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Sefydliad Polisi Cyhoeddus i Gymru

Achieving Inclusive Growth in Wales

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¹ In October 2017 the PPIW became part of the Wales Centre for Public Policy. The Centre builds on the success of PPIW, and will continue the Institute's work of meeting Welsh Government Ministers' evidence needs, alongside a new mission to support public services to access, generate, evaluate and apply evidence about what works to key economic and social challenges. This assignment was commissioned for the final PPIW work programme.

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Summary

- Inclusive growth involves sharing the benefits of economic growth more equitably. This can help to mitigate societal problems such as inequality, job insecurity, low pay and poor productivity.
- Views about how far it is possible to achieve inclusive growth and the best ways of doing this vary between experts.
- There are limits to what the Welsh Government can do promote inclusive growth, but it has levers which can make a difference and it is also able to provide leadership and frameworks which encourage action by others.
- The Well-being of Future Generations goals provide a framework for encouraging inclusive growth and could enable Wales to lead the way in measuring progress towards achieving it.
- Inclusive growth could also be placed at the heart of the City Deals in Wales, and their success could be assessed in part according to how well they achieve it.
- The Welsh Government and public services can promote inclusive growth through their own capital spending and procurement decisions. Contracts could be used to ensure that suppliers pay decent wages, create apprenticeships, employ local people and provide workers with opportunities for training and job progression.
- The Welsh Government and public services could encourage the foundational economy by working with local employers to improve job quality and progression and encourage the development of effective business processes.
- Asset based approaches can empower communities and ensure that economic development programmes are aligned with local priorities.
- It will be important to assess progress towards achieving inclusive growth and this will require policy makers and researchers to develop and use measures that go beyond traditional indicators such as GVA and GDP.

Introduction

The Cabinet Secretary for the Economy and Infrastructure asked the Public Policy Institute for Wales to examine the evidence about how to achieve inclusive growth, and its implications for Wales.

To examine this issue we convened a roundtable discussion with experts and Welsh Government officials to explore:

- What is meant by inclusive growth;
- Approaches to achieving inclusive growth;
- The implications for policy makers in Wales; and
- Actions that Ministers might wish to consider.

Experts were asked to prepare and present overviews of the evidence relating to key aspects of inclusive growth. This report summarises the discussion at the roundtable, focusing on those areas where experts agreed that the Welsh Government could have most impact. The experts' presentations are published separately in tandem with it.

Workshop Attendees:

- Richard Crisp – Sheffield Hallam University - Centre for Regional Economic and Social Research
- David Devins – Principal Research Fellow at Leeds Business School
- Ceri Hughes – Manchester University Inclusive Growth Analysis Unit
- Luke Raikes – Senior Research Fellow IPPR North
- Atif Shafique – The Inclusive Growth Commission
- Paul Sissons – Coventry University – Centre for Business in Society
- Karel Williams – Manchester Business School
- Victoria Winckler – Bevan Foundation
- Alex Bevan - Wales TUC

Welsh Government:

- Huw Morris - Director, Skills, Higher Education and Lifelong Learning
- Gareth Edwards - Economist
- Deri Ap Hywel - Deputy Director Valleys Projects
- Peredur John - Cabinet Office - Delivery Officer



What is the Issue?

Over recent years, a consensus has emerged that there is a need for more inclusive growth - both between and within countries (WEF 2017). However, interpretations of what is meant by inclusive growth, what it seeks to achieve, and how it can be secured vary between experts and organisations.

Economic growth has traditionally been measured in terms of Gross Domestic Product (GDP) and GVA (Gross Value Added). On these measures, the UK has experienced slow growth since the global financial crisis in 2008. But there have been marked regional variations with some regions seeing little or no growth at all. Moreover, even those areas where there has been growth have not narrowed the gap between the highest and lowest paid. Indeed, the most economically successful cities in the UK have the highest rates of wage inequality (Sissons 2013).

