

REPORT OF THE SKILLS, ECONOMY & GROWTH SCRUTINY COMMISSION

Making the Local Economy Work for Hackney

Skills, Economy and Growth Scrutiny Commission - June 2020
Cabinet - TBC

Classification

Public

Enclosures

Appendix 1

Appendix 2

1. FOREWORD

An inclusive economy is one where everyone benefits from economic growth regardless of where they came from.

However, the reality is that some groups of people - whether they are an immigrant, come from a low-income household, or are living with a disability - are often excluded from the wider benefits of economic growth and have to work even harder to access the opportunities that many of us take for granted.

Although Hackney has experienced significant economic growth, there is a disconnect from a portion of the Hackney population - particularly amongst young people - who do not feel that this growth has worked for them.

The coronavirus pandemic has exposed and amplified some of these varied inequalities that exist in our society, which disproportionately affect some groups over others. Whilst the virus itself does not discriminate, the systems that we live in by default do.

The truth is that some people feel left behind, and many businesses do not feel that the economy works for them. If we don't act, these differences in access and opportunity will eat away our sense of community. Having said that, the challenges that we face can be overcome, and to do so, we must start building a coalition of responsibility between the Council and Businesses to put inclusion at the heart of everything we do with purpose.

That's why the Skills, Economy and Growth Scrutiny Commission launched our review to better understand how we can make the local economy work for Hackney and its residents so that everyone benefits.

I am pleased that Mayor Phil Glanville and the Hackney Council administration has adopted the Inclusive Economy strategy listening to the perspectives and priorities raised by our commission and wider stakeholders.

I have been impressed by the work of the Council during the review to support our work gathering stakeholder insight and their willingness to continue working with the

Commission as they develop meaningful metrics to monitor the impact and success of the Inclusive Economy Strategy. We know that continued communication between the Council and the business community will be essential. We urge both parties to keep this in mind during this time of rebuilding our local economy.

Moving forward, our commission's work becomes even more important as we face the economic downturn of the Covid-19 pandemic: we cannot go back to business as usual, or accept that inequality and alienation are the norm. We must build back better with the principles of inclusive economy at the heart of growth for Hackney.

This is our opportunity to build back better.

A handwritten signature in black ink, appearing to read 'Mete Coban'.

Cllr Mete Coban MBE

Chair- Skills, Economy and Growth Scrutiny Commission

DRAFT

CONTENTS

| | |
|---|----|
| EXECUTIVE SUMMARY | 4 |
| Purpose of the review | 4 |
| Methodology | 6 |
| Key Findings | 7 |
| Recommendations | 12 |
| Outcomes | 19 |
| INTRODUCTION | 20 |
| Background | 20 |
| FINDINGS | 22 |
| What is inclusive growth? | 22 |
| Why do we need inclusive growth? | 23 |
| Principles for inclusive growth | 25 |
| Challenges for Inclusive Growth | 29 |
| National work on inclusive economy partnership | 30 |
| Supporting Cohesion - The Business, Community and Social Enterprise | 34 |
| Businesses, entrepreneurship and inclusive growth | 40 |
| Inclusive growth and employment | 46 |
| Council's role, work and powers | 49 |
| Measures for inclusive growth | 58 |
| What we need from Central Government | 61 |
| CONCLUSION | 63 |
| FINANCIAL COMMENTS | 64 |
| LEGAL COMMENTS | 64 |
| CONTRIBUTORS, MEETINGS AND SITE VISITS | 64 |
| Meetings of the Commission | 64 |
| Site Visits | 64 |
| MEMBERS OF THE SCRUTINY COMMISSION | 65 |
| BIBLIOGRAPHY | 65 |
| GLOSSARY | 66 |

1. EXECUTIVE SUMMARY

Purpose of the review

1.1 Why this topic is important

- 1.1.2 The UK economy has some impressive strengths such as being home to a number of globally successful sectors: finance, aerospace, motor manufacturing, life sciences, new technology start-ups and creative industries. However, despite these strengths, the economy has struggled during a decade of unprecedented policy interventions which has included fiscal austerity as well as near-zero interest rates for investment. Notwithstanding these various policy interventions, the UK has performed worse than most of its European neighbours.¹
- 1.1.3 Weaker productivity growth has led to consecutive years of real wage falls. The Institute for Public Policy Research (IPPR) has reported raising productivity across the UK economy as a whole will require a sustained focus on growing the productivity of small and medium-sized businesses and addressing the future challenges such as the continuing technological displacement of jobs and changing labour market.
- 1.1.4 Although the job recovery of the UK's economy has prevented many households from the shock of unemployment, the squeeze on earnings since 2008, and changing nature of employment towards insecure, part-time work and zero-hour contracts, have increased in-work poverty.
- 1.1.5 As a result, high levels of poverty can now be found in many of the UK's cities, including those which have experienced strong economic growth - Hackney is no exception. In 2018 for Hackney, 21% (23% in 2017) of employed residents are paid below the London living wage.² Research indicates there are more people in the UK living in poverty, in work than in non-working households. Moreover, paid work is no longer providing a guarantee for economic inclusion.
- 1.1.6 It is widely accepted that the traditional approaches to economic growth are not working for all sections of the community. Therefore the assumption that wealth will trickle down and create prosperity has proved unfounded. Without an approach to inclusive growth, further entrenched inequality and disaffection in our communities will continue, locking in a vicious circle of diminishing private sector investment, lack of quality job opportunities, rising welfare dependency and an increased strain on public finances. The conclusion is there needs to be a different approach to creating inclusive prosperity for all sections of the community.
- 1.1.7 The (Royal Society for the encouragement of the Arts Manufacture and Commerce) RSA's Inclusive Growth Commission has stated the fiscal and economic case for inclusive growth is overwhelming and argues that tackling inequality and deprivation can itself be a driver of growth.

¹ The IPPR Centre for Economic Justice – The UK in a Global Economy

² www.trustforlondon.org.uk/data/boroughs/hackney-poverty-and-inequality-indicators/

- 1.1.8 The RSA's Inclusion Growth Commission has stated that the focus on inclusive growth should fundamentally be aimed at ensuring more people can participate fully in economic activity to develop prosperous and sustainable economies. Therefore they conclude that an inclusive growth model should include investment in social infrastructure too - health, education, effective skills and employment services - to have an impact on productivity and living standards.
- 1.1.9 The RSA's Inclusive Growth Commission has called for inclusive growth to be a national strategy. Recognising that in some cases the national regulatory change may be required to bring about more meaningful behavioural change. However, the consensus is that inclusive growth should not be centrally controlled but broadly in line with the devolution agenda.
- 1.1.10 Also, being in employment now requires people to grapple with issues such as precarious employment, the rise of self-employment and further problems related to technological advancement. We have seen that technology is changing how we live, work, communicate, and the UK's economy is on the verge of experiencing a fourth industrial revolution. The continuing technological displacement of jobs is likely to provide future challenges and affect an increasing proportion of the employed population.
- 1.1.11 Hackney's story shows enormous amounts of transformation, rapid change and economic growth. But there are still high levels of inequality in the borough and pockets of very concentrated disadvantage. Additionally, there is also the challenge that the borough has been measured as less deprived by the national measures for indices of deprivation.³
- 1.1.12 The council recognises if the changes are quick people can experience a sense of loss of belonging to their community. Research has revealed that we need to understand that the 'grow now, redistribute later' approach of recent decades has failed, and that a new model of inclusive growth is necessary. A model whereby as many people as possible can contribute to, and benefit from, economic prosperity.
- 1.1.13 The high streets are changing, and the council recognises that these are essential hubs for local civic, cultural and community life. As retail markets continue to experience rapid change, the local economy needs to ensure town centres and high streets diversify to provide a mix of facilities, and that these hubs also help to retain local money in an area which in turn supports local businesses.
- 1.1.14 Although Hackney has experienced significant economic growth, Hackney residents have told the Council that not everyone is benefiting from the new opportunities, coupled with businesses saying they are struggling with rent and rate increases. Local research has also confirmed that inequality, in-work poverty and low paid precarious work is a real issue for Hackney residents.
- 1.1.15 The history of economic growth in London shows vast amounts of job creation, and in Hackney, we have seen more people in the borough in employment. However, as London's economy hollows out, there are now more people who are working but living in poverty than a decade ago with no steady supply of secure, quality or well-paid jobs.

³ Hackney's Inclusive Economy Strategy 2019-2025

- 1.1.16 Inclusive growth policies have the potential to help reduce poverty and inequalities by focusing on some of the economic conditions that can cause these, particularly for working-age people and their families. The hope is by reviewing these policies will improve job security, tackle low pay, and provide targeted services that support employment.
- 1.1.17 During this review, the Council shifted its focus from inclusive growth to an inclusive economy approach. The refocus to an inclusive economy approach means that the Council will look at how the economy works. An inclusive economy aims to reshape the economic system to serve people and communities interest better and sees communities and people as active players in wealth creation. Therefore 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. The Commission welcomed this shift.
- 1.1.18 The inclusive economy policy area is essential to Hackney because we want to see all residents prosper from the changing economy and upskill as required. We want to see businesses grow and thrive with better relationships between the public, private sectors and the community to support and develop each other.
- 1.1.19 Although we sometimes believe there is no alternative to the economy we have today. There is still the urgent need to address the skills shortages, the proliferation of low-skilled jobs and the productivity challenge both for supply and demand.
- 1.1.20 To achieve inclusive growth will require confident, imaginative and collaborative leadership, mobilising the whole system. Though the terminology may vary the underlying sense is the same, whether it is about 'more and better jobs', 'quality jobs', 'closing the gap', 'an economy that works for everyone' or 'inclusive growth is better for all'. It needs a system that is locally designed and implemented.

Methodology

How we conducted the review

- 1.2 This scrutiny review was conducted in tandem with the Council developing its Inclusive Economy Strategy. The Council started its economic development work looking at inclusive growth. During the process of developing the strategy, there was a political shift from talking about inclusive growth to an inclusive economy. This review has retained its original focus of inclusive growth and how to achieve inclusive growth.
 - 1.2.1 The Commission decided to compliment the Council's work by focusing on bringing the service user voice into the process. Evidence for this review was gathered during scrutiny commission meetings and targeted engagement sessions.
 - 1.2.2 The Commission held an evidence session with key stakeholders in a round table discussion with local partners who operate in this sphere.
 - 1.2.3 The Commission held a conference session with local businesses to better understand their perspectives and priorities for the local economy. The

conference provided local businesses with the opportunity to connect with the Council's regulatory and front line business support services.

- 1.2.4 The Council and the Commission worked together to bring local resident and business owner's voice into the development of the strategy and decision-making process.
- 1.2.5 The Commission drew on the work of the London Prosperity Board's pilot and the IPSOS Mori residents survey (carried out in 2018) to capture the views of residents.
- 1.2.6 Insight was also gathered from the Hackney Quest – Through Young Eyes report. This report provided the views of young people about employment and opportunities. At the time of writing this report, the Hackney Young Futures Commission had carried out a consultation with young people across the borough, but this consultation had not been reported. We are sure there will be young people's views that can be taken from this insight once the findings have been evaluated and reported.
- 1.2.7 The Commission's core questions for the review covered the topic of jobs, education/training and cohesion. They investigated if innovative approaches like the Preston Model (procurement, modes of ownership and investment in staff) could provide a pivotal contribution to inclusive growth for Hackney.
- 1.2.8 This report focuses on the main themes of our findings and forms the basis for our recommendations.

Key Findings

1.3 Overview

- 1.3.1 The increasing inequality and growth of in-work poverty have led to calls to the Government and businesses to develop a new model for a more inclusive growing economy. However, inclusive growth cannot be delivered by the public sector or Government acting alone; it will require partnership working and the involvement of businesses.
- 1.3.2 To make Hackney's economy more inclusive, the Council decided it was imperative to have a strategy that established a vision to support their work with partners. Critically they wanted to develop a shared approach that helped collaboration.
- 1.3.3 The principal aim of this review was to inform and support the Council's inclusive economy work and to provide the Council with the views of residents and businesses to help inform the development of the Council's Inclusive Economy Strategy. The key findings and recommendations from this review are detailed below.

1.4 Inclusive Growth needs partnership working

- 1.4.1 Achieving an inclusive economy will require a sizable amount of partnership working and the creation of connections that would not usually exist. Inclusive growth is about developing a partnership that involves citizens, businesses and the public sector to support and strengthen each other. It will be valuable in these partnerships to ensure that there are mutual benefits for all parties..

1.4.2 The supply chains of large businesses or public anchor institutions can provide a mechanism for identifying and engaging people and organisations. Their ability to facilitate and help support the creation of partnerships should not be underestimated.

1.4.3 Fundamentally, as a result of these new partnerships, there will need to be a shift in mind-set and all parties need not be afraid to share power.

1.5 **Businesses need to adopt responsible business activity**

1.5.1 Economic inclusion cannot be an afterthought; it should be a central theme to our local economy. Creating inclusive growth needs the involvement of employers/businesses and will mean fully integrating social and environmental responsibility into their business practices.

1.5.2 This review found that responsible business activity will be central to achieving inclusive growth, but our evidence suggests achieving responsible business objectives will be easier for large businesses than small and medium-sized enterprises (SMEs). A significantly large number of businesses in Hackney's economy are SMEs. The review highlighted that the capacity of SMEs to engage in this work could be constrained, and a different mechanism will be needed to engage SMEs in the corporate social responsibility (CSR) agenda. For that reason engaging with businesses needs to be at the heart of the council's inclusive economy strategy and the work to achieve an inclusive economy in Hackney will require a different and innovative approach.

1.5.3 We heard that many businesses already want to 'do the right thing' and make a difference. The review found for SMEs to successfully incorporate inclusive growth they should align CSR work with their business niche/industry. For Hackney's local businesses, it will be essential to make the actions for an inclusive economy, something that is helping to generate business profits. So if the business experiences pressure and employers need to do more of it, it will be profitable.

1.5.4 For SMEs successfully driving business activities that contribute to sustainable and inclusive growth means incorporating the work for this activity into a person's job role and ensuring it benefits the business and works with their supplier chain.

1.6 **Supporting cohesion**

1.6.1 The inclusive economy work is not just about having good businesses or regulation to have good businesses but also about connecting local businesses with the local community and for the community to see the business opportunities as accessible. Successful inclusive growth will require sharing power and giving people a role and voice in the things that affect them.

1.6.2 The review revealed that residents need businesses that are not just consumed with profit but are customer-focused and that the business values the human capital. Local research with residents revealed an inclusive economy was not just about everyone having a job but having an economy where everyone can choose to secure their livelihood in a way that suits them. I'll I

1.6.3 The report highlights that working towards

- 1.6.4 I and developing an inclusive growth business model will also require greater financial transparency in how the value created is apportioned. Therefore shifting business reporting on performance to be reoriented towards wider stakeholders - employees and consumers - to improve stakeholder awareness and not just focus on shareholders and profits.
- 1.6.5 Skills of the future is a real concern and this review highlights that residents need help to understand and see the changes coming and to have access to support or information on the steps to take to transition. The council's engagement with businesses will be vital to understanding the future needs of businesses and the labour market.
- 1.6.6 Our review did not get a sense of horizon scanning to consider future skills and the next big industry. The review found that for SMEs to contribute to the longer-term needs of the local economy constructively, they would benefit from having a space to explore and understand the skills requirements collectively for the next 3-5 years to prepare them and their workforce to support the transition. The creation of an employment advisory board or skills and employment board could be the catalyst to changing the curriculum, so it aligned better with the skills needed for future jobs. Building an education and skills system that helps education providers to evolve their provision towards being a careers hub too - enabling people to grow and move with the economy and labour market.
- 1.6.7 The review showed us that the employment practices of a local business could affect the perception of the owners among customers in the local community. Although workforce investment is essential, we acknowledge that many local SMEs may not have the capacity to seek inclusive growth through broader workforce investment and development. Notwithstanding these constraints, the report highlights that pathways between lower-skilled and higher-skilled jobs need to be created to help mitigate long term negative impacts of low paid work. Therefore business engagement with career pathways and future workforce needs should consider the job design and source of labour and make sure it dovetails and meets the needs of the local community too.

