

Building more inclusive economies

Full report

Introduction

Prior to COVID-19, developed economies faced a common challenge: whilst GDP and employment were growing, places still suffered from entrenched poverty, low quality jobs, and stagnating income and living conditions (OECD 2019, RSA 2017, Stiglitz et al 2009; Lagarde 2013, 2018; Lupton et al 2018). In light of COVID-19, lockdown measures, and a sudden and monumental drop in economic activity, there is a danger that inequalities ingrained in the 'old world' will widen, and that those left behind by traditional models of growth will suffer the most from the economic fallout of this global crisis.

This particularly applies to the UK, where the number of people in employment had grown to record levels prior to the crisis, but the quality of that work was poor, leaving many working households in poverty (Johns et al 2019; JRF 2018). This has been a long-term feature of the UK since the 1980s, although the problem accelerated in the early 2000s and again after the financial crisis of 2008 (CEJ 2018).

This report explores the role that councils can play in building more inclusive economies. It emerges from an ongoing debate across place as to how to public policy can prioritise economic activity that shares the proceeds of growth across communities.

The desire to see the benefits of economic growth shared between people and places in a fairer and more equitable manner is shared across councils. No single terminology unites the whole sector; some councils refer to driving 'inclusive growth' whilst others prefer to talk about the concept of building 'inclusive

economies' or improving 'social mobility'. In light of the COVID-19 emergency where a large economic decline in the immediate term and a long road back to economic growth is expected, local areas are now considering their role in restructuring or rebuilding local economies from the ground up.

The term 'inclusive economies' is often used without specific definition but the idea is clear: inclusive economies are ones with broad-based opportunities that have benefits for all – as opposed to economies where higher aggregate economic growth is accompanied by rising inequality and poverty (OECD 2019, RSA 2017, Scottish Government 2015).

There is general agreement that building inclusive economies must:

- address inequalities
- address exclusion and poverty
- benefit the economy as well as being an end in itself
- focus on the nature of the economy – rather than just redistributing the gains of growth through taxes and benefits (IGAU 2019).

This agenda is relevant in all places – from areas which had previously experienced high growth and inward investment like London, Leeds, and Manchester as it is in areas with previously slower growth or even decline. The appropriate local response will vary between these places and their different economies.

Indeed, in recent times different places have experienced economic growth, change, and inequalities in strikingly different ways. Local economies across England are very diverse, ranging from metropolitan city-regions whose economies include extensive knowledge

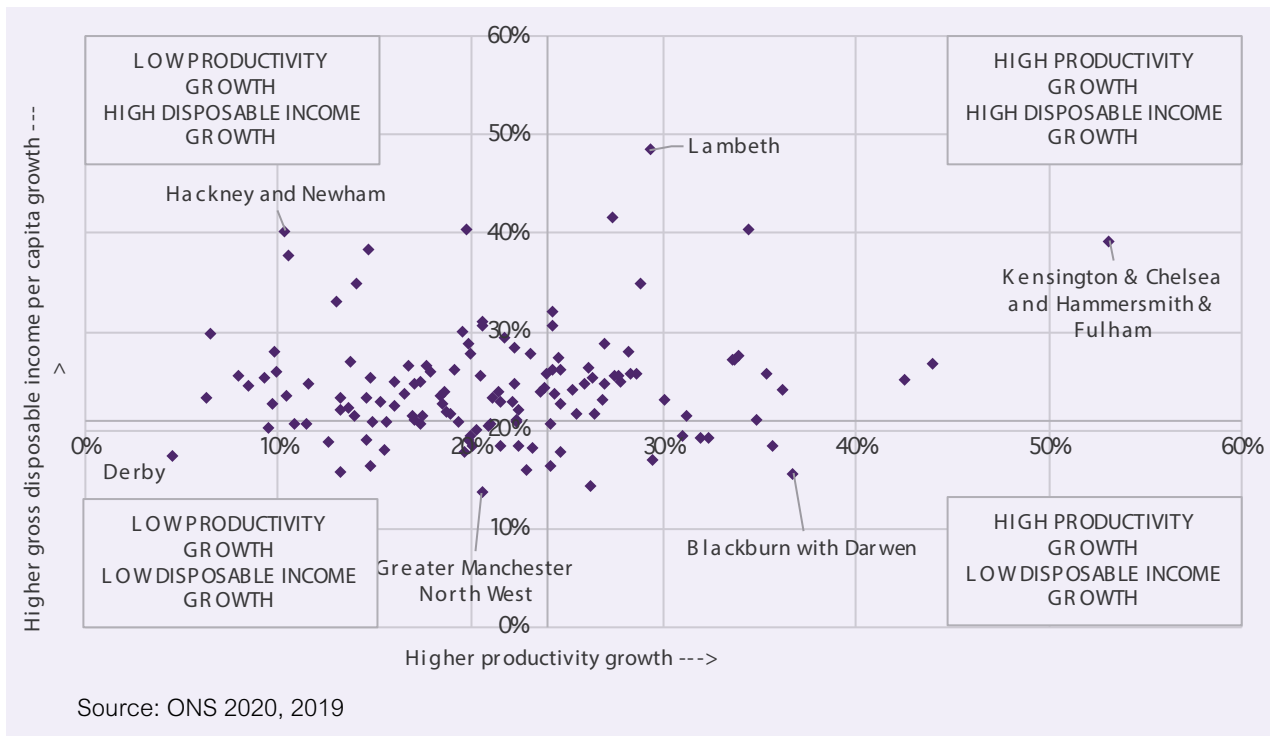
intensive business services, to coastal communities with strong hospitality sectors, and towns with older demographics and historical dependence on declining industries. Centralisation within England has meant that variation in productivity, income, health and employment are higher than in almost any other developed country (Raikes et al 2019).

Figure 1 shows what this picture looks like in terms of growth in productivity and disposable income over the last decade. It shows that there are some places where both productivity and disposable income have grown a great deal – such as Kensington and Chelsea, Hammersmith and Fulham. Other places have low productivity growth but have still seen high income growth, such as Hackney and Newham. In many areas productivity has grown more than average but disposable income hasn't followed suit, such as Blackburn with Darwen. This complex picture is an important starting point when addressing how to build more inclusive economies.

Councils know their own local economies and are in an unrivalled position to develop economies that benefit local people. However, severe funding cuts to councils have made these types of activities all the more challenging to deliver. Recent Institute for Fiscal Studies (IFS) research has shown that local government has had to protect statutory children's and adults' services through large cuts to other areas closely aligned with inclusive economies – transport, housing, culture and planning have all seen cuts of more than 40 per cent (Harris et al 2019). Even for those with the capacity and funding to do such work, there are barriers that stand in the way of implementing some policies. We have touched on these in this report – though, the barriers we have highlighted ought to be read as common rather than exclusive.

Figure 1.1: Productivity growth and income growth are not as closely related as might be expected

Per cent growth in productivity 2007-2017 (x axis) and per cent growth in gross disposable households income 2007-2017 (y axis)



This report

This report examines several key areas of the inclusive economies agenda. We use the term inclusive economies in reflection of the discussion above – and particularly in light of the importance this report stresses on understanding local economies and the role of local government in intervening within them. In discussions of inclusive growth, we seek to capture the concept in its broadest sense. Therefore, we seek to capture projects and interventions that are described as ‘inclusive growth’, ‘inclusive economy’, or ‘community wealth building’. In specific case studies, we use the language that the councils discussed use themselves.

