Inclusive Growth (IG) Monitor 2017: A how-to guide

There is increasing concern that the benefits of growth do not necessarily 'trickle down' to the places and people that are most in need, including households experiencing poverty. If we are serious about pursuing a different, more inclusive model of economic growth, we need to value economic inclusion along with prosperity. Only then can we understand whether economic strategies are contributing to growth and inclusion.

In 2016 the Joseph Rowntree Foundation published the first Inclusive Growth (IG) Monitor, a dataset that tracks the relationship between key aspects of growth and poverty across local areas in England. Developed by researchers at Sheffield Hallam University, the Monitor brings together 18 indicators, half of which measure key dimensions of prosperity and half of which assess the degree of economic inclusion. Data is presented at Local Enterprise Partnership (LEP) level to provide an assessment of outcomes across functional economic areas.

The IG Monitor aims to support local areas to understand their strengths and challenges when it comes to developing a more inclusive approach to economic growth. The monitor may be used by Local Enterprise Partnerships, but it is also a resource for local authorities, campaigners and others wanting to understand the extent to which people living in a given area are able to share in the benefits of growth and national prosperity.

In 2017, the monitor was updated by the Inclusive Growth Analysis Unit at the University of Manchester. This 'how to' guide introduces the 2017 Monitor, describing how it can be used and what it can tell us.

The monitor data is available on the Inclusive Growth Analysis Unit's website, along with a new 2017 report, outlining key findings for the 39 Local Enterprise Partnership areas.

What is the Inclusive Growth (IG) Monitor?

The monitor draws on a balanced set of measures to assess different dimensions of prosperity and economic inclusion (see Figure 1). The IG monitor adopts a building block approach, bringing together 18 commonly used indicators which aggregate into six dimensions (with three indicators in each) and two broad themes (nine indicators in each). These 18 indicators can be considered on their own or may be combined to create composite scores for any of the six dimensions or two themes.

Indicators were selected following a) a review of the literature on the links between growth and poverty, and b) an assessment of the availability and reliability of data at a local level.[1] The rationale for choosing the indicators for each dimension is outlined in the Annex table.

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[1] For a description of the original methodology see Beatty, C., Crisp, R. & Gore, T. (2016) An Inclusive Growth Monitor for measuring the relationship between growth and poverty, York: Joseph Rowntree Foundation.

Basic indicators

The inclusion theme is assessed through a combination of direct and proxy measures of income (rates of claims for out-of-work benefits, in-work tax credits and low earnings), living costs (levels of housing affordability, housing costs and fuel poverty) and labour market exclusion (rates of unemployment, economic inactivity and workless households). The prosperity theme meanwhile is assessed based on output growth (measures of output, number of private sector businesses and median levels of pay), employment (number of employee jobs, rates of employment, and proportion of residents employed in higher skilled sectors), and human capital (covering employment in higher level occupations, proportion of residents with intermediate and higher-level skills, and GCSE attainment).

Figure 1. Building blocks of the IG Monitor

Theme	Dimension	Broad indicator
Economic Inclusion *(Score 0 Min – 9 Max)*	Income *(Score 0 Min to 3 Max)*	Out of work benefits
		In-work tax credits
		Low earnings
	Living Costs *(Score 0 Min to 3 Max)*	Housing affordability (ownership)
		Housing costs (rental)
		Fuel poverty
	Labour Market Exclusion *(Score 0 Min to 3 Max)*	Unemployment
		Economic inactivity
		Workless households
Prosperity *(Score 0 Min – 9 Max)*	Output Growth *(Score 0 Min to 3 Max)*	Output
		Private sector businesses
		Wages/earnings
	Employment *(Score 0 Min to 3 Max)*	Workplace jobs
		People in employment
		Employment in High-tech Sectors (Knowledge Intensive Services & Hi-tech Manufacturing)
	Human Capital *(Score 0 Min to 3 Max)*	Higher level occupations
		Intermediate and higher level skills
		Educational attainment

By adopting a basket of three indicators for each dimension it is possible to explore different aspects of, for example, income or employment. This approach also ensures that movement in a single indicator does not disproportionately impact on the overall dimension score.[2]

