

Economic shocks and opportunities

The pandemic has had a stark impact, including a number of high profile business closures. The pandemic and recovery from it will bring shocks to local economies that can be negative, such as the closure, relocation or downsizing of a significant local employer; or positive, such as a significant infrastructure project or the relocation of a major employer into an area.

Why does this matter for local government?

- Negative economic shocks can trigger **large-scale redundancies**. This can lead to '[displaced workers](#)'; people who have previously stable employment history, but who have little chance of finding work in their previous industry after redundancy. This can have a significant direct impact on the former workforce and their families.
- Economic shocks can have a significant **impact through the supply chain**. For example, the relocation of a major factory for example can have a direct impact on the local firms that supply the factory.
- They can also **affect economic demand** locally. The loss of a large number of jobs can reduce spending in the local economy, hitting businesses and jobs in the service sector. The creation of significant number of new jobs can lead to a wider boost to the local economy.
- Economic shocks can have a significant impact on **local government**, including by affecting revenue raised through business rates and demand for local government services.

What is the challenge?

- The labour market was already undergoing significant **long-term change** before the pandemic. However, the **crisis** is likely to have **accelerated** some of these changes, for example a shift toward greater homeworking and online shopping.
- The pandemic has led to a number of high profile **business failures**. The retail sector – which was already undergoing rapid change – has seen a large number of high profile closures, which will lead to significant job losses in town and city centres. Some of these may particularly affect town centres reliant on branches as an anchor tenant.
- The pandemic has led to a **spike in redundancies**. [Redundancies reached a record high toward the end of 2020](#), exceeding the levels reached in the last recession.
- There are also **growth opportunities** including individual vacancies becoming available or larger scale changes in the economy and major investments. For example, [the LGA projects that the low carbon sector could require 700,000 jobs across England by 2030](#) and almost 1.2 million jobs by 2050. This will involve job creation across England, with large concentrations in some local areas.
- Taken together, this means that some people will find themselves losing their jobs (for some, through a large scale redundancy) in a declining sector and needing to switch to a new sector. At the same time, structural shifts in our economy will create new opportunities. Depending on the individual and the jobs available locally, people may have sufficient **transferable skills** to find a new role, perhaps with some **jobsearch** support, or they may need more in depth **retraining** or **upskilling** support. Many people will need clear, accessible local careers advice and guidance to identify how they can transfer their skills or find new opportunities.

What does the evidence say works?

Evidence of impact from a range of approaches is summarised in L&W's [what works review](#).

CASE STUDY: MG Rover Task Force

The MG Rover Task Force aimed to minimise the impact of the anticipated closure of the MG Rover automotive plant at Longbridge, which employed 6,500 workers and supported 27,000 jobs in the supply chain. It included Birmingham City Council, central government, Jobcentre Plus, the regional development agency, trade unions and community groups. It provided rapid employment advice and support for those affected, and developed the Longbridge Area Action Plan to boost job creation. [Evaluations highlighted the importance of partnership between tiers of government and between sectors, community engagement, and providing personalised support.](#)

1. Outplacement services.

Outplacement services (OS) provide help with job-search, career planning, education and training, and re-employment prior during the redundancy process. [Evidence suggests that OS can benefit pay and employment in the medium term.](#) The Creade outplacement support service in Spain increased unemployment spells by two months, but led to higher pay. An evaluation of support for workers made redundant by the closure of a shipyard and mines in Sweden found OS increased employment and earnings after six to eight years.

2. Active Labour Market Policies.

Active Labour Market Policies (ALMPs) cover a variety of interventions, including training, job-brokerage, and CV support. A [‘what works’](#) review of support for displaced workers found they have positive impacts of varying size. Two studies – one in an economically-depressed area in Italy and one in an area in Sweden impacted by large-scale redundancies – found ALMPs increased employment and earnings compared to a control group.

3. Retraining.

Retraining can include generic training, like literacy, numeracy and IT skills, or vocational training targeted at a particular sector or role. [Several studies found training often has limited short-term effects](#) (as it can increase time out of the labour market) but, where well targeted on those out of work longer or needing to change career, can have positive and lasting effects. Short courses (<one year) can be more effective for those with better working histories; longer courses combining generic and vocational training can work for those with less work history.

4. Employment services.

Employment support helps people apply for and find work, including through labour market advice and guidance, CV advice, job-search support, interview support. They can be impactful and cost-effective. [A study with steel and car workers in the USA found that job-search support delivered pay gains](#) that were higher than training, and at a much lower cost per worker.

5. Support for entrepreneurship.

Support for entrepreneurship can help displaced workers to go self-employed or start up a new business. This can include financial support, support with business planning and training. [Evidence from Germany and Sweden found that support for entrepreneurship can have positive impacts on employment](#), but it needs to be targeted and of high quality.

