

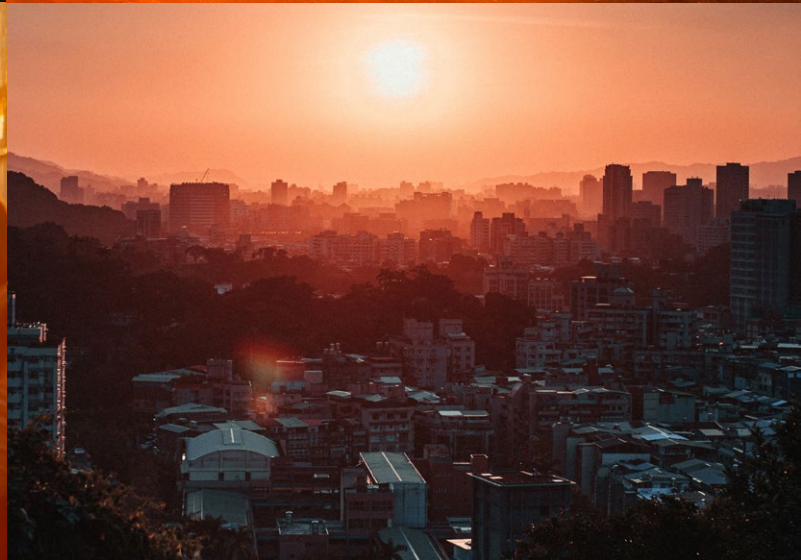


Centre for
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How the UK can respond to COVID-19:

Drawing insights from around the world
for the UK's regional and local economies

June 2020



About CPI UK, a BCG foundation

The Centre for Public Impact UK (CPI UK) is a not-for-profit that helps government and public sector organisations to prepare for the complex challenges they face. Founded by Boston Consulting Group, we help public sector systems and cultures adapt so that human relationships matter, so that power is shared and decisions are made closer to those impacted, with those impacted.

We do this through our research and fieldwork guiding organisations through the change, through our learning programmes for changemakers that develop their confidence to act and by helping governments to listen better by facilitating new dialogues, especially with those who feel unheard or undervalued. We champion those who advance the world and draw insights from our worldwide network, and others paving the way for positive change.

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Introduction

The Coronavirus pandemic has impacted society in the UK in countless ways beyond the obvious healthcare crisis. The economic, social and psychological impact of the virus is yet to be fully counted, but even the government's extensive measures to cocoon the economy can not be enough to completely shield it from the ravages of the virus. Though the UK is one of the world's leading economies, it is well recognised that many communities and regions within the UK were already struggling to thrive as economies prior to the virus reaching our shores. The UK government had already begun to undertake a 'levelling-up' agenda to reboot local economies post-Brexit. This levelling-up programme has become even more vital to help these places deal with the impact of the virus and ensure they don't fall further behind.

CPI UK looked around the world for prominent examples of regions and communities responding to significant economic downturns to offer inspiration and hope as to how places in the UK could respond to COVID-19. Our search has resulted in seven case studies, demonstrating a wide variety of approaches. Common to all of these was the importance of local ownership and engagement within each of the strategies, as well as the existence of strong local leadership and legitimacy. Far from being accidental or one-off initiatives, in all cases national governments played a pivotal role in creating the conditions for successful local transformation. By giving local actors the power and ownership to drive progress, national governments supported them to convert existing potential into success.

We have categorised these seven case studies into the three phases of crisis response often used in government: **fight, recovery and rebuild**. The case studies we have identified try to highlight what governments around the world have done in different stages of crises and the practices they have used to help places cope with crisis and overcome it. All of them were assessed for their relevance and ability to be applied to parts of the UK and they offer, albeit with some adjustments to processes and mindsets, hope and a pathway forward :

The Fight stage:

- 1 Germany's Kurzarbeit, the German federal work-sharing scheme (2009)

The Recovery stage:

- 2 Newcastle's Economic Downturn Response Plan (2009)
- 3 Sweden's implementation of regional coordinators (2008)

The Rebuild stage:

- 4 South Korea's Regional Innovation Plan in Busan (2004)
- 5 Sweden's National Strategy for Sustainable Regional Growth and Attractiveness (2015-2020)
- 6 Scotland's Northern Highland Initiative (2005)
- 7 The West Philadelphia Skills Initiative (2001)

The selected case studies and stories alone cannot, of course, provide the answer to how the UK could boost local economies enabling them to respond to a downturn created by this crisis, but they do provide valuable insights, lessons and inspiration. The case studies also provoke discussion about the role that central government can best play to successfully support place-based and regional initiatives, building on existing potential, strengths and local ideas.

The UK is unlike many of the countries profiled in that many already had strong regional governance and local autonomy before the implementation of the identified schemes. However, the case studies show us that when national governments adapted to the challenge, appreciated the culture and history of the problem they faced, they found success. The following pages summarise the key insights and actions we identified from the case studies:

- 1 Understand the potential of a place through local eyes and help people build on it
- 2 Ignite local missions that mobilise people and actors across multiple sectors
- 3 Empower existing, trusted local leadership and structures
- 4 Ensure initiatives are aimed at building inclusive growth for all
- 5 Establish a joined up and clear offer of support from central government to local government
- 6 Create space and opportunities for peer to peer collaboration and regional and international knowledge-sharing
- 7 Avoid quick fixes in a crisis and build long-term resilience

1 Understand the potential of a place through local eyes and help people build on it

Given the complex and often unique conditions that exist in every place, the case studies highlighted the importance of creating bespoke solutions that build on existing strengths and appreciate the local culture. In the Northern Highlands for example, it was key that the initiative was aimed to augment the strong regional identity that already existed in the area around its produce, tourism and cultural heritage. The programme resulted not only in attracting more tourism and investment in the area, but it also nurtured further the local sense of pride, building the foundations for a stronger economy. Similarly, the West Philadelphia Skills Initiative (WPSI) was strongly designed to cater to the needs, and potential, of the local businesses and young people in the area. WPSI used data analysis tools and interviews with frontline workers to understand the root causes of each employer's hiring and turnover problems. Initiatives that are bespoke for the local context are, as these case studies demonstrate, much more likely to benefit from broader legitimacy and therefore have higher take-up and impact.



2 Ignite local missions that mobilise people and actors across multiple sectors

Amazing things happen when local stakeholders rally around the same purpose and are invested in the future of their local economy. For example, we have seen a multitude of stakeholders mobilising around the Newcastle City Council 10-point action plan including the local university and many private and third sector organisations. The full potential of these ‘missions’ can be realised when these key actors have the power to drive change and form partnerships to enable participation from across all sectors of society. For example, in South Korea the Busan Regional Innovation Committee (BRIC) - which included members from the metropolitan government, business, universities, research institutes, and civil society - was given the autonomy to design Busan’s pathway to greater economic prosperity for the area.



3 Empower existing, trusted local leadership and structures

Common to all case studies was the importance of strong and trusted leadership on the ground. Whether the leadership was displayed by appointed individuals, such as the regional coordinator in Sweden or from institutions such as the Newcastle City Council, or the multi-institutional alliance of Busan, it was essential to drive progress on the local strategies. The case studies also emphasise the importance of empowering existing leaders and institutions rather than forging new ones to ensure that they are trusted by the public, do not add unnecessary bureaucratic layers or disrupt existing governance structures. In Sweden, for example, existing governors or elected politicians were nominated to be regional coordinators, a role that had already been deployed in the financial crisis of the 1990s and was therefore seen as a trusted and effective mechanism to enable regional growth. In the Northern Highlands, the figurehead mattered hugely for brand presence and as a convening power. In this case it was HRH The Prince of Wales who importantly had strong local connections and was seen as apolitical too.

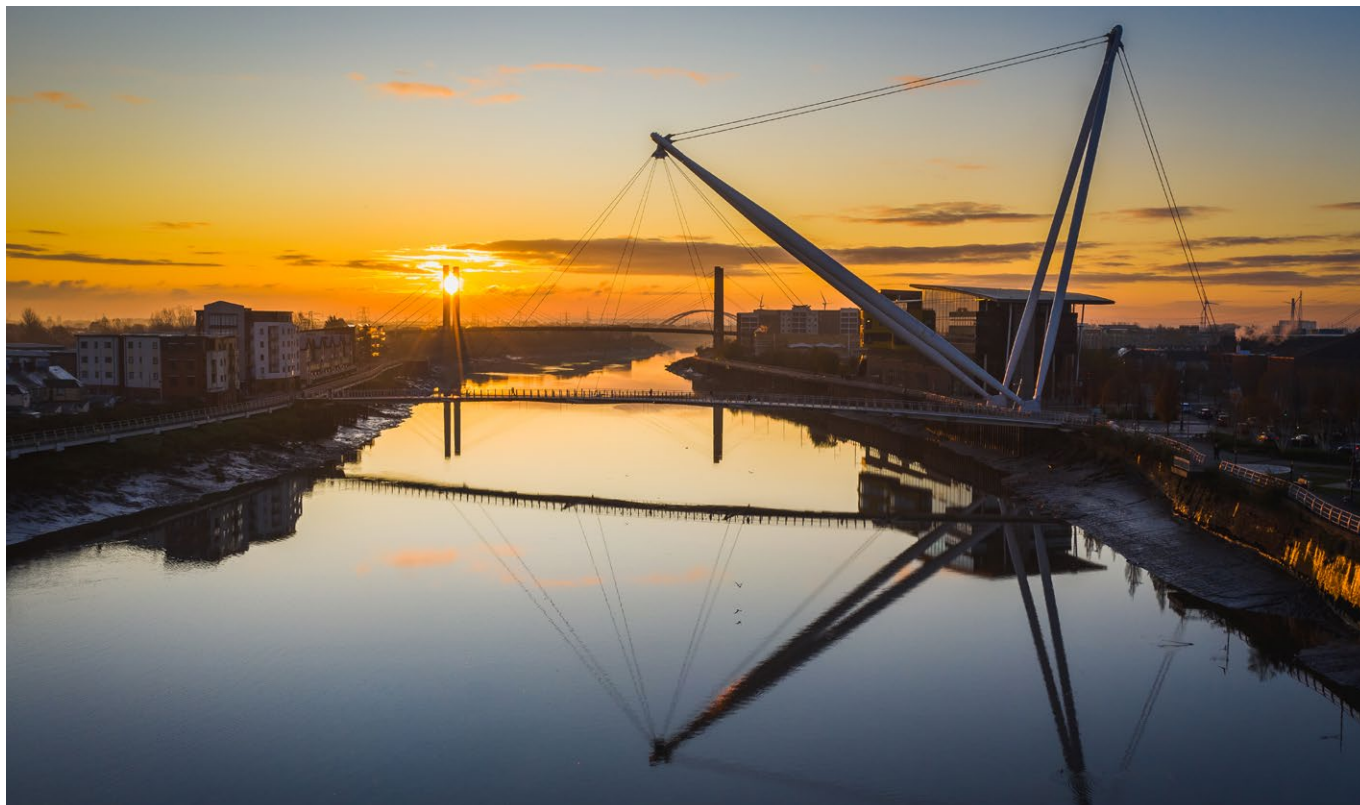
This legitimacy can be hard to achieve and slower if the initiative requires creating leadership roles or governance structures that didn't exist before. Creating additional structures can also disrupt progress already happening in the place and take power and motivation away from existing leaders. For this reason, it is important that any government, including the UK's, has a strong understanding of the main mechanisms that are already in place throughout the country, which have the legitimacy and capacity to lead local and regional economic development.



4 Ensure initiatives are aimed at building inclusive growth for all

A lesson from the case studies was that initiatives succeeded when they recognised and included those who were facing the most hardship in the area. Hardship is not easy to define when a whole country is feeling compromised by a crisis or an economic downturn but many case studies prioritised those whose ability to work and earn was at long-term risk or those close to catastrophe.

The work sharing scheme 'Kurzarbeit' in Germany and the West Philadelphia Skills Initiative, for example, were focused on creating fairer wages and longer term career opportunities for those who were vulnerable to unemployment during crises. Similarly, the Northern Highlands Initiative targeted rural poverty by creating hubs between the farming industry, local businesses and the tourism industry. Some of these initiatives could arguably have had more impact for those in most need if they had been specifically designed for them. 'Kurzarbeit' in Germany was with hindsight found to favour large businesses rather than smaller ones which also needed support. The Northern Highlands initiative too received some criticism that the most locally needed places and sites were deprioritised compared to those that attracted more tourism, therefore not distributing the benefits of the scheme equally. These case studies show us the importance of paying close attention to those who have been most hit by recent and ongoing crises, and ensuring that the efforts can really help those that need it the most.



5 Establish a joined up and clear offer of support from central government to local government

Common to all of the case studies is a clear understanding of what is within the central government's mandate and what power and authority sit better at regional or local levels. For example, in Sweden the national coordinating group of state secretaries acted as a connector between regional strategies and national policy. Their role was to create feedback loops between Swedish regions and the national government to ensure that policy was informed by the needs on the ground. But ultimately, it was the regional coordinators who were empowered and trusted to drive regional economic development. Similarly both in Busan and in Sweden, the national governments established a broad framework and guidance for regional economic development - with the Korean Plan for Balanced National Development and the Swedish National Strategy for Sustainable Regional Growth and Attractiveness respectively. The latter in particular established transparent principles of cooperation between central and local government that provided a platform for the distribution of functions relating to strategy and planning. Ultimately however in both cases, responsibility for deliberating on regional innovation projects lay within localities and there was significant policy flexibility for adapting directions to local contexts.

6 Create space and opportunities for peer to peer collaboration and regional and international knowledge-sharing

Collaboration between national and local governments was crucial across all the cases but these also showed that peer to peer coordination can be extremely fruitful too. For example, Newcastle was able to benefit from a wider network of eight European cities that were developing science quarters as part of the Restructuring Districts into Science Quarters project. This made it possible for Newcastle to learn from the successes and failures of other cities and build on lessons learned. Similarly, the West Philadelphia Skills Initiative relied heavily on local networks and local champions to help promote the initiative and communicate its value to employers and those seeking employment. This indicates that there is an important role for central government to play to enhance the ability of places to build connections and networks - both regionally and internationally. In the creation of Sweden's National Strategy for Sustainable Regional Growth and Attractiveness (2015-2020) too, Swedish policymakers maintained an ongoing dialogue with other Nordic countries on measures to develop regional economic areas. These countries share a common economic philosophy and it is likely this interaction has allowed Sweden to gain policy lessons.

7 Avoid quick fixes in a crisis and build long-term resilience

While many of the initiatives were a response to crises causing economic downturn, they all went beyond short-term aims and lay the ground for long-term sustainable growth and resilience. For example, the German Kurzarbeit focused not only on protecting employees but also on retraining them, to make them more resilient in future economic downturns and discourage brain-drain. Focusing on building resilience and confidence is particularly important now as the UK recovers from the impact of COVID-19. For example, to enable sustainable impact, national government could focus on removing the financial, procedural and bureaucratic barriers that could get in the way for local growth over the long run. For instance in the Newcastle case, the council was able to borrow on the basis of estimated future tax revenue and better align community and spatial planning - which enabled the city to make long term plans. In the Swedish National Strategy case, the government supported regions through economic redistribution and the relocation of public sector organisations to traditionally under-represented areas across the country. This ensured that the strategy was not an isolated initiative and that local actors had a continuous flow of resources to ensure impact could be sustained.

Final Remarks

These case studies show considerable success in levelling up places and regions during and after they have faced crisis. But they also raise questions about whether they could have had even better outcomes and how central government could enable more progress, faster. For example, in looking at the Northern Highlands case study, local brands have the potential to be marketed across the world even further with the help of central government. Similarly, the Newcastle and Busan initiatives could have gone further if they had more substantial funding from central government - something we heard from local policymakers.

Ultimately, the success we see from these cases was determined by the right combination of local autonomy and national government support. Central government, when involved in the right way, and when sensitive to local cultures and an often historic sense of autonomy and pride, can enhance and professionalise existing networks and encourage knowledge sharing across political and regional boundaries. That coordination, enabling and acceleration role that central governments played in all of our case studies was essential for rapid learning and helping small scale good ideas to succeed further and contribute towards a national vision.

This is certainly something that all governments can learn from as they respond to COVID-19. Thinking about the UK specifically, there is a wealth of existing structures such as elected mayors, LEPs and Combined Authorities whose roles can support central government to accelerate regional economic development.

Place based approaches, as many of our case studies are, recognise that the communities themselves define and understand their challenges and what assets they have. Central government, in recognising that there cannot be a 'one-size-fits-all approach', can help regions make the best of their opportunities. Central government can help to connect regional initiatives to national and international growth opportunities too.

Finally, there is often a call for firm evidence that something will work before trying it but in a crisis that is surprising us and testing us through the fight, recovery and rebuild, the case studies show there was a great deal of trust in local actors to know what was best. Common to all case studies was a sense of working together and a willingness to try new approaches with shared visions that connect and which put local people and businesses in the driving seat.

Responding in the Fight stage

During the fight stage, we are working to address the initial crisis and minimise immediate damage. It is the opportunity to set in place schemes and mechanisms to protect communities from economic downturn as much as possible.

Case studies relevant to this stage:

- 1 Germany's Kurzarbeit, the German federal work-sharing scheme (2009)

Germany's Kurzarbeit work-sharing scheme, 2009



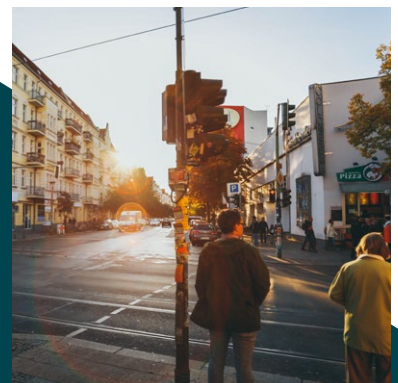
Overview

Germany's economy was vulnerable to the 2008/2009 recession, being heavily reliant on exports and suffering from weak domestic demand. However, despite experiencing a much stronger decline in GDP than the UK and other European countries, its employment levels remained stable. This has been largely attributed to the "Kurzarbeit" initiative.

