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# Beyond Brexit: Strategies for Inclusive Growth?

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CRED Seminar, Brampton Road Campus, 7<sup>th</sup> November 2018

# Inclusive Growth – some definitions

- “Enabling as many people as possible to contribute and benefit from growth” (Inclusive Growth Commission 2017)
- “...all people and places contribute to and benefit from” economic growth (Leeds Inclusive Growth Strategy 2018-23)
- “Economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society” (OECD , Cited in Green *et al* (2017), *How International Cities lead inclusive growth agendas*, JRF Research Report series on “Inspiring Social Change”)

# Inclusive Growth – origins of the concept

- 1990s/2000s growing concern expressed by some about persistence (or even increase) in inequality within developed economies (Wilkinson and Pickett (2009) *The Spirit Level: Why more equal societies almost always do better.* Penguin: London.)
- In the UK, research appears to show that the period of growth (2000-2007) was associated with widening social and spatial gaps
- Inclusive Growth Commission set up in the UK April 2016 under the Royal Society for the encouragement of the Arts, Manufactures and Commerce (RSA) – two months prior to the EU Referendum. Sponsors – Core Cities, Local Government Association, London Councils, Key Cities Unlocking Potential, Joseph Rowntree Foundation (JRF), PwC.
- Concept highly influential in debates surrounding economic growth in the devolved administrations across the UK
  - Scotland's Economic Strategy March 2015
  - Scottish Government (2018) *Poverty and Inequality Commission: Delivering Inclusive Growth in Scotland* Social Research, August
  - Leeds Inclusive Growth Strategy 2018-2023

# Inclusive Growth in Europe

- Economic crisis 2007-2008 drew attention to inequalities at a variety of scales - north v south Europe, developed versus developing countries, regional differences in pace of recovery within nations, including UK
- European 2020: A Strategy for Smart, Sustainable and Inclusive Growth – The EU’s Economic Strategy published in 2010....
- “Recovery from the crisis [across the EU] has been slow and patchy, and policymakers across Europe have become increasingly concerned about increased social and territorial inequality (Bachtler J and Begg I (2018) Beyond Brexit: Reshaping policies for regional development in Europe. Papers in Regional Science, 97, 151-170)
- Targets set aimed at people - jobs, education, innovation, poverty – 75% employment rate; 3% GDP in R&D; 40% young people with tertiary education; 20m less people at risk of poverty.....

# Inclusive growth in international development

- India - “Inclusive growth is a major priority for the GoI, in particular improving the condition of the rural poor, and providing them access to basic infrastructure and employment..... “ India Growth Strategy 2017
- “The central vision of the Eleventh Plan is to build on our strengths to trigger a development process which ensures broad-based improvement in the quality of life of the people, especially the poor, SCs/STs, other backward castes (OBCs), minorities and women”.
- Asian Development Bank (2011) Framework for inclusive growth indicators. “Inclusive growth in ADB’s Strategy 2020 is about economic growth with equality of opportunity – sustained growth.....social inclusion .....social safety nets..... good governance .... To ensure that all members of the society benefit from growth” (Foreword p. iii)

# Inclusive Growth – a slippery concept?

- No single agreed definition
- What do we mean by growth – what are we trying to grow?
  - Increase overall size of the economy
  - Increase prosperity of residents
  - Increase productivity, average wages
- And what does it mean to say a strategy is “inclusive”?
  - Narrowing economic disparities
  - Reducing poverty.....
  - Reducing inequality....
  - Enabling ability to contribute.... - about opportunity to be involved
  - Fair distribution of the benefits
  - About governance and local decision-making

# Growth and equality

- Concept of inclusive growth raises questions not only about “growth” and “equality” but also about the relationship between them
- How does growth relate to equality?
  - Growth inevitable creates inequality
  - Inequality is a necessary condition for growth
  - Inequality limits growth
- The inclusive growth agenda is challenging the conventional idea of a trade-off between efficiency (growth) and equity (fairness)..... instead one should see efficiency and equity as complements rather than substitutes” Pike et al (2017) Job Creation for Inclusive Growth in Cities JRF Report, Inspiring Social Change Series

