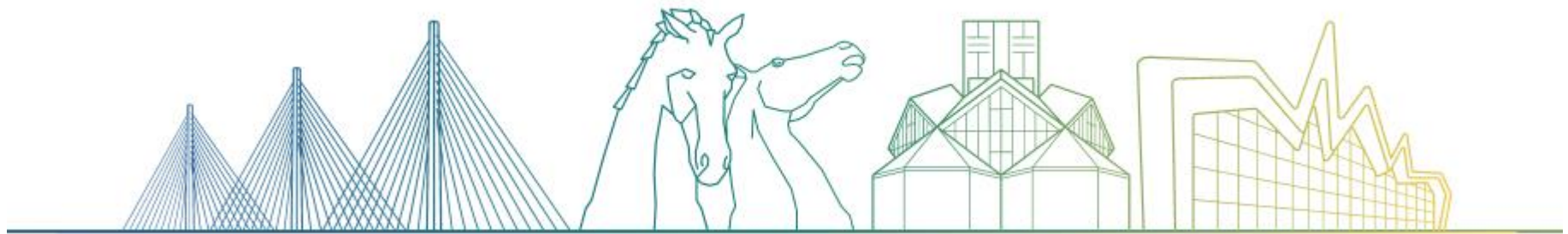


# Local and Regional Inclusive Growth Diagnostic User Guide

Inclusive growth diagnostic approach and illustrative examples from North  
Ayrshire pilot



**SCRIG** | Scotland's Centre for  
Regional Inclusive Growth



Scottish Government  
Riaghaltas na h-Alba  
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# Purpose of this document

- This document provides an overview of the diagnostic approach developed by the Scottish Government to investigate the opportunities and constraints to growth and inclusion in a particular place.
- This sets out the approach followed in our pilot with North Ayrshire for users who may wish to replicate the approach, however, the process is intended to be flexible to fit both local circumstances and the context in which it is being undertaken.
- The 6-stage framework described in this guide forms the approach to applying inclusive growth to policy development at the local and regional level.

# What is Inclusive Growth?

“Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly”

- Incorporates **traditional growth policies**: investment, innovation, internationalisation, labour markets and employment;
- Is **multi-dimensional**: it includes social inclusion, well-being, participation, environmental;
- Tackles **inequalities in outcomes** but also **inequalities in opportunities**; and,
- Promotes **more equal growth across cities, regions and rural areas**, and recognises importance of place/community in delivering this.

# Inclusive Growth Outcomes

<b>Productivity</b>	<ul style="list-style-type: none"><li>• Economic growth is resilient, sustainable, and inclusive.</li></ul>
<b>Population</b>	<ul style="list-style-type: none"><li>• Scotland's population is healthy and skilled.</li></ul>
<b>Participation</b>	<ul style="list-style-type: none"><li>• Inequality of opportunity to access work is addressed, jobs are fulfilling, secure and well-paid, and everyone is able to maximise their potential</li></ul>
<b>People</b>	<ul style="list-style-type: none"><li>• Economic benefits and opportunities are spread more widely across Scotland's population, with lower poverty levels.</li></ul>
<b>Place</b>	<ul style="list-style-type: none"><li>• More equal economic opportunities across Scotland's cities, towns and regions and rural areas, ensuring sustainable communities</li></ul>

In order to capture a shared vision on inclusive growth, the Scottish Government proposes that the following outcomes framework – the 5 Ps – can be used to frame discussions on inclusive growth. The five themes proposed are: Productivity, Population, Participation, People and Place. Alongside this vision for what inclusive growth looks like, it is key to recognise the context and constraints that face those who wish to pursue and promote inclusive growth. Therefore, the Scottish Government propose that inclusive growth discussions are informed by discussions of sustainability, ensuring that the benefits of inclusive growth can be enjoyed by future generations.

