Issues Paper on City Deals and Inclusive Growth

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This paper sets out the issues that researchers and policymakers will be confronted with when considering the parallels and possible links between the inclusive growth agenda and the deal-based decentralisation agenda (to sub-national entities).

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Key points

- City Deals, which connect to the localism agenda in England, are now being struck in both Scotland and Wales. In the tripartite contexts – comprising local authorities and UK and devolved governments - there are questions about how City Deals relate to inclusive growth, given the Scottish Government identifies this as a key policy focus.[1]
- One of the key features of some City Deals is the process by which progress is measured and evaluated. This involves "gateway" mechanisms for drawing down successive tranches of investment.
- Political issues concern the potentially competing viewpoints of the UK Government and the devolved administrations, and the different objectives they have set. Whilst the UK Government's core success criteria relates to economic growth, equivalent indicators for the measurement of inclusive growth have yet to be set out (for City Deals at least).
- There are important technical issues that arise in defining and choosing what indicators should be used to appraise inclusive growth, and this is a key issue concerning applications to City Deals.
- Given the commitments made by the Scottish and Welsh governments, there could be opportunities to incorporate inclusion and wellbeing priorities - both in process and outcome terms - in new city deals, and, where appropriate, to retrofit these priorities into existing deals.
- There are potential trade-offs as well as complementarities between inclusive growth and traditional economic growth priorities which need to be taken into account.
- Community benefits clauses and procurement policies provide potential mechanisms through which the benefits of City Deal programmes/projects can support groups of the population that face hardship and deprivation.
- If City Deals are to be made more inclusive, individuals, businesses and communities need to be empowered to participate in and contribute towards how deals are formed and delivered.
- City Deals may be able to connect to wider areas of service provision to form effective localised responses.
- It may be important to distinguish between the impacts of particular deals themselves and the new ways of working, at a broad city-region level, that deal-making has brought about.

The discussion in this preliminary paper centres on City Deals and how they relate to, or could incorporate policy approaches and practical interventions intended to generate inclusive growth. The paper is essentially an issues paper in which we begin to outline some of the complexities at stake and highlight where further work is needed or could be beneficial.

[1] Links to the wellbeing focus in Wales, as similar to inclusive growth, can be pointed to.

If inclusive growth is to be anything more than a broad intention, it is necessary to, one, define it appropriately (in this case in relation to City Deals); two, decide what success in delivering greater inclusivity would look like; three, determine what are the appropriate measures; and, four, work out how information about delivering greater inclusivity could be fed into decision making. This paper seeks to provide some starting points.

We recognise the critical need to deploy appropriate measures and both generate and curate data sets that allow the tracking of inclusive growth. We have followed developments relating to the definition and measurement of inclusive growth with interest (e.g. JRF inclusive growth monitor (see Beatty et al., 2016)), though we are not yet in a position to provide a detailed specification of what measures would be most appropriate. Our work so far suggests, however, that it should be feasible to incorporate inclusive growth measures alongside gross value added (GVA) and job numbers in determining the success or otherwise of city deals. Ultimately political decisions will influence to what extent this is adopted and followed through.

This paper, and the accompanying briefing note, are informed by the authors' engagement with the issues of urban regeneration, decentralisation and inclusion. We come from different disciplinary backgrounds: economic geography, labour economics and sociology and public policy. This diversity of perspective has enabled us to explore multiple dimensions of inclusive growth. At the same time we acknowledge that other disciplines – for example, environmental sciences, health economics and population health - could provide critical perspectives on the issues we cover. Whilst such insights are not set out in any developed form in this paper, we hope the paper may act as a catalyst for wider engagement.

The paper is structured as follows, **first**, we provide introductory comment on the deal-making and inclusive growth agendas, identifying the core issues; **second**, we look at the prior policy responses to inclusive growth related issues before we set out the specific policy contexts in Wales and Scotland that inclusive growth and City Deals are being developed within at present; **third**, we briefly set out the existing urban economic profiles for major cities in Scotland and Wales, as this underscores gaps in economic performance which inclusive growth can be framed as a response to; **fourth**, we delineate some of the links - existing or potential - between urban-based decentralisation and inclusive growth; **fifth**, we briefly touch on data and measurement issues; **sixth**, and finally, we set out issues for further consideration.

Introduction - Inclusive growth and city deals

The term "inclusive growth" reflects concerns that economic growth, as experienced over the last thirty to forty years, has left some communities behind, and that the benefits of growth are being shared unequally. Across the UK we can observe longstanding differences in economic standing and performance between major towns and cities (Amior and Manning, 2015; Pike et al., 2016). Within cities and towns, meanwhile, and despite a wide range of interventions introduced from the late 1970s to close the gaps, substantial disparities between neighbourhoods have persisted over many decades.

Though, at its core, the narrative around inclusive growth expresses a concern for the distributional impacts and consequences of growth, how growth and inclusivity are paired up warrants critical reflection. On the one hand, inclusivity may be regarded as planning or intervention that seeks to mitigate the adverse consequences of conventional economic growth policies. Alternatively, inclusivity may be regarded as an essential step if growth strategies are to prove effective. There is a body of evidence to suggest that unequal societies are hampered in driving growth (Ostry *et al.*, 2014; Stiglitz, 2012).

As well as considering the growth and inclusivity impacts of deals themselves, a series of ancillary issues emerge. What are the inclusivity and growth implications for those places that do not receive a deal or obtain a deal of a smaller magnitude? City Deals are intended to be bespoke, in both qualitative and quantitative terms, but deal-making as a mode of policy making raises issues about relative treatment. This concerns, one, the extent to which the biggest deals go to those areas that have the capacity to bid for them; and, two, the longer term implication for places that do not or cannot put together successful bids.

Considering the linkages between decentralisation and place-based development outcomes, the academic literature gives mixed/ambiguous signals as to the likely effect of decentralisation on both growth and regional inequalities. In terms of the decentralisation-growth nexus, Rodriguez-Pose and Ezcurra (2011) find limited effects of an economic dividend (see also Pike et al., 2012). The upshot of such findings is not that decentralisation is necessarily a constraint on growth, but rather that the effects of decentralisation on growth are difficult to discern and are influenced by place-specific contexts and the mode and manner by which decentralisation is conceived (political, administrative and/or fiscal).

