



WHITESHIELD PARTNERS
STRATEGY & PUBLIC POLICY ADVISORY



Institute for the
Future of Work

Labour market resilience A study

2021



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EXECUTIVE SUMMARY: THE UK FACES CHALLENGING YEARS AHEAD

Weaknesses in the UK labour market have been pushed to their limit during COVID-19

The last twelve months have brought with them a range of unexpected economic disruptions to the United Kingdom ('UK'). As COVID-19 has spread through Europe the economy of the UK took a severe hit, shrinking by 19.5% in the month of April 2020. Our analysis suggests that labour market resilience will be a more reliable indicator of how the UK may respond to economic shocks in the future.

Prior to the pandemic, the UK's labour market appeared to be strong, upheld by a combination of structural and cyclical factors. But a historically low unemployment rate hid a series of underlying weaknesses that have given rise to insecure employment outcomes, low productivity growth and new risks to labour market resilience. These weaknesses have been highlighted, and in many cases exacerbated, by COVID-19. In particular, job insecurity, regional disparities, higher levels of labour market polarisation, and declining vocational training are now holding the UK back. Further, a large number of low paying, low productivity service sector jobs in the UK will be particularly vulnerable to job loss when the UK's Job Retention Scheme comes to an end in the summer of 2021. Policy makers must balance crisis management with long term planning to build resilience across the UK.

National and local government have stepped in to support businesses, jobs and the self-employed

The true extent of the economic impact of COVID-19 on the UK economy is unlikely to be seen until Government support ends. The UK Government has tried to mitigate the impact of the crisis on the economy and jobs through a range of reactive policy measures

including the Job Retention Scheme, Self-Employment Income Support Scheme, government-backed loans, and tax reductions. From the Greater Manchester Combined Authority Technology Fund to London's Pay it Forward, the response of local government has been instrumental in filling marked gaps in national support. Whether it has been by recognising and reacting to local need, supporting businesses with digital transitions, or tailoring existing schemes to adapt to the new landscape, local government have shown their agility and skill in response to local needs. Our analysis reveals that many of the core policy dimensions of labour market resilience are outside current fiscal and decision-making powers of combined and local authorities. Learning lessons from the pandemic, this strongly suggests that high levels of devolution would boost resilience and measures to rebuild the UK's economy.

The UK has the 12th most resilient labour market in the world

Whilst reactive measures have been important during the last 12 months, the proactive strengths of a country are a core component of its labour market resilience. A resilient labour market is one which, among other things, generates sustainable demand for a wide range of occupations for much of the workforce, ensures workers have the capabilities to move around and can find good, quality work, wherever they are located.

In this study, we understand resilient labour markets to be those which are inclusive, sustainable, and can sustain or improve labour resilience following a shock. Resilient labour markets matter more than ever for the stability and livelihood of citizens in the context of a global pandemic which has rapidly turned into one of the biggest job crises since the Great Depression.

The Global Labour Resilience Index 2021 finds that the United Kingdom is the twelfth most resilient labour market in the world. The country's diversified economic structure supported by a world-renowned financial services sector means that it has, in recent history, been less dependent on international export markets and less affected by downturns of individual sectors.

National results hide the reality of local inequalities

Whilst the national results show a strong labour market by international standards, the results of the regional UK Labour Resilience Index (UKLRI) demonstrate the extent of inequality across the regions of the UK, the different dimensions of inequality at play, and their intersectional nature. There is a significant difference in the labour market resilience scores of the top and bottom performing regions in the UK - across various metrics London and the South East are outliers compared to the other UK regions. Labour market resilience scores of the regions impact the quality of jobs and subsequent living standards of people across the country. The South West, Scotland and East of England have similar profiles across the dimensions of labour market resilience. Northern Ireland, the North West and Yorkshire and the Humber have stronger structural than cyclical performance - the most significant performance gaps for these three regions are in relation to innovation,

employment, and entrepreneurship intensity. In contrast, Wales, the North East, West Midlands and East Midlands are characterised by deficient performance on the structural dimension of UK index, which includes metrics such as disposable income, demographics and health and wellbeing.

The UK's labour market challenges are not over...

The UK faces a unique set of challenges in 2021 as it recovers from COVID-19, deals with declining high streets and cities, and faces the ramifications of leaving the European Union. All of these will put additional pressures on the labour market and test the level of resilience at a national and local level. Many features we have identified point to the need for future-oriented, strategic planning across the dimensions of the index.

As the UK looks at how to improve the labour market resilience of regions and cities in 2021, consistent policies for recovery and growth should be developed locally, in response to local needs. National government should initiate a cross-department Work or Industry 5.0 Strategy, with representatives from business and worker representatives and local government, to ensure local strengths are utilised. In particular, a focus on building good work, and the conditions for good work, will build resilience and support the Government to fulfil their commitment to 'level up' the UK.

UK LABOUR MARKET RESILIENCE IN A CRISIS CONTEXT

The world experienced an unprecedented global health and economic crisis in 2020. The rapid spread of COVID-19 resulted in major lockdowns across the globe and unprecedented peace time economic stimulus packages. In March 2020 it was estimated that one fifth of the global population was under lockdown¹. In the coming year, the UK faces two major challenges: to deal with the implications of Brexit and focus on the recovery from COVID-19. These challenges sit alongside and run against the backdrop of accelerating technological disruption, as IFOW has explored elsewhere².

The UK's government was slower to lockdown than other European nations

The UK was slower to initiate the first lockdown than comparative European countries including Germany and Spain. In mid-November 2020, the UK had the third highest per capita deaths in the EU after Belgium and France with 76.41 per 100,000³.

The scale of the health crisis in the UK has had a knock-on effect on the economy. In April 2020 the economy shrank by 19.5% but has shown signs of recovery in the months that have followed⁴. The OECD estimates that the UK economy will experience a 10.1% decline in real GDP in 2020, this is higher than the forecast for many other European nations. For comparison, the Euro area is expected to experience a decline of 5.1%⁵. IFOW research has shown a correlation between access to good work, COVID mortalities and the secondary impacts of the pandemic, determined by the number of furloughed workers and increase in claims for Universal Credit⁶.

Prior to the crisis the labour market appeared strong however weaknesses were apparent

The UK labour market appeared strong prior to the recent shock from COVID-19 but many underlying weaknesses were present. Labour productivity has not recovered since the Global Financial Crisis of 2008. Median productivity growth of the decade after the 2008 downturn has been less than one-quarter of what it was during the decade before the downturn (starting with Quarter 1 (Jan to Mar) 1998)⁷. Poor productivity growth has led many to question the causes of the “productivity puzzle”. Solving this ‘puzzle’ is likely to be key to stimulating and sustaining growth post-pandemic.

Government intervention has focused on jobs and SMEs and therefore we may not see the true impact of COVID-19 on employment until this support ends⁸. We note, however, the extent of retail and hospitality businesses struggling, with many prominent high street employers going into liquidation in recent months.

Compounding challenges from COVID-19 and Brexit are on the horizon

Without a long-term strategy and policy targeted at problem areas, it is likely that the underlying weaknesses identified in this analysis will be exacerbated by COVID-19 and the UK's departure from the EU. Whilst the UK has a Free Trade Agreement (FTA) with the EU, this still means GDP will be lower than originally forecast in the coming years.

The compounding impact of these factors means the economy could struggle to recover

¹ <https://www.theguardian.com/world/2020/mar/24/nearly-20-of-global-population-under-coronavirus-lockdown>

² IFOW, Good Work Monitor, 2021

³ <https://www.statista.com/statistics/1111779/coronavirus-death-rate-europe-by-country/>

⁴ Office for National Statistics, GDP monthly estimate, UK: October 2020, ONS 2020

⁵ <http://www.oecd.org/economic-outlook/>

⁶ IFOW, Good Work Monitor, 2021

⁷ Office for National Statistics, Labour productivity, UK: October to December 2019, ONS 2020

⁸ Office for National Statistics, Labour market overview, UK: October 2020, ONS 2020

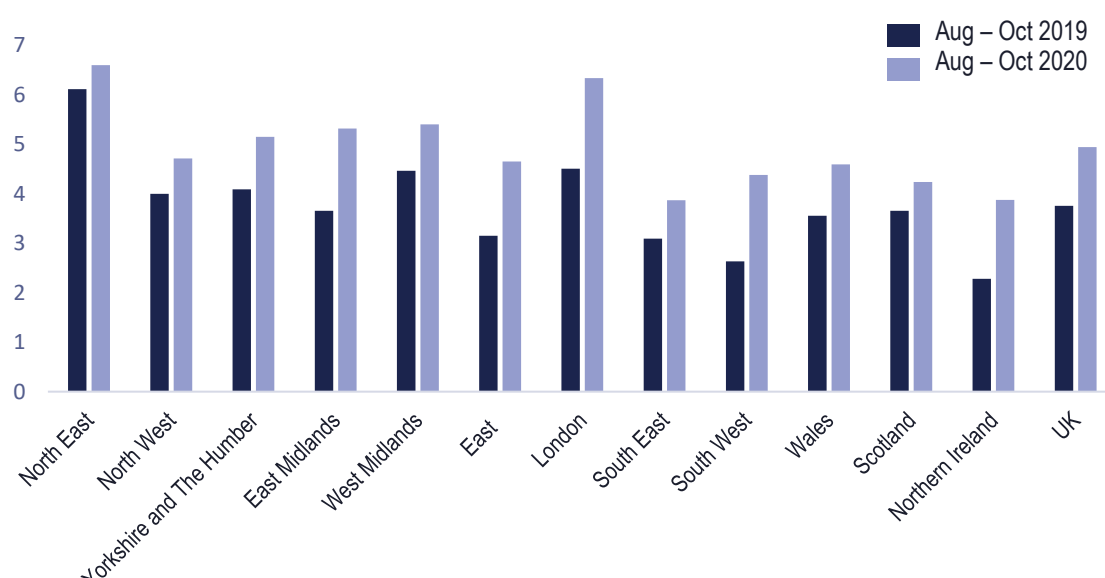
as quickly as some of its European neighbours – especially ones such as Germany or the Netherlands which have higher levels of labour market resilience.

The impact of these compounding challenges will not be felt equally across the UK

The UK is a highly unequal society, and this can be seen in the way COVID-19 has hit businesses, individuals, and regions. The health impact of COVID-19 has not been felt

equally across the country and this is also true for the economic and labour market impact, as IFOW's Good Work Monitor documents. In October 2020 the unemployment rate was higher in every region compared to October 2019 - however this increase has been steeper in different regions. Data for August to October 2020 shows the unemployment rate in the North East standing at 6.6% which is the highest in the UK. In addition, London and the South West have experienced the largest percentage point increase in unemployment in the last year (Figure 1).⁹

Figure 1: Unemployment rate by region in the UK 2019-2020



Source: Whiteshield Partners & ONS

Just as has been the case with COVID-19 the short to medium term impact of Brexit will feel different for different people in different places. Some sectors and regions are more exposed to economic losses due to the departure of the UK from the EU – this can be due to export exposure, industry concentration and a reliance on EU funding. A long-term reduction in economic growth concentrated in regions which are already vulnerable to economic shocks due to their

low levels of labour market resilience is likely to work against the government's ambition to "level up".

In the short term, there are some signs of economic recovery, in January 2021, 983,000 more people were in pay rolled employment when compared with December 2020. Retail sales volume grew for the fourth consecutive month in August 2020 although these have declined since the onset of a new national lockdown in January¹⁰. However, the

⁹ Office for National Statistics, Labour market in the regions of the UK: November 2020, ONS 2020

¹⁰ Office for National Statistics, Retail sales, Great Britain: October 2020, ONS 2020

everchanging nature of the crisis it is hard to judge whether the labour market has experienced the worst of the shock or whether there is more to come.

The UK has demonstrated strengths in proactive and reactive resilience

Whilst the UK has faced an unprecedented challenge in the last 12 months we should still seek to evaluate its performance. By asking questions, such as, how well has the UK responded to the pandemic, compared to its peers? To answer this question, we must consider two main blocks of resilience: proactive and reactive resilience.

Proactive resilience measures how well a country is prepared to face an external shock. This means without the need for change how well would the country fare during a crisis. In this case it is measured by the Global Labour Resilience Index, which ranks countries on the resilience of their labour markets across structural and cyclical dimensions. In the GLRI, labour resilience is measured by a variety of underlying characteristics and policy factors in the country including, but not limited to, the investment in education, adoption of 4IR technologies and welfare coverage.

Proactive resilience is important both at the national and subnational levels. Given high levels of variance between regions, this report assesses the performance of the UK at the national and subnational level.

Reactive resilience is how well a country responds to an active labour market shock. This shows the strength of the policy decisions made by government in light of a changing economy and labour market. The actions of national and local leaders influence the reactive resilience of different parts of the UK and different segments of the labour market.

In the following sections we will address a range of questions, including:

- Was the UK's response to COVID-19 enough to counter its labour resilience gaps at the national and local level?
- What is the UK's labour market resilience at the national and regional level?
- What policy recommendations can be implemented to unleash the full power of cities and regions to strengthen labour resilience in the UK?

THE NATIONAL AND LOCAL RESPONSE TO COVID-19

THE UK EXPERIENCED A SLOW RESPONSE TO COVID-19

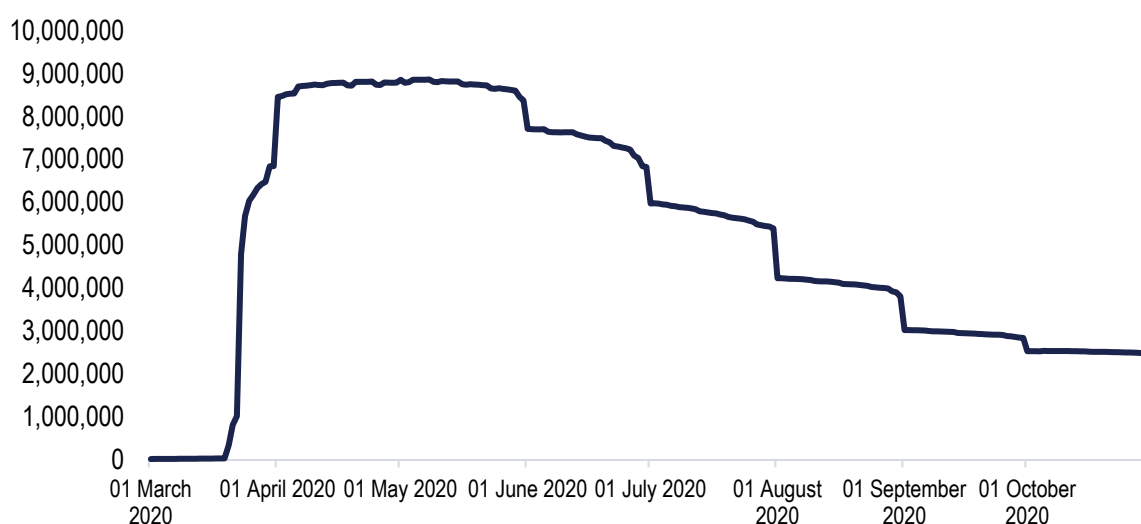
During times of crisis national mechanisms of communication and response are tested to their limits

The UK Civil Contingencies Committee is convened to handle national emergencies or major disruptions. It is often chaired by the Prime Minister or senior Ministers and attendees include ministers and other senior policy makers depending on the nature of the emergency. While this whole-of-government approach was leveraged during the COVID-19 pandemic, the leadership required in the early stages of the outbreak was not in place. After a slow start the UK was able to respond using the full arsenal of policies, including skills, labour, entrepreneurship, innovation and technology and governance¹¹. A summary of the UK's actions during the early stages of the crisis across the cyclical dimensions of labour market resilience is provided in Table 1.

The UK has harnessed a range of financial support packages to limit the impact of the crisis

One of the main components of the UK's initial response has been the leveraging of financial instruments and directly supporting the protection of jobs via the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme. The Coronavirus Job Retention Scheme allowed employers to apply for a government grant of 80% of workers' salaries up to £2,500 a month if their staff cannot work due to COVID-19 restrictions. At its peak more than 8 million UK workers were being paid via the Job Retention Scheme (Figure 2). The scheme has been extended several times and is now due to run until September 2021 – the continuous extension of this scheme has been met with some criticism by those who feel it is artificially supporting businesses which are not viable.

Figure 2: Number of employees furloughed from the start of the scheme up to 31 October 2020



Source: Whiteshield Partners & HMRC

¹¹ Cyclical dimensions are policy dimensions you can impact in the shorter term, with results within less than a year

The day the job retention scheme launched more than 140,000 companies applied for support which was well within the capacity of 450,000 applications an hour announced by government¹².

Job retention schemes have been used across the globe in response to the crisis. In Germany and France, the salary limits were more generous than the UK version and the schemes also enabled part-time working from the start¹³. Inclusion of part-time working has since been phased into the UK system¹⁴. The UK job retention scheme did not include conditions on firms' size, revenue loss or guarantees to retain staff. In contrast, the Netherlands has made it mandatory for firms to encourage workers to participate in training¹⁵.

The Self-Employment Income Support Scheme is similar in design to the job retention scheme, covering the trading profits of affected self-employed workers or members of a partnership business structure. The self-employment scheme has also been extended beyond the initial remit but gaps in coverage remain.

In addition to wage support, financial instruments have been used to support SMEs through government-backed loans to businesses. The UK government established the Coronavirus Business Interruption Loan Scheme (CBILS) which provides financial support to UK businesses with a turnover of less than £45 million who are losing revenue, and seeing their cashflow disrupted, as a result of the COVID-19 outbreak. CBILS is delivered through the British Business Bank via 40 accredited lenders, including high-street banks, new challenger banks, asset-based lenders and smaller specialist local

lenders. The scheme helps small and medium-sized businesses to access loans and other kinds of finance up to £5 million. Under this loan scheme the government guarantees 80% of the finance to the lender (reducing the risk to the banks) and pays interest and any fees for the first 12 months. The scheme incentivises banks to lend to businesses who may have not been approved for finance without the guarantee.

Gaps in coverage, design flaws and low take up proved to be an issue during the absorptive phase of the crisis

Research from the British Chambers of Commerce in April 2020 showed that whilst firms were aware of the scheme and applying for finance many were unsuccessful or had to wait long periods of time for approval. A survey conducted between April 22nd and 24th showed only 13% of firms who had applied for CBILS had been accepted for the scheme¹⁶. The government's own analysis suggested that by September 10th, over 142,000 businesses had applied for CBILS and just over 66,000 had been approved, an approval rate of approximately 47%¹⁷. Lenders can set their own interest rates and there are reports to suggest double digits are the norm¹⁸.

Clearly not all SMEs who sought support have been able to access it and others have had to wait significant amounts of time to receive approval and funds. In contrast, other countries, such as Germany, Switzerland and France, set the public guarantee of loans to 100% for certain loan categories. The leveraging of existing relationships and the 100% guarantee (zero risk taken on by the bank) has enabled the Swiss loan scheme to be highly successful, with decisions made swiftly and funds released promptly. During

¹² <https://www.bbc.co.uk/news/business-52346685>

¹³ <https://www.imf.org/en/News/Articles/2020/06/11/na061120-kurzarbeit-germanys-short-time-work-benefit>

¹⁴ <https://www.gov.uk/government/news/flexible-furlough-scheme-starts-today>

¹⁵ OECD, Job retention schemes during the COVID-19 lockdown and beyond, OECD 2020

¹⁶ <https://www.britishchambers.org.uk/news/2020/04/bcc-coronavirus-business-impact-tracker-loan-schemes-still-slow-to-help-many-cash-strapped-firms-but-furlough-scheme-preventing-redundancies>

¹⁷ <https://www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics>

¹⁸ <https://www.forbes.com/sites/davidprosser/2020/05/07/bounce-back-loans-versus-cbils-which-suits-your-business/#6c2d65ed4eb1>

the first week of operation, it distributed more than SFr15bn to 76,034 businesses¹⁹.

CBILS requires companies to undergo time consuming credit checks and tests of business viability, placing many cash flow sensitive businesses at risk from a cumbersome process. Recognizing the flaws in the original scheme, the UK government adapted its policy and launched the 'Bounce Back Loan Scheme'. Loans can be acquired from £2,000 up to 25% of a business' turnover up to a maximum of £50,000. The scheme provides the lender with a full (100%) government-backed guarantee against the outstanding balance of the facility (both capital and interest). This 100% guarantee enables funding to get to companies more quickly at a very competitive interest rate mandated at 2.5%²⁰. In contrast to CBILS, the success rate of applications under the Bounce Back Loan Scheme has been much higher at 81%. More than 1.2 million facilities have been approved with a value of more than £38 billion²¹. This level of funding and access suggests a functioning COVID-19 loan system.

To support SMEs, policymakers can deploy both offensive and defensive measures. The UK's support has almost exclusively focused on defensive measures which include direct compensation for maintaining employment, subsidised loans, as well as deferred tax payments. Offensive measures, on the other hand, offer ways for SMEs to innovate in response to the crisis, namely by moving their business online, supporting with remote working and finding new markets. For example, Japan and Korea provided credits and advisory services for SMEs to shift their business online in response to the COVID-19 crisis.

Support for individuals has not only been provided through employment-based schemes but changes to the welfare landscape

Support from the UK government has not been restricted to business owners and those in employment, but also for those on welfare support with Universal Credit (UC). The system has been criticised since implementation and these criticisms were amplified by the crisis. The National Audit Office assessed Universal Credit in 2018, the report highlighted a range of problems with the system, including the five weeks wait between claiming and receiving funds which leads many into financial difficulty²². The All-Party Parliamentary Group for Universal Credit has raised concerns about the non-digital claim procedure, the rigid nature of the monthly income assessment and the concept of single household payments²³.

In response to the pandemic, changes have been made to UC, including upping the monthly standard rate for single people aged 25 or over. The 'minimum income floor' has been removed to help self-employed people whose income has fallen, and the allowance for private renters who need help with housing costs has been increased.

