

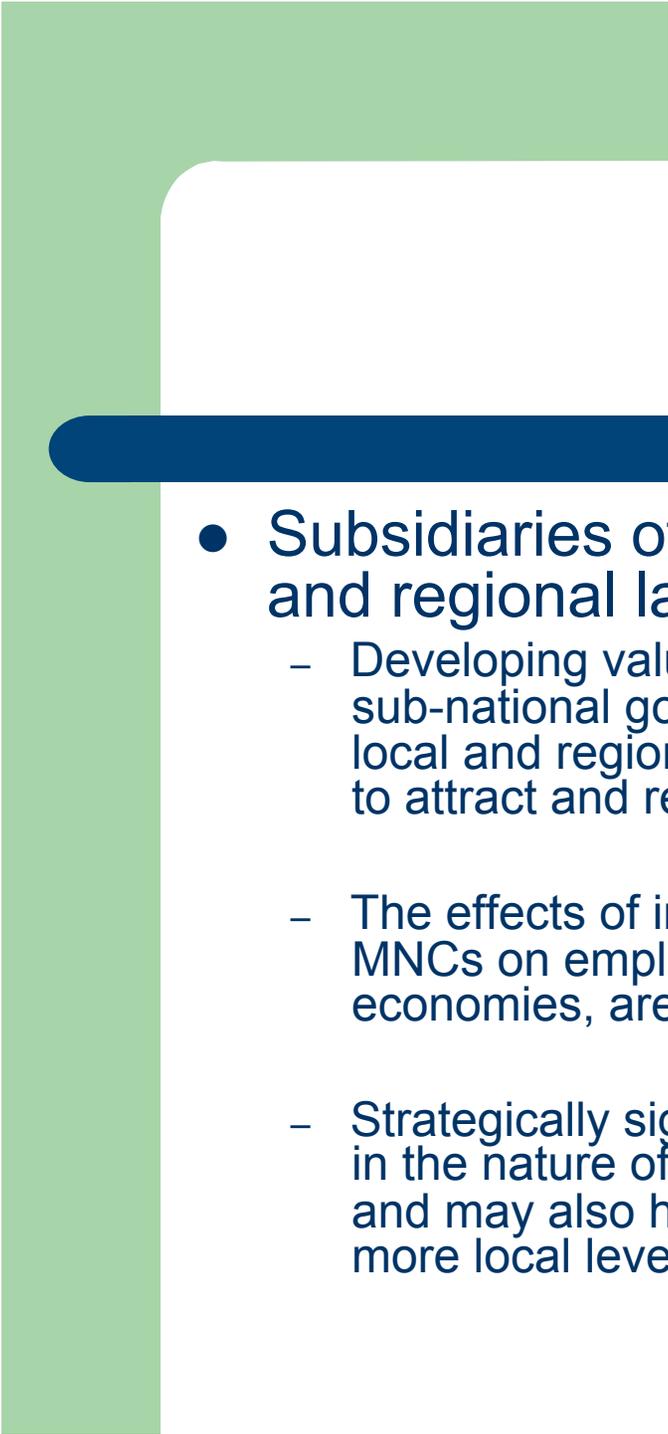
Regional development and MNCs: Recent experience in England

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Introduction

- “Embeddedness thinking” in institutionalist literature on HR and IR in MNCs
- If institutional arrangements contribute to the competitive advantage of MNCs, (see national business systems literature), then firms will also seek advantages from sub-national institutional arrangements.
- Where there are advantages to localised supply chains, or collaboration with local firms or research institutions, the importance of supportive sub-national institutions is further increased.



- **Subsidiaries of MNCs substantially recruit from local and regional labour markets**

- Developing valuable human capabilities in regions is a priority for sub-national governance actors, such as development agencies, local and regional government, skills agencies, etc, in attempting to attract and retain high value-added activity within their area.
- The effects of investment decisions, and the ongoing effects of MNCs on employment and organisational practices in their host economies, are most keenly felt at local and regional levels.
- Strategically significant MNCs are likely to have substantial interest in the nature of sub-national business and employment systems, and may also have more power to affect governance decisions at more local levels.

The potential importance of sub-national governance: converging trends?

- Sub-national state as point of delivery in *'Schumpeterian workfare state'* (Jessop 1993)?
- Importance of localised tacit knowledge in attracting and retaining investment?
- Geographical and organisational fragmentation of production (Global Production Networks literature)

Reasons for divergence

- National business systems/varieties of capitalism
 - Role of non-market economic governance
 - Can localities/regions in liberal economies create non-market coordination
 - Can actors in more coordinated economies create sufficiently adaptable institutions?

Divergence (2)

- Political settlements
 - Definition of sub-national spaces
 - Competencies of sub-national economic governance actors
 - Scale
 - Legitimacy of institutions

England: Regional governance in question?

- Regional development agencies (RDAs)
 - Nine English regions
 - « Business-led » (but central state established) institutions reporting to central government
 - Strategic « enabling authorities » with (non-exclusive) responsibilities in investment and regeneration, skills, employment, sustainable development, competitiveness
 - « Soft » governance, state-led attempt to increase competitiveness through institutional creation

RDAAs (ctd.)

