Towards an Inclusive Growth Decision Making Framework

For public sector practitioners to assess whether interventions and investments will support inclusive growth

January 2018

Metro —— Dynamics

Introduction

This work is an open source contribution to city governance and how investment decisions can be focussed more on achieving inclusive growth outcomes.

Inclusive Growth is becoming an increasingly important issue in the UK. There has been a growing feeling in the country that economic growth does not benefit all places or groups equally. We believe that if future economic growth is to become more inclusive, robust and logical thinking is required. In short, if we want different outcomes, we will need to find new tools that enable us to assess the potential of interventions and investments to foster Inclusive Growth.

This work is a step towards a methodology for assessing inclusive growth. The topic is a complex one and this work alone cannot objectively decide the best policy decisions for a place. Instead, it provides a simple outline process to assess whether an intervention or investment can help to deliver outcomes associated with Inclusive Growth. It should challenge current ways of thinking but also to complement them.

This document is designed for use by the public sector. Its aim is to help develop a clear methodology for use by local authorities, combined authorities, Local Enterprise Partnerships, central government departments, health trusts and all agencies to help determine whether and how an investment or intervention supports inclusive growth.

The project was supported by the Joseph Rowntree Foundation, Cardiff City Council and Sheffield City Region. We are grateful for their advice and guidance, alongside Greater Manchester (particularly John Holden at The Growth Company) and the West Yorkshire and D2N2 LEPs.

The next step in a move towards more firmly embedding inclusive growth in decision making is piloting this approach, in order to develop it further. Several of the above places have offered to do this.

What is inclusive economic growth?

Inclusive Growth is broad based economic growth that enables the widest range of people and places to both contribute to and benefit from economic success. Much government spending at the local level is targeted at increasing economic growth. However, despite this focus on economic growth, since the 1980s inequality has remained high and is forecast to rise even higher in the coming years without intervention.

Cities, in particular, have borne the consequences of inequality and there is growing concern about the wider impact of social and economic exclusion. Drawing on the wealth of material available from work done around inclusive growth, including in the area of impact investment and social value/community benefits, this work has been designed to encourage decision makers towards taking account of the impact on individuals of investments and interventions.

Purpose of a decision making framework

At a time of increased interest at the city and city region level, developing measures to complement the pre-existing assessment frameworks is important in enabling local decision makers to assess the potential impact of an intervention or investment in supporting inclusive growth.

The primary purpose of this work is to develop thinking around the assessment of whether interventions and investments will help to improve income distribution as a result of economic growth. It is designed to supplement existing assessment frameworks, such as the Treasury Green Book, and to be used alongside them, rather acting as an alternative.

As it stands, the guidance in this document is broadly ready to use, although there will be some local research needed to allow the impact to be measured. It will also be necessary to make some assumptions about the outcomes. This document can also form the building blocks for a full framework that can dovetail with existing frameworks such as the Treasury Green Book.

What is the problem? Current assessment frameworks overlook impacts on individuals

Public sector interventions and investments are today already subject to rigorous assessments before funding is approved. Most significant projects and investments are assessed using the Treasury's Green Book methodology, which seeks to ensure the government is funding net additional outcomes at a cost that can be deemed objectively as good value for money. Similarly, assessment frameworks used by other government departments and European agencies focus almost exclusively on ensuring a strong rationale for state intervention and value for money.

What none of these frameworks do is assess whether the impact of the intervention or investment (IoI) is shared amongst particular groups within society who have been less likely to benefit from economic growth in the past. Nor do other frameworks examine the impact at the individual level.

In other words, all of these tools assess the impact of the IoI from the perspective of government – both the benefits and the risks. For an IoI to be assessed for its impact on inclusive growth, it must be assessed from the perspective of the target individual. The focus of an appropriate framework should therefore be individuals on low-incomes, which could also be adopted to focus on specific target groups. This would help to determine:

a) whether the IoI has a real financial, or other beneficial, impact on people who are less well off; and,

b) what the mechanism is by which that benefit is created.

The guidance contained in this document is designed to be used alongside more traditional evaluations such as value for money, or the Cost Benefit Analysis created by New Economy that now forms part of the Treasury's Green Book Supplementary Guidance (Supporting Public Service Transformation: Cost Benefit Analysis Guidance for Local Partnerships).

It is likely that the information gathered during this process will be useful to other assessment frameworks, helping to articulate and sharpen the assessment analysis. This will enable decision makers who are delivering on a growth agenda to have a clear understanding of not only the traditional assessments around value for money, commercial viability and financial probity, but also of the potential inclusive growth impact.

How an Inclusive Growth Decision Making Framework could sit alongside other Frameworks

	Green Book Assessment (HM Treasury)	Growth Deals Assessment (DCLG)	ERDF (European Union)	Inclusive Growth Decision Making Framework
Logic Testing	**Strategic Case:** What is the case for change? What problem is being solved and why is the IoI best option?	**Strategic Case:** What is the case for intervention, market failure, or opportunities to accelerate?	**Strategic Case:** How does the project fit with specific call for proposals?	**Strategic Case** Will the IoI support Inclusive Growth and if so, how?
Commercial Viability	**Commercial Case:** Is the IoI attractive to commercial providers and which procurement procedure is best?			
Inclusive Growth Impact				**Inclusive Growth Impact** What is the estimated impact per capita?
Value for Money	**Economic Case:** Is the IoI good value for money? What is the CBA? Will ongoing costs be reduced?	**Value for money Case:** What is the return on GVA? (e.g. the total GVA produced per £1 spent)?	**Value for Money Case:** What is the unit cost of outputs against quality?	
Financial Probity	**Financial Case:** Is it affordable to the funder. How is it funded and what is the cost?			
Operational Probity	**Management Case:** Does the funder have the capacity to manage the IoI and mitigate risk?	**Delivery and Risk Case:** Does the funder have the capacity to manage and mitigate risk?	**Deliverability Case:** Can the project be delivered in the time period?	**Operational Considerations:** Can the project be managed to maximise inclusive growth?

Alternative Frameworks: Impact Investment

The frameworks on the previous page are likely to be familiar to many local economic growth decision makers. However, there are other frameworks that have been developed in very different contexts that have informed this work. In particular, the world of impact investment, which has long been assessing if, and how, a specific investment will have an impact, has been used. Two frameworks are worth briefly discussing.

Impact investment emerged in the philanthropic sphere but has now also been taken up in the for-profit sector. By investing in companies, organisations, or funds, the focus is on creating positive social and environmental impacts, whilst also delivering a financial return.