"Kurzarbeit" (meaning "short-work") is a German federal work-sharing scheme that aims to help companies avoid redundancies by reducing working hours and subsidising wages. In 2009, it was applied at an unprecedented scale and reached a maximum participation of 64,000 establishments and 1.43 million employees. The scheme saved jobs and helped companies to stabilise costs and avoid any brain-drain, with minimal impact on efficiency.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Aligning incentives for both employees and employers can aid take up of work-share schemes
- Shaping of schemes to the local labour market is imperative for success (e.g. consideration of type of employment contracts)
- Creating schemes in partnership with local business and local employees will increase likelihood of impact, particularly for those who may most need it
- Providing additional support, potentially through adapting existing programmes, can maximise impact
- Building legitimacy around government's use of such schemes is vital for success



The Challenge

In 2008, the financial crisis saw unemployment soar in many countries.^[1] Despite being one of the world's leading exporting nations, Germany was vulnerable to the recession. Germany's GDP decreased by around seven percent; a much steeper decline than many other advanced and emerging countries. Western and Southern Germany – particularly the states of North-Rhine Westphalia and Baden-Wuerttemberg – were the most vulnerable, with their high concentration of manufacturing and automotive jobs.

During a recession, the contraction in demand can lead to pressure to lay workers off. Unemployment has obvious costs for the worker; loss of income; negative psychological impact; and the risk of deskilling and becoming one of the long-term jobless. For employers, the process of hiring and firing means that they lose skilled workers, face additional costs associated with compensating workers, and have to hire and train new workers after the crisis.

The Initiative

The Kurzarbeit is a work-sharing measure that spreads a reduced volume of work across the same number of workers to avoid layoffs during temporary periods of unavoidable financial difficulty.

The initiative benefits all parties. Employees retain their job and receive an income; employers can continue to operate during the downturn and retain workers who will be needed when the economy recovers. Employers benefit from the reduced costs associated with terminating contracts and hiring new staff. The government benefits because the payment to short-term workers is lower than unemployment benefit.^[1] The scheme has also been combined with incentives to encourage in-work training, with the intention of improving competitiveness.

Under the scheme, a company would apply for Kurzarbeit at the Federal Employment Agency [Bundesagentur für Arbeit] (BA).^[3] If successful, employees receive temporary compensation of 60 percent of their former full-time wages, or 67 percent for those with children. Workers receive short-term compensation from their employers. In turn, the employers submit monthly accounts to the government and are reimbursed for the funds paid in excess of workers' net hourly compensation. Employers pay for work performed, but not for loss of work. They must also make contributions to social insurance, and are responsible for holiday pay. Financial incentives are given to employers whose employees participate in training, which is subsidised by the BA.

The following conditions and requirements apply to the scheme, in an attempt to balance take-up with efficiency:

- Economic need: loss of work must be unavoidable and temporary, and at least one-third of the workforce must be affected, with a loss of income of at least 10 percent.

- Establishment requirements: the firm must provide a justification of economic need on which there is an agreement between employers and employees.
- Individual requirements: the recipient must not already receive unemployment benefits or publicly financed training, but they must be eligible for unemployment benefits. While the employment contract must be maintained, the individual must conduct other job searches while under the scheme.
- Time limited: a maximum duration is applied to the scheme. On 1 January 2009 it was extended from 12 months to 18 months, and on 5 June 2009 it was extended to 2 years. In January 2010, however, the maximum duration was reduced back to 18 months.

The Public Impact

The impact on Germany of the economic crisis was an expected loss of 3.2 million jobs, although unemployment remained stable, rising by only 0.4 percentage points during 2009 – from 7.2 percent to 7.6 percent.^[2] In the same period, the average unemployment rate across the EU rose by 1.9 percentage points, despite Germany suffering a much sharper decline in GDP than the EU as a whole.^[2] This was dubbed the “German Wunder”, and has been attributed in large part to the success of Kurzarbeit.

At the height of the financial crisis, 64,000 businesses and around 1.43 million employees across Germany benefited from the scheme. Working time was reduced on average by 30.5 percent, or 432,000 full-time jobs. If this had turned into job losses, unemployment would have risen by a further 1 percentage point.^[5] Participation in the scheme was highest in manufacturing sectors. For example, the scheme was used by 220,000 engineers (amounting to 22.7 percent of all engineering jobs in the country).^[2] See Appendix 1 for more details on the scheme’s impact.

However, small firms were significantly less likely to participate in the scheme than medium or large firms. This was due in part to the crisis disproportionately hitting large export-oriented companies, but also due to small firms being more likely to experience cash flow difficulties; meaning that they were less likely to be able to pay employees while waiting for reimbursement from the government through the scheme. Administrative burden of the scheme was also much larger for smaller firms due to their more limited capacity.^[2] The scheme was limited to workers on permanent contracts, thereby further increasing the gap between permanent workers and those in temporary or part-time work.^[4] Evidence of the success and take-up of training incentives is unclear, although some reports have identified positive impacts in terms of increasing competitiveness.^[6]

Kurzarbeit was overall deemed a success and it is currently being used by Germany today as one of the measures to protect jobs that have been impacted by COVID-19. ^[16]

An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

Kurzarbeit has a long history in Germany, stretching back to 1910. There is widespread support for the programme from the German public, with an understanding that it is an appropriate response to an economic crisis of limited duration and a tool that has been used historically to great effect.

[1] This is not to be taken for granted as when a similar scheme was implemented in the US to ease the effects of the economic crisis, the inconsistent and uncertain relationship between federal law and state meant that employees were generally unaware, and even sceptical, of work-sharing schemes.[1]

The initiative requires agreement between government, employers and employees, which enhances its legitimacy. The local employment agency and employees must approve the application by the employer or work council. In the absence of work councils or unions, the employer must obtain approval from all employees falling under the programme. The widespread use of the scheme by more than 1.4 million German workers and 64,000 employers during the recession is evidence of its success and general support.

That said, while the scheme is intended to retain skilled workers, there was concern among business owners that taking up the scheme would harm employee relations or risk employees moving to another company. This could have threatened Kurzarbeit's legitimacy, but the evidence suggests this wasn't the case.[8]

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

Kurzarbeit has a well-defined objective: to avoid layoffs during temporary periods of economic decline. The scheme enjoyed long-standing legal authorisation, with a unified legal framework that is clear and consistent.^[1] The working requirements, eligibility and conditionality criteria, and the limited duration, provide clear terms for employers.

Because of its extensive history, there was substantial evidence of how this type of scheme could work in Germany. Work-sharing was first used in 1910, with successful applications and adaptations in 1927 and 1969 – while in the 1990s, it tempered job losses during German reunification. In 2009, Kurzarbeit was the largest work-sharing programme in the world.^[1]

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

Kurzarbeit did encounter some challenges, when used in 2009 to respond to help Germany respond to the financial crisis. Some employers describe practical reasons for not taking up the scheme. For example, the restrictions placed on companies, and the administrative burden of the scheme made it hard for a manager to react quickly to changes in demand or to reopen a plant that has been temporarily shut. ^[8] It was also seen to complicate schedules and create problems for human resources managers. However the widespread adoption of the scheme indicates that these challenges did not significantly prevent the scheme from having a positive impact.

In terms of measuring success, the BA employed a robust system of measurement and analysis, recording data on the number and size of participating enterprises, the number of employee participants, distribution of scheme take-up across the country and across sectors, and the duration of the scheme at each participating enterprise. It was therefore easy for the government to assess the scheme's impact.^[2]

Lastly, a key reason for the scheme's impact and widespread adoption was the close alignment of interests. The employee and employer were both incentivised to use Kurzarbeit – employees avoid job losses and receive supplemental income, while employers can continue to operate during the downturn and retain workers who will be needed when the economy recovers.

Taking insights forward

What insights does this initiative provide for the UK?

The Kurzarbeit scheme's success provides inspiration for the UK as one way of responding to time-limited crises that result in economic downturn. The German scheme has been able to:

- Preserve jobs and skills and help individual workers avoid unemployment
- Enable companies to reduce costs and stabilise, avoid losing valuable workers, avoid costs associated with firing and rehiring workers, and enable a quick recovery after the crisis
- Boost the morale of workers and general public sentiment around unemployment, by supporting private consumption and demand in the economy
- Increase competitiveness and potential job creation, through reskilling and training
- Adapt to changing needs, encouraging take-up and minimising deadweight and displacement effects.

Employers' adoption of work-sharing arrangements can reap significant economic benefits in the long-run. Supporting employees during times of crisis helps support demand. Workers maintain enough income to cover the recurring costs of housing and food, thereby maintaining consumption; in the longer term, households can accumulate enough income to kickstart the recovery once the economy emerges from the crisis. Strengthening the workforce through retraining and reskilling also increases long-term competitiveness in industries.

Encouragingly, too, while Kurzarbeit is the largest scheme of its kind, there are a wealth of examples of similar schemes that have been introduced successfully elsewhere following the financial crisis. For example, in France, *Activité Chômage Partiel* saved 183,000 jobs by June 2009. In Italy, *Cassa Integrazione Guadagni* recouped 716.8 million working hours between January and October 2009. In the Netherlands, *Deeltijd-WW* saved 36,000 jobs by the third quarter of 2009.

[4] Whilst there is considerable diversity in national practices in implementing the policy, it is clear that the scheme is flexible, and there is strong evidence available on how the scheme could be adapted.

What are the considerations for implementing a similar initiative in the UK?

The UK government has already introduced a similar programme to the Kurzarbeit scheme under which employers can apply for a grant to cover most of the wages of people who have been furloughed and kept on the payroll, rather than laid off. Such grants, the UK Treasury said, will cover 80 per cent of the salary of such retained workers, up to a total of £2,500 a month up until the end of July, with the scheme moving onto a dual government / employer payment mechanism up until the end of October. A number of key considerations were taken to ensure the scheme met need:

- On 17 March 2020, the scheme was extended by the UK Chancellor to employees in temporary and part-time work (including those on zero hour contracts). The scheme has since been extended to also include those in self-employment who would also be able to access taxable grants worth 80% of their average profits for the last 3 years, up to £2,500 a month.
- The UK Government has also put in place mechanisms to provide businesses in retail, hospitality and leisure with cash grants of variable amounts based on property values, in some cases regardless of whether they are entitled to small business rate relief or rural rate relief.
- In addition to this, other loan schemes have been introduced, such as the Coronavirus Business Interruption Loan Scheme, delivered by the British Business Bank, to support businesses to access bank lending and overdrafts. Such efforts are particularly beneficial to SMEs in those industries most impacted by Covid19 (i.e. hospitality, tourism and leisure) where demand has fallen to zero and therefore workshare schemes would be impossible (see Appendix 3 for more details).

It is worth noting a key cultural difference between the UK and Germany that indicates a future lesson for the UK to be mindful of. Industrial relations in Germany are noted for their long tradition of trusted and thoughtful cooperation between employers and employees, particularly through works councils, creating a strong sense of social responsibility and solidarity. Involvement of UK employees and employers in shaping this support package would therefore be necessary in building up the same level of mutual trust if this scheme is going to be expanded and used again to help local economies. This is a lesson from the US experience where similar schemes have been used. The US government's inconsistent relationship with schemes of this type resulted in scepticism, impairing their legitimacy. At a local level, one way to increase legitimacy might be to promote the scheme via local business communities and onboard local champions.

Finally, in terms of the retraining aspect of work sharing schemes, it is worth noting that the ability to retrain employees during the crisis was predicated on Germany's government-mandated apprenticeship programmes, where workers benefit from a hands-on, two-track skills and education curriculum. In Germany, companies devote considerable resources of their own to

maintaining and updating their employees' training. So if the UK were to take inspiration from Kurzarbeit and continue to use schemes like this to help local economies respond to downturn, it would need to ensure that the right systems were in place to incentivise employees to carry out training. To put these in place quickly, the UK could leverage and adapt some of its existing programmes. See Appendix 2 for more details.



Appendix 1

More details on the scheme's impact

The experience of the machine tool maker Trumpf illustrates the impact of the scheme. In the German city of Ditzingen, Trumpf managed to survive the recession without laying off any of its 4,000 workers. In the US, however, the same company had to lay off 90 of its 650 workers.^[6]

The scheme reduced the costs of work immediately, helping to stabilise companies. Hardly any companies used the scheme for more than a year, most using it for six to eight months^[2] and as a single working hour was more expensive than under regular conditions, due to additional costs, companies abolished work-sharing as soon as possible. Hardly any companies used the scheme for more than a year, most using it for 6 to 8 months.^[2] There is compelling evidence that Kurzarbeit saved jobs and stabilised employment with minimal displacement.^{[3][4]} Indeed, it has been found to be the most effective initiative compared to other job subsidy measures in limiting deadweight and displacement effects.^{[4][7]}

Appendix 2

Existing programmes the UK government could leverage to help work-share schemes encourage retraining

Within the five foundations of the UK's Industrial Strategy, upskilling and reskilling the workforce is a key feature. ^[14] Much of these efforts have been focused on equipping the workforce for jobs shaped by the next generation of technology. Many sectors are now providing technical education on the same footing as the UK's academic system, with apprenticeships and qualifications such as T levels. The opportunity to align, leverage and expand coverage of initiatives already in place here could aid the success of work-share schemes.

For example, large and small firms in the Construction Sector have come together to develop a strategy for ensuring that it is able to attract, recruit and retain the skilled workforce it needs both now and in the future. There is an opportunity for Apprenticeship Levy paying employers to use the existing Levy to support training of existing employees whilst waiting out the crisis. Additionally the Construction Industry Training Board is managing £20.8 million from the UK's National Retraining Scheme, to train 13,000 workers to be employment and site ready. As of March 2019, 20 on-site training hubs are open and operating with over 1,200 people currently in training. ^[15]

Appendix 3

Consideration of other policy levers to aid the labour market in response to COVID-19

A related initiative that could offer inspiration if the labour market halts entirely is one that Germany has put in place to respond to COVID-19. It is a mechanism for organisations to share work across companies and industries, for example workers previously employed in the hospitality sector could be transferred across to supermarkets to manage short-term overemployment or underemployment. There are already instances of where this could be beneficial in the UK, because while many employees, particularly in the retail and hospitality sectors, are facing job losses, supermarkets are hiring. In the UK, the Co-op has 5,000 new temporary jobs available, and many supermarkets are fast-tracking their hiring processes to ensure that the demand can be met quickly.

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The Recovery stage

The recovery phase includes a period of reflection and listening, in order to identify solutions to long-term systematic issues highlighted during the crisis.

Case studies relevant to this stage:

- 2 Newcastle's Economic Downturn Response Plan (2009)
- 3 Sweden's implementation of regional coordinators (2008)

Newcastle's Economic Downturn Response Plan, 2009



Overview

In June 2009, Newcastle City Council in the UK produced a 10-point action plan in response to the economic downturn the city had experienced. The plan incorporated a mixture of short and long-term actions to improve the economy, reduce the social consequences of the downturn, and boost housing and regeneration.^[1]

The city's commitment to the plan was evident from its investments under each of the 10 action points. The initiatives and projects enacted contributed to making the city a centre for innovation in key sectors and served to attract business and further development. They collectively created an estimated 18,850 jobs and protected around 2,820 jobs in the city. The plan succeeded in delivering policies aimed at reducing the immediate economic and social impact of the crisis on businesses and citizens.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Unlocking the local knowledge of authorities, business, charities and communities gives unique insight into a place's strengths and the understanding needed to build long term, sustainable growth
- Involvement of well-established local institutions can help build legitimacy
- Reducing financial and process barriers can empower local actors to invest in both short-term recovery initiatives and long-term growth
- Involving key local public and private institutions in the development and delivery of the response, coordinating and connecting their actions, can ensure change happens quickly, and maximise the impact of investment
- Facilitating connections with regional and international networks increases sharing of best practice and can enhance local motivation.



The Challenge

The city of Newcastle-upon-Tyne – England's ninth largest city, with 280,000 residents – suffered during the recessions of the 1980s and 1990s, causing an outflow of expertise and skills, and creating generations of unemployment.^{[1][2]} Since the 1990s, Newcastle had been seeking to reinvent itself as a “service city”, rooted in science and research, and also to improve its tourism and retail sectors to enable future job creation. Prior to the recession in 2008, however, Newcastle scored unfavourably compared with the UK average on a number of indicators, including productivity, employment growth, research and development expenditure, and business startups.^[1]

The global financial crisis of 2007/08 hit Newcastle hard. Northern Rock, a local bank and top employer in the city, became the first UK bank to face liquidity problems requiring government assistance, putting 1,500 jobs in the Newcastle headquarters at risk. During the crisis, unemployment rose in Newcastle from 3.3 percent to 5.2 percent. Low-skilled workers in part-time or fixed-term employment were the hardest hit, with job losses concentrated in the most deprived areas.^[1]

Despite these challenges, a 2006 report by the OECD highlighted the fact that Newcastle had a number of potential assets that could support regional development. The city was home to two leading universities, good levels of internal and external connectivity, and rich natural and cultural amenities providing a base for tourism and retail.^[15]

The Initiative

In June 2009, Newcastle City Council produced a 10-point action plan in response to the economic downturn the city had experienced. The 10 points - and the focus for each - were:

- 1 Maintain confidence in the economy and planning for the future
 - Increase expenditure and investment in strategic sites and regeneration schemes (e.g Science Central, Northern Rock Tower, research centres)
- 2 Build a large, and increased, capital expenditure programme
 - Maintain current capital programme, extra GBP21m from borrowing over three years
- 3 Provide help to small businesses, including rapid payment of invoices
 - Create Business Enterprise Foundation (BEF) loans for companies refused loans by banks and GBP3.6 million enterprise support package
- 4 Improve access to procurement contracts
 - Wider publicity for contracts (via internet portal), requiring at least one local tender, more streamlined procedures and documentation of contracts, and a guide aimed at local SMEs

- 5 Target support to those made redundant, and minimising the social consequences of the downturn
 - Create three new resource centres for people made redundant, 450 six-month subsidised jobs, LT unemployed support, adult learning centre courses
- 6 Increase access to employment opportunities at Newcastle City Council
 - Create better access to council jobs, increased apprenticeships, support for the ill or disabled
- 7 Increase provision of debt and housing advice
 - Ensure all clients at risk of homelessness see a debt management advisor within three days, implement protocol and training to find alternatives to eviction
- 8 Launch benefits-awareness campaigns for both individuals and companies
 - Launch campaigns for businesses, residents and children's services
- 9 Maintain a low level of Council Tax
 - Make efficiency savings, use of Accelerated Development Zones to allow borrowing
- 10 Keep up momentum in regeneration schemes
 - Create front loading schemes, defer capital receipts, create "rent now buy later" options

See Appendix 1 for full details of actions taken under each of the 10 points of the plan.

