

26. Devolution, subject-building and new forms of business representation in the UK

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Devolution and Regional Competitiveness

Enhancing regional competitiveness through new modes of governance has been one of the most important objectives of New Labour's devolution agendas in the UK. Over recent decades, the economic development literature and political discourses have increasingly focused on the key role that integrated regions can play in global economic and social networks (see Lovering, 1999; Storper, 1997). Those regions which possess a strong institutional thickness, in which public and private sector players co-operate to reinforce regional competitiveness, it is argued, are increasingly successful, whereas as those that lack institutional mechanisms of co-operation and co-ordination fall increasingly behind (Amin and Thrift, 1995). For New Labour, establishing a strong institutional architecture of regional government and regional co-operation is, therefore, one mechanism in and through which regional dynamism and competitiveness can be enhanced. Policies have shifted away from the Keynesian donor-recipient models of regional policy of the 1960s and 1970s towards strategies which encourage the promotion of regional capacities and autonomy. As the government states,

'we cannot simply try to halt growth in the South East in order to divert it to other regions. The government's regional policy is focused on enabling every region...to perform to its full economic and employment opportunities' (ODPM, 2003: p.5).

It is in this context that the involvement of the business community in post-devolution structures takes on a central importance. Business resources, capacities and expertise are critical components in regional development agendas as it is their growth and competitiveness that drives forward regional economies. Scotland, Wales, Northern Ireland and the regions of England all possess significant socio-economic problems and devolution, in part, is designed to turn them into successful, competitive regions whose success will be sustained by the existence of regionally-focused decision-making structures. Of all the interests that New Labour would like to enlist as partners of the new institutions, it is the business community which stands out as being the most significant (see The Labour Party, 2000).

And yet, business interests in the UK have traditionally been weakly developed at the regional scale. This reflects both the relatively weak form

and character of regional government in the UK and the tendency of business interests to push for market-building, rather than state-building political agendas (see Coleman, 1990; Lynch, 1998). Within business communities there has been a lack of regional consciousness, even in the stateless nations of Scotland and Wales, where business organisations have traditionally been amongst the fiercest critics of devolution (see Moore and Booth, 1989). For the New Labour administration turning this around and enlisting the support of business communities has, therefore, been a key policy objective.

The remainder of this short paper draws on the findings of an 2-year Economic and Social Research Council funded research project which examined the form and character of regional business representation in the UK, following devolution¹. The research was conducted in Scotland, Wales, Northern Ireland and two English RDA regions – Yorkshire and Humberside and East of England – and involved over 90 semi-structured interviews and a broad range of documentary research.

Devolution and the politics of business representation in the UK

This section outlines some of the key findings from the research in and through the discussion of 6 inter-related themes: business capacities; attitudes to devolution; cleavages within the business community; state structures and business representation; new regional governmentalities; and business influence.

(i) Business capacities and devolved governance:

Quantitative levels of business consultation and involvement in decision-making networks have been increased significantly since devolution and businesses are expected to be able to meet these demands. However, business organisations have struggled to cope with these growing pressures. In a range of policy areas, such as urban policy, community organisations are assumed to possess limited capacities and, consequently, community capacity-building measures, in which resources are provided to assist community groups establish themselves within decision-making frameworks, have been recognised as essential elements in the facilitation of effective partnership governance (see Carley *et al.*, 2000; Taylor, 2000). Yet, business

representative organisations have received no such assistance. As a group, businesses are perceived to be relatively powerful and in little need of support. In practice, however, even the biggest organisations, such as the CBI, rely on voluntary subscriptions and have few permanent, administrative staff. Their ability to successfully co-ordinate business views and establish a 'business voice' in broader policy debates is severely limited. In addition, business organisations have traditionally struggled to balance competing political and economic roles, as political representatives and as service providers for members (see Coleman, 1985). Devolution has increased pressures on both roles as on the one hand, a growing number of regulations and policy measures now impact on businesses in the devolved regions, for which businesses look for support and advice from their business representatives; and on the other, the demands for political consultation and involvement have mushroomed, putting greater pressure on representative capacities.

