

# **Plant Closures and Taskforce Responses: An Analysis of the Impact of and Policy Response to MG Rover in Birmingham**

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## **Abstract**

This paper explores the socio-economic impacts and the associated policy responses to the collapse of MG Rover at Longbridge in Birmingham. Critically, it attempts to move beyond a 'standard' Taskforce narrative which emphasises the role of the regional response. While recognising that significant policy 'successes' were indeed evident at the regional level in anticipating and responding to the crisis, a wider perspective is required that situates this Taskforce response in (i) a fuller understanding of labour market precariousness (that in turn mitigates some of its policy 'successes'), and (ii) more local perspectives that highlight the local impacts of closure, the role of the neighbourhood level officials and the third sector in mediating these. Taking this broader perspective suggests that longer term, workers face a precarious situation and the need for policies to create and sustain 'good quality' jobs remains paramount. Adding in more local perspectives, a key lesson from the Longbridge experience for dealing with closures more generally is that the public policy responses must be: multi-dimensional in that they transcend narrow sector based concerns and addresses broader spatial impacts; inclusive in that they build on a broad coalition of economic and social stakeholders; and, long-term in that they acknowledge that adaptation takes many years. If anything, the Birmingham Longbridge experience demonstrates the difficulty of achieving such responses in the context of crisis where action is imperative and deliberation a luxury.

## **Keywords**

Plant closures, taskforces, precariousness, labour market policy, neighbourhood effects

## **Introduction**

Manufacturing cities in mature economies have faced significant economic challenges over the past 30 years, particularly during the most recent economic downturn. This has been typified in the UK by a number of high-profile plant closures, notably in the automotive sector, with Birmingham and the wider West Midlands region in the UK being particularly hard-hit: most notably with the Jaguar

plant in Coventry in 2005, MG Rover in Birmingham in 2005, Peugeot near Coventry in 2006 and LDV in Birmingham in 2009 (BENTLEY, 2007). Similarly, cities in the US, Australia, Belgium, France and Germany have all seen automotive plant closures enacted and/or announced in recent years. At the time of writing, Toyota has just announced that it will close its Altona Melbourne assembly plant, effectively ending mass car production in Australia after a wave of pull-outs by the big players, prompting reflection not only on why this has happened but on policy experience internationally.<sup>1</sup>

In response to such closures, in several cases the UK Labour Government of 1997 to 2010 set up Taskforces (task-oriented, temporary, non-statutory partnerships with multi-sector but selective membership) to deal with the impacts of plant closures, most notably the MG Rover Taskforce. These partnerships became Labour's default vehicle for responding to industrial closure. Taskforces were characterised by their diversity in respect of sectoral and spatial remit. However, they had in common the provision of an institutional platform to permit rapid mobilisation of expertise and resources of national and regional stakeholders in response to economic crisis<sup>2</sup>. This paper reports on the findings of research on the collapse of MG Rover in Birmingham in 2005, and explores its socio-economic impacts and the associated policy responses.<sup>3</sup> The paper highlights what key lessons were learned from what happened before, during and after the MG Rover closure in 2005 and the work of the Taskforce in tackling this 'crisis' situation. The paper responds to long-standing calls for a holistic assessment of industrial closure (cf. TOMANEY et al, 1999; PIKE, 2005). The extant literature is highly compartmentalised, and often demarcated

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<sup>1</sup> See for example THE GUARDIAN (2014a and 2014b).

<sup>2</sup> Different types of Taskforce model can be outlined in the UK, such as employer-based Taskforces, sector-based Taskforces and varying area-based Taskforces (e.g. local, regional and national). Such Taskforces can bring together a range of actors to address shock situations. Some Taskforces can be seen as reactive and regenerative, operating over short time-scales, whereas others may be more proactive and developmental operating over longer time frames (PIKE, 2002), with evolution between these modes as the scale and challenge of some shocks or potential shocks unfold. Area-based Taskforces may be seen as more likely to try to address longer-term economic restructuring needs. Taskforces can in turn be assessed in terms of the degree of multi-level working, the degree of devolved responsibility, to what extent a tailored policy response is developed, and also legitimacy (and on the latter communication of Taskforce interventions may be key) (BENTLEY et al, 2010b).

<sup>3</sup> The authors would like to acknowledge the support of the UK Economic and Social Research Council (ESRC) under award number RES-000-22-2478. For more detail on the MG Rover case study, see BAILEY et al (2008).

according to disciplinary boundaries. Typically, it focuses on either the impacts of closure (e.g. the labour market histories of redundant workers, the resilience of localities to rebound from such economic ‘shocks’), or the policy response to closure (e.g. area regeneration, Taskforces). A dominant narrative has emerged in respect of Taskforces. This is itself highly selective (cf. PIKE, 2002; BENTLEY et al, 2010b), focusing on an evaluation of Taskforces according to their own terms of reference as an expression of industrial policy (e.g. facilitating the adjustment to closure of supply chain companies and redundant workers) or a critique of their multi-level governance arrangements (especially their restricted membership and corporatist modes of operation).

Indeed, narratives about Taskforces demonstrate how they take this collaborative governance approach at national and regional level to, at least, identify the most obvious and immediate problems faced by the newly redundant worker and devise a range of policies to help them deal with the problems. Those problems include the need to find a new job, the need for training and retraining, the need for financial support and, in particular, how to claim social security benefits. At best, Taskforces recognise that the newly redundant more broadly require advice on a range of financial matters, including entitlement to redundancy payments and pensions, advice on the payment of rent, mortgages and loans, but also on coping with job loss. There is evidence that the newly unemployed and their families can suffer physiological and psychological problems, akin to those associated with bereavement (BEER and THOMAS, 2007). Policy responses can include assistance with finding a job and (re)training courses, as well as the financial support to do so; a range of money advice services; and counselling services. Solutions are found, theoretically, to the financial; employment; and the mental and emotional problems faced by workers made redundant. Policy responses can be characterised as encompassing Financial Services; Employment Services; and Social Welfare Services.

Alternative narratives, especially of broader spatial and social impacts and local response, have been marginalised. Thus, recognising BRISTOW’s (2012) point that regions are ‘meeting places’ for local and global forces and debates, we attempt to shift beyond this dominant Taskforce narrative, recognising that whilst significant

policy 'successes' were evident at the regional level in anticipating and responding to the crisis, a more comprehensive perspective is required that situates this Taskforce response in (i) a broader context of labour market precariousness (that in turn mitigates some of its policy 'successes'), and (ii) more local perspectives that highlight the local impacts of closure, the role of the neighbourhood level officials and the third sector in mediating these.

