



# Economic resilience in small and medium sized towns

During the global economic downturn, European regions experienced varying impacts. Some small and medium sized towns (SMSTs) have been particularly vulnerable. How can towns increase their resilience to such economic shocks?

European-wide research from a programme called ESPON can provide intelligence and case studies for policymakers and planners to increase the resilience of towns in the UK. This briefing is largely based on the ESPON projects ECR2 (Economic Crisis: Resilience of Regions) and TOWN (Small and Medium Sized Towns in their Functional Territorial Context). It describes the varying economic resilience of European regions, the main types of local economies, and the key factors in local economic resilience and development.

## Who should read this?

Local and regional policymakers and decision-makers, local planners, and central government policymakers with an involvement in planning for economic growth.

## Key messages for policy and practice

- 'Resilience' is the ability to resist or to recover from economic shocks. It is a place-based capacity shaped both by areas' inherited resources and structures, as well as their people, businesses and institutions.
- Economic resilience varies widely across Europe, as shown by the recovery of different areas from the 2008 economic crisis.
- The economic profile of towns reflects their assets and sources of competitiveness, and these vary depending on the structure of their local economies. In particular, factors in local economic resilience include a history of long-term stable growth, diverse local economies (including high-tech or knowledge intensive industries, and high shares of employment in service industries), local business innovation and skills, the accessibility of areas, capital investment, and the availability of reliable high-speed broadband. Regions that are closer to urban centres also tend to be more resilient.
- As a result of the downturn, many countries have seen a reduction in spatially-informed policies by national governments, with attention instead focusing on national economic priorities. Towns will have to do more to understand and invest in their own capabilities and assets in order to strengthen their economic resilience for future shocks.
- This could include increasing the ability of local economies and institutions to adapt to change, for example through support for business innovation, workforce development, local networks and social capital. In this way, towns can also help to increase the resilience of regions dealing with global economic trends.
- Strategic development planning can play an important role in combining plan-making, investments in infrastructure and economic development, and encouraging partnership. Strong, more autonomous local government can be critical, although the way in which fiscal autonomy is used may be more significant than simply the presence of powers. Wider regional visions and collaborations between towns on shared projects or services can also be important.

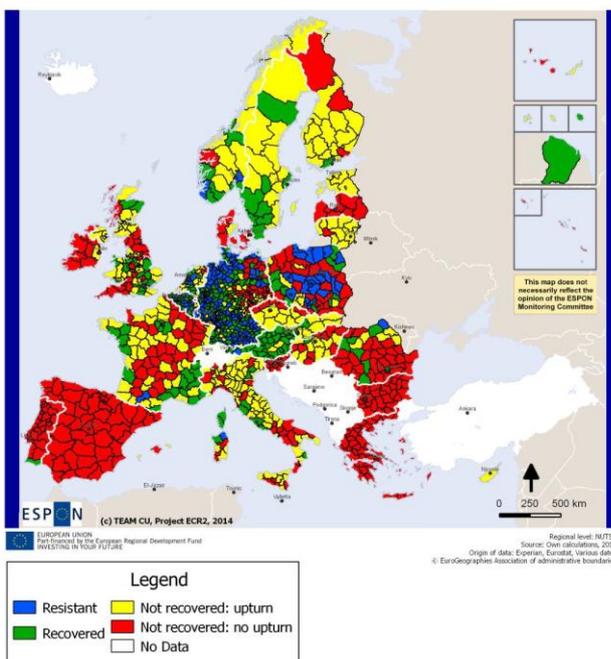
## Main findings

### Economic resilience across Europe

The ECR2 project shows how regional resilience has varied widely during the economic crisis. 'Resilience' can be defined as the ability to resist or to recover from economic shocks, where 'recovery' is determined as the point at which employment levels regain their pre-crisis peak (the research also includes GDP as a measure of recovery).

The map below, analysed at NUTS 3 level (upper tier and unitary authorities and districts in the UK), shows the economic position of European regions in 2014. Regions have been divided into four categories: resistant to downturn (blue); recovered from downturn (green); not recovered from downturn but with an upturn in growth rates (yellow); and not recovered and still experiencing negative growth rates (red).