1.7 **We need effective training and skills development**

- 1.7.1 Given the importance of reskilling for a fast-changing, technologically driven labour market - the promotion of lifelong learning needs to underpin the support available to all workforce groups.
- 1.7.2 The Council's local economic assessment shows that Hackney's economy does not have a large number of big employers. So leaving skills development mainly up to the market and employers is not beneficial for Hackney. Hackney's economy will need services in employment support and skills development to help their residents and businesses develop a workforce for the current and future labour market.
- 1.7.3 Our evidence showed that assisting economic inclusion would require renewing the skills of the workforce. The report points out this does not mean concentrating the focus on young people but all age groups of the workforce and creating an adult education system that attracts people at various stages of their

working life, particularly those who have not studied for a while. Reconfiguring the work and skills system so that it supports quality jobs and progression could unlock significant social, economic and fiscal value.

1.8 Measuring the impact

- 1.8.1 It is important to remember that the impact of work carried out to achieve an inclusive economy will take several years to materialise formally. Nevertheless, this should not deter the establishment of the framework of a local measure or the Council outlining the key outcomes it would expect to see as a result of a more inclusive economy.
- 1.8.2 Currently, there is no national framework for measuring inclusive economic growth and the traditional metrics of economic performance - gross domestic product (GDP) at a national level or gross value added (GVA) at a regional level - are a poor guide to social and economic welfare. In our review, local research by the University College London (UCL) and London Prosperity Board (LPB) to understand local prosperity reinforced the need for locally specific measures (insight) to supplement the national metrics available.
- 1.8.3 With or without a national framework, measures should be defined locally. Our evidence showed any measures produced should explain how the opportunities and benefits of growth are distributed across different spatial areas. The report also points out that the measures provided by the Council will also need to assess the impact of businesses on the local economy.
- 1.8.4 Even though the outcomes from this policy shift will be challenging to measure, it does not mean that measures for success cannot be found. There may need to be creative solutions to capturing and turning the information into a measurable outcome.

1.9 What the council can do

The review helped us to understand how the council is currently using the levers it has available to influence and shape the local economy. Our evidence suggests there is room for the council to do more in the following areas:

1. *Encouraging other local public sector bodies to adopt the same vision concerning the procurement of services to meet an inclusive economy and socially responsible businesses in their supply chain.*

The council will need its public sector partners (anchor institutions) to have the same vision in relation to the procurement of services in their business supply chain. A focus on local business procurement will help to keep more of the big corporate, and public anchor institution spends within the local community. However, it should also create the ability for businesses to engage in corporate social responsibility work and also ensure some safeguards do not unduly expose SMEs to high costs. Moreover, there may be occasions when the council and partners may need to consider the role of regulation where voluntary action is unlikely to bring change.

2. *Facilitate access to information about different modes of business ownership.*

The review found that encouraging different modes of business ownership could also be the catalyst to influence and support the transition to a more inclusive economy.

3. Identify and strengthen the networks that underpin local businesses

We learned that companies often seek out support and information through business support networks. Our evidence suggests local authorities could identify and strengthen the networks that underpin local businesses, not just sector networks, but also community connections. Several similar challenges are facing local businesses in the borough. In the report, we ask the council to explore special interest networks/forums – like the apprenticeship network – to help influence, support and share how to operate a more socially responsible business. This, we hope, will lead to more enterprises establishing and achieving responsible business objectives.

4. *Demonstrate to business owners how they can build a successful car-free business in the borough.*

SMEs will need to be supported to adapt to the changes they need to make to operate a more sustainable business. There needs to be a demonstration to business owners of how they can build a successful car-free business in the borough. The critical role for the council will be to ensure the local infrastructure is in place to help local enterprises to make the shift to more sustainable business practices and operations. This should also include linking small organisations to big corporates with good ethical practices and using the council's community leadership role to support and help secure external funding for projects and programmes of work.

5. *Develop a framework that recognises and promotes the excellent work of local businesses in achieving responsible business objectives.*

Businesses want to be recognised for their excellent work. The report recommends the council explores setting up an award or something similar to the London Living Wage awards. Businesses want some form of recognition and promotion of their achievements. This could provide the incentive for SMEs work towards achieving responsible business practices that align with the council's inclusive economy strategy.

1.10 What we need from government

1.10.1 The economy needs to be reshaped with a focus on rebalancing economic, social and environmental objectives. Our review found achieving Inclusive growth in practice will need policies and approaches that are centrally driven but designed and delivered locally.

1.10.2 Inclusive growth requires the Government 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.

1.10.3 The Government's commitment to an inclusive economy may need to be reinforced by reviewing the traditional tax and regulatory policies to encourage all businesses to make greater civic and social responsibilities.

Recommendations

1.11 The Commission makes the following recommendations, the findings for which are presented in Section 3 of the report:

Inclusive Economy

Recommendation one

The Commission would suggest the Council's action plan for the inclusive economy strategy takes into consideration the key principles outlined in the bottom of the diagram by the RSA's IGC (diagram on page 27) when developing the council's inclusive growth. Although it is acknowledged each area will develop a strategy that meets the needs of its local economy. The Commission is of the view these principles can be used as a guide and will enable the Council to get a good understanding of the progress of their work in each vital policy area and could provide a way of monitoring the development of their inclusive economy work.

The Commission recommends the action plan, linked to the Council's Inclusive Economy Strategy, maps the Council's work to date in relation to the key principles outlined by the RSA's Inclusive Growth Commission (as instrumental to achieving inclusive growth) using it as a baseline to assess if the Council has all the necessary policies in place for achieving inclusive growth.

Recommendation two

The Commission acknowledges that partnership working is not new to local authorities. But the Central Government's work on the Inclusive Economy Partnership (IEP) has the potential for specific projects or pieces of work carried out locally, on the inclusive economy agenda, to be scaled up or to get national exposure. One of the critical issues for start-ups growing is getting those big early customers. The IEP reported that this way of working reduced barriers to partnership working for smaller and larger organisations and had given smaller organisations the ability to partner with big corporates.

The Commission recommends the Council encourage local pilots or projects that fit within the IEP's area of work to bid for involvement in phase two of the IEP work. To highlight the policies and practices needed for a local economy like Hackney.

Recommendation three

From our business conference, it was clear that local social enterprises did not want to be forgotten while transitioning to an inclusive economy. Social enterprises wanted more opportunities to work with anchor institutions and local businesses.

Although conflicts with funding sources were raised, social enterprises were confident their connections to the community could prove invaluable and that any dispute could be resolved through focused goals.

In the report by Joseph Rowntree Foundation (JRF) and Manchester University, it suggested that forging stronger relationships between the voluntary sector and businesses can provide a two-way process to achieve responsible business objectives. Further information about this is under point 3.6 (page 36) in the main findings selection of the report.

The Commission recommends the Council's inclusive economy action plan explores the avenues for social enterprises to access the opportunities to work more closely with anchor institutions and local businesses.

Recommendation four

The Centre for Local Economic Strategies (CLES) has been instrumental in developing the use of anchor institutions to help grow a local economy but pushing the reshaping of the local economy may require encouraging businesses to adopt different modes of ownership. It is argued that better business and community cohesion can come from supporting local and small business activity to help reduce poverty and keep more of the spend locally.

Recognising the power of service-based anchor institutions, Preston used its public services sector and anchor institutions to help grow the local economy. Through this work, Preston has been able to keep the economy's money as close to home as possible. The Commission is of the view supporting different modes of ownership will help to build better cohesion between businesses and the community.

The Commission recommends as part of the Council's inclusive economy action plan the Council explores how they can encourage different modes of business ownership.

Recommendation five

Entrepreneurs, by their nature, very often connect with networks and set up where those business networks operate in order to access business opportunities. Hackney has a high level of entrepreneurial activity in its economy. The high levels of entrepreneurship in Hackney may be addressing an unmet need or be driven out of reduced employment opportunities. This is something the Commission believes the Council needs to understand to better support SMEs in the borough.

Hackney may be an incubator for startups, but as the business thrives and grows, there is limited ability to stay in the borough. This could be linked to the challenges with availability and affordable workspace. In this review, the Commission was unable to explore this in more detail.

The Commission suggests the Council looks at the reasons why Hackney's economy is so different from the national trends. The Commission recommends the Council develops an understanding of the trends related to Hackney's SMEs such as being able to confirm why businesses choose Hackney as their start up

location; the conditions that allow them to thrive and grow and the reasons for their higher than average survival rate.

Recommendation six

From our discussions, we noted skills of the future are a real concern, but the Commission did not get a sense of horizon scanning to consider future capabilities and the next big industry. Self-employed workers expressed concern about upskilling themselves too. This highlights there are issues with the capacity of staff (concerning new skills) and the skills required. We also noted anxiety among business owners about where they could get access to training for skills and development. As currently, the adults' skills system makes no provision to support working adults to reskill. A system should be there to help people to retrain for jobs in new sectors.

The Commission recommends the Council explores how future workforce intelligence can be gathered. The Commission is of the view this could be a joint piece of work between the council and local businesses. This work should include identifying future job roles and business needs.

Recommendation seven

For an inclusive growth business model employment security and minimum employment, standards will be critical. If the jobs of low skilled workers provide few opportunities to develop further skills, this is likely to limit progression. An inclusive growth business model views its workforce as a valuable asset rather than just a cost and seeks to engage and develop their workers.

The Commission recommends the Council considers developing locally specific responsible business objectives that will encourage businesses who are employing to look at how they redesign jobs, how job roles are divided and the labour sourced.

Recommendation eight

The Council's engagement and communication with local businesses is a long-standing area of concern raised by local businesses. The Council established business forums across the borough in 2018. Since these were established, the Council has incorporated the voice of local black and minority ethnic business owners' in the co-design of online support services for businesses. The Council also plans to test out new ways to engage and will work to improve and develop the local business networks/forums.

The Commission recommends the Council's action plan for the inclusive economy strategy considers exploring if specific interest forums may help inclusion for businesses particularly Black and Minority Ethnic businesses (BAME) based on the key challenges these local businesses face.

Recommendation nine

The draft strategy reviewed by the Commission was viewed as good at linking up many policies seen as disparate and bringing them together. However, the Commission was

unclear as to how these policies would be used differently and not in isolation as their current operation. If the strategy is to be embodied, the Commission is of the view the policies and levers will need to be deployed in a different way to take the work of this strategy to another level.

The Commission recommends the Council ensures the action plan for the inclusive economy strategy links up social and economic inclusion policies to reinforce one another. The Commission would like an update on how this has been achieved.

Recommendation ten

It is essential that local businesses are incentivised to offer meaningful employment, apprenticeships and training. Strong progression routes should back the provision of entry-level jobs. Having progression routes that address the skills miss-match through higher quality vocational training can make higher-skilled jobs accessible while addressing the local and regional labour market needs. However, the fact that people in low paid work tend not to move into better-paid work may mean that there is benefit in not only looking at progression routes but also the design of work too. Particularly in low paid sectors so they can have a positive impact on the growth in the local economy.

The Commission recommends the Council considers using its business forums to help influence business behaviour. We would encourage the Council to diversify its geographical focus for business forums and consider having special interests business forums. They could operate like the apprenticeship network (leading by example) to encourage the adoption of inclusive business models that provide fairer rewards, minimum employment standards and investment in the workforce.

Support to Local Businesses

Recommendation eleven

Locally we heard businesses express the desire to be validated and receive recognition from the Council for their social value work. Businesses wanted to see a system in place to recognise and promote local businesses that offer all kinds of work opportunities (inc paid work experience placements, part-time work, etc.). While we understand that big corporates can develop community champions and participate more readily in corporate social responsibility, we were told smaller organisations who want to contribute to the environmental, social governance (ESG) agenda could incorporate it into a job role within the business. For SMEs, Corporate Social Responsibility (CSR) should be linked to everyday business activity in order for it to be sustainable.

We want to emphasize the importance of Hackney Council's planning and licensing levers. It is key that in the Council's work to reduce the use of fossil fuels and the development of low carbon technology infrastructure locally this is co-designed with Hackney's SMEs. We recognise it may require some insight work to enable SMEs to adapt to new business practices that reduce costs and the pollution from them, but the Commission is of the view this will help to ensure local businesses can reduce their dependence on polluting vehicles and being car-based businesses.

The Commission recommends the Council:

- a) **Explores how local SMEs can feel appreciated and how to champion local businesses who make available and offer the Council's recommended routes for work opportunities.**
- b) **Gathers insight work and co-designs with SMEs the low carbon infrastructure locally to reduce the use of fossil fuels and their dependence on polluting vehicles.**

Recommendation twelve

Although workforce investment is essential, we understand many organisations (particularly SMEs) may not have the capacity to seek inclusive growth through broader workforce investment and development. Even so, residents need businesses that are not just consumed with profit but are consumer-focused and are organisations that value the human capital and can assist economic inclusion by increasing and renewing the skills of their workforce, thus raising productivity. When it comes to growth, it is not just about growth and looking for well-skilled staff. It is about looking for fresh talent but also looking for people who are based locally to resolve things like the travel to work issue. This is where local support services and infrastructure will be critical.

Increasing employee ownership could also promote job stability. The Commission believes that having a business that is responsive to multiple stakeholders can be a positive driver for corporate social responsibility while also being essential to sustainable business performance. The use of employment charter initiatives to promote and grow suitable employment could also empower the various stakeholders to hold businesses to high labour standards.

The Commission recommends the Council looks at a way they can ensure there is local support for SMEs and examples of how they can engage with the Corporate Social Responsibility (CSR) agenda to work towards having a sustainable local business in the borough.

Recommendation thirteen

The discussion with businesses highlighted that Hackney SMEs could benefit from having a space to explore and understand the skills requirements collectively for the next 3-5 years to prepare them and their workforce.

The Commission recommends the Council considers the ways in which SMEs can contribute to the longer-term needs of the local economy constructively, the Commission is of the view there is a role for the Council in supporting SMEs with the space to do strategic thinking.

Recommendation fourteen

The Commission acknowledges the Council's work to date to create and encourage affordable workspace in the borough. But from the Commission's engagement with businesses, they expressed access to the affordable workspace as a recurring theme. The Commission wants to understand if the Council's work to date is having an impact.

The Commission recommends mapping the demand among SMEs for affordable workspace and from this information create a mechanism to assess need. This could be a way to harness the council's work around affordable workspaces to understand the impact it is having and if it incentivises more organisations to contribute to social value work.

Recommendation fifteen

A focus on local business procurement will help to keep more of the big corporate, and public anchor institutions spend within the local community, which in turn will allow businesses to thrive. However, access to procurement is not just about making contracts smaller for a local organisation to bid but also creating the ability to engage in the corporate social responsibility work. SME's set up and cash flow may not be able to sustain a delay or incur unexpected costs when taking over contracts. These types of experiences can exclude SMEs from procurement opportunities and thus further curtailing their capacity to engage in responsible business activity or in developing socially responsible business models for operation.

The Commission recommends that the Council ensures the procurement opportunities given to SMEs are dovetailed with safeguards that ensure the SME is not unduly exposed to high costs like TUPE or delays in contract transition.

Communications and Engagement

Recommendation sixteen

When discussions touched on technology advancement of Artificial Intelligence (AI), the London Prosperity Board (LPB) research revealed people were asking "where will the jobs go; will we have jobs and will there be jobs?" People could not see the future. The Commission is of the view where technology advancement or AI leads to the replacement of jobs, occupational pathways between lower-skilled and higher-skilled work need to be created as a way to help mitigate against the long-term negative impacts of low paid work.

Looking back on the economic growth in recent years, it tells us that we need to help people prepare for the skills of the future. This does not mean concentrating the focus on young people but all age groups of the workforce.

The Commission recommends, with regards to technology advances, the council's inclusive economy action plan includes working with local partners to identify the support and help residents need to (a) understand the change coming and (b) have a clearer understanding of the steps they would need to take to transition following changes to their job, and or sector of employment.

Recommendation seventeen

There will be residents who live in the borough who do not own a business or work locally. There is a lot of change happening to people quite quickly, and the resilience of local people to foresee and comprehend the changes in the borough is critical too.

Without having a business or being employed within the borough residents who live in the borough may not see or understand why there are changes.

The strategy says "We will develop a communications and engagement plan to promote opportunities for the local community and other stakeholders actively." During the review, it was unclear how the Council's inclusive economy strategy would engage with residents who live in the borough but do not own a business or work locally to ensure this group's views and needs were captured too. The Commission is of the view this is extremely important if the community is to own and engage in, an inclusive economy.

The Commission suggests the Council's communication's team explore innovative ways to engage the community with this strategy and how to get the message to local people about the vision for an inclusive economy.

