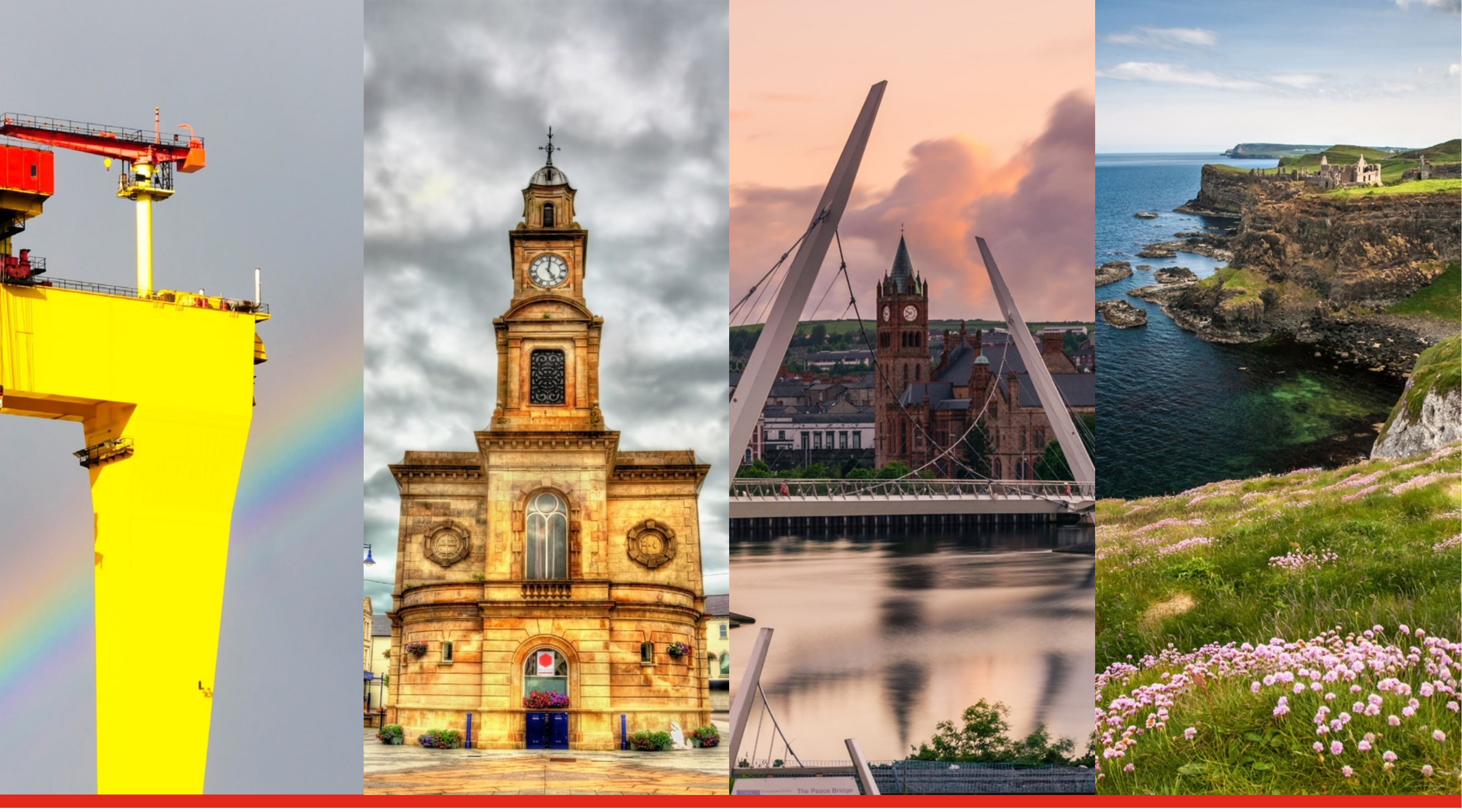

Inclusive Growth in Northern Ireland
September 2020

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Disclaimer

The analysis in this report has been conducted by the Fraser of Allander Institute (FAI) at the University of Strathclyde. The FAI is a leading academic research centre focused on the Scottish economy. The report was commissioned in 2019 by the Northern Ireland Department for the Economy (DfE).

The analysis and writing-up of the results was undertaken independently by the FAI. The FAI is committed to providing the highest quality analytical advice and analysis. We are therefore happy to respond to requests for technical advice and analysis. Any technical errors or omissions are those of the FAI.

Executive Summary

This report was commissioned by the Department for the Economy to examine the potential for embracing and monitoring inclusive growth in Northern Ireland. This report looks widely at existing literature on inclusive growth and the evidence to support its adoption as a core economic strategy as a means to improve living standards and reduce inequalities in society.

There is a good deal of consensus on what inclusive growth means in theory. It is framed as a way to modify the 'status quo' to try to prevent widening inequality in society. The intentions of inclusive growth from governments both domestically and globally are broadly the same – ensuring the benefits of economic growth are distributed to everyone in society. This means ensuring that there are fewer people who are excluded from the labour market, and that the gains from participation are more equally distributed, either through wages or other forms of redistribution.

Inclusive growth, as its name suggests, implies that economies should continue to expand. Indeed, part of the rationale for inclusive growth is that without more inclusivity, the productive capacity of the economy will be limited and hence there will be an impact on living standards for all. For example, a study by the OECD suggests that rising inequality was estimated to have reduced growth by 4 percentage points in more than half of the OECD countries in the 2 decades prior to 2014.

Our report was researched before the emergence of CoVid-19 in the UK. Whilst this of course means that there are very pressing challenges facing the Northern Ireland Executive, it does not mean that inclusive growth becomes any less relevant. Indeed, the impact of the virus on the economy is likely to exacerbate many of the issues that have led people to look at inclusive growth as a means to create a more equal society that better shares the benefits of growth and shields the most vulnerable from the ravages of recessions. Hence this report is more relevant than ever in considering the type of economic recovery that may be pursued in Northern Ireland, following the economic turmoil caused by the pandemic and associated lockdown.

Our review of a range of 'inclusive growth' indicators, pre CoVid-19, shows that Northern Ireland faces a range of challenges:

- In 2017/18, the top 20% of the income distribution had a weekly income 3.1 times higher than those in the bottom 20% and around 19% of people in Northern Ireland live in relative poverty with an income of below 60% of the UK average.
- There is a large group of people who currently exist outside the labour market. 1 in 4 people currently do not work nor are seeking a job, with the most common reason due to long-term limiting ill health and disability, particularly in men. There are large potential gains both to household income and to overall GVA if inactivity can be reduced.
- A quarter of all employees in Northern Ireland earn below the living wage, a higher proportion than Scotland, England and Wales.
- Productivity (output per hour worked) also lags behind Scotland and England but is slightly ahead of Wales. Productivity UK wide also lags behind other European countries.

Of course, changing these indicators is not achieved through producing a strategy, but by implementing policy that can make a difference and through changing the behaviour of firms and individuals. However, a strategy is a key part of the process, especially if it can be built on a broad consensus of those affected.

Our recommendations suggest an evidence-based approach that makes best use of the knowledge held in the Northern Ireland executive and public bodies to gain a common understanding of those groups currently not fully benefiting from economic growth (or likely to be worst affected by a future downturn). Then consensus needs to be built on the outcomes that will be aimed for and a metric to monitor these outcomes can be developed. The report recommends that existing economic strategies and metrics are incorporated as there are many common strands that can be pulled together. The creation and delivery of policies, which themselves must be monitored and evaluated to understand how they are making an impact on the outcomes, is where theory becomes practice.

Delivering broad outcomes will require thought on how best to work across departments and public bodies, as well as how to best influence business and society. Inclusive growth is likely to only be seen as a success and sustained if progress can be recognised and learnt from. This is often where other countries who have an inclusive growth agenda stumble. Northern Ireland has a chance to recognise where mistakes have been made elsewhere and build on this to realise more of the benefits that inclusive growth should bring.

1. Introduction

The purpose of this report is to determine the scope for an inclusive growth agenda in Northern Ireland. It will seek to review literature on inclusive growth and, with reference to other countries' approaches to inclusive growth, highlight the options available to Northern Ireland.

The aim is to help inform the work of the Northern Ireland Department for the Economy (DfE) and provide evidence that will help formulate an inclusive growth economy strategy in Northern Ireland.

The report does not prescribe the exact form that inclusive growth policy should take in Northern Ireland but offers recommendations on the process that DfE and its partners should consider if it chooses to build a full strategy.

This report is structured as follows:

In Section 2 we provide an insight to the different definitions of inclusive growth and the broad strategies that different countries take to their inclusive growth agenda.

In Section 3 we look at the literature underpinning inclusive growth, in particular the evidence surrounding the relationship between economic growth and inequality, the evidence surrounding inclusive growth as a policy measure and the evidence surrounding preventative spending.

In Section 4, we review the approaches that other countries have taken to move to inclusive growth, including throughout how Northern Ireland could benefit from similar methods of implementation.

In Section 5, we identify the currently excluded groups in the Northern Ireland economy and review the inequality that is currently present.

In Section 6, we look at the Northern Ireland economy today, the future prospects for the country and the likely challenges the country faces in the coming years.

The remaining sections use a combination of evidence from the existing literature and the methods used by other countries to provide selected options available to the Northern Ireland Executive now and in the future, to develop the inclusive growth agenda.

This report was researched before the Coronavirus pandemic started to circulate in the UK. The subsequent restriction of economic activity to help contain the virus no doubt casts a very large challenge to people and places in Northern Ireland that this report does not capture. However, the challenges that were in place pre-CoVid, which this report does analyse, will still be there after the pandemic subsides. Indeed, the pandemic and subsequent recession will likely exacerbate some of these existing challenges, for example with regards to ill health and other barriers to labour market participation. As such, it is not necessary to rewrite the findings and recommendations, but we have noted in parts of the report's final draft where Coronavirus may have had a particular impact.

2. Inclusive Growth: An Insight

Defining Inclusive Growth

The intentions of inclusive growth from governments both domestically and globally are broadly the same – ensuring the benefits of economic growth are well distributed to everyone in society. This doesn't necessarily equate to ambitions of equal distribution of income across society, but it does seek to improve the distribution of income relative to the status quo, to help improve a range of outcomes and the productive capacity of the economy itself. A common theme is also the aim of ensuring that no groups are excluded from participating in the economy.

The exact definitions used for inclusive growth may differ slightly depending on the institution. Table 1 shows a selection of the different definitions used by domestic and global institutions.

Table 1: Definitions of Inclusive Growth

Organisation	Definition
UK Government	"A partnership of businesses, civil society and government departments that are working together to solve some of society's toughest challenges, to help all communities and everyone within them feel they belong to and can participate in the UK economy".
Scottish Government	"Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly".
Welsh Government	"Sharing the benefits of economic growth more equitably, helping to mitigate societal problems such as inequality, job insecurity, low pay and poor productivity".
Joseph Rowntree Foundation	"Growth that benefits everyone across the city region, bringing clear economic, fiscal and social benefits[1]".
Global	
OECD	"Economic growth that is distributed fairly across society and creates opportunities for all"
World Bank	"Rapid pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be broad-based across sectors, and inclusive of the large part of the country's labour force[2]"
European Commission	"Empowering people through high levels of employment, investing in skills, fighting poverty and modernizing labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society."

[1] See Inclusive growth in the West Midlands: an agenda for the new mayor, JRF (2017)

[2] See "What is Inclusive Growth?", World Bank (2009)

Wellbeing

A parallel concept to inclusive growth is wellbeing, with many governing bodies and institutions arguing that any inclusive growth agenda should improve the overall wellbeing of citizens.

New Zealand is a prominent example. They define inclusive growth as:

"All members of society being able to share equally in growth opportunities or outcomes, with reducing inequalities as a measure of success[3]."

Within their approach they have adopted a wellbeing budget, defining wellbeing to be "when people are able to lead fulfilling lives with purpose, balance and meaning[4]".

The Wellbeing Economy Government (WEGo) initiative was recently formed. It is a collaborative programme between the countries of Scotland, Iceland, New Zealand and most recently Wales that seeks to "see national success as being defined by the quality of life of citizens rather than the growth rate of a country's GDP".

The programme is designed to drive the agenda in economic, social and environmental policymaking with the objectives to:

- Collaborate in pursuit of innovative policy approaches aimed at enhancing wellbeing through a broader understanding of the role of economics – sharing what works and what doesn't to inform policymaking.
- Progress toward the UN Sustainable Development Goals, in line with Goal 17, fostering partnership and cooperation to identify approaches to delivering wellbeing.
- Address the pressing economic, social and environmental challenges of our time.

Within this report, we refer both to inclusive growth and wellbeing, recognising that with regards to economic policy the two concepts have very similar aims.

[3] See State of the state, Deloitte (2019)
[4] See NZ Wellbeing Budget 2019

3. Inclusive Growth: The Literature

The relationship between inequality and economic growth

The debate underpinning economic growth (measured by GDP) and its relationship to income inequality (usually measured by the Gini coefficient with a high number meaning higher inequality) is not always clear cut but does throw up plenty of insights.

There is much literature centred around developing countries using the Kuznets (1955) curve[5]. The infamous paper by Simon Kuznets showed that as a country moves through the stages of economic development, inequality initially rises as high paid jobs are available to only a limited group of workers, but eventually inequality falls as other sectors and workers 'catch up'. Whilst still believed to be empirically sound during early development stages, there are legitimate questions over whether Kuznets captures the reality for countries over time[6].

Both the Organisation for Economic Cooperation and Development (OECD), and the International Monetary Fund (IMF), have produced their own evidence on the relationship between inequality and economic growth based on a range of countries.

A key question that resides in this debate is around whether 'trickle down' economics is a valid basis for promoting economic growth, that is, regardless of how growth happens, all will benefit in the end from increased prosperity. There is growing consensus that 'trickle down' growth is not sufficient to ensure all benefit adequately and this in turn can damage growth itself.

OECD research[7] has found that "there is no guarantee that the benefits of higher levels of growth, or higher levels of productivity in certain sectors, when they materialise, will be broadly shared across the population as a whole".

The report goes on to suggest that there is a prominent risk that lower skilled individuals, with poorer access to opportunities, may find themselves confined to low productivity and low paid jobs. This in turn reduces aggregate productivity, widens inequality, and ultimately undermines prosperity.

The OECD (2014)[8] elsewhere suggests that increasing inequality by 3 Gini points, would drag down economic growth by 0.35 percentage points per year for 25 years, with a cumulated 8.5% reduction in GDP as a result. The study goes on to suggest that rising inequality was estimated to have reduced growth by 4 percentage points in more than half of the OECD countries in the 2 decades prior to 2014. Research by Berg and Ostry (2017)[9] helps further strengthen this argument. They find that there are 3 ways through which income inequality affects growth sustainability: poor access to finance; the share of political power; and political instability. Supported by earlier research by the IMF (2015)[10], it was found that income inequality negatively affects growth and its sustainability. Analysing individuals' income shares at different distribution points, they found that a higher net Gini coefficient is associated with lower output growth.

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[5] Kuznet (1955), "Economic growth and income inequality", American Economic Review, Vol. 45, No. 1, pp. 1-28.

