

Inclusive Growth in Scotland

Gary Gillespie, Chief Economist

Scottish Government

12th February 2016

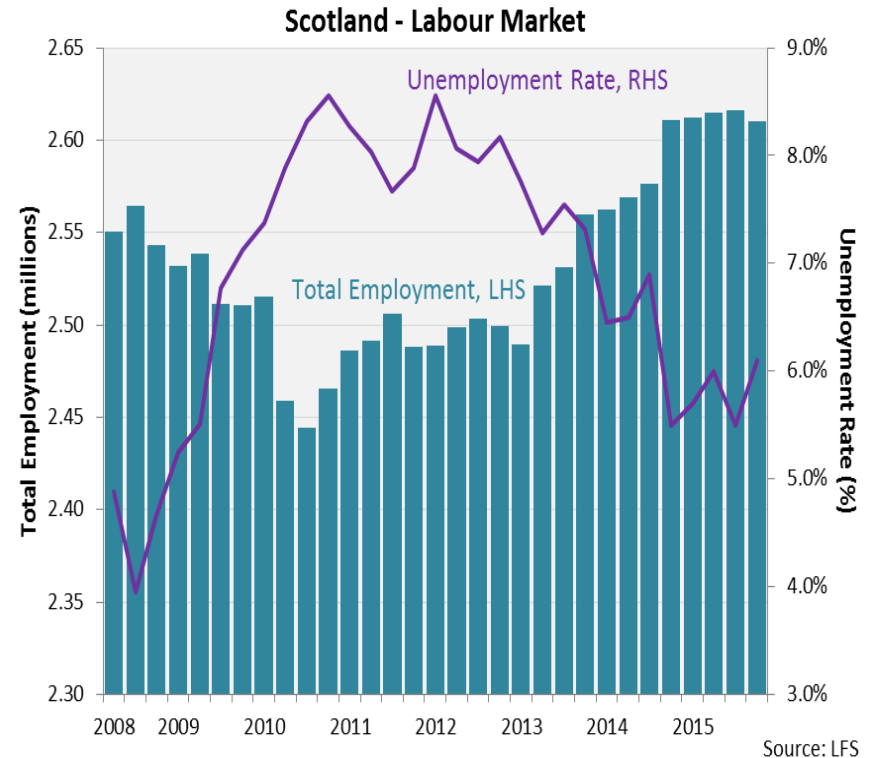
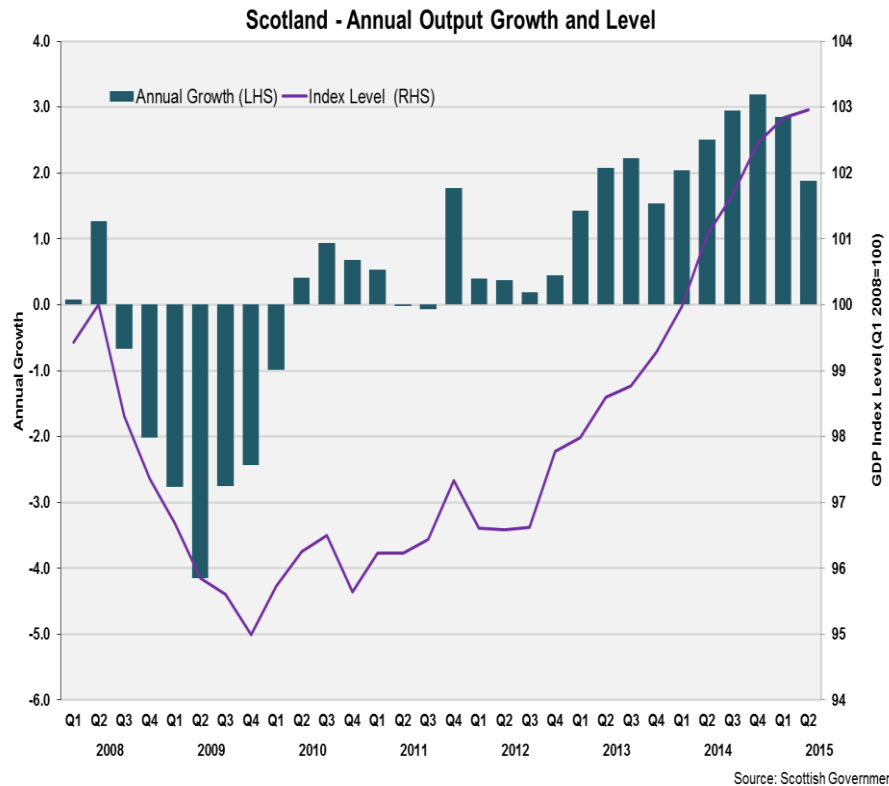
Structure