6. Hiring subsidies.

Hiring subsidies are financial support for employers to take on unemployed workers. [Several studies have shown that hiring subsidies can increase employment.](#) However, they need to be targeted on those out of work longest, otherwise they can have substantial deadweight.

SIX STEPS TO RESPONDING TO LOCAL ECONOMIC SHOCKS & OPPORTUNITIES

1. What is the objective?

In responding to local economic shocks or economic opportunities, local areas may want to set 'SMART' objectives such as minimising the number of people becoming unemployed or long-term unemployed, or improving employment and pay outcomes for those impacted.

2. Do we understand the challenge?

Understanding the challenge can be informed by what works reviews and engagement with local employers and stakeholders like Jobcentre Plus, considering the following questions:

Who is at risk of redundancy? Where a large workplace is at risk of closure, local areas may want to work with the employer to understand who is at risk of redundancy. This can both help local areas understand who is at risk, and ensure they are able to access support.

Who is at risk of displacement? Local areas may want to understand who, of those affected, may be at most risk of becoming long-term unemployed. Workers who are older, people with disabilities, and those with lower qualifications, can have lower chances of re-employment.

What employment opportunities are available? Explore how the skills and experience of those facing redundancy could map to local labour market opportunities. For example, [NESTA's 'mapping career causeway' tool shows what roles workers may be able to transition too.](#)

What are the training and support needs? Carefully targeted training opportunities could help some displaced workers secure work. This could include training to address basic skills needs such as digital, or more focused vocational training that is linked to local employer skills needs.

3. What works?

In addition to drawing on the evidence of what works in responding to economic shocks, local areas may want to apply the following [framework](#) to guide their response:

Responding to local demand. Interventions are likely to be most effective when they engage employers in design and delivery, and focus on meeting current and future local skills demand.

Targeting interventions. Interventions, such as hiring subsidies, that risk high levels of deadweight, should be effectively targeted on those who are most likely to struggle to return to work. Other interventions – such as training – should be effectively targeted at employer needs.

Coordination and partnership. Local areas should play a key role in building partnerships and coordinating support for workers at risk of displacement.

4. What support and services are already available?

In order to target scarce resources effectively, local areas may want to start by mapping what support and services are already available in the local area.

The [Jobcentre Plus Rapid Response Service](#) provides support for people under threat of redundancy who are in their notice period and can provide support with CVs and finding jobs, information on benefits, and support to find training.

For those who become unemployed, [Jobcentre Plus](#) can provide employment advice and support. For the long-term unemployed, more intensive support will be available through programmes such as **Restart**.

For people considering moving career, the [National Careers Service](#) provides information, advice and guidance to help people make decisions on learning training and work.

Support for **retraining and upskilling** will be available through local FE colleges, adult learning services, and other providers, including through the [lifetime skills guarantee](#).

5. What are the options for intervention to improve outcomes?

Local areas should consider and explore the different options for responding, including:

- **Outplacement services** which provide support with job-search, career-planning and education and training through the redundancy process;
- **Retraining** to help workers address skills gaps, and acquire the skills that employers need in their local labour market.
- **Employment services** to help people apply for secure work, including support with careers information, advice and guidance (IAG), CV support, and job-search and interview support.
- **Support for entrepreneurship** to help people set up as self-employed or start a small business.
- **Hiring subsidies** to encourage employers to take on those at risk of long-term unemployment.

Local areas should consider a range of **supply focused** interventions which support people directly impacted including employment advice and training, as well as **demand focused** interventions which seek to boost opportunities for those impacted, such as hiring subsidies.

Local areas should consider whether efforts would best be focused on working to **coordinate existing support** provided by local partners, **scaling up existing interventions**, or designing and delivering **new interventions** to meet an identified gap.

6. How will we know if it's working?

- **Set aims and objectives.** You should identify aims and objectives and define what success will look like. This may be limiting the number of people impacted who become unemployed or long-term unemployed, or limiting the wider local impact on the labour market.
- **Establish and monitor Key Performance Indicators.** Local areas may want to identify a mix of output measures, such as:= the number of workers impacted who have received different kinds of support; outcome measures, such as the proportion who return to work; and wider labour market measures including the employment rate and claimant count.
- **Build in evaluation.** Ongoing evaluation helps assess whether interventions are having the desired impact, and to inform future interventions. This could include a periodic survey of workers who are made redundant, as well as cost benefit and cost effectiveness analysis.

CASE STUDY: Redundancy Response at Devon County Council

Devon County Council set up a Redundancy Support team, following a rise in redundancies during the pandemic. It comprises two Redundancy Support Coordinators and a Redundancy Support Manager, and aims to be the 'joining glue' for local support. The council aims to link recently redundant workers to training support, through both the Adult Education Budget and a £750,000 fund to provide training focused on transition to growth sectors.