Overall, this paper therefore attempts to adopt a holistic approach to better understanding plant closure in an automotive city, examining:

- What happened to ex-MG Rover workers after the closure? What have been the impacts of UK labour market regulation and the current economic crisis on their subsequent labour market experience?
- What have been the impacts on the communities where these workers lived in the city?
- What types of policy response have been put in place regionally and locally to deal with these impacts and have they been successful?<sup>4</sup>

Accordingly, the paper is structured as follows. After a brief history to introduce the auto cluster in Birmingham and the wider region and MG Rover in particular, following sections discuss the data and methods used (notably, the use of a longitudinal survey and follow-up interviews), the context of the final collapse, then findings in terms of the impact on local labour markets and workers. This is then followed by a discussion and consideration of policy efforts and some critical broader perspectives going beyond the 'Taskforce narrative' before some concluding thoughts round off the paper.

### **Auto Production and MG Rover in Birmingham and the West Midlands: A Brief History**

The West Midlands region is one of the long standing areas of global motor industry production. The heyday of production was after World War 2 but, in the following decades, with open trade rules and globalisation, the industry declined. A popular

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<sup>4</sup> On comparisons with policy responses to the Mitsubishi plant closure in Adelaide, Australia, see BEER and THOMAS (2009).

view is that local companies could not compete in global arenas as a result of insufficient investment, poor labour relations, poor quality and cost control, and – critically – the lack of a supportive industrial policy on the part of the government. Despite a number of foreign takeovers the industry's fortunes continued to decline. The recent closures of the MG-Rover and Peugeot plants effectively ended volume manufacture in the region. In parallel there has been a decline in activities by the major suppliers. In recent years, Bosch has closed its automotive lighting plant in the north of the region and TRW its electric power steering plant in Birmingham. These changes have affected employment in the sector with a 34% reduction in the 10 years from 1997 to 2007 (ONS, 2008).

Yet in parallel to the decline in volume manufacture, recently there has been a relative growth of higher value or specialist production where profit margins are greater and which can (therefore) be more sustainable in a high wage cost economy. Companies involved range from relatively large producers, such as Jaguar Land Rover, through medium sized companies such as Aston Martin to small scale producers such as the sports car producer, Morgan Motors. Many of these businesses have developed out of the motor sports sector. Alongside this niche manufacturing there is a growing (and relatively new) base in engineering design and development services ranging from major international businesses like TRW, Ricardo and MIRA to small and medium sized companies like Zytec, Prodrive, and others.<sup>5</sup>

Birmingham as an automotive city in particular has a long history of automotive production, dating back to the first factory of the Lanchester Motor Company in 1895. The Longbridge plant in south-west Birmingham was set up by Herbert Austin in 1905. During the subsequent period, the site traded under various names and progressively became incorporated into larger corporate entities, growing into a major complex rivalling any in Europe. As in many other mature automotive cities,

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<sup>5</sup> Like SMEs in the volume sector they are also a legacy of past volume based manufacturing but differ in two important respects. Firstly, they are largely vehicle (product) oriented rather than manufacturing (process) oriented and, secondly, they are in a high value segment of the supply matrix. These 'Knowledge Intensive Business Services' (KIBS) have largely developed as a result of the vehicle makers' trend towards outsourcing to experts to save on the sunk costs of research and development departments. In particular a number of companies are working in areas connected to 'green technologies' including indirect technologies such as telematics systems through to direct low carbon vehicle technologies such as hybrid or electric drives.

the supply industry grew alongside the car makers and metal-based trades, dating from the Industrial Revolution, and was able to adapt to the manufacture of automotive parts. Consolidation occurred under the “national champions” industry policy approach of the 1950s and 1960s, culminating in the creation of the British Leyland Motor Corporation: a conglomerate consisting of Austin, Rover, Triumph, Morris and Jaguar (BAILEY et al., 2008). This period coincided with manufacturing’s peak in Birmingham and the wider West Midlands<sup>6</sup>, with manufacturing comprising some 65% of total employment in the region by 1961 (BRYSON et al., 1996; cited in BARBER and HALL, 2008: 283). At this time, Birmingham and the West Midlands were characterised by rapid economic growth and prosperity, based on strengths in metal goods, motor vehicle and electrical equipment manufacturing.

However, the corporate conglomerate entity that was created in the early 1970s (then named ‘British Leyland’) was unsuccessful, being characterised by low trust between units, poor quality, poor industrial relations, the lack of economies of scale and scope, and an inability to recover the (rising) costs of product development (BAILEY et al., 2008; WILLIAMS et al., 1994). After nationalisation in 1975, a long period of decline set in, with a gradual collapse of sales volumes and offloading of non-performing lines. As noted above, the city and the region were strongly hit by the recessions and manufacturing crisis of the 1970s and the 1980s, leading to significant levels of unemployment (BROWN et al., 2007) and on-going de-industrialisation. Privatisation in 1985 saw a succession of ownership for what became MG Rover: first under British Aerospace, then followed by BMW in 1994. During BMW ownership (over 1994-2000) there were significant cuts in employment at Longbridge. BMW subsequently divested itself of most of Rover and split the company up (BENTLEY, 2000). This involved the rationalisation of production and its relocation in the different Rover plants located in different parts of the UK. The Mini model, developed by Rover Group, was seen as a promising new premium small car which BMW was keen to hold on to, and the Oxford plant had seen heavy investment. So not surprisingly, BMW retained the Oxford plant to produce the new Mini, which was originally to be based at Longbridge in Birmingham in the West

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<sup>6</sup> The West Midlands NUTS-2 region is located in central England, and covers an area of around 13,000 sq. km, from Stoke-on-Trent in the north to Hereford in the South. From 2012 regional governance structures – including Regional Development Agencies – were abolished, being replaced by more fragmented and less well funded Local Enterprise Partnerships (BENTLEY et al, 2010a).

Midlands. Production of the Rover 75 model, then based at Oxford, was shifted in the opposite direction, from Oxford to Longbridge. The latter was then sold to a local consortium, the Phoenix Group, for a nominal £10 (ten pounds sterling) (BAILEY, 2003). Land Rover was sold to Ford for £1.8 billion, along with Rover's design facility.

