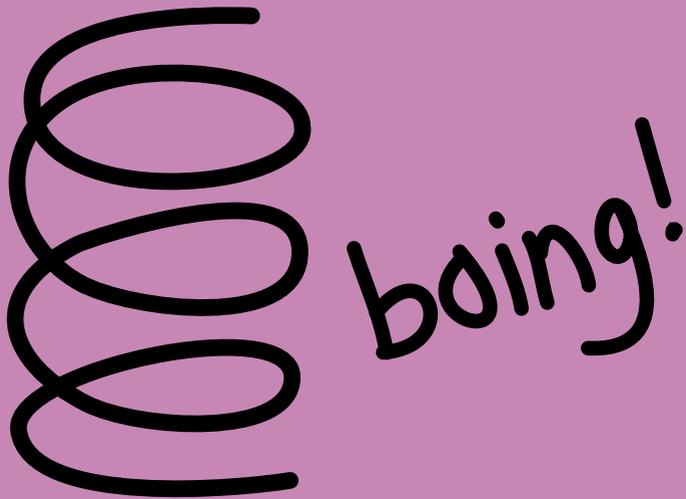




Centre for Local Economic Strategies



# **Productive local economies: creating resilient places**

**Neil McInroy and Sarah Longlands**



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*Centre for Local Economic Strategies*

December 2010

## About CLES

The Centre for Local Economic Strategies (CLES) is the leading membership based organisation in the UK dedicated to economic development, regeneration and local governance. Founded in 1986, CLES undertakes a range of activities including independent research, events and training, publications and consultancy. CLES also manages the monthly New Start online magazine through its new CLES online service which provides comprehensive analysis and commentary on current policy and good practice. In all of CLES' work, the challenge of delivering local economic development alongside progressive environmental and social benefits is a common theme. For more information visit [www.cles.org.uk](http://www.cles.org.uk).

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# 1. Introduction

We stand at a cross roads in the development of local economies and successful places in the UK. The economic crisis of the past few years and the public sector cuts combined, change the whole basis upon which many of our local plans have been built. The Coalition government has made it clear that it places great importance on the need to rebalance local economies away from a reliance on the public sector, to more commercial and social economic activity. They seek a focus on greater levels of productivity, be it commercial, public services or more productive use of social capital, embraced by the notion of 'big society'. This is time for new thinking – we cannot rely on old and sometimes discredited ways of working.

At CLES, we've been working over the past two years on the development of a place resilience framework. We think it provides an excellent model for Local Enterprise Partnerships, Local Authorities and their partners to consider the current balance of the economy in their locality.

Where local economies are too dependent on either the public, commercial or social aspects of their economy, place resilience can be vulnerable and brittle, and areas may fail to take advantage of opportunities. The conditions may be not right for investment or for the growth of latent commercial activity. The framework we have developed provides an opportunity to explore what local authorities can do through economic development and regeneration to influence the re-calibration of their economy and in doing so, strengthen the resilience of their place, and meet the challenges and opportunities of the future.

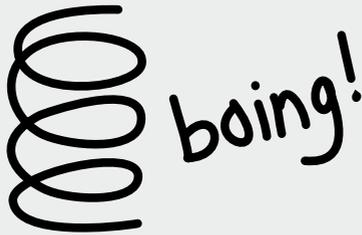
This paper outlines our thinking so far, explains our resilience framework and provides some early conclusions from pilot research we've carried out across the UK. Now, more than ever, we need methodologies that can help us to protect communities from economic storms and create places that are able to thrive on change.

## 2. Turbulent times: why we need new thinking

### **From boom to crisis: the roots of place resilience**

The boom years from 1993-2008 saw significant development within our towns and cities; however this renaissance was spatially and socially limited. Whilst much progress was made, problems of inequality, failing economies and poor housing persisted. Now, our communities face huge pressures as a result of public sector funding cuts and an uncertain economic outlook – and a future where peak oil and climate change will bring unprecedented challenges. We can't rely on the same old strategies: CLES is calling for a rethink on how we steer local economies.

#### **Figure 1: Resilience – The 'boing' factor**



Resilience is about understanding the ability of a place to respond to the challenges that it faces; what enables some areas to respond effectively from shocks, whether they be economic, social, political or environmental, whilst other areas falter and decline.

This work follows our research 'Toward a new wave of local economic activism', which was produced in 2009 in the wake of the recession. In that paper, CLES called for a new wave of economic activism and introduced, for the first time, the CLES place resilience framework. This is a new strategic conceptual model for thinking about how our local economies operate - encapsulating the public, social and commercial economies. CLES developed this framework as a tool to inspire a new wave of thinking as regards place development.

