

UK Shared Prosperity Fund: Creating Inclusive Growth

EDF Briefing October 2018

The Equality and Diversity Forum (EDF) is the national network of organisations working across all areas of equality and human rights. Our members represent some of the most disadvantaged groups throughout the UK, including those with protected characteristics under the Equality Act 2010, and have long played a vital role in ensuring protection and representation for these groups.

We very much welcome the Government's commitment to inclusive growth, as set out in the 2017 manifesto and more recently in its Industrial Strategy. The UK Shared Prosperity Fund (SPF), which will replace European Structural and Investment Funds, represents a real opportunity to tackle injustice and the barriers that prevent under-represented groups from reaching their potential and limit productivity and growth. However, this opportunity can only be achieved if:

- there is an explicit, strategic focus on equality and social inclusion at a national level, in each of the devolved nations, and in local industrial strategies; and
- the SPF provides the same level of investment in education, training and employment support for disadvantaged individuals and groups as under the European Social Fund (ESF).

Embedding equality: the business case

The Industrial Strategy makes a strong case for an inclusive workforce that is good for people, business and productivity. It is clear that injustices not only cause unnecessary downstream costs to health and other public services, they also limit productivity and growth, for example:

- ill health amongst people of working age costs the economy around £100 million a year,¹ yet disabled people have fewer qualifications - and are three times as likely to have **no** qualifications - than non-disabled people, and are much less likely to be in work, with an employment rate little more than half that of non-disabled people;²
- at 62.8%, the employment rate of people from Black, Asian and minority ethnic communities is considerably lower than for the white population (75.6%) – and lower still for some groups; if they were to be fully represented in the labour market the potential benefit to the UK economy would be £24 billion a year, or 1.3% of GDP;³
- a shortage of STEM skills costs the UK economy £1.5 billion a year,⁴ yet there is a persistent gender gap in this area: just 25% of graduates in STEM subjects are women, even less, 14% are in engineering, and this is reflected in the labour market, where only 21% of the STEM workforce are women (and only 8% of those in engineering jobs).⁵

The opportunities are equally significant: bridging the gender employment gap could create an extra £150 billion in GDP in 2025.⁶ A 5% rise in the employment rate of working-age disabled people would increase GDP by £23 billion by 2030.⁷

There is a clear business case for mainstreaming equality, but to be effective, equality goals need to be: developed and agreed by all partners from the outset; they must be embedded in economic strategies; and sensitive to local needs and circumstances. Gestures or tick box

approaches do not work.⁸ The Government therefore needs to set high expectations and incentivise action on the ground. Local industrial strategies and delivery plans must explicitly address equality and social inclusion and set out how they intend to achieve inclusive growth and prosperity for all. As a minimum all SPF-funded initiatives and programmes must have explicit participation targets to ensure they reach, and benefit the most disadvantaged people and groups, including those with protected characteristics.

EU Funding: Strengths and weaknesses

EU funding has provided significant investment to projects aimed at addressing the inequality and discrimination that harm people's life chances and prosperity. Of the £9.3 billion allocated to the UK through European Structural and Investment Funds in 2014-2020, more than half (£5.55 billion) is linked to objectives that focus on equality issues. This level of investment and strategic focus must be sustained if the opportunity to further the Government's goal of building a fairer, as well as a more prosperous society is to be realised.

A strength of EU funding has been its focus on equality and diversity, with a mandatory requirement across all programmes to ensure that those most at risk of discrimination are included. In addition to this, specific drivers have been used to ensure that funding addresses the inequality and disadvantage faced by so many people in the UK. These include:

- cross-cutting themes requiring all programmes to address equal opportunities and gender mainstreaming; social inclusion; and sustainable development;
- fund-specific thematic priorities, for example one of the ESF's priorities is 'to promote social inclusion and combat poverty and any discrimination'; and
- fund-specific participation targets, for 2007-2013 in England, the top-level ESF equality targets were 51% women, and 19% each for BAME, disabled people, and people over the age of 50.

