

INDUSTRIAL STRATEGY

FROM CONCEPT TO
IMPLEMENTATION



FOREWORD

“We will introduce a modern industrial strategy, to create good work and drive investment in all of our communities.”¹

Those were the words of Rachel Reeves, just over three months ago, in her first speech as Chancellor following the Labour Party’s landslide 2024 General Election victory.

Words that felt like the first glimmers of light at the end of a long tunnel, which Make UK and manufacturers have steadily moved through over the previous decade. A journey upon which we’ve repeatedly led the calls for successive governments to introduce an industrial strategy to help correct the slow decline of our stagnating economy and dwindling skills capacity, and to keep us on track to meet the impending challenges around net zero and technological advancement.

When the Chancellor announced at Labour Party Conference 2024 that the Government would soon unveil some initial details around the industrial strategy ahead of October’s Autumn Statement, the end of that tunnel soon started to come into view. Finally, the many years of relentless campaigning by Make UK, both publicly and within the meeting rooms of Whitehall, started to feel like they may soon pay off.

It is true that we are yet to see the minutiae of the plans. But for the 87% of manufacturers who told us that an industrial strategy would give their business a long-term vision, rest assured, myself and my Make UK colleagues will be the first to highlight where the new industrial strategy meets the needs of our members and sector, and, most importantly, where more work needs to be done.

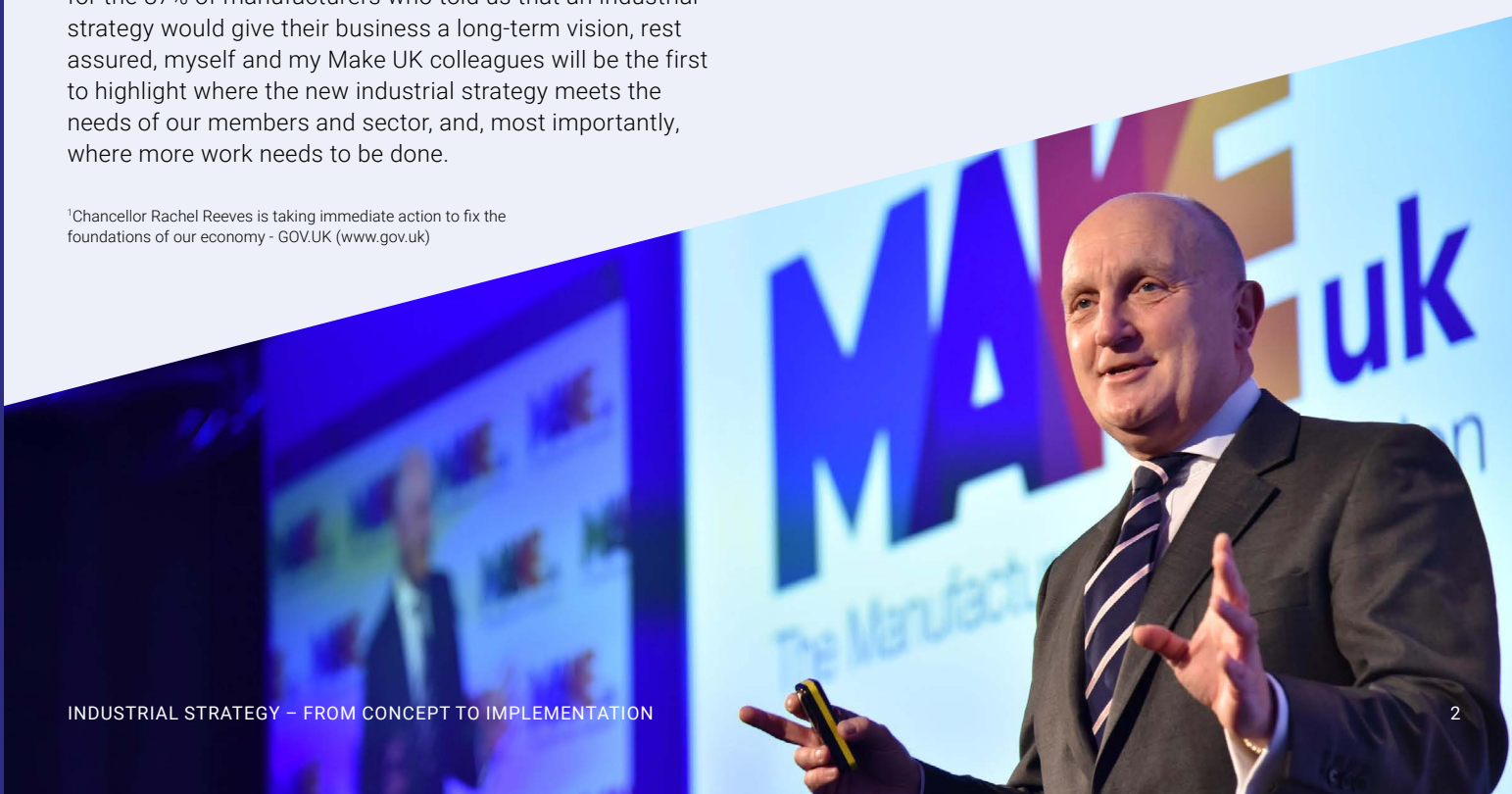
¹Chancellor Rachel Reeves is taking immediate action to fix the foundations of our economy - GOV.UK (www.gov.uk)