The devolved nations have received additional funding, but tensions have run high

Due to the highly centralised nature of the UK policy and decision making, significant action to support labour resilience through the COVID-19 crisis was taken at the national level. However, as we argue in this report, the real story of labour market resilience in the face of COVID-19 is rooted in the responses at the city and regional level across the

¹⁹ <https://www.ft.com/content/9ab135d3-f85e-4ca8-9bb4-0e487e134b10>

²⁰ <https://www.british-business-bank.co.uk/ourpartners/coronavirus-business-interruption-loan-schemes/bounce-back-loans/>

²¹ <https://www.gov.uk/government/collections/hm-treasury-coronavirus-covid-19-business-loan-scheme-statistics>

²² National Audit Office, Rolling out Universal Credit, NAO 2018

²³ All-Party Parliamentary Group on Universal Credit, what needs to change in Universal Credit? All-Party Parliamentary Group on Universal Credit 2019

country. The actions of cities and regions allowed the UK to fill gaps in policy at the national level, and further customise responses to local needs with greater involvement of civil society.

In the case of government spending plans which relate specifically to England, funding is made available to Scotland, Wales and Northern Ireland through the Barnett formula. In July 2020, additional funding for the devolved nations due to COVID-19 was estimated to stand at £12.7 billion. The breakdown of this is as follows: £6.5 billion of additional funding for the Scottish Government, £4 billion for the Welsh Government and £2.2 billion for the Northern

Ireland Executive.²⁴ Funding totalling £4.5 billion has been provided to local councils in England to deal with the pressures associated with COVID-19. Funding for councils was distributed to councils based on population and levels of deprivation, and how the costs of delivery of services varies across the country²⁵.

The nations and regions of the UK which benefit from greater devolved power were able to respond more rapidly and effectively to the crisis. This raises important questions about devolution and the role of cities and regions in the UK.

²⁴ <https://www.gov.uk/government/news/scotland-wales-and-northern-ireland-receive-additional-coronavirus-funding-guarantee-from-uk-government>

²⁵ <https://www.gov.uk/government/news/government-confirms-allocations-of-500-million-additional-funding-for-councils>

Table 1: Summary of national response by dimensions of labour market resilience during 2020

	Initiatives	Strengths	Weaknesses
Education	<ul style="list-style-type: none"> School closures across the UK. Creation of new “skills toolkit” which provides free online courses related to digital skills and mathematics. The focus is adult learners and those furloughed. Announcement of digital skills strategy to be published. 	<ul style="list-style-type: none"> Free online public offering to develop skills through the ‘skills toolkit’. Identification of the need to accelerate the UK’s digital skills strategy during the pandemic. 	<ul style="list-style-type: none"> Lack of funding for additional adult learning courses. Slow to provide digital resources to disadvantaged school children.
Employment	<ul style="list-style-type: none"> Job retention scheme. Self-employment income support scheme. Changes made to Universal Credit (UC) to provide greater support. Additional sick pay support for the self-employed. Kickstart scheme for unemployed young people. Job Support Scheme 	<ul style="list-style-type: none"> Reduced immediate large-scale jobs losses. Extension of the job retention scheme and benefits to self-employed Job guarantee scheme offered for young people to improve labour mobility. 	<ul style="list-style-type: none"> Clear gaps in provision for newly self-employed or new staff. UC changes still ignore many fundamental flaws in the system. Such as the five weeks wait to receive funds. Initial JRS did not allow part-time work Could distort the labour market and lead to “zombie businesses”
Technology & Innovation	<ul style="list-style-type: none"> Attempt to launch NHS Track and Trace app. Businesses driving innovation and development will be helped through a £1.25 billion government support package. 	<ul style="list-style-type: none"> Sectoral support offered to boost innovation through government funding including the Future Fund. Government funding of vaccine programmes 	<ul style="list-style-type: none"> Regional inequalities in innovation and technology access not addressed NHS track and trace app proved ineffective during local pilot. Because of poor decisions and inadequate technology.
Entrepreneurship	<ul style="list-style-type: none"> Variety of loan schemes including government guarantee. Some loan schemes are targeted at SMEs. Sectoral support provided by VAT reductions and subsidies. 	<ul style="list-style-type: none"> Government backed loans for SMEs. The offering changed to reflect difficulties in the initial offering. Sectoral support for vulnerable sectors. 	<ul style="list-style-type: none"> Initial process for loans proved slow and had a low success rate. Sectoral support is not significant in scale or coverage.
Governance	<ul style="list-style-type: none"> Whole of government meetings. Citizens were harnessed to provide additional support to those most vulnerable to COVID-19. Additional funding for devolved governments 	<ul style="list-style-type: none"> Whole- of government approached was leveraged during the crisis. Citizen engagement was successful in providing support. 	<ul style="list-style-type: none"> Lack of clear communication between levels of government resulted in significant outbreaks in care homes. Political arguments have dominated discussions on regional control measures

Source: Whiteshield Partners, Gov.uk, NHS England

LOCAL RESPONSES TO COVID-19 FILLED NATIONAL POLICY GAPS

Across the UK, regions, cities, and local authorities have stepped in fill policy gaps at the national level and provide support to the people and businesses most affected by COVID-19.

1. Education and Skills

Education is devolved across the nations of the UK with Scotland, Wales and Northern Ireland having autonomy over their education systems.

Local initiatives can quickly and effectively identify needs

Following the closure of schools across the UK and the transition to online learning, one of the key challenges was how to support children from disadvantaged backgrounds to gain access to technology to ensure effective learning from home. There are prominent education disparities across the UK by location and socio-economic background and these are likely to be exacerbated by school closures.

The Greater Manchester Combined Authority (GMCA) recognised the needs of its local population and established the Greater Manchester Technology Fund worth £150,000 to provide disadvantaged and digitally excluded young people with the equipment needed to learn remotely (Box 1).

The GMCA worked with schools and colleges to identify the pupils most in need and who

would thus receive one of the 567 kit bundles on offer²⁶. The GMCA partnered with private sector organisations to increase the supply of technology being provided to local school children. Local government often holds the data, and relationships, to ensure targeted interventions reach those they need to, as this case in GMCA demonstrates.

The Greater Manchester launched their scheme in April before the national government was able to get their scheme off the ground. While national government provided local authorities with devices and 4G routers to pass onto school children deemed most in need²⁷, this was slow to be implemented and partial. Local authorities and councils reported that they were not receiving enough devices from national government to match the level of need in their area²⁸.

Cities across the globe have taken steps to support young people with online learning

A range of countries and localities have recognised the difficulty disadvantaged students face accessing online education and have developed their own initiatives to mitigate the impact on learning. In Yokohama, Japan, some lessons were made available on a sub channel of the local TV station. The city of Toronto in Canada partnered with ICT companies to provide free temporary internet access to low income households²⁹. The city of Boston in the United States has been working to address the lack of universal digital access by providing students with free hotspots.

²⁶ <https://www.greatermanchester-ca.gov.uk/news/greater-manchester-technology-fund-launches-with-over-500-digital-kit-bundles-for-digitally-excluded-young-learners/>

²⁷ <https://www.gov.uk/guidance/laptops-tablets-and-4g-wireless-routers-provided-during-coronavirus-covid-19>

²⁸ <https://www.bbc.co.uk/news/uk-england-york-north-yorkshire-53333786>

²⁹ OECD, Tackling Coronavirus: Cities Policy Responses, OECD 2020

THE GREATER MANCHESTER TECHNOLOGY FUND

Policies to strengthen labour market resilience

SUPPORT ONLINE EDUCATION

Manchester

CONTEXT & OBJECTIVES

- The new Technology Fund provided learners who were at risk of digital isolation with digital technology required to continue their learning at home during school closures
- The fund targeted the most vulnerable young people and their families across the region.



KEY INSIGHTS

- The COVID-19 pandemic has changed significantly the education system with the distinctive rise of e-learning, whereby teaching is undertaken remotely.
- It has also exposed many of the challenges in education, in particular huge regional and social disparities in access to digital tools and technology.
- Local government support is essential in addressing digital gaps. It should target the most vulnerable segments of the population to ensure equal access to digital technologies.

APPROACH

- The Greater Manchester Technology Fund focused first on schools with the highest level of pupils eligible for free school meals (a metric of deprivation in the UK).
- Greater Manchester Combined Authority invested £150,000 in 567 kit bundles which were made available to disadvantaged and digitally excluded pupils, they worked closely with schools and colleges to identify those in most need. A 'digital kit bundle' included a laptop and the required tools to get online.
- Businesses are also involved in this initiative through donations of new devices particularly laptops, donations of sim cards, portable hotspots, dongles and other connectivity devices, financial donations to support the expansion of the fund.

MEASURES / OUTCOMES

- Currently, £23m project to deliver more than 2,700km of new fibre optic broadband infrastructure across Greater Manchester is being conducted.

Source: Whiteshield Partners, The Greater Manchester Combined Authority

Some localities were able to pilot innovative skills development programs which could be relevant at the national level

Local initiatives were not exclusive to the devolved nations or mayors in the UK. Recognising the vital importance of workplace experience for upcoming school leavers, Camden Council partnered with businesses and schools in the area to provide virtual work experience to school age students during the pandemic. The scheme harnessed local employers in and around London; over 250 students participated in the programme and large technology companies, such as Google, were involved³⁰.

It was announced that during the placements, students would work in teams to tackle real life business challenges and take part in workshops and masterclasses such as CV

writing and building a personal brand. There was also a focus on future opportunities for collaboration as the scheme involved mentorship opportunities.

The transition within levels of education, and from education to employment can be challenging under normal circumstances and is heightened by the pandemic. Those transitioning within education had been away from formal learning for six months and those attempting to enter the labour market will be facing strong competition. In Cumbria, a scheme known as Activate Your Future has been used to boost the skills and knowledge of those moving onto post-16 opportunities. The scheme was created by the Cumbria Local Enterprise Partnership (LEP) and has involved local schools, colleges and training providers and advice agencies. The online portal provides access to careers guidance

³⁰ <https://news.camden.gov.uk/camden-teams-up-with-leading-tech-companies-to-deliver-online-work-experience-for-the-boroughs-students/>

and a collection of online resources in a range of technical skills areas³¹.

In such instances, local government can leverage its position of proximity to facilitate collaboration between different actors in the local community. National government would struggle to operate similar schemes that were as targeted or relevant to the skills of specific students.

Local government has adapted existing schemes to provide targeted support

National government have announced a new component of the National Skills Fund which will enable adults without an A Level or equivalent qualification (qualification typically gained between ages 16 and 18) to access fully funded college-based training, however this will not be available until April 2021 in England.³²

Local councils have been able to create skills support more quickly through the adaption of existing education and skills schemes. For example, Leicestershire County Council run the Leicestershire Adult Learning Service (GoLearn) which provides courses to adults across the county. In response to COVID-19 and the ongoing lockdown restrictions, GoLearn created a new online learning resources site for adults and families in the area to access free of charge. Recognising the need for support with home learning the portal included courses for parents and carers to use with their children, including Maths, English and Creative Development³³.

The strategy of adapting a current programme was also implemented by the City of Bradford Metropolitan District Council and their Innovation Curriculum Service. During business as usual they offer a range of services including teaching provision for

primary and secondary schools, Joint Professional Development, technology loan boxes (where equipment can be borrowed) and mobile learning advice. They used their pre-established relationships with local schools to help them provide advice on adapting to virtual learning and provided YouTube tutorials for parents or carers who may need digital support in order to help their children learn³⁴.

Another example of a scheme being adjusted to reflect the current climate are the Local Digital Skills Partnerships (LDPs). The partnerships bring together organisations from the public, private and charity sector to boost digital skills and participation in their local area³⁵. One of the six LDPs to highlight is the Lancashire LDP which alongside its digital support for businesses provides adults with access to range of courses to upskill and offers young people courses related to higher level digital skills³⁶. They have adapted their online offering and the way they work with partners during COVID-19 to ensure they can continue to provide support to those in need.

Local areas have accelerated existing plans in recognition of local need

In late 2019 the UK announced the areas chosen to pilot the newly developed National Retraining Scheme, one area was the Cambridgeshire and Peterborough combined authority area. The pilot scheme was due to be launched in September 2020, however considering the new challenges brought about by COVID-19 the timeline for the scheme has been accelerated.³⁷ The focus is to provide adults with the skills and training they need to move into new careers. Those eligible will be able to access online courses related to team

³¹ <http://cumbriacconnectandlearn.co.uk/>

³² <https://www.gov.uk/government/news/major-expansion-of-post-18-education-and-training-to-level-up-and-prepare-workers-for-post-covid-economy>

³³ <https://www.leicestershire.gov.uk/education-and-children/adult-education>

³⁴ <http://www.ticbradford.com/>

³⁵ <https://digitalskillspartnership.blog.gov.uk/>

³⁶ <https://www.lancashireskillshub.co.uk/digital-skills-partnership/>

³⁷ <https://www.gov.uk/government/publications/national-retraining-scheme/national-retraining-scheme>

leadership, digital skills and health and social care³⁸.

2. Employment

While the national government has been proactive in addressing the labour market implications of COVID-19, regions and cities have been instrumental in filling gaps and using their local knowledge to target the most vulnerable.

Scotland provided additional support for the self-employed who were not eligible for national support

As with many rapidly designed policies there are groups who fall through the gaps and are left without protection. One such group in the UK is the newly employed. For an employee to be eligible for the UK government job retention scheme they must have been on the employer's payroll on March 19th. Employees who started a new job in the month of March 2020 or were expecting to start later would not be eligible for furlough, employers were left with the decision of struggling to pay their new staff's wages or letting them go leaving many without jobs or income support. A similar issue was apparent with the self-employment income support scheme (SEISS) provided by national government. Payments were made based on income declarations from prior tax years and therefore people who had become recently self-employed were not eligible for support.

Recognising the flaw in the national support for the self-employed the Scottish government created the Newly Self-employed Hardship Fund (Box 2). The fund, which was run by local authorities, provided grants of up to £2,000 for those who are ineligible for national support³⁹.

Applications for help were made by the newly self-employed via local councils and therefore did not overwhelm the processing capacity of the Scottish government's system. Utilising local government can enable improved local targeting for those most in need.

Local government often recognised the uniqueness of their population and advocated for their needs

When the JRS was announced employees had to have been on the firm's payroll on February 28th in order to be eligible for furlough. This meant that those who had been employed in the weeks between the end of February and the announcement of the scheme in mid-March were excluded. The Cornwall and Isle of Scilly Local Enterprise Partnership (LEP) raised concerns suggesting the cut-off date overwhelming impacts seasonal workers, it estimated 6,000 local people would be affected⁴⁰. Seasonal workers are more common in specific localities based on the industry structure; they were initially overlooked by the national government. In April 2020, the government adjusted the cut-off date to enable greater protection to this group.

³⁸ <https://cambridgeshirepeterborough-ca.gov.uk/news/green-light-given-to-pilot-retraining-scheme-that-will-help-people-affected-by-covid-19-move-into-new-careers/>

³⁹ <https://www.highland.gov.uk/info/248/grants-business/923/covid-19-newly-self-employed-hardship-fund>

⁴⁰ <https://www.ciosgrowthhub.com/news/furlough-extension-will-benefit-seasonal-workers>

£34 MILLION HARDSHIP FUND FOR THE NEWLY SELF-EMPLOYED

Policies to strengthen labour market resilience

TARGETING VULNERABLE WORKERS

Scotland



CONTEXT & OBJECTIVES

- The self-employed are one of the hardest hit and least supported segments of the population during the COVID-19 crisis.
- A £34 million hardship fund was granted to support the self-employed population in Scotland.
- The fund is administered by local authorities and Scotland's enterprise agencies and began to pay out grants in early May.



KEY INSIGHTS

- The self-employed face much greater income insecurity if they have to quarantine.
- The newly self-employed were excluded from the UK wide support.
- Self-employed workers often have limited access to income replacement benefits.
- Targeted approach in supporting livelihoods is essential during COVID-19.

APPROACH

- Scotland Local Authorities allocated £34 million to the Newly Self-Employed Hardship Fund which covered those ineligible for UK support (as they became self-employed since April 2019). Grants of £2,000 are being awarded.
- Applicants need to provide documentary evidence of their status and eligibility for the grant. Local authorities will then determine whether applicants meet the criteria, which has been set by the Scottish Government.
- The following criteria must be met: documentation to show you had an active business prior to COVID-19, such as your VAT registration, bank account statements showing revenue and outgoings linked to self-employment, marketing materials, self-declaration that you are currently experiencing hardship, evidence of being resident in the local authority area of application.

MEASURES / OUTCOMES

- 736,500 people in Scotland have been furloughed – 29.8% of all eligible jobs by the end of June.
- The self-employment scheme support has assisted 891,500 people during the coronavirus pandemic in Scotland.

Source: *Whiteshield Partners, Scottish Government*

A better understanding the local labour market allows tailored support

UK unemployment has risen considerably from its low pre-crisis base. This will increase the need for labour market mobility. National government has taken steps to support young people, who are deemed particularly susceptible to job losses, through the creation of the Kickstart Scheme. The national scheme funds fully subsidised six-month job placements for young people (aged 16-24) who are claiming Universal Credit and at risk of long-term unemployment⁴¹. In November 2020 it was announced that over 19,000 jobs had been created for young people since the scheme was launched in the summer of 2020⁴².

Similar local labour market tools have been strengthened across different areas of the UK. In the Spring Budget 2021 the government extended to financial incentives (£3,000) available to firms who hire apprentices to the end of September 2021. However, there has been no national proposal on how to improve the mechanisms for matching employers with apprentices. The Metro Mayor of Liverpool has announced an initiative that focuses specially on apprentices who have been affected by COVID-19. Delivered through Be More, the Combined Authority's apprenticeship portal, the initiative will help support redundant apprentices to find a new suitable apprenticeship or explore alternative study options⁴³.

In the November 2020 Spending Review, the UK chancellor announced a series of policy

⁴¹ <https://www.gov.uk/government/news/rishis-plan-for-jobs-will-help-britain-bounce-back>

⁴² <https://www.gov.uk/government/news/more-than-19000-jobs-created-by-kickstart-scheme-so-far>

⁴³ <https://www.liverpoolcityregion-ca.gov.uk/metro-mayor-offers-support-for-apprentices-made-redundant-during-the-covid-19-crisis/>

changes including the Restart Scheme. The scheme which will cost £2.9billion over three years will provide intensive and tailored support to unemployed individuals who need support finding employment⁴⁴. However, there must be demand from employers if these individuals are to find opportunities and it is not clear when that demand will return at the scale needed.

Job mobility is a core part of adapting to a crisis and local government has relished this challenge

Evidence suggests geographic mobility in the UK is declining and therefore the opportunities available to those who find themselves out of work will tend to be dependent upon their local area⁴⁵. Regional initiatives have been developed to activate labour mobility, these schemes recognise the importance of job matching and the local economy.

The North East COVID-19 Economic Response Group, which is run by the North East Local Enterprise Partnership (NELEP), have utilised their position to create a website highlighting jobs available in the North East during COVID-19 to facilitate more effective job search⁴⁶. The tool is customised to the local area and relies on pre-established or new relationships with local employers to optimise supply and demand for work in the area. It also provides local employers with a platform to advertise their vacancy to local workers who may benefit from previous experience in similar areas due to the concentration of specific industries in the North East.

In York & North Yorkshire Growth Hub has established the Jobs Fuse service. This

brings together the National Careers Service, the Department for Work and Pensions and the York & North Yorkshire Growth Hub to provide a one stop shop for both job seekers and local employers⁴⁷. A similar job fuse scheme has been developed in Cumbria which aims to reduce employment imbalances due to the crisis by matching employers in need of workers and those recently out of employment⁴⁸.

A similar redeployment scheme has been established by the Thames Valley Berkshire LEP. The Berkshire Redundancy and Redeployment Service matches those recently made redundant with new work in sectors experiencing a surge in employment demand⁴⁹. Local Enterprise Partnerships have clearly demonstrated the advantage they have in establishing schemes focused on labour mobility.

City based job creation and retention schemes have been successfully developed elsewhere

Due to the relatively low levels of fiscal devolution in the UK, job creation schemes are still highly dependent on the actions of national government, in contrast to some cities in other parts of Europe.

In Vienna, a €17 million investment was made to support young people who are one of the groups severely affected by the crisis. The aim is to help the 16,000 young people in Vienna who are currently without a job. The package included intra-company vocational training, assistance for catching up with missed learning, qualification passports and offers to enter professions in health, care and

⁴⁴ <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020#investing-in-a-recovery-for-all-regions-of-the-uk-1>

⁴⁵ Resolution Foundation, Get A Move On? The decline in regional job-to-job moves and its impact on productivity and pay, Resolution Foundation 2017

⁴⁶ <https://jobopportunitiesnortheast.co.uk/>

⁴⁷ <https://www.ynygrowthhub.com/how-we-can-help/coronavirus/coronavirus-skills-community/york-north-yorkshire-jobs-fuse/>

⁴⁸ <https://www.thecumbrialep.co.uk/news-detail/2020/covid-19-guidance-for-employees-employers-and-businesses/>

⁴⁹ <https://www.lepnetwork.net/news-and-events/2020/may/thames-valley-berkshire-lep-launches-jobs-service-in-partnership-with-national-careers-service/>

IT⁵⁰. By running job creation schemes on a local basis, local government actors can facilitate improved matching of young people to employer and develop roles in public services which are more likely to be resilient to future economic downturns.

The UK's national support package to retain workers has focused on paying the wage of workers and providing loans. However, firms were not banned from firing workers whilst receiving furlough pay as it was the case in some other countries like the Netherlands. Moreover, the requirement to top up pay by 20% from July 2020 onwards could have resulted in lower continued use of the furlough scheme.

Tax breaks have also been specifically made conditional on retaining jobs in some cities and countries. For example, Madrid City Council approved €63 million tax breaks on receipts from the Economic Activities Tax and the taxes for vulnerable sectors, including leisure, hospitality and commercial establishments, travel agencies and department stores, on the condition that they keep workers jobs until the end of year⁵¹. This type of conditionality is likely to reduce job losses in the city and demonstrates the benefit of a proactive approach to localised labour market resilience policy. The centralised model of tax collection means most local areas in the UK are unable to make such commitments.

3. Technology & Innovation

This crisis has been characterised by an increased use of technology in all aspects of our lives. Technology became a core component to maintain communication with friends, family and colleagues. Local areas have adapted existing schemes and created

innovative new ones with the support of digital technologies to address important challenges.

