

# How to achieve prosperity for all

With high levels of inequality, what can be done to make our economy more inclusive? Derek Walker, CEO of the Wales Co-operative Centre, sets out six essential steps

The UK – and Wales – have very high levels of income inequality compared to other developed countries according to the Equality Trust. If we agree that less equal societies fare worse than more equal ones, surely the question that follows is what can we do to make our society a more equal one?

The idea of an 'inclusive economy' has gained ground and is now widely accepted by politicians and economists across the political spectrum. Inclusive growth is at the heart of the Welsh Government's Economic Action Plan. However the detail about what it means and how it will be achieved is, as yet, limited. As a contribution to a discussion about what can be done, the Wales Co-operative Centre has joined forces with the Bevan Foundation to put forward some practical proposals.

So what is an inclusive economy? There are many different definitions and interpretations but crucially it is different to the generation of wealth and its subsequent redistribution – it means making increasing equality an integral part of the process of creating prosperity. It is in effect a new economic model.

Our model for an inclusive economy in Wales includes some core components:

- Diverse and resilient businesses to create wealth and provide goods



and services: Businesses are fundamental to creating both prosperity and inclusion but while the number of businesses clearly matters, inclusion means looking beyond this to consider the benefits that businesses bring to the wider community. Key features include encouraging diverse entrepreneurs from a range of backgrounds, businesses that are rooted in the local economy and

that are committed to improving their local area through their actions.

- Fair work for everyone: An inclusive economy is wider than an emphasis on the number of jobs and includes concern with the distribution of work between people and places and the quality of work. It means everyone earns enough for an acceptable minimum standard of living in secure and safe work.

- Knowledge and skills so people can secure a livelihood and progress: An inclusive economy addresses the skills needs of workers across the spectrum and invests in boosting lower-level skills as well as those at a higher level. To do so it makes opportunities available to refresh and renew skills throughout working life.
- A say in economic decisions: Most economic development decisions are taken far removed from civil society. An inclusive economy is one in which people have a say in the economic decisions that affect them and their community.

The new regional economic structures should include citizens' views to their decision-making.

We go on to set out some of the actions that are needed to make the inclusive economy a reality through six key steps.

First, we propose growing the foundational economy. The foundational economy describes the economic activity that meets people's every day needs. It includes services such as health, education, housing and social care. Such businesses are typically embedded or 'grounded' in the local economy. We recommend that Welsh Government, City Deals and local authorities should embrace an asset-based, collaborative and capacity-building approach to developing the foundational economy. They should support and evaluate innovation and encourage the adoption of good practice. Economic anchor institutions, such as hospitals and universities, should also review their spending to ensure more of it is spent in the local foundational economy.

Second, we recommend growing

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the social business sector. Social businesses have a key role to play in building an inclusive economy. They help to diversify and build the resilience of local economies, and crucially they help to retain money and wealth. They create jobs within communities, typically strengthening the skills of their workers and often creating opportunities for people who would otherwise find it difficult to secure work. The Welsh Government, City Deals and other actors should ensure that growing the social business sector is central to their economic plans, and that there continues to be adequate, specialist business support, support for networks and help with social innovation. There is also scope to identify and develop places with clusters of social businesses and facilitate networking and collaboration in these areas to support growth and innovation.

Third, action is needed to boost pay and improve conditions at work. This will include increasing the number of jobs, especially in areas with relatively low employment levels. At the same time, we recommend including 'fair work' in all economic activity, with co-ordinated and concerted action to increase take up of the voluntary Living Wage, enforcement of the Code of Practice on Ethical Employment in the Supply Chain, promotion of employer good practice via the Economic Contract, and support for workplace progression.

Fourth, we must make the most of procurement. We recommend that the Welsh Government and other public bodies develop a fresh and more strategic approach to maximising the benefits of all forms of procurement, involving building

firm capacity as well as generating benefits for the wider community, and which is contractually enforced. Public bodies should make greater use of reserved contracts to provide business opportunities to 'supported businesses' that have the primary aim of helping the social and professional integration of disabled or disadvantaged persons.

Fifth, people should be connected to jobs. Increasing employment does not necessarily benefit people who are out of work or with lower-level skills unless there are active steps to make the linkages, both geographical and social. We recommend that the Welsh Government works with business to improve recruitment practices and eradicate discrimination and includes adherence to good practice in its proposed Economic Contract.

And last but not least, economic agencies must listen to people. In many areas of Wales, decisions about the local economy are made by the public sector and big business, often working together in arms-length or partnership bodies that are not directly accountable to the public. The new regional economic structures should include the direct input of citizens' views to their decision-making. They also need to adhere to best practice in citizen engagement and consultation, and of openness and transparency.

Our work aims to be the start of a debate about how we can make our economy both fair and prosperous, and we encourage others to make their views heard too. Traditional economic development approaches are not working for many parts of Wales and new ideas are sorely needed.