[6] Barro, Robert J. "Inequality and Growth in a Panel of Countries." Journal of economic growth 5, no. 1 (2000): 5-32.

[7] See The Productivity-Inclusiveness Nexus, OECD (2016)

[8] See Does income inequality hurt economic growth? OECD (2014)

[9] Berg, A.G. and Ostry, J.D., 2017. Inequality and unsustainable growth: Two sides of the same coin?. IMF Economic Review, 65(4), pp.792-815.

[10] See Causes and Consequences of income inequality: A global perspective, IMF (2015)

Their results suggest an inverse relationship between growth and the proportion of income accruing to the top 20 percent. In fact, the findings are that increasing the top 20% income share by 1 percentage point, would lower GDP growth by 0.08 percentage point in the following five years. But, increasing the income share of the bottom 20% by 1 percentage point would lead to 0.38 percentage point higher growth.

Other research by the IMF (2014)[11] also finds that economies with a more equal distribution of wealth and narrower income inequalities have stronger and more sustained economic growth than those with greater inequality.

Not all research is conclusive. Neves at al. (2016)[12] reviewed 28 studies on growth and inequality over two decades finding "an elasticity of inequality on growth which varies between -0.14 and +0.1627." This suggests that increasing income equality may be positively or negatively correlated with economic growth.

However, the strength of the evidence has been enough for many governments to aim to implement an inclusive growth strategy, no doubt a resolve strengthened by potential for complementary benefits on wider outcomes from increased income equality, such as health and education.

What might Inclusive Growth look like in practice?

The promise of Inclusive Growth is that it can optimise long-term economic growth and reduce inequality. The intuition has a clear rationale. By ensuring inclusion of all parts of society in economic growth, the productive capacity of the economy increases.

To illustrate this, the RSA (2016)[13] estimated that closing the gap between those employed and those either unemployed or economically inactive by increasing employment to 80%, which would increase the labour force by 2.3m people, would grow the UK overall GVA by £119.5bn, raising GVA per capita by 7.4%.

Greater inclusion in growth means more people are likely to be able to secure adequate living standards, improving their health and wellbeing and also allowing them to play a fuller role in society, for example, by being able to afford formal childcare or to travel to the best job opportunities.

There is also the redistributive arm of the system - gains from growth, in terms of higher tax take, can then be invested back in to society to improve productive capacity further, for example, through health and education and to provide income for those where work is simply never going to be able to pay the bills (those who are disabled or already suffering from long-term health conditions). It is worth reiterating however that redistribution, on its own, is not inclusive growth by most definitions. Economic growth itself must act to reduce income inequality, and not widen it further.

Whilst elements of inclusive growth (for example, wage floors and greater female inclusion in a wider range of workplace roles) have long been part of policy action and ambition, it is extremely difficult to pinpoint exact cause and effect as many other changes in policy and practice will likely be happening simultaneously.

Additionally, few argue for no economic growth at all. But clearly the type of growth matters as does how growth transmits to households and how inclusion transmits back to growth.

[11] Ostry, Mr Jonathan David, Mr Andrew Berg, and Mr Charalambos G. Tsangarides. Redistribution, inequality, and growth. International Monetary Fund, 2014.
[12] Neves, Pedro Cunha, Óscar Afonso, and Sandra Tavares Silva. "A meta-analytic reassessment of the effects of inequality on growth." World Development 78 (2016): 386-400.
[13] See Measuring Inclusive Growth, RSA (2016)

This is an area where hopefully more research will focus but there are some insights available that support inclusive growth as a 'win-win'. For example, Berg et al. (2018) found that:

- Lower net inequality is robustly correlated with faster and more durable growth, controlling the level of redistribution;
- Redistribution appears benign in terms of its impact on growth, except when it is extensive;
- Inequality seems to affect growth through human capital accumulation and fertility channels.

What does this mean for government policy? Governments are fundamentally there to ensure the wellbeing of citizens. Economic growth, and subsequent job creation is one possible route to achieving this. But, if there is evidence that a 'growth first' approach is going hand in hand with hardship within parts of society (due to either unemployment or insufficient pay), then it becomes apparent that this strategy is not providing sufficient protection for the population. This does not mean that all economic growth is to be avoided, but particular types of growth may seek to be promoted over others and finding ways to ensure that broader swathes of the population share in the prosperity that comes with economic growth is key.

Links to preventative spend agendas

Most governments of course would argue that 'growth first' is not, nor ever has been, their sole purpose. Public health spending, for example, is not pursued purely for economic benefit (as the Coronavirus has definitively shown). This links to a parallel concept to inclusive growth that many governments have been actively pursuing preventative spend.

Prevention policy, broadly speaking, is the notion of governments or institutions intervening in people's lives today in order to prevent their need for more intensive public services and hence more public service expenditure in the future. It is simple to understand this in public health terms, but it can reach across the policy spectrum – to justice, education and, sometimes indirectly, economic growth.

Effectively integrating institutional structures and the delivery of public service is at the heart of any system centred on preventative spend. The aim is that any preventative system allows for interdependency between social and economic policy. For example, the best way of reducing health problems may come from improving housing for children to prevent the onset of respiratory problems. This requires consideration of whether public health spending should be channelled through housing budget lines.

One way in which governments utilise preventative spend policies is through 'Local Area Coordination (LAC)' programmes[14]. Originating in Western Australia, the programme is designed to interact with people who may be isolated, causing concern or at risk of requiring use of formal services. Many local authorities and health partners across England and Wales are now introducing these services as prevention policies. They have the aim of:

- Helping communities to become inclusive, welcoming and self-supporting places;
- Supporting people to stay strong, preventing a need for service intervention by building on personal strengths and by finding natural support through local relationships;
- Supporting people facing crisis to get a person-centred service within the context of a supportive community network around them;
- Helping public services to transform so they are integrated, person centred, and co-produced with communities;

[14] See Local Area Coordination Network

- Reducing costs to the system as a result of people requiring less assessment, intervention and expensive ongoing care.

A study by Think Act Local Personal[15], a collaborative organisation committed to improving health and care outcomes, conducted a review of an LAC rollout in Derby, with their results suggesting that "for every £1 invested in the service, £4 of social value was created", with the programme said to improve wellbeing through reduced loneliness and isolation and improved sense of enablement.

Prevention was also a key pillar in the Christie Commission work in Scotland[16], delivered to the Scottish Government in 2011, and its impact can be seen through policies such as the expansion in early years provision[17].

The Centre for Progressive Policy identifies its final step for any inclusive growth agenda as "moving towards integrated service delivery and preventative spend". It claims that the ultimate objective is "to integrate social and economic services locally, moving from reactive to preventative investment which helps tackle problems at their root, fostering inclusive growth".

[15] Social Return on Investment Analysis for Derby's LAC, Think Local Act (2015)

[16] See Future of Public Services, Christie Commission (2011)

[17] See A blueprint for 2020: The expansion of early learning and childcare in Scotland, Scot Gov (2017)

4. Inclusive Growth across the world

As already mentioned, governing bodies and institutions across the world have their own inclusive growth and wellbeing programmes unique to them, forming a breadth of "traditional" inclusive growth metrics, but also a host of unique performance measures and metrics specific to each country's approach.

OECD

The OECD has been at the forefront of the inclusive growth agenda looking at how economic growth can be used to boost people's wellbeing and societal progress. They prioritise not only the functioning of an economic system but also the diverse experiences and living conditions of people and households within OECD countries.

Furthermore, their "Framework for Policy Action on Inclusive Growth[18]" identifies three building blocks that they believe will help sustain and more equitably share the gains of economic growth[19]:

- Investing in people and places that have been left behind through (i) targeted quality childcare, early education and life-long acquisition of skills; (ii) effective access to quality healthcare services, education, justice, housing and infrastructures; and (iii) optimal natural resource management for sustainable growth;
- Supporting business dynamism and inclusive labour markets through (i) broad-based innovation, fast and deep technology diffusion; (ii) strong competition and vibrant entrepreneurship; (iii) access to good quality jobs, especially for women and under-represented groups; and (iv) resilience and adaptation to the future of work;
- Building efficient and responsive governments through (i) aligned policy packages across the whole of government; (ii) integration of equity aspects upfront in the design of policy; and (iii) inclusive policymaking, integrity, accountability and international coordination.

Better Life Index

The OECD's Better Life Index[20] allows for cross country comparison of well-being using a dashboard of metrics for each country. Their index aims to develop better well-being metrics, as well as providing pivotal analysis that aids bridging the gap between existing metrics and policy intervention. Examples of their metrics include: Housing, the environment and health – the more traditional metrics associated with inclusive growth agendas - using indicators such as housing expenditure, air pollution and life expectancy. However other measures are also included such as civic engagement, the community and work-life balance using indicators including voter turnout, quality of support network and leisure time.

[18] See Framework for Policy Action on Inclusive Growth, OECD (2018)
[19] See Opportunities for all, OECD (2018)
[20] See OECD Better Life Index

Diagram 1: OECD Better Life Framework

Source: *OECD*

The United Kingdom

In the wake of the financial crisis, analysis by Robert Stiglitz, Amartya Sen and Jean-Paul Fitoussi[21], dubbed the 'Stiglitz-Sen-Fitoussi Report' - broke ground by detailing ways in which economic performance and social progress could be measured. The report identified that governments do not always have to directly choose policies to deliver growth and progress, but instead can prioritise the measurement of data and tracking progress under specific indicators. The findings from this report are evident in the approaches of different governments, in particular, the UK and Scottish Government. Less effort is put on the policy design for delivering outcomes, but instead the enhanced data collection of different metrics to better inform the current state of wellbeing and economic inclusion.

The UK government (UKG) has a number of different approaches and initiatives to achieve its interpretation of inclusive growth and wellbeing to help all communities and everyone within them feel they belong to and can participate in the UK economy

In response to the "Beyond GDP"[22] debate championed through the Stiglitz-Sen-Fitoussi report, the UK Government initially focussed on the measurement of subjective wellbeing, launching its Measuring National Wellbeing Programme with the Office for National Statistics (ONS).

[21] Measuring of Economic Performance and Social Progress, Stiglitz-Sen-Fitoussi (2010)
[22] Beyond GDP: How ONS is developing wider measures of the UK economy

Measuring National Well-being Programme

Similar to the OECD, the UK government has given focus to wellbeing. It set up the "Measuring National Well-being Programme" to monitor and report UK progress by producing accepted and trusted measures of well-being of the nation.

The programme has allowed for new measurement of well-being in the UK in addition to traditional measures of prosperity, enabling policymakers to make better, more well-informed decisions. As a result, the Office for National Statistics (ONS) now produces quarterly wellbeing publications and data sets[23]. The analysis looks at people's life satisfaction, happiness, anxiety and how worthwhile a person feels their life is. It also includes indicators such as household income, spending and wealth, as well as broader indicators such as unemployment and inflation.

The programme also has scope for new ONS collection of data pertinent to valuing human capital and unpaid work that people do for themselves such as childcare and even laundry services.

In more recent years, the debate has shifted, with the notion of inclusivity appearing more prominently in the UK Government policy initiatives, including the UK Industrial Strategy and the Inclusive Economy Partnership.

Inclusive Economy Partnership

In 2019, as part of the UK Industrial Strategy[24] the UK Government launched the Inclusive Economy Partnership[25]. This UKG approach promotes the idea of an inclusive economy, stating that "The IEP is a partnership of businesses, civil society and government departments that are working together to solve some of society's toughest challenges, to help all communities and everyone within them feel they belong to and can participate in the UK economy".

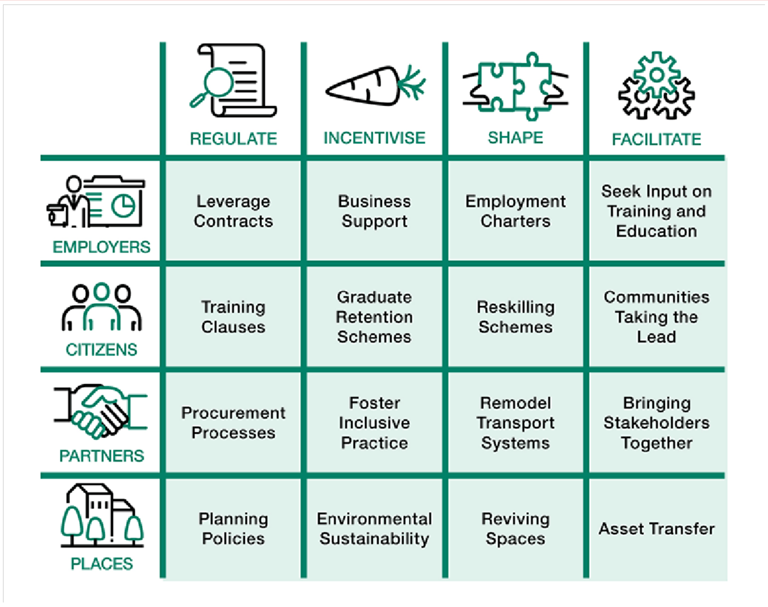
In short, the programme has identified the shortcomings of institutions individually, and seeks to bring strengths together to create a new model to solve societal problems for everyone that will amplify existing initiatives that drive inclusive growth in the UK.

The focusses of the programme include transitioning young people into the world of work, broadening the capabilities of employers to provide better support for mental health in the workplace and also financial inclusion and capabilities for those who may otherwise not have access to fair financial products.

A recent report by the New Local Government Network (NLGN)[26] highlights its framework for cultivating local inclusive growth in practise, as shown in Diagram 2.

[23] See UK Annual personal wellbeing estimates
[24] See UK Industrial Strategy: Building a Britain fit for the Future
[25] Inclusive Economy Partnership
[26] Cultivating Local Inclusive Growth, NLGN (2020)

Diagram 2: Framework for cultivating local inclusive growth in practise



Source: *New Local Government Network*

This framework identifies 16 specific policy levers that local councils may be able to pull in order to promote local inclusive growth. The research recognises that there is no 'set in stone' way that any Inclusive growth programme can ensure everyone in the economy benefits from growth. However, they state that this framework combined with: clarity on the outcomes hoping to be achieved; buy in from citizens in the local area; a focus on the problems specific to the area conducting Inclusive growth; and collaboration with both national government and 'key local economic actors' can help with any local Inclusive growth approach.

Scotland

Within the UK, Scotland has been a country leading the way with inclusive growth and wellbeing, with First Minister Nicola Sturgeon stating that "Scotland will be a country that helps influence the world to help "put wellbeing at the heart of everything they do".

The consideration of inclusive growth first came about as part of Scotland's Economic Strategy[27] in 2007. The strategy detailed plans for social equality, working towards reducing regional inequalities and intergenerational sustainability of growth. This brought about the creation of The National Performance Framework (NPF)[28].

National Performance Framework

Derived in line with the aforementioned Stiglitz-Sen-Fitoussi report, The Scottish Government introduced the framework in 2007 and revised it in 2016; as a collaborative scheme in conjunction with national and local government, as well as, community planning partnerships. Progress is determined through the performance review process, where progress towards the national outcomes is tracked, showing how Scotland is performing across 81 national indicators.