# Growth and Inequality – Hirschmann, Rostow, Kaldor, Kuznets (1950s-60s)

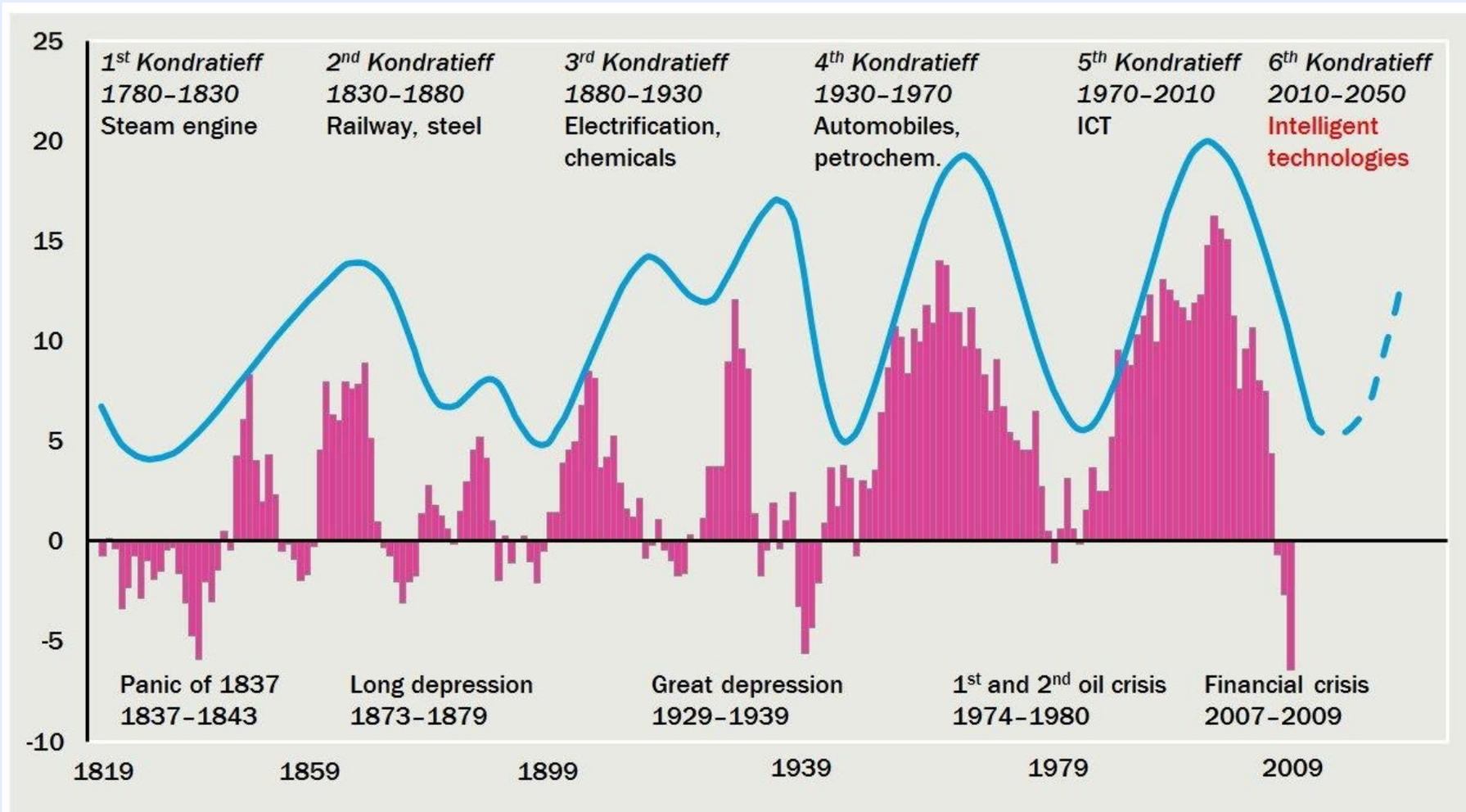
- Inequality is an essential outcome of the growth process – theory of unbalanced growth
- Early stage industrialisation in particular - historic records show unbalanced growth – inequality between sectors, locations, labour market segments over time and space
  - Growth in one sector or firm creates competition, imbalance and tensions in the system that induces growth in others
  - Growth in one industry creates externalities that impact on others – via direct and indirect linkages
  - Some sectors are “propulsive” (complex linkages across sectors such as in vehicles, capital goods) and can be used to stimulate externalities
  - Cumulative causation processes set in motion – as imbalances (disequilibria) between investment in social overhead capital and direct productive activities are addressed
  - Unbalanced growth generates “pulls” and “pressures” in production systems that call for new inventions and innovations to solve bottlenecks
- Logical conclusion – allowing (or even creating) imbalanced can stimulate growth
- Theories discredited to some degree in 1970s experience of regional policy in Europe – e.g. “Cathedrals in the desert” in the Mezzogiorno – Bari, Brindisi, Taranto.