Some experts conclude that there is no straightforward link between (traditional) growth measures and wealth distribution (OECD 2017, WEF 2017) and criticise GDP and GVA as inadequate measures that do not reflect, for example, living standards, wellbeing and equality and give a distorted views of the success of the UK economy (Jacobs et al 2017).

Inequality in the UK is relatively high by international standards. The OECD ranks the UK 7th in the world for disposable household income levels (OECD 2017), but a recent report from the Resolution Foundation estimates that 1% of adults, (488,000 people) own 14% of the nation's assets while 15% (7.3 million people) either own no assets at all, or are in debt. The growing value of houses as assets means that wealth inequality is almost twice as high as the inequality of household incomes (D'Arcy and Gardiner 2017) and the majority of the UK population has seen little or no increase in disposable income for the last decade. When adjusted for population growth and income flowing overseas, national income per head has barely grown at all (Haldane 2016).

Unequal growth has important geographical dimensions. Economic growth has been concentrated in London and the South East. The GVA of the 'Greater South East' region (comprising London, the South East, and East of England) is 28 per cent above the UK average, (ONS, 2015a) while no other region of the UK has recovered to its pre-crisis peak (Jacobs et al 2017). However, despite achieving significant growth, wage inequality in London and the South East has grown and are the highest in the UK. This is consistent with research which shows that cities with higher than average wages and knowledge based economies tend to be more unequal, whilst weaker local economies generally have lower levels of wage inequality and employment polarisation (Sissons 2013).



It is important not to see this issue as simply a north-south divide, or London against the rest of the UK. There are also significant disparities within cities and regions. London contains the highest proportion (15%) of people in the poorest tenth in the UK and the second highest proportion (15%) of people in the richest tenth (NPI 2017). The life expectancy gap within the north-east is almost as great as it is between the north-east and Surrey (RSA 2017), and there is a gap of ten years between areas of Cardiff that are just five miles apart (Cardiff Partnership 2017).

Social inequalities are not a new phenomenon, and it is no surprise that economic growth does not benefit everyone or all places equally. However, whilst traditionally the emphasis has been on creating jobs it has become clear in the last two decades that employment is no longer a guaranteed route out of poverty. As the Inclusive Growth Commission put it: 'work isn't working for enough people' (RSA 2017) because of low pay, insecure work, and short-term flexible hours and contracts. The IPPR concludes that sustaining employment at a higher level than in many other countries has come at a significant cost to productivity in the UK (Jacobs et al. 2017).

Unequal Growth in Wales

While Wales lags behind most areas in the UK in terms of GVA and GDP, its relative economic performance varies depending on the indicators used (see Table 1). Unemployment in Wales fell below the UK average in 2016 and is at its lowest level since 2008 (Welsh Government, 2016a). Wales performs reasonably well in terms of Gross Disposable Household Income (GDHI) per person, (85 per cent of the UK average) and this has increased at a slightly faster rate in Wales than the UK average since devolution (ONS, 2016a). It also performs well in terms of average household wealth (95 per cent of the UK average), behind only the Greater South East and South West of England (ONS, 2015b). However, employment and inactivity rates, while improving, remain below overall UK levels (Welsh Government, 2016a). Health conditions are also a significant contributor to long-term worklessness, and the percentage of people claiming Employment Support Allowance (sickness benefits) in comparison to Job Seekers Allowance is higher than most other areas in the UK.

Table 1: Welsh economic performance against selected indicators

	Value	Relative performance	Trend
Average household wealth	£214,200	95% of UK average	Close to the GB average since 2006 (a)
GDHI per person	£15,590	85% of UK average	Increased 64.5% compared with 63.8% across the UK between 1999 and 2014
GVA per person	£17,573	71% of UK average	Increased 69.2% compared with 70.6% across the UK between 1999 and 2014
Unemployment rate	4.6%	0.3 percentage points lower than UK figure	Decreased by 2.0 percentage points between May 2015 and 2016, compared with a UK wide decrease of 0.7 percentage points

(a) GB rather than UK average given as Northern Ireland is not included in this measure.

