

Manchester City Council Report for Resolution

Report to: Economy Scrutiny Committee – 19 July 2017

Subject: Working to Deliver Inclusive Growth in Manchester

Report of: Eddie Smith, Strategic Director of Development

Summary

The Royal Society for Art's (RSA) Inclusive Growth Commission published its final report in March 2017, detailing the challenges involved in delivering inclusive growth, and seeking to define what a new model of inclusive growth could look like. The Commission made four sets of recommendations. The Commission's report defines inclusive growth as "enabling as many people as possible to contribute to and benefit from growth".

This report details the findings of the Commission's final report, its implications for Manchester, and how the Council can further the objective of delivering more inclusive growth within the city. Professor Ruth Lupton, Head of the Inclusive Growth Analysis Unit (IGAU) - a joint unit set up by the University of Manchester and Joseph Rowntree Foundation - will provide an update to the Committee on the IGAU's work.

This report also discusses the concept of inclusive growth more generally and identifies a number of initiatives that are currently being taken that are designed to move the city towards a more inclusive model of growth. The need to define appropriate measures for tracking progress is discussed as are relevant initiatives being taken at Greater Manchester level and through the Core Cities UK network. However, the report also identifies a number of challenges facing the city and the nation as a whole in delivering inclusive growth in an era of constrained public resources. This is compounded in the city by the number of residents with low skills, structural issues associated with the local economy including the low wages paid in many parts of it and the large percentage of residents in part-time employment.

Recommendations

The Committee is invited to consider and comment on the findings of the Commission's final report and the implications and challenges for Manchester in working to implement inclusive growth. It is intended to report back to the Committee at regular intervals on progress.

Wards Affected: All

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Inclusive Growth Commission: Making our Economy Work for Everyone, Inclusive Growth Commission, RSA (March 2017)

Patterns of Poverty in Greater Manchester's Neighbourhoods, Inclusive Growth Analysis Unit (May 2017)

The Nature and Scale of Employment Agencies in Manchester, CLES (2016)

Our Manchester Strategy, Manchester City Council, (2016)

Draft Family Poverty Strategy, Manchester City Council (2017)

Manchester Work and Skills Strategy 2016-21, Manchester City Council (2016)

Housing Affordability Framework Policy, Manchester City Council (2016)

Indices of Deprivation 2015, Manchester City Council (2015)

1.0 Introduction

- 1.1 Manchester's economy has continued to thrive in recent years. The city's gross value added (GVA) grew by 5.4% between 2014 and 2015, compared to 2.6% for the UK. Manchester's GVA income per head for people working in the city in 2015 was £32,114, whereas Greater Manchester's was £21,626 and the UK's £25,601. Total employment in the city continued to rise last year, as did the number of active enterprises. Manchester's economic growth has been driven by key growth sectors – business, financial, and professional; cultural creative and digital; and science, research and development – with most employment growth focused in the city centre and Corridor area. Major regeneration schemes, such as Spinningfields, NOMA and Airport City, have helped to facilitate this growth.
- 1.2 However, the positive effects of Manchester's economic growth have not been felt by all residents. There is a large wage gap between the wages earned by people working in the city and the wages earned by Manchester's residents. Manchester's wage gap in these terms is the largest in Greater Manchester (GM) and out of Core Cities. The RSA Inclusive Growth Commission was launched in April 2016 to lead a 12 month independent inquiry into models of place-based growth that address the need for greater social and economic inclusion. The Commission defines inclusive growth as *“enabling as many people as possible to contribute to and benefit from growth”*.
- 1.3 Although it doesn't mention inclusive growth by name, the recently adopted Our Manchester Strategy embodies the concept of it. Whilst it celebrates the progress the city has made since 2005, it aims to address some of the challenges that still remain through collective action, including poor health, deprivation, poverty and homelessness. The Council's commitment to addressing these social inequalities over the next ten years aims to make Manchester's economic growth more sustainable and inclusive.
- 1.4 A previous report to Economy Scrutiny Committee in November 2016 summarised the RSA Inclusive Growth Commission's interim report. The meeting received a presentation on inclusive growth from Professor Ruth Lupton, Head of the Inclusive Growth Analysis Unit. This report details the findings of the Commission's final report, its implications for Manchester, and how the Council and its partners can help to further inclusive growth within the city.

