



# Inclusive growth in **Tees Valley:** an agenda for the new Mayor

The election of the first Mayor for **Tees Valley** is an opportunity to demonstrate how to achieve more inclusive growth that benefits everyone. Recent political events have demonstrated the need for this. More positively, inclusive growth will enable a stronger and more sustainable economy, and reduce the demands on public spending and benefit society.

## Key points

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- The election of a Mayor for Tees Valley is an opportunity to demonstrate how to achieve inclusive growth – growth that benefits everyone. Such an approach would have clear economic, fiscal and social benefits.
- Tees Valley is home to world-class expertise in sectors such as process and chemical industries, energy and advanced manufacturing, and it has bold ambitions for growth. It also faces some significant challenges: 140,000 people are income deprived and more than one in four children live in poverty.
- Creating more and better jobs, connecting people in poverty to opportunities and improving people's prospects should be priorities for the Mayor. These are at the heart of an inclusive growth agenda. Too often local economic strategy overlooks the bottom end of the labour market.
- Employment is a key challenge: 26% of the working-age population is economically inactive and 22% of working-age households have no one in work (compared to 22% and 15% respectively in England). Just under two-thirds (65%) of deprived neighbourhoods are classified as disconnected from the labour market, indicating poor transport links or a skills mismatch.
- The Mayor's power to influence will be as important as their formal powers for making progress. Inclusive growth and solving poverty should be their central organising principles.
- In their first 100 days a cabinet position responsible for inclusive growth should be created, success measures to deliver inclusive growth defined, and stakeholders from business, civil society and public services convened to develop a city-region-wide strategy for inclusive growth and solving poverty.

# Introduction

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Tees Valley is home to many highly productive, innovative and fast-growing companies (TVCA, 2016). As the economy grows, ensuring that growth is inclusive is a key challenge. This is partly about creating the conditions for more jobs, as the number of businesses and jobs per resident is below the national average, and the employment rate is around 6 percentage points behind. But it is also about better jobs, given 55% of people experiencing poverty in the UK today live in a working household (Tinson *et al.*, 2016).

In the Tees Valley almost 140,000 people are income deprived<sup>1</sup> and more than one in four children live in poverty.<sup>2</sup> Creating more and better jobs and connecting people in poverty to opportunities are essential for an inclusive growth agenda.

# About this briefing

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This briefing is based on the best available research and analysis for the Joseph Rowntree Foundation into how to grow an inclusive economy at the city regional level<sup>3</sup> and how this can contribute to solving poverty in the UK (JRF, 2016a, 2016b).

It draws on evidence from experts, policy-makers and practitioners, and members of the public, including those with first-hand experience of poverty. It applies this evidence to the opportunities and challenges facing Tees Valley.

# Why would a Mayor prioritise inclusive growth?

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Attracting, retaining and generating investment to grow the economy is vital for a greater prosperity. But while growth is necessary, it is not sufficient on its own to develop an economy that works for everyone and where poverty is lower.

A more inclusive Tees Valley economy would see more people in employment, and more jobs with decent pay and prospects, bringing economic benefits. Each time an out-of-work benefit claimant moves into a job paying the voluntary Living Wage (which is set with regard to the cost of essentials) the local economy is boosted by £14,400 on average (Bivand and Simmonds, 2014).<sup>4</sup>

Education and skills are vital for people to make the most of economic opportunities, but children from low-income backgrounds achieve worse results at every stage of their education compared to those from better-off homes. This deprives businesses of talent. It also reduces people’s earning potential, reduces the tax take and increases the risk that poverty will be passed from one generation to the next.

Inclusive growth that helps to deliver lower poverty would also release resources that could be put to more productive use. An estimated £1 in every £5 spent on public services is linked to poverty, with the costs falling heavily on the health service, education and the police and criminal justice system (Bramley *et al.*, 2016).

JRF's definition of poverty is:

When a person's resources are well below their minimum needs, including the need to take part in society.

Ultimately, poverty is harmful to those who experience it, scarring their prospects, worsening mental and physical health and shortening lives. Healthy life expectancy for men varies widely in Tees Valley, from 57 in Hartlepool to 62 in Darlington. For women it is between 55 in Hartlepool and 62 in Stockton-on-Tees.

