



UNIVERSITY OF  
BIRMINGHAM

WM  
REDI

# REDI- UPDATES

// GETTING BEHIND THE DATA \\\

2020

# 01

## Realising Inclusive Growth

Leading academics outline the challenges and opportunities of inclusive growth

### EDITORS' WELCOME & DIRECTORS NOTE

Ben Brittain and Professor Simon Collinson outline the ambition of WMREDI and its core principle of driving inclusive growth

### REDI TO DEBATE?

Rebecca Riley asks whether HMT should revise the Green Book appraisal methodology

### THE REDI INTERVIEW:

We talk to Andy Street on his success in embedding inclusive growth at the West Midlands Combined Authority

# Contents



8



14



24



26



32



46

## 4 Foreword & Editors' welcome – Ben Brittain

## 6 Director's welcome – Professor Simon Collinson

## 8 Realising “Inclusive Growth”

10 What is inclusive growth?  
**Professor Anne Green**

12 Resilience and inclusive growth: two faces of the same dice?  
**Dr Tasos Kitsos**

14 When it comes to inclusive growth place definitely matters. And here's why  
**Dr Abigail Taylor**

17 Realising the potential of inclusive growth – lessons from Use-It  
**Dr Sara Hassan**

## 19 Growth for Communities

20 The Burden of Inequality  
**Dr Deniz Sevinc**

24 How can data be used to reduce homelessness?  
**Joshua Swan**

26 Why is it necessary to tackle youth unemployment?  
**Dr Andre Carrascal Incera**

30 The role of devolution and institutions in inclusive growth  
**Dr Charlotte Hoole**

## 32 The REDI Interview

**Andy Street**

## 35 REDI to Debate?

“Levelling up” is on the Government agenda, but what are the constraints and risks for policymakers?  
**Rebecca Riley**

## 38 Connecting Communities

40 Better transport infrastructure can increase the region's well-being.  
**Dr Magda Cepeda Zorrilla**

44 Inclusive growth? The unequal contribution of globalisation and automation to local jobs.  
**Professor Raquel Ortega-Argiles and Nikos Terzidis**

46 Commercialisation of university research as a pathway to regional growth  
**Dr Chloe Billing**

## 49 Advisory Board

## 50 WM Redi staff

# Foreword

When we began writing this, our first edition of REDI-Updates, the Covid-19 pandemic was a small and distant threat. A local crisis limited to a single city-region in China. The world has changed dramatically since then. As we re-focus our research efforts and our analytics towards projects which will help with the immediate crisis, we still believe that the topics covered in this edition remain highly relevant. They provide insights into how we might approach the post-Covid-19 'bounce back', but also help with the challenges that come with a systemic shock,

triggered by a healthcare crisis, but with damaging impacts on our economic and social wellbeing.

Inclusivity, balanced growth and resilience as well as the power of R&D and innovation to improve the ways in which organisations adapt to this new world are all discussed. Moreover, WMREDI is a collaborative effort, hosted in a leading civic university, working with regional partners for the good of our local communities.

**REDI-Updates is a bi-annual publication which will get behind the data and translate it into understandable terms. WMREDI staff and guest contributors will discuss various topics, with this first publication focusing on how inclusive growth can be a tool to tackle regional imbalances across the UK.**

As analysts and researchers we are seeking to understand barriers to and drivers of economic growth. Often the picture is murky. As an example, the Gini coefficient may be a powerful way of understanding inequality, but alone it is insufficient. Finland and Moldova have a similar Gini coefficient, but they are fundamentally different economies.

REDI-Updates is a bi-annual publication which will get behind the data and translate it into understandable terms. WM-REDI staff and guest contributors will discuss various topics, with this first publication focusing on how inclusive growth can be a tool to tackle regional imbalances across the UK.

Professor of Regional Economic Development, Anne Green, will seek to explain the concept of inclusive growth and give a working definition. Dr Charlotte Hoole will explore the importance of devolved administrations in making inclusive growth strategies succeed. Dr Deniz Sevinc will explore the depth of economic inequality in the region, whilst Dr Tasos Kitsos will argue for the need to link economic resilience with inclusive growth, providing analysis of the way different regions reacted to the 2008 financial crisis.

This means UK city-regions are not the motors of the UK economy they should be. In other prosperous countries large cities benefit from agglomeration effects, but outside London our cities are a drag on the economy rather than successful drivers of economic growth. Excluding London, only Bristol is more productive than the UK average.

This imbalance is unsustainable. For the UK economy to grow, our city-regions need to close the gap with London. But, growth alone is insufficient to ensure greater equality. London is the motor of the UK but is a very unequal economy. Inclusive growth ensures growth filters in to something tangible for local communities.

This month's REDI-Updates interview is with the Mayor of the West Midlands, Andy Street. In the interview he details his efforts enshrine inclusive growth in the West Midlands Combined Authority. In our REDI to Debate? section Rebeca Riley, director at WM-REDI, discusses the recent decision in the Chancellor's budget to revise Her Majesty's Treasury (HMT) Green Book methodology.



# Editor's Welcome

Ben Brittain

**Inclusive Growth should not just be a policy aspiration. It can be – if fully realised and implemented appropriately – a way of ensuring growth spreads to each section of society, every community, and every region. It is a framework that encompasses transport, digital connectivity, devolution, housing and many others. If fully perused it is likely to translate indiscriminate economic growth into a fairer and more equitable society.**

**W**hilst inclusive growth can be a tricky concept to define, it has multiple benefits for policy-makers, politicians and academics. It is precisely these benefits that we at WM-REDI are working to realise, whilst tackling and understanding the challenges.

There is an urgency to realising the impact of the inherent trade-offs in the context of local and regional economic development strategy. In economic terms the UK looks like two different countries, with a prosperous London and South-East whilst the rest of the country struggles to match

productivity rates and prosperity. Most of the UK is below average in economic performance. In GVA terms, parts of the wider West Midlands display productivity levels similar to the poorer parts of the former East Germany.

“As the country looks to increase R&D spending to a level of 2.4 percent of GDP (the OECD average) and has a strong incentive to rebalance growth across UK regions it is vital University research institutes and their stakeholders engage in collaborative innovation efforts to improve our economy and our society.”

Professor Simon Collinson



# Director's Note

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[in @WM\\_REDII](#)

A central goal for the West Midlands Regional Economic Development Institute (WMREDI), a recently-launched sister institute of City-REDI, is to produce robust data and analysis to connect the micro-foundations of growth with the aggregate effects. This enables us to better-understand how different kinds of investments and policy interventions have different kinds of regional impacts. By integrating data and intelligence about firms, transport infrastructure, housing stock, people and skills, alongside knowledge about our region's social and environmental challenges, we are more able to shape policy interventions to improve productivity, inclusivity and sustainability in different ways. We need balanced growth across all UK regions and our analysis is helping those responsible for driving this agenda forward.

## inclusive growth

Over the next few years WMREDI will also focus on bridging the gap between university-based R&D and research users at the regional level and nationally, including firms and public sector organisations. UK universities are world-leading but their intellectual capital, assets and capabilities are not being fully utilised to promote balanced economic growth.

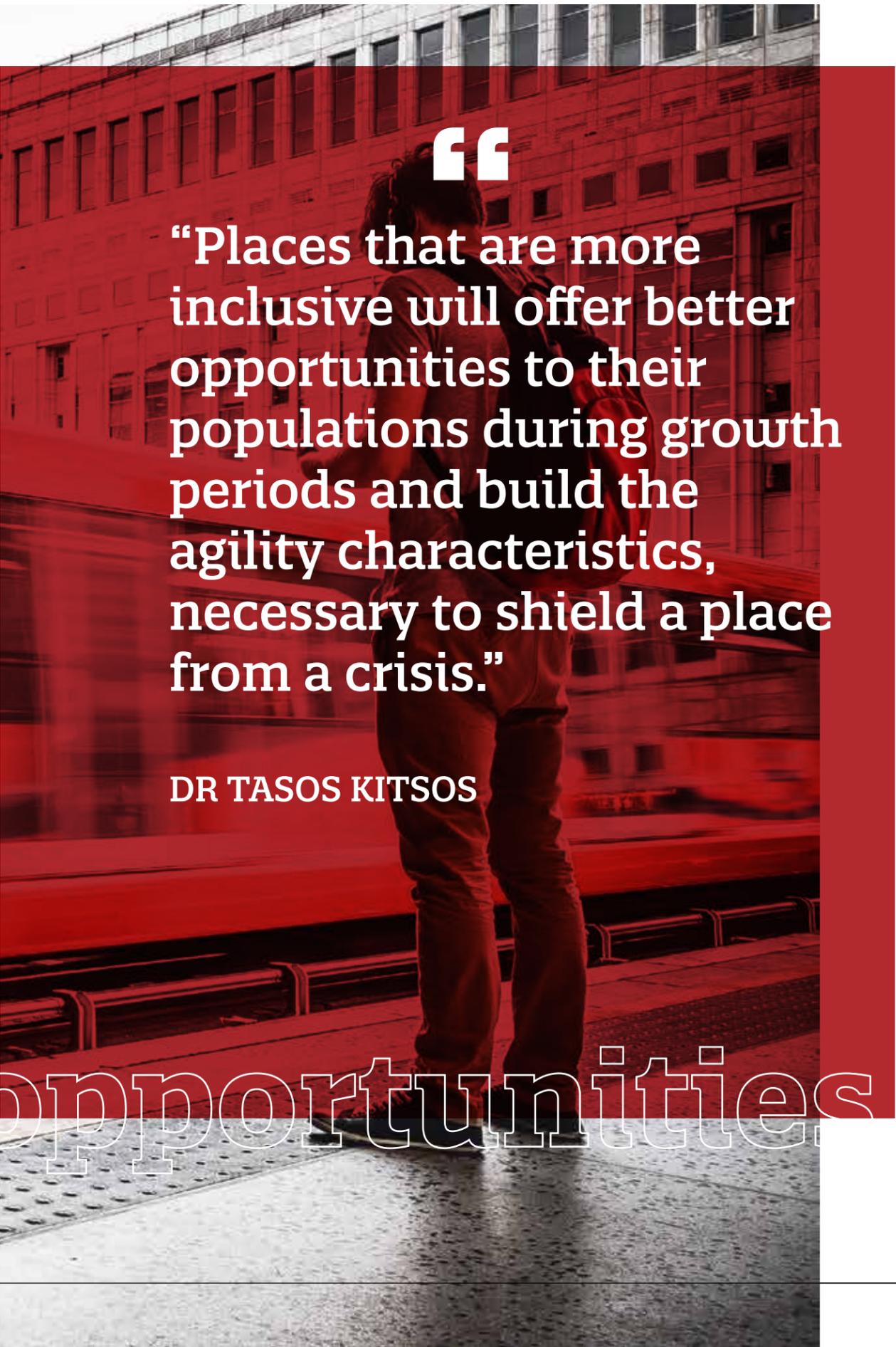
WMREDI will take regional collaboration to new heights. Dedicating a central Birmingham space, the 'University of Birmingham | The Exchange' in Centenary Square, to co-locate secondments from regional stakeholders, providing policy workshops and training programmes, and engaging national partners. This will facilitate the co-production of analytical tools and policy support mechanisms, enabling better policy insights through collaborative research. Building on City-REDI's success, WMREDI will create new channels for knowledge exchange to help to rebalance the UK economy and create inclusive local economies.

