
Report to: Business Innovation and Growth Panel

Date: 25 February 2021

Subject: **Inclusive Growth Framework**

Director: Alan Reiss, Director of Strategy, Policy and Communications

Author(s): James Flanagan, Head of Public Sector Reform

1. Purpose of this report

- 1.1 To seek the Panel's views in relation to the Inclusive Growth Framework, and to seek a nomination to undertake the role of the Panel's Inclusive Growth Champion.

2. Information

Definition

- 2.1 Inclusive Growth, that is, enabling as many people as possible to contribute to, and benefit from, economic growth, is a key LEP and Combined Authority priority.

Background

- 2.2 The Inclusive Growth Framework - shown at Appendix 1 - was endorsed by the LEP Board in January following its development by the Inclusive Growth and Public Policy Panel, involving discussion and engagement with public, private and third sector¹ stakeholders, and supported by an officers' group. Once endorsed by the Combined Authority, it will form part of the Strategic Economic Framework (SEF).

Framework

- 2.3 The Framework includes the following key elements:
- **Environment/context** comprises driving more inclusive policies and programmes, including the range of regional strategies and plans encompassed in the SEF;

¹ The third sector is also known as the voluntary, community and social enterprise, or VCSE, sector.

- **Asset Based Community Development (ABCD)** creating thriving and inclusive communities, as defined either by place, identity, or interest, and noting the partnership role of the VCSE sector in working with the public and private sectors in supporting our most disadvantaged communities, including during the response to the pandemic.
- **Goals** or themes, i.e.:
 - Wellbeing;
 - Connectivity and Accessibility;
 - Relevant and Transferable Skills; and
 - Good Work.
- **Mission/ambitions** for our:
 - Individuals and communities to become Socially Mobile;
 - Employers to provide everyone with Good Work; and
 - Region to deliver an Inclusive Economic Recovery.
- **Measurement:**
 - Assessing the overall ‘prize’ of inclusive growth is a significant issue. For example, OECD analysis² concludes that income inequality has a sizeable and statistically significant negative impact on growth. This means that a relatively modest increase in income equality (or ‘levelling up’), specifically of the lowest 40% of earners (eg through more employers paying at least the Real Living Wage), would deliver over 30 years a cumulative GDP gain of nearly 9%. In West Yorkshire, this would translate to an Inclusive Growth ‘dividend’ of almost £7bn. Additional benefits would also likely be accrued from reduced income inequality in terms of reduced benefits payments, and health and social care savings (‘fiscal spillovers’).
 - A Dashboard is included measuring delivery of the Framework. A more comprehensive set of indicators is included at Appendix 2, and incorporates views expressed by the LEP Board.

Challenges

- 2.4 The OECD (Economic Outlook June 2020) has noted that the COVID-19 pandemic “... has triggered the most severe economic recession in nearly a century and is causing enormous damage to people’s health, jobs and well-being.”
- 2.5 In terms of some of the specific groups most affected, the Resolution Foundation (Low Pay Britain, September 2020) has identified that the lowest paid (especially young people and women) have borne the brunt of the crisis:

² Trends in Income Inequality and its Impact on Economic Growth, OECD, 2014

- They are around twice as likely as higher-paid earners to have lost their job, been furloughed, or lost hours and pay because of the crisis.
- They have faced greater health risks – they are a third less likely than higher-paid ones (44 per cent, compared to 83 per cent) to have been working from home at the peak of the first lockdown in May 2020.

2.6 There are specific inclusive growth challenges relating to the work of this Panel which the Framework is seeking to address, including around the Good Work agenda.

2.7 In order to promote Good Work, several challenges need to be addressed address including:

- There are significant employment gaps for disadvantaged groups. For example, the employment rate for people with disabilities is 55% and those without is 78% - a 23% gap. And the gap for ethnic minorities is 18 points compared with 11 points nationally.
- People in under-represented groups are more likely to experience a pay gap and a fifth of jobs in West Yorkshire pay below the Living Wage.
- There is evidence that firms do not invest enough in occupational health that mediates between employers and employees (Health Partnership Round Table workshop, October 2019) and which has a negative impact on days lost to sickness.
- Few people in the region have access to flexible working arrangements. Where employers do not offer part-time opportunities, including those combined with higher skilled jobs, they are missing out on talented, qualified and motivated potential employees that can only work on a part-time basis.

