

*The impact of the crisis on a territory with an industrial tradition. The case of the Valencian counties of L'Alcoià, The Comtat and La Vall d'Albaida*

Spanish industry has experienced a series of changes in recent decades. Firstly, the economic expansion, at the start of the 21st century —linked to real estate sector growth— constituted a certain rise in industrial production in Spain. However, the financial and economic crisis, from 2009 onwards, had a severe impact on industry, due to the issues associated with a drop in construction-related activity and fewer possibilities of accessing credit lines. Furthermore, higher unemployment figures meant reduced family spending, and hence, lower internal demand.

Within this context, industry has lost prominence and importance in the Valencian economy during the last decade. According to the data in Spain's Regional Accounts, the manufacturing industry's share of regional gross value added (GVA) was 19.5% in 2000, while it dropped to 12.3% at the onset of the current crisis in 2009, representing a reduction of almost one percentage point per year, and it continues to slowly decline. During the first three years of the crisis, between 2008 and 2011, the Spanish manufacturing industry lost 16.9% of companies and 20.6% of workers, while GVA dropped 21%.

This industrial decline was particularly fierce in the Valencian Community, to such an extent that this region's industry, which accounted for 11.5% of Spain's industrial GVA in 2000, only represented 9% in 2009. In this period, the number of industrial companies also fell 23.4%, workers dropped 27.3% and their contribution to GVA 25.5%.

The Valencian regional model, based on a strong division between inland and coastal areas, is completed to the south of the province of Valencia and north of Alicante,

with a series of spaces organised around a network of small and medium-sized towns (Ontinyent, Alcoi, Ibi, Elx, Elda, etc.). Their population growth and weighting in the Valencian urban hierarchy is linked to the development of a traditional consumer goods industry in line with the “domestic industrialisation” model. These “local productive systems”, “districts” or “industrial clusters” proved an innovative dynamic for decades, which was far superior than could have been expected of a productive system controlled by small and medium-sized companies from traditional sectors, even during times of severe economic recession both in Spain and internationally, such as the current one.

The Valencian traditional industry in the centre/inland of the region experienced a significant transformation process, which started even before the current economic crisis. Since the mid-nineties, countries with a clear competitive advantage were included in the international market, provoking a crisis situation for industrial companies from this region, which the current economic recession only worsened.

This article analyses how industry in the Valencian counties L'Alcoià, El Comtat and La Vall d'Albaida evolved during the first decade of the 21st century. The analysis is based on socio-economic data and information from the main economic agents with the objective of understanding the impact that the deindustrialisation process has had on these counties and whether a coveted reindustrialisation is possible.

In addition to the statistics, a qualitative methodology was employed, based on working meetings with quali-

fied informants, i.e. individuals with a good knowledge of the social and economic situation of the towns being studied in order to better understand the study area's situation. All of the meeting participants live in the study area and are linked to the industrial activity through their work, because they are representatives of business associations or are politically involved in the area (generally town councillors and Local Development Agents). Four working meetings were held in the study area towns (Ontinyent, Ibi, Alcoi and Cocentaina). Between 10 and 15 participants attended each meeting, but they were not the same participants each time. Different participation techniques were employed, including open debate. The discussion topic was always whether area reindustrialisation is possible and its future challenges, with a view of defining actions that could be taken on a local level to gain support from regional and national administrations.

Some of the ideas that must be highlighted prior to the analysis are: the region's direct involvement in its own development, through institutions, corporate bodies, business associations, technological institutes, the University and professional training centres. Institutional and interregional collaboration gives the area strength to develop shared projects, make use of economies of scale and address the future with a greater sense of security (internationalisation, new technologies, qualifications, competitiveness, etc.). There are different sectors in the area, although there is also a certain degree of specialisation. To this end, the region's image cannot be associated with one or several traditional sectors, as they are not the only ones or the most dynamic. The region has a solid industrial image, despite its negative evolution in the last two decades due to job losses and the closure of some traditional companies. In our opinion, and based on the diagnosis performed, future challenges lie in investing in and supporting (both publicly and privately) qualifications, quality and industrial innovation, with the aim of achieving a privileged position on the Spanish and international markets, attracting investment, creating employment and improving the quality of life of those living in the area, as part of a reindustrialisation process that is difficult to achieve but necessary.

Despite the crisis' impact and the local employment market's negative behaviour, the companies do have some interesting positive characteristics. Turnover is still significant for some traditional subsectors, representing an important percentage of the sector's weight over the Valencian Community's total. Such is the case for the textile industry located in towns Albaida, Alcoi, Bocarent, Cocentaina, L'Olleria, Muro and Ontinyent.

