How Good is Britain's Economy?

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Introduction

Britain needs a powerful, unifying vision of its future, as it leaves the EU and heads into the 'open waters' of the global economy. We believe that the "Good Economy" can provide this vision for Britain. It is a graspable future where the idea of inclusive and sustainable development becomes a reality. So, where are we now? And how do we get to where we want to be?

Our occasional series of Good Economy Insights will track Britain's development as a Good Economy. To launch the series, and begin the process of establishing baselines, we address this question: how well does Britain perform on the Good Economy geography test?

Weeks before the EU Referendum, The Good Economy Partnership (TGE) published a position paper laying out the 4-pillar model of the Good Economy shown below.

A Good Economy must have a Good Geography, meaning a spatial distribution of job and economic opportunity that is equitable and sustainable. Logically, 'an economy that works for everyone' must have 'a geography that works for everyone'. The necessary and sufficient condition for achieving these conjoined goals is that Britain must become 'a society that thinks of everyone'.

The Good Economy Model: A Four Pillar Framework

THE GOOD ECONOMY

Good Jobs

Decent Living Standards
Full-employment and jobs that pay decent wages and fulfil career aspirations, with everyone able to enjoy a high quality of work-life.

Business Dynamism

Inclusive Investing
A backbone of SMEs characterised by high business dynamism in terms of sustainable growth and social impact, thriving on an economic landscape rich in finance, skills, infrastructure and accessible market opportunities.

Human Development

Universal Services
Equal access to high quality public services so that everyone, everywhere can enjoy a high standard of personal and social well-being.

Social Cohesion

Democracy & Community
A truly representative democracy shored up by high levels of social mobility and vibrant civic communities.

This conceptual framework is based on social economics, including the ideas of Nobel laureate Edmund Phelps about a "high dynamism, wide inclusion" economy, and J.K. Galbraith's thoughts on "the economic basis of the good society – there must be employment opportunity for all willing members".

The Good Economy Index

Our position paper introduced "The Good Economy Index" – a suite of tools and data for measuring the development of the Good Economy. TGE has completed its first phase of research and development work on the Index, focusing on the Good Jobs and Business Dynamism pillars, and highlighting the private sector's role in driving inclusive growth as employers and investors. Three indices are available:

- **The Good Economy Place** Index (GEP) applies to the state and progress of *places*, as nations, regions and localities;
- **The Good Economy Sector** Index (GES) applies to the state and progress of *sectors*, as industry segments of the economy;
- **The Good Economy Business** Index (GEB) applies to the state and progress of businesses, individually and/or collectively.

Growth is a composite measure of private sector employment growth, GVA growth, SME dynamism (excluding micro businesses) and working age population growth. Inclusion is a composite measure of earnings quality (relative to the national median wage and the Voluntary Living Wage), job security (the risk of unemployment) and the labour market prospects of young people. We have followed OECD and ILO definitions of what constitutes 'good' or 'decent' jobs.

TGE has linked employment, economic development and business performance data in new and original ways to provide a composite measure of inclusive growth performance across places, sectors and businesses. As such, The Good Economy Index can add value and insight to inclusive growth reporting and benchmarking across business and finance, public policy and the social sector.

The Inclusive Growth Landscape

In this section we present headline results for the Good Economy Place (GEP) Index – which maps and measures inclusive growth in Britain.

We believe that the GEP Index will be of direct interest to place-based stakeholders as new assessment and policy guidance tools. Spread across Britain, these stakeholders include Local Enterprise Partnerships (LEPs) and local and combined authorities in England, and governments and economic development agencies in Scotland and Wales. There are other business-related stakeholders, such as chambers of commerce, investors, universities, social enterprises and charities who also have a place-based stake in the geography of inclusive growth in Britain. The Good Economy Index offers these stakeholders a canvas and context for understanding the inclusive growth performance of regions and local areas. It shows where inclusive growth is lagging and therefore where inclusive business and investment is most needed. Stakeholders can use The Good Economy Index as a tool to guide strategy and weigh up their efforts, individually and collectively.

The GEP Index results in the three maps shown below – the geography of inclusive growth in Britain by local authority, Local Enterprise Partnership, English region, Scotland and Wales.[1]
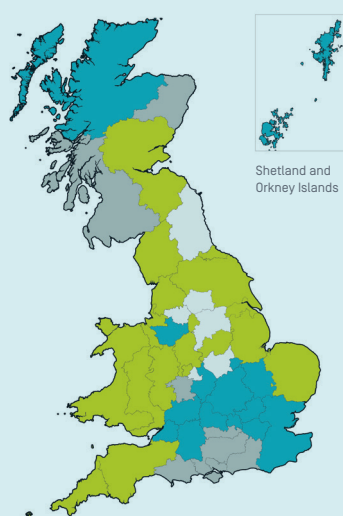

[1.] In Scotland and Wales we have used EU NUTS 2 boundaries to approximate quasi-LEP boundaries.