This approach will also help overcome a number of challenges with our national innovation ecosystem. The current UK research and development base suffers from being too geographically concentrated in already prosperous parts of the UK. University funding and public sector investments in R&D are overly-focused on London, the South-East and the 'golden triangle' linked to Oxford and Cambridge. Shifting funding to less-prosperous regions, while at the same time improving the incentives for universities to support growth in their host regions would have a transformational impact.

Our goal is to strengthen regional knowledge exchange, address challenges and opportunities in university commercialisation policy and practice, maximise the economic and social benefits from established research units and 'enhance impact through economic and social innovation'.

This magazine – the first in a series of different themed publications – is a chance for the team at WMREDI alongside leaders across the region to demonstrate the ways in which we are bridging the gap between innovative research and effective policy.

At its heart is the effort to strive for an integrated and inclusive regional growth policy. Using the first publication to discuss inclusive growth is a way of emphasising its importance to WMREDI and the need for it to be embedded within UK regional strategies. Stronger partnerships, brought together by WMREDI can help us better-leverage the region's assets and expertise, boost innovation and connect economic growth to resident wellbeing, ensuring the benefits of local economic expansion for people and place filter to all sections of communities and the region.



“

“Places that are more inclusive will offer better opportunities to their populations during growth periods and build the agility characteristics, necessary to shield a place from a crisis.”

DR TASOS KITSOS

opportunities

# Realising Inclusive Growth



## What is Inclusive Growth?

**PROFESSOR ANNE GREEN**

Amidst growing concern that economic growth is not shared more equitably or is necessarily associated with poverty reduction and that social and spatial disparities hold back improvements in productivity and growth, policy-makers at international, national and local scales are trying to identify more socially just forms of economic development. In this context, inclusive growth has emerged as a concept and agenda for reconciling ambitions to reduce inequalities and raise productivity. It has been the subject of extensive critique (Lee, 2019).

### DEFINITIONS AND INTERPRETATIONS

There is no single agreed definition of inclusive growth (Green et al., 2017; RSA Inclusive Growth Commission, 2017). Examples of the many definitions include:

**'Inclusive growth is economic growth that is distributed fairly across society and creates opportunities for all' (OECD, 2014)**

**'Inclusive growth is about enabling more people and places to both contribute to and benefit from economic success' (RSA, 2017)**

Lupton et al. (2019) conclude from a review of definitions and interpretations that inclusive growth is usually understood as economic growth that creates broad-based opportunities and benefits for all. They suggest that inclusive growth policy and practice includes working towards economic structures and activities that are more inclusive by design as well as making sure local people are connected to economic opportunities. Green et al. (2017) identify other concerns allied to/ encompassed by inclusive growth concerns include territorial cohesion, social well-being, issues of access and participation, and environmental sustainability.

### A CENTRAL ROLE FOR THE LABOUR MARKET IN INCLUSIVE GROWTH

The labour market is a core focus for policy to connect growth and inclusion. Policies to create good jobs (i.e. the demand-side of the labour market) and supply-side initiatives to connect people to those jobs are equally important (Lupton and Hughes, 2016; Hawking, 2019).

Until recently demand-side considerations have been relatively neglected. Pike et al. (2017) argue that to achieve inclusive growth, an aspiration and focus on generating more and better jobs needs to be maintained. They highlight that identifying and targeting inclusive growth sectors and fostering demand-led skills

development are amongst the key policies required to foster inclusive growth.

**Examples of inclusive growth initiatives at city level (see Green et al., 2017)**

// Demand-side: policies to influence the sectoral structure of employment, promoting strategically important sectors; growing the quality of employment; insertion of clauses regarding quality in procurement contracts/agreements

// Supply-side: pre-employment initiatives; policies to facilitate employment entry; policies related to in-work progression and job quality; policies equipping individuals to engage in the new labour market and reap the benefits of growth

// Policies to build connectivity and create a well-functioning city: transport policies; investing in housing and jobs; enhancing city functionality– through adoption of design principles and use of open data and smart technology.

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### MEASURING INCLUSIVE GROWTH

Inclusive growth is a multidimensional concept. Researchers have identified themes, dimensions and indicators for measuring different dimensions of inclusive growth (Beatty et al., 2016):

Theme	Dimension	Broad indicator
Economic inclusion	Income	out-of-work benefits, in-work tax credits ,low earnings
	Living costs	housing affordability, housing costs, fuel poverty
	Labour market exclusion	unemployment, economic inactivity, workless households
Prosperity	Output growth	output, private sector businesses, wages/ earnings
	Employment	workplace jobs, people in employment, employment in high-tech sectors
	Human capital	higher level occupations, intermediate and higher level skills, educational attainment



# Resilience and inclusive growth: two faces of the same dice?



**DR TASOS KITSOS**

First things first, economic resilience and inclusive growth are too complex to be represented by a coin, hence the need of a dice to reflect their multifaceted nature.

The 2008 crisis has generated a new field in the study of cities and regions. The realisation that the financial crash has not just affected countries at different degrees but also had a significantly uneven footprint within countries, has drawn the attention of academics and

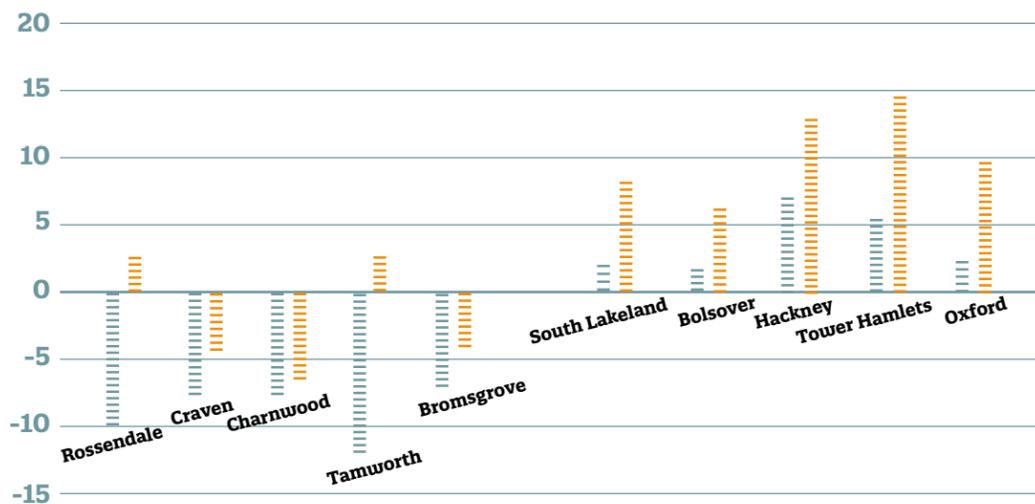
policymakers to the notion of economic resilience.

Economic resilience signifies the ability of a place to avoid or overcome a shock to which it is subjected (Kitsos and Bishop, 2018; Martin, 2012).

The chart below shows the different experiences several Local Authority Districts (LADs) in Great Britain had from 2004 to 2018. The blue bars compare the performance of a LAD in terms of its employment rate before the crisis to the worst years post-2008.

Whilst some places such as Tamworth have lost more than 10 percentage points of their employment rate, others have not felt the brunt of the crisis. More interestingly, the orange bars show the current employment performance of the same places compared to their pre-crisis one. What we see is that while some areas have outperformed their previous employment rates, others are still suffering from hysteretic effects. This is at a time the country is enjoying labour market conditions that are close to full-employment.

## Crisis impact on Local Authority Districts



■ Difference pre-crisis with worst years  
 ■ Difference pre-crisis with latest years

Source: Author's elaboration from Annual Population Survey

It is evident that the growth period that followed the 2008 crisis has not benefited all places. This is likely to exacerbate interregional inequalities. In turn, increased inequalities between and within places could give rise to several social ills (criminality, etc.) and may hamper the future growth of localities (Glaeser, Resseger and Tobio, 2009). These understandings led to the notion of inclusive growth.

Inclusive growth is arguably a difficult concept to define and measure, although there are insightful attempts on both aspects (IGAU, 2017; Lee, 2019; Lee and Sissons, 2016; Sissons, Green and Broughton, 2018). It reflects the need to consider growth in terms of the distribution rather than just the generation of wealth. A useful definition is offered by the Organisation for Economic Cooperation and Development which sees inclusive growth as "... a new approach to economic growth that aims to improve living standards and share the benefits of increased prosperity more evenly across social groups..." (OECD, 2015, p.8).

It is evident that inclusivity and resilience are interacting fields that could lead to virtuous circles of prosperity or vicious cycles of inequality. However, whilst we have a wealth of evidence on what affects economic resilience, little is known on inclusive growth. More importantly, there is even less insight on the interrelationship between economic resilience and inclusivity.

Research on resilience has identified a multiverse

of determining factors, ranging from skills and industrial structures to local entrepreneurship dynamics and infrastructure as well as finance (Kacher et al., 2018; Kitsos and Bishop, 2018; Kitsos, Carrascal-Incera and Ortega-Argilés, 2019; Kolko and Neumark, 2010; Lee, 2014; Martin and Sunley, 2014; Martin et al., 2016). These attributes can positively affect the capacity of a place to mitigate the negative impacts of a crisis. However to date, no study explicitly addresses the inclusive growth-resilience nexus.

The expectation is that inclusivity may contribute towards building resilient places. Places that are more inclusive will offer better opportunities to their populations during growth periods and build the agility characteristics, necessary to shield a place from a crisis. This relationship has largely escaped the public discourse on building resilient places at the national and international level with a notable exception in the West Midlands Local Industrial Strategy (WMCA, 2019) which explicitly links inclusivity to resilience.

At City-REDI, we are determined to deliver insights and evidence on a range of topics related to local socio-economic development. Inclusivity and resilience are among our core interests with current projects focussing on unpacking the complex relationships between economic resilience, inclusivity and their determinants.

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## When it comes to inclusive growth place definitely matters. And here's why:

DR ABIGAIL TAYLOR

In November, as part of the 'Inclusive Growth in Cities: Global Lessons for Local Action' conference at the University of Manchester, I visited Rochdale Boroughwide Housing (RBH). RBH is the UK's first tenant and employee co-owned mutual housing society. It has over 13,000 homes throughout the local area. RBH are seeking to regenerate the area delivering a wider mix of high-quality homes, more green spaces and easier routes into the town centre. But, crucially a key priority of this project is to enable communities already established in the area to remain in the new development. RBH then support these residents to improve their skills and look for better and more secure employment through a one year, hyper local programme in which residents receive intensive support from a careers broker/life coach. The aim is to enable residents to "thrive not survive".

The programme, funded by RBH and Rochdale Borough Council, is designed to have strong links with employers, propelling users in to meaningful employment.

The work coach is supporting firms to better support their employees, for example through raising awareness of trauma and how to motivate their workforce, delivering greater retention and recruitment. The programme appears to be taking a practical approach to meeting individual's needs. Rather than having one intake per year, RBH seek to work with employers and training providers straight away when someone expresses interest in the programme. A key element of the programme is that it does not involve targets. The staff I spoke to on the visit suggested this has been significant in encouraging them to be "more creative" with the support offered, through well-being and mindfulness. Such support appeared to be highly valued by participants. However, the lack of targets raises the question of how you can best measure success if targets are not used.

The conference theorised some of the aims and goals that were bought out within RBH's project. Hosted by the Inclusive Growth Analysis Unit (IGAU) at the

University of Manchester, it brought together academics, thought-leaders and policy-makers, featuring traditional presentations as well as innovative site visits and panel discussions.

