



Solving for Inclusive Economic Growth in the Era of AI

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Produced by:

Sarah Fasey

Social Value Lead,
Microsoft UK

Jess Coomer

Local Government Go-To-Market Lead,
Microsoft UK

Acknowledgements:

Mahima Sukhdev

SVP, Commercial Development,
GIST Impact

Geoff Connell

Director of Digital Services,
Norfolk County Council

Dan Pritchard

Co-founder,
Tech South West

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Foreword

We are at the halfway mark for the 2030 target to deliver on the UN Sustainable Development Goals (SDGs) and falling behind on all of them. From poverty, where under current trends 575 million people will still be living in extreme poverty in 2030, to climate change. Half the world's population experiences severe water scarcity at least one month a year; biodiversity has stalled, and we are facing the largest species extinction since the dinosaur age.

It is in this context that the UK introduced the Public Services (Social Value) Act in 2012, empowering public sector procurement teams across the UK to challenge suppliers to be more focused on supporting local socio-economic growth and environmental sustainability. The legislation draws on the UN SDGs to frame responsibilities for all public sector suppliers covering inclusion, sustainability and equal opportunity. It translates the SDGs into practical steps all organizations can and must take for the

common good. Any business bidding for public sector contracts needs to demonstrate how its services are improving the economic, social, and environmental wellbeing in a local area.

The Procurement Act 2023 is expected to go live in October 2024. It is a significant piece of legislation that has profound implications for social value in procurement. It places a greater emphasis on procurement as an enabler to deliver wider benefits for the public good, considering the wider benefits for the community in which the contract will be delivered, such as creating local employment opportunities, carbon emissions reduction or using a local supply chain. Value for money will remain a high priority, but national strategic priorities such as job creation, improving supplier resilience, reducing emissions, and driving innovation are also significant determining factors.



Social value legislation therefore provides us with a great opportunity for the public sector and its suppliers to collaborate on addressing the biggest challenges that all of us face today - those that need to be addressed to make progress on the UN SDGs. These are complex, difficult, systemic issues, and it's fair to say that much work remains to overcome these challenges.

It is in this context that AI emerges as a technological breakthrough that has the capacity to solve for many of these issues, but also brings many of its own challenges. How do we ensure we create a successful AI-enabled UK local economy, and what role can social value legislation play in driving this outcome?

AI innovation provides new ways to make real progress towards the UN SDGs – and is ultimately capable of supporting the creation of sustainable and inclusive economies. It offers us the opportunity to accelerate and scale positive impact and build a sustainable and inclusive economy.

This white paper looks at how these ambitions can be achieved through the lens of social value legislation. It calls for AI innovation for social good to be integrated into the social value framework, particularly the encouragement of positive impact entrepreneurship, encouraging those who can innovate and create to help solve for the big, systemic problems our planet faces.



Social Value in the UK

All of us have a stake in resolving our current social, economic and environmental challenges. That's the message at the heart of social value, which emphasises that public sector and suppliers can deliver real change by working together, focusing on these themes:

1

COVID-19 recovery: helping local communities to manage and recover from the impact of COVID-19.

2

Tackling economic inequality: creating new businesses, new jobs and new skills, while increasing supply chain resilience and capacity.

3

Fighting climate change: ensuring the effective stewardship of the environment.

4

Equal opportunity: reducing the disability employment gap and tackling workforce inequality.

5

Wellbeing: improving health and wellbeing, and community cohesion.

The Social Value Model framework goes further and provides model award criteria (MACs) to better operationalise the activities that can address these themes.

Recent guidance has seen a focus for the tech sector on MAC 2.2 "Create training opportunities through the delivery of the contract, particularly for those who face barriers to employment and/or who are located in deprived areas, to address the digital skills gap", recognising the urgency of building digital skills across industries to support economic growth.



