

Foreword by:

ONWARD 

MAKEuk
The Manufacturers' Organisation

LEVELLING UP: BRIDGING THE GAP BETWEEN POLICY AND PROGRESS



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FOREWORD

Manufacturing matters. In almost every developed economy, manufacturing productivity growth has outpaced other sectors over the last two decades. In the UK, where our economic story since the 1980s has too often revolved around services, productivity in manufacturing has had almost double the quarterly growth rate of the economy as a whole. Ultimately, this productivity growth feeds through into higher wages and living standards.

Manufacturing also matters to our politics. Despite rising productivity manufacturing has declined as a share of the economy, and the 'Red Wall' has borne the brunt. In 1998, manufacturing delivered 7.5 million more hours of work in the North West than it did last year; hours worked in other sectors rose by 19.4 million over the same period. But the Midlands and the North still have manufacturing at their heart - and would most benefit from a resurgence. About 8% of UK jobs are in manufacturing, but in seats won in 2019 by the Conservatives the proportion is 12.2%.

These two factors - productivity and politics - are at the centre of the Levelling Up agenda. The Government's White Paper set out an ambitious programme to turn around the fortunes of parts of the UK where economies are lagging and communities are fraying. Delivering on this promise will be a major challenge, made more difficult by the cost of living crisis and war in Ukraine.

This report by Make UK gives both hope and cause for concern for that agenda. Hope because of the sentiment of manufacturers, with those who agreed that the Government is making progress on levelling up quadrupling since 2020. Concern because of the low base - growing from just 5% to 21%.

Most strikingly, this report gives hope that manufacturers and the Government have the same priorities. Firms indicate that skills and talent are their number one concern, and ministers have this right at the top of their agenda. But it has to be worrying that half of manufacturing businesses haven't even heard of the new Institutes of Technology. The report also has a hopeful message about local leadership. The Government made empowering local leaders one of their four key commitments in the White Paper, with a mission to give every area that wants devolution genuine powers by 2030. Responses from

manufacturers vindicate that decision - with 25% saying they want City Mayors to have responsibility for levelling up, compared to 15% for Ministers and 14% for national government. The challenge is to ensure that the Government lives up to its commitment to devolution and overcomes the centralising tendencies of its predecessors.

Ultimately, manufacturing is more than a sector of the economy. It has an emotional resonance with parts of the country where industry historically brought pride and a sense of belonging.

Major manufacturing employers were more than just a source of jobs - they were foundations of communities who supported infrastructure and invested in civil society.

It is right that manufacturers in this report ask the Government to go further and faster with their agenda to level up the country. They should be ready for a request in kind. To genuinely level up the UK, manufacturers will need to boost their investment in high skilled jobs in poorer places and increase their focus on retraining staff. Overall, levelling up will only be possible through partnership.

Adam Hawksbee
Deputy Director
Onward



WHERE ARE WE? A TIMELINE OF ACTIVITY AND ANNOUNCEMENTS

24 November 2019



The theme of 'levelling up' was used as a key manifesto pledge in the Conservative Party's 2019 election manifesto. In it, the Conservative Party pledged to "to use our post-Brexit freedoms to build prosperity and strengthen and level up every part of the country", through specific measures such as:

- Investing in towns, cities, and rural and coastal areas
- Giving those areas more control of how investment is made
- Levelling up skills using apprenticeships and a £3bn National Skills Fund
- Creating up to 10 freeports to help deprived communities.

24 July 2019



In his first speech as Prime Minister, Boris Johnson spoke of a need to "level up across Britain" and "answer the plea of the forgotten people and the left-behind towns", unleashing the "the productive power of every corner of the country".

7 September 2020



Conservative MPs launch a new taskforce to spearhead Government efforts to reduce regional inequality, led by Neil O'Brien MP. The new group, which consists of many newly elected Red Wall Conservatives, urged the Government to set itself three key tests as part of its drive to reduce geographical inequality:

1. areas that have seen the lowest growth in earnings, should see earnings rise faster than they have in recent years;
2. areas with the worst unemployment rate should converge with the national average; and
3. areas with the lowest employment rate should also catch up with the national average.

25 November 2020



During the 2020 Spending Review, the Chancellor announced that he was changing the way that the benefit of investment was calculated to allow projects with big regional impacts to be prioritised. Following a review, the new approach was set out in the Green Book and aimed to ensure any investment made is spread across the UK in a bid to 'level up'.

Also at the Spending Review, new pots of funding through the Levelling Up Fund, Communities Renewal Fund and Towns Fund were all announced. The Treasury requested that the MHCLG develop and put forward options to replace EU funds to support local economic growth through the UK Shared Prosperity Fund.

March 2021



During the March Budget, the Chancellor announced that applications were open for some of the £4.8bn Levelling Up Fund through the Levelling Up Fund prospectus.

Alongside the Budget, the Government scrapped the Industrial Strategy, replacing it with a new 'Plan for Growth'. The document shed further light on the definition of levelling up, *"improving everyday life for people in those ['left-behind'] places"*. It advocates a new economic approach to tackling regional inequality, based on:

- improving the productivity of cities across the UK
- investing in public services to make sure they are high quality in every area
- investing in towns to connect them to high-quality jobs, to encourage private investment and to create places where people feel secure and proud to live.

But the decision to scrap the Industrial Strategy and supporting council was widely condemned and there was broad consensus that the Plan for Growth was not an appropriate replacement.

