

Inclusive development

Towards more equitable and sustainable regional development in the UK via a capabilities approach?

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The arguments alluded to in this presentation can be developed further in D. Perrons and R. Dunford, (2013) Regional development, equality and gender: Moving towards more inclusive and socially sustainable measures, *Economic and Industrial Democracy*, 34 (3) 483-499

Regional performance is defined economically by the size and growth rate of the economy.

This conceptualisation needs widening in order to:

- a) contribute towards understandings of regional development that would be more **inclusive, equitable and sustainable** and better reflect a sense of well being.*
- b) recognise the connections between economic change and social well-being,*

Outline

- 1) highlight contradictions between the EU objectives for growth and cohesion and the current neo-liberal model of development associated with widening social and spatial inequalities.
- 2) outline problems with using GDP as a measure of development
- 3) define and calculate an alternative measure – linked to a capabilities perspective (Sen 2010)

EU: separation of economic and social policy

economic issues dominate the policy agenda and are subject to stronger monitoring and enforcement.

assumes the economy and economic policies are wealth creating

policies for combating poverty and social exclusion are largely aspirational and less onerous.

presumes that social policies are only wealth redistributive

policies focus on characteristics of the poor rather than the processes leading to inequality and poverty

gender issues linked to inclusion rather than growth

EU: neo-liberalism and social and economic cohesion

A meta analysis of DG Research projects on Inequality (Perrons and Plomien 2010) shows that:

Social and spatial inequalities are increasing in Europe

Economic processes are redistributive as well as wealth creating and

Social policies can be productive as well as a cost



Why socio-economic inequalities increase?
Facts and policy responses in Europe

Spatial inequalities:

Decline in inequalities between EU countries but increases in within country inequality (Montfort 2009)

Regional and social disparities increasing for most countries in EU 27 (Montfort 2009).

Despite their significance in the Structural Funds spatial inequalities only account for about 20% of overall inequality – social inequality 80%

“relying on taxing more and spending more as a response to inequality can only be a temporary measure. **The only sustainable way to reduce inequality is to stop the underlying widening of wages...**” (OECD 2008: 116).

Inequality matters

Recession:

trigger- sub prime crisis in US UK but
underlying causes : rising inequality and
global demand deficit -

(Seguino 2010; Stiglitz 2009; 2012; Reich 2010)



Social ills: crime, drug abuse, ill health

(Wilkinson and Pickett 2009)

Unnecessary and counter productive for economic growth and development:

(i) distribution of income, assets and capabilities -
undermines economic growth and development

(Seguino 2012)

(ii) Kuznet's curve no longer holds

(Atkinson 2009).

Alternative models of development

Feminist (e.g. Seguino 2009) and heterodox (e.g. Stiglitz 2011; Krugman 2010; Reich 2010) research:

show how the 2008 financial crisis was linked to rising earnings inequality
advocated forms of Keynesianism in response
for a time alternatives were on the agenda



Yet...

Institutions, including the EU, are returning
evidently failed, with further liberalization

despite the European Social Model and the aspiration for
'sustainable and inclusive growth'

