



RSA Inclusive Growth Commission

Open call for evidence

WIND THE GAP



**progressive economics
for people and place**

Established in 1986, CLEES is the UK's leading, independent think and do tank realising progressive economics for people and place. Our aim is to achieve social justice, good local economies and effective public services for everyone, everywhere.

RSA Inclusive Growth Commission Open call for Evidence

Published by
Centre for Local Economic Strategies
(CLES)

Date
February 2017



Contents

| | |
|---|----|
| Introduction | 5 |
| The promise of inclusive growth | 6 |
| The way forward: forging a good local society | 10 |
| Inclusive governance | 13 |
| Good economies | 15 |
| Successful places | 17 |
| What does a successful inclusive economy look like? | 19 |
| Endnotes | 22 |



Introduction

The RSA Inclusive Growth Commission have invited interested parties to share ideas and comments about the Commission's three main research themes: Economy, Place and Governance.

About CLES

Established in 1986, CLES is the UK's leading, independent think and do tank realising progressive economics for people and place. Our aim is to achieve social justice, good local economies and effective public services for everyone, everywhere.

In all our work the relationship between place, economy and people is central. CLES:

- champion a change in fortune for places and communities experiencing social and economic inequality and lack of opportunity.
- challenge prevailing orthodoxies where they are seen to fail local places, economies and communities;
- enhance place resilience,
- influence and develop practice and seek to change behaviours of policy makers at all levels of the UK.

Introduction

The economy is not working for everyone and it has not done so for a long time. In a period of austerity, poverty and hardship have only become more entrenched. The gaps between certain communities are getting larger, with some communities going backwards. This is not acceptable. Our growth driven narrative tolerates and indeed is at times unconcerned, by high levels of socio-economic inequality, accepting that competitiveness creates winners and losers.



The promise of inclusive growth?

The ideological choices behind inclusive growth

The advent of the inclusive growth discourse, resonates (for some) into something more social and fairer. Perhaps it also prompts ideas about a new interventionism, redistribution of wealth or a state which tends to actively step in to help, rather than tending to step back. This interpretation of the rhetoric around inclusive growth could be easily placed within a Keynesian or developmental economic school of thought. However, whilst the rhetoric and language may assume this line of thinking, it would be wrong to wholeheartedly assume that the ideological drivers are Keynesian, or a reaffirmation of a welfarist social contract. Indeed, neo-classical interpretations of inclusive growth, may assert that poverty and inequality is a consequence of restrictions within the market, over burdensome planning, and a heavy hand of the state.

For CLES, there is a need to assert an activist interventionist driver behind inclusive growth. We believe this is essential, as the alternative could be an inclusive growth agenda which is adopted (if not contorted), by national govern-

ments/ devolved administrations who seek to harden and deepen free market policies, austerity, fiscal conservatism, and a freeing up of planning. Whilst, this case could be made, CLES does not believe that this is credible given the scale of exclusion and economic failing within many places in the UK.

Terminology and meaning are critical

CLES welcomes the establishment of the Inclusive Growth Commission and the increasing focus on practical ways to make local economies across the UK more economically inclusive and prosperous. Much in the 'inclusive growth' agenda is however not new, and when new terminology emerges there is naturally a period in which the meanings attributed to it are unclear. CLES, established in 1986, has always sought to create a socially inclusive and environmentally just economic narrative for people and places.

Terminology with a greater heritage and provenance such as social justice, economic exclusion and tackling poverty need not be side-lined in the pursuit of 'inclusive growth' and such concepts,

