

Inclusive Growth Analysis Unit

Inclusive Growth Indicators
for Cities: considerations
and options

Ceri Hughes

Key points

- **Headline indicators adopted by cities tell us about their policy priorities and can influence investment decisions. Cities will struggle to develop more inclusive economies if they only measure – and value – the volume of growth and employment.**
- **Cities should aim to weigh economic, social and wider concerns on the same page, devising inclusive economy indicators which are linked to their economic strategy. Some of the comparative frameworks that have been developed in recent years offer ideas.**
- **Inclusive economy indicators may assess the quality of economic growth, e.g. levels of low pay and disparities in economic participation.**
- **Process matters as well as outcomes. Cities may also want to adopt indicators that tell them whether they have the systems and conditions that will enable more inclusive growth.**
- **A consultative, participatory approach to indicator development can help to build a shared understanding around what is to be achieved.**

Introduction

City strategies and rankings systems have typically measured economic success in terms of standard economic metrics such as output growth, overall employment and business start-up rates. These indicators are inadequate for cities interested in inclusive growth because they give no indication of the distribution of the monetary and non-monetary benefits of economic activity.¹

Developing inclusive growth measures will help cities to articulate their ambitions, and to build shared knowledge around what needs to change and how that might be achieved.² This paper reviews a series of frameworks developed in the course of the last few years that have set out to help cities articulate and measure inclusive growth. The paper highlights some of the choices that this entails and makes proposals for UK cities looking to develop inclusive growth indicators. Further information on the comparative frameworks, and some other examples, are available in an accompanying background paper.

¹ RSA (2017) Inclusive Growth Commission: Making our economy work for everyone, RSA

² Innes, J. & Booher, D. (2000) Indicators for Sustainable Communities: A Strategy Building on Complexity Theory and Distributed Intelligence, *Planning Theory & Practice*, 1 (2): 173-186

Beyond measures of output and employment: national and international developments

Interest in specifying a new approach to framing economic success is by no means new, or unique to the UK.³ International organisations have proposed new frameworks for assessing how different economies are performing, combining social and economic indicators.⁴ The OECD has also recently proposed a multi-dimensional approach to assessing labour market performance,⁵ bringing a focus on the quality of jobs and disparities between different groups, not just the quantity of jobs created (see box 1).

In the UK many have made the case for looking beyond standard economic measures. The RSA's Inclusive Growth Commission (2017) is a key recent example. It argued for the introduction of a national composite measure of 'quality GVA' that would be published alongside the quarterly GDP figures, arguing that this would demonstrate that equal weight should be given to the social dimensions and outcomes of growth. In addition, in 2015 the New Economics Foundation set out five measures that they believed could provide a clearer picture of how the UK is performing, covering good jobs, wellbeing, the environment, fairness and health.⁶ In Wales the Government has recently adopted a wide-ranging set of wellbeing indicators that ministers and public bodies are required to report on annually.⁷

Box 1: Measures proposed by the OECD for assessing national labour market performance

- **Quantity:** employment rate; full-time equivalent employment rate; and the unemployment rate.
- **Quality:** hourly earnings adjusted for inequality; expected monetary loss associated with becoming and staying unemployed (as a share of previous earnings); share of workers experiencing job strain.
- **Inclusiveness:** the share of the working-age population with incomes below 50% of median income; the gender gap in income (combining gaps in employment rates, hours worked and hourly earnings); and the combined employment gap for disadvantaged groups relative to men aged 25-54 years.

These proposals differ in terms of the number and type of indicators chosen, and whether they include standard measures of economic success or seek to replace them. The same issues also apply when we consider the development of indicators at city level, as we discuss below.

³ Stiglitz, J., Sen, A. & Fitoussi, J (2009) Report by the Commission on the Measurement of Economic Performance and Social Progress

⁴ Such as the Key Performance Indicators for inclusive growth and development proposed by the World Economic Forum. WEF (2017) The Inclusive Growth & Development Report

⁵ For more on these proposals and some of the other dimensions being considered see OECD (2017) Employment Outlook 2017.

⁶ Jeffrey, K. & Michaelson, J. (2015) Five headline indicators of national success. NEF

⁷ There were 46 proposed indicators. Welsh Government (2016) How to measure a nation's progress? National indicators for Wales.

Measuring inclusive growth at city-level

Several frameworks for measuring economic success have been proposed for cities in recent years. In 2016 the Joseph Rowntree Foundation supported the development of an Inclusive Growth Monitor for English LEP areas. The Monitor was originally developed by researchers at Sheffield Hallam University and is now updated annually by the Inclusive Growth Analysis Unit at the University of Manchester. A number of consultancies have also entered this space. Grant Thornton produces a Vibrant Economy Index and, since 2012, Price Waterhouse Cooper has produced the Good Growth for Cities Index.