# Theories of uneven development 1970s-80s

- Capitalist development since Industrial revolution essentially a highly uneven process through time and space (Michael Storper, Doreen Massey, David Harvey, Neil Smith)
- Key concept – the spatial division of labour – not just a fact but a process whereby the characteristics of divisions drive industrialisation
- Hypermobility of capital contrasted with relative immobility of labour – ability of large business to seek out low cost labour on a global scale
- Example, New International Division of Labour – driven by the need for large firms to compete to survive by developing technologies that enable them to exploit low-cost, low skills labour in NICs
- Eventual consequence – deindustrialisation in core industrial regions and growth of “tiger” economies
- Crisis of Fordism in 1970s 80s – growth of mass markets fails to grow fast enough in relation to capacity to produce (over-production)
- Mass markets fragment, mass closures with devastating effects on UK peripheral regions, state in fiscal crises resolved by “hollowing out”, privatisation and marketisation
- New social and “industrial spaces” emerge in core economies – new industrial spaces outside highly unionised core regions
- Space and society being reworked by capitalism in a process that is highly uneven through time and across regions

# Uneven patterns of technological change

(Source: Wilenius and Kurki (2012) . p.9)

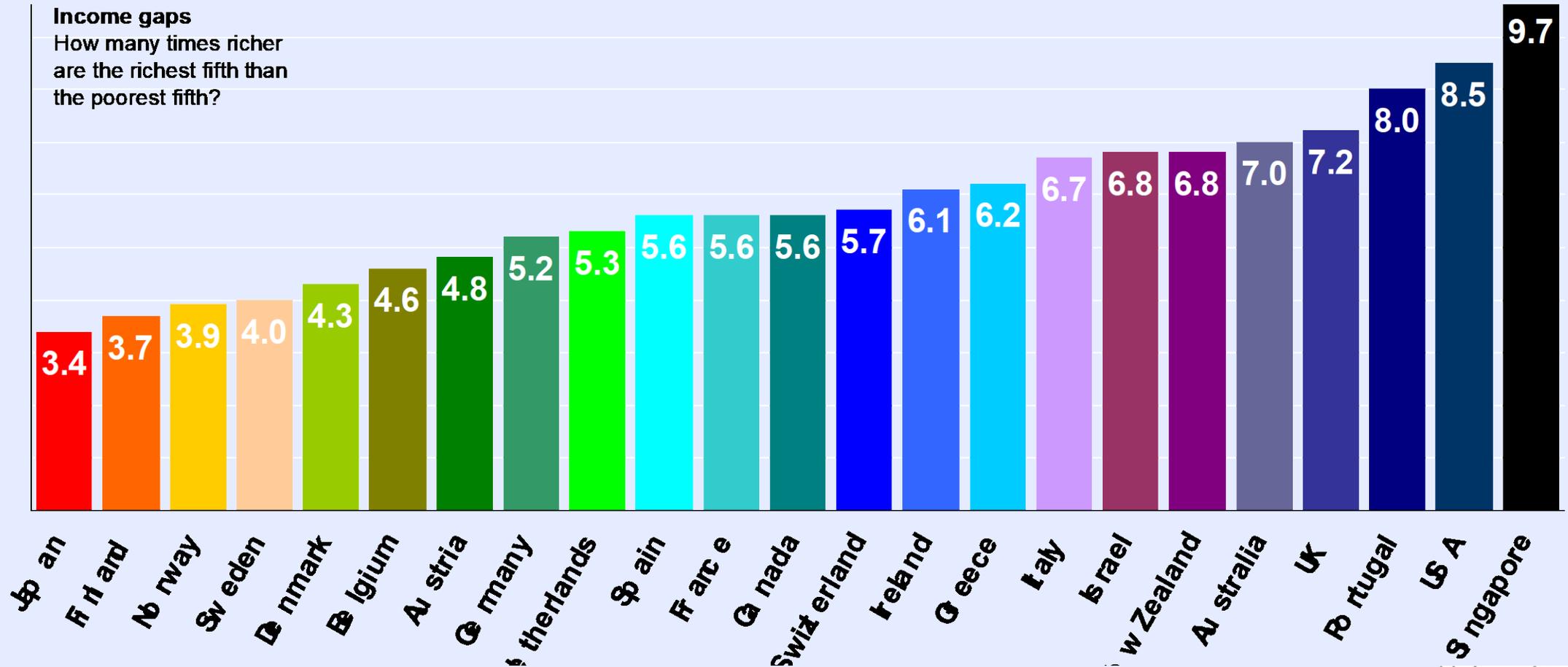


# Spirit Level – more equal societies do better?

- Trickle down theory does not work
- So need safety nets and redistribution measures to remedy this
- But perhaps inequality is not just a consequence of unfettered growth – but can also be a cause of faltering growth....
- Intriguing empirical observation – more equal developed economies do better....