4 May 2021



In the Queen's speech, the Government announced that it would publish a 'Levelling Up' White Paper later in the year and outlined a legislative package designed to 'level up' the UK. The package announced was a summary of existing announcements rather than anything new.

15 July 2021



In July the Prime Minister gave another speech on Levelling Up in the Midlands which focused heavily on the ambition rather than provide any further policy details. It did, however, acknowledge for the first time that that levelling up some areas did not necessarily mean 'levelling down' others by taking away from the successes of more productive regions of the UK, but that funding would be prioritised across the North and Midlands.

25 November 2020



The House of Commons Business Energy and Industrial Strategy Committee published their report, Post-Pandemic Economic Growth: Levelling-Up. The Committee was particularly critical on the lack of an overarching strategy underpinning the Government's levelling up agenda and criteria for measuring success.

The Committee described a "lack of clarity" from the Government about what levelling up means, stating that levelling up "risks becoming an everything and nothing policy". The Committee also questioned how levelling up differed from past regional policy and therefore how it would succeed "in areas where previous regional policy has failed".

19 September 2021



The Government rebranded the Ministry of Housing, Communities and Local Government to the Department for Levelling Up, Housing and Communities, with Michael Gove MP as its new Secretary of State. The decision gives this Department full oversight and responsibility to deliver the Levelling Up agenda across Government.

3 October 2021

In October, Neil O'Brien MP, chair of the Levelling Up Taskforce shared the four-point test of what levelling up is. In a tweet he shared that levelling up meant:

1. Empowering local leaders & communities
2. Growing the private sector & boosting living standards, particularly where they're lower
3. Spreading opportunity & improving public services, particularly where they're lacking
4. Restoring local pride

December 2021

The Levelling Up White Paper expected this year, is delayed until after Christmas.

2 February 2022



Michael Gove MP, Secretary of State for the Department for Levelling Up, Housing and Communities launched the Levelling Up White Paper in Parliament. The 332-page document outlined what levelling up means, what the Government is aiming to achieve, and by when.

The Government set out 12 missions to achieve the overarching aim of tackling regional disparity. But these missions can be better described as 'targets' or 'metrics of success' which set out in a quantifiable way what the Government wants to achieve. Furthermore, the Government has also set a timeframe by which each of these missions must be achieved: 2030.

The Government also promised to engage further through Ministerial visits across the country, local panels, annual reporting of progress and a public forum to share ideas on how to meet the 12 ambitions of the 12 missions.

Further details on each of these missions can be read [here](#).

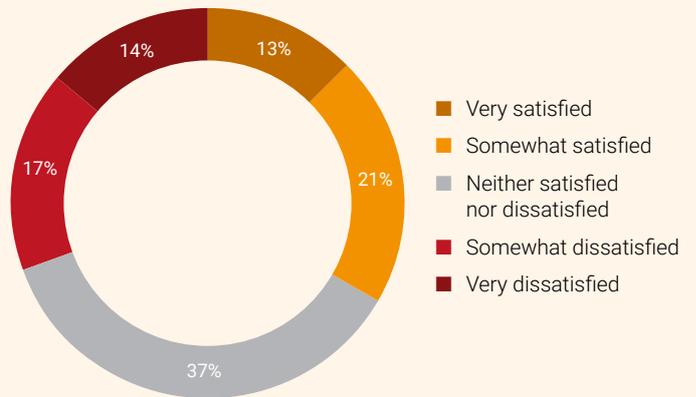
ARE MANUFACTURERS SATISFIED WITH THE PROGRESS MADE TO DATE?

In 2020 we asked manufacturers whether they were satisfied with the progress being made on the Government’s levelling up agenda; unsurprisingly, 42% of manufacturers said they were dissatisfied with the current progress of the Government’s levelling up agenda in their region – a feeling most pronounced in all three devolved nations, as well as in Yorkshire and the Humber (37%) and the Northwest (27%). But over half (52%) said they were neither satisfied nor dissatisfied, underlying a key concern of the levelling up agenda – levelling up means seeing real, tangible change in their regions, which many could not point to at the time of asking.

Our new research shows that the dial has shifted slightly, with 37% saying they are neither satisfied nor dissatisfied with the current progress of on Levelling up. And approximately the same proportions – around a third – spilt between satisfied and not satisfied.

Whilst this is not a significant improvement on what manufacturers said two years ago, more manufacturers are now more satisfied with the progress that has been made since 2020 (21% in 2022 vs. 5% in 2020). This is because the Government and Prime Minister have made a number of speeches and announcement shedding more light on the agenda and proposed plans. However, what should be concerning for Government is the large number of manufacturers who remain neither satisfied nor dissatisfied with the programme.