[27] See Scotland's Economic Strategy (2007)
[28] Source: National Performance Framework

The current framework is designed to align with the UN's sustainable development goals[29] to boost all of Scotland's outcomes, with the aim to:

- Create a more successful country,
- Give opportunities to all people living in Scotland,
- Increase the wellbeing of people living in Scotland,
- Create sustainable and inclusive growth,
- Reduce inequalities and give equal importance to economic, environmental and social progress.

Diagram 3: Scotland's National Performance Framework

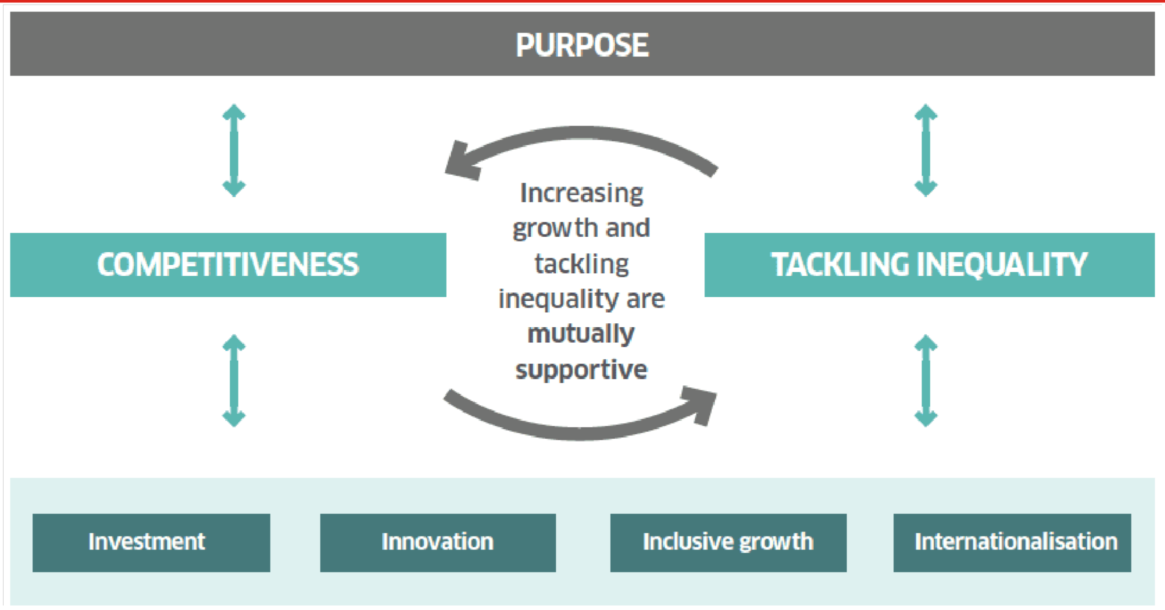
Source: *Scot Gov*

Similarly, a dashboard approach is used, grouping an array of indicators under different metrics. These include: Children and Young People, Communities, Education, Health, Human Rights and Poverty. The indicators are then ranked under an 'improving, maintaining and worsening' criterion to determine how Scotland is progressing towards the national outcomes.

Scotland's Economic Strategy was then revised in 2015[30] to better align with the NPF, putting inclusive growth as the central theme to the government's approach to the economy and society. The government stated that promoting growth and reducing inequalities were complementary, and that working towards higher economic growth that is inclusive of everyone in society can strengthen economic performance. Diagram 4 shows the Economic Strategy Purpose.

[29] United Nations Sustainable Development Goals (2015)
[30] Scotland's Economic Strategy (2015)

Diagram 4: Scotland's Economic Strategy (2015) Framework



***Source:** Scot Gov*

Scottish Centre for Regional Inclusive Growth (SCRIG)

This prioritisation of inclusive growth then led to the creation of the Scottish Centre for Regional Inclusive Growth (SCRIG)[31] in 2016. The revised Economic Strategy set a clear mission for growth of the economy sustainably and inclusively, and SCRIG was formed as one of the mechanisms through which to achieve this.

The Centre, which currently exists primarily as a website, was set up to provide an interactive platform for collaboration with stakeholders, to strengthen shared ability to deliver inclusive and sustainable economic growth through Scotland's economy and across all of Scotland's regions. The core focus is on providing an analytical framework to both regional and local policymakers to better facilitate inclusive growth.

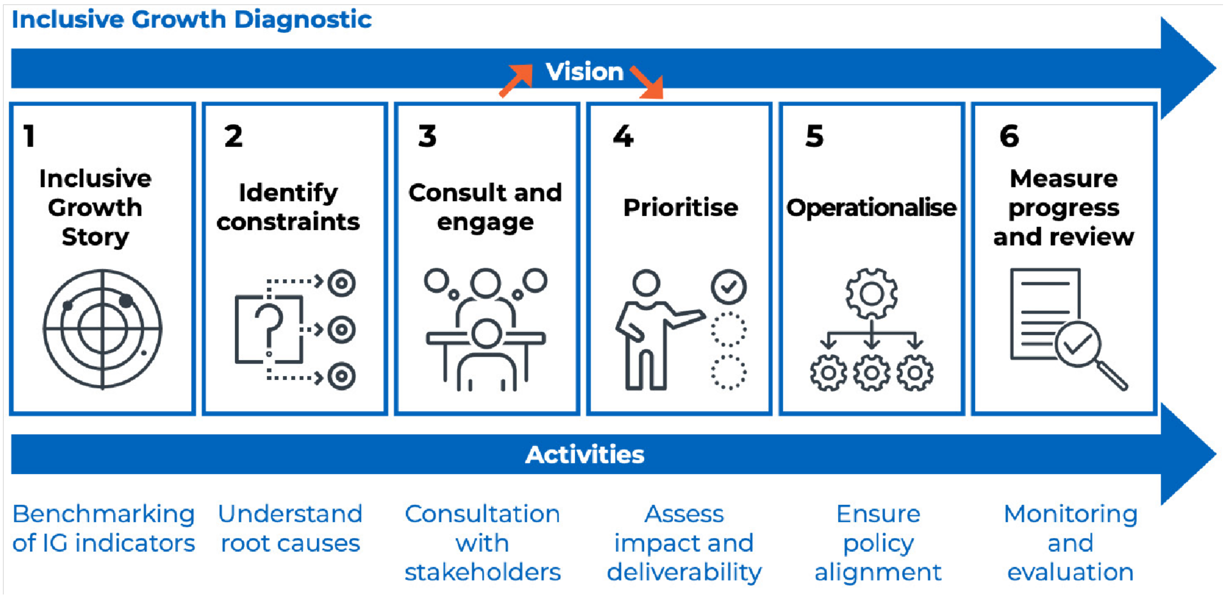
The approach is focussed round an online diagnostic process, shown in Diagram 5. The diagnostic is a six-stage process which incorporates the evidence from the inclusive growth dashboard. The dashboard consists of 5 metrics: Productivity, Population, Participation, People and Place with indicators including C02 emissions, GVA per head and poverty rates.

The tool identifies high-level areas of strength and weakness, using this data to benchmark local economic performance against national economic outcomes, with the aim to expand the analysis of any economic strategy beyond the traditional measures of performance.

Using this benchmark approach allows policymakers to identify areas that could benefit from an Inclusive growth programme as well as analysing constraints or obstacles to implementation, to ensure that any inclusive growth agenda in the chosen areas is effective in distributing the benefits of growth to everyone in that society.

[31] See Scotland's Centre for Regional Inclusive Growth

Diagram 5: SCRIG Inclusive Growth Diagnostic



Source: *SCRIG*

Box 1: North Ayrshire Inclusive Growth Diagnostic Tool

North Ayrshire council provides an example of how some of the tools provided on the SCRIG website have been used. The council there devised a data driven approach using economic and social indicators to pioneer their Inclusive Growth Diagnostic Tool[32].

Their analysis provided them with a list of drivers that they needed to address, prioritised based on impact and deliverability. The drivers, in order of priority, were identified as follows:

1 Intermediate and High-level skills

2 Job density

3 Basic digital skills

4 Health and well-being

5= Childcare

5= Entry-level skills/Work-readiness

5= Sector composition

8 Migration and population decline

9= Business-specific skills and entrepreneurship

9= Digital connectivity

11 Business premises

12= Aspirations

12=Housing

14 Digital innovation

15 People to jobs (transport)

16 Goods to market (transport)

[32] See North Ayrshire Inclusive Growth Diagnostic

Scottish National Investment Bank

In January 2020, the Scottish Parliament passed a bill approving the creation of The Scottish National Investment Bank. With the Government's ambitions to have a versatile and inclusive economy, they identified that there must be an institution with the purpose of providing funds to finance these projects.

In short, the new investment bank is committed to invest £2 billion pounds over the next 10 years, investing in "missions" that will work towards tackling problem specific social challenges. The defining feature of this investment bank is that the missions set out within it will be linked to the aforementioned National Performance Framework, holding the bank accountable to being part of the delivery of the national outcomes for Scotland. Possible missions include[33]:

- Transitioning to a low carbon economy, including decarbonisation of the transport network;
- Responding to emerging demographic pressures, including the twin challenges of an ageing population and wider population health;
- Promoting inclusive growth through place-making and local regeneration, including site preparation, infrastructure (transport and communication links) housing and related commercial, education and health investment.

The bank is also required to promote fair work[34]. Although this will need to be defined for the purposes of the Bank, the Scottish Government currently defines Fair Work employers as those who pay the voluntary Living Wage, do not use exploitative zero hours contracts, invest in skills and training, act to reduce the gender pay gap and promote workforce engagement.

Scottish Business Pledge

From a business standpoint, the Scottish Government has created The Scottish Business Pledge[35], this is a partnership between the Government and business that is designed to boost productivity and competitiveness through fairness, equality and sustainable employment. The Government say that "a commitment to the Scottish Business Pledge promotes fairness, equality, opportunity and innovation in Scotland, which in turn creates greater economic success and sustainable inclusive growth".

The pledge involves businesses, which meet a preliminary set of conditions, committing to achieving 5 additional outcomes. These involve paying the living wage; eradicating inappropriate use of zero-hour contracts; improving sustainability; reducing negative environmental impacts and many more[36].

New Zealand

Well-being Budget

As part of New Zealand's approach to wellbeing they operate a "well-being budget"[37]. Their current approach seeks to tackle the long-term challenges faced as a country, like the mental health crisis, child poverty and domestic violence.

It seeks to improve the condition of the environment, strengthen communities and boost the overall performance of the economy.

[33] Source: Scottish Government
[34] Source: Scottish Government
[35] See Scottish Business Pledge
[36] See Scottish Business Pledge Elements
[37] See The Wellbeing Budget, New Zealand Treasury (2019)

The NZ government state that "just because a country is doing well economically does not mean all of its people are", they also go on to say that "The Wellbeing budget endeavours to give more New Zealanders the ability to share in the benefits of a strong and growing economy".

The budget aims to:

- Break down agency silos and work across government to assess, develop and implement policies that improve wellbeing,
- Focus on outcomes that meet the needs of present generations at the same time as thinking about the long-term impacts for future generations,
- Track progress with broader measures of success, including the health of finances, natural resources, people and communities.

The NZ Treasury operates a dashboard of indicators which looks at quality of life as well as how sustainable and intergenerational wellbeing is. Metrics, again, include the more traditional Inclusive growth metrics such as health, the environment and housing, with indicators including life expectancy and suicide rate; Air and water quality; and Housing cost and quality. However, it focusses on more unique metrics such as subjective wellbeing, safety and security, and human & physical capital, with indicators including life satisfaction, domestic violence, workplace accident rate, productivity growth and educational attainment.

Iceland

Iceland has been another country taking steps in developing an economy centred around inclusive growth and wellbeing[38]. It is among the countries that feel GDP and other traditional measures do not tell the full story and so have devised a set of new factors to consider.

Just recently, the Icelandic government started to prioritise wellbeing over GDP in the country's national accounts, with their prime minister calling for "an alternative future based on well-being and inclusive growth"[39].

A survey conducted by their government found that the general public in Iceland views good health and access to healthcare as the most significant factor in quality of life. This was followed by relationships, housing and making a living. Their proposal devises a dashboard of 39 indicators related to prosperity and quality of life.

They feel that their wellbeing programme should be directed towards efforts to remedy the lack of data on environmental issues and social capital whilst using their chosen indicators to better inform policy making.

These metrics include housing, health, employment, education and water quality, hoping that providing measurement of these factors will give a good overview and serve as the basis for assessment of real prosperity, economic inclusion and quality of life in Iceland.

Summary

What is evident about any inclusive growth agenda is that it is not a one size fits all process, and what works for one country may not necessarily work for another. We can infer however, that there has become features that Inclusive growth agendas of every country have in common; a set of features that are easily replicatable and could help form the basis of any Inclusive growth agenda in Northern Ireland.

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[38] See Indicators for Measuring Well-being

[39] Source: BBC News

The first is a dashboard of metrics and indicators for measuring the performance of any Inclusive growth centric policy measure. Identifying what you first want to achieve with an Inclusive growth policy and then having a bank of accessible data sources and performance measures helps to easily track progress of the policy measure put in place.

Secondly, countries that have had success with inclusive growth have identified that achieving economic growth is not the main priority of an Inclusive growth agenda, but instead one part of it; with the other part ensuring all corners of society are included in both achieving growth but also they reap the benefits when it has been achieved.

Finally, and perhaps something that has been less evident in other countries' approach is the involvement of people in the cultivation of an Inclusive growth agenda. Northern Ireland's already ongoing communication with members of society, through traditional surveys such as the continuous household survey and living costs and food survey; but also the more unique surveys such as the young persons behaviour and attitude surveys, presents an opportunity for Northern Ireland to fully involve those with the most to gain from an Inclusive growth agenda in the creation of it.

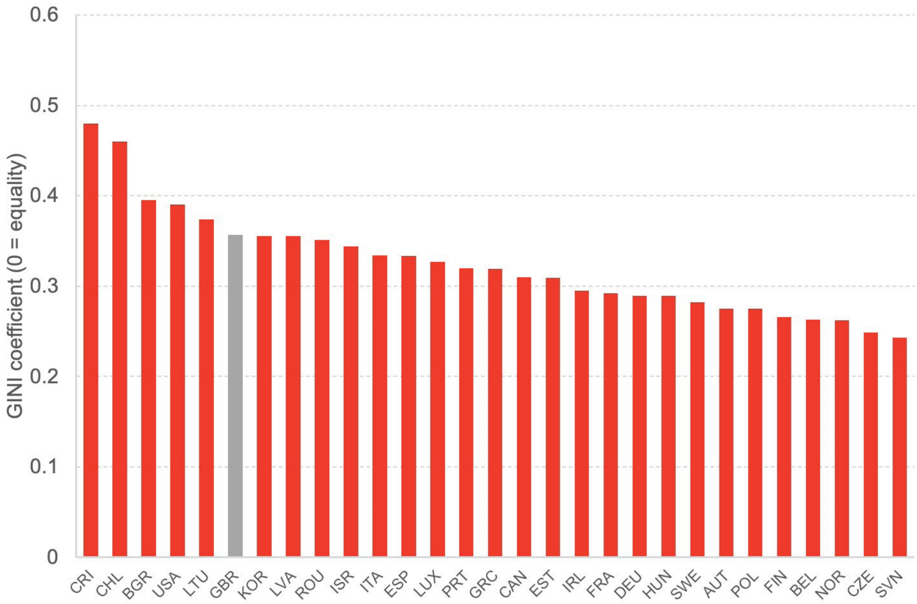
5. Inequality and excluded groups in Northern Ireland

In this section we review indicators of inclusive economic performance in Northern Ireland to help provide a baseline context on which a strategy could focus and build. Note, all figures relate to a period prior to the outbreak of Coronavirus in the UK and Ireland.

