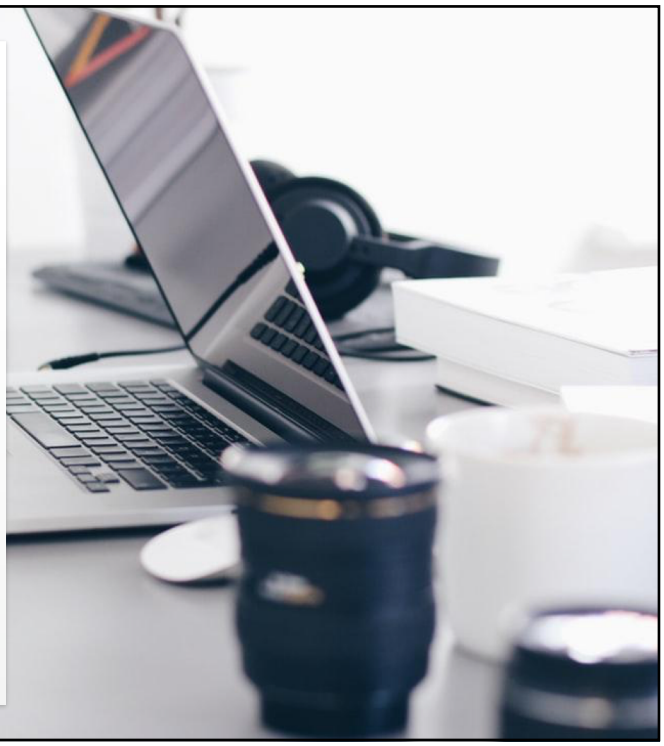
Resilience and Inner Areas: is Covid19 an opportunity or a threat?

Some preliminary reflections

Alessandra Faggian
Gran Sasso Science Institute

ERSA Conference, 27th August 2020



Before I start… a 1-slide digression on "Resilience"

- The term "resilience" has been widely criticized. So why do I talk about **"resilience"** (and not competitiveness, growth, etc.)?
- I believe this is the appropriate term because it recalls the notion of bouncing back (or even better "forward") after an **external shock,** under **exceptional, not-normal, circumstances**

3

Covid19 was the «mother» of all shocks!!!

It was truly:

- **Exogenous** (it was not "brewing within the system" like the Great Recession)
- **Global** (unlike other natural disasters, which are more localised: earthquakes, flooding, volcanic eruptions…)

→ Incredibly **DISRUPTIVE**

4

Bailey et al. (2020)
Editorial of Regional Studies

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"The conditions shaping resilience during and after the financial crisis were similar in many ways to the factors seen as driving regional growth and competitiveness in ordinary times. The current crisis, however, will undoubtedly result in some long-standing changes…**factors** which were clear **advantages in the past** (such as **agglomeration** and the possibility of **unplanned interactions**) might **operate differently** in the context and aftermath **of Covid-19**)"

How did I get the idea of this talk?

Starting in March, interacting with journalists and the media, the question they asked me more often was:

Do you think that, because of Covid19, now people will move more to peripheral areas?

6

They asked this question because many articles were coming out – at least in Italy – claiming Covid19 was a "opportunity" for the future of peripheral areas

L'architetto Stefano Boeri

Intervista Coronavirus

Coronavirus, Boeri: "Via dalle città, nei vecchi borghi c'è il nostro futuro"

20 APRILE 2020

The Day After secondo l'architetto del Bosco Verticale, professore ordinario di Urbanistica al Politecnico di Milano

DI BRUNELLA GIOVARA

La ripartenza passa dalle aree interne? Le opportunità per il post – epidemia

30/04/2020

The newly found charm of the Aree Interne: left-behind places or places of the future?

by Francesca Spigarolo | Jun 24, 2020 | The Urban Media Lab

30 Aprile 2020

Le aree interne ai tempi del coronavirus: da problema diventano salvezza

7

A NON-TRIVIAL question…

But…the question is **NON-TRIVIAL,** there are so many factors to be considered and we do not know, yet, whether Covid19 would be a force which will be…

