

**ECONOMIC RESILIENCE TO CRISIS.  
THE CASE STUDY OF THE POMORSKIE REGION IN POLAND<sup>1</sup>**

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**Abstract**

*The paper aims to identify the resilience of the Pomorskie region in Poland. Economic resilience is defined as the ability of the economy to overcome the negative external disturbances. In a unitary state like Poland the resilience of the region to the crisis results to a high degree from the external macroeconomic factors of the country. However some regional features play an important role in strengthening resilience. Very important factors of the Pomorskie region's resilience is the diversity of economy and open society. State policy as well as regional and local policy may contribute to the region stability.*

**Key words:** *economic resilience, Pomorskie region, macroeconomic factors, regional economy structure, state and regional policy*

**1. INTRODUCTION**

In environmental studies the resilience means biological capacity to adapt and thrive under adverse environmental conditions (Christopherson et al. 2010, p. 3). The concept has been transferred to the social sciences and public policy as the good way of identification of responsive capacities of places and social systems to global threats such as economic crisis and climate change (MacKinnon & Driscoll Derickson 2013). In economics, resilience has been defined in terms of return to a fixed and narrowly defined equilibrium (as measured by employment, for example) or, in the more liberal version, multiple equilibria (Christopherson et al. 2010, p. 3). Similarly, regional resilience can be defined as an ability of a region to anticipate, prepare for, respond to, and recover from a disturbance” (Foster 2007. p. 14). As a result of the recession of the U.S. and Europe economies, this concept began to be rapidly developed in economics and regional science. Therefore the economic resilience concept is more and more significant in international studies.

Economic resilience refers to the policy-induced ability of an economy to recover from or adjust to the negative impacts of adverse exogenous shocks and to benefit from positive shocks” (Briguglio et al. 2009, p. 233). According to Teigao dos Santos and Rosário Partidário (2011, p. 1519) resilience can be described as “the capacity of a system (e.g. a region, an economic activity, a city, a household) to absorb disturbance and reorganise without collapsing or considerably changing their identity”. Economic recessions can therefore contribute to the future positive changes that are not possible in a period of economic growth.

In the research of economic resilience an evolutionary approach is proposed. From this perspective resilience is perceived as the ability of complex socio-ecological systems to change, adapt and transform in response to stresses and strains (Davoudi 2013, p. 302). Davoudi (2013, p. 303) emphasizes, that in this approach resilience refers to cycles of change consisting of four phases identified by Holling and Gunderson (2002): growth or exploitation, conservation, release or creative destruction, and reorganisation. This perspective highlights the possibility of making changes of the system to enter after a period of recession into the new growth path. In other research Martin (2012)

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<sup>1</sup> The paper presents results of research conducted in Pomorskie region and several European regions within the international project entitled Economic Crisis: Resilience of Regions (ECR2) in the framework of the ESPON 2013 Programme.

suggests that there are four interrelated dimensions to regional resilience: resistance, or the differential ability of regions to resist disruptive changes such as recessionary shocks; recovery, or the ability of a region to recover effectively from shocks; re-orientation or the extent to which the region changes its economic structure; and finally, renewal, or the degree of change to the pre-shock growth path or trajectory. These dimensions refer to ways of dealing with recessions and depends on strength, industry structure and lead policy in given region.

A characteristic feature of the definitions is the existence of external factors as contributing to the recession or slowdown in the economy. It is also stressed that internal characteristics of regions or countries (including the structural conditions) affect the depth, duration and speed of recovery from the recession.

The concept of economic resilience was developed by Briguglio et al. (2009). According to the authors the resilience is determined by: macroeconomic stability, fiscal deficit, inflation and unemployment, external debt, microeconomic market efficiency (including the efficient market mechanisms), good governance (appropriate government intervention to foster economic resilience), developed and responsible society, with a high level qualifications and good health. In contrast to the resilience the same authors define the economic vulnerability as “exposure of an economy to exogenous shocks, arising out of economic openness” (Briguglio et al. 2009, p. 229). They also suggest that the vulnerability is affected by economic openness, export concentration, dependence on strategic imports.

