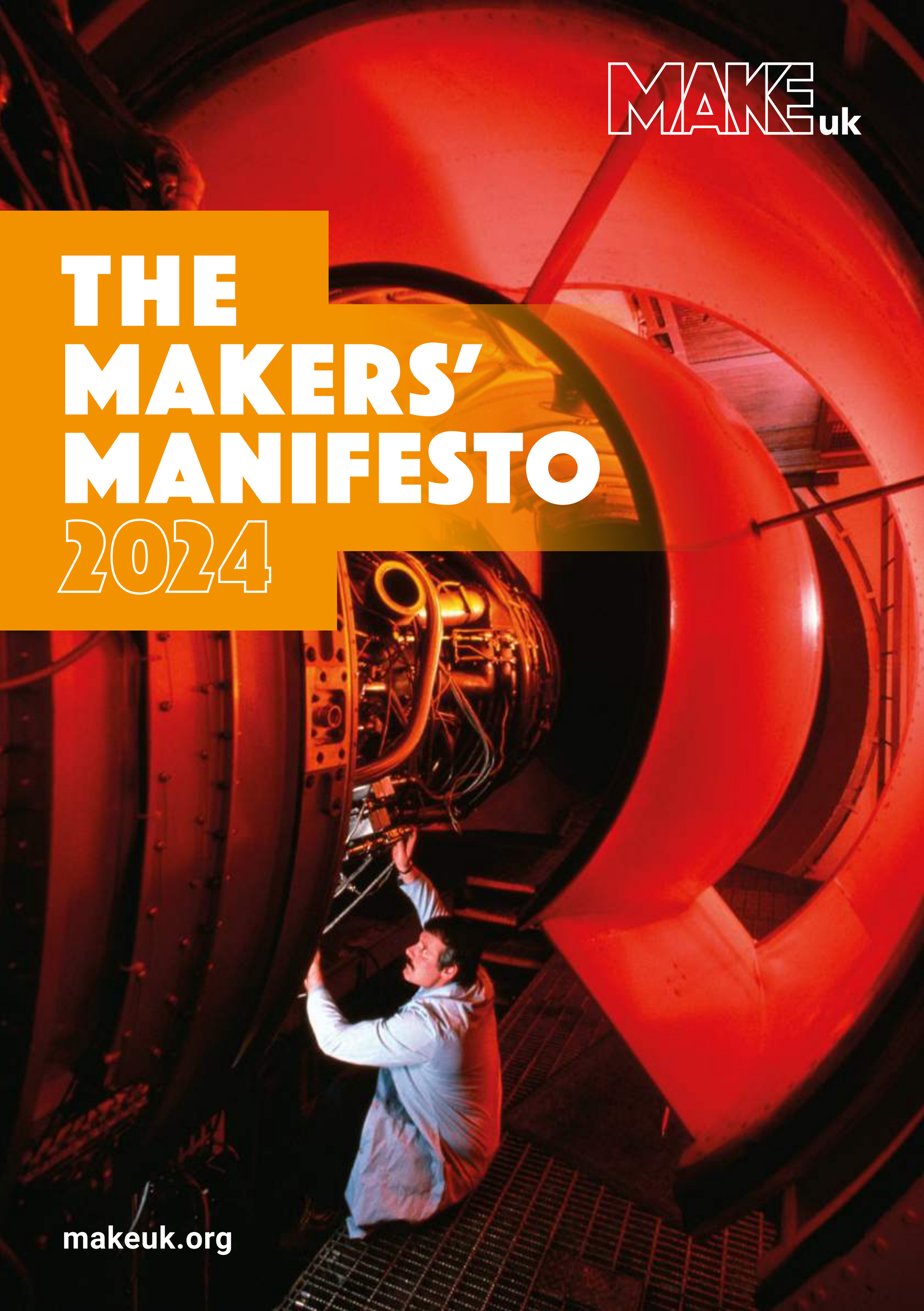

THE MAKERS' MANIFESTO 2024

makeuk.org

THE MAKERS' MANIFESTO 2024

Manufacturing is the engine of the UK economy. It is the major driver of innovation, job creation and decarbonisation. The sector is a high-skill, high-wage employer, with average wages in manufacturing 9% higher than the national standard. Its contribution to UK productivity, calculated as gross value added, punches well above its weight at £206bn to the UK economy last year, 20% higher than a decade ago and 14% higher than the UK economy average. Manufacturers also delivered £290+ billion worth of goods exports in 2022, almost half the UK's total, making our industry the country's largest individual export producer.