In the UK, Bridges Impact Investment has developed an IMPACT Scorecard that is used to assess the investments their various funds will make. The Scorecard looks at four distinct elements: the target outcomes – and whether the investment helps to address Bridges goals and if the logic model for the delivery of impact is clear; whether it creates positive change over and above what would have happened anyway; if the environmental, social and governance opportunities are win-win and/or the risks can be mitigated opportunities or risks; and, if there is an alignment between the impact generated and the delivery of financial returns.

IRIS, now managed by the Global Impact Investing Network, provides a catalogue of metrics that investors can use to measure the social, financial and environmental impact of their investment. Metrics are available for a wide-range of sectors and have been designed to be relevant in the developed world as well as the Global South. The purpose of IRIS is to provide consistent and credible information that will enable comparison between investments and the development of non-financial performance benchmarks.

The Current Environment

Inclusive economic growth is an area of growing interest, not only across the UK but internationally. Income inequality has grown, and amongst OECD member countries the richest 10% of the population have an average income that is 9.6 times that of the poorest ten per cent. 25 years ago this multiple was ‘only’ seven times.

Concern about the social and economic consequences of this disparity is driving an agenda that places inclusive economic growth at its centre. In the changing political and policy environment in the UK there is both an interest and a desire to make changes to the way in which economic growth decisions are made.

Devolution and city growth deals are being agreed across cities and city regions. These deals provide opportunities for cities to address the social and economic challenges that have emerged around social exclusion, inequality and the failure to create and sustain inclusive economic growth. In particular, it gives cities the potential to rethink and reconfigure economic growth strategies in ways that will maximise their impact on inclusive economic growth outcomes.

Accompanying the devolution and city growth deals are investment funds. These investment funds, vested in 2017, provide significant financial resources over 20 to 30 year periods.

Helping local economic growth decision makers to integrate the inclusive growth agenda into the decision making process, and to identify how the interventions and investments they support will contribute to inclusive economic growth, is what a framework should be designed to contribute towards.

Components of a potential Inclusive Growth Making Framework

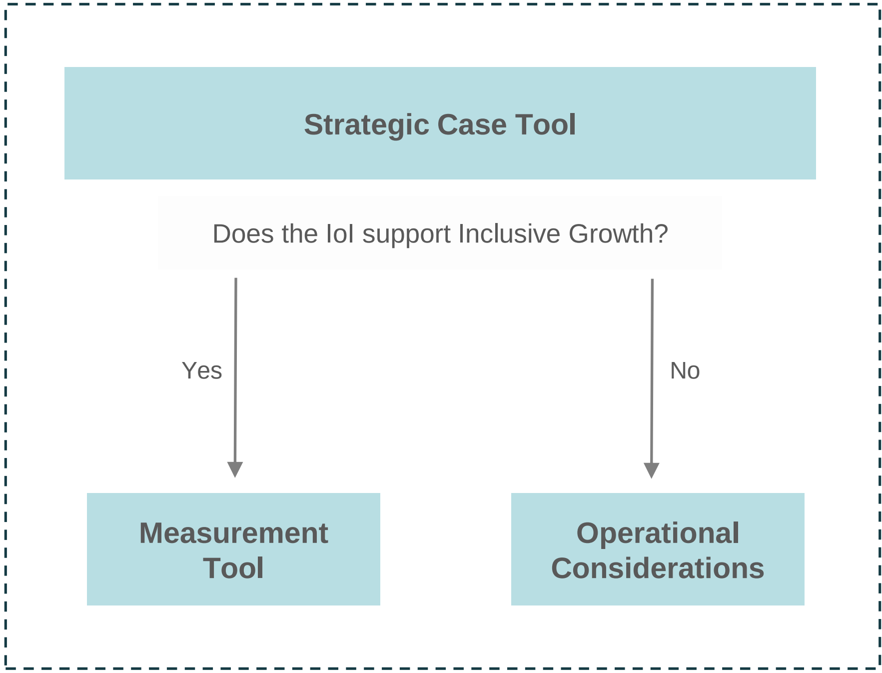
There are three tools to be considered for an Inclusive Growth Decision Making Framework:

- **Strategic Case Tool** to determine whether the IoI supports Inclusive Growth;
- **Measurement Tool** to estimate the impact; and,
- **Operational Considerations** to apply to non-inclusive growth specific projects.

The **Strategic Case Tool** poses a set of waterfall questions to help assess whether an intervention or investment will directly and substantively improve the economic well-being of underserved and/or low-earning populations.

If the intervention or investment is deemed an Inclusive Growth project, the **Measurement Tool** can be applied to estimate the impact at both the individual and macroeconomic levels. This enables interventions and investments to be compared directly by the scale and depth of their economic impact, much as value for money is evaluated and compared today.

The **Operational Considerations** provides a series of questions to apply to projects that are not deemed Inclusive Growth projects, to challenge whether they can be managed in a way that ensures inclusive growth principles are supported.



How to use this document

This work is open source – designed to be used by and stimulate discussions between public sector practitioners across all parts of government, particularly at the city and city region levels. It has been designed using the following principles:

- It could be a complement to current assessment frameworks, such as the Treasury Green Book.
- This document and its wider guidance can be applied by practitioners by following the instructions in this document. There is no need for external consultancy or third party support, although it may be necessary to undertake research and work with colleagues to access the information required to complete it (there is a slide at the end of the Toolkit with information on potential sources).
- The steps within each of the three tools can be evidenced. This means an evidence trail can be established which enables ex-post evaluation of projects.
- The checklists provide illustrative outcomes that can be used as presented, though you may choose to tailor the checklists to better reflect local Inclusive Growth challenges.
- The guidance provided by this document can also be used by all who are concerned about Inclusive Growth in their areas.
- It can form the basis of a full assessment framework.
- The tools are structured as a flow diagram and instructions on how to complete are contained within this document. There is also a Worksheet at the end that can be used.