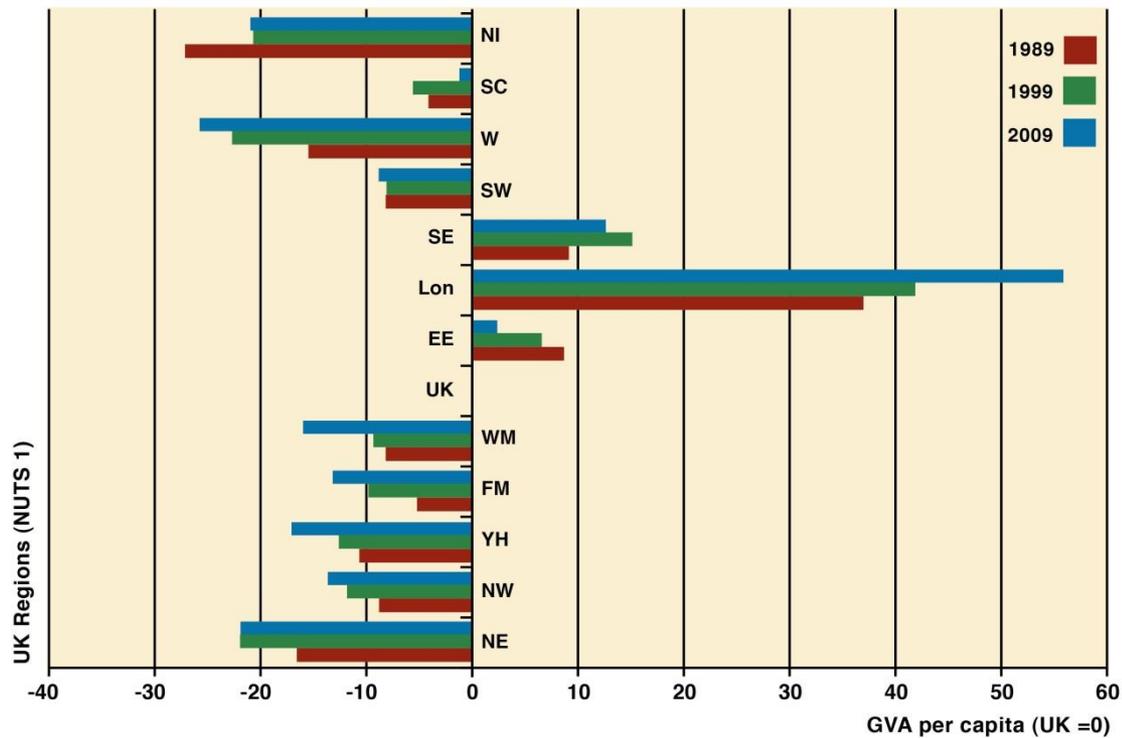
despite their own research which highlights the current
model of development and rising inequalities

despite the strategies for gender equality



UK: Orthodox measures of relative regional performances 1989-2009

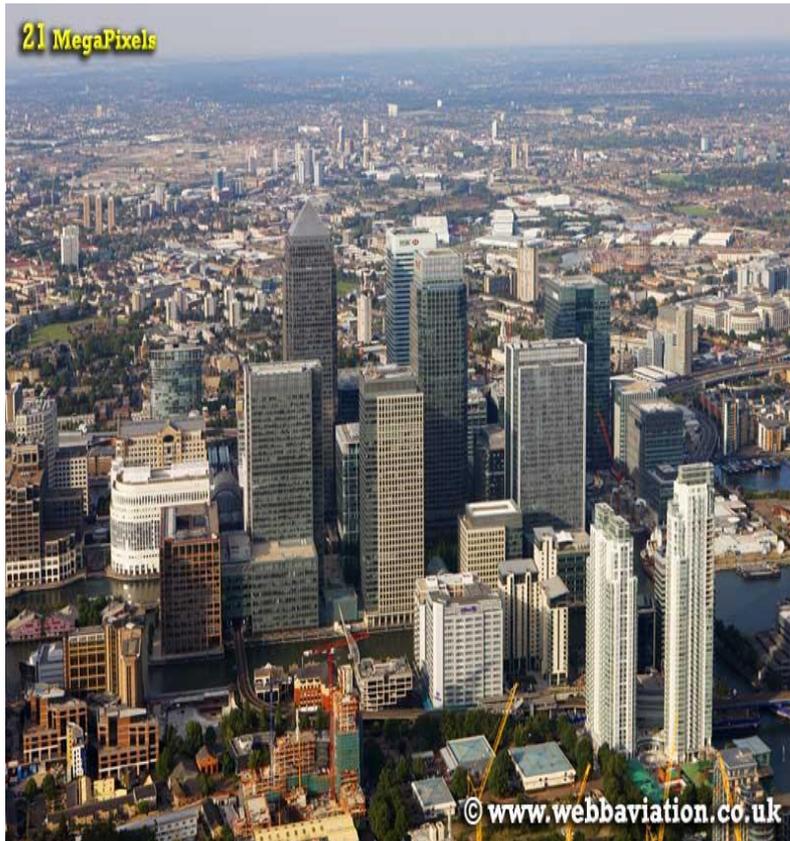
Figure 1 Regional Performance Relative to the UK 1989-2009



Source: ONS (2009a and 2010b)

Note: The data is the residence based measure of GVA so the income of commuters is allocated to where they live rather than their place of work. For most regions the residence measure is the same as the workplace measure but for the South East and, especially London, commuting leads the workplace based measure to be even higher (71.2 rather than 58 per cent above the UK average). The ranking of regions remains the same on both measures for 2009. The East of England falls below the UK average on the latter measure.