Inequality in the UK in context

Inequality, as measured by the Gini coefficient has been relatively stagnant in the UK since the 1990s. The UK has high inequality relative to many European countries, but slightly lower than the USA.

Chart 1: Inequality across the OECD



Source: *OECD*[40]

Inequality in Northern Ireland in context

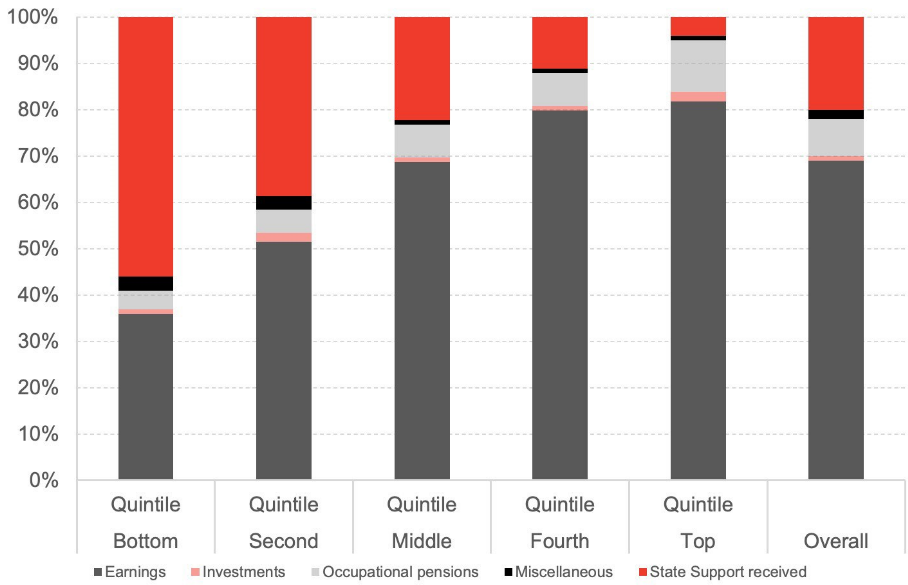
According to official household income data using Households Below Average Income (HBAI) statistics[41], Northern Ireland had a Gini coefficient of 0.26 in 2017/18, lower than the UK as a whole. However, income inequality is still clearly present: The 90/10 ratio – the comparison of disparity in income between the top and the bottom of the income distribution – showed that the top 20% of the income distribution had a weekly income 3.1 times higher than those in the bottom 20%.

40 Source: OECD Income Inequality (OECD (2020)

41 See NI Households below average income, 2017/18

There are two key components that make up income – earnings and benefit income. As the HBAI data shows, the bottom quintile receives just over 50% of income from social security, with around 40% coming from earnings (although many will be in work and be receiving top-ups from the state). In the top quintile, no income comes from social security and around 80% comes from earnings. Whilst earnings are now starting to rise, social security income has been under pressure for many years and when pre-Coronavirus measures were brought in, reductions were due to continue. This was forecast to increase poverty rates across most of the UK. The Northern Ireland Executive has mitigated some of the social security measures, and poverty has not significantly changed in the last couple of years.

Chart 2: Northern Ireland income sources as a proportion of income



Source: *Household Below Average Income*[42]

Inclusive growth can be partly about redistribution through taxing society to pay social security, but as we have seen, most countries specify that economic growth itself must be inclusive. For many, the route to ensure this is through seeing earnings increase, but there are barriers to working at all which prevent access to the labour market.

In order to create a programme designed to include everyone in society in the benefits of growth, it is first important to identify which groups are currently most excluded from growth.

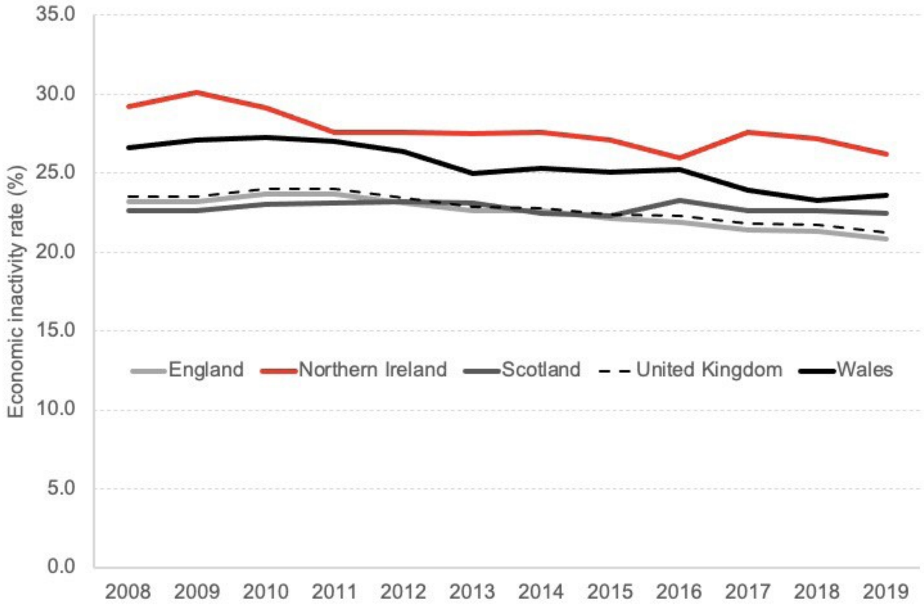
Economic Inactivity in Northern Ireland

Like the rest of the UK, there is a large inactivity problem in Northern Ireland. Currently around 1 in 4 people are said to be economically inactive in Northern Ireland.

Economic inactivity was the highest of the 4 UK nations. The economic inactivity rate was 26.2% in Northern Ireland compared with 22.5% in Scotland, 23.6% in Wales, 20.6% in England and 21.2% in United Kingdom – but relatively the same as the Republic of Ireland (26.5%).

[42] Data as published by Analytical Services Unit, Department for Communities, Northern Ireland Executive, available here

Chart 3: Economic Inactivity Rate, 2008-2019



Source: *NOMIS/ONS*

The ONS identify the main groups contributing to economic inactivity as those:

- Looking after families and homes;
- Long-term sick or disabled;
- Temporarily sick;
- Retired workers;
- Discouraged workers.

In the UK, the main reasons for inactivity are long-term sickness (23.6%), in particular long-term male sickness (29%), as well as those looking after family and homes (23.5%), mainly driven by females (34.3%).

Long-Term Sickness

When looking at the data, a similar story holds in Northern Ireland. Inactivity due to long-term sickness or disability accounted for 31.6% of inactivity, again, with sickness or disability in males predominant (41%).

Northern Ireland had the highest rate of inactivity due to sickness and disability of the 4 UK member states with Scotland (28.3%); Wales (28.7%) and England (22.4%). When looking at the Republic of Ireland, “Own illness or disability” accounted for 20.5% of economic inactivity, with male long-term sickness the predominant driver (27.5%).

When breaking down long-term sickness in Northern Ireland, for those aged 16 and over, difficulties with seeing or hearing accounted for the highest proportion of sickness related inactivity (83.7%); followed by those with conditions connected to limbs such as hands, back and feet (73.9%); and those with depression and mental health issues, as well as learning difficulties (70.3%).

Gender and Young People

Those looking after the family and home also contributed highly to economic inactivity in Northern Ireland. It accounted for 23% of economic inactivity, with 35.4% of females inactive for this reason – far closer to the UK average of 34.3% and England (35.3%); but still higher than Scotland (27.6%) and Wales (28.1%).

One of the main explanations for large amounts of female inactivity, is the rising cost of childcare. The most recent Northern Ireland Childcare Survey[43] showed that the cost of a week's holiday childcare for those children of school age had risen by 56% over the last ten years, with parents paying £145 per week on average.

The report also finds that the average cost of a full-time childcare place in Northern Ireland is £166 per week. Furthermore, 50% of families reported spending more than 20% of their income on childcare, rising to 63% of single parent households, with 34% of families claiming childcare as their highest monthly outgoing.

The need for a change was also evident in parents' attitudes towards childcare, with more than half of parents expressing the opinion that there is a sufficient lack of childcare in their area. However, 87% of parents think the quality of childcare provision was good or very good.

On the business side, almost three quarters of childcare providers reported an increase in their overall expenditure, with just 29% reporting an increase in overall income. The most common reasons for increased expenditure came from higher food, material and equipment costs (60%), staffing costs (54%) and business rates and insurance (40%).

Tackling Inactivity

The largest obstacle to tackling the UK inactivity problem is also the proportion of those currently inactive that have no intentions of entering the labour market. In the UK, those economically inactive who did not want a job was 79.2%; with a similar story in Northern Ireland, 80.7%; Scotland (79.2%); Wales (78.6%) and England (79.1%). These statistics provided an insight, but not the full picture. For example, it may not be a definitive intention not to return, rather a lack of confidence that returning to the labour market is a realistic possibility for them.

If barriers can be overcome, there could clearly be gains to economic growth. To assess the impact of what Northern Ireland could stand to gain from tackling inactivity we analysed how the economy could benefit from including those currently excluded groups in the labour market. Based on 2018 data, we identified those looking after families and homes, those discouraged from the workplace and those inactive for 'other' reasons as groups who are easier to attract into the labour market. Table 2 shows the different scenarios from including these groups in the economy. Varying both the number of inactive people and the productivity per job, there is a potential gain of between £1.2bn and £4.75bn[44].

[43] See Northern Ireland Childcare Survey (2019)

[44] This calculation is based on the assumption that between 25%-100% of inactive people within the specified groups are working in jobs with productivity relative to average productivity per job in the NI economy, see Appendix 1 for methodology.

Table 2: Potential GVA gain from tackling inactivity, 2018-Based

	25%	50%	75%	100%
Number of Economically Inactive Individuals	23,775	47,550	71,325	95,100
Output per Job	£12,489	£24,977	£37,466	£49,954
Potential GVA Gain (£ Millions)	**£1,188**	**£2,375**	**£3,563**	**£4,751**

Source: *FAI Analysis*

As well as those excluded groups, a comparison with other parts of the UK can help identify groups that are facing additional barriers to growth. Here we review a range of indicators – many could be considered as metrics to measure the success of inclusive growth (we return to this in Section 6).

Employment and unemployment

The employment rate is 72.3%, the lowest of the 4 UK member states and the UK as a whole (75.6%). The unemployment rate is 2.3%, below the UK as a whole (3.8%). The residual is the level of economic inactivity.

When breaking down by gender, the difference between male and female employment was 8pp in Northern Ireland, higher than Scotland (6.5pp), but lower than UK as a whole (8.4pp). Female unemployment was lower in Northern Ireland (2.8%) than both Scotland (3.6%) and the UK (3.8%).

A similar story held for male unemployment with Northern Ireland (3.3%) lower than both Scotland (4.3%) and the UK (4.2%)[45]. Lower employment and lower unemployment both imply higher inactivity, and this is indeed true, with female inactivity at 30.6% compared with Scotland (25.8%) and the UK (25.8%).

Earnings and the gender pay gap

The disparities translate into real wages in Northern Ireland, with median annual gross pay of £27,491, only 90% of the UK annual gross pay. Median gross weekly pay for full-time workers was also £535.10 in Northern Ireland, the lowest of all UK nations.

Northern Ireland, for the tenth year, also has a negative gender pay gap, with full-time females earning 37p more per hour, the equivalent of a gender pay gap of 2.9% in favour of females. This is an interesting finding due to the contrasting scenario in the UK where the gender gap is 8.9% in favour of men – with males earning £15.34 per hour compared with £13.97 for females. However, it is also providing different evidence from what the economic inactivity rate suggests about female exclusion in the labour market.

25% of employees also earn below the living wage in Northern Ireland, higher than Scotland (16.9%), Wales (22.6%) and England (20.1%)[46].

The latest Gross Disposable Household Income (GDHI)[47] study for 2017 estimated Northern Ireland to have GDHI of £29,583 million, or £15,813 per head of the population. This was 81% of the UK per head figure, and a 1.5% increase on the previous year's figure.

[45] Source: ONS
[46] Source: NI ASHE
[47] Source: NI GDHI

Housing Expenditure

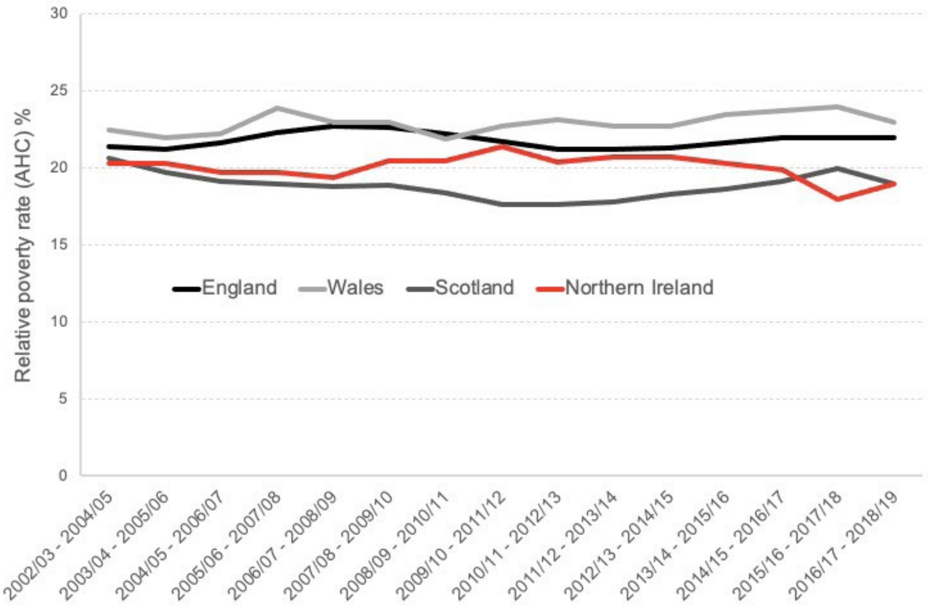
Housing costs are a key component of costs of living, and therefore can influence the level of disposable income and the standard of living. The average house price for 2020 Q1 was around £160,000 in Northern Ireland, compared with an average house price of £193,000 in Scotland. This was also less than the UK average house price of £291,000[48].

Poverty

Lower housing costs are also reflected in lower poverty rates than the UK average, but poverty is still high.

In the three-year period 2016/17 to 2018/19, around 19% of people in Northern Ireland lived in relative poverty[49] after housing costs had been accounted for[50]. This means that their household income was 60% below the average (median) for the whole of the UK. This is below both England and Wales, and comparable with Scotland. Over time, poverty rose over the recession, but in recent years has started to fall back. It remains at similar levels seen when the data series started in 2002/03 – 2004/05.