In 2010, a second plan coined "the NewcastleGateshead 1 Plan" presented the rationale and further detail on how the long-term measures of the recovery action plan could be delivered. It set out a joint economic and spatial vision for the next 20 years. The NewcastleGateshead 1 Plan was developed by 1NG, a joint city development company, who were initially responsible for leading key strategic developments, including the Science Central regeneration scheme.

The NewcastleGateshead 1 Plan utilised a local support group, which comprised of Newcastle City Council, Newcastle University, and private and third sector organisations, as well as a wider network of eight European cities that were developing science quarters as part of the Restructuring Districts into Science Quarters (REDIS) project (see Appendix 2 for more details). The plan included "4 Big Moves" to establish the economy, people, place and sustainability as the four core components of the strategy, with practical steps to be taken over three years for each "big move". (see Appendix 4 for more details) [2]

The Public Impact

The city was clearly committed to the 10-point action plan and the subsequent NewcastleGateshead 1 Plan.

The largest investments were the purchase of Northern Rock Tower (GBP22m), investment in strategic sites (GBP25m) and Science Central (GBP28m). There were other investments to help small businesses, address challenges in the labour market, and soften the worst social impacts of the crisis. Funding for these investments was sourced from a combination of borrowing from

national government and partnerships with local institutions. These actions were designed and delivered through various partnerships: for example, 1NG led key strategic developments and worked alongside Newcastle City Council and Newcastle University and local businesses and charities. Newcastle City Council also formed partnerships with organisations such as the Business Enterprise Fund, Jobcentre Plus, and Your Homes Newcastle.

There is evidence that the regeneration projects have succeeded in establishing the city as a centre for innovation in key sectors and in attracting business and further development. For instance, the development at Northern Rock Tower has contributed to one of the largest clusters of games development companies outside London, and the largest games production studio.^[4]

In total, the plan created an estimated 18,850 jobs and protected around 2,820 jobs (principally through action point 1, 2 and 9). The regeneration programme included plans to ensure that the wider region benefited from these investments – all tenders for public contracts had to involve local businesses and secure a certain portion of jobs for local residents.

The plan also succeeded in delivering policies aimed at reducing the immediate economic and social impact of the crisis on businesses and citizens. Council tax rises were kept to a maximum of 2.8 percent (1.5 percent in 2010,^[11] and frozen in 2012 ^[12]), invoices were paid within 10 days, while those at risk of homelessness saw a debt management advisor within three days – several reports have praised Newcastle's culture of homelessness prevention.^{[10][14]} In addition, initiatives to support those made redundant and long-term unemployed have enabled an estimated 2,602 people to return to work, while 66 extra apprenticeships were made available and a further 450 temporary subsidised jobs contributed to improving the skills and minimising the impact of the crisis. See Appendix 1 for a detailed list of actions and evaluations where available.



An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

A local support group consisting of key representatives and stakeholders oversaw the development of the action plan. The group included local authorities, private firms (e.g. specialist science companies such as Oria Proteins Technologies Ltd), and charitable organisations (e.g. the community organisation Centre West).^[2]

The delivery of the plan involved partnering with various well-established local organisations and stakeholders, such as Newcastle University, Your Homes Newcastle, and the BEF. Local stakeholders were involved in designing the programmes, for example private firms from key sectors were involved in the design of skills and training programmes. This meant that the plan had local legitimacy in both its design and delivery.

Evaluations of Newcastle's initiatives have highlighted these relationships and engagements with local stakeholders as key to their success.^{[10][2]} One report praised the "consultation with the community and key stakeholders during the process. The feedback was positive with a general desire to see the development progress quickly."^[2]

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

The action plan was well designed, and its objectives were clear, with the more abstract commitments matched with specific goals. For example, point 7, “Increase provision of debt and housing advice”, included the proviso that all clients at risk of homelessness should see an expert debt manager within three days.

The regeneration schemes and action plan were developed as part of the wider REDIS project, which involved eight other European cities. Workshops were held across these cities, resulting in recommendations based on best practice and evidence of what worked in other regions. In this sense, the feasibility of the plan was based on evidence of lessons learnt from the city's European partners.^[2]

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

In April 2010, Newcastle City Council updated the action plan, reviewing progress on all ten measures. This work was recognised by the UK government audit agency, the Audit Commission, with Newcastle as one of the only two areas to be awarded a “green flag” for its work on the recession.”^[1] A green flag indicates exceptional performance or innovation that others can learn from. Cooperation between actors at the local level was generally highlighted as a vital factor in the success of the schemes ^[10]^[1]. For example, the partnership between Your Homes Newcastle and Newcastle City Council was praised for creating a culture of homelessness prevention.^[10] The NewcastleGateshead 1 Plan involved working closely with a cohort of 200 key companies, as well as intense packages of work with schools to ease the transition from school to work.^[1]

However, reports do provide evidence of a tension between central and local government policy. One person involved in the process described how the work between Newcastle and Gateshead to work across political boundaries to address common economic goals suffered as a result of extreme austerity that required authorities to focus on their immediate individual funding challenges. There were also questions on the need for cuts in certain places, and the choices around austerity measures more broadly. Many local actors also argued for greater autonomy and more devolution of powers.^[14]

Taking insights forward

What insights does this initiative provide for the UK?

The city of Newcastle's 10-point Action Plan, and the subsequent NewcastleGateshead 1 Plan, provides inspiration for the UK when considering how to support local economies respond to the economic impact of Covid-19. Those involved in the plan argue the key to its success was combining spatial and economic planning, noting that while these things are inextricably linked they are typically developed separately. The plans achieved the following:

- 1 Prioritised long-term investments, which combine strategic economic development goals, with forward-looking "place making" (e.g. the Science Central hub)
- 2 Used innovative financial tools and procedures for increasing the room for manoeuvre in dealing with the recession (e.g. the Accelerated Development Zone pilot)
- 3 Took advantage of low property prices and interest rates to position the city for a more sustainable recovery (e.g. the purchase of the Northern Rock site with a GBP21 million loan)
- 4 Encouraged close cooperation between the municipality and key local firms to ensure that innovation, business and labour market policies were based on real business needs and potential (e.g. NewcastleGateshead 1 Plan 200 company cohort)
- 5 Took a multifaceted strategy towards the labour market with actions directed at both supply and demand and both high tech and "entry level" jobs (e.g. the Science Quarter)
- 6 Linked local problems to opportunities through the strategic use of resource centres and "response teams" who coordinated public responses to crises (e.g. Future Jobs Programme).

Not only was the action plan defined by the local region itself, but its implementation relied on close cooperation and strategic coordination between local authorities (Newcastle and Gateshead), local institutions (e.g. Newcastle University) and other key stakeholders. It also benefited greatly from being connected to and learning from other cities, as part of the REDIS project. The success of the initiative was all the greater in the context of the challenging economic and political conditions presented by the recession and cuts in funding from central government.^[14]

This case is an illustration of the importance of unlocking local knowledge to inform decision-making. This includes identifying the region's existing strengths and working with local actors in these strongly performing sectors to implement regeneration schemes. Local authorities were also able to draw on the knowledge of local private firms in the design and delivery programmes to support skills and training, and this enabled the local economy and people across the region to benefit from the investment.^[1] See Appendix 3 for more detail.

What are the considerations for implementing a similar initiative in the UK?

This case provides useful guidance for central government in how to enable and encourage regions to develop and implement a vision that both aids recovery in the short term but that also leads to long-term growth. Authorities are encouraged not to wait for crises to be over before starting the stage of developing plans for long-term development, so projects can begin immediately once the current crisis is lifted.

Firstly, to help places do this, central government could support local governments by lowering financial barriers that may prevent them from investing in growth. In Newcastle's case, the Accelerated Development Zone pilot was one mechanism that enabled the city to invest in strategic sites, by allowing the council to borrow on the basis of estimated future tax revenues. To reduce financial barriers for places needing to respond to COVID-19 at pace, government could draw on existing models, for instance Greater Manchester's Earn Back model, and the economic investment funds applied in places such as Greater Birmingham and Solihull, Bristol and West of England, and Leeds City Region. Those involved in the initiative emphasised the importance of consistent funding enabling long term investment, and in application to the current crisis, argued that governments should be prepared to take up more risk to stimulate the private sector.

By reducing barriers to strategic development and enabling greater local flexibility, central government could give places the power to drive real change.

Other approaches central government could take, based on insight from this case study, are:

- **Enable local actors to design and deliver initiatives focused on creating skills and jobs local businesses need** for example, a local skills funding model and a skills bank.

The NewcastleGateshead 1 Plan introduced measures to deal with both ends of the labour market, investing in schemes that create both high-skilled work and valuable entry-level jobs. This minimised the impact of the financial crisis, but also ensured that the jobs created were linked to the long-term vision for the area. Cities and regions could be directed towards existing schemes that they could adapt to their needs, or learn from in creating new schemes of their own. This could include city apprenticeship hubs, localised youth contracts, Sheffield's local skills funding model, or Liverpool's skills bank, for example.

- **Give local actors greater power to drive infrastructure** for example, the devolution of local transport, broadband, and localised asset management.^[16] The NewcastleGateshead 1 Plan was an investment in critical infrastructure. It helped deliver a better connected, more sustainable economy through initiatives such as its Urban Core Cities Plan and Green Infrastructure Strategy, and improved the quality of public spaces and connectivity. Most recently, Newcastle was recognised at UK 2019 Smart City of the Year for its innovative

approach in using technology to help transform services and improve the lives of residents. It should be noted that Newcastle benefited from strong internal and external connectivity and good availability of broadband. Greater support may be needed in areas with more isolated communities that have more limited services, in order to ensure that these factors are not impediments to growth.[18]

- **Help to align community planning and spatial planning** The Newcastle plans linked together community planning and spatial planning to ensure the city was aligned on goals. This could happen in this case because the city council could set its overarching vision, which was not fragmented by commitments to other centrally driven initiatives Central government can help places do this by ensuring strong linkages between the priorities of different Whitehall departments' at the level of individual places, considering how local links could be better enabled, by providing frameworks and guidance, and by sharing best practice. The Scottish government sought to enable this kind of linkage in their "Places, People and Planning" position statement, published in June 2017.[17]

Secondly, the successful use of local knowledge and networks suggests a potential role for central government in fostering these networks in other local areas to enable greater learning and cooperation within regions. Central government is uniquely and ideally placed to play this role – as an observer of all regions and a connector to international governments.



Appendix 1

A full list of actions and evaluations (where available) of Newcastle's 10-point action plan

1 Maintaining confidence in the economy and planning for the future

- Northern Rock HQ. In October 2009, the council completed a GBP22 million purchase of the Northern Rock Tower building, renaming it Partnership House, attracting companies including Astrium Services, Wood Group, Ubisoft Reflections and Cundall. [3] It retained an estimated 2,000 jobs and created 500 new jobs, contributing to one of the largest clusters of games development companies outside of London and the largest games production studio.[4]
- GBP28 million Single Programme Funding (SPF) invested in the first phase of Science City. Currently delivered by Newcastle University and Newcastle City Council, with the opening of The Core, the GBP50 million Urban Sciences building, while Science Central plans to create a living lab where new technologies and systems are trialled.[5] An assessment of the economic impact of the Science Central development has been undertaken, based on the proposed level of development as set out in the masterplan. The outcome of the analysis is set out below.
 - The creation of up to 4,500 gross jobs (1,900 net jobs), a proportion of which will be secured by residents of neighbouring communities
 - An estimated GBP167.5 million per annum of GVA will contribute to the region's and the UK's economic output
 - GBP255 million of private sector investment will be levered, following the development of 174,710 sq m of teaching and research space, office, commercial and community accommodation, as well as 550 homes in a new urban neighbourhood
 - Newcastle's reputation for its world-leading research and business base in life sciences, cancer research, stem cell research, and biological and environmental sciences will be strengthened. Newcastle University is a key economic driver in the city, employing 5,000 people and generating GBP372.5 million turnover.
 - The rate of innovation, technology adoption, and commercialisation will be accelerated in Newcastle Gateshead's economy.
- Newcastle at the forefront of sustainability in terms of design, carbon emissions, sustainable energy production, and integration with surrounding communities building, on its existing strengths.[2]
- A GBP25 million fund for the purchase of additional strategic sites
- GBP14.1 million SPF for regeneration projects, including a cluster of environmental technology projects on the North Bank of the Tyne
- Adult services work on transforming social care, mainly for the elderly
- Electric and low carbon vehicles scheme. Newcastle City Council partnered with CYC, described as leading the way in the development of electric vehicles.[6][7]

2 Large, and increased, capital expenditure programme

- Maintain GBP260 million capital programme 2009-10. Extra GBP21 million spending in the next three years from borrowing Provision for financing further GBP8.3 million in 2010/11 with 250 jobs expected

3 Help to small businesses, including rapid payment of invoices

- Reduction of time for paying invoices to SMEs to 10 days to reduce liquidity problems
- GBP3.6 million enterprise support package
- Business and Enterprise North East to provide loan fund for small businesses rejected by banks. According to the most recent report in 2018-2019, the BEF has added GBP156 million to the North's economy in the last six years, and in the most recent year created or protected 820 jobs.[8]

4 Improved access to procurement contracts

- Portal, breaking down contracts, local quotes, guide. Improved access to public sector contracts, through increased publicity, requiring at least 1 local tender, and streamlining the procedures and documentation involved

5 Targeted support for those made redundant, and minimising the social consequences of the downturn

- Three new resource centres for people made redundant saw 510 clients, of whom over a fifth found work, and a further 18 percent entered training or volunteering. Provides:
 - Support in job search
 - Skills assessment with increased access to higher skills partners such as Newcastle University and Newcastle College
 - Mental health and wellbeing advice
 - Debt advice.[9]
- Newcastle's Futures Partnerships to provide support for 5,000 long-term unemployed over two years, of which about half have returned to work
- Adult Learning Centre Courses
- Future Jobs Programme six- month subsidised jobs available to young people, to create 450 placements by March 2011
- Public sector response groups in case of redundancies.

6 Increased access to employment opportunities at Newcastle City Council

- Partnership with Jobcentre Plus for better access to council jobs improved access to 17,000 jobs (including pre-interview upskilling, guaranteed interview, feedback if unsuccessful, and post-recruitment training)
- Apprenticeships increased from 57 to 123[1]
- Supported Employment Strategy for ill or disabled.

7 Increased provision of debt and housing advice

- All clients at risk of homelessness to see expert debt management advisor within three days. An evaluation in 2011 praised Newcastle's "culture of homelessness prevention", with a strong strategic partnership between the city council and Your Homes Newcastle. Key to the scheme were:
 - Strong emphasis on managing debt and rent arrears, and rigorous implementation of the Preventing Evictions Protocol
 - Commissioning a range of support services for those at risk, including Advice and Support Workers and Family Intervention Projects [10]
- Protocol and training to find alternatives to evictions (see above).

8 Benefits-awareness campaigns for both individuals and companies

- Campaigns to increase take up by businesses, residents, children's services NO EVIDENCE

9 Maintaining low council tax

- Council tax rises kept to 2.8 percent through efficiency savings rose by around 2.8 percent in 2009, 1.5 percent in 2010,[11] and council tax freeze in 2012[12]
- Project for creating Accelerated Development Zones allowing council borrowing on basis of future rates. A 2012 report into NewcastleGateshead's City Deal suggests the Zone was agreed with a GBP92 million investment programme,[4] creating 600 construction jobs during development and creating 13,000 full-time jobs over 25 years, as well as wider economic and social benefits to the region.[13]

10 Keeping momentum in regeneration schemes

- Front loading schemes with social housing to draw down grant
- Deferring capital receipts from developers
- Working with lenders to increase affordable mortgages No Evidence
- Specialist housing for homeless: An evaluation in 2011 of the homelessness strategy claimed that they were, taken as a whole, highly effective. The evaluation was supported by evidence gathered through interviews and was consistent with statistical trends on a range of indicators – the relevant trends were found to be positive and compared well with national averages.[10] This despite increased pressure as a result of Universal Credit and cuts in funding from central government.[14]
- Rent now buy later options
- Investing in site preparation ready for upturn

Appendix 2

About the REDIS project

REDIS was a European project funded by URBACT II. The wider URBACT programme fosters sustainable integrated urban development in cities across the EU, Norway and Switzerland. The REDIS project ran from 2008 to 2011 and it was a network of eight European cities involved in the development of science quarters, one of which was Science City in Newcastle.

The project comprised a series of workshops located in each partner city, resulting in recommendations to inform the development of each science quarter, drawing upon best practice from European cities. The project highlighted the importance of creating knowledge hotspots built in dynamic environments, with appropriate amenities that could attract the target demographic and encourage them to settle in the area. Once there, these hotspots can become a magnet for events, concerts and exhibitions to draw citizens to the area.

Appendix 3

An evaluation of Newcastle's recovery plan identified the key lessons for other regions facing crisis

The evaluation notes that rather than implement support measures with no regard to their spatial consequences, the economic measures form part of a spatial vision for creating a more sustainable compact city region with a vibrant centre. This was achieved through the promotion of a network of knowledge hubs in the centre of the city, places where key industries can co-locate and grow and where teaching, research and specialist services and businesses of all sizes can come together.

How to maintain confidence in the economy and plan for future growth

- The NewcastleGateshead 1Plan is noted for combining spatial planning and regeneration with the promotion of a more sustainable urban economy. It was able to reinvent itself, based on utilisation of the region's assets (Newcastle and Durham Universities, and the appeal of its regional geography). A key element of its success was its use of knowledge hubs in the city centre to create a more vibrant environment, key sites being: Science Central (low carbon and sustainable industries), Northern Design Centre (digital media), the Campus for Ageing and Vitality (ageing and health), and the International Centre for Life (stem cells and regenerative medicine).
- The commitment in the recovery plan to prioritise the regeneration of projects which have strategic influence on the city-region's long-term future (e.g. investment in Science City).
- The use of investment and financial engineering tools to enable investment in the face of funding restrictions (e.g. bidding for one of its sites to become part of the Accelerated Development Zone pilot for tax increment financing). This allows money to be borrowed to purchase sites on the basis of estimated future tax revenues. Also, "rent now buy later" homes allow houses to be built immediately and rented out until the housing market recovers.
- The council is taking advantage of lower interest rates and lower property prices to invest in strategic opportunities (e.g. Northern Rock Tower).