This report aims to address this opportunity in advance, setting out our vision for the foundations of a successful industrial strategy. An industrial strategy with skills and infrastructure at its heart, bringing investment and jobs to the UK, enhancing productivity and living standards, helping us to meet our net zero targets, and delivering much-needed growth not only for our sector, but, as a result, the entire economy.

While we should take some lessons from other countries’ approaches, this report outlines how we must also be ready to forge our own path, building on our own strengths and addressing our own weaknesses through a comprehensive, long-term strategy that prioritises a vision, sets sensible targets, and tackles the complex challenges that we face.

We are realistic and we know that the Government faces some difficult decisions. Make UK nonetheless stands ready to continue working with them every step of the way, including on the Industrial Strategy Green Paper and as part of any Industrial Strategy Council, to ensure that the new UK industrial strategy hits the ground running and remains roadworthy.

Stephen Phipson CBE, CEO, Make UK



VISION AND AMBITION FORM THE ESSENTIAL FOUNDATIONS OF ANY SUCCESSFUL INDUSTRIAL STRATEGY

In our complex geopolitical landscape, it has never been harder for individual countries to economically succeed. There is a strong case for every nation to have a shared purpose that serves as a guiding principle for steering its economy toward sustained growth and enhanced productivity. The UK is no exception to this rule. From our extensive research and consultation with manufacturers, we have concluded that a robust and forward-looking vision, coupled with ambitious goals, form the bedrock of an effective industrial strategy.

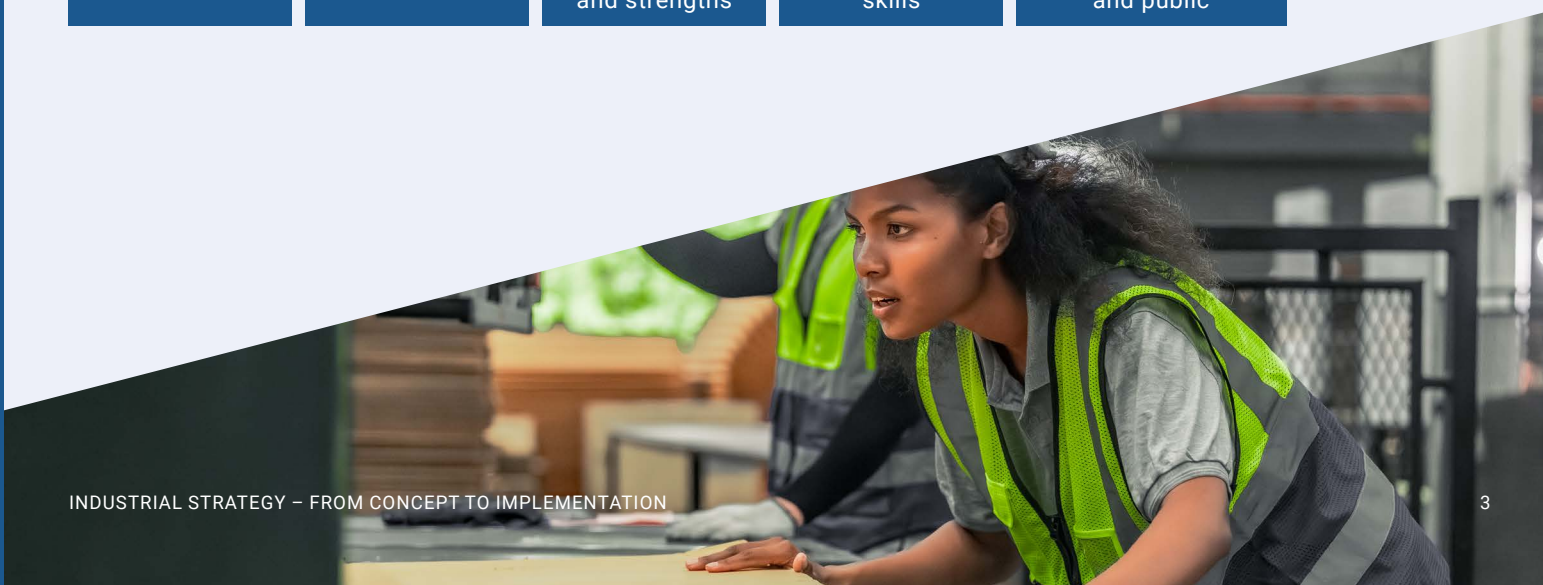
Such a strategy not only influences decision-making but also ignites a culture of innovation and bolsters long-term economic progress. The UK has grappled with the absence of a clear and unifying direction across its industries, leading to challenges in achieving industry success.

