Local Industrial Strategy masterclass – inclusive growth

Wednesday 13 March 2019
Mercure Manchester Piccadilly Hotel
Housekeeping

Emergency procedures
Please familiarise yourself with the emergency evacuation procedures located within your handout.

Toilets

Wi-Fi
Introduction

David Clinton, Senior Policy Adviser, Cities and Local Growth Unit, BEIS

Danny Kruger, Expert Advisor, Department for Digital, Culture, Media and Sport (DCMS)
What do we mean by inclusive growth?

**Ben Lucas**, Managing Director, Metro Dynamics

**Cllr Joyce McCarty**, Deputy Leader, Newcastle City Council and Cabinet Lead (Employability & Inclusion) North of Tyne CA
What do we mean by Inclusive Growth?

Ben Lucas – Managing Director, Metro Dynamics
At the same time that Manchester is growing rapidly...
...rates of homelessness are increasing.
Work isn’t working well enough

• 60% of people in poverty are now in work

Source: RSA Inclusive Growth Commission
Growth and average wages – the broken link

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

Source: ONS Annual Survey of Household Earnings. Note that some data values are missing for some years, and data for 2017 is provisional, subject to revision.
Over the last decade, income growth has stagnated

‘Productivity puzzle’ weighs on UK growth

**UK productivity**
Output per hour and worker

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

Source: Office for National Statistics
There is no single, accepted definition of inclusive growth

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>European Commission (2010)</td>
<td>‘Inclusive growth means empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society.’</td>
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<td>World Economic Forum (2015)</td>
<td>‘Output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment for a great majority of the country’s working age population, and reduces poverty.’</td>
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<tr>
<td>Scottish Government (2015)</td>
<td>‘Growth that combines increases in prosperity with greater equity, creates opportunities for all and distributes the dividends of increased prosperity fairly.’</td>
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| Royal Society of Arts (2017)        | ‘Enabling as many people as possible to contribute to and benefit from growth:  
  • Social – benefitting people across the labour market spectrum, including groups that face particularly high barriers to high quality employment;  
  • Place-based – addressing inequalities in opportunities between different parts of the country and within economic geographies.’                                                                                     |
Current model
Grow now, redistribute later

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

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

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

New model
Inclusive growth

Where investment in social infrastructure is an integral driver of growth

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

We call this Inclusive Growth

Source: RSA Inclusive Growth Commission
## Inclusive Growth shifts – First order principles

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
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<tbody>
<tr>
<td>Siloed social and economic policy</td>
<td>Integrated social and economic policy</td>
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<tr>
<td>Emphasis on the <em>quantity</em> of growth (as measured by GVA uptick and numbers of jobs created)</td>
<td>Emphasis on the <em>quality</em> of growth (including distribution of growth, productivity and quality jobs)</td>
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<tr>
<td>Investment in physical infrastructure as the means to economic growth</td>
<td>Investment in physical and social infrastructure as the joint means to inclusive growth</td>
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<tr>
<td>Focus on university entrance for young people as the route to success</td>
<td>Equal focus on quality vocational education</td>
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<tr>
<td>Devolution of economic functions to places</td>
<td>Devolution of economic and social functions to places</td>
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Source: RSA Inclusive Growth Commission
Inclusive Growth ‘on the ground’

Inclusive Growth for employment / skills (labour market)
- Emphasis on the labour market (supply- and demand-side):
  - Improving attitudes to work and awareness of opportunities
    - Helping people improve skills and work-readiness
  - Using procurement terms to boost local employment and skills
    - Improving earnings – Living Wage plus

Inclusive Growth to improve wider life chances
- Emphasis on the wider circumstances affecting wellbeing includes:
  - Education, housing, environment, crime, health etc.
  - Focusses on the interrelatedness of these factors
  - Policies to address the multiple determinants of deprivation

Inclusive Growth for political and economic engagement and involvement
- Emphasis on engaging people with political and economic processes and decision-making that affects them:
  - To establish means for better future decision-making
  - To hear people’s day to-day concerns and act on them
Inclusive Growth over time

January 2016  
Inclusive Growth Analysis Unit set up at the University of Manchester

June 2016  
The UK votes leave in the EU referendum

October 2016  
Inclusive Economy Unit at DCMS launched

June 2018  
IPPR Commission on Economic Justice launched

July 2018  
Scotland’s Centre for Regional Inclusive Growth launched

July 2014  
All Party Parliamentary Group on Inclusive Growth launched

April 2016  
RSA Inclusive Growth Commission launched

July 2016  
In her first statement as Prime Minister, Theresa May makes it her mission to give control to those ‘just about managing’.