The UK manufacturing sector, like the country at large, has faced a number of challenges in recent years, including the COVID-19 pandemic, the global chip shortage, and the war in Ukraine. Yet the sector has continued to grow and accelerated up the world rankings this year. The UK is now the 8th largest manufacturing economy in the world. The sector has proven its resilience and adaptability in recent years, and is well-positioned to grow more in the years to come with ambitions to boost the manufacturing sectors proportion of UK GDP from its current 10% to 15% by the end of the next decade. This would add an extra £142bn to the UK economy whilst driving a substantial uplift in long term domestic and foreign investment.

The role that manufacturing plays in our regions is equally important and impressive. From Andover to Aberdeen, from Cornwall to Carlisle, our members make the difference to local communities, economies, and people. Manufacturing companies in the UK provide over 2.6 million high-quality jobs, mainly in rural and regional areas outside of London and the South East, often in underdeveloped regions. This means that the manufacturing sector also plays an important role in skills development, helping to train and upskill workers and apprentices. Our contribution across all regions of the UK makes manufacturers often the lynchpin of local towns. Manufacturing businesses help provide a sense of community and identity, create fresh opportunities, and attract new investment to an area.

Yet, manufacturers have ambitions to do even more. We are driven to become net zero before 2050 by focusing on driving energy efficiency and industrial innovation. We are determined to create a sustainable workforce, fit for the future, to increase productivity by accelerating digitalisation, and to move up in the world rankings from the 8th largest manufacturing economy in the world to the 7th.

We now need to move beyond ambition to make these opportunities happen. But manufacturers cannot do it alone. We need the next Government to help us Make It Together.

THIS IS THE MAKERS' MANIFESTO.

MANUFACTURING: THE ENGINE OF ECONOMIC GROWTH.

OVER 1/2 of manufacturers aim to grow their business by over **20%** in the next 5 years

9 IN 10 manufacturers think the next Government should **INTRODUCE A TARGET** for manufacturing growth

Yet **87%** of manufacturers say they are at a **DISADVANTAGE** compared to our international competitors because of a **lack of a UK industrial strategy**

1 IN 5 manufacturers predict employment in their firm will increase by **OVER 20%** in the next 5 years

Yet **A FIFTH** of manufacturers say that **UPGRADING LOCAL TRANSPORT INFRASTRUCTURE,** including rail and road, is key to levelling up economic opportunity across the UK

2 IN 5 manufacturers have identified opportunities in the net zero economy but **71%** say they need Government support to seize these opportunities

OVER 1/4 (27%) of manufacturers put 'local industrial strategies' in their **top 3 ways** Government could support their business to **grow and create more job opportunities**

With a near record **70,000** unfilled vacancies in manufacturing right now, **FEWER THAN 1/5** firms believe that current Government support for skills training is adequate.

Manufacturing and Engineering Apprenticeship starts have fallen **38%** since the introduction of the Levy. Pre-Levy there were **78,840** starts, today this figure stands at **49,060**

If we were to **increase manufacturing GDP** from **10% to 15%** it would add **£142BN** of **additional value** to our economy

MANUFACTURING: THE FACTS

The UK is now the

8TH LARGEST MANUFACTURER

in the world

(overtaking France from 9th last year)

Manufacturing companies alone account for

ALMOST HALF

of all UK exports, amounting to

£290BN+

worth of goods in 2022

The UK manufacturing sector delivers

£224BN of output each year

Manufacturing firms provide

2.6 MILLION JOBS

with average wages

9% HIGHER

than the rest of the UK economy

Manufacturers, contribution to

UK PRODUCTIVITY,

calculated as gross value added,

punches well above its weight at

£206BN to the UK economy last year,

20% higher than a decade ago and

14% higher than the UK economy average

Manufacturing is leading on investment:

last year, the total investment in manufacturing was

OVER £65BN

Image: Make UK Photography Competition Winner (Professional) 2013 – Ian Spooner

THE MAKERS' MANIFESTO 2024

1.