OR…

8

Centrifugal

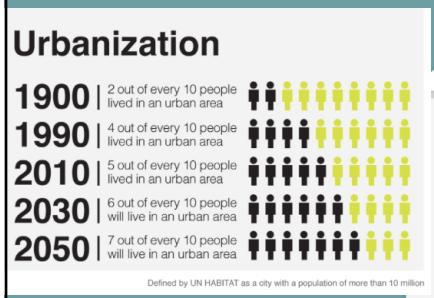
Centripetal

Central vs. peripheral areas…

- The question of "centrifugal" vs. "centripetal" forces is, of course, not a new one.
- Maybe they have not been called exactly like that, but when we talk about concepts like development, growth, resilience, competitiveness of peripheral areas, we implicitly refer to them
- So far, it looked like **centripetal forces** were winning, with a substantial **increase in urbanization** and peripheral areas feeling "left behind" (Rodriguez-Pose, 2020)…and subsequent "discontent" (McCann, 2020)

Oct 21st 2017

9



Cotella and Vitale Brovarone (2020), *TeMA pag. 106*

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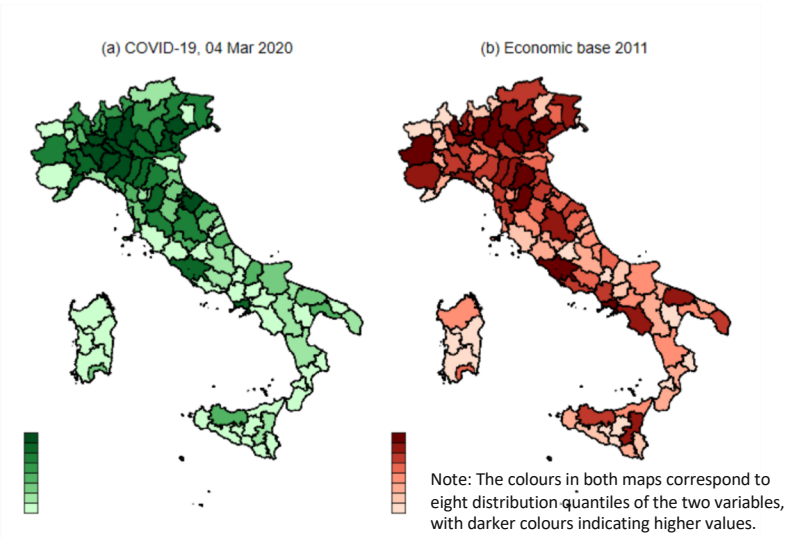
""The **relentless march of urbanization** has a long history…Until few months ago, these trends were considered irreversible and desirable. The **downside** of **increasing concentration and urbanization** were considered as **minor drawbacks**, when compared to the advantages the latter brings in terms of economies of scale, access to diverse skills and services…**Since** the **Covid-19** emergency struck, a number of experts started to reflect on the fragility and **vulnerability of our consolidated way of living**"

10

Ascani, Faggian & Montresor (2020)

We find «a positive association between the geography of COVID-19 and the economic base of Italian provinces» which is a «measure of **provincial specialisation** in **geographically concentrated sectors**»

Figure 4: Geography of COVID-19 and provincial economic base



Note: The colours in both maps correspond to eight distribution quantiles of the two variables, with darker colours indicating higher values.

11

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*"The density and connectedness of urban areas, once viewed as key economic strength, now appear as weaknesses… **Distancing** is the **new mantra**"* (Fitjar, 2020)

*"The idea of dense cities as a virtuous form of social and economic order is a central idea in the broad field of regional studies…**repeated face-to-face contact** is help up as a **superior** means **to share new and hard-to-codify ideas**…**Covid-19 has challenged this logic**"*
(Bailey et al., 2020)

Before Covid19…

- Many researchers were already saying the situation had to change…
  - …new **place-sensitive policies** were needed
  - …I often talked about the **Italian** experience of the **National Strategy for Inner Areas**, not as a "perfect" solution, but as a good starting point and to raise awareness of the "peripheral areas" issue
- So, now the real question is:
  - Is **Covid19 helping** or **hampering** the re-launch of the peripheries?