Microsoft's Approach to Social Value

The UN Sustainable Development Goals provide an infrastructure of 17 inter-dependent challenges and priorities the world needs to address. Beneath these are many ways in which governments are endeavouring to operationalise their ambition and drive behavioural change in businesses and communities to meet these goals.

For a global company headquartered in America, Microsoft's approach is therefore to work to shift from a global response to addressing the SDGs to a hyper-local response to the immediate needs of a community.

Our approach to implementing social value is therefore to start with our own purpose and how we can align our global programmes to meet local priorities. We stay focused on empowering individuals, using the democratising force of latest-generation technologies, such as AI, that enable us to bring to life at a local level our mission of empowering every person and every organisation on the planet to achieve more.

AI offers huge potential in helping us address societal challenges, drive efficiencies and make a tangible difference to the lives of individuals and communities. At Microsoft UK, we recognise the unprecedented opportunity to use AI to bring about positive social impact and innovation, through driving advances in healthcare and medicine, stimulating economic growth through digital skills and using AI to advance sustainability and solve for the systemic challenges our planet faces. Through partnerships with local businesses, academia, and industry experts, we are unlocking opportunities for inclusive economic growth based on regional needs.

We believe that a rigorous approach to social value should start with one own's corporate social responsibility (CSR) strategy, ensuring that there is an alignment between an organisation's CSR ambitions and the SDGs, or at a local level, social value themes.

Solving for Inclusive Economic Growth in the Era of AI

How Microsoft aligns its purpose to social value

Our CSR strategy is captured in four pillars, all of which reflect our support of the UN SDGs.

- Expand opportunity
- Earn trust
- Protect fundamental rights
- Advance sustainability

These pillars help us align programmes with local socio-economic priorities and customer requirements.

Because we are aligning our own programmes that already have outcome measures defined to local priorities, we can accurately track the socio-economic return to our customers. By undertaking economic modelling and analysis of our programmes, we can provide financial impact data related to the social return on investment they provide, which we can attribute at a contract, customer, and location-specific level.



Creating Tech Talent in Local Communities

An example of how a broad programme can be packaged to provide local value is our Microsoft Connector programme. Microsoft Connector is a platform designed to help individuals interested in starting a career in a digital or technology role. Using the power of the Microsoft brand alongside entry-level talent specialist [GetMyFirstJob](#), the platform showcases a range of Microsoft and government initiatives that provide skills for jobs and apprenticeships, connecting local talent to local opportunity.

Having investigated the socio-economic value of Microsoft Connector, we have been able to understand the economic value for the trainee as well as the community in which they are economically active.