(ii) Business attitudes to devolution:

Across the research areas there remained a general view amongst the major business representative organisations that the new devolved assemblies had failed to deliver benefits for the business community. Respondents in many instances argued that the regional administrations had become pre-occupied with 'popular' social issues but had failed to address issues of competitiveness or the everyday needs and concerns of businesses. New tiers of government were associated with new tiers of bureaucracy, regulation and control, which for many businesses impact on their competitiveness. In Scotland, Wales and Northern Ireland these negative perceptions of devolution have been associated with unfulfilled expectations as disappointment over the perceived failings of the new administrations has reduced their legitimacy, in the eyes of many business representatives still further. In England it was, conversely, the lack of expectation on the part of respondents over the potential benefits and capacities of the proposed assemblies reduced the willingness for businesses to develop active regional agendas.

(iii) Cleavages within business communities:

However, the research uncovered a range of cleavages within regional business communities. Some business sectors, such as IT and construction, have in some places established positive and productive working relationships with the devolved institutions. Others, such as the financial services industry remain deeply suspicious of the new arrangements. In addition, elite groups have been established to promote 'business voices' in devolved politics with small business groups often at the margins of representation. These differences

of opinion have generated very different agendas between different groups of businesses.

(iv) State structures and business representation:

The findings of the research indicate that there exists a strong relationship between state structures and the politics and representational structures of business interests. Business interests are most strongly represented on the regional scale where regional governance and traditions of regional politics are at their strongest. Thus, in Scotland, some sections of the business community have restructured their operations and activities in response to the emergence of the relatively strong Scottish Parliament and the existence of latent Scottish subjectivities. Conversely, where regional institutional forms are at their weakest, business reform in the wake of devolution has been more limited. In Wales, for example, where business support for devolution and the institutional structures of devolution are less powerful than in Scotland, the regional organisation of Welsh business interests has been more limited. Similarly in the English regions, particularly the East of England, the lack of a perceived need to develop regional capacities has played a key role in restricting business reorganisation.

(v) New regional governmentalities:

There was some evidence that devolution had created new subjectivities and regional imaginations within the business community. There has been a general politicisation of the Scottish business community, for instance, with the membership and participation of businesses increasing in a range of sectors since devolution (see Raco, 2003a; 2003b for a fuller discussion). In other areas, little in the way of a regional business imagination exists and the creation of new regional institutions (or their proposed creation) had done little to encourage the formation of a regional consciousness – something that is seen as critical in the development of institutionally-thick, successful regions. Business subjectivities are still driven by market-building, rather than state-building, imperatives.

(vi) Influencing agendas:

There are conflicting tendencies within the broader frameworks of devolution for business communities. On the one hand, devolution provides new platforms in and through which business interests can establish new working relationships with decision-makers and develop new agendas to facilitate growth. The research uncovered a range of policy areas, such as transport in the Central Belt of Scotland, where business interests have had a discernible influence on policy decisions, in large part because of changing post-devolution decision-making networks and the business community's

response to them (see Raco, 2003a). On the other hand, however, devolution also provides new opportunities for other interests and political agendas, such as environmental groups or socialist political parties to develop their own networks of influence which may run counter to those of sections of the business community. Traditionally, the politics of the devolved regions has tended to be more radical and left of centre than those in south of England and this has been borne out by the patterns of political representation in regional elections. There is little from the research to indicate that any of the regional executives have prioritised business agendas over and above other concerns.

Conclusions

This paper has highlighted some of the key findings from a research project on business representation and devolution in the UK. For the UK government, business is a key player in the new arrangements and establishing it as a supporter and active contributor to a new regional politics is a priority. However, in the regions efforts to incorporate the business sector have been patchy and erratic. In some instances new partnerships and ways of working have been established. But many businesses remain disappointed with the new regional structures and in turn, business mobilisation has not had the same priority for policy makers, particular in Scotland and Wales, as it has for the Westminster government.

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