In other words, growing the economy and reducing poverty are not separate areas of activity. Poverty is caused by unemployment, low wages and insecure jobs, lack of skills, family problems, an inadequate benefits system, and high costs (especially for housing). Developing a more inclusive economy will make a significant contribution to solving poverty in the UK.

# An overview of prosperity and poverty in Tees Valley

Tees Valley is home to world-class expertise in sectors such as process and chemical industries, energy, advanced manufacturing and logistics. It is an outward facing economy and there are bold ambitions to develop a high-value, low-carbon, diverse and inclusive economy and to be a demonstration region for the circular economy (TVCA, 2016).

There are a number of barriers to delivering an inclusive economy. In recent years the rate of business start-ups has been above average, nonetheless the number of jobs and businesses per resident is still behind the national average (see Table 1). There have been some significant job losses, such as the closure of the SSI steel works in 2015, which led to over 2,000 job losses, and a further 2,000 jobs in the local supply chain are thought to be under threat (TVCA, 2016).

Table 1: Indicators of prosperity and inclusion

	Tees Valley	England
<b>Prosperity</b>		
Gross Value Added per capita (£)*	18,900	26,200
Jobs per 100 residents	73	84
Businesses per 1,000 residents	30.7	44
<b>Inclusion</b>		
Employment rate	68.4	74.1
Unemployment rate	7.4	5.0
% out of work benefit receipt	13.6	8.4
Median gross weekly pay (full-time)	£496	£545

\*GVA per capita data from TVCA (2017); other figures: JRF Analysis Unit

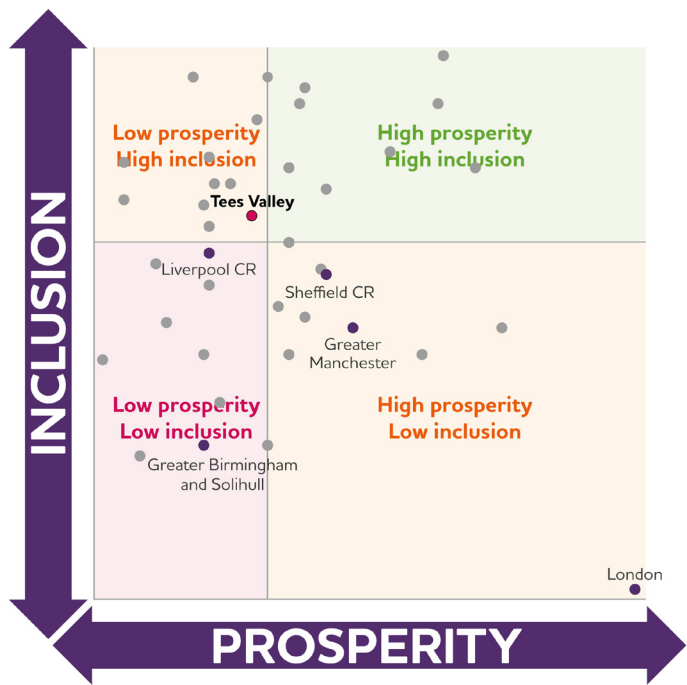
Economic output (Gross Value Added) per head is also below average, and the gap is partly explained by a relatively small proportion of the population being of working age and relatively high rates of economic

inactivity (people not looking for work because they are studying, looking after family, disabled or sick) (TVCA, 2016).

Unemployment is above the England average, and 22% of working age households have no one in work (15% in England).

JRF's Inclusive Growth Monitor (Beatty *et al.*, 2016) looks at the progress cities are making. It finds Tees Valley performed just below average on progress on prosperity (economic growth, employment opportunities and human capital) between 2010 and 2014, and just below average on progress on inclusion (addressing labour market exclusion, living costs and incomes at the bottom end).