- Background – Scottish context
- What do we mean by inclusive growth in Scotland?
- What is the Scottish Government doing on inclusive growth?
- Next steps – inclusive growth diagnostic

The Scottish context

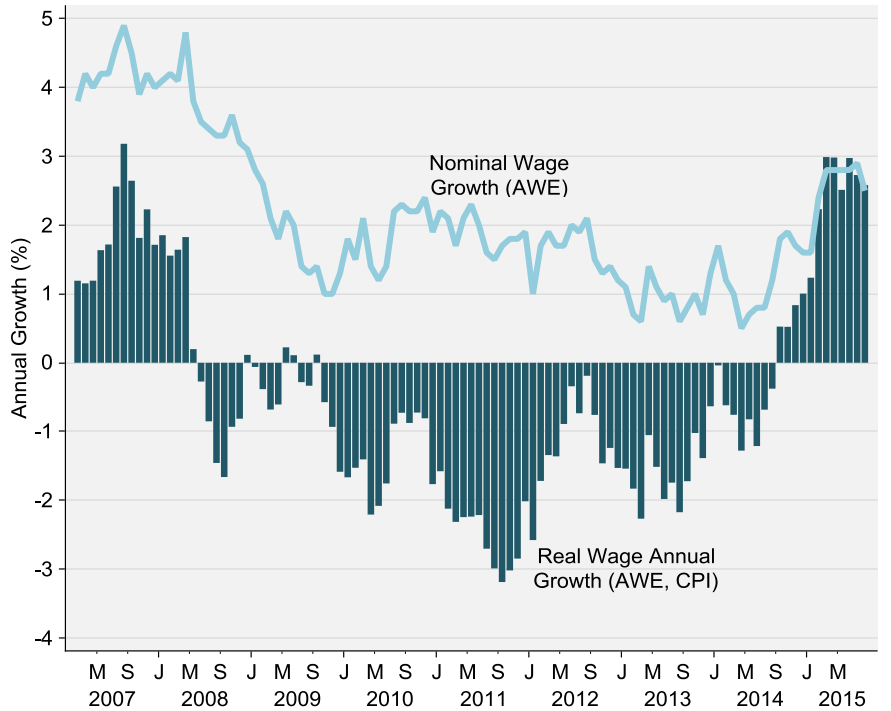
Scotland's Economy

Strong aggregate post-recession performance



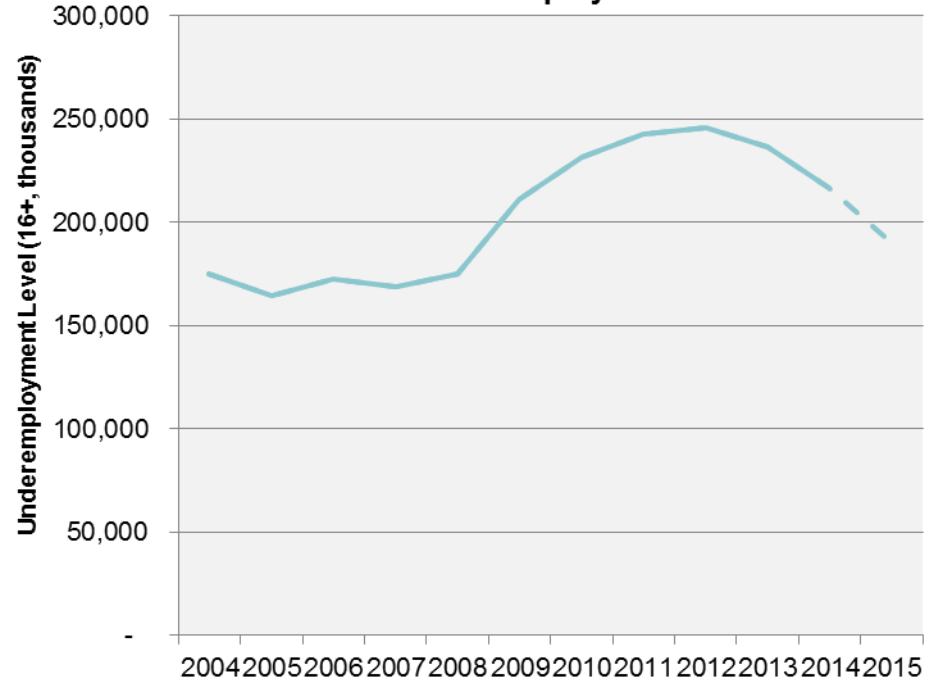
But challenges remain: Real Wages and Employment Opportunities