As McCann (2016: 413) points out, the literature gives more scope to suggest positive connections between decentralisation and lower regional disparities (Ezcurra and Pascual, 2008; Lessmann, 2009; 2012; Rodriguez-Pose and Ezcurra (2010). The literature suggests that such links are shaped by the development level of the country and the nature of decentralisation. We need to be clear, however, that the literature cited here is referring to inequalities or disparities between regions, and not inequalities within regions (which is the focus of this paper).

It has been suggested that an inability to respond to spatial divides through top-down policy, as a result of the UK's heavily centralised system of government, means experimentation with other modes of policy design and delivery is required and/or may be beneficial (Travers, 2015; McCann, 2016: 488). The implication is that City Deals are not so much a proven path for growth, but rather an attempt, incrementally, to try something different to change or at least influence local growth trajectories.

Mindful of such policy experimentalism, this paper explores issues relating to the potential links between deal based tools and inclusive growth. We start by outlining the policy agendas in broad terms.

Inclusive Growth Agendas

Numerous bodies within the UK and transnationally, are seeking to define and operationalise the term inclusive growth. Though not exhaustive, the following sets out two major policy threads.

OECD

At a transnational level, the OECD have placed emphasis on inclusive growth (OECD, 2012; 2014; 2016). The OECD define inclusive growth as: "… economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, both in monetary and non-monetary terms, fairly across society."

"Time to Act – Making Inclusive Growth Happen" reflects a recent statement by the OECD (2017) on what steps can be taken - with varying implications for local government - to move toward inclusive growth objectives. The steps set out are: one, redesigning the tax system to reduce inequality; two, focus on early childhood education; and, three, support the business sector around young firms and SMEs.

City Deals may, in some cases, be applicable or contribute towards the latter points. Nevertheless, City Deals as simply one tool within a wider national and local policy landscape required for inclusive growth, is a point we return to through the paper.

RSA Commission

In the UK context, the RSA Inclusive Growth Commission – an independent inquiry formed in April 2016 - proposed the following definition of inclusive growth from its interim findings: "… broad based growth that enables the widest range of people and places to both contribute to and benefit from economic success. Its purpose is to achieve more prosperity alongside greater equity in opportunities and outcomes" (RSA Inclusive Growth Commission, 2016: 3)

Developing this position, the final report of the Inclusive Growth Commission puts forward a view that inclusivity is central to growth, not a side issue to be dealt with (as a consequence of growth). The report points to the need for:

- A broader suite of metrics beyond GVA to assess socio-economic progress
- Placing social infrastructure in the centre ground of policy concerns/priorities
- Giving devolution a broader social basis
- A focus on in work poverty rather than labour market exclusion, solely

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> The final report - summarised by Alldritt (2017), who notes that "the politics of the 'left behind' is the only game in town" - further identifies five key principles for inclusive growth:
>
> - "Create a shared, binding mission, involving business, civil society and communities;
> - Align incentives by measuring the outcomes we value at the most appropriate scale;
> - Understand the system, identifying political, social and institutional barriers to, and opportunities for, change;
> - Mobilise flexible, long term resource to invest at scale; and,
> - Entrepreneurial leadership to respond dynamically, maintain momentum and capitalise on opportunities for change, particularly at a city-level."

The RSA Inclusive Growth Commission (2017: 41) usefully sets out a series of metrics, requiring multi-methods research, which could assist with the development of an inclusive growth viewpoint. We discuss metrics further below.

The aforementioned work is useful in helping to progress inclusive growth frameworks and policy perspectives. Applying inclusive growth to monitor and evaluate a specific project or intervention is a more particular task, however. Such operationalisation was pointed to by the RSA Inclusive Growth Commission (2017: 51) as a key concern:

> "Places should define, and be accountable for, agreed inclusive growth metrics. As a prerequisite to further waves of devolution deals and new social contracts between central and local government, places should commit to specific inclusive growth objectives. Assessment against these objectives would be a focal point of devolution deal Gateway Reviews ..."

It is to this matter that the rest of the paper devotes attention.

City Deals to date

City Deals - stemming from a UK Government white paper in 2011 (HM Government, 2011) - seek to give local leaders a greater range of powers and funding allocations to support interventions that will drive growth in their local areas. The logic running through this agenda – and gaps between rhetoric and reality can be questioned – is that local leaders are in the best position to decide what is going to work and be effective locally; it is time central government loosened its grip and empowered those on the ground best equipped to act.

The decentralisation agenda, which in England refers to relationships between local and the UK Government, is more complex in Scotland and Wales. In terms of the latter, the roles and functions of the devolved administrations have created a different dynamic. In Scotland and Wales, the localism agenda which in England was associated with a strong push for more tools and autonomies to be exercised at the level of the city region, has had to compete with the constitutional debate and which powers should be exercised by the parliaments in Holyrood and Cardiff Bay. As a result, city deals arrived later and, in the case of the Glasgow deal, some have drawn connections to the independence referendum (McColm, 2014). All the Scottish and Welsh City Deals have two government partners and the deals are, in theory, supposed to reflect the policy priorities of both sponsors.

To date, five City Deals in Scotland and Wales have been agreed, with more in the pipeline, including the possibility of Growth Deals. City deals have been agreed with the UK government and, to date, are predominantly focused on growth and competitiveness. To that extent, and insofar as most of these city deals require local authorities to work together on a multi local authority basis, to collectively manage the agreed programmes, similarities with arrangements in England can be pointed to.

The table below - drawing on deal documentation - outlines the key features of the deals agreed to date, and notes the inclusive growth agenda (or related "wellbeing" agenda in Wales) pursued by the devolved administrations.