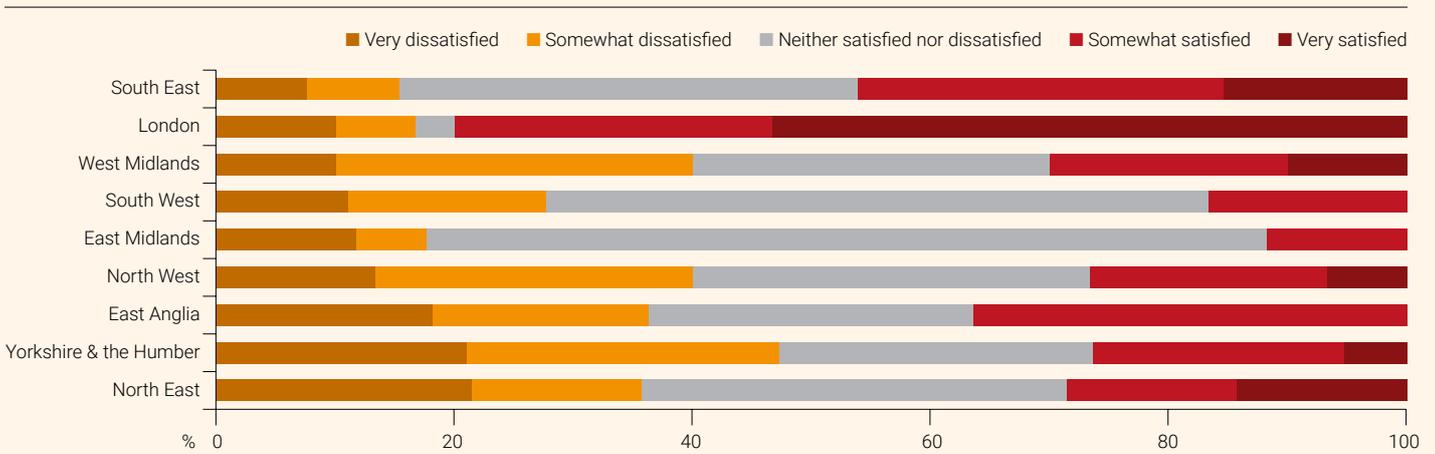
Chart 1: How satisfied is your business with the Government’s current progress on its levelling up agenda?



Source: Make UK, Levelling Up survey, March 2022

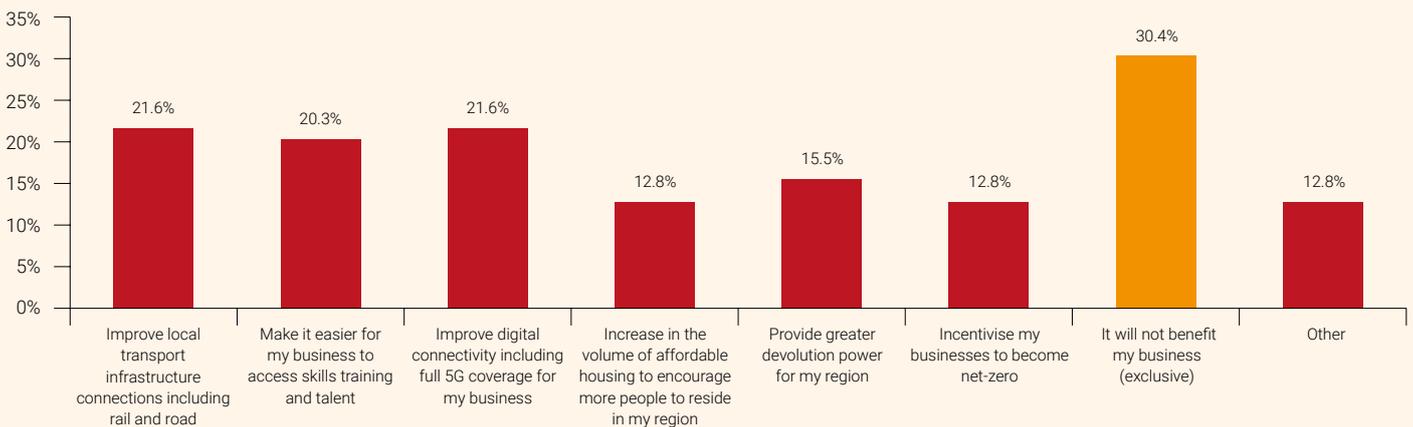


Chart 2: How satisfied is your business with the Government’s current progress on its levelling up agenda, by region?



Source: Make UK, Levelling Up survey, March 2022

Chart 3: Manufacturers on the areas where Government has been successful in its Levelling Up plans



Source: Make UK, Levelling Up survey, March 2022

Despite the numerous levelling up announcements, there remains a significant proportion of manufacturers who are yet to be fully convinced that progress on the Government’s flagship policy is benefitting their businesses. This sentiment is particularly pronounced further from London and the Southeast. The Northeast, Yorkshire & the Humber, East Anglia, and the Northwest were regions that were most dissatisfied with the Government’s current progress on levelling up.

Given these are the very regions the Government is trying to level up, there is a clear issue in effectively engaging, communicating and convincing manufacturers in these regions that the levelling up agenda can benefit them.

HAVE THERE BEEN ANY EARLY WINS?

Unsurprisingly 30% of manufacturers – the largest share – said they are yet to see any benefits of levelling up for their businesses (bar in orange). We have long argued that

until manufacturers can see real, tangible change on the doorstep of their business, the feeling will be that levelling up is not taking place. This becomes even more challenging the more that the term 'levelling up' is used across national Government, but no change is seen at a local Government level. There is a risk that the overuse of the phrase 'Levelling Up' will leave businesses in these regions feeling even more disengaged as they cannot see a quantifiable benefit.

Furthermore, those that selected 'Other' generally felt it was too early to make a judgment as to whether any of the Government’s Levelling Up plans had been successful or not to date.

- It’s too early to say, in my opinion
- Not seen tangible improvements yet
- Too early to say
- Nothing has delivered noticeable improvement to date.
- Net-Zero has produced the loudest noise.

MANUFACTURERS ARE LARGELY UNAWARE OF THE CURRENT LEVELLING UP INITIATIVES

The Government’s Levelling Up agenda crosscuts numerous policies from housing to skills to R&D, and as such, there are a range of different initiatives that have been launched under the umbrella term of levelling up. Whilst the broad-church of policy levers being used may be necessary, our research shows that many manufacturers had not heard of many of the initiatives announced, and only a handful had actually engaged with them.