Digital technology can be utilised by local government to stimulate demand for goods and services

The Mayor of London created the 'Pay it Forward' scheme which allows small businesses at risk of closure to offer their services via the Greater London Assembly's website (Box 3).

The service operates via a crowd funding model. Consumers pay for the services or goods in advance and receive them when the business can reopen. The aim is to reduce the immediate reduction in revenue due to lockdown and enable businesses to stay afloat during the crisis. In addition, through the Back to Business Fund, the Mayor, who benefits from some devolved fiscal powers, will match every pound raised by a business up to a maximum of £5,000 - or 50% of their target – this should help them expand their operations online⁵².

Given the lack of fiscal devolution across England local areas have very few tools available to them to fully support businesses. It is simply not within their powers to provide important financial stimulus packages. Many have had to look for alternative ways to provide businesses with resources to alleviate cash flow reductions.

Oxford City Council recognised the challenge many people faced in accessing online food delivery slots and subsequently created an online directory alerting consumers to local businesses that were providing fresh food delivery or takeaway services⁵³. Not only does this address the challenge consumers faced in accessing products but it created demand for local business. By stimulating demand now, and for the future, it can help businesses

⁵⁰ OECD, Tackling Coronavirus: Cities Policy Responses, OECD 2020

⁵¹ OECD, Tackling Coronavirus: Cities Policy Responses, OECD 2020



⁵² <https://payitforward.london.gov.uk/>

⁵³ <https://www.oxford.gov.uk/businessesopenonline>

through the crisis and create relationships between consumers and local businesses which will support future resilience. Support

for businesses to increase their digital presence was missing from national programmes but a core part of local ones.

Box 3: London Pay it Forward initiative

LONDON: PAY IT FORWARD		Policies to strengthen labour market resilience
LOCAL CROWD FUNDING PLATFORM		England 
CONTEXT & OBJECTIVES <ul style="list-style-type: none"> Pay it Forward scheme created to stimulate demand in businesses which were currently unable to open. Objective was to create revenue streams for business affected by lockdown and continuing restrictions. 		
KEY INSIGHTS <ul style="list-style-type: none"> The scheme uses technology to match local consumers to businesses who need support during COVID-19. The Mayor's £1m Back to Business Fund offers up to £5,000 in match funding to small and independent businesses through the Pay It Forward London crowdfunding platform. 		
APPROACH <ul style="list-style-type: none"> Crowd funding platform created via the Mayor of London's website. The platform offers 100% free fundraising to help businesses raise vital funds and stay afloat, rebuild and recover from COVID-19. Pay It Forward is part of the London Growth Hub's wider support offer for London's businesses. This includes an online hub of essential resources and free one-to-one telephone and virtual support. Those who receive match funding from the Mayor of London will receive bespoke training delivered in collaboration with CASS Business School on a range of themes - including digital marketing and how to set up an e-commerce platform. 		MEASURES / OUTCOMES <ul style="list-style-type: none"> Several businesses are offering their goods and services via the platform. Many have managed to raise substantially amounts of funding. Between scheme launch in April and August 2020, over 5,000 Londoners have donated over £320,000 to support local businesses.

Source: <https://payitforward.london.gov.uk/>

Public and private partnership could enable innovation and technology to be at the heart of the recovery

UK businesses driving innovation and development will be helped by national government through a £1.25 billion support package. The comprehensive package includes a new £500 million loan scheme for high-growth firms, called the Future Fund, and £750 millions of targeted support for small and medium sized businesses focusing on research and development⁵⁴. National funding for existing leaders in innovation is unlikely to address the underlying structural disparities across the UK. Innovation hubs tend to be concentrated around the golden triangle (London, Cambridge and Oxford) although there are some strong research

institutions in other parts of the country. Whilst all areas will need support to recover from the deep recession the UK is currently facing evidence from the last recession shows that some areas are able to recovery more quickly.

One local innovation initiative which seeks to diversify the location of innovation activity is the £60 million Swansea Bay marine energy project it will help tackle climate change while reviving Pembrokeshire's economy in the wake of COVID-19. The project was approved by the UK and Welsh government and funding is provided by the UK government, the Welsh government and the private sector. The project is made up of four elements including a Pembrokeshire Demonstration Zone, that will enable the deployment of future energy generating technologies as well as Marine

⁵⁴ <https://www.british-business-bank.co.uk/ourpartners/future-fund/>

Energy Engineering Centre of Excellence – a technology, innovation and research centre. It is expected to generate £73.5 million a year to the Swansea Bay City Region's economy⁵⁵.

Local networks and improved engagement can support better collaboration with the private sector on major infrastructure projects.

Technology can provide vulnerable members of society with greater support and additional skills

The variety of support needed during COVID-19 highlights the diversity of the UK population and the inequalities within it. In Leeds, a partnership between Leeds City Council and the Good Things Foundation known as '100% Digital Leeds' has worked to reduce the impact of digital exclusion on citizens of the city. The scheme has focused on supporting people with digital skills and offering devices to support third sector organisations to build the confidence of those who are digital excluded. During COVID-19 the scheme prioritised vulnerable groups due to the increased number of services that were provided digitally. Without intervention the digitalisation of services could have led to further exclusion and increased vulnerability. 100% Digital Leeds has worked to prevent the most vulnerable in society from falling off the radar of the organisations that support them⁵⁶.

Local action can be used to improve technology and access

In the UK, both nationally and locally, there have been interventions focused on giving young people the tools they need to learn remotely but there have been limited interventions focused on adults. The City of Los Angeles (US) partnered with the California Emerging Technology Fund and

EveryoneOn to provide options for low-cost internet, access to computers, and digital literacy services to its residents through its Get Connected program, as well as device and digital training resources⁵⁷.

The Governors of at least two states in the US (Indiana and Kansas) have issued executive orders that prohibit firms from disconnecting essential services during the pandemic, including broadband and telecommunication services⁵⁸. These states have been able to use their position of power to protect vulnerable households in their states. Online tools are essential for remote working, job searching and education and therefore low-income households or those who find themselves out of work cannot afford to be without broadband services during the crisis.

4. Entrepreneurship

Additional funding for businesses has been provided by local leaders

Recognising that some sectors were much more vulnerable than others to the COVID-19 crisis, the Mayor of London announced a range of initiatives including a £2.3 million Culture at Risk Business Support Fund. The aim was to support smaller companies and establishments which are often vital to the important communities they are a part of. The fund harnessed public-private partnerships and was supported by an investment from Bloomberg Philanthropies. This shows a greater collaboration with the private sector than national government achieved. Whilst arts and culture activities do not make up a major component of the UK economy and therefore were not immediately targeted by national support, they are a more prominent part of the London economy and reputation.

⁵⁵ <https://www.marineenergywales.co.uk/marine-energy-wales-welcomes-green-light-for-60-million-pembrokeshire-marine-energy-project/>

⁵⁶ <https://digitalinclusionleeds.com/2020/04/07/100-digital-leeds-team-response-to-covid-19/>

⁵⁷ <https://www.digitalinclusion.org/local-government-covid-19-digital-inclusion-response/>

⁵⁸ <https://www.digitalinclusion.org/state-covid-19-digital-inclusion-response/>

The devolved government in Wales established an Economic Resilience Fund to support businesses not captured by national packages (Box 4) The local approach enabled

targeting and speed of access to funds. Outside of the devolved nations and London

local areas are limited by their lack of fiscal powers to enact similar schemes.

Box 4: Wales economic resilience fund

WALES ECONOMIC RESILIENCE FUND		Policies to strengthen labour market resilience
COVID-19 SUPPORT FOR BUSINESS		Wales 
CONTEXT & OBJECTIVES <ul style="list-style-type: none"> ○ The Economic Resilience Fund and the Start-up Grant are initiatives created to provide financial assistance to organisations facing financial and operational challenges. ○ The objective is to provide immediate relief for short term needs, measures to work in connection to other coronavirus relief programs. 		
APPROACH <ul style="list-style-type: none"> ○ The Economic Resilience Fund prioritises entities which have not previously been targeted by UK wide measures. ○ The procedure involves checking eligibility of the applicants in order to identify the correct level of support and appropriate scheme after considering the sector and existing grants received. ○ It aims to plug the gaps in the support schemes already announced by the UK Government, including the Job Retention Scheme and the Self-Employed Income Support Scheme, which will guarantee 80% of people's wages and income. Eligible businesses can claim up to £10,000 for micro businesses, £100,000 for SMEs and £690,000 for large businesses ○ The will support businesses forced to temporarily cease trading – to go into “hibernation” – or which need cash-flow support to adapt to a remote way of working. 	KEY INSIGHTS <ul style="list-style-type: none"> ○ Prioritisation strategy is essential to address inclusiveness of support measures. ○ Economic Resilience Fund targets entities with legitimate needs which have not been covered by existing relief measures or haven't received funding from the government before. ○ Welsh relief measure also covers social enterprises, charities and other organisations which do not necessarily fall under prevalent business definitions. 	
	MEASURES / OUTCOMES <ul style="list-style-type: none"> ○ As of May, 52,000 grants totalling £640 million have been paid to businesses in Wales. 	

Source: Whiteshield Partners; Business Wales, gov.wales

Support provided by Local Enterprise Partnerships has been closely aligned to an area's economic context

Where local actors have stepped in support has been focused on the economic context of the area. In response to COVID-19 a Business Resilience Fund was established to support rural SMEs in the New Forest. Between its launch in May and August 2020 the New Forest Business Resilience Fund had supported 18 businesses and awarded more than £35,000 of the initial investment in grant funding. The scheme is managed by Natural Enterprise on behalf of Solent Local Enterprise Partnership (LEP) and New Forest

District Council⁵⁹. A similar scheme exists to support rural businesses on the Isle of Wight⁶⁰.

Local Enterprise Partnerships have leveraged their knowledge and position in the community to provide targeted support for businesses and people.

New Anglia, the LEP for Norfolk and Suffolk, has established the business resilience and recovery scheme to support businesses in the area. Due to the economic structure of the area support has focused on helping product manufacturers pivot production towards goods needed during the outbreak (including

⁵⁹ <https://solentlep.org.uk/what-we-do/news/new-forest-rural-businesses-to-receive-funding-boost/>

⁶⁰ <https://solentlep.org.uk/isle-of-wight-rural-sme-fund/>

PPE) and support for COVID-19 related R&D⁶¹.

LEPs can take the lead in developing and implementing sectoral based recovery plans. The Greater Birmingham and Solihull LEP is leading on the development of recovery plans for key sectors⁶². Their ability to understand the local area and its needs should not be overlooked as the government focuses on the next stage of the crisis and how to deal with the labour market impact of COVID-19.

Technology has been harnessed to proactively support small businesses and the self-employed

Councils have used their position in the local business community to provide proactive support to business to help them cope with the changes necessary to succeed in the wake of COVID-19. Due to the lack of fiscal powers local areas have focused on supporting businesses and SMEs via offensive measures such as supporting businesses to go online or finding new markets.

Barnsley Council have used their pre-existing 'Enterprising Barnsley' initiative to provide support to businesses. They have pivoted their usual classroom-based learning to be provided via webinars on topics such as marketing, starting a business and taxation. Their Launchpad service offers free one-to-one support for start-up and newer businesses⁶³. Using already established services helps to build on existing relationships and ensures support can be quickly offered to those in need.

In order to support the local business community in Oxfordshire, the Oxfordshire LEP has provided funding to the Pop-Up Business School to run an event to support individuals who were thinking of starting their

own business, or those who were looking for a little help with pivoting their business in light of the pandemic. A 5-day online course was created to support early-stage businesses to adapt⁶⁴.

Technological capabilities have been a source of good for local support schemes

In a similar manner, Sheffield City Region are providing free expert business advice to help business owners restart after COVID-19. "Re-Start to Growth" is an initiative offered through the Sheffield City Region Growth Hub, it comprises two full days with an experienced business consultant. The aim is to help businesses via a range of offerings including sales and marketing, financial advice and skills in digital / IT⁶⁵. The Growth Hub is overseen by the Business Growth Board, with representatives from the public and private sectors, and reports directly to the Sheffield City Region Local Enterprise Partnership Board. One benefit of this local support is that the employers in the area will be familiar with the growth hub, advice is likely to be relevant and customised based on the local economic climate. Schemes such as these can harness current relations but are also vital to create future partnerships between local governments and businesses in the area. Enabling local businesses to succeed is not restricted to times of economic uncertainty and helping businesses in their time of need can promote the variety of services on offer which may be helpful as the business grows in the future.

Sheffield is not the only area to harness consulting services, similar programmes have been used in Bilbao (Spain) and Lisbon (Portugal) ⁶⁶. Both schemes have targeted their consulting offerings toward SMEs who

⁶¹ <https://newanglia.co.uk/grant/business-resilience-and-recovery-scheme/>

⁶² <https://gbslep.co.uk/resources/reports/sector-recovery-plans>

⁶³ <https://www.enterprisingbarnsley.co.uk/>

⁶⁴ <https://www.oxfordshirelep.com/news/article/popup-business-school>

⁶⁵ <https://www.scrgrowthhub.co.uk/covid-19-support-for-businesses/re-start-to-growth/>

⁶⁶ OECD, Tackling Coronavirus: Cities Policy Responses, OECD 2020

may not be able to rely on their network for advice.

Giving cities greater autonomy allows them to be more proactive in response to a crisis

As the UK has shown, cities and regions which lack the policy making authority and financial independence to develop local economic development plans are limited in the scope of their support.

Due to the high level of decentralisation in the US states and cities have been considerably more interventionist than local areas of the UK. New York City (US) put in place local support for SMEs, including zero-interest loans repayable over 15 to 20 years for firms with 100 employees or fewer, for loans up to \$75,000, although firms had to demonstrate a 25% reduction in customer receipts⁶⁷. Only the devolved nations and London have fiscal powers in the UK, the parameters of which are still tightly controlled by Whitehall.

5. Governance & Strategy

Local government is taking proactive steps to shape the recovery

The national government has slowly begun to act on the plans for recovery and created an Economic Recovery Working Group and a commitment to increase capital spending in 2021. In the 2020 Spending Review, the government commitment to £100 billion of capital spending in 2021 with the aim of kickstarting growth and supporting jobs – this coincided with announcements on

infrastructure, housing and the green economy⁶⁸. Since the Conservatives election victory in 2019 they have been committed to “levelling up” the country and spreading economic opportunity more equally, this motivation should be a key aspect of recovery plans for 2021.

The Economic Recovery Working Group is chaired by the Minister for Regional Growth and Local Government. The working group is attended by several mayors, local authority leaders and local enterprise partnership chairs. National co-ordination of local leaders is a strong signal that the government plans to stimulate inclusive growth.

The establishment of a national working group has not halted the efforts of local mayors in having a say on the shape of recovery for their area. In London two boards have been established to decide the best approach for recovery in the capital. The recovery and transformation boards benefit from the inclusion of the public, charities and members of the private and public sector. Meetings have been held and it is too early to evaluate outcomes. This highlights another benefit of localised policy design and decision making which is the inclusion of citizens. Local people understand the challenges and strengths of the areas that they live and are often best placed to advise decision makers.

The Mayor of Liverpool has created a plan for economic recovery. Due to the lack of fiscal power this plan has been put to national government for approval (Box 5). The plan builds on the work that has occurred to regenerate the city over the last two decades.

⁶⁷ OECD, Tackling Coronavirus: Cities Policy Responses, OECD 2020


⁶⁸ <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020#investing-in-a-recovery-for-all-regions-of-the-uk-1>

LIVERPOOL RECOVERY PLAN
Policies to strengthen labour market resilience

CITY LEVEL RECOVERY

CONTEXT & OBJECTIVES


- Liverpool has undergone economic transformation over the last two decades which could be reversed by COVID-19.
- Building Back Better plan for economic recovery across the region has been passed to government.



APPROACH

- Metro Mayor of Liverpool City Region announced a £1.4 billion plan for economic recovery in the city region – “Building Back Better”.
- Objective is to support jobs across the region with a suspected 120,000 jobs to be created.
- The plan focuses on four themes – the business ecosystem, people-focused recovery, place, and a green recovery.
- The plan includes a range of initiatives including a business led skills programme, a school catch up plan and a digital poverty scheme.

England



KEY INSIGHTS

- The plan has been developed in a collaborative process involving partners from a wide range of sectors, as well as public engagement.
- The plan involves 40 fully costed initiatives.
- It has been backed by figures from business, academia, the social economy, the public sector and trades unions.

MEASURES / OUTCOMES

- £1.4 billion in investment could unlock £8.8 billion of projects to begin in the next 12 months.
- Those projects would create 94,000 permanent jobs, with a further 28,000 jobs in construction.

Source: Liverpool City Region, <https://www.liverpoolcityregion-ca.gov.uk/ambitious-8-8-billion-economic-recovery-plan-for-the-liverpool-city-region/>

Local initiatives have included key governance features

Local schemes have clearly demonstrated good governance including public-private partnership, citizen engagement and agile decision making which is often missing in the over-centralised bureaucratic nature of Westminster decision making.

Through a variety of the initiatives discussed public-private partnerships have been leveraged to support young learners, the unemployed and provide opportunities for future growth. Local governments can be best placed to engage with businesses who operate in the area and this can prove more effective than national outreach. National COVID-19 schemes have not included the

private sector to the same extent as local schemes.

Not only is local government best placed to understand the priorities for recovery, but they can utilise their position to encourage citizen engagement. Many areas, including London, have encouraged citizens to be proactive in voicing their opinions on the future of their local area post COVID-19. Local areas have demonstrated their strength in harnessing citizens, including in connection with supporting vulnerable individuals during the peak of the crisis, such as the Plymouth Good Neighbour Scheme⁶⁹. Schemes such as this rely on high levels of social capital between citizens.

⁶⁹

<https://www.plymouth.gov.uk/newsroom/pressreleases/goodneighbours%C2%A0schemegetsandrunningplymouth>

Clearer communication channels are needed between different levels of government

The communication mechanisms have been tested to the limits during the crisis and have proved to be vital in addressing the challenges. There have been a series of public disagreements between local and central government which have done little to restore the public's trust in the government to handle the crisis. Communication and decentralisation can bring governance challenges and opportunities during normal times and these are heightened during times of crisis. When working effectively decentralisation can improve the speed and appropriateness of response. However, when not working effectively poor communication and bureaucratic processes can be the downfall of these systems.

In the case of the UK, communication between the levels of government has not proved universally effective. For example, substandard communication between national government and local authorities led to poor decisions, namely regarding the management of care homes and taking care of the elderly which ultimately led to major COVID-19 outbreaks in care homes⁷⁰.

One of the main communication channels between the UK government and the devolved nations of Scotland, Northern Ireland and Wales is the Joint Ministerial Committee (JMC) which is a set of committees comprising of ministers from the UK and devolved nations. The Prime Minister of the UK chairs the JMC⁷¹. The committee was established in 1999 at the beginning of devolution. However, concerns have been raised that this channel of communication is no longer effective, this was particularly evident during the Brexit negotiations⁷². To

further highlight their ineffectiveness this channel of communication was not used during the crisis. Instead, leaders or representatives from the three devolved nations attended the government's Civil Contingencies Committee – can be referred to as COBRA.

Tensions have been high between the levels of devolved governments

In March, the Mayor of London who has the greatest level of devolved power in England, attended the national government's COBRA meetings but has since been vocal about the lack of communication or engagement from national government⁷³. The Mayor of London is not the only local leader to vocalise their concerns regarding the lack of communication from national government. The easing of lockdown has occurred on an incremental basis with announcements often made a day or two prior to implementation. It has been reported that local leaders are not made aware of these changes in advance and have very little time to adapt⁷⁴. This is highlighted by the case of Leicester which was the first local area in England to be put under localised lockdown restrictions, the council stated they were made aware of the plans "shortly before publication⁷⁵."

There have been significant tensions between the Mayor of Greater Manchester (Andy Burnham) and the government in Westminster. Local leaders have often felt the support offered to those living by the harshest of restrictions was not adequate and this led to a range of very public disagreements.

This does not suggest an open channel of communication between national government and those responsible for enforcing decisions locally.

⁷⁰ <https://www.bbc.co.uk/news/52674073>

⁷¹ <https://www.instituteforgovernment.org.uk/explainers/devolution-joint-ministerial-committee>

⁷²

<https://publications.parliament.uk/pa/cm201719/cmselect/cmpubadm/1485/148511.htm>

⁷³ <https://www.standard.co.uk/news/london/m25-lockdown-speculation-sadiq-khan-cobra-12-weeks-a4515091.html>

⁷⁴ <https://www.lbc.co.uk/radio/presenters/andrew-castle/mayor-calls-out-lack-of-government-communication/>

⁷⁵ <https://www.bbc.co.uk/news/uk-england-leicestershire-53283967>

Whole-of-country communication mechanisms have proved vital in other nations

COVID-19 raises an important question about the future of devolution in the UK. During times of crisis the level of decentralisation comes second to the strength of communication mechanisms. Rapid and accurate communication among all levels of government is essential for many reasons. It can enable a more proactive, appropriate and well-developed response that recognises the differential impact of a crisis on local areas.