- a) The Commission recommends the communication plan for the Council's Inclusive Economy Strategy outlines how it will or aims to attract the attention and engage with all residents including residents who live in the borough but who do not own a business or work locally.**

The Council has a crucial role in creating a vision and sharing this vision with businesses, local stakeholders and residents. The Council's geographically based business forums are a start but should not be the only means by which this strategy is communicated and shared with local businesses. We would urge the Council to consider how it will communicate this vision to all sections of the community and outline how its communication plan will address the communication deficit described by local business owners.

- b) The Commission wishes to receive an update about the proposed communication plan to promote the Inclusive Economy Strategy.**

Education, Training and Skills

Recommendation eighteen

In our engagement with stakeholders, training and further education providers suggested an advisory board for employment be set up. The view was an employer advisory board could be the catalyst to support curriculum changes and involve key stakeholders in the process of change. We were pleased to learn the Council is convening skills and employment board.

In the engagement session, the Commission also explored the possibility of training providers moving towards being career hubs and not just offering courses. From the Commission's work more broadly we have heard about the success of the Council's apprenticeship programme targets at local residents. We suggest any established employment and skills board or employment advisory board in the borough works with the council to acquire a good understanding of how a successful apprenticeship programme can operate effectively in the borough. We recommend the Council is included in local events so that their learning and best practice, in regards to successful

apprenticeships and operating a successful apprenticeship programme can be cascaded to businesses and training providers in the borough.

The Commission recommends local education providers and training education providers work with local businesses to explore and co-design curriculums so they can better align with the jobs and skills needed in the labour market. The Commission suggests taking action like hosting events to provide information about the apprenticeship levy and T-levels to demystify the process of offering placements.

Recommendation nineteen

The adult education system needs to attract people at various stages of their working life, particularly those who have not studied for a while. Currently, the most natural people to target concerning adult learning are those who have recently completed learning (20-30s). But it was also recognised that employers and educators should work together to update the curriculum so that it better suits future job priorities and to look at how the system can be used to upskill and to reskill for the future.

The Commission recommends the employment and skills board consider the use of social media to nudge people and get people interested in career development, so they can learn more about the labour market or industry changes and better prepare for the economic changes whether that is labour market or industry changes.

Measuring Progress

Recommendation twenty

The Council proposes to develop a set of measures at a local level that will help them understand the broader range of factors and dynamics in an inclusive economy. The Commission noted the Council is planning to draw on the work of the London Prosperity Board when developing their metrics to measure the success of the Inclusive Economy Strategy.

Although we understand the outcomes from this policy shift will be challenging to measure, it does not mean that measures for success cannot be found. There may need to be creative solutions to capturing and turning the information into a measurable outcome.

The Commission wishes to receive regular updates as the Council develops the metrics that will underpin the Council's inclusive economy strategy. The Commission would like to explore this further and contribute to the Council's work developing the metrics.

Outcomes

- 1.1. Since the review began, the following outcomes have already been achieved.

- i. At the time of writing this report, the Council had consulted on the draft strategy and had progressed to approve its Inclusive Economy Strategy formally.
- ii. Cabinet approved the Inclusive Economy Strategy in November 2019.
- iii. Since this review, the UK has experienced a pandemic (Covid19) with both the UK and local economy severely impacted. The Commission recognises the local economy is different during the Covid -19 pandemic and post the covid-19 pandemic it is likely to look significantly different again. As a result, the Commission proposes to look at the impact of Covid-19 on the local economy. The Commission will explore the proposed support to start rebuilding the local economy for recovery, and local business support needs post-covid-19.

2. INTRODUCTION

Background

- 2.1 Business is being conducted on a more global platform, and sections of Hackney's growing economy is locked into the global business platform. As a result, we have seen deepening inequalities, increased poverty and high levels of precariousness (employment and business operations).
- 2.2 It is also said that the UK's productivity is below that of our European counterparts, and there are risks that the UK's competitiveness holds down real wages and squeezes living standards. Academics have also pointed out that unless the UK can drive more inclusive growth, the UK's productivity will continue to lag.
- 2.3 Hackney is a part of a growing East London economy, and the region is considered to be the engine of economic growth across the capital of London. Hackney has experienced significant economic growth yet Hackney residents have told the Council that they are not benefiting from the new opportunities. We noted that between 2010 -2015 there was a 41% increase in businesses in Hackney and 2019 this increased to 60% compared to 13% in London.⁴
- 2.4 In addition to this, we have noticed a growing disconnect between businesses and the local community around them. This makes it essential to consider how to make the local economy work for everyone.
- 2.5 If an approach for inclusive growth is not developed the view is further entrench inequalities and disaffection in our communities will continue, locking in a vicious circle of diminishing private sector investment, lack of quality job opportunities, rising welfare dependency and an increased strain on public finances.
- 2.6 Research has highlighted that any genuine model of inclusive growth needs to involve businesses and engagement with organisations to help attainment of a set of standards. Inclusive growth becomes less about inward investment from external sources and more about harnessing and building up what is already here.

⁴ SEG Business Conference notes Appendix 2

- 2.7 Supporting cultural and creative industries, environmentally-based enterprises, local innovation and local enterprise, are often the components of wealth creation that can be overlooked but are by far more likely to achieve the following:
- Root and retain wealth within localities
 - Create an active local economic multiplier
 - Bring greater social return
 - Build long-lasting prosperity.

Why we did this review

- 2.8 Economic inclusion is more than having employment; it's looking at the impact of productivity and growth potential. Economic inclusion requires a greater connection between people and the economy.
- 2.9 This policy area is essential to Hackney because we want to see all residents prosper from the changing economy and upskill as required. We want to see businesses grow and thrive with better relationships between the public, private and community sectors to support and develop each other.
- 2.10 But Hackney's economy is different; approximately 90% of the businesses are SMEs and Hackney's economy has a level of resilience to build on because the economy is not based on one sector. This will make the inclusive growth work that the Council needs to do in Hackney out of the ordinary because the Borough's growth is different to other areas in the capital.
- 2.11 Having a large proportion of SMEs means the local economy has a high number of businesses that may need support and access to infrastructure to incorporate and operate a more socially responsible business model. We believe the Council has a vital role as a community leader to help connect local businesses with the local community to ensure local growth is more inclusive and that where possible there are pathways into high level sustainable good quality employment.
- 2.12 The Council wants not just to help shape how wealth is created and distributed. The principal aim of this review was to inform and support the Council's inclusive economy work and provide the Council with the views of residents and businesses to help inform the development of the Council's Inclusive Economy Strategy.
- 2.13 From this review, we want to understand the core principles needed to help create an inclusive economy for all. Specifically, to understand what local interventions could help shape the nature of employment opportunities, assess the demand for skills and support improvement to the terms and conditions of employment.

Review questions

- 2.14 Our review set out to ask the following core questions:
- 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 (Professional, Scientific and Technical sector, Information and Communication sector and Caring, Leisure and other services sectors) in the borough play a significant role in supporting cohesion in the wider community?

2.15 Additional questions supporting the above core question can be found here [\(insert link to TOR\)](#).

3. FINDINGS

What is inclusive growth?

- 3.1 The increasing inequality and growth of in-work poverty have led to calls to the Government and businesses to develop a new model for a more inclusive growing economy.
- 3.1.1 Inclusive growth looks at how the wealth created is distributed and aims to ensure the distribution is fair and inclusive for all within the community. Inclusive growth is about having a sense of ownership or stake in the economy and place. Typically the focus is on employability and helping to connect people with jobs.
- 3.1.2 For this review, we have taken the working definition used by the Royal Society of Arts (RSA) Inclusive Growth Commission (IGC) as the definition of inclusive growth. The RSA’s Inclusive Growth Commission (IGC) framed the concept of inclusive growth to be:
- a) finding a response to weak productivity, falling living standards and persistent deprivation
 - b) 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.

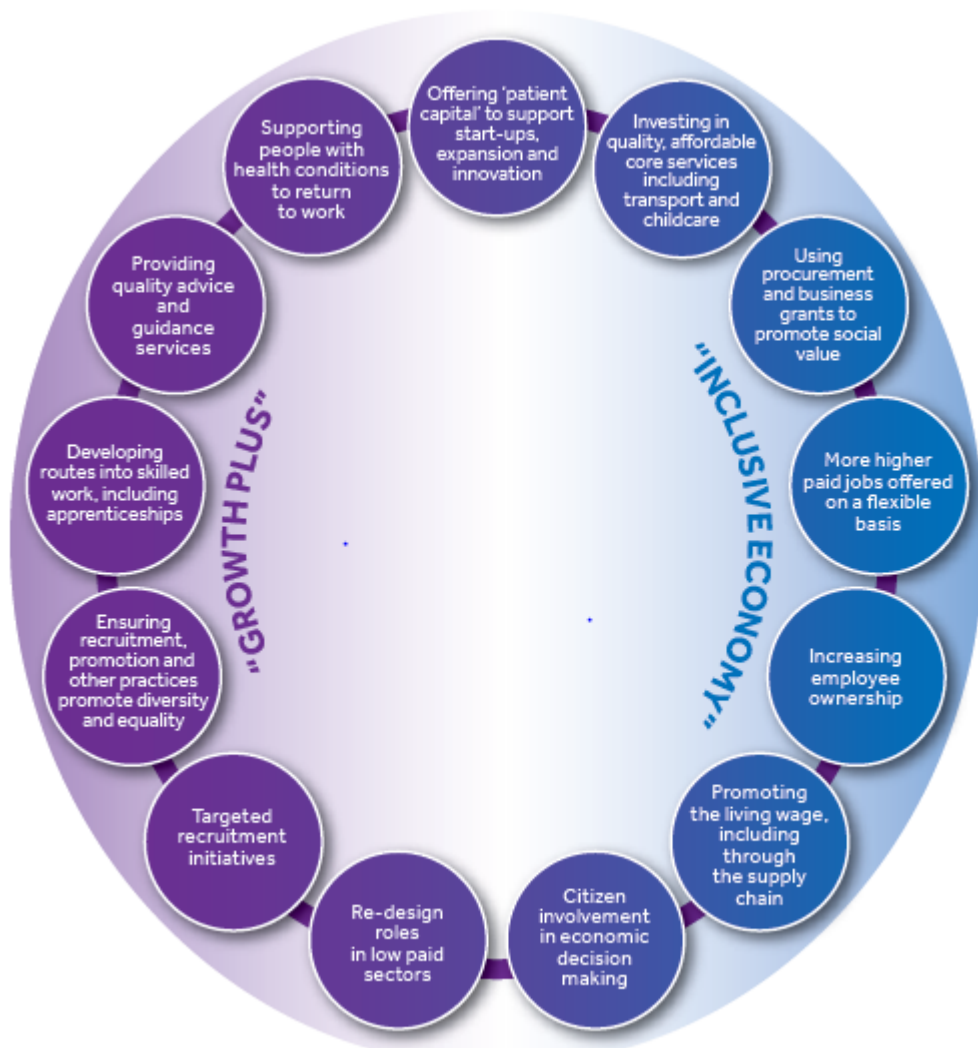
| | |
|--|---|
| Inclusive growth - Enabling as many people as possible to contribute and benefit from growth | |
| Socially: | Place-based: |
| Benefitting people across the labour market spectrum, including groups that face particularly high barriers to high-quality employment | Addressing inequalities in opportunities between different parts of the country and within economic geographies |

Source RSA Inclusive Growth Commission - Making the economy work for everyone

Why do we need inclusive growth?

- 3.2 Movement within London boroughs is not a new phenomenon. But more recently, it has been noted that increasingly Inner London boroughs are experiencing much higher levels of churn and transient populations. Many Londoners are now moving out of London through constraints rather than choice. Hackney has been experiencing significant demographic change too. The borough has seen more rapid social and economic change than almost anywhere else in the UK over the last 15 years. The population in Hackney has grown by a 3rd since 2001.⁵
- 3.2.1 The history of economic growth in London shows vast amounts of job creation, and in Hackney, we have seen more people in the borough in employment. However, as London's economy hollows out, there are now more people who are working but living in poverty than a decade ago with no steady supply of secure, quality or well-paid jobs.
- 3.2.2 The inclusive growth challenge has built up over many years and is a result of unbalanced economic growth, industrial restructuring and productivity gaps.
- 3.2.3 Although austerity has heightened the challenge (as Government spending has become increasingly reactive, rather than being focused on prevention), there are no quick policy fixes, and the public sector alone will not be enough. There needs to be a new, whole-system approach to inclusive growth that brings together the public sector, business, communities and citizens in a shared endeavour.
- 3.2.4 Even though local authorities do not have total control over the development of the economy; by prioritising the development of economic and social infrastructure, it can hopefully bring more people into more productive employment. Thus, in turn, boosting growth to help to share the economic benefits more widely - strengthen essential skills provision, routes into skilled work and develop initiatives to support progression for those in low paid work including the provision of affordable and quality care, childcare, transport and housing. The objective being to focus on the use of assets, ownership and building local economic resilience.
- 3.2.5 Inclusive growth policies have the potential to help reduce poverty and inequalities by focusing on some of the economic conditions that can cause these, particularly for working-age people and their families. This includes policies that aim to improve job security, tackle low pay, and provide targeted services that support employment. The diagram below indicates the inclusive growth policy areas that should be considered for inclusive growth.

⁵ SEG Business Engagement Conference notes May 2019 Appendix 2



Source: University of Manchester and Joseph Rowntree Foundation Inclusive Growth Analysis Unit Briefing Paper 9 April 2019

- 3.2.6 Taking an inclusive growth approach aims to promote good quality work by improving job security and pay, support the development of businesses which offer sustainable, quality employment and help prevent poverty in the future. In addition, this approach could also lower pensioner poverty in the future by providing working-age people with a sustained, secure income that enables them to save for retirement.
- 3.2.7 The Council has changed its approach to achieving inclusive growth and wants to change its relationships with businesses. Taking an inclusive growth approach to economic development means aiming to reshape the economic system to serve people and communities better. This approach also sees these parties as active players in wealth creation. The end goal is an economy that has human wellbeing, social, economic and environmental issues all interconnected.

Principles for inclusive growth

- 3.3 The evidence being produced now suggests it's not sufficient to seek to redress injustices and inequalities only by redistribution through the tax and benefit system. According to the IPPR report, Economic Justice inclusive growth must be 'hard-wired' into the processes of production and consumption. Meaning it needs to be tackled at source, in the structures of the economy in which they arise. These include the labour market and wage bargaining, the ownership of capital and wealth, the governance of firms, the operation of the financial system and the rules that govern markets. Economic inclusion cannot be an afterthought; it must be built into the economic system.⁶
- 3.3.1 RSA's Inclusive Growth Commission review identified five critical principles for inclusive growth. Their recommendations proposed a new model for Inclusive growth that combines social and economic policy. Believing that investment in social infrastructure (such as affordable childcare, transport and housing) is an integral driver of growth so that as many people as possible can contribute to and benefit from the new growth.
- 3.3.2 The principles to support inclusive growth were outlined to be:
- 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.

1) Creating a shared, binding mission

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.⁷

Researchers have indicated that a place that thrives is one where the people who live there have a sense of affinity with it, and one where the past, present and future are all connected. Combined with this, local businesses should be more engaged with the local community around them for the population to feel like they have a stake in the local economic growth. This may require shaping incentives so that businesses pursue legitimate goals of profit maximisation, but their operations also contribute to sustainable and inclusive growth.

The RSA's Inclusive Growth Commission work pointed out an inclusive economy is asking local governments to become more enterprising, businesses to become more civic and citizens to become more engaged. This means taking a long term look at the needs of the economy and integrating the views of its multiple stakeholders. This will give a sense of belonging to the place, a feeling of contribution to the local economy and a stake in the outcome. So its history makes it unique, but it is also a place that welcomes new people, communities and embraces change.

⁶ IPPR Commission on Economic Justice - Prosperity and Justice A plan for the new economy Final report executive summary

⁷ RSA Inclusive Growth Commission: Inclusive Growth Putting Principles into Practice

Therefore rather than viewing policies in isolation, they should be designed to reinforce one another. For example, employment support programmes might work with local businesses to engage and recruit people from disadvantaged backgrounds enabling businesses to fulfil their social value commitments. This could be facilitated by low cost and reliable transport and childcare services.

2) Measuring the human experience of growth not just its rate

Measuring what is of value and what you want to achieve from inclusive growth. Capturing the value of the social as well as economic infrastructure.