Since publication of the report in 2009, CLES has carried out pilot work in eight areas across the UK in order to examine the usefulness of the resilience model as means of exploring how we could rebalance our local

## **Figure 2: Ten danger signs**

When local economic development strategy goes wrong: danger signs from 'Toward a new wave of local economic activism':

- not enough bespoke local strategies which move beyond traditional economic concerns;
- too many strategies and local economies are not central enough in them;
- not enough focus on investment and venture capital;
- social and employment issues not related to local economies;
- poor connections between economic development and land use planning;
- poor recognition of the role of the social sector in the local economy;
- poor fostering of a culture of innovation, creativity and entrepreneurship;
- not enough 'local';
- poor accountability in relation to economic planning and strategy;
- poor thinking as regards growth, development and quality.

economies. This paper draws on some of the early findings of this research by outlining the nature of place resilience; how place resilience can be strengthened and weakened at a local level, and considering how an area might be able to create greater levels of place resilience in the future. This paper argues that if the concept of place resilience is deployed, it will offer a fresh and innovative way of helping localities move beyond our present public sector funding crisis and cope with ongoing and future economic and environmental change.

In this, we are not arguing for more resources, more interventions, more bureaucracy and more initiatives; instead we argue for more realism, less orthodoxy and confusion. The concept of place resilience allows us to do this.

## **A new wave of economic development**

Our approach to economic development requires a significant rethink<sup>1</sup> CLES' research highlighted ten danger signs, described in Figure 2. Above all, many of the dangers and problems presented in that report were premised upon three important concerns: (i) economic development deals badly with adverse change; (ii) there is too heavy an emphasis on growth and traditional economic issues opposed to environmental concerns; and (iii) economic development has been too one dimensional.

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1. Toward a new wave of local economic activism: The future for local economic strategies [www.cles.org.uk/files/104252/FileName/Newwave\(webversion\).pdf](http://www.cles.org.uk/files/104252/FileName/Newwave(webversion).pdf)

## **Change is coming – but are we prepared?**

Economic, social, cultural and environmental change is inevitable and quite normal. Our local plans and strategies should always reflect this. When change takes place - particularly damaging change, such as the economic shocks of 2008 or the flooding in Cumbria - we hope that places will be able to cope and endure. Indeed, at best, we would hope that localities can “bounce back” from adversity, learn from what has happened and in doing so, further strengthen the area for the future.

However, as economic history illustrates, “bounce-back” has not been experienced by many communities in the UK. For example, in the 1970’s and 80’s many places experienced a dramatic structural economic shift and despite huge regeneration efforts and a plethora of strategies and policies ever since, many of those localities have not recovered.

Our villages, towns, cities and counties are entering a new era, not only because of immediate cuts to public sector funds but also in terms of wider economic turbulence. We are likely to see more places failing to deal with change. Opportunities will continue to be lost and communities will suffer. These four factors are particularly important:

- recent economic events have highlighted how dependent some places are upon a single economic activity. There is a pressing need to bring new economic life to some places, where new and diverse economic activity can flourish;
- environmental change and threats are creating instability and uncertainty. This means there is a need for places to adapt, so they can mitigate the effects of environmental change and create new ways of sustainable living;
- demographic shifts, in particular ageing, have and will create new pressures on public resources and the nature of how we live;
- a range of political and cultural forces, including lack of trust in politicians and new forms of service delivery, are resulting in an increasing demand for people and civil society to do more in shaping and making place.

The extent to which change has negative and damaging consequences, or positive and energising qualities, depends upon the abilities of that place to adapt and respond, and the speed and onset of change. In a world of fast moving changes, no place can rely on past successes to succeed in the future. We know that areas which become locked into one economic sec-

tor or trajectory, miss fleeting commercial opportunities, fail to plan for environmental adaptation or misread the scale of social and cultural shifts may well be left behind.

These challenges, coupled with the ongoing pressures on public resources, means that we now need to think again about places and society and how we shape and make them. For us, resilience and how this applies to place is crucial and offers a policy pathway through this emerging new era.

### **It's not just about growth: Place policy is economic policy**

CLES has long advocated the idea that place policy is economic policy. Whenever we create local plans - whether that be for a new housing development, transport system, land use strategy, or iconic building - all of this infrastructure is intrinsically linked to economic policy. Therefore CLES

#### **Figure 3: Place policy = economic policy**

So much decision making focuses on our policies of place (e.g. land use planning, architecture, transport, new schools or housing, even public parks) and tends to be dislocated from economic development. In an atmosphere of public sector cuts, there is a real and pressing need for greater integration between place and economic policy.

believes that local economic development in the UK needs to refocus on 'development' which works within environmental limits, the nature of the place, and fairness rather than just growth for its own sake.

One of the important findings of our earlier research work<sup>2</sup> was that some economic development strategies were overly focused on economic growth, with the assumption that more growth would lead to more fairness for all and better quality of life. We all know of areas where growth has been patchy and illusive and future growth clearly unlikely. But no matter how uncompetitive the location, how insufficient the labour market and/or infrastructure, an unrealistic objective of economic growth was often the dominant option on the table.

