



INCLUSIVE GROWTH
COMMISSION



Inclusive Growth Commission Prospectus of Inquiry

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Cities and places in the UK and internationally are grappling with how to deal with a sustained period of low growth and high inequality. A global consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance and the productive potential of people and places.

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 former BBC economics editor Stephanie Flanders 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.

This document marks the launch of the new RSA Inclusive Growth Commission. Chaired by Stephanie Flanders, JP Morgan Chief Market Strategist (UK and Europe) and former economics editor of the BBC, the Commission has been designed to understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous.

Policy makers across the world are grappling with the question of how to deal with a sustained period of low growth and high inequality. The IMF has called for a more 'inclusive capitalism' and the OECD is leading a campaign to promote inclusive growth.¹ Wealth inequality has also grown since the financial crisis, and – because of its impact on the nature and extent of economic growth – distribution has become not just a secondary concern, but a first order question. An international consensus is emerging around the view that inequality not only has a social cost, but that it also hampers long-term economic performance.²

Introduction: why inclusive growth?

The RSA City Growth Commission demonstrated how the largest UK cities can drive additional growth by investing in their economic connectivity and skills, and by using devolution deals to give them the powers they need to promote place-based investment and economic policy making. But while the economic narrative has been a driving force behind the policy developments that have happened as a result – including the Northern Powerhouse, Transport for the North, new investment in High Speed 3 between Leeds and Manchester, Midlands Connect and Great Western Cities – 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.

Devolution deals have made a start, but we fool ourselves if we believe the work is done. Public services and welfare remain fragmented; economic and social policies often seem to pull in opposite directions. Although growth is happening and unemployment falling, large sections of the population are not benefiting. Big wealth gaps and large numbers of economically inactive people have negative impacts on local economies, life chances and social cohesion. Costs to the state remain high, growth is low and prosperity the privilege of a few. Devolution must be socially and economic inclusive if it is to be the key to resilient, dynamic places.

Devolution must also be geographically inclusive. How can we make sure that a city-based model for growth does not leave other parts of the country even more disadvantaged than before, left behind in a place-based vision of growth that could not find a place for them? It is increasingly important to establish how towns and cities outside the key metropolitan areas are going to join in this new devolution strategy and participate in its benefits.

We cannot aspire to close the north-south divide if the impact of public and private sector investment in the Northern Powerhouse doesn't reach smaller cities, towns and neighbourhoods on the periphery of the major northern urban centres, or indeed avert the same kinds of disparity that exist elsewhere across the UK. For people at the fringes of the labour market in our cities, life looks very different to the success story of headline economic indicators. Greater London, our burgeoning capital with over 8.6 million people, makes a net contribution of £34.6bn to the exchequer each year.³ However, London is the most unequal city in the UK for wage inequality⁴ and statutory homelessness is rising in the capital for people in work.⁵

In Greater Manchester, the leading edge of English city-regional devolution, over a fifth of neighbourhoods are in the top 10 percent of most deprived areas nationally.⁶ While women living in Manchester city centre are expected to spend more years suffering from chronic health than the rest of the country (as a proportion of total life expectancy).⁷ Without a policy framework that is founded on a deep understanding of and responsiveness to the complexities of place, local businesses, public services and citizens will continue to be vulnerable to ineffective and fragmented central government interventions.

