empower people to move forward in the area of inclusion. This work shows the council is listening to residents following the HAPPE consultation.

8 Council Response to SEG BAME Engagement Event Report

8.1 The Chair welcomed to the meeting Stephen Haynes, Director Strategy, Policy and Economic Development and Suzanne Johnson, Head of Economic Regeneration from London Borough of Hackney.

8.2 The Chair imitated the discussion by informing that the Commission would be commencing a review looking at inclusive growth.

8.3 Following on from the Hackney a Place for Everyone (HAPPE) consultation the Commission wishes to explore the views expressed by residents that the opportunities being created were not for them. This review would focus on the residents' prospective.

8.4 The review will commence evidence sessions in February 2019. Currently the terms of reference for the review are being drafted and going through the sign-off process.

8.5 The review will have 2 case study areas and the Commission will hold engagement session with residents in Hoxton/Shoreditch and Hackney Wick. The review will commence with a session with academics and think tanks to understand the metrics for inclusive growth and the work to date in this topic area. There will also be a business engagement session.

8.6 On 12th July 2018 the Skills, Economy and Growth Scrutiny Commission held a business engagement event with Black and Minority Ethnic (BAME) business owners.

8.7 A report summarising the key points from the event was submitted to the Council Executive for a response.

8.8 The formal response from the executive has been provided in the report on pages 47-56 of the agenda.

8.9 The officer advised the Executive response circulated was formatted using the themes from the SEG Commission's summary report. The key points highlighted from the report were:

8.9.1 The introduction sets out the council's approach to business engagement and how this is being carried out in reference to Hackney's Community strategy, the Sustainable Procurement strategy and the new Local Plan.

8.9.2 The first theme about engaging with the council and improving access to business support and services. The report outlines the council's business engagement methods, the programmes run and where they advertise the events. It was pointed out the events are all free. The economic regeneration team recognise there is more they can do to raise awareness about their work and the support available. This is an action they will undertake to raise the profile of what they do and the engagement activities available.

8.9.3 The report also covers the web based work they have been doing. This is mainly associated with the Hackney Council website which will bring council service together and make clearer how businesses can access services. There are plans to carry out an audit of council services to address the issue of quality and consistency in relation to the interaction of council departments with businesses. This will set out what is done already and what improvements could be made.

8.9.4 Theme 2 was about working with the council. This covers a range of headings: finding business space and accessing new business premises, affordable business premises, procurement and selling to the council and quality of the environment.

8.9.5 In reference to finding business space and accessing new premises the council does have a support functions it offers to business wishing to invest in Hackney. The regeneration team will offer support such as links to commercial property agents and access to an approved workspace providers list.

8.9.6 In terms of affordable work space this is open to all businesses in Hackney. The report informs about the council's new affordable workspace policy in the council's Local Plan (LP33). This policy looks at setting rent at an affordable percentage to market rental rates. This is 40% of market rental rates in Shoreditch and 60% in other parts of the borough. These are examples of what the council can do using its planning powers to influence the local market.

8.9.7 If a developer wishes to be added to the approved workspace provider list for their development, they need to demonstrate social and economic inclusive type benefits via the section 106 agreement.

8.9.8 The economic regeneration team is working to utilise council assets - aimed at increasing the supply of affordable work space –by thinking about how the council can make better use of its land and assets that cannot be used for affordable housing. Specific projects are referenced in the report.

8.9.9 In terms of procurement and selling to the council the report make reference to the procurement strategy.

8.9.10 The officer highlighted the quality of environment as an interesting point, and explained this was not specific to the BAME business community. This issue was raised more often in relation to town centres. This point has been raised by many businesses particularly those operating in Hackney Central or Dalston. The officer explained the nature of town centres – a concertation of shops and services, higher footfall, busy stations and public transport links – means the quality of the environment is more likely to be an issue compared to quieter or residential street. The report outlines the work the council is doing to address this in their regeneration work and via the Dalston conversation. The Dalston conversation is what the team would like to replicate for other town centres.

8.9.11 In terms of BAME business support. BAME businesses suggested there should be more support in setting up and expanding their business. The council will be reviewing the business support offer and how this information is made available. This is another area where the council will do more work to raise awareness because there is a lot of support available agencies in the borough through support and this may need better sign posting.

8.9.12 In relation to theme 4 the councils changing business profile and property prices. The council recognises more businesses are moving into the borough and they may be conflicting with the existing business base in the borough. The council will take the opportunity to use its planning powers if there is change of use or planning permission request for new businesses. To ensure they comply with the council's affordable workspace policy and build relationships with businesses to maximise social and economic value.

8.10 **Questions, Discussion and Answers**

(i) Members referred to the BAME business event and pointed out one of the consistent points raised at the event was for BAME specific business workshops to the BME communities. Members pointed out the importance of having BMAE networks to help these businesses to thrive within the sectors. Members enquired how is this would be achieved?

(ii) In discussions Members commented that there are a number of business events, policies and programmes being run. However the points made at the events expressed a view that the events currently being run are tailored to specific types of businesses or for business owners that might have pre-existing relationships or would benefit from them. Members made the following enquires:

a) How are the events being measured for success?

b) What is the baseline for success?

c) What action is the council taking to get these opportunities out to small businesses who might not have access to the opportunities to network?

The Head of Economic Regeneration advised in relation BAME specific network and business events they are doing an audit of what the offer is, what is available and what other agencies provide. For example Capital Enterprise have a programme called 'one tech' this is aimed at helping people from ethnic minority backgrounds are better represented in the tech sector and covering diversity broadly including gender identity and disability. The Council has promoted this through the business networks. The audit will help the council to identify the offers available and the gaps.

(iii) In relation to diversity Members pointed out one of the areas that tends to be missed is class. From the event Members identified there were a number of people with ideas but they did not know where to go to get support or how to access support to develop their ideas. Members highlighted when thinking about diversity it was important to think beyond the visual and consider the class element as well. Members queried if the council's visions included helping young people in Hackney to think they could be entrepreneurs and create their own businesses.

In response to Members questions above the Head of Economic Regeneration advised they have submitted a bid to set up a creative enterprise in Hackney Wick. Part of that bid is to improve diversity in the creative sector in Hackney Wick.

In terms of the metrics for measuring events. They have some basic metrics but this is an area for improvement. The team monitors the attendees at events and reviews the numbers visiting the website. The team will be taking these statistics and analysing them to move up to the next level of analysis.

In relation to procurement opportunities there is more they can do in making the opportunities more accessible because procurement can be quite difficult to understand. They are hoping to make it more accessible and simplify it through the new web platform being designed.

(iv) Members were pleased to hear about the audit but raised concern about the response on page 4 quoting "Matters raised by the group around accessing business opportunities with Hackney Council are of a similar nature to those that are received from the general business population so are not specific to BAME businesses". Members commented the issue might not be BAME specific but there are issues about communication. Although Members were pleased about the audit they were not convinced the council understood they may need to change the nature and their methods of communication. Members pointed out they were concerned about this in relation to the points raised about gentrification.

(v) In the discussions Members pointed out the exclusion expressed by these business owners was not just about business rates and rents but about networking, knowledge and how the system works. Highlighting there are a number of people running existing businesses on small margins who have lived in the borough a long time. Now they see other businesses coming in that have knowledge about how to access the support and services available and the existing businesses are feeling marginalised. It is important for the council to be more proactive to ensure the networks are open and available and it gets the economic and social inclusion right.

(vi) Members were pleased attendance at the business forums was being monitored but suggested they use this data to establish a BAME business panel to get more evidence and insight into the support needs of these businesses and an understanding of how to develop communications with BAME businesses.

(vii) Members suggested the council tries to gather feedback from business owners who do not attend the business forums. This would help the council to see if their communication methods were penetrating the business community and if business owners were hearing about the services on offer. Members were of the view there was a good offer of support available but were not convinced the offer and support was accessibility and the language being used to communicate the offer was right.

(viii) Members asked if the council has a bias in terms of the type of affordable workspace offered e.g. desk space or workshop space. Member advised officers a number of businesses at the event talked about needing storage. Members enquired if this type of space is something the council would offer?

(ix) Members made reference to Market Services and enquired if the economic regeneration team worked with market services to help traders

get work space if required? Members also enquired how they were encouraging markets to be more successful.

(x) Members enquired who was on the workspace providers list.

(xi) Members referred to sustainable procurement and local community wealth building for sustainable procurement. Member enquired if this was the council's thinking and if they had identified any anchor institutions?

In response to the question above the Head of Economic Regeneration provided the following responses:

For communication the council recognises they do not have the answers and that they need to make sure their communication methods are correct. This will involve going back to BAME businesses to find out what is missing.

In relation to the workspaces the council is creating. For council sites they have more flexibility and can create a variety. The council is aware of the need for workshop space as well as office / retail space. But if the development is a private site they cannot dictate to developers the type of workspace needed. However they can work with them through the planning process to influence provision. The Ridley Road Market shopping village was cited as an example of where council officers worked with the developers to influence the retail unit provision. The work space was originally going to be one big retail unit. But through the work of the regeneration and planning team it is now going to sub divided allowing smaller retailers to return instead of one big retailer.

In relation to the economic regeneration team working with market services, yes they do. They talk to market traders to find out what the type of workspace they need or want.

There are approximately 10 workspace providers on the approved provider list. A link to the list is in the report on page 4. Approved providers are selected based on a criteria such as affordability of the space and the support to local businesses to ensure they give back to existing businesses and the community.

In terms of business support the council does offer business support but not a full package of services. If the council does not provide the service they will sign post to another provider in the borough.

The Cabinet Member for Planning, Business and Investment cited the council's partnership work with Hackney Corporate Development for social enterprise day as an example their communication work and best use of resources. The event was held for existing and new businesses. In attendance was a very diverse group and that was down to the strength of HCD's network and outreach. The council is identifying organisations to work in collaboration with when communicating to a diverse audience.

In relation to Market Services they have worked with JP Morgan to deliver market trader workshop sessions. These workshops were full to capacity and the council is thinking of holding development workshops. These types of partner relationships are becoming increasingly important.

The council is currently working with businesses to define business support. Therefore when as business asks for support they can identify the service / partners agency to meet their needs.

In response to workspace the new Local Plan protects office space in the south of the borough and protects workshop space in the north of the borough (for the creative industry). These protects were set up in response to the economic dynamics in those parts of the borough. It was pointed out Hackney operated an event for the creative arts industry. This identified a lack of diversity for this industry but this is a London wide and national issue. It is anticipated the creative enterprise zone will deliver a range of spaces.

The Director of Strategy, Policy and Economic Development explained anecdotal shows that main stream communication for BAME groups may not be the best methods to communicate with these groups. He cited as an example the Council's recent recruitment work to find a young black graduate for the Young Black Men's programme. He explained the post was ring fenced to a young black male graduate and they used different communications channels - The Voice, WhatsApp - that young black men use to advertise this post. They had 30 outstanding applicants from within Hackney for this post.

In contrast the national graduate programme is a great programme but not diverse. In the national programme these applicants are not coming through. Therefore it is up to institutions like the council to think about communication in different ways to groups that are put off by the barriers that institutions create.

In relation to wealth building the council is using its procurement strategy to create local links to local businesses.

(xii) Member enquired if there was an under claim for the business rate relief available?

The Cabinet Member for Planning, Business and Investment advised in Hackney there are just under 10,000 businesses eligible for some form of rate relief. With approximately 6,000 entitled to additional subsidy. This is in addition to the transitional subsidy – this relief is on a sliding scale - available to.

In addition there are restrictions to the rate relief for pubs/ public house businesses. For example a business with a bar and restaurant would not be eligible for business rate relief or a business owner with a portfolio of pubs would not be eligible for the business rate relief, however, an independent pub owner would be entitled to £1000 a year but would need to make an application. In Hackney there are approximately 370 independent pub owners who should be receiving the business rate relief. The challenge is getting this message out to all of them. The Council has approached CAMRA (campaign for real ale) to promote this message to pub owners. The council is trying to get this message out to all eligible businesses and encouraging them to take up this offer. If the council does not allocate all the money it goes back to the Treasury.

Members suggested the regeneration team works with local ward councillors who could use this to build business networks in their local ward.

9 Skills, Economy and Growth Scrutiny Commission 2018/19 Work Programme

9.1 The Chair commenced the discussion by advising the draft terms of reference was circulated to Members on email for discussion about the scope, evidence session and key stakeholders for the review. There are 2 evidence sessions scheduled on 12th February and 13th March 2019.

9.2 The February meeting will be with academics and think tanks to hear about the work and theories related to inclusive growth. Members advised they were keen to investigate barriers to inclusive growth during the review.

9.3 The March meeting will be a public conference and a round table discussion with businesses, unions, senior council officers and other relevant stakeholders to try and find solutions to some of the barriers that we have identified through the café events. In the afternoon hosting a Brexit panel to discuss with businesses the impact on the local economy. The Chair expressed concern about this second session given the current uncertainty with the Government and Brexit. The Chair suggested alternatively they could have a panel on inclusive growth. Members suggested keeping the afternoon session broad and focused on the future economy looking at inclusive and sustainable growth.

9.4 During Feb - March 2019 the Commission will be hosting two democracy café style consultation events with residents in Hoxton/Shoreditch and Hackney Wick to gain a better understanding of what inclusive growth means from a residents perspective.

9.5 Members agreed to review the March session this early in the New Year.

10 Any Other Business

10.1 None.

Duration of the meeting: 7.00 - 9.40 pm

Skills Economy and Growth Scrutiny Commission 12th February 2019 **Making the Local Economy Work for Hackney – SEG Review Evidence Session**	Item No **5**

Outline

Background

Cities and places in the UK and internationally are grappling with how to deal with a sustained period of growth and high inequality. A global consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance and the productive potential of people and places.

Inclusive growth is a growing area of debate and viewed as the approach decision makers, policy makers, local authorities and third sector organisation should be taking to reduce inequalities and better connect local communities to the employment opportunities.

The Commission wishes to look at disconnection, job progression and pathways to explore and understand why and how, some parts of the community remain perpetually disconnected from the wider economic success and to identify solutions, policies or practices that could help to bridge this gap.

The Commission is discussing this topic with academics and think tanks who have looked at this area in detail to get an understanding of the policies and practices being recommended to help create inclusive growth economies.

For this discussion item various reports have been provided as background information. Please see list below:
- RSA Inclusive Growth Commission - Inclusive Growth Commission Making our Economy Work for Everyone
- RSA Inclusive Growth Commission - Inclusive growth for people and places
- RSA Inclusive Growth Commission - Inclusive Growth Putting Principles Into Practice
- JRF - An inclusive growth monitor for measuring the relationship between poverty and growth
- JRF - Cities, the social economy and inclusive growth: a practice review

- JRF - How international cities lead inclusive growth agendas
- JRF and Manchester University - Understanding business behaviour that supports inclusive growth (IGAU Responsible Business Report 1 of 2)
- JRF and Manchester University - Understanding business behaviour that supports inclusive growth (IGAU Responsible Business Report 2 of 2)

Outline

Presentation and discussion at the meeting with:

London Prosperity Board
The London Prosperity Board is an innovative cross-sector partnership, established by the IGP, to rethink what prosperity means for London. The goal of the London Prosperity Board is to develop new ways of thinking, generate new forms of evidence, and test new ways of working that make sustainable and inclusive prosperity a reality for people living and working in London.

RSA
The RSA's Inclusive Growth Commission was an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous.

Discussion will cover
1. Definition of inclusive growth
2. The vision and values of inclusive growth that drive this work
3. Overview of their work in this area and any local data
4. Metrics needed to measure the success of inclusive growth
5. Best practice examples from the UK or internationally
6. Information about what councils can do to engage local residents.

Action
The Commission to note the presentations and ask questions.

INCLUSIVE GROWTH COMMISSION

RSA

21st century enlightenment

Inclusive Growth Commission

Making our Economy Work for Everyone

Contents

Foreword

Britain's vote to leave the EU has forced into the open a fundamental and increasingly urgent debate about the country's future. Some say we should seize the chance to pursue a more Singaporean model of economic growth, with an emphasis on shrinking the state and strengthening the hand of the market. Others have exactly the opposite vision of life after Brexit. For them, this is a wake-up call to stop putting growth first and instead focus on 'regaining control' of our borders and our society – whatever the short and long-term economic cost.

These are false choices. Singapore is not a practical model for the UK. We have a better chance of raising our productivity and doing better in world markets if we invest more effectively in our people and places and, yes, give them a greater sense of ownership and control. But turning our back on our past strengths is not a sensible option either. We will not have the resources to build a more balanced and inclusive society if we cause wanton damage to our economy now by shutting our borders and cutting off old ties.

Another false choice is the choice between devolution and central control. Government in the UK has traditionally been too centralised and the Northern Powerhouse initiative and city deals are recent and encouraging steps to nudge power in the other direction. But they also show the limits of binary approaches, focussed only on our major cities. Simply leaving local policy makers to fend for themselves, in a country with deep-seated regional inequalities, risks making those disparities even worse and leaving large parts of the country feeling even more excluded.

The good news is that Prime Minister Theresa May has publicly recognised the need for a more inclusive approach to growth that is also more sensitive to the way the economy looks and feels to people in different parts of the country. But the gap between aspiration and reality is very large indeed, and made worse by the depressing lack of statistical tools to compare the economic performance of different localities, or the lived experience of different kinds of economic growth. Voters can often feel the difference between good growth and bad growth. Our official statistics usually cannot.

If we are really going to build a nation that "works for everyone, not just the privileged few", we need to do a better job of measuring what counts. We need to understand that modern capitalism is messy and does not produce predictable winners and losers - and that drawing a strict line between economic and social policy is increasingly counterproductive. Above all, we need a national strategy for inclusive growth, agreed and supported by the centre but devised and implemented by local actors with a keen sense of place.

We are not alone in facing these challenges. But the Brexit vote has made the stakes for Britain especially high. If we cannot deliver a more inclusive vision of prosperity there is a real risk that the country will become more divided outside the EU than it ever was within it.

Stephanie Flanders
Chair of the Inclusive Growth Commission

The Commission process

The Inclusive Growth Commission was launched in April 2016, just two months before the EU referendum. The decision to leave, for the UK to 'take back control', exposed the central problem that had sparked our inquiry; too many families, communities and places were being left behind by our economy. This is bad for society and for trust in politics, but it is also bad for growth, productivity and the public finances. A new, inclusive type of growth would be needed, and only an inclusive process of research and engagement would give us a full picture of the scale and nature of the problem we were trying to address.

The Commission undertook a comprehensive programme of activity and engagement to understand the challenges of inclusive growth and how best to respond to them. It drew in evidence from across the UK, with the first of its evidence hearings taking place just days after the referendum result. Evidence gathering included:

Formal evidence hearings to examine the challenges and opportunities for place-based inclusive growth in a number of cities: Sheffield, Plymouth, Nottingham, and Barking and Dagenham in London.

'Deep dive' research visits for an in-depth examination of a small selection of places, including the Devolved Administrations. The Commission conducted research in Cardiff, Newcastle, Bradford and Glasgow, and also visited Belfast, Manchester and Bristol. A report on the deep dive case studies was published in September.[1]

An open Call for Evidence which received approximately 50 submissions from a range of public, private and third sector organisations, as well as individual citizens.

A seminar series exploring different aspects of the inclusive growth agenda, engaging with a variety of experts from across the country and internationally. Topics ranged from skills and labour markets, through to private sector leadership, industrial strategy, housing, and inclusive institutions.

Collaborating and sharing information with a range of leading organisations in the UK and internationally, including the OECD, the Greater Manchester Growth and Inclusion Review, the Brookings Institution, New Economy and the Inclusive Growth Analysis Unit. The Commission was also supported by a Research Advisory Group.

Policy engagement including briefings with key central and local government stakeholders, including senior Whitehall teams and political advisers. The Commission also spoke with business leaders, and third sector and trade union representatives.

Citizen engagement, including working through the RSA's Fellowship networks and learning from the PwC's citizen juries and RSA Economic Inclusion Roadshow.

Publishing reports and policy papers. This included the Commission prospectus,[2] a report on its deep dive research,[3] and the inquiry's interim report,[4] supported by the Commission's Research Advisory Group.

Commissioners

Stephanie Flanders, Chair
JP Morgan Chief Market Strategist (Britain and Europe) and former BBC Economics Editor

Giles Andrews
Co-founder & Chairman, Zopa and Chairman, Bethnal Green Ventures

Henry Overman
Professor of Economic Geography, London School of Economics

Indy Johar
Co-founder, 00

Julia Unwin
Former Chief Executive, Joseph Rowntree Foundation

Naomi Eisenstadt
Anti-Poverty Adviser to the Scottish Government

Richard Reeves
Senior Fellow, Brookings Institution

Rob Whiteman
Chief Executive, Chartered Institute of Public Finance and Accountancy

Sir John Rose
Former Chief Executive, Rolls Royce

Ben Lucas
Managing Director, Metro Dynamics and Advisor to the Commission Secretariat (ex officio)

Charlotte Alldritt
Director of the Inclusive Growth Commission (ex officio)

1 Inclusive Growth Commission (2016a) *Inclusive growth for people and places: challenges and opportunities*. London: RSA. Available at: www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-for-people-and-places-challenges-and-opportunities
2 Inclusive Growth Commission (2016b) *Inclusive Growth Commission: Prospectus of Inquiry*. London: RSA. Available at: https://www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-prospectus-for-inquiry
3 Inclusive Growth Commission (2016a) op cit.
4 Inclusive Growth Commission (2016c) *Inclusive Growth Commission: Emerging Findings*. London: RSA. Available at: www.thersa.org/discover/publications-and-articles/reports/emerging-findings-of-the-inclusive-growth-commission

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Executive summary

Introduction

The RSA Inclusive Growth Commission was established in April 2016 to examine how the United Kingdom can achieve more inclusive growth. Chaired by the economist Stephanie Flanders, and with a distinguished cast of Commissioners drawn from business, academia, and the social policy world, the Commission has been grappling with arguably the UK's greatest social and economic policy challenge: how to make economic growth work for everyone.

The EU referendum exposed not just a division over our relationship with Europe but a widening chasm between those for whom globalisation is working and the large number of our citizens for whom it isn't. It highlighted how our economy is leaving too many people behind. Our new Prime Minister, Theresa May, has said that she wants to be judged by how much she is able to close that gap. The government's recently published industrial strategy has as its central objective "to improve living standards and economic growth by increasing productivity and driving growth across the whole country".

Of course, this is not just a British pre-occupation. The OECD launched an inclusive growth campaign last year. Governments and mayors of all political affiliations have been looking at how growth can work better for people. And economic dislocation was a major factor in the recent US presidential election, with newly elected President Trump promising a better future for workers affected by globalisation and industrial change.

The message of 'taking back control' clearly resonates strongly in an era in which some of the orthodoxies about globalisation, trickle-down economics, and leaving markets to their own devices, are being re-examined. Governments and businesses are under pressure to find economic solutions that spread prosperity, opportunity and reward more fairly. Much of this centres on the nature of local economies in towns and cities across the UK, where devolution opens up the opportunity to recast our model of growth to one that works for everyone.

Inclusive growth
Enabling as many people as possible to contribute and benefit from growth

Socially	Place-based
Benefitting people across the labour market spectrum, including groups that face particularly high barriers to high quality employment	Adressing inequalities in opportunities between different parts of the country and within economic geographies

As befits an issue that has become so central to public policy, there are many different ways of describing the challenge. The terminology may vary, but the underlying sense is the same, whether this is about 'more and better jobs', 'quality jobs', 'closing the gap', 'an economy that works for everyone' or 'inclusive growth'. We have used the term 'inclusive growth' because this speaks to two related priorities – economic inclusion and economic growth. Our definition of inclusive growth is 'enabling as many people as possible to contribute to and benefit from growth'. We have been pleased to see this being adopted by several cities as they develop their post devolution economic plans.

In this the final report of the Commission, we set out our framework and recommendations for achieving inclusive growth. These are addressed equally to central government and to UK city regions, many of which are on the threshold of important metro mayoral elections.

Whilst inclusive growth needs to be a national agenda, clearly defined and supported by the centre, its design and implementation should ideally be local. This means that the next phase of devolution must go beyond economic functions to include social policy, removing the 'red lines' that have prevented places from being able to link growth strategies with evidence-based public service reform. The form that this new social contract takes will vary, depending on the size and capabilities of individual places. It will require confident, imaginative and collaborative leadership, mobilising the whole system to achieve inclusive growth. We hope that our prognosis and ideas are taken up by governments across the UK, the new metro mayoral combined authorities and other local leaders.

The anatomy of the inclusive growth challenge

The inclusive growth challenge has built up over many years, a result of unbalanced economic growth, industrial restructuring and chronic productivity gaps. Unemployment was the problem that dominated the landscape a generation ago and shaped many of our social and economic policies. Today the majority of households living in poverty are in work. Put simply, work isn't working for enough people. This is about low pay, low security and low status jobs. The productivity challenge has both a supply and a demand side; skills shortages are a significant factor, but so too are the proliferation of low-skilled jobs.

There are geographic and spatial factors behind this, but this is far more complicated than just a north-south divide. Whilst only Bristol and London amongst English cities have a growth rate above the national average, there are neighbourhoods within both cities that have very high levels of deprivation. Equally, the healthy life expectancy gap within the north-east is almost as great as it is between the north-east and Surrey. Peripheral towns and cities on the outskirts of major metros have a particularly acute lack of inclusive growth, but a closer examination of the data also reveals that there are neighbourhoods within the major metros that are at least as disadvantaged.

Austerity has heightened the challenge. Local council budgets in England were cut by 40 percent in real terms over the last parliament. This has also had the effect of changing the composition of funding so that spending has become increasingly reactive, rather than being focused on prevention.

The current social care crisis is a pertinent example of government failure to respond to the interaction effects between public services and investment over time. Commitments to maintain spending on the health service have been undermined by the extent of cuts to local authority social care budgets – causing the system to buckle under a range of spiralling knock on effects, including record waiting times in A&E.

The National Audit Office (NAO) has estimated that only 6 percent of social policy spending on health, education, crime and justice can now be categorised as 'early action' and the amount spent has been cut significantly over the past few years.

Key facts about the inclusive growth gap:

In work poverty
Of the 13.5 million people in poverty in the UK 7.4 million (55 percent) are in working families.

Deprivation and productivity
Across the 10 UK Core Cities (outside London) 38 percent of the gap between their combined average productivity and that of the UK average is associated with deprivation. Closing this productivity gap alone would deliver a further £24.4bn a year to the UK economy.

Low Productivity
Two-thirds of the United Kingdom's workers are employed in businesses with productivity that falls below the industry average.

British cities are lagging behind on productivity
Compared to the 10 UK Core Cities combined average productivity, Munich is 88 percent higher, Frankfurt 80.7 percent higher, Rotterdam 42.8 percent higher and Barcelona 26.7 percent higher.

A new model of inclusive growth

The Commission report outlines a new model for inclusive growth that combines social and economic policy. We argue that reducing inequality and deprivation can itself drive growth. Investment in social infrastructure – including public health, early years support, skills and employment services – should go hand in hand with investment in physical infrastructure, and in business development. This will have a first order impact on productivity and living standards.

The key shift we need is from an economic model based on growing now and distributing later to one that sees growth and social reform as two sides of the same coin (**Figure A**).

Figure B provides an illustration of how a systems shift towards inclusive growth can be supported. It outlines how we can integrate social and economic policy and provides recommendations for policymakers. A new model of inclusive growth should be underpinned by five key principles, outlined at the bottom of the diagram.

Figure A: Moving to a new model of inclusive growth

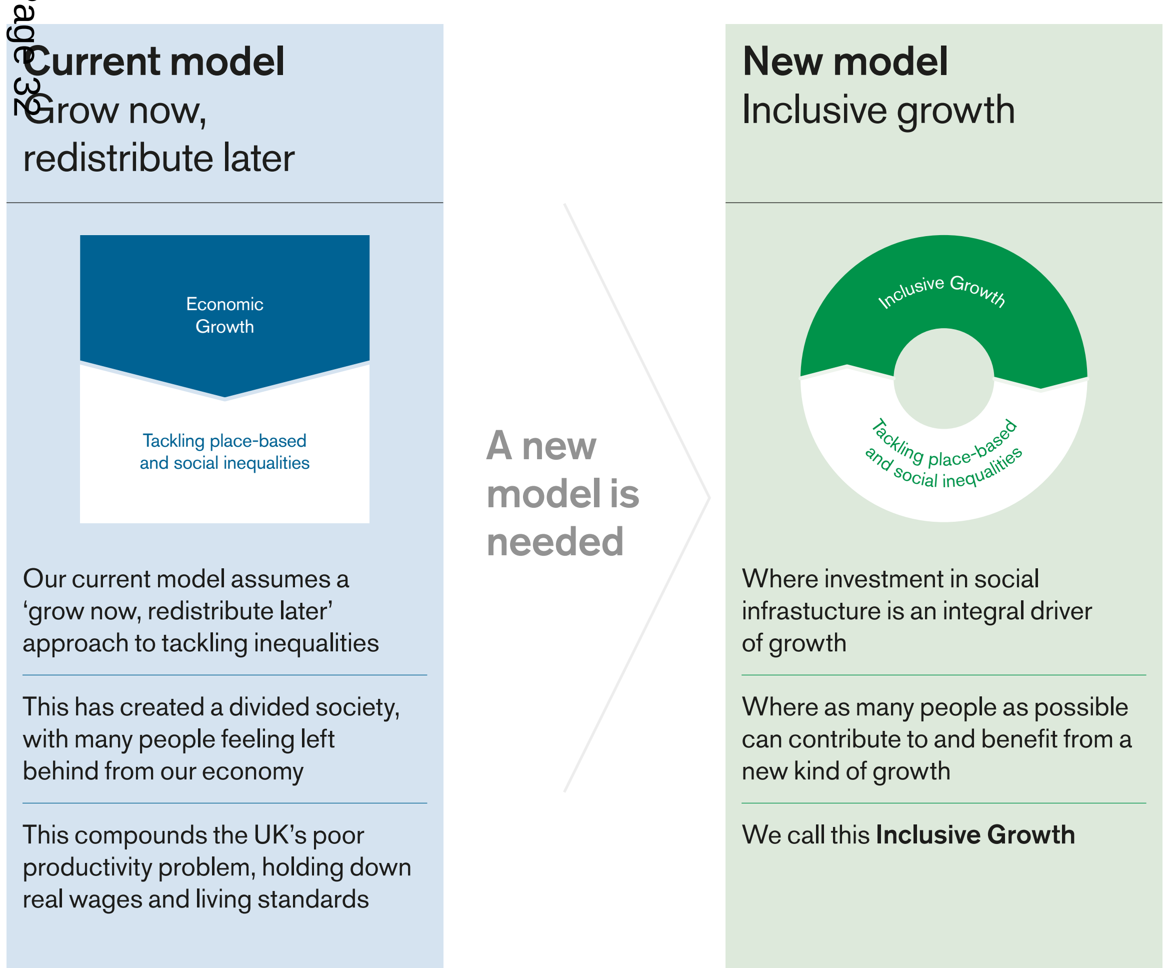
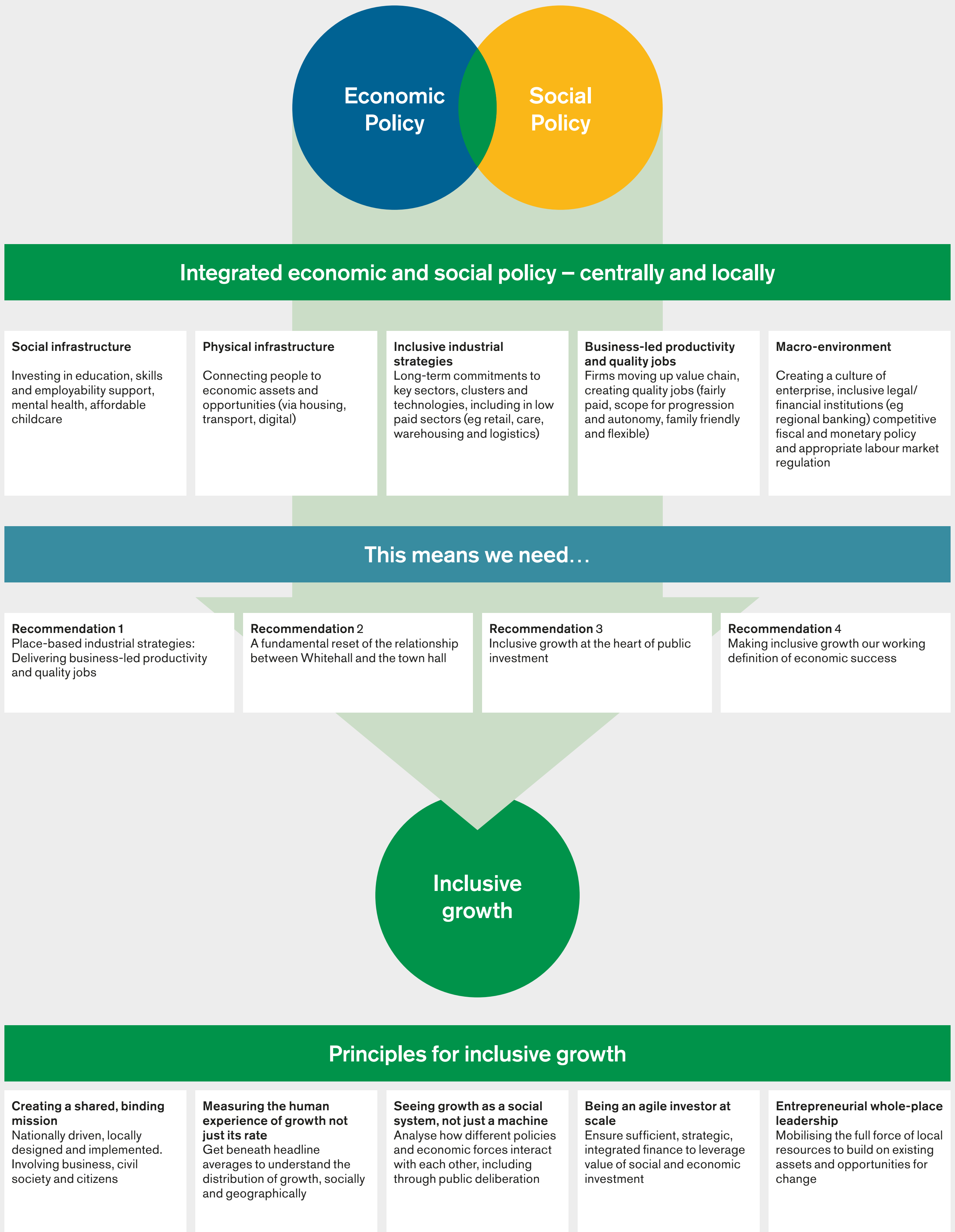


Figure B: Whole-system change for inclusive growth



The Commission makes four sets of recommendations

Place-based industrial strategies: Delivering business-led productivity and quality jobs

1

Inclusive growth will require businesses and civic organisations to work together to create stronger institutional foundations in our towns and cities. The creation of quality jobs are at the heart of this. Local businesses need to be directly engaged by local anchor institutions (universities, hospitals, colleges and other major employers) to drive up productivity and stimulate demand, particularly in the low-paid sectors such as hospitality, care, warehousing and logistics which constitute much of the long tail of low productivity in the UK.

At a local level, this means an approach based on: deep understanding of local assets; connecting people to quality jobs; resourcing place regeneration as well as business investment; and helping businesses keep ahead in the context of Brexit.

The Commission recommends:

City regions work together to form sectoral coalitions linking industry sectors and places in order to modernise industrial strategy.

The creation of new institutions or civic enterprises to connect business and industry, schools, training providers and universities.

That cities become places of life-long learning, with a commitment to human capital development from 'cradle to grave' through coordinated investment and support at every level from pre-school, through schools, to FE colleges, technical institutes and universities.

A fundamental reset of the relationship between Whitehall and the town hall, underwritten in new social contracts

2

The next phase of devolution deals must allow places to integrate economic and social policy. We propose new social contracts between city regions and central government that commit to specific social and economic outcomes, in return for control over local resources. This is not so much about fiscal devolution but more about the immediate potential for new partnerships that can maximise the impact of total public sector spend in places.

The Commission recommends:

National standards, local flexibility
Combined authorities to be able to pool budgets and co-commission public services for their places, within the context of national standards and entitlements.

Immediate, pragmatic action to spread co-commissioning
The Greater Manchester model of joint place-based service commissioning for health and social care should be applied to other mayoral combined authorities and other public services, particularly in education, skills and employment support where the services are currently badly fractured.

Maximising impact from total local resources
Over the longer term, places with mature mayoral combined authority governance should take on full responsibility for the economic and social outcomes in their place. This should be built into new social contracts between city regions and government that enable local coordination of all public spending. In Greater Manchester this would amount to £20.6bn of public resource. For the six mayoral metros coming into effect from May 2017 the total amount of local public spending subject to these social contracts would be over £70bn.

Place-based budgeting and spending reviews
These social contracts would lay the foundation for a new national place-based spending review, which would attribute the total amount of public sector spending and investment to places rather than departmental siloes. Key features of this new approach would be: place based accountability; horizontal service integration; commitment to specific social and economic outcomes; and multi-year finance settlements.

Inclusive growth at the heart of public investment

3

Promoting inclusive growth will require sustained, substantial and strategic investment in order to close the growth gap. This will need to improve opportunity across the UK whilst mitigating the effect of the loss of European (European Structural and Investment Fund (ESIF)) funding and the impact of austerity. Big thinking and new investment vehicles are required.

The Commission recommends:

Central government establish a **new independent UK Inclusive Growth Investment Fund**, incorporating repatriated ESIF funds and other relevant funding streams, to pump-prime innovative place-based investment designed to boost inclusive growth.

Applications for funding would be based on their expected impact on broad based 'quality GVA'.

The Fund would be overseen by a multi-stakeholder board, including city leaders, private sector leaders, Whitehall officials and the chair of the National Infrastructure Commission.

Central government should explore and encourage the **establishment of regional banks**.

Making inclusive growth our working definition of economic success

4

In order to align social and economic policy around promoting inclusive growth we need investment appraisal and measurement tools that can help policy makers understand how best to allocate scarce resources.

The Commission recommends:

Central government **commission an assessment of the social infrastructure gap**; this would be a similar exercise to that which was carried out by the National Infrastructure Commission to inform its National Infrastructure Plan.

Maximising the impact of national and local investment by **mainstreaming inclusive growth in all public investments** including physical infrastructure projects.

Establishing inclusive growth as a regular, official statistic, through the publication of a quarterly national measure of inclusive growth alongside gross domestic product (GDP) figures, and an annual assessment of the UK's progress towards an inclusive economy.

Places should define and be accountable for agreed inclusive growth metrics, and these should form part of the Gateway Reviews for mayoral investment funds.

An appropriate evaluation timeframe should be developed as part of the new social contracts negotiated between city regions and central government.

2

The UK government has set out an ambitious goal to create an economy that works for everyone, not just the privileged few. The nations and city regions of the United Kingdom have also set out their own commitment to more 'inclusive growth,' a term that has gained significant traction in recent months. Brexit, Trump and the rise of left and right wing populism represent a call for the end of business as usual. Here, and in democracies across the world, the politics of the 'left behind' is now centre stage.

Over 50 percent of people living in poverty are in working households.[5] Rising house prices – to rent and to buy – low skills levels, poor working terms and conditions and public sector cuts have all had their impacts on households and communities. These inequalities, both social and place-based, were an issue before Brexit, and Brexit should only strengthen our determination to deal with them.

As the RSA City Growth Commission argued in 2014, devolution can be a critical tool for driving local economic growth. But devolution on its own won't be enough to address entrenched social inequalities that drag down our economic performance. Nationally and locally we must make inclusive growth our defining, shared goal, the heart of which requires a shift from focus just on the quantity of growth to emphasise the quality of that growth. Bringing more people into more productive employment boosts growth and helps to shares its benefits more widely.

Inclusive growth will not be easy. The scale of the challenge demands nothing less than a radical transformation and reform of public policy, investment and delivery. In the Inclusive Growth Commission's final report we set out five principles for inclusive growth. These principles require deep, whole-system change. How do we bring this about?

If we are to break through the 'business as usual' approach that has persistently failed to achieve inclusive growth, we need first a change in the culture and remit of national governance.

> **The Commission defines inclusive growth as broad-based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes.**
> Inclusive Growth Commission Interim Report
> September 2016

Central government can and must frame the debate and support the pursuit of inclusive growth as a national ambition. But Whitehall and Westminster must also grasp that achieving inclusive growth in practice will need policies and approaches that are designed and delivered locally. The role for the centre is to enable and empower local leaders by devolving powers and responsibilities where appropriate, and only intervening when local leaders fail to deliver inclusive growth in their places.

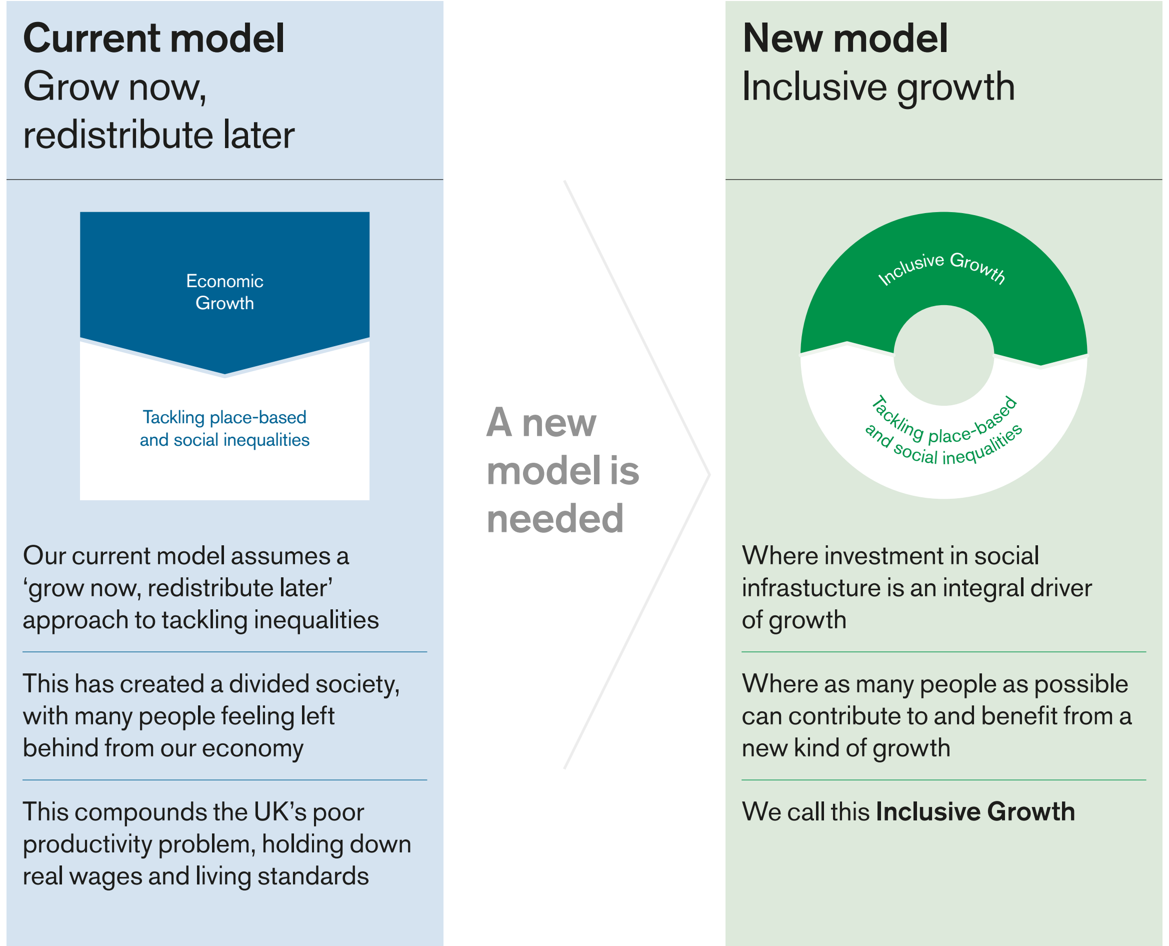
Over the long-term, this will mean rewiring Whitehall, its structures, operating system and culture. In the short-medium term, however, there are routes – which we set out in our recommendations – to create more 'grown up' partnership working between central and local government and delivery bodies. In this way, we do not become preoccupied and paralysed by structures, but allow 'form to follow function.'

Second, we need to rethink our account of economic progress so that we measure not just the quantity of growth, but also the quality of that growth. Inclusive growth must be our goal, the focus of our accountability systems and our working definition of economic success.

Finally, we need to reimagine local leadership, looking beyond the formal levers of local government to empower a broad array of civic leaders – including business and community leaders – to mobilise the full force of a place's assets and resources in meeting a shared and enduring mission for inclusive growth. This needs to be based on local public legitimacy and its impact felt by people living in those places.

Introduction

Figure 1: Moving to a new model of inclusive growth



The launch of the Inclusive Growth Commission in April 2016 predated the European referendum result. We saw there was a long-term need to identify practical ways to make inclusive growth a reality in the UK. Our timing of inquiry has only served to validate this assessment, and – while embarking on a UK-wide conversation with citizens, businesses, third sector organisations and local leaders – we have listened to people tired of feeling disempowered and champing at the bit to make a positive, long-term change in their place.

Throughout this inquiry we have wrestled with the main two ways to frame the concept of inclusive growth. The first is about finding a response to ailing productivity, falling living standards and persistent deprivation. This is typically described in technical economic and social policy terminology. The second takes a more human approach and speaks to the need for a renewed sense of community and economic security, as well as issues of identity, belonging, and feelings of self-worth – at work and in all other aspects of our lives. Inclusive growth spans all of these, and so we need to bring both dimensions to bear.

In this final report of the Inclusive Growth Commission, we set out how we can create an economy that works for everyone. It is not an instruction manual for Westminster, Whitehall or local authorities, but a framework for how leaders – in business, civil society, public service and government – can make inclusive growth our working definition of economic success.

5 Tinson, A. et al (2016) *Monitoring Poverty and Social Exclusion 2016*. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk/report/monitoring-poverty-and-social-exclusion-2016
The report uses an income-based definition of poverty, drawing on relative low-income thresholds (the poverty line) for different family types.

3

The need for inclusive growth stems from a long-term problem that now has an immediate imperative. The assumptions we have shared about managing the economy no longer stack up; 'a job, any job' is no longer a route out of poverty. A rising tide has proved not to lift all boats. Productivity remains poor and living standards for too many people are stagnating.

But for decades we have been trying to approach the problem in the wrong way, treating efforts to tackle inequality and deprivation as though they were disconnected from efforts to drive up productivity and grow the economy. The language, values and criteria designed to assess what constitutes 'good' economic policy have been entirely separate to that which constitutes 'good' social policy. Good social policy is a fundamental driver of economic success, and vice versa.

On the one hand, for example, we have emphasised the importance of skills and employability when it comes to driving productivity, but our education policy has meant that schools have valued above all else academic achievement and progression to universities, when for many young people, this route will not serve them best in getting into work and up the career ladder. In the UK we agonise over whether we should have an industrial strategy while our international competitors continue to invest in technical education, technology and growth sectors over a sustained period of time.

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The anatomy of the challenge

Figure 2: Regional variations in GDP per inhabitant, in purchasing power standard (PPS), by NUTS 2 regions, 2014

Source: Eurostat (2016) *Statistics Explained: GDP at regional level.*[6]

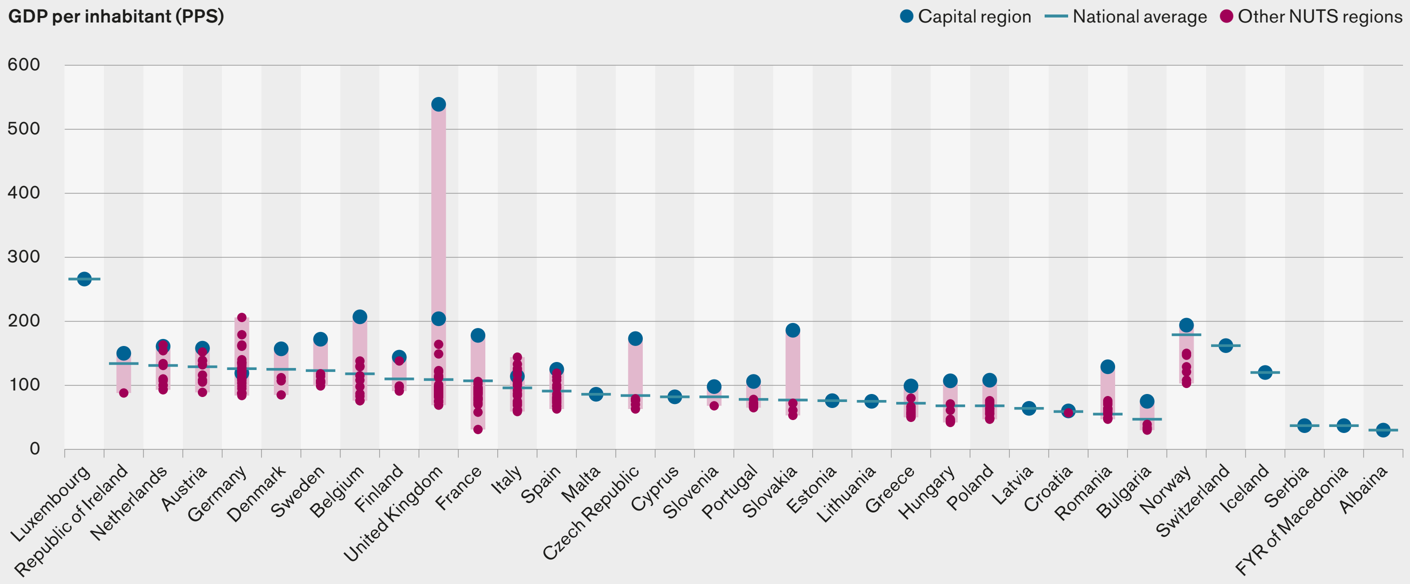
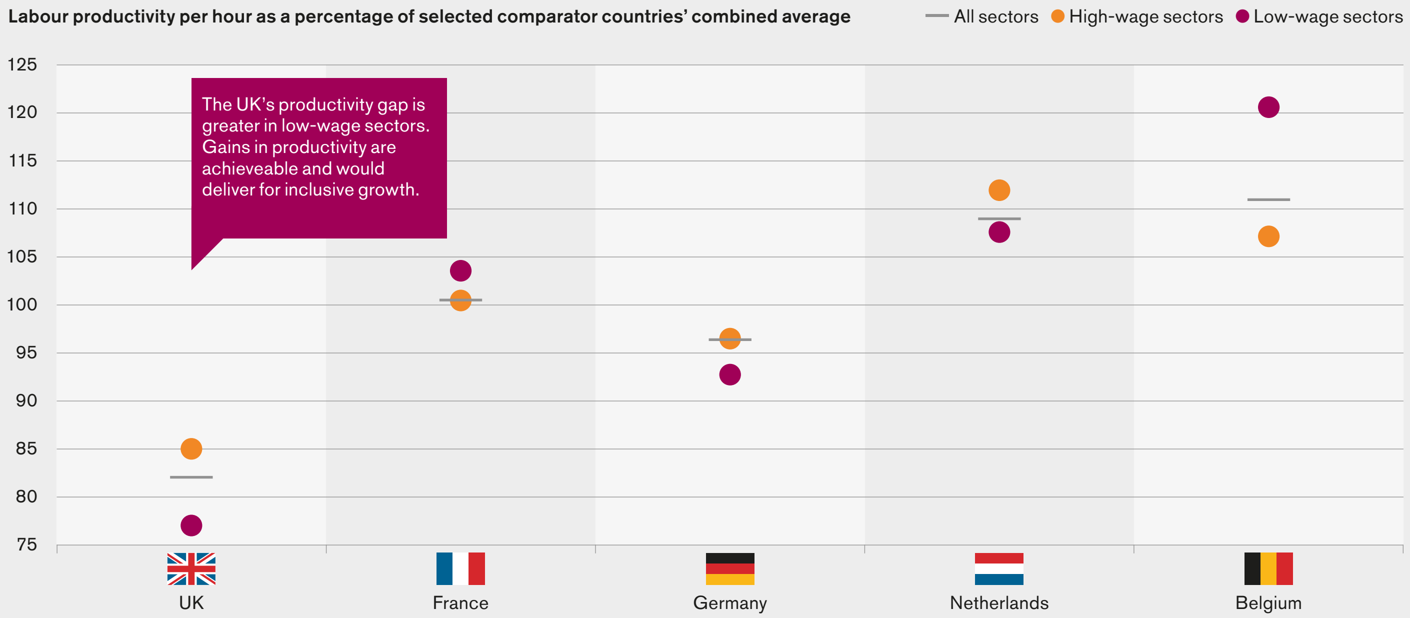


Figure 3: The UK's productivity gap in high- and low-wage sectors

Based on calculations by Thompson, S. et al. (2016) *Boosting Britain's Low-Wage Sectors: A Strategy for Productivity, Innovation and Growth.* IPPR.



6 Eurostat (2016) *Statistics Explained: GDP at regional level.* Available at: http://ec.europa.eu/eurostat/statistics-explained/index.php/GDP_at_regional_level Nomenclature of Territorial Units for Statistics (NUTS) are regional geocode standards developed and regulated by the European Union. It is important to note that GDP per capita statistics can be distorted by commuting patterns because they divide a workplace-based measure (GDP) by a residence-based measure (resident population). For example, Manchester has the highest levels of Gross Value Added (GVA) per head in the city-region, but also has the lowest levels of employment and the highest concentration of highly deprived neighbourhoods in all of Greater Manchester. Regional variations in the UK may also appear especially acute because London has two NUTS2 regions for economic statistics, while other big cities such as Paris only have one.

Inequality and poor business management undermine UK productivity

Nationally the UK experiences a hardened 30 point productivity gap against the US and German economies. But while London, followed by the south-east, are able to hold their own against our major competitors, it is our mid-sized cities and other regions that drag down the national average.

Compared to the 10 UK Core Cities' combined average, in Munich productivity is 88 percent higher; 80.7 percent higher in Frankfurt; 42.8 percent in Rotterdam; and 26.7 percent in Barcelona.[7] Across the 10 Core Cities (the largest in Britain outside of London), 38 percent of the gap between their combined average productivity and that of the UK average is associated with deprivation. Closing this productivity gap alone would deliver a further £24.4bn a year to the UK economy.[8]

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The UK's productivity gap may be due to a range of factors, but failure to invest sufficiently in tackling the variation in skills, employability and other compounding social factors is a major part of our poor regional productivity story. Poor management is another major drag on the UK's productivity.[9] Two-thirds of the UK's workforce is employed in businesses with productivity that falls below the industry average, which applies across all sectors and to every size of business – large and small.[10]

> **"The most substantial progress will come from seeing improvement in the 'long tail' of underperforming businesses which characterise every industry within the British economy… two-thirds of our workforce is employed in businesses with productivity below the industry average…**
> *How good is your business really?*
> July 2016

The north-south divide has long come to exemplify some of the persistent inequalities of economic opportunity and productivity in the UK. In reality, this diagonal line extends from the mouth of the Severn to the Wash, north of which is home to every major urban area outside of Bristol and the south-east. While in underperforming areas there are pockets of international excellence, central government's track record of identifying and consistently investing in these is poor.

7 Core Cities (2016) *Delivering Place-based Productivity.* Available at: www.corecities.com/what-we-do/publications/core-cities-delivering-place-based-productivity
8 Core Cities (2015) *Unlocking the Power of Place.* Available at: www.corecities.com/what-we-do/publications/unlocking-power-place
9 See also: UKCES (2014) *Growth Through People.* Available at: www.gov.uk/government/news/employer-leadership-in-skills-and-employment-is-vital-to-long-term-prosperity-and-growth
10 See also: Homkes, R. (2010) Enhancing management quality: the potential for productivity growth after the recession. *CentrePiece*, 15 (3), Winter 2010/11. Available at: http://cep.lse.ac.uk/pubs/download/cp328.pdf
11 Tinson, A. et al (2016) op cit.

Figure 4: Distribution of firm-level productivity in the non-financial business economy

Source: *ONS Economic Review* cited in Productivity Leadership Group, *How good is your business really?* (2016)

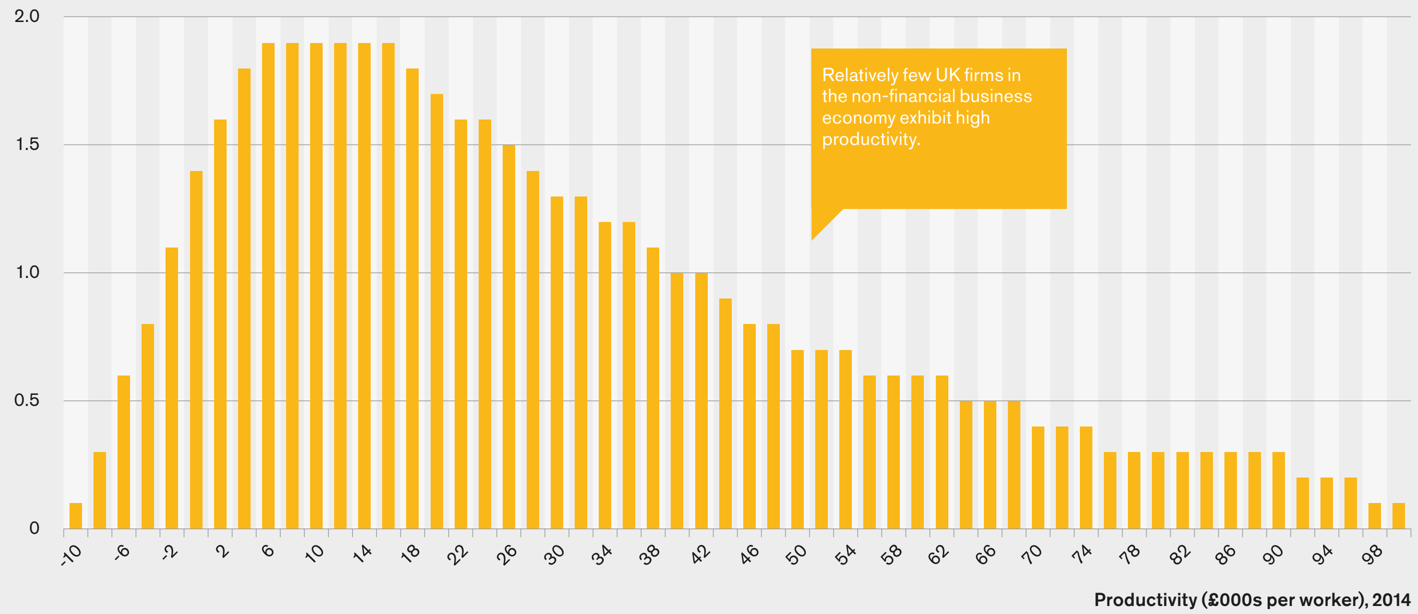
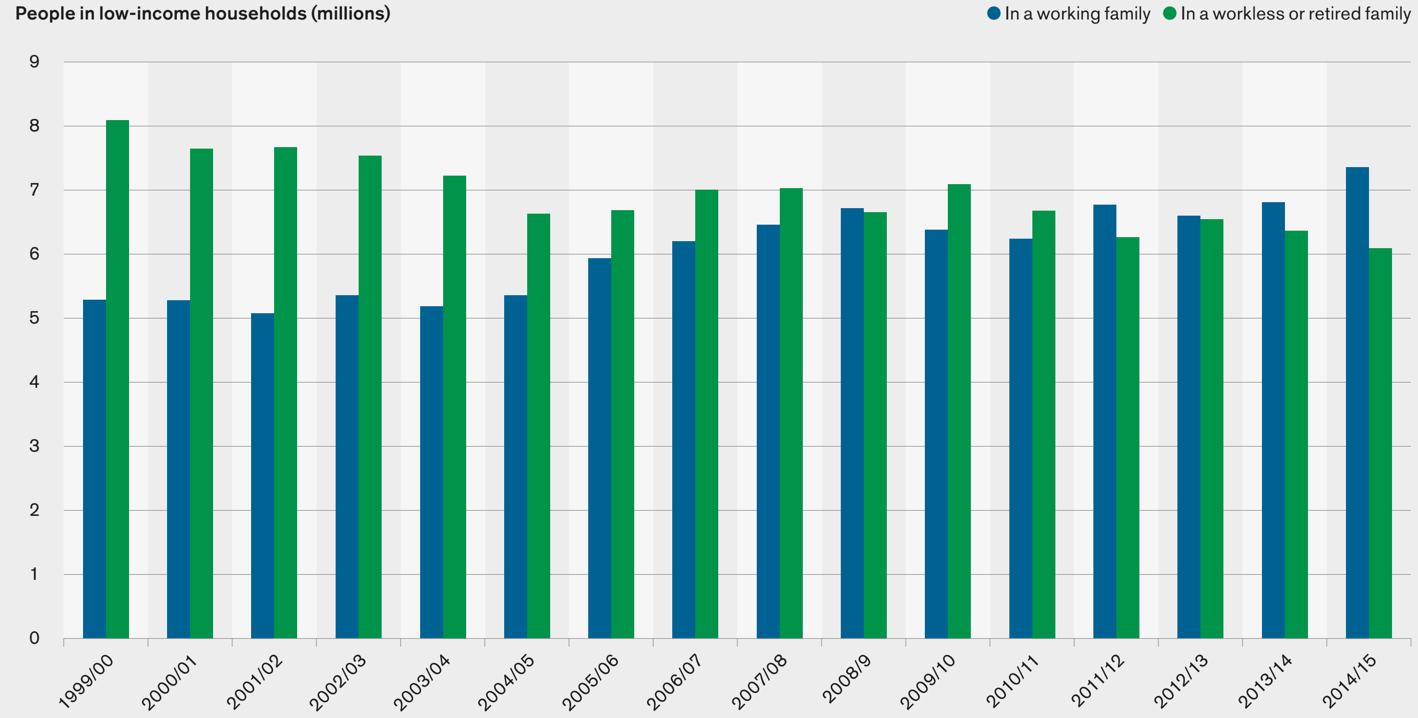


Figure 5: Number of people in poverty that are in a working family vs in a workless or retired family (1990/2000 to 2014/15)[11]

Source: Joseph Rowntree Foundation (2016)



Previous industrial strategies have tended to focus on big companies and sectors – picking winners – which have on several occasions simply moved offshore at the first sign of challenges, effectively taking that investment with them. These efforts have expended large amounts of energy within central government, to secure, for example, inward investment (eg securing Siemens' investment in offshore wind in Hull and Grimsby, or bolstering Nissan's commitment to remaining in Sunderland in light of Brexit), but little has been done to redress the underlying social imbalances in the UK. Instead of being seen as integral to driving productivity and prosperity, spending on public services and welfare has been a side issue, funded – and inherently constrained by – the proceeds of growth.

This has allowed geographical inequalities in the UK, stretching back to the intensive deindustrialisation of the late 1970s and 1980s, to entrench over time. Despite repeated rhetoric about rebalancing the economy, many parts of the UK have since been characterised by low labour demand and a low-skill, low-productivity equilibrium. The squeeze in earnings since 2008, and changing nature of employment towards insecure, part-time work and zero hour contracts, have increased in-work poverty (see **Figure 5** above). These trends and the expected rise of automation in the labour market[12] further heighten the need for inclusive growth – both in social and geographic terms.[13]

Geographic inclusion

For inclusive growth to overturn the UK's entrenched patterns of inequality and deprivation, central and local government need to be responsive to all types of place – including our major city regions and beyond.

Within the urban areas of major cities there can be severe disparities and differences in patterns of deprivation. In the Commission's interim report, we also identified at least two types of place that have, as yet, been overlooked by the dominant template for devolution and broader economic investment.

1

Struggling urban areas that have the potential to be major, thriving centres of economic activity and prosperity, but as yet punch below their weight (eg see the Commission deep dive case study on Bradford).

2

Areas where there is a more fragmented urban geography, including sub-regions featuring:

More than one city centre (eg in the north-east, which includes Durham, Sunderland, Newcastle and Gateshead)

A city centre smaller than the big major metros and which might be situated within a more rural county (eg Southampton, Basingstoke and Portsmouth within Hampshire)

A series of large/small towns (eg in Cornwall and much of Scotland)

12 See Arntz, M., Gregory, T. and Zierahn, U. (2016) *The Risk of Automation for Jobs in OECD Countries: A Comparative Analysis*. OECD Social, Employment and Migration Working Papers, No. 189. Paris: OECD Publishing. Available at: www.oecd-ilibrary.org/docserver/download/5jlz9h56dvq7-en.pdf?expires=1487068591&id=id&accname=guest&checksum=83B5C7191ABB7FA556A81C8B19D1D565 and Manyika, J. et al (January 2017) *A Future that Works: Automation, Employment and Productivity*. McKinsey Global Institute, which argues that while less than 5 percent of occupations are currently at risk of full automation: "almost every occupation has partial automation potential" and, as a result: "We estimate that about half of all the activities people are paid to do in the world's workforce could potentially be automated by adapting currently demonstrated technologies. That amounts to almost $15 trillion in wages.' http://www.mckinsey.com/global-themes/digital-disruption/harnessing-automation-for-a-future-that-works

13 Tinson, A. et al (2016) op cit.

Trade, investment and industry in a post-Brexit world

The new industrial strategies are meant to put government on the front foot when it comes to managing shifts in the global economy and our labour markets, especially as we try to smooth our transition out of the European Union. The government's industrial strategy Green Paper, *Building our Industrial Strategy* (January 2017), provides a welcome focus on rebalancing the economy so that all parts of the UK and broader sections of society can benefit from growth. However, it gives little indication of how it will achieve this stated aim in a manner that breaks from the past.

The strategy's emphasis on 'place' reads as a bolt-on, the ninth of 10 pillars, rather than as a framework through which industrial policies – in concert with wider economic and social policies and infrastructure – are conceived and implemented. Sector deals with geographically concentrated industries may not provide benefits to much of the country, and the continued focus on high-technology sectors will do little to help address the challenges facing the non-knowledge intensive, low wage sectors that – because they employ millions – have the biggest aggregate impact on living standards. These sectors must be included in any industrial strategy that seeks to promote regional and social inclusion.

The Chancellor's National Productivity Fund, announced in the autumn statement (2016) has renewed the government's commitment to science and government R&D. As more universities start to engage more strategically within city regions, working together with local and combined authorities as leading civic institutions, there is scope for investment in science and university-led innovation to help create the conditions for a productive, enterprising ecosystem.

Collaboration between city regions can also enhance the investment potential for UK plc as a whole. Two examples of this include MedCity, supporting health and biotech innovation across the 'golden triangle' of London, Oxford and Cambridge,[14] or Royce Institute based in Manchester with 'spokes' across the Northern Powerhouse as well as in Oxford, Cambridge and Imperial College, London. Investment in roads and rail will help to facilitate city-regional connectivity, and the new National Productivity Fund, which totals £23bn, includes £2.6bn for transport.

> **"When I visited Korea last year, they told me that they decided after the Asian financial crisis, they were going to be world leaders in the chemical industry, shipbuilding, the automotive industry, digital economy… and now we see their strength many years later. In ports like Busan the scale of ship building is amazing! Crane after crane as far as the eye can see!**
>
> **Lesley Giles**
> Director, Work Foundation

As the Commission's interim report argued, in old industrial areas especially, depressed productivity is a symptom of a failure to manage structural economic change and its social impacts (long-term unemployment, deprivation and poor health, low skills and deficient demand for good quality jobs).[15] The major policy responses to these problems have been largely hand-outs, not hand ups – that is, redistribution of funding with little alignment to local labour markets or other levers for growth promotion.[16] Over the last few decades struggling places have seen increased social spending,[17] but disproportionately low public infrastructure investment, fuelling regional fiscal imbalances. Of the UK's larger cities, only Bristol is a net contributor to the exchequer outside of London.[18]

14 Sayers, M. and Scheuber, A. (2014) *Mayor Launches MedCity at Imperial*. Imperial College London News. Available at: http://www3.imperial.ac.uk/newsandeventspggrp/imperialcollege/newssummary/news_8-4-2014-13-31-38

15 See also: Beatty, C. and Fothergill, S. (2016) *Jobs, Welfare and Austerity How the destruction of industrial Britain casts a shadow over present-day public finances*. Sheffield Hallam University: Centre for Regional Economic and Social Research. Available at: www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/cresr30th-jobs-welfare-austerity.pdf

16 See, for example: OECD (2012) *Promoting Growth in All Regions: Lessons from across the OECD*. Available at: www.oecd.org/site/govrdpc/50138839.pdf

17 Though this is under strain due to public spending cuts since 2010, which have disproportionately impacted poorer areas. On the latter see: Hastings, A. et al. (2015) *The cost of the cuts: The impact on local government and poorer communities*. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk/sites/default/files/jrf/migrated/files/Summary-Final.pdf

18 See for example data from McGough, L. and Swinney, P. (2015) *Mapping Britain's public finances: Where is tax raised, and where is it spent?* Centre for Cities. Available at: www.centreforcities.org/publication/mapping-britains-public-finances-where-is-tax-raised-and-where-is-it-spent/

Underinvestment has made tackling structural imbalances even more difficult

Our strategic mistake has been compounded by a persistent tendency to spread public resources too thinly, an issue which has become acute in the years of budget austerity since the financial crisis.

Core local council budgets in England were cut by 40 percent in real terms over the last parliament.[19] By 2019/20 local government is expected to face a funding gap of at least £5.8bn, of which adult social care alone will amount to £1.3bn per year.[20] In Sheffield City Region, for example, their investment fund mimicked that of other devolution deals in securing funding over the next 30 years. However, the city-region has been stripped of £1.1bn (cumulative) over the last four to five years (averaging £220m a year) through cuts to capital and resource budgets.[21] The £900m they secured in the devolution deal (£30m a year) hardly makes a dent in this shortfall.

The issue has not only been the amount of money available: the composition of spending over time has become increasingly reactive, directing public resources towards dealing with problems that are best tackled much earlier rather than further 'downstream' as they become more difficult and expensive to fix. The National Audit Office has estimated that only 6 percent of social policy spending across health, education, crime and justice can be regarded as 'early action' and the amount spent has been reduced significantly over the last few years.[22]

The adult education budget, for example, is being protected over the course of the current parliament, but it experienced a real-terms cut of 41 percent between 2009/10 and 2015/16.[23] This has made it much more challenging for places to address the UK's chronic low skills problem and support disadvantaged people into quality jobs. Investment into training those with lower skills offers the highest returns for both growth and inclusion, but getting it right has been systematically undervalued in the UK.[24] Public spending on labour market programmes has been consistently very low compared to our competitors (see **Figure 6**), who have generally placed greater emphasis on integrated employability services as well as more coordinated, substantial training and job creation.

Similarly, at a place level, analysis by Greater Manchester shows that while overall expenditure in the city-region changed very little between 2008/09 and 2013/2014, the profile of spending did: significantly more was being spent on health and fixed benefits such as pensions, and significantly less on local government services.[25] Almost a third of the £22bn was reactive spending that could be reduced through more targeted and focused 'proactive' spending.

19 Local Government Association (2016) Submission to the Inclusive Growth Commission call for Evidence.
20 The LGA has projected that total annual local service costs will reach £50.377bn by 2019/20, while the funding available will be £44.435bn. A conservative estimate for the funding gap is therefore £5.842bn. The cost projections are based on taking as a starting point the net service expenditure budgets reported by councils for 2016/17, and then applying inflation, National Living Wage implications and demographic uplifts.
21 Etherington, D. and Jones, M. (2016) *Devolution and Disadvantage in the Sheffield City Region: An Assessment of Employment, Skills and Welfare Policies*. Sheffield Solutions: Sheffield. Available at: www.sheffield.ac.uk/polopoly_fs/1.645005!/file/SSDevolutionPolicy.pdf
22 Morse, A. (2013) *Early action: landscape review*. London: National Audit Office. Available at: www.nao.org.uk/report/early-action-landscape-review/
It is estimated that early intervention funding was halved between 2010/11 and 2015/16, while public health budgets have been cut by £331m, in addition to the £200m in-year reductions announced in October 2015. See also; Local Government Association. (2016) Submission to the Inclusive Growth Commission Call for Evidence.
23 Association of Colleges (2015) *July 2015 Budget: A Submission from the Association of Colleges*. Available at: www.aoc.co.uk/sites/default/files/AoC%20submission%20to%20the%20Budget%205%20June%202015.pdf
24 See, for example: OECD (2012) op cit.
25 GMCA, GMLEP, AGMA. (2014) *A Plan for Growth and Reform in Greater Manchester*. Manchester: GMCA. Available at www.greatermanchester-ca.gov.uk/downloads/file/10/gm_growth_and_reform_plan
26 OECD. (2017) *Public spending on labour markets*. Available at: https://data.oecd.org/socialexp/public-spending-on-labour-markets.htm
Public spending on labour market programmes includes public employment services (PES), training, hiring subsidies and direct job creations in the public sector, as well as unemployment benefits.

Figure 6: Public spending on labour market programmes as a percentage of GDP, UK and international peers, 2000–14

Source: OECD[26]

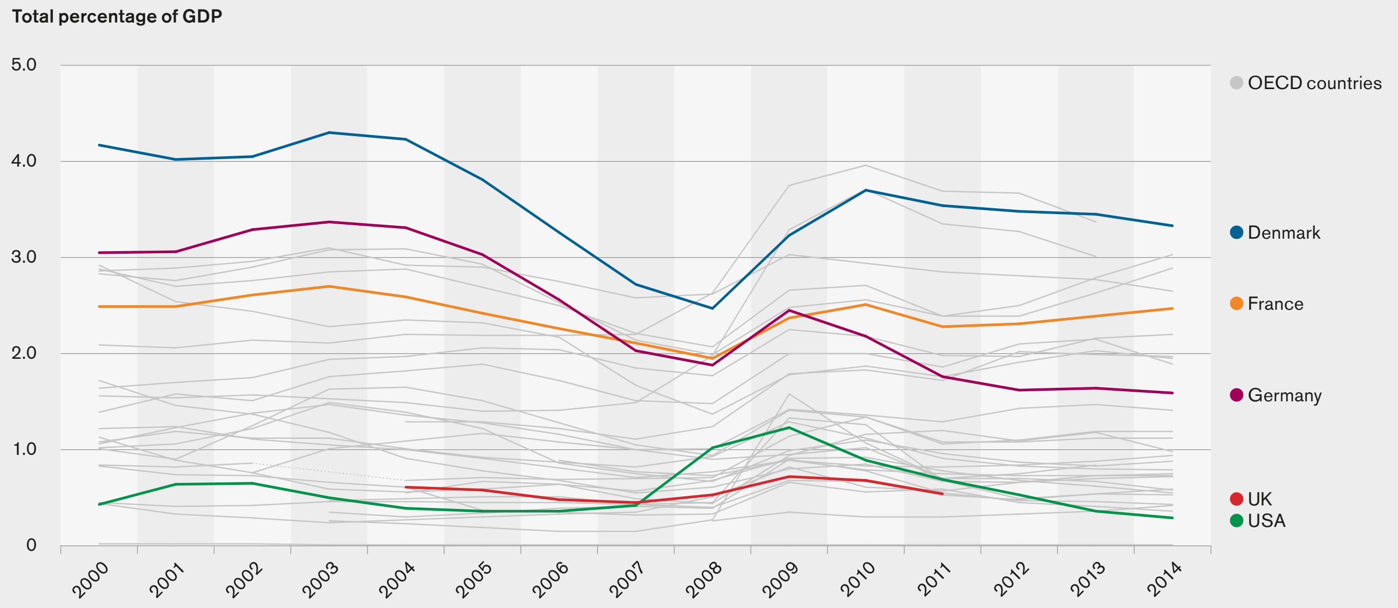
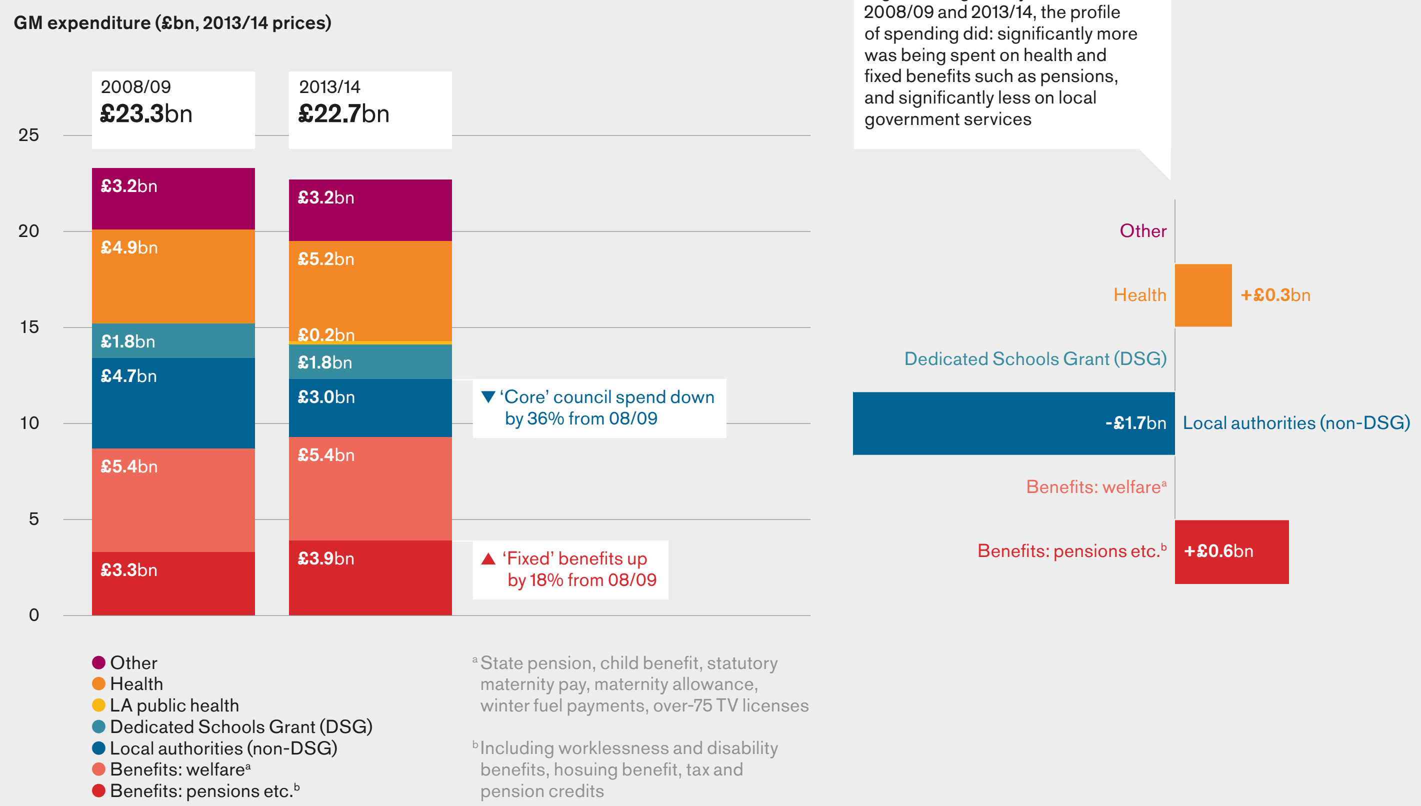


Figure 7: The changing profile of spending in Greater Manchester, 2008/09–2013/14

Source: New Economy analysis of Greater Manchester tax and spending data.



[a] State pension, child benefit, statutory maternity pay, maternity allowance, winter fuel payments, over-75 TV licenses

[b] Including worklessness and disability benefits, hosuing benefit, tax and pension credits

The impact of low productivity and low wage growth on households

The structural imbalances of our growth model have created wide disparities in living standards across the UK, cementing social and geographic divisions. Though the UK's per capita GDP puts us in the richest third of EU countries, disposable household income per resident in over half of the UK sub-regions[27] is below the EU average (see **Figure 9**). Almost all of these places are in the Midlands, Wales, Northern England and Northern Ireland.

Traditionally, employment falls in tandem with national output when the economy goes into a recession. But after the global financial crisis the rise in unemployment was much smaller than expected. The relatively job-rich recovery prevented many thousands of households from the shock of unemployment, but nationally it translated into even weaker productivity growth and a record 5 consecutive years of falling real wages. More than ever, people and places across the UK are trapped in low value added economic activities, with low wages and low productivity. This is partly why, as the Joseph Rowntree Foundation has shown, the majority (55%) of households in poverty now have someone that is in work. As the Resolution Foundation has observed, welfare cuts will only heighten these pressures and fuel significant income inequality, with adverse impacts on lower income or 'just about managing' households.[28]

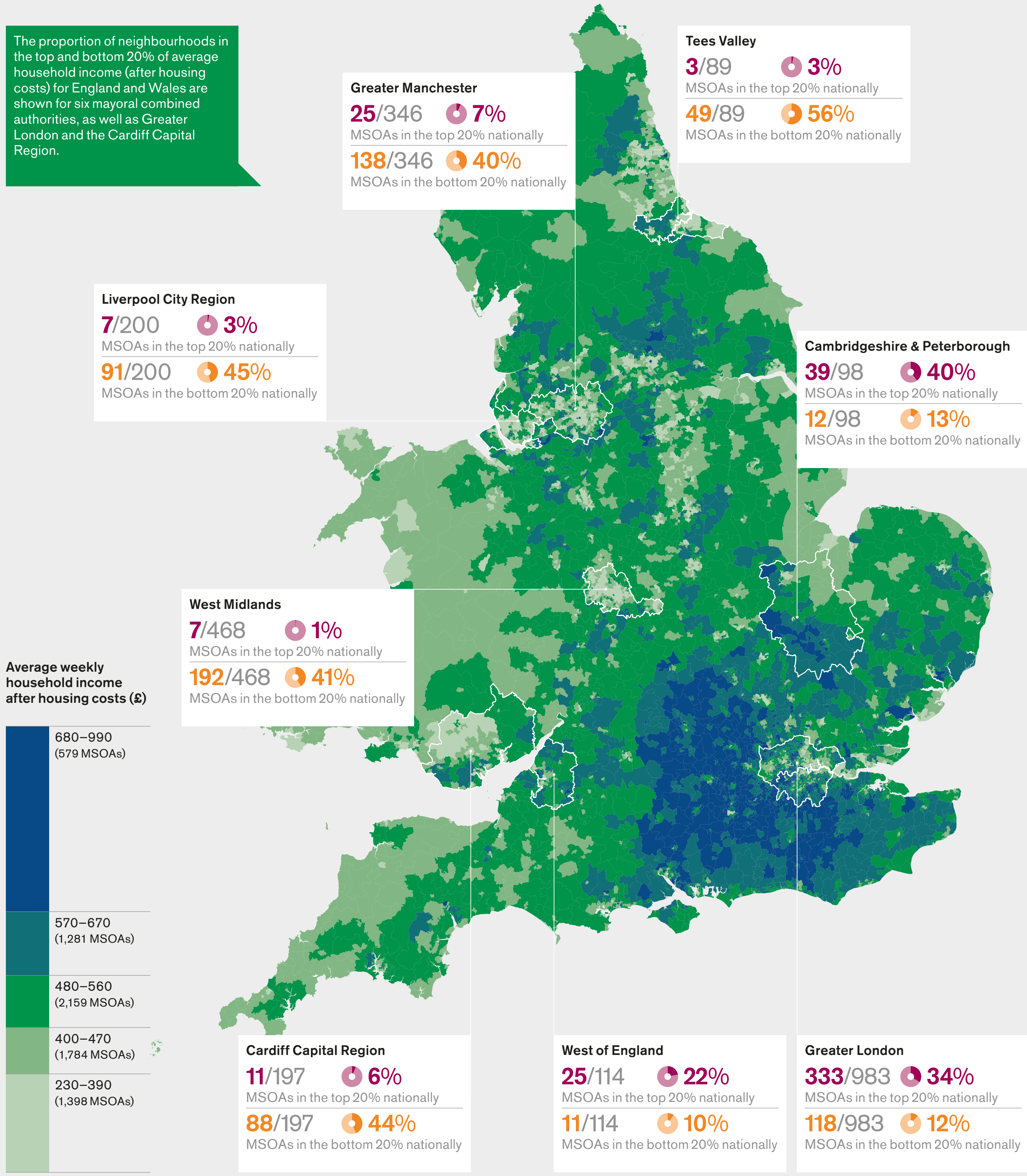
Regional aggregates do not tell us the whole picture. The economy is experienced differently by different social or demographic groups, and the effects vary across and within regions. Younger people have seen very little income growth, especially after housing costs and compared to previous generations.[29] Income pressures also disproportionately affect particular groups that face labour market exclusion or discrimination, such as disabled people, women and ethnic minorities.[30] The disparities *within* regions, between different neighbourhoods, are also telling and serve to remind us that the challenge of inclusive growth is not of a simple north-south divide.

As **Figure 8** shows, outside of parts of the South East, the variations in household incomes between neighbourhoods in the same sub-region, city or town are stark. This is especially so in our major metropolitan regions, particularly after housing costs are accounted for. In London, for example, approximately a million people live in neighbourhoods where the average household income after housing costs is as low as the poorest parts of the country (neighbourhoods in the bottom 20 percent of the household income distribution nationally), while Greater Manchester has a local north-south divide of its own.

27 Defined as NUTS 2 statistical regions.
28 Corlett, A and Clarke, S. (2017) *Living Standards 2017: the past, present and possible future of UK incomes*. Resolution Foundation. Available at: http://www.resolutionfoundation.org/app/uploads/2017/01/Audit-2017.pdf
29 Ibid.
30 For example, despite the Government's commitment to halving the employment gap between disabled and non-disabled people, it increased from 30 to 34 percent between 2010 and 2015, largely because non-disabled people found employment much more successfully while the employment support programmes for those with disabilities continue to prove ineffectual. See: House of Commons Work and Pensions Committee. (2017) *Disability Employment Gap: Seventh Report of Session 2016–17*. House of Commons. Available at: https://www.publications.parliament.uk/pa/cm201617/cmselect/cmworpen/56/56.pdf
Analysis by the Joseph Rowntree Foundation (2016) suggests that poverty is up to twice as likely amongst ethnic minority groups as it is for White people. See: Joseph Rowntree Foundation. (2016) *Poverty rate by ethnicity*. Available at: http://www.jrf.org.uk/data/poverty-rate-ethnicity

Figure 8: Estimated average total weekly household income (equivalised) after housing costs, by middle layer super output area, England and Wales (2013/14)*

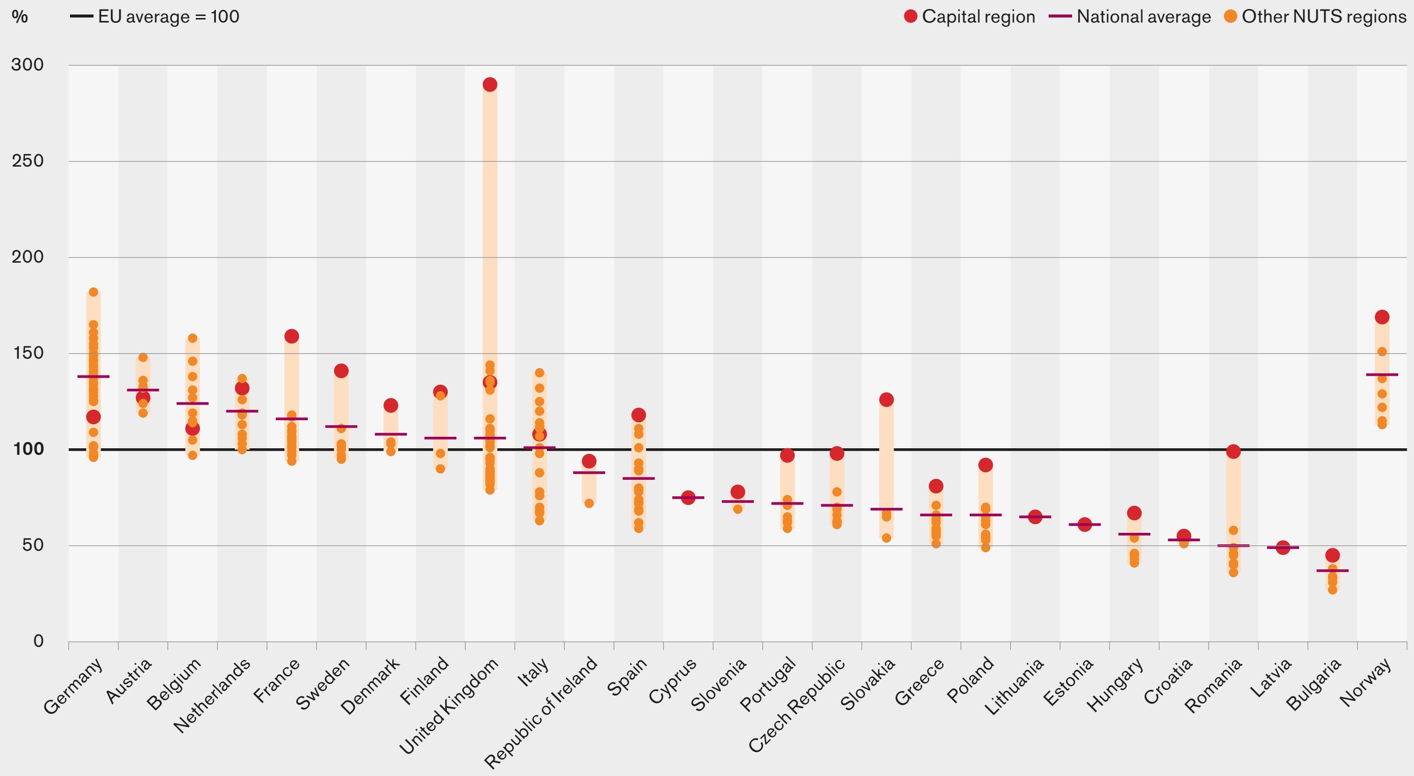
Source: ONS (2016) Small area model-based income estimates, England and Wales: financial year ending 2014
See the full interactive map at:
https://www.thersa.org/inclusive-growth-maps



*Middle layer super output areas (MSOAs) represent geographical areas with a population of around 7200, on average. It should be stressed that the variations between regions are partly influenced by the method used by the ONS to estimate income, whereby all MSOAs within a region have been adjusted to align them more closely with household income in the region as a whole. This also means the actual incomes will have more extremely high and low values than these estimates.

Figure 9: Regional variations in disposable household income per person as a percentage of the EU average, by NUTS 2 regions, 2013*

Source: Eurostat (2016)



* The disposable household income per inhabitant is in purchasing power consumption standards (PPCS).
** France's overseas territories are not included in the boxplot. There was also no data available for Luxumbourg, Malta, Iceland, Liechtenstein, Switzerland, Iceland, Montenegro, Albania, Serbia, the former Yugoslav Republic of Macedonia and Turkey.

4

A new model of inclusive growth

National governments have been long preoccupied by the rate of economic growth. It has been a critical yardstick against which prime ministers and presidents have monitored the health of the economy and the impact of their economic policy. Despite the limitations of using the rate of change of GDP, which have been documented and debated, a single metric has enabled ready comparison over time and between countries.

However, when Bill Clinton's campaign strategist famously observed in 1992 – "it's the economy, stupid" – he was speaking to a broader set of measures, particularly the rates of employment, joblessness and inflation, all of which more firmly resonate with people as they live their lives. Have I got a job? Do I have enough money to support my family? Has this government improved my chances of getting on and up in the world?

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The nature of work is changing and the labour market becoming more polarised and precarious. As the Commission heard in its first evidence hearing in Sheffield: "The problem is usually not finding a job. It's having two or three."[31] This is the cost of 'bad growth'. By targeting the quantity of economic growth without due attention to its quality, we have by default rather than design, created a whole host of negative externalities. In the UK this is particularly felt in the form of rising wealth inequality and labour market insecurity, a fact that – as we argued in our interim report – fits with the emerging international consensus that inequality not only has a social cost, but also hampers long-term economic performance.[32]

Similarly, a 'grow now, redistribute later' approach to social policy fails to support adequately those out of work or in low paid jobs. If we are to drive productivity, reduce dependency on the welfare state and ensure the sustainability of our increasingly in demand public services, we need to rethink.[33] The Inclusive Growth Commission argues that a new model must recognise that tackling inequality and deprivation can itself be a driver of growth. Investment in social infrastructure, including health, education, effective skills and employment services, has a first order impact on productivity and living standards.

What does 'social infrastructure' mean?

The Commission argues that social and physical infrastructure should be on a par when it comes to investment appraisal. This is one of the central means through which social and economic policy can be brought together.

High quality physical infrastructure – such as railways, roads, local transport, new developments and broadband – is essential in building economic connectivity, maximising the efficiency of productive activity and connecting labour markets to areas of economic opportunity. But the value of physical infrastructure is diminished when particular places or neighbourhoods are unable to connect to its benefits, for example because the skills base is too low to take advantage of job opportunities, or health and complex social issues act as barriers to participation.

It is therefore just as important to invest in 'social infrastructure' that develops the capacities and capabilities of individuals, families and communities to participate more fully in society and economic growth.

Our evidence suggests the following are especially important types of social infrastructure investment:

Early years support, including evidence-based child development and pre-school programmes. In addition, childhood, adolescence and family-based interventions.[34]

Education, skills and lifelong adult learning, with an appropriate composition of investment to support labour market inclusion.

Early intervention and prevention-oriented, rather than reactive, public services, including 'upstream' public health and mental health initiatives, and integrated programmes to address complex needs and labour market disadvantage.

Community development and capacity building, including investment into local anchor institutions, such as voluntary sector organisations, youth services, faith groups, social enterprises[35] and housing associations.

31 Inclusive Growth Commission (2016d) *Inclusive Growth in Sheffield: Evidence hearing 1 Write up*. London: RSA. Available at: www.thersa.org/globalassets/pdfs/reports/4.-inclusive-growth-evidence-hearing-1-sheffield-writeup-paper.pdf
32 Inclusive Growth Commission (2016c) op cit. See also: Dabla-Norris, E. et al. (2015) *Causes and Consequences of Income Inequality: A Global Perspective*. IMF Staff Discussion Note. Available at: www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf
33 Broadly similar arguments have been made by others, such as Jacob Hacker in his concept of 'predistribution' which identifies the ways in which the distribution of income can be shaped by means other than tax and social transfers. A different type of economy can create a fairer distribution of growth so that inequalities are prevented in the first place, rather than alleviating them after they have occurred through the tax and benefits system. See Hacker, J.S. (2011) 'The institutional foundations of middle-class democracy. *Policy Network*. Available at: www.policy-network.net/pno_detail.aspx?ID=3998
34 See: Early Intervention Foundation (2016) *Early Intervention Guidebook*. Available at: http://guidebook.eif.org.uk/
35 Evidence from our deep dive study in Bradford, for example, showed the crucial role community anchors such as Carlisle Business Centre and Royds Enterprise Park played in supporting job creation and enterprise in disadvantaged neighbourhoods. See: Inclusive Growth Commission (2016a) op cit.

The Work Programme, designed to get people into work by contracting organisations from the public, private and third sectors, serves to illustrate the link between social and economic productivity. Performance of the programme has improved, reflecting in part the greater availability of jobs. But its narrow focus on 'work first' – moving people into employment, any sort of employment – has meant that many job seekers are simply finding their way into low paying, low quality jobs. This does little for inclusive growth.

Governments have persistently misdiagnosed the nature of the problem of economic inclusion, assuming that weak labour market engagement is primarily the result of insufficient work incentives, rather than deficient demand (eg owing to structural economic change) or other barriers into work (eg lack of affordable child care, inflexible employment practices within firms or ill health).

Nationally, we try to force people through sanctions into typically low quality, often inflexible and sometimes inappropriate jobs. If there is a culture of worklessness or disengagement from certain sections of the labour market in this country, might this be partly of our own making? Many of our competitors in western Europe prioritise employability and employment support (eg the Netherlands, Denmark), including for new migrants and often integrated into mental and physical health services (eg Finland, Sweden), and – while they have their own structural labour market problems – our Jobcentre Plus[36] does little to tackle our own, and is more akin to a welfare enforcement agency.

Figure 10 illustrates the ways in which we fail to create value for jobseekers and workers across the labour market spectrum, as well as for productive businesses. It identifies the challenges facing those within and outside of the labour market, including low, medium and high-skilled people. The diagram segments these groups and shows the way in which the current system is poorly set up to support them. It then provides an inclusive growth system alternative, describing the features it would have for the different groups across the spectrum. The diagram also provides an indication of the social, economic and fiscal benefits that this inclusive growth alternative could unlock. The case studies at the bottom provide illustrative examples (more information about which can be found on the Commission's website).

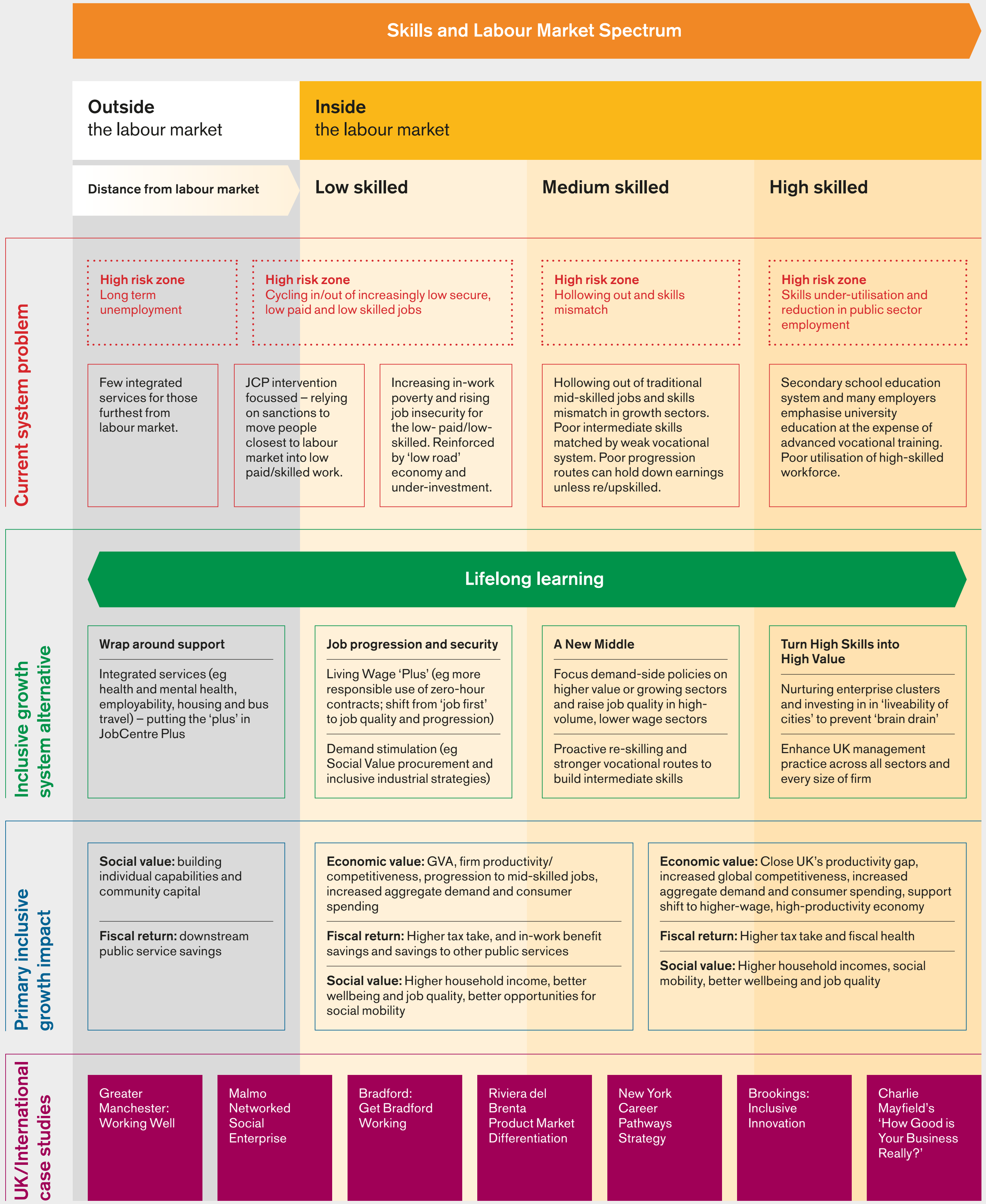
For example, people with disabilities or multiple, complex barriers to work fail to get the integrated, wrap around support and intensive coaching they need to find sustainable employment. Initiatives such as Greater Manchester's 'Working Well' scheme point to promising alternatives.[37] Similarly, those who are low-skilled but closer to the labour market often find themselves cycling in and out of employment in low paid, insecure jobs, directed by a skills and employment support system that prioritises labour market entry rather than access to or progression into the quality skills and jobs that matter for improved living standards and economic productivity.[38]

36 Since its inception in 2002, Jobcentre Plus (JCP) has had a dual remit to both increase employment and administer the welfare sanctions regime. It 2011 it was brought under the direct control of the Department for Work and Pensions.

37 The Work and Health Programme will aim to mainstream this integrated model, but there are concerns that it will be under-resourced and there are uncertainties about whether it will enable local authorities to genuinely co-commission. For example see: Inclusive Growth Commission (2016a) op cit.

38 The current DWP in-work progression pilots are very narrow, and largely an extension of conventional job search support and conditionality. Their aim continues to be short-term financial savings rather than work quality and progression. They are not part of an integrated workforce development system. See for example: Learning and Work Institute (2016) *Universal Credit and In-Work Progression: Written evidence to the Work and Pensions Committee from the Learning and Work Institute.* Available at: www.learningandwork.org.uk/sites/niace_en/files/document-downloads/IWP%20inquiry%20response%20from%20Learning%20and%20Work%20Institute%20final.pdf

Figure 10: Promoting inclusive growth across the labour market spectrum



The hollowing out of traditional middle-skilled occupations is occurring alongside growing demand in emerging middle-skilled sectors, including those requiring strong technical skills. Demand-side policies can stimulate sectors with strong progression routes, while ensuring people can access these jobs by addressing skills mismatches through higher quality vocational training linked to local and regional labour market needs. Finally, addressing the skills under-utilisation of high-skilled workers can maximise the value of higher skills, and more modular, work-oriented training provision can help lower-skilled workers to progress. Lifelong learning should underpin the support available to all groups, given the importance of reskilling in the context of fast-changing, technologically driven labour market trends.

Reconfiguring our work and skills system so that it supports quality jobs and progression can unlock significant social, economic and fiscal value. It can bring many more people into labour markets that offer good pay and security, helping to increase household incomes, improve wellbeing and raise levels of social mobility. This has clear economic benefits, such as stronger aggregate demand, higher productivity and economic competitiveness, as well as broader social value and fiscal returns, including higher tax-takes and financial savings for welfare and departmental budgets.

Our other social and welfare policy institutions have similarly tended to be too narrow, with overly rigid accountability structures that create an in-built bias against adaptation and experimentation. The more recent rise of data and transparency within government and its arm's length bodies was designed to improve outcomes by enhanced learning and feedback amongst professionals and regulators. But the ability of public services to respond to (or in many instances process) this intelligence have hit against the buffers of bureaucracy, too beholden to national systems and procedures. By the time initiatives are in train, it is often the case that so much political and financial capital has been invested that government ploughs on, even if programmes are failing. The National Programme for IT (NPfIT) and Universal Credit are just two high profile examples.

There isn't just a need for 'joined-up government' as is so often demanded, but for a radical review of how we understand inclusive growth. Inclusive growth hinges on bringing together social and economic policy – integrating the role, financing and accountability of public services within local and national economic strategy, and allowing the structures and incentives of central and sub-regional government to reinforce, rather than work against, one another.

"If government departments were to put inclusive growth as an obligation for investments for highways or regeneration projects, for example, it would be very powerful. It would allow central and local government to work together in partnership in ensuring that all communities benefitted.

This would need milestones to be based on local need, flexing from place to place. This could work in the same way as Section 106 agreements currently, but with a wider range of social impacts being embraced.

Irene Lucas CBE
Chief Executive, Sunderland City Council
(to the Commission, February 2017)

Inclusive growth also demands a broader-based leadership that includes – at a place level – local business leaders, civic institutions and other anchor organisations, such as universities, further education (FE) colleges, voluntary sector and faith groups. If we are to break through the 'business as usual' approach to public policy, we need to devise and implement a vision for inclusive growth that has public buy-in and legitimacy. Only then can we create the conditions for whole system change, which is needed if we are to finally crack the conundrum of inclusive growth.

Through the course of the Commission's inquiry, we have identified a number of ways – based on UK and international case studies and analysis – in which places are trying to create new, whole-system approaches to inclusive growth. We have brought these together in a set of five principles for inclusive growth (see opposite), which we believe are critical in reshaping public policy – centrally and locally – so we can start to lay the foundations for a more productive economy in which everyone is able to contribute and benefit from growth.

Five principles for inclusive growth

Drawing from the Commission's inquiry, including UK and international case studies,[39] we have identified five key principles that need to be operationalised for inclusive growth. These principles are further described in our accompanying report, *Inclusive Growth: Principles in Practice* but can be summarised as below.

A more inclusive economy will not just happen with the announcement of a new policy or initiative. It will require a deep change in the way that we think about and do public policy at a national and local level.

It will take time for this change to come about and be an embedded part of the norms and institutions that shape our economy and impact on our communities. Leaders will have to sit tight, holding the course for more inclusive growth as the idea is challenged by its own complexity; it might take generations to see results.

The five principles below seek to give structure to this long term process, and the Commission's aforementioned accompanying report expands on each of these within the context of the case studies and stories that inspired them. Inclusive growth is happening in pockets – the challenge is how to mainstream it so that the economy truly does work for everyone.

Table 1: Five principles for inclusive growth

1	2	3	4	5
Creating a shared, binding mission	**Measuring the human experience of growth not just its rate**	**Seeing growth as the whole social system, not just a machine**	**Being an agile investor at scale**	**Entrepreneurial, whole-place leadership**
The complexity of the challenge of inclusive growth demands a shared, binding commitment to the task with a common narrative about the vision for change, how it can be achieved and the roles that business, civil society, central and local government can play in this. This needs to be a national agenda, designed and delivered locally, where there is a stronger sense of identity and where people have a greater stake in the outcome. As a citizen of a place with a binding mission for inclusive growth, I know that there are opportunities for me to make a contribution to the local economy and my community, and for this to be valued. I feel that I belong to a place that matters, and is heading somewhere.	Let's measure what we value and want to achieve from inclusive growth. Is it easy and affordable for everyone to travel to work and to access public services? Do working age people have access to quality jobs, where they are paid fairly and have opportunities to learn and progress? Is there a difference in the healthy life expectancy between certain groups in my community? Do people believe in their own future and their ability to succeed? We need to make inclusive growth our yardstick of economic success, capturing the value of our social as well as economic infrastructure.	Get underneath the skin of the problem inclusive growth is designed to solve, including what is having an impact, where and why, and where services or spending are having perverse effects on inclusive growth outcomes. At a place level, this will involve data analysis, public engagement, democratic processes and deliberations with employers, investors, public service professionals and civic institutions. How might this process signal opportunities for change? Are there sticking points that might just have be worked around? At a national level, how might the system need to be rewired – structurally and culturally – to support inclusive growth 'on the ground'?	Ensuring sufficient, strategic, integrated finance of social and physical infrastructure so as to maximise the value of public, private and third sector investment across generations. This might require a shift of spending towards preventative, rather than reactive spend, as well as scope for more flexible use of smaller-scale funding to pump-prime public innovation and social enterprise.	Bringing together, at a place level, business, civil society and political leaders, formally and informally, to drive system-change. This will involve mobilising the full force of local resources and stakeholders to build on existing assets and opportunities, as well as develop new innovative and investable propositions for change. This will demand: clarity of vision for what actions are needed, the means to respond dynamically as circumstances shift, the capacity for economic leadership, ability to think creatively about what (or who) might present an opportunity for impact to create change, the courage to experiment, iterate and scale, and the humility to learn from failure. Places that have strong entrepreneurial leadership understand the need for a broad-based movement for change, building local legitimacy and channelling the collective energy of wider civil society.

39 More information about which can be found on the Commission's website: https://www.thersa.org/inclusive-growth-case-studies See: Inclusive Growth Commission (2017) *Inclusive Growth: Principles in Practice*. Available at: https://www.thersa.org/inclusive-growth-in-practice Also see Inclusive Growth Commission (2016a), op cit.

5

> **The Plymouth Plan has galvanised leadership across the city, mobilising the public, private and third sectors to confront the shared challenges we face. We feel part of 'one city, one system,' rather than disparate cogs.**
> Commission Evidence Hearing, Plymouth

Increasingly central government has recognised the importance of place in economic development and public service reform. The recent shift towards devolution to city and county regions (particularly in England) has opened up a new opportunity for groups of local authorities to take on greater strategic investment and planning responsibilities. In some places, we have also seen this approach applied to a limited number of other policy areas, notably in health and social care in Greater Manchester.

However, core local government funding is still subject to tight policy, investment and expenditure controls from Whitehall. Funding is bound up in fragmented ring-fenced pots, which are often difficult to align to local needs and priorities. For example, in England the £23.5bn of planned government growth-related expenditure for 2016/17 is spread across 70 funding streams. Analysis by the LGA finds that outside devolved areas there is very limited or no local influence in over half of these funding streams (55 percent). In areas with devolution deals the figure is only slightly better at 48 percent (**Figure 11**).[40]

Public services funding is yet more constrained and fragmented and is allocated with little regard for the interaction between funding streams and their impact on places or households. As the Local Government Association (LGA) explains:

"A child's experiences during pregnancy and their first five years have an enduring impact on both their physical and emotional development, and on their long-term prospects and outcomes. Economic and financial exclusion can lead to detrimental environmental factors such as poor housing and nutrition, with impacts on health and wellbeing. Poverty can also be both a symptom and a cause of family breakdown and parental conflict, with similarly crucial impacts on mental health and emotional development and longer-term life chances."

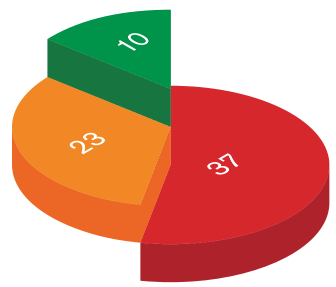
Currently the failure of national public service financing and accountability mechanisms to respond to local needs and priorities is a major barrier to the potential for inclusive growth, and often acts against it. This is frequently due to insufficient resources directed 'upstream' on early interventions designed to prevent people from disengaging with learning, employment or falling into long-term ill-health. Instead, resources are allocated centrally with little understanding of how they will interact with existing centrally-designed programmes or local initiatives.

A new model of local whole-system leadership

Figure 11: Growth-related funding streams and degree of local influence 2016/17

Source: Shared Intelligence, Independent Report for the LGA (May, 2016)[41]

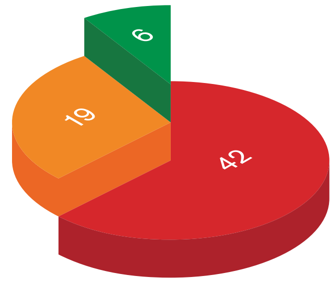
Devolved areas



Number of funding streams allocated each RAG rating

- Full devolution
- Some involvement but with the money held by central government
- Little or no involvement in the funding process

Rest of England



For example, centrally-driven skills training programmes run by, or via the Department for Work and Pensions (DWP) (eg from the European Structural programmes) typically involve specifications targeted at certain categories of welfare claimants. While these specifications are designed to meet common skills needs through a single, more efficient means of administration, by the time they are implemented on the ground they find they are being delivered alongside a private – or third sector Work Programme provider, Jobcentre Plus, and other cross-cutting public service initiatives. It then falls to the local authority to work through the interaction effects between multiple providers, understand what is duplicated and where there are gaps.

The experience of Greater Manchester's health and social care deal – whilst in its early stages – shows that devolution can offer a means to pursue outcomes-based, prevention-focused integration at a place level. The Commission believes that this model of joint, place-based service commissioning could be applied to other sub-regional areas and public services, particularly in education and skills which is desperately fragmented in its current system and persistently failing young people and disadvantaged groups in helping them to get the education and training they need to access quality jobs.

> **Leeds has been working in a new way as a city, asking local government to become more enterprising, businesses to become more civic and citizens to become more engaged. This – as Ofsted has recognised – has transformed our Children's Services. We've established our open 'Leaders for Leeds' network to address major challenges across our city. The next step is to see this approach form the basis of even more productive city partnerships that have the power to act together, without creating new bureaucracies or management boards.**
> Judith Blake
> Leader, Leeds City Council
> (to the Commission, February 2017)

40 Local Government Association (2016) Submission to the Inclusive Growth Commission Call for Evidence.
41 Shared Intelligence. (2016) *Is the grass greener…? Fragmented Funding for Growth 2016/17.* An independent report for the LGA. Local Government Association. Available at: http://www.local.gov.uk/documents/10180/11309/Final+report+for+LGA.pdf/3a2a44c9-7551-4de1-bafc-624a33127ffc

International examples of inclusive local leadership

The most effective mayors and leaders across the world have recognised the need to work outside the confines of narrow administrative boundaries and formal processes. They have been able to see their place as a dynamic, complex system, identifying opportunities within the public, private, philanthropic and voluntary sectors to make a difference. They have inspired collaboration and used their convening power to bring people together in a shared endeavour; mission-led leadership in action.

The three examples below are of mayors who are working to shape their cities to become more inclusive. While they continue to face significant structural challenges – particularly in New York, which would not necessarily be described as an inclusive economy – they are examples of how entrepreneurial, whole-system leadership can start to drive change.

Louisville: America's largest 'compassionate city'

Mayor Greg Fischer leads the city of Louisville on the basis of core, shared human values – compassion, kindness and love. Far from being a woolly or sentimental ideal, the vision of Louisville as a compassionate city is driving collaboration across a range of people, community groups, organisations and businesses in the city. Elected in 2010, the Mayor argues, "there's a role for all of us in making sure no one is left behind". With over 100 organisations signing the Louisville Compassion Resolution, this is whole-system leadership in action.

Initiatives include 'Give a Day' Week inspiring people to volunteer, donate blood, give food or clothing or help a neighbour. This year, 2017, will be the sixth successive year of the programme. A curriculum to help children develop social and emotional skills, including empathy and mindfulness, has been tested and spread over recent years – from three elementary schools in 2015 to 25 schools in 2016.

The Compassionate Schools Project is a partnership between the University of Virginia and the Jefferson County Public Schools with support from Louisville Metro Government and financial support from philanthropic giving.[42] City employees who volunteer as mentors to at-risk children are given two hours off work each week. Each month the Louisville 'Heart of Gold' is awarded, recognising acts of compassion in the city.

The city has also collaborated with a number of academic partners to measure the impact of its compassionate approach, the Compassionate City Index.[43] Louisville is twinned with Leeds in the UK, which has similarly made compassion its guiding principle for a strong, fair and sustainable economy.[44]

New York City: Career Pathways Framework

In response to rising inequality and poverty in one of the world's most affluent cities, the mayor Bill de Blasio launched the NYC Career Pathways Framework. This framework forms part of the One NYC strategic development plan that envisions "an inclusive, equitable economy that offers well-paying jobs and opportunity for all New Yorkers to live with dignity and security. The initiative is based on three key pillars:

Building the skills employers want by connecting workers to quality jobs. This includes sector-focused 'Bridge programmes' with skills training, job-relevant curricula, and work-based learning opportunities for in-work progression.

Improving job quality – supporting workers in lower wage jobs through initiatives that 'raise the floor' and reward worker-friendly business practices, such as increased job security for low-paid work.

Increasing system and policy coordination - aligning economic development initiatives with training and employment services, to promote career pathway development and implementation.

The Bridge programmes were able to give low-skilled individuals the opportunity to embark on either sector-specific skills training or basic education incorporated into specific occupation training. This has given individuals who were previously shut out of higher skilled jobs due to lack of educational attainment an opportunity to enter in at a higher level.

Early indications of impact justified an annual doubling of funding, to $50m a year, and similar policies are now being trialled in Boston, Philadelphia, San Francisco and Los Angeles.

Rotterdam: National Programme Rotterdam South

Rotterdam South is the poorest part of Rotterdam, with a population that has a predominantly migrant background. The district was hit hard by manufacturing job losses in the 1980s, and has continued to experience higher rates of unemployment and poverty. In 2011 Mayor Ahmed Aboutaleb negotiated the National Programme Rotterdam South (NPRZ) to ensure that the area does at least as well as the country's three major cities.

NPRZ is a long-term regeneration programme with a difference, combining urban regeneration with active social inclusion policies, and bringing together the efforts of national government, the city and various public agencies, as well as citizens and employers. It is a level of collaboration and shared leadership that is unusual for the Netherlands' highly decentralised policy approach to poverty, and a reminder that complete local autonomy is not a panacea, and that there are significant benefits to local-national partnership.

Integrated initiatives include pre-school education aimed at learning Dutch, linked to local primary and secondary schools; joined-up skills development between vocational schools and firms (including small and medium sized enterprises (SMEs)) in growing sectors; and a social return procurement policy under which all city funded projects over €15,000 have to allocate between 5 and 50 percent of their budget to employment opportunities for disadvantaged groups.

A sizeable proportion of the €800m per annum spent on these projects supports labour market inclusion. The NPRZ is galvanising local leadership in concert with national commitment, providing a template for a shared approach to inclusive growth.

42 See: http://www.compassionschools.org/program/ for more information.
43 See University of Louisville Institute for Sustainable Health and Optimal Aging: http://www.optimalaginginstitute.org/measure-compassion
44 Leeds City Council (2016) Leeds - The Compassionate City: Tackling Inequalities; Equality Progress report 2015-2016, available at: http://www.leeds.gov.uk/docs/Annual%20Report%202016%20Final%20version.pdf

Devolution to local government is a significant means to address these issues. It is not, however, the whole answer to inclusive growth. Already, for example, combined authorities have the power to provide tailored business support, attract inward investment, establish enterprise zones and promote local job creation through public procurement arrangements and the Social Value Act (2012). Even if they were not hampered by national constraints, the efforts of the local state alone would not be enough.

It is only by bringing together the full range of local assets and actors – including civil society, business and social enterprise, with the guidance and support of national government – that we will be able to make a lasting difference. Local government can play a coordinating role, but, to make a real step change, we need to seize the opportunity of devolution to usher in a new style of whole place leadership; public, private and third sectors, working together to apply the five principles for inclusive growth. The new Bristol City Office is in its infancy, but a promising UK example.

Case study: Bristol City Office

What it is
Bringing together people, institutions and organisations across Bristol to tackle shared challenges facing the city. Mobilising the city's collective resources – public sector, private sector and civil society – to direct these in a concerted effort to make positive change. It is not about setting up an 'ultra-City Office' for the mayor, but leveraging the convening power of elected office to unlock additional resource to target an issue head on: "If we could point the city at a challenge, what would that mean, and how could we do it?"

What it does
The Office is in its early stages, but will focus on early intervention, experimentation and constant, city-wide learning. Projects are expected to involve an acute component and a longer term, preventative resource component. "How can we experiment and learn from attempts to allocate resource differently?"

Central government must help to bring about local, whole-system leadership

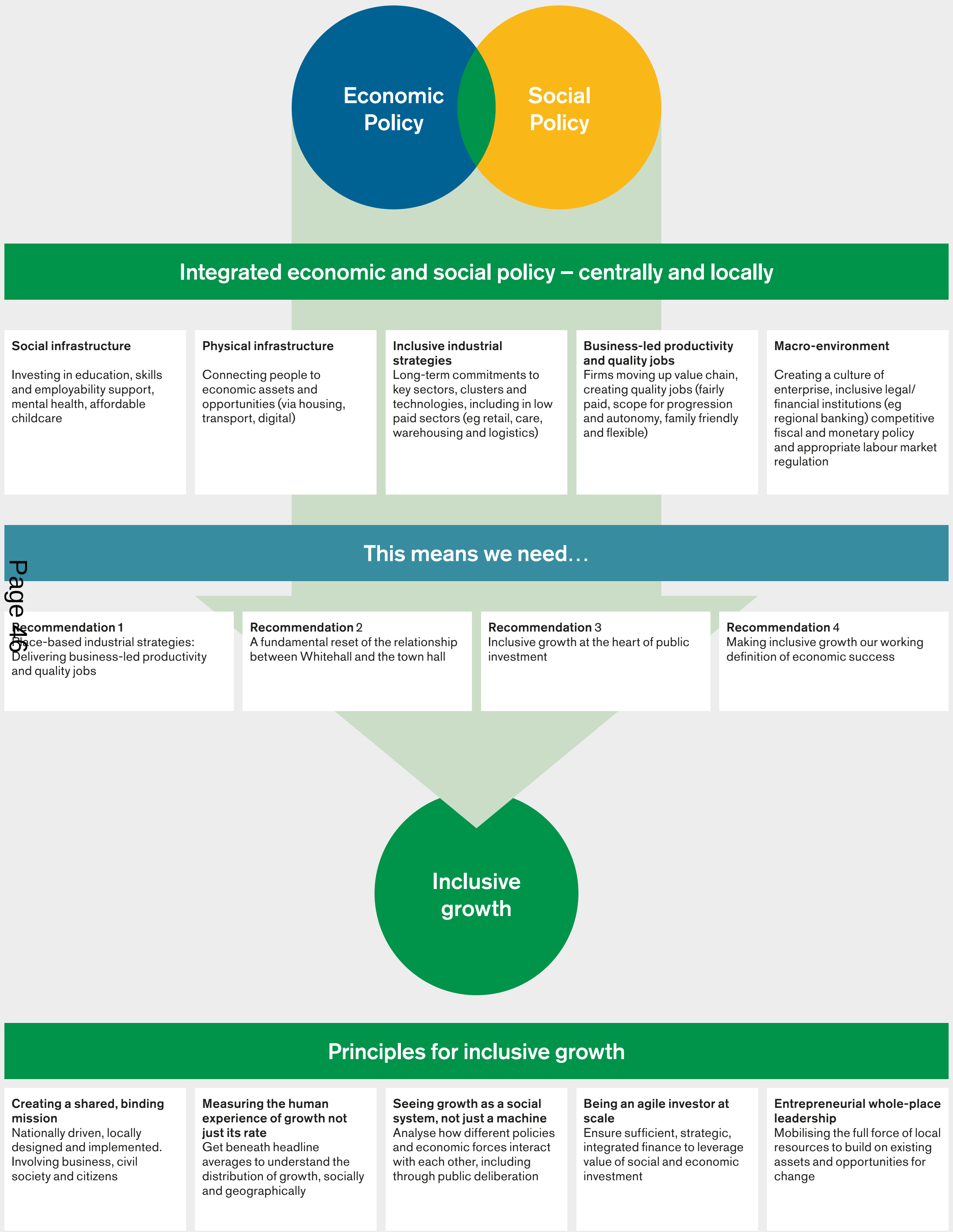
Instead of granting permission, the role of central government should be to enable local leaders, back them to pursue innovative, risk taking ideas that allow for incremental gains and, if they're lucky and sufficiently creative, some big wins. Pooled budgets, integrated service design, place-based co-commissioning and shared accountability will pose significant challenges to our current wiring of government and the relationship between the central and local state. It represents a break with the New Public Management and its emphasis on competition, contracting out and top-down policy, regulation, inspection and measurement, so dominant in structuring public policy and governance since the 1980s.

Regulators will also have to understand how they need to evaluate structures, processes and outcomes under this new whole-system approach, with integrated services, accountability and finance mechanisms. The opportunity for Ofsted, for example, is the fact that it covers early years all the way up to further education. If it became a part of the shared, national mission for inclusive growth and a constructive partner at a local level, it too could be a driver for improved education and training integration across the life cycle.

> **"To achieve inclusive growth, we want to reorient our services towards 'upstream' solutions with a focus on getting people into decent employment and promoting self-sufficiency. Under this approach, the key role of the state will not be to 'meet need', but rather to help people live a more sustainable and independent life.**
> **Commission Evidence Hearing,**
> London Borough of Barking and Dagenham, November 2016

Most importantly, central government can facilitate the development and adoption of a new form of investment and policy appraisal and evaluation, building on the breadth of existing Green Book and Department for Transport methods and Office for National Statistics (ONS) data collection to measure *quality* GVA.

Figure 12: Whole-system change for inclusive growth



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The role of regional banking institutions in inclusive growth

International evidence suggests that regional banks are an important institutional component of inclusive growth. Local banks make up significant proportions of banking assets in most European and many Asian countries as well as in Canada and the USA, but the sector is comparatively very small and constrained in the UK.

Regional banks serve a specific geographic area, focussing on retail banking. The best models possess three additional defining characteristics:

Mission led

They have a dual social and financial mission written into the constitution of the bank.

Commercially rigorous

Whether classified as mission-led businesses or social enterprises, regional banks lend on a commercial basis. However, with the benefit of additional 'soft information' they can successfully lend to a wider range of businesses that might otherwise lose out on the basis of centralised credit scoring adopted by the major banks.

Network collaboration

They collaborate to share costs where possible to achieve economies of scale while retaining their regional autonomy in order to protect their mission.

This form of bank complements the presence of large national and global shareholder banks by pursuing a different business model and brings social and economic benefits, regionally and nationally, in four main ways:

1 The **resilience of the overall financial system** is improved by the diversity provided by regional banks. After the financial crisis large banks shrunk their credit considerably to repair their balance sheets, but regions of the UK – unlike those in other European countries –were not able to experience the cushioning effect provided by regional banks. The building society sector does not play this role because it is restricted to residential mortgages.

2 The **quality of credit allocation** improves as a result of superior access to the soft information that is required to make more marginal or favourable lending decisions, based on good relationship managers based close to the customer. SMEs and social enterprises are affected the most because they are more difficult to collect hard information on at a distance, and often have poorer collateral, requiring credit officers to place greater reliance on judgements about future cashflows.

3 Local stakeholder banks usually operate under a commitment to **financial inclusion**. Over a million UK adults still lack a bank account and around 2.5 million using unregulated high cost credit.

4 The presence of a head office with highly qualified professional staff across all business functions from IT to marketing adds an **important route for local career progression** as an alternative to migrating to London. This additional cadre of executives and managers that are closely connected to the regional economy forms an important resource for successful local public-private partnerships over and above LEPs and other existing business groups.

> **"Our economy needs a more diverse, locally focused and sustainable approach to finance if we are to rebalance the economy and fulfil the growth potential of all our cities and all our citizens. Our aim is that in the years ahead Birmingham will once again be a pioneer of local banking, helping to create new local institutions that can support business growth and community regeneration.**
> John Clancy
> Leader, Birmingham City Council
> (to the Commission, February 2017)

There are a number of strategies that can be pursued in the UK to build up a regional banking sector, including Community Development Finance Institutions, community banking models (such as the Community Savings Bank Association and the Hampshire Community Bank) and community loan funds (such as Bristol and Bath Regional Capital, which do not aim to provide full banking services but do create a vehicle for combining local retail savings with regional institutional investors to fund important regional social and economic infrastructure).[45]

There has long been an accepted belief in the UK that sub-national scale banks tend to fall victim to local political interference, are too risky as a result of geographic and sectoral concentration, and are too small to be cost efficient. However, the lessons of the financial crisis point to the need for greater diversity in the market, and the previous coalition government successfully lowered barriers to entry. Low-cost off-the-shelf banking technology also allows small banks to compete. The current government recently announced that it would put measures in place (worth £750 million) to support greater competition in the banking sector, with a particular view to increase choice available to SMEs.[46]

A modernised version of regional banks adapted to the current UK market would not only be commercially viable, but could play a powerful role in driving inclusive growth. Several local authorities are already thinking about how they can support regionally focussed banks in their place.

45 More information on the case and potential options for enhancing local finance for inclusive growth can be found on the Commission's website.
46 On 17 February the UK Government announced a series of initiatives, worth around £750 million, to boost competition in today's UK business banking market. The EU Commission has agreed to consider and consult on the plan. See: www.gov.uk/government/news/uk-government-proposes-new-approach-to-boost-banking-competition-and-resolve-rbs-state-aid-commitments

6

Measuring inclusive growth

In a speech delivered in Port Talbot, the Bank of England's Chief Economist Andrew G Haldane described how aggregate economic indicators have failed to reflect many people's experiences of "economic recovery" – the macro data showing improvement is hard to reconcile with the micro accounts of households and communities that have seen little change to their circumstances.[47] The Commission's evidence gathering reflected this: for example, communities in many old industrial towns and cities are still recovering from the economic shocks of the 1970s and 80s, not just the 2008 recession. Headline figures do not capture the patterns of unequal growth that persist in the UK, nor offer much insight into how we might address them.

Traditional metrics of economic performance, such as GDP or at a regional level GVA, are a poor guide to social and economic welfare. They also do not tell us anything about how the opportunities and benefits of growth are distributed across different spatial areas and social or income groups. Nor do they do a good job of tracking structural economic change, the sustainability of growth, or the human impact of shifts in the labour market.

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Thus, a town or city may celebrate a substantial rise in its GVA, but lose sight of the fact that this growth is being driven by highly skilled commuters with few benefits to local residents, or that it comprises activity characterised by low pay and insecure employment.

A reliance on traditional measures not only makes it difficult to monitor economic performance, but it can also distort how policy and investment decisions are made and evaluated. In Glasgow, the Commission was informed of a project in Clydebank designed to support the long-term unemployed into work. Despite being highly successful in achieving employment outcomes, it was evaluated as having performed poorly because the GVA per head score was low: in practice, too many people were helped into work, which reduced the productivity score. The primacy given to GVA at the expense of other indicators was a commonly cited problem through the course of the Commission's evidence gathering.

There are similar issues for infrastructure investment. The centrality of GVA in assessing the case for investing in infrastructure often tilts investment towards already successful areas where the immediate GVA impact is likely to be larger. But this approach misses opportunities for investments which are necessary to spark new growth and share its benefits, rather than just reinforcing growth in already successful areas. HM Treasury's capital accounting methodology also privileges physical capital assets, meaning that large infrastructure projects are treated as long-term investments while social infrastructure investment (such as education and skills) is regarded as short-term spend and has to be accounted for up-front, despite its value appreciating over time.

New approaches are needed both at the national level, to focus debate and policy development on the distribution of growth as well as its headline rate, and at a local level, to give important insights into the economic dynamics of an area.