New Zealand has harnessed the power of local communication mechanisms through its COVID-19 Local Government Response Unit. The dedicated working group is led by the Department of Internal Affairs, Local Government New Zealand, the Society of Local Government Managers and the National Emergency Management Agency. The focus is to ensure local government Mayors, Chairs and Chief Executives can make the vital decisions to support the wellbeing of their communities.⁷⁶

⁷⁶ <https://www.solgm.org.nz/covid19>

PERFORMANCE OF THE UK IN THE GLOBAL LABOUR RESILIENCE INDEX 2021

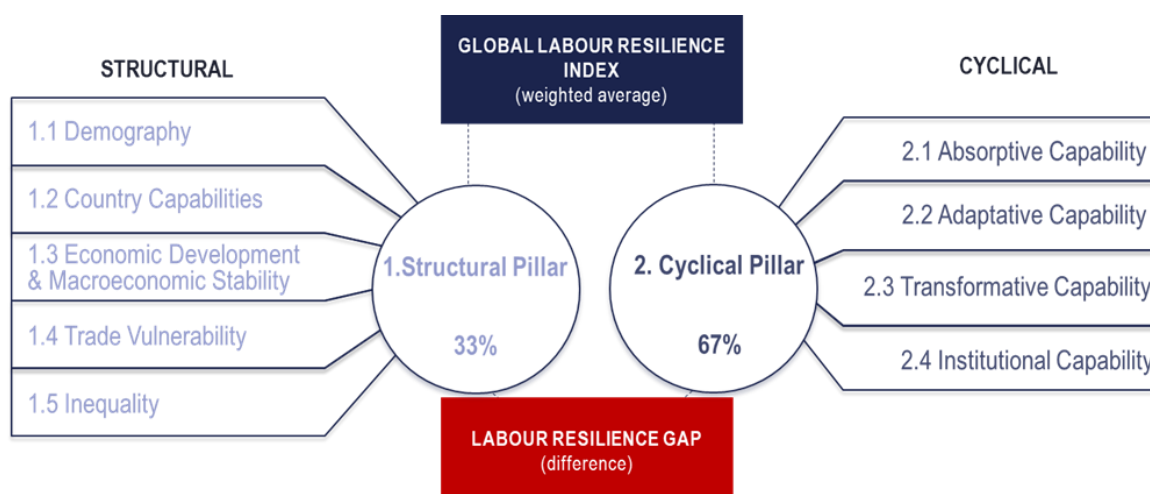
Measuring labour market resilience

The Global Labour Resilience Index (GLRI) is an annual publication launched in Davos, which ranks countries on the resilience of their labour markets and provides policy guidance on how to enhance that resilience. A resilient labour market is defined as one that generates sustainable demand for a wide range of occupations for the majority of the workforce and supplies workers with quality jobs. Resilient labour markets are inclusive, sustainable and able to withstand shocks because of their flexibility and adaptability. Resilient labour markets matter more than ever for the stability and livelihood of citizens in the context of a global pandemic which has rapidly turned into one of the biggest job crises since the Great Depression.

The Global Labour Resilience Index 2021: a capability approach to resilience

The GLRI framework is structured around two pillars: structural and cyclical capabilities (Figure 3)⁷⁷. Resilience as a general capability can be defined as the ability to face disruptions and survive regardless of what they are. More specifically, this means being able to minimise the damage of a shock on workers, to recover quickly in the advent of a shock and to engage in structural change in order to adapt to long term stresses such as technology and climate change. The same disruption can have a different intensity on labour markets depending on the risk exposure of countries.

Figure 3: The Global Labour Resilience Index framework 2021



Source: Whiteshield Partners

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term stresses such as technology and climate change. The same disruption can have a different intensity on labour markets depending on the risk exposure of countries.

Labour market resilience depends on structural characteristics of a country and its

⁷⁷ A methodology statement can be found in the appendix.

ability to respond to disruptions and navigate through a crisis. Structural resilience explains longer term structural assets which show the position of a country on a journey to building labour resilience before a shock happens. While the latter is about the factors which explain the resilience capabilities needed for dealing with disruptions as they occur.

Structural capabilities are essential to address inherent vulnerabilities...

Hence, the structural pillar measures inherent country vulnerabilities which can interact with external disruptions and further amplify their intensity. It includes factors which are harder to change in the short-term - such as demographics, level of economic development and macroeconomic stability, country capabilities, trade vulnerability and inequality. These factors can represent inherent vulnerability or act as protective attributes when countries are faced with disruptions to their labour markets.

... cyclical resilience capabilities are needed to weather the various stages of a crisis

Even if the shock has the same intensity on different countries, ultimately the impact on labour markets will vary depending on the countries resilience capabilities which are measured by the cyclical pillar. These capabilities follow the cycle of disruptions from absorption to recovery and transformation and as such their importance varies depending on the current stage of the cycle.

The cyclical pillar is made up of four capabilities which are needed to enhance resilience to a variety of labour market disruptions and long-term stresses.

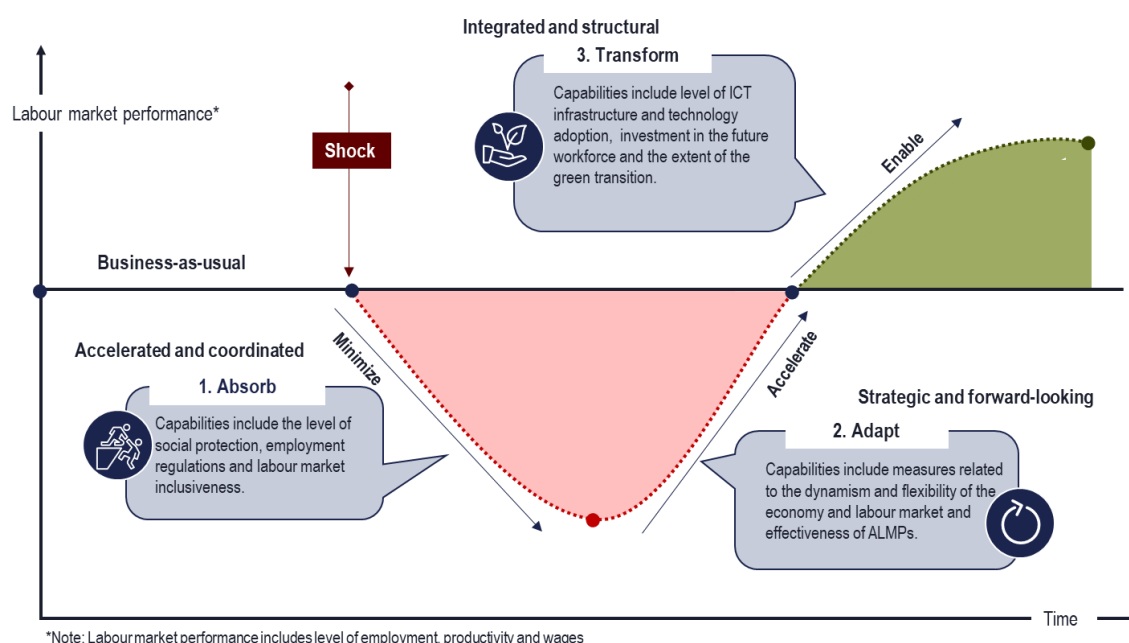
The first three are:

- *Absorptive* – the ability to contain the shock and minimise the damage on jobs and workers.
- *Adaptive* - capabilities needed to recover quickly and rapidly create new jobs to replace the destroyed ones.
- *Transformative* – represents the alignment with major future trends.

Each of the resilience capabilities will be of more importance at different stages of the disruption cycle and depending on the type of disruption (Figure 4). Each of these three sub-pillars includes indicators from different policy fields, such as education, entrepreneurship, technology, and labour. This highlights the need to encourage a cross-cutting approach to policy making and to break out of government siloes to effectively nurture resilience.

The fourth sub-pillar, *institutional capability*, acts as a cross-cutting enabler. Proactive resilience drivers are important in explaining how labour markets are performing during a crisis, these are the factors that must be nurtured in anticipation of a crisis. In contrast, the reactive response of government is conditioned by the existing status of resilience capabilities and institutional capacity.

Figure 4: Three stages of response to build resilience in a crisis context



Source: Whiteshield Partners

THE GLOBAL LABOUR RESILIENCE RANKING PUTS THE UK 12TH

The Global Labour Resilience Index 2021 finds that the United Kingdom has the 12th most resilient labour market in the world.

The UK is among the more resilient labour markets in the world, especially in adapting to shocks

The country's diversified economic structure supported by a world-renowned financial services sector means that it has, in recent years, been less dependent on international export markets and less affected by downturns of individual sectors⁷⁸. Despite slowing GDP growth, employment levels have continued to improve.

The distinction between different types of resilience provides a more nuanced picture of the UK's global labour market resilience ranking. The Global Labour Resilience Index

distinguishes between three types of cyclical resilience: abortive, adaptive and transformative.

The UK is one of the world's top performers in adaptive resilience capacity (ranks 3rd) which measures the ability to recover quickly and create new jobs rapidly to replace the ones destroyed by an economic crisis. This is mainly due to the degree of labour market policy flexibility and favourable business regulation. However, the UK has room for improvement on both absorptive and transformative resilience.

However, this outward picture of labour market health masks both structural, absorptive and transformative problems such as high levels in inequality. The UK ranks well below GRLI resilience leaders on the quality of earnings and the quality of the working environment. Job insecurity, higher levels of labour market polarisation and declining vocational education and training require

⁷⁸ Although the strength of this sector in the future could be in doubt due to the UK's departure from the European Union and the subsequent loss of financial passporting rights.

particular attention. Improving the quality of work in the UK, including more secure contracts, better progression opportunities and an expansion of training, should remain a national priority as the UK grapples with the diverse set of challenges likely to arise in 2021. This would help to improve the ability of the UK labour market to both absorb shocks and transform to provide proactive resilience to future shocks and disruptions.

The UK is moving towards greater resilience

Over the past five years, the UK still appears to have improved its labour market resilience through greater economic diversification and with improved performance on absorptive and adaptive capacities. These improvements have allowed the UK to sustain its GLRI rank of twelfth place worldwide alongside other labour resilience leaders such as Switzerland and Sweden.

Structural pillar: highly diversified but unequal

Solid structural foundations in terms of economic capabilities and diversification

The UK ranks 18th on the structural pillar - this relatively high performance of the UK in the structural pillar is mainly driven by its high level of economic complexity and diversification, as well as tertiarization of the economy which tend to provide a broader and more diversified structure of employment and greater resilience in times of economic

downturn or negative shocks for specific industries (Figure 5).

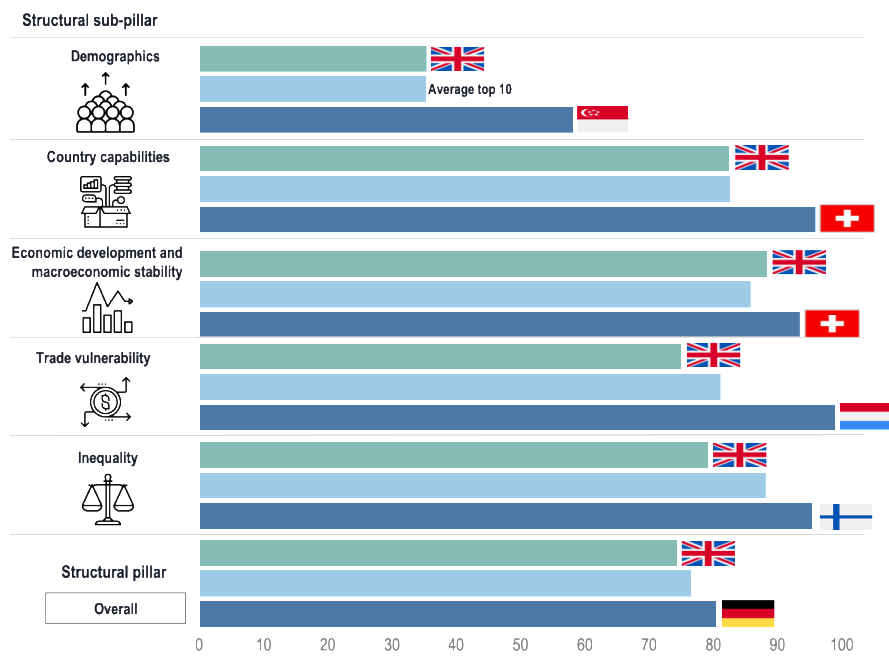
However, weaker demographics and higher levels of inequality

The UK faces several structural challenges. The country has notably higher levels of inequality than its EU and OECD peers. The UK is the fourth most unequal country in the GLRI top 20 after the US, Canada and Luxemburg. Higher levels of income inequality reflect a labour market more polarized between low and high-skilled workers. As a general rule, low and middle skilled routine work tends to be less resilient to technological disruption.

On the demographic front, despite a lower proportion of the population aged over 65 compared to other European countries such as Italy, Germany and France the UK's population is ageing quickly. The implications of this ageing demographic pyramid are manifold. The UK has a shrinking working age population and hence a rising dependency ratio. Due to the workings of the taxation system in the UK this could affect the government's ability to maintain the current provision of public services due a decline revenue through taxes. An increasingly elderly population will likely lead to increased pressures on the health and social care systems which are already under severe strain.

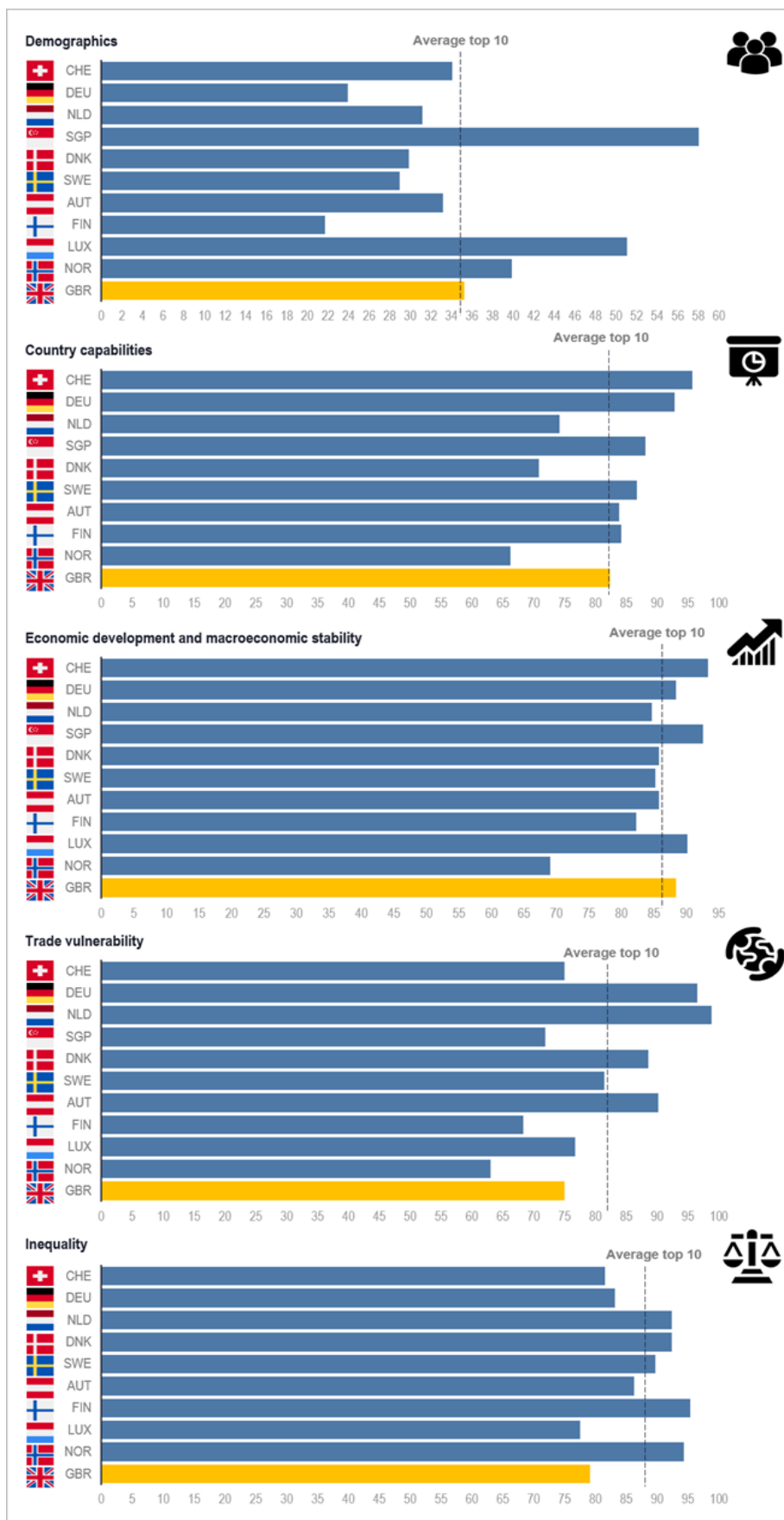
In summary, the structural profile of the UK is consistent with its skewed labour market resilience performance - low pre-crisis unemployment rate, diversified economy, but high levels of income inequality.

Figure 5: Performance of the UK in structural sub-pillars of GLRI 2021



Source: Whiteshield Partners

Figure 6: Structural strengths and weaknesses of the UK compared to peer countries



Source: Whiteshield Partners

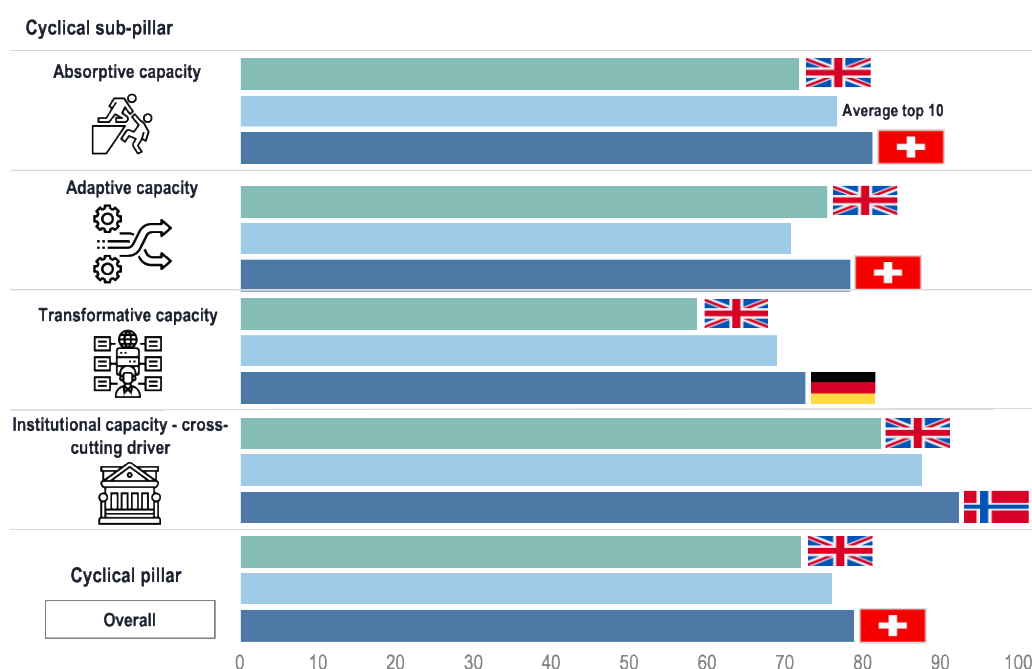
Cyclical pillar: leader in adaptive capabilities

Strong but even performance across cyclical capabilities

The UK ranks 11th in the cyclical pillar of the GLRI 2021. Despite the high ranking on the cyclical pillar, the country has an uneven

performance across the various resilience capabilities. Whilst UK is the top performer in the adaptive capacity (ranked 3rd), it stands below other GLRI top performers in absorptive (17th) and transformative (19th) dimensions of the cyclical resilience pillar. It is also lagging behind on institutional capacity (12th) which is a cross-cutting driver of cyclical resilience (Figure 7).

Figure 7: Performance of the UK in cyclical sub-pillars of GLRI 2021



Source: Whiteshield Partners

Absorptive capacity

Absorption capability is a crucial factor during the sustain phase of a crisis. This reflects the ability of the country to minimize the scale of the labour market disruption and is a factor of a range of elements including the level of social protection, employment regulations and labour market inclusiveness.

Welfare support is high but the quality of employment and earnings need improving

The UK has a strong welfare system and ranks 1st on pension coverage, 11th on unemployment coverage and 2nd on the

coverage of basic health services. These are crucial if a country is to reduce the impact of any crisis on its population.

However, there are other important dimensions of absorptive resilience which are definitely a weak side of UK labour market. The UK ranks well below GRLI resilience leaders on the quality of earnings (22nd) and the quality of the working environment (36th). Earnings quality encapsulates the extent to which earnings contribute to workers' well-being in terms of average earnings and their distribution across the workforce. Those on lower incomes, part-time or temporary workers and the self-employed are at a higher risk of job losses during a crisis or the current

pandemic due to the impact of changes in demand on their roles.⁷⁹

Vulnerable groups remain outside of the labour market

Labour market inclusiveness is another prominent issue, the job losses from COVID-19 have disproportionately impacted the young and female workforce due to the roles in which they work. Despite the fact, that UK is doing relatively well compared to other resilience leaders in youth inclusiveness in the labour market, it is still lagging behind the ideal (ranking 62nd on youth unemployment and 33rd on youth in Employment, Education and Training). The UK will need to address the underlying weaknesses in its economy for young people alongside the economic fallout that COVID-19 has caused if they are to address labour resilience and create more inclusive economic growth.

A similar picture is true for female inclusiveness. The UK ranks only 39th globally on the share of women in the labour force and 33rd in gender income equality. Closing the gender gap would provide the UK with a more resilient and inclusive labour market. New measures introduced by the government include the mandatory reporting of the gender pay gap by all companies with more than 250 employees.

Compared to other nations the UK has a balanced approach to physical and mental health support

Although the UK labour market is sensitive to shocks and has relatively high levels of polarization, it does have strong wellbeing scores. The workforce is nothing but a network of individuals and therefore individual wellbeing matters for worker resilience. An individual's ability to withstand a crisis will be a function of both their physical and mental health, especially during the current crisis

which puts additional pressures on these factors. The UK belongs to a set of countries which have high scores on both mental and physical health.

Adaptive capacity

The next component of resilience focuses on a country's ability to respond to the aftereffects of the crisis. Here the adaptive capability of a nation is important if the country is to recover and grow, this includes measures related to the dynamism and flexibility of the economy and labour market.

Flexible labour policy should help the economy adapt during economic crises...

The UK is doing relatively well compared to other GLRI top performers in flexibility of the labour policy in particular hiring & firing practices (10th). Flexible labour policy can enable employers to respond proactively to changes in the economy which influence their revenue and help create new employment opportunities when the economy begins to recover. However, in the future it needs to ease regulations for hiring foreigners to make its labour market more attractive on the international area. Further, the implications of increased use of data-driven tools in hiring, recruitment and performance management should be reviewed as there is a risk these exacerbate inequality and reduce social mobility.