I had the privilege of presenting at the conference. In my paper, I discussed the rationale for using what is termed a geographic saturation model as a place-based approach to employment support delivered in low-income neighbourhoods. The model stresses the importance of using social networks and wider community engagement to promote participation in the programme and employment. Together with other researchers from City-REDI and the Institute for Employment Studies I am currently evaluating the Connecting Communities Employment Support Programme which adopts a geographic saturation model.

At the same conference there was the opportunity to hear about initiatives taking place elsewhere in the country that are similar to the Connecting Communities programme.

Sue Jarvis and Belinda Tyrell presented the Households into Work programme in Liverpool City Region. There were clear cross-overs with the Connecting Communities programme in terms of the importance of linking people to existing services and of policy being designed to meet to local needs.

RBH's project is a good representation of the importance of place, and of linking communities with employers to fully realise a geographic saturation approach. The area of Rochdale where RBH's housing development is located, was run down and according to RBH welfare reforms had made the area less popular. The houses and tower blocks were physically cut off from the Town centre

by fencing, walls and a main road. This resonated with how Torsten Bell, Chief Executive of the Resolution Foundation during a keynote in the conference emphasised how historically high employment and job gains going to poorer families in recent years have been accompanied by progressive but slow pay growth, rising child poverty levels, rising productivity gaps and rising growth in wealth gaps between generations.

Rochdale also shows how devolution is increasing opportunities for a place-based approach to inclusive growth. Rochdale Stronger Together was established in 2017 and is designed as an "ambitious community approach to bring residents, local institutions and community businesses together to forge a good

local economy and spread community wealth". Greater Manchester offers prospects for inclusive growth through developing a whole city strategy. Examples of policies designed to link people to opportunities include the Get Me There pass offering free bus travel to 16-18 years across Greater Manchester. Similarly, Bridge GM, a careers programme designed to nurture the talents of young people and connect and prepare them for future labour market opportunities.

At the conference, Professor Ruth Lupton, Head of the IGAU, stressed how Greater Manchester – like the West Midlands – is moving towards a more inclusive economy with the establishment of a Good Employment Charter, a Co-operative Commission and

an anchor institutions steering group. Professor Lupton stressed the need for inclusive growth to be "hard-wired" into policy-making in the area, through the new Greater Manchester strategy, greater use of metrics, diagnostics and impact assessments, strengthened representation from under-represented groups and extended capacity for research and evaluation.

Given the importance of devolution to successful inclusive growth, how do you best achieve its impact in places where there is no Mayor, no Combined Authority and the local authority has been 'hollowed out'? To answer, Lord Bob Kerslake, Chair of the 2070 Commission, argued that the scale of rebalancing between regions in the UK requires a comprehensive,



The aim is to enable residents to "thrive not survive".



Cont. from page 15



RBH's project is a good representation of the importance of place, and of linking communities with employers to fully realise a geographic saturation approach.

long-term approach. Andy Burnham, Mayor of Greater Manchester, noted how inclusive growth should be locally-led, with policy makers emphasising how it is good for business. He also called for Greater Devolution in relation to the Work and Pensions budget and Adult Education, to facilitate achieving greater inclusive growth.

Professor Anne Green from City-REDI reinforced the significant themes relevant to realising inclusive growth, providing ten reflections and takeaways from the plenary sessions and workshops on the first day, such as:

- The need to repair / replace 'broken institutions' and the need to bring together 'fragmented knowledge'.
- 'Whole individual' policies - holistic approaches supporting people to grow and realise their capabilities
- 'Whole Place' based policies - policies that bring together all aspects of policy relating to living, working and wellbeing and the public realm in a single place.
- Unified public services - integrated public services across local areas and regions to support economies of scale.

Overall, I took several key points from the conference. Both the 'inclusive' and 'growth' aspects of inclusive growth are essential. Inclusivity is important but we need greater productivity across England to address increases in productivity gaps and deliver growth. Effective long-term funding is required to make a real impact in delivering inclusive growth. There is currently too much uncertainty regarding the Shared Prosperity Fund which will replace EU structural funding after Brexit. I'm even more convinced of the need for policy to be informed by good evaluation. To do this, we need much better local data and the active commitment of all stakeholders from central government, to elected Mayors, to LEPs, to anchor institutions.

It is vital to continue to share best practice regarding inclusive growth policy between areas and initiatives. Policy makers should involve a wide range of voices and stakeholders in the policy making process to ensure that policy is co-produced. Evaluation involving local communities is key to all of this - from the very beginning.



## Realising the potential of inclusive growth – lessons from USE-IT

DR SARA HASSAN

Unlocking Social and Economic Innovation Together (USE-IT! 2016-2019) is a three-year Urban Innovative Actions (UIA) funded programme which aimed to advance innovative approaches to inclusive growth in an inner city area of Birmingham with persistent poverty. European UIA funding supports cities in testing new and unproven solutions that address urban challenges. Traditional urban economic development approaches increasingly magnifies the effects of inequality and have little impact on the poorest areas. However, USE-IT set out to test an alternative approach in the Greater Icknield area. At its heart USE-IT strived to connect local communities ('micro assets') with the resources ('macro assets') of the area, including developers and Anchor Institutions.

- **Strand 2:** Community Researcher Training;
- **Strand 3:** Social and Community Enterprise (establishing/supporting social/ community enterprises to grow and embedding them in local markets);
- **Strand 4:** Understanding and strengthening community assets and finance.

The USE-IT partnership includes 15 local partners who, including NHS, University of Birmingham (UoB) and Birmingham City Council (BCC), attempt to disrupt and make real change on the ground. The partnership was particularly keen on co-producing the learning and knowledge about the efficiency of the tested approaches and redefining 'what works' for realistic inclusive regeneration and growth in the area.

University of Birmingham lead the community researcher training strand with a focus on its role as a civic university and as an anchor institution with its neighbouring communities. The ethos of this strand was meaningful co-produced research which can be used not only to empower local communities but also to influence inclusive growth,

challenge the assumptions of traditional urban regeneration and involving communities in the production of knowledge. Co-produced research was delivered through Open College Network (OCN) accredited training designed by Institute of Research into Superdiversity (IRIS). USE-IT surpassed its initial target in training to reach 80 CRs from a wide range of ages, ethnic and socio-economic backgrounds as well as diverse interests and ideas. The research undertaken by CRs was not predetermined but sought to embrace the very diverse voices of participants. Community research training was initially used as a community engagement method but gradually changed towards commissioned research which gave many of the CRs a practical and realistic understanding of the power of research and how to use research to affect change in the decision-making process.

The fruitful partnership between university academics and CRs has been very beneficial and important for both. The training courses were delivered at venues in the local community, which were locations where the community feel comfortable, and are easily accessible.



USE-IT set out to test an alternative approach in the Greater Icknield area.

### THE PROGRAMME HAD FOUR PRINCIPLE STRANDS OF ACTIVITY:

**1: Matching job skills** in the community with local major infrastructure projects (connecting people to jobs in Anchor Institutions, such as the hospital);



Cont. from page 17

Some workshops were also delivered at UoB. This enhanced trust between staff from the University, and the community which is a vital step in the development of this strand. CRs and academics engaged with research in very different ways. Where academics were sometimes constrained in their thinking due to academic protocol, and being aware of potential criticism, CRs were not restricted by these norms and enriched the research with their expertise and ease of access to data that is not easily accessible to academics. On the other hand, academics ensured research design rigour and quality assurance. Academics also connections with key local stakeholders at a strategic level. Regular mentoring and support of CRs played a key role in maintaining this relationship.

The CRs worked with a range of partners from across the West Midlands which has provided valuable experience of working with partner organisations to design, conduct, and disseminate research findings and has allowed them to shape the research being conducted within and about their communities. The commissioned

model illustrated the value of community research to the partner organisations and that the CRs are viable partners for their research, being highly skilled and informed with local knowledge and expertise, which many organisations seek to find. CRs' knowledge, research work and time were also valued and paid for. Through more than 24 commissioned research projects there was a broad range covering themes such as public health, environment, food insecurity, unemployment and skills of the refugees and migrant communities.

For example, one commissioned project aimed to assist refugees and asylum seekers to understand and enter the labour market, where a training package was developed. Another, the Connecting Canals and Local Communities project saw the researchers engaged members of the public, with 182 surveys completed. Another example is the skills recognition project, which aims to support refugees and asylum seekers to understand and access the UK labour market. CRs were also given the opportunity to present their work to a diverse audience



The fruitful partnership between university academics and CRs has been very beneficial and important for both.

on a number of events giving oral and poster presentations to the public. The research projects not only reflected the needs of the communities in the Greater Ickneild area but they also bridge the gap between communities and intervention programmes such as USE-IT in the area.



“High and rising income inequality damages our societies, reducing social cohesion and political coherence as well as affecting the prospects for future economic growth.”

DR DENIZ SEVINC

inequality



# Growth for Communities



## The Burden of Inequality

DR DENIZ SEVINC

The issue of inequality is one of the major continuing problems in economics and it is set to stay at the top of the global debate. High and rising income inequality damages our societies, reducing social cohesion and political coherence as well as affecting the prospects for future economic growth.

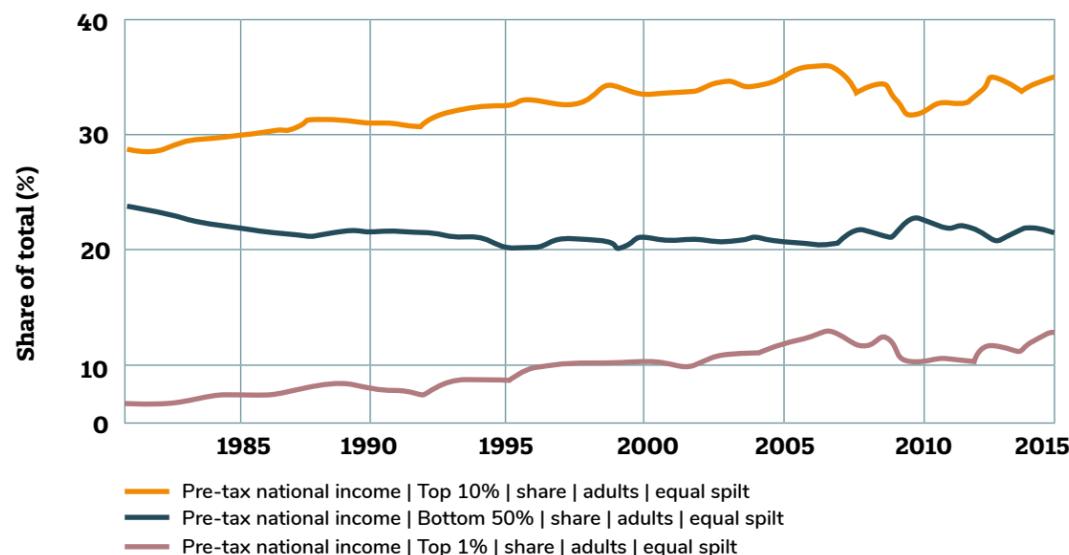
However, the current emphasis on income alone results in partial insights into who experiences inequality around the world and in what ways. Today's global inequality of

opportunity within countries is significantly large. Some countries have seen dramatic improvements, while others have not. There is a real danger of a self-reinforcing cycle establishing itself around the world, comprised of a growing inequality of opportunity (education and skills, access to employment, healthcare and affordable housing) leading to a weakening of economic growth and greater inequality. The neglect of human life aspects, with an over-emphasis on income, is certainly part of the problem.