Sources: ONS and Welsh Government from Jones (2016)

There are also important regional variations within Wales (see Figures 1 and 2). Cardiff has had the highest levels of GVA from 1999–2015 whilst Blaenau Gwent has had the lowest. Again the measures used are important. Gwynedd has much higher GVA per head than Anglesey, however for GDHI this is reversed (this may reflect the fact that GVA is a workplace measure so commuters from Anglesey to Gwynedd contribute the Gwynedd's GVA).

The Bevan Foundation (2017) has highlighted the continuing shortage of jobs in some parts of Wales, and that many areas have yet to return to the levels of full-time employment that they enjoyed in the 1980s. This is especially true in Blaenau Gwent, Caerphilly and Rhondda Cynon Taff, which have barely half the number of jobs per head of working age population compared with the UK average. It also reports that much of the increase in jobs has been in temporary, part-time or self-employed jobs and that wages (particularly for those at the lower end of the distribution) have stagnated over the last six years.

What is Inclusive Growth and can it help?

Inclusive growth is often portrayed as the solution to many of the issues highlighted above. However, it is a term which has been interpreted in different ways by different commentators.

The Inclusive Growth Commission defines it as ‘broad-based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes’ (RSA 2017).

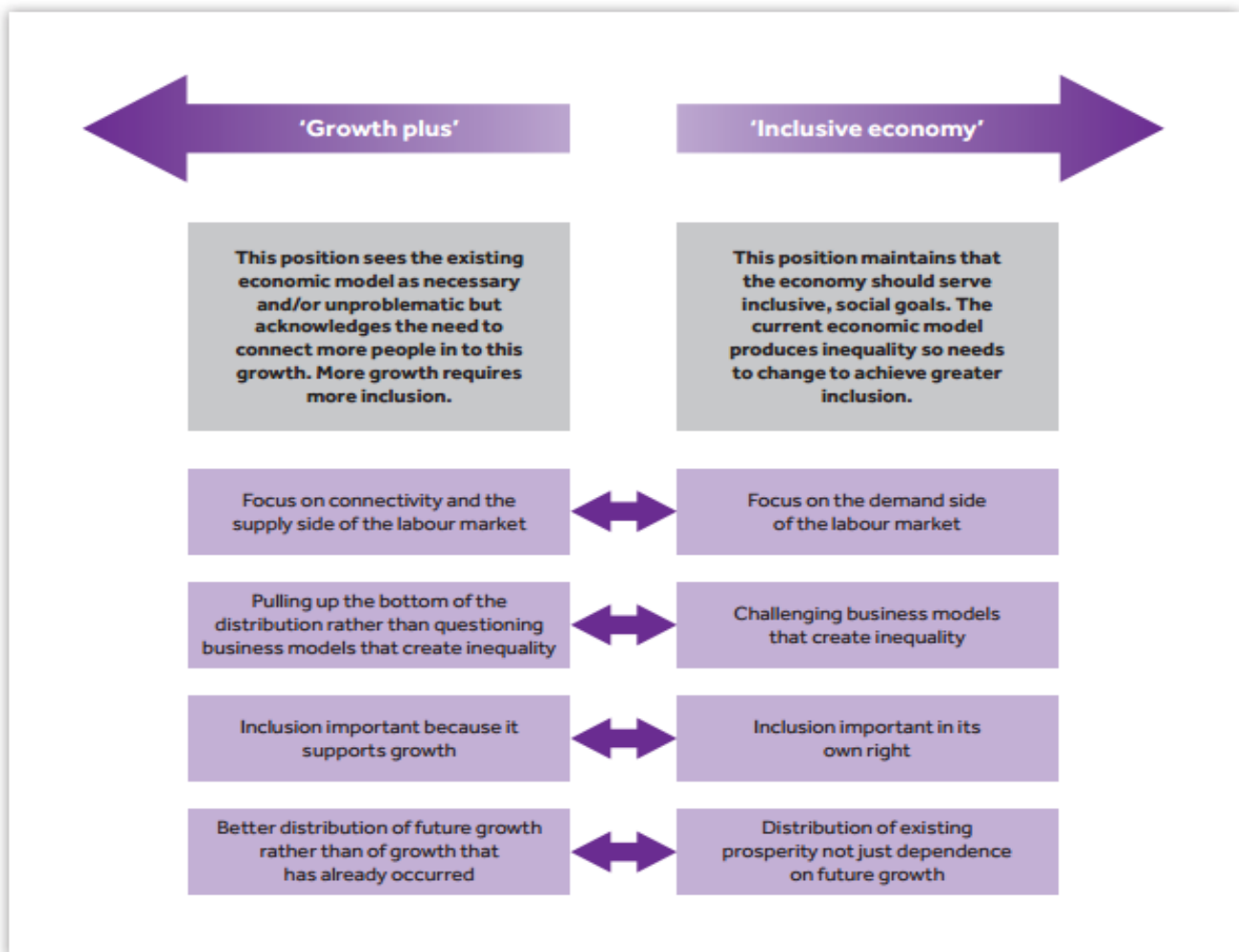
The Scottish Government views inclusive growth as ‘Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly’ (Scottish Government 2015).