What you need to complete evaluation

Inclusive Growth Tool	Evidence + Documentation required
Strategic Case Tool	• Details on how the intervention/investment will operate • Details on the population that will be affected • Information on the data that will be collected as part of the IoI
Measurement Tool	• Estimates of salary (if new jobs are being created), or estimates of user charges
Operational Considerations	• Information on the procurement process and/or likely contractors or providers

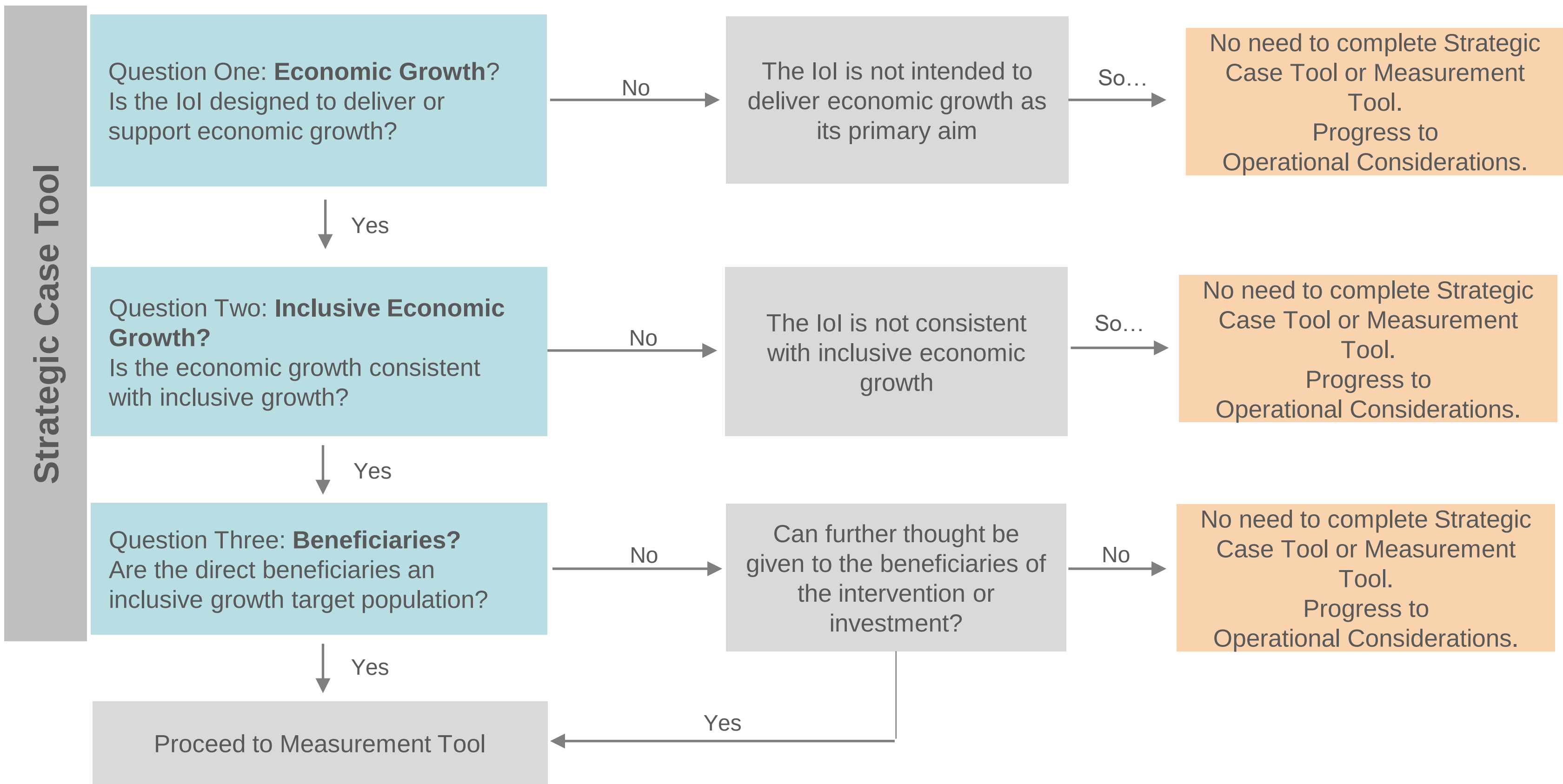
Tool 1: Strategic Case

Will the Intervention or Investment support Inclusive Growth?

Strategic Case Assessment Tool

The first tool in an Inclusive Growth Decision Making Framework should help determine whether an intervention or assessment will directly and substantively support Inclusive Growth.

There are three steps to this evaluation, and they should be followed in sequence. Please answer the questions with respect to your project and follow the guidance to determine whether the intervention or investment will impact directly on Inclusive Growth. If the assessment tool indicates that an intervention or investment, as currently constituted, does not support Inclusive Growth, further consideration may be given to restructuring the project to ensure the benefits of the project are shared more widely, or by populations at the lower end of the income spectrum.



Question One: Economic Growth?

Many different types of interventions contribute to economic growth. However, our focus is on areas that have a primary focus on, and are traditionally associated with, economic growth. So, the first question that needs to be answered is:

Is the primary purpose of the project to deliver economic growth; that is, to increase the volume of goods and services produced per capita over a period of time? If so, it is important to work through both questions one and two in order to assess the project.

Please review the list of objectives below and mark those to be delivered directly by the project. You should consider how the project will deliver positive outcomes.

A worksheet is provided as the final page where you can record the information for each section.

Will this intervention deliver economic growth by:

Jobs

☐ Creation of net additional jobs. Creation of employment areas, employment zones, business incubators.

Skills

☐ Provision of stand-alone skills programme, skills up-skilling, in-work training, apprenticeships or adult FE.

Housing

☐ Provision of net additional housing units, including temporary housing, affordable housing, family housing, executive housing.

Physical Development

☐ Investment in publicly-owned buildings, public areas and public works to improve the area and increase footfall.

Transport

☐ Provision of new and/or improved transport linkages, including trams, buses, trains and other means of public transport.

Business Growth

☐ Grants to businesses to expand, purchase new equipment, support innovation, undertake marketing, attend trade fairs.

Question Two: Inclusive Economic Growth?

Through Question One, it has been established that the intervention or investment's primary aim is to drive economic growth. Through Questions Two and Three, we will establish whether that economic growth is likely to be inclusive, that is, whether it will benefit those who are on the lower end of the income distribution, or who face specific economic barriers.

It is not possible to assume that the outcomes of economic growth will benefit these groups or individuals automatically. Through Question Two we seek to probe the nature and quality of those outcomes by reviewing operational plans in order to determine the mechanics of how the intervention or investment will work.

The objective behind Question Two is to interrogate the logic chain behind the intended growth objective and the mechanics of how that growth will be delivered. We have set out a set of questions for each of the major economic growth objectives to provide indicative outcomes. It is important that different impacts on the same beneficiaries are not double counted.

These objectives can be adapted or changed to suit local areas and local priorities.

Jobs

Employment is an important contributor to inclusive economic growth. However, not all employment opportunities will have the same impact. Employment that pays a decent income and offers the potential for training and growth, in short, a quality job, will help drive economic growth at the macro level whilst also helping to improve the lives of individuals and households. But not all jobs will necessarily deliver inclusive growth – the creation of highly skilled opportunities is unlikely to target those in need.

To assess whether the jobs created through your intervention or investment could be considered sustainable, quality jobs, further diligence may be required to check the nature of the jobs (type/length of contract, pay rates, etc.) and the likely employers. It will also be important to identify the *net additional* jobs. This will help to determine whether the final jobs are likely to support Inclusive Growth, or perpetuate the disconnect between macroeconomic growth and income growth, or contribute to cycles of precarious work with people moving between low-pay work and being out of work.