The feedback received from manufacturers is that the initiatives announced feel scattergun or piecemeal in their approach which is leading to low awareness of them across the very regions they are trying to support, and even lower engagement. This underlines why so many manufacturers said they felt there has not been sufficient progress made to date on the levelling up agenda.

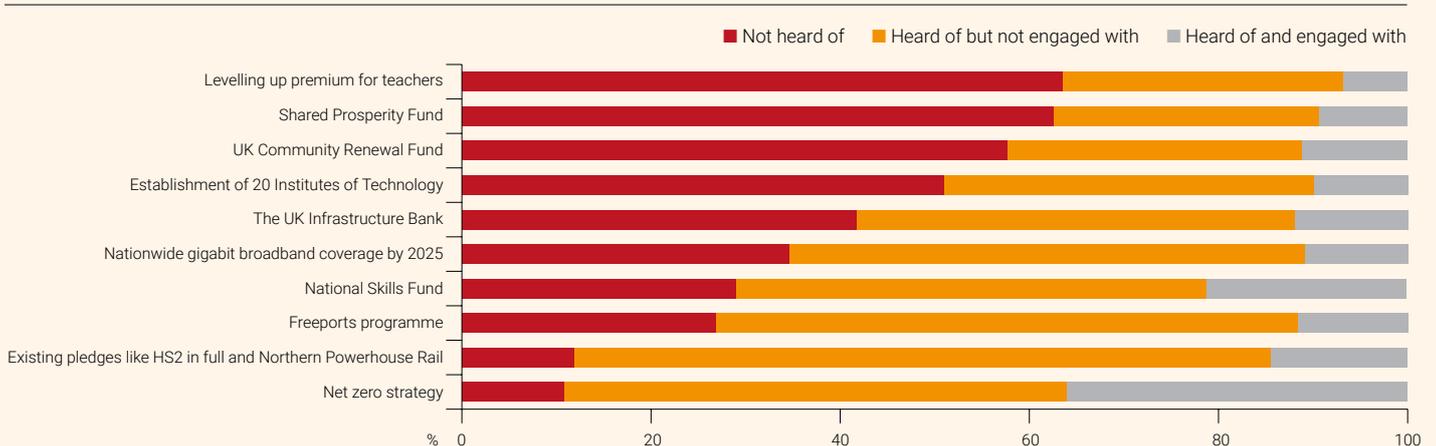
A lack of awareness of initiatives was more pronounced across the regions of the East Midlands, East Anglia and the Southwest, however there was no clear correlation between where a manufacturer was based and their not having heard about a particular levelling up initiative.

Rather, initiatives that were more high-profile and national such as HS2, Northern Powerhouse Rail and the Net-Zero Strategy, were more likely to be on the radar of manufacturers, and as a result they were more likely to engage with them. However, more targeted interventions – often specific to one area of policy such as the expansion of Institutes of Technology, and the Shared Prosperity Fund which could arguably be more beneficial for manufacturers – were less likely to be on their radar and less likely to have engaged with.

More worryingly, analysis by the IPPR North shows that some of the initiatives announced by Government to level up have in many cases, been scaled back, reduced, or even scrapped¹. Analysis found that many of the initiatives originally announced to support the levelling up programme had either already been broken, scaled back or represent a reduction to other pots of funding they had replaced. Specifically:

- The £4.8bn Levelling Up Fund, worth an average of £1.2 billion a year over the next four years, was seen as a replacement for the Local Growth Fund; however, that is a reduction from £2bn originally received through the Local Growth Fund.
- The process under which the £3.6bn ‘Town’s Fund’ is allocated has been described as “politically motivated and opaque”.
- The UK Community Renewal Fund allocations have been delayed by 3 months, with funds expected to be received in June 2022.
- The Shared Prosperity Fund was designed to replace EU funds, however IPPR calculations find it is 40% below what would have been received from EU Structural Funding.
- And finally, the eastern leg of HS2 has been scrapped under the Integrated Rail plan and NPR has been cancelled in favour of smaller new lines and an extension of the pre-existing Transpennine Route upgrade.

Chart 5: Levelling Up pledges by Government that manufacturers have heard of and or engaged with



Source: Make UK, Levelling Up survey, March 2022

¹IPPR North: <https://www.ippr.org/research/publications/state-of-the-north-2021-22-powering-northern-excellence>



CENTRE FOR CITIES - WHAT CAN GERMAN REUNIFICATION TEACH THE UK ABOUT LEVELLING UP?

In a blog from Centre for Cities, the authors draw similarities between the reunification of Germany with the Government's ambition to level up. In particular, the blog makes the case that three reasons for success of the programme were:

1. Firstly, individual policies often had a very long time-span and fitted into overarching strategies that had specific economic goals.
2. Secondly, the programmes had cross-party support and so were independent of changes in Government.
3. Third, the programmes were backed by sufficient funding, specifically an estimated €2 trillion between 1990-2024.

The blog makes the case that if the challenge of levelling up is comparable to that of the reunification of Germany, then Germany's experience shows that it is possible. The decision to devolve greater powers to regions is certainly a step in the right direction, but crucially, in the German model, stronger local government and greater devolution was accomplished by reducing the number of local councils, not increasing the number. It is all too obvious from business leaders that the UK's patchwork of local government is complex and confusing – often resulting in cold spots of engagement and reach.