The measures for inclusive growth are not just for the quantity of growth, but also the quality of that growth. The traditional measures for economic performance such as GDP and GVA do not provide a clear guide of social and economic welfare. If the public is to engage with the metrics for inclusive growth, these should include understanding people's lived experiences (human capital). The work by the London Prosperity Board suggests what will be important going forward is not so much having a job, but a person's access to the resources and capabilities they need to live the life they want. Therefore the measures for success should be locally specific.

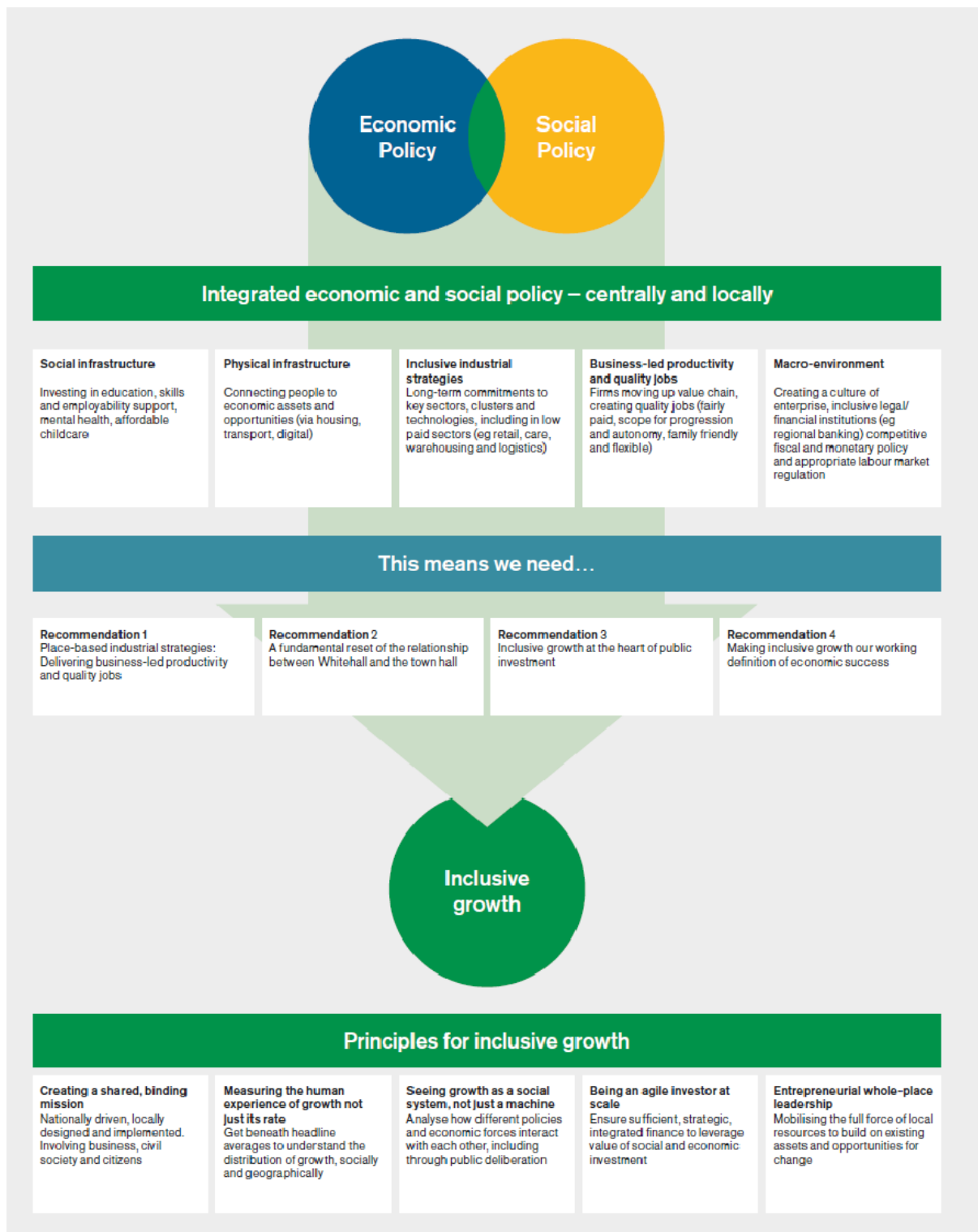
3) Seeing growth as the whole social system, not just a machine

Identify what is having an impact, where and why, and where services or spending are having perverse effects on inclusive growth outcomes. This may mean a rewiring of the system – structurally and culturally – to support inclusive growth locally.

A more inclusive economy will not just happen with the announcement of a new policy or initiative. It will require a significant change in the way that we think about and do public policy at a national and local level. Many reports on inclusive growth call on the national government to decentralise stronger powers to the nations and regions of the UK. But devolution alone is not enough to address the entrenched social inequalities. There needs to be a whole system change and a system that is designed and implemented locally.

This will call for the local government to be a more active and purposeful state. To be a more productive state must also be a decentralised one; enabling them to achieve prosperity, justice and environmental sustainability on behalf of society as a whole.

The diagram shows the complete system change for inclusive growth as recommended by the RSA's Inclusive Growth Commission.



Source RSA Inclusive Growth Commission - Making the economy work for everyone

4) Being an agile investor at scale

Ensuring sufficient, strategic, integrated finance of social and physical infrastructure 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.

An inclusive growth approach will require more investment-led growth and a focus on patient capital - thus reversing the tide of the rewards currently going to the owners of the capital in fast profits and instead going towards workers' wages - a stronger focus on minimum employment standards and investment into training those with lower skills to offer higher returns for both growth and inclusion. However, operating this way has been undervalued.

Improving social infrastructure, often defined in terms of education, care and health services, could also help to reduce systemic disadvantages and equalise employment chances. While these investments should benefit people across the income distribution, they could be particularly valuable for people on low incomes.

While companies can still hire staff by the hour, there is little incentive for employers to invest in equipment or training, which raises productivity. The UK's highly flexible labour market poses a risk of growing inequalities. While it can be hard to visualise an alternative economy, other countries have different economies, and many perform much better than the UK.

Partnership working with social enterprises can be a way of helping SMEs to achieve responsible business objectives. Closer partnership working of the two can also help scale up the social benefits of employed work by social enterprises.

5) Entrepreneurial, whole-place leadership

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.

Although it is recommended that inclusive growth needs to be driven by Government it is also recognised that the policies and system to drive inclusive growth need to be locally designed and delivered. Places that have a strong entrepreneurial base understand the need for change and inclusive growth will mean encouraging different modes of ownership and a more significant role for anchor institutions within a local economy.

At a strategic level, this should involve developing positive strategies and unique economic identities that build on the key strengths of the local economy. Local authorities will be required to take more of a facilitator role/convenor to help people and businesses to be more responsive to change. They should aim to maximise their levers - through planning, community infrastructure levy and social value - to assess the collective impact of businesses.

Research indicates the change may need to involve a rewiring of the system nationally and locally; therefore, it will be essential for this agenda to be driven by central Government but not controlled centrally.

Doing this work will also require developing a better understanding and a more precise focus on the potential links between inclusive growth policies and poverty.

Academic research has indicated that discussions about inclusive growth, both at a national and local level, should have poverty as an explicit focus. The Commission would suggest mapping the Council's action plan for the inclusive economy strategy to the key policy areas for developing inclusive growth outlined by the RSA's IGC (diagram on page 12). The Commission is of the view this will enable the Council to get a good understanding of the progress of their work in each policy area and could provide a way of monitoring the development of their inclusive economy strategy.

Challenges for Inclusive Growth

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| Key facts about the inclusive growth gap: |
| <p>In work poverty</p> <p>Of the 13.5 million people in poverty in the UK 7.4 million (55 per cent) are in working families.</p> |
| <p>Deprivation and productivity</p> <p>Across the 10 UK Core Cities (outside London) 38 per cent 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.</p> |
| <p>Low Productivity</p> <p>Two-thirds of the United Kingdom's workers are employed in businesses with productivity that falls below the industry average.</p> |
| <p>British cities are lagging behind on productivity</p> <p>Compared to the 10 UK Core Cities combined average productivity, Munich is 88 per cent higher, Frankfurt 80.7 per cent higher, Rotterdam 42.8 per cent higher and Barcelona 26.7 per cent higher.</p> |

Source RSA Inclusive Growth Commission - Making the economy work for everyone

- 3.4 Academic reports have highlighted the key challenges facing the UK's economy in working towards achieving more equal economic growth are:
1. Low productivity
 2. Low wages
 3. Poor working conditions
 4. Skills
 5. Less security
 6. Low-status jobs.
- 3.4.1 The challenges above make it difficult to have revenue growth, limiting business investment; which in turn makes it difficult for businesses to be more efficient and increase the wages of the workers. This is a trend that is repeated the world over. We heard that these challenges are part of more significant factors

like globalisation and technology. This has resulted in the reduction of bargaining power for people.

- 3.4.2 Therefore the critical challenges to creating an inclusive economy are to tackle low paid roles, the limited opportunities to progress out of this work and the reinforcing cycle of limited wage growth, which results in limited purchasing power. An inclusive economy means maintaining both inclusive and social goals.
- 3.4.3 In the current economic markets, there is no single institution or regulation that enables the operation of market forces to be more focused on economic inclusion. The challenges with creating an inclusive economy are this needs to be achieved through partnership working. For employers, the inclusive economy work or social inclusion can seem like a cost. Therefore it is essential to make the actions for an inclusive economy something that is helping to generate business profits. This means if the business experiences pressure and employers need to do more of it, it will be a profitable action.
- 3.4.4 The Council recognises that growth is dynamic in the borough and something they cannot stop. For this reason, the Council has opted to take an inclusive economy approach. Their inclusive economy work aims to bring together area regeneration, working with local business and employment.
- 3.4.5 The objective of the Council's inclusive economy work ensures no one is left behind. In the Commission's discussion with local stakeholders, there was a real passion for achieving an inclusive economy locally. In our engagement with stakeholders and businesses, they described to us the local challenges they thought could prevent inclusive growth work locally. They were:
- Limited understanding of the apprenticeship levy
 - Not recognising the link between SMEs capacity to invest in employment training/opportunities and the pressure of business rates and rents
 - Adequate resources
 - The existing cultures/attitudes of both businesses and the community.
- 3.4.6 Relationship building between public, private and community sectors to support and develop each other will be essential alongside a shift in mind-set. It is also important to start where people are and meet them. Consequently, it will be critical not to be afraid to share power.

National work on inclusive economy partnership

- 3.5 Several academic studies have pointed out an active state is needed to push forward this agenda with a more significant partnership between businesses, trade unions, Government and society. As part of this review, the Commission heard from the Cabinet Office about the Government's work on developing an Inclusive Economy Partnership (IEP). The Government set up the IEP with the aim of utilising the power of partnership to help solve some of the UK's most entrenched social and economic challenges.

- 3.5.1 The Inclusive Economy Partnership (IEP) has pioneered a new way of working for the Government. It has been looking at combining the mutual strengths of Government, civil society and businesses to help create a more inclusive economy in the UK.
- 3.5.2 For the IEP, an inclusive economy is an economy and society that actively engages all of its citizens. The partnership's view is, inclusive growth has to benefit all citizens in the community. This is not just financial or salary but in terms of their sense of purpose, corporate impact or impact on a neighbourhood. It aims to get individuals to think broader than their society. The IEP's ethos is:
- “Together, as the Inclusive Economy Partnership, we can actively join together the growing desire of the private sector, civil society and government to find, invent and deliver on-the-ground solutions to some of the hardest challenges facing those of us who are most in need of help, and feel less included.”*
- 3.5.3 The IEP has worked in partnership with various government departments (Department for Digital Culture Media and Sport, Cabinet Office, DWP, HMT) and CEOs from large companies covering a spectrum of sectors: financial services, retail, telecommunications, technology and utilities.
- 3.5.4 The challenge areas chosen were considered the issues that would primarily affect the entrenched social challenges faced by the UK's hard-working families. The partnership has focused on the following areas:
1. Financial inclusion and capability – Limited access to financial options and bad debt can lead people to make unfavourable choices. This area is looking at people who are on the edge of traditional banking services and in problem debt.
 2. Mental health at work – The relationship between finance and mental health is proven. The vision is for every employee in the UK to have access to mental health support at work.
 3. Transition to work for young people – Often young people are lost or drop out of the system when they do not follow the traditional path. This area of work is looking at the gap between the ages of 16-25 to consider how they can help ensure there is a pathway for young people from the education system to employment.
- 3.5.6 To tackle these issues, the IEP has utilised the expertise of civil society, the connecting power and credibility of the central Government and used the support from businesses who have the resources or skills in these areas.
- 3.5.7 The IEP was sure it had developed a successful model of working for the Government with businesses and citizens to achieve an inclusive economy. Therefore the IEP was confident the message about this way of working was reverberating across Whitehall and being considered as a new model/way of working. The Commission is of the view managing economic change will require more significant partnership working between businesses, trade unions, Government and civil society.
- 3.5.8 We noted the principle approach to the IEP's way of working was similar to the type of partnership working Hackney Council has been doing mainly to achieve outcomes outside of their direct control.

- 3.5.9 During the review, the Commission explored how the Government's work aligned to the sustainable development goals. The IEP's work had considered how the outcomes of the pilots aligned to the sustainable development goals and ensured they fit with the company's corporate social responsibility narrative. The key challenge they faced was the language barrier – business, Government and civil society often speak very different languages. Through the pilots, the IEP learnt it was essential to identify areas of mutual interest and how this could fit with the strategic goals of the organisation.
- 3.5.10 The key ingredients of successful partnership working were of interest to the Commission, and we also explored how the IEP aimed to ensure the partnership was a success. From the IEP's experience, a successful collaboration needed champions at a senior level as well as a working lead. Having multiple supporters at different levels within the organisation was required to drive the work forward. This helped to ensure there was real buy-in across the organisation and enabled them to get a sense of how the work fits within the broader priorities of the organisation.
- 3.5.11 A vital aim of the IEP was to help feed the voice of stakeholders into central government policy. One of the features the Commission was interested in was how the IEP's work helped to influence national policy and decision-makers like the Department of Works and Pension (DWP). At this stage in their work, the IEP was unable to demonstrate a tangible change but highlighted how they had influenced a DWP consultation. The IEP was of the view the DWP consultation would better reflect the needs of stakeholders and would lead to coherent government policy; even though they did not provide possible solutions to the challenges raised.
- 3.5.12 The changing political landscape means that continuation of the IEP's work is a key risk factor and the Commission made inquiries about how the partnership planned to make the work sustainable. In the current landscape, there were no guarantees this strand of work would continue under the new Government. However, the IEP was confident its solid evidence base, proving the model's success, would be vital in ensuring inclusive growth remained a priority for the Government going forward.
- 3.5.13 In regards to evaluating the impact, they were considering the outputs, outcomes, end-user, and how strategies changed as a result of this work. The IEP would be speaking to professional evaluation companies to assess its work robustly.
- 3.5.14 The IEP is of the view this way of working will help to achieve an inclusive economy. The IEP wants the Government to champion this as a way of working to make an inclusive economy. Although the Commission commends the work of the IEP and would encourage the council to explore if local projects could benefit from participating in phase 2, academics have pointed out inclusive growth in practice will need policies and approaches that are designed and delivered locally. Despite this work being centrally led, the Commission is of the view the role of Government should be 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.

3.5.15 The Commission acknowledges that partnership working is not new to local authorities. But central Government's work on the IEP has the potential for specific projects or pieces of work carried out locally, on the inclusive economy, to be scaled up or to get national exposure. One of the critical issues for start-ups growing is getting those big early customers. The IEP reported that this way of working reduced barriers to partnership working for smaller and larger organisations and had given smaller organisations the ability to partner with big corporates. The Commission would like the council to encourage local pilots or projects that fit with this area of work to bid for involvement in phase 2 of the IEP work.

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Supporting Cohesion - The Business, Community and Social Enterprise

3.6 Core Q3 - How can the emerging employment sectors in the borough play a significant role in supporting cohesion in the wider community?

