

Local Responses to a Global Crisis: international strategies for recovery

2nd July 2009





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Session One

International Cities in the Recession



What the changing global economy means for cities



**Will Hutton, Executive Vice-Chair
The Work Foundation**

2 July 2009

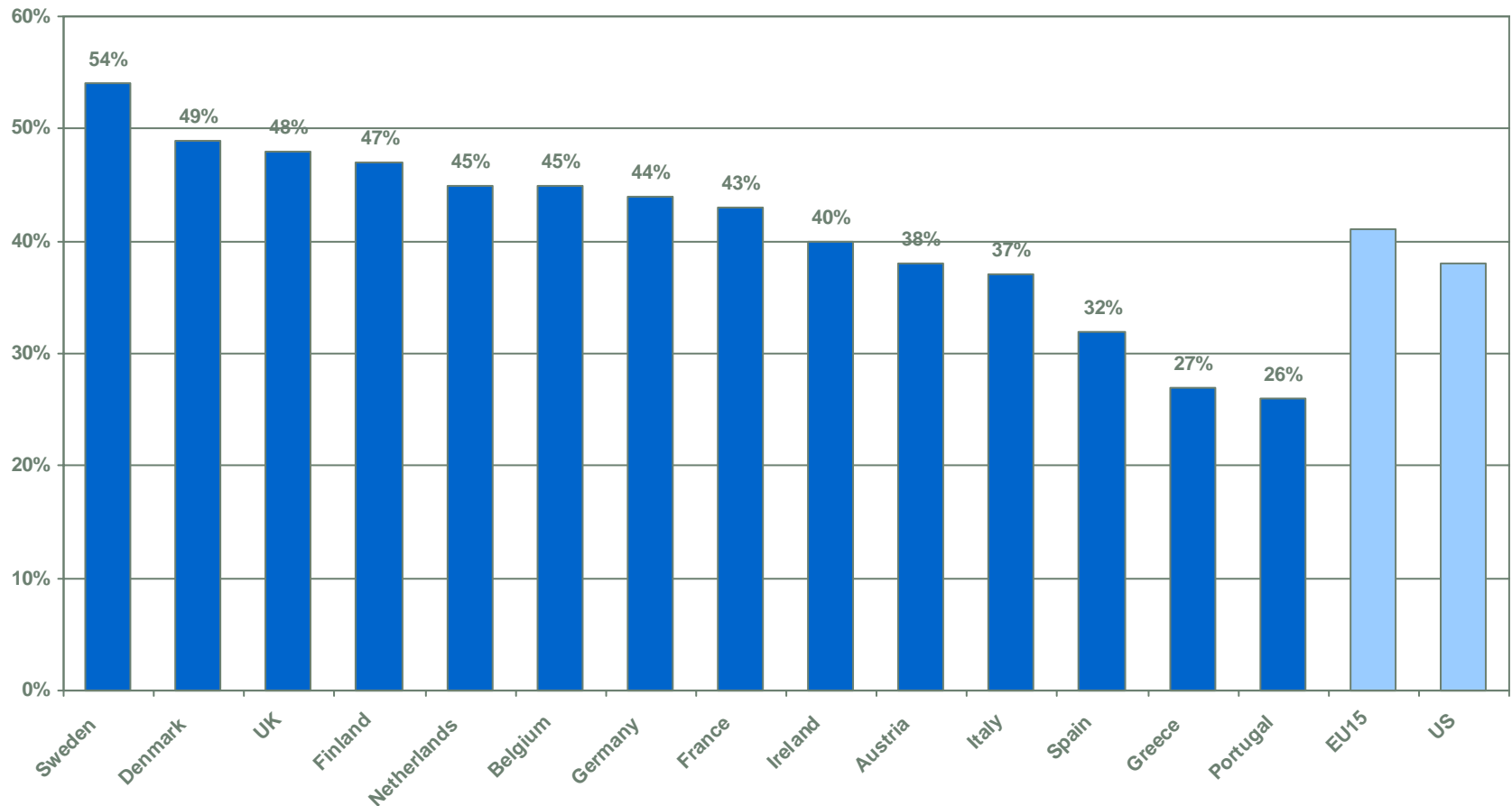




Global economy is becoming more knowledge intensive

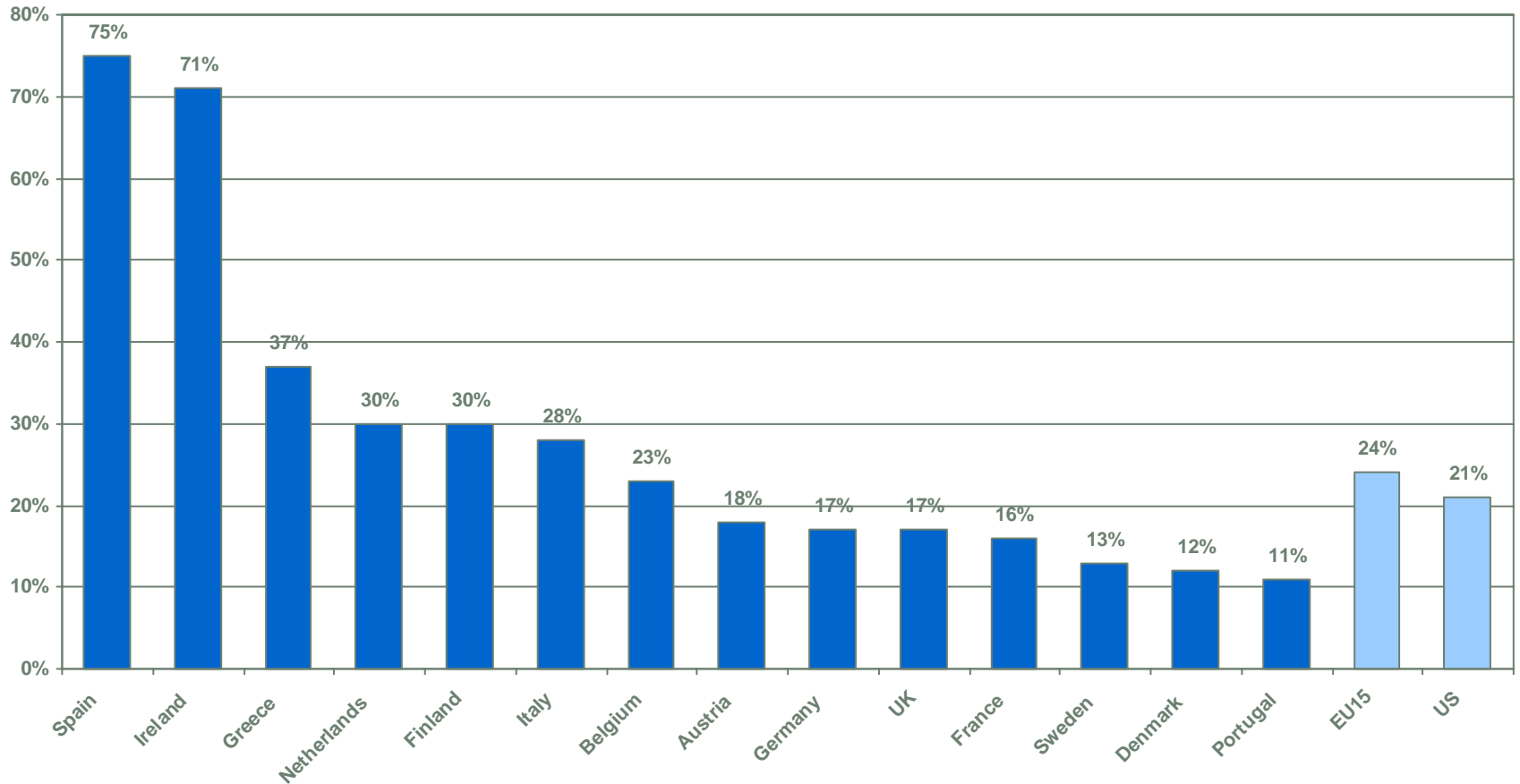
Employment in knowledge based industries in the EU in 2005

EU15 is share of total employment using Eurostat definitions (high to medium tech manufacturing, finance, business services, communications, health, education, cultural services, air and sea travel). US estimate is Work Foundation estimate for share of employees derived from US Bureau of Labor Statistics for similar industries and is not directly comparable.



