

Inclusive Growth - Creating a fairer economy in Oxford and Oxfordshire. A Discussion Paper

1. Introduction

The concept of “Inclusive Growth” comes from a concern with the pace and pattern of growth, and as it largely relates to economic growth, the two terms ‘Inclusive Growth and Inclusive Economy’ are used interchangeably in this paper.

Inclusive Growth, where economic growth benefits a broad section of the community, is deemed to be beneficial to cities and places. According to the OECD, countries with decreasing income inequality grow faster than those with rising inequality.¹ It is argued that an inclusive economy will result in a more prosperous economy and more equitable society. While much has been written about inclusive growth, definitions vary and there is still a paucity of evidence and data of actual implementation and impact of interventions.

The position has become starker since the financial crisis, which exacerbated austerity and arguably contributed to the public vote on Brexit. This in turn links to issues around UK productivity debate and our economy’s reliance on low skill, low paid, low value jobs. In addition new risks have emerged around technology and automation hollowing out the labour market of the future.

At the same time, there is a growing consensus about the economic and political importance of cities where they are increasingly seen as significant economic and political actors².

Cities are increasingly being recognised as key drivers of growth within their boundaries as well as their hinterlands, being more productive than non-urban areas and hosting the majority of all highly skilled jobs.³ Local government is increasingly being given some new powers and responsibilities to drive economic growth for example through devolved arrangements like growth deals. Cities are also the places where economic imbalances and inequalities are at their most evident therefore driving a lot of interest in this area by city authorities.⁴

Given the relatively limited levers and resources available to cities following a sustained period of austerity, lack of a coherent activist national industrial strategy, an over centralisation of economic growth decision making, piecemeal approach to interventions (i.e. competitive approach – growth deals, regional growth fund, high street fund etc.) coupled with an apparent failure by the current central government income and wealth redistribution model to deal with some of the socioeconomic

¹ <http://www.oecd.org/newsroom/inequality-hurts-economic-growth.htm>

² McKinsey Global Institute research concluded that the world’s “middleweight” cities – those populations between 150,000 and 10 million – will drive future world GDP growth. McKinsey Global Institute. Urban world: Mapping the economic power of cities. March, 2011.

³ Centre for Cities, 2014. <https://www.centreforcities.org/reader/delivering-change-putting-city-centres-heart-local-economy/economic-importance-city-centres/>

⁴ Centre for Cities has a collection of case studies on cities that have promoted inclusive growth. <https://www.centreforcities.org/case-study-library/inclusive-growth-case-studies/>

issues which are a result of an imbalanced and unequal economy, it remains debatable if local government interventions alone can deliver an inclusive economy.

2. Why should Oxford and Oxfordshire care about inclusive growth?

The Oxford and Oxfordshire economy has continuously been ranked as one of the best performing local economies in the UK on a number of measures. However if we pose two fundamental questions;

- Who is benefiting from economic growth?
- What outcomes do we want that growth to deliver? We get a different picture.

There is a growing body of evidence which indicates that this success has not been distributed equitably between places⁵, communities and individuals, resulting in unequal economic and educational opportunities and life outcomes, and this trend looks set to continue unless measures, public and private, are enacted to arrest the trend. This has been particularly marked since the financial crisis where despite the steady (though sometimes anaemic) growth some sections of society have seen a corresponding increase in inequality. The bullets below try to illustrate aspects of this imbalance. .

- **Earnings:** Percentage of people paid below the national real living wage in Oxford/Oxfordshire (Annex 1) - A significant number of people in Oxford and Oxfordshire are earning below the national real living wage of £8.75 (10.3% and 14.6% respectively). The figures are even starker when split between male and female or part time and fulltime.
- **Housing:** The Housing Affordability ratio for Oxford was 17.3 in 2018, up from 13.7 in 2008 ranking Oxford as 1st in least affordable cities in the UK (Centre for Cities Report 2018).
- **Educational attainment:** A significant proportion of Oxford's population, 22% has no or low qualifications. With evidence indicating that a good education plays a fundamental role in young person's development and a direct impact in terms both future economic and social outcomes, that is a significant proportion of people who may not be able to fully share in the economic prosperity particularly with the changing structure of the economy.
- **Health outcomes:** Inequality in life expectancy at birth has widened from 8.5 years in 2010/12 to 9.5 years in 2017/18.
- **Food poverty:** Good Food Oxford has estimated that a typical family in Oxford needs to spend 42 % of their after housing budget on food and would need to be earning approximately £16,000 (gross yearly @35 hrs a week) to be described as not being in food poverty. An individual earning at the national living wage (minimum wage) would only earn £14,250 (gross yearly @35 hrs a week).