London – Richest EU region ?



- London - 650,000 children (41% after housing costs) are poor. In Inner London (48 per cent)
- (London Poverty Commission 2010)
- Model of growth is also linked with the financial crisis -

Linking economy and society in measures of performance

one way of highlighting the separation between the economy and society, between process and outcome, would be to include a measure for social well-being in models of regional performance.

After all, 'what gets measured is more likely to get addressed' (Moser 2007:13).

Capabilities Perspective (Amartya Sen)

GDP has conditional rather than intrinsic value –
‘for what they help people to achieve – including good and worthwhile lives’ (Sen 2010:226).

Capabilities perspective assesses the quality of life directly by assessing
‘a person’s capability to do things she or he has reason to value’
(Sen 2010:231) rather than income alone,

Plural approach – to recognise the many things ‘beings and doings’ that we value

For Sen the freedom to choose these values is also crucial.

Capabilities -Drawn on by UNDP in the Human Development Indicators

Towards a capabilities approach for regional development

UK Equalities and Human Rights Commission – gender mainstreaming and diversity

EHRC -Equalities Measurement Framework/ substantive freedom matrix -

10 domains: life , physical security, health, education, standard of living, productive and valued activities etc

6 identity characteristics – gender, sexuality, race, ethnicity, religion and dis/abilities

3 aspects: - in outcome, in process and in autonomy

180 data items !

Towards a capabilities approach for regional development

“its very comprehensiveness could ... drown out the sense of direction so important to policy making” (Hirschman 1958)

*‘relevance wants us to be ambitious, usability urges restraint’
(Sen 1987:20)*

As a spatial measure - there are problems of choice, compatibility and scale

Key question is what is the measure for – as an indicator of something or a complete mapping/picture?

Contrasting measures of regional development: GVA and a Regional Development Index (RDI)

Regional Income (GVA per capita) Rank		Regional Development Index (RDI) Rank	
London	1	South West	1
South East	2	South East	2
East	3	East	3
Scotland	4	East Midlands	4
South West	5	Scotland	5
East Midlands	6	Yorkshire and Humberside	6
North West	7	London	7
West Midlands	8	Wales	8
Yorkshire and Humberside	9	North East	9
Northern Ireland	10	North West	10
North East	11	West Midlands	11
Wales	12	Northern Ireland	12

$$RDI = (HL + K + ESL + E)/4$$

HL = Healthy Life (infant mortality and the standardised mortality ratio)

K = Knowledge: (percentage of the population with no qualifications).

ESL = Economic Standard of Living: (earnings and income,

measured by a composite of median earnings, earnings inequality (90-10 ratio) and child poverty).

E = Employment (full time employment rate).

Contrasting measures of regional development: GVA and a Gender Sensitive RDI

Regional Income (GVA per capita)		Gender Sensitive Regional Development Index Ranking	
London	1	South West	1
South East	2	East	2
East	3	East Midlands	3
Scotland	4	North West	4
South West	5	South West	5
East Midlands	6	North East	6
North West	7	West Midlands	7
West Midlands	8	Yorkshire and Humberside	8
Yorkshire and Humberside	9	Wales	9
Northern Ireland	10	Scotland	10
North East	11	London	11
Wales	12	Northern Ireland	12

$$GRDI = (HL + ESL + E)/3$$

HL= Healthy Life: (gender ratio of the standardised mortality ratio).

ESL = Economic Standard of Living: (the gender ratio of earnings based the inter decile range difference)

E = Employment: (gender ratio of the full time employment rate).

To provide a consistent measure the index, i.e. such that all variables moved in the same direction the values of components were measured so that a narrowing of the gender gap would be to women's advantage.

