

# Background paper: inclusive growth

## 2017

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## 1. Definition of inclusive growth

There are many different definitions of inclusive growth, but the general consensus is that inclusive growth, is growth that benefits everyone. It is considered a type of growth that balances the need for a more prosperous economy, combined with a more equitable society.

The OECD (Organisation for Economic Co-operation and Development) defines inclusive growth as:

*“Inclusive growth is 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.”<sup>1</sup>*

## 2. Supply-side and demand-side policies

The JRF (Joseph Rowntree Foundation) recommends looking at inclusive growth from two different perspectives, supply and demand.

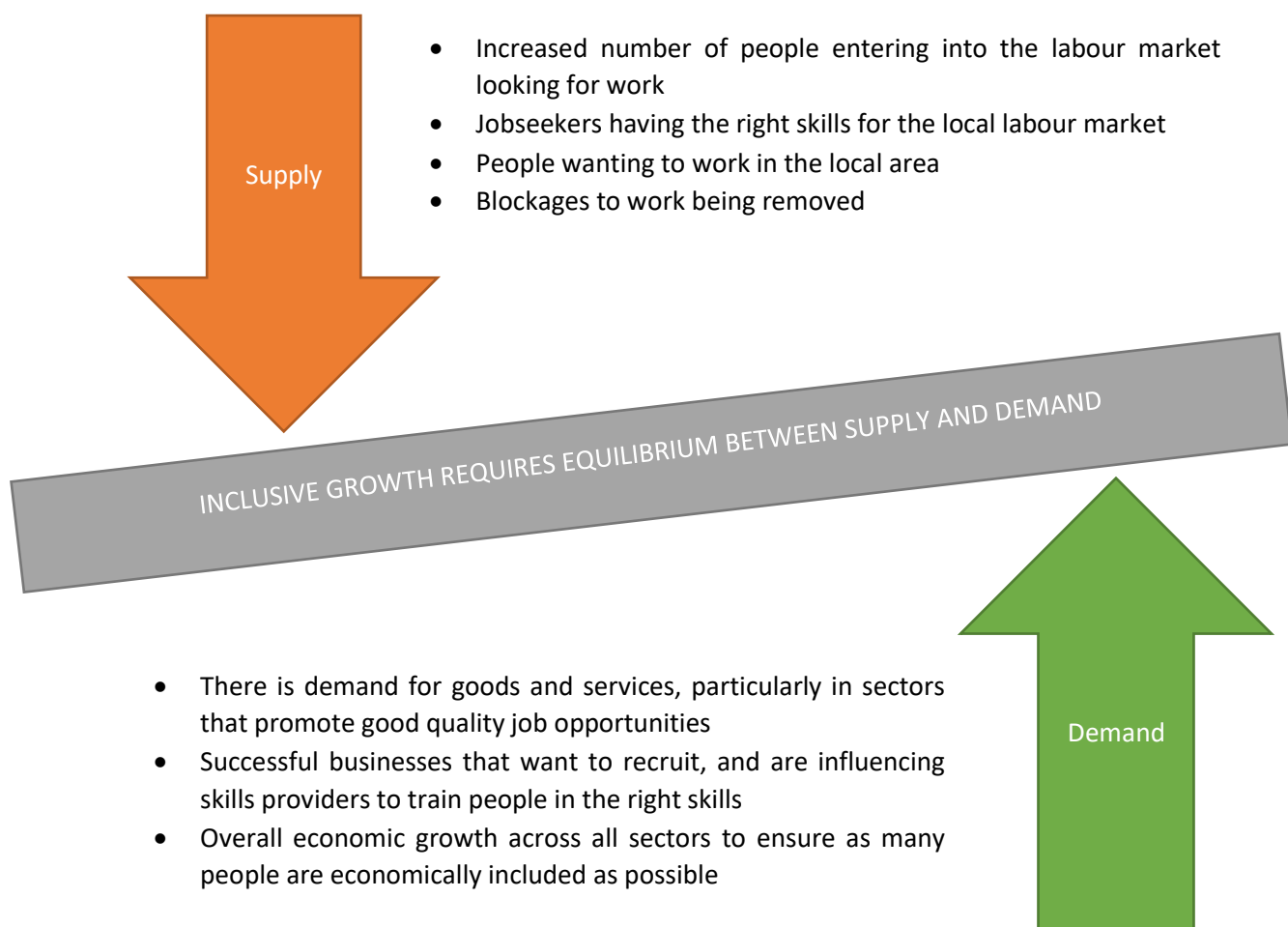
**Supply** looks at the supply of labour, and how accessible the labour market is to all groups.

**Demand** looks at work opportunities; the ability of the economy to recruit as many people as possible; and the availability of high quality employment opportunities.