UK - Nominal and Real Wage Growth



Source: Macrobond

Scotland Underemployment

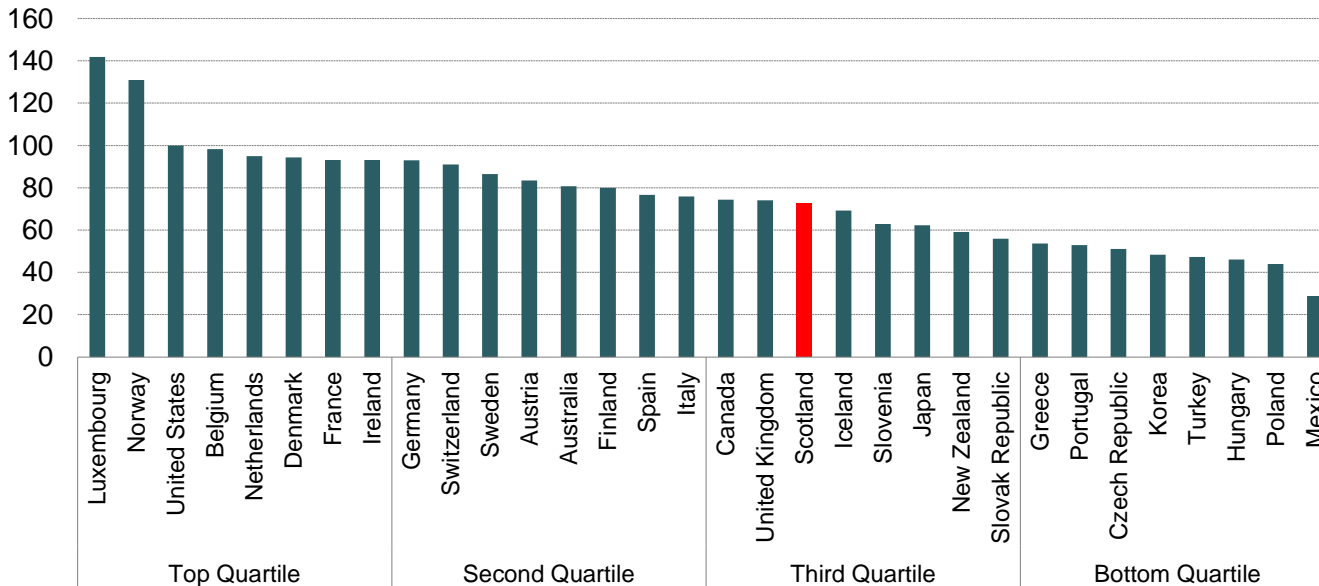
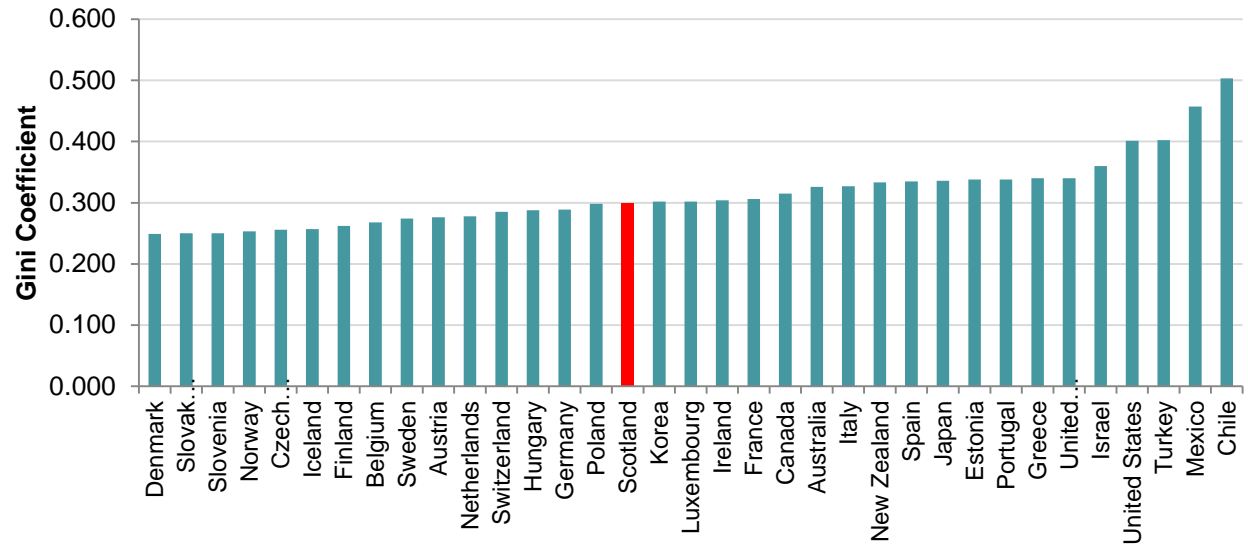


Source: Annual Population Survey, Scottish

International Rankings - Scotland

Inequality:

In terms of the Gini coefficient, Scotland would rank 16th out of the OECD countries for income inequality.