Therefore, in previous work, CLES argued that economic development cannot always be conceived on a narrow economic imperative, such as competitiveness or growth<sup>3,4</sup>, as it does not match wider economic reality

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2. [www.cles.org.uk/files/104252/FileName/Newwave\(webversion\).pdf](http://www.cles.org.uk/files/104252/FileName/Newwave(webversion).pdf)

3. Bristow G, (2010) Resilient regions: Replacing regional competitiveness, Cambridge Journal Regions, Econ and Society Volume 3, Number 1 Pp. 153-167

4. Hayter R. Economic geography as dissenting institutionalism: the embeddedness, evolution and differentiation of regions. *Geografisker Annaler B* (2004) 86:95-115

and makes some places hostage to impossible aspirations. Where growth is achieved, it is important that it is robust and used effectively within a location, complementing place identity and community aspirations, and does not simply evaporate when an area experiences an economic shock. The recent recession has uncovered a number of areas where solid levels of economic growth achieved through the boom years have not been sustained as investment and jobs have drained away at the first sign of trouble. In addition, we are seeing successful areas which do have economic growth adopting even more aggressive growth strategies without due regard for the place, culture and identity or indeed the environmental consequences, both locally and globally.

### **Economic development needs to become less one dimensional**

Local economic policy needs to absorb and be reflected in the broader, more qualitative aspects of place development, accommodating the breadth of social, cultural, economic and environmental facets that are part of a whole networked system within a locality. It must not simply be fixated on economic performance<sup>5</sup>. This is important in the creation of a functioning place<sup>6</sup>.

Significant turbulence has taken place in the global economy and we now urgently need to consider how local economic development can deal with social, environmental and economic change more effectively than has previously been the case. We should in future assess the success of our places on the basis of an area's ability to be 'change ready' and adaptable, and capable of taking advantage of opportunities. CLES believes that this should be at the core of any economic governance and assessment of place.

In our previous research, we indicated that there was too heavy an emphasis on traditional economic concerns. Too many of the strategies we examined focused on 'hard' economics – small business start-ups, inward investment, availability of land and premises for business – rather than 'softer' aspects of place, such as neighbourhood renewal, environmental sustainability, and levels of community empowerment and participation. This emphasis has neglected the influential secondary factors that determine economic strength and resilience; in particular, the interacting roles

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5. Pike A, Rodriguez-Pose A, Tomaney J. What kind of local and regional development, for whom? *Regional Studies* (2007) 41:1253–1269

6. Bristow G, Wells P. Innovative discourse for sustainable local development: a critical analysis of eco-industrialism. *International Journal of Innovation and Sustainable Development* (2005), 1:168–179

of the public, social and commercial economies, together with wider factors such as transport links, health, aspiration and environment.

Addressing these broader issues is a difficult job. Indeed, CLES thinks it is beyond the ability of central government as economic conditions and solutions to problems are variable across the UK and subject to complex interacting forces and relationships. Therefore, a dynamic local approach is needed, involving strong local economic development which enables local authorities to make themselves strategic enablers and leaders.

These issues of growth, one dimensional economic development, and failure to deal with change has led us to assert that we need to link economic development policy to a network of activity which takes place within a locality.

### **The importance of a networked place in creating resilience**

Local economies aren't simply an isolated silo of private sector activity that can be encouraged and shaped. They are made up of a network of social, public and commercial economic activity. These aspects are interconnected and dependent on one another. Our fresh food is dependent upon economic distribution chains and shops using water, electricity and transport provision, which are fully or partly provided by public services and public taxation (the public economy).

For the most part, places function without major disruption and to a large extent we ignore the myriad of connections operating within areas which affect our lives. On the one hand, this is a very sophisticated and admirable network. However, the longer and more complex the connections and communication links, the more reliant we are on activity which takes place elsewhere or is opaque; therefore the failure of any one part has a knock-on effect on the other, causing disruptions and shocks. It can be 'brittle'<sup>7</sup>. For instance, the failure of the sub prime mortgage market in the US, and complex and opaque connections between this and the UK bank Northern Rock, made Northern Rock brittle, and indeed highlighted the brittleness of the wider UK economy.

In short, our places and life within them are dependent upon connectivity and networks which, if too opaque, too unknown, or too dependent on long and complex connections, are very vulnerable to small disturbances. Given the challenges we face, we need to think about how we make places more resilient – a resilience which recognises the importance of connections and relationships. In doing so, we would hope that some connections

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7. Edwards, C (2009), 'Resilient Nation', Demos

and relationships can be strengthened and made less opaque, thus equipping places to be more adept at both responding to shocks and in being proactive about opportunities.

It is both within the rapidly changing economic context and the recognition that relationships and connections are vital that CLES has explored the nature of place resilience. We want to understand how we create places and economies that are able to withstand the pressures of change and respond more flexibly to opportunities.

# 3. The CLES resilience framework

## A resilient future

The CLES resilience framework is our attempt to explore the nature of strong and flexible economies; an approach we have tested in a range of contexts around the UK.

Coming from its traditional use in relation to natural disasters<sup>8</sup> and ecosystems<sup>9,10</sup>, resilience is gaining ground in social and economic contexts, and growing and attracting more attention across academia and policy<sup>11,12,13</sup> and within the fields of psychology<sup>14</sup> and engineering<sup>15</sup>.