	Core National Policy Agenda	City Deals Agreed
Scotland	**Inclusive growth** (as stated in the Scottish Government's economic strategy)	Glasgow - £1.13 billion investment fund - £500 million the UK and Scottish Governments each, plus £130 million from local authorities. 20 year period. - Covers eight local authority areas – Glasgow City, Inverclyde, East Dunbartonshire, West Dunbartonshire, East Renfrewshire, West Renfrewshire, North Lanarkshire, South Lanarkshire. Aberdeen - "Over the next 10 years, both Governments are committed to jointly investing up to £250 million. Aberdeen City Council and Aberdeenshire Council and regional partners are committed to investing up to £44 million." - Covers two local authority areas – Aberdeen City, Aberdeenshire Inverness - "… the Scottish Government will commit up to £135m. The United Kingdom Government will commit up to £53m. The Highland Council along with regional partners will commit up to £127m." 10 year period. - One local authority area – Highland
Wales	**Wellbeing** (as steered by legislation)	Cardiff - "Both the UK and Welsh Government are contributing £500 million to this fund respectively ... The ten local authorities in the Cardiff Capital Region will contribute a minimum of £120 million over the 20 year period of the Fund. In addition, over £100m from the European Regional Development Fund has been committed to delivering the City Deal." - Covers ten local authority areas – Blaenau Gwent, Merthyr Tydfil, Monmouthshire, Torfaen, Newport, Cardiff, Vale of Glamorgan, RCT, Caerphilly, Bridgend Swansea - "… £115.6 million being contributed by the UK Government and £125.4 million by the Welsh Government". 15 year period. - Covers four local authority areas - Swansea, Carmarthenshire, Neath Port Talbot, Pembrokeshire

Policy Contexts

There are arguably three policy settings/categories that ultimately shape urban development (Maclennan, Waite and Muscatelli, forthcoming):

- A policy for cities set out by national/central government; "cities policy"
- Local autonomies to fashion change for a particular city; "city policy"
- Wider policy areas, such as tax and welfare, that shape the economic profile and bases of cities along with other places.

In Scotland and Wales, City Deals represent a shift to emphasise or pay attention to the second bullet point, though points 1 and 3 still critically shape urban settings. However, City Deals emerged in the context of previous policies and in some respects as a reaction to them, so it is helpful to be aware of what came before.

Previous concepts and approaches – rebranding the old?

Inclusive growth connects to a wide range of previous debates concerning the distributional underpinnings and consequences of growth.

- The relationship between distribution and growth in the UK economy initially focused on regional disparities as the UK economy began to reinvent itself in the 1920s and 1930s with the decline of the staple industries and the emergence of consumer driven sectors such as car manufacturing. This manifested itself in a shift in relative prosperity from north to south.
- Post-war regional policy began to decline in significance as 'full employment' became the norm, but by the mid-1970s there was an increasing awareness that (almost) full employment could co-exist with high levels of concentrated urban deprivation. This led to significant research and policy development around the added disadvantages associated with being brought up and/or living in an area of urban deprivation (Holtermann, 1975; Holtermann, 1978).
- The Glasgow Eastern Area Renewal (GEAR) project launched in 1976 with a mix of more traditional regional policy perspectives – 'let's build a factory and that will the fix the problem' – but with a range of mechanisms, including employment and training subsidies, to increase the likelihood of local residents securing employment. Essentially GEAR was introduced to reverse economic decline and a similar approach was adopted in a range of interventions developed by Labour-led metropolitan authorities in England from the early 1980s. Although many variations of this model were introduced across the UK over the next 25 years, the balance of job generation versus helping people into jobs remained a central tension (McGregor and McConnachie, 1995).
- With unemployment remaining high across urban Britain, in particular through the 1980s, later in the decade focus began to shift more to processes rather than interventions with partnership working and the 'bending' of mainstream resources becoming the norm in relation to tackling deprivation at the neighbourhood level. Important examples were City Challenge introduced in England in 1991, and New

Life for Urban Scotland in 1988 across 4 Scottish large urban peripheral housing estates. Central government resource was provided in order to incentivise working on a partnership basis. At the heart of this stronger emphasis on partnership working was a fuller realisation of the need for multi-sectoral approaches, including education, housing, health, skills and other services.

The decentralisation of government which is at the heart of the City Deal process has not been driven by concerns about inclusive growth, but it is interesting to note that decentralisation within city regions, cities and towns was one of the responses to the sharpened need for neighbourhood regeneration. For example, through a process beginning in the 1980s, Glasgow developed a network of local development companies providing regeneration-related services from the hearts of the city's most deprived areas. Similar developments occurred across the UK's urban areas spurred on by the deep recession of the early to mid-1980s.

As the UK economy began to exhibit consistent growth and expanding employment from the mid-late 1990s, concerns began to be expressed about urban deprivation and social exclusion limiting the growth capacity of the economy with significant pockets of the population under-educated, long term unemployed and/or under-employed, and so not contributing to effective labour supply. With the advent of the New Labour administration in 1997 the emphasis shifted strongly towards broader economic and social inequalities and significant national interventions to tackle these - such as the New Deals, Minimum Wage, Working Tax Credits and a range of measures to support child care and early years. Given the growing buoyancy of the economy, the emphasis on linking opportunity and need (LOAN) was increasingly espoused as a good way to tackle social exclusion in an urban neighbourhood setting, and a number of good practice examples emerged from evaluations (see, for example, Glass, McTier and McGregor,2008).

In the late 1990s and early to mid 2000s, there were some new developments in terms of neighbourhood regeneration, such as New Deal for Communities and the enterprise driven Local Economic Growth Initiative in England. In Scotland, Closing the Opportunity Gap focused mainly on groups of disadvantaged people, but retained a commitment to deprived neighbourhoods. However, the focus on social exclusion and inequality moved increasingly away from neighbourhood based problems and responses towards more generic disadvantages experienced by individuals and households (examples include fuel poverty initiatives such as free central heating for pensioners). Growing concerns about the incidence of in-work poverty was a key factor in policy initiatives such as tax credits. Evidence of increasing polarisation of the labour market into 'good' and 'bad' jobs over the 15/20 years of employment growth leading into the 2008 recession has been highlighted in a range of studies, summarised and reviewed in Felstead, Gallie and Green's (2015) edited collection. After the crash, austerity policies left less scope for these kinds of interventions and indications are that much of the post recovery employment expansion has been in temporary and part-time work, and self-employment (which is often linked to low hours and earnings), although more recently full time employment growth has picked up.