Conclusion

*As the efficacy of the neo-liberal model is now in question this is an appropriate moment to consider **‘what kind of regional development and for whom’**, (Pike et al 2007) i.e. what kind of development model would be appropriate for the regions of Europe that would be inclusive and sustainable and better reflect a **sense of well being**.*

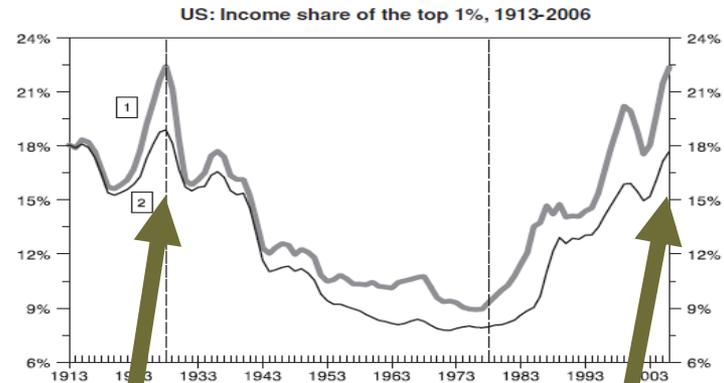
*Existing understandings based on GDP alone overlook **connections between economic and social issues** - important to devise measures which link economic, social and environmental issues*

Recession caused by “surging wealth inequality”

Robert Reich 2010: 1



"Wall Street's banditry was the proximate cause of the Great Recession, not its underlying *CAUSE*. Even if the Street is better controlled in the future (and I have my doubts), the structural reason for the Great Recession still haunts America. **That reason is America's surging inequality.**"



• [1] = including realized capital gains; and [2] = excluding capital gains. 3-year moving averages. *Source:* Piketty and Sáez (2006); updated to 2006 in <http://elsa.berkeley.edu/~saez/TabFig2006.xls>. This is the source of all data on income distribution in the US below.

1928 Top
1%
23.9%
income

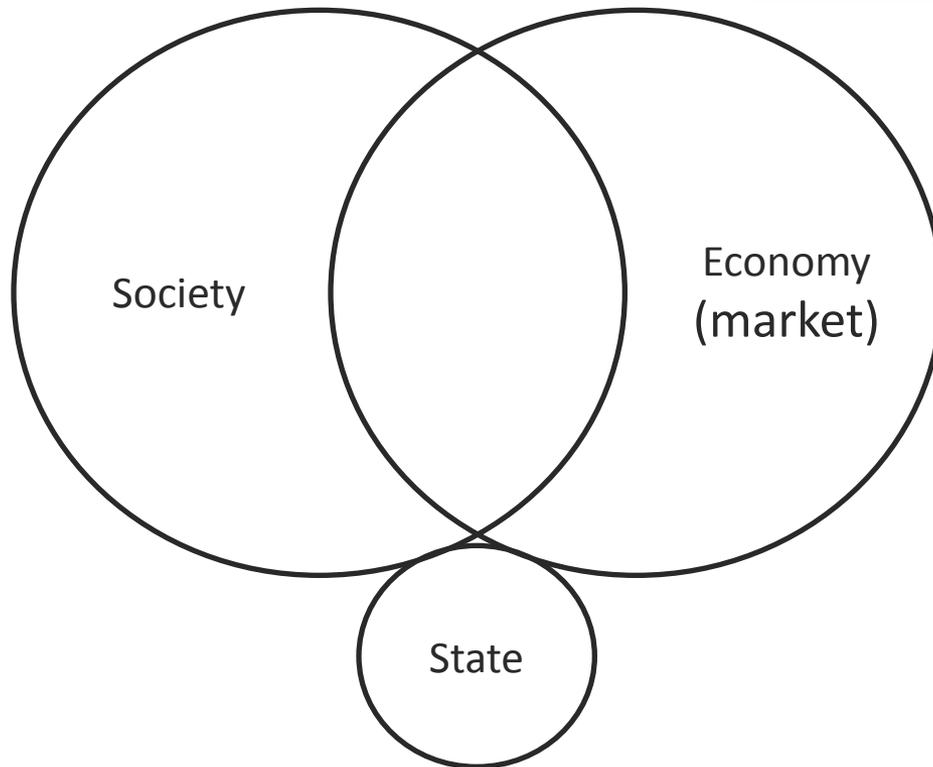
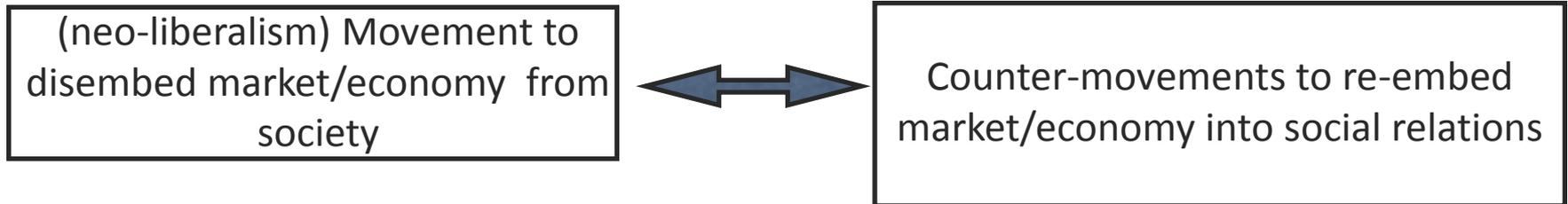
1929
Crash

