



INCLUSIVE GROWTH
COMMISSION



Inclusive Growth in Sheffield

Evidence hearing 1 Writeup
29 June 2016

The RSA Inclusive Growth Commission is running four evidence hearings across the country during the course of its inquiry. The first took place in Sheffield on 29 June 2016. The hearing called upon senior leaders to give evidence to the Commission in a series of three panel sessions.

Each of the panel sessions featured leading figures from within the city region and further afield (where their remit connects Sheffield within the wider northern powerhouse), and includes those from business, public services and the council or combined authority.

The evidence gathered through the hearing will serve to enhance the Commission's understanding of how the inclusive agenda plays out at a place level, and will be used to inform the development of our findings and recommendations.

The evidence session was chaired by:

Stephanie Flanders

Chief Market Strategist for J.P. Morgan and Chair of the Inclusive Growth Commission

Charlotte Alldritt

Director of the Inclusive Growth Commission and Director of previous City Growth Commission

Ben Lucas

Director at Metro Dynamics and Commissioner for the Inclusive Growth Commission

Pannellists

Session 1:

- John Mothersole, Chief Executive of Sheffield City Council
- Simon Greaves, Leader of Bassetlaw District Council
- Dr. Dave Smith, Interim Executive Director at Sheffield City Region
- David Brown, Chief Executive of Transport for the North

Session 2:

- Hugh Facey MBE, Chairman of Gripple
- Martin Mayer, Secretary Sheffield at Trade Union Council
- Julie Kenny CBE DL, Commissioner at Rotherham MBC

Session 3:

- Paul Corcoran, Chief Executive of the Sheffield College
- Professor Chris Husbands, Vice-Chancellor of Sheffield Hallam University
- Anna Round, Senior Research Fellow at IPPR
- Stephen Clarke, Research and Policy Analyst at Resolution Foundation

Panel Session One

John Mothersole, Chief Executive of Sheffield City Council – opening statement

John emphasised the centrality of achieving more inclusive growth to Sheffield and the surrounding city region. He noted that:

- Both of the words that constitute ‘inclusive growth’ are vital and should be mutually reinforcing: there is little point having growth without inclusivity or ‘moralistic’ inclusion without growth.
- In relation to this, we have to see economic and social policies as indivisible.
- The dominant economic narrative in the past has been that any growth is good growth and that the proceeds will trickle down. The consequences of this have been that while the economy might be growing, many people do not feel a part of it – because it is not widely shared.
- We must promote the opportunity for people to participate in the economy inclusively. This is about not just ensuring that growth

is spatially distributed, but also that the right sort of growth is achieved – growth that, for example, promotes social mobility. For example, Sheffield’s employment rate is actually relatively high but wages are low, and business stock is low.

- There are three key challenges: one is about achieving growth, another is about ensuring people are able to participate in that growth, and the third is about ensuring people have the capabilities to be involved in that growth. The latter relates to the life chances agenda, promoting aspiration and investing in early support.
- In light of Brexit, inclusive growth is now an absolute imperative. As the die is cast for the next era, it is important to develop levers that allow a new form of redistribution: redistribution through growth, rather than just through taking what we have and spreading it.

 The dominant economic narrative in the past has been that any growth is good growth and that the proceeds will trickle down. The consequences of this have been that while the economy might be growing, many people do not feel a part of it

Cllr Simon Greaves, Leader of Bassetlaw District Council – opening statement

Cllr Greaves set out the economic challenges facing his district and how they relate to wider issues in the city region. He noted that:

- Within Bassetlaw there is a good level of inward investment but questions about the inclusivity of this: there is some disconnect between the wider community and particular businesses. More extreme examples of this are present in Derbyshire, with Sports Direct.
- Bassetlaw has set out a positive direction in moving on from industrial decline, but as with other parts of the city region and beyond, there are significant challenges with moving the community forward with positive interventions that address a legacy (industrial decline and the multigenerational blight that followed) that has never been dealt with.
- As an example of these legacy issues, Cllr Greaves mentioned the relatively high levels of

educational attainment amongst young people in Bassetlaw, but how this potential has been constrained by a lack of aspiration stemming from their parents' long-term disengagement from the labour market.

- As an example of a positive intervention, Cllr Greaves mentioned the development of a distribution facility that was built on an old pit site. The facility has higher employment now than when it was a pit with peak production of coal – and with very good terms and conditions. Originally the facility relied on Eastern European migrants but now the majority of workers are from the local population. It has also been an example of positive engagement between the trade union and the business. Cllr Greaves mentioned other examples, including how the district has been working with startup incubators for small and medium-sized enterprises (SMEs) in two major towns, to develop their business base.
- In terms of the city region agenda, Bassetlaw has engaged strongly with the Combined Authority and is seeking full membership. Connectivity between different parts of a city region is essential – and we should explore how skills can be developed and opportunities for inclusive growth can be opened up. City regions and local areas should be at the forefront of this. Someone pulling a lever in No 10 will not make inclusive growth happen – it is local leaders and local people that will do that.

- Thus, policies for implementing inclusive growth are unlikely to succeed unless we understand that core issue and recognise that no single place or sector is going to achieve the scale of growth or inclusivity necessary to deliver the ambitions we have as a region.
- It is vital to recognise the public sector contribution to the agenda around economic and inclusive growth. The key role for public services is to create the conditions and opportunities for inclusive growth – not to believe that we hold the levers of growth ourselves.
- Sheffield City Region faces very significant challenges – it is dealing with very low levels of productivity, a low wage economy, low levels of enterprise comparative to the size of the region, and being in the unenviable position of being the only region during the boom years where the private sector actually declined.
- We need to understand why the city region has experienced such issues, what policy failings exacerbated it, and what lessons can be learned if we are to avoid the same trap and, importantly, how the Local Enterprise Partnership, Combined Authority and individual local authorities can deliver growth that is inclusive to the population of the city region.