Current Scottish and Welsh Policy Agendas

Whereas the notion of inclusivity has been slower to enter into in economic thinking at Westminster and Whitehall, inclusive growth is a central pillar of the Scottish Government's

(2015) economic strategy. In Wales the Wellbeing of Future Generations (Wales) Act 2015 promotes a similar agenda. In both jurisdictions, reserved powers actioned from London continue to shape both funding allocations and the room for policy novelty.

Reflecting a central dimension of its economic strategy, the Scottish Government (2015) frames inclusivity (and "tackling inequality") as working in tandem with competitiveness. The economic strategy notes: "increasing growth and tackling inequality are mutually supportive" (Scottish Government, 2015: 8). In a presentation at the University of Glasgow, in February 2016, Gary Gillespie, the Chief Economist within the Scottish Government argued that:

> "The aim of inclusive growth is….. to achieve both sustainable economic growth, but with a particular emphasis on who benefits from growth … Inclusive growth policies are focused on the long-term transformation of the economy towards sustainable and productive employment (essentially more of the right kinds of jobs)." (Gillespie, 2016)

How well existing and future deals will practically fit and align with inclusive growth goals of the Scottish government and equally importantly the policy agendas of local government partners is a critical consideration. Skills Investment Plans have been developed and agreed by the partners involved in the City Deals for Edinburgh and Glasgow City Regions. In both cases, interventions have been identified to promote inclusive growth, building on the agreed or potential investments by the UK and Scottish governments, but also giving consideration to how existing mainstream skills budgets can be used in a more strategic and effective way.

The partners involved in developing the Ayrshire Growth Deal, considered, at the planning stage, how individual growth deal projects needed to be designed and implemented to promote inclusive growth. Building on this, the Scottish Government has been working with the Ayrshire partners to develop and enhance the inclusive growth tool previously piloted in one of the local authority areas.

The Wellbeing of Future Generations (Wales) Act places sustainability at the core of work by the Welsh Government (building on previous strategies, such as "One Wales: One Planet" (Welsh Government, 2009)). Capturing this, the Welsh Assembly "Economy, Infrastructure and Skills" committee referred to the wellbeing principles as needing to be "backed in" to infrastructure planning and governance (Welsh Assembly Economy, Infrastructure and Skills Committee, 2017: 5). Notions of "a more equal Wales" and a "Wales of cohesive communities" clearly link to inclusivity concerns[2]. The wellbeing legislation places an onus (or "duty") on local public bodies to report against wellbeing objectives, and the key question is to what extent city and potentially growth deals help toward: "taking all reasonable steps … to meet those objectives".

The Scottish and Welsh agendas reflect different mixes of top down and bottom up processes. In the Welsh context, the wellbeing focus was borne out of the "Wales we want" conversation[3], which sought public views on the desired development and progress for the nation. The operationalisation of the legislation will, for scrutiny purposes involve roles for the Auditor General for Wales (assessing progress reports and wellbeing plans) and for

[2] http://gov.wales/topics/people-and-communities/people/future-generations-act/?lang=en
[3] http://gov.wales/docs/dsjlg/publications/140218-wales-we-want-en.pdf

Ministers (setting wellbeing objectives). In Scotland, the inclusive growth agenda has been promoted and prompted by the Scottish Government, although there is little doubt that most local authorities having been working on inclusive growth – under different names – for many decades. The added dimension is driving this at a city region level, with a significant and targeted level of resource from central and devolved government.

The UK Government does not have an explicit inclusive growth strategy. However, recent narrative concerning those "just about managing" may suggest a greater alignment with inclusive growth aims (HM Government, 2016a). In his 2017 Spring Budget, the Chancellor mentioned "inclusive growth" in terms of seeking to develop an economy "that works for everyone" (HM Government, 2017a). Furthermore, developments relating to the industrial strategy – particularly in skills areas – could have some purchase on dimensions of inclusive growth.

Referencing Inclusive Growth in Deal Documents

In the deal documents available to date (including proposals), inclusive growth receives a varied profile and emphasis.

Reflecting a deal under negotiation, the Tay Cities bid/proposal document makes the link most explicitly, claiming that "inclusive growth is at the heart of our economic strategy" (Tay Cities, 2017: 9). Under the notion of an "Inclusive Tay", the aim to achieve "fairer" economic growth is set out. The Glasgow city-region City Deal, signed in 2014, points to "economic inclusion" when outlining broad aims, while the associated website refers to "Spread[ing] the benefits of economic growth across the whole Region, ensuring deprived areas benefit"[4]. The Swansea City Deal makes a similar point, with "investment [to be] spread across the whole of the region to ensure all localities and citizens can benefit" (UK Government, 2017b). The Aberdeen deal document, meanwhile, name checks "inclusive economic growth" as one of four "programme areas" that will aim to diversify the economy (UK Government, 2016b: 2).

To what extent the deal documents reflect a strong commitment to inclusive growth is unclear; indeed, are there gaps between rhetoric and reality? It is also clear, however, that programmes embedded in a number of the deals - which seek to address worklessness, for example (e.g. Cardiff) - will have clear links to inclusivity aims (HM Government, 2016c).

[4] http://www.glasgowcityregion.co.uk/

Economic Contexts of City Deal Areas

Coming up to the current position, the following table - drawing on data from the Centre for Cities "Data Tool" - presents a basic economic profile for the four major Scottish cities, and Swansea and Cardiff in Wales (note area definitions below may differ from City Deal areas).

	Glasgow	Edinburgh	Dundee	Aberdeen	Cardiff	Swansea
GVA per worker (£) 2015	47,890.81	56,883.43	47,321.71	62,771.66	44,781.08	42,787.82
Private KIBS* (%) 2015	12.73	21.04	6.15	13.91	14.57	7.47
Average Weekly Workplace Earnings (£) 2016	525.2	578.2	477.8	593.4	515.5	450.3
Working Age Pop'n, Qualification NVQ4 or Above (%) 2015	47.2	57.7	37.3	46.5	43.5	31.6
Claimant Count (%) April 2017	2.92	1.58	3.37	2.37	2.3	2.37
Welfare Spend Per Capita (£) 2014	3,721.65	2,809.05	3,851.73	2,512.96	3,222.32	3,976.21

Source: Centre for Cities, Data Tool, as at June 2017 - http://www.centreforcities.org/data-tool
*Knowledge intensive business services
Areas reflect single local authority areas, with the exception of: Glasgow = Glasgow City, East Dunbartonshire, East Renfrewshire, Renfrewshire; Swansea = Swansea, Neath Port Talbot.