Not all of the frameworks we are interested in have been fully elaborated for UK cities. The Oxfam Humankind Index was devised through participative consultation processes, but data is only currently available for Scottish local authorities. Meanwhile the Brookings Institute have recently outlined a series of Inclusive Economy indicators for US metro areas, and the RSA's Commission set out some proposals for city-level indicators. The different themes included in each framework are outlined below.

Overall, the frameworks highlight some of the key considerations and choices to be made in developing inclusive growth indicators, including:

- What gets included in the headline indicators;
- How to weigh different dimensions against each other;
- Who gets consulted; and
- What counts as success?

What should go in to the headline indicators?

While their common purpose is to measure "what matters", the frameworks emphasise different themes and ideas (see Table 1). Some focus on indicators that are seen as important in building a sustainable, inclusive and fairer economy (such as pay, and types of jobs) while others make the case for a wider range of measures on the basis that the economy should be judged in terms of the progress it enables us to make towards broader, societal goals (such as better health, or time for family and friends).

Aside from identifying the key issues and themes that they want to focus on, the selection of indicators also requires careful thought. A key idea here is that it is not enough just to look at the overall average – the distribution matters. Some themes, and example indicators, are set out in table 2. Indicators might be selected because they assess the quality of growth, or to give an idea of how participation and outcomes vary across groups.

Indicators might describe pay for lower earners and could also track housing and other living costs in relation to low pay, an area where some of the more prosperous areas often fall down. Some measures (employment rates, educational attainment, for example) could be disaggregated to show how disadvantaged groups fare, including people with health conditions looking for work, or those with low skills. The quality of jobs is clearly an important consideration. The point is to understand how fairly

and evenly the benefits of growth are enjoyed. Other indicators might capture disparities in health outcomes or the incidence of disability on the grounds that good health is necessary for economic participation. The Inclusive Growth Monitor has a particular focus on inclusive economy indicators, including measures of the number of jobs per working-age residents alongside median weekly pay and, as a rough assessment of living costs, the ratio of lower quartile house prices to lower quartile earnings.

Aside from differing in their emphasis on the economy, some frameworks also take into account the kinds of systems and processes that may be needed to develop an inclusive economy. The Brookings Institute's Inclusive Economy proposals identify equity and growth as key themes, but

Table 1: Key themes in six city-level frameworks for measuring 'inclusive growth'

| Framework | Themes | Geographical coverage | |
|---|--|---|---|
| JRF Inclusive Growth Monitor | Economic Inclusion: Income Living costs Labour market inclusion | Prosperity: Output growth Employment Human capital | LEP areas (England) |
| Brookings Institute Inclusive Economic Indicators | Equitable Participatory Growing | Sustainable Stable | Metro areas (US) |
| Grant Thornton, Vibrant Economy Index | Prosperity Dynamism and opportunity Inclusion and equality Health, wellbeing and happiness | Resilience and sustainability Community, trust and belonging | Local authorities (England) |
| PwC-Demos Good Growth for Cities Index | Jobs Health Income Skills Housing | Work-life balance Income distribution Transport Environment New businesses | Large Travel to Work areas (UK), LEPs (England), & 7 combined authorities (England) |
| Oxfam, Humankind Index, | Housing Health Neighbourhood/ environment Work satisfaction Good relationships Safety Green spaces Secure/suitable work Having enough money | Financial security Culture/Hobbies Local facilities Skills and education Community spirit Good transport Good services Tolerance Feeling good | Local authorities (Scotland) |
| RSA, Inclusive growth metrics | Skills and employment Living standards Enterprise Local capacity | | Proposals for consideration – not yet worked through |

also participation, stability and sustainability. Under participation they recommend a 'voice and accountability' indicator that would assess the extent to which citizens are able to express themselves freely and give insight into the amount of scrutiny of public institutions and other agencies. So far, the factors described as important to achieving an inclusive economy have only been translated into city-level indicators for U.S. metro areas.

The Vibrant Economy Index, which covers local authorities in England, adopts a slightly different angle. The framework includes a 'basket' of indicators relating to 'resilience and sustainability', including a measure of the number of households on the local authority waiting list as well as the proportion of new homes built in the National Flood Zone. Voter turnout is one of six factors considered under the 'community, trust and belonging' theme. Further examples are discussed in recent submissions to the RSA Inclusive Growth Commission.⁸

The frameworks offer some ideas but cities should set out why individual indicators have been chosen, linking back to overall city objectives and strategy. Some areas have already drawn on these frameworks. The Leeds City Region LEP, for example, has adopted a series of 'good growth' metrics that they will use to judge the success of their economic strategy.⁹ This includes an assessment of earnings levels for people toward the bottom of the income distribution.