1 OECD (2016) *Inclusive Growth*. Available at: <https://www.oecd.org/inclusive-growth/about/inclusive-cities-campaign/>
 2 For example, Era Dabla-Norris et al. 'Causes and Consequences of Income Inequality: A Global Perspective.' IMF Staff Discussion Note, June 2015. Available at: <https://www.imf.org/external/pubs/ft/sdn/2015/sdn1513.pdf>
 3 Based on data from McGough, L. and Swinney, P. (2015) *Mapping Britain's public finances*. Centre for Cities: London. These figures are based on tax and public expenditure analysis conducted by the Centre for Cities. Other statistical methods which use different data sources and methods of disaggregation, for example by New Economy, have returned significantly different results. For example, the Greater Manchester 'fiscal gap' is £10.9bn according to the Centre for Cities data, but £7bn according to analysis by New Economy. New Economy and the LGA will soon be publishing a tax and spending tool that provides a breakdown of localities' tax and expenditure.
 4 Lee, N., Sissons, P. and Jones, K. (2013) *Wage inequality and employment polarisation in British Cities*. Joseph Rowntree Foundation: York.
 5 DCLG Statistical Release, 'Statutory Homelessness: October to December Quarter 2015' 23 March 2016. Available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/509763/Statutory_Homelessness_Statistical_Release_October_to_December_2015.pdf
 6 Elisa Bullen, 'A Briefing Note on Manchester's relative level of deprivation using measures produced by DCLG, including the Index of Multiple Deprivation' Indices of Deprivation 2015: Manchester City Council, September 2015.
 7 ONS, Statistical bulletin: Healthy life expectancy at birth and age 65 by upper tier local authority and area deprivation: England, 2012 to 2014

“To realise the potential of devolution, places need to be able to take informed, strategic decisions that can leverage the full force of public service interventions and investment

As existing devolution deals are implemented, there remain significant questions as to how combined authorities can capitalise on these fully, and what further powers are needed to respond to the complexities of their place. As future waves of devolution deals are negotiated, the question is how smaller cities and towns can create a viable and fiscally sustainable proposition that reflects their economic geography. In both instances, integrated governance structures will be needed to link the layers of identity and activity that make up a place, from individual streets and neighbourhoods to the town or city centre and its surrounding regions.

Policy making powers and fiscal revenues are being devolved, but within a landscape of fragmented, often still highly centralised bureaucracy, where the efforts and funding streams of one agency or government department unwittingly undermine those of another. To realise the potential of devolution, places need to be able to take informed, strategic decisions that can leverage the full force of public service interventions and investment. This will mean operating within a landscape where finance, commissioning, accountability and regulation mechanisms facilitate inclusive productivity. How will the state – at central and local level – need to be reconfigured to support place-based growth and prosperity? Now that the devolution genie is out of the bottle, Whitehall and the Devolved Administrations cannot continue to cling to the old structures of governance. Central government will need to adapt.

The Inclusive Growth Commission will build on the success of the City Growth Commission to devise new models for place-based growth. This will mean identifying new frameworks, institutions, capabilities and incentives that will allow places to be dynamic and resilient. Economic and social inclusion will be central to this, but so too will a sense of geographic coherence – designing appropriate strategies that build pragmatically on all the economic and human potential of a place. Without this platform, devolution does little to address the vulnerabilities of city-regions to global and national economic shocks, the threat of losing key employers, or the impact of misaligned central and local policy making.

If places are fully able to leverage their existing devolution deals, future arrangements make provision for inclusive growth and there is a coherent structure for effective central and local governance, we have an opportunity to:

Boost household incomes and open up economic opportunities for a broader range of people by finding solutions to low pay, skills development and in-work progression.

Improve the lives of individuals, families and communities by tackling economic and social inequalities and reducing poverty.

Drive up productivity and Gross Value Added (GVA) because more people are taking part in productive work and benefitting from local growth in the city-region.

Cut welfare reliance and the demand for public services by helping people to be more self-reliant and resilient to ‘shocks’.

Free up significant public resources to divert to more economically effective and sustainable investment, identifying investments with high multiplier effects across local economies.

Promote greater private sector investment over the long term (attracted by the prospect of higher returns) and create a shift towards a more enterprising culture.

Improve local economic efficiency and strengthen functioning labour markets.

Commission research themes

1

Economy
More inclusive,
productive
labour markets

How can we enable as many people as possible to contribute to, and benefit from, local economic success?

How can we overcome social, gender, health and other barriers to accessing local labour markets?

How might more inclusive economies make places more productive and reduce demand for some public services over the long term?

How can we shape cities and neighbourhoods to encourage a more entrepreneurial culture?

2

Place
Dynamic,
resilient places

What are the characteristics of success at different geographic levels – city-region, city, neighbourhood – and how do these vary across the UK?

How can all places create a viable model for sustainable, dynamic and inclusive place-based growth?