From an inter-city perspective, data provided in Cities Outlook (Centre for Cities, 2015) shows a consistent divide between cities in the so called south, and cites in the north. Pike et al.'s (2016) research presents stark findings for the Northern Powerhouse moreover, with "declining" cities disproportionately located there.

Within cities and towns - despite a wide range of interventions introduced from the late 1970s to close the gaps - substantial disparities between neighbourhoods can be observed. Many of these have persisted over decades. Scottish Index of Multiple Deprivation (SIMD) data (2016)[5] shows, for example, 7 of the 10 most deprived areas in Scotland as being in the Glasgow City area. In Wales, drawing on the Welsh Index of Multiple Deprivation (WIMD)[6] (2014), the fourth most deprived area is in Cardiff City, while 8 of the 10 most deprived areas in Wales lie within the Cardiff Capital Region (the City Deal area).

Drawing on NOMIS data, we can consider city-region dimensions across a broader range of indicators:

- In terms of the percentage of working age people in employment, Dundee and Glasgow cities have among the lowest rates for Scotland's 32 local authority areas – but city region partner local authority areas have among the higher rates, for example, East Renfrewshire and Perth and Kinross. Edinburgh itself ranks roughly mid-table in terms of employment rates but all the other local authorities in the Edinburgh city-region are in the top half of the rankings, with Borders and West Lothian faring

[5] http://www.gov.scot/Topics/Statistics/SIMD
[6] http://gov.wales/statistics-and-research/welsh-index-multiple-deprivation/?lang=en

particularly well. Aberdeen City and Shire have enjoyed very high employment rates for decades, but have recently suffered a setback with the oil and gas downturn. On the other hand, all three Ayrshire local authorities – the partners in the Growth Deal bid - are in the lowest quartile for employment, and this has been a persistent pattern over time.

- Employment performance is also reflected in population dynamics. Aberdeen City and Shire have enjoyed exceptionally strong population growth, bettered only by Edinburgh City. Interestingly Glasgow has also enjoyed higher population growth than most other local authority areas whereas its city region partner authorities Inverclyde and West Dunbartonshire are among the poorest performing local authority areas in Scotland in population terms. Dundee City, and Perth and Kinross, are both enjoying strong population growth. The three Ayrshire authority areas are low population growth areas. In the Welsh context Cardiff city sees rapid growth, while sluggish population change still exists in local authorities in the Heads of the Valleys.
- Finally, assessing percentages of the working age populations with no qualifications, looking first at the core cities, Glasgow and Dundee are both close to the bottom of the league, with Aberdeen and Edinburgh at the opposite end of the table. The other partner authorities in the Aberdeen and Edinburgh city regions also tend to perform well on this indicator, whereas a number of the other Glasgow City Region local authorities under-perform the Scotland average. The three Ayrshire authorities all sit in the lower half of ranking of the 32 Scottish local authority areas. In the Welsh context, Cardiff exhibits a low share of working age population with no qualifications, whilst, again, a divide can be observed for some authorities in the Valleys (where higher shares of the working age population with no qualifications can be pointed to).

Even this simple analysis shows the danger of considering inclusive growth in a standardised fashion across the city regions/growth deal areas.

- For some places, growth itself remains a significant challenge, with a lot of investment and innovative deployment of investment needed to drive the process. However, Inclusive Growth needs to be more central to this planning process.
- For others, growth perhaps comes a bit more easily after previous successful strategies and implementation, as well the effective exploitation of existing assets. They now need to get better at spreading the benefits of this growth.
- Finally, there are serious distributional issues within some city regions with prosperity sitting close by deprivation. These problems have been around a long time! The issue is how City Deals can be used as a means to make serious inroads into closing some of these gaps.

Dimensions of inclusive growth through deal-based tools and the decentralisation agenda

If inclusive growth is to be meaningfully incorporated into the deal-based agenda, as intimated previously, a series of issues require consideration.

- Are City Deals a mechanism to reduce gaps between cities?

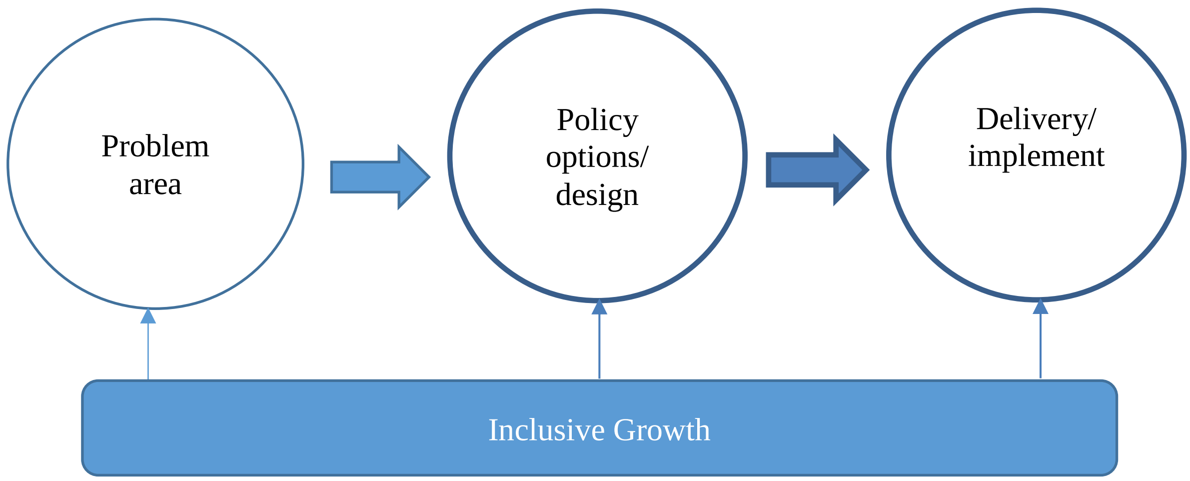
- Do City Deals provide a mechanism for addressing disparities within cities?