This report draws on a large evidence base, which includes an extensive policy and literature review, interviews with 15 stakeholders in different councils and a call for evidence which had 19 submissions. We considered how inclusive growth can be pursued by councils at three different stages:

- those who are looking to start engaging with the inclusive economies agenda
- those who have identified it as a clear priority, but are looking at good practice and for ideas to develop strategies, policies, and interventions
- those who have developed inclusive economy (or similar) strategies, policies, and interventions and are looking at expanding their work on inclusive growth into a new phase.

As such, this report focuses on some areas which are key across most councils approaches and others where there are emerging opportunities to further this agenda.

The areas of focus in the remainder of this report, which are explored in turn, are:

1. building an approach to the inclusive economies agenda
2. the link between affordable housing, skills attainment, and job creation

3. procurement and spending
4. building and leveraging infrastructure
5. transport.

An abridged version of this report is also available on our [Inclusive Economies Hub](#).

COVID-19

The fieldwork for this report took place prior to the COVID-19-related lockdown. Indeed, it was not mentioned in any of the interviews except for one interview which had been postponed until March 2020 for other reasons.

Since then, COVID-19 and the lockdown have had an impact without precedent on the UK’s society and on its economy, as well as on the global economy. At the time of writing, most economic activity has stopped. Those who are able to work from home are doing so whilst key workers, who by and large are in some of the lowest paid jobs in the economy, continue providing essential services. Others have been furloughed or laid off – a survey by the British Chambers of Commerce found some 76 per cent of companies had furloughed at least some of their staff (BCC 2020).

The extent of the economic impact and what comes next is unclear. We are currently in a large recession, with the Office for Budgetary Responsibility projecting a 35 per cent drop in national output for the second quarter of 2020 and 2 million job losses (OBR 2020). Their projected ‘v-shaped’ (or rapid rebound) recovery is incredibly optimistic. The general professional outlook is one of a potentially protracted depression into the early 2020s globally and within the UK.

During this crisis, councils have been at the forefront of keeping people safe, well, and socially isolated. This has included providing emergency helplines, food deliveries, and emergency council tax relief for example.

While some financial support has been made available to councils, it is a very small proportion of the sudden loss of income and greatly increased expenditure faced by

councils, and does not currently account for the differential impacts experienced due to relative levels of deprivation. Many councils are looking at single-year budget deficits which equate to the scale of multi-year cuts seen in the early years of austerity, while a few councils are openly discussing issuing section 114 notices in the face of severe financial problems.

This is a suddenly altered context for this report. During the final drafting stage of this report, we have attempted to remark on this context within each chapter. However, this was not explored as part of the fieldwork which took place between January and early March 2020.

Approaches to building more inclusive economies

There is substantial scope for councils to pursue different approaches, strategies, and interventions to build inclusive economies. However, a prerequisite of any focus on inclusive economy is to ensure that it is embedded across the organisation. This section highlights how councils have drawn together an approach to inclusive economies by building consensuses, developing strategies, learning and working in partnership, and using evidence effectively.

Building a consensus around the inclusive growth agenda

It is generally considered that 'trickle down' economics has not worked and targeted policies and interventions are required to improve the distribution of economic benefits.

Defining what a more inclusive local economy might look like is no easy task – and it is noted that some councils have spent long periods of time debating and drafting specific definitions. However, our research highlighted that many saw clear benefits in using a definition to increase understanding, to build consensus across elected members and officers, and change cultures built on more traditional models of economic development. Clear and accessible definitions can help to increase understanding of the aims of this agenda, build cultural change across councils, and explain how it differs to other approaches.

Embedding inclusive economy policies across councils also requires it to be more than an economic development

agenda, a core part of a council's function. Procurement, planning, and many other teams and functions in councils need to be able to understand the agenda, and how their work contributes to achieving these outcomes. This facilitates a shift in activity. Our interviews highlighted that embedding inclusive growth across a council was very difficult if the agenda was not palpable or accessible for officers outside of economic development in particular.

Such a shift requires a clear vision and leadership. Interviewees made this clear. In some councils, political leadership has been crucial to implementation, while others reflected on the importance of senior officer leadership. Some councils have a cabinet/ executive member with an explicit inclusive growth portfolio; it is the responsibility of the leader in some, and in others, there are senior officers who are responsible. In councils which are most advanced in this agenda, it is clearly embedded at high levels (politically and officially) which provides for strong leadership across the whole council.

It also requires evidence to build support politically and officially within councils, and across partners – as the case study on the London Prosperity Board indicates. Using evidence to highlight the particular challenges faced by councils and identify priorities can also build the political will to overcome challenges, such as the financial and legal concerns often raised in commissioning and procurement (Johns, Raikes and Hunter 2019).

Inclusive growth or economy strategies are important statements of intent and help identify priorities for action. Many councils,

including Newham, Doncaster, and Leeds, have explicit inclusive growth strategies, while other councils have embedded the concept of inclusive growth in wider strategies, such as Greater Manchester's Local Industrial Strategy which is subtitled 'Developing a more inclusive economy'.

Several key facets of inclusive growth strategies emerge from the literature and policy reviews:

- They include accessible overarching goals which can help build consensus, such as "this Strategy will ensure that all of our residents can participate in and benefit from Manchester's economic growth," (Manchester) or "our ambition is for Leeds is to have a strong economy within a compassionate city (Leeds).
- Strategies are grounded in evidence about and an understanding of a place, its economy, and its challenges to inclusion, such as Newham's Inclusive Growth Strategy.
- Strategies outline key principles which seek to address local challenges, like Leeds' 'twelve big ideas'.
- Key levers are identified, including those of direct control and those of indirect control, such as convening and influencing partners, such as Doncaster's presentation of Inclusive Growth Drivers in its strategy and the roles for different stakeholders within them.
- Existing good work within the scope of the strategy is highlighted, such as in Manchester's Local Industrial Strategy.
- Priorities are clearly articulated, such as Liverpool City Council's five to six priorities under the six key aims of its Inclusive Growth Plan.

While inclusive growth strategies vary strongly across the country, there are three levers which are most prevalent, and can be viewed to some extent as a starting point:

- councils' role as a direct employer
- councils as commissioners and procurers
- and the convening power of councils.

Wider levers of control such as through the regulatory orbit of the council can also be key levers. They include through planning (for instance Manchester uses Local Labour Agreements in its planning processes to help connect local workers to employment opportunities in construction) and through land or building ownership (such as Lambeth Council's Living Wage Building where all tenants are obliged to pay at least the London Living Wage to their employees and contractors (similar examples are detailed in Chapter 5).

Strategies that address regional priorities, however, may depend on policy areas that are – to some extent at least – outside the control of local government. For example, inclusive growth approaches in many areas depend on the role of adult education and skills provision in facilitating access to labour market opportunities. This makes sense in policy terms, as demonstrated in the case studies (see Chapter 3). However, local 'hard powers' are relatively limited and the constraints to funding in this field are well documented (Dromey and MacNeil 2017, Round 2018). Local policy interventions in these areas depend on partnerships that are to some extent elective, and that may not be well-resourced (Round 2018). Therefore, partnerships and convening can be key in advancing the agenda in these areas.

Key lessons

- A clear accessible definition of what building an inclusive economy means locally helps build consensus and understanding.
- Clear leadership can help build cultural change across councils and their many component teams and departments.
- Specific strategies are important visions which help identify priorities, and developing them helps councils to identify which levers it can and will seek to use.

Learning and partnership

Working with other councils and with ‘anchor institutions’

Many councils and combined authorities are seeking to achieve similar goals. While not every intervention or policy will translate well to other areas, many can be adapted and implemented in other places. Interviewees discussed the importance of learning from other councils and stakeholders, reflecting on limited capacity and seeking to act on the inclusive growth agenda as soon as possible.

Partnerships between councils are especially important in two-tier-areas. These authorities have specific issues, such as a lack of clear delineation in some areas, challenges around different political control, and sometimes poor or fractious relationships. However, councils are seeking to build partnerships as highlighted in the case studies below.