Opportunities

2.8 There is a correlation between more diversity (specifically gender and ethnicity) in the workforce and an opportunity for business to promote this - conversely there a productivity penalty for a workforce that is not diverse (McKinsey - Delivering through Diversity, 2018). The more diverse the workforce with different perspectives, the more innovation and better decision-making (because there is a lower risk of 'group think').

2.9 There is evidence of increased productivity through a healthier workforce, for example through improved occupational health, as well as encouraging physical activity at work, in-work training and job security. Physical activity programmes at work have been found to reduce absenteeism by up to 20% and physically active workers take 27% fewer sick days (Working for a Healthier Tomorrow, Independent report for DWP, 2008).

2.10 Civil society, i.e. the third sector which unlocks untapped community-based assets and capabilities, and brings local insights, connectivity and holds the trust of communities, eg by acting as community builders and connectors with the passion, energy, self-sufficiency to support our most disadvantaged individuals to:

- acquire relevant and transferable skills;
- regain and retain robust physical and mental wellbeing; and
- enter a pathway into Good Work, eg through paid employment within the third sector, volunteering, or building sustainable social enterprises.

Issues for discussion and next steps

2.11 The Panel is asked to consider the following questions:

- **To what extent are the Framework’s Goals and Ambitions considered relevant to the work of the Panel?**
- **Have the key Inclusive Growth challenges and opportunities relevant to the work of the Panel been correctly identified?**
- **Are the proposed Indicators, including those in Appendix 2, considered useful, and are others needed?** For example, would it be useful to monitor business birth and survival rates?
- **What actions does the Panel consider would contribute the most to (a) building on the region’s assets and opportunities and (b) addressing the region’s challenges and inequalities?** Much work has already been done across the Combined Authority and LEP to further inclusive business growth, eg business grants conditionality, the Digital Framework, and the Innovation Framework. What more could be done, including building on mainstream/ existing activity (eg specialist business support for start-up and growing social enterprises) and developing fresh approaches, eg support for, and investment in, the third sector and in social capital/infrastructure³? A pipeline of possible interventions is included at Appendix 3 as worked up logic models for consideration under each Inclusive Growth Goal, plus a number of cross-cutting interventions. This includes a proposal for a Good Work Standard for the region, which is considered in agenda item 11.

³ “What is missing in our current model is community power: the role of local people, acting together spontaneously or through enduring institutions, to design and deliver the kind of neighbourhood they want to be part of. The economic and social model we need for the future has community power, and the civil society that enables it, at its heart. This is the way to level up the country - to make great places ‘from within’ rather than by outside interventions.”, Report for Government by Danny Kruger MP, September 2020.

2.12 To fully achieve its overall ambitions, the Framework will need to influence and inform the ongoing work of the other Panels beyond the Inclusive Growth Panel, including within the Business Innovation and Growth Panel. The Inclusive Growth Panel has therefore proposed the nomination of an Inclusive Growth Champion in each Panel. It is therefore requested that the Panel identifies a nominee to undertake this role.

3. Tackling the Climate Emergency Implications

3.1 It is anticipated that the Framework will directly influence and shape an inclusive approach to delivering a net zero economy.

4. Inclusive Growth Implications

4.1 The report focuses on securing the Panel's support for the implementation of the region's Inclusive Growth Framework and nominating an Inclusive Growth Champion to promote inclusive growth within the work of the Panel.

5. Financial Implications

5.1 None directly as a result of this report.

6. Legal Implications

6.1 There are no legal implications directly arising from this report.

7. Staffing Implications

7.1 None as a direct result of this report.

8. External Consultees

8.1 None as a direct result of this report.

9. Recommendations

9.1 The Panel is requested to:

- Discuss the questions outlined at 2.11.
- Nominate a Panel member to undertake the role of Inclusive Growth Champion as set out at 2.12.

10. Background Documents

10.1 None.

11. Appendices

11.1 Appendix 1 - Inclusive Growth Framework

11.2 Appendix 2 - Working draft Indicator Set

11.3 Appendix 3 - Indicative Inclusive Growth Programme