13

Covid-19 and peripheral areas

If you Google Covid-19 and «peripheral areas» (*in English*) you get about **182,000** entries, if you Google Covid-19 and «aree interne» (*in Italian*) you get about **732,000** entries (as of 21/08/2020).

This means:

- A lot has already been said on the relationship between Covid-19 and the peripheries
- As all the "fast-growing" research topics, you can find *everything* and the *opposite of everything*…
- In Italy the topic is perceived as being particularly important (So, yes, I have a bias…)

14

The "two faces" of Covid-19

Some of the «most recurrent arguments» these days…

OPPORTUNITIES for Peripheries (Centrifugal)

- Density and agglomeration favour the spread of the contagion (also pollution linked to the diffusion of Covid-19)
- Housing market: if people spend more time at home they might prefer larger houses with more outdoor space
- Higher value for natural amenities close by (quality of life) because of possible mobility restrictions
- "Proximity" tourism and in less crowded places (mountains?)
- Working from home (WFH) might make peripheries more appealing (less frequent commuting makes longer commuting more acceptable)

The "two faces" of Covid-19

CHALLENGES for Peripheries (Centripetal)

- **Digital divide** (and "digital" human capital): peripheries are not equipped for teleworking
- **Essential services**: **health and education** are not adequate (older population more likely to be severely affected by Covid-19)
- **Weaker economic systems** are more likely to suffer from the upcoming economic downturn (companies and businesses filing for bankruptcy), in general less employment opportunities
- Working from home (WFH) might make also cities more appealing (less time spent commuting in traffic), more sustainable means of transportation (e.g. cycleways…)

Can we make some order in the different issues???

	DEMAND (Individual behavior)	SUPPLY (Local economies)
SHORT-TERM (During and in the aftermath)	**Window of opportunities** *(e.g. WFH, proximity tourism…)*	**Survival of businesses everywhere** *(supply chains, subsidies to employment)*
LONG-TERM (After a final solution is found: vaccine?)	??????? **The «great unknown»: changes in preferences?**	**Structural challenges of peripheries** *(e.g. digital divide, essential services, WFH vs. face-to-face)*

17

1. Window of opportunities (short-term demand)

Example 1: Italy "proximity tourism"

The first data available for Italy show that **93% of Italians stayed in Italy** for their holidays (25% near home)

After the lockdown, there was a real surge in **"less obvious" Italian tourism destinations** (peripheral, mountains) for at least two reasons:

- ***Avoid crowds (social distancing)*** – effect: creating crowds in unexpected places!
- ***Searching*** for something ***"unknown"***

Estate 2020, in Abruzzo è boom del turismo montano

PUBBLICATO DA MARINA MORETTI 03/08/2020

TURISMO: È *BOOM* DELLA MONTAGNA. DAL SOCCORSO ALPINO "OCCHIO A MASCHERINE, RIFIUTI E MOLTO ALTRO"

Between 7,000 to 10,000 tourists daily on the Gran Sasso

18

2. Survival of businesses (short-term supply)

Example 2: Business failure rate in Italy

- In March, the Cerved Rating Agency published a report stating that 10% of Italian businesses were "at risk" of default, with a higher rate in three key sectors: textile, tourism and manufacturing.
- In July, ISTAT estimated that about 38,8% of Italian businesses are "at risk" (28.8% total employment, 22.5% GDP). The risk increases for SMEs:
  - Micro-businesses 40.6%
  - Small 33.5%
  - Medium 22.4%
  - Large 18.8%

ECONOMIA

Martedì, 7 luglio 2020 - 12:09:00

Imprese, 1 su 3 a rischio fallimento. Istat: "Pericolo maggiore per le Pmi"

- The most-hit sectors: tourism, food, catering, entertainment, but also, indirectly, commerce & manufacturing.