These seven towns turn over 33% of the Valencian textile's total and also represent 33% of employment in this sector. If we add the clothing sector, these figures rise to 45%, approximately. More than 12% of the rubber and plastics subsector turnover and the same figure for employment is concentrated in Ibi.

However, in recent decades, other sectors have developed with an important presence in the area, such as machinery and equipment, with 4.4% of turnover and 6.6% of the region's employment, mainly in the towns Alcoi and Cocentaina. Metal products, with 7.3% of the sector's turnover in the Valencian Community, and metallurgy, with 6.1%, are also noteworthy. Additionally, other significant industries include the paper industry in Ontinyent, with a turnover of more than 120 million, the pharmaceutical products industry in Alcoi with more than 45 million (34% of employment and 62% of the turnover over the Valencian Community's total, with only two companies from the cosmetics subsector), and other manufacturing industries in Ibi, including the toy industry.

The evolution of industrial investment before and after the crisis is a good indicator for gauging the climate of the study area's dynamism. Companies' investment data show a rather negative evolution, losing weight over the region's total. The effects of the crisis are clearly visible throughout the Valencian Community: industrial investment was around €549 million per year during the pre-crisis years (2006-2008) and dropped around 28% in the following period (2009-2011), representing a similar reduction as that experienced by industrial GVA during this period. These effects have been noted in the overall amount invested and its distribution in the region.

In the study area, industrial investment constantly fell from 2004 (pre-crisis reference year) even until 2013, while it seemed to have been recovered in other regional areas during the last period (2012-2013). This is the case of the ceramic cluster (Castellón-Vilareal), where annual investment was recovered to a certain degree, increasing from around 69 million to 151 million. Industrial investment also grew somewhat in urban spaces, such as Alicante's metropolitan area and across Alicante's coast.

Employees' qualifications are often linked to innovation capacity. The area's industrial know-how is clearly notable given its tradition and production specialisation. One way of discovering more about the innovative capacity of the companies in the study area is through government grants and subsidies, especially grants for innovative projects for industrial companies from the Valencian Institute of Small and Medium Industry/Valencian Insti-

tute of Business Competitiveness (IMPIVA/IVACE in Spanish). Although industrial development has a strong, long-standing tradition, it has been consolidated over the years with support from different instruments. These are, on one hand, a network of infrastructures that support industry, which is mainly a network of the sector's Technological Institutes coordinated by a specialised centre connected to the Valencian Ministry of Industry (subsequently the Ministry of Economy and Industry), the Valencian Institute of Small and Medium Industry (IMPIVA, now IVACE, the Valencian Institute of Business Competitiveness); and on the other hand, a set of grant programmes for companies that will undertake modernisation, technological innovation and training actions, etc.

Since 2004, companies have generally displayed a positive innovative behaviour. Most of the towns analysed evolved favourably between 2004-2007 and 2008-2011. Only Cocentaina, Ibi and Ontinyent had fewer subsidies (euros) for innovative projects at the end of the period than at the beginning. Despite this, the area, as a whole, went from receiving 19% of the subsidies before the crisis to 17.7% at the end of the period examined (last data: 2011) and from representing 20.2% of innovative companies in 2004-2007 to 18.5% at the end of the period, which is not an excessively significant variation. Between 2004 and 2011, the study area included 19.38% of the innovative companies in the Valencian Community. Towns such as Alcoi, Muro and Banyeres received more subsidies in this period. According to data, in 2011, Alcoi represented 5.4% of the Valencian Community's innovative companies, Ibi 2.7% and Ontinyent 3.2%.

The area's main urban and industrial centres show distinctive features, which reflect some internal differences. Firstly, Alcoi is the city with the highest standing in the area. With 127 companies in the textile sector and 9 clothing companies, it is one of the core hubs for these industrial subsectors. Despite having lost a lot of production in the last two decades, textile's annual turnover amounts to €120 million. However, there is also a large concentration of companies from the Food sector (24) in this city, with a total annual turnover of almost €150 million. Secondly, and given its affinity with the previous city, Cocentaina is an industrial centre with a high concentration of textile companies: there are 76 with 1,200 employees, (the highest concentration in the study area) and 8 clothing companies. In the first case, annual turnover amounts to more than €160 million, the highest in the study area. A third town, Muro, presents an extraordinary concentration in the textile industry, both with regards to annual turnover (almost €100 million)

and the number of companies (45) and workers (766, which is 70% of the town's industrial workers).