DELIVER A LONG-TERM ROBUST AND MODERN INDUSTRIAL STRATEGY

The lack of a proper, planned, industrial strategy is the UK's Achilles heel. Every other major economy, from Germany to China, to the US, has 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 without one. If we are to not only tackle our regional inequality, but also compete on a global stage, a national manufacturing plan is imperative.

The last decade has seen a significant change in the international trading environment for manufacturers in the UK, from navigating the UK's exit from the EU to managing and supporting the UK's response to the Covid-19 pandemic. Alongside these acute impacts, there is growing uncertainty about the international rules-based trading environment managed by the World Trade Organization (WTO), with many countries moving away from globalisation and established international trade patterns.

The pandemic highlighted the susceptibility of global supply chains to national and international disruptions. Although the pandemic's effect was, thankfully, relatively short, the challenges of this disruption were compounded by the conflict when Russia invaded Ukraine in early 2022. This compounded an already volatile system resulting in significant trade restrictions and disruptions in the supply of goods and resources, especially energy.

The UK manufacturing sector is now at a critical point. The policy landscape has changed significantly in recent years and more changes are yet to come, from the transition to net zero, to the rapidly accelerating technological change of the fourth industrial revolution (4IR). This means that the country needs a long-term, robust, modern industrial strategy that will withstand political chop and change. Any plan should go beyond parliamentary cycles, be independent of political change, and be driven by industry for industry.

87%

of manufacturers say they are at a disadvantage compared to our international competitors because of a lack of a UK industrial strategy.

Image: Make UK Photography Competition Winner (Amateur) 2013 – Andrea Key

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2.

MAXIMISE THE OPPORTUNITIES OF A NET ZERO ECONOMY AND SAFEGUARD UK ENERGY SECURITY

In 2019, the UK became the first major economy to set a legally binding target to reduce its greenhouse gas emissions and achieve 'net zero by 2050'. We are the first and only industrialised nation to have almost completely phased out coal over the last decade. Today almost half of the UK's energy mix comes from renewable energy, notably wind power. The UK is a global leader in tackling climate change and capitalising on the exciting opportunities for growth that net zero will provide over the coming decades.

The manufacturing sector has a key role to play in this context, not least because it needs to decarbonise to continue making the products and providing the services that the entire economy will need to build the future low-carbon economy.

The UK has the potential to become a leader in net zero technologies and expertise, attracting billions of pounds in investment. For that to happen, however, the right incentives must be in place to support manufacturers. The UK consistently has some of the highest industrial electricity prices in Europe. Energy costs should be at a parity with international competitors to allow UK manufacturers to compete fairly, attract investment, and decarbonise.

In addition, the UK needs to leverage it's net zero ambitions to achieve greater energy independence, which in turn should keep energy bills stable and affordable. Achieving energy security requires a shift towards abundant, low-carbon energy. Failure to implement low-carbon policies and reduce carbon emissions would put the UK's energy security at risk.

2 IN 5

manufacturers have identified opportunities in the net zero economy[1]

Yet 71%

say they need Government help to seize these opportunities, citing the cost of the investment as a barrier to driving energy efficiency and securing their transition to net zero[1]

[1]Digitalise to Decarbonise report, 2023

Image: Make UK Photography Competition Winner (Amateur) 2016 – Rob Watkins

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3.

EXPAND AND EXTEND MADE SMARTER TO OFFER WIDER SUPPORT TO THE MANUFACTURING INDUSTRY

The UK manufacturing sector's major strength is innovation. The UK industry needs to take a global view through our strong science base, world-class global companies, and the many high-value-added manufacturers which make up supply chains and provide bespoke solutions to global producers.

Government can play an important part in increasing 4IR adoption by aligning industrial strategy ambitions and actions to the digital future for manufacturing by addressing the most common barriers to growth – access to skills, finance, and expertise. Technological change is happening around the world and countries that are ambitious about change will harness the benefits.

