

JOB CREATION FOR INCLUSIVE GROWTH IN CITIES

Industrial strategies, which aim to raise the demand for labour in city economies, have been relatively neglected in recent years, but they can make an important contribution to inclusive growth by generating more *and* better jobs. This report identifies the ‘more and better jobs’ gap in UK cities, explains the role of labour demand in city economies, and sets out the aims, rationales and types of demand-side policies for inclusive growth. A ‘whole city’ place-based approach is outlined and policy options and priorities identified, drawing on analysis of innovative policy developments from Australia, Europe and the US.

Key points

- There is a significant shortfall in labour demand in 12 major UK cities: a ‘more and better jobs’ gap of just under 5.3 million people who are either in low-paid work, insecure work or unemployed demonstrates the scale of the inclusive growth challenge.
- Local industrial strategies can raise labour demand in cities and can complement supply-side policies. They seek to raise demand for labour in a city economy, increase labour demand for specific groups, and/or improve the quality of employment. The report identifies five types of demand-side policies: business support; demand-led skills programmes; city fiscal policy; infrastructure; and economic planning and strategy.
- The rationales for demand-side policies include addressing demand gaps, enabling demand linkages, preventing information and co-ordination gaps, closing innovation gaps, avoiding a low skills equilibrium, and building resilience and adaptability.
- Policy interventions should be based on clear and robust aims and rationales and the careful co-ordination with supply-side initiatives. The integration of economic and workforce development initiatives can be particularly beneficial.
- Adopting a ‘whole city’ place-based approach, the priorities for industrial strategies are: identifying and targeting inclusive growth sectors; fostering demand-led skills development; building closer employer engagement and partnership focused on priority sectors; lobbying for greater devolved powers; and strengthening policy analysis and evaluation frameworks.

The research

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BACKGROUND

Amid growing international concern about inequalities, cities are increasingly interested in fostering more socially and spatially inclusive growth. In the context of place-based industrial strategy and city devolution in the UK, the role of the demand for labour in city economies is being rediscovered. Identifying the ‘more and better jobs’ gap in UK cities and drawing on international experiences, the study identifies the rationales and explains the role of demand-side policies as complementary, co-ordinated and supportive of existing supply-side approaches.

The ‘more and better jobs’ gap in UK cities

To help identify the scale of the challenge, the analysis identifies the demand deficiency in UK cities and presents new evidence on the ‘more and better jobs’ gap which consists of two related elements of low demand:

- The **jobs gap** – this identifies the number of people who cannot find as much work as they would like. It consists of those who are inactive but would like work if it was available, the unemployed, and the underemployed, such as involuntary part-time workers.
- The **better jobs gap** – people who are in work, but for whom the work is not high quality. This group consists of the **low-paid** and **insecure workers**.

The analysis gives an overall figure for 12 major UK cities of a jobs gap of around 3.5 million and a better jobs gap of around 2.4 million: a total ‘more and better jobs gap’ of just under 5.3 million jobs. (The ‘more jobs’ gap and the ‘better jobs’ gap are not mutually exclusive categories, and therefore do not sum to the ‘more and better’ jobs gap). To illustrate the scale of the challenge for city policy-makers across the UK, this number is only just below the working age population of London (5.9 million).

Rediscovering the demand-side in city economies

As the limitations of supply-side approaches to city labour markets have become clear, the demand-side has been rediscovered. Improving labour supply has proved necessary but insufficient in delivering inclusive growth. If used in isolation, neither demand- nor supply-side policies alone are likely to make sufficient contributions to inclusive growth in UK cities.

City labour markets are complex and affected by various mismatches and failures on both the supply and demand sides and in their interaction. Labour demand in cities is shaped by the structure and dynamics of tradeable (sold *outside* the city economy) and non-tradeable sectors (sold only *within* the city economy), agglomeration economies (the concentration of economic activity) and diseconomies, and the interactions between jobs and people in and between places. The close inter-relations between demand and supply in city labour markets means complementary, co-ordinated and supportive policy interventions are needed on the demand and supply-sides.