How might places within and at the periphery of major urban centres capitalise on the potential of existing devolution deals?

What additional powers and flexibilities might be needed to give places the ability to respond more effectively to the complexities of their economic geography?

3

Governance
Creating
system change

How might we re-structure central and local public financing and related systems, so services support each other more effectively and decisions are made with a longer-term time horizon in mind?

What type of metrics for inclusive growth can be developed to support this?

How can financial and fiscal risks be mitigated in places beyond the major metropolitan areas?

How will Whitehall and the Devolved Administrations need to adapt?

What are the barriers to achieving system and culture change?

Income

Ensuring that workers have salaries that support a decent standard of living and the ability to invest in skills and training is vital for economic inclusion, and can relieve pressure on welfare spending. But many places are unable to achieve this. Currently, a quarter of British workers earn less than the Living Wage.

Our analysis shows considerable variation between local places in the percentage of workers that earn less than the Living Wage and are unable to sustain a family without government support. For example, 14 percent of Richmond (London) and Epsom and Ewell (Surrey) workers earn below the Living Wage, compared to 45 percent in Blackpool, and 40 percent in Newham (London) and rural Norfolk.

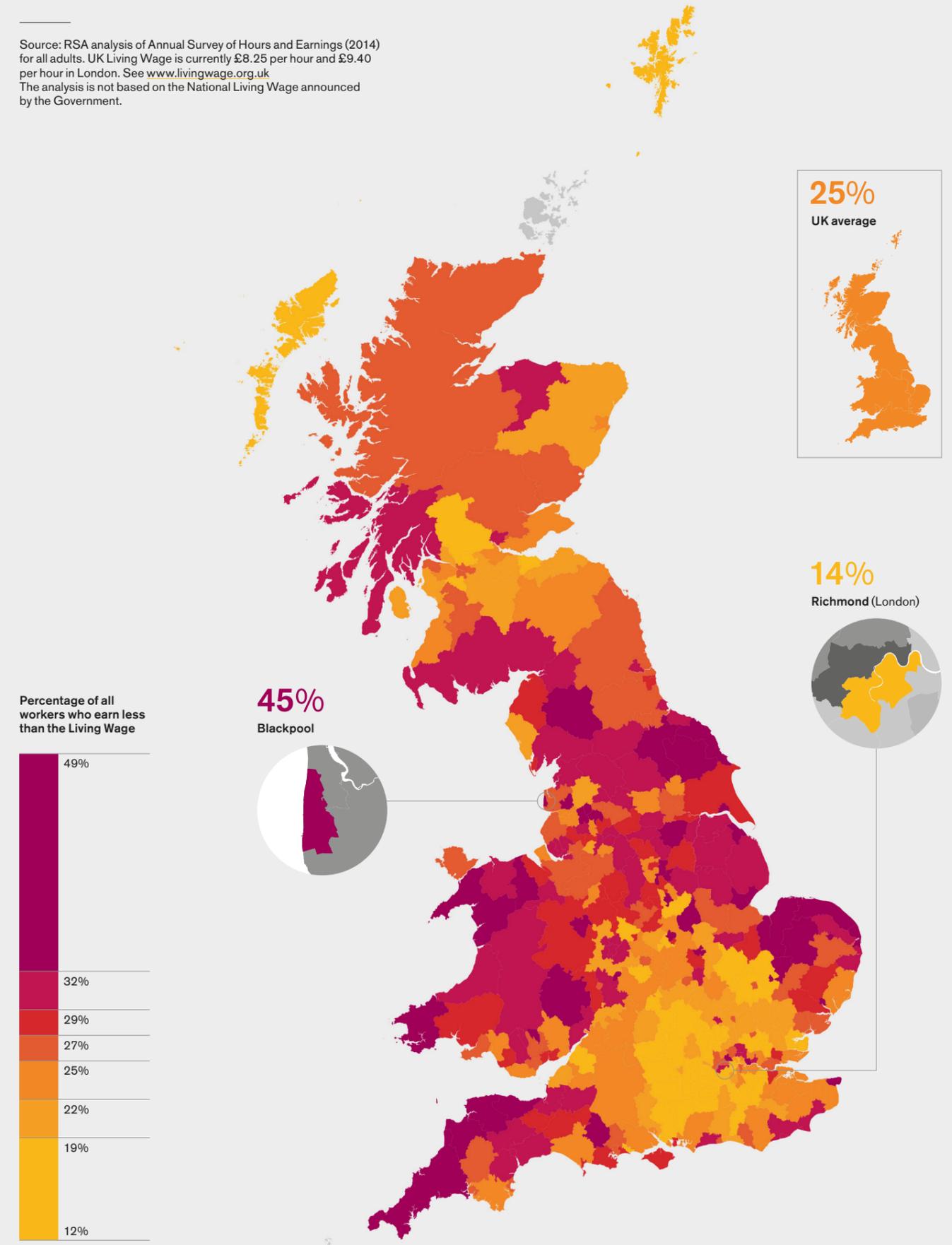
To view our interactive Living Wage map, go to www.thersa.org/inclusivegrowthcommission