As far as income inequality is concerned, the UK is one of the most regionally unbalanced countries in the developed world and most recent figures suggest that the richest 1% of the population account for 11% of the total income, the top 10% control 34%, whereas the bottom 50% (middle class) have only 22% of the total income. Wealth in Great Britain is even more unequally divided than income. The richest 1% of society hold 19% of all wealth and the top 10% control 53% of total wealth. The bottom 50%, by contrast, own just 9%.

Figure 1: Income Inequality in the UK, 1981- 2016

Source: World Inequality Lab, 2019.



“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”

ADAM SMITH



In 2019, the ONS calculated that the South East had the highest median wealth in April 2016 to March 2018, at £445,900

The issue of regional wealth inequality has been fertile ground for policy debate recently. Regional inequality is the outcome of a series of interactions between many different processes. Factors like technological change, globalisation, physical geography, firms, labour force diversity, economic opportunities form direct and indirect effects on regional disparities. It is vital to analyse these dynamics driving up inequality as a whole since they have both internal and external regional components.

In 2019, the ONS calculated that the South East had the highest median wealth in April 2016 to March 2018, at £445,900. This is followed by the South West (£372,600), London (£356,400) and the East of England (£348,800). The figure below provides a stark picture of wealth inequality by region. The region with the lowest median total wealth was the North East at £172,900. The three regions with the highest median total wealth (the South East, South West and London) have all seen

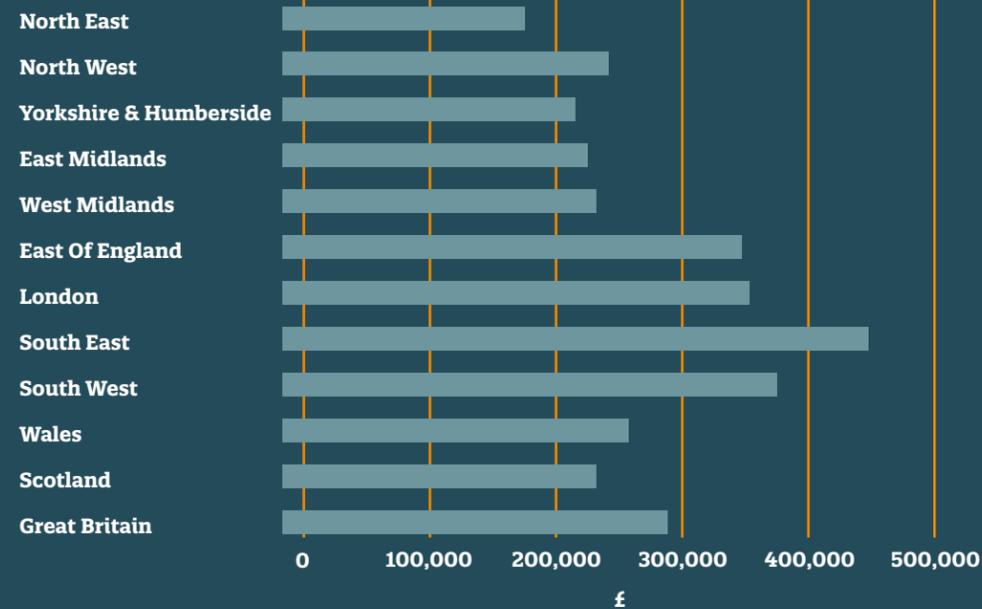
increases in median total wealth over time.

The three regions with the lowest median total wealth in April 2016 to March 2018 were the North East, Yorkshire and the Humber, and the East Midlands. The East Midlands has the third lowest median wealth and the region was closely followed by the West Midlands (ONS, 2019).



Figure 2: Median household wealth by region, April 2016 to March 2018

Source: Office for National Statistics – Wealth and Assets Survey, 2019.



The three regions with the lowest median total wealth in April 2016 to March 2018 were the North East, Yorkshire and the Humber, and the East Midlands.



Although the West Midlands region attracts high levels of inward investment and remains top of the national league for exports, job creation and foreign business investment, inequality is still an ongoing problem facing the region. A valid concern here is that an increasing proportion of households in the region seem to find it difficult to make both ends meet. In the West Midlands, after housing costs are taken into account, overall 1.3 million people live in poverty and this is made up of 400,000 children (three in ten children). As far as labour market conditions are concerned, 12% of the working age population in the region receive out-of-work benefits in comparison with 8% in England and the employment rate (65%) is below the national average (74%). One in five working families depend on in-work tax credits in an attempt to increase their low pay that is significantly higher than the national average (one in seven). Added to this problem is unequal distribution

of qualifications at the regional level. It is worth noting that regional economic growth relies on matching local demand to the local supply of skills; attracting inward investment also depends on the availability of certain skills in a region. However, our recent studies uncovered a significant NVQ4 gap of some 120,000 candidates absent from the labour market in the West Midlands region indicating that even though the jobs are potentially there, new recruits with appropriate qualifications are not.

To prioritise interventions and develop a more effective strategy for reducing regional inequality, it is necessary to take into consideration the multifaceted channels operating in the UK to analyse how inequality has been shared among cities, regions, and generations over time, and how macro policies have affected growing disparities between different socio-economic groups. The future prosperity of the region

depends on the development of such an integrated policy agenda that is committed to careful attention and generous investments towards closing the education attainment gap, supporting people to progress in work, connecting economic development and poverty reduction. It is only such a strategy that will transform local lives and produce better outcomes for the whole city region.

Thus, determining who the most deprived social groups are and in what ways they are experiencing deprivation is crucial for generating more effective, holistic inequality reduction initiatives. The complexities of multidimensional, longitudinal and spatial interdependencies between regions and within the West Midlands region needs to be understood in combination with a more robust knowledge about the redistributive effects of different government policies.

We explore these important challenges in our studies at City-REDI and WM-REDI in an attempt to shift the focus of societal development from an income-oriented approach to a people-centric one.



The region with the lowest median total wealth was the North East at £172,900.

Figure 3: Prosperity and inclusion indicators, West Midlands and England.

Source: Joseph Rowntree Foundation

	West Midlands Mayoral area	England
<b>Prosperity</b>		
Gross Added Value per capita (£)	20,900	26,200
Jobs per 100 residents	75	83
Businesses per 1000 residents	32	44
<b>Inclusion</b>		
Employment rate	64.5	74.0
Unemployment rate	8.1	5.1
% out of work benefit receipt	11.8	8.4
<b>Median gross weekly pay (full-time)</b>	<b>£497</b>	<b>£545</b>

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## How can data be used to reduce homelessness?

JOSHUA SWAN

Homelessness is an increasing problem for developed nations. The factors involved for its causation are numerous. A rise in big data has led to an analytical approach to solving this crisis. There are many more who are looking at how we can use technology to reduce homelessness and even aim to remove it completely. In using big data there are opportunities for affordable ways of targeting and ultimately reducing homelessness.

In the last decade homelessness has risen by 134% in the UK, whereas in a similar period Finland recorded a 35% fall and is aiming to abolish it completely. It has achieved this by simply giving homes to homeless people- but this is reliant on there being the spare capacity to be able to offer suitable homes to those who need it. Realistically there may not be the resources in place that can offer houses to homeless. One report suggests councils' funding has dropped from £10 billion to £2.3 billion in 2015. With councils in the UK under growing budget strain,

one avenue that can facilitate a reduction in homelessness is technology and data, a cheap intervention and prevention method to save cash-strapped councils.

So how can data be used to help against something as complex and prevalent as homelessness? Councils are beginning to collect socio-economic data on individuals that will raise a red flag if a particular person is at-risk. The councils' thinking is that prevention is much better for individuals, as well as, being much more cost-effective. Research from Crisis and Nicholas Pleace from the University of York illustrates that once an individual becomes homeless, it becomes much more difficult and expensive to help them. In 2015, it cost the public on average £20,128 for an individual sleeping rough for 12 months, compared to £1,426 cost when there's a successful intervention. This could save the taxpayer up to £370m per year.

Nikki Middleton, head of Customer Service from Luton Council describes how it can

feel uncomfortable to go through data to find those who are struggling, but that it is necessary. Behind the figures are human stories of trauma, substance misuse and poor mental health. Previous methods of data collection was of poor quality and of poor depth, missing essential information and unreliable to be able to target individuals for interventions. Local Authorities are now trying to get more data to learn more about the problem. That is a huge step up from walking out onto the cold streets every year to 'count' how many people are homeless, like they have done in the United States, which perhaps gives an idea of homelessness from an anecdotal level, but is far from being reliable for councils.

Organisations such as the charity Shelter, are also getting into the data game. Shelter have teamed up with Informatica, a data management company, to help. The advantages of doing so can tap into other technologies such as cloud technology. Essentially, the process of looking after and

collecting data is outsourced, allowing the charity or council to focus on the policy and operational elements of prevention. It also harnesses the expertise of these companies in gathering much more reliable data.

As these organisations have large amounts of data at their disposal that they have permission to use, they can begin to develop some tools to use on the front line of tackling this problem. Data collected on individuals can assess the care they require which will help with case management and a faster recovery. One particular individual may have severe learning difficulties, another substance misuse or another with trauma. From individual data, you can start to aggregate particular cases in favour of seeking out patterns- which can be used to judge the areas of greatest need. Location data can be used to create GIS analytics that creates hotspots on a map that can let volunteers know where to go. Organisations can also design predictive modelling to assess how at risk an individual

is and how best to help them before their situation deteriorates.

In Austin, Texas, research and trials have begun testing digital and portable identities. Currently, as soon as individuals don't have accessible paperwork such as birth certificates or any other form of ID, they can become a 'ghost' in the system, unable to navigate the obstinate bureaucratic structures that could find them help. Austin is rolling out pop-up clinics to administer portable and digital identities that take the form of a wearable bracelet. Their digital identity can be stored on the blockchain- or an easy access, secure and decentralised server system, very like the system used for cryptocurrencies. Whilst there are privacy concerns about how the data will be used, the data is actively being used to ensure that homeless individuals are not left without a digital identity. Ethical safeguards are needed to be built in to any such programme.

Combining the tools of big data, digital identity allocation and GIS mapping, institutions can develop predictive modelling of a homeless person's 'journey', ensuring early interventions can be more effective at an earlier stage in the journey. The University of Essex is currently working with Suffolk and Essex County Councils to analyse large datasets of citizens' data that can lead to providing additional support to those who need extra help. In this way, data can help an organisation step in and help an individual who is about to lose their house for example.

In short, data can be used to create tools that can help implement what policy alone cannot do. It allows policies to gain a pragmatic advantage over traditional policies and helps decision-makers be better informed. In line with council cuts and difficulties in public funding, the rise in using data is not surprising in the least, but a decisive step in the mission to end homelessness in the UK.

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In the last decade homelessness has risen by 134% in the UK



DR ANDRE CARRASCAL-INCERA

From a life-cycle perspective, youth employment or unemployment is what takes place at the very beginning of the working career.

## Tackling youth unemployment is a vital aim of inclusive growth

**A** high youth unemployment rate essentially means that a large proportion of younger people seek work but find none. And this can harm severely not just the present but also the future of any city-region or even national economy. Why? First, because it is a sign of resources not being used. Second, because it reveals structural problems in the labour market, in the matching between those looking for employees and those looking for jobs. Finally, because this unemployment happens at the beginning of the working history, causing important

individual and general effects of depreciation of those resources in the long run.