<b>Sustainability</b>	<ul style="list-style-type: none"><li>• Inclusive Growth is pursued within the constraints of environmental and financial sustainability - ensuring fairness for both current and future generations and preserving, protecting and enhancing Scotland's natural capital and environment.</li></ul>
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# Application of Inclusive Growth to Regional and Local Policy Development



## ACTIVITIES

Identifying high level inclusive growth achievements and challenges

Productivity	GVA per head, 2016 (£)
Productivity	Business expenditure in R&D (£ thousands) 2016
Participation	Employment rate (%)
Participation	Median weekly Earnings - full-time employees (£) - 2016 (resident analysis)
Population	Working age change (%) by 2029
Population	% of school leavers in positive destination 2015/16
People	NOT % of children in poverty (after housing costs) Oct-Dec 2015
People	NOT Fuel poverty 2014-2016 (% of households)
Place	% of premises able to receive 10 Mb/s download speeds
Place	NOT People living within 500m of a derelict land site (%) 2016

Assessing evidence systematically to understand the underlying drivers of performance.

Setting vision and outcomes.

**IG outcomes:**

- Productivity
- Participation
- Population
- People
- Place

Assessing evidence and impact; **Prioritisation matrix**

- Trade-offs/ synergies
- Stakeholder views inc. political and community will
- Feasibility (cost, timing etc)

Alignment of national, regional and local priorities.

Monitoring delivery of outcomes at local and programmatic level.

Feeding back lessons learnt

## OUTPUTS

Understanding of inclusive growth performance & areas to investigate further

Long list of areas to consider for action, summary of evidence

Vision and outcomes defined

Prioritised list of inclusive growth drivers

Integration of inclusive growth into policies & programmes

Measurement framework; Evaluation

# Diagnostic stage 1: Inclusive Growth Story

- Approach:** To benchmark performance against appropriate comparators (e.g. neighbouring regions, national average, international comparators) using readily available data to identify the high-level areas of achievement and challenge on a range of inclusive growth indicators.
- Examples of indicators under each of the 5 inclusive growth outcomes are illustrated on the right. Owners are welcome to develop these further, using existing indicators as appropriate.
- Expands the focus beyond the traditional measures of economic success. However, it is also important to recognise the data limitations in understanding inclusive growth, particularly at a community level.
- Need to be flexible to fit local priorities.
- This initial benchmarking should highlight areas to investigate further in stage 2.

Productivity	GVA per head, 2016 (£)
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# Inclusive Growth Dashboard Tool

- The Scottish Government has developed an inclusive growth dashboard tool, to allow users to analyse performance on a range of indicators under each inclusive growth outcome.
- This tool can be accessed at the following link: XXX

# Stage 1 outputs: High-level inclusive growth challenges

- Stage 1 of the diagnostic should indicate high level achievements and challenges for further investigation through the diagnostic. The high-level inclusive growth challenges that emerged from the North Ayrshire pilot are listed below.

Productivity & legacy of industrial decline	Significant employment in low wage, low value sectors
	Low GVA per head
	Low business spend on R&D
	Low rates of business start-ups
Economic and social inclusion	Gender segregation
	Female labour market participation lagging
	High unemployment
	In-work poverty
	Poor health outcomes, including mental health outcomes
	High levels of deprivation