S. Christopherson et al. (2010, pp. 6-7) point out that, in the context of the economic resilience, there are several, universal factors of particular importance that allow regions to adjust and adopt to changing conditions over time. These are:

- A strong regional system of innovation (Clark et al. 2010);
- Strength in factors that create a ‘learning region’ (Archibugi & Lundvall 2001);
- A modern productive infrastructure (transport, broadband provision, etc.);
- A skilled, innovative and entrepreneurial workforce;
- A supportive financial system providing patient capital;
- A diversified economic base, not over-reliant on a single industry.

The macroeconomic context and internal regional features sets the background for the analysis of the structural and functional aspects of the Pomorskie region’s resilience. The paper begins by setting out the macroeconomic constraints of regional development in Poland. The analysis of the state-level context of regional development policy is especially important in a post-communist and unitary country. Review of regional reports and statistical data allowed to examine the structure of the economy. The main socio-economic characteristics of the region as well as the uniqueness of the place illustrate the endogenous development potential of the region.

Qualitative research involving more than thirty interviews of entrepreneurs, representatives of business support institutions, local and regional administrations, representatives of science and NGOs support the results of the research. Interviews conducted in 2013 made it possible to identify macroeconomic factors, which were mostly responsible for the stabilization of the country's and regional economy during the first phase of recession in Europe. The interviews also helped to identify features of region’s economy and society which strengthen the resilience of Pomorskie region to the crisis. The interviews also allowed to identify regional and local policy aimed to stabilize the region in the period of the economic downturn in Poland.

## **2. MACROECONOMIC CONSTRAINS**

Poland is a unitary state and the state policy has a significant impact on the economic situation in regions. It has to be emphasized that maintaining a prudent financial policy has resulted in constant economic growth in the last 20 years. The last GDP drop in Poland was noticed in 1991. It is believed that the economic reforms introduced by Leszek Balcerowicz in 1990 have led to the long-term

economic growth in Poland. Those reforms included privatization and fiscal consolidation in order to reduce inflation. At the beginning the reforms caused many social problems but they were factors of great importance for the Polish economy. It seems that gradually introduced reforms, including for example introducing the mandatory private pension system (1999) or privatization of government-owned companies had a great impact on the level of competitiveness of Polish economy and its resilience to external economic shocks. Introducing another reform of the pension system extending the retirement age (since 2013) suggests that Polish society is ready to accept and face some necessary changes.

Polish currency has a floating exchange rate and its fluctuations are influenced by the relations between other currencies, especially Euro. Polish economists claim that in the time of a good economic situation, when lots of foreign capital was inflowing to Poland, Polish currency was strengthening (Kębłowski & Welfe 2010). That is why Polish companies exporting goods to foreign markets had to increase their productivity and implement some restructuring processes. On the other hand, in the time of the financial crisis in Europe, Polish currency weakening had a stimulating impact on Polish export and Poland experienced an overbalance in its domestic trade. Thus it can be assumed that the Polish economy was able to absorb an external economic shock. The floating rate of Zloty (PLN) exchange makes it possible for the Polish economy to adjust to the external macroeconomic conditions.

Not only the above mentioned good situation in Polish export is a positive outcome of the floating exchange rate of Zloty. Despite Polish currency weakening, the crisis has not caused a high increase in the value of credits in Euro because there are not many companies and households that have taken such credits. What is more, demand for credits in Zloty has increased. It is an important factor strengthening the economy. Introducing the Vienna Initiative was also of great importance (The Economist 2012). Its aims are to improve the coordination and information exchange between banks and to prevent a large-scale and uncoordinated withdrawal of cross-border bank groups from the Central Europe. Undoubtedly, an anticyclical fiscal policy of Poland is also an important factor which mitigates the negative consequences of the financial crisis. In the times of the economic boom Polish budgetary deficit decreased from over 6% of GDP to less than 2%. During the period of economic slowdown which Poland experienced in 2011 the budgetary deficit increased again and reached almost 8% of GDP, what contributed to increasing the development growth. However, as the result of stimulating the growth by the state public debt has increased above 50% of GDP<sup>2</sup> (table 1) but it is not considered a high percentage in comparison to other countries of Western Europe. An important monetary activity was the decision on lowering the deposit rate from 4,5 to 2% in the years of 2008 – 2009 and from 2012 (NBP 2014).