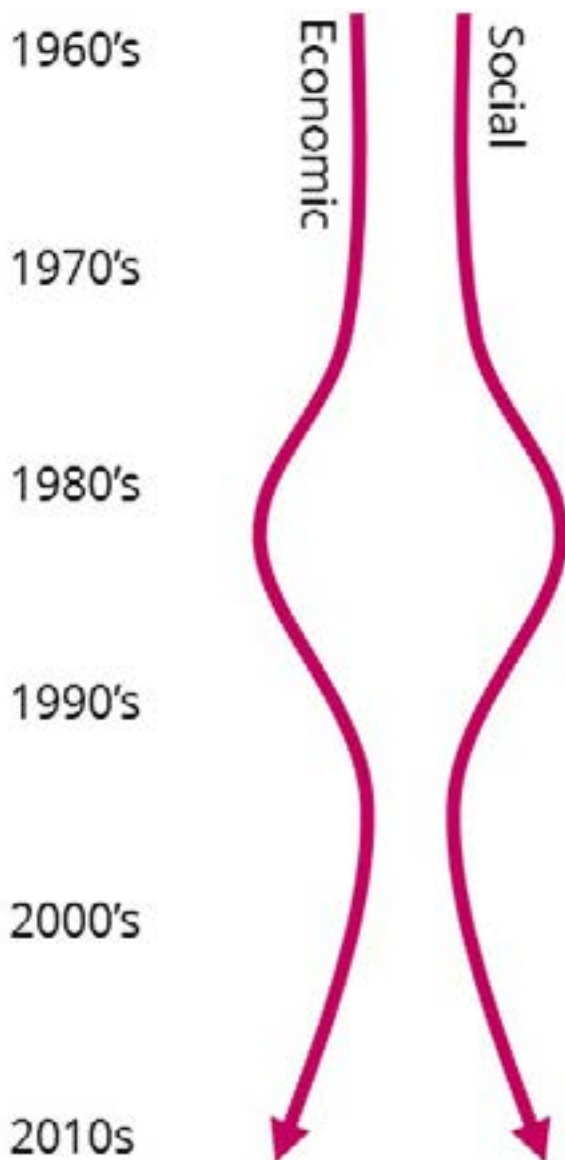
we argue, need to be strongly weaved into the discourse from the outset to ensure that ‘inclusive growth’ is genuinely inclusive and the agenda has a progressive influence.

Learning from history is important

Bringing together of the separate and increasingly distanced spheres of economic growth and social inclusion is also not a new objective. Throughout the history of British economic development and urban policy, the attempts to bridge the distance between the two has alternated in relation to the dominant school of economic thought at the time. In the early history of economic development policy (1940s - 70s) interventionist approaches sought to steer investment geographically to ensure a fairer distribution of jobs. This regional policy gave way to urban policy from the late 1970s as the social problems in our cities were highlighted as a drag on growth. Through the 1980’s, a property and market-led approach to renewal was intended to benefit the disadvantaged. In the 1990s and 2000s evidence of increasingly entrenched social challenges brought about a more holistic approach to regeneration of deprived places with a return to regional rebalancing the economy.

In the post 2010 period of austerity, local economic development policy, (influenced by work in the field of ‘new economic geography’) has sought to explain growth as an effect of spatial concentration (agglomeration) and policy has focused on its promotion.

Lava lamp of ‘inclusive growth’



All of these approaches have failed very many places and people, the policy challenge and the 'nut which has yet to be cracked' is to address people in place simultaneously, with integrated approaches which display a deep recognition of the varying and interdependent roles between each.

Therefore, the RSA commission must be precise as to the exact ideological and economic school of thought on which its understanding of inclusive growth stands.

The commission must claim the provenance for Inclusive growth in Keynesian and/or developmental and/or institutionalist terms. This requires a rejection of arguments which attempt to contort inclusive growth within a neo classical or aggressively fiscally conservative agenda. Failure to make this case could create a context in which inclusive growth becomes a Trojan horse for even more liberalising of the economy.

Taking forward 'inclusive growth'

The commission's desire to place 'inclusive growth' at the heart of, and as the working definition of 'economic success' in both national government and metro agendas is commendable. Nevertheless, whilst devolution presents an opportunity to broaden out measures of growth and address social issues which act as a drag on productiv-

ity and economic output, we need to, in promoting and shaping the inclusive growth agenda, take a step back and look at some of the fundamental failings in the models of economic development.

The continued and overt focus on metro and urban areas, even within the literature of the Commission, suggests to us that the underlying driver of this agenda remains the new spatial agglomeration economics which has failed vast swathes of our country, and has led to the levels of inequality and disenfranchisement we see today.