- 3.6.1 How we think about prosperity is changing. In the last decade, the conventional notion of prosperity as material wealth, measured by rising levels of Gross Domestic Product (GDP), has been challenged by policymakers, social scientists and civil society.
- 3.6.2 Previously academics pointed out prosperity and economic justice conflicted - meaning we had to choose one or other but could not have both. The international evidence now points in precisely the opposite direction, telling us an equal economy generates stronger and more stable growth, lower social costs and greater wellbeing.
- 3.6.3 A recent report by the Joseph Rowntree Foundation (JRF) shows that factors such as low human capital can lead to the most impoverished neighbourhoods being cut off from their local labour markets, even when there are plenty of jobs 'at their doorstep'. This finding demonstrates that proximity to employment opportunities often does not guarantee work for those that would benefit from it the most and that housing supply, pricing and quality can reinforce patterns of economic exclusion and ill-health.⁸

Community

- 3.6.4 When the prime minister announced in 2010 that East London would be transformed into a technology incubator to rival Silicon Valley, nobody envisaged the level of inequalities that would result from the industry locating there and the impact this would have on the local community. The clustering of new enterprises in some geographical areas can raise income and housing costs in that location as the location gains in popularity. Hackney experienced this when Tech City made Shoreditch their home.
- 3.6.5 As we conducted the review, we heard about a partnership that was looking at sustainable and inclusive prosperity across London. The London Prosperity Board is a cross-sector partnership (which includes councils, civil societies, business trade organisations, think tanks, public body organisations and the Office of National Statistics (ONS) hosted by the Institute for Global Prosperity part of University College London (UCL). The London Prosperity Board (LPB) carried out some research across East London.
- 3.6.6 The pilot had three objectives: first, to understand what living well and prospering means to people in the three neighbourhood research sites (East Village, Hackney Wick and Stratford); second, to establish whether locally-specific conditions that support or inhibit peoples' abilities to flourish could be identified in small-area research sites; and third, to translate the findings into a conceptual model and set of prosperity measures capable of tracking progress towards, or away from, local visions of prosperity.
- 3.6.7 The LPB developed a neighbourhood dashboard which showed where neighbourhoods were doing better or worse in comparison to other areas in

⁸ Overcoming deprivation and disconnection in UK cities. Rae, A; Hamilton, R; Crips R and Powell R (2016)

London. The dashboards covered a couple of locations in East London; one of which was a local ward in Hackney borough (Hackney Wick).

- 3.6.8 Through the work of the LPB, we learned that inequality is a real issue for Hackney residents because many people are in low paid precarious work. Therefore even if a person is employed, poverty remains a crucial issue. For Hackney, the LPB provided evidence that in-work poverty and low paid precarious work was an issue for residents. The LPB highlighted this as a growing trend across all prosperous economies in the world.
- 3.6.9 During their research, inequality came up strongly across East London. From their analysis of the study, they noted the following mattered to people:
- Foundation of prosperity – secure jobs
 - Opportunities – life-long learning
 - Power – physical inclusion
 - Belong – social capital
 - Health and environment – secure neighbourhoods.
- 3.6.10 For their research and to understand how prosperity resonated with people, the LPB asked people to define what ‘good life’ means to them. They heard that an inclusive economy was not just about everyone having a job, but rather about having an economy whereby everyone can choose to secure their livelihood in a way that suits them.
- 3.6.11 The LPB’s work showed that people want a secure livelihood and their analysis concluded this could be provided in different ways. The LPB suggested achieving the desires of the people through the options listed below.
- Cash from a job
 - Community currency
 - Local exchange
 - A welfare of services
 - Universal basic service
 - Universal basic income.
- 3.6.12 Their research revealed that at different points in their lives people would have different needs – a worker becoming a parent may want to work part-time and work as part of the gig economy; whereas an older worker may have caring responsibilities and want permanent employment. Therefore, increasing the number of higher-paid roles offered on a flexible basis could also increase the number of higher-paid positions available to people who cannot work full-time.
- 3.6.13 From this research, we learned that prosperity is not solely related to private consumption. It also depends on the security and quality of work, the balance of work and life, and the amount of income received. It rests on the common good as well as individual wellbeing.
- 3.6.14 Overtime what is becoming evident is the change in what people have been used to thinking; that is that a job is the most important thing. The LPB concluded that what is important for people moving forward is not so much having a job, but rather having access to the resources and capabilities needed to live the life they want.

- 3.6.15 Anecdotally from Hackney Quest research, many young people spoke positively about regeneration and the improvements to Hackney's reputation. However, there were still negative comments concerning the declining affordability of the area, their sense of belonging being undermined, and being disempowered by the process of change – not feeling involved. Hackney Quest reported a strong sense of awareness of poverty among young people (even the youngest) where they picked up on the level of deprivation which included issues with housing for the local area.
- 3.6.16 Hackney Quest's direct engagement with young people picked up a perceived lack of work opportunities among young people, with some suggesting it was easier to make money illegally. In comparison, when asked about job opportunities in the economy, the residents' survey results were less negative than in 2015. In 2015, 28% of residents agreed that jobs created in Hackney were not accessible. This fell to 17% in 2018. In contrast, residents from black and ethnic minority backgrounds and those who rent their homes from social landlords were more negative about the volume of jobs for the current population. Similarly, residents with a disability or long-standing illness also disagreed that the jobs being created were for them. However, overall the residents' survey concluded there was a growing sense that the job opportunities were more accessible.
- 3.6.17 In response to the findings in the Hackney Quest report, HereEast (the business hub and campus in Hackney Wick) has been working closely with Hackney Council, Hackney Quest and young people to bring access and consideration of the opportunities available on their campus closer to local young people. Various initiatives had been implemented, including a young person's sticker to indicate a young person could approach the organisation to talk about employment and the hosting of events, bringing in corporate partners to work on initiatives.
- 3.6.18 From the resident survey and Hackney Quest report what was clear from both sets of community insight is that there were characteristics about the local area that young people valued and that for resident's community cohesion remained a high priority. We noted that overall there had been a fall in neighbourliness, with residents less likely to introduce themselves to new neighbours first (in 2018 31% from 28% in 2015).
- 3.6.19 The work by the LPB advised people want a voice and a role in creating the solutions to the inequalities being experienced. Although jobs are important, the LPB picked up that they are a means to an end. LPB wants to bring in the idea of people having secure livelihood as a broader concept because a person might not get the prosperity they want or need to live through a job.

Social enterprise

- 3.6.20 The CSR agenda is not just thought about by not-for-profit organisations. More and more profit-making organisations are starting to think about the corporate social responsibility of their organisation.
- 3.6.21 We know that social enterprises are good for inclusive growth because they have inclusive employment policies; directly engage with disadvantaged people in the labour force and create collaborative and systemic approaches to local

socio-economic development; alongside having participatory democracy/governance.

- 3.6.22 Social enterprises are vital to the diversification of an economy and can fill the gap in areas of market failure by meeting unmet needs. Locally, more work can be done to make it an even better social enterprise borough. The Council and other anchor institutions could do more to engage social enterprises in local economic/community development and we heard that social enterprises can be a way of helping SMEs achieve responsible business objectives.
- 3.6.23 It was acknowledged that there might be some community engagement that would be better led by social enterprises which have developed a relationship with the community. From our business conference, it was clear that local social enterprises did not want to be forgotten while transitioning to an inclusive economy. Social enterprises wanted more opportunities to work with anchor institutions and local businesses. Although conflicts with funding sources were raised, social enterprises were confident their connections to the community could prove invaluable and that any dispute could be resolved through focused goals.
- 3.6.24 The report by JRF and Manchester University suggested that forging stronger relationships between the voluntary sector and businesses can provide a two-way process to achieve responsible business objectives.

Business supporting cohesion

- 3.6.25 The fulfilment of inclusive growth objectives can be supported by organisations being civic stakeholders actively engaging with local government, education providers, the community and other agencies to support the development of skills, employment opportunities, and inclusive economic growth in the locality.
- 3.6.26 It is argued that better business and community cohesion can come from supporting local and/or small business activity to help reduce poverty and keep more of the spend locally. One locality that has adopted a model to support local businesses to grow and thrive within its local economy is Preston.
- 3.6.27 When Preston found their economy perched on a precarious edge at the end of a business cool down in 2011 - following the banking crash - they turned their fortunes around by taking a localism approach to the economy.
- 3.6.28 Recognising the power of service-based anchor institutions, Preston used its public services sector and anchor institutions to help grow the local economy. Through this work, Preston has been able to keep the economy's money as close to home as possible. In 2013 the six local public bodies spent £38m in Preston. By 2017 the figures stood at £111m in Preston. This was a big turnaround, especially in light of the fact that their budgets reduced from £750m to £616m.⁹
- 3.6.29 The Centre for Local Economic Strategies (CLES) has been instrumental in developing the use of anchor institutions to help grow a local economy and have worked with Preston to develop a local community wealth building model. From this community wealth building work, Preston is looking to take on more of

⁹ <https://www.theguardian.com/commentisfree/2018/jan/31/preston-hit-rock-bottom-took-back-control>

the form of the Cleveland model, which means encouraging the setup of different modes of ownership for local businesses within their economy.

- 3.6.30 The Cleveland model has employee-owned organisations, based on the suggestion that productivity is increased where employees have a stake in the company. There are three main alternative models beyond the prominently used shareholder value model. They are cooperatives (there are numerous forms), municipals and locally-led ownership models and national ownership. The Commission would like to see the council's inclusive economy strategy aim to encourage different modes of business ownership. The Commission is of the view that encouraging different modes of ownership will help to build better cohesion between businesses and the community.
- 3.6.31 To achieve inclusive growth locally, stakeholders were of the view that the following support is needed: a self-sustainability plan, a budget, and opportunities for people from marginalised communities to connect with employers/businesses.
- 3.6.32 In our discussion with stakeholders, they made suggestions for the action that could be taken locally to support the development of an inclusive economy such as:
- adopting the national living wage borough-wide;
 - teaching commerce in schools or partnering with schools to teach employability and business skills;
 - cross-borough collaboration and
 - to encourage local businesses to create pathways to leadership positions.
 - Most importantly, they wanted to encourage the involvement of people who do not usually sit at the decision table, e.g. parents (at school parent evening) and young people. In the stakeholder discussion, they suggested having a narrative to talk to young people and their families about various career opportunities.
- 3.6.33 What is becoming clear is that the speed of change and not seeing the changes coming is a real issue for cohesion between new businesses moving in and the existing community. We also noted the distinct views of existing businesses to have the same opportunities as the new companies moving into the borough and to be in a position to serve the local community better.
- 3.6.34 There will be residents who live in the borough who do not own a business or work locally. There is a lot of change happening to people quite quickly, and the resilience of local people to foresee and comprehend the changes in the borough is vital too. Without having a business or employment in the borough, residents who live in the district may not see or understand why changes are taking place.
- 3.6.35 The strategy says "We will develop a communications and engagement plan to actively promote opportunities for the local community and other stakeholders." The Commission is of the view this is extremely important if the community is to own and engage in, an inclusive economy.

- 3.6.36 During the review, it was unclear how the Council's inclusive economy strategy would engage with residents who live in the borough but do not own a business or work locally to ensure this group's views and needs were captured too. The Commission is of the view that the Council's inclusive economy strategy needs to attract the attention and engage with this cohort of local people too.
- 3.6.37 The Commission suggests the council's communication's team explores innovative ways to engage the community with this strategy and how to get the message to local people about the vision for an inclusive economy.

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Businesses, entrepreneurship and inclusive growth

3.7 Core Q1 - How can the council and private sector organisations work together to:

- a) **support an inclusive leadership culture and;**
- b) **diversity in the workforce to ensure it is inclusive and provides good quality sustainable employment?**

3.7.1 For inclusive growth, we need quality jobs, responsible businesses and strong physical and social infrastructures that promote and support the former two. But what makes the work on achieving inclusive growth challenging is the nature of the UK's modern economy.

3.7.2 The flexibility and challenges for the UK's labour market such as a low skills equilibrium, low-wage jobs and employment polarisation, have been recognised as barriers to more sustainable, inclusive and higher-quality growth. The UK labour market is highly divided with some good positions, however, an increasing number are experiencing insecure work and low pay, and unequal access to better jobs. The diminishing voice of unions is making it harder for the workers' voices to be heard. But inclusive growth policies have the potential to reduce poverty at the individual or household-level.

Inclusive leadership culture

3.7.3 An inclusive economy is not just about employment opportunities but also about ensuring there are opportunities for businesses to thrive and grow. In big cities like London, small businesses offer more diversity.

3.7.4 Small businesses also tend to attract talents which invent new products or implement new solutions for existing ideas. Additionally, larger companies often benefit from small businesses within the same local community, as many large corporations depend on small businesses for the completion of various business functions through outsourcing.

3.7.5 The inclusive growth agenda will need responsible businesses. Economic inclusion is central to the emerging agenda around responsible business. However traditional business models focus on shareholder primacy – the core of the business functions is driven by production efficiencies and shareholders have a residual claim on the surplus from production. But for inclusive growth, businesses should have a stronger focus on minimum employment standards, employment security and be more customer-centric.

3.7.6 We know many businesses already want to 'do the right thing' and make a difference. But the challenges faced by businesses (including rising rents, rates, the labour market and productivity) mean committing to achieving inclusive growth objectives will require a business to fully integrate social and environmental responsibility into the heart of its business practices.

3.7.7 We also recognised that the current corporate social responsibility agenda appears to be orientated towards larger organisations that may have greater public exposure. Nonetheless, the responsible business agenda is relevant to smaller businesses too.

3.7.8 Increasing the engagement of SMEs in the responsible business agenda requires the need for greater coordinated support through local services and

infrastructure. Inclusive growth is not just about businesses changing but also about how the borough does business and meeting businesses halfway.

- 3.7.9 We acknowledge the capacity of SMEs to engage in this work could be constrained. At our business conference, SMEs were advised to align their social responsibility work with their business niche/industry and incorporate it into their business model, to ensure it benefits the business and works with their supplier chain. To make this a success, the SME should incorporate this work into a person's job role. But it is just as important for this to align with the needs of the community as it does to the business.
- 3.7.10 Locally we heard businesses express the desire to be validated and receive recognition from the Council for their social value work. Companies wanted to see a system in place to recognise and promote local businesses that offer all kinds of work opportunities (inc paid work experience placements, part-time work, etc.). While we recognise that big corporates have the ability to develop community champions and participate more readily in corporate social responsibility, we were told smaller organisations who want to contribute to the ESG agenda could incorporate it into a job role within the business. For SMEs, CSR should be linked to everyday business activity to be a sustainable business activity. To get more SMEs engaged, the Council needs to find a way of recognising this and championing for local businesses to engage.
- 3.7.11 We recognise a different mechanism will be needed to engage SMEs in the CSR agenda. Our evidence suggests engaging more SMEs will require a local spatially-based approach. This is where the activity of the different actors involved in supporting businesses in a given locality are identified, and efforts are made to influence and support businesses to incorporate responsible business objectives in their activities for inclusive growth.
- 3.7.12 Businesses contributing to the stakeholder discussions in March 2019 identified very specific business needs and immediate anxieties. These included key issues such as; a solution to rent /rate increases; access to affordable workspace; parking; procurement opportunities with the council and anchor institutions; SMEs being procurement ready and networking with corporate businesses and the social enterprise sector in Hackney.
- 3.7.13 In relation to having a social value framework in the procurement process, one concern highlighted was to ensure contractors give equal treatment to the different elements of the criteria. For example, an organisation may seek to meet the social value criteria by creating local employment but may fail to meet other aspects of the requirements, such as the employment created being low-paid and precarious. The Council's Procurement Service highlighted there could be challenges to achieving social value outcomes when working with larger contractors, particularly if they say they can't offer apprenticeships etc. Currently, there was no other way of working with them to provide additional forms of support / meaningful training.
- 3.7.14 Even though breaking down contracts to enable smaller businesses to bid for contracts is good, it is not the single solution. It will be essential to monitor and ensure organisations meet all the inclusive growth criteria. It is not beneficial to have an organisation that fulfils part of the inclusive economy objectives if other parts of the requirements are unmet e.g. employs local but pay below the

London living wage. This could create impacts that are counterintuitive to a more inclusive economy.

3.7.15 The Council recognises the good work and contribution of corporates on the CSR agenda. However, for Hackney's economy, we are faced with the fact that small businesses may lack resources (including time) and the know-how to pursue responsible business objectives. There could be a lack of training or managers may not have the necessary skills or understanding to implement policies. SMEs need corporates to support their CSR work, and there needs to be further encouragement of big corporates or anchor institutions to support SMEs to engage with this work.