These drivers create an essential framework that has enabled innovation, best practice and accountability for initiatives that benefit people facing abuse, disadvantage, discrimination and other barriers to the labour market. They have had a significant impact, ensuring higher levels of participation by disadvantaged groups in EU-funded programmes, as well as promoting good practice. As a consequence, EU funding has provided a lifeline to disadvantaged people and communities, and the voluntary and community organisations that support them.⁹ However:

- tensions between economic and social objectives have meant that economic growth and the drive for jobs has sometimes been at the expense of equality and social inclusion;¹⁰
- poor data collection makes it difficult to determine the extent to which resources have been targeted or equality and human rights commitments delivered; and
- bureaucratically complex administration has deterred many organisations from applying for funds, particularly those working with very marginalised communities.

If the Government's objective of fairness and prosperity for all is to be achieved, it is essential that the SPF retains the same level of strategic focus on, and investment in equality as the funds it is replacing. Key to this will be ensuring that the national Industrial

Strategy and associated frameworks give equal prominence to economic growth *and* social inclusion, so that equality principles are firmly embedded at a strategic level, using the UKSPF to deliver change on the ground.

This would not only assist public authorities in fulfilling their obligations under the Public Sector Equality Duty of the Equality Act 2010, but also enable the Government to deliver on its commitments, such as the commitment to increase Black and minority ethnic employment by 20% by 2020¹¹ and to get one million disabled people back into work by 2028.¹² In short, it will help to ensure that economic growth is truly inclusive.

Equality, Inclusion and the VCS

The ESF has provided vital, dedicated support to individuals and communities experiencing disadvantage, discrimination and abuse, as well as to the voluntary and community organisations (VCOs) that support them. It often enables work on difficult issues and with groups for which there are insufficient alternative sources of funding, including discrimination, workers at risk of exploitation, and women with complex needs including addiction, homelessness, contact with the criminal justice system, and mental ill health.

Perhaps unsurprisingly there is significant concern across the voluntary and community sector about the potential loss of this funding. While the ESF is a relatively small proportion of the sector's funding overall, it is a lifeline for some organisations that rely on it.¹³ Its loss would not only threaten their sustainability, and therefore the level of support available to those they work with, it would also mean losing much-needed specialist knowledge and expertise that is vital to achieving inclusive growth.

At the same time, however, overly bureaucratic processes associated with EU funding has made it very difficult for many organisations to access these funds. This is particularly true for smaller organisations, including many working with people facing discrimination and / or who are furthest from the labour market. The SPF therefore represents an opportunity to maintain and extend the support provided to disadvantaged people and communities by local and specialist voluntary and community organisations.

To make the most of this opportunity, it is essential that:

- local and specialist VCOs are involved in the design as well as the delivery of Local Industrial Strategies, and are given the resources and support they need to participate on equal terms to other partners, including appropriate infrastructure support;
- other partners (business, local government) recognise the unique contribution that voluntary and community organisations bring to the table, including direct links into disadvantaged communities; an understanding of people's needs and the barriers they face; and experience of working with individuals to enable them to overcome those barriers, build their confidence and increase their employability; and
- the SPF itself is designed with minimum bureaucracy to meet local needs and enable a range of providers to access funding, particularly those who are close to the needs of disadvantaged and discriminated against groups and have relevant, specialist understanding and expertise to ensure that high quality support is targeted at those who need it most.

In Scotland, Wales and Northern Ireland, VCOs have been actively engaged in the design and delivery of structural funds and see this way of working as being critical to the effectiveness of EU programmes in these countries. Although the Government has not yet announced how the SPF will be taken forward in the devolved nations, building on this strong tradition of partnership working will ensure that funding is shaped and informed by those it is intended for.

In England, the Government's intention to support Local Enterprise Partnerships (LEPs) to improve the gender balance and representation of those with protected characteristics on Boards and to set specific, timed targets for achieving this is a welcome step. But it is not the most effective way to ensure that the people and communities who most need to benefit from the UKSPF will do so. More important is ensuring that women and other under-represented groups are participating in, and benefiting from interventions on the ground.

Investing in infrastructure

The Industrial Strategy promises investment in physical infrastructure, including transport, digital technology and business facilities. This is very welcome, but creating an economy that works for all will also require investment in social infrastructure, not only health, education and care services but also one that enables grassroots participation.¹⁴ Issues related to health and well-being can create real barriers for some people, as the Government's disability strategy recognises. This emphasises the need for:

'a sustainable welfare and support system that works in tandem with the health system ... as part of strong wider local partnerships to move people into work when they are ready'.¹⁵

We welcome the Government's ambition to support one million disabled people into employment over the next ten years. Embedding this within the Industrial Strategy would ensure that there is the concerted focus and commitment needed from all sectors to achieve this goal.