Scores

To devise the scores each indicator is normalised so that the LEP with the best outcome for a given indicator receives a score of 1 and the LEP with the worst outcome receives a score of 0. Each dimension (containing three indicators) notionally has a maximum score of 3 and a minimum score

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[2] The full rationale for this approach is explained in Beatty, C., Crisp, R. and Gore, T. (2016) An inclusive growth monitor for measuring the relationship between poverty and growth, Joseph Rowntree Foundation.

of 0. Each theme (containing three dimensions) has a notional maximum score of 9 and a minimum score of 0.

Assessing change over time

To assess change over time normalised change scores are calculated based on the percentage change on the underlying indicator scores between 2010 and 2015.

A note on changes to the 2017 monitor

Data is made available for each of the 39 Local Enterprise Partnership (LEP) areas on an annual basis.[3] This spatial scale was chosen to reflect areas for which relevant datasets are available, the institutional geographies in which local policy actors operate, and the geographies of local labour markets.

In 2017 a new indicator 'Employment in High-tech Sectors (Knowledge Intensive Services & Hi-tech Manufacturing)' was added to the IG Monitor. It features within the 'employment dimension' in the prosperity theme, replacing the previous 'employment in low paid sectors' indicator. The new indicator uses Eurostat definitions based on levels of educational attainment within sectors and for manufacturing research and development (R&D) expenditure and productivity.[4] The term technology is used broadly to cover both hard technology (e.g. computer technology and robotics) and soft technology (e.g. knowledge and skills).

The new indicator gives the percentage of people in a given LEP who are employed in More Knowledge Intensive (KI) Service or High (and medium high) tech manufacturing Industries. Examples of More KI-Services would be legal and accounting activities or scientific research, whereas the less KI Services concentrate in retail and hospitality and so several of the sectors covered by the old low paid sectors measure. The advantage of the new measure is that it focuses on sectors that are more likely to offer better quality and higher skilled employment and so is more conceptually consistent with the prosperity theme. Compared to the indicator it replaces it also takes a broader focus away from service industries to also consider high-tech versus low tech manufacturing activities in relation to employment opportunities. Although not all people employed in higher tech service or manufacturing sectors work in higher skilled jobs, this measures gives some indication of the extent to which higher skilled employment opportunities are likely to be available within a given LEP.

How you can use the monitor

The Inclusive Growth Monitor offers a starting point for understanding prosperity and inclusion and how they are linked. It is a resource for local areas looking to organise what they do around the principle of inclusive growth and can be used in a variety of ways.

Understanding local strengths and challenges

[3] In 2017 the Northamptonshire LEP merged with South East Midlands LEP, meaning there are now 38 LEPs. As the 2017 Monitor data relates to 2015 we continue to report scores for the 39 areas.
[4] See http://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:High-tech

The monitor can be used to assess an area's strengths and challenges when it comes to developing a more inclusive approach to economic growth. For example, local stakeholders looking to adopt a fairer, more inclusive approach to economic development can use the IG Monitor scores and raw data from across the 18 indicators to identify the key challenges they want to address and the strengths on which they may build.

Monitoring and benchmarking performance against inclusive growth objectives

Those areas that are serious about adopting an alternative, more inclusive approach to growth will need to develop a new set of performance measures to help articulate their ambitions and track progress. The IG monitor scores and indicators (raw data) can be used as a basis for setting and monitoring local inclusive growth objectives. LEPs may also want to compare themselves with other similar LEP areas to benchmark their progress; here the normalised scores may be useful.

Identifying the extent to which areas share in the benefits of growth and national prosperity

The monitor enables an assessment of the extent to which different areas are able to share in the benefits of growth and national prosperity. Some areas score highly on both the prosperity and economic inclusion dimensions, for others prosperity and/or economic inclusion is more elusive. By recognising these different contexts, and the broader sub-regional patterns of prosperity and economic inclusion, the monitor can help inform national debates about the relationship between economic growth and poverty and broader regional and industrial strategy.