We may therefore draw the conclusion that, currently the economic growth that we are experiencing in Oxford and Oxfordshire is not creating opportunity for all sections

⁵ The 2016 UN Habitat report notes the spatial concentration of poverty creates a trap for low-income and low-skilled individuals. Additionally, it describes urban centres as increasingly excluding substantial sections of their communities from benefiting from the social, cultural, and economic benefits of city prosperity. <http://wcr.unhabitat.org/wp-content/uploads/2017/03/Chapter4-WCR-2016.pdf>

of the population and not distributing the dividends of that growth (increased prosperity), both in monetary and non-monetary terms, fairly across the local community. A continuation of this trend of inequality could lead to deteriorating social cohesion, increased crime and a loss of lower to medium skilled workers from an increasingly expensive city.

3. What are the key actions that we need to undertake if we are to achieve more inclusive growth?

If Oxford and Oxfordshire are to achieve a more inclusive economy, then there needs to be an agreed definition of what an inclusive economy looks like as there are a number of possible definitions (Table 1).

Table 1

Organization	Definition
World Economic Forum (WEF) (World Economic Forum (WEF). (2015). <i>The inclusive growth and development report 2015</i> .	Output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country's working age population, and reduces poverty.
European Commission (European Commission. (2010). <i>Europe 2020: A European strategy for smart, sustainable and inclusive growth</i> . Brussels: European Commission.	Empowering people through high levels of employment, investing in skills, fighting poverty and modernizing labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society.
Scottish Government (Scottish Government. (2015). <i>Scotland's economic strategy</i> . Edinburgh: Scottish Government.	Growth that combines increases in prosperity with greater equity creates opportunities for all and distributes the dividends of increased prosperity fairly.
Royal Society of Arts (RSA) (Royal Society of Arts (RSA). (2017). <i>Inclusive Growth Commission: Making our economy work for everyone</i> . London: RSA.	Enabling as many people as possible to contribute to and benefit from growth.

We may use one of the definitions set out above or make one up or adapt one of them to meet our particular needs. In addition we would need to articulate very clear objectives within the city's economic strategy and the Local Industrial Strategy (LIS) as well as an action plan to achieving this aim. We however need to ensure the scope of any definition is targeted to the issues we need to address and that it will make a real difference to people and businesses. We also need to avoid corraling too many issues under the inclusive growth banner.

Inclusive growth is not just about "doing the right thing" — it's about social policies aligning with economics, and making sure our communities are set up to fully exploit the success of the city and region. Responsibilities for inclusive growth must be shared between individuals, employers, local authorities and central government. To this effect potential actions could include:

- develop employer-focused actions and recommendations around a number of inclusive growth goals;
- deliver programmes designed to equip people with the skills to acquire better paid jobs and also progress within employment;
- support small businesses acquire the tools to compete;
- deliver programmes and measures addressing the housing affordability crisis;
- consider innovative models of social investment (social enterprises);
- lobby central government policy and decision makers to consider implementing income and wealth redistribution measures which address the current imbalance between the returns to capital and labour.

At the local supply side level we need interventions designed to connect people to the opportunities that exist in the labour market through better education and skills career advice and training provision, transport and labour mobility as well as employment support.

And on the demand side of the equation, the Oxfordshire Local Industrial Strategy and the city of Oxford's own growth strategy must be inclusive. Both strategies must seek to proactively influence and shape the nature of employment opportunities in the region by boosting employers' demand for skills, shaping the occupational and sectoral make-up of the economy, widening and improving the health of the local business base; and ultimately pushing up levels of pay and improving terms and conditions of employment contracts.