CLES are concerned that the 'inclusive growth' agenda, if fully fitting within the existing conceptualisation of existing new spatial economics or accepting of prevailing austerity will not sufficiently address the drivers of low productivity for all people in all places. Productivity gains must deliver for people who need it most, and must translate from theoretical discussion to actually doing something on the ground. If the pervasive agglomeration model of economic development is set to remain, then inclusive growth will only be an add-on and any shift (albeit welcome) toward social infrastructure will only be driven by a desire to remove barriers to greater unfettered economic growth. There will still be winners and losers.

Look beyond solving the challenges of the current environment

Our current models for economic success have not, and will not, produce the outcomes required. Trickle-down economics has not worked, supply side economics has very clearly not lifted all boats, and across the UK we have communities that have suffered continuity from each round of economic restructuring since the early 1970's. Policies are required to address the uneven impacts of growth, this is not new, however trying to fix the problems of unevenly distributed growth 'after the fact' has also not worked.

For CLES, we would want to see the 'inclusive growth' agenda to be the start of a clear break with the failings of our current model, and look beyond solving the challenges of the current environment, to developing a model for a new, good local society that in the words of our Prime Minister 'works for all'. If 'inclusive growth' fails to do this, it is in real danger of not sufficiently challenging the flawed model, nor offering the radical reshaping that is required to address the entrenched poverty and inequality faced in many communities. Without this it is unlikely to make any significant impact where it is most needed.¹

Inclusive growth cannot be reduced to be solely about jobs, labour market

In taking inclusive growth forward, we strongly reject any idea that it is mainly about jobs and the labour market - problems of poverty and inequality result from deep systemic causes, made worse by austerity and a receding welfare state. We have had decades of local employment initiatives, which have failed to work even in more favourable economic times. Today's economic growth is creating a low pay, low skill economy that means work is not necessarily a direct route out of poverty. Our economic model of agglomeration and incentive competition needs to shoulder the blame for the position we are in, and any progressive 'inclusive growth' agenda needs to acknowledge the impact of fiscal conservatism, austerity and free market policies. A rejection of this which will be critically important moving into a post Brexit world and a global Britain.



The way forward Forging a good local society

We believe we need a reset to economic development policy, in which there is a more plural, heterogeneous approach. In this we would view the social inputs to life, as not just a cost, but as an investment in our future.

In this we need to start appreciating the social life of places and recognising the role it plays in our economic futures. Inclusive growth offers an opportunity to pursue a system wide change in which we simultaneously invest in people and places to deliver growth which is inclusive.

In the Government's industrial strategy green paper,² there is a recognition that we need a new activism. Alongside this we need a nuanced understanding of how economic development can bridge people and place and develop an inclusive 21st century economy that works for everyone. This must reflect how the digital era and smart technologies can herald a new open source and collaborative economy, one where peer to peer flattens the economy and distribute wealth more widely. In this the National Infrastructure Commission should evaluate how major broadband

infrastructure will be required to support this new economy, placing emphasis on creating deep relationships between producers and consumers, more sensitive to social concerns and unmet social needs.

In austere Britain, our policy making has become too distanced from the people and places it seeks to help, has become too technocratic, and needs to reconnect and engage with the plurality of actors who wish to invest their energy into making their communities better places for all to live. Public policy and those who manage its delivery, need to actively steward our local economies with greater emphasis around promoting fairness of opportunity. The British public care deeply about our social infrastructure, however social welfare, education and health, perpetually in 'crisis', are presented in public discourse as a 'cost' to the pub-

lic purse, a drain on public resources, rather than the investments we need to make for a shared and prosperous future. Our investment in infrastructure is directed in response to growth potential, responding to market demand rather than shaping and directing growth into areas of low demand. The real value created by the renaissance of the city has not been shared with those who would benefit most.

Devolution offers real promise to articulate, connect and pursue bespoke activity that considers equality and the deeper and fairer allocation of resources, as regards investment in social, cultural, democratic and environmental activity. However, we need to move beyond the 'deal making' approach which has favoured first movers and ensure that devolution is not limited by the local governance architecture adopted merely to fit within the deal making process, but instead best suits local needs.