With the purchase of the Longbridge plant by the Phoenix consortium in 2000, the then Labour Government saw a settlement that, despite its inherent weaknesses, was politically popular and satisfied trade unions. In consequence it saw the MG Rover issue as 'closed' and felt that no further action was necessary. However, the Government Office for the West Midlands (GOWM), in private discussions with Stephen Byers (the then Secretary of State for Trade and Industry) pressed, and won the argument, for a package of measures to support businesses most dependent on MG Rover and, at the same time, address long-term weaknesses in the regional economy. Thus the Rover Taskforce Report (RTF, 2000) focused on the inter-linked themes of *modernisation* (with funding of £17 million), *diversification* (£19.7 million) and *regeneration* (£22 million). A further action was to extend the existing Accelerate Programme of supply chain improvement outside the confines of the then European funded 'Objective 2' area to offer support nationally to companies in the Rover supply base (BAILEY, 2003). Given the on-going concern about Rover's long term prospects, the first Rover Taskforce (RTF1) also initiated spatial targeting via corridors of *regeneration*. However, the support actions arising out of the first Rover Taskforce were, for the most part, not based upon cluster concepts of networks but on 'old fashioned' industrial policy interventions.

The 'final' collapse of MG Rover in February 2005 then, although widely predicted by industry experts, sent shockwaves through the region. Aside from the direct loss of some 6300 jobs, the firm's turnover accounted for as much as 1% of regional GDP and £200 million a year in government revenue alone was lost (BAILEY and KOBAYASHI, 2008).<sup>7</sup> The firm ceased operations owing £1.4 billion to creditors, with £109 million owed to UK-based suppliers (HOUSE OF COMMONS, 2006). MG Rover's inability to pay its suppliers and the resulting cash flow problems in the supply chain cut off supply into the factory and caused the final collapse. It also

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<sup>7</sup> On the decline and collapse of MG Rover, see Bailey and Kobayashi (2008).

meant that it was impossible for the administrator to restart production. The collapse thus ended 100 years of car making on the Longbridge site. More jobs were lost in the supply chain. At first it was thought that as many as 12,000 jobs would be at risk but in the end the loss, estimated at 8,500 jobs, was less than initially expected (BAILEY and KOBAYASHI, 2008). When this was followed, in late 2006 by the closure of the Peugeot factory in Coventry and van maker LDV in June 2009 with the loss of 810 jobs, volume production in the region effectively ended, leaving only higher-value 'niche production' as noted above. Whilst an upsurge in demand, from emerging economies in particular, has seen the premium end of the sector benefit, with Jaguar Land Rover recently employing additional workers at its plants in the region (Bailey, 2013), at the same time current developments in the Eurozone and the European auto market create uncertainty for auto firms operating in the UK (with mid-range producers such as GM and Honda particularly affected) with an impact on the supply chain.

## **Methods**

The data used in this article consists of findings from a three-wave longitudinal survey of ex-MG Rover (MGR) workers, exploring the labour market experience of redundant workers and building on the findings of ARMSTRONG et al. (2008) and BAILEY et al (2008). In each wave of the survey, letters were sent to ex-MGR workers inviting them to participate in the research via a telephone interview, lasting approximately for 20 minutes. This was conducted in accordance with the ethical principles of fully-informed voluntary participation, anonymity and confidentiality. The third wave of this survey (which is the focus of this paper) was carried out in April 2008; three years after the closure (see BAILEY et al., 2008 for a more complete discussion).

Ex-MGR workers were first interviewed in July 2005 (wave 1, three months after the closure), again in December 2005 (wave 2) and finally in April 2008 (wave 3). In the first wave, 273 interviews were conducted with ex-MGR workers. At the second wave, 232 interviews were conducted, and in the third wave 204 interviews were conducted, with 176 ex-workers across all three waves and 19 new volunteers. The demographic profiles of the samples were representative of the MGR workforce. Similarly to the MGR workforce, the third-wave sample was 93% male, and the

majority (over 70%) of workers aged between 40 and 54 (with an average age of 48 years) and had worked on average for 21 years at MGR. The average yearly salary of the ex-workers interviewed at MGR was £27,624 or a weekly salary of £514, as compared with £404 for a full time worker (£444 for a man) in the West Midlands in 2005. Approximately 80% of the respondents were married, whilst some 93% were home-owners (with 55% still paying a mortgage) in 2008. The composition of our sample was highly representative of the demographics and job type of the MG Rover workforce as a whole, which enabled a high degree of generalisation of the findings (BAILEY et al., 2008).

The survey data was supplemented with qualitative interview data obtained from ex-workers (over 20 in total, at the time of writing) and trade union representatives (three, in total). These interviews were conducted between July 2008 and April 2009 and consisted of semi-structured sessions which lasted for approximately 30 minutes, in which issues highlighted in the survey could be further explored.

In addition, approximately 30 one-hour semi-structured interviews with regional and local policy makers and community activists were conducted throughout 2008 and 2009 to explore the socio-economic impact of closure on local communities and the policy response to these.

### **Context: Birmingham and the Region's Labour Market**

As inferred from the previous section, the closure of MGR and its impact on Birmingham and the wider West Midlands cannot be considered in isolation, but rather must be considered against a backdrop of structural change and on-going labour market stagnation. In the West Midlands this specifically pertains to the demise of volume-based manufacturing in the region and the impact of the current economic downturn. Between 1965 and 1981, Birmingham and the West Midlands lost approximately 370,000 manufacturing jobs, and from 1971 to 1981 over 40% of the city's auto-related jobs were lost (SPENCER et al., 1986). This process has continued into recent years: LARKIN (2009) found that between 1998 and 2007 the number of private sector jobs in Birmingham fell by 55,500, while the number of public sector jobs increased by 80,900. Although the service sector grew rapidly in this period (and now accounts for 80% of jobs in Birmingham), these new jobs have

been quite diverse ranging from high level professional services to relatively low-paid (often part-time) work in retail or wholesaling. Birmingham has clearly been struggling relative to the rest of the West Midlands and the UK overall, a situation reinforced by the unemployment rate scenario outlined in Table 1 (i.e., at the time of the third wave survey).