The World Economic Forum argues that inclusive growth ‘can be thought of as a strategy to increase the extent to which the economy’s top line performance is translated into the bottom-line result society is seeking, i.e. broad based expansion of economic opportunity and prosperity’ (WEF 2017).

A recurring theme is that inclusive growth is concerned with achieving greater equality, opportunity and a fairer distribution of the benefits of economic development. Most of the literature acknowledges that this means policies which acknowledge a greater connection between economic and social policy. However, views about the best way to achieve inclusive growth can vary significantly. Experts hold divergent views about whether inclusivity and growth are compatible. Some argue that focusing on inclusivity is detrimental to growth. Others argue that there is no inherent trade-off between promoting social inclusion and economic growth and competitiveness (WEF 2017).

The Inclusive Growth Analysis Unit recognises these differences of view and suggests that interpretations of what constitutes inclusive growth should be seen on a continuum from a ‘growth plus’ approach to an ‘inclusive economy’ perspective (Lupton and Hughes 2017). ‘Growth plus’ seeks minor changes to the current economic model but with wider economic participation and a fairer distribution of the benefits of growth. Those who advocate an ‘inclusive economy’ approach see growth as only one aim of a successful society and believe factors such as well-being and equity also need to be a significant part of economic aims and objectives (see Figure 3).

Figure 3 Growth Plus and Inclusive Economy



Lupton and Hughes (2017)

This depiction of inclusive growth as a continuum is a helpful tool for considering policy options that might be adopted in Wales. It highlights both the importance of being clear about the nature and cause of the 'problem' of unequal growth and the kinds of actions that the Welsh Government's powers enable it to take.

How might Inclusive Growth be Achieved in Wales?

It is important to recognise the context in which the Welsh Government operates. The contributors to the roundtable reported that countries which are most equal tend to have the highest taxes, the best services and most supportive welfare systems, and they recognised that many of the key decisions about these are made by the UK Government rather than in

Wales. However, they believed that there are a number of ways in which the Welsh Government and public services can make a difference.

They saw the goals set out in the Well-Being of Future Generations Act as providing a framework for pursuing sustainable economic growth, which is closely aligned with a vision of inclusive growth, and they suggested several ways in which the Welsh Government and public services might lead the way. These include:

- Making the most of their capital spend and procurement to promote inclusive growth;
- Developing strategies to secure and promote sectors that are vital to the foundational economy;
- Encouraging and enabling communities to make the most of local assets;
- Ensuring the City Deals pursue inclusive growth; and
- Measuring progress towards achieving inclusive growth.

Making the most of procurement and capital spend

Bringing together social and economic policy in capital spend

Two significant areas which the Welsh Government and public services can use to encourage inclusive growth are capital projects and procurement budgets.

The Welsh Government oversees multi-million pound contracts and participants argued that there are opportunities to use these to benefit local economies and encourage inclusive growth. This might include requiring contractors to provide apprenticeships and decent pay, to employ local workers and offer opportunities for training, development and job progression.