How central government can track 'Quality' GVA

In order to realise Prime Minister Theresa May's ambition to better understand and respond to the challenges faced by those left behind by economic growth, it is important that government looks beyond conventional measures to interrogate economic performance across the country.

A first priority must be for distributional analysis to be properly embedded in decision making within central government, and for decision making to pay more than lip service to the results. This might generate difficult choices or unexpected trade-offs.

For example, in certain places Green Book compliant analysis (with a comprehensive social value appraisal) would not point to more physical infrastructure, but – as we have argued here – would help to put social infrastructure on a par with transport and digital connectivity. For this to happen, however, government needs to be prepared to allocate resource to programmes which might not necessarily yield a short term pay-off but instead set the foundations for longer-term growth in an area where it will have wider distributional benefits.

There is a range of data currently available that could form a basket of metrics or an 'inclusive growth dashboard' to monitor how well economic growth is being translated into broad-based benefits in different parts of the UK,[48] and across different income groups. This basket of metrics could include:

- Change in output over time (growth in GVA)
- Local workplace productivity (for example, GVA per hour or per job)
- Local household incomes (such as Gross Disposable Household Income per head), including mean and median rates
- Distribution of earnings (through the Annual Survey of Hours and Earnings)
- Earning trends in low-pay occupations (AHSE)
- Growth of quality employment in low and high pay sectors
- Levels of economic inactivity and unemployment[49]

47 Haldane, A. (2016) *Whose Recovery?* Bank of England [Speech]. Available at: www.bankofengland.co.uk/publications/Documents/speeches/2016/speech916.pdf
48 Some of the economic statistics identified above are not available for all parts of the UK, for example Northern Ireland.
49 Christina Beatty, Richard Crisp and Tony Gore from the Centre for Regional Economic and Social Research (CRESR) developed an 'Inclusive Growth Monitor' for the Inclusive Growth Analysis Unit (IGAU) that monitors a range of growth and poverty indicators over time across functional economic regions. See: Beatty, C., Crisp, R. and Gore, T. (2016) *An inclusive growth monitor for measuring the relationship between poverty and growth*. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk/report/inclusive-growth-monitor
See also Rafferty, A. and Moosavi, S.T. (2016) Inclusive Growth Monitor: *City region comparisons and a focus on Greater Manchester*. University of Manchester and Joseph Rowntree Foundation. Available at: http://hummedia.manchester.ac.uk/institutes/mui/igau/igau-inclusive-growth-indicators-core-cities-2016.pdf

How places can track Quality GVA

Inclusive growth must be a national agenda, in which leaders – centrally and locally – work together to achieve a shared, binding mission for the type of economy we want to create.

To achieve this on the ground, places might choose to focus their efforts on different aspects of this vast territory, monitoring their success against indicators as diverse as healthy life expectancy and health inequalities, school readiness of children at five years, quality of private rented housing, labour market participation for certain groups and in-work progression. Examples of these metrics can be found in **Table 2**, including a new 'community confidence indicator,' which when aggregated at a national level – as a 'Citizen Confidence Index' – would be akin to the business confidence or consumer confidence indices used to monitor narrower economic expectations. .

It should be noted that indicators, whether gathered through existing routine public data or via additional surveys or public engagement, are likely to be most insightful at the level of functional economic areas. A district, for example, may appear to be achieving growth and inclusion, but that may only be because high house prices have meant that those who are excluded from growth are also excluded from the area.

Next steps for Quality GVA

While there is much that we can learn from international best practice, developing a robust approach to measuring Quality GVA would make the UK a world-leader. There is currently a lack of distributional, place-based statistics, especially at a sub-national level, and while progress is being made through the Bean Review of UK Economic Statistics and the Allsopp Review, it will be important to build on these and work closely with local and city-region stakeholders to ensure future changes are responsive to their needs.

For example, the ONS is starting to use administrative data to examine income distribution at local authority level, and this is expected to be available in the next two years. Providing joined-up statistics in this way will be essential to developing place-based approaches to inclusive growth, which rely on collaboration and data sharing between different parts of the public sector.

Ideally, there would be a single and timely measure of sub-regional Quality GVA, which could be easily communicated to inform public debate and policy responses, and which would capture the distribution of growth. However, bringing together different indicators into any composite metric would still require analysis of each of the components over time, and would implicitly require a judgement about the importance and weighting of the different elements – a judgement which should really be an explicit matter for public debate.

The optimum approach to measuring Quality GVA, which captures and promotes inclusive growth, might therefore need to have a small basket of indicators which could capture both productivity growth and its distributional impacts. These might be:

- GVA per hour worked down to a local level, to capture productivity
- A measure of earnings, including a distributional measure (comparing the mean and median, the Gini coefficient or fixed percentiles).
- A measure of employment

Producing these measures in the same release and at the same time as – or even ahead of – national releases, so that they are clearly seen to be the appropriate measure of the state of the UK's economy, would also help focus the public debate on inclusive growth.

Table 2: Inclusive growth metrics: options for central and local leaders

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

*Much of the 'additional survey data' identified in the table will not be available as part of routinely collected statistics. It may require drawing on other sources of information (such as administrative data) or additional data collection through surveys and other means.

7

Conclusion and recommendations

Unless we are able to drive more inclusive growth, the UK's productivity will continue to lag. This risks our competitiveness, holds down real wages and squeezes living standards. Without inclusive growth, already rising demand for public services and welfare, particularly physical and mental healthcare, will only increase. Without inclusive growth, we will further entrench inequality and disaffection in our communities, locking in a vicious circle of diminishing private sector investment and quality job opportunities, rising welfare dependency and increased strain on public finances. The fiscal and economic case is overwhelming.

Governments have persistently misdiagnosed the nature of the problem of economic inclusion, assuming that weak labour market engagement is primarily the result of insufficient work incentives. As a result, the degree of inclusive growth could be given a proxy in the level of unemployment. However, that relationship has started to break down, and data clearly shows that deficient demand in local economies (eg owing to structural economic change) or other supply-side barriers (eg lack of affordable child care, inflexible employment practices within firms or ill health) both contribute to entrenched social and spatial inequalities.

Underperforming areas have been managed as social problems rather than viewed as growth opportunities, and public policy has failed to recognise that inequality not only has a social cost, but also hampers long-term economic performance. We need to recognise that the 'grow now, redistribute later' approach of recent decades has failed, and that a new model of inclusive growth is needed where as many people as possible are able to contribute to, and benefit from, economic prosperity.

This will require both supply and demand-side measures, especially where private sector investment is otherwise weak. It will amount to more than the 'propping up' of declining areas and will have to be focused relentlessly on increasing the productivity of our firms and the skills of the local labour force. Only then can we ensure that we bring together people into places where there are real economic opportunities for 'good work', including access to training, progression routes and fair pay.

Table 3: Summary – rethinking economic and social policy for inclusive growth

As this report has argued, inclusive growth will necessitate several broad shifts in how we think about social and economic policy

From	To
Siloed social and economic policy	Integrated social and economic policy
Emphasis on the *quantity* of growth (as measured by GVA uptick and numbers of jobs created)	Emphasis on the *quality* of growth (including distribution of growth, productivity and quality jobs)
Investment in physical infrastructure as the means to economic growth	Investment in physical and social infrastructure as the joint means to inclusive growth
Focus on university entrance for young people as the route to success	Equal focus on quality vocational education
Devolution of economic functions to places	Devolution of economic and social functions to places

The Commission sets out five principles for inclusive growth that are based on a whole-system approach to leadership and governance. Places are urged to adopt this approach, ensuring – for example – a clear statement of their vision for inclusive growth in their place and how they intend to mobilise the full force of local resources, including business, civil society and communities, to deliver against this 'binding mission', itself specific to the needs and assets (including business, universities and hospitals, for example) of their place. Such broad, place-based system leadership is the only way we can break through the siloes of old, paving the way for a broader set of measures that can drive inclusive growth (see **Table 3** above).

Central government's role is both to remove barriers to delivery and ensure that national frameworks, finance and accountability mechanisms are geared up to support inclusive growth locally. This is how we can achieve real, 'grown-up' devolution of the kind the Commission described in our interim report.

At a time of change and uncertainty for the UK economy, we need to take this opportunity to make inclusive growth the nation's binding mission. There will be no quick policy fixes, and government alone will not be enough. We need a new, whole-system approach to inclusive growth that brings together business, civil society and citizens in a shared endeavour. This will have the greatest traction in places where local leaders can work with people to understand what this national agenda for inclusive growth might look like in their city or town, and how it might be achieved locally.

To enable this process, the Commission makes the following recommendations to business, central and local government and civil society:

Place-based industrial strategies: delivering business-led productivity and quality jobs

1

A whole-system leadership approach to inclusive growth creates space for the private sector to play a key role in transforming the foundations of our economy – at a local and national level. The government has recently set out its new approach to industrial strategies and the Commission welcomes its emphasis on the need to address economic imbalances across the country as well as its emphasis on vocational education and skills.

However, the importance of place needs to be central to the implementation of these strategies in practice. Quality jobs or 'inclusive productivity' must be at the heart of this if places are to see a real shift in the extent to which local people are able to contribute to and benefit from growth. It will involve local leaders – from business, trade unions, civil society and other anchor institutions – working to leverage the value of local assets and, in certain cases, play a more active market-making role to stimulate demand and enable progression – particularly in low paid sectors, such as hospitality, care, warehousing and logistics.

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"Adult skills providers put on courses people want to attend, but this decision is not based on any knowledge of what jobs are available, never mind the strategic needs of the labour market.

Careers guidance is disconnected from all this, so although it appears highly localist – the individual decides – it is actually a market failure and often a disaster for the person because they end up without a job and an unattractive skill, which compounds social mobility issues.

Core Cities
(to the Inclusive Growth Commission, January 2017)

At an individual place level, it means building broad-based capacity for inclusive economic development, including:

Deep understanding of local assets, sectoral strengths and economic interrelationships (eg housing costs, commuting and trade patterns), as well as of existing connections between major employers, training providers, SMEs and wider civil society organisations – including at a national level, where appropriate.

Connecting people to quality jobs by embedding sectoral and cluster analysis into the wider place-based strategy for inclusive growth – including skills, housing, transport and wider quality of environment factors – to attract people to live, work and stay in the place.

Resourcing whole-system change, which might include, for example, estate renewal and regeneration to ensure people do not simply move on when their circumstances change, continuing to concentrate deprivation in the same areas, often for many generations.

Keeping one eye on the future, providing industry with the skills it needs and giving people the best possible chance of finding employment as the labour market changes over time. This will be particularly important in response to, and (as far as possible) anticipation of, Brexit trade and investment threats and opportunities. In an age where many knowledge-economy jobs are essentially invisible behind office walls (and increasingly from behind laptops in cafes or shared working spaces), it is vital we help young people to see what they might do to make a valuable, and valued, contribution.

The Commission therefore recommends:

City regions form collaborative, dynamic coalitions to forge the link between sectors and places. This will mean city regions take a lead in how industrial strategies are implemented within and between complementary hubs of activity (within and between places – including non-metropolitan areas, where appropriate), and down supply chains.

To drive collaboration locally, places might seek to create **new institutions or 'civic enterprises'** to connect business and industry, schools, training providers and universities, locally, sub-regionally and between regions where there are shared sector interests (eg automotive, green energy) or opportunities for peer learning within universal sectors (eg retail, care). This would build on, and/or give space for, larger employers' engagement with the new Apprenticeship Levy.

New, place-based civic institutions would draw on and strengthen the existing capacity of Local Enterprise Partnerships, Chambers of Commerce, Business Improvement Districts and other business or sector networks (eg Sector Councils), enabling broader-based leadership for inclusive growth at the root of which is the creation of quality jobs by more productive, more successful firms.

This will require proactive engagement in local skills and lifelong learning provision (see page 48) as well as career entry support for young people. Rather than relying on passive, often poor quality career guidance, place-based networks of business could help to bring together efforts to access high quality employment opportunities, which are currently fragmented and often small scale.

- Particular attention should be placed on groups who are most at risk of exclusion from the labour market or those whose skills might mean they are vulnerable to becoming trapped in lower wage sectors. It is vital to recognise that these groups include the 40-50 percent of young people who fail to reach the government's benchmark five A*–C GCSE (including English and maths) at 16 years.

A fundamental reset of the relationship between whitehall and the town hall

2

A new social contract between national and local government

Inclusive growth needs to be a national agenda, locally designed and implemented. To achieve this, the next phase of devolution deals must allow places to integrate social and economic policy. This will extend current deals beyond largely economic functions to include social policy, breaking down the 'red lines' that have stood in the way of places linking a comprehensive, evidence-based growth strategy with a comprehensive, evidence-based public service reform strategy.

This decentralisation agenda is often associated with fiscal devolution and putting local government on a road to fiscal self-sustainability. If all of the UK's city regions and localities were more successful at achieving inclusive growth, regional disparities would be much smaller than they are now and we might realistically discuss a greater degree of fiscal self-sufficiency. But we are a long way from that situation today and the Commission is mindful of the risks of local authorities relying on property taxes as the sole means of funding by 2019/20 – the impact of which will depend on the outcome of the business rates review. Our focus here is on the immediate potential of new partnership arrangements to maximise the impact of all the public money that is spent in places right now.

The Greater Manchester health and social care deal has shown that partial devolution can offer a means to mature, collaborative working between all tiers of government and public sector agencies – coordinating the delivery of a national framework in a locally relevant, integrated and prevention-oriented way. Crucially, the goal is not devolution for its own sake but as a means to better policy outcomes.

"Greater financial flexibilities would enable London government – the Mayor and the boroughs - to target resources more effectively to address the whole city's physical and social infrastructure needs to drive inclusive growth.
Claire Kober
Chair of London Councils

We therefore recommend:

National standards, local flexibility
Combined authorities or groups of local authorities to have sufficient freedom to pool budgets and investment opportunities, share accountability and co-commission across public services – working with central government departments and other agencies and regulators to ensure minimum standards and national entitlements (eg welfare benefit levels).

Immediate, pragmatic action
In the short term, the Commission believes that Greater Manchester's model of joint, place-based service commissioning could be applied to other sub-regional areas and public services, particularly in education and skills which is desperately fragmented in its current system and persistently failing young people and disadvantaged groups in helping them to get the education and training they need to access quality jobs (see page 48).

Maximising impact from available resources
Over the longer term, places that have demonstrated mature sub-regional governance structures (including coterminous public sector boundaries for Local Enterprise Partnerships) as well as the ability to manage several cross-service commissioning arrangements, would take on full responsibility for the economic and social outcomes in their place. This would result in the power to coordinate all of the public resources allocated to that place in a new social contract between the sub-region, central government and local people. In Greater Manchester, for example, this would amount to financial autonomy over £20.6bn across the city-region. For the six mayoral metros coming into effect from May 2017 the total under local control would amount to over £70bn (see **Table 4**).

A balanced system that works for all
Under a new social contract arrangement, the onus will be on places themselves to demonstrate they can drive more inclusive growth within their sub-regions, within city centres, suburbs and wider rural hinterlands. This would go alongside continued fiscal redistribution by central government – within and between sub-regions – in pursuit of the same goal of inclusive growth.

Place-based budgeting and spending reviews
Places which successfully negotiated a new social contract should then transition to a new national place-based Spending Review, which link public sector spending and investment to concrete economic and social outcomes in a given place rather than to individual departmental siloes. This would allow:

Place-based accountability for outcomes and value for money.

Horizontal integration of expenditure and investment, between local government(s), public services and other partners.

Focus on specific economic and social outcomes so that interventions are geared to improving inclusive growth.

Multi-year finance settlements of between five and 10 years (potentially longer), depending on whether allocating resource budget or capital investment.

Legislative framework

Make the most of our existing legislative framework in the short-term
In the short-run, cross-service commissioning and budget coordination between national government, combined authorities (or equivalent groups of local authorities) and public service agencies (national and local) could be based on existing legislation – including, in England, the Cities and Local Government Devolution Act (2016).

Codify evolving, decentralised state structure over the longer term
Over time, government might move to codify the new social contracts and evolving relationship between central and local government – akin to the Scotland Act (1997), for example. This could also give scope for more ambitious sub-regional fiscal devolution, such as a local income tax, local land value tax or other levies. But these are merely potential future models and they are not necessary to make inclusive growth the definition of economic success for every level of government in the UK.

Table 4: Totality of public spending* in six new mayoral combined authorities (from May 2017**)

Source: New Economy (2017)[50]

Mayoral authority	Total spending* (estimate, 2014–15) (£bn)
Cambridgeshire and Peterborough	5.0
Greater Manchester	20.6
Liverpool City Region	12.7
Tees Valley	5.1
West Midlands	21.3
West of England	5.7
Total	**70.4**

* This is the total national expenditure apportioned at the city-region level, excluding national level policies (eg defence, international development, nuclear decommissioning etc.)
** This does not include Sheffield City Region, which will become a metro mayoral combined authority in 2018.

"We're committed to doing these things regardless of how much - money or otherwise - we get from Whitehall. Of course, if they invest in our potential, we're much more likely to deliver. Either way, we need both true city sovereignty and certainty over what central Government plans are.
Marvin Rees
Mayor of Bristol

50 See New Economy submission to the Inclusive Growth Commission (2017) and also McGough, L. and Swinney, P. (2015) op cit.

Devolution of further education and skills

Cities of lifelong learning

Places must strive to be cities or towns of learning where there is a relentless commitment to nurture human capital development from 'cradle to grave' across the full breadth of political and civic leadership. We need to shift lifelong learning from being a tool to address failure to being a resource that empowers people to respond to a labour market that is changing like never before.

Right now, the funding for skills and training provision in England sits in separate siloes across different departments and agencies – including the Education Funding Agency, Skills Funding Agency and DWP funded activity. This has created a highly fragmented system that is almost universally agreed to be deeply ineffectual.

If the UK is to compete on the global stage in an increasingly competitive, knowledge-driven economy, we need to begin to crack our chronic skills problem. In particular, international research suggests that reducing the proportion of people in a region with very low skills seems to be more important for raising economic performance than increasing the share of the population with very high skill levels.[51] Given the UK's particularly poor productivity at the lower end of the labour market, there is reason to suggest this approach is more applicable here than in other countries.

To support this, the Commission recommends:

Devolved skills and lifelong learning for more effective coordination of provision across functional economic areas between local and/or combined authorities, Local Enterprise Partnerships, FE colleges, schools and other relevant public, private and third sector organisations.

Local skills and lifelong learning 'partnerships' would provide a single point of budget coordination and investment decision making, as well as a single point of accountability – in a similar way to the integrated commissioning and provider collaboration of health and social care in Greater Manchester.[52] This model, would provide a means for contractually robust skills provision for 16 years and over that:

- Meets national standards.
- Has comprehensive buy-in, underpinned by appropriate governance structures, involving all relevant local players (eg the LEP, Chamber of Commerce, combined authority or equivalent and national bodies.
- Is informed by an evidenced, strategic plan, based on labour market forecasts, local skills-profiles and business and economic opportunities, and how different aspects of the system need to come together locally to achieve this.

Partnerships would be responsible for commissioning skills, lifelong learning and careers advice from further education colleges and other verified providers (eg Jobcentre Plus, Careers Enterprise Company, National Careers Service and National Apprenticeship Service). This could result in ONS reclassification of colleges as part of government, but would enable the sector to respond to local economic and social priorities rather than the current system in which college provision is shaped by the financial incentives of individual institutions.

This approach would be supported by technical FE funding top ups, recognising there needs to be investment in FE colleges to help them switch from cheap classroom courses to more costly, technical provision. This should not be limited to capital resource, but also new forms of spending designed to foster flexible, work-oriented learning.

Deeper connection with local schools
Regional Schools Commissioners (or their deputies) should be given much tighter geographic remits, aligned to individual sub regions, rather than spanning several large cities and counties. Commissioners would have an explicit role to connect schools – from early years to 19 years (as appropriate) – to the local inclusive growth agenda. This would help to attract inward investment, create economic opportunities and develop clearer routes from school into work (as per Lord Sainsbury's Review recommendations[53]), particularly important for young people most at risk from disengagement with learning and, down the line, accessing well paid, stable jobs.

51 OECD (2012) op cit.
52 Essentially a tripartite relationship between the combined authority, NHS and Department for Health (extending to each of the boroughs and overseen by a joint Board).
53 For more information on the Sainsbury Review and the government's response, see: www.gov.uk/government/publications/post-16-skills-plan-and-independent-report-on-technical-education

Inclusive growth at the heart of public investment

3

As the UK withdraws from the European Union, government will need to meet the desire and expectation that Brexit will enable people to 'take back control' – to cope with the uncertainty of a changing labour market and, in many places, the sense that they are being left behind. Removal of European funds that have helped to increase investment in some of the poorest parts of the UK, is now a significant risk. Public investment in social as well as physical infrastructure is critical in building stable, resilient and prosperous local communities. Brexit makes this all the more important.

When it comes to business, the UK's unusually centralised banking system means that our city regions lack the kind of strong local financial institutions that have a vested interest in inclusive growth and that, compared to most of our industrial competitors, drive regional and SME investment.

The Commission therefore recommends:

Central government establish a new, independent UK Inclusive Growth Investment Fund (IGIF), incorporating repatriated European Structural and Investment Funds to pump prime innovative, effective interventions designed to create inclusive growth.

Funding would be based on a long-term (20 year) commitment at least equal to the combined value of the current ESIF (Euro 10.8 billion between 2014 and 2020 and approximately £1.8bn per year), the Local Growth Fund (£12 billion, established in 2014 until the rest of the parliament) and Life Chances Investment Fund (£80 million, announced in 2016). As a successor to these funds, from 2020, the UK Inclusive Growth Investment Fund would equate to **£3.8 billion per year** and £76 billion over 20 years (in nominal terms).

Applications for funding or project finance would be assessed on the basis of their expected impact on broad-based, quality GVA, rather than more narrowly defined measures that have hitherto often undermined the impact of ESIF funding in rebalancing the economies of the UK that have needed it most.

Where appropriate, investment would seek to leverage other sources of finance, such as social finance or institutional investment to maximise impact and sustainability over the long term.

The Fund would be overseen by a multi-stakeholder board (including city-leaders, Whitehall senior officials, private sector and others, such as – for example – the Chair of the National Infrastructure Commission). This board would not have any operational functions, but would provide scrutiny over the strategic management of the Fund. The chair of the board would be accountable to the Public Accounts Committee.

Local authorities applying for investment would be required to demonstrate the strength of their whole place leadership, grounding their propositions in how funding could help them deliver their inclusive growth strategy and meet their defined inclusive growth objectives (eg narrowing health inequalities). This insight should be based on deep civic engagement across the place's whole system leadership including business, voluntary sector and the public.

It is important that the Fund is used strategically. Therefore applications will be welcomed from Mayoral Combined Authorities and LEPs or sub-regional groups of local authorities.

Private sector organisations, non-governmental organisations and private-public partnership consortia would also be eligible for funding.

Central government should explore and encourage the establishment of regional banks as part of its new plan to boost competition in the banking sector (as a means of resolving RBS' State Aid commitments). We also would encourage the government to make inclusive growth one of the eligibility criteria for challenger banks.

Making inclusive growth our working definition of economic success

4

Put social and economic infrastructure on a par when it comes to investment appraisal

Developing a picture of our social as well as physical infrastructure priorities at a national (and sub-national) level will in turn help to demonstrate the need to apply a similar assurance process to both. If we are to truly integrate economic and social policy and achieve inclusive growth, our tools of investment appraisal must not – explicitly or implicitly – attribute one or the other greater value, validity or legitimacy as a form of government intervention. Economic and social policy are the flip side of the same coin. We must develop the tools to account for this and ensure these can be widely and readily adopted.

Work is ongoing to pilot new approaches to local investment appraisal (eg Joseph Rowntree Foundation and Metro Dynamics with Cardiff and Sheffield City Region) and to develop prudential borrowing rules for preventative social investment (eg The Chartered Institute of Public Finance & Accountancy (CIPFA) and Public Health England). Despite a wealth of other research on the impact of social interventions on economic outcomes (eg the Marmot Review) and methods for social value analysis, we have not yet developed a robust framework for investment appraisal or assurance that can help local or central government policy makers to understand how best to allocate resources over time.

As such, the Commission recommends:

Central government commission work that collates and enhances our empirical understanding of the effects of investment on people and neighbourhoods and, as a result, supports central and local government leaders in their efforts to identify and fund innovative activity designed to support inclusive growth.

At a local level, particularly in struggling areas, this approach might result in a still greater emphasis on investment in social infrastructure before (or instead of, in the short term) physical infrastructure. This will be challenging for many leaders, but should be seen as a critical in preparing the ground for more demand-side measures designed to attract inward private-sector investment, for example.

Central government commission an assessment of the social infrastructure gap, similar to that carried out by the National Infrastructure Commission for physical infrastructure upon being constituted.

Crucially, this approach would be place and system-oriented rather than based on existing institutional arrangements. A physical infrastructure assessment of London, for example, would not start with an analysis of Transport for London, but with the question of how well people are able to get around the city. Similarly with understanding the quality of, quantity of and gaps in our social infrastructure, and how these interact with physical infrastructure, we should not start with thinking about what services we have, but whether or not we are meeting the education, skills and employability support needs – for example – that would befit a world class, productive and prosperous economy.

Maximising the impact of national and local investment by:

Understanding the system dynamics
Including analysis of how current spending patterns – nationally and at a place-level – might be having an unintended negative impact on inclusive growth. This analysis will underpin developments of sub-regional social contract arrangements and subsequent place-based spending reviews.

Mainstreaming inclusive growth in all public investment decisions
For example, the National Infrastructure Commission should consider what social investment might be needed to maximise the inclusive growth return of physical infrastructure projects, particularly in sectors of the labour market potentially to be affected by Brexit (eg construction, social care).

Local leadership a driver of national policy making
Over the medium to longer term, local leaders, such as the mayor of London, new metro mayors and leaders of other combined authorities, should be involved formally in national policy decision making. For example, institutions such as the National Infrastructure Commission should be reconfigured to include representation by the devolved administrations (where appropriate) and devolved city regions.

Establish inclusive growth as a regular, official statistic to be considered alongside GDP growth

If we are serious about moving beyond a narrow definition of economic growth to consider its distributional drivers and consequences, central government and the ONS must establish inclusive growth as our working definition of economic success.

Importantly, the Commission would *not* advise the creation of a new select committee or ministerial post for monitoring or advocating for inclusive growth. The Chancellor of the Exchequer and existing institutions of state (eg the Economic Affairs Committee and the Economy and Industrial Strategy Cabinet Committee) need to commit to making inclusive growth the government's central binding mission – not a peripheral 'nice to have'.

The Commission has explored several ways in which government could establish an inclusive growth (or quality GVA) metric or basket of metrics, drawing on examples from all over the world (see preceding chapter, 'Measuring inclusive growth').

The Commission therefore recommends:

Publication of a quarterly national measure of inclusive growth alongside quarterly GDP figures so that it is subject to the same level of institutional and national media scrutiny. This measure would include:

GVA per hour worked (with data available at a local level)

Median wage growth (weighted by a comparison to the mean)

Total employment (weighted by percentage of workforce covered by standard labour market protection)

An annual assessment of the UK's progress towards an inclusive economy. This could be published as part of, or in addition to, its annual fiscal sustainability report and should be written into the institution's legal terms of reference.

Local measurement and accountability for inclusive growth objectives

The Commission has set out five principles for inclusive growth, the first of which is the importance of a 'binding mission' – at a central and local/sub-regional level. This is designed to mobilise collaboration across a wide range of stakeholders, including business, civil society, residents and local public services. It is also designed to motivate action amongst these stakeholders so that tangible progress towards a shared vison – in this case, for inclusive growth – can be achieved.

While inclusive growth must be a national agenda, its design and implementation must be local. The Commission encourages places to be specific in their mission and metrics for inclusive growth – what are you trying to achieve? How will you know when you've been successful? How can you track this over time? This will be an important part of developing a shared narrative that can cross party-political, institutional or community boundaries. A specific ambition for a place can also help to create a deeper commitment, so that the mission endures over time. This can be especially important when it might take many years, if not a generation, to see change in certain inclusive growth indicators.

As such, the specific means to more inclusive growth might vary from place to place, and should be reflected in appropriate objectives and indicators. Chosen metrics should speak to a deep understanding of the barriers to inclusive growth in the locality, and – if selected correctly – should result in impact on wider inclusive growth outcomes. For more examples of potential metrics, see page 41. To support this, the Commission recommends:

Places should define, and be accountable for, agreed inclusive growth metrics. As a prerequisite to further waves of devolution deals and new social contracts between central and local government, places should commit to specific inclusive growth objectives. Assessment against these objectives would be a focal point of devolution deal Gateway Reviews and other forms of regulation and scrutiny (eg National Audit Office evaluations).

An appropriate evaluation timeframe should be developed as part of new deals or social contracts with an explicit recognition that inclusive growth strategies can take time to generate profound results.

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INCLUSIVE GROWTH COMMISSION

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Inclusive growth for people and places

Findings from Inclusive Growth Commission deep dive research

September 2016

Contents

Executive Summary

This report provides an analysis of findings from 'deep dive' case study research conducted in Bradford, Cardiff Capital Region (the Cardiff city region) and Newcastle. The research sought to understand inclusive growth through the perspective of place and to draw lessons for place-based policy from the case study areas, focusing on three key questions:

- What is the scale and nature of the inclusive growth challenge in these places, and what are the key drivers and patterns of local economic performance and economic disadvantage?
- What are the economic assets of these places and in what ways are they responding to the challenges identified above?
- What are the policy, institutional and other barriers that are constraining their potential to promote inclusive growth, and how might policy, governance and finance changes address this and strengthen their role as place-based enablers of inclusive growth?

The scale and nature of the inclusive growth challenge

The research highlighted a number of key factors that drive unequal patterns of growth and constrain the ability of local economies to grow inclusively. These include:

- **The long-run challenges of economic restructuring and a changing geography of growth, which have contributed to creating structural barriers to inclusive growth.** Parts of Bradford, Cardiff Capital Region and Newcastle (and other places in the UK) are still recovering from the economic shocks associated with industrial decline and difficulties adjusting to a more knowledge-based economy. A new geography of growth has benefited urban and regional centres, increasing the economic disconnect experienced by people in more peripheral areas.
- **Structural skills and labour market issues, including a low skills equilibrium and low-wage economies, multi-generational labour market neglect and welfare reliance, and significant learning and skills deficits.** These challenges have made it more difficult to move towards high-wage, higher value added local economies.
- **Patterns of ill-health and deprivation are strongly associated with unequal growth, constraining the supply and quality of labour and limiting areas' productive potential.** People in poorer areas also tend to have worse health, which fuels a vicious cycle of structural economic disadvantage and ill-health. For example, poor health is a key driver of economic inactivity in the Welsh Valleys, explaining part of the substantial disparities with more economically buoyant parts of the region such as Cardiff.
- **Housing, transport and labour market connectivity.** A lack of affordable, good quality homes helps to drive economic exclusion in poorer neighbourhoods and communities. Stronger transport infrastructure is regarded as a key means of connecting more people to economic opportunity, but it may not provide many benefits to poorer and lower skilled workers, who tend to have limited labour market mobility.
- **A limited business base relative to national averages, which is compounded by limited support from national policy, poor access to finance and challenges in establishing cultures of enterprise.** Central government's approach to investment, and the nature of the UK's financial system, means that local businesses (especially start-ups, small businesses and social enterprises) often do not get the support and resources they need to develop and become more productive.
- **Austerity, welfare reforms and pressures on public services have adversely impacted the poorest communities, the sustainability of local services and the capacity for councils, businesses and the third sector to drive local economic development.** Places with higher deprivation have been disproportionately affected and this is undermining the basic conditions for inclusive growth.
- **Image, attitudes and aspiration: perceptions of urban decline or 'social decay' about particular neighbourhoods or towns can affect people's sense of economic belonging, and make it more difficult to retain or attract talented workers and investment.** This can also combine with socioeconomic disadvantage and create a 'poverty of aspiration' for poorer and lower skilled people in peripheral towns and neighbourhoods.

Place-based initiatives for inclusive growth

Bradford, Cardiff Capital Region and Newcastle have developed a number of initiatives that together make up what can be characterised as place-based approaches to addressing the challenges relating to inclusive growth identified above. A central part of this has been to move beyond a 'deficit' understanding of their local economies, which has so often been the case with places facing economic challenges, and instead build on local strengths and assets. There have been three key, inter-connected aspects of this place-based approach:

Economic leadership and connectivity
Local authorities and other stakeholders have played a key collaborative and leadership role in supporting local growth and connecting more people to economic opportunities.

- **At a strategic level, this has involved developing positive strategies and unique economic identities that build on the key strengths of their local economies** – for example Bradford's Producer City vision, which emphasises its manufacturing industries. A clear aim has been to move towards a higher wage, higher value added economy with opportunities for all, and this can be seen in Newcastle's "Working City" Plan.
- **The places studied have also developed stronger understandings of their place within their wider economic geography, creating stronger links with their city region** and influencing sub-regional priorities through devolution deals and Local Enterprise Partnerships in order to create benefits for local people.
- **Councils are also creating strong partnerships with educational institutions, businesses and employers to address local skills gaps, promote entrepreneurship and connect residents to opportunities created by local growth and investment.** Get Bradford Working is an example of bringing the skills and employment support in the district more coherently together in order to create more employment for residents across the labour market spectrum, in a way that aligns with local economic needs.

Public service reform and investment
The areas studied have also sought to address the multiple barriers to economic inclusion associated with a fragmented system of public support. They have pursued this through initiatives for public service reform and investment, joining up policies and ensuring services are aligned with their place context.

- **One key element of this has been to address fragmentation within the skills and employment support system** – by pooling resources, coordinating and integrating the work of various agencies and organisations involved in employability and skills, and creating more flexible, joined up support for service users. Get Bradford Working is an example of this, as well as Newcastle Futures, a special purpose vehicle set up by the council and Jobcentre Plus to bring together the employability support across the city.
- **Another key element has been to explicitly link employment and skills initiatives to wider social policies in order to develop a more integrated set of measures for the most disadvantaged groups.** The aim here is to address the underlying issues that limit people's skills and employment prospects (and also create additional demands on public services) – bringing together health, social care, housing, welfare and other services to provide personalised, 'wrap around' support. Prevention and early intervention is a key part of this, and this can be seen for example in work by Newcastle's 2020 Partnership, which showed that 67 percent of the city's young people that are not in education, employment or training ('NEETs') have had repeated contacts with social care teams.

Inclusive growth through community anchors
Community anchors play an important role in ensuring that more economic opportunities flow to local residents and disadvantaged neighbourhoods. The case study areas show that pursuing agglomeration at the scale of regions or city regions should be complemented with economic development targeted at the level of communities and neighbourhoods.

- **Strengthening the social economy (for example, social enterprises) can support inclusive growth**, because these types of organisations tend to be rooted in local areas, create local jobs and businesses and promote community-led economic development that directly benefits local areas, especially those that are deprived. The social enterprise sector in Wales, as well as 'community anchors' such as Royds Community Association and Carlisle Business Centre in Bradford, demonstrate this.
- **Place-based institutions such as councils, hospitals and universities and colleges can also act as anchor institutions through their spending power and local clout,** using procurement, local leadership and their relationship with developers to create economic opportunities for disadvantaged groups.

Policy and practice challenges

While local areas have developed a good deal of innovative practice, which has been further supported by devolution, there are a number of policy, institutional and cultural tensions or barriers that are impacting the ability of places to promote inclusive growth.

Possible tensions between sub-regional growth and economic inclusion
Some interviewees argued that city region or regional growth strategies that are centred on agglomeration, inward investment and high growth sectors do not necessarily benefit peripheral towns and cities, and neighbourhoods that have been disconnected from growth for a long time.

- **While being more strongly connected to a city system and regional economies brings economic benefits, agglomeration economies (concentrations of skilled workers and high value firms) may not necessarily benefit poorer people.** For example, shifts in where employment is located as a result of agglomeration may not help lower skilled workers who tend to have much lower labour market mobility. Focusing narrowly on urban centres may also hollow out the economic assets and potential of hinterland areas, leaving behind certain sections of the population that may become even more disconnected from growth.
- **Some people and neighbourhoods, because of the structural economic barriers they face, may not benefit from inward investment and growth in key economic sectors. Local residents can sometimes lack the skills to access high quality opportunities, which often flow to in-commuters.** Moreover, growth sectors raise GVA, but they don't create much local employment. It is thus just as important to focus on improving productivity and conditions in job-rich service sectors, such as retail and hospitality, that account for a high proportion of local employment.
- **Constituent parts of city regions can often find it difficult to achieve the degree of institutional consensus and joint working required to promote inclusive growth at a place-based level.** This can make sub-regional collaboration, coordination, agreement and pooling of resources, difficult to achieve.

There are a number of areas policymakers and practitioners may want to explore in addressing some of these challenges, including how regional growth approaches might build on the economic role and potential of hinterland areas and smaller towns and cities, as well as how they might move beyond focusing narrowly on high-GVA sectors and also target job-rich sectors of the economy, in order to impact the living standards of local workers.

Work and skills policies are not optimised to promote inclusive growth
Current approaches to education, skills and work appear to disadvantage people and places with low incomes, low skills and educational attainment, and complex social problems.

- **Despite opportunities created by devolution, policies, services and support continue to be too fragmented and opaque for both employers and those receiving support.** While devolution is happening in some areas (such as the Adult Skills Budget) it is being constrained in other areas (such as schools and 16-19 education), which makes the task of joining up services around local needs more difficult.
- **The current learning and work infrastructure undermines economic inclusion by being least navigable for those furthest from the labour market and those that do not do well in school the first time**, whose routes to work are the least clear and most poorly supported.
- **The national workforce system reinforces a low skills equilibrium and a disconnect between local people and opportunities from growth.** This is partly because of its 'job first' focus, which centres on getting people into any sort of employment. This keeps less skilled people in the lower end of the labour market, while making it more difficult to match higher skilled residents to opportunities in higher value sectors.
- **The national welfare-to-work programme has failed for those that are the most economically disadvantaged, especially disabled people. Government is sceptical about substantial, long-term investment for addressing this, seeing it as a big financial risk.** The Work and Health Programme, which is set to replace the Work Programme and focus on this particular cohort, may not be much more effective because of very low funding and doubts about whether "co-commissioning" will actually empower local places to lead employment and skills activity.

Questions policymakers and practitioners may want to explore to address this include how to ensure the design of the Work and Health Programme supports locally-led labour market inclusion; the degree to which future devolution provides the basis for long-term social investment to raise human capital and address complex challenges; and how local places might work around the 'red line' areas of devolution such as schools and 16-19 education.

The state could do more to create the conditions for inclusive growth
Interviewees stressed that while it is not the state's job to run the economy, the state can play a key role in creating the conditions for growth to take place; for that growth to be inclusive; and for people to develop the capabilities to be able to contribute to, and benefit, from the growth of their local economies. But the state, and the central state in particular, has a relatively poor track record in this regard.

- **Past regeneration and regional economic management have not been very successful in achieving strong economic outcomes, while current approaches have very limited resources behind them.** For example, local growth funding between 2010 and 2015 was half of that between 2005 and 2010. Neighbourhood-level investment is also very low.
- **There are concerns about the low level of investment from central government, the unequal distribution of that investment (which favours more successful economies) and the narrow scope of infrastructure policies.** There is a strong need to complement investment into 'hard infrastructure' with more resources to help build the 'social infrastructure' of growth, through investment into human capital, healthy communities and sustainable, prevention-focused public services. Local services and the public sector can play a key role in creating the long-term conditions for inclusive growth.
- **National policies and fiscal, monetary and economic decision-making has a large bearing on the growth and inclusiveness of local economies.** Policies such as deficit reduction, welfare reforms, tax and spending decisions, housing policy, public service reform, and economic management and regulation, have often disproportionately impacted the living standards of poorer families and neighbourhoods, and have in some cases acted against local efforts to promote economic inclusion.
- **Local government financing has major implications for inclusive growth.** Full localisation of council funding by 2020 may adversely impact poorer places and those traditionally reliant on central government grants, and combined with other constraints, such as around council tax, can limit the local tax base and the capabilities for councils to lead efforts for inclusive growth.

Issues that policymakers and practitioners may want to explore to meet some of these challenges include how central government can become a more effective partner with local places in promoting inclusive, place-based growth; the opportunities available for investment in 'social infrastructure' as well as 'hard' infrastructure; how the public sector can be repositioned as a key enabler of inclusive growth; how future devolution, particularly fiscal devolution, can help drive inclusive growth locally; and what types of culture change or public service reform might be better at enabling innovative practice around inclusive growth to scale and shape mainstream policy and practice.

Insights from the research have informed the Inclusive Growth Commission's interim report and emerging policy recommendations.[1]

1 Inclusive Growth Commission (2016) Emerging Findings of the Inclusive Growth Commission. RSA: London. Available at: https://www.thersa.org/discover/publications-and-articles/reports/emerging-findings-of-the-inclusive-growth-commission

Introduction

Inclusive growth refers to broad-based growth that enables the widest range of people and places to contribute to economic success, and to benefit from it too. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes[2]

The case for inclusive growth is being made the world over. Whether by the IMF and its call for more 'inclusive capitalism', or by the OECD in its recent Inclusive Growth in Cities initiative, international leaders are demanding a change in the rules of the game. Economic growth needs not only to benefit the lucky few, but to provide opportunities for all.

The global trend of low social mobility and entrenched poverty and inequality is one in which the UK is a particularly bad offender. As the structure of its economy changed radically in the 1980s, the UK experienced a steep rise in income inequality, an even starker concentration of wealth and very little progress on upward mobility. GDP rose steadily in the decades that followed, but the proceeds of growth have not been shared evenly or fairly across society. While worklessness is now at a historical low, in-work poverty is on the rise and low wage work and economic insecurity are becoming the defining features of many local labour markets.[3]

Place also matters in the geography of growth. The UK has some of the widest regional economic disparities amongst the advanced economies, with almost all of its second-tier cities growing at well below the national average. Many towns and cities are still recovering from the legacy of industrial decline, and wrestling with the challenge of raising the skills of their populations in order to benefit from an increasingly knowledge-driven economy. At a neighbourhood level, far too many communities are locked out of the benefits of rising prosperity – even when the opportunities are at their doorstep. Large-scale regeneration and regional growth programmes have sought to address these issues, but have had little success.

The lack of broad-based growth amounts to a huge waste of human potential. As well as its social cost, it also costs the state a lot of money, through welfare expenditure and reactive spending on public services to address the acute issues associated with poverty and inequality.[4] It has also acted as a drag on growth and productivity. Evidence suggests that more inclusive growth can help places maximise their growth potential over the medium and long term.[5]

The Inclusive Growth Commission was set up in April 2016 to investigate these challenges and develop a practical plan for implementing a place-based model of inclusive growth in the UK. Its predecessor the City Growth Commission demonstrated how UK metros can drive prosperity through place-based investment and economic policy making, enabled through devolution and new forms of governance and finance. This economic narrative has since influenced policy developments, but it has become increasingly urgent to understand how we can deepen and broaden this vision. It is vital to tackle the entrenched inequalities within and between regions, cities, towns and neighbourhoods that act as a drag on local economies, and ensure that the benefits of devolution and place-based growth are more widely shared.

About this research
As part of its inquiry, the Inclusive Growth Commission is undertaking a comprehensive programme of research, evidence collection and engagement. In order to inform its analysis of the place-based dimensions of inclusive growth, the Commission undertook three 'deep dive' research visits in Bradford, Cardiff and Newcastle, which form the basis of this report's evidence. Further visits are planned in Glasgow and Belfast. In selecting the case study areas we sought to ensure:

1. Different parts of the UK are covered.
2. Diversity in historical, demographic, institutional and economic contexts (including cities' roles and relationships with their city regions).
3. A focus on places that have been particularly affected by and that have sought to address the challenges associated with inclusive growth.

In the course of our research we spoke to around 50 people through a mix of interviews, roundtable discussions and practical visits (for the purpose of brevity, research participants are referred to

2 Ibid.
3 See for example Belfied, C., Cribb, J., Hood, A. and Joyce, R. (2016) Living Standards, poverty and inequality in the UK: 2016. London: Institute for Fiscal Studies. Available at: https://www.ifs.org.uk/publications/8371

4 For example, the Joseph Rowntree Foundation has calculated that dealing with the effects of poverty costs the UK £78 billion per year. £1 in every £5 of all spending on public services (£69bn in total) is needed because of the impact and cost poverty has on people's lives. See Bramley, G., Hirsch, D., Littlewood, M. and Watkins, D. (2016) Counting the costs of UK Poverty. Joseph Rowntree Foundation. Available at: www.jrf.org.uk
5 See Cingano, F. (2014) Trends in Income Inequality and its Impact on Economic Growth. OECD: France; and Dabla-Norris, E. (2015) Causes and Consequences of Income Inequality: A Global Perspective. International Monetary Fund: Washington, D.C. Available at: https://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf. Also see OECD (2014b) Focus on Inequality and Growth. Available at: http://www.oecd.org/social/Focus-Inequality-and-Growth-2014.pdf

as 'interviewees' throughout this paper). The range of interviewees included senior officers and elected members within councils; a range of representatives from across public services; local entrepreneurs, employers and businesses; community leaders, citizens and people that have participated in particular initiatives; third sector representatives, and academics. In addition to interviews, we also reviewed policy documents and undertook some data analysis.

The deep dive research centred on the Commission's research themes of:

- **Economy** - Inclusive, productive labour markets.
- **Place / Geographical inclusion** – Dynamic, resilience places.
- **Governance** – Creating system change.

The research focused on three key questions:
1. What is the scale and nature of the inclusive growth challenge in these places, and what are the key drivers and patterns of local economic performance and economic disadvantage?
2. What are the economic assets of these places and in what ways are they responding to the challenges identified above?
3. What are the policy, institutional and other barriers that are constraining their potential to promote inclusive growth, and how might policy, governance and finance changes address this and strengthen their role as place-based enablers of inclusive growth?

The research is rooted in the experiences of the case study areas, but seeks to draw national parallels and also makes use of wider evidence collected by the Commission.

Structure of the report

The report is divided into three chapters, following the introduction in the first.

The second chapter sets out the specific factors that drive unequal patterns of growth and constrain the ability of local economies to grow inclusively. The chapter combines local data, interview findings and wider data analysis to provide a comprehensive, place-based account of the scale and nature of the inclusive growth challenge facing local economies. The factors identified include structural economic change; labour market challenges such as the low skills equilibrium; patterns of ill-health and multiple deprivation; issues with housing, transport and labour market connectivity; barriers to business and enterprise growth; the impacts of austerity; and the influence of 'image', attitudes and low aspirations.

The third chapter provides an account of some of the key ways in which Bradford, Cardiff and Newcastle have sought to address these issues and promote greater inclusivity within their economies. Three key, inter-connected aspects of this are identified. First, councils have used their local leadership and networking capabilities to promote economic inclusion, including through building positive local economic identities; better understanding and leveraging their role within their wider economic geography; and creating strong local partnerships and investment. Second, they have pursued public service reform, innovation and integration as a means to addressing the multiple barriers to inclusive growth. Third, they have developed the role of 'community anchors' in promoting inclusive growth within their localities.

The final chapter suggests that while localities have developed a range of innovative and effective approaches for pursuing inclusive growth, their overall impact has been constrained by policy, institutional and cultural bottlenecks, some of which is rooted in a mismatch between local ambition and national appetite. It suggests that tensions between economic growth and inclusion at a sub-regional level need to be addressed; work and skills policies need to be much better optimised to promote inclusive growth; and the state should play a stronger, more active role in creating the conditions for inclusive growth.

Table 1 – Description and key statistics for case study areas

	Bradford	Cardiff	Newcastle
Resident population	531,200	357,200	292,900
Economic geography*	Key City in Leeds / West Yorkshire city region (sub-regional) and Yorkshire and the Humber (regional)	Core City in South East Wales / Cardiff Capital Region (sub-regional) and Wales (regional)	Core City in North East city region (sub-regional) and North East (regional)
Key economic sectors / strengths	Manufacturing, advanced engineering, chemicals, printing and digital industries	South East Wales: ICT, Advanced materials and manufacturing, Life sciences, Energy and Environment, and Financial and Professional Services	Tech and innovation and digital economy, Offshore and marine, medical sciences and sustainability
Economic output*	£9.2bn – 11th largest economy in the UK. GVA increased by 10.9% between 2010 and 2014	£10.6bn (Cardiff and Vale of Glamorgan). GVA increased by 12.4% between 2010 and 2014	£17.4bn (Tyneside). GVA increased by 18.2% between 2009 and 2014.
Job density*	0.67	0.91	0.99
Business density**	357 enterprises per 10,000 adults	359 enterprises per 10,000 adults	305 enterprises per 10,000 adults
Employment*	66.4%	69.2%	65.1%
Economic inactivity*	26.5% (27.4% of whom are students)	26% (35.7% of whom are students)	28.5% (28.9% of whom are students)
% On out of work benefits*	15.6%	13.3%	14.2%
Skills: % NVQ4 and above*	26.8%	43.5%	36.9%
Skills: % No qualifications*	15%	8.8%	11%
Gross weekly pay*	£452	£510	£496
% of jobs in Private Knowledge Intensive Business Services[1]	10.87%	15.12%	10.52%

*Source: Office for National Statistics – Nomis (2016) Labour market profiles, ONS (2016), ONS (2015) Regional Gross Value Added.
* Proportions are of those aged 16-64.
** RSA analysis of UK Business Counts from Inter Departmental Business Register (ONS) and ONS population estimates (2014).
1: Centre for Cities (2016). Note that the Centre for Cities analysis is based on Primary Urban Areas (PUAs) rather than local authority boundaries.

The scale and nature of the inclusive growth challenge

As the Commission argues in its interim report[6], more inclusive growth requires creating better connections between local people and economic and employment opportunities. It also means shaping local markets to promote 'quality' growth that enables an uplift in living standards supported by secure, good quality jobs and employment and earnings progression. This so-called 'local economic stewardship' should also be complemented with social investment, supporting people's skills and employability as well as providing public services that strengthen life chances and address barriers to social and economic participation.

Our case study areas demonstrate that many parts of the country face considerable, multi-faceted challenges that have constrained their economic potential and acted as barriers to inclusive growth. Many of these issues are deeply structural, rooted in economic and industrial decline and difficulties in responding effectively through labour market adjustments. While cities have increasingly responded through economic diversification and the growth of high-value sectors, there are still many towns and neighbourhoods that are unable to benefit from these opportunities. These challenges are also influenced by geographic and socio-cultural factors, including unique place-based characteristics. This may help explain why major policies and programmes to support growth, regeneration and inclusion have been largely ineffective: they have tended to be centrally prescribed and managerially driven, inflexible and unresponsive to local contexts.

The findings from our research support the view that policies to promote growth and inclusion should aim to be complementary and mutually reinforcing. Agglomeration-based growth without attention to the distribution of its benefits leaves too many people and communities behind, while greater economic inclusion rests on creating stronger local and regional economies, particularly in places that have traditionally struggled.

Long-run challenges: economic restructuring and labour market adaptation

In many respects, parts of Bradford, Newcastle and Cardiff Capital Region are still in the process of economic recovery going back decades. The impact of de-industrialisation and structural economic change has had adverse long-term effects on parts of their labour markets, which were historically reliant on the manufacturing employment provided by traditional industries such as steel and textiles. As the economy and policy priorities shifted dramatically in the 1980s, some of these places lacked the economic resilience to respond to the growth of new service industries, particularly those that were knowledge-intensive and technologically driven.[7] Long periods of relative economic decline followed, with many areas now having to play 'catch up'.[8]

These trends also reflect a 'new economic geography' that has seen quality, knowledge-based jobs growth become concentrated in certain places, such as London and some of the bigger cities, at the expense of many of the old industrial areas that had in the past enjoyed large-scale employment.[9] Nevertheless, there is not a simple North-South divide to this changing economic geography, but an important city region dynamic too. Some of the 'core' cities at the centre of their city regions have been relatively successful at 'reinventing' themselves and offsetting dropping employment shares in old industries through economic diversification and significant growth in high-knowledge sectors. In some cases, this diversification began before the economic shocks of the 70s and 80s – providing some of the larger cities with a firmer footing with which to respond to economic change.[10] More recently, there is evidence to suggest that larger cities in England (including Newcastle) are becoming more economically competitive partly through improvements in economic activity, business growth, increasing skills levels and growing the proportion of knowledge-based businesses.[11]

These economic shifts have created significant structural barriers to inclusive growth, impacting the health, education, skills base and labour market participation of people and neighbourhoods within our case study areas and across the UK. Government policies and inaction have also played a part in exacerbating these issues, including the diversion of hundreds of thousands of displaced workers – with old industrial areas especially affected – onto incapacity benefits through the 1980s and 90s.[12]

6 Inclusive Growth Commission (2016) Emerging Findings op cit.

7 See Swinney, P. and Thomas, E. (2015) A century of cities: Urban economic change since 1911. London: Centre for Cities. Available at: www.centreforcities.org

8 Pike, A., McKinnon, D. Coombes, M. et al. (2016) Uneven growth: tackling city decline. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk

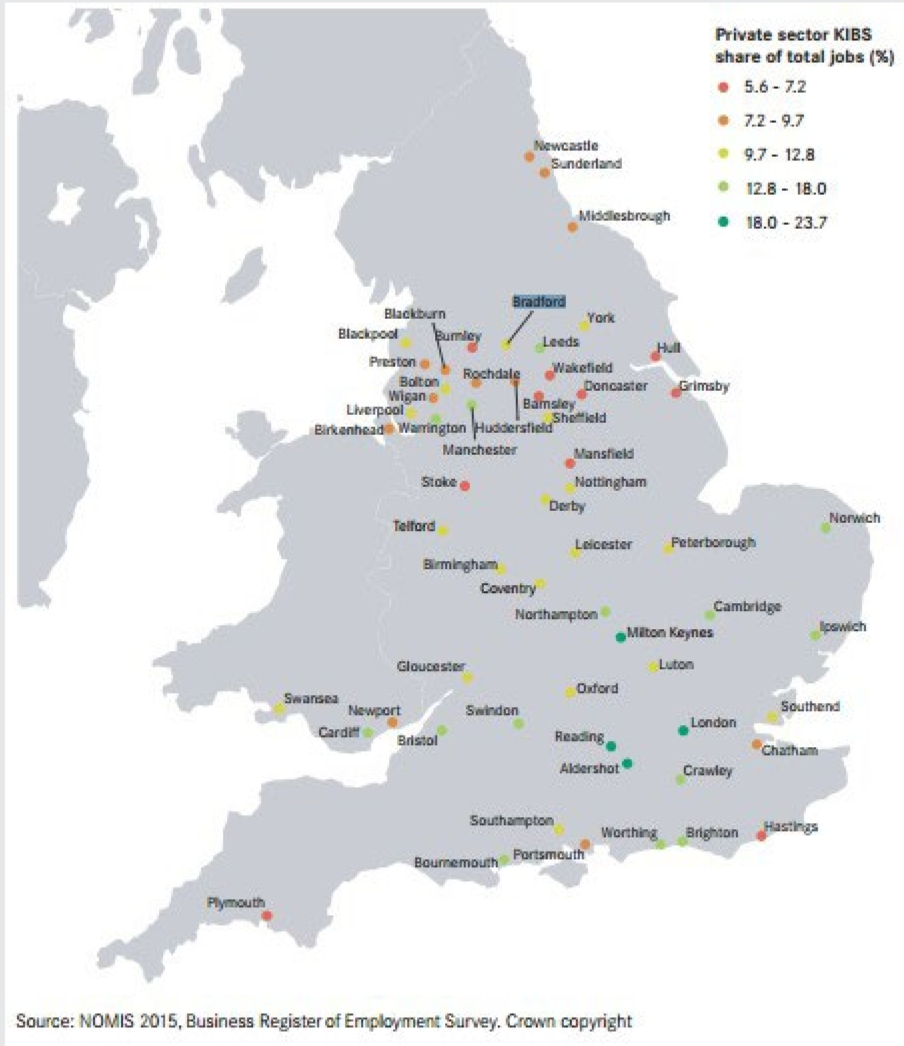
9 Lupton, R., Rafferty, A. and Hughes, C. (2016) Inclusive Growth: Opportunities and Challenges for Greater Manchester. The University of Manchester and Joseph Rowntree Foundation. Available at: http://www.cities.manchester.ac.uk/medialibrary/igau/IGAU-report-2016-FINAL.pdf

10 Swinney, P. and Thomas, E. (2015), op cit.

11 Huggins, R. and Thompson, P. (2013) UK Competitiveness Index. Cardiff: Cardiff University.

12 See for example Beatty, C. and Fotherfill, S. (2011) Incapacity Benefit Reform: The local, regional and national impact. Centre for Regional and Economic Social Research. Available at: https://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/incapacity-benefit-reform.pdf

Map 1: The geography of knowledge-based jobs, 2013 (Centre for Cities)



Source: NOMIS 2015, Business Register of Employment Survey. Crown copyright

Source of mapping and data analysis: Swinney, P. and Thomas, E. (2015), op cit. The map shows the share of 'knowledge-intensive business services' within city economies. Note that this is based on PUAs rather than local authority boundaries.

The lack of proactive transitional support at the time for people affected by structural economic change made it much more difficult to achieve labour market adjustment in many parts of the UK. This passiveness of policy contrasts to the strategic, place-based policies that enabled places such as the Ruhr region in Germany to respond to industrial decline through economic transformation and labour market transition.[13]

From an inclusive growth perspective, it is nevertheless important to recognise that unequal patterns of growth do not just reflect a failure in helping struggling economies adapt to a post-industrial context. Inequality and exclusion are also associated with economic growth and affluence in cities – thus the rising prosperity within cities such as London, Bristol, Manchester and Leeds has taken place alongside increasing inequalities in income, health and housing. This is partly why London scores highest for 'prosperity' (output growth, employment and human capital) in the Inclusive Growth Analysis Unit's monitor for inclusive growth, but has amongst the lowest ratings for 'inclusion' (income, living costs, and labour market exclusion).[14] Responding to structural economic change is therefore only one part of a wider process of pursuing a new model of economic growth – even for places that achieve a firm footing in traditional economic terms.

13 See for example Schwarze-Rodrian, M. (2016) *Ruhr Region Case Study in Carter, D.K. (ed.), Remaking Post-Industrial Cities: Lessons from North America and Europe. Routledge.*

14 Beatty, C., Crisp, R. and Gore, T. (2016) An inclusive growth monitor for measuring the relationship between poverty and growth. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk

Case study – Economic disparities in South East Wales and the significance of skills

One of the key challenges for the Cardiff Capital Region is addressing the significant disparities that exist within the sub-region. Cardiff and Monmouthshire are overwhelmingly the focal points of economic growth and competitiveness, while many parts of the Valleys continue to struggle in a post-industrial context. This is demonstrated by the relative performance of different parts of the region in the UK Competitiveness Index, which measures "the ability for an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it." It includes input factors such as economic activity rates, start-up rates, number of businesses per 1,000 population, skills levels and proportion of knowledge based businesses. It also includes output factors such as GVA per head, output per hour worked and employment rates. Finally, the Index includes outcome factors such as gross weekly pay and unemployment rates.

Only Monmouthshire and Cardiff rank in the top half of the UK Competitiveness Index, while 5 of the remaining 8 areas are ranked in the lowest 5% nationally. As a recent economic analysis report notes, Monmouthshire, Cardiff and the Vale of Glamorgan (the 3 most competitive areas in South East Wales) also have the most highly skilled labour forces, while those that are the least competitive have the least skilled. This demonstrates skills levels as key drivers of economic growth with important implications for how to include more people and places in the benefits of growth.[1]

1 AECOM (2015) Baseline Economic Analysis for South East Wales.

Skills and labour markets

Labour market challenges such as a low skills equilibrium, low-wage jobs and employment polarisation, were recognised by interviewees as central barriers to more sustainable, inclusive and higher quality growth. Upticks in GVA and post-recession jobs recovery were also described as 'fragile' due to their reliance on low-wage economic activity and insecure forms of employment.[15] In Bradford, 26.8 percent of working age residents have NVQ4 or equivalent qualifications (compared to 37.1 percent nationally), while 15 percent have no qualifications (compared to 8.6 percent nationally) and 36.2 percent are employed in senior and professional occupations (compared to 44.6% nationally). Newcastle has a comparatively higher skills and occupation base (36.9 percent of working age residents have NVQ4, while 40.8% are employed in senior or professional occupations), but around 16 percent of workers are employed in 'elementary occupations,' far higher than both the North East (12.2 percent) and Britain (10.8 percent). Cardiff has relatively high levels of employment in senior and professional occupations (48.4 percent), as well as jobs with greater knowledge-intensive activity.[16] Nevertheless, other parts of the Cardiff Capital Region struggle, especially those historically dependent on traditional industries. In Blaenau Gwent, for example, almost 30 percent of residents are employed in the lowest-skilled occupations (process plant and machine operations, and elementary occupations).[17] The growing trend of employment polarisation also means that high-knowledge jobs tend to be taken by graduates or mobile, high-skilled workers that commute in (or are left vacant, as often happens, where skills shortages persist). Those with a weaker skills base in turn become reliant on the lower-end of labour markets.[18]

These issues are also related to long-term structural problems that have fuelled multi-generational labour market neglect and welfare reliance. In Bradford, for example, 15.6 percent of working-age residents are on out-of-work benefits (working-age client group) – compared to 13 percent in Leeds City Region as a whole, and 11.8 percent in Britain.[19] Interviewees stressed the 'scarring' effects of long-term detachment from the labour market and the toll this exacts on local growth, skills, employability

15 This is also supported by evidence from the Northern Powerhouse Independent Economic Review (2016), which identifies skills gaps (and the low skill equilibrium) as key drivers of the North's productivity gap. See: http://www.transportforthenorth.com/pdfs/NP/Executive-Summary-NP-Independent-Economic-Review.pdf. Analysis by Citizens Advice shows that receiving a steady income from secure employment is just as important as the level of pay for those looking for a job. See Citizens Advice (2016) The importance of income security. Available at: www.citizensadvice.org.uk/

16 AECOM (2015) Baseline Economic Analysis for South East Wales.

17 Office for National Statistics – Nomis (2016) Labour market profile: Blaenau Gwent. Available at: www.nomisweb.co.uk

18 On the hour glass labour market, see for example UK Commission for Employment and Skills (2014) Growth Through People: Evidence and Analysis. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/410289/GTP_EA_final_v8.pdf

19 Office for National Statistics – Nomis (2016) Labour market profiles: Bradford, and Leeds City Region. Available at: www.nomisweb.co.uk

Case study - the fragility of economic growth and recovery Findings from a Newcastle survey examining residents' views about the current climate of the economy

In many places across the UK, economic recovery since the recession in 2008 has felt fragile and precarious for a lot of people. Newcastle City Council used its residents' survey to understand how residents feel about the ways in which the economy is impacting their lives.

On first glance of the data, Newcastle demonstrated resilience in the face of recession in 2008. GVA (in Tyneside) grew by 18.2 percent between 2009 and 2014, behind only London and Bristol in a comparative city analysis conducted by the ONS.[1] The economy grew by a further 3.2 percent between 2013 and 2014. The number of jobs in Newcastle has also increased to its highest level for at least a decade.

Yet many people in Newcastle do not feel part of this growth, or at least do not feel that this growth is providing them with security. As the table below shows, many residents see the current economic climate as one that increases job insecurity and makes it difficult to sustain a decent standard of living. There are also big variations between neighbourhoods: some feel part of a fundamentally insecure economy, while some others do not.

Table 2: In a 2015 survey, Newcastle residents were asked if the current economic climate results in the following (the table shows the percentage of residents that agree):

	Job insecurity or increased risk of losing your job	Loss of job or redundancy	Difficulties paying fuel / energy bills or water	Difficulties paying the rent or mortgage	Difficulties getting access to credit
Newcastle	15.3%	7.2%	20.3%	15.2%	8%
Ward with the highest % agreeing	Lemington – 29.7%	Woolsington – 16.3%	Walkergate – 61%	Lemington – 42.4%	Lemington – 33.9%
Ward with the lowest % agreeing	Walker – 3.6%	North Jesmond – 0.8%	Parklands – 6.6%	North Heaton – 2%	Parklands and Ouseburn – 0%

Source: Newcastle City Council, Residents' Survey (2015)

1 Office for National Statistics (2015) Regional Gross Value Added (Income Approach): London leads UK cities in economic recovery. Available at: https://www.ons.gov.uk/economy/grossvalueaddedgva/articles/regionalgrossvalueaddedincomeapproach/londonleadsukcitiesineconomicrecovery

and aspiration.[20] This form of disadvantage also tends to become concentrated over the long term within particular neighbourhoods and communities – traditional white working class areas were frequently mentioned. In addition to out of work benefits, the rise of low wage labour markets has also fuelled the number of households that are on in-work benefits, who now account for a much larger share of people in poverty.[21]

It was also widely acknowledged that these challenges have been more difficult to address as a result of learning and skills deficits linked to a disjointed education, skills and training support system that fails to sufficiently provide people with pathways into work and progression. This is compounded by challenges around secondary school attainment. While apprenticeships have become a key national policy priority, interviewees observed

20 This was expressed in our case study research, as well as in our seminars and evidence hearing in Sheffield (June, 2016). This is also supported by wider empirical evidence. See for example Gregg, P. and Tominey, E. (2004) The Wage Scar from Youth Unemployment. CMPO. Available at: http://www.bristol.ac.uk/media-library/sites/cmpo/migrated/documents/wp97.pdf

21 See for example JRF (2015) In-work poverty levels. Monitoring poverty and social exclusion 2015. York: Joseph Rowntree Foundation. Available at: http://www.jrf.org.uk/data/work-poverty-levels. Also see Belfied, C., Cribb, J., Hood, A. and Joyce, R. (2016), op cit.

that many young people lacked the basic skills to access them, and that there was a big gap in pre-apprenticeship support. In Bradford, education was identified as the primary challenge for the district because of the rapidly growing population of young people (a quarter of residents are 16 or younger). Failing to improve educational attainment and skills acquisition could not only constrain the city's productive potential, but also increase levels of deprivation and disadvantage.

"What lies beneath some of our big economic challenges is a 30-40 year picture in which too many of our young people have not been served well by schools, families, employers and others in terms of an education at all levels to equip them for adult life – with the requisite level of skills, confidence and access of opportunity to enable them to thrive."

Senior Officer Leader, Bradford Council

Health and deprivation

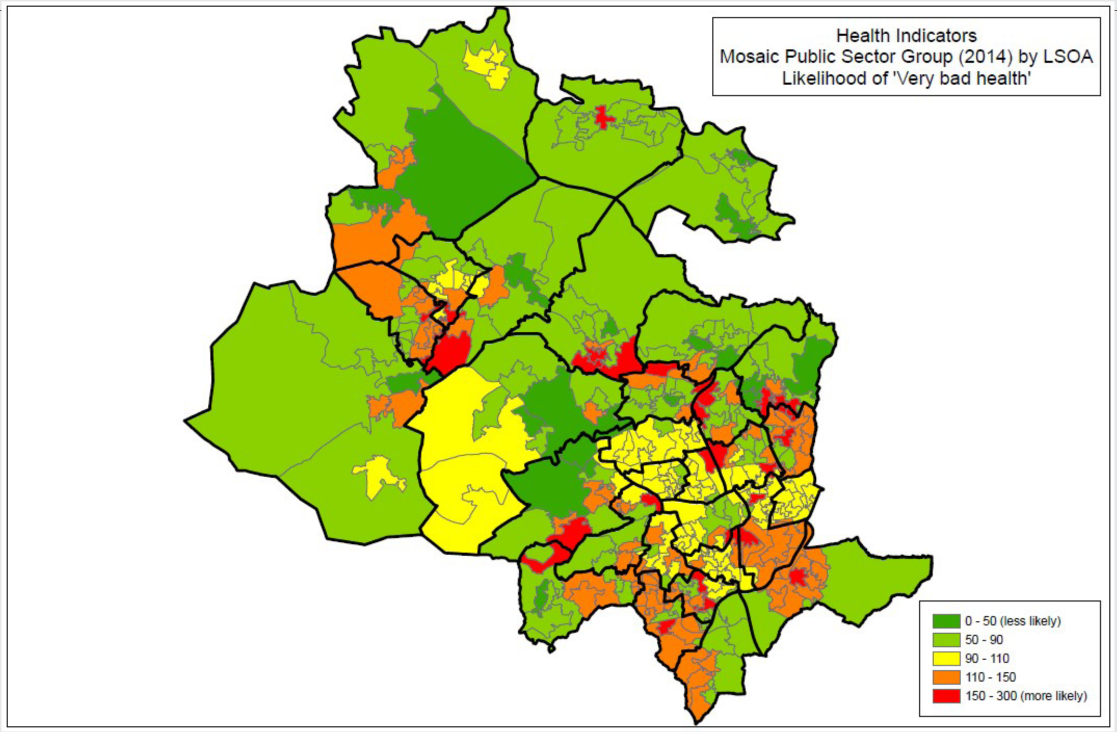
Labour market neglect and economic disconnection are strongly associated with unequal patterns of ill-health and deprivation. This constrains the supply and quality of labour and limits an area's productive potential. Detailed analysis of census data for England shows a stark divergence in the percentage of disabled people among the most deprived (decile 1) and least deprived (decile 2) neighbourhoods, across the working ages of 30 to 64, when adults are expected to participate in the labour market. In the most deprived areas, the activity limitations imposed on those aged 40-44 are almost equivalent to the limitations experienced by the least deprived areas for those in the 65-69 age group.[22] Given the very large gap in employment between disabled and non-disabled people, these factors fuel a vicious cycle of structural economic disadvantage and ill-health, which in turn reinforces unequal patterns growth.

Interviewees in our case study areas emphasised both the impact of ill-health (and increasingly, mental ill-health) on their cities' economic and productive potential, as well as the way in which it is spatially concentrated within particular neighbourhoods (and in the case of Cardiff, certain parts of the city region). This is also the case for other forms of deprivation, as demonstrated by data from the Indices of Multiple Deprivation (IMD). A recent report by the Joseph Rowntree Foundation (JRF) shows that these challenges, as well as factors such as low human capital, can lead to the poorest neighbourhoods being cut off from their local labour markets, even when there are plenty of jobs 'at their doorstep.' This demonstrates that proximity to employment opportunities often does not guarantee work for those that might benefit from it the most.[23]

22 Office for National Statistics (2014) Detailed Analysis of Health Deprivation Divide using the 2011 Census. Available at: http://www.ons.gov.uk/ons/rel/census/2011-census-analysis/inequality-in-general-health-and-activity-limiting-health-problems-and-disabilities-by-imd-2010-area-deprivation--england-2011/rpt-health-inequality.html

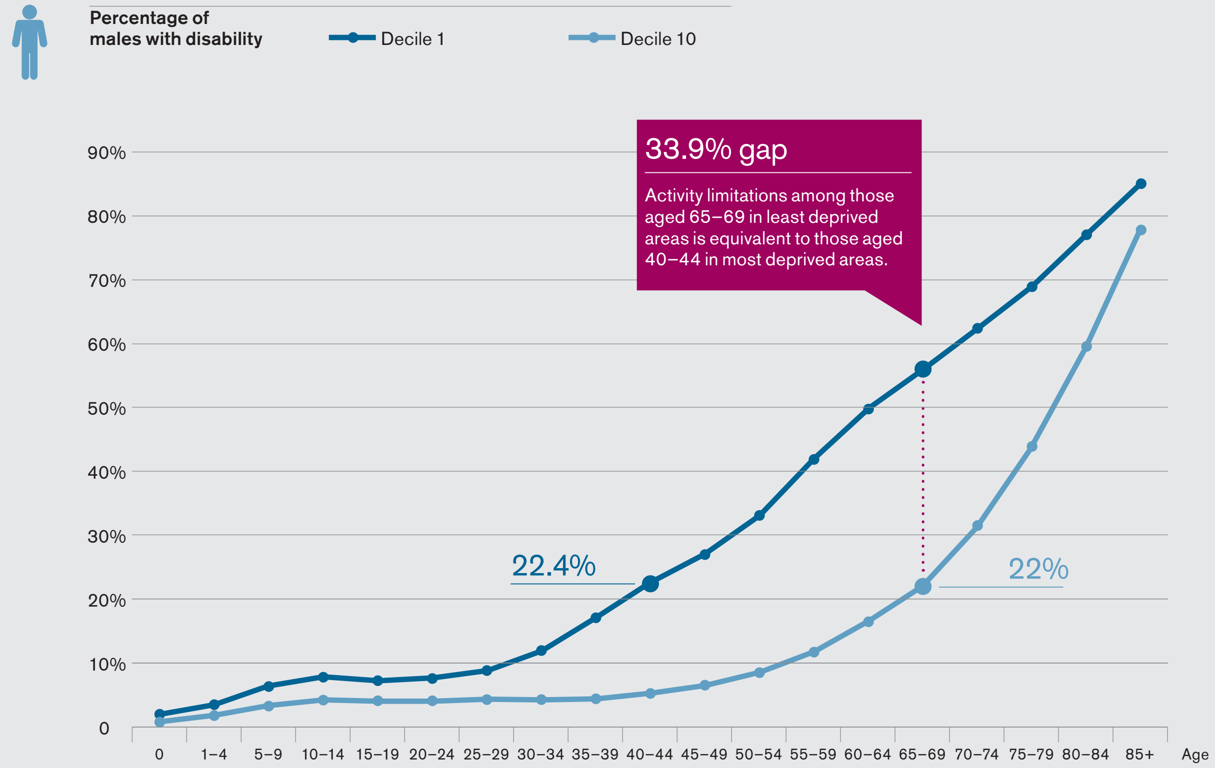
23 Rae, A., Hamilton, R., Crisp, R. and Powell, R. (2016) Overcoming deprivation and disconnection in UK cities. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk

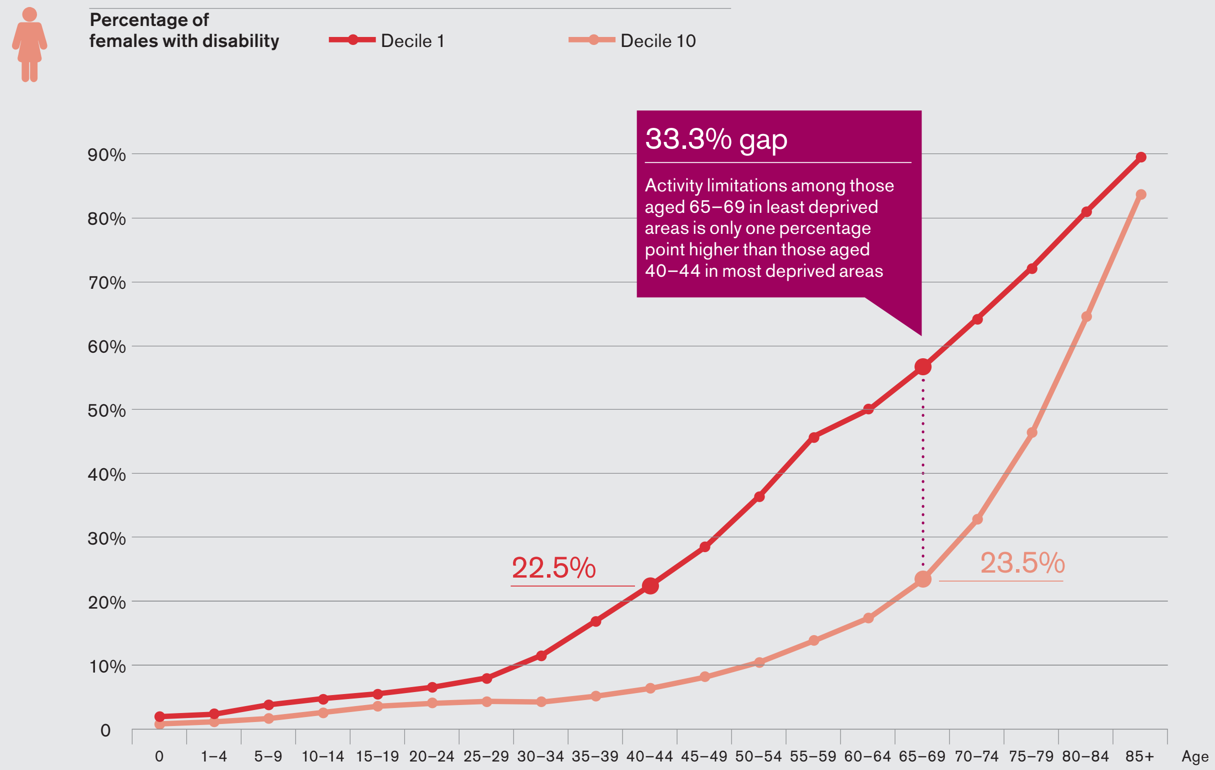
Map: The likelihood of 'very bad health' by neighbourhoods in Bradford (by lower super output areas)



Working age people in the most deprived areas are much more likely to be disabled than their counterparts in the least deprived areas

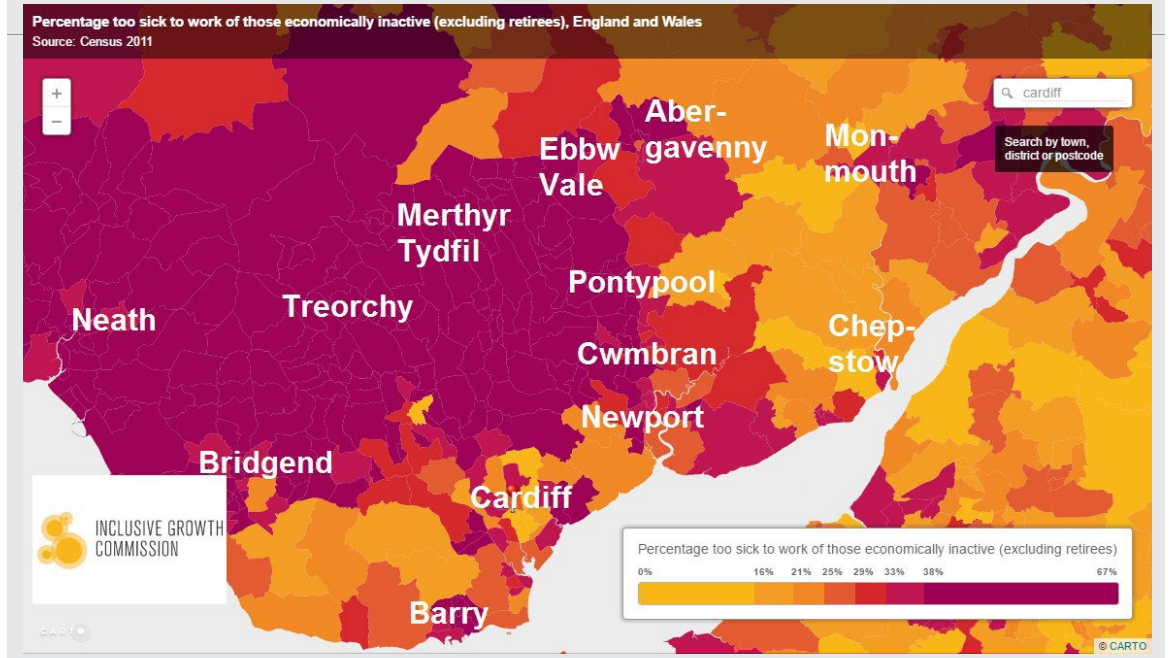
Source: Census – Office for National Statistics.





Note: Decile 1 is most deprived and decile 10 is least deprived

Map: Economic inactivity due to ill-health in South East Wales



"Ever since coal production reached its height in 1921, there has been reports written about the disconnect between Cardiff and the Valleys. There are still very high proportions there of 25-45 year-olds, people of working age, on anti-depressants."

Senior Local Government Officer, Cardiff Capital Region

Housing, transport and labour market connectivity

Housing supply, pricing and quality can reinforce patterns of economic exclusion and ill-health. They are also deeply intertwined with the performance of local labour markets and schools, and impacted by national policies (such as 'Right to Buy') and welfare reforms (including the benefit cap). The specific dynamics of micro-level housing markets also vary greatly. In Bradford, house prices are comparatively very low, but affordability issues nevertheless persist because of low median wages in the district as well as the impact of welfare cuts. The social rented sector actually struggles to compete on price with the private rented sector (PRS), largely because the quality of housing stock in the PSR can be very poor, often dangerously so. 40 percent of PSR housing stock in Bradford dates back to before 1919, and just over 40 percent of it has been classed as "non-decent". This in turn adversely impacts health and economic participation, while also making areas less attractive as places to live and work (and ultimately, to invest in). These pressures are likely to escalate because of significant population growth in the district and changing profiles of housing needs.[24] In Cardiff, housing affordability has a strong impact on the economy of the city region, with an increasing number of people having to locate outside of the capital but being affected by the transport connectivity issues within the sub-region (see below).

"Housing is another area where there is a lot of Westminster-driven policy. The council does a lot of work with Housing partners. They're struggling – development plans are up in the air... Housing is cheap here but because a lot of people are on low wages there are still affordability issues – and developers find it difficult to sell homes where schools aren't performing well. The conditions in the PRS can be very poor – there are people living without proper heat and water, trying to raise children, and it is impacting their health."

Senior Officer, Bradford Council

Transport was identified as an important challenge for connecting more people to economic opportunities locally and sub-regionally. However, labour market mobility appears to be more limited amongst poorer and lower-skilled communities and is influenced by cultural factors. This poses challenges for sub-regionally driven economic growth strategies. In Cardiff Capital Region, a major policy assumption has been that improving the transport connections between the Valleys and Cardiff will strengthen the incentives for people in struggling areas to commute into the capital in order to access employment opportunities.[25] The evidence, however, suggests that better commuting connections and labour market mobility in general benefit high-skilled workers.[26] The limited returns to lower skilled, low paid workers mean they are less mobile. As we heard in Cardiff, for example, would someone commute 25 miles for a low-paid job?

Some interviewees from Bradford and Newcastle (which has strong transport links) suggested that reluctance to travel is also influenced by socio-cultural factors, including strong attachments to immediate (often long-standing) neighbourhoods and more inward-looking outlooks. Extensive research with key stakeholders across the Core Cities identified this issue as a commonly cited barrier to labour market adjustment in some neighbourhoods impacted by structural economic challenges.[27]

"What kind of jobs are likely to build economic connections between the two parts of the region. Will someone commute 25 miles for a low-paid job? Will they if it takes them up to two hours?"

Senior Leader, Cardiff Capital Region

"As well as the training side to economic improvement there is also the transport side. Trying to get goods in and out of here is a nightmare… Improving real connectivity across the north of England is a game changer – but if that's all that happens it does nothing for economies like Keighley… Keighley doesn't have great mobility of labour – people are horror stricken if they have to go to Bradford city for work. This is linked to cultural mindset, and not wanting to incur the expense and the time for using the bus."

Business representative, Bradford

These issues raise important questions for city region based growth strategies, which tend to focus strongly on connectivity and agglomeration (the benefits that arise from concentrated economic activity and proximity of workers, firms and institutions). The Independent Economic Review of the North suggests that a lack of agglomeration explains part of the 'performance gap' between the North and other parts of the UK. Lower levels of agglomeration are linked to the relatively small size of Northern cities as well as regional fragmentation resulting from poor transport links.[28] It is argued that stronger agglomeration and connectivity across the region (or across city regions) can better connect people to centres of employment; enlarge the size and integration of labour markets across economic geographies; and promote 'vacancy chains' where a worker moving on from their job to go work elsewhere leaves a vacancy for someone else.[29] Further agglomeration is likely to intensify the 'new' geography of job growth, with more employment shifting from the hinterlands and becoming increasingly concentrated within city centres or further afield within the centre of city regions. Some interviewees asked whether this might lead to reduced opportunities for people that live in peripheral towns with lower levels of labour market mobility as well as a lower skills base. As corroborated by a panellist at the Commission's first evidence hearing in Sheffield: "We know that transport and connectivity is only one part of the economic growth story – it is also about education, skills, innovation and enterprise."[30]

24 City of Bradford MDC (2012), Joint Strategic Needs Assessment 2012. Available at: https://jsna.bradford.gov.uk/documents/JSNA/JSNA%20Executive%20Summary%202012.pdf

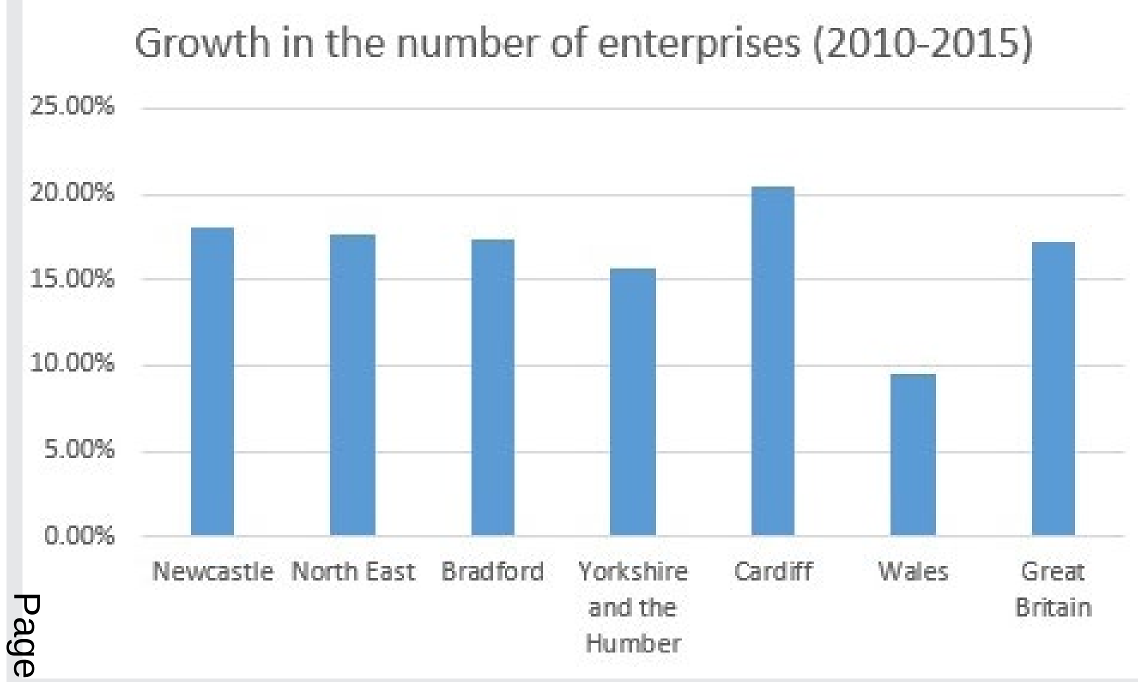
25 See Deloitte (2014) Cardiff: the Capital Connection.
26 Hind, D. (2015) On the Move: How to create a more mobile workforce. London: Policy Exchange.
27 Alasdair, R. et al. (2016), op cit.
28 The Northern Powerhouse Independent Economic Review (2016). Available at: http://www.transportforthenorth.com/pdfs/NP/Executive-Summary-NP-Independent-Economic-Review.pdf

29 Ibid., and Hind, D. (2015), op cit.
30 David Brown, Chief Executive of Transport for the North, in Inclusive Growth Commission Sheffield Evidence Hearing. June, 2016.

Business growth and density

The number of enterprises across our case study areas has been growing steadily since 2010 – at generally close to or above the overall figure for Great Britain. Examining business density, enterprise numbers and growth in the number of enterprises within city regions shows that, in general, the centre of city regions are the key hubs of business activity, though this is more evenly spread in the North East city region. Despite recent sustained growth in enterprise numbers, in terms of business density our case study areas are still significantly behind the Great Britain average.

Figure 1: Growth in the number of enterprises since 2010



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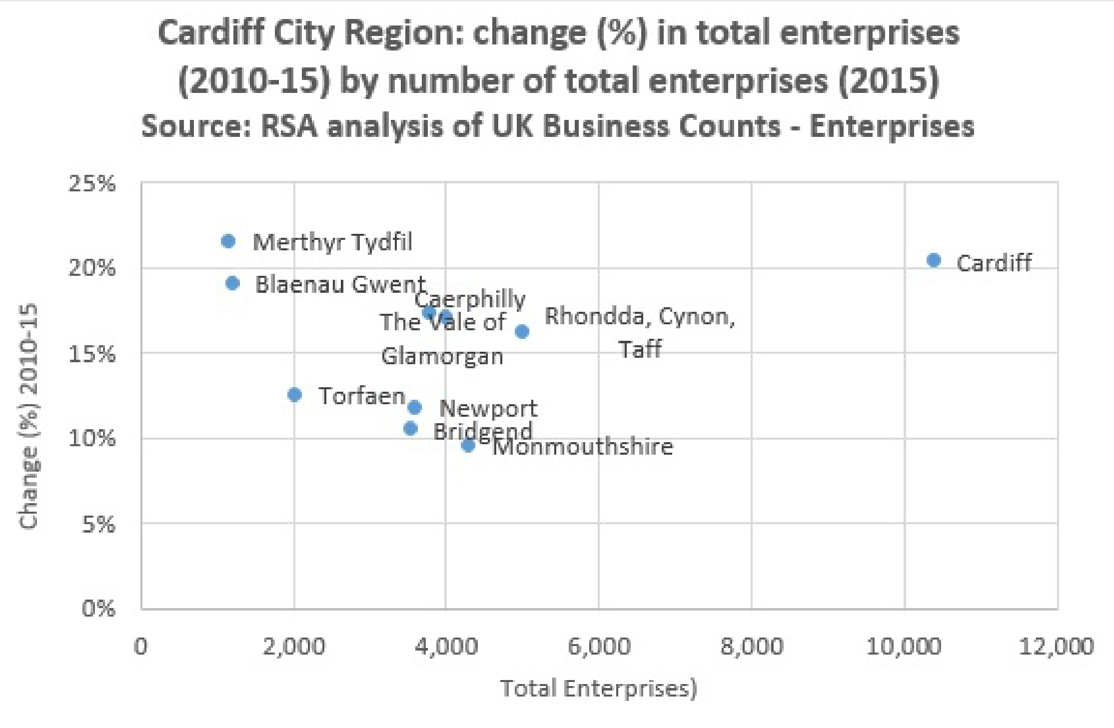
Source: RSA analysis of UK Business Counts – Enterprises

Figure 2: Enterprise numbers in Cardiff City Region



Examining the total number of enterprises and their percentage change since 2010 provides an interesting picture of how the number of enterprises and their growth is spatially concentrated across the city regions. In Cardiff Capital Region, Cardiff accounts for a high proportion of enterprises and has also experienced amongst the highest growth in numbers since 2010. Similarly, within West Yorkshire Leeds has the highest number of enterprises and a significantly higher growth in enterprise numbers. Business density follows a similar pattern, although here some other areas in the city region perform at comparable levels. However, our case study areas still have significantly lower business density than the overall Great Britain figure.

Figure 3: Enterprise numbers in West Yorkshire sub-region

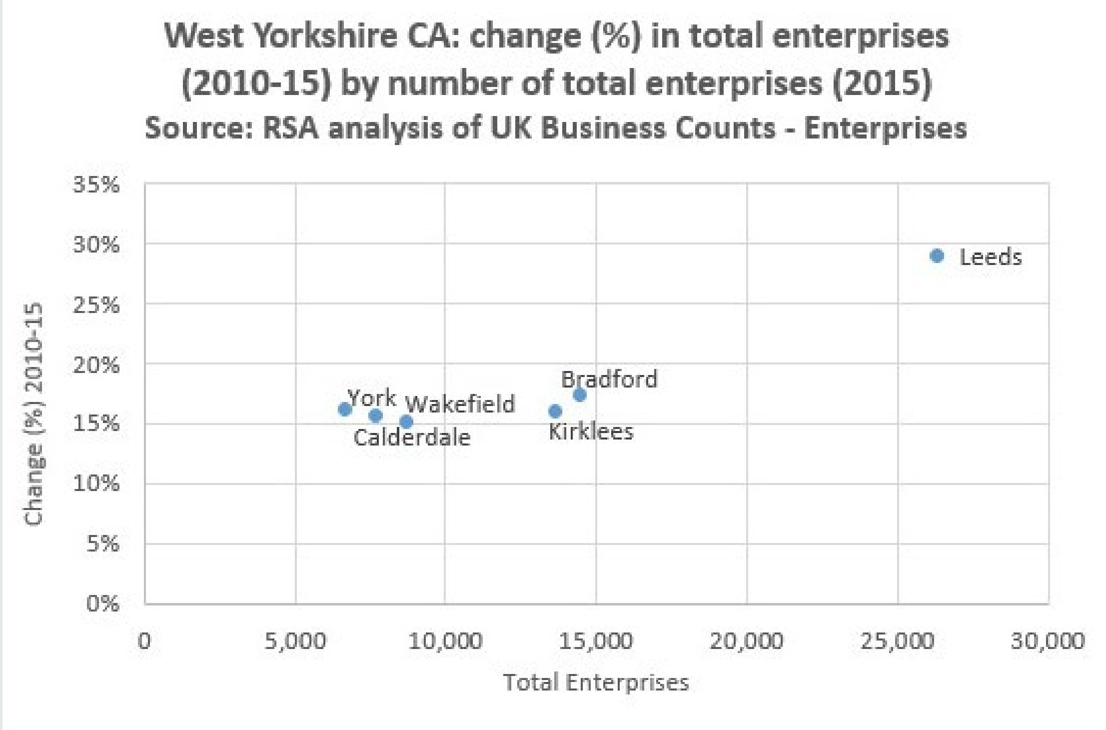


Figure 4: Enterprise numbers in North East Combined Authority (NECA) sub-region

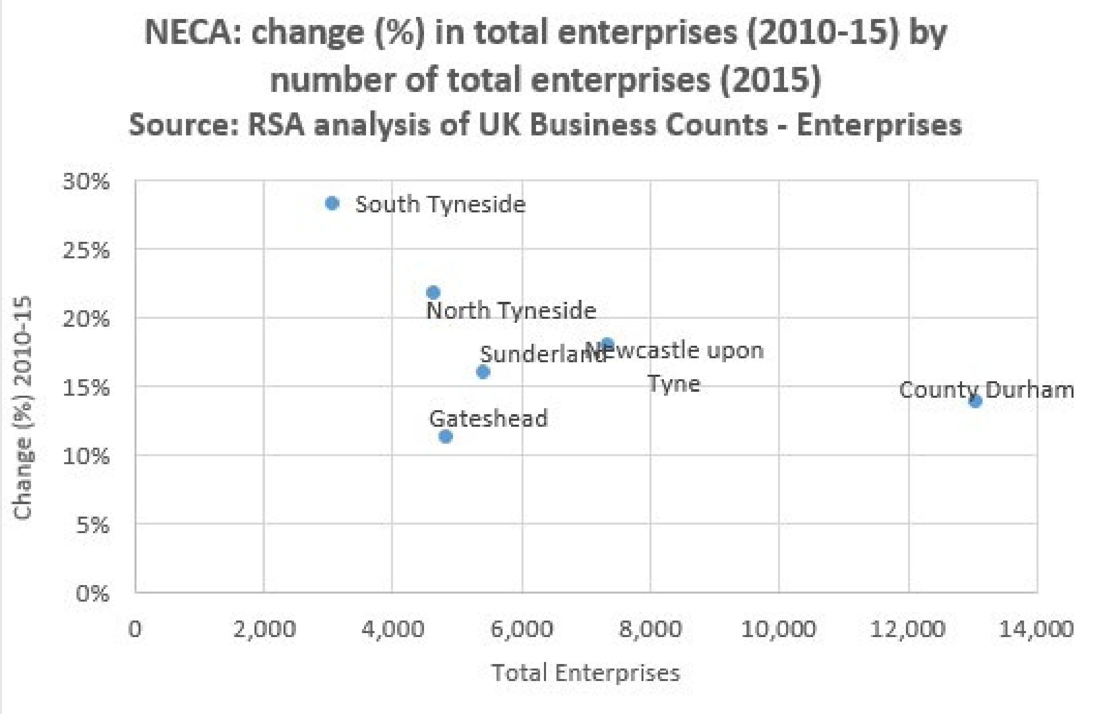
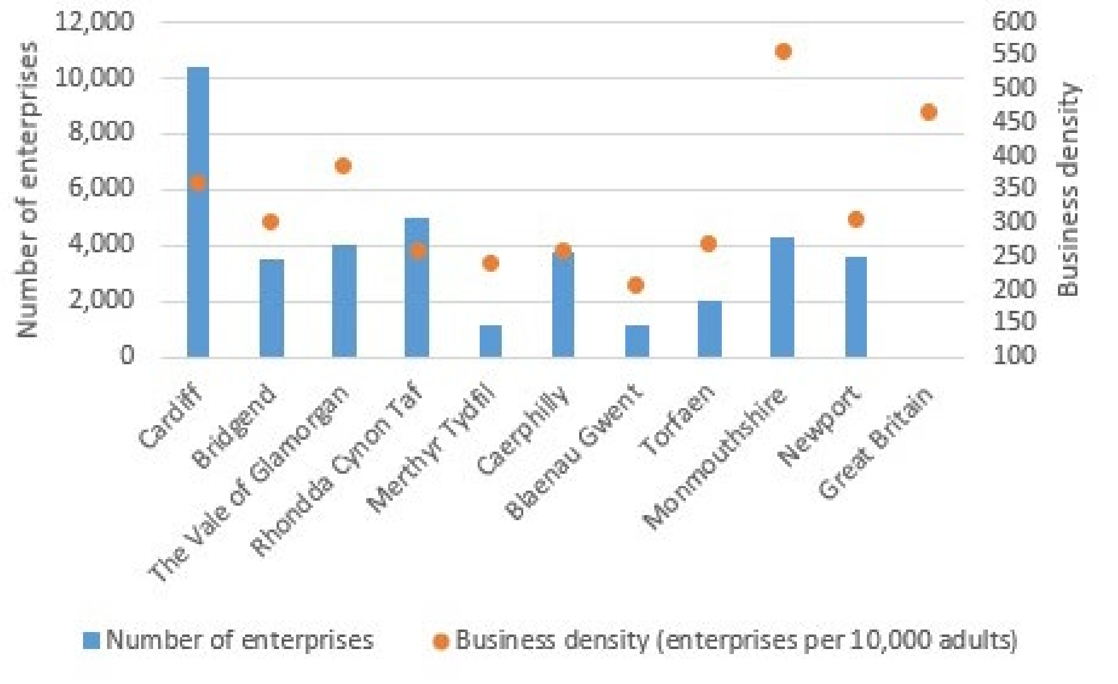


Figure 5: Number of enterprises and enterprise density in West Yorkshire sub-region:



Source: RSA Analysis of UK Business Counts and ONS population estimates (2014)

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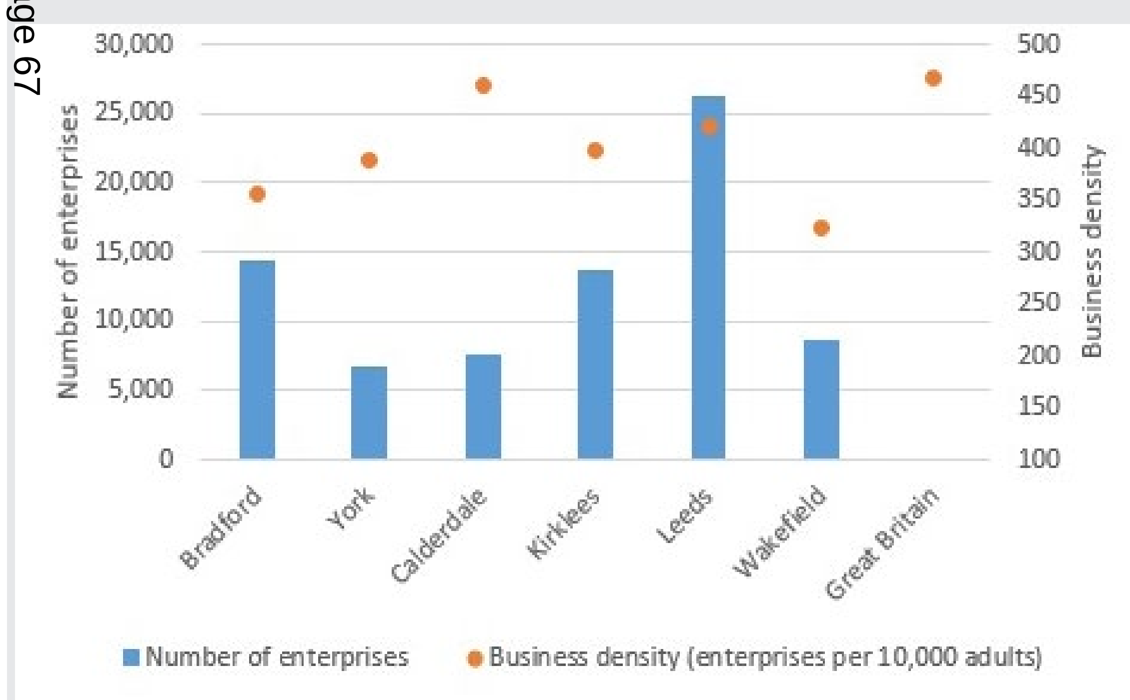
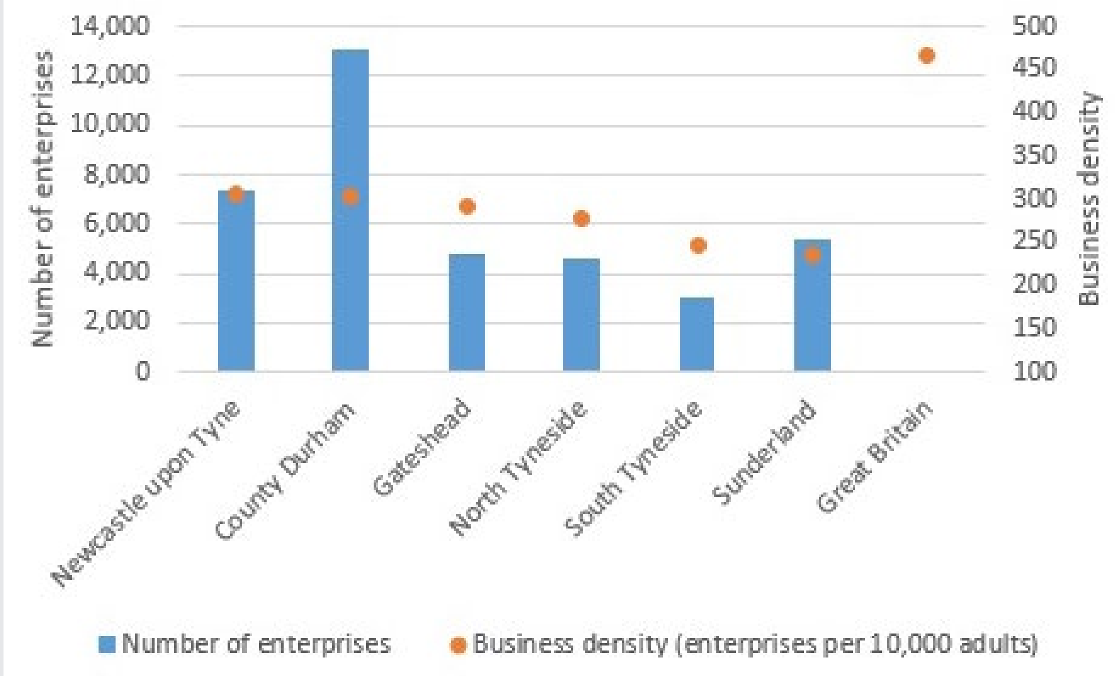
Figure 6: Number of enterprises and enterprise density in Cardiff Capital Region:



Source: RSA Analysis of UK Business Counts and ONS population estimates (2014)

Figure 7: Number of enterprises and enterprise density in NECA sub-region:



Source: RSA Analysis of UK Business Counts and ONS population estimates (2014)

Enterprise

Strengthening enterprise was identified as critical for inclusive and place-based growth, especially as public sector employment continues to contract and the imperative for private sector growth increases. Interviewees identified a number of issues that constrained the potential for enterprises to contribute to an inclusive growth agenda, including difficulties establishing cultures of enterprise with supporting infrastructure, relatively poor support for aspiring business owners from national programmes, low investment and poor access to finance. These problems were especially acute for SMEs and social enterprises. Smaller business owners argued that this reflected a short-term financial and investment mindset that failed to provide the long-term support that local businesses needed to grow and succeed. One example cited that demonstrates the short time horizons is the start-up loan scheme, which provides much needed finance for the first two years but then ends without much follow-up support, leaving small businesses reliant on the commercial market and unsecured personal loans. This not only affects their financial security, but also prevents them from investing in making their businesses and staff more productive (thus raising wages and living standards).

Interviewees emphasised the value of establishing regional banks while also addressing the imbalances in the way in which infrastructure is funded in the UK – for example HM Treasury's Green Book appraisal methodologies tend to favour those places that are already successful, leading to under-investment in areas that might need it the most. The EU sub-regional growth fund was cited as public investment that has made a local difference, as well as the lending support sometimes provided by local authorities, but there is a recognition that councils' ability to borrow is limited and they cannot act as financial institutions.

In addition to finance and investment, there are also questions about the extent to which the national Work Programme is sufficiently supporting people currently out of the labour market that would like to set up their own businesses or move into sustainable self-employment. Some providers offer good support services, but others largely follow a 'job first' approach where the emphasis remains on getting job seekers into any sort of employment.[31]

The viability and strength of enterprises is also influenced by the socio-economic characteristics of certain places – such as low skills and relatively high levels of sickness. This helps to explain why, for example, the start-up rates and economic competitiveness of the Valleys are low compared to parts of the Cardiff Capital Region such as Monmouthshire and Cardiff. Nevertheless, interviewees were keen to

31 See for example Dellot, B. (2014) Salvation in a Start-Up? The origins and nature of the self-employment boom. London: the RSA. Available at: www.thersa.org.uk

stress the latent entrepreneurship that exists in many disadvantaged communities. Council-led initiatives and anchor institutions (such as social enterprises) are playing a key role in supporting people in more deprived areas to set up businesses, but the constraints mentioned above limit the extent of this support.

Evidence suggests that locally rooted start-ups, micro businesses, smaller businesses, and social enterprises can promote inclusive growth and local economic development, providing opportunities for people that may be detached from mainstream labour markets.[32] Indeed, smaller enterprises make up the majority of businesses and are central to local economic growth. Their potential has nevertheless been constrained.

Austerity and pressures on public services

Public service cuts and welfare reforms have adversely impacted household incomes of the poorest communities, the sustainability of local services, and the capabilities and capacity for councils, business and the third sector to drive local economic development. Places that have higher levels of deprivation and are reliant on central government grant have been disproportionately affected.33 These trends are undermining the basic conditions for inclusive growth. One interviewee described the "multiplier effect" of austerity on the local economy of a place, as household spending decreases (or is maintained through debt) and institutions that support economic inclusion lose their financial firepower. A representative from a large housing association noted that welfare reforms such as rent caps have meant that the "additional value added" work the association does (for example, programmes for financial inclusion) are no longer viable. For councils such as Bradford and Newcastle, which have tended to rely on central government grants and have low council tax bases, drastically reduced funding, growing need and the localisation of local government financing by 2020 present serious challenges. Bradford, for example, is moving from being a £500m council to just a £300m council by 2020, despite a population of 530,000. While council leadership and local service innovation have to an extent created a buffer against some of the more adverse impacts of cuts, local authorities are reaching a point of deep service retrenchment. Services such as adult social care are under threat. As one interviewee suggested, if councils' financial stability is threatened, so will their capacity to support, finance and lead initiatives that promote inclusive growth. Similarly, if councils are forced to focus on meeting a narrow set of statutory duties as a result of financial pressure, their wider community and economic development role is likely to be significantly constrained. Financial pressures are also impacting the stability and resilience of families and communities. For poorer households, sudden loss of income (including from welfare reforms or job losses in insecure work) can have cumulative, long-term impacts: local poverty inquiries and evidence from Citizens Advice show that even small financial shocks can have huge ramifications.[34]

Image, attitudes and aspiration

Popular perceptions and attitudes about places and the economic opportunities they provide can make local economic development more difficult to achieve for many parts of the country. Images of urban decline and 'social decay' can fuel out-migration of talented workers and deter inward investment. They can also combine with socioeconomic disadvantage to create a 'poverty of aspiration' for lower-skilled people in peripheral towns and neighbourhoods. In our case study areas we heard about the issues of 'talent drain' and a lack of economic confidence stemming from popular characterisations of certain towns and cities, often perpetuated by national policymakers and the media but also rooted in genuine problems associated with economic decline and poverty. In Bradford, there was a recognition that: "Confidence in our economy is still not as strong as it is in the Core Cities. A central challenge of ours is getting people and businesses interested in coming to be in Bradford." There is evidence to suggest that some cities (for example Leeds, Manchester, Liverpool, Newcastle) were able to reinvent themselves through public investment and cultural regeneration, enhancing their reputation as attractive places to live, work and invest in, even if in some cases their relative economic performance has not always been outstanding.[35] There have nevertheless been some persistent challenges around perception, which can compound the difficulties in retaining graduates and addressing the low levels of aspiration within neighbourhoods that are disconnected from growth and employment. For example, while Cardiff has developed its reputation as a bustling city, some of the city region's old industrial hinterlands are affected by a palpable loss of aspiration, some of it linked to the perceived indignity of moving away from decent pay and work in traditional industries and onto cycles of low pay and insecure employment.

"We talk about three types of poverty. There is a poverty of wealth, when people don't have enough money for a decent living and many tend to work low wage and insecure jobs. There is also a poverty of education – where people want to work better jobs but lack the skills and haven't had good experiences in school. The third is a poverty of aspiration – where people lack the aspiration to participate economically."
Third Sector Leader, Bradford

32 See for example Dellot, B. (2015) The Second Age of Small: Understanding the economic impact of micro businesses. London: The RSA. Available at: www.thersa.org. On the contribution of social enterprises and other social businesses, see British Council and Social Enterprise UK (2015) Think Global, Trade Social: How business with a social purpose can deliver more sustainable development. Available at: https://www.britishcouncil.org/sites/default/files/seuk_british_council_think_global_report.pdf.

33 Beatty, C. and Forthergill, S. (2016b) The uneven impact of welfare reform: The financial losses to places and people. Centre for Regional Economic and Social Research. Available at: http://www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016.pdf. Also see Hastings, A. et al. (2015) The Cost of Cuts: The Impact on Local Government and Poorer Communities. York: Joseph Rowntree Foundation. Available at: www.jrf.org.uk

34 On poverty inquires, see for example Leeds Poverty Truth Commission (2015) Poverty Truth, Leeds. Report 2014-15. Available at: http://www.leedspovertytruth.org.uk/the-story-so-far. Also see Citizens Advice (2016b) Welfare reform and working people. Available at: www.citizensadvice.org.uk

35 See for example Cox, E. and Longlands, S. (2016) City Systems: The Role of Small and Medium Sized Towns and Cities in the Growing Northern Powerhouse. IPPR North. Available at: www.ippr.org./north

Place-based initiatives for inclusive growth

The areas we studied provided evidence of a range of approaches that had been developed to create more inclusive and prosperous local economies. A central feature of these initiatives is a conscious effort on the part of local stakeholders to move away from a 'place deficit' model that has characterised common responses to economic change, where the primary aim for struggling places has been to smooth the path of 'managed decline'.[36] The areas in our review have instead sought to build on the strengths and assets of their places (and people) wherever possible, while recognising the challenges that need to be addressed. There are three key, inter-connected aspects of this place-based approach in our case study areas:
1. **Economic leadership and connectivity** – locally-led and place-based.
2. **Public service reform and investment** – creating the conditions for inclusivity.
3. **Community anchors** – local institutions and communities supporting the growth of local areas.

Economic leadership and connectivity
Local authorities and other stakeholders have played a key collaborative and leadership role in supporting local growth and connecting more people to economic opportunities.

At a strategic level, this has involved developing positive strategies and unique economic identities that build on the key strengths of their local economies – for example Bradford's Producer City vision, which draws on the city's industrial history and current strengths in manufacturing and other key growth sectors. There was a clear aim across the case study areas to move towards a high-value, high-skill economy that provides more jobs and better quality jobs for all. This is seen, for instance, in Newcastle City Council's plan for "A Working City – creating good quality jobs and helping local people develop the skills to do them."

"We are clearer now about our core strengths. We know what they are. They're not a wish list. We are absolutely clear that the old, big industries are not coming back."
Senior Leader, Newcastle City Council

Articulating stronger local growth identities has also been part of a broader process of better understanding their place in the wider economic geography, creating stronger links with their city region and influencing sub-regional priorities through engagement with Local Enterprise Partnerships (LEPs) and city or devolution deals. This has enabled a better understanding of how inclusive growth can be enabled through stronger economic connectivity between different parts of a city system, including cities and their hinterlands, informed by the unique attributes of particular places. For example, Cardiff Capital Region is seeking to tackle the economic imbalances within the city region through investment in transport infrastructure, strengthening labour market links between Cardiff and the Valleys by addressing one of the key barriers to connectivity in the city region. Newcastle, on the other hand, sought to embed a human capital investment strategy into the devolution deal for the combined authority, recognising the importance of investing in social as well as physical infrastructure in order to meet the twin challenges of stronger growth and reduced deprivation. Bradford is often described as being economically 'overshadowed' by its core city neighbour (Leeds). Local stakeholders, however, emphasised that mutual inter-dependencies between the two cities have the potential to create more opportunities for disconnected parts of Bradford. They also stressed how transport connectivity can enhance this, for example ensuring that HS3 has a station in Bradford.

"We are working heavily with the city region and are enthusiastic for devolution. It is important for us to work together to develop the infrastructure that enables us to connect people and places to growth opportunities… Bradford recognises the importance of its relationship with Leeds, which for example generates high quality, high skilled jobs."
Senior Officer, Bradford Council

"Devo deals have so far largely covered big infrastructure for transport and economic development, capital-based deals. We have argued strongly that there should be a human capital element, allowing us to invest more effectively in people."
Senior Officer, Newcastle City Council

Councils are also creating stronger partnerships with educational institutions (schools, universities and colleges), businesses and employers to address local skills gaps, promote entrepreneurship and connect residents to the opportunities created by local growth and investment. Bradford's Employment and Investment programme, Get Bradford Working (GBW), has brought together £13.5m of investment since 2012

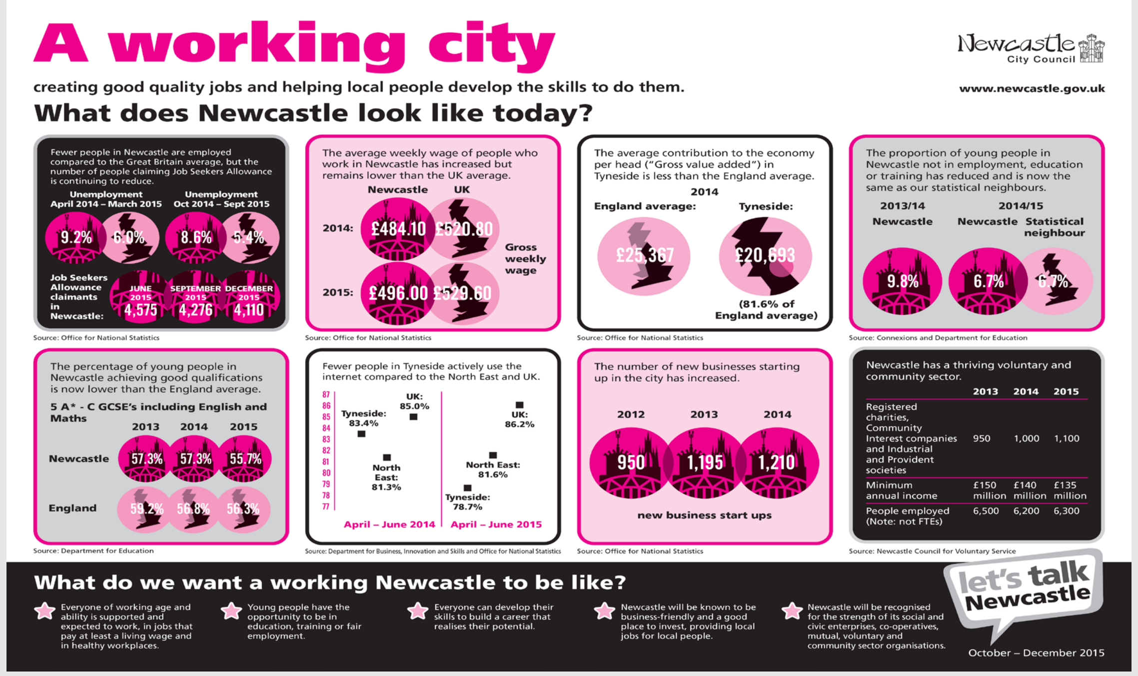
36 On the 'place deficit' model, see for example Chapman, T. (2011) Smoke and Mirrors: The Influence of Cultural Inertia and Social and Economic Development in a Polycentric Urban Region. Urban Studies, 48 (5), 1037-1057. Cited in Cox, E. and Longlands, S. (2015), op cit.

Case study: Newcastle – the Working City

Newcastle City Council's Council Plan is built around a practical vision for a 'Working City' – one that "creates good quality jobs and helps local people develop the skills to do them." The Plan's vision recognises the strides that Newcastle has made in developing its economy, but recognises that the city's prosperity must be "shared more fairly." Tackling inequality is regarded as a central part of this. The Plan emphasises both the imperative for economic growth, but the need for the local economy to be fair and sustainable. Its vision is thus for "Newcastle to be known as a fair, innovative and progressive city that is successful and vibrant."

The Working City is identified as "a city with more and better jobs – [Newcastle] will be a place where businesses want to be, creating new employment with employers who care about health and wellbeing." It is also a city that helps people develop their skills and find work; and to support them in a tailored way, linking early intervention and family support, with targeted community employment initiatives, education and skills provision. Vitally, the Plan is underpinned by a number of practical steps the council is taking or will seek to take in order to achieve its outcomes. These are assessed by Council performance dashboards that provide quarterly statistics on a number of important indicators – including employment and unemployment rates, wages, regional productivity, and business growth. This has shown, for example, how the number of young people not in education, training or employment has decreased significantly over the last few years; but also how unemployment rates are still higher than the Great Britain average.

Figure 8 – A working city: Quarterly dashboard of indicators



Source: Newcastle City Council, A Working City. https://www.newcastle.gov.uk/your-council-and-democracy/policies-plans-and-performance/our-policies-and-plans/council-plan/delivering-our-priorities/a-workin

from the council and its partners to tackle barriers faced by residents in accessing local labour markets. GBW is a comprehensive programme that seeks to provide support across the labour market spectrum in a way that is coordinated with local growth and employer need. This ranges from apprenticeships and employer-led vocational pathways for young people; pre-employment support and upskilling for the long-term unemployed, connecting them to employment opportunities from city centre-based regeneration; through to connecting high-skilled residents with businesses in key growth sectors. To date GBW has supported over 2,500 people into employment. Similarly, Newcastle City Council's long-term partnership with Newcastle University (and support from the City Deal) has been critical in the development of Science Central, one of Europe's largest city centre development schemes and a major hub in the North East for inward investment, enterprise and urban innovation. A key aim of it will be to explore how social

Table 3 – Summary of various devolution deals involving Bradford, Cardiff and Newcastle

Bradford		
Leeds City Region City Deal	**Leeds City Region Growth Deal**	**West Yorkshire Combined Authority Devolution Deal**
The Leeds City Region City Deal gave local government greater control over spending and decision making in the following areas: 1. Skills 2. Transport 3. Investment funds 4. Trade and inward investment It included plans for a £1bn 'West-Yorkshire-Plus' transport fund and the plan to raise up to £200m for a Leeds City Region Investment Fund.	The Leeds City Region secured £572.9m from the government's Local Growth Fund to support economic growth – with £62.2m of new funding confirmed for 2015/16 and £233.3m for 2016/17 to 2021. The Growth Deal focusses on three key priority areas: 1. Improving transport connectivity 2. Accelerating housing growth and town centre regeneration 3. Developing a skilled and flexible workforce	The West Yorkshire devolution deal "sees the combined authority take further responsibility over skills, transport, employment, housing and business support."4 This includes reform of the further education system (FE) jointly with the government; devolution of the Apprenticeship Grant for Employers; consultation with DWP regarding joint commissioning for the next phase of the Work Programme; business support devolution; more local control and strategic influence over transport delivery; and development of a joint investment plan with the Homes and Communities Agency (HCA).
Newcastle		
Newcastle City Deal	**North East Growth Deal**	**North East Combined Authority Devolution Deal**
The Newcastle City Deal aimed to spark economic growth by contributing to the North East LEP's four main economic priorities of: Supporting Enterprise and Private Sector Business Growth Building on Key Economic Strengths Improving Skills and Performance Strengthening Transport, Connectivity and Infrastructure. It included a commitment to ring-fence business rate income in four growth sites in Newcastle and Gateshead, and to retain them locally with the money being used to deliver plans for private sector-led growth and a £90 million infrastructure programme.	The North East LEP has secured £289.3m from the government's Local Growth Fund to support economic growth in the area, particularly the need to create over 60,000 new jobs. The Growth Deal will focus on five key priority areas: 1. Driving innovation and improving business support 2. Working with schools to improve outcomes in education 3. Tackling skills and economic inclusion 4. Building economic assets and infrastructure 5. Enhancing transport and digital connectivity	The North East Combined Authority Agreement put in place a proposition to create a new elected Mayor – who was to be elected for the first time in 2017. It also includes a new £900m North East Investment Fund, targeted towards boosting longer term economic growth; the development of an integrated employment and skills system with devolution of Adult Skills Budget by 2018; HCA and Compulsory Purchase powers; and devolution of transport budget. The deal was formally rejected by the Combined Authority on 6th September, 2016, reflecting the political, geographic and institutional challenges associated with the devolution process.
Cardiff Capital Region City Deal		
Cardiff Capital Region has secured a deal worth £1.2 billion to contribute to economic growth across the Cardiff Capital Region. The Region is comprised of ten local authorities: Blaenau Gwent; Bridgend; Caerphilly; Cardiff; Merthyr Tydfil; Monmouthshire; Newport; Rhondda Cynon Taff; Torfaen; and Vale of Glamorgan. It is the largest city region in Wales and accounts for approximately 50% of the total economic output of the Welsh economy, 49% of total employment and comprises over 38,000 active businesses. The City Deal aims to tackle the area's barriers to economic growth, focussing on: improving transport connectivity; increasing skill levels; employment; and increasing business support. The deal also enables the ten local authority leaders to join up decision making and pool resources.		

Case study: Get Bradford Working

Get Bradford Working is an Employment Investment Programme for the Bradford District. It draws together key initiatives which tackle the issues and barriers facing Bradford's residents in the labour market. Get Bradford Working represents in excess of £13.5m of investment, by Bradford Council and its partners, to provide employment opportunities by creating jobs; apprenticeship places; a transformational curriculum for 14 to19 year-olds; and a range of support measures for employers and those furthest from the labour market. As of June 2016, Get Bradford Working programmes have supported over 2,500 individuals into employment and comprises seven strands.

1. SkillsHouse
SkillsHouse has been established to support retail, hospitality and visitor economy businesses and to help local people find jobs. Its priority is to upskill unemployed people in the district, by providing them with qualifications in the retail and hospitality sectors. Participants are guaranteed an interview and additional support in order to secure employment in the District. SkillsHouse operates as a 'finishing school', ensuring that candidates are ready to meet the specific needs of employers. It is currently working with around 30 organisations from across the District in order to find suitable clients for the Assessment Days and, since launching, has supported over 550 unemployed individuals into work.

2. The Employment Opportunities Fund
The Employment Opportunities Fund (EOF) targets Bradford residents who are unemployed, claiming active benefits and have been out of work for at least six months. The main aim of the fund is to provide a bridge into work for these individuals and to support them towards sustainable employment. To date 903 jobs have been created and filled within the EOF in a variety of sectors such as horticulture, catering, ICT, community development and childcare.

3. Bradford Apprenticeship Training Agency and Apprenticeship Hub
The Apprenticeship Training Agency (ATA) acts as a recruitment agency and seeks out organisations to employ apprentices on an agency basis, thereby helping them to minimise the risk associated with employing staff more permanently. The model provides the opportunity to grow apprenticeships in businesses to help develop their workforce to raise the profile of apprenticeships and also to reduce youth unemployment. By 31 March 2016, the Hub and ATA had supported 541 young people to commence apprenticeships within SMEs.

4. Industrial Centres of Excellence
Industrial Centres of Excellence (ICE) are discrete Centres within existing schools or colleges with a target of at least 300 14 to19 year-olds accessing their provision. The ICE board normally includes business partners, education and training providers (schools or colleges) and at least one Higher Education partner. This enables employers to help provide vision, leadership and commitment through direct investment and support, and shape the ethos, key policies and practices in the Centre. The ICE model therefore enables employers to take an increased leadership role in the design and delivery of 14 to 19 learning in their sector and articulate and stimulate the demand for skills. Each ICE aims to address the future strategic workforce needs of local businesses through learning, training and work experience that provides outstanding preparation for entry into employment in priority sectors, either directly through apprenticeships or indirectly via higher education.

5. Routes into Work
The Routes into Work (RIW) fund was a commissioned fund that sought to meet the gaps in the Employment and Skills provision in the District that were identified in the Employment and Skills Strategy and offer additionality to National and Regional Programmes. RIW contracts targeted those furthest away from the labour market such as individuals with a disability, mental ill-health and drug and alcohol dependency.In total 509 individuals were supported into employment through RIW programmes.

6. Advanced Skills Fund
The Advanced Skills Fund provides support to businesses in key growth sectors to enable them to recruit skilled staff. It works to strengthen Bradford's economy by providing the advanced skills Bradford's businesses need, opening up employment opportunities for Bradford's residents. For example, Borg Warner, a Bradford based engineering company, have made a commitment to ensure that a recent contract with Jaguar Land Rover secures 100 jobs for Bradford residents. The Advanced Skills Fund will also support other employers in the District who are developing their businesses and are looking to recruit skilled employees.

7. Step up to Business
The Step up to Business project engaged with 16 to24 year-olds who were working in the shadow economy, its aim was to support them to establish legitimate business enterprises. The programme commenced in November 2013 and ended in March 2015. Over this period 23 young entrepreneurs have progressed in business activities, 50 young people attended 'how to start your own business' workshops and 18 young people received training on presentation skills. 101 youth practitioners have received training in supporting young people in basic business 'start up'.

innovation and sustainability can be part of the future growth of the city. The North East LEP is also working with a Swedish expert to convert the expertise and knowhow of the four universities in the combined authority area, as well as the development of innovation incubators and science parks, into the creation of businesses that can meet growth and employment needs across the region.

Public service reform and investment

The barriers to economic inclusion are varied, inter-connected and often mutually reinforcing: from the structural features of an economy through to poor education, health and housing. There is a strong recognition that the challenges for inclusive growth are not being met within a fragmented system of public services, where policies for skills, growth and regeneration run in isolation from social policies such as early years and prevention. Often, different agencies and government departments pull in different directions. Those furthest from the labour market are the most disadvantaged by such fragmentation, and their pathways to sustainable employment are the least clear.[37] Our case study areas have sought to address this through initiatives for public service reform and innovation, joining up policies and creating a stronger fit between services and their place context.

In our case study areas there have been innovative efforts to provide better, more integrated and holistic support to people furthest from the labour market and young people not in education, employment or training (NEETs) in particular. There have been two key elements to this.

The first has been to address the fragmentation within the skills and employment support system – by pooling resources, coordinating and integrating the work of various agencies and organisations involved in employability schemes, creating more flexible support and ensuring service user and employer engagement is as seamless as possible. In Bradford, Get Bradford Working (GBW) is an example of this approach, as well as a number of Leeds City Region LEP-led programmes such as the Devolved Youth Contract, Headstart, and the apprenticeship scheme, which have been credited with helping to achieve significant reductions in youth unemployment.[38] Newcastle Futures, a special purpose vehicle set up by the council and Jobcentre Plus in 2007, has been tackling the lack of coordination between all the sums of central government money, with targets attached, that were flowing into the city to help with employability. Over the years, the job of Newcastle Futures has become more sophisticated and responsive to a context of austerity, and is now to tackle the inflexibility of the various programmes, so that money can go further.

The second element has been to explicitly link employment and skills initiatives to wider social policies in order to develop a more integrated set of measures for the most disadvantaged groups. The aim here is to address the underlying issues that limit people's skills and employability, drive up state costs and limit the productive potential of places – bringing together health, social care, housing, welfare and other services and sectors to provide personalised, 'wrap around' support. The Newcastle 2020 Partnership, which is chaired by the city's chief executive and includes representatives from the public, private and voluntary sectors, is leading ground-breaking work to understand the drivers of low achievement amongst the city's NEETs. Its research revealed that 67 percent of NEETs had repeated contacts with social care teams and that a small and identifiable group of people will grow up to cost the justice system, homelessness authorities and a range of other services, very large sums. The research has highlighted the importance of early intervention, service integration and holistic long-term support for strengthening the social and economic resilience of marginalised groups. Similarly, part of Bradford and Leeds City Region's relative success in improving employment outcomes for NEETs is linked to the 'Think Family' approach to social care, which provides a system of joined-up, 'whole family' support that is tailored, flexible and builds on family strengths. Early support is also being promoted through Better Start Bradford, a community partnership led by Bradford Trident (a community owned company) that has received £49m investment from the Big Lottery Fund to help families give their children the best start to life. In Cardiff city, 'neighbourhood partnerships' have been set up to bring services together across one patch and to link them to elected councillors.

Inclusive growth through community anchors

Community anchors play an important role in ensuring that greater economic opportunities flow to local residents and disadvantaged neighbourhoods. Our case studies show that pursuing agglomeration at the scale of regions or city regions should be complemented with economic development at the level of communities and neighbourhoods. Interviewees regarded supporting and expanding the social economy – which comprises co-operatives, social enterprises and other non-public/private organisations – as a critical ingredient for inclusive growth. Evidence from the case studies highlighted some of the specific ways in which the social economy serves this purpose, including:

- Directly creating sustainable employment opportunities for people and neighbourhoods that might otherwise be disengaged from labour markets.
- Providing the platform and supporting infrastructure for local people to set up and grow their own businesses – particularly those that may not be ready for commercial rents and lending.
- Promoting community-led economic development, which builds on people's strengths and capacities as citizens and has a "local multiplier" effect so that growth directly benefits local residents and wealth is retained locally.
- Strengthening social networks – promoting localised economic connectivity as well as community wellbeing, through initiatives such as time credits.