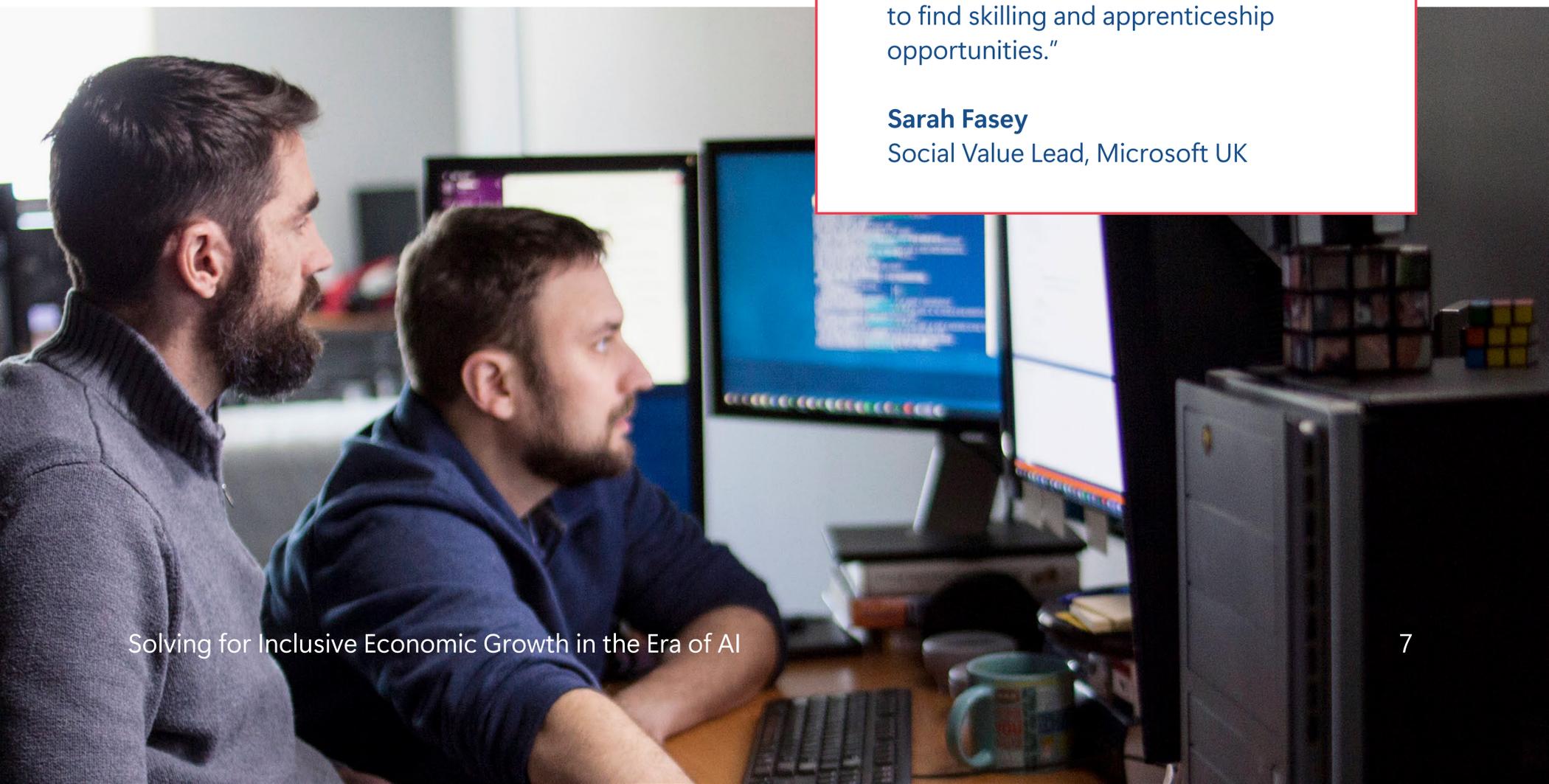
This platform allows us to deliver against our own priority of “Expand opportunity” as well as the Government’s Social Value model award criteria (MAC 2.2) under the “tackling economic inequality” theme. This criterion calls on the public sector to “create training opportunities through the delivery of the contract, particularly for those who face barriers to employment and/or who are located in deprived areas, to address the digital skills gap.”

By undertaking social impact analysis, we were able to demonstrate that over 59 per cent of digital apprenticeships enabled by the Microsoft Connector platform are being taken up by people from the lowest economic deciles, showing that digital apprenticeships are a powerful tool to aid social mobility.

We also showed that the total economic benefit for someone involved in a Microsoft digital apprenticeship is £86,000 over a five-year period, taking into account the individual’s earnings as well as reduced cost to government. For the communities in which they are being enabled, this shows how important they are as a lever to improve social mobility and economic returns.

“Our partner, [GetMyFirstJob](#) is a social enterprise whose vision is to make sure that every person no matter their background is connected to the right insights and opportunities for them. Through our partnership, we are doing all we can to drive inclusion, equal opportunity and social mobility for the people who use Microsoft Connector to find skilling and apprenticeship opportunities.”

Sarah Fasey
Social Value Lead, Microsoft UK



Supporting Tech Growth in the South-West

Microsoft has a significant social value commitment as part of its contract with the Met Office, who are based in Exeter. In collaboration with them, and in support of their Force For Good Plan, Microsoft is focused on supporting one of the core priorities of the Local Economic Plan which is to drive and grow the green and blue economy.