Productivity:

Scotland is currently ranked 19th out of 32 OECD countries when measured by GDP per hour worked.

Post Recession - Is this the new 'normal'?



Scotland is a wealthy country, with a higher GDP per head than the UK



1 in 7 | people in Scotland live in poverty. And 20 times as many people in Scotland now use food banks as in 2011/12



The gap in pay between men and women has fallen considerably



Women still get paid less than men. For every £1 a man earns, a woman earns 83p



We are living longer, healthier lives



People from our most deprived areas live on average 10 years less than those in our least deprived areas



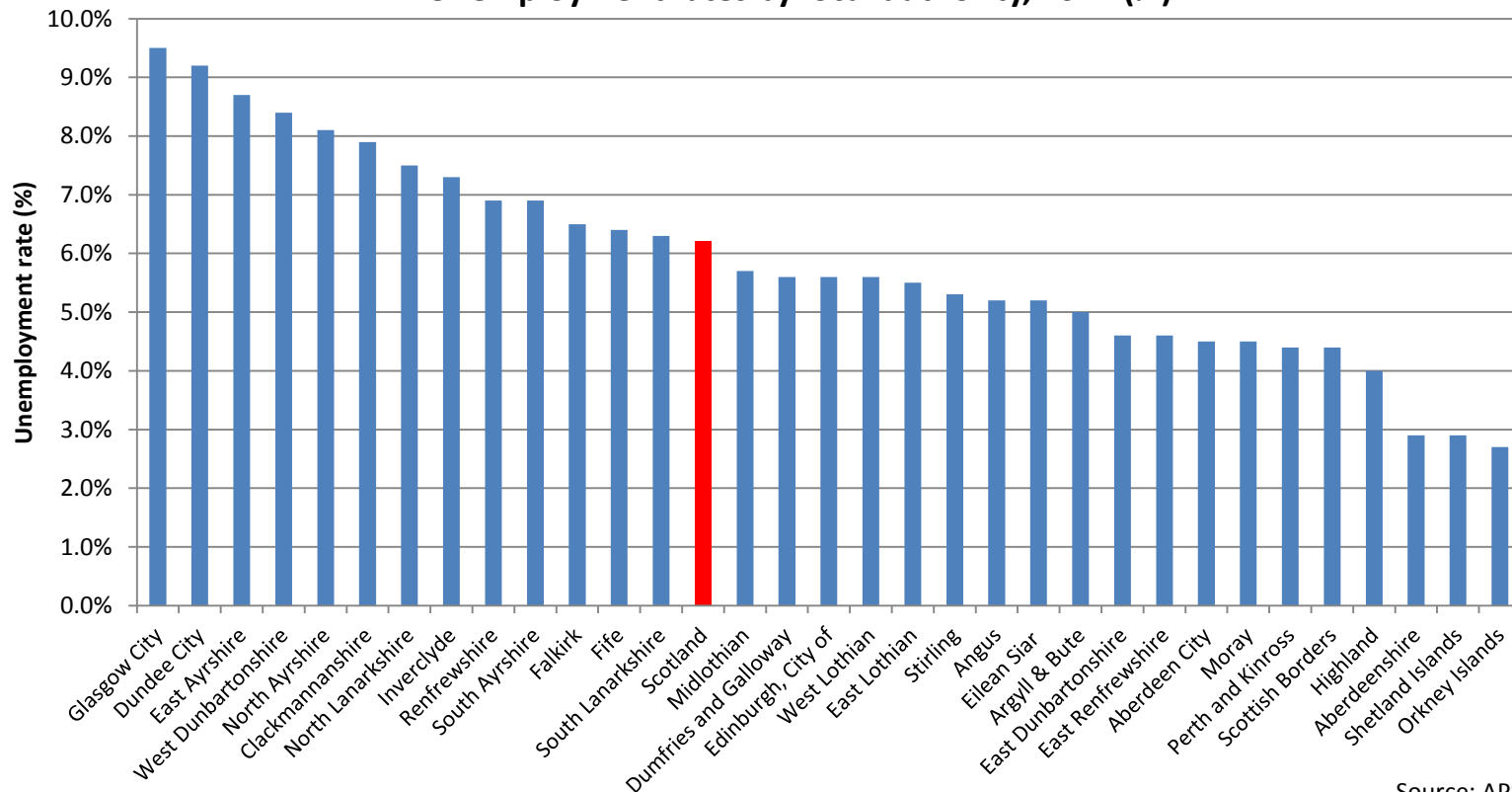
We have a high employment rate



In-work poverty is increasing: over half of working age adults in poverty now live in households with at least one adult in employment

Beyond the national picture, significant regional inequalities...