Devolution must:

- Be bold and shape an inclusive economy by redefining relationships between the local state, citizens and business, rekindling a local social contract with equality of opportunity at its heart;
- Recognise that good and properly funded public services are essential for delivering fairer social outcomes which can drive up productivity, and are therefore a vital part of inclusive growth;

- Focuses on wealth rather than poverty, in looking to share wealth more broadly, build good economies and a good local society;
- Make the case for new forms of fiscal decentralisation within fair national redistribution frameworks, including progressive taxation to match the scale of the challenges we face, acknowledging the deep impact of austerity and a future without redistributive European funds;

There is promise in the Inclusive Growth agenda. However, it will not be enough to have 'after the fact' policies including a mere 'add on' of social concern to inherent inequality or some limp softening to free market ideas. Solving poverty and creating an economy that genuinely works for everyone requires a voracious commitment to change. Without this focus, the Inclusive Growth agenda will follow a long historical line and will surely struggle to achieve what it sets out to.

In our publication 'Forging a good local society: Tackling poverty through a local economic reset',³ we set out what we could do to tackle poverty and inequality and make an economy for all. Poverty, instead of being a shared problem for us all, is now too often seen as a problem for 'them' - the poor who are increasingly stigmatised and scapegoated. Below the tip of the iceberg we identify a range of reasons why poverty endures:

- Demoralised public values;
- Lack of recognition that economic inequality affects all places;
- Problems of finance;
- Can't see the poverty: the failings of place-blind policy;
- Too much boomgoggling⁴ the poor often don't benefit;
- A narrow set of local economic development policies;
- The poor became a 'them', rather than an 'us';
- Shifting the goal posts: we change the measurement, not the poverty;
- The legislative frame has been weakened.

In our work across the country (and internationally) we come across many people who are doing innovative, creative and imaginative things. In CLES's work with the new economics foundation, and Friends Provident, we are exploring how to create good city economies across the UK. Our work has taken us to ten UK cities and 75 innovative projects and work continues to delve deeper into the functioning of a good city economy.⁵ We highlight the range of our recent practical on-the-ground work, organised under the Commission's focus areas of economy, place and governance which demonstrate how we can deliver more inclusive growth, however such distinctions do little to encourage progressive economic thinking for people and place. The public policy agenda needs to catch up.



Inclusive governance

While devolution will see power transferred down from national government, there are concerns of the potential effect of the city region sucking up of powers from the local level, moving decision making process further away from the local people who need to play a role in an inclusive governance model which will be required for inclusive growth to become a reality.

System changing

Funding streams are often focused on patching up problems rather than changing the systems that create the problems in the first place. Our cities currently face a multitude of issues that require structural change. From poverty and inequality to climate change and the shift to a low carbon future. Cities need to think – and fund – differently to make the changes required.

Co-produced local economic development

Instead of viewing local communities and civil society as mere downstream recipients of economic success, they should be active upstream parts of

a system that creates success in the first place. A greater recognition of social networks and move to co-production are essential, where citizens and civil society contribute more resources to achieving outcomes, share more responsibility, and manage more risk in exchange for much greater control over resources and decisions. We call this creating a ‘double dividend’ for local economic and social success.⁶

Developing ‘whole place’ economic strategies

To create resilient places, local economic policy must absorb the qualitative aspects of development, accommodating the wide range of connected actors from a range of sectors who play important facilitation and brokerage roles, connecting a wide range of assets and resources. LEPs for example should not be purely about growth but also get involved in other place based issues such as public service reform. LEPs need to be more democratic and develop a wider set of performance measures.

Empathic, enabling local leadership

Local authorities are a key agent for pulling together and accelerating alternative local economic activity. Key to this is local government being the active enabler: encouraging and inspiring self-determination from a range of sectors and innovative collaboration and crossover between social, public and commercial networks. It is about harnessing the expertise and empathy present in a range of local people, other public sector agencies, third sector partners and businesses, and engaging them as leaders in their own fields. To do this there should be an easing up on austerity. Funding cuts to local authorities have severely hindered their ability to enable others and innovate.

True devolution

Places need to continue to negotiate with central government around city, devolution and growth details. However, the frame of this needs to shift away from a focus upon largely using infrastructure investment to facilitate economic growth, to one where this is balanced with true social outcomes. To enable this there needs to also be a reshaped centre that safeguards redistributive responsibilities. There needs to be true social devolution, including place-based budgets for public services. Real power, real budgets and real revenue raising capacity remain at the whim

of Whitehall, and that purported opportunities around business rate retention and the lack of political will to address long-standing issues with council tax provide clear examples of this. Without true devolution of power, the potential contribution of local government towards a prosperous future for people and place is in danger of drowning in a mire of unnecessary fiscal constraints and excessive levels of localised risk.