David Brown, Chief Executive of Transport for the North – opening statement

David Brown, who has had a career in transport across the public and private sectors, discussed the importance of transport to the inclusive growth agenda. He noted that:

- Transport for the North (TfN) is the first sub-national transport body covering the whole of the North of England, which will produce a strategic transport plan that supports economic growth. It will provide an investment plan for infrastructure and services at a northern level that supports economic growth. It is thus most relevant to the 'growth' side of the Commission.
- David mentioned the TfN commissioning the Independent Economic Review (IER) of the north, which identifies the strengths and the capability areas that would provide the north, if it was better connected, to achieve a national and international competitive advantage – which would have economic benefits and jobs growth.
- The TfN is putting together a strategic transport plan that connects places in the north – both in terms of people and markets – to areas of opportunity in the north. For example, this would allow Sheffield to be better connected to places of opportunity across the north of England.

“The north has a big economic geography that includes sixteen million people. But the GVA gap between the north and the average for England is £37bn per year.

Dr David Smith, Interim Executive Director at Sheffield City Region – opening statement

Dr Smith, who was previously Chief Executive at Sunderland City Council and also has an academic background, examined inclusive growth from a city region perspective. He argued that:

- We need to recognise that inclusive growth has to begin with understanding the interdependencies of the region – no single part of the region is capable on its own of achieving this in isolation because it will not have the scale or density to grow the whole region in an inclusive way.

- The north has a big economic geography that includes sixteen million people. But the GVA gap between the north and the average for England is £37bn per year. We need to pursue a long term plan that enables us to invest in transport infrastructure in the north, against a backdrop of significant underinvestment in transport infrastructure in northern England compared to the rest of the country. There is a significant backlog of connectivity requirements.
- We know that transport and connectivity is only one part of the economic growth story – it is also about education, skills, innovation and enterprise – so our work is only one part of that picture.

Overview of key points during evidence discussion

City region leadership and collaboration was identified as a key opportunity by participants. The city region has put structures in place that enable it to have visibility as a city region. These include:

- A Sheffield City Region (SCR) Growth Hub for effective and coordinated business support, linked to the growth needs of SCR.
- The Sheffield City Region Investment Fund (SCRIF) which is bringing together resources from different funding streams to maximise the economic impact of investments, and to invest in areas where banks won't go. SCRIF is currently focused on two key areas: infrastructure investment (typically transport) and business investment (typically loan based). Proposals for SCRIF investment are evaluated for their GVA impact. An importance piece of learning is that some schemes (such as housing schemes) score low for their GVA impact, so there is some need for adaptation particularly from an inclusive growth perspective.
- City region leadership can help ensure that the north is more strategic in its investments and growth plans. For example, logistics is a key strength of the north but has tended to lack the strategic view and connectivity to maximise its growth potential.
- As well as city region leadership, local area leadership was also identified as important for inclusive growth. For example, Bassetlaw as a district maintains a very strong relationship with the local FE college, which has enabled it to work with them to develop courses that ensure local people benefit from growth opportunities. As an example, when developers and firms for high-end manufacturing set up in the district, the council working with the college was able to ensure that bespoke training

courses were developed to connect local people to the new businesses in the district.

- A number of examples were also provided of local area leadership by Sheffield City Council in stimulating business collaboration and creating stronger links between schools and local businesses. For example, there were initially some concerns from local advanced manufactures about Rolls Royce establishing itself in the city region and impacting recruitment and growth of local companies. To allay these concerns Sheffield City Council worked with the University of Sheffield to build a state-of-the-art manufacturing college providing 600 high-end apprenticeships, which was co-located with Rolls Royce but not exclusive to Rolls Royce. This helped create a larger workforce supply that also benefited local advanced manufacturers. The council is also helping to create stronger links between schools and businesses – many schools in Sheffield now have businesses helping to develop their curriculum, with a stronger emphasis on some of the 'softer' skills (such as application and grit) that support employment readiness.

“ One of the central benefits of devolution is that city regions receive un-ringfenced funds so that they have the flexibility to develop their own approaches that better meet local need.

Participants discussed the potential for devolution to rewire services and governance structures, funding and investment, and how this might unlock opportunities for more and better growth.

- One of the central benefits of devolution is that city regions receive un-ringfenced funds so that they have the flexibility to develop their own approaches that better meet local need. It was argued that devolution simply means being provided with the tools to do the job – without this, it would be a vanity project.
- As important as it is to obtain new powers and flexibilities, it is crucial to recognise that there are many things local authorities are able to do themselves without the need for new tools – so city region leadership is also about understanding the tools that are available to achieve outcomes.
- It is vital that city regions are clear about what the offer is they are making; and that it is

persuasive and well evidenced. For inclusive growth this might mean being clear about what outcomes you would like to achieve and what needs to be done to enable this.

“Connectivity should extend beyond infrastructure and can also include reconnecting social and economic policy, so that traditionally peripheral places are connected to growth

Participants considered economic growth that promoted ‘quality GVA’ and how connectivity might help bring this about – including through integrating social and economic policy.