Many of the established community enterprises benefited from previous regeneration schemes (such as the Single Regeneration Budget) or the European Social Fund, as well as through ongoing council investment and support, including asset transfer programmes. Their experiences reflect national and international evidence about the unique contribution the social economy makes to local growth and inclusion, outperforming many public and private organisations in providing sustainable opportunities for those that are disadvantaged in the labour market.[39]

Our case study areas are also leveraging their purchasing power (through public procurement) and relationships with developers as a means of promoting economic inclusion and local economic development, though it was recognised that more could be done in this respect. There are a number of national examples that demonstrate what this might achieve. For example, Southampton's employment and skills framework guarantees maximum local skills and jobs opportunities in all major construction, retail and hospitality projects. Research conducted by the RSA for the Cooperative Councils Innovation Network indicated that if this scheme was applied nationwide, it could grow the value of developer contributions from £15m to £225m annually.[40] Places such as Preston have also adopted 'Community Wealth

Case study: Newcastle Futures

By 2007, it was clear to Newcastle's city leaders that skills training was too un-coordinated to be effective. Money was pouring into the city from across Whitehall for the employability agenda, all requiring different targets and often involving massive duplication and some double counting.

Newcastle Futures was set up that year to tackle worklessness and the problem of uncoordinated resources and activity. It is a special purpose vehicle established by the Newcastle Partnership (comprising the city council, Jobcentre Plus, Chamber of Commerce and a range of other local stakeholders). It is a company limited by guarantee that works on behalf of the city council and Jobcentre Plus to deliver against the key targets on worklessness. It's remit has evolved to cope with the new issues beyond duplication – not so much too much money now, as too little liaising between providers, testing contracts, making inflexible delivery systems more flexible and, at the same time, delivering all the employability training programmes in Newcastle. It is also able to mobilise projects immediately, rather than to wait for the long process of contracts being issued and negotiated. In order to join up service support and tackle the underlying barriers to work, Newcastle Futures also links to other key priorities in the city which are impacted by worklessness, including Housing, Digital and financial inclusion, Child Poverty, and Health.

The key purpose of the initiative is to get people into sustainable jobs – that means jobs which are able to pay a living wage and which are likely to last. City authorities are lined up against the growth in zero-hour contracts which they regard as undermining the economic resilience of Newcastle. Between 2007 and March 2016, there have been close to 12,800 registrations onto the programme of support, with almost 7,000 people placed into jobs – and 96% those have either been priority groups (those most in need of support) or living within a deprived area.

37 This was one of the findings from the Inclusive Growth Commission evidence hearing in Sheffield, 29 June 2016.

38 See for example Leeds City Region Enterprise Partnership (2015) News: Leeds City Region is European leader in tackling youth unemployment. 26 October 2015. Available at: http://www.the-lep.com/news-and-blog/news/leeds-city-region-is-european-leader-in-tackling-y/

39 See for example British Council and Social Enterprise UK (2015) op cit. Also see HM Government (2016) Social Investment: a force for social change: 2016 strategy. Available at: www.gov.uk

40 Meville, A. (2015) A cooperative deal or community resilience, jobs and growth. London: RSA. Available at: https://www.thersa.org/discover/publications-and-articles/reports/unlocking-our-wealth

Building' strategies, which bring together place based institutions such as councils, police authorities, universities and colleges, and housing associations to increase spending on local goods and services, strengthening local businesses and creating local jobs. Since starting, Preston's local economy has benefited to the tune of £4m.[41] International evidence from the United States (such as the CASE programme in Chicago[42] and Community Wealth Building initiatives across the country[43]) underscore the contribution that anchor institutions can make to promoting more inclusive economies.

In Wales, an initiative called Deep Place is challenging the narrative of 'managed decline' in post-industrial communities across the Valleys, by identifying how the unique characteristics of their places can enable their local economies to grow, rather than simply relying on the agglomeration-benefits stemming from the growth of Cardiff.

"We've talked about the Northern Powerhouse and how we're targeting our large economic geography. But there's also quite a lot that we do at a community level that has addressed some of the disparities within the district. Over time we have accumulated and grown fairly strong community anchors – and they are sustainable, with their own assets. They have contributed a fair amount to attaching people in the most distressed areas to labour markets."

Service Director, Bradford Council

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41 Brown, M. (2016) Blog: Preston's Experiment in Inclusive Growth. RSA Inclusive Growth Commission Blog. Available at: https://www.thersa.org/discover/publications-and-articles/rsa-blogs/2016/08/prestons-experiment-in-inclusive-growth
42 Joseph Rowntree Foundation (2015) Chicago Anchors for a Strong Economy (CASE). Available at: https://www.jrf.org.uk/case-study/chicago-anchors-strong-economy-case
43 See for example: http://community-wealth.org/

Case study: Time Credits in South East Wales

Time Credits are a way of rewarding volunteering and community activity. For every hour that someone gives to their community, they earn one 'time credit', which they can spend on an activity of their choice. Spice, the organisation that has developed the Time Credits system in many parts of the UK, argues that they are a driver of social change in communities: helping to support a range of positive outcomes including stronger wellbeing and more social and economic participation. The model first started in the South Wales Valleys, which as this report has highlighted have faced significant health and economic challenges.

Some interviewees suggested that Time Credits made a notable impact in supporting community participation, social capital and wellbeing in the Valleys – which are important foundational elements for inclusive growth. In Rhondda Cynon Taff, the number of people on incapacity benefits has gone down from around 47,000 to around 38,000. While the impact of welfare reforms is likely to be an important reason behind this, our research suggested that Time Credits were making a notable difference to participant communities. This sort of impact is supported by evidence from an independent evaluation of Spice Time Credits in England and Wales, which identified outcomes such as sustainable improvements in wellbeing, healthier lifestyles, better access to support and stronger local networks.[1]

1 Apteligen (2014) An Evaluation of Spice Time Credits. Available at: http://www.justaddspice.org/wp-content/uploads/2015/01/Spice-Evaluation_Apteligen-Report-MAIN-REPORT1.pdf

Case study: Royds Community Association and Carlisle Business Centre – community anchors for inclusive growth

In Bradford, Royds Community Association (a charity) and Carlisle Business Centre (a social enterprise) highlight the potential of the social economy to make a significant contribution to the agenda for inclusive growth. Both organisations are deeply rooted within their communities. They provide direct opportunities for the neighbourhoods they serve – including education, training and wellbeing schemes, jobs, and affordable business support to local people to set up and grow their own businesses.

Royds Community Association is a charity that was formed in 1994 to help revitalise the villages of Buttershaw, Woodside and Delph Hill in South West Bradford. This regeneration was achieved by securing major funding including a £31m SRB (single regeneration budget). Working with the local community, Royds helped thousands of people access training and employment and live healthier lives. It is now a nationally recognised example of successful regeneration, and Royds undertakes consultancy work to support other areas.

The project is now sustained by the income that is still being generated from the assets that were built at the time – including the Royds Enterprise Park, two community centres, a Healthy Living Centre, a mini-market and a take away.

The Enterprise Park is a business park with 47 industrial units, nine offices and three training/meeting rooms. Royds provides a range of business support for those that set up at the Enterprise Park, including financial management support, access to apprentices and interns, and providing them with a secure platform to grow their businesses. The vast majority of businesses (and their employees) that set up in Royds are from the local community. One business that was interviewed, which has a £2m turnover and employs 23 people, indicated that all of its employees were from within a 3-mile radius.

Carlisle Business Centre is a social enterprise that provides funding from its profits to the charity, Action for Communities Ltd, which delivers a range of health and wellbeing projects to support people in BD8 and BD9 areas of Bradford. Carlisle Business Centre offers business units (there are currently 90 businesses based at the Centre) meeting rooms and office spaces, and event spaces.

Situated in a former textile mill, the emergence and growth of the business centre was very much rooted in the enterprising culture of Manningham – local business people wanted to build networks and exchange support. The business centre was set up in 1991 to provide a platform for budding entrepreneurs to get off the ground. The building was bought from the council by Carlisle Business Centre through a European Union grant, commercial loan and a patient loan. It now has 90 businesses based in the building, which amounts to a 96 percent occupancy rate, compared to 46 percent three years ago. The centre provides a range of business support (including business advice, customer service and marketing support) to its tenants, many of whom lack previous experience.

Similarly to Royds, all of the enterprises based in the centre either live locally or offer goods and services that are locally relevant. Tenants range from start-up businesses through to social enterprises and charities that deliver services such as language classes, tuition and childcare, and advice and support accessing benefits and services. The centre thus describes itself as a "community hub" – and over 2,000 people walk through its doors every week.

Royds and Carlisle Business Centre directly contribute to local economies and provide opportunities to people that may otherwise be outside of the labour market. They have provided a platform for translating the latent entrepreneurship that exists within their neighbourhoods into sustainable businesses and employment opportunities. Despite the vital community led economic development role that they play, social enterprises such as Royds and Carlisle Business Centre do face challenges in gaining access to necessary levels of finance, investment and infrastructure to support them to do more. This is especially the case for organisations such as Carlisle Business Centre that have not been able to access regeneration funding, despite the positive multiplier effects they provide to the local economy. Indeed, as a number of interviewees stressed, there is no longer sustained, government-led investment at a neighbourhood level, which constrains the potential of community anchor organisations.

Case study: The Social Economy and Inclusive Growth in Wales

Social enterprises form an important part of the economy across Wales, more so than that of the UK as a whole.[1] Generally, social enterprises are more common in places of lower employment with 38% of all social enterprises based in the 20% most deprived communities in the UK – compared to 12% of traditional SMEs.[2]

Social businesses (including social enterprises and other social sector organisations such as co-operatives and charities) tend to be rooted in their places[3], with deep understandings of communities and the social drivers of growth and productivity. They are also likely to have a local focus, with 53% of Welsh social businesses surveyed recently having objectives which focus on specific communities.[4] 65% also recruited locally, with three-quarters of employees from the local area.[5] The social economy can thus play a key role in ensuring that growth is able to maximise the potential of places whilst being responsive to neighbourhood needs and is particularly effective at engaging those groups that are furthest from the labour market or disadvantaged.

"We believe that social businesses have great potential for further growth in Wales. They underpin the wider economy and often fill the gaps that the private sector won't consider and the public sector can't support."
Derek Walker – Chief Executive of the Wales Co-operative Centre[6]

Not only does the social sector in Wales create jobs and boost the economy in areas of low employment, it can also promote inclusivity by providing services where private and public provision is weak – either because of geographical constraints or a lack of profit making opportunities. In Wales nearly 40% of social enterprises are in rural areas[7] where access to some cultural amenities or social care support is lower. Indeed a third of Welsh social enterprises sit in the health and social care sector, with a similar number in the culture and leisure sectors.

Recent research which looked at social business in Wales also highlighted the inclusive nature of these types of organisations. It noted that across Wales 35% of social businesses reported a majority of women in leadership roles compared to 19% of SMEs. 19% of social enterprises surveyed reported that at least a quarter of their employees were disadvantaged in the labour market and many others offered voluntary positions in order to strengthen the skills and employability of individuals. The survey also found that large numbers of social businesses aim to improve health and wellbeing (46%) and support vulnerable people (43%) thus providing significant extra benefits to their local areas and employees.[8]

1 AECOM (2015), Baseline Economic Analysis for South East Wales.
2 Ibid
3 Swersky, A. and Plunkett, J., (2015). "What if we ran it ourselves?" Getting the measure of Britain's emerging community business sector. http://www.thepowertochange.org.uk/wp-content/uploads/2016/03/What-if-we-ran-it-ourselves-JAN2015.pdf
4 Wales Cooperative Centre (2014), Social Businesses in Wales: The State of the Sector. http://wales.coop/file/Social-Businesses-in-Wales-Report.pdf
5 Ibid
6 http://gov.wales/newsroom/finance1/2015/150622-social-business-wales/?lang=en
7 Wales Cooperative Centre (2014), op cit.
8 Ibid

Policy and practice challenges

As the previous chapter has shown, there is a great deal of innovative practice that is happening locally. Much of this is led by councils and other local institutions, and devolved policymaking is beginning to give places the tools they need to better promote the growth of their economies in a way that builds on local strengths and seeks to spread prosperity across communities.

There are nevertheless a number of policy, institutional and cultural tensions or barriers that are having an impact on the ability of places to promote inclusive growth.

Through an analysis of the findings from our deep dives (including interviews with senior leaders and service leads),[44] this chapter offers reflections on three key tensions:

- The possible tensions between sub-regional growth and economic inclusion within local economies.
- The degree to which work and skills policies are optimised for growth.
- A possible mismatch between local ambition and the extent to which the central state is playing an active role in creating the conditions for inclusive growth.

The chapter is divided into three sections that examine these tensions in detail. Key questions based on interviewee reflections are offered at the end of each section, highlighting what these tensions might mean for place-based policymaking and practice. The findings from this research have helped to inform the development of broad policy parameters for inclusive growth, contained in the Commission's interim report.

Sub-regional growth and economic inclusion

Some interviewees argued that city region or regional growth strategies that are centred on agglomeration, inward investment and high growth sectors do not necessarily benefit peripheral towns and cities, and neighbourhoods that have been disconnected from growth for a long time.

Interviewees generally agreed that to achieve inclusive growth it is important to recognise the interdependencies that exist between different parts of a city system. Local areas working in alignment with their city region context are more likely to reap the economic benefits offered by the scale, density and networks of functional regional economies. This reflects a growing consensus on cities as drivers of growth, as part of a new economic geography defined by scale and agglomeration. The 'Northern Powerhouse' project (and similar articulations, such as the 'Midlands Engine') is partly a response to the relatively small size of the UK's middle-tier cities, as well as their fragmented geography, which fuels a productivity gap between London and the South East and the rest of the country.

Transport connectivity is regarded as a key lever for addressing this productivity gap, especially by connecting people to labour markets in areas of opportunity within sub- or whole regional economies. However, as Henry Overman has argued, transport connectivity is insufficient to unlock agglomeration benefits. Agglomeration economies require high concentrations of jobs and high-skilled workers for them to drive up productivity and growth,[45] but this sort of concentrated economic activity may disadvantage poorer people and places in two notable ways. First, lower skilled people are far less mobile in accessing jobs, so shifts in where employment is located may present barriers to labour market participation particularly as people are more reluctant to travel to a low paid job.[46] Second, some argue that agglomeration-based strategies hollow out the economic assets of city hinterlands, with some towns and cities (particularly post-industrial communities) effectively becoming commuting towns. In the context of limited labour market mobility, this is likely to disadvantage people that are unwilling or unable to travel larger distances for work – for example because the job is low paid, insecure or without guaranteed hours. This could also exacerbate the exclusion of certain sections of the population (particularly those that are already disconnected from economic growth), who may become even more detached from social and economic participation.[47]

A further tension is observed in the focus in many growth strategies and development schemes on inward investment, high-value jobs and local growth sectors. Some interviewees argued that many neighbourhoods, because they have a low skills base and face structural economic barriers, are often unable to benefit from opportunities created by inward investment and regeneration. Some places, such as Newcastle, are working with investors to encourage them to undertake outreach and training programmes for local populations (so that more of the opportunities flow to local people rather than in-commuters), but this has often been difficult to achieve.

44 The analysis is also complemented with some wider evidence received by the Inclusive Growth Commission, including from its policy seminars and evidence hearing in Sheffield.

45 Overman, H.G. (2015) Blog: Transport for the North and the Northern Power House. LSE Spatial Economics Research Centre. Available at: http://spatial-economics.blogspot.co.uk/2015/03/transport-for-north-and-northern-power.html
46 Hind, D. (2015), op cit.
47 See for example Lang, M. (2015) Blog: The Deep Place approach to sustainable communities. NewStart Magazine. Available at: http://cardiff.newstartmag.co.uk/features/the-deep-place-approach/. Also see Rae, A. et al. (2016), op cit.

The emphasis on high-value activity and key growth sectors, which tend to have high levels of productivity but do not create many jobs, may also struggle to promote economic inclusivity for lower skilled workers. From an inclusive growth perspective, it is just as important to focus on driving up pay and progression and raising productivity in job-rich service sectors, such as retail and hospitality.

As we also heard at the Commission's first evidence hearing in Sheffield: "High growth sectors provide significant GVA uplift but not necessarily notable jobs growth. It is therefore important to bring them together alongside investment in other sectors that are job-rich, such as financial and professional services, but also to raise productivity and progression opportunities within the lower wage sectors."[48]

Finally, promoting inclusive growth at the scale of city regions requires a strong degree of institutional consensus and joint working between councils, LEPs, employers, businesses and other place-based organisations. This is why governance has been regarded as such a critical part of the devolution process. However, there are concerns that political and institutional divisions within city regions are holding back their ability to develop a collective approach to inclusive growth. Such differences make sub-regional consensus, coordination, agreement and pooling of resources, difficult to achieve. This also helps to explain some of the barriers that have been faced in agreeing devolution deals, or expanding their remit, in many parts of Britain.

There is also a perception amongst some that citizens have not had an opportunity to shape devolution and the city region agenda, which has tended to be managed by civic leaders and central government.

"City regionalism is increasingly dominating economic priorities across the UK. Current approaches to city region economic planning and governance tend, however, to be undertaken by rather remote and exclusive groups of economic and social elites."

Public Policy Advocate and Researcher, Cardiff

48 Inclusive Growth Commission Sheffield Evidence Hearing, June, 2016.

Key questions for policy and practice

• **How might sub-regional and regional growth strategies and investments strengthen the economic role and potential of city hinterlands and smaller towns and cities?** Different types of places serve different purposes and offer different types of benefits in a connected system of cities.[1] For example, hinterland areas are ideal as advanced manufacturing and logistics and distribution hubs, while city centres are better suited for knowledge-based industries (although there are feasible examples that buck this trend). The 'Deep Place' approach in Wales is an example of an initiative that is identifying and promoting the unique economic strengths and potential of hinterland areas, and demonstrating how locally based economic activity can support neighbourhoods and communities conventionally disconnected from growth.

• **In addition to high-value, high-GVA sectors, what types of interventions and investments might target job-rich sectors of the economy (such as retail and hospitality) that are most likely to impact on the living standards of local workers?** For example, Glasgow's In-Work Progression Pilot, which is part of the City Deal, is developing career progression opportunities in the social care sector as a means for addressing in-work poverty.

• **What types of data-analysis or engagement tools might enable places to better understand how city region growth and regional projects will impact different communities, neighbourhoods and income groups?** The 'more jobs, better jobs' programme with the JRF and Leeds City Region is an example of how the relationship between growth and poverty can be better understood at a local or sub-regional level.

• **Could alternative appraisal methodologies be developed to complement conventional measures in order to ensure growth is shared across local economies?** Interviewees found that GVA measures alone are not always suitable for inclusive growth – investing in housing schemes, for example, can score low on GVA impact in struggling economies despite being important to economic inclusion. A number of places are beginning to develop complementary measures to support investment decisions – assessing, for example, the degree to which investments create 'good quality' jobs.

1 See also Cox, E. and Longlands, S. (2016), op cit.

Work and skills policies are not optimised to promote inclusive growth

Interviewees suggested that current approaches to education, skills and work in the UK appear to be disadvantaging people and places experiencing low income, low skills and educational attainment, and complex social problems. Groups that are furthest from the labour market, such as those with health conditions, those that have gone through long periods of labour market detachment (including older people) and those from the most deprived neighbourhoods, are failing to properly benefit from centralised, fragmented 'one size fits all' service models. Similarly, the national workforce system struggles to build the skills and capabilities local residents need to access higher value added jobs – limiting the supply of labour and leading places to rely on importing higher skilled workers.

Policies, services and support continue to be to be too fragmented and opaque for both employers and those receiving support. One roundtable participant described how this has been compounded by a "confetti of initiatives" – a history of ineffective interventions that have failed to sufficiently support people over the years, creating a long tail of chronic long-term unemployment and economic inactivity.[49] While councils have had some success in tackling this fragmentation (for example, through initiatives such as Newcastle Futures and Get Bradford Working), they have lacked the flexibilities and support from central government departments to do so more effectively and at greater scale. Some interviewees argued that the resource pooling and flexibilities offered by city and devolution deals do not go far enough in giving localities what they need to promote inclusive growth. There is significant devolution in some areas – for example the Youth Contract, Area Based Reviews, devolution of Adult Skills Funding by 2018-19, and wider economic development powers. But negotiations so far have hit against stubborn central government 'red line' areas, such as school education and 16-19 provision, which are increasingly centralised and shaped by market actors.[50] For some, this undermines the viability of achieving better social and economic outcomes through holistic, whole-place policy making that aims to provide joined-up support across the life course of people and communities. It makes little sense from this perspective to devolve some areas while shutting out other vital parts of the system. For example, how effective is a devolved adult skills system likely to be if those entering it have already been disadvantaged by secondary and 16-18 education (see below)? Some interviewees nevertheless recognised that 'red lines' have the potential to be redrawn as councils' capabilities and capacity to influence central government increases, but it is important that localities have a clear sense of what further responsibilities they would like to assume – for example, greater control over school education, or the ability to influence curriculum design and accountability processes.

"There is a disconnect between the employment and the skills agenda which is really terrible. We need a more joined-up approach, something more holistic, and that is the direction we are going in"

Business adviser, Newcastle

There are thus significant challenges in moving towards a truly integrated and place-based learning and work infrastructure that is responsive to local economic needs. The current infrastructure may undermine economic inclusion by being least navigable for the most disadvantaged learners and job seekers. Evidence suggests that while 'routes into work' are clear for school students in the top half of attainment, they are far more uncertain and confusing for those in the bottom half.[51] The lack of appropriate pathways for older learners that didn't do as well in school effectively creates a bottleneck to labour market participation. Interviewees described this as imposing a "no second chances" dynamic on people that leave school without 5 GCSEs – locking in long-term economic disadvantage. These issues are exacerbated by a lack of a lifelong learning opportunities, which makes it more difficult for people to upskill and respond to economic change and distress.

"The cuts to adult learning funding have put colleges in a very difficult position. From an economic point of view it's been a disaster. You have to be able to support older learners. If you say once you get to 21 you don't get a decent education, that is not good. People that missed education first time around, need to be able to benefit from it second time around… You don't want to be in a situation where you miss out on 5 GCSEs and have no second chances, because you didn't make the right set of choices at school."

Senior Officer – Bradford Council

Some interviewees argued that the national

49 See Inclusive Growth Commission (2016) Roundtable writeup: Inclusive growth – new approaches for skills, productivity and labour markets. London: RSA. Available at: https://www.thersa.org/globalassets/pdfs/reports/2.-inclusive-growth-seminar-2-write-up-paper.pdf

50 See for example ibid. This was also heard in a number of seminars and the Inclusive Growth Commission evidence hearing in Sheffield, June 29 2016.

51 This evidence was identified in the Inclusive Growth Commission's evidence hearing in Sheffield, June 29 2016.

skills and employment system reinforces a low skills equilibrium and polarised labour markets, partly because it retains a 'job first' focus centred on moving job seekers into any sort of available employment. This means support for the 'bottom end' of the labour market focuses on getting people into work but not preparing them for in-work progression, while at the 'higher end' of the labour market there is a failure to supply and match skilled workers to jobs in high value added sectors, meaning that places often rely on in-commuters for higher level jobs.

"At the bottom end, the national skills and work system focuses on getting people into work but doesn't help them progress, which reinforces entrenched poverty. At the higher end, we have jobs here that are demanding people with higher skills, but the workforce system doesn't supply the labour needed, so we are importing labour from elsewhere for higher level jobs."

Service Director – Bradford Council

Those that are disadvantaged and face multiple barriers to work are also least likely to benefit from national welfare to work schemes, which lack the flexibility and tailored, joined up support of local programmes. While local employment initiatives (such as the use of Intermediate Labour Markets in Bradford and Wales) have shown successful outcomes, their budgets are dwarfed by the Department for Work and Pensions (DWP)-run Work Programme. The Work Programme, similarly to previous national initiatives, has failed to support ESA and Incapacity Benefit claimants and those that are most detached from the labour market into work, despite, for example, a government target of halving the disability employment gap.[52] In recognition of this, a Work and Health Programme will replace the current Work Programme next year, with a co-commissioning role for localities and a market that may favour organisations with a track record of supporting disadvantaged groups (as opposed to large private providers).

However, the resourcing will be very low – £130m per year over five years in England and Wales, compared to the £2.75bn over five years the LGA argues it requires to be viable.[53] Some interviewees argued that this would not be sufficient especially in places that have high levels of labour market neglect and high numbers of ESA claimants (including many parts of our case study areas) – it would effectively amount to a cut in funding to support a cohort of people that require significantly more long term support and investment. Moreover, there are real concerns that despite the emphasis on 'co-commissioning', the programme will continue to be centrally managed, limiting the ability of local authorities to integrate support with existing local resources and services.[54] Assessments by the Greater Manchester Combined Authority (GMCA) reveal that the funding from the Work and Health programme alone will be wholly inadequate to address the city region's worklessness and low productivity challenges. But given the nature of Greater Manchester's particular devolution deal, it will be able to lever in additional funding (including possibly from health) and potentially become the senior commissioning partner.[55] Whether other places will have the opportunity to achieve this is unclear.

These sets of issues appear to be exacerbated by a "culture of paternalism"[56] characterised by deep scepticism of local capacity and skills by some parts of central government. Interviewees argued that addressing issues around labour market neglect requires interventions backed by substantial and long-term sustained investment, but believe that the DWP and Treasury regard this as too big a financial risk, partly due to past welfare to work programmes that were either expensive and didn't succeed, or had some success but at a very high cost. For interviewees, however, the case for investment is strong: these issues are at the heart of the productivity challenges their local economies face.

"The DWP and HM Treasury regard more expensive and long-term approaches for supporting those furthest from the labour market as a huge financial risk. But city leaders would argue that failing to support these people and places is the primary reason many cities are so suboptimal in productivity terms and in terms of labour market engagement."

Senior Officer Leader, Sheffield City Council[57]

52 See for example Oakley, M. (2016) Closing the gap: Creating a framework for tackling the disability employment gap in the UK. Social Market Foundation. Available at: www.smf.co.uk.
53 Local Government Association (2016) LGA Background Note – Work and Health Programme. Available at: http://www.local.gov.uk/economy/-/journal_content/56/10180/7678225/ARTICLE.
54 These concerns were expressed in Bradford and Newcastle, as well as in the Inclusive Growth Commission's evidence hearing in Sheffield.
55 GM Skills and Employment Partnership (2016) Employment and Skills Update. June 2016.
56 RSA Inclusive Growth Commission (2016) Roundtable writeup: Inclusive growth – new approaches for skills, productivity and labour markets.
57 RSA Inclusive Growth Commission Evidence Hearing in Sheffield, 29 June 2016.

Key questions for policy and practice

• **How might the Work and Health Programme and co-commissioning be designed to promote labour market inclusion?** Existing pilots between DWP, the Department of Health and local authorities are demonstrating what might be achieved through integrated, place-based commissioning that enables localities to join up funding streams and coordinate with a range of services (across work, skills and health). It offers the potential to tackle multiple barriers to economic inclusion and prioritise long term value over the 'job first' approach of current welfare to work schemes – not just getting people into any sort of job, but developing their capabilities to participate meaningfully in growth.

• **Could future rounds of devolution provide long-term social investment for economic inclusion, in the same way as investment is made in major physical infrastructure?** Addressing structural disadvantage for communities with multiple, complex barriers to work is unlikely to be successful with 3-5 year programmes, and may need a longer term view.[1]

• **In what ways could local leaders harness national initiatives or partnerships with national organisations to promote inclusive growth locally?** Examples might include developing local compacts for apprenticeships in response to the Apprenticeship Levy, or establishing joint venture partnerships across sectors and tiers of government in order to redesign local skills and work provision.15

• **How might local leaders work around the 'red lines' of devolution**? For example, we should expect councils and/or sub-regional authorities to work with academies, Regional School Commissioners and other local partners to ensure that schools collaborate in the design of city region skills strategies, but some councils are exploring the option of forming academy trusts themselves. Through sustained local engagement and leadership, it is entirely possible that future negotiations for devolution might redraw the 'red lines' that are currently perceived to be holding back an integrated learning and work infrastructure.

1 See for example ibid.

The state could do more to create the conditions for inclusive growth

Interviewees stressed that although it is not the state's task to generate growth and run the economy, it plays a key role in creating the conditions for growth to take place; for that growth to be inclusive; and for people to develop the capabilities to be able to contribute to, and benefit from, the growth of their local economies. Nevertheless, national policies often act as barriers to inclusive local economic development, and growth, regeneration and infrastructure schemes have often been ineffective and are now facing significant funding pressures. There are also concerns that the public sector has come to be seen as a 'drag' on growth, rather than as a key place-based institution that enables it to flourish. These dynamics need to shift.

Some of the principal ways in which the state has sought to promote local growth and inclusion is through regeneration programmes and regional economic management. The evidence, including from our interviews, suggests that efforts for regional economic regeneration and rebalancing have struggled when set against the powerful forces of centralisation in the UK and geographic disparities in regional investment from central government, which have tended to reinforce a 'North-South' divide. Past programmes such as the New Deal for Communities and the Single Regeneration Budget found it difficult to achieve sustainable economic outcomes. Their design tended to be centrally prescribed, rigid and unresponsive to local contexts, as well as to the conditions of local and regional labour markets.[58] Similarly, Regional Development Agencies (RDAs) were poor at understanding the nuances and needs of local economies – for example, despite smaller businesses accounting for a large proportion of many local economies' business base, they were ineligible for national growth funds. Devolution has started to address these issues, by giving local areas un-ringfenced funds and the flexibility to shape and design programmes and incentives that suit local conditions. Nevertheless, the resources available for local growth and regeneration have been cut massively: the level of funding between 2010 and 2015 was half of what was available from 2005 to

58 Crisp, R., et al. (2014) Regeneration and poverty: evidence and policy review. Sheffield: CRESR, Sheffield Hallam University.

2010.[59] Some interviewees argued that they are now focused on traditional growth concerns, with very little investment into neighbourhoods. Despite a mixed picture in terms of successful outcomes, previous regeneration schemes did support the creation of locally cherished anchor institutions and social enterprises, such as the Royds Community Centre in Bradford. Interviewees indicated that these institutions have now become important vehicles for inclusive growth, but that they would not have been possible if fiscal policies were similar to today. Indeed, many such community-based organisations are now facing significant funding challenges and threats to their long-term sustainability. For some city leaders and local stakeholders, there are concerns that current approaches amount to central government merely devolving responsibility for managing austerity.

"Regeneration funding has gone under the current government… there is no incentive for the private sector to invest. We need public sector investment and leverage, and a return of regeneration funding to unlock capital investments. The council is trying direct investment, but we are obviously limited in what we can do."

Senior Leader, Bradford Council

"I am a believer in devolution; but money needs to come in."

Business Leader, Sheffield City Region

There are also concerns about the low level of investment from central government (which also deters private sector investment), the unequal distribution of that investment, and the narrow scope of infrastructure policy. As mentioned previously, HM Treasury's Green Book appraisal methodologies tend to disadvantage places that are not economically prosperous, exacerbating geographical inequalities in resource allocation. Even more fundamentally, current approaches to spending and investment are based on big investments in 'hard infrastructure' (such as HS2 and HS3) but undervalue the large-scale, long-term investments that are needed to develop the 'social infrastructure' for growth: human capital, an integrated learning infrastructure, innovation and Research and Development, healthy communities and sustainable public services. Indeed, the role that the local public sector can play in creating the long-term conditions for growth is being neglected by current funding and policy priorities.

"There is a gap both in investment and the quality of investment."

Business adviser, Newcastle

"There is lots of talk about big investments in big infrastructure, in hard buildings and nice and shiny transport projects… But one of the factors of family security and stability and affordability in our city and others is dealing with the costs of old age and ill-health in old age… I can see lots of investments in hard infrastructure – but I am not seeing investment in opportunities to solve the social care crisis in the country. Inclusive growth won't be achieved unless we invest in solving such challenges."

Senior Regeneration Officer, Bradford Council

Despite the importance of place-based models of growth, it is also important to recognise that national policies and fiscal, monetary and economic decision-making, as well as the culture of policymaking, have a large bearing on the growth and inclusiveness of local economies. Evidence from our case study areas indicated that the absence of regional banking was a major barrier to investing in inclusive growth. It was also argued that fiscal policy (deficit reduction), welfare policies, tax and spending, housing policy, public sector reform policies, and regulatory policies have tended to disproportionately impact the living standards of poorer families and neighbourhoods, and have in some cases acted against local efforts to promote economic inclusion. Indeed, one of the reasons why previous regeneration programmes struggled is because their understanding of the causes of area-based deprivation focused on localised factors and neglected wider spatial dynamics such as the imbalanced distribution of national economic growth.[60] Some have suggested that the culture of public services in the UK has also constrained innovative policies from scaling up. Some describe innovative local practice (such as the approaches highlighted in the previous chapter) as "Cinderella initiatives" because they are relatively small scale and struggle to shape mainstream policy practice.[61]

"Let's be clear – we don't want to create the old welfare state – we want strategic investments for the long term."

Senior Officer Leader, Bradford Council

In addition to national policies, interviewees identified local government financing as having major implications for inclusive growth. It was suggested that the local tax base is too narrow in many places, which poses challenges for inclusive growth. As council funding becomes fully localised through business rate reforms by 2020, it appears likely that the poorest regions that are most reliant on central government grants will be hardest hit. One interview described this as a form of "double austerity." Moreover, the idea that localisation will incentivise these places to grow or rebalance their economies is rather tenuous. This is partly because property does not capture the diversity of local economic activity (some places will have little economic need for more city centre office buildings or high street developments despite this potentially increasing their tax base), but also because of the complex economic challenges they face, and their need to be competitive in terms of business rate relief in order to attract investment or maintain local businesses. A number of participants also argued that the rigid structure of council tax makes it difficult for some areas to sustainably grow their tax base.

59 National Audit Office (2013) Funding and structures for Local Economic Growth. 3 December, 2013. Available at: https://www.nao.org.uk/wp-content/uploads/2013/12/10285-001-Local-economic-growth.pdf

60 Rae, A. (2016) et al., op cit.

61 Notes from a European Cities and Inclusive Growth research tour with the Joseph Rowntree Foundation, June 2016.

Key questions for policy and practice

- **Could central government become a key partner in, and help to 'de-risk' locally-led investment into inclusive growth?** Councils currently invest significantly in local initiatives, often going where banks do not. However, their borrowing powers are limited. Government, in contrast, has the capacity to take a long term risk with money, particularly as the cost of borrowing is currently so low. How might central government underwrite much needed investment into local areas that might achieve significant payback in terms of inclusive growth?

- **Are there opportunities for local economic investments to extend beyond 'hard' infrastructure and also include more substantial social investment into human and social capital?** Some interviewees suggested that current approaches (including those at a sub-regional/LEP level) tend to be preoccupied with traditional concerns around growth, scale and capital investment, but it is important to also pursue sustained investment into neighbourhoods and people's skills and capabilities.

- **In this respect, how can the public sector (and local services) be repositioned as key enablers of inclusive growth rather than be viewed narrowly through the lens of fiscal efficiency and deficit reduction?** Interviewees indicated that good quality, joined-up public services (including in terms of prevention and early intervention) can help lay the foundations for inclusive growth and reduce need (and therefore demand and costs to the state) over the long term. Is it possible therefore to develop an 'invest to save' case for additional funding that supports the fiscal sustainability of services and incentivises innovative practices such as early intervention and joined up, 'whole place' approaches? Interviewees emphasised an important part of this should be around ensuring that some of the savings accrue to localities, rather than simply benefiting central government departments.

- **How might future rounds of devolution ensure that councils are able to develop a diverse tax base (with appropriate equalisation measures) to help drive inclusive growth locally?** Some interviewees pointed to the possibility of business rate pooling across city regions, as well as the scope for further tax devolution and innovation – for example land taxes, tax increment financing and 'earn back' schemes.

- **How could future public service reform programmes help to promote culture change in UK policymaking (nationally and locally)** so that currently small-scale but impactful 'Cinderella' initiatives have the supporting infrastructure necessary to shape mainstream policy and practice?

Conclusion

This report set out to draw some conclusions – and, more importantly, some questions – about the scale and nature of the inclusive growth challenge, how cities and other places are responding using the assets at their disposal, and what the barriers are. It did so primarily by looking closely at three areas – Newcastle, Bradford and the Cardiff city region and interviewing a number of people in those places from a range of different sectors.

We attempted to draw out distinctive narratives about inclusive growth from those places, aware that they also had a number of features in common. It was also possible to draw a number of parallels, including the way that these places have managed to define their own economic strengths – and that these economic strengths reveal a continuing disconnect with the needs of those who struggle to connect with the job market at all.

There are also parallel concerns about public service cuts and welfare reforms, which have adversely impacted household incomes of the poorest communities, the sustainability of local services, and the capabilities and capacity for councils, business and the third sector to drive local economic development.

There are also parallels between the places in their need to find ways of stemming the talent drain out of the area, and in their continuing arguments about transport links and whether they are a sufficiently decisive intervention to tackle the combination of socioeconomic disadvantages.

But there are also parallels in the innovation that is happening locally that are designed to tackle the innovative growth conundrum – some of which are distinctive (Newcastle's face to face approaches to skills, Cardiff's emphasis on co-ops, for example), some of which are more general. More general themes for innovation we identified included the importance of economic leadership and connectivity which is locally-led and place-based, public service reform and investment to create the conditions for inclusivity, and on community anchors – local institutions and communities which can drive the growth of local areas.

Taken together, these raise a series of issues and tensions with existing policy or administrative arrangements. The report focused on three tensions in particular.

1. The possible tensions between sub-regional growth and economic inclusion within local economies.

We need to think more creatively about how strategies and investments might strengthen the economic role and potential of city hinterlands and smaller towns and cities. This may involve identifying and promoting the unique economic strengths and potential of hinterland areas, and demonstrating how locally based economic activity can support neighbourhoods and communities conventionally disconnected from growth.

There is also a parallel question that needs answering around how to target job-rich sectors of local economies, such as retail and hospitality, that are most likely to impact on the living standards of local workers. We also need new data-analysis or engagement tools which can allow places to understand how city region growth and regional projects might have different impacts on different communities, neighbourhoods and income groups.

There is also an urgent need to develop better appraisal methodologies to complement conventional measures so that growth can be shared better across local economies. We found a number of places are beginning to develop complementary measures to support investment decisions – assessing, for example, the degree to which investments create 'good quality' jobs.

2. Work and skills policies are not always optimised to promote inclusive growth.

We found that groups furthest from the labour market, such as those with health conditions, including those from the most deprived neighbourhoods, are failing to properly benefit from centralised, fragmented 'one size fits all' service models. Despite some innovation, the national workforce system also struggles to build the skills and capabilities local residents need to access higher value added jobs, limiting the supply of labour and leading places to rely on importing higher skilled workers.

Our research suggests that policymakers need to look at how the forthcoming Work and Health Programme might be co-commissioned to promote labour market inclusion, so that programmes might tackle multiple barriers to economic inclusion and prioritise long term value over the 'job first' approach of current welfare to work schemes – not just getting people into any sort of job, but developing their capabilities to participate meaningfully in growth.

We also need to consider how future rounds of devolution might provide long-term social investment for economic inclusion, in the same way as investment is made in major physical infrastructure – and how local leaders might harness national initiatives or partnerships with national organisations to promote inclusive growth locally. We need to think about how local leaders might work around the 'red lines' of devolution – linking skills strategies with schools, for example – or work together to redraw them.

3. The state could do more to create the conditions for inclusive growth

If national policies sometimes act as barriers to inclusive local economic development, and growth, regeneration and infrastructure schemes have often been ineffective and are now facing significant funding pressures – and if the public sector is seen as a 'drag' on growth, rather than as a key place-based institution that enables it to flourish – then these dynamics need to shift.

There are important questions about whether central government could become a key partner in, and help to 'de-risk,' locally-led investment into inclusive growth, and whether they can use some of the benefits of central government borrowing. There are also issues about how local economic investments might extend beyond 'hard' infrastructure to include more substantial social investment into human and social capital.

Both these would mean repositioning the public sector, and local services, as key enablers of inclusive growth rather than assessed simply on their ability to achieve fiscal efficiency and deficit reduction. It means finding ways that local authorities can develop a diverse tax base, with appropriate equalisation measures, to help drive inclusive growth locally.

There is also a need for broader public service reform programmes to promote culture change in UK policymaking, nationally and locally, so that currently small-scale but impactful 'Cinderella' initiatives can have the supporting infrastructure necessary to shape mainstream policy and practice?

About the Inclusive Growth Commission

The Inclusive Growth Commission is a 12-month independent inquiry chaired by Stephanie Flanders, former Economics Editor of the BBC.

Building on the previous RSA City Growth Commission, it will seek to answer two key questions. Is there a model or models of place-based growth that also addresses social and economic inclusion? If so, what is this and how might it be implemented in a UK context, building on the opportunity that local devolution presents?

The Commission will look to influence policy makers and practitioners in the context of the new government post-Brexit, the evolving devolution agenda and the combined authority mayoral elections in May 2017.

The Commission plans to present a robust, authoritative and compelling case for change and devise new, ambitious measures and mechanisms for how this change can happen. It will seek to create momentum for change throughout the lifespan of the Commission (and thereafter) by working with a range of stakeholders across local and national government, as well as business and civil society leaders, and turn our project stakeholders into leading advocates of the Commission and its recommendations.

Evidence and engagement

The Commission will conduct its evidence gathering through a combination of:

An open Call for Evidence, targeting a range of stakeholders including city leaders and local government, think tanks and academics and business associations. The Call for Evidence closes on 31 December, 2016. To submit evidence, please contact: inclusivegrowth@rsa.org.uk.

Evidence hearings to examine the challenges and opportunities for place-based growth in a number cities.

Deep dive case studies for an in-depth look at a small selection of places, including the Devolved Administrations.

A seminar series with six to seven expert roundtables across country on a range of issues.

Policy engagement with key central and local government stakeholders.

Collaboration with leading partners in the UK and internationally, including the OECD, Greater Manchester Growth and Inclusion Review and the Inclusive Growth Analysis Unit.

An informal Research Advisory Group to discuss research findings and test policy ideas and recommendations.

A suite of short policy papers for testing new policy ideas that emerge from evidence hearings, seminars and deep dive case studies.

Citizen engagement, including working through the RSA's Fellowship networks and helping to shape PwC's citizen juries.

Formal Commission reports with a final report in March 2017.

Funders

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Commissioners

Stephanie Flanders (Chair), Chief Market Strategist (Britain and Europe) JP Morgan and former Economics Editor, BBC.

Sir John Rose, former Chief Executive, Rolls Royce.

Giles Andrews, founder and chairman Zopa, a peer to peer lending business, which has lent more than £1.7bn since its foundation in 2004 and chairman Bethnal Green Ventures, the accelerator for start-ups looking to use technology for social impact.

Henry Overman, Professor of Economic Geography, LSE and Director, What Works Centre for Local Growth.

Julia Unwin, CEO, Joseph Rowntree Foundation. Member of the Housing Corporation Board and Governor of the National Institute of Economic and Social Research, and was previously a Charity Commissioner and Chair of the Refugee Council.

Indy Johar, co-founder of 00 (project00.cc), a Senior Innovation Associate with the Young Foundation and Visiting Professor at the University of Sheffield.

Naomi Eisenstadt, Anti-Poverty Adviser to the Scottish Government. Previously First director of Sure Start Unit, Secretary of State's Chief Adviser on Children's Services, and Director of the Social Exclusion Task Force.

Richard Reeves, Senior Fellow in Economic Studies, Brookings Institute, currently leading a major programme on inclusive growth at the Institute. Before this, Richard was Director of Strategy for Deputy Prime Minister, Rt Hon Nick Clegg.

Rob Whiteman, Chief Executive of the Chartered Institute of Public Finance and Accountancy (CIPFA). Previously Chief Executive of UK Border Agency and managing director of Local Government Improvement and Development. Between 2005 and 2010 he was Chief Executive of the London Borough of Barking and Dagenham Council.

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Ben Lucas (ex officio), founding partner, Metro Dynamics. Strategic Advisor to the Commission.

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INCLUSIVE GROWTH COMMISSION

RSA
21st century enlightenment

Inclusive Growth
Putting Principles Into Practice

March 2017

Contents

"We are moving from an era when cities were the problem to a period when nation states are not capable of problem solving."

Tony Travers, London School of Economics

Introduction

How does a town or city or region set about driving inclusive growth? There is a demand, not so much for instructions or directions, but for ideas, case studies, patterns and stories. In this document, published to accompany the Inclusive Growth Commission's final report, we set out how places in the UK and all over the world are starting to find ways to spread prosperity more widely. *Inclusive Growth: Putting principle into practice* charts the directions they are taking, draws parallels and puts these stories in context.

Many of the ideas are in their earliest stages of development. They are only now being put into practice, so they come with no guarantees of success. What the examples we set out here do show is just how much creative and practical energy is now going into generating inclusive growth, and in spreading local prosperity, even in the most disadvantaged places. None of it is easy. But it is a tribute to the practical and entrepreneurial leaders which can be found across local government and throughout civil society that – despite the huge challenges they face – this is a story full of imagination and optimism.

The meaning of inclusive growth

Central to Theresa May's post-Brexit agenda is the Prime Minister's aspiration to 'make a country that works for everyone.'[1] The RSA's Inclusive Growth Commission defines inclusive growth as "broad-based growth that enables the widest range of people and places to contribute to economic success, and to benefit from it too. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes."[2]

A few years ago, inclusive growth might have sounded like a lacklustre compromise, a third way between, on the one hand, ideals of fairness and equity and, on the other, hard-nosed productivity and growth. It is now clear to almost everyone that success in one place, or corner of a place, doesn't automatically spread everywhere else. Prosperity does not 'trickle down' sufficiently to justify giving sustenance to this model of social and economic policy. Simply, social policy cannot keep up with addressing the challenges for those left behind by the old, narrow economic growth regime.

Inequalities between people and places are unsustainable for three reasons. They are morally problematic, in a society with enough affluence in aggregate. Secondly, the social costs of the incumbent growth model creates a drag on growth and rising demand on public funds, because the contributions of millions of unemployed, underemployed and economically inactive are missing. Thirdly, the interplay of moral choices with public finance challenges, in an era of low aggregate economic growth, create a political climate in which disaffection is the largest political force – and parties that capture and attempt to ally themselves with this sentiment see rising success.

Getting under the skin of this complex problem, let alone finding a coherent set of practicable solutions, has been a tall order. Once you start to unpack economic policy, to work out why it has failed to work effectively for so many people and places, you are soon confronted with a vast agenda – spanning social, fiscal and monetary policy, psychology, culture, identity, and much else besides.

There are also clear distinctions between inclusive growth *policies*, which are applied to the existing economic model but try to ameliorate barriers to inclusion, and an inclusive growth, in which the structures and assumptions of how places and people prosper are challenged. In practice, the Commission's final report combines elements of both, because we have a responsibility – not just to develop better ways for prosperity – but to make them pragmatic and actionable in the short term.

The economic challenge

The interests of places and national governments are not always aligned. There are important ways that cities and national government are bound to see their economic objectives differently. For central government, with economic and social objectives neatly and traditionally divided between departments, it doesn't necessarily matter if economic growth is unequally distributed between places, as long as it is turbo-charged in some places to maximise the national tax take, maximise Treasury revenue and to throw up international competitors capable of taking on the world.

It may not matter to national treasury departments that some places don't maximise their productivity, because other places generate a surplus which can be redistributed. But for city-regions and local authorities (especially in England, where the core local government grant is set to be phased out), it matters very much. Places know that – only if they can get their whole population to fulfil their potential in terms of economic and social productivity - will they start to bring down or stabilise costs and increase revenue-raising capacity, which is currently tightly constrained (despite new 100 percent business rate retention proposals).

The RSA's Inclusive Growth Commission was launched in April 2016 to wrestle with these issues and to put practical recommendations to central government, local government, business and civil society. Throughout the course of the Commission's inquiry, we have identified five key principles – based on UK and international case studies and analysis – that need to be applied if we are serious about

1 May, T. (2016) Statement from the new Prime Minister Theresa May 13 July 2016. Available at: https://www.gov.uk/government/speeches/statement-from-the-new-prime-minister-theresa-may
2 Inclusive Growth Commission (2016) *Inclusive Growth Commission: Emerging Findings.* London: RSA. Available at: https://www.thersa.org/discover/publications-and-articles/reports/emerging-findings-of-the-inclusive-growth-commission

driving inclusive growth locally and nationally. This guide devotes a chapter to each of these principles. Together they represent a whole-system change approach to inclusive growth; the scale of the challenge demands nothing less.

The Commission's final report discusses how we can bring the five principles for inclusive growth into effect. But the hard work has to be done in our cities and towns to identify what inclusive growth can and must mean for particular places, and how places can achieve this individually and collectively.

Five principles of inclusive growth

1	2	3	4	5
Creating a shared, binding mission	**Measuring the human experience of growth not just its rate**	**Seeing growth as the whole social system, not just a machine**	**Being an agile investor at scale**	**Entrepreneurial, whole-place leadership**
The complexity of the challenge of inclusive growth demands a shared, binding commitment to the task with a common narrative about the vision for change, how it can be achieved and the roles that business, civil society, central and local government can play in this. This needs to be a national agenda, designed and delivered locally, where there is a stronger sense of identity and where people have a greater stake in the outcome. As a citizen of a place with a binding mission for inclusive growth, I know that there are opportunities for me to make a contribution to the local economy and my community, and for this to be valued. I feel that I belong to a place that matters, and is heading somewhere.	Let's measure what we value and want to achieve from inclusive growth. Is it easy and affordable for everyone to travel to work and to access public services? Do working age people have access to quality jobs, where they are paid fairly and have opportunities to learn and progress? Is there a difference in the healthy life expectancy between certain groups in my community? Do people believe in their own future and their ability to succeed? We need to make inclusive growth our yardstick of economic success, capturing the value of our social as well as economic infrastructure.	Get underneath the skin of the problem inclusive growth is designed to solve, including what is having an impact, where and why, and where services or spending are having perverse effects on inclusive growth outcomes. At a place level, this will involve data analysis, public engagement, democratic processes and deliberations with employers, investors, public service professionals and civic institutions. How might this process signal opportunities for change? Are there sticking points that might just have be worked around? At a national level, how might the system need to be rewired – structurally and culturally – to support inclusive growth 'on the ground'?	Ensuring sufficient, strategic, integrated finance of social and physical infrastructure so as to maximise the value of public, private and third sector investment across generations. This might require a shift of spending towards preventative, rather than reactive spend, as well as scope for more flexible use of smaller-scale funding to pump-prime public innovation and social enterprise.	Bringing together, at a place level, business, civil society and political leaders, formally and informally, to drive system-change. This will involve mobilising the full force of local resources and stakeholders to build on existing assets and opportunities, as well as develop new innovative and investable propositions for change. This will demand: clarity of vision for what actions are needed, the means to respond dynamically as circumstances shift, the capacity for economic leadership, ability to think creatively about what (or who) might present an opportunity for impact to create change, the courage to experiment, iterate and scale, and the humility to learn from failure. Places that have strong entrepreneurial leadership understand the need for a broad-based movement for change, building local legitimacy and channelling the collective energy of wider civil society.

1. Creating a shared, binding mission

Across the world, cities which have cracked the issue of broadening and increasing prosperity have at least one thing in common, they have taken the time, and put in the effort, to construct a widely shared agenda for change – a binding mission that allows them to deliver inclusive growth.

The best examples in the world are places like Helsinki, Louisville or Seattle, which have all put substantial time and resources into finding a mission that can motivate the people who live there. Until recently, UK cities have been hamstrung – their attempts to construct a binding mission were constrained by how little room for manoeuvre they had. Trying to generate a sense of local mission which they had few powers to put into practice might, they feared, open them to ridicule.

Yet paradoxically, it was the UK city with the fewest direct powers which has led the way to shaping a binding vision across their agencies and communities which charts a direction for the future. Belfast has only just been given land use planning powers (they had been the only city in Europe outside Kosovo without them). Other agencies have been responsible for education, housing, transport and social services. While the council has good working relationships with them, the city recognised there was a need to coordinate the direction of travel and so began the Belfast Agenda.

The reform of local government in Northern Ireland two years ago was the original reason for embarking on such an ambitious project as the Belfast Agenda. The number of local authorities was reduced from 26 to 11, and Belfast had outer suburbs added to its administrative boundaries, covering another 60,000 people. It was a moment to get together their health, housing and education partners to agree a shared agenda for the city that had been so bitterly divided.

The city council launched a series of events led by the voluntary sector called the Belfast Conversation, supported by a survey of opinion.[3] The aim of the Conversation was to build consensus around long-term wellbeing outcomes and use this as a basis to work back to priorities and actions for change. The council's youth forum led on the meetings in schools to discuss the city's future, and – in corners of the city with particularly intractable social and economic problems – the conversations sought to diagnose local issues with the people who lived there and work out practical solutions. In four areas, they organised design workshops focusing on the misuse of prescription medicine in one area, entrepreneurship for young men in another. It is small-scale and in its early stage, but the hope is that it might produce more effective ways of tackling complex issues than just imposing solutions from above.

The meetings are still going on and the community plan which takes Belfast to 2035 is now out for consultation. It sets out five outcomes, one of which is inclusive growth – or, as they put it, "where everyone benefits from a thriving and prosperous economy". There are also a series of priorities to cover the next four years, which includes more jobs, more people coming to live in the city, and a reduction in the life expectancy gap between different communities. The idea is that every four years there will be new priorities, and space for new ideas and new developments too.

Inclusive growth often starts with similar exercises to this, partly because it focuses minds and builds commitment, partly because it demands solutions along these lines, allowing mayors and city leaders to do what they do best, to see broadly across the range of interacting issues, to focus on what is possible and to make it so. In leading a whole city and its myriad of people and institutions, where your main leverage is inspiration, then you need a vision that can generate a shared commitment.

Strategising horizontally

But there is another lesson here: place-based strategy and a vision for inclusive growth doesn't have to involve central government imposing its will. It may even be that this kind of simple hierarchical approach, where somebody has to decide and everyone else has to follow, is now ineffective, because it does not bring with it the whole-hearted commitment of those taking part.

In fact, one of the characteristics of many of the collaborations set out here is that no one organisation is more powerful than the others. The individuals need to know each other, trust each other and be able to work together on an equal basis to find common objectives. Strategising horizontally, in this respect, means linking up with peers to make things happen, without having to construct or go through vertical hierarchies. An example is the efforts of the Key Cities network to create a cross-city strategy for automotive manufacturing.[4]

3 Belfast City Council. 'The Belfast Conversation'. Available at: http://www.belfastcity.gov.uk/council/Communityplanning/TheBelfastConversation.aspx

4 Key Cities, representing 26 of the UK's mid-sized cities, have started to develop a collaborative, city-level approach to industrial strategy. Beginning with the automotive industry, Coventry and Sunderland have since made concerted efforts to assemble land to give the sector space to expand. In addition, 200 supply companies have joined the North East Automotive Alliance, creating the potential for it to become a formidable force for research, shared learning and raising performance.

Belfast, City Hall, UK

What binds people to a common cause? What keeps them delivering that shared objective, rather than falling back to their own priorities? Experience suggests that they believe, together, that they can put the strategy into better effect. The ability to work towards shared objectives – even when cities have no direct control over crucial aspects of the strategy – was pioneered in the Netherlands and known as the 'politics of accommodation'.[5] It is only possible once places have been able to move on beyond the question of who has control. It isn't necessarily about compromise – all policy involves priorities – but it means working together to make things happen, in a way that seemed hobbled in the days of 'partnership working' by central directive.

Take Pittsburgh, for example. Until the 1970s, it was a byword for industrial pollution and post-industrial decline. But by 1985 a series of entrepreneurial mayors had led them to the top of the Rand McNally Liveability Index, which galvanised a sense of possibility. Their Strategy 21 dates back to that same year, in collaboration with the presidents of Carnegie Mellon University and University of Pittsburgh. This was a 'call to partnership' by the city that was able to embrace public and private agencies and civic actors throughout the city, region and state. The plan was designed to "reinforce the region's traditional economic base, convert underused land, facilities and labour force components to new uses especially those involving advanced technology, enhance the region's quality of life and expand opportunities for women, minorities and the structurally unemployed."[6]

It meant investing in the city's universities, which created anchor institutions that attracted high value research and development to the region. The plan reused derelict steel plants and mills along the city waterfront, including creating a new Pittsburgh Technology Centre. It has also led to a range of other cross-sector initiatives, like the Pittsburgh Sprout Fund, a joint public-private venture to fund projects likely to catalyse change to make Pittsburgh a better place to live.[7]

Pittsburgh is an example of a binding mission, involving all the different sectors across a city, to concentrate resources according to local needs, which required a rethinking of their strengths (waterfront dereliction became an opportunity, for example). According to the Brookings 2016 Metro Monitor Report, Pittsburgh is one of 37 of the hundred largest metropolitan areas in the USA that posted improvements in all three prosperity indicators across three-, five- and ten-year time periods.[8] It is also a region that has managed to pivot from an economy significantly dependent on steel production to competitive core sectors in advanced manufacturing, energy, healthcare, financial and related services and information technology.

5 Lijphart, A. (1975) *The Politics of Accommodation: Pluralism and Democracy in the Netherlands*. Oakland: University of California Press.

6 The City of Pittsburgh (Caliguiri, S.), The County of Allegheny Board of County Commissioners (Foerster, T., Flaherty, P. and Hafer, B.), The University of Pittsburgh (Posvar, W.) and Carnegie-Mellon University Cyert, R.) (1985) Strategy 21: *Pittsburgh/Allegheny Economic Development Strategy to begin the 21st Century*. Available at: http://www.briem.com/files/strategy21.pdf

7 The Sprout Fund. 'Projects'. Available at: http://www.sproutfund.org/projects/

8 Brookings Institute (2016) *Metro Monitor 2016: Tracking Growth, Prosperity and Inclusion in the 100 Largest U.S. Metropolitan Areas. Available at:* https://www.brookings.edu/research/metro-monitor/#V0G10420

However, the disadvantage of embracing everyone in strategy-making is that it can take time. Leipzig's SEKO 2020 took two years and now has a permanent unit to spread the idea that the people who live there can take part in the life of the city.[9] San Antonio's 2020 plan involved 145 non-profit partners. On this scale, the process has to be as important as the destination. It may even build the relationships that make the destination possible, combining the best of each of the partners involved – their resources, capacity and commitment to the shared mission – to realise the vision. In a UK context, it is what the Inclusive Growth Commission meant by 'grown up devolution'.[10]

Bringing together the economic and the social

One of the implications of this shift is that the old demarcation lines between economic and social policy, which derive from the boundaries between Whitehall budgets, are beginning to blur. It is clear in the cities and regions that separating these two aspects can be counterproductive, because they can see more clearly that the two affect each other. In a devolved world, cities and regions are finding that they need to bring these halves of their collective brain together.

There are more divisions than just those between economic and social objectives. Housing is often in a separate box to jobs and welfare. Skills are delivered by a range of different agencies, as well as schools. An effective strategy needs to be able to see the connections between these areas and act on them, which is what James Riccio has been doing in the USA.

Riccio is a US evaluation expert from the US with wide-ranging policy and programme experience, affiliated to the New York City thinktank mdrc. His projects in New York and Memphis have used low cost housing as the platform for helping people into employment, and it effectively raised incomes across race and gender divides.[11] New York, under Mayor Bill de Blasio, has a reputation for merging economic development with workforce development. The original Riccio programme also included major cash transfers to give people in work the resources to rent better homes. Now Riccio's Jobs Plus programme is the model for a project organised across the Black Country in the UK, which is trying to overcome boundaries between housing, welfare, job readiness and troubled families support. A new initiative provides people with repayable financial incentives to overcome costs associated with starting work.[12]

The Black Country approach (Working Together) manages to combine a whole range of tailored and face-to-face support under one umbrella, including career planning, CV preparation and tailored advice on jobs and benefits, plus pre-employment training and skills such as literacy and numeracy, mentoring, work experience and work placements. And once people have got work, the approach carries on helping them to progress, and supporting the same household, family or peer group, helping with the costs associated with the transition to work and rent freezes from housing providers. Unlike so many other schemes, in the Black Country support workers stay engaged and continue the support in order to help further career progression.

The plan is part of the Black Country's 2014 City Deal and targets the most disadvantaged, the long-term unemployed and economically inactive Black Country residents in areas of high concentrations of worklessness. The plan is to support 2,800 people, helping 900 into sustained work and increasing the earnings of 500 by at least ten percent a year. It is also not expensive given the returns expected. It is funded by £2.8m from Black Country partners and match funding of £2.8m from the government. The returns are estimated to include a £1.1m reduction in the welfare bill from savings on the transition from unemployment and into work, and another £19.7m associated with earnings gains.

The idea is to combine small local providers with real knowledge of the areas involved with programmes that are tailored to individual needs, using mentoring, one-to-one support and non-traditional training and engagement activities, from therapeutic gardening to micro enterprises. The main housing providers involved also employ community connectors to build trust and to identify the hardest to reach customers. Organisers suggest that it takes time to build up rapport; you can't just assume that people will trust you the moment you launch. It also has to be intensive if it is going to work. In addition, they have found it hard to get accurate data on unemployed social housing tenants.

This is not just about getting people into work. There are other initiatives involving cross-professional efforts to tackle skills problems and, often, they are linked to parallel efforts to tackle skills shortages (Manchester) or to link up with benefits staff (Suffolk). The common critical element is being able to see benefits – not just of working, but of genuine innovation (see Chapter 4).

9 Power, A. and Herden, E. (2016) Leipzig City Story. London: LSE Housing and Communities. Available at: http://sticerd.lse.ac.uk/dps/case/cr/casereport107.pdf

10 See the Commission's Emerging Findings document: Inclusive Growth Commission (2016) *op cit.*

11 Bloom, H.S. et al (2005) *Promoting Work in Public Housing: The Effectiveness of Jobs-Plus*. New York: mdrc. Available at: https://www.doleta.gov/research/pdf/jobs_plus_3.pdf. See also mdrc. 'Jobs-Plus Community Revitalization Initiative for Public Housing Families'. Available at: http://www.mdrc.org/project/jobs-plus-community-revitalization-initiative-public-housing-families#overview

12 Conyngham-Hynes, D. (2015) 'Local Approaches to Boosting Earnings'. [Blog] 24 February, Learning and Work Institute. Available at: http://www.learningandwork.org.uk/our-thinking/blog/local-approaches-boosting-earnings

Bluring departmental divisions

Salt Lake City is something of an enigma. It has faced enormous demographic change in recent years, which means that anything up to half the families in the city's education system are in poverty, with deprivation concentrated in the west of the city. Yet somehow, during the recent long recession, Salt Lake City carried on rising up the quality of life indices. Salt Lake City's teacher salaries are also higher than three quarters of the other metro regions in the USA, even though local costs are low.

City mayor Ralph Becker laid some of the credit for their success at the door of the University of Utah, which he described as an "incredible engine of entrepreneurial activity and spin-offs".[13] The Mormon influence is clearly relevant too, and the commitment that local businesses have to the city, which provides energy behind any shared vision of the future. So is the broad participation which has been made possible by the project Envision Utah.[14]

So when the Salt Lake Chamber and Downtown Alliance took on the homelessness issue in recent years, they were able to look at the causes as well as the political kneejerk quick fixes, aware that helping homeless people and discouraging begging also meant educating the public so that they could invest in emergency accommodation, a new family and resource centre, and more affordable homes. They also needed a way of people assessing services that was flexible enough to access education, health and advice as well, if that was what was necessary.

In other words, to make a real difference they had to build long-term alliances, linked across the city and to blur the sharp dividing lines between budgets, departments and professions. When they talked about a 'no wrong door' policy for homeless people, it meant they could allow people to use their services wherever they turned up. That requires a flexibility with budgets that is only becoming possible tentatively and experimentally in the UK.

13 Cook, N. (2014) 'Salt Lake City's Secret to Escaping the Recession'. *The Atlantic,* 15 April. Available at: http://www.theatlantic.com/business/archive/2014/04/salt-lake-citys-secret-to-escaping-the-recession/425730/

14 Benner, C. and Pastor, M. (2015) *Equity, Growth and Community: What the Nation Can Learn from America's Metro Areas.* Oakland: University of California Press.

Salt Lake City, USA

The problem here is not that local government in the UK is somehow unused to strategy. Quite the reverse: they are drowning under strategy documents. The difficulty is that the strategies themselves still follow the traditional divisions between Whitehall departments, their varying ministerial priorities and their determination to hold onto control. They don't always see the connections that work outside those silos, and especially between the economic and social. This is particularly so when it comes to economic development strategies.

Conventional wisdom suggests that cities need to identify and concentrate on key strengths. It is often some combination of the trendier end of hi-tech enterprise, like gaming, medical technology or similar. This is not exactly a recipe for an inclusive economy, either locally or nationally. Concentrating on strengths isn't bad advice, but the difficulty is that they can bear little relation to 'social' objectives or the actual assets that cities possess. Those left outside the less prosperous parts of the city are less likely to benefit directly from increased activity in prioritised sectors. Any vision needs therefore to break across those traditional divisions, if it is going to work effectively – not just for the highly-skilled and mobile regional workforce – but with everyone.

Perhaps the city currently with the most ambitious binding vision is Louisville, Kentucky. Louisville has always been an unusual place – 'Keep Louisville Weird' said the slogans on the coffee cups. Now Mayor Greg Fischer's 21 'goals' include the target of 750,000 'acts of compassion' a year, which would mean everyone doing something once.[15] This is part of the shared objective of having a human, compassionate city; there are other, more conventional inclusive growth objectives like raising wages, producing local food and encouraging innovation.

The key point is that Louisville needed to be able to inspire local organisations to move from the old measures of productivity – a narrow kind of efficiency that tends to impoverish – to a broader measure of inclusive growth that is able to spread the benefits of productivity through opportunities for good work for all. Measurement, distinguishing good growth from the less useful variety, and how to do so, is the subject of the next chapter.

15 Louisville City Government. 'Goal 21: Grow as a Compassionate City'. Available at: https://louisvilleky.gov/government/mayor-greg-fischer/strategic-plan/goal-21-grow-compassionate-city

2. Measuring the human experience of growth, not just its rate

Glasgow has a proud history in science, technology and the arts, in shipbuilding and innovation in metal working, but it has also been plagued by inequality and deprivation. Recent years have seen the former industrial city transformed into a clean, knowledge economy – at least for some: it has also left a significant section of the population with access only to an ever limited number of low-skilled, low-paid jobs. In Glasgow, perhaps more than other UK cities, this has focused local policy thinking especially around health inequalities.

"A boy born in Lenzie, East Dunbartonshire, can expect to live until he is 82," says the Scottish Health Observatory.[16] "Yet for a boy born only eight miles away, in Calton in the East End of Glasgow, life expectancy may be as low as 54 years, a difference of 28 years."

There had been real progress but, after 2008, the recession seemed likely to feed into local government budgets in Scotland as well as England, and the city's leaders were increasingly nervous that the progress they had made would be undermined. The result was a health inequalities commission. The Glasgow Health Commission emphasised the link between economics and health, and stressed how important it was to regard their whole population as assets, rather than just as potential drains on the public sector.[17] They also stressed the importance of measuring progress in terms of health. The result has been an innovative approach to measuring economic success or otherwise, which may well provide a blueprint for other cities, based on their Poverty Impact Assessment Tool.[18]

With other UK cities, Glasgow City Council has been working with the Joseph Rowntree Foundation, plus researchers at two leading Scottish universities – Glasgow and Heriot Watt – to develop an approach they call 'poverty proofing.' The idea is that this should provide them with a measurement tool they can use day by day to tweak budgets and policies, as set out in the 2016 economic plan which puts inclusive growth at the heart of their strategic planning

16 Unison Scotland (2015) *Commission on Health Inequalities: Report for the Scottish Labour Party*. Available at: http://www.unison-scotland.org.uk/labourlink/HealthInequalitiesCommission_ReportforScottishLabourParty_Oct2015.pdf

17 Glasgow Health Commission. *Growing a Healthier Glasgow: A report and recommendations of the Glasgow Health Commission*. Glasgow City Council. Available at: http://www.understandingglasgow.com/assets/0001/0525/Glasgow_Health_Commission_final_report.pdf

18 University of Glasgow. 'Serving Deprived Communities in a Recession'. Available at: http://www.gla.ac.uk/schools/socialpolitical/research/urbanstudies/projects/servingdeprivedcommunitiesinarecession/

Glasgow, UK

process.[19] The purpose of the plan is to make Glasgow the most productive city in the UK, and their health inequalities are the most obvious barrier to achieving that.

Poverty proofing means there can be some connection between inclusive growth strategies and real-time social outcomes on the ground, eventually leading to improved life expectancy. That is the objective, to see progress almost as it happens. They have not finished this work yet, but the idea is to get a better picture of how the city really works (see Chapter 3): it is about really getting under the skin of what is going on from day to day, and then being able to see the impact of their interventions. It is about providing the kind of feedback that allows cities to respond dynamically to maximise their long-term results.

The poverty proofing approach divides local authority services into six categories, from pro-rich to pro-poor, with more neutral public usage in the middle. This has the potential to give policy-makers a ready reckoner to identify where the positive socio-economic focus of public investment is more pronounced, and where more investment may be desirable. How do you categorise libraries, for example? Pro-rich or pro-poor, or somewhere in the middle? Each city will be different, depending on how much – like Glasgow – their libraries have been orientated to support poorer communities. It implies that this is a measurement tool that can potentially be tailored to suit local preferences and circumstances and drive pro-poor behaviour initiatives and innovations on the ground. 'People make Glasgow' was their strapline as hosts of the Commonwealth Games. They are hoping this new approach to measuring success will help make it a reality.

As Glasgow shows, measurement is complicated. It may be that the subtleties of inclusive growth make completely objective measurement difficult, but it is still necessary to try – otherwise the old measures will dominate both policies and investment decisions. The difficulty is that so many elements are included in the inclusive growth concept. Does the growth provide the local population with long-term sustainable assets? Can people afford to live without precepts from the state? Can people access good jobs where they are paid sufficiently to avoid poverty? Do people believe in their own futures?

One city which is facing up to the difficult choices involved as a result of measuring inclusive growth is Birmingham. Birmingham has committed the city to investing in growth that can spread prosperity. This ambition depends on being able to recognise the type of investment that can achieve inclusive growth – and, of course, to recognise when potential policies or investments are *not* inclusive, when they might actually make the city worse off. It isn't easy for city leaders to reject growth today on the grounds that it isn't inclusive, and to forego it in favour of – and with confidence in – securing inclusive growth tomorrow. They certainly won't be able to unless they can point to some objective evidence that indicates they are taking the right decision.

19 Glasgow Chamber of Commerce et al (2016) *Glasgow Economic Strategy 2016- 2023*. Available at: https://www.glasgow.gov.uk/CHttpHandler.ashx?id=36137&p=0

This was regarded as economic heresy in the days when all income, wherever it derived from, was regarded as identical, especially from the Treasury's point of view (depending on different tax brackets, of course). But on the ground, it is only too obvious that some investments spread prosperity and some – and investments in casinos or betting shops may be in this category – set prosperity, for most people, into reverse.

A summary of recent attempts to model and measure inclusive growth is set out in the Inclusive Growth Commission's Emerging Findings[20] document and discussed further in the final report.[21] The key question for cities is to find a measurement method that works for them, and which is complex enough to avoid manipulation and yet simple enough to be useable. Crucially, they will need to use these to look forwards and assess the likely effects of different decisions they contemplate.

Making genuine progress visible

There is a predictable and probably sensible preference for simplicity, like monitoring the spread of jobs and skills – traditional ways of measuring success – and cities like Birmingham are beginning to assess alternative investment decisions along these lines (see Chapter 3). In practice, prosperity seems to be created best by the number of sustainable jobs, and the skills and assets that are spread as a result. One region which is focusing its attention on progress towards the goal of good jobs is West Yorkshire, where the No Silver Bullet Charter for low pay was released in 2014.[22] They make it visible with the help of a traffic light system.

As its name suggests, the charter accepts that there are no single policies that will make a difference by themselves, and they need to monitor a range of issues from pay to pensions – and back up that monitoring with action. The 2016 report of the Lower Paid Workers Group, which includes representatives from all the places involved, including Leeds, Huddersfield, Halifax, Wakefield and York (a little further afield), reports back on progress so far using traffic lights. Compiled by an independent consultant, it reports four greens and one red (going through local authority HR policies to revamp to make them more effective for lower paid workers). Together, they may not be enough to crack the inclusive growth problem, but they mark a successful contribution.

Spread the data

In 2010, 6,000 residents in the Texas city of San Antonio got together to agree a vision for the progress they should make over the next decade. They agreed a statement about where the city should go, including ambitions to be the safest big city in the USA, with healthy citizens and access to good education and good jobs. They also agreed two other things – a permanent and funded third sector organisation which would monitor progress independently and 59 indicators to help them do it.[23]

That was how the non-government organisation SA2020 emerged to play such a role in local debate, as guardians of the independence of the data, and publishers of the online San Antonio Data Dashboard. SA2020 just hosts the data. It is collected and analysed by another new organisation called Community Information Now (known as CI:Now), promising to provide the information so that they can "visually display the data that our neighbours need to improve neighbourhood and regional conditions".[24]

San Antonio has a population of about 1.5 million, more than half of whom are Hispanic or Latino in origin. It is only one of nine urban areas in the USA to be above average on prosperity and inclusion. Part of that success is down to two innovative projects over the past decades – Project QUEST, funded by city, county, state and federal government, reskilling disadvantaged workers for better jobs; and Pre-K 4 SA, using local taxes to invest in pre-school education. The Pre-K project was a result of the mayor's Brainpower Taskforce in 2011, which brought together education and business leaders to discuss what would be the best use of a hypothecated 0.25 percent sales tax for eight years, another example of joint strategy (see Chapter 1).

What SA2020 makes possible, along with similar initiatives involving open data (Helsinki), is that evidence of the key progress is immediately available to all those people who took part in the strategy. It means that there is some trust in the figures that emerge when San Antonio releases graphs showing they are on track to raise the average wage.

20 Inclusive Growth Commission (2016) *op cit.*
21 Inclusive Growth Commission (2017) *Final Report of the Inclusive Growth Commission: Making our economy work for everyone.* London: RSA. Available at: https://www.thersa.org/inclusive-growth-final-report
22 West Yorkshire Combined Authority (2015) *No Silver Bullet: Doing more to support our lower paid workers.* Available at: http://www.westyorks-ca.gov.uk/uploadedFiles/Content/News/Articles/LPWC_Draft%20Report_v8_FINAL%20POST%20LEADERS.PDF

23 Editorial Board (2012) 'After one year, reason to celebrate SA 2020 vision'. *My San Antonio*, 26 May. Available at: http://www.mysanantonio.com/opinion/editorials/article/After-one-year-reason-to-celebrate-SA-2020-vision-3586121.php
24 See Community Information Now at: http://cinow.info/

Cleveland, USA

Where does the money actually go?

Cleveland, Ohio, was the US city worst hit by subprime repossessions in the USA.[25] Two of the most significant institutions for the local economy are the publicly-funded university and the hospital. To maximise the local economic impact of the hospital, the Greater University Circle Initiative has focused on the supply chain clustered around and dependent on the Cleveland Clinic and university hospitals, starting with a sustainable laundry business, followed by a renewable energy company, and with installations on the hospital roof. Incorporated as Evergreen Cooperatives, these businesses employ local people and redirect the spending power of the local hospital to launch them and underpin them. They have also launched a project to help cooperative employees into home ownership. It does require money (and the federal agency HUD has backed the project with $1.5m), but it is about encouraging money that is already being spent to be used more effectively; it is about altering where it flows. The institutions involved have all been able to increase the proportion of their spending in the city and surrounding county.

The fundamental problem in most cases is that there is so little information about where money flows. The vast majority of the basic information flowing into the UK Treasury is national data. What has changed is the advent of 'big data.'

There is data available about energy use, public health, driving times, weather and a whole range of other behaviours, social and natural, and it allows managers, doctors and analysts to make smarter choices about when to intervene early, to sort out blockages and leaks or to save energy. We can even now sub-divide bank lending down to ward level, and obesity and diabetes down to street level. We can watch the flow of energy around local systems, or the flow of traffic around a city, but most cities have difficulty in watching the flow of money around their economies. The tools for doing so are in their early stages.[26] Opening up commercially sensitive data from businesses will prove difficult – the mastery of such data flows is itself increasingly a source of competitive advantage. But public spending is subject to transparency, and the UK government – centrally and locally – is in many aspects leading the world in this transparency.

The UK city which took the Cleveland approach most to heart has been Preston, after one of their councillors went to hear the person most associated with Cleveland's project, Ted Howard, speak about his work there. There are huge differences in life expectancy from one side of the city to the other (up to 14 years). Preston was one of the top ten relatively worst hit councils from austerity cuts in the UK. Yet, paradoxically, if you count the amount of money that pours through the economy, it may not be quite as impoverished as it first appears.

25 Cleveland Foundation (2013) *Cleveland's Greater University Circle Initiative*. Cleveland: Cleveland Foundation.

26 There have been various attempts to do so, notably in Michael Danson's micro studies, and much less precise attempts using the LM3 tool. See: https://www.lm3online.com/about.

With help from the Centre for Local Economic Strategies (CLES), Preston began by listing their potential anchor institutions in the area.[27] Then, one by one, they went to see them. The response from the cash-strapped chief executives was unexpectedly positive and now the group meets in Preston every three months to look at progress. The list now includes, not just Preston but also Lancashire County Council, Lancashire Constabulary, the housing association Community Gateway, Preston College, Cardinal Newman College – and, more recently, the University of Central Lancashire and Lancashire Teaching Hospitals.

What they found was that, with the top 300 suppliers, only about five percent of the money was flowing back through Preston and only 29 percent was flowing through Lancashire. Nearly two thirds of the money was, as they put it, "effectively leaking out of Lancashire each year" – with all those institutions combined, about £488m a year was flowing out of the area. Fair enough for a wealthy city, but – in a less than wealthy one – it seemed like a waste. Since the start of the project three years ago, their efforts have seen more than £4m extra going through the Preston economy.

The institutions became aware that their costs would be heavier – especially if they were public services – if too much of their contract money was going out of the area: the NHS would have more ill-health to deal with if people were not working, there might be more crime, people with skills might move away. At the very least, they wanted to know where their money was going, and where it was going after that. Sceptics were pointed towards other local authorities which have tried to increase the proportion of local spending in related ways (Manchester, Stockport, Northumberland). In Preston, the technique has involved persuading the local spending institutions to use the Social Value Act, if possible, to make sure contract money keeps circulating locally.

Often the solution was to develop a basic toolkit – cutting contracts into more manageable units, seeking out potential local suppliers and helping them understand the process better, helping them with the pre-procurement forms and sign-up, all of which increase the competition, rather than constraining it. As Nottingham and Birmingham (see Chapter 4) have found since, there are many ways of taking this forward and often it will dovetail with plans to increase the quality of local jobs so that people have the security to build some assets of their own, or to make sure that local investments feed through into local jobs (for example, in Oxford's community employment plans).

These ideas are controversial. Economists can sometimes fear that measuring where the money is flowing locally can amount to a kind of protectionism – a sort of local Berlin Wall that keeps out quality and innovation. Of course, it could be like that. You can see why there is an official fear of second-rate local businesses driving out first-rate ones simply because they are local. That would be a recipe for higher costs.

But if staying ignorant of where your money is flowing might rule out a higher cost procurement option, which might cost less because of the broader economic impact beyond the contract value, that makes no sense (see Chapter 4). It matters how much people are able to build up financial assets, and their ability to do so will depend on being able to measure local economic achievements – assets and money flows – even if this can only be done tentatively.

Measuring the money is only part of a wider issue about measuring economic effects, so that decisions can be taken knowing their likely implications for inclusive growth. The question of how any institution, public or private, with an interest in the economic prosperity of the place they are based, chooses which investments to make, is tough. For public bodies, that is particularly so, because the answer also has to dovetail with legal duties which filter down (at present) from the European Union to record Gross Value Added (GVA), and it also has to work with the Treasury's measurement bible, the Green Book.

But equally, if the Inclusive Growth Commission's idea of 'Quality GVA' is to mean anything, then it must also be simple enough to apply to financial decisions about two options which might have similar bottom lines, but which might – as it turns out – narrow or broaden the prosperity of the city as a result. Between 2001 and 2008, cities with the highest increases in employment rates, not GVA, were most successful in reducing poverty – though this of course is no guarantee that these were quality jobs, and 55 percent of people classified as in poverty are also living in households with someone in work.[28]

Quality GVA is never going to be easy to measure, or entirely objective. No one measure, like employee compensation, is going to be definitive. Nor can this be a general measure which might be right to apply anywhere. It will have to be different from place to place, though the Treasury will also need better measures to track the national picture. It needs to relate to what the strengths and assets of the place are.

The difficulty is that single measures produce crude outcomes. Single measures of inequality are particularly misleading, because they can't distinguish between poor but equal places and

27 Preston City Council. 'The Preston co-operative initiative'. Available at: http://www.preston.gov.uk/businesses/co-operatives/preston-co-operative-initiative/

28 Lee, N. et al (2013) *Cities, Growth and Poverty: a Review of the Evidence.* York: Joseph Rowntree Foundation.

rich but unequal ones. Nor can they distinguish between people occupying the first step of an accelerating career path, and people stuck in dead-end, zero-hours agency work year after year.

There are certainly difficulties in broadening economic measures to make them more informative. The broader the measures, the more they can be informed by wishful thinking about the direction a city is taking. They can even provide excuses for poor economic performance – just as poverty has in the past allowed cities to excuse poor schools. And if measures are too complex they are only accessible for a technocratic elite.

Useful economic statistics need to open the city to criticism as the Portland Plan seems able to do (Portland, Oregon).[29] Although these approaches are bound to be different, they may need to be distinctive – not every city is the same – whether they target equality between neighbourhoods (Barcelona), housing affordability (Hamburg), or wellbeing (Helsinki).[30] They probably also need to be easy to follow (though Malmő has 24 objectives, 72 actions and 17 goals).[31]

29 Green, A. et al (2017) *op cit.*
30 *Ibid.*
31 Green, A. (2016) *How do cities lead an inclusive growth agenda?* Warwick: University of Warwick.

3. Seeing growth as a social system, not just a machine

Imagine that you understood the intricate detail of the way neighbourhoods worked that you could reinvent public services from scratch, so that you didn't have to pick up the pieces when families unravel – but you could start work upstream of problems before they become acute. Imagine you could bring together the alphabet soup of acronyms of the different welfare agencies and council departments – so that they didn't have to argue about sharing data and the boundaries of the services their targets allow them to shape, but could tackle everything, and do so early. Before you came anywhere close to this, you would have to really know how communities work.

People have discussed these ideas for years, but it was never clear how you would take a city from where it is now to the new, more effective system design. But that is exactly what the London Borough of Barking and Dagenham is doing under the title Community Solutions.[32] They realised, as other local authorities have, that budgets are now so tight that they can no longer afford to run services like housing or skills in the same old separate ways. You can slice money from the budgets up to a point, but when those budget cuts amount to 40 percent or more, some kind of major rethink is necessary. To do this they had to really understand how the various social systems interacted with each other.

With significant land identified as having the potential for new development, Barking is set to be one of the fastest growing parts of London and of the UK. This opportunity is underpinned by a new pragmatic and innovative cadre of local leaders (and not just in Barking).

Community Solutions is not the only result, but it may be the most far-reaching. It brings together teams which used to be responsible for addressing worklessness, skills, poverty, debt, mental health, homelessness, domestic violence, antisocial behaviour and family support, all of which used to be tackled separately and – if the connections between them were ignored – at greater expense. Community Solutions allows issues to be taken together and to mentor and support individuals and families to help them be more self-reliant, and facilitate some measure of mutual support.

As such, the idea borrows from projects like the Family Intervention projects, which also brought together a whole range of services, wherever their clients needed to make a difference. It borrows from some of the early

32 London Borough of Barking & Dagenham (nd) 'Service Design Proposal. Community Solutions'. Available at: http://moderngov.barking-dagenham.gov.uk/documents/s100922/A2020%20Report%20-%20App.%205.pdf

intervention projects which can tackle problems much earlier and before they overwhelm, and they borrow from American thinking about co-production whereby people are helped in building the social networks they need to sustain quality of life (see below).

It means there will soon be no traditional housing service, nor anti-social behaviour unit in Barking and Dagenham. Those teams may not always understand the need to shift institutions from the shape they have been in recent decades, but they have understood that most of their clients face multiple and inter-related challenges, and one size no longer fits all – if indeed it ever did. Perhaps the biggest challenge has been to assure existing staff that they haven't failed, rather the way they work has got to change to meet the way the world actually is. That's what happens when you really understand the system.

Many local authorities are wrestling with parallel issues and will be watching Barking and Dagenham when they launch the new service in spring 2017. They are also aware that other services, especially in education and health, remain outside their influence – never mind their control – and may have to be integrated too, if the new shape is to work at its utmost.

Integration, in government, has traditionally meant sharing information or making efficiencies in back office functions. Places like Barking and Dagenham are realising that innovating in the delivery of services may be the only way of reaping economic benefits, not just from savings in delivery, but in making services more effective – so that this impacts on the economy too.

To act upstream of problems and prevent them, or tackle them effectively early enough, requires two absolutely vital elements. That implies that local government will need to understand far more about how the elements of the giant system that makes up the city's social economy actually works – not how it is supposed to work according to departmental demarcations, but how it *really* works: what causes what and how. They also have to be able to reshape their services accordingly, aware that the neat Whitehall divisions can mean inflexible programmes that actively undermine each other when they get to local level. They need not necessarily have actual control over these central programmes, but they need to be able to bring their local insights to bear.

This chapter is about what becomes possible when cities truly begin to understand their local systems.

Barking and Dagenham, UK

Sharing budgets

Perhaps the most ambitious approach to addressing the challenges facing the health and social care system is under way in Greater Manchester. The Memorandum of Understanding negotiated in early 2015, by Sir Simon Stevens as head of NHS England, the then Chancellor, George Osborne, and Sir Howard Bernstein as the GMCA's Head of Paid Service, devolved responsibility for £6bn of health and social care funding across Greater Manchester from April 2016.

Greater Manchester's Strategic Plan - *Taking Charge* - was produced in December 2015 and sets out how, by 2021, GM will radically reform the way the health and social care services are provided to deliver improvements to health and wellbeing across Greater Manchester, and address the £2bn shortfall in funding for health and social care services.

The plan is based on improving primary care services, with a focus on early help and prevention through community-based care, so that demand for expensive, reactive acute hospital services is reduced. It is built on five component parts:

- Improvements to public health services, encouraging and supporting people to make healthier choices, promoting wellbeing and preventing ill health in the first place.
- Transforming primary care so that people are able to get the care and support they need from organisations close to home, reducing demand for expensive hospital services.
- Accessing high quality specialist services, applying best practice to improve patient outcomes across the city region for those people that do need hospital care.
- Standardising clinical support and back office services and setting up coordination centres to help people navigate through the complex health care system to get the services that they need.
- Underpinning the service with new organisational structures, new ways of commissioning, contracting and payment design and standardised information management and technology to incentivise new ways of working across GM.

All Greater Manchester's ten local boroughs are developing 'Locality Plans' for the integration of health and social care provision and wider public service reform in their area, reflecting the particular priorities, opportunities and challenges of each individual area, within the framework of strategic plan.

Access to a £450m Transformation Fund, which was secured as part of the 2015 Spending Review to support the change required to deliver the financial and clinical sustainability of the GM health and care system, will depend on the proposals set out in those local plans demonstrating value for money. The money is allocated by a Strategic Partnership Board, which brings together representatives of the 37 statutory organisations responsible for delivering health and social care services across GM.

Bringing together services in this way, and reforming the way that resources are allocated, opens up a range of opportunities to shift the economic impact of service spending.

Greater Manchester's approach to integration also neatly sidesteps one of the key problems when you invest to prevent rather than to solve problems. Old fashioned accounting means that the savings tend to appear in somebody else's budget. Greater Manchester's approach tries to bring together the savings achieved through reform for re-investment in further reforms.

The Transformation Fund provides the capacity to invest in preventative services alongside the existing services – effectively 'double-running' services before the savings begin to kick in. That is a luxury that may not be available to everyone.

Investing in prevention

Greater Manchester's approach is also designed to tackle one of the most pervasive problems that get in the way of inclusive growth: the way that longstanding failures in the health and social care sector have prevented people from playing their full part in the economy.

But they have done so at a moment of crisis for social care, which has frightening knock-on effects in the management of the NHS. The pressure on social care budgets poses a real threat to Greater Manchester's plans: unless adequate investment can be made in primary and community care services too, many people will continue to go to A&E because they can't get an appointment with their doctor, too many vulnerable people will end up in residential care because they can't access the services they need in their home, and too many people will be stuck in expensive hospital beds because they can't get the support they need within their local communities.

Once that is understood, it then becomes worthwhile to shift some services from tackling health problems to preventing them – especially when two factors, more than any others, are predictors of a new baby's chances in life: its mother's mental health and its parents' employment.

There is an understandable reluctance among cities, however radically they are thinking, to reorganise their services along the lines of a grand redesign. That means that they need to start at a point where multiple issues intersect, and services disconnect with each other at a local level. Now that Greater Manchester has a joint commissioning board which brings together commissioners across acute and community based care, across health and social care, they are determined to tackle one disconnect to start with – the one where skills and job readiness programmes make no connection with health.

To do something about that, the pioneering programme, Working Well, brings together health specialists and employers.[33] So when people fall out of the world of work for health reasons, there is a holistic, wrap-around package of health and support. Similar initiatives have been developed in Sheffield and Portsmouth and Southampton.

These programmes are more able to target resources precisely, using the insight that 80 percent of health conditions which get in the way of work emerge from mental health or musculoskeletal problems, or some combination of the two. That means directing people towards more available talking therapies or to osteopaths. The idea is to make those referrals quickly and to get people the support they need before their working lives unravel, rather than waiting for months before bringing in health professionals.

What is fascinating about this approach is that it targets resources precisely at the heart of the issue, which is possible because the new health managers in the city are able to see – partly thanks to the data – how the system is actually working.

Among the many issues that have got in the way of investing in prevention have been the fear at the centre of a cacophony of indistinguishable issues that all seem to act on each other – with a result that no one solution seems any more effective than any other. The data from pilots is often framed positively, because people's careers depend on them being so, yet almost none are taken mainstream. The result has been a catastrophic loss of belief in the possibility of permanent change.

Actually, recent research seems to imply that the problem may be simpler than it seems. One study in Newcastle has been particularly influential because it confirmed what many of those who wanted to reform the services believed, that the place to intervene in the social exclusion cycle was to support pregnant mothers, particularly those with mental health issues.

The Newcastle research was designed to identify what the drivers are of low achievement among the city's NEETs (not in education, employment or training). It was organised through the Newcastle 2020 partnership, which is chaired by the city's chief executive and includes representatives from public, private and voluntary sectors, and it was a ground-breaking attempt to understand their life stories in Newcastle more deeply.[34]

It was this research which revealed that 67 percent of NEETs had repeated contacts with social care teams in the city. This implies an important role for family breakdown. It also implies that intervention, if it is going to be effective, will need to happen well before GCSEs at the age of 16, and probably a good deal earlier. The research also showed that, without intervention, a small but identifiable group of people will grow up to cost the justice system, homelessness authorities and a range of other services, very large sums. It implies that there needs to be pooled resources by these services to target early intervention on children meeting that profile and, the research concluded, on their mother's mental health.

The city has been working out how this insight needs to be put into practice. It implies some kind of long-term mentoring relationships – precisely what the public sector has found most difficult in recent decades – and of targeted, holistic support tailored to a range of different circumstances. It implies school-based support with continuity, holiday support and life skills teaching (given that they will face life difficulties earlier than most).

This will all require coordination and shared resources across a combined authority which resisted cooperation in the past. It will require that, when the problems fall between three central government departments, Work and Pensions, Health and Education – all of which understand the issues but have found it difficult to work together and share budgets – integration needs to be made easier locally.

And when it comes to integrating any interventions with the skills system, things get even more difficult under current arrangements. Just as it really isn't possible to mentor NEETs from Whitehall, or to look after their mothers during pregnancy, so it is very difficult to drive labour market productivity or get worklessness down without strong local relationships – people (and places) come with issues of all shapes and sizes. You can do it cheaply from the centre, but the evidence suggests that you can't do it effectively, which is really the only justification for spending public money on doing it at all.

The challenge is not necessarily to devolve everything. It is to develop new delivery models that allow the centre to see more clearly how their different funding streams can corrode each

33 Dickinson, S. (2015) *Interim Evaluation of Working Well. The Big Life.* Available at: https://www.thebiglifegroup.com/wp-content/uploads/2015/08/Big-Life-Working-Well-Interim-Evaluation-Final-Draft-for-Circulation-13-07-2015.pdf See also About Manchester (2016) '15,000 people in Greater Manchester to start Working Well'. Available at: http://aboutmanchester.co.uk/latest/15000-more-people-in-greater-manchester-to-start-working-well/

34 Social Finance et al (2016) 'Tomorrow's unemployed youth already known to children's social care'. Available at: http://www.socialfinance.org.uk/wp-content/uploads/2016/07/NEWCASTLE-NEETS-REPORT-PRESS-RELEASE-12-JULY-2016.pdf

Manchester, UK

other if they are not better planned. Otherwise we will continue spending a high proportion of our budgets without effect.

Social networks

There is a sense in which inflexible social policy programmes, and especially welfare programmes, have also corroded – or at least failed to nurture – the built-in support systems that neighbourhoods have to protect them from harm. These are the elusive social networks which do so much to support children and keep them safe, to look after older people or prevent crime. New research by the Centre of Economics and Business Research suggests that knowing our neighbours can generate around £32bn for the public purse, thanks to extra costs that flow indirectly from social isolation, and extend to extra policing and lost productivity.[35]

The pattern confirms the work of Nobel Laureate Elinor Ostrom, whose work with the Chicago police in the 1970s first proposed that social networks and social trust underpins the success of public professionals.[36] It was she who first coined the term 'co-production' to describe this critical partnership between professionals and their clients. The implication is that cities need to find new ways that public services can reach out into the neighbourhoods they serve and rebuild social networks, through mutual support, volunteering and the ability to broaden and deepen what the service is achieving.

35 Eden Project Communities. 'The Cost of Disconnected Communities'. Available at: https://www.edenprojectcommunities.com/the-cost-of-disconnected-communities

36 Ostrom, E. and Baugh, W.H. (1973) *Community Organization and the Provision of Police Services.* Beverly Hills: Sage Publications.

The term co-production now covers a multitude of different approaches, from consultation to volunteering, but as set out by Elinor Ostrom and other thinkers like the civil rights lawyer Edgar Cahn, it is a means by which – by asking public service users for something back – communities can rebuild networks of mutual support around them.[37]

There are already a range of innovative services which involve lay people or volunteers, like KeyRing or Shared Lives, both of which are UK charities which in different ways help disabled people to live fuller lives at home or in the homes of volunteers. Or there are services like Local Area Coordination, a more informal approach to social care which was pioneered in Australia (and is seen in Derby and Middlesborough in the UK). All of these build on what users *can* do, rather than focusing all the professional attention on people's needs, as if they had nothing to offer.

One of the most ambitious examples of this is the Spice Time Credits system, Timeplace, which pays credits to recognise people's volunteer efforts. Research suggests that time credits can attract people to volunteering in hard to reach groups, and has a particular track record for people with physical or mental disabilities engaging with service users and hard to reach communities. The Spice version has been rolled out through towns and cities too (Cambridge, Chorley, Hackney, Lewisham, West Norfolk, Westminster), pulling together multiple examples of people giving back to public services.[38]

37 See Boyle, B. and Harris, M. (2009) *The Challenge of Co-production.* London: NESTA.

38 See Spice website at: www.justaddspice.org

One city which has invested widely in time credits has been Cardiff, focusing on two estates.[39] The credits themselves are just pieces of coloured paper, looking like bank notes – and with safeguards against forgery – but they seem to be able to catalyse the kind of shift in local public service systems that makes them more responsive and able to build networks of mutual support. They mark a recognition that services can no longer afford to tackle human needs if those needs just grow, or come back over and over again.

The Timeplace project in Ely-Caereu, in Cardiff, began in 2012 and brought together 80 local organisations to take part in the scheme. People earn time credits for contributing to their community or service, from befriending to baking cakes. They can then 'spend' them to access events, trips, training or leisure services, or to thank other people who help them. It isn't a market payment but it is a recognition, and one that can make a big difference to people who have always received and never felt they could contribute. The scheme lets people access activities and outings with their families which they often couldn't afford before, with 54 percent of participants in Cardiff saying that they can afford to do more as a result of time credits. It provides a dignity to people who are earning credits which they don't get from public services usually, and that makes a difference.

Spice emerged in 2008, growing out of the Wales Institute for Community Currencies at the University of Newport, and specifically out of the problem of community centres lying virtually empty in South Wales. Despite quality facilities with professional staff, time credits had dramatic effects on rates of local volunteering, and brought people in. There were even measurable reductions in crime in one area as a result.[40]

Since the Spice rolled out its Timeplace across Cardiff, it has been embedded in the Families First services in the city.[41] Over 3,000 people have donated more than 100,000 hours of time in Cardiff time credits so far, and 46 percent of members had not regularly volunteered before getting involved in the scheme. The next stage is to embed it into Cardiff's substance misuse programme, to support service users to give time and engage with their local community building social capital and ultimately resulting in a more inclusive, resourceful and resilient community, earning credits for anything which helps confidence and recovery for them and those around them.

The time credits scheme also emphasises an important idea at the heart of inclusive growth: that no amount of exhortation or consultation is going to work if you don't inspire people to *do* things. The power of volunteering, for example, is a latent resource, and when widely activated is associated with greater social and economic inclusion. The old model where the centre instructed and the cities did as they were told, and the service users stayed quiet so they could be processed more easily, is beginning to disappear. The implication of inclusive growth is that a new model is emerging where the centre enables, the cities innovate to find the most effective shape and form of a service, and the citizens *do* – because that appears to be the most effective way to create positive social outcomes. It may also be the most sustainable and cost-effective.

Shifting the main task of public services from the old ways to the new ones isn't easy. Nor can you convert machines designed to prescribe predefined solutions against predefined symptoms, into machines which learn how to tackle underlying causes in a responsive way. But we can begin to see, thanks to innovative work in towns and cities around the UK and beyond, what the new public service system may look like. It will be cross-disciplinary and be able to focus resources and knowhow much more flexibly where it matters. It is paradoxical too. The old system was designed to save money by tight central control, yet it ultimately increases overall costs by failing to tackle basic problems head on and quickly; the new system is designed to be more effective when looking from the point of view of both people and place, and it looks likely that it will also save money.

Other cities around the world are attempting similar approaches, all of which involve understanding how the system and neighbourhoods actually work – then using that knowledge to intervene far more effectively. Cities are increasingly pooling budgets to make things happen (Hamburg), or integrating services so that they can be more effective and under one roof (Helsinki). Often it involves open data (Helsinki again).[42]

There is also a repeated theme of humanising services, by making support increasingly face-to-face (Newcastle) or more responsive, like Helsinki's 25/7 initiative, to provide an extra hour a day to people by providing smarter technologies with which to engage with services. But humanising services only works when it is cost-effective, and it can only be cost-effective when it is also effective. That depends on a basic understanding of the way people navigate the complexity of society.

39 Cardiff Partnership. 'Cardiff Time Credits'. Available at: https://www.cardiffpartnership.co.uk/partnership-delivery/get-involved/time-credits/
40 Spice (2009) *Looking Back: A Review of the Community Time Credit Systems that have given birth to Spice*. Spice: London.
41 ACE (Action in Caerau & Ely). 'Timeplace'. Available at: http://www.aceplace.org/timeplace/

42 Green, A. et al (2017) *op cit.*

4. Being an agile investor at scale

Most people agree that more financial independence is one of the elements of devolution that is necessary to make more political independence effective. But there is not much clarity about how this is going to be possible – only that cities and towns are going to need to be much more aware of their assets, and how the money flows around their area. One city which has pioneered that awareness, and sought out ways in which they can affect those money flows, has been Nottingham, which has managed to increase the proportion of city council procurement spending that goes through their local economy from under 20 percent three years ago to over 70 percent last year.

Nottingham has been particularly careful to stay within the legal framework, and to stay absolutely fair and transparent. They were also aware that, if suppliers trust the system – and you can attract more of them to bid – that will also increase competition, which can drive down costs and drive up quality. They can also use the Social Value Act 2013 to make sure that procurement can meet broader social and economic objectives.

Nottingham is a unitary authority and the council spends a total of up to £230m a year; it makes sense for them to think about whether there might be ways of spending it more effectively when it procures goods and services. There is also a political drive to get more local jobs and to make money work harder for people. This has translated into asking companies that were using public money to offer more apprenticeships. They didn't have to be apprenticeships for local people, but they did tend to be in practice.

Council officials also began to monitor where they were spending on local companies, or local to the region, and managed over the last two years to be above 60 percent, and one year above 70 percent. Even at 60 percent, that meant that over £180m went through the local economy, and that makes a difference. They are not spending any more, just guiding the money to create greater social value locally, as far as possible, so that it has a double or triple effect.

The next stage has been to formulate and test a soon to be launched Business Charter (incorporating a Jobs Pledge), which is designed to improve the quality of jobs, asking local providers to sign up to specific ethical standards. It is all voluntary, of course, but it does draw a line which makes it clear that the city prefers apprenticeships and commitment to employees to a pattern of zero-hour contracts – and that is how they want their own money spent.[43] They will be asking everyone with a contract worth over a million pounds whether they can offer work experience internships. Can you go into schools to give advice? Can you employ people leaving care at 18 years?

The next stage is to start tracking how much goes into small business and social enterprises, aware of the extra impact that has on inclusive growth. Small business tends to have more local commitment, to employ more local people and to use what they earn more locally. This won't always be the case, but it will often be, which is perhaps why US research suggests small business can have a greater economic impact on local economies than big business.[44]

Procurement teams are under huge pressure across the public sector. As so often, part of the challenge was not so much to convince them that this was worth the effort, but bringing everyone into one team and creating a vision, so that they could see that procurement could be more than a simple transaction based on price. It could also be a strategic function too – a more ambitious, more complex and more expert task at the very heart of shaping the city for the future.

The Nottingham story exemplifies the way the most innovative cities and local authorities are seeking out a more flexible resource base. They are looking at every area of local life to identify potential assets and opportunities. Of course, there may be conventional assets which can be treated as such, like land or property, which can be better used to meet local needs. But it may be a less conventional list. It means asking whether there are vacant buildings which might be used to support local enterprise or development. Are the people who use local services a potential asset (see Chapter 5)? Can the money that the city is spending be made to go further? These questions open up the possibility of a broader, more flexible resource base.

43 Nottingham City Council (2016) *Business Charter. Nottingham: Nottingham City Council.* Available at: http://www.mynottinghamnews.com/wp-content/uploads/2016/04/Nottingham-Business-Charter-2016.pdf

44 Glaeser, E.L. and Kerr, W. (2010) 'The Secret to Job Growth: Think Small'. Harvard Business Review, July-August issue. Available at: https://hbr.org/2010/07/the-secret-to-job-growth-think-small ; Fleming, D.A. and Goetz, S.J. (2011) 'Does Local Firm Ownership Matter?'. *Economic Development Quarterly*, 25(3), 277-281.

Freiburg, Germany

Money flows

In Birmingham, for example, where the political leaders and senior officers are involved in an ambitious project to work out where their money is going and what impact it is having, building on what has been done in Preston (see Chapter 2). The project is being organised with support from the Centre for Local Economic Strategies, funded by the Barrow Cadbury Trust, which has a particular interest in the West Midlands because of Bourneville, Cadbury's original model chocolate factory and village.[45]

In Birmingham, the steering group for the project to find out where their money is going is chaired by the leader, John Clancy. As in Cleveland, USA, it is a way to make the same money go further by finding out where it goes now. The first task was to map institutions which have an economic impact on Birmingham and its region, spending more than £10m or with more than 250 employees. There turns out to be more than 200 of them, from universities, hospitals, housing associations, football clubs, police and fire brigade and manufacturers.

The next stage is to whittle that long list down to a shortlist of ten of those anchor institutions with the greatest impact, and then work with those to see how it might be possible to change the way the money flows around Birmingham just a little – simply by being more aware of it. For example, are they spending in the poorest areas? Or is procurement spending 'leaking out'? Are they employing staff on the living wage? Are their contractors doing so – and can their employees build up any kind of economic assets?

Another question is how the anchor institutions are using the land they own or control – is it building inclusive growth to benefit the city as a whole, or is the land lying idle or being used for speculation? Those 200 organisations control over 90 percent of the land in city.

The idea is to look at the potential at three levels – the spending that benefits Birmingham, the spending in the wider city and suburbs, and the spending across the Black Country and West Midlands. It is not a short process, but the plan is that a thriving small enterprise sector and effective local contractors may provide better value contracts in the long run for the big economic players, as well as keeping money circulating in parts of the city that other outside contractors don't reach. But, if this proves to be the case, it will take some time to build up the sector.

Birmingham faces challenges which are not unique but may be unique in their intensity. They have the same health and social care crisis as other big cities, but as the UK's second city, on a larger scale. The city's leaders are determined to make the council's culture more open-minded and outward-looking, and they see the Anchor Institutions project as a way to help achieve that – and to achieve the key inclusive growth objective of bringing together economic, social and commercial objectives.

45 Barrow Cadbury Trust. 'Anchor Institutions Project launched in Birmingham'. Available at: https://www.barrowcadbury.org.uk/news/economic-justice-news-and-events/anchor-institutions-project-launched-birmingham/

In some ways, the idea of using the same money effectively for multiple objectives is not new. The team around John Maynard Keynes in the 1930s realised that spending money makes it circulate and create extra wealth as it re-circulates. They called this the 'multiplier'.[46] And in the late 1970s, the Environment Secretary Peter Shore tackled the spending reductions during the IMF crisis of 1976 by a political catchphrase, which he called 'bending the main programmes'.[47] But there is a limit to what can be done from the centre, at least one step behind from where the money is actually being spent.

Using rising land values

Freiburg im Breisgau is a German university town in the state of Baden-Württemberg that has benefited from high tech industry, and is about the size of Oxford. It is famous as one of Europe's leading eco-towns, with low car use and high solar energy. The success of the town led to an influx of population and that meant that they needed to build two large new settlements on land the city acquired. One called Vauban is a former barracks. The other is Rieselfeld, built on a former sewage works.

The city has put in the infrastructure, and then let sites to private builders or housing associations, including over 130 *baugruppen* (building groups not managed by developers); they like self-build because the groups produce more imaginative and affordable buildings. They were able to do this because they were able, like the new town development corporations in the UK, to buy land at existing use value.[48] They can also raise the finance they need through long-term low interest loans from regional savings banks (*sparkasse*). Under German law, land values can be 'frozen' on sites identified for development in local plans, so that the uplift can fund the necessary local infrastructure.

That explains the excellent advance infrastructure built there and in other similar continental developments, like Vathorst, one of three sustainable urban extensions to the historic town of Amersfoort in the Netherlands. This development includes district heating schemes or ground source heat pumps which cut energy costs, plus open spaces that encourage walking and cycling which cut health costs. Money that in the UK would have ultimately gone from the end occupier, through a developer, to the landowner, has been in effect diverted by local government to pay for good quality infrastructure, squeezing out the 'unearned' profit to the landowner.

There have to be better ways that UK cities can tap into the money that flows through them, rather than waiting patiently as supplicants to central government. The UK government is committed to delivering 100 percent business rates retention for local authorities in England by the end of this Parliament. The idea is that it gives cities an incentive to grow their local tax bases. It should also give them more freedom to borrow against a predictable income stream and to take effective long-term investment decisions.

The difficulty is that business rates make up such a small proportion of city income that this will not, by itself, make the kind of difference that is needed. Experience in cities like Canberra and European success stories such as Copenhagen and the Dutch cities around the Randstad imply we may need a combination of new town-style community development corporations and other vehicles, such as joint ventures that can leverage public assets – all of which allow cities to focus capital (economic, environmental and social) to develop inclusive growth through new development.

Some of these will require the kind of financial support that continental state investment banks, like the German bank KfW or the Dutch BNG, are able to provide. We have had development trusts successfully in the UK since the 1960s and we are beginning to develop community land trusts.[49] But to capture the value inherent in land, in some cities, we will need a range of other institutions, including community development corporations and municipal investment bonds, most of which exist in some parts of the world, but not yet in any great numbers in the UK.[50] All of these could form a package which would allow cities to be less dependent on central government funding.

The purpose here is to take the wealth of our cities, tied up in their land and buildings, and create financial instruments that make it possible to innovate, and to learn from Scandinavia, the Netherlands, France and Germany how to create the financial institutions that can begin to make cities more independent and successful.

46 The Economist explains (2016) 'What is the Keynsian Multiplier?' *The Economist*, 8 September. Available at: http://www.economist.com/blogs/economist-explains/2016/09/economist-explains-economics-3

47 Shaw, K. and Robinson, F. (1998) 'Learning from Experience? Reflections on Two Decades of British Urban Policy'. *The Town Planning Review*, 69(1), 49-63.

48 Hall, P. and Falk, N. (2014) *Good Cities, Better Lives: How Europe Discovered the Lost Art of Urbanism.* Abingdon: Routledge.

49 See National Community Land Trust Network at: http://www.communitylandtrusts.org.uk/

50 Hall, P. and Falk, N. (2014) *op cit.*

Launching enterprises

Nottingham's leading party's 2012 manifesto included a commitment to launch a Nottingham energy tariff. There was already a local company providing district heating in the old style and council officers were not immediately clear what the promise meant or what they needed to do about it. It wasn't until relatively recently that the penny dropped. "Do you mean we should set up a fully licenced energy supplier?" they asked the leader. The next question was: "Have you any idea how difficult that is?"

In 2014, the city agreed to invest £2m to start their own energy supply company and set out to find premises. Two years later, Robin Hood Energy has 100,000 domestic customers in the region, and other commercial ones.[51] This isn't necessarily about taking from the rich to give to the poor – this is Robin Hood country after all – but there is an implication that the company is righting wrongs. At the moment, they are using their market clout to buy cheaper energy for local households, with long-term supply agreements, but the next stage is to start generating their own. There are plans for an energy-from-waste plant, a combined heat and power plant, and generating solar power from the roofs of local schools.

Robin Hood is a limited company but the city is the only shareholder, so it's a not-for-profit company.[52] The purpose is to provide heat and light as cheaply as possible: it does not subsidise council services. State aid rules were applied at every stage so that the company can never be accused by competitors of getting an unfair advantage. There are no preferential loan agreements. It is still the only energy supplier owned by a local authority, though Bristol is following suit.

Robin Hood is also running bulk energy purchase systems in Leeds, Liverpool and Leicester and other places too. The advantage of being the first mover is that you can then earn money telling others how to do it.

Cities are facing up to the idea that, if something needs doing, they may have to make it possible themselves, accessing local resources. And if they need a task done and the business sector is unable or unwilling to do it, it can make sense for local government or other civic bodies to start a local enterprise to make it happen.

If there are no housing developers able to build homes at affordable rents, then some cities have started their own development companies (Barking and Dagenham), or if there are no banks with a commitment to using local savings to invest locally, they set up their own (Cambridgeshire, Hampshire). Or if there are no local energy companies capable of investing in energy distribution or production, they start their own too – or go beyond the bulk buying that Robin Hood has specialised in – or they use the services of a local social enterprise (Bath, Wadebridge).

51 *Ibid.*
52 See Robin Hood Energy at: https://robinhoodenergy.co.uk/

All these stories share a similar idea – that, even in the poorest places, there are financial assets that could be put to more productive use. It might be the money that is flowing through any area, however poor. It might be the fruits of success in rising property or land values. It might be the local spending power which encourages local enterprises to respond to serve local needs.

Nor are all of these about taxation, though some are. They are more about building institutional support for local objectives, using local money, in such a way that it builds resources rather than letting them seep away. They may involve social clauses in procurement contracts (Nantes), pooling budgets (Hamburg), sales taxes to fund education (Hamburg, San Antonio). They may be about new kinds of money, including local currencies to link residents and businesses (Bristol, Exeter, Nantes).[53]

Of all the ideas likely to produce nerves among local authority accountants, the idea of new institutions to invest local savings and pension money probably produces most. Yet it isn't unknown for local authority pension funds in the UK, or local authority reserves, to use their money to invest in local success. Cambridgeshire famously set up the Cambridge and Counties Bank with Trinity Hall (a college in the University of Cambridge), to invest their own reserves in productive enterprise.[54] The state of North Dakota, one of the only US states in surplus, invests money in local enterprise through the Bank of North Dakota.[55]

There are clearly dangers here if local authorities and pension funds fail to see that their interests are different – but, equally, they have failed for decades to see that, in some respects, their interests are also the same.

This may also be the best source of regeneration investment in the new austere and devolved world. There have been attempts to ask local businesses to contribute into a regeneration fund, and to do so either because they are 'good corporate citizens', or perhaps because they will gain from investment because they have a local property portfolio. Liverpool City Region LEP is among those which have led the way to launching a regeneration fund.[56] The problem is that, as so often, the companies most able to invest may not exist in the places where investment is most needed.

53 Community Currencies in Action (2015) 'New community currency for France: SoNantes launches'. Available at: http://communitycurrenciesinaction.eu/new-community-currency-for-france-sonantes-launches/
54 See Cambridge & Counties Bank at: www.ccbank.co.uk
55 See BND (Bank of North Dakota) at: https://bnd.nd.gov
56 See The Chrysalis Fund at: www.chrysalisfund.co.uk

Another approach is for local authorities to invest themselves in key elements of the local infrastructure so that they can raise the value of their investments as a result of the success, and – one day perhaps – pay themselves back. This can be risky, and perhaps the justification for doing so is to provide better development, or development which is better aligned to local needs. Sheffield is one place where they are investing in economic development projects and will eventually pay themselves back from the sale of public owned land. Leeds City Region LEP is doing something similar and will recoup the original loan from future enterprise zone business receipts. In Norwich, a revolving loan fund for housing development has been negotiated.[57]

A version of this approach is happening much more widely, where local authorities are taking ownership of key assets so that they have, in a sense, 'skin in the game' – and for the wider public benefit. Chorley has bought their local shopping centre.[58] Barking and Dagenham is investing in local land and property, aware that their regeneration success will push up land values. When the public sector profits from eventual sale, this value is retained locally, and ultimately recycled for the benefit of local residents.

Many of these approaches to investment will benefit the wealthy places much more than the impoverished ones. That may be inevitable in a devolved world, unless we set up the kind of investment institution which the Inclusive Growth Commission is proposing.[59]

Cities also have their own reserves and pension funds, which could be available – with the most prudent lending – to finance local productive investment. American pension funds are usually major investors in low cost or social housing, because they are productive and largely safe investments.

What is missing are the local financial institutions that most other European countries enjoy and which made the expansion of UK cities possible in the nineteenth century. To leverage some of the local wealth, we may need trusted mediating institutions, or regional wealth funds, that can provide returns on investment for investors in very safe public sector investments – to follow the lead of cities that are funding transport infrastructure from rising land values (Copenhagen), or a range of other ways of tapping into existing resources. Alternatively, a national development bank, like the German KfW or the Dutch FMO, needs to stand behind them.[60]

Trusted financial institutions are necessary – with a commitment to local business or infrastructure – especially now that many remaining local institutions that support inclusive growth, like bank branches and post offices, are so often being swept away for other reasons. As the Inclusive Growth Commission report argues, we need local institutions to provide for the basic financial needs of smaller business, whether they are community banks or new kinds of financial institutions capable of looking after deposits, savings and with the right access to granular local information so that they can make loans.[61] And institutions, and people who start them, are the subject of the next chapter.

57 See for example National Housing Federation (2016) *Briefing: East of England Local Enterprise Partnerships update*. Available at: http://s3-eu-west-1.amazonaws.com/doc.housing.org.uk/Editorial/East_of_England_LEP_briefing.pdf
58 Chorley Council (2016) 'Market Walk extension moves a step closer'. Available at: www.chorley.gov.uk/news/Pages/Market-Walk-extension-update-September-2016.aspx
59 Inclusive Growth Commission (2017) *op cit.*
60 See KfW at: https://www.kfw.de/KfW-Group/About-KfW/
61 Inclusive Growth Commission (2017) *op cit.*

5. Entrepreneurial whole-place leadership

One of the peculiarities of the UK economy is that most poverty is no longer the result of people being out of work – it occurs among people *in* work, but who are just not paid enough to get by. It is one of the main reasons why the inclusive growth agenda is so urgent.

In Suffolk, there was another oddity when they looked at their official statistics. The Ipswich economy seemed to have persistently high youth unemployment, with levels staying relatively constant through good times and bad, above both local and national averages.

The process of preparing the Greater Ipswich City Deal (in collaboration with a range of local partners) provided an opportunity to think about what might be done about it. And one thing was abundantly clear: the existing institutions, designed to support young people into work, were simply not effective, and particularly not the statutory services.

The first thing they did was to decide they would offer a guarantee to young people that, within three months of leaving education, employment or training, they would get a job or education, or training offer. The second was to ask the local academics to pinpoint the root of the problem. Researchers talked to a range of local young people and the answer was pretty clear: there was such an array of different programmes and possibilities, from a range of different organisations from all three sectors – but nobody to help to navigate young people through it.

It was a system built on the principle of 'if you build it, they will come', when largely – as it turned out – they didn't. Young people were pushed from pillar to post and back again, with nobody interested in the whole picture. Nobody to help them develop a personal strategy – not just to get a first job – but to start and shape a career. It was, in short, an institutional failure.

The solution was to launch a new support service and the result was MyGo.[62] As so often with successful new institutions, it was forged through excellent relationships, in this case between the county council's skills team and the Jobcentre Plus district manager and team – who also wanted to find a way to support young people in a more face-to-face, personal way. The MyGo Centre is described as a "free 1-2-1 career coaching, personal employment support, training and accredited courses, recruitment events, exclusive job opportunities, apprenticeships, traineeships and benefit advice; all within our modern, open employment centres across Suffolk."[63]

MyGo is not a tick-box, target-driven exercise, but a real local institution which provides their young people with a coach or a trusted adviser who can support them, challenge them and provide a sounding board, who can help them get to grips with what their strengths are. They don't have to make appointments or fill in forms: they can drop into the building where the county council and the Jobcentre teams have launched a joint MyGo centre.

The idea developed further during the commissioning process. Instead of the usual hands-off, impersonal commissioning, Suffolk's team organised it through 'competitive dialogue' with potential bidders, and it changed their thinking. The result was that People Plus has been running MyGo from a new, friendlier building – where the Jobcentre is also based, and has done now for two years. "We knew that a straight tender wasn't the way to go," said one of Suffolk's skills team. "It needed to be very different. We couldn't do it the standard way."

Suffolk also brought the same combination together under one roof to launch MyGo in Lowestoft in 2016, this time running the service themselves. The biggest challenge has been to make the two data systems talk to each other, and they are managing to make the interface seamless for the young people – but are still operating two systems behind the scenes. Yet it seems to be working and there will be a full evaluation published later in 2017.

Among the lessons of the MyGo approach is that forging a new institution out of national funding streams is likely to be far more effective than keeping these efforts separate (see Chapter 3). It is also a testament to how important face-to-face services are, especially when you are dealing with vulnerable people with multiple needs who don't fit neatly into the categories the national policy-makers assume. But behind those lessons are what the MyGo story says about the way that local government officials behave – do they wait patiently for central government to provide resources, or the occasional dysfunctional national programme, or do they use the resources and networks available to them? Do they do as they're told down the traditional tramlines, or do they act in an entrepreneurial way themselves – or by encouraging a more entrepreneurial city? It may be that more can be achieved by letting go of the need to control everything themselves, and setting up trustworthy, independent local institutions?

Both the council and the Jobcentre Plus teams also realised that, if they were going to make the step-change they needed, it was necessary to pool resources and share offices. That isn't necessarily an easy thing to do. There will be resistance from those who guard the internal systems of both organisations, and possibly also

62 See MyGo at: http://www.its-mygo.co.uk/
63 *Ibid.*

from Whitehall. Sharing budgets in this case made it possible to invest effectively in local people. It also makes it possible to build a trusted local institution, based on personal relationships, which can last for the long term. That may be another pre-requisite for effectiveness. It is a potential antidote to the problem that centralised funding programmes can undermine each other when they reach local level. The underlying problem is that the national funding programmes are too often organised in ways that, when they translate to local level, bear little relationship to the intricate reality on the ground.

Making it personal

Oldham is a borough in Greater Manchester which became disillusioned with the 'work first' emphasis of skills and welfare programmes run by the Department for Work and Pensions.

The trouble is that conventional employment measures tend not to distinguish between good and dismal jobs. Welfare to Work makes no judgement about the quality of the work, whether it will help the individual progress, whether they will be paid enough to live on, whether they will be building assets – educational or economic – to support them in the future. All that is of interest has been whether or not they turn up on the first day and stay the requisite time so that the contractor can tick the box that unlocks their fee.

As a result, in Oldham at least, there has been a huge increase in working for agencies on short-term or zero-hours contracts – now covering four percent of Oldham's working age population. It was becoming obvious that this was building up costs for the future. If the employers took no responsibility for the careers or financial wellbeing of their staff, then nobody would. Over the last generation, Oldham employment has shifted, with manufacturing and long-term jobs in decline and short-term recruitment methods and short-term contracts in warehousing or fulfilment centres more common.

Greater Manchester is taking some control over the delivery of welfare in their area (which includes Oldham) through the national Work Programme, and they are concentrating on integrating this into healthcare to tackle people's long-term conditions. It is an ambitious programme (see Chapter 4), but Oldham has chosen to focus on helping people to escape from low-paid insecurity and to build careers.

The Get Oldham Working Career Advancement Service is in its early stages.[64] They are also aware that they need a personal approach. There is clearly an issue of confidence – it isn't that people *can't* improve their careers, but they sometimes need the encouragement and self-belief to take the leap, including making a longer commute out of Oldham to other parts of Greater Manchester. The present system tends to abandon them in bad jobs, or sends them round the cacophony of local agencies with no guidance. It is highly efficient on its own terms, focusing on process, but dehumanising and consequently not effective when considering the bigger picture.

Oldham has developed two unique elements to fostering career progression. First, they have made agreements with local employers similar to those that the national Welfare to Work providers have with the national ones (one of the problems Oldham faced with the Work Programme was that the national employers have few jobs in the area). Second, Oldham Council has provided residents with 'career enhancement loans' that they can use to get the training they need to earn enough money to pay off the loans, but still be better off.[65]

Hounslow and Harrow have been on a parallel journey, joining forces in 2014 to raise money from DCLG's Transformation Challenge Award, to see if they could shift the way they helped people into better paid jobs. The idea emerged when it became clear that 18 percent of their working populations had been stuck in low-paid jobs for the past five years. It was a key indicator of how little prosperity was spreading.

The idea of the Hounslow Skills and Employment Strategy was to work with people who were on universal credit but usually in work, and struggling to get by – some because they were not sure what training they needed, some because they *were* sure, but their employers wouldn't invest in them, some because they simply lacked the information or weren't confident enough to apply.[66]

It became clear that, when they worked separately, the various council departments found they were much less effective than they needed to be. In particular, it made sense to integrate their skills and career progression services with the housing department – which often had to pick up the pieces when people weren't earning enough money to pay rent or get by.

Each of the two boroughs reached their target of having about 130 clients each for 2015-16 and over a third of them seem to have already progressed in their careers, whether through improving their income or starting training. These initial signs of success have meant that the team behind the project has been able to raise EU funding to secure it for several years to come, and have been able to launch also in neighbouring Ealing and Barnet.

64 Oldham Council. 'Oldham Council launces career advancement service'. Available at: http://www.oldham.gov.uk/press/article/1270/oldham_council_launches_careers_advancement_service

65 See a similar proposal in City Growth Commission (2014) *Human Capital*. London: RSA; if public bodies can lend people money to go to university, expecting them to pay it off through higher earnings, then it seems logical that they could also do it for high quality technical education.

66 Hounslow Skills and Employment Strategy: 2014-16. Executive Summary. Available at: http://democraticservices.hounslow.gov.uk/documents/s95000/Executive%20summary%20-%20Hounslow%20Skills%20Strategy%20230314%202.pdf

Leeds, UK

Related schemes are operating elsewhere, and often independently, like SkillsHouse (Bradford) and Signposts 2 Skills (Cambridge) and work coaches in GP surgeries (Coventry). It might involve community support workers for enterprise (Coventry), or organising skills hubs (Bristol, Manchester, Newcastle, Nottingham). Or programmes to support people through a career (Oldham, Suffolk, Harrow, Hounslow). It might mean using a strategy that puts good jobs, or some other aspect of inclusive growth, at the heart of city policy (Barcelona, New York).[67] The strategy might target middle income jobs (New York, San Antonio) or it might target economic self-sufficiency (Portland, Oregon).[68] Or it might target job creation like Plymouth's 1000 Club or business problem-solving with schools (Sunderland).

There are a whole range of issues in these stories, but one of them is the importance of services which interact when it matters face-to-face. When you need to motivate people, experience suggests that technocratic or online efforts may provide services, but don't motivate or inspire or generate trust. If that is what you need – and some of these pioneering places judged that they did – then a more personal approach makes sense. It may be more expensive, because personal approaches often are, but if they actually work, then that can lead to increased prosperity, and lower future demand for the service.

67 Green, A. et al (2017) *op cit.*
68 *Ibid.*

Partner with business

No inclusive growth strategy is going to succeed unless you can link up with local business, and draw them in to the binding mission. That is where the Good Jobs Strategy suggests a way forward. Good Jobs is an initiative of the UK Futures Programme, an initiative of the UK Commission for Employment and Skills, set up in 2014 and providing a £5m investment designed to unlock employer investment and innovation, so that smaller companies can experiment with new working practices.[69] It is based on the work of the US academic Zeynap Ton.[70] In Cornwall, it has been applied to raising the status of people working in the hospitality industry.

The Good Jobs Toolkit was the result of a national collaboration between telecom giant EE and the Living Wage Foundation.[71] It often involved increasing staff hours so the business is operating with slack, allowing time for training and greater attention to customers, and enriching the jobs people do so that they can develop and use a wider set of skills. Often that meant very simple changes like supporting new staff so that they stayed longer, saving the recruitment and training cost, inconvenience and impact

69 Mackay, S., Chipato, F. and Thom, G. (SQW) and Hope, H. (UKCES) (2016) *Evaluation of UK Futures Programme: Final Report for Productivity Challenge 3: Pay and Progression Pathways in Hospitality and Retail.* UK Commission for Employment and Skills. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/545241/UKFP_PC3_FINAL_EVALUATION_REPORT.pdf
70 Ton, Z. (2014) *The Good Jobs Strategy: How the Smartest Companies Invest in Employees to Lower Costs and Boost Profits.* New York: Harvest Books.
71 Living Wage Foundation (2016) *Good Jobs in Retail: A Toolkit.* Available at: http://www.livingwage.org.uk/sites/default/files/Living%20Wage%20Foundation%20-%20Good%20Jobs%20ToolKit_1.pdf

on customer service that stems from high staff turnover. It also meant training staff to cover a range of different roles to make their working day more enjoyable, and the workforce more flexible.

The Cornwall Toolkit has also been re-written to include the best ideas put into practice by employers like Jamie Oliver's Fifteen Cornwall, Watergate Bay Hotel, St Austell Brewery, Cornwall College and Visit Cornwall. The result is a practical online guide to helping progressive hospitality businesses grow by investing in their people. Now there is Cornwall's own Hospitality Skills Network, a group of Cornish businesses committed to investing in their staff, sharing learning and to drive forward change.[72] Across the UK, more than 650 EE employees took up the offer of more hours. "The main benefit is that if we uplift people's hours – we've done a lot up to 35 hours rather than the 25 we offered before – it gives the people that stability," said David Botfield, EE resource manager. "They'll stay, get the stability, they can have a career. They can get a mortgage and they're happier, and a happier workforce delivers more."[73]

Creating long-term institutions

Some local authorities have decided to tackle their local homelessness problem by setting up their own companies to develop housing (Barking and Dagenham). Leeds is trying a new approach which is to encourage a mutually-owned provider to set up in the city.

This is Leeds Community Homes (LCH), a new mutual, dedicated to building a thousand new homes across the region, built to high energy efficiency standards.[74] The idea is that they will continue to own the first 16 homes they build, which will soon be rented, but also to support other co-housing or community land trust plans on smaller sites across the city. It will be a housing provider, a housing developer and a source of expertise for what they hope will be a new wave of mutual housing development – realising that they will never get mutual homes to scale if they are the only ones building them.

The team behind LCH came mainly from the local Network of Social Enterprises, and they got together with the LILAC Co-housing project, a straw bale eco-housing community of 20 households in Bramley. It took them a long time and they realised there had to have a faster method of scaling up. LCH only began life at the end of 2016, with encouragement from the council. That was the result of a community share offer which raised £230,000 to help with their first project. Their first 16 homes are the result of a Section 106 planning agreement with developers, Citu.

Nine of these 16 are for social rent and the other seven will become a community land trust, which means that tenants can own the building but the underlying land or structure is held in trust, immune from wider house price inflation. The first homes will be ready early in 2018 and there are already six groups in Leeds which want to develop more.

One characteristic of many of the stories in this report is that they involve the launch of trusted, largely independent, local institutions – often because enterprising local government officials know they simply can't make things happen by themselves. Many cities and local authorities are realising that, if they want something done, they may have to set up their own companies and social enterprises to do it, or inspire others to be entrepreneurial as well.

72 See Hospitality Skills Toolkit at: www.hospitalityskills.net
73 Living Wage Foundation (2016) *op cit.*
74 See Leeds Community Homes at: http://leedscommunityhomes.org.uk/

We don't tend to think of entrepreneurs in town halls or city halls. In some ways the culture suggests the precise opposite of enterprise. But the combination of economic and political crises has brought a new cadre of local government people who have a strong sense of how to make things happen to lead places. They may not be motivated in quite the same way as the popular caricature of an entrepreneur – they won't get rich this way – but they are imaginative, self-confident and innovative people and, if they are allowed to, they may change our cities completely.