Manufacturers saw these key areas as fundamental to creating a strong vision for the UK's industrial strategy:

- Clear strategic direction
- Detailed focus on investment and funding
- Precise understanding of innovation and strengths
- Strong emphasis on talent and skills
- Shared sense of purpose across regions, industry and public



OF COMPANIES SAY AN INDUSTRIAL STRATEGY WOULD GIVE THEIR BUSINESS A LONG-TERM VISION



A CLEAR DIRECTION

It is clear that the UK has grappled with multi-faceted and mutually reinforcing challenges for some time. Our future industrial strategy should therefore view industry and the economy as one system and adopt a joined-up approach to current and future challenges, such as achieving net zero, enhancing the UK's resilience to economic and social shocks, and strengthening supply chains. This alignment can help guide subsequent decision-making. Imagine a world where the UK's policies and initiatives are in harmony with the overarching goals of the industrial strategy, leading to more informed and consistent choices that drive growth and innovation.

When all actors - Government, industry, investors, educators - understand the strategic direction, disagreements are less likely, with collaboration and unity in pursuit of common goals. Alignment with a vision also improves accountability across

the board. With all parties invested in shared objectives, it becomes easier to hold each other responsible for progress and outcomes, creating a culture of ownership that is crucial for the success of our industrial strategy.

Of course, the challenge the Government will face is aligning the various strategies, reviews and plans. We welcome initiatives like Skills England, the Migration Advisory Committee's review into the engineering sector, the Steel Strategy, and the Defence Review, as well as existing commitments on net zero and devolution. There is a risk that, by the very nature of different Government departments leading each of these elements, there will be a conflict of policies which make it harder to communicate and understand the impact of interventions. It is thus positive that the Prime Minister has promised to chair 'mission delivery boards' to help confront and solve policy and decision conflict.

GOALS, BACKED BY METRICS

Investors, both in the UK and internationally, need to be able to easily understand the key metrics and goals of the strategy.

We think three key goals, underpinned by metrics, can demonstrate the importance that the Government is placing upon the strategy:



INCREASE THE MANUFACTURING SECTOR FROM 10% OF UK GDP TO 15%

We can add an extra £142bn of economic growth to the UK economy whilst driving a substantial uplift in long-term domestic and foreign investment.



FILL MANUFACTURING SKILLS AND LABOUR MARKET GAPS, WHICH COULD UNLOCK AN ADDITIONAL £6 BILLION IN THE MANUFACTURING SECTOR



INCREASE ANNUAL GROWTH % IN THE REGIONS & DEVOLVED AREAS TO MATCH LONDON AND THE SOUTH EAST

THE EFFECT OF A SHIFTING LANDSCAPE

There has been a fair amount of ambition shifting over the last decade, which may have made sense for individuals in Government departments at the time, but ultimately has had negative consequences for industry planning, investment decisions and overall business strategy. The average investment cycle for UK businesses is five years, meaning the consistent change of focus, often resulting from a change of Secretary of State, has had a significant impact on the change of vision and ambition for industry. It's no surprise that the result of having ten different business secretaries of state since 2012 has been lower levels of growth. Over the last ten years, the share of manufacturing GVA relative to output for the whole economy has remained close to 10%, indicating that the

manufacturing sector's contribution to UK economic output has not improved for a decade.

As part of industry's quest for clarity on investment, there needs to be careful consideration of how an industrial strategy can extend beyond five-year parliamentary cycles and remain relevant in 25 years' time. To do this, the Government will need to consider how to future-proof their work. Effective horizon scanning for long-term trends, along with serious cross-party collaboration on the key challenges the UK needs to address, is essential. The Government has previously sent strong signals about the importance of a stable policy environment, which we interpret as stability in business rates, taxes, and incentives.