19

- Detailed studies on the **"spatial distribution" of the impact of Covid-19 on businesses** are not available, yet. However, a report by Cerved, just published, looked at the effect of Covid-19 on the profitability of SMEs by macro-regions in Italy

The Centre is forecasted to be the most affected

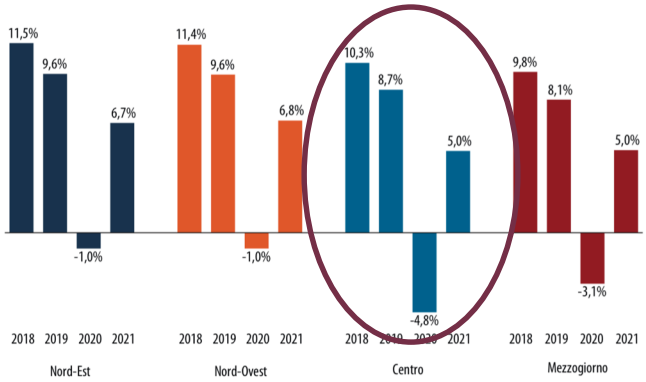


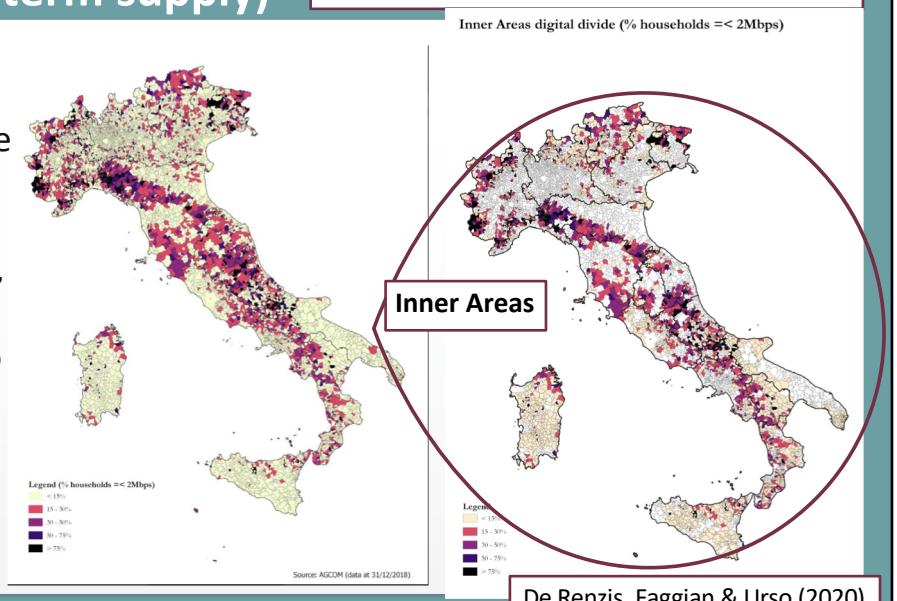
Grafico H
L'impatto del Covid-19 sulla redditività netta
ROE (%), scenario base

20

3. Structural problems peripheries (long-term supply)

Example 3:
Digital divide in Italian Inner Areas

Even if we assume businesses in the peripheries will survive – or even, in some respects, benefit from - the current situation, there are structural problems that need to be solved to compete with the center, especially in a post-Covid19 world.



De Renzis, Faggian & Urso (2020)

Example 4: Lack of «essential services» Italian Inner Areas

From remote areas it takes over **40 minutes** to reach:

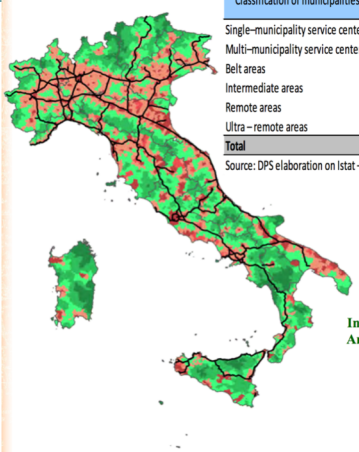
- an exhaustive range of **secondary schools**;
- at least a 1st level DEA **hospital**
- at least a 'Silver - type' **railway station**