### But, what do we understand exactly by youth unemployment?

Following the statistical definition proposed by the International Labor Organization (ILO), youth unemployment includes those in the age range between 15 and 24 years without a job but available to be employed and also looking for work. From a life-cycle perspective, youth employment or unemployment is what takes place at the very beginning of the working career.

Theoretically, the demand for labour is a derived demand from one of goods and services (Brue et al., 2016), so any shock that reduces the aggregate demand, like the 2008 economic crisis, would cause a decrease in the number of workers needed, independently if those workers are young or adults. However, the transmission of the impact from the aggregate demand to the labour demand is going to be different for each region and production factor depending on the economic structure and on the institutional framework, especially with regards to the labour market. This

# youth unemployment

goes in line with the findings of Bell and Blanchflower (2011), concluding that youth unemployment in some countries like Spain, Latvia, Lithuania and Ireland rises when housing prices fall as a result of the reduction in the construction demand. Previous literature also found that young workers tend to absorb macroeconomic shocks because of the higher flexibility of their contracts (Blanchard and Wolfers, 2000; and O'Higgins, 2014) and that their situation is more sensitive to business cycle oscillations than adult employment (Ghoshray et al., 2016), among other

issues because they are less expensive to dismiss (Pastore, 2012).

### Why is it so important to address youth unemployment?

Academics that studied the consequences of youth unemployment have been mainly focused on analysing the individual effects, resting on the idea that the negative effects associated with unemployment depend on its duration. The first studies assumed that, for the young working population, the unemployment spells are shorter and a natural part of the job search process

(Freeman and Wise, 1982; Fagin and Little, 1984).

However, some studies such as O'Higgins (2001) found that, in the OECD countries, they present equal long-term unemployment incidence than the rest of the workforce. More recently, relying on longer longitudinal panel data, studies have found that unemployment in early working life could reduce an individual's productive potential and long-term employment prospects (Narendranathan and Elias, 1993; Ryan, 2001; Ciociano, 2014), i.e. the so-called scarring effect. Gregg and

Tominey (2005) obtained a wage scar penalty of 13-21% at the age of 41 for the UK, meaning that people that suffered unemployment earn between 13% and 21% less than their counterparts. The penalty goes down to 9-11% if individuals avoid repeated exposure. Mroz and Savage (2006) found a catch-up response for those that experienced unemployment, but still a negative effect on life-cycle earnings. Moreover, they found that unemployment experienced ten years in the past continues to affect earnings adversely. Bell and Blanchflower (2011) discovered that early

unemployment creates longer-lasting scars than recent unemployment experience (at the age of 50). Other authors such as Jimeno and Rodríguez (2002) have found that youth unemployment can affect negatively human capital accumulation or, even, fertility rates.

Another important consequence of youth unemployment is the discouragement that it causes to this group of the population. In 2012, the European Commission estimated that 12.6% of inactive young people wanted to work but they were no longer seeking a job actively. This is also closely related to the high percentage of NEETs (Neither in Employment nor in Education or Training) for these ages. In 2013, 12.9% of the young population were NEETs in Europe. 1 out of 5 in countries like Bulgaria, Italy or Greece. The ONS states that 11.3% of all young people in the UK were classified as NEETs in December 2018.

If we take a look at the youth unemployment figures in the UK, from 2004 to 2018 the evolution shows how West Midlands always present a higher rate than the UK average. According to the Annual Population Survey, West Midlands' youth unemployment rate was 13.8% in 2004, rising to 22.3% in 2013 and falling to 14.7% in 2018. For the UK as a whole, the corresponding rates were 12.3% in 2004, 20.2% in 2013 and 11.6% in 2018, a little bit lower than the EU average. None of these figures is to be taken lightly. Both human capital and discouraging effects can have also macroeconomic

impacts on regional and national productivity, affecting ultimately the potential future growth rates of the economies. In ageing societies, youth unemployment can impose an additional sustainability problem.

### What policies can be done to reduce youth unemployment?

The heavy influence of the age-mix factor (the proportion of young with respect to adults in the labour market) suggests that during times of crisis young workers need more job protection compared to their adult counterparts (Eichhorst et al., 2013a; Carrascal, 2017) across the entire EU15. Indeed, the loss of youth employment during the crisis was remarkably steeper than that for adults. The quick drop in youth employment is largely explained by declines in the demand for goods and services in sectors that tend to employ larger shares of youth and by the distorted input-mix of these sectors during the crisis and by the share of young among all workers, because, as we stated before, they are cheaper to dismiss. This shouldn't be translated as a need for policies that favours the young against the older. As Eichhorst et al. (2013b) shows, policies should improve the employment prospects of young people while keeping older people on the job, since they complement one another in the labour market (i.e., they do not compete for the same jobs, as also shown by Kim and Hewings (2019)).

Three areas of intervention can be identified: stimulation of labour demand, avoidance of long-term unemployment, and



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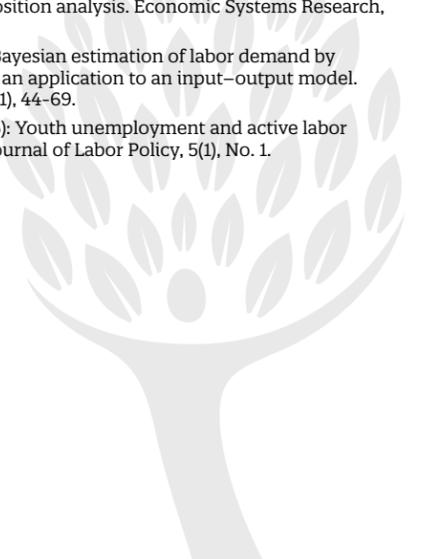
elimination of educational mismatch (see Caliendo and Schmidl, 2016, for a comprehensive evaluation of the different active labour market programs (ALMP) for youth in Europe).

Following Carrascal (2017), when the output is growing (e.g., 1995-2007) it seems that youth employment policies must be country-specific. For instance, Germany, Finland, the Netherlands, Sweden, France and the United Kingdom could simply have pursued policies that fostered employment in general. Youth in these countries lost jobs mainly because labour productivity improved, i.e., the sectoral labour requirements per unit of output decreased. Contrarily, countries more affected by the age-mix —like Greece, Spain, Italy and Portugal— during the same period, could have implemented job policies focused on younger cohorts to enhance youth employment.

Any regional inclusive growth strategy should thus consider the significance of youth unemployment and its residual long-term scarring effects on productivity and wider economic growth.

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Delivering inclusive growth at the local level also requires a strong institutional structure based on collaboration between public, economic and social partners.



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widely becomes difficult to achieve. This calls for research that aims to provide a better understanding of trade-off management by local and regional institutions and stakeholders. Furthermore, if government is to truly deliver on their promise of "a country that works for everyone" and "unlocking potential", English devolution can no longer back only the winners but needs to provide a more equal distribution of investment towards large as well as smaller urban and rural areas. Going forward, devolution needs to involve a significantly broader and higher transfer of powers and resources to give local areas the capacity to reach their potential and achieve their targets.

Delivering inclusive growth at the local level also requires a strong institutional structure based on collaboration between public, economic and social partners. However, the current arrangements for delivering growth are complex and incoherent (Pike et al., 2016) and a constant state of flux to the institutional make-up of regions over several decades has hindered internal coordination and wasted resources (Shaw and Tewdwr-Jones, 2016). Inclusive growth policies and interventions would therefore benefit from a longer-term, more transparent model of sub-national governance and accountability from the top. In addition, inclusive growth should be facilitated by an integrated approach to economic and social activity rather than the current fragmented model that sees the delivery of economic policy at the city-region level and social policy at the local authority level (Lupton and Hughes, 2016).

At the sub-national level, places need to be more open about where responsibility for inclusive growth lies. No longer can the expectation for its delivery fall solely on local authorities. Rather, inclusive growth needs to be recognised as a shared responsibility. As such, important roles must be played by a range of stakeholders, including local businesses and employers for investing in local skills and creating quality employment, anchor institutions such as universities, colleges and hospitals for connecting residents to growth, and community organisations for supporting co-production by bringing local people back into the growth narratives of local areas. Localities must also work towards overcoming difficulties relating to intra-regional tensions and diverging interests. This will allow them to reach institutional consensus for promoting inclusive growth strategies, as well as to act as a united front for challenging and holding central government to account on their devolution promises.

In short, devolution has the potential to enable inclusive growth but only if central government provides local areas with the powers and resources they need to achieve their priorities. In this context, it is important that places assess what devolution - even in its current diluted form - offers by way of policies and interventions that can be delivered at the sub-national level, and identify who is responsible for their delivery. Local areas also need to address any existing institutional barriers with a view to strengthening networks and improving local relationships.

## The role of devolution and institutions in inclusive growth

DR CHARLOTTE HOOLE

The barriers constraining inclusive growth are documented at length. They include the long-term structural challenges associated with economic restructuring and a changing geography of growth; the move towards a low-skills, low-pay equilibrium and precarious employment; issues of labour market connectivity and the supply of housing and transport; and a lack of spending on public services (see the work of the Inclusive Growth Analysis Unit and Inclusive Growth Commission).

These challenges reflect the processes of globalisation and technological change and a persistent national economic model in the UK built upon the expectation that the benefits of growth will flow from more to less dynamic local economies (Etherington & Jones, 2009; Haughton et al., 2016). Whilst these are largely beyond the reach of local-level interventions, devolution in England presents an opportunity for institutions

and stakeholders at the local and regional level to play a more prominent role in delivering growth that benefits all.

The current focus on Local Industrial Strategies (LIS) in England places inclusivity firmly in local growth agendas. The central aim is to develop a shared understanding of the strengths and assets of local economies amongst local institutions and stakeholders, and the ways in which growth can be shared more evenly. This marks the latest phase in English devolution that, beginning in 2010, saw the creation of a number of new growth coalitions between public and private interests in the form of Local Enterprise Partnerships (LEPs) and Combined Authorities (CAs) to transfer central powers and funding. LIS are to be developed locally and agreed with central government, with LEPs either leading or working collaboratively with Mayoral CAs to deliver them. This requires a new approach to growth, one that moves away

from the growth-first ideology championed under devolution until now towards local policies and interventions aimed at improving living standards, reducing poverty, and creating the conditions that enable more people to be a part of and benefit from economic growth.

To see this change happen, local areas will need the support of central government via devolved powers and funding. This is missing from the current model of English devolution whereby powers are heavily conditional (Ayres et al., 2017; Bailey & Wood, 2017) and funding limited in the context of austerity. The latter saw real-term reductions of 49.1% in government funding between 2010-11 and 2017-18 (NAO, 2018). This is forcing local policymakers into making difficult decisions on where to concentrate the limited resources they have. Consequently, responding to central government asks and managing competing priorities between increasing productivity and sharing prosperity more



# The REDI Updates Interview

ANDY STREET

REDI  
UPDATES



Photo: Annie Benton www.anniebentonphotography.com

The first publication of REDI-Updates is focused on inclusive growth because of its positive role in changing communities, a conviction matched by the West Midlands Combined Authority. The West Midlands Combined Authority is unique for having an in-house Inclusive Growth Unit, blending analysis, policy advice and practical action...

## What has been its successes so far?

Every proposal that comes to the Combined Authority board is assessed by the Inclusive Growth Unit, to make sure we genuinely are thinking about the implications of our decisions on all communities.

If you look at how the lion's share of the money which is now being spent - whether that's on improving housing or extending the transport network - you can see that the Unit's assessments are helping to ensure we reach out to help the communities that are furthest from the success of the region.