Table 2: Possible city-level indicators

| Types of measure | Example indicators ¹⁰ |
|---|---|
| Assess the quality of economic growth | Growth in employment in sectors associated with higher levels of pay; proportion of jobs paid below the Living Wage |
| Consider the degree of economic participation across different groups | Employment rates by gender; qualifications; for disabled people; by ethnicity; by area |
| Consider other inequalities, both within and between areas | Income and wealth inequality measures might be considered; change in lower quartile earnings compared to the median; attainment at 16 for pupils eligible for free school meals |
| Assess the degree of (extreme) disadvantage experienced by residents | Homelessness acceptance rates; proportion of families in temporary accommodation |

How to weigh the different themes against each other

Some proposals have made the case for adopting just one measure, while others have proposed tens, even hundreds of additional indicators. The frameworks reviewed above generally bring together several different dimensions. An advantage of prioritising one or two indicators is that cities would then have a clear goal to focus on, rather like GVA measures have functioned in previous years. But this also risks oversimplifying the conversation, and there is no consensus around what the main measure

⁸ Whinnom, A. (2017) Submission to the RSA Inclusive Economic Growth Commission, GMCVO

⁹ LCR LEP (2016) Economic Assessment 2016

¹⁰ These will require further scoping at city-level to assess data reliability, availability and suitability



should be. The LSE Growth Commission offered one idea, suggesting that median household income should be published alongside GDP data to support a reassessment of how we understand economic wellbeing.¹¹ Alternatively, cities might want to focus on the low pay threshold, or on in-work poverty levels, though data availability at local-level may prevent this.

An index or composite indicator could also be used by cities to summarise performance across different dimensions.¹² But even if a composite score is of interest, analysis of the constituent parts will be needed for context. So in practice cities will likely need to look at several indicators to assess their progress and identify ongoing challenges.

The balance between measures can be struck in different ways. The Vibrant Economy index is built up based on six 'baskets' of measures – prosperity, dynamism and opportunity, inclusion and equity, health, wellbeing and happiness, resilience and sustainability, and community, trust and belonging. The number of measures associated with each basket varies from six (community, trust and belonging) through to thirteen (inclusion and equality). The design is sophisticated but as a result it is difficult to read off how each dimension contributes to the overall score.¹³

The Inclusive Growth Monitor offers a simpler structure. There are 18 indicators split equally between the themes of prosperity and inclusion. Normalised scores are calculated based on individual LEP performance for each of the indicators. The LEP with the best outcome for a given indicator will receive a score of 1, while the LEP with the worst outcome receives a score of 0. Each LEP therefore has a national maximum score of 9 and a minimum score of 0 for each of the themes.¹⁴ The full dataset is also made available, making it possible to choose to focus on different dimensions, or on the raw data, according to local priorities.

Cities can draw on these frameworks for indicator ideas. They need not devise their own indices but do need to give thought to how they will report on these indicators and their importance relative to 'standard' measures. Ideally, the economic and social dimensions should be considered together.

Who gets consulted?

Many approaches rely on expert judgement to determine both what gets considered, and how the different factors are weighed against one another. An alternative approach is to use public consultation to devise a means of weighting different dimensions. There are different ways of going about this. The weighting for PWC's Good Growth index is determined with reference to polling data and findings from deliberative workshops which asked people to prioritise issues relating to economic policy.¹⁵ Within the index the 'jobs' and 'health' themes are given the most weight, accounting for 29% of the total weighting.

The Oxfam Humankind Index was designed through consultation with the Scottish public, and efforts were made to oversample groups that are often underrepresented in public consultations.

¹¹ Investing for Prosperity: Skills, Infrastructure and Innovation. Report of the LSE Growth Commission

¹² The RSA Commission considered some measures of 'Quality GVA'. RSA (2017) Making our economy work for everyone. Final report of the Inclusive Growth Commission

¹³ See Grant Thornton (2016) Technical methodology for the Vibrant Economy Index

¹⁴ Rafferty, A. et al. (2017) Inclusive Growth (IG) Monitor 2017: Local Enterprise Partnerships. IGAU

¹⁵ Hawksworth, J. et al (2011) Good growth: a DEMOS and PWC report on economic wellbeing

In line with their findings, the Oxfam index places particular weight on aspects of housing, health, and neighbourhoods (or the local environment). The 'economic' sub domains in the index make a relatively small contribution to the overall index score (around 22% of the total in the first version).¹⁶ They include measures of access to secure, satisfying work, as well as having a secure source of income. The index draws heavily on self-reported measures, including assessments of people's state of health, whether people feel safe and their satisfaction with work.