Generally, resilience is the extent to which a system is flexible and agile enough to respond to external forces or change. Brian Walker from the Australian Commonwealth and Industrial Research Organisation defines resilience as *'the capacity of a system to absorb disturbance and reorganise while undergoing change so as to retain essentially the same function, structure, identity and feedbacks.'*<sup>16</sup> Thomas Homer-Dixon in his book *'The upside of down'* defines resilience as *'resilience is an emergent property of a system – it's not a result of any one of the system's parts but of the synergy between its parts. So, as a rough and ready rule, boosting the ability of each part to take care of itself in a crisis boosts overall resilience.'*<sup>17</sup>

Furthermore, it differs from sustainability in that it focuses on the proactive capabilities of a system to not simply exist but instead survive and flourish. Instead of embracing stasis, resilience embraces the norm of

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8. (Hill et al 2008, Karstens et al 2006

9. Pimm, S.L. 1984: The complexity and stability of ecosystems. *Nature*, 307, 321–26

10. Holling, C.S. 1986: The resilience of terrestrial ecosystems: local surprise and global change.

In Clark, W.C. and Munn, R.E., editors 'Sustainable development of the biosphere', Cambridge

11. Andy Pikea, Stuart Dawleya and John Tomaney Resilience, adaptation and adaptability

12. Adger, W. N. (2000) Social and ecological resilience:are they related? *Progress in Human Geography*, 24: 347–364

13. Swanstrom, T (2008) Regional Resilience: A critical examination of the ecological framework. Working paper 2008-2007, Berkeley, CA: Macartuhur foundation research network on building resilient regions, Institute fo Urban and Regional development, University of California

14. Kaplan, H. B. (1999) Toward an understanding of resilience:a critical review of definitions and models. InM.D. Glantz and J.L. Johnson (eds.). *Resilience andDevelopment: Positive Life Adaptation*, pp. 17–83. New York: Kluwer Academic/Plenum

15. Vale, L. J. and Campanella, T. H. (2005) *The ResilientCity: How Modern Cities Recover from Disaster*. New York: Oxford University Press

16. Walker, B et al, *resilience thinking: sustaining ecosystems and people on a changing world* (Washington DC: Island Press)

17. Thomas Homer-Dixon, *The Upside of Down*, Souvenir Press Ltd, 2006

change, flexibility, rapid unpredictability and networks. 'Change, from a resilience perspective, has the potential to create opportunity for development, novelty, and innovation'.<sup>18</sup>

Resilience for CLES is based on two key principles:

- **it assumes that humans and nature are wedded together and evolving together, therefore they should be conceived as one.** Ecologists have long understood that ecosystems cannot be understood by isolating parts of the system and by examining linear cause and effect. Ecosystems function through the interaction of many elements at different scales and timeframes, including land, climate, weather, flora and fauna. In places, or in economics, resilience allows us to think about a place as a series of interconnected systems with relationships and feedback processes between topography, built environments, use functions, the people and so on;
- **resilience rejects a notion that systems change in a linear way.** In resilience, elements within a system are in constant flux, unpredictable and highly complex. Many changes and events occur at very different timeframes and speeds. Traffic jams occur over minutes, stock markets crash over days and weeks, housing markets change over months and years, whilst urban regeneration can take decades. All of this means that the application of resilience is a challenge to a mechanical and linear approach to place making and shaping. Places need to be understood as an interconnected system; the policy application of resilience is a search for qualities and attributes of place which make it adaptable and able to thrive on change.

### **Rebalancing economies: The CLES place resilience framework**

From the literature and for the purposes of our own research, CLES has defined place resilience as *'the capacity of a place to be ready to deal with change and opportunity. This will require an adaptability so a place can respond, take advantage and learn, so that the place and its citizens are better equipped to deal with opportunities and negative change in the future.'*

The CLES place resilience framework has evolved from our own thinking about the nature of place and the economic strategies we put in place to support, strengthen, and revitalise our localities. CLES has been using this model to explore the nature of resilience and economic resilience in a number of localities across the UK.

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18. Montenegro, Maywa, Urban Resilience, Seed magazine, July 27th 2010.

Our research has been about understanding the ability of an area to respond to the challenges that it faces - what you might call the 'boing' factor. We have asked four key questions:

- what factors enable some areas to respond effectively to change and opportunities, whether they be economic, social, political or environmental, whilst other areas facing similar changes and opportunities fail to take advantage, falter and decline?;
- what makes some areas resilient - able to withstand economic blows and come out the other side - whilst others are hit hard and unable to recover, often requiring huge amounts of public investment and resources with no guarantee of success?;
- how important are readiness, response, recovery and learning in the development of resilience for a locality?;
- how does this play out in economic development strategies and delivery?

It is these questions that have driven our research on resilience in eight different areas of the UK:

South Staffordshire;  
Cherwell, Oxfordshire;  
Ashfield and Mansfield;  
the City of Manchester;  
Cambridgeshire and West Suffolk;  
Northumberland;  
Gloucester, Tewkesbury and Cheltenham;  
Blackburn with Darwen.

The basis of the research was the application of the CLES place resilience framework to the economies of these seven areas to understand the place resilience of each area.