“For people at the fringes of the labour markets in our cities, life looks very different to the success story of headline economic indicators

Data visualisation: inclusive economies

Percentage of all workers who earn less than the Living Wage

Source: RSA analysis of Annual Survey of Hours and Earnings (2014) for all adults. UK Living Wage is currently £8.25 per hour and £9.40 per hour in London. See www.livingwage.org.uk. The analysis is not based on the National Living Wage announced by the Government.



Health

Economic inclusion is strongly influenced by non-income factors including health and housing. Poor health and housing can limit life chances, hamper the economic potential of places and put significant pressures on public services.

Our analysis of health and economic inactivity shows in that England and Wales, 1.8 million adults are economically inactive because they are too ill to work or look for work. Place of residence is a key determinant of the economic impact of poor health.

Among the total number of economically inactive adults (excluding retirees), the proportion who say the reason for being economically inactive is due to poor health varies from less than five percent in affluent parts of Surrey, Buckinghamshire and the Midlands, to over 50 percent in 60 neighbourhoods, including many coastal towns and Welsh Valleys.

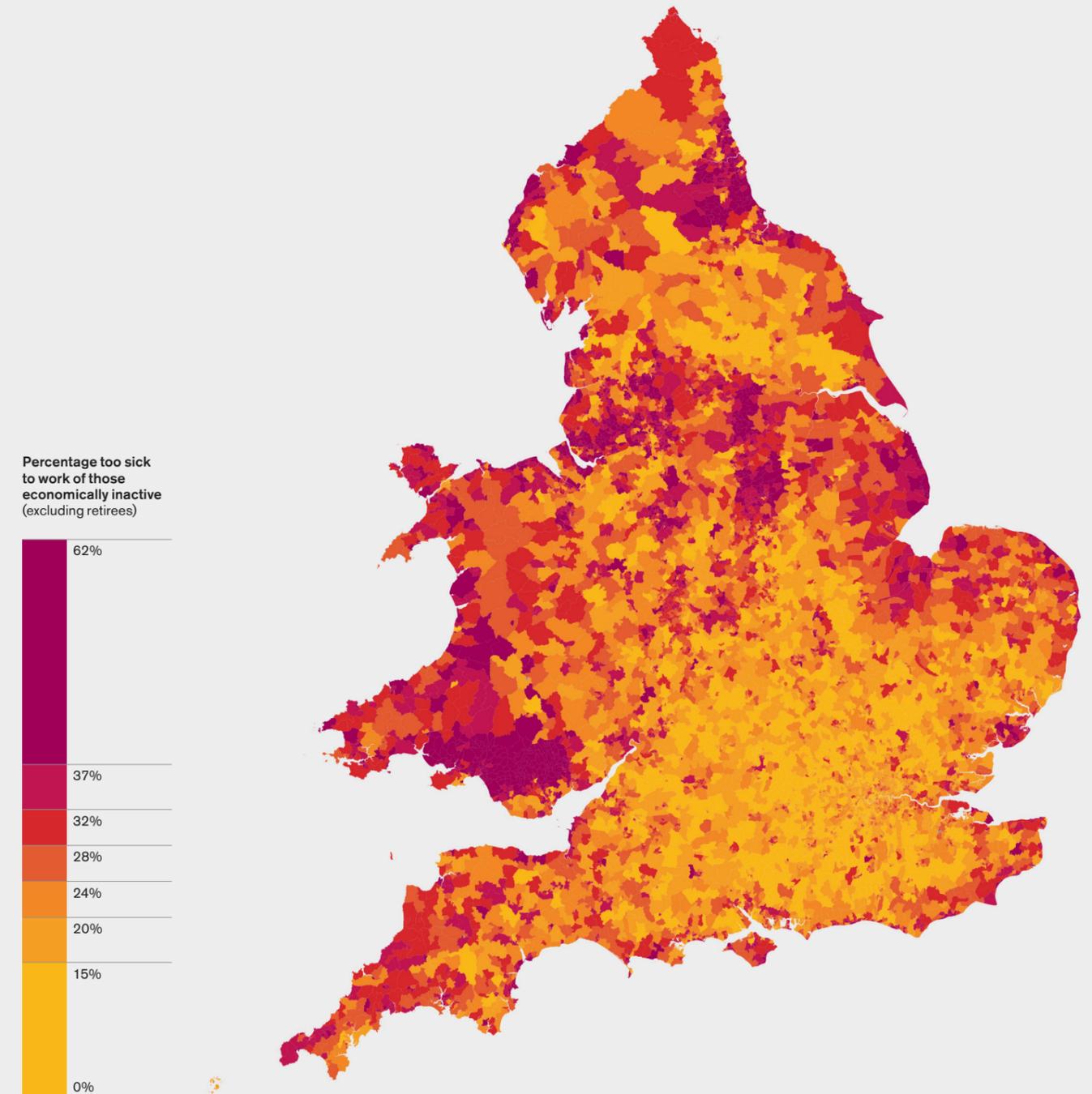
To view our interactive map on health and economic inactivity, go to www.thersa.org/inclusivegrowthcommission

It is estimated, conservatively, that the NHS spends £1.4bn a year in England on treating people who suffer illness or physical harm linked to poor housing quality. Investing to improve housing conditions can not only support economic inclusion, but can also help the state to realise significant savings by tackling avoidable demand on services.

“Public services and welfare remain fragmented; economic and social policies often pull in opposite directions. Big wealth gaps and large numbers of economically inactive people have negative impacts on local economies, life chances and social cohesion

Percentage too sick to work of those economically inactive (excluding retirees), England and Wales