3.7.16 The Council told us they want businesses to feel supported through transition so that they do not feel targeted. Having a framework in which to identify good business practices may also help to identify gaps in activities. There are 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 stakeholders¹⁰

3.7.17 In Greater Manchester following engagement with stakeholders, they developed a responsible business framework. This framework (as outlined in the diagram below) aims to provide businesses with an inclusive growth perspective. The Commission recommends the council develops a framework that helps to guide SMEs in achieving responsible business objectives.

An Inclusive Growth Responsible Business Framework

¹⁰ Joseph Rowntree Foundation and University of Manchester – Ways to promote a responsible business agenda in UK cities: Greater Manchester (IGAU Responsible business report 2 of 2) Rafferty, A and Jelley, R.



Source: Promoting inclusive growth through responsible business in Greater Manchester – Briefing Paper 8 April 2018 Inclusive Growth Analysis Unit. Rafferty, A and Jelley, R Joseph Rowntree Foundation and University of Manchester

Entrepreneurship

3.7.18 Uniquely in Hackney's economy, there is a significantly large number of SMEs operating in the borough as opposed to large corporations. Hackney's business community is not one dimensional, but very diverse. This diversity strengthens Hackney rather than weakens it.

3.7.19 Entrepreneurs by their nature very often connect with networks and set up where their networks for business operate to access business opportunities. Hackney has a high level of entrepreneurial activity in its economy. The high levels of entrepreneurship in Hackney may be addressing an unmet need or be driven out of reduced employment opportunities. This is something the Commission believes the Council needs to understand to better support SMEs in the borough.

3.7.20 One thought that strikes the Commission is that Hackney may be an incubator for start-ups but as the business thrives and grows there is no ability to stay in the borough. This could be linked to the challenges with the availability and affordability of workspace. In this review, the Commission was unable to explore this in more detail.

3.7.21 The report Neighbourhood Economic Models suggests that skills, external connections between areas, and internal connections within communities all influence entrepreneurship in local economies. In this report, the prominence of high levels of entrepreneurship was described to be borne out of three characteristics:

1. Neighbourhoods that have an inflow of high income, highly educated residents who create local demand for high-end products.
2. Neighbourhoods with a high percentage of immigrants, that create local ethnic economies

3. Neighbourhoods that are close-knit, relatively low-income communities with distinct cultural ethos.¹¹

3.7.22 The Commission would suggest the Council looks at why Hackney's economy is so different from national trends. Using its community leader role we suggest the Council develops an understanding of Hackney's SMEs trends like the reasons why they startup here, the conditions that allow them to thrive and grow and the reasons for their higher than average survival rate.

Inclusive growth and good quality sustainable employment

3.7.23 Hackney wants businesses that are embedded within the community and who provide real opportunities within the economy as opposed to growth that trickles down to some people.

3.7.24 Critical creating inclusive growth needs the involvement of employers/businesses. But the work to achieve inclusive growth objectives by businesses will rely on the voluntary engagement of businesses. It is recognised that based on size and resources, the extent to which different organisations can engage with inclusive growth objectives will vary considerably. Therefore for businesses, it is essential to make the actions for an inclusive economy something that is helping to generate business profits. So if the business experiences pressure and employers need to do more of it, it will not hinder but support their profit goals.

3.7.25 We heard that for the Council and local businesses to support and contribute to an inclusive growth economy, they need to take the following action:

- 1) Give a voice and create a role for people in identifying the solutions that affect them.
- 2) Make an inclusive economy the core of how a business makes its profit, not just distribution.
- 3) Take into account of peoples lived experiences and work from there.

3.7.26 From an infrastructure perspective, employment support policies should be available to people both in and out of work to help more people move into good jobs that will provide secure and adequate incomes. The types of support available and the groups targeted will determine the success of these policies.

3.7.27 Though businesses need to understand and keep abreast of the workforce changes, it is also crucial that they know the importance of supporting infrastructure like childcare too. As we highlighted earlier in this report (under 1 at point 3.3.2), it is key to have social and economic policies working in tandem to reinforce one another.

Good quality sustainable employment

¹¹ Power to change - Neighbourhood and Economics Model - Reeder, N August 2017

3.7.28 Small businesses contribute to local economies by bringing growth and innovation to the community in which the business is established. They can help stimulate economic growth by providing new employment opportunities, often hiring people who may not be employed by larger corporations and serve as the building blocks for the financial community.

3.7.29 We learned that employment security comes from the type and duration of contracts offered. Although full-time work remains the norm, other types of non-standard employment have been growing too (including self-employment, agency workers and people on zero-hour contracts). Insecurity and lack of stable employment arise from a variety of employment practices such as:

- The use of temporary employment contracts
- Zero-hours contracts
- Increases in self-employment and contract based work.

3.7.30 Increased use of the above employment contracts has reduced the bargaining power of workers which has made it easier for the concentration of power to be in the hands of a few employers and big businesses.

3.7.31 The employment practices of a local business can affect the perception of the owners among customers in the local community as well as their engagement with local infrastructures - schools and education institutions.

3.7.32 The Council is a big champion of quality jobs and the London Living Wage. We acknowledge that discussions with businesses concerning how to bring in local talent and creating local talent via the use of apprenticeship are good. We are pleased that the Council is creating an apprenticeship network to work with local businesses to encourage the adoption of these two elements for employment locally. The Commission sees this as beneficial in helping local businesses to understand the apprenticeship levy and the whole process of creating an apprenticeship and/or traineeships. This should give businesses a clearer picture of how to create opportunities and how a work placement might evolve into an apprenticeship.

3.7.33 However, we do acknowledge for many organisations they may be constrained by their capacity to invest in the workforce and development.

3.7.34 Although workforce investment is important, we understand many organisations (particularly SMEs) may not have the capacity to seek inclusive growth through broader workforce investment and development. Despite this, residents need businesses that are not just consumed with profit but are consumer-focused and are organisations that value the human capital and can assist economic inclusion by increasing and renewing the skills of their workforce, thus raising productivity. When it comes to growth, it is not just about growth and looking for well-skilled staff. It is about looking for fresh talent and people who are based locally that do not have the issue of travelling to work. This is where local support services and infrastructure will be essential.

3.7.35 Increasing employee ownership could also promote job stability. The Commission believes that having a business that is responsive to multiple stakeholders can be a positive driver for corporate social responsibility while

also being essential to sustainable business performance. The use of employment charter initiatives to promote and grow suitable employment could also empower the various stakeholders to hold businesses to high labour standards.

Inclusive growth and employment

3.8 Core Q2 - Can the devolution of adult education create better training opportunities to enable people to progress into good quality sustainable employment?

Employers and training

- 3.8.1 The labour market has been seeing a hollowing out of traditional middle-skilled occupations. It has been reported that in the UK there are 9.2 million chasing 3.1 low skilled jobs leaving a surplus of 6.2 million. In contrast, there is a deficit of 4.2 million for high skilled jobs and 12.6 million chasing intermediate jobs, with only 10.7 million jobs available.¹²
- 3.8.2 Inclusive growth is seen as the link to social mobility in terms of access to opportunities for economic advancement and inclusion. The changes in technology are making significant changes to the labour market. There is concern that as occupations evolve, due to technological advancement, people will not have the skills to move into the new roles being created. It has become clear that the current skills system is not fit for purpose.
- 3.8.3 Where discussions touched on technology advancement or AI, the LPB research revealed people were asking “where will the jobs go; will we have jobs and will there be jobs?” People could not see the future. The Commission is of the view where technology advancement or AI leads to the replacement of jobs, occupational pathways between lower-skilled and higher-skilled work need to be created as a way to help mitigate against the long-term negative impacts of low paid work.
- 3.8.4 Looking back on the economic growth in recent years, it tells us that we need to help people prepare for the skills of the future. This does not mean concentrating the focus on young people but on all age groups of the workforce. We conclude residents need help and support to (a) understand the change coming and (b) know what steps to take to transition if they experience a job loss.
- 3.8.5 From our engagement sessions, we note the most commonly suggested route for businesses to engage in skills and occupational pathways and future careers was with young people through schools. Our panel of experts in the business conference cautioned against focusing on this area. A panel member pointed out this area of work was in danger of being oversaturated. The panel suggested thought should be given to finding better ways for SMEs to engage with the current and future workforce - in relation to work experience and career information - and dovetailing this with the local community’s needs. They highlighted if the community needs more support with their older workforce. Working with young people would not address or meet the immediate needs of

¹² LGA Skills, employment and inclusive growth Conference – Introduction Presentation

the local community, and the business would be failing to connect with the local community they are located in.

- 3.8.6 For the local economy and London to meet the skill shortages, we believe businesses need a cultural shift towards encouraging technical qualifications and vocational training. We think employers need support to see the benefits of vocational training, and there needs to be greater emphasis on creating vocational routes. This could help provide opportunities for people from marginalised communities to connect with employers and businesses. Nevertheless, there needs to be greater coordination at the local level between businesses and educational providers to help support skill development. This could raise productivity levels for the economy.
- 3.8.7 In our engagement with stakeholders, training and further education providers suggested an advisory board for employment be set up. The view was an employer advisory board could be the catalyst to support curriculum changes and involve key stakeholders in the process of change. We were pleased to learn the council is convening a skills and employment board.
- 3.8.8 In the engagement session, the Commission also explored the possibility of training providers moving towards being career hubs and not just offering courses. We recommend employers and education providers explore co-designing curriculums that could align to jobs and host events, providing information about the apprenticeship levy and T levels to demystify the process of offering placements.
- 3.8.9 We see the Council's apprenticeship network and business forums as a curator to facilitate, inform and where possible encourage local businesses to offer paid work placements, internships and to provide SMEs with support to set up apprenticeships and encourage the studying of T-levels.
- 3.8.10 Given the importance of reskilling for a fast-changing, technologically driven labour market, the promotion of lifelong learning needs to underpin the support available to all workforce groups.

Adult education

- 3.8.11 Technological advancement means that worker skills in many occupations become quickly out-dated or obsolete. Raising productivity and inclusion, therefore, requires a greater focus on retraining and lifelong learning.
- 3.8.12 Investment into training those with lower skills offers the highest returns for both growth and inclusion, but getting it right has been systematically undervalued. We noted the adult education system needs a retraining scheme targeted at people in the labour market whose jobs are at risk from technological changes and/or redundant skills.
- 3.8.13 Currently, the fragmented adult and lifelong learning system in the UK is seen as a hindrance to achieving occupational pathways. In our previous scrutiny review looking at the future world of work we recommended better alignment of the employment and skills service to the adult education services provided by the Council; to create a seamless transition from community learning to more formal qualifications and employment support.
- 3.8.14 From our discussions, we noted skills of the future are a real concern, but the Commission did not get a sense of horizon scanning to consider future skills

and the next big industry. Self-employed workers expressed concern about upskilling themselves too. This highlights there are issues with the capacity of staff (in relation to new skills) and the skills required. We also noted anxiety among business owners about where they could get access to training for skills and development. As currently, the adults' skills system makes no provision to support working adults to reskill. A system should be there to help people to retrain for jobs in new sectors.

- 3.8.15 We recommend that some thought be given to how this future workforce intelligence will be gathered. The Commission is of the view this could be a joint piece of work between the council and local businesses. This work should include identifying future role needs.
- 3.8.16 The adult education system needs to attract people at various stages of their working life, particularly those who have not studied for a while. Currently, the easiest people to target in relation to adult learning are those who have recently completed learning (20-30s). But it was also recognised that employers and educators should work together to update the curriculum so that it better suits future job priorities and to look at how the system can be used to upskill and to reskill for the future. We recommend the employment and skills board considers the use of social media to nudge people and get them interested in career development, so they can learn more about the labour market or industry changes and better prepare for the economic changes, whether that is labour market or industry changes.
- 3.8.17 We heard directly from local businesses how investment in training for them and their workforce is curtailed by rising rent and rates. The Commission acknowledges the challenges facing SMEs (rising rent and rates) which is impacting on their ability to invest in training. The Commission suggests the Council facilitates the exploration (with businesses) to consider if some form of training provision for business owners and their workforce could be provided. We recommend this includes providing businesses with information about quality jobs, training and meaningful routes into employment too.
- 3.8.18 The discussion with businesses highlighted that Hackney SMEs could benefit from having a space to explore and understand the skills requirements collectively for the next 3-5 years to prepare them and their workforce. To enable SMEs to contribute to the long-term needs of the local economy constructively, the Commission is of the view there is a role for the Council in supporting SMEs with the space to do strategic thinking.
- 3.8.19 Engagement with local businesses is an extensive area of concern raised by local businesses, but we note the Council's engagement with businesses will be key to understanding the future needs of businesses and the labour market.
- 3.8.20 For inclusive growth, business model employment security and minimum employment standards will be critical. If the jobs of low skilled workers provide few opportunities to develop further skills, this is likely to limit progression. An inclusive growth business model views its workforce as a valuable asset rather than just a cost and seeks to engage and develop their workers. The Commission would like the Council to consider developing locally specific responsible business objectives that will encourage businesses who are

employing to consider job design and how job roles are divided and the labour sourced.

Council's role, work and powers

Overview

- 3.9 Our review was conducted in tandem with the Council developing its Inclusive Economy Strategy. During the review, the Commission acquired an understanding of the difference between inclusive growth and an inclusive economy.
- 3.9.1 Inclusive growth is about having a sense of ownership or stake in the economy and place. Inclusive growth looks at how the wealth created is distributed, and very often, the focus is on employability and helping to connect people with jobs.
- 3.9.2 In contrast, 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. An inclusive economy approach works by reshaping the economic system to serve people and communities interests better. It sees communities and people as active players in wealth creation. The focus for an inclusive economy is about the use of assets and ownership and building local economic resilience.
- 3.9.3 During the review, we learned that the Council had shifted its focus from inclusive growth to inclusive economy. The Commission welcomed this move from the perspective that economic inclusion is concerned with the entire economic system of how wealth is both created and distributed in society.

Council's Inclusive Economy Strategy work

- 3.9.4 Hackney is experiencing rapid change and economic growth. The Council recognises if the changes are quick people can experience a sense of loss of place, belonging and health. In addition, the borough has been measured as less deprived by the national measures for indices of deprivation.
- 3.9.5 One of the key characteristics of the borough is its strong sense of community. As the district experiences rapid change, the most recent resident's survey showed there is a strong desire to safeguard this unique quality in the borough. Therefore building an inclusive approach to influence and shape regeneration (place) and growth will be vital in ensuring the old demographic and new demographic mix, but most importantly so that no one is left behind.
- 3.9.6 The Council told us its inclusive economy strategy aims to not only help shape the local economy and tackle inequality but also protect Hackney's community spirit and diversity. It also seeks to address the sense of disconnection some residents feel about recent economic changes in the borough.
- 3.9.7 For this reason, the Council shifted the focus of the strategy to an inclusive economy because they wanted to consider where the proceeds of growth were going, help shape that growth and make it more sustainable. The Commission was supportive of this shift in focus.
- 3.9.8 We noted the Council's inclusive economy work was not just about growth and opportunity but also about responding to the concerns raised by residents about

poverty and inequality; embedding and changing how the Council interacts with the economy, businesses and having a different approach to procurement.

- 3.9.9 Following a period of consultation, at the time of writing this report, the Council had published their inclusive economy strategy into which the Commission fed.
- 3.9.10 The Council advised the strategy to be shaped by various local and national evidence about the local economy, trends, data on the shape of the economy and workforce. Sources for such evidence included *the Equality Trust's Spirit Level work, the SEG Scrutiny Commission's work, the Hackney Quest Report Through Young Eyes, the Improve Access for Disabled People work, the Young Black Men programme, etc.* Which includes the needs of the people furthest from the labour market) and the previous work used to develop the Community Strategy. The Community Strategy sets out a new vision linked to the Mayor's priorities.
- 3.9.11 Cabinet adopted the inclusive economy strategy in November 2019. The strategy has three strategic priorities:
- **Priority 1.** Support local neighbourhoods and town centres to thrive and to be inclusive and resilient places.
 - **Priority 2.** Champion and support local business and social enterprise in Hackney and protect and maximise the delivery of affordable workspace in the borough.
 - **Priority 3.** Connect residents to high-quality employment support and opportunities to learn new skills, get good quality, well-paid work and progress their career throughout their working life.

3.9.12 In our discussions with the Council about the inclusive economy strategy, we heard about the work the Council has done to date to work towards achieving the strategy's objectives.

Priority 1. Support local neighbourhoods and town centres to thrive and to be inclusive and resilient places.

