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COMMENTARY

Structural adjustment and the automotive industry: insights for regional policy and programmes

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This paper provides commentary on Bailey et al.’s paper entitled ‘Plant closures and taskforce responses: an analysis of the impact of and policy response to MG Rover in Birmingham’ ([2014], Regional Studies, Regional Science. DOI:10.1080/21681376.2014.899477). The paper argues that this contribution needs to be placed alongside other works by this group of researchers (Bailey, de Ruyter, Chapain, Clarke, MacNeill) and assessed for the broader contribution this body of work makes to our understanding of new, and emerging, models of regional policy. It is argued that established conceptualizations of regional policy and programmes either tend to focus on a redistributive approach to the well-being of places that reflects the ‘spatial Keynesianism’ of the past or accept the new mercantilist perspectives that have been reflected in the work of authors such as Glaeser and Storper. This paper, and the wider body of work of which it is representative, suggests an alternative approach to the development of places that gives scope for public sector intervention while acknowledging the importance of private sector processes and the highly differentiated nature of regions.

Keywords: Structural adjustment; automotive industry; regional policy; economic shock

Deconstructing the text: plant closures and taskforce responses

The paper entitled ‘Plant closures and taskforce responses: an analysis of the impact of and policy response to MG Rover in Birmingham’ by Bailey, Bentley, de Ruyter and Hall (2014) considers the impacts of the closure of MG Rover at Longbridge, Birmingham, and situates that set of social and policy processes within a wider context, including broader labour market circumstances, the changing role of the third sector and neighbourhood-level dynamics. The paper examines three questions

- What happened to former MG Rover workers and what have been the impacts of both labour market regulation and economic crisis on their labour market experiences?
- How have the nearby communities been affected?
- What policies and programmes have been put in place at the regional and local scales and can they be considered successful?

In many ways the narrative presented by Bailey et al. is all too familiar to researchers in developed economies. Many regions have suffered the loss of major manufacturing plants, and while areas such as Birmingham experienced sudden losses, others suffered through a more drawn-out process (Beer & Thomas, 2007). Birmingham had a

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strong manufacturing history in the 19th and 20th centuries, but that record of success dwindled away for complex and compounding reasons. While much of the history of the decline of automotive manufacturing in Birmingham is representative of broader processes, all regions and industries have distinctive histories. In the case of Birmingham, the nationalization of car-making in the UK in 1975 – and its subsequent privatization – was a unique feature of the transformation of the industry, and a marker of more fundamental social and political change. The final collapse in February 2005 of MG Rover was, as the authors suggest, perhaps inevitable and helped trigger the demise of high-volume vehicle production in the region.

Bailey et al. use survey and other data to make a number of critical contributions to regional research. First, they note that work done in anticipation of the possible closure of MG Rover meant that the impacts on workers and the region was not as profound as it might have been. Some workers used the closure as an opportunity to change career, and workers made redundant had high rates of retraining. The majority of workers moved into service sector employment. Second, they observed that unemployment rates three years after the closure were remarkably low – just 5%, suggesting a level of success in redeploying workers not evident in other places (Beer, 2008). Third, they acknowledged that while local action had a substantial positive impact, wider processes at work within the economy, and especially the emergence of precarious employment across the UK, placed at risk the success of earlier regional measures. Bailey et al. (2014) note that workers made redundant have been confronted by considerable labour market insecurity, including insecurity in income and insecurity in representation by a union or equivalent organization. They conclude that while rapid action in response to an economic shock is critical, longer-term action is needed at a national level to secure good-quality jobs.

Regions, regional policy and academic debate

The material presented by Bailey and colleagues (Bailey, Armstrong, de Ruyter, Mahdon, & Thomas, 2008; Bailey, Bellandi, Calofﬁ, & de Propris, 2010; Bailey, Chapain & de Ruyter, 2012; Bailey et al. (2014); Bailey, de Ruyter, & Clarke, 2010; Bailey & MacNeill, 2008) needs to be placed in the context of wider debates on the functioning of economies and the development of regions.

Explicit and implicit regional policies have been a feature of developed economies for more than a century (Armstrong & Taylor, 1993; Hall, 1969) and they remain an important feature of the policy landscape in many nations. The European Union and its constituent nations place considerable priority on ‘territorial development’ and the balancing of both well-being and productive capacity across regions (OECD 2009). In other nations, regional policies have had a more mixed history: in Australia, regional policies have been embraced by both Conservative and Labor governments (Beer, 1999; Collits, 2012), although the commitment to regional development has varied over time (Collits, 2011). In the USA, regional policies are often lost amidst a raft of local initiatives driven by city governments or communities (Clower, 2003).

Regional research and policy can now look back on a considerable history, with many of the most significant regional policy developments and analyses – e.g. the Barlow Report (Barlow, 1940) and the establishment of the Tennessee Valley Authority (Kline & Moretti, 2012) – taking place in the first part of the 20th century. For much of that period scholarship has been divided between advocates of neoclassical economic perspectives on regional growth and those promoting government intervention, an
approach sometimes labelled as ‘spatial Keynesianism’ (Breathnach, 2010). The neoclassical perspective argues growth is predicated on free markets and minimal state intervention, while proponents of a role for governments highlight market failures and the unevenness of development.

