Economic resilience

Neil McInroy, Chief Executive

think  do
What is CLES?

Independent charity. No commercial sponsor or government grants

Established 1986

Growing-but will stay small

Economic development but with social fairness and within limits of environment

UK, but also work in Europe and beyond!

20 staff: planners, geographers, local government, environmental scientists, economists and french horn players!

Hybrid; research, consultancy, members
CLES Research and policy work

Economic resilience:
- Norfolk Fellowship international research project
- CLES resilience Pilot – with 5 UK areas
- Analysis of market town resilience in recession

Economic and social tools
- Economic footprint of public sector in Manchester, Swindon, West Lothian
- Sustainable benefits of ‘progressive’ public spend
- Social return on investment modelling (Norfolk)
- Social network analysis

Economic Policy work:
- North West England Integrated Regional Strategy Review
- Innovative places and clusters (South East England)
- Research and Lobbying for community reinvestment bill
Futures work:
- Future city game (with British council) – Moscow, Pilsen, Blackburn, Riga
- Local economic future scenarios

Green Economy:
- Understanding skills potential of low carbon economy
- Green skills/green new deal
- CLES at Copenhagen!

Financing economies/regeneration
- Equity finance/changing behaviours to venture capital

Poverty/economic inclusion
- Links between health and worklessness/economy
- Anti-Poverty strategies
The key aspects of economic development

Inward Investment

- 1960s to early 1980s
- Getting investment to your locality—preferably foreign
- Create the right contexts for investors
- Public sector role is: Grants, Loans and tax breaks and build the infrastructure
Inward Investment

We're offering attractive incentives to companies that move to Elbonia.

Zero taxes, cheerful slave labor, amnesty from any inconvenient laws, and absolutely no environmental regulations!

Is that the best you can do?

Here, use my firstborn son as a lawn ornament.
The key aspects of economic development

Grow the Sectors

- 1980s to mid 1990s
- Retention and growing existing business in specific localities
- Some investment but what suited your locality
- Business start up, Advice, incubators, workspace
- Investment and start up capital
The key aspects of economic development

Networks, Clusters and Partnerships

- Late 1990s onwards
- Networking knowledge and creating effective local business environments
- Partnership between local government and business sector
- Strategy which also includes educations and skills
- Land value and appreciation
- Cluster growth
Sustainable Local Economic Development?

- The way in which growth is generated and distributed is important.

  “Sustainable growth” ......refers to economic growth that can be sustained and is within environmental limits, but also enhances the environment and social welfare, and avoids greater extremes in future economic cycles”

- Growth means getting bigger. Development means increasing quality and diversity.

- Economic growth is not the same as quality of life.

- Health and happiness is not driven by economic growth.
The problem with a GDP focussed economy

GDP and Life Satisfaction 1973 - 2002

- Carbon reduction Commitment
- Carbon Emissions Reduction Tar
- Energy Performance Certificates
- Biomass Strategy
- Zero Carbon Homes
- Code for Sustainable Homes
- The Planning Bill
- Various Planning Policy Statements
- Local Government White Paper

GDP and Life Satisfaction 1973 - 2002

- GDP
- Life Satisfaction
Policy assumptions underlining current economic policy

Source: R. Inglehart, 1997
Overview of Local Economic Development: Sustainable development
Alternative economic development?

Looks at development as not just about economic growth

- A wealth and health producing society: Gross national Happiness not Gross Domestic product!
- Focus on material and psychological needs and support
- Greater appreciation of the transactions between people, not just economic transactions
- Economics as a means to an end NOT an end in itself?
"What factors contribute to making a local place resilient, so that the environment is nurtured, the economy and wider society remains strong and ensuring no area or community losses out?"

- 6 country/place study around the world
- Model developed
- Applying it within UK
Background to economic resilience

- Born out of frustration:
  - Existing economic development models...failed to factor in aspects such as the environment and social capital
  - Economics is often dislocated from ‘place making’
  - Places seemed to go through bouts of boom and decline
  - Fixation of ‘growth’, economic development became synonymous with ‘growth.
  - Each boom and decline comes with a social cost
  - Some economic development ‘stamps’ on local identity
Natural capital: The stock of natural ecosystems, with the ability to provide services or ‘goods’ – such as absorbing CO2, crop production, erosion control, etc.

Physical Capital: Means of production or protection not found in nature. ie machines and building.

Human Capital: the knowledge, skills an attributes embodied in each person ...80% of all wealth?

Social Capital: Social networks and the associated norms of reciprocity and trustworthiness.
Resilient places: places which now and in the future can withstand environmental and economic shocks and changes, repel negative factors and come back from adversity.

Majors of fairness and equity.

Considers all aspects of the economy: including commercial economy, social economy and the public economy.

Allows us to consider the local economy more: Strengthening SMEs, local supply chains, developing new enterprise, supporting community.
How do we overcome the challenges:

For CLES

- Economics is key

"You ever get the feeling that this economy benefits some people more than others?"
NEW SIMPLIFIED MAP OF LONDON

RIVER

VERY RICH

LOSERS

LOSERS
Differences in Life Expectancy within a small area in London

Travelling east from Westminster, each tube stop represents nearly one year of life expectancy lost.

