

Inclusive Growth

Opportunities and Challenges for Greater Manchester

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Foreword

This is the first report of the Inclusive Growth Analysis Unit, a small team established in 2016 by the Joseph Rowntree Foundation (JRF) and the University of Manchester (UoM) to support inclusive growth in Greater Manchester and other UK cities.

'Inclusive growth' is a relatively new term, gaining traction because of growing evidence that economic growth is leading to growing inequality and not necessarily to reductions in poverty. We need to find ways to include more people in the benefits of increasing prosperity, at the same time drawing on the talents and energies of a greater proportion of our population to develop economies which are more vibrant, innovative, skilled and productive.

Across the world, cities have been identified as having a key role to play in shaping more inclusive models of economic growth, both because they are the engines of growth and because they also tend to contain the largest concentrations of poverty. In the UK, this urban focus is sharpened by moves towards city-region devolution and hopes for a new 'Northern Powerhouse' centred on cities.

This report considers the relationships between growth, inequality and poverty in the Greater Manchester context, attempting to set out a clear picture of the opportunities and challenges that the city-region faces in moving towards more inclusive growth, as a basis for the development of strategies to address some of those challenges.

We hope it will feed directly into ongoing developments in Greater Manchester and beyond, not least the GM Combined Authority's contribution to the RSA Inclusive Growth Commission, the debate running up to the 2017 Mayoral Election, and emerging strategies for economic growth and public service reform under devolution.

More broadly we hope it will engage and involve a wider audience - large and small employers, leading institutions and individuals, voluntary and community organisations, and the citizens and electors of Greater Manchester themselves - in a discussion of what inclusive growth in Greater Manchester might look like and how they can contribute to and influence it.



Contents

Foreword	i
Inclusive Growth and Why We Need It	1
What is inclusive growth?	1
Why we need inclusive growth: growing economies and growing inequalities	1
The causes of uneven growth	2
Growing recognition of the need for inclusive growth	3
A focus on cities, and on Greater Manchester	3
Greater Manchester's Growth Story	5
The Persistence of Poverty	10
The scale of poverty in Greater Manchester	10
Poverty's spatial distribution	11
Poverty's high costs and consequences	12
New Economic Geographies	13
Output growth	13
Employment and unemployment	14
Changing geographies of poverty	16
Changes in Labour Market Structure	18
Low pay	18
Increases in underemployment	19
Changing jobs and new skill demands	20
Disparities Between Groups	22
Where Next?	25



Inclusive Growth and Why We Need It

What is inclusive growth?

The idea of inclusive growth is that increasing economic prosperity should create opportunity for all segments of the population and that its benefits should be distributed fairly, reducing inequalities (OECD 2015¹).

Why we need inclusive growth: growing economies and growing inequalities

Over the last four and a half decades the UK, along with many other advanced economies, has experienced increasing prosperity alongside increasing income inequality and increasing relative poverty (Figure 1).

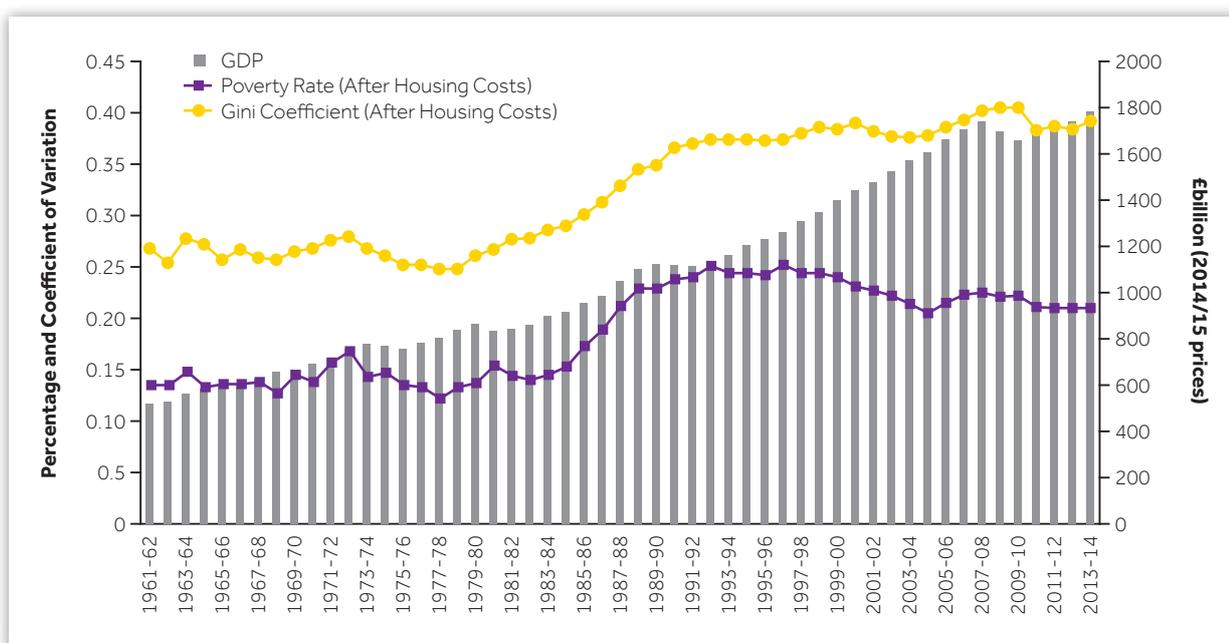


Figure 1: Rates of Poverty and Inequality, and Trends in National Income (GDP) 1961/2 to 2013/14, GB/UK

Sources: GDP data and deflators from Office for Budget Responsibility; poverty and inequality data from Institute for Fiscal Studies, derived from the Family Expenditure Survey (to 1993/94) and Family Resources Survey (from 1994/95). Note: Poverty data and inequality data are for GB until 2001/2 and UK thereafter

¹ OECD (2015). 'Inclusive Growth - Organisation for Economic Co-Operation and Development'. <http://www.oecd.org/inclusive-growth/>



Since 1979, UK national income has risen by 106% in real terms. However, the real terms incomes (after housing costs) of the poorest five per cent of the population have grown only 5%, while median income has risen 85% and those of richest five per cent 146%. The relative poverty rate (after housing costs) rose from 14% to 21% between 1979 and 2013/14, while the share of income going to the top 1% increased from 5.7% in 1990 to 8.3% in 2013/14.² The Gini coefficient of income inequality, which stood at 0.26 in 1979, had risen to 0.39 by 2013/14. And the wealthiest 10% of households now own 45% of total wealth.³

The causes of uneven growth

As Figure 1 shows, the UK's shift to being a high inequality/high poverty society occurred in the 1980s. Neither reductions in poverty in the 2000s nor slight falls in both poverty and inequality following the 2008 recession have been sufficient to shift the pattern established during that decade. These are long standing and structural problems.

Economic globalisation, a shift from manufacturing to services, and technological advances underlie these changes.⁴ Technology has created an increased demand for higher skilled employees and reduced the demand for lower skilled employees, and there has been an increasing divergence in job quality, pay and rewards,⁵ with low pay and job insecurity becoming particular problems. In the UK, more people in poverty are now in working than workless households.

Globalisation and technological change have also increased regional disparities, as new financial, professional and service sector jobs have concentrated in London and to a lesser extent other big cities, while many former industrial areas have not seen replacement employment of sufficient scale or quantity. In many such communities, the legacy of de-industrialisation is still evident in the form of poor physical and mental health, low levels of economic inactivity, disengagement from education and low political participation.

But wide inequalities are not an inevitable consequence of economic restructuring and technological change. As Piketty⁶ demonstrates, increasing inequalities have been more pronounced in Anglophile countries pursuing a liberal economic/small state model than they have in continental Europe, Scandinavia, and Japan. The UK also has the highest regional inequality in Europe.⁷ The extent to which global trends have resulted in national and local inequalities is affected by many policy-related factors such as the nature of the financial and industrial relations systems, investment in training and education, land ownership and property laws, taxation and social policies, as well as by the decisions of employers and shareholders.^{8,9,10,11} Governments, employers and citizens can shape the extent of poverty and inequalities.

² Belfield, C., Cribb, J., Hood, R., and Joyce, R. (2015) *Living Standards, Poverty and Inequality in the UK 2015*

³ ONS (2015) *Main results from the Wealth and Assets Survey: July 2012 to June 2014*

⁴ Acemoglu, D. (2002) Technical change, inequality, and the labor market. *Journal of Economic Literature*, 40(1), pp. 7-72.

⁵ Holman, D. et. al. (2015). *Convergence and divergence of job quality in Europe 1995-2010*. Luxembourg: Publications Office of the European Union.

⁶ Piketty, T (2014) *Capital in the Twenty-First Century*. Belknap, Harvard.

⁷ <http://inequalitybriefing.org/brief/briefing-56-the-gap-between-the-richest-and-poorest-region-in-the-uk-is-the>

⁸ Gallie D (2007) *Employment Regimes and the Quality of Work*. Oxford: Oxford University Press.

⁹ Hall, P. A. & Soskice, D. W. (2001). *Varieties of capitalism the institutional foundations of comparative advantage*. Oxford [England]; New York: Oxford University Press

¹⁰ Standing, G. (1999). *Global labour flexibility: Seeking distributive justice*. Palgrave Macmillan.

¹¹ Lupton, R., Burchardt, T., Hills, J., Stewart, K and Vizard, P. (eds) (2016) *Social Policy in a Cold Climate: Policies and their consequences since the crisis*. Bristol: The Policy Press

Growing recognition of the need for inclusive growth

In the UK many people are unhappy with the current situation. Consistently through the last three decades, more than 70% of respondents in the British Social Attitudes survey have agreed that income differences between the rich and the poor are too great.¹²

Some people present the problem in terms of the human costs of *poverty* and/or its relationship to other negative social outcomes like poor health and crime.¹³ Others have emphasised the effect of *inequality* on social outcomes through mechanisms such as status anxiety; and its negative effects on social cohesion, social solidarity, aspiration and social mobility.¹⁴ In this context, the pattern of voting in the recent EU referendum was widely interpreted as an expression of alienation from an economic and political system which appears principally to benefit metropolitan elites and the educated middle classes at the expense of others.