On a macro level we need to come together as a local economic system - and a wide range of stakeholders spanning the local civic and social infrastructure - and lobby central government for more fiscal freedoms and flexibilities through for example forming an inclusive growth commission. This may bring together a number of prominent people from the city to examine the issue and make recommendations to central government as well as those for local adoption.

4. Progress to date

Oxford City Council

The city council recognises the importance of having a local economy which serves all sections of the community and is fully committed to the inclusive growth agenda and has undertaken a number of actions to promote and drive this agenda.

Oxford Strategic Partnership's Economic Growth & Regeneration Subgroup has set up a task and finish group consisting of a small number of public and private employers whose aim is to devise and pilot a limited number of practical, innovative actions with the long-term aim of supporting a fairer local economy. The primary areas of focus will include widening access to employment, boosting diversity, creating new progression opportunities, and removing blockages to implementing the living wage. Key areas of action the task and finish group may look at include;

- Positively encouraging wider adoption of the real living wage. The city council is already a living wage payer and we are working with a number other public and employers take up. Once this reaches a critical mass the city will seek accreditation as a real wage living city.

- Piloting of new recruitment practices (proposed by employers) to widen participation – an inclusive employment charter. Work is progressing on developing an inclusive employment charter. A small working group led by Aspire has developed a draft charter identifying a range of good practice already taking place. The group is now testing the self-assessment tool and seeking organisations willing to pilot the process. The aim is to launch the charter and recognise its founder members at the Inclusive Recruitment Conference to be held at Unipart on 23rd May 9am.
- A knowledge creation research project on practical actions to encourage wider adoption of the Real and Oxford Living Wage
- Development of a series of bespoke sector based work academies in new business sectors. They have been used in construction and retail to date to bring disadvantaged individuals closer to the labour market through a combination of work experience, and job readiness training.
- Prioritising sectors we should be focussing on, where job growth is greatest, pay the greatest issue, diversity and inclusion are issues.

Following the ascension of the Social value Act 2012, the council has incorporated additional requirements for social value within its procurement framework which seeks to promote some of the actions designed to ensure our spend has a positive local impact (**annex 2**).

Oxford University

The University of Oxford runs a broad range of apprenticeships including lab technicians, horticulturalists, finance assistants and engineers, with over 100 apprentices currently employed. As an Accredited Living Wage Employer, all apprenticeships at Oxford are paid the real living wage, which is a key benefit of the scheme. It ensures all apprentices are paid fairly whilst developing the skills and experience required to succeed in their chosen profession. The University is now actively seeking opportunities to partner with local community groups and ensure their apprenticeship scheme is accessible to local communities.

Other stakeholders

A number of private and public sector organisations are implementing various initiatives to support their workforce. This ranges from for example paying the real living Wage by The Westgate Centre, Oxford Bus Company, and a number of Colleges to other measures like provision of key worker housing. At the last count more than 70 employers were paying the real living wage in Oxford. We are currently undertaking a stock take of what other initiatives partners are implementing under this agenda.

5. Challenges

Delivering on the inclusive agenda/concept poses significant challenges. There is a risk that the concept overstates the extent to which the local authorities can drive growth and shape its distribution. Additionally the policy frameworks themselves are significantly under developed and untested with relatively weak evidence base on 'what works'. Local government is experiencing long-term cuts in its budgets, with the austerity policies of central government having a disproportionate impact on local government and its services.

Given the political challenges faced by any form of redistribution, the continued desire for growth and the public perception that reducing the national debt should be a policy priority, it is hard to see what the alternatives are for urban policy-makers who lack the finance or fiscal powers to redistribute. In the end, success for Inclusive Growth as a policy agenda may not be in the new policies and frameworks, but in the way existing programmes and policies are reconfigured to consider distributional considerations.

6. Next steps

It is clear that traditional measures of growth - GDP/GVA, number of jobs, number of start-ups/company formation though useful do not tell the full picture. They are very one dimensional. We need to collectively undertake more work to understand how the benefits of growth are shared out (or not) between different areas and communities. Key to addressing this is defining what it means to have “inclusive economic growth” in Oxford and Oxfordshire. There are a number of key questions we need to address;

- Is the traditional “trickle down” theory of economic development working effective in addressing the structural issues which drive inequality?
- What is the relationship between the traditional measure of GVA, and whether that might benefit local communities?
- How do we ensure that growth in GVA translates into jobs and good wages for local communities?
- How do we ensure growth translates into improved quality of life, life opportunities, stable and satisfied communities?
- How do we capture social capital and activities which add value but are not measured as part of the GDP?
- What would an inclusive economy in Oxford and Oxfordshire look like? What should the key measures and indicators of such an economy be?