# Inequality within developed economies:

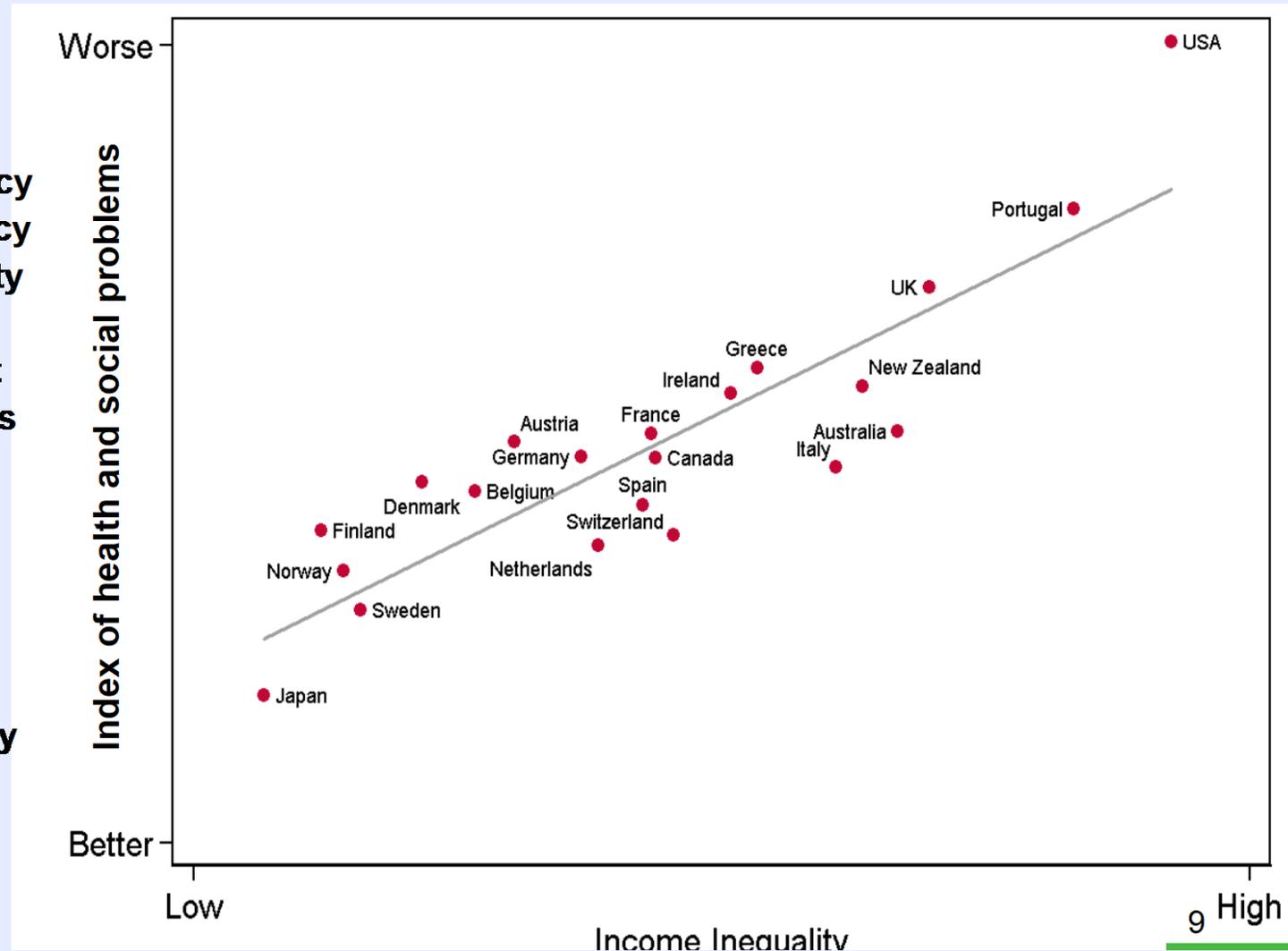
Wealth gap between the top 20% compared to the poorest 20%