The condition of Polish economy in the period of 2000-2012 was relatively good – it is illustrated by the level of turnover profitability of non-financial companies (excluding financial institutions). The situation of these companies was worse at the beginning of the 2000's (negative level of profitability) than now. Although since 2000 the level of turnover profitability has been decreasing, it can be stated that Polish companies are quite resilient to the crisis.

In the public debate is emphasized that a positive feature of the crisis is that Poland experiences asymmetric shock. Before the current crisis, until 2007 the Polish economy was growing very fast while the GDP dynamics rate of the EU was decreasing. The same situation happened again in 2011. This business cycle divergence across economies and across sectors can be very helpful in mitigating the negative consequences of the current crisis.

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<sup>2</sup> The Constitution of the Republic of Poland states that public debt cannot exceed 60% of GDP

Table. 1. Selected macroeconomic indicators for Poland in the period of 2000-2012

Categories	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP – increase in % in comparison to the previous year	4.3	1.2	1.4	3.9	5.3	3.6	6.2	6.8	5.1	1.6	3.9	4.5	1.9
Deficit/ Surplus of the sector of government institutions and local authorities as % of GDP	-3.0	-5.3	-5.0	-6.2	-5.4	-4.1	-3.6	-1.9	-3.7	-7.4	-7.9	-5.0	-3.9
Debt of the sector of government institutions and local authorities as % of GDP	36.8	37.6	42.2	47.1	45.7	47.1	47.7	45.0	47.1	50.9	54.8	56.2	55.6
Net turnover profitability rate of non-financial companies in %	0.5	-0.2	-0.3	1.9	4.5	3.8	4.3	5.1	3.3	4.1	4.4	3.9	3.4

Source: CSO 2014

### 3. POLITICAL, SOCIA AND REGIONAL ECONOMY CONTEXT

Social capital is considered one of the most important factors supporting constant economic development. The community of the Pomorskie region is one of the most active communities in Poland what is justified by a high number of non-profit organizations in the region. The Central Statistical Office (CSO 2014) indicate that in Pomorskie operate many social organizations. The social capital of the region is very high (third highest in Poland, although Poland is considered a country with low social capital) and the level of the quality of life index is the highest (Czapiński & Panek 2011; Marshal's Office 2011). People living in the region are socially and politically active – the second highest voter turnout in Poland during the parliamentary election in 2011. The relatively young community of the region is the most liberal of all communities in Poland – in 2011 a liberal party “Platforma Obywatelska” (Civic Platform) won the election having 51% of all votes (the highest percentage in Poland) (The National Electoral 2014). The liberal community of the region, where the Solidarity was born in the 80s., is more willing to choose liberal leaders. It is worth mentioning that three former Presidents of Poland – Lech Wałęsa, Aleksander Kwaśniewski and Lech Kaczyński come from the agglomeration of Gdansk, as well as the current Prime Minister of Poland, Donald Tusk.

Social and political activeness translates into economic activeness. The level of entrepreneurship in the region is relatively high. It is connected with the European funds granted to people who start their own companies and with the self-development policy implemented in Poland. That is why there are lots of micro-companies in the country. The analysis of the entrepreneurship index (Statistical Office 2012) shows that the region is the second best in Poland. In the Pomorskie region there are lots of new companies registered every year and a relatively small number of companies is closed down. The importance of companies which employ 9 people or less (micro companies) is higher than the EU average. There are more such companies in Poland than in other EU countries and they generate more gross value added.