Indicative inclusive growth objectives:

Sustainable jobs with employers that provide career ladders

Sustainable jobs with employers that run apprenticeship schemes

Sustainable jobs that pay higher than the living wage

Sustainable jobs that pay the living wage only

Skills

The provision of skills is an important measure to deliver Inclusive Growth. Training opportunities, whether in-work, or through a dedicated programme supporting people to transition into better quality work at better wages, also improve productivity at the macroeconomic level.

Some economic growth projects are dedicated skills projects, for instance, the creation of community Fabrication Laboratories ('Fab Labs') or sector-based training.

In addition there are a range of economic growth projects, like infrastructure developments, that should also consider access to up-skilling opportunities as part of their delivery plans.

Therefore we encourage all interventions and investment be assessed against the skills assessment, even when skills provision is not the primary aim.

There is a distinction between indicative inclusive growth objectives for those individuals who are in-work and those who are out-of-work.

Indicative inclusive growth objectives for skills provision:

In-work	Out-of-work
Increase the number of people receiving on-going training in the work place	Increase the number of people with vocational qualifications in sustainable employment
Increase the number of people in-work with vocational qualifications	Increase the number of unemployed people undertaking formal and soft skills training with sustainable employment opportunities
Increase the number of formal training opportunities for those in-work	Increase the number of unemployed people undertaking formal training with employment opportunities
Provide limited 'on-the-job' (informal) training opportunities	Increase the number of unemployed people undertaking formal training that meet the needs of local employers

Housing

The provision of housing has become an important government priority; the lack of availability of affordable housing across many parts of Britain is leading to financial squeezes on household income whilst also impacting on quality of life.

In addition, the construction of housing provides an immediate and effective boost to economic growth through the creation of jobs and consumption of building materials.

With that said, consideration should be given to who will benefit from the additional houses – are they being designed and constructed to change an area's population and reduce demand and need upon public services, or are they being designed and constructed for low-income people who require good quality, affordable homes. The size of the housing and the public realm, such as access to green space, should also be considered in assessing if the homes are 'good quality'.

If the primary objective of the intervention or investment is to provide additional housing, it may also be useful to consider skills and jobs created through the construction process.

Indicative inclusive growth objectives:

Increase the availability of good quality, shared ownership housing within an area

Increase the availability of good quality, affordable housing within an area

Increase the number of homes with a minimum EPC rating of C

Increase the availability of good quality housing with public transport links within 5 minutes walking distance

Physical Redevelopment

Much locally available funding is focussed on developing and improving places. As devolution single funding pots are vested, it is likely that even more funding will be directed in this way, especially if business rate retention rules change further.

While it is clear that the aim of regeneration projects is to increase economic growth by changing the population and economic dynamics of a place, it is also possible to achieve these aims whilst also ensuring that the net additional growth created is shared throughout a community.

This can be achieved in two ways. First, through the actual physical construction and regeneration of a place, by ensuring large capital projects are opened up to local labour and by providing upskilling and training.

The second is by ensuring the regenerated environment is designed for all in the community, and not just those with the largest disposable income.

It is important not to double count the impact of IoI. Accordingly, if, for example, jobs have already been counted in the jobs assessment, they should not be counted here.

Indicative inclusive growth objectives:

Provide employment opportunities (including upskilling) for unskilled/low income people through the construction

Provide space for retailers and employers that provide jobs and hire locally

Provide housing (if mixed development) that will be available at all income levels

Open physical access to enable private sector investment

Provide access to a better quality public space

Transport

Outside of major cities (and even within several major cities) the public transport spine does not always run through areas in which people, particularly people on low incomes, live.

In other cases, while transport infrastructure has been laid, the cost of use is prohibitive.

Therefore for all new transport projects, it is important to assess the transport project on the basis of the population that will be served by the investment. Two assessments should be made – the spatial areas that will be opened up and connected by the new or improved transport link, and the cost of the transport mode (both in terms of time and money) when compared to alternative transport modes.

Indicative inclusive growth objectives:

Link underserved areas on low incomes with employment areas through new direct transport links

Create new direct transport links between areas on low income and city centres, or areas with amenities like hospitals

Reduce the cost of transport for areas of low income

Businesses

There are a number of mechanisms whereby grants or loans can be made to small businesses to support growth. Often the case for funding is based on whether there is a market failure or growth, and/or innovation can be accelerated through public finance, in lieu of private sector finance, which is often not available.

These interventions and investments can also be assessed to determine whether they support Inclusive Growth. This should include factors such as whether the SME will provide goods or services for those at the lower end of the income scale; whether the SME will employ additional people from the lower end of the income scale as a direct result of the investment; or, whether the investment will provide additional capacity to train or upskill people.

Indicative inclusive growth objectives:

Enable the business to provide goods or services to a wider customer base, including those at the lower end of the income scale.

Enable the business to create net additional jobs, which will target those at the lower end of the income scale.

Enable the business to create net additional jobs, some of which could be taken by those at the lower end of the income scale.

Enable the business to purchase/lease additional equipment or facilities to expand.

Question Three: Who will benefit?

At this stage it has now been established that the investment or intervention should:

- Deliver economic growth (**Question One**).
- Deliver outcomes that are not inconsistent with Inclusive Growth (**Question Two**).