The south-west region needs to retain talent through investing in people and skills to grow blue and green sectors, which Microsoft UK is supporting through our tailored learning initiatives. This year, we will deliver AI fundamentals masterclasses for those who want to reskill and upskill across the south-west, working with local delivery partners to connect talent to opportunity. We recognise the huge role that cloud and AI technologies have in supporting sustainability initiatives, another key focus for the south-west. Having the right partnerships between industry, tech, science, and government enable us to be more innovative, more hopeful, and more sustainable.

In partnership with Tech South West (TSW) as well as the South West Business Council and other local organisations, Microsoft is supporting accelerator programmes and initiatives to help tech scale-ups and start-ups in this sector, with our AI For Good and Founders Hub programmes, as well as working to connect local talent to the opportunities this growth will create.

In addition, we have incorporated our social impact measurement methodology into the assessment tools being used by TSW. The result is that, as these organisations grow, they can understand their social and environmental impact as well as their financial contribution to the economy.

“As a collaborative organisation built from the grassroots, to be working with Microsoft as a Social Value Partner is having a real impact. Why? Because our partners at Microsoft are actively listening and responding to what is happening on the ground. And that means understanding genuine needs and opportunities. Impact can then be achieved through existing relationships, structures and programmes, in a way that is enhancing activity for start-ups and scale-ups across the region, as well as bringing clarity to what the priorities are in specific areas, such as agritech. Layering a robust social impact assessment methodology on to this activity, including our Growth Forge Programme, helps us track companies’ progress but also brings a renewed focus and impetus to ensure we are doing the right things and doing them well.”

Dan Pritchard
Co-founder, Tech South West

Organising for Social Value Delivery

It's hard to establish where best practice lies in the operationalisation of social value because the legislation is relatively new. The social value model framework has helped considerably, but delivering on the Government's objectives remains a challenge.

There is broad support across the technology sector for social value and the intent of the legislation. The sector believes, however, that nuance is required for its application when it comes to tech procurement. techUK, which brings together people and companies from across the sector, published its thoughts recently on the application of social value measures in [Improving Social Value in Technology Procurement](#).

Owing to the way the technology sector is organised, Microsoft is not always on the frontline of responding to tenders. But that doesn't mean we don't recognise the contribution we can and should provide to the communities in which we operate.

We believe that part of the key to an effective social value strategy, whether in response to an RFP or as part of the way businesses operate, lies in a two-step approach:

- Delivering your own purpose aligned to local socio-economic priorities
- Measuring the outcomes of these efforts, rather than inputs

The concept of "social procurement" is a growing one globally, with moves in a number of countries and regions to force organisations to take more responsibility for their socio-economic and environmental impact. The UK's social value legislation is leading the way and that is both opportunity and challenge in terms of organising ourselves to respond effectively.



Identifying and Measuring Social Value

Environmental, social and governance (ESG) reporting requirements and the Corporate Sustainability Reporting Directive (CSRD) in Europe have created a wave of innovation around how best to track and report the data requirements the legislation seeks. The same is true for social value. Finding ways to create ease and efficiency in the tracking and reporting of 'S' data is a busy field.

There are many established ways of measuring social value, some more rigorous than others. At Microsoft, we wanted to understand the outcomes and impacts of our programmes at a local level, and so we worked with impact economists GIST Impact. They help companies to measure and benchmark their impact on the economy, nature and society in monetary terms and undertake impact assessments of a range of social programmes.