To address these issues we are suggesting creating a technical working group from a number of stakeholders to explore and pull some evidence together. This evidence may then form part of wider discussion and engagement on how we can deliver a more inclusive economy in Oxfordshire.

Annex 3 sets out some of the potential measures and outcomes we could consider utilising. These are drawn from the Social value Portal.

Proportion of people earning below national real living wage in Oxfordshire

Area	Jobs (1000)	%
Oxfordshire	49	14.6
Cherwell	14	19.2
Oxford	11	10.3
South Oxfordshire	8	15.5
Vale of White Horse	9	13.5
West Oxfordshire	8	18.3

Note: The estimates in this analysis have been defined as the Living Wage Foundation's living wage.

Rate of the living wage as defined by Living Wage Foundation

Year	Working within London	Working in the UK, outside London
2018	£10.20	£8.75
2017	£9.75	£8.45
2016	£9.40	£8.25
2015	£9.15	£7.85
2014	£8.80	£7.65
2013	£8.55	£7.45
2012	£8.30	£7.20

Source: Real Wage Foundation

The Council's current approach to implementing of the Social Value Act

Following the above Act's the Council incorporated additional requirements for social value within Procurement and has reported on the following areas for a number of years:

a. Use of local suppliers

Using local suppliers clearly will help the local area in terms of employment and wellbeing of residents in the locality. The Council has set a target of local supplier spend compared to total spend. The current target has increased this year to 54% spend with local suppliers. In July we achieved a record of 74.95%

b. Use of SME's

The use of Small to Medium size Enterprises (SME's) is another widely acknowledged measurement of social value. Often the financial standing or lack of it is a first measure of the economic value of a locality. The Council reports on the number SME's used per month, as per the following.

Although no specific target is in place we do report on SME's used per month, as per the following and this normally remains round the 50% mark, but June we achieved 66.45%. Consideration should also be made of the amount of spend which is via another larger contractor who then purchases through to a SME – so indirect spend with SME's is likely to apply for an additional 20/30% of spend.

c. Oxford and National Living Wage

OCC requests, within our standard contract, that suppliers commit to paying the living wage to all their qualifying employees and those of their suppliers. This is also reflected in the RFQ documentation. This ensures all Suppliers under contract and through the OJEU process abide by the legal requirement to pay the Living Wage, and within all Request for Quotations we require the Supplier to tick to state whether or not they pay in excess of the Oxford Living Wage. Although we are unable to clarify or check that the tenderers do in fact pay the living wage it is only in very rare cases that all tenderers do not automatically tick this requirement.

d. Modern Slavery

Within the OJEU Tender documentation OCC requests that suppliers who operate at all within the UK with a turnover in excess of 36M complete the following – this is a legal requirement

Are you a relevant commercial organisation as defined by section 54 ("Transparency in supply chains etc.") of the Modern Slavery Act 2015 ("the Act")?

The city welfare reform team has been undertaking initiatives to improve the skills of clients with the aim improving their job prospects around skills with a view of reducing the need for housing benefit.

Potential measures of inclusive growth

Themes	Outcomes
Jobs: Promote Local Skills and Employment	More local people in employment
	More opportunities for disadvantaged people
	Improved skills for local people
	Improved employability of young people
Growth: Supporting Growth of Responsible Regional Business	More opportunities for local SMEs and VCSEs
	Improving staff wellbeing
	Ethical Procurement is promoted
	A workforce and culture that reflect the diversity of the local community
	Social Value embedded in the supply chain
Social: Healthier, Safer and more Resilient Communities	Crime is reduced
	Creating a healthier community
	Vulnerable people are helped to live independently
	More working with the Community
Environment: Protecting and Improving Our Environment	Climate Impacts are reduced
	Air pollution is reduced
	Better places to live
	Sustainable Procurement is promoted
Innovation: Promoting Social Innovation	Other measures (TBD)