Ultimately, the gap between East and West Germany has not completely closed but narrowed significantly. Nevertheless, the work demonstrates why large cities must be at the core of the levelling-up debate in the UK.

Source: <https://www.centreforcities.org/blog/what-can-german-reunification-teach-the-uk-about-levelling-up/>

WHAT DO MANUFACTURERS WANT TO SEE FROM THE LEVELLING UP AGENDA

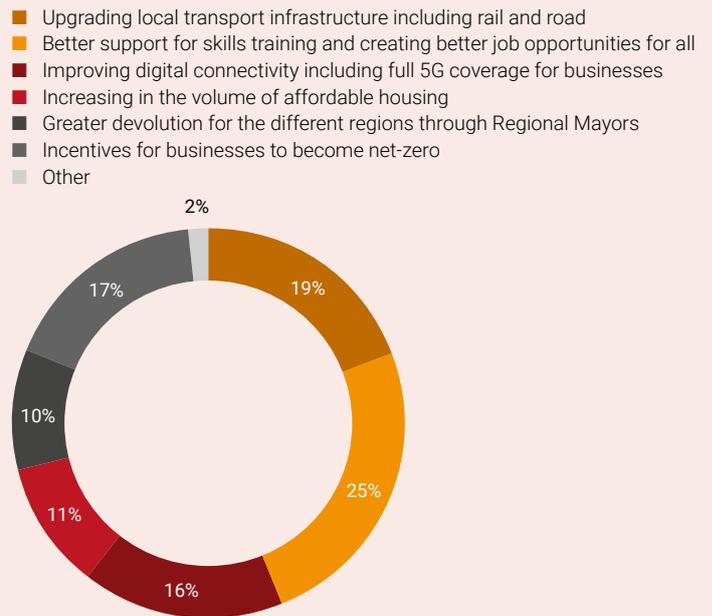
With almost a third of manufacturers dissatisfied with the progress of the Government’s Levelling Up agenda, we asked them what they want to see prioritised. A quarter of manufacturers wanted to see the Government prioritise better support for skills training and the creation of better job opportunities for all. And just under a fifth said upgrading local transport infrastructure including rail and road, closely followed by 17% who said greater incentives for their businesses to become net-zero.

A consistent message from manufacturers, no matter where they are based, is that they want to see better support for skills training and creation of job opportunities prioritised by Government. This suggests that existing programmes such as IoTs or the National Skills Fund is not adequately plugging this problem. However this is may not necessarily be due to the programmes’ designs, but awareness of the various support programmes available to manufacturers – for example, only 10% of manufacturers had heard of IoTs and were engaging with them. A lack of awareness is not a new issue, particularly amongst SMEs: previous Make UK research shows an average of 60% of businesses were unaware of available business support schemes or programmes².

Despite the manufacturing sector being able to stay open during the pandemic, over 50% still had to make redundancies, and 9 in 10 are concerned about accessing skills. It is therefore no surprise that we see manufacturers across every region wanting to see this prioritised. To date the Government has introduced a number of skills initiatives including the National Skills Fund, but as our data shows, almost a third of manufacturers had not even heard of it (29%), with only 21% had actually engaged with it. If we are to overcome the skills challenges we face as a sector, Government must begin to address some of the long-standing issues manufacturers have been contending with, including rethinking the Apprenticeship Levy system – specifically to make it financially sustainable in the long-term.

Crucially, better support for skills training and creating job opportunities can only be achieved through improved transport connections, digital connectivity, affordable housing and greater devolution. Each of these are therefore enablers to improving access to people, skills and opportunity across all of the UK.

Chart 6: What manufacturers want to see prioritised from the Government’s levelling up agenda to support their businesses



Source: Make UK, Levelling Up survey, March 2022

²Make UK, Start up to scale up – Helping SMEs to grow, 2021



THE ROLE OF MODULAR HOUSING IN LEVELLING UP

The Levelling Up White Paper's housing mission is, *"By 2030, renters will have a secure path to ownership with the number of first-time buyers increasing in all areas; and the government's ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas."*

With the housing delivery nearly 50% below the Government's 300,000 homes per annum target and a number of quality issues bedevilling the sector, the UK's housing crisis is acting as a drag anchor on the levelling up agenda. Great jobs in manufacturing need great infrastructure and great housing.

Make UK Modular research shows that nearly £1 billion has been invested in the factories and technology to deliver a modular housing revolution across the UK with capacity in place to deliver more than 22,000 homes high quality homes for rental and ownership.

Unlike traditional housebuilding where the majority of jobs are by necessity in the country's booming housing markets. Some 33% of UK construction businesses are based in the Southeast of England. Volumetric construction can use the nation's buoyant housing markets to drive employment in other parts of the country supporting the levelling up agenda. Modular factories are already operating across the North of England with plans and finance to add 50,000 new skilled jobs in less than a decade.

In order to ensure the Government's levelling up ambitions for housing are met it should:

- Create a modular capacity strategy linking new factory location, high housing demand areas, and levelling up priority regions.
- Use levers such as the Affordable Home Programme to create certainty for the modular market, supporting investment in new capacity and a helping drive the sector to scale.