How to ensure that businesses emerge in a "winning" position after the crisis?

One of the main issues identified by Newcastle was not the supply of high-quality research (usually publicly funded) but the absorptive capacity of local firms. The NewcastleGateshead 1Plan addressed this by focusing on 200 key private sector firms, working in close partnership to establish business support and a more proactive approach to training and skills, rather than wait for a trickle-down effect. Further key elements to support local businesses in terms of skills, finance and opportunity include:

- Paying invoices to SMEs within 10 days
- Enterprise North East loan
- Improved access to public sector contracts.

How to move from a low-skilled to a high-skilled equilibrium

The action plan aimed to provide target support to those made redundant, with the aim of minimising the social consequences of the downturn as well as temporarily boosting the demand for labour. Key elements of this effort were:

- Three resource centres
- Future Jobs Programme
- Local Employment Partnership.^[1]

See Appendix 1 for full details of the elements within the action plan.

Appendix 4

About the 1Plan

Growing the Knowledge Economy

Developing Skills and Attracting Talent

Transforming the Urban Core

Pioneering Sustainable Urbanism

10 Key Steps

These describe what the 1Plan partners are going to do in the next 3-5 years. They reflect the outcomes of consultations undertaken in 2009

Key Step 1: City of Science

Priorities for action: Science Central, other knowledge hubs, Science business start ups

Key Step 2: The Top 200

Priorities for action: Barriers to growth, sector initiatives, business-friendly

Key Step 3: Low Carbon Economy

Priorities for action: Growing low carbon business, sustainable urban planning, low carbon skills economy

Key Step 4: Business and Cultural Tourism

Priorities for action: Conference and Exhibition Centre, customer service excellence, major events

Key Step 5: Business Winning

Priorities for action: NewcastleGateshead proposition, sector/place propositions, customer service support

Key Step 6: World Class Skills

Priorities for action: raising attainment in schools, top 200 skills programme, best student city

Key Step 7: Tackling Worklessness

Priorities for action: Culture of attainment, intensive employability support, LOAN response team

Key Step 8: Development and Regeneration

Priorities for action: Focus on the urban core, finance for development, development facilitators

Key Step 9: Places and Spaces

Priorities for action: Key gateways, Gateshead Quays, urban neighbourhoods

Key Step 10: Complete Mobility

Priorities for action: Urban core movement strategy, infrastructure plan, smart city technology. [20]

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Sweden's implementation of regional coordinators, 2008



Overview

The global financial crisis of 2007/08 triggered a recession in Sweden. Certain regions were particularly affected, due to a lack of economic diversification and isolation from other communities. The Swedish government made a number of changes, both at a national and regional level, to try to create new opportunities in the worst affected places. Part of their regional response was the creation of regional coordinators and the establishment of a national coordinating group of state secretaries to help these regional coordinators deliver the changes that were required at a local level.

Whilst being part of a broader set of economic policies, the institution of regional coordinators enabled the creation of stronger partnerships between businesses and other local stakeholders, as well as sped up decision-making affecting the region. By communicating the needs of the regions to the group of state secretaries, the regional coordinators were able to help drive policy proposals, and thus local change.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Enablement of local actors is key to understanding local need and driving targeted change
- Building local partnerships and networks (with businesses, trade unions etc.) can help mobilise people quickly, and draw on existing local resources
- A structured engagement model between regional & national actors aids rapid alignment
- Working within current local administrative and governance structures is imperative to making change happen on the ground and not disrupting existing progress
- Empowering those in existing roles (e.g. Local Enterprise Partnerships and mayors) encourages local buy-in and enhances legitimacy



The Challenge

The global financial crisis of 2007/08 triggered the deepest recession in Sweden in modern peacetime and caused an economic contraction much worse than the crises of the 1970s and 1990s.[1] Unemployment in Sweden accelerated rapidly with approximately 145,000 people losing their jobs between September 2008 and June 2009, out of a population of just nine million. The job losses were almost exclusively within the private sector and varied by region, due to the different mix of employers and industries around the country.[2]

The impact of the crisis was felt most acutely in Sweden's regional economy. The Swedish economy is highly concentrated in three southern city-regions (Stockholm, Västra Götaland, and Skåne), all of which have diversified economic bases and strong links to national and international markets. By contrast, the lack of economic diversification and market linkages in Sweden's other regions, particularly its more isolated areas, caused them to be more vulnerable to the effects of the crisis. Sweden's regional economies were reliant upon traditional industries such as mining, forestry and agriculture, and therefore found it difficult to adjust after the downturns in these sectors.

The Swedish government needed a rapid response to job losses that recognised, and built on, the country's regional strengths.[6]

The Initiative

Part of Sweden's immediate regional response to the financial crisis was:

- The appointment of regional coordinators by regional Swedish governments to manage local and regional stakeholders in response to the local economic difficulties created by the crisis
- The establishment of a national coordinating group of state secretaries (statssekreterare) to facilitate the implementation of policies, based on the learnings of regional coordinators

In early October 2008, the Swedish government appointed regional coordinators (varselsamordnare) in the six counties (län) most affected by an increase in redundancies. Regional coordinators had been used before in Sweden, in response to the financial crisis of the 1990s, and thus were a trusted government mechanism to help counties respond to economic downturn. Norrbotten county, which is home to a large number of Sweden's isolated communities, was one of the first regions to have a regional coordinator appointed. By February 2009, the government had appointed coordinators to every target county.[4] The regional coordinator was typically the county governor or other political representative responsible for regional economic growth. The key tasks of each regional coordinator were to convene local stakeholders to collectively find ways to create new jobs and businesses, report regularly to the government, and identify areas for government intervention.[4]

Regional coordinators collaborated both with representatives of impacted businesses and trade unions. These parties worked to understand the circumstances of the business' predicament, support employees, and develop potential solutions.[4] Regional coordinators worked with a wide variety of other local stakeholders, including representatives from the municipality, county council, labour market organisations, jobcentres, the Swedish ESF Council's (a government agency under the Ministry of Labour responsible for managing the Social Fund) regional office, financiers, universities, and other training and education organisations.[4]

The regional coordinators developed measures and plans for the economy which aligned with existing national frameworks for regional growth programmes.[2] All counties had already created regional development strategies that included the visions, goals and priorities for regional growth efforts in their areas.[5] The work of regional coordinators was to align crisis response plans with nationally set, longer-term development plans for the region, and it relied upon the partnerships and cooperation of groups established within these programmes.[2]

A national coordinating group of "state secretaries" was also formed to improve management of regional development issues at the national level. The role of the state secretaries was to facilitate closer collaboration between the national government and the regional coordinators and act as a central government sponsor for the regions. Through state secretaries, the regional coordinators were able to provide feedback on the national response and suggest policy proposals. By mid-2009, over 200 proposals on the labour market, education, infrastructure, business development, local government finances, and financial markets had been received and considered by the relevant ministries. Of these proposals, approximately a third were accepted and implemented.[2]

The Public Impact

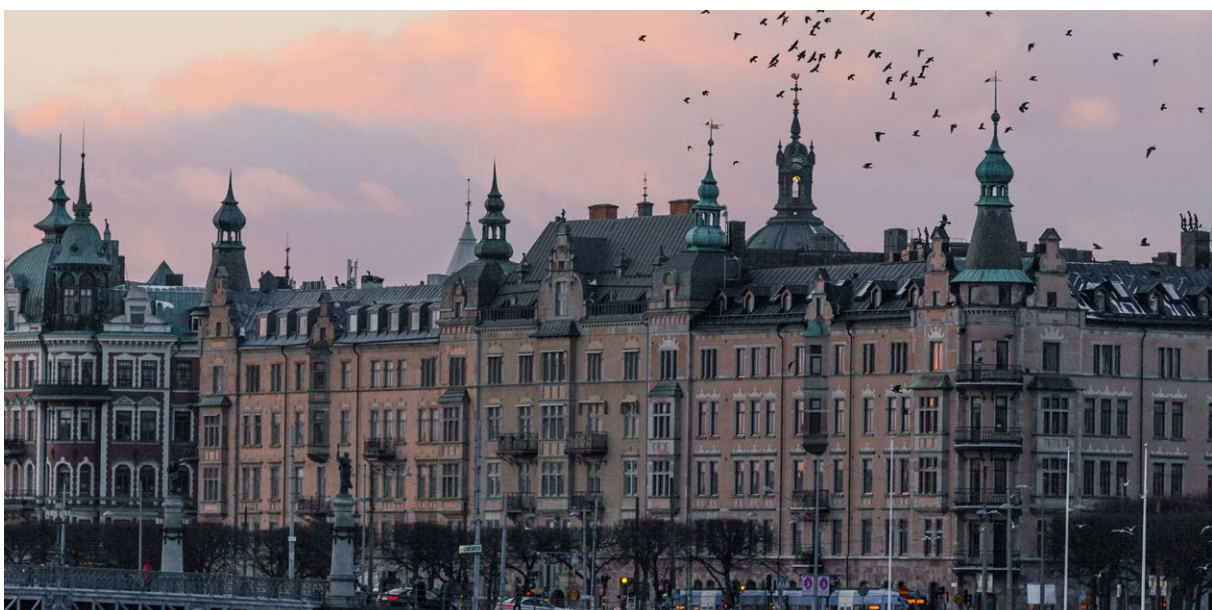
Sweden was one of the few European countries that weathered the global financial and economic crisis which hit the continent in 2008, in spite of its large public sector and high welfare state expenditure. There are many macroeconomic factors explaining why Sweden, and the regions within it, were able to recover more quickly than other countries. However, its regional response, with its focus on place-based initiatives for those locations that were hardest hit, has been seen as a significant contributing factor.[4]

The most positive impact of the regional coordinators, as demonstrated in the county of Värmland, was the improved dialogue between local businesses and other key regional stakeholders.[4] This led to a collective understanding of the situation, its challenges, and the common objectives and contributed to the development of new networks between local actors within the county, who had never collaborated regularly before.[4] Coordinators encouraged partnership between regions for example, several counties cooperated on a collaborative education project for mature students ("vuxenutbildningsprojekt").[4]

Regional coordinators provided the national government with an account of the future skills that would be needed in their respective counties and municipalities.^[4] They also had the power to influence regional policy through the group of state secretaries. Independent evaluations show that coordinators introduced local measures to develop the skills of the workforce in order to help those who had lost their jobs.^[4] For instance, several of the regional coordinators initiated coordinated efforts to improve access to labour market information.^[11] In the northern län of Västerbotten, local redundancy taskforces were established; incorporating participants from the municipalities, the local Public Employment Service, trade unions, employers' federations, and regional authorities.^[18] At the municipal level, similar coordination groups were established, which included representatives from the voluntary sector and churches to counter the local effects of rising unemployment. Other examples of local initiatives can be found in Appendix 1.

It is worth noting that Sweden had taken measures before the financial crisis to strengthen regional growth.^[12] Regional policy and expenditure were therefore already in place, and these would have contributed to the government's successful regional response. There were also a number of other initiatives taken to ensure those made unemployed as a result of the financial crisis were able to find new jobs and to reskill, for instance the creation of job security councils (see Appendix 2). That said, as stated by the OECD in an evaluation of Sweden's regional response to the crisis: "the work initiated by the regional coordinators has shown established regional partnerships and longer-term strategies have been crucial to speed up decision-making at a time of crisis".^[10] This demonstrated that the regional coordinators' presence and their power to drive change did have a positive effect.

Such was the success of instituting these regional coordinators that, in March 2020, the Swedish government appointed a coordinator to facilitate dialogue between social organisations and the business community in order to manage the effect of the COVID-19 crisis.



An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

According to the Swedish National Data Service surveys, public confidence in the government grew during the crisis, rising from 30 percent in 2007 to nearly 60 percent by 2010.^[7] In addition, the governing party, Moderaterna, was re-elected in 2010, suggesting public support for the response to the crisis. It is also likely that the government's regional efforts people feel supported and heard at a local level, enhancing legitimacy.

There was also strong regional stakeholder engagement throughout the crisis. This was partly due to the urgency felt by all parties involved during the crisis and to the importance placed by key local stakeholders on the regional coordinators' direct voice into the government.^[4] Regional coordinators had been used before, in the financial crisis of the 1990s, and were therefore a trusted mechanism to enable regional growth. This gave them greater legitimacy, because of the existing structures and networks that had been developed in previous episodes of economic transition.

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

The initiative's objective, to coordinate local and regional stakeholders to create new jobs and businesses, was clear.^[4] The government also drew strongly on recommendations on crisis management dating from the financial crisis in the 1990s, where they also worked with regional coordinators, so that there was significant evidence for this type of initiative.^[4]

Regarding feasibility, while funding was not exclusively given to the regional coordinators to enact their policy proposals, they did have access to state secretaries through whom they could access funding to drive change in their local area.

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

The initiative relied on existing structures and ways of working within municipalities.^[4] What was new was the direct link between the government and the coordinators during the crisis – via state secretaries. This was likely a contributory factor to the high level of participation and successful dialogue with local businesses.^[4]

There was a potential problem in aligning the actors needed to make this initiative work and help regions grow – the potential for conflict between regional coordinators within the same geographical area. Often, both the municipal representative and the county governor were appointed regional coordinators in the same area, and both were in direct communication with the government.^[4] However, there is no evidence that this had a negative impact in reality.^[4]



Taking insights forward

What insights does this initiative provide for the UK?

Regional coordinators and state secretaries played a role in supporting the counties that had been hardest hit by the financial crisis in Sweden. While the impact of the initiative can be hard to measure given its implementation happened in a context of established regional policy and funding, it can certainly offer insight for the UK as a strategy for boosting local economies experiencing downturn.

The initiative indicates that enabling local actors to help businesses, employees, and the wider community to work closely together can be part of a targeted response to the impact of crises on regional economies. Local actors should perform this role, as they are best placed to build local connections, understand local needs, recognise which partnerships can be most productive, and how those can take effect quickly.

Creating the role of regional coordinator in Sweden also helped with the alignment of regional priorities with those set nationally. The regional coordinator could both act as the central government sponsor in the region but also the local representative to central government, to communicate the specific needs and desires of the region to the national coordinating group of state secretaries, in times of economic downturn. This structured engagement model offers options for insight for the UK in how to facilitate better dialogue between central government and its citizens in times of downturn.

What are the considerations for implementing a similar initiative in the UK?

While this initiative could provide inspiration for the UK government in their ambition to help local economies respond to COVID-19, it would require important modifications to suit the UK context.

Firstly, the UK government would need to amend national policy frameworks in tandem with establishing regional coordinators to ensure the work of the coordinators complemented the visions and missions that already existed for the place, and any relevant national priorities. In Sweden, regional coordinators had established frameworks to work within to connect national and regional priorities. To replicate this model, government would need to clearly define the scope of activities of regional coordinators and state secretaries against pre-existing frameworks and priorities that already exist in the areas.

Secondly, the concentration of Sweden's economy in three main urban economic centres allows for a natural split between urban and regional economic initiatives. In establishing a similar initiative in the UK, the lines of demarcation that the regional coordinators operate in should

complement existing systems of economic governance and fit within the local administrative reality of the place. In the UK, the local government landscape is complex, with different sizes, remits and geographical boundaries offering different services. The concept of “counties or regions”, in the sense of the Swedish län, does not really exist. For the UK government to institute regional coordinators in a similar way, it would need to give thought to the geographic area these coordinators represent, and how they coordinate and align with existing governance structures. Without this consideration, change will not happen on the ground and regional coordinators will only negatively disrupt efforts to drive change from existing actors.

Whilst the UK government does not have a well-established coordinator network set up, it does have existing structures that could be mobilised to play this role - to help this initiative get off the ground quickly, without disrupting existing governance structures. Local government leaders, including mayors, could act as regional coordinators, working with relevant Ministers. In July 2018, the UK government also instituted a senior official sponsor for every Local Enterprise Partnerships (LEP) across government departments and a Prime Minister chaired council.^[22] For instance, Hertfordshire LEP's sponsor is Ian Porée, a senior civil servant working in the Ministry of Justice and lives in Hertfordshire. The purpose of this new role is to support and challenge each LEP to be as effective and ambitious as possible and to help gather evidence on the particular challenges and opportunities facing each economic area. These existing personnel could potentially be mobilised to fulfil the role of regional coordinator - being locally placed but also connected with national government. ^[23]

Thirdly, roles for regional coordinators and state secretaries should help address the fundamental challenges facing the specific places where the government wants to focus. A regional coordinator role should take into account the local needs, and also the strengths, of a specific geographic place so they can drive the impact needed and maximise their region's potential.

To do this, coordinators could engage with the LEPs, thereby boosting the work LEPs are already doing.^[14] Most recently, through its network of 38 Growth Hubs, LEPs have already begun to provide support and guidance to businesses and employers on how best to cope with the impact of the COVID-19 pandemic.^[14] Local Government Associations (LGAs) are providing information to councils on COVID-19 and are liaising with Public Health England, the Department for Health and Social Care, and the Ministry of Housing, Communities and Local Government.^[15] By mobilising LEPs and other existing partnerships through coordinators and state secretary equivalents, this could enable places to drive effective policy change in local areas experiencing economic downturn.

It is also important to note that before the initiative, Sweden's regional policy was already well established, and power was already devolved, so that places felt adequately included and represented in policy decisions. If an initiative of this nature were to be set-up in the UK, the government might need to consider allocating budgets to regional coordinators, or other means

of giving localised incentives, such as decision-making powers over some local spend. This could be part of a national devolution strategy for places that are most impacted by COVID-19. It would also be imperative to consider how to encourage citizens’ engagement, given the lack of connection many UK citizens reportedly feel in government’s ability to fulfil its promises.^[21]



Appendix 1

An example of an initiative driven by a regional coordinator

One notable example from the county of Gävleborg saw a series of successful regional partnerships set up to take action against unemployment, specifically tackling job reductions in large industries like car manufacturing. In 2013, the closure of the Ericsson plant for fibre optics in Hudiksvall led to a loss of 318 jobs, which had a significant impact on the town, with its population of only around 15,000.