November 2016  
IPPR Commission on Economic Justice launched

June 2018  
Leeds Inclusive Growth Strategy Launched

November 2018  
North of Tyne devolution deal published
Components of the Industrial Strategy

5 foundations of productivity

- **Ideas**: the world’s most innovative economy
- **People**: good jobs and greater earnings power for all
- **Infrastructure**: a major upgrade to the UK’s infrastructure
- **Business environment**: the best place to start and grow a business
- **Place**: prosperous communities across the UK

Grand Challenges

- Artificial intelligence and data
- Ageing society
- Clean growth
- Future of mobility
Inclusive ambitions of the Industrial Strategy

“Our vision is for good jobs and greater earning power for all.”

“As the economy adapts, we want everyone to access and enjoy good work.”

“Barriers that prevent under-represented groups from realising their full potential need to be broken down.”

“Many places are not realising their full potential. The UK has greater disparities in regional productivity than other European countries. This affects people in their pay, their work opportunities and their life chances.”
Inclusive Growth is at the heart of the Local Industrial Strategies

• The West Midlands Combined Authority’s LIS will “build an evidence base to make sure we maximise opportunities to support wellbeing and prevention, which are both critical to realising this opportunity.”

• The Inclusive Growth Analysis Unit helped Greater Manchester Combined Authority draft its Independent Prosperity Review, which puts a clear emphasis on good health as a foundation of productivity.
Industrial Strategy timeline

Mid-late 2019
National Infrastructure Strategy

March 2020
Second wave of LIS to be published

March/April 2019
First LIS to be published

2019
Comprehensive Spending Review
The North of Tyne approach to inclusive growth

Councillor Joyce McCarty,
Employability and Inclusion portfolio holder
for the North of Tyne Combined Authority
The North of Tyne

- Area incorporates the administrative areas of Newcastle City Council, Northumberland County Council, and North Tyneside Council and is home to 815,000 residents and 23,000 businesses
- Local economy consists of 23,000 businesses that generates a GVA of £17 billion and 415,000 jobs
- First devolution deal signed in November 2017
- The Combined Authority was formally established in November 2018 with the Mayoral election taking place in May 2019
The unique features of our devolution deal

Inclusive growth is at the heart of our first Deal
● Range of Education and Skills, and Employment “asks”
● Creation of dedicated Inclusive Growth Board
○ A body that will advise the Cabinet in promoting inclusive growth through the better integration and strengthening of education, skills, and employment interventions
○ Will comprise of representatives from MHCLG, DWP and DfE on a collaborative participation basis

● Investment Fund of £20m per annum for 30 years which is 100% revenue - increasing the potential of its application
The Combined Authority’s approach (1)

- *Home of Ambition* published in November 2018
  - Central theme of our vision is to bring together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in the area’s future.

- Subsequently expanded in our first (and currently only) Policy Statement on Inclusive Economy
  - Sets out a new narrative for our place based on ambition, opportunity and everyone doing their bit that is focused on leading by example and showcasing inclusive innovation
The Combined Authority’s approach (2)

- Inclusive Economy Assessment Tool
  - Designed to qualitatively assess and maximise the promotion of inclusive economy principles and activities within all our investment and policy decisions

- Inclusive Economy Innovation Fund
  - Creation of a dedicated 5-year programme within the Investment Fund that, through a “proof of concept” approach, seeks to test new, locally-tailored approaches to ensure that no-one is left behind
Making it happen - first phase

- Education Challenge focused on school improvement
- Employment Support Framework Agreement
- Adult Education Budget devolution
- Good Work Business Pledge
- “Early Win” Projects
  - STEM and Digital Skills Programme
  - Working Homes
  - Returnships
- Putting in place the influential Inclusive Economy Board
The next challenges

- North East Local Industrial Strategy
  - Evidencing the contribution that an inclusive economy approach can make to improving local productivity
  - Identifying the shared strategic interventions that will bring about demonstrable economic impacts
- Devolution Deals 2, 3, 4, …
  - Presenting the case to Government as to the further powers and responsibilities that should be devolved to the Combined Authority so that it is progressively better equipped to drive productivity in a way that brings benefits to all our residents
Inclusive growth in Practice

Mike Hawking, Policy and Partnerships Manager (Work), Joseph Rowntree Foundation

Liz Shutt, Director of Policy, University of Lincoln and Greater Lincolnshire LEP
How Local Industrial Strategies can deliver inclusive growth
What is the purpose of growing and economy?

To Improve the living standards of citizens.
A word on inclusive growth...

