

Sub-national Embeddedness Amid Institutional Instability? The Case of England

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with

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Multinational corporations, sub-national governance and human resources: a cross-national comparison

- Four country (UK, Canada, Ireland, Spain), eight region project
- Investigates *interactions* between MNCs and sub-national governance/infrastructure actors:
 - “direct” interactions (attracting investment, aftercare, negotiations involving public sphere and individual MNCs)
 - proximate interactions (attempts to shape/adapt elements of business systems, e.g. “skills ecosystems” in ways that seek to attract, retain and embed high skilled, high value added investment)
- Economic/political governance factors and firm-specific factors which shape embeddedness of inward investment in regional host economies

Background

- Ideas of multi-level governance
 - “Host effects” increasingly about competitive provision of *resources* rather than about *constraints*
 - Arguments (spatial political economy, economic geography) that flexible provision of resources may, to a significant extent, take place at local/ regional levels.

<p><i>Skills and knowledge</i></p> <p>MNC need to access geographically-specific combinations of skills and knowledge.</p>	<p><i>Value chain</i></p> <p>Need and possibility for subsidiary unit to bid for new investment in higher positions within global value chains</p>	<p><i>Parent orientation</i></p> <p>Ability of MNC to engage with 'high trust' relations with local firm and governance actors (shaped by dominant conventions of trust within MNC)</p>
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<p><i>Host national business system</i></p> <p>Difficulties of coordination in compartmentalised business systems</p> <p>Difficulties of ensuring adaptability in systems with greater degree of non-market coordination</p>

<p><i>Degree of sub-national business system autonomy</i></p> <p>Higher levels of autonomy (political, but also of other business system actors) may create greater scope for institutional innovation</p>



DEGREE OF IMPORTANCE OF HOST SUB-NATIONAL BUSINESS SYSTEM TO MNC UNIT

The English context

- Compartmentalised national business system
- Highly centralised state power, substantial regional economic disparities
- Success, from 1980s, in attracting FDI on cost/lack of constraints basis.
- New Labour, creation (1998) of Regional Development Agencies (“strategic enabling” bodies)
- Abolition by current government.
- Chronically unstable vocational skills system

What do/did regional actors do?

Direct interactions of RDAs

- Location marketing, move to proposition-based offer.
- Organisation of local skills upgrading for major mobile investors, i.e. auto lead manufacturers.
- “Umbrella agency”, with mixed success.
 - Broker between MNCs and skills sector, and to some extent higher education/research
 - Some (especially smaller) MNCs highly critical of RDAs

Direct interactions of RDAs (ctd.)

- “strategic” investor development work, “about challenging a company, where are you going to be in five or ten years” (RDA interviewee)
- Recognition of transient (contract-tied) investment, attempt to embed skills rather than MNCs in some cases.

Proximate interactions

- RDAs, to varying extents, attempted to act as coordinators (“market facilitators”) in LME:
 - establishment and co-financing of cluster/sector productivity alliances (sponsoring of collective voice of employers)
 - aggregation of skills needs, sometimes correcting very basic failures of neighbouring firms to communicate
 - promotion of links with strategic skills bodies, e.g. Sector Skills Councils
 - Wider statutory strategic responsibilities, e.g. formulation of Regional Economic Strategies

Specific problems of Regional Development Agencies

- Lack of economic functionality of regions
- Weak political legitimacy
- Problems where there is a lack of regional identity
 - “we’ve still got this identity crisis in the East Midlands. People in Northamptonshire think they belong to the Home Counties and London, and people in Lincolnshire think they’re in Holland”
- Fragmentation of inward investment activity (national, regional, local, degree of mutual distrust)

General problems of coordination

- Instability of institutions (especially in the skills sector) universally recognised as a problem.
- “Firm-specific” vs. Transferable skills
- Active embeddedness/wider skills coordination often dependent on a small number of activist individuals within MNCs.
- “Business led” institutions with little general employer buy-in (development agencies, skills councils, etc.), linked to weakness of employer association in general

The emerging context

- Move away from funding individual companies
- Local Enterprise Partnerships (scale, resources and credibility issues)
- Substantial risk of increased regional inequality in destination of investment, with dominance of exclusively nationally-targeted investment agency
- Suspicion about the institutionalisation of niche regional offerings based on over-simplified sector/cluster mentality
- “Henry Kissinger problem”
- Risk to existing institutions after withdrawal of RDA-brokered funding,

Comparative questions

- Relation between sub-national autonomy of business/ political systems and territorial embeddedness
- Relation between political and economic space
- Embedding mobile FDI within liberal market economies?
 - UK (England?) – specific vs. General LME issues
 - Skills embeddedness – do ‘firm-specific’ vs general skills differ according to business system factors?