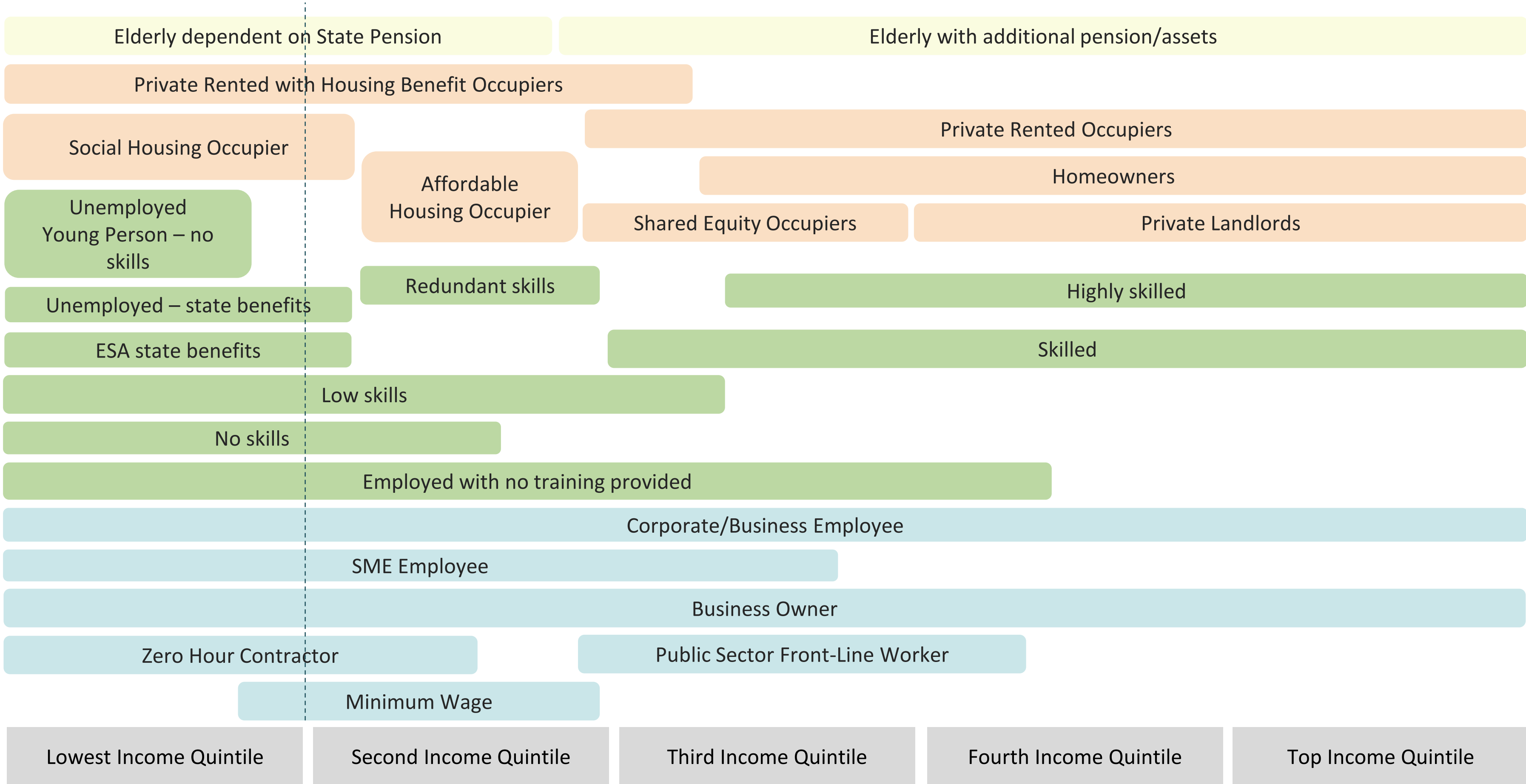
It is now necessary to assess whether the investment or intervention is targeted at groups who are not as likely to benefit from macroeconomic growth.

We suggest doing this by identifying who will benefit against those in the lowest income quintile (available at the local level from the *Annual Survey of Hours and Earnings*) and other groups known to benefit unevenly from general economic growth in your local area.

We have set out an indicative diagram to guide assessment on which groups will benefit directly from the intervention or investment. These are indicative only, and your understanding of the local area should help you to identify those in the lowest income quintile.

For more detailed analysis on the impact of an intervention or investment on different segments of the population a full distributional analysis, following the Green Book, could be undertaken.

Illustrative Guide to Potential Low-Income Beneficiaries



Identifying who will benefit

We suggest that you assess each intervention or investment by:

i) Identifying the groups who may benefit; and,

ii) estimating the number of people who will benefit.

This information may be available in sources including:

- Intervention or investment project documentation.
- As part of work undertaken for existing appraisal frameworks, such as the Treasury's Green Book.

If it is unclear from the project documentation who would benefit, you may need to consider the type of intervention or investment and assume who is likely to benefit. For example, an investment focused on high skilled/high growth activities that will require highly skilled staff is unlikely to target people in the lowest income quintile.

This may also be an opportunity to consider how an intervention or investment could be shaped to support inclusive growth. For example, would a retail academy that supports unemployed people to gain the skills needed to access jobs in a new retail development help increase the inclusive growth dimension? If so, how can this be put in place?

In the longer-term, you may want to consider ensuring project documentation contains the types of information needed to assess whether an investment or intervention has an inclusive growth dimension.

Beneficiaries should not be double counted.

Even if there are multiple impacts (such as jobs that pay above minimum wage *and* are with an employer that provide career ladders *or* jobs that pay above minimum wage *and* are accessed through improved transport links) the number of beneficiaries identified should be the total number of individuals who will be positively affected.

Intervention A

Beneficiary Group A	100
Beneficiary Group B	200
Beneficiary Group C	300
Total Beneficiaries	600

How to Count the Number of Beneficiaries

Different types of interventions or investments will require different approaches to identifying the number of beneficiaries. It may also be necessary to accept that the number of beneficiaries will be a ‘best available estimate’ based on the information that has been provided in the documentation. However, greater clarity around numbers of beneficiaries will enable increased accuracy in the use of the Measurement Tool. For example, where available (such as in the project documentation), information on *net additional jobs* should be used rather than total number of jobs created.

For some interventions or investments the number of beneficiaries may be clear from the project documentation, such as the number of new jobs created or people to receive skills training. In others, it may be necessary to undertake a little ‘investigative work’. For example, it is possible to use the Home and Communities Agency’s *Employment Density Guide* to calculate the approximate number of jobs within a development, where the square meterage (gross or net internal) is known, before assessing whether such employees are likely to be from the lowest income quintile.

Evidence from where ‘retail academies’ have been put in place to work with unemployed local residents to be ready to find work in such developments could then be used to assess the potential number of beneficiaries. For example, an evaluation of “The Skills Place” (Westfield Stratford City, London), which targeted unemployed people, had a job outcome rate of 29%.

Worked Example: Retail Development

A large city central retail regeneration project will deliver approximately 75,000m^2 of net internal retail floor space.

Using the HCA guidance of one full-time job for each 15-20m^2 of ‘high street’ retail space, it is possible to estimate that this will create approximately 3,750 jobs (on the basis of 1 FTE per 20m^2 – at the upper end of the HCA’s 15-20m^2 per job guidance).

The way in which the investment is managed will have an impact on the potential number of beneficiaries from the lowest income quintile. Working with employers renting the retail areas and providing retail skills training to prepare unemployed people for the employment opportunities that accompany the redevelopment could increase the number of people likely to find work. This may require engagement with key stakeholders to put in place the training and job interview opportunities needed to maximise the impact of such a development.

Taking all of this into account, a conservative estimate of the potential number of beneficiaries could then be identified to take forward to the Measurement Tool.

Tool 2: Measurement Tool

How much better off will people be as a direct result of the Intervention or Investment?