From ultra remote over **75 minutes!**

As Cotella and Vitale Brovarone (2020) point out *"if **living in these conditions is hard for those who resisted** and keep struggling to live there, the general **idea of a migration of urban dwellers in rural areas** as of today sounds at the very least **naïve**".*

Classification of municipalities	N.	%	Average elevation	Population	%	Km²	%
Single–municipality service center	219	2.71	145	21,223,562	35.7	29,519	9.8
Multi–municipality service center	104	1.29	166	2,466,455	4.1	6,251	2.1
Belt areas	3,508	43.4	215	22,202,203	37.4	81,814	27.1
Intermediate areas	2,377	29.4	395	8,953,282	15.1	89,448	29.6
Remote areas	1,526	18.9	607	3,671,372	6.2	73,256	24.3
Ultra – remote areas	358	4.4	627	916,870	1.5	21,784	7.2
Total	8,092	100.0	358	59,433,744	100.0	302,073	100.0

Source: DPS elaboration on Istat – Population Census 2011



Source: *UVAL-UVER-ISTAT elaboration on data from the Ministry of Health, Ministry of Education and RFI (Italian Railway Network)*

We do need to keep on working seriously on **place-sensitive policies** to make these places appealing, not just for a short-break but for living!

4. Changes in individual preferences (long-term demand)

I left this "quadrant" last because – to me – it is the most interesting!

How much of our "current status" is here to stay?

Economists always talk about «individual preferences», **how much did Covid-19 change our preferences**?

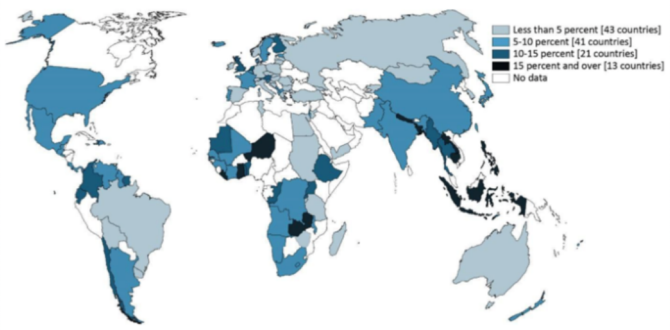
We were "forced" into lockdown, but did the lockdown teach us something that we would like to **keep in the future**?

23

I believe that we will not go back exactly to the same way of living we had before for at least two reasons:

1. **"Habit"** and **behaviour change;**
2. Unveiling of **new opportunities**, expanding our **choice set**.

Figure 1 Percentage of workers that were home-based (all employment statuses) prior to pandemic



Note: This figure includes all types of home-based workers, including teleworkers. These estimates are based on labour force survey data from 118 countries representing 86% of global employment. Data are from 2019 or latest year available.
Source: ILO (forthcoming).

24

1. "Habit" and behavior change

To understand how «habits» are formed and change, we need to look into the **behavioural economics** and **psychology** literature.

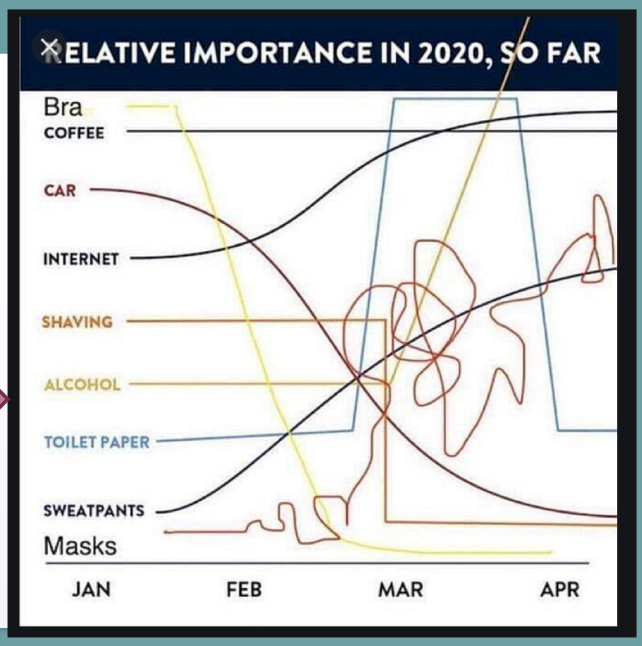
- Van der Weiden et al. (2020, Frontiers in Psychology) point out that ***"research on habit formation is still in its infancy".***
- Lally et al. (2010, European Journal of Social Psychology) find that it might take anything **between 18** to **254 days** for a person to form a new habit, with an **average** of **66 days** (Note: as an example, the Italian lockdown lasted from March 9th to May 18th…70 days!)
- There have been changes in: ***consumption, housing preferences***…