The condition of the Pomorskie region's economy before the European crisis was good. Accession to the European Union in 2004 enlarged the market for Polish goods although there were many people against the accession. Moreover, inflow of the European funds translated into modernization of the local economy. Those funds allowed lots of companies to purchase modern technologies what made

the production more efficient preserving low labour costs at the same time. Lack of the EU funds would have forced the companies to buy cheaper and older technologies. That is why this factor is considered crucial for the region's competitiveness during the crisis.

The economic condition of private companies in the Pomorskie region is better than average in Poland although it has started to getting worse in the recent few years (table 2). Optimism and entrepreneurial attitudes among the society as well as constant inflow of the European funds are the main reasons why the number of newly established companies was quickly increasing, especially in the Pomorskie region, even during the first wave of the crisis. This number started decreasing in 2011. However, during the period just before the recession wages and the work productivity level had been growing very fast as well as the level of household disposable income. The higher wages the higher level of consumption which is considered the main factor (in approx. 60%) powering economic growth in Poland.

Table 2. Selected indicators for Poland and the Pomorskie region in the period of 2005-2012

Area	2005	2006	2007	2008	2009	2010	2011	2012
Net turnover profitability rate of private sector (in %)								
Poland	4.1	4.8	5.2	3.4	4.2	4.2	4.2	3.3
Pomorskie region	4.4	4.6	5.5	4.6	4.6	4.6	4.2	3.9
Newly established companies (per 10,000 citizens)								
Poland	69	78	77	83	92	104	90	93
Pomorskie region	85	96	103	111	113	121	109	110
Average gross monthly wages (in PLN)								
Poland	2506.93	2636.81	2866.04	3158.48	3315.38	3435.00	3625.21	-
Pomorskie region	2511.25	2650.20	2882.56	3167.70	3320.06	3383.58	3567.49	-

Source: CSO 2014

The potential of the metropolitan area of the Pomorskie region is similar to the potential of the other similar Polish regions (e.g. Wielkopolska, Śląsk or Małopolska) but it is developing a bit slower and its GDP per capita is lower than in mentioned regions. In the investment attractiveness ranking the Pomorskie region is 7<sup>th</sup> best in Poland (total number of regions in Poland is 16). There have been two main disadvantages of the region identified: transport accessibility (11<sup>th</sup> rank) which is successively getting better and economic infrastructure (9<sup>th</sup> rank). The positive determinants are: market (3<sup>th</sup> rank in Poland), social infrastructure (5<sup>th</sup> rank), interacting with investors (6<sup>th</sup> rank) and labour resources and costs (7<sup>th</sup> rank; Nowicki 2012). It is assessed that the Pomorskie region does not exploit the potential it has. It is interrelated with the peripheral location of the region which is not located near important transport hubs or state borders with Germany and the Czech Republic. Moreover, scientific and research potential of other Polish regions is higher although their population potential is similar.

#### 4. STRUCTURE OF THE REGIONAL ECONOMY

The economy of the Pomorskie region is diversified. The most important industries for the region are: chemical industry, including petrochemical, shipbuilding and yacht industry, electronic and machinery industry and pharmacy sector. Other important branches for regional economy are: financial sector,

furniture industry, paper industry and food including fishing. Significant branches of the regional economy are also health and educational services – demand for these does not depend on the economic cycle phases. The local tourism industry is still developing as it is dominated by domestic tourists.

The largest regional clusters, that have been estimated on the basis of the employment rate, are located in the agglomeration of Gdansk (The Gdańsk Institute 2008). They are: construction (12%), educational (7%), health care (6%), food (6%), logistic (5%), financial (5%), tourism (4%; developed not only in the agglomeration of Gdansk), wood and furniture (4%; in the western part of the region), maritime (3%) and media (3%). Although there are lots of people employed in the construction industry, this industry did not experience the breakdown during the first wave of the crisis mainly because there are still lots of large infrastructural projects implemented. Those projects are co-financed by the EU. Still, the unmet housing needs are the most important part of those infrastructural projects. In the second part of 2012 the lowering level of investment in the construction industry was observed.