FOUNDATIONS OF GROWTH: THE PILLARS OF A UK INDUSTRIAL STRATEGY

There has been much discussion on whether an industrial strategy should be the conduit to picking winners and losers in different sectors. Whilst this has undoubtedly happened in previous iterations, Make UK does not see the industrial strategy exclusively in this way. Previous approaches, such as the 2017 Industrial Strategy, focused on key sectors, and picking 'winners' did see growth in sectors like aerospace, which should be reviewed and evaluated. However, we see the industrial strategy as the mechanism to review and be

transparent about the challenges the UK faces, and how industry can help address this. In turn, Government should create an environment for businesses to thrive, foster innovation, and promote sustainable economic growth by focusing on key pillars.

We asked manufacturers what they saw as the key elements of a future industrial strategy:



SKILLS

Unsurprisingly, manufacturers feel strongly that skills are fundamental to any future strategy. Manufacturers are united in believing that talent and skills underpin the UK's industrial strategy. Skills have been a focal point for most recent governments, yet policies and initiatives have rarely borne fruit.

The future of the manufacturing sector, and the UK economy, is inarguably tied to digitalisation, net zero and flexible working, amongst other factors. Last year alone, manufacturing contributed £224bn of Gross Value Added to the UK economy and 43% of R&D investment stemmed from the sector. The sector also plays a significant role in job creation, employing 2.6 million people nationwide. It is thus essential for manufacturing to thrive, given the importance of the sector to our future prosperity.

As technological adoption increases, for energy or other efficiency purposes, and automation plays an ever larger role in our working lives, digital and STEM skills will be crucial for the future of the UK.

Anecdotal evidence, as well as our own research, suggests that currently, digitalisation and automation largely serve to augment and complement, rather than replace, workers. While robotics can make a production line more efficient, and technology can increase the speed with which information is communicated. Made Smarter (a Government-backed digital adoption service for manufacturers) case studies demonstrate that digitalisation often creates more jobs or upskilling opportunities. The Fourth Industrial Revolution therefore presents a need for greater analysis, innovation, leadership and management skills – something manufacturers are already working towards.

However, to ensure that manufacturers are able to transition to net zero and make the most of the opportunities it offers, existing labour and skills shortages must be resolved quickly. In this sense, the skills that are needed for the future of the UK economy are the skills that are in shortage now, otherwise we risk falling behind other nations, reducing any

productivity benefits that follow from a new industrial age.

Currently, there are 61,000 vacancies in the UK manufacturing sector. Make UK's own recent analysis estimates the cost of lost prosperity of these manufacturing vacancies being unfulfilled is more than £6 billion. With manufacturers increasingly expecting to recruit for more technical roles, but failing to fill current positions, it is clear that the UK skills and training system is currently not capable of equipping increasing numbers of people with these skills.

Make UK welcomes Skills England and its wider remit in working closely with other parts of the labour market system, such as immigration and pay. By combining their insights, we would expect to see an improved, more holistic and joined-up approach to labour market and skills policy development, which emphasises, for example, skills training incentives for shortage occupations and future skills demand.

It is crucial, however, that Skills England is truly strategic, with genuine employer representation. It should not be too focused on the operational and delivery aspects of the skills system: strategy and delivery should be kept separate to ensure that Skills England has the capacity to focus on the significant questions of skills demand, and how policy and funding should enable this demand to be met across sectors.

The industrial strategy, aligning with the potential of Skills England, should coordinate and work with institutions who are national, regional and sectoral. We must recognise the diversity of employer needs and how best to support these.

One thing that should not be forgotten is that many of the initiatives that Skills England and the industrial strategy will take forward will take time to embed and show impact. Nonetheless, we must consider what can be done now to stimulate the labour market in key industries like manufacturing, where shortages are proving particularly damaging to productivity, whilst we wait the minimum of five years before policies start to improve business and economic conditions.

THERE ARE AROUND
61,000
 CURRENT VACANCIES
 IN THE UK MANUFACTURING SECTOR

Source: ONS

INVESTMENT AND FUNDING

The UK is well aware that competition for investment is intense, which only further makes the case for greater focus on investment in a UK industrial strategy. Investment plays a crucial role in creating more high-quality, skilled jobs and enhancing productivity nationwide. It helps businesses expand their capacity, improve efficiency, and foster innovation. Business investment is essential for driving economic growth, complementing public investment, and achieving key government objectives.

There can be no doubt that manufacturers invest to maintain and grow their businesses. The industry accounts for 14% of total business investment and 47% of all R&D expenditure, making manufacturing one of the most investment-intensive sectors in the UK. Manufacturers invest in plant and machinery, new technologies, skills, and even new ideas, and each investment is made with the goal of improving productivity and efficiency.

The determinants that impact investment activity are highly correlated to external economic conditions and, in the last several years, manufacturers have operated under extremely

uncertain conditions. As a result, investment activity has been shaky, though optimism has been on the rise more recently. With more positive investment policies available, such as generous capital allowances, coupled with the most stable economic conditions experienced in recent memory, manufacturers are finally able to plan their investments to focus on growth rather than survival.

