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Creativity and the crisis: The impact of creative workers on regional unemployment

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ABSTRACT

Over the past several years, we have witnessed the most severe economic crisis since the Great Depression. In this paper, we seek to understand how regional occupational structures are associated with metropolitan areas that have rebounded (or have not felt the recession much at all) and those regions that have been unable to recover their economies. In particular, we analyze the impact of the creative class in comparison with other occupational groups. Using Bureau of Labor Statistics unemployment statistics from July 2007 to February 2011, we study the composition of 369 metropolitan areas to observe whether there are patterns in unemployment rates and distribution of occupational groups. We study these cities through five distinct periods during this time period: Stable, Crisis, Unemployment Expansion, Peak and Post-Peak. We find that having a strong concentration of the creative class going into the crisis is associated with lower unemployment rates throughout the studied period. Like the creative class, highly skilled human capital is associated with lower unemployment throughout the studied period but proves to be a less influential variable in our regression results.

Introduction

Over the past several years, we have witnessed the most severe economic crisis since the Great Depression. Yet some urban areas seem to have been impermeable or certainly quick to recover from the recession and have bounced back to almost pre-recession levels of employment. Yet on the other end of the spectrum, cities such as Detroit, Las Vegas and parts of Southern California are struggling to keep afloat, with massive foreclosures and unemployment. The economic crisis has been striking in its heterogeneous impact on urban fortunes. Are there economic dynamics that might explain regional responses and recovery from our economic crisis?

Ostensibly, those regions most heavily dependent on service or tourist economies have certainly fared the worst, while those cities with more diverse economies have been more robust. Ironically, New York City and London have both been heavily dependent on tax revenues from the financial industry and yet they have been far less affected than urban areas seemingly removed from the crisis' apex. Thus, we lack a straightforward explanation for regional economic robustness. Do conventional explanations for economic prosperity apply in the wake of the financial crisis? To what extent does the concentration of high-skilled human capital help mitigate times of economic upheaval?

More controversially, and as the central question of this article, does the "creative class", widely argued to determine long term prosperity, hold up in the wake of the crisis? Drawing from Florida's (2002a, 2002b) premise, the creative class, like the presence of high-skilled human capital, ought to remain an important factor in upholding economic growth, as it offers diverse economic activities and workers that are, at least theoretically (Comunian, Faggian, & Li, 2010), able to transition into new jobs and are highly desirable for firms and industries. Critics of the creative class argument, however, might easily point out that the creative class still remains an elite rising tide that does not necessarily lift all boats and that its goods and services may not be in great demand during times of hardship or scarcity (Peck, 2005; Pratt, 2011).

The overarching goal of this article is to descriptively analyze the extent to which the creative class is a useful theory in times of crisis. This article is a first step in studying how the creative class influences regional and urban economic outcomes during times of strife as well as prosperity. By no means are we undertaking econometric analysis that might suggest causality. Instead, this article is a first look at the relationship between the creative class and unemployment during an economic downturn. Our primary purpose is to undertake a descriptive analysis of the research question. Using the natural experiment of the time period before, during and after the financial crisis, we seek to understand which economic conditions are associated with metropolitan areas that have rebounded (or have not felt the recession much at all) and those regions that have been unable to recover their economies. We use the creative class as our point of departure as it is one of the most

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widely cited and strongly debated theories on urban and regional prosperity. In particular, we look specifically at whether the theory of the "creative class" upholds under conditions of recession. Using the case of United States metro areas, we undertake a descriptive analysis to look at the impact of the creative class as defined by Florida (2002a, 2002b) in comparison with other occupational groups. As much of the study of the creative class has been done during times of prosperity, a study of this theory during times of economic decline is sorely needed. To what extent is the occupational-based framing of the workforce applicable under conditions of economic crisis? Our framework for the analysis employs the four different occupational sectors as drawn from Florida's typology: creative, service, working and farming/fishing/forestry. Using Bureau of Labor Statistics unemployment statistics from July 2007 to February 2011, we conduct a descriptive analysis of the occupational composition of 369 metropolitan areas to observe whether there are patterns in unemployment rates and distribution across Florida's occupational typology. We study these cities through five distinct periods during this time period: Stable, Crisis, Unemployment Expansion, Peak and Post-Peak. We caution that this work is both descriptive and a first step in testing the creative class theory under economic stress. We find that overall there is relatively stable unemployment through 1Q2008 with rapidly rising unemployment through 2009. Through 1Q2010 unemployment rises but at a slower pace, followed thereafter by stable or falling slightly unemployment.[1] However, in studying the metros by population size, we find an unusual but consistent pattern: In the most populated 25 metropolitan areas, the top ten cities had a much less extreme crisis while the remaining 25 were the hardest hit of all metros. For the entire studied period, smaller metros do worse overall, and those cities with over 500,000 inhabitants fare the best. Based on the analysis, it appears that a strong concentration of the creative class going into the crisis is correlated with lower unemployment rates throughout the studied period whilst having a high concentration of the service or working class sectors is strongly related to higher unemployment (positive correlation to unemployment) but in different ways. Share of working class jobs is correlated with higher unemployment during the stable period while the service sector is associated with higher unemployment rates during the peak and post-peak period but negatively correlated to unemployment during the stable period. Like the creative class, highly skilled human capital is associated with lower unemployment throughout the studied period but a less influential variable in our regression results.