Most new jobs in knowledge based industries 1995-2005

Eurostat definitions for EU15, change in total employment 1995-2005; US is Work Foundation estimate for employees in similar industries and is not directly comparable.

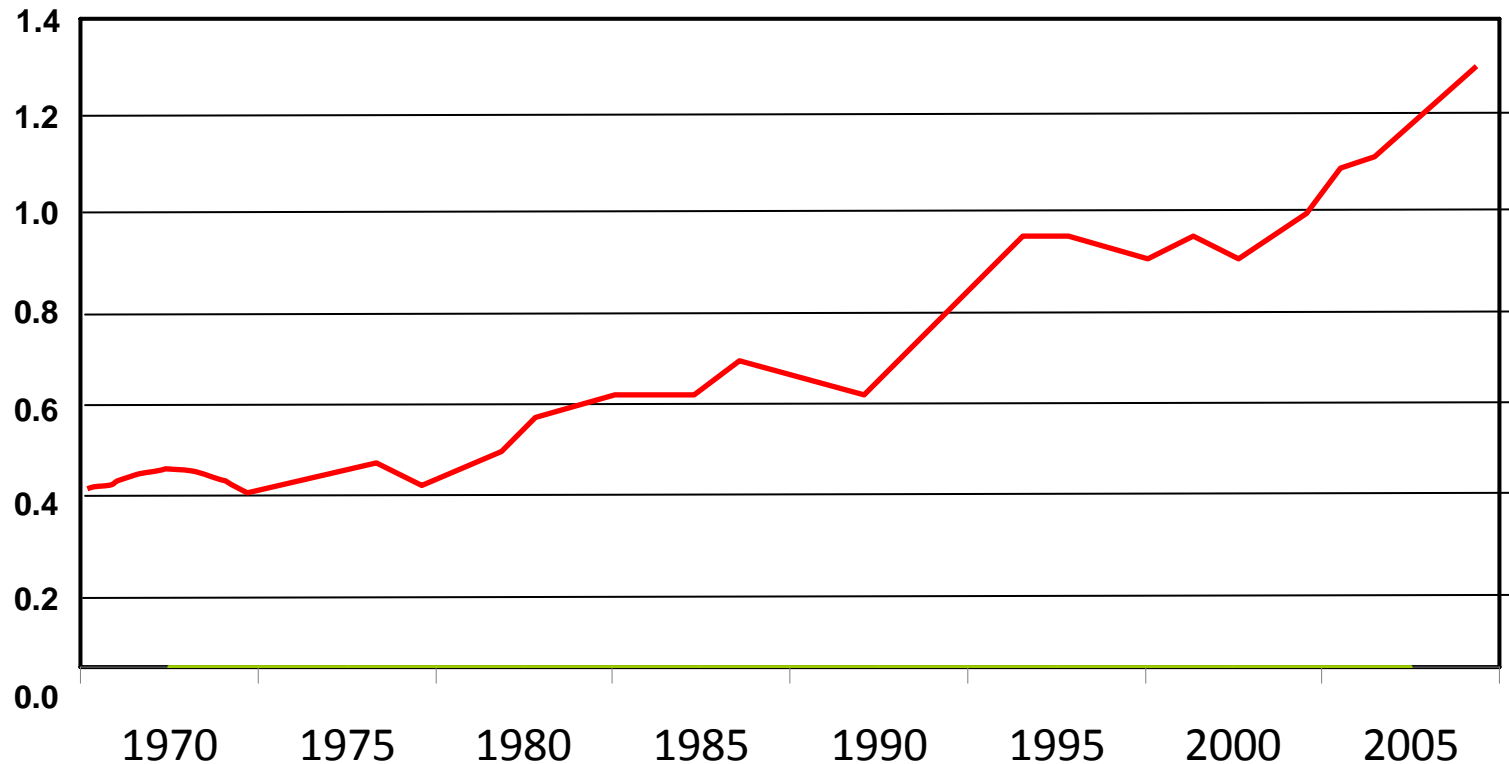


Business Investment in Intangible Assets

ratio of investment in tangible assets (machines, buildings) to intangible assets (R&D, software, design and development, human and organisational capital)

Source: HMT Economic Working Paper No.1, October 2007.

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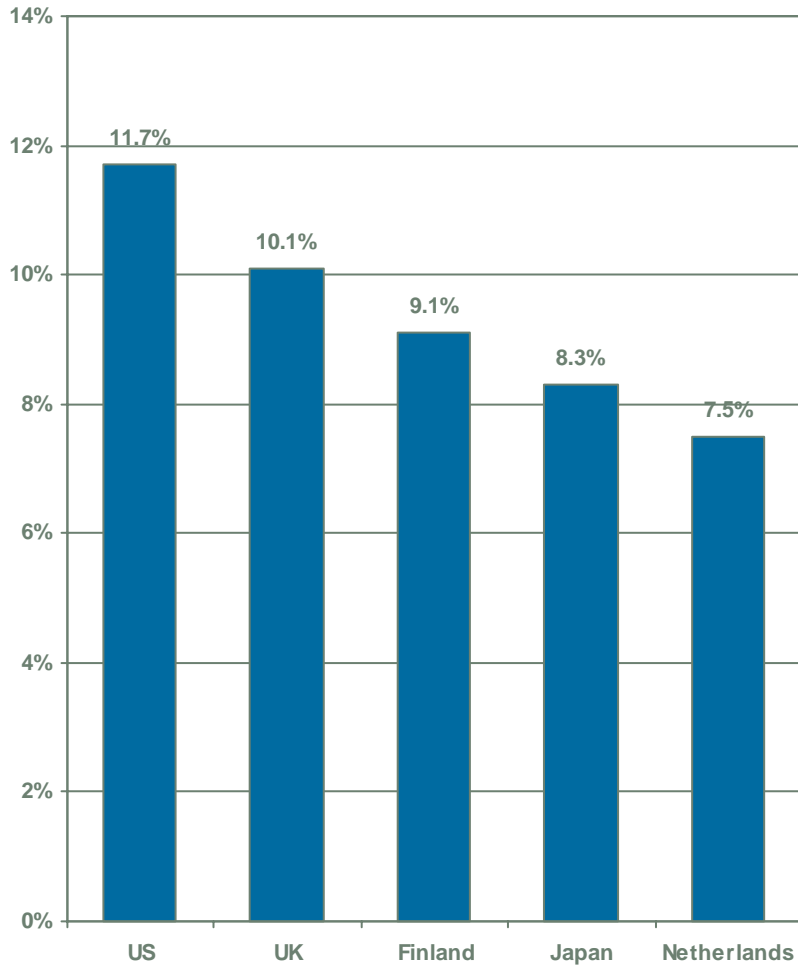
Intangibles compared across the OECD