Working with anchor institutions

Anchor institutions play a crucial role in helping councils increase their influence over their wider local economy. Anchor institutions are large geographically ‘sticky’ organisations – meaning that they are tied to a location and make a significant contribution to the local economy as large employers, procurers, and land-owners. They include councils, universities, hospitals, colleges, religious institutions, housing associations, and even organisations like football clubs or airports (adapted from CLES 2019a and Mosavi et al 2015).

Working in partnership with anchor institutions can significantly increase the number of employees, the amount of goods purchased, the number of services procured, and the number of partners worked with in terms of pursuing inclusive growth. Councils have worked with anchor institutions to leverage their procurement spending (discussed in Chapter 5), ensure staff are paid living wages (Johns, Raikes & Hunter 2019), and provide employment opportunities (see the Leeds City Council case study highlighted in Chapter 3).

Councils can only work with anchor institutions if they have identified who they are and sought to engage them. While some councils are well advanced in this, others are less so. Birmingham’s anchor institutions were mapped in 2018 by identifying public, social, and commercial organisations which had over 250 employees, spend £6 million or more on purchasing goods and services, and owned or managed key assets and land within the city’s boundary (CLES 2018). While Leeds set up the Leeds Anchors Network, predominantly made up of public sector bodies and Yorkshire Water to begin with and sought to grow the network as its work was promoted with a prospectus-style document (Leeds City Council n.d.).¹

Employers, whether considered ‘anchors’ or not, are key players in building more inclusive economies. This is particularly crucial in reference to employment opportunities, decent wages, and good working conditions that help engender inclusive growth – but it’s also important in influencing investment decisions and capturing benefits for local people. Leadership is important to inform and engage a critical mass of employers across the labour market and local economy.

Though the concept of anchor institutions has been well explored, it has not been universally engaged, particularly outside of local government and universities. Hence, the Leeds Anchor Network explaining in clear and simple terms how anchor institutions can make a difference with five specific behaviours (ibid). In a similar vein are Birmingham’s efforts to engage closely with six anchor institutions and then promoting their approach and the findings of their collaboration (CLES 2018). While some outputs may appear repetitive across places, ensuring that partners understand the agenda and their role within it enables them to fully engage.

In both cases above, and in many others – like Greater Manchester’s employment charter described below – celebrating the work of partners through their engagement in the inclusive economies agenda is central to the

¹ www.leedsgrowthstrategy.co.uk/anchor-institutions/

partnership approach by helping to sustain and grow networks.

The benefits of working with anchor institutions are likely to be thrown into sharper focus by COVID-19 and the economic crisis that follows. While they may have their own challenges in light of the economic context, generally they will still be important players in the local economy as large employers, large purchasers of goods and services, and can provide local leadership.

Overall, whether it's working with other councils in two-tier areas or working with anchor institutions, building networks and channels of communication, alongside leveraging existing ones, can help align interests and ensure there are more actors and more capacity seeking to promote inclusive economies.

Manchester City Council and London Borough of Islington Councils working together

Councils can learn from each other – and many are. Manchester City Council and Islington Council have developed a collaborative relationship where they can learn from each other's strengths. At one event, officers and members from Manchester peer reviewed Islington's approach to securing social value through public procurement. Members and officers from Islington also visited Manchester to highlight their use of planning powers to provide affordable housing and affordable workplaces.

Building networks and developing peer learning across councils can improve the speed and quality of policymaking and implementation. Councils do not need to reinvent the wheel. They can learn from best practice and what works from elsewhere.

Norfolk County Council Collaborating across the county

Norfolk is a county with seven component districts with different political control. Norfolk County Council and the district councils in Norfolk have created the Inclusive Growth Coalition which seeks to build understanding and agreement around economic exclusion and building inclusive growth.

This collaboration is still evolving and working to build political buy-in with a county collaboration initiative. A small team who work across districts is collaborating and looking at the complementarity of work taking place in different districts, including work on skills and employment. Common themes and challenges across the country have been identified and an action plan is in the process of being developed.

It can be difficult to align interests across counties with multiple districts, particularly those with differing political control, but working together to build understanding about the evidence and local challenges foment collaboration.

Suffolk County Council Aligning interests with a public health approach

Suffolk County Council is using a public health approach to drive its approach to inclusive growth. Public Health Suffolk have contributed to the development of policies and embedded health and wellbeing into inclusive growth approaches in the county.

Driven by Public Health Suffolk, they assess the ‘epidemiology’ of each aspect of inclusive growth within their model using evidence, population data, and best practice elsewhere to make recommendations for improvement across different partners (Healthy Suffolk 2019).²

Demonstrating the key link between ‘health’ and ‘wealth’ and the wider determinants of health which can be directly influenced through inclusive growth work, interests were aligned across employers, the Chamber of Commerce, the council, Public Health Suffolk, and other partners. This approach helped to engage wider partners beyond those who would already engage with the inclusive growth agenda or economic development strategies.

Different approaches to working with partners can help align interests and build partnerships which could otherwise be difficult to engage, and using evidence (in this case around public health) to determine local challenges can provide for unique approaches and specific interventions to target localised issues.

2 www.healthysuffolk.org.uk/jsna/state-of-suffolk-report

Greater Manchester Convening for better work – A Good Employment Charter

Greater Manchester’s Good Employment Charter was drawn up using a tri-partite partnership model – including businesses, trade unions, and the combined authority.³ The co-design method also ensured there were employers ready to engage upon its launch. Since launching in 2019, 170 employers have expressed an interest and 70 have become ‘supporters’, taking in around 90,000 employees.

Greater Manchester’s Independent Prosperity Review highlighted low pay, job insecurity and low productivity caused by poor employment practices.⁴ This evidence helped drive the efforts to develop an employment charter. By convening businesses and trade unions, engaging universities, and consulting residents and workers, the employment charter reassured stakeholders that it would be impactful and workable.

The Employment Charter’s tiered structure allows employers to progress – encouraging them to improve employment standards from supporter to member to advocate. The combined authorities and constituent councils in Greater Manchester are seeking to embed the charter in procurement decisions – increasing the impact of its efforts to improve working conditions.

Convening as many partners as possible improves the design of interventions, particularly ensuring that they are impactful and also workable for those who they will affect.

3 www.gmgoodemploymentcharter.co.uk/about/

4 www.greatermanchester-ca.gov.uk/what-we-do/economy/greater-manchester-independent-prosperity-review/

Key lessons

- Many councils are exploring this agenda and successful policies and strategies should be shared and adapted for other places. Some councils have forged explicit partnerships to learn from each other.
- Anchor institutions are a key stakeholder for councils and should be extensively engaged as part of building more inclusive economies.
- Councils should map local anchor institutions to identify potential partners and seek to align interests on the inclusive economies agenda.
- Councils have considerable convening power and influence in their local area, and some have used this to increase employment standards for example.

Using evidence effectively

Evidence is crucial to designing inclusive economies strategies and interventions. Local areas cannot build an inclusive economy effectively if they do not know precisely what their problems, and their assets, are. This requires good data and the expertise to analyse it. Many councils have undertaken excellent work in this regard, such as:

Islington's Fairness Commission which sought to analyse inequality and poverty through various dimensions in order to take action.⁵

Manchester City Council publishes a detailed State of the City Report annually which discusses progress against the Our Manchester Strategy including its goal for 'a progressive and equitable city'.⁶

The West Midlands Combined Authority's Inclusive Growth Unit⁷ publishes a regular audit to identify the inclusivity of jobs, skills, and growth outcomes across the city region.