... but active labour market policies need prioritising too

After the initial downturn the effectiveness of active labour market policies is essential if labour is to be allocated effectively. The UK is performing below other GLRI top performers in the effectiveness of its active labour market policies (Figure 8). Stimulating higher formal & informal education & training could be an

⁷⁹ OECD, OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis, OECD 2020

efficient way to enhance effectiveness of ALMP to ensure fast and sustainable recovery in times of crisis. Training must form an

essential part of economic recovery given the skills profile of the UK.

Figure 8: Effectiveness of ALMPs and participation in education and training



Source: Whiteshield Partners, GLRI 2021 results

Polarization is growing in the UK labour market

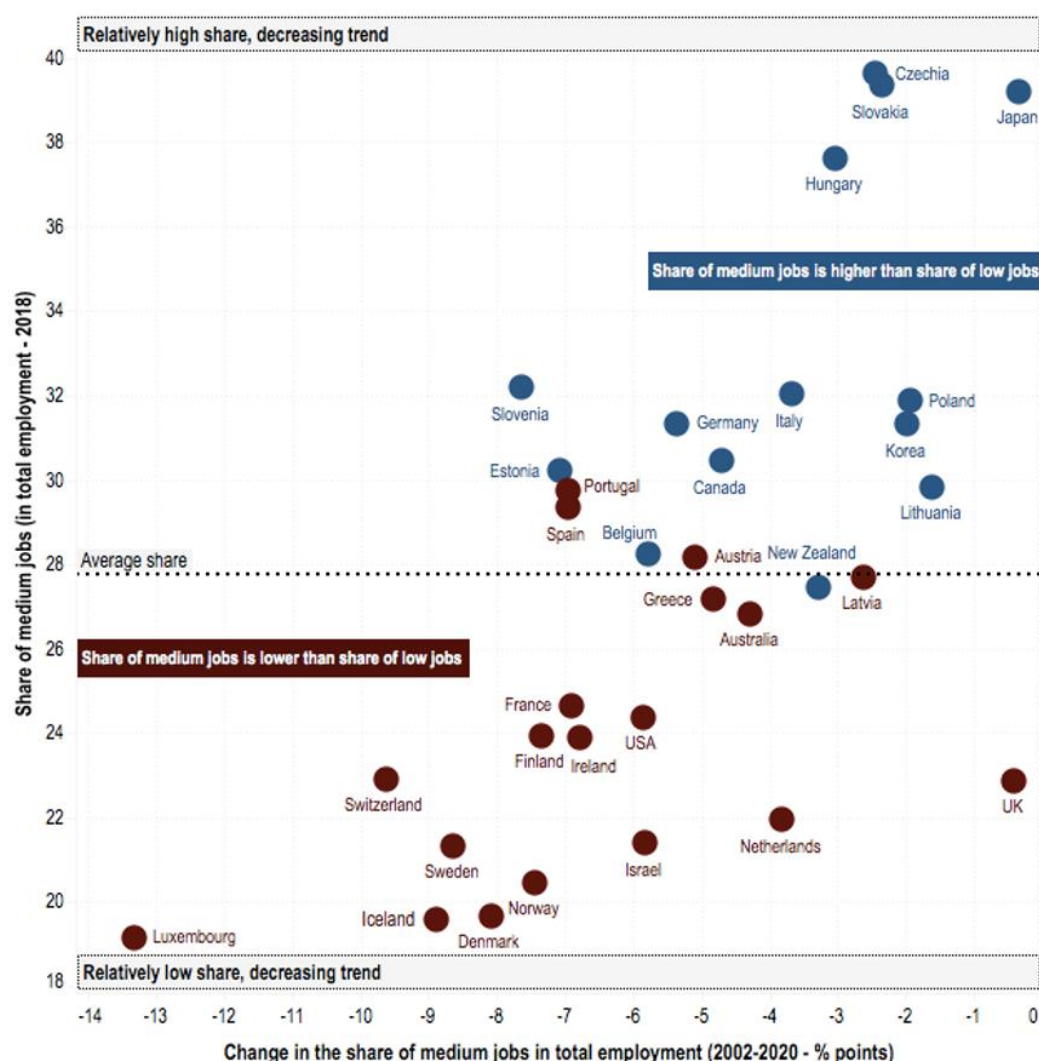
From an international perspective, the UK remains a hotspot of global talent and skills with its labour market showing a strong ability to attract and retain talent (ranked 5th globally) and with a sustained orientation toward knowledge-intensive and more resilient jobs (ranked 8th globally). This is largely reflective of the country's reputation as a hub for global finance and a strong service industry, much of which is concentrated in London and the South East of England.

One important area related to the UK's is its high level of inequality, including significant levels of labour market polarisation. Although

the polarization of the labour market between high-skilled, high-paying jobs and low and middle skilled, lower paying jobs is a common challenge faced by many industrialised countries, the challenge may be more pronounced in the UK.

Over the last two-decades there has been a decline in mid-skilled occupations and an increase in low-skilled and high-skilled occupations (Figure 9). The reasons behind this could include changing consumer behaviour, an increase in automation and outsourcing. If the trend continues the UK will face a heavily polarised labour market which could lead to a range of different socio-economic challenges.

Figure 9: Labour polarisation and trend in share of middle-skilled workers



Source: Whiteshield Partners

Addressing the precarious nature of employment must rise up the political priority list

Secondly, the UK labour market is witnessing a notable rise in the 'gig' economy compared to peers in the EU. Since the global financial crisis, there has been a significant increase in insecure, freelance and zero-hour contract work. Particularly visible is the growth rate of self-employment compared to standard full-time employment. While the rise in gig employment highlights the flexibility of the UK labour market, gig-economy workers

increasingly at risk of becoming trapped in a low wage, low skill job cycle. Part-time workers on an involuntary basis represent 5% of the active population, the 5th highest share among EU-28 countries⁸⁰. Our analysis clearly demonstrates that this is holding the UK back in terms of resilience – so there is now a strong economic case, as well as a legal and health case, for action to boost the floor of protection across the workforce in 2021.

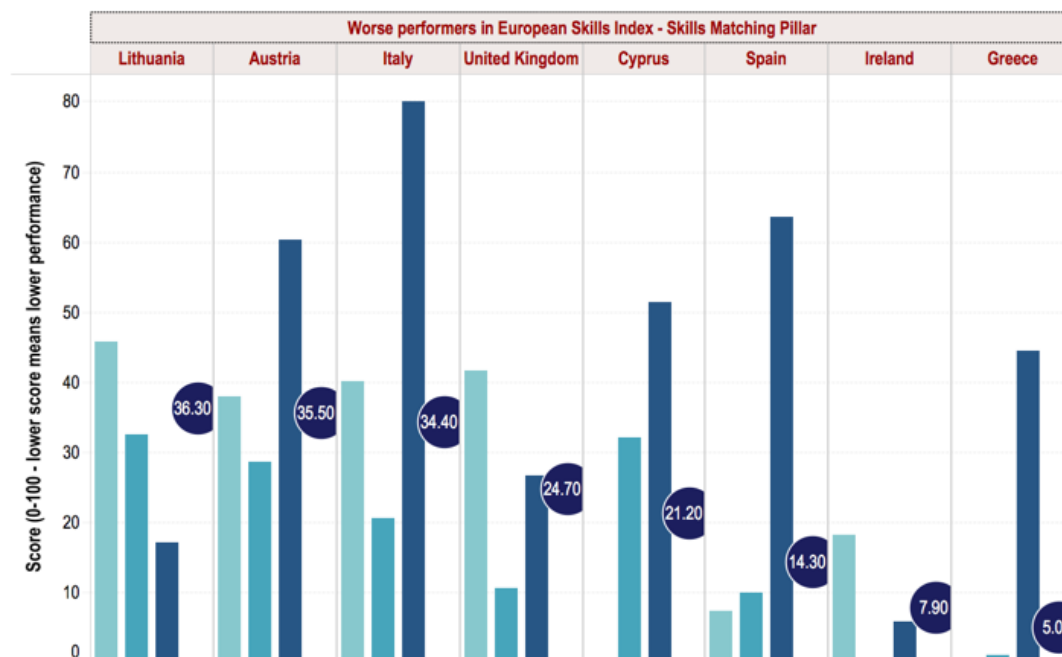
⁸⁰<https://skillspanorama.cedefop.europa.eu/sites/default/files/Country%20Fiches%202018.pdf>

Skills mismatch remains a challenge

Thirdly, the UK is more strongly hit by skills mismatch challenges than most other European countries. The country ranks among the lowest performers in the “Skills Matching” pillar of CEDEFOP European Skills Index (Figure 10). Poor skills accumulation

and mismatch can lead to a lack of wage progression opportunities and increase barriers to quality employment. Tackling the supply and demand for skills must be a priority for government, especially considering the decline in on-the-job training which is occurring in the UK.

Figure 10: Worst European countries on skills matching



Source: Whiteshield Partners & CEDEFOP

Transformative capacity

The third factor of cyclical resilience is transformative capability. Labour market shocks of all kinds can interact with and accelerate long-term stresses on the economy and labour market. Each shock brings with it an opportunity for countries to rely on their pre-existing strengths. In the case of COVID-19 those with a strong and capable digital economy were better positioned to face the crisis and capture the opportunities that came with it. This highlights just one of the ways in which countries who have higher levels of transformative capability will be able to pivot themselves to take advantage of the crisis and emerge stronger and more aligned to future trends.

IT infrastructure and business usage are high but adoption of new technologies such as 4IR remains low

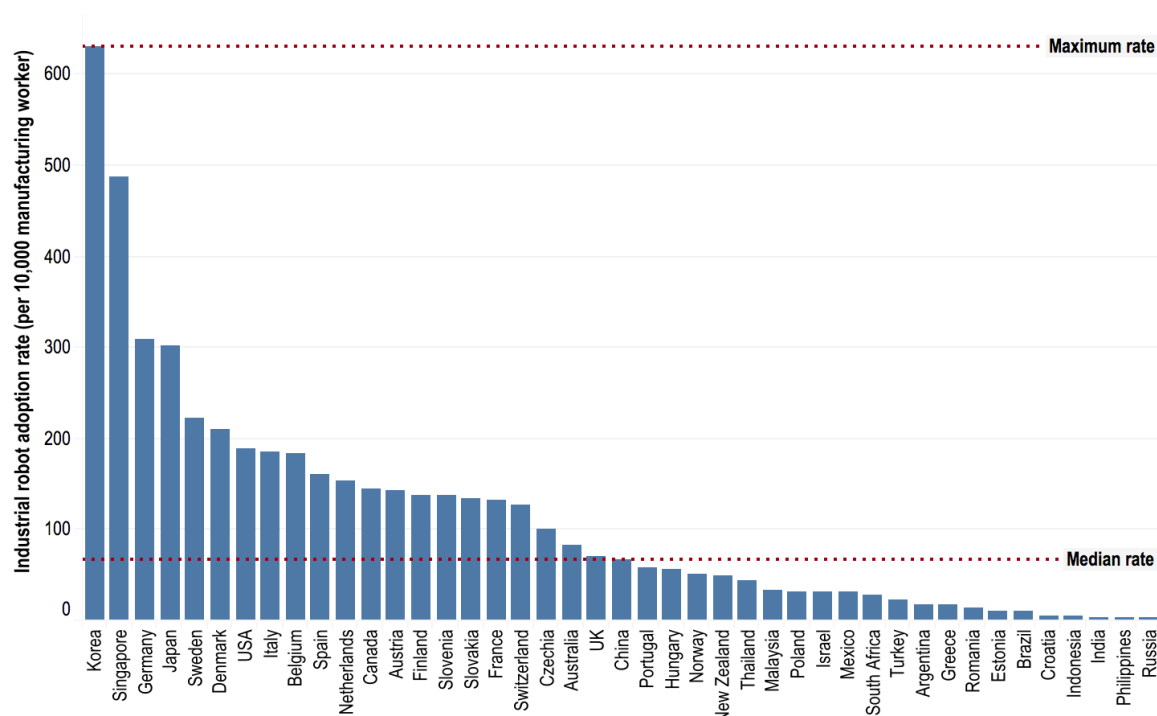
High ICT infrastructure penetration (5th) and ICT business penetration (6th) are the important assets that should be leveraged to enhance transformative resilience. In particular, the UK needs to give more attention to promoting the export of ICT goods and services and high technology exports.

Global economies are vying to become leaders in 4IR adoption and high-tech exports. The UK needs to put more emphasis on accelerating responsible adoption of 4IR technologies if it is to compete internationally (Figure 11).

At the same time, the adverse effects of automation technologies must be acknowledged and addressed, particularly as

they relate to access to, and conditions of, good work which are core components of labour market resilience.

Figure 11: Industrial robot adoption rate



Source: Whiteshield Partners & UNIDO

Difficult decisions on green growth must be prioritised if the government is to meet its target

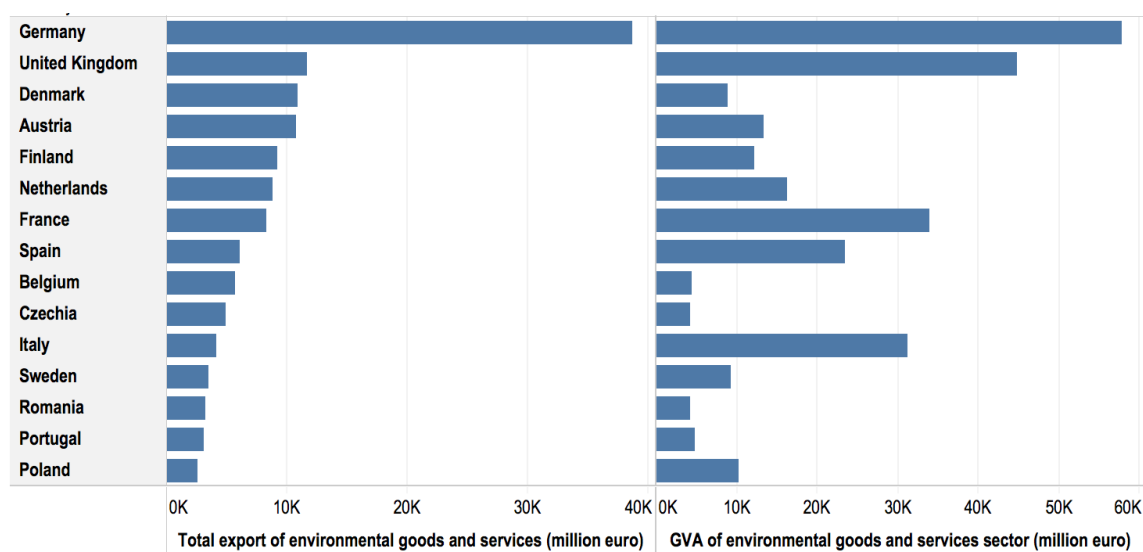
Technological disruption is not the only long-term stress the UK faces. Countries across the globe must deploy strategies that align with the ongoing environmental crisis. Although the UK is not a country with high dependence on natural resources, it needs to further accelerate its transition towards more greener practices. The UK government was one of the first to commit to net zero by 2050⁸¹, however, to make this a reality the

country needs to improve its investment and adoption of zero carbon technologies. Research from the Institute for the Future of Work finds that the lack of long-term industrial strategy has also compromised ability to match current job opportunities in green energy with the skillsets of UK residents.

Despite a relatively high reliance on traditional energy forms, the UK is positioning itself as one of the global leaders in the export of environmental goods and services, which contribute heavily to the GVA of country (Figure 12).

⁸¹ <https://www.gov.uk/government/news/uk-becomes-first-major-economy-to-pass-net-zero-emissions-law>

Figure 12: Environmental goods and services export and GVA



Source: Whiteshield Partners & Eurostat

THE NATIONAL PICTURE HIDES THE EXTENT OF INEQUALITIES

The second component of the GLRI is to focus specifically on the resilience of the regions within a country⁸².

Strong national results do not reflect the level of regional inequality in the country

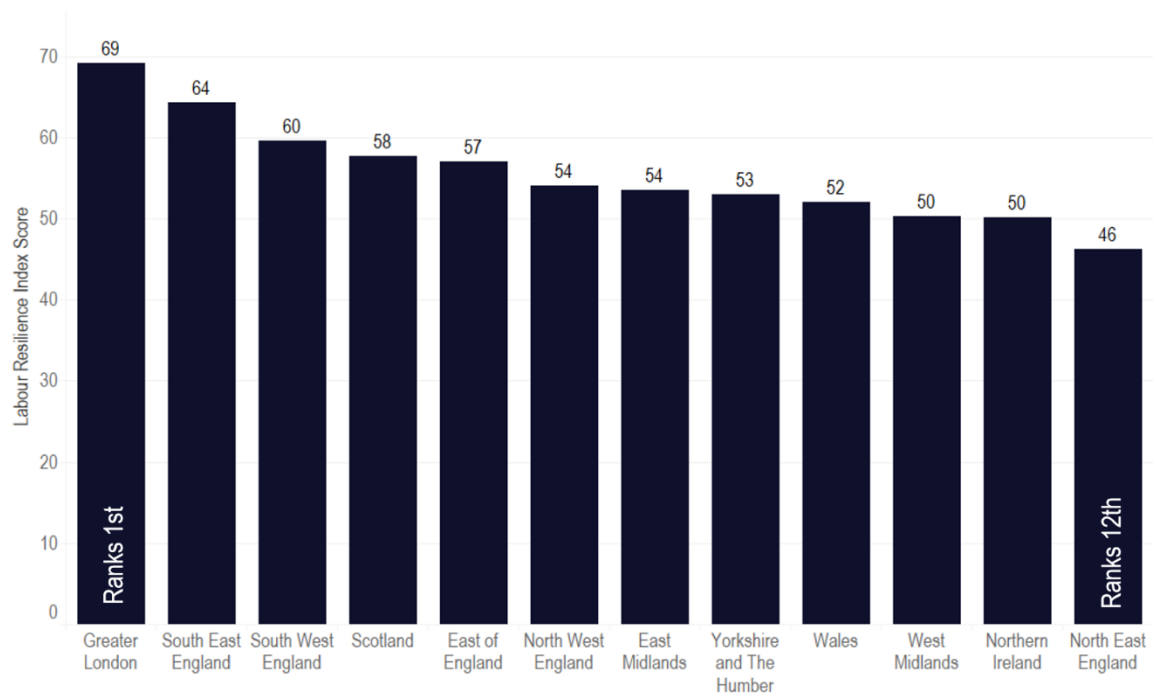
Whilst the national results show a strong labour market by international standards, the results of the regional UK Labour Resilience Index (UKLRI) demonstrate the extent of inequalities across the regions of the UK. There is a significant difference in the labour market resilience scores of the top and bottom performing regions in the UK, as can be seen in Figure 13 and 14.

London and the South East continue to lead the way as resilience outliers

London continues to top the Index, demonstrating a more resilient labour market than the other regions in the UK. The three most prosperous regions by income per capita dominate the Index, London, South East and South West, although they are followed closely by Scotland. Whilst it is important to understand the extent of inequality between the regions of the UK, there are substantial inequalities within the regions, and these must not be overlooked. The low levels of labour resilience in the regions at the bottom end of the Index should be of concern to policy makers given the current economic landscape.

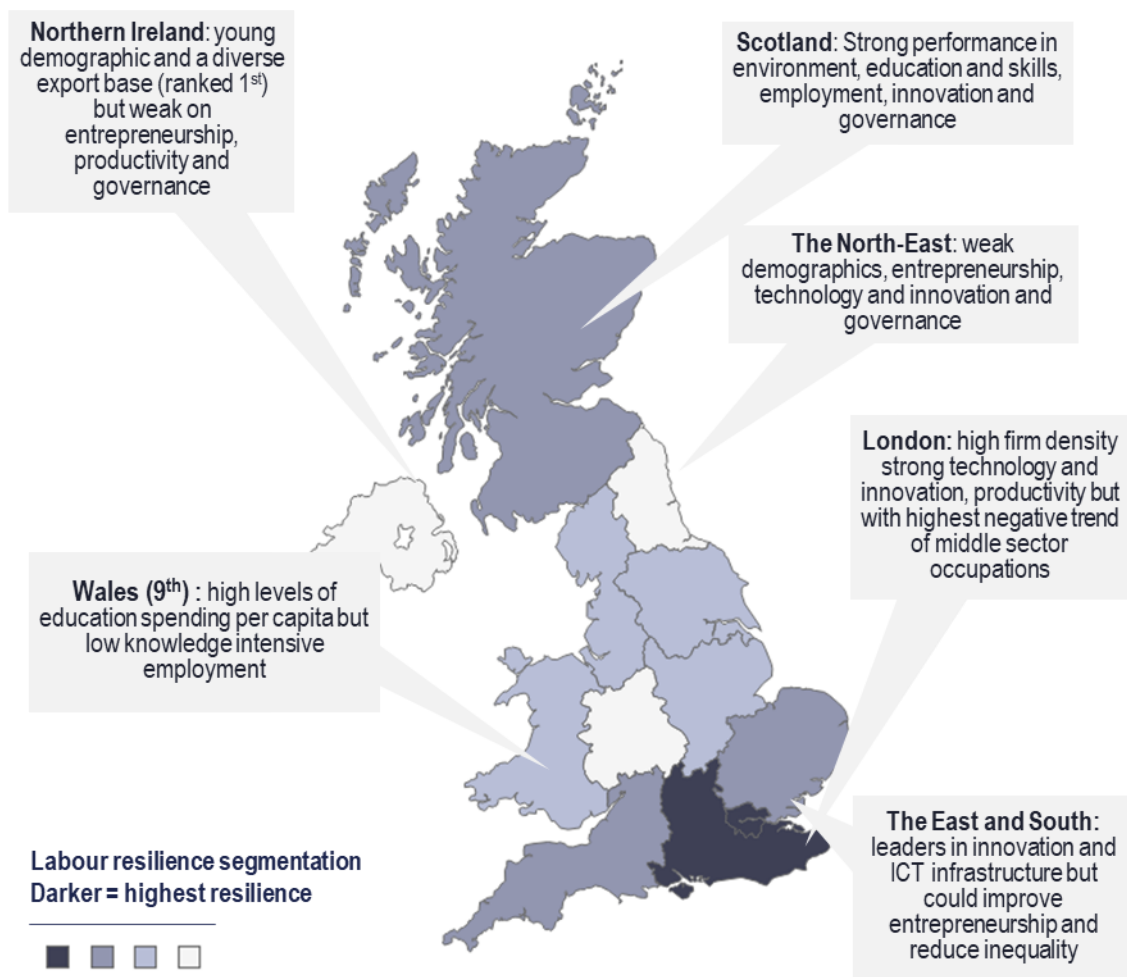
⁸² See appendix for methodological note on the regional labour resilience model.