**Table 1: Unemployment (ILO) rates (% working age) by UAD/LA: July 2007 to June 2008**

<i>Northfield (constituency)</i>	<i>n/a (4% of all residents claimed Job Seekers Allowance)</i>
Birmingham	9.4
Sandwell	8.8
Dudley	6.5
Walsall	7.5
Wolverhampton	9.5
Bromsgrove	4.0
WEST MIDLANDS (region)	6.2
UK	5.2

*Source: NOMIS local labour market data (2008).*

This situation of relative labour market insecurity was further reinforced by a high incidence of those receiving unemployment benefit (then called Jobseekers' Allowance), with the West Midlands having the highest rate of any region in the UK and Birmingham the second highest Local Authority (NOMIS local labour market statistics). Thus, whilst 75% of the sample had entered full-time employment by April 2008 (see below), the external labour market context remained fragile for most. Follow-up interviews conducted with a number of respondents who were employed in April 2008 reinforced this; with some since having been made redundant as a result of the current downturn. Aggregate labour market statistics confirm this, with official unemployment rates in the West Midlands increasing by some 50% between 2008 and 2010. If one considers hidden unemployment in the form of those economically inactive but wanting a job, then the "real" rate of joblessness in the West Midlands becomes more in the order of 20%, as depicted in Table 2. This is

highly concentrated in pockets of deprivation, where people have been unable to cope with the structural change that has unfolded around them.

**Table 2: Official and “Real” Unemployment Rates (% working age) by Local Authority July 2007 to June 2012**

Local Authority	July 2007- June 2008	July 2011 – June 2012			
	% unemployed (% of economically active)	No. Unemployed	% Unemployed (% of economically active)	No. Economically Inactive Want Job	Adjusted unemployment rate (%)
Birmingham	9.4%	61,200	13.6%	39,300	20.5%
Coventry	-	13,600	8.9%	11,000	15.2%
Sandwell	8.8%	17,600	12.8%	7,000	16.9%
Wolverhampton	9.5%	14,300	13.2%	6,300	17.9%
Bromsgrove	4.0%	2,500	5.5%	3,300	11.7%

Source: NOMIS <http://www.nomisweb.co.uk/reports/lmp/la/2038431938/report.aspx>

*Note to Table 2: Adjusted unemployment rate is calculated by adding those ‘economically inactive want job’ to those officially ‘unemployed’ and then dividing by augmented labour force (official labour force plus ‘economically inactive want job’) x 100.*

## Key Findings

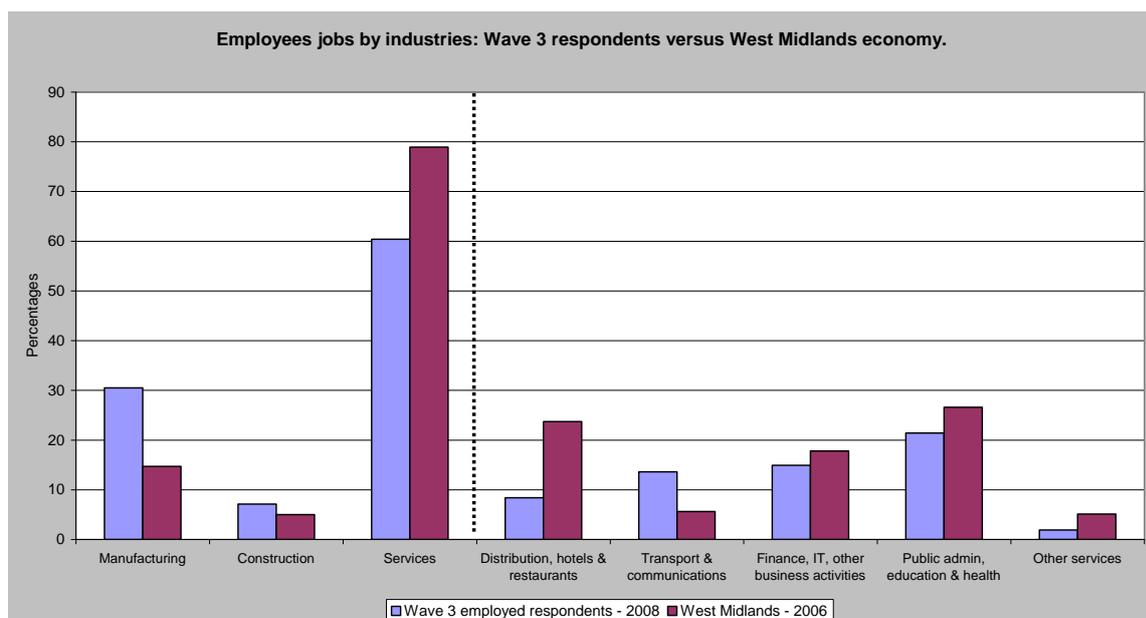
It needs to be borne in mind just how calamitous the sudden redundancies of 6,000 people could have been for the region.<sup>8</sup> Yet our findings suggest that at one level, adjustment for the ex-MG Rover workforce before the recession impacted had been successful; with approximately 90% of ex-MGR workers having obtained some form of employment in April 2008: with nearly three-quarters employed full-time, 11% self-

<sup>8</sup> It should be noted that the Rover workforce had already been reduced by some 6000 under BMW ownership, with a similar reduction in employment numbers at Longbridge under Phoenix ownership. This ‘cushioned’ the final effect to some extent in that fewer workers were laid off, but also meant that workers being made redundant in the final collapse entered a labour market already swelled by ex MG Rover workers (see below).

employed and 5% employed part-time. In contrast, only 5% were still unemployed and looking for work. However, a majority of workers reported facing difficulty in finding employment, especially due to the number of people applying for the same job, age and lack of skills. Indeed, most workers had to convert to service sector work and were using different skills in 2008. Training played an important role in ex-workers finding new jobs either in giving them confidence or in helping them learning new skills. Some 60% of workers interviewed in the third wave survey reported having undergone some form of training and education. Two thirds took up the offer of free training places offered by local agencies and many others underwent training by their new employers. But judged against national levels, it does appear that the ex-MGR workers moved into jobs with lower levels of autonomy, challenge and skill use, and fewer opportunities for progression than other workers in the UK.