Others still point to the costs of poverty to the taxpayer in terms of income replacement benefits and to the economy because so many people's talents are not fully utilised. While some people start from perspectives of social justice or fairness, others point out that high levels of poverty and restricted opportunities limit productivity and are a drag on economic growth.¹⁵

Considerable attention is therefore beginning to turn to the ways in which we can seek to increase our prosperity in ways that benefit the many not the few. The Joseph Rowntree Foundation has taken a lead in the UK, following international developments including an IMF 'inclusive capitalism' conference in 2014 and an OECD campaign: '*All Aboard for Inclusive Growth*', launched in 2015. As well as 'inclusive growth' interest has emerged in concepts such as good growth, vibrant economies, and thinking beyond GDP.

A focus on cities, and on Greater Manchester

Since early 2016, there has been an increasing focus on inclusive growth in cities. Launching its 'Inclusive Growth in Cities' campaign, the OECD pointed out that cities are the engines of economic growth as well as being the sites of the most concentrated poverty. However evidence suggests that economic growth in UK cities has not always reduced poverty.¹⁶ Income inequality has tended to widen in high growth cities, and relative poverty rates (after housing costs) to increase as property investors and high earners push up living costs at the expense of people on the lower rungs of precarious labour markets. London is the UK's starkest example.¹⁷

¹² Hills, J. (2015) *Good Times, Bad Times: The Welfare Myth of Them and Us*. Bristol: The Policy Press

¹³ Unwin, J. (2013) *Why Fight Poverty?* London: London Publishing Partnership

¹⁴ Wilkinson, R. and Pickett, K. (2010) *The Spirit Level: Why Equality is Better for Everyone*. London: Penguin

¹⁵ RSA (2016) *Inclusive Growth Commission Prospectus of Inquiry*

¹⁶ Lee, N., Sissons, P., Hughes, C., Green, A., Atfield, G., Adam, D. & Rodriguez-Pose, A. (2014) *Cities, growth and poverty: a review of the evidence*. Joseph Rowntree Foundation

¹⁷ Lupton, R., Vizard, P., Fitzgerald, A., Fenton, A., Gambaro, L. and Cunliffe, J. (2013) Prosperity, poverty and inequality in London 2000/01 – 2010/11, Case Research Report 3; Vizard, P., Karagiannaki, E., Fitzgerald, A., Cunliffe, J., Obolenskaya, P., Thompson, S., Grollman, C. & Lupton, R. (2015) The changing anatomy of economic inequality in London (2007-2013), Social Policy in a Cold Climate, Research Report 6. Hills, J., Cunliffe, J., Obolenskaya, P. & Karagiannaki, E. (2015) Falling Behind, Getting Ahead: the changing structure of inequality in the UK, 2007-2013.

In this context, the devolution of powers to city-regions in the UK is creating a new climate of interest in what cities can do. In April 2016, the RSA launched its own Inclusive Growth Commission to "understand and identify practical ways to make local economies across the UK more economically inclusive and prosperous" (p2, see footnote 15). Greater Manchester is expected to make a leading contribution, having been in the vanguard of city-region devolution and with a commitment to inclusive growth already established (Box 1).

In the remainder of this report, we set out of the opportunities and challenges for inclusive growth as they are now, to provide a baseline position for the development for strategies going forward, and to help stimulate debate about what can be done at a local level, and what needs to be done.

Box 1: The Greater Manchester Vision

By 2020, the Manchester city region will have pioneered a new model for sustainable economic growth based around a more connected, talented and greener city region where all our residents are able to contribute to and benefit from sustained prosperity and enjoy a good quality of life

Stronger Together: Greater Manchester Strategy (2013) p 73



Greater Manchester's Growth Story

Greater Manchester, like most of the UK's large cities, experienced a long post-war period of decline and stagnation following the decline of its traditional industries and manufacturing base. Post-industrial growth from the 1980s onwards has been led by London and the South East, and to a lesser extent the Bristol (West of England) city-region which has benefited from high levels of skills and knowledge intensive industries and its economic interdependencies with the capital.

Greater Manchester has not experienced growth on the scale of these cities, but it has an impressive and well known 'growth story' not least in the expansion and transformation of its city centre since the devastation of the 1996 IRA bomb, the redevelopment of Salford Quays, the building of the new tram network, the success of the airport, and the redevelopment of inner East Manchester connected with the 2002 Commonwealth Games. On numerous indicators, its economy performs relatively well compared with the other large cities of the Midlands and North.

The standard measure of subnational economic performance in the UK is Gross Value Added (GVA) (workplace-based). Between 1997 and 2014 Greater Manchester had the third highest compound GVA growth rate (4.08% per annum) of the core city regions, after the West of England (4.61%) and Sheffield (4.15%).¹⁸

Strong population growth in the 2000s has been a factor in the growth story. Greater Manchester gained an additional 146,000 working age people (+9%) between 2001 and 2014,¹⁹ some of the strongest growth in the country. However, this also means that measures of economic output per head and jobs per head do not show such impressive progress as aggregate figures. Greater Manchester had 105,000 more jobs in 2014 than in 2001 but the proportionate change (+8%) was similar to the change in working age population leaving its job density at almost exactly the same level, 0.78,²⁰ and its employment rate unchanged since 2004 at 70%.²¹

Nevertheless, the city is relatively well placed compared with others. Figure 2 shows workplace-based GVA per head of population from 1997, showing Greater Manchester consistently just above the average for core cities excluding Bristol. On this (per head) basis, GVA had grown 82% in total since 1997. In 2014 (at £21k per head)

¹⁸ It is important to note that these data are not adjusted for inflation. Experimental data produced by ONS adjusting for inflation show a lower growth rate, and that it was only in 2013 that Greater Manchester recovered its pre-recession level of total GVA.

¹⁹ ONS population estimates, local authority-based, by five-year age band, from NOMIS.

²⁰ ONS Job Density data, from NOMIS

²¹ Employment rate defined here as proportion of people aged 16-64 in employment

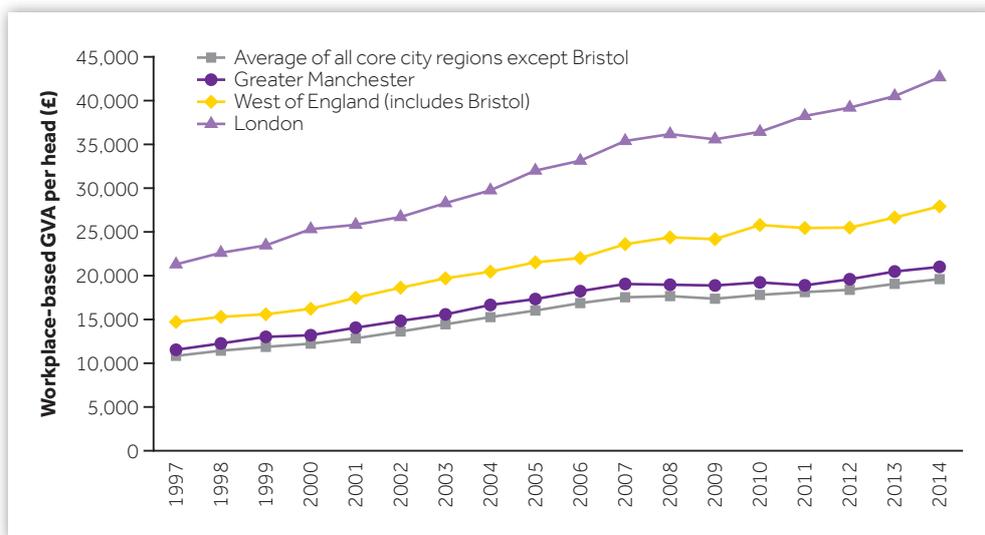


Figure 2:
Workplace GVA
per head, Greater
Manchester 2001-
2014

Source: Office for National
Statistics GVA per head
for Local Enterprise
Partnerships

it was the second highest of the core city regions behind the Bristol (£27k). In total, in 2014, the GM economy generated £57 billion of GVA, making it the second largest of the city-regions outside London, behind Leeds city-region at £62bn.

Recent trends have also been strong, with 85,000 more jobs in 2014 than in 2011 and 20,900 fewer unemployed in the same period.²² This picture of relatively strong economic performance relative to other city regions outside London is also evidenced in Figure 3 which shows nine indicators of economic prosperity included in the Joseph Rowntree Foundation's inclusive growth monitor (GVA, number of private sector business, average earnings, jobs density, employment rates, employment in low pay sectors, higher level occupations, intermediate and higher level skills and educational attainment). GM's performance on these indicators in 2014 tended to be slightly above the average for core city regions outside London, showing improvement since 2010.²³

The Greater Manchester Economic Forecasting Model also suggests that Greater Manchester is set to see both output and employment growth over the next decade. A forecast 2.8% per year annual growth rate in GVA between 2014 and 2024 (in line with the UK figure and above the North West annual rise of 2.6%) will take the overall size of the economy to £72 billion by the end of the period, with an additional 111,000 jobs (8%).²⁴ This exceeds projected growth in the working age population (2.4%).²⁵

These data suggest that 'inclusive growth' is a timely agenda for Greater Manchester. The city-region has recovered to a position of growth and is now in a stronger position to focus on the distribution of the benefits of growth going forward. At the same time, developing the skills and talents of existing residents and enabling them to connect to the jobs that are expected to come on stream will be crucial to achieving the levels of growth that are currently anticipated, especially if the economic climate becomes more challenging following EU exit.