- High GVA growth sectors, such as advanced manufacturing and health research, could be brought more closely together across the north – and this scale and connectivity would make them globally relevant. One of the challenges is that these sectors provide significant GVA uplift but not necessarily notable jobs growth. It is important therefore to bring them together alongside investment in other sectors such as financial and professional services which are more job-rich. Connectivity across the north in these areas has been depressed and there are opportunities to address this through the connectivity plan.
- Connectivity should extend beyond infrastructure and can also include reconnecting social and economic policy, so that traditionally peripheral places are connected to growth opportunities. Transport connectivity was identified as a ‘quick win’ to begin to realise the economic potential of the north, but that it was only one part of the solution. Inclusive growth requires addressing the more complex challenges which can help realise significant benefits – for example raising education and skills levels particularly in places with high levels of deprivation and weak labour markets.
- Place-based economic leadership was identified as a central enabler to connecting social and economic policies and investments. In this respect, the nature of leadership matters as well as defining the economic purpose of a place. This can help galvanise the social and economic case for investment – underpinned by a strong evidence base and committed leadership. Part of this is also about defining the role of city regions within the wider geography. The

Mayoral model will also help provide a focal point for this.

- Better integrating social and economic policies shouldn’t necessarily be about ensuring that inclusion, for example, runs through all economic activity: there will be some that are focused primarily on growth. The key challenge, rather, is to ensure there is strong alignment between growth and inclusion efforts.

Participants discussed the challenges and opportunities around supporting those that are furthest from the labour market or locked into low-end employment. A policy disconnect between central and local government was identified.

- Supporting cohorts of people least connected to growth and furthest from labour market opportunities is incredibly complex and requires joining up different sources of support. While a lot of places are working more effectively with the Department for Work and Pensions (DWP), it is often very difficult to engage with it (see below).
- The hardest cohort to make progress with are those that are experiencing absolute crime and poverty – and they have also been impacted most adversely by welfare changes. The national Work Programme has performed poorly for these people, particularly those that have significant mental health challenges. Sheffield City Region is currently undertaking a pilot alongside DWP and the Department of Health to better support this cohort of people. It was emphasised that the majority of people do want to work (contrary to popular assumptions about the long-term unemployed) but that they are often held back by the enduring scarring effects of being disengaged from the labour market for a long time.
- The answer to addressing the complex challenges many of the most disengaged face is to take a long-term view – to start with early life support and recognise that turning around the lives of such individuals and communities is not a three or five year programme, but a twenty year programme.
- Despite the importance of taking a long-term view, there is a disconnect in policy terms between central government and city regions. The DWP and the Treasury regard more expensive and long-term approaches for supporting those furthest from the labour market as a huge financial risk. However, city leaders would argue that failing to support these people and places is the primary reason many cities are so suboptimal in productivity terms and in terms of labour market engagement.

- While there has been much interest in giving local places greater influence in the commissioning of welfare to work schemes, there is a sense that even in emerging 'co-commissioning' arrangements local authorities are little more than consultees, and the DWP retains effective control – it is not joint commissioning. For city leaders the ambition is for genuine joint commissioning, but this is prevented as a result of the policy disconnect mentioned above.
- Because supporting this cohort of people is significantly more expensive and resource intensive, it is difficult to make the case to central government. While local leaders have evidence that points to the fiscal and economic case for such investments, the government tends to look back to the history of interventions that have attempted to tackle such issues and not succeeded, or succeeded but at a very high per capita cost (such as Intermediate Labour Market approaches). A key difference between the past and the post-2010 context is that now the benefits that are accrued from public interventions should include cash savings, whereas in the past key success measures were non-cashable (for example improvements in employment rates, neighbourhood satisfaction).

There was discussion about the resourcing needs to help devolution achieve its potential – and whether in a climate of austerity there are necessary trade-offs: for example greater local control and flexibility over funding (less strings attached) but with a smaller pot of relative funding.

- Participants were sceptical about the scale of outcomes that could be achieved without sufficient resourcing.
- One participant argued for major public investment ('a Marshall Plan') to drive growth and reverse the fortunes of places that had been adversely impacted by the legacy of economic decline and restructuring (including many post-industrial towns and cities), many of whom had experienced several economic shocks through the 70s, 80s and 90s – before the current recession hit.

Participants discussed the importance of addressing low-wage and insecure employment, which has become a structural feature of the SCR's economy.

- The national living wage (as well as the 'real living wage') will positively affect Sheffield's workforce, but it is important the living wage doesn't simply become the 'standard' rate for

employment – and that in-work progression is promoted to enable people to be able to move into higher skilled, higher wage employment.

- Many local authorities (including within SCR) already promote the 'real living wage' locally, including through their supply chains, and the impact on businesses is often not as great as the perceived fear of the impact.
- Local and regional economies need to be more inclusively 'wired' so that progression is built within them. Currently, far too many people are moving around horizontally, 'trapped' in low-wage sectors. It is important to create 'vertical wiring' so that people are able to progress – and this can only be done at the level of place. Job quality is also a key imperative. As one participant argued, "you would never turn a call centre job away, but you wouldn't build your economic strategy around it."

Panel Session Two

Hugh Facey MBE, Chairman of Gripple – opening statement

Hugh Facey discussed some of the challenges of funding, how local economies can best be supported and the contribution that employee-owned companies (such as Gripple) can make. He argued that:

- National politicians are not able to do enough to support local economies, and that more financial resources should come directly to local authorities.
- Hugh underscored the importance of business investment by highlighting that Gripple, which employs 650 people and with 84 percent of its products/services are exports, invests between four and five percent in 'ideas and innovation,' which is a key enabler of growth for the company. The problem is that many businesses don't invest in this way: the average investment in Research and Development (R&D) is less than one percent. One example of the innovative approach Gripple employs is its target of having 25 percent of its sales come from products that the company did not offer four years ago.
- Capital investment allowance should be 100 percent – but it was reduced to 18 percent (from 20 percent) in the last budget. This reflects the lack of understanding from central government about investment, particularly to support manufacturing (which requires investment in plant, machinery and buildings).
- Employee-owned companies (EOC) can be a key part of more inclusive growth. Gripple is an EOC where all employees are shareholders

in the business. This helps create a climate in which everyone involved in the business feels part of it and its success, and everyone has a sense of commitment and shared endeavour. EOCs are an important part of the economy and city regions should be encouraging their development and growth.