Source: OECD (2008) *Intellectual Assets and Value Creation*

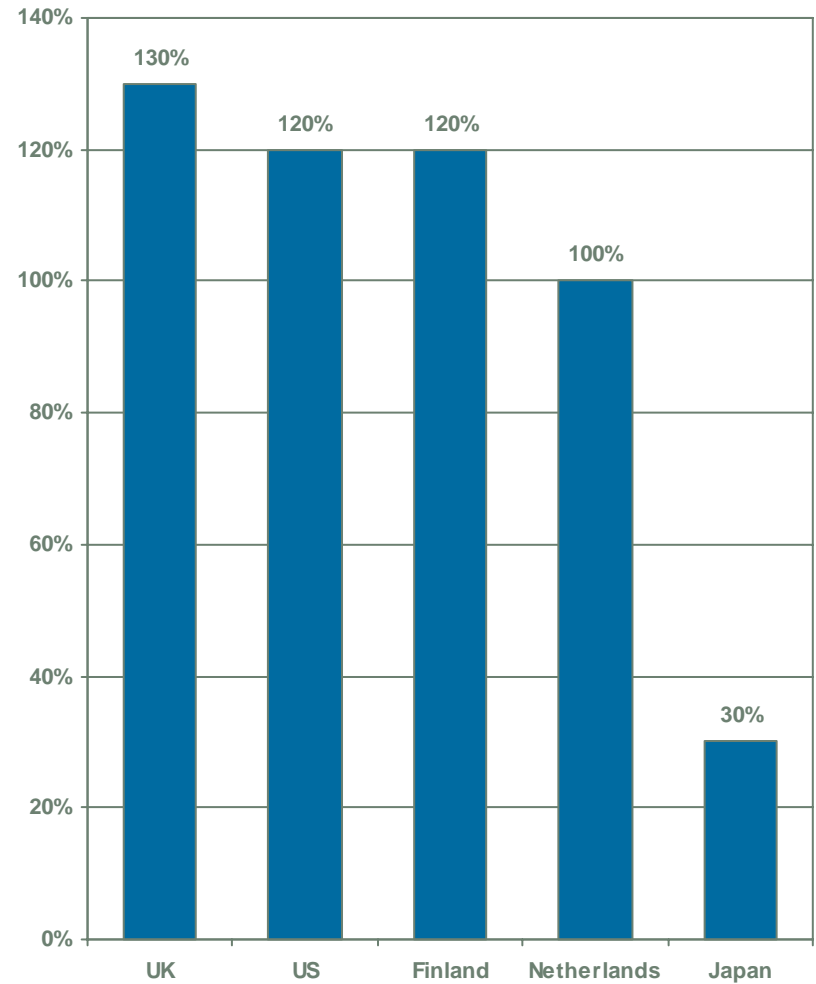


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Intangibles as % of GDP



Ratio intangibles to tangibles

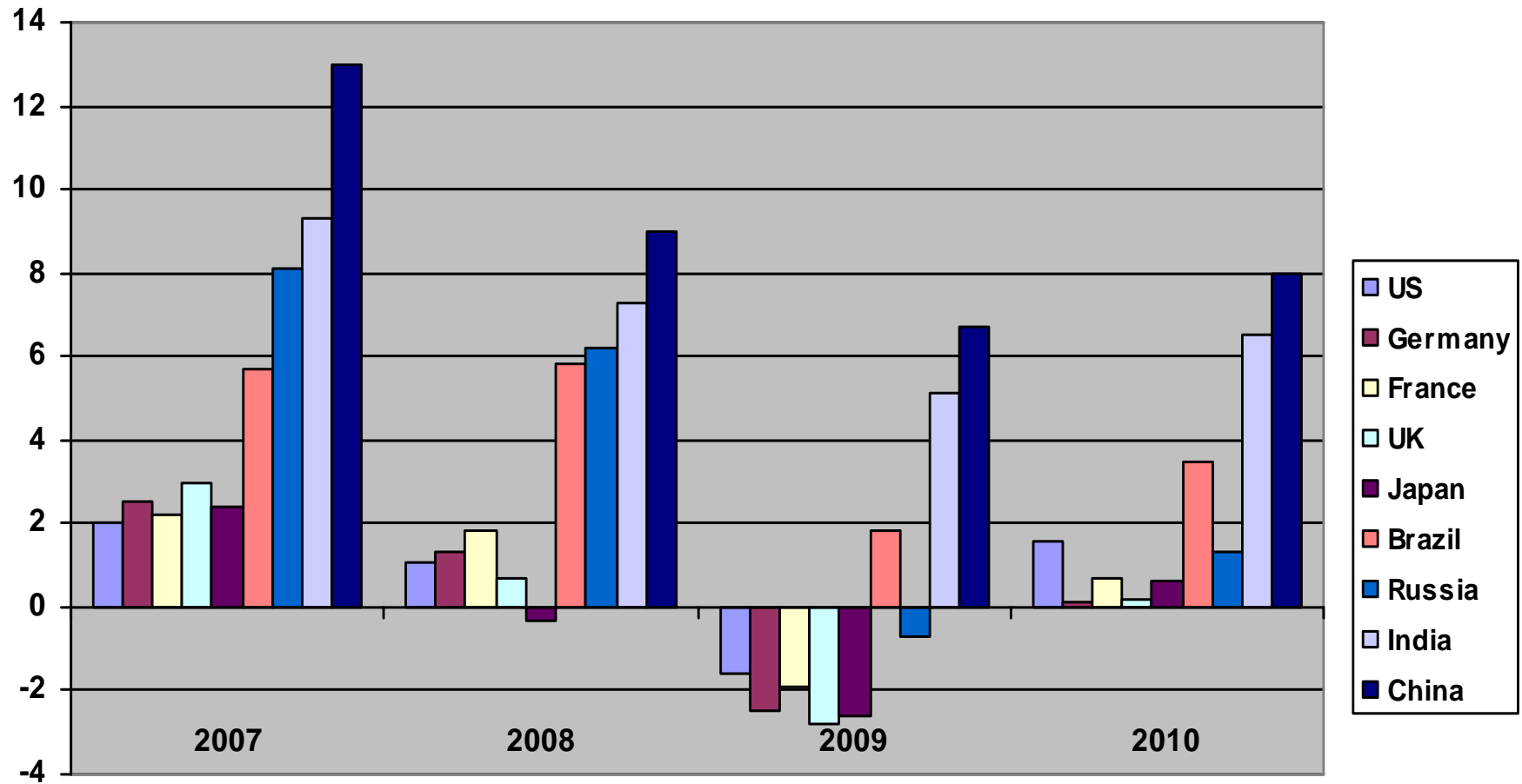


Impact of the recession