Addressing one may make the other difficult. Indeed, while we focus our attention on point two, it is important to consider the links between them. We need to be mindful, for example, that many cities that show competitive strengths and can point to fast growth, also exhibit stark inequalities (e.g. London). On the other hand, there is evidence to show more equal cities (at an intra-city level) exhibiting sluggish overall economic performance (Swinney, 2017). The upshot of this is that inclusivity and growth are not simply paired, and we need to be clear about our policy objectives.

The following steers attention to city-region roles in supporting or driving an inclusive growth agenda (at a specific city-region level). The discussion considers City Deals as just one tool as part of a broader city-region approach.

Phases of the policy cycle

City and growth deals are at different points. Depending on the stage of the deal – agreed, under negotiation or in the process of delivery – inclusive growth will factor in in different ways. The following figure, setting out a basic and linear policy cycle, is instructive for thinking through this.



If inclusive growth is factored in from the outset, at the stage of defining the problem, this may lead to a different programme and set of projects compared with when the programme is designed with economic growth as the main or sole purpose. If inclusivity becomes a priority at a later stage - consider deals where the focus has moved to design and/or delivery - this can still create opportunities.

For many agreed UK City Deals it is clear that the primary focus has been on increasing jobs and GVA, with distribution being principally reflected in the spatial arrangements of capital projects. For such deals, therefore, inclusive growth as an outcome would involve retro-fitting a concern for inclusivity into projects and programmes. This may emerge in terms of consultation with communities on specific projects or in terms of opportunities for local procurement (While et al., 2016), or, indeed, if the suite of projects within a deal should change for any reason. For City Deals yet to be signed, the opportunity exists to incorporate inclusivity concerns, on a par with economic growth aspirations, at all three stages highlighted in the diagram.

In the tripartite contexts where the Scottish Government or the Welsh Government also commit to City Deal funding, it is unresolved as to how the broader view of growth - holding inclusivity and wellbeing aims in balance, for example - will be put into effect. Ultimately this may inform gateway considerations, which are the 5 year points at which governments (UK and devolved) will assess whether sufficient progress has been made to release further funds.

There are technical and political considerations here:

- Technical - how will decisions be made about a series of indicators that are, to some degree at least, incomparable (for example, reductions in vehicle emissions but a decline in wages)? We discuss the use of dashboards and composite indicators below.
- Political - relates to the potential of the UK Government and Scottish or Welsh governments not agreeing on what growth, or 'good' or 'quality' growth, looks like or consists of. Will future City Deal funds, at an upcoming gateway, be provided by one of the governments but not the other? Will the governments negotiate to come to an agreed position on what constitutes sufficient growth (in qualitative and/or quantitative terms)?

Such issues are peculiar to the tripartite deal-making context, and reflect the challenges of moving inclusive growth from rhetorical window dressing to serious policy commitments.

City regional roles in addressing inequality?

In broad terms, coming at the problems of inequality at the city region level may produce a more effective effort. City Deals have driven collaboration across local authority areas at broad metropolitan or city-region scales.

In the Glasgow city region, for example, the deal has spurred a regional economic strategy and action plan. However, a key question is whether this is simply repeating the approaches of the 1980s where former regional councils were coaxed into partnership working with other key agencies, including the private sector and local communities, in order to secure central government funding for longer term regeneration initiatives. Partnership working per se clearly was not the complete solution, although Strathclyde Regional Council had a well-developed social strategy that channelled resources from the Council and its partners into "areas of priority treatment" (McNulty, 1996).

There are different interests to reconcile, however, and political and personal rivalries can create tensions. The extent to which collaboration achieves depth beyond what is required to secure city deal funding from government, how disagreements are resolved and how accountability and transparency issues are dealt with are important questions, especially given that Welsh and Scottish cities have not been subject to the introduction of mayors (which has been put forward as the preferred solution in English city regions).

On both sides of the border, there is arguably a better understanding at the city region level of the nature of inequality between individuals and households, and across neighbourhoods, simply due to the fact that a range of key delivery organisations are closer to the problem and in a better position to design solutions. However, the cuts in neighbourhood based agencies for tackling regeneration suggest that there may also be limits to the value of being close to the problem. For example, Glasgow has gone from supporting 8 local economic development companies to a single regeneration agency within the space of 25 years.

Labour market

With a particular concern for labour market issues, there are several relevant perspectives concerning city-regional roles:

- In key areas, policy goals and priorities are set by national and devolved administrations on the basis of what works best for Scotland, or for Wales or for the UK. However, specific city regions may have policy goals and priorities which are different. For example, OECD (2012), have argued that investing in the upskilling of those in lower skilled employment is a good inclusive growth strategy for some regions. It is, however, an area to which relatively limited public investment is committed compared with higher and further education where budgets are driven by national and devolved government policy priorities. However, for city regions, as with other layers of government, to make more effective investment decisions, they need to know much more about the potential rates of return in different broad skills investment areas (McGregor, McTier and Sutherland, 2016).
- Many of the sources of inequality lie within the education system. Education is an investment for the long term and it can take many years to yield returns for individuals, communities and city regions. It also involves major resource commitments. Further and higher education are funded generally by central and devolved governments. In recent years more efforts have been made to reflect city regional and sub-regional concerns in what gets delivered but this is not the same as having control of the budget. The same applies to investment in work-based learning, principally the apprenticeship systems across the different parts of United Kingdom. As apprenticeships are essentially demand-driven, city regions will differ in the amount of financial support which can be drawn down – but again the funding systems are set by UK and devolved administrations.
- National and devolved administration programmes to promote return to work are designed at these higher levels of government. Funding is also allocated centrally to different contract package areas for the delivery of the employment services. Clearly the providers delivering these services need to be very conscious of the labour market opportunities in city regions and the employability needs of the unemployed clients – but this is not the same as city regions having control of the resource. Arguably, particularly for employability interventions focussed on the harder to help and confronting multiple issues, there needs to be a much more effective co-delivery of services across health, employability, criminal justice and housing – and it is easier to organise this at a smaller geographic scale.