Find out more at Make UK Modular: www.makeuk.org/about/make-uk-modular



THE NORTH – UPGRADING LOCAL TRANSPORT INFRASTRUCTURE

Our data shows that manufacturers in the North of England (Northeast, Northwest, and Yorkshire & the Humber) want to see Government prioritise upgrading local transport infrastructure as part of their Government Levelling Up agenda - with the feeling particularly pronounced across Yorkshire and the Humber (74%). This is consistent with the view of manufacturers in 2020. The Government's decision to scrap the eastern leg of HS2, as well as publish an underwhelming Integrated Rail Plan, are examples of local transport connections in the North – both rail and road - not being seen as a priority by central Government. Yet all the evidence shows that improved transport connections can not only support people accessing job opportunities, but it also allows businesses to start up and scale up across different areas. However, to date there has already been a significant amount

of private and public investment in the North. The Advanced Manufacturing Research Centres (AMRC) across the North help to support businesses transform industrial and economic performance by making step changes in productivity, increasing competitiveness, developing new products and processes and training new talent and skills. In addition, the construction and completion of the Northern Spire bridge in Sunderland has not only meant better connections between the north with the south but also regenerated the neglected south bank of the River Wear. With further investment expected through the new BritishVolt site in Northumberland, there is an abundance of new, exciting opportunities across the North. Key to making them all a success will be ensuring the infrastructure is in place to help people access these opportunities.



THE MIDLANDS AND EAST OF ENGLAND – INCENTIVES TO BECOME NET-ZERO

Across the Midlands and the East of England manufacturers want to see the Government prioritise supporting them transition to becoming net-zero. Over half of manufacturers across the East Midlands (56%) and East of England (55%) want to see greater emphasis on incentivising businesses to become net-zero. This is also reflected in the engagement with Government initiatives like the Net-Zero Strategy which is widely heard of in the region and manufacturers are engaging with it.

The drive for greater incentives to become net-zero can be attributed to the fact that the automotive sector has a heavy presence in this region – in fact 'Transport Equipment' which includes automotive accounts for 35% of all output in the West Midlands. With the Government's legislating that all new cars and vans be fully zero emission at the tailpipe from 2035, there is a big drive from within the sector to use its innovation advantage through initiatives such as the Oxford–Cambridge

Arc to develop these new technologies. Crucial to this success is the fact that the Midlands is home to world-leading universities and colleges, the Make UK Technology and Training Centre, and the Institute for Manufacturing to name just a few. This strong regional educational training base means the Midlands has a pipeline of talent coming through to support the advanced manufacturing businesses in the region, as well as these new future challenges.

In addition to incentives to becoming net-zero, manufacturers in the Midlands and East of England also want to see Government investment in upgrading local infrastructure across the region. Whilst the average proportion of manufacturers across this region wanting to see this prioritised was less than in the North (49% vs. 66%), it underlines the argument that the further you go from London and the Southeast, the greater the need for better infrastructure.



THE SOUTH – IMPROVING DIGITAL CONNECTIVITY

In the Southeast, London and Southwest, manufacturers want the Government to prioritise improving digital connectivity, including full 5G coverage for businesses not just households. In fact on average across the region, 57% of manufacturers wanted to see this prioritised – with the sentiment being most pronounced in London. Unsurprisingly the need to increase the volume of affordable housing was a big issue in the South, most pronounced in the Southwest. With limited options to be able to put down roots in different areas because of the cost of housing, many people working in the manufacturing sector across the South will rely on transport connections, mainly train, to get them to their place of work.

Manufacturers across every region in England said better

support for skills training and creating better job opportunities for all was a priority – it was felt strongest in the Southwest and Southeast of England (78% and 77% respectively). To tackle this issue in the Southwest, Cornwall was selected as one of nine areas invited to agree a new county deal, in addition, they have also been selected as an Educational Investment Area which will see extra funding provided for schools, colleges and training to tackle that all important skills challenge.

Yet in a bid to show levelling up in action quickly, analysis of the Government’s priority areas for levelling up funding shows that, for the Southeast and Southwest, the funding is concentrated in coastal areas, and focussed on regeneration of town centres, which is more visible and therefore easier to demonstrate actual change.

Chart 7: What manufacturers want to see prioritised from the Government’s levelling up agenda

| | Upgrading local transport infrastructure including rail and road | Better support for skills training and creating better job opportunities for all | Improving digital connectivity including full 5G coverage for businesses | Increasing in the volume of affordable housing | Greater devolution for the different regions through Regional Mayors | Incentives for businesses to become net-zero |
|------------------------|--|--|--|--|--|--|
| North East | 54% | 54% | 46% | 31% | 62% | 46% |
| North West | 69% | 69% | 38% | 8% | 31% | 46% |
| Yorkshire & the Humber | 74% | 74% | 53% | 32% | 47% | 53% |
| East Midlands | 56% | 75% | 25% | 19% | 6% | 56% |
| West Midlands | 45% | 55% | 35% | 15% | 25% | 45% |
| East Anglia | 45% | 73% | 18% | 27% | 0% | 55% |
| London | 32% | 64% | 68% | 36% | 45% | 32% |
| South East | 38% | 77% | 46% | 38% | 31% | 15% |
| South West | 39% | 78% | 56% | 56% | 11% | 61% |

Source: Make UK, Levelling Up survey, March 2022

LEVELLING UP IS ABOUT PEOPLE AS WELL AS PLACE

Despite there being regional variations on what manufacturers saw as a priority for their business there was a clear trend running throughout all regions – accessing people and skills. This suggests that levelling up may not necessarily only be about ‘place’ rather ‘people’ as well. Ensuring people can access opportunities, jobs and training wherever they choose to go – supported by good transport connection, affordable housing and digital connectivity.