While this already happens, contributors felt that these requirements should be given greater emphasis and commissioners could be far more demanding of suppliers, embedding inclusive growth principles into tendering processes rather than ‘tagging’ them on to a contract.

Capital projects should be required to improve the social as well as the physical infrastructure of Wales, and the National Infrastructure Commission for Wales could be required to encourage the achievement of more inclusive growth.

Experts at the roundtable acknowledged that local workers may not always have the skills required for large infrastructure projects, but felt this could be addressed better through forward planning and training provision. Most large contracts take several years to get off the ground and it should therefore be possible to undertake analyse skills requirements and upskill

local people in advance. It was accepted that it might be difficult to plan for projects which are reliant on outside funding which have a degree of uncertainty. However, there are some which are more certain to go ahead and which could be planned for in order to benefit local economies.

Bringing together social and economic policy in procurement

The other area that all of the experts felt the Welsh Government could make a significant impact on inclusive growth was through embedding social as well as economic imperatives in procurement policies. They welcomed the way in which the Welsh Government has emphasised the added value that contracts can bring but advocated a focus on maximising local employment, apprenticeships, training and development, fair pay and career progression for the lowest paid.

They observed the need to ensure that procurement and capital spend stipulations apply to the whole supply chain and not simply main contractors. They also believed that Brexit may open up new opportunities for procurement practices to boost local providers.

They also noted that the Welsh Government can take a lead but that procurement by public services can also have a significant impact.

Anchor Institutions

The experts also emphasised the critical role that Anchor Institutions (AI) play in promoting local regeneration. AIs typically have four characteristics summarised in table 2.

Table 2: Characteristics of AIs

Spatial immobility	AIs are tied to a location through investments, mission or relationships (e.g. employment/consumer) that provide them with a strong stake in the health of the surrounding community.
Size	AIs employ a lot of people, consume or own considerable amounts of land and spend a lot on purchasing goods and services. A small community based organisation may be an anchor but may not be large enough to be viewed as an <i>anchor institution</i> .
Sector	AIs are usually enterprises such as universities, hospitals, local authorities, large community foundations or arts institutions. Private sector organisations can be anchors particularly when they have multiple exchange linkages and sustained connections with local communities.

Mission	AIs use their resources and influence to pursue wider social and economic objectives alongside core activity. Within the context of inclusive growth they seek to build democratic, mutually beneficial and sustainable relationships with the host community thereby enabling the organisation to become an agent of wider socio-economic change.
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Most AIs are large employers (such as the NHS, universities, local authorities, and the Police) with significant procurement and capital budgets. However, many do not currently focus their spending on local supply or social value. Research in the US (ICIC 2017) identifies seven areas where AIs can have a meaningful impact on the development of local communities summarised in Table 3. The development of AI interventions could therefore assist the inclusive growth agenda in Wales through pursuing social value approaches to procurement, encouraging employment workforce development and investment in real estate and facilities that seek to achieve wider social and economic benefits.

Table 3: Strategic action areas for AIs

Action areas	Examples
Core Service	Health, education, social care, transport, housing
Purchaser	Targeted local spending on goods and services, capacity building in the supply chain
Employer	Inclusive employment policies and practices, quality of entry-level jobs
Workforce development	Inclusive approaches to talent management and development
Cluster	Promotion of enterprise in disadvantaged areas
Infrastructure	Widening access to facilities
Real Estate	Realising wider social and economic benefits associated with capital investments

Source ICIC (2017)

A small change in how an AI operates can have a considerable impact on the local economy, promote inclusive growth and forge better links with local communities. By incrementally shifting purchasing to the local economy, AIs can provide support for enterprise and local small

business growth. Through minor adjustments in recruitment and supply chain procedures, they can improve and provide good employment opportunities for local people, cut down travel to work times and create a strong bond with local communities. All of these areas can create value for the AI and the local community. Furthermore, by strategically linking the areas within and across AIs, they can realise significant shared benefits for the organisations as well as improve inclusive growth in the local area.

