

Public and cultural services may play critical roles in a city's resilience

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Closures and mass layoffs that can strike big manufacturing companies—whether due to [competition from low-wage countries](#) or [because of automation](#)—clearly have significant adverse consequences

for the dismissed workers.

But the cities that are home to these businesses are also seriously impacted. What factors enhance the resilience of cities in the wake of these types of shutdowns or [mass](#) layoffs?

[In our study on big plant closures and downsizing](#), we've found that over the past 20 years, the Canadian cities most severely hit by these incidents experienced slower population growth, especially among the young and those of working age.

But these effects were tempered in cities where public and cultural services are a well-established and vital part of the community's culture. Public and cultural services seem to favor a [city](#)'s resilience.

Snowball effects of mass layoffs

Since the early 1990s, economists have studied the impact of big plant closures and mass layoffs on displaced workers on various fronts. The results show that these economic shocks [hurt people in almost every aspect of their lives](#): they cause lower earnings for them and their children, higher unemployment risk, longer unemployment spells, lower fertility and a higher divorce rate.

But the impact of mass layoffs and big plant closures on the economy of cities is subject to more debate.

[Some studies](#) find that overall job losses are even more important than the number of initially displaced [jobs](#). That's because of the snowball effect—big plant closures trigger the failure of local suppliers or other businesses that depend on them.

[Other studies](#) find that part of the job losses generated by big plant

closures are offset by new or incumbent local firms.

In our recent study on Canadian cities, we document that out of about 53,000 manufacturing establishments active in 2003, nearly 4,000 of them with more than 50 employees had disappeared by 2017.

Another 1,200 of them had shed at least 30 percent of their workforce. In total, almost one-third of the manufacturing jobs in 2003 had disappeared by 2017, many of them not replaced.

These events varied across Canadian provinces. Québec, Ontario and the Atlantic provinces were much more severely hit than the western provinces. And there are further differences among cities within provinces.

We then compared the [demographic changes](#) in cities with high manufacturing job losses to changes in cities with a low job loss rate. We also considered the fact that cities differ in several other ways like their initial size, their initial share of young residents, their climate and their geographic position in Canada.

Plant closures lead to older city populations

We have found that big plant closures and mass layoffs reduced population growth in cities hit more severely. The negative effects are concentrated among those of working age (20–54) and the young (0–19).

Put differently, a deindustrializing city becomes a city with an aging population. That's because those of working age are more likely to leave after mass [layoffs](#) to seek job opportunities elsewhere, and when they do, they often leave with dependent children.

Immigrants and single people are also more likely to leave cities hit by

adverse labor market shocks. This reflects the fact that immigrants tend to be accustomed to starting anew, while single people don't have any concerns about disrupting their children's school or social lives.

Finally, we've found that cities with residents employed in education, health care and social assistance services suffered less demographic decline following big manufacturing plant closures and [mass layoffs](#). The same holds for cultural services.

Public and cultural services enhance a city's resilience by making the effects of closures less painful. The reasons aren't yet entirely clear from our ongoing research, nor is the phenomenon [well understood](#). But early findings point to the fact that education, [health care](#) and social assistance services are particularly helpful to retain migrant workers, while cultural activities act as a magnet for those of working age, especially with university degrees.

This suggests these services cater to the needs of various types of citizens—and that cities are likely to retain them if they lose their jobs. At a time when COVID-19 has put cultural and public services under serious pressure, preserving them may be one ingredient to ensuring cities withstand future crises.

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