
Report to: Leeds City Region Enterprise Partnership Board (LEP)

Date: 27 March 2018

Subject: **An inclusive growth policy framework and local inclusive industrial strategy**

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1 Purpose of this report

- 1.1 To set out for discussion how inclusive growth will be embedded across the City Region's expanded policy framework in order to address the four key challenges agreed by the LEP Board at its September 2017 awayday.
- 1.2 To illustrate that partner authorities are delivering prototype services which, subject to further investment, might be extended across the city region to deliver inclusive growth outcomes.
- 1.3 To update the LEP Board on emerging priorities for a focused local inclusive industrial strategy, to be developed at pace and collaboratively with partners.

2 Information

Driving inclusive growth across a broad and agile policy framework

The inclusive growth challenge

- 2.1 The LEP Board (23 November 2016) and West Yorkshire Combined Authority (1 December 2016) endorsed a project to spearhead inclusive growth and make it a key cross cutting policy for Leeds City Region. The project was established following compelling work by the World Economic Forum¹ and Organisation for Economic Cooperation and Development (OECD)², who demonstrated the 'recovery' from the global financial crisis of 07/08 had seen unbalanced growth that has exacerbated inequality. In light of the EU referendum result, Members also concurred with the Royal Society of Arts' (RSA)³ analysis that driving inclusive growth is vital to address the concerns of the electorate – particularly those people feeling economically insecure, who feel they haven't benefitted from globalisation and are most vulnerable to further public sector austerity.

¹ http://www3.weforum.org/docs/WEF_Forum_IncGrwth.pdf

² <https://www.oecd.org/els/soc/cope-divide-europe-2017-background-report.pdf>

³ https://www.thersa.org/globalassets/pdfs/reports/rsa_inclusive-growth-commission-final-report-march-2017.pdf

- 2.2 In some ways the UK and Leeds City Region economies have seen strong growth (output growing by almost 20% from 2010 to 2016, employment levels the lowest since 1975, and halving the rate of young people not in education, employment or training). For many in the City Region however, this has not resulted in better living standards through inclusive growth – with in-work poverty becoming particularly stark:
- 147,000 children (22%) live in poverty
 - Of 1,325 care leavers in West Yorkshire (aged 17-21yrs) only 670 (51%) are in work, education or training
 - 25% of jobs in the City Region pay less than the real living wage of £8.75
 - The employment rate of Bangladeshi and Pakistani women is half that of white women (72% versus 32%)
 - 27% of the adult population are qualified below level 2 or have no qualifications; Leeds City Region is ranked 33 out of 38 LEPs for this measure
 - The employment rate for disabled people is only 52% compared with 79% for people without a disability
 - When in work, one in five families (165,000) rely on in-work tax credits to top up their income. The cost of working and child tax credits for West Yorkshire is £1.3 billion
 - 16% of households (159,000) have no-one in work, with 177,000 people (9% of adults) in receipt of out-of-work benefits
 - Of 122,000 people claiming Employment and Support Allowance in the City Region, half have mental illness or a behavioural condition
- 2.3 There's consensus across the City Region that inclusive growth is broad-based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve prosperity alongside greater equity in opportunities and outcomes. In Leeds City Region, we believe that only by integrating decision making about economic and social policy in respect of functional economies will we achieve inclusive growth. Our aim is to work with partners to champion our distinctive assets and together make the changes that achieve the best outcomes and opportunities for our citizens.

An expanded policy range and the LEP's focus

- 2.4 In August 2017, the LEP Board and West Yorkshire Combined Authority agreed, in principle, to **expand the City Region's policy range**. This recognised that, while the existing Strategic Economic Plan (SEP) drives vital activity to deliver new jobs and homes, there are broader opportunities (e.g. the role of culture and citizen experience) and issues that would benefit from a more comprehensive and agile approach.
- 2.5 Therefore, the LEP Board in January 2018 supported collaborative work on an emerging policy framework (see **Appendix 1**) that represents where partners agree to work together on a broader range of topics (e.g. culture, potentially

new aspects of tackling disadvantage in health, early years and education) to tackle the City Region's shared priorities.

2.6 Those shared priorities – in the shape of four key challenges - were identified at the LEP Board's September 2017 awayday:

1. The City Region's productivity gap with national and international peers is too large and growing;
2. Investment is too low – particularly in research and development investment by the private sector;
3. Half a century of improving living standards in the City Region have stalled;
4. Stubborn deprivation persists, with the poorest communities staying the same over decades.