Procurement possibilities

Moving on to the potential power of procurement:

- The major infrastructure works which feature in some City Deals, such as Glasgow, provide a notable opportunity to use community benefit clauses (Sutherland et al., 2016) on a large scale but also in innovative ways. In the Glasgow city region, 10,000 person years of employment will be generated across a diverse range of less skilled, skilled, technical and professional occupations. There are opportunities here to benefit the unemployed, residents of the more deprived areas, young people wanting apprenticeships and also generate a wide range of work experience opportunities through a more strategic approach to community benefit clauses in major contracts. Of course it has to be appreciated there are limits to how much community benefit can be extracted from large and complex infrastructure projects. The principal objective is to get the project delivered to time and within cost, so that broader economic and inclusion impacts can be realised. More generally, city region partners can begin to procure to a much greater extent on a collective basis for on-going capital works, but also for the wide range of other goods and services they need (see also, in the Welsh context, Morgan et al., 2016). This improved bargaining power can be used to bring more demanding asks around community benefit of the businesses tendering.
- The power of collective procurement can influence the nature of the employment on offer in the city regions. Quality of work is now a major issue for the UK and unequal access to the good work that is available is a central concern (Felstead, Gallie and Green, 2015). A substantial proportion of individuals in poverty are in work as opposed to being unemployed (Joseph Rowntree Foundation, 2015). Scotland's Fair Work Framework (Scottish Government, 2016) underscores the potential role of public sector procurement in incentivising businesses to provide good quality jobs – which could involve greater security of contract, earnings at the Living Wage, sufficient hours of work, opportunities for up-skilling and a range of other positive attributes. Tacking these quality issues, and the related equalities dimension, is not, however, a straightforward issue. Perhaps the most challenging sector is social care where local authorities purchasing these services have to balance a payment structure which gives a better deal to care workers with need to have a service delivered to a large and growing number of people who need a service.

Procurement focuses on the services and products bought in by the major public sector players in City Deal areas. However, a much more direct lever is through the public sector's role as an employer. In many city regions, the public sector is collectively the major employer grouping by some distance. The total number of jobs the public sector can create is largely influenced by the budget released by the UK and devolved governments – which, in turn, depends in part on the electorate's (local and national) appetite/tolerance for different tax regimes. For a given wage bill, however, public sector employers have choices about how many they recruit from more disadvantaged groups (such as the long term unemployed and people with disabilities), the balance of temporary and permanent contracts, etc. A concerted approach across the major public sector employers in a city region could significantly improve the quality of employment on offer, as well as who gets the jobs and so address directly a number equalities issues which are manifested in the labour market, and help drive both in-work poverty and the composition of the workless population. This would then provide a strong platform from which to approach the city region's major private businesses to join the collective drive toward enhanced job quality.

While the City Deal projects that are focused on infrastructure, broadly defined, offer employment opportunities - some of which should be garnered for the city region's more disadvantaged groups and residents of the poorer communities through intelligent use of community benefit in procurement - there is a bigger prize at stake. Firstly, every effort needs to be made to ensure that low-income households and neighbourhoods benefit, in terms of better access to employment, education, training and other services, from enhancements to the transportation infrastructure. This should be essential part of the appraisal process for any future City Deal project packages, but where this has not been done it will require project re-design or new complementary investments to unlock inclusive growth gains. Secondly, a number of the infrastructure investments are laying the foundations for new business. It is critically important to maximise the opportunities for employment ***at the outset*** of those individuals, households, groups and neighbourhoods who currently sit low down the labour market pecking order. There is a lot of evaluation evidence to guide city region partnerships on what needs to be done to make this happen (Glass, McTier and McGregor, 2008).

Getting skills investment right is central to success in exploiting effectively a number of the opportunities for inclusive growth discussed above. Skills Investment Plans have already been developed for the Edinburgh and Glasgow City Region City Deals. These deal directly with issues such as how to enhance the employability of those currently excluded from the labour market and/or from better quality employment opportunities. However, city regions currently have only a certain amount of influence on the level and nature of skills investment in their area. City regions conform closely to the realities of the local labour market. Regions are too big and most local authorities are too small relative to labour market boundaries. The city region is in most circumstances the right level to join up the demand for and supply of skills, putting to one side the higher skills and qualifications where the labour market is national or international. Brigading employer demand, as discussed above, to drive forward on job quality and improve access to jobs for the more disadvantaged could be allied with city region skills investment planning to more effectively meet the recruitment needs of employers, and to create a much more competitive and inclusive labour market system. For this to happen, however, a more radical devolution of skills budgets may be required.

Many of the issues associated with poverty and inequality require service responses across a range of different agencies dealing with education, housing, health, money advice, *inter alia* (progress in Greater Manchester, through the devolution agenda, will be important to follow). The appropriate services need to be available at the right time in the right mix to cater for the circumstances of individuals and households (and are particularly vital for those who are confronting multiple issues). In principle, this service delivery model is likely to be better designed and more effectively implemented where the partnerships are more localised, although there needs to be a sufficient scale to ensure adequate leadership and specialised support. Some of the smaller local authorities are struggling in this regard.

From the above, finally, it may be useful to distinguish the short-term provisions and impacts of deal-making from long running effects, such as developing institutional capacity, at a city-region level (to identify and respond to local needs). That is, City Deals needs to be considered not simply for the content of individual agreements, but also for the new ways of working that deals trigger, require and/or promote. Deal-making is potentially beneficial in raising questions and creating a process for thinking about where, and at what layers of government, policy levers are most effectively placed.

Data and Measurement

Substantial effort, across numerous bodies, is being devoted to the identification of metrics in order to give a firmer grasp on what inclusive growth is and how progress can be assessed. In

Scotland, we are mindful of the inclusive growth diagnostic developed by the Scottish Government for North Ayrshire (we will follow this with interest). As a starting point, however, the following sets out two notable policy-facing contributions, before we outline more general approaches (and choices) for marshalling data.

Progress on metrics

JRF

Beatty et al. (2016) have developed the Inclusive Growth Monitor. This presents "18 indicators to capture the relationship between economic performance or potential ('prosperity') and poverty and related forms of disadvantage ('inclusion')". Three dimensions then sit within both sides of the framework; for prosperity – "output growth", "employment", "human capital"; and for inclusion – "income", "living costs", "labour market exclusion". Technical indicators, to provide measurability, then lodge within each dimension. Reflecting on earlier studies, such as Lee et al. (2014), that have explored growth and poverty relationships, it is clear such relationships are complex and that no "automatic link" can be pointed to (Beatty et al., 2016: 7).