Lastly, Ibi is worthy of mentioning. In total, this town has the highest industrial turnover in the area (more than €510 million), the highest number of industry workers (3,642) and the highest number of companies (319). Its industrial structure is very diversified, but the rubber and plastics subsector is the most notable, given its long-established tradition, with 1,158 employees and more than €215 million turnover. This town alone represents 9.1% of this sector's turnover and 8% of employment in the Valencian Community. These figures increase to 14% and 12%, respectively, when considering the whole study area, so it can be assumed that the area has a significant subsector concentration and strong externalities. Another notable subsector is other manufactured products, which includes toys, with a turnover of more than €80 million and 800 workers. Ibi's image is linked to the toy industry, which is no longer realistic, since its industry's diversification has meant that it is one of the most dynamic towns in the region.

Using the aforementioned qualitative methodology, we are able to highlight a series of results. Among which is the social agents' interest in local development and local institutions' involvement, from town and city councils to different types of business associations.

One of the main concerns expressed by the social agents is the region's image. In their opinion, the region has a strong, long-standing industrial tradition, which is the image that it gives and that they wish to conserve, despite the fierce deindustrialisation process experienced over the past 20 years. The traditional industry (textile and toys) is still the image that the region gives. However, this no longer corresponds to the industry's reality, which the social agents believe has changed substantially, becoming much more diversified and innovative. As the work session participants pointed out, strengthening the region with the industry's image and industrial know-how is fundamental, but innovation and technology are also important. Any other sector activity, for example tourism, would not be as competitive as industry in the current Spanish and international context. The area's image is still very traditional, which, according to some participants, diminishes the possibilities of attracting new investment (new companies), which is considered the most important priority for the area.

The main problems that the area faces, which could be resolved in the short term, are related to infrastructures and industrial equipment. Although the differences between towns are significant for this matter, all partici-

pants recognise that there is a lack of industrial land, as well as the need to create an intermodal logistics centre in the area.

Institutional and interregional collaboration gives the area strength to develop shared projects, make use of economies of scale and address the future with a greater sense of security (internationalisation, new technologies, qualifications, competitiveness, etc.). There are different sectors in the area, although there is also a certain degree of specialisation. To this end, the region's image cannot be associated with one or several traditional sectors, as they are not the only ones or the most dynamic. Strengthening the region with an image of industry, qualifications, quality and industrial innovation is fundamental, as it could help the region gain a privileged position on the hard Spanish and international market, attract investment, create employment and improve the quality of life of those who live in the area.

Based on the analysis conducted, we were able to reach some conclusions which may be of interest for regional and local policy. Firstly, the inland industrial counties Vall d'Albaida and Comtat-Alcoià-Foia de Castalla rebalance the Valencian Community since they transcend and overcome inland-coastal duality and allow for a more balanced regional model. That is why its regional model, based on small and medium-sized cities, needs to be strengthened and preserved, since its decline would cost dearly (growing agglomeration and congestion in coastal areas, generating new regions-problems in the region's inland).

On the other hand, the area was strongly impacted by the recent economic crisis, although this impact was not the same on sectorial and regional levels. From a sectorial point of view, the textile and toy sectors were most affected, while the evolution of rubber and plastics activities and other sectors (metal products, other consumer goods) was not as negative. However, the unequal regional dynamics reflect the sectorial differences, detecting a certain contrast between the situations in the north-south axis, as well as economies of agglomeration, which have managed to obtain enough maturity to gener-

ate more diversified and resilient industrial structures in the main nuclei (Alcloi, Ibi and Ontinyent).

Despite the crisis, and the subsequent drop in activity, the area continues to have important clusters, which are relevant with regards to their prominence on a regional scale, in the textile and toy sectors. Furthermore, sectors that once fulfilled auxiliary functions in their respective local production systems (rubber and plastics, metal products) have become basic activities linked to value chains and extra-local markets, and have generated new industrial activity agglomerations. With the view of recovering activity in the future, this business network is essential to ensure that economic growth translates to local employment and activity. In this sense, there are two elements that lend a certain degree of optimism: industrial companies belonging to these specialised clusters in the area show innovative behaviour and their export performance is slightly above the regional average. This means they are in the position to make the most of any potential market opportunities, if the environment conditions were conducive to such.

To conclude, we can summarise the above in two key aspects for the area's future:

- Innovative companies (and not only sectors) are the foundation of industrial development, which also includes the most traditional companies and sectors that are capable of undertaking innovation processes in different contexts.
- Regional policies can make a significant contribution to generating well-being and development by taking investments, equipment and services to the areas where industry is located; not only sectorial policies can have this effect.

These local productive systems' dynamics have had an important influence on reducing the regional imbalance in Valencia. This is why they require special attention from public policies and regional land management given the weight and relative importance they have on the Valencian urban hierarchy.