Overall our research reveals a marked shift away from employment in manufacturing towards employment in service industries, mirroring the employment structure found in the wider UK economy. However, the proportion of our sample employed in manufacturing was still around double that of the regional average at that time as Figure 1 shows.

**Figure 1 Re-employment by industry after MG Rover (from BAILEY et al, 2008)<sup>9</sup>**



<sup>9</sup> We are grateful to Caroline Chapain for permission to re-print this figure.

This occupational shift is also reflected in the type of skills that workers reported using in their current roles. More than 60% of those employed three years on stated that in their new jobs they were now using different skills to those they used at MG Rover (BAILEY et al, 2008). What was also evident was that the quicker people found re-employment post MG Rover, the more likely they were to use the same skills as at MG Rover in their new role (ibid). Interestingly, three years on some workers had changed occupational level. Roughly a third of workers surveyed reported higher occupational level roles three years on as compared to when at MG Rover, roughly a third reported a lower occupational status at wave three than they did previously, and roughly a third maintained a similar position over time (BAILEY et al, 2008).

The need for workers to change their type of job and/or occupation to find employment resulted in significant pay cuts, with average pay falling by £5,640 per year in real terms by 2008. Two thirds of workers suffered wage falls while a third reported an increase in their salaries. The jobs at MG Rover were high quality manufacturing jobs paying above the average for the West Midlands region so it was always likely that workers would not be able to find directly comparable work. Overall, the 31% of workers who stayed within the manufacturing sector earned similar amounts of money, but the 60% who moved into the service sector were mostly earning less. People who found work in four sectors - wholesale and retail, real estate and business services, education, and health and social work - took average cuts of more than £6,000 in annual income. This had repercussion in terms of households' finances. Almost a quarter of workers surveyed reported that they were in debt or were drawing down savings; 36% said they were just about able to manage on their current incomes; and a further 38% said they were in a position to save some money.

A more positive feature of this paper was that a majority of workers retrained to increase their employment opportunities or to change career or job. This was evident in that some 35% decided to retrain to increase their employment opportunities, 24% to change career, and 13% as a requirement of their new job. In contrast, only 8% took up training as an alternative to unemployment (and 7% because they were

simply unable to find work with their qualifications). Of those workers who undertook training, around a half trained towards a recognised academic qualification (mostly vocational in nature). The very fact that ex-workers pursued specific forms of academic and vocational training in a range of demanded skills may help to explain some of this paper's key findings, notably the positive uptake of training opportunities, in contrast to research on other plant closures.<sup>10</sup>

In terms of specific support offered, job fairs and information on job opportunities generally were seen as not very helpful by respondents. In contrast, the free training places were generally seen as helpful, although the initial training assessment was less well received. Overall, though, these developments would suggest that for many workers, the degree of training assistance provided was a positive feature. However, as inferred above, skill reproduction entails measures to ensure the continuity of manufacturing skills. As such, the issue of skill atrophy and loss of traditional manufacturing skills could be problematic for long-term regional economic viability (see BAILEY and DE RUYTER, 2012). It is to such issues that we turn next.

### **The Nature of the Policy Response and Lessons for Policy**

Having been alerted at the beginning of 2005, the (now-disbanded) Regional Development Agency, Advantage West Midlands (AWM), and the national government were able to move quickly when MG-Rover finally collapsed, coming together to enact the 2<sup>nd</sup> Rover Taskforce (RTF2). The members of the 2<sup>nd</sup> Taskforce were from a spread of territories, tiers of government and other agencies and included the then Department of Trade and Industry (DTI) and local Members of Parliament (MPs); Local Authorities (among these, Birmingham City Council); Skills Agencies such as the Learning and Skills Council; Employer organisations; Employers (GKN, and Hadley Industries); Trade Unions; and local universities. However, membership was not completely inclusive. Some of the policy implementation agencies such as Job Centre Plus, the key government employment

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<sup>10</sup> For example SHUTTLEWORTH et al. (2005) in their study of workers made redundant at Harland and Wolff noted a low take up of training in general skills by redundant workers, but a positive outcome on programmes specifically linked to employment.

agency responsible for helping people find jobs, did not sit on the Taskforce but were on an 'operational group', set up to support the work of the Taskforce, instead. The DWP (Department for Work and Pensions) were members of the Joint Planning Group, but were not members of the Taskforce. HM Revenue and Customs also did not appear to formally participate in the Taskforce.

This Taskforce (RTF2) was set up with the objectives of: helping suppliers to maintain operations in the short term, whilst assisting them to diversify; aiding those losing their jobs to find new employment; and supporting the broader community. A significant aid package worth £176 million was made available, including £50 million for retraining (up to level 2 skills) , £40 million in redundancy payments, a £24 million loan fund to help otherwise viable businesses, and £41.6 million to support MG-Rover suppliers to sustain trading. Redundancy payments were made by the Redundancy Payments Directorate of the DTI sooner than usual; the Human Resources Division of MGR was kept on until December 2005 to assist with this work (NAO, 2006). Another £7.6 million was announced by AWM in June 2005 to assist with supplier diversification. The tailored support for suppliers proved critical in limiting the short term damage to the local economy. For example, a £3.4 million Wage Replacement Scheme helped 170 firms and kept approximately 3,000 workers in place for the critical weeks following the collapse, with 1,329 'confirmed' jobs being saved in this way (RTF2, 2006). The diversification programme put in place by the first Taskforce to support firms in the supply chain to diversify their customer base proved to be successful when MG Rover eventually collapsed, with far fewer jobs lost in the supply chain than had previously been forecast.

In the immediate aftermath of the closure, the state employment agency Job Centre Plus registered at least 5,300 ex MGR workers in 7 days to qualify for benefits. They took on 160 extra staff and worked a double shift to do so at the main office near Longbridge (NAO, 2006). Pensions were transferred to the Pension Protection Fund. To overcome the problem of being on benefits and the need to train or to take a job, rules were relaxed. Help for redundant workers also included job fairs, information on job opportunities, help from Job Centre Plus and free places on training courses. Help was also offered to spouses and partners to go on training courses. Employers were also paid a subsidy to employ ex-Rover workers and

efforts were made through a 'Manufacturing Hub' to match manufacturing workers with jobs available in the sector. A one-stop employment and skills advice centre was set up locally, and local colleges put on extra courses. Of these, the most helpful support was found from our survey to be free travel to a training course or job interview, a free place on a training course, being sent on a training course by a new employer and help with setting up a business.