2.0 Findings of RSA Inclusive Growth Commission

- 2.1 During its 12 month enquiry, the RSA Inclusive Growth Commission undertook a comprehensive programme of activity to establish the challenges involved in delivering inclusive growth and how best to respond to them. This included an open call for evidence, which Manchester responded to via evidence submitted by the Greater Manchester Combined Authority and the Core Cities Group, and collaborating and sharing information with a number of Manchester-based organisations, including New Economy and the Inclusive Growth Analysis Unit.
- 2.3 The Commission published its final report in March 2017, detailing the challenges involved in delivering inclusive growth, what a new model of inclusive growth should look like, and made four sets of recommendations. It also examined local whole-system leadership, including the use of regional banking institutions, and the need to measure inclusive growth by tracking 'quality' GVA.
- 2.4 Challenges in delivering a more inclusive pattern of growth
- 2.5 The Commission argues that the challenges facing the country in delivering a pattern of more inclusive growth have built up over years as successive governments have tried to tackle social policy issues distinctly from economic policy. This has been coupled with a systemic underinvestment in skills and employability, resulting in the country's average productivity per head being low in comparison, creating a large productivity gap.
- 2.6 38% of the productivity gap between the combined Core Cities average and the UK average is due to deprivation. Closing this gap would generate an extra £24.4bn a year to the UK economy. The north-south divide has become more entrenched with previous Industrial Policy failing to address the economic change and subsequent social impacts that former industrial areas, predominantly concentrated in the north, have seen. As well as differences between regions, the Commission highlights differences within regions, due to income pressures disproportionately affecting certain groups and increasing housing costs.
- 2.7 The increase in unemployment following the 2008 recession was not as large as expected. However, this was due to a decrease in productivity and real wages as more people were employed in low paid, low skilled, sometimes zero hour contract jobs. Nationally, the majority (55%) of households in poverty have someone in work, with pressures heightened by welfare cuts and increasing income inequality.

- 2.8 Austerity cuts have compounded the above challenges. Decreased public resources have led to a number of services suffering, with spending forced to become reactive, not preventative. Cuts to welfare spending have disproportionately affected some residents and neighbourhoods more than others. This has caused long term impacts; for example, real time cuts to adult education budgets mean the skills gap has not been addressed leading to many individuals finding it increasingly hard to compete in a competitive labour market. .
- 2.9 New model of inclusive growth
- 2.10 The Commission's findings state that, to ensure economic growth works for everyone, it is essential to view economic policy and social policy as 'two sides of the same coin'. Rather than just focussing on the rate of economic growth, a new model of inclusive growth needs to tackle inequality and deprivation (which impede long-term economic performance) via strong social investment.
- 2.11 It suggests that social infrastructure (e.g. education and skills support) should be given the same weighting as physical infrastructure (e.g. transport and digital connectivity) when undertaking an investment appraisal. The report argues strongly that it is necessary to develop people's capacity to participate in society and economic growth, as well as physically connecting them to it.
- 2.12 Work programmes have traditionally prioritised getting people into any work, which has led to many workers being forced into low paid and low quality jobs that are incompatible with their lifestyles (e.g. childcare arrangements), further damaging productivity. To address the productivity gap, it is necessary to take a more flexible approach and shift the focus towards getting people into the right type of work for them.
- 2.13 The Commission proposes 5 principles that need to be in place both locally and nationally for inclusive growth to happen:
1. **Creating a shared, binding mission** – a national common narrative with a drive for change that is then designed and delivered locally
 2. **Measuring the human experience of growth, not just its rate** – what should be achieved from inclusive growth, including social elements
 3. **Seeing growth as the whole social system, not just a machine** – this view should be central to data analysis, public engagement and democratic processes
 4. **Being an agile investor at scale** – integrating finance for social and physical infrastructure
 5. **Entrepreneurial whole-place leadership** – a broader place-based leadership is required to mobilise resources and drive system-change.

2.14 The Commission's Recommendations

2.15 The Commission made four sets of recommendations to business, central and local government and civil society to enable a whole-system approach to be taken to achieve inclusive growth:

1. **Place-based industrial strategies: delivering business-led productivity and quality jobs.** Businesses and the public sector should work together to understand local assets and connect people to jobs, thereby increasing productivity and stimulating demand. This should include a commitment to human development throughout all stages of life.
2. **A fundamental reset of the relationship between Whitehall and the town hall, underwritten in new social contracts.** Devolution should integrate economic and social policy, with city regions committed to outcomes in exchange for control over local resources. This should include actions to increase co-commissioning (as has been seen with GM's health and social care) and place-based budgeting to maximise the impact from total local resources.
3. **Inclusive growth at the heart of public investment.** Investment should be used strategically to help close the growth gap, whilst also mitigating the effects of Brexit and austerity. This should include central government establishing a new independent UK Inclusive Growth Investment Fund, which would be overseen by a multi-stakeholder board who would judge applications on their impact on 'quality GVA', alongside the establishment of regional banks.
4. **Making inclusive growth our working definition of economic success.** The right measurement tools on inclusive growth should be established to make decisions considering it. This should include an assessment of the social infrastructure gap, mainstreaming inclusive growth considerations in all public investment, and creating inclusive growth metrics and an evaluation timetable so it can become an official statistic and progress in achieving it can be effectively tracked.