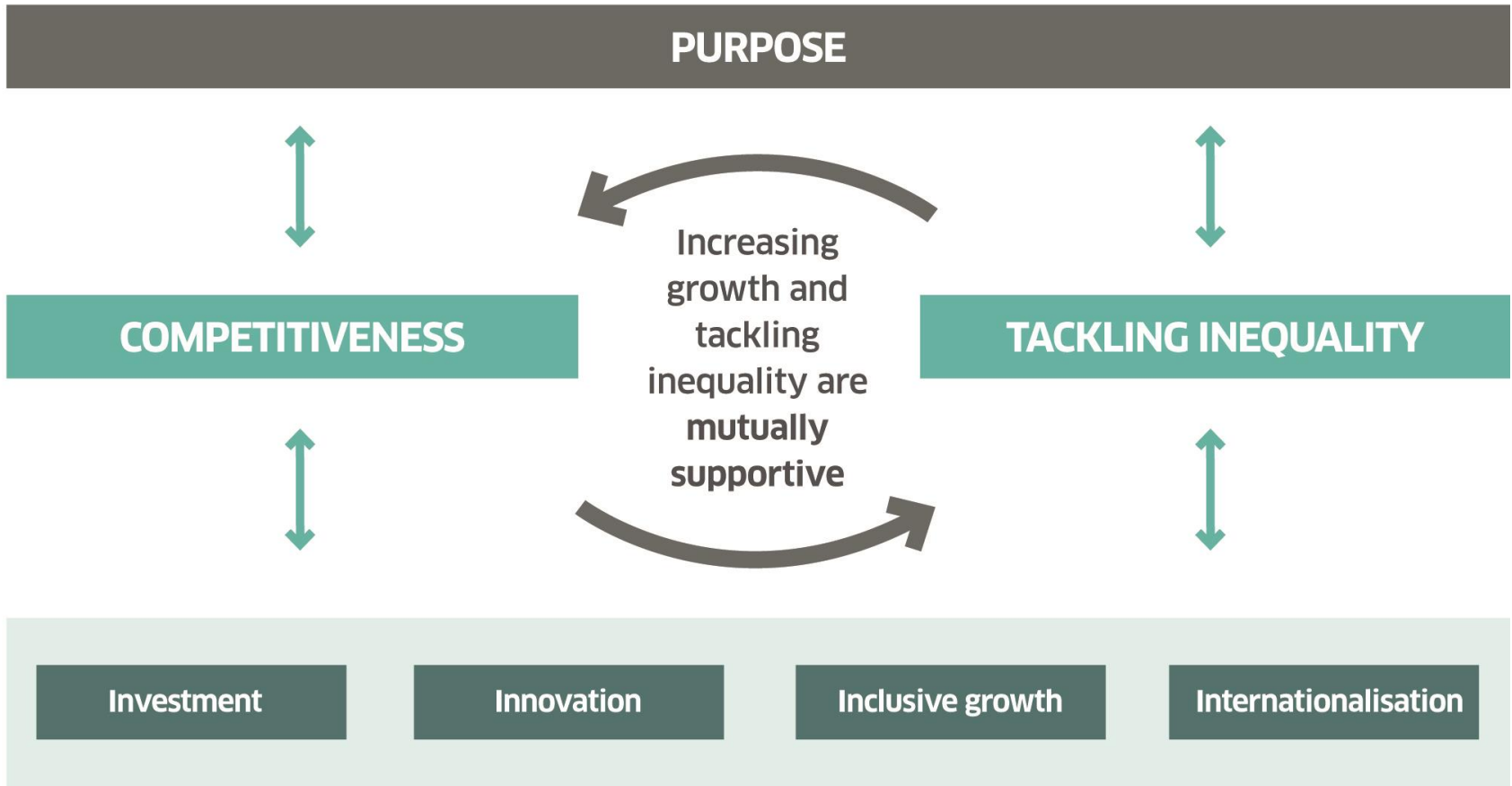
Unemployment rates by local authority, 2014 (%)



Source: APS

- Unemployment rates vary significantly between regions in Scotland.
- The Scottish unemployment rate in 2014 was 6.2%, though this varied widely among local authorities, from 2.7% in the Orkney Islands to 9.5% in Glasgow City.

From data to strategy: Scotland's Economic Framework



What do we mean by “Inclusive Growth”?

What is inclusive growth?

- There are many different kinds of growth. Inclusive growth is a type of growth where the benefits are shared evenly across society.
- Inclusive growth is about both the **pace** and **pattern/distribution** of growth (IMF, World Bank). The aim of inclusive growth is, therefore, to achieve both **sustainable economic growth**, but with a particular emphasis on **who** benefits from growth.
- Inclusive growth policies are focused on the **long-term transformation of the economy** towards sustainable and productive employment (essentially more of the right kinds of jobs).