Martin Mayer, Secretary Sheffield at Trade Union Council – opening statement

Martin identified the big structural economic and labour market issues in the Sheffield City Region, the impact of public expenditure cuts and the importance of community outreach and how trade unions are supporting this. He noted:

- Part of the explanation behind Brexit is the disillusionment felt by working class communities. These communities in Sheffield City Region have been particularly affected – even more so than other cities in the north. Sheffield has the lowest level of incomes and more people on the national minimum wage than anywhere else in the country. It stands to gain most from the national living wage. However, the issues run deeper.
- There is a ‘broken economy’ in Sheffield – including housing estates that are in dire straits with high levels of poverty and real issues around job quality. While the unemployment rate may be low in relative terms, many jobs are low paid or poor quality – so there are some people that are having to take on two or three jobs. In addition, there are real issues with zero hour contracts and ‘bogus’ self-employment.
- Parts of Sheffield City Region are also particularly vulnerable to job losses related to manufacturing decline including the steel industry. There is a significant degree of uncertainty over thousands of steel jobs in Rotherham and Stockbridge. There have also been plant closures in places such as Tinsley affecting hundreds of jobs. There is an important question of how these sorts of jobs are replaced.
- The above issues are compounded by the withdrawal of the state including in providing social security – and the welfare and service cuts are not just affecting those who are unemployed, but also people that are working but on low incomes. The ‘bedroom tax’ has caused hardship in local council estates, and there are growing challenges associated with the withdrawal of the social housing market and significant cut backs in council housing provision. In recent campaigns the TUC has asked if we are pursuing a ‘northern powerhouse’ or a ‘northern poorhouse’. Indeed, the Department for Business, Innovation and Skills (BIS) office in Sheffield itself is likely

- to move back into London due to budgetary pressures – including the civil servants that are working on the northern powerhouse project.
- The public sector and public investment should be a key role in supporting and leading growth, but this is being directly hampered by a big withdrawal of state funding for this purpose. Many places are doing great stuff on an ever decreasing budget.

“The above issues are compounded by the withdrawal of the state - the welfare and service cuts are not just affecting those who are unemployed, but also people that are working but on low incomes.

- One of the most notable recent stimuluses in the trade union movement is the creation of Unite community branches – which aim to engage not just workers, but to reach out to those people and communities that are not in work – such as unemployed students and retired people. This has helped trade unions to create stronger local links with their communities and to develop strategies to give these communities a voice. One of the projects that has resulted from this is ‘Sheffield needs a pay rise’ – which aims to reach out to high street shops (none of which are unionised or signed up to the real living wage). There has also been the establishment of ‘solidarity centres’, which bring together trade unions and organisations struggling to deal with poverty and issues such as housing. All of this is aiming to link up the way in which we give a voice to working class communities.
- The deregulation of public transport in 1986 has had a very detrimental impact on transport quality as well as the access that poor communities have – the services are now less regular, far less affordable, and significantly less integrated than in the 70s and 80s. Many of the communities that benefited from the latter are now isolated by the public transport system. Having an affordable and well-run public transport system is an important part of the solution to sustainable and inclusive growth.

Julie Kenny CBE DL, Commissioner at Rotherham MBC – opening statement

Julie has served in a number of prominent public service and business positions – she has run businesses, chaired a Regional Development Agency (before they were closed) and Business Link. She is also currently the UK Commissioner for Employment and Skills, sits on the local LEP Board, overseeing access to finance for the city region, and involved in the Learning Skills Council.

- Julie emphasised the importance of business investment, joining up public services to support those most in need and ensuring the government has a strong role to play (including funding) in supporting local economies. She noted:
- R&D is key – Julie’s business invests 8 percent in research and development and that is what has kept the business ahead. The business is bringing manufacturing from China to the UK.
 - A big part of the focus is on creating high value jobs and seeking to keep employment in Rotherham
- In order to reach the poorest people and improve their social and economic outcomes it is vital to join up public services, to bring together the various organisations involved in addressing poverty and supporting families (such as schools, probation, health officials, councils etc.) and creating a ‘one local government’ for local areas. Currently there is too much fragmentation between departments. It is important to pull these resources together – to think about how public services can provide a single ‘front door’ for families, and to connect them to the support they need.
- Since 2010 there has been a significant reduction in resources directed towards local growth. Julie mentioned the example of advanced manufacturing and logistics, which previously had substantial resources around economic regeneration – and that’s all gone. Similarly, speaking from the perspective of being inside a council, there is no money there to lead any sort of strategic transformation. Under the current constraints, we are not going to get the resources that the RDAs got – we have lost half the budget. There is therefore a big question about whether councils are able to develop the infrastructure necessary to make a real difference. Nonetheless, it is important that the devolution money that comes through provides local places with flexibility.
- Developing cultures of learning through effective leadership and management can help support better quality growth. Julie reflected on her personal experience of benefiting

from training – and how her employees are encouraged to learn and engage in community-based activities, such as becoming governors or trustees.