A policy or strategy that does not have a focus on living standards of those at the bottom of the income distribution cannot describe itself as an inclusive growth strategy.
People

• Prioritising meeting basic skills needs
  – E.g. The Citizen’s Curriculum model

• Supporting low paid people to progress in work
  – E.g. New York’s WorkAdvance model
Infrastructure

• Driving Social Value from infrastructure investment
  – As demonstrated in projects in Leeds and Birmingham

• Acknowledge the need to increase supply of low-cost rented housing
  – E.g. Cambridge and Peterborough.

• Treat investments in buses as equal to roads and rail
  – Make use of Bus Services Act
Business Environment

• Ensuring new jobs are ‘good jobs’ and are accessible to existing residents
  – San Antonio

• Use business grants to incentivise good employment practices
  – E.g. Leeds City Region

• Encourage employers to improve quality of existing jobs
  – E.g. ‘Good work’ charters in GM and London

• Offering business support services to boost good jobs in low-paying sectors
  – E.g. ‘Experts grow’ programme in Cornwall
Place

• Place sensitive policies that can address the different challenges people face because of where they live and their proximity to other places

• Harnessing the collective purchasing and hiring power of anchor institutions
  – E.g. Cleveland, Ohio
Further details

JRF’s report on local industrial strategies and inclusive growth:

Email: mike.hawking@jrf.org.uk
Twitter: @mike_hawking
Inclusive growth in Greater Lincolnshire

Liz Shutt, Director of Policy
Greater Lincolnshire
LEP/University of Lincoln

08/04/2019
### Inclusive growth challenge in Greater Lincolnshire

<table>
<thead>
<tr>
<th>Economic Challenges</th>
<th>Labour Market Challenges</th>
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<tr>
<td>• 3rd lowest full time wages out of the 37 LEPs</td>
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<tr>
<td>• Housing more affordable for those on low wages than rest of the UK, especially NE Lincs &amp; North Lincs</td>
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<td></td>
<td>• Labour force less qualified (NVQ2+) compared to East Midlands and UK</td>
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<td></td>
<td>• Surplus of those with NVQ1 qualifications or below &amp; shortage NVQ4 and above.</td>
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<td>• Low % of labour force in knowledge intensive services</td>
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<td>• High % of labour force in retail, manufacturing &amp; food - wage disparity between industries</td>
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<tr>
<td></td>
<td>• High unemployment in NE Lincs &amp; Lincoln, yet GL area = relatively low</td>
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<tr>
<td></td>
<td>• Wage disparity for bottom 10\textsuperscript{th} percentile - Boston £7.33 per hour vs Lincoln £9.01 per hour</td>
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Place & inclusive growth: coastal deprivation example

✓ Availability of cheap rental housing maintains a transient population that can be very disruptive in schools

✓ Ready-supply of HMOs and care homes, converted from hotels and guesthouses, can result in vulnerable people from other areas being placed in coastal areas

✓ Considerable demands on medical & social services (from ageing coastal population, higher teenage pregnancy levels, high numbers of benefit claimants

✓ Difficulty of recruiting public and private sector professionals in many coastal areas (CCA, 2010).

= Conditions for sustainable deprivation
High levels of incapacity benefit in coastal areas
Social deprivation and instability
Policy environment: translating for a dispersed economy

Industrial Strategy challenge: All places to increase productivity and realise their potential
The Greater Lincolnshire Triangle: emerging priorities

1. Future proofing the agr–food industry
2. A rural innovation test bed for energy & water
3. An innovative health industry meeting the challenges of an ageing & rural population
4. A high quality, inclusive visitor economy
5. An adaptive ports & logistics industry driving greater connectivity

➢ Cross sector skills challenge
➢ Cross sector housing challenge
An innovative health industry meeting the challenges of an ageing and rural population

We want to: develop an innovative health industry that meets the challenges of an ageing and rural population, increase the involvement of SMEs working in partnership with public providers, work with the public sector to support more efficient use of public resources.

Why? Large employer, demand increasing at a rapid rate driven by ageing population, life sciences (biology and technology that improves lives) is a growing competency with significant market opportunities.

What might help? Supporting partnerships between innovative SMEs and larger organisations that can absorb costs of new developments, pilots and test-beds, clusters and networks for businesses developing technologies and devices to support active ageing.
A high quality, inclusive visitor economy

We want to: support less seasonality in the sector, generate better quality employment, develop a tourism offer that attracts higher spending visitors throughout the year underpinned by a vibrant creative and cultural offer.

Why? Large growing employer, deprivation is particularly high in areas where tourism is a key sector, mostly seasonal nature of coastal sites is a challenge in overcoming poverty and social exclusion, recent investment in the cultural offer is driving new opportunities.