2007
Top 1%
23.5%
income

2008
Crash



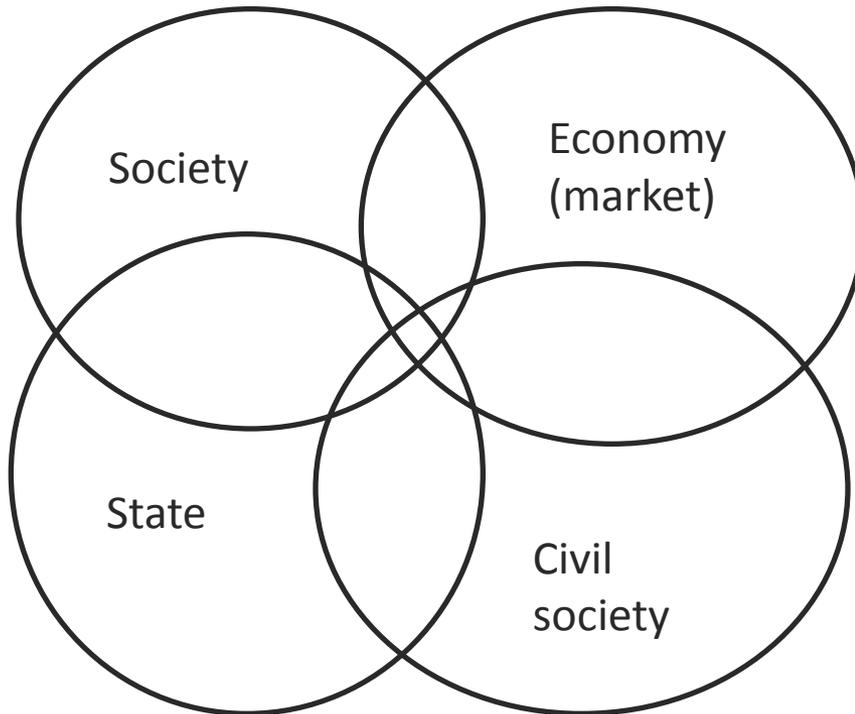
Current crisis: the end of an era? Polyani's Double Movement of Capitalism



In retrospect our age will be credited with having seen the end of this particular era. No question about it. There will be more talk about Keynes and less talk about Friedman and Hayek . . . We now know that the era has ended. [But] we don't know what's going to come" (Hobsbawm 2008)

Current crisis: the end of an era?

Feminising Polanyi – Nancy Fraser's Triple Movement



Emancipatory movements
work in both directions –
reinforcing or countering
markets - Fraser (2010)

State, society, economy and
civil society movements
varied and differentiated –
DP