- Some companies are nervous about investing in training staff that may end up leaving – but Julie mentioned that this can be worked around. For example, her business creates agreements with employees that are trained, where they pledge to stay with the company for at least two years after their training. Julie emphasised that training should be regarded as an investment for the future.
- There needs to be better connectivity between businesses and cultures within places. Julie argued that there could be more commercialisation from universities with greater involvement from businesses.
- Developing further incentives for businesses to invest in training to raise skill levels can also be explored – for example potential tax fiscal benefits, which may also play a positive role in influencing business behaviour and priorities. Julie mentioned that there are some problems with the current approach to apprenticeships – in terms of challenges such as take-up, and how the system is working.

Overview of key points during evidence discussion

Participants discussed whether sub-regional devolution is creating new openings for stimulating local growth and inclusion. While there was strong support for the principles underpinning devolution, there was scepticism about current approaches, particularly in terms of funding levels, capacity and skill sets, and the actual degree of local autonomy.

- One participant argued that the regional approaches under Regional Development Agencies (RDAs) worked well, and that LEPs lack the same level of political and financial clout to make an economic difference. In addition, local authorities (and Combined Authorities) lack the requisite skill sets and it is important to raise these skills, which Combined Authorities are beginning to do.
- There is some concern that devolution risks adding further layers of bureaucracy. There are also issues around the politics and governance of sub-regions, including parochialism over funding.

There was a strong emphasis on the scale of reductions in funding for local growth programmes and how this is constraining the potential of devolution. However, there was also a recognition that current approaches are providing far greater flexibility to meet local needs.

Public investment into local economies and communities (including through public services) was seen as vital.

- Business participants emphasised that public investment into local growth (including through recent initiatives such as the Regional Growth Fund) is vital for business success – and helped lay the foundations for the growth of their own businesses as well as local employment (“we are a successful business because of the support that we got”). However, funding levels have fallen dramatically since 2010 – for example, LEPs have a third of the funding that RDAs held. Participants emphasised that this has impacted the growth potential of their businesses. It has also made it difficult to achieve private sector growth in city regions such as Sheffield that have historically relied on the public sector. As one participant put it “I’m a great believer in devolution, but money needs to come in.”
- One participant however argued that while RDAs and previous initiatives may have driven growth, they were not particularly successful at driving economic inclusion. Many of the wards that were the most deprived in previous periods are also amongst the most deprived today. Moreover, a more sub-regional, local authority based system is far more effective than the RDAs in understanding the needs and nuances of local economies and developing incentives that work for local people and businesses. One clear example mentioned was how SMEs, which account for a very large proportion of SCR’s business base, were ineligible for national growth funds but are now effectively engaged as part of local and sub-regional initiatives.
- Between 1999 and 2009 Sheffield increased productivity by 60 per cent more than other core cities, which raises important questions: what helped that happen; what went wrong after that period and why didn’t it become embedded and shared over a longer period of time? In answering this, one participant provided three arguments. First, the centralist economic model has gone as far as it can take us. Second, local growth needs to connect more to what we have traditionally seen as an isolated set of social policies (such as early years). So our view about what public services are about needs to shift from what we currently have when we talk about spending and cost of finances to one which is about investment – where the emphasis is on “invest to save over the long term” as an alternative to a deficit model. Thirdly, it is important to address the relationship between citizens in a locality and the state. This means reconfiguring public sector/local government services, cultures and behaviours so that they see citizens for their

assets and what they can do, rather than simply their needs.

Business participants emphasised that public investment into local growth is vital for business success

Trade unions were discussed as key institutions for promoting inclusive growth.

- Trade unions should have an important role to play in driving up wages and job quality. Although union membership has now declined significantly, they have traditionally served to regulate the labour market, helped to ensure the distribution of growth is more evenly shared and helped to secure good wages for workers. Unions have often been excluded from constructive conversations with business, but they have a significant contribution to make in promoting sustainable and inclusive growth.
- The low-wage sectors of the economy present a challenge to unions because they tend to have high staff turnover rates, so it is difficult to help employees get organised. However, the TUC is undertaking a lot of work examining how it can support people in areas of the economy that are more difficult for organising labour.
- Employers are often anxious about the role of trade unions but they can benefit from establishing constructive relationships with unions. For example, helping to achieve reasonable levels of pay and decent terms and conditions can significantly reduce the costs associated with high staff turnover, as well as increase skills levels for workers.

Panel Session 3

Paul Corcoran, Chief Executive of Sheffield College – opening statement

Paul underscored the importance of Further Education (FE) to more inclusive forms of growth. He noted that:

- FE is vital to the inclusivity agenda. Sheffield College has 18,000 students and many of the college’s students come from challenging backgrounds – the ratio of students from deprived wards compared to advantaged wards has increased from 1.4 to 1.7, showing that more disadvantaged students are coming into further education than ever before.

- A key challenge for the college is to ‘transform lives through learning’ as part of a social inclusivity agenda. For example, ‘We will contribute to social cohesion’ is one of the college’s strategic aims. This is based on the fact that the college believes economic growth needs to be inclusive and further education is one of the most important ways to help local people develop the higher skills needed to fill local jobs. This means there will be less need to bring skills in from outside the city.
- The college also seeks to promote regional economic growth. One of the key strengths of the college is the reach that it has across Sheffield city meaning it provides education and training for all members of society, including low-income, vulnerable and marginalised groups.

