



Glasgow City Region - City Deal

Cabinet

Report by Commission on Economic Growth

Item 4

12th December 2017

The Scope for Inclusive Growth in the Glasgow City Deal

Purpose of Report:

The purpose of this paper is to set out the Commission for Economic Growth's initial views on inclusive growth – namely, what it is; why it is relevant to the City Deal; and what steps may usefully be taken now.

Recommendations

Cabinet is invited to:

- request the Commission to work with the Cabinet, and others, with a view to developing an applied understanding of the implications and importance of inclusive growth to the City Deal and city-region policy more widely, and identify future areas of work and potential future resource implications;
- request that the Commission arrange a workshop to progress this work, and to report back to a future Cabinet meeting;
- ask the Commission to continue to undertake the pilot on Canal and North Gateway and, in the future, to take lessons and apply these to other projects where possible; and
- request that the Commission continue to work with the Scottish Government and UK Government on issues relating to inclusive growth.

The Scope for Inclusive Growth in the Glasgow City Deal

Independent Commission for Economic Growth

Professor Sir Anton Muscatelli (on behalf of the Commission for Economic Growth)

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Key points:

- Inclusive growth is concerned with how the distribution of income and wealth both affects and is impacted by the processes and outcomes of economic growth – notably, how distribution affects growth; who gains from growth; what can be done for the places and people presently missing out?
- The Glasgow City Deal expresses a concern for inclusive growth.
- Gateway mechanisms in the City Deal provide an opportunity to assess inclusion outcomes alongside growth outcomes.
- Geography matters in promoting inclusive growth; metropolitan change may be unbalanced with some areas thriving whilst others grow poorer, and neighbourhood investments have impacts not just locally but across the metropolitan area as a whole; identification of problems and solutions must recognise both neighbourhood and metropolitan scales of action.
- Political decisions on the appropriate balance between growth and inclusion outcomes both for individual neighbourhoods and their summative effect on the metropolitan area rest with the Cabinet; they define what inclusive growth means for the Glasgow City Region. The

identification of programme choices and subsequent evaluation is contingent on City-region leaders clearly identifying priorities.

- These observations relate not just to the existing City Deal projects and the overall programme but to the wider investment strategies and plans for the City-Region and to any future policy and investment decisions across the city-region; effective pursuit of inclusive growth requires a clear multi-authority, multisector (including the private and non-profit sectors) strategy for the City-Region.
- The city-region faces an unending stream of changes driven by the wider world, including Brexit, automation, driverless cars. The forward thinking capacity for the city-region needs to be raised to underpin an evolving, credible political vision for the region that should shape the evaluation and, when appropriate, adaptation of the city-region strategy.
- At a project level, actions may usefully be taken now regarding procurement, implementation and community consultation and involvement to address inclusivity.
- More complex questions, concerning interlinking health, housing and labour market effects need to be worked through to understand the mechanisms that bridge and mutually reinforce growth and inclusion.

Commission and its role

The independent Commission for Economic Growth has been in operation since mid-2016, having been established in the Glasgow City Deal (which was signed in the summer of 2014). The Commission is comprised of the following persons bringing to bear experience in public and urban policy, economics, health, housing and skills:

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|---------------------------------------|------------------------------|
| • Sir Anton Muscatelli (Chair) | • Claire Mack |
| • Des McNulty | • Alison Muckersie |
| • Lorna Kelly | • David Middleton CBE |
| • Duncan Maclennan CBE | • Graeme Roy |
| • Alan McGregor | |
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The Commission undertakes two roles in working alongside City Deal partners:

- **Advisory** – providing advice, at the strategic level (rather than project level), on city-region economic development; and
- **Evaluation and Monitoring** - providing capacity to support the development of local monitoring and evaluation frameworks, involving liaison with the National Evaluation Panel.

The Commission had no role in the project selection process and is not involved in operational aspects of the City Deal. Indeed, the Commission's role is independent of the programme management office and the City Deal Cabinet.

This note on inclusive growth builds on a number of conversations Commissioners have held with representatives from the UK and Scottish Governments, local authorities and other stakeholders. The note reflects the view of the Commission alone, and points to issues and challenges that the Commission continues to wrestle with.