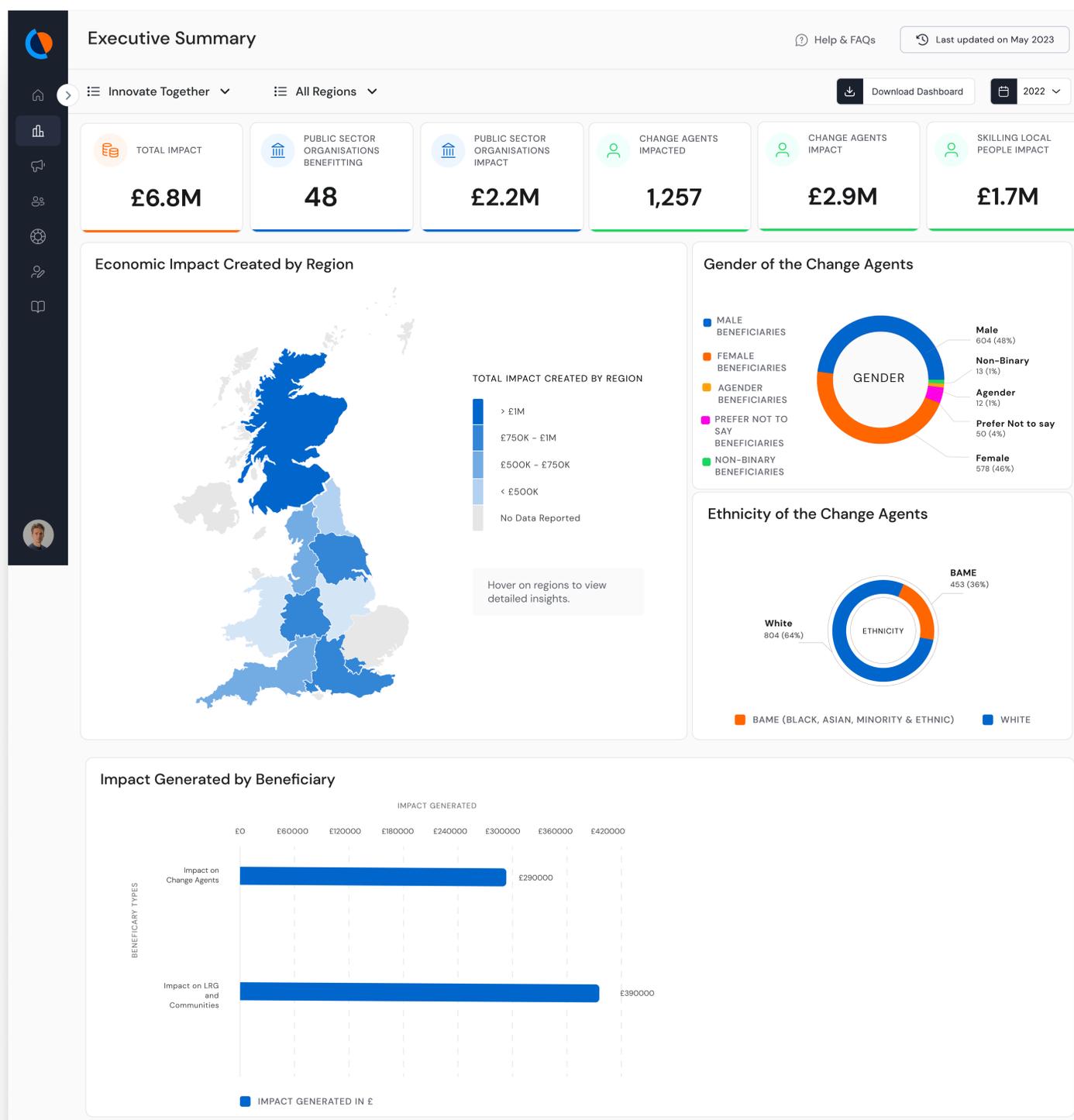
In partnership with GIST Impact, we have created an impact platform that is rooted in the Four Capitals approach to impact measurement, endorsed by the Capitals Coalition. This helps us measure the impact our programmes are having on the economy (produced capital), nature (natural capital), employees (human capital) and society (social capital).