In response, the regional coordinator along with the local government organised a regional partnership known as The Group for Strategic Coordination to deliver a package of future actions. The group was formed of leading politicians (including the mayor) and public officials (including Gävleborg's county prefect and the head of the local public employment office), as well as the vice-chancellors of two universities and the head of the research corporation for Hudiksvall's "Fibre Optic Valley". The group also included the head of business promotion in Hudiksvall, the representatives of two trade unions, and Ericsson's national human resources director.

The partnership had three principal objectives:

1. To take action within employment policy, to find new jobs
2. To work with business development and innovation departments to commercialise ideas developed by Ericsson staff members
3. To work with other companies that showed an interest in hiring the staff who risked being unemployed^[19]

Appendix 2

More details on job security councils in Sweden

It has been widely documented that the creation of job security councils - "Trygghetsrådet" (TRRs) - was a positive contributory factor in ensuring those who lost their jobs as a result of the financial crisis were able to find new jobs and to reskill. TRRs were set up as private organisations, unique to Sweden, to help laid-off workers. Employers have an option to pay into these TRRs, and if they make employees redundant, those workers receive financial support and job counselling from the TRR to help get them back into the workforce as soon as possible.

Sweden leads the OECD in helping displaced workers find new employment – over 85 percent of such workers find new jobs within a year, primarily because of these arrangements between employers and social partners, according to an OECD report.^[20] TRRs are viewed as more effective than government-administered programmes, because they intervene immediately after a redundancy and have financial resources that public re-employment offices, which also exist in Sweden, cannot provide. They provide bespoke services to jobseekers and encourage frequent contact with career counsellors, who assist in their job seeking activities.

The benefits of TRRs have been noted as going beyond the initial support for finding new employment, including providing psychological reassurance for those looking for work. They have also been seen to help make the economy more dynamic, because they make it easier for companies to shed unproductive divisions without union resistance, while helping the workers who lose their jobs as a result of these layoffs to find new work.^[17] In Sweden, there is minimal resistance from unions, because they understand that workers will be retrained and made more productive – sometimes moving into higher skilled and better paid jobs. It is believed that the TRR structure, a solution that is situated at the intersection between the individual, local government and the employer, means that conditions are created in which all the actors have an interest in further developing the market.

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The Rebuild stage

The rebuild stage sees power devolved to citizens, who have a voice in the decision making process.

Case studies relevant to this stage:

- 4 Korea's Regional Innovation Plan in Busan (2004)
- 5 Sweden's National Strategy for Sustainable Regional Growth and Attractiveness (2015-2020)
- 6 Scotland's Northern Highland Initiative (2005)
- 7 The West Philadelphia Skills Initiative (2001)

South Korea's Regional Innovation Plan in Busan, 2004



Overview

By 2000, South Korea had overcome its 1997/98 financial crisis, but large differences remained between the Seoul metropolitan area and regions like the city of Busan. Regions were experiencing an exodus of talent towards the capital, resulting in brain drain. From 2004-2008, the national government put in place large-scale Regional Development Plans to address the challenges of stunted economic growth in regions outside of Seoul. In 2004, the Busan metropolitan government reacted to this call and created its own Regional Innovation Plan. The Busan Regional Innovation Committee – made up of representatives from metropolitan government, business, universities, research institutes and civil society – was also established to drive and monitor progress, as well as to coordinate policy efforts.

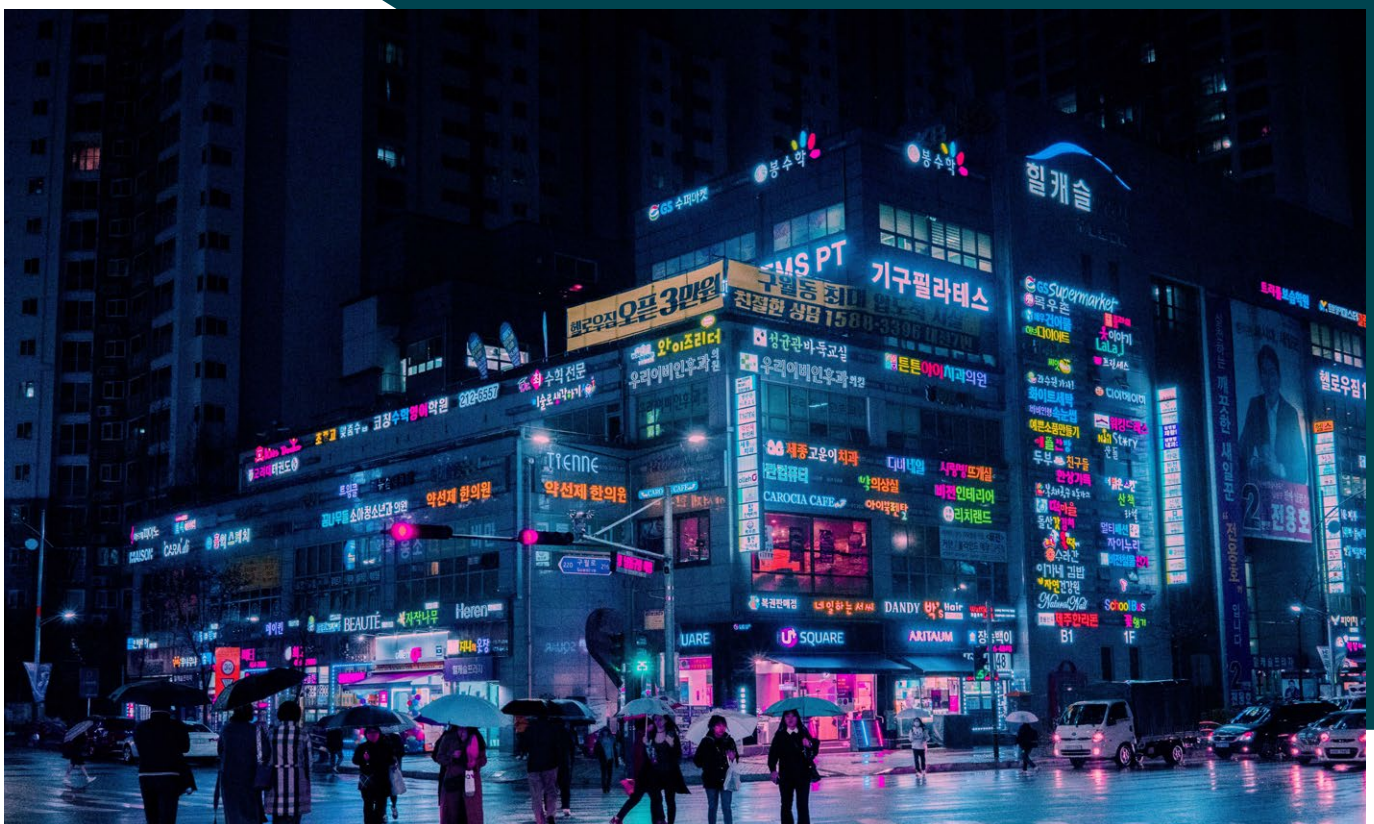
One of the main aims of the Busan Regional Innovation Plan was to build strong connections between the local economy and higher education institutions (HEIs), supporting Busan in developing strategic economic sectors like logistics, tourism, film, and events. This contributed to income per household increasing from KRW25 million (USD20,502) to KRW 43.9 million (USD36,000) - an absolute increase of 75%, between 2000 and 2017.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Giving local actors autonomy to set and shape plans ensures support and commitment over the long-term, as well as increases accountability
- Creating local multi-institutional “teams” to drive plans (as with the Busan Regional Innovation Committee) brings in diverse ideas, utilises collective experience and ensures effective partnerships are built
- Enabling local actors to align their plans with existing visions and strategies is critical to ensure resources and stakeholders are focused on one shared goal



- Supporting local institutions manage the new associated risks that comes from setting their own vision and plans can incentivise their contribution to growth
- Empowering existing governance structures and partnerships (rather than creating new structures) can ensure time is not wasted and impact is made rapidly
- Involving key local public and private institutions in the development and delivery of the response, coordinating and connecting their actions, can ensure change happens quickly, and maximise the impact of investment
- Facilitating connections with regional and international networks increases sharing of best practice and can enhance local motivation



The Challenge

The 1997 Asian financial crisis rocked the Korean business world. In 1997, eight of the thirty biggest companies in South Korea filed for bankruptcy, and by 1998 twice as many bankruptcies were registered in South Korea, necessitating the government to apply for emergency IMF funds. The city of Busan was particularly hard hit by the loss of its industrial economy such as major automotive and footwear manufacturing companies.^{[2][3]}

Busan is South Korea's second largest city, with around 3.5 million inhabitants. In the early 1980s, the central government designated Busan as a growth constraint area, incentivising firms to move out of the city and introducing heavy taxation. As a result, the city's population started to decline, resulting in a significant brain drain from the local economy. Furthermore, this 1980s policy intervention led to a decline in manufacturing and restrained the development of urban service, so that by the early 2000s, 99.6% of enterprises in Busan were small and medium sized enterprises (SMEs). This dearth of top 100 Korean firms in Busan also affected knowledge transfer with students being more prone to leave their home city and local universities lacking the resources to engage in partnerships with the local economy.^{[4][5][6][7]}

South Korea transitioned into a democracy in the late 1980s and early 1990s, and regional autonomy remained limited. As a result, Busan had little power to change or influence policy locally. In fact, Busan was not allowed to execute its own industrial policy before 1995, with the mayor being appointed by the central government rather than elected by local constituents.^[6]

By the early 2000s, however, growing regional inequality was becoming a significant concern. After recovering from the 1997/98 financial crises, Seoul saw household incomes grow by 13.6 percent between 1996-2000 to KRW32 million per annum. Whilst the national average growth rate of current income during that time was at 9.6%, a regional breakdown reveals significant disparities, with Busan and two other regions seeing total household income decrease (by 2.7 percent to KRW25 million (USD20,414) per annum in Busan).^[10]

The Initiative

Between 2004-2008, the South Korean government under the newly elected president, Roh-Moo Hyun, drove central efforts for more "Balanced National Development" (see Appendix 1). As part of this programme, the Busan government and other regions across the country were asked to establish their own Regional Innovation System (RIS). In 2004 and based on central government guidance, the Busan metropolitan government and local academics combined forces to establish their own Five-Year Plan on Innovation and Development, covering the following elements:

- 1 Vision and objectives for Busan's development and an analysis of conditions for education and business
- 2 Establishment of the Busan Regional Innovation Committee (BRIC)

- 3 Development of strategic industries in the region
- 4 Development of regional higher education institutions (HEIs) and human resources
- 5 Regional capacity-building in science and technology^{[7][13]}

The 2004 Regional Development Plan supported 10 key projects, which aligned with Busan's development vision at the time and which the Busan municipal government further streamlined to four priority sectors of greatest relevance to its local economy (see Appendix 2).

The establishment of the Busan Regional Innovation Committee (BRIC) was a specific requirement of the national and regional plan. It was created to monitor and coordinate new policy efforts together with five non-standing subcommittees. It was "ultimately responsible for deliberating on regional innovation projects", and served as "a planning and coordinating body for the RIS of Busan."^[13] It consisted of 56 representatives from the metropolitan government, business, universities, research institutes, and civil society.^[14]

The Public Impact

From 2000, Busan saw significant economic growth, with total income per household increasing to KRW43.9 million (USD36,000) in 2017 – an increase of KRW18.9 million (USD15.500) within 17 years at a Compound Annual Growth Rate of 3.36%.^[16] The Regional Innovation Plan and the establishment of the BRIC are widely acknowledged as contributing to this success.

One of the BRIC's main priorities was improving Higher Education Institutions (HEIs) in Busan – to ensure they prepared students for the labour market and contributed to the economy through innovation. One of the BRIC's major achievements included Busan's participation in the central government's New University for Regional Innovation (NURI) project in 2004. Aimed at developing innovation capabilities of local universities with a view to strengthen specialisation and competitiveness of local HEIs, NURI provides the required funding for local research projects that have to be co-developed by local HEIs, governments, industries, think-tanks, NGOs and other key stakeholders. To ensure local buy-in, any research project requiring large-scale investments from KRW3-5 billion (USD2.5-4.1 million) required a local government contribution of over 10 percent.^[13] More details on the impact of BRIC's work with HEIs can be found in Appendix 3.

While it was hard to see immediate results at the end of the five year plan in 2008, by 2017 Busan's combined efforts resulted in a higher "annual average growth rate of workers" than other regions in South Korea (4.5 percent compared to 3.8 percent in Seoul, for example).^[16]

Despite significant inroads made by the Regional Innovation Plan and by the BRIC in readying Busan for innovation, there remained a lack of national funding in R&D in the city. The 2000 R&D expenditure in Busan consisted of 1.7 percent of national R&D funds and, by 2010, R&D expenditure had only slightly increased to 1.9 percent. An OECD evaluation report of Busan's employment and training status concluded that "regardless of the presence of a relatively large

number of educational institutions, the region remains weak in terms of R&D on innovation, with significant outward migration of skilled graduates”. [17] To bolster the inroads made by the Regional Innovation Plan and by BRIC, Busan created the Busan Employment Forum in 2006 to re-connect employers and training institutions. Its members were volunteers from industry, academia, and politics to think through initiatives on increasing employment regionally. They mainly focused on improving policy coherence for employment, providing HR guidance, and one-stop-services like qualification screenings. Efforts initiated through the plan and by BRIC could have been aided further though through greater national investment.

Nowadays, the BRIC continues its work under the name of the Busan Centre for Creative Economy and Innovation. It focuses on supporting local startups, and receives continued input from local and central governments.



An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

At a national level, President Roh Moo-Hyun enjoyed broad support among the electorate when elected in 2003. He was the first and, thus far, the only South Korean president to have his own fan club, called Nosamo. He was elected on the basis of taking on regionalism in Korea.^[19]

At a local level, the BRIC was inclusive of local business and other stakeholders. "BRIC members total 189, with 65 coming from universities, 26 from government, 19 from businesses, 21 from economic and financial organisations, 16 from think tanks, 16 from NGOs, 7 from local legislature, 10 from the press and nine others, demonstrating the strongest participation by university professors as the leaders and experts on regional innovation."^[13]

The combined support of the public at both a national and local level meant that the plan had significant legitimacy, essential to its impact.

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

While the broader policy was formulated nationally, it was left largely to committees and innovation agencies to decide on local initiatives and investments. Objectives were set by these local bodies, and were not always communicated up to a national level.

Additionally, the overall regional development policy took inspiration from EU policies, such as its EIT Regional Innovation Schemes (RIS). The RIS model was adopted by the Korean government in setting up innovation agencies in each province, of which the BRIC in Busan is an example. ^[13]

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

The main tool for on-the-ground management of the 2004 Regional Innovation Plan was the attempt to create active relationships between HEIs and local business through joint R&D funding projects. The central government often called on local business, as a joint partner with HEIs, to provide matching fundings, which created additional accountability mechanisms on for links as well as checks and balances on research spending. Furthermore, the government has encouraged academic staff in HEIs to collaborate with industry by relieving them of some of their teaching and research obligations.

While the BRIC succeeded in creating connections between local business and HEIs, the central government combined an overall balanced regional development plan with a broad range of new policies and programmes. One such example was the 2004 Industrial Complex Cluster Programme, a core part of the new Korean industrial policy. It focused on upgrading seven model industrial complexes across South Korea into global innovation clusters centred on regional core businesses.^[20] An additional major push from the central government came with the reallocation of major public bodies – like the Korean Film Council, Korea Institute of Ocean Science and Technology, and the Korea Asset Management Corporation – to locations outside the city of Seoul). Nowadays, such institutions form a core part of the so-called Busan Innovation City.



Taking insights forward

What insights could this initiative provide for the UK?

There are several lessons that can be taken from the Busan initiative:

- **Giving local actors autonomy:** Busan benefited from the strong commitment of the BRIC partners and secretariat, who aimed to achieve the goals set by the central government, but were ultimately given the autonomy to design Busan's pathway to greater economic prosperity. Involving local actors early on when setting out the vision and objectives, as well as during the execution and implementation phase, ensured that the plan had broad-based and ongoing support.
- **Enable partnerships to be created:** Partnerships were designed by regional bodies as the best way to solve challenges faced by the local economy. They drew on the expertise of many actors – from local government, academic institutions, businesses, research institutes and civil society organisations – to use their expertise collectively to meet the goals of Busan's initiatives.
- **Encourage long-term, but adaptable vision setting:** The five-year vision building and implementation plan allowed the government to make connections between business, the BRIC and HEIs, enabling them to better understand their role in Busan's transformation in the long term.

The efforts through the plan and through BRIC could have also been furthered by more R&D funding from the national government. If government wanted to aid regions in creating similar plans and institutions, they could consider removing barriers to funding or working with the established institutions to understand their funding needs better. The exit from the EU might offer a unique opportunity to do this as the UK government finds ways to replace funding received from the European Regional Policy and European Cohesion Fund. There is significant scope to improve the funding procedures which has often been criticized as being highly bureaucratic (See Appendix 4 for further details on UK funding mechanisms).^[31]

It is also important to note that this initiative happened at a time of regional transformation, when South Korea was experiencing an economic boom. Businesses were dynamically responding to market changes and were motivated to shape local plans as these enabled them to capitalise on the economic boom. For places experiencing an economic downturn, central government would need to consider how to create incentives for businesses to contribute and play a significant part in plan making and delivery.

What are the considerations for implementing a similar initiative in the UK?

