

Responding to Recession

New Challenges, New Opportunities



New Challenges

The economic development environment has changed dramatically with the onset of the recession, with a decline in the UK's economic performance, and gloomy prospects for the near future. Although the decline was not unexpected, the speed and severity of the downturn surprised many expert observers. The crisis has spread from a credit issue to a deeper economic slump, and breakdown of the global financial system. During early 2009, the UK has seen

- A fall in business output – UK Gross Domestic Product falling by 2.4% in Quarter 1 2009 representing a 4.9% reduction over the 12 months since Quarter 1 2008 (the IMF projects that the UK will see its economy shrink by 4.1% in 2009, and by a further 0.4% in 2010).
- Significant business closures and redundancies as a result of this decline in output.
- Unemployment rising to 7.2% for the three months to April 2009 (the highest rate since 1997) – an increase of 1.9 percentage points or 605,000 over the year, and IMF predicts a further rise to 9.2% in 2010.
- Household expenditure falling by 1.3% during Quarter 1 of 2009.

Policy makers and their partners need to develop better understanding of how their areas may be expected to cope with the recession, and can be positioned to respond to the opportunities from economic recovery. It follows, then, that truly informed local economic decision making becomes even more important in times of difficult economic conditions.



Impacts of Economic Downturn on West Midlands Housing Markets and Implications for Regional Housing Policy

Client: West Midlands Regional Assembly

Description: this involved a study approach that was driven by an economic scenario building exercise that anticipated possible economic futures, and a review of existing literature, combined with consultations, to explore the likely impacts of the scenarios on regional housing markets.

New Opportunities

The recession is a global phenomenon, but one that can promote local opportunities. A number of opportunities have emerged for local authorities to play a leading role in facilitating economic recovery. The development of short and longer-term policy interventions, indicated below, could help to facilitate this recovery.

- Promoting businesses, sectors and priority activities which play to and can reinforce local strengths and opportunities, including for example:
 - ▶ Internationally tradable sectors ('global SMEs)
 - ▶ Carbon economy (green industries)
 - ▶ Technology-centred sectors.
- Nurturing an adaptable and flexible workforce, possessing both business specific and generic skills;
- Creating new relationships and delivery mechanisms to oversee major new development and infrastructure schemes.
- Better articulation of distinctive assets and characteristic strengths in a brand identity

Therefore, an active response to recession should be aimed at preserving and nurturing 'global' businesses, developing competitive products and technologies, and building the skills base of the indigenous workforce.



Realising Potential of M42 Corridor

Client: Advantage West Midlands

Description: we developed an investment strategy and business case for raising the policy profile of the M42 corridor in regional policy. This study involved application of the REMI-ECOTEC model to anticipate potential future economic scenarios.

Local authorities can shape economic futures

The roll out of the Review of Sub-national Economic Development and Regeneration will provide local authorities with greater power to shape the future of their economies, and is likely to signal the advent of a 'new localism'. This will involve:

- The development of a Single Integrated Strategy in each region to replace existing Regional Economic and Spatial Strategies. Responsibilities for drafting and monitoring these will lie with Regional Development Agencies and a Leaders' Board (representing the region's local authorities).
- The preparation of assessments of local economic conditions by all county and unitary authorities will help them to understand the scale of challenges and opportunities facing their localities. The development of Multi-area Agreements will also provide opportunities for local authorities to collaborate in developing initiatives to facilitate an economic recovery.



However, implementing these changes will prove difficult during this economic crisis. It also re-emphasises the importance of the need for local authorities to develop sound policy responses that are rooted in a recognition and understanding of the unique local economic conditions.



Development of a Skills Strategy for Bridgend County Borough

Client: Bridgend CBC

Description: this strategy was developed in response to local economic change, and was developed through constant communication with local education & training providers and the business community.

“ ECOTEC undertook a comprehensive economic benchmarking exercise for the East of England Development Agency. This work was both planned and conducted in a highly professional way that met out specification exactly ”

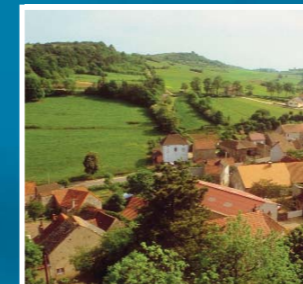
East of England Development Agency
June 2009



Evidence to Regional Select Committee

Client: North Staffordshire Regeneration Partnership

Description: the impact of the downturn on its business base and on the effectiveness of business support in the current crisis.



Creation of South Yorkshire Rural Evidence Base

Client: Barnsley MBC

Description: this evidence base was designed to support the future delivery of rural policy and programmes across the County, and involved creating a baseline evidence base, and ongoing monitoring framework to facilitate the delivery of these projects.

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ECOTECs proposed approach for recovery

The Local Government Association has argued persuasively that a "one size fits all" approach to addressing recession is inappropriate, because localities are necessarily affected in different ways. We endorse this standpoint and would propose a modular approach to responding to recession and ensuring sustainable economic recovery.