**NUTS 3 resilience**



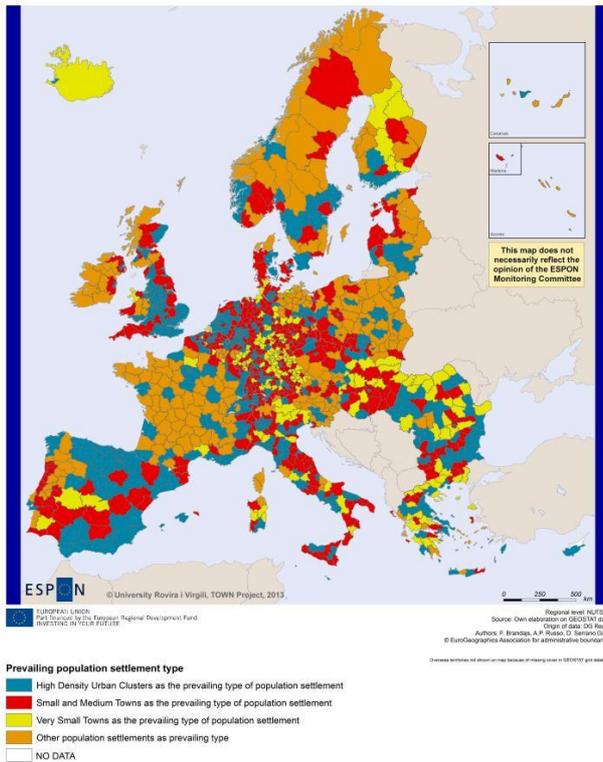
### Factors in local economic resilience

- High levels of employment growth in the years preceding the crisis are associated with regions that proved less resilient to the crisis. This suggests that resilience is a longer-term phenomenon based on stable growth rates over longer periods of time.

- Regions which have mono-functional economies or a reliance on a limited number of key employers appear to have been more adversely affected by the economic crisis.
- Regions with high shares of construction employment have proved to be less resilient to the crisis, as have regions with large shares of agricultural employment. Regions with high shares of employment in service industries have tended to be more resilient. The relationship between the level of employment in manufacturing industry and resilience is complex in the case of employment, but higher levels of manufacturing employment are associated with higher levels of resilience in terms of GDP.
- There is a very strong relationship between higher levels of innovation performance and resilience. Higher levels of qualifications are also related to stronger resilience.
- Unsurprisingly, lower rates of labour market participation are present in regions that have proved less resilient to the crisis.
- Higher levels of capital investment and investment per head appear to have some relationship with stronger resilience. Higher levels of broadband availability appear to be related to greater resilience, as do regions with higher levels of accessibility.
- Regions that are closer to urban centres also tend to be more resilient, though there are exceptions to this.
- Social capital is an important dimension of resilience. Business networks and inter-firm social capital are also significant.

### Economic profiles of small and medium sized towns

The map on the next page shows the prevailing population settlement types in EU regions; the red areas are where SMSTs (defined as continuous urban clusters with a population above 5,000 and a density above 300 inhabitants/sqkm) are the prevailing type of settlement.



The TOWN project identifies three socio-economic profiles that represent the combination of different sectoral specialisms and which determine the possibilities for the development of SMSTs, namely:

- ‘Productive economy’ – roughly equivalent to industrial and agriculture activities;
- ‘Residential economy’ – mainly public sector, local retail and personal services;
- ‘Creative and knowledge-related economy’ – professional services and the creative economy.

Most of the case studies included in the TOWN project are productive economies. This shows that production of traded goods and services remains strategically important. However, several of these towns have experienced ‘de-localisation’ and significant challenges to the main drivers/sectors of their local economies.

### Economic development in SMSTs

The economic profile of SMSTs reflects their assets and sources of competitiveness. Placed-based (so-called endogenous) resources can be key drivers of development.

In the case of residential economies, it is the natural and built heritage, amenities and quality of life, whereas for productive economies it is specialised skills, knowledge and practices. In knowledge economies the vibrant environment and connectivity to metropolitan areas may attract the ‘creative class’ and innovative firms to SMSTs.