Headline indicators – Global growth is falling

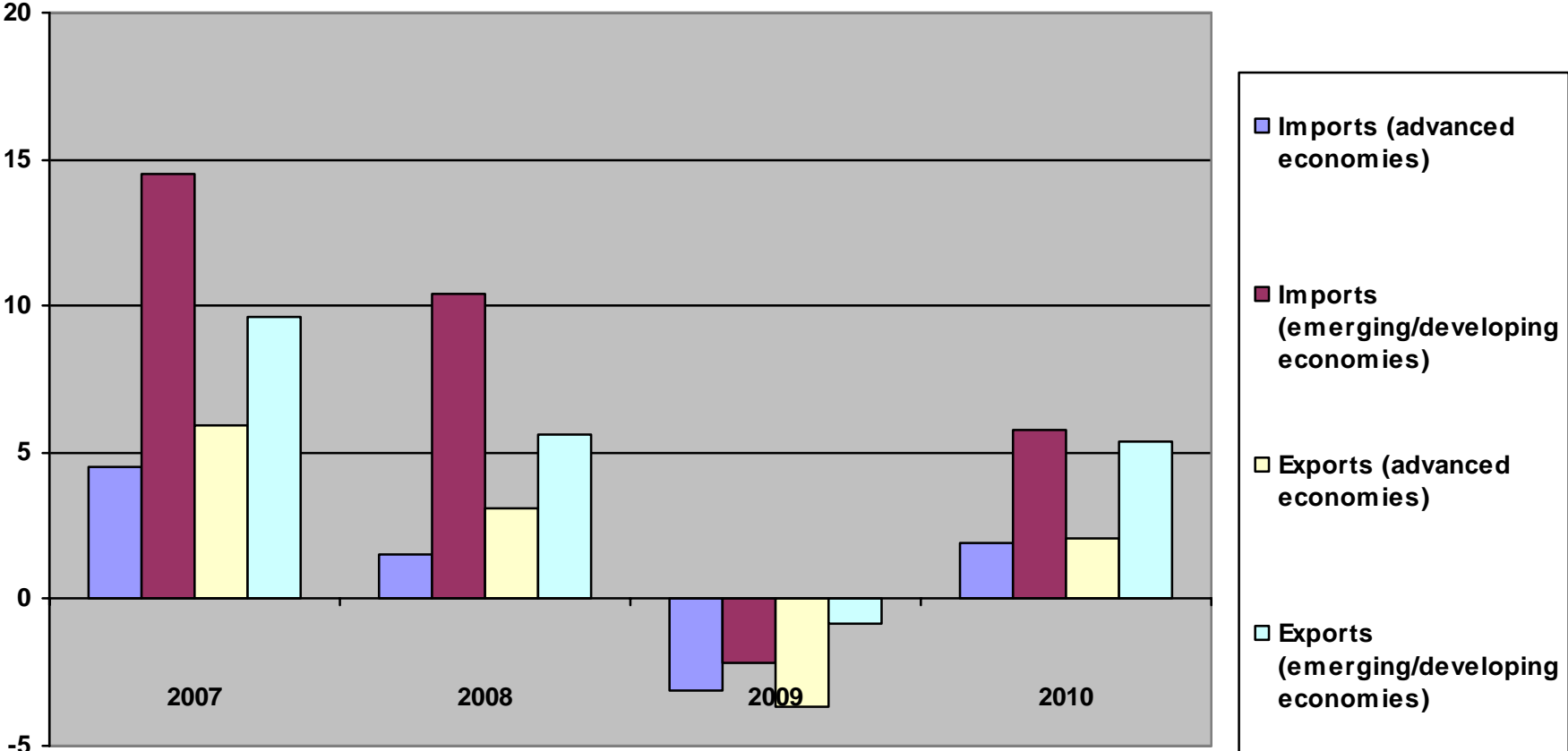
(Source: IMF)

Change in output, year on year (%)



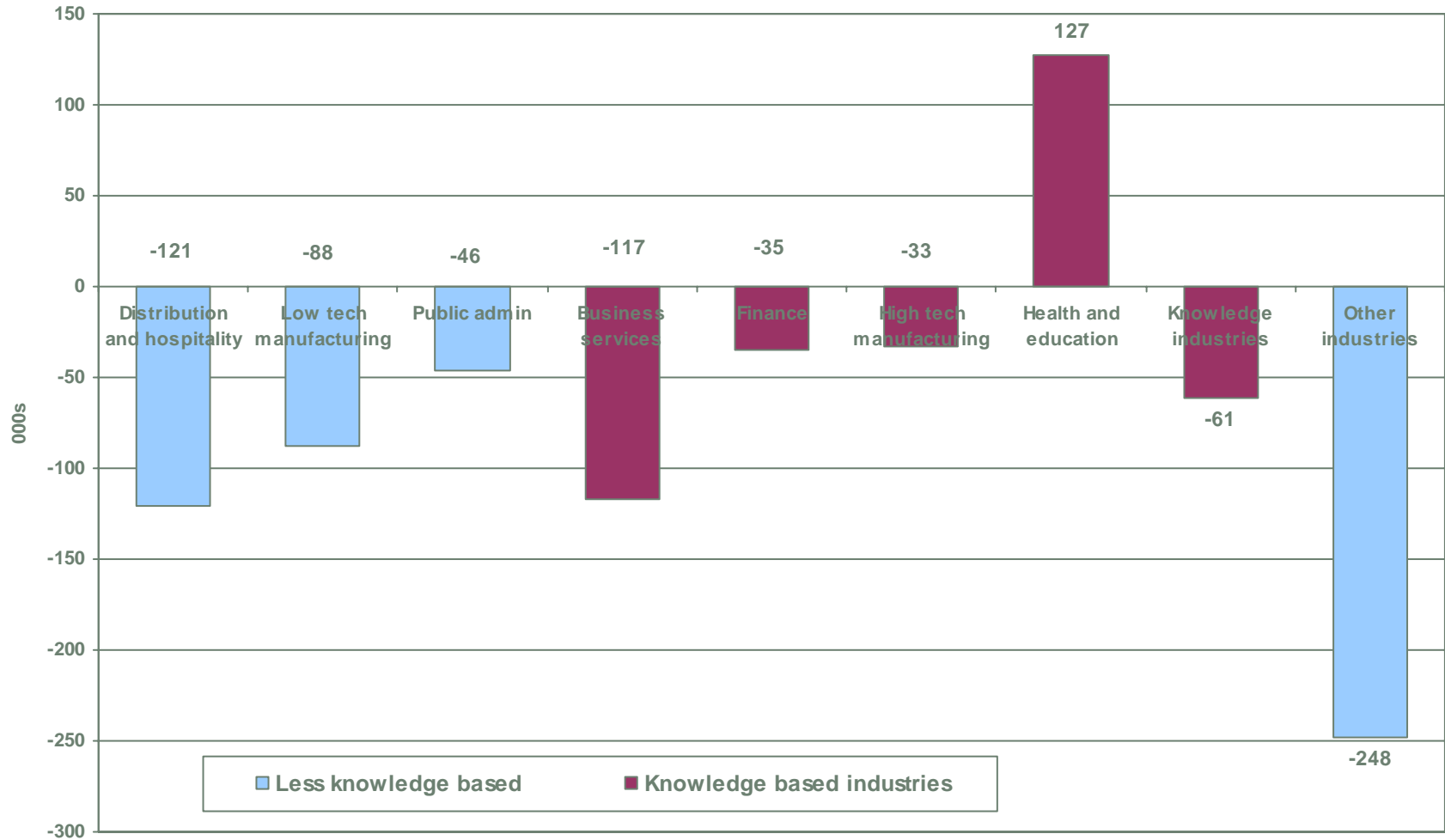
Global trade is slowing

Figure 2: World trade volume, year on year change (%)