Good economies

Creating good city economies which are more inclusive, in which as many people and businesses as possible can contribute to, and benefit from, local economic success will be critical to achieving inclusive growth.

In our work with the new economics foundation we highlight how a good local economy is fundamentally different from traditional local economics, we focus on how placing people and places first helps overcome barriers while supporting the full range of local enterprise to play a role in shaping more inclusive local economies.

Build the less glamorous ‘foundational economy’

The focus of regional and city economic strategies should be community economic development, social innovation and improving conditions in the less glamorous ‘foundational economy’. Such an approach would include developing an economy made up of smaller enterprises and a variety of ownership models that are designed to deliver on a range of broader socioeconomic outcomes beyond increased GVA.

Creating and sustaining good jobs

Local areas understand supply (the needs of those out of work) and demand (jobs available) and so the Work & Health programme needs to be locally owned.

Businesses and other organisations need to recognise the benefits that paying a Living Wage in terms of productivity and a happier workforce. Local authorities/ public sector have a key role in embedding Living Wage principles through their employment and procurement, encouraging contractors to pay a Living Wage. Local employment charters can enable relationships to develop and ensure any investment brings maximum benefit in terms of the creation of jobs for residents. They can also be utilised to ensure organisations provide decent working standards and conditions.

Skills policy that works for all

It has been highly centralised and confusing for too long, not allowing the flexibility for localised approaches that are sensitive to places and people. Skills provision has lacked a focus on employability and softer approaches and not forged coherent pathways to work at a local level, failing to respond to the polarisation of the workforce and creating skills deficiencies in all areas of the economy. Skills provision should be provided through localised models; framed through effective relationships between providers, businesses and individuals.

A revolution in grassroots enterprise

Economic policies focus on big business while employment is shifting towards small and self-employed solutions and microbusinesses. A wide variety of social sector organisations are involved in locally-rooted approaches to the creation of sustainable jobs/enterprises and skills training. Our economies are going through rapid change, as technology shakes up traditional roles and opens up new ways of working. Those places that grasp the nettle, that nurture creativity and empowerment through work, that harness new technologies and the changing nature of work, will thrive.

There needs to be a shift away from a centrally-determined, standardised and

'payment by results' focused model to one where there is greater emphasis on a localised approach with better relationships between strategists, providers and people.

Creating a new model of business citizenship
Big business has, on the whole, become disconnected from the places in which it is based, the communities that surround it and the needs of its workers. A step-change is needed, in which business understands its social and civic role and incorporates that into its operations. We need to move beyond corporate social responsibility to develop a greater understanding of the civic and social role of business; support greater networking between local businesses and the public sector; and deeper collaborations between business and communities.

Anchor institutions embedded in and working for the local economy

We need greater commitment from the public sector and other anchor institutions to understand the needs of place and of local citizens. Maximising social and environmental goals should be at the heart of anchor institution strategy via local and social purchasing; through local employment; or as incubators for start-ups and community organisations. Local government can create 'anchor networks' to build partnerships between anchors and public sector bodies, local businesses and community groups.



Successful places

Dynamic, resilient places require economic strategies that not only bring together the economic sphere with the social, but consider people and places jointly. Only by considering people in place can be develop the sustainable, dynamic and inclusive place-based growth that benefits all.

Assets owned by and working for the community

Places need to take greater advantage of the principles and provisions of the Localism Act 2011 and particularly those around community rights. Community-led enterprise needs support through the Growth Hubs and particularly their business support functions to enable them to continue to develop and provide benefits for communities.

Place based finance that serves local people and a productive economy

'True' venture capital available needs to be available to social organisations to enable them to innovate and develop. Local investment funds that can serve the small-scale end of

local economic development are crucial. Place-based mutual's, credit unions, co-ops and CDFIs can enable a greater availability of local loans to productive businesses, as well as providing better access to customers within more deprived communities.