²² ONS Model-Based Estimates of Unemployment at LEP level, from NOMIS

²³ Rafferty, A. & Moosavi, S. (2016) Inclusive Growth Monitor: City Region comparisons and a focus on Greater Manchester, Joseph Rowntree Foundation and the University of Manchester

²⁴ Oxford Economics (2014) Greater Manchester Forecasting Model report

²⁵ ONS 2012-based Subnational Population Projections for Local Authorities in England

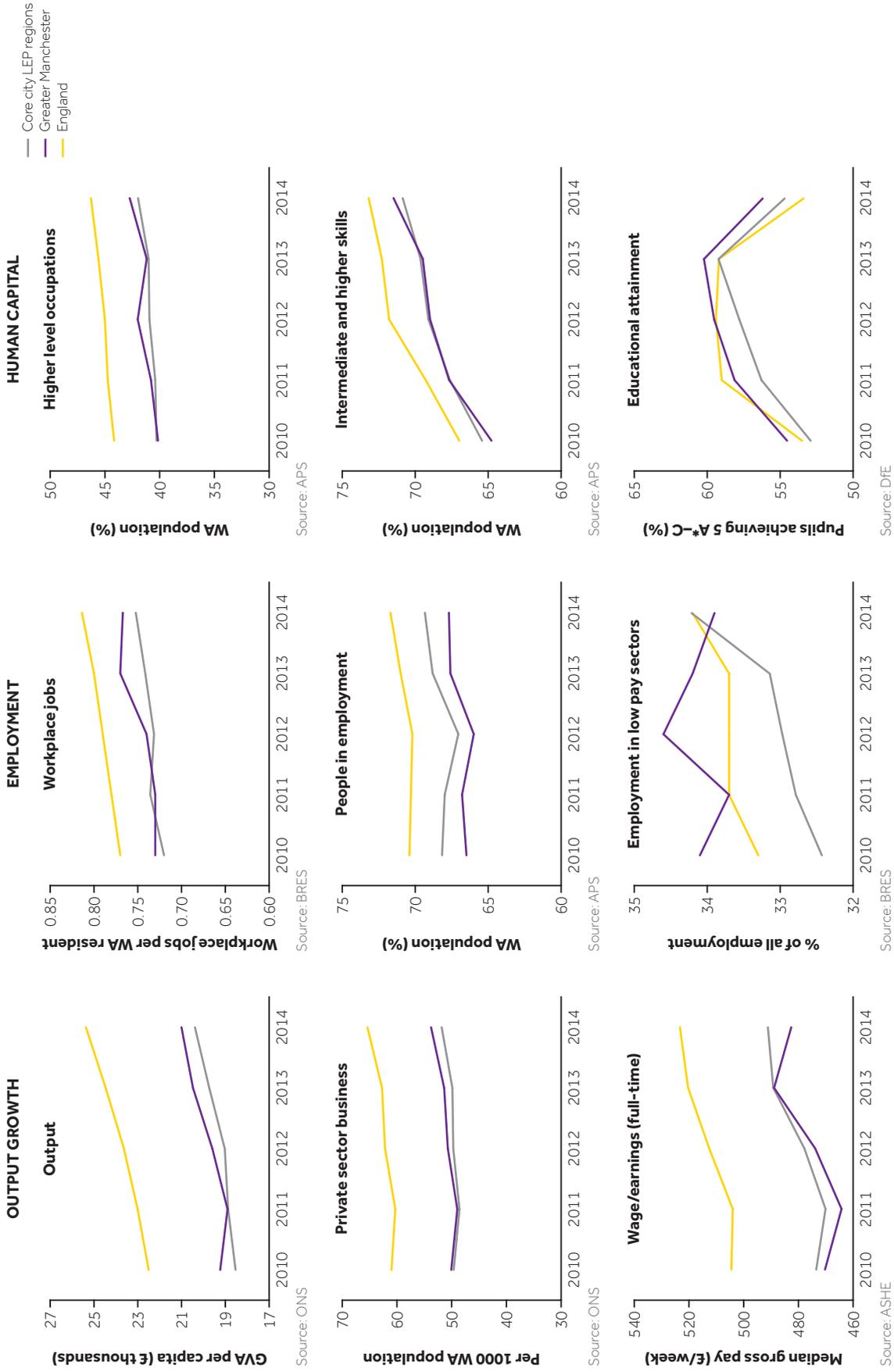
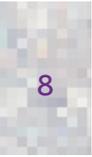
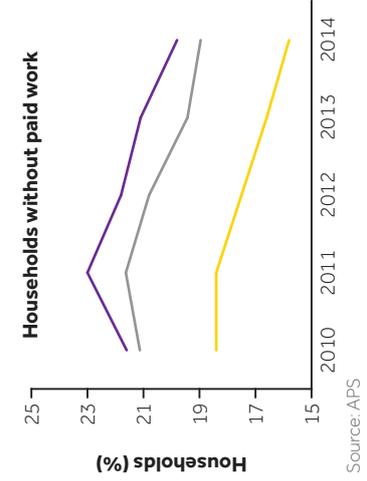
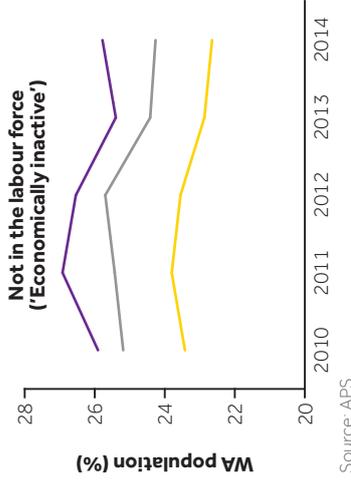
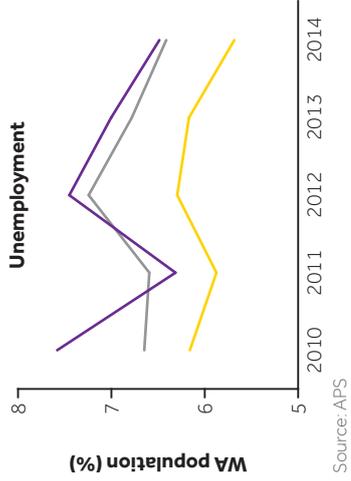


Figure 3: 'Prosperity' Indicators for Greater Manchester

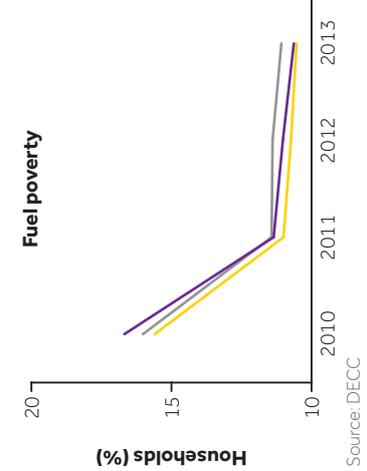
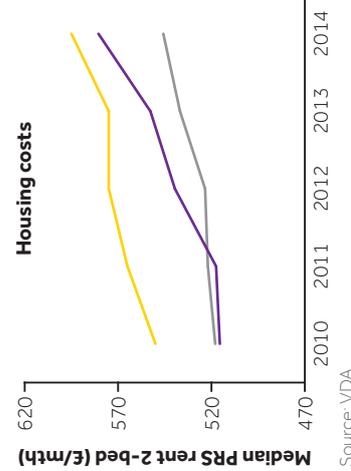
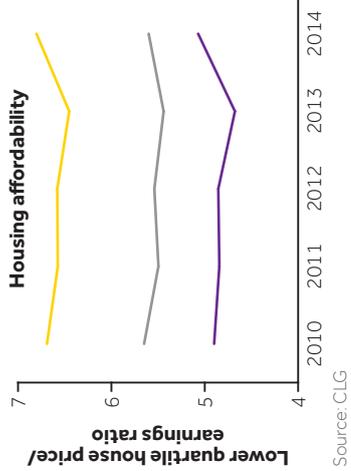


Core city LEP regions
 Greater Manchester
 England

LABOUR MARKET EXCLUSION



LIVING COSTS



INCOME

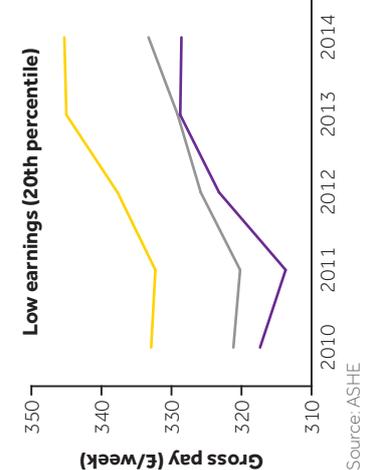
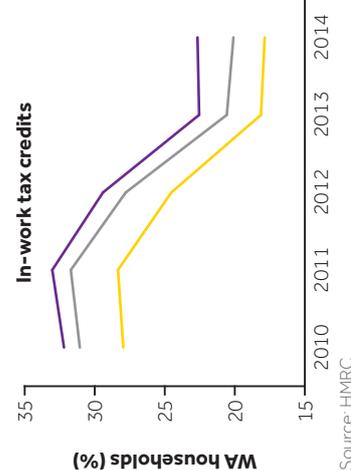
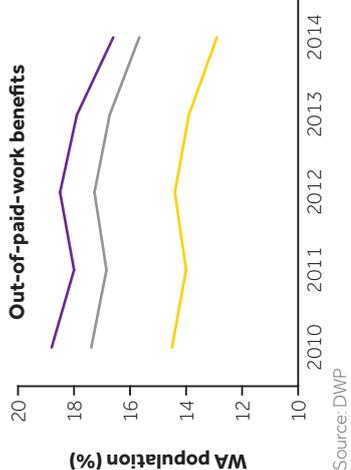
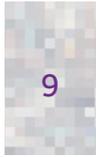


Figure 4: 'Inclusion' Indicators for Greater Manchester

The challenges, however, are considerable. A summary is presented by the 'inclusion' indicators of the JRF 'inclusive growth monitor'. The monitor includes nine 'inclusion' indicators which are proxies for low income or causes of low income: out-of-work benefits; in-work tax credits; low earnings; housing affordability (prices); housing costs (rents); fuel poverty; unemployment; economic inactivity; and workless households.²⁶

These data as shown in Figure 4. They show that although Greater Manchester scored slightly better on 'prosperity' indicators than core city regions outside London, on these 'inclusion' indicators it tends to score slightly worse. This is not the case for all indicators – for example housing affordability (home ownership), fuel poverty and levels of pay for the lowest earners. The comparison is also a crude one – GM does better than some other city-regions on some indicators and worse than some on others.²⁷ However, there is no doubt work still to be done, and it is to some of the challenges for inclusive growth that we now turn.



