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Report to: Green Economy Panel

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Subject: Industrial Strategy and Inclusive Growth

1 Purpose

1.1 To inform Panel Members of the opportunity provided by Government's modern industrial strategy, and seek views on the challenges to improving competitiveness given prevailing economic conditions, and ensure this drives inclusive growth outcomes.

1.2 The three particular outputs from this work are:

1.2.1 Extend the city region's policy range to all drivers of competitiveness. This will be driven by a single, bold city region strategy owned by both the LEP and Combined Authority, with inclusive growth at its core.

1.2.2 Refocus established programmes and projects to drive inclusive growth outcomes, so far as is possible given the conditions attached to government funding; and,

1.2.3 A bid to government ahead of the Autumn Budget, given the impending expiry of several key Growth Deal funding streams.

2 Industrial Strategy and Inclusive Growth

Boosting earning power and living standards means improving productivity

2.1 Prevailing economic conditions have changed markedly in the relatively short time since the LEP and its strategic remit were established:

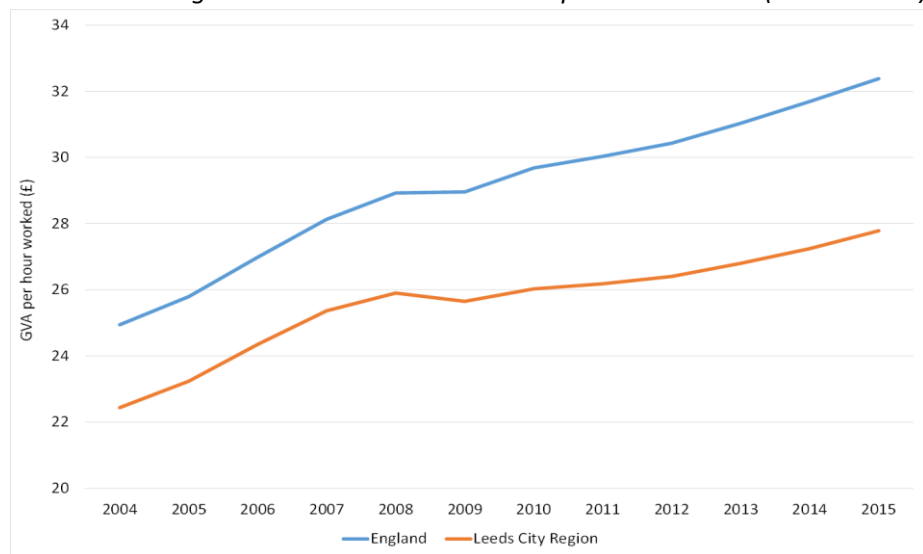
- unemployment in the UK has hit a 42-yr low (and virtually halved in the LCR);
- the trajectory of real wage growth has flipped from positive to negative;
- UK business confidence remains positive, but is weakening;
- the UK is 18mths from new international trading opportunities, a new but uncertain relationship with its largest trading partner, and constraining the supply of relatively skilled and cheap labour; and,
- there has been a significant rise in in-work poverty.

2.2 In this context, government initiated a *modern industrial strategy* to boost UK productivity and earning power, and used the recent Queen's Speech to confirm

government's intention to "spread prosperity and opportunity across the country through a new modern industrial strategy". This fits well with the city region's vision of a globally-recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone.

- 2.3 The LEP Board will consider what this means for the strategic economic plan, but in the interests of clarity, there will be a single, bold top-level city region strategy owned by both the LEP and Combined Authority, with inclusive growth at its core. The LEP Board awayday on 19 September will shape the direction of this local industrial strategy which will be, as far as possible, co-produced with partners across business, universities, local authorities, national government and other local stakeholders.
- 2.4 Having inclusive growth at the core means **improving living standards by boosting earning power and a more inclusive labour market**. Both of these improvements require a more productive economy, particularly as the UK moves to a new global footing. In 2004 the city region's labour productivity level was 90% of the national average; by 2015 the gap had grown to 14% (i.e. 86% of national levels). **Closing this gap is worth more than £10bn to the city region's economy**, and requires action across businesses, universities, government and other stakeholders.

Figure 1 – Trend in nominal GVA per hour worked (Source: ONS)



- 2.5 There will be a short presentation to provide Panel Members with further information about what a more radical focus on productivity might mean in practice, along with some more practical short-term options like:
- Refocusing the current range of city region projects and programmes to more clearly drive inclusive growth outcomes.
 - Pursuing the devolution of powers and funding that ensures local decision-makers can tailor policy interventions according to the needs of the economy; and,
 - Securing the continuation of programmes that support the business base.

This may mean, for example, that the LEP's enterprise adviser offer for schools will focus on children in the most deprived communities – so 6,000 of our most deprived young people will benefit from enhanced contact with employers to help shape their career choices, or efforts to improve community entrepreneurship are targeting in disadvantaged communities.

3 Recommendations

- 3.1 That the update on the city region's developing approach to industrial strategy and inclusive growth and the plan to further engage on the productivity challenge be noted.
- 3.2 That the work being undertaken to refocus established programmes and projects to drive inclusive growth outcomes be noted.
- 3.3 That the plan to propose the continuation of several key Growth Deal programmes to government ahead of the Autumn Budget, in light of their impending expiry, be endorsed.