“Our platform delivers impact overviews by region, gender, ethnicity, beneficiaries and capital. It also provides measures by social value themes so you can really understand where you are delivering change.”

Sarah Fasey
Social Value Lead, Microsoft UK

Our impact platform employs GIST Impact’s advanced methodology and datasets to provide a place-based understanding of outcomes and impacts, quantifying social and environmental value creation in economic terms.

Through the impact platform, we capture the data we need to evidence social value in the local community and share with our customers. It can also show impact according to social value themes identified or map impact to SDGs based on programme type:



“To fully understand the impact of a Microsoft programme in a community, we track the journey of how change happens at the micro-level: who the individual beneficiary is, where they started out, how the programme has improved their wellbeing and future potential, and how to measure and quantify that benefit. With Microsoft, we leverage the power of big data and AI to provide a picture of how social value is created on the ground, all across the UK.”

Mahima Sukhdev
SVP, Commercial Development, GIST Impact

The Innovate Together Programme

The Innovate Together programme is a series of events and training sessions for our local government customers, designed to accelerate critical digital transformation through collaboration and resource-sharing. We wanted to understand the value created for those who participated in the programmes, so we carried out an impact assessment using the GIST methodology.

To assess the Social Impact generated by the Innovate Together programme, a survey was conducted involving 1,113 participants, known as "change agents". The survey included participants from approximately 20 local councils spanning seven UK regions.

A number of key findings, which were assessed for their socio-economic value to individuals, organisations and the wider community, revealed:

- £2.9 million in direct social impact created by 1,257 by change agents who completed the training offered, measured in terms of time savings and productivity gains due to improved tech knowledge, leading to innovation and AI usage.
- Through a train-the-trainer model, the cascading impacts on additional local government employees who were trained by the change agents totalled a further £2.2 million.

- On average, a council trains 230 people a year in digital skills – this train-the-trainer model enables training for 11,040 people a year across 48 councils, creating a benefit of £1.7 million in terms of saved training costs.
- In a follow-up survey, 64% of change agents reported the training led to collaboration with their peers, while 52% saw time-savings as a result of the training, and 49% found it led their skills to improve as well as enabling greater innovation in their work. 98% of participants would recommend the training to others.

We have built strong frameworks for collaboration and problem-solving with groups of local authorities. We now have the communities in place for building new solutions and delivering change management, with over 1,000 members and rapidly growing. This ecosystem has fostered a culture of shared knowledge and collective progress. Our Change Agent programme has trained over 1,250 people to date, providing them with access to knowledge and resources on AI and how to remain skilled as the technologies continue to evolve.

Fostering a culture of collaborative learning through these initiatives will be critical to upskilling local government employees to harness the power of AI and digital technologies, and deliver personalised services to communities.

"At Norfolk County Council, we've been fortunate to be involved in the Microsoft Innovate Together programme since its inception in 2022 and have derived a huge amount of value from the framework.

We send our staff on the Change Agent programme to learn key skills in how to change well, exploiting the technology investment we have made and the future objectives we're working towards. We've also played an active role in the collaboration forum, where we share assets and experiences and learn from other organisations with the same or similar challenges and opportunities - some that are fairly unique to Public Sector.

The Innovate Together programme provides our staff and us as a Council with a platform to collaborate at a national scale, and as many of the programme leads come from Public Sector, they understand our challenges, creating a framework that truly fits our needs.

I believe we have jointly built up an increasingly powerful, new and unique community of digitally literate, public good motivated change professionals."

Geoff Connell
Director of Digital Services, Norfolk County Council

The role of AI in an Inclusive Economy

AI is a transformative technology that will change our landscape as powerfully as any industrial revolution that has gone before it. Ensuring that our communities and places are working to gain a positive impact from this transformation is critical for public, private and third sectors.

In particular, we should be using social value legislation to enable and enhance the positive aspects of AI. Microsoft partner GIST Impact has done some analysis of three sectors in which AI can drive tangible, quantifiable social value.