The literature, and interviews, highlight the importance of grounding interventions in an understanding of local strengths, weakness, opportunities, and challenges. Indeed, many interviewees commented on how best practice is not useful unless there is a clear fit for their council's need.

The paucity of high quality, local data was also raised as an issue. It is clear that councils do need much better-quality data. This could include better availability of established datasets at smaller geographies, and the exploration of innovative datasets, including new questions and data linking to administrative data. Councils do not have the resources to undertake large scale, localised data collection – and this is one area where the UK Government could support councils to create better, more impactful, policies and interventions.

Evaluation is key in interventions. The inclusive growth agenda is a long-term effort – and strategies will have multiple iterations. Interventions and policies need to be effectively evaluated so that they can be improved, with lessons learnt from what was successful and what was less successful. This also includes understanding the scale of impact from interventions, which is difficult to do given a lack of high quality, very local data. Councils take different approaches to this – Leeds for example uses case studies, whilst others (see the case studies below) have focused on using specific metrics to appraise and evaluate. Inclusive growth is clearly complex. In many cases the best evaluation will include some qualitative elements as well as quantitative analysis to form a rich picture of evidence.

⁵ www.greatermanchester-ca.gov.uk/what-we-do/economy/greater-manchester-independent-prosperity-review/

⁶ https://secure.manchester.gov.uk/info/200088/statistics_and_intelligence/7353/state_of_the_city_report_2019

⁷ www.wmca.org.uk/what-we-do/public-service-reform/inclusive-growth-unit/

In terms of metrics, there are many different approaches to capturing this. Some involve identifying measures of inclusion to accompany measures of economic growth, while others effectively weigh the value of economic output by the extent to which other social goals are met into single indicators. Other approaches include adapting existing measures of growth with additional information around place or population groups, and some are based on citizens' understandings of inclusion (see the London Prosperity Board case study below) (Lupton et al 2019). For many of the broader metrics around growth or inclusion, there are many other factors involved in trends over time and there is very limited scope to isolate the extent to which policies have affected those trends.

There is considerable potential for working across areas to share evidence and impact analysis. Many councils actively share their work in this area, such as through networks launched by bodies such as the Inclusive Growth Analysis Unit. By doing so on a more regular basis, councils can analyse and understand the interventions and policies which work and how others have sought to improve them.

It is not only on an intervention-by-intervention basis that evidence is useful, but also over the wider local economy. As inclusive growth strategies are updated over time, they need to be based on evidence which reflects the existing situation in the local economy. Trends over time are therefore important for understanding the direction of travel of the local economy which can be responded to. Trend analysis is as important as project evaluations and 'data snapshots' for understanding inclusivity and the local economy.

It is useful for councils to compare against national benchmarks on some measures, but councils are also exploring 'nearest neighbour' analysis. This means understanding which areas have similar economic conditions, economic trends, and challenges with respect to the inclusive

growth agenda. Councils can then compare their progress against those areas which have similar conditions – helping to isolate to some extent the effect of different areas of focus and interventions – rather than comparing progress to areas with completely different local economic fundamentals.

West Midlands Combined Authority Inclusive Growth Unit and embedding key principles

The West Midlands Combined Authority (WMCA) established an Inclusive Growth Unit, which is tasked with ensuring inclusive growth features in the combined authority's decision-making. The Unit also provides long term strategic, research, and engagement support for the combined authority and its partners.

The Unit developed an 'inclusive growth decision-making tool' which helps assess projects and interventions on their contribution to inclusive growth.⁸

The tool has four key criteria:

- fitting with strategic priorities
- contributing to inclusive growth priorities
- understanding who will benefit
- promoting good work practices.

The tool is for all public sector practitioners to encourage inclusive growth to be considered in all projects or interventions; to qualitatively assess how projects can be modified and improved to increase inclusive growth outcomes; to embed inclusive growth principles across the WMCA and its partners.

Good, and accessible evidence for policymakers can enhance interventions, improve outcomes, and help to embed inclusive growth principles across councils and their partners.

8 <https://governance.wmca.org.uk/documents/s2911/Appendix.pdf>

The London Prosperity Board Measuring inclusion

Aiming to 'rethink what prosperity means for London', the London Prosperity Board is a partnership between local government, public bodies, businesses, the third sector, local communities in East London, and the Institute for Global Prosperity at University College London.⁹

Based on detailed research, a new five-part prosperity index was developed. This outlines the 'foundations of prosperity' in key domains, which are:

- local value creation
- good quality jobs
- health and healthy environments
- opportunities and aspirations
- belonging, identities and culture
- power, voice and influence.

These domains are described by 67 measures – some using existing data sources and others using bespoke household survey data. The index is used by many organisations across East London including local councils to inform policies and understand how residents view their own prosperity (Lupton et al 2019).

Understanding what inclusive growth outcomes are desired – outcomes which are based on an understanding of local conditions – can help embed inclusive growth thinking into policy development, appraisal, and evaluation. It can also align interests across different organisations.

9 <https://londonprosperityboard.org/>

Key lessons

- Good data and analysis helps councils to identify their local economy's unique assets and challenges, creating better policy.
- Regularly updating key information can assist in tracking progress against core goals.
- Evaluating interventions and tracking progress helps to inform future policy design and councils have taken different approaches in doing so.
- While it is useful for councils to compare against national benchmarks on some measures, it can be more pertinent to explore 'nearest neighbour' analysis. This helps to isolate the effect of different areas of focus and interventions – rather than comparing progress to areas with completely different local economic fundamentals.

The link between affordable housing, skills attainment, and job creation

Background

In this section we consider inclusive growth policies that target job creation, skills provision, and affordable housing. After COVID-19, the labour market is likely to undergo a period of fluidity and rapid transformation. Changes will arise in the availability of jobs, but also in the nature of work in certain sectors. For example, an increased emphasis on working from home may lead to greater demand for digital skills, while post-lockdown trends may place a premium on customer-service and 'people' skills. Some proposals for recovery programmes include efforts to stimulate specific sectors in a local economy (such as those associated with the 'green' economy). If the economic challenges of COVID-19 are not to create further inequality, any such developments must be accompanied by effective measures to make sure that jobs and training are widely accessible, in particular to communities whose risk of exclusion has been increased during the pandemic.

New skills demands may emerge rapidly, with a need for agility in the provision of opportunities to learn, and of access to these. Similarly, the flexibility in labour markets offered by sufficient affordable housing will be even more important, especially for people who have suffered hardship during the lockdown period.

Job creation

The nature of the jobs market is an important aspect of whether or not economies can be considered inclusive. The 'good work' agenda (Johns et al 2019) is increasingly prominent for councils, as concern mounts over in-work poverty¹⁰, precarious work, and work conditions (Joseph Rowntree Foundation 2020). Features of 'good work' include pay rates that are sufficient to sustain a household income, security of contract and hours, safe and healthy working conditions, and other aspects of 'fairness' at work. Unless these are widespread across jobs of all kinds, overall rises in employment will not improve inclusion and may even polarise experiences of work for different groups of employees and between sectors.

Job creation in particular sectors and occupations can also be especially effective for inclusive growth, and initiatives to increase employment should target both 'high tech, high skill, high productivity' sectors and those which offer opportunities for more people to participate in good quality work. Occupations that carry the greatest risk of poor-quality work and underemployment include elementary roles, sales and customer services, and caring, leisure and other services. An analysis of successful interventions suggests that sectors and occupations where initiatives should focus in order to drive inclusive economies include production industries, construction, sectors that use the existing assets and opportunities of their region, and sectors that offer good-quality 'middle level' skills jobs (Pike et al 2017).

¹⁰ In 2020, around 12.7 per cent of workers are living in poverty and around 56 per cent of people living in poverty belong to a working household (Joseph Rowntree Foundation, 2020).