The definition, aims and rationales for demand-side policies for inclusive growth

Demand-side policies for inclusive growth seek to raise the level of demand for labour in a city economy, increase labour demand for specific groups within the city, and/or improve the quality of employment. Six rationales are identified for demand-side policy intervention for inclusive growth: addressing demand gaps; enabling demand linkages; preventing information and co-ordination gaps; closing innovation gaps; avoiding the low skills trap; and building resilience and adaptability. Policy types for demand-side approaches encompass employers and occupations as well as business support, employment and skills, city fiscal policy, infrastructure, and economic planning and strategy. A broader range of policies and an appropriate policy mix are better able to contribute to more and better job creation in cities.

Learning from international experience

The report investigates six international case studies: Pittsburgh Central Key Innovation Zone (PCKIZ); Chicagoland Manufacturing Renaissance Council (CMRC); demand-led workforce development in San Antonio; Limerick for IT; the green economy in Albacete; and infrastructure investment in Melbourne. Several key themes emerged from the case study analysis:

- All the case study initiatives can be related to multiple demand-side rationales, adapting these to local conditions and circumstances. Several address demand gaps emanating from structural and cyclical changes in city economies, including major plant closures in the Melbourne area. Others tackle demand linkages, information and co-ordination gaps, innovation gaps and low skills traps.
- The case studies demonstrate the substantial overlaps between the different types of demand-side policies with most of the initiatives spanning two or more of the five policy types. In some cases, business support converges with demand-led skills programmes around the alignment of education and training provision with employer needs. Others combine fiscal policy and business support or infrastructure investment (Melbourne).
- The identification of target industries and sectors is evident in most cases. The sectors were selected because of their strategic significance for their city economy and size, growth prospects, and potential for future upgrading and reskilling.
- All six case studies involve cross-cutting forms of governance and leadership, spanning traditional policy domains and involving a range of public, private and civic actors. Partnership is a central theme, reflecting leadership models that are inclusive and participatory.
- The biggest challenges for most of the case study initiatives is attracting and sustaining funding and monitoring and evaluating programme impacts.

The international case studies provide several lessons for UK cities including:

- demand- or supply-side initiatives on their own are insufficient for city development and addressing inclusive growth aims
- an aspiration and focus on generating more *and* better jobs needs to be maintained by city leaders and institutions
- place-based approaches are needed that adapt and tailor policy mixes appropriate to address the needs 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 city economic development
- private and public sector employer engagement and partnership is fundamental
- local partners need autonomy and discretion to design and adapt national and state programmes and funding to address local needs with demand-side policies
- programmes need to be legible and visible to target groups and communities
- clarity, consistency and persistence of leadership is critical
- stronger data collection, monitoring and evaluation frameworks are required.

Demand-side priorities for inclusive growth

Demand-side policies should be pursued as part of a 'whole city' vision of an industrial strategy promoting inclusive growth. Demand-side policies are *complementary* and *supportive* when *matched* and *sequenced* with appropriate supply-side policies within cities.

The report identifies five priority industrial strategy policy areas for UK cities to pursue.

- Identifying and targeting inclusive growth sectors: identify and actively target sectors that are growing, strategic and have the potential to create quality employment opportunities.
- Fostering demand-led skills development: prioritise co-ordination between supply-side and demand-side policies to increase the level and quality of job opportunities in the city labour market in ways better connected and matched to labour supply.
- Building closer public and private sector employer engagement and partnership focused on priority sectors: connect public and private sector employers to tackle information, co-ordination and innovation gaps. New sector-focused institutions enabling public and private collaboration could address sector-specific demand-side issues.
- Lobbying for greater devolved powers and resources for city authorities and key partners to pursue demand-side policies for inclusive growth: devolution of more powers to city authorities can help them design demand-side policies at a city level, match them with supply-side measures, and adapt national programmes to tackle local needs. Creating space for innovation and experimentation is critical.
- Strengthening data collection, analysis, monitoring and evaluation activities and frameworks: there is a pressing need for analysis of the impacts and effectiveness of different interventions. Information gathering can be facilitated by close relations and sharing between public, private and civic sectors within the city.

About the project

The research examined demand-side policies for inclusive growth in cities. It was done during 2016–17 by teams at the Centre for Urban and Regional Development Studies (CURDS), Newcastle University, and the Department of Geography and Environment, London School of Economics.

FOR FURTHER INFORMATION

The full report, **Job creation for inclusive growth in cities** by Andy Pike, Neil Lee, Danny MacKinnon, Louise Kempton, and Yohan Iddawela is published by the Joseph Rowntree Foundation. It is available as a free pdf from www.jrf.org.uk.

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