Evidence of the impact that AIs can have on inclusive growth and some examples of actions already undertaken by them in the UK can be found in a variety of recent reports including the Centre for Local Enterprise Strategies (2017), the NHS Confederation (2016), Smallbone et al. (2016) and the Higher Education Funding Council (2015).

Currently there are no measures of social value procurement spend in Wales and it would be helpful to include targets to encourage these institutions to both measure their local and social value spending and to set targets for this. If AIs in Wales were to increase their local spend by just 10% this would mean additional millions in the Welsh economy and often to those who are on the lowest pay. However, to promote inclusive growth AIs must ensure that their procurement practices help improve jobs and are focused on the whole supply chain.

One of the most important success factors for engaging AIs is whether they see their role as simply delivering their core activities or whether they assume a wider social role in benefiting their area/population. For example, health services may support inclusive growth because they recognise the wider health improvements that emerge from a more equal society. However, it can be more difficult to demonstrate the potential benefits of inclusive growth to other large public sector organisations who do not see it as part of their remit. This is an area where the Welsh Government could help by promoting awareness of the benefits of inclusive growth and the role which AIs can play in achieving it. Ministers could also encourage sharing of good practice to support AIs who want to pursue this agenda.

It is important to recognise that if AIs work in partnership and combine elements of their procurement practices, they can achieve both better value for money through economies of scale, but also become more demanding regarding the social return on investment. Such partnerships already exist in parts of England, and the North West procurement hub was cited as a good example.

However, successful interventions in this area require leadership, collaboration, the development of shared value, and an approach to evaluation that encourages learning and sustainable development (Devins et al 2017). The Welsh Government could encourage this by setting up regional frameworks, targets, providing leadership and advice, and helping to

establish hubs in Wales. Alternatively, PSBs could be used to facilitate joint procurement within their localities.

There was an acknowledgment that it can take time to develop successful collaborations at the sub-national level and that some rural areas lack large AIs. So there is not a one-size-fits-all approach. However, there are opportunities for relatively quick wins if organisations make it a priority, develop a strategy and allocate appropriate resources. Housing associations, for example, might be very well placed to make progress because they are embedded in local communities and may be able to change practices more rapidly than some larger more established institutions.



A strategy for the low paid/foundational sectors

Tackling low pay and supporting the foundational economy were identified as two other areas where the Welsh Government could support inclusive growth in Wales. Lee and Sissons (2016) have shown that there is no strong evidence linking economic growth with increased wages for low earners, increased employment for lower-skilled workers or reductions in poverty. However, there is a link between employment growth and wage growth (Green et al, 2017). Therefore, the relationship between growth and inclusion is influenced by the type of growth that occurs (including sectoral and occupational composition), as well as local population characteristics and other place-based factors.

Wales has a significant number of growing low-paid sectors such as retail, care and tourism, most of which offer limited opportunities for job progression. This points to the need to prioritise policies to address low pay, progression and job quality. Procurement has a role but we also need a better understanding of the sectors that are growing including the skills requirements and types of jobs available as well as the capacity to meet those skills gaps and train a workforce capable of progressing in differing sectors.

Recent Welsh Government initiatives have tended to focus investment in high value sectors such as future technology and life science which provide well paid jobs but are only a small part of the overall economy. Participants recognised the need for support in these areas but expressed concern about the risk of relying disproportionately on a small number of exporting and innovating industries which may not contribute to inclusive growth.

They argued that alongside this investment the Welsh Government needs an economic/industrial (or even inclusive growth strategy) which focuses on increasing employment, productivity and job quality in the 'everyday economy' of 'ordinary' firms where large numbers of people are employed.

The IPPR argues that low productivity firms tend to exhibit key characteristics:

- Poor management;
- Weak demand for skills; and
- Low take-up of new technologies.