Councils and regional ‘anchor institutions’ can play an important role in improving work quality (Johns et al 2019). They are themselves major employers, and by providing good quality work can both act as exemplars and make a difference for their workers. In addition, they can incentivise good practice by employers from whom they procure goods and services (See chapter 4), and within their own supply chains. Working in partnership, councils and combined authorities have used instruments as ‘Work Charters’ to define ‘good jobs’ and to encourage employers to follow the associated guidelines. This has potential benefits for both businesses and workers themselves, as an increasing body of evidence suggests that there is a relationship between work quality and productivity (Carnegie Trust/Royal Society of Arts 2020).

Skills creation

To access opportunities in the labour market, people need appropriate skills and (in many cases) qualifications. The need for skills provision that closely matches employer need is well-established, and many local areas have developed extensive policy frameworks and partnerships to support this. The devolution of elements of skills budgets under City and Growth Deals, as well as post-2015 Devolution Deals, has facilitated ambitious projects in many regions (Clayton and Gough 2015, AoC 2018). Skills gains enable people to enter work and to progress within it; Level 3 and Level 6 qualifications are particularly associated with earnings uplift (Bhutoria 2016).

However, simply demonstrating the link between skills improvements and increases in earnings is not sufficient to encourage widespread engagement in learning among adults. In particular, those at greatest risk of economic exclusion may be especially likely to miss out, in the absence of proactive measures to boost participation. The upfront costs associated with skills development (such as tuition fees and/or loss of earnings) may be too great for people who live in

poverty or on low pay, or who are ‘time poor’. Without a clear path to a return on investment, especially in the short term, spending money and/or time on training can feel like a big risk (Round 2018). Effective policy therefore includes strategic interventions that link skills development to specific work opportunities, and that make learning financially and practically accessible for the people who are most in need of skills gains and enhanced employability.

A further priority is the link between skills supply and demand within the labour market (Dromey and McNeil 2017, Round 2018). Initiatives that address only one side of this equation have only limited impacts, but strategic links between the two can prove transformative in regions where economic inequality has arisen over time. Key features of effective policy include:

- leadership, especially focussed on generating more and better jobs
- place-based approaches that adapt and tailor policy to the needs of local areas
- integration of economic and workforce development initiatives from a demand-side perspective, focussing on sectors that can support inclusive growth locally
- private and public sector employer engagement and partnership
- autonomy for local partners to design and adapt national programmes to local needs
- good quality data collection, monitoring and evaluation to boost learning from programmes.

Adapted from Pike et al (2017)

Affordable housing

Earnings alone cannot support inclusive growth if the costs of living close to employment opportunities are prohibitive. In England, councils are increasingly aware of the barriers that residents face in accessing the housing market, and finding affordable homes to rent or buy. In fact, rapid economic growth in an area can exacerbate inequalities

where buoyant housing markets lead to price inflation because formerly accessible areas are now outside the means of many workers.

Many councils, of course, pursue policies on affordable housing as part of their 'core' work. But in some regions, there is an increasing interest in the link between housing costs and inclusive growth. For example, in one area the local living wage policy is explicitly linked to high housing costs and issues with housing affordability, which are driven by highly specific features of the local economy and commuting patterns.

Leeds City Council: Connecting residents to local opportunities at St James's University Teaching Hospital

In Leeds, St James's University Teaching Hospital ('Jimmy's') is located close to Lincoln Green, which has for many years been among the most deprived areas in England (consistently in the most deprived 1 per cent to 3 per cent), with high unemployment rates. The hospital is a major employer and recruits constantly, but struggles to employ people from its immediate neighbourhood.

To match Lincoln Green's acute need for good-quality work with the opportunities available at the hospital, Leeds City Council sought to link skills demand within the health provider to opportunities for local residents. This initiative included a programme of consultation with the Lincoln Green community, to identify existing skillsets and skills levels, and an analysis to identify skills demand within the job vacancies at the hospital.

The intelligence gathered was used to design a targeted skills programme which was delivered to jobseekers in Lincoln Green. At the end of the programme, participants were guaranteed an interview for work at the hospital. This resulted in some excellent employment outcomes for local residents. Those who took up an entry level role gained secure work paid at the Real Living Wage, with clear pathways to progression.

The success of the initiative was such that it will be repeated in the Lincoln Green area, and used as the model for similar programmes in other parts of the city.

Features that led to its success include:

- strong community engagement.
- building on existing assets and potential.
- good partnerships with local employers (in this case, the NHS).
- matching skills provision to skills demand and tangible job opportunities offering good quality work.
- the effective use of evidence in targeting interventions and designing programmes.

Gloucestershire County Council Creating homes and supporting communities: Two Rivers Housing

Gloucestershire County Council has addressed the urgent local need for affordable housing through a partnership with Two Rivers Housing. This organisation is an independent not-for-profit registered charity that provides and maintains housing within the region. The council transferred its housing stock to this organisation, which permitted an increase in housing stock to over 4,000 homes available for rent across Gloucestershire and Herefordshire, and to establish a construction programme. Specific priorities include increasing the supply of affordable rentals in rural areas, ensuring that newly-built homes use energy and water efficiently (thus reducing costs for residents and minimising environmental impact), and regeneration of existing assets.

As well as increasing the supply of affordable social housing, this partnership has increased the activities of a company whose model is based on good quality work. Using their organisational leverage, Two Rivers Housing provides extensive employment in the local area, invests profits back into its core activities and community projects, and aims wherever possible to use local suppliers and subcontractors. It also supports community regeneration projects, neighbourhood activities, and local groups.

Two Rivers also runs an active, award winning programme of apprenticeships in office skills, construction and skilled crafts. These are all sectors where people with qualifications below degree level can achieve good earnings and work progression, in work that builds on regional assets. In addition, employees are encouraged to participate in an extensive range of continuing professional

development including secondment opportunities that help to broaden learning and experience.

This programme demonstrates how councils can support inclusive growth by working with regional anchor institutions and key stakeholders.

Sheffield City Region

What inclusive growth means for the region

In Sheffield City Region, the development of the Strategic Economic Plan [SEP] included a clear aim to ensure that it reflected and supported principles of inclusive growth. To this end, the Centre for Regional Economic Social Research at Sheffield Hallam University were commissioned as a partner with Sheffield City Region [LEP]. Their role was to help develop a vision of 'inclusive growth' that was relevant and practical for Sheffield, and to advise on how this could be achieved. In the specific case of SCR, the main challenges related to low skills levels among the local population, and also low wages.

Among the interventions designed as part of the SEP are:

- building in conditionality on business relationships, to ensure that suppliers and contractors maintain good practice on issues such as conditions of employment, providing good-quality apprenticeships, etc.
- influencing skills providers to employ a good match with skills demand from employers and opportunities to improve strategic skills supply.

Key lessons from this process include:

- the importance of a good understanding of local challenges.
- commitment to building bespoke, place-based ways to address these.
- embracing the convening and influencing power of local and combined authorities, using this to align interests and use leverage.

Key lessons

- Economic change arising from COVID-19 will worsen inequalities and must be mitigated by local areas as best they can through inclusive intervention.
- Job quality is a core component of more inclusive economies and councils can influence job quality in their local economy as major employers, procurers of goods and services, and working in partnership.
- Skills are also a key part, and the most effective skills policy involves linking skills programmes directly to specific work opportunities, and where engagement is proactively encouraged.
- The role of affordable housing is increasingly being considered within the remit of building more inclusive economies – particularly in relation to essential workers who are often paid less well despite their importance.