Figure 1: Tees Valley's progress on inclusive growth 2010-2014



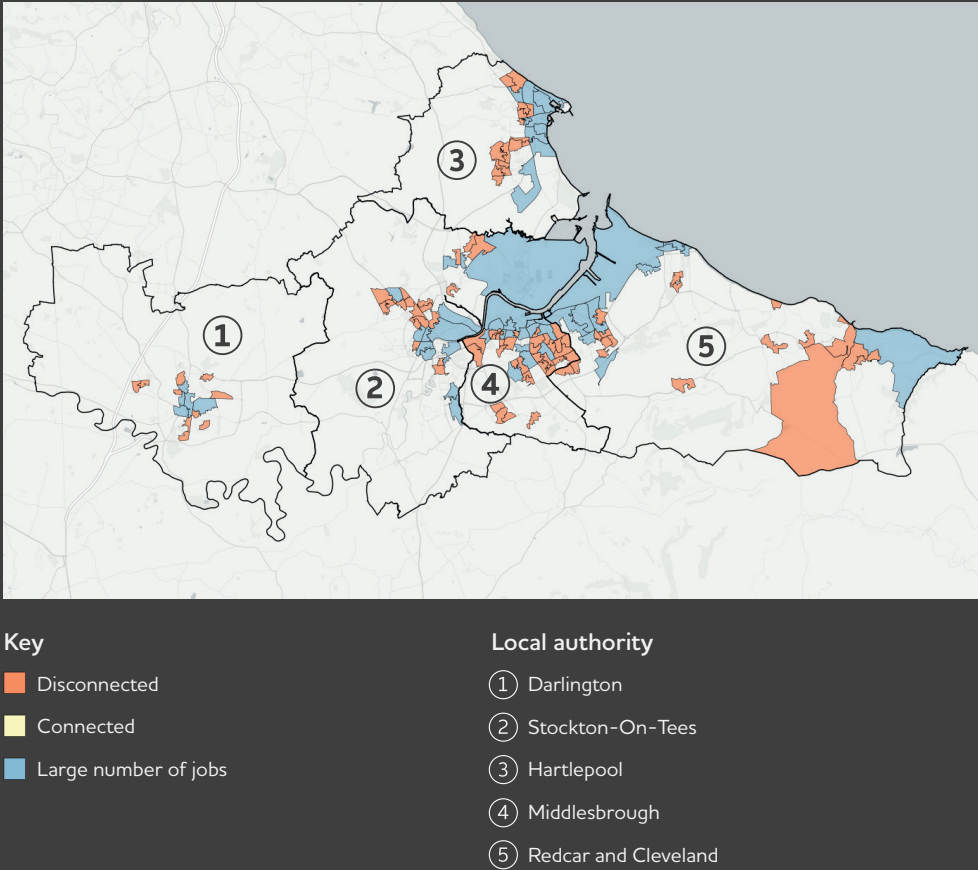
Inclusive growth requires not only the creation of good jobs, but for people in poverty to be connected to them. This requires a detailed understanding of the barriers to higher employment in Tees Valley. The map in Figure 2 shows the places that are in the fifth most deprived nationally, and their relationship to local labour markets.

Tees Valley has a significant disconnection problem. Just under two-thirds (65%) of deprived neighbourhoods were found to be disconnected, meaning people living in the area work in a narrow range of place nearby, which may indicate poor transport links or a skills mismatch (Rae et al., 2016). The prevalence of labour market disconnection is in stark contrast to the other mayoral regions, where the vast majority of deprived neighbourhoods either contain a large number of jobs or are well connected to jobs nearby. Disconnection is present across all the Tees Valley local authorities, but is most severe in Middlesbrough, where 33 of the 49 deprived neighbourhoods are disconnected from the labour market.

Tackling low employment in these areas will require affordable transport links to employment opportunities and the stimulation of job creation, alongside addressing barriers such as lack of skills, caring responsibilities, health and disability.

The remaining 35% of deprived neighbourhoods were found to have more jobs than working-age population. Here, barriers to work such as lack of skills, caring responsibilities, health and disability are likely to be the primary challenge.

Figure 2: Labour market disconnection among deprived neighbourhoods in Tees Valley



**Note**

Map shows neighbourhoods that are in the fifth most deprived nationally.  
Neighbourhoods have been classified according to their relationship with local labour markets.  
**Disconnected** = residents have few work locations accessible;  
**Connected** = residents in the area have many different work locations accessible;  
**Large number of jobs** = neighbourhoods have more jobs than the working age population.