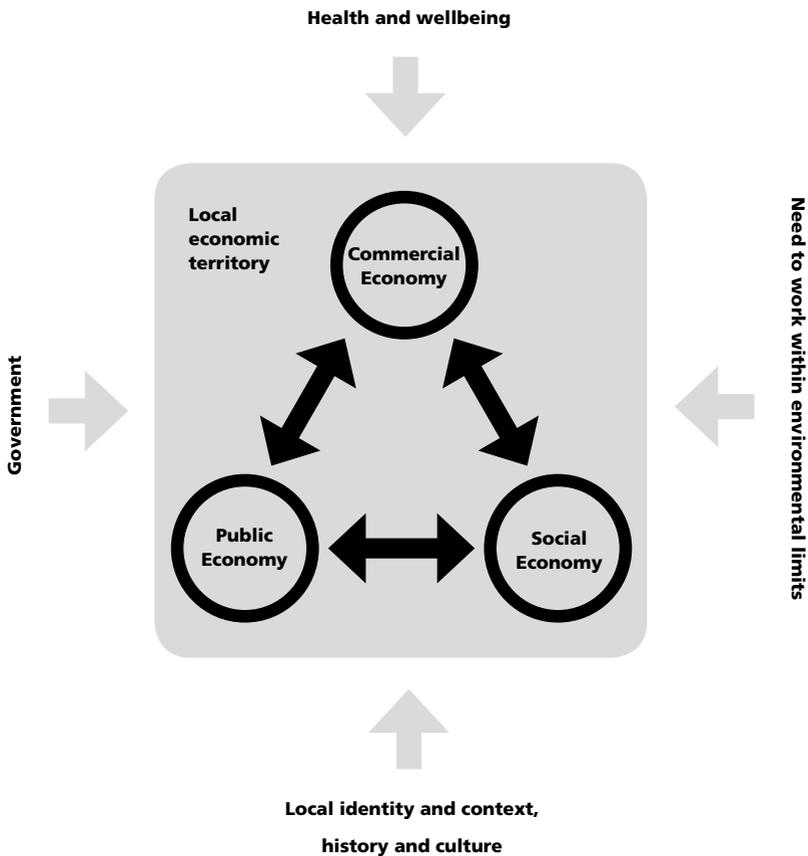
### ***How the place resilience framework works***

The CLES resilience framework provides a visual representation of how a local place is structured<sup>19</sup> from an economic perspective. It also identifies the outside influences that have an effect on how it functions.

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19. This is a changed framework from the original as devised at the outset of the pilot process. The original framework contained a 'local economic context' as an outside influence. This was found through the pilot process to be covered in the shape of the economy measures. Pilots also felt that that health and well being was a major element and underplayed in the framework.

**Figure 4: The CLES resilience model**



The framework has been designed to ensure all parts of the economy are represented: the social; commercial; and public economies. The commercial economy is often seen as the priority for economic development, but the resilience model demonstrates that the public sector can have considerable influence on a locality through procurement spend, planning and employment opportunities. Likewise, the social economy does not regularly feature in economic development strategies but plays a crucial role in providing the foundations for any healthy and effective economy both directly through local employment, local supply chains, volunteering and

social enterprise, but also indirectly through development of social capital and promotion of civil engagement and participative democracy.

What makes the resilience model stand out is that whilst it focuses on traditional elements of 'the economy', it hones in on the relative strength of the reciprocal relationships between the public, private and social economies. We believe these relationships and connections help to generate resilience within an area. Stronger mutual relationships allow a locality to be more flexible and reactive if faced with an economic or environmental change.

***How does the framework measure place resilience?***

Place resilience is measured by understanding the composition and influence of the social, public and commercial economies, and the relationships which operate within the framework. The level of resilience is judged by analysing information about a place through the lens of ten resilience measures, which are described in Figure 5. These measures relate to the different relationships which exist within a locality. An implicit assumption within the model is that place resilience develops as a result of the strength and effectiveness of the relationships in a locality, so if these relationships are strong, an area is more likely to be resilient.

## Figure 5: The ten resilience measures

### *The shape of your local economy*

#### **1: The commercial economy**

The strength of the commercial economy is defined as economic wealth creation generated by businesses that are privately owned and profit motivated.

#### **2: The public economy**

The public economy consists of services delivered on behalf of government organisations whether national, regional or local, and funded by the public purse.

#### **3: The social economy**

The social economy embraces a wide range of community, voluntary and not-for-profit activities that try to bring about positive local change.

### *The relationships which influence your economy*

#### **4: Commercial economy's relationship with the public economy**

Explores the existence and effectiveness of partnerships between the commercial and public sector and the level of interaction between the two parts of the economy.

#### **5: Public economy's relationship with the social sector**

Explores the existence and effectiveness of partnerships between the public and social sectors.

#### **6: Social economy's relationship with the commercial economy**

Explores the existence and effectiveness of partnerships between the commercial and social sectors.

### *The wider relationships upon a local economic territory*

#### **7: Health and wellbeing and the relationship to the local economic territory**

How local health and well being issues relate to the local economy. This includes ill health, quality of life, travel to work and leisure patterns, and the economic geography of the area.

#### **8: Relationship between the local economic territory and working within environmental limits**

Explores how the climate change agenda has been integrated into the economy of the local economic territory. This looks both at climate change mitigation and adaptation strategies.