# Health & social problems appear worse in less equal countries

## Index of:

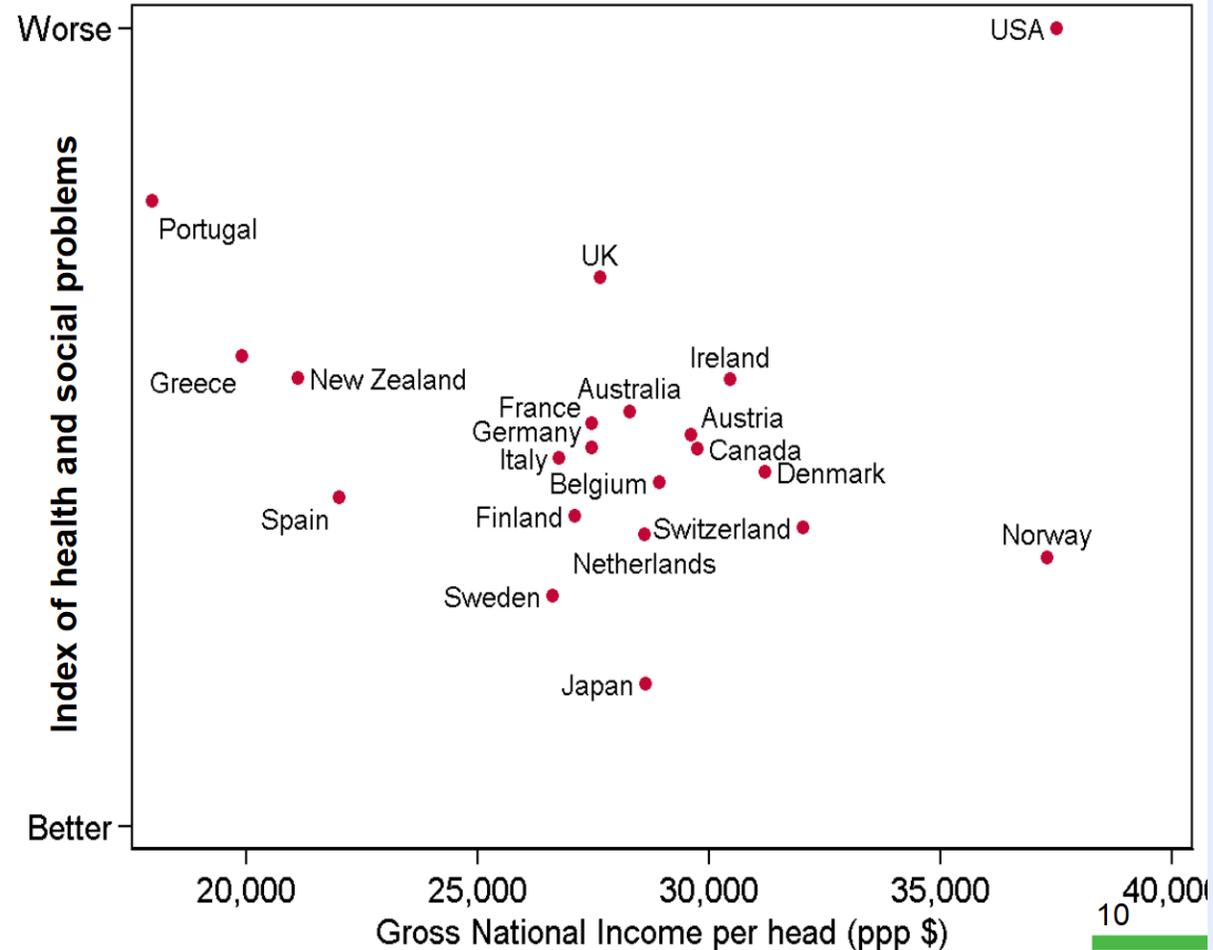
- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility



# Health and social problems seem unrelated to the level of average income per head

## Index of:

- Life expectancy
- Math & Literacy
- Infant mortality
- Homicides
- Imprisonment
- Teenage births
- Trust
- Obesity
- Mental illness – incl. drug & alcohol addiction
- Social mobility



# Recent work on inclusive growth

- Green A, Kispeter, E, Sissons P and Froy F (2017) How international cities lead inclusive growth agenda JRF Research Report Inspiring Social Change, January
- Pike, A, Lee N, MacKinnon D, Kempton L and Iddawela Y (2017) JRF Research Report Inspiring Social Change, August
- Inclusive Growth Commission (2017) Making our Economy Work for Everyone RSA
- Lee N (2018) Inclusive growth in Cities: a sympathetic critique Regional Studies, 1360-561

# The rationale for inclusive growth strategies

- Now widespread acceptance that the following statements should be considered in any economic strategy:
  - That some growth strategies may intensify inequality and social disadvantage
  - That inequality and social disadvantage may actually hinder growth by under-utilising people and skills and/or creating social cost
  - That the way in which economic growth and productivity is measured is partial as it ignores social investment and social capital in communities
  - That productive tasks carried out in the domestic, voluntary or community sphere (unpaid and therefore un-recognised) are not independent of the outcomes that are derived from paid employment (GVA per head or per hr)

# Five principles of inclusive growth

(according to Inclusive Growth Commission 2017)

- Creating a **shared binding mission** – building local partnerships, harnessing civil society, create sense of identity and common purpose
- Measuring the **human experience of growth** not just its rate – measure what you value..... quality jobs but also accessing public services, cohesive community
- See growth as a **whole social system** not just a machine - what impact is intended, where and why? What unintended negative outcomes might there be?
- Ensure sufficient investment in **social and physical infrastructure**
- Entrepreneurial, **whole-place leadership** – clarity of vision shared by stakeholders, mobilising local and national resources. Build local legitimacy