As part of the Commission's work programme, the Commission is progressing a pilot project that will seek to develop a monitoring and evaluation framework to allow future assessments of how a single capital investment project is (or is not) contributing to inclusive growth. Along with utilising the Commission's own resources, the pilot is being developed with colleagues in the Glasgow Centre for Population Health (GCPH).

What is Inclusive Growth

Inclusive growth places a focus on the distributional basis and consequences of growth. Inclusive Growth takes a central place within the Scottish Government's economic strategy, which provides the following definition: "growth that combines increased prosperity with greater equality, creates opportunities for all, and distributes the benefits of increased prosperity fairly."

Across the UK – supported by various policy bodies and agencies – inclusive growth, and questions of who participates in and benefits from growth, are currently occupying the attention of policymakers. In the Glasgow city-region, the particular focus is on the city deal, which involves a £1.13 billion investment that consists mainly of investments in transport and physical infrastructure. However, Glasgow also has a long history of neighbourhood renewal and place-based regeneration initiatives stretching back to the early 1970s which have commanded national and international attention. In this city-region context, it may be justifiably claimed that fairness and equity have been central concerns for policymakers for many decades (and therefore, there will be many insights from past practice to pick up on). Nevertheless, few would need reminding - aware of intra-city-region divides in life expectancy and labour market participation, for example - that delivering change is extremely difficult.

The Commission are seeking to make progress in translating inclusive growth from an aspiration that few people would disagree with to a more concrete framework. Given the nature of the City Deal, a concern for inclusive growth must balance distributional issues and priorities with the commitments to economic growth clearly stated in the deal document.

Scope for Inclusive Growth in the City Deal

When considering the place of inclusive growth to the Glasgow City Deal, there are two issues:

one, to what extent inclusive growth was taken into account in the design of the deal; and,

two, how inclusive growth aims can be achieved given the composition of the deal (regardless of existing focus and prioritisation).

With respect to the former, initial deal documents clearly link to objectives of inclusive growth:

- The core principle of inclusive growth is enshrined in the City Deal document duly signed off (pg1): “Spread the benefits of economic growth across Glasgow and Clyde Valley, ensuring deprived areas benefit from this growth”.
- Reference in the “economic case” for the “infrastructure fund” is also given (pg5): “With a focus on benefiting socially deprived areas (as measured by an above average increase to employment opportunities in the lowest 25% of SIMD data zones), the fund is targeted at both increasing the income earned by people living in socially-deprived areas and in narrowing the gap in participation across the Glasgow City Region geography”.

Gateway mechanisms provide a novel “payment by results” mechanism within the City Deal. At five year periods, starting in 2019, the UK and Scottish Governments will assess the progress the City Deals have achieved through an evaluation process. The Commission suggests that by Gateway 2 in 2024 - when progress on a number of the infrastructure interventions can be pointed to - factors related to inclusive growth can usefully be analysed.

To make this possible, we need to identify clear measures of those dimensions of inclusive growth relevant to monitoring and evaluation, introducing, amongst other things, perspectives on short run impacts and how they may lead to or mitigate against desired long run outcomes (we recognise work for JRF and the RSA Inclusive Growth Commission, for example, where steps in developing indicators have been made).

Other policy strands connect City Deals with inclusive growth. The recent Enterprise and Skills Review suggests that future City Deals will need to present inclusive growth aims at their core, whilst the RSA Inclusive Growth Commission, writing in the English context, pointed to the opportunity that local devolution deals provide for assessing inclusive growth:

“We need to change the policy and measurement frameworks for major investments to tilt the balance towards more broadly defined growth benefits. The English devolution deals ... [provide] an opportunity and a deadline within which to develop with local authorities, HM Treasury and the investment community an agreed basis for a wider measurement framework for growth”.

Whilst City Deals provide a clear opening to consider and put into practice policies that will support inclusive growth, we also need to be mindful that higher tiers of government – where powers over taxation and welfare and other functions reside – will strongly influence a city region’s progress towards inclusive growth objectives.

What questions do we need to ask about Inclusive Growth?