Impact of the recession on the UK's knowledge economy

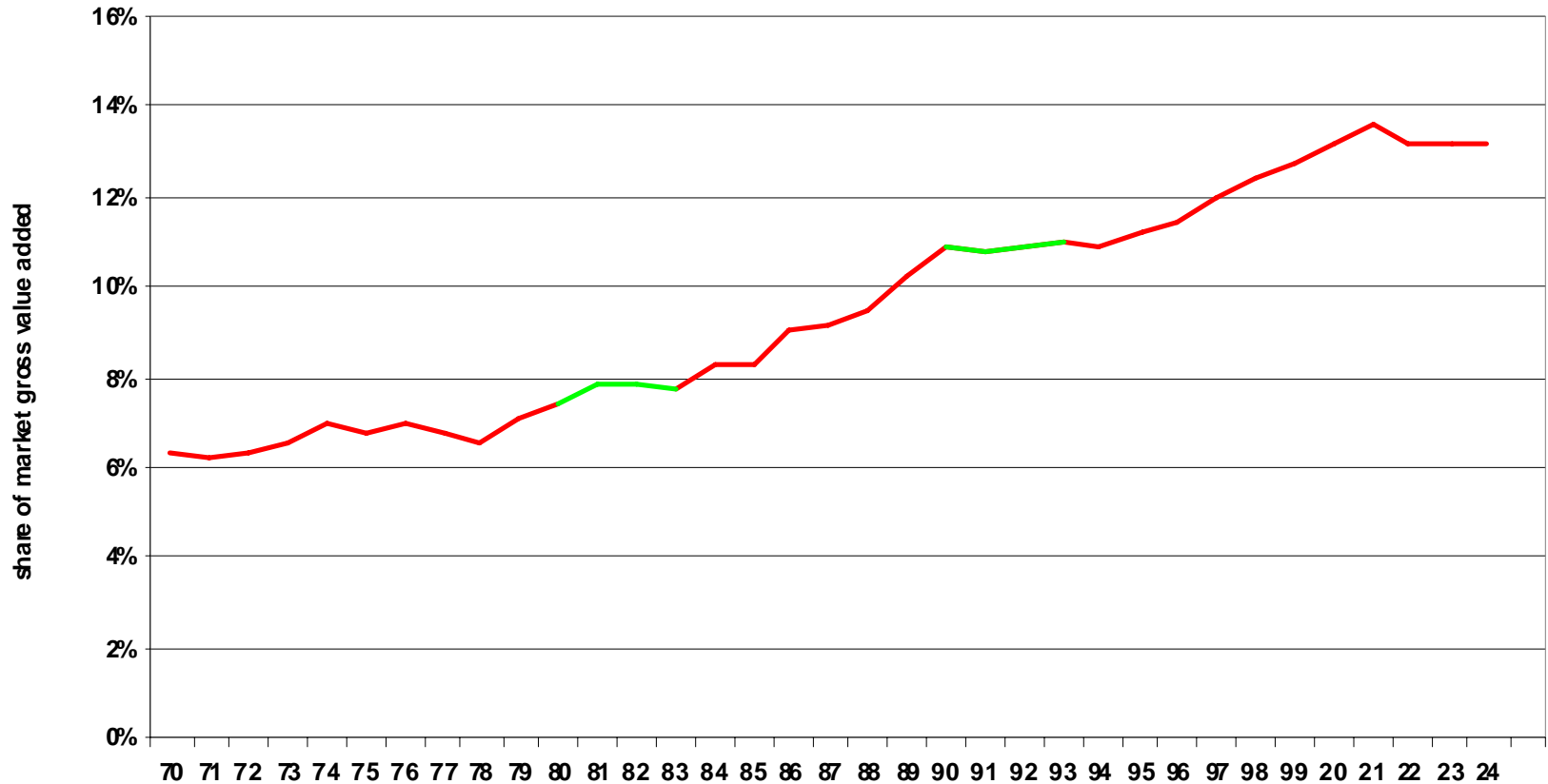
Note: Totals include sectors not shown in the chart. All figures GB employees, seasonally adjusted Dec 2007 to Dec 2008. OECD definitions of high tech and knowledge based industry.



Intangibles less affected by recession than physical assets

Intangibles investment share 1970-2004

business investment in intangibles as a share of market sector value added adjusted to take account of intangibles. HMT October 2007.



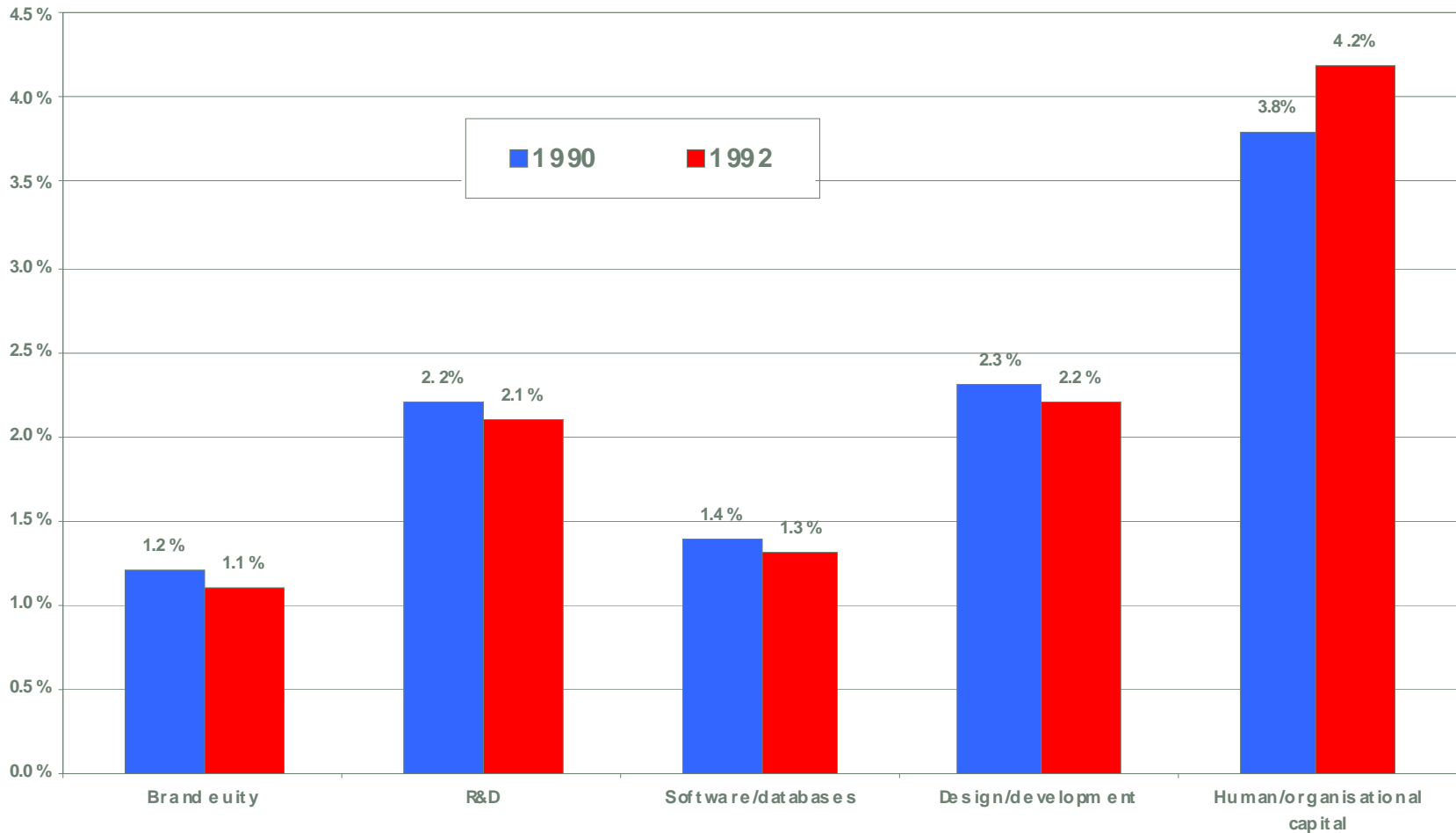
How is investment likely to change in current economic climate?