Women's participation in the labour market is inextricably bound up with their caring responsibilities: while more women are in employment than ever before, they are more likely to be in low paid jobs and work part time: 60% of workers on low pay and 73% of part time workers are women.¹⁶ Investing in good quality early years provision, for example, will not only enhance women's employment prospects, but will also improve the life chances of future generations: 'Improving experiences in the early years is central to reducing inequalities in childhood and later life.'¹⁷ There is also the potential to develop career pathways within the care sector, improving the pay, prospects and prosperity of the workforce, many of whom will be women. This is particularly crucial given that a significant proportion of the current workforce are EU migrants and likely to leave the UK post-Brexit.

Inclusive growth requires strong partnerships across sectors and services, recognising that economic and social well-being go hand in hand, especially for those furthest away from the labour market. This will require a mixture of physical and social infrastructure as well as dedicated resources to support the participation of individuals from under-represented groups. The SPF is intended to replace both the European Regional Development Fund and ESF and therefore has the potential to provide this mix, provided that the balance is right: there must continue to be a dedicated funding stream to provide effective 'wrap around' employability support to those who need it most. As the Work and Pensions Committee have

stated, 'failing to protect funding for hard-to-reach groups would result in a missed opportunity to address current skills gaps and productivity challenges'.¹⁸

Building the evidence-base

In recent years the Government has made significant strides in collecting and collating evidence of inequalities in the UK. This can be seen, for example, in the DWP disability strategy, *Improving Lives*, the LGBT Action Plan, data on the gender pay gap and the ground-breaking Race Disparity Audit. Yet although these initiatives are referenced in the Industrial Strategy, it is not yet clear how they will be integrated either into national frameworks or local industrial strategies.

There is a real opportunity to bring these strategies into the mainstream and to use this evidence-base to secure real improvements for disadvantaged groups. This will require:

- clear accountability mechanisms, ensuring that (i) local industrial strategies and delivery plans include equality targets and (ii) relevant monitoring data is consistently collected and used to measure participation, improve targeting and value-for-money;
- maximum flexibility at the local or regional level to set targets and design delivery plans based on robust evidence of inequalities between individuals and groups in each area, taking account of the specific opportunities and challenges for local people and the local economy;
- the SPF to fund provision currently missed by mainstream support, creating a clear route of employment and other support for disadvantaged and discriminated against groups, especially those with multiple and complex needs who are furthest from the labour market; and
- 'soft' outcomes, such as increased confidence or job-readiness, need to be valued and measured in ways that reflect an individual's journey towards employment and take account of the multiple barriers that some will face on the way.

Collectively, these measures would mean that the SPF would retain the drive for equality and social inclusion that underpins EU funding, without replicating its inherent informational weaknesses, making it easier to assess its impact on people, places and productivity.

Innovation and learning

Increasing economic inequality and injustice is a feature of economies across the world. Designed right, the SPF has the potential to lead the world in developing innovative approaches that promote both inclusion and growth. But innovation also involves experimentation and some level of risk. While there should be maximum flexibility for local areas to target need and tailor provision according to their particular circumstances, opportunities to share learning and best practice as part of a formal Peer Review process is also needed. This will enable LEPs and others to compare approaches, celebrate success and identify areas where further effort is needed to ensure fairness and prosperity for all.