# Whole system change for inclusive growth

- Suggests much **greater breadth** in strategic thinking – not viewing “economy” in a silo
- Strategies should **integrate** social, economic and environmental outcomes – [not a new idea perhaps...]
- Investment in **social infrastructure** has equal importance to the “economic” – education, skills, well-being, mental health, childcare
- Invest in physical infrastructure that **connects people with opportunity** (housing, transport, digital)
- Business-led productivity and **quality jobs** – fair pay, scope for career progression, family-friendly, flexible for the worker (not just the employer)
- Macro-environment – **culture of enterprise**, inclusive financial institutions

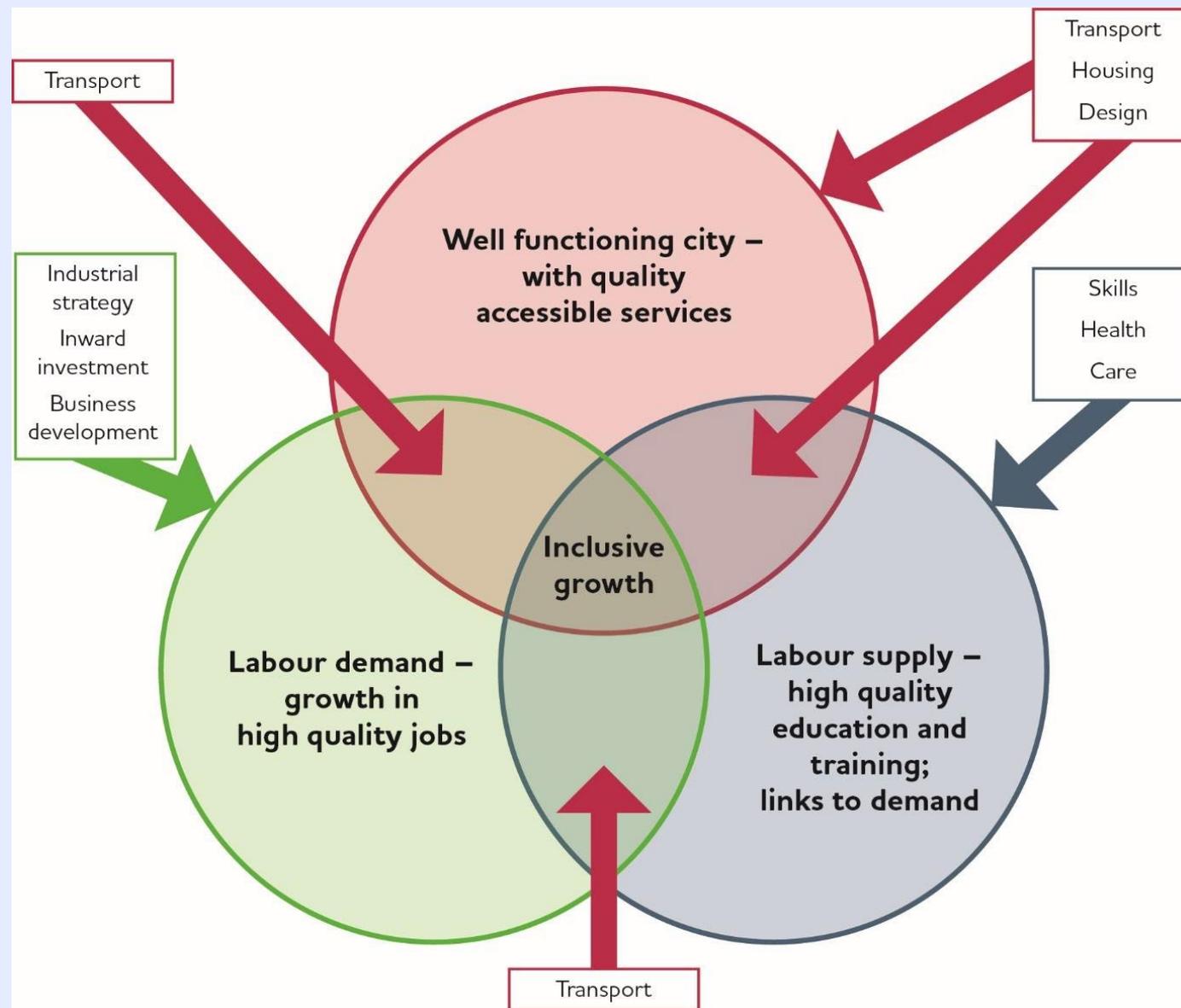
# Principles of inclusive growth

(Green et al 2017; Pike et al 2017)

- Economic growth is **not an end in itself** but a means to achieve inclusion and prosperity
- Achieving inclusive growth is **unlikely to be possible using supply-side factors** alone (it will also require intervention to shape the labour market and build quality jobs)
- Supply and demand for labour needs to be **better linked** – improve connectivity and expand social networks to make them less exclusive
- **Invest in quality services** – make these services more accessible to those experiencing poverty and social disadvantage
- View **people as assets** and actively facilitate transitions
- Create **opportunities for shared leadership** and harness knowledge by citizen engagement
- Get the overall strategy in place, then focus on **small incremental changes** alongside **flagship schemes**

# Inclusive Growth Policies: Key Elements

Source: Green A (2017) p. 25



Three broad subject areas are addressed in this section (as illustrated in Figure 4.1), addressing different elements of the policy framework.