In light of ongoing devolution in the UK, this case study encourages the UK central government to consider its role in further supporting and enabling cooperation between local government and local actors so they are able to design and deliver ambitious plans. Local visions and strategies often exist and greater effort is required to help places deliver against these. Some ways central government might do that are as follows:

Enable collaboration with LEPs to ensure limited capacity is not a barrier to delivering economic growth. Having been given the lead, local government and LEPs should take advantage of all existing and new powers to support economic growth at a local level. When developing local strategic plans, LEPs need to ensure that they are realistic, strongly place-based, developed with partners, and backed with investment and a delivery plan. In some cases, limited local capacity may impede the ability of LEPs to deliver on ambitious plans. In July 2018, the UK government committed to a number of additional measures to further support LEPs, e.g. capacity building programmes for LEP boards, regular dialogues between LEPs and the Prime Minister chaired Council announced in the Industrial Strategy, as well as senior official sponsor for every LEP and additional funding of up to GBP20 million between 2018-19 and 2019-20 to build strategic and analytical capabilities. [32]

Developing local capabilities to ensure that LEPs and local authorities are adequately supported when delivering on ambitious Local Industrial Strategies (LIS). A long-term commitment to developing local capabilities is critical to enable LEPs to achieve impact. The dispersed Cities and Local Growth teams in the UK are one example of how central government departments (in this case BEIS and the MHCLG) can work together to support local growth by sharing skills and expertise.[24] Similarly, the senior sponsorship from Whitehall for each LEP, as announced in July 2018, will help to build local capacity.[32] The West Midlands' "Skills Deal" illustrates how local initiatives can benefit from support and collaboration with central government departments; in this case particularly around developing a holistic approach to education which encompasses investment in retraining schemes, apprenticeships, Edtech and more with support from the Department for Education.[30] The Centre for Cities further proposed the introduction of secondments from national to local government or making greater use of public private partnership arrangements in order to further build local capabilities.[33]

Centralising learnings and facilitating dialogues among LEPs. Central government can provide a platform to share lessons and activities (i.e. on how to better engage residents in place based initiatives) across regions and find ways to ensure that LEPs can support one another and also draw on expertise from the private and third sector where necessary. Currently, the experience of LEPs in delivering against their LIS ambitions is mixed and the structural differences between LEPs makes it difficult to compare performance or clearly communicate to the public

about their role and impact in their areas. The government's commitment to work with the LEP Network to develop better accountability mechanisms and embed a culture of good governance across LEPs is an example of central government promoting and facilitating locally-led best practice.^[32]

Supporting LEPs to take on and manage new risks. Local areas will be required to take more managed risks if they are to access the investment required to stimulate economic growth. Central government will need to create an enabling environment where it is possible for local partners to take a different attitude to risk, e.g. by being more inventive about new forms of partnership. One barrier to this can be seen in a local authorities' inability to directly recuperate the benefits of local economic growth through business rates receipts. This means it is challenging to repay borrowing. Moving towards an 'Earn Back' model similar to that adopted in Manchester would create much stronger incentives for local areas to invest in growth. ^[29]

Using existing governance structures to drive change. The COVID-19 economic hit will be immediate and intense, requiring an acute response in addition to interventions that address more chronic, structural economic problems such as those highlighted in the Busan case study. Any intervention which involves the creation of new governance structures could waste valuable months, during which further economic and social damage could be incurred by regions that were already falling behind. A better strategy might be to enhance and empower the structures and mechanisms already in place, streamlining and simplifying where possible, rather than attempting to build something new.



Appendix 1

Background to the Roh Moo-Hyun government and its call for Balanced National Development:

The government of newly-elected President Roh Moo-Hyun aimed to put in place a broader revision of economic development in Korea in order to support innovation-driven economic growth that relied less on scarce material resources and promoted foreign direct investment. In April 2003, the Presidential Committee on Balanced National Development was created, consisting of representatives from government ministries and civil society. On the basis of the Special Act on Balanced National Development, it was able to draft the first iteration of the Five-year Plan for Balanced National Development, to be enacted from 2004 to 2008.^[11]^[12]

Its first priority in 2004 was innovation policy, and between 2004 and 2005 it supported the establishment of RISs, which entailed the following measures:

- Creating 14 regional innovation councils with 725 commissioners across the country – designed to encourage local initiatives in creating and implementing regional policy. These commissioners were recruited from existing local staff.
- Allocating a five year grant of KRW1.4 trillion (USD1.12 billion) for promoting regional strategic industries in 2004 in order to create local jobs.
- Awarding grants worth KRW260 billion (USD211 million) to 109 local universities in regions other than the Seoul Capital Area in 2006.
- Reinforcing networks between local universities and local industries for the purpose of boosting R&D activities in regions other than the Seoul Capital Area (e.g. through the NURI project).^[11]

Appendix 2

Highlights of the 10 key projects that were supported through the 2004 Regional Development Plan supported and aligned to Busan's vision

- Developing Busan into a transport hub for Northeast Asia
- Building the International Logistics and Industrial Complex
- Redeveloping the north port
- Constructing Cinema Town in Busan
- Establishing a financial centre
- Building the east Busan Tourist and Convention Centre
- Establishing Busan Citizens Park
- Expanding the metropolitan transport network across the southeast region
- Moving Gimhae International Airport to Gadoek Island
- Bidding to host the 2020 Olympic Games (now postponed to 2021).^[13]^[17]^[18]

In addition, Busan's metropolitan government streamlined its existing focus on 10 strategic industries for the BRIC and other economic initiatives:

- Four core strategic industries – port logistics, mechanical parts and materials, tourism and convention, and film and IT
- Six regionally embedded, strategic industries – finance and futures, bio-marine, industry for the elderly, footwear, processed marine products, and textile and fashion.^[7] ^[13]^[15]

Appendix 3

More details on BRIC's work with HEIs

Among many other initiatives supported by the BRIC, HEIs introduced mandatory placement programmes with local firms for their students. They also reoriented 70-80 percent of their volunteering activities within the own region, reformed student recruitment, and began offering counselling for students who were entering the regional graduate labour market. The BRIC was also asked to develop the strategic industries in the region, serving as the coordinator between local industry needs and HEI research, and between industry and national R&D investments. For instance, teaching and learning at HEIs was streamlined, based on the broader input and cooperation coming from the BRIC and its subcommittees. HEIs in Busan realigned their specialties around the ten strategic core industries, and also offered more practical classes geared towards meeting regional needs such as CEO training.^[13]

Appendix 4

Existing initiatives and partnership can be leveraged to aid the UK government's agenda in enabling places to set and shape its vision for economic development

To support the development of regional strategies to spur growth, LEPs and CAs should pay attention to change in the global market, rather than trying to revive shrinking sectors, as this will better support growth over the longer term. The Sector Deals are constructed in such a way as to focus on future-facing growth industries, where the global demand for skills has changed in response to economic shifts (e.g. in manufacturing, where the demand for interpersonal and analytical skills can help shape the future of the sector towards high-value manufacturing activities). Furthermore, workers in this sector are more likely to be able to adapt to the changing economy and access future employment opportunities. Therefore, nurturing these types of skills is also likely to support long-term business and productivity growth.[24]

It will also be important for LEPs and CAs to consider the levers and mechanisms available to them to enable them to deliver on the priorities of the LIS. There are several funds available and which are attached to the UK industrial strategy, including:

- Strength in Places Fund (GBP115 million) – the fund will “identify and support areas of emerging R&D strength that are driving business clusters and it will build on the regional economic impact of existing institutions including universities, research institutes, Innovation and Knowledge Centres and Catapult Centres and will link to Local Industrial Strategies”[21]
- Higher Education Innovation Funding (HEIF) – HEIF will continue to be available to universities collaborating with their LEPs to help address the needs of local innovative businesses
- Transforming Cities Fund – a GBP1.7 billion initiative to improve connectivity, reduce congestion, and utilise new mobility services and technology in cities and city regions.

These funds do not necessarily represent new investment and some are relatively small in scale. While the timings will also differ from the development of LISs, the LEPs and CAs should consider how they might use these funds to invest in their region-specific priority interventions.

Furthermore, the Shared Prosperity Fund, which will replace European Structural Investment Funds after the UK exits the EU, is likely to be integral to delivery of LISs, particularly employment and skills interventions. Stakeholders, both national and regional, should consider how the fund could be used to boost productivity and earnings regionally, as well as focusing on achieving better outcomes rather than sustaining existing provision. Within this, LEPs should be given the flexibility to spend the Fund according to the challenges and opportunities identified locally.[24][27]

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Sweden's National Strategy for Sustainable Regional Growth and Attractiveness, 2015-2020



Overview

Adverse economic events such as the global financial crisis and Sweden's 1990s labour market crisis impacted Sweden's regions more severely than its urban centres. The lack of economic diversity in Sweden's more isolated communities caused them to be particularly vulnerable. In response, Sweden has implemented a range of regional development programmes which have aimed to encourage economic growth and resilience in the face of economic shocks. The National Strategy for Sustainable Regional Growth and Attractiveness 2015–2020 is Sweden's most recent policy framework for developing the regional economy. It has the principal objective of stimulating sustainable regional growth and attractiveness throughout Sweden.

The strength of the initiative is its ability to bring together regional actors and empower them to develop their own communities. It also provides a mechanism for regional actors to provide policy feedback to the central government. While the initiative has yet to reach its conclusion, it has allowed regions to leverage their strengths and drive economic growth.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Establishing principles of cooperation between central and local government can provide a platform for the distribution of functions relating to strategy, planning, funding, monitoring, and evaluation between different levels of government
- Offering national guidance but allowing for local policy flexibility ensures projects can be bespoke to the region's needs and delivered rapidly, but also align with national priorities



- Consistent policy interventions will help boost the legitimacy of government in regions and set the region up for sustainable success
- Devolution of broader powers to local government will provide local actors with the necessary autonomy to drive change through regional development initiatives, to ensure they are not isolated efforts that only lead to short-term change



The Challenge

Sweden's regions, and particularly its isolated communities, have been vulnerable to changes in social and economic conditions. The labour market crisis in the 1990s and the global financial crisis both had a severe impact on economic conditions in Sweden's regional economy. Every region saw an increase in unemployment but these problems were especially acute in isolated communities that have a high concentration of economic activity in one or two main sectors.

There has also been a general trend in Sweden for young people to leave the more isolated regions in search of employment opportunities in urban areas. The ageing population in rural areas presents challenges around the maintenance of services and employment opportunities. The progressive liberalisation of the global economy, particularly since the 1980s, has also exposed Sweden's regions to global competitive pressures. Regions which are highly dependent on exports, for example, have become more vulnerable to shifts in global economic conditions.

Lastly, climate change represents a threat to Sweden's environment and the sustainability of its primary industries, though it could also present an opportunity to develop environmental technologies to take advantage of growing global demand.

The Initiative

The National Strategy for Sustainable Regional Growth and Attractiveness 2015–2020 is a guiding policy document that provides a framework for investing in Sweden's regions and rural areas to develop local and regional economic competitiveness.^[1] The government allocates approximately SEK 1.5 billion per year (around 120 million pounds) in funding for regional economic growth. Regional funding is co-financed by municipalities, its 21 regional councils (previously called 'county councils'), the business sector and the European Structural and Investment Funds.^[2]

The strategy utilises multi-level governance mechanisms for dialogue to a greater extent than previous policies. Through the strategy, the central government sets the overall vision for regional growth and provides the framework for interaction between various levels of government. Regions - and more specifically the regional councils - are then responsible for the elaboration of regional development strategies. There has been a gradual devolution of responsibilities and as of 2019, regional councils are responsible for regional development in all 21 counties. These councils are democratically elected and have taken over from County Administrative Boards, which represent central government in the regions. Regional councils plan according to the needs of the region, while also taking into account the central government's strategic priorities.^[3]

The strategy suggests that regional investment should be prioritised in the following areas, in accordance with national priorities: i) innovation and business development (including R&D, environmental technologies, access to capital, and internationalisation); ii) attractive environments and accessibility (including access to services, spatial planning, and tourism); iii)

provision of skills (including labour market matching, skills and lifelong learning, and reducing barriers to labour-force participation); and, iv) international cooperation (regional cooperation within the EU and globally, and export and trade promotion).[1] While there is no specific guidance for isolated communities, the policy does aim to address fundamental problems associated with isolation too - such as an ageing population and a lack of social cohesion in communities.

This strategy (and Sweden's broad regional economic development policy) exists alongside an extensive welfare state which is responsible for the distribution of resources nationally. The growth of the welfare state is also seen as a significant force to balance the disparity between wealthy urban centres and disadvantaged or isolated regions, that fits alongside other regional strategies.[4]

The Public Impact

While the initiative has yet to reach its conclusion, it appears that it has helped regions to leverage their natural economic advantages and strengths.

For example, the region of Norrbotten in the far North of the country has mineral endowments and forestry resources, and industry-research networks embedded within the Luleå University of Technology. The initiative has helped to fund infrastructure projects for the mining and forestry processing industries and develop sustainable, long-term relationships with companies in these sectors.[1] For instance, the region set its agenda to move the town of Kiruna to a new site after 125 years, to allow for further mining developments to occur on or near the current site. The mining company LKAB, wholly owned by the Swedish government, agreed to provide funding for this project. A total of 3,000 homes and approximately 450,000m² of public and commercial premises will be moved, and the old site will be turned into parks initially to ensure that town residents will not live in close proximity to an industrial area.[5] At a county-wide level, Norrbotten is using regional support to drive greater environmental sustainability, with specific goals around energy consumption, industrial energy efficiency and the growth of renewable energy sources.[6]

The strategy however has challenges promoting innovation and entrepreneurship in isolated regions where the public sector has traditionally been a significant employer and there is a lack of entrepreneurs and private capital.[6] Diversifying the economic structure from this starting point has a range of challenges that the National Strategy fails to address. There are also issues with entrepreneur support, engagement with innovation systems, and risk aversion to providing capital to start-ups. Small businesses may lack the ability to scale-up and connect to new markets or pathways for research and development. While Norrbotten has benefitted from Luleå University of Technology, other regions lack universities and research institutions to partner with growing businesses. In addition, relationships need to be strengthened with university and R&D actors in other regions to build sufficient scale and access specialised expertise to develop new commercial opportunities.[1]

An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

Since the 1980s, the Swedish government has focused on delivering regional economic policies that could increase the economic competitiveness of its regions. This has become part of an economic philosophy in which Sweden (and other Nordic countries) look after citizens in more isolated or disadvantaged regions, building on the Scandinavian model of the welfare state which was established from the 1950s. The strong degree of public confidence and strong political support for the initiative is derived from the public's support for this economic model.

There is a high degree of coordination between national level and regional level politicians. To complement this initiative, the Swedish government also set up the National Forum of Sustainable Regional Growth and Attractiveness to facilitate dialogue between central and regional political representatives. The forum is made up of a political group and a civil service group from all 21 regions, each of which meets with the central government four times per year as a means to develop close dialogue and cooperation on regional economic issues.^[7] The EU is another important actor in isolated regions in Sweden. Its support for regional growth programmes lends further legitimacy to the government's regional policy.

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

The initiative is a guiding policy document. The central government has clearly identified its four main policy objectives, namely innovation, attractive environments, skill provision and

international cooperation. The policy document provides broad guidelines for the types of project investment, within which regions can develop tailored policies to deliver sustained economic development in urban and rural areas in regional areas of Sweden. The policy is derived from previous iterations of Sweden's regional economic plans and the basic structure of the initiative reflects this.

Sweden's policymakers have also maintained an ongoing dialogue with other Nordic countries on measures to develop regional economic areas. These countries share a common economic philosophy and it is likely this interaction has allowed Sweden to gain policy lessons.^[8]

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

While an evaluation of the initiative is not currently publicly available, its design suggests that it has a greater focus on results, monitoring and evaluation than previous policies for economic growth in the regions.^[9] There is strong alignment between central and local government as both levels of government have a common interest in regional economic development and well-defined and well-established roles and responsibilities. The central government has actively encouraged further devolution of responsibilities to regional governments as regional capabilities have increased.



Taking insights forward

What insights could this initiative provide for the UK?

Under the initiative, regional government is granted significant power to implement projects which meet the needs of the region. At the same time, central government retains responsibility for the overall economic strategy and can monitor and evaluate the effectiveness of the initiative as a whole.

Secondly, under this initiative, the central government has responsibility for developing the overall strategy; providing approval for regional development plans and evaluating the initiative. The UK can gain insight from this structure and the policy flexibility it provides. There was significant policy flexibility relating to the following aspects:

- Overall strategy of the policy and the priority areas for investment (e.g. innovation or skills development)
- Policy objectives e.g. social impact of economic downturn, facilitation of private business, targeting particular industries or delivering a more complex industrial policy in regions
- The timing and scale of investment in regional economic growth (annual or multi-year plans, focus on small- or large-scale capital projects)
- Type of support: ranging from integrated regional economic development plans to standalone, project-based initiatives
- Funding share between central and regional government, along with principles for private sector investment (e.g. relating to governance or regulatory standards)
- The timing of devolution of project responsibilities to regional and local governments
- The relative responsibilities of different levels of regional government

There is also a potential learning around the way in which Sweden was able to foster broad public support around its regional development policies. Whilst regional economic development initiatives have only been around since the 1980s, the wider economic support for Sweden's regions is now considered part of the country's inherent values and the central government has made a strong commitment to not leaving the regions behind. The initiative suggests sustained regional economic development can be achieved by establishing strong, fundamental principles for regional economic development and then allowing central and regional government to work together and experiment to find the appropriate mechanisms through which to operate the policy in practice. The initiative suggests that a similar strategy would require policy consistently to ensure legitimacy of central government policy in the regions.

What are the considerations for implementing a similar initiative in the UK?

In the short-term, this initiative provides a framework to empower isolated or economically weaker regions to act quickly and find their economic footing again. One of the strengths of this initiative is its ability to connect regional actors together to promote economic development, and to give these actors a voice in national economic policy considerations. This might be particularly valuable in helping regions respond to the COVID-19 crisis where speed is key in understanding the needs of a place and enabling local actors to respond. The UK could develop a strategy for responding to COVID-19 which would outline guidance for regions on how to revive economic growth. Local government would then be given the power to develop and implement plans that followed this guidance that meet local need, while still remaining accountable to central government. Such plans could take inspiration from the Local Industrial Strategy (LIS) work that has already taken place in many places across the UK. Central government could highlight the learnings from this process to all places developing plans and then seek to give more specific guidance on how places could mitigate against the economic risks that this crisis specifically raises.

In the long-run, this initiative suggests that the UK would benefit from developing an active, principled approach to regional economic development. A strong commitment to such an approach could enhance local stakeholder engagement and improve the policy's legitimacy in regional areas. Adapting this initiative to the UK would create new networks of cooperation between local government and communities as new projects were conceived and developed.