Partners recognised that prevailing economic conditions are relatively strong (although by far from working in the interests of all), which provides the chance to address the City Region's structural weaknesses that are often the cause of inequality, poverty and lack of opportunity. **The single most significant driver of inclusive growth is a more productive economy, where value is created and shared fairly across society.**

2.7 The LEP Board also emphasised the vital importance of better understanding the **impact** of decisions on economic and social outcomes. This means decisions can be clearer about who will benefit, and how those improvements will be felt. Developing a clearer understanding of impact is an opportunity to refresh the City Region's outcome measures and targets. These will be discussed further with advisory committees and a wide range of stakeholders from across the City Region, but this gives may give room for aspirational aims as well as more formal commitments. Accordingly, LEP board members are invited to comment on potential aims put forward by partners from the inclusive growth project:

- Reduce the proportion of jobs that pay less than the real living wage from 25% to 15%⁴.
- Triple the number of anchor organisations.
- Reduce the employment rate gap for all disadvantaged groups (e.g. disabled people, minority ethnic groups) by half⁵.

Practical action to drive inclusive growth

⁴ The baseline for this indicator was set using data for 2016, taken from the Annual Survey of Hours and Earnings. It relates to Leeds City Region as a whole. In 2016 the Real Living Wage (set by the Living Wage Foundation) stood at £8.25 outside London. Pay data have subsequently become available for 2017, which indicate that 23 per cent of jobs in the City Region were below the Real Living Wage level (£8.45 in 2017).

⁵ The key disadvantaged groups for which employment rate data are available at local level are: disabled people, ethnic minorities and older people (aged 50-64). The latest available estimates for the City Region (taken from the Annual Population Survey for October 2016 – September 2017) show an employment rate gap for disabled people (vs non-disabled) of 27 percentage points; a gap of 15 percentage points for people in ethnic minorities (vs white people); and a gap of 14 percentage points for older people (vs people aged 25-49).

2.8 Inclusive growth is at the heart of the work of many public, private and community organisations across the city region. **Appendix 2** provides a summary of the project’s achievements under the leadership of the project director. Partner authorities are also delivering targeted interventions that help particular groups in society who face particular disadvantage benefit from inclusive growth. Learning from these projects will be considered across partners with a view to extending successful methods across partners, subject to further investment. This may be a major ask of future negotiations with Government.

Bradford	<ul style="list-style-type: none"> • Poverty and Ethnicity – a JRF-funded project that works with local employers and Pakistani and Bangladeshi women to seek to overcome barriers and provide access to a wider, more inclusive workforce.
Calderdale	<ul style="list-style-type: none"> • People with mental health problems – alongside the clinical commissioning group and local voluntary organisations, extend a pilot on the mental health impacts of social isolation and loneliness, predominately amongst the over-50s. This included impacts on employability.
Kirklees	<ul style="list-style-type: none"> • Work Better – a £5.75m European Social Fund funded programme to help people who face significant barriers into work, along with personal support for the first six months employment.
Leeds	<ul style="list-style-type: none"> • Providing supported internships (courses offered by colleges and post-16 providers) to help young people with learning difficulties and disabilities achieve paid employment by giving them the skills and experience they need through learning in the workplace.
Wakefield	<ul style="list-style-type: none"> • A programme for children leaving local authority care to improve their offer for housing and employment, including through priority support to achieve apprenticeships and into suitable accommodation.
York	<ul style="list-style-type: none"> • Supporting financial resilience and inclusion for people in those areas of the city ranked amongst the most deprived nationally. It will reduce the number of people using unlicensed/unregulated money lenders and high cost loans, in rent arrears or experiencing fuel poverty.
West Yorkshire Combined Authority	<ul style="list-style-type: none"> • Deliver recommendations from the inclusive growth audit, undertaken in conjunction with the Joseph Rowntree Foundation, to target all projects and working practices to better deliver inclusive growth.

2.9 There are also some particular themes where the Policy and Strategy Team - working with experts from councils, universities, think tanks and Government - will examine bold new approaches covering:

- **Good work in 2030** – linking with work on productivity and the future workforce, covering issues like sharing platforms and safeguards (as the UK leaves the EU), job design and flexibility, wage levels and collectivism.
- **Future of municipal energy** – how the energy sector delivers clean, reliable and affordable that reduces fuel poverty, based on the City Region’s commitment to clean growth.
- **The best start in life for all children** – how a child’s first 1,000 days shape their attainment and how opportunity can be extended in early years.
- **Future funding** – including the role of pension funds, crowdfunding and philanthropy to deliver the City Region’s overall policy framework.