Figure 6: Key elements of inclusive growth policies

# Leeds inclusive Growth Strategy 2018-2023

- Purpose: ...how best to deliver growth that is inclusive, *draws on the talent of, and benefits all* our citizens and communities..” (p. 6)
- The strategy sets out “*how everyone can contribute*”.....(p. 6)
- 12 big ideas that will boost:
  - long term productivity
  - Competitiveness
  - social inclusion

# Inclusive growth is: (p. 12)

- All people contribute and benefit....
- Tackling inequality.... By improving skills and opportunities
- Providing better jobs
- Support people to live healthy and active lives through good housing, social values, green and transport infrastructure, regenerating neighbourhoods, low carbon initiatives and involvement in sport...
- Raising skills levels and increasing productivity
- Improving the health of the poorest the fastest

# Leeds Inclusive Growth Themes

- **Supporting people**
  - Best city for health and well-being
  - Putting children at the heart of the growth strategy
  - Employers and people at the centre of the Education and skills system
  - Working together to create better jobs, tackling low pay and boosting productivity
- **Supporting place**
  - Supporting communities to respond to economic change
  - Doubling the size of the city centre
  - Building a federal economy – jobs close to community
  - 21<sup>st</sup> Century infrastructure
- **Supporting productivity**
  - Maximising the economic benefits of culture
  - Promoting Leeds and Yorkshire
  - Backing innovators and entrepreneurs in business and social enterprise
  - Leeds as a digital city

# Leeds Inclusive Growth Sectors (p.14/15)

- Health, medical and the ageing population
- Financial and professional services
- Creative and digital
- Manufacturing
- Construction and infrastructure
- Retail and the visitor economy
- Social enterprise and the third sector

# Leeds Inclusive Growth – features of Industrial Strategy

- Strategy is **all-embracing** – wide ranging social, physical, environmental as well as economic aspiration
- Strategy seeks to **identifies demand in target sectors**..... the list is only partly conventional – third sector included..... And health sector included as an economic driver – not just a public service.....
- **Recognises strengths** - Young and getting younger..... (p. 21) WAP increasing at a fast rate.... Growing student base.....young professionals so called “flat white economy” ..... (p.28)

# Explicit challenge to traditional policies

- Inclusive growth:” ...traditional policies and actions to support economic growth and tackle poverty have taken place in different silos” p. 38
- Assumptions:
- That growth will automatically spread from one place to another (or one segment of society to another) by some process of “trickle-down” (persistence and growth of regional and social inequality has confronted this – gaps widening, not closing)
- That poverty and disadvantage can be dealt with by “grow now redistribute later” principle (austerity has confronted this – not enough public resources to address problems adequately)

# Leeds Industrial Strategy – potential to influence demand

- Transformational projects in Leeds to help deliver the National Industrial Strategy
- University of Leeds Engineering Technology Campus – anchored by the new £19m Institute for High Speed Rail and System Integration
- Hydrogen 21 Leeds – first city to convert the gas network from natural gas to 100% hydrogen
- Leeds Innovation District – 21<sup>st</sup> Century Science Park in Leeds City Centre anchored by new University of Leeds Innovation and Enterprise Centre
- Screen Hub – Creative and digital investment in form of Screen Yorkshire Content Fund, Skills initiative and provision of studio space

# Scotland Economic Strategy 2015

- Two key pillars (p. 7)
  - Increasing competitiveness
  - Tackling inequality
- Four priorities:
  - Investment – in people, infrastructure and assets
  - Internationalisation – open to trade, migration and new ideas
  - Innovation – based on change and openness to new ways of doing things
  - Inclusive growth – opportunity through fair and inclusive jobs market and regional cohesion to provide opportunities across all of Scotland”
- Presents inclusive growth as an additional priority alongside others.....
- Interprets inclusive as spatial or regional.....