#### **9: Relationship between the local economic territory and local identity, history and context**

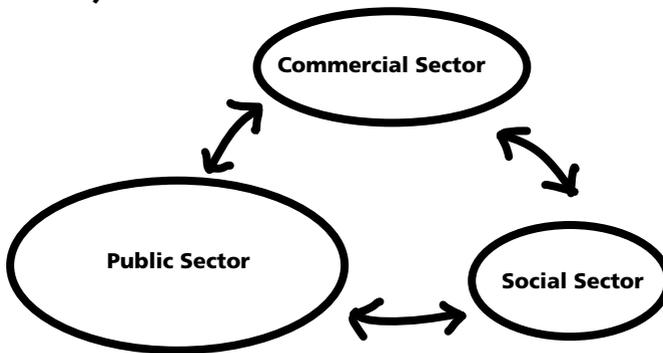
The extent to which an area is shaped by and manages its identity, history and culture.

#### **10: Relationship between the local economic territory and governance**

How national and local governance has affected the local economic territory.

Measures 1, 2 and 3 serve as 'total economic place' descriptors. Using hard data, this aspect of our work served to highlight the relative size of each 'economy' in the localities. Figure 6 shows an area with a relatively large public economy compared to a smaller commercial and social economy.

**Figure 6: Example of a location with a relatively large public economy.**



Measures 4-10 measure the strength of the relationships which both influence the economy and which impact upon the local economic territory. The methodology used to measure the strength of these relationships included analysis of quantitative and qualitative data, including semi structured interviews with key stakeholders representing each of the public, social and commercial economies. In order to draw conclusions about the resilience of these relationships we considered the degree to which an area was prepared for change and the performance of an area in the event of a “shock”. More detail on these key determinants of preparation and performance is provided in figure 7.

### **Figure 7: Key determinants**

#### *Preparation*

**Readiness:** how effectively does the place ready itself to respond to change and potential disturbances? In this, readiness involves anticipating changes and creating a response capability by analysing change. In this, we are looking for capacity, in terms of policies, actors, processes, relations and resources.

**Response:** how effectively does the place respond to disturbances and opportunities? In this, response relates to the actions taken. This involves effective connections, communications and the utilisation of networks and aspects.

#### *Performance*

**Recovery or taking advantage:** how quickly does a place absorb and recover from the change? Or how quickly does it take advantage of an opportunity?

**Learning:** how effectively does the place learn from and adapt to the experience?

We also created a scale for resilience, this was one of the most challenging aspects. We did this by piloting a variety of different types of scale to understand their relative strengths and weaknesses. Following discussion with the pilot research areas we have developed a four point scale for resilience which we feel provides a useful assessment of the varying degrees of resilience in a variety of contexts. Figure 8 describes this four point scale.

### **Figure 8: Four point scale for resilience**

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#### **1. Resilient**

- Robust relationships between the different spheres of the local economy have been developed in bold and innovative ways.
  - Area very well prepared to deal with economic, social and environmental change and opportunities and evidence that they have responded effectively in the past – track record.
  - High levels of readiness and response.
  - Evidence of being able to recover and take advantage swiftly.
  - High levels of learning.
- 

#### **2. Stable**

- Sound relationships between the different spheres of the local economy.
  - Adequate communication between the sectors.
  - More creative collaboration is required in order to strengthen local economic resilience.
  - Poor evidence of being able to recover or take advantage.
  - Poor learning.
- 

#### **3. Vulnerable**

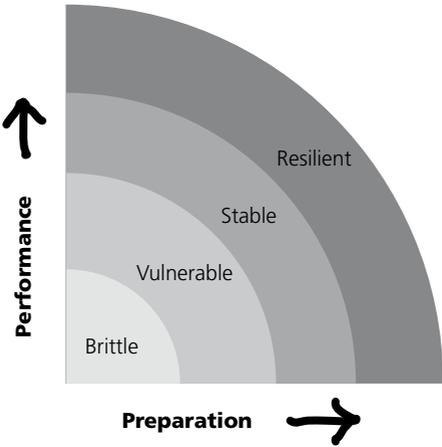
- Significantly under developed relationships.
  - Relationships may be precarious.
  - Limited evidence of the sectors coming together.
  - Some evidence of recovery or taking advantage.
  - Good learning.
- 

#### **4. Brittle**

- No relationship between elements.
- Tension and conflict.
- Area not faced up to challenges of local identity and culture.
- Poor ability to withstand future shocks or take advantage of opportunities.

Figure 9 shows the proportional relationship between resilience and preparation and performance, and a useful overview of the conditions required to secure a resilient and effective place.

**Figure 9: Proportional relationship between resilience and preparation and performance**



Our model is still under active development, but our intention is to provide a coherent but flexible framework that will enable places to fully explore their resilience and develop new strategies to create balanced local economies.