As a first step, we should ask some simple questions about the effects (actual or projected) of a policy or investment programme. Such questions may include, and are not limited to, the following:

- reduction in economic inactivity, unemployment, employment and earnings disparities between the poorest 25% of communities and the average within the city region.
- reduction in disparities in educational attainment rates for 16 – 18s between the poorest communities and the city region average.
- reductions in disparities in access to higher education between the poorest communities and the city region average.
- Increased ability of deprived communities to access and obtain affordable, adequate and accessible housing

We know, from the work of GCPH among others, that health challenges act as a constraint on inclusive growth. Therefore, whilst labour market processes will always be central to the story – as captured in the notion of “more and better jobs” – a wider range of health and social issues (including gender, disability and ethnicity) play into the ability of people to participate in growth processes. Conversely, we need to be cognisant of the other side of equation; in other words, the potential costs of the unfettered pursuit of growth, and possible negative outcomes for health, social cohesion and natural resources among other things. This of course is an issue that has long been, and continues to be, a point of controversy and debate, and policymakers are faced with striking balances.

There are also competing views – which the Commission is still wrestling with – as to the spatial levels (city-region to intra-city-region) at which a settled definition of inclusive growth is required, so we can consider City Deal projects to see, based on their logic chains, how they may link with outcomes that contribute towards inclusive growth. Alternatively, can we simply work with the core principle of inclusive growth – the distributional consequences of growth – and acknowledge that different projects and policies will contribute to this focus in different ways? This is a question, perhaps, of top-down coherence versus sensitivity to local and varied contexts (the bottom up view).

In summary, there are initial questions that can be asked to develop a picture of inclusive growth. However, there are complex underlying processes making up inclusive growth outcomes that we need to grapple with (reflecting an ongoing research challenge).

What can be done now?

With an existing set of projects in place for the Glasgow City Deal, actions can be taken in order to try and maximise inclusive growth:

- Describing the processes involved in implementing the projects, but also the longer run contributions of the project to employment, infrastructure, housing

development, etc. Providing as much detail as possible will facilitate the other steps briefly described below.

- Beginning with their implementation phase, key considerations will be the volume and type of employment required, and the steps that need to be taken to ensure a significant number of disadvantaged people and residents of deprived areas are able to access these opportunities. Mindful of implementation timescales, this will involve a range of interventions in areas of skills, transportation and similar mechanisms.
- Turning to the assets created in the implementation process this again will involve potential employment opportunities, hopefully greater access particularly for communities to concentrations of employment, also key services such as NHS facilities and training provision.
- At an aggregate or city-region level, thought needs to be given to the potential synergies between projects and how these can be exploited effectively to progress inclusive growth. For example, what projects would benefit from prioritised implementation to impact deprived communities within a city-region? This may then put deprived groups in a stronger position to compete effectively for employment generation emerging downstream of the project implementation phase.
- Through the robust and innovative application of community benefit in procurement, there is the potential to gain a significant inclusive growth dividend from all the City Deal projects.
- Through all the above points, communities need to be closely connected to project implementation to ensure they have voice in the process; as far as possible, development “with” rather than “to” communities.

Strategic implications

The need to embed inclusive growth within the broader economic development strategy for the Glasgow city region requires us to address the following issues.

- To create greater strategic guidance for inclusive growth, city-region economic strategies and action plans need to connect with other relevant frameworks and organisations such as poverty commissions and place-based regeneration initiatives.
- If we embrace deal-making as a process and not a one off event what options are there, in future growth or devolution deals for Glasgow, for example, to make inclusive growth the key focus? Are there other factors in the delivery or composition of economic growth that it might also be beneficial to incorporate?
- The November report of the Industrial Strategy Commission was optimistic about benefits for inclusive growth, but also warned of a potential trade-off, at times, between growth and inclusion aims. Taking this point, and looking beyond the City Deal, should we prioritise and frontload places with clear current growth potential because this benefits the whole city-region? Alternatively, should our initial emphases be placed on initiatives and projects where the benefits are delivered predominantly in areas with the greatest

need? Or can city deal be delivered in such a way as to advance both (growth and inclusion) priorities at roughly the same pace?

- How can we work with sector bodies and organisations who shape and influence demand-side aspects of inclusive growth? For example, the extent and nature of labour demanded by firms has a key bearing on aspirations for high-income work, and a number of such firms will organise production across multiple locations. The power of public procurement, nevertheless, must be closely coupled to fair work outcomes.