Can We Effect a 'Just Transition' for Automotive in the West Midlands?

Alex de Ruyter, Director, Centre for Brexit Studies

As the world moves on from the COP26 Summit in Glasgow and squares up to the severe challenge posed by climate change, the coming decade will see some of the most far-reaching changes the global automotive industry has experienced. In just over a decade, by 2035, significant major world markets anticipate phasing out the sale of new vehicles powered by internal combustion with a number hoping to do so even sooner. The imperative to move to low-carbon production is now clear and industry is responding[1].

However, existing supply chains are predicated upon the internal combustion engine as a mode of propulsion and the move to low-carbon technologies is likely to have uneven outcomes, varying socially across social groups and spatially among places. These effects could exacerbate existing inequities. The challenge of ensuring a just transition to new low-carbon technologies is thus profound.

As such, by a "Just Transition", we mean a situation whereby workers in industries affected by structural change – in particular, the shift to a so-called "Green Economy", are provided with the opportunities and means to move out of polluting industries such as producing Internal Combustion Engines (ICE) towards carbon-zero technologies such as electric vehicles (EV).

The shift to EV, low emission public transport and renewable energy sources creates opportunities to expand the industrial reorientation component of Just Transition and to integrate it with scholarship on industrial 'path creation' to revitalise affected local economies (Dawley, 2014)[2]. However, there remains much uncertainty around how affected local economies might take advantage of these opportunities.

This is critical, because as noted by Beer et al. (2019)[3]: "*Our knowledge of the outcomes associated with individual plant closures is unlikely to serve as a worthwhile model of events and outcomes when entire segments of the economy close. There is therefore a need to focus on all parts of an industry, including its supply chain, as the re-employment outcomes for workers formerly working in large plants are unlikely to be reproduced amongst small suppliers*."

In spite of the voluminous high quality theoretical literature on value chains (Pananond, Gereffi, and Pedersen, 2020)[4] and associated production networks (Yeung and Coe, 2015)[5], supply-chain visibility amongst Original Equipment Manufacturers (OEMs) such as vehicle manufacturers is typically extremely limited (De Ruyter et al., 2018)[6]. Thus our understanding of suppliers in the context of facilitating a Just Transition is necessarily limited.

Thus, I am very pleased to announce that we at CBS have been awarded funding by the British Academy (see https://www.thebritishacademy.ac.uk/news/the-british-academy-announces-funding-for-international-research-projects-examining-just-transitions-within-sectors-and-industries/) as part of their international research funding stream on "examining "just transitions" within sectors and industries".

Working with Associate Professor Sally Weller at the University of South Australia (UNISA), our research will involve a bilateral piece of work looking at the under-researched area of supplier firms and workers in the automotive (and related) sectors in two vulnerable locations: the West Midlands in the UK and the North Adelaide area in South Australia.

This is because in the automotive sector, the imperatives of vertically disintegrated just-in-time production result in firms typically being spatially concentrated – the West Midlands represents around 40% of total UK automotive Value Added (Office for National Statistics, 2019)[7]. Until recently, Victoria and South Australia contained almost the entirety of Australia's domestic automotive manufacturing sector and these States have thus borne the brunt of job losses that accompanied the sector's near-total collapse in 2017 (Barnes and Weller, 2020)[8].

It is this gap that our work seeks to fill. Thus, the value of our work will lie in its explicit inclusion of suppliers – who might not traditionally be thought of as automotive firms. Indeed, the potential for delivering a Just Transition in automotive production regions hinges on the capacity of supplier firms to reorient their resources, processes and expertise to viable alternative products. How can we work with the whole supply chain to ensure a just transition to a zero-carbon automotive industry?

These two regions will thus offer us critical lessons in how to ensure a just transition to a greener economy in a sector that is responsible for around 6Gt of CO2 per annum (International Energy Agency, 2019).[9] Over the coming months, we will be conducting interviews with firms in the sector, as well as policy-makers and workers, as well as a survey of workers in the sector to understand their concerns, in order to try and find some answers to these questions.

---

[1] https://www.theguardian.com/commentisfree/2021/nov/14/where-voters-and-consumers-lead-on-the-climate-crisis-businesses-will-have-to-follow

[2] Dawley, S. (2014), 'Creating New Paths? Offshore Wind, Policy Activism, and Peripheral Region Development'. *Economic Geography*, 90 (1): 91-112.

[3] Beer, A., Weller, S. and Barnes, T. (2019), 'The urban and regional impacts of plant closures: new methods and perspectives'. *Regional Studies, Regional Science* 6: 380-394.

[4] Pananond, P., Gereffi, G. and Pedersen, T. (2020), 'An integrative typology of global strategy and global value chains: The management and organization of cross-border activities'. *Global Strategy Journal*, 10 (3): 421-443. doi:10.1002/gsj.1388.

[5] Yeung, H. and Coe, N. (2015), 'Toward a Dynamic Theory of Global Production Networks'. *Economic Geography*, 91 (1), 29-58. doi:10.1111/ecge.12063

[6] De Ruyter, A., Salh, S., Shishank, S., Li, D., Bailey, D., Hearne, D. and Ali, S. (2018), '*Brexit and the UK Automotive Industry: Understanding the Impact*'. Retrieved from https://bcuassets.blob.core.windows.net/docs/report-for-opentext–deliverable-b-final-131880562823173347.pdf

[7] Office for National Statistics. (2019), *Regional gross domestic product all NUTS level regions*. Newport, Wales: Office for National Statistics.

[8] Barnes, T. and Weller, S. (2020), Becoming Precarious? Precarious Work and Life Trajectories after Retrenchment. *Critical Sociology* 46: 527-541.

[9] International Energy Agency. (2019), *Transport sector CO2 emissions by mode in the Sustainable Development Scenario, 2000-2030*. Available at: https://www.iea.org/data-and-statistics/charts/transport-sector-co2-emissions-by-mode-in-thesustainable-development-scenario-2000-2030