In this sense, a key policy lesson arising from the MG Rover experience is the need for agencies to move swiftly; it is helpful to have knowledge and actions in place rather than attempting to 'fire fight' after the event. Indeed, when MGR closed in April 2005, the second MGR Taskforce was able to start work on the day of the closure announcement. Such advance preparation work could work well in future closure situations, as it is unlikely that a future closure would happen without at least some prior warning. There is therefore a need for a 'permanent capacity' to deal with these issues, as a way of having institutional memory of how things were done. This is particularly pertinent given the recent recession and credit crunch and the potential for further closures, including of smaller businesses. It was interesting, for example, that when the Birmingham van maker LDV went into administration in June 2009, a Taskforce was set up immediately, learning from the MGR experience, and staffed by some of the same agencies and people. There have been calls to make these permanent so as to retain this knowledge and capacity (HOUSE OF COMMONS, 2009), although this now seems unlikely in the post-election context of the abolition of RDAs. Indeed the current Coalition Government's recent abolition of RDAs poses a problem in this sense, as it is not clear that fragmented and competing local enterprise partnerships (LEPs) will be able to provide the coordinated leadership needed to tackle effectively such situations.

The economic diversification of Birmingham and the West Midlands in the first half of 2000s also played an important role in enabling workers to adjust post MGR closure. As such, economic diversification should be further encouraged, particularly post credit crunch. As CLAYTON (2011) notes, the impact of the current downturn was felt differently across different regions of the UK, in turn requiring that labour market policies are built on local initiatives and local knowledge. On this note, government and regional development agencies (or successor bodies) need to do more to

ensure that employees have the necessary skills to cope as industries change, through high quality, flexible education, training, information, and mobility programmes (a more 'Nordic' approach). Here it needs to be recognised that much work was done by Advantage West Midlands and other agencies before the MGR closure, in diversifying the supply chain and economy and this work may have 'saved' as many as 10-12,000 jobs in the local automotive industry supply chain at the time (MACNEILL and BAILEY, 2010).<sup>11</sup>

Avoiding sudden closures and slowing down the process where possible also enables workers released to pick up jobs arising through 'replacement demand' where firms require workers to cover those who have left, retired and so on. Such replacement demand can actually be quite significant and in the medium term may outweigh negative changes arising from projected decline (ibid). These policy suggestions from MGR experience accord with a view of plant closures not as discreet one-off events but rather long-term path-dependent processes which begin well before the 'event' itself and with repercussions continuing well after (PIKE et al, 2005). From this perspective, there may be critical moments which represent significant opportunities for local and regional policy interventions which may alter evolutionary trajectories (see BAILEY et al, 2010, on the role of 'place renewing' leadership in such situations).

It should be noted that the 'regional task forces' set up in England in 2008 were modelled on the work of the MG Rover response, but with greater attention to issues of 'place' as well as 'people' and 'business'. A number of detailed policy interventions were developed out of previous experience and learning with MG Rover, and were set up quickly in response to the financial crisis, including a loan fund for small firms. Furthermore, as BAILEY and BERKELEY (2010) note, the West Midlands response to the recession delivered a number of outcomes, underpinned by a detailed evidence base, in line with the so-called 'Barcelona Principles' (OECD, 2009) notably around leadership, strategy, targeted short-term support, building relationships with stakeholders and communicating with other tiers of government. For example, the process of intelligence gathering and analysis improved markedly, facilitating a more

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<sup>11</sup> This helped to save jobs in the automotive supply chain – and in small and medium sized firms – but did not help Rover workers as such – who were not taken up by the diversification of the supply chain in significant numbers.

informed understanding of the key economic issues affecting the region. This in turn informed strategic thinking and direction and enabled the RDA to target key locations (market towns), sectors (automotive, construction) and firms (SMEs). In so doing, a degree of consensus was developed on the need to focus resources. Overall, this work triggered a move to more sophisticated way of developing targets for intervention and policies to get there.

However, the formation of a coalition government in 2010 saw the abolition of RDAs in England (with the exception of that in London). In their place 'Local Enterprise Partnerships' (LEPs) have emerged at a sub-regional scale. In the West Midlands, the RDA has been replaced by six LEPs. Despite a language of 'localism', however, many of the powers held by English RDAs, for example, on industrial policy and business support have actually been recentralised to London (HILDRETH and BAILEY, 2013). In addition, unlike RDAs, LEPs have to operate without significant dedicated budgets. Moreover, there was also significant expertise built up in the RDA in dealing with shocks, which has effectively been lost, making the need for cross-LEP working all the more important in anticipating and dealing with economic transformation.

Finally, the 'success' story noted earlier in respect of retraining in the case of ex-MGR workers seems linked to the specific forms of training and education that were taken up and which provided skills of use in the local labour market. Training and education played a key role in particular in ensuring those who did not find re-employment quickly were not left unsupported.

### **Broader Perspectives 1: Wider Labour Market Precariousness**

As such, the 2<sup>nd</sup> Rover Taskforce was successful in many respects to facilitate adjustment, with partners working well together to devise innovative policies and to harness various agencies, with leadership shown by AWM, to help firms in the supply chain and to deliver quality services to those made redundant. Indeed, this reactive approach to the closure has been seen as something of 'textbook' task-force response in terms of quickly bringing together different organisations to provide support for workers (BAILEY et al., 2008) and helping them into training and onto new jobs. However, our research suggests that this local success in helping workers

adapt and move on was in effect mitigated by a broader labour market environment that is essentially precarious (BAILEY et al, 2012a). Reinforcing this has been a lack of support for manufacturing more generally in the UK; only 30% of the ex MGR workers remained in manufacturing (and these were the workers who managed on average to maintain income levels). At the time of writing, the UK economy is effectively 'flat-lining' after a period when the automotive sector has grown more quickly than the rest of the economy (and is forecast to do so after some £6bn worth of investment by auto firms over the last two years), but going forward there is an acute issue of a shortage of skilled labour in the auto sector which could hold back growth.<sup>12</sup> The skills atrophy of MGR workers leaving a sector that is growing is illustrative of the lack of alignment of local/regional and national level policies. Similarly, the public sector (some 20% of employed respondents had jobs in public administration, health and education in April 2008) now faces severe cuts.

