

# Briefing: how Local Industrial Strategies can deliver inclusive growth

JRF's mission is to inspire action and change to solve UK poverty. We believe a more inclusive economy is a crucial part of that. This briefing draws on five years of our work to set out practical examples of inclusive growth. We aim to spark ideas about how Local Industrial Strategies (LIS) in England can deliver growing economies that allow people in, or at risk of, poverty to benefit from and contribute to a more prosperous economy. LIS must have inclusive growth at heart to loosen the grip of poverty for people stuck in low-paid, poor-quality work or unable to find a job.

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### **Recommended actions**

Across the foundations of the industrial strategy, inclusive strategies should prioritise:

1. People - improving basic skills and progression in work.
2. Infrastructure - investments that deliver employment and training opportunities, build more affordable homes and make buses a key piece of local infrastructure.
3. Business environment - targeting growth sectors that will provide good jobs, using business grants to incentivise good employment practice, offering support and public recognition to businesses delivering good employment and practical support to improve job quality in low pay sectors.
4. Place: harnessing the collective hiring, training and purchasing power of anchor institutions.

Central Government must use the spending review to equip places with the tools and funding to deliver inclusive local industrial strategies.

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## Introduction

What is the purpose of economic growth? The answer to this question should be clear and obvious: to raise the living standards of all citizens. But previous approaches to growing local economies haven't done this successfully. It's time for a different approach.

We live in an age where poverty's grip is tightening. A growing employment rate is no longer helping families out of poverty as it once did, and people in many parts of the country are locked out of opportunities to access good jobs.

To loosen the grip that poverty has on people's lives, we can no longer rely on old assumptions that prosperity will trickle down. A growing body of evidence is showing that simply driving up output growth and number of jobs in an economy are not guaranteed to improve living standards for people in or at risk of poverty (Lee et al, 2014; Lupton et al 2016; RSA, 2017; Lee and Clarke, 2017; OECD, 2018). This is why we need a different approach – one that promotes inclusive growth.

Local leaders can use the opportunity of Local Industrial Strategies to be explicit about how they intend to improve their local economies and the differences that will make to people's lives.

For local strategies to be successful they will need sufficient support from central government. The UK government must use the upcoming spending review to equip places with the tools and funding to deliver inclusive local industrial strategies.

### **What do we mean by inclusive growth?**

Inclusive Growth is about enabling more people and places to both contribute to and benefit from economic success (RSA, 2017). More specifically, it is about how poverty can be reduced through the creation of better jobs and better access to those jobs for people in or at risk of poverty. A policy or strategy that does not have a focus on living standards of those at the bottom of the income distribution cannot describe itself as an inclusive growth strategy.

### **Productivity, earning power and inclusive growth**

The Industrial strategy has twin aims of boosting productivity and earnings power. Both are crucial for inclusive growth.

Higher productivity is a key economic challenge for the UK, but too often our efforts to improve productivity are about the 'shiny and new' - cutting-edge firms, supporting growth in our largest cities, and backing technological innovators.

Yet productivity problems stem from all sectors of the economy (Forth and Rincon-Aznar, 2018). Some of the biggest opportunities to boost productivity lay in our low pay sectors, such retail and hospitality, and in the long tail of low productivity firms. What's more, simply driving up productivity is not guaranteed to lead to higher wages for workers (Ciarli et al, 2018). We need to pursue productivity enhancing

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interventions that will benefit workers, such as increased training or better management practices (Innes, 2018).

Earning power matters because it is a key determinant of living standards. But talking about boosting earning power has little meaning if you don't have a job. While the UK has record employment overall, some people and places are locked out of this success story, and boosting employment remains a key economic priority (Tinker, 2018).

## **The industrial strategy's foundations of productivity**

Local Industrial Strategies are expected to address the foundations of productivity set out by Government in their Industrial Strategy White Paper: ideas, people, infrastructure, business environment, and places. This paper summarises some of our ideas for how interventions to improve living standards can be framed using four of the five foundations of productivity government has set out.