Since the end of 2022, investment intentions have been positive and stable for seven back-to-back quarters, reporting a balance of +10% for the third quarter of 2024. There is a growing willingness to experiment with new digital technologies, such as AI and energy efficient plant and machinery, due to the current environment. We should capitalise on these good times by encouraging manufacturers to invest in all things that improve productivity and we see the UK industrial strategy as the vehicle for this. The commitment for the industrial strategy has been welcomed by Make UK members, with global firms in particular indicating that it is having a positive effect on investment decisions that are planned for the coming months and years.

INFRASTRUCTURE

The UK's reluctance to take risks, along with the lengthy payback periods, has created a climate where there is a lack of investment in infrastructure projects. The cautious decision-making in order to safeguard government funds has resulted in slow progress. More than half of manufacturers have reported that national road infrastructure has actually worsened over the past decade.

The new industrial strategy should look at the instances where infrastructure has seen a significant impact – like better internet connectivity and the success of the Crossrail project. Digital infrastructure is overwhelmingly the takeaway success story of the last decade, with the previous government investing heavily in 5G connectivity and digital rollouts.

Indeed, where there is investment, there is success and manufacturers across all regions of England said they had seen marked improvement in digital infrastructure which had helped them invest in digital technologies for their businesses. In turn, this helped them boost productivity alongside growth and delivery of more good quality, highly paid jobs.

Transport infrastructure plays a critical role in enabling businesses to access customers and new skills. The service quality of infrastructure can also incentivise greater investment as manufacturers attempt to capitalise on high quality access to transport.

MORE THAN 1/2 OF MANUFACTURERS BELIEVE THAT NATIONAL ROAD INFRASTRUCTURE HAS WORSENERD IN THE LAST 10 YEARS

Source: Make UK, 2024. Infrastructure: Enabling Growth by Connecting People and Places

INNOVATION

One of the key pillars of the industrial strategy should be the understanding that innovation is key to unlocking potential across diverse sectors, like manufacturing. By driving efficiency and fostering the creation of novel products and services, innovation empowers businesses to operate more effectively, ultimately bolstering overall economic output.

In the face of a swiftly evolving global landscape, the UK must allocate resources towards pioneering technologies and processes to maintain its competitive edge. Innovation not only helps UK companies to stand out, but also positions them to attract international markets, establishing their leadership in vital industries. This competitive advantage is pivotal for the nation's economic resilience.

Innovation lies at the heart of tackling significant challenges such as supply chain issues, climate change, the widening skills gap, and deteriorating infrastructure. It is instrumental in devising solutions to these pressing problems. The UK strategy needs to clearly articulate the significant benefits that focusing on innovation will bring to the public, with an emphasis on sustainability and societal well-being.

BUSINESS ENVIRONMENT AND TRADE

Manufacturers have faced unprecedented disruption in recent years, from leaving the EU and a global pandemic, to rocketing transport costs and unstable markets. The new industrial strategy must cater to a range of different types of exporters and be agile enough to support very different businesses.

Trade and our future industrial plan go hand in hand, so it is paramount that a refreshed trade strategy is linked with industrial policy to maximise future trade opportunities. An important part of this coordination will be for Government to work with business on a trade agreement programme that is flexible and bespoke, incorporating FTAs (Free Trade Agreements) and bilateral sector or issue deals that support the UK's strategic industrial interests.

Furthermore, we must weave a strong signal of intent for our stance on regulation throughout the strategy. For trade, industry needs Government to develop effective monitoring (through a database) of EU and UK regulatory developments,

THE UK RANKS **24TH** ON THE **ROBOT DENSITY INDEX, WELL BELOW THE WORLD AVERAGE**

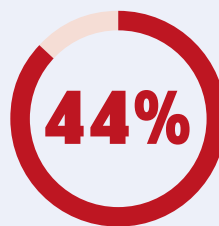
The UK is a leading global hub for scientific knowledge. Known for its impressive academic output, it produces more academic publications than any country except China and the US. However, the UK struggles to translate its scientific weight into commercial success.

When compared to the US, the UK falls short in key areas of development and scale-up. The proportion of the workforce engaged in medium and high value-added manufacturing is lower than in competing nations, revealing a gap in the ability to harness scientific advancements for economic gain.²

Addressing these challenges will be essential for the UK to maximise the potential of its rich scientific landscape and ensure that innovation translates into tangible economic benefits for the future.

to help inform policymakers and businesses of future changes. In addition, it is crucial to establish a mechanism for ongoing and active consultation with industry to decide where it is appropriate to maintain alignment with EU regulatory changes and where opportunities for divergence might apply.