Drawing on work by SHUTTLEWORTH et al. (2005), BAILEY et al (2012a) identified three dimensions that can be taken into account when examining the employment outcomes and trajectories of workers made redundant after a plant closure: (i) the personal attributes associated with workers employability and re-absorption in the labour market; (ii) the local demand and geographical mobility shaping their transition back to employment; and (iii) the effectiveness of the policy interventions, their uptake and how were they perceived by the workers. In this previous work (BAILEY et al, 2012), we argued that the effectiveness of the immediate post-closure policy response and longer term (pre-closure) local economic strategies combined with the state of local labour markets and workers' geographical mobility, helped to balance the impacts of personal attributes associated with workers' employability and re-absorption into the labour markets – hence the finding noted above of 90% of workers getting back into work three years on and 60% undertaking some form of training. In this regard, this was a 'successful' policy response.

However, in line with the precariousness framework of STANDING (1997, 2011), we would argue that this 'success' has to some extent been undermined more generally

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<sup>12</sup> BRYSON and RUSTEN (2010), for example, suggest that there will be some 90,000 hard-to-fill manufacturing jobs in the West Midlands region alone that could be filled by people with the right skills and expertise.

by the wider labour market conditions into which workers have had to move.<sup>13</sup> Here, there were significant falls in a number of measures such as *labour market security* (the security that comes from a government commitment to full employment), *income security* and *representation security* (representation rights at work) – which we see as dimensions of precariousness in line with Standing’s work. In this regard, the particular lack of attention to *labour market security* has undermined and conflicted with other dimensions of security. Indeed, many workers interviewed in our Wave 3 survey were also likely to have lost their jobs again during the most recent downturn, reflecting the precariousness of the work they had to move into. Overall, we would argue that successful policy adjustments extend beyond merely providing “jobs” or “job opportunities” for displaced workers as politicians have stressed. Rather, they extend to the quality of employment and lasting career opportunities. On that, the research presented here suggests that the picture for ex MG Rover workers is at best very mixed. For example, on the dimension of *income security*, our research found a majority of respondents reporting a significant decline in earnings compared to when they worked at MGR; and further that a quarter of respondents reported that they were experiencing financial difficulties. The findings also indicated a much greater dispersion of earnings. The decline in *representation security* reported also highlights the need to make sure that workers have adequate redress to advice and advocacy (traditionally provided by the union movement); and that measures are put in place to avoid a repeat of very sudden plant closures.

The implications of this analysis is that positive developments in labour security at the micro level can be undermined by adverse developments in labour market security at the macro-level; in turn compounding income, representation and skill reproduction insecurity. As such, low pay is the norm for many in the workforce and that more needs to be done to “make work pay” (ARMSTRONG et al., 2008) and link this to training and skills development - and supporting manufacturing as a provider of skilled, quality jobs in general. As the follow-up interviews demonstrated, concerns over tenure and income security are even more important now, given the recent economic downturn and consequent fiscal austerity practiced by the coalition government. All of these developments can be expected to have exacerbated the

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<sup>13</sup> Terms such as flexibilisation and casualization appear to be more commonly used by researchers writing in English, rather than precariousness and precarity (ARNOLD and BONGIOVI, 2013).

essentially precarious nature of the wider UK labour market for many workers. In this sense we would highlight the lack of employment security as effectively undermining some otherwise successful policy responses. Successful adjustment in 2008 was no guarantee that a worker could not have been made redundant *again* with the onset of the economic downturn. Further research is therefore needed to explore the impact of both the most recent recession and the current austere economic environment on the labour market outcomes experienced by workers.

## **Broader Perspectives 2: The Local Impact and Community Responses**

Our findings suggest implications and lessons for cities dependent on manufacturing during difficult times of economic adjustment, and hence urban policy. As could be expected, the areas around the MG Rover plant in the Longbridge and Northfield areas of Birmingham were particularly affected by the closure. Approximately 20% of workers lived in south-west Birmingham at the time of the closure. Immediately, these areas had to deal with a significant increase in the number of unemployed people, the removal of a major employer and generator of activity and expenditure, a loss in their community identity, and a massive site to regenerate. In addition to affecting workers living in the area, the closure had ripple effects; for example, people already unemployed now had to compete with ex-MG Rover workers coming into the labour market, thereby resulting in an increase in long term unemployment. Some shops and restaurants closed while others experienced a decrease in their business activity, given reduced local spending. This occurred in a locality in which the direction of travel of key indicators of multiple deprivation was already negative following a generation of in-situ employment decline at MG Rover and other major employers such as Cadbury. Place is thus vital as different places have different histories, path dependencies and trajectories that affect their capacity to absorb the shock of closure and to build for the future. Hence, dealing with plant closures as part of a broader strategy to maintain the economic vitality of traditional automotive industry cities needs to acknowledge the differential geographies of place.

The policy response to the Longbridge crisis can also be characterised in terms of a set of shifting agendas and stakeholder coalitions that reflect an institutional divide between regional economic stakeholders (and the Taskforce), on the one hand, whose remit was to secure the regional supply chain and support the redundant

workers, and neighbourhood social partners on the other, whose role was the mitigation of the local impacts of closure and facilitating future regeneration. It is possible to argue that the Taskforce narrative represents only a partial account of the Longbridge experience. As noted, rather than just focusing on the Taskforce responses, alternative narratives are needed so as to offer a more nuanced and holistic account, including the local impacts of closure, the role of the neighbourhood level officials and the third sector in mediating these.

Such local impacts include the “displacement” effect of the sudden increase in labour supply in South West Birmingham. In the decade prior to closure, the local unemployment (claimant) rate declined by half (CURS, 2008). However, two years after closure, in the context of strong employment growth nationally, the proportion of local job seekers unemployed for more than 12 months had increased from 17% to 24% (ibid.). There was also significant local resentment that the short term needs of ex MGR workers were prioritised over the long term needs of the pre-existing workless population. Equally important was the diminishing MGR worker spending on local shops and services. Six months after closure, declining local retail turnover, loss of commercial validity of local centres and increased rates of anti-social behaviour were noted (BCC, 2005).