²⁶ Indicators of living costs are included as well as indicators of low income and its causes, reflecting JRF's broader definition of poverty as "when a person's resources (mainly their material resources) are not sufficient to meet their minimum needs (including social participation). See Goulden, C. & D'Arcy, C. (2014) A definition of poverty, JRF Programme Paper, The Joseph Rowntree Foundation.

²⁷ Rafferty and Moosavi (2016) as above.



The Persistence of Poverty

The scale of poverty in Greater Manchester

Many people in Greater Manchester are comfortably off. ONS modelled average (mean) equivalised incomes after housing costs in 2011/12²⁸ show that two thirds of localities had average incomes higher than the national median, some more than fifty percent higher than the median.

However, poverty also exists in Greater Manchester on a large scale. In 2013/14 620,000 people in the city region were in poverty.²⁹ More than half (390,000) were working-age adults, 180,000 were children, and 50,000 were over pension-age. These figures are estimated by applying the relative poverty rate for the North West region, which is derived from analysis of a large-scale government survey, to the number of people who live in Greater Manchester. Table 1 shows these estimates.

Table 1: Estimates of the number of people in poverty in Greater Manchester, 2013

	Poverty rate	Estimate	Lower estimate	Upper estimate
Children	30%	180,000	170,000	200,000
Working-age	22%	390,000	370,000	410,000
Pensioners	12%	50,000	40,000	60,000
All	21%	620,000	580,000	670,000

Source: ONS Households Below Average Income Statistics 2013/14.

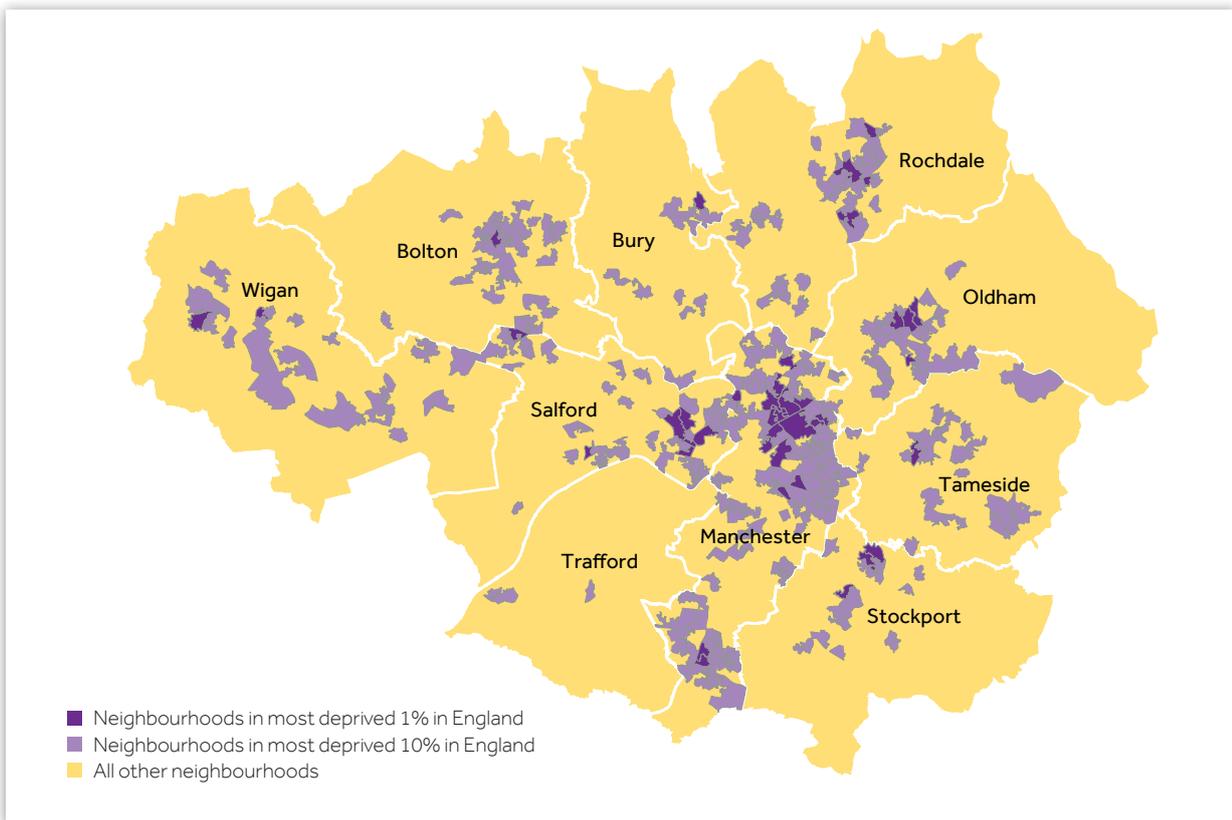
Notes: Survey results are based on a sample of the population. Sample sizes at regional level mean that rates need to be calculated as a three-year average for the period 2011/12-2013/14. Nevertheless, there is still a level of uncertainty and for this reason we present a range for the estimate, based on the 95% confidence intervals. Other methods of estimating poverty based on numbers of people claiming means-tested benefits produce estimates within this range.

²⁸ These data are estimates with high confidence intervals. They have not been produced by ONS since 2011/12. 'Localities' in this case are Middle Level Super Output Areas (about 5000 people)

²⁹ The relative income poverty rate describes the proportion of people living in a household with an income less than 60% of median household incomes, adjusted for household size. This is intended to identify people with resources so far below the average that they are prevented from meeting basic needs and fully participating in society. In 2013/14 median equivalised household income was £386 per week (£20,072 per year) after housing costs (AHC) at the national level. The 60% threshold was £232 per week (AHC) for a couple with no children, £134 per week (AHC) for a single person and £375 per week (AHC) for a couple with two children.

Poverty's spatial distribution

Poverty has a marked spatial pattern, reflecting the city-region's history of industrial development and de-industrialisation. High proportions of Greater Manchester neighbourhoods feature among the most deprived in England as a whole. According to the Indices of Multiple Deprivation,³⁰ 21% of Greater Manchester's Lower Super Output Areas (LSOAs)³¹ were in the top 10% most deprived in England in 2015.



Map 1: Location of Most Deprived Neighbourhoods in Greater Manchester 2015

Source: Indices of Multiple Deprivation 2015

Manchester itself had more than 4 times as many neighbourhoods in the top 10% (41%) than would be expected if deprivation were evenly distributed. Salford (29%), Rochdale (28%) and Oldham (23%) also had high proportions. Overall 585,000 people, more than a fifth of Greater Manchester's population, lived in these highly deprived neighbourhoods. 41 LSOAs were very highly deprived, ranking in the top 1% nationally. The largest clusters of these were in North and East Manchester, Oldham and Salford, with smaller clusters in south Manchester (Wythenshawe), Stockport (Brinnington) and Rochdale (central) (Map 1).

The uneven spatial distribution of poverty is also evident from other data at the local authority level. The highest number of people claiming various benefits available to people on low incomes is in Manchester, and

³⁰ The concept of 'deprivation' covers a wider range of dimensions than 'poverty', which is concerned with the lack of financial or material possessions. The IMD considers provides a measure of local deprivation based on combining 37 different indicators in seven different domains: income, employment, health and disability, education skills and training, crime, barriers to housing and services and living environments. We use it because there is no measure of poverty at a local level.

³¹ Areas of about 1500 people

not just because the city has the largest population. In 2014/15, Manchester had 19% of Greater Manchester's population, but 26% of Income Support claimants, 25% of pension credit guarantee claimants and 23% of unemployment benefits claimants and those claiming incapacity benefits.³² Trafford, Stockport, Wigan and Bury had fewer claimants than would be expected given their share of population. More extreme measures also point to high levels of poverty in Manchester. 4% of households in Manchester are estimated to be destitute, i.e. they or their children had lacked, in the last month, two or more of six essentials, comprising shelter, food, heating, lighting, clothing and footwear or basic toiletries or whose income was so low they were unable to purchase these for themselves.³³ Rochdale and Bolton also feature among the local authorities that have relatively high levels of destitute households, with 3% of households in each area estimated to be destitute in 2015.

Poverty's high costs and consequences

High levels of poverty are associated with poor social outcomes on many other indicators, and with high levels of inequality in life chances within the city region. Around the time of the 2011 Census for example, Manchester had the lowest male healthy life expectancy of any local authority in England (55.8 years), while one area in Salford (Salford024, part of Pendleton) had the lowest of any English MSOA (46.3 years). This compared with 73.9 in one area in Stockport (Stockport041, part of Bramhall). In 2015, 48% of young children in GM who were eligible for Free School Meals achieved a good level of development in the early years foundation stage profile, compared with 66% of their peers. Both of these were below the figures for England overall (51% and 69%), but it is the gaps between groups that are most striking, indicating the impacts of poverty from a very early age.

Work by Greater Manchester Poverty Action has powerfully demonstrated some of the human costs of poverty: *"eating is a luxury"*; *"Not being able to afford to feed grandchildren or give them a treat"*; *"being unable to buy birthday presents for children without going to the loan sharks"*; *"not putting the heating on because you can't afford to"*; *"no money, feeling low, not knowing who to turn to, despair"*.³⁴ But the costs of poverty are not confined only to the people who experience it directly. Costs accrue to everyone in society, whether in terms of lost productivity, spending and tax revenues or through the need for additional public spending on policy interventions that aim to tackle the causes and consequences of poverty.

In recognition of this, recent studies have attempted to describe the wider financial gains that could be made by government, and in local areas, by tackling poverty. One approach is to consider the direct savings that would be made by the government (in reduced benefit payments and increased tax revenues) through supporting more people to move into work. On this basis, Bivand and Simmonds estimate that the government gained an average of £6,897 for every out-of-work claimant that moved into a job at the Living Wage in 2013. Someone moving from a minimum wage job to one that pays the Living Wage would save the government £265. Most of the savings accrue to the DWP and HMRC, with a relatively small amount accruing to local authorities.³⁵ Other research³⁶ has pointed to the overall cost of child poverty in the UK – an estimated £29 billion, comprising £15 billion in spending on services to deal with the consequences of child poverty, £3.5 billion in lost tax receipts as a result of people earning less, £2.4 billion in spending on out of work benefits and an £8.5 billion loss in private post-tax earnings by adults who have grown up in poverty.