You can see the influence of this approach in all kinds of areas. A good example would be how we are placing real emphasis on raising skill levels with quantifiable success, another would be how we are concentrating some of our employment support work in the region's least advantaged areas.

**A visible consequence of economic inequality is homelessness, which is a growing problem in the West Midlands. You have been a vocal champion of the Housing First as a viable policy-solution. What has the initial £9.6m pilot project achieved and**

## is there scope for full implementation?

Homelessness is a critical and complex issue that requires a collaborative approach to solve. I am pleased that in the West Midlands not only have we adopted that approach through Housing First, but that we are also seeing some success off the back of it.

For example, Walsall Council's determination to make the most of Housing First deserves huge praise. Across the region, at the turn of the year, Housing First had helped 138 rough sleepers into accommodation, and I'm optimistic that this success will be further reflected in significantly lower numbers of rough sleepers on the streets, when new figures are revealed soon.

Measuring the success of Housing First is incredibly important, as what we are doing here is a pilot scheme for the country. We believe it has worked and will be pressing the Government to extend funding to secure long-term certainty going forward. This is something that has delivered demonstrable results, which could help rough sleepers across the UK.

**You mentioned the need to fix the UK's housing supply. To achieve that aim, is building**

## on the green-belt an inherent trade-off in order to realise inclusive growth, or can supply be increased through a brownfield-first policy?

There are genuine concerns over development on the green belt in communities across the region, and I believe that in the past planners have taken the 'easy option' when giving the go-ahead to building on open spaces. What we have pursued with considerable success in the West Midlands is a policy switch that targets brownfield sites first and provides the funding and technology to reclaim old industrial sites for redevelopment.

So, long-standing eyesores are being reborn as new housing developments, boosting the economy, creating footfall for high streets and protecting the greenbelt too. The biggest site, at Friar Park in Wednesbury, an old sewage works the size of more than 32 football pitches, will see 750 new homes built. Latest figures show 186 acres of once-derelict land has been brought back into use thanks to a series of loans and grants.

This innovative approach is also helping the region deliver much-needed new homes at an impressive rate. The figures show that in 2019 we built 16,900 homes - that's up 15% in one year, and over a third

in 2 years, far ahead of the national average. More than £82m in loans has been made available from the Collective Investment Fund (CIF) to help property developers build much-needed commercial, light industrial and regeneration schemes too. Once the schemes are completed and a new occupier is confirmed the funding is repaid to the WMCA. A further £39m in grants has been issued through the Brownfield Land & Property Development Fund, which has unlocked more than 112 acres of brownfield land.

So, we have in place the funding and expertise to ensure that we always look to brownfield first when building new homes, and the evidence shows that as a policy it works.

**An important part of any inclusive growth strategy is the need to invest in infrastructure, including both skills and transport. What infrastructure and other projects in the West Midlands have been approved that will most help benefit local communities and power growth?**

In terms of infrastructure, connectivity through transport is a great example of how investment can improve communities' access to opportunity and drive

## INTERVIEW

ANDY STREET

economic growth. We are seeing ambitious plans to reopen railway stations across the conurbation which will ease congestion and help people access jobs better, for example.

But the extension of the Metro into Dudley town centre is probably the best example of how this approach will improve the lives of residents. Dudley has been disconnected and shut off from the region's main transport network, leading to a lack of opportunities for local people because they have been isolated by ineffective infrastructure. The Metro finally connects them properly with everywhere else. We have been talking about doing something like this for 25 years and I'm proud that it has been achieved through the WMCA and the Mayor's office.

Looking at skills, back in 2007, 20% of young people in the West Midlands left school with no qualifications, a figure that has been brought down to 11%. This has been achieved through retraining in areas like digital and construction, and in the huge growth in modern apprenticeships.

What we have uniquely in the West Midlands is the Apprenticeship Transfer Scheme, which allows us to spend the unused apprenticeship levy paid by big firms more sensibly. This means that if you are a big company that is paying the levy but not using all of the

money, rather than being left in a pot in London that money comes back to us, and we then use it to help smaller firms take on apprentices. The unspent levy from just two firms – HSBC and Lloyds – is paying for 800 apprentices at small firms.

***The region is set to experience both the Birmingham Commonwealth Games and Coventry City of Culture. In what way will these flagship events help realise the values of the Combined Authority's inclusive growth strategy?***

Both of these events offer once-in-a-lifetime opportunities to drive investment and growth into the region. The Games will be the second biggest sporting event ever held in the UK, surpassed only by the London Olympics, and the Government is providing 75% of the £778million costs, with Birmingham and regional partners contributing the rest. With such significant public funding, we are focused on creating a lasting legacy, with new and revamped venues taking shape, new transport links, and valuable business ties. However, we have been equally determined to garner immediate benefits – from new railway stations to skills hubs.

In Coventry, the City of Culture preparations are driving huge improvements too. First of all, the station is getting a major revamp to

the tune of £39M, as it will provide the initial gateway for visitors. We are also investing in lots of infrastructure in the city centre in terms of lighting, signage, art and paving to improve the public realm not only for visitors next year but for generations to come. An investment of £31M was approved by the WMCA last summer, money which is already being spent to get Coventry ready.

But with both events the real target is a renewed sense of civic pride in citizens of the West Midlands, whether through their participation as volunteers, spectators, local hosts, cultural contributors or even athletes.

***How has your background in business, as CEO of John Lewis, influenced your approach to being the West Midlands' first elected Mayor?***

There are more similarities than may appear between being CEO of a customer-facing business and a regional Mayor.

First of all, you are a front man. In business you champion the brand and your employees, in politics you champion your region and its people. Then, there is setting and sticking to a competitive strategy, which is as important in regional leadership as it is in commerce. I firmly believe the West Midlands must know its strengths and play to them if it is to compete on

the world stage with the likes of Boston, Barcelona and Beijing.

Finally, a Mayor has to build a team, create plans, set goals and ensure there is accountability for delivery, just as a Managing Director would.

Crucially, in business, you employ robust analysis of a problem or opportunity, and then set in place a resourced plan to address the matter at hand. In the same way, I try to always be clear about what I want to achieve for the people of the West Midlands, and how we can achieve the goals we have identified. It's about arriving at solutions through rigorous analytical processes, rather than politically-driven thinking.



Looking at skills, back in 2007, 20% of young people in the West Midlands left school with no qualifications, a figure that has been brought down to 11%.

## REDI to debate

The current government is considering changing the way Her Majesty's Treasury (HMT) allocate funding for big infrastructure projects to support the ambition to 'level up' the country. In this edition the debate will ask whether there is need to revise HMT Green Book appraisal methodology in order to support regional growth.

Get REDI. Debate!



REBECCA RILEY



## 'Levelling up' is on the Government agenda, but what are the constraints and risks for policymakers?

A recent publication<sup>1</sup> has highlighted the role of Her Majesty's Treasury (HMT) and the application of the "Green Book", the guidebook for designing and developing investments, the paper highlights that this approach is not working well for English regions. This is an issue for the government, as it wishes to respond to the accusation this approach favours Greater London and the South East. The government is also dealing with the fact they have gained so many northern and midlands seats and as the current phrase 'levelling up' gains momentum this allocation of investment will need to change to ensure inclusive growth is a reality.

However, the greatest challenge for policymakers

and politicians alike is that HMT does not have a departmental objective to 'level up'; in fact its role is to reduce the structural deficit (within a very tight timescale) and drive up productivity by investment in infrastructure. These two objectives work directly against levelling up or creating inclusive places. They create an approach based on investing in things that work, things that create best return on investment and things that generate the best growth, which leaves large parts of the Midlands as not ideal investments relative to London.

So is this discussion about the Green Book a distraction from this core point? If we want to invest in different places we need to change our perspective and our

objectives. It is correct to say that creating nuance in the framework of the Green Book is difficult with the current objectives. Academic evidence shows us that greater agglomeration is important to boost productivity in regional economies, but this is dwarfed by the effect of agglomeration in the Greater South East (GSE). Have we paid too little attention to how unfettered growth in the GSE is overheating the economy, creating greater disparities at the local level, increasing congestion and raising house prices to record levels? How as researchers and policymakers do we put this right?

Changing the Green Book, or getting rid of it, is not the solution to the problem, which is in reality related to the

way it is implemented and interpreted. The guidance does allow you to adapt but this is rare due to the HMT drivers, and to get allocations for investments these HMT objectives take precedence. Culturally within government departments the attitude is to invest in the south because of these drivers and also because of the fact that the south is geographically close to decision makers and issues and challenges are experienced every day. In reality, with reduced public budgets, GSE has the most population and most businesses so therefore investment has a bigger impact. However this grows the capital at the expense of everywhere else and the problem just gets worse, both for the capital, which continues to overheat and the periphery which slows down as more as people leave for better opportunities in the south.

The Green Book guidance was written with devolved budgets in mind and was brought in with Regional Development Agencies and integrated regional strategies. Which looked at complex issues and local delivery and the whole impact (economic, social and environmental) of activities and a wide range of investments were made aiming at 'levelling up', or the terminology then was 'narrowing the gap'. Place based objectives should be set at the appropriate local level through shared strategic goals across partners, at

this point the guidance and frameworks for investment comes in, and it is largely about evidencing, exploring and choosing the right option to fix an issue, aiming for consistent decision making. The second challenge for policymakers is how do we continue with the devolution project to ensure good decision making based on the levels of evidence that the green book requires?



## Cities and towns are becoming centres for experiences and different ways of working.

In order to level up and create a more inclusive economy that ensures the Midlands is not left behind, does HMT need to change their departmental objectives as these drive the strategic choices before Green Book is even considered? The strategic element of the 5 case methodology aligns with HMT objectives. Does the deficit objective need to be longer term (otherwise we will continue to invest in short term success) and does the productivity objective need to be extended to ensure we also improve the performance

of places outside London and the GSE. The challenge is how to set this it should not be a 'reach the average' or 'narrow the gap' target as used in the past, these are not possible to achieve, as by default this means we need GSE to do worse, as the rest of the UK will never improve to reach the performance of an global city. The objective should actively encourage investment beyond the south in the interests of making the UK a better place to live, work and play and provide quality opportunities to people outside the GSE. Should the objective be framed around distributed wealth and focus on Gross Domestic Household Income as a better measure of prosperity than our current Gross Domestic Product target?

Beyond changing these objectives, should devolution deals should be used to create single pots, similar in

size and scale to previous regional budgets and the EU money we will be losing? Those single pots could be directed by local need and decided locally, instead of piecemeal, conflicting small pots from multiple departments, which are difficult to manage, monitor and evaluate. They could be governed by agreed regional strategies building on the work done on Local Industrial Strategies, and they should reflect on the OECD Sustainable Development Goals and how places deliver against these international objectives to be a blue print for the a better and more sustainable future for all. With clear outcome measures that place levelling up, inclusivity and opportunity at the heart of the plan.

Investment in places is a driver to fundamentally rebalance, places have to be worth living in and investing

in, which means investment in public realm, skills, housing, and transport, health and business infrastructure. London, as the Capital, draws people and business from the regions, regional cities in turn draw from towns and towns get smaller and empty out. Towns need new purpose does being a good town mean primarily being good places to live to attract residents who may be the workforce elsewhere?