1. Optimising food systems and climate

Our food system is one of the biggest contributors to the climate crisis, accounting for >30% of greenhouse gas emissions. The increasing availability of “sufficient, relevant and accessible data” and growth in AI capabilities can help operators in the food system better mitigate their impacts. AI can analyse vast amounts of environmental data, help optimise resource usage and predict extreme weather events, and power efforts to address the worst impacts of climate change and build more sustainable systems.¹

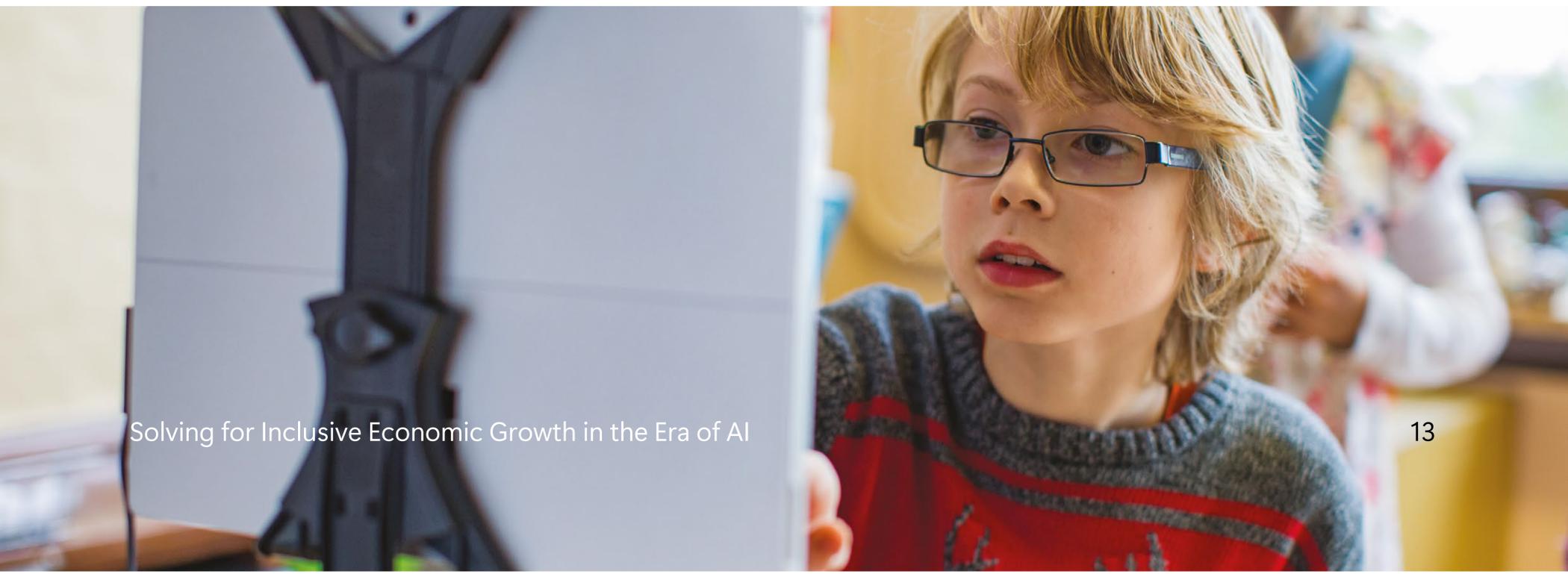
2. Enhancing education through personalisation

In education, AI can help facilitate more personalised learning experiences, democratising access to quality education and boosting student success.² AI can help reduce teachers’ administrative burdens, allowing them to reallocate 20-40% of time to directly support student learning.³ The associated productivity gains and improved learning outcomes all form quantifiable social value created for students and teachers by AI. For instance, AI is supporting teachers in breaking down barriers to opportunities by helping to create personalised reading passages for pupils based on their capabilities.