Procurement and spending

Commissioning¹¹ and procurement are among the biggest levers that councils have in building inclusive economies. The National Procurement Strategy for Local Government¹² echoes this important role and provides practical perspectives on how to embed social value into contracts.

There is considerable scope for councils to influence their local economies with their spending and ways to take spending decisions to build an inclusive focus. Nearly half of all local government expenditure is accounted for by procurement (IFG 2018). In 2017/18, local government saw around £79 billion of revenue expenditure and £19 billion of capital expenditure spent on procurement (ibid). This local government spending represents a large injection of expenditure into the economy nationally collectively and locally as individual authorities: their expenditure supports jobs; it supports supply chains; and it supports local economies.

In light of COVID-19, the role of councils as economic actors will be crucial in restarting local economies. Councils' procurement budgets are almost always the largest such local spend in any given area. Councils' procurement spend is not cyclical – it is not directly linked to how well the economy performs in the way that business spending is, so councils can provide an important injection into the local economy at a time of recession. Where and how council

procurement expenditure is spent therefore is of an increased importance during broader economic decline, and its role in supporting the local economy should be explicitly explored. The scale and ability of this expenditure is however dependent (at the current time) on support provided by central government and alleviating councils' deficits.

Councils have become increasingly aware of their power to influence local economies with the decisions they take around commissioning and procurement (Johns, Raikes and Hunter 2019), particularly through social value.

Social value is known to be quite difficult to define. The former Association of Greater Manchester Authorities (AGMA) Procurement Hub developed a standard definition, framing social value as a 'whole life basis' consideration (Johns, Raikes and Hunter 2019). Their definition is:

“A process whereby organisations meet their needs for goods and services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and economy whilst minimising damage to the environment.”

AGMA 2014

11 Commissioning refers to the whole cycle of assessing need, designing services, selecting a provider to deliver them, and delivering them. Procurement more specifically refers to the process of buying goods, works, and services. Procurement is governed by public procurement policies nationally and by local procurement strategies.

12 www.local.gov.uk/national-procurement-strategy

Many councils have built an element of social value into the way procurement decisions are made, requiring contractors and suppliers to work in specific ways and follow good practice for inclusive economies. Some of the outcomes sought include the following:

- retain expenditure within the local area
- secure real living wages for staff working on contracts
- provide apprenticeships for local people
- support employment charters
- link hard-to-reach groups with employment opportunities
- fund employment support programmes.

In our interviews, councils clearly recognised the importance of procurement and its ability to help shape the local economy in a more inclusive way.

There are sometimes challenges to using procurement in this way. The two main challenges that arise are legal – to what extent is it legal to require contractors to do particular things, like pay a Living Wage to their staff – and financial – those contractors may pass the cost back on the council. However, these are barriers which are well explored, understood, and overcome in many areas and needn't be an obstacle to inclusive growth policies (Johns, Raikes, and Hunter 2019).

Councils like Newham, Doncaster, Calderdale, Leeds and Manchester address commissioning and procurement in their inclusive growth strategies. It helps to ensure that procurement teams are aware of this agenda, understand it is a priority of the council, and embed it into their work. This drives a keen focus on the agenda when writing invitations to tender and evaluating bids – which ensures that councils are then maximising the amount of social value that they can extract from procurement.

Increasingly, councils are including working with anchor institutions on improving their procurement practises too, building on the work of places like Preston (see below).

Commissioning and procurement require political leadership to drive through a focus on inclusive growth. Councils report that procurement teams are rightly highly risk averse and often it is difficult to encourage innovation to achieve social value and lever in the inclusive growth agenda because of real and perceived legal or financial barriers. Our research would suggest that this is best approached by elected members, which has been done in ways like cabinet members rejecting proposals with insufficient focus on the inclusive growth agenda or councils learning how these processes take place in other councils (see Chapter 2). Cultural change in councils generally follows from strong political leadership.

In some areas, councils are introducing employment charter standards in their commissioning and procurement decision-making. For example, the Greater Manchester Combined Authority is exploring embedding its Employment Charter's standards in the public procurement and investment that it controls directly, and its constituent councils are also exploring this (See Chapter 2 for more information on the development of the Charter).

Beyond procurement, councils (particular Combined Authorities) control investment funds such as the Liverpool City Region's Strategic Investment Fund (SIF). Inclusive growth and reducing inequality are embedded in all decision-making with regards to SIF investments in the Liverpool City Region (Johns, Raikes and Hunter 2019). There is clear scope for councils to embed the inclusive growth agenda in investment and funding decisions – including where they are providing loan facilities for the purposes of economic development for example.

Manchester City Council Beyond 20 per cent Social Value

Manchester City Council has been considering social value in its procurement and commissioning as a way of driving a more inclusive economy for a number of years. In 2015, it increased its social value consideration from 10 per cent to 20 per cent. At the time, there was much debate around the right percentage weighting for social value and many councils applied weightings of just 5 per cent.

Manchester has six social value objectives against which all suppliers of goods, services or work are assessed:

- promoting employment and economic sustainability
- raising the living standards of local residents
- promoting participation and citizen engagement
- building capacity and sustainability of the voluntary and community sector
- promoting equity and fairness
- promoting environmental sustainability.

In 2020, Manchester is trialling an additional 10 per cent – taking its social value weighting to 30 per cent – on highways contracts. The additional 10 per cent is earmarked for environmental value, reflecting the council's declaration of a climate emergency.

Manchester monitors its social value annually with the Centre for Local Economic Strategies. The proportion of local expenditure has increased from 51.5 per cent in 2008/09 to 69.9 per cent in 2018/19 which represents an additional £138 million in the local economy (CLES 2020). It also helps support 561 apprenticeships, 1,579 jobs, and 7,730 employment opportunities for hard-to-reach individuals in Greater Manchester (ibid).

By understanding that procurement and commissioning was a key lever, and an asset, of the council in building a more inclusive economy, Manchester City Council re-orientated its approach to ensure that it maximised its expenditure in the local economy and that this expenditure was helping to meet its objectives. Manchester also refers to its inclusive economy objectives in its procurement strategy – ensuring that procurement teams have a keen understanding of this priority. This can be applied to other areas of council policy, and helps to ensure teams that are rightly focused on the services and areas that they are responsible for, have an appreciation of wider objectives, particularly related to the inclusive growth agenda.

Preston City Council

The Preston Model

Preston's approach to community wealth building has been widely lauded. Preston began to use social value in procurement after analysis showed that local institutions were only spending 5 per cent of their procurement expenditure in Lancashire and just 40 per cent in Lancashire.

Preston City Council changed their own practices, but as a district council had a relatively limited total spend. So, the council brought together large stakeholders including the Lancashire County Council, Preston College, the University of Central Lancashire (UCLan), Lancashire Constabulary and local education providers.

The council worked to increase the proportion local spending by these different organisations, and despite an overall decrease in procurement, locally-retained expenditure increased dramatically (Johns, Raikes and Hunter 2019). The most recent analysis shows that an extra £74 million spend has been retained in Preston and £200 million extra in Lancashire (CLES 2019b). It also promoted the real living wage through procurement decisions, to raise the living standards of local people. Between 2012/13 and 2018 there was an increase in 4,000 employees in Preston earning the Real Living Wage (ibid).

Preston works to promote the work it has done, so that other councils can easily learn from their experience, including a dedicated webpage explaining its approach including how it complied with relative procurement regulations (see Preston City Council n.d.). Preston has also been working with the European Union's URBACT network to explore progressive procurement and share good practice across Europe.

Preston worked to understand how it could build a more inclusive economy through its procurement practices and retaining expenditure locally. As a district council, Preston recognised it had limited resources,

but could work with anchor institutions in order to maximise its impact. By bringing others on board, aligning interests, and agreeing on improving procurement practices, Preston City Council increased the impact of its living wage policies in the local economy. Preston is also actively working to ensure that other councils can learn from its work and promoting its work locally to encourage local organisations to become involved.