Measuring the Inclusive Growth Impact

Step one of the Measurement Tool seeks to estimate the financial impact of each of the Inclusive Growth interventions or investments. What is of interest is the *net* financial change as a result of the IoI.

The logic then follows that interventions with a significant positive financial impact on people at the lower end of the income spectrum rank positively against an IoI that has a smaller positive impact.

The purpose of the measurement exercise is to estimate the net increase in **income** at the individual or household level. To do this, two data inputs points are required (or should be estimated). This information should be based on the beneficiary population identified in Question 3.

- Estimate of the current weekly earnings of the beneficiary population.
- Estimate of the beneficiary's weekly earnings in the new job created by the intervention or investment.

The purpose of this section is to calculate a very approximate estimate of an individual's net financial change as a result of the IoI. It should enable a more focused analysis of how an IoI will have an inclusive growth impact. For example, if the fares of a new transport system are set at a level to produce an additional cost (so a negative impact) to an individual in the lowest income quintile, then it should not be considered inclusive.

It should be noted that these figures will come with many assumptions and should be appropriately caveated. It is unlikely that you will have the resources to collect all of the data needed to have accurate figures from this process. And to that end, the toolkit has been deliberately simplified. For example, in calculating the inclusive growth impact of a housing investment or intervention, factors beyond rent, such as reductions in fuel bills due to better quality housing, have not been considered. If you have that information it could be included, but if not, the focus should be on the differences in rental payment.

Identifying the potential costs/benefits will be easier if the intervention is targeting some specific beneficiary groups, such as unemployed people. Where it is more general, it may require some additional research to identify the information needed (and potential sources are detailed towards the end of the toolkit). Such research might range from a phone call to a local bus company to establish bus fares, through to an analysis of rental costs using publicly availability statistics.

It is acknowledged that the figures generated in the measurement tool are likely to be little more than 'rough estimates' which identify an 'average' impact. Nevertheless, they should still be useful in calculating the 'inclusive growth uplift'.

Measuring the Inclusive Growth Impact of Jobs I

Outlined below are the steps to assess the individual impact of an IoI that has a primary aim of creating jobs.

Jobs are one of the most important traditional measures for evaluating projects. However, beyond agreeing an estimate of the number of jobs to be created, little additional consideration is given to how beneficial those jobs will be financially.

The purpose of the measurement exercise is to estimate the net increase in **income** at the individual or household level. To do this, two data inputs points are required (or should be estimated). This information should be based on the beneficiary population identified in Question 3.

- Estimate of the weekly earnings of the beneficiary population today. That may be a weekly wage, or if the individual is unemployed, should be made up of Jobseekers' Allowance or, potentially, Employment Support Allowance, where appropriate. This is discussed in more detail below.
- Estimate of the beneficiary's weekly earnings in the new job created by the intervention or investment.
- The difference between these two figures is the weekly impact of the intervention at the individual level.

This worked example focuses on those moving into better paid employment. This might be the result of specific skills training. To that end, starting (pre-IoI) income could be identified through information on the target cohort. It is likely to be approximate only. Post-IoI earnings can be gleaned from general salary information for sectors in local areas (see list of Potential information sources at the end of the Toolkit for where such information can be found).

Example: Person moves from minimum wage into higher wage permanent employment

Weekly Earnings Pre-IoI	
37.5 hours p.w. at National Minimum Wage[1]	£251

Weekly Earnings Post-IoI	
Weekly earnings from new construction job	£336
Financial Impact	+£85

[1] *Please note, this calculation uses the 2015 National Minimum Wage figure of £6.70 per hour for workers aged 21 and over.*

Measuring the Inclusive Growth Impact of Jobs II

Calculating the impact of a jobs-related IoI on somebody who is unemployed or on ESA is extremely complex. In particular, assessing the number of unemployed people who move into jobs rather than people being displaced from existing jobs is difficult to calculate. If this figure is known, it is still necessary to make a series of assumptions.

- An averaged out-of-work income.
- A wage of the minimum wage.
- Expenditure remains the same once an individual gets into work.
- The total (which will be negative) should be set at zero.

Because of the challenges of identifying an individual's total welfare receipts (JSA/ESA, housing benefit, etc.), this measurement tool for jobs uses existing research. This focusses on the increase in income an average individual would see moving from unemployment to a full time minimum wage job, and the estimated impact this would have on their benefits.

Data for this calculation is taken from 'The benefits of tackling worklessness and low pay', a report by JRF in December 2014. Although our calculation therefore uses 2014 figures, this should still be broadly indicative of the impact of moving an individual into work- particularly given the Report's figure is an estimate anyway.

In reality, this calculation should be made on a place/project basis. Expenditure will differ by place, as will salaries that unemployed individuals receive as a result of an intervention.

In the worked example below, somebody moves from JSA to employment in a job that pays the national minium/living wage (as of December 2014).

The column on the left follows the approach outlined above. On the right, the weekly income from the new job is identified, less the expenditure associated with the current benefits received from a recipient. The total is the financial impact of the intervention, reached through the new weekly income minus the previous income of the individual.

Disposable Income Calculation in £ per Week

Weekly Income:	£181	£317
Less Expenditure:	£181	£181
Financial impact:	£0	+£136

Measuring the Inclusive Growth Impact of Housing

Outlined below are the steps to assess the individual impact of an Intervention or Investment that has a primary aim of creating housing.

If a housing development supports Inclusive Growth, the new units will be available to those who are on lower incomes.

The purpose of the measurement exercise is to estimate the net decrease in the **cost of housing** at the individual or household level. To do this, two data inputs points are required (or should be estimated). This information should be based on the beneficiary population identified in Question 3.

- Estimate of the weekly rent expenditure paid directly by the beneficiary population today. This should be the amount contributed by the household net of any housing benefit contributions.
- Estimate of the weekly rent expenditure paid directly by the beneficiary in the new housing unit. This should be the amount contributed by the household net of any housing benefit contributions in the future.
- The different between these two figures is the weekly impact of the IoI at the individual level, as illustrated to the right.

Not all of the benefits of improved housing, such as reductions in energy costs, are captured in this calculation. The aim has been to keep it as simple as possible based on the types of information that might be available.

Example: Family moves from private rented to social housing

Weekly Spending Pre-IoI	
Private rental	£250

Weekly Spending Post-IoI	
Social housing rental	£175
Financial impact	+£75

Measuring the Inclusive Growth Impact of Transport

Outlined below are the steps to assess the individual impact of an Intervention or Investment that has a primary aim of creating transport links.

If a transport intervention or investment supports Inclusive Growth, it will provide transport links for an underserved population, ideally at a lower cost than alternative transport modes.