Goods of the largest export value are produced in a few clusters: maritime (shipping), chemical (including petrochemical cluster), hi-tech (TVs and electronic components), metal, wood and furniture (including paper cluster) and food (including fishing cluster) (The Gdańsk Institute 2008). The production of specialized vessels and steel constructions in the ports of Gdynia and Gdansk makes the region special and unique. Lotos is a very important company in the region – it produces almost 1/3 of the petrol that is sold on the Polish market. This company has the second largest income in Poland.

According to the OECD classification the Pomorskie region exports mainly products of the so called medium low technologies, but in comparison to other Polish regions the region is one of the leading regions considering the role of export of hi-tech products. Pomorskie goods are mainly exported to the EU countries (60%), but they are also exported to the countries that are not the EU members (over 30%; the largest percentage in Poland). A great level of diversity of the export is very beneficial, as the region exports goods to the developed and economic stable countries of Western and Northern Europe, i.e. Germany, Sweden, Denmark, Netherlands and Norway (Marshal's Office 2008).

The transport and logistics sector is an important sector for the region's economy. The logistics cluster generates more than 6% of the whole sold production of the region, but it has a great development potential. The value-added stevedoring of Gdansk and Gdynia ports is increasing rapidly. Both of them are situated on the route of the Trans-European Transport Corridor No. 6 which connects Scandinavia and South-eastern Europe. The Port of Gdansk has been developed in the recent years, so now the largest vessels can enter it. It has become a hub for other ports of the Baltic Sea. The Deepwater Container Terminal in Gdansk can compete with the terminals in Hamburg, Rotterdam and others.

## **5. THE ROLE OF THE REGIONAL ECONOMY IN RESILIENCE**

The analysis of the industry and service structure is a useful tool when assessing the region's resilience. As was mentioned the economy of the Pomorskie region is diversified. The most important industries for the region which were relatively resilient to the last European economic recession are the chemical (including petrochemical), pharmacy and paper industries. It should be emphasised here that products of industries and services which satisfy basic, existential needs do not depend on the business cycle phases and make the economy more stable. They are education, health care and food industry. There are also several important sectors in Pomorskie region that were more sensitive to the external macroeconomic situation, e.g. the shipbuilding industry, electronic industry, financial industry, furniture industry and fishing industry.

Important factors that determine economic strength and the resilience of the regional economy are openness and the geographical and product concentration of exported goods. The Development Strategy of the Pomorskie Region (Marshal's Office 2012) declares its economic relations to be open as the export propensity index is very high (the third highest in Poland) and a large amount of hi-tech goods are exported (the second largest amount in Poland). The Pomorskie Region is therefore believed

to be sensitive to external shocks (Marshal's Office 2012, p. 10), especially at the beginning of the crisis. In fact this thesis is not entirely accurate, as the hi-tech goods are exported to countries with stable economies (e.g. Germany, Norway, Sweden). Even more importantly, the openness is only relatively high in comparison to other Polish regions, but when we compare it to the EU countries it becomes clear that it is quite low. It can be claimed that the export concentration index is relatively high (mainly shipbuilding and electronic products are exported), but spatial concentration of export is not high.

The small and medium companies sector is very important for the regional economy, especially the micro companies. These very small enterprises react much faster to changes in macroeconomic conditions than large companies. A high percentage of people working in small and micro companies can strengthen a region's economy unless the companies are subcontractors. When a small company is a subcontractor it is dependent on the one larger company, the bankruptcy of which can lead to the bankruptcy of the subcontractors. Poland is considered a country with high levels of entrepreneurship and in the Pomorskie region many new companies are registered and a relatively small number of companies have closed down (Statistical Office 2012). Establishing new firms is partly a response to the necessity to start a business (due to the lack of a full-time job), but the firms strengthen labour market flexibility, which is especially important in times of economic downturn. All kind of companies – small and large must be embedded in regional economy. Research units of firms located in the region support its stability. This is the weakness of the economy of Pomorskie region.