Being entrepreneurial in the civic domain also means encouraging enterprise of all kinds and in all sectors. There is no tried and tested way of creating the culture of enterprise, though it suggests more effective ways of shaping local skills, of connecting technical universities with business and industry, as they do so successfully in Germany. They have also asked the clusters to lead on skills training in those areas. In Portland, Oregon, development finance is only available to companies offering middle wage employment and careers progression.[75] Both are examples of how to bring the strategic objectives together.

We know from research in the USA that places which have a powerful substructure of small businesses, rather than a handful of big employers or industries, are most successful at raising per capita income growth when the businesses are locally owned.[76] The loss of that diversity in so many parts of the UK may be one reason why prosperity has remained so elusively centralised. One of the most successful examples of enterprise support is based in Aberdeen, and it is delivered through the Scottish Business Gateway programme by an innovative social enterprise called Elevator.[77]

Chief executive Professor Gary McEwan travelled widely, especially in the USA, to look at successful models of enterprise support and concluded that three elements were absolutely critical – it has to be open access, without the need for appointments. Real advisers need to be available and on tap. And there needs to be an accelerator to train the entrepreneurs to scale up. It is an institution that is funded by the Scottish government and delivered locally by the third sector, and it has had a huge impact on the Grampian region. Aberdeen has one of the highest rates of start-ups in the UK.

Social entrepreneurs also tend to start new institutions, aware that this can make possible the kind of transformative personal relationships that can make a difference. But they are also encouraging enterprise in their local populations too – which is why local authorities have launched funds to help put new ideas into practice (Haringey), or to reduce demand on services (Wigan), or even appointed social entrepreneurs in residence (Lambeth). Or they are encouraging other groups to take on local problems and issues (childcare among the small business sector of Cardiff, food in Sheffield). Or they are creating institutional links between businesses and schools to provide guidance or work experience for children (Manchester, Hamburg). Or training local people who have been out of work for specific opportunities ('microfranchising' in Rotterdam), or speedy wraparound support for people who are out of work (Manchester, New York). All these encourage a sense that enterprise needs to be a central purpose of a place – if it is going to lead to inclusive growth.

75 Green, A., et al (2017) *op cit.*
76 Fleming, D.A. and Goetz, S.J. (2011) *op cit.* "Economic growth models that control for other relevant factors reveal a positive relationship between density of locally owned firms and per capita income growth, but only for small (10-99 employees) firms, whereas the density of large (more than 500 workers) firms not owned locally has a negative effect."
77 See Elevator at: www.enetrust.com

What next?

"We're committed to doing these things regardless of how much - money or otherwise - we get from Whitehall. Of course, if they invest in our potential, we're much more likely to deliver. Either way, we need both true city sovereignty and certainty over what central Government plans are."

Marvin Rees, Mayor of Bristol

How do you make things happen across a city given the current levers, freedoms and flexibilities, barriers and constraints? It isn't easy, and you don't have to be cynical to see the problem – that so many of our local government levers have been moulded out of shape, to maximise their ability to deliver central government targets or tick certain boxes to access government funding, weakening the link to what makes a difference on the ground. There is often no shared agenda across the multiplicity of agencies, companies and charities across a city.

This is the problem now being faced by a new generation of city and regional mayors, charged with delivering complex and ambitious visions, and without the levers to pull to make them happen. They are also aware that the problems that really need tackling have elements in every professional discipline and professional department, with their roots in every government department. Their main hope is to be able to integrate in a focused, place-based way.

This is the idea behind the Bristol mayor's new City Office, designed to mobilise effort across the city, using the influence and heft of the mayor, to make things happen around very specific problems.[78] In Bristol, they have concentrated on two of these so far – rough sleeping and making sure there is equitable access to good quality work experience for young people. The idea is to engineer and mobilise a network interested in the issue and able to get things done – city challenges are not solved by councils alone: they require the mobilisation of all the capabilities and resources across a place.

The idea for the Bristol City Office came when the new mayor, Marvin Rees, was wrestling with this question, aware of one-city planning (strategies that cover all aspects of a city's life) in US cities and the One New York Plan (OneNYC), and attempting a more modest but equally effective way of translating that into UK terms, so that the mayor can focus his convening power towards a particular challenge.

The project draws on the work done under the auspices of the Rockefeller Foundation's 100 Resilient Cities project, and on Marvin Rees' own previous experience with the Local Strategic Partnership – an early attempt to do something similarly cross-disciplinary. What this couldn't be was just another way of raising awareness. It also had to be effective and to mobilise the resources of all the sectors to make a difference.

The first tester project involves rough sleeping, and has three components: a campaign to challenge the normalisation of rough sleeping in Bristol, a livelihoods programme helping local business to support rough sleepers directly, and finding an extra hundred beds in a hundred days. The impact of the project will be evaluated in spring 2017, and the work has highlighted a range of barriers to both addressing the specific issue in hand and working city-wide in a new way. This experience will be used for future projects.

The key to the City Office is the additionality test – does it help to mobilise new resources or capability? Finance is not the only element of this – the aim is to bring something extra that people working on these challenges can't currently do what they need to by themselves, and using the City Office to make it possible. It is about working with what you've got already and going with the grain of these organisations. It isn't a huge shift yet. What it does have is the flexibility to make a democratic difference, on behalf of the people of Bristol, who want the mayor to be effective.

Carry on devolving

Sir Keith Joseph, Margaret Thatcher's intellectual inspiration, used to complain that he had spent his entire career trying to get his hands on the levers of power, only to find that they weren't connected to anything.

He made that complaint in the 1960s, but we all live in that world now. The tight central control over budgets and programmes that so disempowered UK cities were partly created as a response to that sense of powerlessness at the heart of government. Devolution is partly a recognition that the centre never really had the power to shift – at least not by themselves – and the most effective cities in this book have clearly recognised a similar phenomenon locally: they may be paradoxically most effective when they recognise how little actual power they have. They know they will get most done if they can lead effective teams, across sectors and sectional interests, and for the long-term.

That is the paradox of local democracy. Cities know that, to be effective, they have to keep on devolving, both power and responsibility, downwards to neighbourhoods and suburbs – aware that it is their coordination and leadership, not their direct powers, that will make a difference. How that is best done to avoid the

78 Cork, T. (2016) 'Radical new 'city office' will tackle Bristol's homelessness crisis as rough sleepers near 100'. *Bristol Post,* 29 September. Available at: http://www.bristolpost.co.uk/radical-new-city-office-will-tackle-bristol-s-homelessness-crisis-as-rough-sleepers-near-100/story-29763342-detail/story.html

endless committees and talking shops, replacing what had been local government, is not yet clear – but it may be that, as we saw in Chapter 4, the most important thing is to interpret democracy in terms of *doing* things and making things happen.

So the devolution story does not end when the ink is dry on the Treasury agreement to devolve powers. It is really just the beginning. The race is then on to work out ways to make things happen, on behalf of all the people in the city, to build sustainable prosperity. One of the side-effects of inclusive growth is to rescue democracy from the assumptions of *non*-inclusive growth – the idea that the aspirations of some people must be set aside for the good of the many, and the fantasy that not everybody in the city is needed to create a prosperous, civilised place to live.

Cities might kickstart their inclusive growth mission by throwing open the underlying problem beyond the local authority (the Commission for a Socially Sustainable Malmő). It might mean involving people in the planning process (the Portland Plan, Sustainable Seattle, OneNYCPlan), or it might mean handing over a proportion of the city's budget each year for innovative ideas by its people (Paris).[79] It often seems to mean sharing the responsibility for the future in different ways with its citizens.

The democratic element of inclusive growth is not completely clear yet, though there are ways of using open source methods of unlocking innovation (Helsinki, Detroit, Boston).[80] This brings us full circle again, back to the idea of a binding mission, which is increasingly being pursued in the most innovative cities in the world.[81]

The Inclusive Growth Commission urges anyone involved in practical policy to look more closely at the interconnections between those areas of expertise which used to be heavily demarcated, their borders patrolled by accountants, ideologues and officials. We argue in this report, behind everything else, that seeing these connections and acting on them is the key to inclusive growth.

The alternative is that prosperity is inadvertently undermined by the maintenance of a rigid distinction between the economic and the social, between different town hall departments and rival, parallel departments of state or the different levels of government. Sustainable prosperity, inclusive growth, then slips through our fingers, corroded by rising public service costs. Most urgently perhaps – even more urgently than the search for sustainable prosperity which can provide cities with some measure of local self-determination – is the need to see connections between the ability of cities to make things happen and the health of democracy itself. Democracy without action, and without effectiveness, and without being able to make a difference in the lives of those around you, is just a sort of gesture voting – and that leads to cynicism and intolerance.

Inclusive growth is no panacea, but at its heart lies this question of democracy, of the ability of our elected representatives to make a difference – so that democracy of the people, by the people, for the people, should thrive in our British cities.

79 Green, A., et al (2017) *op cit.*
80 See for example Anttiroiko, A. (2016) City-as-a-Platform: The Rise of Participatory Innovation Platforms in Finnish Cities. *Sustainability,* 8(9), 922.
81 Devaney, C. (2016) 'A shared mission of sustainable growth'. *Citizens and Inclusive Growth.* Available at: https://medium.com/citizens-and-inclusive-growth/a-shared-mission-of-sustainable-growth-e30937c50562#.38mc452wj

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82 Green, A. et al (2017) *How do cities lead an inclusive growth agenda?* York: Joseph Rowntree Foundation. Available at: https://www.jrf.org.uk/report/how-do-cities-lead-inclusive-growth-agenda

The Commission process

The Inclusive Growth Commission was launched in April 2016, just two months before the EU referendum. The decision to leave, for the UK to 'take back control,' exposed the central problem that had sparked our inquiry; too many families, communities and places were being left behind by our economy. This is bad for society and for trust in politics, but it is also bad for growth, productivity and the public finances. A new, inclusive type of growth would be needed, and only an inclusive process of research and engagement would give us a full picture of the scale and nature of the problem we were trying to address.

The Commission undertook a comprehensive programme of activity and engagement to understand the challenges of inclusive growth and how best to respond to them. It drew in evidence from across the UK, with the first of its evidence hearings taking place just days after the referendum result. Evidence gathering included:

Formal evidence hearings to examine the challenges and opportunities for place-based inclusive growth in a number of cities: Sheffield, Plymouth, Nottingham, and Barking and Dagenham in London.

'Deep dive' research visits for an in-depth examination of a small selection of places, including the Devolved Administrations. The Commission conducted research in Cardiff, Newcastle, Bradford and Glasgow, and also visited Belfast, Manchester and Bristol. A report on the deep dive case studies was published in September.[1]

An open Call for Evidence which received approximately 50 submissions from a range of public, private and third sector organisations, as well as individual citizens.

A seminar series exploring different aspects of the inclusive growth agenda, engaging with a variety of experts from across the country and internationally. Topics ranged from skills and labour markets, through to private sector leadership, industrial strategy, housing, and inclusive institutions.

Collaborating and sharing information with a range of leading organisations in the UK and internationally, including the OECD, the Greater Manchester Growth and Inclusion Review, the Brookings Institution, New Economy and the Inclusive Growth Analysis Unit. The Commission was also supported by a Research Advisory Group.

Policy engagement including briefings with key central and local government stakeholders, including senior Whitehall teams and political advisers. The Commission also spoke with business leaders, and third sector and trade union representatives.

Citizen engagement, including working through the RSA's Fellowship networks and learning from the PwC's citizen juries and RSA Economic Inclusion Roadshow.

Publishing reports and policy papers. This included the Commission prospectus,[2] a report on its deep dive research,[3] and the inquiry's interim report,[4] supported by the Commission's Research Advisory Group.

1 Inclusive Growth Commission (2016a) Inclusive growth for people and places: challenges and opportunities. London: RSA. Available at: www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-for-people-and-places-challenges-and-opportunities
2 Inclusive Growth Commission (2016b) Inclusive Growth Commission: Prospectus of Inquiry. London: RSA. Available at: https://www.thersa.org/discover/publications-and-articles/reports/inclusive-growth-prospectus-for-inquiry
3 Inclusive Growth Commission (2016a) op cit.
4 Inclusive Growth Commission (2016c) Inclusive Growth Commission: Emerging Findings. London: RSA. Available at: www.thersa.org/discover/publications-and-articles/reports/emerging-findings-of-the-inclusive-growth-commission

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An inclusive growth monitor for measuring the relationship between poverty and growth

by Christina Beatty, Richard Crisp and Tony Gore

This report presents a new tool – the inclusive growth monitor – to measure the relationship between prosperity and poverty. Economic prosperity does not necessarily benefit all and there is a compelling need to understand whether cities are delivering 'inclusive growth'.

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An inclusive growth monitor for measuring the relationship between poverty and growth

Christina Beatty, Richard Crisp, Tony Gore

Economic prosperity does not necessarily benefit all. This means there is a compelling need to understand the relationship between prosperity and poverty to see if cities are delivering 'inclusive growth'. This report presents a new tool – the Inclusive Growth Monitor – to measure that relationship.

The report:

- details how the Inclusive Growth Monitor was conceived and designed;
- presents data on all 39 LEP areas of England using 18 indicators to capture the relationship between economic performance or potential ('prosperity') and poverty and related forms of disadvantage ('inclusion');
- highlights the positive relationship between prosperity and inclusion at a single point in time, but shows that increases in prosperity over time are not necessarily associated with greater inclusion;
- provides a strategic framework to shape the inclusive growth agenda in cities and city regions.

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Summary

- There is increasing concern that disadvantaged groups and areas do not always benefit from economic growth. Evidence shows that growth in the form of additional national income or new jobs does not necessarily 'trickle down' to those most in need, including households experiencing poverty. This has led to calls to better understand the link between growth and poverty to help promote more inclusive forms of growth.
- Despite this, there is no comprehensive tool for measuring this relationship. Existing measures of economic growth related to production such as Gross Domestic Product (GDP) or Gross Value Added (GVA) fail to capture the nature and distribution of the proceeds of growth.
- This report presents a new tool – the inclusive growth monitor – that has been developed for the Joseph Rowntree Foundation to directly address the need to measure the relationship between growth and poverty. The report explains how the inclusive growth monitor was conceived and how it is constructed. The monitor will be updated annually by a team in the Inclusive Growth Analysis Unit based at the University of Manchester.
- The inclusive growth monitor is based on 18 commonly available indicators which have been grouped into two themes – prosperity and inclusion – that each contain nine indicators. The inclusion theme captures different aspects of poverty and related forms of disadvantage, while the prosperity theme incorporates different elements of economic performance or economic potential. Each theme contains three dimensions (three indicators in each) that reflect different aspects of prosperity or inclusion. This hierarchy is summarised in Table 1. The 18 indicators can be considered on their own or combined to create composite scores for any of the dimensions or themes. All data is presented at Local Enterprise Partnership (LEP) level to capture outcomes in functional economic areas.
- The value of the inclusive growth monitor lies in providing stakeholders with:
  - a strategic framework to shape the inclusive growth agenda in cities and city regions by identifying strengths and weaknesses across policy areas and, potentially, inform investment decisions;
  - a means of monitoring performance against inclusive growth objectives and benchmarking outcomes against other areas;
  - a tool that is more flexible and accessible in the way data can be presented and understood than alternative frameworks that are currently available.

Table 1: Building blocks of the inclusive growth monitor

Theme	Dimension	Broad indicator
Inclusion	*Income*	Out-of-work benefits
		In-work tax credits
		Low earnings
	Living costs	Housing affordability
		Housing costs
		Fuel poverty
	Labour market exclusion	Unemployment
		Economic inactivity
		Workless households
Prosperity	*Output growth*	Output
		Private sector businesses
		Wages/earnings
	Employment	Workplace jobs
		People in employment
		Employment in low pay sectors
	Human capital	Higher level occupations
		Intermediate and higher level skills
		Educational attainment

- The data generated through the inclusive growth monitor shows there is a clear positive association between prosperity and inclusion *levels* in 2014. LEP areas with higher levels of prosperity in that year tend to have higher levels of inclusion, and vice versa.
- There is a strong geographical divide in terms of levels of prosperity and inclusion in 2014 as measured by the underlying indicators. LEP areas with the highest levels of prosperity and inclusion tend to be in the south and east of England; those with the lowest levels are largely found in the north and Midlands.
- The picture of *change* in prosperity and inclusion levels between 2010 and 2014 is more mixed:

  - Some LEP areas that had low levels of prosperity in 2014 such as the Black Country, Greater Lincolnshire and Greater Birmingham and Solihull also experienced little relative change between 2010 and 2014. However, other LEPs – notably Greater Manchester and Sheffield City Region – with low levels of prosperity in 2014 experienced comparatively high amounts of change between 2010 and 2014. This suggests that some of the core cities in the north are narrowing the gap relative to other areas in England.
  - LEP areas such as London, Lancashire and Greater Birmingham and Solihull had low levels of inclusion in 2014 and saw relatively little change in those levels between 2010 and 2014. By contrast, some LEP areas in the north and Midlands with low levels of inclusion in 2014, particularly the Black Country and North Eastern, experienced some of the highest degree of positive change in inclusion levels in the preceding four years. This shows they are catching up, but not quickly enough to change relative positions significantly.
  - London experienced the highest amount of change in prosperity levels and the lowest amount of change in inclusion levels between 2010 and 2014. This challenges assumptions that prosperity and inclusion are automatically correlated. By contrast, some LEP areas that have seen less change in prosperity levels between 2010 and 2014 have seen more positive change in inclusion levels. One implication is that areas that are less buoyant economically (as measured by prosperity indicators) still have some capacity to make valuable inroads into poverty and related forms of disadvantage (as measured by inclusion indicators). A more active strategy to tackle spatial imbalances across and within regions may further strengthen an already positive relationship between inclusion and (limited) growth in prosperity in such areas.

1 Introduction

Why do we need an inclusive growth monitor?

There is increasing concern in the UK and overseas that disadvantaged groups and areas do not always benefit from economic growth. Evidence shows that growth in the form of additional national income or new jobs does not necessarily 'trickle down' to those most in need, including households experiencing poverty. This has led to calls to better understand the link between growth and poverty in order to promote 'inclusive growth'.

Despite this, there is currently no comprehensive tool available for measuring this relationship. Existing measures of economic growth related to production such as Gross Domestic Product (GDP) or Gross Value Added (GVA) fail to capture the nature and distribution of the proceeds of growth. To address this shortcoming, this report presents a new inclusive growth monitor for measuring the relationship between poverty and growth. This is a prerequisite for developing strategies and interventions to maximise the extent to which growth contributes to poverty reduction.

Introducing the inclusive growth monitor

This report explains the design of the inclusive growth monitor and provides some illustrative examples of how it can be used.

The monitor was developed in four stages which are reflected in the structure of this report.

- Section 2 outlines the thinking behind the inclusive growth monitor. It reviews the existing evidence base on the relationship between poverty and growth and shows how this informed the broad thematic content of the inclusive growth monitor. The section concludes by exploring alternative, existing approaches to measuring inclusive growth. It discusses the relative pros and cons of each broad approach and shows that the lack of an appropriate 'off-the-shelf' solution made it necessary to develop the new inclusive growth monitor presented here.
- Section 3 details the design of the inclusive growth monitor and begins by explaining the key principles underpinning its approach. It then outlines the construction of the inclusive growth monitor in terms of the hierarchy and number of indicators within each level; the spatial scale at which data is presented; the frequency of reporting; and the selection of indicators within the monitor.
- Sections 4 and 5 provide illustrative examples of how the inclusive growth monitor can be used and some analysis of what the data tells us about the relationship between prosperity and inclusion. Section 4 uses the example of the Leeds City Region to look at how data can be presented at the level of an individual Local Enterprise Partnership (LEP); Section 5 explores data across all 39 LEPs in England.

The monitor is a nested hierarchy built on 18 commonly available indicators which aggregate into six dimensions (three indicators in each) and two themes (nine indicators in each). These 18 indicators can be considered on their own or combined to create composite scores for any of the six dimensions or two themes. All data is presented at LEP level to capture outcomes in functional economic areas. The constituent parts of the monitor are shown in Table 2.

Table 2: The component parts of the inclusive growth monitor

Theme	Dimension	Indicator	Full definition of indicator
Inclusion	*Income*	Out-of-work benefits	% of working-age population receiving out-of-work benefits
		In-work tax credits	% in-work households with and without children receiving Child and/or Working Tax Credits
		Low earnings	Gross weekly pay at the 20th percentile
	Living costs	Housing affordability	Ratio of lower quartile house prices to lower quartile earnings
		Housing costs	Median monthly rents for private sector dwellings
		Fuel poverty	% of households classed as being 'fuel poor' (using Low Income–High Costs model)
	Labour market exclusion	Unemployment	% of working-age population not in employment but actively seeking work
		Economic inactivity	% of working-age population who are economically inactive
		Workless households	% of working-age households with no-one in work
Prosperity	*Output growth*	Output	Gross Value Added (GVA) per capita (in £ at current prices)
		Private sector businesses	Number of private sector workplaces per 1,000 resident population
		Wages/earnings	Median gross weekly pay for full-time workers
	Employment	Workplace jobs	Employee jobs by working-age population (jobs density)
		People in employment	% of working-age population in employment (employment rate)
		Employment in low pay sectors	% of workers employed in administrative and support services, wholesale and retail trade, accommodation and food services, and residential care sectors
	Human capital	Higher level occupations	% workers in managerial, professional and technical/scientific occupations (SOCs 1, 2 and 3)
		Intermediate and higher level skills	% working-age population qualified at NVQ Level 2 and above
		Educational attainment	% of pupils at the end of Key Stage 4 achieving five or more GCSEs or equivalent at grades A* to C (including English and maths)

2 Reviewing the links between poverty and growth

This section explains how the development of the inclusive growth monitor has been informed by the evidence base on the link between growth and poverty. It begins by looking at how that link has been conceptualised and the possibilities for representing this in the monitor. As shown below, this includes a very broad range of factors and not all of these can be easily measured. For this reason, the report moves on to identify those relationships that can be both empirically substantiated and measured at appropriate spatial scales. It explains how this review was used to set parameters for the contents of the inclusive growth monitor and concludes by looking at existing approaches to measuring 'inclusive growth'. This options appraisal assesses their relative strengths and weaknesses as the basis for validating the methods underpinning the inclusive growth monitor presented in this report.

Conceptualising the relationship between poverty and growth

An inclusive growth monitor needs to be rooted in an understanding of what is meant by poverty and by growth, and how they might be related. This provides a basis for selecting indicators to represent that relationship.

For the purposes of the inclusive growth monitor poverty is understood in the sense of JRF's preferred definition: 'When a person's resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation)' (Goulden and D'Arcy, 2014, p. 3). Ideally, an inclusive growth monitor would measure this directly using a standard indicator such as households below 60 per cent of median income. However, the lack of datasets to measure income at lower spatial scales means this is not possible. Instead, poverty must be measured using proxies such as levels of worklessness (unemployment or economic inactivity) or benefit claimant rates, as is common in other studies (e.g. Crisp *et al.*, 2014; Fenton, 2013; Lee *et al.*, 2014a). Growing concerns about high levels of in-work poverty (see MacInnes *et al.*, 2014) also suggest the importance of capturing low incomes among members of working households. These proxy measures are invariably imperfect but necessary given the lack of data on households experiencing poverty at sub-regional levels.

Growth is conventionally measured in terms of the change in Gross Value Added (GVA) or Gross Domestic Product (GDP):

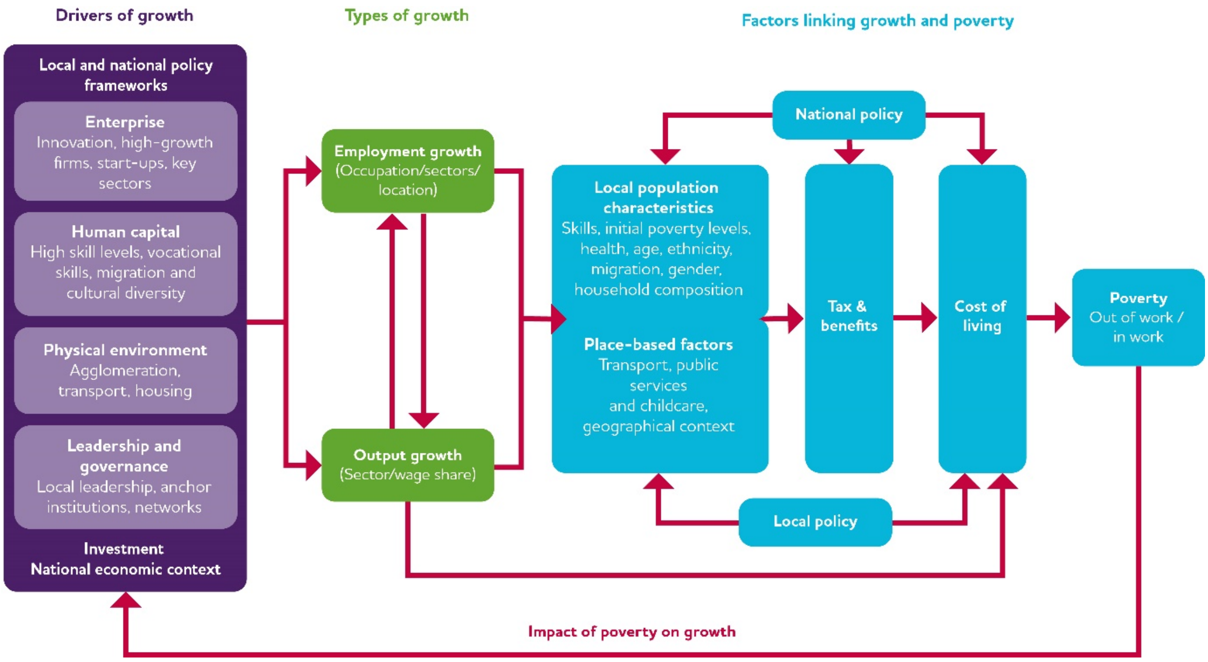
- GVA measures the contribution to the economy of each individual producer, industry or sector in the United Kingdom;
- GDP is the monetary value of all the finished goods and services produced taking into account taxes and subsidies (GDP = GVA + taxes on products - subsidies on products).

While constructed slightly differently, both measures effectively capture the combined output of all individuals in employment. In other words, they reflect the number of people in employment and how productive they are. This means that growth can increase on these measures if either existing workers become more productive or employment increases, or some combination of the two. These different potential routes to growth have varying implications in terms of poverty reduction. In one scenario, there may be a virtuous circle where productivity increases and firms reinvest additional profits in creating new jobs. Some of this additional employment may benefit households in poverty. Equally though, these jobs could be inaccessible to those experiencing poverty because of a lack of appropriate skills or experience. Alternatively, the new jobs created may offer insufficient pay and hours to lift households above poverty thresholds. Additional employment generated through growth is no guarantee of positive outcomes around poverty reduction.

An alternative scenario is one where growth occurs without creating significant numbers of jobs. This can happen, for example, where growth is driven by increases in productivity in high-skilled sectors due to new technologies. This may not generate additional employment, especially if profits are taken as dividends rather than invested in labour. In this scenario there are likely to be few immediate benefits for households in poverty although additional spending by more highly paid workers may eventually create some additional employment. These different scenarios illustrate the need for indicators within the monitor to capture the different dimensions of growth in terms of output (GVA) and its component parts (employment and productivity/pay).

Defining poverty and growth provides some guide to the range of indicators the inclusive growth monitor needs to include. But there is also a range of factors which further mediate the relationship between poverty and growth that warrant inclusion. Lee *et al.* (2014a) provide a useful conceptual framework from an earlier study on poverty and growth (see Figure 1) that helps to illustrate this. This conceptual model suggests four drivers of growth (enterprise, human capital, the physical environment and leadership/government) that shape growth. The nature of this growth in terms of the type of employment created (sector, occupation and location), as well as the extent to which output is captured as profits or wages, will also inform poverty outcomes. Moreover, growth is filtered through four sets of mediating factors (local population characteristics, place-based factors, the tax and benefits system, and the cost of living). These mediating factors are, in turn, informed by national and local policy.

Figure 1: A conceptual framework of the link between growth and poverty



Source: Lee *et al.* (2014a)

This conceptual model and accompanying analysis is largely based on the premise that growth drives poverty reduction, but the authors also acknowledge the possibility that poverty reduction can drive growth. This can happen if poverty is acting as a 'drag' on growth because it reduces spending power in the local economy, reflects inefficient use of human capital and commands resources to address the consequences of poverty that could otherwise be used for growth enhancing activities (Lee *et al.*, 2014a, p.10). One implication is that reducing poverty could stimulate economic growth, although there is limited evidence to support this in the UK. One exception is work by Bivand and Simmonds (2014) which estimates that an out-of-work claimant moving into a Living Wage job benefits the local economy on average by £14,436 annually, of which £1,303 is the multiplier (the 'multiplier' is a measure of the additional economic output generated when individuals who begin to receive the Living Wage spend more on consumption in shops, restaurants, on consumer goods and so on). This illustrates how reducing poverty through moving individuals into employment could generate extra output and productivity that contributes to economic growth.

This conceptual model provides a useful foundation for understanding the different factors mediating the relationship between growth and poverty. There are clearly elements that should be included in an inclusive growth monitor. The cost of living, for example, will play an important role in shaping the link between poverty and growth. Rapid growth in areas with limited housing stock may push up housing costs. This can limit the financial gains experienced by households in poverty that secure work or an increase in wages. However, the model also presents considerable conceptual and practical challenges in terms of developing an inclusive growth monitor. Some elements clearly do not lend themselves to ready quantitative measurement (e.g. leadership and governance). Others could be calculated but not without creating bespoke datasets to measure change at sub-national level (e.g. tax and benefit changes[1]). Moreover, trying to capture all the elements of this model may lead to an unwieldy and unworkable set of indicators of interest. One way of overcoming these conceptual and practical challenges is to look at the existing empirical evidence base. This helps to identify relationships that can be both empirically substantiated and measured at sub-national spatial levels such as cities and neighbourhoods.

The empirical relationship between poverty and growth

There are a small number of studies which directly explore the relationship between growth and poverty in the UK. These consistently find that there is no automatic link between economic growth and poverty reduction. Lee *et al.'s* (2014a) analysis of the 60 largest cities in the UK reported that some economically successful cities such as London had unchanged or increasing poverty rates at a time of growth between 2001 and 2010. Lupton *et al.'s* (2013) study of London between 2001 and 2011 also found that strong employment growth between 2000 and 2008 and relative economic resilience between 2008 and 2011 during the recession did not translate into lower poverty or reduced inequality. Finally, Cox *et al.'s* (2010) research on city regions in northern England highlighted the uneven geographical relationships between growth and poverty. They found that rising economic growth at the city-region level was not sufficient for reductions in economic deprivation at the neighbourhood level (measured using the Economic Deprivation Index). Even in city regions where growth was strongest, some neighbourhoods experienced increasing rates of deprivation.

There are also a number of studies which look at how poverty and growth are related in terms of the types of growth most strongly associated with poverty reduction and factors which mediate that relationship. Key findings include:

- Growth tends to be more positively associated with poverty reduction in areas where it is driven by employment. Employment growth has a particularly strong effect in cities with weak economies, where new employment has a larger impact on poverty (Lee *et al.*, 2014a).
- Growth can raise wages but also increase living costs such as those associated with housing with potentially negative impacts for households in poverty. Areas with higher GVA per head tend to have higher houses prices and higher ratios of lower quartile earnings to lower quartile house prices. This may offset the financial benefits of increased earnings for those towards the bottom of the earnings distribution in high GVA cities (Lee *et al.*, 2014a).
- Growth in high-skilled, high-paid jobs may not have immediate impacts for households in poverty unable to access employment. However, it may have lagged multiplier effects in terms of generating 'knock-on' employment in associated business and personal services sectors (e.g. office or retail work). Moretti suggests, for example, that high-tech, innovative sectors have the largest multiplier effects in generating five jobs for every one high-tech job (cited in Lee *et al.*, 2014b).
- There is a strong but declining association between worklessness and poverty. Ray *et al.* (2014) show that in 2011/12 workless families made up just under half (47 per cent) of all working-age adults in poverty, while those with at least one person in work made up just over half (53 per cent). High levels of in-work poverty mean that employment growth will not always benefit households in poverty even if members secure new jobs created. In 2013/14 more than half of people in poverty (6.8 million) were in families where someone was in work, 400,000 more than the number in poverty in families where no one was in work, including pensioner families (6.4 million) (MacInnes *et al.*, 2015). Characteristics of work associated with in-work poverty include temporary or precarious work, part-time work and low hourly pay (Ray *et al.*, 2014). Sector also matters with administrative and support services, wholesale and retail trade, accommodation and food services, and residential social care all more strongly associated with in-work poverty (Green *et al.*, 2014).
- Human capital in terms of workforce skills is a mediating factor in the relationship between poverty and growth but the optimum situation is not clear cut. Lee *et al.* (2014a) found that cities with larger proportions of resident populations with higher-level skills tend to have higher levels of GVA per adult than lower performing cities. However, it is not self-evident that raising skills alone will generate

growth and reduce poverty. On the one hand, higher skill levels may help to insulate some individuals from the risks associated with low income including low wages or worklessness (Taylor *et al.*, 2012). But on the other hand, it could also lead to underuse of skills in less buoyant economies (Schmuecker, 2014).

Incorporating the evidence base into the inclusive growth monitor

The review of conceptual and empirical literature above highlights a number of factors that need to be included in the inclusive growth monitor:

- output growth (GVA) and its component parts (employment and productivity/pay)
- material poverty and related proxies (worklessness and out-of-work or in-work benefit claimants)
- mediating factors including the cost of living (especially housing), workforce skills and job quality (pay, occupation and sector).

The inclusive growth monitor presented in this report organises these factors into two overarching 'themes' (inclusion and prosperity) and three related 'dimensions' for each theme, as shown in Table 2. Income, living costs and labour market exclusion are assigned to the 'inclusion' theme to represent aspects of poverty and disadvantage; and output growth, employment and human capital are allocated to the 'prosperity' theme to reflect economic performance or potential. The value of organising categories within hierarchies is that it enables different levels of analysis as explained in Section 3.

Table 3: Themes and dimensions in the inclusive growth monitor

Theme	Dimension
Inclusion	Income (including benefits)
	Living costs
	Labour market exclusion (worklessness)
Prosperity	Output growth
	Employment (including job quality)
	Human capital

This hierarchy of themes and dimensions provided the basis for selecting indicators (see Section 3).

Existing approaches for measuring inclusive growth

There has been relatively little work to develop frameworks to directly measure the relationship between poverty and growth in the UK and the Global North. However, there is a more extensive body of work around inclusive growth that concentrates on the relationship between growth and inequality, particularly outside the UK. This emphasis on inequalities in income and wealth reflects a concern that a focus on poverty alone fails to capture how the proceeds of growth may also be distributed unevenly among large swathes of the 'non-poor' population (ADB, 2011; Anand *et al.*, 2013; European Commission, 2013; Ramos *et al.*, 2013; Stiglitz *et al.*, 2009).

It has prompted a range of global financial and economic institutions – including the International Monetary Fund (IMF), European Commission, Organisation for Economic Co-operation and Development (OECD), Asian Development Bank (ADB) and World Bank – to explore understandings of, and develop frameworks to monitor, inclusive growth (ADB, 2011; Anand *et al.*, 2013; Cingano, 2014; European Commission, 2013; OECD, 2014). There has also been interest in measuring 'inclusive' or 'good' growth at the level of cities or sub-regions using a range of economic, social or environmental indicators (Brookings, 2016; Greater MSP, 2015; PWC, 2013). Poverty indicators do feature in some of these approaches (e.g. the Minneapolis Saint Paul (MSP) Regional Indicators Dashboard) but there is no framework that systematically analyses the relationship between poverty and growth. However, it should be noted that this is very much a live agenda. Work continues in this area with the OECD launching an

Inclusive Growth in Cities campaign in 2016 that will, among other things, develop a set of internationally comparable indicators to measure societal progress and inclusiveness in cities and regions.[2]

Broadly, all existing frameworks tend to fall into three main approaches:

- A single indicator or headline indicators such as the LSE Growth Commission's proposal to measure median household income as a complementary indicator to GDP growth (Aghion *et al.*, 2013). The New Economics Foundation (NEF) has also proposed a set of three headline indicators to measure inequality in the UK (NEF, 2014).
- A dashboard of indicators such as the ADB's Framework of Inclusive Growth Indicators that presents an annual dashboard of 35 inclusive growth indicators across 48 Asian and Pacific countries that cuts across a series of themes (ADB, 2011). In the United States, the Minneapolis Saint Paul Regional Economic Development Partnership (Greater MSP) has also created a Regional Indicators Dashboard which compares the performance of MSP against 11 'peer regions' across the US based on a set of 55 indicators (Greater MSP, 2015).
- A composite index such as the Demos-PWC Good Growth Index which measures the performance of the largest UK cities (at LA and LEP level) against a basket of ten categories defined and weighted through public surveys of what economic success and wellbeing means (PWC, 2013). The Brookings Institution in the United States has also produced a Metro Monitor which tracks relative performance in the 100 largest US metropolitan areas against nine indicators that are used to create composite ranks in three categories of growth, prosperity and inclusion.

Each of these approaches with illustrative examples is outlined in Table 4.

Table 4: Existing approaches for measuring inclusive growth

Framework (source)	Key features	Stated rationale
Single or headline indicator(s)		
World Bank's Global Database of Shared Prosperity (World Bank, 2015)	Measures income growth of bottom 40 per cent of population. Can be benchmarked against average income growth of entire population.	Provides direct focus on less well-off and moves away from emphasis on GDP per capita.
LSE Growth Commission (Aghion *et al.*, 2013)	Advocates measuring median household income as a complementary indicator to GDP growth.	GDP is an inadequate measure of human wellbeing. The choice of a single complementary indicator reflects our 'limited collective attention span'.
New Economics Foundation (NEF) proposal to set targets for tackling inequality in the UK (NEF, 2014)	NEF propose setting targets within the UK for inequalities using the following indicators: income inequality as measured by the Palma ratio (the ratio of richest 10% of the population's share of gross national income (GNI) divided by the poorest 40% of the population's share); inclusive growth measured by change in real median household incomes to gauge if and how the population is benefitting from economic growth or being hit by recession; wealth inequality measured by the concentration of wealth in the top 1%, captured using tax records and ONS surveys.	The negative social and economic impacts of rising inequality demand that the UK government set targets for tackling inequality in the same way that it currently has targets for poverty.
Dashboard of indicators		
Asian Development Bank's Framework of Inclusive Growth Indicators	An annual dashboard of 35 inclusive growth indicators across 48 Asian and Pacific countries that cuts across a series of themes: (i) poverty and inequality (income and non-	Growing income inequalities in the Asia Pacific region despite economic growth can

(ADB, 2011)	income); (ii) economic growth and employment; (iii) key infrastructure endowment; (iv) access to education and health; (v) access to basic infrastructure utilities and services; (vi) gender equality and opportunity; (vii) social safety nets; and (viii) good governance and institutions.	exclude the poor from the benefits of growth, waste human capital and threaten social unrest that could undermine the long-term sustainability of growth.
Minneapolis-St. Paul (MSP) Regional Indicators Dashboard (Greater MSP, 2015)	A dashboard of 55 indicators across eight themes (economy, education, infrastructure, business vitality, environment, talent, liveability, and vital statistics) that compares the performance of MSP to 11 other regions in the United States. It includes two 'shared prosperity' indicators based on poverty rates for, respectively, white people and people of colour.	The dashboard is intended to track the region's change on economic, environmental, and social outcomes as the basis for improving the region's economic competitiveness
Composite index		
International Policy Centre for Inclusive Growth (IPC-IG) Inclusiveness Index (II) (Ramos et al., 2013)	Index of developing countries based on three indicators of: poverty (headcount ratio at US$2 a day PPP); inequality (measured using GINI); employment (employment to population ratio). Countries are scored using a min–max normalisation of data on its three component parts i.e. scores for each country are based on distance from the best situations within the group of developing countries analysed.	Addresses a need to develop an inclusive growth framework that can measure how the proceeds of growth are distributed (poverty and inequality) and how growth changes opportunities for economic participation (employment).
Demos-PwC Good Growth Index (PWC, 2013)	The Demos-PwC Good Growth for Cities Index measures the performance of the largest UK cities (at LA and LEP level) against a basket of ten categories defined and weighted through public surveys of what economic success and wellbeing means. Each category is represented by a single indicator.	Aims to shift debate on local economic development from a narrow focus on Gross Value Added (GVA) to a more holistic measure, understanding the wider impacts that are associated with economic success in a city.
Brookings Metro Monitor (Brookings, 2016)	Assesses relative change in the 100 largest US metropolitan areas by using nine indicators that are standardised and aggregated into composite ranks against three headline categories: growth, prosperity and inclusion.	Aims to advance new ways of measuring success in metropolitan America and provide data to help local and regional leaders understand whether economic development is yielding better outcomes.

All of these approaches have strengths and limitations. A headline indicator provides a simple, digestible figure but arguably lacks the breadth and nuance to fully reflect the complex relationship between poverty and growth. A dashboard of indicators offers a broader range of data that better reflects that complexity yet can struggle to identify a clear set of relationships amidst this 'noise'. Finally, a composite index can address this shortcoming by combining data from several indicators to provide a composite score that summarises patterns of change. It also allows the relative performance of different areas to be easily compared. But the final score derived from the underlying data may not itself be intuitive or meaningful. Moreover, rankings based on composite scores can illustrate relative performance but the degree of difference between areas will not be apparent without the underlying data.

The relative pros and cons of each approach indicate the need to produce a monitor that draws on the best elements of each while avoiding the pitfalls of any single approach. For this reason our inclusive growth monitor is deliberately flexible in the way it is constructed and the options for presenting data, as detailed in Section 3. Of all the approaches outlined above, the Brookings Metro Monitor 2016 is perhaps closest to achieving this flexibility. The website provides data on both performance of the underlying nine indicators as well as rankings based on standardising and aggregating these values into three themes (growth, prosperity and inclusion) with three indicators in each.[3] Nonetheless, it still does not represent an 'off-the-shelf' solution as it does not include indicators on all the factors that inform the relationship between poverty and growth. There are, for example, no measures to capture skills, housing costs or worklessness. All this suggests the need for a new monitoring tool to measure the relationship between poverty and growth. Section 3 details the inclusive growth monitor that the research team has developed to directly address this need.

3 The design of the inclusive growth monitor

The inclusive growth monitor presented in this paper uses a building block approach based on a set of 18 indicators that can be read individually or combined to create a composite score for dimensions and themes. This section explains precisely how the monitor is designed and constructed. It begins by explaining the key principles informing the approach. It then outlines the construction of the monitor in terms of the hierarchy and number of indicators within each level; the spatial scale at which data is presented; the frequency of reporting; and the 18 indicators selected to create the monitor.

Key principles

A set of key principles underpins the inclusive growth monitor. They reflect the need for it to be robust, intuitive and capable of meeting the needs of primary users that might include local authorities, combined authorities and Local Enterprise Partnerships (LEPs). The key principles are that the monitor is:

- conceptually and empirically informed;
- flexible in construction to avoid the pitfalls of any single approach;
- replicable in using publicly available data;
- relatively straightforward to update in terms of the analytical skills and time required;
- simple to understand including by non-specialist audiences;
- representative of the geographies at which labour markets and institutions responsible for economic development (e.g. LEPs) operate.

These principles are embedded in the construction of the inclusive growth monitor as outlined in the sections below.

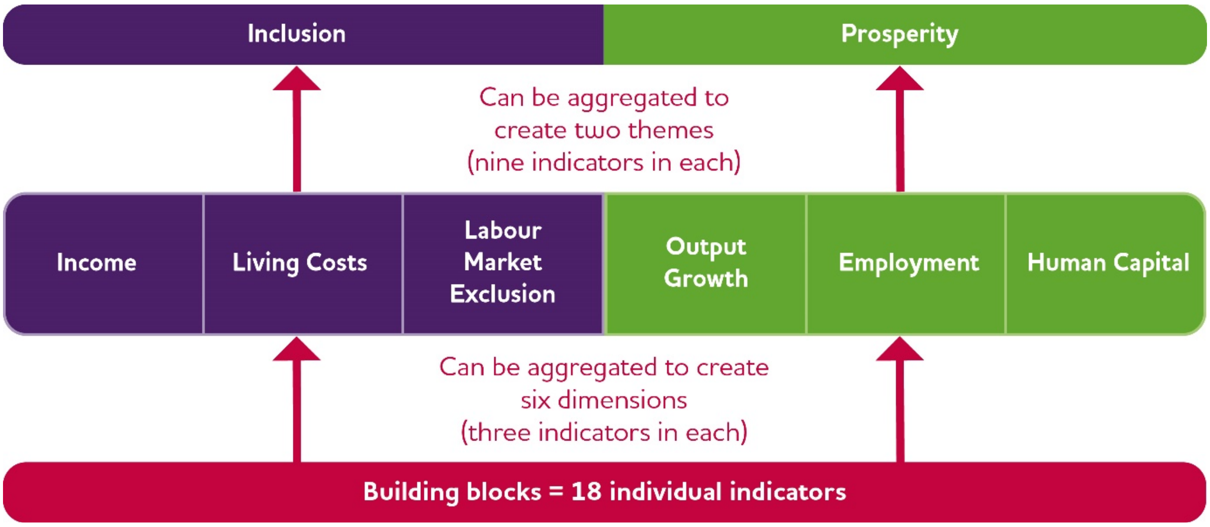
A flexible approach

A multi-level framework

The inclusive growth monitor uses a building block approach founded on a base level of 18 indicators. These 18 indicators can be presented in their own right or combined to produce a composite score for dimensions and themes. This hierarchy is outlined in Figure 2.

There are a number of rationales for this multi-level approach. The monitor effectively combines two different approaches - dashboard and composite index - to avoid the pitfalls of any single method. The 18 base indicators selected (see Section 3.5) provide the breadth of data needed to understand the complex relationship between prosperity and inclusion. It also avoids the limitations of only using a composite score or index approach where scores might not be intuitive as they are not presented as 'real rates' (see Fenton, 2013).

Figure 2: A multi-level framework



At the same time, the ability to aggregate several indicators to create composite scores for dimensions and themes overcomes the 'noise' associated with a long list of indicators. These broader composite measures also make nested relationships clearer by illustrating the relative contribution of each dimension to theme scores. For example, it will show if the living costs dimension makes a particular high contribution to the inclusion theme score. Composite scores also enable ready comparisons across areas. For instance, it is easier to see how one LEP area has changed in terms of prosperity relative to other LEP areas using a single score rather than studying nine separate indicators.

The number of indicators

The choice of 18 indicators reflects the need to incorporate six dimensions that each represent different aspects of prosperity and inclusion (see Section 2). Selecting three indicators in each dimension helps to provide depth and rigour. The decision to construct dimensions around three indicators was based on a mix of conceptual, methodological and pragmatic reasons. A single indicator was deemed insufficient to represent each dimension. For example, there is no one indicator which alone could represent the employment dimension in the prosperity theme. Multiple indicators are needed to reflect the number of residents in employment (the employment rate), the number of jobs being created relative to the working-age population (job density) and the quality of employment generated (using sector as a proxy for in-work poverty). Each of these indicators has merit and tells us something about different aspects of employment growth. But no indicator in isolation can provide the full context.

Using a basket of three indicators per dimension also ensures that movement in any single indicator does not disproportionately impact on the dimension score. It helps to balance out the contribution of any one indicator or dimension to the overall picture and, in doing so, to remove the need for weightings to be introduced. It also provides a useful symmetry with the three dimensions each containing three indicators within both of the overarching themes of prosperity and inclusion.

The choice of three indicators was also guided by the availability of data as, for some dimensions, there were no more than three appropriate indicators. A further practical reason is that limiting the number of indicators increases the ease of updating them on a regular basis to track trends over time.

Spatial scale

The choice of spatial scale for the inclusive growth monitor needs to reflect the areas for which relevant datasets are available, the institutional geographies in which local policy actors operate, and the geographies of local labour markets. For this reason, the monitor presents data at the LEP level because this sub-regional geography most closely meets all these needs. Data is readily available for LEPs including a number of datasets from the Annual Population Survey (APS) and Business Register and Employment Survey (BRES) that are used in the monitor. Where data is not available at LEP level (e.g. earnings data from the Annual Survey of Hours and Earnings) it is usually available for local authority districts and can be combined to produce a count, rate or percentage for the LEP area. In a small number of instances where data is not available at local authority level (e.g. educational attainment data from the Department for Education), population weighted average LEP level data can be derived. One additional advantage of presenting data at LEP level is that it reduces the unreliability of survey-based estimates experienced when using data at lower spatial scales.

The choice of scale also captures the geographical context within which local decision-makers operate, particularly in terms of generating growth. LEPs are a key vehicle for delivering local economic development and reflect the increasing emphasis by policy-makers on sub-regions as a spatial scale for designing and delivering spatial strategy and policies. There are 39 LEPs covering the whole of England, each of which contains on average 10 local authority districts (LADs), although they vary considerably in size both in terms of population and numbers of LADs. They are based on groups of LADs intended to reflect city regions, adjacent counties and other sub-regional groupings.

A final reason for the choice of LEPs is that they better represent the area at which labour markets operate. LEPs were explicitly intended to represent functional economic areas when created. These tend to extend beyond district level boundaries. For example, jobs in a city centre might be taken by people commuting in from surrounding areas as well as local residents within the city boundary. This has implications for the spatial relationship between poverty and growth. For example, jobs created in a city experiencing growth may well be filled by individuals living outside the district. Multiplier effects may also spill over into adjacent LADs where employees live. All this may have beneficial impacts for households in poverty but not necessarily contained in the LAD where job growth occurs. Presenting data from the monitor at LEP level may capture some of these wider spatial impacts.

These three factors – the different spatial scales for which data is available, the spatial level at which policy decision-makers operate, and the scale at which local labour markets operate – all point towards the appropriateness of presenting data at the LEP level.

Frequency of reporting

The inclusive growth monitor provides annual data on LEP areas between 2010 and 2014. This timeframe reflects a deliberate decision to look at the relationship between poverty and growth in the aftermath of the 2008/09 recession. Including the financial crisis and subsequent economic downturn would, arguably, add too much volatility to a dataset based on a relatively short time period. It is also a practical decision based on the lack of data for some indicators before 2010. The lag in the availability of some datasets means that it is only possible to provide data up to two years before the current reporting year. The intention is to update the monitor annually to ensure the data is timely. It is not possible to do this more frequently as some indicators are only updated once a year.

Choice of indicators

The foundation of the inclusive growth monitor is a set of 18 indicators. These are detailed in Tables 5 and 6. These indicators were selected after themes and dimensions had been identified through the evidence review process outlined in Section 2. This sequence meant that indicators were chosen on the basis of a conceptually- and empirically-informed understanding of the relationship between poverty and growth. They are not intended to be an exhaustive set of indicators capturing every facet of poverty and growth. Rather, they represent a focused selection of indicators that best represent key elements of that relationship. They were also chosen on the basis of availability and reliability at a local level.

The final 18 indicators were chosen from a longlist of 37 drawn up according to their ability to reflect some aspect of the six dimensions. This longlist was scoped through a combination of existing knowledge within the study team and an exploratory search of official data sources such as NOMIS, the Office for National Statistics (ONS) website and various government departments' online statistical repositories.

This longlist was then assessed in terms of each indicator's suitability for inclusion in the final monitor based on four criteria:

- availability at an appropriate spatial scale: data for each indicator needs to be available for, or readily convertible to, LEP areas;

- reliability: estimated figures from sample surveys such as the APS should generally fall within a reasonable confidence level (+ or -10 per cent) and should not be subject to intermittent suppression because of small numbers;
- regularity: the dataset (and by implication the variable of interest) should be updated at least annually, so it can be continually tracked;
- range: indicators need to illustrate different aspects of each dimension and avoid, as far as possible, auto-correlation where one indicator broadly moves in line with, or inversely proportionate to, another indicator.

This assessment meant that some categories and associated indicators had to be excluded altogether as there are no suitable datasets. Transport costs and personal debt fall into this category. In other cases data existed but at too wide a spatial scale: disposable household income is an example of this. Issues of reliability also meant that some indicators initially selected from the longlist for inclusion in the inclusive growth monitor had to be discarded. For example, an indicator to measure the economically inactive who are discouraged from looking for work from the APS was shortlisted to measure latent demand for employment among this group. However, it was eventually dropped because of suppression of large amounts of data due to small sample numbers.

By the end of this assessment process three indicators had been selected for each of the six dimensions. Table 5 shows the range of indicators selected under the three dimensions in the inclusion theme to represent different aspects of poverty. The rationale for the selection within each dimension is as follows:

- Income: proxy indicators provide some reflection of levels of out-of-work poverty (out-of-work benefits) and in-work poverty (tax credits), as well as capturing the level of earnings among the lowest paid workers as a further measure of low income[4].
- Living costs: the range of indicators shows how the cost of living is changing with potential implications for households in poverty. It measures changes in the cost of private rented sector housing (median rent levels for a two-bedroom property) and the extent to which private housing is affordable to those on lower incomes (house price to earnings ratio). An indicator of fuel poverty is also included to widen coverage beyond housing costs and incorporate the relative affordability of energy costs, another key factor which has an impact on low-income households.
- Labour market exclusion: Indicators of unemployment and economic inactivity provide a measure of overall exclusion from the labour market. A third indicator of the proportion of working-age households where no-one is in employment provides a measure of concentration of labour market exclusion at a household level.

Table 6 shows the range of indicators selected under the prosperity theme to capture different elements of economic performance or potential. The rationale for their selection is:

- Output growth: The choice of indicators reflects the need to have a standard measure of output growth (GVA per capita); an indication of the changing scale of business and enterprise in an area (private sector workplaces); and a general measure of earnings levels (median full-time employee earnings) as a reflection of productivity. In combination, these capture the potential of the area to generate growth that is not necessarily driven by employment.
- Employment: This measures employment as one of the components of growth. The workplace jobs indicator shows the extent to which the area is creating employment. Including the employment rate also provides an assessment of the extent to which residents within the area are benefitting from jobs created. Finally, a measure of jobs created in sectors more strongly associated with in-work poverty (Green *et al.*, 2014) is also included. This is intended to gauge the extent to which employment growth occurs in sectors least likely to support poverty reduction.
- Human capital: This provides some indication of the extent to which the local economy is (capable of) moving towards a 'higher value' model of growth. It includes an indicator for higher level occupations where better remuneration means that in-work poverty is less likely. The remaining two indicators are closely related, with one focusing on intermediate and higher level vocational qualifications (NVQ Level 2 and above), and the other on qualifications achieved during compulsory schooling (five or more GCSEs at grades A*–C). In combination these indicators provide an indication of the demand for higher level skills and the extent to which this could be met by the local workforce.

Table 5: Dimensions and associated indicators for the inclusion theme

Dimension	Indicator	Definition	Geography	Source
Income	Out-of-work benefits	% of working-age population receiving out-of-work benefits	Place of residence; LEPs; LADs; wards	DWP Work and Pensions Longitudinal Study (benefit claimants – working-age client group)
	In-work tax credits	% in-work households with and without children receiving Child and/or Working Tax Credits	Place of residence; LADs; LSOAs	HMRC Child and Working Tax Credit finalised award statistics – geographical statistics; APS
	Low earnings	20th percentile of gross weekly earnings*	Place of residence; LADs	Annual Survey of Hours and Earnings (ASHE) resident analysis
Living costs	Housing affordability	Ratio of lower quartile house prices to lower quartile earnings	Place of residence; LADs	CLG Housing Statistics Table 576
	Housing costs	Median monthly rents for private sector two-bedroom properties	Place of residence; LADs	Valuation Office Agency PRS Market Statistics
	Fuel poverty	% of households classed as being 'fuel poor' (using Low Income-High Costs model)	Place of residence; LADs; LSOAs	DECC Fuel Poverty sub-regional statistics
Labour market exclusion	Unemployment	% of working-age population not in employment but actively seeking work	Place of residence; LEPs; LADs	Annual Population Survey (APS)
	Economic inactivity	% of working-age population who are economically inactive	Place of residence; LEPs; LADs	Annual Population Survey (APS)
	Workless households	% of working-age households with no-one in work	Place of residence; LEPs; LADs	Annual Population Survey (APS)

* Twenty per cent of full-time workers receive earnings equal to or below this threshold.

Table 6: Dimensions and associated indicators for the prosperity theme

Dimension	Indicator	Definition	Geography	Source
Output growth	Output	Gross Value Added (GVA) per capita (in £ at current prices)	Place of work; NUTS2 and 3	ONS Regional GVA (Income Approach) Statistics; Mid-year population estimates
	Private sector businesses	Number of private sector workplaces per 1,000 resident population	Place of work; LEPs; LADs; MSOAs	UK Business Counts – Local Units; Mid-year population estimates
	Wages/earnings	Median gross weekly pay for all workers	Place of work; LADs	Annual Survey of Hours and Earnings (ASHE) workplace analysis
Employment	Workplace jobs	Employee jobs by working-age population (jobs density)	Place of work; LEPs; LADs; wards	Business Register Employee Survey (BRES); Annual Population Survey (jobs density series)
	People in employment	% of working-age population in employment (employment rate)	Place of residence; LEPs; LADs	Annual Population Survey (APS)
	Employment in low pay sectors	% employed in administrative and support services, wholesale and retail trade, accommodation and food services, and residential social care	Place of work; LEPs; LADs; wards	Business Register Employee Survey (BRES)
Human capital	Higher level occupations	% workers in managerial, professional and technical/ scientific occupations (SOCs 1, 2 and 3)	Place of residence; LEPs; LADs	Annual Population Survey (APS)
	Intermediate and higher level skills	% working-age population qualified at NVQ Level 2 and above	Place of residence; LEPs; LADs	Annual Population Survey (APS)
	Educational attainment	% of pupils at the end of Key Stage 4 achieving five or more GCSEs or equivalent at grades A* – C (including English and maths)	Place of residence; LEAs	Department for Education GCSE (Key Stage 4) statistics

The indicators selected largely focus on the working-age population. This choice is deliberate and reflects the observation that economic growth will impact most directly on working-age adults and other household members. Pension-age poverty is unlikely to be affected given its greater amenability to national level tax and benefit changes than economic change. While people aged 65 and above are increasingly remaining in work, the proportion remains relatively small, and the vast majority of the workforce falls into the 16 to 64 age bracket.

4 Exploring the link between prosperity and inclusion within a single LEP area

The design of the inclusive growth monitor provides a number of different ways of looking at the relationship between prosperity and inclusion. This section shows how the data can be presented for an individual LEP area using the example of the Leeds City Region. It presents individual indicators in dashboard and scorecard formats; it then provides composite scores for dimensions and themes. Section 5 illustrates how the monitor can also be used to understand how the relationship between prosperity and inclusion varies across all LEP areas in England.

Measuring inclusive growth for individual LEP areas

There are a number of options for presenting data for individual LEP areas. Taking Leeds City Region as an example this section provides data as:

- a 'dashboard' of 18 indicators displayed as time-series line charts for the period between 2010 and 2014. Data for the Leeds City Region area is benchmarked against the wider region (Yorkshire and the Humber) and England;
- a summary scorecard setting out the position of the Leeds City Region LEP area in comparison with Yorkshire and Humber as well as England across all 18 indicators;
- time-series bar charts showing composite scores for each dimension and theme between 2010 and 2014.

Dashboard of indicators

Benchmarking the 18 indicators which form the building blocks of the inclusive growth monitor against regional and national comparators provides a useful picture of trends in the Leeds City Region LEP area relative to the wider context. This dashboard offers a quick visual reference and will be a familiar approach to stakeholders such as local authorities and LEPs. Figure 3 shows the nine prosperity indicators; Figure 4 the nine inclusion indicators. The data is easy to understand as it based on 'real' data rather than a derived score. The indicators are grouped within their respective themes and dimensions. A dashboard enables comparisons to be made easily. For example, it shows that Leeds City Region has lower living costs than England on the two indicators related to housing, which suggests living costs are less likely to contribute to poverty. The LEP area also has a larger proportion of residents working in higher skilled occupations than England or the wider region. It also outperforms Yorkshire and Humber on most indicators, especially those within the employment and income dimensions. It fares less favourably relative to the region in terms of living costs.

Figure 3: Prosperity indicators for Leeds City Region LEP area

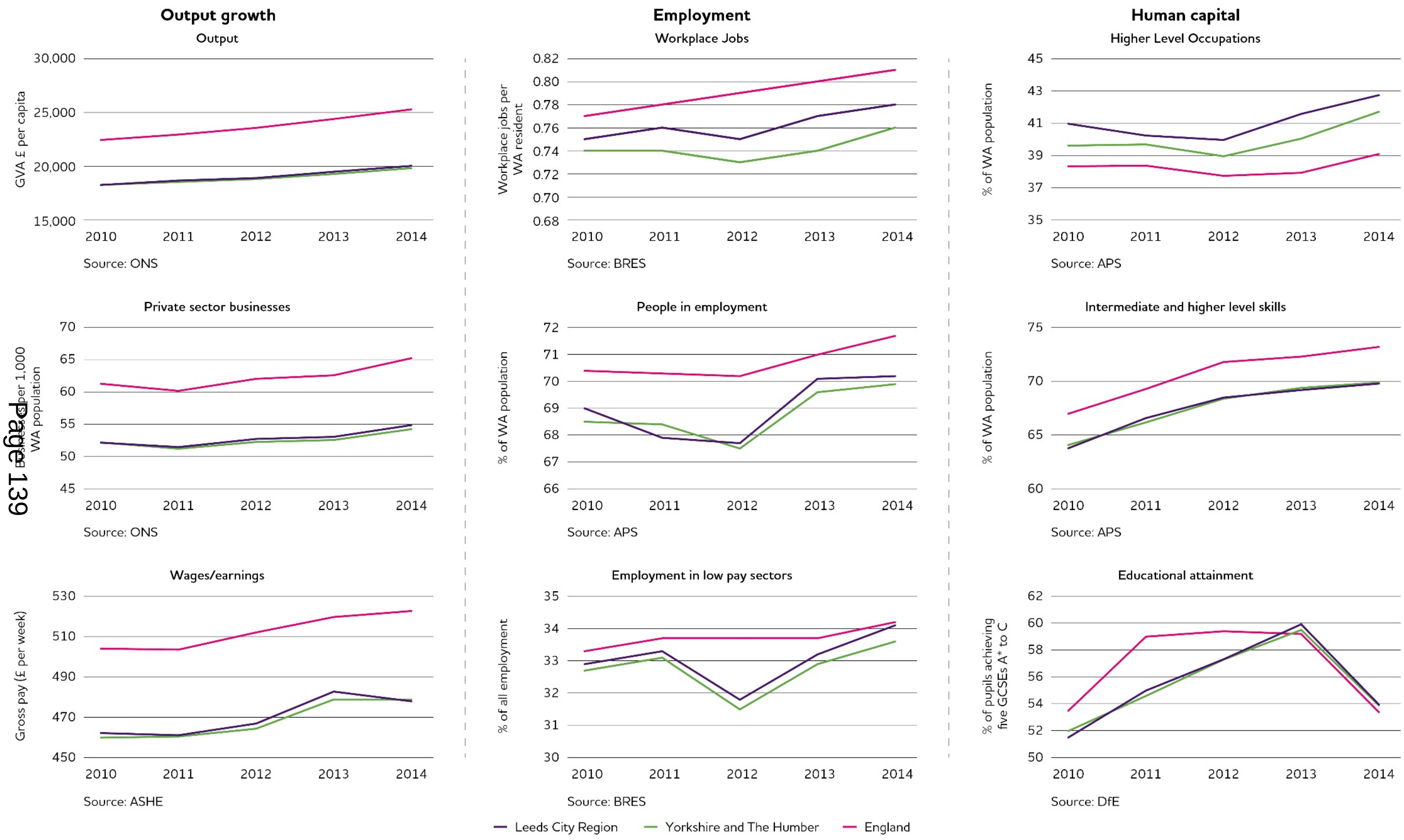


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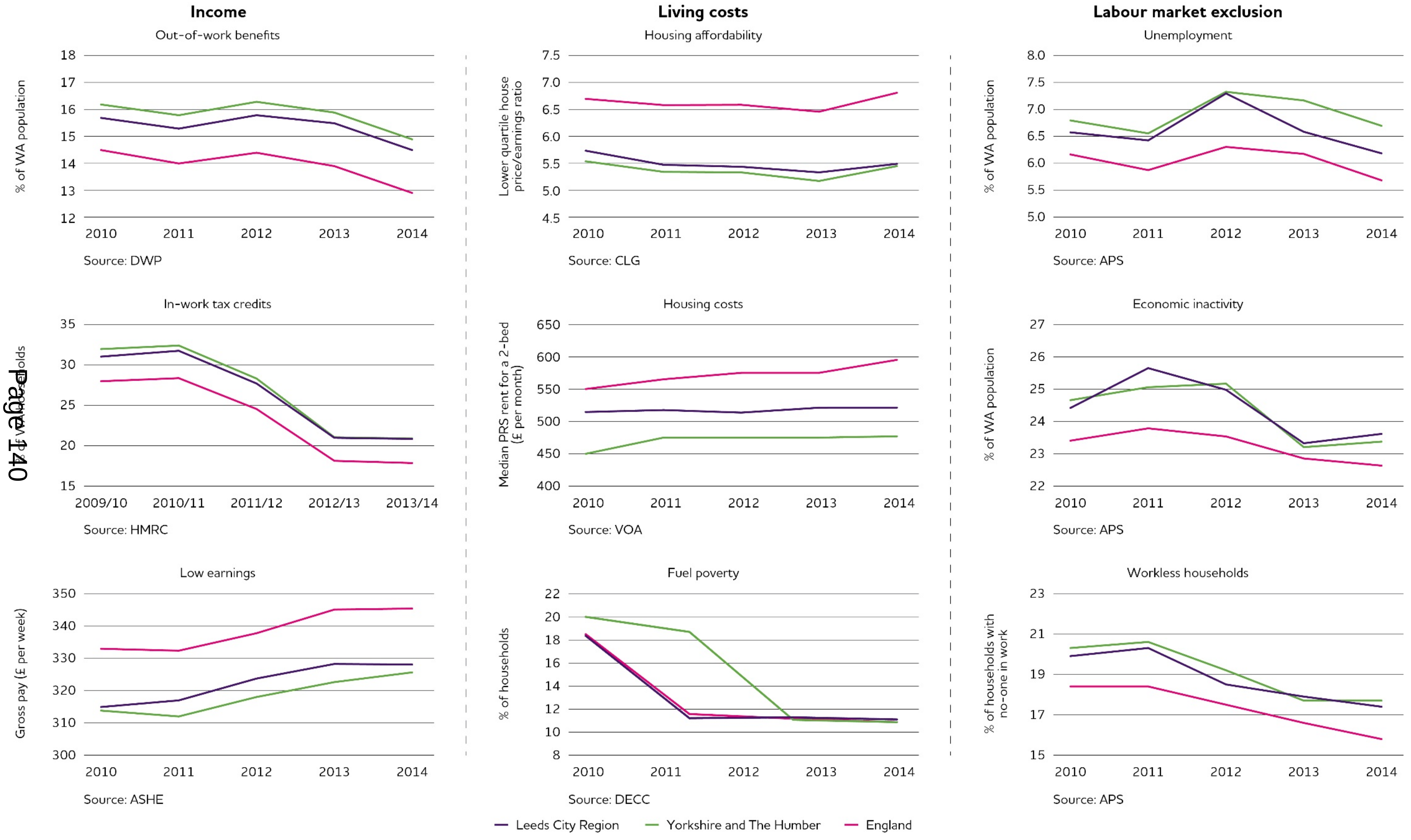
Figure 4: Inclusion indicators for Leeds City Region LEP area



Summary scorecard

Summarising trends relative to wider benchmarks from 18 separate charts can be challenging. A summary scorecard showing whether Leeds City Region exceeds regional or national benchmarks can help make relationships clearer. The scoreboard in Table 7 indicates how the LEP area compares with the wider region and England by aggregating points against indicators for all six dimensions, two themes and overall across all 18 indicators. For any given year, a positive score of one is awarded for each indicator which 'outperforms' the relevant benchmark. In some cases, outperforming a benchmark means the LEP area is above the benchmark, e.g. the employment rate; in other instances, outperforming means being below the benchmark, e.g. the unemployment rate.

An LEP that outperforms the benchmark in a given year for all three indicators within a particular dimension achieves a maximum score of three; underperformance relative to the benchmark on all three indicators would lead to the minimum score of zero. The scores can be combined to create a maximum score of nine for each of the two themes – prosperity and inclusion – or a maximum overall score of 18 for the whole range of indicators.

It is immediately apparent that the Leeds City Region LEP area tends to outperform the region (Yorkshire and the Humber) far more often than England in each of the five years. This difference can be quite stark. For example, Leeds City Region is below the national benchmark on all three indicators within the employment dimension every year, yet only underperforms the region on one of the indicators in a single year (the employment rate in 2011). The notable exception to the tendency to underperform the national benchmark is in relation to living costs, with the city region more affordable in terms of rented and private housing than England in all years.

Table 7: Summary scorecard showing the performance of Leeds City Region LEP area against regional and national benchmarks

Theme	Dimension	Benchmark	2010	2011	2012	2013	2014
Prosperity theme	Output growth	National	0	0	0	0	0
		Regional	1	3	3	3	2
	Employment	National	0	0	0	0	0
		Regional	3	2	3	3	3
	Human capital	National	1	1	1	2	2
		Regional	1	3	3	2	2
	Total	***National***	***1***	***1***	***1***	***2***	***2***
		Regional	***5***	***8***	***9***	***8***	***7***
Inclusion theme	Labour market exclusion	National	0	0	0	0	0
		Regional	3	2	3	1	2
	Living costs	National	3	3	2	2	2
		Regional	1	1	0	0	0
	Income	National	0	0	0	0	0
		Regional	3	3	3	3	3
	Total	***National***	***3***	***3***	***2***	***2***	***2***
		Regional	***7***	***6***	***6***	***4***	***5***
Overall score		National	**4**	**4**	**3**	**4**	**4**
		Regional	**12**	**14**	**15**	**12**	**12**

NB: Maximum score = 3 for each dimension; Max = 9 for each theme; Max = 18 overall

Composite scores

Dashboards and scorecards provide useful summaries of performance against national and regional benchmarks. However, the overall aim of the monitor is to combine different measures to produce a holistic view of 'inclusive growth' that reflects the relationship between prosperity and inclusion over time. One technique that allows indicators to be combined is to 'normalise' the scores for all 18 indicators and then sum these scores across dimensions or themes. Normalisation effectively places all values on the same 'metric' (a score of 0 to 1) and relates any given value for a particular indicator to the distribution of values across the whole range seen across all LEPs.

For instance, normalising employment rates would convert all rates to a score of 0 to 1. An LEP with the highest employment rate scores 1 and an LEP with the lowest rate scores 0. All other LEPs are then allocated a score higher than 0 but less than 1 depending on their relative position within the range of employment rates across all LEPs. An LEP with an employment rate that is exactly in the middle of that range would score 0.5. This would happen, for example, if an LEP had an employment rate of 70 per cent in a range where the highest rate among all LEPs was 80 per cent and the lowest rate among all LEPs was 60 per cent.

One distinct advantage of using normalisation techniques is that it enables indicators using different metrics (e.g. house prices and employment rates) to be put on the same scale and compared. The normalised scores have been created in such a way that a high normalised score is *always* more positive than a low normalised score even if the reverse is true of the underlying data. For example, the LEP area with the lowest level of fuel poverty will score the highest of all LEPs (one point).

Indicators

The normalised scores for individual indicators are illustrated below. Figure 5 shows scores for each of the nine indicators within the inclusion theme and Figure 6 for the nine indicators in the prosperity theme. Each cluster of bars represents the score achieved by the Leeds City Region area relative to the range across all LEPs in the five years from 2010 to 2014. A score of one is the highest and most positive value on any given indicator. The charts clearly show that Leeds City Region area scores at the lower end of the range for some indicators such as output growth (GVA per capita) and private sector businesses (Figure 6). At the same time, it scores highly for low pay sectors (meaning it has a lower proportion of workers in these sectors) and for the two housing-related indicators, which reflects the lower living costs in Leeds City Region relative to other LEP areas (Figure 5).

Figure 5: Normalised scores for Leeds City Region within the inclusion theme, 2010–2014

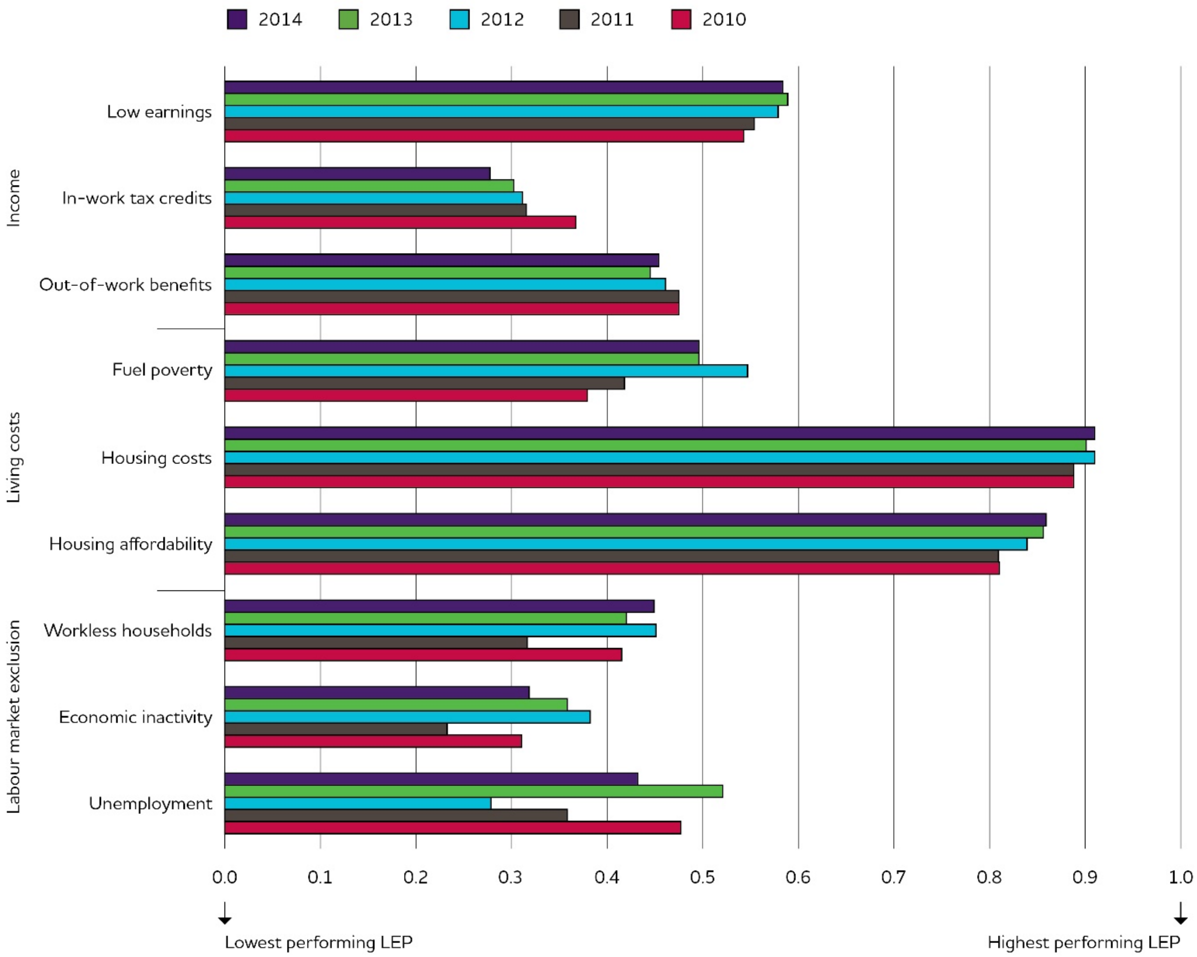
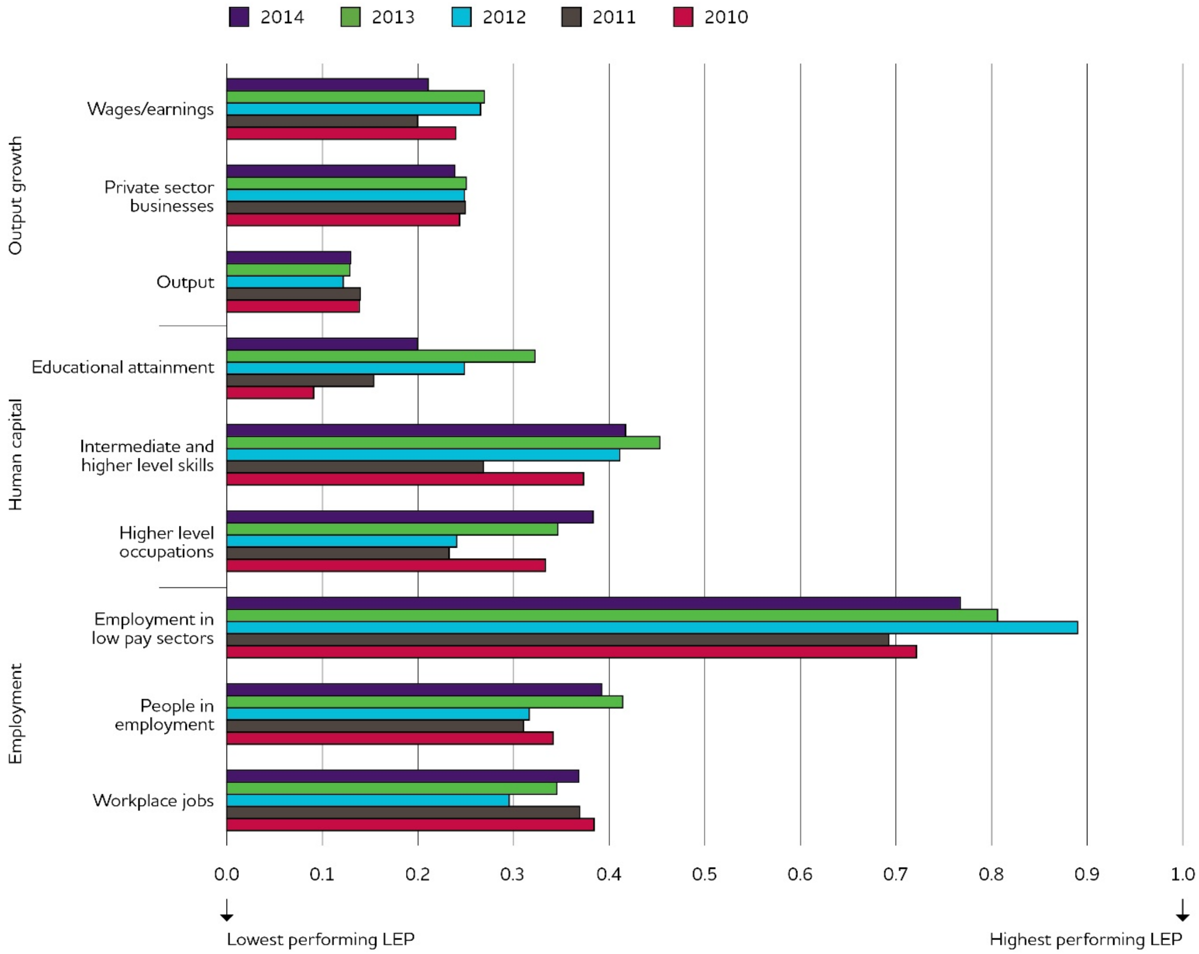


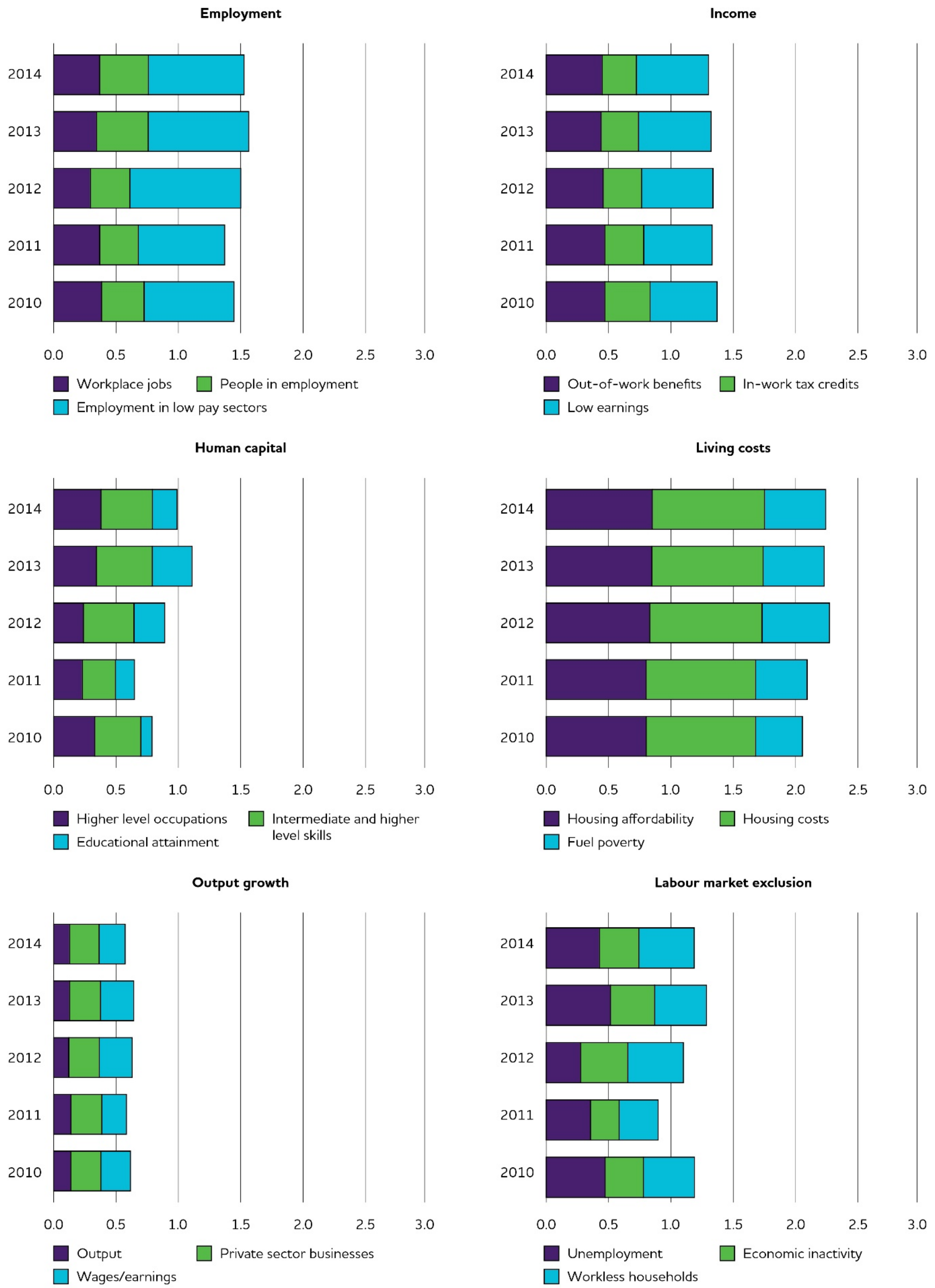
Figure 6: Normalised scores for Leeds City Region within the prosperity theme, 2010–2014



Dimensions

Normalised scores for individual indicators can then be aggregated to create composite scores for dimensions. This is useful for summarising performance across the three indicators in each dimension. The highest (positive) score that an LEP could achieve is three points if it outperformed all other LEPs on all three indicators; a score of zero would indicate an LEP had underperformed all other LEPs on all three indicators. The stacked bar charts in Figure 7 show the contribution of each indicator to the composite scores for each of the six dimensions. It shows, for example, that the score for the proportion of workers in low pay sectors accounts for a large proportion of the employment dimension score. Change over time is also evident. The Leeds City Region LEP area saw its score for labour market exclusion fall in 2011 but then pick up in the subsequent two years before falling slightly again in 2014. The scores are relative to all other LEP areas, indicating that Leeds City Region is at the top end of the range for living costs, close to the middle for employment and in the lower end of the range for output growth and human capital.

Figure 7: Composite scores for dimensions for Leeds City Region LEP, 2010–14



Themes

Composite scores can also be created for the two themes of prosperity (Figure 8) and inclusion (Figure 9). The maximum score for each theme is nine. These show that the prosperity score for Leeds City Region dipped in 2011 before rising slightly in 2012 and 2013 and then falling slightly in 2014. There is a similar pattern for the inclusion score, albeit from a higher base. Overall, Leeds City Region scores higher relative to other LEPs on inclusion rather than prosperity. However, it is difficult to set this in context without seeing the scores for all the other 38 LEPs. Section 5 provides this broader picture of the relationship between prosperity and inclusion across all LEPs. This helps to locate the relative position of individual LEPs and also to show the distinct variations between LEPs in terms of the link between prosperity and inclusion.

Figure 8: Composite prosperity scores for Leeds City Region LEP area, 2010–14

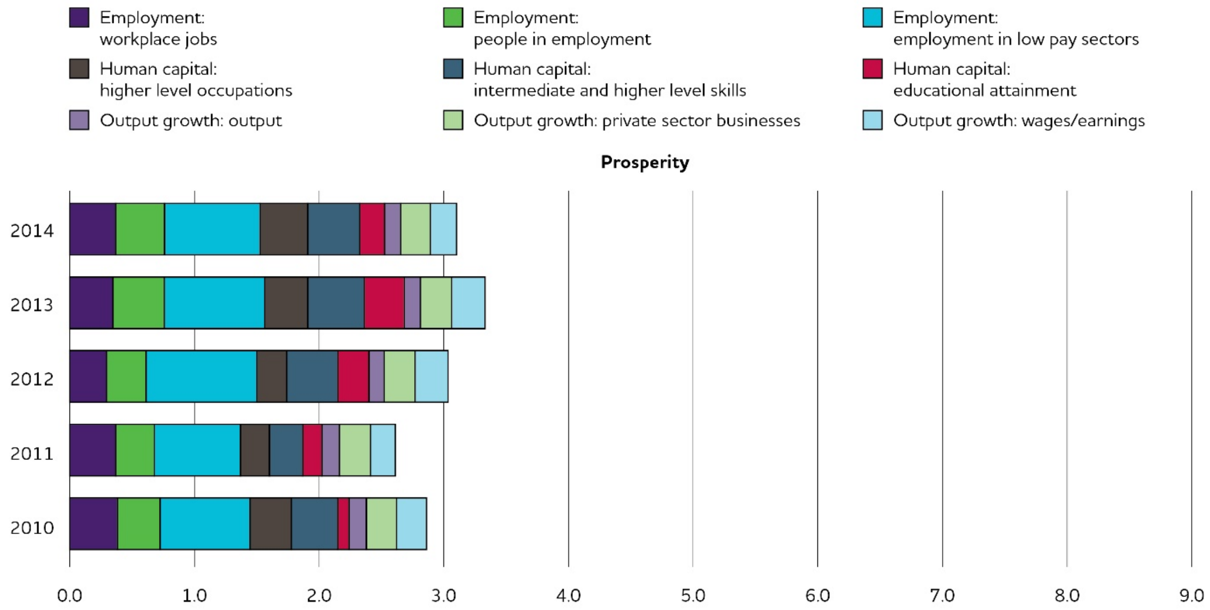
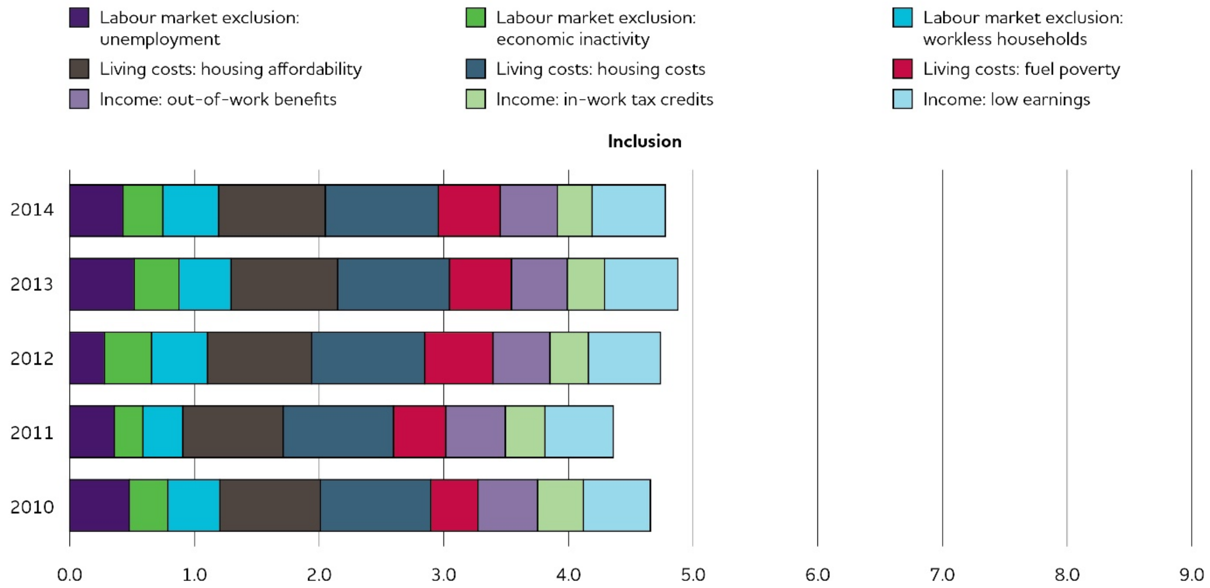


Figure 9: Composite inclusion scores for Leeds City Region LEP area, 2010–14



5 Exploring the link between prosperity and inclusion across all LEP areas

The inclusive growth monitor can be used to look at relationship between prosperity and inclusion across all 39 LEP areas. This broader picture helps to contextualise the situation of any one LEP and see how the link between prosperity and inclusion varies across England. This section looks first at how each LEP scores on prosperity and inclusion *levels* in 2014 as the latest year for which data is available. It then looks at *changes* in prosperity and inclusion levels between 2010 and 2014 to capture movement between the beginning and end of the time series. This change score is based on movement in the underlying indicators which are normalised and aggregated to create a composite change score.

To clearly distinguish between these two timeframes, scores based on the latest 2014 data are described as 'level' scores while scores based on movement in underlying indicators between 2010 and 2014 are described as 'change' scores. This is an important distinction. Level scores reflect the current, relative position of LEPs in terms of the level of underlying indicators in 2014. For example, the LEP with the lowest unemployment rate in 2014 will achieve the maximum level score of one for that indicator once normalised. Change scores reflect the degree of movement in the level of indicators between 2010 and 2014. The same LEP may experience little change in (already low) levels of unemployment between 2010 and 2014 relative to other LEPs and would therefore record a low change score.

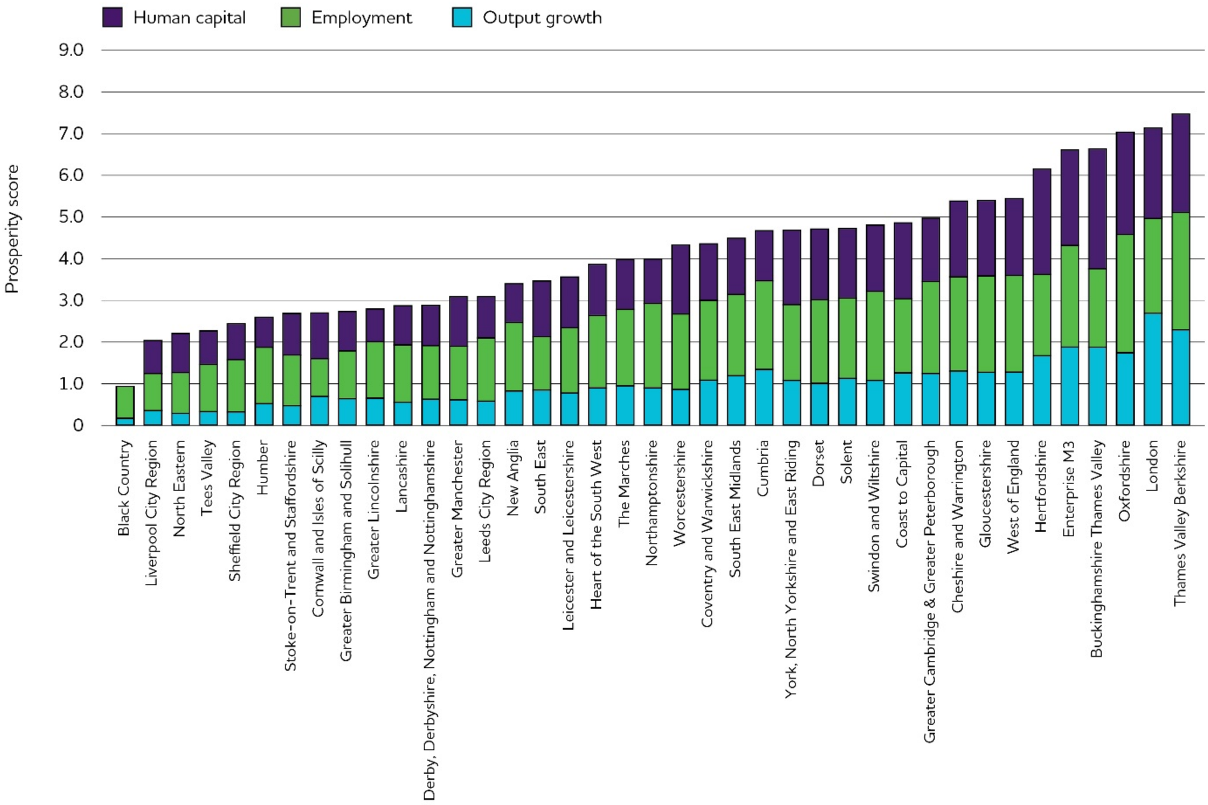
Prosperity and inclusion: level scores in 2014

This subsection presents the level scores for prosperity and inclusion based on levels of the underlying indicators in 2014. The values for each indicator have first been 'normalised' on a scale of 0 to 1, and then aggregated to provide a composite level score. The highest possible level score for each theme is nine (the LEP with the highest relative position on all nine indicators) and the lowest zero (the LEP with lowest relative position on all nine indicators). Again, it should be remembered that a higher score is always more positive.

Prosperity

Figure 10 shows the composite level scores for prosperity in each of the 39 LEP areas in 2014, broken down by its three constituent dimensions (output growth, human capital and employment). The chart shows strong geographical differences. LEPs in the lowest quartile (the 10 LEPs with the lowest scores) consist mainly of areas in the north and Midlands with the exception of Cornwall and the Isles of Scilly. These are largely areas that have experienced a decline in their industrial base in recent decades. The stacked bars shows these areas tend to score very low on the output growth dimension and, in the case of the Black Country, on human capital too. By contrast, LEP areas in the highest quartile (the 10 LEPs with the highest scores) are almost exclusively in the south with the exception of Cheshire and Warrington. The precise contribution of the three dimensions varies, with London achieving the highest output growth score while Oxfordshire has the highest score on employment.

Figure 10: Prosperity scores (levels) for all LEPs, 2014



Inclusion

A similar pattern emerges when looking at the composite level scores for the inclusion theme in 2014. Again, these are broken down into the three constituent dimensions (income, living costs and labour market exclusion).

Figure 11 shows that most LEPs in the lowest quartile are, again, located in the former industrial heartlands of the north and Midlands. Indeed, seven of these LEPs are in the lowest quartile for both inclusion and prosperity in 2014 (see Table 8). By contrast, the majority of LEPs in the highest quartile tend to be based in the south or east of England. Eight of these LEPs are also in the highest quartile for prosperity in 2014 (Table 8). The notable exception is London which achieved the second highest level score on prosperity out of all 39 LEPs but the eighth lowest on inclusion. This might suggest that the high levels of economic buoyancy London is experiencing does not automatically translate into positive trends around poverty, at least in the short term. As the next subsection shows, London is something of an outlier in bucking the tendency of higher prosperity level scores to be associated with higher inclusion level scores.

Figure 11: Inclusion scores (levels) for all LEPs, 2014

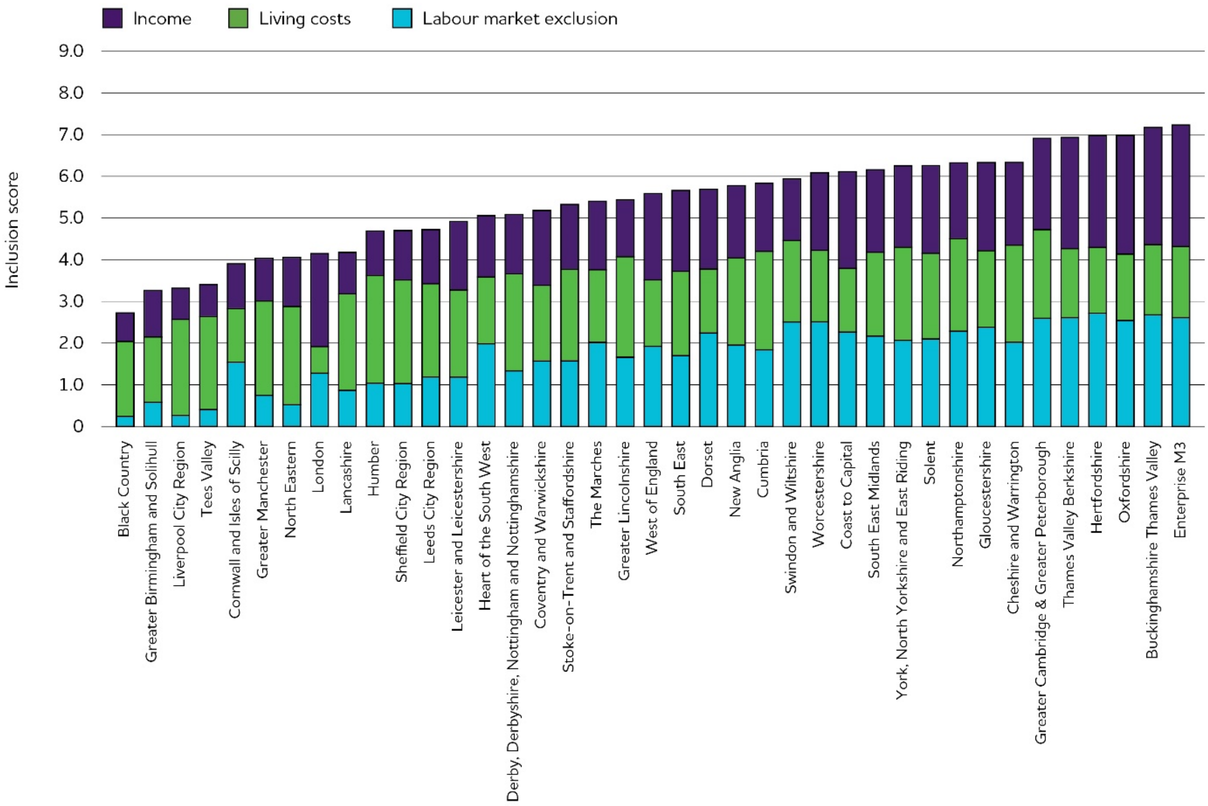


Table 8: LEPs in the top and bottom quartile for prosperity and inclusion scores (levels) in 2014

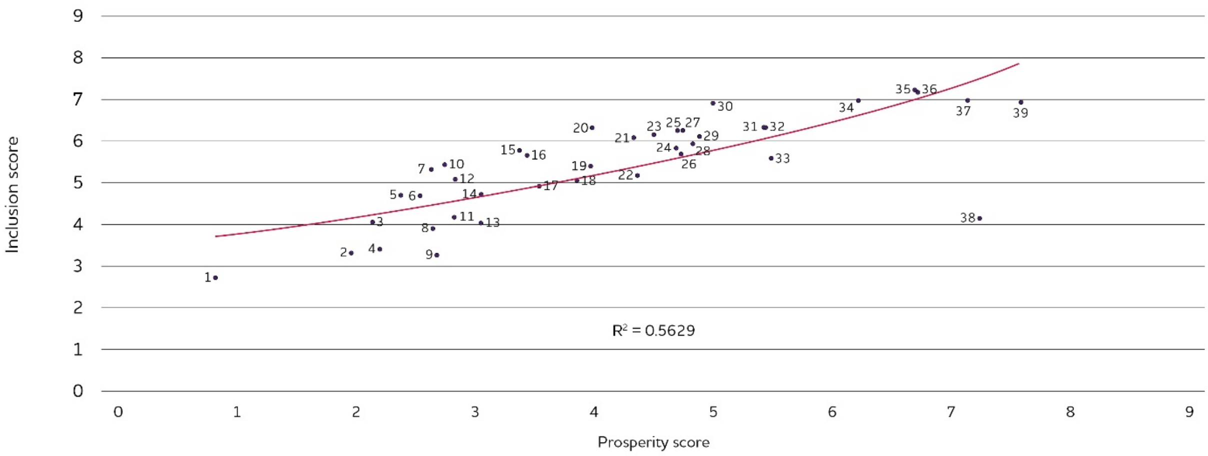
Low prosperity and low inclusion (LEPs in bottom quartile for prosperity and inclusion in 2014)	High prosperity and high inclusion (LEPs in top quartile for prosperity and inclusion in 2014)
Black Country	Buckinghamshire Thames Valley
Cornwall and Isles of Scilly	Cheshire and Warrington
Greater Birmingham and Solihull	Enterprise M3
Humber	Gloucestershire
Liverpool City Region	Greater Cambridge & Greater Peterborough
Tees Valley	Hertfordshire
North Eastern	Oxfordshire
	Thames Valley Berkshire

The relationship between prosperity and inclusion (levels)

Understanding the relationship between prosperity and inclusion is the main aim of the inclusive growth monitor. Plotting prosperity and inclusion level scores on a scatter chart is a useful way of observing this relationship (Figure 12). This shows there a fairly clear positive relationship with LEPs tending to score similarly on both prosperity and inclusion based on levels in 2014.

This relationship is fairly strong with the trend line explaining just over half the 'fit' between the prosperity and inclusion scores ($R^2 = 0.56$). In others word, LEPs that have relatively low scores for prosperity also tend to score relatively low on inclusion. This is the case with a number of LEPs in the north, Midlands and also Cornwall which are located around the lower left end of the trendline. Conversely, there is a cluster of LEPs in the south with high scores for both prosperity and inclusion grouped around the top right end of the trendline. London clearly stands out by virtue of its low score on inclusion and high score on prosperity.

Figure 12: Scatter chart showing prosperity and inclusion scores (levels) for all 39 LEPs, 2014



1 Black Country
2 Liverpool City Region
3 North Eastern
4 Tees Valley
5 Sheffield City Region
6 Humber
7 Stoke-on-Trent and Staffordshire
8 Cornwall and Isles of Scilly
9 Greater Birmingham and Solihull
10 Greater Lincolnshire
11 Lancashire
12 Derby, Derbyshire, Nottingham and Nottinghamshire
13 Greater Manchester
14 Leeds City Region
15 New Anglia
16 South East
17 Leicester and Leicestershire
18 Heart of the South West
19 The Marches
20 Northamptonshire
21 Worcestershire
22 Coventry and Warwickshire
23 South East Midlands
24 Cumbria
25 York, North Yorkshire and East Riding
26 Dorset
27 Solent
28 Swindon and Wiltshire
29 Coast to Capital
30 Greater Cambridge & Greater Peterborough
31 Cheshire and Warrington
32 Gloucestershire
33 West of England
34 Hertfordshire
35 Enterprise M3
36 Buckinghamshire Thames Valley
37 Oxfordshire
38 London
39 Thames Valley Berkshire

Prosperity and inclusion: change scores between 2010 and 2014

The prosperity and inclusion level scores in 2014 only provide a partial picture as they are based on a single point in time and do not take into account any change in previous years. This means they do not show whether individual LEPs have experienced positive change (i.e. increases in prosperity or inclusion) and narrowed the gap with other areas. The data in this section addresses this by presenting prosperity and inclusion change scores between 2010 and 2014. The scores are based on the percentage change in the nine underlying indicators for each theme over this period. These percentage change figures for each indicator have first been 'normalised' on a scale of 0 to 1, and then aggregated to provide a composite change score. The highest possible change score for each theme is nine (most amount of positive change on all nine indicators) and the lowest zero (least amount of positive change on all nine indicators).

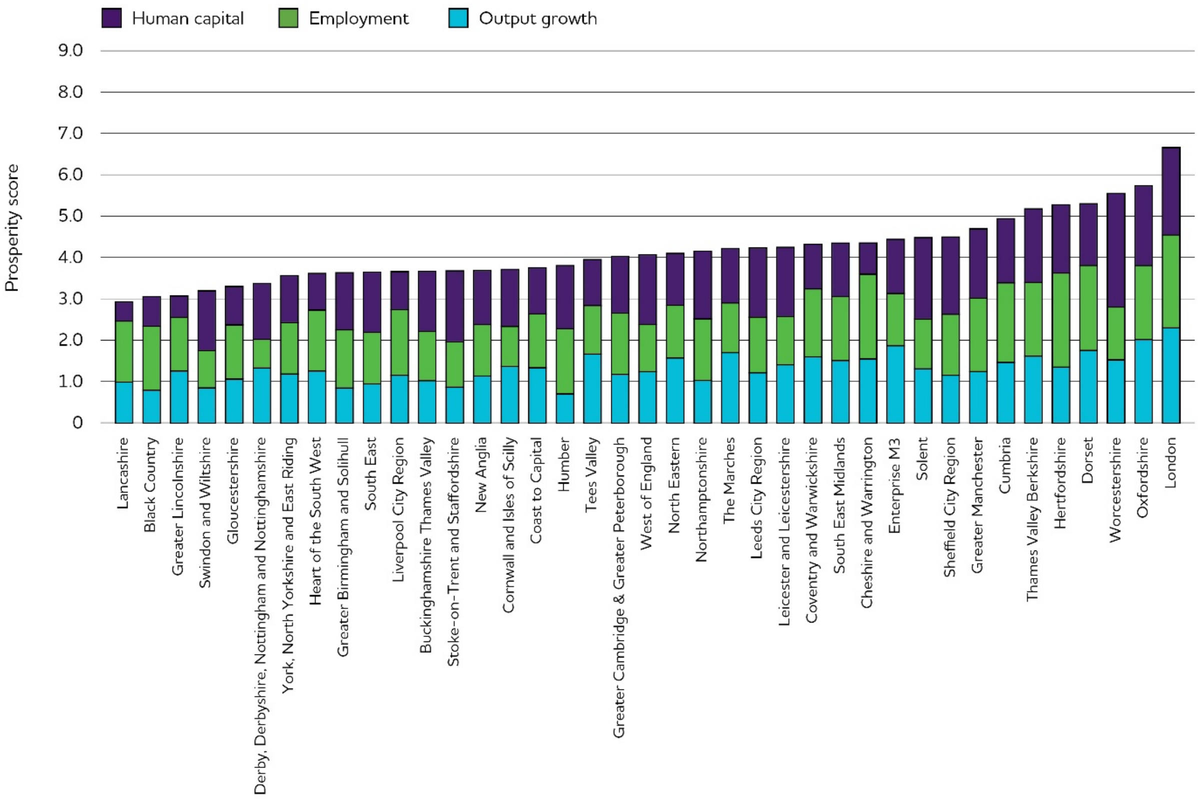
Prosperity

Figure 13 shows the prosperity change scores for all 39 LEP areas. Some LEP areas occupy similar relative positions as their level score. Three of the LEP areas – the Black Country, Greater Lincolnshire and Greater Birmingham and Solihull – in the lowest quartile for level scores are also in the lowest quartile for change scores. This indicates that, in relative terms, these areas have seen less positive change in underlying prosperity indicators between 2010 and 2014 and that prosperity remains muted in 2014.

However, some LEPs in the lowest quartile for prosperity level scores achieve better relative scores for change between 2010 and 2014. For example, North Eastern is in 37th place out of all 39 LEPs in terms of prosperity level scores in 2014 but 19th in terms of prosperity change scores. Two of the LEPs centred around core cities in the north – Greater Manchester and Sheffield City Region – occupy the highest quartile for prosperity change scores despite lower relative placings based on level scores in 2014. This difference suggests that some of the core cities in the north are narrowing the gap relative to other areas in the England, albeit not at a pace to significantly improve their level scores for prosperity. It also shows the north–south distinction that emerges strongly for current level scores is less clearcut for change scores over time.

There is also a slightly more mixed picture in terms of the highest scoring LEPs. London, Thames Valley Berkshire, Hertfordshire and Oxfordshire all fall in the highest quartile for prosperity on both their level score in 2014 and change score between 2010 and 2014. At the same time, Gloucestershire is one of the highest placed LEPs in 2014 in terms of prosperity level scores but in the bottom quartile for change. This shows that the relationship between current prosperity (levels) and growth in prosperity over time (change) can vary across LEPs.

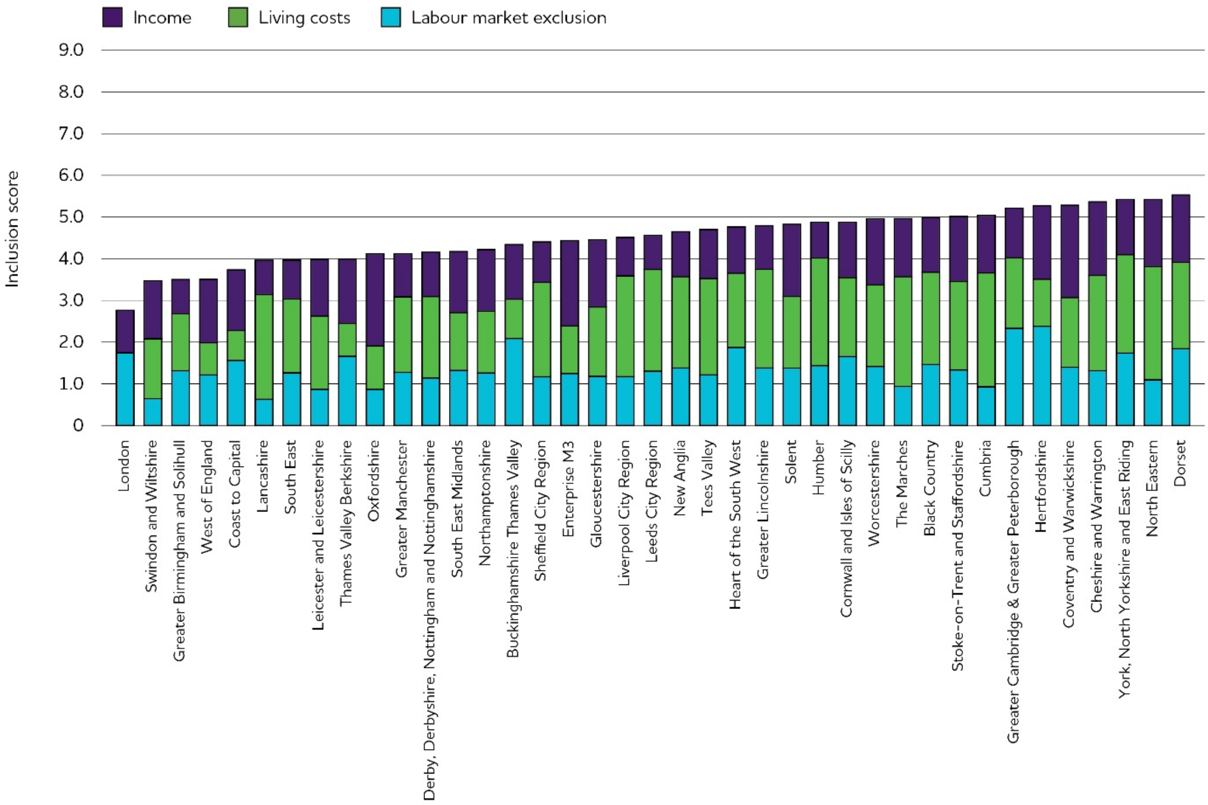
Figure 13: Prosperity scores (change) for all LEPs, 2010–2014



Inclusion

The inclusion change scores between 2010 and 2014 (Figure 14) also reveal a mixed picture. Three of the LEP areas (London, Lancashire and Greater Birmingham and Solihull) in the lowest quartile for inclusion level scores in 2014 also occupy the lowest quartile for change scores. In other words, they perform less well on underlying levels of poverty and disadvantage as represented by the indicators than other LEPs in 2014 and have seen comparatively less positive change in those levels between 2010 and 2014. Once again, the stark disjuncture between prosperity and inclusion in London is apparent. London experienced the highest amount of change in prosperity and the lowest amount of change in inclusion in this period. This challenges assumptions that prosperity and inclusion are automatically correlated.

Figure 14: Inclusion scores (change) for all LEPs, 2010–2014



At the other end of the scale, three LEPs – Cheshire and Warrington, Hertfordshire, and Greater Cambridgeshire and Greater Peterborough – are in the highest quartile for both level and change scores on inclusion. Meanwhile, two LEPs which featured in the top quartile of inclusion level scores in 2014 (Thames Valley Berkshire and Oxfordshire) sit in the lowest quartile for change. However, this may simply indicate limited headroom for improvement in areas where underlying poverty and other forms of disadvantage are already low. Perhaps more significantly, two areas (the Black Country and North Eastern) achieving some of the lowest inclusion level scores in 2014 are in the highest quartile for change scores. Evidently, this degree of change is still not sufficient to move them out of the lowest quartile for inclusion in 2014 but, nonetheless, indicates a positive degree of improvement on inclusion relative to other LEPs.

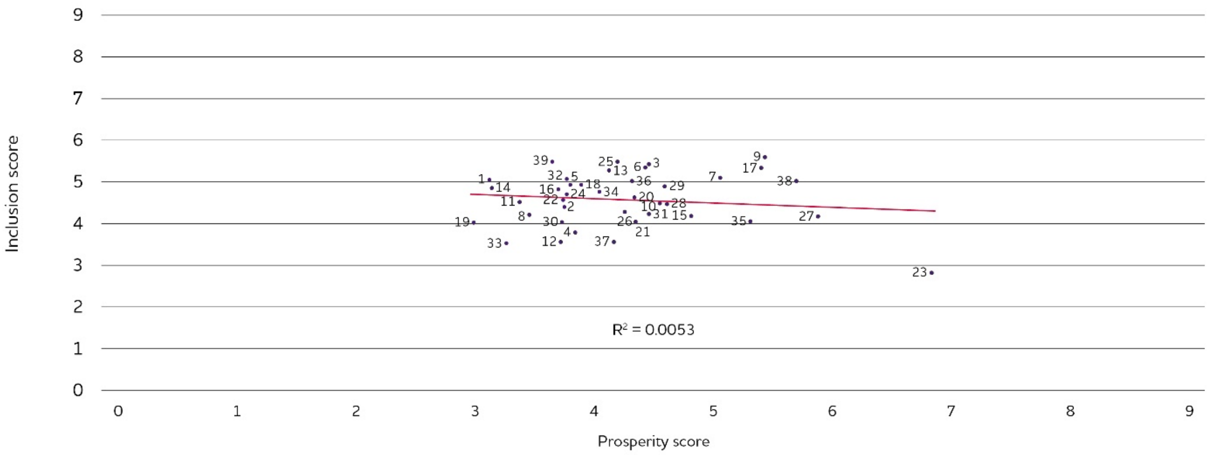
The relationship between prosperity and inclusion (change)

Unlike the level scores, there is little correlation between change scores for prosperity and inclusion. This is shown by the clear lack of 'fit' revealed in the scatter chart in Figure 15 ($R^2 = 0.0053$).

Some LEP areas score reasonably highly on change in prosperity scores but not inclusion (Greater Manchester, Oxfordshire and Thames Valley Berkshire). London's position as an outlier is once again apparent, with the highest change score for prosperity and lowest for inclusion. This appears to confirm that growth in prosperity over time is not necessarily associated with positive changes in poverty and associated disadvantages as measured by underlying inclusion indicators. An increase in prosperity scores without a corresponding increase in inclusion scores might be less of a concern in LEP areas that have low amounts of poverty to start with. It may be more of an issue, however, in areas with high levels of poverty.

Meanwhile, some LEP areas such as the Black Country and Greater Lincolnshire score reasonably highly on change in inclusion but less highly on prosperity. This may indicate that there is still scope to achieve positive change in outcomes around poverty reduction even when economic growth is less strong in relative terms. Some of the policy implications that stem from these findings are discussed in the final concluding section that follows.

Figure 15: Scatter chart showing prosperity and inclusion scores (change) for all 39 LEPs, 2010–14



1	Black Country	13	Greater Cambridge and Greater Peterborough	26	Northamptonshire
2	Buckinghamshire Thames Valley	14	Greater Lincolnshire	27	Oxfordshire
3	Cheshire and Warrington	15	Greater Manchester	28	Sheffield City Region
4	Coast to Capital	16	Heart of the South West	29	Solent
5	Cornwall and Isles of Scilly	17	Hertfordshire	30	South East
6	Coventry and Warwickshire	18	Humber	31	South East Midlands
7	Cumbria	19	Lancashire	32	Stoke-on-Trent and Staffordshire
8	Derby, Derbyshire, Nottingham and Nottinghamshire	20	Leeds City Region	33	Swindon and Wiltshire
9	Dorset	21	Leicester and Leicestershire	34	Tees Valley
10	Enterprise M3	22	Liverpool City Region	35	Thames Valley Berkshire
11	Gloucestershire	23	London	36	The Marches
12	Greater Birmingham and Solihull	24	New Anglia	37	West of England
		25	North Eastern	38	Worcestershire
				39	York, North Yorkshire and East Riding

6 Conclusion

The inclusive growth monitor provides new insights into the relationship between growth and poverty. At the local level, it provides practitioners with a strategic framework to shape the inclusive growth agenda in cities and city regions by identifying strengths and weaknesses across policy areas and, potentially, shape investment decisions. It offers them a means of monitoring performance against inclusive growth objectives and benchmarking outcomes against other areas. The inclusive growth monitor is more flexible and accessible in the way that data can be presented and understood than alternative frameworks. It will be updated annually by a team in the Inclusive Growth Analysis Unit based at the University of Manchester.

The stark geographical differences that emerge when looking at prosperity and inclusion scores in terms of levels in 2014 confirm longstanding concerns about regional spatial imbalances. However, this is not just a simple tale of a north – south divide. Change scores between 2010 and 2014 show that some LEP areas in the north experienced some of the most positive relative movements in underlying inclusion indicators.

This ability to make sense of the relationship between prosperity and inclusion, and how this varies spatially, is all the more important in the current political and economic context. The Conservative government is committed to reducing the public deficit through a package of 'austerity' measures to cut spending. At the same time, devolution of new responsibilities and funding through sub-regional mechanisms such as Local Enterprise Partnerships (LEPs), Growth and Devolution Deals, the introduction of metro-mayors and the current Cities and Devolution Bill all seek to stimulate local economic development. This expectation that growth picks up the slack of lower public spending raises important questions about who benefits from growth.

The analysis presented in this report is intended mainly to illustrate how the inclusive growth monitor is constructed and can be used. Nonetheless, the findings reported hint at broad policy implications for spatial policy. The link between prosperity and inclusion is largely a positive one, at least in terms of current levels. LEP areas with the highest prosperity scores in 2014 also have the highest inclusion scores. This suggests that raising levels of prosperity is an important part of any anti-poverty strategy. However, the more mixed picture shown by change scores indicates that growth in prosperity over time will not *necessarily* translate into higher levels of inclusion. This is clearly shown in the extreme case of London where strong economic growth (as measured by prosperity indicators) has occurred without concurrent reductions in high levels of poverty and disadvantage (as measured by inclusion indicators). While something of an outlier, the sheer size of the capital means it cannot be ignored. Here, policy-makers clearly need to address how the proceeds of growth might be shared more equitably.

At the other end of the scale, some LEP areas have seen a relatively high degree of positive change in poverty (as measured by increases in inclusion scores) but less economic growth (as measured by increases in prosperity scores). This means the limited amount of growth they achieve from a low base is still, in relative terms, associated with positive outcomes around poverty. One implication is that areas that are less buoyant economically still have capacity to make valuable inroads into poverty. A more active strategy to tackle spatial imbalances across and within regions may further strengthen an already positive relationship between poverty and (limited) growth in such areas. At the very least, the data appears to make the case for not just focusing on those areas already experiencing, or best primed for growth, to achieve anti-poverty goals.

It is important to note that the inclusive growth monitor can only reflect on the association between poverty and growth and not the direction of that relationship. The question of whether growth reduces poverty or reducing poverty drives growth is clearly important but not one which can be answered here. More research is needed to address this. What the monitor presented here can contribute, however, is a tool for better understanding how poverty relates to growth in different areas across England.

Notes

1. For an example of how this can be done see Beatty and Fothergill (2013).

2. More details of the OECD's Inclusive Growth in Cities campaign can be found at: www.oecd.org/inclusive-growth/about/inclusive-cities-campaign/#d.en.381962.

3. The Metro Monitor website can be found at www.brookings.edu/research/reports2/2016/01/metro-monitor#V0G10420).

4. Indicators based on benefit claimant rates are susceptible to policy changes to eligibility or tightening of conditionality which can reduce claimant rates without necessarily changing underlying levels of poverty and other forms of material disadvantage. This may impact on some areas more than others, providing a misleadingly positive picture of change. Including survey-based indicators in the labour market exclusion dimension that are less susceptible to policy change serves to mitigate such effects.

5. It should be noted that 2014 data was unavailable for two indicators – fuel poverty and workplace jobs (jobs density) – at the time of publication. The 2014 figure for fuel poverty is omitted in the dashboard here but, where necessary later to create normalised and composite scores, the 2013 figure has been used for 2014 as well. An estimate for the 2014 workplace jobs indicator has been created using a different data source. This is explained fully in a separate technical note available at www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/jrf-inclusive-growth-technical-notes.pdf. Any future updates of the inclusive monitor will incorporate the official statistics where available.

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The Joseph Rowntree Foundation has supported this project as part of its programme of research and innovative development projects, which it hopes will be of value to policy-makers, practitioners and service users. The facts presented and views expressed in this report are, however, those of the author[s] and not necessarily those of JRF.

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Inspiring Social Change

Cities, the social economy and inclusive growth: a practice review

by Ian Vickers, Andrea Westall, Roger Spear, Geraldine Brennan and Stephen Syrett

This research examined the actual and potential roles of the social economy in bringing about inclusive growth that generates more and better jobs in UK cities, particularly for people who are either in or at risk of poverty..

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INSPIRING SOCIAL CHANGE

Cities, the social economy and inclusive growth: a practice review

Ian Vickers, Andrea Westall, Roger Spear, Geraldine Brennan, Stephen Syrett

The social economy constitutes a range of organisations that have a core social mission, different levels of participative and democratic control by members, and use financial surpluses or profits primarily to achieve their social missions. This research examined the actual and potential roles of the social economy in bringing about inclusive growth that generates more and better jobs in UK cities, particularly for people who are either in or at risk of poverty.

The report shows:

- Official sources estimate that the social economy accounts for about 6.5% of European employment. In the UK, however, the contribution to employment is 5.6% which is just below the European average, and comes mostly from the voluntary and community sector (82%). These figures are likely to underestimate the actual extent of the social economy in the UK.
- Relative to comparable countries in Europe, the UK appears to have a strong voluntary and community sector and a growing social enterprise sector, but fewer organisations with alternative governance models, such as co-operatives.
- There are three broad clusters of activity through which inclusive growth is promoted by the social economy:
  - creating jobs, strengthening skills and employability
  - building diversified local economies
  - contributing to wider economic and institutional transformation.
- Successful social economy development often arises from an enabling context, or social economy 'ecosystem'. Such an ecosystem is characterised by the joining up of various elements of support provision and a high level of collaboration, both within the social economy and with the public and private sectors.

June 2017

Contents

Glossary

BAME	Black, Asian and Minority Ethnic
BTR	Below, or under, the radar or informal activities
CIC	Community Interest Company
CIRIEC	International Centre of Research and Information on the Public, Social and Cooperative Economy
CEP-CMAF	European Standing Conference Co-operatives, Mutual Societies, Associations and Foundations
GDP	Gross Domestic Product
GSEF	Global Social Economy Forum
GSEN	Glasgow Social Enterprise Network
GVA	Gross Value Added
ILO	International Labour Organization
LETS	Local ExchangeTrading Scheme
OECD	Organisation for Economic Co-operation and Development
RSA	Royal Society for the encouragement of Arts, Manufactures and Commerce
SEUK	Social Enterprise UK
SSE	Social and Solidarity Economy
SEO	Social Economy Organisations
UN	United Nations
UNRISD	United Nations Research Institute for Social Development
VCS	Voluntary and community sector organisations also known as community and voluntary organisations (CVOs) in some places

Executive summary

This report explores the actual and potential roles of the social economy in bringing about inclusive growth that generates more and better jobs in cities, particularly for people who are either in or at risk of poverty. We provide recommendations for how city policy-makers and social economy organisations (SEOs) can develop the kinds of support and enabling environment needed to further develop the impact and potential of SEOs and encourage new start-up activity.

What is the social economy and why is it relevant to inclusive growth?

We take a broad view of the social economy to include a range of organisations that have a core social mission, different levels of participative and democratic control by members, and use any financial surpluses or profits primarily to achieve their social and environmental missions. This includes the following overlapping categories of organisation:

- social and community enterprise
- voluntary and community sector organisations (including charities)
- housing associations
- co-operatives and mutuals
- informal self-help initiatives
- social finance and support providers
- alternative business models, such as multi-stakeholder companies with social or environmental missions.

The concept of the social economy emphasises the principles of how people relate to each other – through reciprocity and solidarity – and meet their needs through co-operation. It also provides a set of models for how economies might be differently understood or structured, to improve people's quality of life. It is therefore a useful lens to consider how different types of SEOs can contribute to more inclusive growth within UK cities.

This approach widens understanding of how different business and organisational models can help create a more responsible, equal and inclusive economy, and innovate new economic approaches. It also means going beyond seeing SEOs as filling in the gaps which are not being addressed by the market or the public sector.

The relative size of the UK social economy

The best comparable data on the social economy estimates that it accounts for about 6.5% of European employment. In some countries, such as Sweden, Belgium, Italy, France and the Netherlands, the social economy accounts for between 9% and 11.2%. In the UK, however, the contribution to employment is 5.6% which is just below the European average, and comes mostly from the voluntary and community sector (VCS) (82%). This data is likely to underestimate the true size of the social economy since it misses out, for example, community interest companies in the UK, as well as alternative business models such as employee-ownership and multi-stakeholder companies.

Relative to comparable countries in Europe, the UK appears to have a strong voluntary and community sector and a growing social enterprise sector, but fewer organisations with alternative governance models, such as co-operatives or employee-owned businesses.

How does the social economy help create more inclusive growth?

Our review of the international literature suggests three broad clusters of activity in which the social economy, as a whole or in certain parts, has been shown to promote inclusive growth:

- Creating jobs, strengthening skills and employability:
  - providing employability support services and/or direct job creation for the most disadvantaged in the workforce
  - creating 'decent jobs' within SEOs – with fair pay, good working conditions, and inclusive employment practices
  - developing other employment related support – such as the provision of affordable childcare, housing, or transport.
- Building diversified local economies:
  - contributing to entrepreneurship and innovation – introducing new services and alternative business models which contribute to emerging markets, sectors and sustainable development
  - brokering economic opportunities – including with private and public sector actors and enabling local people to take part in economic decision-making
  - building social capital and contributing to community wellbeing – through volunteering and related local activity
  - stimulating local consumption – supporting the retention and circulation of money within local economies.
- Contributing to wider economic and institutional transformation:
  - supporting the creation of a more resilient economy with increased job security; there is strong evidence, for example, that co-operatives maintained jobs and output to a much greater extent than mainstream businesses during and after the 2008/9 recession
  - influencing how all businesses could or should work as part of a more responsible and inclusive economy
  - promoting the wider uptake of 'values-led' innovation – influencing policy agendas and supportive institutional/regulatory change at national as well as city region levels.

SEOs face challenges too. Some, particularly in certain sectors or local areas, may struggle to provide decent pay, good promotion prospects and secure employment. There is also sometimes a need for more attention to be paid to diversity and inclusion, particularly within some of the newer forms of social entrepreneurship.

How can cities maximise the potential of the social economy?

The devolution of economic and social policy to cities opens up new opportunities for the social economy. Although it is currently difficult to determine its scope and size at city and city region levels, our UK case studies and city roundtables found many positive examples of contributions to inclusive growth, and clear indications of unrealised potential.