³² Mid-year population estimates are for 2014, whilst benefit data are for November 2015, with the exception of tax credit data that is for 2013/14

³³ Bramley, G., Fitzpatrick, S., Sosenko, F. & Littlewood, M. (2016) *Destitution in the UK: Technical report*, i-SPHERE; Fitzpatrick, S., Bramley, G., Sosenko, F., Blenkinsopp, J., Johnsen, S., Littlewood, M., Netto, G. & Watts, B. (2016) *Destitution in the UK*, Joseph Rowntree Foundation.

³⁴ Greater Manchester Poverty Action (2014) *What t citizens say about poverty in Greater Manchester - an update*. www.gmpovertyaction.org

³⁵ Bivand, P. & Simmonds, D. (2014) *The benefits of tackling worklessness and low pay*. The Joseph Rowntree Foundation. These are indicative estimates. The study suggests that the cost of poverty to the UK government will vary at city-level depending on factors such as the structure of employment, demographics and housing costs.

³⁶ Hirsch, D. (2013) *An estimate of the cost of child poverty in 2013*



New Economic Geographies

As we indicated at the start of this report, one of the key issues that many advanced economies are facing is that the geography of post-industrial economic growth differs from the geography of the industries which provided large-scale employment in the industrial era. Regions, cities and towns which suffered most from industrial decline have not, in many cases, seen the economic growth that has come with growing post-industrial prosperity. The same is true within Greater Manchester, although different indicators tell slightly different stories.

A key indicator of economic performance is workplace-based GVA (a measure of economic output). We look at this first. However, as a workplace-based measure, GVA does not necessarily accurately reflect the prosperity of or economic opportunities for residents in a locality, nor the relationships between growth and prosperity across inter-linked local authorities within a conurbation. The benefit from city centre business activity may be felt by commuters who live in suburban local authorities which themselves have lower economic output, while people closer to the growth may not benefit. These patterns are determined by housing and transport provision, skill levels and other workforce factors such as levels of health, pay rates, employers' recruitment practices, identities and cultural geographies as well as the provision and affordability of support services that enable people to travel to work while maintaining domestic life. Looking at GVA, employment and unemployment gives a more rounded picture.

Output growth

Since 2001, total GVA growth has been faster in the centre and south-west of the conurbation than elsewhere. Comparing compound growth rates for local authorities across all the core city-regions shows that Greater Manchester had two of the highest performing areas between 1997 and 2014 in Manchester and Salford. However, four of its Local Authorities were in the bottom 10 performing local authorities (Rochdale, Tameside, Oldham, and Bolton).

Figure 5 (left hand panel) shows the pattern of total GVA growth for all Greater Manchester local authority areas over the period. At current basic prices, GVA per head was 129% higher in 2014 than in 1997 in Manchester, 114% higher in Salford and 108% higher in Trafford, compared with 67% in Rochdale and 68% in Tameside. Manchester accounted for 32% of GVA growth over the period. Areas with higher output growth also tended

Table 2. Top and Bottom 10 LAs in core city regions for GVA compound growth 1997-2014

Top 10 performers			Bottom 10 performers		
	Local Authority	Compound growth rate		Local Authority	Compound growth rate
1	South Gloucestershire	5.28	57	Bolton	3.36
2	Bath and North East Somerset	5.20	58	Selby	3.32
3	North Somerset	5.17	59	Oldham	3.30
4	Bromsgrove	5.05	60	Northumberland	3.25
5	Chesterfield	5.04	61	East Staffordshire	3.14
6	Manchester	5.00	62	Tameside	3.09
7	Knowsley	4.84	63	Rochdale	3.07
8	Halton	4.81	64	Wirral	3.03
9	Bolsover	4.71	65	Nottingham	2.89
10	Salford	4.57	66	Sefton	2.75

Source: ONS GVA Local Authority Experimental Statistics. Ranking out of 66 Core City Local Authorities.

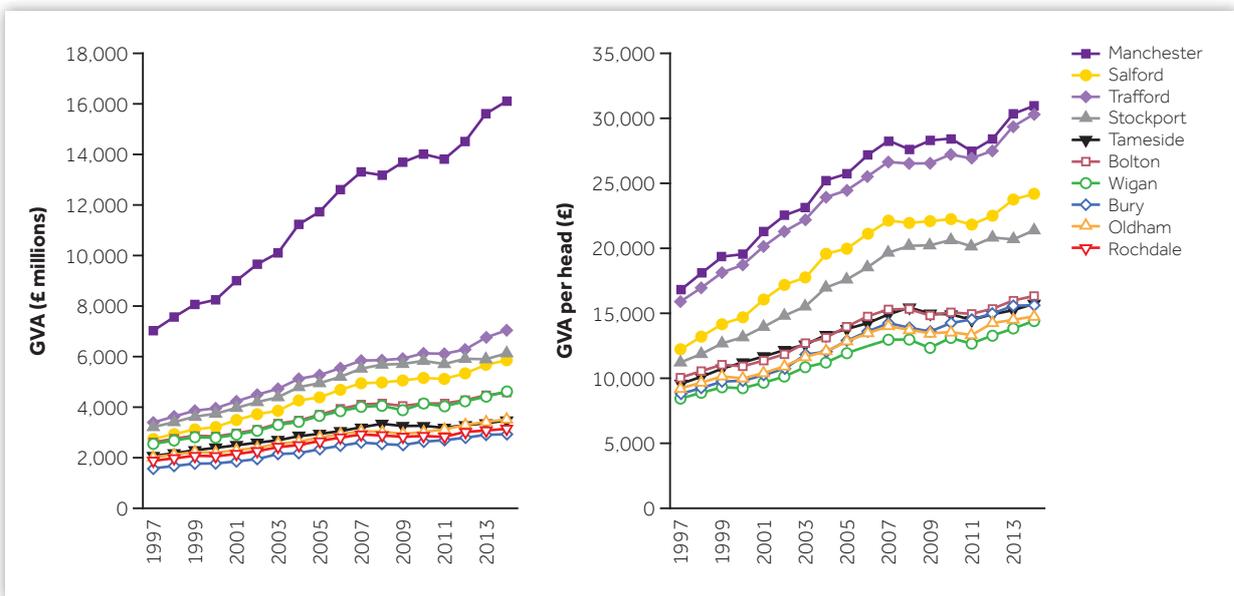


Figure 5. GVA by GM Local Authority (1997-2014)

to see faster population growth, Manchester particularly, so GVA per head increases were more even than total GVA increases (Figure 5, right hand panel). Manchester, Trafford, Salford and Stockport nevertheless stand out as experiencing stronger growth than the rest of the conurbation.³⁷

Employment and unemployment

Data on employment and unemployment show a slightly different picture. Although central Manchester is the driving force of Greater Manchester's economy, Manchester (LA) has a lower employment rate than the rest of the city region. In part this is because of its student population – 14.1% of the total 16-74 year old population at the 2011 census - but this is not the whole story. Even excluding students and retired people from the estimates, Manchester still has the lowest employment rates of the GM LAs, because of its comparatively high

³⁷ Adjusting these for inflation using ONS' experimental data suggests much more modest increases in GVA with little change since 2005, as well as slight decreases in the North and East of the conurbation.

rates of unemployment and economic inactivity for reasons of ill health and disability – an important point to note in the context of the story of Manchester's growth.

Since the financial crisis, the city's trends have followed those of most of the rest of the conurbation with employment falling during the recession and recovering from 2012. As Figure 6 shows, Bury and Oldham have seen a less positive recent trend. Data on job numbers show that in 2014, Greater Manchester North (Bury, Oldham, Rochdale, Wigan and Bolton) had the same number of jobs as before the recession in 2007, while Greater Manchester South had gained 60,000 jobs, a 7% increase.

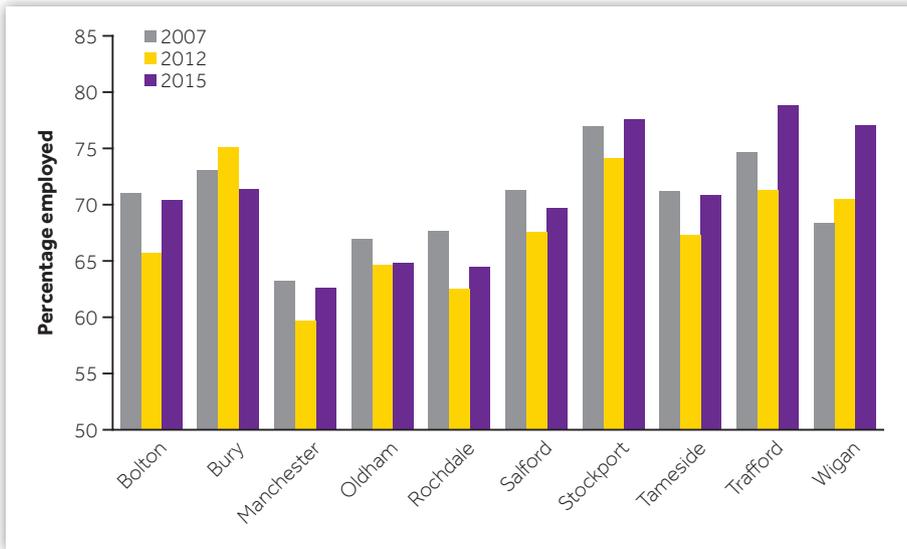


Figure 6: Trends in Employment Rates (16-64) Local Authorities Since 2007

Source: Annual Population Survey via NOMIS³⁸

Unemployment rates rose throughout the conurbation during the recession and have not yet recovered their pre-recession levels. There were an estimated 89,300 people unemployed in Greater Manchester in 2015. Manchester continues to have higher unemployment than the rest of the conurbation, but the gap has narrowed since the mid 2000s. Meanwhile the gap between other local authorities has widened a little, with Rochdale, Oldham, Salford and to a lesser extent Bolton faring less well on this indicator (Figure 7).