# Five steps to more inclusive growth in Tees Valley

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## 1. More and better jobs

For an inclusive economy, the number and quality of jobs created is every bit as important as the skills and capabilities of local residents. Growing the number of jobs is clearly a priority for Tees Valley, but it's a matter of quality as well as quantity.

Median full-time weekly wages are around £50 below the national median, and there is considerable variation: from £523 for people living in Stockton-on-Tees to £465 in Redcar and Cleveland. More than a quarter (26.6%) of workers were paid below the voluntary Living Wage (which is set with regard to the cost of essentials) in 2014, and one in five working families claim in-work tax credits to top up their low pay, above the England average (one in seven).<sup>5</sup>

Good jobs and higher wages are essential to address in-work poverty and deliver inclusive growth. But all too often the bottom end of the labour market is overlooked in local economic strategy. Increasing the productivity of low-paid workers is a route to higher pay for them and a more prosperous economy for everyone. Lagging productivity in low-pay sectors accounts for around a third of the UK's productivity gap with leading Western European economies.

The social economy too has a role to play. In Tees Valley no recent studies have been conducted into the size, economic contribution or potential of the social economy. Mapping work carried out in 2007 identified 157 social enterprises operating in the city region (Angier Griffin, 2007), which may suggest the sector is somewhat underdeveloped, although more up-to-date data is needed.

The Mayor will have significant powers over business support services, skills provision and innovation. They will also have control over a £450 million ten-year investment fund.

To help deliver more and better jobs JRF recommends:

**Support growing businesses and sectors to deliver good jobs –**

Tees Valley is focusing its business support offer on businesses and sectors with high growth potential. As part of this offer, the service could trial a sector employment programme approach (Green, 2015). This can be an effective way of supporting people into better jobs, while supporting growth sectors to tackle shared problems such as skills shortages. Successful programmes share a number of characteristics:

- Focused on business needs: delivered by organisations that understand the selected sector, and can secure buy-in from businesses on the basis of identified problems such as skills shortages or high staff turnover.
- Strong partnership working: able to work with training providers and employment support providers to broker a bespoke response to business needs.
- Offer personalised support for individuals: work with low-paid employees and unemployed people to access the opportunities being created.

**Raise productivity in low-pay sectors –** Tees Valley has identified a number of priority industry sectors with growth potential:

- advanced manufacturing;
- process, chemicals and energy;
- logistics;
- health and biologics;
- digital and creative;
- culture and leisure; and
- business and professional services (TVCA, 2016).

Alongside targeting these sectors, raising productivity and pay in low-pay sectors such as retail and care could also help reduce working poverty. The Mayor should work with businesses and industry bodies in these sectors to develop strategies to increase productivity, using their business support and skills powers to support progress.

**Use economic development to connect people to opportunities** – where economic development, regeneration and investment creates new jobs (either during the building phase or the jobs that then follow) action should be taken to provide benefit for local people with barriers to the labour market. The Mayor can support this activity by using planning obligations more systematically and brokering training and employment support packages to connect people to opportunities.

**Maximise the potential of anchor institutions** – these institutions are the biggest local spenders and employers (such as local authorities, universities, the NHS or large companies). How they procure goods and services and their approach to employment practice can be directed to support local economic vitality, learning from places like Chicago (JRF, 2016c). The Mayor can support this activity by using their power to convene, encourage and challenge partner organisations, and by promoting the use of ‘social value’ clauses.

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## 2. Supporting people to move into a good job

Increasing the number of people in work is pivotal to delivering inclusive growth in Tees Valley. Some 26% of the working age population is economically inactive (compared to 22% in England), rising as high as 30% in Hartlepool and Middlesbrough. Unemployment is above average and a fifth of working-age households are entirely workless. Tees Valley has a particularly low employment rate among people from black and minority ethnic backgrounds at 54%.

At its best, employment support helps people overcome barriers to work, connects them to opportunities that are sustainable and improves their incomes. The Mayor will have responsibility for joint commissioning employment support for people with the most significant barriers to work.