Chart 4: Relative Poverty by UK country, 2002 - 2019



Source: *ONS*

Productivity and innovation

Business and Enterprise Research and Development (BERD) expenditure was £524 million in Northern Ireland, accounting for 69.2% of overall R&D expenditure. Northern Ireland BERD was expectedly lower than Scotland (£1.2bn) and the UK as a whole (£25bn) but higher than Wales, £430million. This meant that Northern Ireland accounted for 2.1% of UK BERD.

48 ONS House Price Index

49 In 2017/18 the relative poverty threshold for a couple with no children was an income of £304 per week (BHC) from all sources. For a couple with children the threshold would be higher and for a single person (without children) the threshold would be lower (£204).

50 Source: JRF

Like the rest of the UK, Northern Ireland also has an issue with recent trends in productivity. Northern Ireland output per hour was 84% of UK output per hour in 2018, lower than Scotland (96%) but again, higher than Wales (82%).

Recent data suggests that the number of businesses registered in Northern Ireland was 75,490, a 1.9% increase on the previous year, with the largest increases in registered businesses coming in the construction and agriculture sectors.

Of all the businesses registered, 2.5% were owned by businesses outside of Northern Ireland, but accounted for almost a quarter of employees (24%).

Health and Wellbeing

The first results from the latest Northern Ireland Health Survey[51] suggest that almost 75% of respondents rated their general health as very good or good. This accounted for 61% of those in most deprived areas compared with 81% in the least deprived areas.

40% of respondents stated that they had a physical or mental health condition that was expected to last more than 12 months, with 29% of respondents having a long-standing condition that reduces their abilities on a daily basis.

In regard to wellbeing, only 45% of respondents reported high levels of feeling worthwhile, while slightly less reported high levels of life satisfaction (44%) and happiness (44%). This translated into around one fifth of respondents scoring high in the GHQ12 test, which could indicate mental health problems. 27% of respondents claimed to have had concerns about their mental health, with 58% of those seeking medical help.

The Index of Social and Economic Wellbeing (ISEW) is a review of the 32 OECD countries, analysing four of the most essential elements of wellbeing: income; education; longevity and inclusivity. The Index allows for comparisons of progress among countries across the period 2006-2018.

The index ranks Northern Ireland in the bottom quartile of countries, resultant of poor GDP performances and so small relative economic growth. The index does come with the disclaimer that relative GDP per capita numbers may be distorted as a result of the situation in which people may choose to live in Northern Ireland but work in Ireland[52].

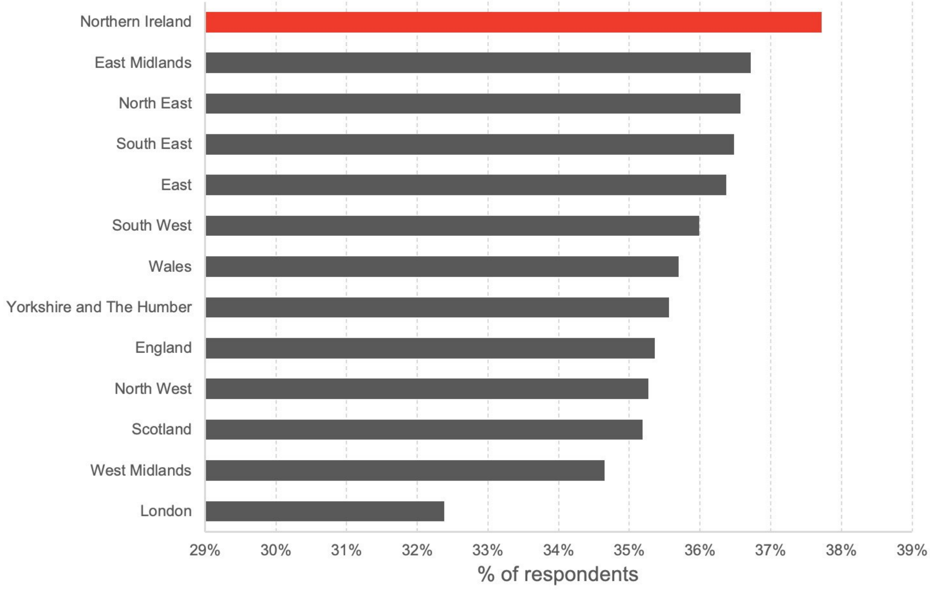
Northern Ireland is also involved in the ONS personal wellbeing data collection[53], with latest results from 2019 suggesting that Northern Ireland had the highest of all number of respondents, across all UK regions, reporting high levels of life satisfaction (37.1%); high levels of feeling what they are doing is worthwhile (41.5%); and the highest levels of happiness (37.7%), shown in Chart 5.

[51] See HSNI 2018/19

[52] See Scottish Trends: Index of Wellbeing 2020

[53] See NI personal wellbeing domain overview

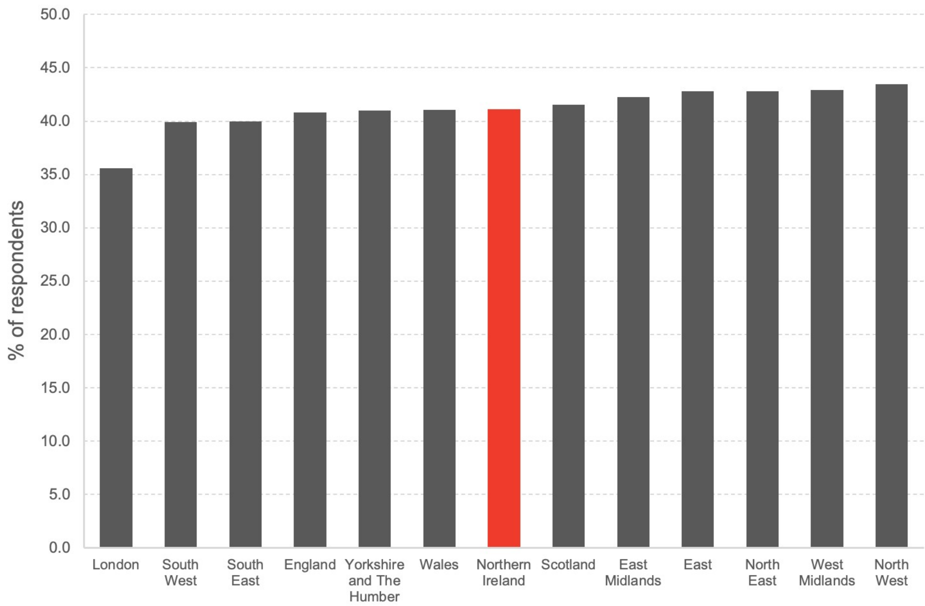
Chart 5: Percentage of respondents reporting high levels of happiness by UK region, 2019



Source: *ONS*

The proportion of respondents reporting low levels of anxiety in Northern Ireland was 41.1%, slightly above the UK average of 40.9%. When compared with the other UK regions, Northern Ireland scored in the middle of the pack, with the highest recorded level 43.5% in the North West, shown in Chart 6.

Chart 6: Percentage of respondents reporting low levels of anxiety, 2019



Source: *ONS*

Education

The educational attainment of individuals in Northern Ireland has improved dramatically over the last 20 years. 2 in 5 children now leave school with three or more A levels with a C pass or higher, with more than 70% of children now leaving school with 5 or more GCSEs.

The share of working age adults with a degree has doubled over the last 20 years, and even with a high number of working age adults still without no formal qualifications, this is beginning to decline slowly.

That's not to say there is no room for improvement, with less than half of school leavers from disadvantaged backgrounds achieving at least 5 GCSEs. Northern Ireland also has the highest proportion of adults with no qualifications in the UK.

The Institute for Fiscal Studies (IFS)[54] found that Northern Ireland had the highest cuts in spending per pupil. Their results suggest that spending was cut by 11% since 2011. These findings were supported by research from the Northern Ireland Audit Office[55] (NIAO) in 2018, which found schooling budgets to have reduced by 10.4% in real terms since 2012.

However, with a recent funding boost of £210m in the 2020 budget, it remains to be seen how this could lead to positive investments in education.

Crime

Crime increased in Northern Ireland over the last year, with an increase of 7.4% seen on the previous 12 months - the number of recorded offences was 106,604, an increase of 7,300 on the last year. However, when looking over the last 20 years, crime rates rose around 2001, but have since been gradually declining.

Crimes that saw an increase included those in the harassment classification (82.8%), drug offenses (15.8%) and violence against the persons (14.1%); there were reductions in burglaries (-5.9%) and vehicle offenses[56].

The latest Northern Ireland Crime survey[57] also showed that even with lower prevalence of crime in Northern Ireland compared with Wales and England, the proportion of respondents reporting high levels of worry for certain crimes was the same. 11% of respondents said they were highly worried about burglary, compared with 10% in England and Wales; this was the same as car crime, 8% in Northern Ireland and 7% in England and Wales; finally, violent crime was the same in both groups with 12% reporting high levels of worry.

Place-based Indicators

It is also important to recognise that even though the scope of this report is to identify opportunities for inclusive growth at the people-based level, regional inequalities still exist in Northern Ireland and so considering the opportunities for place-based inclusive growth is also important. At a local level, inclusive growth will involve local government, businesses and members of society to help bolster local institutions and ensure everyone within an area can prosper. This will include connecting people to high quality jobs, identifying the strengths of an area and utilising them and supporting businesses in the area to boost the local economy, to name a few.

[54] See Annual report on education spending, IFS (2019)
[55] See Northern Ireland Audit Office
[56] Source: PSNI Crime Statistics
[57] See NI Crime Survey 2017/18

Rural Communities in Northern Ireland

To identify the potential for place-based inclusive growth, it is first important to recognise those areas that experience inequality. This has often been thought to be rural communities in Northern Ireland.

Based on 2017 breakdown, those living in rural areas accounted for 36% of the Northern Ireland population. In fact, from 2011-2017, population grew three times as much in rural communities than in urban areas. However, there is not an apparent inequality in terms of access to employment: 75% of people were in employment in rural areas in 2017 compared with 67% in urban areas[58].

One of the main reasons those in rural communities are often subject to exclusion is due to their connectivity to the labour market through infrastructure such as transport and internet access. In 2017, the average commute for those living in rural areas was 10.8 miles compared with 7.3 miles for those living in urban areas. The fact that these differences are not large may explain part of the reason why Northern Ireland does not underperform in rural areas. However, there are still challenges. In rural areas, 22% of people lived within a 3-minute walk of their nearest bus stop, compared with 41% in urban areas; with no buses coming at least once every 15 minutes in rural areas, compared with 22% of buses in urban areas. As well as transport, only 67% of households in rural communities had access to super-fast broadband in 2018, compared with 98% in urban areas.

In terms of earnings and poverty, median annual salary in 2018 for those living in rural areas was £21,680, slightly higher than that of urban areas, £21,268. However, there is evidence to suggest that earning inequality may be more about distance from major employment centres rather than a traditional rural/urban split: the differential between those living less than and more than 60 minutes from Belfast City was around £2000 per year.

Average incomes, and the percentage of people living in poverty, rely on a variety of factors, including both levels of employment and average earnings. In 2016/17 levels of absolute poverty were around 3 percentage points higher for working age people in urban areas (19%) compared to rural areas (16%).

Local Government Economies

We can further understand regional inequalities by analysing Northern Ireland economic performance at the local government district (LGD) level. Chart 7 shows that there was a 16.1 percentage point difference between the LGD with the highest employment rate, Antrim and Newtownabbey (77.7%) and the lowest employment rate, Derry City and Strabane (61.6%), based on 2018 data. There were 5 LGDs with an employment rate lower than the Northern Ireland employment rate, including Belfast, with an employment rate 5.3 p.p lower than Northern Ireland as a whole.

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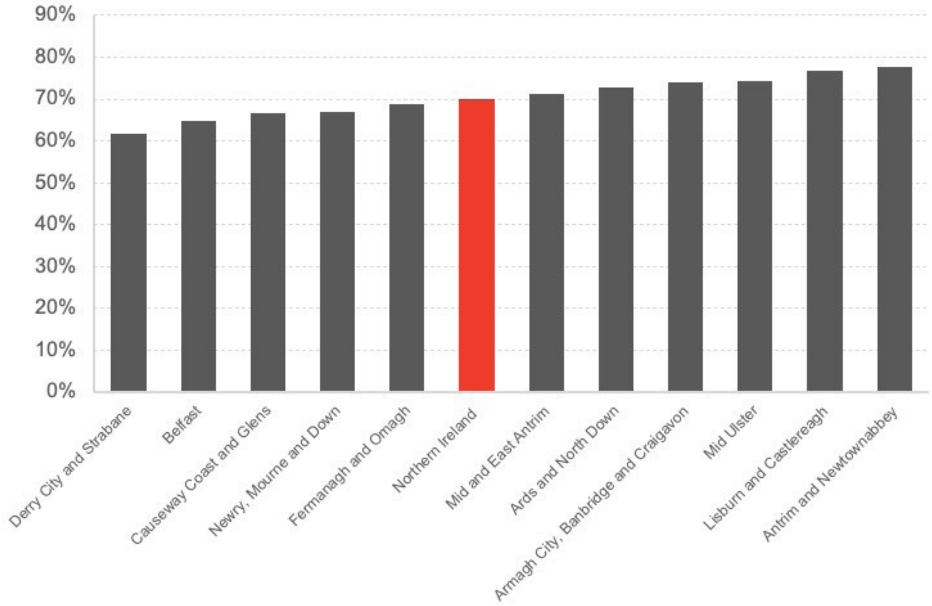
[58] Source: DAERA NI Urban-Rural Statistics

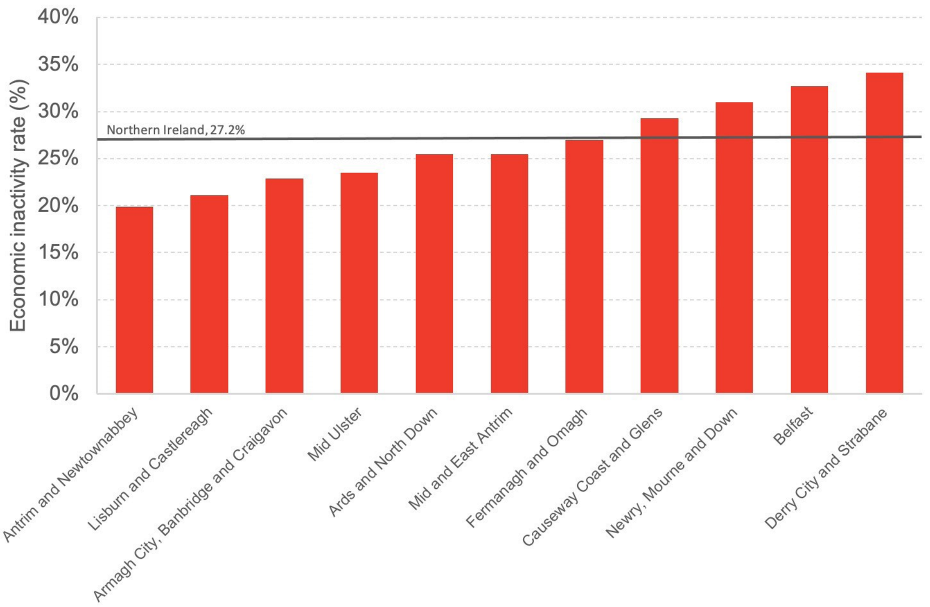
Chart 7: Northern Ireland employment rate by Local Government District, 2018



Source: *NISRA*

Northern Ireland's inactivity problem can also be better understood at the LGD level. Derry City and Strabane, the district with lowest employment also had the highest percentage of inactive individuals (34.1%), followed by Belfast (31%). These districts were also 2 of the 4 LGDs with an inactivity rate above the Northern Ireland inactivity rate (21.2%).