Sweden's experience suggests that committing to a particular policy framework for regional economic development can also help to ensure a strong relationship between central and local government, and clarify roles and responsibilities. This will allow regions to experiment and develop capability to harness the power of the framework in local circumstances. Such a framework also provides pathways for greater dialogue between central and local government and the potential for local government to influence national policy. Sporadic, quick fix interventions might also just disrupt any progress already being made, as well as further damage public trust in government as a source of sustained support.

Lastly, it is important to note that the National Strategy for Sustainable Regional Growth and Attractiveness 2015–2020 is one of a set of policies to support regional development in Sweden. There are also measures to redistribute wealth to the regions. The Scandinavian welfare state provides an equalising force in Sweden's regions, effectively redistributing wealth from its wealthy urban centres. The Swedish government has also implemented policies which have relocated state sector organisations from Stockholm to isolated regions in Sweden. If the UK was to develop a framework to aid local economic growth, it is worth considering what other initiatives that devolve power to local actors might be necessary to ensure their plans are not prevented by existing financial, procedural and structural barriers that might exist.

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Scotland's Northern Highland Initiative, 2005



Overview

The North and Northwest Highlands of Scotland consist of isolated communities which, due to their remoteness, faced historic challenges to grow economic activity and employment opportunities. To stimulate regional economic growth, the Northern Highland Initiative (NHI) was set up by HRH The Prince of Wales in 2005. NHI aims to create a powerful regional identity for the area in relation to its produce, tourism and cultural heritage by partnering with the farming industry, local businesses and the tourism industry.

Through its projects in the areas of food and farming, tourism, and community support, NHI has succeeded in increasing the public's interest in this remote area and raising economic growth in the long run.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Aligning different sectors and industries in a challenged region – by creating business hubs – can facilitate knowledge exchange and connected services
- Developing a strong local brand with high-profile experts and supporters can add credibility to place-based initiatives
- Building on the strengths of rural regions with multiple complex challenges and nurturing the local sense of pride can help to accelerate the pace of change
- Focusing on building the structures to empower the local community, can create sustained impact
- Community involvement is key to legitimacy and can help the people get onboard with, and even lead, the fast pace of change



The Challenge

NHI focused mainly on three rural counties in the northern tip of Scotland: Caithness (population: 26,486), Sutherland (12,650), and Ross and Cromarty (49,967).[1] They can all be characterised as isolated rural communities with historically limited economic and educational opportunities. According to a report released by the Scottish Government, average earnings in the broader Highlands region are well below the national average, while the unemployment rate in 2005 stood at 5.4 percent [2] – above the UK overall rate that year (4.8 percent).[3] The region has a rich heritage and excellent produce, but has suffered from a lack of a cohesive message when it comes to promoting its best features to other parts of the UK.

Given its distance from regional hubs and cities, communities in this remote, sparsely populated region face the challenge of maintaining and attracting commercial activity and generating revenue. The region's economic deficits were exacerbated by unfavourable changes to the EU's Common Agricultural Policy in the early 2000s, mainly those relating to crop subsidies.[4]

The Initiative

After fifteen months of planning, NHI was established in August 2005 by HRH The Prince of Wales, to bring together the farming industry, local businesses, and the tourism industry in the far North of Scotland.[5] The rationale was to engage rural communities and create a strong regional identity for an area with which the Prince felt a strong personal connection. NHI's principal goal was to provide employment opportunities for young people and a stronger local economy. Central to the initiative was a marketing and branding campaign to increase awareness of the region.

The three key areas of activity for NHI as a charity are tourism; food and farming; and community support and leadership.[6] The main objective for the tourism sector was to use tourism as a vehicle for creating sustainable communities, while assisting them with fundraising and the development of other projects to create wider economic benefits for communities and the greater region.[6]

For instance, NHI promoted investments in reviving existing infrastructure, such as the North Coast 500 (NC500), a 516 mile long scenic road that was opened in 2015.[7] As part of this project, NHI, along with private investors, established the NC500 Ltd as a marketing vehicle for places along the coastal route. Several companies along the route, such as distilleries, hotels and car rental companies, created a local business club that provided paid memberships. This club effectively created a brand to promote and market these companies' to tourists, increasing visibility through interactive maps, digital promotions, access to business networking events and a kite-mark for participating destinations to display.[8]

As part of the food and farming agenda, another of NHI's successful initiatives was the development of a company called North Highland Products Ltd (NHP), the trading arm of NHI

and home to the Mey Selections brand. Under this brand, farmers, local businesses and regional suppliers within a 150-mile radius collaborate to provide a range of locally and sustainably sourced products by ensuring the full traceability of ingredients and by monitoring the quality of livestock. The brand is distributed to major grocery retailers throughout the UK.^[9]

Lastly, the community support and leadership agenda encourages villages and towns in the three counties to submit project proposals that benefit the community. These are then screened and selected during a community outreach process where the general public is invited to comment on the proposed actions. Activities in the community support and leadership section of NHI often revolved around the region's heritage sites, which had been vastly underexploited. When Prince Charles set up the initiative in 2005, he emphasised the importance of revitalising some of the historical and archeological sites in the North Highlands, such as Clava Cairns and Culloden, to make them more accessible and advertise them more effectively. Since then, NHI has supported multiple exhibition centres and museums by assisting with their business plans, the refurbishment of buildings, and funding repairs and renovations.^[10]

The Public Impact

The projects that were implemented through NHI in the food and farming and tourism agendas succeeded in increasing the interest in the North Highland area and attracting tourism. Data released by the Scottish Government in 2019 reveals that the Highlands and Islands have the highest employment rate in Scotland, at just under 79 percent. Scottish economists believe that “the main reason for the improvement in the Highland economy has been the boom in tourism”.^[3]

In 2016, “an economic impact survey revealed that the creation of the [NC500] added an additional GBP9 million to the North Highland economy”.^[6] In 2018, according to research from the Glasgow Caledonian University, the NC500 generated GBP22.8 million for the economy in the North Highlands, while also creating 180 new jobs and attracting 19.9 percent more visitors to free tourist attractions that year. According to the same study, tourism businesses in the area, such as tour operators and campervan rental firms, for example, reported year-on-year growth of 16 percent between 2014 and 2018.^[7] NHI states that the route “has reached a global audience of over 2.3 billion”.^[11]

There were some negative impacts of the NC500, however. Its success has changed the pattern of tourism, not least the average length of stays in some areas – for example, from three nights to one.^[12] Some locals have raised concerns about the downsides of increased tourism, such as more traffic and accidents on the road. There have also been complaints that “the NC500 has brought increased traffic and tourism with little benefit to locals”, particularly those who do not work in industries associated with tourism.^[13]

The impact of the very first food and farming project, the creation of NHP, has benefited farmers in the area and has been one of the more successful ventures of NHI to date. Between 2005 and 2018, NHP generated GBP2 million in additional income for local farmers through paying a premium for eligible livestock.^[6] This has enabled NHP to develop routes to market for other farmers and producers of lamb and beef in the area. During the last seven years, NHI has created the North Highland Larder, a local food and drink publication, and has sponsored a number of key industry events, including the Royal Highland Show and Young Highland Chef of the Year.^[6]

While the tourism and farming projects driven by NHI have shown sustained impact, the impact of the community projects it has supported remains limited. For example, the visitor hub model NHI developed was put on hold by the Highland Council, because other projects have taken precedence, even though it met the criteria required. Another abandoned project was the development of an eco-friendly development at Loch Clash, which was intended to fulfil the community's desire for improved facilities, while also providing more flexible accommodation options and a social place. The project was ultimately not realised as the company NHI had partnered with to put the project forward felt the scale of the building was too big for the loch's pier and then reconsidered other options.



An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

NHI brought together “public and private sector organisations in order to collectively develop and deliver economic growth in the North Highlands”.^[14] From NHI's creation in 2005, 130 tourism businesses have partnered to support NHI's work in encouraging tourism in the area.

NHI was also able to enhance its legitimacy through gaining community support in the way it delivered initiatives. Villages or towns can apply for projects and are then selected for a community engagement process whereby local people express their views on the proposed project, such as a visitor hub. Handing out surveys and engaging the public in this policy dialogue has increased public confidence in the projects proposed. By analysing completed surveys, frontrunner projects are identified and supported through direct funding or time commitment from an NHI consultant.^[10]

Ultimately, public opinion on NHI initiatives, such as the NC500, will depend on how they are developed in future. There have been complaints by the public about NC500 as listed above. Following the research of the University of Glasgow, the Caithness, Sutherland and Easter Ross MP Jamie Stone (2017-current) acknowledged this threat to the initiatives's legitimacy saying: “the NC500 has provided a brilliant boost to the far north, benefiting local hotels and businesses, creating jobs and showcasing the beautiful part of the world we live in. However, the significant growth we are seeing over the years must be well managed and not be at the expense of local communities.”^[7]

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

When it was set up in 2005, NHI had three main objectives:

- Food and farming – improve distribution and access to UK markets (and beyond) for the farmers of beef, lamb and mutton
- Tourism – encourage and grow sensible and sustainable tourism
- Community support – revitalise the rich and diverse cultural and built heritage, also aiming at improving tourism prospects^[5]

NHI has achieved its broad objective of positively impacting the North Highland region through a mixture of large and small-scale projects, which are often jointly developed by the general public and NHI, and funded by private investors or grants from the Scottish Government.

Evidence for the projects often comes from NHI's partner organisations. When NHP was established, extensive market research and planning of its own brand – Mey Selections – was conducted to enhance the marketing presence of produce from the North Highlands area in niche food markets.^[5]

Since the projects aiming to foster community engagement and leadership are mostly initiatives that arose in the communities themselves, projects themselves were often not evidence-based. NHI's role as a charity is to support local communities' in proposing their ideas to governmental agencies. The kind of projects NHI supports in this area often tried to replicate the success of projects in other (neighbouring) communities. However, NHI does not seem to have gathered strategic evidence on the effectiveness of the community projects, which may contribute to the fact that most of them had not been realised in the end or were put on hold.

NHI as a policy was mostly feasible in terms of how it achieved its outcomes. There were no significant legal, technical or operational challenges to NHI and its implementation. However, the time frame, responsibilities or funding for implementation have not been clearly defined from the onset, and they vary greatly according to each project pursued.

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

NHI is managed by a chair and several management boards. The chair, David Whiteford, was appointed in 2009 and is a former director of the Scottish Food Quality Certification. NHI's boards have numerous experienced people drawn from food, farming and tourism. For instance, "the tourism project board consists of six representatives actively working in the tourism sector across the North Highlands, and includes area tourism groups, private business, and community associations".^[15] This shared expertise enables them to identify potential projects for NHI to pursue and to propose them to various Scottish Government agencies.



Taking insights forward

What insights could this initiative provide for the UK?

Scotland's remote locations are unique in the UK, but parts of Wales and the Southwest of England and the more rural parts of Cumbria, Lancashire and Yorkshire are comparable in their history, outstanding areas of natural beauty, and local produce. This case study can provide insight for the UK on how to help local economies like these, and those with untapped potential – whether in farming, local history and heritage, or landscapes – respond to economic downturn.

The idea behind NHI was to use tourism as a vehicle to enable communities, farmers, and tourism businesses to work together within a unified region that has marketing and branding at its core. NHI can provide inspiration to other UK regions as to how the NHI model involving government, business and communities can work together under an umbrella brand to develop and market new products and, importantly, from the culture and set of values demonstrated in NHI.

Finally, in a post-COVID-19 climate, many businesses will be considering whether their product and brand are still in demand. NHI demonstrated the importance of supporting existing or struggling enterprises to diversify and expand their offerings.

What are the considerations for implementing a similar initiative in the UK?

There are several considerations that the UKt would have to take into account before implementing a similar scheme on a broad scale.

Firstly, clear planning is vital. The NHI took 15 months to plan. This was because the scheme operates across a vast region representing several sectors. For such a scheme to happen elsewhere, it would require clear planning guidelines around the short, medium and long term.

Secondly, in order to attract investment quickly, it is important to have structured governance that puts businesses and communities at the heart of a future vision. Local Enterprise Partnerships (LEPs) and other regional growth networks are suitable vehicles for achieving that goal, with central government playing a monitoring and oversight role by applying its expertise as a global trader and accelerating business opportunities beyond the region.

The importance of a trusted figurehead should also be recognised. Concept leaders should be able to attract investment and have experience in marketing – in the NHI's case HRH The Prince of Wales. Any adoption of this approach elsewhere in the UK would require this kind of expertise and profile for fundraising in order to leverage marketing for tourism and local produce quickly. One way to do so could be to make use of the existing expertise and branding of Britain is Great.^[16]

Thirdly, consideration of infrastructure is vital and was key to ensuring ease of transport and accessibility for tourists. This scheme did not necessarily require new roads or rail, but rather a revitalisation of existing structures and their marketing.

Fourthly, making use of existing community and leadership capabilities is key. In this case study, NHI was able to disseminate existing knowledge regarding securing funding from government agencies. Central government could support a body like this to grow its ideas out and make them more ambitious, providing business and trade advice and connecting them to new investment opportunities outside the region. The New Zealand government has done exactly this with its local honey trade.^[17]

Finally, while the NHI supported existing enterprises, it did not set out to encourage new business creation. A UK-wide scheme should create new national and international trade prospects and align better with local citizens' needs. In order to encourage new or existing businesses to adapt and diversify, the UK government could support LEPs to set up business incentives advice hubs in isolated regions, e.g. to provide advice on applying for small-scale loans, accessing grants, and diversifying business support.



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The West Philadelphia Skills Initiative, 2009



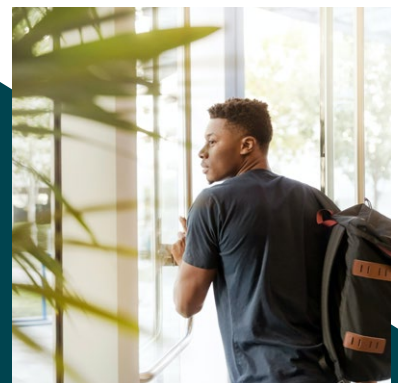
Overview

Philadelphia is the sixth largest city in the US. Yet it has suffered greatly from the economic challenges faced by the rest of Pennsylvania, and has experienced a significant amount of brain drain and industrial exit/decline.

The West Philadelphia Skills Initiative (WPSI) was formed in 2009 by the University City District (UCD) to respond to the economic challenges “West Philly” faced. It describes itself as “an employer-driven job training programme that has redefined how effective workforce development programming can transform people’s lives.” WPSI works together with local employer partners to understand their needs and challenges and help them connect with job seeking residents.

This case study offers insight for the UK when considering how to help local economies respond to a downturn:

- Designing initiatives with local employers on the ground, and continuing to iterate with them over time, is essential to ensuring new schemes fill gaps in the local labour market
- Building trust with both citizens and business stakeholders creates strong legitimacy needed for adoption, helped by a focus on quality roles and fair wages
- Creating local networks and local champions can help promote the initiative and increase the likelihood of sustained success and investment
- Skills initiatives can also be used as a tool to help improve the culture and relationship between employees and employers in the local area



The Challenge

Philadelphia is a “rust belt” city that has faced severe economic challenges since the 1950s due to the decline of the region’s traditional manufacturing industry. Formerly known as the “Workshop of the World”, Philadelphia’s poverty rate reached 20 percent during the 1990s, with only 32 percent of the region’s jobs were within the city limits.^[1] Citizens and businesses felt obliged to make a living elsewhere. From 1970 to 2016 Philadelphia’s poverty rate rose by 10.3 percentage points, while the nation’s poverty rate, now at 12.7 percent was essentially unchanged. This was attributed to an increase of the number of poor people living in the city and a decrease in the number of residents who were not poor.^[2] Between 1993 and 2003, 70,000 citizens moved away, resulting in a significant brain drain.^[3] By the 2000s Philadelphia’s poverty rate is the highest among the nation’s 10 largest cities.

West Philadelphia’s world-class institutions like the University of Pennsylvania, Drexler (Penn) University and the Children’s Hospital of Philadelphia (CHOP) were also affected by the decline occurring in the city. The murder of a Penn graduate student in 1996 alarmed students living in the neighbourhood. By 1997, only a quarter of graduate students lived in West Philly, compared to 60 percent in 1988. This led to a rethink of how West Philadelphia could increase its attractiveness to limit the exit of residents and businesses.

In 1997, the University City District (UCD) was founded as a non-profit organisation. It serves as a convener for anchor institutions, businesses and communities with a mission of “clean and safe”. In wake of the financial crisis in 2008, the poverty rate rose from 23.8 percent in 2007 to a peak of 28.4 percent in 2011.^[2] UCD wanted to develop a response that would help the city.

The Initiative

In response to the financial crisis, UCD adapted the summer internship programme of the West Philadelphia Partnership (WPP) to form its own workforce programme. This programme became WPSI, a workforce development programme focusing on urban labour market challenges, matching participants with placements.^{[4][5]}

The WPSI programme describes itself as “an employer-driven job training programme that has redefined how effective workforce development programming can transform people’s lives.”^[13] It was first trialled by UCD with high schoolers students in 2009, before the first true adult cohort graduated in 2012. WPSI works together with local employer partners to understand their needs and challenges and help them connect with job seeking residents.^[6]

The detailed process of each WPSI cohort includes the following elements:

- 1 Understanding unique needs of local employers using data:** WPSI uses data analysis tools and interviews with frontline workers to understand each employers’ retention experience and the root causes of hiring and turnover problems. After identifying the skills needed, the employer chooses the cohort size and graduation date.

- 2 **Designing a bespoke programme:** WPSI works backwards to design each cohort programme, and staff take time to design a bespoke curriculum with the employer. They conduct onsite visits with the employer, interview stakeholders and current employees, and identify who is needed to teach detailed technical training.
- 3 **Recruiting participants:** Applications are opened online and promotional activities take place. Applicants must hold a high school diploma or a General Educational Diploma (GED), be over 18 and unemployed. Most cohorts only accept residents of West Philadelphia.^[4]
- 4 **Programme delivery:** Every programme begins by cultivating the “foundational skills” needed to succeed in any professional job (e.g. workplace norms, self-regulation, critical thinking and self-confidence), before moving into technical training specific to the position. Experienced facilitators and executive coaches lead classes to develop participants’ foundational skills, while WPSI invites employers or a third-party provider to teach technical skills.
- 5 **Employment placement:** Participants are guaranteed a job interview with the employer partner, but employers have no obligation to hire WPSI graduates. Competitors which are not WPSI employer partners can also make offers to candidates. After placement, WPSI staff hosts a formal debrief with the employer to determine how the programming could be improved for the next cohort.
- 6 **Postgraduate support:** WPSI offers continued personal coaching and assistance, increasing new employees’ chances of retention and success in their new position and helping those who did not receive an offer to find a job that utilizes their skills. WPSI hosts multiple alumni events annually to expand graduates’ personal networks.^[4]

A full timeline detailing the history behind the creation of WPSI can be found in Appendix 1.