The Fourth Industrial Revolution presents huge opportunities for our country. The age of AI and digital transformation is now upon us, yet there are thousands of manufacturers who don't know where to start. We must be prepared for significant societal change, and be ready to meet challenges to employment over the next decade. Government should commit to the full rollout of Made Smarter which is proven to support the adoption of AI and digital technologies in manufacturing businesses and explore extending the remit of Made Smarter to include industrial decarbonisation.

The Government should improve access to programs like Made Smarter and create a program similar to the Manufacturing Advisory Service. This would give businesses tailored advice to help them grow and thrive, specifically focusing on helping SMEs improve competitiveness and unlock their growth potential.

8 IN 10 **are digitalising their factories and the majority are already seeing benefits**

3 IN 10

manufacturers report having improved labour efficiency after investing in digital tools and automation[2]

[2]Innovation Monitor 2022

4.

CONDUCT A COMPLETE REVIEW OF THE APPRENTICESHIP LEVY AND THE WIDER SKILLS SYSTEM

Despite positive intentions, skills reforms over the last decade have not so far enabled manufacturers to recruit and train the people they need. In our rapidly evolving and competitive world, the abilities and expertise of workers are crucial for economic stability and progress. These skills are significant not only for individual opportunities but also for policy, enterprise, and education. As job roles transform and automation expands, our capacity to upskill and reskill our workforce becomes increasingly important. As a result, adult and lifelong learning must be given greater emphasis.

The number of engineering and manufacturing apprentices has fallen by more than a third since the introduction of the apprenticeship levy in 2017, with over £3 billion of unspent levy funds returned to HM Treasury in that time. More than half of manufacturers say they cannot access the talent they need locally, and fewer than one in five believe that current Government support for skills training is adequate.

The apprenticeship levy continues to frustrate manufacturing firms. Despite a large reduction in the underspend in the levy over the last year, annual apprenticeship starts remaining significantly lower than prior to the introduction of the apprenticeship levy policy and – after an initially strong

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recovery post-pandemic – apprenticeship starts appear to be declining again. To ensure that the system is sustainable and that employers are able to invest in the right forms of training, Government should commit to undertaking a root-and-branch review of the apprenticeship levy.

Imagine how more productive the UK could be if we filled a significant proportion of the 70,000 unfilled positions in the manufacturing sector. Despite numerous reforms to post 16 skills education, we have yet to see delivery of the skills the country requires. Too often reforms have been well-intentioned, but do not work for learners or businesses across the country, so the system is reinvented again. We must create a future fit talent pipeline to power manufacturing and engineering into the future. Employers need a sustainable funding system that enables more high-quality apprenticeships. There needs to be a review of the apprenticeship levy alongside a system-wide review of skills. The Government should explore the possibility of allowing businesses more flexibility in how levy funds are used, particularly for retraining and upskilling their current workforce into new roles created by emerging technologies, such as AI.

With 70,000 unfilled vacancies in manufacturing right now we are losing about £6.5BN in potential output[3]

Fewer than 1 IN 5 firms believe that current Government support for skills training is adequate[3]

Manufacturing and Engineering apprenticeships are 38% lower than before the Apprenticeship Levy was introduced[3]

[3]Create your own tables, Table Tool – Explore education statistics – GOV.UK (explore-education-statistics.service.gov.uk) - data is only for the first 3 quarters of 2022/2023

5.

LEVEL UP EVERY REGION BY GROWING LOCAL MANUFACTURING

Although the UK has a thriving economy, the UK's prosperity isn't distributed evenly throughout the country. Not all of our local economies thrive like they should. The UK must tackle regional inequality and encourage long-term investment from both the public and private sectors.

Almost a third of manufacturers (30%) are sceptical that the Government's levelling-up work will benefit their business, testament to the lack of tangible change experienced in lesser-developed regions and a history of inconsistency in Governments' approach towards place-based policy. Place-based policy crosscuts numerous Government departments and remits, from housing, to skills, to R&D, to transport tax – but a lack of consistency is limiting industry buy-in. A range of different initiatives have been launched but many manufacturers report a lack of awareness, and consequently a lack of engagement, with these initiatives. Manufacturers say that the initiatives announced feel scattergun or piecemeal which is leading to low awareness and engagement in the very regions these policies are designed to support.