3.0 **Inclusive Growth Analysis Unit**

3.1 Since their last report to the Committee in November 2016, the Inclusive Growth Analysis Unit (IGAU) has published the report "Inclusive Growth (IG) Monitor 2017: Local Enterprise Partnerships", which uses a set of measures for prosperity and inclusion to assess poverty and growth indicators in LEP areas.

- 3.2 The IGAU has also released a series of policy briefings that examine the improvements that could be made in specific policy areas, such as education, entrepreneurship, employment charters, and community banks. Other work includes a report on “Patterns of poverty in Greater Manchester’s neighbourhoods”, which highlights the variety in neighbourhood poverty levels within the region. 35% of the Greater Manchester neighbourhoods that fall into the national top 20% of neighbourhoods with the highest poverty rates are found in Manchester; the next highest is Bolton with 14% and the lowest is Trafford with 1%. There is even greater variation when housing costs are taken into account, with two of Manchester’s neighbourhoods having over 50% of households estimated to be income poor.
- 3.3 Professor Ruth Lupton, Head of the IGAU, is attending the Scrutiny Committee meeting to provide an update to the Committee on the work of the IGAU. Copies of all reports and policy briefings the IGAU have published are available on their website: <http://www.mui.manchester.ac.uk/igau/research/>

4.0 Implications for Manchester

- 4.1 The City Council has for many years been working to deliver growth which is of benefit to all the people who live in the city. Initiatives such as the New Deal for Communities programme and the previous Housing Market Renewal programme were explicitly designed in ways which sought to ensure that local people benefitted from the wider growth in the city’s economy. The RSA Commission’s findings highlight some examples of where Manchester is currently taking a lead in delivering inclusive growth, many of which are as a result of devolution. The report specifically praises GM’s model of joint place-based commissioning for health and social care and suggests it should be implemented in other combined authorities. It notes that Manchester has successfully managed to engage with its universities to create investment potential, for example with the Henry Royce Institute, and that GM’s Working Well scheme (featuring in a separate report to this Scrutiny Committee) is providing a promising alternative to the traditional work programmes that haven’t aided productivity.
- 4.2 However, there are still many challenges facing Manchester that need to be addressed. Figure 8 in the Commission’s report shows that 7% of neighbourhoods in GM are in the top 20% nationally of average household incomes, but 40% of neighbourhoods are in the bottom 20% nationally of average household incomes. The report states that, whilst Manchester has the highest levels of GVA per head in GM, it also has the lowest levels of employment and highest concentration of highly deprived neighbourhoods.

5.0 Existing Activity in Manchester

5.1 The Council's Role

5.2 The Our Manchester Strategy will provide the context for all of the Council's activity until 2025. By undertaking actions that achieve the Strategy's 'We Wills', particularly for the 'Progressive and Equitable' chapter, the Council will be working towards delivering inclusive growth and has a strong chance of achieving it by 2025. As a Strategy for the whole city, it brings together Manchester's anchor institutions, helping to join up our public, private and voluntary and community services in a holistic manner.

The consultation on the Strategy also showed how committed our residents are to creating a fair and equitable city. When asked what their Manchester of the future would look like, comments included:

- *"Becoming a real living wage city would go a long way to making life better for citizens"*
- *"To be a really successful city, Manchester must address the problems it has with poverty and homelessness – some neighbourhoods are really struggling"*
- *"A reduction in health inequality between places like Didsbury and Harpurhey, where life expectancy is different by >10 years"*
- *"That Manchester will become an understanding city that will not discriminate against the poor and left behind...where social justice and business needs are intertwined..."*

5.3 The Our Manchester Approach uses a strengths-focused, place-based approach to reframe our conversations with residents and partners. The approach supports the Commission's fifth principle of inclusive growth (entrepreneurial whole-place leadership) and will help target demand more specifically by establishing what works well within our neighbourhoods and creating links to enable new ways of providing services. Age Friendly Manchester have been working in an Our Manchester way for a number of years, and look collectively at economic and social issues (employment, income and health) facing over 50s residents.

5.4 The Family Poverty Strategy sets out priorities that will have an impact on tackling poverty in Manchester. Poverty is a huge barrier to achieving inclusive growth; the Strategy shows that most children growing up in poverty in Manchester are in households where nobody works. The Strategy has three main themes that see social and economic policy as being interdependent: sustainable work as a route out of poverty; focus on the basics – raising and protecting family incomes; and boosting resilience and building on strengths. The Strategy was presented to the Committee last month.