Figure 13: UK Labour Resilience Index Scores by region



Source: Whiteshield Partners

Figure 14: Heatmap of UK LRI Results 2021



Source: UK LRI 2021 Whiteshield Partners

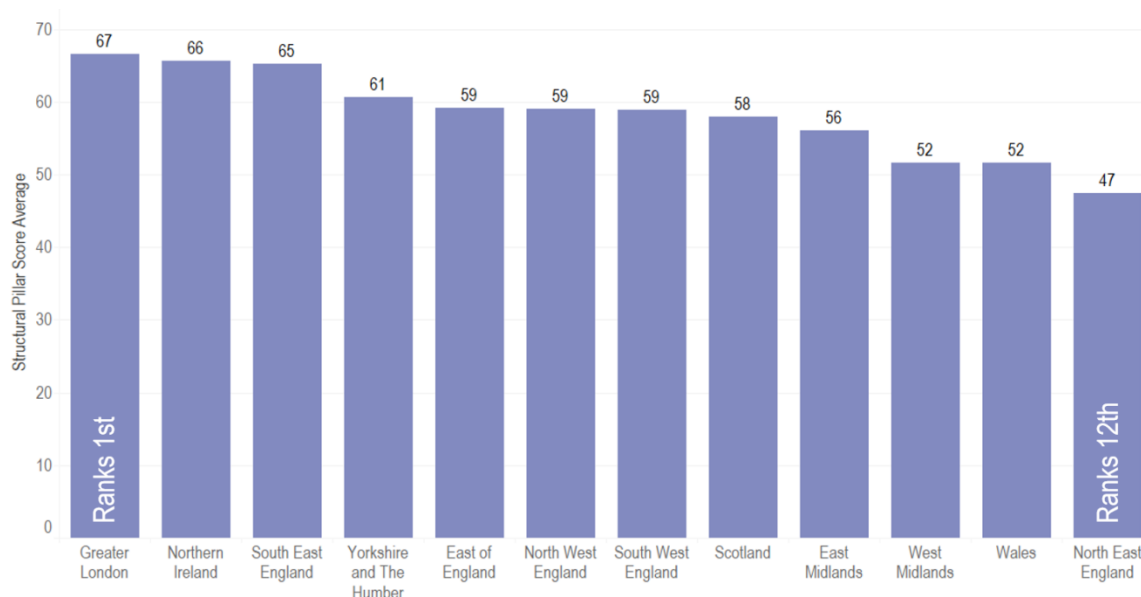
The first component of the UK LRI focuses on structural resilience, this includes measurements of demographic pressures, economic development, economic diversity, inequality, health and wellbeing and IT infrastructure. These represent the core socio-economic components of the region and local labour market. The structural ranking of the UK regions can be seen in Figure 15

Figure 15.

Structural resilience comes in different forms

London and the North East of England continue to have the highest and lowest score - however Northern Ireland, who has an overall Index rank of 11th, finds itself in 2nd on the structural component of the Index. Northern Ireland ranks 2nd on demographic pressures, 1st on the diversity of exports and has the lowest level of income inequality in the UK. Lower levels of inequality at the regional level are not immediately a positive sign, they can reflect an area that is dominated by low-income households or an area of significant disadvantage.

Figure 15: Structural pillar scores by region



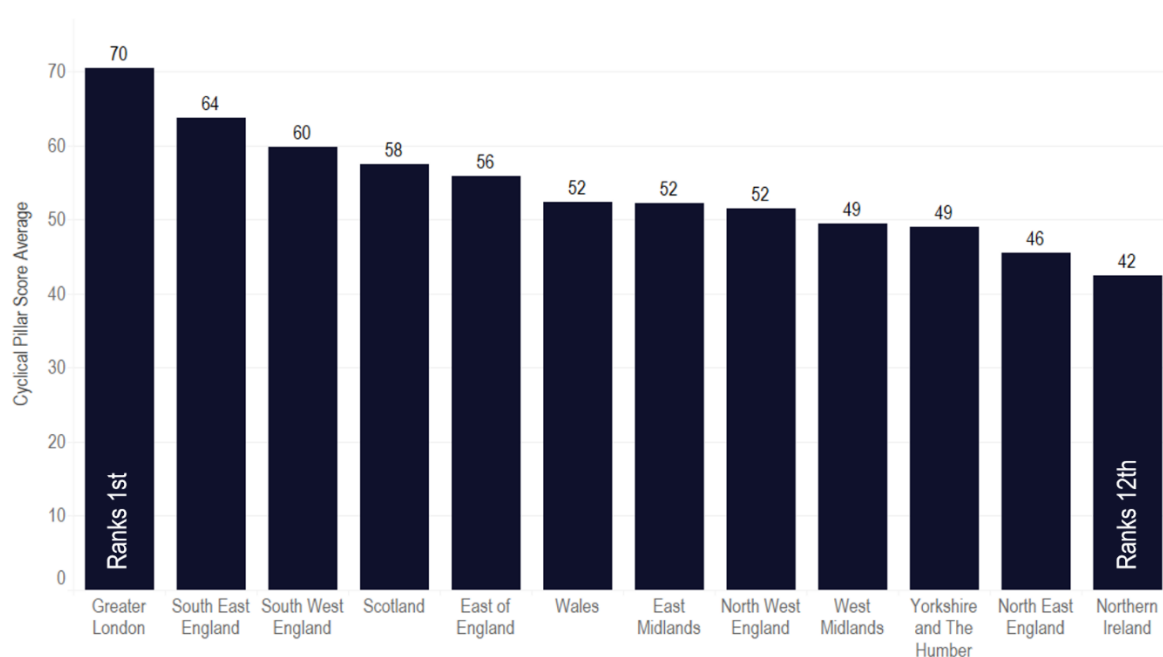
Source: Whiteshield Partners

The gap between the best and worst performing region is highest on the cyclical pillar

The second pillar of the Index is the cyclical pillar, this is based on the previously discussed five components of resilience, these are: education and skills, employment, technology and innovation, entrepreneurship, and governance. These factors are vital parts of labour market growth and the ability to withstand changing economic landscapes.

The performance of the UK regions across this pillar as seen in Figure 16. The gap between the top and bottom region on the cyclical pillar (28 points) is wider than the structural gap (20 points). three regions which top the Index, also have the highest cyclical scores. In contrast, the North East no longer has the lowest score, instead it is Northern Ireland who performs the worst. The region has a high incidence of long-term unemployment and a poor history on entrepreneurship.

Figure 16: Cyclical pillar scores by region



Source: Whiteshield Partners

Table 2: UK Regional Labour Resilience Index

UK Regions	UK LRI 2021 Rank	UK LRI 2021 score	Structural Pillar Rank	Structural Pillar Score (1-100)	Policy Pillar Rank	Policy Pillar Score (1-100)
Greater London	1	69	1	67	1	70
South East England	2	64	3	65	2	64
South West England	3	60	7	59	3	60
Scotland	4	58	8	58	4	58
East of England	5	57	5	59	5	56
North West England	6	54	6	59	8	52
East Midlands	7	54	9	56	7	52
Yorkshire and The Humber	8	53	4	61	10	49
Wales	9	52	11	52	6	52
West Midlands	10	50	10	52	9	49
Northern Ireland	11	50	2	66	12	42
North East England	12	46	12	47	11	46

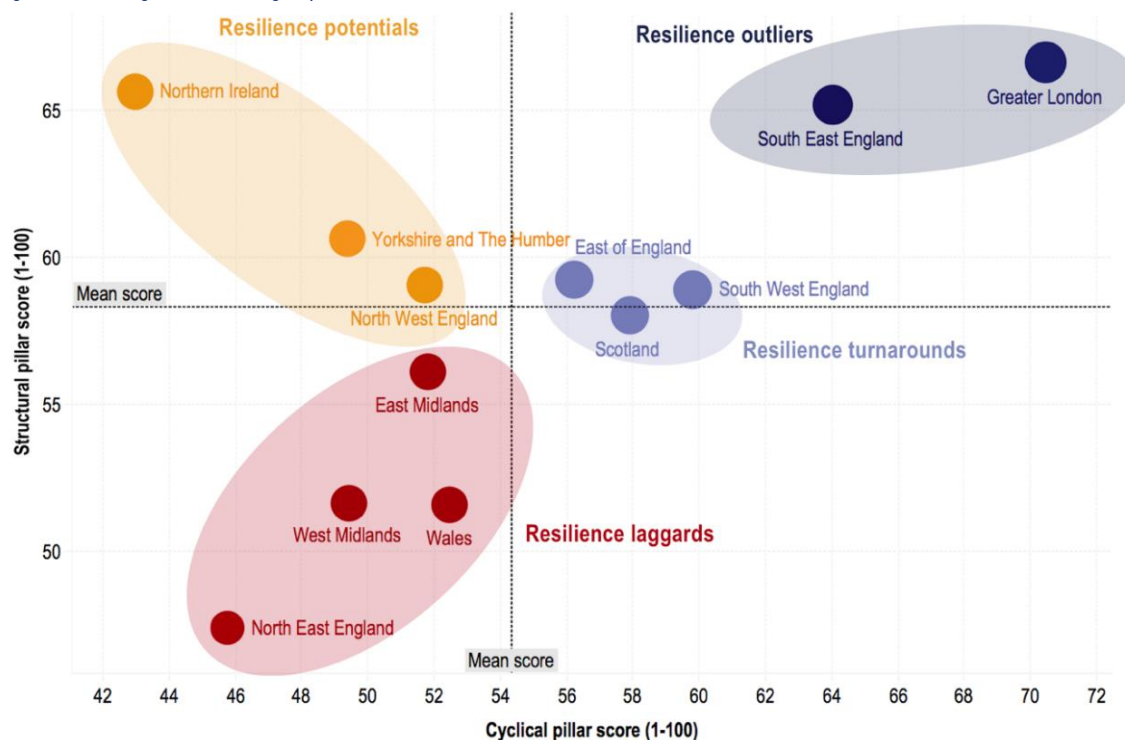
Source: Whiteshield Partners

The UK regions can be segmented based on their resilience profile

The regions of the UK can be segmented into four groups based on their performance across the pillars.

These are displayed in Figure 17 and the strengths and weaknesses of the regions are explained below.

Figure 17: UK region resilience groups



Source: Whiteshield Partners

Resilience Outliers: London and South East

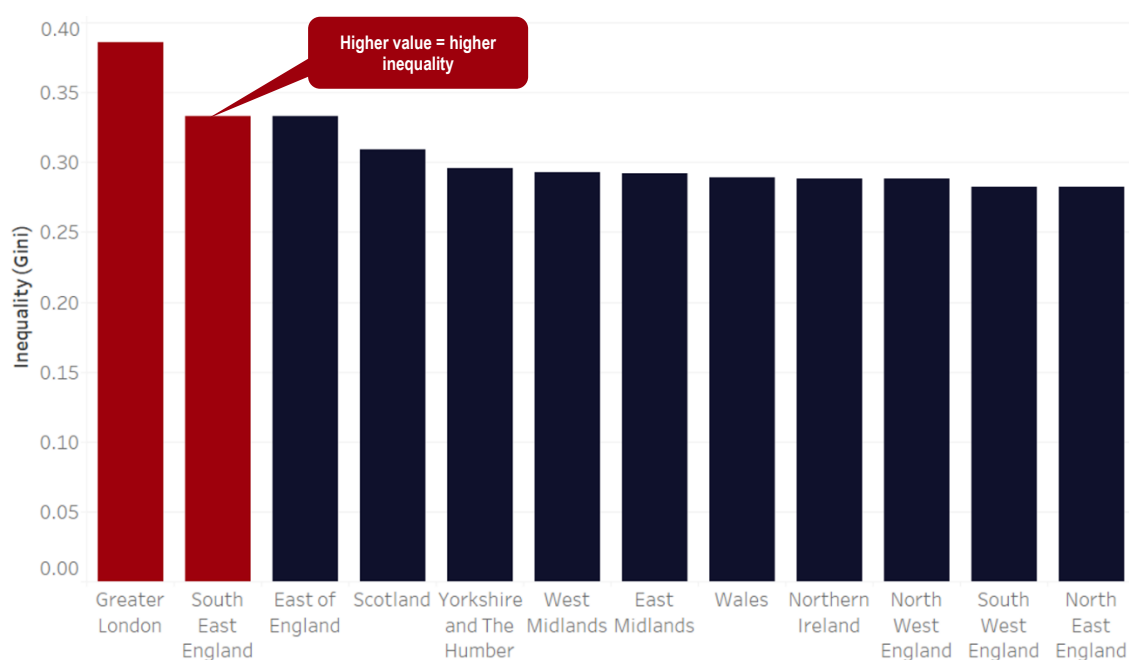
Across various metrics London and the South East are outliers compared to the other UK regions. London has higher than average incomes, a young population, high productivity and performs strongly in relation to innovation and education. The South East ranks third on the structural pillar and second on cyclical capabilities.

Whilst London tops the LRI ranking, it does not always come out as the best performing region in the individual metrics of labour resilience. It has elevated levels of income inequality (Figure 18) and a polarised labour market. The rate of unemployment is more comparable with regions in the north of England than the neighbouring southern regions. In March 2020 London's unemployment rate was 4.5% compared to the UK average of 3.9%⁸³.

London has a resilient labour market but high levels of inequality and polarisation

⁸³ Office for National Statistics, Labour market in the regions of the UK: March 2020, ONS 2020

Figure 18: Gini income inequality by region UK



Source: Whiteshield Partners & OECD

Arts and cultural activities form a greater part of London's economy than the UK average, this sector is likely to be greatly impacted by COVID-19 and continuing restrictions. Subsequently they have been prioritised by the Mayor of London who benefits from the greatest level of devolved power in England.

Given the high levels of inequality across the city, London should prioritise inclusive growth and citizen involvement as it turns its attention to recovery from COVID-19. Despite their high scores in other areas, both regions perform about average on social capital which includes dimensions related to voter turnout and the sense of community, suggesting improvements could be made to the social fabric of these areas.

The South East ranks second and needs to improve its economic development and skills provisions if it is to catch London

The South East's labour market has a range of strengths, as shown by its position of 2nd on the LRI. The region has a large proportion of knowledge intensive workers, a low share of

low-skilled labour, although polarization is increasing, and a high three-year survival rate for businesses suggestion a strong entrepreneurship environment.

However, if the region wants to emulate the resilience strengths of London then it needs to improve the level of economic development (GDP per capita and disposable household income). The region has a high level of young people going onto higher education however the proportion of those with tertiary education in the labour force remains 14 percentage points below London (45% compared to 59%).

These regions should be careful of increasing levels of labour market polarization and income inequality which could widen as they seek to enact recovery strategies in light of COVID-19.

Resilience Turnarounds: South West, East of England, and Scotland

The South West, Scotland and East of England have similar profiles across the dimensions of labour market resilience.

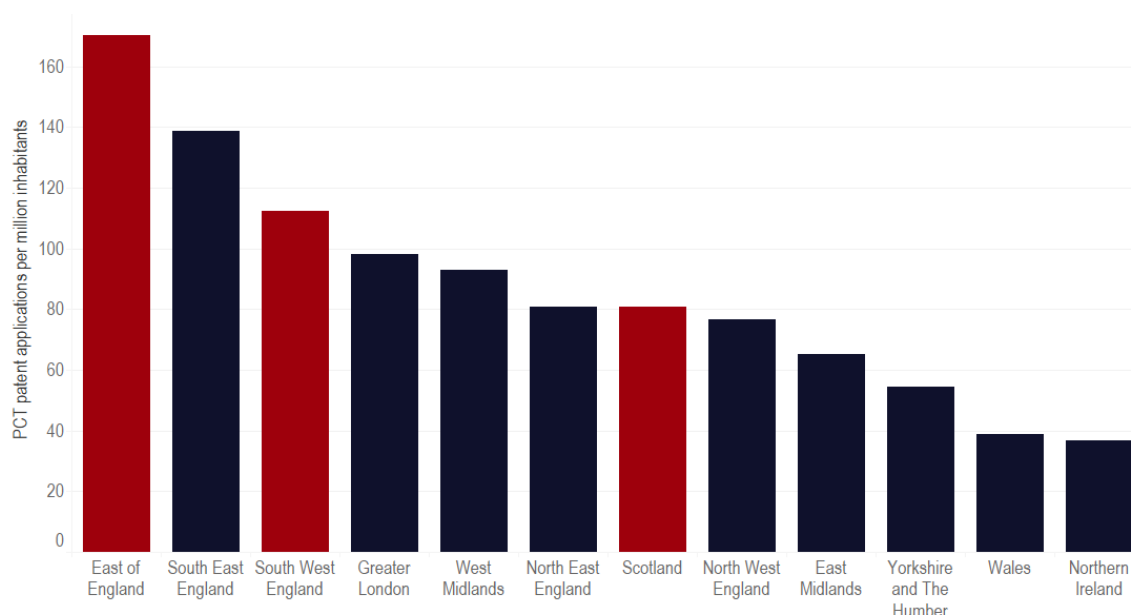
The South West of England is the best of the rest coming 3rd overall with Scotland and the East of England coming 4th and 5th respectively.

Scotland's R&D environment is one of its key resilience strengths but could be strengthened

Scotland benefits from a strong comparative advantage in education and innovation

creating an environment that facilitates R&D, this is helped by several world leading universities. However, R&D spending is mainly driven by public sector investment and Scotland could benefit from more private sector involvement. It is also apparent from Figure 19 that patent applications per million are lower in Scotland than in the other resilience turnarounds. Addressing these challenges could boost employment, productivity, and economic growth.

Figure 19: Patent applications per million inhabitants by region



Source: Whiteshield Partners & OECD

Scotland has one of the highest levels of devolution in the UK which could be contributing to its better than average levels social capital - especially in relation to voter turnout.

The South West is a diverse region and aggregates can high inequality at a micro level

The South West exhibits similar strengths and challenges to Scotland although does not perform as well in education or innovation. The South West is facing a harsh economic landscape due to COVID-19 and its impact on the tourism sector which is a key component of many local economies in the region.

The region has unequal performance across the Index – it ranks 7th on the structural pillar and 3rd on cyclical resilience. The region has the highest proportion of individuals over the age of 65 (22%) and ranks 6th on GDP per capita. On the cyclical side the overall performance is more positive, the region ranks 2nd on the employment of recent graduates and has the lowest rate of NEETs.

The East of England has a balanced profile across the pillars of the Index

The East of England ranks 5th on both the structural and cyclical pillars of the Index suggesting a balanced performance profile. The region is known for its strong links to quality research institutions, including

Cambridge University. Subsequently, the East of England scores well in employment in science and technology fields and labour productivity. However, despite its clear innovation strengths it has middle of the road performance GPD per capita and a low proportion of the workforce with tertiary education. This suggests that the region may be experiencing high levels of brain drain.

However, the regions levels of economic diversification, the life science innovation hubs should prove effective in supporting the regions through COVID-19, especially as scientists and the pharmaceutical industry work on a vaccine.

The focus for these regions should be on closing the productivity gap to London.

Resilience Potentials: Northern Ireland, North West and Yorkshire and the Humber

Resilience potentials have high structural scores but have room for improvement on the cyclical components. The most significant performance gaps for these three regions are in relation to innovation, employment, and entrepreneurship intensity. It is important to note that across the regions the gaps within them can often be as large as those between.

The three regions have potential in the short-term to improve their resilience capabilities

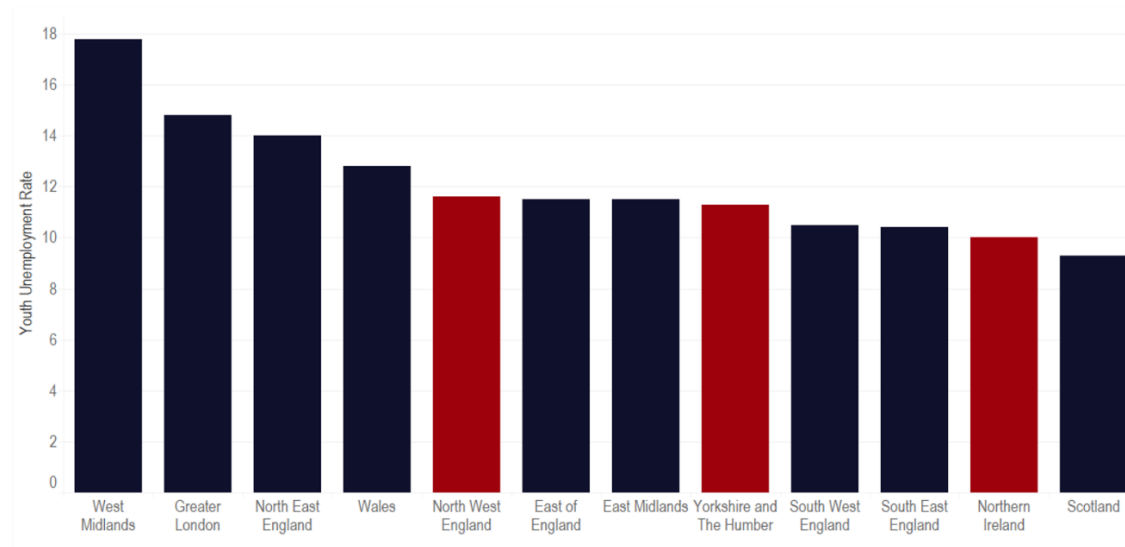
The North West ranks 5th on the LRI and Yorkshire and the Humber ranks 8th out of the regions. Northern Ireland performs very well on structural dimensions, ranking 2nd overall, due the aforementioned younger than average population, low levels of income inequality and a high concentration of exports. Unfortunately, its cyclical score stops it from achieving better on the overall ranking: it ranks 10th.

The business environment is aligned to help businesses succeed but creation remains low

The three regions have a variety of strengths including economic diversification, moderate levels of youth unemployment (Figure 20) and low levels of inequality. The regions have high business success rates signifying an environment that works allow firms to flourish and succeed – although business creation rates remain low.