After an initial discussion to establish your precise requirements, we propose a four-stage approach.

“ In 2008 ECOTEC was commissioned to assess the economic impact of Scotland's historic environment. It was a pleasure working with ECOTEC, they were sensitive, receptive, and very efficient. The final report was of high quality and was welcomed by the Scottish Government which described it as 'important and ground-breaking research' . ”

Olwyn Owen

Secretary, Historic Environment Advisory Council for Scotland

Stage 1 – Understanding Economic Drivers

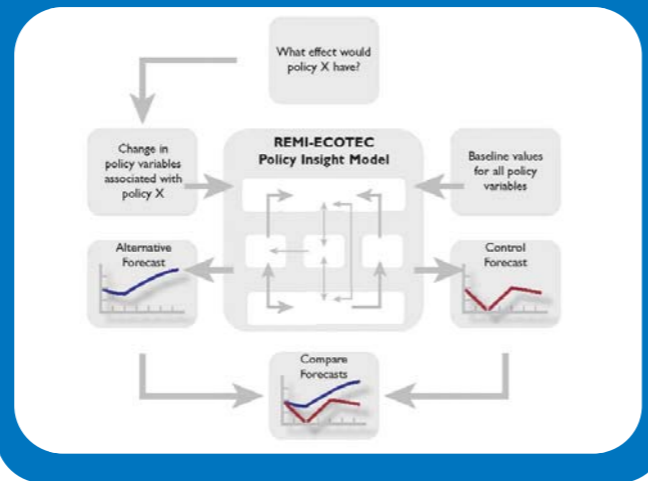
This would involve understanding the key global, national, regional and local factors driving economic change in your locality. Including::

- Establishing the key factors and drivers determining local economic performance, including the impacts of globalisation on the contestability of key sectors, and the extent to which international trade and inward investment trends (plus migration flows) have affected local economic performance
- Analysing recent economic trends affecting your area;
- Benchmarking the area's economic performance to identify both direct and 'aspirational' comparators – ECOTEC's Local Economy Audit Model is a unique analytical tool that can facilitate this exercise
- Understanding existing regeneration policies and their rationale. We would also seek to understand their viability in the light of economic conditions.

This stage would mainly consist of desk-based research, supplemented with discussions with key representatives.

Stage 2 – Anticipating Economic Futures

Conventional economic forecasting techniques are becoming increasingly inappropriate, given that they are often overly-deterministic and inflexible. We would develop a series of economic scenarios based on local assets, and utilise the REMI-ECOTEC model – a highly sophisticated simulation and policy analysis model, unique in the UK – to develop and test future economic prospects, and measure the potential impacts that could result from any interventions.



Stage 3 – Establishing Economic Opportunities

Although the previous stage helps to identify potential growth sectors, we would communicate with key stakeholders to explore the future economic opportunities more fully.

This gives a better insight but also creates wide support for the potential strategy (bottom-up approach). We would facilitate either one-to-one or focus group consultations with key organisations that can drive the future economic development of localities, including the business community, employment support bodies, housing associations, training and skills providers, and voluntary and community sector bodies. These discussions could feed into a SWOT-analysis of the locality.



Stage 4 – Ensuring Economic Success

Working in collaboration, we would develop a series of policy responses to address the key socio-economic challenges, and to facilitate an economic recovery.

This would involve proposing a series of catalytic interventions and transformational projects under a range of key themes that could include stimulating enterprise, fostering innovation and the development of sectors with growth-potential, upskilling the workforce, and infrastructure improvements. The principal output would be the development of clear recommendations for a sustainable economic recovery. These could be presented in the form of a report, strategy / action plan, or investment plan, which could also include plans for monitoring and evaluation.



What are the advantages of working with us?

ECOTEC is a leading research and consulting organisation in the field of sustainable economic and social development, operating from a network of offices in the UK (Birmingham, Leeds and London) and overseas. With the support of over 200 staff, the company has a turnover in excess of £20m. ECOTEC is also an operating company within the Europe wide ECORYS Research and Consulting Group. We offer:

- 1 A strong reputation, backed by 25 years of experience in providing research and consultancy services to the public sector.**
- 2 We have experience of helping local and regional authorities to overcome the challenges presented by previous recessions.**
- 3 A multi-disciplinary team experienced in developing policy solutions across the range of economic development and regeneration fields.**
- 4 Leading edge analytical tools, including the REMI-ECOTEC Model and Local Economy Audit Model (LEAM) that can help establish the key challenges and opportunities facing local and regional economies;**
- 5 Our staff are friendly and approachable, and have a strong ethos of collaborative working.**
- 6 Our team is always willing to challenge or reconsider established viewpoints and conventional wisdom, and propose alternatives.**
- 7 We are an ISO9001 accredited company, with customer service and quality systems that are second to none.**

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