There should also be a review into which regulations and standards are good for growth, and which are holding back the UK's potential, with a particular focus on the UKCA marking, REACH and PFAS.



OF MANUFACTURERS SAY THE CURRENT TAX AND REGULATORY REGIME IS UNFAVOURABLE FOR BUSINESS

²https://www.ciip.group.cam.ac.uk/wp-content/uploads/2024/03/UK-Innovation-Report-2024_FINAL-20.03.24.pdf

NET ZERO

The manufacturing sector has a key role to play in the net zero challenge. As the UK's third highest emitting industrial sector after transport and buildings, and responsible for a sixth of the UK's total emissions, the transition to net zero presents a real opportunity for the sector. It is the manufacturing sector that will be developing the technologies as well as designing and making the products and services that will help decarbonise the economy. The rest of the economy will be reliant on the low-emission technologies and products supplied by the manufacturing sector.

However, over the last few years, we have consistently witnessed short term decisions which affect manufacturing, whether that be unrealistic targets without targeted support, and chopping and changing of policy, which unsettles investment decisions.

The UK industrial strategy will need to be fully aligned with our national net zero commitments and the challenges the sector faces on decarbonisation, unless it wants to face UK firms backing away from innovation opportunities which will be snatched up by our neighbouring competitors.

REGIONAL DEVELOPMENT

Regional development needs to be viewed not only as a strategic component but also as a core function for delivering policy initiatives across each of the defined pillars. The Government's announcement of an English Devolution Bill in the King's Speech will establish a standardised framework for devolution and accelerate its

progress across England. While there have been pockets of success in skills and infrastructure in existing devolved regions (particularly in the North and Midlands), this presents an opportunity to leverage our mayors and regional leaders to enhance key devolved functions and empower them to help power economic growth.

WHEN GOVERNMENT POLICIES DON'T ALIGN, OR WORSE, CONFLICT EACH OTHER

In 2020, the previous government set a policy which banned the sale of new petrol and diesel cars by 2030. This policy aimed to push the country toward its commitment to achieving net zero emissions by 2050.

However, the speed at which the transition was proposed highlighted substantial challenges for the automotive industry. Manufacturers were working at pace to develop electric vehicle (EV) technologies, build new production capabilities, and establish essential infrastructure like charging networks (all whilst battling the skills and labour market gap). The 2030 deadline placed significant pressure on the sector, raising concerns about potential supply shortages and the availability of EV options for consumers.

Whilst the auto industry has a reputation for its dynamism and resilience, it had to contend with how it would balance wholesale retraining and moving away from producing traditional combustion engine vehicles, which have different tech and systems, to financing new equipment and resourcing to meet this target.

In 2023, the then prime minister changed the deadline to 2035. Although, on the face of it, this gave industry more time to transition, this decision once again affected investment cycles, which had long lead in times for production, affecting the whole supply chain, and many SMEs.

This scenario underscores the difficulties of aligning ambitious environmental goals with the practical realities of industrial adaptation and economic stability. It also is a good reminder of why changing deadlines and targets without proper consultation can be problematic.

BEYOND CHOOSING WINNERS: WHY A HOLISTIC APPROACH IS NEEDED

An industrial strategy can be so much more than simply choosing winners; it can embrace a far more holistic vision for economic growth. Whilst previous iterations have focused on identifying and promoting specific industries and sectors, Make UK's view is that a comprehensive industrial strategy has the potential to prioritise a vision, set goals and tackle complex challenges.

We are all aware of the challenges that face us as a country: we need to decarbonise and lower our emissions whilst supporting our industry through the process, we need access to raw materials so that our supply chains are resilient, we need a robust pipeline of talent coming from our schools into industry, and we need to convert our world class universities' innovation into commercial success for UK business. It should be through this lens that the Government views support and funding.

THE CASE FOR PRIORITISING MANUFACTURING PROCESSES

One of our criticisms over recent decades is that successive governments have focused on specific sectors. While this makes it easier to explain intentions to the public, it doesn't work for most of the manufacturing industry. Many manufacturers do not fit neatly into defined sectors, so this approach doesn't accurately reflect or support UK industry. If we look strategically across all of our manufacturing, there are key reasons why considering manufacturing processes is likely to yield better economic growth.

- Processes are much more adaptable than sectors.
- The application of processes across various industries allows manufacturers to pivot to meet changing market demands quickly (which is particularly useful when economic and social shocks occur, like the war in Ukraine and COVID).
- Manufacturers can adopt new technologies more efficiently by focusing on processes, improving competitiveness and reducing costs.
- Process-based optimisation, involving tech like AI, can identify bottlenecks and inefficiencies. This makes it easier to advise SME manufacturers on how to digitalise their factories.
- Reputation for process excellence can attract top talent.
- Process-based collaboration can help partnerships between manufacturers in different sectors.
- Drive investment in research and development.
- Efficiencies in relation to circular economy.