At an individual city level, the literature on indicator development suggests that the process of developing and selecting indicators matters. A consultative, participatory approach can help to build a shared understanding around what is to be achieved.¹⁷ This is particularly important for action around inclusive growth, which requires buy-in from stakeholders across the public, private and third sector. Representatives from across these sectors could therefore be involved in the design and development of the indicators, particularly when it comes to agreeing the overall priorities for action.

What counts as success?

The question of how we should understand success is often overlooked. Perhaps that is because the comparative indicator projects reviewed here are ultimately concerned with ranking areas against one another, or in relation to the national average. Comparative analysis can help to highlight disparities between particular regions, and/or show what it is possible to achieve given the right mix of people, institutions, policies and resources.¹⁸ However, it may not always be appropriate for a city to aim to achieve the national average. Sometimes the average isn't good enough and tackling a systemic inequality might be in view instead.¹⁹

While it is considered good practice to develop a theory of change or logic model to define goals and how they might be achieved for individual projects, they are rarely explicitly set out for city indicators though they may be inferred from the policies and activities being proposed. Failing to articulate a link and explain why and how we might want to see progress on a particular measure puts a brake on public debate. Some projects have taken on this challenge, including the Sustainable Seattle initiative that set out to articulate the possible links between specified social, economic and environmental goals.²⁰

Another issue arises around how we should understand change over time. It may be that there is little change on an indicator, or that a target is met ahead of expectations. Public reporting of progress is needed alongside agreement on when and how information from the indicators might influence strategy in coming years. Progress on long-term goals may be marked with reference to other indicators.

¹⁶ The Fraser of Allander Institute & Oxfam (2012) *The Oxfam Humankind Index for Scotland: First results*, Oxfam.

¹⁷ Innes, J. & Booher, D. (2000) *Indicators for Sustainable Communities: A Strategy Building on Complexity Theory and Distributed Intelligence*, *Planning Theory & Practice*, 1 (2): 173-186.

¹⁸ See for example Rafferty et al. (2017), as above

¹⁹ For discussion in relation to educational attainment benchmarks, see Lupton, R. (2017) *Education & Skills from Cradle to Career: a whole-system approach for Greater Manchester*.

²⁰ Sustainable Seattle (1998) *Indicators of Sustainable Community: a status report on long-term cultural, economic, and environmental health for Seattle/King County*

How indicators can support a city agenda for inclusive growth

Many cities around the UK are interested in pursuing a more inclusive approach to economic growth. This is a long-term, multi-faceted agenda and to deliver it cities need a clear idea of what they want to achieve. This is a key way in which a conversation about indicators can help. On the basis of this review, we suggest five things that cities might do:

- **Outline ambitions for a more inclusive city economy and select headline indicators that can mark progress on these:** it may be helpful to develop a theory of change or logic model to help explain how it is anticipated that different initiatives will have an impact. Assumptions can then be tested through public consultation.
- **Involve the wider community in identifying themes and their relative importance:** a number of the reviewed frameworks used polling or focus group data to prioritise different themes and devise weights. Citizen participation and consultation need not be limited to prioritisation – given time and opportunity people can help to develop indicators, or provide comment on proposals.
- **Adopt measures that describe how fairly and evenly economic benefits are enjoyed and make these headline indicators:** 'inclusive economy' indicators may assess the quality of economic growth in terms of levels of low pay, or look at disparities in economic participation across different groups of the population (see Table 2 for further examples).
- **Value the broader ingredients needed to achieve inclusive growth:** The process matters as well as the outcomes. Issues of equity, access to public services, and/or economic and political resilience could be considered here.
- **Find ways to develop and continue the conversation:** stage an annual public discussion, highlighting changes in the measures. Local scrutiny committees and campaign groups can also help to monitor progress and initiate a wider conversation.

How to find out more

This is the sixth in a series of policy briefings exploring how to promote inclusive growth in the context of devolution. Other papers have considered city leadership for inclusive growth, the role of local employment charters, community banks, planning for inclusive growth, and education and skills challenges. A background paper with some further information on the comparative frameworks discussed here, and with further examples, is also available.

All reports are available on the IGAU website: www.manchester.ac.uk/inclusivegrowth

The University of Manchester
Oxford Road
Manchester
M13 9PL
United Kingdom
www.manchester.ac.uk

Inclusive Growth Analysis Unit
www.manchester.ac.uk/inclusivegrowth
igau@manchester.ac.uk
@IGAUnit
IGAU is part of Manchester Urban Institute
www.mui.manchester.ac.uk