Chart 8: Northern Ireland economic inactivity rate by Local Government District, 2018



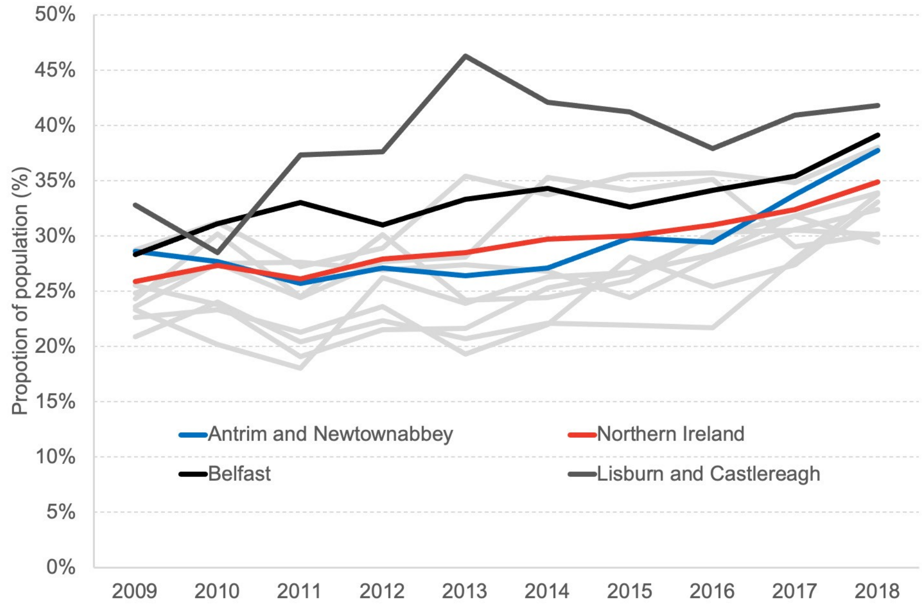
Source: *NISRA*

Data from the Labour Force Survey on inactivity cannot be broken down at LGD level to look at the reasons for inactivity. However, the 2011 Census[59] does contain some useful information. Although it is now nearly ten years old, some of the longstanding issues affecting inactivity – in particular long term health conditions and disabilities – will not change quickly.

The Census finds that in Belfast and Derry & Strabane the main issue reported for those who are inactive is a long-term illness or disability. The census also asks about severity of illness. Again Belfast and Derry & Strabane were the top two districts reporting inactivity and day-to-day activities being limited a lot (as opposed to a little or not at all).

The inequality in employment and higher inequality can also, in part, be explained by the inequalities in the number of people with qualifications. For example, the district of Lisburn and Castlereagh had 41.8% of people with a NVQ4 or higher qualification, 12.4 percentage points higher than the district of Fermanagh and Omagh (29.4%). Lisburn and Castlereagh has also had the highest percentage of individuals with qualifications since 2010, which could help to explain why they also had the second highest employment rate of all LGDs in 2018; with Derry City and Strabane, the LGD with the lowest employment rate, having 33.1% of individuals with NVQ4+ qualifications, the fifth worst of all districts, shown in Chart 9. Qualifications were evidentially not the only reason for inequalities across all districts however, as in 2018, Belfast was the region with the second highest percentage of individuals with qualifications but had the second worst employment rate of all districts.

Chart 9: % of population with NVQ4 and above, 2009 – 2018

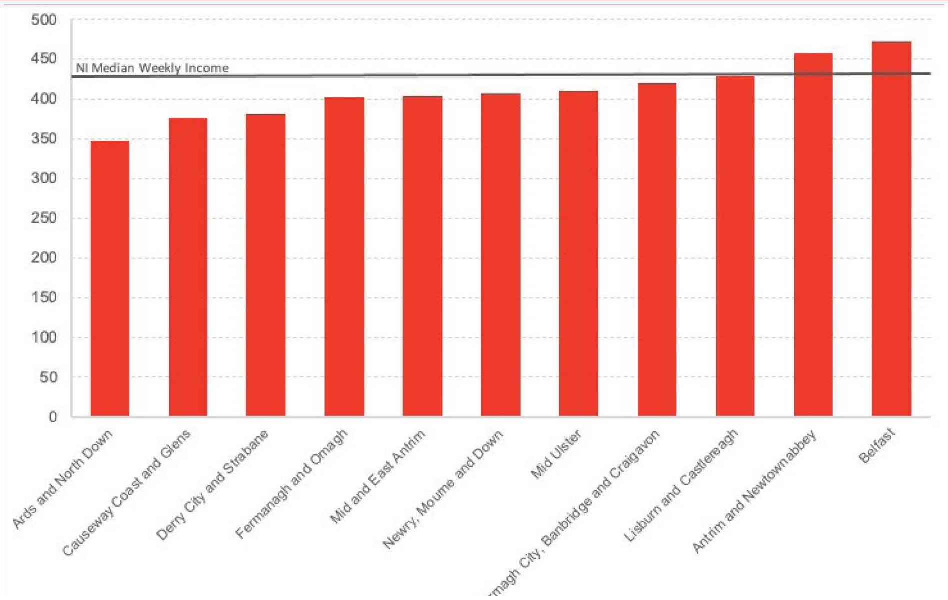


Source: *NISRA*

Regional inequalities are most prominent when analysing earnings in Northern Ireland. The differential in gross weekly median income between the top LGD and bottom LGD was around £125, with gross median weekly earnings £472.50 in Belfast, and £347.50 in Ards and North Down. There was also only 2 Local Government District's (LGD's) with median weekly incomes higher than the Northern Ireland median weekly income, shown in Chart 10.

[59] See Northern Ireland 2011 Census

Chart 10: Gross median weekly income by Local Government District, 2019



Source: *NI ASHE 2019*

6. Opportunities and obstacles for inclusive growth in Northern Ireland

A process for inclusive growth

Inclusive growth is not a "one-size-fits-all" process, and for Northern Ireland, an inclusive growth agenda will have to align with existing policy levers and indeed the policy environment. Issues such as data availability also should be considered. Given the broadbased nature of inclusive growth, taking forward the process for inclusive growth with a wide range of stakeholders, including people with experience of exclusion and poverty, would help ensure validity and common goals for implementation.

In this section, we review the processes that have been proposed or taken forward, and also how policy frameworks already in existence in Northern Ireland can help with the process.

There are a number of UK institutions which have set out the features of an inclusive growth agenda. The Centre for Progressive Policy in the UK, for example, gives a six-step guide on 'How to do inclusive growth'[60]. The first 3 steps involve building the vision for all institutions and organisations to aim for, which involves identifying both the metrics and indicators you hope to measure, the targets you want everyone to achieve and the barriers that you may face.

The implementation steps involve making institutions effective across "organisational boundaries", encouraging all organisations to play their role in delivering inclusive growth; with the final step involving service delivery and preventative spend.

The Poverty and Inequality Commission for Scotland gives 4 aspects of any inclusive growth as a policy tool. First, inclusive growth must recognise that a fairer economy is a stronger economy. To realise inclusive growth, you need to see both growth and greater inclusion – not one or the other, and not in sequence.

Secondly, in an inclusive growth approach narrowing inequalities must come from economic growth. There are other ways through which inequality can be decreased, but inclusive growth is about how economic growth can reduce inequalities.

Third, inclusive growth must be aimed at benefiting the poorer or least wealthy in society – a place-based approach will not always help everyone, and so operating a people-based programme could be far more effective. Finally, for any inclusive growth programme to be successful, it must be sustainable, allowing for long-term structural change in society and the economy.

Examples in Northern Ireland

In Northern Ireland, attempts have been made by Belfast City Council (BCC) to develop its "Inclusive Growth Decision Making Framework"[61]. The framework is designed to outline how potential investment decisions can be focussed on achieving more inclusive growth outcomes. It aims to provide what other

[60] See How to do inclusive growth: A six-step programme
[61] Towards an Inclusive Growth Decision Making Framework (2018)

frameworks do not – an assessment of the impact of intervention or investment (IoI) and how it is shared amongst particular groups within society.

The framework uses Strategic Case tools, to determine whether the IoI support inclusive growth; a Measurement Tool, to estimate the impact; and Operational Considerations, to apply to noninclusive growth specific projects.

At its core, this alternative framework is designed to improve the income distribution as a result of economic growth, through supplementing existing framework such as the HM Treasury Green Book.

The Framework comes as part of BCC's two-year commitment to providing inclusive growth[62]. The strategy identifies 4 cohorts: Workless residents; Residents with low skill levels; Young people not in education, employment or training; and low earning, in work, individuals i.e. those currently not included in the benefits of growth.

It sets out its plan for inclusive growth through corporate commitments; leveraging procurement and employment powers to deliver against the vision of how to place inclusive growth at the heart of our key investment and strategy decisions; creating an inclusive city; detailing ambitions to work with everyone in society, such as private sector, anchor institutions, community and voluntary sector and wider public sector partners; and finally holding everyone accountable, which involves publishing yearly action plans reporting against commitments and monitoring how many people have been able to be supported within the targeted groups.

The strategy also involves refining an evidence base, creating new measures of inclusive growth where required.

Industrial Strategy

The Industrial Strategy[63] for Northern Ireland was devised in draft in 2017 to highlight the vision and outlook over the coming decade. It focusses on transforming the economy, to provide purpose and direction, combining ambition and inclusivity, to help Northern Ireland compete on the world stage as a country. Among the devised five pillars of this Strategy lies 'Driving inclusive, sustainable growth', with the report stating:

"This Industrial Strategy is not just about building a better economy, but is about securing benefits for everyone, everywhere in Northern Ireland. We want economic growth, not for growth's sake, but for the common good. As we pursue our economic goals, we must never lose sight of the need to make the benefits of growth something that everyone experiences. Inclusive growth is central to our vision."

We can infer that any strong and successful inclusive growth agenda will consist of a clearly identifiable process: the identification of strengths and weaknesses in society and the economy; the performance outcomes that want to be achieved with any Inclusive growth agenda; and most importantly, data collection and a means to determine the effectiveness of the programme.

The Industrial Strategy for Northern Ireland is what drives the ambition for inclusive, sustainable growth and achieving "an economy which delivers for people across all parts of Northern Ireland with more people in employment, more companies being established and more inward investment being attracted".

[62] Our commitment to Inclusive Growth (2019), Belfast City Council

[63] See "Economy 2030, A consultation on an Industrial Strategy for Northern Ireland"

Inclusive growth is one of five pillars within the Industrial Strategy, that when broadened, combines with increased competitiveness, to achieve the overall aim of the strategy to "improve wellbeing for all – by tackling disadvantage and driving economic growth".

At present, the approach appears to be growth centric, with ambitions such as high business startup and investment; increased economic prosperity and opportunity across regions; and increased growth potential for SMEs. The Strategy gives a number of ways in which they hope to achieve these aims, with initiatives including business growth schemes, innovation programmes and increased cooperation with local government.

It identifies indicators such as employment rate, annual turnover of businesses and entrepreneurial activity rate as the barometer for their inclusive growth agenda. The draft document does not reflect how many countries attempt to deliver inclusive growth.

There are mentions of more inclusive growth orientated programmes such as entrepreneurship programmes for women and support programmes for communities and individuals facing disadvantage. The Strategy also identifies 'the better jobs index' and analyses employment rates by deprivation quartile, both of which are good Inclusive growth orientated performance measures.

We have seen from the literature, however, that higher economic growth does not always reduce inequality, and that just because a country or region experiences higher growth, does not mean prosperity increases. It is therefore important to consider not just ways in which higher economic growth can be achieved, but as aforementioned, identify who is excluded from growth and how the benefits of growth can be shared with them, to build on the limited inclusive growth measures already in the strategy.

Programme for Government and Outcomes Delivery Plan

Perhaps more in line with the common approach to inclusive growth is the Outcomes Delivery Plan[64] set by the Northern Ireland Executive. The devised 12 outcomes form a framework that reflects population conditions in 12 key areas of economic and societal wellbeing that a public consultation highlighted as important issues needing tackled.

The 12 outcomes - such as having a more equal society; having more people working in better jobs; and giving children and young people the best start in life – are matched to indicators, formed using existing data sources, to determine progress towards achieving these outcomes.

The outcomes are nationally accepted, with business, institutions and government working towards achieving them. They also form the basis for the draft Programme for Government[65] (PfG), setting out the future plan for the current Executive. In a slightly different manner, the PfG identifies 42 indicators that it wants society to achieve – including reducing crime, increasing respect for one another and increasing environmental sustainability – and links these indicators to existing data sources to measure performance. These indicators are then grouped collectively under the national outcome they can help to achieve.

What is clear from how other countries approach inclusive growth is that there now is a 'stereotypical' approach to inclusive growth. The process involves identifying the key issues in society – commonly

[64] See Outcomes Delivery Plan, 2018/19

[65] Draft Programme for Government, 2016-2021

including metrics such as health, education, the environment and the economy – and linking existing data sources to these metrics to determine progress towards a set of macro outcomes.

Developing metrics and the associated monitoring and evaluation strategy are key parts of the inclusive growth process. These need to be developed with broad agreement, and be cognisant of course of existing strategies, in order to build a robust narrative that has the best chance of buyin and adoption. However, this doesn't mean that others approaches can't be considered. Box 2 references some key considerations in building a monitoring and evaluation strategy, and in the appendix we provide a rough guide to how some aspects of the Scottish outcome framework could be adopted for Northern Ireland. To reiterate however, finalising this is a key part of the process that the Northern Ireland Executive would need to take forward with its partners.

Box 2: Building a monitoring and evaluation strategy

Monitoring is a key part of many strategies, thinking beyond simply tracking changes in a selection of variables would be advisable at an early stage to enable evaluation. It will be important to understand what is working and why. When choosing indicators, a justification of why they have been chosen and how they will demonstrate inclusive growth/wellbeing outcomes will be helpful.

There is likely to continue to be demand for close monitoring of more traditional economic indicators such as GDP and employment numbers. These measures continue to provide important information, but in an inclusive growth context may be better framed as a means to an end rather than an end in itself. This could mean, for example, not reporting on these indicators in isolation but reporting GDP growth for the year alongside statistics on income inequality, or employment statistics alongside information on the type (i.e. quality) of the jobs created. This helps give additional context, and may start to move the debate away from a small number of high-level indicators being seen as a full barometer of performance of the economy.