Focusing on stimulating entrepreneurship in these three regions could boost labour participation rates and productivity.

Figure 20: Youth unemployment rate by region



Source: Whiteshield Partners & OECD

Resilience Laggards: Wales, North East, West Midlands, and East Midlands.

These four regions are characterised by deficient performance on the structural dimension of UK index. Whilst they all place in the bottom four on structural their overall performance is mixed. The East Midlands ranks 7th, Wales 9th, West Midlands 11th and the North East 12th.

These regions will face a difficult recovery

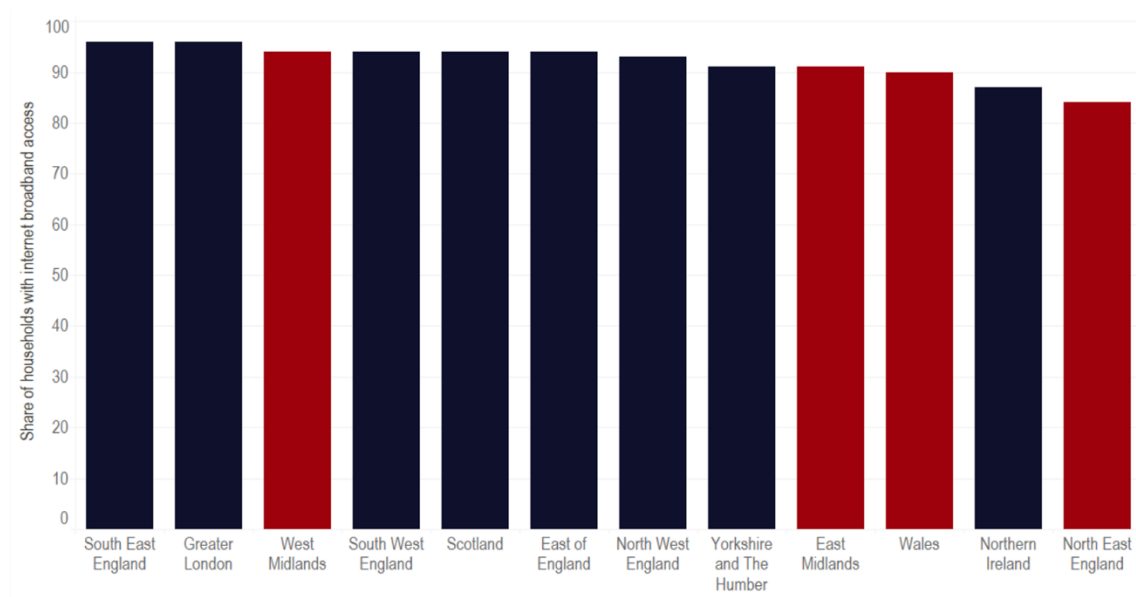
These regions are likely to face the most difficult challenge in recovering from COVID-19. They are characterised by low levels of income, education spending and R&D investment. Prior to COVID-19 their labour markets experienced low levels of labour resilience as demonstrated by their performance in the GLRI.

COVID-19 has been shown to negatively impact the jobs of those with lower-level skills and job losses are likely to be more concentrated in specific sectors. This combination could increase issues around structural unemployment, low quality of work and low productivity.

Adoption of resilience capabilities to long-term trends and stresses has been slow

Remote work is more challenging for people who do not have access to high quality ICT infrastructure and who have not got advanced digital skill - both of which occur in these regions. The UK benefits from high access to broadband, however there are still differences by regions as demonstrated in Figure 21. Three of the Resilience Laggards are in the bottom four for the lowest proportion of households with broadband access.

Figure 21: Share of households with internet broadband access by region



Source: Whiteshield Partners & OECD

Infrastructure should be a key priority for accelerated investment in these regions. The North East has a significantly lower proportion of households who have broadband access

compared to the UK regions. Addressing the pre-existing labour market resilience issues is as important as creating policy to combat the ones highlighted by the current crisis.

POLICY RECOMMENDATIONS FOR ‘LEVELLING UP’ LABOUR MARKET RESILIENCE

As the UK looks beyond COVID-19, focus should turn away from sustaining the economy and labour market to policies for recovery. With the announcement of the “Levelling up Fund”⁸⁴ it is important that we recognise the opportunities and challenges each region faces, and that clear and transparent criteria are applied that address the challenges we have identified here and elsewhere, including the IFOW’s Good Work Monitor, in a comprehensive and strategic manner. Regional actors have shown their worth during the sustain phase and they should continue to be harnessed and improved during the next stages. Boxes demonstrating good practice can be found in the appendix.

1. NATIONAL LEVEL

National government should strengthen its mechanisms for engagement and communication

Recommendation #1: Adopt a “whole-of-country” approach to develop and monitor policies related to labour market resilience

In order to promote greater horizontal coordination and inclusiveness in decision making, the UK Government should initiate a Labour Resilience Strategy, and establish a labour resilience council, known as Work 5.0, to inform it. The council would sit within the Cabinet Office and have representatives from a variety of government departments, regions, business and social partners. The council should include the Department for Work and Pensions, Department for Education, Department for Business, Energy and Industrial Strategy, Department for Digital, Culture, Media and Sport, Treasury and the Cabinet Office.

Work 5.0 would be responsible for the development and evaluation of an annual plan of action to foster more inclusive and sustainable labour markets across sectors and

the UK regions. Inspiration for the specific design of the council can be drawn from the models of the Danish Disruption Council, Sweden’s “The Future” Mission, and Canada’s Future Skills Council.

National and local strategies contributing to Work 5.0 should ensure automation driven by wider policies which also support labour resilience. This may demand a review of the adequacy of current legal infrastructures, and incentives and penalties to ensure automation is human-centred.

Recommendation #2: Strengthen mechanism for devolved communication

COVID-19 underscored that communication and learning between government and devolved nations could be improved. The Joint Ministerial Committees which are supposed to be the main channel of communication between the devolved nations have proved to be ineffective. Communication methods should be reviewed, and changes implemented.

Government should shape future devolution policy in response to asks from local areas sharing labour market characteristics. This could be modelled on the model of Compacts, as the Institute for the Future of Work have set out previously⁸⁵. This should inform the development of Work 5.0.

Local government must be involved in policy decision making in order to allow for more variegated and local attentive approaches to economic development, and to channel the voice of residents on local futures of work.

Recommendation #3: Enhance regional and local policy decision making powers

The crisis has shown the myriad advantages of locally led approaches to economic development, and the important role of local

⁸⁴ <https://www.gov.uk/government/publications/levelling-up-fund-prospectus>

⁸⁵ IFOW (2020) A Better Future of Work after COVID-19
<https://www.ifow.org/publications/a-rapid-review-with-the-future-of-work-commission-a-better-future-for-work-the-world-after-covid-19>

government in addressing challenges that national government can overlook.

The English regions need their voice strengthening in policy and this should be a major component of the forthcoming devolution white paper, with formal and transparent mechanisms for dialogue about the progress of levelling up.

The lack of local fiscal power, especially for Metro Mayors, has held back local areas in their ability to truly support the businesses and people in their regions. These actors must be given greater autonomy over recovery and growth policy dimensions, including but not limited to skills and retraining.

2. SUB-NATIONAL LEVEL

The Resilience Outliers should focus on inclusive growth

Recommendation #1: London and South East should focus on inclusive growth

London and the South East are dynamic labour markets that are hindered by persistent inequality, labour market polarisation and prohibitively expensive housing markets. To address these weaknesses, the Mayor of London should focus on incorporating more inclusive growth strategies into policy decision making. This can include strengthening the voice of citizens, incorporating measures of wellbeing and a focus on increasing the participation rate of women (Box 6).

The South East does not have devolved powers beyond that of Local Enterprise Partnerships and therefore should be one of the focuses of the second national recommendation.

Recommendation #2: Facilitate business collaboration on skills

These regions could address skill mismatches. This can be done through public-private partnerships for training with a range of companies located in these regions. Business must be incentivised to retrain and upskill staff,

for example by extending tax credits from physical and digital to human capital.

In Gwangyang, South Korea localised, and SME focused skills initiatives have been realised through different programmes including the Consortium for HRD Ability Magnified Program (CHAMP). CHAMP, which was introduced in 2011, facilitates joint training between large companies and SMEs that are mostly situated in the supply chain as suppliers and contractors of the large companies (Box 7).

Resilience turnarounds emphasis on recovery and local citizen led innovation

Recommendation #1: Support innovation at the local level to drive greater resilience and transformation

Local leaders in the East of England, South West and Scotland should enhance innovation across the regions. This is one of the areas they have demonstrated an existing strength but where there is still low hanging fruit to be realised. Local and national government can play an important role in supporting locally led collaborative innovations.

In Ireland, the four local authorities of Dublin are working together with technology providers, academia and citizens to transform public services and enhance quality of life. The initiative 'Smart Dublin' focuses on a range of themes: smart government, smart mobility, smart environment, smart living, smart people and smart economy. There is a strong focus on sustainability including cleaner transport and reductions in emissions (Box 8). The Civic Innovation Challenge in London involves start-ups and challenges them to find solutions to London's biggest challenges. Two of the programmes funded through the initiative focus on addressing sustainability challenges (Box 9). In complement to more geographically even investment possibilities for new enterprise, such programmes can shape an environment in which innovation can flourish and start-ups can scale up their operations.

Recommendation #2: Local economic recovery taskforces should be created

Local knowledge should be harnessed to develop local economic recovery plans. Citizens, business and the public sector should collaborate on rebuilding the parts of the economy most impacted.

The work of the San Francisco COVID-19 Economy taskforce should act as a framework for effective collaboration across the different sectors (Box 10).

Recommendation #3: Stimulate economic recovery through digital platforms

Given the lack of fiscal devolution across England local areas have very few tools available to them to fully support businesses. It is simply not within their powers to provide important financial stimulus packages. Many have had to look for alternative ways to provide businesses with resources to alleviate cash flow reductions, such as providing digital facilities to match local partners, suppliers and consumers. Using digital infrastructure to match local supply with local demand is one way they might do this. London's 'Pay it Forward' Scheme is one such example.

Oxford City Council recognised the challenge many people faced in accessing online food delivery slots and subsequently created an online directory alerting consumers to local businesses that were providing fresh food delivery or takeaway services. Not only does this address the challenge consumers faced in accessing products but it created demand for local business. By stimulating demand now, and for the future, it can help businesses through the crisis and create relationships between consumers and local businesses which will support future resilience. Support for businesses to increase their digital presence was missing from national support but has been an active component of local support.

Where the state, at a local or national level, creates platforms, good work standards should be embedded in them.

Resilience potentials should focus on diversification via entrepreneurship and innovation

Recommendation #1: Use infrastructure, R&D and technology upgrades to activate recovery

Based on current economic diversification and levels of R&D in regions of resilience potential, the government, private sector and higher education institutions should work together to build R&D plans in these localities. Every region of the UK has several established and reputable universities, and these should be harnessed to support with the economic recovery including through partnerships with private business (especially SMEs). There is an opportunity for schemes, such as the £375 million UK-wide 'Future Fund: Breakthrough', to help boost R&D and innovation in these areas. Localised plans should not just spread current R&D investment but seek to develop new sources and opportunities for funding.

Local decision makers have shown their strength in engaging the private sector during the crisis and these relationships should be harnessed during the recovery. See Box 11 on Flanders in Belgium which has created an innovation hub for sustainable chemistry.

Recommendation #2: Develop local working groups to monitor and develop policies related to local labour market resilience

Building on the work of the national Labour Resilience Council (Work 5.0), regional or city-based resilience working groups should be established. The working groups should include members of the public, businesses, workers representatives and local leaders. The level of geography should be decided at a local level to reduce resource inefficiencies.

They should focus specifically on increasing local labour resilience in areas which have been badly affected by COVID-19. The aim should be to have these working groups in every region,

but pilots should be deployed initially in regions of resilience potential.

Recommendation #3: Enhance levels of local entrepreneurship through further collaboration

Developing responsible entrepreneurship should be a key focus area for Resilience Turnaround regions to complement a growing R&D environment. Local networks – in particular the many Local Enterprise Partnerships (LEPs) - should be harnessed and strengthened to expand entrepreneurship opportunities through exchange of knowhow, capital and ideas.

There are a range of tools available which can be used to facilitate this collaboration including:

- Streamlining any local bureaucracy in setting up businesses
- Mentorship networks
- Advisory services
- Entrepreneurship education in schools

See Box 12 on Catalunya (Spain) which has created a public-private network to support SMEs and entrepreneurs across the region.

Resilience laggards together with other regions should focus on supporting industry to transform

Recommendation #1: Clean and sustainable transitions

To enhance the green recovery many companies will need support to adjust their business models towards cleaner technologies and production methods. Specific focus should be given to manufacturing intensive areas in the North East and other Resilience Laggards. Such efforts should help to future proof industries of substantial local economic importance, while also increasing the provision of good work.

The UK has recognised that the recovery from COVID-19 must be green and subsequently has launched the “Green Industrial Revolution.” Part of this includes £1 billion for a Carbon Capture and Storage Infrastructure Fund, and additional

investment in low hydrogen carbon production, offshore wind, and nuclear power. Areas of the country which are at risk of job reductions from the changing industry prioritisation must be supported by the green industrial revolution if the government is to truly achieve its commitment to “levelling up”.

In Denmark, the Copenhagen Cleantech Cluster (CCC) was established in 2009 to ensure smart growth, innovation and cooperation among Danish cleantech firms and knowledge institutions. The overarching object is to accelerate industry capability in green and sustainable growth (Box 13). This type of scheme could form part of the green industrial revolution.

Recommendation #2: Support digital structural transformation

Resilience laggards should support businesses to make structural changes to their operations by going digital. Investment in broadband is a vital part of the transition for businesses as they must be able to rely on a fast and reliable connection regardless of where their business is based. The government has committed to rolling out full-fibre broadband and rural areas of Wales must not be ignored. Enabling businesses to move online should sustain jobs and enhance competitiveness and innovation. In the Spring Budget 2021, the Chancellor announced the Help to Grow scheme and it is important that the funding for this is distributed to those most in need and with the most to gain from support.

In Germany, Industrie Plattform 4.0 was established to create a holistic approach to the shaping of digital ecosystems, this is known as vision 2030. The aim is to create a framework for a future data economy in line with the requirements of a social market economy: emphasising open ecosystems, diversity and plurality and supporting competition between all the stakeholders on the market (Box 14).

The technological transformation has ramifications not just for business. There is a chance that workers in all regions could be displaced by technology and finding ways to

support these individuals must be a priority for government moving forward. This is critical to

preventing further labour market polarisation, as we have identified.

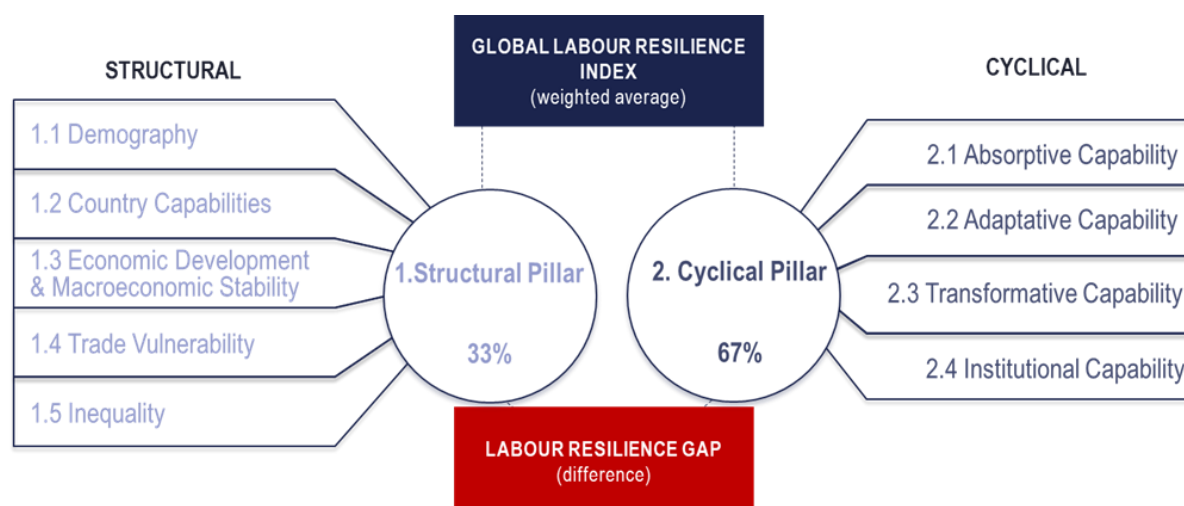
APPENDIX

METHODOLOGY NOTE

The Global Labour Resilience Index assesses over 145 countries and economies on the resilience of their labour markets based on a total of nine dimensions and 102 indicators from a wide range of international sources. The methodology can be found in the

Global Labour Resilience Index report 2021. The framework consists of two pillars: structural and cyclical resilience (Figure 22) which are each made up a series of indicators (Figure 23 and 24).

Figure 22: GLRI 2021 framework



Source: Whiteshield Partners

Figure 23: The structure and breakdown of structural indicators for GLRI 2021

1. Structural elements	
1.1 Demographics <ul style="list-style-type: none"> Share of older population 	1.4 Trade Vulnerability <ul style="list-style-type: none"> Concentration of exports (HHI) Economics diversity (RCAs) Current account balance
1.2 Country capabilities <ul style="list-style-type: none"> Economic complexity (ECI) 	1.5 Inequality <ul style="list-style-type: none"> Income inequality (Gini coefficient)
1.3 Economic Development of Macroeconomic stability <ul style="list-style-type: none"> GDP/capita % services (GDP) Dependence on natural resources Debt dynamics 	

Source: Whiteshield Partners

Figure 24: The structure and breakdown of cyclical indicators for GLRI 2021

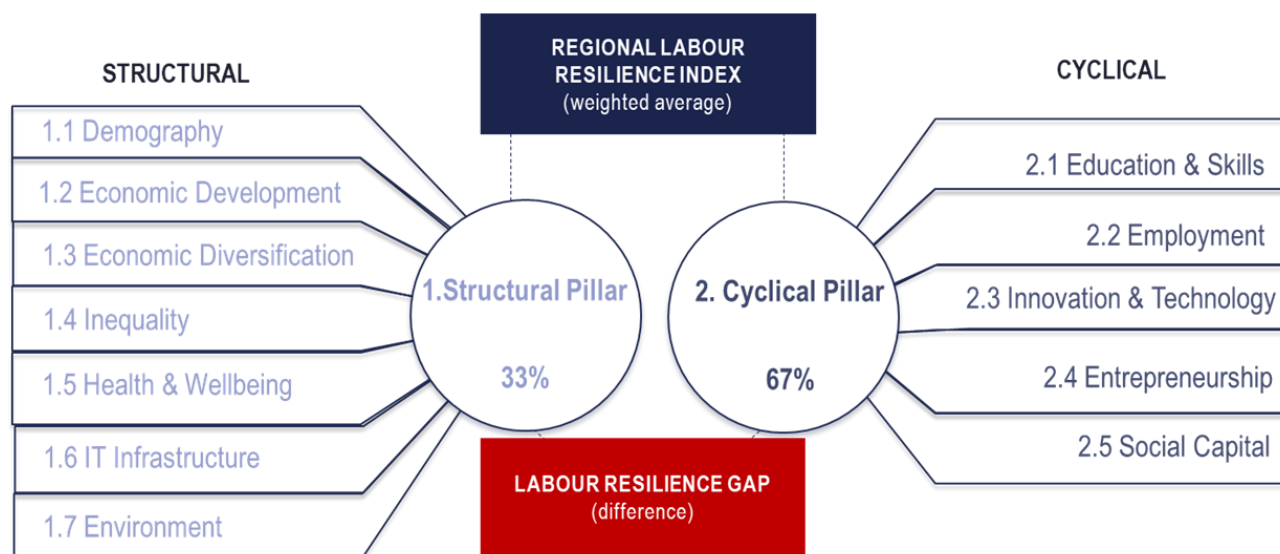
2. Cyclical elements			
Input		Output	
2.1 Absorptive capacity	Support and protection of workers <ul style="list-style-type: none"> Workers' rights Pension coverage Unemployment coverage Coverage of basic health services 	Quality of employment <ul style="list-style-type: none"> Quality of earnings Quality of working environment Share of informal employment Youth inclusiveness <ul style="list-style-type: none"> Youth not in EET Youth unemployment Labour market polarization and inequality <ul style="list-style-type: none"> Low-skilled labour Trend in growth of medium-skilled jobs Labour income share Labour income inequality 	Gender inclusiveness <ul style="list-style-type: none"> Ratio of female to male labour force participation rate Gender pay gap: estimated earned income ratio Health and well-being of population <ul style="list-style-type: none"> Longevity Physical health Mental health
	2.2 Adaptive capacity <p>Flexibility of labour policy</p> <ul style="list-style-type: none"> Hiring and firing practices Ease of hiring foreign labour Effect of taxation on incentive to work <p>Business regulation</p> <ul style="list-style-type: none"> Time dealing with government regulation Intensity of local competition Trade openness Applied tariffs Paying taxes Enforcing contracts Property rights Insolvency framework <p>Starting a business regulation</p> <ul style="list-style-type: none"> Time to start a business Cost to start a business <p>Access to finance regulation</p> <ul style="list-style-type: none"> Doing business access to credit <p>Quality of infrastructure</p> <ul style="list-style-type: none"> Logistics Performance Index 	Reallocation and flexibility mechanisms <ul style="list-style-type: none"> Active labour market policies effectiveness <p>Skills and adaptability</p> <ul style="list-style-type: none"> Participation rate in formal and non-formal education and training Extent of staff training High-skilled labour Skilled labour supply Tertiary education attainment Skillset of graduates 	Entrepreneurship activity <ul style="list-style-type: none"> New corporate registration GEI attitudes & perceptions subindex <p>Access to finance</p> <ul style="list-style-type: none"> Venture capital investments SME access to loans Microfinance portfolio Depth of capital markets
2.3 Transformative capacity	Regulation of ICT <ul style="list-style-type: none"> Internet and telephony sector competition regulation Future orientation of government Global Cybersecurity Index <p>Support and investment in technology</p> <ul style="list-style-type: none"> Public procurement of advanced technology <p>Expenditures on R&D</p> <ul style="list-style-type: none"> Gross R&D expenditure (% GDP) <p>Intellectual property legislation</p> <ul style="list-style-type: none"> IPR score <p>Innovation incentives</p> <ul style="list-style-type: none"> Direct government funding of BERD as a % of GDP <p>Investment in the future workforce</p> <ul style="list-style-type: none"> Government expenditures on education (% GDP) Tertiary education expenditure per tertiary student Pupil teacher ratio ICT infrastructure per school 	ICT business penetration <ul style="list-style-type: none"> ICT usage by firms ICT and business model innovation in firms ICT and organizational model innovation in firms <p>ICT infrastructure penetration</p> <ul style="list-style-type: none"> ICT access <p>Innovation environment</p> <ul style="list-style-type: none"> Scientific and technical journal articles Researchers in R&D Technicians in R&D Quality of research institutions Industry-university collaboration <p>Innovation trade</p> <ul style="list-style-type: none"> Shares of creative goods exports 	Technology and digital economy <ul style="list-style-type: none"> High-technology net exports ICT goods exports ICT services exports Share of medium-high and high-tech manufacturing in MVA Share of medium high and high-tech manufacturing exports in manufacturing exports Robots adoption rate <p>Green transition</p> <ul style="list-style-type: none"> Environmental goods exports and imports Green patent applications Renewable energy consumption CO2 intensity of GDP Energy intensity Domestic material consumption <p>Innovation products</p> <ul style="list-style-type: none"> Trademark applications Patent applications International co-inventions <p>Education and skills of the future workforce</p> <ul style="list-style-type: none"> Quality of vocational education PISA scores Quality of educational system Critical thinking Digital skills STEM graduates
	2.4 Institutional capacity <ul style="list-style-type: none"> WB World Governance Index Social capital WB statistical capacity index GLRI statistical fullness indicator 		

Source: Whiteshield Partners

The methodology of the Regional Labour Resilience Index is based on the Global Labour Resilience Index© methodology. It is structured around the same longer-term structural and shorter-term cyclical dimensions of the GLRI however it does not

focus on the four resilience capabilities but instead on five components of resilience (Figure 25 & 26). The structural and cyclical pillars in the Regional LRI have the same weights as in the GLRI, 33% and 67% respectively.