When the issue of resilience is debated in public, it is stressed that it includes two major components – competitiveness and innovativeness of companies. There are not many innovative companies in the region, so the resilience of this region is mainly due to competitiveness. This competitiveness is based on the ability to supply client demands at relatively low prices. Thanks to low labour costs the companies in the region can sell their products on the external markets. Business process outsourcing companies are an example of foreign companies that have moved to Gdańsk and Gdynia. Regional employees are qualified enough to work in this sector.

## **6. STATE, REGIONAL AND LOCAL POLICY LOLE IN THE RESILIENCE**

The state policy played a key role in building the resilience of the regions in the first wave of the crisis. The anti-cyclical fiscal policy introduced by the government helped to stabilize the labour market and preserve the economic growth. Increasing the public debt has contributed to maintain the high level of consumption. Another positive action taken up by the government before the first wave of the crisis was lowering taxes on labour cost. Too cautious and a bit delayed decisions on the labour market flexibility and staff costs did not have a significant meaning. Effective management of the EU funds made it possible to implement many new investments creating new jobs. Obviously, the EU funds were very important for maintaining the economic growth in the first wave of the crisis.

Monetary policy led by the National Bank of Poland and the Monetary Policy Council has turned out to be crucial during the first wave of the crisis. Before the crisis interest rates were relatively high thus the cost of money was high, too. In the result only the most risk-free projects were implemented. Reducing the interest rates at the beginning of the crisis helped to maintain the investment index on a similar level. All actions aimed at maintaining liquidity in the banking were crucial during the first phase of the crisis. The prudent policy of the Polish banking sector which provides services only to the real economy has caused that this sector did not have to face many negative effects of the crisis. The relatively low level of loans given by the banks to the Polish companies rescued many of them from bankruptcy when the Polish currency was weakening. What is more, during the period of the currency weakening Polish products were cheaper than foreign ones thanks to the floating exchange rate. Constantly increasing income from export sales and a high level of consumption were very important in the first wave of the economic crisis. During the second wave of the crisis the structural and functional determinants have become more important.

The regional and local authorities have few tools to react to the crisis because they have not got any rights to introduce changes to the financial and labour policies. They have also got a limited amount of

money that they can spend, but some initiatives of the local authorities were very beneficial and appreciated by the entrepreneurs of the Pomorskie region. The most important were services provided e.g. by the Credit Guarantee Fund of the Pomorskie Region which were very useful at the time when banks toughen the criteria on loans to companies. In the opinion of interviewed entrepreneurs banks act too protective and they do not take financial situation of companies or their business plans under consideration. That is the reason why there were less new projects implemented in the region. Entrepreneurs state that banks are no longer public trust institutions. That is why the financial initiatives of the local and regional authorities are so appreciated. The meaning of public-private partnership is still increasing, but nowadays it is not very popular in Poland. The representatives of the local authorities stress the role of public-public partnership, too (e.g. cooperation between the local authorities and the ports' boards – investments for new workplaces). When some visible symptoms of the crisis have appeared lately, the local authorities have put more effort to protect the existing workplaces than to create new ones. The people-base policy is becoming more and more important these days.

There were not any actions taken up by the national government of Poland aimed at transferring some of its competence to the local authorities in order to help them in the time of crisis. The local authorities cannot make independently decisions connected with building the main technical infrastructure in the region. They can take up some “soft” initiatives supporting cooperation between the companies located in the region. The local authority was involved in the actions taken up when lots of workers were dismissed from the shipyards in Gdynia and Gdansk as a result of their restructuring plans. Unfortunately, there are not many appropriate tools available for the local authority to act efficiently in a time of crisis. Implementation of the Development Strategy of the Pomorskie Voivodeship which was in force until 2012 was co-funded by the regional authorities (5,5%), counties and municipalities (31%) and strategic companies (14%). However, the regional authorities have decided on what 23,5% of those funds have been spent (Marshal's Office 2012). Approximately  $\frac{3}{4}$  of the funds spent on implementation of the strategy have been obtained from the independent sources and this fact is considered a great success of the regional policy.

