RSA Inclusive Growth Commission

The final report of RSA Inclusive Growth Commission, published in March, identifies practical ways to make local economies across the UK more economically inclusive and prosperous. The Commission, chaired by former BBC economic editor Stephanie Flanders, produced its report demonstrating how an economy that benefits everyone can be created through inclusive growth. Its findings underpin the case for how devolution can be used as a tool to achieve inclusive growth across London to benefit the whole of the UK.

Background

The Commission gathered evidence for its report through hearings, written submissions, research visits, policy and citizen engagement, and private roundtable seminars including those held at the Conservative and Labour Party Conferences. The London evidence hearing was held in Barking and Dagenham during November 2016. London Councils co-funded the Commission alongside the Local Government Association, Core Cities, Key Cities, Joseph Rowntree Foundation and PWC.

The final report, published on 7 March 2017, sets out the Commission’s framework and recommendations for achieving inclusive growth. It demonstrates how an economy that works for everyone can be created when investment in social infrastructure is considered as integral to growth and where as many people as possible can contribute to, and benefit from, the growth. The report concludes that this version of inclusive growth should become the UK’s working definition of economic success and recommends that devolved authorities be given more responsibility and control over economic and public services spending in their areas.

Key messages

Enhance business-led productivity and create quality jobs by putting ‘place’ at the heart of the implementation of the industrial strategies set out in the government’s recent green paper, Building Our Industrial Strategy (January 2017).

Devolved authorities should be given more responsibility and control over economic and public services spending in their areas to achieve inclusive growth through ‘social contracts’ as part of a fundamental reset of the relationship between central and local government.

Put inclusive growth at the heart of public investment to reduce the growth gap across the country, including the formation of a new UK Inclusive Growth Investment Fund.

Make inclusive growth the working definition of economic growth via a new official indicator of ‘quality’ inclusive growth to be published quarterly alongside GDP growth.

Put social and economic infrastructure on a par in terms of investment appraisals.
The final report refers to the recent Building Our Industrial Strategy green paper as evidence that a drive in growth across the whole of the UK is required. The report welcomes the Strategy’s focus on rebalancing the economy so that all parts of the UK can benefit from growth. However, the report argues that the Strategy should prioritise ‘place’ and that its focus on high-tech sectors will not address the challenges facing unskilled, low wage, high-unemployment sectors.

The results of the EU referendum and the United States Presidential election as well as the rise of left and right wing populism are referred to as reasons to ‘end business as usual’ and ‘take back control’ locally, which are presented as opportunities for social and economic change. Devolution will be a tool to drive this change but the report argues that devolution alone is not enough. A shift in the culture and remit of national governance and how public policy is delivered at national and local level is also needed, including the need to ‘reimagine local leadership’ and a shift from the focus on the ‘quantity’ of growth towards emphasising the ‘quality’ of that growth.

Work to achieve inclusive growth should be led by ‘places’, through businesses and civic organisations working together to create stronger institutional foundations in towns and cities alongside central government playing a permissive/enabling role by devolving powers and responsibilities to local authorities. To allow the next phase of devolution deals to encourage places to integrate economic and social policy, the report proposes new social contracts between city regions and central government that commit to specific social and economic outcomes in return for control over local resources – similar to fiscal devolution. The report argues that the fiscal and economic case for focusing on inclusive growth is ‘overwhelming’, as demand for public services and welfare will increase without it.

The new model for inclusive growth must recognise the importance of reducing inequality/deprivation and of the investment in social infrastructure - public health, education, skills and employment services - as a driver of productivity and economic growth. Particular focus is placed upon fragmented public services such as social care, education and skills provision and acknowledgement is given that devolution offers a means to address these issues and achieve outcomes-based, prevention-focused integration. The report also notes that the national Work Programme’s ‘narrow’ focus of moving people into any sort of low paying, low quality employment needs to be reconfigured in order to support high quality jobs and progression for social, economic and fiscal value – devolution of the Work and Health Programme to London is now a step towards achieving this.