3.9.13 The council is using its assets to deliver affordable workspace and housing and has developed specific area action plans for town centres in the borough.

3.9.14 We noted the strategy aims to encourage town centres and high streets to diversify to provide a mix of facilities as the retail market continues to experience rapid change. As the high street changed, the council recognises these are essential hubs for local civic, cultural community life and that these hubs help to retain local money in an area which in turn supports local businesses. The Commission noted the council has identified opportunities to use its assets and planning powers and has designated areas as town centres in which to place shape to meet local needs.

3.9.15 The council has and will where possible contribute to infrastructure improvement projects to ensure town centres and shopping streets are served with a mix of sustainable transport and high-quality public realm.

3.9.16 The council also has concerns about affordable housing and has an estate regeneration programme. We note to date this is across 18 sites and will see approximately 3000 new homes for social renting, shared ownership and sale in the borough.

3.9.17 The Council is also using their planning powers to secure Section 106 agreements and has been working with projects like Hackney ZEN to encourage businesses to reduce emissions. The project has resulted in 31 polluting vehicles converted to electricity. To push the sustainability agenda, the Council has declared a climate emergency and has set up a municipal energy company to help promote renewable energy. The Council also uses its assets to support residents with digital skills training.

3.9.18 We want to emphasize the importance of Hackney Council's planning and licensing levers. We would recommend the Council includes SMEs in the designing and development of low carbon technology infrastructure (including new builds and road layouts). It is key that in the Council's work to reduce the use of fossil fuels locally the Council takes the opportunity to co-design with SMEs; to ensure they can reduce their dependence on polluting vehicles and being a car-based business e.g. shifting from scooters riders to e-cargo bikes. We recognise this may require some insight work to enable SMEs to adapt to new business practices - that reduce costs and the pollution from them and the community - but we would like to see the council identify how they can use their planning and licensing levers to support businesses to transition successfully.

3.9.19 The Commission learned that the resident voice was being captured through consultations with residents (i.e. the Dalston, Hackney Central Conversation, Young Futures Commission, Young Black Men programme, Sport England programme) to develop plans and priorities for these areas. In the strategy, you can read more about the plans for each specific town centre.

Priority 2. Champion and support local business and social enterprise in Hackney and protect and maximise the delivery of affordable workspace in the borough.

3.9.20 The Council's engagement and communication with local businesses is a long-standing area of concern raised by local businesses. The Council has established business forums across the borough in 2018. Since it was raised, the Council has incorporated the voice of local BAME business owners' in the co-design of online support services for businesses. The Council also plans to test out new ways to engage and will work to improve and develop the local business networks/forums. We would suggest this work considers exploring if specific interest forums may help inclusion for businesses (particularly BAME businesses) based on the key challenges local businesses feel are important.

3.9.21 The Council's new Local Plan (LP 33) protects existing office and industrial land by designating protected areas for business space, meaning they cannot be redeveloped quickly for other uses.

3.9.22 The Council listened to the resident voice about feeling disconnected from the economic changes around them. Under this priority, the Council is looking to work more closely with local businesses and push for more social benefits to the local community where businesses are based. The Council is using its local assets and has developed initiatives like the approved provider list for affordable workspace. Tenants on this list are required to provide local jobs, training, apprenticeships and community events.

3.9.23 To champion the London Living Wage (LLW), the Council has led by example and established an apprenticeship programme within the Council. The Council's apprenticeship programme is targeted at Hackney residents, has no upper age limit and pays the LLW. To push this work further, the Council has established an apprenticeship network to encourage local employers to pay the LLW and offer apprenticeships. The Council holds annual London Living Wage celebrations to recognise local businesses that pay the LLW.

3.9.24 The Council has continued to invest in local VCS organisations which helped to attract £28 million in external funding to the borough.¹³

3.9.25 Utilising procurement can help grow the local business supply chain. Access to procurement opportunities and SMEs being procurement ready was a recurring theme from the Commission's engagement with local businesses. The Council's procurement policy is utilised in ensuring suppliers pay the LLW, invest in local talent, train their workforce, consider trade union recognition and comply with the Modern Slavery Act.

Priority 3. Connect residents to high-quality employment support and opportunities to learn new skills, get good quality, well-paid work and progress their career throughout their working life.

3.9.26 The Council has acknowledged it needs to find ways to support local residents and its workforce better to keep pace with the speed of change. The Council has estimated that the largest population among residents to be between 16-64 years-old with a concentration in the 40-64 age bracket.¹⁴

3.9.27 The inclusive economy strategy aims to connect residents to high-quality employment support and opportunities. In connection with this work, the Council has placed employment support hubs in areas of high deprivation in the borough. The Council's employment support services also include bespoke personalised support services to disabled residents that have secured 40 good employment outcomes to date. The employment support service provision has widened its remit to support underemployment too. Despite there being just over 100 accredited LLW employers locally and the Council being a big advocate and continuously campaigning for local employers to pay the LLW. 21% of jobs locally are still paid below the LLW.¹⁵

¹³ London Borough of Hackney - Hackney's Inclusive Economy Strategy 2019-2025

¹⁴ London Borough of Hackney - Hackney's Inclusive Economy Strategy 2019-2025

¹⁵ www.trustforlondon.org.uk/data/boroughs/hackney-poverty-and-inequality-indicators/

3.9.28 Any apprenticeship levy underspent will be clawed back to the central Government after 24 months. The Council is exploring ways to use their apprenticeship levy underspend to help fund apprenticeships with small employers who sign up to the apprenticeship quality standards set by the Council. The challenge with getting small businesses to sign up is that the levy cannot fund the apprenticeship salary costs. The Council explained that the wage bill could be a real barrier for small organisations. From our discussions with stakeholders and the Council, it would appear that what would be of benefit to large employers is for the Government to review how the apprenticeship levy can be spent. Large employers would welcome the ability to maximise the levy spend by helping to support smaller organisations that would like to offer apprenticeships but are constrained by their limited capacity to make workforce investment.

3.9.29 Alongside these areas of work are further ambitions to push forward the inclusive economy strategy objectives. The Commission is pleased the Council is not just doing the minimum or quick wins but where possible seeking to push the boundary and be innovative to address the challenges. For example, the Council is exploring ways to spend their apprenticeship levy on funding apprenticeships with small employers in the borough. The Council is also trailing part-time apprenticeships aimed at single parents, disabled young people and young people with special educational needs. Additionally, the Council is looking at how to create a seamless pathway from unaccredited community based learning to skills and qualification for the changing labour market to secure good quality jobs. We support the Council's proposals to lobby Government for further investment in adult education and investment in life-long learning support at a local level.

3.9.30 The Council decided it was imperative to have a strategy that established a vision to support their work with partners. Critically they wanted to develop a shared approach which supported collaboration. In support of businesses, local authorities could identify and strengthen the networks that underpin local businesses – not just sector networks but also community connections.

3.9.31 The Commission understands that economic boundaries do not respect local authority boundaries and that the local authority may need to work across borders. As these externalities can impact the local economy, the Commission suggests the inclusive economy strategy reflects this. The council confirmed it was necessary to take into consideration that the borough is part of a global and regional economy and that this strategy will need to connect with their work with regional and pan London partnerships.

The levers the council can use for inclusive growth

3.9.32 The inclusive economy work will require the Council to use the role it has as a local leader to shape and influence the economy and community to become more inclusive.

3.9.33 Inclusive growth cannot be delivered by the public sector, acting alone. Academics have explained how the development of an inclusive growth approach should engage with business models and practices, as well as acknowledging how the broader institutional context and regulation can facilitate

responsible business behaviour or place 'beneficial constraints' on negative behaviour.¹⁶

3.9.34 We recognise achieving this agenda goes beyond doing what the Council can usually control or resource. But we heard that the Council does have some levers it can use to develop and implement the work of the strategy. These are planning, place leadership (its approach to regeneration), regulatory powers, procurement, use of assets (Council as a landlord) and as a funder of services - in some cases helping to secure external funding for projects and programmes of work.

3.9.35 The inclusive economy work is not just about having good businesses or regulation to do so but connecting local businesses with the local community and for the community to see the business opportunities as accessible. Therefore we note that responsible business activity is central to achieving inclusive growth, so engaging with businesses needs to be the heart of the strategy. However, we do acknowledge there may be occasions when the Council and partners may need to consider the role of regulation where voluntary action is unlikely to bring change.

3.9.36 Considering the physical side to transformation, e.g. neighbourhoods and town centres, the Council has a good track record for planning and aims to make sure business space is protected. Efforts have been made to ensure commercial properties have not been turned into poor quality residential properties. The Council has implemented an Article 4 regulation, meaning planning permission is still required before turning commercial space into residential properties.

3.9.37 From the review, we learned the Council is creating a spatial planning policy that aims to direct an economy to deliver the physical spaces that support and include the community. The Council has master plans for specific areas such as Hoxton Shoreditch, Hackney Central and Hackney Wick (Hackney Wick is becoming a popular area for new businesses) these aim to protect affordable workspace. The delivery of new affordable workspace is a high priority for the Council's inclusive economy strategy, particularly for industries like the creative industries that need this support to thrive. We heard about projects that are using the Council's assets in innovative ways such as turning the Old Baths into an affordable workspace for the creative industry.

3.9.38 The Commission acknowledges the Council's work to date to create and encourage affordable workspace in the borough. But from the Commission's engagement with businesses, they expressed access to affordable workspaces as a recurring theme. The Commission wants to understand if the Council's work to date is having an impact. The Commission suggests mapping the demand among SMEs for affordable workspace and from this information create a mechanism to assess need. Which could be a way to harness affordable workspace, understand the impact the current work is having and incentivise more organisations to contribute to social value work.

3.9.39 In our review, we learned how disconnected the local residents, and young people felt towards local businesses and the extensive local

¹⁶ University of Manchester and Joseph Rowntree Foundation - Understanding business behaviour that supports inclusive growth - IGAU Responsible Business Report 1 of 2

business hub in Hackney Wick. The Hackney Quest report pointed out how the young people in Hackney Wick Ward did not see HereEast as a place with opportunities for them or the local community. At the business conference, Plexal / HereEast outlined the work they were doing to engage with the local community around them, particularly the young people. Plexal also acknowledged that their original plans for the site had underestimated the number of jobs created by the organisations moving in. Therefore they were doing more work to engage with the local community through its corporate social responsibility and bringing in corporate partners to engage with local initiatives like Hackathon. The Commission is of the view there is more that could be considered in instances like this such as how entry-level jobs and accessible progression routes can be used to open up jobs in business hubs like HereEast.

3.9.40 Place-based leadership is an area that the Council can use its vision and understanding of local needs to assess the impact of local businesses. The Council is transforming its approach to area-based regeneration, looking at how it manages and grows the town centres. The Council works with local commercial property owners to influence the regeneration activity in areas of growth and town centres. The Council's economic regeneration team is working with developers and planning services to ensure the development is suitable for local needs.

3.9.41 The objective of the strategy is to encourage more partnership working with Voluntary Community Sector (VCS) and local businesses. Their ability to facilitate and help support partnerships should not be underestimated. Both local and national research has highlighted the critical role of anchor institutions in a local economy. To achieve an inclusive economy will require a sizeable amount of partnership working and the creation of partnerships that would not usually exist.

3.9.42 CLES research found that for every pound a small business spends, 63 pence stays within the local community. The ratio is reduced to 40p in every pound for larger corporations. The supply chains of larger businesses or public anchor institutions can provide a mechanism for identifying and engaging organisations, including SMEs. Currently, public sector organisations seek to promote socially responsible business behaviour among their contractors under the Social Value Act 2012 through the procurement process.

3.9.43 Procurement is a key issue for local businesses, and the procurement of local services is an essential lever of the council and anchor institutions. As services integrate, there is a growing importance to consider how the public sector and anchor institutions in Hackney can use the procurement of services to not only encourage responsible business practices but also give SMEs access to procurement opportunities too.

3.9.44 A focus on local business procurement will help to keep more of the big corporate and public anchor institutions spend within the local community, which in turn will allow businesses to thrive. However, access to procurement is not just about making contracts smaller for a local organisation to bid but also creating the ability to engage in the corporate social responsibility work. SME's set up and cash flow may not be able to sustain a delay or incur unexpected costs when taking over contracts. These types of experiences can exclude

SMEs from procurement opportunities and thus further curtailing their capacity to engage in responsible business activity or in developing socially responsible business models for operation. The Commission asks the Council to ensure that procurement opportunities given to SMEs are dovetailed with safeguards that ensure the SME is not unduly exposed to excessive costs like TUPE or delays in contract transition.

Supporting the delivery of Inclusive Growth

Developing a shared approach and collaborations

3.9.45 Partnership working will be vital in achieving an inclusive economy. The Commission is pleased the Council's proposed Inclusive Economy Strategy identifies the work the Council can do with partners and the local community to shape the local economy. The IEP's work demonstrated partnership working as one of the biggest benefactors in the work of the Government's pilots for smaller organisations. Particularly in helping to scale up small projects to achieve a more significant impact (regionally).

3.9.46 One of the key issues for start-ups and SMEs in their ability to grow is targeting the larger customers early on (working with big corporates). The Government's work on the IEP (as outlined in section 3.4) claims to reduce this barrier and to provide access to more opportunities for smaller organisations to connect with big corporates. We would urge (section x) the Council to encourage local projects that align with the government's IEP work to bid for phase 2 of the project.

3.9.47 The draft strategy reviewed by the Commission was found proficient in linking up many policies seen as disparate. However, the Commission was unclear as to how these policies would be used differently and not in isolation as their current operation. If the strategy is embodied, the Commission believes the plans and levers will need to be deployed in a different way to take the work of this strategy to another level. The Commission recommends the Council ensures their inclusive economy strategy action plan links their social and economic inclusion policies to reinforce one another.

Progressions routes

3.9.48 Local businesses must be incentivised to offer meaningful employment, apprenticeships and training. Reliable progression routes should back the provision of entry-level jobs. Having progression routes that address the skills mismatch through higher quality vocational training can make higher-skilled jobs accessible while addressing the local and regional labour market needs. However, the fact that people in low paid work tend not to move into better-paid work may mean that there is benefit in not only looking at progression routes but also the design of work too. Particularly in low paid sectors so they can have a positive impact on the growth in the local economy.

3.9.49 In the review, both businesses and stakeholders expressed concern about how employees would and could be supported to find meaningful work, notably if their job changed as a result of automation or from the changing nature of work. It was highlighted that SMEs would need to be supported if they are to achieve a stronger focus on minimum employment standards and training lower-skilled workers.

3.9.50 We learned that businesses often seek out support and information through business support networks. Business support networks can fall into four general categories these are:

- Geographically focused
- Industry or market based
- Special interests
- Corporate social responsibility.

3.9.51 The Commission is of the view the council's business forums can be used to help influence business behaviour. We would encourage the Council to diversify its geographical focus business forums to consider having special interests business forums. They could operate like the apprenticeship network (leading by example) to encourage the adoption of inclusive business models that provide fairer rewards, minimum employment standards and investment in the workforce.

Sustainability

3.9.52 At the business conference, Hackney Council highlighted that high streets are not built on car use but that the wealth is created by having an attractive place, part of a positive experience for all. Hackney's vision is to build a sustainable transport system not based on the car. In June 2019, the Council announced a climate emergency and now aims to do 'everything within the Council's power' to deliver net-zero emissions across its functions by 2040. The work to achieve net-zero emissions affects not only a business's behaviour but consumer behaviour too.

3.9.53 For small businesses to desire to transition, it will come from understanding the crisis being faced and recognising the contributing factors such as the rise in the volume of online shopping deliveries and the depletion of resources.

3.9.54 The Federation of Small Businesses explained they are encouraging business owners to change their personal behaviour too. To achieve the cultural and behaviour shift, they pointed out that appropriate infrastructure would be crucial. For example, although there has been quick action to move from plastic bottles to compostable bottles, the infrastructure for compostable facilities was still lacking to cement the shift from being a disposable culture.

3.9.55 Big corporate organisations will have transitions built into their business model. It is the sole trader, SMEs and VCS organisation that will need to be supported to shift to more sustainable business practices and operations and to adapt to the changes, not the big organisations. In the review, we heard how Plexal were using their influence to persuade the development of local infrastructure for electric charging points and the transport system to reduce car use.