- 5.5 The Manchester Work and Skills Strategy 2016-2021 aims to develop a work and skills system that both meets the growth needs of business and enables residents from all backgrounds to gain the skills employers require. It addresses the Commission's first recommendation by working with businesses to connect residents to jobs, and by having a more integrated employment support and skills offer to enable residents furthest from the labour market into work. This will help address inequality, furthering inclusive growth in Manchester.
- 5.6 The Housing Affordability Policy Framework aims to create a breadth of housing provision that will ensure that people who work in Manchester and do not earn high wages can afford to live in the city. This will further the delivery of inclusive growth. The Framework sets out to deliver a significant proportion of lower cost market housing across social housing, affordable rent, shared ownership shared equity, and rent to purchase. Rather than using national metrics, it has a household affordability criteria for the city (30% of average Manchester household income) and takes neighbourhood variation into account. The Council has a target of helping to deliver between 1,000 – 2,000 affordable homes each year, split equally between homes for rent and for purchase.
- 5.7 Work is ongoing to create a Curriculum for Life, a framework to be used by schools and colleges to better equip children and young people with the skills needed for life after education. As well as practical knowledge, the framework will include softer skills, such as personal motivation, teamwork and communication, which employers have said school leavers are often lacking when they enter work. Young people, schools and employers will be involved in its development, with pilot testing aimed to take place in 2018.
- 5.8 Work is underway to embed social value in procurement and commissioning. The weighting for social value considerations in the Council's procurement process was increased up to 20% in 2015. Suppliers are now scored on their offer back to Manchester's residents, which can either be 'social value in kind' (e.g. apprenticeships and work placements) or 'social value fund' (monetary contribution in lieu). The Social Value Toolkit for Suppliers 2017 has been developed to provide guidance to suppliers when engaging in a procurement tender. This approach is currently being used on the Our Town Hall project to ensure a positive impact for our residents from the refurbishment project. CLES has undertaken analysis of where the Council's procurement spend has gone geographically for each of the last eight financial years. The proportion of total procurement spend with organisations based in, or with a branch in, Manchester has increased from 51.5% in 2008/09 to 73.6% in 2015/16; similarly for GM it increased from 86.5% to 90.7%. Spending has also increased with small and medium enterprises in the city and GM to 53.3% in 2015/16 (ahead of the government target of 33% by 2020), and generated employment opportunities for over 5,000 Manchester residents.

5.9 The Council has a role to play in furthering inclusive growth as an employer itself. It is currently doing this in a number of ways:

- The Council now pays all its employees the Manchester Living Wage and is influencing others in the city to do so, including through our own procurement.
- All services have ring-fenced entry level vacancies and apprenticeship opportunities for Manchester residents and other priority groups (NEETs, care leavers, and adults with underlying health conditions or disabilities) to support them into work.
- The Council offers work experience opportunities targeted at priority groups that are furthest away from the labour market, as well as pre-apprenticeships to give people the skills they need to access apprenticeships.
- The Council has recently signed up to become a Timewise Council – a scheme of flexible hiring and working that enables those with barriers to rigid 9-5 working access to the labour market.
- The Council has a childcare voucher scheme, provided by Edenred Services, that operates on a salary sacrifice model.
- Work is ongoing to improve the health and wellbeing of our workforce, which is important given how many employees are also Manchester residents.
- The Council is rated 'Excellent' in the Equalities Framework for Local Government.

5.10 The Council also has a role to play as an 'influencer', which can be used in certain arenas to push the inclusive growth agenda:

- The Council retains a strategic role with schools and should use this to push them to increase educational attainment levels and ensure that our young people are better prepared to enter work when they leave education.
- The Council is in a position to push for the improvement of transport infrastructure, needed to physically connect our residents to the labour market. Specific opportunities include the forthcoming bus franchising and aiming to make transport more affordable.
- As well as offering staff our own childcare voucher scheme, the Council can encourage partner organisations and providers to offer flexible provision and working around childcare, ensuring more people are supported into work.

5.11 **Wider Manchester and Greater Manchester Activity**

5.12 The Manchester Growth Company (MGC) is a group of companies whose purpose is to drive forward GM's economic development. MGC is working to transform the economy of GM and deliver growth and prosperity to the city region by providing the research and analysis to drive policy and delivery, raising Manchester's profile, attracting investment, helping businesses grow, and providing individuals with new skills and employment opportunities.