To support people to move into work JRF recommends:

### **Employment support incentivised to focus on poverty –**

Job Centres are currently tasked with getting people ‘off benefits’, a wholly inadequate goal as it pays no attention to what happens to them. The Mayor should champion all employment support services being given the same core target: to reduce poverty through higher employment and earnings. This will help to focus activity on the outcomes that matter most for poverty and inclusive growth.

### **Support disabled people and those with health conditions to work**

– joint commissioning of the Work and Health Programme (the Department for Work and Pensions’ (DWP) new scheme to improve employment outcomes for people with health conditions or disabilities and those unemployed for more than two years) must be rooted in the experience of delivering Building Better Opportunities and the evidence of what works. This includes the confidence – and motivation-boosting role of personal advisers and peer support, work experience and work

trials, and Individual Placement and Support schemes (where rapid entry into a mainstream job is complemented by on-the-job training and ongoing support to sustain employment) for people with learning difficulties and severe and enduring mental health difficulties. Specialist or voluntary and community sector providers are often best placed to deliver such services. Demonstrating impact will also help to build a case for devolving further responsibilities for employment support, to include those with more modest barriers to work, at risk of being poorly served by the Government’s current plans for reform.

**Champion integrated employment and income hubs** – creating a single gateway to a range of statutory, voluntary and community sector services makes it easier for people to access what they need, and reduces the chances of them falling between the cracks as they’re referred from one service to another. A hub could help individuals to reduce their costs – through debt advice and help switching utility providers – as well as increase their incomes through employment support, careers advice, and welfare advice. Speeding up the process of co-locating Jobcentre Plus with local authority services would help to form this service.

**Trial services to support people to progress in work** – simply getting a job is not always enough to escape poverty, and four out of five low-paid workers fail to fully escape low pay over ten years. Liverpool City Region should make the ability to get on a key aim, and trial different approaches to supporting progression in work. Trials should combine coaching and support from advisers able to foster links with employers, with well-targeted training linked to realistic career progression opportunities and financial incentive payments.

### 3. Improving prospects

Education and training – both as a child and throughout adult life – has a crucial part to play in inclusive growth and solving poverty. Improving lifetime opportunities is a key priority for the Tees Valley Combined Authority (TVCA, 2016).

Just over half (52%) of five year olds from deprived backgrounds (eligible for free school meals) reach a ‘good’ level of development in Tees Valley, behind the national rate of 54%. The attainment gap grows as children get older. Some 54% of 16 year olds in Tees Valley get 5 GCSEs grade A-C (including Maths and English), but just 30% of children eligible for free school meals achieve the same standard; this falls as low as 25% in Darlington. The England average is one-third.

Looking at the working-age population, the proportion with NVQ level 4 and above (30%) is well below the UK average (37%), and a relatively large proportion (10%) has no qualifications (similar to the UK average of 9%). A significant minority of businesses struggle to recruit, with 29% of vacancies reportedly hard to fill due to skills shortages, higher than the England average (23%) (UKCES, 2015).

The labour market increasingly requires workers to be more highly skilled and adaptable, meaning access to training and re-training throughout working life will only become more important. Moreover, the ageing population in Tees Valley is expected to bring further skills shortages in key sectors by 2024, as skilled workers retire (TVU, 2016).

The Mayor will have significant powers over skills. One challenge is to get the incentives in the system right so that the training and skills system both responds to the needs of employers and supports the drive to help people move into work and then to move up to a better job. While the Mayor will not have formal powers over education and early years, this is an area they can use their soft power.

To improve prospects, JRF recommends:

**Raise the quality of childcare to get children off to a good start** – good quality childcare helps children from deprived backgrounds start school ready to learn. At age five, children who have had high-quality childcare for two to three years are nearly eight months ahead in their literacy development than children who have not been in pre-school. The Mayor can use their soft power to keep a focus on the quality of childcare; activities that would help include:

- An early excellence fund to support training of childcare providers so there is a graduate in each setting, starting with those that are delivering free childcare to two year olds from deprived backgrounds.
- Connecting providers to early intervention services.
- Increasing the number of early years Special Educational Needs Coordinators to provide advice and support to childcare providers.