The Public Impact

The programme has made a significant public impact since 2011 by connecting local employers and the previously unemployed in an area of Philadelphia suffering from chronic underinvestment.^[4]

By 2019, WPSI graduates had on average experienced a 25% wage increase of 7000 USD per annum. From 2013 to 2019, 530 West Philadelphians were placed in full time positions with benefits or a position with promotion opportunities to a full time position. In 2019, WPSI placed 97% of graduates into positions, while the placement rate rarely dropped below 90%. Testament to this success, UCD was granted 1.5 million USD by investment firm JP Morgan in December 2019 to expand WPSI into North and South Philadelphia.^{[4][7][8][12]}

WPSI has also connected local employers with the underutilized labour market of West Philadelphia. Traditionally hard-to-reach, the average participant endures an average of 33 weeks of unemployment before starting the program. WPSI has improved the recruitment process of many local employers. For example, one employer, Drexel University, found that WPSI hires were 36 percent more likely than traditional hires to remain in the position for 2 years or more.^[4]

An assessment against the Public Impact Fundamentals framework

CPI's Public Impact Fundamentals framework unpacks the three key drivers of public impact: Legitimacy, Policy and Action. By assessing an initiative against this framework, policymakers can understand why an initiative had the impact it did.

Legitimacy

To have impact, an initiative needs to have legitimacy. Legitimacy refers to the underlying support for a government or public body, and public trust in government to be able to drive positive change in their lives. When legitimacy is absent, politicians are unable to draw on their mandate to push through initiatives. Despite its importance, the need to focus on building legitimacy is often overlooked in policymaking.

Since its inception, WPSI and UCD made sure the initiative could be supported by a broad set of local stakeholders. Its founding was led by Penn's President, Judith Rodin, and Executive Vice President, John Fry. Over 25 local businesses, politicians and landlords were involved early on, which gave the initiative the local legitimacy needed for impact.^[4] Furthermore, after participating in WPSI, its alumni are the programme's greatest advocates, being actively involved in recruitment and postgraduate events. One alumna described WPSI as "life-changing. It creates these pipelines for West Philadelphia to connect with University City".^[9] ^[4]

To retain the legitimacy and a strong reputation with residents, WPSI rejected potential partners in hospitality, retail and other insourcing industries based on their ability to meet WPSI standards. WPSI set standards for its employer partners for the wages they pay and the clear career path they have to be able to offer to participants. If partners are not able to meet these conditions, WPSI does not accept a partnership offer. In some cases, WPSI was able to even convince partners to raise wages, confronting them with its own analysis that they were losing skilled employees to competitors who were paying more.^[4]

Policy

The quality of the policy matters if an initiative is going to have public impact. Clear objectives, strong evidence and an understanding of what is feasible are crucial to good policy.

The policy objectives were clearly set; with WPSI creating its own unique workforce development model after detailed pilot testing. Existing workforce placement programmes, like the Baltimore

Alliance in Healthcare, were used as inspiration for the pilot design and carefully analysed to learn from any past mistakes. Three systemic problems were identified:

- 1 Jobseekers rarely fully understood or used the tools available to them
- 2 Traditional programme graduates lacked training in “soft skills” like conflict management
- 3 Employers struggled to adapt their hiring and retention processes for diverse candidate pools in a shifting talent landscape

The newly developed WPSI model deliberately pivoted to run adaptable training programmes that connect ambitious, under resourced residents with the specialised jobs at anchor employers, such as the hospitals, universities, transport authorities and laboratories that coexist in West Philadelphia. It deliberately counters the standard “one-size-fits-all” workforce training model used by other initiatives, and does so by:

- Forming deep partnerships with employers to inform training
- Running a rigorous application and selection process
- Focusing training on foundational skills
- Requiring early exits for participants who fail to meet performance criteria
- Paying stipends and wages during the programme
- Providing individualized coaching for participants every step of the way^[4]

The WPSI also had substantial and sustained funding - critical to its success. By 2011, a combination of nine different funders, including the Pew Charitable Trust and the Obama administration’s Social Innovation Fund, provided over 1million USD, creating the financial footing needed to fully implement WPSI programming. Matt Bergheiser and director Sheila Ireland were able to develop the vision for what helped WPSI to succeed after taking over from the WPP. ^{[10][11]}

Action

Action is the translation of policies into real-world effects. A policy may be implemented effectively but fail to have a substantial impact because it was ill-conceived or because of other circumstances. Hence, successful action is a necessary – but not sufficient – condition for the attainment of public impact.

The UCD tracks its own performance indicators, published on its website with annual impact reports. On top of that, independent studies and press briefings, as well as word of mouth from satisfied WPSI alumni, provide a robust measurement and promotion of WPSI.^[13]

Management of WPSI was and is very strong. This meant that the initiative could translate into on-the-ground impact. Matt Bergheiser and Sheila Ireland were two very able and charismatic leaders and comprised the top management of both UCD and WPSI. Sheila Ireland had extensive HR, organizational development and leadership experience, which collectively shaped

her approach to job training. At the same time, Matt Bergheiser “had a fresh perspective on Philadelphia’s workforce development ecosystem, after developing a community and economic development investment strategy for the Knight Foundation. Bergheiser also brought local economic development experience, having led the revitalization of downtown Trenton, New Jersey”.^[4] Since 2018, Sarah Steltz has taken over as UCD director and is planning its extension into other areas of Philadelphia.^[4] ^[11]

WPSI and its partners had to ensure close alignment on their goals to create a win-win situation for WPSI participants and partner employer businesses. WPSI staff typically teach foundational skills (i.e. soft skills), while employer partners or a third party lead the technical training needed to begin employment. During the first official 2012 cohort with Drexel University, participants were able to receive hourly wages on top of their WPSI training stipend. Furthermore, the employer partner Drexel was able to save hiring costs of \$526,260 USD with three WPSI cohorts, instead of reviewing over 400 job applications per job opportunity.^[4]



Taking insights forward

What insight does this initiative provide for the UK?

There are several lessons that can be taken from the West Philadelphia case, which could provide insight for the UK when considering how it might help local economies respond to economic downturn and an inevitable surge in unemployment rates. Specifically, WPSI demonstrates:

- **A good use of analytics to understand employment and skills needs and tailor the programme to them:** WPSI makes the effort to identify and analyse target skills and positions that have the potential to generate the highest impact employment opportunities for local citizens. WPSI understands what skills sets are required for graduates to get a foot in the door. (See Appendix 2 for more details on how WPSI uses data and analytics to tailor its approach)
- **Created strong relationships between participants, local anchor institutions and the WPSI initiative:** WPSI has created strong links with local employers by providing them with flexibility and cost savings on recruitment. It does this by tailoring curricula to employers' needs without forcing businesses to hire its graduates. Rigorous testing of the initiative helps to manage expectations with partners and participants.
- **Building citizen trust, understanding the community and hiring local experts:** WPSI made an effort to determine which local institutions and organisations had already established trust with the community. It showed community members that it cared about helping them take the next step in their career. WPSI has co-hosted meetings with employer partners to demonstrate its potential benefits. (See Appendix 3 for more detail on the measures WPSI took to understand the community it sought to serve)
- **Helping to improve the culture and relationship between employers and workers, employability and job quality:** WPSI's work with the Children's Hospital of Philadelphia (CHOP) has helped to pave the way for long term career development for "patient sitter" positions. Specialised caregivers help clinical staff by sitting with patients at their bedside providing round-the-clock companionship, observation and care. This gives families the confidence that their children are always with a competent, caring staff member. Prior to WPSI, CHOP did not have an established path for WPSI graduates thus few employees saw the role as a starting point for a longer term career in healthcare. WPSI developed a local talent pool that enabled CHOP to promote internally (reducing hiring costs) and placing workers into suitable positions. As a result, over 100 WPSI graduates were promoted into full-time positions such as unit clerks, office coordinators, and senior nursing aides.

It is important to note that WPSI had generated a significant amount of public and private funding for its pilot programme, which gave it time to develop, test and design its model. WPSI has estimated that launching a new two-year programme costs 1.5-2 million USD, based on funding that came from philanthropies and grants. Importantly, this funding allowed the programme to attract talented staff who could allocate funding and iterate programme structure as needed. Integrating strong local connections and flexibility into the scheme is a key lesson to take from this case.^[4]

What would be the considerations for implementing a similar initiative in the UK?

The circumstances of COVID-19 can be expected to present an immediate shock to the economy, as well more long-term structural changes that policymakers will need to consider, for example through regional regeneration programmes. There are important implications for the labour market, which should be considered when translating WPSI into a UK context.

What distinguishes WPSI from other workforce development programmes is that it delivers training to the number of participants that employer partners are able to hire, increasing the likelihood that its graduates enter full-time employment. WPSI is particularly appropriate in Urban Cores with a geographic concentration of:

- Strong anchor employers (e.g. universities or hospitals) experiencing chronic labour shortages or high rates of turnover
- A large jobless or underemployed population eager to connect to high-quality organisations but facing barriers to employment
- In-demand professional entry-level jobs

There is a need for coordination between plans that not only match training with placements but also match placements with long-term plans for future growth. The scheme would be best applied by engaging employers in sectors that form part of the regions' long-term economic plan, areas attracting investment or regeneration or where there are potential labour shortages.

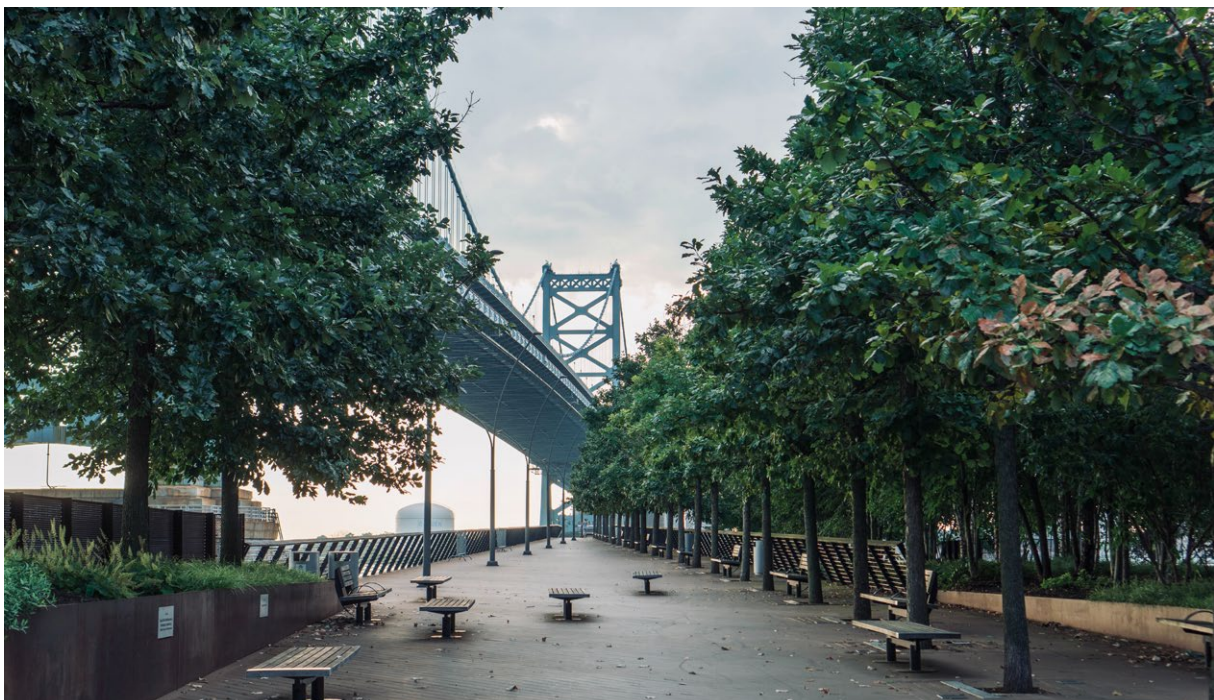
It may not be possible to fully replicate WPSI's funding model within the UK. WPSI's success can be attributed to its capacity to deliver personalised support and explore the needs of the local labour market – and the experiences of communities and business in the area – in greater depth than many alternative programmes. Flexible funding was provided primarily by philanthropic organisations and local employers to enable this time, resource and expertise to flourish.

Existing publicly-funded programmes in the UK include The Work Programme, Working Well (Greater Manchester), and the Work and Health Programme (London). These are programmes in which the DWP, or another central source, provides funding for more local action. The programmes share some goals with WPSI, and may form the basis of existing networks and

expertise on which such a programme could be developed. [14] [15]

Greater Manchester's Work Well programme has implemented a similar approach to WPSI to better understand the needs of residents looking to enter the labour market. The approach revealed that the gap between readiness levels for full time employment in certain areas was much larger than anticipated. Participants presented with complex needs and barriers which included substance misuse, clients close to retirement age and clients who do not see themselves in work soon. As a result, GCMA were able to place greater initial emphasis on resolving complex issues and health needs rather than providing job-related support. Governments could use expertise built through this initiative to help communities identify underlying barriers and overcome them.[14]

WPSI's ability to develop a suite of incentives for local anchor employers made it easier for businesses to participate in the scheme. Its bespoke programs connected skills with placements in a way that directly benefited employers bottom line and improved their recruitment processes. In order for the UK to replicate a similar local skills strategy, it will need to develop stronger links between education and training provision and the needs of the local labour market – with a particular focus on growth sectors. Positively, there are already examples of this within the UK. In London, Islington Council's "Islington Aspires" scheme was created to provide a central place where employers can find information and opportunities around how best to get involved locally, and why it's good for business. The council outlines advantages that come with recruiting locally, paying a fair London living wage, adopting more flexible work arrangements and developing the workforce for jobs of the future. The Council itself led the way by gaining full accreditation as a Timewise Council for flexible working.[16]



Appendix 1

Timeline to illustrate WPSI's history

1997: UCD is founded as a non-profit organisation. Serving as a convener for anchor institutions, businesses, and the community with a mission of “clean and safe”

September 2009: Proposal for UCD Human Capital Development to take over the employer-driven workforce development programme previously run by WPP

October 2009: Board approves UCD Human Capital Initiative, initiating a two-year training programme pilot of WPSI, leveraging \$64,000 USD in WPP funding.

2010: Job Opportunity Investment Fund Philadelphia awards WPSI \$150,000USD over two years to hire a full-time director

2010: WPSI receives \$300,000 USD grant to run its first programme training high schoolers students for Penn Medicine internships

2011: WPSI runs high school internship programme and internal training programme for Penn Medicine

June 2012: WPSI first adult cohort graduates, Drexel Medicine's Certified Medical Assistant Pipeline

October 2012: First Allied Universal Security Guard cohort graduates, all 12 graduates placed in jobs

December 2012: Second Allied cohort graduates, 10 of 14 graduates in jobs

March 2013: CHOP Patient Sitter cohort graduates, all 12 in jobs

June 2014: Pew Charitable Trusts grants \$180,000 USD to scale programme over three years

July 2016: Allied runs its largest cohort (16 WPSI graduates)

August 2016: Green City Works is founded, hiring graduates from WPSI's landscaping programme

March 2017: WPSI receives a \$600,000 USD grant provided over three years from Pew Charitable Trusts

April 2017: UCD and WPSI receive Bank of America Neighborhood Builders Award and \$200,000 USD prize

2017: Green City Works staffed by 14 WPSI landscaping technician programme graduates serves 25 clients and earns nearly \$1million USD

February 2018: Lenfest Foundation grants \$5million USD to UCD, Drexel and University of Science Centre to connect 600 unemployed residents to jobs in the tech sector

April 2019: Septa Bus Operators cohort begins first WPSI programme

May 2019: WPSI graduates its first Bus Operators cohort all 10 into SEPTA's training programme

June 2019: CHOP runs its largest Patient sitter cohort, hiring 30 graduates.[4]

Appendix 2

Further details on WPSI's use of data and analytics

WPSI's use of analytics and a more personal evaluation approach helped to address inefficiencies in the current system. For example, the programme can identify where applicant pools are too narrow, when automated hiring tools often filter out qualified participants based on irrelevant criteria, and in this sense it is better able to find the best participants for jobs. For employers, there is an immediate financial and logistical benefit from working with WPSI, since it acts as a “talent consultancy”, sourcing interviewees who have already met requirements such as background checks or drug tests, as well as basic training requirements, reducing the burden on employers' recruitment and HR functions.

There is also strong evidence that the programme reduces turnover costs, for example in partnership with CHOP, they found 92 percent of WPSI graduates were still employed 6 months later, and 90% percent a year after graduation. In partnership with security company Allied, WPSI graduates have an annual turnover of 31 percent, half the rate of traditional hires. The WPSI model produces a predictable number of candidates on a set date, helping employers to plan hiring.

For participants, the programme offers support, skills and a route to work with opportunities for progression that are more personalised and reliable than alternative programmes. All foundational classes are taught by facilitators with leadership development and personal coaching experience. This more personalised approach can help to address barriers that other approaches are likely to neglect.

Appendix 3

Further details on WPSI's attention to context and personalised coaching

WPSI did a lot of work in understanding the culture of West Philly and the context in which its participants grew up. All foundational classes were taught by facilitators with leadership development and personal coaching experience, as well as trauma-informed care training. Many participants from underserved neighbourhoods were found to have experienced trauma, which must be addressed

and overcome before they are able to dedicate time and energy to personal and professional development. Participants also took part in weekly personal and group coaching sessions, which included addressing and healing past trauma and providing tools to navigate personal and professional obstacles. A core philosophy of the facilitators is to treat participants as career professionals, and knowing the community meant they could help participants more fully

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