A local, inclusive industrial strategy

2.10 Following publication of Government’s Industrial Strategy white paper, the LEP Board has previously determined (29 November 2017 and 16 January 2018) that a local inclusive industrial strategy will form a central component of the agile, long-term and broader policy framework described above and aimed at driving inclusive growth, boosting productivity and earning power for a post-2030 economy.

Emerging priorities for the Local Inclusive Industrial Strategy

2.11 There is an ambition to deliver the local inclusive industrial strategy at pace with the intention to present a compelling plan that builds on the foundations of the Strategic Economic Plan (SEP) to further transform the City Region. The aim is to position the City Region so that it forms part of the first wave of local industrial strategies agreed by government by March 2019 and shapes the submission to the 2018 Budget. Allied to this pace is the importance of an open and collaborative approach to co-design (described further in paras 2.15 and 2.16).

2.12 While there is no official Government position on the approach to local industrial strategies, the understanding is that they should be focused, relate to genuine local economic strengths and unlock transformative economic and social outcomes.

2.13 Informal contacts with Government suggest that there is an opportunity for the LEP in the period before more guidance is provided to develop a local approach that is truly ambitious and addresses local challenges. Work has therefore commenced to identify a number of priorities and ‘big ideas’ that could form the core building blocks and focus of our local industrial strategy:

- i. Transformative private sector leadership to tackle the productivity gap;

- ii. The Leeds City Region Transformed by Digital Technology; and
- iii. Maximising the impact of HS2 and Northern Powerhouse Rail through the development of inclusive growth corridors in the Leeds City Region.

2.14 A summary of these emerging proposals and ideas is provided below which builds upon earlier iterations seen by the Board in January. Further work to develop these proposals is ongoing with next steps outlined in section 2.15:

(1) Transformative private sector leadership in the Leeds City Region to tackle the growing productivity gap.

The productivity gap is growing between the Leeds City Region, UK and other advanced economies which limits residents' living standards. As the largest city region outside London, addressing the Leeds City Region's relatively poor productivity is a major part of the UK answering its productivity puzzle. Widespread progress for firms with less-than-average productivity could potentially unlock the majority of a £10 billion productivity dividend and see firms generating the returns that make paying a real living wage sustainable.

To address these challenges, a private sector led programme of intervention is required so that businesses collaborate to compete better. This needs to be spearheaded by private sector champions; harness the collective power of business groups and intermediaries, including banks and accountants; and be linked effectively with public business support provision.

Coordinated activity might cover:

Business Leadership	<ul style="list-style-type: none"> • A more joined-up approach to business support so firms are more aware of productivity and their options to act - including a 'No Wrong Door' agreement on business support across public and private intermediaries. • Better analysis of firms' productivity, including understanding those private sector 'business heroes' who bring to life how firms can improve productivity, and those interventions that work. • Stimulate a widespread understanding that better living standards come from more productive firms and good work.
Good work	<ul style="list-style-type: none"> • More inclusive labour markets with better progression and flexibility – linked to government's activity on 'good work' in response to the Taylor Review of modern employment practices. • Maximise the positive connections between health, jobs and prosperity.
Innovation	<ul style="list-style-type: none"> • Deliver the city region's digital framework, including the ambition that every business becomes a digital firm. • Explore the potential of digital supply chains to increase productivity and transparency (see PwC Germany)⁶.

⁶ <https://www.strategyand.pwc.com/media/file/Industry4.0.pdf>

	<ul style="list-style-type: none"> • Impact of the Knowledge Exchange Framework helping businesses to collaborate with universities.
Investment	<ul style="list-style-type: none"> • Champion how infrastructure investment underpins a more productive business environment in Leeds City Region. • Lead a compelling investment proposition leveraging private and public investment (e.g. Research Councils) in making the city region economy more productive. • Ensure inward investment activity drives up productivity – including how landing firms drive increased social value across local supply chains.

(2) The Leeds City Region Transformed by Digital Technology

Digital technology is transforming the world – and Leeds City Region has significant private and public sector assets on which to transform the regional economy. Currently businesses invest relatively little in Research, Innovation and Development (RID). There are opportunities to test how to stimulate investment in digital technology and RID to transform our economic base.

