

# DEFINING INCLUSIVE GROWTH AND INNOVATION

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*Over the course of the last couple of months, the Inclusive Growth and Innovation working group has been meeting regularly to discuss how we, the group's members, understand the concept of inclusive growth and where we see its intersections with innovation. As a way of informally gathering and presenting our initial thoughts on this subject, we prepared this document as a Q&A format where we present the questions we have asked ourselves over the course of our discussions and some of our (preliminary) answers to these questions. We plan to dive into many of these topics much deeper over the course of the fellowship.*



## **How have the topics of inclusive growth and innovation resonated with us to date?**

A political constant in our lives has been a focus on growth. The assumption that growth fosters prosperity transcends country, political system, and culture. However we've seen decades (centuries really) of growth, fueled by innovation in the industrialized West, and this growth has consistently delivered prosperity for only a select few. For most, unbridled growth has led to large increases in inequality, and the rising tide doesn't seem to be 'lifting all boats'. To take America, in recent decades there has been a decline in life expectancy for those in the lower socioeconomic rungs. If life expectancy isn't increasing (or at least stable), for everyone, the formula doesn't seem to be working.



A black and white photograph of a man with glasses and a beard, wearing a light-colored shirt, sitting at a desk in a library. He is looking at a laptop. The library has high ceilings, large windows, and many bookshelves filled with books. There are other people in the background, also working at desks.

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### **So how do we solve this?**

In reflecting on this dynamic, the members of the “Inclusive Growth and Innovation” working group want to focus on strategies for inclusion. Growth doesn’t naturally solve for inclusion, so we think it (inclusion) needs to be built into the system intentionally (even if it is at the expense of some growth). We want to explore innovation not as just the fuel for growth but as the creative means to rethink systems, structures and approaches in ways that further inclusivity.

### **Turning the focus to cities more explicitly, what does inclusive growth actually mean in an urban context?**

According to the OECD (Organization for Economic Cooperation and Development), inclusive growth can be defined as “economic growth that is distributed fairly across society and creates opportunities for all.” In other words, inclusive growth looks not just at generic economic indicators like GDP to evaluate economic growth as a whole for a city, but it instead aims to look deeper to understand who specifically is benefiting from economic growth within a city – and who is not. Under this perspective, the potential social costs of growth, such as increased inequality, are weighed against its financial benefits.

### **How do we know if a city’s growth is inclusive?**

Unsurprisingly, there isn’t a single way to directly measure inclusivity. But there are a variety of ways that indicators can be used to indirectly measure inclusive growth. The OECD, for example, has identified 24 different indicators for inclusive growth, broken into four categories: growth and ensuring equitable sharing of benefits from growth (median income growth, life expectancy, relative poverty rate, etc.), inclusive and well-functioning markets (female wage gap, employment-to-population ratio, etc.), equal opportunities and foundations of future prosperity (childcare enrollment rate, young people neither in employment nor in education or training, etc.), and governance (voter turnout, etc.).

In short: inclusive growth is a highly multi-faceted concept, and achieving it – or at least striving for it – requires a variety of policy mechanisms spanning areas like family policy, welfare policy, and educational policy.

### **Okay, so if I am managing a city I now have this list of items I can keep track of and monitor. Now what?**

In our conversations, we identified several different policy areas cities have to act on if they want to foster inclusive growth. We see them as a sort of collection of necessary conditions for inclusive growth. You may start off with one or two but really all of these topics need to be addressed for truly inclusive growth to be possible. The first one is ensuring access to affordable and sustainable energy for everyone. All cities should already be identifying ways to address the challenges of climate change. As more and more governments make this a priority, businesses are creating these green technologies. Cities should be looking to see not only which of these new products could improve their carbon footprint, but also make sure that when these are implemented there is a focus on areas that are traditionally underserved by the city.

### **Can you give an example of a city doing this?**

Sure. Just two years ago Indianapolis announced a partnership with a nonprofit called Solar United Neighbors to provide solar panels to low- and middle-income homes. Not only does this help create a more sustainable community, but it also allows those individuals to have a little more in their pocket.