The final report surmises that a new whole-system approach to inclusive growth is needed bringing together business, government and civil society, and that local leaders need to understand how the national agenda for inclusive growth might be achieved in their area. The conclusions and recommendations fall into four main public policy and finance themes:

**Enhance business-led productivity and quality jobs through placed-based industrial strategies**

- Importance of ‘place’, quality jobs and inclusive productivity needs to be central to the implementation of the local industrial strategies arising from the government’s recent green paper.
- Focus on understanding local assets, connecting people to quality jobs, resourcing whole-system change, and keeping an eye on the future.
- City regions should form collaborative coalitions to forge the link between sectors and places, for instance by creating new institutions to connect business and industry, schools, training providers and universities.
- Proactive engagement in local skills, lifelong learning provision and career entry support for young people is required, with a focus on groups most at risk of becoming trapped in low wage sectors and/or labour market exclusion.
**Fundamental reset of the relationship between Whitehall and the Town Hall**

- Introduce new social contracts between national and local government that enables local authorities freedom to pool budgets and investment opportunities, share accountability, and co-commission across public services in order to achieve more place-based spending decision-making in pursuit of inclusive growth, with appropriate evaluation timeframes to be developed as part of each social contract.
- Place-based commissioning of particularly fragmented public services, such as education and skills, and places that have demonstrated effective sub-regional governance structures should take on full responsibility for economic and social outcomes within their place.
- A balanced system where the onus will be on places to drive more inclusive growth within their sub-regions should be developed.
- A new national place-based spending review attributing the total amount of public sector spending and investment on economic and social outcomes in places.
- A new legislative framework to prioritise form over function in the short term (new agreements based on existing legislation) followed by codification of social contracts into Acts to eventually give scope to more ambitious fiscal devolution.
- Full devolution of skills and lifelong learning provision and permissions for places to enhance curriculum flexibility in schools to match local skills needs.

**Putting inclusive growth at the heart of public investment to reduce the growth gap across the country**

- Recognition that powers and regulations should be devolved locally as the UK begins the process of leaving the European Union, so that London can flexibly respond to the impact on the capital’s economy and labour market.
- The formation of a new UK Inclusive Growth Investment Fund is recommended to create inclusive growth through £76 billion of repatriated European Structural and Investment funding (ESIF) – to be overseen by a multi-stakeholder board including city leaders, Whitehall officials, and private sector stakeholders – with applications for funding assessed on the basis of their expected impact on a new broad-based ‘quality’ GVA measure that should include refined and locally available data such as GVA per hour worked, median wage growth and total employment.
- Central government should explore and encourage the establishment of regional banks to be an important component of regional inclusive growth – this sector is comparatively small and constrained in the UK compared with the USA, Canada, and many European and Asian countries.

**Making inclusive growth our working definition of economic growth**

- Equal attention should be paid to social and economic infrastructure when it comes to investment appraisal.
- Central government should commission: work to collate and enhance our understanding of the effects of investment on people and neighbourhoods at a local level; a place and system-oriented assessment of the social infrastructure gap; analysis into how current national and place-level spending patterns might be having a negative impact on inclusive growth.
- Mainstream inclusive growth in all public investment decisions by introducing requirements to maximise social inclusive growth from physical infrastructure projects.
- Local leaders from devolved authorities, such as the Mayor of London and borough leaders, should be formally involved in national policy decision making.
- A quarterly national measure of inclusive growth should be published alongside quarterly GDP figures as well as an annual assessment of the UK’s progress towards an inclusive economy.
- Places should track the quality of their GVA by monitoring social outcomes such as health inequalities, school readiness of 5 year olds, quality of private rented housing,
labour market participation of certain groups, and in-work progression.

- The specific means to achieve inclusive growth will vary from place to place so appropriate and relevant objectives and indicators should be reflected in agreed place-based inclusive growth metrics.

**Commentary**

Much like the government’s green paper, the RSA Inclusive Growth Commission’s final report refers to rebalancing growth across the whole country, so it will be important for London’s case to be strengthened by emphasising how the capital’s continued economic growth will benefit the rest of the UK.

The findings and recommendations from the Commission’s report make it clear that devolution is critical to delivering inclusive growth that everyone can benefit from. Recognising the importance of councils’ leadership in encouraging growth is a welcome endorsement of what is already happening in many parts of the country. The greater financial flexibilities would enable London government – the Mayor and the boroughs – to drive inclusive growth by targeting resources more effectively and address the whole city’s physical and social infrastructure needs.

London’s ambitions for further devolution of powers and financial flexibilities extend beyond those proposed in the final report of the Commission but its recommendations are a positive step towards the necessary autonomy for London government to drive inclusive growth in the capital, which will benefit the rest of the UK. London Councils will continue to work with relevant partners to ensure that the Commission’s findings go towards securing devolution to London in order to continue to achieve social and economic growth.

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**Links:**

- Download the final report from the Inclusive Growth Commission
- Download the Building our Industrial Strategy: Green Paper

**This member briefing has been circulated to:**

Portfolio holders and those members who requested policy briefings in the following categories: Leadership, devolution & democracy