25

Changes in consumption

We do not know very much about how **consumption patterns** will **change** in the **long-run**.

However, some things became obvious in the short-term (and lockdown phase).
Here is a very accurate graph (found in Facebook)…

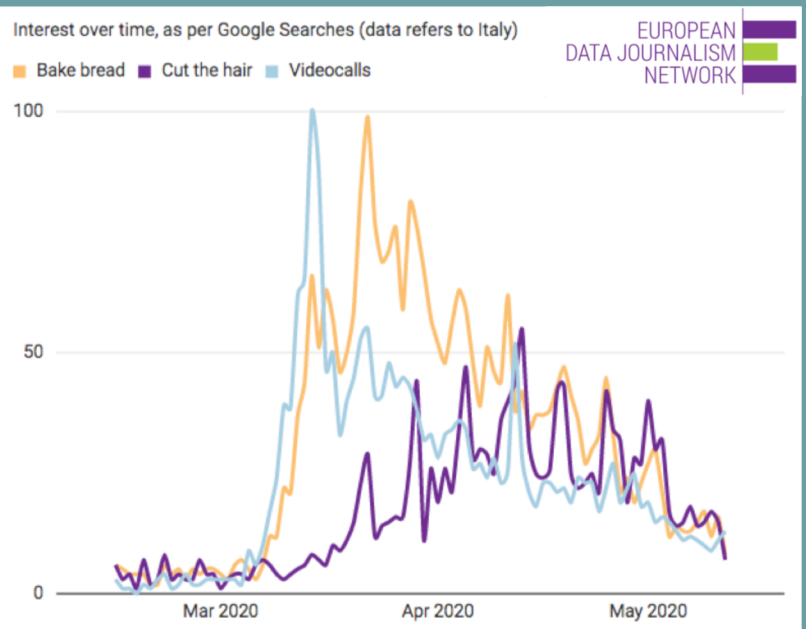


26

Joking aside…

Spending patterns were not
countries = different prioritie

- In Italy: biggest increase in fl
gloves (+263,7%); biggest dr
and perfumes (-63,6%) (Niels
- In the Netherlands: biggest i
water and wine (GFK – Grow
2020)
- In Germany: biggest increase
soft drinks (GFK, 2020), drop
perfumes like Italy
- In the USA: biggest increase
March 12th 2020 the sales were
same day in 2019) and meat



Baking, video-calling, and trying to cope with longer hair: three of the most common daily experiences during lockdown

- «Panic» phase: shopping
- Now "living-with-the-viru
be more revealing of long
  - **Cleanliness and hygiene**
and care" economy) - **Ce**
  - Fear of uncertainty (and
purchases (is the enviror
increase **savings** – **Centri**
  - **Online shopping** increas
Centrifugal? (no need fo
  - "Cocooning": spend mor
entertainment ("homeb
for cultural events, cinen