- 5.13 The newly-elected Mayor of the Greater Manchester Combined Authority has set out a number of priorities for the region that are in keeping with delivering inclusive growth. They focus on improving both social and physical infrastructure through the current devolution powers. Priorities include developing a new 14+ skills strategy for GM; lobbying for the Apprenticeship Levy to be placed under the direction of the Mayor; establishing a Curriculum for Life; closing the digital skills gap; developing a Good GM Employers' Charter to raise workplace standards; and establishing a Mayor's Business Advisory Panel, which will develop a clear plan for becoming a leading city in specific sectors.
- 5.14 The Greater Manchester Strategy is currently being refreshed to re-examine the interventions that are required to drive growth across the region. This provides an opportunity to examine the Commission's recommendations and ensure they are captured in the Strategy to help drive inclusive growth and the reforms necessary to achieve it across the conurbation.
- 5.15 Health and social care integration is a hugely ambitious programme which will help the region radically improve residents' health. As well as tackling a growing financial gap between requirement and provisions, improving the health outcomes of our residents will help allow more of them to access the labour market, helping make growth more inclusive.
- 5.16 **Core Cities UK**
- 5.17 The Core Cities UK group has a large role to play in addressing the Commission's second recommendation - the reframing of cities' relationship with Whitehall. The group has a strong history of working with government on policy solutions to ensure they are effective for UK cities. Core Cities UK part funded the Commission's work and, having been close to it, are in good position to lobby government for its implementation. Given that Core Cities UK has argued that UK cities are lagging behind their European counterparts in terms of productivity, tackling the challenges facing inclusive growth in our cities is essential for the UK's economy as a whole.
- 5.18 Core Cities UK have just submitted a comprehensive response to government's new Industrial Strategy. Their response focused on the Commission's first recommendation – the need for the Strategy to have a strong place-based focus to ensure that the individual challenges each city faces in achieving inclusive growth can be addressed in the most effective way for them, stimulating demand.

6.0 Challenges facing Manchester

Low skills - the number of our residents who don't have qualifications to Level 2 and therefore find it more difficult to enter into and sustain work

- 6.1 Manchester's biggest skills issue is the large number of residents of working age with no qualifications - 14,800 residents, which is a gap of 4% compared with the English average. Manchester has the largest number of residents without qualifications across GM, although other GM authorities (such as Oldham) have a higher percentage. Manchester also has a lower percentage of residents whose highest qualification is Level 2 than the national average. However, the gap between Level 3 skills locally and nationally is low, and Manchester has a higher number of residents qualified to Level 4+ than the national average.
- 6.2 Generally, skill and qualification levels in Manchester are better in younger age groups, with the biggest percentage of residents with low or no skills in the 50+ age group. Lack of digital skills are also an issue for this age group.
- 6.3 The Adult Education Budget has seen significant cuts in funding in recent years. While devolving it to GM Adult Education Budget (AEB) provides an opportunity to target it to deliver the outcomes needed, at c. £100m per year it will not be able to fund all priority groups in the city or region. Recent research by New Economy estimates that the cost to bridging the Manchester skills gaps at all levels totals £125,529,000, with the vast majority of this at Level 2 and below, costing £80,190,000.
- 6.4 Whilst there have been improvements in educational attainment in recent years, they need to go further. Manchester is still behind the national average for attainment at Key Stage 4 (GCSE), with many of our young people leaving school without the relevant qualifications that will support them into work. As the educational system is now largely out of the Council's control, it is important to use our influence in this sphere where possible.
- 6.5 Greater focus on skills and work experience leading to sustainable employment is needed at lower skill levels. Currently some qualifications at this level have little currency in the labour market, compounded by young people aged 19+ being required to achieve GCSE English and Maths if they haven't by the school leaving age (a requirement for both apprenticeships, and education and training). The lack of attractiveness of FE learner loans for adults in low skilled jobs also compounds this issue.

6.6 There are a number of actions already trying to address these challenges:

- The GM AEB provides an opportunity to better target funds to deliver the outcomes needed.
- We enjoy a good track record of relationships with three biggest adult skills providers - Manchester Adult Education Service, The Manchester College and The Skills Company - collaborating to align provision, provide a good quality and accessible local offer and respond more effectively to future growth and skills demand in the city.
- Programmes such as 'Skills for Employment', which provides personalised support to adults who are out of work to improve their skills and find sustainable employment. Skills for Employment is delivered by MGC's Work Company and a network of local skills and employment providers. It is still early days in terms of understanding its impact on skills and qualifications.
- The Apprenticeship Levy has led to local and regional campaigns to increase numbers and quality of apprenticeships across the city.
- Age Friendly Manchester and the Centre for Ageing are undertaking research on the employment and skills position of working age people over 50s.

Low wages

6.6 The UK Living Wage (UKLW) is independently calculated each year based on what employees and their families need to live and is currently set at £8.45 per hour.¹ The percentage of employee jobs paid less than the UKLW is one of the metrics in the Our Manchester scorecard. 2016 provisional figures show 18% of the workforce in Manchester (those who work in the city but may live elsewhere) were paid less than the UKLW, and 31% of residents (those who live in the city but may work elsewhere).

6.7 A report by CLES in July 2016 looked at the nature of work offered by employment agencies in Manchester, including how many vacancies were full or part-time hours, and how many offered more than the UKLW. The Council also obtained bespoke data from the ONS in April 2017 which shows the proportion both of residents and workers in GM authorities who are paid less than the UKLW in 2014 - 2016.