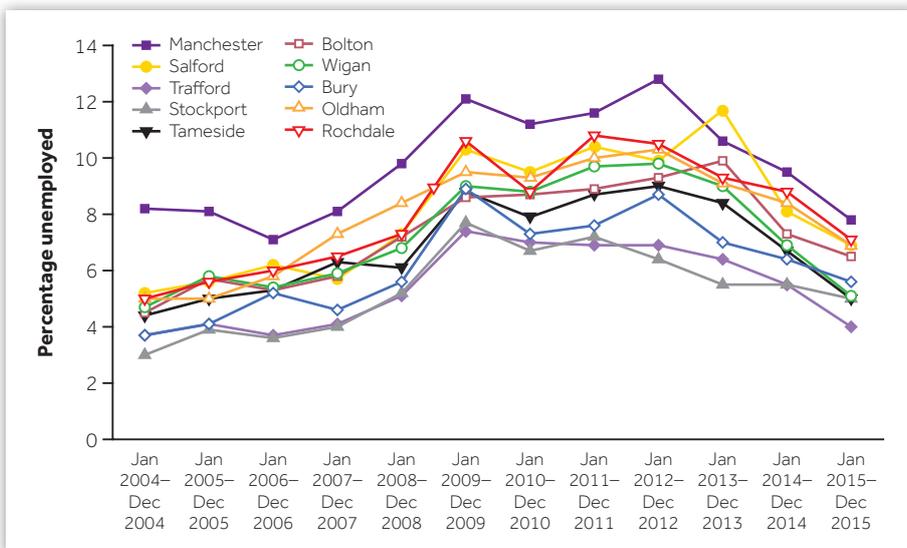


Figure 7: Trends in Unemployment Rates (16-64) Local Authorities 2004-2014

Source: ONS model-based estimates of unemployment, via NOMIS

³⁸ Proportion of working-age people (aged 16-64) in employment, includes people in full-time education

Changing geographies of poverty

One result of these new economic geographies, in tandem with policies of housing, regeneration and transport, is that the geography of deprivation has begun to change. Analysis of the Indices of Multiple Deprivation for 2004, 2010 and 2015 show that overall there has been an improvement in relative deprivation levels. In 2004, 39% of GM LSOAs were in the bottom fifth most deprived nationally (with 24% in the top tenth). By 2010 this had shifted to 36% and 22% and by 2015 to 35% and 21%.

These data conceal the complex factors that contribute to neighbourhood trajectories and affect the life chances of their residents. IGAU will be publishing more detailed analysis of these factors during 2016. Yet a clear geographical pattern is evident. The overall improvement on the IMD seen in Greater Manchester has largely been driven by Manchester, with a reduction from 72% of its neighbourhoods in the top fifth in 2004 to 59% in 2015 (see Figure 8). Salford has also seen reductions as has Trafford, with both these areas also seeing increases in the proportions of least deprived neighbourhoods. This is also the pattern for Wigan. Stockport, on the other hand, has seen a slight increase in most deprived neighbourhoods and no increase in least deprived. Rochdale, Oldham, Bury and Tameside have seen negligible change in proportions of most deprived neighbourhoods but some increases in least deprived neighbourhoods.³⁹

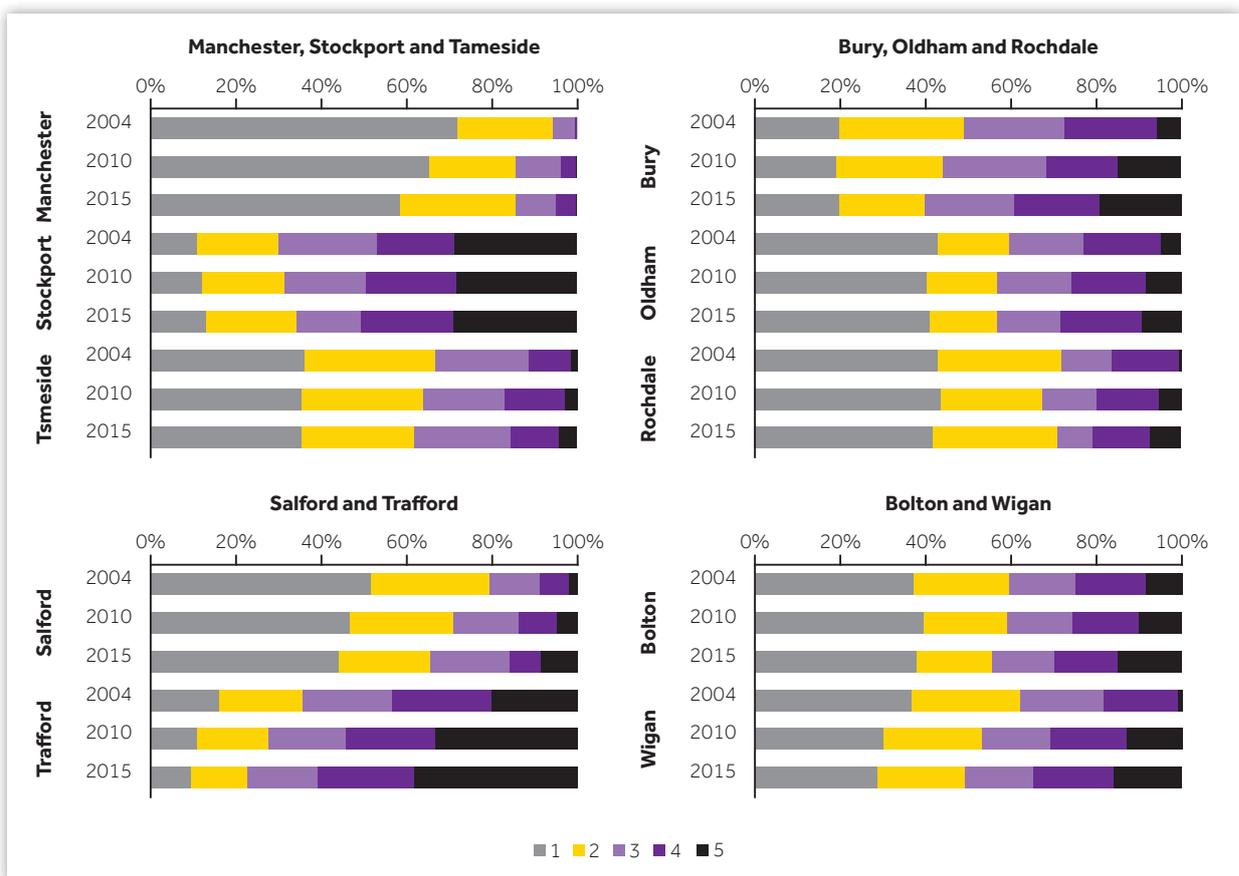


Figure 8: Proportions of neighbourhoods in each quintile group of Indices of Multiple Deprivation (1 is most deprived), 2004, 2010 and 2015

³⁹ IMD rankings are relative, so can be affected by changes in other parts of the country. Moreover, as Fenton et al. have demonstrated in their analysis for London, reductions in neighbourhood deprivation rates do not necessarily reflect reductions in poverty. They may reflect densification of housing and gentrification, so that the poor make up a smaller proportion of a growing population.

This picture of improvements in the centre of the city region coupled with little change or deterioration in outer areas is supported by recent analysis by the Smith Institute which shows that over half (54%) of the neighbourhoods in suburban areas of Greater Manchester saw an increase in economic deprivation compared to 32% of neighbourhoods in urban areas between 2001 and 2009. Meanwhile, while claims for Housing Benefit, a means-tested benefit, are still largely concentrated in central areas, recent analysis has shown that between 2011 and 2015 claim levels have tended to increase more in the outer areas of the region.⁴⁰

⁴⁰ Hunter, P. (2016) Towards a Suburban Renaissance, Smith Institute



Changes in Labour Market Structure

At the same time as producing new geographical patterns, the Greater Manchester economy, in common with the UK in general, is also experiencing structural changes that tend towards producing greater inequality and increasing in-paid work poverty. These include the persistence of a low wage economy and increases in underemployment.⁴¹ An increase in the proportion of high skilled jobs, but a loss of some mid-level jobs, also creates new challenges for skill development.

Low pay

Low pay is a substantial problem. In 2015, 23.2% of the jobs done by residents of Greater Manchester paid less than the UK Living Wage (£7.85 per hour at the time). Low-pay is a particular issue for people in part-time work, which is predominantly done by women. In 2015 close to half the part-time jobs done by women in some local authority areas paid less than the Living Wage (Manchester, Salford and Bolton).

Although local data are not available, the importance of pay rates to poverty reduction is clear from national data. Nearly two-thirds (64%) of working age people in relative poverty are in households where someone is working, and a quarter are in households where all adults are working, indicating the importance of being able to secure sufficient hours at decent wages.

The issue of low wages is further exacerbated when comparisons are drawn between 'workplace wages' (the wages of those who work in the city but may live elsewhere) and resident wages (those who live in the city but may work elsewhere). This gap in Manchester (local authority) remains the highest of England's Core Cities (Nottingham, Newcastle, Liverpool, Bristol, Birmingham, Leeds, Sheffield and Manchester), at £78 per week in 2014.⁴² Manchester's median workplace wage of £460 is the highest of all the Core Cities, but Manchester's resident wage of £382 is the joint fourth lowest.⁴³

⁴¹ Time-related underemployment is defined as a person who wishes to increase their employment hours (at the same rate of pay) either in their current job, through an alternative job, or by finding an additional job but is unable to do so due to a lack of work availability.

⁴² The preceding figures were on a resident basis.

⁴³ Manchester City Council (2015). Manchester's state of the city report. *Manchester City Council*. http://www.manchester.gov.uk/info/200088/statistics_and_census/6469/state_of_the_city_report

Increases in underemployment

The nature of recent employment growth also raises issues concerning the extent to which the availability of working hours is sufficient to meet demand. Part time employment has increased as a share of all employment since before the financial crisis, driven to a large extent by an increase for men (11.2% in 2007 and 15.1% in 2015), although part-time employment remains much more prevalent for women (at 40.6% in 2015). While part time work is not necessarily a problem and may be undertaken voluntarily, national surveys suggest that its increase for both men and women has to a large extent been a result of not being able to find full time work.