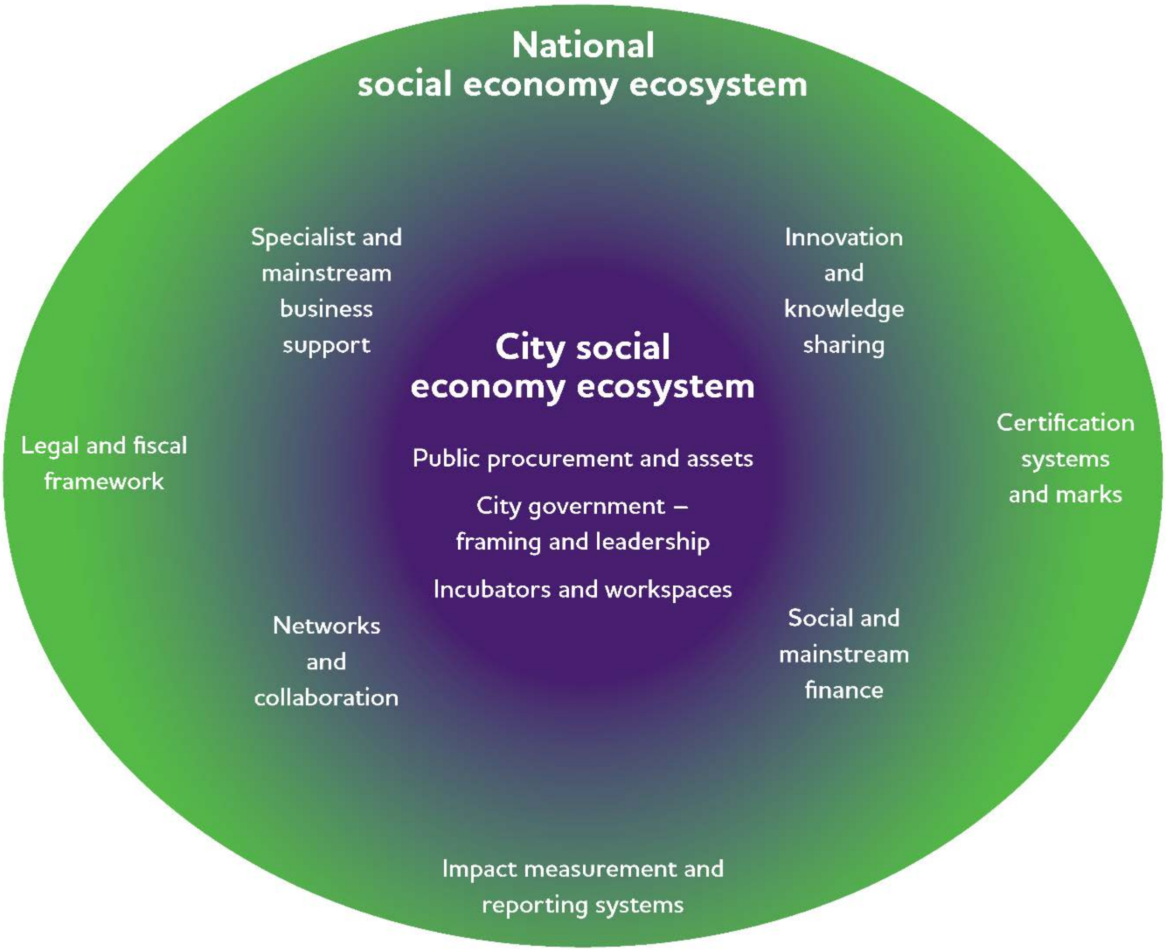
Previous UK approaches have focused on helping individual SEOs, through support for skills, finance, or access to appropriate legal models. The review of international practice shows that successful social economy development often arises from an enabling context, or social economy 'ecosystem'. Such an ecosystem is characterised by the joining up of various elements of support provision and a high level of collaboration between various actors, both within the social economy and with the public and private sectors. Core elements include:

- Framing, leadership and governance – how the social economy is understood and legitimised, is incorporated into government legislation and policy, and championed by influential actors such as mayors.
- Networks and collaboration – includes links between SEOs and also relationships between SEOs and private and public sector organisations. Horizontal networks and links can increase innovation, relevance and impact and vertical ones link local, regional and national social economy actors.

- Innovation and knowledge sharing – addresses complex problems by joining up the understanding and ideas of different actors, including through engagement with universities and other research organisations.
- Public procurement – from public and private sectors strengthens capacity and contributes directly to inclusive economic development.
- Infrastructure – provides business support, finance and premises.

The ecosystem approach focuses on mutually reinforcing the links between support mechanisms, policy networks, institutions, and collaborations. These city ecosystems are also part of national ecosystems which – depending on how well they function – can both enable and constrain city level activity.

Figure 1: Elements of the city social economy ecosystem



Our UK analysis of current policy and practice identified areas where UK cities appear to lag behind some of the international city cases, alongside examples of good practice and future potential.

- Framing, leadership and governance – less understanding, championing and mainstreaming by city governments of the potential of the social economy to contribute to inclusive growth. It seems particularly difficult for SEOs to influence economic development strategy or delivery bodies.
- Networks and collaboration – relatively less collaborative activity within and outside the social economy, but a recognition that this is the desired way forward.
- Innovation and knowledge sharing – some good examples of innovation and knowledge sharing, but with potential to do more and adapt international examples for local contexts. For instance, Regather is a trading co-operative in Sheffield owned and managed by local people. Since 2010 it

has created a supportive context for social enterprise start-up and development, and more recently used Community Economic Development grant funding to catalyse urban agriculture across the city, linking with university expertise.
- Procurement – challenges experienced by SEOs in accessing public and private procurement opportunities, including issues related to early awareness of available contracts and opportunities, as well as constraints caused by their relatively small size and capacity.
- Infrastructure provision – access to business support and finance in the UK appears to be relatively more fragmented, and there could be further development of different incubator models drawing on international good practice.

Some of the limitations identified may, in part, be due to the centralised nature of UK political decision-making relative to other international city contexts, as well as fragmentation and lack of collaboration within the social economy. The increasing focus on city deals and changing governance arrangements, however, creates opportunities for more mainstream engagement and collaboration at city level.

Practitioners consulted felt that a better understanding of the social economy concept might enable them to better articulate their economic role and potential, work together, and access and collaborate with city governments and the private sector.

Participants in the roundtables believed that:

- *The social economy is not just about market failure*. Some people identified the danger of the social economy being marginalised into a 'market failure' box and not seen as an integral part of the wider economy.
- *There is a need to avoid separation between 'social' and 'mainstream' enterprises* – there was agreement across all three events that there was often significant overlap of interest, particularly with smaller companies, or with the shared values of some larger 'responsible businesses'.
- *Fragmentation needs to be overcome within the social economy* – some participants felt that a lack of a shared agenda or values within the social economy was inhibiting further co-operation.
- *There is a need for a representative social economy grouping at city level to provide critical mass and clear voice* to better articulate the relevance of the social economy within mainstream economic debates and activities.

Recommendations for developing the social economy

Cities can better engage the social economy as part of strategies and actions to create inclusive growth in the following ways:

Mapping the social economy and its ecosystems

- The social economy and city governments should work together to map the diversity of social economy activity, and better understand and quantify how different social economy actors contribute to inclusive growth – including less formal economic and community activity – within their city regions.
- This mapping could also include the ecosystem of current support, network interactions, and intermediaries, to better identify and fill gaps.
- SEOs themselves need to consider, understand and evidence how and whether they create decent jobs, contribute to thriving local economies, and have impacts on inclusive growth.

Framing, leadership and governance

- Different SEOs should consider creating a social economy forum at city/city region level to better pool resources, and create more opportunities for learning and collaboration. This would provide a basis for more coherent interaction with government and other key actors, including those from the private sector and universities.

- City governments need to recognise and champion social economy involvement as a key part of creating fairer and inclusive city economies within their key strategic economic plans and related policies.
- City economic development departments and local economic strategy bodies (such as LEPs or city deals) should incorporate social economy representatives within boards and decision-making groups.

Networks and collaboration

- SEO representatives and business intermediaries could lead in encouraging cross-sector collaborations and networks for knowledge-sharing and action around priority challenges, such as childcare. Collaborations could include business, government, universities and trade unions.
- City governments could support local community anchor SEOs – such as housing associations or community businesses – to catalyse collaboration across the social economy, and private and public sectors, to improve jobs and enterprise in deprived local areas.
- Social economy intermediaries within and across cities could exchange good practice and ideas to increase their impact and share resources. This might include the use of technology, collaborative economy approaches, or larger established SEOs supporting smaller SEOs and start-ups.

Innovation and knowledge sharing

- International case studies suggest that SEOs should explore a range of innovative models to encourage innovation. Examples include creating virtual incubators which support start-ups through collaboration and advice; links with academic research networks; specific institutions which focus on creating innovative solutions to inclusive growth; and the promotion of learning across cities.
- Where these relationships do not currently exist, SEOs should consider working more closely with local universities and other sources of relevant knowledge. Local universities can also use their position as anchor organisations to encourage and support SEOs through their procurement activity.

Procurement and public assets

- Public procurement opportunities could further enable the engagement of added-value SEO delivery. This would include more pre-contract strategic engagement and greater understanding of the multiple impacts of SEOs so they can better contribute to and benefit from the Public Services (Social Value) Act 2012. Public service commissioners can secure wider social and economic benefits by talking to their local providers and communities to design better services and find innovative solutions to difficult problems.
- City governments could also learn from international examples of the strategic use of public procurement to develop new SEOs and support local economies, particularly in localities with few decent jobs.
- Procurement opportunities arising from city deal investments do not seem to be engaging SEOs. City authorities should consider reviewing community benefit policy and implementation of the Social Value Act to enable SEOs to have increased access.
- Consideration also needs to be given to the creation of more platforms and mechanisms to enable SEOs to be part of private sector and SEO supply chains.
- City governments should adopt a more strategic approach to the use and ownership of their physical assets. They should involve the social economy, private sector and finance providers working together to maximise the scale and range of impacts that can be created.

Social economy infrastructure – business support, finance and premises

- Social economy representatives should map available financial and business support to identify gaps, enable improved access, and encourage more collaborative activities (such as peer-to-peer learning networks across the social economy).

- International case studies show the importance of incubators for the development of SEO start-ups. Existing SEO incubator models in the UK could learn from good practice internationally, for example from those that create distributed models of networked incubation, or those with a specific focus such as the creative industries.
- We suggest that city authorities, the private sector and social economy actors work together to find ways to identify and enable access to appropriate premises at affordable rates, or create bespoke workspaces.

1 Introduction

This report analyses the actual and potential roles of the social economy in generating more and better jobs in cities, particularly for people who are either in, or at risk of, poverty. It also examines the kinds of support and enabling environment that permits social economy organisations (SEOs) to realise their positive impacts and potential within cities, as well as to encourage new forms of social economy activity in the UK.

This section introduces the concept of inclusive growth and how it has entered recent policy debates, and defines what is meant by the 'social economy' and its diverse organisational forms. The role of cities in relation to inclusive growth and the social economy is introduced and the approach used in this policy and practice review is set out.

What is inclusive growth?

There has been growing concern that people and geographical areas experiencing high concentrations of poverty are failing to benefit from increases in economic activity due to their inability to access employment opportunities, good quality and well-remunerated jobs or to experience the wider benefits of economic growth. As a result there has been rising interest in 'inclusive growth', a concept defined by the Organisation for Economic Co-operation and Development (OECD) as 'economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society'.[1]

Economic growth focused within particular economic sectors does not necessarily create benefits for those currently without jobs or who are poorly paid. Accessibility and pay levels, and the extent of mobility between sectors, are dependent upon the *kind of growth* – whether in productivity or employment – which varies from sector to sector (Hull, 2009). Furthermore, the kinds of jobs being created requires attention, with concerns around the growing numbers of people in low-paid, insecure and 'precarious' employment (Standing, 2011), as does 'jobless growth' arising from increasing automation and digitisation.

The increasing focus on fairness and inclusivity in the distribution of earnings and wealth is informed by analysis that markets, left to themselves, do not work well and often don't deliver 'trickle down' benefits to all (Piketty, 2014). The situation is seen as both morally inequitable and a constraint on further growth (Cingano, 2014; Wilkinson and Pickett, 2009).

Such considerations cannot be separated from the questioning of economic orthodoxy by the sustainability agenda and increased receptivity to new approaches which seek to build the capabilities of people and communities to realise their potential and flourish in the long term, within finite resource and ecological constraints (Jackson, 2017). The United Nations Sustainable Development Goals[2], for example, stress the interrelationships between economic, social and environmental concerns. Moreover, there are questions relating to the adequacy of established measures of growth, ie in terms of gross domestic product (GDP) or gross value added (GVA) which are used to determine economic performance or the value of goods and services.[3]

Social economy and inclusive growth: an evolving international agenda

The OECD is one of the main international bodies seeking to understand and find solutions to the challenge of inclusive growth. In Inequality and Inclusive Growth (OECD, 2015) it argues that certain growth-enhancing policies may increase inequality, such as those focused on technological change that raise the wages of higher-skilled workers relative to those in other sectors (Braconier et al, 2014).

Some of the main policy suggestions in this and other OECD reports such as All on Board: Making Inclusive Growth Happen (2014) centre around labour market regulation, an appropriate fiscal system, bargaining power for workers, skills development throughout life, as well as removing barriers to labour force participation, and strengthening active labour market policy (OECD, 2014; 2015). Similarly the G20 Job Quality Framework (ILO, OECD, IMF and the World Bank, 2012) has begun to address strategies for earnings level and distribution, labour market security and the quality of the work environment.

Central to addressing the challenges that arise from the pursuit of an inclusive growth agenda has been a burgeoning interest internationally in the 'social economy'. Since the financial crisis of 2007/8, the European Commission and European Parliament has recognised the social economy as a key enabler of continued growth, job creation, stability and recovery from recession. The comprehensive report by the OECD on building inclusive economies (OECD, 2007) also highlighted the wider role of the social economy, particularly in helping people to access employment and entrepreneurship opportunities.

The International Labour Organisation (ILO) has highlighted the importance of the wider concept of the social and solidarity economy in job creation, work stability and decent work conditions (ILO, 2011). And in 2012, the United Nations Research Institute for Social Development (UNRISD) recognised this broader concept of the social and solidarity economy (SSE) as being a 'full agent of inclusive and fair economic growth, while also fostering social cohesion'. A 2014 position paper by the United Nations Inter-Agency Task Force on Social and Solidarity Economy (TFSSE, 2014) argues that this broader concept has considerable potential, particularly in the area of providing decent and inclusive work opportunities and local economic development. However, as the same publication notes, the evidence base for the roles of the SSE in inclusive growth is underdeveloped.

What is the social economy?

The term 'social economy' originated in France to reflect a different way of thinking about and creating economies, with a primary focus on people coming together to meet their needs in a more participatory way. This approach has informed the wider European approach to the social economy and how it is understood and measured (Bridge et al, 2009, Ch. 4).

Organisationally, the social economy has been historically viewed as consisting of co-operatives, mutuals, associations, and foundations (CMAF), all of which adhere to a set of shared principles. The latest set of uniting principles is reflected in the Charter of Principles of the Social Economy promoted by the European Standing Conference of Co-operatives, Mutual Societies, Associations, and Foundations (CEP-CMAF).[4]

CEP–CMAF charter of principles of the social economy

- The primacy of the individual and the social objective over capital.
- Voluntary and open membership.
- Democratic control by the membership (does not concern foundations as they have no members).
- The combination of the interests of members/users and/or the general interest.
- The defence and application of the principle of solidarity and responsibility.
- Autonomous management and independence from public authorities.
- Most of the surpluses are used in pursuit of sustainable development objectives, services of interest to members, or the general interest.

These principles, and the idea of the social economy, also now includes 'social enterprise' to reflect the recent growth of new organisation models.[5] As Bouchard and Rousselière (2015) note: 'Over the last decade, the growing number of references to the notions of "social enterprise", "social entrepreneur" and "social business" has generated new questionings about the identity of the social economy and the foundations on which it is built.'

SEUK (Social Enterprise UK): 'Social enterprises trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community.'[6]

These debates about the understanding and scope of the social economy continue to evolve in different national contexts as hybrid organisational models are continually emerging which blur the line between co-operatives, mutuals, social enterprise and 'mainstream' businesses (Bouchard and Rousselière, 2015; CIRIEC, 2007).

Internationally, the term 'social and solidarity economy' is also becoming more widely adopted to recognise the collaborations between people, both formal and informal, which often arise in response to difficult economic circumstances. These actions are based on reciprocity and are often part of a social movement pushing for economic reform. Particularly used in Latin America, as well as, with slightly different connotations, France, this approach has continued to develop resonance within Europe, particularly in countries such as Spain and Greece in response to austerity and failing economies (CIRIEC, 2012; Gaiger et al, 2015; Nardi, 2013). Important here are less formal 'below the radar' activities which can be associated with the idea of social solidarity, ie micro or small voluntary organisations, community groups, refugee and migrant groups or organisations which have informal or semi-formal activities (McCabe et al, 2010).

The social economy concept therefore covers a wide spread of activity that is not primarily aimed at maximising profit for shareholders and investors, but rather has social, economic, and/or environmental missions, which might relate to forms of ownership or governance, underlying principles or values, or the outcomes pursued. As well as encompassing a diverse range of organisations, it also includes networks, and wider approaches to economic activity, often localised (Bridge et al, 2009).

In the UK context, there is a need to translate the idea of the social economy into useful and recognisable categories of activities and organisations which are relevant to tackling inclusive growth. Historically, emphasis has been placed on the third sector, charities, and, more recently, social enterprise. However, the social economy overlaps with, but is distinct from, the third sector, warranting further exploration of these differences. For example, the origins and primary concerns of social economy organisations (SEOs) are on the distribution of, access to, and decision-making over, inclusive economic activity and decent employment, which is particularly pertinent in times of economic challenges for individuals and places. In contrast to SEOs, the voluntary and community sector (including charities) is not all necessarily part of the social economy, since it may focus primarily on advocacy, for example for special interest groups.

For the purposes of this report – and given the evolving nature of the UK social economy and our focus on organisations and companies which are relevant to addressing inclusive growth challenges – we take a wide perspective of the social economy as including:

- social and community enterprise – which overlaps with the voluntary and community sector as well as with co-operatives and mutuals
- voluntary and community sector (including charities) – reflecting those organisations referred to as associations at European level
- housing associations – often seen as social enterprises but which can also be a distinct form
- co-operatives and mutuals – including employee ownership models, as well as some larger scale organisations such as building societies
- informal self-help initiatives – reflecting 'below the radar' and solidarity activity
- social finance and support providers – organisations that provide finance and support to the social economy, akin to foundations which are essentially for public benefit
- alternative business models – which overlap with mainstream businesses such as multi-stakeholder companies with social or environmental missions.

Other related organisations, which are increasingly independent but sometimes quasi-public, include universities and particularly foundation hospitals which incorporate stakeholder governance. These are relevant to this agenda given their role as key institutions within the local economies and, alongside housing associations and larger community businesses, can be seen as important 'community anchor' organisations.[7]

The broad view of the social economy adopted here is also reflected in Scotland, where the recent approach to addressing inclusive growth seeks to encourage 'responsible business' alongside social enterprise, voluntary and community sector organisations (VCS) and co-operatives.[8] The concept of what the social economy means for the city region is also starting to be explored within UK cities, as in the case of Liverpool, through its social economy panel (see Section 5). Moreover, the UK government has been exploring the idea of mission-led business[9] which, like hybrid business models, blurs the boundary between mainstream and social economy activity.

From this perspective, the social economy can be considered as a set of organisations; a set of inspirational values and principles, such as democracy, or increased equality, which emphasise giving priority to people and communities over profit; as well as a rallying call for change bringing stakeholders together. The social economy can, however, disappoint when it fails to square the economic and social circle; when, for example, established co-operatives drift away from their original values, or when young values-led SEOs struggle economically. Yet there is a middle ground too of good economic and social performance by the social economy within inclusive city growth, and it is this, and the factors that support it, which is the focus of this review.

Cities, inclusive growth and the social economy

While cities are increasingly seen as the predominant drivers of economic growth within countries, there is also evidence that there can be relatively higher levels of inequality within cities, and that higher levels of inequality are associated with larger city size (OECD, 2016). A study for JRF, focusing on the UK, found no clear relationship between levels of growth of a city region and levels of inclusion (Beatty et al, 2016)[10]. Moreover, persistent deprivation in cities is due to varying causes – relative skill levels, location and inaccessibility of certain jobs (Beatty et al, 2016). These findings reinforce the arguments for cities to reconsider their economic development plans in light of the role and potential of the social economy in creating inclusive growth.

Evidence suggests this is already occurring internationally. For example, the creation of the Global Social Economy Forum (GSEF) in 2013 launched a major international network that 'brings together local governments and civil society stakeholders committed to supporting the development of the social and solidarity economy (SSE) to stimulate the creation of quality jobs, equitable growth, and the advancement of participatory democracy and sustainable development'. Its 2016 conference in Montreal, Canada, focused specifically on the development of cities, and brought together mayors from around the world.

This emerging discourse is also apparent in the UK. The initial report of the RSA's Inclusive Growth Commission, Inclusive Growth for People and Places, concluded that a 'place-based policy' could create accessible jobs and entrepreneurship as a counter-balance to the tendency of city economic strategy to focus on 'agglomeration' in high growth, high value-added sectors (RSA, 2016). Part of this analysis included recognition of the role of community anchors, as well as of SEOs more widely: 'Strengthening the social economy (for example, social enterprises) can support inclusive growth, because these types of organisations tend to be rooted in local areas, create local jobs and businesses and promote community-led economic development that directly benefits local areas, especially those that are deprived.'

Our approach to this policy and practice review

This report draws on the experiences of UK and international cities and city regions, coupled with an in-depth focus on how three cities within the UK are considering their future development in this area, to examine the actual and potential role of the social economy in inclusive growth and employment creation.

Our research followed the 2016 EU referendum which was in part driven by, and drew attention to, inequalities between people and places in the UK (Goodwin and Heath, 2016). How this challenge will be met across the UK remains unclear, particularly given the uncertainties related to the ongoing restructuring of economic governance – which has oscillated between regional and local systems since the war (Pike et al, 2015) – and which has now shifted towards city regions and an emphasis on the local growth agenda.

While the social economy in the UK has previously been recognised as part of strategies to increase employment and help regenerate disadvantaged areas, it is timely to reconsider its roles and potential within these changing circumstances, particularly the opportunities opened up by devolution. However, this is taking place against a difficult background of public sector financial austerity (eg Fuller, 2016; Lee and Sissons, 2016) which impacts on many organisations within the social economy.

The research was approached in three ways.

First, through a review of the available literature on the social economy, employment creation, job quality, and city governance, which synthesised key findings from academic, policy and practice sources. From this work, we identified 24 cities, 10 in the UK and 14 internationally, which provided diverse examples of the role of the social economy and transformational approaches that have been enabled by supportive city policies and strategies.

Second, we explored these city examples to clarify the role of context, and identify relevant insights and any transferable lessons.

Third, we held three roundtables in Cardiff, Glasgow and Sheffield, which brought together SEOs, city government officials, and other stakeholders, such as local business representatives and universities. These events were designed to enable participants to draw on emerging findings from our research, consider the situation in their own cities and city regions, and identify and co-create some practical routes forward. From this we obtained valuable insights into local and national policy contexts, and how this shapes what is possible. These insights have informed the identification of recommendations for cities to develop their own related strategies.

Section 2 sets out some of the actual and potential roles of the social economy with respect to inclusive growth, and then examines what we know about these different impacts, drawing on international literature as well as UK data and examples.

Section 3 outlines the perceived barriers and enablers of the social economy and the policy and support measures that have been introduced or advocated, to address the barriers experienced.

Section 4 presents key insights from a review of how the social economy has been developed in 12 international cities.

Section 5 presents the comparative findings from reviewing governance and economic development approaches and the social economy in 10 UK cities, which are integrated with findings from the policy and practice roundtables held in Cardiff, Glasgow and Sheffield.

Section 6 concludes the report and makes recommendations for those involved in city governance and other key actors wishing to promote and support the contribution of the social economy towards inclusive growth.

2 Social economy and inclusive growth: review of the evidence base

Introduction

Establishing what is currently known about the actual and potential contributions of the social economy to inclusive growth requires careful examination of the existing evidence base. In a context in which governments, the private sector and civil society are struggling to address the needs of the world's poor, novel social economy models and approaches have demonstrated potential to enhance human capabilities and entrepreneurial potential while reducing the sense of dependency associated with charity handouts and aid (Fotheringham and Saunders, 2014; Wongtschowski, 2015). While there is much positive evidence of impact, questions remain regarding the extent to which different SEOs provide accessible jobs; the security and income levels of certain kinds of employment; the scale and scope of the social economy in different regional contexts and its ability to promote place based economic development (Buckingham and Teasdale, 2013; OECD, 2013).

We begin this section by setting out the relationship of the social economy to inclusive growth. Drawing on the UK and international literature, we then critically review the evidence on what is known about the contributions of different types of SEOs. From this review, we identify three main clusters of relevant social economy activity and influence. We then summarise the available statistical evidence on the scale, scope and geographical distribution of different kinds of SEOs in Europe and then the UK. Finally, we examine the relationship between the different roles and clusters of social economy activity and the mainstream economy.

The social economy and its relation to inclusive growth

The social economy is extremely diverse, and how it is conceptualised, segmented and measured varies across countries. We take a broad view of the social economy to include social enterprises, co-operatives, mutuals, associations, foundations, and informal or 'below the radar' activities. We also include some of the new hybrid business models occurring where the social economy overlaps with mainstream business.

The review of the international and UK research allows identification of three broad areas of activity where there is evidence of the social economy, sometimes as a whole and sometimes in specific parts, contributing to inclusive growth. These three clusters of activity, as shown in Box 1, overlap to some extent and are not mutually exclusive.

Box 1: Social economy contributions to inclusive growth

Creating jobs, strengthening skills and employability:

- providing employability support services and/or direct job creation for the most disadvantaged in the workforce
- creating 'decent' jobs' within SEOs – with fair pay, good working conditions, participation in decision-making, and enhancing diversity through inclusive employment practices
- other employment related support – such as provision of affordable childcare, housing, or transport, enabling people to get by on less income
- building diversified local economies.[11]

Contributing to entrepreneurship and innovation – introducing new services and alternative business models which contribute to new markets and emerging sectors:

- brokering economic opportunities – including with private and public sector actors and enabling local people to participate in economic decision-making
- building social capital and contributing to community wellbeing – through volunteering and related local activity
- stimulating local consumption – supporting the retention and circulation of money within local economies.

Contributing to wider economic and institutional transformation:

- supporting the creation of a more resilient economy with increased job security
- influencing how all businesses could or should work as part of a more responsible and inclusive economy
- promoting the wider uptake of values-led innovation – influencing policy agendas and supportive institutional/regulatory change at national as well as city region levels.

These clusters of social economy activity capture the varied ways in which different types of SEO contribute to both economic and social inclusion, avoiding the discussion becoming dominated by a narrowly conceived economic dimension (Fotheringham and Saunders, 2014; Teasdale, 2010). All the clusters of activities contribute, in different ways, to growing both employment and the skills and confidence needed by people to access employment opportunities. Yet the role of the social economy in inclusive growth is not merely about filling in gaps that the mainstream economy and public sector are unable to address. Rather, it recognises how different organisations and businesses contribute to creating a more responsible and equal economy, as well as catalysing and innovating new economic models.

Given that the social economy is only just beginning to be examined through the lens of inclusive growth, and also the partial and fragmented nature of the available evidence, it is difficult to definitively set out all of the actual and potential impacts of different organisations and their activities. For example, in some instances there has only been analysis of 'social enterprise' while in others, particularly with respect to economic factors such as productivity, evidence is only available for co-operatives and employee-owned businesses. Therefore, what is put forward in this section is illustrative of an emergent evidence base.

Creating jobs, strengthening skills and employability

Providing employability support and/or direct job creation

The contribution of SEOs to strengthening skills and employability and creating decent jobs has been a particular focus of research in the UK and across Europe. There has long been a tradition in the UK of social/community sector involvement in creating employment and training opportunities or matching people to mainstream jobs, often targeted at disadvantaged or marginalised groups (eg women, ethnic minorities, the disabled, long-term unemployed, young) and providing contracted employment services (Taylor et al, 2016a; Taylor et al, 2016b).

One of the best-known types of SEOs with this focus are work integration social enterprises (WISEs), which are also referred to in the UK as social firms. WISEs operate in a variety of economic sectors, often combining training and the development of skills, while trading in the market with a social dimension. They specifically focus on creating work opportunities and increased employability for people such as ex-offenders, the long-term unemployed, or those who are mentally or physically disabled.

Based on an examination of evidence from across Europe, including the UK, Spear and Bidet's (2005) and Defourny and Nyssens' (2010) findings suggest that WISEs are improvements on conventional employment schemes due to their tighter links between good training and employment opportunities. Furthermore, this approach is important in trying to avoid a 'degenerative cycle of unemployment–training scheme–temporary work–unemployment' (Spear and Bidet, 2005, pp 200). In addition, WISEs also enable the creation of more relational support, 'providing resources of access, mutual help (social capital), and "getting together"' (Spear and Bidet, 2005, pp 201). Moreover, WISEs aim to be more embedded in local communities through using multi-stakeholder boards, and often local volunteers, and engage beneficiaries better through more participative work arrangements.

While some WISEs provide permanent jobs, most provide temporary training and employment experience, together with support for beneficiaries to access the mainstream economy. However, there are ongoing issues in relation to sustaining and promoting the good models and practices involved, particularly given their lack of resources and fragmented support structures (Spear and Bidet, 2005). Such issues include the complexity of managing diverse funding sources to avoid dependence on a single source (eg government programmes); how to manage risk; regulatory constraints and perverse incentives or lack of incentives to perform effectively; charges of 'unfair competition' from the SME sector and other issues that can arise when contracting with social clauses and making use of volunteers (Spear and Bidet, 2005). See Nyssens (2006) for a more in depth review.

Several recent studies address the contribution of WISEs that provide employment support to help people with various forms of disability (eg Buhariwala et al, 2015; Hall and Wilton, 2011; Katz, 2014; Vickers et al, 2016). This literature draws mainly on qualitative evidence, such as case studies and key informant interviews, to capture how organisations can realise their potential by changing the organisational context of work, and go beyond the mainstream focus on enhancing employability (Hall and Wilton, 2011).

Looking specifically at mental disability, Buhariwala et al (2016), examine the potential of social enterprises as 'alternative spaces' of employment drawing on experiences of 21 social enterprises across Ontario, Canada. They found that most organisations in the study offered permanent rather than transitional placements. These jobs were mostly part time, reflecting the need for flexibility, as well as the need to create as many job opportunities as possible. They concur with previous studies, that social enterprises have the capacity to create enabling workplaces which positively differ from many mainstream work environments. These studies illustrate that social enterprises recognise the importance of providing flexibility, job security – especially when people required short term absences – and support beyond work, for example, with housing, transport, or welfare benefits.

Creating 'decent' jobs

The role of the social economy in helping to create decent jobs, with good pay, prospects, security and job satisfaction, has been promoted by the ILO (2011) and EU (for example, European Parliament Social Economy Intergroup, 2016). The available evidence supports the view that SEOs across the board tend to provide relatively better job satisfaction than comparable mainstream business models (Comeau, 2013; Matrix Evidence, 2010; Borzaga and Tortia, 2006; Cooney, 2011). However, pay and conditions vary considerably among different kinds of SEOs.

Those SEOs located in poorer areas and primarily addressing local needs tend to have below market wages, while those in more mainstream sectors and some public sector markets offer similar wages. SEOs with certain kinds of business models, such as employee-owned businesses, often operating in skilled sectors, (eg Desjardins in Canada, John Lewis in the UK, Mondragon in Italy) may pay more.

Comeau (2013) argues that four key factors impact employment relations: territory differences – rural, urban, central/peripheral etc; area of activity – eg home care, child care services with female employment versus financial services; organisation size – employees, financial resources; and internal/external regulation – the legislative framework related to the organisational form.

Disaggregating the social economy into different sub-segments illustrates these different performances. Community development organisations, for example, tend to be in poor areas and undertake low value-added activities, often without strong regulation or trade union pressure. These often have below average wages and employment relations (Comeau, 2013).

Some studies of SEOs in more developed market segments, particularly co-operatives or employee-owned businesses, indicate that they treat their employees better and, in some cases, have higher wages than comparable businesses. The review by Matrix Evidence (2010) of employee ownership suggests that employee commitment and job satisfaction tend to be stronger here than in comparable businesses, partly from the influence on managerial decisions, and that employees tend to receive higher pay and benefits.

Two comparative studies of well-developed and institutionalised co-operatives in Italy and Sweden both found higher relative levels of job satisfaction. One compared Italian social co-operatives, public and for-profit (Borzaga and Tortia, 2006) and the other compared childcare co-operatives with state provision in Sweden (Pestoff, 2000). In both instances the SEOs paid similar rates to the private sector and exhibited higher relative levels of job satisfaction. However, it is important to note that these organisations were not likely to have been staffed by disadvantaged and vulnerable people.

Despite the positive evidence, there are also indications that pay and working conditions can vary between different types of SEOs. For example, Cooney (2011) found that WISEs in the USA operate in predominantly low-skill industries, and their beneficiaries may only transfer into low-skill and low-paid jobs (Cooney, 2011). Research for the OECD (2013), summarised for the Third Sector Research Centre by two of the authors (Buckingham and Teasdale, 2013), also found that where SEOs work with disadvantaged people, the work was often low paid and insecure. This contradicts findings elsewhere that SEOs empower the vulnerable, enable decent working conditions and democratic participation (Fonteneau et al, 2011). However, the OECD study confirmed that despite these contradictions there remained relatively high job satisfaction within SEOs.[12] A study by Donegani et al, (2012, pp 17) on UK non-profit sector employees during 1998–2008 also provides evidence to support higher job satisfaction over time, although they also found a 'reduced non-profit premium in job satisfaction'.

There is some evidence to suggest that pay differentials between the lowest and the highest paid tend to be much less in SEOs. For example, a study of social enterprises in Glasgow by Social Value Lab, commissioned by Glasgow Social Enterprise Network (GSEN), found that most social enterprises keep their executive pay low with an average pay differential of 1:2.6 (Social Value Lab and GSEN, 2015). The SEUK (2015, pp 41) UK survey revealed that the ratio between the highest paid and the lowest paid was 3.6:1 compared with 150:1 in FTSE 100 companies. Furthermore, 24% of social enterprises, in the 2015 survey, were accredited living wage employers (SEUK, 2015). A more recent but smaller SEUK survey of 230 social enterprises across the UK revealed that 74% of participants pay their employees the Living Wage, as set by the Living Wage Foundation, compared with 53% of small businesses (SEUK, 2016a).

There is a lack of recent evidence on co-operatives and employee-owned businesses regarding pay differential ratios and the percentage of these paying the living wage. However, given their values, it is arguable that these organisational forms are more likely to be held to account if their behaviour in these areas is not aligned with their stated values, which could create reputational risk. Anecdotally, Mondragon Cooperative Corporation had a pay differential ratio policy of 3:1 in the 1990s (Whyte and Whyte, 1991) with, in practice, 'the lowest paid members receiving one-fourth to one-third of the compensation paid to the top manager' (Greenwood and Santos, 1992, pp 16); and although the ratio has increased it is still low, emphasising organisational solidarity. More recently, the Co-operative Group announced in May 2016 that it intended to increase pay in accordance with recommendations by the Living Wage Foundation (Voinea, 2016).

Enhancing diversity through inclusive employment practices

Most of the evidence about the diversity of employment and inclusive employment practice within the social economy in the UK relates to social enterprise and the voluntary and community sector. For example, it is estimated that, across the UK, 59% of social enterprises employ at least one person considered to be 'disadvantaged in the labour market' (for example long-term unemployed, ex-offenders, disabled people) which increases to 66% of social enterprises in the most deprived communities. Within 16% of these 66%, at least half of their employees are considered disadvantaged (SEUK, 2015, pp 34).

In Scotland, 48% of those SEOs measured[14] employed people formerly disadvantaged in the labour market (Social Value Lab, 2015, pp 33) and 67% reported providing training or support intended to improve employability (Social Value Lab, 2015, pp 49). In contrast, 19% of Welsh SEOs, on a different sample more skewed towards market-oriented activity (which included social enterprise, co-operatives, mutuals and employee-owned businesses (Wales Co-operative Centre, 2015, pp 5)), reported that at least a quarter of their employees fall into this category, with a further 7% reporting over three-quarters of their employees being disadvantaged (Wales Co-operative Centre, 2015, pp 22–24).

With respect to ethnicity and disability, 40% of social enterprises surveyed by SEUK (2015) reported having at least one disabled director and 12% were Black, Asian and Minority Ethnic (BAME) and 7% led by people of BAME origin. The same survey showed a slight increase from 38% in 2013 to 40% of UK social enterprise leaders being women in 2015, compared with only 18% of SMEs (SEUK, 2015, pp. 36).

With regard to voluntary sector organisations, the NCVO Civil Society Almanac (NCVO, 2016a) reported that by June 2015, based on Labour Force Survey figures, the sector[14] employed 827,000 people, consisting of 547,000 females and 279,000 males, compared with the public sector which employed 7.1 million people. Women comprise two-thirds of the voluntary and public sectors, 66% and 65% respectively, which is in stark contrast to the fact that they make up only 40% of the private sector (NCVO, 2016a). However, less than one in ten of these voluntary sector employees (9%) are from BAME groups which is lower than both public and private sector where 11% of employees are from BAME groups (NCVO, 2016a). With regards to age, voluntary sector workers are slightly older than public and private sector employees with around 38% aged 50 years or older, compared with 34% in the public sector and 29% in the private sector (NCVO, 2016a). Moreover, the voluntary sector workforce is becoming slightly older with time, with nearly 12% of employees over 60 in 2015 compared with only 8% in 2004, although this is aligned with broader demographic changes occurring in the UK (NCVO, 2016a).

A useful synthesis of the international literature on the viability of social enterprise as a poverty reducing strategy for women is provided by Fotheringham and Saunders (2014). They identify specific factors contributing to women's poverty and how they can be practically mitigated or addressed by social enterprises. They also highlight the danger of discussion being dominated by one dimension (social or business), which can be detrimental to delivering on a vision of using social enterprise as an effective strategy for poverty reduction. They emphasise the importance of a sustainable funding model for social enterprise and the limitations of reliance on charity that might inadvertently perpetuate the status quo for women experiencing disadvantage and poverty (Fotheringham and Saunders, 2014, pp 192).

Other employment related support for disadvantaged groups

Some community based SEOs deliver a range of services which further contribute to people's ability to access employment and get by on less income, such as the provision of affordable childcare, housing, or transport.

Housing associations also provide affordable accommodation, often combining this role with other activities such as increasing financial literacy, or improving employability (Richardson, 2012; Social Enterprise Scotland, 2009). One such example is First Ark Group, a housing association in Liverpool with social impact programmes that generate more than £13 million in social and economic value. Activities include raising young people's aspirations, employment skills and job creation, improving health and wellbeing, ensuring 75% of business spend remains local, and raising a 'social levy' through its supply chain – a gift aid contribution based on turnover which is used to fund further social impact programmes.

In a changing world of increasing self-employment, often accompanied by low pay and insecure contracts, there are some emerging examples of collective organisation. Conaty et al (2016) detail some of these initiatives and argue that the 'self-employed precariat' would benefit from shared services and a collective voice. Co-operatives UK (2016) records 144 freelancer co-ops, although it is unclear how many of these support the precariat; but the number, and their recognition, is likely to grow. For example, legislation was passed in January 2016 in France to recognise 72 business and employment co-operatives who support their members with accounting support, as well as what are otherwise employment benefits such as sickness pay and other benefits (Co-operatives UK, 2016). Other examples include Ricol Language Services, a co-op created in London in November 2012 after the contract to provide interpretation services in judicial courts had changed terms and conditions. In Belgium the SMart co-operative provides invoicing and debt collection support for its 60,000 freelancer members (Collinson, 2016). These responses often take the form of secondary co-operatives and mutual groups supporting small scale/micro enterprise or self-employed.

Building plural local economies

Contributing to entrepreneurship and innovation

Community and social enterprises, including locally oriented co-operatives, engage in a variety of innovative ways to increase economic opportunities for places, and for the people who live there (eg Community Alliance, 2009; Slay, 2011; Seyfang and Longhurst, 2012; Vickers and Lyon, 2014). The SELUSI project (European Commission, 2010), adopting a broad definition of social enterprise, found that 57% were innovative, which is relatively high when compared with mainstream business. There is also some limited evidence that the higher employee commitment in employee owned businesses is associated with increased propensity to innovate (Matrix Evidence, 2010). Furthermore, case study evidence on public service mutual spin-outs supports the idea that staff are more empowered to have input into organisational strategy and innovation in community health/wellbeing services than when part of the public sector (Lyon et al, 2016; Vickers et al, in press).

There is also a range of hybrid business models on the boundary between the social economy and mainstream business (Boyd et al, 2009; Seelos, 2014; Schaltegger et al, 2016). These provide different blends of economic, social and environmental value, or distinct orientations to profit retention or distribution, and a variety of governance arrangements. These alternative business models may respond to different aspects of a changing economy and be supportive to inclusive growth, as shown in the example below of Riversimple.

Riversimple

Riversimple is a business that does not believe that 'there needs to be any trade-off between a successful, profitable, resilient business and … eliminating environmental impact'. Riversimple is a UK company which builds affordable eco-cars provided as a mobility service with a view to increasing production and take-up of electric and hydrogen-fuel vehicles. A key aspect of their business model is to promote distributed manufacturing, which could spread employment possibilities around the country. They seek to provide 'human-scale, profitable operations near the markets they serve' which could contribute to job opportunities being more widely dispersed in relatively high value and skilled economic activity, rather than being concentrated in only one or two factories. Riversimple also has an innovative governance structure which is intentionally designed to align commercial, investor, society and interests of the planet. This is achieved through having, in addition to a traditional board, six stakeholder groups (environment, users, neighbours, staff, investors and commercial partners) each with a custodian who holds voting shares and a steward who is responsible for auditing and monitoring governance.

Source: www.riversimple.com and Patel (2016)

Innovative business models contribute to the development of newly emerging markets and sectors, such as the sharing economy (eg Idil Gaziulusoy and Twomey, 2014), urban agriculture (eg Shemkus, 2014), the transition towns movement (eg Seyfang, 2009), fair trade (eg Wright, 2009; Nicholls and Huybrechts, 2017) and devolved community production of renewable energy (eg Smith et al, 2016).

The sharing economy, for example, is a re-emerging economic model which blurs the boundaries of ownership and voluntary lending (Idil Gaziulusoy and Twomey, 2014). These business models tend to offer platforms which facilitate the sharing of collective or individually owned assets increasing utility per asset and contribute to the dematerialisation of consumption, thus also responding to environmental and resource pressures. However, much community-led innovative practice is found to be operating in relatively small niches, with alternative models being much harder to grow and sustain at scale (eg Vickers and Lyon, 2014).

Concerns over relatively low productivity and innovation levels in the wider economy, compounded by the 2008/9 recession, have increased the international focus on the potential contribution of SEOs to the ‘growth’ part of ‘inclusive growth’ (eg EU, 2014). This applies in particular to larger SEOs who do not necessarily work in, or with, local markets, for example mutuals, co-operatives, and alternative businesses.

Many of the activities already discussed add to the growth potential of an economy and there is also some evidence to suggest that certain organisational forms may contribute to increased productivity. For example, Matrix Evidence (2010) found that employee-owned companies showed productivity gains mostly when ownership is combined with participation in decision-making. Pérotin’s (2014) study of worker co-operatives cites evidence that their relatively higher intrinsic motivation (job satisfaction) enables increased productivity as well as innovation.

Brokering economic opportunities

SEOs also play a key role in decreasing spatial inequalities in access to economic opportunities, through distributing work across the country. This local economic development role of the social economy has been recognised in both academic literature and in practice (TFSSE, 2014; Galliano, 2004) but has received much less attention than its role in work integration (Birkhölzer, 2009; Buckingham et al, 2012).

The SEUK (2015) survey shows that 31% of social enterprises work in the most deprived fifth of communities. The more deprived the area, the more likely social enterprises will be working there (SEUK, 2015, pp 11). This finding is particularly pronounced in the North of England and London where 46% and 35% respectively work in the ‘most deprived fifth of communities’ (SEUK, 2015, pp 18). According to the NCVO’s Civil Society Almanac for 2016, charities and charitable income are greater in areas of high deprivation with those in deprived areas receiving nearly double the income of those in more affluent areas (NCVO, 2016b).

The high presence of certain kinds of SEOs relative to other business types within deprived areas means that they are frequently key players in locally focused policy responses and interventions, for example brokering economic opportunities, which seek to improve the conditions in these places and the lives of those who live there.

Building social capital and contributing to community wellbeing

SEOs connect the social and the economic, enabling people to have a better quality of life, and help create vibrant communities where people want to live. Related to this, the creation of social capital is another important contribution to local economic growth, defined by the OECD as ‘networks together with shared norms, values and understandings that facilitate co-operation within or among groups’ (Keeley, 2009, pp 103).

Social capital is an intangible resource which fosters local ties and identity and is most notable when it is absent. Evidence from CONCISE, an EU comparative study, found that social capital is intertwined with other forms of capital, eg finance, physical and human, and has little significance without these (Kay, 2006; CONCISE, 2003). Moreover, different types of social capital exist with varied roles at different times and places (Evans and Syrett, 2007).

Related to this, there is a growing body of evidence on how social enterprise models are providing alternative holistic and potentially more cost-effective approaches to addressing health and wellbeing needs in communities (Roy et al, 2013; Vickers et al, 2016).

Stimulating local consumption

Many SEOs are small and locally embedded, often delivering services that are targeted at particular communities (of interest, as well as place) and contributing to local identity and consumption, including through ‘community anchors’ (Community Alliance, 2009; Hutchinson and Cairns, 2010) and local exchange trading schemes or LETS (Slay, 2011; Seyfang and Longhurst, 2012).

Community anchors is a term used in the UK to denote independent and community- led organisations with a mission to drive community renewal. They are recognised as being particularly important for underpinning local economies, helping to create employment and circulate money. They include housing associations, community land trusts, hospitals, development trusts, hospitals, or universities (Community Alliance, 2009). The RSA's report Inclusive Growth for People and Places emphasised the role of community anchors, as well as of SEOs more widely, as a key part of a place-based policy for local economies which builds on local assets and capabilities. These place-based institutions can act as anchors within communities to create economic opportunities for disadvantaged groups by using their relative spending power, clout and relationship with developers (RSA, 2016). Moreover, transferring assets enhances the capacities of community anchors (Aiken et al, 2011; see also: Devins et al., 2017; Hutchinson and Cairns, 2010; Casper-Futterman and DeFlippis, in press; Bailey, in press).

Grassroot complementary currencies, emerging from civil society and the third sector in response to the perceived unsustainability of global financial systems, also play a key role in stimulating the local circulation of money and consumption, and contribute to social capital (Seyfang, 1997; Slay, 2011). In a global study, Seyfang and Longhurst (2012, pp 23) identified four main types of established parallel exchange systems: service credits, mutual exchange, local currencies and barter markets.

It has been argued that LETS, one example of grassroot complementary currencies, have potential to encourage economic and community development as well as environmental improvements (Slay, 2011). However, evaluations of decade old schemes in the UK in 2011 indicated that, while delivering substantial social and community benefits, LETS have yet to achieve similar levels of economic impact (Slay, 2011, pp 15–16). An earlier study from 1997 suggested that members of LETS perceived membership as a social activity which builds social capital, rather than as economic activity (Seyfang, 1997). Other studies also suggest that, indirectly, LETS contributed to improved employability through skills and building the self-confidence of members (Williams, 1996).

Contributing to wider economic and institutional transformation

Supporting the creation of a more resilient economy with increased job security

The inclusion of SEOs within the economy also provides resilience which can reduce the impact of economic shocks through enabling a variety of responses to economic opportunity and challenges (eg Stiglitz, 2009).

There is some convincing evidence that co-operatives and employee-owned businesses performed better during the recession than comparable businesses (European Commission, 2010; Pérotin, 2014; Matrix Evidence, 2010; Birchall and Ketilson, 2009). Pérotin (2014) argues that co-operatives could do this because their incentive structures support employment solidarity (and hence pay restraint or reduction) in a downturn. There is also some evidence that this impact was also true of some social enterprises (SEUK, 2015). However, the impact of austerity and reduced spending power means that many SEOs operating in disadvantaged areas or low-paid sectors are likely to have struggled over this period.

Relatedly, employment in social enterprise, co-operatives, and employee-owned enterprise seems to be more stable during recessions (European Commission, 2010; Matrix Evidence, 2010). In co-operatives, there is evidence that this is because employees tend to trade off pay for job security (Pérotin, 2014).

Influencing how all businesses could or should work

The social economy's influence on mainstream business predominantly relates to its emphasis on fair pay, working conditions, and job satisfaction through the creation of 'decent' jobs'; enhancing diversity through being inclusive employers; and focusing on disadvantage and place. Moreover, examples exist of SEOs moderating aggressive for-profit behaviour, such as building societies (financial mutuals) creating pressure to keep ATM withdrawals free (Spear and Paton, 2010).

In addition, the social economy has also influenced wider business practice, for example through developing and promoting fair trade practices (Nicholls and Opal, 2005; Nicholls and Huybrechts, 2017;

Wright, 2009) and projects with large enterprises to fulfil their corporate social responsibility (CSR) commitments (Di Domenico et al, 2009; DTI, 2005).

Advocacy and institutionalisation of values-led innovation and policy-shaping

The challenge of how to increase impact by scaling-up innovative, values-led (and often employment creating) approaches has been addressed from several perspectives by academics, often using multiple case study and documentary research. This includes work on social innovation which is often linked to social entrepreneurship (eg Nicholls and Murdock, 2012; Phillips et al, 2015; von Jacobi et al, 2017), sustainability transitions and community-led grassroots innovation (Seyfang and Smith, 2007; Smith et al, 2016; Vickers and Lyon, 2014) and the 'bridging' role of institutional entrepreneurship (eg Tracey et al, 2011). Much of this work focuses on the factors that both inhibit and enable the wider take-up and institutionalisation of innovative approaches. These include the multiple levels involved, and the need to gain support from a range of key actors and reconcile their different motivations and objectives.

Nicholls and Murdoch (2012) identify three main levels of social innovation: *incremental* – to address market failures more effectively; *institutional* – to reconfigure existing market structures to create new social value; and *disruptive* – to change the cognitive frames of reference around markets and to alter social systems and structures. Other research on the drivers of social entrepreneurial impact shows how 'beyond niche' growth is dependent on building competitive advantage by gaining support from wider networks and key actors, ie policy networks, sources of support and quasi-markets for public services (Bloom and Smith, 2010; Vickers and Lyon, 2014).

Although social innovation has been recognised within EU policy as having important potential to tackle marginalisation, von Jacobi et al (2017) identify a mismatch between EU documents and policies. They argue the need to remedy this by addressing the institutional embeddedness of disadvantage while supporting the active participation of marginalised individuals within social innovation policy design and implementation processes.

One example of place-based social innovation which has had some wider impact is that of the transition town movement (www.transitionnetwork.org) which promotes community-led innovation and diversified local economies (or eco-localisation) in response to the challenge of climate change. Scott-Cato and Hillier (2010) represent this as an important example of how social innovation can spread from community to community to rapidly become a national and a global movement, originating as it did in Totnes in south west England.

Social economy organisations in Europe and the UK – scale, scope and distribution

The variety of SEO activities, organisational types and contested definitions discussed above all add to the complexity and challenge of accurately assessing the scale and distribution of SEOs and their impact. Nonetheless both the EU and UK data presented below illustrate that SEOs are already a large part of these economies and make a significant contribution.

SEOs in the EU

European-level data (from 2009/2010) has been put together by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), for the European Economic and Social Committee (Monzón and Chaves, 2012). It adopts a relatively comparable approach to data collection across Europe using the basic definition of the social economy – co-operatives, mutual, associations and foundations (CMAF). On this basis, 6.5% of the working population of the (then) EU-27 is accounted for by the social economy.

In some countries, such as Sweden, Belgium, Italy, France and the Netherlands, the social economy accounts for employment of between 9% and 11.2% of the working population. However, in the UK relative employment is lower at 5.6%, most of which is accounted for by the VCS (82%). There also appears to have been a fall in employment levels in the UK between 2002/3 and 2009/10 of 4.6%, probably due to the financial crisis in the UK.

The UK data used by CIRIEC comes from co-operative and mutual databases, as well as from the NCVO for associations and foundations. As such it misses out data on one form of social enterprise – the community interest company (CIC) – of which almost 7,670 were listed on the public register in 2013, as well as other alternative business models. This data is therefore likely to underestimate the extent of the social economy.

SEOs in the UK

Looking more specifically at the UK, one would assume it should be possible to further investigate the scale and scope using different data sources. However, developing accurate estimates of the population and distribution of diverse SEOs is currently very challenging. Thus the approach adopted here is to examine data on different parts of the social economy – social enterprise, co-operatives, the voluntary sector – while recognising that these may overlap to a certain extent.

This difficulty is illustrated by the differences in estimates for just one kind of SEO, social enterprise. A study for the UK Cabinet Office estimated approximately 741,000 UK social enterprises (UK Cabinet Office, 2014, pp 12). However, a large majority of these were private enterprises, and due to widespread criticism of the method used to calculate this figure, the government is revisiting its approach. In contrast to the UK government, Social Enterprise UK estimated a population of around 70,000 organisations using a different methodology based on a stricter definition (SEUK, 2015, pp 4).

Across the UK, there are also differences in how the term social enterprise is understood, defined and measured. For example, Social Enterprise UK and Social Value Lab Scotland both define social enterprises as 'businesses that trade to tackle social problems, improving communities, people's life chances, or the environment' (SEUK, 2015, pp 6; Social Value Lab, 2015, pp 6). They see reinvesting profits back into the business or community as a central principle of social enterprise.

However, they differ in how they use these definitions. For SEUK, only organisations which self-identify as social enterprises *and* generate 25% or more of their income from trading activities are included in their most recent survey (SEUK, 2015, pp 8). Notwithstanding these criteria, members of Co-operatives UK, Locality, National Housing Federation, Social Firms Ltd and UnLtd were included in their sample frame (SEUK, 2015). Moreover, 21% of social enterprises surveyed by SEUK were also registered as charities with 14% identifying as social firms and 14% as co-operatives (SEUK, 2015, pp 8–9).

Social Value Lab includes in its survey a wide variety of organisational forms, as with SEUK (2015): enterprising charities, community co-operatives, social firms, and community-based housing associations among others (Social Value Lab, 2015, pp 10). However, it reports that over a third (36%) of survey participants did not 'readily identify themselves as social enterprises' with many respondents preferring to 'self-identify according to their origins (eg a community project), status (eg a charity) or activity (eg a social care provider*)*.[15] This variety illustrates the highly contested and fluid nature of 'social enterprise' (Teasdale, 2010).

Appendix 1 provides an overview of the available, but often overlapping, data for co-operatives, social enterprise, and the voluntary sector and their different economic contributions. However, relevant organisations and activity missed by this data include housing associations, informal activity, alternative business models (such as employee-owned businesses, or non-profit trusts such as Welsh Water), and larger co-operatives or mutuals, such as building societies.

Informal or 'below, or under, the radar' (BTR) organisations are not captured by national databases. This may be for regulatory reasons (unregistered/lack legal status) or financial (minimum income threshold) (McCabe et al, 2010, pp 4-6). BTRs refer to micro or small voluntary organisations, community groups, refugee and migrant groups or third sector organisations which have informal or semi-formal activities. Social economy research has been critiqued for tending to focus on 'formal organisation' rather than on 'grass roots, informal or semi-informal, activity' (McCabe et al, 2010, pp 20).

One way to look at how the UK's social economy is evolving is to assess some of the trends over time and the barriers to increased activity, the latter of which are set out in Section 3.

With regards to trends, according to the Employee Ownership Association, since 1992 the UK Employee Ownership Index (EOI) has outperformed the FTSE All Share by an average of 10% per annum (Employee Ownership Association, 2012, pp 8).[16] According to EU figures[17], in 2011 there were 9.9 million employee owners across Europe holding €232 billion in their company's shares of which the UK had the second largest share of €2.6 million with France at €4 million (Employee Ownership Association, 2012, pp 15). In 2012, the UK employee-owned sector grew at a rate of 1.1% compared with the growth of the wider economy at only 0.7% (Employee Ownership Association, 2012, pp 9). However, more recent data is not publicly available.

Co-operatives UK (2016) suggests that, similar to the trend in the EU data, the co-op sector has grown in the last five years, mainly because of a successful retail sector and also growth in agriculture. The current contribution to the UK economy is £34.1 billion and with 6,797 independent co-operatives and 222,785 employees.

The EU figures[18] suggested that the size of the UK's voluntary sector has one of the higher employment levels compared with elsewhere in Europe, just behind the Netherlands and Belgium. The NCVO 2016 Civil Society Almanac indicates that there were 162,965 charities with a contribution to GVA of £12.2 billion and total spending of £47.1 billion (NCVO, 2016c). Headcount employment on the measures used is 827,000, of which 62% is full time and 38% part time. Since 2004, on these figures, the voluntary sector workforce (as defined by NCVO and based on registered charity data) has increased by more than 200,000, nearly 33% since 2004, from 2.2% to 2.7% of the national workforce (NCVO, 2016c). This increase is in contrast to EU figures which show a fall from 2002 to 2007, although the EU figures are based on different and enlarged views of the voluntary sector.

Some studies estimate the economic contribution of volunteering to the economy. Liverpool John Moores University (2015) estimated that the voluntary sector directly contributes £900 million to the city region, and that the value of volunteering is an additional £550 million.

However, given the lack of comparable time series data for social enterprise it is hard to calculate trends. Nonetheless, there is a belief that there has been an increase, mostly from 'newer' social enterprises operating in a wider range of economic sectors.[19] For example, Glasgow Social Enterprise Network (GSEN) together with Social Value Lab identified 704 enterprises in 2015 with 24% formed in the last year. These employed more than 19,000 (5% of all employees in the city) (Social Value Lab and GSEN, 2015).

Perspectives on the relationship between the social economy and the mainstream economy

The three broad clusters of social economy contributions to inclusive growth previously identified are also reflected in the different policy perspectives on the actual and potential roles of the social economy in relation to the mainstream economy.

There has, particularly in the UK, been a tension between seeing the social economy as a distinct alternative to the mainstream economy, which challenges dominant practices and has 'radically transformational potential' (Hudson, 2009, pp 508) or as playing a more subordinate role of absorbing 'problem populations' abandoned by the market economy (see also Amin et al, 2002). Which of these perspectives has traction with key influential actors has practical implications in terms of how SEO success is defined, how its potential is represented, and how it is supported.

The first approach accords with a 'market failure' perspective that sees the social economy as filling gaps that the market or the public sector are unable or unwilling to address, ie by improving the access of disadvantaged groups to opportunities in the mainstream economy.

Another way to look at the role of the social economy is as part of a more diverse, or plural, economy that encompasses a variety of organisational types but with an increasing role for new forms of enterprise and alternative business models. Following the recession of 2008/9, the EU has particularly focused on the role of the social economy in growing fairer, more resilient and diversified local economies. Monzón and Chaves (2012), for example, argued that the financial crisis demonstrated the limitations of a monoculture of business practice and motivations. Stiglitz (2009) has also argued for a plural economic system, which recognises the value of a diverse economic actors, such as co-operatives and non-profits, particularly to reduce the impact of economic shocks. Moreover, a focus on transforming the economy is compatible with the 'alternative' role of many SEOs and the aim of creating an economy that is fairer, more inclusive, and sustainable.

The three perspectives on the role and potential of the social economy (see Table 1) were spelt out by Barth et al (2015) (drawing on Hudson, 2009) in Australian research which shows how, in this case, social enterprises and their contributions to regional development may be viewed from the standpoint of different perspectives. They found that, where regional development stakeholders perceived the role of the social economy as filling gaps that were not addressed by the market or public sector, it lacked legitimacy when taking on other roles. Moreover, it was also viewed as subsidised and therefore unfair competition (ie by private sector businesses in particular (see also Spear and Bidet, 2005). However, if they were viewed as partners in a plural economy, they were accepted as being able to play a more significant role.

Table 1: Role of the social economy relative to the mainstream economy

Role of the social economy	Perspective relative to the mainstream economy
Creating jobs, strengthening skills and employability for the most disadvantaged	Filling gaps and responding to market failure
Building and diversifying local economies	Part of a more diverse or plural economy
Contributing to wider economic and institutional transformation	Transforming the economy

Cities and city-regions can benefit from a perspective that frames the social economy as going beyond addressing market failures, and positioning it very much as part of a plural economy, where it acts differently: producing differently; doing business differently; managing differently; consuming differently (Social Economy Europe, 2016).

Summary of roles and evidence

Our review of the evidence base related to the actual and potential roles of the social economy suggests that there are many ways in which different kinds of SEOs can contribute to inclusive growth. In doing so, we have identified three main categories, or clusters, of activity whereby the social economy can contribute to inclusive growth: creating jobs and employability, building diversified local economies and contributing to wider economic and institutional transformation.

Although most of the available evidence relates to increasing employability and job opportunities for disadvantaged people and the provision of 'decent jobs' by SEOs, we have also pointed to evidence relating to the other areas of contribution identified. There is a need to further explore and recognise the many different roles that SEOs play which are relevant to inclusive growth if their potential is to be understood and supported.

Examination of the available EU comparative statistics suggests that the UK appears to have a strong voluntary and community sector and a growing social enterprise sector, but fewer organisations with alternative governance models, such as co-operatives. The evidence relating to social enterprise – a broad category that overlaps with co-operatives and the voluntary sector – suggests increases in activity and a widening of the economic sectors in which they occur.

3 How can cities support the social economy?

Having explored what is known about the scope and contribution of the social economy, in this section we consider how cities can enable its potential in relation to inclusive growth. First, we examine the barriers faced by SEOs and what is known about their support needs. As in the case of understanding the scale and scope of the social economy, much of the evidence relates to social enterprises. We then introduce the concept of a social economy 'ecosystem' as a framework for capturing in a holistic way the various elements needed to support an increase in the number and impact of SEOs.

Barriers to SEO growth

Various surveys and studies have identified the range of obstacles and difficulties affecting the growth and development of the social economy and different types of SEO. Here, we look specifically at the situation in the UK, where the main areas of difficulty relate to visibility and recognition, finance, public sector procurement and skills.

Visibility and recognition

There continues to be a low visibility and recognition of the relevance and contribution of different SEO forms. For example, 14% of SEUK respondents identify the lack of awareness of social enterprise among banks and support organisations as a barrier experienced particularly on start-up (SEUK, 2015, pp 50). Part of the reason for the lack of visibility and recognition of the social economy and its impact is linked to the inadequacy of standard economic indicators (eg GDP, employment) to represent the full range of impacts of the social economy (Liger et al, 2016, pp 77–82).

There is a particular lack of awareness of co-operative and employee-ownership forms (for example, Employment Ownership Association, 2012) despite the developing evidence of their economic and social advantages (see Section 2). This lack of widespread understanding limits the likelihood of them being given serious consideration as a viable option by entrepreneurs, employees and business advisers (Co-operatives UK, 2017; Employment Ownership Association, 2012). There are also cost and regulatory barriers to co-operative and employee-owned enterprises, which also constrain their creation (Co-operatives UK, 2017; Employment Ownership Association, 2012, pp 16–18).

Co-operatives UK (2017) additionally identify barriers related to brand confusion between co-operative, mutual, social enterprise, consortia and employee-owned businesses, and a common assumption that co-ops are food shops, no more'.

Finance

Financial barriers related to securing funding and accessing growth finance are often encountered, particularly by the more entrepreneurial and growth-oriented SEOs (Co-operatives UK, 2017; Employment Ownership Association, 2012; PwC, 2013; SEUK, 2015; Social Value Lab, 2015; Wales Co-operative Centre, 2015). However, there is a need to distinguish the particular issues relevant to different kinds of income, whether grants, or different forms of repayable finance. At the same time, it is important to recognise that there has been a huge attempt to increase the availability and scope of social finance, including by the UK government, although there is also some evidence of a lack of attractive investment opportunities (ICF GHK and BMG Research, 2013).

In a survey of social enterprises across the UK, 39% of respondents believed the general lack of funding availability to be a barrier to their sustainability (SEUK, 2015, pp 48). In Northern Ireland, 68% of social enterprises and 52% of community and volunteer organisations (CVOs) surveyed in 2013 identified lack of available funding as the biggest barrier to their expansion (PwC, 2013, pp 68;91). In Wales, 44% of 'social businesses' reported lack of finance or funding as the main barrier to enhancing their performance as well as the need for support in securing alternative funding to reduce dependency on grants (Wales Co-operative Centre, 2015, pp 30). Further analysis of the SEUK data in 2014 found that 43% of respondents were seeking grants and 15% repayable finance (Lyon and Baldock, 2014). This suggests that in the case of social enterprise much interest in finance remains related to grants not loans (Floyd et al, 2015).

In Scotland, the widespread belief that there is a 'cultural aversion to risks and debt' among SEOs is countered by Social Value Lab (2015, pp 52) findings that 75% of respondents were aware of the options for repayable/loan finance; 39% were willing to consider repayable/loan finance but 30% did not know if they were able to access it. At the same time, there has been a large increase in the supply of repayable finance. Many social investors are struggling to find investable propositions (Lyon, 2016). This mismatch raises the important question of whether or not, as the social enterprise sector evolves, specialist finance can co-evolve with it (SEUK, 2015, pp 49).

Public sector procurement

Public sector procurement is an important source of income for many SEOs. The survey by SEUK (2015, pp 25) shows that for UK social enterprises, trading with the general public is the main or primary source of income (30%), followed by public sector trading (27%). If grants are added to trading, the public sector becomes the largest income source (32%), but it is important to note that the mix of grants and contracts will vary between different social enterprises.

According to NCVO (2016)[20] data for the period 2013/2014, grants and contracts from government bodies, both UK and EU, are estimated to contribute a third (34%) of VSO's income valued at £15 billion. Of this £15 billion[21], £12,085.1 million related to public sector fees and payments for contracted services, in comparison to only £2,825.5 million worth of funding grants and grants to charitable intermediaries and £92.4 million associated with trading with the public sector to raise funds. Moreover, growth in government income predominantly accrued to organisations with incomes of over £100 million, with major organisations receiving the largest share of income from government (42%), and small and micro organisations the smallest share (18%). Thus for both social enterprise and for charitable organisations the majority of government funding (>80%) is for fees and contracts.

Across the UK a decrease in public sector procurement as a response to austerity has been challenging for all SEOs. SEUK perceived the problem for social enterprise sustainability as being 'alarming' increasing in severity from 2013 when it was a 'singularly urgent concern' (SEUK, 2015, pp 48). For those public procurement opportunities that do exist, 49% of social enterprises felt that the Public Services (Social Value) Act's influence had yet to materialise in public service procurement, suggesting a need for further work on how the intention of the Act can be more fully realised (SEUK, 2015, pp 49). [22]

Skills and capabilities

A lack of certain skills is commonly identified as a significant barrier to growth. For social enterprises, these include in particular marketing and branding (identified by 56% of social enterprises) and technical skills related to tax, regulation and technology (SEUK, 2015, pp 52). In Scotland, the most notable barrier reported as inhibiting social enterprises reaching their potential, cited by 59% of respondents, was the combination of lack of time and capacity to develop trading activity (Social Value Lab, 2015, pp 51). In Northern Ireland, social enterprises also emphasised not having the right people and lack of awareness of support available (PwC, 2013, pp 10). In contrast to social enterprises, CVOs in Northern Ireland identified the 'nature and principles of the organisation' as not leading to expansion, as the services they were providing were predominantly free to marginalised groups (PwC, 2013, pp 91). Additionally 'not having the right type of people and/or skills to expand' was a key barrier for CVOs (PwC, 2013).

To conclude, the barriers identified above echo the previous argument of Haugh (2005) with respect to social enterprise, that SEOs can contribute to regional development but only if various challenges are overcome. As well as specialist support for growth and scaling, Haugh also identified a need for moral support through advisors who understand the distinctive ethos of social enterprise; and using mutual self-help networks to share knowhow. The development of specialist finance and addressing identified skills gaps are key areas of interest to those parties seeking to support SEO growth more generally.

Enablers of growth

When considering the enablers of growth, it is important to note that 'growth' in the social economy can take a variety of forms. This can include growth of organisations themselves (for example in terms of their turnover and numbers employed), the development of clusters within particular places, the growth of numbers of different kinds of SEOs, and growth in impact which might arise from being part of cross-sector collaborations or changing mainstream economy practices (for example fair trade). Growth can also arise from shared learning and the wider adoption of innovative ideas and replication of effective models in different locations, with ensuing social and environmental benefits (Blundel and Lyon, 2015; Vickers and Lyon, 2014).

Our review leads us to identify a number of factors that enable the growth of the social economy.

- Framing, leadership and governance – how the social economy and its potential is understood and enabled by influential actors and in relation to the three perspectives previously identified (addressing 'market failure'; part of a plural and diverse economy; or transforming the mainstream economy).
- Networks and collaboration – both within the social economy and including other actors in the public and private sectors.
- Innovation and knowledge sharing – including the dissemination of ideas and replication of effective models.
- Procurement as a key enabler – with public services an important market for many SEOs, where the Social Value Act offers further enabling potential in the UK.
- Infrastructure provision – including business support, finance and premises.

These factors contribute to the development of a social economy ecosystem where they interact within a given city context to help develop a sustainable and dynamic social economy.

These enabling factors are further examined in the following sections and used to analyse the experiences of our selected international and UK case study cities.

An ecosystem approach

The notion of a social enterprise/economy ecosystem has become increasingly influential in studies seeking to understand those situations where the social economy is better established and more dynamic as well as in the development of integrative frameworks for policy intervention.[23] The idea of an entrepreneurial ecosystem was originally introduced by Isenberg (2011) and emphasises the context of productive entrepreneurship, its key elements and how they interact.[24] The ecosystem concept provides a framework for understanding the economic interaction between individuals and organisations within particular contexts and their co-evolution over time.

It uses an ecological metaphor of co-evolution of organisms with their environment. When extended to SEO organisations and sectors (Spear, 2015), it provides a way to consider the best mix and sustainability of resources (eg finance, expertise, premises) and how they fit with the entrepreneurial lifecycle of a particular organisation and its sector, as illustrated in Table 2.

Table 2: Elements of support for social entrepreneurship within an ecosystem approach

Stage of business lifecycle	Building awareness and visibility	Developing business ideas	Business planning and development	Social entrepreneurship and leadership development	Growth, scaling, replication
Start-up	Promotional campaigns; web strategies	Incubators and workspaces supporting innovation	Schools for skills development; advisory services	Schools for skills development; advisory services; mentoring and coaching; peer support networks	Not applicable for start-ups
Established social enterprise	Branding and marketing	Social Innovation hubs, and R&D programmes	Capacity building; strategic skills development	Mentoring and coaching; peer support networks	Social franchising; collaboration and consortia; growth, diversification, spin-offs

Source: Spear (2015)

The ecosystem approach also emphasises interactions between different actors and the framework of regulation (legal/fiscal), norms and institutions which provide opportunities as well as constraints. For instance, opportunities may arise from how these elements enable an organisation to be considered legitimate, or its values and principles made acceptable or even more desirable than mainstream business forms.

The full spectrum of relevant factors also include human capital and the local labour market; how well educational or training institutions are adapted to work with particular organisations; access to resources from local and regional governments. It also includes how stakeholder relationships and networks support organisations and how well they are embedded in their local communities from which they can draw resources such as social capital.

The positive benefits of social enterprises clustering together were identified in a recent study of social enterprise in four UK cities – Birmingham, Liverpool, London (Borough of Newham), and Southampton – (Pinch and Sunley, 2016). It concluded that local networks were critical to support systems at the city level, and that there can be a spinoff process from charities and state supported bodies, as well as a 'new generation of largely graduate social entrepreneurs '(Pinch and Sunley, 2016, pp 1,299). The most important factor influencing location was high levels of need (demand), but the effective supply was dependent on knowledge networks, and a 'localized business ecology of suppliers and infrastructural support' (Pinch and Sunley, 2016).

Studies of this kind provide insights into the entrepreneurial processes of social enterprise, emphasising the importance of networking, knowledge sharing and a supportive ecosystem; the benefits of their co-location with other SEOs, businesses and charities, and their effective response to demand. These findings suggest that the establishment of an effective social economy ecosystem is crucial to understanding how cities can enable inclusive growth.

Developing policy support for the social economy in cities

The social economy faces several challenges, which policy and support mechanisms can seek to address. The responses can take a variety of forms and operate at different spatial levels, ranging from top-down strategic approaches at national and city region levels through to bottom-up actions rooted in urban localities and neighbourhoods.

The Social Entrepreneurship Network (SEN) drew on shared learning from partners across nine EU countries between 2013–2014 (Johnson et al, 2015, pp 4) to identify 15 key policy lessons and recommendations for the development of social entrepreneurship and the social economy, namely:

- establishing policy coherence through establishment of cross-departmental co-ordinating bodies
- vertically integrating social enterprise policy
- establishing policy for social enterprise stakeholder partnerships
- recognition of social added value of social enterprise through sponsoring marks/certification systems
- the importance of support for development of social impact measurement methods
- the importance of support for development of new legal forms of social enterprise
- ensure social entrepreneurship is a key part of mainstream entrepreneurial education
- provision of both mainstream business advice and specialist support infrastructure and tailored support
- training for social entrepreneurs using peer learning
- using consortia and social franchising as replication mechanisms to leverage networking capacity of social enterprise
- establishing socially responsible public procurement policies
- financial support should combine different mechanisms (grants, loans, equity and social impact bonds) from multiple sources to meet different needs
- research at EU level required to develop consistent methodologies and statistics on social enterprise

Many of these recommendations relate to the national level where frameworks for recognising and supporting SEOs can be created. SEUK (2015, pp 60) suggests the kinds of additional approaches which are part of how a city can develop a successful ecosystem. These ideas include: providing access for social enterprise to mainstream business support programmes; developing approaches which cater for the increasing population of young social enterprise emphasising 'networks, online and peer-to-peer' taking a 'placed-based approach to support' which is sensitive to local context and needs, and builds on local insights; reducing emphasis on individual entrepreneurs within social enterprises and increasing the emphasis on technical skill areas; increasing social enterprises' confidence and ability to navigate the different kinds of available social investment.

The role of city governments and locally based partnerships and the extent to which they integrate the needs of SEOs into developing a supportive policy context appears to be crucially important, as shown by the international city case studies examined in Section 4. For example, in the UK the extent to which local enterprise partnerships (LEPs) and other local government agencies include social enterprise is stressed by SEUK as something which should be 'a key part of their employment and job creation plans'. It is also important that they design locally attuned policy and support initiatives, including in areas where social enterprises are 'weaker relative to other localities', and in order to ensure 'maximum additionality and impact for resource invested' (SEUK, 2015, pp 61).

Developing a social economy ecosystem has also become an important theme in policy work around the Social Business Initiative in the European Commission. EC commissioned research on 29 European countries (Wilkinson, 2014) identified a framework comprising six dimensions of a social enterprise ecosystem (Figure 2). This provides a basis for examining the distinctive needs of SEOs. It notes the different features of an ecosystem and differentiates between start-ups and established SEOs, and the different stages of development in the business lifecycle.

Figure 2: The six dimensions of a social enterprise ecosystem

Source: Wilkinson (2014)

Some of these aspects are pursued at the national and international levels, including legal and governance frameworks. Examples of the latter in the UK include the community interest company designed to support social enterprise creation and introduced by the government in 2005, and the recent legislation for charitable incorporated organisations, designed for entrepreneurial charities.

City level responses have a key role in establishing an enabling environment for the development of the social economy in line with this framework. This could include actions to support greater engagement in public service procurement opportunities or in the infrastructure and other developments arising from city deals; establishing social investment markets; encouraging impact measurement and the take-up of certification systems to emphasise the importance of demonstrating added value and recognizing 'social value'; developing specialist development services and support; facilitating the development of SEO networks of mutual support; and encouraging the development of cross-sector collaborations for challenges ranging from childcare to local area economic development.

Conclusion

In this section we have examined how cities can potentially support the social economy in relation to inclusive growth by, first, examining the barriers faced by SEOs, notably with respect to accessing start-up and growth funding, public sector procurement, and skills/capacity gaps. We then examined support needs and the development of policy for the social economy, introducing five enabling factors: framing, leadership and governance; networks and collaboration; innovation and knowledge sharing; procurement as a key enabler; and infrastructure provision. We have suggested how the interaction of these factors can contribute to the development of a social economy ecosystem within a given city context, thus supporting entrepreneurship and the development of a sustainable and dynamic social economy. These enabling factors are examined in further detail in the following sections to analyse the experiences of our selected international and UK case study cities.

4 International cities and the social economy

Introduction

This section presents the main findings from a desk-based review of the social economy in 14 international cities: Montréal; Lille; Bologna; Mondragon; Gothenburg; Rio; Barcelona; Brussels; Cleveland; Berlin; Warsaw, Krakow; Seoul and Hong Kong. The cities are introduced below, followed by a thematic analysis, including some critical reflections.

The cases were selected to exemplify different aspects of the social economy and their contributions to inclusive growth, as shown in Table 3.

Table 3: International city cases

City	Why interesting	How social economy developed?
Lille* France	Long and well-established social economy, with related policies, and ecosystem, provide rich experiences.	National institutionalisation of the social economy; and national initiative helped strengthen regions and SE collaboration; strong leadership: mayor
Bologna Italy	Some of best mainland experiences regarding innovative co-operatives. Long and well-established co-operatives, with innovative experience of social co-ops	Civil society entrepreneurs gradually established social co-ops, and their ecosystem
Montréal* Canada	Highly innovative regional model, with well-established social economy and ecosystem; also strengthens regional identity	Collaboration between well-established SE actors (Desjardins), entrepreneurial practitioners, and academic networks; plus strong leadership from social economy, establishing systems of co-governance and collaboration
Gothenburg* Sweden	Strong co-op history, now adapted to current challenges and linked to SE; innovative ecosystem development	Strong network of activist consultants collaborating with city both for social economy, and its ecosystem
Mondragon Spain	Inspirational model of well-established co-operatives; also strengthens regional identity	Economic necessity, and pressure for regional identity drove co-operative entrepreneurship, and a complementary ecosystem
Barcelona* Spain	Long and well-established social economy gained new impetus for inclusive dynamic from Spain's forced austerity	Tradition of support for SE, enshrined in national law. Post-crisis anti-austerity movements have been widely supported, and embedded in inclusive agenda in city institutions and policies
Brussels Belgium	Long and well-established social economy, and policies, and ecosystem; selected for innovative urban regeneration initiative, and work integration measures	Large SEOs have played an important role in institutionalising and developing the ecosystem

City	Why interesting	How social economy developed?
Cleveland USA	Effective development of disadvantaged communities through co-operatives	Good use of procurement; inter-city collaborative learning
Berlin Germany	Thriving cultural and digital economy; historically not a strong identity of social economy, so combined support for social economy and business initiatives	Different social movements have helped develop SEOs and a dynamic ecosystem, which provides cross-sector support. Established co-op sector supported the development of new co-ops
Warsaw/Krakow Poland	Multi-sectoral partnerships for regional development (Academy of Social Economy); highly effective development foundation (Barka)	Network of social economy actors well connected internationally; good use of regeneration funds (ESF) not only to develop the region, but also to build ecosystem
Seoul, S. Korea Hong Kong, China	Countries with weak welfare systems draw on civil society resources; little or no tradition of SE; useful for considering UK direction of travel	Effective community anchor roles, some arising from social movement, and religious bodies; considerable academic and policy interest, but SE not widely developed
Rio Brazil	Very interesting solidarity economy, linking formal/informal activities	Popular movements have influenced political agendas, but sometimes not well linked with large well-established SEOs

* Extended case example is included in Appendix 2

Globally the social economy is very diverse, and different traditions, institutions, and policies have helped shape its scope and scale in each city and its region. In a short chapter it is difficult to fully explore the reasons for these differences. We have already seen that cities can benefit from a perspective that frames the social economy as going beyond addressing market failures, and positioning it very much as part of a plural and diverse economy, where it acts 'differently': producing differently; doing business differently; managing differently; consuming differently (Social Economy Europe, 2016).

Some idea of the scale and significance of the social economy within Europe and the UK is provided in Section 2. However, not all countries recognise the term social economy, or imbue it with the same identity, although by and large they all recognise some of its core organisational types, particularly: co-operatives, mutuals, associations/non-profits, foundations and social enterprises. Some countries frame its role narrowly as addressing market failures, particularly in the labour market, while others see it as part of a more plural and potentially transformative economy. In the latter case, some cities are highly innovative in new sectors, such as community food, creative and digital sectors, recycling and renewables. Such initiatives are often driven by movements of collective action, where opportunities for democratisation towards a more inclusive agenda have been taken.

It is important to recognise that the 14 international city cases presented here are indicative and inspirational. They are also influenced to a great extent by context. We have therefore provided some critical reflections on how they have achieved what they have, and also recognised where possible some of their limits and challenges. We are therefore not arguing that all these cities are exemplary regarding the development of the social economy, nor that their social economy might not be subject to criticisms.

However, these critical reflections on context and history may put into perspective the factors influencing the relevance of the specific examples identified. This kind of analysis is essential in considering what can be learned, adapted and transferred. It will also help different city and social economy leaders, who may be attracted to different examples, to see what is relevant to their own challenges and opportunities.

With regard to transferability, it is not the intention to propose the direct replication of these models and experiences, since to be effective that would require adaptation to local context through a participant process, and ownership by key stakeholders. Rather the idea is to broaden the horizons and deepen the understanding about the potential and limitations of the social economy.

Our review of international cities shows that successful social economy development often arises from an enabling and supportive context which joins up the various elements of policy, support provision, and a high level of collaboration between various actors, both within the social economy and with the public and private sectors. Such social economy 'ecosystems' commonly include five main elements: framing, leadership and governance; networks and collaboration; innovation and knowledge sharing; procurement as a key lever; and infrastructure – including business support, finance and premises.

Framing, leadership and governance

The Global Social Economy Forum[25] held in Montréal in autumn 2016 involved mayors from all over the world talking about how the social economy fits into a broader understanding of what an economy is and can be, and with the emphasis on supporting and enabling inclusive growth. This shows how the social economy is currently being understood, framed and mainstreamed within some current policy thinking and practice.

Part of the framing of the social economy is down to government legislation and policy. In Spain for example, the social economy is supported by the Constitution, and in France there is now a minister for the social economy within the economics ministry. In Poland, in the National Development Plan for 2007–2013, the role of the social economy was more narrowly prescribed as an effective instrument in the fight against poverty and social exclusion. Government policy also plays a role in this framing, typically through labour market, welfare, agriculture and rural development policies. Thus in many parts of Europe, social enterprises are often framed as work integration organisations operating within the framework of an inclusive labour market policy.

The other part of framing links with how the sector sees itself, whether as relatively independent pillars, such as co-operatives and non-profits operating with little liaison, or as part of a larger family of the social economy. In the UK during the last 15 years, the development of social enterprise can be seen as a way of bringing together the newer parts of the social economy.

Given a broad framing and a collaborative ethos between the four pillars of the social economy (co-operatives, mutuals, non-profits, foundations), the structures representing the sector at national and regional levels can be more integrated. Certain cities such as Montréal, Mondragon, Barcelona, and Rio, particularly exemplify how the social economy can be better represented and institutionalised within mainstream policy. Creating such local structures helps to overcome fragmentation and competition, and move towards a more collaborative social economy.

This implies joint city/SE structures and forums for liaison and the co-governance of policy both for the social economy as a sector, and in different policy areas. For example in the UK, policy relating to the development of SMEs frequently refers to SMEs and social enterprises and a need to recognise the distinctive needs of the social economy sector, so that a level playing field can be developed for a plural economy. It also implies that initiatives to support entrepreneurship might be open to more sectoral collaboration, with the recognition of the creative potential of bringing together a more diverse range of actors with different capabilities and orientations to address shared challenges. The following cities provide useful experiences for reflecting on the different ways the themes of framing, leadership and governance can be addressed.

- Montréal has a Commissioner for the Social Economy, with strong city policies and level of impact, and this is matched by a strong sector body, the Chantier de l'économie sociale, which has co-ordinated and represented the different parts of the social economy, and provided an important voice in policy at the city and regional level. At the federal level, a major social economy collaboration between provinces and networks of university researchers has led to Canada creating a national SE steering group on social innovation and further considering how to mainstream the social economy within policy-making.
- Seoul – the new economic paradigm should include solidarity and collaboration' (Mayor of Seoul). While current activity is only embryonic, the social economy is viewed as one way to reduce

inequalities, eg through the Seoul Social Economy Network. Strong community anchors, such as the Work Together Foundation, play a city-wide role with metropolitan government to support social economy development. A movement to combat unemployment led to the founding of one of the largest NGOs concerned with addressing unemployment issues – in the post crisis period, it helped support more than five million unemployed workers and their families.

- Mondragon – described by its mayor as the Silicon Valley of Co-ops'. Co-operatives account for 80% of the local economy; they have a relatively high per capita income, and low inequality (eg pay differentials). Large established actors such as the tightly integrated federation of Mondragon co-operatives (similar to Desjardins in Quebec) play a leadership role in driving regional and city economic development.[26]
- Barcelona – 'the social and solidarity economy is an alternative to failed capitalism and austerity' (Mayor of Barcelona) – hence it is seen as a way to radically rethink how economies work but also as part of co-governing policy in local areas, where the different municipalities network to share good practice. There is an emphasis on the solidarity economy to combat social exclusion, but parallel attempts to democratise new growing sectors of the economy such as the collaborative, digital and cultural sectors. The Catalan Network of the Solidarity Economy operates as a laboratory for exploring new ways of working, consuming, and investing.
- Gothenburg – has structures for co-ordinating policy at different levels – local, city, metropolitan, and regional (also the case in Lille and Montréal). Rather than being bottom-up or top-down, these are systems of co-governance which recognise the need for co-production of knowhow for interventions and value local and expert knowledge. The Gothenburg social economy plays a regional role in developing and representing the SE sector.
- Rio – has institutionalised the solidarity economy as a means of promoting inclusive growth more than other Brazilian cities, with an emphasis on self-managed collective groups. Several institutions support such initiatives. SEDES is a municipal secretariat which has supported the creation of city-wide commercial fair opportunities, and procurement. This commitment is reinforced by a national secretariat which is part of the Ministry of Labour. There are also solidarity economy public manager networks.

Networks and collaboration

An emerging theme from the international cities is that of strengthening cross-sector collaboration to overcome the danger of the social economy and its constituent parts operating in isolation. This also aims to facilitate the process of innovation through better linking it to an inclusion agenda and to combine different capabilities and resources from each sector to create greater scale and impact. There are a number of positive examples of the social economy providing the catalyst for cross-sector activity, drawing in resources, ideas and skills to innovate, while emphasising inclusion.

- Cleveland – Evergreen Co-operatives link philanthropy, government and support to seed community worker co-ops in disadvantaged areas, and assist their creation and scaling through different procurement methods.
- Warsaw/Krakow – the award winning Academy of Social Economy (Krakow) integrates marginalised people and communities through multi-sectoral partnerships to support SE development.
- Barcelona – creative and cultural development initiatives combined with multi-stakeholder governance which includes local people in poorer areas; this aims to democratise gentrification tendencies (eg in Nou Barris).
- Lille - Recode is a multi-sectoral partnership that helps retrain industrial workers to the service sector according to local labour market needs.
- Bologna - Incredibol is a multi-sectoral partnership (public/private, and social economy), supported by the city and the region to develop the cultural and creative industries. It operates through a competitive process to attract innovative entrepreneurs, and then selects the best projects to receive finance and business advice from its network.

Innovation and knowledge sharing

The creation of spaces or networks to support knowledge exchange, learning and social innovation was found to be crucial, particularly with respect to involving universities and other educational/training/research establishments.[27]

- Collaborations between universities, SE and innovation hubs: Mondragon is a leading partner in an innovation hub, but social innovation hubs linked to universities with SE partners are becoming more visible; and similar collaborations provide firm foundations for incubators, eg in Rotterdam, where a foundation and the city set up a network of specialist advisors together with vocationally trained students from a business school to provide a six-month mentorship programme for start-ups.
- Research networks collaborating with social economy: Montréal; Ciriec Canada is an extensive network of mainly francophone researchers, with good links to the sector, who conduct research and other projects with the social (and public) economy.
- Think Tank for inclusion (Lille) where a strategic urban plan was developed for social inclusion through the social economy; this included finance for development, targeted sectors, and reserved procurement contracts.
- New digital social entrepreneurs and related ecosystems: incubators for cultural creative industries and for social innovation provide training workshops, mutual support, and business development (Berlin has several different types).
- Emphasising social economy inclusion in new sectors: many new movements and innovative new sectors are drawn to more inclusive social economy structures, but this is a dimension that can be supported to emphasise an inclusive agenda: eg in local/slow urban/rural food systems, renewable energy, north/south business and trade, collaborative economy, creative/cultural industries, digital economy, makerspaces and new craftwork, crowdfunding, social media spaces (Barcelona, Berlin).
- Social innovation: social economy role as experimental platform via projects: Gothenburg – Coompanion is a longstanding network for the development of co-operatives and the social economy and collaborates with the city to develop innovative projects and improve capabilities of the SE ecosystem.
- Promoting new forms of cooperatives: in Seoul and Bologna; the Italian social co-operative is an adapted form of co-op with multi-stakeholder and non-profit attributes; it has proved particularly suitable for welfare and work integration services.
- Social franchising as a pathway to replication: effective models are not always replicated in every city, but social franchising can facilitate that process (eg Le Mat in Gothenburg).
- Cities in mutual learning collaborations: Cleveland, Rio, Barcelona, Lille. For instance RTES, France, creating a social economic innovation centre to work with different communities on, for example, solar energy, citizen cafes.

Procurement as a key lever

Procurement from all public bodies can be an important way for strengthening the social economy and developing more inclusive economic development; this can apply directly through procurement contracts or indirectly through subcontracts with a prime contractor. Similar approaches could be promoted more widely in the supply chains of larger social economy organisations (such as housing associations, where there is already some current practice), and larger corporate businesses. While social clauses and social value are increasingly part of the recognition and support for social economy organisations in the UK, international experience indicates some additional approaches or practical implementation strategies.

- Reserved contracts, mandatory integration clauses (Lille). This requires procurement organisations to allocate a certain number of working hours, or a certain percentage of the contracted working hours to integration of people into employment; this may be done directly, through sub-contracting, or by working with a work integration organisation, for example from the social economy.
- Specific allocation of municipal spending, procurement for social innovation, and early involvement in planning process (Bologna).

- 'Type B' social co-operatives bring together permanent workers and previously unemployed people who wish to integrate into the labour market (Bologna).
- Preference contracts, sometimes also supported by tax breaks, fast-tracking permits or fee waivers (US).
- Development and start-up enabled through procurement contracts (Cleveland).
- Partnerships for local business to take on apprenticeships.

Infrastructure provision

In many countries, government policy at national and city levels has led to considerable development of infrastructural support to enable entrepreneurship for SMEs, both for start-ups and for growth. But while it is important that there is clear access to such generic resources for SEOs, there is a recognition that they have distinctive needs, and that specialist support is also required.

- Business support – useful models typically emerge from city/region collaborations with social economy bodies, such as Montreal's Partnership for Community-based Sustainable Development which included support for community-based entrepreneurship. At a minimum level cities need to ensure that government and city business support signposts where to find specialist support; but better support models require integrated or 'braided' support that link generic and specialist advice and training. This might operate through one-stop shops for start-up training and advice; similar approaches apply to capacity building for consolidation and growth.
- Social finance – this has become a major ecosystem theme, both in UK government policy, and in the European Commission's Social Business Initiative. Well-developed social finance systems comprise a wide variety of finance bodies and instruments, including: community-based funds, loan guarantee funds, patient capital, crowdfunding, including specialist crowdfunding platforms; better integrated funding (between different funding bodies), and by combining social finance with the development of business management skills (Berlin, Gothenburg, Krakow, Montréal); social finance may be oriented to types of SE enterprise, but it can also emphasise outcomes such as through criteria for addressing disadvantage/unemployment. And there are innovative social investment strategies too (eg Lille where there is an initiative to draw in local savings for local investment).
- Incubators of different types: these may be specific to the social economy, but are often multi-sectoral collaborations, drawing on different resources, eg from foundations (Seoul) and corporates (CSR funds); they may also make use of expert volunteers and mentors, eg via religious bodies and communities, such as local churches in Hong Kong; and while most are concentrated in a workspace where mutual support between entrepreneurs is encouraged, some have more distributed models of networked incubation (with peripatetic advisors/mentors); some incubators have a specific focus, eg on local innovation, or are focused on cultural creative industries, such as Berlin.

The ecosystem approach

The above five themes form the different dimensions of an ecosystem approach that has emerged from comparative analysis of international experience and the literature. The ecosystem can operate at different levels. At the most basic, support is required where market failures are being addressed, since typically this will require some form of resources (finance, advice, etc). But at a more developed level, ecosystems take seriously the need for developing contexts appropriate for the social economy as part of a plural and diverse economy, so that it can develop and thrive. A thriving social economy is embedded in an enabling ecosystem, and ultimately each can be mutually sustaining.

An important rationale for developing an appropriate ecosystem is to move beyond atomistic social economy organisations to networks and collaborations, horizontal and vertical. These include those between new SE organisations and between new and established players, as well as often fruitful collaborations between sub-sectors of the social economy. These operate at multiple levels – national/institutional, inter-organisational coalitions, and project partnerships. This shows the importance of a fuller system of reciprocal relationships between different actors to enable the operation of a strong social economy. The rich and varied nature of more developed ecosystems can be seen in the following elements which emerged from the international city case studies.

- Networks and support/catalyst bodies for development eg Mondragon's highly successful network of co-operatives has established other bodies like a university, bank, and innovation centres; Montréal SE has a lead body, Chantier de l'économie sociale, which works with the city both to address issues, and strengthen SE capacity. Horizontal collaborations and networks (going beyond the city and region) can play similar roles, eg Coompanion – a longstanding national network for the development of co-operatives and the social economy (Gothenburg); and similarly at the national level, Lille is part of RTES – a national network to promote the role of SSE and co-construct policy with 130 local governments.
- Secondary structures to increase capabilities and resilience – this builds mutual, reciprocal support within the social economy, and strengthens vertical links between social economy organisations; membership of such structures is from primary SEOs, providing shared services, and joint marketing etc. (Mondragon, Bologna).
- Horizontal networked partnerships with established SEOs building on each other's strengths – linking scale and resources, with community initiatives (eg Desjardins in Montréal). Similarly, building local solidarity networks can have mutually beneficial outcomes, such as housing co-ops/associations linking with initiatives for work integration of tenants; and at a more technologically advanced level partnerships to establish innovation hubs and techno-parks (Mondragon).
- Strategic use of EC structural funds to develop the ecosystem: Krakow took a number of initiatives (using a high level working group) often drawing in the private sector, to improve social finance infrastructure, establish incubators, and an academy of the social economy for inclusive growth.
- Other models supporting entrepreneurship:
    - established co-operatives and non-profits supporting and spinning off new social economy organisations (eg in Berlin)[28]
    - highly developed learning/development organisations, eg Saiolan in Mondragon, a specialist organisation supporting co-operative entrepreneurship (and SME development)
    - Inclusive Business Action Network (Berlin and elsewhere) has global aspirations to scale the impact of inclusive businesses; and the Social Impact Lab which helps provide digital support infrastructure for 'new' social impact entrepreneurs.
- Supporting informal entrepreneurship: this can be an important pathway to developing the social economy as well as micro and small enterprises in local economies; and linking the development of the social economy with new social movements (Barcelona, Rio).
- Reconfiguring/rescuing failing businesses: Barcelona – Catalonia has a long history of turning round failing businesses, and converting the downsized enterprise into worker owned firms. Italy also has supportive legislation to facilitate worker buyouts of failing firms, in the belief that downsizing is preferable to outright failure.
- Metrics: to focus on and clarify the extent of added value provided by SEOs, with methodologies (and metrics) for targeting, and assessing inclusion interventions being developed in a number of countries (eg Lille, France).
- Building legitimacy and identity: brands and SE certification are established in a number of countries (eg Seoul, South Korea); this can lead to replication of very effective organisations (brands) such as the Senior Citizen Home Safety Association (Hong Kong).

Summary and conclusions

There are very different traditions of the social economy in the 14 cities selected, with some placing a strong emphasis on treating it as an integral part of inclusive growth as part of a plural and diverse economy. In others it is not so well established or recognised, but operates more as a niche contributor to inclusive growth. In some countries, boundaries are more blurred, with SEOs seen as part of a wide spectrum (including public and private sectors) and a focus for policy because they offer some measure of inclusive growth, and/or are helping to address market failures. Thus, the cases exemplify different definitions and conceptions of the scope of the social economy and its position in relation to the mainstream economy.

Several themes have emerged from an examination of international experiences:

- Framing, leadership and governance: the way in which the social economy is framed considerably shapes its vision, legitimate field of operation, and policy context. Strong leadership of the SE is central to fulfilling its potential, and this can be enabled by policy-makers, and by setting up systems of co-governance between SE leaders, key stakeholders and institutions, and city policy-makers; establishing this kind of framework facilitates the mainstreaming of SE innovations and good practices.
- Networks and collaboration: inclusive growth is not just about positive outcomes, but about positive processes which include like-minded people and organisations, often in cross-sector collaborations; this helps build on the strengths of each stakeholder, and is an emerging theme in social innovation policy and practice.
- Innovation and knowledge sharing: the social economy has a reputation for innovation, frequently in collaborative networks, so that innovation and learning can have wider impact.
- Procurement as a key lever: there are a variety of ways that procurement from SEOs can leverage inclusive growth, building on, and drawing in, mainstream resources.
- Infrastructure – including business support, finance and premises: support for different forms of entrepreneurship is essential for inclusive growth; this includes building awareness, training, skills development and advice for start-ups, as well as capacity building for consolidation and growth.

These five themes come together in an ecosystem approach, which brings out the importance of facilitating the development of appropriate enabling environments for the social economy. Typically this involves not just enhancing entrepreneurship and the growth of SEOs, but strengthening horizontal and vertical networks for greater resilience.

5 UK cities and the social economy

Introduction

In this section, we look at how the social economy across 10 UK cities contributes to inclusive growth, how it is currently recognised and supported, and where there may be opportunities for increasing SEO impact. The cities were selected to represent a range of socio-economic contexts and policy approaches. They are: Belfast, Birmingham, Bristol, Cardiff, Glasgow, Plymouth, Liverpool, Salford, Sheffield and Wrexham.[29]

In addition, we held three policy and practice roundtables in Cardiff, Glasgow and Sheffield with participants from local government, the social economy, private sector and academia. These events allowed us to present and get feedback on emerging findings from the first stage review work for this project, while also encouraging participants to explore the implications for policy and practice in their own city region contexts. Further details of these events and the participants can be found in Appendix 3.

For each of the 10 cities, we mostly used publicly available secondary source material. This included online grey/policy literature such as website material from city authorities, other strategic bodies, SEOs and stakeholder organisations, as well as relevant academic contributions. Further insight was provided by expert key informants who drew our attention to relevant sources and gave their views on the current state of city/city regions and their social economy's opportunities and challenges.

In the next part of this section we introduce the socio-economic contexts of the city cases, and what is known about their social economy. We then draw on the available evidence to assess the relative impact of the five enablers of SEO growth and impact: framing, leadership and governance; networks and collaboration; innovation and knowledge sharing; procurement as a key lever; and infrastructure. We conclude by considering the extent to which these factors and their interaction are contributing to the development of a social economy ecosystem approach.

Context, scale and scope of the social economy in UK cities

Table 4 summarises the economic context of the 10 cities in relation to fairness/inclusivity and some characteristics of their social economy. Although the cities have varied profiles, they also share important commonalities such as legacies of de-industrialisation. Evidence from across the UK also shows that where economic growth has occurred, it has been biased towards already affluent locations and generally failed to overcome persistent patterns of deprivation and increasing inequality (Beatty et al, 2016; Lee and Sissons, 2016). Moreover, the limited scope for autonomous city region action and a national context of public sector austerity is limiting the ability of many local authorities and other key actors to meaningfully address inclusion and fairness (RSA, 2016).

Most of the city economic strategy documents we looked at showed a high level of awareness and adoption of the fairness and inclusivity agenda. Some strategies directly express concerns about the limitations of established 'business as usual' approaches to economic growth and the presumption of 'trickle down' benefits. This suggests an increasing receptivity to the inclusive growth agenda and a need for fresh thinking to address this challenge.

The city cases also demonstrate different historical patterns of social economy development. These varied histories are a result of a complex interplay between bottom up community and social entrepreneurial actions and various institutional factors, including the enabling (or otherwise) role of governance and support at national and city region levels.

Table 4: Context of inclusivity and the social economy in 10 UK cities – indicative characteristics

	Context and fairness/inclusivity focus	Social economy characteristics
Belfast	Concentrated worklessness is predicted to persist; low levels of enterprise and small businesses tend to stay small Highly dependent on public funding since the 1970s, initially to abate conflict and then to facilitate peace	Nearly 30% of all Northern Ireland (NI) SEOs are based in Belfast, whereas Belfast is the location of just 12% of all NI businesses (PwC, 2013) Despite lagging support and recognition of social enterprise compared with rest UK, there has been significant progress in recent years. However, co-operatives and social businesses, while developing, appear to have received less mainstream consideration
Birmingham	Grew to prominence as a manufacturing centre but now dominated by the service sector; economic inequality is greater than in any other major English city, exceeded only by Glasgow in the UK City council focusing on inclusive growth, and wants to include social economy in strategies	Strong infrastructure support and history of civic activity. Birmingham and Solihull Social Economy Consortium has been part of supported growing social enterprise sector; Digbeth Social Enterprise Quarter is also a Social Enterprise Place – with over 50 social enterprises Birmingham Voluntary Services Council is one of the largest in the country
Bristol	One of 9 UK creative hotspots according to recent mapping of creative industry clusters by Nesta (Bakhshi et al, 2015); but entrenched poverty persists Many pioneering programmes/investment efforts and seen as a leading ethical business city	Social economy recognised as being one of the most extensive and successful in the UK, including newer forms of social entrepreneurship. Has the largest social finance sector outside London. A long history of civic and environmental activism lies behind strength of social economy and co-op movement. Supportive council working in partnership Social Enterprise Place badge awarded by SEUK in 2013, one of the first two cities to receive this recognition
Cardiff	City region shows complex patterns of economic development in some areas and persistent disadvantage in others; promoted as economic 'dynamo' and 'powerhouse' of Wales, but questions raised as to extent to which city region policy-making and development has neglected disadvantaged areas (Waite, 2015) City council is developing an inclusive growth decision-making framework to consider how investments/projects impact on deprived populations	There is a strong Cardiff Third Sector Council and innovative social enterprise and co-operative examples. Much focus on voluntary sector, social enterprise, social business, and mutuals and co-operatives takes place at national Welsh level through eg WCVA, WCC, Co-operatives and Mutual Commission Social Enterprise Place status being sought to bring together, recognise and develop social economy

	Context and fairness/inclusivity focus	Social economy characteristics
Glasgow	The fastest growing major city economy in the UK; once dominant export orientated manufacturing industries, including shipbuilding, replaced in importance by more diversified forms of economic activity; high levels of income, wealth and health inequality Economic Strategy 2016–2023 has a significant focus on inclusive growth and reducing inequality	A strong history of activity, including the development of community businesses, and with a strong and radical housing association network. A third sector interface brings diverse SEOs together to engage with city council, which also supports co-operative through a dedicated unit. Strong and growing social enterprise sector
Liverpool	Decline of docks and manufacturing from mid-1970s caused massive job losses; higher growth rates than national average since 1990s and much ongoing investment in regeneration Liverpool Fairness Commission brings together public, private and SE to look at issues and make recommendations about procurement, and extending the Social Value Act	A leading place for SE development with a strong history of activity, including social housing and campaigning organisations. In recent decades has been one of the leading places for social enterprise development, with strong EU funding support. Study by LJM University (2015) also showed the strength, scope and contribution of VCS
Plymouth	One of the most deprived areas in the south west due to decline of maritime/defence industry, with related lower rates of business start-up and businesses per resident Many strategies/plans including Plymouth Fairness Commission; aims of Plymouth Plan include 'empowering people, communities and institutions to drive their own economic success'	A Social Enterprise Place, reflecting strong presence of around 150 social enterprises in education, arts, environment, food, finance, housing, business support, sport and social care. Strong cross-sector interactions particularly with council (leading to one of the strongest embedding of Social Value Act in England) and with the local university.
Salford	A strategically important location within Greater Manchester; industrial decline during 20th century followed by significant investment/growth in recent decades, but with regenerated inner city areas co-existing with areas of persistent high deprivation and employment/health/educational disparities Council strategy is focused on 'securing the city's regeneration' while addressing challenges related to its growing population, infrastructure/environment needs, and inclusivity	A history of social activism linked to religious movements and a Social Enterprise Place, reflecting growing activity including public sector spin-outs in health and social care. 200 organisations are represented in the stakeholder group for Salford's Social Enterprise City Group There is strong cross-sector working and engagement with university, CVS, businesses and local council, who have, for example, set up a local social value partnership
Sheffield	Legacy of de-industrialisation, under-employment and social blight – low wages and low levels of productivity and	A rich history of strong social/community businesses and partnerships. 2012 estimates of social economy impacts

	Context and fairness/inclusivity focus	Social economy characteristics
	enterprise relative to size of city region Recent economic renewal has not addressed high levels of disadvantage in some localities Sheffield Fairness Commission, established by city council in 2012 (Dabinett et al, 2016); council is currently developing a new approach to inclusive growth which supports the role of the social economy	suggested around £3.27 billion economic contribution, 65,000 employees and 20 million service users. Wide spread of activity including successful employee-owned businesses[30] Concern that some of original momentum may have been lost, and SE is not joined-up – city has struggled to convert fragmented projects and activity into some wider cohesive social movement (view of key informant)
Wrexham	Unemployment is below the Welsh average, but self-employment is low and average earnings for workplaces are lower than the Welsh average Wrexham Council's Plan (2012–2017) sets out the goal of 'creating a vibrant, diverse and inclusive economy'	A Social Enterprise Place – number of SEs is growing, partly in response to council spending cuts and charities seeking 'sustainable funding'. Sees itself as 'social enterprise capital of Wales'. Appears to have history of developing innovative social economy activity, some of this in partnership with the council, and with move towards more cross-sectoral working

As shown in Table 4, five of the cities are recognised as hotspots of social enterprise activity, having been awarded the Social Enterprise Place badge by SEUK. They are supported to grow their social enterprise communities, including through access to resources, raising awareness and building local and national markets for social enterprise (SEUK, 2016b).[31]

A common feature across the 10 cities was a lack of a clear overview of the role and importance of the social economy as a whole to the city economy. This was also apparent from the roundtable discussions which all identified a need for improved mapping and accounting for the diversity of activity and its impacts.

There have, however, been several recent city-wide studies which provide valuable insight into parts of the social economy (at least), notably in Glasgow, Liverpool and Sheffield. Studies of this kind help to articulate the importance of the social economy in terms of both conventional economic growth indicators (ie jobs, wages and GVA) and other forms of added value, as well as identifying some of the challenges faced by SEOs. Because of the lack of a clear understanding about the extent and scope of the social economy, Liverpool has started to try to fill this gap as part of its newly created Social Economy Panel (Box 2).

Box 2: Examples of city-wide studies of the social economy

Glasgow

In 2015 Glasgow Social Enterprise Network (GSEN), together with Social Value Lab, identified that Glasgow had 704 social enterprises, 24% of which were formed in the last year, with more than 19,000 employees (5% of all employees in the city). Of these organisations 60% were led by women and 45% were focused on creating employment opportunities, with 55% employing people from local communities and three in five employees formerly 'disadvantaged'. The total value of volunteer time was calculated at £12.3 million (Social Value Lab and GSEN, 2015). Glasgow's social enterprise activity was dominated by arts and creative industries (1 in 5), followed by the health and social care and housing sectors. This is different to the mix across Scotland with more creative, housing and financial services social enterprises, but less childcare and community amenities.

Liverpool

Liverpool City Region Social Economy Panel was set up in 2016 by Liverpool University and the Social Enterprise Network in response to city devolution, the perceived 'sidelining' of the social economy, and the lack of knowledge of its scope, scale and impact. It acts as a collective voice to change the narrative around the economic and social roles and impact of SEOs, and to provide market intelligence and knowledge exchange. It adopts a wide view of the social economy which includes housing associations and hospitals.

Early findings from an ongoing mapping of the city region social economy found it directly employees 45,000 people (around 8% of total jobs, similar to the size of the tourism economy) but that while it 'appears to be economically robust … income and wealth are skewed with a small number of large organisations accounting for 75% of revenue generated'. (Heseltine Institute for Public Policy and Practice, 2017).

Sheffield

The Sheffield State of the Voluntary and Community Sector 2016 (Dam and Sanderson, 2016) estimates 3,346 organisations working in the voluntary and community sector in Sheffield, including social enterprises and some co-operatives, as well as a large number of below-the-radar organisations that are not formally registered or incorporated. Three-quarters of organisations are micro (annual income under £10,000) in size, 12% are small (annual income between £10,000 and £100,000), 9% are medium sized (annual income between £100,000 and £1 million), and only 3% are large (annual income greater than £1 million).

The report confirms that the sector is an important economic player in Sheffield, making a significant contribution to GVA, and with an estimated total income in 2014/15 of £373 million. It also includes a large number of below-the-radar organisations that are not formally registered or incorporated and whose contribution is not measured.

Survey responses also identify concerns about the financial sustainability of SEOs in Sheffield, given their patterns of income, expenditure and low levels of reserves.

Framing, leadership and governance

The extent to which the social economy is incorporated as an aspect of city region economic strategy is highly dependent on how its role and potential are perceived, or 'framed', by key influential actors. This includes the extent to which it is championed by city leaders, formally networked and embedded in city structures.

In the UK, there appears to have been less recognition of the social economy as an organising principle compared with some of the leading international city cases. Rather, there has been a tendency for different constituent parts – eg social enterprise, voluntary and community sector, or co-operatives – to be divided up in terms of how they relate to specific policy agendas, such as public service delivery and community-building.

The varied experiences and developments found in the different UK cities reflect a complex interplay between local social entrepreneurial capabilities and actions and the extent to which this is enabled by governance, policy and related support. This situation is constantly evolving in line with changing policy priorities and leadership at the city level, as well as the opportunities and challenges opened up by the devolution agenda. Box 3 presents select examples of explicit links between the social economy and city-region economic strategies and related inclusive growth policies.

Box 3: Examples of linking the social economy with city inclusive growth policy

Glasgow

New economic strategy includes a commitment to engage SEOs within Glasgow's Economic Leadership Board, as influenced by overall approach of the Scottish Government on inclusive growth, with 'responsible businesses' included as key players.

The Scottish Social Enterprise Strategy, launched in December 2016, sees social enterprise as part of 'reimagining a more inclusive way of doing business' and while delivering 'inclusive growth, it engenders a successful, vibrant democracy' (see Appendix 4).

Bristol

West of England LEP includes support for social enterprise in its long-term plans for economic growth. 'Many of these steps could be transferred to other LEP areas, to the benefit of both local social enterprises and LEPs themselves' (Broadbridge and Raikes, 2015, pp 6)

Bristol & Bath Social Enterprise Network (BBSEN) – supported by LEP to give SEOs access to opportunities for new investment and funding, support/collaboration and to represent sector to the LEP and other stakeholders.

Birmingham

The city council is rethinking how it will be structured in future to better deliver for the needs of the economy and society. Part of this new approach will include engaging more fully with the social economy; and exploring how its role might change to enable collaboration with other actors to address pressing problems and maximise the use of the city's assets.

Salford

Strong leadership and promotion of a co-operative culture and values on the part of individuals within the city council and leading actors across sectors have contributed to increasing the profile and role of the social economy, in a context where regeneration success has been accompanied by persistent patterns of disadvantage. This has also led to a particular focus on entrepreneurship within those deprived areas which have not benefitted from recent investment and regeneration successes with the development of a School for Social Entrepreneurs focused on community entrepreneurship. The mayor and council have created a multi-sector social value alliance pledging to promote social value across the city.

Belfast

Belfast (and Northern Ireland) appears to lag behind the rest of the UK in terms of policy support, but with a more concerted approach in recent years. In April 2016, the Department for the Economy (DfE) re-appointed Social Enterprise Northern Ireland (SENI) to deliver a three-year Social Economy Work Programme focused on several social enterprise hubs, eg including West Belfast Partnership, which lead the implementation of the strategic regeneration plan for the areas involved.

Most of the 'new' co-op developments, however, appear to have taken place outside of the social enterprise hubs, according to Cooperative Alternatives, eg Down to earth NI, NI Community Energy, Boundary Brewing Co-op, Lacada Brewery.

Glasgow City Council, through its Glasgow Economic Strategy 2016–2023, seems to be the first council to have directly linked the social economy and inclusive growth with its goal to 'expand the number of social enterprises and co-operatives in the city through direct funding and bespoke support' as part of growing the economy for the 'benefit of all' with 'tackling poverty and inequalities at the heart of economic growth' (see Appendix 4 for more details).

City Deals were introduced in 2011 by the Coalition Government as a new approach to incentivising coalitions of local actors to develop strategies and propositions which could be funded by UK and devolved governments and 'unlock' city regional growth and development (O'Brien and Pike, 2015). There is little evidence of City Deal strategies for inclusive growth which explicitly include a significant role for social economy actors. This may be partly to do with City Deal strategies tending to focus on large scale infrastructure and high growth sectors, with an emphasis on agglomeration economies rather than wider economic activity that might include the social economy. Nevertheless, there are often important elements within City Deals of relevance to the social economy, such as support for enterprise and business development and also community benefit requirements. The large-scale infrastructure commitments should also not be overlooked as irrelevant, given the potential engagement of SEOs within supply chains.

Part of the problem is that the social economy is often more closely associated with social policy and public service delivery, rather than economic policy – a division which is recognised more generally as a problem for achieving inclusive growth (RSA, 2016; 2017). A concern expressed at the roundtables was that SEOs are often not represented in the major economic institutions and policies within cities, with participants feeling that they had had to struggle to be involved in strategy development and often felt excluded.

Despite this lack of representation roundtable participants pointed out that SEOs can be found in all sectors of the economy in which they brought new ways of being inclusive. Several people also highlighted how SEOs were crucial at the local level in enabling the most disadvantaged to gain access to skills training and to spread economic opportunities around places, rather than expecting everyone to travel to jobs when this might not be possible or affordable, particularly for those on low pay. It was also pointed out that SEOs – particularly housing associations and community businesses – often understand their local economy better than most since they are 'on the ground'.

However, in two of the roundtables, the economic development council representatives acknowledged that they had not necessarily understood or appreciated the breadth of the actual and potential roles and impacts of the social economy. They seemed keen to rectify the situation and consider how these economic contributions could be better recognised and incorporated into city economic development in future.

There was also a feeling that there is an opportunity for social economy leaders to engage in dialogue with other stakeholders around shared concerns, be more collaborative, and advocate for a more responsible mainstream economy. One participant noted that the term 'inclusive growth' legitimised what he felt he had been doing for most of his career.

There was, however, a view that there was still too much separation between those who were responsible for top-down city and city region policy and approaches and those involved in bottom-up local activity (which includes many SEOs and small businesses).

Box 4: How is the social economy framed and organised? Key points from roundtable discussions

The social economy is not just about market failure – some people in the roundtable discussions identified the danger of the social economy being marginalised into a 'market failure' box and not seen as an integral part of the wider economy. One VCS representative said that they preferred to be seen for their roles in 'empowerment and transformation', and others, as innovators, and advocates for change, rather than being seen as only responding to problems faced by the public sector.

Need to avoid separation between 'social' and 'mainstream' enterprises – there was agreement across all three events that there was often significant overlap of interest, particularly with smaller companies, or with the shared values of some larger 'responsible businesses'. For instance, private sector representatives argued that there are many small businesses who want to be involved in economic development but were not recognised for their activities, or did not know how to get involved. They can be part of solutions and collaborations, for example through providing investment to social enterprises, or through procurement decisions at local level to enable money to stay within communities.

Overcoming fragmentation within the social economy – some participants felt that a lack of a shared agenda or values was inhibiting further co-operation. For example, one participant said that he felt like 'part of an employee ownership bubble' which struggled to get buy-in as part of larger economic plans, and was not linked with other social economy activities. The danger was that large businesses and council departments could be confused by the different asks and voices, undermining engagement, collaboration and potential impact.

Need for a representative social economy grouping to provide critical mass and clear voice to better articulate the relevance of the social economy within mainstream economic debates and activities. However, there is also a need to value and support diversity and creativity, which some felt might be in tension with scaling influence through shared values (which might themselves be varied).

The UK city examples also reveal ongoing challenges and tensions. Unlike the situation in many of the international cases, the 10 UK cities generally lack a similar level of leadership and inclusion within mainstream economic policies. Having a focus on the fairness/inclusivity agenda did not always appear to translate into recognition of the role and potential of the social economy in key policy documents.

Moreover, questions remain as to the extent to which even leading cities with a well-developed social economy are able to fully address the inclusivity and fairness agenda. For instance, Bristol's strong 'alternative' approach may also be contributing to gentrification and further exacerbating inequality (Goff, 2016).

The Sheffield group felt that there were several ways to access some of the mainstream economic discussions and strategies, such as through the City Region Social Inclusion Board, or by stressing the cross-cutting role of skills and training given that there is already a Social Inclusion Equalities board within the LEP.

In Glasgow it was believed that changing policy agendas might make access easier, and there was already commitment for more engagement, such as within the Glasgow Economic Leadership Board. One practitioner felt that the way to become part of the City Deal discussions and activities was to become more pro-active in seizing opportunities to demonstrate what they could do, rather than asking or waiting for permission to be engaged.

A major focus of the city roundtable discussions was the extent to which the social economy could potentially catalyse and effect change across the city economy. Participants recognised that the social economy sector and its leaders needed to become better at advocating for change and influencing city economic strategies to bring real value to people's lives. There was also recognition of the tensions involved, and of SEOs' limited ability to address these in isolation. For instance, although the discussions identified the importance of the social economy within low-paid sectors as a key part of enabling inclusive growth, concern was also expressed by a trade union representative of the prevalence of poor pay and work conditions within many SEOs, including those involved in public services delivery. This reinforces the point that change for inclusivity cannot be initiated by social economy actors alone, and draws attention to the enabling and oversight role of leading actors in the public sector, including commissioners and regulators, as well as those responsible for developing economic strategy and support.

Networks and collaboration

A feature of international cities where the social economy appears to be performing a strong and innovative role relates to the extent and nature of collaboration and networking between SEOs, state and private sector actors. In the UK, this kind of collaboration was seen as something to be further promoted and developed within the Scottish Social Enterprise Strategy, and mentioned by key informants in Glasgow and elsewhere as an important part of building capacity within cities. Collaborative relations and networking can take a variety of forms, including between SEOs; between SEOs and actors in other sectors, public and/or private; and more complex collaborations that involve multiple stakeholders. The development of such relationships can be challenging, and effective partnerships are often based on trust and mutual understanding that require time and patience to develop (Lyon, 2012). Competition, fragmentation and lack of trust between SEOs can undermine the potential to spot collaborative opportunities and hence undermine the scale and scope of impact.

Our review identified multiple positive examples of collaborative working, including SEO consortiums set up to develop joint bids for contracts/funding and cross-sector partnerships – two of these are shown in Box 5.

Box 5: Examples of collaborative working

Sheffield Cubed was created in 2013 to facilitate SEO collaborative bids for contract and funding opportunities, thus achieving economies of scale while securing local SEO delivery. Successful bids include a £499,990 grant from Big Lottery Reach Community Funds to deliver family-oriented activities for children under five between 2015–2018.

Bristol Together CIC works with a range of social enterprises, including Aspire Bristol and the Restore Trust, to create full-time employment for ex-offenders through property refurbishment. They have also raised £1.6 million through a social investment bond with the support of Triodos which provides capital to finance the purchase and refurbishment of empty properties. It supports the work of Serve On, Mentor Me and the 61 network who are key players in recruiting, training and supporting volunteer mentors. 'Over the course of the five-year bond we hope to pay over £1 million in wages, and create jobs for up to 150 ex-offenders.'

Despite these kinds of positive examples, a need for more and better collaboration between those within the social economy was a recurrent theme in the roundtable discussions. A co-operative representative in Cardiff expressed disappointment at the lack of encouragement of mutual support, joint working and shared investment between co-operatives. It was also thought that, for example, housing associations or other well-established and larger community anchor organisations could and should support newer social economy actors.

Social economy organisations in Cardiff, as well as Glasgow, considered the importance of working more together, sharing resources and innovating, rather than trying to produce isolated and smaller scale impacts. There was also concern in Glasgow that, while there might be a lot of supportive infrastructure and intermediaries, there was a lack of joining up which might inhibit the scale of impact. There was also a desire in Sheffield to improve links with green initiatives, given the significant number of environment-focused organisations in the city, for example around alternative models of energy production as a source of new jobs.

A need for more places and spaces for convening people to problem-solve around specific issues was identified at all three events, such as to make the best use of a physical asset, to provide affordable childcare, create vibrant local economies where there may be currently few job prospects or enterprises, or to address city-wide challenges such as effective procurement. This kind of conversation could and should be convened, it was felt, by different players depending on who was best placed.

Universities, for example, could have a key role to play as neutral facilitators and trusted brokers, convening difficult conversations to address specific challenges. Participating academics in all three roundtable events made this suggestion. One example given was that they could create a collaborative space to talk about procurement, where existing practice could be challenged, and the right people involved who could change the rules. For other kinds of issues, or for particular local places, other catalysts or convenors could be more relevant such as community anchor organisations, or the council, to respond to different places or issues.

Local authority representatives at the roundtable meetings also wanted to move towards a more horizontal and collaborative way of working, not just because of austerity but also in recognition of this being a better way to tackle complex challenges. Participants were concerned, however, that local government is still characterised by departmental silos and lack of communication. There was overall agreement that there is a need for a culture and style of leadership that is more open and enabling of bottom-up community economic development, and which can integrate multiple agendas in a more holistic way.

Innovation and knowledge sharing

A recurrent theme from our review relates to how entrepreneurial SEOs are able to develop innovative responses, particularly in relation to local economic employment and enterprise development and the challenges faced by the public sector (see Box 6).

Box 6: Examples of innovative SEO activity

Knowle West Media Centre (KWMC) is an arts centre in Bristol which supports people and communities to use digital technologies and the arts for 'community activism, education, employment and local decision-making'. It is embedded in Knowle West, an estate of about 5,500 householders, and works with the community to create positive social change. KWMC was named as one of the Intelligent Community Forum's (ICF) Smart21 Communities for 2017 in recognition of its role in using digital tools to build local economies and society.

MAKLab was founded in 2012 and provides access to 'the latest disruptive technologies' as well as delivering workshops, community outreach, continuing professional development and learning in Glasgow and across Scotland, through a network of spaces that trade skills and resources with each other and link internationally. Some core aims of MAKLab are to contribute to economic growth and social empowerment.

The Beautiful Ideas Co CIC is a collective of local entrepreneurs and leaders in north Liverpool which evolved out of a three-year regeneration project and campaign to change perceptions towards north Liverpool in partnership with the council. A council-owned plot near Anfield was transferred to the Beautiful Ideas Co who turned it into a car park to generate money for the local economy. LaunchPad then became their incubation programme to invest in ideas to create growth in north Liverpool. Key themes include: developing spaces for change and the better use of under-used assets (eg empty shops); mobilising the local workforce and tackling underemployment; reinvigorating production and local skills; using social networks to tackle social exclusion; encouraging spending and the circulation of money within the local economy; and radical banking.

Regather is a trading co-operative in Sheffield, owned and managed by local people for local people, to create a mutual economy. Since 2010 it has created support for social enterprise start-up and development, buying and selling fresh produce from local growers and supporting local food initiatives using kitchen facilities to grow a home-based business. They are using grants from the Community Economic Development Programme operated by Locality to catalyse urban agriculture across Sheffield by using available land or roof assets for community food growing, and linking with the university to support high-tech approaches to increase yield and productivity.

Ashton Community Trust, Belfast, sees itself as a 'social regeneration charity'. It is a model of best practice (NI Social Enterprise of the Year 2013), and addresses high levels of economic and social deprivation through services to support education, employment, training childcare, health and culture. It also enables local community forums to support wide engagement and bottom-up decision-making. Most of the 170 employees are local. It set up Ireland's first FabLab in 2012, introducing children and young people to digital fabrication.

While it does not appear that there is the same intensity of knowledge sharing between multiple actors as in some of our international city cases, it does occur in UK cities; between similar organisations, national intermediary bodies, and place-based groups. There are also some examples of universities working particularly with social enterprises, for example, in Plymouth and Salford.[32]

A good example of innovation being enabled by the strategic linking role of city authorities comes from Glasgow. In January 2017 the city council encouraged service providers to share ideas to address the need to create affordable childcare across the city. This involved a five-day workshop ('sprint') with the Centre for Civic Innovation, a process that brought together service providers to address the need for affordable childcare across the city through design, prototyping, and testing ideas. Childcare in Glasgow is currently very expensive and fragmented, and predominantly targets three- and four-year-olds. The brief facing childcare providers, mostly SEOs, was to develop a city-wide network of childcare for 0–12 years which is seamless, affordable and creates employment. The prototype developed is due to be launched in spring 2017.

Procurement as a key lever

The commissioning and procurement of public services is a key lever by which city authorities can engage SEOs and enable their potential. There was a general view from the roundtable discussions that there needed to be a fundamental shift in public procurement away from top-down (often exclusively large-scale) tenders to more effective engagement with potential SEO deliverers at the design stage and with greater focus on enabling innovation and bottom-up systemic change. This might also entail reconsidering the current competitive nature of tenders to enable more collaborative responses. To enable this shift in procurement strategy, it was also felt that there needed to be skill shifts within local government to become more entrepreneurial and facilitative. It was also felt that many SEOs needed to become better at collaborating on joint bids to access procurement opportunities, such as in the example provided by Sheffield Cubed (see Box 5).

An issue identified in the city roundtables was that some successful SEOs were still not fully capturing their contributions in terms of social value and that therefore their wider impacts were not being sufficiently exploited or recognised in tenders. There was also a feeling, especially in Sheffield, that community partnerships in local areas could be further developed to enable more effective local commissioning and collaborations. There is also an opportunity with the new commissioning framework to link the NHS and community partnerships. The example of Cleveland (Section 4) has particularly inspired Sandwell and West Birmingham NHS Hospitals Trust and Sandwell Council to rethink how a new hospital might engage with and enable local business and social economy activity through using procurement contracts to seed new enterprises.[33]

Infrastructure provision

As previously discussed, national efforts to provide supportive infrastructures often focus on generic provision for individual SEOs, including support for skills, finance, and access to appropriate legal models. In this section we have shown how a number of UK cities have particularly benefitted from place-based approaches which are more sensitised to local needs and attempt to take an integrated approach to developing supportive contexts. Examples include SEUK's Social Enterprise Place programme which is playing such a role in half the city cases, and Locality's Community Economic Development programme (eg in Sheffield). There have also been efforts at city-wide mapping of available financial and business support to help identify gaps and enable improved access (notably in Glasgow, Liverpool and Sheffield).

Gaps remain in start-up and growth finance for SEOs. There is scope at a city level to review the availability and appropriateness of different kinds of finance for all stages and types of SEO. This could include crowdfunding, peer-to-peer lending, quasi equity, and even seedcorn grants for innovation and loan finance, as well as public-social economy cost-sharing in weak markets.

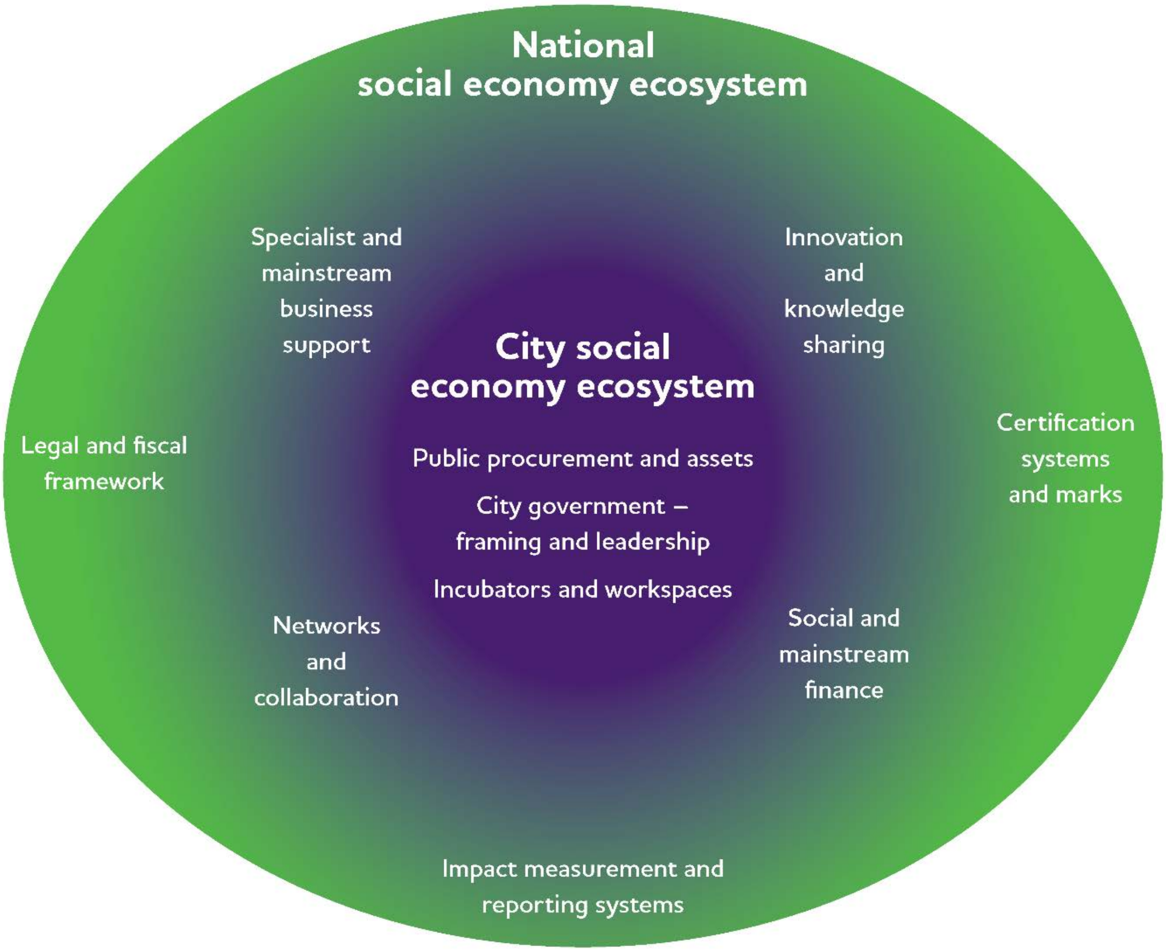
The role of the social economy in maximising the impact of assets and infrastructure spend was raised at the roundtables, particularly in Cardiff where the use of council-owned assets or their transfer (whether through lease or change of ownership) to create multiple forms of value was one of the main topics for discussion. There were feelings that there was a need to reconsider the strategic use of such assets, by engaging all relevant stakeholders to assess their potential multiple value and revenue streams and design solutions.

Access to affordable premises emerged as a key issue for many SEOs, particularly in city centres. There appear to be vacant premises and under-used buildings available in some cities.[34] This suggests a need for city authorities, the private sector and social economy actors to work together to find ways to identify and enable access to appropriate premises at affordable rates, or create bespoke workspaces. While there are increasing numbers of managed workspaces, particularly for SEOs in cities, the international case studies show the importance of incubators for the development of SEOs. The UK could learn from good practice internationally, for example, from those that create distributed models of networked incubation, or those with a specific focus such as the creative industries.

Towards an ecosystem approach?