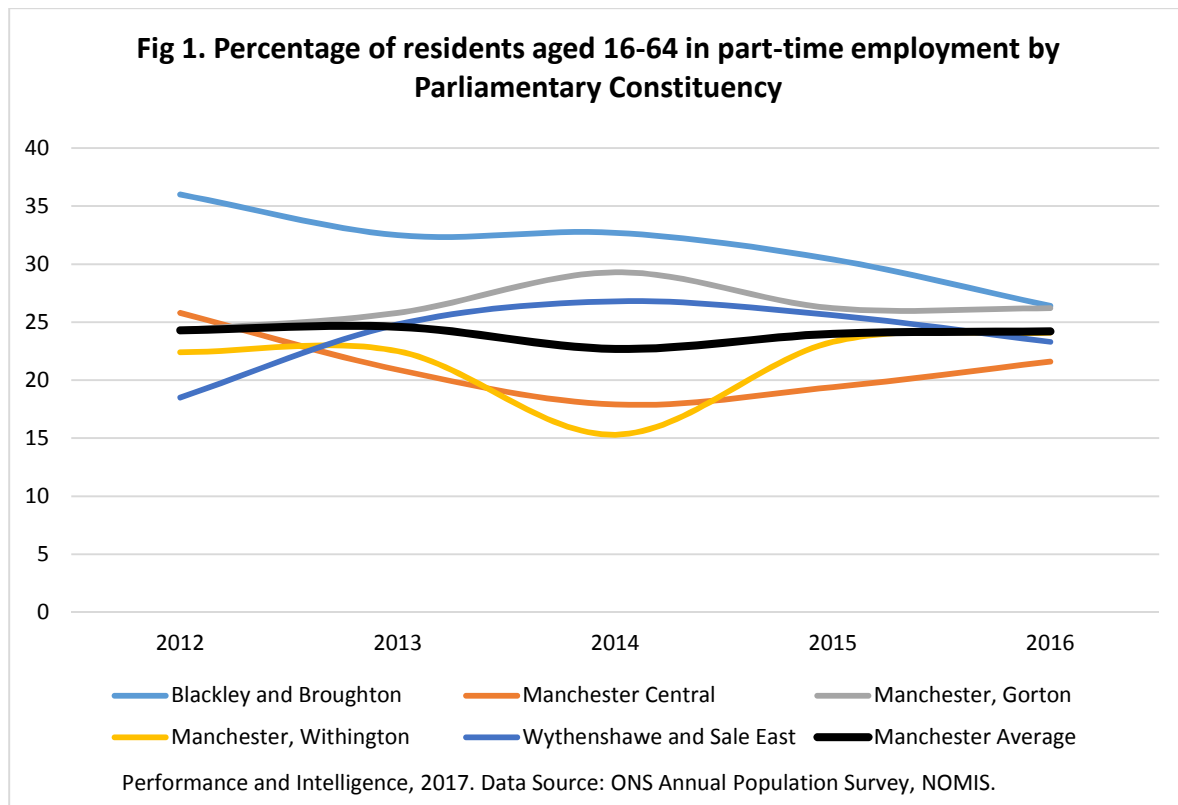
¹ This analysis uses the UK Living Wage as defined by the Living Wage Foundation, which is different to the National Living Wage set by the UK Government. For further information about the Living Wage Foundation rates, please refer to: www.livingwage.org.uk/calculation

- 6.8 The CLES report and ONS data shows that a significantly higher proportion of workers in Manchester receive the UKLW than the GM average. In 2016, only 18% of workers in Manchester received less than the UKLW (the lowest level in GM), compared to 24% across GM overall. However, the reverse situation applies to Manchester residents, with 31% of residents receiving less than the UKLW in 2016 (the highest level across GM), compared with 26% of GM residents. At a regional level, the number earning less than a living wage has grown sharply in recent years, rising from 22% in 2013 to 24% in 2016. In some parts of the conurbation, more than a third of jobs paid less than the living wage of £7.85.
- 6.9 Low paying sectors (defined as sectors in which at least 30% of jobs pay below the low pay threshold) account for 36% of all jobs out of Greater Manchester's total employment of 1.2 million. Some 400,000 people work in these sectors in Greater Manchester. The sectors with the highest incidence of low paid work are hospitality (76% of jobs), accommodation (60%), retail (53%), cleaning (53%) and residential care (53%). The largest single low paying sector is retail with 121,700 employees (accounting for 10% of all employees), which has clear implications for Manchester city centre. The current economic model within low paying sectors is based on low value added, low skills, low productivity, low pay and high turnover. There is often little incentive for employers to offer skill and wage progression with no publically available funding, despite the lack of opportunities leading to poor productivity.
- 6.10 The gap between resident and workplace wages is long standing and the reasons complex. People who live outside Manchester have tended to be better qualified to fill the opportunities in the higher paid higher skilled roles in the city than Manchester residents; reducing this gap is a priority in the Work and Skills Strategy. It is necessary to ensure Manchester residents are equipped with the right skills so as to be competitive against those candidates for roles that live outside the city. We are doing this by ensuring all residents have access to the same opportunities regardless of geography. Examples include as access to higher education; by tackling NEET's through prevention; and by increasing the number of school and college leavers obtaining the skills and qualifications which are valued by emerging sectors, such as STEM subjects.
- 6.11 Further areas of opportunity include:
- Encouraging employers to adopt higher value business models and upskill their leadership and workforce
 - Prioritising in-work skills progression through the devolved AEB
 - Supporting the adoption of the real living wage, building on the work already being done with social value procurement