This underlines why so little progress has been made to date on the levelling-up agenda and why there is no clear correlation between where a manufacturer is based and their awareness about a particular levelling-up initiative, suggesting that the problem is industry wide and not place-based. Despite there being regional variations on what manufacturers see as a priority for their business there is a clear trend throughout all regions that accessing people and skills is paramount. This shows that, for the

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manufacturing economy, levelling-up must not just focus on the 'place'. It must also focus on 'people'. Levelling-up must look beyond the traditional focus of physical infrastructure projects clustered around major cities to instead place the emphasis on enabling local people by ensuring they can access education, training, and job opportunities, supported by good transport connections, affordable housing and community resources, and digital connectivity.

These findings emphasise the need for national Government to prioritise empowering local leaders, and their role in making levelling-up a success. Devolution will be central to not only achieving the ambitions of the levelling-up agenda, but more importantly, to enabling and delivering local solutions to local challenges years ahead.

42% of manufacturers are dissatisfied with the lack of progress of the Government's levelling-up agenda in their region[4]

OVER 1/4 (27%)

of manufacturers put 'local industrial strategies' in their top 3 ways Government could support their business to grow and create more job opportunities[4]

[4]Industrial Strategy Report 2023

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Image: Make UK Photography Competition Winner (Professional) 2016 – Mike Smith

6.

CREATE THE RIGHT CONDITIONS FOR BUSINESS TO INVEST

Investment is a critical component of business growth, whether that be for a start-up or an established company. This is particularly the case for UK manufacturers because manufacturing is both the most capital and investment intensive sector in any economy. In the last decade, for example, despite all the economic turbulence, UK manufacturers have increased their business investment from 13% in 2012 to 16% (£33bn) in 2022.

Every business is different, but they all need access to finance. This is especially the case for SMEs manufacturers: barriers to finance and a lower risk appetite means that most smaller businesses tend to avoid external finance. Make UK research shows that 67% of manufacturing SMEs prefer to re-invest past profits to grow their businesses. Whilst this is sensible to reduce risk, it limits their growth potential. In many cases, SMEs are found to be facing greater barriers to access than their larger counterparts partly because they lack expertise and knowledge of how to navigate the financial markets. For example, application processes are too complex, lacking sufficient collateral to match funding, having irregular cash flow, shortages of patient finance, and insufficient information on available sources of finance.

There has been repeated chopping and changing of investment and tax policy in recent years which has made it hard for businesses to plan and prepare. Investment and tax policy must align to business cycles and not be subject to the 'flip-flopping' of policy we have seen the past. Business taxes and reliefs, including business rates, the Apprenticeship Levy and the R&D tax relief must all be reviewed to ensure they promote business investment.

When designing policy solutions for manufacturers to improve access to finance and incentivise investment, Government needs to consider the characteristics of manufacturers, which separate these businesses from companies in other sectors. For example, Make UK research shows that 61% of manufacturers re-invest in plant & machinery every 2 to 8 years while 70% of manufacturers (re) invest in digital technologies every 1 to 4 years. This research demonstrates how stability and longevity in support is critical to effecting manufacturer's investment actions. Whilst a new industrial strategy should include policies to improve access to and reduce cost of finance, ensuring certainty and longevity in lending policies and investments are just as important.

7.

BOOST MANUFACTURING EXPORTS ACROSS THE GLOBE

The UK needs to unlock the untapped potential of exporting more of our goods across the globe. To increase the UK's competitiveness in global markets we must boost our international trade in both goods and services.

An export strategy which is built on the UK's offensive and defensive priorities is essential. While the need to replicate the high volume of pre-existing trade agreements was an immediate necessity after Brexit, our trade strategy has been dominated in recent years by negotiations about numbers. Trade deals involve difficult trade-offs. It is important to now have open discussions between Government and industry as to our priorities for each agreement.

Government needs to develop an international trade strategy that allows manufacturers to feed into its planning, to highlight priorities, and to introduce a feedback mechanism for relevant stakeholders to inform policymakers of technical and non-technical barriers to trade. HM Government should work with industry to identify a list of priorities in terms of short-term market access challenges, as well as longer term market access priorities, for each of our major international trade partners. In addition, Government should aim to create robust mechanisms of cooperation with major trade partners on these issues. However, we need to be realistic, our priorities for improving our trading relationship with any foreign partner must deliver mutual interest. A program of support for international trade must be coherent, strategic, and built on the UK's

competitive advantages in international markets. It must cater to a range of different sorts of exporters and be agile enough to support very different businesses. Finally, it needs to back businesses on different parts of their export journey, from exploration to final delivery.