What might help? Support to encourage new innovations and improve the service offer, marketing and promotion of Greater Lincolnshire as a destination to higher value visitors, networks for businesses in complementary sectors (culture and creative, agri-food, tourism) to help build links and joint offers.
CROSS SECTOR CHALLENGE:

Equip people to transition into a changing work environment and take advantage of the opportunities it offers

➢ **Progress**: support students and adults to progress in their qualification and technical knowledge to levels 3, 4 and beyond.

➢ **Retrain**: the existing workforce to adjust to disruption caused by new technology and increased global competition

➢ **Adapt**: partner with business to help them adapt and compete, support cross-sector collaboration to generate new solutions
Questions for discussion

What is and isn’t working locally?

What could an inclusive growth approach be?

What does this mean for the LIS?
Using data to identify inclusive growth challenges

Zoe Billingham, Head of Policy and Engagement, Centre for Progressive Policy
Identifying Inclusive Growth Challenges

Zoë Billingham
Head of Policy at the Centre for Progressive Policy

Inclusive growth in local industrial strategies
Manchester, 13th March 2019
Agenda

1. Defining the inclusive growth problem in your area
2. Example – CPP skills mismatch analysis
3. Inclusive growth interventions
4. Q&A
1. **Defining the problem is the most important step in policy**

1. **Problem definition:** how might you go about finding out where is the problem is that you’re going to solve? How could you soft test your initial hypothesis? (Is that the problem the politicians want to solve?)

2. **Identifying your stakeholders:** who would your key stakeholders be? What push back might you get? What methods might you use to bring your stakeholders along with you?

3. **Developing the evidence base:** where might you seek out data or qualitative information to test your hypothesis? How could you test its accuracy? How would you address any gaps in the data?

4. **Policy delivery / levers:** what processes / levers might be needed for your solution to be put into practice? What might be the associated costs of the particular solutions? Are you crowding out other actions by national govt or others? (Are they politically palatable levers?)

5. **Communication and impact:** which groups at which level would maximise the likelihood of impact? How might you communicate change more widely? Who is likely to champion your idea, and who might oppose it?

6. **Evaluating success:** how might you measure whether your policy was successful in addressing the initial problem?
1. Inequality is high – but what is driving it?

We work with our local partners to use data and qualitative information to narrow down what is driving low levels of inclusive growth / high levels of inequality in their areas.

Examples of drivers include:
- Unemployment
- Underemployed – skills
- Underemployed – hours
- Low pay – productivity
- Low pay – lack of bargaining power
- Low levels of investment in training
- Cost of living increases e.g. housing, childcare, debts
- Benefit / working tax credit cuts
- Reduction in provision of local services

→ Understanding drivers is critical
→ Very different policy interventions required depending on root problem(s)
2. Example of CPP skills mismatch analysis (1)

- **Problem:**
  - In many local areas there is a mismatch between the skills of those coming out of further education and the jobs available in the local economy
  - If they trained in high demand areas, they could access better-paid technical careers

- **Stage 1:** Supply vs demand for skills analysis → **using local level data**

- **Stage 2:** Report writing → presentation of analysis and development of policy

- **Stage 3:** Policy implementation in partnership with LA/CA/LEP
2. Example of CPP skills mismatch analysis (2)

Example of CPP analysis of a LEP

- 2016/17 report now a key part of evidence base in a LEP, supporting development of Strategic Economic Plan
- Policy implementation: careers guidance
- Next steps: focus groups with school pupils to determine how best this data can help them make decisions about post-16 pathways
3. Inclusive growth interventions

**Structures and accountabilities**
- Inclusive Economy (IE) Board
- Good employer charter
- Cabinet Member responsible for IE
- Business leaders / third sector champions of IE
- Housing development corp. responsibility to target particular populations

**Legislation / regulation (e.g. ban, empower)**
- Use powers to acquire and dispose land, CPOs, Mayoral Development Corps, leverage in outside funding – building of quality housing, self-serviced plots

**Flexibilities of newly devolved budgets – Adult Education Budget**
- Career advice
- Part time or night courses (CPP)
- Courses in skill shortage areas (CPP) / areas of likely future demand
- Return to work schemes

**Fiscal incentives / investment**
- Incentivising ‘Good Employers’ through skills, or location support
- Regeneration of local area by upgrading local shops, housing estates
- Infrastructure investment including in fibre to rural areas
Q&A
Final reflections

Ben Lucas, Managing Director, Metro Dynamics

David Clinton, Senior Policy Adviser, Cities and Local Growth Unit, BEIS
Lunch and networking
Local Industrial Strategy masterclass – inclusive growth

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