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Intangible investments in the last recession

Intangible business investment as share of GDP. Source: HMT October 2007.



Drivers of Recovery

A new approach – innovation in perspective

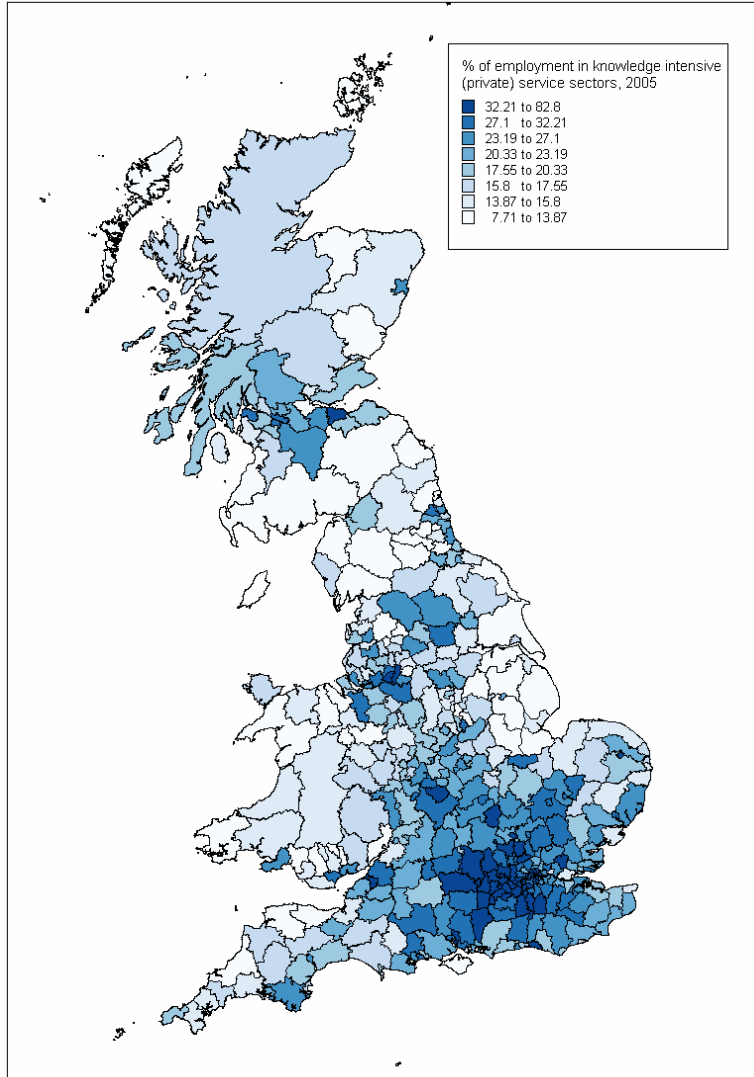


- **9000 BC – 1400AD**
 - Creation of **seven GPTs** (domestication of animals and plants, wheel, smelting of ore, writing, use of bronze, then iron and steel and creation of water wheel)
- **1400 – 1750**
 - Creation of **two GPTs** (three masted sailing ship and printing)
- **1750 - 1900**
 - Creation of **five GPTs** (steam engine, factory system, railway, iron steamship, communications)
- **1900 – 2000**
 - Creation of **eight GPTs** (internal combustion engine, electricity, motor vehicle, airplane, mass production, computer, lean production, internet)
- **2000 – 2100**
 - Creation of **twelve to sixteen GPTs** (nanotechnology, bio technology, healthcare and energy? Transport? Communications?) Disruption the norm

Cities driving the economy

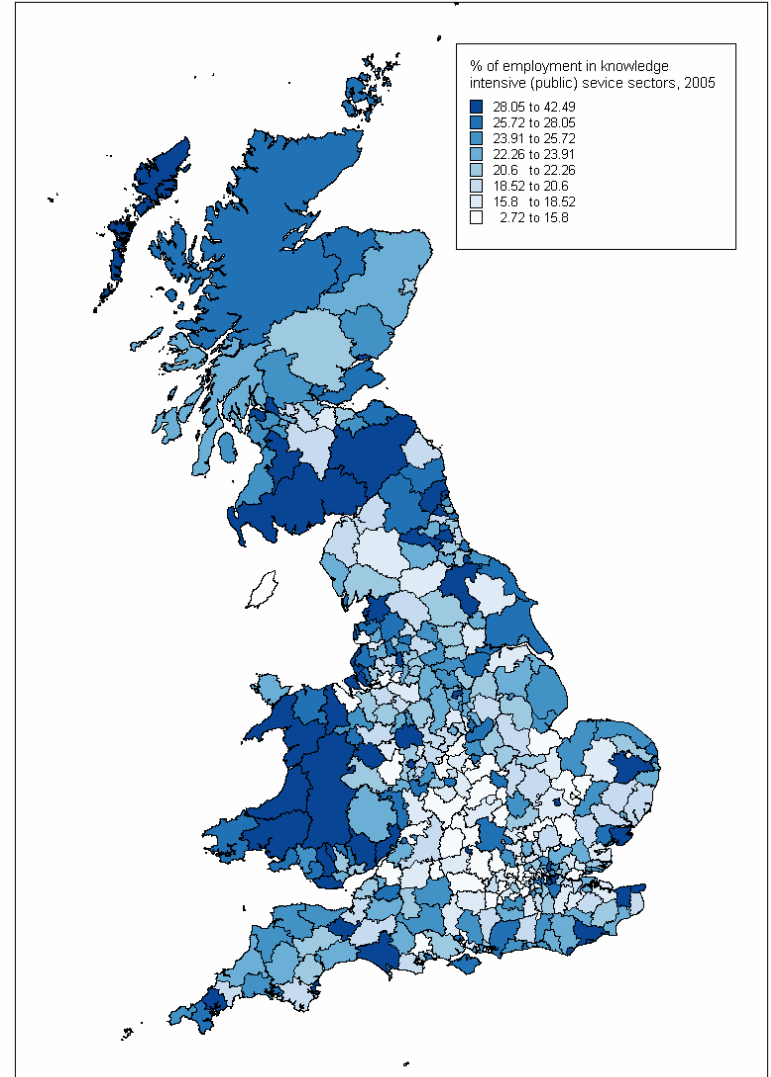
Public versus Private Sector Knowledge Economy

