Regional Resiliency: Risk, Recovery & Restructuring

Economic Resiliency has several facets and phases. One type of resilience is immunity to economic shocks – target hardening. This is difficult to measure and operationalize and not considered here. Another is the effect a national economic shock (like the Great Recession) has upon a region: the beta or the “Risk” factor. This (historical) effect is calculated as the relative size or amplitude of the shock upon the region. A region dependent upon durable goods manufacturing will tend to experience a national recession more strongly than a fold, whereas a region largely dependent upon drug manufacturing or medical services like the Mayo Clinic – people get sick in good times and bad – will experience the shock less severely.

Another dimension of resilience is the ability to recover from a shock. How long does it take to get up from the mat after being knocked down. A region’s ability to achieve the same level of employment as the pre-recession peak employment – return-to-peak (RTP) – is the “recovery” factor. The RTP value is based on the magnitude of the drop from peak to recession trough (the drop in jobs divided by total employment at peak) and how quickly the region returns to peak relative to the national timeframe to return to peak.

Another resilience attribute is the capacity for a region to adapt to shocks by restructuring its economy and adapt to other economic forces, such as technology, changes in consumer preferences, changes in governmental regulations or international competitive challenges like lower offshore production costs. If a region adapts by changing with the times, this reflects longer-term resilience. This adaptation entails some industries shedding jobs while other industries (one hopes) begin creating jobs at a faster rate. This “restructuring” can be viewed in an evolutionary framework as an attribute of emergence in a regional complex adaptive system.

Regional Economic Resiliency: Chatham County, GA (Savannah)

This sheet summarizes three facets of resilience: 1) the relative vulnerability to national economic shocks and cycles; 2) the relative capacity to bounce back or return to the previous employment peak; and 3) evidence of the creative destruction that occurs with industry restructuring.

The industry contribution to growth, either positive or negative pressure to regional employment is expressed by a positive “gain contrib” value together with a positive skew. (See table for values.) The larger the positive skew, the greater gain jobs relative to job losses. Regions that do not restructure over time tend to stagnate and under-perform.

This graph to the left shows employment trends. Total and local industry employment are dashed lines—right axis—and the top traded industries as solid lines—left axis. The bar chart below depicts the general nature and scale of the region’s job churn with those industries—both traded and local—that gained or lost jobs.

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