Key lessons

- Local government procurement spending is a large source of expenditure in any given local economy, often the largest.
- Commissioning and procurement require political leadership to drive through a focus on inclusive growth. Cabinet members rejecting proposals with insufficient focus on the inclusive economies agenda can help accelerate culture change within procurement and wider service teams.
- Councils have had increasing success using social value in commissioning and procurement to promote better work, better wages, better access to skills and other outcomes linked to more inclusive economies.
- Legal and financial concerns in procurement are valid but have been well explored and largely overcome by councils across the country.
- Anchor institutions tend to be large procurers too and influencing their commissioning and procurement practices can play a significant role in increasing the reach of efforts to build more inclusive economies.
- Councils can make decisions about their investment funds to ensure they only invest in projects that build a more inclusive economy.

Building and leveraging infrastructure

Background

Providing infrastructure to support inclusive economies is an emerging area of local policy making. By infrastructure, we are referring to economic infrastructure in a broad sense, such as physical structures like office space and services like business support, and so on. This aspect of the inclusive economies agenda goes beyond traditional economic development in that there is generally a focus on ensuring that the infrastructure:

- facilitates the retention of profits and benefits in the local community (such as through supporting co-operative business models, community businesses, social enterprises etc)
- targets economically excluded groups and places
- promotes inclusive economic activity and is restricted by some means to achieve this.

There are elements of this which are longstanding and well known to councils, such as using community asset transfers to provide community businesses with homes or supporting community businesses/social enterprises to set up to deliver council services – which has been seen in different parts of the country for social care.

Other councils are ‘pairing up’ inclusive growth approaches, such as Islington’s use of planning powers to provide affordable workplaces (see below). This is one of the clearest examples of councils innovatively using levers under their control to redistribute the benefits of growth for the means of furthering economic inclusion (where it is possible owing to development values).

Aside from building new infrastructure, councils are also leveraging their existing assets. Councils can use the control they have over buildings they own (including commercial property), as shareholders in companies, through council trading companies, and other areas of ownership (Johns, Raikes and Hunter 2019). For example, the London Borough of Lambeth opened the UK’s first living wage building, International House, where all tenants are obliged to pay at least the London Living Wage to their employees and contractors (ibid).

As described in Chapter 5, many councils leverage their procurement expenditure to obtain broader benefits within the inclusive growth agenda. Councils are increasingly looking to move beyond this – and considering the permanence of these benefits. For example, concerns have been expressed that apprentices may be transferred to different contracts to meet social value requirements and end opportunities prematurely when contracts run their course. Councils are exploring different ways to overcome this. Leveraging permanent or longer term ‘infrastructure’ where possible across different processes such as procurement and planning (as in the case studies below) is one route open to councils.

An overarching narrative for much of this activity is that it emerges from councils understanding what their assets are and seeking to maximise their usefulness for the inclusive economy agenda.

In the context of COVID-19, it is the case that perhaps more so than some levers, extracting value out of the planning process is dependent upon economic growth (or at least

private investment). This is likely to become harder if there is a slowdown in residential or commercial property development. Nonetheless, councils will want to consider the ability to exercise these powers whenever they are considering or reconfiguring their local plan – regardless of the stage in the business cycle (because local plans generally outlast periods of growth or recession). It is important that councils continue to lay the ground to access these levers even if development is not forthcoming for a period of time.

With respect to leveraging existing assets, this may become more important to help kickstart local economic activity and ensuring that inclusive principles are built into that recovery. Promoting co-operative ownership in the next co-operative models of ownership for example have been shown to be particularly resilient in economic crises internationally (Birchall and Hammond Ketilson 2009) and unlike models of attracting inward private investment, they generally help to retain wealth in local areas by paying out dividends to larger numbers of economic actors in the local economy with a higher propensity to spend than distant investors, as well as engendering better resilience for the local economy overall (Lockey and Glover, 2019).

London Borough of Islington

Using planning powers to provide affordable workplaces

In 2010/11, Islington Council held a Fairness Commission which highlighted the stark inequalities that exist within the borough. One specific problem highlighted by the Commission was ‘commercial gentrification’ where small businesses faced the threat of being displaced from the borough due to a hyper-competitive commercial property market and high business rate increases.

Islington therefore developed an Affordable Workspace Strategy. This involves negotiating leases using the Section 106 process from developers at very low rents for periods of 10 to 20 years which are then managed by selected affordable workspace providers. These providers are offered the spaces at peppercorn rents in return for social value, such as education, training, and employment opportunities for local people.

Islington have also used their understanding of local communities to ensure that this support helps those groups which are harder to reach and builds on existing activity. For example, in one case (which received match funding from the Mayor of London), an emerging garment making industry among predominantly BAME women has been supported with conversions of garages and workspaces for their use. This is also complemented by sewing and garment-making classes and support in the local area.

The council is now exploring how to further this approach as part of its local plan update.

Islington has explored its wider regulatory orbit in order to provide more affordable workplaces, and support inclusive growth. Joining up its approaches, it has used planning powers to obtain workplaces and used social value to maximise the impact providing these workplaces through affordable workspace providers will have.

By including Islington's goal for a more inclusive economy in strategies across the council, it has been able to embed it in areas where it has not been traditionally included like planning.

Preston City Council Supporting co-operatives and developing a community bank

Preston is also furthering its efforts on community wealth building, by looking at ownership of local economy activity and supporting co-operatives. The latest phase of the so-called Preston Model involved a partnership between the City Council, UCLan and Co-operatives UK to help seed-fund a range of worker co-operative start-up businesses.

Over three quarters of a million pounds is being used to support these businesses in cash and in-kind support. The scheme is drawing on international practice, including Mondragon in the Basque Country in Spain and recognising that co-operatives have a difficult time starting up.

The council also helped to set up a new Preston-based credit union in 2015 to tackle financial exclusion in the city. GuildMoney was supported with £150,000.

The council now hopes to build on this work by helping financially excluded people and businesses by working with other councils in the North West like Wirral Council to set up a community bank. The bank is planned to be co-operatively owned and will have a particular focus on lending to small businesses. It is also hoped that the bank will have physical branches, in response to the decline in the number of bank branches on high streets across town and district centres.

Preston City Council wanted to further its agenda to generate and retain wealth in its economy and the wider Lancashire economy having seen success with its progressive procurement agenda. Local and inclusive ownership was seen by the council as a clear way to retain these benefits, and so they have supported co-operatives, credit unions, and now a community bank. The council

have been clear in the development of these projects about the local challenges that they are seeking to address including financial exclusion for local people and difficulties for small businesses in accessing finance.

Key lessons

- Building, obtaining, and leveraging economic infrastructure can help councils retain wealth in the local area, target those most affected by economic exclusion, and directly shape activity to be more inclusive.
- Direct ownership over economic assets gives councils direct control over aspects of a more inclusive economy like living wages, good working conditions, and local supply chain expenditure.
- Even during economic downturns councils can encourage more inclusive economies to emerge and they can support or invest in co-operatives and the social economy which tend to be more resilient in economic downturns.

Transport

Background

Transport plays a vital role in connecting people to jobs and learning opportunities. International development literature frames transport as both a social and an economic enabler:

“Transport is not an end in itself but rather a means to allowing people to access what they need: jobs, markets and goods, social interaction, education, and a full range of other services contributing to healthy and fulfilled lives”

UN 2016

The role of transport in post-COVID-19 places and economies is important and requires extensive consideration by councils. Confidence in public transport because of fears around COVID-19 is likely to take a significant hit and both public and privately run franchises will struggle to operate within the likely extended necessity of social distancing.