ADDRESSING THE CHALLENGES WHILST PUSHING FORWARD WITH OUR STRENGTHS

Like the EU's Draghi report on EU competitiveness, which addresses the strengths and challenges the EU faces, the UK must do the same.

We have a dynamic, resilient industry that has proven time and again that it can react to challenges effectively. Manufacturers are increasingly agile, and continue to adapt to market shifts and consumer demands. Recognising this strength in an ever-changing global economy is key.

Another key strength of the UK is its universities and research institutions, which are crucial for nurturing talent and innovation. We are known for our world class educational establishments, which produce skilled graduates and groundbreaking research that help to push our industry forward. Our intellectual capital enhances the workforce and drives innovation, propelling the UK to stand out as a leader in many fields.

As a country, we have been vocal on our commitment to reduce emissions, which has gained us recognition on the global stage. Our strong commitment to net zero has allowed pockets of excellence in adopting greener practices and investing in technologies that minimise environmental impact. Not only has this meant we are on our way to meeting interim targets, but it also signals that we are open to investment in emerging sectors that are focused on clean energy and sustainable solutions.

MANUFACTURERS ON AVERAGE PRODUCE
£48 IN VALUE PER HOUR,
COMPARED TO THE NATIONAL AVERAGE OF
£38.64, MAKING THE
MANUFACTURING SECTOR
24% MORE PRODUCTIVE
THAN THE NATIONAL AVERAGE.

Source: Make UK calculations of ONS productivity data (2024)



ADDRESSING OUR WEAKNESSES

Despite these strengths, the UK faces several pressing weaknesses that need to be addressed to fully capitalise on its potential. One of the most significant challenges is the skills gap and future talent pipeline, which we have covered. While the country produces skilled graduates, there remains a disconnect between the skills taught and those demanded by industry. Bridging this gap is essential to ensure that the workforce is equipped to meet the evolving needs of the economy.

Another critical issue is the productivity gap: the UK often lags behind other leading nations in terms of productivity. Addressing this gap is vital for enhancing economic growth and ensuring that businesses can compete effectively on a global scale.

Manufacturing productivity has been consistently higher than the UK average in other sectors, even when manufacturing has suffered intense shocks and pressure from external factors. Manufacturing is vital to unlocking the productivity puzzle in the UK.

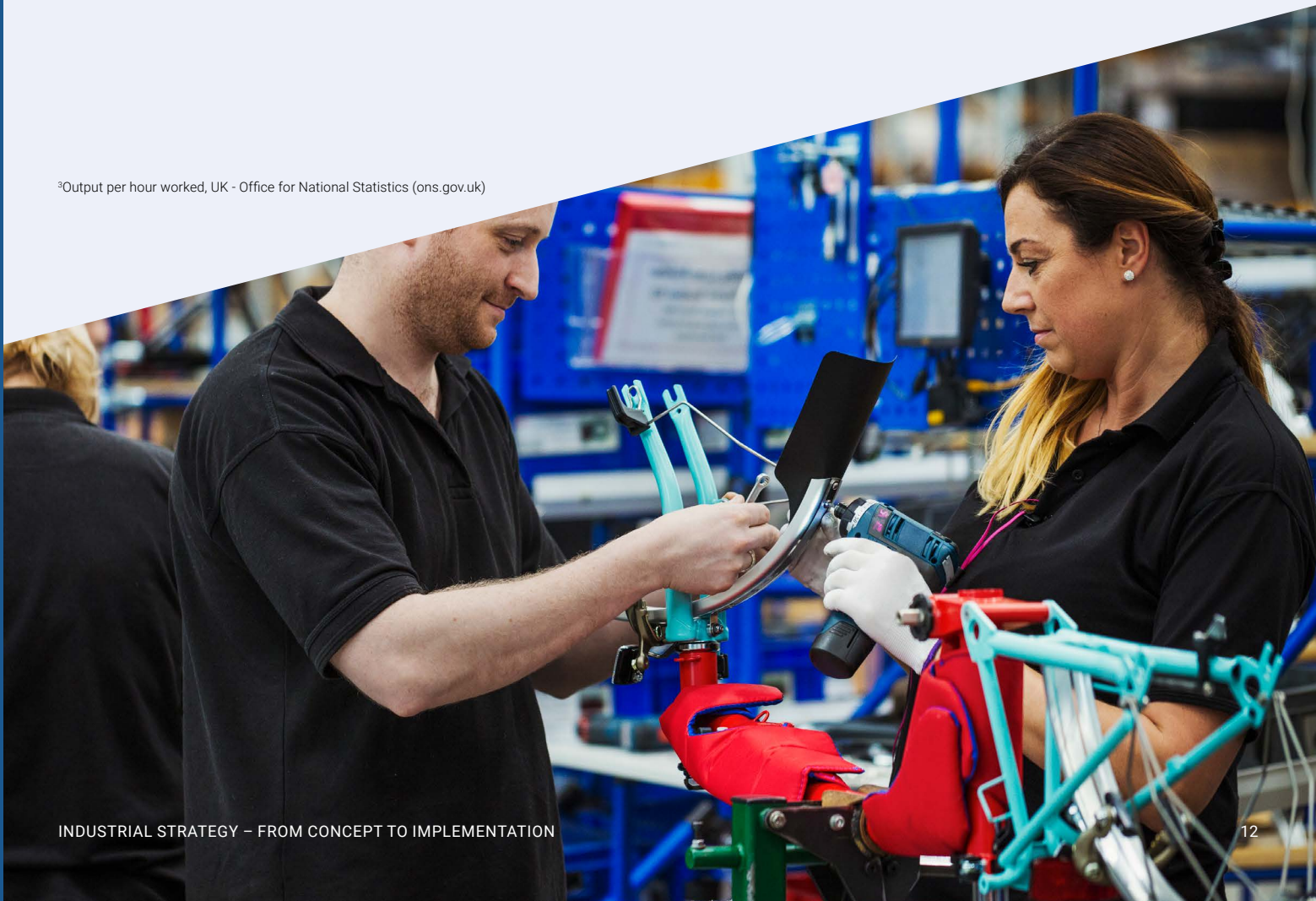
Investment is another area that should be addressed. Factors such as political uncertainty, regulatory changes, and economic fluctuations have contributed to the UK's decline in investment. To reverse this trend, the UK must work to restore investor confidence by creating a stable, predictable environment that encourages both domestic and foreign investment.

