Regional Responses to the Global Economic Crisis: Revisiting a Case of Italian Industrial Districts

Dr. Jennifer Clark
Assistant Professor
School of Public Policy
Georgia Institute of Technology
Email: jennifer.clark@gatech.edu
Overview

1) Persistent Questions about Labor Market Outcomes in Industrial Districts (1984-1994)

2) Industrial Districts Centers as a Regional Policy Model (2009)

3) Regional Institutions and Trade-offs for Regional Labor Markets
A Shock to the System: The Global Economic Crisis

1. Drop in demand and a volatile global economy
   - Cyclical vs. Structural

2. An increasingly diverse and specialized local labour market.
   - Gender
   - Immigration
   - Succession
Harrison’s Question (1994)

- Instability of the Industrial Districts?
  - Outside entrants into successful IDs
  - Oligopolistic behavior of local lead firms
  - Outside driving competition and fragmentation of SME network

- Power asymmetries drive down wages and compromise work condition (produce serious labor market inequalities and challenge social cohesion)
Revisiting the Italian Industrial Districts (2009)

- Strong (and growing) role of regional governments
  - In Italy, the regions perform strategic economic development activities
    - Regional Government (1971)
    - Increased responsibilities “joint and cooperative federalism” (2004)

- Signs of stress in the labor market (40% manufacturing):
  - Gender and Immigration (unemployment rate for women is twice that of men; self-employment for women declining 28% to 19%)
  - Succession Planning for SMEs (30% of men self-employed)
Case Study: Regione Marche

• Industrial Districts:

  • Established:
    • Foodstuffs
    • Wood and Furniture (ID Center: COSMOB)
    • “Mechanicals” (Precision Machining)
    • Hides, Leather, Footwear
    • Textiles and Clothing

  • Emerging:
    • Naval and Yacht Industry
Industrial District Centers

• Strategic Priorities of the Furniture District Center (COSMOB):
  • Quality Control
  • Technological Innovation (esp. product improvements related to certifications)
  • Internationalization (integrating the ID into the international supply chain)
  • Training (on emerging specs and design)
  • Design (esp. technical requirements)
Industrial District Center Priorities as Regional Development Strategy

- Quality Control and Technological Innovation (esp. product improvements related to certifications)
  - Technical expertise and process innovation capacity---particularly inspecting and testing---lies with the district rather than the firms
  - Mitigates vertical integration management strategies

- Internationalization (integrating the ID into the international supply chain)
  - Provides SMEs with access to end producers outside of the ID
  - Mitigates the captive supplier management strategy

- Training (on emerging specs and design) and Design (esp. technical requirements)
  - Maintaining labor market specialization in the industrial district
  - Mitigates the concentration of expertise in lead firms
Trade-Offs: Problems Not Addressed

- Centers dominate the business intermediary and professional services market niche
  - Compromises development of regional business service firms
    - Differentially disadvantages occupations more accessible to women, minorities, and younger workers

- Centers tend to privilege existing networks
  - Compromises flexibility and creates path dependencies
    - Magnifies issues around “succession planning” for SME networks
Regional Advantage
- Maintains a high overall regional quality of life (export-oriented, niche production)
- Resistant to short-term labor flexibility models

Regional Disadvantage
- Vulnerable to global recessions
- Very difficult for new entrants
Conclusions: Role of Regional Institutions

- Industrial District Centers can mitigate instability in industrial districts
- But, can they contribute to mitigating labor market inequalities?
- Or, is it a trade-off---equity for regional sustainability?