Figure 25: Structure of UK LRI



Source: Whiteshield Partners

Figure 26: Breakdown of structure and indicators for the Regional LRI 2021

Subnational Labour Resilience Index			
1. Structural elements	2. Cyclical elements		
1.1 Demographics <ul style="list-style-type: none"> Population ages 65 and above (% of total population) 1.2 Economic Development <ul style="list-style-type: none"> Disposable household income, USD per head, current prices, current PPP GDP/capita, USD per head, constant prices, constant PPP, base year 2015 1.3 Economic Diversification <ul style="list-style-type: none"> Concentration of exports 1.4 Inequality <ul style="list-style-type: none"> Gini (at disposable income, after taxes and transfers) Individuals living in relative low income, AHC 1.5 Health & Wellbeing <ul style="list-style-type: none"> Self-evaluation of life satisfaction Life Expectancy at Birth 1.6 ICT Infrastructure <ul style="list-style-type: none"> % of population with broadband access 1.7 Environment <ul style="list-style-type: none"> Air pollution, level of PM2.5 	2.1 Education and Skills <ul style="list-style-type: none"> Educational attainment <ul style="list-style-type: none"> Share of Labour Force with Tertiary Education (in % of labour force) 	<ul style="list-style-type: none"> Participation in Adult Education and Trainings <ul style="list-style-type: none"> Participation rate in education and training (last 4 weeks) 	
	2.2 Employment <ul style="list-style-type: none"> Economic performance <ul style="list-style-type: none"> Job density <ul style="list-style-type: none"> Number of jobs per head Labour force participation <ul style="list-style-type: none"> Participation Rate 25 to 64 Labour dynamism <ul style="list-style-type: none"> Long-term unemployment incidence Employment rate of recent graduates Labour productivity <ul style="list-style-type: none"> Regional Gross Value Added, National currency per worker, current prices 	<ul style="list-style-type: none"> Social performance <ul style="list-style-type: none"> Youth unemployment <ul style="list-style-type: none"> Youth Unemployment Rate (% unemployment 15-24 over labour force 15-24) Share of 18-24-year-olds population not in education and unemployed or inactive (NEET) Gender balance <ul style="list-style-type: none"> Participation Rate Gender difference, 15-64 years old (female-male) Non-standard employment <ul style="list-style-type: none"> Share of self-employed population Part-time employment incidence 25 to 49 Labour market polarization <ul style="list-style-type: none"> Labour market polarization index (5-year change) Share of low skilled jobs 	
	2.3 Innovation and Technology <ul style="list-style-type: none"> Innovation <ul style="list-style-type: none"> PCT patent applications per million inhabitants R&D Total Personnel Rate 	<ul style="list-style-type: none"> Technology <ul style="list-style-type: none"> Employment in high-tech manufacturing as a share of man employment Employed in science and technology (%) Share of employment in knowledge-intensive services 	
	2.4 Entrepreneurship <ul style="list-style-type: none"> New business <ul style="list-style-type: none"> Births of enterprises per population Entrepreneurship dynamism <ul style="list-style-type: none"> Births/ Deaths 	<ul style="list-style-type: none"> Survival rate <ul style="list-style-type: none"> 3-year Survival rate 	
	2.5 Social capital <ul style="list-style-type: none"> Civic Engagement <ul style="list-style-type: none"> Voter turnout 	<ul style="list-style-type: none"> Community <ul style="list-style-type: none"> Perceived social support network 	

Source: Whiteshield Partners

CASE STUDY BOXES

Box 6: Regional inclusive growth initiatives



REGIONAL INCLUSIVE GROWTH

USING WELL-BEING METRICS IN POLICY MAKING



The Good Life initiative in Southern Denmark includes a comprehensive set of regional well-being indicators in its Regional Development Plan, combining objective and perception-based indicators to monitor social progress in the region. The focus is on people and places.

The well-balanced combination of indicators offers an opportunity to explore the link between the objective conditions and individual perceptions of life in different places, and to contribute new perspectives in the Danish growth debate.

CITIZEN ENGAGEMENT



Through the so-called budget participatif, citizens can vote among several proposed projects and are asked to select the investments that they consider most valuable in a context where a limited budget does not permit implementing all proposals.


Since 2014 the municipality of Paris gives its citizens the opportunity to decide on the use of 5% of its investment budget. The aim is to involve citizens in municipal politics to foster social cohesion and to learn their preferences. It builds on the principles of open government and promotes a stronger relation between citizens, their representatives and the public institutions.

Source: OECD The Governance of Inclusive Growth, 2015

Box 7: South Korea and skills collaboration


CONSORTIUM FOR HRD ABILITY MAGNIFIED PROGRAM (CHAMP)
Policies to strengthen labour market resilience

MEETING THE SKILLS NEEDS OF LOCAL SMES IN GWANGYANG

South Korea


CONTEXT & OBJECTIVES

- Need to move to locally tailored skills initiatives, recognising that adaptation to local circumstances can improve the efficiency and effectiveness of delivery.
- Improving skills in workplaces is important especially for SMEs which often have no dedicated human resource department, or may rely more on informal HR processes.



KEY INSIGHTS

- When local areas take a leading role in designing and implementing their own job creation projects, it allows for a more effective employment generation platform since the initiatives are closely tied to the labour market requirements on the ground.
- By providing additional programs around vocational skills and other related areas through a connected public-private consortium, LBJCP covers the employment ecosystem from market analysis to education and employment assistance.

APPROACH

- CHAMP works with Local-Based Job Creation Program (LBJCP) to address skills mismatches in the local labour market and contribute to local economic development. LBJCP and CHAMP are currently operating nationwide, with 482 projects for LBJCP and 161 training centres for CHAMP in addition to Gwangyang.
- LBJCP was initiated to ensure that local areas take a leading role in designing and implementing their own job creation projects, through local NGOs, academic institutions, workers' and employers' organisations, and local governments who conduct research on their local labour markets and develop creative job creation projects.
- The LBJCP also develops the vocational skills of individuals in the local community. Related programmes and research projects are conducted by a consortium of non-profit corporations or non-profit organisations formed by local municipalities with the aim of addressing local employment issues.

MEASURES / OUTCOMES

- In 2014 the government had selected 567 local projects and provided them with KRW 77 billion in funding.
- Employment rate of course-finishers was 96.1% in 2014.
- 60,484 trainees joined CHAMP training programs for SMEs in 2014

Source: Whiteshield Partners; Better Use of Skills in the Workplace, OECD

Box 8: Smart city innovation in Dublin

SMART DUBLIN		Policies to strengthen labour market resilience
SMART TECHNOLOGY ENGAGEMENT		Ireland
CONTEXT & OBJECTIVES <ul style="list-style-type: none"> Smart Dublin is an initiative of the four Dublin local authorities to engage with smart technology providers, researchers and citizens to solve challenges and improve city life. Smart Dublin is delivering a programme that encourages the creation of solutions to address city needs. 		KEY INSIGHTS <ul style="list-style-type: none"> Smart Dublin is a perfect illustration of whole-of-society approach applied to solve city level solutions. Smart Dublin takes a regional approach and provides a central point of contact. It is about creating new collaborations internally and externally. Administrative bodies within a city can learn from their peers to boost city performance through innovation and collaboration.
APPROACH <ul style="list-style-type: none"> The unique project, which was launched in March 2016, brought together the four administrative bodies in the city - Dublin City Council, South Dublin County Council, Dún Laoghaire-Rathdown County Council and Fingal County Council - under one umbrella to pull resources, share information and work together to find solutions to city problems. It covers broad range of themes: smart government, smart mobility, smart environment, smart living, smart people and smart economy. Smart Dublin interacts with different stakeholders both from government and private sector, including multinationals & tech Companies, SMEs & start-ups, research institutions & universities, city and state agencies, citizen/community groups. 		MEASURES/ OUTCOMES <ul style="list-style-type: none"> Smart Dublin has been involving in different projects, which include the cycling challenge or cycling. It is an initiative in partnership with Enterprise Ireland that sought innovative and low cost solutions to increase the number of people cycling in Dublin. Five companies won funding to develop a proof of concept and four of them secured further funding to develop a pilot.

Source: Dublin City Council, <http://www.dublincity.ie/SmartDublin>

Box 9: London Civic Innovation Challenge

LONDON CIVIC INNOVATION CHALLENGE		Policies to strengthen labour market resilience
TECHNOLOGY INNOVATION PROGRAMME		England
CONTEXT & OBJECTIVES <ul style="list-style-type: none"> The Civic Innovation Challenge is the London Mayor's initiative to promote innovation and research and deliver new solutions to city challenges. The program offers an opportunity for start-ups to work together with leading corporates and public organisations to tackle some of London's most pressing problems. 		KEY INSIGHTS <ul style="list-style-type: none"> The collaborative approach is remarkably effective in delivering local challenges. The program helps to match the start-ups and talented professionals with established public bodies and private companies. It is a perfect way to unleash young people's creativity and innovation.
APPROACH <ul style="list-style-type: none"> In partnership with the Social Tech Trust, the Civic Innovation Challenge is calling on tech start-ups and innovators to develop solutions to London's biggest challenges. It not only delivers benefits to Londoners, but also offers a route to market for tech start-ups – a unique chance to access the insight, expertise, cutting-edge data and pilot sites of our partners. <ul style="list-style-type: none"> Validate solutions: Test and validate your solutions directly with market leaders and get the opportunity to secure a £40,000 contract to deliver your project Route to market: Connect with potential customers Business support: Access the knowledge, expertise and insights of our partner networks Raised profile: Increase your brand awareness and profile 		MEASURES/ OUTCOMES <ul style="list-style-type: none"> Some of the 2018 Challenge winner projects: The first universal power charging and data port console for EV, successfully installed first-of-a-kind EV charging bays in London. A discovery and way-finding app for walking. A digital social prescribing platform.

Source: Official Website of Mayor of London, <https://www.london.gov.uk/challenge>

SAN FRANCISCO RECOVERY TASKFORCE

Policies to strengthen labour market resilience

REGIONAL LEVEL RECOVERY PLANS

United States



CONTEXT & OBJECTIVES

- San Francisco has convened the COVID-19 Economic Recovery Task Force.
- Prior to COVID-19 San Francisco has a strong but unequal economy. Unaffordability of housing is of increasing importance.
- Unemployment in the area has risen considerably.



KEY INSIGHTS

- The Task Force is charged with guiding the City's efforts through the COVID-19 recovery to sustain and revive local businesses and employment, mitigate the economic hardships already affecting the most vulnerable San Franciscans, and build a resilient and equitable future.
- The Task Force is large and made up of various agents including local government, business and charities.

APPROACH

- The San Francisco COVID-19 Economic Recovery Task Force is charged with guiding the City's efforts through the Recovery to sustain and revive local businesses and employment, mitigate the economic hardships already affecting the most vulnerable San Franciscans, and build a resilient and equitable future.
- The task force uses a three phased approach; facilitate a safe reopening, focus on building resilience into interim economy and long term ideas.
- The task force will be organised around three primary areas: i) jobs and business support (namely for SMEs); ii) vulnerable populations; iii) economic development.
- The approach involves large scale engagement with citizens and businesses across the city.

MEASURES/ OUTCOMES

- Over 30+ Task Force members conducted research through interviews, focus groups, town halls, and surveys, ~1,000 people's voice to prepare final recommendations on overall economic recovery.
- Final report will be published detailing recommendations for recovery.

Source: One San Francisco, <https://onesanfrancisco.org/covid-19-recovery>

FLANDERS INNOVATION HUB FOR SUSTAINABLE CHEMISTRY

Policies to strengthen labour market resilience

FISCH: BOOSTING INNOVATION THROUGH COLLABORATION

Belgium



CONTEXT & OBJECTIVES

- Created from a need to retain competitiveness of the chemical sector
- Objective is to attach business models closer to the needs of the society as providers of solutions
- Aims to increase the joint research and innovation efforts of academia, industry and society in targeted domains.



KEY INSIGHTS

- Since most firms in this sector have been inherently self-organized, they bring collective initiative and entrepreneurial mindsets to this collaboration, thereby finding novel ways to innovate which drives up the success and potential of this hub.
- Crucial piece of the puzzle is the broad consultation and stakeholder engagement, which ensures that FISCH can establish links within the ecosystem and community and driving shared value.

APPROACH

- Collaboration through the network: FISCH members are multinationals that are highly networked by default. FISCH and its members are strongly engaged in a number of networks, such as the European SUSCHEM network.
- How FISCH works: identifying and stimulating opportunities and by brokering and catalysing co-operation. The FISCH process begins at the proposal stage for new projects with vetting and stakeholder identification, then building roadmaps with the Innovation Agenda, along with exploring relationships with knowledge institutions, knowledge supplies and opportunities within the market.
- Due to the self-organisation, FISCH has gained critical mass in joint projects, strategic process, plans and lobby. The Flemish government has endorsed the development of this cluster by investments that lead to increased strategic decision-making and connect the cluster to the existing knowledge base in Flanders.

MEASURES/ OUTCOMES

- Over EUR 1 billion is spent on assets and R&D each every year in Flanders, which is expected to grow as FISCH gains momentum
- Additional financing for sustainable projects: EUR 2.6 million from Innovation Agency IWT and EUR 0.8 million for strategic exercises.

Source: Whiteshield Partners; Smart Specialization, OECD

CATALUNYA EMPRÈN: STRATEGY 2020

Policies to strengthen labour market resilience

BOOSTING SMES AND ENTREPRENEURSHIP IN THE REGION

Spain

CONTEXT & OBJECTIVES

- Government of Catalonia introduced 2020 strategy for 6 pillars including boosting employment, training and entrepreneurship.
- Builds upon the economic landscape of relying upon SMEs and entrepreneurs to lead the recovery of economic activity, and introduces government support and clusters to equip SMEs with the necessary tools



KEY INSIGHTS

- By building program to boost entrepreneurship which focuses on education, incentives and aid for target business sectors, governments can support entrepreneurs at every step of the business creation value chain.
- Such initiatives also allow policy makers to specifically support ailing sectors (here, Rural Tourism, technology and social innovation) and boost employment, entrepreneurship and economic activity.

APPROACH

- Catalunya emprèn is a program geared to help realize entrepreneurial potential. It is a public-private network that coordinates all stakeholders committed to launching new business projects.
- Other measures introduced by the government: providing a new framework law to reduce and simplify the administrative procedures required to create a business; assessing the impact caused by regulation; and introducing a one-stop-shop for companies.
- This is further bolstered through measures like including entrepreneurship education in compulsory schooling, information, support and training for entrepreneurs; access to entrepreneurial resources, providing different lines of aid and business and association restructuring for businesses in need, incentives for marketing technology and developing new, technology-based enterprises and promoting social innovation.

MEASURES/ OUTCOMES

- More than 45,000 recipients of the services of the network, which has helped create over 4,500 companies
- Offers a pre-accelerator program for startups "Programa Primer".

Source: Whiteshield Partners; Govt. of Catalonia, OECD

Box 13: Clean-Tech cluster in Copenhagen

COPENHAGEN CLEAN-TECH CLUSTER

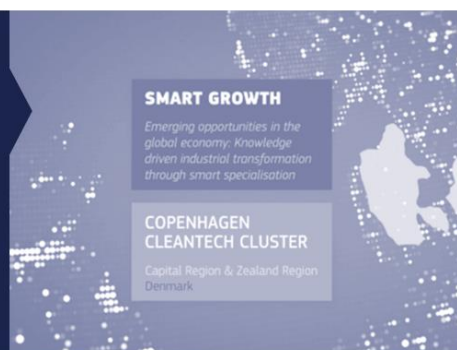
Policies to strengthen labour market resilience

SUSTAINABLE GROWTH THROUGH CLUSTERS

Denmark

CONTEXT & OBJECTIVES

- As a means to respond to climate change and build industry capability in order to have a sustainable business model
- Collaborating with global companies and international investors is essential to developing a globally oriented and investment driven cluster – attract FDI and build capabilities.



KEY INSIGHTS

- The ability to marshal people, organisations and resources to modify an individual organisations activities is crucial in order to collaborate and thus achieve joint goals which result in swift transformation.
- The triple-helix arrangement between academia, government and industry allows for a progressive landscape wherein regulation, investment, industry application and innovation can all be focused on in a circumspect manner.

APPROACH

- CCC is a not-for-profit entity which is labelled as a Gold cluster according to the European Commission standards for cluster excellence in terms of structure of the cluster, governance, financing, strategy, services and recognition.
- The CCC governance architecture includes partners that contribute on aspects of Innovation Strategies, FDI, ICT and Transport Infrastructure, Knowledge and Talent and more.
- CCC works with other regional authorities such as Væksthus (Growth House) which provide extended services to encourage local green businesses.

MEASURES/ OUTCOMES

- Project includes over 600 companies and 12 partners which include Danish universities, a science park, business investors and organisations, and the Copenhagen foreign investment agency, total investment roughly EUR 20M
- Weathered the financial crisis with over 50% local firms increasing turnover.

Source: Whiteshield Partners; CleanCluster.dk; Monitoring Green Transition, OECD; Europa, European Commission

INDUSTRIE 4.0 : NATIONAL STRATEGIC INITIATIVE

Policies to strengthen labour market resilience

HELPING SHAPE DIGITAL STRUCTURAL CHANGE THROUGH THE PLATFORM

Germany



CONTEXT & OBJECTIVES

- Aims to develop pre-competitive concepts and solutions and put them into practice.
- Supports companies with recommendations for action through the Industrie 4.0 map and the SME Transfer Network.
- Feeds their ideas into the international Industrie 4.0 discourse and participates in international standardization processes.

2030 VISION FOR INDUSTRIE 4.0

Shaping Digital Ecosystems Globally

More Information



KEY INSIGHTS

- The overarching strategic initiative ensures effectiveness through a comprehensive engagement with stakeholders (the industry alliance working with the Ministry)
- By identifying the key pillars: autonomy, interoperability and sustainability, the initiative builds a long-term framework for a future data economy in line with the requirements of a social market economy: emphasising open ecosystems, diversity and plurality and supporting competition between all the stakeholders on the market.

APPROACH

- Industrie 4.0 was launched by an industry alliance and convened by the Federal Ministry of Education and Research. It has now become a central point of contact for policy-makers.
- It identifies three closely interlinked strategic fields of action which are crucial for a successful implementation of Industrie 4.0: autonomy, interoperability and sustainability.
- Productivity benefits are expected to be around €90-150 billion over the next 5-10 years. i40 enables new ways of creating value, novel business models and helps SMEs to become temporary production networks with precise estimates on their contributions.

MEASURES/ OUTCOMES

- BMBF and BMWI have jointly allocated €200 million in funding with €120 million for research activities and calls for proposals targeting Cyber Physical Systems(CPS), IoT and Industrie 4.0
- Funded around 500 Industrie 4.0 projects, prepared 200 examples of industrial transformation and engaged roughly the same volume of experts in thematic groups.

Source: Whiteshield Partners; Plattform-i40.de

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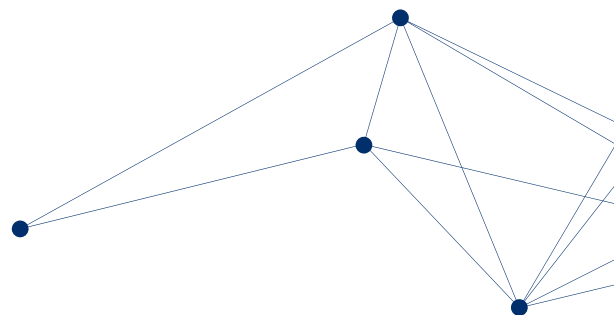
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Suggested Citation: Whiteshield Partners, Levelling Up Labour Market Resilience in the UK

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The analysis and drafting of Levelling Up Labour Market Resilience in the UK (hereafter: “Report”) was conducted by Whiteshield Partners with the support from its partner the Institute for the Future of Work.

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