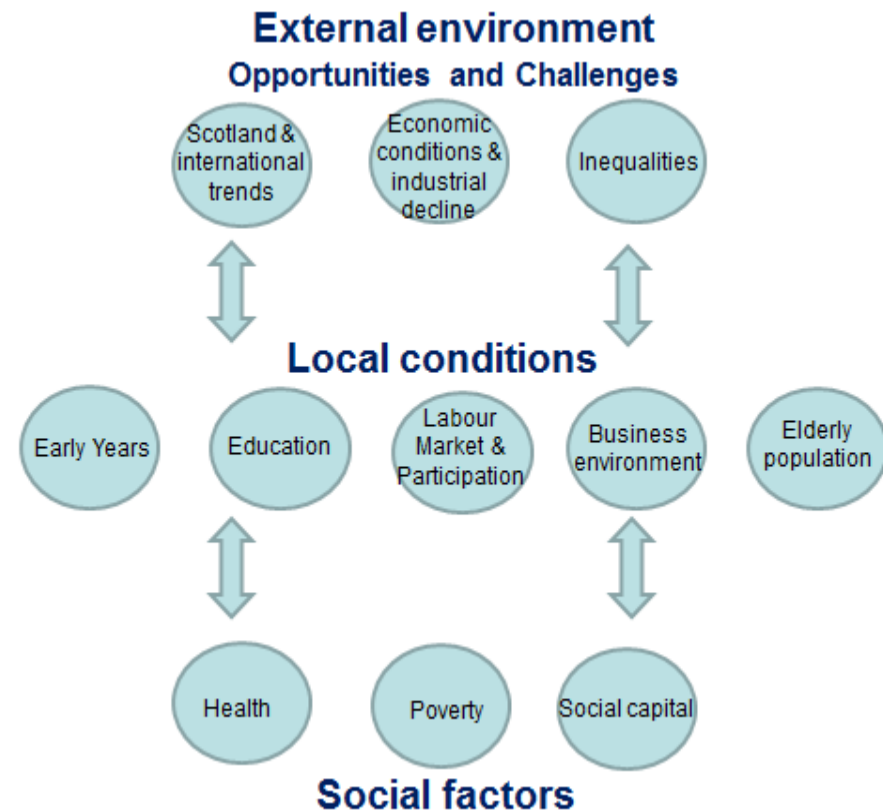


# Below the local authority level

- Inclusive growth challenges (and opportunities) will often present within certain areas of a Local Authority. The approach outlined in this document can be applied to any level of geography, and a key output will be identifying at what level issues are most appropriately addressed. However, this also needs to be viewed in the context of wider opportunities to ensure strategic alignment exists between sub-local levels and higher ‘tier’ geographical challenges/opportunities.
- Various related work exists which can support an understanding of inclusive growth in a place, including:
  - The Scottish Index of Multiple Deprivation, available online here: <http://www.gov.scot/Topics/Statistics/SIMD>
  - The Regeneration Strategy, which sets out the economic, physical and social outcomes that are required to ensure that communities are sustainable.
  - Understanding Scottish Places, which provides analysis of 479 towns, enabling users to identify characteristics of their town and compare similarities and difference in towns across Scotland, with a view to developing the right strategies for their town centre.
  - ScotPHO Online Profiles Tool: <http://www.scotpho.org.uk/comparative-health/profiles/online-profiles-tool>

# Diagnostic stage 2: Inclusive Growth Diagnostic

- **Approach:** Interrogation of data and evidence to unpick what is driving key inclusive growth challenges. The exact approach will be specific to the needs of the Local Authority/ area being investigated.
- In North Ayrshire, due to the breadth of potential issues, a holistic diagnostic approach which investigated three levels (illustrated on the right) was employed:
  - *The external environment* to determine what external drivers may be impacting on growth and inclusion in an area;
  - *Local conditions* that are determining the opportunities of the local population at each stage of life; and,
  - *Social factors* which act to compound an individual's experience of inclusive growth.



- This stage should include, where possible, both (existing) quantitative and qualitative evidence, as well as evidence from subject-matter experts
- When investigating constraints it may be important to understand the impacts of demographics (i.e. are particular groups more affected?), place (i.e. are particular localities more affected?), and time (i.e. over what time period has the challenge presented?).

# Technical note: Inclusive Growth Diagnostics

- Inclusive growth diagnostics were first developed by three Harvard economists – Hausmann, Rodrick and Velasco (HRV) – and are used by organisations such as the World Bank and USAID as part of strategy and planning processes.
- An inclusive growth diagnostic examines whether there is significant unexploited potential for increasing productivity and whether there are important constraints on employability. The purpose is to develop an evidence-based understanding of how binding constraints vary from place to place.
- The HRV model uses a decision tree to unpick the drivers by working downwards to potential ‘root causes’. The starting point for this analysis is a simplified growth model that allows for several types of distortions.

# Stage 2 outputs: inclusive growth drivers

Infrastructure	Slow roll out of <b>digital infrastructure</b> and poor coverage (primarily mobile)
	Lack of appropriate <b>business premises</b>
	<b>Housing:</b> quality and energy efficiency of homes and availability of smaller (1 – 2 bed) properties
	<b>Transport</b> (people to jobs)
	Transport (goods to market)
Skills	<b>Intermediate and advanced skills</b>
	<b>Entry-level skills/ work-readiness</b>
	<b>Basic digital skills</b> (which can also limit social inclusion)
	<b>Digital innovation/ advanced digital skills</b>
Social capital	Community empowerment
	Aspirations
	<b>Health</b> , particularly mental health issues, compounds inclusion challenges
	Difficulties in accessing affordable and flexible <b>childcare</b>
Value/ quality of jobs	Structure of th economy/ sectors/ industries
	Availability of <b>local jobs</b> (low jobs density)
	Sustainable working population