¹ Sandalow, D. et al. (2023), [Artificial Intelligence for Climate Change Mitigation Roadmap](https://www.icef.go.jp/roadmap/), Innovation for Cool Earth Forum (ICEF), <https://www.icef.go.jp/roadmap/> (Accessed: 26 March 2024).

² Oguz A. Acar, 2024, [With Generative AI we can reimagine education — and the sky is the limit](https://www.weforum.org/agenda/2024/02/with-generative-ai-we-can-reimagine-education-and-the-sky-is-the-limit/), <https://www.weforum.org/agenda/2024/02/with-generative-ai-we-can-reimagine-education-and-the-sky-is-the-limit/> (Accessed: 26 March 2024).

³ Bryant, J. et al. (2020), [How artificial intelligence will impact K-12 teachers](https://www.mckinsey.com/industries/education/our-insights/how-artificial-intelligence-will-impact-k-12-teachers/), McKinsey & Company, <https://www.mckinsey.com/industries/education/our-insights/how-artificial-intelligence-will-impact-k-12-teachers/> (Accessed: 26 March 2024).



3. Revolutionising healthcare

AI can help improve healthcare delivery, from early disease detection and diagnosis to enhanced research efficiency and process optimisation. The NHS faces growing pressures, from backlogs in patient care to demographic-related health pressures. There is a broad range of potential applications of generative AI in healthcare. For example, freeing up time to care by reducing the time spent on typing notes is already being achieved with standard dictation, but this is being supercharged with AI in DAX Copilot, where ambient listening allows the clinical conversation to be automatically converted to a medical note.

4. Building skills for the next stage of digital growth

Working in partnership with local businesses, non-profit partners and organisations, we are focused on building AI fluency and developing AI technical skills. We have recently expanded our AI skilling programme, Get On, to equip one million more people with the skills they need to harness AI. Locally, we're delivering fundamentals training and events for students, tech startups, business owners, and those looking to reskill and upskill, to ensure that nobody is left behind during this new digital era.

We must also make sure we are empowering the next generation of UK entrepreneurs. With AI we are likely to see the emergence of new business models, with the potential to benefit local economies, as we saw with mobile and cloud. Investing in the skills and capacity of innovators across the UK will enable the kind of sustainable and inclusive growth needed. It also means building capacity within the not-for-profit sector so that they can use the innovation AI brings to accelerate their causes.

At the World Economic Forum in January 2024, the Schwab Foundation's Global Alliance for Social Entrepreneurship launched the Rise Ahead Pledge, a new initiative that will mobilise private sector commitments on social innovation to help meet the estimated \$1.125 trillion in funding required by social enterprises and work to build a more sustainable, equitable world for all.

As supporters of this programme, Microsoft believes that positive-impact entrepreneurs, who measure success by the good they do rather than the profits they make, matter now more than ever. Microsoft believes that integrating these kinds of opportunities into the social value framework is a critical part of ensuring that we find ways to use AI to generate inclusive economic growth.

⁴ Parry, C.M. and Aneja, U. (2020), *Artificial Intelligence for Healthcare: Insights from India*, Chatham House, <https://www.chathamhouse.org/2020/07/artificial-intelligence-healthcare-insights-india> (Accessed: 26 March 2024).



Conclusion

Social value measures provide great opportunities to improve the lives of many through the collaboration between the public sector and its suppliers. Effective operationalisation of processes is key if public sector organisations are to ensure its benefits land in their local communities.

At Microsoft, we are fully committed to supporting our public sector customers to deliver positive change in local communities. We are working hard to bring innovative solutions to the market that will enable our customers and partners to better define the outcomes they are striving to achieve. We believe that there is great synergy for organisations to map their social value efforts to the 'S' of their ESG work, but this only comes if purpose, programmes, and place-based outcomes are well understood and coordinated.

We believe the UK has a great opportunity to gain more from social value legislation, using opportunities like AI to drive inclusive economic growth.

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