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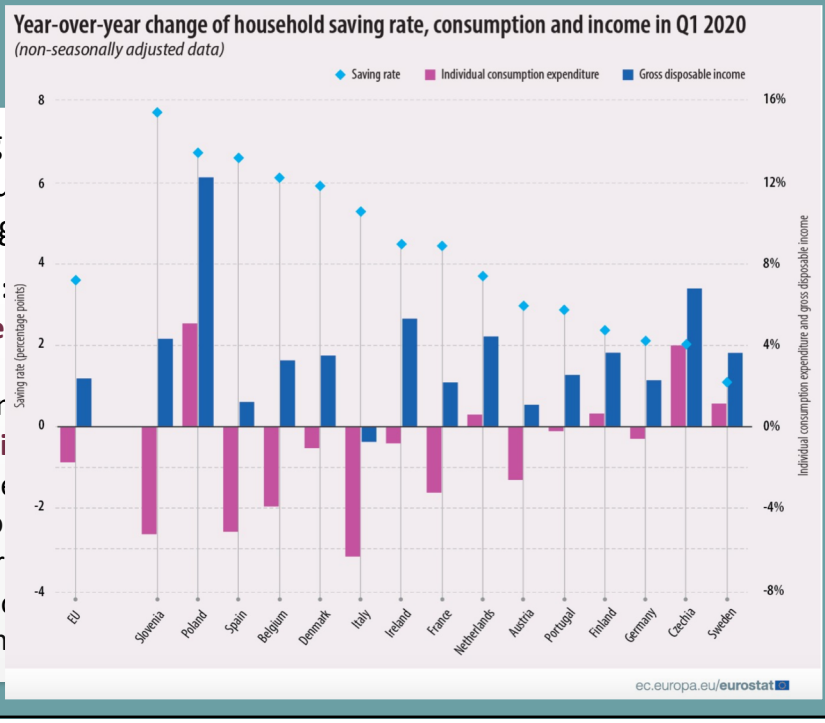


Changes in housing preferences

Linked to my previous point on «cocooning»…**housing.**

Covid-19 has severely hit the housing sector! Probably the **most relevant centre vs. periphery** issue.

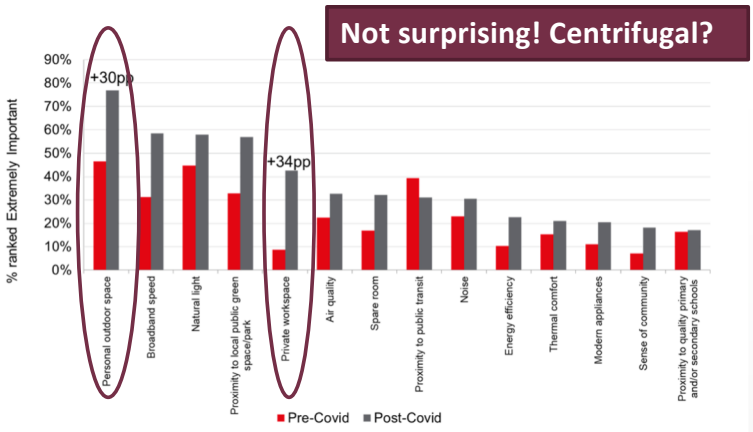
Aside from thinking of short-term issues (plummeting construction sector, support measures for tenants and homeowners…), the question is:

"Are changes in housing preferences permanent and implying relocation processes?"

29

Evidence is building on the fact that living priorities have changed in light of Covid-19 and, with these, also the housing features buyers are looking for.

E.g. recent survey of 1,300 respondents in the UK (JLL, 2020) showed this…



https://residential.jll.co.uk/insights/research/has-covid-19-altered-our-housing-needs

30

2. Expanding "choice set"

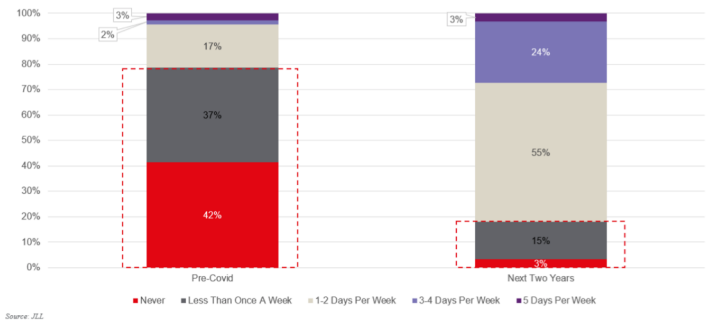
Many individuals did not consider **"working from home (WFH)"** as being an option, now this is an alternative that became part of their "choice set"

Moreover, they partially got used to it, so now their **preferences have changed** (e.g. report in the UK)

31

Working from home: the new normal?