### **People**

With the vast majority of the 2025 workforce having already left education, adult skills are a crucial element of local industrial strategies. The 5 million adults in the UK without basic literacy and numeracy skills are deeply disadvantaged in the labour market, and five in every six people in low-paid work fail to escape low pay over 10 years. Local industrial strategies must focus on increasing basic skills and supporting progression in work.

Examples of interventions:

- Prioritising meeting basic skills needs such as literacy, numeracy and digital skills with an engaging learner-centred programme, such as the Citizen's Curriculum model which delivers positive employment and learning outcomes.
- Supporting low paid people to progress in work through personalised support and training to meet employer needs in sectors offering good jobs. See the New York WorkAdvance model which had positive employment and earning effects, and the Step-Up Programme in London which helped people move into more sustainable employment.

### **Infrastructure**

Major infrastructure investments can raise productivity in the long run, but they must also be used to boost living standards today. From the outset employment and training opportunities should be planned in for people out of work or stuck in low pay.

Infrastructure to deliver inclusive growth should also extend to the role of housing and transport. In particular connecting people to economic opportunities and reducing costs through well-located affordable housing and bus routes that offer low cost access to employment and services.

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Examples of interventions:

- Driving Social Value from infrastructure investments by offering employment and training opportunities for people in or at risk of poverty, as has been successfully demonstrated in places such as Leeds and Birmingham.
- Acknowledging the supply of low-cost rented homes as an infrastructure requirement in high cost areas and working with partners to deliver them, such as in Cambridge and Peterborough.
- Putting bus services on an equal footing to rail and road and taking advantage of new powers enabled by the Bus Services Act to support people to access jobs and opportunities.

## **Business environment**

Local industrial strategies need an unwavering focus on the quality of jobs that businesses create. It's no longer a given that creating jobs and increasing the employment rate will reduce the number of people in poverty: in-work poverty has risen faster than employment in recent years (JRF 2018). Local Industrial strategies have a role to play in shaping the types of businesses and sectors they support and enabling citizens to access good jobs that are generated.

Local strategies should develop interventions that help to improve job quality in both new and existing businesses. This will require making changes to the type of support offered to business, as well as the types of businesses they seek to attract to their local area.

Examples of interventions:

- Ensuring new jobs are 'good jobs' by targeting growth sectors which are likely to provide accessible and well-paying opportunities for existing residents, such as in San Antonio, Texas where their approach helped move people into higher paying occupations, increase tax revenue and reduce social service spending.
- Using business grants to incentivise good employment practices, such as paying the voluntary living wage or higher apprenticeship pay, as in Leeds City Region.
- Encouraging employers to improve the quality of existing jobs by offering support to or public recognition of businesses achieving an objective standard of 'good work' through charters, as the Mayors of London and Greater Manchester are developing.
- Supporting better jobs in low-pay sectors by offering practical and tailored training and support to business owners, demonstrating benefits to the business and employees. This approach was piloted in the 'Experts grow' programme at Jamie Oliver's Fifteen restaurant in Cornwall and benefited 400 low paid employees in 15 businesses.

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## Place

Where you live has an impact on the quality of jobs and the amount of work that is available to you. Local Industrial Strategies should recognise the different needs of places in the areas they cover. The experience of poverty for a family living in a city centre is quite different to that of a family living in poverty in a small coastal town. The solutions, therefore, will also be different.

Several towns and cities have begun to look at how their anchor institutions – such as their local authorities, hospitals, and universities – can come together to maximise the impact of their employment, procurement and land policies on the local economy.

Some examples of this include:

- Harnessing the collective purchasing and hiring power of anchor institutions to support local businesses, and hire and train local workers such as in Cleveland's Greater University Circle Initiative and Chicago's Anchors for a Strong Economy programme.

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## Notes

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## About the Joseph Rowntree Foundation

The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty. Through research, policy, collaboration and practical solutions, we aim to inspire action and change that will create a prosperous UK without poverty.

We are working with private, public and voluntary sectors, and people with lived experience of poverty, to build on the recommendations in our comprehensive strategy - [We can solve poverty in the UK](#) - and loosen poverty's grip on people who are struggling to get by. It contains analysis and recommendations aimed at the four UK governments.

All research published by JRF, including publications in the references, is available to download from [www.jrf.org.uk](http://www.jrf.org.uk)

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