This is supported by research from the New Economics Foundation, who find that to successfully level up we must also improve living standards for people in communities. Productivity and overall prosperity is only one way to sustain strong local economies,

however the way this is done matters, and the indication from some places is that boosting local economic growth alone is unlikely to drive up the living standards of people in these places. Furthermore, “...people do not always work and live in the same geographies. The economic output might show the value of production in a given area, but the workers and shareholders who receive the income flow may live somewhere else.”

As a result, there is often a disconnect between local economic productivity, and local living standards, with the success on the former is no guarantee of the latter. This suggests that to truly level up, it is not enough to invest in places independently of the people who currently live there³.

³New Economics Foundation, Closing the Divide – How to really level up the UK, 2022

WHAT NEXT?

LEARNING LESSONS FROM PREVIOUS ATTEMPTS TO LEVEL UP

Without learning lessons from previous local and regional growth strategies, what makes this attempt to fix a decades-long challenge any different, and any more likely to succeed?

On the same day the Government's Levelling Up White Paper was launched, the National Audit Office published a report on the value for money of local economic growth programmes. In it, the NAO highlights that between 2011 and 2020, Government committed some £18bn of domestic funding to policies designed to stimulate local economic growth in England. However despite this investment, "...the UK remains less productive than its main competitors and it shows regional disparities in economic performance that are among the largest in the Organisation for Economic Co-operation and Development. Inequality within the UK's regions is even greater than it is between them. While the full economic impact of the COVID-19 pandemic remains uncertain, emerging evidence suggests that it has compounded longstanding regional disparities."

It goes on to find that Department for Levelling Up, Housing and Communities has a poor understanding of what has worked well in its previous local growth programmes because it has not consistently evaluated them, *"Despite frequent changes in structures, funding regimes and local growth initiatives, external scrutiny has continued to identify common weaknesses, including unclear objectives, and poor monitoring and evaluation. While evaluating local growth interventions is challenging, and the Department is making plans to improve its approach (Part Four), by failing to conduct evaluations of past policies the Department has wasted opportunities to learn lessons to inform future interventions."*

The report demonstrates that not all lessons have been learnt from 'what works' in the past and how best local economic growth programmes can be developed. As a result there is a real risk that the Government's flagship policy of Levelling Up, may come up short in meeting its ambition⁴.

⁴National Audit Office, <https://www.nao.org.uk/wp-content/uploads/2021/06/Supporting-local-economic-growth.pdf>



THE CASE FOR A BIGGER UK MANUFACTURING SECTOR TO LEVEL UP

There is a clear role for the UK manufacturing sector in our collective effort to level up different parts of the UK. In its Levelling Up White Paper, the Government alludes to this bigger role for the UK manufacturing sector:

“Looking ahead, the UK Government wants to ensure that manufacturers, from across all sub-sectors and in all parts of the UK, are automating, decarbonising and building resilience by 2030. To that end, the UK Government will engage with manufacturers to ensure that we are maximising existing spending and non-spending policy levers and strategic investments to attract, anchor and grow manufacturing and supply chains to support levelling up.

BEIS will work with the devolved administrations, with local leaders, with industry, academia and institutions across the UK to maximise the opportunities for all manufacturers to benefit from the full range of government policy and programmes, including those set out in the Innovation Strategy and Net Zero Strategy that support manufacturing growth, productivity and the transition to Net Zero.”⁵

The UK manufacturing sector accounts for 10% of the UK economy, but there is a degree of variation between regions. Manufacturing comprises less than 2% of GVA in central London but over 30% in East Lancashire, Cheshire,

Flintshire & Wrexham, and West Cumbria⁶. In similar vein, a high proportion of jobs in areas like Greater Manchester, West Yorkshire and the West Midlands are also based in the manufacturing sector. And it isn't just the quantity of jobs but the quality. On average, wages in the manufacturing sector are 13% greater than the national economy average. Furthermore, the manufacturing earnings premium is seen across all qualification levels, suggesting that the wage premium is not only driven by a greater proportion of employees with higher qualifications. It is therefore clear that supporting local manufacturing sectors to expand, can drive up wages and boost productivity, which in turn, can 'level up' regions – particularly those outside of London and the Southeast.

But how we increase the contribution of the UK manufacturing sector as a proportion of the wider economy is the key question. We believe that a long-term economic strategy, which creates a conducive environment for manufacturers to invest and grow is critical – this should be developed through a cross-government National Manufacturing Plan.

⁵Department for Levelling Up, Housing and Communities, Levelling Up White Paper, 2022

⁶Onward, Making a comeback - How a manufacturing renaissance can level up the country, 2021





ONWARD - MAKING A COMEBACK: A RENAISSANCE IN MANUFACTURING

In August 2021, the think tank Onward put forward the case for a renaissance in manufacturing at the heart of the Government's Levelling Up plan. The crux of the argument was that the UK manufacturing sector has a crucial role to play in the levelling up agenda because it provides well-paid and highly skilled jobs in places that are less well off today. Productivity is higher in manufacturing in poorer parts of the UK, and reflecting this, wages are also higher in manufacturing than the economy as a whole outside London. Furthermore, the data shows that in 2018 median earners in manufacturing earned more than the average. This earnings premium appears to apply across qualification levels, suggesting it is not just driven by a greater proportion of employees in manufacturing having higher qualifications.

Onward's analysis suggests that the UK manufacturing sector may have an important part to play in raising productivity growth in lagging places, particularly in non-city centre locations which have not benefited from service-based jobs and the growth of higher education. As a result, outside London their analysis shows lower productivity growth in these non-city locations, which also have a larger proportion of their local economy in the manufacturing sector.