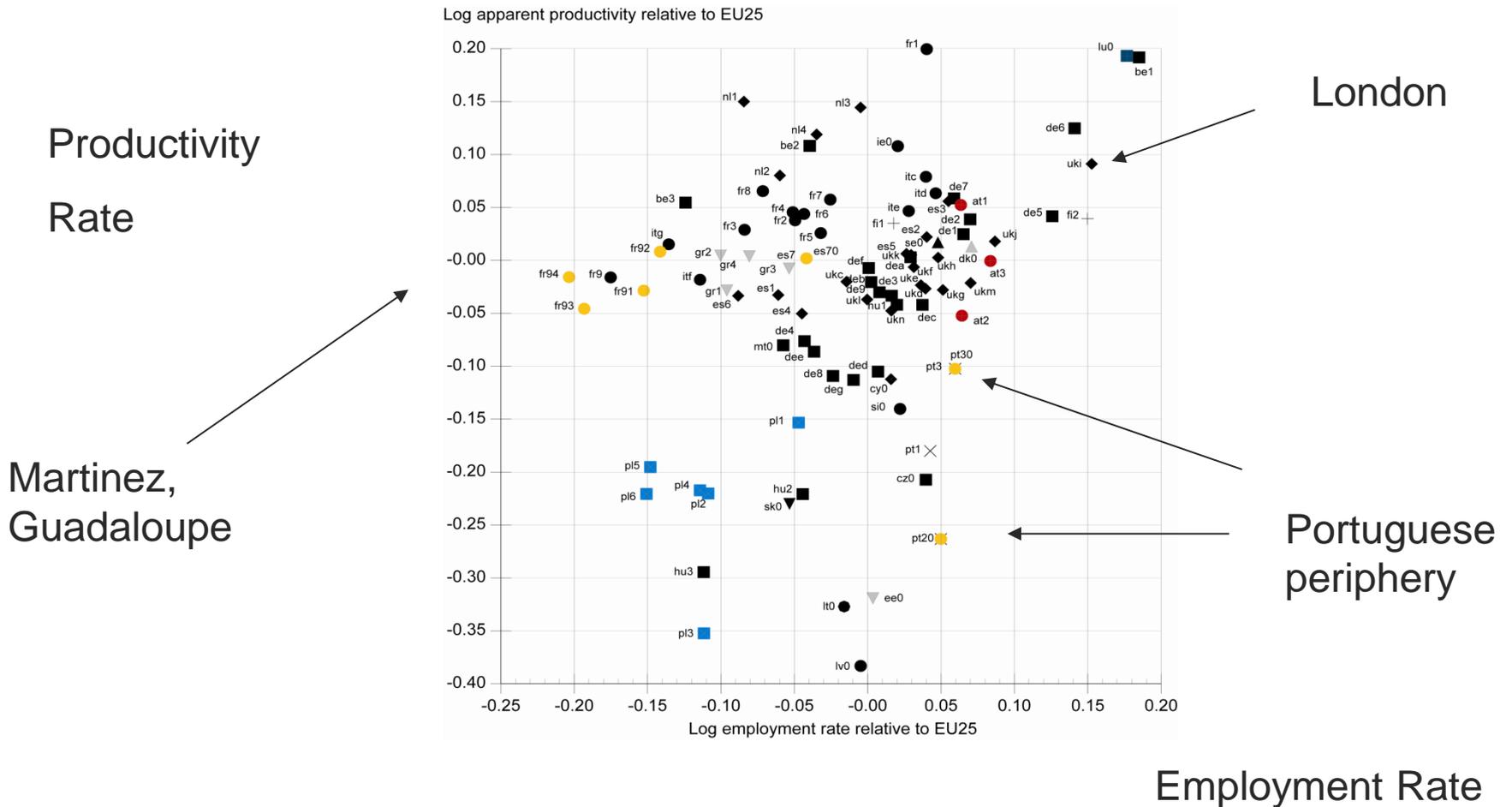
Publications linked to this presentation

- Perrons, D. and Dunford R. (2013) Regional Development and Gender: Moving towards a more inclusive and socially sustainable measures, *Economic and Industrial Democracy*.
- Perrons, D (2012) Global' financial crisis, earnings inequalities and gender. Towards a more sustainable model of development, *Comparative Sociology*, volume and page nos to be determined
- Perrons, D (2012) Regional Performance and Inequality: linking economic and social development through a capabilities approach, *Cambridge Journal of Regions Economy and Society*, volume and page nos to be determined
- Perrons, D and Plomien , A (2010) Why socio-economic inequalities increase? Facts and policy responses in Europe, Brussels: European Commission, EUR 24471 EN
- References
- Gills, B. K. (2008) Editorial: the swinging of the pendulum: the global crisis and beyond, *Globalizations*, 5(4), pp. 513–522.