The cooperation between the government and the local authorities is based on the so-called Voivodeship (Regional) Contracts. Concluding such a contract is a starting point of the procedure of granting the European funds to the local authorities so they could implement their operational programmes. The contract sets the rules of implementing tasks which the local authorities mentioned in their development strategy and tasks assigned by the government. It is believed that the provisions of Europe 2020 strategy will take away the local authorities' autonomy in the scope of spending the EU funds. Money coming from the Pomorskie Voivodeship Regional Operational Programme are the main source of financing investments. The interviewed representatives of the local authorities state that the government has stronger position because it is directly responsible for the award of grants to the European Commission. The sectoral attitude dominates in Poland and there is no political willingness to change it. It is a very difficult situation during the crisis in Europe when incomes of the central budget decrease. It can be stated that the recession has toughened the government's position on transferring funds and competencies to the regional and local authorities.

The local and regional authorities have a limited impact on the economy in a time of crisis. However, they can take up some “hard” and “soft” actions supporting the region's resilience. The first category comprise actions like building local and regional transport infrastructure, developing business environment institutions and tool as well as taking up any actions increasing competitiveness and innovativeness of companies. The so-called “soft” action are for example lobbying the Parliament to gain more money for new investments and searching for new investors. Those actions are mainly focused on large investments. Another example of a “soft” action is supporting the cooperation between business, science and administration.

The action taken up before the crisis aimed at looking for investors operating in various sectors in order to diversify the economy and at searching for cooperators for the already existing companies in order to exchange ideas and technologies. Those actions were not directly connected with the crisis as they resulted from the long-term economy transformation and modernization strategy. There were also

some short-term actions taken up like accelerated spending of the EU money and enlarging the local debt in order to raise money for the own financial contribution to the projects. The enlarged debt and increased money circulation in the economy caused higher business activity during the first wave of the crisis. The second wave was going to be more dangerous for the regions' economy as its debt is already high. Nowadays the local authorities are mainly focused on introducing the repayable financial instruments and waiting for new EU funds.

Strategies of the public institutions including the local authorities are aimed mainly at implementing instruments supporting entrepreneurship in the region. It is a common belief that the repayable financing makes it possible to support more companies and projects, especially the companies in the first stage of development and innovative start-ups which want to enter foreign markets. All those actions will undoubtedly strengthen the region's resilience therefore the crisis has influenced the authorities' mentality by forcing them to introduce new powerful development tools that support typical development scenarios. The research has shown (the interviews and the analysis of the Board of Pomorskie 2013) that there is a list of action that are being taken up or are going to be taken up in the nearest future which are aimed at introducing a new way of the region's development. These actions are as follows:

- supporting those companies which have a better chance of staying in the market for a long time, not the micro-companies which are not innovative;
- supporting those companies which cooperate with research units and have a chance for achieving global success, e.g. companies representing creative industries (Development Agency 2012);
- introducing the repayable financial instruments – loan guarantee funds, the JEREMIE initiative, the European Investment Bank and European Investment Fund;
- supporting start-ups by providing advisory services in the scope of the repayable financing, legal regulations and business strategies;
- striving to achieve energy independence what will guarantee constant long-term development;
- establishing the cluster policy – selecting three most important clusters: construction industry, ICT, eco-energy;
- introducing strategies for Smart Specialisations;
- making universities more international and supporting students who implement research projects in cooperation with the business sector;
- supporting vocational education in cooperation with associations for entrepreneurs;
- striving to change the society's and entrepreneurs' mentality in order to create long-term competitive advantages.