Figure 9 shows that although rates of broader time-related underemployment⁴⁴ in England are higher for women than for men, growth in male time-related underemployment in Greater Manchester since the 2008/9 recession meant levels of male time underemployment by 2015 were more similar to female than male national levels. In addition to reductions in working hours availability, increases in part-time relative to full-time employment, low pay and cuts to in-paid work benefits, stimulating a demand for greater working hours, also likely contribute to these trends.⁴⁵

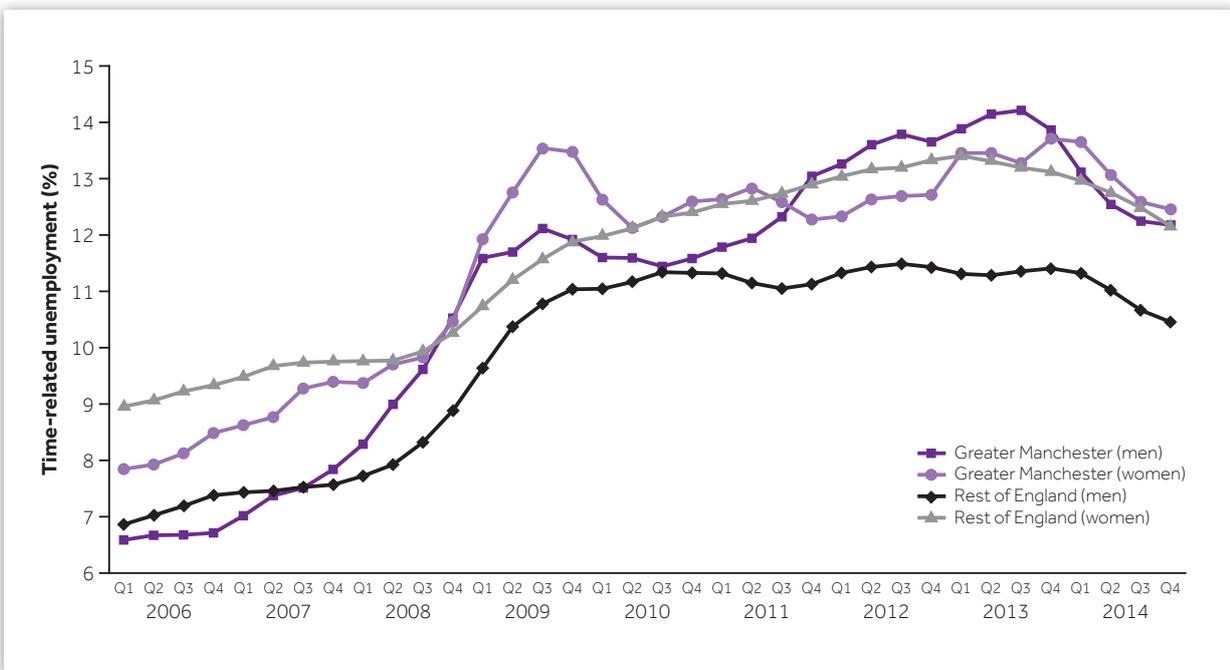


Figure 9. Underemployment in Greater Manchester

Source: UKLFS Microdata, author's calculation. Notes: Four quarter moving averages. Employed and self-employed.⁴¹

The rate of self-employment is lower in Greater Manchester than England as a whole (8.6% compared with 10.4% in 2015) but has risen since the financial crisis (from 7.2% in 2008). Since the crisis, levels of underemployment have also risen more strongly for the self-employed than for employees (from 6.3% in 2008 to 9.7% in 2014 for the self employed compared to an increase of 7.2% to 9.9% for employees⁴⁶).

⁴⁴ Including both time underemployed part-time and full-time employees rather than just the involuntary part-time employed.

⁴⁵ Rafferty, A. & Wiggan, J. (2016). The time-related underemployment of lone parents during welfare reform, recession and austerity: A challenge to in-work conditionality? *Social Policy & Administration*

⁴⁶ ONS (2014) Underemployment and Overemployment in the UK, 2014 http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/dcp171776_387087.pdf

Changing jobs and new skill demands

Changes in labour market structure are creating new skill demands and new challenges for labour market progression. Greater Manchester has gained 108,000 professional, managerial and technical jobs since 2004, and 35,000 jobs in service occupations, but lost 43,700 'middle level' jobs in skilled trades and administrative and clerical roles, as well as 12,900 operative and elementary jobs. This suggests overall on aggregate a pattern of upgrading in employment opportunities. At the same time a hollowing out of middle level roles may provide restrictions on opportunities for skills development and employment progression from entry level positions into the growing number of higher level positions available.

Substantial progress has been made in addressing the problem of low or no skills in the last decade. The proportion of working-age residents with no qualifications has fallen steadily, from 18% in 2005 to 10% in 2015. This trend has brought the proportion of residents with no or low skills, using qualifications as a proxy, almost into line with the UK average in 2015 (Figure 10).

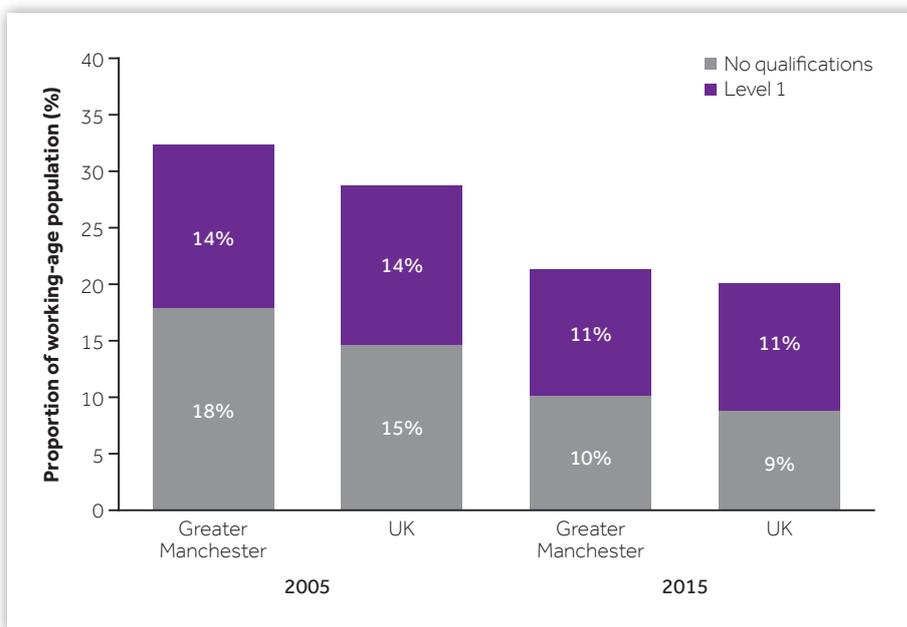


Figure 10: Proportion of the working-age population with no or low (NVQ1) qualifications, Greater Manchester and the UK in 2005 and 2015

Source: Annual Population Survey via NOMIS. Annual average Jan-Dec 2015. NVQ Level 1 qualifications are broadly equivalent to GCSE Grade D-G.

However, there are still 180,000 working-age people in the city region with no qualifications. While lower level qualifications in themselves are associated with limited earnings,⁴⁷ at the individual level acquiring such qualifications may represent an important starting point, enabling progression to a better job or on to other forms of skills development and training. Overall levels of educational attainment also provide only a limited guide to skill levels. Consequently there is need to help support progression opportunities and more specific skills match between the skill requirements of predicted job growth opportunities and the human capital of GM residents.⁴⁸

⁴⁷ Bibby, D., Buscha, F., Cerqua, A., Thomson, D & Urwin, P. (2014) Estimation of the labour market returns to qualifications gained in English Further Education, BIS Research Paper 195, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/383646/Estimation_of_the_labour_market_returns_to_qualifications_gained_in_English_Further_Education_-_Final_-_November_2014.pdf (accessed 22/06/2016)

⁴⁸ UKCES (2013) "UK Commission Skills Survey, 2013, UK Report. <https://www.gov.uk/government/publications/ukces-employer-skills-survey-2013>

In addition, residents with lower skills are not distributed evenly across the city region. In 2015, 37.3% of people in Oldham and 33.9% of people in Rochdale had qualifications below NVQ Level 2, compared to 19.3% and 18.8% in Stockport and Trafford.⁴⁹ Raising levels of skills in areas facing such challenges will help facilitate broader participation in economic growth.

The proportion of working-age residents who have higher level qualifications (particularly at NVQ Level 4 and above) has been rising, reaching 37% in 2015, and will need to continue to do so. Greater Manchester strategy documents identify a 'productivity gap' with the UK average which is in part due to higher levels of economic inactivity and partly due to lower skill levels than average particularly in relation to levels of higher level educational attainment.⁵⁰ Meanwhile, forecasts suggest continuing job growth in high skill sectors such as professional, technical and scientific businesses, with strengths in materials, life sciences and healthcare, and in the creative and digital sector. Many of these jobs will require higher level skills.⁵¹



⁴⁹ APS via NOMIS, 2015; people aged 16-64. Includes people with 'other' qualifications

⁵⁰ GMCA (2014) A Plan for Growth and Reform in Greater Manchester. https://www.greatermanchester-ca.gov.uk/info/20074/growth_and_reform_plan

⁵¹ At NVQ level 4 and above. New Economy (2016) Greater Manchester Skills Analysis 2015/2016



Disparities Between Groups

Finally, there are persistent differences between social and demographic groups in their access to the labour market – a crucial dimension of inclusive growth. Although low pay and limited hours mean that work is not necessarily a route out of poverty,⁵² not being able to work remains a key risk factor for poverty. Nationally the poverty rate for working-age people in workless households in 2014/15 was 60% compared to 31% for people in households with at least one person in work and 9% of people in households where all adults are working.⁵³

Across the UK, particular population groups of people including disabled people; carers; people from some ethnic minorities; and younger and elderly people tend to have consistently lower employment rates. There is some evidence that the situation is worse in Greater Manchester than in the country as a whole. In 2015, 42.7% of disabled working-age people⁵⁴ in Greater Manchester were in employment. The employment rate is lower and the gap between the disabled and non-disabled rate larger in Greater Manchester than in the UK as a whole. There is a difference of 34.1 percentage points between employment rates in Greater Manchester, compared to an overall gap of 31.8% for the UK (where 47.3% of disabled people are employed). In part these relatively poor outcomes reflect the types of work that have been available and the industrial heritage of the area - employment rates for disabled people in Manchester are not particularly worse than in other northern city regions,⁵⁵ but remain an issue to be tackled as the economy strengthens and the labour market tightens.