The Geography of Inclusive Growth

By Nation and Region

Shetland and Orkney Islands
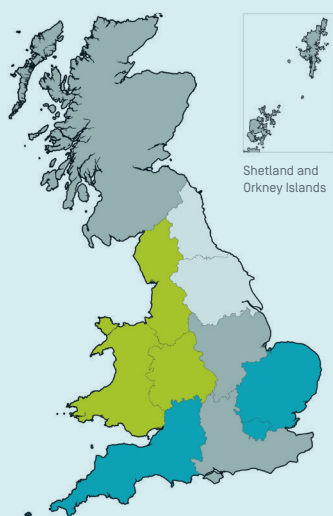
By England LEPs, Scotland & Wales NUTS 2 areas

Shetland and Orkney Islands

	Rank*	Local Enterprise Partnership
TOP 5	1	Hertfordshire
	2	Oxfordshire
	3	London
	4	West of England
	5	Gloucestershire
BOTTOM 5	35	Worcestershire
	36	Lancashire
	37	Cornwall and Isles of Scilly
	38	Cumbria
	39	Liverpool City Region

*Rankings are based upon the combined Growth and inclusion scores (1 most inclusive growth)

Legend:
- ■ Growth above average, Inclusion above average
- □ Growth above average, Inclusion below average
- ■ Growth below average, Inclusion above average
- ■ Growth below average, Inclusion below average

Maps: contain OS data © Crown copyright and database right (2017)

For people familiar with the UN Sustainable Development Goals (SDGs), these maps speak to SDG 8 on decent work and economic growth. All countries, including the UK, are expected to report and implement the SDGs. Governments are using the SDGs to frame their development funding. Asset managers are using SDGs to frame socially responsible and impact investment strategies, whilst corporates are using SDGs to refresh their approaches to corporate social responsibility and community engagement.

What matters to inclusive and sustainable growth, the world over, is that the SDGs don't become mere 'stickers' for marketing and communications. To be achieved in the timeframe envisioned, they must be backed up by robust business and investment strategies, social due diligence and impact measurement and management to ensure that investor and corporate efforts genuinely lead to inclusive and sustainable growth for places and people.

TGE concentrates on SDG8 because it is a fundamental SDG in both developed and developing countries. Decent work impacts on people's well-being and is pivotal to the attainment of many other SDGs including equality, poverty and health.

TGE does not normally use maps of Britain's inclusive growth landscape in isolation. We link our 'growth-inclusion' classifications of places to our parallel classifications of sectors, in order to assess the broader *social* contribution of businesses to inclusive job and economic growth. These contributions are converted into business ratings systems for investors wanting to measure and improve the social performance of their portfolios.

Nevertheless, as stand-alone outputs, the maps presented in this paper are powerful snapshots of the state of inclusive growth across Britain. They show that:

- As *whole* nations, Wales performs disappointingly on both growth and inclusion, Scotland lags on growth, but is ahead on inclusion; and England has the legacy of the North-South Divide (an imaginary line running from the Severn to the Wash)