Private sector, 2005



Public sector, 2005

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International cities in the recession

**Alexandra Jones, Associate Director – Ideopolis
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Impact of the recession on local areas

Impact of the recession on cities: a framework



Different places, different impact

Absolute

- **Birmingham**
- **Leeds**
- **Glasgow**
- **Sheffield**
- **Manchester**
- **Liverpool**
- **Bradford**
- **Kirklees**
- **Bristol**
- **Sunderland**

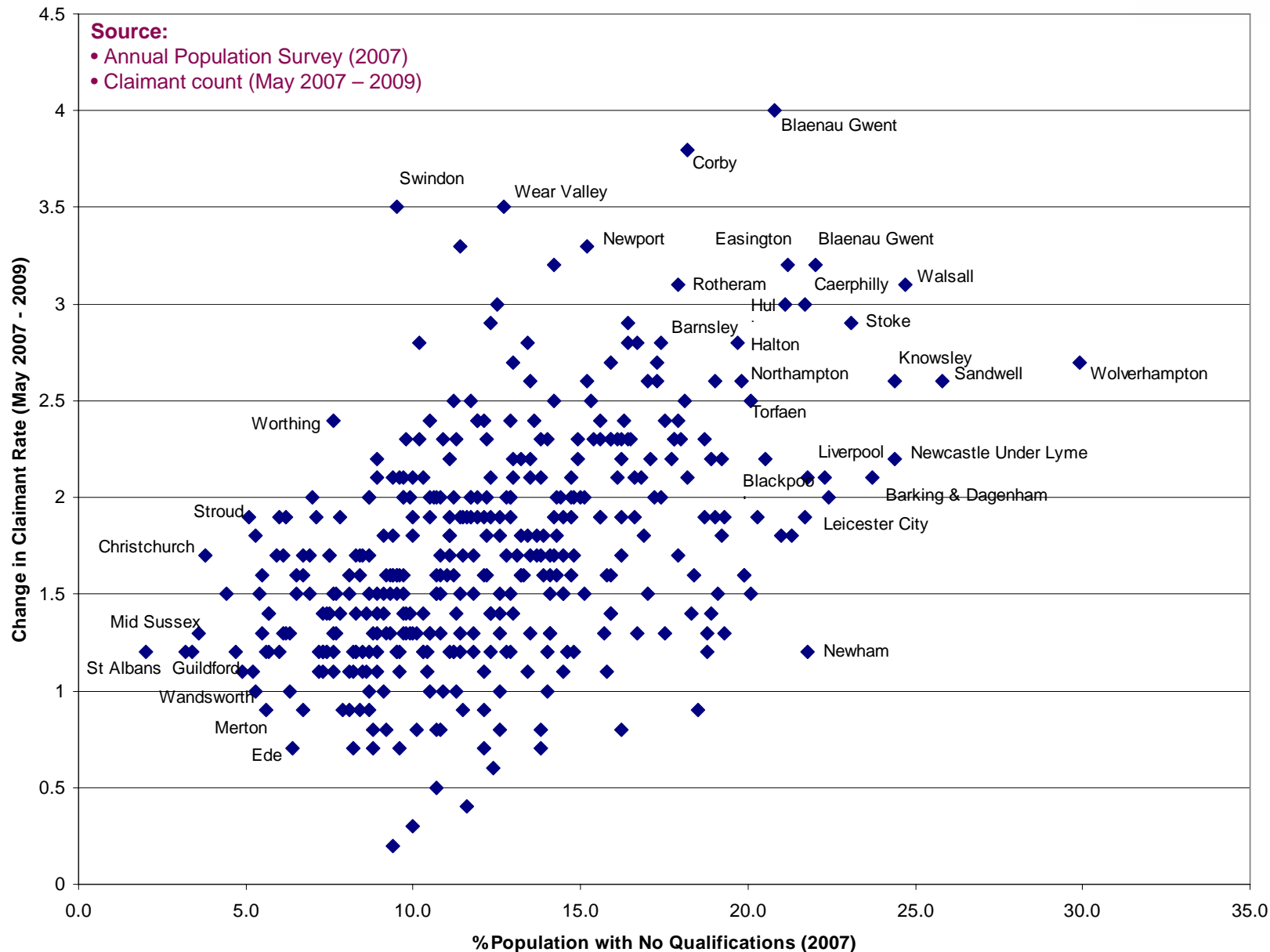
Relative – Claimant Rate

- **Blaeneu Gwent**
- **Corby**
- **Limavedy**
- **Swindon**
- **Wear Valley**
- **Dungannon**
- **Sedgefield**
- **Redditch**
- **Cookstown**
- **Cannock Chase**