In order to raise aggregate productivity, stronger 'workplace innovation' and the creation of 'good jobs' is required. To achieve this it proposes:

- A national agenda to improve job quality, with a Good Jobs Standard promoted in private sector and used in public procurement policy;

- A new Productivity Commission, with sectoral and local bodies to support workplace innovation and job redesign; and
- Replacing Apprenticeship Levy with a Skills and Productivity Levy to incentivise business engagement and fund productivity programmes.

Wales' economic strategy could adapt these recommendations and show how the Welsh Government will work with employers to help improve job quality, identify avenues for progression and support better business practices. This could be done through piloting interventions such as sector-focused advancement models and 'career ladder' programmes. However, approaches will need to be tailored to local circumstances through place-based approaches which recognise the need for input by local businesses and people to determine the type of growth they want in their area. Current work by Professor Ceri Hughes on responsible business and local charters could contribute to this agenda and the IIPR's work on job quality shows the potential for a carrot and stick approach with incentives for employers who ensure job quality and penalties for companies that do not.

A new strategy should also outline how the Welsh Government will work with the private sector for co-investment, and focus on demand as well as supply. This requires public capital investment by government in infrastructure, innovation and business development which uses public co-investment to 'crowd-in' private investment, and strengthens domestic supply chains to meet market demand created by public procurement and policy.

Inclusive growth in the foundational economy can be achieved through increasing businesses' capacity and creating a collaborative and networked business ecology which helps and supports each other to grow and benefits the local economy. It is not necessarily about increasing resources but about changing mentality, focus and culture.

Again there are opportunities for public procurement to make a difference by working with local businesses to enable them to have the skills and knowledge to tender for public sector work. An apprenticeship agency could be created by local authorities or PSBs which provides the support to SMEs, and takes away the administrative burden which puts many small businesses off such schemes. More could also be done to identify and promote uniquely Welsh brands. Brexit holds significant risks for the categorisation of local products, and businesses may need legal and business support to both ensure their uniqueness is protected as well as knowing how best to build on a Welsh heritage.

However, the Welsh Government does not, and maybe should not, need to be the lead actor in implementing this element of the strategy. Instead Ministers might encourage intermediaries to implement these changes and take the oversight and enabling role to support others in this.

The Welsh Government could partner with lead institutions who have the resources and capability to kick-start change. For example there is an opportunity to explore what Housing Associations in Wales could do in addition to renting and building and how they can use their direct contact with citizens to encourage participation, assess needs and develop local skills and employment. This would involve the provision of sites and buildings for business start-ups, green space improvement and community hubs. There could be further support for tenant and community groups to raise awareness of economic opportunities, such as the collective purchasing of energy, food etc. Associations could also lead funding bids for community groups or social enterprises who may not have the capacity or struggle with fundraising, tendering and public service commissioning.

Experts suggested that there could be benefits in piloting approaches to encouraging these kinds of innovation to achieve inclusive growth.

Bottom up inclusive approach focusing on assets

Experts agreed on the need for a place-based approach which focuses on the physical, social and environmental assets of a local area and builds upon these to improve local economies. For example, 'The Valleys' has many areas of natural beauty and opportunities to develop integrated tourist networks and facilities for walkers, cyclists and thrill seekers. There could also be an emphasis on Welsh history and culture, again building on existing assets, rather than new developments which may devalue the existing landscape. This approach can result in investment in existing local assets, including businesses and people, and help maximise the chances that money remains in the area and benefits local communities.

Our experts suggested that an approach of this kind requires significant input from and ownership by local people and this is likely to require the help of intermediaries who can facilitate engagement. Participatory budgeting may also have a role to play in ensuring that local economic strategies address the priorities of local communities and businesses.

City and Growth Deals

City deals could offer an opportunity to put much of the inclusive growth theory into practice. In England they have tended to focus on high value sectors, but there is the opportunity to develop them in Wales in ways that deploy the approaches described in previous sections in order to promote inclusivity including:

- Giving attention to job progression and quality;



- Using capital and procurement spending to boost local economies;
- Growing demand for skills;
- Supporting effective business practices; and
- Investing in the foundational economy to provide 'career ladder' programmes.