## Diagnostic stage 3: Establishing a vision and articulating success (outcomes framework)

Productivity

Participation

Population

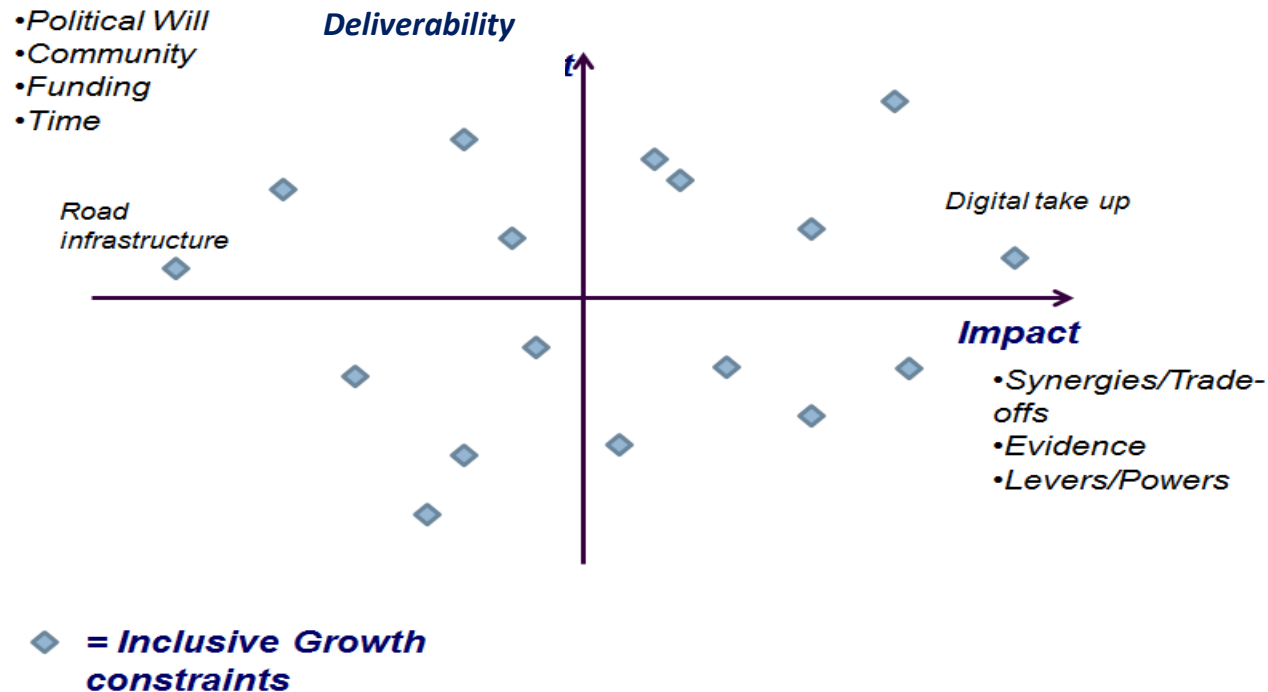
People

Place

Productivity	GVA per head, 2016 (£)
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- Stage 3 entails defining an inclusive growth vision and outcomes at the local or regional level. This will support the prioritisation of actions to deliver this.
- Limitations: Indicators do not provide a direct articulation of progress in delivering specific policies or capture factors relates to social cohesion social capital or community assets. These factors are fundamental to the asset-based approach that would underpin successful regional and local inclusive growth policies.

# Diagnostic stage 4: Prioritisation



The above illustrative example shows how constraints could be ranked. Based on this methodology, long-term need and priorities will be identified. Other methods may also be appropriate for assessing priorities.

- The prioritisation exercise ranks identified constraints based on the interaction of two dimensions: impact and care about.
- **Part I (impact)** - An evidence-based approach is crucial in underpinning the relative importance of constraints identified in unlocking inclusive growth opportunities. The methodology takes into account synergies and trade-offs and impact on key excluded groups. See next page for details.
- **Part II (deliverability)** - Decisions are then balanced against the 'deliverability' dimension – a more qualitative assessment based on political and community priorities and feasibility (e.g. funding). This stage should include stakeholder and community engagement, or build on existing knowledge of the concerns and priorities of the community.