- Creating flexible and free/low cost childcare - this may need a Greater Manchester approach to target provision and ensure that it meets the needs of those who will benefit most
- The introduction of the Apprenticeship Levy may incentivise large employers in low paid sectors to invest in skills, productivity and wages

Percentage of residents in part-time employment

- 6.12 Part-time working can offer greater flexibility at professional and higher skills levels. However, it is most prevalent in low skills and paid sectors, and is often has insecure and restrictive contracts. Given the number of working households in poverty, it is an important metric to examine in relation to inclusive growth.
- 6.13 Figure 1 below shows the trend of part time working over the last five years for the city as a whole and the differences across areas for parliamentary constituencies. Although the Manchester average percentage of part-time workers who are aged 16-64 has fluctuated slightly over the last five years, the value in 2016 (24.2%) was virtually the same as in 2012 (24.3%). However, there are notable differences within areas. Manchester Gorton and Blackley and Broughton have consistently had a higher percentage of part-time workers than the other areas. The figure for Blackley and Broughton has dropped considerably, but is still the highest at 26.4%, with Gorton at 26.2% in 2016. Manchester Central has been consistently lower than the other areas, with the 2016 value being 21.6%.
- 6.14 Figure 2 shows that considerably more part-time workers are paid less than the UKLW than full time employees, and that this is the case for both genders. These figures are higher for Manchester residents than people working in Manchester.
- 6.15 Further work will be undertaken to establish potential inclusive growth metrics for further measurement that will enable members and officers to track the progress that is being made in achieving a more inclusive pattern of economic growth in the city and across GM. Proposals for any further analysis will be detailed at an area level to understand the position within the region.



7.0 Recommendations

- 7.1 The Committee is invited to consider and comment on the findings of the Commission's final report and the implications and challenges for Manchester in trying to deliver a pattern of more inclusive economic growth. It is intended to report back to the Committee on progress at regular intervals.



The University of Manchester



Inclusive Growth Analysis Unit Update July 2017

Ruth Lupton

Inclusive Growth Analysis Unit
University of Manchester

www.manchester.ac.uk/inclusivegrowth



The University of Manchester

Overview

- A Fair Growth conference in Nov 2016
- A first meeting of GM anchor institutions
- A series of policy briefings to explore what mayor could do, based on evidence from elsewhere
- Updated LEP level 'inclusive growth monitor'

- All work has focused on GM not M



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Briefing papers

- Leading an inclusive growth agenda
- Planning for inclusive growth (CLES)
- Employment charters (with Oxfam UK and GM Poverty Action)
- Financing inclusive growth through a community bank
- Education and skills: a cradle to career approach

To come:

- Indicators/measures (summer 2017)
- Ethnic inequalities in labour market (Autumn 2017)



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Other work includes

- Ongoing work on ‘responsible business’ (report autumn)
- Small new project on construction skills/Brexit (ditto!)
- Analysis of neighbourhood change/challenges
- Review of how ‘inclusive growth’ is being picked up by LEPs/CAs across the country
- Co-hosted events on anchor institutions with Co-op party and social economy with JRF

This presentation gives brief findings of the work that may be of most interest to economy scrutiny members



The University of Manchester



JRF inclusive growth monitor

Theme	Dimension	Broad indicator
Economic Inclusion <i>(Score 0 Min – 9 Max)</i>	Income <i>(Score 0 Min to 3 Max)</i>	Out of work benefits
		In-work tax credits
		Low earnings
	Living Costs <i>(Score 0 Min to 3 Max)</i>	Housing affordability (ownership)
		Housing costs (rental)
		Fuel poverty
	Labour Market Exclusion <i>(Score 0 Min to 3 Max)</i>	Unemployment
		Economic inactivity
		Workless households
Prosperity <i>(Score 0 Min – 9 Max)</i>	Output Growth <i>(Score 0 Min to 3 Max)</i>	Output
		Private sector businesses
		Wages/earnings
	Employment <i>(Score 0 Min to 3 Max)</i>	Workplace jobs
		People in employment
		Employment in Knowledge Intensive Services & Hi-tech manufacturing sectors
	Human Capital <i>(Score 0 Min to 3 Max)</i>	Higher level occupations
		Intermediate and higher level skills
		Educational attainment