**Close the education attainment gap** – work with local education authorities and the Regional Schools Commissioner to focus on using evidence effectively and schools supporting one another to improve attainment among children from low income backgrounds. Over time there may be a case for the powers of the Regional Schools Commissioner to transfer to the Mayor.

**Meet all basic skills needs by 2030** – trial a new approach to basic skills focused on meeting basic literacy, numeracy, digital and English language skills needs. Based on the Learning and Work Institute’s ‘Citizen’s Curriculum’, it should work with learners to tailor a programme of learning to their needs, and should be judged by the outcomes achieved, rather than by qualifications gained. Rochdale has piloted this approach and the evaluation found each £1 spent delivered a £3.68 financial return (Stevenson *et al.*, 2016).

**Focus on access and quality in apprenticeships** – good apprenticeships help people to get on, and Tees Valley has highlighted the need to increase both the quality and quantity of apprenticeships (TVCA, 2016). The Mayor could support the drive for quality by working with learners, businesses and training providers to develop an Apprenticeship Charter setting out standards. They should also monitor access to good apprenticeships by people from ethnic minority backgrounds, disabled people and women to make sure opportunities are shared. Pushing for commissioning responsibilities and power over the apprenticeship levy would enable the Mayor to ensure apprenticeships are focused on delivering better employment and earning outcomes.

**4. Planning for inclusive growth**

The cost of essentials – especially housing – is as important for solving poverty as increasing incomes. Currently housing is more affordable in Tees Valley, compared to the national average (TVU, 2016). Nonetheless, managing the balance of housing supply across tenure types will be important to ensure that new supply matches local needs.

As in other parts of the country, the private rented sector has been growing fast, up 80% between 2001 and 2011. Nationally, one in three homes in the private rented sector does not meet the Decent Homes Standard.

Alongside the cost of housing, affordable access to jobs and essential services enables people to escape poverty. The devolution of a consolidated transport budget, bus franchising and some housing and regeneration functions will present significant opportunities for the Mayor.

To plan for inclusive growth JRF recommends:

**Connect people in poverty** – existing transport connections tend to be to the local town centre, making affordable travel across the Tees Valley difficult. This exacerbates the problem of disconnected deprived areas outlined above. The Mayor should prioritise affordable transport to connect the many disconnected deprived areas to job opportunities, and make poverty reduction an explicit part of the transport authority’s remit.

**Create places people want to live** – there is significant opportunity for housing-led regeneration in Tees Valley, both on brownfield land and in neighbourhoods with outdated housing. The Mayor will have some powers to address this – for example through a Mayoral Development Corporation – but there is little scope to fund this work via existing national programmes. The Mayor should use their role to secure flexibilities over housing and infrastructure funding to enable the remediation of land and renewal of housing to enable housing-led regeneration in Tees Valley.

**Develop homes with Living Rents** – the Mayor should try to secure greater flexibility on how Homes and Communities Agency investment can be spent in Tees Valley. This would enable development of new homes to rent and buy based on a Tees Valley Living Rent, linked to local incomes, making sure homes are affordable for low-income workers.

**Improve standards in the private rented sector** – The Mayor should demand the return of selective licensing powers to local authorities, and promote integrated private rental sector services to tenants and landlords that accredit landlords, offer training and information, enforce standards, and provide a tenant matching service, access to low-cost loans to fund improvements to meet the Decent Homes Standard, and a limited rent guarantee service.

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## 5. Using the soft power of the office of Mayor: leadership and governance

Inclusive growth is an agenda, not a new policy initiative – and it will require strong leadership from the Mayor. The Mayor can be the champion of inclusive growth: raising ambition, shaping strategy, inspiring action, marshalling resources, fostering collaboration and asking difficult questions. The Mayor can convene and galvanise activity, drawing in stakeholders from across the public, private and voluntary and community sectors. This includes holding central government to account for actions that impact on poverty and prosperity in Tees Valley, and continuing to fight for the devolution of powers and resources to enable the Mayor to solve poverty.

The ability to influence will be as important as how the Mayor uses their formal powers in areas such as employment support, skills and training, transport and housing.