In various countries, economic development competences are often shared by central and intermediate levels of government (i.e. regional level, county or inter-municipal level). The ability and autonomy to make decisions concerning infrastructure, human capital (e.g. education and training), the local economy and public services are critical issues for the development of towns. The development of towns depends on the exploitation of comparative advantages as well as on the nature of relationships with surrounding urban and rural settlements.

However, the TOWN project revealed significant variation in the capacity and willingness of towns to engage in collaborative or cooperative actions with other nearby SMSTs to develop common projects (other than for basic services) and sharing of services (e.g. education and healthcare). What tended to be lacking was a wider ‘polycentric vision’, embedded in the wider region, for particular sub-regions that could frame a long-term development process that would be of benefit to the economic growth and resilience of all SMSTs.

### Case studies

Two case studies from Wales are drawn from ESPON research. In Wales, given that local authorities will typically incorporate more than one small town, the power to make spatial development plans is also likely to incorporate some process of partnership between the small towns and the planning authority. The Wales Spatial Plan acknowledged the important role that SMSTs play as service and employment centres in sparsely populated rural areas, and they were identified as part of a ‘hierarchy of towns’ in Wales to which services and employment were to be directed.



### Colwyn Bay

Colwyn Bay is a successful example of a 'residential-agglomerated' town. It is the second largest business centre in North Wales, only roughly 50 km from Liverpool, to which it is considered 'agglomerated'. The local economy is dominated by the tourism sector, in which employment is nearly twice the average for small towns.

The local authority, Conwy County Borough Council, developed a long-term strategy for Colwyn Bay. It was identified as part of a coastal Urban Development Strategy Area in which most new development in the county will take place. Within this wider framework Conwy Council embarked on a range of initiatives to regenerate the town. As part of this regeneration process a number of projects were developed, aiming to upgrade the town's retail offer and to develop new forms of tourism to benefit from the increased numbers of visitors to the seafront development and the adjacent sports and leisure park.

Partnership working between Conwy Council, the Welsh Government and other partners (Welsh Rugby Union, Bay Life Initiative) has been an important aspect of the strategy, although the private sector has been under-represented in the process. In addition it has drawn on a range of funding sources (e.g. EU Objective 1 Convergence Area, Welsh Government, Conwy Council and the Welsh Rugby Union), using them in a focused manner to support the development strategy.

### Tredegar

Tredegar is an agglomerated declining industrial town on the periphery of the Cardiff capital region. While it retains some manufacturing industry and retailing, it is a secondary centre in the administrative authority of Blaenau Gwent, which is one of the most deprived local authority areas in Wales. In the local strategy, Tredegar is part of a linked series of towns (known as the Heads of the Valleys) and designated as a secondary functional and employment centre. These towns are expected to work as a network of complimentary towns with Ebbw Vale as the main centre, where most investment has been directed.

Tredegar has been the recipient of a considerable number of projects and funding, and there have been attempts to revive its retail offer and economic base, and improve its built environment. In practice however, it is difficult to see a clear and consistent strategic focus on and in Tredegar. This illustrates the fact that when an urban hierarchy is in place, some SMSTs cannot expect to receive the same level of attention and support.

Developments such as The Works (a centre for housing, education and business) and the Circuit of Wales (a proposed large scale motor sports development) offer the potential for towns such as Tredegar to break out of decline, but this will depend on the plans and actions of national, regional and local government and private investors, and on local partnership working.

### Sources

ESPON ECR2 project, Draft Scientific Report (forthcoming).  
ESPON TOWN project, Scientific Report (March 2014).

### Areas for further research

- The significance of territorial characteristics as a factor in the observed resilience of regions.
- The role of governance in promoting resilient economies.
- Cross-country case study work based on specific territorial themes and problems.

### About the RTPI

The Royal Town Planning Institute holds a unique position in relation to planning as a professional membership body, a charity and a learned institute. We have a responsibility to promote the research needs of spatial planning in the UK, Ireland and internationally.

More information on our research projects can be found on the RTPI website at:

[www.rtpi.org.uk/knowledge/research/](http://www.rtpi.org.uk/knowledge/research/)

You are also welcome to email us at:  
[research@rtpi.org.uk](mailto:research@rtpi.org.uk)