The role of transport infrastructure and also revenue support should not be lost in the measures taken to respond to COVID-19, and new frameworks should take into account the inequalities that have been exacerbated or created during the pandemic. The need for extensive public transport is unlikely to entirely diminish in any scenario, and many councils have prioritised public transport as part of their wider environmental or economic aims.

While many people are working from home and this could be extended for some time (and may result in a discernible permanent shift), the ability to do so tends to focus on office-based, white-collar jobs. Jobs including hospitality roles, social care provision, cleaning, and other roles which require the physical presence of the employee will need to resume in-situ. These are roles which tend towards lower pay and are more likely to use buses in particular (Gates et al 2019).

Though, transport, economic development, and regeneration efforts can be harmonised to facilitate accessibility education, training, and jobs, it should not be forgotten that they can also support many key services and social relationships (ibid). This will remain the case after the peak of the crisis passes.

With the implications of the COVID-emergency put to one side, England's regions face various well-publicised challenges in relation to transport affordability and reliability. One criticism of many high-profile transport schemes is that they offer little in the way of support for inclusive economies, focussing primarily on routes and modes that are used primarily by higher earners in more affluent places. Rail infrastructure is vital for local economies, but poorer communities often rely heavily on bus services (Raikes, Straw and Linton 2015). This is particularly important for younger people in rural and deprived communities, for whom car ownership often represents both a substantial cost and a necessity in order to access services, employment and education (Jordan, Bibby and Kane 2019).

Investment in transport, especially in sustainable and active modes, is also associated with improvements in physical and mental health as a result of greater physical activity, increases social contact, and reduced air pollution (Stevenson et al 2016, Hamer and Chida 2008). Overall, poor transport provision tends to impact disproportionately on deprived communities who are more likely to miss out on work and other opportunities (Mackett and Thoreau 2015). Social policies and social development depend heavily on effective integration with transport policy and provision (Kenyon 2018). The devolution of transport powers in England offers an important opportunity to achieve such integration – especially the devolution of bus franchising powers.

However, this demands a strategic approach and a strong voice for social policy and inclusion in transport planning, with extensive cross-sector working and a willingness to break down barriers and reform funding and appraisal mechanisms (Fuller and Linton 2016). In particular, innovative approaches to revenue funding and greater local control of factors such as service and route planning are important.

Moreover, central government is significantly behind the many councils on implementing social value in procurement, and often decision-making is far removed from local delivery (see DCMS 2019 for example), neglecting to consider place-based social value in decision-making. This often means that transport infrastructure, though aimed to prioritise economic growth, fails to prioritise local inclusive economies.

There is increasing recognition of the link between public transport and the inclusive growth agenda. Rural councils that were interviewed as part of this project regularly brought up poor public transport as a barrier to inclusive growth. Whilst urban councils increasingly brought up the need for public transport to better act as a conduit between economically excluded groups and places and growing city and urban centres.

Indeed, much of the discussion around bus franchising in Greater Manchester has been discussed through this lens (see Williams 2019 for instance).

Though councils' powers are fairly limited with respect to public transport, it is an area where devolution has moved relatively quickly. Mayoral combined authorities are working their way through the powers given to them by the Bus Services Act, and the Williams Rail Review is due to report back in the near future – potentially making recommendations to Government about the devolution of commuter rail networks. The upcoming Government devolution white paper could see routes to devolution for areas that have so far been without. Hence, while transport may not currently form part of inclusive growth strategies, it is an area with large impact and potential that could be the next focus for councils to further this agenda.

The current Government have now signalled their longer-term intentions for reducing carbon from our transport networks, given that it is the primary source of greenhouse emissions in the UK. They recognise that electrification of the transport fleet on its own will not be sufficient in helping the UK achieve its climate change commitments and that sustainable forms of travel, including cycling and walking as well as public transport, will be a key part of the solution. Cycling and walking have increased significantly during COVID-19 social distancing measures in the UK. In response to this and the need to manage increases in car traffic as restrictions are eventually eased, the Government have provided additional funding and measures to boost cycling rates. However, women, disabled people and older people, along with other demographic groups, can face deep-rooted barriers to their experience of, and interaction with, transport systems and travel. This shapes and sometimes limits individual travel choice. There is therefore further scope for councils to promote cycling so that more people, from a variety of backgrounds, can participate and benefit from additional measures and improved infrastructure.

In addition, the current crisis does present an opportunity for further devolution given sudden changes to the rail network and high levels of funding for bus companies. This could address governance issues and unsatisfactory transport networks by potentially devolving powers over further local transport functions, including network design and operation. As highlighted above, to some extent these are changes that central government was already exploring. It is unlikely (though possible) that it is viable for rail franchisees and bus operators to return to pre-COVID-19 operations, and central government could take advantage. This could enable councils to resolve issues around poor public transport and economic exclusion which is related to it at the same time as local efforts to restore confidence in public transport.

Wheels to Work schemes

In several areas of England, including Derbyshire, North East Lincolnshire, and Nottinghamshire, 'Wheels to Work' and similar schemes provide support for people who need better transport options in order to access work. The aim is to provide affordable transport for people who do not have access to public transport or to a private car. The majority of schemes offer applicants the option of hiring a moped, bicycle or electric bike for a period which allows them to take part in training courses or to accept a job that would otherwise not be accessible. Schemes may also offer support with accessing or training for new motorcyclists, protective equipment, vehicle servicing and maintenance, and insurance.

These schemes are especially important in rural areas and places where employment patterns have changed substantially, meaning that established transport networks may not meet the needs of new generations of workers. Individual examples vary by the kinds of low-carbon transport offered, depending on local road networks and geographies.

Greater Manchester Scholar's Permit

The cost of transport is a barrier for many people, in particular those aged 16-21 who seek to access work or training or to manage a schedule that includes both. In Greater Manchester, the Scholar's Permit allows people aged 16-19 to access child fares when travelling to school or college. This is available to all Greater Manchester residents who are in full-time education.

Understanding barriers to economic opportunities can help shape policies. By identifying that the cost of transport was a barrier for young people in particular, a scheme was designed to tackle it, and open up participation in education and training opportunities. Increasingly, councils are seeing transport barriers through the lens of inclusive growth and seeking to tackle them.

Key lessons

- COVID-19 presents councils with significant challenges to public transport, but the Government's actions give rise to an opportunity to significantly advance transport devolution, building on the existing direction of travel.
- Transport is increasingly seen through the lens of an inclusive economies issue, especially in areas with bus franchising powers.
- Public transport plays a key role in connecting people to economic and social opportunities but poor transport provision is predominant.
- A strategic approach to social policy and economic inclusion is required in transport planning.
- There are underutilised opportunities in national transport infrastructure projects to maximise place-based social value.
- Additional Government funding and measures provide an opportunity for councils to promote more inclusive use of cycling networks.

Conclusion

Building an inclusive approach

Conclusion

Local government has an excellent record innovating across the country to build more inclusive economies. As this report has shown, from affordable housing, jobs and skills to transport they have found new ways to support their residents with interventions that services wider inclusive economy ambitions. This is despite significant financial challenges over the last decade.

COVID-19 presents a monumental challenge for councils – creating sudden and potentially permanent social and economic changes, drastically increasing the financial burden on councils, and ending a period of national economic growth. COVID-19 will exacerbate economic inequalities and exclusion. While inclusive growth is now out of grasp for the foreseeable future, building more inclusive economies is not. Throughout this report, we have described the ways in which COVID-19 could interact with different policy areas related to building more inclusive growth, but it is clear overall that the inclusive economy agenda is as crucial as it was before this crisis.

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