Cities and towns are becoming centres for experiences and different ways of working. Continued technological change means work places and jobs are changing dramatically and this creates an opportunity to shape economic geographies on whole new levels. There are good examples of this type of reimagining of towns across the country which could help shape policy and should inform best practice in policy. Places

need to be able to invest in high streets and prepare for the future that is reshaping the economy as a whole. The places which need levelling up are the ones left behind by various industrial and technological revolutions this needs addressing through giving them the funding and tools to make changes. Investment should build resilience in local economies, and drive skills and innovation at the local level.

There needs to be investment in integrated leadership, OECD highlights this as crucial to growth, but we have a patchwork of leadership structures which either need to be collapsed or aligned better through jointly developed strategy and delivery mechanisms.

The third challenge for policy is that leadership also has to include the ability to innovate in policy and programme

development and nurturing a public policy innovation ecosystem a local level. Places need investment in training and expertise in how to develop good projects, previously strategy and evaluation training was delivered to all regional and national staff which has deteriorated under the pressures of budget cuts, whilst organisations are being expected to deliver green book approaches without the understanding and expertise.

So do we need to create programmes of investment in good leaders, who understand how to encourage greater involvement of the residents in the identification of issues and the development of solutions, to give people greater influence over the future of where they live?

Changing the Green Book will not change the cultural attitudes of Whitehall. Complex societies need

complex solutions, and the overall strategic aim of levelling up needs to be seen as a complex problem, the question for government is how much does it drive integrated local approaches and drive a culture of good leadership, and give them the levers, tools and expertise to make a difference to those left behind?

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“Transport policy needs to integrate the measures of subjective wellbeing in the evaluation of investments, leading to a more inclusive, equal and satisfied society that ultimately can lead to a strong and better economy.”

DR MAGDA CEPEDA ZORRILLA

economy



# Connecting Communities

## Better transport infrastructure can increase the region's well-being

DR MAGDA CEPEDA ZORRILLA

To understand how transport can help to enhance people's well-being it is important to recognise first, what well-being is and second, how to measure it.

According to research, well-being can be measured by an objective or subjective approach. The objective approach measures indicators of material resources such as income, food, and housing, as well as indicators of social attributes, such as education and health etc. Whereas, the subjective approach refers to the individuals' own evaluation of their life (Western and Tomaszewski, 2016) and can be measured in two different ways: one is by the evaluation of satisfaction with life (known as cognitive judgment of life satisfaction): and as evaluation of emotional well-being (experienced positive versus negative moods or emotions) (Friman, et al. 2017, p.1). The Office for National Statistics (ONS), considers different aspects of both approaches to measure people's overall well-being. It does so by considering aspects such as life

satisfaction, happiness, health, relationships, level of education, skills, employment, living environment, residence and finances. Transport plays a very important role in several components of wellbeing. In fact, it is argued that the ultimate goal of any transport policy is to improve people's well-being by improving access to important activities, physical mobility and physical infrastructure (Delbosc, 2012). A transport policy that does not take into account these aspects of peoples' life can lead to high costs not only for the individuals and for their families but also, for the society and the economy.

For example, a highly motorised urban environment, characterised by people driving excessively even for short journeys (less than 2 miles) can potentially lead to lack of physical activity in addition to the mental stress that traffic can trigger. The result is an increase of cost for health services.

Public Health England (PHE) states that a sedentary lifestyle

is the cause of one in every six deaths in the UK, costing up to £1.2 billion to the health system annually (BHF, 2017) which translates to £7.4 billion to the entire economy annually (PHE, 2014). PHE highlights the importance of improving mental health and wellbeing to reduce the social and economic cost to the regional productivity, from strain on public health services as well as the drop in employees' productivity. In the West Midlands, as many as 70,000 people are economically inactive due to mental health problems and 4.1 million working days are lost as a direct result of mental health problems. Moreover, the cost per person du is £3,100 annually and at regional level, it can cost up to £12.5 billion per year (Norman S. 2017). Other impacts of excessively motorised urban environment includes air and noise pollution as well as road accidents, and feelings of pedestrian vulnerability. Research has shown that exposure to pollutants from motor vehicles is associated with respiratory and cardiovascular problems (Khreis, et al. 2017; Samoli,

et al. 2016). In the UK, according to DEFRA and PHE (2017) poor air quality represents the largest environmental risk to the Public Health system. In the West Midlands, air pollutants measured by the monitory station in Birmingham Tyburn showed levels above the guidelines set by the World Health Organization (WHO) (DEFRA and PHE, 2017). In addition, qualitative research carried out has found that pedestrians feel that commuting on foot leaves them vulnerable and at risk of accidents, whereas motor vehicles get more consideration from the transport planners (Hodgson et al., 2004). Pedestrian safety can be improved either by engineering measures or by traffic calming measures. This is particularly important in urban cores, which are heavily urbanised with high numbers of pedestrians. The medieval city of York, for instance, has revealed plans to ban private car journeys in to the city centre within three years. Local authorities and transport authorities as well as planners should fully recognize the importance and needs of all road users, including pedestrians, and follow an integrated approach to address the current problems and prevent future ones. A modal shift from driving to more active transport can help relieve the air and noise pollution. In fact, increased

them vulnerable and at risk of accidents, whereas motor vehicles get more consideration from the transport planners (Hodgson et al., 2004). Pedestrian safety can be improved either by engineering measures or by traffic calming measures. This is particularly important in urban cores, which are heavily urbanised with high numbers of pedestrians. The medieval city of York, for instance, has revealed plans to ban private car journeys in to the city centre within three years. Local authorities and transport authorities as well as planners should fully recognize the importance and needs of all road users, including pedestrians, and follow an integrated approach to address the current problems and prevent future ones. A modal shift from driving to more active transport can help relieve the air and noise pollution. In fact, increased

walking and cycling can trigger positive effects on people's lives and the economy as a whole. By walking or cycling, commuters can improve their health and contribute to reduce the risk of suffering overweight and stress. These benefits can outweigh the drawbacks even in poor air quality areas (Tainio et al., 2016). Active lifestyles can help reduce the risk of other illnesses such as type 2 diabetes and other cardiovascular diseases that further strains the public health system. The West Midlands has the lowest level of physical activity in adults in England (WMCA, 2017). Many residents will greatly benefit from active commuting to work, specifically in short distances (up to 1 mile for walking and up to 5 miles for cycling). As walking and cycling to work is the easiest way to incorporate physical activity into people's daily routine (NICE, 2012), regional

transport planners should seek ways to ensure physical activity commuting is embedded in to transport strategies.

The phenomena of geographical and economic exclusion (Church, et al. 2000), which is a result of poor transport provision, restricts people from travelling to work or education due to lack of efficient or economical transport links, as well as narrowing the residence search perimeters. A qualitative study about students' experience of transport concluded that "inadequate transport greatly affects access to the complex bundle of activities necessary for full participation in higher education" (Kenyon, 2011, p. 769). More recently, researchers using quantitative analysis investigated the link between public transport accessibility, travel time and employment in the UK. The authors found



<sup>2</sup>The WHO guideline state not to exceed annual average concentrations of particle matters (PM) of: 10 µg/m<sup>3</sup> of PM<sub>2.5</sub> and 20 µg/m<sup>3</sup> of PM<sub>10</sub>. The Birmingham Tyburn urban background monitoring showed an annual average of 16 µg/m<sup>3</sup> for PM<sub>2.5</sub> and 23 µg/m<sup>3</sup> for PM<sub>10</sub> (DEFRA and PHE, 2017)



Transport plays a very important role in several components of wellbeing.

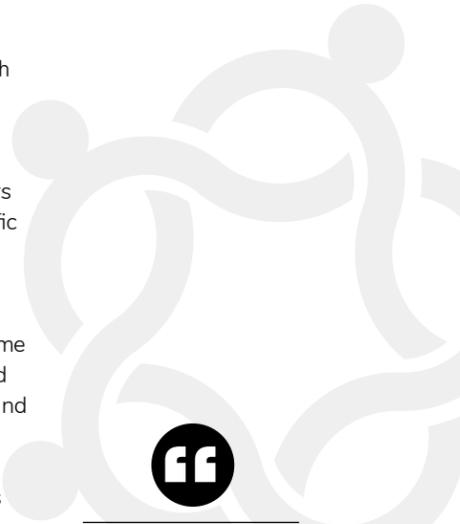
a statistically significant relationship between travel time and higher employment level, if all other conditions are kept equal (Johnson, et al. 2017). Alongside adverse effects to physical health and employment, it is well documented that poor-quality transport can negatively influence social relationships.

Access to different transport options allow people that cannot drive to carry out leisure trips such as visiting friends, relatives or engage in social activities. The importance of which cannot be over stated, especially in the case of elderly people who due to functional, cognitive and visual impairment are restricted from driving (MacLeod et al., 2014). A lack of

access to bus-services in rural Wales, as an example, can lead to social exclusion, loneliness and depression, research concluded (Edwards et al., 2009 and Ziegler and Schwanen, 2011).

The negative impacts of transport on social relationships, people's living space and quality of life goes further. For instance, research has shown that the development of urban transport infrastructure and road traffic negatively affects the number of friends and acquaintances that people have. Appleyard and Lintell (1972) and Appleyard et al. (1976) carried out a study in San Francisco in USA. The study consisted of interviews among residents in three streets with different traffic volume. A

street with light traffic (2000 vehicles per day), a street with medium level of traffic (8000 vehicles per day) and a street with heavy traffic (16000 vehicles per day). The authors found that as the level of traffic increased, the level of social interaction, especially across the street decreased. More recently and following the same approach, a study was carried out in Bristol. The authors found that similar results from San Francisco could be found in the UK. The main finding was that there was a significant difference in the level of traffic and the number of friends and acquaintances (see table 1). Moreover, the traffic conditions had impact on people's perception of road safety (Hart and Parkhurst, 2011).



## The West Midlands has the lowest level of physical activity in adults in England

(WMCA, 2017).

Table 1.

	Light traffic street		Medium traffic street		Heavy traffic street	
Study location	San Francisco	Bristol	San Francisco	Bristol	San Francisco	Bristol
Traffic Volume (Veh. per day)	2,000	140	8,000	8,420	16,000	21,130
Avg. number of friends	3	5.35	1.3	2.45	0.9	1.15
Avg. number of acquaintances	6.3	6.1	4.1	3.65	3.1	2.8

Source: Hart, J. and Parkhurst, G., 2011 (p. 14)

Furthermore, transport infrastructure or motorised traffic might lead to progressive physical or psychological separation of neighbourhoods also known as "community severance" (Anciaes et al., 2016a). However, further research is required to understand and measure this issue. For instance, Anciaes et al. (2016b) carried a study trying to identify the best methods measure the intensity of community severance and

to assess its economic value. The authors concluded that there is a need for developing objective indicators that can help understanding the nature, incidence, and intensity of the "community severance" as well as that can help to promotes public participation in the planning process. In summary, we affirm that the relationship between transport and wellbeing is extremely complex and in order to create a positive impact on

wellbeing it is necessary to follow a holistic approach. This means that it would require different disciplines such as transport and urban planners and experts from health and psychology, to come together in the process of transport planning. Moreover, decisions for investment in transport developments should include engaging with researchers and consulting civil society and local communities to understand how the potential developments

might affect people's wellbeing. In addition, transport policy needs to integrate the measures of subjective wellbeing in the evaluation of these investments. Leading to a more inclusive, equal and satisfied society that ultimately can lead to a strong and better economy.



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## Inclusive growth? The unequal contribution of globalisation and automation to local jobs.