The inclusive growth monitor has been applied to sub-national areas in England (LEPs) as an initial application (Rafferty et al., 2017).

Rockefeller Foundation

Giving an international dimension to the inclusive growth agenda, the Rockefeller Foundation have identified the following pillars: "participation", "equity", "growth", "sustainability", and "stability". Within this, 15 sub-categories are set out, underpinned by 57 indicators. The indicators ae based on an appraisal of data that is readily collectable in a number of countries (through administrative sources). Rockefeller gives the following definition for an "inclusive economy": "one in which there is expanded opportunity for more broadly shared prosperity, especially for those facing the greatest barriers to advancing their well-being".

Work by Benner and Pastor (2016), for Rockefeller, usefully trace the origins of an inclusive growth focus in prior concerns for "pro poor growth". In the respect, reflections are given on work that takes an "absolute" or "relative" position – the former, are incomes increasing for the poor?; the latter, are incomes of the poor increasing at a faster rate than incomes of the wealthy? The authors also point to research that highlights the malign influence of inequality, apart from obvious poverty concerns. Inequality can be detrimental to political stability, for instance.

Analytical Approaches

There are two analytical devices that may be considered for the measurement and evaluation of inclusive growth:

> **one**: a dashboard of indicators that reach beyond GVA to incorporate a suite of social, economic and ecological indicators (the JRF and Rockefeller approaches resemble a dashboard or matrix). Dashboards have the virtue of exposing a series of valid indicators for different processes and outcomes, and are increasingly used by

policymakers (St Paul-Minneapolis is a notable example) (Liu and Barker, 2015). The Centre for Cities Data Tool also serves as a dashboard, with a narrower economic development focus.

Reflecting a dashboard approach to compiling public policy metrics, the Scottish Government has identified 55 National Indicators to measure progress against the 16 National Outcomes set out[7]. A similar suite of indicators were identified in the Welsh context to support the Wellbeing of Future Generations (Wales) Act (2015)[8].

two, a composite index which mashes up a number of different indicators – of varying economic and social bases - to present a single figure; each indicator is weighted then compiled and tracked. The RSA Commission express a sympathetic view for developing such an approach (2017: 41)

Insights from the academic literature, particularly around "genuine progress indicators" can usefully be drawn to consider composite indicators. Work by Lawn (2003) has developed the genuine progress indicator (GPI) most notably, and this can be defined as: "[to] add or subtract from private consumption expenditures – the foundation item of the GPI – the benefits and costs that effectively increase or decrease people's welfare. In doing so, the GPI is calculated not just to measure the evolution of economic activity, but to estimate the economic welfare of a nation, state, or province at a given point of time" (Andrade and Garcia, 2015: 49-50). The Index of Sustainable Economic Welfare (ISEW) takes a similar focus in seeking to overcome the narrowness of GDP or solely output-based measures (Lawn, 2003).

Issues for Further Consideration

Inclusive growth connects to a wide range of debates concerning the distributional underpinnings and consequences of growth, and many issues and questions remain:

- Given that they run over 20-30 year periods, City Deals, although they represent significant investments, are relatively small when compared with existing capital programmes. To what extent is their likely impact oversold?
- To what extent do City Deals provide the opportunity for community participation in the negotiation, design and implementation of interventions and policies? Community ownership of the design process is a critical feature of the inclusive growth agenda, yet, in England at least, the critique has emerged that some deals have been made in "secret", behind closed doors (see Tomaney, 2016).
- How can the different dimensions of inclusive growth be identified and assessed in judgements concerning the impacts of a City Deal at "gateways"? If inclusive growth is to be factored into gateway reviews or used as a criteria for judging the success of city deals, it is necessary to be precise about what inclusive growth is, to have measures appropriate to the context of the city deal and to have achievable objectives.
- What are the implications of city deals being rolled out at the same time as local authorities face challenging budgetary circumstances? Reduced funding levels, need based allocations and adjustments, and continuing central control over substantial tranches of resource provide the context for City Deals.

[7] http://www.gov.scot/About/Performance/scotPerforms/indicator
[8] http://gov.wales/topics/people-and-communities/people/future-generations-act/?lang=en

- Will City Deals balance strengthening the economies of central areas within a city-region whilst also underpinning growth in peripheral or edge locations? For instance, from an inclusive growth perspective, what are the implications of strengthening the economic base of Edinburgh if that has little impact or even adverse consequences for the economic base of, for example, Penicuik or Livingston? Similar questions may be posed for Cardiff and relationships with Barry and Pontypridd.
- How can infrastructure investments be paired or designed in co-ordination with other policies, such as skills and job training? There are many policies and programmes that are not specifically (or principally) growth focused - such as childcare and affordable housing - that nonetheless have economic consequences. How can we identify allied policy drivers as part of policy planning processes linked to city (or growth) deals?
- City Deals, where successful, will promote a higher level of growth than would otherwise have been the case, but for some services and interventions tackling individuals, households and communities do we need to drop down a level? What policies and interventions naturally sit at city-region level and which should be designed and delivered at the level of the individual local authorities and/or neighbourhoods?
- City regions come much closer to conforming with labour market boundaries than local authorities and standard regions. Is there an opportunity through City Deals to promote much more devolved skills investment decision making that better serves the employment aspirations of residents and the recruitment needs of employers?
- Where are the performance management systems and robust mechanisms for measuring rates of return on different types of investment that would support smart investment decisions, and how can we develop monitoring systems that will provide valuable feedback?
- What is the complementary policy response for dealing with towns and rural communities that are not part of City Deals? Will Growth Deals be sufficient?
- Do City Deals trigger and shape better geographies for policy and do City Deals raise policy learning and efficient investment capacities (and prioritisation)?
- Do the growth and devolution deals that are in place in England – a stage of decentralisation yet to reach Wales and Scotland – provide potential opportunities to further pursue an inclusive growth agenda?

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