Figure 11 also shows differences in employment rates for people from ethnic minority backgrounds in Greater Manchester, and across the UK, in 2015. The employment rate for people from ethnic minority backgrounds was 57.2% compared to 72.9% for people from white ethnic background. The employment rate for people from Pakistani/Bangladeshi ethnic backgrounds was the lowest consistent with the pattern for the UK as a whole at 52.6% and 53.2% respectively.

⁵² MacInnes, T., Tinson, A., Hughes, C., Barry-Born, T. and Aldridge, H. (2015) Monitoring poverty and social exclusion 2015, Joseph Rowntree Foundation

⁵³ Working-age adults are defined as those aged below pension age. HBAI 2014/15 .Table 5.7db

⁵⁴ As defined by the Equalities Act. Data from the Annual Population Survey via NOMIS

⁵⁵ Tees Valley and Liverpool City Region, for example, both have lower employment rates for people defined as EEA disabled (38.1% and 38.4% respectively)

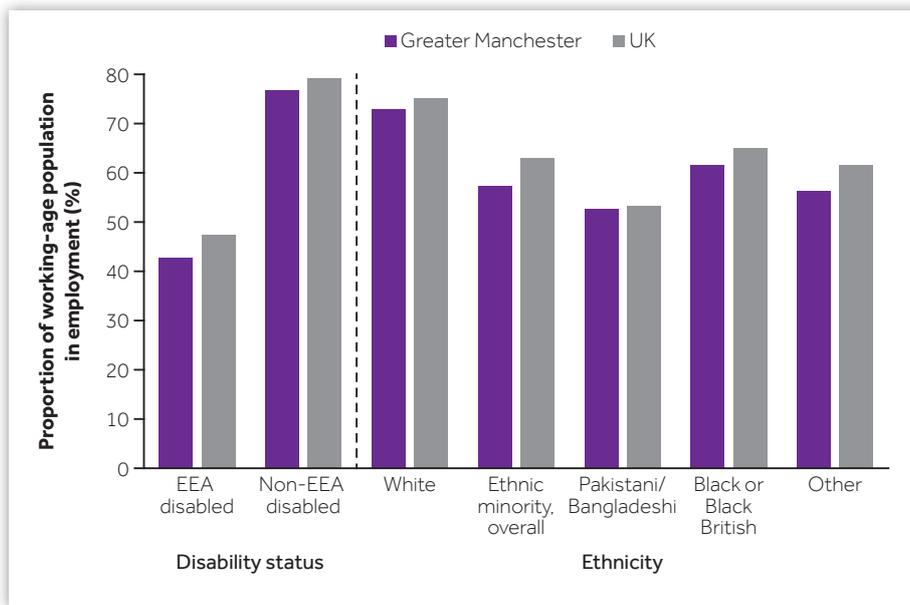


Figure 11: Employment rates for the working age population in Greater Manchester and the UK, by disability status and ethnicity (2015)

Source: APS via NOMIS, 16-64 employment rate. Employment rates for people from mixed and Indian ethnic groups are not reported as estimates had wide confidence intervals at GM-level

National data also highlight employment gaps for carers.⁵⁶ Whereas childcare responsibilities and the presence of affordable childcare and work-related benefits shape the opportunities and financial advantages of taking paid work more broadly, such factors are often particularly acute for lone parent families who face a comparatively high risk of poverty compared to coupled parent families. Figure 12 shows that in many GM local authorities a substantial proportion of lone parents are not in paid work. More than half of the lone parents in Manchester were not in employment in 2011 compared to around a third in Bury.

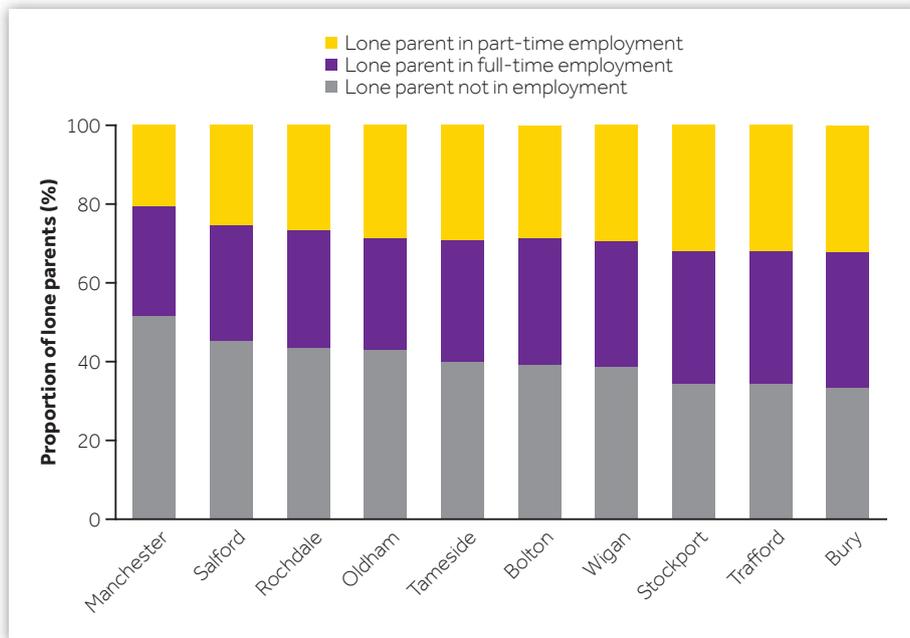


Figure 12: Lone parent economic activity, Greater Manchester local authorities, 2011

Source: Census 2011.

⁵⁶ Hills, J., Cunliffe, J., Obolenskaya, P. & Karagiannaki, E. (2015) Falling Behind. Getting Ahead: the changing structure of inequality in the UK, 2007-2013
⁵⁷ Aldridge, H. and Hughes, C. (2016) Informal Carers, Poverty and Work, New Policy Institute
⁵⁸ Households Below Average Income data 2014/15, Tables 3.3db, 3.4db, and 3.5db

The problem of limited access to employment (as well as the quality of this employment) translates to some extent into higher poverty risks for many of these groups. Nationally 39% of people in poverty were in a family that contained a disabled person in 2014/15, while 24% of the total population below the 60% threshold were themselves disabled, indicating that partners, adult dependents and people caring for someone with a disability are also vulnerable to poverty.⁵⁷

Nationally, 44% of lone parents were in poverty in 2014/15 and the risk of poverty was also higher for several minority ethnic groups. Around 80% of people who were poor were of white ethnicity, but only 19% of white people were poor at the 60% threshold, compared with 51% of Bangladeshi people, 44% of Pakistani people, 40% of Black African/Caribbean/Black British people, and 38% of Chinese people.⁵⁸ People from Indian ethnic backgrounds had a lower poverty rate than most other minority ethnic groups (at 26%).



Where Next?

After a long period of decline and stagnation, the GM economy experienced a sustained period of growth in the first half of the 2000s and is now showing a strong recovery from the 2008 recession. This stronger economic trajectory presents an opportunity for the city to focus on the inclusiveness of growth as well as growth itself. Political leaders in the city-region are already committed to this agenda, and the imperative to bring the benefits of economic growth to marginalised areas and populations became increasingly clear with the result of the EU referendum in June 2016.

But the scale of the challenges is significant. Like very many post-industrial cities, GM faces large scale problems of poverty and labour market exclusion, an increasing need to build a broader and stronger skills base, an uneven geography of growth, and a re-structuring labour market with problems of low pay and increasingly precarious work which makes employment a less secure route out of poverty.

IGAUA has produced this report to stimulate debate and action around what can be done to enable Greater Manchester to set a new path towards inclusive growth, shining a light on people and places that can often get overlooked in a 'push for growth'.

We invite readers of this document to consider:

- Will 'more of the same' enable inclusive growth or do we need a shift in emphasis - alternative narratives, policies, priorities and practices?
- Can GM do more with its existing capacity, powers and responsibilities to achieve more inclusive growth?
- Can you or your organisation help make it happen?

Please contact us at www.manchester.ac.uk/inclusivegrowth

At the same time we have also conducted a consultation with key stakeholders across the public, private and voluntary sectors in Greater Manchester, inviting them to consider their priorities around seven 'pillars' of inclusive growth:

- Economic development strategies and investment decisions
- Strategies to increase the quality of work and raise wages
- Strategies to ensure that the benefits of growth are reaped locally, such as building local supply chains

- Strategies to better connect disadvantaged people to job opportunities
- Strategies to promote learning and skill development
- Strategies to support employment and reduce living costs, such as transport, childcare and housing
- Overall strategies and actions for developing a shared vision and leadership of an inclusive growth agenda incorporating individuals and institutions in business, government and civil society.

We will be reporting on these findings in autumn 2016.



Information and acknowledgments



IGAU is an independent unit established in the University of Manchester and funded by the University and the Joseph Rowntree Foundation. Its goals are to help ensure that poverty reduction is central to current policy debate and action around economic growth, the 'Northern Powerhouse' and devolution in Greater Manchester, and to help develop evidence-based strategies for inclusive growth.

We are grateful to all those who provide statistics, read drafts and otherwise helped with the production of this report. These include:

- The Office for National Statistics
- Colleagues at the University of Manchester
- Colleagues at the Joseph Rowntree Foundation
- Members of our independent advisory group

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Royal Charter Number RC000797