Summary of recommendations

To achieve its objective of fairness and prosperity for all, the Industrial Strategy must give equal prominence to economic growth *and* social inclusion, ensuring that equality principles are firmly embedded at a strategic level and using the UKSPF to deliver real change on the ground. Therefore we recommend that:

- equality principles and requirements are included in the revised National Assurance Framework for Local Enterprise Partnerships (LEPs) in England, with specific priorities and participation targets developed at the local level in partnership with local business, local communities and the VCS;
- arrangements in Scotland, Wales and Northern Ireland should be determined by the respective administrations, building on their extensive experience of working in partnership with the VCS to address equality;
- strategies for equality and social inclusion should be integral to delivery plans, with the benefits this brings to local businesses and local people clearly identified and understood;
- the SPF should include a dedicated fund to assist those currently missed by mainstream services, creating a clear route of employment and other support for disadvantaged and discriminated against individuals and groups;
- the fund should be designed according to the overarching principles put forward by the NCVO / ERSA Post EU Working Group and should be administered in partnership with the voluntary and community sector to ensure that it is shaped and informed by those it is intended for;
- investment in infrastructure includes both social (health, education, early years, voluntary and community sector) and physical infrastructure (roads, digital communications);
- local industrial strategies should be based on objective evidence of inequalities, and the particular barriers faced by people with protected characteristics, and informed by the views, needs and priorities of marginalised groups themselves;
- a peer review process should be encouraged to share learning and best practice in promoting equality, to facilitate innovation and celebrate success.

References

- ¹ DWP, 2017, *Improving Lives: the future of work, health and disability*
- ² A Tinson et al, 2016 *Monitoring Poverty and Social Exclusion 2016* York: Joseph Rowntree Foundation <https://www.irf.org.uk/report/monitoring-poverty-and-social-exclusion-2016>
- ³ R McGregor-Smith, 2017, *Race in the Workplace: The McGregor Smith Review* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594336/race-in-workplace-mcgregor-smith-review.pdf
- ⁴ Institute of Mechanical Engineers, May 2018, *Engineering News* <https://www.imeche.org/news/news-article/stem-skills-gap-costs-the-uk-1.5bn-a-year>
- ⁵ Women's Budget Group 2018, *Building Our Industrial Strategy Green Paper: response from the Women's Budget Group* <https://wbq.org.uk/analysis/governments-industrial-strategy-consultation/>
- ⁶ McKinsey Global Institute, The power of parity: Advancing women's equality in the United Kingdom, 2016, <https://www.mckinsey.com/featured-insights/gender-equality/the-power-of-parity-advancing-womens-equality-in-the-united-kingdom>
- ⁷ Scope, Enabling work: disabled people, employment and the UK economy, 2015 https://www.scope.org.uk/Scope/media/Images/Publication%20Directory/Landman_Report.PDF?ext=.pdf
- ⁸ DBIS, 2013, *The Business Case for Equality and Diversity: A review of the academic literature* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/49785/bis-13-556es-business-case-for-equality-and-diversity-executive-summary.pdf
- ⁹ Equality and Diversity Forum, 2018, *Shared Prosperity, Shared Rights* <http://www.edf.org.uk/edf-report-shared-prosperity-shared-rights-replacing-eu-funding-for-equality-and-human-rights-after-brexite/>
- ¹⁰ Welsh European Funding Office (July 2014) *2014-2020 European Regional Development Fund Programmes for Wales - Equality Impact Assessment Report* <http://gov.wales/docs/wefo/publications/150128erdfequalityimpactassessment.pdf>
- ¹¹ Ministry of Housing, Communities and Local Government, 2018, *Integrated Communities Strategy Green Paper* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/696993/Integrated_Communities_Strategy.pdf
- ¹² DWP, 2017, *Improving Lives: the future of work, health and disability*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/663399/improving-lives-the-future-of-work-health-and-disability.PDF
- ¹³ Equality and Diversity Forum, 2018, *Shared Prosperity, Shared Rights*
- ¹⁴ F Alverado et al, 2018 *World Inequality Report, 2018* <https://wir2018.wid.world/files/download/wir2018-full-report-english.pdf>
- ¹⁵ DWP, 2017, *Improving Lives: the future of work, health and disability* p.4

¹⁶ Women's Budget Group 2018, *Building Our Industrial Strategy Green Paper: response from the Women's Budget Group*

¹⁷ A Pordes Bowers *et al*, 2012 *An Equal Start* UCL: Institute of Health Equity
<http://www.instituteofhealthequity.org/resources-reports/an-equal-start-improving-outcomes-in-childrens-centres/an-equal-start-executive-summary.pdf>

¹⁸ House of Commons Work and Pensions Committee, 2018, *The European Social Fund* Eighth report 2017-2019 session
<https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/848/848.pdf>