A Digital Framework is being progressed alongside development of the local inclusive industrial strategy. Although these are separate strands of work with different timescales, the Digital Framework - once established - will contribute significantly to the narrative and objectives of the digital and tech-focused local approach, including its key role in helping solve the City Region’s four key challenges.

One emerging proposal is to deliver the Leeds City Region Med-Tech Science and Innovation Audit (SIA) as a ‘proof of concept’ for other areas of tech (e.g. Fintech, Clean Tech, Agri-tech, etc.) to learn how orchestrated academic, public and private action can unlock Research & Development, driving investment, productivity and growth. The overall aim is to develop a £200m investment portfolio to 2025, including proposals for skills, innovation support and R&D infrastructure and clinical evaluation and evidence generation.

Item 13 provides an update report for the LEP Board on work to develop the City Region Digital Framework.

(3) Maximising the impact of HS2 and Northern Powerhouse Rail through the development of inclusive growth corridors in the Leeds City Region

HS2 will be a catalyst for accelerating and elevating Leeds City Region’s position as an internationally recognised place, connecting the North and creating an inclusive, dynamic economy which is accessible to all.

In order to help maximise the benefits of HS2 and Northern Powerhouse Rail, a series of inclusive growth corridors have been identified using a range of economic and transport indicators. These corridors will connect major

communities, including some of the most deprived areas of Leeds City Region to HS2. Inclusive growth corridor plans for each of these prioritised corridors are being developed in collaboration with District partners. The intention is that plan will:

- Reflect the views of local communities including businesses and stakeholders;
- Bring together the medium to longer term regeneration and broader development plans which transformational connectivity can support;
- Examine the detailed skills and supply chain interventions which can be clearly integrated within the Leeds City Region Connectivity Strategy;
- Integrate with wider social policy interventions to support the drive in productivity growth and inclusive growth.

The output of the inclusive growth corridor plans will be detailed short, medium and longer-term small and transformational projects/interventions. Further details of plans for the inclusive growth corridors are contained within the Leeds City Region HS2 Connectivity strategy⁷ which is currently out for consultation.

Next steps

2.15 As part of the LEP's and Combined Authority's open and inclusive approach to inform the development of the local industrial strategy and wider policy framework, a programme of engagement will be delivered with a range of stakeholders over the coming months, including:

- Districts: building on the excellent work done and ongoing to develop their local inclusive growth / economic / industrial strategies;
- Universities: making the most of their research assets and role as local anchor institutions;
- Business representative groups: as key actors representing the views of the private sector to develop deep knowledge of the barriers to improving productivity and boosting earning power.

2.16 An initial workshop will take place in March, bringing together representatives from higher education, local government and business to help test and shape the proposals above. This will followed be followed by an extensive programme of consultation from May 2018.

3 Financial Implications

3.1 There are no direct financial implications directly arising from this report. Extending the range of activity described in 2.8 will require further investment, while further work is needed to identify the extent of external challenge required to develop the policy agenda and how this might be funded across the partnership.

⁷ <https://www.westyorks-ca.gov.uk/media/2807/lcr-hs2-connectivity-strategy-for-engagement.pdf>

4 Legal Implications

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

5 External Consultees

5.1 The West Yorkshire Combined Authority will also discuss this report.

6 Recommendations

6.1 That the LEP Board agree that inclusive growth be embedded across the City Region's expanded policy framework as described in order to address the four key challenges agreed by the LEP Board at its September 2017 awayday.

6.2 That the LEP Board note that, in addition to the core activity of partners to drive inclusive growth across all activity, there are particular prototype activities across districts that can improve the lives of disadvantaged groups. Subject to results and further investment, this activity might be extended across the City Region to deliver inclusive growth outcomes.

6.3 That the LEP Board note and provide comments on activity to deliver a focused, local inclusive industrial strategy at pace and developed collaboratively with partners.

7 Background Documents

- LEP Board report (23 November 2016) and West Yorkshire Combined Authority report (1 December 2016)
- West Yorkshire Combined Authority report (3 August 2017)
- LEP Board report (29 November 2017) and West Yorkshire Combined Authority report (14 December 2017)
- LEP Board report (16 January 2018) and West Yorkshire Combined Authority report (1 February 2018)

8 Appendices

Appendix 1 - the City Region policy framework

Appendix 2 – achievements from the inclusive growth project