Source: Census 2011

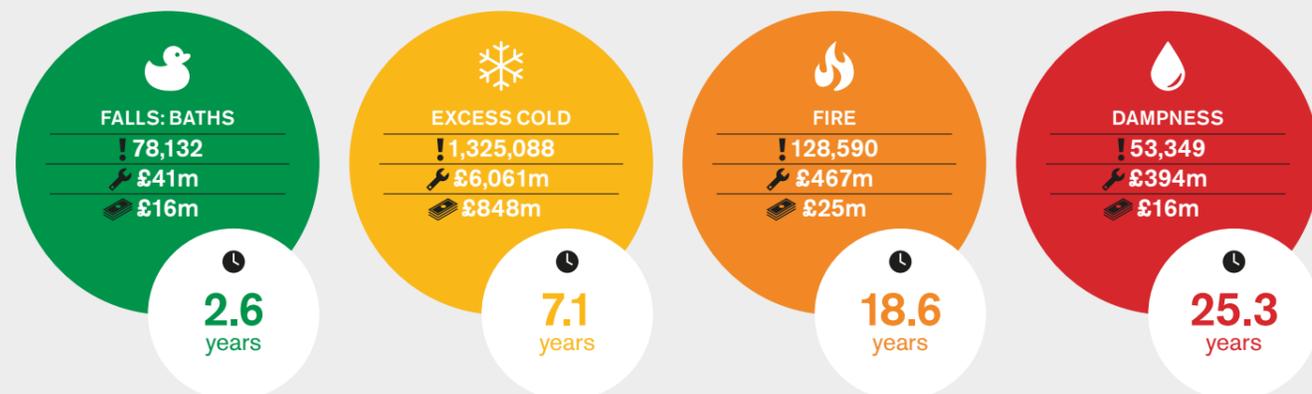


Poor housing conditions costs the NHS £1.4bn per year in England

Source: BRE, 2015, *The cost of poor housing to the NHS*

Hazard	Number of Category 1 hazards	Average repair cost per dwelling	Total cost to repair	Savings to the NHS per year if hazard fixed	Time for savings to exceed investment
Excess cold	1,325,088	£4,574	£6,061m	£848m	7.1 years
Falls on stairs	1,352,837	£857	£1,160m	£207m	5.6 years
Falls on the level	543,848	£780	£424m	£128m	3.3 years
Falls between levels	239,930	£927	£222m	£84m	2.6 years
Fire	128,590	£3,632	£467m	£25m	18.6 years
Collision and entrapment	74,054	£692	£51m	£16m	3.3 years
Falls: baths	78,132	£521	£41m	£16m	2.6 years
Dampness	53,349	£7,382	£394m	£16m	25.3 years
Hot surfaces	107,168	£2,436	£261m	£15m	17.3 years
Lead	112,051	£1,661	£186m	£14m	13.4 years
Entry by intruders	47,284	£1,063	£50m	£13m	3.8 years
Radon	107,603	£1,126	£121m	£9m	13.4 years
Any	3,472,765	£2,875	£10.1bn	£1.4bn	7.1 years

Footnote: Not all Cat 1 Hazards are shown; only those with a frequency above 1 in 500 of England's housing stock



The Inclusive Growth Commission is seeking to build a compelling case for inclusive, place-based growth as a driver of our local economies.

In order to achieve this we will be hosting a range of evidence hearings, seminars and engagement activities across the UK. We are also launching a Call for Evidence, based on our core research themes: Economy, Place and Governance (see page 5).

To find out how to submit evidence or engage with the Commission's other activities, please visit the website at www.thersa.org/inclusivegrowthcommission, follow us on Twitter [@IncGrowth](https://twitter.com/IncGrowth) or contact Charlotte Alldritt, Director of the Commission: charlotte.alldritt@rsa.org.uk