Professor Chris Husbands, Vice-Chancellor of Sheffield Hallam University – opening statement

Professor Husbands reinforced the points made by Paul Corcoran on the reach of Sheffield’s further and higher education (HE) institutions. He noted:

- Hallam University has 33,000 students. 20 percent of the students are from the local area with 40 percent having family incomes of less than £25,000.
- The university is reaching deep into the city and the city region and plays an important role in regional growth. Professor Husbands cited evidence from international research that in order to achieve high levels of growth it is important to create high skill levels. But on the basis of some international comparisons, the UK’s participation rate in HE is relatively low, at 35 percent; compared to, for example, 83 percent participation in South Korea.
- One of the key issues for the region is that levels of attainment coming out of the school system are far too low. By systematically raising these levels of attainment it is possible to better grow the economy; to increase the attractiveness of the region to investment; to promote better in-work progression; and ultimately, over the long-run, to systematically strengthen the regional economies.
- Hallam University plays an important role in supporting regional economic development. As an example, one of the hallmarks of the courses at the university is ‘applied provision’ – more than 19,000 students undertake placements as part of their programme.
- In terms of the broader skills and employment system, there is a great deal of work to be done in creating better and clearer routes to work

for those in the bottom half of the population. Research has suggested that if you are a young person in the top 50 percent of the attainment range your progress and pathway through school and beyond is clear. However, if you are a young person below 50 percent the route to work is far more cumbersome and complicated, with a lack of clarity about qualifications and routes into quality apprenticeships. Unfortunately, the system is more difficult to navigate for the half of the population for whom it is most important to navigate.

Anna Round, Senior Research Fellow at IPPR – opening statement

Anna Round noted the research IPPR has been conducting on devolution and its growth potential for different parts of the UK. She underscored the importance of early years, strong public investment and the potential of joining up services through new opportunities provided by devolution. She argued that:

- The skills agenda is absolutely central to the economic challenges facing the North.
- One key finding of the IPPR ‘State of the North’ report was the notable gap in attainment in early years between the North and the South of England. In addition, the North has larger attainment gaps between children from different backgrounds, as well as their school readiness.
- In relation to the above, focusing on the early years should be regarded as an investment and a way of putting resources in, rather than as a ‘drag’ of expenditure. The development through school suggests that education should be seen as a process and a series of inter-related stages rather than simply as a set of outcomes. For example, there is a strong relationship between attainment in primary school and attainment in secondary school. Opportunities around devolution and education can be used to pursue locally responsive, flexible skill mixes which make labour markets more attractive to invest in.
- There is a strong link between economic growth and social policy – and life-course approaches are key to this. Developing skills can help fill labour markets but also builds careers for individuals and career pathways for communities. Skills support can be a mechanism not only to get people into jobs but also engage them in lifelong learning.
- An important part of the skills system has to be about improving labour market access for older workers, who have tended to struggle if they have experienced long-term unemployment. This can include reskilling opportunities and promoting longer term access to labour markets.

- Inclusive growth is not just an agenda for big cities, but also smaller cities. Big cities are important but they can't be the only engines of growth.
- It is important to recognise some of the key challenges with respects to devolution. In addition to the major challenge of limited fiscal resources, there is also a big challenge around addressing some of the 'disconnects' that can hold back local economic growth – for example between businesses and policymakers or institutions; and for ordinary citizens that feel disconnected from the democratic process and local economies. One of the key opportunities provided by the devolution deals is the possibility of developing new structures and being able to deploy mayoral power to promote the joining up of functions and services (for example transport and local economic development).

“ In addition to the major challenge of limited fiscal resources, there is also a big challenge around addressing some of the 'disconnects' that can hold back local economic growth

Stephen Clarke, Research and Policy Analyst, the Resolution Foundation – opening statement

Stephen identified some of the key challenges facing low to middle income groups as they seek to benefit from growth. He noted that:

- The Resolution Foundation is currently undertaking research examining living standards across cities, including Sheffield.
- The challenges across devolved regions are very similar – and one of the key features of this has been the big squeeze in progression and earnings.
- The national living wage will place a lot of people on the 'wage floor' – in Sheffield 28 to 30 percent of workers will be affected. But the real challenge is not simply getting people onto the national living wage but supporting people to progress beyond that.
- Another big issue is that while we do have low official unemployment, it will be a significant challenge reaching the target of 'full employment' by 2020 as many people in the SCR are not very well connected to the labour

market. The Resolution Foundation is carrying out research on full employment and has found that the disabled employment rate in South Yorkshire is 10 percent less than in the South East.

- There are concerns that the profile of income growth is very much skewed towards the top end (or higher earners) and less so towards the bottom. Brexit may further affect this.
- There are a number of areas important to inclusive growth and living standards that city regions will not have control over (as it will stay under the preserve of central government) – including policies such as universal credit, and recent changes to tax and national insurance thresholds. While city regions may not have formal authority over these areas, mayors as high-profile leaders can nevertheless play a key role in bringing them to the spotlight and show how change can be made.

Overview of key points during evidence discussion

Participants discussed the impact that Brexit may have, particularly on the education and skills system which draws significantly on European funds.

- Sheffield Hallam University alone has 5,000 international students, and this number excludes EU nationals. A key policy question at the moment is whether international students should be counted in immigration numbers. One of the bigger dangers from Brexit is that it will make the UK look less attractive – not only to investors but also to international students, who make an important contribution to local economies, add to cultural diversity and help create connections between UK students and the wider world.
- UK universities gain significantly from European Union research funds (it is a net beneficiary). It is not only the money that is important, but also that the UK is able to connect its higher education institutions to a European network of universities with very high levels of collaboration. For example, Sheffield Hallam University has a very strong cyber security network that works collaboratively with several other universities across Europe. Leaving the EU will have a financial impact but it may also affect these collaborative networks.
- In terms of further education, there will be pressure on programmes that support those furthest from the labour market, such as the employability programmes financed by the European Social Fund (ESF). These courses provide English and Maths teaching for those adults who struggle with basic numeracy and

language skills, in order to help them access the employment market. It is these types of programmes that will be in immediate danger, and funding companies may well pull back because of the uncertainty. Moreover, courses supporting those furthest from the labour market tend to require the most intensive forms of support, and thus they may be particularly vulnerable to funding uncertainty. This will directly impact how well we are able to meet specific inclusive growth challenges in the city region. For example, Sheffield has a growing Roma community and equipping them with basic English language skills is vital for social cohesion and inclusion.