- Political dynamics behind introduction
 - Devolution
 - (shelved) plans for strategic regional government under new Labour
- Survival under question under new government
- Survival « where there is widespread business support »

RDAAs and FDI

- New investor and « investor development » work
- Some evidence of « proposition-based » investment seeking
 - but clusters talk limited (post-hoc rationalisation)
 - mainly fairly loose sectoral approach
- Interactions around skills issues
 - Funding role, but also one of creating coordination
- Dealing with mobile investment

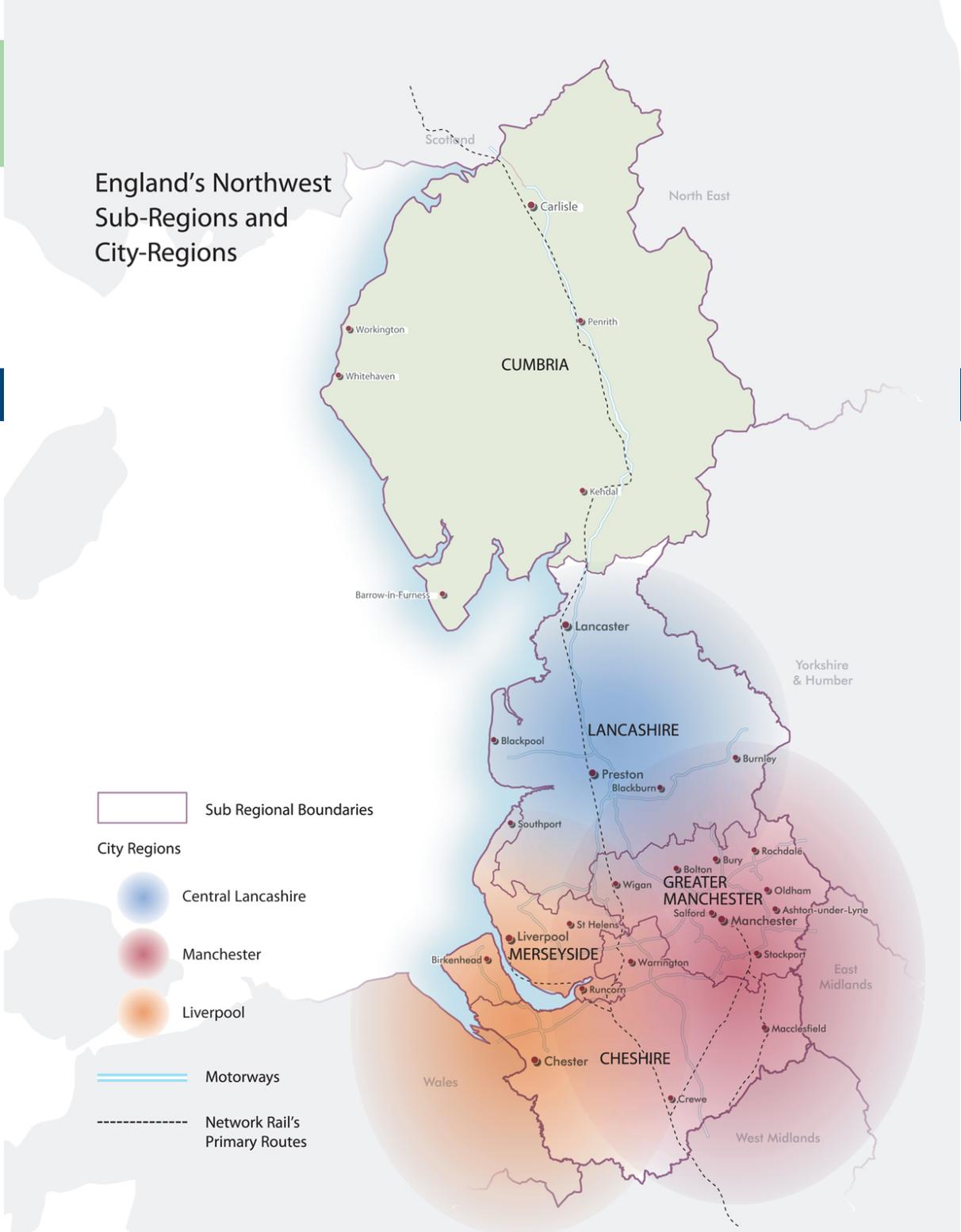
Dealing with mobile investment

- « From an aftercare perspective, it`s perhaps best typified by an example. Hitachi made TVs in North Wales. And one day it closed, and everyone went « ugh! » and four, five hundred people closed. Well actually, if you`d known the sector, you`d have known that cathode-ray tube televisions were on their way out, everyone was buying flat-screens, but nobody actually challenged Hitachi in that factory, how they were adapting to the new technology. Nobody said, where you going to be in four, five years time, and actually plan to either downscale that plant, so there`s a managed closure, or look to work with Hitachi to actually bring in new technology »
- Skills funding to « outlive » individual investment projects

Difficulties

- Lack of capacity, related to:
 - Compartmentalised business system
 - Problem of scale?
 - Lack of legitimacy/accountability (question of political heritage)
- Seen by firms as useful « broker », but difficulties going beyond this.

England's Northwest Sub-Regions and City-Regions



Sub Regional Boundaries

City Regions

- Central Lancashire
- Manchester
- Liverpool

Motorways

Network Rail's Primary Routes

Brief comparative remarks

- Québec: matrix structure with strong regional and sectoral components, more active attempts than UK to create coordination through ACCORD project
- Asturias, Spain: strongly autonomous regional governments (and strong risks of intra-national competition). SME-based clusters policies, quality etc. initiatives in civil society
- Ireland: largely nationally-based investment attraction/retention strategies. Reliance on informal networking
- Divorce between « development » system and regional/provincial IR systems? (Spain, Québec)

En guise de conclusion...

- English RDA role significant as interlocutor, but limited in creating coordination
 - Medium to long term thinking difficult due to instability of key institutions which might have embedding role (esp. Skills institutions)
- « An economy that is seriously unbalanced both in its sectoral mix and in its regions » (Vince Cable, Secretary of State for Business, Innovation and Skills)
 - « Rebalancing » through laissez-faire?