Precovid-19, 79% of survey respondents worked from home less than once per week. Only 18% expect to do so over the next two years



https://residential.jll.co.uk/insights/research/has-covid-19-altered-our-housing-needs

Not only WFH, for younger people **"attending University online"** is also now a possibility.

Rental accommodation in Italian towns with a University vocation shows that many students are planning to attend classes remotely (now that they can!).
Compared to the same period in 2019, the availability of rental accommodation went up:

- +290% in Milan
- +270% in Bologna
- +180% in Padua
- +175% in Florence
- +130% in Roma
- +108% in Turin

These are the towns whose large Universities attract many students from other parts of Italy and/or from abroad

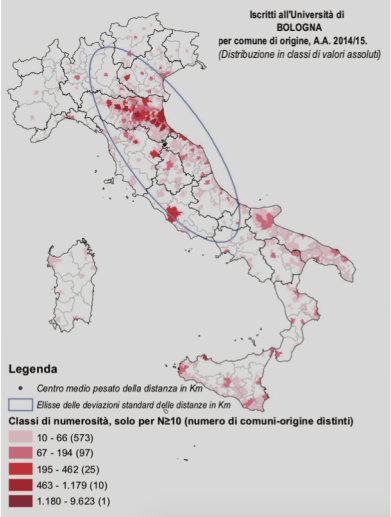
32

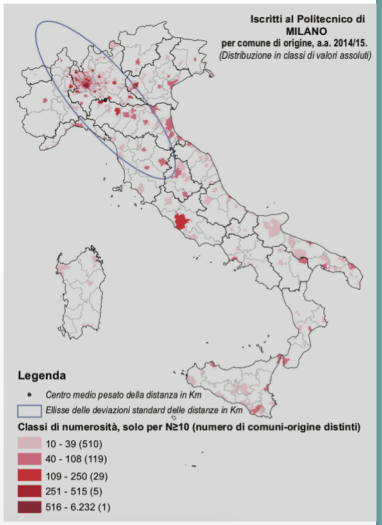
Corriere della Sera, August 25th 2020

ISTAT (2016)

	% students coming from >250km	% students from outside the region
Politecnico Torino	35.2	40.6
Politecnico Milano	15.2	28.9
Università Bologna	22.0	40.7
Università Milano	8.5	16.5
Università Padova	6.3	17.1
La Sapienza Roma	14.0	25.9
Università Firenze	11.4	17.0

Own elaboration from Istat data (2016)





33

So…what is the «take-home message»?

1. Everybody is studying and talking about Covid-19!!!
2. Something really **unprecedented**…

   I am sceptical of using the 2009 crisis to forecast the post Covid-19 world (more fundamental behavioural changes this time). Need to use our intuition, knowledge, common sense to build possible future "new" scenarios, also collaborating with other disciplines (e.g. psychology…)
3. We are **not going back to normal**

   Up until a month ago or so, there were researchers claiming that if the virus was going away quickly, we were still "on time" to forget about it and go back to the previous status quo. I believe now we have gone long enough, things have changed for good. Compagnucci (2020) rightly points out that epidemics are also becoming more frequent, so people now will adjust their behaviour to this possibility…

34

4. We are seeing some patterns, but there is **still a lot of uncertainty** on how much of the changes are here to stay
5. In particular, there is a lot of **uncertainty on the final outcome** of the combination of **centripetal and centrifugal forces** we discussed. However:
   a. It is important to avoid simplistic answers!!!
   b. Cities will not die (some face-to-face contacts will always be important), not everybody will move to the peripheries, but *less frequent* commuting means *longer commuting* is more appealing…
   c. There are opportunities for peripheral areas, but only those who can "grab" them and provide appropriate infrastructures and services (and the economic crisis will affect them most…inequalities???) will benefit. Place-sensitive policies

35

And, finally, remember…

36