

„One for All, All for One“: Do Regional Clusters Protect Firms against the Fallout of the Economic Crisis?

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Abstract

Since the late 1990s the concept of regional clusters and networks is considered to contribute significantly to regional development. In Germany, politicians, consultants and economic developers alike are convinced that the implementation of clusters stabilises and improves local economic structures. Against this background, this paper deals with the question if regional clusters and networks are protecting firms against the fallouts of the current financial and economic crisis. In Germany, this question is salient in particular regarding the export orientated industries of the country. The drastic decline in foreign demand together with banks' reluctance to lend money forced many companies to cut back working hours, often supported by specifically designed government schemes compensating companies for the reduced hours of work instead of laying off large chunks of their personnel ("Kurzarbeit")

This paper gives insight into the situation of companies of the mechanical engineering industry in Germany. The analysis is based on empirical evidence from a survey of over 300 companies in the sector, showing difficulties for the majority of the – mostly export-orientated – companies from summer 2008 to autumn 2009.

Separating firms in institutionalized and informal clusters within the region from firms not embedded regionally, results from various regression models suggest, first, that being part of a local cluster is contributing to protection from the current crisis, possibly because a "closing of ranks" in the region suggested in interviews with several CEOs of cluster firms. The CEOs explained that their companies are embedded in a community based on the principle of mutual solidarity, where altruistic behaviour is a common feature. Second, companies of institutionalized clusters benefit most regarding the protective effect of regional clusters and networks, most likely because of the existence of cluster managers in these formations. In their role as mediators, cluster manager negotiate and balance constantly between members to generate mutual trust and appraisal within a regional cluster. From there, a heightened awareness and innovative strategies to encounter the crisis may arise within regional clusters, for example regarding the temporary exchange of employees.