The Geography of Inclusive Growth

By Local Authority

Shetland and Orkney Islands

London
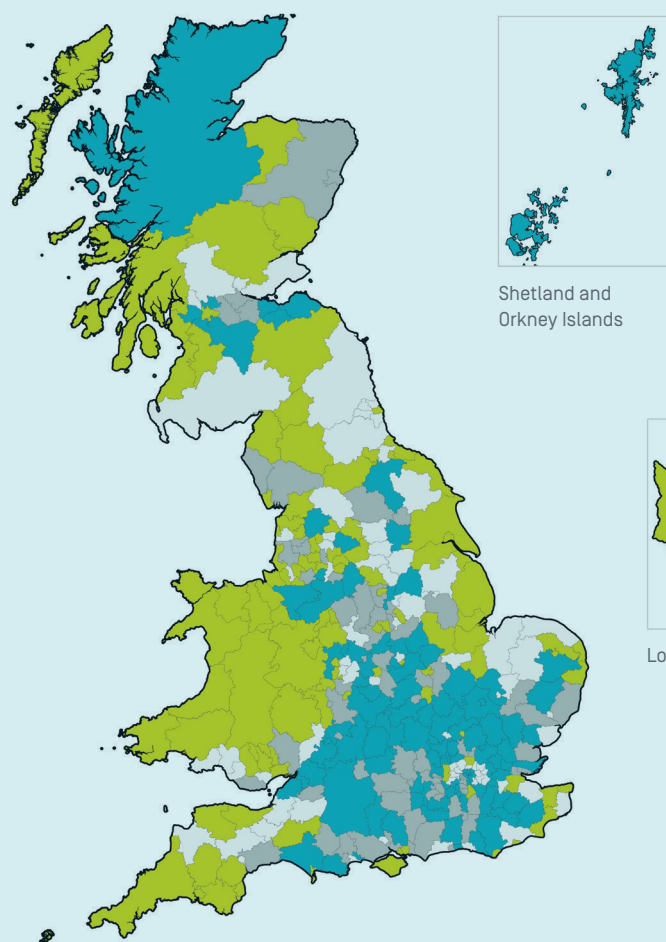
Rank*	Local Authority areas
TOP 10	
1	Watford
2	Bolsover
3	Islington
4	Tower Hamlets
5	Three Rivers
6	St Albans
7	Tunbridge Wells
8	Richmond upon Thames
9	Shetland Islands
10	Uttlesford
BOTTOM 10	
369	Merthyr Tydfil
370	Halton
371	Stoke-on-Trent
372	Blackpool
373	Great Yarmouth
374	Tameside
375	North East Lincolnshire
376	Middlesbrough
377	Torbay
378	Wolverhampton

*Rankings are based upon the combined Growth and inclusion scores

■ Growth above average, Inclusion above average
□ Growth above average, Inclusion below average
■ Growth below average, Inclusion above average
■ Growth below average, Inclusion below average

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- England's regions are a 'mixed bag': London, the South West and the East of England perform well on growth and inclusion; the North West and West Midlands under-perform on both growth and inclusion; defying their 'lagging region' status, the North East and Yorkshire and the Humber do well on growth, although not inclusion; and also breaking from past patterns, the South East's growth performance is weak
- 'Fault lines' in the inclusive growth landscape are clearly visible in every region and sub-region of Britain: London's polarisation/inequality problems show up at the local authority level, being masked by the capital's high median earnings performance at the regional level; inclusive growth has a strong metropolitan bias in the rest of Britain, with the case for a "Midlands Engine" and a "Northern Powerhouse" leaping off the maps.

Britain Fails The Good Economy test

These maps tell us that Britain does not have 'a geography that works for everyone'. The corollary is that Britain does not have 'an economy that works for everyone'. Britain does not pass the Good Economy 'geography test'. We have lived with this national failure for decades. Post-Brexit Britain can no longer afford the efficiency and equity costs of its hyper-centralised economy. The Productivity Paradox and The Growth-Inclusion Paradox are closely intertwined, and their spatial expression is Britain's 'bad geography' of inclusive growth.

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We surmise that the disruptive nature of Brexit could lead to new and unexpected policy solutions. There is an outside chance that a more self-reliant Britain could gradually reinvent itself as a Good Economy, in every place and in every sector.

There are policies for growth and policies for inclusion. The challenge *is to get the policy mix right* by time and place. Logically, the policy mix in London should lean towards inclusion rather than growth. Across Wales, both types of polices are badly needed. TGE's maps can be used to consider what policy mix is more favourable to inclusive growth, particularly where resources are scarce. The maps and underlying data analysis can help to create a unified framework for achieving the right 'mix' of inclusive growth strategies – across all sectors – for Britain as a whole.

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This is, of course, easier said than done. There is a *consensus* around inclusive growth – but there is also conflict on how it is to be achieved, rooted in ideological differences. "There's the rub." However, to make Britain a Good Economy, **we need a society that thinks of everyone**. If we can make that 'great leap forward' – and Britain has done that before – we will improve our chances of creating an economy and geography that works for everyone. We have to think that way.

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The main purpose of this paper is to introduce the Good Economy Index – focusing on its geographical GEP Sub-Index. The GEP is designed to promote an active rather than passive view of the relationship between places and businesses:

- Places are an *active rather than passive* factor in assessing the inclusive growth performance of businesses; and
- Equally, business performance is an *active rather than passive* factor in the inclusive growth performance of places.

The Good Economy Index is a tool that measures the contribution of businesses to decent jobs and inclusive growth, It can practically help identify, connect and build relations between businesses, investors and place-based actors with a shared commitment to delivering on inclusive growth.

TGE's second brief will focus on the inclusive growth performance of sectors – which sectors are driving good job creation and inclusive growth in Britain?

If you are interested in knowing more about The Good Economy Index, sharing your views or understanding how we could support you, please contact Mark Hepworth at **mark@thegoodeconomy.co.uk**.