JRF recommends the Mayor:

**Defines and measures success** – a new vision for a more inclusive local economy needs to be underpinned by a new approach to measuring and monitoring performance. This means moving beyond simplistic economic measures of success to capture who actually benefits from growth. JRF, with Sheffield Hallam University, has begun to develop a tool for monitoring inclusive growth (Beatty *et al.*, 2016). A new approach to how the costs and benefits of projects are appraised and how value for money is calculated would also enable major capital and revenue investment decisions to help inclusive growth objectives.

**Leads by doing** – the Mayor must lead not only through words but through action. A powerful way to influence others is by demonstrating what can be done. The potential for collaboration across local anchor institutions to set the tone for the economy is huge. The Mayor can play a pivotal role in corralling anchor institutions to ensure their practice as employers and procurers of goods and services is geared towards creating a more inclusive local economy.

**Makes inclusive growth a shared agenda** – inclusive growth is not just the job of the Mayor, but the whole city region – its businesses, employers, anchor institutions, service providers, communities and citizens. The Hartlepool Action Lab<sup>6</sup> demonstrates how the ideas and direct experience of local people living and working in an area can be brought together to develop shared priorities and a collaborative approach to addressing key challenges. The Mayor should lead an inclusive growth agenda, but shape it with the involvement of a wide range of stakeholders, including those with direct experience of poverty.

## The first 100 days

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A Mayor committed to solving poverty and delivering more inclusive growth should make these goals the organising principles for the Mayoral team.

Their **first actions should be** to:

- Create a cabinet position with responsibility for Inclusive Growth, integrating social and economic policy.
- Set ambitious targets to focus action on the quality of jobs, the employment rate, and boosting educational attainment from the early years to adult skills.
- Convene stakeholders across business, economic development, employment and skills providers, education and early years providers, other public service providers and civil society to develop a city-region-wide strategy for inclusive growth and solving poverty.

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## Notes

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1. Data from the English Indices of Deprivation, <https://www.gov.uk/government/statistics/english-indices-of-deprivation-2015>. The definition of income deprived includes both those people that are out-of-work, and those that are in work but who have low earnings (and who satisfy the respective means tests). Further details available at pp.29-30 of the technical report: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/464485/English\\_Indices\\_of\\_Deprivation\\_2015\\_-\\_Technical-Report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/464485/English_Indices_of_Deprivation_2015_-_Technical-Report.pdf).
2. Figures from Children in Low Income Families, <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2014-snapshot-as-at-31-august-2014-30-september-2016>.
3. See JRF's work on Cities Growth and Poverty: <https://www.jrf.org.uk/cities-towns-neighbourhoods/cities> and JRF's submission to the RSA's Inclusive Growth Commission: JRF and the Inclusive Growth Analysis Unit (2017) RSA Inclusive Growth Commission. York: JRF available at: <https://www.jrf.org.uk/report/rsa-inclusive-growth-commission>.
4. This combines the value of the economic output from the additional worker and their increased spending power in the local economy.
5. Proportion of working families in receipt of tax credits are an estimate, based on dividing the number of working benefit units receiving tax credits by the total number of working benefit units. Tax credit receipt taken from HMRC data: <https://www.gov.uk/government/statistics/personal-tax-credits-finalised-award-statistics-geographical-statistics-2014-to-2015> Number of working benefit units based on working and workless households via NOMIS: <https://www.nomisweb.co.uk>, with an adjustment applied to account for multi benefit unit households based on the ratio of working benefit units to working households in FRS 2014/15 (1.2:1).
6. For more information see <http://www.hartlepoolactionlab.org/>.

This briefing:  
Inclusive growth in **Tees Valley**, an agenda for the new Mayor,  
is also available at:  
[www.jrf.org.uk/report/inclusive-growth-tees-mayor](http://www.jrf.org.uk/report/inclusive-growth-tees-mayor)

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This briefing forms part of JRF's work on solving poverty.  
JRF's comprehensive strategy, *We can solve poverty in the UK*,  
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You can find more information about this here:  
[www.jrf.org.uk/solve-uk-poverty](http://www.jrf.org.uk/solve-uk-poverty)



# Inspiring Social Change