Scotland's definition of Inclusive Growth

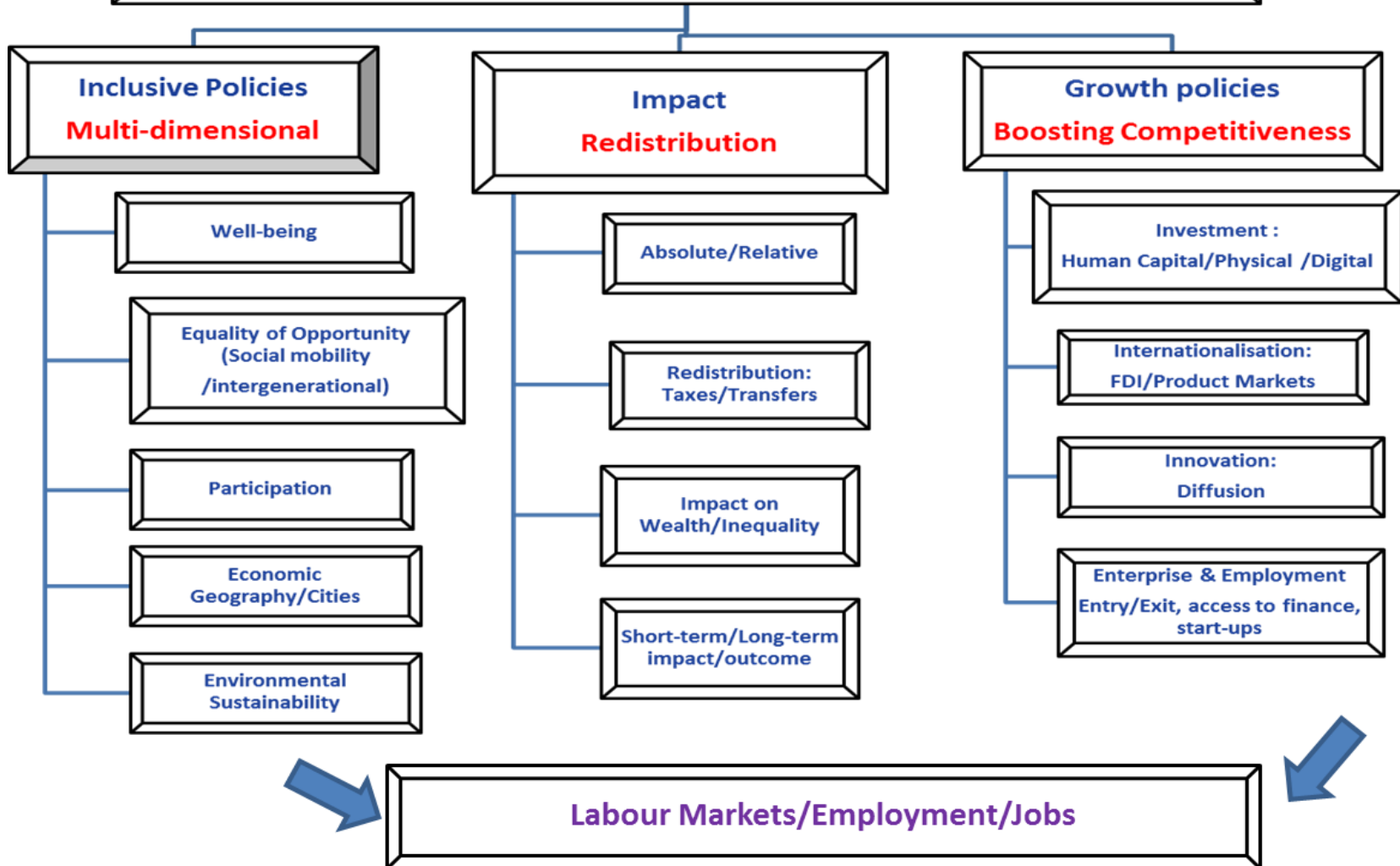
“Growth that combines increased prosperity with greater equity; that creates opportunities for all and distributes the dividends of increased prosperity fairly”

Scotland (SES)

- 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
- Promotes more equal growth across cities, regions and rural areas, and recognises importance of place/community in delivering this.

The Policy Framework

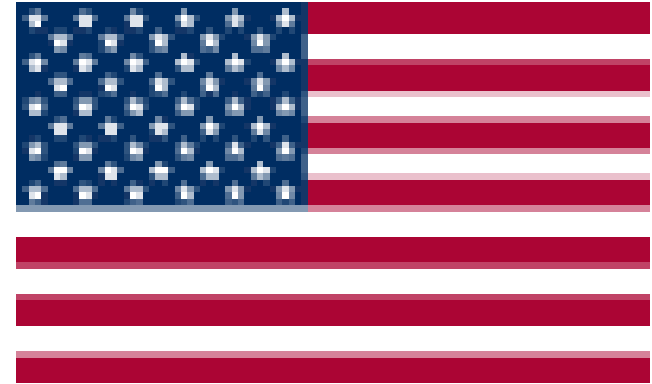
SES - Policy Framework for Inclusive Growth



What is the Scottish Government
doing on inclusive growth?