Developing resilient towns and town centres

It is important to have the right blend of interactions between the public, social and commercial sectors, with a culture of joint working between them all that results in positive outcomes for places. In this we need a new 'network of networks' approach to town management, recognising the need for a strong social economy, developing social-commercial relationships which will increasingly shape a future mix of commercial and social activity.

A historical focus on town centre retail, followed by the recession and has led to shop closures and empty high streets. We have identified five thematic roles (strategic, place, economic, social, environmental) which local authorities and their assets play in supporting town centres and maximising benefit.

Maximising the local social and economic impact of public spending

We need to understand and evidence where public procurement monies go, altering the culture of procurement officers to maximise the catalytic impact procurement can have on local economies.

We need to ensure procurement is linked to and addresses issues around unemployment, business development and alleviating poverty in place. Councils such as Manchester and Glasgow are localising their procurement strategies to align them more with local needs. Belfast Council has maximised the social and community benefit from the development of its Innovation Factory.

Integrating transport & local economies

Various parts of the transport network should be devolved to local areas, bringing together all modes under single city regional or pan

regional democracy. This would include the local state ownership of railways per city regional and/or pan regional transport groupings and local regulation of buses to better connect socially and economically excluded communities with opportunity.

Advancing housing organisations as key regenerators of place

Housing providers have the potential to influence the lives of some of the most vulnerable in society. Indeed, a growing number of housing associations see social development as their responsibility, however others have become more like private sector developers. Housing organisations should see social and local economic development as a core social purpose. This includes bringing their development pipeline, asset management and community investment into a more joined up regeneration approach.



What does a successful, inclusive economy look like?

A successful local economy should be inclusive and engaging of all members and provide opportunities for all, it should have a thriving social economy working closely with a resilient local businesses base spread across a range of different sectors and a range of different scales, reducing vulnerability to external economic shocks.

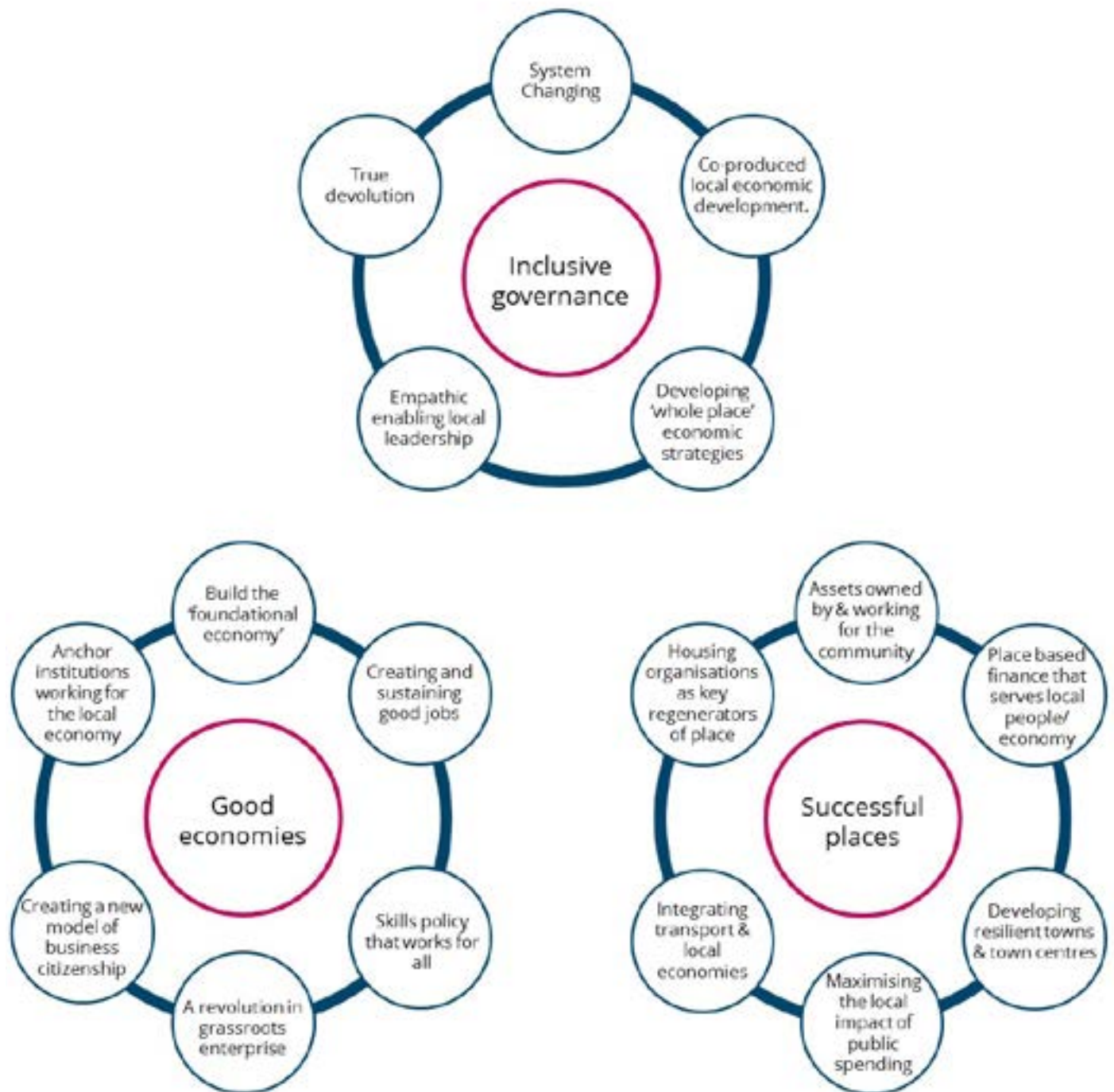
Money invested locally should circulate around as many businesses and people in the local area as possible, and not flow straight out of the local economy. Resources should be used sustainably – not only protecting the environment, but also making good use of environmental assets within the local economy in a sustainable way, for example through building sustainable tourism opportunities from geographical assets, or maximising opportunities to build complementary sectors in an area that make use of others' waste or by-products.