This article is divided into four parts. We will first briefly discuss the germane literature with a particular focus on the extant literature dealing with human capital and the creative economy. We will then discuss our approach to studying United States metropolitan areas during the crisis. We report results on metropolitan areas prior to the crisis, during the crisis and in the aftermath of the most critical unemployment period. Finally, we will consider what our analysis might mean for regions as they recover from the peak of the financial crisis.

Theories and concepts

Human capital and economic development

The extant literature on economic development is longstanding and comprehensive. Variables thought to explain growth revolve around diversity (Jacobs, 1961, 1969; Quigley, 1998), geography (Glaeser, 1998, 2000; Diamond, 1999) and the ability to restructure in the wake of deindustrializaton (Piore & Sabel, 1984; Storper, 1997). Over the last two decades, a considerable amount of economic development literature has been devoted to the significance of human capital to metropolitan and regional growth. Lucas and et al. (1988) outlines the theoretical mechanisms behind human capital as a critical part of urban economic development. In a similar vein, Romer (1986, 1990) argues that knowledge generation (a function of human capital) generates "increasing returns" that allow for ongoing endogenous growth. This can be attributed to the characteristics of human capital, which are not only non-rival and non-excludable, but also produce spillover effects (Mathur, 1999). Cities with more educated people and higher levels of human capital tend to grow more quickly than cities with less human capital. This may be due to the skills-city growth connection, which occurs largely because skilled cities are better at adapting to unpredictable events and economic shocks (Glaeser & Saiz, 2003). Empirically, the analysis of human capital's effect on regional and urban growth consistently reports robust and positive correlations. Simon (1998) finds that human capital explains differences in population growth across metropolitan statistical areas. Barro (1991) reports a correlation between GDP and initial endowments of human capital. Glaeser and Saiz's (2003, 2002) time series analysis shows that human capital has persistent effects on economic growth. Berry and Glaeser (2005) find that high human capital produces iterative processes, whereby skilled people tend to attract more of their ilk thus generating concentrations in particular places.

The creative class

More recently, scholars have focused on a particular facet of human capital and its impact on economic development. In 2002, Florida put forth the idea of the "creative class", as a new group of people who "generated meaningful new forms" in their daily working life. At its publication, Florida argued that 38 million Americans were members of the creative class. Florida categorized those in a wide swath of occupations as members of this group. From scientists to artists to engineers and financiers Florida argued that the creative class is comprised of individuals who generate new ideas and creative content and engage in complex problem solving. Florida juxtaposes the creative class from the working class and service class, both of which largely execute accordingly to plan rather than possess the autonomy and flexibility of the creative class (2002:8–9). Florida argues both theoretically and empirically that the creative class is responsible for much of economic growth and its auxiliary attributes (amenities, tolerance, diversity and innovation) (Florida, 2002a, 2002b, 2002c; Florida, Mellander, & Stolarick, 2008). While the creative class is not without its critics (cf. Hansen & Niedomysl, 2009; Malanga, 2004; Peck, 2005), the theory has gained traction in empirical research in a variety of places around the world. In a study of 450 European regions, Boschma and Fritsch (2007) find that the creative class has a positive effect on employment growth and entrepreneurship and that it outperforms education in its effect on these variables. Florida et al. (2008) also find that the creative class explains growth better than education (BA or above). Høgni Kalsø, Vang, and Asheim (2005) argue that talent begets regional growth, while McGranahan and Wojan (2007) find a positive association between the creative class and rural employment.

The creative class and wider creative economy

While the debate around the creative class has emerged in the past decade, the study of specific types of creativity methods by which to understand regional growth has been a longstanding line

[1] These periods are used to temporally stratify the sample. Unemployment is averaged over a series of different time periods. This allows for smoothing out the data while taking into consideration the underlying economic conditions.