There are standardised models for assessing transport investments (such as the Department for Transport's WebTag approach), however the purpose of this measurement exercise is to estimate the net decrease in the **cost of transport** at the individual or household level. To do this, two data inputs points are required (or should be estimated). This information should be based on the beneficiary population identified in Question 3.

- Estimate of the regular mode of transport (e.g. bus, tram, car, train) and the associated cost per week.
- Estimate of the new mode of transport (e.g. bus, tram, car, train) and the new associated cost per week.
- The difference between these two figures is the weekly impact of the IoI at the individual level, as illustrated to the right.

Information on current fares should be available from transport company websites, whilst associated costs of a new transport mode should be included in project documentation.

Example: Regular trip to work

Weekly Spending Pre-IoI	
Train to work	£40

Weekly Spending Post-IoI	
Bus to work	£30
Financial impact	+£10

Step Two: Estimated economy-wide inclusive growth impact

Step Two considers the inclusive growth uplift, namely how an uplift in an individual's income has an economy-wide inclusive growth impact. This is measured by multiplying the net increase in an individual's income (calculated in Step One) by the appropriate figure to obtain an annual number.

This is then multiplied by the total number of beneficiaries to obtain the total 'Inclusive Growth Uplift' from the IoI under consideration.

In this way it is possible to put together an estimate of the total inclusive growth impact of the IoI.

Step Two:
Calculating total inclusive growth uplift

Financial Impact of IoI	£50
X	
Number of Beneficiaries	40
X	
Annualise	52
=	
Inclusive Growth Uplift	£104,000

Considering Time

In the outline of Step Two the benefits were annualised by way of illustration. However, you may wish to focus on a longer – or shorter – timeframe during which the impact will be felt by individuals.

It is important that such a timeframe is realistic. For example, an intervention or investment that supports the creation of construction work should be limited to the time of that construction work. Whilst there may be longer-term benefits as a result of individuals developing their skills, it should not be assumed that the impact continues on indefinitely.

Accordingly, we would suggest that no more than a three year time period is placed on any calculation. In the worked example to the right, two IoIs are shown. The first is the construction example from the earlier examples. The financial impact of £82 is multiplied by the number of beneficiaries and the time period is 104 weeks (the time period of the construction work). The second worked example is the housing example. The financial impact of £75 (as a result of reduced rental payments) is multiplied by the number of (total household rather than individual) beneficiaries and then multiplied by the maximum time period of three years.

In some cases it may be desirable to consider the net present value of an intervention or investment over a specific time period. This is outside the scope of this decision making framework, although it is recognised that it may be a useful tool when assessing the utility of an IoI.

Step Two:
Calculating total inclusive growth uplift

	IoI (jobs)	IoI (housing)
Financial Impact of IoI	£82	£75
X		
Number of Beneficiaries	30	25
X		
Time period	104 weeks	156 weeks
=		
Inclusive Growth Uplift	£208,000	£585,000

Tool 3: Operational Considerations

How can the procurement process be used for inclusive growth?

Operational Considerations

If a project cannot be identified as directly supporting inclusive growth, that does not mean that it cannot produce a wider benefit to the community. In order to do this, a clear focus from the outset as to the potential to procure and manage the project in a way that will create those benefits is critical. To that end, this section on operational considerations highlights how an inclusive economic growth element can be incorporated into investments or interventions by ensuring that they are built into the procurement process.

Some organisations already have procurement plans or strategies that seek to maximise the community benefits of a contract and provide ways of calculating the potential of a procurement contract to create, for example, direct employment and training opportunities. Procurement can also be used to support a range of other activities that will have benefits for the community consistent with the development of inclusive economic growth, such as the inclusion of local SMEs into supply chains and the provision of mentoring and support to local SMEs and third sector organisations.

Once the potential of an intervention or investment to be procured in ways that will bring wider benefit to the community has been identified, it is important that the project is then managed and regularly monitored effectively to ensure that the benefits are being delivered.

How can every pound spent on *every* intervention and every investment be used to produce a wider benefit to the community?

Using procurement to support the community

The following questions are designed to help aid the identification of how the investment or intervention could have a secondary positive effect on inclusive economic growth. They are not conclusive. Indeed, it is possible to include a range of potential other benefits with both short and long-term positive consequences. For example, the provision of mentoring to SMEs or third sector organisations by large companies and business engagement in schools could also be considered.

Not all questions will be applicable to all investments or interventions, and there may be more questions that can be identified specifically relevant to the proposed project. But where the opportunity exists to manage a project in such a way its potential should not be overlooked.

There is already a wide-range of material available on how to use procurement in this way. What is critical is this is considered at the very start of the process, not after it has commenced. *It will also require active contractual management and effective reporting, and monitoring, to ensure that the project's benefits are being delivered.*

The number of beneficiaries can be quantified using Strategic Case Tool Question 3.

Can this intervention or investment be managed so that:

There is an increase in the number of people in the local area who receive sustainable employment opportunities?

There is an increase in the number of people in the local area who receive formal training opportunities?

There is an increase in the number of people who receive work placements?

There are apprenticeship opportunities provided to people from the local area?

Zero-hours contracts are precluded?

There is a stipulated proportion of the total contract costs awarded to local SMEs?

There will be an increase in the number of local SMEs procured?

SMEs and/or social enterprises can receive mentoring and support from larger firms to improve their business?

Local residents are not subjected to increased pollution as a result of greater traffic flows?