Our international examples showed the importance of both collaboration between multiple actors and a high level of support integration – or an 'ecosystem' approach. Drawing on Wilkinson (2014) and the evidence from the international and UK city cases, Figure 1 sets out the different elements of this approach.

Figure 1: Elements of the city social economy ecosystem



In the UK, this ecosystem of synergistic links seems harder to discern. However certain areas – particularly as a function of the efforts of key social economy actors and aided for example by their designation as a Social Enterprise Place – are focusing more on their local area and interconnections, rather than adopting a narrow approach based primarily on national or sectoral linkages.

The examples in Box 7 demonstrate the kinds of inter-relations which have both enabled, and have been strengthened and developed as a result of, becoming a Social Enterprise Place (SEUK, 2016b).

Box 7: Towards an integrated social economy – Social Enterprise Place

Salford – the recent growth of social enterprise in the city to address 'real need in deprived areas' has been enabled by a strong enabling environment together with 'forward-thinking infrastructure', according to the report on three years of the Social Enterprise Places programme (SEUK, 2016b). As well as supportive engagement by the mayor and Salford City Council, various other actors have been involved in collaborative activities and support, including Salford CVS and the Centre for Social Business at Salford University; the Social Enterprise Place Stakeholder Group; the School for Social Entrepreneurs; housing associations; and Business in the Community (BITC).

Wrexham – a high level of interaction between social economy organisations and the private and public sector (according to key informants). One stated aim in Wrexham is to 'maximise the benefit to local communities of significant structural projects such as the North Wales Prison development'. The group has also resulted in more collaborative bids and inter-trading. They are also exploring links with the council, for example in housing void clearances or gardening, which could engage eg the long-term unemployed.

Plymouth – has strong links between the Social Enterprise Network, a supportive local newspaper, the local 'social enterprise' university, an LEP social enterprise sub-group, and has engagement from the council particularly around the implementation and fuller realisation of the aims of the Social Value Act.

These collaborative links were particularly apparent in smaller cities and larger towns, and may well have developed, according to some key informants, because in such contexts it is easier to make such connections and develop trust-based cross-sectoral relations.

Conclusion

This section shows how the social economy is contributing to inclusive growth in UK cities, often in varied and innovative ways, as well as the importance of the role of governance, leadership and other enabling factors. The international examples show that the most successful cities are often those with an ecosystem approach, where the collaborative efforts of multiple actors and appropriate support and leadership combine to greatest effect. In the UK, this ecosystem of synergistic links seems harder to discern.

There is also a need for better mapping and accounting of the diversity of social economy to articulate more clearly its contribution to creating inclusive growth.

There are new opportunities and challenges for the social economy arising from national and city devolution. However, concerns remain about the lack of engagement within economic strategy discussions and implementation, particularly because of an emphasis on large-scale investment rather than wider inclusive economic development initiatives which might better respond to people's employment and lifestyle needs. Relatedly there is a need for a culture and style of city leadership and governance that is more enabling of bottom-up local economic development which links multiple agendas in a more holistic way.

Recognising the complex challenges of inclusive growth, as well as the need to create impact at scale, there is a widely identified need for greater collaboration, including within the social economy, and between SEOs and other actors in the public and private sectors. This can also facilitate innovation and knowledge sharing.

Finally, it needs to be recognised that even cities with a highly developed and successful social economy, such as Bristol, may not be addressing the inclusion agenda as well as they could. There is some indication that certain kinds of social economy success may in fact contribute to greater social division through the creation of middle-class jobs and the gentrification of localities. Furthermore, some of the jobs created by SEOs when delivering public services, or working in low pay sectors or disadvantaged communities, may be accompanied by poor pay and work conditions.

6 Conclusions and recommendations for future city strategies

The social economy has many roles to play in furthering economic growth that is more inclusive and sustainable. However, for the potential to be fully realised, various challenges need to be overcome. This will require appropriate recognition, leadership and support by city authorities, as well as increased collaboration between SEOs and other economic actors.

Social economy as a useful organising principle

While there have been many changing definitions and concepts (such as third sector, social enterprise, civil society, or social sector), it appeared that most participants in our roundtables, as well as people interviewed for the case studies, felt that the 'social economy', understood in its widest sense, was a useful way to consider how the activities of different actors can be more firmly embedded within the understandings and activities of a more inclusive economy.

They felt that the term provided an opportunity for representatives across the social economy to engage in dialogue with other stakeholders around similar issues, be more collaborative, bring the social and the economic together, and also enable them to advocate for a more responsible economy. However, there was also concern about the current fragmentation within the social economy, as well as a lack of a shared agenda or values.

Towards supportive ecosystems

Previous UK approaches to social economy support have focused more on individual organisation support for entrepreneurship and development through skills, finance, or access to appropriate legal models. For cities to better engage the social economy as part of strategies and actions to create inclusive growth, evidence from international city case studies suggests moving towards an ecosystem approach with particular attention to five themes: framing, leadership and governance; networking and collaboration; innovation and knowledge sharing; procurement as a key lever; and infrastructure provision.

The ecosystem approach focuses on reinforcing the links between support mechanisms, policy networks, institutions, and collaborations between SEOs, vertically with regional and national networks, and across sectors. These city ecosystems are also part of national ecosystems which can both enable and constrain city-level activity.

Our UK analysis of current policy and practice identified examples of good practice and future potential areas as well as areas where UK cities appear to lag behind some of the international city cases. These include:

- Framing, leadership and governance – less understanding, championing and mainstreaming by city governments of the potential of the social economy to contribute to inclusive growth. It seems particularly difficult for SEOs to influence economic development strategy or delivery bodies.
- Networks and collaboration – relatively less collaborative activity within and outside the social economy, but a recognition that this is the desired way forward.
- Innovation and knowledge sharing – some good examples of innovation and knowledge sharing, but with potential to do more and adapt international examples for local contexts.
- Procurement – challenges experienced by SEOs in accessing public and private procurement opportunities, including issues related to early awareness of available contracts and opportunities, as well as constraints caused by their relatively small size and capacity.

- Infrastructure provision – access to business support and finance in the UK appears to be relatively more fragmented, and there could be further development of different incubator models drawing on international good practice.

Some of the limitations identified may, in part, be due to the centralised nature of UK political decision-making relative to other international city contexts, as well as fragmentation and lack of collaboration within the social economy which needs to be addressed within a place-based approach. The increasing focus on City Deals and changing governance arrangements, however, creates opportunities for more mainstream engagement and collaboration at city level.

There have been some significant policy changes and national support for various parts of the social economy, particularly enabling them to increase their contributions to reducing poverty, delivering public services and the economic development of disadvantaged areas. For example, social finance has been promoted by successive governments. Yet there seems to have been a political tendency in the UK to see these diverse organisations within the social economy as part of responding to 'market failure', rather than as being part of a fuller understanding of what it takes to create a thriving, inclusive and responsible economy, as well as innovating new approaches, sectors and employment opportunities.

This has meant that there has been far less attention to how the social economy, and particularly those parts which include alternative business models, is potentially part of creating resilient, inclusive and more equal economies. This is surprising given the increasing evidence of the relatively improved performance of co-operatives and employee-owned businesses through the recession.

The increasing focus on City Deals and changing governance, however, creates opportunities for more mainstream engagement and collaboration at city level. There are also opportunities arising from the increasing focus on fairness and inclusive growth within cities which, particularly in the case of Scotland and Glasgow, is beginning to show and articulate how the idea of a more plural economy, involving greater recognition and activity from SEOs, could work.

In both Cardiff and Glasgow there was discussion about how the council is looking to change how it works, towards being more like facilitators and enablers. This was perhaps most clearly stated in Cardiff, where the council wanted to move to a more horizontal relationship and collaboration with different actors. This desire came not only from a recognition of the complexity and cross-cutting nature of the challenges faced but also from the recognition of a need to include local people in the design of 'solutions'. In Glasgow, the aspiration is to 'be a council which does things with people rather than to them'. This more facilitative role was also seen as being influenced by austerity and the reduced resources available. SEOs were seen as key parts of this more collaborative way of working.

Recommendations for developing the social economy

Cities can better engage the social economy as part of strategies and actions to create inclusive growth in the following ways.

Mapping the social economy and its ecosystems

- City governments should work with SEOs to map the diversity of social economy activity, and better understand and quantify how different SEOs contribute to inclusive growth – including less formal economic and community activity – within their city regions.
- This mapping could include the ecosystem of current support, network interactions, and intermediaries, to better identify and fill gaps.
- SEOs themselves need to consider, understand and evidence how and whether they create decent jobs, contribute to thriving local economies, and impact on inclusive growth.

Framing, leadership and governance

- SEOs should consider creating a social economy forum at city/city region level to better pool resources, and create more opportunities for learning and collaboration. This would provide a basis for more coherent interaction with government and other key actors, including from the private sector and universities.

- City governments need to recognise and champion social economy involvement as a key part of creating fairer and inclusive city economies within their strategic economic plans and related policies.
- City economic development departments and local economic strategy bodies (such as LEPs or City Deals) should incorporate social economy representatives within boards and decision-making groups.

Networks and collaboration

- SEO representatives and business intermediaries should lead in encouraging cross-sector collaborations and networks for knowledge sharing and action around priority challenges, such as childcare, engaging with business, government, universities and trades unions.
- City governments should support local community anchor SEOs, such as housing associations or community businesses, to catalyse collaborative activity across the social economy, private and public sectors to improve jobs and enterprise in deprived local areas.
- Social economy intermediaries within and across cities should exchange good practice and ideas to increase their impact and share resources. This might include the use of technology, collaborative economy approaches, or larger established SEOs supporting smaller SEOs and start-ups.

Innovation and knowledge sharing

- International case studies suggest that SEOs should explore a range of innovative models to encourage innovation. Examples include creating virtual incubators which support start-ups through collaboration and advice; links with academic research networks; specific institutions which focus on creating innovative solutions to inclusive growth; and the promotion of learning across cities.
- Where these relationships do not currently exist, SEOs should consider working more closely with local universities and other sources of relevant knowledge. Local universities can also use their position as anchor organisations to encourage and support SEOs through their procurement activity.

Procurement and public assets

- Public procurement opportunities could further enable the engagement of added-value SEO delivery. This should include more pre-contract strategic engagement to facilitate greater understanding of the multiple impacts of SEOs so they can better contribute to and benefit from the Public Services (Social Value) Act 2012. Public service commissioners can secure wider social and economic benefits by talking to their local providers and communities to design better services and find innovative solutions to difficult problems.
- City governments could also learn from international examples of the strategic use of public procurement to develop new SEOs and support local economies, particularly in areas with few decent jobs.
- Procurement opportunities arising from City Deal investments do not appear to be engaging SEOs. Reviewing community benefit policy and implementation of the Social Value Act to enable SEOs to have increased access should be considered by city authorities.
- Consideration also needs to be given to the creation of more platforms and mechanisms to enable SEOs to be part of private sector and SEO supply chains.
- City governments should adopt a more strategic approach to the use and ownership of their physical assets. They should work together with the social economy, private sector and finance providers to maximise the scale and range of impacts that can be created.

Social economy infrastructure – business support, finance and premises

- Social economy representatives should map available financial and business support to identify gaps, enable improved access, and encourage more collaborative activities (such as peer-to-peer learning networks across the social economy).
- International case studies show the importance of incubators for the development of SEO start-ups. Existing UK SEO incubator models could learn from good practice internationally, for example,

distributed models of networked incubation, or those with a specific focus such as the creative industries.

- We suggest that city authorities, the private sector and social economy actors work together to find ways to identify and enable access to appropriate premises at affordable rates, or create bespoke workspaces.

Appendix 1: Estimated population of different SEOs and contribution to economy and employment

Reference	Data year	Scope: Type of SEO	Estimated Population of SEOs	Estimated contribution to economy
UK				
Social Enterprise UK (2015)	2015	Social enterprise – self-identify – >25% trade income	70,000	£24bn[35]
UK Cabinet Office (2016)	2013–2014	Social enterprise – self-identify – >50% trade income	741,000	Employing approximately 2.27 million
Co-operative UK (2016)	2016	Co-operatives	6,797	£34.1 billion to the economy while employing 222,785
NCVO (2016d; 2016e)	2013–2014	Voluntary sector as per general charities definition	162,965	£41.7 billion. Estimated to employ 827,000 (2015)
NCVO (2016f)	2013–2014	Civil society organisations	386,815	Combined £110 billion employing 2.2 million
Employee Ownership Association (2012)	2012	Employee-owned organisations	N/A	Employee ownership represented circa 3% of UK GDP. Employee-ownership in the private sectors is estimated to be worth £30 billion.
England				
Co-operative UK (2016)	2016	Co-operatives	5,514	Turnover of £29 billion employing 197,348
NSCSE (2010)	2010	Third sector: charities, social enterprises and VSOs	112,796	N/A
Scotland				
Social Value Labs (2015)	2015	SEOs: Enterprising charities; community co-operatives; social firms; community-based housing associations	5,199	£1.68 billion GVA estimated, employing 112,409
Co-operative UK (2016)	2016	Co-operatives	564	Turnover of £3.3 billion employing 15,954
Wales				
WCVA (2016)	2016	Third sector organisations	33,000+ (8,671 charities)	£3.7 billion equivalent to 6% of GDP
Co-operatives UK (2016)	2016	Co-operatives	464	Turnover of £0.9 billion employing 4,562
WCC (2015)	2015	SEOs: Social enterprise; co-operatives; mutual + employee-owned	1470	Sector valued at £1.7 billion employing 38,000
Northern Ireland				
Co-Operatives	2016	Co-operatives	255	Turnover of £1.4 billion

Reference	Data year	Scope: Type of SEO	Estimated Population of SEOs	Estimated contribution to economy
UK (2016)				employing 4,921
PwC (2013)	2012	Third sector segmented: community/voluntary and social enterprise)	3,821 (3,348 & 473)	£1.2 billion (£625 million/£592.7 million) employing 29,784 (17,800/12,200)

Appendix 2: Extended case studies of international cities

Lille

Lille is a city in northern France bearing many similarities to cities in the UK outside the relatively prosperous London and the South East (for example its metropolitan area has youth unemployment at 25%). It has benefited from a strong mayor, and a history of well-established and strategic collaboration with the social economy. In fact in most regions of France, there has been a national initiative to create a strategic alliance between the regions and the social and solidarity economy. The city region of Lille-Roubaix has a substantial number of social economy organisations, and since the 1960s the social economy has been part of the strategies to address poverty. Roubaix has just over 2,500 social economy organisations, most of which are non-profits, providing about 14,000 social economy jobs; Lille has just under 9,000 social economy organisations providing work for approximately 50,000 people – in both cases employment comprises staff and people in training and employment placements. For example ICEO Roubaix is a work integration social enterprise carrying out a range contracts for cleaning, building maintenance, car park security, and secretarial services; it has 200 staff with 175 long-term unemployed, and each year provides work experience and training for about 400 people going through its work integration programme. The region operates within the context of social inclusion policy in France, which concerns social security, employment policy, and social cohesion policy – the first two operate at the department and state level (but with regional arms), whereas the latter operates at the city and state level.

Lille-Roubaix adopts an area-based policy for combining infrastructural regeneration with active inclusion initiatives (ie linking housing, education and training, business incubators and advice, green spaces). The effectiveness of such integration strategies is improved by including service users in the design and implementation of services. Lill-Roubaix has used the Council of Europe SPIRAL method (societal progress indicators and responsibilities for all) to help communities improve decision-making and increase trust between the municipality and the citizens. It has also developed a way of co-ordinating structural measures and local specific initiatives to ensure effective social cohesion by assigning a local project team in each area. This helps ensure an integrated approach to housing, citizenship, crime prevention, employment, education, and health.

About five years ago Lille set up a thinktank to develop a strategic urban plan for social inclusion through the social economy. A key part of this is social and work integration. There are three themes in this strategy: financial support for non-profits (including grants and loans for premises) – Roubaix currently funds about 300 non-profits; budgets specifically for non-profits to provide services such as social assistance, career advice, benefit advice, and help with accommodation and food; and reserved contracts for work and social integration organisations. But an additional important measure is the use of a mandatory integration clause for all procurement contracts. This requires procurement organisations to allocate a certain number of working hours, or a certain percentage of the contract's working hours, to the integration of people into employment; this may be done directly, through sub-contracting, or by working with a work integration organisation, for example from the social economy. This has been further extended for urban regeneration work carried out by construction and civil engineering companies, which are required to hire and train a certain number of people from designated urban problem areas. (In Lille this corresponds to 610 one-year contracts. Lille-Roubaix has also established partnerships with local businesses to take on apprentices for young people. (It is understood that Birmingham has adopted similar policies).

Since 2002, quality standards have been established for health and social care. This applies to all providers. An ethical framework is being established for social economy providers (non-profits) where they are required to supply information about the qualifications of their staff, beneficiary assessment of service quality, performance regarding beneficiaries against objectives, and number of beneficiaries provided for.

In the context of funding cuts, the performance of the social economy organisations is under scrutiny. Roubaix is looking for ways to assess the added value of the social economy with regard to social cohesion, and is exploring the use of social cohesion indicators developed by the Council of Europe.

A new social/environmental investment strategy has been initiated by the northern region of France and the Nord Pas de Calais region (of which Lille is the capital). It is managed by the social economy organisation, Crédit Coopératif, and aims to use the interest of savers to invest in the local economy, but in particular to help finance the 'third industrial revolution' – businesses concerned with renewable energy, energy storage, energy efficiency, the circular economy and electric cars. The return from savings is 1.5% up to €1,500, and 0.55% up to €100,000. On average 50% of savers invest €2,000; 20% are under 28 years old, and they invest an average of €1,250; two-thirds of savers are from the region, while one-third are from outside, but with origins or links to the region. Investment is only in local firms with a minimum of €12,000. Launched in 2015 as part of a national scheme, after a year more than 24 projects have been financed.

Recode is a multi-sectoral partnership to help retrain industrial workers for the service sector according to local labour market needs.

CITEO is an association of mediators – the first French organisation specialising in social mediation. The aim is through mediation to improve social relations in public spaces such as public transport, city centres, neighbourhoods, parks and schools, and sports and cultural facilities, in metropolitan Lille. This can make important contributions to prevent delinquency, school exclusions, and improve citizenship.

Montréal

The social economy in Montréal is widely seen as an exemplary model on several different levels. First, through partnership between the city and region government (Québec), it plays a central role in addressing problems of unemployment and exclusion. Second, it is able to draw on the strength of well-established social economy organisations, such as Desjardins, the largest federation of credit unions in North America, which was founded more than 100 years ago, and is a major employer in the financial services sector; thus the social economy is well established and forms an important part of a plural economy in Québec. Third, it is a driver of social innovation, in partnership with the city and through multi-sectoral partnerships – developing social innovation initiatives to address inclusion, developing knowledge-based approaches for bottom-up collaborations, and developing innovations in the ecosystem for the social economy.

It is estimated there are about 7,000 collective companies and co-operatives, with 210,000 staff, comprising 5% of the Québec economy. The sector is valued because its solidarity nature creates a more inclusive society and enables people to innovate. They have well-established non-profits and co-operatives in a variety of sectors, as well as those linked directly to social inclusion: housing co-ops, collective kitchens (to enable capacity for budding businesses), childcare assistance, and co-ops to help people find their first job. They are seen as an important part of the city's economy. It is not just about GDP, but about creating good quality jobs, and a more inclusive economy. There can be a strong sense of solidarity between different parts of the social economy, for example housing co-operatives may collaborate with worker co-operatives to provide employment, and with social co-operatives to provide home care and child care for the residents.

Since 1999 when it was founded, the Chantier de l'économie sociale has co-ordinated and represented the different parts of the social economy. It has been an important voice in policy at the city and regional level, promoting the interests of the social economy, developing partnerships, and strengthening and innovating the ecosystem for the social economy. In partnership with others it has helped pioneer a number of financial innovations, to strengthen the social economy ecosystem. Patient capital allows social economy organisations access to an instrument which mimics some of the attributes of equity, thereby giving flexibility to repayments depending on the financial results of the social economy organisation. Reseau d'investissement Sociale du Quebec (RISQ) is a non-profit venture capital fund for social economy enterprises, for start-up, consolidation, and growth/replication. It has a closer relationship than conventional banking with organisations it invests in, to improve investment outcomes. Thus there are three areas of activity: access to business consultancy and advice, business planning to support start-up and development, and capital investment which operates through the Fiducie de l'économie sociale.

The Fiducie uses the patient capital instrument to offer loans ranging from $ 50,000 to $ 1.5 million, allowing repayment of capital for up to 15 years.

The social economy and the Chantier benefit considerably from several other institutions in the city and the province of Québec. Ciriec Canada is part of an international network for research on the public and social economy, and the strongest part of this network is in Québec, particularly Montréal. This network of researchers has continually engaged with different parts of the social economy in action research projects to support innovation and development. Its researchers have been leading figures in the developing field of social innovation, and linking this to the social economy. The research strongly emphasises bottom-up processes, along with systems of co-governance, for the co-production of knowledge/know-how about effective interventions. This is as much about strengthening the dynamics of established social economy organisations like Desjardins and housing co-operatives, as improving the effectiveness of small social economy organisations intervening to assist disadvantaged communities and individuals. This research also informs a considerable amount of education and training relating to the management and development of the social economy, provided by the universities where these researchers are based.

The Karl Polanyi Institute of Political Economy is based in Montréal, at Concordia University. As well as providing a rich intellectual resource, its events and conferences (and the visiting scholars) are clearly relevant to current issues in society, and the future development of the social economy.
There are many interesting social economy initiatives: for example Technopol Angus which developed through a multi-sectoral partnership for regenerating an old industrial area in Montréal. The Angus Development Company, a social economy enterprise, established after the closure of Angus Shops, transformed the old site into a multi-purpose venue for business, healthcare, IT and multimedia, including social economy enterprises. The design embraced good practices of sustainable development; and there are now more than 2,000 workers employed there,

Gothenburg

Gothenburg is the second city in Sweden with a population of about 1.5 million (including the wider metropolitan area), with a substantial immigrant population (18%). It is a university city, with a large port, and a strong industrial past – (for example as home to Volvo and Ericsson).

It has a long history of developing the social economy, particularly new co-operatives. These include work integration social enterprises, social enterprises delivering public services, and social enterprises operating in private markets. Part of this achievement is down to a long-term strategic partnership with the municipality, through a compact, and a strategic vision. The social economy comprises 6% of all companies, ie about 20,000 organisations, and its workers comprise 4.2% of the wider regions employees. The social economy in Sweden has a turnover of about 140 billion Swedish kroner (€14 billion). The Swedish government defined the social economy in 1991 as follows: 'organised businesses that primarily have social aims, are founded on democratic values and are organisationally independent of the public sector. These social and financial businesses are mainly run by associations, co-operatives, foundations and similar compositions. Businesses within the social economy sector put the benefit of the general public or the members before profit'.

The city government sees the social economy as a key player in addressing inequality, through social innovation, and with a future focus on agreements and plans for action. It has many social economy initiatives, firm ambitions for developing the social economy in public procurement, and a well-developed and innovative ecosystem for the social economy. This includes:

- Coompanion: a longstanding national network for the development of co-operatives and the social economy; it sees itself as a partner with municipalities and public sector bodies to help provide leadership in social innovation often through the development of co-operatives and social enterprise.
- A social franchising strategy, including Le Mat (a hotel for the work integration of disadvantaged people, including unemployed immigrants).
- Regional micro-funds for social enterprise and regional development; the Gothenburg micro-fund – Mikrofonden Vast – has 1.4 million Swedish kroner in funds. Initially this fund was a mutual guarantee fund for credit guarantees, but now embraces a wider range of investments. Funding is supported with advice and engagement of networks in the social economy; the main aim is to

increase entrepreneurship and the growth of the social economy. Funds have come from the region, and the Swedish Agency for Economic and Regional Growth, but the micro-fund comprises a broader group of 46 partners, including established/new co-operatives, regional development councils, and banks. Investment may also come from non-member and member contributions, donations and gifts from individuals, business and the public sector (potential for use of EU structural funds is also being considered).

- A regional social economy body – Gothenburg Social Economy (GSE) which plays a role developing and representing the sector.
- Mikrofonden operates at the regional and national level, and works with a network of other financial bodies to provide loan guarantees, thereby reducing the risks for other investors (often from commercial banks), and helping new (social) enterprises with a deficit of start-up capital. Its regional and national bodies are funded by established co-operatives, the municipal trade union, smaller banks including Ekobanken, and government bodies.
- An entrepreneurial hub in one of the most disadvantaged multicultural districts has been set up with funding from the city and ERDF. It is a multi-sectoral partnership with universities, NGOs (eg Red Cross), housing organisations, local business, as well as public bodies. The Greenhouse is an incubator and networking space for new entrepreneurs, but it also provides specialist business support for established businesses. It works with schools to establish entrepreneurial, employability, and life skills for young people; this includes some entrepreneurship programmes. It also targets female Muslims and immigrants from Syria with experience of running successful businesses back home.

Critical reflections: In the past, the strong Swedish welfare state has provided substantial support for inclusive projects and initiatives; organisations such as Coompanion have played a key role in moving beyond projects to sustainable social economy organisations, and now the welfare state is in retreat they have become important players in re-configuring the third sector. This emphasises the key role played by intermediary bodies to support the entrepreneurial development of the social economy.

Barcelona

Spain is one of the leading countries in Europe for recognising and developing the social economy, which has its origins in the mid-19th century, and adopts a classic approach emphasising the four pillars: co-operatives, non-profits, foundations, and mutuals. It is a country with a decentralised public administration and strong regional governments and identities, including the region of Catalonia, with its capital Barcelona. Since 1981 Spain has had a national Inter-Ministerial Delegation to the Social Economy, with policy being developed at national and regional levels. There was a flurry of policy activity in the early 1990s: the National Institute for the Promotion of the Social Economy was set up and was followed by the publication of a Spanish government's White Paper on the social economy. Statistics began to be gathered regularly on worker-owned firms and co-operatives. The culmination of many years policy activity resulted in the law on social economy (Law 5/2011) which recognised and gave support to the social economy as a separate economic sector. There have also been some interesting innovations in legal forms, for example labour companies (sociedad laboral), designed to facilitate worker buyouts of failing businesses. Spain was one of the first countries in Europe to establish satellite accounts for producing national statistical data on the social economy. In 2009/10 paid employment amounted to: 646,397 (in co-operatives), 8,700 (in mutual), and 588,056 (in associations); total employment: 1,243,153 – these were employed in more than 200,000 social economy enterprises.

The pillars of the social economy (CMAF) have representative structures at the regional level of Catalonia, such as CoopCat, and FeSalc for labour companies, and a federation of worker co-ops, etc. But co-ordination of these at the regional and city levels has also been achieved. The Social Economy Network was set up in 2006 and is funded by the city, as part of a pact for a more inclusive Barcelona. It operated until 2013 linking together 80 social economy organisations, primarily concerned with combating social exclusion for the most vulnerable. Although primarily concerned with social economy organisations, is was also concerned with good practices in CSR.

The extremely severe impact of the financial crisis of 2008 and the long period of austerity has helped reshape a critical approach, with the new political anti-austerity party, Podemos, and the growth of radical municipal politics, which have placed an emphasis on bottom-up democratic processes, and social movements driving more egalitarian policies. This has led to an emphasis on solidarity economy, and on democratising new sectors of the economy such as the collaborative/digital/cultural sectors.

The Catalan Network of the Solidarity Economy (Xarxa d'Economia Solidaria de Catalunya) was inspired in the mid-90s by the Brazilian experience, and sees itself as a laboratory for exploring new ways of working, consuming, and investing to develop a more democratic, equitable and sustainable world. Its members are from different parts of the social and solidarity economy (CMAF) plus informal groupings, and the main themes of its current work are: developing mutual co-operation, creation of a social market sector, developing a social reporting and certification technique, and developing and promoting understanding of the solidarity economy. It is also focused on developing a strategic approach, and linking with social movements.

Manuel Castels, through his Aftermath project (about the aftermath of the financial crisis) has argued for a recognition of the growth of an alternative economy, and his surveys found about 30–40,000 people fully engaged in that sector. Many more were engaged to a more limited extent, thus during the financial crisis: 'one third of Barcelona families lent money, without interest, to people who are not in their family' (BBC interview www.bbc.com/news/business-20027044). This pattern of support has also helped develop informal entrepreneurship, which has been an important pathway towards the social and solidarity economy.

The Momentum Project is a major international project in several Spanish cities with a strong presence in Barcelona, as well as in Peru and Mexico. It is a collaboration between the Spanish bank, BBVA, and a Barcelona-based business school, ESADE; it also draws on free assistance from a team of auditors from PwC. It aims to support social entrepreneurship, and develop its ecosystem, through training, mentoring, finance, and networking. It's based on competitive applications for support from social entrepreneurs who have been established for two years, with €100,000 income, and at least 50% of its income from the market. There are several phases of selection and support, including business advice from students of ESADE; ultimately 10 enterprises are selected for extensive support and social investment.

Fundacion Goteo is backed by a non-profit organisation, but operates in a networked fashion to support the collaborative economy. It describes itself as a 'civic crowdfunding and collaboration on citizen initiatives and social, cultural, technological and educational projects'. Established in 2011 and with bases in four Spanish cities including Barcelona, it operates through crowdfunding, workshops, and open source tools with online support. Its open source models allow replication in other parts of the world.
The Foundation guifi-Net won an EU award in 2015 for broadband services in Catalonia and Valencia. It is a citizen telecommunications network, owned by those who provide the network. It aims to develop internet access, as a human right, and as a tool for social inclusion, helping to support and develop the social and solidarity economy, and the information society.

BarCola is a policy and knowledge forum to develop the collaborative economy and commons-based peer production in Barcelona. It places a strong emphasis on the social economy, and helps develop policy and open source tools. It brings together many experts and social entrepreneurs from organisations in the new digital economy, such as: Fundacion Goteo, FabLab Barcelona, OuiShare Barcelona, Ideas for Change, eReuse.

Micro-case on creative but inclusive economy

The creative city has become an important theme in urban development, where cultural development is seen as a key part of improving competitiveness and an important part of city branding. But this form of cultural development, which focuses on recognising the value of supporting the development of the creative class, has received substantial criticism for being elitist and undermining social cohesion, as gentrification pushes out longstanding poorer communities. More recent policy has focused on trying to combine competitiveness and social cohesion through cultural and creative developments. There are two examples of working class districts in Barcelona, were the cultural developments have moved from citizen consumption to local citizen participation. These districts are: Nou Barris and Sant Andreu, and the cultural initiatives are based in refurbished industrial buildings. From the beginning the cultural centre in Nou Barris (Ateneu Popular 9 Barris) was seen as a cultural community centre embedded in the local neighbourhood, and a bottom-up participative process led to the building being managed by a committee drawn from neighbourhood associations. It has been particularly successful in developing circus arts, and in this way has had a wider impact on other districts in the city. The other centre in Sant Andreu is in an old textile factory (Fabra I Coats), which became a public library and cultural centre. Again, through a process of bottom-up community participation, the cultural centre developed a distinctive architectural identity, also supporting the needs of local artists by providing a space for exhibitions, as well as other cultural education activities. Both these initiatives provide space for the different segments of the community, and enhance social cohesion.

Appendix 3: Policy and practice roundtables

To explore the actual and potential contribution of the social economy and the role of city governance, policy and practice roundtables were held in three UK cities. Participants were invited from local government, the social economy, the private sector and academia in Cardiff, Glasgow and Sheffield. Participants are listed in full below.

Each event was introduced with a presentation of emerging findings from the literature review and case studies of international and UK cities, followed by a presentation on the city and city region with respect to inclusive growth by a city council representative (in Cardiff and Glasgow) and an academic (in Sheffield). Overall, these three cities are looking in different ways to include the social economy as a part of inclusive growth strategies.

The discussions were naturally dependent on the people who attended and were informed by the different histories, circumstances and opportunities in each city. As such, they were only indicative of potential in other places.

Participants reported that the events had provided an important opportunity for sharing ideas, and making connections and agreements to explore future potential for collaboration and specific initiatives in all three cities. This would appear to underscore the usefulness of bringing together different actors and sectors to discuss and explore collaboration over challenging issues. What was surprising was that many participants had not previously met or had the opportunity to engage in such discussion.

Policy and practice roundtables – participants

Cardiff – 14 December 2016, WCVA
Matt Appleby, Director, BITC Cymru
Rachel Bond, Vision21
Glenn Bowen, Enterprise Programme Director, Welsh Co-operative Centre
Jon Day, Economic Policy Manager, Cardiff Council
Karen Davies, Director, Purple Shoots
Tim Edwards, Professor of Organisation and Innovation Analysis, Cardiff University
Marco Gil-Cervantes, Chief Executive, ProMo-Cymru
Sheila Hendrickson-Brown, Chief Executive Officer, Cardiff Third Sector Council
Sarah Jenkins, Lecturer in Human Resource Management, Cardiff University
Alun Jones, Social Investment Cymru
Nia Metcalfe, Founder, Spit and Sawdust
John Paxton, Procurement Team, Cardiff Council
Martin Price, consultancy.coop
Alicja Slavic, Procurement Team, Cardiff Council
Lynne Sheehy, Head CSR, Legal and General
Peter Williams, Chief Executive, DTA Wales
Matthew Williams, Policy Adviser, FSB

Glasgow – 19 January 2016, The Prince's Trust Wolfson Centre
David Bookbinder, Director, Glasgow and West of Scotland Forum of Housing Associations
Greg Chauvet, Managing Director, Glasgow Bike Station
Richard Clifford, Chief Executive Officer, MakLab
Alan Davidson, Development and Regeneration Services, Glasgow City Council
Sarah Deas, CEO, Co-operative Development Scotland, Scottish Enterprise
Tommy Docherty, Head of Commercial Contracts, Jobs and Business Glasgow
Gerry Higgins, Chief Executive, CEIS, Community Enterprise in Scotland
Fraser Kelly, Chief Executive, Social Enterprise Scotland
Abigail Kinsella, Principal Officer, Employment and Skills Partnership Team, Glasgow City Council

Helen MacNeil, Chief Executive, GCVS, Glasgow Council for the Voluntary Sector
Alison McRae, Senior Director, Glasgow Chamber of Commerce
David Maxwell, Operations Manager, Volunteer Glasgow
Jim McCormick, Associate Director Scotland, Joseph Rowntree Foundation
Elizabeth McKenna, Network Manager, Glasgow Social Enterprise Network
Dick Philbrick, Managing Director, Clansman Dynamics
Kim Wallace, Business Development Manager, SENSCOT
Kevin Rush, Head of Economic Development, Glasgow City Council
Stephen Sinclair, Professor of Social Policy, Yunus Centre for Social Business and Health, Glasgow Caledonian University
Alan Watt, Director, Scotland, Prince's Trust
David Zabiega, Sustainable Communities Organiser, Govanhill Housing Association, Govanhill Community Development Trust

Sheffield – 26 January 2017, Voluntary Action Sheffield, The Circle
David Beel, Research Associate, WISERD Civil Society Research Centre, University of Sheffield
Neil Berry, Director of Services, Locality
Laurie Brennan, Policy and Improvement Manager, Sheffield City Council
Gordon Dabinett, Professor of Regional Studies, University of Sheffield
Maddy Desforges, Chief Executive, Voluntary Action Sheffield
Ian Drayton, Partnership Manager, SOAR Works Enterprise Centre
David Etherington, RSA Inclusive Growth Commission; Middlesex University
Colette Harvey, Power to Change
Dave Innes, Policy and Research Manager, Joseph Rowntree Foundation
Bob Jeffery, Chair, Sheffield TUC; Senior Lecturer, Sheffield Hallam University
Richard Motley, IntegreatPlus (Cultural Industries Quarter Agency)
Marek Niedzwiedz, Federation of Small Business Committee member; Managing Director at Mar-Pro Invest Holding Ltd
Sheila Quairney, Chair, Sheffield Social Enterprise Network
Rory Ridley-Duff, Reader in Co-Operative and Social Enterprise, Sheffield Hallam University
Gareth Roberts, Director and Operations Manager, Regather
Lorna Wallace, CEO, Bolsover Community Volunteer Partners

Appendix 4: Scotland's economic and social enterprise strategy

The Scottish Government's 2015 economic strategy focused on inclusive growth. It included what is more commonly termed the third sector in Scotland, as well as 'responsible business' as key players in achieving these aims.

The Scottish Social Enterprise Strategy launched in December 2016 sees social enterprise as part of 'reimagining a more inclusive way of doing business' with the opportunity to 'deliver truly transformational change for Scotland's communities'. Social enterprise not only delivers inclusive economic growth, it engenders a successful, vibrant democracy'. These statements reflect the recognition that social enterprise is seen as part of a response to failing economic models, building on Scotland's history of developing 'new forms of business, where social and economic goals are blended together in the pursuit of a more equal society'.

Specific roles identified include the ability to deliver fair work and well-paid jobs, harness the talents of more people and improve productivity, establish business activity in underserved markets and fragile local economies, directly tackle inequalities, harness productive capacity by supporting people furthest from the labour market, promote equality and tackle discrimination. It sees social enterprise as part of creating a more rebalanced economy with more diverse forms of business ownership.

It wants to create three-year action plans including enabling legislation to open up new market opportunities eg in childcare, health or social care; more locally devolved powers; promoting community entrepreneurship to tackle persistent inequalities and encouraging more ethical consumerism. The Community Empowerment Act is seen, for example, as enabling an increase in community-owned and controlled organisations, and they also emphasise the role of more collaboration to achieve scale.

However, the Scottish Government wants to go wider than social enterprise, to promote a broader movement for a 'more just, democratic and inclusive way of doing business' that includes 'democratic and member-led enterprises and enterprising charities' as well as mainstream socially responsible business within every economic sector, and with a supportive ecosystem to move 'from the margins to the mainstream of civic society, public life and business'. It also wants to build more public social partnerships, and consortiums, as well as support for shared resource, for example by using LETS schemes, inter-trading and more efficient collaborative technologies to enable information-sharing, peer-to-peer connection, tendering and subcontracting, and collaborative models of service delivery (such as regional buying consortiums).

There is also recognition of the need for potential compensation for some social enterprises operating particularly in employability, eg to be able to pay the Living Wage. They want to also ensure that community benefit clauses are embedded more widely.

This strategy is likely to influence at the city level if incorporated into ongoing strategies and action plans.

Notes

1 www.oecd.org/inclusive-growth
2 www.un.org/sustainabledevelopment/sustainable-development-goals
3 For instance, see discussion in Jackson (2017, pp 3–5 and pp 50-55)
4 www.isede-net.com/content/social-economy/map-european-and-national-social-economy-institutions-and-organisations
5 http://ec.europa.eu/growth/sectors/social-economy_en
6 http://socialenterprise.org.uk/about/about-social-enterprise
7 Community anchors are independent community led organisations with multi-purpose functions, which provide a focal point for local communities and community organisations, and for community services. They often own and manage community assets, and support small community organisations to reach out across the community (Hutchinson and Cairns, 2010)
8 www.gov.scot/Publications/2015/03/5984
9 www.gov.uk/government/consultations/mission-led-business-review-call-for-evidence
10 Ongoing analysis is happening through Manchester University's Inclusive Growth Analysis Unit (IGAU)
11 This links with a broader view within the EU, where the social economy is seen as an emerging sector in a plural society: 'The main and most important trend that can be observed in the recent evolution of the social economy is its consolidation in European society as a pole of social utility between the capitalist sector and the public sector, made up of a great plurality of actors: cooperatives, mutual societies, associations, foundations and other similar companies and organisations.' (Monzón and Chaves, 2012, pp 103)
12 Such evidence of high job satisfaction could be partly attributable to self-selection, in that certain types of people may prefer and choose to work in the social economy (Borzaga and Tortia, 2006)
13 Enterprising charities, community co-operatives, social firms, community-based housing associations amongst others (Social Value Lab, 2015, pp 10)
14 Note however that when NCVO refer to the voluntary sector, this is based solely on registered charity data. However, they estimate that the full range of 'civil society' organisations employ 2,232,758 people
15 The Wales Cooperative Centre takes a wider view, referring to the social business sector as including "social enterprise, co-operatives, mutual and employee-owned businesses" (WCC, 2015, pp 5)
16 The EOI compares the share price performance of organisations that are more than 10% employee owned or employee trusts with FTSE All Share Companies
17 For further information see the 'Economic Survey of Employee Ownership in European Countries 2011' at www.efesonline.org/Annual%20Economic%20Survey/2011/Presentation.htm
18 In the 1990s, a team of researchers led an international project defining and mapping the non-profit sector. This work established the international classification of non-profit organisations (ICNPO – developed by Salamon and Anheier (1992), based on the criteria that non-profits should be: organised, private, non-profit-distributing, self-governing, voluntary. Jeremy Kendal and Martin Knapp led the UK part of this project, and developed 'broad and narrow definitions' of the voluntary sector (Kendal and Knapp, 1996), partly because the ICNPO classificatory system tends to focus on service delivery, rather than mutual aid, advocacy and campaigning; and because the application of the five criteria is generally not clear, so boundaries are blurred. The broad definition

was shaped by the structural-operational decision, while the narrow definition was an attempt to get closer to public understandings of 'the voluntary sector' in the UK, since the five-part structural-operational definition does not include a criterion related to charitable public benefit or altruism. So some organisations were excluded from the narrow definition because there was a lack of recognition that they were part of the voluntary sector ('would probably not feature in most people's understandings of the voluntary sector in the UK'. Kendall and Knapp, 1996, pp 21) (Spear, 2015). Thus for example: housing associations were considered part of the narrow voluntary sector, and universities, the broad voluntary sector; and sports clubs, recreation and social clubs were excluded from narrow definition (not altruistic), but included within broad definition). The CIRIEC approach takes a broad view, similar to the non-profit definition; the NCVO use the narrow definition

19 Spear et al. (2017) also suggests that between 2005 and 2010 the number of UK 'third sector' social enterprises rose (trading income > 50%, reinvesting majority of profit, and social purpose) from 15,000 in 2005 to 21,344 in 2010, and with additional private sector social enterprises estimates a total of 80,866

20 https://data.ncvo.org.uk/a/almanac16/income-sources

21 https://data.ncvo.org.uk/wp-content/uploads/2016/04/voluntary-sector-income-sources-types.png

22 The Public Services (Social Value) Act came into force on 31 January 2013 and requires public service commissioners to think about how they can also secure wider social, economic and environmental benefits in how they procure services. As well as being a tool to help get more value for money out of procurement, it is also meant to encourage commissioners to talk to their local provider market or community to design better services, and find new and innovative solutions to difficult problems. www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources

23 With respect to social enterprise ecosystems, see Hazenberg et al (2016), Pinch and Sunley (2016) and Wilkinson (2014); and for co-operative entrepreneurship Spear (2014)

24 For a critical but sympathetic overview of this literature, see Stam (2015)

25 GSEF www.gsef-net.org

26 Glasgow has looked at this model to understand the potential for their own economy for example through employee-owned businesses or secondary co-ops to support small businesses to collective scale

27 There are examples in the UK of engaging universities within cities, and Liverpool has particularly taken inspiration from international examples in the creation of its Social Economy Panel as a collaboration between practitioners and Liverpool University

28 Similarly in the UK, the Co-op Group has supported co-op entrepreneurship through The Co-operative Enterprise Hub which was subsequently replaced by The Hive, entrepreneurship support from Co-ops UK and the Co-op Bank

29 Wrexham, although not a city, is the fourth largest urban area in Wales according to the 2011 census, with a population just under 62,000

30 www.scci.org.uk/2012/09/social-economy-forum-launched-to-support-third-sector (accessed March 2017)

31 See also www.socialenterprise.org.uk/social-enterprise-places

32 For Salford, see: www.salford.ac.uk/research/sbs/research-groups/centre-for-social-business; for Plymouth: www.plymouth.ac.uk/schools/plymouth-business-school/social-enterprise-university-enterprise-network

33 See https://newstartmag.co.uk/wp-content/uploads/2016/09/Good-City-Economies.pdf p. 30 for more details

34 For example, a Liverpool social enterprise representative said that they were working with the city council to identify underused commercial buildings and find incentives to encourage them to offer this space to social enterprises

35 Both SEUK (2015) population estimate and estimated contribution are government statistics reported by SEUK but not referenced

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Inspiring Social Change

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How international cities lead inclusive growth agendas

by Anne Green, Erika Kispeter, Paul Sissons and Francesca Froy

Inclusive growth is a major issue in the UK and internationally. To generate ideas to influence UK city leaders, this research examined examples of international cities that have implemented policies to combine economic growth and social inclusion.

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INSPIRING SOCIAL CHANGE

How international cities lead inclusive growth agendas

Anne Green, **Francesca Froy, Erika Kispeter**, **Paul Sissons**

Inclusive growth is a major issue in the UK and internationally. How do international cities lead inclusive growth agendas? To generate ideas to influence UK city leaders this research examined international examples of cities that have developed and implemented agendas and policies to combine economic growth and social inclusion.

The report shows:

- the labour market is a core focus for policy to connect growth and inclusion
- policies to shape the economy and labour demand, that are concerned with labour supply and supporting labour market engagement, and that create a well-functioning city are key elements of inclusive growth frameworks;
- some cities have focused on ensuring equality of labour market opportunity, while others have emphasised achieving equality of outcomes
- UK cities need to pay greater attention to the demand-side of the labour market, reduce risks from transitions into and within employment, and build connectivity to enable access to growth opportunities.
- good quality up-to-date data is central to understanding, analysing and evaluating issues and policies around economic growth and inclusion in cities
- approaches to governance vary across cities but evidence and experience suggests that strong leadership (often from a city mayor) and/or use of soft powers are important
- although UK cities have more limited local powers and responsibilities and less control over finances than many international cities, devolution opportunities and new policy developments mean there is scope for learning from inclusive growth policies from cities outside the UK.

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Executive summary

There is growing concern that economic growth in cities is not shared more equitably or necessarily associated with better poverty outcomes, leading commentators and policy-makers to try and identify more socially just forms of economic development, or inclusive growth. In the UK a relatively centralised system of governance and accountability means that there has been limited scope to date for policy-makers and city leaders to set bold new agendas to innovate in developing and implementing an inclusive growth agenda, but this is changing with devolution. This research aims to identify and review international examples of cities in Europe and the US that have developed an inclusive growth agenda, in order to generate evidence and ideas that can influence UK city leaders.

Background

Inclusive growth combines economic growth and labour market inclusion. It is subject to different interpretations, so an initial working definition of inclusive growth was taken from the Organisation for Economic Co-operation and Development (OECD):

> "Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society."

A core focus of policy supporting inclusive growth is the labour market, as the mechanism through which to connect growth and inclusion. But inclusive growth concerns also encompass territorial cohesion, social wellbeing, issues of access and participation, and environmental sustainability.

The research addresses questions relating to the framing, design, implementation, impact and transferability of inclusive growth policies. It involved:

- an evidence review of the national and international academic and grey literature
- case studies of a selection of cities in Europe and the US, comprising a review of strategies and policies, plus consultation with key city stakeholders (see *separate case studies)*
- an international workshop and a study tour to three cities in Europe
- identification of general principles underlying inclusive growth and associated learning points for UK cities.
-

Parameters, drivers, framing, design and governance of inclusive growth policies

Inclusive growth can be conceptualised in a number of different ways. Some cities seek to *better distribute the benefits and opportunities associated with their current growth model* – for example by improving transport connections from more deprived areas to jobs. Others seek to *change the model* – for example working to increase the number of middle-skill quality jobs in the labour market.

Across the case study cities *drivers* of inclusive growth approaches included one or more of:

- the vision of the mayor
- bottom-up community activism
- a common sense of solidarity born of crisis
- a drive to reduce welfare costs.

The case study cities framed their approaches in different ways. Some focused more on generating greater equality within the labour market. Others focused more on health and wellbeing, and 'making poverty matter less' through designing broadly accessible city services.

The approaches to governance also varied. Some cities have developed comprehensive overarching strategies, while others are building more flexible cross-sector alliances around particular initiatives.

Many approaches are relatively long-term, with some cities actively anticipating and preparing for future change, while others focus on investing in their youngest residents in order to reduce levels of exclusion. Inclusive growth approaches often involve extensive consultation and broad partnerships, with the mayor's office and/or the broader local authority often providing an important linking role, building taskforces to implement specific initiatives. Several of the case study cities were also attempting to forge new types of relationship with business and civil society.

Experience of implementation of inclusive growth policies: exemplar initiatives

Examples of inclusive growth policies are selected to illustrate cases of interesting or promising practice, across different elements of the policy framework, that other cities may wish to consider and learn from.

First, there are examples of policy initiatives on the demand side of the labour market concerned with shaping the economy and labour demand. These include:

- policies to influence the *sectoral structure of employment* – including through use of:
  - inward investment to create new jobs
  - broader approaches of promoting growth sectors or clusters as a means of shaping the structure of the economy to support city economic growth
- policies to *grow the quality of employment* through
  - jobs offering middle- and high-income jobs, coupled with associated supply-side policies to help link residents to quality employment opportunities
  - insertion of clauses regarding quality in procurement contracts/agreements
  - devising a 'prosperity planner' to define what constitutes a quality job and an adequate income, taking account of individuals' circumstances.

Second, there are numerous examples of policy initiatives on the supply-side of the labour market concerned with *labour supply and supporting labour market engagement*, notably focusing on skills development and addressing worklessness. These include:

- *pre-employment* initiatives, including:
  - development of integrated intensive services
  - promotion of social enterprise
  - early intervention initiatives, for example targeting pre-school children, in order to save greater costs later
- policies focusing on *employment entry*, including
  - adoption of social clauses regarding recruitment in procurement contracts
  - promotion of corporate social responsibility to support access to employment for disadvantaged groups
  - galvanising activity through anchor institutions
  - retargeting public employment services support
- policies related to *in-work progression* and *job quality*, notably:
  - career pathways initiatives – linking workers to jobs offering structured pathways for progression
- taking account of labour market changes, policies equipping individuals to *engage in the new labour market* and reap the benefits of growth, including through:
  - creating opportunities for engaging in the new task-based economy
  - developing 21st century skills.

Third, there are examples of policies to *build connectivity and create a well-functioning city* to enable individuals and areas to access growth opportunities through:

- *transport* policies, including:
  - through developing physical connections with areas of opportunity and taking account of temporal
    and spatial aspects of routing and pricing

- investing in *housing and jobs*, including through:
  - supporting physical accessibility to opportunity across cities, both through investing in public transport, and through promoting appropriate levels of urban density (densification)
- *tackling poverty* and *enhancing quality of life in particular neighbourhoods* by:
  - development of 'complete neighbourhoods' with easy and convenient access to essential goods and services
  - use of innovative mechanisms to improve local infrastructure
- *enhancing city functionality for a diverse citizenry* through
  - adoption of everyday design principles
  - use of smart technology and open data.

The examples underscore the centrality of the economy in inclusive growth. Strategies need to extend past sharing the benefits of growth to include reshaping such growth. There is also value in looking beyond the economic to include health, wellbeing and the quality of the built environment.

Data, evidence, monitoring and impact

Information derived from good quality, up-to-date data is central to understanding, analysing and monitoring a range of issues around economic growth and inclusion in cities. Data, often presented in the form of indicators, can be the basis on which: within cities 'epistemic communities' are formed, acceptance of the 'same set of facts' is grounded, and the need for change is articulated – inclusive growth strategies cannot be designed without such communities.

Access to data and information about their own environment is essential for citizens who want to participate in local decision-making in a meaningful way. Open data initiatives have the potential to empower citizens.

Data is also central to evaluating the progress and impact of inclusive growth initiatives and determining whether they have the desired effect on a neighbourhood or the city as a whole. It is important to note that challenges remain in sharing and interpreting data: inclusive growth strategies and associated policy initiatives are necessarily complex and context dependent.

Principles of inclusive growth and possibilities for action

Based on the review of the evidence, the research draws out 10 key principles for policy concerned with inclusive growth. The principles relate to economic growth as a means to achieve inclusion and shared prosperity, with growing and shaping the labour market combining a demand-led strategy to achieve high-quality jobs with links to labour supply as a central component, coupled with investment in good quality services so that poverty matters less. Further underpinning principles relate to innovation, leadership and citizen engagement, and ensuring economic development fundamentals are in place across geographical scales and policy domains.

Table 1: Ten principles of inclusive growth

Category	**Principle**
Economic growth as a means to achieve inclusion and shared prosperity	See economic growth not as an end in itself but as a means to achieve inclusion and shared prosperity
Grow and shape the labour market – building quality labour demand	Be prepared to proactively shape the labour market and build quality jobs
Linking supply and demand: prioritising connectivity	Prioritise connectivity and expand social networks so that they are less exclusive
Investment in quality services	Make poverty matter less in access to good quality city services
Regarding people as assets and facilitate positive transitions	View people as assets and invest in them at the outset and at key points in their lives

	Providing support to people at key transition points in their lives, and helping to reduce the associated risks (for example, of coming off benefits) through providing social safety nets
Innovation, leadership and citizen engagement	Be prepared to innovate and create opportunities for shared leadership
	See citizen engagement as a way to generate knowledge from the bottom up
Economic development fundamentals, across spatial scales and policy domains	Get the fundamentals right (at national and local levels)
	Focus on small incremental changes as well as large ‘flagship’ schemes

Possibilities for action at city level – whether currently (using existing powers at city level) and/or in the short-/medium-term future (including as more powers become available to cities) may be organised in accordance with these principles.

1 Introduction

This section outlines the background to developing concerns about inclusive growth and introduces the interpretation of the concept of inclusive growth. It sets out the rationale and aim of the study, the methodology adopted and the structure of the report.

Background and developing interest in inclusive growth

During the 1990s and 2000s a growing concern began to emerge about the scale and impacts of economic inequality, including in a number of countries in the developed world (for example see Frank, 2007; Wilkinson and Pickett, 2009). In the UK research has suggested that during the 2000s stronger economic growth in cities was not associated with better poverty outcomes (Lee et al, 2014). These concerns have been exacerbated by the global economic crisis, and across a range of countries the equity of the distribution of the gains from growth is becoming frequently expressed as an important issue (Resolution Foundation, 2012; OECD, 2014). This has led commentators and policy-makers to try and identify more socially just forms of economic development or inclusive growth. Indeed, in her first statement as the new UK Prime Minister in July 2016, in the wake of the socio-spatial divides revealed in the European Union referendum, Theresa May outlined her ambition to 'make Britain a country that works not for a privileged few, but for every one of us' (May, 2016).

Cities are coming to be seen as important actors in approaching inclusive growth (for example see OECD, 2016a). However, their powers are partial in some core policy areas which are likely to be important, particularly the tax and benefits system (albeit there are important differences across countries in city powers and arenas of responsibility). Therefore inclusive growth at city level is also likely to require a supportive national context.

While inclusive growth is now more regularly invoked as a label, the concept is subject to a number of different interpretations. A core focus of policy which might be understood as supporting inclusive growth is often given to the labour market as the mechanism through which to connect growth and inclusion, but concerns may also encompass territorial cohesion as well as non-economic concerns relating to social wellbeing and issues of access and participation. A comprehensive inclusive growth policy might therefore encompass a wide range of policy domains. These would include economic development, and employment and skills policy, and also potentially housing, health, transport, and physical and community development. Environmental sustainability should also be an important consideration. Reference is made in this study to all of these policy domains but the primary focus is on the labour market. This reflects the concerns with inclusive growth of local enterprise partnerships and combined authorities in England, as illustrated by the 'More Jobs, Better Jobs' Partnership in the Leeds City Region and the establishment of an Inclusive Growth Analysis Unit in Greater Manchester.

Rationale, aim and scope of the research

There is increasing concern about how to generate inclusive growth following the economic crisis. In the UK a relatively centralised system of governance and accountability means that there has been limited scope for policy-makers and city leaders to set bold new agendas to innovate in developing and implementing an inclusive growth agenda. But this is changing with the establishment of new local institutional structures and devolution of funding and greater responsibility to local areas to support economic growth, so providing potential opportunities for UK cities to lead, shape and implement inclusive growth strategies. This raises the issue of what UK cities may learn by drawing on experience of cities tackling similar opportunities and challenges elsewhere in Europe and in the US.

The *aim* of this research was to identify and review international examples of cities that have developed an inclusive growth agenda, in order to generate evidence and ideas that can influence UK city leaders.

The fact that the concept of inclusive growth is open to different interpretations, and that activities relevant to inclusive growth might not be badged or understood as such, presents challenges for the research, and the international context of the research exacerbates these. Hence a pragmatic position was taken on what constitutes inclusive growth, with the concept being interpreted broadly to encompass both economic and social goals. The OECD understanding of inclusive growth was adopted at the outset of this study as a working definition:

> "Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society."

Key questions relating to the inclusive growth agenda that the study aims to address, and which need addressing in order to develop inclusive growth in cities, relate to five dimensions:

- *Framing*: how is the inclusive growth agenda framed and an associated narrative developed as the agenda is communicated to a range of target audiences (eg city officials, national and local agencies, employers, residents)? Is the emphasis of strategy aimed at distributing gains from growth and/or on prioritising growth that has more inclusive outcomes?
- *Design*: how is strategy developed and associated policies designed, and what are the key barriers and opportunities shaping this?
- *Implementation*: what is the scope of overall programmes and projects? Which stakeholders are involved? How are programmes and projects resourced? What are the governance and partnership arrangements for policy delivery? What are the institutional drivers and barriers to more innovative policy delivery?
- *Impact*: how is 'success' conceptualised? What approaches are taken to monitoring and measuring success?
- *Transferability*: how does international learning translate to UK cities? What do the lessons mean for UK city leaders?

Methodology

The research comprised five strands:

1. *Evidence review* – of the national and international academic and grey literature, to assess what strategic approaches and policy activities have occurred across cities, and identification and assessment of emerging lessons and barriers to, and opportunities for, policies for inclusive growth.
2. *Selection of case study cities for more detailed study* – taking account of factors such as governance arrangements, fiscal autonomy, extent of devolution, strategy design, nature of programmes to support inclusive growth, economic and socio-demographic context, country, city size and performance on selected key indicators.
3. *Deep dives* – of a selection of case study cities (from Europe outside the UK, the US and the rest of the world), comprising a documentary review of strategies and other programme/policy documentation – including to ascertain conceptual frameworks and language/terminology used, and consultation with key city stakeholders on issues of framing, design, implementation and impact of inclusive growth strategies.
4. *Workshop and study tour* – comprising a discussion under the theme of 'creative approaches to inclusive labour markets' at an international workshop bringing together policy-makers, practitioners and academics, and a study tour with a small group of senior practitioners from cities in northern England to three cities in Europe (Helsinki, Malmö and Rotterdam).
5. *Synthesis and identification of learning point*s – drawing on key findings from the evidence review, documentary analysis, data analysis and interviews.

This report, together with the case studies, brings together findings across these different strands. It provides a perspective across cities, while the city case studies provide a more in-depth view of issues, strategies and policies pertaining to inclusive growth in those cities.

Structure of the report

The remainder of the report is divided into six sections, as shown in Figure 1.

Section 2 presents the context for the research and selected themes and findings emerging from the evidence review and data analysis informing the study.

Section 3 is concerned with the different parameters and conceptual frameworks for inclusive growth policies and an analysis of the actual approaches taken in the case study cities. It identifies the drivers behind inclusive growth approaches in the case study cities, and analyses how these approaches were framed, designed and governed.

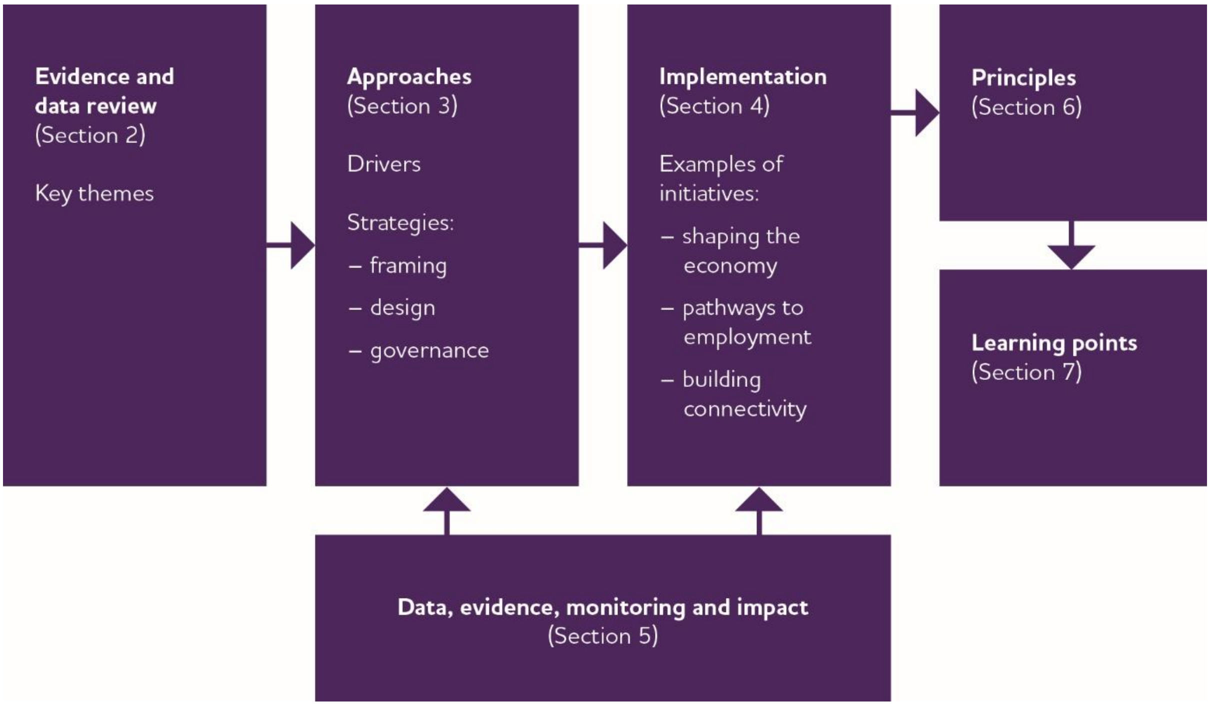
Section 4 showcases selected examples of initiatives related to inclusive growth implemented by the case study cities. The examples have been selected to illustrate interesting or promising practice that other cities may wish to consider and learn from, relating to welfare, the labour market and economic development, building connectivity, and making life easier in the city.

Section 5 outlines issues relating to the data and evidence underlying inclusive growth strategies and initiatives in the case study cities, and arrangements made for monitoring and assessing their impact.

Section 6 presents general principles of inclusive growth emerging from the review.

Section 7 highlights key learning points from the research for UK cities.

Figure 1: Structure of the report



2 Evidence and data review: key themes and selection of case study cities

This section sets out key themes from the initial review of evidence on inclusive growth and accompanying data analysis that informed the selection of case study cities. It identifies the case study cities chosen for more detailed review and analysis.

Evidence review: the concept of inclusive growth

Purpose and methodology

At the outset a review of the national and international academic and grey literature was done to review the nature and range of strategic approaches and policy activity across cities, and to identify and assess lessons, barriers to, and opportunities for, policies for inclusive growth. It was designed to

1

help inform selection of case study cities.

What is inclusive growth?

As noted in the introduction, the terminology around inclusive growth is quite inconsistent; there is not a well-defined common language or definition. There are different labels which are applied and which can have large areas of overlap but also differences. For example Lupton (2016) distinguishes between:

- *inclusive growth* models – focusing on distributing the dividends of growth more widely without challenging the dominant economic model or identifying it as the source of poverty or inequality

  and

- *inclusive econom*y models – in which economic growth is not the only goal, but is rather seen as serving other inclusive social goals such as increased wellbeing, greater equality, etc.

Good growth is another label that is used, encompassing wellbeing alongside gross domestic product/gross value added (GDP/GVA), jobs, skills and income. From the US community wealth building is an approach that emphasises shared ownership and inclusive outcomes (Kelly and McKinley, 2015). Also from the US *all-in cities* are based on eight principles of equity. They:

> "embrace inclusion and thrive on the participation, creativity and contributions of groups that have been left behind. … All-in cities foster inclusive growth: implementing win-win policies and strategies that grow good jobs and new businesses critical to a thriving economy while ensuring that workers and entrepreneurs play a role in generating that growth and share equitably in its benefits."
> (Treuhaft, 2015)

Other concepts such as '*financial inclusion'* have important overlaps with the concepts outlined here. Furthermore many cities will undertake actions which might be considered to be aimed at inclusive growth (and have done so for many years) but do not badge it as such.

A number of international organisations have developed their own understandings of inclusive growth (see Table 2). The European Commission stresses the roles of labour markets and social protection as constituting an important focus of inclusive growth, and also identifies territorial cohesion, therefore being concerned about both people and places. The OECD frames it as growth creating opportunities for citizens across society. The World Bank definition focuses more on productivity as a driver of income growth, while the United Nations also stresses the importance of participatory approaches given that inclusive growth may be conceptualised as a process as well as an outcome.

Table 2: Selected understandings of inclusive growth

Organisation	Interpretation
European Commission – Europe 2020 Strategy	Emphasises empowering people through high levels of employment, skills development, investing in skills, modernising labour markets, training and social protection systems, and building social and territorial cohesion.
OECD	Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society.
World Bank	Focuses on productive employment to generate new jobs and income (as opposed to redistribution) and foregrounds the role of productivity growth in raising wages.
United Nations Development Programme	Conceptualises inclusive growth as an outcome and a process – implying participation in decision-making and sharing the benefits of growth.

Indicators for measuring inclusive growth

There are some challenges in operationalising indicators of inclusive growth, especially across countries.

Inclusive growth combines two factors: growth and labour market inclusion.

Growth

Growth can be determined in different ways, including economic growth and employment growth, and these may have different implications for inclusion outcomes (Lee et al, 2014). Typically the key measures used in studies of growth are:

- change in GDP – a standard measure of total (economic) growth
- change in GDP per capita – a measure of total (economic) growth divided by population size
- employment growth – the level of total employment growth in a city.

It is worth highlighting that national growth trajectories can differ significantly over any particular period, especially when (as recently) recovery from recession and the depth and impacts of austerity have been very uneven – within and also between countries. In recent years growth has been weak in many countries compared with pre-recession trend levels. International comparative data may also be somewhat dated because of the time lag in access to comparable statistics across countries.

Internationally growth measures are published by the OECD and Eurostat (which covers a larger number of European cities). The cities covered by the OECD data are primarily large cities, while the Eurostat data covers cities of a wider range of sizes. Data is also based on different definitions of city coverage – including cities, metropolitan areas and functional urban areas. All of these factors present challenges for comparative analysis. The timescale over which growth is measured is also an important factor; growth indicators measured over the short term may not capture longer term trajectories.

Labour market inclusion

Measures of the extent to which cities are becoming more inclusive are less comprehensive across both time and individual cities than measures of growth. At a basic level, labour market inclusion is most often assessed through reference to changes in the employment rate (with a high/increasing rate indicating labour market inclusion) and/or unemployment rates (with a low/decreasing rate signalling labour market inclusion). However, although helpful, the employment rate is a limited measure of inclusive growth as it says nothing about the quality of jobs individuals move into, or the level of growth in household incomes that occur as a result.

There is relatively little data which can extend a study of inclusion on a comprehensive and comparative basis. Data is published via Eurostat on some measures of wealth and also poverty risk.

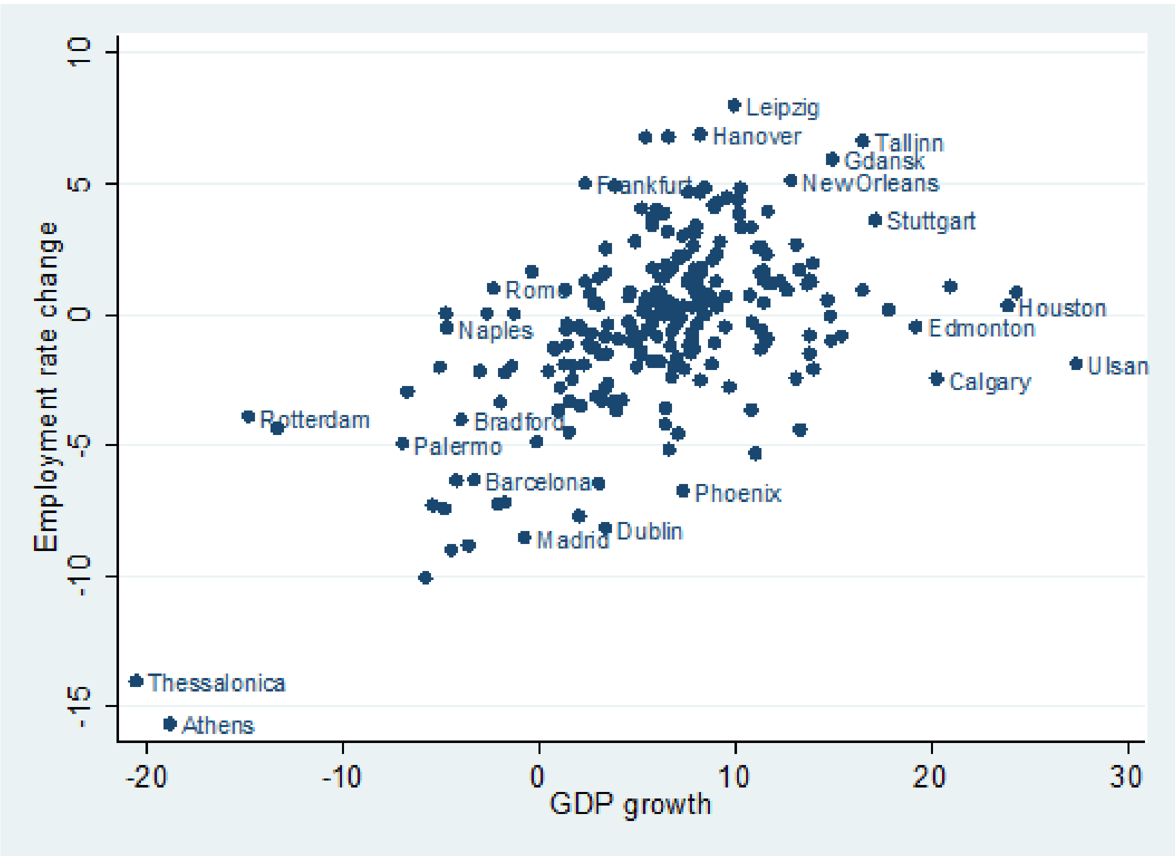
However the datasets are very sparsely populated, severely limiting the prospect of comparative analysis.

As in the case for growth indicators, when investigating performance variations in cities' inclusion indicators, national factors can be important determinants of variation in international comparisons. Moreover precise rankings of cities on change indicators can be quite sensitive to differences in the quality of underlying data, years covered, denominator definitions and city spatial coverage (ie size and definition of a city).

Considering growth and inclusion together

A simple measure of the relationship between one measure of growth (% GDP growth) and one measure of labour market inclusion (the employment rate) is presented in Figure 2. From the scatterplot there seems to be a relationship between growth and inclusion over this relatively short period, despite considerable heterogeneity: a number of cities can be identified which appear to attain high levels of growth as well as significant increases to the employment rate – although usual caveats around measurement apply when indicator estimates are based on sample survey data. Cities that seem to combine growth and increases to the employment rate include Leipzig, Hanover, Tallinn, Gdansk and New Orleans. Similar analyses undertaken by OECD (2016b) over a longer period, from 2000 to 2013, using GDP growth and change in labour participation rates as a proxy for inclusion, also show a positive association overall, but with different cities and regions experiencing rather different patterns of growth and prosperity. It should be noted that the patterns observed in part reflect the differential impacts of the global financial crisis on different cities. The GDP figures measure nominal change.

Figure 2: Relationship between employment rate change (2009–2013) and % GDP growth (2009–2012)



Source; OECD.Stat
Note: r-square value = 0.2750.

Selection of case study cities

The selection of case study cities was informed by the evidence review, consultations with OECD, URBACT, Eurocities and key experts from relevant organisations concerned with economic development and social inclusion issues, and with reference to the data analysis. Other factors taken into account were governance arrangements, fiscal autonomy, extent of devolution, strategy design, nature of programmes to support inclusive growth, economic and socio-demographic context, country and city size (with the emphasis being on cities that are comparable in size with larger UK cities outside London).

Table 3 lists the case study cities selected and provides a brief portrait of each. Together these cities cannot be considered as representative; rather they were selected on the basis of having relevant/good practices and experiences. They are indicative of the range of examples and approaches to, and policies for, inclusive growth at city level.

Table 3: Case study cities

City	Key features
Barcelona (Spain)	A municipal company – *Barcelona Activa* – has responsibility for economic growth and social inclusion. A new employment strategy seeks to place employment at the centre of municipal policy, improve employability for all and develop territorial employment projects and service with the aim of reducing the median income gap and addressing the unemployment gap between neighbourhoods.
Hamburg (Germany)	In this rich and growing city economy there has been a strong focus on housing and integrated urban development. A new development close to the city centre (the HafenCity) is mixed use and environmentally friendly (carbon neutral). Residents have good access to the city centre through good public transport. Another key focus is on education: charges for early years education have been abolished and primary school class sizes restricted.
Helsinki (Finland)	Social equality is a shared value and a high level of social spending is financed through income tax. Since the 1990s Helsinki has faced challenges of immigration, growing unemployment and a need to promote enterprise. There is increasingly close co-operation between local authorities in the Helsinki Metropolitan Area, including around open data. Everyday design principles are integrated into many aspects of economic development.
Leipzig (Germany)	Leipzig has recently been cited as the 'new Berlin', as it hosts a growing number of creative or knowledge workers and artists. It has turned round dramatically given that it experienced major population decline as people went from the former East Germany to West Germany. The city has been successful in attracting new industries. Housing development and refurbishment and land management efforts have been successful.
Malmö (Sweden)	A former industrial city, Malmö's economy is now centred on knowledge-intensive industries: life sciences, IT and education. Following the financial and economic crisis priority has been given to inclusion of young people and immigrants. Strategy and policy is guided in part by the objectives of the Commission for a Socially Sustainable Malmö to reduce inequities in health by making the social determinants of health more equitable.
Nantes (France)	Nantes saw significant job losses following restructuring in shipbuilding but has since reinvented itself as a diverse economy supporting both manufacturing and strong digital, financial and business services sectors. It has innovatively used social clauses in public procurement for about 20 years, while also supporting labour market integration through social enterprise and fostering corporate social responsibility.
Rotterdam (Netherlands)	Rotterdam is characterised by prosperity in the north and poverty (particularly among immigrant groups) in the south. Policy interventions focus on education, labour market and housing initiatives, and climate adaptation measures to generate economic benefits. There is particular interest in providing space to experiment with new policy initiatives, especially around welfare and the changing nature of the labour market.
Cleveland (USA)	After suffering major industrial and population decline, Cleveland has seen a revitalisation of its industrial economy although problems of urban segregation remain. Anchor institutions (university and hospitals) have come together to support access to employment, to foster career progression and provide spin-offs for the local economy. Transport investment and service re-routing has been used to increase urban accessibility.
New York (USA)	The new mayor has developed a comprehensive strategy – #O*neNYC* – in close consultation with communities. Its aim is to help 800,000 New Yorkers out of poverty by 2025. It covers domains such as housing, health, crime and early years. An industrial policy has a sectoral focus and concentrates on bringing better-paid jobs – including manufacturing – into the city, and associated career ladders.

<table>
<tr><th>City</th><th>Key features</th></tr>
<tr><td>Portland (USA)</td><td>Social inclusion is embedded in economic development strategies. The Portland Development Commission takes a lead role. A key focus is on social and economic equity. A traditionally strong focus is on land use planning, with good transport systems and access to green space. There is a large knowledge economy and strong emphasis on education. An increasing minority population has led to a push for diversity in different sectors.</td></tr>
<tr><td>San Antonio (USA)</td><td>A ‘majority minority’ city previously characterised by conflict between the city government and community organisations. Project QUEST – which trains low wage workers for quality jobs – has a history of success and a strategy of targeting growth in globally competitive sectors has built on this. A recent initiative involves levying a sales tax to help fund pre-school education. ‘SA2020’ (a participatory visioning exercise) guides policy.</td></tr>
<tr><td>Medellin (Colombia)</td><td rowspan="3">Cities from South America, Asia and Africa with spatial development initiatives, focusing especially on public transport and housing – linking suburbs and people living in the urban sprawl to each other and to the ‘urban core’, so promoting residents’ access to jobs and services and helping make the cities more sustainable economically and environmentally. Building connectivity helps enable peace building in Medellín and contributes to reducing racial and social segregation in Cape Town.</td></tr>
<tr><td>Seoul (South Korea)</td></tr>
<tr><td>Cape Town (South Africa)</td></tr>
</table>

The city case studies are available as free downloads at www.jrf.org.uk. Each case study follows a common structure:

- *introduction*: covering geographical location, socio-demographic characteristics and key features of the local economy and labour market
- *governance*: positioning the city in the national, regional and local governance structure
- *strategy, vision and leadership*: setting out who leads strategy and city development projects, drivers of strategy, and framing and communication of strategy and associated policies
- *design, implementation, monitoring and impact*: outlining partners involved in design, implementation of strategies and associated policies, monitoring and policy assessment, and outcomes and impact
- *exemplar themes and initiatives*: identifying specific themes of interest to UK cities and showcasing of selected specific initiatives of relevance to inclusive growth
- *synthesis and conclusion*: summarising key points and lessons for UK cities.

3 Inclusive growth: approaches, drivers, framing, design and governance

This section explores the different parameters and conceptual frameworks for inclusive growth policies, before analysing the actual approaches taken in the case study cities. It identifies the drivers behind inclusive growth approaches in the case study cities, and analyses how these approaches are framed, designed and governed.

Approaches to inclusive growth

A number of different parameters relating to the way inclusive growth might be understood or framed can be identified. These are each discussed in turn. It is important to note that the understanding or framing is not necessarily a binary either/or; it can be a spectrum and may draw from different understandings simultaneously in different domains of policy.

The model of growth: A distinction can be made between the extent to which inclusive growth is premised on influencing the distribution of gains from the existing model of growth (ie making growth more inclusive), or whether the focus is on the model of growth itself and influencing the type of growth (sectors, occupations, etc) to attain more inclusive outcomes (as indicated in Section 2). In reality, the former is likely to be more widespread, although this does raise the issue of the ways in which inclusion policies interact with other policy domains such as industrial strategy, investment decisions and economic development.

Equality of opportunities and/or outcomes: An important distinction in the way inclusive growth policy is framed and operationalised is the extent to which inclusion is understood as greater equality in opportunities or greater equality in outcomes (Turok, 2010). There is generally wide-ranging support for the former from both a moral and an economic perspective, but there is less agreement on the latter (Turok, 2010). The types of policies which would focus on equality of opportunity are clearly somewhat different from those which might focus on equality of outcomes; in particular, redistributive policies are likely to be important in the latter. In the field of labour market policy, for example, mechanisms to ensure equality of opportunity might include tackling discrimination in recruitment and ensuring accessibility to jobs across the city. Mechanisms to ensure equality of outcomes might include ensuring that people receive fair recompense for the skills and effort they put in to the economy through, for example, living wage ordinances and the promotion of middle-skill/middle-wage jobs (see Figure 3).

Figure 3: Equality of opportunity and equality of outcomes approaches

Material gains and access to services: There is also a distinction between the extent to which inclusive growth policies prioritise monetary outcomes, broader wellbeing outcomes, or a mixture of these. Some approaches to inclusive growth might focus on income or self-sufficiency, being geared around linking to or increasing the benefits from employment. In other cases ensuring access to services might be an important aim in itself. This might also relate in part to how inclusive growth policies are targeted, and whether they focus on individuals or whether there is some type of spatial focus on disadvantaged communities or neighbourhoods.

Participatory decision-making and inclusion: The role of participation in inclusive growth is also an issue. The extent to which participation is felt to be an important feature of inclusive growth varies. One argument for greater participation is that understandings of what inclusive growth is may be different between policy-makers and citizens. Another is that power in decision-making processes is an intrinsic part of inclusion.

Framing the case for inclusive growth: There are several different imperatives used in framing inclusive growth. It can be framed in relation to a moral, social or civic case or in relation to an economic one or a combination of both.

Overall, it is clear that the concept of inclusive growth is subject to different definitions, and also that there are a number of aligned concepts and labels (or no label at all). What is considered inclusive growth might take on a different form of policy in different countries or cities. In policy terms there will often be a focus on the labour market, but other domains of policy such as health and housing are important in influencing wellbeing. The concept of inclusive growth is subject to various parameters which shape understanding and action. These reflect value judgements, political decisions, the role of participation and the broader opportunities, resources and constraints which structure cities' actions. Here it is salient to note that powers and resources available to cities tend to be more limited in the UK than in the case study cities reviewed in this report.

Drivers of inclusive growth strategies

Drawing on the case study analysis, there appear to be a number of different drivers for the development of inclusive growth strategies in particular cities (see Figure 4).

Figure 4: Drivers of inclusive growth

In some cases, a more inclusive strategic approach was driven by a new *mayor* coming into office. Hambleton (2014) identifies that democratically elected mayors in particular can go beyond pragmatically ‘getting things done’ to create new possibilities for action, shifting the ‘Overton window’ of the range of things that it is politically possible/publicly acceptable to do. In New York City, Mayor de Blasio based his election campaign on the argument that New York had become a tale of two cities – with two very different lived experiences for the rich and the poor. Once in office he made it a key aim to bring these cities back together with his #OneNYC strategy, which incorporates an ambitious set of policies across a number of different sectors including industrial strategy, housing, education, workforce development and environmental policy. Elsewhere strong mayoral leadership has played an important role in transforming the approaches of Medellin in Colombia, Hamburg in Germany and San Antonio in the US (see Box 1).

Box 1: Leadership as a driver in three case study cities

In Medellin, a small group of experts at the department of social urban planning (*urbanismo social*) at the Medellín Academy started to think about how to reconquer spaces torn by violence: 'it was a both a concept and a physical strategy, a mixture of ideas and bricks' (Vulliamy, 2013). These ideas were taken forward by mayors Luis Perez (1999–2003) and Sergio Fajardo (2003–2007). Public transport was a key part of this strategy: it was viewed not only as a means to enable ordinary people to move around the city and get to work faster and more comfortably, but also as a symbol of uniting the rich and poor areas of the city and enabling different segments of the population to meet.

In Hamburg, Olaf Scholz was elected mayor in 2011 on a platform of sound fiscal management and orderly government. According to the OECD (2015, p 48), 'Scholz has successfully combined the capacity to master the minutiae of city administration with a big picture vision' and his administration is also known as being responsive to citizens and businesses. In addition, Mayor Scholz has proposed the city's 'Ich bin Hamburger' naturalisation campaign to accommodate the growing number of new arrivals to the city.

In San Antonio, Mayor Julian Castro drove the *SA2020* community visioning exercise which set out goals for improving San Antonio by 2020. The visioning process was guided by a steering committee with members drawn from all sections of society and involved large-scale public participation across the city in discussing the future of the city. Mayor Castro also instigated the Brain Power Taskforce whose deliberations led to use of an element of local sales tax to fund pre-school education. His successor, Mayor Ivy Taylor, has championed the linking of a city strategy involving pursuit of global competitiveness with building an inclusive economy through stimulation of sustainable, well-paying jobs.

Community activism is an important driver of inclusive growth strategies. In San Antonio change was driven 'bottom up' by parts of the 'minority majority' Hispanic population who felt that their needs had been ignored by longstanding Anglo elites. Over time, political change, and the work of bridge-building individuals and organisations led to a spirit of collaboration and active change. In some cases, community activists have themselves gone on to take on political power in order to transform their cities. In Barcelona, the city council elections in 2015 were won by *Barcelona en Comu* (Barcelona in Common), a grass-roots party developed by activists and citizens. The newly elected mayor of Barcelona, Ada Colau, rose to prominence as a housing activist campaigning against evictions.

Shared – and shocking – data and evidence can be important in stimulating a more inclusive approach. The Portland Plan was developed on the back of evidence-based campaigning from community groups, who highlighted growing disparities in the city, and used the research to galvanise support and demand policy change. As one interviewee put it, 'you rally around the research, right?'. For data to have real impact, city authorities may need to be open to criticism and to recognise the role of city policies in themselves creating or perpetuating inequalities - the Portland Plan, for example, contains a very frank admission of the role of institutionalised racism in shaping inequalities in the city.

The *sheer pace of growth* is a driver in some cities. For example, in New York it was recognised that economic growth was putting great pressure on housing and city services, and that this needed to be better managed. In cities such as Malmö in Sweden population growth was a key issue, with the city needing to change and adapt to an important influx of refugees. One interviewee in Malmö used the motto 'alone has gone, together is coming' to characterise a growing sense that people need to pull together to make things work. In other cities, it was obvious that a longer term sense of shared solidarity was an important driver. A sense that 'we are all in this together' seems to be particularly generated by past crises – such as the loss of the shipbuilding industry in Nantes in the 1980s, or joint actions to rebuild the city or reduce flood risk as in Rotterdam and Hamburg. In cities such as San Antonio and Nantes, religion was cited as an important factor for a mayor in driving strategy or in creating a sense of moral responsibility among residents, and also business owners.

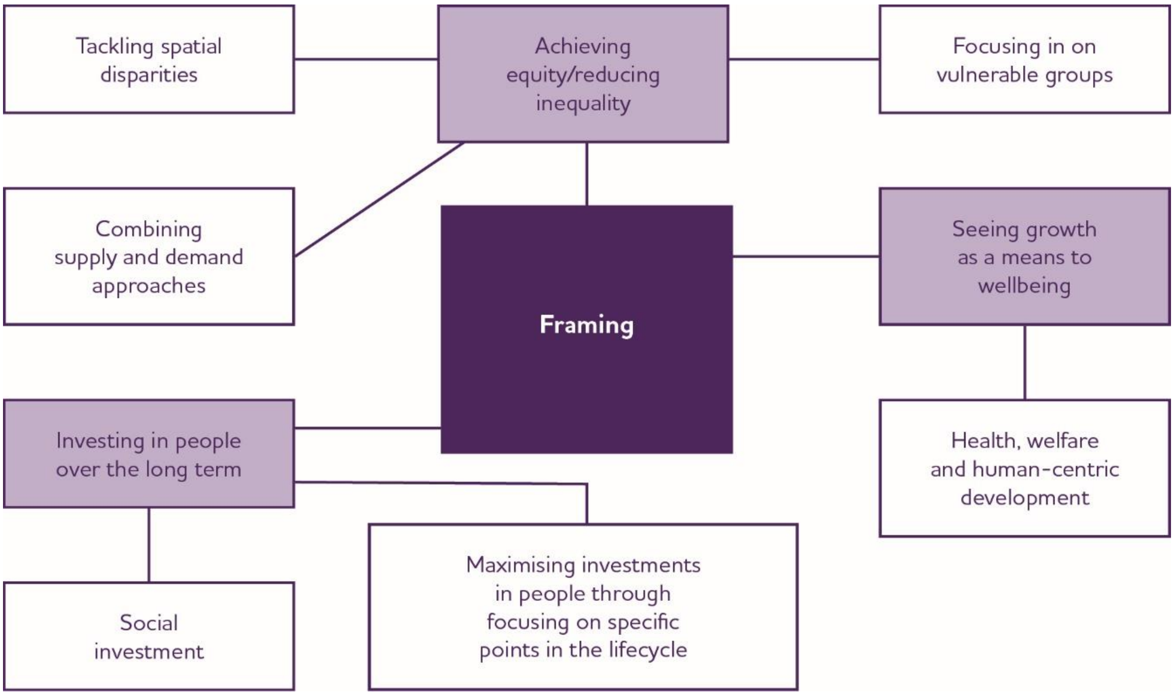
National policies can drive more inclusive approaches at the city level. In Helsinki, the national metropolitan strategy was seen as a strong driver for the city's proactive approach towards growth and inclusion. Likewise in Germany a programme called *Social City – Investing in the Neighbourhoods (Soziale Stadt – Investitionen im Quartier)* has driven change in both Hamburg and Leipzig. The exchange of good practice at both a national and international level has also been responsible for driving change in some cities. For example, the Commission for a Socially Sustainable Malmö was inspired by a World Health Organization Commission report on the social determinants of health (as outlined in Section 5).

Finally, in some cities, a strong driver for prioritising inclusion alongside growth appears to be fiscal responsibility – the fact that some municipal governments have responsibility for welfare budgets (at least outside of unemployment insurance schemes) and/or a significant proportion of their city budget coming from income taxes, means that there is a strong incentive to reduce welfare expenditure through addressing and preventing exclusion, while increasing employment rates.

Framing

Cities vary in how they frame their approaches to more inclusive growth, as outlined in Figure 5 below. This sets out some of the key themes identified through the case study analysis. These include a focus on three key elements (see shaded boxes in Figure 5): working towards equity and reducing inequality (with attention often being given to vulnerable populations and spatial inequalities); an understanding of growth as a means to well-being as opposed to an end in itself; and investment in people over the long term.

Figure 5: Framing approaches to inclusive growth



Building equity and reducing inequality

While the case study cities were all chosen because they were striving to bring growth and inclusion policies closer together, the actual term 'inclusive growth' was more rarely used. Rather cities referred to various other key concepts such as inclusion, equity, social sustainability and resilience. In the US, 'equity' is given centre stage, with a strong focus on how to reduce inequalities in cities. For example, the Portland Plan incorporates an equity framework, with the city stating that '*equity is achieved when one's identity cannot predict the outcome*' (Portland Office of Equity and Human Rights, 2016). Equity is distinguished from 'equality' because it incorporates a degree of positive discrimination and extra support for those disadvantaged within the system, to create a level playing field. In Malmö, Sweden, the city similarly advocates the principle of proportionate universalism – ie action should be 'universal, but adapted, both in scope and design, to those most in need' (see Box 2). Equity is identified as being important not only in terms of ensuring fair access to services, but also in terms of better connecting people to economic opportunity (through, for example, linking more disadvantaged areas to job opportunities). There is also a focus on 'intentionally' targeting growth policies so that they benefit (or at least do not harm) certain groups.

Box 2: Examples of the terminology used in framing inclusive growth

Portland often uses the word 'intentionally' to refer to the intentional direction of all policies towards creating inclusion. The city now ensures that different policies intentionally take the likely impact on different sectors of the population into account. Portland is also moving from a focus on poverty to that of '*self-sufficiency'*: prompting actions on both the supply and demand side.

Hamburg is trying to 'create more city in the city' through dense new inner city developments.

Helsinki is aiming to boost 'mental growth' within the city through high standards of (free) education and skills development.

Rotterdam is supporting 'future-proofing' through ensuring that the city is adapting to economic and labour market change.

Malmö is keen to build 'social sustainability' while it also advocates 'proportional universalism', with actions being 'universal, but adapted, both in scope and design, to those most in need'.

Some cities are going beyond a focus on creating equality of opportunity within the current economic model, to focus on generating greater equality of outcomes, where people receive fair wages for the effort and skills they put in. In Barcelona, the city collaborated with the unions to produce an Agreement for Quality Employment in Barcelona which now forms an important basis for the city's employment strategy. In the context of an increasing polarisation of high skilled/high wage and low skilled/low wage employment, the cities of New York, Portland and San Antonio are all actively supporting the development of economic sectors that will create middle wage jobs; whether through the targeting of inward investment policies, skills and employment policy, economic development supports, or public procurement. In Portland, there is an emphasis not on tackling poverty but rather on helping people towards self-sufficiency, ie having sufficient income to meet a household's basic needs without public subsidies. This concept implicitly recognises that action is needed on both the demand and supply side of the labour market to achieve change: very few of the city's most prevalent jobs have income levels that can make ends meet for single-earner families.

In seeking to create greater equity, many of the cities have focused on improving opportunities and outcomes for particularly vulnerable groups. In the US, for example, there is a strong focus on improving opportunities and outcomes for communities of color in the cities of Portland and San Antonio.[2] In Portland the city is preparing for the fact that it will be much more diverse in the future: while 80% of the population between 50- and 64-years-old are white, white people constitute only 56% of the population of 5 to19-year-olds.[3] In European cities there appears to be a strong focus on recent immigrants. This was particularly evident in Malmö, with the recent wave of refugees needing support ranging from food and lodging to longer term help with language learning and labour market integration.

The analysed cities were almost all also attempting to better manage and reduce spatial inequalities and disparities. This included working on accessibility and connectivity at the level of the whole city, while also trying to eliminate poverty within 'priority' neighbourhoods. In Barcelona, for example, the principle indicator being monitored for the employment strategy was a reduction in inequality between neighbourhoods. There is frequently a strong awareness of the need to mitigate the role of gentrification in pushing certain groups into more inaccessible and poorly served parts of cities. At the same time, many of the cities were attempting to address environmental issues such as carbon emissions and pollution, through a parallel strategic focus on 'environmental resilience'. In Hamburg, all these issues have been taken into account within an overall strategic drive to 'create more city in the city' prioritising dense inner city housing development that combines affordability and environmental sustainability with good access to city centre training and employment (see Section 4).

Going beyond economic growth: citizenship, wellbeing and human-centric development

While most cities continue to prioritise economic growth, a number appear to value economic growth not as an end in itself, but rather as a means towards other objectives. In particular, the Nordic cities analysed have visions which emphasise the importance of health, wellbeing, and citizenship (see Box 3). In Helsinki it is identified that 'it is important that business blossoms in our city because it is connected to wellbeing and jobs'.

While Helsinki and Malmö strongly focus on strengthening equality of opportunity and access to work, they also actively reduce the knock-on effects of having a low income through affordable provision of services such as health, housing and transport – 'making poverty matter less'. Malmö's Commission for a Sustainable Malmö, for example, prioritises the alleviation of health inequalities and the mitigation of the socio-economic factors that can lead to ill-health. Helsinki has prioritised the theme of design in its city strategy, developing customised approaches that take into consideration the human–service interface (ie how services and buildings are used by people). The city has focused on building in 'micro-adaptations' that help to make services more human-centric. One example is the use of smart technologies that help local people to engage more quickly with city services and therefore save an hour in their day (the 25/7 initiative, see Section 4).

Box 3: Growth as a means towards well-being in Malmö and Helsinki

The Helsinki-Uusimaa regional programme vision and strategy 2040 has three strategic development goals for 2040: creating a platform for intelligent growth (based on sustainable development and 'intelligent solutions'); ensuring that the region is easy to reach, live and work in; and maintaining a 'clean and beautiful region' (with an emphasis on using natural resources sensibly, becoming carbon neutral and maintaining natural diversity).

In Malmö, in 2010 a Commission for a Socially Sustainable Malmö was established involving the research community, the voluntary sector, the City of Malmö, the business sector, and regional and national stakeholders, to suggest objectives and actions to reduce inequities in health by making the social determinants of health more equitable. The Commission set out 24 objectives and 72 actions, divided into six domains: everyday conditions during childhood and adolescence; residential environment and urban planning; education; income and work; health care; transformed processes for sustainable development.

Investing in people over the long term

A third key 'framing theme' identified in the case studies was investing in people longer term, and putting in resources now to reap higher rewards in the future. This notion is key to the idea of social sustainability which is given particular support in Malmö, Helsinki, Hamburg and Leipzig. Related is the concept of social investment and the idea that investing now to prevent future exclusion will pay dividends in terms of reducing welfare costs in the longer term. Many European and North American cities share a commitment to supporting early years education, for example, in recognition of the fact that investment at this stage is likely to have the highest impact on social and economic outcomes. In the Nordic countries, municipalities are often particularly well placed to make social investment because they have responsibility for a broad set of budgets, including welfare budgets, meaning that any gains will be internalised, even if the benefits from investing in one sector (eg education) ultimately lead to cost-savings in another (eg health, crime management).

Some cities are also future-proofing against the potential results of broader global economic change. In Rotterdam, for example, the city is working hard to anticipate what the future labour market will look like, with an aim to identity the 21st century skills (see Section 4) that will be in demand and to maximise the opportunities and mitigate the ill-effects for residents. This type of approach is also reflected in the frequent use of the term resilience in city strategies, with cities striving to become – and particularly make city residents – more adaptable to absorbing future economic shocks.

Design of inclusive growth strategies

While all the cities examined were attempting to bring together growth and inclusion policies, not all had an overarching strategy to support inclusive growth. Some cities appeared to prefer to act more incrementally and experimentally, with Rotterdam and Nantes, for example, bringing cross-sector collaboration to bear on a more experimental set of initiatives.

New York, Malmö and Portland are all examples of cities that have developed an overarching inclusive approach. Over the last decade, New York City has developed a series of strategies, for example focusing on growth (2007), sustainability (2011), resilience (2013) and now equity, with all four themes becoming lenses for the development and organisation of the #OneNYC strategy being taken forward by Mayor de Blasio. The strategy team identifies that the broad and overarching approach has been key to helping people to work outside policy silos. However the strategy has also been criticised for being too ambitious. Some strategies are relatively complex and sophisticated in terms of their structures of delivery and monitoring. For example the Commission for a Sustainable Malmö has 24 objectives, 72 actions and 17 goals, with an effort being made in some areas to cascade these goals down to the local neighbourhood level.

In Portland, a great deal of effort has been put into the Portland Plan, which is a broad document that has since fed into other strategies such as that of the Portland Development Commission strategic plan (2015–2020). However, it was identified by some interviewees that individual strategy documents were perhaps less important to the city than an ‘ongoing conversation’ which has developed due to a series of different mayoral interventions, generating a ‘set of attitudes, values and characteristic ways of thinking’ that promote inclusion. In some cases a vision of what the city could be was also considered more important than an overarching strategy. In San Antonio, as outlined in Box 1, the SA2020 community vision was prepared under Mayor Castro’s administration so that, in the words of one interviewee, ‘the city can rally behind it for the next decade’.

In terms of their strategic development in this field, many cities are planning over long time periods – over 10, 15, 20 years and more, while also incorporating short or medium term (for example five-year) action plans. Ensuring strategic continuity over time is also seen as important, given short mayoral mandates. While the #OneNYC strategy builds on previous strategies for resilience, sustainability and growth, it also incorporates appendices in which the city government reports back on progress made on targets set by previous strategies.

While some city-level strategies have their own budgets, in several cases, such as Hamburg, they aim to pool existing budgets to make delivery more integrated. In Leipzig, it was felt that the integrated urban strategy adopted in 2009 was not linked closely enough to the city’s budget, which at times made the implementation of the strategy difficult. More ambitious financial strategies to support inclusive approaches seem sometimes to be restricted by the lack of fiscal powers available to cities. In New York it was originally planned to fund new initiatives such as universal early education through a new tax to be levied on the 1% richest residents. While this was popular with voters, the fiscally moderate state governor would not allow it, preferring to fund new initiatives from the state budget.

The design of inclusive growth approaches is often based on extensive local consultation. The Portland Plan was created by 20 public agency partners in over 2 years with more than 300 public meetings and 20,000 comments from residents, businesses, neighbourhoods and non-profits. The plan is presented online as ‘the plan that Portland wrote’. Similarly, in New York 10,000 people and 70 different agencies commented on and fed into the #OneNYC plan. In Leipzig, it was felt that the process of consultation was as at least as important as the product when developing their integrated SEKo urban plan (see Box 4).

Box 4: Development of the Leipzig integrated plan

Leipzig's SEKo 2020 was drawn up primarily by interdepartmental working groups within the city administration. External stakeholders were also invited to the workshops where priority themes were defined and priority (geographical) areas were selected. The whole process was steered by the Urban Planning Division of the local authority. However, the city planners organised several urban roundtable discussions/workshops, where representatives of housing associations, trade organisations and researchers also took part. Overall, the preparation of the strategy took two years (2007–2009) and according to one interviewee this was time well spent, with the consultative process being an outcome '*just as important as the actual product, the strategy itself*'.

In terms of deciding on specific policy interventions, both national and international experience is also frequently drawn upon. A review team ensured that experience from Chicago, San Francisco, and New York was embedded in Portland's new neighbourhood economic development strategy, for example. The city of Malmö has drawn on neighbourhood renewal policy from the UK and business improvement districts from the United States, while the cities of Nantes and Rotterdam have drawn extensively from the experience shared within European urban networks such as Eurocities Network.

Governance

Who is involved in delivering inclusive growth strategies?

Given that inclusive growth strategies naturally go beyond policy silos, there is a variety of different actors involved in the implementation of inclusive growth approaches. A partnership approach is therefore generally key to their implementation, with various different institutions needing to lead on different parts of the strategy.

Research by Hambleton (2014) highlights five realms of place-based leadership at city level:

- political leadership
- community leadership
- business leadership
- trade union leadership
- managerial professional leadership.

The case studies reveal examples of all of these types of leadership, including: the strong leadership of a directly elected mayor in a city such as New York, the role of the community leadership in influencing change in Portland, the role of business leaders in backing a sales tax to fund investment in pre-kindergarten education in San Antonio, trade union leadership in maintaining job quality in the Nordic city case studies, and managerial professional leadership in the case of city like Rotterdam.

In all the case study cities, local authorities and city governments have provided central managerial leadership in implementing inclusive growth approaches, while in some cities arms-length organisations delivering public policies play an important role. The development agency, Barcelona Activa, for example, naturally bridges policies for growth and inclusion when delivering employment, enterprise and tourism policies on behalf of Barcelona City Council. A number of city governments are working to strengthen partnership approaches in their cities by developing cross-sector implementation mechanisms. The New York Mayor's Office of Operations has responsibility for following up on all the mayor's commitments, while also establishing taskforces to work with different city stakeholders on the various initiatives being developed under the #OneNYC strategy. In San Antonio an NGO, SA2020, has a staff of four people working on its 2020 vision but their reach is made far greater through the exercise of a co-ordinating function involving 145 non-profit partners, the San Antonio City Government, county government and 15 cross-sector collaborative working groups.

One key way of bringing different actors together to work towards common goals appears to be the development of joint performance indicators – a topic that is examined in further detail in Section 6. While in many cases the local authority has led strategies top down but with consultation, in other cases a more distributed form of leadership has been sought. In Rotterdam, for example, the local authority sees itself as a partner, a platform and an enabler rather than a leader. In Malmö, the development of knowledge alliances is seen as being part of a 'democratised governance' approach in which many different stakeholders influence the entire chain from problem articulation and the development of solutions to implementation.

Universities play an important role in designing approaches and undertaking monitoring/ follow-up in a number of cities. In Malmö, the local university has been involved in designing and evaluating new approaches for regenerating neighbourhoods. In Portland, the motto of the Portland State University is 'let knowledge serve the city'. The 'knowledge alliances' set up by the Commission for a Socially Sustainable Malmö encompass both scientific and experience-based competences to generate new knowledge as a basis for action. In Cleveland, it was a philanthropy organisation, Cleveland Foundation, which brought together both universities and other anchor institutions to deliver the comprehensive Cleveland Greater University Circle Initiative (see Section 4). This initiative exploits the critical mass formed by bringing several local anchor institutions together to plan and deliver change – harnessing in particular the role of universities and hospitals as large local employers and buyers of services.

Inclusive growth approaches are often also based on co-operation between local authorities at the city or a city region level. Nantes, for example, was one of the first of a series of new 'Metropole' governments in France, with the city's local authorities voluntarily delegating a significant set of powers to the metropolitan level, enabling it to develop growth and inclusion approaches in parallel.

New ways of engaging civil society, citizens and business

The cities analysed were frequently working with civil society in new ways – going beyond a grant funding approach to develop other types of relationship. In Malmö a set of third sector partnerships (see Section 4) have been established in the labour market field, with the aim of moving from a 'monologue' from the city government to 'a dialogue'. In Portland it was stated that they have turned their normal model on its head, so that local community organisations have more say in managing neighbourhood interventions, although there were some concerns that such an approach might create fragmentation in delivery, while undermining a more systemic approach to making mainstream city institutions more inclusive.

Cities are also trying to change their relationship with business to achieve inclusion objectives. Defining a new relationship with business is at the heart of the inclusive approach taken by Nantes. The Nantes Metropole takes a multi-level approach, ambitiously using social clauses to promote better working practices within firms, while also conducting a broader campaign to support corporate social responsibility (as outlined in Section 4).

Further, some cities have put in place oversight mechanisms to ensure that private sector development is shaped to meet the needs of the city population. For example, in Hamburg the Future Council *(Zukunftsrat)* was initiated and funded by the city to provide external control on, and guidance to, the work of urban developers.

A number of cities are seeking to create ongoing citizen participation in the delivery of their strategies. In Leipzig, an initiative called *Thinking Leipzig ahead* in 2012 got citizens thinking about future-oriented urban development as part of the update of the integrated city development SEKo plan. The city has now set up a permanent unit to create a culture of citizen participation. In Paris, 5% of the municipal budget is set aside for innovative ideas generated by city residents to tackle local problems. The actions are voted on by other residents, and there is an emphasis on accepting suggestions from people living in areas of disadvantage in the city. Rotterdam has also set aside a similar percentage of its budget for 'bottom-up' innovation.

Conclusion

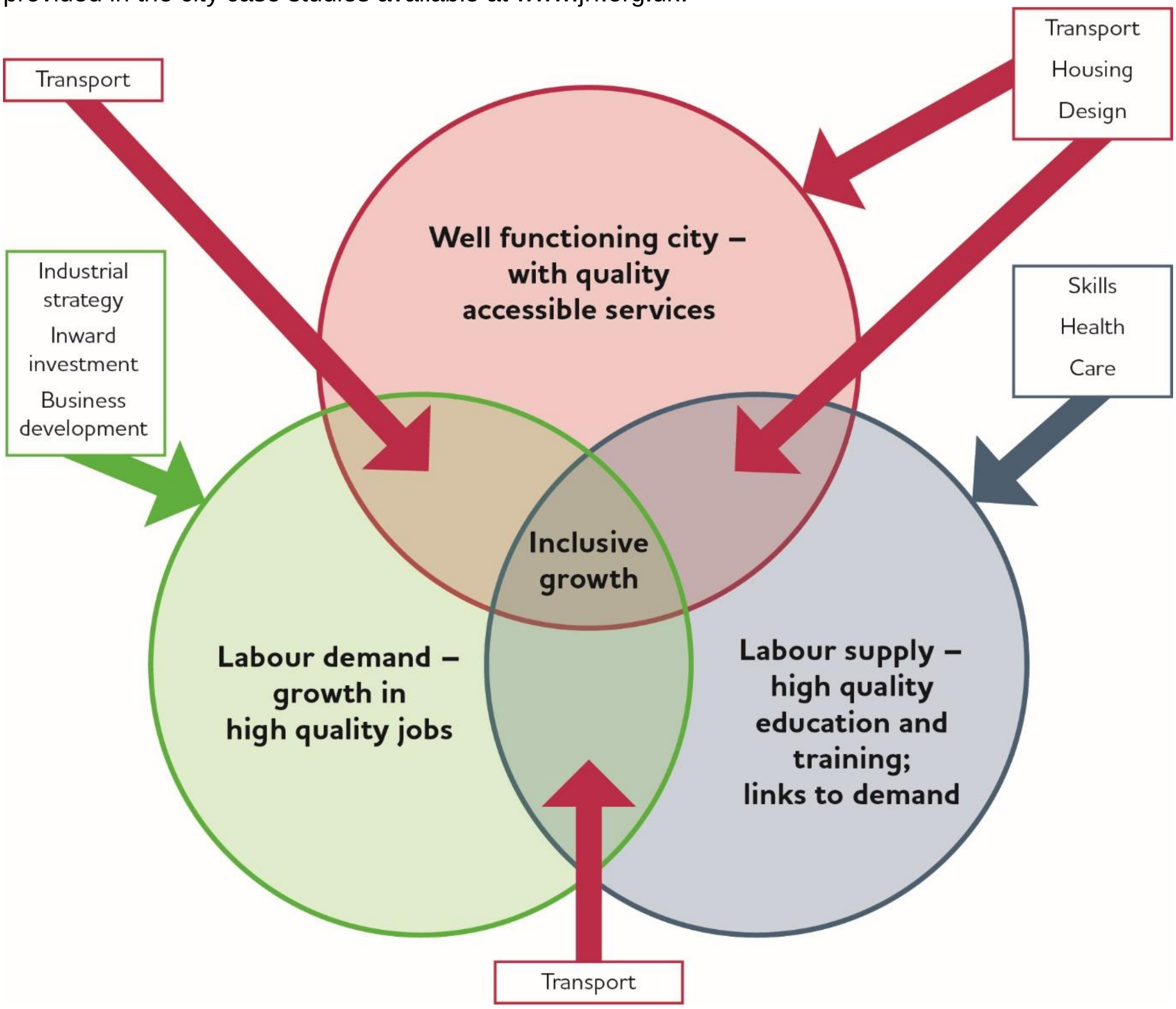
Inclusive growth can be conceptualised in a number of different ways – with some cities seeking to better distribute the benefits and opportunities associated with their current growth model (for example by improving transport connections from more deprived areas to jobs), while others seek to change the model (through, for example, working to increase the number of middle-skill quality jobs in the labour market). Inclusive growth approaches have emerged in the case study cities for many different reasons, including the vision of the mayor, bottom-up community activism, a common sense of solidarity born of crisis and a drive to reduce welfare costs. The case study cities have framed their approaches in different ways, with some focusing more on generating greater equality within the labour market, while others focus on health and wellbeing, and ‘making poverty matter less’ through designing broadly accessible city services.

The approaches to governance also vary across the case study cities. Some cities have developed comprehensive overarching strategies, while others are building more flexible cross-sector alliances around particular initiatives. Many approaches are relatively long term, with some cities actively anticipating and preparing for change, while others focus on investing in their youngest residents in order to reduce levels of exclusion further down the track. Inclusive growth approaches often involve extensive consultation and broad partnerships, with the mayor’s office and/or the broader local authority often providing an important linking role, building taskforces to implement specific initiatives. Several of the case study cities are also attempting to forge new types of relationship with business and civil society. The next section of the report goes on to explore the cities’ experience of implementation, through profiling example initiatives.

4 Experience of implementation: example initiatives

Introduction

This section presents selected examples of initiatives related to inclusive growth implemented by the case study cities. The examples have been selected to illustrate cases of interesting or promising practice that other cities may wish to consider and learn from. It should be noted that the initiatives outlined represent only part of the broader approaches taken by the case study cities and so do not provide a full picture of the range of policies. Further details of approaches in specific cities are provided in the city case studies available at www.jrf.org.uk.



Three broad subject areas are addressed in this section (as illustrated in Figure 4.1), addressing different elements of the policy framework.

Figure 6: Key elements of inclusive growth policies

The discussion is organised in three sections:

- *shaping the economy and labour demand* – policy initiatives on the demand side of the labour market
- *labour market supply and supporting labour market engagement* –relating to supply-side policies, including skills development and addressing worklessness
- *building connectivity and creating a well-functioning city* – through transport, housing and spatial planning policies at a variety of scales, as well as through investment in smart solutions and involving citizens in design of the city and services, so making life easier for individuals.

Particular focus is placed on labour market issues, given the importance of the labour market and decent paid employment for the success of inclusive growth initiatives. It should be noted that the distinction made above, for analytical purposes, between the demand-side and the supply-side of the labour market is to some extent artificial, given that several strategies/initiatives detailed below and in the city case studies are simultaneously increasing demand and linking supply to this, including providing opportunities for progression.

Shaping the economy and labour market demand

Inclusive growth policies have traditionally focused on labour supply. Yet the demand side is important too. Some cities seem pleased to have economic growth at almost any cost, but in other cases cities are actively trying to shape growth so that it is more inclusive and brings more equitable benefits to city residents. While city policy-makers cannot alter macroeconomic or technological trends, they can influence the context around demand locally through mechanisms such as industrial strategy, innovation systems, provision of business support, and decisions about infrastructure investment and spatial planning. They can also help shape city economies to foster and support growth and resilience. Other local stakeholders, such as companies and universities, are also critical in this process.

The demand context is important for several reasons. First, it influences the overall prospects for growth. Second, it shapes the type of growth which cities are likely to experience in terms of sectors and different types of jobs.

The drivers of growth at city level, and the role of local stakeholders in creating the conditions for growth, comprise a broad subject (for an overview see Lee et al, 2014). In this section the focus is on policies under two themes pursued in case studies cities, which are pertinent to the demand side: influencing the sectoral structure of employment, and growing the quality of employment.

Influencing the sectoral structure of employment

Inward investment to provide new jobs: One traditional mechanism of economic development for cities is to seek to increase employment opportunities in particular sectors through inward investment.

This approach is exemplified by the activities of the City of Leipzig in attracting a new BMW plant to the city, so helping to rebuild the manufacturing base – in part to provide jobs that suited the local labour supply, after failing to establish itself as a media and financial city. BMW agreed to offer one-third of the jobs to unemployed people, especially the long-term unemployed, and the City of Leipzig funded a job agency to help with pre-selection procedures as well as providing a relocation service for top managers moving to the city.

In San Antonio an inward investment strategy is also used selectively to strengthen local industry specialisations as part of a strategy focusing on economic competitiveness in global markets (outlined below). Sector-led training is used as a means of opening up opportunities for the local population to access jobs in these clusters, so illustrating the use of supply-side initiatives to help foster inclusion within a predominantly demand-led strategy.

Sector policy: Inward investment is just one element of a broader approach of promoting growth sectors or clusters as a means of shaping the structure of the economy to support city economic growth. Clusters have been defined as 'geographically proximate firms in vertical and horizontal relationships involving a localised enterprise support infrastructure with a shared developmental vision for business growth, based on competition and cooperation in a specific market field' (Cooke 2002, p 121). Cluster-based economic development is not necessarily inclusive, but clusters have the potential to promote inclusive economic competitiveness, and cluster performance may be measured using indicators of inclusiveness/equity as well as economic performance (Holifield et al, 2012). By aligning assets and creating shared strategies for competitiveness and growth, cities and regions are able to optimise the use of existing assets and strategically invest in programmes and infrastructure that will benefit all those in the cluster, including workers, firms, and intermediaries.

In San Antonio the economic strategy is one of intentionally growing the economy, adopting a sector policy tightly targeted on better jobs in globally competitive sectors largely building on historic industrial specialisations. The targeted growth sectors include clusters comprising health care, biosciences, life sciences and scientific research and development, aerospace, information technology and cyber security, advanced manufacturing, energy, and cultural and creative industries. For the most part, these build on existing specialisms in the local economy.

In Hamburg the economic strategy is focused on eight clusters: media and IT, aviation, life sciences, logistics, creative industries, healthcare, maritime industry, and renewable energies. Cluster policy in Hamburg has been ongoing since 1997 and in 2002 the Senate adopted an explicit approach to cluster development. Cluster management teams, led by networking professionals, fulfil a role as contact points for each of the eight clusters, acting as intermediaries and providing support to the activities of firms, education providers, research institutions and business groups. By bundling multiple policy areas within one ministry, local economic leaders have become, and crucially, started to see themselves, not only as decision-makers and funders but also as long-term partners, moderators and stimulators of new ideas. Labour supply policy is geared towards these clusters. Initial and further training (lifelong learning), including qualification initiatives, is a crucial element of the cluster policy. However, it is not just a question of offering training courses and attracting talented individuals. In Hamburg, young people/students are addressed by the clusters: to win them over for jobs with a future, school laboratories at universities and staged lectures for children have been set up to raise their interest in technologies vital for local employers.

A number of the case study cities, and in particular Cleveland, Malmö and Nantes, have struggled with de-industrialisation, having once had a particularly strong manufacturing base. The cities have coped with this in different ways – diversifying into other sectors, and in some cases successfully reinventing themselves as service economies (Malmö is a good example). However, several of the case study cities are now trying to bring manufacturing back into the city, both as a driver of economic growth and as an important mechanism for creating quality jobs for local residents, often with allied supply-side elements to help link local residents to them. As identified above, this is a key focus of Leipzig's inward investment strategy. Similarly, Portland sees advanced manufacturing as an important sector for middle-wage employment, while New York is setting aside land and space for manufacturing in order to boost its exports and generate jobs for New Yorkers (see below).

New York has been targeting investment towards industries that provide jobs that are good quality and accessible to New Yorkers. This includes an industrial action plan – manufacturing has been in decline but it is felt that it still 'needs to be part of the city' due to the relatively high wages it pays for low- to middle-skilled jobs, and its role in providing supply chains for the city's exports. Logistics and freight is also being supported, as this cannot be outsourced, but businesses are struggling to hire experienced people locally. Other sectors include tech, fashion, and health-tech –where the city feels that it already has a comparative advantage.

This is a particularly viable policy given that so called 'new manufacturing' is well-suited to being hosted in cities – as a result of changing technologies, manufacturing now often involves clean, smaller-scale production that caters to niche city markets (Foresight, 2013; Deloitte, 2015). While in the past manufacturing was dependent on economies of scale this is no longer necessarily the case, and 'distributed manufacturing' is becoming more prevalent. At the same time there is an increased blurring between manufacturing, consumer design, innovation and retail which means that manufacturing is again becoming an essential part of local city supply chains.

Improving the quality of employment

With concerns about in-work poverty, there is increasing interest in policies to enhance job quality. These issues have been a particular focus of policy in the US in cities such as Portland and San Antonio.

In Portland, Oregon, the Portland Development Commission 2015–2020 strategy focuses on four industry clusters (athletic and outdoor gear and apparel; green cities products and services; technology and media, metals and machinery; and healthcare) which were selected based on local employment concentration, historic and future growth, global reputation and brand, and middle-wage job accessibility. At the same time, the workforce development system (Worksystems Inc) now only offers intensive inward investment support to those companies offering middle-wage employment and jobs with progression opportunities for local residents.

Importantly policies to shape demand by growing particular sectors offering good economic growth prospects and/or jobs offering at least middle-income jobs often have allied supply-side elements to help link residents to quality employment opportunities.

Engagement in sector-based policy has been longstanding in San Antonio. The best-known example is Project QUEST (Quality Employment through Skills Training), dating from the early 1990s. It was designed to upgrade and reskill low-income disadvantaged workers for good jobs in high-demand occupations, by targeting a cluster of in-demand, well-paying, and growing occupations, and working with the community college system to develop degree and certificate programmes suited to these occupations. Building on similar principles in 2014 a Talent Pipeline Task Force (comprising employers, workforce development leaders, chambers of commerce, and post-secondary education and social service providers) was formed to develop a plan to better connect education and training to the labour market in three main targeted industries (healthcare and biosciences, IT and cybersecurity, and advanced manufacturing). The task force agreed to a middle-skills strategy, targeting jobs that require more than a high school diploma and less than a bachelor's degree as the core focus of its work to engage educators and industry to work in partnership.

Procurement: Clauses in procurement contracts/agreements are one method used by some cities to increase the quality of employment within sectors.

Barcelona has begun using social value in procurement (ie focusing on social benefits from procurement) and direct public sector employment as a way of increasing wages. Minimum salaries specified in such clauses are derived from a calculation of the cost of living and are significantly above the national minimum wage; (the same reference salary is being used in collective bargaining agreements for public sector workers).

In Nantes qualitative aspects of employment conditions in contracting firms – for example work organisation, training provision, the presence or not of a tutor to 'accompany' and help people settle into the workplace – are taken into account in procurement. Thirty-five factors of production are used to help in the assessment of the general work environment, and this receives a 15% weighting within the public procurement process. The support of the technical team working on social clauses at Nantes Metropole has been made freely available to other local employers, so they can adopt the same implementation system (and avoid reinventing the wheel). The public procurement approach has succeeded in changing working practices in several sectors of the labour market.

Prosperity planner: Precisely what constitutes a 'quality job' and an adequate income varies from person to person according to their living costs and responsibilities. Some public employment services have traditionally used individualised 'better off calculations' delivered face-to-face on a bespoke basis for this purpose.

In Portland, Oregon, where the Portland Development Commission strategy is for the city to increase employment by 28,000 quality jobs between 2015 and 2020 (including 13,000 middle-wage jobs), Worksystems, Inc has set up a tool – an online prosperity planner – to help people assess the income that they would need to earn to become self-sufficient. The planner is based on a set of self-sufficiency standards which identify real costs in each of Oregon's 36 counties. It uses those costs to establish the adequate wage in those areas for 70 different family configurations. People have to go through the prosperity planner before undertaking any Worksystems Inc training. Advice is then given on the types of occupations that might give them the income they need, and the training pathways and progression routes that could help people to achieve jobs in these occupations.

Shaping labour market supply and supporting labour market engagement

Example initiatives are presented under four themes, the first three of which, pre-employment, employment entry, and progression and job quality, relate to a pathway to (better) employment (Green et al, 2015). The fourth, engaging in the new labour market, provides insights into issues relating to equipping individuals for inclusion in a changing, increasingly globalised and digitalised, labour market.

Pre-employment

Pre-employment initiatives are important because they represent the start of a pathway to employment. They are especially employment for disadvantaged individuals who are entering the labour market for the first time and for those who are seeking to re-enter the labour market after some time away or whose previous employment experience was in a different country. Examples are provided of initiatives providing integrated intensive services, social enterprise, and investment in early years education.

Integrated intensive services: Individuals at some distance from the labour market often face multiple challenges in their journey to employment, yet accessing a range of services is often difficult.

To help address this problem in Helsinki the Cockpit Navigator Service'(*Ohjaamo*) is integrating complex work and training services for disadvantaged young people. It integrates counselling services, longer term guidance, advice about education, training and rehabilitation services, and in-work support and coaching under one roof in a one-stop guidance centre designed specifically for young people. It is staffed by youth workers, social workers, psychologists and employment services professionals. Young people can drop in at any time (without a referral from another organisation): it is an on demand service imposing no obligations. In the first five months of 2016 the service had more than 3,400 visitors.

Also recognising the importance of bringing services together to help beneficiaries, the employment strategy in Barcelona has a component on service integration. The model involves at least one employment office per district providing a range of core services as well as specifically targeted local services, underpinned by improved procedures for data sharing.

Social enterprise: In some European cities social assistance for individuals at some distance from employment is a municipal responsibility. This means that there is an onus on cities to explore ways of bringing such individuals closer to and into the labour market. One mechanism adopted by many municipalities is to work closely with community-based organisations and social enterprises to provide more tailored social assistance to particular groups, or to particular neighbourhoods.

In Malmö the city council is initiating third sector public partnerships (TSPPs) within the employment sector to complement other labour market initiatives in the city. One of the TSPPs, Yalla Trappen, is a work integration social enterprise. Operating in the Rosengard area of Malmö where 90% of the population are from immigrant groups, it works primarily with women who lack professional experience and training, who are not proficient in Swedish and who have been out of the labour market for many years, with recurring ill-health. The emphasis is on 'self-strengthening', through collaboration with other people, and education, to create positive outcomes, including earning a wage, decreased medication and better health, and reduced social isolation through more numerous and varied contacts. Commercial activities include a café, lunch and catering service; marmalade production; a cleaning and conference service; and a sewing studio (serving Ikea). Yalla Trappen is part of a supportive network of Yalla elsewhere in Sweden, and managers want sickness benefit savings from existing work integration social enterprises to be reinvested in further similar initiatives.

Early intervention to save costs later – the example of Pre-K 4 SA: Addressing multiple challenges faced by adults in accessing the labour market can be expensive. In general, ensuring a good start in education can help obviate later problems. In Texas a Better Jobs Act enables municipalities to levy a portion of sales tax (if authorised by a majority of voters) to invest in education programmes for economic development that have a positive impact on the future economy.

In San Antonio in 2011 Mayor Castro's Brainpower Taskforce brought together education and business leaders to identify what would be the best use of money if an additional 0.25% on sales tax went to a specific cause for eight years. The Taskforce recommended that a programme focused on high-quality pre-kindergarten services for four-year-old children would be the most effective way to improve the quality of education in San Antonio. Increasing readiness of pre-school children for formal education had been identified by the community as a priority for 2020. This was backed by the Chamber of Commerce in recognition of the importance of a good start in education for the future competitiveness of the San Antonio economy. The proposals for Pre-K 4 SA were passed and have been implemented through a full-day pre-kindergarten programme for four-year olds. Provision is targeted at children from working families whose income is just above the poverty line and so who are excluded from many government assistance programmes.

Employment entry

Traditionally a good deal of policy attention has been focused on entry to employment. Employment entry marks labour market inclusion and, in most instances, movement off welfare benefits. As highlighted in the previous section, there is growing interest in the quality of employment at entry stage. Here we give examples of initiatives related to procurement, corporate social responsibility, the role of anchor institutions and inward investment policies, and retargeting public employment services.

Procurement: Including social clauses in procurement contracts/agreements is a key method used by some cities to increase the quantity of employment opportunities for particular target groups.

Nantes Metropole has developed a strong public procurement approach since 2004. The public procurement policy stipulates that a certain number of hours (as opposed to a number of jobs) need to be given to people at a distance from the labour market, so providing greater flexibility for companies to manage the process as they see fit. The required hours are calculated differently for different employment sectors. The public procurement approach has supported recruitment of more disadvantaged people in several sectors of the labour market.

Corporate social responsibility: Broadly defined, corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. With regard to employment entry it refers to ways of supporting access to employment for disadvantaged groups in the labour market.

Nantes Metropole is working across a broad front with enterprises to convince them of the value of CSR, working closely with the Chamber of Commerce. A CSR platform has been established bringing together companies, employer networks, trade unions, and non-profits from civil society. One particularly innovative action has been working with local banks to create specific loans for entrepreneurs with social strategies. This scheme has been so successful that they have now persuaded French national banks to take social and environmental criteria into account when they negotiate loans. Another focus has been on reforming the way internships are organised in the city, as the informal organisation of internships often favours those in 'insider' networks. Companies are encouraged to advertise on a common website, while some have been branded 'Welcoming companies'.

Role of anchor institutions: One way for a city to galvanise procurement and related activities for the benefit of local residents is through working with anchor institutions.

In Cleveland key anchor institutions – Case Western Reserve University, the Cleveland Clinic and University Hospitals – have come together with the public sector and the Cleveland Foundation (a large philanthropic organisation) in the Cleveland Greater University Circle Initiative (GUCI). The GUCI strategy has been developed to use the role of local anchor institutions to help improve the conditions and economic opportunities for citizens in disadvantaged neighbourhoods in the surrounding area in a way that would not be possible for a single anchor institution on its own. The anchor institutions orient their procurement spending and recruitment practices to the advantage of local residents. Several projects have also been developed to support disadvantaged residents through the process of accessing employment opportunities in the anchor institutions. For example, StepUp is a training programme which targets areas of employment opportunity in the heath sector. This illustrates that activities extend beyond employment entry to create opportunities for progression.

Retargeting public employment services support: The public employment service has an important role to play in most countries in shaping employment entry, and in influencing the types of work that people are encouraged to apply for – this in turn can have longer term effects on labour market outcomes and quality jobs.

In New York, the workforce development focus of the city has shifted from a principle of 'rapid attachment' to a focus on career pathways as a way of helping people towards sustainable employment commensurate with their skills and aptitudes. The aim is for people to be offered a range of education and training to work towards job opportunities that will build labour market attachment over the longer term.

Progression and job quality

With concerns about in-work poverty, the 'no-pay, low-pay' cycle and the introduction of Universal Credit in the UK, there is increasing interest in policies to promote progression and enhanced job quality. These issues have been a particular focus of policy in the US as the examples showcased here on career pathways illustrate.

Career pathways: The previous section has highlighted examples of cities proactively pursuing growth in sectors providing middle (and high) income employment opportunities. Career pathways initiatives seek specifically to link workers to jobs which offer structured opportunities for progression.

As outlined above, in San Antonio Project QUEST was designed to upgrade and reskill low-income disadvantaged workers for good jobs in high-demand occupations, by targeting a cluster of in-demand, well-paying, and growing occupations, and working with the community college system to develop degree and certificate programmes suited to these occupations. From the outset residents of poor neighbourhoods and the business community agreed that Project QUEST must tie-in strongly with the occupational demands of local employers, be selective and target training only for those careers that offer good pay and advancement opportunities, and incorporate intensive client services to help economically disadvantaged participants overcome financial and personal barriers to skill acquisition. During the past 21 years more than 80% of Project QUEST entrants have graduated from the programme and 86% of graduates were placed into higher paying occupations (Benner and Pastor, 2015).

Engaging in the new labour market

It is important that policy is sensitive to the changing nature of the labour market. Cities are relatively small actors relative to the global factors shaping employment, but they can take account of likely future changes and prepare policies to help equip people to participate in the new labour market and reap the benefits of growth.

In Rotterdam thought is being given to the shape of the current and future labour market as middle-level jobs decline, the nature of work changes as low-skilled jobs are being splintered into ‘tasks’, and what this means for the workforce of the future and for re-integration of people not in employment. A ‘gig economy’ is emerging characterised by temporary positions and short-term engagements for independent workers for short-term engagements. Crowdsourcing for work platforms, while providing opportunities for some people, might also lead to a ‘race to the bottom’ in pay rates given competition from around the world, yet the municipality has recognised that sharing economy platforms also provides opportunities for exchange of neighbourhood services etc, at a local scale, for the benefit of city residents.

Recognising that most welfare recipients are not able to organise their own gigs, a related new pilot initiative in Rotterdam involves microfranchising (with an initial focus on handyman and care-giving tasks). The model involves identifying and matching individuals who have been out of the labour market for some time to tasks that they can do on their own with existing skills and minimal equipment, while issues of branding, price setting, administration and payment are dealt with centrally.

Educational initiatives are fostering the development of entrepreneurial skills for the new labour market.

21st Century Skills – a Netherlands-wide initiative which has been embraced more actively in parts of Rotterdam than elsewhere – emphasises the development of digital skills, enterprise skills (including creativity, co-operation, critical and independent thinking, problem solving capacity and taking calculated risks) and personal leadership skills (such as self-efficacy and confidence, taking responsibility, setting and reaching goals, self-reflection and living with differences). The municipality is active in making available spaces for incubation and innovation, and facilitating creation of innovation networks, to foster these skills for the benefit of individuals and the city.

Building connectivity and creating a well-functioning city

Connectivity is fundamental to inclusive growth, in terms of linking the supply and demand sides of the labour market, physical connections between residences and workplaces, more broadly taking account in spatial planning of the location of housing vis-à-vis jobs, and ensuring access to essential services at neighbourhood level (and hence creating a well-functioning city). It may be considered in physical, economic, social and political terms as enabling access to opportunities. Here we showcase five key themes relating to the physical and built environment: transport; transit-oriented development; investing in housing and jobs; tackling poverty and enhancing quality of life in particular neighbourhoods; and enhancing the functionality of the city for diverse citizens, so making life easier in the city for individuals and their families.

Transport

Transport is the most obvious factor for building connectivity. It is important in linking (potential) workers to opportunities for the benefit of workers, businesses and economic growth in cities.