Low skills and high unemployment



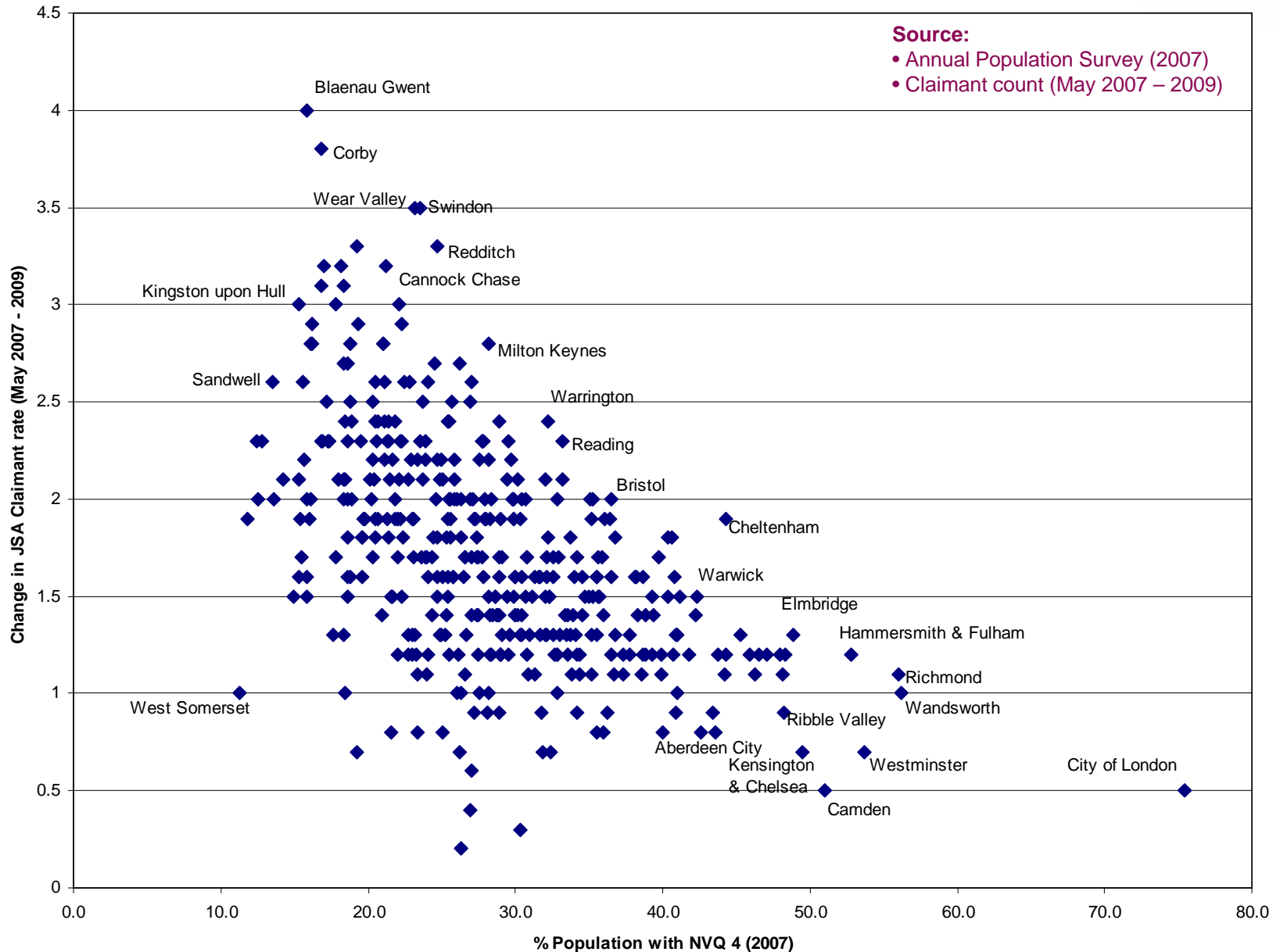
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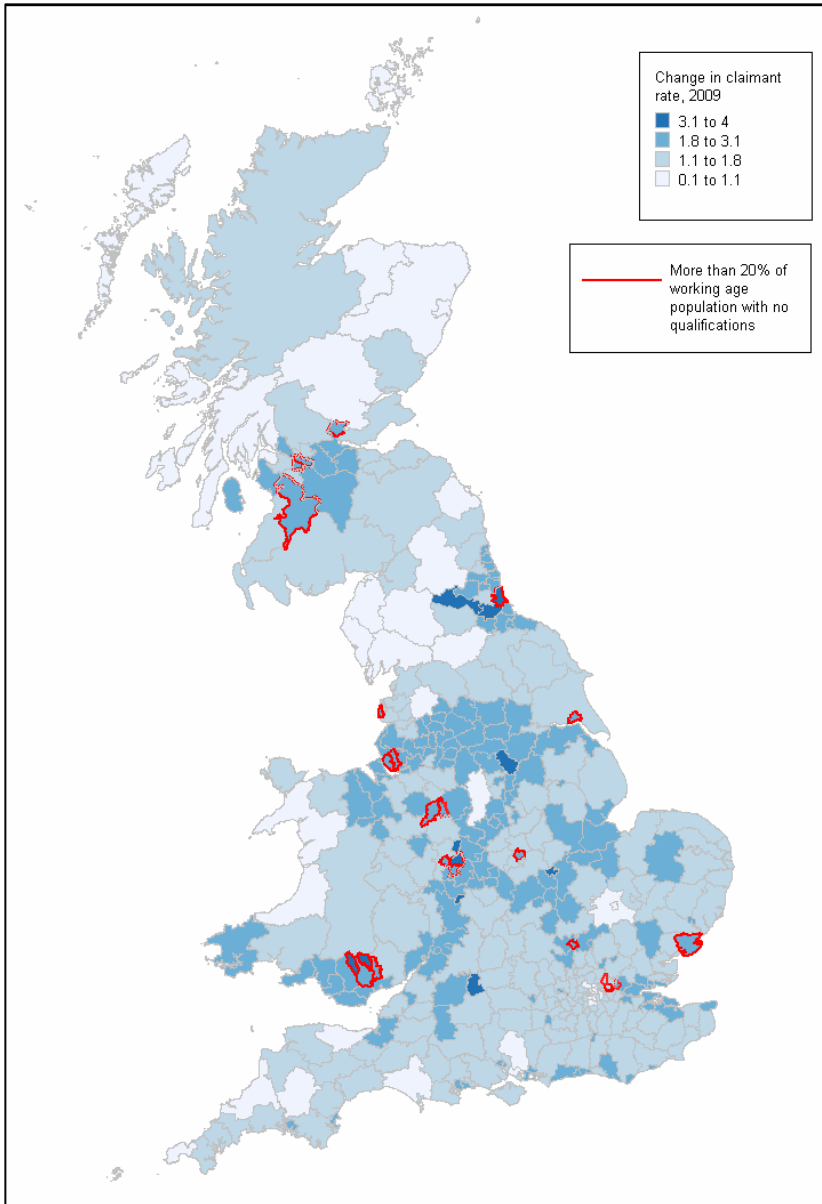
High Skills and Low Unemployment



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Low Skills and High Unemployment



Summary

- **Recession impacting on different cities in different ways:**
 - Economic history and composition
 - Skills
 - City size
 - Fiscal autonomy and flexibility
- **Not all impacts of recession negative**
 - Bilbao cooperation, Toronto financial services
- **Different responses, different impacts**

Local Responses

Range of innovative responses (1)

- **Economy**

- Improving business access to credit
- Increasing demand for local firms
- Reducing business costs

- **E.g. Manchester Timebank, Brussels Strategic SME support**

- **People**

- Minimising the impact of job losses and tackling youth unemployment
- Investing in skills
- Publicising vacancies
- Addressing deprivation

- **E.g. Newcastle early interventions, Auckland open to international talent**

Range of innovative responses (3)

- **Preparing for the upturn**

- Continuing infrastructure investment
- Encouraging FDI and tourism
- Retraining the unemployed
- Investing in skills, entrepreneurship and innovation

**E.g. Glasgow barriers to development, Aarhus long term vision
facilitating**

Insights & Lessons

Lessons

- **Drivers of success remain the same**

Priorities for Local Areas

- **Balance between short and long term**
- **Investment in skills and employment**

Lessons

- **Local areas reliant on tax base can be hit hard by recession**
- **BUT lack of flexibility is key constraint**
- **Need for cities to have local tax raising powers**

Barcelona Principles (I)



- 1. *'Provide pro-active and collaborative leadership at the local level'***: Don't waste the crisis, but respond with leadership and purpose
- 2. *'Make the case for investment'***: Make the case for continued public investment and public services and the taxes and other sources of investment required
- 3. *'Robust long-term economic strategy'***: In the long-term: build local economic strategies which align with long-term drivers and identify future sources of jobs, enterprise, and innovation
- 4. *'Purposeful short-term action is needed'***: In the short-term: focus on retaining productive people, business, incomes, jobs, and investment projects
- 5. *'Investment attraction and readiness'***: Build the tools and approaches to attract and retain external investment over the long-term

Barcelona Principles (II)

6. ***‘Relationships matter and need increased attention’***: Building genuine long-term relationships with the private sector, trade unions, and other key partners
7. ***‘Effective public works and major investments’***: Take steps to ensure the sustainability and productivity of public works, infrastructure, and major developments/events
8. ***‘Stay close to the people’***: Local leaders should act purposefully to support their citizens in the face of increased hardship
9. ***‘Stay open to the world’***: Local economies have benefited and should continue to benefit from being open and attractive to international populations and capital
10. ***‘Build national-local alliances’***: Communicate and align with national and other higher tier governments

UK Recommendations

Local authorities should

1. Follow the Barcelona principles
2. Map the impact of the recession

City regions should

1. Work in partnership
2. Balance short and longer term

RDAs should

1. Use integrated regional strategies as an opportunity
2. Convene partners

National government should

1. Allow local authorities to have greater freedom and flexibilities – ADZs
2. Agree detailed powers for city regions and extend the pilots