(Spoiler: A lot)

Scotland – an international perspective: “an incubator for Inclusive Growth”



BETTER POLICIES FOR BETTER LIVES

Progress – broad actions being taken across SG



- Significant investments in **early years interventions** and **expanding childcare provision**, which should improve child outcomes, with increased childcare should also help reduce barriers to female participation;
- Increased focus on **improving educational attainment**, through initiatives such as the Scottish Attainment Challenge;
- A **Commission on Widening Access to higher education**, which will provide recommendations around how to improve access to higher education among the most disadvantaged 20 per cent of society;
- Activities to **develop Scotland's young workforce** and reduce youth unemployment, such as expansion of Modern Apprenticeships;
- Initiatives to improve the quality of workplaces in Scotland, such as the **Business Pledge** and the **Fair Work Convention**.
- Exceeded our target of **delivering 30,000 affordable homes** as well as starting a new generation of council house building and ending the Right to Buy.



Next steps – Inclusive Growth Diagnostic

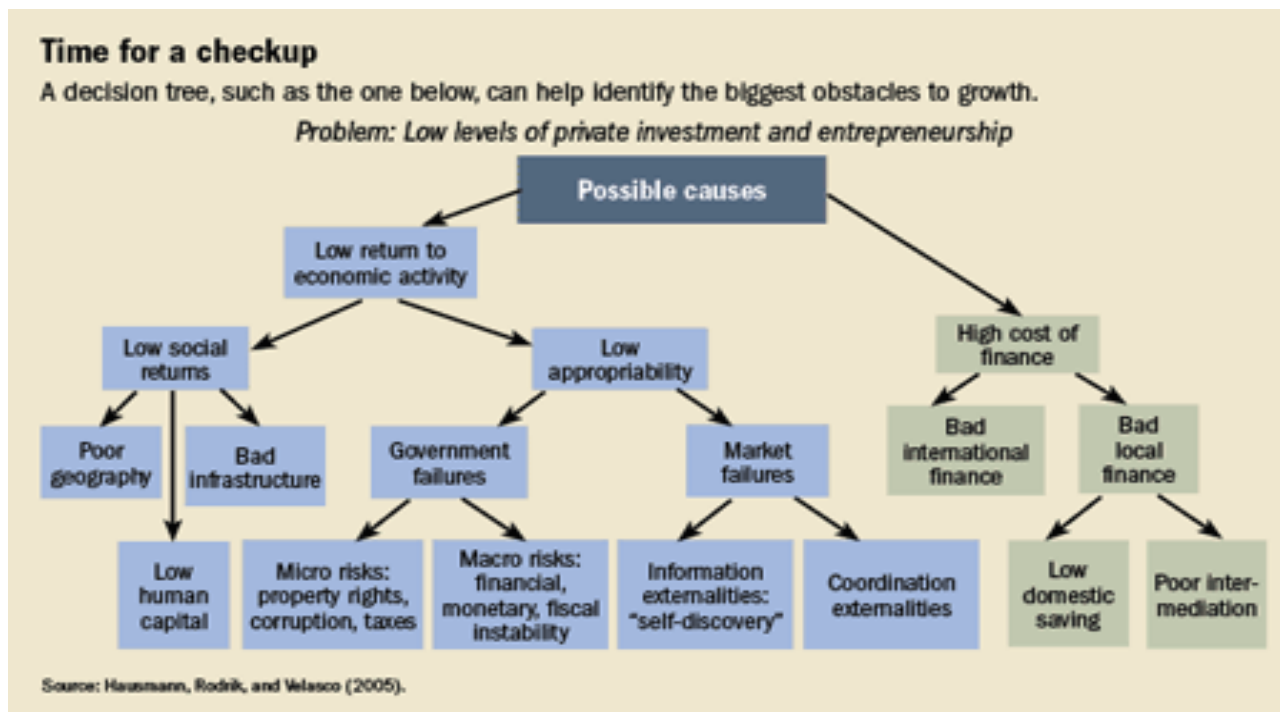
*Where do we invest
for maximum impact?*

How to we determine progress on Inclusive Growth?

- Need to move from policy framework to understanding what constraints may hold back inclusivity and growth.
- Diagnostics have been developed and applied for 'Inclusive Growth' in developing country context.
- They focus on identifying constraints to progress (both on inclusion and growth side).
- How do we prioritise our actions? Where do we invest for maximum impact?

What is an inclusive growth diagnostic?