Get involved with the Commission

Connectivity

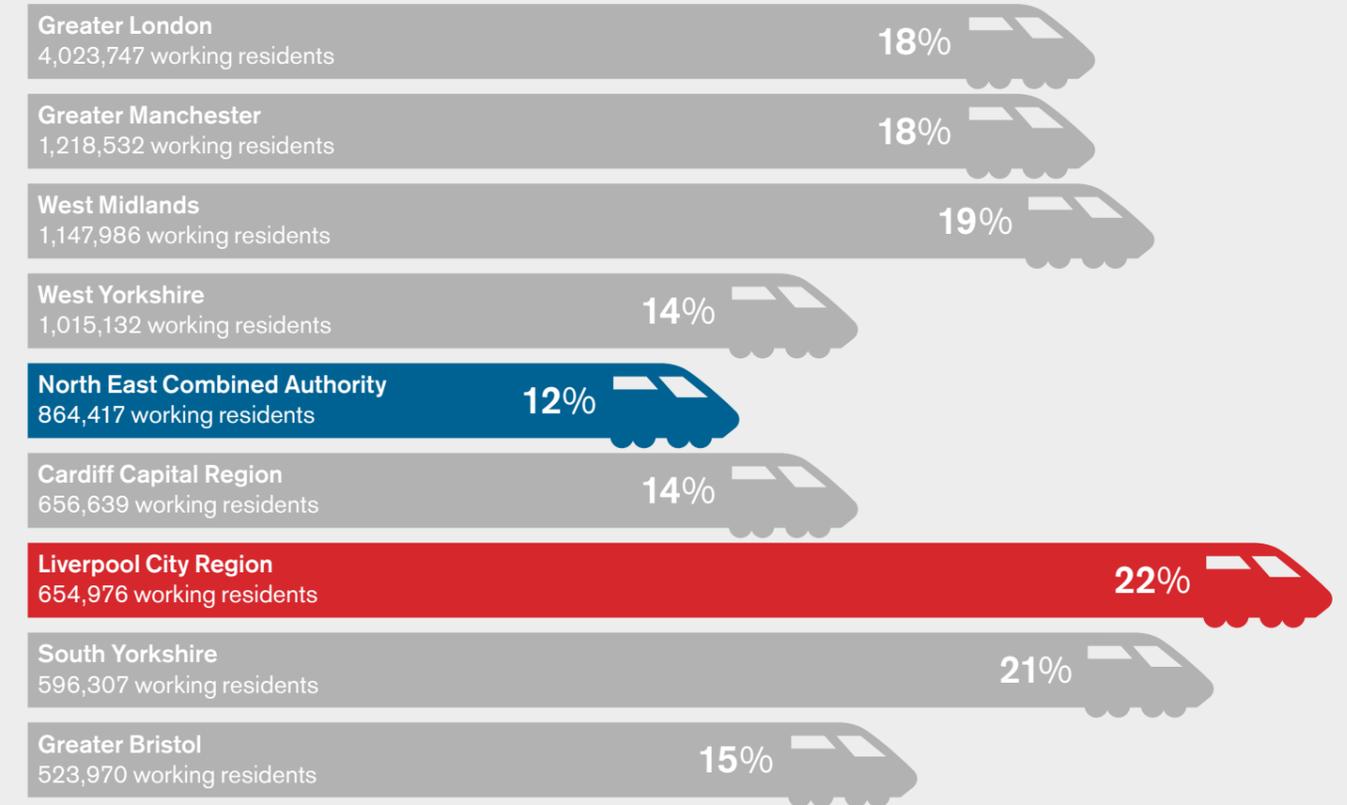
City-regions represent functional economic geographies and provide a suitable scale at which a range of strategic decisions can be taken. But they are not self-contained economic and labour market units and there is strong potential for city regions to coordinate their social and economic strategies with neighbouring cities and non-metropolitan areas.

Our analysis of travel to work patterns for the new Combined Authorities shows that they vary in the extent to which they provide sufficient (or sufficiently suitable) jobs for their residents. For example, 22 percent of working residents in the Liverpool City Region leave the city-region every day to work elsewhere. This illustrates the interdependencies between city-regions and their suburban and rural hinterlands, and also highlights the importance of collaboration beyond city-regions, in efforts to build inclusive economies.

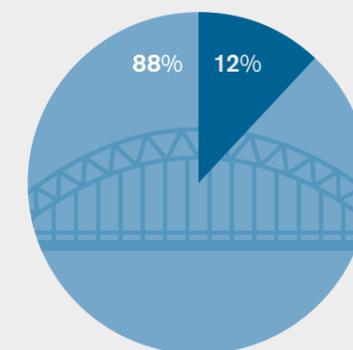
“How can we make sure that a city-based model for growth does not leave other parts of the country even more disadvantaged than before, left behind in a place-based vision of growth that could not find a place for them?”

Proportion of residents commuting out, by city-region

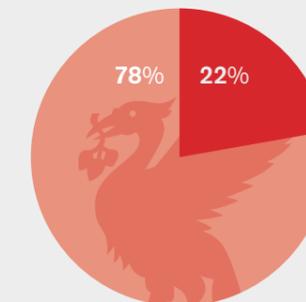
Source: Census 2011



Despite a relatively equal number of working residents, the proportion of residents commuting out of the Liverpool City Region is nearly twice the rate as that of the North East Combined Authority region



North East Combined Authority



Liverpool City Region

2

The Inclusive Growth Commission will be an independent, credible and influential inquiry into the question of how places can create more inclusive economies – where more people are able to participate fully in, and benefit from, the growth of their local area.

The Commission will reposition economic inclusion and related public services as a driver of growth, productivity and prosperity. It will be focused on solutions rather than restating problems, and will set out specific principles and measures to reconnect social and economic policy.