# Prioritisation – Impact

- The matrix below was produced for each inclusive growth driver. Drivers are ranked for their impact on inclusive growth based on their impact on inclusion, growth, and sustainability (and the strength of supporting evidence) and whether they are overall synergetic or have trade-offs.

Constraint	Inclusion		Growth		Sustainability		Trade-off /Synergies	Ranking
	Impact	Evidence	Impact	Evidence	Impact	Evidence		
X	Large	Strong	Small	Strong	Medium	Weak	Positive	1

- Users should adjust the methodology and relative weightings of the different factors as they see fit. However, underpinning this exercise with a clear scoring system based on predetermined criteria will help reduce bias resulting from perceptions of where a constraint “should” be ranked. An illustrative example is included below of what the criteria could look like to consider that a constraint has a “large” impact on inclusion, growth or sustainability.

Impact Descriptor	Score	Inclusion	Growth	Sustainability
Large	3	The constraint significantly impacts upon more than 1 of the excluded groups (i.e. young people, women, long-term health problems, in-work poverty). Also if it significantly impacts upon inclusion within society as a whole.	The constraint is significantly holding back more than 1 of the key drivers of growth (i.e. innovation, investment, human capital, internationalisation).	Easing the constraint would have strong potential to ensure sustainability of inclusive growth, with strong positive implications for the more than one of the sustainability parameters (environmental sustainability, fiscal sustainability and social cohesion).

# Identifying excluded groups

- The prioritisation exercise focuses on the impact of inclusive growth drivers on key excluded groups – these are the groups who are most excluded from the benefits of growth in a particular place.
- Identifying these groups should be based on the evidence of the gap in inclusive growth outcomes for these groups and the average (e.g. employment gap, attainment gap, etc.) and consider the equalities characteristics  
(<http://www.gov.scot/Topics/People/Equality/Equalities/DataGrid>)
- In North Ayrshire, the evidence identified the following key groups as particularly excluded from the benefits of growth: young people, those experiencing long-term health problems, those experiencing in-work poverty, and females.
- There will likely be some overlap between the excluded groups identified.