3.9.56 To motivate change, the council acknowledged there needs to be a better demonstration to business owners of how they can be part of building an economically successful car-free business in the borough. The Hackney ZEN project is encouraging businesses to reduce emissions and has successfully converted 31 polluting vehicles to electric vehicles. More of this type of support

work will be necessary to achieve the level of transition required to reach net-zero carbon emissions to encourage the mainstreaming of inclusive growth business activities in their business operations.

3.9.57 The key role for the council will be to ensure the local infrastructure is in place to help the local business make the shift to more sustainable business practices and operations. The process of which should also include linking small organisations to big corporates with good ethical practices and using the council's community leadership role to support and help secure external funding for projects and programmes of work.

Communicating the Plan

3.9.58 The Council has a key role in creating a vision and sharing this vision with businesses, local stakeholders and residents. The Council's geographically based business forums are a start but should not be the only means by which this strategy is communicated and shared with local businesses. We would urge the Council to consider how it will communicate this vision to all sections of the community and outline how its communication plan will address the communication deficit described by local business owners. The Commission wishes to hear about the proposed communication plan to promote the Inclusive Economy Strategy.

Measures for inclusive growth

- 3.10 London is one of the most vibrant and wealthy cities in the world, yet stark differences remain in health, wealth, life chances and wellbeing between the most affluent and most deprived neighbourhoods.
- 3.10.1 There have been calls for new ways to account for society's human capital alongside economic and environmental resources, and for policymakers to recognise the importance of designing metrics that resonate with lived experience if they are to be taken seriously by the public.
- 3.10.2 For an inclusive economy and inclusive growth, the behaviour of businesses and other economic actors will be central. The financial performance of a company is undoubtedly the most critical measure of performance for a business. It indicates company health in terms of continued viability and profitability. Still, for a business with inclusive growth objectives, they will also value their performance beyond profit to include environmental and social impacts and the sustainability of their business model.
- 3.10.3 Consequently, a commitment to inclusive growth objectives will mean fully integrating social and environmental responsibility into their business practices. Alongside is greater financial transparency in how value created is apportioned through profit-taking, reinvestment, wages and the distribution of total rewards within organisations, as well as concerning equality and diversity issues. As such, rather than merely focusing on investor needs, company reporting procedures need to be reoriented towards wider stakeholders such as employees and consumers to improve broader stakeholder awareness. The Council's inclusive economy strategy will need to assess the impact of businesses on the local economy.
- 3.10.4 Currently, there is no national framework for measuring inclusive economic growth and the traditional metrics of economic performance (GDP at a national

level or GVA at a regional level) are a poor guide to social and economic welfare. They also fail to explain how the opportunities and benefits of growth are distributed across different spatial areas, social and income groups. Nor do they appropriately tracking structural economic change, the sustainability of growth, or the human impact of shifts in the labour market.

3.10.5 The RSA's Inclusive Growth Commission's final report suggested a set of metrics for central and local government leaders to measure inclusive growth. They were:

1. *Skills and employment* - Addressing inequalities in the distribution of employment, skills, job quality and security.
2. *Living Standards* - Addressing inequalities of wealth, income, health and quality of life.
3. *Enterprise* - Broadening asset-ownership and opportunities for business and enterprise.
4. *Local Capacity* - Increasing capacity of local leaders to work together in a shared vision for their place.¹⁷

3.10.6 It is recognised that measuring success for inclusive growth may be difficult but will be extremely important, and academics have stated decades are required to show results from the shift to an inclusive growth approach. Therefore any inclusive growth measures need to be realistic in expectations of outcomes.

3.10.7 During the review, stakeholders were asked to define what successful outcomes they expected to see from an inclusive economy if inclusive growth was achieved in the Borough. The outcomes they would expect to see from a more inclusive economy are:

- Better health
- Improved quality of life
- Less poverty
- Increased happiness
- Better funding for education opportunities for lifelong learning
- An increase in skills for low educational attainment groups
- Less income disparity between different groups e.g. disabled, BMAE etc.
- Better jobs with fulfilment and employment across the borough that pays at least the London living wage – including all apprenticeships and for young people to view legal routes to earn money as a viable option.

3.10.8 Initial discussions with the Council talked about having metrics that covered education and skills, health and wellbeing, quality of life, housing, security and affordability, jobs, income and economic productivity and the environmental and physical infrastructure. The Council aims to produce a set of principles to consider what they could use to measure the success of the local economy.

3.10.9 The LP Board work went beyond measuring the number of jobs, business growth and GDP and looked at redefining prosperity using a more comprehensive set of metrics and supplemented these with questions to talk

¹⁷ RSA Inclusive Growth Commission - Making our economy work for everyone

about success and economic success. Following the LPB conducting their pilot within one of the Borough's wards, this provided Hackney Council with valuable insight and access to a prosperity index to feed into the development of the Council's inclusive economy strategy measures. This will provide a base from which they can establish metrics that are suitable for Hackney's economy.

3.10.10 The Council proposes to develop a set of measures at a local level that will help them understand the broader range of factors and dynamics in an inclusive economy. The Commission noted the Council is planning to draw on the work of the London Prosperity Board when developing their metrics to measure the success of the Inclusive Economy Strategy.

3.10.11 Although we understand the outcomes from this policy shift will be challenging to measure, it does not mean that measures for success cannot be found. There may need to be creative solutions to capturing and turning the information into a measurable outcome. The Commission wishes to be involved as the Council develops the set of metrics that will underpin the Council's inclusive economy strategy. The Commission would like to explore this further and contribute to the Council's work developing the metrics.

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What we need from Central Government

- 3.11 Academics have expressed that the inclusive economy work needs to be locally designed and implemented. Although, there is still the view that Government needs to nationally lead and drive any changes to the economy and for national intervention to support an inclusive economy.
- 3.11.1 IPPR believes the UK's economy must be fundamentally reshaped and move from short term financing to investment-led growth. Perhaps there is no alternative to the economy we have today.¹⁸ But there is research to suggest moving to other economic models like a social and solidarity economy (SSE) is a viable solution to rebalancing economic, social and environmental objectives.
- 3.11.2 The SSE put inclusive growth at the core of economic growth. This type of economy can encompass a range of business forms, including worker cooperatives, mutual benefit societies and social enterprises. This economy can respond well to citizen groups and local communities. Investors in SSE economies are less likely to delocalise production activities or send them offshore to cut labour costs.
- 3.11.3 The UK's financial institutions lend on assets (land and property) rather than to businesses. The evidence suggests an inclusive economy needs investors who are willing to make a financial investment in a business with no expectation of turning a quick profit. However, moving to an investment-led growth model will require more patient capital - *patient capital* is another name for long term *capital*. Inclusive growth for businesses will need banks that are willing to invest in entrepreneurs. Hackney Council has identified its economy could benefit from financial investment changes like this, e.g. having a community bank that was willing to invest in entrepreneurs of all backgrounds. If the Government backed the transition to an investment-led growth economy, this could help to encourage the financial institutions to review their investment criteria.
- 3.11.4 To reshape the UK economy, the Government could encourage businesses to consider different modes of business ownership and help support businesses transition and incorporate inclusive business activities in their business operations. Business grants could be utilised to promote and grow suitable employment to encourage the reshaping of the UK economy.
- 3.11.5 We recognise there are new forms of businesses that did not exist a decade ago that are fast-moving, harder to regulate and could be viewed as more disruptive to the familiar rules and mechanisms of a market economy. This indicates that the Government may need to consider reviewing the traditional tax and regulatory policies to encourage all businesses to take greater civic and social responsibilities.
- 3.11.6 The Government's industrial strategy Green Paper, *Building our Industrial Strategy* (January 2017), provided a welcomed focus on rebalancing the economy so that all parts of the UK and broader sections of society can benefit from growth. However, it gave little indication of how it will achieve this stated aim in a manner that breaks from the past. The Commission is of the view the Government's Industrial Strategy does not help communities like Hackney horizon scan and identify the next equivalent of the tech industry. It offers little to enable Council's to develop a skills strategy to meet the future skills needs of

¹⁸ IPPR Commission on Economic Justice - Prosperity and Justice A plan for the new economy Final report executive summary

the economy. Coming out of the LPB prosperity index work was the creation of an industrial strategy that aims to deliberately shift economic transformation and helps people to live secure livelihoods.

- 3.11.7 The adult education budget has been protected over the course of the current parliament and its funds devolved to a regional level. Although, the adult education system has still experienced real-term cuts, and this has made it more challenging to address the chronic low skills problem and support disadvantaged people into quality jobs. What is needed is a complete system review to better link employment support, learning, training and skills development. Reconfiguring the work and skills system so that it supports quality jobs and progression could unlock significant social, economic and fiscal value.
- 3.11.8 An additional challenge to this is the decisions made related to the 14-18 years-old age group. This has implications for lifelong learning, particularly as people will need to reskill throughout their lifetime. The national industrial strategy has identified these as challenges, but the skills system is still broadly leaving it up to the market and big employers. Hackney's economy does not have a large number of big employers, so partnership working with other London boroughs will be necessary to draw down the funds and create a system that works for Hackney's economy.
- 3.11.9 Some of the Council's most significant growth nexus is on the border of other boroughs, considering things like the devolved adult skills budget to London. What is most needed is a full system review and to look at implementing a national loan entitlement for over 19 years of age.
- 3.11.10 In our local discussions stakeholders expressed the following interventions or pieces of work they would like the Government to undertake. These were:
- Implementation of socio-economic duty
 - The minimum wage lifted to the living wage
 - Equal pay audits and worker minimum rates
 - Funding of lower-level qualifications for adults – Level 2 and Level 3 loans
 - Changes to the spend criteria for the apprenticeship levy
 - Government enabled incentives and support for businesses which are offering opportunities to young people.

4. CONCLUSION

- 4.1. The economic system needs to have an inclusive economy at its core. A system that is operating with a shared approach and shared power. This review points to a role for central government to provide incentives that support businesses to offer opportunities to working adults, particularly businesses in growing niche sectors that require highly skilled workers. Therefore we need businesses to be responsible for their role in achieving an inclusive economy and for local governments to have the ability to shape the system locally to suit the needs of the economy. But most importantly the system needs to give residents a voice and role in shaping local prosperity.
- 4.2. The capacity of SMEs to engage in the work may be constrained. Nevertheless, they are fundamental to an inclusive economy. Employment issues such as precarious employment, rise of self-employment and further issues related to technological advancement make the need for adequate training and skills services; a requirement too. However, these should cover both young people and older workers. To prepare for change people need to see the change coming. For this reason, engaging with local business's needs to be at the heart of the council's inclusive economy strategy. Having greater flexibility with the apprenticeship levy will give Hackney Council the ability to support more SMEs, to provide more open and accessible employment opportunities.
- 4.3. Creating responsible employers and quality employment requires horizon scanning to consider future skills and roles. Significant to the advancement of this agenda is a national strategy and government investment. Not just fiscal but also support to put appropriate measures in place to help make the economic shifts to achieve inclusive growth. If the Government truly aims to achieve inclusive growth this will need some fundamental changes to the economic system – regulation, policies and incentives to drive whole system change to better apportion economic growth. Making changes to any system can seem daunting but inclusive growth will need a whole system change. One that has a shared approach with all partners working together.
- 4.4. A clear vision of success and expected outcomes will drive the establishment of measures. However, in the absence of a national framework, it's important to know if we have the right policies and incentives in place. Therefore understanding if we are getting right will be key.

5. FINANCIAL COMMENTS

- 5.1. There are no direct financial implications emanating from this report. Any specific service changes which arise from the progressing of the recommendations contained here will need to be considered and evaluated separately. The wide-ranging impact of Covid19 on the local economy will also need to be considered.

6. LEGAL COMMENTS

- 6.1. The General Power of Competence conferred by the Localism Act 2011 gives the Council the authority to make decisions. In line with Article 5 of the Council's constitution cabinet can carry out Council functions which is not the responsibility of any other part of the Council.
- 6.2. The Royal Society for the encouragement of the Arts, Manufacture and Commerce, Inclusive Growth Commission advised that the case for inclusive growth is overwhelming and that tackling inequality and deprivation can be a driver for growth. This report contains several recommendations to the Council which aim to support inclusive growth within this Borough. The cabinet has authority to adopt these recommendations and to implement them after consultation and engagement with necessary parties.

7. CONTRIBUTORS, MEETINGS AND SITE VISITS

- 7.1 The review's dedicated webpage includes links to the terms of reference, findings, final report and Executive response (once agreed). This can be found at [\[insert hyperlink\]](#)

Meetings of the Commission

The following people gave evidence at Commission meetings or attended to contribute to the discussion panels.

Date¹⁹ **Mayor Philip Glanville**, London Borough of Hackney
Orleans Duncan, Hackney Federation of Small Business (FSB)
Grace Graham, Hackney Federation of Small Business (FSB)
David Bent, London Prosperity Board
Julie Hutchinson, East London Business Alliance (ELABA)
Andrew Roughan, Plexal

Site Visits

The Commission made the following site visits for this review.

March 2019 Stakeholder Discussion²⁰

¹⁹ Appendix 2

²⁰ Appendix 1

8. MEMBERS OF THE SCRUTINY COMMISSION

Councillor Mete Coban (Chair)
Councillor Polly Billington (Vice-Chair)
Councillor Steve Race
Councillor Sam Pallis
Councillor Gilbert Smyth
Councillor Richard Lufkin

Overview and Scrutiny Officer: Tracey Anderson ☎020 8356 3312

Legal Comments: Name ☎020 8356 Ext

Financial Comments: Name ☎020 8356 Ext

Lead Director: Name ☎020 8356 Ext

Relevant Cabinet Member: Name

9. BIBLIOGRAPHY

The following documents have been relied upon in the preparation of this report or were presented to the Scrutiny Commission as part of the investigation.

- <https://www.powertochange.org.uk/wp-content/uploads/2017/11/Neighbourhood-Economic-Models.pdf>
- The IPPR Centre for Economic Justice – The UK in a Global Economy
- www.trustforlondon.org.uk/data/boroughs/hackney-poverty-and-inequality-indicators/
- RSA Inclusive Growth Commission - Making the economy work for everyone
- University of Manchester and Joseph Rowntree Foundation Inclusive Growth Analysis Unit Briefing Paper 9 April 2019
- IPPR Commission on Economic Justice - Prosperity and Justice A plan for the new economy Final report executive summary
- RSA Inclusive Growth Commission: Inclusive Growth Putting Principles into Practice
- Overcoming deprivation and disconnection in UK cities. Rae, A; Hamilton, R; Crips R and Powell R (2016)
- <https://www.theguardian.com/commentisfree/2018/jan/31/preston-hit-rock-bottom-took-back-control>

²¹Appendix 2

- Joseph Rowntree Foundation and University of Manchester – Ways to promote a responsible business agenda in UK cities: Greater Manchester (IGAU Responsible business report 2 of 2) Rafferty, A and Jelley, R.
- Promoting inclusive growth through responsible business in Greater Manchester – Briefing Paper 8 April 2018 Inclusive Growth Analysis Unit. Rafferty, A and Jelley, R Joseph Rowntree Foundation and University of Manchester
- Power to change - Neighbourhood and Economics Model - Reeder, N August 2017
- The Equality Trust -
- The Hackney Quest - Through young eyes report
- LGA Skills, employment and inclusive growth Conference – Introduction Presentation
- London Borough of Hackney - Hackney’s Inclusive Economy Strategy 2019-2025
- University of Manchester and Joseph Rowntree Foundation - Understanding business behaviour that supports inclusive growth - IGAU Responsible Business Report 1 of 2

10. GLOSSARY

Below is a list of abbreviations used within this report and their full title.

| Abbreviation | Definition |
|--------------|---|
| IG | Inclusive Growth |
| RSA | Royal Society for the encouragement of the Arts Manufacture and Commerce) |
| IPPR | Institute for Public Policy Research |
| CSR | Corporate Social Responsibility |
| BAME | Black and Minority Ethnic |
| ESG | environmental, social and governance |
| AI | artificial intelligence |
| SME | small and medium enterprise |
| UK | United Kingdom |
| IEP | Inclusive Economy Partnership |
| CLES | Centre for Local Economic Strategies |
| VCS | Voluntary Community Sector |
| LPB | London Prosperity Board |
| JRF | Joseph Rowntree Foundation |

| | |
|-----|-------------------------------|
| GDP | Gross Domestic Product |
| UCL | University College London |
| GVA | Gross Value Added |
| LLW | London Living Wage |
| ONS | Office of National Statistics |

[DRAFT]