The challenges of the mainstream economic model:

| 'GOOD' LOCAL ECONOMIES | TRADITIONAL LOCAL ECONOMICS |
|--|---|
| Resilient | Fragile |
| Bottom up and pluralistic | Designed from the centre |
| Co-designed with communities | Consults with communities |
| Enables growth of well-being and agency | Prioritises GVA growth |
| Asset-based development | Inward investment |
| Small and particular to place | Big and 'broad brush' |
| System changing | Not actively reducing inequality |
| Supports community/co-operative ownership | Incentivises big business |
| Enhances the existing foundational economy | Focused on high growth sectors |
| Local supply chains allow multiplier effect | Money leaks out of the community |
| Finance that is relevant to local needs | Finance that serves itself |
| Enabling, collaborative leadership | Top down leadership |
| Local policies are realistic and aligned with need | Local plans devised with boomgoggles on |

Components of inclusive growth





Endnotes

- 1 None of the 39 Local Enterprise Partnership areas have returned to the rates of growth experienced pre-recession. These are the very areas where social hardship is at its greatest.
- 2 Building Industrial Strategy Green Paper, January 2017
- 3 McInroy, N (2016), Forging a good local society: tackling poverty through a local economic reset. Webb Memorial Trust. <http://www.cles.org.uk/wp-content/uploads/2016/07/Forging-a-good-local-society3.pdf>
- 4 Boomgoggling: A tendency in British economic development policy to consider that we are one step away from an economic boom. A myopic way of looking at the world. See here: <https://newstartmag.co.uk/articles/want-to-see-the-real-economic-picture-take-your-boom-goggles-off/>
- 5 CLES, nef and New Start (2016) Creating good city economies in the UK, Friends Provident. <https://newstartmag.co.uk/wp-content/uploads/2016/09/Good-City-Economies.pdf>
- 6 McInroy, N and Jackson, M (2015), The local double dividend; securing economic and social success, Smith Institute. <http://www.cles.org.uk/wp-content/uploads/2015/01/Double-dividend-Final.pdf>



Centre for Local Economic Strategies

Express Networks, 1 George Leigh Street,
Manchester, United Kingdom, M4 5DL

T. 0161 236 7036 | F. 0161 236 1891
info@cles.org.uk | www.cles.org.uk

#peopleandplace
@CLEStweet