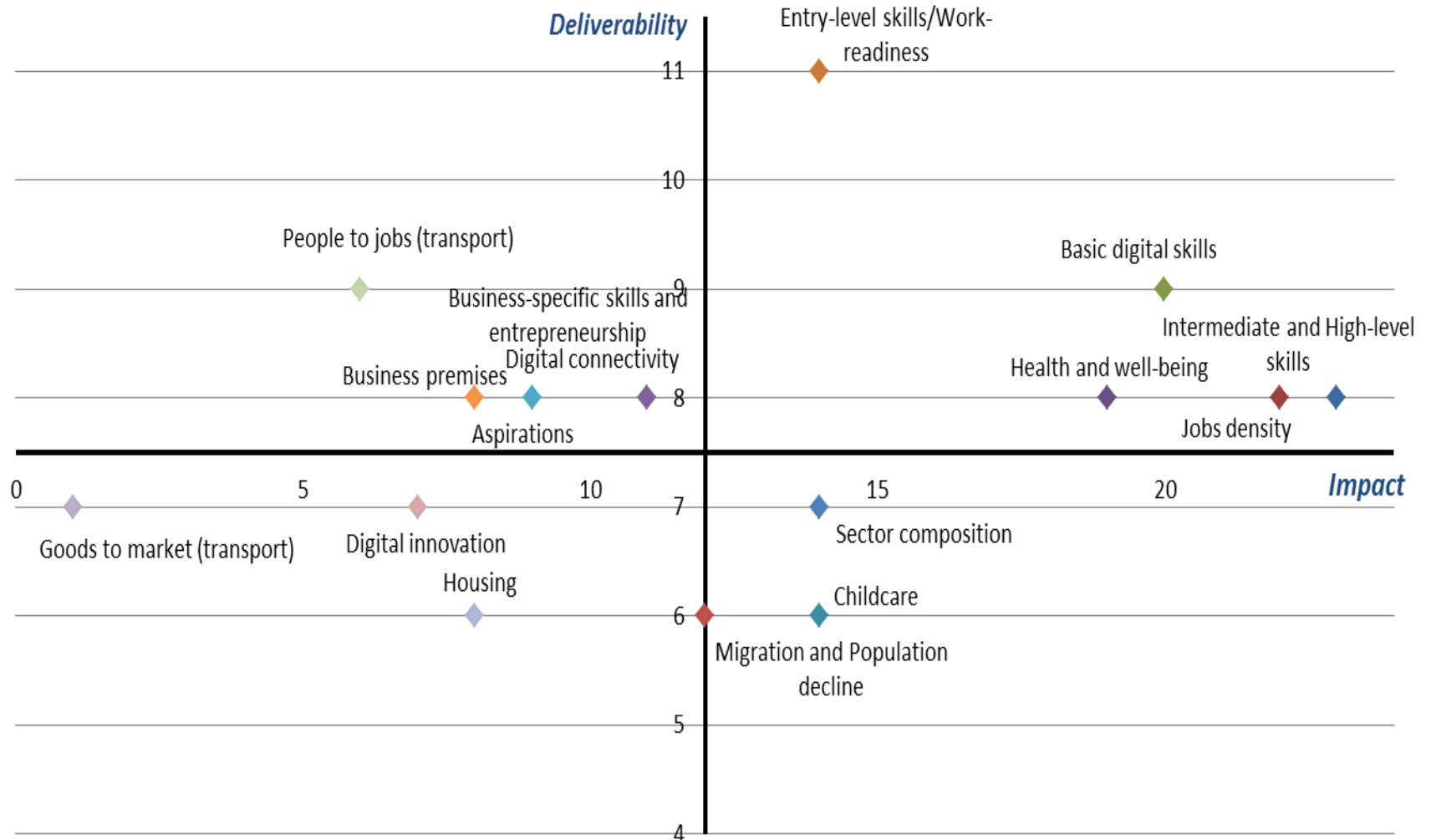


# Prioritisation - Deliverability

- Led by decision makers in North Ayrshire Council. This built on community engagement NAC had carried out, as well as existing knowledge of the concerns and priorities of the community and private sector.
- The criteria agreed with NAC to rank the drivers on the deliverability dimension were:
  1. Preferences of three key groups, including:
    - Local community
    - Businesses
    - Decision/ policy-makers
  2. Time dimension (length of time for constraint to be eased and benefit to be felt)
  3. Funding (level of funding required to ease constraint)
- A matrix (below) was produced for each driver to give an overall deliverability rank.

Constraint	Preference of key groups	Time Dimension		Funding	Deliverability ranking
		Time for constraint to be eased	Time once constraint eased for impact to be felt on inclusive growth		
X	High	Short Term	Medium Term	Medium	1

# Stage 4 outputs: Prioritisation matrix - based on evidence of impact and deliverability for North Ayrshire



- This matrix shows the interaction of the impact and deliverability scoring. Drivers that appear in the top right quadrant can be considered the highest impact and most deliverable.

## Diagnostic Stage 5: Operationalising Results

- Scotland's Centre for Regional Inclusive Growth will support this work by deepening the evidence base around what works in regional economic development and inclusive growth, in particular seeking to understanding the systems that deliver successful inclusive growth outcomes.

# Stage 5 Outputs: Operationalising results in North Ayrshire

- Results were used by North Ayrshire Council to inform the development of strategies and programmes, including the Community Planning Partnership 'Fair for All' Strategy to reduce inequalities in North Ayrshire and its associated 'Pledges'.
- North Ayrshire Council's March 2017 budget made a significant investment to take forward the North Ayrshire Fair for All Strategy. Investment funds created include:
  - Community Investment Fund;
  - Poverty Challenge Fund;
  - Basic Income Pledge;
  - Participatory Budgeting Fund.
- Diagnostic piloted in NA is now being rolled out for all of Ayrshire – provides the evidence base for driving inclusive growth in the region and informs the priorities of the Regional Partnership and the Ayrshire Growth Deal.

# Diagnostic Stage 6: Monitoring Progress Against Outcomes

- Progress should be monitored against inclusive growth outcomes defined in stage 3 and fed back through the diagnostic process to allow for the on-going refinement of inclusive growth priorities.
- Scotland's Centre for Regional Inclusive Growth will support this work through establishing a consistent monitoring and evaluation framework for Scotland's Regional Economic Partnerships and associated City and Regional Growth Deals.