Being able to link indicators together in a narrative is also important when explaining why some indicators appear sluggish, or even to be going in the wrong direction. For example, high quality retraining opportunities might increase inactivity in the short term but have longer term gains to earnings. Being able to understand the consequences of actions, and pulling this together in a transparent manner will be key to a wider understanding of how inclusive growth is changing the way government is operating. As well as being able to evaluate what is working, it would be preferable to also report what isn't working and any unintended consequences, and be able to admit failures and adapt. This clearly can have political ramifications, but may be possible if there is good consensus on the aims of inclusive growth and recognition that the answers to achieving it are not all yet known.

Anchor institutions and opportunities for local government

Turning back now briefly to place-based approaches for improving inclusive growth, one of the key participants in any place-based Inclusive growth agenda and tackling regional inequalities is the anchor institutions present, in particular, those that are directly engaging with local businesses.

Invest Northern Ireland has helped to support business, increase productivity and attract high quality investment across all regions of Northern Ireland. There is clearly scope, if so desired, to focus their investments on particular places. Whilst there is obviously a key focus on businesses and employment in Invest Northern Ireland's strategy, they cite communities and enhancing the lives of those living in areas as measures of success[66].

Obstacles to Inclusive Growth

Northern Ireland also faces a number of more prominent challenges over the coming years. As already mentioned, the CoVid-19 pandemic has added to this, but has not changed the presence of the existing obstacles. In some cases, it may have shown the issue in sharper focus – for example it may accelerate some of the moves towards automation.

However, it would be wrong to view all such issues through a Coronavirus lens. With the ever-present risks of demographic changes such as population growth and a lower working age population; the risks of new technology and its effects on the labour market; the world climate emergency; and the history and culture of Northern Ireland – there are obstacles for Northern Ireland's industrial strategy that will remain once Coronavirus fades away. This, in turn, will also provide considerations for any inclusive growth agenda and the policy levers that the government has at their disposal.

Demographic Changes

Based on projections from the Northern Ireland Statistics and Research Agency (NISRA), the Northern Ireland population looks set to rise over the next 25 years. Northern Ireland population is expected to increase by 85,800 by mid-2028, and by 107,600 by mid-2043. With population expected to be around 1.99 million by mid-2043[67].

These increases are resultant of a positive natural change in population, with an increase of 2,800 people expected annually. When compared with the other countries in the UK, Northern Ireland had the highest population growth, 0.64%, between mid-2018 and mid-2019, higher than Scotland (0.46%), England (0.55%) and Wales (0.45%)[68].

In-migration from outside the UK also rose in mid-2018, with 13,100 people coming into Northern Ireland and 9,200 leaving Northern Ireland between mid-2017 and mid-2018, meaning net in-migration rose by 3,900 people. With the full effects of Brexit, and the new immigration policies set by the UK Governments, Northern Ireland will hope to keep the country an attractive prospect for in-migration to help continue to grow the population.

[66] See Invest Northern Ireland Business Strategy, 2017-2021
[67] Source: NISRA Population Estimates
[68] Source: ONS

Furthermore, international in-migration exceeded out-migration for all age groups under 60, with the most prominent gains coming in the under-35 age group[69]. As the population in Northern Ireland is projected to get older - with median age expected to rise from 38.7 to 44 years between 2018 and 2043 - boosting in-migration for those of working-age will be an area that Northern Ireland should look to retain.

Automation

We are currently in the middle of "The 4th Industrial Revolution", as the rapid introduction of advanced technologies enhances existing processes within industries such as manufacturing and services. Economists and policy-makers, however, have been concerned with the introduction of more technology and how this will affect the demand for human labour.

This creates a large potential problem for Northern Ireland over the coming years, in particular, how the introduction of automation threatens the current make-up of the labour force leading to potential skill shortages and higher unemployment.

PwC[70] conducted research into automation in the UK, finding that 30% of UK jobs were at high risk of being impacted by automation over the next decade. They find that, for low education individuals, over 40% of existing jobs could be at risk of automation by mid-2030, with over 10% of higher education jobs at risk as well.

Researchers at the Ulster University Economic Policy Centre (UUEPC)[71] transposed these sectoral estimates and found that 31.1% of Northern Ireland employment is at risk of automation. In fact, they found that between 10% and 50% of jobs could be at risk from increased automation, but that the advanced technology could also lead to between 43,000 - 595,000 jobs being created over the next two decades.

Table 3: Jobs at risk and Jobs created from automation

	%	Number of Jobs
Jobs at Risk	10% to 50%	85,000 to 424,000
Jobs potentially created	5% to 70%	43,000 to 595,000
Balance	-5% to +20%	-42,000 to +171,000

Source: *UUEPC*

Furthermore, the Nevin Economic Research Institute[72] found that up to 60,000 jobs are at high risk due to the impacts of automation in Northern Ireland. The study does recognise that those jobs lost by automation will be replaced by new jobs however, the introduction of advanced technologies could polarise the labour market, where new jobs are in either high-or low-skilled occupations, with very little middle-skill occupations.

More recent research by UUEPC[73] has shed a more positive light on automation and its effects on the Northern Ireland economy, however. Their lower estimates predict output at £44bn for the Northern

[69] See: NISRA Immigration Statistics
[70] "Will robots really steal our jobs?" PwC, 2018
[71] See "Automation NI-The Future of Work" (2018)
[72] See 'Job Displacement and the polarisation of the labour market in NI' (2019)
[73] See Intelligent Futures: Working with automation and digitisation to deliver sustainable employment and growth (2019)

Ireland economy, with the creation of 23,400 jobs; and a higher estimate of output at £52bn in the Northern Ireland economy, with 98,600 new jobs.

In the UK, PwC estimated industries most at risk were Manufacturing (45%), Wholesale and Retail (42%) and Construction (23%). When looking just at Northern Ireland, a similar story holds, the UUEPC estimated the most affected industries were Wholesale & Retail (7%), Manufacturing (5%) and the Restaurant and Hotel industry (4%), with jobs such as water supply, electricity and gas, and agriculture found to be under no risk from automation.

The key challenge for Northern Ireland is therefore introducing measures and policies that help those whose skills may no longer be in demand to allow for people to work alongside technology.

Climate Change

What we can infer from other countries' approaches to inclusive growth is that the environment has become one of the key metrics to focus on, with measures including CO2 emissions, air/water quality and access to green space. One way many governments are approaching the current climate emergency is through committal to net zero carbon economies.

In 2019, the UK Government became the first major economy in the world to commit to a net zero economy, prompting the governments within the UK to alter their energy strategies and commit to switching to more sustainable and renewable energy sources.

Recently, the DfE announced a call for evidence to aid the development of a new energy strategy for Northern Ireland[74]. Broadly the strategy will reduce the reliance on fossil fuels and increase the use of renewable energy sources. Northern Ireland has already exceeded its target of having 40% of electricity acquired through renewable sources by 2020 as a result of offshore wind farms. The DfE identifies, however, that if net zero is to be achieved, then the heat industry must be tackled, with more than half of the energy consumed coming from fossil fuels such as oil[75].

In 2017, Northern Ireland's greenhouse gas emissions were estimated to be the equivalent of 20 million tonnes of CO2 – a 3% decrease on the previous year. This accounted for 4% of total UK greenhouse gases emissions, with Northern Ireland reducing emissions by 18% - the lowest of the 4-member countries of the UK, England (48%), Scotland (45%) and Wales (25%).

As we progress into a world that will soon by dominated by electric transportation and renewable energy sources, there will be significant decisions having to be made in order for Northern Ireland to keep on track for a net zero economy. Currently, Northern Ireland only has the capacity to allow for 65% of power to come from renewable sources, a transport system that accounts for a third of energy consumed in Northern Ireland and under 2,800 electric vehicles.

Putting the environment at the forefront of any inclusive growth agenda could allow the Northern Ireland government to allocate higher spending for renewable energy sources, electrification of the transport system and reduced greenhouse gas emissions, allowing them to continue to meet UK targets.

[74] Source: DfE
[75] Source: BBC

In January 2019, as part of The National Trust commitment to a net zero carbon economy, they aim to plant 20 million trees across the UK by 2030, with 125,000 trees designated for Northern Ireland, to help develop 'Green Corridors' between urban and rural areas[76].

Cultural Issues

It must also be noted, that for any inclusive growth agenda to be successful in Northern Ireland then the relevant history must be recognised.

The history surrounding the two major religious communities has contributed to economic exclusion in Northern Ireland. However, there are indications that this is lessening. The 2017 Labour Force Survey showed that the working age employment rate gap between the two most prominent religions in Northern Ireland had shrunk from 15 percentage points in 1992, to just 3 percentage points in 2017. However, barriers will remain, including psychological barriers and 'invisible' geographic barriers that may limit people's travel and job opportunities.

Northern Ireland has also become more multi-cultural, and this brings new challenges for economic inclusion. The 16-64 employment rate for white individuals is 71.7%, compared with 60.2%[77] for those of ethnic minorities.

An Inclusive growth agenda must be inclusive of everyone in society, something that is a key focus of the Racial Equality Strategy for Northern Ireland 2014-2024[78]. The six aims of the report are designed to reduce inequality among different racial groups and ethnic minorities, in order to provide everyone in Northern Ireland with equal opportunities. The strategy aims to enhance participation and social cohesion among society in Northern Ireland in order to help the country collectively achieve its aims.

Timescales and opportunities for early policy interventions

Inclusive growth as a government strategy will not change the whole economy of Northern Ireland overnight. There are many issues, particularly affecting the long-term sick in the labour market, which cannot be solved overnight. Some harm caused may be intractable. But there are other barriers which can be more easily removed, or employer behaviour which can be changed quickly.

It is of course not just the impact on the outside world that may have a lead time. Internal decision making within government and the legislative process also take time.

To get some things moving relatively quickly, and to set a new 'tone', a fiscal event to start to steer a new course could be effective, with a focus on ensuring new spending is focused on wellbeing priorities. As already mentioned, this has been taken forward in New Zealand, which also has a coalition in power. Their 2019 budget appeared to be a success, with apparent good cross government working, but even here it was recognised that it will take time to re-orientate the government machine and hence it was only new spend where the wellbeing prioritisation process was used (some money also had to be diverted to 'top-ups' of existing policy to deal with cost pressures). Their initial limited focus on new spend was probably also a recognition of the fact that taking money out of programmes is extremely difficult.

Outside the fiscal event space, there are other areas that could signal a change in direction and may be able to demonstrate success in relatively short timescales. The 'quick wins' are more likely to come from those who are close to the labour market. For example, high-skilled women who have recently left the

[76] Source: BBC
[77] This figure does come with large confidence intervals and must be aired with caution.
[78] See Consultation on Racial Equality Strategy for NI, 2014-2024

labour market to focus on caring for young children. The Scottish Government recently ran pilots of a programme on returners to the labour market, and a new project building on this is currently under development[79]. Consideration can also be given to help women, and others, retrain in areas where there are likely to be skill shortages, for example, in digital and tech[80].

The next consideration might be trying to prevent people from leaving the labour market permanently – for example, women on the birth of their first child and/or people with ill health. Keeping people attached to the labour market even if it needs to be on much reduced hours, could boost resilience for individuals and businesses. The Single Health and Work Gateway pilot scheme in Scotland is an example of this[81].

Alongside interventions like this, it is really important that more entrenched detachment from the labour market and issues such as the prevalence of low-quality low-paid work are considered. Otherwise progress towards inclusive growth will stall. A returner programme for people who are long-term sick will have lower success rates, but potentially a much more sizeable impact for those who do succeed.

Evaluation will be key, both for learning and to keep momentum. Therefore, programmes that can deliver quickly may be vital for keeping the strategy going but learning should be used to make programmes more successful for the harder to reach groups.

[79] See Employability in Scotland
[80] For example, CodeClan in Scotland is part funded by Scottish Government who also help provide subsidised places, as well as being a recruitment partner for graduates.
[81] See Scottish Government

7. Recommendations

This report does not seek to recommend the exact form that an Inclusive Growth Strategy in Northern Ireland should take. This needs to be a process that is taken forward in partnership with stakeholders across Northern Ireland, including those with lived experience of the inequality that inclusive growth seeks to remedy.

The aim of the report is to provide evidence on the approach taken elsewhere, along with an overview of the current situation in Northern Ireland, to help aid development of the strategy. The most appropriate recommendations we can give are on the process that should happen next, based on what has worked elsewhere.

i. Identify excluded groups

The first crucial step of any Inclusive Growth agenda is to determine what groups are excluded from growth. In Northern Ireland, this appears to be females, in particular those with housing and childcare provisions; males who are long-term sick; and those in rural communities (not from growth itself, but the specific benefits it brings such as better infrastructure and connectivity).

Our report has highlighted many of these groups based on commonly used indicators from elsewhere. These may not be the best indicators to identify with the situation in Northern Ireland.

ii. Identify national outcomes

Identifying the national outcomes that every business, institution, organisation and individual should be striving towards is the next logical step. Similar to what was done for the Programme for Government and Outcomes Delivery Plan.

This should include consultation with those excluded and vulnerable groups. It is not only important to ensure that growth reaches every person in a society, but also through what means it will get there. Whether it be through better road development, improvements in broadband speeds or better public transport provisions – the people that the agenda and associated policy measures will impact must be included in devising them.

The key to identifying these goals is to hold everyone accountable to working towards common outcomes, making sure everyone is contributing to distributing the effects of growth.

iii. Consolidate data sources and identify metrics and indicators

The next key step is identifying what indicates progress towards the pre-set national outcomes. This first involves consolidating existing data sources, as well as determining the scope for new data collection.

Throughout this process we spoke with representatives from the Department for Health; Department for Education; Department for Communities; Department for Justice; and Department for Agriculture, Environment and Rural Affairs; as well as those from NISRA and the central survey unit.

It was clear that there exists a plethora of raw statistics on a wide range of factors affecting the economy. But it was also evident that through the central survey unit, there was an abundance of survey-based data, capturing the opinions and feelings of those residents of Northern Ireland.

It is therefore important, to not only consider for example that a reduction in the crime prevalence rate means people must feel safer; but instead continue to use the crime survey to understand if people feel safe in their homes and if not what crime are they most scared of.

Surveys such as the continuous household survey, health survey and young persons' behaviour and attitudes survey provide crucial information on the attitudes of the whole population to key factors in the economy.

As well as using existing data sources, it is also important to continuously identify the scope for and develop new data sources, in order to better understand how the country is working towards its national outcomes.