Linking to areas of opportunity: Many cities are looking to increase connectivity between deprived parts of cities and areas of economic opportunity.

In Cleveland research mapping the residential locations of welfare recipients, entry-level job opportunities and public transit systems resulted in the re-routing of a number of transit lines to provide better connections between the city and inner suburban welfare households and the outer suburban entry level employment. Likewise, when Nantes developed an extensive tramway system in the 1980s a particular effort was made to ensure that the tram linked in more deprived parts of the city.

In the extremely segregated cities of Cape Town and Medellín (Colombia), public transport is perceived as a symbol of uniting the rich and poor areas and enabling different segments of the population to meet and interact. In Medellin local government has played a key role in developing transport (and other infrastructure). A network of cable cars connects the poorest neighbourhoods to the metro, and the public transport network has been expanded with the introduction of buses to supplement the metro system.

Temporal and spatial aspects of routing and pricing: Another issue for consideration is how the temporal and pricing aspects of public transport operations impact on access to employment.

In Nantes the metropole recognised that it was difficult for cleaners to use public transport due to their anti-social working hours, and made it obligatory for cleaning in city offices to happen within normal work time. Local companies have followed the lead with 25% of cleaning work in the metropole now happening within normal working hours.

In Seoul, the re-organisation of the bus network which had developed organically without any co-ordination or control by the authorities included the introduction of a fully integrated fare structure and electronic ticketing system between routes as well as across buses and the underground. While the price of a single ticket went up when the new system was introduced, the free transfers (within a certain time period) mean that most service users save money. Decisions on fares are made by Seoul Metropolitan Government, but the distribution of the revenues from fares is overseen by a bus operation council, which has representatives of all the independent private bus companies that operate the network.

Investing in housing and jobs

As outlined above, spatial planning has a key role to play in inclusive growth. Here we outline examples of consideration being given to the supply of affordable housing and the spatial arrangement of housing and employment in facilitating physical access to opportunities.

The lack of housing in Hamburg is seen as limiting economic growth, and the high rental prices are prohibitive to low-earning residents. The city's housing programme (since 2011) has been very successful, with over 6,000 homes built annually, and exceeding the target for 2,000 subsidised rental housing units a year – so narrowing the gap between demand and supply of housing. An Alliance for Homes (involving the Senate, housing industry associations and the municipal housing company) has set specific objectives for an inclusive housing market. City districts support the objectives through a faster approval process and the provision of affordable urban land. The programme has also sought to modify state government statutes to make the housing market more inclusive by better protection of living space capping rent increases (OECD, 2015).

As in the case of transit-oriented developments outlined above, a key principle is densification to facilitate access to opportunities.

The City of Hamburg has prioritised density in its physical development programmes, arguing for 'more city in the city', and putting this theme into action with housing developments designed to create socially mixed communities. For example, the HafenCity development, in an old port area on the River Elbe very close to the city centre, was created from scratch on land that used to be part of the harbour and is owned by the City of Hamburg. It brings greater density to the city centre. The mixed use development which includes commercial and residential space, to accommodate 12,000 residents and 4,000 workers, was closely managed throughout with Hamburg playing a strong role in determining the rules of the development and the parameters within which private investment takes place. An effort has been made to link residents into city centre jobs through public transport links.

In the early 1990s large-scale suburban developments sprung up around Leipzig, without good public transport links for the new inhabitants to commute to jobs in the city. The problems of increased use of cars and vacant residential buildings in the centre prompted the city council to promote 're-urbanisation' and devise creative ways of managing and improving the housing stock. The Urban Development Plan (2000) outlined a joint strategy for the older housing stock, the large housing estates on the margins of the city and new suburban construction. To maintain and improve the inner city housing stock, innovative measures included: tenants received financial assistance to refurbish their blocks – thus reducing the financial burden on the city; the city helped organise and advise 'owner groups' for residential buildings, who then bought these buildings; and to save decaying buildings in strategic locations from further decline, they were made available to tenants for temporary rental-free lease. The tenants had to make essential repairs to prevent further decay of the buildings. These repairs were coordinated by a not-for-profit group. Although this initiative was not widely taken up, it did have a positive impact, and the presence of students and artists who looked after these residential buildings contributed to making the area more attractive.

Tackling poverty and enhancing quality of life in particular neighbourhoods

Enhancing quality of life in the city is important not only for individual and community wellbeing, but also because, in some instances, it may help poverty matter less. Here we provide examples of initiatives to tackle poverty by improving housing and neighbourhoods. The first example describes the use of spatial planning to create 'complete neighbourhoods', while the second example outlines rent controls and the innovative use of a business improvement district (BID) mechanism.

In Portland there is a focus in urban planning on creating 'complete neighbourhoods': areas where residents have safe and convenient access to essential goods and services, transportation options, connections to employment centres, and community and open spaces within a 20-minute walk. The rationale is that complete neighbourhoods can reduce overall household costs and increase household affordability, and also yield health benefits for residents. According to the Portland Plan published in 2012 fewer than half of Portland residents lived in complete neighbourhoods, but by 2035 the city aims for 80% of residents to do so.

Improving local infrastructure, including the housing stock, has a role to play in promoting socio-economic wellbeing and economic growth. This is exemplified by an area programme in the neighbourhood of South Sofielund in Malmö, an area with 12,500 households, a reputation for crime, relatively high population turnover and hidden problems of sub-standard housing. In order to change South Sofielund 'from deprived area to innovation area' attention has focused on making the neighbourhood appealing and safe for everyone, where private landlords and housing associations want to commit and invest. Harnessing the involvement of 16 real estate and 42 apartment building owners has been crucial to improving the area. A BID has been set up to promote co-operation between property owners, housing associations and businesses and to work together to jointly invest in and improve the area's long-term sustainability. The idea is that promoting good property management and environmental improvement (including cleaning, recycling, better lighting, camera monitoring, improved parking arrangements and creation/upgrading of green spaces) will contribute to a socially sustainable and attractive area (rent controls provide a bulwark against gentrification). Members of the association pay a membership fee and a service fee, while the City of Malmö funds a development leader/co-ordinator and the administration. The University of Malmö is evaluating developments and a small positive trend regarding sense of security in the area is apparent. Alongside physical development there has been investment in schools, creation of an innovative climate to attract entrepreneurs, and development of cultural and leisure activities.

A functioning city for diverse citizens – making life easier in the city

Design, smart technology and open data may be used to enhance functionality of a city and its services, so enhancing quality of life for residents and helping businesses.

Everyday design can permeate many aspects of citizen's lives and can be used as a tool for collaboration to devise a user-friendly urban environment:

Helsinki aspires to be a design-oriented city**.** Using a collaborative and practical approach, Helsinki uses design as a strategic tool to improve city life (ie to develop a more human-centric city). Design has been used to improve services. For example, the New Central Library is being co-designed to take account of the perspective of different customers, while in the case of Ohjaamo (an integrated service centre for young people described above) designers challenged service providers to create novel joint services to meet young people's needs more quickly and efficiently than the separate old services.

Smart technology offers potential for residents to reorganise and enjoy greater control over their lives.

In 2013 Helsinki launched the Smart Kalasatama project, which aims to make Kalasatama a model district for intelligent city development. Kalasatama is planned to house 20,000 residents and offer work to 8,000 people when it is completed in the 2030s. The area is being developed flexibly and through piloting, in close co-operation with residents, companies, city officials and other stakeholders. The goal is to manage resources and create services intelligently using smart technology so that residents will gain an extra hour of free time every day to use as they wish (eg relaxing, studying, having more family time).

On a broader scale some cities are making commitments to making open data available as a means of increasing citizens' knowledge and understanding of the city, of fostering participation and interaction, and of facilitating the creation and design of new services and business opportunities. Data is freely available and can be used in research and development activities, decision-making, visualisation, and in the development of apps[4].

The Helsinki Region Infoshare (HRI) service[5], which won the European Commission's prize for innovation in public administration in 2013, aims to make regional information quickly and easily accessible to all citizens, businesses, universities, researchers and the municipal administration. It is concerned with fostering data production, accessing data, data sharing and data use. HRI provides a web service for access to open data sources between the four cities of the Helsinki Metropolitan Area as part of normal municipal operations. The service is funded by the cities concerned, the Finnish Innovation Fund (Sitra), and (in the project planning phase) by a Finnish Ministry of Finance municipality cooperation grant.

Further detail on the use of open data and developments in information handling underpinning inclusive growth strategies can be found in Section 5.

Conclusion

The examples presented here provide a flavour of the range of approaches taken by cities in fostering inclusive growth in relation to the labour market (including linking demand and supply simultaneously) and building connectivity, including enhancing functionality and quality of life. Not all are directly transferable to the UK, but many of the approaches and principles could be applied in UK cities. While the examples tend to highlight more innovative initiatives and practice, this does not mean that getting the fundamental elements of economic development policy right is not important (as discussed in Sections 6 and 7).

The economic is very important in inclusive growth. An inclusive growth strategy needs to be about more than sharing the benefits of growth; it needs to be about reshaping growth also – as illustrated by procurement policies which include elements on wage levels and sector-focused career pathway initiatives.

The examples presented here also highlight the value of looking beyond the economic to include health, wellbeing and the quality of the built environment. This suggests that a mix of people- and place-based approaches to inclusive growth is appropriate. A temporal dimension is also important, as illustrated by investment in early years now to save costs and benefit the economy later, and by initiatives that seek to improve health and wellbeing.

5 Data, evidence, monitoring and impact

This section explores how data is used in the case study cities to inform inclusive growth strategies and monitor and evaluate the progress towards the goals set out in the strategies. After highlighting the use of data to inform policy initiatives and some innovative approaches to the use of open data, we discuss the key messages from the evidence on progress to inclusive growth in the case study cities.

The use of data to inform policy initiatives

Key indicators

As indicated in previous sections, data and evidence can be an important first step in stimulating a more inclusive approach to policy-making: for example, the Portland Plan was developed as a result of evidence-based campaigning from community groups who highlighted alarming disparities in the city and used the research to galvanise support and demand policy change. Similarly, the World Health Organization's (2008) report on the social determinants of health inequalities which inspired the work of the Commission for Socially Sustainable Malmö, relied on shocking research evidence when it stated that 'social injustice is literally a question of life and death'. Indeed, indicators can be an important way of focusing policy.

The data and indicators that inform inclusive growth strategies are often relatively simple, such as statistics on labour force participation or access to early years education in a city. These indicators can be interpreted as vital signs, reflecting the overall health of the city or a neighbourhood. Collecting reliable statistical data at the city, and especially at the neighbourhood, level can be difficult and costly and the most vulnerable groups such as undocumented migrants or those working in the informal economy may be reluctant to participate in data collection exercises. Hence some key dimensions of interest relevant to inclusive growth strategies may remain hidden.

A more comprehensive and in-depth picture about the state of a city can be given by using a number of different descriptive statistics. For example, the annual social report (Sozialreport) in the City of Leipzig is more than 150 pages long, listing data which focuses particularly on vulnerable groups, such as disabled people, children, older people, those from a migrant background and refugees.

In place of such rich description, composite indicators are commonly used to inform policy-making. Creating such indicators can be methodologically challenging. For example, in Nantes a measure for calculating carbon emissions within the public procurement process was proposed but it proved too difficult to specify. The city now aims instead to focus on specific pressure points where carbon emissions are unnecessarily high – for example lorry transport.

Indicators may need to be adapted as the need for new types of data arises. As indicated in Section 4 the city of Nantes now evaluates its contracting firms by taking into account the qualitative aspects of employment conditions at the firm (for example work organisation and training provision) through 35 separate factors. The approach taken in this area had to be carefully worked out within the constraints of legislation.

Tracking social and economic change over time on key indicators is another important aspect of the use of data.

The urban planning department of the city of Leipzig developed a micro-level urban monitoring system (based on an existing tool, and funded by the federal government) to assess and understand the dynamics of the population movement from one neighbourhood to the other, especially the movement of people between the core city and the suburbs (Plöger, 2007). The information from the data analysis was fed into the city's integrated strategic plan and guided decision-making about urban renewal.

Rotterdam also relies on wide-ranging data to inform its city planning and development: it has developed a Smart City Planner (SCP). The SCP is organised around the themes of people, planet and prosperity, and includes around 100 indicators, grouped in 17 themes. The value of each indicator can be calculated for neighbourhoods: city planners can see, for example, where high electricity use is concentrated based on the total residential electrical use per capita indicator. The data can be visualised either in the form of a spider diagram or on a map. To make the complex data easy to understand, a traffic light colour coding scheme is used which shows how the indicators for a certain area of the city score against the city average or a chosen threshold. This approach helps the city to discuss and engage directly with stakeholders on specific issues and to monitor change. In 2013, the SCP was used more than 30 times when preparing action plans in a variety of policy areas ranging from water strategies to child-friendly neighbourhoods.[6]

In Cape Town the Economic Areas Management Programme (ECAMP) pulls together various data streams from the city's SAP database into a scoring matrix. The programme tracks the market performance and the long-term growth potential of each business district, and offers a diagnostic assessment of each area, giving users insight into local business dynamics, opportunities and inefficiencies, which is used to guide the spatial targeting of policy interventions. Information generated by ECAMP is also available free to the public through a web-based interactive map system, and is recommended especially to the business community.[7] The city's marketing team also uses the programme to prepare tailored information for potential investors.

Comparing cities and benchmarking

The Brookings Institute's Metro Monitor provides a good example of comparing the rate of change in three sets of indicators describing economic growth, prosperity (standards of living) and inclusion in metropolitan areas in the US (Shearer et al, 2016) and helps metropolitan areas to benchmark and compare themselves against each other. The information is available to the public in a variety of easily accessible formats. In the UK, the Centre for Cities provides city-level analyses based on comparative indicators and a data tool is available to everyone.[8]

At the global level, the Global City Indicators Facility (GCIF), based at the University of Toronto, was established to provide a standardised system for data collection on cities. The GCIF includes a set of indicators that are standardised, consistent and comparable over time and across cities and have been developed into an ISO standard (ISO 37120). This ISO standard, 'Sustainable development of communities – Indicators for city services and quality of life', provides definitions and methodologies which enable comparison. The standardised data is available through the World Council on City Data's (WCCD) portal.[9]

Qualitative data

In addition to quantitative data, there may be a need for qualitative data to provide rich insights into aspects of city life. Examples include:

- the voice of young unemployed people living in disadvantaged neighbourhoods in Malmö is captured in interview quotes in a report describing life for young poeple in the city; this can create a richer description of the youth labour market than indicators alone, as can use of data collected in focus groups and panel discussions
- in Grünau, Leipzig's largest housing estate, a mixed-methods longitudinal survey focusing on the residents' perspectives and reflections on their housing conditions has been conducted in ten

waves since 1979. The most recent survey data (2015) is complemented with expert interviews, documentary analysis, photos and observations.[10]

Approaches to monitoring progress on inclusive growth strategies

The progress of an inclusive growth-related project or programme can be monitored by focusing on outputs. For example, the number of new housing units built in Hamburg since 2011 was used to evaluate the latest housing programme, while in labour market oriented training programmes common indicators relate to outputs such as numbers of individuals attending courses, achieving qualifications etc. For example, there are plans for the employment strategy in Barcelona to be monitored by tracking the number of job and education placements, provided that data can be shared between different agencies.

Assessing the outcomes, rather than the outputs, of a programme can be a more complex and challenging task. Outcome targets (short-term and longer term) can be used to measure the success of initiatives, such as the Portland Plan, for example its aim to increase the percentage of people who are self-sufficient from 77% in 2012 through 80% in 2017 and 90% in 2035. Similarly, the Portland Development Commission Strategic Plan defines success as reducing the number of households living in high-poverty neighbourhoods by 50% by 2020. San Antonio aimed to use indicators agreed during a consultative process to measure progress against the *SA2020* community vision, but found that for some of the indicators that had been agreed in advance underlying datasets were not available, and the original list of indicators was reduced.

Using the same set of indicators in reports over time is very useful to measure progress and drive continuity in policy approaches: for example, in support of 'environmental justice' and in recognition of environmental inequities, New York is now tracking city pollution levels by district, and this tracking is likely to continue.

The use of quantifiable indicators can be less straightforward for certain programmes for which only subjective indicators are available. For example, self-reported data on wellbeing is available to monitor the success of a civic contribution initiative for welfare benefit claimants in Rotterdam. Evidence indicates that, in general, participants have better self-reported health and an improved sense of integration.

Instead of indicators, a traffic light system can also be used to evaluate the progress of a programme or strategy. For example, work towards meeting the Socially Sustainable Malmö commitments is measured using this method rather than key performance indicators with specific targets attached. In Hamburg the independent Future Council group produces an annual 'shadow' report on environmental, economic and social sustainability. Its evaluation is based on more than 30 traffic lights indicators.

The example of HafenCity in Hamburg illustrates that for a complex evaluation different types of data may be necessary, and thus different data collection methods have to be used. A variety of evaluation measures are used in HafenCity (see Section 4 for a summary of this project) while the development project is still underway. The development is closely monitored through surveys on the use of public space, qualitative interviews with residents and ethnographic research on the use of public spaces as encounter spaces as well as an ongoing study on young people who moved to HafenCity as children.

Other important issues around monitoring and evaluation include the timeframe for evaluation: in the Portland plan five-year plans are set out to collect data on disparities and on 'what works' in tackling these disparities and assessing the equity impacts of policies.

Finally, the question 'who is involved in the evaluation?' is also relevant. For example the expert members of the Commission for Socially Sustainable Malmö who were involved in drawing up the initial report are not involved in the evaluation.

Monitoring and evaluating programmes and strategies may produce significant bureaucracies. In New York, the Mayor's Office of Operations is responsible for following up and reporting on all the mayor's commitments. The taskforces meet monthly and these meetings are an important way of achieving policy integration. In Helsinki, Malmö and Leipzig the monitoring of different programmes is carried out primarily by the city administration. In Hamburg, the large-scale HafenCity and IBA Hamburg projects have been designed in a way that puts great emphasis on evaluation and reflection.

However, it is important to keep in mind that even if a programme aimed at reducing inequalities is successful in meeting its targets, this does not necessarily have a positive impact on the overall level of inclusion in the city. Conversely, the reduction of inequalities in a given city may not always be attributable to the relevant programmes or strategies.

Future prospects

As discussed above, several case study cities share local level data between different parts of city administrations and their partners, and in some cases with the public, in easily accessible formats, including online. Some cities go further and share raw data with the public (as outlined in the cases of San Antonio and Helsinki – see also Section 4 for the latter).

In San Antonio a data dashboard[11] has been launched to keep residents informed of progress of SA2020 in 'real time' and to encourage them to get involved. The launch of a shared data network between the city government and the non-profit and other sectors has been another crucial step in San Antonio: Community Information Now (CI:Now) provides not only the data but also the tools to turn data into local information that local communities can use to improve their wellbeing. The CI: Now initiative goes beyond data sharing as they promise to 'find, collect, link and analyse, and visually display the data that our neighbours need to improve neighbourhood and regional conditions' (CI:Now, 2016).

'Open Helsinki' refers to transparent decision-making and leadership but also the implementation of new digital services based on the use of open data (information and records, electronic archiving systems of the city).

Open data is a philosophy in which the collaboration between the public sector, citizens, web developers and other users is nurtured and made more efficient to produce greater common good. It is a means of increasing citizens' knowledge and understanding of the city, of fostering participation and interaction, and of facilitating the creation and design of new services and business opportunities – in a context where, in the words of one interviewee: 'to connect to the internet is more or less a human right'.

Before data is made accessible to the public, it has to be checked and datasets from different agencies often need to be merged – this helps break down silos in the administration, although the data remains the responsibility of the organisation that has gathered it. The data available is mainly statistical, providing information on city budgets, living conditions, economics and wellbeing, employment and transport, and much of the material provided is Geographic Information System-based.

In addition to statistical data, the system for handling the agenda items, minutes and the debates of Helsinki City Council are also available to the public via a web-based interface; (an independent software developer has created a smartphone app for it, making it very easy to keep up with the decisions of Helsinki's leaders).

The data can be used in research and development activities, decision-making, visualisation, and in the development of apps.[12] There are no limitations on users. A successful and profitable example for using the open data is the BlindSquare smartphone app, which helps blind people move around Helsinki. An app developer took the Helsinki region's data on public transport and services, and combined it with location data from the social networking app Foursquare as well as mapping tools and the GPS and the artificial voice capabilities of smartphones. The product now works in dozens of countries and languages.[13]

Some of the cities/metropolitan areas discussed in this report, such as Helsinki[14] and Hamburg, have their own statistical offices which collect and publish detailed local data (including in English).

Key messages arising from the evidence on progress to inclusive growth

The development and selection of indicators is of crucial importance for the inclusive growth strategies: indicators embody values, and as one interviewee suggested the fact that something is being measured 'must mean that it is important'. Furthermore, indicators may help to get residents and stakeholders to accept the 'same set of facts' to help ground and guide discussion.

The importance of good underlying data and intelligence to inform strategy, develop indicators and measure progress cannot be overestimated. Data and indicators are also crucial when neighbourhoods, cities or metropolitan areas are compared, with or without including the dimension of time. Meaningful comparison, whether over time, or across cities, is only possible if comparable data exists and is made available to city leaders, partner organisations and the public.

The issue of comparability is also relevant at a more abstract level: given that inclusive growth and social inclusion/exclusion can be conceptualised in various ways (eg as a 'state' or as a 'process') and different types of data can be used to substantiate claims about social inclusion. At the same time, including new indicators can lead to a change in concepts, such as growth and sustainability. In Hamburg, environmental pressure groups first extended the concept of growth through analysing indicators describing the environmental impact of economic growth and creating the concept of sustainable growth. In a subsequent shift, the concept of sustainability was extended further to encompass the social. A possible method of analysing these underlying shifts is to look at the changing sets of indicators used to describe growth.

Comparing the different policy domains of inclusive growth strategies across the case study cities, it appears that relatively quick progress can be achieved in reducing crime (San Antonio), increasing the labour supply through providing affordable services such as child care (Hamburg) and by linking people to jobs through improving infrastructure and public transport services – either within cities linking disadvantaged neighbourhoods to areas of opportunity (as in Nantes) or at a broader sub-regional scale (as in the case of the Öresund Bridge which served to bring together the labour markets of Malmö and neighbouring areas in Sweden and Copenhagen in Denmark into a broader functional region).

Conclusion

The examples in this section illustrate that information derived from good quality, up-to-date data is key to analysing and understanding a range of issues around economic growth and equality/inclusion in cities. Data, often presented in the form of indicators, can be the basis on which within cities 'epistemic communities' are formed and the need for change is articulated: inclusive growth strategies cannot be designed without such communities. Access to data and information about their own environment is essential for citizens who want to participate in local decision-making in a meaningful way and that is why open data initiatives, such as those in Helsinki and San Antonio, have the potential to empower citizens.

Data is also central to evaluating the progress and impact of inclusive growth initiatives and determining whether they have the desired effect on a neighbourhood or the city as a whole. This section has highlighted the difficulties inherent in comparison: not only between neighbourhoods and cities but also between inclusive growth strategies and policy initiatives, which are necessarily complex and context dependent.

6 Principles of inclusive growth

This section draws out 10 key principles for policy concerned with inclusive growth. The principles relate to economic growth as a means to achieve inclusion and shared prosperity, with growing and shaping the labour market combining a demand-led strategy to achieve high-quality jobs with links to labour supply as a central component, coupled with investment in good quality services so that poverty matters less. Further underpinning principles relate to innovation, leadership and citizen engagement, and ensuring economic development fundamentals are in place across geographical scale and policy domains (see Figure 7). The ten principles are set out in Table 4 and then outlined in turn.

Figure 7: Overview of principles of inclusive growth

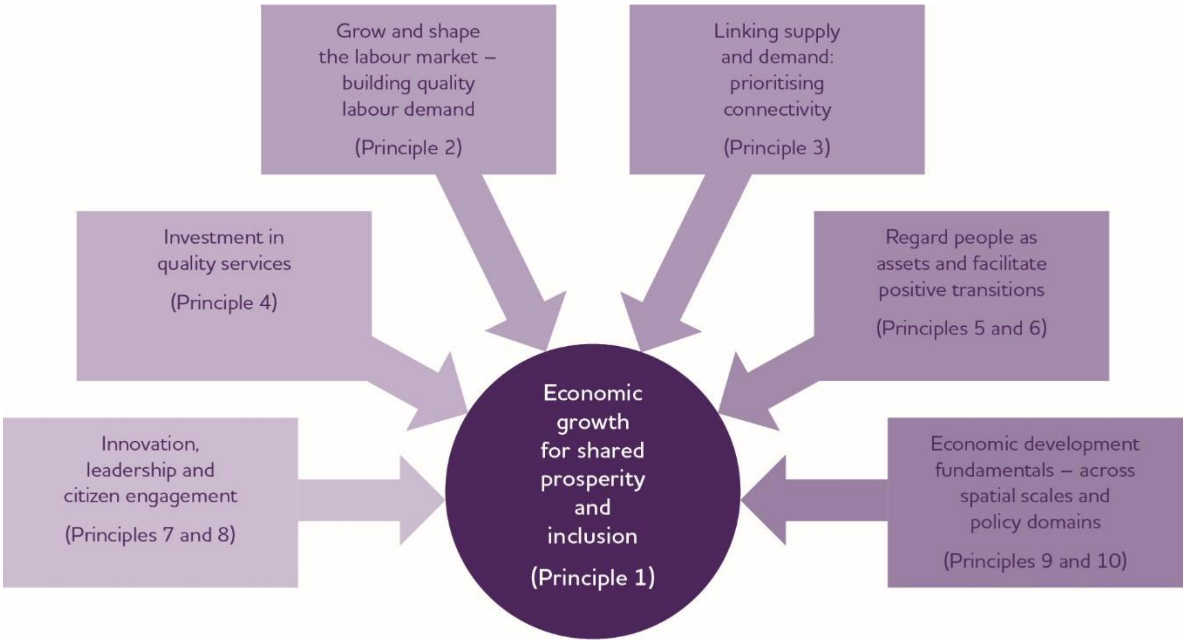


Table 4: Ten principles of inclusive growth

Category	Principle
Economic growth as a means to achieve inclusion and shared prosperity	See economic growth not as an end in itself but as a means to achieve inclusion and shared prosperity
Grow and shape the labour market – building quality labour demand	Be prepared to proactively shape the labour market and build quality jobs
Linking supply and demand: prioritising connectivity	Prioritise connectivity and expand social networks so they are less exclusive
Investment in quality services	Make poverty matter less in accessing good quality city services
Regarding people as assets and facilitate positive transitions	View people as assets and invest in them at the outset and at key points in their lives
	Reduce the risk of transitions by providing safety nets at key junctures
Innovation, leadership and citizen engagement	Be prepared to innovate and create opportunities for shared leadership
	See citizen engagement as a way to generate knowledge from the bottom up
Economic development fundamentals – across spatial scales and policy domains	Get the fundamentals right (at national and local levels)
	Focus on small incremental changes as well as large ‘flagship’ schemes

Principle 1: See economic growth not as an end in itself but as a means to achieve inclusion and shared prosperity

It is clear from Section 2 that there are different definitions of inclusive growth and that cities use a variety of different related concepts and associated terminology when working to better link growth with inclusion. One approach is to concentrate on disseminating the benefits of economic growth more equally, but in many of the case study cities a broader view has been taken. This is exemplified by the fact that in Malmö a reduction in health inequalities and social sustainability are key long-term objectives, and in Helsinki human-centric principles and everyday design guide development, while in Portland the strategic plan embraces economic, social and physical planning objectives.

Principle 2: Be prepared to proactively shape the labour market and build quality jobs

Despite variations in how inclusive growth is conceptualised and inconsistency in labelling associated with it, there is agreement that the labour market is a crucial mechanism for achieving inclusive growth. While there are important differences between the case study cities in the relative emphasis on demand-side versus supply-side approaches, which is partly explained by the underlying welfare model,[15] raising and modifying labour demand – coupled with better matching with supply (as discussed below) – is a key principle for inclusive growth. In the various US case studies – and especially in New York and San Antonio – a distinctive feature is a focus on demand-led inclusion through sector-focused economic growth (particularly the promotion of middle-wage employment in sectors such as advanced manufacturing and health) and the use of formal career pathway programmes to link people to in-demand jobs which they have the capability to do (with the necessary training and support) and which provide good opportunities for progression. The emphasis on high-quality vocational education and training and apprenticeships in Germany operates in the same general direction.

To some extent involvement of anchor institutions in employment strategies and the use of social clauses in procurement strategies may be seen as part of a general direction of travel towards better integrating supply with demand. By comparison with several of the case study cities, some UK cities can appear relatively passive in this regard. In Nantes, for example, there is a highly developed public procurement policy, while in Barcelona job quality is increasingly a concern in such policy.

Principle 3: Prioritise connectivity and expand social networks so they are less exclusive

In terms of connectivity several strategies were prioritising aspects of physical planning to enhance links between homes, jobs and services. Densification of housing (which is advantageous for the economics of public transport provision) and housing affordability are key concerns here, with some international cities implementing rent controls. In Hamburg, for example, particular attention is also being placed on the physical proximity of housing and jobs. Some cities are using big data on use of transport networks alongside administrative data and other research to inform planning for better urban connectivity.

While several of the strategies were linking demand- and supply-side policies, conventional supply-led inclusive growth policies focus on reducing poverty by improving labour supply and labour engagement in themselves. In Malmö and Helsinki in the Nordic countries there is a tradition of free post-compulsory education for all and an emphasis on high-level skills in providing protection against exclusion. Yet relatively high levels of unemployment prevail, which is turn has led to growing emphasis on provision of enterprise skills. The extent of labour market regulation is also an issue: the Nordic labour markets are relatively highly regulated leading to the creation of 'insiders' for whom collective bargaining arrangements involving employers and trade unions have assured relatively high-quality jobs, and 'outsiders' who are locked out. In such a context where entry to the labour market is highly regulated and standards for labour market entry are set at a high level, investment in the supply-side is crucial. This is especially so for 'new arrivals' where there may well be a special need for investment in language skills, but also for other groups facing labour market disadvantage.

Expanding social networks so that people are less likely to be excluded is one means of tackling challenges faced by outsiders in accessing employment and associated opportunities.

Principle 4: Making poverty matter less – ensuring equal access to good quality services

Rather than focusing exclusively on economic growth as a means of reducing poverty, some cities are trying to make poverty matter less by making city services more accessible. They are trying hard to better understand what it is like for individuals to live in a city, and to use city services every day, while attempting to make city living easier.

The concept of 'complete neighbourhoods' in Portland (outlined in Section 5) is illustrative of this principle, in that it takes into account the fact that spatial arrangements matter in people's everyday access to shops and services. A drive to densification (in cities such as Hamburg, San Antonio, Seoul and Cape Town), and a focus on creating a more polycentric urban structure (for example in Portland and Leipzig), is indicative of a similar principle: creating more walkable cities that give people better access to both city services and jobs. Investment in transport infrastructure, and supporting 'transit-orientated development', represents a different way of achieving connectivity for all, with such an approach being particularly effective when coupled with an emphasis on affordability.

In Helsinki it is recognised that 'time' is a resource that is perhaps as important to some people as income. People struggling with many responsibilities are often particularly time poor and this can then impact on access to opportunity. Hence the initiative to design services to provide extra time for residents in one area of the city, and the more general approach of embedding everyday design throughout aspects of city planning (outlined in Section 5).

Principle 5: View people as assets and invest in them at the outset and at key points in their lives

In planning strategies and interventions, it was also evident that the case study cities were taking into consideration individual timescales and trajectories. For example, a common theme across many of the city strategies is a desire to integrate city services to create pathways of support for individuals over a sustained period of time as opposed to delivering fragmented one-off investments.

In the US there is an increasing commitment to support people 'from cradle to career', while there are frequently strategies to create more intense support during key transition points in the lifecycle (eg school to work transitions).

Principle 6: Reduce the risk of transitions by providing safety nets at key junctures

A recurring theme across the case study cities concerns rebuilding agency: moving from terms such as poverty and exclusion to self-sufficiency and community wealth building. So in a number of cities, there is an emphasis on helping people to break out of cycles of passivity through self-efficacy, thus empowering people to help themselves. While in Portland people have to use an online tool to plan their future prosperity before qualifying for training, in Rotterdam, social welfare recipients a long way away from the labour market are expected to organise their own volunteering or civic contribution with city support. Alongside this is a sense of social welfare not being an unconditional right.

There is, however, an awareness in cities such as Rotterdam that self-betterment often requires taking risks – such as coming off benefits into an uncertain labour market – and a recognition of the importance of the public sector 'de-risking' such transitions through 'covering people's backs' as they take steps towards greater prosperity (eg through preserving benefits when people first become entrepreneurs) and providing shared platforms to help them engage in activities such as microfranchising. This relates to the idea of 'de-risking' people's investments in helping themselves.[16] In a similar vein, in Germany national welfare reform in the 2000s means that paid work and drawing benefits can be combined to some extent, while in the UK Universal Credit may be seen as having a similar de-risking principle.

Principle 7: Be prepared to innovate and create opportunities for shared leadership

Across the city case studies there are different models of leadership (as discussed in Section 3). No single model of leadership has a monopoly on success.

It has been suggested that innovation is most likely to take place in the zones of overlap between the different realms of leadership. In some cities formal opportunities are created for such overlap, but overlaps will take place informally in so-called soft spaces (Haughton and Allmendinger, 2008; Adam and Green, 2016). Hence it is important that stakeholders have spaces and opportunities for innovation and experimentation.

Principle 8: See citizen engagement as a way to generate knowledge from the bottom up

The city case studies yielded some different approaches to formulating visions and strategies. In the US – notably in Portland and in San Antonio – a broad-based participation approach was taken. In both cases there was a clear intention from the outset to capture the views of different sub-groups within the population and among residents in different parts of the city. By contrast, in the case of Malmö a group of experts – albeit from different backgrounds and with different interests – led in formulating a strategy for social sustainability. In Cleveland, Portland and several of the other case study cities, emphasis was also placed on rigorous analysis of secondary data to map the distribution of, and help to gain insights into, the causes of underlying socio-economic problems.

Overall the evidence from the case studies suggests that blending of participation/broad-based consultation and expert analysis of existing data sources is the appropriate approach to generating information and intelligence to inform strategies and policies. There also appears to be a trend towards placing greater priority on co-creation in developing policies and designing initiatives, to take account of residents' lived experiences.

Principle 9: Get the fundamentals right (at national and local levels)

The extent and nature of devolution to city level varied between case study cities – but in general they have more powers (and resources) at their disposal than UK cities.

In considering the variable nature of devolution, national context matters, as does the geography of the city in question and its location in relation to other cities in the same sub-region/region. Most case study cities were working at intra-urban, municipality and wider metropolitan region levels. In this multi-level governance context a key challenge is removing as much of what one interviewee termed 'jurisdictional junk' as possible, and then clarifying roles and responsibilities for planning and managing initiatives in specific policy domains.

It is clear that national and regional governments have a role in building inclusive growth alongside cities and that a multi-level governance approach is probably required. For example, in the case of the Nordic and German cities in particular, more innovative investments by the city are being supported by more fundamental national-level policy principles – such as free adult education and rent controls. At the same time it is crucial that the local agencies of national policy departments have enough flexibility to contribute to inclusive growth strategies being planned locally.

Principle 10: Focus on small incremental changes as well as large 'flagship' schemes

Policy initiatives need not necessarily be deemed innovative or at the cutting edge of smart data/technological developments to be important. For example, incremental investing in upkeep of public services and spaces, and ensuring that they are accessible to people whatever their income, is important. By way of illustration, The Young Foundation recently highlighted the continuing importance of public benches in creating 'sociability for free'. [17] Integrated ticketing to facilitate use of public transport is another example of a somewhat less glamorous policy which will nevertheless have important outcomes.

Unfortunately less visible and less glamorous actions may be vulnerable to cuts/a lack of investment at a time of austerity, yet they are as, if not more, important to the foundations for inclusive growth and lived experience in cities as large flagship schemes.

7 Learning for UK cities

This section sets out specific learning points for the cities in the UK – in the short term and the medium/longer term. The section is set out according to the themes and principles discussed in Section 6.

Context

Three key points about cities in the UK regarding the international case study cities reviewed in this research and the prevailing UK policy context are of relevance when considering policy transfer:

- the pace of institutional and policy change tends to be speedier and the amount of associated clutter in the UK tends to be greater than in most other countries
- even though there has been some devolution to cities in the UK (especially through mechanisms such as city deals which are predominantly focused on economic growth) the UK state remains very centralised
- the opportunities for UK cities to levy monies locally for investment in inclusive growth are limited.

As a result UK cities tend to have less autonomy to take charge of their own destiny than the international case study cities.

There are also further questions as to whether place-based solutions to issues raised by inclusive growth are appropriate, and/or whether it is a case of responsibility having been shifted to the city alongside an overall diminution in resources.

These key points applied before the referendum on UK membership of the European Union (EU) in June 2016. Following the majority vote for the UK to leave the EU there has been – and will continue to be – considerable economic and political uncertainty because of Brexit. This uncertainty extends to the future of the European Social Fund beyond the end of 2018. Moreover, UK economic growth prospects have been downgraded in the wake of Brexit, and the pound has lost value in international currency markets, with implications for costs of imports and exports.

The fallout from the EU referendum included a new Prime Minister taking up office and some reorganisation of responsibilities at departmental level. Whether and how policy regarding the devolution of greater responsibilities to cities might change is unclear. However, there is a case, at a time when the UK government has a wide range of issues to deal with regarding Brexit and its consequences, that cities and local areas should be empowered to devise or deliver policy on industrial strategy, and that national government should work closely with city region institutions and stakeholders to raise business demand for, and ensure an appropriate supply of, skills.[18] The EU referendum results revealed important cleavages within the UK electorate – on age, education, social class and geographical lines – making the pursuit of inclusive growth ever more important, as highlighted by Theresa May in her speech regarding ‘Britain being a country that works for everyone’ when she became Prime Minister (May, 2016) (see Section 1). The announcement in October 2016 of an Inclusive Economy Unit in the Department for Culture, Media and Sport with a cross-government mandate to promote better ways of working between the public, private and social sectors, and harness the energy of social entrepreneurs and social innovators, also emphasises the need for an economy that ‘works for all’.

Learning points and possibilities for action

Key learning points and details of possibilities for action, including policy tools, are set out in Table 5. They are organised in accordance with principles 2– 8 set out in Section 6. There is some overlap between the topics presented, but the approach has involved distinguishing more, rather than fewer categories. UK cities are taking some action already – but there may be scope for more intensive activity/greater impetus. A distinction is made between activities that can be undertaken now (using existing powers at city level) and those that it may be possible to undertake in the short-/medium-term future (including as more powers become available to cities).[19]

Principle 1, Economic growth as a means to achieve inclusion and shared prosperity, is excluded from Table 5 given its overarching nature. Likewise, principles 9 and 10 are excluded from the table because they are about the fundamentals of economic development and ensuring coherent governance arrangements. They highlight the importance of focusing on the essentials of economic development, rather than just focusing on more glamorous strategies, and as such there are unlikely to be specific policy tools associated with them.

Table 5: Possibilities for action at city level

Theme: Shaping the labour market

Principle 2: Be prepared to proactively shape the labour market and build quality jobs

<table>
<tr><th>Topic</th><th>Policy tools</th><th>Case study examples</th><th>Opportunities for UK cities</th><th>Challenges for UK cities</th><th>Timeline</th></tr>
<tr><td rowspan="4">Identifying and developing sectoral comparative advantage.</td><td>Sectoral analysis to identify globally competitive sectors where the city has a comparative advantage and development of policy tools to capitalise on such advantage.</td><td>San Antonio</td><td rowspan="4">Renewed focus on industrial strategy provides a contextual opportunity for focus on identifying and supporting key sectors at national and city levels.
Use city deals/'devolution asks' to build investment and/or capabilities in sectors of potential advantage.
Continue work with combined authorities/LEPs to find opportunities for sectors with tradeable advantages, job openings for local people and opportunities for progression into quality jobs (also see below).
Local authorities and partners to continue to provide services for inward investors/relocating companies.
Plan for employment land to meet requirements of targeted sectors – and new ways of working.</td><td rowspan="4">Spatially uneven nature of sectoral comparative advantage between cities.

Limited amount of investment (including footloose inward investment) available.

Potential impact of Brexit on trade and investment decisions.</td><td rowspan="4">Policies can be implemented now, without additional powers.</td></tr>
<tr><td>Implement cluster-focused policies, focusing on sectors with local employment concentrations offering growth prospects (and quality jobs – see below).</td><td>Hamburg
Portland</td></tr>
<tr><td>Targeted inward investment focusing on sectors offering job opportunities matching local skills and including middle-wage jobs, including to strengthen local industrial specialisations.</td><td>Leipzig (particular focus on manufacturing)

San Antonio (filling gaps in local industrial specialisation)</td></tr>
<tr><td>Providing premises/space for urban manufacturing.</td><td>New York</td></tr>
</table>

Job quality focus	Identify middle- and high-wage jobs and support them through skills and employment policy and economic development supports (including local growth and inward investment).	New York San Antonio Cleveland	In general a relatively under-developed area – but renewed emphasis on industrial strategy opens up the possibility of exploiting a sectoral focus. Scope for further promotion of employer charters. Universal Credit highlights the importance of sustainable employment and progression. Scope for extending use of the voluntary Living Wage as a means of enhancing job quality and empowering workers, alongside raising productivity. The National Living Wage 'raises the floor' for the lowest paying jobs.	General lack of quality bridging institutions; trade unions – which can be at the forefront of implementation – are quite weak in many sectors. Company business models based on low costs and low skills would need to be challenged. Emphasis on rapid attachment to the labour market can be an issue in circumstances where there is a lack of support for progression when in work.	Scope to work on now and in the future
	Promote employer charters for quality employment.	Barcelona			
	Retargeting public employment services, with some shift from rapid attachment to the labour market to a focus on sustainable employment.	New York			
Career ladders	Identify and implement career ladders – especially in high demand occupations and sectors.	San Antonio Cleveland (especially for anchor institutions and a focus on the health sector)	New responsibilities for skills at local level provide opportunities to work locally with private sector skills providers, FE, HE and employers/employer organisations. Work with anchor institutions to promote skills development. Focus on apprenticeships – especially higher apprenticeships. Integration of social care and health services opens up opportunities for career ladders.	Reorganisation of FE sector in light of area reviews means attention may be focused elsewhere. Resource constraints around employer engagement, but also overlaps in activities of organisations seeking to engage with employers. Limited intelligence on employer requirements.	Work can be done now and the reach of career ladder policies increased in future in the light of evaluation and learning.
	Target training on jobs offering opportunities for career development and good pay.				
	Anchor institutions supporting disadvantaged residents in accessing opportunities in key sectors (eg health).				

Public procurement	Insert clauses in contracts relating to the quality as well as the quantity of work opportunities – eg through stipulating minimum salaries, and through using weighting criteria relating to the quality of the working environment.	Barcelona (minimum salaries) Nantes (quality of work environment)	Continue/expand procurement and work on social value building on existing good practice examples to include more emphasis on job quality and the quality of the work environment – including through working in partnership with anchor institutions. The voluntary Living Wage can be used in procurement (and other policies) as a focus for raising job quality.	Deriving and agreeing appropriate weighting criteria in new procurement/social value arrangements (especially given the lack of a national level steer on how much emphasis should be placed on social value). Managing procurement activities in the face of local budget constraints (as in the social care sector). Potential difficulties for national-level organisations in working with greater local variation in expectations and requirements.	Procurement and social value already accepted for main contractors and supply chains – scope to broaden activity now and in future.
	Role of anchor institutions in providing critical mass to enhance public procurement.	Cleveland			
Prosperity planning	Defining what constitutes a quality job and an adequate income – taking account of local living costs and individuals' circumstances.	Portland (prosperity planner)	Expand 'better-off calculations' to take account of longer-term prosperity, and (where feasible) of variations in living costs.	Universal Credit may encourage take-up of additional poor quality jobs to reach income thresholds, rather than focusing on enhancing the quality of jobs. Shortcomings in the quality of the evidence base to derive local living costs.	Now and in the future.

Theme: Linking supply with quality demand: prioritising connectivity					
Principle 3: Prioritise connectivity and expand social networks so they are less exclusive					
Topic	**Policy tools**	**Case study examples**	**Opportunities for UK cities**	**Challenges for UK cities**	**Timeline**
Housing	Densification of housing, including combining affordability with access to employment (and training) opportunities.	Hamburg	Continue to consider benefits of housing densification, coupled with good design. Some housing associations are focusing greater attention on employability and support with building accessible services such as childcare to help residents access employment.	Rents are generally left for landlords to fix (raising issues of housing quality and security of tenure in the private rented sector). Unaffordability of housing in high-cost cities. Cost of housing may be at a premium in more accessible areas within cities.	Can implement densification policies now; rent controls would require legislative changes.
	Caps on rents to facilitate housing affordability.	Hamburg Leipzig Malmö			
	Community wealth building – helping people to crowdfund new housing investments with minimal (individual and shared) risk.	Portland	Use of peer-to-peer lending platforms for investment in housing.	Crowdfunding/peer-to-peer lending is potentially risky, so it requires public investment to guarantee returns/no loss of income for the private investor.	Now and in the future.
Physical/ spatial planning	Local authorities delegating power to the metropolitan level to develop growth and inclusion policies in parallel.	Nantes Helsinki	Combined authorities and city deals open up opportunities for enhanced joint working at city-region scale. Continue to take account of the spatial configuration of homes, workplaces and services to facilitate opportunities to provide viable public transport systems. Invest in transport systems and better configuration of services for ease and efficiency of use (eg integrated ticketing) and connectivity requirements; using	Land availability in some areas. Planning restrictions in some cases. Bus privatisation (in some areas) means that transport integration is more difficult (but not necessarily impossible). Funding constraints for investment in research	Scope to make inroads now. More resources likely to be needed in the future.
	Implementation of land use planning policies recognising the importance of good transport systems, but also green spaces.	Portland			
	Mapping of the location of welfare recipients, entry-level job opportunities and existing public transport systems in order to inform re-routing of transit systems to	Cleveland			

	deliver enhanced connectivity.		additional responsibilities around transport conferred on some cities through devolution. Use of big data to help understand city dynamics and inform decision-making. Academic evidence[20] is increasing on the influence of spatial layout in urban areas on health (walkability), crime, inclusion, and economic development – eg through the discipline of 'space syntax' devised by University College London. The lessons from this research could be applied more broadly.	and capital investment in infrastructure.	
	Implementation of an urban monitoring system to help understand dynamics of population movements to guide policies to enhance connectivity.	Leipzig			
	Intelligent built environment design based on big and shared data on how spaces are used.	Helsinki Hamburg			
	Developing 'complete neighbourhoods'.	Portland Leipzig			
	Integrated ticketing between transport modes (and operators).	Nantes Seoul			
Social networks	Use of social enterprises, partnership working and co-location of service providers and support organisations to provide opportunities for 'outsiders'/'new arrivals' to expand their social networks.	Malmö	Co-location of services in multi-use hubs provides opportunities for residents from different backgrounds to come together. DWP disinvestment in estates provides impetus for co-location of Jobcentre Plus offices with other partners.	In terms of recruitment opportunities it is often difficult to find out where and how different companies and organisations recruit, making it difficult to navigate the labour market and expand social networks (particularly for 'outsiders').	Initiatives such as these could be implemented now.
	Tackle 'insider networks' in accessing internships by implementing a common 'welcoming companies' website for advertising internship opportunities.	Nantes			

Theme: Investing in quality services					
Principle 4: Making poverty matter less – ensuring equal access to good quality services					
Topic	Policy tools	Case study examples	**Opportunities for UK cities**	**Challenges for UK cities**	**Timeline**
Health and care	Placing health improvements and overcoming health inequalities at the heart of city strategies.	Malmö	To integrate health indicators into city strategies. Policy direction towards integration of health and social care. Health and wellbeing boards provide a contextual opportunity.	Constraints on funding for quality prevention and treatment services.	Action can begin now, but future work is likely to require greater investment in health services.
	Integrating health and social service provision (at metropolitan area scale).	Helsinki			
Smart technology	'Micro-adaptations' that help to make city services more 'human-centric'.	Helsinki	Better use of smart technology for human-centric design.	Barriers to sharing of data. Cost of investing in infrastructure to make open data more widely available.	Now and in the future
High-quality 'basic' services	'Practical everyday life' – improving infrastructure, including transport, housing and the 'living environment'.	Helsinki-Uusimaa Region	To highlight the wellbeing aspect of inclusive growth. Further exploration of areas at particular risk of disconnection from employment and housing areas in cities (see Rae et al, 2016). Analysis of enduring issues in cities of poor accessibility associated with spatial layout, in order to invest in infrastructure where it will make the most difference.	Cost of investing in infrastructure.	Now and in the future.

Theme: Regard people as assets and facilitate positive transitions					
Principle 5: View people as assets and invest in them at the outset and at key points in their lives **Principle 6: Reduce the risk of transitions by providing safety nets at key junctures**					
Topic	**Policy tools**	**Case study examples**	**Opportunities for UK cities**	**Challenges for UK cities**	**Timeline**
Education and skills	Invest in early intervention: levy a sales tax to fund pre-school education, targeted at working poor families who are excluded from existing support programmes.	San Antonio Hamburg	General acceptance and recognition of the importance of investment in early years (and school) education.	Lack of mechanisms for additional local revenue raising. National drivers and centralisation of the school system (in England). Academies lie outside local authority control.	Some progress can be made now, but a step-change is likely to require greater powers and resources.
	Investment in apprenticeships – including links to clusters.	Hamburg	Greater emphasis in policy in the UK on apprenticeships – including the introduction of the apprenticeship levy.	Attaining buy-in from employers and individuals.	Action can be taken now.
	Links to schools – including getting children involved in key sectors through lectures and visits, and work experience opportunities. Investment in work-based learning.	Hamburg	Recognition of, and emphasis on, the role of work experience and work-based learning in fostering positive labour market transitions in the UK – including building on existing work in this area (eg Business in the Community, 2015). Employer involvement in LEPs and other local partnership arrangements linking education, skills and economic development.	Recent decrease in employer investment in training in the UK; coupled with some resistance by individuals to loans.	Some action can be taken now.

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	Linking work-based training to quality jobs (as measured by wages).	San Antonio (Project Quest). Portland (use of the prosperity planner')	Investment in labour market information and guidance to inform career directions and training investment decisions (eg LMI for All [21]) and associated initiatives to make labour market information more accessible to users).	Limited face-to-face advice available, and a paucity of guidance for those in work seeking to change jobs/careers and find out about available opportunities.	Action can be taken now and in the future to continue investment in guidance tools.
	Provision of high-quality free education – at all levels.	Helsinki Hamburg Leipzig Malmö		In the UK the current direction of travel is for learners and employers to bear the costs of education.	Would require a change in policy.
	Intensive support for host country language learning for refugees and immigrants – to facilitate integration into the host society and into employment.	Malmö	The importance of English for integration into society and employment is recognised.	Funding constraints on English for Speakers of Other Languages (ESOL) provision.	Expansion of language services would require more resources.
	Future-proofing education and skills for the 21st century labour market – with a particular emphasis on personal leadership.	Rotterdam	There are opportunities to invest in the development of 21st century skills beyond the classroom – eg in sports activities.	There is limited space in school curricula to devote to development of such skills.	Action can be taken now and in the future.
People as an asset	Promote self-sufficiency and empowering people to take back control.	Portland	Explore alternative ways (other than conventional paid work) for people to make a positive contribution to society	Operations of benefits system might hamper new approaches	Action can be taken now and in the future.

	De-risking transitions eg supporting residents to make a contribution (and reduce reliance on benefits) through provision of infrastructure/ platforms services to enable them to contribute to society and promote their own wellbeing through volunteering and/or to participate in the 'gig economy'.	Rotterdam	Explore further use of shared platforms to facilitate volunteering, microfranchising etc, at city-wide level.	Identifying funding to invest in such initiatives.	
Encouraging enterprise	Promotion of social enterprise – especially for particular sub-groups and in particular areas; including through the use of third sector public partnerships to complement other labour market initiatives in the city.	Rotterdam Cleveland (social enterprise and worker co-operatives linked to anchor institutions). Malmö (third sector public partnerships)	General acceptance of the role of social enterprise (highlighted in the establishment of the Inclusive Economy Unit based in the Office for Civil Society at the Department for Culture, Media and Sport) as playing an important role in inclusion and in the labour market more generally. Continuing role of voluntary sector in promoting enterprise for young people/adults not currently in employment (eg enterprise activities of The Prince's Trust and others). Creation of local enterprise hubs and embedding of enterprise in further education and higher education courses. Universal Credit – can work and earn benefits.	Fear of sanctions may mean benefit claimants are reluctant to take risks in starting a business. In some cases enterprise may be associated with very low wages.	Action can be taken now.

Theme: Innovation, leadership and citizen engagement					
Principle 7: Be prepared to innovate and create opportunities for shared leadership Principle 8: See citizen engagement as a way to generate knowledge from the bottom up					
Topic	**Policy tools**	**Case study examples**	**Opportunities for UK cities**	**Challenges for UK cities**	**Timeline**
E-governance	Integrated open data services across the metropolitan area.	Helsinki (Open-Helsinki)	Investment in broadband provides opportunities for consultation.	Unrepresentative participation – difficult to reach some groups	Now
Using evidence	Gathering evidence by including experts and considering links across policy domains (eg between inequality and health) and formulating action points on the basis of the evidence.	Malmö (The Commission for Socially Sustainable Malmö) Leipzig	Working in partnership with universities, other local authorities, other stakeholders to make best use of available evidence.	Shortcomings in data at local level – small sample sizes in some areas; lack of good quality longitudinal information; barriers to data sharing	Now and in the future.
	Supporting community based activists to carry out relevant research which reveals the problems and consequences of exclusion.	Portland	Expand use of co-design in collecting evidence and formulating policy.	Ensuring quality of evidence gathering/ training of local community researchers. May be issues of data reliability. Relatively small scale of much existing work.	Now and in the future.
Listening to citizens	A permanent unit in the city administration/a partner agency organising consultative events around urban development, and fostering linkages with neighbourhood management teams.	Leipzig (a unit in the central administration works with neighbourhood management teams). San Antonio (large-scale consultation exercise involving a wide range of people across the city).	Build on existing approaches surveying city residents/seeking testimony from service users. Expand/experiment with more/different approaches.	Surveys and initiatives seeking citizens' views may be particularly vulnerable to spending cuts.	Now

Dedicated funding for 'good ideas'	Setting aside dedicated funding/strand of the city budget to implement ideas/projects suggested by local citizens. Linking local projects to national/federal initiatives.	In Leipzig the initiative 'Thinking Leipzig ahead' involved citizens in future-oriented urban development. The consultation was financed from dedicated federal funds. The recommendations fed into the city's Integrated Development Strategy. Elsewhere (not among the city case studies) Paris has set aside 5% of its city budget for ideas generated and then voted on by its citizens (often to solve small-scale but longstanding local problems).	Establish a fund to pump-prime public participation in generating new ideas. Use of innovation funds to test new ideas (as exemplified by the work of Nesta[22]). Set aside part of the city budget for ideas generated by citizens.	Finding resource; setting ground rules for initiatives/experiments to take forward.	In the future

Key priorities for action

It is difficult to identify universal priorities for action for UK cities given that they face somewhat different contexts, opportunities and challenges, and, at least to some extent, will have different experiences of implementing policy actions. Nevertheless, on the basis of international experience and actions in the UK, three key priorities include:

- *Paying greater attention to the demand-side of the labour market* – to grow and shape the profile of local employment opportunities, including middle-skill jobs which provide opportunities in their own right and facilitate opportunities for progression (see the policies set out under principle 2 in Table 5). The evidence suggests that some US cities have been particularly active here, although European cities such as Nantes and Barcelona are placing greater emphasis on job quality in their employment strategies and procurement policies. UK cities have taken actions to build on here – including identification of key sectors and implementing procurement policies for social value. However, there is likely to be scope for further work with anchor institutions and for greater attention to be paid to identifying, supporting and promoting career pathways and middle-skill jobs. In an environment of greater devolution of skills funding and pressures on the amount of funding available, such funding could be targeted particularly on job opportunities offering possibilities for career development and good pay at city-region level.

- *Reducing the risk of transitions – into and within employment* – the rationale for focusing particular attention on transitions is that these are times of particular risk for individuals – and without support they might (if they are able) choose not to take a risk, or if they do take it, find the transition difficult. For example, initial in-work support (whether in terms of a mentor to turn to when problems arise or help with travel-to-work costs initially) can be crucial in sustaining employment for some individuals entering a job from non-employment. Likewise cities can play a role in facilitating opportunities for residents to contribute to society through development of infrastructure and shared platforms at municipal level for microfranchising, volunteering, etc, and through promotion of social enterprise (see principle 6). Promotion of apprenticeships and career ladders may also be thought of as promoting ‘de-risking’ of transitions. For young people at the start of their working lives and for individuals seeking mid-life career changes, careers guidance has an important role to play in providing information about opportunities available and also about pay levels and prospects for advancement.

- *Build connectivity* – greater devolution to cities, especially in relation to transport, provides more opportunity than was formerly the case for UK cities to help deliver and promote city-wide public transport systems linking homes to jobs and services. An emphasis on building connectivity has the potential to make differences to everyday lives relatively quickly. There is an important role for using data and research to understand current dynamics of movement and locations of employment centres, services and residences.

In addition to priorities involving new actions and extension of existing actions, it is imperative that cities preserve or adapt institutions and policies that have contributed to inclusive growth. It is important for cities to monitor how changes in national policies can destabilise existing provision of services – as exemplified by increasing provision of free pre-school childcare placing pressure on the viability of existing nursery education in some areas,[23] and also the pressures experienced by registered social landlords in the face of welfare reform and changes in funding arrangements in making social housing viable and so investing more resources in commercial ventures.

More generally, it is critical that city stakeholders consider growth and inclusion jointly across a range of policy domains as a matter of course, rather than in separate silos of policies that address growth and actions that address inclusion.

Notes

1 The review involved a search of the academic and grey literature using:
- search engines (Business Source Premier, EconLit, Google Scholar, Scopus), and key word strings (including 'strategy', 'inclusive growth', 'city leader', 'governance', 'labour market', 'poverty', etc.)

2 and
- hand searching (using the terms: inclusive / equitable growth, city / cities, labour market / employment) of key organisations: Aspen Institute, Brookings, EUKN, Eurocities, OECD and ESPON.

3 Communities of color is a term used in the United States to describe any people who are not white. It is used to emphasise common experiences of systemic racism.

4 See **https://ceosforcities.org/tag/portland**

5 See **www.hri.fi/fi/sovellukset** (in Finnish).

6 See **www.hri.fi/en**

7 See **www.gebiedsontwikkeling.nu/artikelen/rotterdams-smart-city-planner**

8 ECAMP **https://web1.capetown.gov.za/web1/ECAMP**

9 See **www.centreforcities.org/data-tool/#graph=map&city=show-all**

10 See **http://open.dataforcities.org**

11 See **www.ufz.de/index.php?en=40459**

12 See **www.sa2020.org/progress**

13 See **www.hri.fi/fi/sovellukset** (in Finnish).

14 Blind Square: **http://blindsquare.com**

15 Helsinki Urban Facts **http://www.hel.fi/www/tieke/en/Statistics-research-and-databases**

16 For example, the Nordic welfare model is based on high taxes, comprehensive welfare and collective bargaining, while the Anglo-Saxon welfare model (that applies in the UK and US) has a more liberal and free market orientation with lower levels of regulation and taxes.

17 It should be recognised that in practical terms this is not necessarily straightforward. There are questions (and the onus placed on them will be different between countries and cities) about: (1) what are the expectations for different categories of benefit claimants and how/whether are sanctions used; (2) what action should be taken if people do not meet expectations; and (3) what should be taken into account in deciding if expectations have been met.

18 See **http://youngfoundation.org/publications/benches-everyone-solitude-public-sociability-free**

19 See **http://bit.ly/2iLFOjs** (accessed 4 August 2016).

20 Note that the extent of powers available will differ to some degree between UK cities.

21 For example, through the discipline of 'space syntax' devised by University College London (see **www.bartlett.ucl.ac.uk/space-syntax**).

22 See **www.lmiforall.org.uk**

23 See **www.nesta.org.uk**

24 See **www.itv.com/news/2016-09-22/30-hour-free-childcare-threatens-hundreds-of-nurseries**

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Inspiring Social Change

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Understanding business behaviour that supports inclusive growth

IGAU Responsible Business Report 1 of 2

Anthony Rafferty & Robyn Jelley

Inclusive Growth Analysis Unit

University of Manchester

Contents

About this report: This report is the first in a series of two reports examining responsible business in the context of inclusive growth, produced by the Inclusive Growth Analysis Unit. A shorter Policy Briefing also accompanies the reports. All are available to download at www.mui.manchester.ac.uk/igau/research/reports

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1. Inclusive Growth: Why responsible business?

1.1 Overview

Business activity is central to economic growth and wealth creation. This means that any genuine model of inclusive growth needs to involve businesses. The promotion of responsible business behaviour through Environmental, Social and Governance (ESG) monitoring involves two main activities: screening and engagement.[1] Whereas screening involves assessing organisations against a given set of standards, engagement involves working with organisations to help the attainment of standards. This report, part of a series of two, considers the first of these topics through examining how responsible business behaviour can be defined from an inclusive growth perspective. To undertake this task, we reflect on the relationship between inclusive growth and existing social responsibility frameworks. Through this work we propose an Inclusive Growth (IG) Responsible Business Framework. Using the example of Greater Manchester, the second report goes on to consider what influencing strategies can be used in order to promote engagement with an inclusive growth responsible business agenda locally.

The research in these reports is based upon a series of consultation meetings in Greater Manchester on the topic of inclusive growth that were followed up by in-depth interviews with key local stakeholders. The reports represent a first effort to link the notion of inclusive growth to responsible business. As such, rather than a definitive account, they represent a work in progress intended to facilitate a broader conversation on the topic. Similarly, the reports do not claim to exhaustively cover existing social responsibility frameworks, or support available in Greater Manchester.

1.2 What is inclusive growth?

Inclusive growth is a relatively new term gaining traction because of growing evidence that increasingly prosperous nations or cities are not necessarily decreasingly poor or more equal. The key idea is that if we want to have societies that are more equal and have less poverty, we need to focus on the economy and the connections between economic and social policies. Strategies for investment and economic development, productivity, skills, employment and wage regulation are integral to attempts to achieving greater fairness and inclusion. Likewise, enabling

[1] Colison, D. et. al. (2009). FTSE4Good: Exploring its implications for corporate conduct. Accounting, Auditing and Accountability Journal, 22(1), 35-58.

more people to participate fully in economic activity is fundamental to developing prosperous and sustainable economies.

In this report inclusive growth is consequently defined as being about economic inclusion. It is important to differentiate this term as used here from social inclusion. Social inclusion debates in the UK in relation to economic inclusion predominantly have focussed on the margins of the economy such as increasing labour force participation or reducing poverty. Although important issues to an inclusive growth agenda, a discussion of growth and productivity requires a broader understanding of the ways in which economic value is created in the economy. From such a perspective, economic inclusion is concerned with how wealth is both created and distributed in society, such as through profits and pay, or redistribution via taxation, welfare and other public spending.

While the reduction of current levels of poverty must be a central objective of inclusive growth strategies, greater economic inclusion needs to be a majority concern, not just one for people who are currently on the margins of society[2]. This is important for a number of reasons. Firstly, inequality over the last four decades has seen the very richest move away from the rest in terms of their wealth- it is not just the poor who are being left behind[3]. Moreover, work is no longer providing a guarantee of economic inclusion. There are now more people living in poverty in working than non-working households in the UK[4], meaning the topic of poverty concerns not just those outside of employment. Furthermore, people in employment face the risk of increased precarity in their employment conditions such as through the rise of self-employment, whereas ongoing technological advancement and automisation raise broader questions regarding future economic inclusion affecting a broader section of the population. Inequalities and poor social outcomes (such as poor health and education) affect productivity and growth potential. So building a more inclusive economy is in everyone's interest.Economic inclusion therefore concerns the distribution of rewards in the labour market and broader economy, as well as social mobility and progression in employment. For example, this implies that an understanding of the pathways that can be formed between lower level and higher-level occupational positions is important, meaning a recognition of the overall structure of opportunities afforded by the economy is necessary.

Whereas a 'growth plus' definition of inclusive growth sees the current economic model as relatively unproblematic and economic inclusion just requires greater connection between people and the economy, we describe our approach as an

[2] Grimshaw, D., Rafferty, A., & Whittaker, M. (2018) "Inequality and inclusive growth: The case of the UK" in B. Nolan (ed.) "Generating prosperity for working families in affluent countries," Oxford: Oxford University Press.

[3] Grimshaw, D., Rafferty, A., & Whittaker, M. (2018) op cit.

[4] McBride, J., Smith, A., & Mbala, M. (2017). 'You end up with nothing': The experience of being a statistic of 'in-work poverty' in the UK. Work, Employment and Society, 32, 210-218.

‘inclusive economy’ perspective (Figure 1). Such an approach suggests a fuller engagement with current business models and practices or ‘demand side’ activity is required to achieve inclusive growth, as well as acknowledging how broader institutional context and regulation can facilitate responsible business behaviour or place ‘beneficial constraints’ on negative behaviour[5].

Many businesses want to do the right thing and make a difference anyway. A commitment to inclusive growth is a way in which businesses can fully integrate social and environmental responsibility into the heart of their practices. At the same time, it is recognised that some aspects of the proposed framework will be beyond the immediate reach of many businesses or the concept of ‘inclusive growth’ will not necessary gain traction with some organisations. A process of effective business engagement is therefore required that identifies priorities and what is achievable on a bespoke basis, as well as packages up inclusive growth objectives in a manner communicable to businesses. We consider these issues further in the second report in this series.

[5] Streeck, W. (1997). Beneficial constraints: on the economic limits of rational voluntarism. *Contemporary capitalism: The embeddedness of institutions*, 197-219.

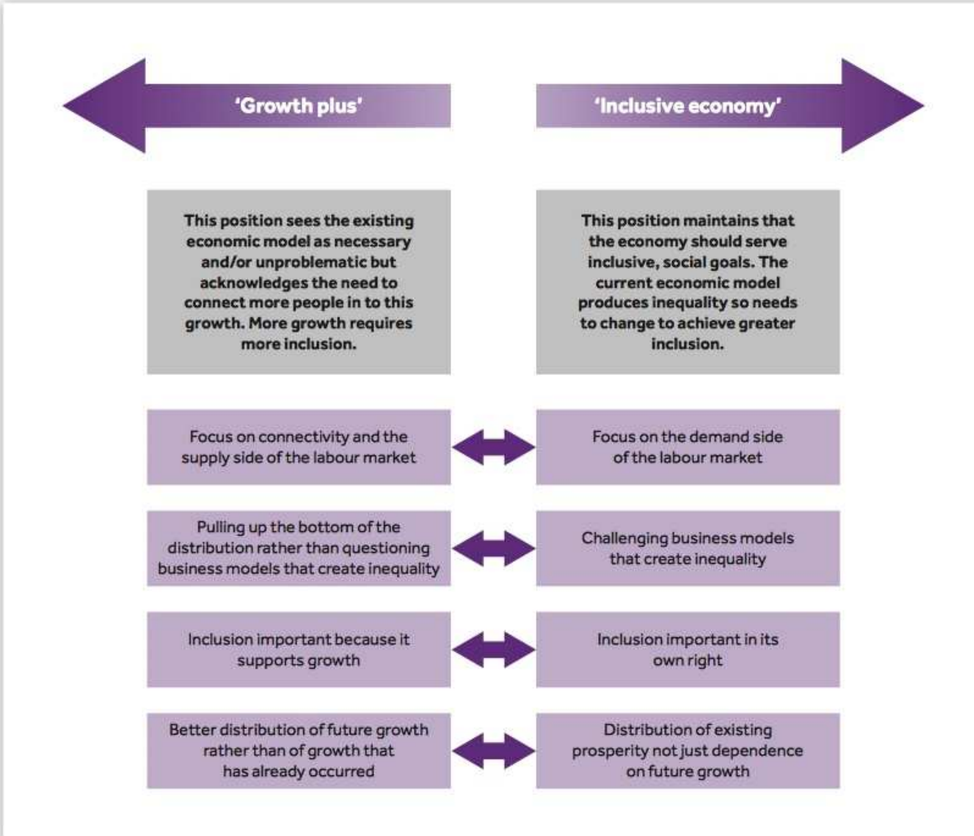

Figure 1: *Different interpretations of the term 'inclusive growth'*

1.3 Environmental, social and governance (ESG) performance

This section outlines some of the terminology used in the report. A variety of terms can be found around the responsible business agenda. Perhaps the most well-known, Corporate Social Responsibility, refers to the movement aimed at encouraging companies to be more aware of the impact of their activities on the rest of society, including their own stakeholders and the environment[6]. A related term, Environmental, Social and Governance (ESG) Performance concerns the monitoring and engagement of organisations on their social and environmental performance. An associated concept is corporate sustainability, defined as the capacity of companies and organisations to remain productive over time and to safeguard their potential for long-term maintenance of profitability.[7] This latter definition locates risk management as a central concern to CSR and arguably implies that longer-term sustainable growth requires the active negotiation and management of broader stakeholder

[6] http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR)
[7] http://effas.net/pdf/cesg/KPIs_for_ESG_3_0_Final.pdf

interests and risks. All of the above terms also link to the notion of social disclosure or social accounting, referring to the practice and development of screening or accounting procedures to report on the wider societal and environmental impact of organisations. This agenda has focussed on the need for such information for Socially Responsible Investment (SRI) to provide information for investors to incorporate ethical considerations into their decision-making.

Despite the orientation towards investors, the idea that in pursuing ESG objectives organisations must give account to the interests of broader stakeholders beyond investors is central to CSR so organisations can avoid risks associated with CSR violations or seek market opportunities from their CSR activities. Stakeholders may be defined in a variety of ways but include investors, employees, customers, supply chains, the broader community and local and national government.

Given the variety of terms, for present purposes, we define responsible business simply as a broad concern with the environmental, social, and governance (ESG) performance of organisations. The term ESG performance is preferred to CSR in that responsible business is not just an issue for larger corporations. Within the social enterprise and public sector the term social value[8] [9] rather than CSR has taken more traction, part of which includes a focus on issues such as calculating the Social Return on Investment (SROI) in financial terms[10]. In the current context the ESG performance of companies is taken to include subjects considered by the social value agenda but also has a broader remit such as by extending more towards issues of stakeholder involvement and corporate governance.

1.4 Overview of report

In terms of the structure of the report, Section 2 drawing on the consultation exercise and a review of existing ESG performance frameworks first attempts to establish conceptually what responsible business practice might look like from an inclusive growth perspective. Here we seek to establish what a more embracive definition of economic inclusion could look like through the lens of economic growth and productivity. Based on this work we propose an Inclusive Growth Responsible Business Framework that highlights key topics that come under the remit of such an undertaking. Examining existing frameworks helps raise methodological issues regarding how the different identified dimensions can be defined operationally and measured. Section 3 consequently goes on to consider CSR/ESG Performance frameworks in more detail to examining the extent to which they currently cover

[8] New Economics Foundation (2008), Investing for Social Value: Measuring social return on investment for the Adventure Capital Fund London: New Economics Foundation.
[9] Cabinet Office (2015, February). Social Value Act Review.
[10] Wood, C. (2010). Measuring social value: The gap between policy and practice. London: Demos https://www.demos.co.uk/files/Measuring_social_value_-_web.pdf .

issues of inclusive growth, identifying potential gaps, and considering key methodological issues in ESG monitoring. The frameworks considered outlined in Box 1 are:

- FTSE4Good
- Global Reporting Initiative (GRI)
- The European Federation of Financial Analysts Societies (EFFAS)
- ISO (SR)

We identify a considerable degree of overlap between existing ESG performance frameworks and the inclusive growth agenda. At the same time some gaps are notable. For example, such gaps relate to issues surrounding more firmly defining minimum employment standards and the requirement for a greater focus on issues surrounding responsible profit-taking and investor behaviour.

Box 1. Example ESG frameworks

FTSE4good. Launched in 2001 the FTSE4Good Index measures the environmental and social performance of companies listed on stock exchanges worldwide. Issue areas covered by the FTSE4Good include environmental impact, human rights and labour standards, supply chain labour standards, bribery and climate change. The index seeks to mainstream socially responsible investing. FTSE4Good operates on process of engagement where organisations looking to be included in the index are initially assessed and where they do not meet the inclusion criteria engaged to help bring their activities up to standards.

Global Reporting Initiative (GRI). GRI is a leading international ESG reporting framework. The GRI provides a modular reporting system meaning that over and above a foundation set of standards (GRI 101), General Disclosure (GRI 102) and Management Approach (GRI 103) standards, which constitute the 'universal standards', organisations may select from a broad range of topic based standards on Economic (GRI 200), Environmental (GRI 300), and Social (GRI 400) issues.

European Federation of Financial Analysists Societies (EFFAS). EFFAs produces a set of Key Performance Indicators (KPIs) for the monitoring of the ESG performance of organisations. Although directed towards investors it is presented as suited to a range of stakeholders. The framework is designed to be used by organisations of varying sizes[11]. The framework is designed in an industry sector specific manner to tailor to different ESG risk exposure across industries.

ISO 2600: 2010. ISO 2600 is a voluntary guidance standard released in November 2010 and as such does not constitute a formal ESG reporting framework. The ISO is based around a number of principles suggested to be the root of socially responsible behaviour, these being accountability; transparency; ethical behaviour; respect for stakeholder interests; respect for the rule of law; respect for international norms of behaviour; and respect for human rights.

[11] http://effas.net/pdf/cesg/KPIs_for_ESG_3_0_Final.pdf

2. An Inclusive Growth (IG) responsible business framework

2.1 Introduction

This section of the report attempts to define what responsible business practices might look like from an inclusive growth perspective. The notion of an inclusive economy and economic inclusion are arguably at the heart of such an approach. This provides the conceptual link to broader issues of economic growth and productivity through understanding how businesses can help include their workforces and broader stakeholders in the benefits of economic growth and prosperity. In addition to positive social impact, it also means organisations avoiding negatively affecting stakeholders through their business activities and so links to environmental sustainability.

Based on a review of existing ESG frameworks and consultation with organisations in Greater Manchester we propose an inclusive growth responsible business framework. This identifies four pillars that outline what we think responsible business activity might look like from an inclusive growth perspective. These are:

- Economic Inclusion in Prosperity Created by Growth
- Inclusion of Stakeholders in Decision Making and Governance
- Inclusion Through Diversity and Equality
- Environmental Sustainability

It is recognised that based on size and resources the extent to which different organisations will be able to fully meet the different pillars will vary considerably. At the same time the framework presented below seeks to present a broad account of what responsible business practice may look like from an inclusive growth perspective.

We present the framework first (Figure 2), then drawing on the consultation exercise go on to explain the underlying rationale for the pillars, and links to existing ESG monitoring frameworks.

FIGURE 2. The 4 Pillars of the IG Responsible Business framework

1. Economic inclusion in prosperity	
Inclusive business model	**Positive growth mind-set.** Inclusive businesses avoid growth through over-aggressive downsizing, asset stripping, workforce or R&D under-investment, or increasing profit through excessively squeezing labour costs below minimum standards (discussed below). Investors seek long-term sustainability of a business. **Ethical strategic management.** Business ethics are a living part of strategic management and risk analysis process. **Performance beyond profit.** Performance is not just measured in financial terms but in terms of social and environmental impact (e.g. Triple Bottom Line) as well as the long-term sustainability of a business model (e.g. Balanced Scorecard). ESG performance related KPIs are built into performance management systems. **Financial transparency:** Company reporting procedures on financial performance provide a transparent indication of how value created is distributed by the company (including wage costs, profit dividends, and payments towards pension liabilities and other liabilities). Companies have a policy commitment to a fair approach to tax and are transparent regarding their tax liabilities. Tax avoidance and evasion is avoided. Value created is re-invested ethically.
Fair rewards	**Fair distribution.** The distribution of pay is fair. Executive pay is not excessive and where possible linked to performance following best practice. Where in existence, efforts are made to include the entire workforce in shareholder or bonus schemes. Executive bonuses are capped at an agreed % of salary. Executive variable remuneration is deferred 3 years or more and claw back or malus exists for remuneration such as on poor

Page 331

	performance[12]. **Fair evaluation.** Equitable procedures of job evaluation are in place to govern the definition of fair pay for the entire workforce. Variable compensation considers both issues of performance and risk. **Pay transparency.** Organisations provide transparent information on the distribution of pay and rewards across their entire workforce. This allows employees to know how they are being compensated compared to their peers and facilitates equality and diversity monitoring. **Fair deal for sub-contractors.** Sub-contractors and outsourced labour are rewarded fairly and exploitative practices avoided.
Minimum employment standards	**Real Living wage employers.** Organisations pay the Real Living Wage to all employees and contractors. **Secure and stable employment.** Avoidance of use of precarious non-standard employment practices such as zero hours contracts and excessive temporary work. **Employment standards monitoring.** The extent of non-standard employment practices and Real Living Wage coverage for workforce and contractors is monitored and publicly reported. **Fair termination policies.** Grievance mechanisms are in place. Policies are in place to facilitate transitions into

[12] E.g. see FTSE4Good.

	retirement.
Workforce investors	**Human capital developers.** Serious concern is given for training and development. Where feasible a focus is placed upon workforce development as a means to increased productivity. **Employee advancement opportunities.** Progression opportunities or 'career ladders' (e.g. training & promotion opportunities) exist from lower level positions into higher ones. Single-track internal labour markets are operational providing access to career opportunities for the entire workforce.
2. Stakeholder inclusion & governance	
Values all stakeholders	**Consults all stakeholders.** An effective stakeholder listing strategy is in place that identifies and consults different stakeholders (e.g. employees, investors, local community, NGOs, and government). Stakeholder engagement is seen as integral to risk management strategy. **Participatory management philosophy.** Managers are trained to actively listen to and engage employees. Employees are meaningfully consulted concerning operational and strategic decisions and change management issues, whether directly through employee involvement and participation policies or indirectly via trade union representation. **No blacklisting.** Avoids trade union member blacklisting.
Ethical supply chains	**Supply chain risk management.** Supply chain practices are monitored for ethical risk and corrective action taken

	where necessary. **Social value champions.** Procurement procedures contain ethical considerations to promote positive supply chain behaviour. Supply chain management used to encourage social value.
Community champions	**Community investors.** Organisations seek to invest in local communities in which they operate such as through charitable giving and supporting local voluntary sector. **Civic stakeholders.** Organisations actively engage with local government, education providers, and other agencies to support the development of skills, employment opportunities, and inclusive economic growth in the locality. **Community social accounting.** Output of community investments are quantified.
3. Inclusion through equality & diversity	
Equality and diversity champions	**Best practice employers.** Employers follow best practice in relation to equality and diversity policy and practice. Staff members are fully trained in equality and diversity issues and legislation. An action plan is in place to improve diversity. **Inclusive hiring.** Organisations take equality and diversity commitments seriously in recruitment. Recruitment also targets disadvantaged groups in the labour market (e.g. ex-offenders). **Fair promotions.** Equality and diversity issues are considered in promotion procedures. Promotion opportunities

	and career ladders are provided for both full-time and part-time employees. **Reward equality.** Procedures are in place to ensure discriminatory biases do not effect the distribution of rewards and that allow corrective behaviour. **Maternity & parental leave**. Developed maternity and other parental leave policies are in place. **Flexible working.** Flexible working practices are in place. Senior positions are offered as flexible working such as part-time posts.
Equality & diversity monitoring & transparency	**Gender equality and diversity reporting.** Companies report gender pay gaps and representation in middle and senior managerial positions. **BME equality and diversity reporting.** Companies report BME pay differences and representation in middle and senior managerial positions. **Workforce age structure.** Age structure of workforce in different levels of seniority is reported.
Community employer	Organisations seek to recruit from local community and actively engage with local long-term and youth unemployment issues.

4. **Environmental sustainability**	
Environmental champions	**Resources efficiency.** Organisations seek to actively cut resource usage (e.g. energy, water, and harmful materials). **Pollution.** Organisation minimise negative impact of pollution and effluents and waste. Policies are in place to reduce the carbon footprint and pollution impact of workforce commuters. **Supply chain influence.** Supply chains are monitored for risk and influence is used to encourage environmentally friendly practice.

2.2 The Inclusive Growth (IG) Responsible Business Framework in more detail

Drawing on issues raised through the consultation in the following sections we go on to explain further the conceptual links between this framework and inclusive growth. The subsequent section then considers links to existing ESG monitoring frameworks.

Economic Inclusion in Prosperity

The Economic Inclusion in Prosperity Pillar is broken down into 4 dimensions:

- Inclusive Business Model
- Fair Rewards
- Minimum Employment Standards
- Workforce Investors

Inclusive Business Model

The business model of a company concerns its approach to creating, delivering and capturing value and embeds the business strategy of an organisation. Within a given product or service market organisations may compete for advantage on a number of dimensions such as the cost, quality, or the innovation of their products or services. All companies seek to have efficiency in some sense such as to contain costs in order to maximise profit. In our interviews inclusive businesses models that have a **positive growth mindset** however were viewed by some respondents as ones that avoid excessive cost reduction strategies such as over-aggressive downsizing, asset stripping, workforce or research and development (R&D) under-investment, or increasing profit through excessively squeezing labour costs. Inclusive businesses view their workforce as a valuable asset rather than just a cost and seek to engage and develop. Where workforce reductions are unavoidable inclusive businesses were seen as ones that meaningfully consult their workforce in planning the implementation of redundancies to minimise negative impact on employees.

In terms of **ethical strategic management,** many organisations today realise that evaluating the ethical implications of their business activities such as in terms of their social and environmental impact is essential to effective risk management[13]. Ethical strategic management means that rather than such an assessment being an afterthought, issues of ethics are a living part of the strategic management planning process when organisations set out their strategic and operational plans.

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[13] Guay, T., Doh, J. P., & Sinclair, G. (2004). Non-governmental organizations, shareholder activism, and socially responsible investments: Ethical, strategic, and governance implications. *Journal of business ethics*, *52*(1), 125-139.

The financial performance of a company is undoubtedly the most critical measure of performance for businesses in that it indicates company health in terms of continued viability and profitability. Inclusive businesses nonetheless were viewed as ones that also evaluate company **performance beyond profit** in terms of their environmental and social impacts and the sustainability of their business model. Triple bottom line accounting[14] procedures for example require businesses to report on their social, environmental, and financial performance. In order for organisations to achieve performance beyond profit, such objectives however it was felt also need to be actively built into the performance management or managers. Balanced Score Cards[15] for example provide a semi-structured reporting framework where organisations can develop and monitor progress against performance targets in terms of financial stewardship, customers and stakeholders, internal processes, and organisational capacity such as for learning and growth. This was not just seen as a question of ethics but of sustainability and performance. Such approaches may help orientate businesses away from short-term profit maximising strategies towards considering longer-term business sustainability, raising productivity[16].

In terms of **financial transparency,** company reporting procedures on financial performance can provide an indication of how value created is distributed within an organisation and so the extent of economic inclusion of the workforce. Company reporting procedures remain orientated towards the information needs of company owners or investors. In order for a more inclusive model of business to be achieved such practices it was felt need to be developed towards the requirements of broader stakeholders. Financial transparency is essential for (potential) employees, consumers, investors, and local communities to make informed ethical assessments regarding the nature of the business models of organisations. For example, more accessible and transparent reporting practices could help facilitate the benchmarking of organisations within a given sector (e.g. supermarkets) in terms of how value created is divided, such as in terms of profit, staff costs, pension liabilities and so forth. This may help generate consumer consciousness regarding inclusive business practices.

Financial transparency was further considered to concerns tax affairs. Taxation provides a chief mechanism through which value created in an economy is re-distributed, through public expenditure. Rather than just by direct impact, businesses support economic inclusion through taxation. This is because broader economic inclusion in prosperity also involves redistribution through public investment in education, health, infrastructure, welfare, and so forth. Inclusive businesses are therefore ones that are transparent regarding their tax affairs and refrain from tax

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[14] Elkington, J. (1998). Partnerships from cannibals with forks: The triple bottom line of 21st‐century business. *Environmental Quality Management*, *8*(1), 37-51. E.g. see http://www.ibrc.indiana.edu/ibr/2011/spring/article2.html

[15] Kaplan, R. S., & Norton, D. P. (1996). *The balanced scorecard: translating strategy into action*. Harvard Business Press. E.g. See http://www.balancedscorecard.org

[16] Kaplan, R. S., & Norton, D. P, op cit.

avoidance and evasion. Tax avoidance also presents a CSR risk to some organisations in that publicity can lead to reputational damage.

Fair Rewards

Reward management concerns the policies and practices that organisations have to compensate employees for the work they undertake and their contribution to value creation within organisations. Basic pay rates are probably the main issue for most people. The term 'total rewards'[17] however concerns:

- Basic pay
- Variable rewards. The distribution of bonuses, share options and other variable rewards across workforce
- Extent & distribution of training and development funds across workforce (considered under 'training and development')
- Pension contributions and employee insurance coverage
- Other 'fringe' benefits

The **fair distribution** of rewards concerns the extent to which different stakeholders (e.g. different employees, investors) are reward fairly. The fair distribution of rewards in organisations is a central inclusive growth issue in that it denotes how value created is allocated and therefore who is included in the prosperity arising from business activity. In terms of inclusive growth objectives more inclusive reward management could help to reduced poverty and in the case of improved pension provision combat future pensioner and fuel poverty. The issues of pay differences has also received considerable attention in the UK and internationally such as in relation to excessive executive pay or gender differences.

From a social responsibility perspective, executive pay should not be excessive and where possible linked to performance. Based on the practices of existing ESG frameworks (e.g. FTSE4good) executive performance can be linked to performance in order to prevent excessive risk taking or short-termism. Executive pay however represents just one issue. It was felt in our interviews that organisations also need to evaluate the fairness of the broader distribution of pay. Furthermore, where in existence, efforts could be made to include the entire workforce in shareholder or bonus schemes.

The determinants of wages differences in companies are complex and so is the issue of what constitutes fairness. Two broad approaches to defining fair pay can nonetheless be identified, one that seeks to establish objective criteria for fair rewards, the other that highlights how broader social norms can unfairly shape pay differences[18]. In terms of objective definition, to a large extent differences in pay may

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[17] Mujtaba, B. G., & Shuaib, S. (2010). An equitable total rewards approach to pay for performance management. Journal of Management Policy and Practice, 11(4), 11-121.
[18] Steinberg, R. J. (1990). Social construction of skill: Gender, power, and comparable worth. Work and occupations, 17(4), 449-482.

reflect the different skill levels of jobs or employees, and the supply and demand for skills. Organisations may consider the 'internal equity' of rewards such as through job evaluations to ensure people are rewarded fairly compared to their peers. They also consider 'external equity' in terms of benchmarking against the going market rate for a given position, such as in order to be able to attract and retain candidates[19]. Beyond job analysis criteria other pay systems link pay to individual or group performance ('performance related pay').

There are a number of reasons why differences in pay may not be fully efficient or 'fair' (i.e. such as objectively defined by skills, job task, or performance). Firstly, gaps in corporate governance raises the risk of rent-seeking behaviour where senior executives or managers are able to extract greater value for their rewards by virtue of their position and ability to exert wage push beyond their contribution to value creation[20]. In some cases, poorly structured executive pay systems can even reward poor performance. Where pay is linked to performance, there are also information constraints in terms of measuring performance. For example, some jobs may have a high visibility and clear performance metrics whereas other may not. Evaluators may also be influenced by subjective biases[21].

Such an account consequently highlights how other factors such as social norms developed through processes of history and power shape rewards rather than just an objective definition of skill or performance. Firstly, the definition and measurement of 'skill' is not necessarily a scientifically objective exercise but instead shaped by social norms and customs. For example, the 'equal pay for equal worth' movement recognises that some jobs or types of skills may be classified as higher skilled than others by virtue of the gender of the people mostly likely undertaking the work (e.g. physical versus emotional labour, warehouse work versus shop floor). Social norms have also lead to lower pay for women undertaking identical work to men[22].

Exclusive practices surrounding 'talent management' provide one example of how the contribution of certain positions or people may be discursively constructed by management as more valuable than others, without necessarily objective empirical basis. Reward management systems controlled from the top may therefore produce artificial distinctions between the assumed productivity of different worker or occupational groups[23].

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[19] Gomez-Mejia, L. R., & Welbourne, T. M. (1988). Compensation strategy: An overview and future steps. *People and Strategy*, *11*(3), 173.
[20] Bebchuk, L., and Fried, J. (2004). Pay Without Performance: The Unfulfilled Promise of Executive Compensation, Cambridge, MA: Harvard University Press.
[21] Keeping, L. M., & Levy, P. E. (2000). Performance appraisal reactions: Measurement, modeling, and method bias. Journal of applied psychology, 85(5), 708.
[22] Steinberg, R. J. (1990), op. cit.
[23] Dundon, T., & Rafferty, A. (forthcoming) 'Provocation piece: The (potential) demise of HRM, *Human Resource Management Journal*.

The business case for fair rewards can be built around reducing inefficiencies in the pay structure and linking rewards more to actual performance whilst mitigating legal and reputational risks linked surrounding pay inequality. From an inclusive growth perspective, inclusive companies were consequently viewed in our interviews as ones that spend meaningful effort to provide a **fair evaluation** of rewards, considering whether internal equity exists in the pay offered for different jobs, occupations, and demographic groups. **Pay transparency** it follows is important to establishing whether organisations pay fairly or not such as by reporting pay differences by gender. Organisations fully committed to transparency can go further by disclosing other pay differences such as by ethnicity or even the full pay distribution of their organisations.

A **fair deal for sub-contractors** was further raised in our interviews as an important issue. It was felt that sub-contracting and outsourcing often provide a way in which organisations may externalise some of their more precarious employment practices or low paid work. This means that although an organisation's core internal workforce may look to have good conditions and pay, poorer labour practices can be hidden through contracting out.

Minimum Employment Standards

Minimum employment standards were seen by several interviewees as a way to provide minimal criteria for employee economic inclusion. This may involve standards concerning pay levels but also employment stability and security. **Minimum pay floors** such as the Real Living Wage were viewed as an important mechanism for setting minimum standards. Although income requirements vary based on household size this is intended to roughly indicate the wage level required for people to escape poverty[24]. The potential benefits of paying the real living wage include reduced employee turnover, increasing worker morale, reducing absenteeism, productivity improvements, strengthening recruitment opportunities and reputational benefits[25]. Employers through small price increases or productivity enhancement may also often absorb wage floor increases[26].

Some interviewees highlighted how minimum wage floors nonetheless highlight issues regarding the different capacity of organisations to engage fully with a responsible business agenda. Given there are differences in inputs and profitability between organisations and sectors varying levels of ESG performance can be expected. This means some policies such as the Real Living Wage will be easier to implement for some organisations than others. Business such as those with lower margins, who are struggling financially, or where there is little scope for productivity

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[24] Coulson, A. & Bonner, J. (2015). Living wage employers: Evidence of UK business cases. Living Wage Foundation.
[25] Dube, A., Naidu, S., & Reich, M. (2007). The economic effects of a citywide minimum wage. ILR Review, 60(4), 522-543.
[26] http://irle.berkeley.edu/are-minimum-wage-increases-absorbed-by-small-price-increases/

enhancement among low paid workers may have greater difficulty achieving such aims. The Real National Living Wage remains voluntary and organisations that pledge to pay it are more likely to be large organisations in more profitable sectors[27]. At the same time the promotion and aspiration for wages that lift people out of poverty is fundamentally aligned to the notion of economic inclusion and inclusive growth. Ideally financial transparency and industry benchmarking could to an extent help stakeholders know which organisations can and cannot afford to implement such policies.

Secure and stable employment was a further important issue raised through our interviews. Employment security concerns the type and duration of contracts offered whereas stability is used to refer to a regular number of hours being offered from week to week. Insecurity and a lack of stable employment may arise from a variety of employment practices including:

- The use of temporary employment contracts
- Zero hours contracts
- Increases in self-employment and contract-based arrangements[28] [29]

Such practices may also present a social responsibility risk to organisations such as evidenced by the negative publicity surrounding zero hours contracts.

The improvement of minimum employment standards requires active **employment standards monitoring** and reporting so that broader stakeholders can understand the level of employment standards in different organisations. For example, the extent to which non-standard employment practices and Real Living Wage coverage for employees and contractors is monitored and publicly reported was seen as important in our interviews.

The issue of **fair termination policies** is broad and covers all the different ways people may leave an organisation. A serious commitment to policies that assist transitions into retirement such as flexible working, pension schemes and commitments to pensions liabilities represents an important issue here. Some interviewees further highlighted the need for employee voice such as through grievance procedures that can help avoid the breakdown of relationships between workers and employees.

Workforce Investors

Organisations that are **human capital developers** can assist economic inclusion by increasing and renewing the skills of their workforce, raising productivity. It was felt

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[27] D'Arcy, C., & Kelly, G. (2015) Analysing the National Living Wage, Resolution Foundation Briefing.
[28] https://www.gov.uk/government/news/taylor-review-on-modern-employment-practices-launches
[29] Eg. see https://www.thersa.org/about-us/media/2016/matthew-taylor-to-lead-independent-review-of-employment-practices-in-the-modern-economy

that inclusive employers are ones that give serious concern to training and development. Where feasible a focus is placed upon workforce development as a means to increased productivity. Increasing levels of skills and the productivity of the workforce can facilitate economic inclusion by equipping the workforce with the skills required to participate in the modern economy. Technological advancement means that worker skills in many occupations become quickly out-dated or obsolete. Raising productivity and inclusion therefore arguably requires a greater focus on retraining and lifelong learning.

It was recognised nonetheless that in some labour-intensive industries that rely on a high degree of unskilled labour there may be little room to increase productivity through skill levels or improving management practices. Workforce up-skilling in some cases will also be associated with the introduction of new technology that replaces jobs. Increased productivity in some cases may therefore lead to the destruction of lower skilled work. In this sense the development of skill or occupational pathways between lower skilled and higher skilled work, and growing and declining occupations, was seen as a way of helping mitigate against the negative long-term impact of low paid work.

There are a number of structural problems with the UK economy that inhibit incentives for organisations to pursue upskilling and intead maintain a 'low-skilled equilibrium'.[30] A commonly noted perception concerned the comparative weakness of the vocational education system in the UK, and inadequate coordination between businesses and vocational education providers. A greater coordination at the local level between businesses and educational providers could help support skill and productivity increases. The 'residual' welfare state in the UK is also likely implicated. Compared to a human capital first approach to welfare policy, the work-first approach to welfare in the UK arguably helps maintains a supply of low skilled workers to low paid sectors of the economy that helps keep labour costs lower but inhibits upskilling and productivity increases[31].

Employment advancement opportunities concern the prospects people have to progress in the labour market. Employment progression was partly viewed as a job design issue. For example, if the jobs of low skilled workers provide few opportunities to develop further skills this will likely limit progression. The issue of job design does not just concern the design of individual jobs but an overall consideration of what the labour needs are for a specific product or service system. This concerns how the different tasks (including managerial and supervisory) are divided up into discrete job roles, and how jobs are then organised and labour is sourced. Job-rotation,

[30] Hall, P. A. (2001). Varieties of capitalism: The institutional foundations of comparative advantage. D. W. Soskice (Ed.). Oxford: Oxford University Press.
[31] Bartik, T. J. (2000). Displacement and Wage Effects of Welfare Reform. In D. Card and R. M. Blank (eds) Finding Jobs: Work and Welfare Reform, New York: Russell Sage, pp. 119–58.

mentoring programmes and other job design techniques can be used to increase task variety and also raise the productivity and engagement of the workforce. Job rotation between roles can be used to improve the functional flexibility of employees whilst increasing their work experience and skill base[32]. Secondment practices where employees gain experience in other roles can also help generate experience and improve productivity.

The unification of internal labour markets into one inclusive career structure (one-track progression pathways) where in theory any employee from any division or function can be promoted or take any internal vacancy provides another mechanism against segmenting opportunities. Removing the barrier to employment progression for those with young dependent children was also viewed as a job design issue. This can involve increasing the availability of flexible working practices in senior positions and offering part-time and full-time employees the same training and progression opportunities.

Stakeholder Inclusion & Governance

The stakeholder inclusion & governance pillar consists of three dimensions:

- Values all Stakeholders
- Ethical Supply Chains
- Community Champions

Values all Stakeholders

A key message from the literature on corporate social responsibility and ESG Performances concerns the need to **consult all stakeholders** in developing ESG and risk management plans[33]. Beyond investors, stakeholders include employees, customers, supply chains, third sector organisations and local and national government bodies. Rather than second-guessing, in order for organizations to understand and respond to broader stakeholder interests appropriate mechanisms of stakeholder consultation need to be in place. Without such mechanisms it may become difficult for organizations to assess the wishes or needs of their varying stakeholders.

The dominant model of capitalism with the UK and other liberal economic market economies such as the US can be described as based around the concept of shareholder sovereignty or investor welfarism[34]. This reflects the view that the primary purpose of businesses is to seek shareholder value with the interest of other stakeholders being secondary and only genuinely of material concern where bound

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32 Philpot, J. (2014). Rewarding work for low paid workers. York: Joseph Rowntree Foundation.
33 Roberts, R. W. (1992). Determinants of corporate social responsibility disclosure: An application of stakeholder theory. Accounting, organizations and society, 17(6), 595-612.
34 Drucker, P. (2001). Will the corporation survive?. The Economist, 1.

by regulatory compliance, or presenting opportunities or risks to shareholder value for other reasons. Indeed this view is enshrined in current regulation on corporate governance in the UK under Section 172 of The Companies Act (2006),[35] This is largely interpreted as asserting that the director of a company must promote the success of the company and that, although the interests of broader stakeholders should be given regard, this consideration occurs within the context of where contributing to the success of the company. In this sense the first business responsibility of managers in law is towards their owners or investors.

This model of capitalism is often contrasted with stakeholder capitalism, where although investors still hold considerable power, more of an effort is made to pay more attention to the interests of different major stakeholders such as employees, customers and the broader community. These two hypothetical models are not necessarily absolutes but can be seen as poles on a continuum in corporate governance terms. The representation of broader stakeholder concerns and stronger corporate governance are arguably central to an inclusive economic model that more fully represents and includes the interests and prosperity of other stakeholders beyond investors. Debates regarding the relative merits and problems of a shareholder-sovereign or stakeholder models of capitalism are long-standing and so not recounted in any detail here.[36] From the stakeholder model, however, even from a company performance perspective, what is ‘pro-investor’ or ‘pro-market’ is not necessarily pro-business in that the short-term interests of investors are not always necessarily aligned to the long-term developmental interest of organisations.

Employee involvement can further be facilitated by a **participatory management philosophy.** Employee involvement and participation can be achieved by formal mechanisms of information sharing and consultation, or the manner in which jobs are designed to foster involvement. At the same time ‘informal employee involvement and participation’ refers to a high involvement management style among managers and supervisors who are trained to take a collaborative rather than command and control approach to management[37]. In some contexts there is evidence to suggest that high involvement management practices and greater employee involvement and participation can improve workforce productivity[38].

A positive approach to workforce consultation can also be sought through trade union partnership. **No blacklisting** concerns the approach of management to trade union activity. At bare minimum organisations need to recognise the legal rights of

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[35] http://www.legislation.gov.uk/ukpga/2006/46/section/172
[36] Freeman, R. E., Martin, K., & Parmar, B. (2007). Stakeholder capitalism. Journal of Business Ethics, 74(4), 303-314.
[37] Marchington, M., & Suter, J. (2013). Where Informality Really Matters: Patterns of Employee Involvement and Participation (EIP) in a Non-Union Firm. Industrial Relations, 52(s1), 284-313.
38 Wood, S. (2010). High involvement management and performance. The Oxford Handbook of Participation in Organizations, 407-26.

employees to association and avoid the blacklisting of trade union members and representatives.

Ethical Supply Chains

A key concern that emerged from the interviews was **supply chain risk management**. A responsible approach to business ensures supply chain practices are monitored for ethical risk and corrective action taken where necessary. The manner in which organisations can be **social value champions** through using their contracting processes was further highlighted. A focus on supply chains activity locally was seen as important. Following the 2012 Social Value Act a number of public sector organisations in Greater Manchester seek to use their contracting systems to promote broader social outcomes objectives such as increasing local employment or reducing poverty.[39] An important question raised from the interviews was the extent to which such a model could also be adopted by the private sector.

Community Champions

A common form of social responsibility behaviour is where organisations seek to be **community investors** in the local communities in which they operate such as through charitable giving and supporting the local voluntary sector. One problem raised within our interviews was that organisations may be more willing to support some more popular causes than others, such as in relation to their brand image.

The fulfilment of inclusive growth objectives can be supported by organisations being **civic stakeholders** actively engaging with local government, education providers, and other agencies to support the development of skills, employment opportunities, and inclusive economic growth in the locality. One example given in the interviews concerned the lack of integration and sufficient coordination of local businesses with local education providers, particularly in relation to the development and delivery of vocational education. Once again, the need for the work being undertaken by organisations to be monitored and assessed was highlighted such as through **community social accounting**.

Inclusion Through Diversity and Equality

The inclusion through diversity and equality pillar has three dimensions

- Equality & Diversity Champions
- Monitoring & Transparency
- Community Employers

[39] CLES (2016). Forging a good local society: Tackling poverty through a local economic reset. Manchester: Centre for Local Economic Strategies. https://cles.org.uk/our-work/publications/forging-a-good-local-society/

Equality and Diversity Champions

Best practice employers were viewed as ones that followed or exceeded up to date standards regarding equality and diversity policy implementation. Having **maternity and parental leave** provision beyond legal minimum standards was further seen as important to equality and diversity objectives. In terms of **flexible working** practices, advertising higher skilled or more senior or supervisorial/ managerial roles as available with flexible working arrangements (FWAs) such as part-time or job share was viewed as critical. This was seen as important to allow women and men with dependent children greater access to better quality employment whilst combining paid work with domestic work and care responsibilities[40].

Inclusive hiring requires attention to the 2010 Equalities Act to avoid discrimination in the labour market such as on the grounds of gender, ethnicity, disability, age, sexual orientation, or gender reassignment. An inclusive approach to hiring further guards against recruitment judgements being biased by discrimination and seeks to offer jobs that are accessible to all. The business case for such practices is typically built around topics such as reputational benefits, the advantages of having a diverse workforce in terms of attracting and retaining talent, and the value of fully reflecting a company's customer base[41]. Recent legislative developments and changing social norms regarding issues such as gender equality also present a social responsibility risk for organisations.

Several interviewees also noted that inclusive hiring can also give recognition to other issues of socio-economic disadvantage in the labour market. In this sense examples of inclusive recruitment practices may include:

- Hiring from the local communities or people from disadvantaged backgrounds. Examples of such schemes are facilitated by organisations such as Business in the Community.[42] Such schemes can focus on the employment of groups disadvantaged in the labour market such as ex-offenders, care leavers, recovering addicts, homeless people, and military veterans[43].
- Increasing employment opportunities for people with physical and/or mental health issues and disabled people[44].

[40] See https://timewise.co.uk/about-us/timewise-foundation/ (Timewise Foundation).
[41] http://www.bitc.org.uk (The Princes Responsible Business Network).
[42] http://www.bitc.org.uk (The Princes Responsible Business Network)
[43] HM Government (2017) Strengthening your workforce with talent from disadvantaged groups. http://www.bitc.org.uk/our-resources/report/strengthening-your-workforce-talent-disadvantaged-groups
[44] See http://www.wearepurple.org.uk/uploads/documents/Purple%20Charter%20for%20Change.pdf

At the same time, it was recognised that many companies without additional support such as through government or third sector agencies independently will lack the capacity to face the challenges of providing employment opportunities to people with more complex and multiple social needs. This means that the mapping out of potential local support provision is vital to providing the information and training required for businesses to more meaningfully undertake such activities.

Equality & Diversity Transparency and Monitoring

Once again, the monitoring of activity was felt important to understanding the practices of organisations. Recent legislation requires **gender equality and diversity reporting** for larger organisations in the UK in relation to pay gaps. It was felt by some interviewees that this could go further such as towards **BME Equality and diversity reporting** or reporting regarding **workforce age structure.** More radically, complete pay transparency was seen as a potential approach to providing transparency to internal reward practices.

Community Employer

In terms of being **community employer**s, some interviewees highlighted a spatial dimension to equality and diversity issues. Inclusive organisations were consequently seen as those that seek to recruit from the local community or actively engage with local long-term and youth unemployment issues.

Environmental sustainability

The issue of environmental sustainability was viewed as important to broader business sustainability. Inclusive businesses it was felt should seek as much as they can to become **low carbon businesses**, and to reduce the **commuter footprint** of their workforce through travel to work policies and flexible working arrangements (e.g. teleworking). The manner in which larger organisations can use **supply chain influence** to promote environmental sustainability across their supply chains was further highlighted. Inclusive growth was therefore in this sense viewed as not just about positive forms of economic inclusion but the avoidance of negative inclusion in the consequences of business activity such as related to the effects of pollution on residents living around city centre commuter routes. The potential efficiency gains of pursuing environmental sustainability objectives were further highlighted such as in terms of reduced energy use.

2.3 Conclusions

In this section based upon a brief consultation exercise we sought to provide a first attempt at outlining what responsible business practices might look like from the perspective of inclusive growth that places a broad notion of economic inclusion at its centre. Such an approach highlights how the business model of organisations and people management practices (e.g. reward management and training policies) are central to delivering a more inclusive form of economic growth. The framework presented is purposefully broad in order to seek breadth of coverage of the topics raised from the research and consultation exercise. At the same time, it is recognised that many organisations will not have the capacity to cover all of the issues raised. In terms of the prioritisation of issues, the question arises therefore whether a core set of practices should be identified and applied to all organisations combined with a more modular approach to select other options, or whether screening and engagement should be more fully tailored to specific organisational priorities and capabilities.

3. Inclusive growth and existing ESG Performance Monitoring frameworks

3.1 Introduction

In this section we go on to further consider the framework introduced in Section 2 in relation to existing ESG monitoring frameworks in more detail. This is undertaken to consider the extent to which there are gaps in current frameworks from an inclusive growth perspective and facilitate a discussion of methodological issues surrounding the screening of responsible business behaviour. In the below discussion of the different pillars identified we also provide examples of where topic coverage is available in current frameworks. These examples are not supposed to provide an exhaustive account of the discussed frameworks but instead are used for illustrative purposes. To recap, the frameworks considered were:

- FTSE4Good
- Global Reporting Initiative (GRI)
- The European Federation of Financial Analysts Societies (EFFAS)
- ISO (SR)

3.2 Economic inclusion in prosperity in current frameworks

Inclusive Business Model

Several reporting frameworks require information in their basic standards on the strategy of organisations although often this relates more to strategy in relation to tackling sustainability issues around ESG performance rather than more broadly. For example the Global Reporting Initiative (GRI) requires a statement from the most senior decision maker in an organisation on the relevance of sustainability to the organisation and its strategy for addressing sustainability[45]. In terms of ethics and integrity the GRI also has reporting requirements on the values, principles, standards and norms of behaviour of organisations and how organisations seek advice on matters of ethics. In terms of the governance of organisations it considers the positioning of risk management and environmental social impact decision-making within an organisation's governance hierarchy. For example whether this is an issue lead from the highest governance body with executive level responsibility, of further down the organisational governance structure is contemplated.

A further approach taken concerns the narrative reporting of key performance monitoring. For example EFFAS in their key performance indicators considers

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[45] GRI 102.

whether ESG performance is taken into account in performance agreements. It further considers total investments in research on ESG relevant activities as an indicator of innovation. This approach understands that high-level strategy requires cascading through management systems in order to be converted into actual behaviour such as through performance management and Key Performance Indicators (KPIs).

Across existing frameworks there is less of an explicit focus on the overall strategic approach to value creation or the overall 'business model' than suggested by the IG Responsible Business Framework. Given corporate governance and sustainability remains partly construed as an agency problem in terms of the control of investors over management, the role of investor influence is also arguably not sufficiently considered, such as in terms of the impacts of profit strategy on sustainability, as discussed in the preceding chapter. Investors therefore become construed as external stakeholders that, although require consulting, a largely exogenous to the issue of responsible business. Investor behaviour nonetheless is a potential source of both positive impact (e.g. 'impact investing') and also a potential risk to ESG performance (e.g. through pressurising for short-term profit over sustainability). The difficulty rests therefore in how such behaviour can be brought into the remit of a responsible business monitoring agenda given ESG frameworks need to palatable to the owners of businesses to facilitate adoption, thereby arguably circumventing the agenda of what topics are and are not considered.

Fair Rewards

None of the considered frameworks considered the total distribution of pay within organisations as an ESG issue. Where pay distribution was mentioned this largely focussed on executive pay issues[46]. Some frameworks did consider the distribution of some rewards in relation to specific aspects. The GRI for example considers an indicator of the % of workforce that receive 90% of bonuses and share options as a proxy of the coverage of rewards but this does not extend to broader pay distribution. From an inclusive growth perspective this is a considerable omission in that executive pay disparities and variable rewards only represent restricted dimensions of broader pay inequality issues.

Pay ratios also need to be interpreted carefully. In some cases, they will produce counterintuitive results or interpretation problems. For example, due to the structure of the workforce an executive to median pay ratio could make a large investment bank look more equitable in its pay than a supermarket given the manner in which the median benchmark figure is composed.[47],[48] The relative figure does not indicate

[46] In 2015, the U.S. Securities and Exchange Commission (SEC) adopted a rule mandated by the 2010 Dodd-Frank Act, requiring medium and large public companies to disclose the ratio of the compensation of chief executive officers to the median compensation of their employees (starting in 2017).
[47] https://www.ft.com/content/96dc7712-7f55-11e6-bc52-0c7211ef3198

that both the median employee and executives in the former are paid considerably more than the latter and it may be the absolute level of pay that presents the greater business responsibility issue. At the same time such extreme examples should not detract from the overall value of pay ratios and sensible interpretation. This can be achieved for example through benchmarking against sector norms or other more meaningful comparisons between competitors[49]. From an inclusive growth perspective there is also a need for reporting that provides some comprehension of broader wage inequality across the entire wage distribution within organisations, particularly regarding the lower end of the distribution. Meeting minimum wage floor standards can also supplement such measures.

Once again a further issue concerns how the value taken by shareholders in profit sits above current corporate governance debates. None of the ESG frameworks explicitly consider profit taking practices in relation to responsible business activity. Economic inclusion in prosperity concerns how the overall revenue created by organisations is allocated and not just the labour cost bill. Pay ratios give some information regarding how the labour share slice of the revenue pie is distributed but not how big this slice is in the first place in relation to overall revenue or profit taking.

The focus on executive pay consequently sits firmly within the discourse of investor welfarism in that executive pay is primarily still constructed as an agency problem for shareholders[50] rather than a broader stakeholder issue and CSR risk. For example, there are potential social responsibility issues here regarding profit taking as a trade off against companies servicing pension fund deficits, investing in research and development budgets to increase innovation and productivity, workforce human capital investment, or servicing other liabilities. The clear reporting on employee pension deficits size in relation to profits or other financial liabilities for example would take a fuller measure of reward management issues in relation to total rewards and other benefits. Research conducted in 2016 showed that nearly half of all FTSE 100 companies could have cleared their pension deficits with payment of one year's share dividends[51].

The GRI does include some broader attention to the distribution of economic value in terms of 'economic value distributed' (operating costs, employee wages and benefits, payments to providers of capital, payments to government by country and community investments) which can be compared against 'economic value retained' (direct economic value generated less economic value distributed) (GRI 201 Economic Performance)[52]. The development of an accounting basis for some form of a proxy

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[48] https://www.ft.com/content/969170c8-8018-11e6-bc52-0c7211ef3198https://www.ft.com/content/969170c8-8018-11e6-bc52-0c7211ef3198
[49] See http://highpaycentre.org (High Pay Centre).
[50] Styhre, A. (2016). Trust versus contracts in corporate governance: Agency theory, contractual theory and the fortification of shareholder welfare governance. *Management & Organizational History*, *11*(3), 276-297.
[51] https://www.ft.com/content/a8e34726-d67e-11e6-944b-e7eb37a6aa8e
[52] https://www.globalreporting.org/Information/about-gri/Pages/default.aspx

measure of profits to labour costs and other factors linked to workforce investment is therefore likely possible. An alternative approach would therefore be to express profit in relation to average (median) wages rather than overall labour cost. This could be accompanied by industry benchmarking. Some form of measure of the distribution of economic value created that provides transparency to the ratio of profit to labour costs to supplement pay ratio measures could be used to provide a more comprehensive picture of workforce economic inclusion. Pay differentials however also reflect regulatory issues that are unlikely to be resolved by organisational level intervention. For example, the decline in collective bargaining particularly since the 1980s, abolition of wage councils, rise of passive investors, and the softening of other policy that regulated pay have likely contributed to the widening of wage inequality between the highest and lowest earners[53].

Minimum Employment Standards

Many international standards focus on minimum standards in a global context such as absolute poverty levels (e.g. subsistence less than $1 a day) [54]. The FTSE4Good does consider whether organisations have living wage policies although there is no absolute benchmark target given and the presence of a policy does not provide information on the extent of implementation such as coverage in terms of both primary employees and sub-contractors. Within other considered frameworks the ideas of an income baseline did not extend further than beyond (implicit or explicit) compliance with national minimum wage floors that do not necessarily provide non-poverty wages.

In terms of employment security, the FTSE4Good includes a measure of the percentage of employees that are contractors or temporary but there is no explicit mention of zero-hour contracts. Within some frameworks, full-time and part-time employment (voluntary) turnover rates were taken as a way of monitoring levels of job stability although it is unclear what level of turnover is to be considered 'healthy' for an organisation and what indicates undesirable levels of job insecurity. Industry benchmark comparison in such respects may still however prove meaningful. A further indicator considered concerned the percentage of employees employed less than 1 year.

Workforce Investors

Although considered important there is a lack of agreement regarding how training and development should be measured across ESG performance frameworks. For example, whereas some focussed more on the average hours of training per year

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[53] Kasparova, D., Wyatt, N., Mills, T., & Roberts, S. (2010). Pay: Who were the winners and losers of the New Labour era. *London: The Work Foundation.*

[54] In terms of the public sector, several local authorities including in Greater Manchester present being a Real Living Wage employer as an example of how contractors may demonstrate social value in their guidance in relation to the Social Value Act 2012[54].

per employee (by gender and other demographic employment categories), others focussed on the level of expenditure. A time based measure of training and development activity does not provide insight into the level or quality of training although breakdown by demographic group does hold conceptual validity from an equality and diversity perspective. Overall training expenditure similarly does not provide information on the distribution of training funds across the workforce and there may be a tendency for training budgets to be top heavy, overlooking employees in lower occupational roles[55].

The percentage of employees receiving regular performance and career development reviews (by gender, age, and other indicators of diversity) was further present in the GRI framework as a training and development measure. A further measure considered concerns the availability of opportunities for upgrading employee skills and transition assistance programmes. The latter could be linked to retirement or the termination of employment and may become an increasingly salient issue through technological replacement linked to ICT, artificial intelligence and developments in robotics.

3.3 Stakeholder Engagement & Governance in Current Frameworks

Values all Stakeholders

Evidence of stakeholder engagement activities and reporting were listed as the chief way to demonstrate stakeholder involvement. In the FTSE4Good for example this was listed as a 'human rights and community' indicator. The GRI places consulting stakeholders on economic, environmental, and social topics as a key disclosure in its core standards and seeks to establish the processes of consultation through narrative reporting. This requires organisation to list all stakeholder groups and information on mechanisms and frequency of engagement. This framework also requires reporting on collective bargaining agreements with trade unions and the percentage of the workforce covered.

Guidance in ESG frameworks on how firms consult employees and incorporate their perspectives into operational and strategic decision-making were less clearly formed. A key issue concerns the extent to which information and the outcomes of consultations are used to inform the strategic or performance objectives of organisations and so whether such information constitutes a living document or just a paper exercise. This may be evidenced however via narrative reporting of how such consultation is utilised. A further issue concerns how stakeholder engagement

[55] Philpot, J.; Chartered Institute of Personnel and Development (CIPD) (2013) Learning, Training and Development. London: CIPD, April.

activities can be scaled down to small businesses such as through alliance partnerships and whether a SME business case can be constructed for such activity.

There was less of an explicit focus on employee involvement and participation mechanisms. Further potential indicators therefore could involve:

- Evidence of developed employee involvement and participation procedures that feed both into operational and strategic decision-making, or established organisational development models[56]
- The presence of participatory management practices as evidenced by training or KPI objectives.
- The presence of board level employee representation.
- Evidence of functioning partnership models with trade unions.

Ethical Supply Chains

Supply chain risk and trying to encourage ethical behaviour in supply chains was a cross-cutting theme across the considered frameworks. Many of these had an international focus such as addressing core International Labour Organisation (ILO) conventions. Whereas part of the focus was on policies and practice in place to identify risk in supply chains, a second issue concern monitoring and upholding standards such as regarding labour and health and safety. EFFAS focuses on narrative reporting such as regarding how companies ensure suppliers meet ESG standards similar to the company, and purchasing and procurement functions. The GRI considers narrative reporting but also the proportion of spending that is on local suppliers. Negative social impacts in supply chains and action taken is a further topic.

Community Champions

The FTSE4Good includes a commitment to local employment and policies on under-privileged and youth unemployment. Other activities include evidence of stakeholder engagement and reporting, the quantification of community investment, and information regarding donations to not-for-profit organisations. The GRI considers infrastructure investment and services supported in relation to local communities and economies. This can involve provision of commercial services or pro-bono activity linked to transport, utilities, community social facilities, health and welfare centres, or sports centres. The monitoring of actual and potential negative impact on local communities is a further theme.

[56] E.g. see https://hbr.org/2012/11/accelerate

3.4 Equality and Diversity in current frameworks

Equality & Diversity Champions

Several ESG frameworks included attention to gender equality and BME equality issues in the labour market. Part of the focus was on labour standards. The FTSE4Good for example considers whether organisations have a policy to address non-discrimination, and 'black economic empowerment'. The main focus of frameworks tended to be regarding monitoring rather than policies and practices. Equality and diversity was a prominent theme in FTSE4Good and GRI but less so in EFFAS.

Monitoring & Transparency

In terms of equality and diversity monitoring, beyond pay measures an emphasis tended to be more on women in senior level positions rather than meaningfully mapping broader gender inequality and segregation in the labour market. Some frameworks did consider outcomes related to maternity and paternity provision such as job retention rates after maternity leave, whereas pay rate gaps between part-time and full-time employment were used to provide some indication of the extent to which organisations offer part-time employment of a comparable quality to full-time paid work. Other potential indicators include the part-time occupational employment gap and the percentage of jobs offering flexible working.

The percentage of women on the Board of Directors was a further indicator used. EFFAS considers reporting on the total gender composition of the workforce and the percentage of women in senior positions in relation to total Full Time Equivalent (FTE) senior positions. The age demographic of the workforce is further considered. Some frameworks considered the broad BME monitoring of the workforce but in some cases without specific detail regarding occupational status levels of workers. A high proportion of a workforce being from minority groups does not say anything regarding the quality of their jobs and working conditions.

The GRI seeks to mainstream aspects of diversity reporting by requesting organisations break down a number of indicators by 'indicators of diversity'. These include the percentage of employees receiving regular performance and career development reviews by gender, age and other indicators of diversity (minority or 'vulnerable groups'). Part of its equality and diversity monitoring also looks at the demographic profile of new hires and of turnover. A further disclosure item requests information on incidences of discrimination and corrective action taken. Differences in benefits between full-time and part time and temporary employees are further considered, as are parental leave policies, including the monitoring of return to work post-maternity employee retention rates. The ratio of basic salary between men and women was further considered as was differences in entry level wages.

Community Employer

Employer schemes that target recruitment on local communities or people from disadvantaged background are perhaps one of the most commonly recognised employment policy approaches to corporate social responsibility. Community employment impacts were therefore a commonly considered ESG performance outcome across frameworks. In terms of hiring locally some ESG frameworks considered indices such as regarding the % of employees hired from local communities although the questions tended to be more orientated towards multi-national corporation international activity.

3.5 Environmental Sustainability

Environmental sustainability was a major theme across the different frameworks considered. For example, the GRI standards consider a variety of issues such material usage, energy usage, water, biodiversity, emissions, effluents and waste, environmental compliance and supplier environmental assessment.

3.6 Further Methodological Issues

A number of further crosscutting methodological issues were identified through the desk research and interviews. Some interview respondents for example discussed the relative advantages and disadvantage of a metrics quantitative based approach to monitoring responsible business performance versus a more qualitative narrative reporting approach. A metrics based approach can provide comparable information that could be aggregated into overall indices, facilitating the benchmarking of the ESG performance of organisations to allow customers, investors, and employees to make enlightened choices. The concept of Social Return on Investment (SROI) was relevant here where organisations seek to apply frameworks to estimate the (financial) value of the social impacts. From an audit perspective SROI may be useful to demonstrate social value to funder or contractors.

Metrics however requires meaningful comparisons. This for example could involve a ‘race track’ approach where key competitors in a given market segment are compared to each other on their ESG performance. Current approaches to ESG measures it was felt however are potentially too complex for communication to a non-technical audience for reasons such as helping consumers benchmark the ethical performance of different companies.

Different organisations undertake non-financial reporting for varying reasons and have varying levels of exposure to different ESG related risks. Currently this means there is a lack of standardization in terms of both the coverage and depth of reporting under existing frameworks. A focus on output and outcomes also obscure the fact that different organization by virtue of factors such as their size and nature of business have different types and levels of resources meaning that a fair benchmarking of companies where possible should take into account differences in resources. For example, it may be easier for larger multi-national corporations (MNCs) with explicit CSR budgets to be involved in more community outreach projects, or organisations with higher profit margins to pay better wages and offer better working conditions. A racetrack approach therefore once again could help overcome such problems where careful comparisons are made.

Beyond a core set of measures not all of ESG performance activities are necessarily quantifiable meaning narrative reporting is necessary. Narrative reporting in contrast may provide a more 'human' focus to communicate to broader community stakeholders. Consequently, a further issue with a metrics-based approach relates to communication. Although quantitative information and charter marks could be helpful for benchmarking and informing stakeholder decision-making, in some respects it was felt that the more 'human interest' stories of CSR activity that likely resonate with the broader public. Narrative reporting in this sense can communicate stories of business activities to audiences that statistical and charter mark measures do not necessarily reach. There is a problem however that reporting frameworks often appear to focus on the amount of information on a given ESR target rather than the quality of information and an assessment of firm performance[57].

ESG performance charter marks for organisations that meet a given level of standards such as FTSE4Good provide a way of monitoring activity. At the same time, such approaches need to strike a balance in that they are broad enough to be attract the interest of a range of organisations but also stringent enough to discriminate between the best performing companies from the rest (e.g. bronze, silver and gold awards). Where the requirements are too low to gain a charter mark or lack discriminatory power this may undermine the purpose and validity of the system as an indicator of performance.

A criticism of the FTSE4Good is that it lacks discriminatory power. By 2005 80% of FTSE100 companies were listed on the index leading some to question the extent to which it can be considered as a genuine ethical investment index[58]. At the same time the engagement process is partly responsible for helping bring companies up to the required standards and the index is set so that 30-40% of potential companies for inclusion meet the standards[59]. A central behavioural lever is the threat of removal from the index and the FTSE4Good Policy Committee has decision-making powers in this respect after a process of dialogue and engagement with organisations being at risk from removal[60].

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[57] Luke, B. (2016). Measuring and reporting on social performance: From numbers and narratives to a useful reporting framework for social enterprises. Social and Environmental Accountability Journal, 36(2), 103-123.

[58] Collison, D., Cobb, G., Power, D., & Stevenson, L. (2009). FTSE4Good: Exploring its implications for corporate conduct. *Accounting, Auditing & Accountability Journal*, *22*(1), 35-58.
[59] Slager, R. (2012). The FTSE4GOOD index: Engagement and impact. *International centre for corporate social responsibility, Nottingham Business School.*
[60] Slager (2012) op. cit.

Another question that arose within our interviews concerned whether a one size fits all approach to monitoring inclusive business in necessary of feasible. The sheer diversity of employers and size of businesses will undoubtedly affect the scalability of practices. This raises the question of whether a more modular approach should be taken such as where a core set of inclusive business practices are identified but other dimensions may be selected in relation to capacity and priorities.

3.7 Conclusions

From an inclusive growth perspective, many of the considered ESG Performance frameworks contain constructs and measures linked to inclusive growth objectives. At the same time several of the commonly used reporting frameworks contain holes or omissions in terms of the ability to fully represent the varying dimensions of business behaviour that affects inclusive growth. Examples include: the reporting of some non-standard employment practices (e.g. zero hours contracts); broader measures of pay inequality beyond executive pay; and profit ratios.

If the government is serious about strengthening the representation of broader stakeholders (employees, customers) within corporate governance then increasing the transparency regarding shareholder and profit activity and not just executive pay is required. From an industrial policy perspective asset stripping and excessive profit taking where inhibiting business growth and development for short-term gain are also a material concern. Beyond executive pay, inclusive companies are ones that do not extract excessive value through profit taking, re-invest in their businesses and workforces, and ensure employees are fairly included in the prosperity that arises in part from their endeavours. Profit ratios may therefore be relevant in addition to executive pay ratios or other measures that provides an assessment of the relative balance of growth and profit objectives.

There are limitations however in the extent to which indicators and monitoring practices can help encourage more responsible business and inclusive growth. This means that in the absence of specific change strategies to promote the fulfilment of objectives such indicators alone will lack their full potential impact. An influencing strategy that support business activity to implicitly or explicitly promote inclusive growth is therefore important. It is this topic we turn to in the second report.

Ways to promote a responsible business agenda in UK Cities: Greater Manchester

IGAU Responsible Business Report 2 of 2

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About this report: This report is the second in a series of two reports examining responsible business in the context of inclusive growth, produced by the Inclusive Growth Analysis Unit. A shorter Policy Briefing also accompanies the reports. All are available to download at www.mui.manchester.ac.uk/igau/research/reports

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1. Approaches to influencing change

1.1 Introduction

The first report in this series outlined what a responsible business agenda might look like from an inclusive growth perspective. It considered issues surrounding the 'screening' of organisations to assess to what extent they meet such criteria. In this report we turn to the topic of implementing such an agenda locally. A central focus is placed on engaging businesses in a voluntary capacity to promote inclusive growth objectives. A range of other levers of change are also discussed including utilising broader stakeholder power such as consumers, employees, and investors, and the role of regulation where voluntary action is unlikely to bring change. A key argument is that the local promotion of responsible business objectives requires the convening and harnessing of local business support infrastructure in order to engage a broad range of organisations.

The research is based on a series of interviews and consultation exercises undertaken in Greater Manchester[1]. It represents an exploratory piece of work, the ambition of which is to raise important questions regarding how an inclusive growth business agenda can be supported locally in Greater Manchester. This work is hopefully also relevant to other city region contexts.

Both screening and engagement are essential to the implementation of a responsible business inclusive growth agenda. Without a coherent screening framework it is difficult to identify both good business practice as well as identify gaps in activities. At the same time, screening organisations holds little value unless a system of engagement is in place that supports the remedy of identified issues, improves practice, and celebrates good business behaviour.

In this chapter we outline some of the different approaches that could be used to influence business practices in relation to inclusive growth objectives. These can be summarised as:

- Voluntarist approaches (communicating & facilitating the business case)
- Harnessing local business support infrastructure
- Regulatory compliance
- Empowering broader stakeholders

Focussing on Greater Manchester, Section 2 goes on to consider examples of what business support infrastructure currently exists in Greater Manchester and how this may be utilised to promote an inclusive growth agenda, resulting in a set of practical recommendations. From this research we argue that a convening body is required in Greater Manchester to embed the notion of inclusive growth into business support

1 A series of interviews with key stakeholders and workshops were undertaken between 2016-7 as well as discussion at IGAU Advisory Group meetings.

infrastructure in the area. Actors in the existing business support service hub such as The Growth Company could take up this role.

Box 1. Inclusive Growth (IG) Responsible Business Framework: Summary

Based upon a review of existing corporate social responsibility monitoring frameworks and interviews with key stakeholders in Greater Manchester, the first report in this series identified four pillars of responsible business from an inclusive growth perspective. These are:

-**Economic inclusion in prosperity created by growth**

-Inclusion of stakeholders in decision-making and governance;

-Inclusion through diversity and equality; and

-Environmental sustainability

The **economic inclusion in prosperity created by growth** pillar considers the extent to which business practices facilitate the inclusion of the workforce in the prosperity achieved from economic growth. In our interviews some respondents considered inclusive businesses models as ones that have a 'positive growth mindset,' seeking growth through workforce development and innovation whilst avoiding excessive cost reduction strategies such as over-aggressive downsizing, asset stripping, workforce or R&D under-investment, or increasing profit through excessively squeezing labour costs. Here the consideration of performance beyond profit in terms of social and environmental responsibility was viewed as important to sustainable business practices. Such considerations raise issues of corporate governance and so both executive and investor behaviour. Fair reward management practices and minimum employment standards were further viewed as important.

Stakeholder inclusion & governance concerns the need for organisations to consult all stakeholders in developing ESG and risk management plans and broader business strategy. Stakeholders include investors, employees, customers, supply chains, third sector organisations and local and national government bodies. Without such mechanisms it is difficult for organisations to assess stakeholder views and identify business risks and opportunities linked to social responsibility.

A strong and proactive commitment to **equality and diversity** extending beyond basic legal compliance was further viewed as an important dimension to economic inclusion. This also considers the effects of business activity on local communities. Finally, **environmental sustainability** was seen as important to minimise the negative inclusion of broader stakeholders such as by minimising pollution.

1.2 Voluntarist approaches: Building & facilitating the business case

A large focus of the discussion in our interviews concerned how businesses can be voluntarily encouraged to take up the responsible business agenda. The voluntarist approaches discussed can be divided into three main kinds:

- Presenting an ethical argument for responsible business
- Providing a bespoke business case to organisations
- Using facilitation and support; such as through practice advocacy

Better education and communication of the business case for more inclusive business practices was seen as a way to help build support where there is a lack of understanding or even misunderstanding of the issues. However, some respondents noted that education and communication may be insufficient to delivering more meaningful change, meaning stronger facilitation and engagement may be required.