It was argued that the skills and employment system tends to be difficult to navigate for those that need it in the most. Getting the incentives right and scaling up successful initiatives is important. Different central government reforms are also creating a confusing terrain, with devolution providing localities with greater influence over parts of the system on the one hand, but bypassing them in other aspects (such as schools).

- Sheffield Hallam University has undertaken research on routes to work (for Labour's Skills Taskforce). It found that if you are a young person in the top 50 percent of the attainment range your progress through school and beyond has clear and navigable pathways. If you are a young person below the 50 percent attainment range, however, the routes through education and into work are cumbersome with a fundamental lack of clarity – whether it's about vocational qualifications, GCSEs, or the routes into apprenticeships. In other words, the system is most difficult to navigate for half of the population for whom it is most important to engage with and benefit from.
- As well as targeting higher level skills development to match sector growth forecasts, we should make sure that the education system is providing all members of society with the basic English language and maths skills that can get people on the employment ladder and support their integration into the community. This investment clearly has societal benefits, not just economic. Sheffield College provides courses for English Speakers of Other Languages (ESOL) which play an important role in breaking down barriers in the community, as well as helping people get into employment.
- It might be worth considering ring-fencing some education and training skills budgets from the Devolution Deal and LEP budget so that they are not just aligned to target economic growth sectors, but include

conditions to ensure they are allocated to engaging disadvantaged socio-economic groups.

- Investment is needed to build skills capacity and capability at levels 3 to 5 in Technology, Engineering and Manufacturing. This is important even if there is a current lack of demand for jobs requiring those skills in the local economy. Even if the jobs are not available just now in Sheffield this would help overcome one of the barriers to new employers investing in the region. Even without investment, people from the city would have the opportunity to commute to jobs outside the city, which also brings money back in to the city.
- Participants discussed the ostensibly confusing nature of government reforms. Local authorities and city regions are being empowered on the one hand through devolution (with an important skills and employment remit), but bypassed by other, centralising reforms such as the academies programme. Schools are often described as the 'red lines' that won't be crossed as part of the devolution process. However, one participant reflected that an important piece of learning from the devolution process is that 'red lines' can often be temporary. Secondary schools and 16-19 education funding may currently be red lines – but it is possible this may change in the future. Devolution may, for example, open up opportunities to develop alternative propositions, such as a duty placed upon all schools to collaborate in the design of city region skills strategies. Indeed, some local authorities have also explored the option of becoming academy chains. Such approaches could help address some of the current atomisation of the schools system.
- It was argued that despite the challenges and weaknesses of the overall system, there are plenty of 'micro-examples' of initiatives that have been successful but that haven't been scaled up. In this context, the key question may not necessarily be what the solutions are to addressing skills and inclusion challenges, but why those small-scale initiatives that seem to work haven't been able to scale up. This is partly connected to another key issue – the need to develop measures of success that drive the right sort of behaviour amongst institutions, employers and individuals. For example, in terms of challenges for University Technical Colleges (UTCs), a key issue is that secondary schools are reluctant to release 14 year olds because of the financial incentives around student numbers. One participant cited an example of a training institute that has sought to promote the right incentives by changing its measures of success – shifting from numbers (outputs), such as starts and

completions, and into measuring ‘fulfilment’ (outcomes), such as young people completing courses and then finding jobs.

- It is also important to consider how the investments that go into skills and employment support also impact or can be integrated with other parts of the public sector. This may include, for example, understanding how effective support and provision can lead to reductions in the costs of other services such as health and out-of-work benefits. There is thus a substantial investment case for effective, joined up skills and employment provision that extends beyond local growth impacts.

“ It is important to consider how the investments that go into skills and employment support also impact or can be integrated with other parts of the public sector.

Participants provided evidence about how higher and further education institutions are growing their role as anchor institutions – leveraging their capacity as employers, educators (of thousands of students), investors and spenders to benefit their place.

- Sheffield College has a substantive apprenticeship programme, which is a means of bringing in people from different backgrounds to work in the college. In addition, the college has strong partnerships with other large institutions, who it works with to improve the skills and support they provide to students, especially those at the lower end of the skills spectrum. A key part of this is developing clear curriculums and pathways - which allow students to progress from level 1 qualifications through to level 5, for example working as healthcare assistants.
- Sheffield Hallam University (SHU) also plays an important role as an anchor institution, and is seeking to develop this further. As a major employer with 30,000 students and a dense network of partnerships with a range of organisations and businesses, SHU makes a significant contribution to the local economy. Nevertheless, a challenge is that despite these strengths the economy in SCR is still struggling. Moreover, for parts of the city region that are not as connected to the centre – such as Barnsley or Doncaster – there is a lot more the university could do in terms of reaching

out. This doesn’t just mean expanding SHU’s campus footprint, but also working harder to stitch together learning and progression routes across the city region, and raise levels of aspiration across communities.