DR RAQUEL ORTEGA-ARGILES AND NIKOS TERZIDIS

In recent decades, employment restructuring in the industrialised world has been characterized by declining employment in low-skilled workers compared to high-skilled ones accompanied by uneven wage growth across different skill groups. The ongoing academic and policy debates about the causes to these changes point to the global fragmentation of production processes and domestic skills-based technological progress as the two main explanations.

Econometric work by the proponents of technological

progress has focused on new technology-skill complementarities. During the 1980s and early 1990s, automation was seen as one of the main causes to explain labour market developments. The main argument is that the skill-biased nature of technological innovations with the introduction of high-tech capital increases the demand of high-skilled workers. At the same time, automation substitutes routine-based employees, a characteristic of medium or low-skilled employment. Taken together, this dual effect is reflected by a higher demand for skilled

relative to unskilled workers, after technological change has occurred.

In the early 2000s, stimulated by the ascension of China to the World Trade Organisation (WTO) in 2001 as well as the decreasing transportation costs and the decline of trade barriers, trade and in particular import competition became an important explanation of labour market developments in developed countries. The direct impact of trade on labour markets is quite straightforward. Increased import competition decreases domestic employment in

import-competing sectors (the majority of them characterised by large shares of low-skilled employment).

As well as the above direct effects, the theoretical literature also identifies secondary inter-sectoral spillover effects. In particular, there is a scale effect where the labour substituting effects of offshoring are affected by changes in the scale of the industry or firm. In particular, offshoring the least productive segments of production increases the average productivity with a positive effect on output and subsequent labour demand. In addition, the literature is currently exploring inter-industry spillovers between the local downward and upward linkages in the domestic industrial structure. In this type of analysis, the role of input-output linkages

for understanding the factor market effects of international outsourcing are emphasised.

These unequal changes in labour and wage formation for different types of workers are often referred to as the “job polarisation” or “employment polarisation” (Goos and Manning, 2007; Goos et al., 2009).

Our recent and current research looks at the relative contribution of automation and globalisation on wages and employment. Our first piece, a meta-analysis based on ordered-probit and weighted least square estimations, shows that technological progress is more likely to harm low-skilled employment and it has had a greater impact on US labour markets comparing to EU ones (Terzidis et al., 2019). International trade, on the contrary is more

likely to benefit high-skilled employment. Our second piece, based on dynamic panel data estimations, looks at the local labour markets effects using Dutch data (Terzidis et al., 2017). The research shows asymmetric employment polarisation in local labour markets, especially among young and male local employees. We found clear effects of automation negatively affecting lower paid jobs and positively affecting higher paid jobs. Globalisation, measured by international trade linkages, has clear positive effects on low-skilled and high-skilled employment while no effect was found for medium-skilled workers. The effect of trade varies when we consider different age groups and trade destinations.

More specifically, the regional pattern for job polarisation are also characterized by higher

per capita income, high skilled employment (ICT and financial sector), labour utilization at a sub-optimal level and a lower population density. Overall our results point towards addressing local labour market rigidities at the regional level (EPL, wage inflexibility), increase labour market mobility and promote on-the-job training schemes.

More information of this project can be found in:

Goos, M. and Manning, A., 2007. Lousy and lovely jobs: The rising polarization of work in Britain, *Review of Economics and Statistics*, 89, 118-133.

Goos, M., Manning, A. and Salomons, A., 2009. Job polarization in Europe, *American Economic Review*, 99, 58-63.  
Terzidis, N., Brakman, S. and Ortega-Argiles, R., 2019. Labour Markets, Trade and Technological Progress: A Meta-Study, CESifo Working Paper Series 7719m CESifo Group Munich.

Terzidis, N., van Maarseveen, R. and Ortega-Argiles, R., 2017. “Employment Polarization in local labor markets: the Dutch case,” CPB Discussion Paper 358, CPB Netherlands Bureau for Economic Policy Analysis.



During the 1980s and early 1990s, automation was seen as one of the main causes to explain labour market developments.



## Commercialisation of university research as a pathway to regional growth

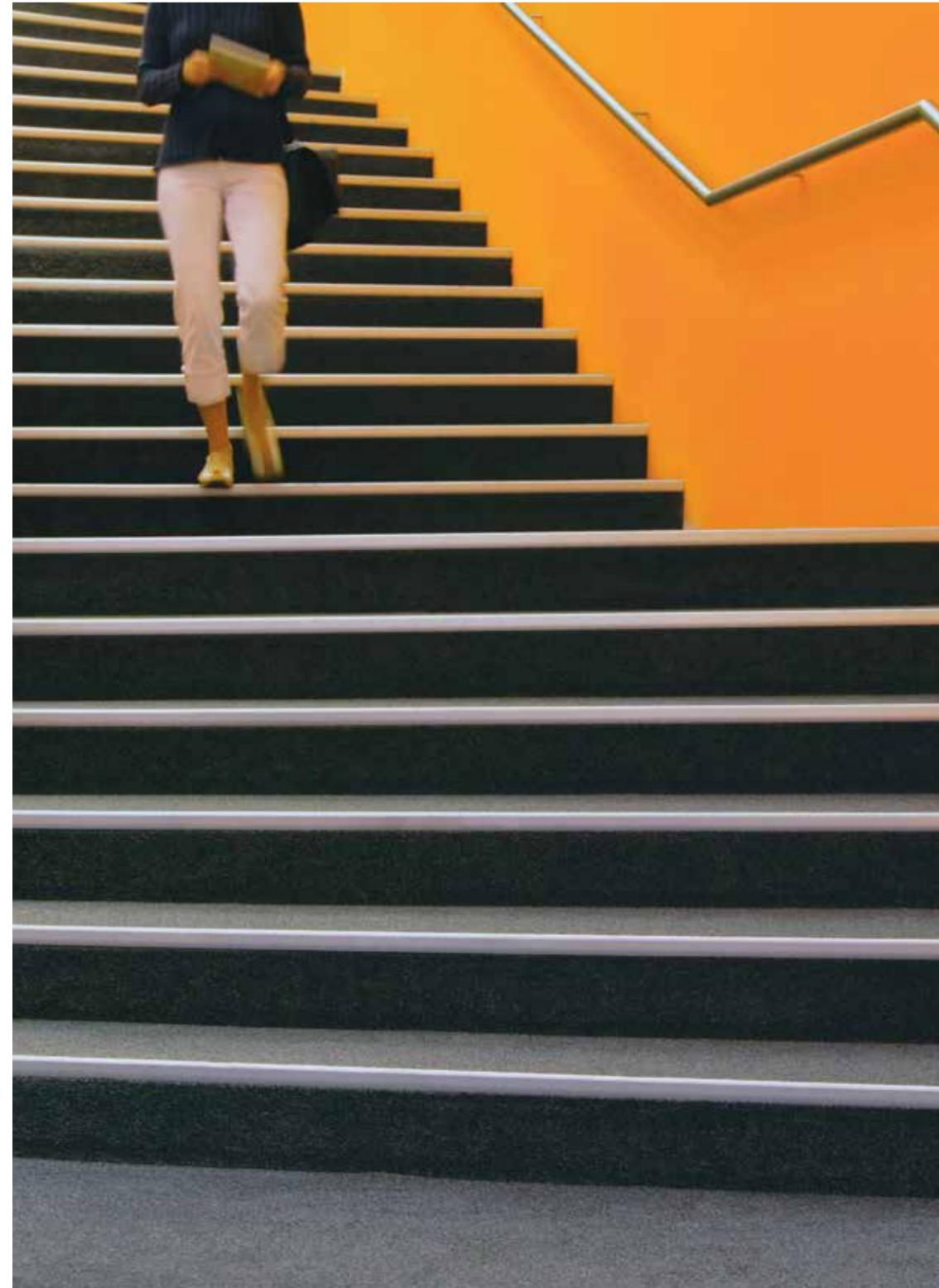
DR CHLOE BILLING

Universities are no longer thought of as 'ivory towers' focussed only on the creation of knowledge and education, since they are increasingly involved with 'third mission' or 'third stream' activities (teaching and research being first and second mission activities). These activities are labelled as 'technology transfer' or the 'commercialisation of university research' and defined as the transformation of knowledge into marketable products and services (Narayan et al., 2017). Commercialisation of university research became prominent following the introduction of the 1980 Bayh-Dole Act in the USA, which gave universities the right to own and license the intellectual property from their research. Today, publicly funded research at most UK universities is supplemented by private investment and gains from intellectual property ownership. There are five different technology transfer mechanisms from universities: (i) spin-outs (new firms created to exploit

commercially knowledge or tech developed within a university); (ii) licencing; (iii) consultancy; (iv) publications; and (v) cooperative R&D agreements with industry.

It is widely acknowledged, that successful technology transfer has positive impacts on local economic growth. This was proven in recent research by the London School of Economics which found that a 10% increase in the number of universities (which roughly means adding one more university in the average region in our data) increases that region's income by 0.4% (Valero and Reenen, 2016). Additionally, universities were found to increase output in neighbouring areas within the same country, with stronger effects for geographically closer regions. These findings were based on analysis of the UNESCO's World Higher Education Database, which details the location of 15,000 universities in 1,500 subnational regions across 78 countries.

The commercialisation of university research impacts on local economic growth in two key ways. First, transformative knowledge created by University research (disseminated by license, consultancy, publications or cooperative R&D agreements) is adopted by local businesses for their R&D activities, supporting new-to-the-market innovations of products and processes. Secondly, universities have the ever-increasing capacity and capability to generate and transfer new technologies in-house. These technologies can be exploited into marketable products and services either via university spin-outs or the licensing of intellectual property.



Universities also provide skilled graduates as an important capacity-building input into the region's innovation ecosystems with associated impacts on increasing productivity in the firms where they work. Graduates are not only skilled employees but can also become entrepreneurs and firm founders, contributing to job creation and economic growth. There is also the transformative knowledge that both graduates and the University departments offer to the LEPs, local authority, Chambers of Commerce, trade and professional bodies, other public services, as well as businesses.

However, there is an observed long-term systemic problem relating to the UK university-industry gap, whereby there are limits to the adoption and diffusion of new technologies. The Industrial Strategy Green Paper (2017) highlighted that whilst the UK ranks first in many key global measures of research quality; in terms of intellectual property income generated against research resources and the number of successful spin-off companies the UK performs far behind US institutions. In order to address this gap, there is a demand for better partnerships to be built between universities and local businesses. This is important as the knowledge created by Universities does not always match the needs of local firms and thus, is not always adopted (Hewitt-Dundas et al., 2017). Studies have also found that bridging this university-industry gap requires confronting the



Graduates are not only skilled employees but can also become entrepreneurs and firm founders, contributing to job creation and economic growth.



differences in the culture and priorities between the business and higher education worlds.

For example, academics are motivated by a number of incentives and performance indicators (including their teaching and research responsibilities) that can distract from commercialisation activities. At City-REDI, we are looking at ways of addressing this issue by identifying the different forms of commercialisation pathways at Universities and developing a framework to help academics to better understand the process and the potential impact of their technologies.

This research is timely, given Research England's recent publication of their methodology for creating a new Knowledge Exchange Framework (KEF), to compare how effective universities are at knowledge engagement activities and the commercialisation of research. KEF is expected to sit alongside the existing Research Excellence Framework and the Teaching Excellence and Student Framework, to provide a more holistic view of the contributions made by universities. In the future KEF will have some bearing on how £200m of Higher Education Infrastructure Funds (HEIF) is allocated.

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