The challenge of mitigating such neighbourhood and social impacts of closure fell to Birmingham City Council’s constituency and neighbourhood office staff. This role is diminished in the Taskforce centric narrative presented above. They offered emergency counselling (e.g. benefit advice, debt counselling) via a telephone hotline to the redundant workers, in addition to their normal role of advising the local public on housing, welfare and other social issues. Staff reported difficulty in imparting a human dimension to the response amidst the sheer level of demand (HALL, 2012). The council proved a deficient vehicle for this support role. It had a limited “tool kit” (Housing Benefit, Council Tax Benefit, free school dinners) given the depth of the crisis. Most fundamentally, however, the abruptness and magnitude of the closure threatened to exceed the competences of council staff to deal with shocked redundant workers, many of whom required very basic support before they could enter the elaborate benefits system (ibid).

The key public stakeholders sought, where possible, to deliver short term measures for vocational training, social and leisure activities and longer term regeneration through local voluntary and community sector intermediaries. However, the locality had, in its recent history, been dominated by large paternalistic employers (Cadbury, MG Rover), around which employees' social life revolved, and direct municipal provision (e.g. the domination of the local housing market by the social rented sector). This engendered a parochial and complacent culture of jobs, community and homes 'for life'. Social capital and entrepreneurship in the locality were strong, but very much internalised within the firm and family (SMITH, 1989). The quality and quantity of local third sector amenities was poor (BCC, 2008). There were few local groups involved in social enterprise, including a single credit union and only the Longbridge Area Resource Centre (LARC) engaged in employment support activity. The statutory agencies had sought to build capacity in the third sector locally. The South West Birmingham Community Association was established in 1997 to provide a focus for representation and liaison for local groups. The MGR Community Support Board was established in response to closure to develop leisure, vocational training and outreach work. Evolving from this, Community Network South West, a European Union part funded project (2006 to 2008), offered capacity building support to local groups through its Equip and Enable scheme. However, the third sector lacked a single vision or voice. The strategy exposed the structural weaknesses of the sector locally. Very few local bodies possessed the necessary organisational competence, probity and accountability required by the rules, regulations and timescales of the statutory funders and, as a consequence, significant contracts were awarded to larger, national agencies.

A wholly new community organisation, the Rover Community Action Trust (RCAT) was established in autumn 2005 by a group of Rover wives. RCAT represented the same "community of interest" targeted by the Taskforce. RCAT was financed in the first instance, by proceeds from a charity Birmingham City football match. RCAT very quickly acquired a prominent political profile, not least due to its direct and assertive lobbying of central government (circumventing even the Task Force), amidst the acute sensitivities of the 2005 UK General Election campaign. It secured £2.6 million for training, social and leisure uses through the tailor made "Step Forward" programme, although this was also undermined by the "programme management"

mentality of the statutory funding agencies. RCAT's prominent political profile and lobbying success of RCAT led it to eclipse the pre-existing community actors in the Longbridge narrative. The Task Force partners invested considerable capital into the embryonic association, effectively co-opting it into the coalition of key actors. As such, it was obliged to undergo a difficult transition from a radical 'campaigning' to a mainstream 'doing' orientation; a common trajectory for third sector organisations.

In summary, the ability of South West Birmingham to respond to the closure was constrained by the legacy of long-term in situ decline and limited local social capital – the later attributable to the historic dominance of large 'paternalistic' employers which have run down over time. The Taskforce model indeed proved effective within its particular remit but was limited in scope (BENTLEY et. al., 2010b). Its focus (on ex MG Rover workers and the supply chain), its composition (economic development agencies) and lines of accountability (to sponsor ministries) meant that it was poorly placed to deal with broader social and economic impacts. Nevertheless, Birmingham City Council and local social partners attempted to fill that void.

## **Conclusions**

This paper has offered an overview of the findings of research on the collapse of MG Rover in Birmingham in 2005, and has explored its socio-economic impacts and the associated policy responses. Given the salience of such issues in the light of automotive plant closures in a number of countries, the paper highlights what key lessons could be learned from what happened before, during and after the MG Rover closure in 2005 and the work of the Taskforce in tackling this 'crisis' situation. However, noting that regions are 'meeting places' for local and global forces and debates (BRISTOW, 2010), we have also attempted to move beyond the 'standard' Taskforce narrative, recognising that whilst significant policy 'successes' were evident at the regional level in anticipating and responding to the crisis, a broader perspective is required that situates this Taskforce response in (i) a broader – nationally driven - context of labour market precariousness (that in turn mitigates some of its policy 'successes'), and (ii) more local perspectives that highlight the local impacts of closure, the role of the neighbourhood level officials and the third sector in mediating these, plus the longer term regeneration challenge following the Taskforce's departure.

It is correct to note that rapid action by regional and local agencies as part of a coordinated response by policymakers to support, inform and retrain the MG Rover workers who lost their jobs can be called a 'success story' in that large-scale, long-term unemployment in the south Birmingham and wider West Midlands area was avoided. However, taking this broader perspective suggests that longer term, workers face a precarious situation and the need for policies to create and sustain 'good quality' jobs remains paramount. Adding in more local perspectives, and the key lesson from the Longbridge experience for dealing with closures more generally is that public policy responses to closures must be: multi-dimensional in that they transcend narrow sector based concerns and addresses broader spatial impacts, inclusive in that they build on a broad coalition of economic and social stakeholders; and, long-term in that they acknowledge that adaptation takes many years. These may seem truisms but the Birmingham Longbridge experience demonstrates the difficulty of achieving such responses in the context of crisis where action is imperative and deliberation a luxury.

Furthermore, the Taskforce was clearly effective in its own terms but narrow in scope and time limited. Neighbourhood and social impacts were not included within its tightly defined brief. The responsibility for these problems was shouldered by less well-resourced organisations. So, looking more locally, while a local authority is a necessary actor in such a response, it is an imperfect vehicle given its very specific and restricted powers (at least in the British case – that may be different in other countries). Interviews with local authority staff reported a mismatch in their skills sets (the benefit system, debt advice) and the immediate needs of shocked and disoriented redundant workers (the need for remedial 'human' counselling). The local authority response was also restricted by a paucity of local voluntary and community sector organisations through which to channel programmes of assistance. Conversely, local third sector groups were frustrated by the rules, regulations and 'project management' mind-set of major statutory organisations which, it can be argued, prioritised expenditure within prescribed timescales over innovation and investment for the future. If anything, the Longbridge experience illustrates the value for cities in investing in a vibrant third sector over the longer term.

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