## 4. Conclusions so far

We have applied the methodology described above in a number of areas, testing and refining the process throughout. Although our research is still active with a number of pilot research projects still in progress, it is possible to draw a number of early conclusions about the nature of place resilience in the areas where we are working:

### **Use the CLES resilience framework to think differently about how your economy balances**

The resilience framework provides a stimulus for creative thinking in policy. The research to date has shown that the model provides places with a powerful tool with which to reconceptualise how their local economy operates. In every area where we have piloted the model, there has been debate, discussion and new questions. In each area, this process has helped to unpick some of the key challenges, and has pointed to some of the solutions that need to be explored in the future.

### **You can have a successful place without economic growth**

Earlier in this document, we talked about the over-dominance of the economic growth agenda. In our pilot research, we have found that there is a very strong preoccupation with economic growth. There is no politically acceptable alternative to economic growth and no other vision for the purpose of a place. Growth is king. However, the resilience framework provides a way of reimagining or reinterpreting success; resilient places don't necessarily have to be predicated on economic success. They could be places where success is about effective and high quality services such as schools and hospitals, or places where people feel part of a strong and involved community, or where there is a high quality natural environment. We need to articulate new and alternative visions for successful places, which are realistic about the future opportunities and challenges.

### **Thinking about the domino effect**

In all seven pilots, the CLES research has demonstrated the interconnectivity of the public sector with the social and commercial economies. Public sector cuts of between 25% and 40% will impact on the social and commercial economies. This means that strong relationships between the public, commercial and social sector are vital in order to ensure each locality is ready and prepared for cuts. The public sector needs to be able to work

with the private and social sector to manage and mitigate the impacts of public sector cuts to communities and the economy. In this public procurement processes are vital.

### **Economic development is disconnected from the big society**

There is a real lack of understanding about the role of the big society or the social economy in the majority of areas where we have piloted the model. We have found little knowledge about the role that the social economy plays in supporting the resilience of place and about how economic development should respond. There is also confusion about how work to support the social economy supports the resilience of the wider local economy. The reason for this is often because the link is indirect and difficult to measure. This is a key finding from our work on resilience and highlights the fact that despite all that is known about the importance of the big society, in terms of community assets, social enterprise and quality of life, economic development is still overly concerned with variables that it thinks can be controlled, such as employment, investment and business support. However, very often, these ‘hard’ outcomes are intrinsically dependent upon the relationships and networks that exist within the social economy, but because these factors are difficult to measure, they tend to be disregarded.

Furthermore, we found very poor connections between the commercial and the social economy. It would appear that beyond corporate social responsibility, there is not a local culture of philanthro-capitalism, including giving, within commercial interests in the UK. Furthermore, we found far too few instances of corporate volunteering policies. The Coalition government’s ‘Big Society’ theme is currently underdeveloped; but clearly the goal of stronger, more empowered communities is a key element to local economic success. If ‘Big Society’ is to move beyond rhetoric, it must be considered a crucial element of local economic development.

### **Local Authorities will need to conduct but don’t always need to play**

Where our research has identified strong resilience of place, a common reason for this strength has been the proactive leadership and/or coordinating role of a local authority. However, all too often, and wrongly, the role of local authorities is perceived as simply being about delivery. This leadership role can take many forms but the most common is where the local authority plays a facilitating role, working to broker relationships between different parts of the private, public and social economies.

## **‘It’s the environment, stupid!’ The context to successful places**

The resilience framework has also provided a means of highlighting the challenge of climate change for economic development and provided a chance to open discussion in each of the pilot areas about the local challenges and opportunities of climate change mitigation and adaptation. This debate needs to take place both in terms of how resilient the economy is to this threat and how climate change could act as a catalyst towards making a place more resilient in the future.

## **Critical relationships and networks are vital for rebalancing the economy**

One of the important aspects of our work on resilience has been to throw down a challenge to the current and outdated mindset common to the practice of economic development. For too long, our approach to economic development has been based on linear principles which assume that economies can be managed and influenced in a fairly mechanistic way - where investment in one area will result in a particular outcome/result in another. The typical response to a problem/challenge/issue in an area is to put all economic development efforts into growing the economy. According to this rationale, encouraging growth also encourages the creation of new jobs, new income and revitalisation of property markets. Following a slump, growth is encouraged to crank the system back up again into a successful local economy.

In reality, economic development is not a pure science and the market that agencies attempt to influence is volatile. Economic development and the resilience of place are often influenced by factors and issues that are intangible and difficult to predict. This difficult context means that relationships and networks are important in order to harness the potential and strengths of a locality.

## **Delivering a resilient economy**

CLES’ research has highlighted many useful economic development and regeneration projects, some of which are focused on supporting and strengthening relationships between different parts of the local economy. However, we also think that resilient economies can be stimulated through projects that wouldn’t normally be in an Economic Development Strategy. These are all important at helping to develop the capacity, the networks and the relationships that exist within a place, providing the foundations for greater resilience, including:

