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Economic resilience: the multi-dimensional role of skills

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A decade after one of the worst economic crises, the national economy seems to have long overcome its negative impact. However, there is still significant within country variation in the socio-economic performance of places. The notion of resilience emerged to help academics and policymakers consider the differential capacity of places to avoid or overcome a negative shock. With history bound to repeat itself and the challenges of Brexit lying ahead, the lessons arising from understanding local economic resilience are more relevant than ever. This policy briefing focuses on the role of skills in improving economic resilience.

How can policy influence resilience in local economies?

- Recognise and promote the role of anchor institutions such as universities for generating and retaining skills locally.
- Identify the importance of amenities for attracting talent in different areas.
- Motivate university-industry collaborations and cross-industry innovation
- Consider the multi-dimensional role of skills in areas such as entrepreneurship

Introduction

City-REDI has prepared this brief to inform the debate on economic resilience. It draws on resilience research at the Institute and elsewhere and is prepared under funding provided by the Economic and Social Research Council (ES/S011226/1). It first discusses the concept of resilience in political and policy discourse at the national level and then considers the importance of the notion for local areas. The briefing continues in discussing the role of skills for resilience and the relevant policy implications.

Policy Context

2008 saw the outbreak of one of the worst and most systemic economic downturns faced by economies around the world. Originating in the housing market and finance sector in the US, the crisis soon spread to different sectors and economies.

However, the crisis affected different economies with varying levels of severity, and some still face the adversities associated with the drop in output and employment.

One of the main policy responses to the recession was identifying its causes and implementing stricter rules on lending and regular testing of the vulnerability of banks. However, economic history has proven that downturns and business cycles are recurring, often for different reasons. As a result, it is equally important to identify how and why some places were better able to offset the crisis impact.

The differential responses of national and local economies to the 2008 crisis has rekindled the interest of academics and policymakers on the concept of economic resilience. Resilience, broadly defined as the ability of a place to overcome or avoid altogether the negative consequences of an economic shock, was able to bring together stakeholders and foster cooperation in creating societies and economies that could mitigate the crisis impact.

More than 10 years on, research, discussion and discourse on how to make a place more resilient slowly making its way in the policy arena (WMCA 2019). This is due to the realisation that either for historical reasons or due to the challenges lying ahead (Brexit, automation etc), economic crises are historical recurrences rather than singularities.

This policy briefing suggests that economic resilience should be front and centre in academic and stakeholder interest for several reasons.

Firstly, as mentioned before, economic crises are recurring phenomena in time. Thus, whilst it is important to address the causes of each recession, it is equally if not more important to create places that can mitigate the negative forces of a crisis.

Secondly, by understanding what makes a place resilient, it is possible to build better economies and place-based policies that will utilise local assets and characteristics and provide endogenously created good growth.

Finally, with Brexit expected to pose a challenge for local economies, it becomes even more pressing to identify the factors that enhance good growth in different places.

Further to this, the briefing will highlight the role of skills in improving the resilience performance of places.

Comparing West Midlands' Local Authority Districts to UK

As mentioned before, the national performance across indicators during the crisis can mask significant sub-national variations. The table below shows how local authorities in the West Midlands compare to the UK for three different measures of the 2008 crisis impact (employment, unemployment, Job Seekers Allowance).

Area	Employment	Unemployment	JSA
UK	1.9	2.7	1.6
Birmingham	3.0	5.1	2.1
Coventry	4.7	2.7	1.7
Dudley	3.9	5.2	2.2
Sandwell	3.7	5.4	2.7
Solihull	5.9	3.4	1.9
Tamworth	11.4	8.5	1.8
Walsall	3.5	4.8	2.7
W'ton	5.0	6.4	3.0

Source: Author's calculations from APS data

The figures show the difference between the average rate for the period 2004-2007 and the average of four minimum (or maximum depending on the meaning of the variable) rates for the period 2008-2014. Thus, whilst the UK has lost 1.9% of its employment during the crisis, Birmingham lost 3% and Tamworth 11.4%, the worst performance among all LADs.

Similarly, unemployment in the UK has increased by 2.7% during the crisis when the relevant figure for Sandwell is double that.

These figures suggest that the heterogeneity of the crisis impact observed between countries is also present within them, with significant discrepancies in the way different places have performed during the crisis. This makes it even more important for localities to identify the resilience determinants.

What does research tell us?

Research on the determining factors behind the varying levels of resilience is limited. However, there are a few determinants that empirical studies point to (Kitsos & Bishop 2018; Lee 2014). The briefing focuses on one of the most important ones which is **skills** as measured by the share of population with qualifications in an area.

Areas with higher shares of individuals with degree level qualifications have been found to perform better during the 2008 crisis. This could be due to several reasons:

- Skilled individuals are highly adaptable and able to learn faster than those not skilled.
- Highly skilled workers are more probable to be hoarded rather than made redundant.
- Highly skilled individuals are more mobile both across sectors and across regions.

These findings lead to a number of policy proposals that could assist places in achieving resilience enhancing growth.

How can policy influence the resilience of local economies?

- Recognise and promote the role of anchor institutions such as universities in generating, attracting and retaining skills and human capital in local labour markets.
- Recognise the importance of amenities in attracting talented individuals and promote effective place-making.
- Incentivise university-industry collaborations and foster innovation activities linking different industries.
- Promote a place-based industrial strategy that will maximise the use of local assets and pursue resilience enhancing growth.
- Incentivise further research on resilience and the creation of local plans that explicitly address resilience.

Sources & further reading

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