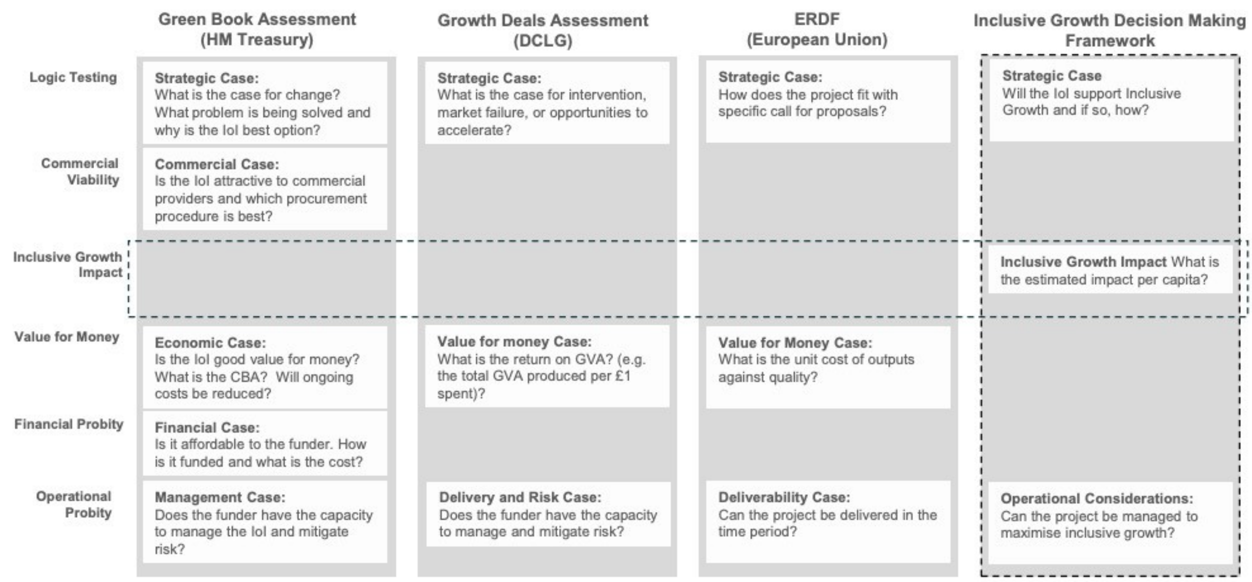
Whilst building monitoring frameworks, ensuring that the tools exist for good evaluation and transparent understanding of how inclusive growth is, or isn't, working should be considered.

iv. A process for inclusive growth

Perhaps the most difficult part, and the step that most governments have struggled to achieve as of yet, is the process for any Inclusive Growth agenda, and how that will be translated into policy measures.

As previously mentioned, the New Local Government Network have provided insightful analysis into how Inclusive Growth can be implemented into local government processes. Also, more relevantly, Belfast City Council have taken huge steps in developing a framework for putting Inclusive growth at the forefront of investment processes. Diagram 6 shows how an inclusive growth process could align with other frameworks.

Diagram 6: How could an inclusive growth framework sit alongside other frameworks?

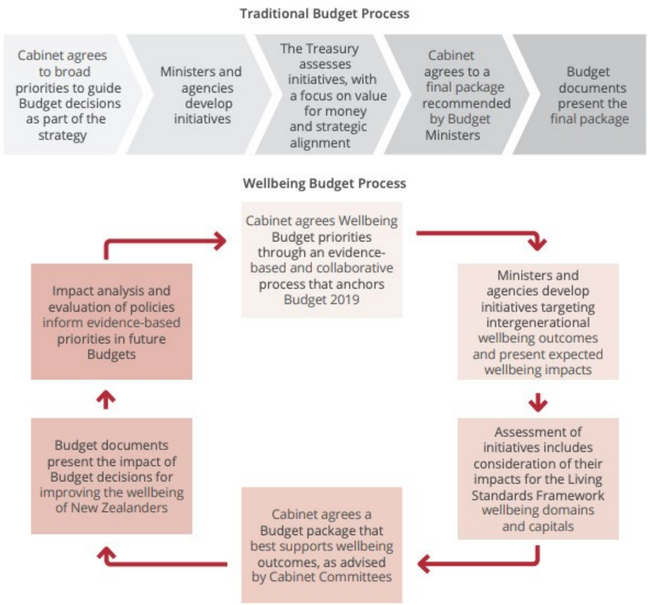


Source: *Belfast City Council*

This alignment with other frameworks is crucial, as it means the current model devised for Belfast can be altered to any government, local authority or city region that wants to follow it.

We have also discussed New Zealand, who incorporate wellbeing spending as part of their budget process. Diagram 7 shows how the approach in New Zealand differs from the traditional budget setting process.

Diagram 7: The process for NZ Wellbeing Budget



Source: *NZ Treasury*

This process is a first of its kind and highlights a potential way that wellbeing can be included within government expenditure process. This process is also tailorable however, meaning that funding does not have to stop at the national level, but instead can be taken down to the local council level, to ensure the budgeted funds are used to aid those who need it the most.

v. Coordinate the approach

Like the majority of institutions when they start to create an Inclusive Growth agenda, there is little breach of organisational boundaries, meaning different people or departments prioritise different outcomes which end up lost in the translation of any Inclusive growth programme.

Take the current industrial strategy and programme for government. Both identify achieving inclusive, sustainable growth as a key priority, yet both highlight very different ways to achieve it and also different indicators to track progress.

For inclusive growth to be achieved, it requires organisational boundaries to be broken. This holds from the bottom to the top. We have already stressed the importance excluded groups opinions have to play in the Inclusive growth process, however, this is only part of it. Government departments, institutions and businesses must work in cohesion, identifying what is important to achieving inclusive growth; what obstacles currently face any Inclusive Growth agenda; and most importantly, how everyone can work together in order to ensure that everyone can prosper in the economy.

vi. How will it be sustained?

The final step to any inclusive growth agenda, is the sustainability of it. Inclusive growth at its core, is not a short-term fix. It must be first carefully planned and devised, which involves planning how Inclusive growth will evolve into the future but also how it can continue to be sustained.

A key topic of interest in economics is sustainability, and how economic growth can first benefit everyone in current time, but also in a way that doesn't affect the opportunities of those in the future.

The United Nations sustainable development goals[82] are the most recognisable attempt at this. The framework of 17 goals, described as a "universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere", identifies universally accepted goals that governments across the world are working towards to ensure development is sustainable. This includes the Scottish Governments National performance Framework, which was derived from the UN's goals.

[82] See UN Sustainable Development Goals

8. Conclusions

There exists a significant body of literature and research underpinning inclusive growth. But what is clear is that no one definition or approach can be correct globally, and that inclusive growth is simply the process of ensuring all members of society have access to the benefits that higher economic growth brings.

In this report, we have attempted to summarise some key points.

First, there is no concrete understanding of the relationship between inequality and economic growth. Theory would suggest that if growth is higher, then more people will have the opportunities to enjoy this, but the evidence suggests that this is not adequately leading to shared prosperity.

There also exists a very limited evidence base of inclusive growth policy measures in practice and their success, meaning it is difficult to determine the effects of any Inclusive growth orientated policy. Secondly, how other countries define inclusive growth and conduct their approach varies across the world. This means that inclusive growth is not a 'one-size-fits-all' process, and instead must be specific to the country or region that is seeking to achieve. That involves agreeing on what inclusive growth means, and secondly how you think that is best achieved.

Third, at its very core, inclusive growth should be about identifying who the excluded groups in an economy are, and then finding ways to include them. Most agree that this does not simply involve distributing the benefits of higher economic growth once it has been achieved but ensuring that everyone in the economy is included in economic growth and benefits directly.

Fourth, the current approaches to Inclusive Growth in Northern Ireland provide a good base for an effective Inclusive growth agenda to build upon. This will require, however, collaboration amongst departments and institutions to ensure that everyone has a say in what should be important for the Inclusive growth agenda but also to ensure that everyone is working towards the same aims and goals.

Finally, Northern Ireland does face a number of prominent challenges over the coming years. As we have previously mentioned, creating an inclusive programme in a country with a legacy of community division; as well as facing the world issues of the coronavirus pandemic, climate change and the risks of automation, will provide obstacles for any inclusive growth agenda, and therefore must be considered in any Inclusive Growth decision making process.

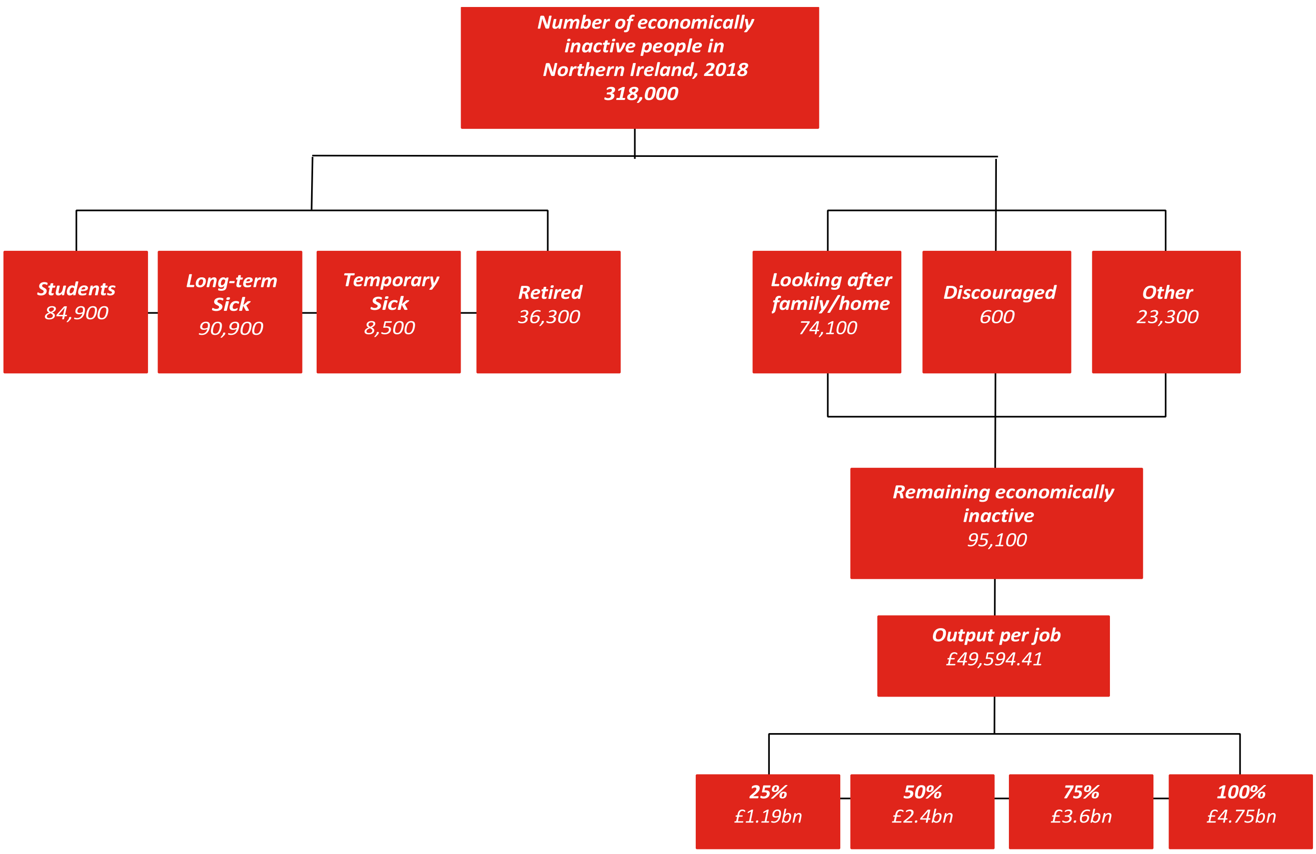
However, what is clear is that there is a real need and desire for Inclusive Growth in Northern Ireland right now, and with the already positive changes in government this year, an Inclusive growth agenda could go a long way in bringing the country together. Time must be taken in developing the Inclusive growth agenda, as it is not a quick fix, and has to be created with the aim of both benefiting those in society today, but also being intergenerational, to ensure that the people of Northern Ireland are included in the benefits of economic growth for many years to come.

9. Appendices

Appendix 1

Modelling involved using 2018 data to identify groups who could be easier to target with any economic inactivity policy measures which included those looking after families and homes, those discouraged from the labour market and those inactive for other reasons. Then, using the average output per job in Northern Ireland, we first assumed everyone entering the labour market would work in a job producing the average output and varied the number of people who could potentially become active to create the first set of scenarios; then holding the number of people who could potentially re-enter the labour market constant, we analysed the potential gain to the economy from those inactive at jobs with lower output per hour.

Diagram 8: GVA Gain Methodology



Source: *FAI*

Appendix 2

NISRA Inclusive Growth Metric

At the request of DfE we have reviewed the material available on the Scottish Government's Regional Inclusive Growth website to help inform a metric that could be used in Northern Ireland.

Scotland's Centre for Regional Inclusive Growth (SCRIG) website does provide a guide to Inclusive Growth Diagnostics including the evaluation of whether inclusive growth outcomes have been met and provides a link to a wide range of data that could be used as metrics contained within a "dashboard".

The information provided within the dashboard itself aims to capture a balanced range of indicators for the five Inclusive Growth Indicators. Elsewhere guidance claims that the dashboard is just the first step in understanding issues and indicators used should be relevant to local inclusive growth.

The Scottish Government has therefore yet to set out if or how they plan to use the dashboard for their own understanding of whether they are achieving Inclusive Growth at a national level. We would not therefore suggest the whole dashboard is adopted and used in Northern Ireland without significant consideration of how it fits with the needs of Northern Ireland.

It can however give an idea of data that is available (at sub-GB level – not all may be available at sub-UK level).

Rather than recreating a new set of indicators, it makes more sense to look at other current metrics that have been developed in Northern Ireland, for example, the 2018-19 Outcomes Delivery Plan and the draft Programme for Government.

Diagram 9: SCRIG Framework

Source: *SCRIG*

As an illustration, we have taken the Scottish Government's Outcome Framework (diagram 9 above) and showed how existing indicators identified by the Northern Ireland Executive could fit into this framework.

This is only intended as a guide to how a metric could be pulled together. A process of collaboration across government and with stakeholders is advisable in order for such a metric to have buy-in and be recognised as appropriate measures by which to measure progress.

One helpful feature of Scottish Government's framework is the situating of 'People' and 'Place' as standalone outcomes as well as cross cutting outcomes. The purpose of this is that none of the standalone outcomes can be considered as meeting inclusive growth if the people and place outcomes are not also realised.

With regards to people, an effective way of doing that is breaking down each indicator by protected characteristics. These are age, disability, gender, race, religion or belief and sexual orientation. The SCRIG dashboard breaks down, where possible, each indicator by protected characteristics. With regards to place, this could be tracked by looking at regional disparities or an urban/rural split.

It is not necessary to include every possible indicator. This will risk confusion. Instead we would suggest, a focus on picking as few indicators as possible and a preference for indicators that can be broken down by at least some of the protected characteristics and region. The following is an illustration based on the outcomes in Diagram 9.

Productivity

- BERD as a % of GDP. For Northern Ireland and by local government district
- Business start-ups and % started by women

Population

- Dependency ratio for Northern Ireland
- Inward and outward migration by region and protected characteristic

Participation

- Economic inactivity rate for Northern Ireland and by regions and protected characteristic
- Average earnings for Northern Ireland and by regions and protected characteristic (and possibly percentage earning below living wage)

People

- Income inequality (Gini or other ratio) for Northern Ireland and for protected characteristic
- Health life expectancy for Northern Ireland and for regions and by protected characteristic

Place

- Age of population across Northern Ireland
- Access to broadband across Northern Ireland

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