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Indicators: other approaches

Types of measure	Example indicators
Assess the quality of and context for economic growth	Growth in employment in sectors associated with higher levels of pay; proportion of jobs paid below the Living Wage;
Consider the degree of economic participation across different groups	Employment rates of disabled people, ethnic minorities, young people, low skilled, women, men
Consider other inequalities within/across the local economy	Change in lower quartile earnings compared to the median; FSM attainment at 16 (Leeds) Gap between highest and lowest employment rates
Assess the degree of (extreme) disadvantage experienced by residents	Homelessness acceptance rates, families in temporary accommodation (London Poverty Profile); proportion of neighbourhoods in bottom 10% on IMD (Leeds)



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Indicators : Other approaches/considerations

- Measuring wider social outcomes (and the extent to which economy contributes. Efficiency/equity trade offs)
- Measuring the system/institutional factors that will support a more inclusive economy (eg % of social businesses)
- A key issue is getting the indicators to drive procurement, commissioning and appraisal processes. More work needed on this.



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Employment Charters

- Our work a review of charters in other places. Mayor's office now beginning to consult on GM Charter.
- Overview:
 - Charters not the answer to structural labour market issues
 - Often relatively small numbers sign up
 - May help initiate conversation/establish a 'standard' for responsible business
 - Issues include incentives, monitoring, and defining 'local'
- Our broader work on responsible business looks at other mechanisms/influences/incentives. Taylor report could be important.

Theme	Types of commitment
Fair terms and conditions of employment	<p>Pay the Living Wage: either in the limited sense of paying all direct employees or across the wider supply chain, in compliance with the Living Wage Foundation criteria</p> <p>Promote fair and/or flexible contracts: reduce/eliminate zero hours contracts; offer well-paid positions on a flexible basis</p> <p>Voice at work: promote and engage constructively with trade unions and other forms of worker representation</p> <p>Increase investment in training/skills for employees: possibly by linking employers to training providers or funding</p> <p>Health and wellbeing at work: ensure compliance with basic standards and/or best practice</p> <p>Follow best practice with regard to equalities and other policies</p>
Access to employment opportunities	<p>Create local jobs or training opportunities: these might include full- or part-time jobs and apprenticeship opportunities. Some charters, usually those linked to a social value/procurement programme specify that opportunities should go to local residents</p> <p>Targeted recruitment: offer opportunities to groups that tend to be disadvantaged in the labour market, and/or engage with council and Jobcentre Plus recruitment services</p> <p>Offer work experience, internships, mentoring: often for young people or disadvantaged groups</p> <p>Engage with schools, input to curriculum and/or skills provision</p>
Broader commitments	<p>Increase local spend: another feature common to charters integrated into a broader social value programme</p> <p>Business-to-business ethical practice: such as prompt payment of invoices</p> <p>Protect the environment: commit to reduce carbon footprint</p> <p>Support community initiatives: including through staff volunteering and contributions to charity</p>



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Social Economy (JRF report by Vickers et al)

- This aspect of IG agenda less well developed in UK by than supply side elements, and social economy accounts for smaller part of economy in UK than many other countries.
- UK has thriving vol.sector and growing social enterprise sector, but low on alternative business models e.g. co-ops/mutuals.
- City governments need to map SE activity and better understand its contribution. Not just an add on.
- Need to understand and develop social economy ‘ecosystem’ and support (finance, advice, networks etc)
- Some ideas from other places:
 - Social economy commissioner
 - Place-based approaches (poorest localities)
 - Social economy strategies driven by public procurement
- Manchester event revealed much knowledge/expertise/energy around this agenda



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GM Anchors

- A meeting of GM anchor institutions was hosted by Dame Nancy Rothwell and GMCA in late March, to discuss a joint anchors approach. To be followed up.
- Distinction between local and GM anchors and their different roles.
- Discussion about roles of anchors in supporting SMEs
- Some possible next steps:
 - Identifying some key issues on which anchors could make a collective impact (such as reducing poverty) and focusing on these.
 - Identifying some key activities/strategies eg procurement and pooling knowledge/acting collectively to maximise impact through these.



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Other work from JRF

- Connecting major development to jobs, skills and poverty reduction in Leeds City Region (March 2017)
- National inclusive growth conference (Jan 2017)
- Upcoming work on demand-side policies for inclusive growth
- Upcoming work on project appraisal tools