European Commission

JRC SCIENCE FOR POLICY BRIEF

Supporting EU policies with independent evidence throughout the whole policy cycle

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How does a resilient country look like?[1]

Headlines

- The JRC has developed a conceptual framework for understanding resilience, which broadens the perspective from a purely economic to a socio-economic viewpoint.
- Bringing this framework to the data allowed to identify the key characteristics of resilient countries to economic and financial shocks.
- Focussing on the global financial crisis, countries with a higher share of pre-crisis government expenditures on social protection, like Germany, Austria, France and Sweden, suffered a smaller impact in the short term.
- Countries showing a more resilient behaviour in the medium run are those with more stable political environment.
- The business environment is critical to successfully overcome a crisis and 'bounce forward'.

Policy context

European citizens and the EU as a whole have been recently confronted with **economic shocks, political changes, migration** and **security threats**. The continuous occurrence of these shocks, that is becoming the **'new normal'**, tests the limits of the coping capacities of individuals, regions, countries and institutions. In other words, it tests their resilience.

Against this background, the JRC has developed a **conceptual framework** for the study of resilience. While the concept of resilience is often considered from a purely economic perspective, the JRC approach recognizes that understanding and building resilience requires taking a broader perspective and **considering the society as a whole**. In particular, when assessing resilience in the face of economic and financial shocks, one needs to consider social and human capital, institutions and infrastructures, as well as 'beyond GDP' measures of prosperity and well-being, covering social aspects such as health and poverty.

The framework underlines that trying to absorb the shocks is not the only strategy available and may not be the best one. Adaption and transformation may be needed.

The JRC conceptual framework has been used to test the **resilience of socio-economic systems** of the EU countries with respect to the **financial and economic crisis**, which started in 2007 and shortly became the **Great Recession**.

Key highlights

The use of the JRC framework to measure the resilience of EU MS to the financial and economic crisis allowed identifying country characteristics associated with **better resilience**.

These characteristics point to **policy levers** suitable to help societies to better cope with challenges, possibly also adapting and transforming.

Policy levers to act on for achieving resilience in the **short-run** and smoothing the impact of a shock may not coincide with the best entry point to achieve resilience in the **medium run**.

[1] This brief is based on the JRC Science for Policy report: The resilience of EU Member States to the financial and economic crisis. What are the characteristics of resilient behaviour?, JRC111606.

Quick guide

According to the **JRC framework**[1], a resilient society can face shocks and persistent structural changes in such a way that it does not lose its ability to deliver societal well-being in a sustainable way.

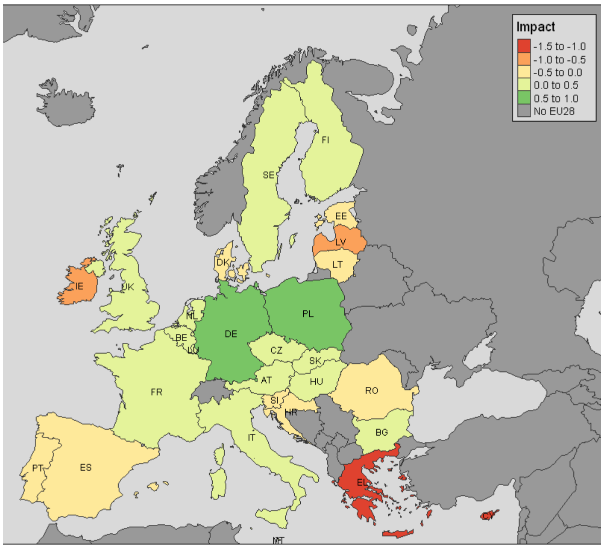
Three different capacities make societies resilient: **absorption, adaptation** and **transformation**. Moreover, shocks should be considered as windows of opportunity, and utilized to ultimately '**bounce forward**'.

This approach takes a ***system view***, by distinguishing three elements of the system: (i) **assets**, which include various forms of human, social, natural and built capital; (ii) **outcomes**, which represent determinants of individual well-being (e.g. health, employment, trust and happiness), consumption, investment, as well as some adverse systemic fallouts (e.g. social exclusion, poverty, inequality, waste in general); and (iii) the **engine**, which transforms assets into outcomes through societal institutions and processes such as governments, markets, enterprises, or communities.