To that end they make two policy recommendations that Make UK support:

- Firstly the development of a National Manufacturing Plan to reverse the decline of manufacturing.
- Secondly, prioritise a tax system that favours sectors which are capital intensive like manufacturing.

Source: <https://www.ukonward.com/wp-content/uploads/2021/09/Making-a-comeback.pdf>

POLICY RECOMMENDATION: A NATIONAL MANUFACTURING PLAN

Manufacturers are clear that without a strategic plan for how we tackle the immediate issues as well as plan for the future, we risk shrinking our industrial base at a time when we need it the most. As a result, almost two-thirds (62%) of manufacturers said they would like to see a National Manufacturing Plan (Plan) introduced.

Every other major economy, from Germany, to the US, to Singapore, have a long-term national manufacturing plan - underlying the importance of an industrial base to the success of its wider economy. The UK is the only country to not have one. If we are to not only tackle our regional inequality, but also compete on a global stage, a national manufacturing plan is required.

The Plan should be long-term, independent of political change, and driven by industry for industry. It should focus on identifying what the pillars of growth are, including:

- supporting the creation of new jobs and securing skilled workforce;
- spurring on and sustaining investment across the sector;
- boosting innovation and ideas to drive the sector's transformation; and
- building a competitive, yet stable business environment.

Furthermore, the Plan should provide strategic direction of how existing pots of fundings can be better utilised to

support manufacturers across all sub-sectors. This will ensure that funding and support is targeting the places that need it the most, and where there is greatest value-add.

A national ambition to expand the UK manufacturing sector to account for 15% of UK GDP

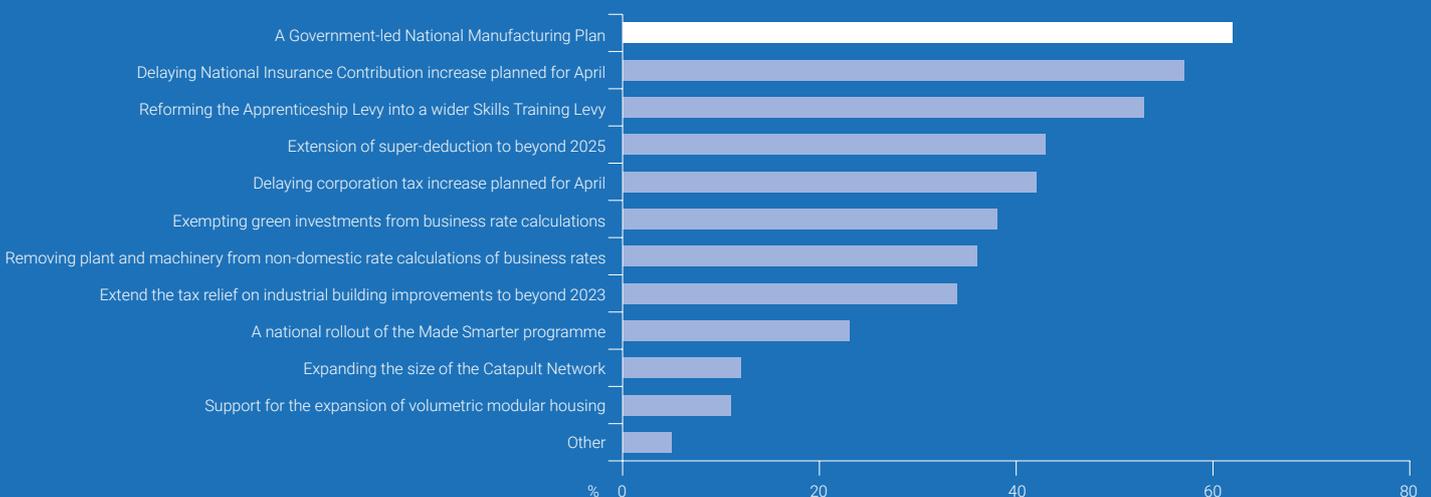
Despite manufacturing output rising over the last 20 years, UK manufacturing as a share of the UK economy has fallen from just over 16% in 1997 to 8% of GDP. This fall has disproportionately hurt less productive regions, which are now the very regions the Government wishes to target through its levelling up work.

Manufacturers require the stability and a conducive environment to grow and expand, therefore the Plan should set out how to reverse the decline of the manufacturing sector, and see it grow as a proportion of the UK economy within the next decade.

Growing our manufacturing sector to 15% of UK GDP could add an additional £142bn worth of output to the UK economy.

This would no doubt support the creation of thousands of new jobs, greater levels of R&D spend, as well as boosting wages across different areas of UK.

Chart 8: Initiatives manufacturers would be supportive of as part of the levelling up agenda to aid UK manufacturing?



Source: Make UK, Levelling Up survey, March 2022



Make UK is backing manufacturing – helping our sector to engineer a digital, global and green future. From the First Industrial Revolution to the emergence of the Fourth, the manufacturing sector has been the UK's economic engine and the world's workshop. The 20,000 manufacturers we represent have created the new technologies of today and are designing the innovations of tomorrow. By investing in their people, they continue to compete on a global stage, providing the solutions to the world's biggest challenges. Together, manufacturing is changing, adapting and transforming to meet the future needs of the UK economy. A forward-thinking, bold and versatile sector, manufacturers are engineering their own future.

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For more information, please contact:

Bhavina Bharkhada
Head of Policy & Campaigns
Make UK
bbharkhada@makeuk.org



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