What the monitor doesn't tell us

Our sense of what it would mean to achieve more inclusive growth is still developing[5] and the monitor is not meant to be the definitive tool for measuring all aspects of inclusive growth. Those using the monitor should therefore bear in mind that:

- **The monitor does not measure all aspects of inclusion.** It is particularly concerned with the economic dimensions of inclusion, rather than the wider concept of 'social inclusion'. This reflects the fact that it is first and foremost a resource targeted at Local Enterprise Partnerships, which have more of a focus on economic development.
- **The normalised <u>change</u> scores are relative rankings based on underlying percentage change on the indicator scores and do not tell us about the scale of change**. For that we need to turn our attention to the "raw" indicator data.
- **The monitor is not intended as a tool for ranking LEPs according to how successfully they have pursued inclusive economic growth strategies**. Whilst clearly LEP strategies should affect these indicators, other factors will do too, and as the findings report makes clear, LEPs operate in very different contexts. So the report is designed primarily to provide insight and understanding, not to produce a 'league table' of LEPs. LEPs will want to evaluate their own strategies over time and may be interested in comparing themselves with other LEPs with similar contexts or starting points. The monitor should help with both these endeavours.

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[5] For a discussion of different versions of 'inclusive growth' see the Inclusive Growth Analysis Unit report based on conversations in Greater Manchester http://hummedia.manchester.ac.uk/institutes/mui/igau/Inclusive-Growth-Summary-Report.pdf

Find out more

The main report outlining key findings for 2017 across the 39 LEP areas is available on the Inclusive Growth Analysis Unit's website, along with the full Inclusive Growth monitor datasets http://www.mui.manchester.ac.uk/igau/research/inclusive-growth-indicators/

The original report by Sheffield Hallam University provides further detail on the concept and methodology https://www.jrf.org.uk/report/inclusive-growth-monitor

Annex: Rationale for choosing these indicators[6]

Inclusion	
Income	Proxy indicators under this theme reflect on levels of out-of-work poverty (out-of-work benefits) and in-work poverty (tax credits), as well as capturing the level of earnings among the lowest paid workers as a further measure of low income
Living costs	Indicators under this theme show how the cost of living is changing with potential implications for households in poverty. They measure changes in the cost of private rented sector housing (median rent levels for a two-bedroom property) and the extent to which private housing is affordable to those on lower incomes (house price to earnings ratio). An indicator of fuel poverty is also included to widen coverage beyond housing costs and incorporate the relative affordability of energy costs, another key factor which has an impact on low-income households
Labour market exclusion	Indicators of unemployment and economic inactivity provide a measure of overall exclusion from the labour market. A third indicator of the proportion of working-age households where no-one is in employment provides a measure of the concentration of labour market exclusion at a household level
Prosperity	
Output growth	Indicators capture the potential of an area to generate growth that is not necessarily driven by employment. Indicators include a standard measure of output growth (GVA per capita); a measure of the changing scale of business and enterprise in an area (private sector workplaces); and a general measure of earnings levels (median full-time employee earnings) as a reflection of productivity.
Employment	This measures employment as one of the components of growth. The workplace jobs indicator shows the extent to which the area is creating employment. Including the employment rate also provides an assessment of the extent to which residents within the area are benefitting from jobs created. The higher-tech sectors indicator provides an assessment of the extent to which high-skilled employment opportunities are likely to be available within an area.
Human capital	In combination these indicators provide an indication of the demand for higher level skills and the extent to which this could be met by the local workforce. This provides an indication of the extent to which the local economy is (capable of) moving towards a 'higher value' model of growth. It includes an indicator for higher level occupations where better remuneration means that in-work poverty is less likely. The second indicator focusses on intermediate and higher level vocational qualifications (NVQ Level 2 and above), and the other on qualifications achieved during compulsory schooling (five or more GCSEs at grades A*–C).

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[6] From Beatty, C., Crisp, R. & Gore, T. (2016) An Inclusive Growth Monitor for measuring the relationship between growth and poverty, York: Joseph Rowntree Foundation.