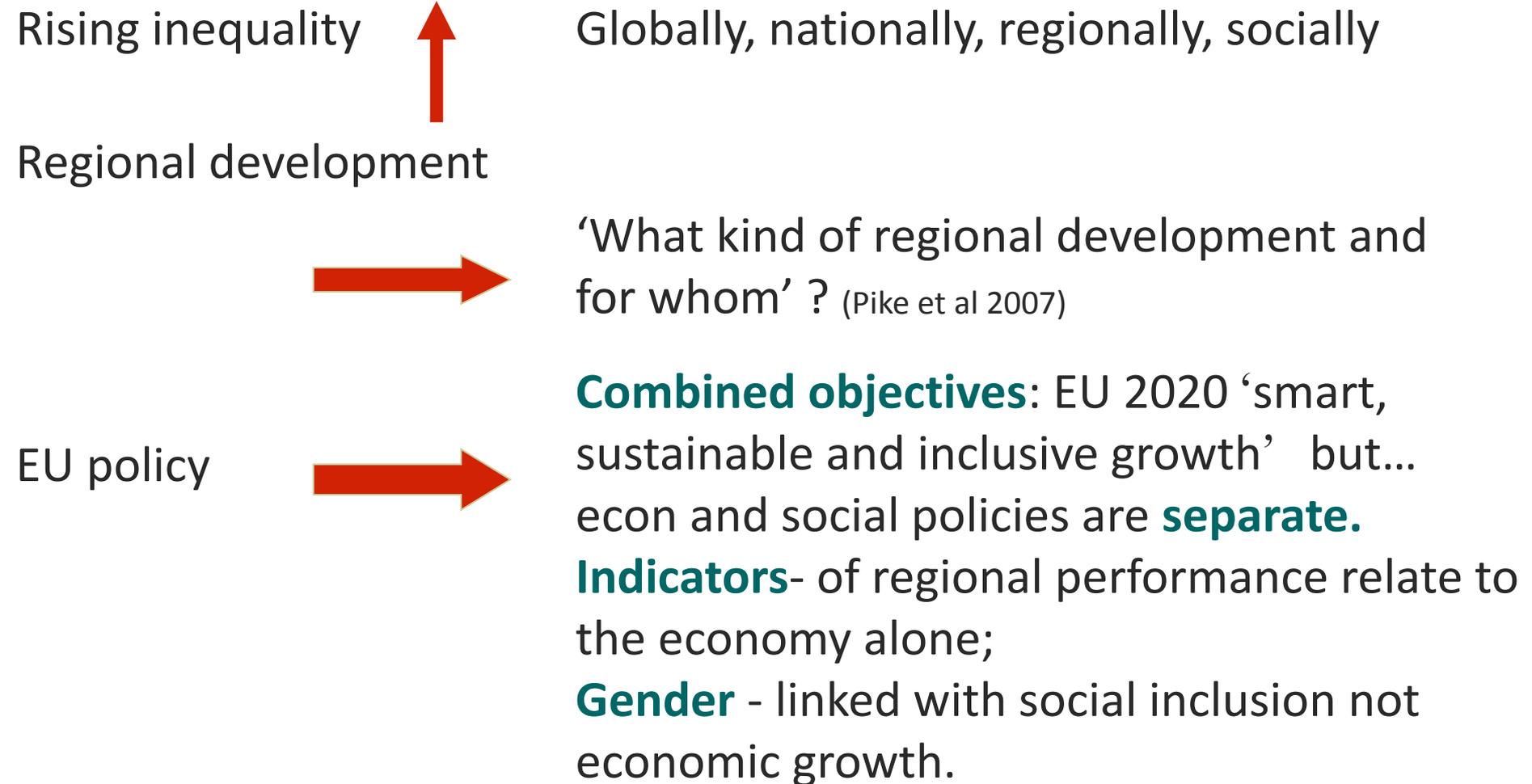
Decomposing GDP into productivity and employment

$$\frac{GDP}{ResPop} = \frac{GDP}{EmployPop} * \frac{EmployPop}{ResPop}$$

Decomposing GDP into productivity and employment



Regional development and equality



EU growth, cohesion and inclusion

Lisbon Agenda/EU Treaty

Europe 2020 – ‘smart sustainable and inclusive growth’

Gender mainstreaming

in Structural Funds

GM in local and regional planning –though currently largely aspirational [e.g. ‘Level of, and reasons for gender related worklessness is clearly understood across geographical areas’ (SWRDA 2008)].

Objectives for growth and social inclusion– but :

regional performance linked only to GDP -

growth and cohesion objectives are not differentiated in the GDP measure.

Flagship initiatives in EU 2020 separate for economy and society

Problems with GDP as a measure

EU Treaty

Article 2 – promote economic and social progress , high level of employment and balanced and sustainable development

Article 158 - the community aims to reduce disparities between levels of development of different regions ...

With respect to Cohesion – dual objectives – not differentiated in the GDP measure:

Efficiency element – fully utilizing resources

Equity element - reducing disparities in the standard of living