There is international evidence which demonstrates the importance of influencing the demand as well as the supply side in order to ensure inclusive growth. City deals in Wales could seek to influence the structure of the economy through, inward investment and growth clusters, and grow the quality of employment through procurement and targeted sectoral strategies (Green et al. 2016).

It is important to recognise that cities are not homogenous, and inclusive growth will need to be tailored to local circumstances. Citizens, private businesses, local communities and the third sector should all participate contribute to the way in which deals are developed and implemented. The experts suggested that City Deal strategies could be built on existing assets, with a focus on growth sectors, low pay and the foundational economy, and informed by a comprehensive analysis of skills requirements in the short medium and long term. Evidence from Lee et al. (2014) suggests that:

- In cities experiencing employment growth - local stakeholders need to ensure that those in poverty are able to benefit through provision of activities such as pre-employment training, skills upgrading and addressing transport barriers. A focus should also be on the quality of jobs through provision of business support, decisions about public investment and softer forms of influence on employer practices.
- In cities experiencing strong output growth - the challenge is to encourage associated employment growth. Planning approaches can seek to mitigate increases to the cost of living. While a buoyant local economy may also provide additional leverage for stakeholders to encourage employers to increase the wages of low-paid workers.
- In Cities with limited growth - existing assets such as anchor institutions need to be fully utilised; skills and training systems should effectively meet replacement demand needs (as well as any growth); and investment in hard and soft infrastructure to support commuting to areas of greater opportunity can help workers access employment in adjoining labour markets.

While City Deals are an excellent avenue to implement inclusive growth, it is important to recognise that this was not the UK government's aim for them (Waite et al. 2017). Their objectives and the measures in place to report on their success are therefore focused on GVA

and GDP and it will be important to broaden these to take account of inclusive growth measures.

Measuring inclusive growth

It is important to ensure effective monitoring and measurement frameworks are in place to measure wider economic and social measures.

Inclusive growth can be measured in a variety of ways. Some organisations use a single headline indicator (c.f. the World Bank and the LSE Growth Commission). Another option is a dashboard of indicators (for example NEF's inequality targets and the ADB Framework of Inclusive Growth Indicators). Others have trialled composite scores or indexes, which attempt to combine the previous two (for example Demos-PWC's Good Growth for Cities Index and the Joseph Rowntree Foundation's Inclusive Growth Monitor).

A single indicator provides clarity and focus, and is simple to report, but can neglect important factors. Dashboards allow for the measurement of a number of aspects of inclusion, but it can be difficult to collect all of the information and messy to report it. Composite scores often require careful explanation to avoid oversimplification or misunderstanding by policy makers and the public.

The best method of measuring inclusive growth will depend on what policy makers are seeking to deliver, but there are some important underlying principles that need to be considered when designing a measurement tool. Richard Crisp and Ceri Hughes, who have been closely with the Joseph Rowntree Foundation on measurement tools for inclusive growth, argued that measures should be:

- Conceptually informed and link back to the definition of inclusive growth that has been adopted;
- Flexible in construction to allow for changes in circumstance or data collection issues;
- Replicable using readily available data and avoid burdening organisations with the collection of more measures;
- Relatively simple for ease of understanding by all concerned;
- Applied at a meaningful spatial level (PSB or city region areas);
- Readily comparable across areas; and
- Likely to inform decision-making.

They advocate:

- Starting with definitions and principles, not indicators;



- Avoiding indicator fatigue - look at what is out there already (e.g. wellbeing indicators);
- Consulting on both process and outcomes;
- Recognising that measures will never be able to please everyone; and
- Being aware that this is an increasingly crowded field.

The experts at the roundtable believed that there would be benefit in a nationally supported framework for measuring inclusive growth in Wales to 'cut through the noise'. There was an opportunity for Wales to lead the way in the implementation and measurement of inclusive growth, using the Well-being of Future Generations goals. This could aid the development of policy diagnostic and measurement tools that put inclusive growth at the heart of spending, investment and service design decisions and embed it in evaluation and performance management.

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