# Scotland Economic Strategy

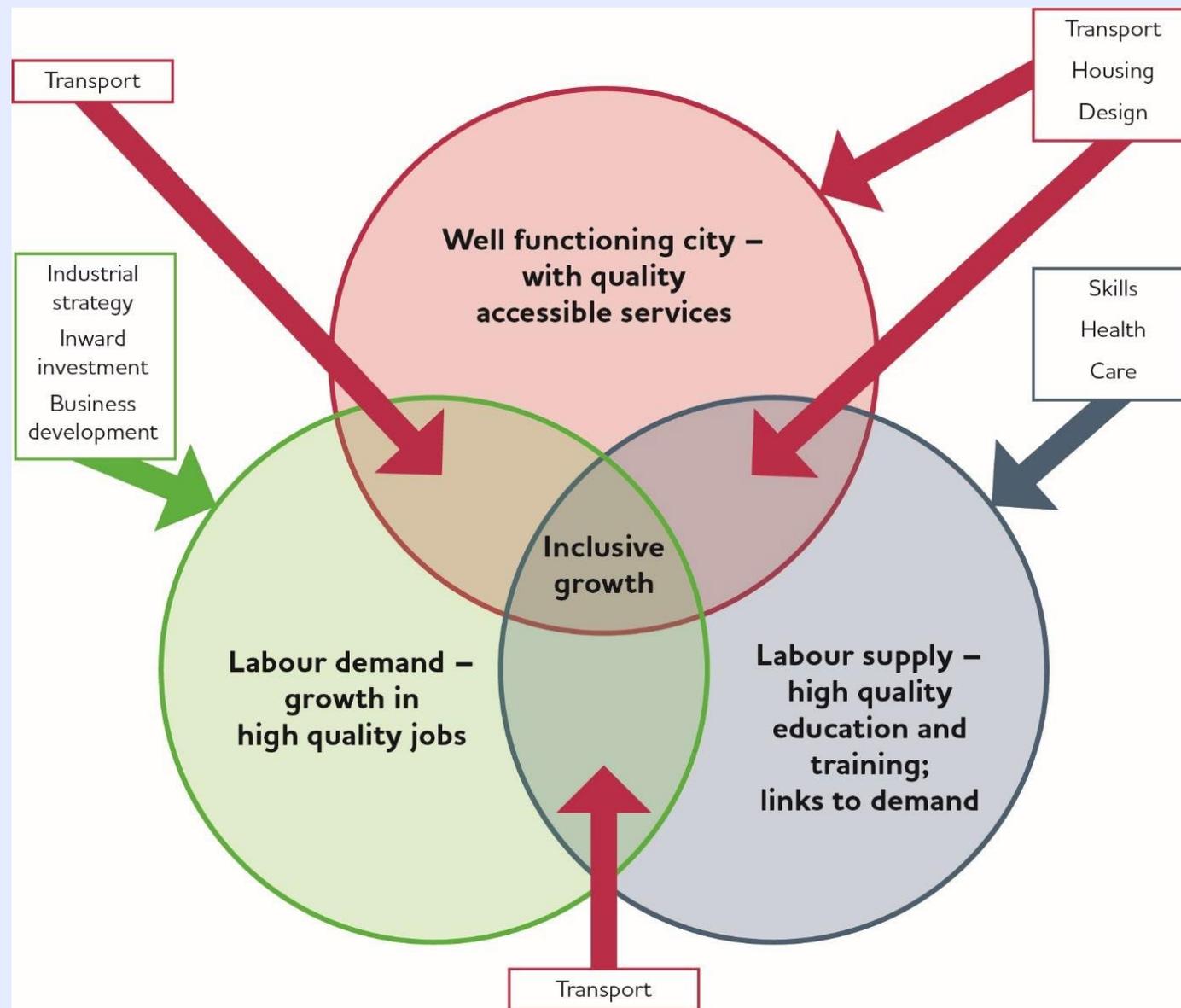
- Identifies significant regional inequalities in Scotland Edinburgh versus North Ayrshire ...(P.24) (Lowest incomes surprisingly not in the highlands and islands but in East and North Ayrshire, Dumbarton, Caithness, Ross and Cromarty, East Lothian and Midlothian, Cackmannanshire & Fife) (p.25).
- Future economic challenges itemised as follows:
  - Boosting productivity (making better use of resources, people, infrastructure and nature)
  - Rebalancing the economy – balanced growth - ensure everyone can “contribute to and benefit from” growth. (p.26)

# Scotland: Identifying priorities:

- INVESTMENT
  - Education skills and health
  - Infrastructure and digital
  - Business investment
  - Natural capital, resource efficiency, low carbon
  - Communities, local assets and housing
- FOSTERING INNOVATION
  - Business innovation and entrepreneurship
  - Commercialisation of research
  - Workplace innovation and digital
  - Public services
- INCLUSIVE GROWTH
  - Fair work (pay and conditions)
  - Promoting equality (opportunity for women; health inequality)
  - Attainment (children and education)
  - Place and regional cohesion (tackle spatial unevenness , rural disadvantage)
- INTERNATIONALISATION
  - Trade and investment
  - International connectivity
  - Global outlook and influence

# Inclusive Growth Policies: Key Elements

Source: Green A (2017) p. 25



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