Over the last decade debate on the need for, and the role of, regional policy has resurfaced with considerable vigour. The World Bank (2008) has been an important advocate for the neoclassical perspective. It posits that policies that promote the growth of weaker regions do so at the cost of national economic growth. These measures, it argues, also have an uncertain track record in levelling economic development outcomes. Economic development, the World Bank suggests, is inevitably lumpy, and policies should focus on the ‘spatially blind provision of essential public services and balanced regulation of land, labour and product markets’ (Gill, 2010, p. 3). Academic critiques of regional policy have also been wide-ranging. Freebairn (2003) argued that regional policies reduce competitiveness by discouraging industry from establishing in the most productive locations. Regional policy has been attacked for encouraging investment in infrastructure for which there is limited demand (Daley & Lancy, 2011), discouraging labour to move to higher-wage regions, and adding to the regulatory burden on industry. At a more fundamental level, Glaeser (2012) has argued that the major metropolises now dominate economies and that policy should facilitate their roles as engines of growth, rather than seek to redistribute employment and productive capacity. Storper (2013) takes this argument further, suggesting that regional policies represent the misdirection of resources which should instead be focused on providing urban infrastructure.

A second group of scholars and institutions has assembled substantial evidence that effective regional policies are essential for national and regional well-being. The OECD analysed regional performance over a 10-year period (OECD 2010, 2012) and concluded spatially blind policies are a necessary, but not a sufficient, condition for growth and may have perverse outcomes (Garcilazo, Oliveira Martins, & Tompson, 2010). It found that across the OECD, regions with lower rates of growth accounted for 44% of the increase in economic activity between 1995 and 2005, and that less than half the metropolitan regions in the OECD had growth rates greater than their national average. Analysis by the OECD found that while the 1990s were dominated by growth in the major cities, economic development moved away from core regions after the year 2000. It concluded that economies have a clear need for regional – or spatially focused – policies as national growth increasingly depends on ‘bringing up’ the performance of lagging regions.

It is clear that regional policy has evolved over the decades, developing in different ways across nations and these variations have reflected national systems of government, political ethos, industry structures and economic opportunities (Beer et al., 2003; Pike et al., 2006). In the past, European nations – including the UK – used a mix of regulatory mechanisms and central government incentives to achieve regional goals, while more market-oriented economies – such as the United States and Australia – relied upon modest government investments and locally provided inducements. Over recent decades there has been a notable shift in the nature of the regional policies and programmes deployed by governments globally, away from an emphasis on direct subsidies and regulation to a focus on the creation of new institutional structures (Amin, 1999; Rodriguez-Pose, 2013) that facilitate the development of those often intangible assets – such as creativity (Florida, 2003) – now recognized as central to growth within contemporary economies (Surinach & Moreno, 2012).

Importantly, the available evidence internationally neither supports nor denies the case for regional policy and programmes (Markusen, 1999), yet there remains an
evident need for regional planning and programmes remains (Dufty-Jones & Wray, 2013). In part the failure to achieve a consensus amongst the academic and policy communities reflects a tradition of adherence to differing epistemologies (McCann, 2007). It is in this conceptual space that this paper, and the wider contribution of Bailey and colleagues, needs to be situated. Bailey et al. (2014) provide clear evidence that interventions in regional economies are often highly effective and not limited to redistributive functions. While the response to the MG Rover closure carried with it an implicit subsidy for the West Midlands via public sector action and attention, it cannot be characterized as a ‘handout’ for one region at the expense of others. Critiques of regional policies – such as those led by the World Bank (2008) – often misrepresent regional policies as simple subsidies, ignoring the reality that such policies have been supplanted in much of the world by more nuanced approaches that seek to build local capacity and make communities and regions more competitive within the global economy. The work on MG Rover by Bailey et al. (2014) clearly demonstrates the effectiveness of such approaches, providing cogent lessons for places confronted by similar events but lacking regional responses, or relying upon policy instruments from the 1960s. Their work represents a significant contribution to both the evidence base on regional policy and broader theoretical development. It does so by undermining the argument that spatially blind policies are sufficient. Indeed, in the case of MG Rover and the West Midlands, the regionally based solutions generated achievements that were then put at risk by broader national economic policies and frameworks.

There is, perhaps, a second more fundamental conclusion to draw from the work of Bailey et al. (2014). That is, public policies that engage with regional issues can be effective and unequivocally represent an appropriate use of tax payer-provided resources. Too often public discourse focuses on failings in public sector programmes or initiatives, without recognizing the public good delivered across the economy to society as a whole. Economic crisis since 2008 has encouraged many governments, including the coalition government of Prime Minister David Cameron in the UK, to reduce public sector expenditures, abolish government programmes, minimize outlays on health and other social supports, and remove institutions – such the regional development agencies – seen to be surplus to their understanding of a lean government structure and an ‘efficient’ economy. Work such as that presented by Bailey et al. inevitably calls one to question the wisdom of such action. Policy settings that strip away the foundations of prosperity and deny communities the opportunity to shape their future must inevitably lead to communities and places that are more vulnerable, less able to craft their own economic narrative and more dependent on central government decision-making (Bristow & Healey, 2013, 2014).

Conclusion

The paper ‘Plant closures and taskforce responses’ by Bailey et al. (2014) provides two important contributions to regional scholarship at the global level. First, it provides an insightful commentary and analysis of how one region successfully responded to a major economic shock. Such accounts are, unfortunately, all too rare within the literature: too often such abrupt changes result in rapid and pronounced economic decline. The paper, therefore, represents an important resource for future researchers and policymakers. Second, Bailey et al. make an important contribution to wider debates about the role of regions and regional policy. Their paper clearly demonstrates the value of contemporary approaches to regional issues and the contribution they can make to local
and national economic well-being. It is a matter of some regret that too often critics of regional policies and programmes focus on the initiatives of the early and mid-20th century and fail to pay credit to the evolution and dynamism so clearly evident in this field.

References