- It was recognised that universities and colleges can sometimes ignore their place context – their cities and institutions. They may thrive in terms of institutional success, but this approach means they won’t be generating the sort of growth and access that is required to serve the communities in the city region. For example, some colleges have pursued growth strategies where they step outside of their regional boundaries – but Sheffield College’s strategy is regionally rooted.
- SCR is relatively unique amongst English city regions in that the further you move beyond the core city, the lower the skills base will be. This makes the anchorage role of colleges and universities even more important – reaching out to more peripheral, lower-skilled parts of the city region. Thus, the campus outpost in Doncaster is not just an example of good practice, but also something that is more important in a place like SCR than, say, Manchester.
- The local economic impact goes far beyond student spend (the lens through which it has traditionally been seen). There are several examples of University of Sheffield, SHU and Sheffield College using their Research and Development (R&D) balance sheet as well as their financial balance sheet to promote local growth and employment. This includes the University of Sheffield’s Advanced Manufacturing Research Centre in the Advanced Manufacturing Park; SHU’s role in the Olympic Legacy Park; and SHU and Sheffield College’s partnership with major local employers in setting up the university technical college (UTC) on the Don Valley Stadium in Sheffield.
- A key part of this is about encouraging fourteen year olds to consider quality vocational pathways, and build employer engagement into the process. This helps to address the challenge discussed earlier – where those children that could benefit most from clear and transparent pathways have to contend with a system that doesn’t work for them. Similarly such approaches can begin to address some of the skills shortages that impact local economies. For example, a lack of technical, level 3 skills presents a bottle neck to sub-regional growth, affecting in particular the large SME base in SCR.

There was further discussion about employer engagement and the ways in which the Apprenticeship Levy is altering employer perceptions and their understanding of the system. This is linked to a broader shift in the role of apprenticeships and skills and employment support in creating local economies that support disadvantaged groups and promote lifelong learning.

- It was argued that the Apprenticeship Levy has increased employer interest significantly – and as employers become more aware of what apprenticeship progression routes there are, that could also raise awareness across a broader spectrum. Colleges and universities are spending a lot of time engaging with employers to help them better understand the mechanics of apprenticeships and the wider system. There is now a greater understanding amongst employers, for example, that apprenticeships are not only for engineering and science, but also areas as diverse as human resources (HR), accountancy and health care.
- One of the current flaws of apprenticeships is that they tend to go to people that already work inside a company. The Resolution Foundation is advocating for a certain amount of apprenticeships to be ring-fenced for people coming out of school or those that are disadvantaged.
- It was argued that the challenges for apprenticeships aimed at 16-18 year olds are much greater than those for 19 and over. The opportunities for the former are more difficult to access and the Skills Funding Agency has said this is where growth will be targeted.
- There is also a linked point about supporting those young people who may not have the skills or readiness to move into apprenticeships, through pre-apprenticeship support and other forms of support. In this respect, Sheffield has invested £100m into the Sheffield 100 Apprenticeships Scheme, which is working with employers to provide apprenticeship opportunities to disadvantaged young people.
- With the increasing focus on apprenticeships, safeguards need to be put in place to ensure these are not used as vehicles to suppress pay of the most disadvantaged. The apprenticeships need to be high quality. The importance of using them to get older people into work, not just school leavers, also needs to be recognised and adult apprenticeship funding needs to grow accordingly.
- One of the most important aspects of the Levy is that for the first time a clear link is being made between employers' contribution to the levy and the lifelong learning requirement of the whole workforce. Lifelong learning is critical to both ensuring growth is inclusive and

that skills support is dynamic and sustainable. As one participant mentioned, given the rate of technological change in society, it is not unthinkable for people to find themselves in situations where the skills they have developed in early life are not as relevant to the economy fifteen to twenty years later. Technological changes such as growing automation are having particular impacts on low-skilled work, so it is vital to continue to invest in the education and training of those most affected. Investment in lifelong, adult learning is critical – as well as supporting people to develop flexible and resilient skill sets underpinned by strong foundational skills. The latter is an important piece of learning that has come out of IPPR's research with UTC's in the North East.

- One participant argued that more actively shaping labour markets was also important to creating successful apprenticeships – internationally all the countries that have successful systems of apprenticeships have much more highly regulated labour markets than the UK.

Supported by



8 John Adam Street
London WC2N 6EZ
+44 (0)20 7451 6848

Registered as a charity
in England and Wales
no. 212424

Copyright © RSA 2016

www.thersa.org/inclusivegrowthcommission

About the RSA Inclusive Growth Commission

Launched in April, 2016, the Inclusive Growth Commission is an independent, impactful inquiry designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous. Chaired by Stephanie Flanders, former BBC economics editor and J.P. Morgan Chief Market Strategist (UK and Europe), and building on the success of the RSA's City Growth Commission, the Commission will seek to devise new models for place-based growth, which enable the widest range of people to participate fully in, and benefit from, the growth of their local area.

The RSA City Growth Commission demonstrated how the largest UK cities can drive prosperity through place-based investment and economic policy making, enabled through devolution and new forms of governance and finance. This economic narrative has since driven policy developments, but it has become increasingly urgent to understand how we can deepen and broaden this vision, tackling the entrenched inequalities within and between neighbourhoods that act as a drag on growth, and ensuring that the benefits of this place-based approach are more widely shared.

Find out more and get involved

To find out more about the Commission and view its latest content, visit www.thersa.org/inclusivegrowthcommission or our Twitter on @incgrowth.

To find out more about how you can get involved, contact Charlotte Alldritt, Director of the Commission, at [charlotte.alldritt@rsa.org.uk](mailto:alldritt@rsa.org.uk) or Atif Shafique, Lead Researcher, at atif.shafique@rsa.org.uk.