Conclusion

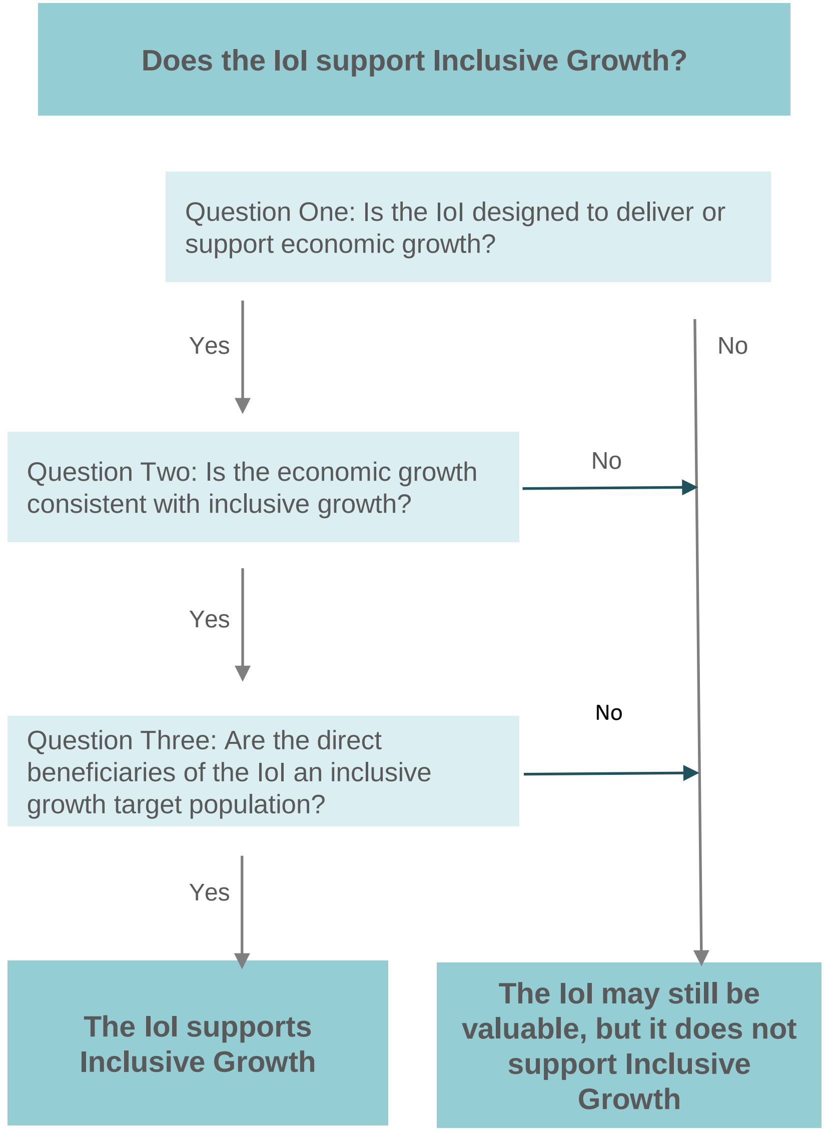
Final Thoughts

This toolkit is not designed to provide detailed, exact figures on the Inclusive Growth impact of an IoI. Obtaining such information would take significant time and resources and is unlikely to be possible during an ex ante assessment of an IoI.

Rather, what it is designed to assess is if an IoI will make a positive contribution to Inclusive Growth.

It does this be focusing on identifying the number of beneficiaries likely to benefit from an IoI from amongst the lowest income groups. And by then asking 'how much?' that benefit is likely to be.

If an IoI does not support Inclusive Growth that does not mean that it may not make a valuable contribution to local economic development, but rather, that it should not be identified as contributing to Inclusive Growth.



Potential Information Sources

Potential Information Sources

Below are a list of potential information sources that may be useful in completing the inclusive growth decision making framework. These sources are current (as of July 2017).

Data sets available via www.nomisweb.co.uk include: residents' earnings and lowest income quintile (ASHE), benefit claimants (DWP) and occupation/sector analysis.

Information and worksheets for doing a cost benefit analysis to assess the impact on public finances of an intervention or investment:

http://www.neweconomymanchester.com/our-work/research-evaluation-cost-benefit-analysis/cost-benefit-analysis/cost-benefit-analysis-guidance-and-model

HCA's Employment Density Guide:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf

There are many sites online providing salary information, including www.glassdoor.co.uk and http://www.payscale.com/ .

Salary calculations: www.thesalarycalculator.co.uk

Disposable income data:

https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/expenditure/datasets/expenditureofoneadultnonretiredhouseholdsbydisposableincomequintilegroupuktable33

Rental market information:

England: https://www.gov.uk/government/organisations/valuation-office-agency and https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies

Wales: https://statswales.gov.wales/

There are a range of different tools and information sources available online to help identify some of the information required beyond these. For example, transport companies should have fare information available online (or from a phone call). Nor should the experience of colleagues be overlooked.

Where claims are made about the scale or size of the outcome for beneficiaries, a quick review of the evaluation of similar interventions online should help to assess the likelihood of the claimed figures. For example, the retail academy established in Stratford for the Olympic-era development was regarded as being highly successful, with a job-outcome rate of 29%. Claims significantly higher than this might then require greater interrogation.

Worksheet

Worksheet Strategic Tool

Question One: Is the IoI designed to deliver or support economic growth? Yes No

If yes, it will be through (tick all areas where direct economic growth objectives will be achieved as a result of the IoI):

	Yes	No
Jobs		
Skills		
Housing		
Physical Development		
Transport		
Business Growth		

Question Two: Is the economic growth consistent with inclusive growth?

You should refer back and identify if, and how, there will be inclusive growth benefits under these headings. Indicate those areas where objectives consistent with inclusive growth can be identified.

	Yes	No
Jobs		
Skills		
Housing		
Physical Development		
Transport		
Business Growth		

Question Three: Will it target beneficiaries in the lowest income quintile and/or other groups known to benefit unevenly from general economic growth in your local area?

Identify the number of beneficiaries:

Beneficiary Group (jobs)	
Beneficiary Group (skills)	
Beneficiary Group (housing)	
Beneficiary Group (physical development)	
Beneficiary Group (transport)	
Beneficiary Group (business growth)	
Total Beneficiaries	

Worksheet: Measurement Tool – Step One

A number of blank work sheets have been identified to calculate the measurement tool, including earnings, employment from benefits and other savings. Not all of them may be needed.

Jobs - Earnings:

	£
Weekly earnings Pre IoI	
New Weekly earnings Post IoI	
Financial Impact	

Jobs – Earnings (from benefits):

	£
Weekly earnings Pre IoI	
New Weekly earnings Post IoI	
LESS expenditure (current lowest quintile)	209.10
Financial Impact	

Spending - other Interventions/Investments I:

	£
Weekly spend Pre IoI	
New Weekly spend Post IoI	
Financial Impact	

Spending - other Interventions/Investments II:

	£
Weekly spend Pre IoI	
New Weekly spend Post IoI	
Financial Impact	

Worksheet: Measurement Tool – Step Two

This step will enable the wider economic impact of intervention and investments to be considered. The time dimension should also be incorporated at this stage (it might be the length of the project, or longer, although it is suggested that it should be no more than 3 years for any IoI).

From the previous answers in the worksheet the following information should be available to be carried forward:

- Number of beneficiaries: Strategic Tool – Question Three
- Financial impact (on the individual) – Step One of the Measurement Tool

Multiplying these two pieces of information together and then by time will generate an inclusive growth uplift figure. You may need to repeat this process if the IoI has multiple impacts.

Given all of the assumptions and caveats that have been required, the figure should be seen as a very rough estimate. Nevertheless, the process itself should have helped to clarify who would benefit from an IoI and in what way, and aid an assessment of whether and how an IoI is creating and sustaining inclusive economic growth.

Inclusive Growth Uplift	
Financial Impact	£
Multiplied by: Number of Beneficiaries	
Multiplied by: Time Period	
INCLUSIVE GROWTH UPLIFT	£

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