Male Life Expectancy
77.7 (CI 75.6-79.7)

Female Life Expectancy
84.2 (CI 81.7-86.6)

Source: London Health Observatory
Creation of economic resilience
Our model for assessing economic resilience
Public economy
- Public expenditure on goods and services
- Make up of public sector activity
- Public employment
The economic resilience model

Public economy
- Public expenditure on goods and services
- Make up of sector
- Public employment

Social economy
- Contribution of community activities and networks to the local economy including ‘core’ economy
  - Direct economic activity such as social enterprises,
  - Core economic activity –social capital (e.g voluntary organisations, community groups, neighbourliness, social consciousness)
The economic resilience model

**Public economy**
- Public expenditure on goods and services
- Make up of sector
- Public employment

**Social economy**
- Contribution of community activities and networks to the local economy including ‘core’ economy

**Commercial economy**
- Commercial turnover in locality
- Make up of sector
- Provides the bulk of employment

RELATIONSHIP AND THE SPACES BETWEEN THESE ARE KEY
The three spheres of a resilient economy work within a wider context

- Government policy framework
- Broader economy
- Need to work within environmental limits
- Importance of “place”. Link economy to the history and identity of the place
How resilient is your economy?

- Many ways of measuring resilience..but..
- The model has 17 key things to measure/assess.
  - 3 core local economic territorial aspects. Size of Commercial, public and social economies (quantitative)
  - 6 relationships between all of these 3 aspects (quantitative and qualitative and policy focus)
  - 8 external relationships between the Local area and government, identity, environmental limits and broad economic context (Qualitative and policy)
Overall measurement/assessment considerations

- 3 core local economic territorial aspects.
  - Quantitative
  - Needs to be ‘local’ data.
  - Could also include a physical asset audit
- 6 relationships between all of these 3 aspects
  - Tends to be qualitative and policy
- 8 external relationships
  - Contextual policy.
Gdansk, Poland

- Short term Resilience. Bolstered by EU funds
- Public economic interaction with the social and commercial sector is weak.
- Competition – V - Cooperation in wider city region
Portland-Oregon, USA

- Very resilient. With balance between economies
- Public sector and economy enables.
- Strong ‘green’ identity, percolating through place and economic activity
Culiacan-Sinaloa, Mexico

- Not resilient. Lack of connection between the sectors.
- Dominated by ‘fragile’ US Investment.
- State-level economic strategy, dominated by business.
- Environment degraded.
Coimbatore-Tamil Nadu, India

- An entrepreneurial culture.. Adapting and driving a resilience
- Local government providing little more than services
- Genuine corporate social responsibility, filling the gaps with NGOs
Haiphong, Vietnam

- Strong drive from government, from national down to city
- Starting to embrace the free market
- A strong entrepreneurial spirit
- Despite ongoing recession from 90’s...very resilient!
- Public sector key actor
- A strong focus on innovation – a ‘technological DNA’ – running through the place
- Strong collective, place based culture
Economic resilience requires:

- Taking a broad view of the economy (public, commercial and social economies)
- Knowing when to intervene and when not to
- Recognition that identity and ‘pulse of place’ matters
- Planning, fostering and managing innovation and creativity
Taking a broad view of the economy

- Economic development needs to be outward looking in terms of what is its remit
- Resilience involves a broad take on what we mean by the economy (Social, public and commercial)
- A broad palette of responses, each blend of components will be unique by place
- Portland and Yokkaichi stand out in this regard
- Too much orthodoxy in local economic practice?
Knowing when to intervene and when to get out of the way

- Extremes of doing very little or overly intervening are both bad policy.
- Getting out of the way can create growth quickly – Culiacan.. But not resilient in the long term?
- Economic growth is a means to an end NOT an end in itself.
  - Intervene/active policy to disperse benefits of growth - Portland
- Resilience is not a question of ideology or dogma – a pragmatic response to place and circumstances is more resilient.
Importance of identity and pulse of place

- Uniqueness of place is a competitive advantage
- Investment needs a reason to ‘stick around’ and a strong place creates inertia
- Citizenry sympathetic to economic development which reflects place
- Identity serves to galvanise action around place in times of stress – Yokkaichi
- If places are people...economic resilience requires strong personalities
- Place policy is economic policy
Economic planning needs to get to grips with the ‘pulse of the place’

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Economic planning is about planning for and managing for creativity, innovation and risk

- Recession is the time to take risks?
- Various types of innovation
  - Social innovation – (Coimbatore)
  - Commercial innovation – (Yokkaichi)
  - Public innovation – (Portland)
- We need ‘bees and trees’
A resilient economic place

<table>
<thead>
<tr>
<th>Creative and economically resilient Place</th>
<th>Place which lacks resilience</th>
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</thead>
<tbody>
<tr>
<td>Balance between Localised and globalised economy</td>
<td>Fully globalised and local is weak</td>
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<tr>
<td>Cross sectoral economic connections</td>
<td>Sectoral</td>
</tr>
<tr>
<td>Networked business</td>
<td>Individualised and poor supply chain</td>
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<tr>
<td>Innovative and proactive business culture</td>
<td>Business as usual and reactive</td>
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<tr>
<td>Progressive public spending</td>
<td>Spending based on efficiency and the cheapest</td>
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<tr>
<td>Health and wealth generating</td>
<td>Generates wealth</td>
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<tr>
<td>Strong organic place identity</td>
<td>Identity based on what market wants</td>
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<tr>
<td>Flexible governance</td>
<td>Rigid and hierarchical</td>
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<tr>
<td>Planning for green growth even pockets of no growth</td>
<td>Growth</td>
</tr>
</tbody>
</table>
Key overarching considerations

- It's a model, not a blueprint
- It has localisation, sustainable place making at its heart
  - Relationship between aspects of the economy as key to this
- Economics of place is seen as a key 'place' determinant
- It's about economic development, but factors in other 'non' economic aspects
- It is about 'the local' and 'the place' and then its relationship with other territories
- Infrastructure is seen as a means to economic resilience NOT and end in itself.
So what!!...its a conceptual model. What about making places better?

- It describes aspects of resilience
- Creates a baseline for an existing place, which can be tracked
- Details the components of a new place, and means we can watch them grow and develop
- Spots the strong and weak local economic aspects of place
- Provides pointers to policy interventions required