- Origin: 2005 paper by three Harvard development economists (Hausmann, Rodrik and Velasco - HRV).

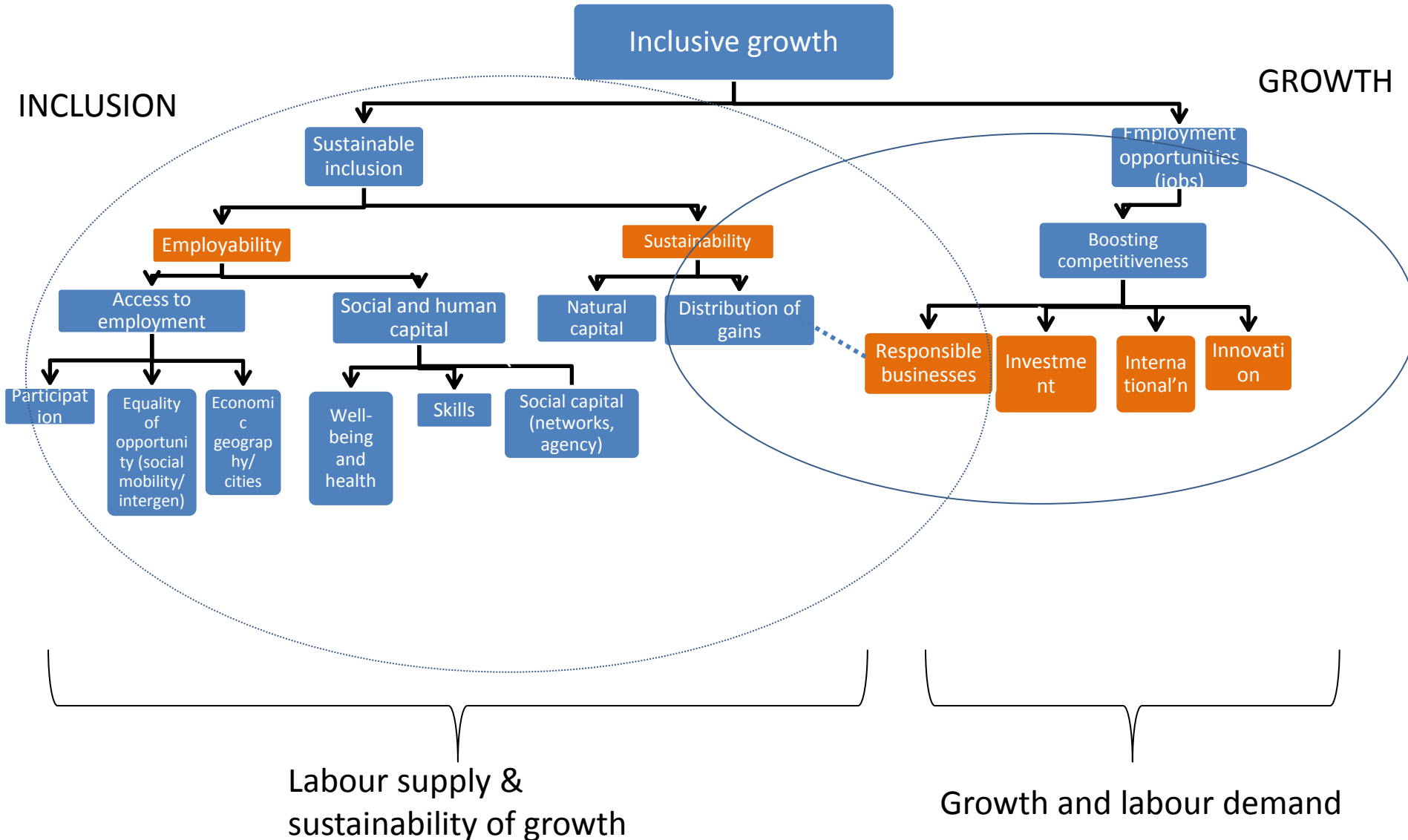


- Can be tailored to our own definition. Now many different forms, focused on looking across inclusive growth in order to prioritise actions to take. Used in spending decisions.

Potential implications of adopting such an approach?

- Align existing policies to the diagnostic framework and the constraint the policy is addressing.
- May highlight misalignment in policy or gaps in support. You can use evidence of policy impact (specific initiatives) to inform progress.
- Potentially one evidence base for Scotland (across both social and economic spheres) to drive change.

A framework for Scottish IGD



Questions

- What aspects do we consider to be most important in understanding what inclusive growth means in Scotland?
- Is inclusive growth a long or short term enterprise in Scotland?
- Where are the (sectoral) opportunities for structural change in the Scottish economy that would support inclusive growth?
- Does the framework for the diagnostic make sense for Scotland? How could we improve it further?
- Which countries would be good peer comparator countries for Scotland?

Thank you