Presenting the ethical argument

Many businesses wish to pursue CSR activities to ‘do the right thing’ and are therefore intrinsically motivated by such action. For example, some interview respondents discussed family run businesses in the locality that have a long history of philanthropy as part of their tradition. It was widely recognised though, that for the majority of businesses, beyond legal compliance or other external pressure, demonstrating some form of value proposition and benefit would be necessary to achieve the voluntary adaptation of responsible business practices.

Building the business case

A key issue raised in the interviews is the extent to which a one size fits all approach is desirable or even feasible. Each business is different and the challenges and priorities faced by organisations vary markedly. In seeking voluntary engagement, some of our interviewees noted that a starting proposition could be to work out how a given business can potentially benefit and what they want to achieve from engaging with business responsibility issues. Focussing on achievable priorities at the outset rather than a blanket approach could gain greater traction. Several interviewees felt such a platform of engagement could then be used as a springboard to seek engagement on a broader set of issues.

The business case for social responsibility is often built around the two interlocking issues of identifying opportunities to build competitive advantage and the need for risk management. In terms of competitive advantage, the ISO2600 guidance on social responsibility highlights a number of potential benefits identified in research that may be obtained from CSR activity:

- Improved reputation

- Increased ability to attract and retain workers or members, customers, clients or users
- The maintenance of employees' morale, commitment and productivity
- Improve the views of investors**,** owners, donors, sponsors and the financial community
- Improved relationships with companies, governments, the media, suppliers, peers, customers and the community in which it operates[2].

Business case: Reputational benefits with customers

Improving the reputation of a business can have positive impacts across a variety of stakeholders. In addition to the focus on 'enlightened shareholders' and ethical investment, there are customers who may consider ethical factors in their consumption behaviour. One third of UK consumers say they are concerned about the origins[3] of their products whereas 74% said they would pay an extra 5% on their clothes if it guaranteed workers were paid fairly in good employment conditions[4]. At the same time there is the issue of the extent to which expressed attitudes translate into actual behaviour.

Evolving consumer preferences nonetheless present both a risk and opportunity. It was also suggested that we live in a 'ratings driven era' where the internet and social media provide new opportunities for information flow and greater transparency regarding the behaviours of businesses creating new risks and opportunities. Given the evolving perception of what responsible business entails, increasing informational access and transparency through the internet and social media, and the increased opportunity for consumer activism that such technology presents, a primary risk to organisations is that their internal core operating models and not just external activities become increasingly an CSR risk.

The perception of social responsibility is not static but evolves with social norms and social and economic change. For example, historically a large proportion of the focus on business responsibility concerning employment activity has focussed on supply chains and the developing world context. Recent scandals or negative press around excessive profit taking and bonuses, the use of zero-hour contracts, pension fund deficits, minimum wage violations, and high executive pay were provided as examples of how domestic management and corporate governance issues can become defined as responsible businesses issues by the general public. The evolving equality and diversity monitoring landscape presents further examples. In this sense businesses need to be aware of changing social norms and public ethics as part of their risk management process and to seek new opportunities.

[2] https://www.iso.org/obp/ui/#iso:std:iso:26000:ed-1:v1:en
[3] https://www.theguardian.com/women-in-leadership/2015/apr/02/the-rise-of-the-conscious-consumer-why-businesses-need-to-open-up
[4] http://www.globalpovertyproject.com

Employee effects

Within our interviews some respondents highlighted the business case in terms of the potential positive impact on employee outcomes of responsible business practices. In terms of employee benefits, responsible business activity can build meaning into work and help attract, retain and motivate employees. A long-standing people management concern is how to motivate employees to give their best, or have high levels of commitment or 'engagement'[5]. Creating meaningfulness in the workplace through embedding a vision of responsible businesses into the core of business practices is one approach to achieving this and delivering transformational leadership[6]. The internet and social media have further increased the amount of information available to potential recruits regarding what 'type' of employer organisations are in terms of working conditions and how employees are treated[7].

Efficiency and productivity arguments

One key lever for improving the environmental performance of a business is to demonstrate the potential efficiency savings that can be made, rather than solely basing arguments around broader social responsibility. Similar arguments can be made around employment practices. For example, much of the focus of the IG Responsible Business Framework outlined in the first report focuses on workforce development and engagement that may also enhance workforce productivity. Productivity arguments can be made, for example, for a more participatory approach to management that seeks to engage employees[8].

Efficiency and productivity arguments sometimes require a challenging of some of the assumptions of businesses. For example, in our interviews it was felt that some firms may be unnecessarily using contingent employment practices such as zero-hour contracts or temporary contracts, without realising the potential negative implications for attracting and retaining staff, employee turnover, firm specific human capital retention and development, and so employee and organisational performance. In such cases, an evidence-based approach that shares best practice between organisations within industries, for example, could be used to build efficiency and/or productivity arguments for improvements in HR practices that are also aligned with inclusive growth responsible business objectives.

Managing risk

Risk management is another important reason why organisations take social responsibility seriously. The identification and analysis of societal developments is central to Environmental, Social and Governance (ESG) monitoring and the formulation of business strategies that incorporate ESG objectives, as discussed in

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[5] Harter, J. K., Schmidt, F. L., & Hayes, T. L. (2002). Business-unit-level relationship between employee satisfaction, employee engagement, and business outcomes: a meta-analysis. *Journal of Applied Psychology*, *87*(2), 268.
[6] Waldman, D. A., Siegel, D. S., & Javidan, M. (2006). Components of CEO transformational leadership and corporate social responsibility. *Journal of Management Studies*, *43*(8), 1703-1725.
[7] E.g. https://www.glassdoor.co.uk/index.htm
[8] Wood, S. (2010). High involvement management and performance. The Oxford Handbook of Participation in Organizations, 407-26.

the first report in this series[9]. A number of inclusive growth issues link to notions of risk such as supply chain behaviour, the impact of human resource practices on employees, and the broader reputational risks linked to poor stakeholder engagement. Potential risks discussed in our interviews for example include:

- Changing regulatory frameworks, such as those regarding self-employed contractors and the issue of 'false self-employment'; zero hours contracts; pay floors; and/or executive pay ratios.
- Changing social norms regarding what people perceive to constitute responsible and irresponsible business behaviour.
- Increased transparency of monitoring of the internal activities of organisations through social media and communication technology.
- Technological change, artificial intelligence and automation and the social impact on the future of employment.

In addition to changing regulatory context and social norms, technological advancement and automation present new risks surrounding the organisation of work and availability of employment, which may raise social legitimacy issues for some organisations[10]. For example, there are issues surrounding the overall level of availability of employment and social safety nets, how businesses contribute to re-skilling helping develop the human capital pools required for new types of work, and the employment of workers whose jobs are displaced by new technologies and business models.

Practice advocacy

Creating a business case it was felt involves constructing a bespoke narrative, a compelling argument, and a sense of urgency that can facilitate change[11] through engagement with a responsible business agenda. Practice advocacy takes up such arguments and attempts to demonstrate their worth in the workplace. This may involve the use of practical examples and past best practice to demonstrate the value of adopting specific objectives and practices. Practice advocacy can involve seeking engagement through running workshops, networking activities, and company-to-company contact networks.

Such activity can be facilitated by third party organisations. Existing example organisations operating in Greater Manchester include:

- Business in the Community (BITC)[12]
- The Real Living Wage Foundation[13]
- Timewise Foundation[14]

[9] https://www.mui.manchester.ac.uk/igau/research/reports/
[10] Accenture (2016) Brave New World? Why business must ensure an inclusive Digital Revolution http://www.bitc.org.uk/sites/default/files/a_brave_new_world_bitc_accenture_report_november_2016.pdf
[11] Kotter, J. P. (1996). *Leading change*. Boston: Harvard business press.
[12] https://www.bitc.org.uk
[13] https://www.livingwage.org.uk

The use of companies as business ambassadors for example provides a route to sharing best practice used by Business in the Community (BITC). The Timewise Foundation presents a further example model that seeks to increase the take up of flexible working practice and the quality of part-time work (Box 3.1). This approach focuses on evidencing the benefits of change, engaging businesses to help support change, and celebrating the success of organisations that adopt greater flexible working practices. Similar strategies were suggested in our interviews for example to promote good jobs. This for example could be undertaken via employment charters or other watermark accreditation schemes. Such an approach could also be extended towards a broader inclusive growth responsible business agenda. Considerable resources are likely required to enact such levels of engagement nonetheless.

Box. 1.1. Timewise Foundation

The Timewise Foundation runs a variety of services and projects designed to stimulate the part-time and flexible job market to improve the quality of jobs offered with flexible working arrangements. Their business engagement model is built around three principles 1) Evidence 2) Engage 3) Celebrate. The first concerns creating evidence and building specific business cases for the value of greater flexible working arrangements for organisations. The engagement aspect involves providing support and working with businesses in order to help restructure their employment practices to implement greater flexible working. Finally celebrate means using accreditation and publicity through various communications channels to give recognition and positive publicity to organisations that implement greater flexible working.

Voluntarist approaches: Engaging small businesses

A further message from our interviews was that the dominant model of social responsibility monitoring is considered to be primarily tailored towards large publically listed organisations, oriented towards issues of investor oversight. These organisations often have a one-to-one relationship with external ratings bodies regarding screening and engagement activities. This approach it was felt is unlikely to work for small businesses both due to the lack of regulatory or investor related incentives to undertake Environmental, Social and Governance (ESG) reporting on any meaningful scale, and due to resource limitations. In summary, there are a number of problems facing small businesses:

- Non-listed companies do not have 'enlightened shareholders', 'impact investors', or shareholder activist pressure to motivate CSR and social reporting.

[14] https://timewise.co.uk

- Small business may lack resources (including time) and know-how to pursue responsibility objectives. For example, many small businesses lack a formal human resource management function to develop policies and practice.
- A lack of training may mean managers may not have the necessary skills or understanding to implement policies.
- Small businesses may lack the PR and communication power to translate their ethical activity into consumer value.

Such issues raise the question of how responsible business objectives can be promoted through local support networks or business alliances to support small business activity and pool resources collectively (see Box 1.2).

Box 1.2 The need for SME Support

Several interviewees suggested increasing the engagement of SMEs in the responsible business agenda requires the need for greater coordinated support through local services and infrastructure. Many such businesses will lack the internal know how or resources to meaningfully pursue such an agenda and therefore will require external support and facilitation. The pooling and sharing of resources ('alliance partnerships') was suggested as another mechanism through which organisations can increase positive gains from their social responsibility impact.

Although the current agenda appears orientated towards larger organisations that may have greater public exposure, several respondents noted that the responsible business agenda is nonetheless relevant to smaller businesses. For example, despite the lack of communication capabilities, local business activity can be undertaken with the objective of engaging the local community customer base. Some respondents suggested that the employment practices of a local shop could affect the perception of the owners among customers in the local community as could engagement with local schools and education institutions. In a world of large supermarkets and online shopping strong customer engagement was seen as central to the unique value proposition of small retail businesses in their communities.

Voluntarist approaches: Some limitations

Voluntary approaches such as education, communication and practice advocacy are likely to have their limitations. For example, organisations that are reliant on low paid staff that are relatively easy to recruit and train pursuing a cost-leadership strategy to competitive advantage may be less easy to persuade voluntarily to improve their employment practices[15]. The problems with voluntary national code of conducts and 'soft legislation' in delivering their objectives the UK furthermore are well known[16]. In some cases, it will not be possible to promote a business case or win-win situation for specific issues that are a high priority for inclusive growth (e.g. minimum labour

[15] Philpot, J. (2014). Rewarding work for low paid workers. York: Joseph Rowntree Foundation.
[16] Veldman, J., & Willmott, H. (2016). The cultural grammar of governance: The UK Code of Corporate Governance, reflexivity, and the limits of 'soft' regulation. *Human Relations*, *69*(3), 581-603.

standards). A more holistic influencing strategy, therefore, needs to understand how broader external pressures through empowering stakeholder activism, regulatory compliance, and local infrastructure support can help promote such an agenda.

1.3 Empowering broader stakeholders

Broader stakeholders may influence business behaviour. Drawing on the discussion of ESG performance screening in the first report in this series, one point of departure for seeking to influence change is to undertake a stakeholder analysis at the organisational level.[17] The question here concerns what are the specific responsible business issues for a given organisation and who defines these (e.g. managers, employees, broader stakeholders via consultation)? Secondly, there is a need to identify the main stakeholders both inside and outside the organisation in terms of their power to influence change and their likely level of support or resistance to change. The engagement issue therefore becomes how to mobilise and increase the influence of support whilst managing or diminishing resistance across the stakeholder map. Key stakeholders include:

- Investors
- Employees
- Consumers
- Those involved in commissioning and procurement – discussed in supply chain influence below
- Trade unions and employer bodies
- Local community

Enlightening investors

Investors provide a primary source of influence on the management practices of organisations. Recent years for example have seen considerable shareholder activism regarding executive pay and the rise of impact investing[18], where investors seek to influence socially responsible behaviour. Raising inclusive growth objectives within the ethical investment context provides one approach to influence. This, for example, could be undertaken through reforming current ESG Performance frameworks to fill the gaps in monitoring identified in the first report. At the same time, the power of individual investors and people with small shareholdings in a company may be outsized by that of institutional investors. Raising the profile of the issues raised with institutional investors is therefore vital. For example, one respondent noted that a large proportion of people have some indirect involvement in investment through their pension funds, managed by institutional investors, which through consumer pressure could be used to promote ethical investment objectives aligned to an inclusive growth agenda.

[17] John Hayes (2014), The *Theory and Practice of Change Management*, 4th ed, London: Palgrave.
[18] Bugg-Levine, A., & Emerson, J. (2011). Impact investing: Transforming how we make money while making a difference. Innovations: Technology, Governance, Globalization, 6(3), 9-18.

Employee power

Employee power arguably also represents one of the strongest mechanisms for influencing change. A number of interviewees noted that throughout industrialisation in Greater Manchester a large number of improvements in employment conditions that people benefit from today have been brought about through trade unionism and employee activism[19]. In addition to more traditional approaches, the internet provides new ways in which consumer and community awareness of business behaviour can be increased. Websites currently exist for example where people may report salaries. On a similar model, one suggestion was that through a website employees might report on broader employment practices, such as to monitor the behaviour of organisations that are not signed up to an employment charter against its criteria. This can be used to celebrate good businesses as well as identify businesses that require improvement.

Harnessing consumer power

Recent history is full of examples of where, through changing social norms and activism, social responsibility issues have become consumer issues. There are two components that were noted to such activity. Firstly, it is necessary to raise ethical awareness that concerns such as domestic employment and corporate governance issues are ethical consumer issues. Secondly, there is a need for consumers to be provided with clear information regarding the activities of companies in order to make informed decisions. The second point currently provides a considerable constraint. As discussed in the first report in this series, ESG Performance reporting frameworks are orientated towards regulatory compliance and investors rather than consumers. Current reporting frameworks are highly complex, and the level and extent of reporting varies considerably between organisations, providing difficulties when benchmarking organisations on their performance.

Box 1.3 Company reporting: What about the consumers?

Which supermarket takes the most profit based on its revenue? Which invests the most in the training and development of its workforce? The communication of financial reporting such as through business news focuses on overall profit and loss and rarely facilitates a comprehensive consideration of social responsibility issues relevant to broader stakeholders than investors.

In terms of improving information on business activity, the idea of employment charters[20] provides one opportunity for a simplified approach[21] although currently

[19] Hunt, E. H. (1981). *British labour history, 1815-1914*. Humanities Press Intl. https://www.tuc.org.uk/tuc150-building-our-movement-next-150-years Howell, C. (2005). Trade unions and the state: The construction of industrial relations institutions in Britain, 1890-2000. Princeton University Press.

[20] Hughes, C. et. al. (2017). Good jobs in Greater Manchester: The role of employment charters. Inclusive Growth Analysis Unit Briefing Paper. http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Briefing-2-Employment-Charters.pdf

[21] http://www.visitsalford.info/locate/the-salford-standard.htm

such perspectives concern more with minimum standards rather than the entire human resource management system of organisations and the broader responsible business issues we discuss in the first report[22]. Different areas also have different charters. One suggestion was that a confederation of employment charters across locations whether nationally or internationally could pool resources and help raise the profile of such an approach. One problem with charters is that it may be difficult to achieve broad consensus on more contentious issues, such as minimum employment standards, leading to either a dilution of content or a lack of take-up. A more bespoke approach may consequently be required in addition to a charter to engage with a broader range of responsible business objectives and facilitate more specific engagement among companies that cannot meet the full criteria of a charter. A charter in itself is also not likely to bring about substantial meaningful change unless a broader social movement and coalition is built to politically drive its implementation. In this context raising the profile with consumers and other stakeholders is likely to be paramount to success, meaning many of the issues raised in this report regarding promoting responsible business behaviour are also relevant to employment charters.

Supply chain influence

The supply chains of larger business or public 'anchor institutions'[23] also provide a mechanism that was noted for identifying and engaging organisations, including SMEs. Currently public sector organisations under the Social Value Act 2012 seek to promote socially responsible behaviours among their contractors through the procurement process. This model can also occur in the private sector where large businesses promote responsible behaviour through their supply chains, facilitating the sharing of best practices between organisations.

[22] http://www.tfgm.com/Corporate/Documents/Miscellaneous/Responsible-Procurement-Charter-RPC.pdf
[23] https://cles.org.uk/tag/anchor-institutions/

Box 1.4 Social value: The Example of Trafford Housing

Trafford Housing promotes objectives implicitly related to inclusive growth through the ‘five themes’ of their social value procurement process. These link to promoting local employment and thriving local business, raising the living standards of residents through fair pay, building capacity in the voluntary and community sector, promoting equality and fairness (e.g. reducing poverty and health inequalities) and promoting environmental sustainability. The social value framework applies to larger contracts and considers what companies currently do and what they could do in the future. Although best economic value remains the overarching evaluation criteria of the tendering process, the Trust takes the delivery of social value commitments into consideration when reviewing contract performance.

One issue that arises from this process concerns whether contractors give equal treatment to the different criteria. For example, an organisation may seek to meet social value criteria by creating local employment whilst failing to meet other criteria, such as if the employment created is low-paid and precarious.

Utilising the voluntary sector

The local voluntary sector has deep links and knowledge and experience of Greater Manchester. Several interviewees suggested that forging greater relationships between the voluntary sector and businesses can provide a two way process to achieve responsible business objectives. Whereas the voluntary sector can provide local intelligence and deep insight into social issues in the locality, businesses can offer support such as in terms of services, fundraising or sponsorship. The Greater Manchester Centre for Voluntary Organisation[24] (GMCVO) is a voluntary sector support organisation covering Greater Manchester that can help facilitate such activity.

1.4 Regulatory compliance

Much of the discussion so far of a voluntary approach assumes that a business case and win-win solution can be found that is agreeable to different stakeholders, or that stakeholder pressure can influence change. Although many arguments for responsible business may provide such opportunities, in many cases it was recognised that there may be costs incurred in pursuing responsible business objectives or conflicts between the interests of different stakeholders (e.g. employers

[24] https://www.gmcvo.org.uk

and employees). Consequently, there may be considerable resistance to such an agenda, particularly where a clear link to the bottom line of financial performance cannot be clearly articulated.

In such cases regulatory change rather than voluntarism may be required to bring about behavioural change. Regulatory areas affecting inclusive growth objectives include:

- Taxation and redistribution
- Minimum income standards
- Corporate governance regulation
- Employee representation legislation
- Statutory requirements for workforce training and development

In some cases policy will need to consider the potential trade-offs between economic growth and social responsibility objectives in that such policy objectives are unlikely to be always mutually aligned. In this sense, it was felt by some interviewees that the overarching strategic concern for economic growth and direct investment at the local government level may conflict with the desire to create an inclusive economy that risks narrowly defined policy discourse on the topic.

Beyond legal compliance, the voluntary nature of much of the CSR agenda highlights the limitations with CSR as a mechanism for delivering change. Indeed part of the reason the UK is a leading country in terms of having developed CSR frameworks in the first place arguably reflects the lack of stronger regulation around social impacts and sometimes efforts to pre-empt and circumvent firmer hard legislation through self-regulation[25].

In terms of the current regulatory context of responsible business, the 2006 Companies Act gives directors a responsibility to create successful businesses for shareholders whilst having regard to a range of other stakeholder interests. This approach, known as “enlightened shareholder value”, is set out in section 172 of the Companies Act 2006, nonetheless largely considers wider stakeholder interest as relevant where material to shareholder value[26]. All companies, other than companies qualifying as “small” are required by the act to provide a strategic report on performance regarding Section 172. Potential stakeholders that companies may identify as outlined in the Act relate to:

- The likely consequences of any decision in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others, the impact of the company's operations on the community and the environment

[25] Kinderman, D. (2012). ‘Free us up so we can be responsible!’ The co-evolution of corporate social responsibility and neo-liberalism in the UK, 1977–2010. *Socio-Economic Review*, *10*(1), 29-57.
[26]See Davis, (2016) https://www.law.ox.ac.uk/business-law-blog/blog/2016/12/department-business-energy-and-industrial-strategy-corporate

- The desirability of the company maintaining a reputation for high standards of business conduct
- The need to act fairly as between members of the company[27].

However, the Act is not prescriptive and provides a high degree of flexibility regarding how companies should meet these requirements. There is consequently a high degree of discretion in terms of which stakeholder issues are identified as a material concern and how these are addressed. From January 2016 the Accounting and Non-Financial Reporting Regulations (2016) implemented a more extensive range of non-financial reporting requirements. This act transposes the EU Non-Financial Reporting Directive into UK law which requires larger businesses with more than 500 employees who are seen as ‘public interest entities’ to disclose non-financial information alongside their accounts. This also applies to parent companies of large groups where the number of employees exceeds this threshold. It is estimated that around 260 companies and 15,000 subsidiaries of public interest companies are affected by these regulations[28]. Although similar to reporting requirements that are already developed for listed companies in the UK the Act extends to non-listed public interest entities as well. The extent to which this Act in practice will increase or improve non-financial reporting is yet to be fully evaluated. The focus of the Act furthermore is very much on providing information on the ethical behaviour of companies to investors premised around the notion of the requirements of the ‘enlightened shareholder’ rather than other stakeholders such as local communities or consumers, although the latter may be implicit to the former.

1.5 Harnessing local business support infrastructure

As can be seen from the preceding discussion the current dominant approach to corporate social responsibility focuses on larger public organisation. Engaging more SMEs and non-listed companies however was felt to require a local spatially-based approach where the activity of different actors involved in supporting business in a given locality are identified and efforts are made to influence and support businesses to incorporate inclusive growth responsible business objectives in their activities. There is also a broader convening role required to create a vision and provide civic leadership. This for example could be undertaken through local support structures or Local Enterprise Partnership (LEP) level coordination. In Chapter 2 we consider the business support infrastructure in Greater Manchester in greater detail and how such an agenda could be implemented.

1.6 Summary & conclusions

This section of the report considered the potential business cases that can be constructed for responsible business practice linked to inclusive growth objectives. It

[27] http://www.legislation.gov.uk/ukpga/2006/46/section/172
[28] https://hansard.parliament.uk/lords/2016-12-12/debates/988DD212-2CB6-46D0-BB82-B9BD944C0F0B/CompaniesPartnershipsAndGroups(AccountsAndNon-FinancialReporting)Regulations2016

further examined the types of influencing strategies that may be used to mainstream inclusive growth issues into responsible business and corporate governance debates both locally and nationally.

In terms of voluntarist approaches a variety of approaches to change management were considered. One message that is clear from our brief consultation is that engaging businesses on responsible business issues is likely to require going much further than just communicating messages, towards a more involved engagement model. This may involve consultation on developing bespoke strategies for organisations, practice advocacy, and facilitation and support for implementation. Communication strategies are further required to celebrate and reward positive behaviour.

Engagement arguments need to be made and evidenced within the language of business, particularly regarding improved risk management, efficiency and effectiveness, customer market opportunities, and/ or strategic advantage through investing in people. It is unclear if the term ‘inclusive growth’ in itself will carry traction with businesses. Inclusive growth objectives may therefore need to be approached implicitly to broader discussions or repackaged in ways that communicate directly to business interests. It is also necessary to guard against a blanket approach. The risks and opportunities of fuller engagement with a responsible business agenda will likely vary considerably, raising the possibility that some messages will misfire or be seen as irrelevant. In terms of influencing change, a starting point is to understand the specific circumstances of a given organisation and then ask the question of how a given organisation might benefit from fuller engagement with ESG issues, and what the business would want to gain.

In many cases it is recognised that voluntary approaches will be ineffective. Potential alternative levers here include regulation, procurement practices, and consumer and investor activism. Raising the profile of inclusive growth issues among the public, investors, and labour market candidates is required here. Raising awareness of inclusive growth and improving the information available to the general public and investors regarding responsible business practices provides a mechanism to help people make informed decisions on the organisations they engage with. A considerable engagement, communications and lobbying strategy would likely be required however to mainstream inclusive growth issues within corporate and public notions of social responsibility. To meet the objectives of an inclusive growth agenda, there is a need for non-financial reporting requirements and widely used ESG performance reporting frameworks to be tailored more at least in terms of outputs towards the needs of broader stakeholders such as employees and customers beyond a primary focus on ‘enlightened investors’.

2. Harnessing local infrastructure: The example of Greater Manchester

2.1 Introduction

How might the local support infrastructure and regulatory space of organisations be used to increase levels of engagement and to raise the capabilities of organisations to engage with a responsible business agenda? One way this might be achieved is if different support actors in the locality made promoting inclusive growth practices central to what they do.

In addition to customers, employees, and supply chains, businesses are influenced by a number of different national, regional and local bodies, whether this is through their voluntary or mandatory engagement. These organisations form what we refer to loosely in the report as the business support service infrastructure or ‘regulatory space’. Regulation here does not just refer to ‘hard regulation’ through laws but any external factors that shape business behaviour. For example, a trade body or watermark charter may have a ‘soft’ regulatory effect on behaviour.

Taking the example of Greater Manchester, we first seek to map out examples of existing business support infrastructure that already fulfils the promotion of inclusive growth responsible business objectives. Based on the consultation exercise undertaken we then go on to consider how this infrastructure can be better utilised or shaped to promote an inclusive growth responsible business agenda in Greater Manchester. The findings for one highlight the need for a unified convening role to be played to coordinate responsible business activity around the inclusive growth agenda, and to help provide a bespoke approach tailored to specific needs and priorities that likely vary between organisations. The Growth Hub for one is ideally situated to take up this role such as under its new Productivity and Inclusive Growth programme.

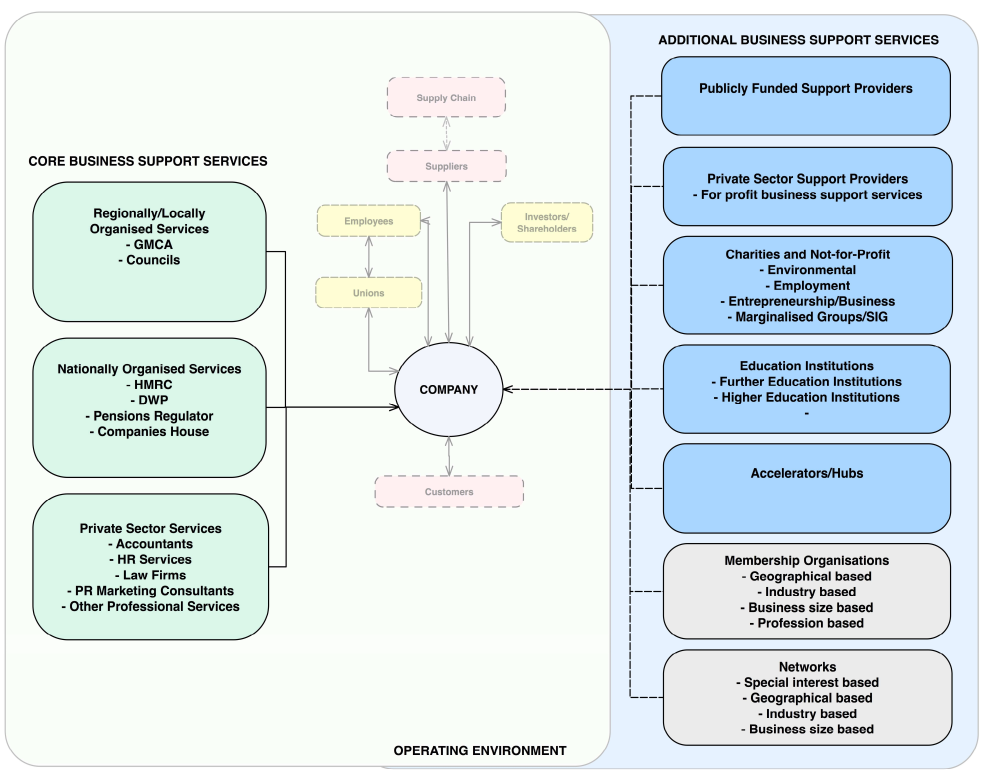
2.2 Business support infrastructure in Greater Manchester: An overview

Figure 2.1 provides an illustrative map of the current infrastructure of business support services in Greater Manchester. Although this is not necessarily exhaustive, it serves to demonstrate the varying types of agencies and support services as well as the regulatory environment that businesses interact with. It is also recognised that the support and ‘regulatory space’ of organisations varies markedly between companies and industries. This overview differentiates between the bodies companies typically interact with as a result of standard day-to-day operations and those that they seek assistance from regarding specific issues or on a more ad-hoc or informal basis.

"Core" business support services include bodies with which a company is required to engage in order to meet statutory operating requirements. On a national level these include government departments such as HMRC, DWP, The Pensions Regulator and Companies House. Companies operating across Greater Manchester are also required to interact with their local council with respect to planning, licensing and business rates for example. Additionally, organisations seek operational advice and assistance from private providers including HR companies, accountants, lawyers, marketing firms and so forth.

Companies also seek support and assistance in developing and pursuing longer-term strategic objectives. For example, support for improving environmental sustainability, developing their workforce, or accessing new markets. Specific business advice relating to these issues is delivered through direct contact with a range of business support providers, or through membership of a specific organisation or network – as illustrated below.

FIGURE 2.1 Example of current business support infrastructure services in Greater Manchester



NB. This is for illustrative purposes only and is not intended as an exhaustive list of the business support organisations available.

Specific business advice relating to business development and business practices is gained from a wide range of bodies; however they can be broadly categorised into the following types:

- Publicly funded support providers
- Private sector support providers
- Charities and not-for-profit organisations; particularly those focused on employment; environmental matters; developing entrepreneurship or encouraging business growth; and those centred around particular marginalised groups or areas.
- Universities and colleges
- Other Accelerators and Hubs

The types of business support provided by these bodies includes:

- **General support** in the form of signposting services in which information is provided on a one-to-one basis to a company around their stated needs. A range of more specialised information and support is available to companies in the form of practical toolkits, pamphlets, reports etc. A wide variety of topics may be covered including greening business; equality and diversity practices; pay and progression planning etc.
- **Accreditation systems.** A vast array of accreditation schemes are available, linked to a wide range of topics which are relevant to the inclusive growth responsible business agenda in some way. These include the Living Wage Foundation accreditation scheme, supported by Greater Manchester Living Wage Campaign and Greater Manchester Poverty Action Group, and the Timewise councils scheme.
  Practice advocacy such as the work undertaken by the Timewise Foundation on flexible working or engagement work undertaken by the Real Living Wage Foundation.

These types of support are delivered by national government bodies, Local Enterprise Partnerships (LEPs), regional and local government support, membership organisations, other types of business network, charities and non-profit organisations, universities and colleges, and other private sector business support services. Companies also often seek information from their networks, whether these are formal or informal. Again, these are typically arranged with a varying specific focus rather than an integrated view of the types of issues we raise in relation to the inclusive growth agenda.

National Government Support

In terms of national level support, the GREATbusiness.gov.uk website has been redesigned as a single portal for business seeking support from government, whilst the government Business Support Helpline offers advice and guidance for new and existing businesses. It has information on national and local schemes as well as grants and loans to help businesses start and grow. A team of specialist advisors can provide a more in-depth, personalised service for complex business issues. Governmental organisations also refer enquiries to the network of local growth hubs for additional business support services (discussed below).

Other publicly funded support providers are available to help companies proactively seeking information around specific issues. For example, ACAS provides information, advice, training, conciliation and other services for employers and employees to help prevent or resolve workplace problems. The Equality and Human Rights Commission offers free employer toolkits, research reports and briefing reports on employment issues such as equality and diversity, equal pay, fair procurement, human rights and discrimination processes.

Regional/ Local Government Support

On a regional level, the GMCA sets the overarching strategy direction for Greater Manchester and funds and shapes many business support activities. The 2017 Greater Manchester Strategy covers many objectives linked to inclusive growth and responsible business such as Priority 3 ('Good jobs, with opportunities for people to progress and develop'). The extent to which this agenda will engage business behaviour in the ways discussed, particularly in the first report, however is subject to implementation of this strategy. The Greater Manchester Local Enterprise Partnership (LEP) is also involved in the provision of business services such as through the GM Investment Fund that encourages business growth and job creation in the region.

There is a range of business support services offered across the ten borough councils in Greater Manchester and some local councils are developing their own inclusive growth strategies. In terms of business support, some, such as Salford have an in-house support team that provide direct assistance and tailored support, and some provide their own funding sources and support programmes. Bolton Council for example offer a Start & Grow programme for business, in which Virgin Start-up funding is delivered by Bolton Business Ventures Ltd[29] to eligible small businesses in the local area.

In terms of an accelerator hub, The Growth Company in Greater Manchester forms the primary focal point and a major source of business support in the city-region. The Growth Company (formerly known as the Manchester Growth Company) is a not-for-profit umbrella organisation that offers a variety of support services through its

[29] Part of the Virgin Startup Programme.

associated companies. They represent the primary referral point made by the various Greater Manchester local authorities when local companies seek business support services. Referrals are also made from the Government business support page[30] and other signposting services. The Growth Company has already made considerable progress in promoting an inclusive growth agenda through providing training to its core staff on awareness of inclusive growth issues. Within our interviews, one suggestion was that there is the potential for this approach to be developed and used as a model promoted by The Growth Company for other organisations through their support activities and engagement with organisations in the city region.

Although the Business Growth Hub forms the central point for support services, it coordinates with other integrated companies to offer topic specific information and help, including:

- Aspire Recruitment: a not-for-profit, ethical recruitment agency
- The Work Company: helps people who are out of work gain sustainable employment, working with local employers to meet their recruitment needs
- The Manufacturing Institute: an independent charity focused on supporting and improving the manufacturing sector through training, education and consultancy.
- IDG: Organisational development specialists provide advice on improving systems, developing people and growing business. Also an Investors in People licensed delivery partner.
- Green Growth: help businesses improve their environmental efficiency and sustainability through offering onsite diagnostics, workshops and information.

Membership organisations

Membership organisations provide access to a wide range of support and signposting to other providers. These can be organised around a specific location. For example, the Greater Manchester Chamber of Commerce accepts members from a wide range of industries that are located within the Greater Manchester area. Employer groups and representative bodies are also typically organised on a sector or industry basis, such as the Tech Partnership. The Federation of Small Businesses represents the interest of companies of a certain size, whilst other membership organisations seek to connect people from different companies that undertake similar professions – such as the Institute of Corporate Responsibility and Sustainability.

Some organisations exist to co-ordinate their members and provide a representative voice in terms of lobbying and policy development. These organisations include trade associations, the Chamber of Commerce, the Federation of Small Businesses, and trade unions. These organisations supply advice, help and education on a range of topics that affect their members, carry out research, provide networking opportunities

[30] https://www.gov.uk/business-support-helpline

and are involved in relevant policy development activities. As such they are valuable mechanisms for the promotion of good practice.

Trade unions and employer organisations play an important role in promoting employment standards and working conditions in Greater Manchester. UNISON for example employs 28 full-time organisers in the North West to promote its 'Ethical Care Charter' which promotes employment condition improvements and the Real Living Wage[31]. The Greater Manchester Chamber of Commerce (GMCC) provides membership to either the whole chamber or on a sector basis, and with that companies gain access to networking events, training courses, regional support services, and advice regarding marketing and PR, recruitment, international trade amongst other areas. The vast majority of members voted to back chamber support for the Real Living Wage[32]. They contribute to encouraging responsible business practices through participation in policy development around inclusive growth, which is then communicated to members, and by offering training courses such as Building, Enhancing and Maximise Stakeholder Relationships and Recruiting Safely and Fairly. Similarly, the Federation of Small Businesses seeks to provide business services to their members; including business advice, financial expertise, support and a voice in government. They provide resources around responsible recruitment and employment. They also provide links to BITC and run networking workshops on issues around business responsibility at a local level.

Business Support networks

Alongside formal organisations there are a number of networks that provide companies with advice and support. Nationally 'Be the Business' provides support on issues such as raising productivity. Other organisations such as the Chartered Institute of Personnel Development provide a range of business services linked to HR development issues.

In the city region, business support networks fall into four general categories. The first are groups that are geographically focused, such as the South Manchester Business Association, or the regional groups of The Business Network Manchester (e.g. Manchester, South Manchester, Bolton and Bury). These offer support and the opportunity to network with local groups of businesses with a view to creating greater local cohesion. The second type of network is industry or market based. These include those networks that are specific to a certain sector; such as GMCVO for the third sector, the Tech Trust Network for Manchester Technology sector and the Built Environment network for the property, construction and building sector.

Networks are also created around special interests and these may also offer advice and information to companies. For example, around personal identity or issues facing different members of the business community; such as the Manchester BME network, the Gay Business Association, the LGBT Consortium, Manchester

[31] http://www.research.mbs.ac.uk/ewerc/Portals/0/Documents/just-work-report-2.pdf
[32] https://www.gmchamber.co.uk/media/28641/gmcc-the-living-wage-stating-the-case.pdf

Equalities Hub, GM Youth Networks and Manchester Disabled Peoples Access Group, to name but a few. Lastly, companies can become involved in Corporate Social Responsibility networks. These offer advice and the opportunity for best practice sharing across companies in terms of CSR objectives specifically. All of these networks offer the opportunity to share information, exchange advice and current practice with other people, organisations and support services. Other networks include the Greater Manchester Social Value Network (GMSVN) that seeks to promote the social value agenda in the city-region[33].

Charities and not-for-profit organisations

A wide range of business advice around responsible business related topics are provided by charities and not-for-profit organisations. Topics include employment; environmental matters; developing entrepreneurship and encouraging business growth. In terms of help and advice regarding recruitment and employment practice, there are numerous organisations that advise companies about recruiting and managing people from marginalised groups. Providing consultancy and training for employment practices, the Timewise Foundation is a community interest company which runs a national campaign Hire Me My Way, which aims to create a bigger and better jobs market for quality part-time and flexible roles. Working Chances, Working Links, Remploy and Back on Track are all organisations that work to improve employment chances for different marginalised groups. Environmental responsibility is served by a number of different bodies. The Green Growth part of The Growth Company contributes to this in terms of environmental sustainability objectives. Groundwork's MTTT sustainable business services support companies with training and information relating to Environmental Compliance & Resilience; Health, Safety and Quality; Corporate Social Responsibility and Landscape Services.

There are also some dedicated services dealing with the responsible business agenda specifically. The most notable of which is Business in the Community (BITC). This seeks to establish the wider agenda for corporate responsibility. It helps members identify what opportunities they have to create competitive advantage and long-term shared value through being a responsible business. They have a number of resources, advice and training to support the uptake of responsible business practices. These include benchmarking frameworks which are designed to help companies measure progress, and report on their performance; facilitated workshops, webinars and toolkits; and expert advice on topics such as equality and diversity. Give2Gain seeks to make connections between companies and social enterprises, charities and community groups in order to facilitate greater community investment. Meanwhile GMCVO supports the third sector in Greater Manchester, achieving aims that are aligned to the responsible business agenda; for example compiling a database of Social Enterprises in order to promote their use by tendering companies, or leading the Talent Match partnership to help disadvantaged people seeking employment.

[33] https://gmsvn.org.uk

Educational institutions

All of the major Universities in the Greater Manchester area provide services that are open to businesses. This includes providing subject experts, research, knowledge exchange, consultancy services, commercialisation assistance, and recruitment and professional development help. In addition, Manchester Metropolitan University offers localised programmes, such as the Cheshire and Warrington Business Growth Programme which is a fully funded programme supporting pre-start-up and SME-size businesses that are registered in the Cheshire and Warrington area. They provide mentoring with growth coaches, professional development and training designed to assist companies to grow more quickly. Similarly, the Smart Cheshire Innovation Programme is fully funded and has a local focus. Designed to help with the development of a new product or process or to embed innovation into the workplace.

Other business support providers

Some business support services are offered by private companies. The Banana Enterprise Network for example is a social enterprise offering pre-self employment support[34]. People Plus is a for-profit welfare-to-work company providing employment support and training. This includes apprenticeship support, education for ex-offenders and self-employment assistance. They operate on behalf of the Department for Work and Pensions, the Skills Funding Agency and the European Social Fund to deliver the New Enterprise Allowance (NEA) scheme, a thirteen-week start up programme for people on work-related benefits.

As a member of The Manchester Growth Company, Improving Systems, Developing People, Growing Business (IDG) are workplace and employee engagement consultants and provide specific advice, support and guidance on a range of internationally recognised management systems and quality standards. They are also the licensed delivery partner for Investors in People in the North of England. Additionally, regional incubators and growth hubs, such as Innospace, Dotforge and MiVentures, also supplement their resource provision with access to tailored business advice, signposting and mentoring.

2.3 Further integrating responsible business practices into support infrastructure

Although a range of organisations operating in Greater Manchester already support inclusive growth and responsible business objectives, whether implicitly or explicitly, within our interviews some limitations were highlighted regarding the ability for companies of different types to utilise available support:

[34] http://hummedia.manchester.ac.uk/institutes/mui/igau/IGAU-Consultation-Report.pdf

- Support remains in silos rather than integrated; meaning that different organisations focus on specific issues rather than a more holistic conception of inclusive growth.
- There is a significant onus on companies to seek out this information proactively. Companies have to be consciously focusing on a specific topic before they look for support. This selectivity means that businesses may not necessarily be engaging with the broad range of inclusive growth-related issues. For example, an organisation seeking support on social value contracting will not necessarily receive support in tandem on other issues such as workforce development.
- The breadth of topics means that it is fairly time and resource intensive to address each of the support areas that contribute to responsible business.
- A large proportion of practical training is restricted to paid-for activities or membership bodies, presenting cost barriers to smaller businesses in particular.
- Many services are geographically centred in Manchester city centre rather than in the surrounding municipalities. Some of our interviewees suggested this could restrict take up and highlighted the potential need for further outreach activity.

While many large organisations can capitalise on their greater resources, often with dedicated departments focusing on HR, marketing and branding, sustainability and equality and diversity, small to medium-sized businesses are not similarly endowed. They may lack resources, networks and often knowledge about these concerns. As much of the support is in silos, businesses have to be proactive, limiting engagement for some companies. Some more integrated business support provision does operate in the locality nonetheless. The Growth Company for example is an umbrella organisation offering a variety of different support services in a more integrated manner. This provides a potential model through which a more cohesive approach to the responsible business agenda can be promoted in Greater Manchester. As noted the Growth Company has already made some movement towards adopting an inclusive growth agenda through training core staff members on inclusive growth issues.

Local push strategies: Social value and employment charters

Beyond simple information provision, it was noted by several respondents that some anchor institutions have implemented "push" strategies for increasing behaviours associated with the inclusive growth and responsible business agenda in relation to the 2012 Social Value Act. GMCA (and the local councils in adherence with) has played an important role in promoting responsible business through the introduction of a Social Value weighting in the procurement process. Employment charters provide a further strategy. In terms of social value, the requirement for companies tendering for contracts to include a social value statement has increased awareness of responsible business objectives and encouraged businesses to act to improve their adherence to them. This self-assessment is done according to a template and designed to be supported with testimonials and evidence where practicable. However, external auditing of these assessments is limited so it is not clear how honest these appraisals are. Furthermore, this standardised procedure means that there is no requirement to demonstrate improvement over time, suggesting limitations in its effectiveness to promote a process of continual improvement. Employer charters represent a further form of push strategy.

The Mayor and Combined Authority through the development of an employment charter could provide a platform to increasing engagement with many of the issues raised. At the same time there is a need develop a broader agenda of business engagement to think more about how 'responsible business' can produce more inclusive growth, as more broadly conceived. Specific local authorities operate Employment Charters such as Salford Council although there has been limited take up. Local employment charters often engage a relatively small numbers of employers and some have struggled to maintain momentum beyond an initial launch event.[35] This partly may reflect entry barriers through the length of the procedures to gain accreditation. Organisations that are already performing well are more likely to sign up to such initiatives whereas those with the worse practices are not. Employment charters typically focus on minimum employment standards. Although such standards represent part of the IG Responsible Business Framework discussed in the first report, the concept of responsible business extends beyond such issues to consider broader issues such as company strategy, corporate governance, risk management, and wider HR models.

[35] Hughes, C. et. al. (2017). Good jobs in Greater Manchester: The role of employment charters. Inclusive Growth Analysis Unit Briefing Paper. http://hummedia.manchester.ac.uk/institutes/mui/igau/briefings/IGAU-Briefing-2-Employment-Charters.pdf

3. Recommendations for Greater Manchester

Based on the research conducted for this report, a number of recommendations emerged. These are:

- Current work towards the development of a Greater Manchester employment charter may help to provide some coverage of the issues raised in these reports. At the same time, given the discussed limitations of employment charters, and broader scope of responsible business, there is a need to go beyond basic employment standards towards a broader conception of responsible business, such as outlined in Report 1, and provide a more flexible process of engagement in tandem to a charter.
- There is a need for a unified framework on responsible business and inclusive growth to guide policy in this area. This will provide the basis for a more integrated approach to the issues raised.
- There is also a requirement in this respect for a convening body to coordinate business engagement with the inclusive growth agenda. The Growth Company as a central point of business support is well positioned to take up such a role. They could use the opportunity of their new Productivity and Inclusive Growth programme to bring greater coordination and strategic planning to business support services for inclusive growth.
- The Mayor, Combined Authority, and LEP working together for example could adopt a responsible business framework to help guide business support services and investments, working with the framework proposed here (Report 1) but involving a wider consultation with stakeholders.
- The business case for inclusive growth can be increased through combining services with other business support, horse-trading or providing financial or other incentives to engagement.
- There are potential benefits of improved social accountability requirements and training in the locality.

In the following sections we discuss these recommendations in further detail.

The need for a unified framework

To define clear policy objectives, a unified framework outlining the remit and scope of the responsible business agenda from an inclusive growth perspective is required. This should represent a clear, consistent and flexible framework – with simplified, non-corporate language and explicit aims and objectives. The first report in this series, for example, seeks to develop thinking around such a framework. Many businesses will not be able to achieve the entire list of objectives, but may begin a journey by first addressing identified priorities and issues. This therefore requires some flexibility.

From the interviews it was obvious that the meanings of inclusive growth and responsible business were often ambiguous. Definitions of related concepts such as social value were also considered by some respondents to differ widely and could benefit from systematic integration across organisations pursuing this agenda. Businesses are sometimes unsure of what it means to be responsible, and what their priorities should be. This limits the ability for companies to see the benefits of pursuing responsible objectives. Many small companies also currently carry out activities that would be considered a "responsible business practice" but did not view them as such. In one example provided, the manager of a small retail company specifically sought to recruit local single parents as they had also been a lone parent and understood some of the challenges faced but had not identified this as an ESG performance responsible business practice. If similar or other responsible business behaviour is to be encouraged then the first step is to provide the tools for companies to acknowledge them, and translate them into customer value. Logically, a first step in the process is to define what responsible business behaviour actually is from an inclusive growth perspective.

Given the different resources and capabilities of businesses, such a framework would likely need to be implemented flexibly. For example, it may be unrealistic or discouraging for businesses to achieve all of the criteria. Instead the convening body should use such a framework to identify priorities with the aim of promoting engagement with broader issues as overall levels of business engagement increase. In terms of the prioritisation of issues, the question arises therefore whether a core set of practices should be identified and applied to all organisations combined with a more modular approach to select other options, or whether screening and engagement should be more fully tailored to specific organisational priorities and capabilities.

The need for a convening body

The findings presented in this report suggest that the promotion of an inclusive growth responsible business agenda will likely require considerable engagement activities with businesses in order to develop bespoke solutions that take into account their specific issues, priorities, and capabilities. Some evidence of activity that supports a responsible business agenda from an inclusive growth perspective can be seen across the activities of different organisations involved in the business support structure of Greater Manchester. But what is clear from our interviews is that further integration is needed, and organisations may benefit from support in developing a specific, actionable strategy, as well as in navigating the wide range of array of topics and services on offer.

One approach to this would be for a stakeholder in the current support infrastructure to take a convening role that coordinates inclusive growth business activity in Greater Manchester. The Growth Hub for example is well positioned for this role, such as through its new Productivity and Inclusive Growth Programme. The aim of this programme is to create a single coherent business support system for Greater Manchester to deliver sustainable and inclusive growth for the GM economy. Given this programme is new, the manner in which the policy objective of inclusive growth is defined and enacted has to our knowledge yet to be established. A further suggestion was that there is potential for integration of inclusive growth issues in the broader activities of the GM Local Enterprise Partnership.

One-stop business services currently exist through the activities of The Growth Company and Business Growth Hub. At the same time, there is currently no coordinating body that assimilates all of the relevant information and support offerings that businesses can utilise to support making changes to become more responsible. This creates a lack of clarity as to where companies can go to find information and relies on them taking steps to seek it out, with the attendant problems of a self-directed approach discussed in the preceding section. From the interviews, a number of potential roles for such a body could undertake were identified:

- Ownership and Monitoring role. The convening body could take on responsibility for promotion of the responsible business agenda within Greater Manchester, and would adopt appropriate targets for achieving this. In their monitoring role, they would be better placed to identify dimensions of the responsible business agenda that are not being considered. They would also better understand what sectors, locations and business types may not be engaging- highlighting areas for improvement.
- Providing a one-stop shop on responsible business. This could involve signposting to information and services. The convening body would be able to simplify the language and translate/collate information into a simplified, accessible and consistent form. This also enables the embedding of the inclusive growth agenda in services offered by the broader business support infrastructure. They may also be able to facilitate a practice advocacy model through consultancy engagement with businesses providing tailor-made solutions that deal with the realities and priorities of specific companies.
- Coordinator of responsible business activity in the locality. A convening body would also be able to link support providers and membership organisations to businesses. They could also identify a set of recommended accreditation schemes and coordinate a communications message targeting businesses as well as for celebrating positive behaviour.
- Provide or coordinate training and development on issues such as inclusive growth and social responsibility.

Different businesses will vary markedly in their capacity to engage with an inclusive growth and responsible business agenda. The value of a convening body is that it can help tailor services to the specific needs and priorities of businesses whilst encouraging organisations to go the extra mile and engage with agendas which they may have previously not considered.

A further issue raised in our interviews is that there is a large number of accreditation schemes available to companies seeking to demonstrate their commitment to various aspects of the responsible business agenda. Indeed over 400 award schemes operate in the UK in the environmental and sustainable development area alone. Due to the volume and variety of schemes, the usefulness of accreditation is limited. One suggestion was that a convening body could help outline a set of preferred accreditations/awards for the Greater Manchester region (perhaps on an industry basis). This for example could engage with the promotion and monitoring of an employment charter.

Furthermore, companies may struggle to understand the value of pursuing more challenging accreditation if customers do not use them to differentiate companies. It was felt in our interviews that firms may choose to accredit with schemes offering criteria that they already meet or can meet with little effort – rather than engaging in schemes that would encourage them to reassess their business practices and make more substantial changes. A culture of "box ticking", and a lack of ambition in developing further responsible business practices may result. Therefore this report suggests that there is scope for GMCA, in consultation with relevant charities and business support organisations, to propose a list of preferred accreditations that best support the inclusive growth strategies and commit to the promotion of these to consumers and other companies.

A further issue raised is that business support services need to be tailored to the specific business life cycle point of organisations. For example, this may include creating a specific toolkit for pre-start-ups and start-ups with responsible business information and guidance that builds awareness of the issues and the establishment of best practice from the outset. Early provision of information and support to pre-start-ups and start-ups in the region could set new baseline expectations of company obligations and expectations. Embedding responsible business priorities and practices from inception allows for them to be more deeply integrated into longer-term strategic plans, and shifts emphasis to the risk mitigation aspect of uptake. This could be facilitated through working with educational institutions and incubators/hubs that have on-going contact with start-up businesses. The co-ordinating body could also proactively target new businesses and offer networking opportunities, information or training through which best practice from current businesses regarding responsible business could be shared.

A final role discussed for a convening body was in developing networks and alliances. Such a body could provide facilitated and incentivised networking around responsible business to build relationships, particularly within sectors. This may help create forums for best practice and information sharing. Such issues may be particularly pertinent for small businesses. For example, through forming alliance partnerships with other organisations this may have benefits in terms of sharing training and labour markets.

Combining services

An advantage suggested of having a convening body is that services that support inclusive growth and responsible business objectives can be combined with other business services to increase their attractiveness. This can be used to generate bespoke packages or sequences of services that include activities aligned to inclusive growth objectives. The advice and information available are held in multiple locations by multiple bodies, and companies are required to seek them out as and when they need/want to. If businesses are to be encouraged to make these changes, then it may be more useful to package up support with other services or to train business advisors to facilitate sequentially delivered services in a bespoke and timely way. This can be carried out by forging links between the various business support services themselves – in which companies seeking assistance relating to environmental sustainability are also offered information about organisations who can assist with employment relations, for example.

One issue raised here however is whether businesses would welcome additional support beyond issues upon which they sought engagement. This could present a disincentive and increase the cost of client acquisition for business support services. It may therefore be necessary to combine such an approach with some forms of incentives for businesses who engage with broader IG issues beyond their main topic of enquiry.

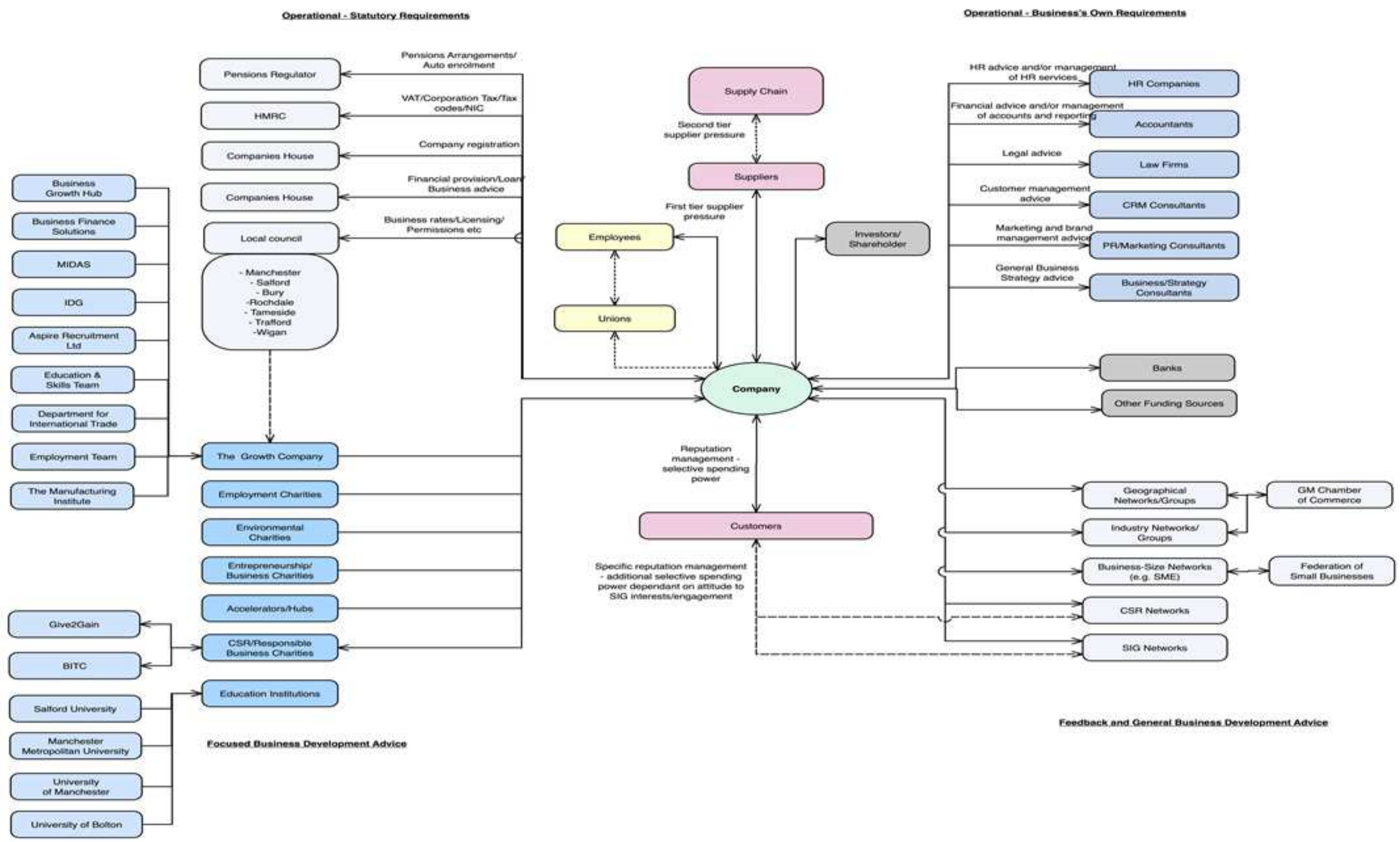
One suggested approach is horse-trading. For some organisations, meeting aspects of the inclusive growth agenda may involve trade-offs and costs for the business. Here other support and services that organisations are interested in can be offered free or at a reduced rate in return for business engagement with a specific aspect of the inclusive growth agenda or by making access to contracts conditional on meeting certain requirements as seen in the social value agenda.

A major implementation problem for an integrated approach is that contracts that fund business support often have set terms of reference and deliverables that may preclude a more integrated approach or inhibit 'mission creep' onto broader agendas. Many of the activities suggested will be resource intensive for a convening body meaning bureaucratic silos will require dissolving to promote integration and additional funding will likely be required above current activity.

Raising Social Accountability awareness

A further potential option suggested in our interviews is to require a social accountability statement for all anchor institution tenders – including higher education institutions, councils, public services (fire, police, hospitals) and to create and fund training schemes to support business to create a social accountability statements. There are a number of reasons why this may be beneficial. Firstly, current social value requirements only apply to larger tenders. There is also limited scope to audit the self-assessments and supporting evidence over the course of the procurement process, leaving it open to misrepresentation. Lastly, this is limited to only those businesses dealing directly with the authority and has little to no effect on the broader economy. This study suggests that if there is a real commitment to promoting inclusive growth, then this process should be rolled out further. All anchor institutions, including universities, hospitals and local authorities, should require social value assessments to be provided as part of their tendering processes, regardless of value. Smaller companies can be supported in adhering to these processes by the simplification of requirements (as above) and through the provision of subsidised Social Value Assessment training, for example, as offered by Give2Gain.

Appendix A. Examples of support and regulatory actors for businesses in Greater Manchester



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Hackney

Skills Economy and Growth Scrutiny Commission 12th February 2019 **Making the Local Economy Work for Hackney – DRAFT Terms of Reference**	Item No **6**

Outline

At its meeting the Commission agreed to conduct a review looking at inclusive growth. Research by various economists on growth identified that economic growth has not been reducing inequalities and raising the standards of living for all as expected. Inclusive growth is a growing area of debate and viewed as the approach decision makers, policy makers, local authorities and third sector organisation should be taking to reduce inequalities and better connect local communities to the employment opportunities.

The Commission wishes to look at disconnection, job progression and pathways to explore and understand why and how, some parts of the community remain perpetually disconnected from the wider economic success and to identify solutions, policies or practices that could help to bridge this gap.

The Terms of Reference document outlines how the Commission will seek to complete its review, the questions it will aim to answer and the organisations which it will hear from.

The attached terms of reference provides:
- Research and context to the review;
- The planned aims and objectives;
- The proposed work plan and activities to complete the review.

Action
Members are asked to review and agree the terms of reference.

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Proposal for a scrutiny review by Skills, Economy & Growth Scrutiny Commission - Scoping Document

Report title: **Making the Local Economy Work for Hackney Residents**

Municipal year: **2018-19**

1. Terms of Reference

1.1 The EU referendum exposed not only the division about the UK relationship with Europe but also the widening chasm between those for whom globalization is not working and those who prosper from it or have built resilience to weather is worst effects. It also highlighted how too many people are left behind and excluded from the prosperity in the economy. All levels of government are under pressure - with businesses - to find economic solutions that spread prosperity, opportunity and reward more fairly. The idea of "fairness" is heavily contested, varying between reward for effort and meeting needs of those less successful. The idea that a more equal society is healthier is still not widely accepted, despite the evidence.

1.2 Traditionally, local economic development prioritised attracting new large businesses to a local area and historically economic success has been defined by the number of jobs created or the amount of new investment entering a region. The quality of those jobs, in terms of security pay and skills, has rarely been quantified or factored into the calculation of the impact on the local community and the economy. The concept of retaining value locally has also been overlooked. Our traditional assessment of economic success does not tell us if the local community is benefiting from apparenteconomic prosperity.

1.3 In Hackney the scale of growth and change over the last decade has been significant but there is concern that there is an underrepresentation of specific groups of local residents (black and minority ethnic groups (BAME), disabled people and older workers) in high skilled local employment and, for them, a disconnection from the emerging growth sectors and job progression opportunities the growth sectors (such as Professional, Scientific and Technical sector, Information and Communication sector and Caring, Leisure and other services sectors) in the borough have to offer.

1.4 In London the demand for skills has increased in recent decades, and is projected to continue doing so. There are currently 5.8 million jobs in London, up from 4.1 million 20 years ago. The GLA Economics forecast that there will be 6.8 million jobs in London in 20 years' time (a significant but smaller rate of growth compared to recent decades). Jobs growth in London in the last two decades has been concentrated in Business Services, in other services (Health, Education) and in Retail and Accommodation and Food. Jobs growth has been highest in higher-skilled occupations, with largest growth in the Professional Services category. This has meant a significant increase in demand for people with degree level qualifications.[1]

1.5 Although there has been substantial progress made in improving the skill levels of residents, the Council's work on economic development has identified there is a skills gap for Hackney residents (both technical and soft) - despite improvements in the attainment of young people growing up in the borough - to be able to work in growth sectors like tech and the creative industries. In short, we attract skilled workers from outside, and do less than we could to grow our own talent and connect them to new opportunities.

1.6 At the same time, the borough has experienced a reduction in relative deprivation(noted in point 2.2.2)[2], but this has more to do with the demographic moving into the borough than a fundamental shift out of poverty into better quality work of longer-term residents.

1.7 The Council recognises the importance of ensuring the borough is shaped locally by the people and businesses around them. Over the last 2 years the Council has focused on developing a new approach to economic development in partnership with residents, local businesses and partners. The Council's Community Strategy outlines its vision for economic development and this aims to reduce inequalities across communities to share the benefits of growth in a more equitable way.

1.8 It is important to ensure people feel they have a stake in their local community, and do not feel side lined or 'forgotten', which can lead to feelings of disengagement, exacerbates existing inequalities and is likely to generate greater inequality and threaten community cohesion. It is argued that where community wealth-building (as defined in points 2.5.2) is encouraged and inequalities between communities tackled, there are less likely to be tensions and conflicts as people become more socially and economically empowered; thus reducing the need to be employed within their own community, having skills that are relevant to the wider economy (London) and creating more opportunities for genuine interactions with others in more mixed working conditions.

[1] GLA Economics - Skills Strategy for Londoners Evidence based https://www.london.gov.uk/sites/default/files/skills-strategy-evidence-base.pdf (June 2018)

[2] Indices of Multiple Deprivation 2015 Briefing (https://www.hackney.gov.uk/local-economic-assessment)

1.9 The Commission wishes to look at disconnection, job progression and pathways to explore and understand why and how, some parts of the community remain perpetually disconnected from the wider economic success and to identify solutions, policies or practices that could help to bridge this gap.

1.10 In this review the Commission will be exploring the barriers facing residents, from various equality groups (Women, people with a disabled people, young people, people from a lower socio-economic backgrounds, first generation immigrants and black and minority ethnic groups) to accessing the opportunities in growth sectors (like Professional, Tech and Creative industries). As part of this review the Commission will also hear from academics and think tanks currently researching and making recommendations for this policy area, to find out about best practices and the policies that can help connect areas of high economic growth and emerging jobs sectors with the local communities in the area that may be experiencing deprivation. The Council fundamentally wants to challenge mainstream concepts of trickle-down growth benefiting all and look to develop policy interventions that can promote equality and inclusivity.

1.11 This paper proposes that the Commission conducts a review which seeks to identify the policies and strategies needed locally to help connect particular growth sectors with the local communities around them. This review will focus on the role the Council can play in creating inclusive economies.

1.12 This review will aim to understand the local barriers to inclusive growth for residents and businesses to help the Council understand why local communities in growth areas are not taking advantage of the economic growth and how we might better enable people to consider working in them to access the job opportunities in growth sectors.

1.13 The purpose of the review is to investigate how the Council can continue to create better connections between local people, the economy and employment opportunities to ensure local growth is more inclusive. The Commission will also explore the actions that can be taken to help businesses better connect with the local communities around them.

1.14 <u>Core Questions</u>

The aim of this review is to inform and support the council's inclusive growth agenda. Specifically, the review will be seeking to understand how local interventions can help shape the nature of employment opportunities, assess the demand for skills (partnership working between skills and all levels of education), influence the levels of pay and improve the terms and conditions of employment contracts.

The Commission intends to complete a review to answer the following core questions covering jobs, education/training and cohesion and to investigate if innovative approaches like the Preston Model (like procurement, modes of ownership and investment in staff) can provide a key contribution to inclusive growth.

- How can the council and private sector organisations work together to support inclusive leadership culture and diversity in the workforce to ensure it is inclusive and provides good quality sustainable employment?

- Can the devolution of adult education create better training opportunities to enable people to progress into good quality sustainable employment?

- How can the emerging employment sectors (noted in points 1.3) in the borough play a significant role in supporting cohesion in the wider community?

1.15 In addition to the core questions above. The questions we will be asking are:

1.15.1 What can we learn from any successful examples of getting local people into employment in Tech City and other growth sectors to ensure that inclusive growth is core to future large scale economic regeneration projects?

1.15.2 What pathways existing into good quality and sustainable work for growth sectors (both London in point 1.4 and local in point 1.3) for low skill / entry level jobs for progression into high skilled jobs?

1.15.3 Can Council led initiatives be used to develop an adequate and appropriately skilled local labour workforce?

1.15.4 How can Hackney work better with employers to ensure there are pathways into high-level sustainable and good quality employment for those who begin at entry-level or are in low income jobs?

1.15.5 What do local businesses see as the opportunities and challenges to employing people from the local community?

1.15.6 What mechanisms need to be in place to guide local employment as the preferred option?

1.15.7 How can the council and private sector organisations work together to support sustainable social and economic growth

1.15.8 How can the Council work with private sector organisation to develop a metric about social impact for inclusion in their business model?

1.15.9 How can the local communities near growth sector areas be supported and encouraged to connect better with the local businesses/economy/growth sectors?

1.15.10 Is it possible to progress from entry level jobs to high level jobs through access to on the job training?

1.15.11 What role can adult education play in creating better opportunities for local people to retrain for new job sectors to enter into more secure and financially sustainable employment?

1.15.12 Can the devolution of adult education budget (Skills for Londoners Framework) be used to provide residents with access to relevant careers advice and training?

1.16 This review will not explore how to maintain economic growth and will not seek to define the Council's relationship with local businesses.

2. Background

Key headline national statistics:

- 9.2 m low skilled people are chasing 3.1 m low skilled jobs. This leaves a surplus of 6.2 m people.
- 12.6 m people with intermediate skills are chasing 10.7 m jobs. This leaves a surplus of 1.9 m people
- 6.1 m high skilled jobs but there is only 1.9 m high skilled workers. This leave a deficit and 4.2 m vacancies for these skills.
- 1.2 million EEA workers qualified to degree level or higher; and 740,000 working in high skilled jobs.
- 16% of the workforce either want a job or more hours.
- 9 million adults lack basic literacy and numeracy.
- 13 m lack basic digital skills.
- 97% of apprentices already qualified to that level.
- Low pay and insecure work is rising – 1/5 low paid, 1/10 insecure.
- With wide variation between areas – in demographics, labour markets, economies, needs and priorities. LGA have identified a need for local areas to drive local growth, employment and skills.[3]

Source LGA Skills, employment and inclusive growth conference

2.1 The impact of the 2008 economic crisis and global recession was felt by all. Since the crisis local council budgets have been cut by approximately 40% over the last Parliament. This has also had an effect on changing the composition of funding so that spending has become increasingly reactive, rather than being focused on prevention.

2.1.1 As the global economy continues to recover we are seeing slower growth, widening inequalities, and not enough jobs to keep up with a

[3] Source LGA Presentation skills, employment and inclusive growth conference

growing labour force. According to the International Labour Organisation, more than 204 million people were unemployed in 2015.[4]

2.1.2 Inclusive growth is a growing area of debate and viewed as the approach decision makers, policy makers, local authorities and third sector organisation should be taking to reduce inequalities and better connect local communities to the employment opportunities. Research by various economists on growth identified that economic growth has not been reducing inequalities and raising the standards of living for all as expected. Joseph Roundtree Foundation (JRF) also reported the current Government policies and approaches have not sufficiently bridged the gap between growth and poverty alleviation strategies.

2.1.3 In the last decade Hackney has experienced significant economic growth but not all residents in the borough are feeling the benefits of the Borough's prosperity. The Council carried out a year-long engagement exercise called '*Hackney a Place for Everyone*' with local residents to hear their views about the development of the borough over the last 10 years. The summary report published revealed residents were split over whether or not they agreed if jobs available were accessible to them personally, and/ or to the population equally in Hackney. This reflected a feelings among residents about being left behind and excluded from new and emerging opportunities. This view was stronger among residents not currently in full-time work and who live in social rented housing, and among residents from a BME background, younger residents aged 16-24 and those aged 45-54, as well as disabled residents.[5]

2.1.4 The Council is aware that waiting for economic growth to filter down and benefit the wider community will allow inequality and income disparity to increase across the borough. Hackney Council has been developing its inclusive growth agenda and strategy for economic development. We acknowledge the work the Council has been doing to maintain cohesion, identify the issues and ensure all residents have access to the opportunities being afforded from the economic growth locally and across London. Notwithstanding, some parts of the borough have remained disconnected from the wider economic success.

2.1.5 The Council's inclusive growth agenda and strategy for regeneration and economic development will focus on an areas based approach, considering how the council can use its assets, powers and influence to harness the opportunities within the local economy so that everyone can benefit in an inclusive way. The desire is to see all residents benefit from the economic opportunities available.

[4] United nations development plans – decent work and economic growth goal - http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth.html

[5] Hackney a Place for Everyone summary findings report

2.2 Deprivation

2.2.1 There has been large decreases in a number of London Boroughs with the proportions of their neighbourhoods that are highly deprived and Hackney was no exception but the most significant. In 2015, Hackney's average score (based on LSOAs) rated the borough as the 11th most deprived local authority district in England. Whereas by the same measure in both the 2007 and 2010 Indices of Deprivation, Hackney was ranked as the 2nd most deprived local authority in the country.

2.2.2 There are a range of measures that summarise deprivation in local authorities and each leads to a different ranking of these areas. In Hackney the borough went from 42% of neighbourhoods being highly deprived in the Index of Multiple Deprivation 2010 to 17% in 2015. However, the movements recorded all indicate that Hackney is becoming less deprived relative to other areas. But in terms of geographical variation, there are some particular concentrations of deprivation in the borough.

1) In the eastern part of the borough around Kings Park and Hackney Wick,
2) In the north-west of the borough, around Manor House and Woodberry Down
3) The borders between Victoria and Homerton wards
4) The borders between Springfield and Lea Bridge wards.

2.2.3 A key manifesto commitment for the Mayor of Hackney is to tackle poverty. A poverty reduction strategy with an action plan is being developed by the Council to set out a clear case for tackling poverty. The Poverty Reduction Strategy will enable the Council to focus on a collective set of changes and interventions looking across the whole system and taking a long term view. This review will provide the views of residents to highlight their experiences of in work poverty and the barriers to accessing opportunities to progression. This review will also capture the voice of businesses to understand the challenges they face employing locally.

2.3 Industrial changes and the local economy

2.3.1 Historically Hackney’s local economy was traditionally factories covering confectionery, furniture making (carpenters, cabinet factories) and clothing (employing seamstress, tailors, dressmakers and shirt makers’ milliners and artificial flower makers). The industry ranged from factories with their own retail outlets to homeworkers paid by contractors. In the past the manufacturing industry provided Hackney residents with a decent living and opportunities to progress in the local labour market.

2.3.2 Over the last decade there has been an evolution of businesses and sectors operating in the borough. In a rapidly globalising economy, technological progress has played an important role. While global trade has created new opportunities, it has also created job losses, especially for workers and communities that specialised in industries that provided a decent living and opportunities to progress.

2.3.3 We should not forget the night time economy. In the 21st century, the growth of leisure activity and the 'post-industrial' age, has given way to an evening and night economy that has appeared to grow in importance. Economic development over time has shown that towns and cities have had some manifestation of an 'economy' that operates in the evening and at night. In Hackney borough there is a large concentration of licensed premises and a growing night-time economy in Shoreditch and Dalston.

2.3.4 The evolution of businesses in Hackney has made it home to a spectrum of businesses of different sizes and types from small businesses who provide local services to start ups and large companies at the forefront of the tech sector. The top 3 sectors with the largest number of enterprises have been recorded as:

1. Professional, scientific & technical sector (3,700 / 25%)
2. Information & communication (2,505 / 17%)
3. Arts, entertainment, recreation & other services (1,350 / 9%).[6]

2.3.5 The concentration of business growth has been in the 'City Fringe' area around Old Street and Shoreditch and this is the major sub-economy of the borough – which accounts for 43% of all employment in Hackney.

2.3.6 The number of business enterprises in Hackney has been growing steadily over the last decade. There has been a significant increase in the number of businesses in Hackney between 2010 and 2015, when the overall business stock grew by 41% (up 4,275 from 10,450 in 2010). This was significantly higher than the growth in the number of enterprises across London which was only 13%. According to ONS business data, in 2015 there were 14,725 businesses in Hackney. Hackney has the 9th largest business stock across all London boroughs with 3.3% of all of the capital's businesses based in Hackney.[7]

2.3.7 Hackney's economic activity has transitioned to be predominately knowledge and services based businesses. Globalisation and technology change is shaping a more polarised labour market with more high and low skilled jobs and fewer mid skilled jobs. Leaving fewer opportunities for progression. In addition businesses are operating new business models that have been increasing the number of insecure jobs on flexible contracts. The Council has recognised the need for a strong employment support provision locally to help residents adjust to the skills sets needed in the local labour market today.

2.3.8 The Council's Community Strategy sets out the vision for Hackney's future and what the council would like to see for their communities. The Council's Community Strategy is seeking to address the issues highlighted by residents in the year-long engagement exercise and will aim to empower and better connect people with their communities. This strategy also lays out the steps it will take to achieve this. The Council is developing a new approach to economic development which focuses on securing inclusive economic growth and sharing the benefits of growth in

[6] Hackney policy paper - Understanding Hackney's economy – A focus on business and enterprise
[7] Hackney policy paper- Understanding Hackney's economy – A focus on business and enterprise

a more equitable way. The finding from this review will feed into the council's work in this policy area.

2.3.9 In a bid to address the fragmentation of employment support services locally the Council is engaged in various areas of work related to employment and opportunities. This ranges from being part of the sub regional group Central London Forward enabling the Council and other Central London boroughs to co-ordinate economic development activities. The Council is also expanding its own employment support service (Hackney Works) - that provides holistic employment support services to residents who have found it harder to access the labour market - to provide employment services which include careers advice, access to a benefits advisor, apprenticeships and employment support. The Council is also working with schools and colleges on a programme called Hackney 100. The Council recently piloted a pre-apprenticeship scheme which is being evaluated.

2.3.10 Through the Council's economic and community development work they identified a gap in support for people in precarious and poor quality work. This work also gave recognition to the fact that the journey for the resident to obtain employment and quality of work is just as important as tangible outcomes such as the number into work. The new supported employment service has embedded a new set of metrics that focuses on quality and journey tracking. Hackney Works is also considering how they can support people who are underemployed and in precarious work to progress and take advantage of high skilled job opportunities available.

2.3.11 Hackney has experienced significant economic growth. However, the surrounding communities in close proximity to these growth sectors seem to be disconnected and underrepresented in the local workforce in the high skilled growth sectors in the borough. As noted in point 1.3, there is concern about the underrepresentation of the local community in the emerging job sectors and the view that some local residents do not see the jobs being created are for them. The commission will explore if the work profile of Hackney residents matches that of the workforce profile required by businesses with the high skilled jobs.

2.3.12 One of the perceptions is the tech industry is a closed industry and employers in this sector employ people from within their network. In this review we want to find out the reasons why communities feel disconnected and the reasons for their exclusion in the local workforce. But by speaking to employers and key stakeholders in this sphere we hope to hear their views on how they can better connect to the local community and how pathways can be created into their industry.

2.3.13 The change and growth of local businesses is particularly prominent in Shoreditch (the emergence of Tech City) and now there is a similar trend developing in the Hackney Wick. Shoreditch - located in Hoxton West and Hoxton East and Shoreditch Wards - is now home to a growing tech sector (tech city) and home to some of the big corporations operating in growth sectors (such as Amazon). HereEast in Hackney Wick is fast becoming a hub of employment and business opportunity. We propose to use these two Wards as case study areas to look at the local businesses and their connection with the local community around them.

2.3.14 In this review we want to understand the reasons for that disconnection by exploring the views and perceptions of residents and local businesses in the growth sectors of employment. It may be their conventional employment practices might need adjustment to facilitate local employment entry, or there may be a need for better publicity of the various job roles available within the industry or that local people need access to the right, education, training and skills to facilitate progression into the industry. These areas will be explored with residents and businesses.

2.3.15 The commission has previously heard about the work of the council aimed at addressing the fragmentation of the skills and employment support services. Locally the council has developed an employment support offer that addresses the needs of a cohort not currently supported by the national employment support programmes.

2.3.16 Locally the council has made efforts to build relationship with local businesses to develop a 2 way relationship that supports and encourages the adoption of socially responsible business models. The aim is for this work to put the council in a position whereby they can proactively influence and shape the local economy.

2.3.17 We believe there are lessons that can be learnt from the economic growth in Shoreditch and success of the council's work getting people into employment, that can be harnessed and implemented to maximize employment opportunities for local residents in Hackney Wick particularly with a big employers like HereEast located in that section of the borough.

2.3.18 By showing employers that inequality of opportunity limits their ability to find talent and limits the supply of new businesses to a region - to create a thriving local economy – we hope it will enable all to see that inclusive growth is a problem for both workers and employers.

2.3.19 By looking at Inclusive growth we are seeking to identify how people can fulfil their potential, whether that is the unemployed seeking work and gaining employment or the underemployed utilising their full potential.

2.4 Inclusive Growth

2.4.1 There has been national work to look at the inclusive growth agenda with recommendations made about the framework and policy approaches that could be adopted. The inclusive growth agenda was looked at in detail by the RSA.

2.4.2 The RSA set up the Inclusive Growth Commission which was an independent inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous. The Commission sought to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area. The report by the Inclusive Growth Commission *'Making Our Economy Work for Everyone'* sets out their framework and recommendations for achieving inclusive growth.

2.4.3 The inquiry was completed and published its findings in April, 2017. The 4 key recommendation areas highlighted were:

Place-based industrial strategies: Delivering business-led productivity and quality jobs. The Commission recommended:

- City regions work together to form sectoral coalitions linking industry sectors and places in order to modernise industrial strategy.
- The creation of new institutions or civic enterprises to connect business and industry, training providers and universities.
- That cities become places of life-long learning, with a commitment to human capital development from 'cradle to grave.'

A fundamental reset of the relationship between Whitehall and the town hall, underwritten in new social contracts. The Commission recommended:

- National standards with local flexibility so that combined authorities are able to pool budgets and co-commission public services for their place.
- Immediate, pragmatic action to spread co-commissioning – applying Greater Manchester's model of joint place-based service commissioning for health and social care to other mayoral combined authorities and other public service areas such as education, skills and employment support.
- Maximising impact from total local resources. Over the long term, places with mature governance should take on full responsibility for the economic and social outcomes of their place, enabling local coordination of all public spending.
- Place-based budgeting and spending reviews that attribute the total amount of public sector spending and investment to places rather than departmental siloes.

Inclusive growth at the heart of public investment. The Commission recommended:

- Central government establish a new independent UK Inclusive Growth Investment Fund, incorporating repatriated ESIF funds and other relevant funding streams. Applications for funding would be based on their expected impact on broad based 'quality GVA' and the Fund would be overseen by a multi-stakeholder board.
- Central government should explore and encourage the establishment of regional banks.

Making inclusive growth the working definition of economic success. The Commission recommended:

- Central government commission an assessment of the social infrastructure gap
- Maximising the impact of national and local investment by mainstreaming inclusive growth in all public investments including physical infrastructure projects.
- Establishing inclusive growth as a regular, official statistic by publishing a quarterly national measure of inclusive growth alongside GDP.
- Places should define and be accountable for agreed inclusive growth metrics, and these should form part of the Gateway Reviews for mayoral investment funds.
- An appropriate evaluation timeframe should be developed as part of the new social contracts negotiated between city regions and central government.[8]

2.4.4 In addition the Mayor of London's Economic Development strategy has inclusive economy as a key theme and aims to ensure all Londoners can benefit from economic growth across the capital. The Mayor of London's strategy makes the case for a more flexible, place-based approach to prepare London's economy for the UK leaving the European Union (EU), as well as future, unpredicted, technological and economic changes. It also states strongly that boroughs and their expertise are key components towards delivering the strategy's vision.

2.4.5 In London Councils response they have highlighted how London has led the recovery since the financial crisis and how over the past decade it has created more than three quarters of a million jobs.

2.4.6 But despite its size, London has a varied economy, and Londoners face a distinct set of challenges in accessing the labour market. London Councils points out too many Londoners are workless and we need to do more to ensure our residents have the skills to compete effectively in a competitive global economy. Over recent years, London Councils has been making the case, in partnership with the Mayor of London and other partners both within the capital and nationally, that devolution and reform of public services will be essential to deliver clear benefits for Londoners, the economy in London and in the country as a whole.

2.4.7 The Joseph Roundtree Foundation (JRF) have been working on the inclusive growth agenda since 2013. Their work focused on what could be done at the city or city regional level to develop more inclusive local economies. Through their work they have highlighted 'what is inclusive growth and why it matters'. The JRF report *Overcoming deprivation and disconnection in UK cities* explored deprivation and disconnection at a neighbourhood level and focused on the poorest neighbourhoods in the UK. It examined how and why these areas remained disconnected from

[8] Inclusive Growth Commission Making Our Economy Work For Everyone'

economic growth within their wider city regions. Their reports provided evidence which suggested a range of different policy responses was needed to help bridge the gap between city-regional economic growth and poverty alleviation strategies.

2.5 Community Wealth

2.5.1 Linking closely with inclusive growth has been Interest and momentum around local wealth building. Community wealth building has been suggested as a solution to achieving a more inclusive economic growth. CLES have been working in this area for the past 10 years with local areas and agencies on an alternative approach to the traditional economic model.

2.5.2 Local wealth building comprises of several interconnected strands revolving around Community Land Trusts - to lock in wealth for local people and a foundation economy - where care, utilities and retail are repatriated to local cooperatives. London's local boroughs are part of a regional economy, therefore councils could look at wealth building through making better use of local anchor institutions to drive inclusive growth.

2.5.3 Anchor institutions commonly include local authorities, further and higher education providers, and housing organisations. As employers and holders of land and property assets the view is their purchasing power - and through their links to the local community - these anchor institutions could be the organisations upon which new local economic approaches and social improvements can be based. Progressive use of commissioning and procurement by anchor institutions is now acknowledged as a means to developing a dense local supply chain of local enterprises, including SMEs, employee-owned businesses, social enterprises, cooperatives and other forms of community ownership. Work on anchor institutions has been led by CLES. Examples of areas engaged in the forefront of policy and practice in this field include work in Belfast, Birmingham, Calderdale, Manchester, Oldham, Preston and Salford.

2.5.4 We will explore the possibility of using under utilized community and anchor institution assets to connect

2.6 What is inclusive growth and why is it important

2.6.1 Economic growth has not delivered the increases in living standards that policy makers intend or economists expect for all sections of society. In many countries, including the UK, average incomes have stagnated in recent years and the gap between rich and poor has widened. For Hackney the 2017 Economic Assessment noted that those living in the borough earn less than those who work in it, and less than the average for both London residents and London workers. By adopting an inclusive growth approach this would seek to proactively redistribute the benefits of economic growth.

2.6.2 There is no set definition to describe inclusive growth but it has been described by the RSA Inclusive Growth Commission as:

Inclusive growth is described as broad-based growth that enables the widest range of people and places to contribute to economic success, and to benefit from it too. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes.[9]

2.6.3 Another description of inclusive growth by The Brookings Institution policy report is:

Inclusive growth is to put a regional economy on a trajectory of higher growth that increases the productivity of organisations and workers (prosperity) and raises standards of living for all (inclusion) thus achieving deep prosperity – growth that is robust, shared and enduring.[10]

2.6.4 Despite there being so set definition, there is an opportunity to deliver a more inclusive approach to economic development and growth. What defines an inclusive growth agenda is the dual emphasis on outcomes as well as opportunities. One that seeks to combine a prosperous economy, with an approach where intervention influences the growth side of the equation to create a more equal society.

2.6.5 Research shows that when the fortunes of a deprived neighbourhood are improved the challenge is to ensure that the original residents benefit. If people are unable to access the new jobs being created, the risk is they are displaced elsewhere as an area's economic fortunes improve. If this happens the perception may be that the distribution of benefits from economic growth is limited to the few and not the many.

2.6.6 A thriving local economy needs a labour market that involves the supply of local workers and meets the demand of local organisations. Inclusive growth is important because employers need skilled, productive workers to maintain their profitability. If an economy can offer greater equality of opportunity it is believed it can achieve sustainable economic success.

2.7 <u>Barriers to inclusive growth</u>

2.7.1 To commence this review it is key to explore and understand what the potential barriers to inclusive growth might be. The main barriers to inclusive growth have been described by the RSA [11]as:

- *Impact of changes to the economy* – de-industrialisation and structural economic change. Changes to areas or regions hit by de-industrialisation and structural economic change can suffer long term effects on their labour market.

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[9] RSA Inclusive Growth Commission – Inclusive growth for people and place finding from deep dive research Sept 2016
[10] The Brookings Institution | metropolitan policy program | 2016 https://www.brookings.edu/wp-content/uploads/2016/02/BMPP_RemakingEconomicDevelopment_Feb25LoRes-1.pdf
[11] RSA inclusive-growth-for-people-and-places-challenges-and-opportunities

- *A lack of proactive transitional support* – the results of a disjointed education, skills and training support system that fails to sufficiently provide people with pathways into the new industries of work and progression can leave sections of the population behind. People find it difficult to achieve labour adjustment without access to the right education, skills and training support to help create pathways and progressions to work. The lack of proactive transitional support at the time when people are affected by structural economic change can make it much more difficult to achieve labour market adjustment.
- *Labour market challenges* - a low skills equilibrium, low-wage jobs and employment polarisation, are recognised as barriers to more sustainable, inclusive and higher quality growth for all. Labour market mobility can also be a key challenge for workers in low paid jobs. Workers in low paid jobs many not want to incur the expense and the extended time of commuting long distances to get to work. It is viewed that better commuting connections generally benefit high skilled workers.

2.7.2 Connecting people to the opportunities in the labour market through better education, transport and employment support was seen as vital ingredients. Although infrastructures for the above may be in place it has been recognised by academics and economists that communities near to areas of economic growth or emerging job sectors can still feel disconnected from the growth being experienced.

2.7.3 JRF reported disconnection can come in a number for different forms such as social, economic, physical, institutional or digital (to name but a few).

- Economic disconnection: a lack of demand-side growth caused by economic shocks (e.g. deindustrialisation) and market failures combined with a shortage of suitably skilled labour.
- Social disconnection: Individual or collective cultures within disadvantaged areas that act as barriers to work. For example, residents have fewer opportunities to find out about, or access, employment through networks of family, friends and neighbours. The resulting deprivation may, in itself, reinforce disconnection through loss of employment-related skills which leave the individual experiencing the negative consequences of health, emotional and/or financial wellbeing as a result of poverty, worklessness or insecure work.
- Physical disconnection: Disadvantages caused by location, such as a lack of suitable transport connections to centres of economic opportunity.
- Institutional disconnection: a lack of horizontally or vertically integrated structures or partnerships that leads to sub-optimal economic outcomes.

2.7.4 It is important to recognise that unequal patterns of growth do not just reflect a failure in helping struggling economies adapt to a post-industrial context but that inequality and exclusion also affects the affluence in cities. It has been reported that the rising prosperity within cities such as London, Bristol, Manchester and Leeds has taken place alongside increasing inequalities in income, health and housing. The economic growth being experienced at the moment is not providing job security but instead is increasing job insecurity which makes it difficult to sustain a decent standard of living.

2.7.5 Hackney wants a fairer local economy that enables all local residents to benefit from the economic growth. There is a concern that if local residents continue to be disconnected, without the skills needed to take advantage of new and emerging employment opportunities they will be left behind. Therefore it is imperative to ensure local policies and the benefits of economic growth better link to the communities around them.

2.7.6 Previously, government policies were designed so that economic growth would create the opportunities in the labour market through better education, transport and employment support. But, whether by design or by accident, it has been highlighted that this has not been resulting in an equal distribution of prosperity for all. Traditionally economic development policy has focused on building wealth through attracting inward investment seeking the relocation of large corporations or growth sectors to the local economy. However the profits made by these investors are usually taken straight back out of the local community and are not necessarily reinvested or of the benefit to the local community i.e. creating jobs for local people. Thus resulting in an economy failing to work for everyone.

2.7.7 This review aims to identify the local barriers to economic inclusion for residents and identify how inclusive growth can be integrated into the strategies of local stakeholders and the mission statements of local businesses.

3. Key Stakeholders

3.1. Below is a list of Stakeholders who will be consulted during the review.

Sector / organisation	**Stakeholder**
Service users / general public	• Engagement with Local Businesses • Engagement with residents
Council depts. and services	• London Borough of Hackney Inclusive Growth Steering Group
Other London Boroughs / Councils	

Government departments and executive bodies	• London Councils • LGA
Non-governmental organisations / lobby groups	• Trade Unions • GLA
Academics and think tanks	• Joseph Roundtree Foundation • London Prosperity Board • RSA Inclusive Growth Commission • CLES (think tank)
Private sector	• Here East (Plexal and other companies based at the site), WeWork, Amazon, Stansted, BT Sport, Higgins Homes, • Tech Nation • Salford (Media City)
Representatives of target groups	
Other external	• Homerton Hospital • Adult Education providers

4. Methodology

4.1 The Commission will undertake a range of evidence gathering processes to support the Commission in meeting the review's objectives as set out in section 1. The programme for evidence gathering could include the following:

- Desk based research;
- Evidence presented in person at SEG Scrutiny Commission meetings;
- Primary research (e.g. engagement session with residents and local businesses)
- Site visits (as appropriate).

4.2 The review will be conducted through two scrutiny meetings, one evidence session in February 2019 and a second evidence session in

March 2019 where the Commission will collate and gather evidence. Information and evidence submitted will be published at the meetings.

4.3 The Council's vision in the Community Strategy related to its economic development work will be delivered through 3 themes working across the organisation.

- Creating great places where economic growth and change can benefit everyone
- Encouraging and supporting diverse businesses to thrive in Hackney
- Supporting people to live well and develop skills that for the future, allowing them to connect with employment opportunities in Hackney and beyond.

4.4 The findings from this review will feed into the Council's process in developing their inclusive growth strategy.

Dependencies (what other activities could impact on achieving timelines etc.)	**Impact**
The holding a joint engagement sessions with Executive, businesses and residents to link into the Council's work on inclusive growth and economic development.	There would be a duplication of engagement sessions with local residents and businesses on the same topic.

4.5 To explore practical solutions to overcome the barriers to inclusive growth and disconnection by the local communities in close proximity. 2 locations within the borough (Hoxton / Shoreditch and Hackney Wick) have been selected to use as case studies. There will be a group session with residents from the case study areas to identify specific barriers, lesson to learn and the perceptions/ experiences of residents about the local growth sectors.

4.6 A business engagement event will be arranged to speak with a variety of local businesses about their views on the barriers to engaging the local community and the mechanisms they have in place to support, encourage and guide local employment within their organisation.

5. Timetable

5.1 The table below provides a schedule of when different aspects of the review are likely to be completed.

Task	**Envisaged Timetable**
Draft Terms of Reference, desktop research, consulting experts, confirming Executive Link Officer/Members	November 2018
Agreement of terms of reference	February 2019
Formal / informal committee meetings	February 2019
Site visits	TBC
Report drafting	April 2019
Consult Executive Link Officer/Members on draft findings and recommendations	June/July 2019
Schedule for Legal/Finance comments	July 2019
Consideration by Commission/Cabinet. Consideration by Full Council (if applicable)	September – November 2019

5.2 Below is a provisional list of which topics will be considered at each meeting, and who will be responsible for providing the information. These are subject to change depending on availability of officers and stakeholders.

12th February 2019	
Topic	Responsible Officer/Partner
Evidence session with academics and think tanks	Dr Saffron Waldron – London Prosperity Board Atif Shafique - RSA
2 Engagement session with residents outside the meeting	Overview and Scrutiny Officer
18th March 2019	
Topic	Responsible Officer/Partner

Engagement with businesses	Overview and Scrutiny Officer

5.3 In addition, Members will focus this review on 2 case study areas in the borough (Hoxton/Shoreditch and Hackney Wick) and hold an engagement session with local residents.

6. Background Papers

6.1 The following reports and papers have been used as background reading for the review. The list is not exhaustive.

- GLA Economics - Skills Strategy for Londoners Evidence based https://www.london.gov.uk/sites/default/files/skills-strategy-evidence-base.pdf (June 2018)
- Indices of Multiple Deprivation 2015 Briefing (https://www.hackney.gov.uk/local-economic-assessment)
- http://future.lambeth.gov.uk/inclusive
- https://www.londoncouncils.gov.uk/members-area/member-briefings/our-response-mayor%E2%80%99s-economic-development-strategy
- Opportunity for growth: how reducing barriers to economic inclusion can benefit workers firms and local economies – Joseph Parilla Metropolitan Policy Program at Brookings September 2017
- Bridging the Gap: Inclusive Growth update Report 2017 - OECD - September 2017
- Community pulse 2018: the economic disconnect - Committee for Economic Development of Australia - June 2018
- Mott Macdonald delivering inclusive growth September 2017
- Overcoming deprivation and disconnection in UK cities - by Alasdair Rae, Ruth Hamilton, Rich Crisp and Ryan Powell – joseph Rowntree foundation – January 2018
- Harnessing Growth Sectors for Poverty Reduction: What Works to Reduce Poverty through Sustainable Employment with Opportunities for Progression – Anne Green, City REDI (Regional Economic Development Institute), University of Birmingham, Paul Sissons, Coventry University, Neil Lee, LSE
- Inclusive growth for people and places – RSA Inclusive Growth Commission – September 2016
- Inclusive Growth Commission Making our Economy Work for Everyone - RSA Inclusive Growth Commission – 2017
- Inclusive Growth Putting Principles Into Practice - - RSA Inclusive Growth Commission - March 2017

- The Framework for Policy Action on Inclusive Growth - Meeting of the OECD Council at Ministerial Level - Paris, 30-31 May 2018
- London Councils Member briefing, Our Response to the Mayor's Economic Development Strategy – March 2018
- United nations development plans – decent work and economic growth goal - http://www.undp.org/content/undp/en/home/sustainable-development-goals/goal-8-decent-work-and-economic-growth.html
- London Borough of Hackney: Hackney a Place for Everyone summary findings report
- Equality Framework for Local Government – London Borough of Hackney Self-Assessment.
- London Borough of Hackney Local Economic Assessment (Understanding Hackney's economy – A focus on business and enterprise) https://www.hackney.gov.uk/local-economic-assessment
- London Borough of Hackney Local Economic Assessment - Understanding Hackney's economy – A focus on employment, economic activity and self-employment https://www.hackney.gov.uk/local-economic-assessment
- London Borough of Hackney Local Economic Assessment - Understanding Hackney's economy – A focus on occupations and employers https://www.hackney.gov.uk/local-economic-assessment

7. Executive Links & Response

7.1 The following corporate stakeholders have been consulted on this Terms of Reference:

Contributor	How have they been consulted on proposal
Council Lead Director	Stephen Haynes
Council Lead Officers	Sonia Khan / Suzanne Johnson
Executive Member(s)	Cllr Williams / Cllr Nicholson

Contact

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Hackney

Skills Economy and Growth Scrutiny Commission 12th February 2019 The Future World of Work and Skills in Hackney Executive Response	Item No 7

Outline

The Skills, Economy and Growth Scrutiny Commission (formally known as the Working in Hackney Scrutiny Commission commenced a review to look at the changing labour market and skills system for the future world of work and skills in the next 5-10 years. Having learned about the current context in relation to employment and skills the changing skills system and how it all impacts on London's economy. The Commission examined the impact that macro level changes would have locally to identify the policies and practices that will help us overcome the challenges here.

Attempting to look five years ahead we explored the changes in demand in the labour market which could come about from Brexit, climate change or our ageing population.

This review highlighted the employment trends that were amplified in Hackney and focused on:

- Growing inequality/polarisation/ in-work poverty and underemployment
- Self-employment
- Land and property values
- The impact of Brexit
- Opportunities for employers to contribute
- Opportunities to lead in a revolution of skills.

The recommendations covered: the development of a work experience programme for older job seekers; rebranding of work experience; Signposting information about being self-employed, with the dual purpose of building up local knowledge about self-employment in the borough.

The Commission asked for the new employment support service aimed at the under-employed to demonstrate how they would reach this cohort to offer support and training so they can move into better paid employment. The Commission asked the Council to include a 'social value menu' for businesses taking advantage of low rental values in the borough and that a mechanism is put in place to follow up and ensure that commitments made are adhered to.

The Commission called on the Council to actively demonstrate that inclusion of jobs and employment is in the specification for regeneration and new housing developments. The Commission recommended the Council takes an active role in lobbying for the Skills system to develop an employability framework and to encourage employers to provide in work/career transition to help workers identify future skills.

In relation to building relationships with local businesses, The Commission recommended there was a specific offer to social enterprises that covers supporting and facilitating their business support needs. The Commission asked the Council to look at measureable outcomes that chart the journey of a resident through Adult Learning, ‘Hackney Works’ programme and the Council’s own apprenticeships programme. Asked the Council to ensure it also develops apprenticeships at a higher level (e.g. levels 3 and 4).

The executive response to the recommendations from the review are on pages 419-436.

Action

The Commission is asked to consider the response.

Hackney

Cabinet Response to the Working in Hackney Scrutiny Commission Review into the Future of World of Work and Skills in Hackney

CABINET MEETING DATE	**CLASSIFICATION**
26 November 2018	**Open**
WARD(S) AFFECTED **All Wards**	
CABINET MEMBERS **Cllr Guy Nicholson** **Cabinet member for Planning, Business & Investment** **Cllr Carole Williams** **Cabinet member for Employment, Skills and Human Resources**	
KEY DECISION **No**	
GROUP DIRECTOR **Tim Shields** **Chief Executive**	

1. Cabinet member introduction

1.1 This report details the Cabinet response to the report of the Working in Hackney Scrutiny Commission and sets out how the Council intends to carry out the work required in response to the recommendations.

1.2 The Cabinet shares with the Working in Hackney Scrutiny Commission a recognition of the changing face of employment, and ensuring that the residents of Hackney have the skills needed for the future jobs market is a key priority for the Council. The devolution of skills funding in London represents a particular opportunity for the Council to review how we support people into work in line with the recommendations of the Commission.

1.3 We welcome the findings of the Working in Hackney Scrutiny Commission and would like to thank the Chair, councillors, officers, residents, employers and other stakeholders for their hard work in producing the final report.

2. Recommendation

2.1. The Cabinet is asked to approve the content of this response.

Executive Response to the Scrutiny Recommendations

Recommendation One	*Lead Officer: Andrew Munk, Head of Employment and Skills.*
a) The Commission recommends the Council explores the development of a work experience programme aimed at older job seekers. We recommend it provides work experience that enables workers to explore jobs opportunities and benchmark their skills to identify future training needs. b) To promote this new type of work experience programme we recommend the Council undertakes a rebranding exercise to promote work experience for this cohort.	Our current work experience offer centres on our Hackney 100 programme, which, during 2017/18, has offered paid work experience placements for 16-19 year olds, with the objective of giving young people insight into different jobs and sectors. In 2019, we will be broadening this offer to 16-24 year olds, and exploring the option of a pilot work experience scheme for older job seekers. This could include training provision provided via the council's adult learning offer. We are also increasingly working with partners like the London Legacy Development Corporation (LLDC), and WeWork, to develop new work experience schemes, and support Hackney residents to prepare for and access existing programmes managed by partners. We have also recently expanded our apprenticeship offer to older applicants, removing any age restriction for applicants. This has seen an increase in residents over 25 gaining apprenticeships with the council, with this group now making up 23% of all council apprentices. Our apprentices range in age from 16-51. We are also working with *Timewise* to pilot a part-time apprenticeship scheme which will focus on residents with Special Educational Needs and Disabilities, as well as older residents with childcare

	responsibilities.

Recommendation Two The Commission recommends the Council lobbies for the Skills system to encourage employers to take the need for digital training for employees seriously. We ask the Council to use its influence to encourage local employers to provide digital training beyond basic IT to enable employees to be adept and transition in the workplace as their job or industries evolve.	*Lead Officers: Andrew Munk, Head of Employment and Skills. Rob Miller, Director of ICT.* The Council is committed to establishing a STEM (Science, Technology, Engineering, Maths) board for the borough, with representation from a range of stakeholders including from the business community and education providers. The Board will be tasked with overseeing work in the borough which supports residents to access and progress in careers in STEM sectors. A key role of the board will be to focus on ensuring employees in Hackney based businesses have the digital skills required by rapidly evolving STEM based industries, as well equipping residents to explore self employment within the sector. Alongside the STEM board, the Council led Hackney Apprenticeship Network will bring together a range of businesses in the borough, with a strong focus on the tech/digital sector, to encourage the establishment of high quality apprenticeships in the borough. In-line with the national Apprenticeship Levy, apprenticeships include accredited qualifications for employees looking to progress in their careers. Through leading and administering the Apprenticeship Network, the Council will be able to influence employers to upskill employees with the digital skills required in a fast changing labour market. The Council is working to set an example for other employers in the borough, helping to lead the way by investing in the development of digital skills across its workforce. This includes: ● Creating 21 digital apprenticeships within the Council's in-house ICT service. ● Developing a network with other digital employers in the borough to encourage them to create further digital apprenticeship opportunities (this includes working in partnership with SMEs and large employers such as Amazon). ● Supporting the wider workforce in

	developing their skills in use of digital technology, data and service design methods. ● Exploring ways that the Apprenticeship Levy can be used to invest in digital skills, as part of the Council's wider work on investment in workforce skills.

Recommendation Three We recommend the Council adds information on its business engagement tools the 'Landing Pad and Launch Pad' for the self-employed, providing information about being self-employed or sign posting to that information. We would like to see the provision include information about pensions, saving, tax returns, legal advice etc.	*Lead Officer: Paul Horobin, Head of Corporate Programmes.* The development work on the Council's business engagement tools is very conscious of the characteristics of the local business community, including the high proportion of "self-employed". The content will be both geared to their broader needs as "businesses", making sure that it is both relevant and accessible. The practical issues of being "self-employed" will be addressed through direct guidance or signposting to relevant information, e.g. HMRC guidance (https://www.gov.uk/topic/business-tax/self-employed), which is regularly updated and of a high standard. The issues being faced by this group, nationally and locally, will also be considered and guidance and signposting included, e.g. low participation in training and skills development.

Recommendation Four We recommend the Council explores the possibility of Hackney being a location for a self-employed union to provide collective support and purchasing power to support this growing cohort of workers.	*Lead Officer: Stephen Haynes, Director of SPED.* Relevant Directors to lead officer group exploring possibility of Hackney being a location for self-employed union. Officer group will evaluate potential positive impact of a union on Hackney's independent and self employed workers, as well as potential options for developing the presence of a union for the self-employed in Hackney.

Recommendation Five The Council to explain how they will target the under employed to provide them with in-work support and outline the support and training that will be available to enable them to transition into more secure and quality employment.	*Lead officer: Andrew Munk, Head of Employment & Skills.* Hackney Works has established a working group to look at how we can engage and support low income/under employed residents better. Initially the group is recommending that commencing in November, each *Hackney Works* hub pilots late night opening (5pm - 8pm) once a month

	to increase engagement with this client group. Out of hours provision will then be further developed based on learning from this pilot. In addition to offering employability support for this client group, *Hackney Works* will commission training or work with Hackney Learning Trust and other training providers to run suitable vocational skills and functional skills training which will take place out of office hours based on the needs of the client group. Staff will also have access to information from NARIC (National Recognition Information Centre), to support those with overseas qualifications, in order to understand how international qualifications & skills compare to UK qualifications in order to determine what their next steps will be and what support can be offered. *Hackney Works* is committed to increasing the number of higher paid vacancies available to clients through our service and are recommending that BOCs (better-off in work calculations) are offered to ensure that clients will be better off in higher paid positions. A discretionary fund is in the process of being established within *Hackney Works*, which will enable advisors to make applications for funding to support clients to address individual barriers to work - funding through this will also be available to this client group where appropriate.

Recommendation Six If the provision for cheaper rents is introduced we recommend the Council prioritises and protects industrial space in the Local Plan alongside units for community, retail and workspace. The Commission recommends the Council explores the possibility of inclusion in its planning policy the use of Section 106 agreements to create more workspaces with capped rent to keep employer diversity in the borough. rt of workers.	*Lead officers: Suzanne Johnson* *Head of Economic Regeneration* *Ian Rae, Head of Planning* The emerging Local Plan (LP33) sets out proposals for the protection of these types of uses. Section 106 agreements are also used where required to secure affordable workspace. Where relevant the implementation of this will be secured and measured via the Approved Workspace Providers List managed by the Economic Regeneration Team.

	The emerging Local Plan (LP33) recognises that there has been a gradual decline in industrial floorspace within Hackney over the years as market forces have resulted in the replacement of industrial floorspace with higher value office floorspace in new developments. This reduced supply of industrial land has led to increasing rents and increasing pressure on Hackney's industrial land. In response to this and the findings of the Hackney Employment Land Study which stresses the need to ensure the retention of an adequate stock of industrial capacity to support a diverse, adaptable and more sustainable economy, the emerging LP33 policy approach seeks to retain vital industrial land and floorspace within Hackney by differentiating between Priority Office Areas (POAs) and Priority Industrial Areas (PIAs). In PIAs, any new development must either maintain or re-provide the same quantum or intensify existing industrial uses (B1c, B2, B8). The PIA approach would also support mixed use development schemes including, for example, community and residential uses where appropriate. Separate LP33 policies also protect retail and community uses within the borough. It is recognised within LP33 that there is need for the provision of affordable and low cost floorspace within the Borough to support the needs of start-ups, SMEs and cultural and creative enterprises such as artists' studios and designer-maker spaces, as well as charities and social enterprises. The new LP33 policy on Affordable Workspace and Low Cost Employment Floorspace requires new major employers and mixed use developments in the borough's designated employment areas, Central Activities Zone (CAZ) and town centres to provide affordable or low cost workspace, equating to a minimum of 10% of the new employment floorspace. The policy requires, firstly, that the maximum economically feasible amount of low-cost employment floorspace is re-provided in perpetuity, at equivalent rents and service charges, suitable for the existing or equivalent uses. Low cost employment floorspace is described as floorspace which may be secondary or tertiary in nature, of a lower quality or specification, with cheaper

	rents or leases. This low cost floorspace should be provided within an equivalent employment use in perpetuity. Existing occupants should be re-housed within the development where possible. Secondly, if the low cost employment floorspace equates to less than 10% of gross new employment floorspace or there is no low cost workspace to be re-provided as part of a major development scheme, new affordable workspace should be provided. In the Shoreditch POA at least 10% of the new employment floorspace should be affordable at no more than 40% of the locality's market rent in perpetuity. In remaining POAs, CAZ and town centres at least 10% of the new employment floorspace should be affordable at no more than 60% of the locality's market rent in perpetuity. Affordable workspace is described as new-build employment floorspace, providing affordable space for small businesses, predominantly within the Office use, to occupy, often operated and managed by a workspace provider. This space should be secured through legal agreement with a Council registered workspace provider and should be provided on-site. The Approved Workspace Providers List is managed by the Economic Regeneration Team.

Recommendation Seven a) The Commission wants to be assured there are mechanisms in place to check that the social value commitments by local businesses are followed up by the Council to ensure implementation. b) The Commission recommends the Council explores the ability to introduce a social value criteria for new affordable workspace developments. We would like to see it include implementation of the London living wage for staff contracts, employ an apprentice and employment of local residents through the Hackney Works programme.	*a) Lead officer: Andrew Munk, Head of Employment & Skills* Employment and Skills team works together closely with local businesses to secure opportunities for Hackney residents and to ensure positive social value outcomes are secured for the borough. Under section 106 obligations, we negotiate with businesses to ensure we secure the maximum benefit for our residents. This includes securing local labour opportunities, which comprise of apprenticeships, work experience and part time/full time work opportunities. We actively encourage businesses to hire local labour and pay London Living Wage. We work with businesses to develop bespoke Employment and Skills Plans (ESPs) which outline a business's

	commitment to supporting the successful delivery of positive social and community outcomes in relation to employment and training local residents. Businesses are asked to submit a labour hire histogram so we have an idea of upcoming opportunities in the borough. The Employment and Skills team works with the businesses to review job opportunities to assess if the borough has the required skill set and talent required for the opportunities generated by economic activity in Hackney, and where necessary provide training to ensure Hackney residents are best placed to secure employment. Each quarter businesses are required to submit their local labour returns and quarterly reports to provide evidence and a narrative of how they are working towards achieving their social value obligations that were set out in the Employment and Skills plans. The Employment and Skills team tracks and monitors these plans through a combination of account, database and relationship management processes, including trackers, dashboards and quarterly monitoring meeting. Our team meets with businesses regularly each quarter to ensure that they are meeting their obligations, in addition to providing them with the support offered by our services to secure opportunities for Hackney residents. We work closely with our Planning colleagues to ensure that businesses understand what their obligations are and how they can achieve them. Our approach to monitoring social value obligations ensures that businesses and residents alike are given the opportunity to prosper within Hackney. *b) Lead officer: Suzanne Johnson, Head of Economic Regeneration:* The Approved Workspace Providers list which is managed by the Economic Regeneration Team provides a recommended list of operators providing affordable workspace in the borough. The businesses on the list are required to demonstrate they offer additional social value benefits to the borough and its residents and businesses. These social value outputs are monitored by the Economic Regeneration team. In addition, the Economic Regeneration team aim to monitor social

	value commitments relating to regeneration sites and projects which they are involved in delivering, such as the Hackney Wick Good Growth Fund project working with local operators to provide new affordable workspace and community space and programmes at the Old Baths and the Trowbridge Centre.

Recommendation Eight The Commission recommends for all new regeneration and housing developments this includes in the specification a systematic commitment to the creation of jobs and employment on the sites, for example by allocating a section of the build to commercial use with a mix of retail, industrial, community and commercial workspace units.	*Lead officers: Karen Barke, Head of Estate Regeneration.Suzanne Johnson, Head of Economic Regeneration* The Council's three housing programmes (Woodberry Down Programme, Estate Regeneration Programme and Housing Supply Programme) all include proposals to deliver community, retail, commercial and workspace uses. The appropriate mix and quantum of uses is considered on a site by site basis. The Economic Regeneration team will ensure that where appropriate and in accordance with the local planning framework, all development and regeneration opportunities provide and maximise opportunities for jobs and employment via the provision of commercial space.

Recommendation Nine a) The Commission recommends communications by Hackney Council continues to encourage EU citizens to remain and sign posts to relevant information about their rights. b) The Commission recommends the Council's Landing Pad and Launch Pad gives advice on how to adapt and where to go for business support as the impact of Brexit on businesses unfolds with decisions and policy development.	*a) Lead officer: Sonia Khan, Head of Policy and Partnerships* The Council has already begun a campaign programme to encourage EU citizens to remain and is committed to continuing to provide this positive messaging through the manifesto. However alongside this positive communication campaign, we also agree that we need to highlight the key risks to EU citizens if they do not apply to the settled status scheme, especially more vulnerable groups. A communication campaign is planned, alongside tailored advice. Hackney is reviewing advice needs and launching a new grants framework and meeting this new need is factored into the framework. *b) Lead officer: Paul Horobin, Head of Corporate Programmes* The information, advice and guidance provided through the Council's business engagement tools will reflect key issues facing local businesses, including Brexit and its implications, as these become known.

Recommendation Ten The Commission recommends the Council lobbies Central London Forward and the Government to encourage employers to view Brexit as an opportunity to re-examine how to improve skills in the capital and provide support to do more to nurture UK talent.	*Lead officer: Andrew Munk, Head of Employment & Skills* A key area of focus for Central London Forward (CLF) is shaping and influencing the direction of travel for the newly devolved Skills system. From September 2019, the GLA will have responsibility for the devolved Adult Education Budget. The Skills for Londoners Board - which CLF is part of - plays a key role providing advice and oversight to the GLA around implementation of their ambitious Skills for Londoner strategy. As an active member at both a political and senior officer level, Hackney is working closely with CLF to seek to ensure the newly devolved skills system not only focuses on delivering a range of employment related outcomes; but also sees potential skills shortages across a range of sectors following Brexit as an opportunity for local residents. This includes ensuring training providers focus on delivering provision and qualifications which meet the needs of employers across key sectors such as health & social care; hospitality; construction - who are all projecting labour and skills shortages post-Brexit.

Recommendation Eleven The Commission recommends the Council's relationship-building work includes supporting and facilitating the business support needs of social enterprises e.g. helping social enterprise businesses to access collaborative working opportunities where possible.	*Lead officers: Sonia Khan, Head of Policy & Partnerships. Suzanne Johnson, Head of Economic Regeneration* Hackney is developing a new Voluntary Sector Strategy which will go to Cabinet in February 2019. This re-sets our strategic relationship with the sector, and includes working with social enterprises. The strategy will explore how support services for the Voluntary and Community Sector can benefit social enterprises and the Council is working with Hackney Cooperative Development (HCD) to develop their quality mark to enable Social Enterprises to potentially access Hackney's grant funding for those organisations that are meeting community need. Through the business engagement and communications programme and the Council's commitment to being a Social Enterprise Borough, the Council will focus on

	meeting the needs of social enterprises and encourage social enterprises to develop, grow and thrive. A Social Enterprise Partnership has been developed in collaboration with HCD Social Enterprises in the borough and the joint Social Enterprise Partnership Manifesto will be formally launched in November 2018 setting out further details on specific actions and outputs to be delivered.

Recommendation Twelve a) The Commission wishes to receive a report on how the Council can provide support to SMEs in the borough to set up apprenticeship placements and an outline of the Council's understanding of apprenticeship support needs for local businesses. b) We recommend the Council explores the development of higher level apprenticeships (level 3 and 4) for all ages and encourages the development of apprenticeships for more experienced workers looking to transition or embark on a career change.	*Lead officer: Andrew Munk, Head of Employment & Skills* a) The Council will continue supporting SMEs in the borough via a number of means including the set up and implementation of our apprenticeship network which will include: 1. Engaging with smaller, non-Levy paying employers who can receive financial support from the Government to create apprenticeships and help them understand apprenticeship funding and the new apprenticeship standards. 2. Seeking to transfer 10% of our Levy funds to smaller employers which will help them to offer more apprenticeships to residents. 3. Sending a clear signal of the Council's expectations of what constitutes good quality apprenticeships in terms of employment, pay and training conditions helping SMEs deliver quality apprenticeships. 4. Acknowledging and celebrating examples of good quality apprenticeship delivery within SMEs. 5. Providing a link to the Council's wider strategic ambitions for business engagement and partnership work supporting the local economy. SME support needs generally centre around support in relation to pay, training costs, support around the creation of new apprenticeships, and accessing training providers. Many SMEs also have support needs around managing an apprentice once in place, and how to best recruit apprentices. Many SMEs are unsure of what to pay an

	apprentice. We recommend that employers pay apprentices the London Living Wage of £10.55 an hour. We understand the challenges this may pose for some SMEs and for those unable to match the London Living Wage we recommend paying apprentices at least £7.50 an hour. (The national minimum wage for apprenticeships is £3.70 an hour). We also advise on use of an apprenticeship training provider that has at least an OFSTED grade 2 rating and have a current SLA in place with us, as well as ensuring sufficient pastoral support and mentoring is in place. SMEs are often unsure of how to recruit an apprentice. We have a commitment to recruit Hackney residents and, to this end, utilise the Council's support services, namely Hackney Works and Supported Employment who can help with the recruitment and retention of candidates from within the borough (including those with a disability or Health condition). We are also able to offer support around writing of Job descriptions. b) The Council's apprenticeship programme currently offers apprenticeships at a range of levels. Of our 107 apprentices, 14% are studying at Level 2, 61% at Level 3, 19% at Level 4, and 6% at Level 7. Our apprentices range in age from 16-51, and 23% of our apprentices are over the age of 25. There is currently no upper age limit to apply for our apprenticeships. We have launched an 'adult improver' scheme in trades (plumbing, carpentry etc) for residents over the age of 25 Working with schools in the borough, we have recently taken on our first cohort of Teaching degree-level apprentices (Level 6). Going forward, we will continue to seek to offer higher-level apprenticeships, taking advantage of new degree apprenticeships available in areas including Finance, Social Care, and Teaching. We are also working with Timewise to pilot a part-time apprenticeship scheme which will focus on residents with Special Educational Needs and Disabilities, as well as older residents with childcare responsibilities.

Recommendation Thirteen We recommend the Council applies the principles it used to champion the implementation of the London Living Wage locally to encourage quality jobs and upskilling by employers for their workforce.	*Lead officer: Andrew Munk, Head of Employment & Skills* The Employment and Skills team offers a comprehensive menu of opportunities which proactively supports businesses to grow and prosper within Hackney, whilst also securing opportunities for the borough's diverse talent pool, with a focus on those facing barriers to the labour market. The menu of opportunities has an emphasis on securing well paid, high skilled and meaningful employment opportunities for local residents which supports long term sustained employment for residents. Working closely with business we support them to secure apprentices, create work placements and hire local out of work residents. In addition to this, through assessing a businesses' needs we effectively work together with them to develop a wider menu of opportunities specific to their business needs which creates a clear pathway to residents towards quality employment and training. Through our work with businesses in the borough we actively advocate and encourage that they pay Hackney residents the London Living Wage. As a borough we lead by example and pay the LLW to all our apprentices. We work with businesses to provide guidance and information on the specific benefits to their business of paying residents London Living Wage. Employment and Skills menu of opportunities identifies key areas where businesses can utilise our services to give opportunities to Hackney residents.

Recommendation Fourteen The Commission recommends the Council's procurement process in relation to employment and skills openly supports and encourages small and medium sized businesses to bid for local government contract work in Hackney.	*Lead officer: Rotimi Ajilore, Head of Procurement* The revised Sustainable Procurement Strategy(SPS) which is planned to be adopted by Cabinet in October 2018 include an action for Hackney Procurement Service to work with Economic Development Team, to run workshops for the supplier community (particularly SMEs) and ensure their understanding of Hackney's SPS commitments. This forum will also be used to used to provide support for SMEs on how they can access the Council's contracting

	opportunities We also have a commitment within the SPS that we will consider the size of contract and assess if it can be split into smaller lots to make it more accessible to Small and Medium sized Enterprises and local businesses We are also introducing an electronic tendering system which will make it much easier for SMEs to trade with the Council.

Recommendation Fifteen The Commission recommends the Council looks at developing measurable outcomes for the journey of residents going through adult learning, Hackney Works programme and the Council's apprenticeship scheme and reports back on the measurements put in place.	*Lead officers: Andrew Lee, Assistant Director, Education Services* *Andrew Munk, Head of Employment & Skills* *Nene Mburu, Head of Adult Learning Services* A Skills Devolution Working Group has been established involving senior officers from HLT's Adult Learning Service and Employment & Skills. A key focus of this group is to respond to the new outcomes focused approach to Adult Learning which the GLA as commissioner will introduce following the devolution of AEB funding in academic year 19/20. Alongside this external driver, a key internal driver for this new focus is to align the Council's Adult Learning provision with the Council's overarching strategic approach to inclusive economic growth. This includes better integration between the Adult Learning service and the Employment & Skills service. As part of this integration work, a new corporate dashboard will be introduced which tracks a range of Adult Learning outcomes as a part of a suite of wider employment & skills outcomes, including for example the outcomes achieved by the Hackney Works service and the corporate Apprenticeship programme. A key focus will be on progression across the various different areas of service provision and outcomes. The Adult Learning outcomes measures will build on the existing methods of measuring a learner's journey and outcomes. Specifically: a) Non-accredited courses – through the Ofsted approved and tested

	RARPA process (Recognising and Recording Progress and Achievement). Tracking of progress includes curriculum focused acquisition of knowledge and also holistic skills such as the skills learners need and develop to prepare them for employment and/or improve their personal lives e.g. supporting their children, confidence building etc. b) Accredited courses – learners achieve formal qualifications (from Entry 1 to Level 2 and GCSE) from a recognised awarding body e.g. Edexcel, City & Guilds etc. Learner progression (laterally, upwards, downwards) is tracked across curriculum areas.

Recommendation Sixteen a) The Commission would like the Council to explore the possibility of better aligning the adult community learning provision to its employment support service to provide a seamless service covering learning, training and employment support. b) The Commission suggests the Council's employment and skills service adopts an employability skills framework that supports people in and out of work to prepare and develop transferable skills for future job roles.	*Andrew Lee, Assistant Director of Education Services* *Andrew Munk, Head of Employment & Skills* *Nene Mburu, Head of Adult Learning Services* Key areas of focus for the Skills Devolution Working Group over the coming year include: 1) Developing, consulting and publishing an Adult Skills Strategy for Hackney. A key function for the Strategy will be to guide and influence Adult Learning provision commissioned by the Council. The Strategy will describe the skills and labour market context for Adult Learning provision; and the risks and opportunities this presents to residents and communities. At the heart of the Strategy will be a set of principles which underpin the Council's approach to Adult Learning, including a strong focus on supporting residents in and out of work to prepare and develop skills for future jobs roles. 2) A detailed set of proposals and options for the proposed restructuring and integration of the existing Adult Learning Service (ALS) and the Employment & Skills team. The key objective of this integration will be to provide a joined up service for residents, with a focus on the most disadvantaged, covering

	learning, training and employment support In advance of the start of Adult Learning provision for 18/19, several joint initiatives across Adult Learning and Employment & Skills have already been put in place to improve levels of integrated working between the teams. These include: ● Employment advisers engaging with learners in ALS classes as appropriate to provide bespoke employment advice and guidance. ● The Employment and Skills team to share with ALS progression of learners into employment. Key areas for joint working over the coming months have also been identified include: ● ALS to train Employment & Skills advisors how to use NARIC (tool for translating overseas qualifications into a British equivalent). The tool will help recent migrants acquire appropriate advice on employment and training commensurate with their ambition, prior education and achievement.

Agenda Item 8

Hackney

Skills Economy and Growth Scrutiny Commission 12th February 2019 **Skills, Economy and Growth Scrutiny Commission Work Programme for 2018/19**	Item No **8**

Outline

Attached is the work programme for the Skills, Economy and Growth Scrutiny Commission for 2018/19. This is a working document that is regularly updated.

Action

The Commission is asked for any comments, amendments or suggestions for the work programme.

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Overview & Scrutiny

Skills, Economy and Growth Scrutiny Commission

Rolling Work Programme June 2018 – April 2019

All meetings take pace at 7.00 pm in Hackney Town Hall unless stated otherwise on the agenda. This rolling work programme report is updated and published on the agenda for each meeting of the Commission.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Tue 26th June 2018 Papers deadline: Fri 15th June	Economic and Community Development Board	Chief Executive Directorate Stephen Haynes	Presentation about work strands and Council's current work
	Employment and Skills	Corporate Strategy Chief Executive Directorate Andrew Munk	Presentation about Employment and Skills Service
	Economic Regeneration	Economic Regeneration Chief Executive Directorate Suzanne Johnson	Presentation about Economic Regeneration Service
	Work Programme Discussion	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	To agree a review topic and discussion items for the work programme.
Thurs 12 July 2018 Papers deadline: Mon 2nd July	Business Forum Engagement Event	Economic Regeneration Chief Executive Directorate Suzanne Johnson	Hackney House in Shoreditch In relation to the current business forums this is a look at the barriers to engagement by BME business owners and how they support SMEs in a way that suits their needs.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
	Economic regeneration support to local businesses	Overview and Scrutiny Chief Executive Directorate Tracey Anderson	An engagement event with business owners from BME communities in July 2018
Mon 3 Sept 2018 Papers deadline: Tues 21st Aug	Hackney Council Voluntary and Community Sector strategy	Chief Executive Directorate Policy and Partnerships Team Community Investment and Partnerships Manager	Consultation on the new Advice Strategy being developed.
	Gambling Policy 2019-2022 Consultation	Neighbourhoods and Housing Public Realm – licensing Aled Richards	The Commission would like to discuss how the council promotes the licensing objectives and guidance from the Gambling Commission and hear about how the Council has built on these core objectives, developing an approach to licensing premises for gambling that reflect local circumstances in the Borough.
	Update on BAME Business Engagement Event July 2018	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Discussion about the engagement event, points raised and next steps.
	Draft Report – Future World of Work and Skills in Hackney	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Draft Report for sign-off
Mon 22 Oct 2018 Papers deadline: Wed 10th	Transport infrastructure – stations like Clapton, Hackney Downs modernisation to take increased		Transport themed session that includes looking at connectivity and affordability to get on the train.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Oct	flow of commuters through the borough and stations		Following investment to improve the railway connectivity in the borough. The Council was expecting further investment by TfL as soon as the stations became connected. The Council expected 2 things: a) That the station infrastructure would grow and expand and increase its capacity b) That developments would start to happen around the stations. Last year the Commission raised concern about the significant growth in terms of the interchanges at stations like Clapton and Hackney Downs and the negative impact this could have on employment growth in the borough if further investment to improve the infrastructure is not forthcoming.
	TFL changes to bus routes in Hackney		Transport for London does not consult rigorously on the reductions in frequency of bus routes and it anticipated there will be further cuts introduced this year. Scheduled for implementation is the route change to the number 277 bus. This is scheduled for implementation on 29/06/2018
	Stoke Newington Gyratory - Stage Two	***Discussed at Stoke Newington Ward Forum***	Consultation on removal of Stoke Newington one-way system and the shaft by Morrison's. This will be led by TfL with the Council's input. TfL are undertaking further modelling work and will be consulting on one proposed option.

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Mon 10 Dec 2018 Papers deadline: Wed 28th Nov	Cabinet Member Question Time sessions - Cabinet Member for Employment, skills and human resources	Mayor's Office – Head of Mayors Office and Support Officer Cllr Williams	
	Cabinet Member Question Time sessions - Cabinet Member for Planning, business and investment	Mayor's Office – Head of Mayors Office and Support Officer Cllr Nicholson	
	Council's response to SEG BAME Business Engagement Event Report	Chief Executive Directorate Director – Strategy, Policy and Economic Development Stephen Haynes	Response from the Council to the points raised in the scrutiny commission's BAME engagement report.
	Developing the Council's Strategy for Inclusive Growth	Chief Executive Directorate Director – Strategy, Policy and Economic Development Stephen Haynes	Board's update on the current work and strategy development.
Tue 12 Feb 2019 Papers deadline: Thurs 31st Jan	Making the Local Economy Work for Hackney - Evidence session for SEG Review	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Evidence session with RSA and London Prosperity Board

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
	Executive response and update on recommendations from Future World of Work and Skills Review	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Executive response to the WiH scrutiny review on Future World of Work and Skills
	Terms of Reference for SEG Review Making the Local Economy Work for Hackney	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Draft Terms of Reference for the new in-depth review
Mon 11th Mar 2019	Resident Engagement Session Hoxton / Shoreditch	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	TBC
	Resident Engagement Session Hackney Wick	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	TBC
Wed 13th Mar 2019	Resident Engagement Session Hoxton / Shoreditch	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	TBC
	Resident Engagement Session Hackney Wick	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	TBC
Mon 18 Mar 2019 Papers deadline: Fri 1 Mar	Making the Local Economy Work for Hackney - Evidence session for SEG Review	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	Conference and engagement with businesses for review

Dates	Proposed Item	Directorate and officer contact	Description, Comment and Action
Mon 1st Apr 2019 Papers deadline: Wed 20th Mar	Recommendations discussion for review	Chief Executive Directorate Overview and Scrutiny Tracey Anderson	
	Economic and Community Development Board Update	Chief Executive Directorate Director – Strategy, Policy and Economic Development Stephen Haynes	Update on the Board's current work and strategy development.
	Crossrail 2		Update on the progress of Crossrail 2
	6 month Review of New Licensing Policy		Monitor and review the new licensing policy to see if it has achieved its aims and objectives following implementation.

Please Note:

The Commission will be conducting a site visit to Here East in September 2018

Items removed from work programme

Brexit and the Council's engagement with businesses - risks and mitigating impact
Work force shortages and work place rights How can the uncertainty of Brexit be used to encourage businesses to invest more in local adult training and education for Hackney's young residents, to overcome the concerned about the loss of European workforce. This potentially can be an opportunity to encourage the larger businesses to do more, in terms of training and development with underrepresented communities. How are people going to be protected in the work place? Looking at employment rights and how we help people. Workers rights and engagement with evidence from employers and trade unions
Cost of living and ability to fill key roles in public sector.
The growing disparity between cost of living and public sector salaries is a real challenge for recruitment strategies and talent management.

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