### **What else should city leaders be doing?**

Well. Another big goal is creating economic resilience through your education system. Over the past decade, new technology has led to disruptive change. If we want our workforce to be a global leader, we need to invest in lifelong learning opportunities for residents of all ages and abilities, so they can continue to adapt to these technological changes. This is done through strategic partnerships with business and educational institutions. City leaders have the opportunity to be the connector between two and create a plan to provide valuable skills to their workforce in real time.

### **I'm guessing the opportunities would likely incorporate online learning. But not everyone has access to the internet.**

Right. And that thought ties in with our third objective, promoting digital inclusion. Promoting the expansion of free and low-cost internet options, access to public computers, and digital literacy training provides more equal access to resources, basic city services, and economic prospects.

### **So, perhaps a city creates more spaces with free wifi and access to computers. How do you get the vulnerable population there?**

Expanding urban mobility is an essential part of creating inclusive growth. City leaders should build a strong dialogue with a diverse range of stakeholders to address potential inequities and gaps in transport. This may also require cities to create strategic partnerships with neighboring cities to increase the effectiveness of mobility options. Lastly, committing to being intentional about pursuing policies and programs that create abundant housing for all is critical. This can be exceptionally challenging because depending on state and national policies in place, cities may also need to work with their statewide and nationally elected officials to create a housing system that is both safe and stable.

### **Alright, we have our measurements, and our list of pretty big goals to achieve (sustainable energy, inclusive education, digital inclusion, inclusive mobility, and access to affordable housing). Can a city get all of these things done?**

Cities are in an ideal position to bring together their local businesses and nonprofits to address these challenges and more. Elected officials and administrations are best suited to engage in consistent, meaningful conversations with the community, business, educators, and all of your other stakeholders. And when they do, they'll find that this collaborative approach allows them to rethink these challenges and come up with solutions that work best for their community.



### **Taking a step back from these concrete policy areas: what role should innovation play here?**

In discussions of more "traditional" forms of economic growth, innovation is often seen as playing a crucial role through the new business models it enables, which in turn can lead to increases in wages, hiring, and overall wealth among residents that overall serve to strengthen a city's economy. Just as innovation is central to "traditional" economic growth, it also has huge potential to help cities create more inclusive growth.

#### **How so?**

For example, innovation can help cities develop new strategies for reducing poverty, or lead to the creation of new ways of working that enable more citizens to be a part of the workforce (for example, through more flexible working hours that better accommodate families with children or individuals trying to balance work and education). Importantly, it's not just private-sector innovation that has the chance to foster inclusive growth. The public sector is just as capable of innovation, such as through the creation of new or improved public services or through experimental policymaking; these innovations also have the potential to help create more inclusive cities. Similarly, innovation does not always have to be driven by digital technology. Innovations can also come in analog forms, such as new processes or policies that shake up the way city governments approach a problem (for example, the way Finland experimented with a universal basic income in a two-year policy experiment).



## GOALS FOR INCLUSIVE GROWTH AND INNOVATION



### What happens if cities don't get this balance between inclusion and growth right? What are the consequences?

There are limits to growth, in nature and human systems. The negative consequences, the diseconomies of scale, increase and increase until the system atrophies. At this point, the system either stops growing, or innovation can mitigate the diseconomies of scale and make way for continued growth.

### What would be an example of this?

The pricing of the real estate market of San Francisco is an example of a fundamental mechanism in a system (housing demand), which has a diseconomy of scale (increased pricing). San Francisco has grown so much that the diseconomy has become a definitional element of the system – when you think of living in the Bay Area, you think of expensive housing. It defines who can live there and excludes many.

The affordability crisis is to us a great example of this point of atrophy. To address these issues, cities need to explore various policy mechanisms, like rent control or a shift to the housing supply (or ideally a mix of both). This is something the city of Berlin is actively experimenting with, for example, most recently through a sweeping rent ceiling legislation. Without measures like these, the system will suffer.

### What's next for this working group on Inclusive Growth and Innovation?

In our future writings through this fellowship, we'd like to explore the different forms innovation can take – private and public, digital and analog – and explore where and how innovation can be used to help cities foster inclusive growth that increases participation and access to opportunities and reduces inequalities and barriers.