- **a thriving community and voluntary sector** – which is able to respond to challenges in order to support vulnerable communities. They can also help ready a locality for change through increasing community capacity and by encouraging local enterprise development through the social sector;
- **strong civic engagement** – strong participative democracy can be good for your economy. People value the opportunity to live in an area where they have a strong say in how their area is run and feel part of the democratic process;
- **strong public sector** – a public sector which understands its economic footprint and uses this impact effectively to support local economies through procurement, employment and as a landowner;
- **a diverse finance sector** – there should be opportunities for local people to access a range of financial services in their area, many of which can help to support and encourage local circulation of money (e.g. credit unions and local currency schemes);
- **high levels of diversity in the economy** – in any economy, it's important that there is strong competition and an assumption in favour of sectoral diversity. The public, private and social sectors should work together to actively discourage sacral dependence on any one sector or aspect of that sector;
- **effective public services** – including transport, education, housing and adult social care, which ensure that the most vulnerable in society are cared for and proactively tackles issues relating to income inequality which can be bad for the local economy. Good services, particularly schools and hospitals, can also be important for helping to build stable local communities;
- **closer integration of land use planning with economic development** – a high quality environment which attracts people to the area either to work or live, including public green space, sports facilities and emphasis on environmental conservation. This could also include provision of allotments and strong policies on green space in planning;
- **strong provision for young people** – to encourage the development of a future labour force that can take advantage of the best opportunities for the local economy.

## Why some places fail to be resilient

In the course of the research, we have also explored the reasons why some areas fail to be resilient. We have seen a great deal of positive work take place within communities over the last twenty years of regeneration activity. Much of that has aimed to improve neighbourhoods, with a strong focus on supporting people by encouraging civic engagement and supporting the development of community, and social infrastructure – just the kind of strategies CLES would advocate.

However, despite these efforts of councils, partners and central government, many areas have failed to become resilient. They may see some growth and improvement in their physical infrastructure, but there are few examples of where places have truly become more resilient as a result of this type of activity. Why does it fail to work in the way we expect? We are keen to continue the debate on why this happens and our research to date has started to hint at some of the reasons:

- **getting the blend right** – individual initiatives may be judged a success, but perhaps the overall blend is the wrong one to properly prepare a place for change. The recipe that works in one town may not in the place next door. It may be that the balance between initiatives is not right – for example, it may be too inward investment-led with not enough focus on encouraging indigenous enterprise development, or it may be too focused on physical infrastructure rather than improving the skills and potential of the labour market. There's also a need to challenge long held assumptions about the local blend of economic development activities. Places need to take care about the type of investment attracted through promotion. For example, a strong focus on inward investment may not be a good idea if there is little to offer the investor aside from attractive sweeteners, subsidised infrastructure and a low value labour force. These attractions will encourage the type of investor who is only interested in the bottom line and is likely to depart for pastures new when offered a better deal. A longer-term investor may value other aspects of a place, such as quality of life, access to further education and training, and connections to markets;
- **balance between strategy and opportunity** – the other challenge for initiatives is often about the balance between strategy and opportunity, or proactivity and reactivity. Whilst economic development needs to be opportunistic to a certain extent and ready to respond as circumstances change, it is important to have a robust evidence base, a clear plan, and a carefully thought through strategy

which is clear about long term goals. However, if too much time is spent on strategy, it is easy to lose sight of the changing context within the community and become unprepared to meet challenges;

- **understanding the battles that can be won** – many economic development approaches can be simply unrealistic. Turning around an area with many years of economic decline and deprivation is difficult, and simply calling for growth in a strategy will not make it happen - particularly as local authorities across the country compete to attract jobs and businesses. Places need to understand alternative futures that aren't simply focused on economic growth – as quite clearly not every area will grow and not every area will grow at the same rate;
- **cause and effect within economic development is an inexact science** – often, there is strong assumption about the types of outcome that will be achieved as a result of a particular initiative being developed. In reality, the degree to which inward investment turns into sustainable jobs or that business infrastructure results in new investment can often be relatively tenuous. The cause and effect within economic development is a pretty inexact science;
- **narrow definition of 'economy'** – one of the conclusions from our research is that we tend to have a fairly narrow definition of what we mean by 'economy' which is constrained to a discussion around jobs, levels of GVA, skills and productivity;
- **balance between local and global needs to be symbiotic rather than parasitic** – the balance between local and global is a crucial dynamic within local economies. Some areas become subsumed by the global economy with global replacing local, shortening the connections and the network and increasing vulnerability. However, other areas manage to link up effectively with the opportunities that globalisation provides to the local economy to create a more symbiotic relationship;
- **rigidity of governance** – at the current time, there is a wide ranging debate on the governance of economic development. Whichever governance structure is used in a locality it is important that this structure has flexibility and enables rather than constrains the formation of relationships and networks in an area.

## 5. Join the debate

CLES will be completing the research in each of the pilot areas over the next few months and publishing a summary of the key findings from the pilot areas. We hope to provide opportunities for more local authorities and local authority partners to get involved in this work and try the resilience framework out in their own area in the future.

We're also interested in getting your thoughts on the resilience work, and how it may help you to think about rebalancing your local economy. Work with us to consider what the future of economic development and regeneration will be in the UK. We have established a professional network which meets regularly and provides an opportunity to take the discussion on resilience and economic development forward.

You can also follow our progress on the CLES website ([www.cles.org.uk](http://www.cles.org.uk)) and on Twitter ([www.twitter.com/clestweets](http://www.twitter.com/clestweets))



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