## **7. CONCLUSIONS**

The macroeconomic factors including fiscal policy of government and monetary policy of central bank affect the economic resilience of the Poland and the Pomorskie region. Counter-cyclical government policy and low deposit interest rate determined by the National Bank of Poland favored maintaining jobs and economic growth during the downturn. Moreover, behavior of the banking sector, including maintaining high liquidity was of great importance too. Conservative policy of this sector based on financing the real economy caused that relatively few companies went bankrupt.

The Pomorskie region is in the group of European regions where the negative impact of the economic crisis has not been distinctively visible – the Pomorskie region has experienced only some symptoms of economic slowdown. This situation is primarily connected with the economic situation in Poland, which has not faced a economic recession.

The community and its social capital is undoubtedly one of the strongest attribute of the regional resilience. The community of the Pomorskie region is one of the most active communities in Poland what is justified by a high number of non-profit organizations in the region. The social capital of the region comparing to other Polish regions is very high. People living in the region are socially and politically active. The relatively young community of the region is also the most liberal of all

communities in Poland. The inhabitants of the region represents a high entrepreneurship and occupational mobility. In the Pomorskie region there are lots of new companies registered every year and relatively small number of companies is closed down. All these factors support regional economic resilience.

Undoubtedly, one of the most important factor of the resilience is a diversified economy structure with the domination of the services sector. During its development the local economy was not dominated by one sector (e.g. financial, housing or tourism) and it is the reason why the region is more economically stable. This stabilization of the economy in long period of time is also strengthened by the relatively high level of international economic openness of the region measured high export rate of high-tech products. The Pomorskie region exports goods mostly to strong and stable countries of Western Europe but also to Norway, United States, Russia.

The small and medium companies sector is very important for the local economy. These enterprises react much faster to changes in the macroeconomic conditions than large companies. The large companies' strategies are constructed on the basis of decisions that are made on the central level and they do not respond to local needs and they are not connected with the economic effectiveness of a given branch or the economic conditions of the country. However, it is a favorable situation when a large company has its registered office located in the region. It is assessed that the economy of the Pomorskie region is much more flexible than the economy of other Polish regions as there are not many big factories employing staff on permanent contracts in the region. Domination of small and medium companies with much more flexible employment relationship makes it possible for them to adjust to new macroeconomic conditions quite quickly.

One of the factors that decide on the region's resilience is lack of demanding attitudes among the employees in a time of crisis. The interviewees claimed that the agreements concluded between employees and employers allow the companies to survive in the period of economic slowdown but it is possible only when employees are treated fairly. However, both the employees and employers must have strong ethic. The flexible labour market makes it possible for the employers to employ people on short contracts only when they really need some additional stuff what significantly decreases labour costs. It is very important in a time of downturn. The problems connected with high labour costs are observed only in large companies which have not been modernized and they employ too many people. Additionally, trade unions make it almost impossible to introduce any organizational changes in such companies so they are exposed to bankruptcy.

For future resilience it is important to introduce those economic strategies which allow to maintain the competitiveness of the region. They shall be aimed at achieving a constant growth of productivity and labour costs. The government and the local authorities should do they best to minimize the budgetary deficit during the periods of prosperity so they could increase it again in a time of crisis. What is more, innovative companies and high-risk investments shall be supported continuously by the local authorities.

It is also important to increase private consumption in the region. Interweaved representatives of the regional institutions and businesses a high level of domestic consumption recognized a key a factor to maintain economic growth in Poland and Pomorskie region. The present crisis has shown there are social economic inequalities in the region and they shall be leveled. The wealthiest people invest their financial resources in the stock market. Faster and faster capital flows and lack of the proper legal regulations have led to the excessive leverage by banks. Introducing the legal regulations which reduce the disproportion in incomes shall trigger the process of decreasing the value of virtual money and shifting it to the real economy which will stimulate the demand. When a large group of people is able to satisfy its basic needs, the consumption level increases. That is why this process is crucial for maintaining constant development of the regions' economies.

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