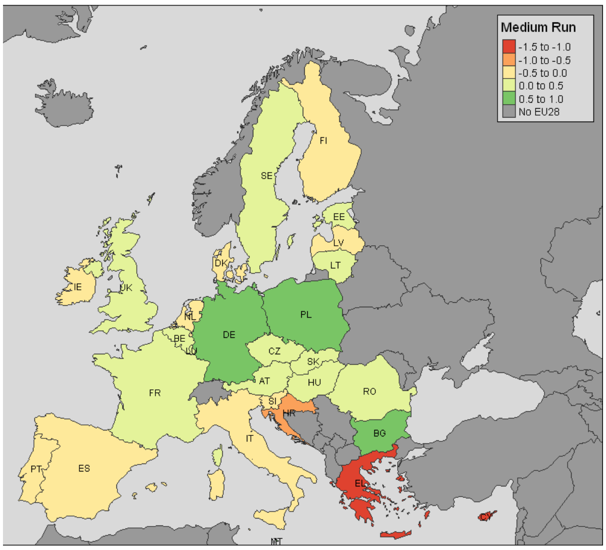
[1] Manca A. R., P. Benczur, and E. Giovannini (2017). [Building a Scientific Narrative Towards a More Resilient EU Society](), JRC Science for Policy Report, JRC28548.

Figure 1 : Crisis impact and medium run reaction

Crisis impact



Medium-run reaction



Shades indicate the level of measured resilience, from high (green) to low (red), over a broad set of dimensions.

The analysis also proved that considering the **social dimension** does provide a different picture, thus further reinforcing the case for the **European Pillar of Social Rights**, and for the inclusion of the social dimension in the work of the European Semester.

Main findings

- Including the **social dimension** makes a difference in the measurement of resilience. For instance, Bulgaria proves more resilient when dimensions such as social exclusion, happiness, health and wages are included in the analysis. Conversely, Hungary looks less resilient when the social dimension is factored in.

- While Germany and Poland appear to be among the **most resilient countries**, Bulgaria and the Baltics score better in the medium run than in the short run (see Figure 1). Ireland, after having been severely hit, shows a good absorptive capacity; Italy seems to be still struggling with the recovery, while Greece remains the most affected (Figure 2).

- Some countries, notably Germany, have been overall able to **'bounce forward'**, i.e. to improve their situation compared to the pre-crisis period (see Figure 2).

Conversely, Croatia, Cyprus, Greece, Italy and Spain still lag behind their pre-crisis performance in the majority of relevant socio-economic dimensions.

- Countries have been generally able to 'bounce forward' more as far as monetary aspects of wellbeing (GDP, consumption and income) are concerned, compared to **non-monetary aspects of wellbeing** (e.g. happiness, inequality, social exclusion, and the share of young people not in employment, nor education, nor training).

- High values of pre-crisis government expenditures on **social protection** are associated with lower crisis impact.

- When focusing on the medium run, the countries performing better are those that exhibit higher **political stability**.

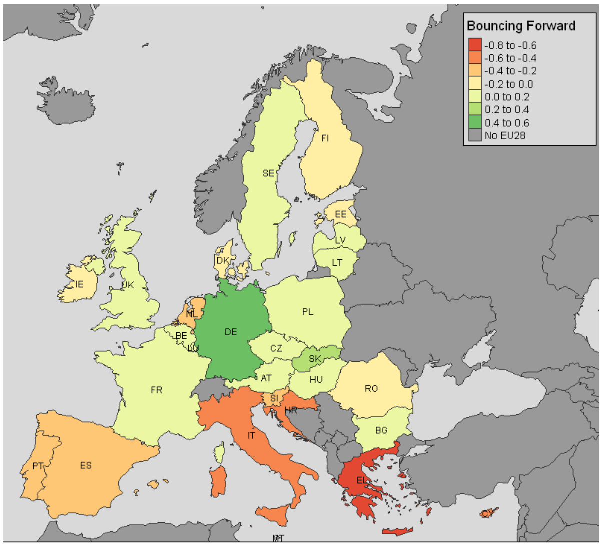
- As for the capacity of countries to 'bounce forward', what becomes critical is the **business environment** and in particular, the perception of **wages being related to productivity**.

- More generally, countries that are **net creditors** vis-à-vis the rest of the world tend to be more resilient than net debtors in all dimensions analyzed.

Related and future JRC work

The JRC will continue to work on **"Building a scientific narrative towards a more resilient EU society"**, considering different types of challenges. These include shocks and 'slow burn' processes such as **migration, digital transformation**, and **natural disasters**. A **flagship report** on resilience will be published this year.

Figure 2 : 'Bounce forward'



Shades of green indicate countries that have bounced forward in the various socio-economic dimensions considered. Conversely, shades of orange/red denote countries that are still in recovery phase.