“This new Commission will put cities at the heart of new solutions for inclusive growth

Just as the RSA City Growth Commission was about making cities central to answering a national question about how to promote growth, so this new Commission will put cities at the heart of new solutions for inclusive growth. But we also recognise that growth must be inclusive across different geographies as well as socially and economically inclusive. This means that smaller towns and cities need the tools to respond to the opportunities and challenges of their places, as much as larger metropolitan areas need the dexterity to tackle the complexities of their economic geography. In certain areas too, such as the South West and north of England, Wales and Scotland, a more nuanced understanding of the link between urban and rural economies is essential to design effective measures for inclusive growth and prosperity. Such understanding will inform the Commission’s analysis and recommendations.

The Commission will focus its evidence gathering on the three main research themes identified in the introduction, through a combination of: a call for written evidence, and formal evidence hearings, expert seminar sessions, deep-dive case studies from around the world, and citizen engagement where possible.

The structure of the Commission

The nature of the Commission’s inquiry

The evidence collection and analysis will involve three primary areas of activity

Evidence hearings

1

Held across the country with witnesses drawn from business, academia, local government, public/third sector and wider civil society.

Deep dive case studies

2

The Commission will look in-depth at places from across the UK, including the Devolved Administrations. We will also incorporate the findings of closely related review work that is planned in Greater Manchester, as well as other commission findings from other city-regions.

Seminar series

3

The Commission will host a seminar series, bringing together a range of business, academic, national and local leaders and policy experts on key topics and questions pertinent to the Commission, including:

Dynamic, resilient local economies

Asking what is needed to create dynamic, resilient places, the opportunities of inclusive growth and how it can be achieved with a renewed focus on local business, enterprise, social connectivity and place-based public service reform. We will also consider how UK governments have tried to approach these issues in the past, and what we can learn from other countries and international institutions.

Geographic inclusion

A closer look at the disparities within and between places, and how systems and institutions need to be configured to ensure appropriate, effective integration of social and economic policy at a local level. This will involve identifying the potential within existing arrangements and devolution deals, as well as opportunities for further powers, flexibilities and system changes.

Place-based budgeting

Exploring how multi-year settlements can open up local government funding to greater place-based budgeting, investment, and regeneration. We will also consider what a place-based Spending Review might look like, what new accountability arrangements might be needed for place-based budgeting and the prospect for equalisation between (and within) city-regions and nations of the UK.

The objectives of the Commission

The Commission will seek to understand the characteristics of successful places and how, by addressing social, economic and health challenges in the round, they can become more self-sustainable and prosperous. By doing this, it will then aim to:

Develop a policy framework for inclusive, place-based growth that integrates social and economic policies for growth, public service reform and devolution so that they support each other. By working with central and local government across the UK, the implementation of these policy ideas and programmes will create more productive, innovative and resilient local economies. Implementation will also result in a demonstrable impact on reducing economic and social inequalities.

Use this to develop a series of principles and recommendations to guide central and local government investing and spending decisions. These will inform a model of place-based national and local government finance that allows for more integrated, accountable social and economic spending and investment over the long term.

Influence and support local and national government to implement policies for inclusive growth and system change, through the existing devolution deals, future phases of devolution and by the creation of new facilitating institutions and mechanisms at a local and central level.

To achieve these objectives, the Commission plans to:

Present a robust, authoritative and compelling case for change, based on credible collation and analysis of existing evidence, and on understanding the work of others that we are building on. This evidence will be drawn from a review of the literature and available data, as well as from the insight and experience of the full range of academic institutions, third sector partners and other organisations involved across the breadth of this agenda.

Devise new, ambitious measures and mechanisms for how this change can happen, while recognising what is possible, which current parameters of policy and practice are immovable, and which can be flexed in order to create the conditions for reform.

Create momentum for change throughout the lifespan of the Commission (and thereafter) by working with city-regions and national government, as well as a wider range of local business and civil society leaders, to get insights on the barriers to change, opportunities for new solutions and secure buy-in for our emerging recommendations. This will also include engaging with other organisations and stakeholders that are working on the inclusive growth agenda.

Turn our project stakeholders into leading advocates of the Commission and its recommendations. We plan to engage a breadth of stakeholders across civil society, business and government.

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