It is recommended that, for inclusive growth to be supported, policies that support both supply and demand should be considered. The study suggests historically there have been many initiatives to promote supply-side policies, but moving forwards these should be balanced with demand-side policies to achieve a balance:

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<sup>1</sup> OECD (2017) *Inclusive Growth*



In a study of other areas, JRF found that focusing too much on either supply or demand makes it harder to achieve inclusive growth.<sup>2</sup> The study identified a number of lessons for UK cities that wanted to achieve inclusive growth:

- Demand-side policies or supply-side policies on their own were found to be insufficient for city development and inclusive growth
- City leaders and institutions needed to focus on generating more and better jobs
- Place-based policies that take into account all partners are needed to create policies that address the need of particular city economic circumstances
- Economic and workforce development initiatives need to be better integrated from a demand-side perspective, focusing on target sectors that are priorities for inclusive economic development
- Private and public sector engagement and partnership is fundamental

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<sup>2</sup> Joseph Rowntree Foundation (Aug 2017) *Job creation for inclusive growth in cities*

### Examples of supply-side policies



### Examples of demand-side policies



### 3. Supply-side (e.g. the labour market): What we know about Lincoln

- Lincoln's population increased at a fast pace between 2006 and 2016, increasing by 9.4% to 97,795 residents.
- During this time, there was little change in the proportion of 16-64 year olds, which accounted for just over 2/3rds (68.3%) of the overall population.
- Despite the high proportion of residents aged 16-64, 2016/17 data suggests that many were unavailable for work, with only 72.3% of this age group being classed as 'economically active' (e.g. available for work), compared to 78.1% in the East Midlands, and 78.0% in Britain.
- The data also showed that, of those residents deemed economically inactive (e.g. unavailable for work), 39.4% would have liked to be in employment if they could, compared to much lower proportions in the East Midlands and Britain of 23.0% and 23.8% respectively.
- There were a couple of causal factors influencing these figures:
  - One is the large university student population aged 18-21 (many of whom would be classed as unavailable for work).
  - The second is the relatively high proportion of 'normal working age' residents that are claiming one of the main out of work benefits. In Lincoln, 10% of working age people claimed one of these, compared to 8.0% in the East Midlands and 8.4% in Britain (Nov 2016).
- The proportion of Key Stage 4 students in 2014/15 achieving five or more GCSEs grade A\*-C remained lower in the city (57.7%) than in both Lincolnshire (65.2%) and England (66.5%).
- However, adult skills levels in 2016 in Lincoln were similar to skills levels in the East Midlands, with 71.7% and 72.3% of residents qualified to NVQ2 and above respectively. Both areas fell marginally behind the overall rate of 74.3% across Britain.

### 4. Demand-side: What we know about Lincoln

- Lincoln's economy has grown over recent years, from producing an estimated £1.7bn worth of goods and services in 2005, to £2.4bn in 2015 (measured by Gross Value Added – GVA).
- There was only one period of reduced growth which occurred in 2009 (during the early part of the Great Recession), and since then the city's economy has grown 17.4%.
- This strong growth has helped ensure that Lincoln's GVA per capita (£24,708) is higher than the East Midlands (£20,929), and is only marginally behind the overall United Kingdom per capita rate (£25,351). This shows the city has a strong economy, with potential capacity to further support an inclusive growth agenda.

- This economic growth is supported by the expansion of different sectors in the city. However, some of these sectors are more important to employment than others:
  - For example, in 2015 the health sector accounted for 10,000 employees in the city; followed by retail (8,000); education (6,000); and business administration (5,000).
- We can estimate many of these jobs are relatively lower skilled than elsewhere in the region and country:
  - In 2016/17, 34.9% of employees in Lincoln were classed by the ONS as being in the highest skilled occupations (compared to 41.1% in the East Midlands and 45.5% across Britain);
  - Alternatively, 24.9% of Lincoln employees were employed in the lowest skilled occupations (compared to 21.4% in the East Midlands and 17.1% in Britain).
- Potentially reflecting the lower skilled nature of work in the city, weekly pay levels are lower in Lincoln (£345) than across the East Midlands (£415) and Britain (£440).
- Despite this, Lincoln remains a hub of employment, with a total of 64,000 jobs estimated to be in the city. This means there are approximately 1.0 jobs per working age resident in the city. This is a strong position to be in, with both the East Midlands and Britain only having 0.8 jobs per working age resident.
- However, it is likely many of these jobs go to people that live outside of Lincoln, with 2011 Census data showing 34,568 people commuted into Lincoln, whereas 8,055 people commuted out of Lincoln.
- Additionally, data suggests many of the higher paid jobs belong to people living outside of Lincoln and commuting in. For example, in 2016 the median weekly salary for Lincoln residents was £345; compared to £366 for Lincoln employees.