Trade missions and trade fairs programmes must be expanded to build links with potential new and existing trade partners. Barriers to trade must be reduced so manufacturers can export more of their products across the globe.

ALMOST 1/2

of all the UK exports (49%) were goods last year, meaning manufacturing is this country's largest individual export producer

UK total exports of goods value was

£381BN in 2022,

£290BN+

of that came from manufacturing firms

Image: Make UK Photography Competition Winner (Amateur) 2013 – Andrea Key

8.

INVEST IN PHYSICAL AND DIGITAL INFRASTRUCTURE TO ENABLE LOCAL AND NATIONAL GROWTH

Infrastructure is essential to the success of any economy. Energy has been highlighted by businesses as in need of an urgent overhaul if we are to meet our net zero ambitions without comprising on the manufacturing sector's ability to deliver.

But infrastructure is not just physical. Since the digital age began in the late twentieth century, when widespread adoption of digital technologies increased, manufacturers have also been building a fourth industrial revolution. As a result, infrastructure has extended beyond physical manifestations of roads and rail, seaports, airports, water, and energy, into satellites and computer systems that transmit data across the globe. Today, that infrastructure investment includes 5G broadband as much as building homes and harbours.

However, while businesses need sufficient infrastructure to succeed, their employees do too. The current cost of living crisis and record high levels of house prices have highlighted how no industrial strategy or place-based Government policy can achieve its aims if firms aren't able to find the workers they need, and workers won't join a firm if they can't find a home nearby. Therefore industrial infrastructure levels should correspond to housing numbers.

1/5 OF MANUFACTURERS

say that upgrading local transport infrastructure, including rail and road, is key to levelling up economic opportunity across the UK.

of manufacturers say that they have yet to see any tangible benefit from the Government's levelling-up agenda in their business

Images L to R:
Make UK Photography Competition Winner (Professional) 2012 – Mike Smith
Make UK Photography Competition Winner (Amateur) 2013 – Joanna Sidor
Make UK Photography Competition Winner (Professional) 2016 – Laurence Sweeney

9.

INTRODUCE A BUSINESS RATE REGIME THAT ENABLES PRODUCTIVITY

There remains untapped potential to export more British manufactured goods across the globe and create a low cost, low tax environment in the UK that attracts investment and encourages manufacturers to grow. However, the UK business environment remains in many ways restrictive, actively inhibiting the development and growth of our manufacturing sector.

Where HM Government gives with one hand, it sometimes takes away with the other. Examples of these mixed outcomes to policy approach include the way Government wishes to encourage firms to invest in plant and machinery improvements to boost productivity or reduce their carbon output while maintaining a business rates taxation system that actively discourages firms from making those investments. Currently, if a manufacturing firm purchases new productivity improving production equipment or installs a carbon footprint reducing wind turbine in their factory, those investments will result in the company paying higher business rates tax. Whilst our international competitor states, notably Germany, offer tax reductions to firms that make investments in the national interest, the UK business rates system punishes firms for making worthwhile investments.

The current business rates system is not fit for purpose. It is not promoting growth. Instead, it is incentivising stagnation. One of the key challenges with business rates in the UK is that the current system disproportionately impacts investment heavy industries like manufacturing and offers very little in the way of relief for businesses making productive investments unless those businesses qualify for small business rates relief. Business rates should be reviewed by the Government to promote growth and expansion.

THE MANUFACTURING SECTOR

has experienced a business rateable value change nearly

4X GREATER (27.1%)

than the national average, meaning manufacturers are now liable for relatively more

BUSINESS RATES TAX PAYMENTS

than any other sector of the economy

Image: Make UK Photography Competition Winner (Professional) 2016 – Alfonso Dominguez Lavin

The Manufacturers' Organisation

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.

www.makeuk.org
@MakeUKCampaigns
#BackingManufacturing

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