UK PRODUCTIVITY GROWTH HAS SLOWED TO AN ANNUAL AVERAGE OF 2.4% BETWEEN 2008 AND 2023³

IN COMPARISON, UK MANUFACTURING PRODUCTIVITY IN THE SAME PERIOD WAS 3%

Source: Make UK calculations of ONS productivity data, GVA per hour (2024)

³Output per hour worked, UK - Office for National Statistics (ons.gov.uk)



GLOBAL COMPARISONS: WHAT OTHER COUNTRIES ARE DOING RIGHT

Unfortunately, there is no 'lift and shift' industrial strategy that we can insert into the UK which will work. However, there are interesting takeaways that Government should consider to see if the UK could adopt similar specific interventions.



SWITZERLAND

Whilst Switzerland does not have a formalised industrial strategy or industrial policy, and does not subsidise individual industrial firms nor industrial sectors, it has created a framework to help all of industry.

Notable policy initiatives include:

- Flexible labour market rules.
- Low tax burden.
- Good cooperation between industry and universities - Switzerland places a strong emphasis on research and development, the country consistently ranks highly in global innovation indices, thanks in part to substantial investments in R&D.
- A broadly developed and anchored vocational education and training system - Switzerland's dual education system has allowed classroom learning with practical apprenticeships, allowing students to gain hands-on experience in their chosen fields.
- A secure and economically viable energy supply – through its generous R&D investments, Switzerland actively encourages innovation in areas such as renewable energy, waste reduction, and resource efficiency.

The country has an industrial value of around 20 per cent of GDP, which is significantly higher than in France, Italy, the UK and USA.



FINLAND

Finland is due to publish its industrial strategy in December 2024, with the following goals:

- To improve the competitiveness and value added of the existing strong industries.
- To create new export industry sectors to widen their export base.
- To increase domestic and foreign industrial investments in Finland and to ensure availability of skilled labour.

Finland has chosen to incentivise and support industrial investments in digitalisation and sustainability with a retrospective tax deduction of 20% of costs for investments over €50M. The current assumption is that it could trigger industrial investments worth €5-10 billion.

One of the key pillars of Finland's soon-to-be-launched industrial strategy is their legally binding commitment to significantly increase the country's R&D capabilities. Finland has legislation which aims to elevate the country's R&D intensity to 4% of GDP by 2030.

A key factor that has made this possible is a cross-party consensus and shared vision to position Finland as a leader in innovation and technology. This has allowed industries and investors the confidence to invest in long-term projects, knowing that the Government's commitment to R&D will remain consistent.

The law stipulates that public funding will contribute one-third of the required R&D investments, while private sector contributions will account for two-thirds. Finland strongly

believes that this public-private funding model not only fosters collaboration between academia, Government, and industry but also amplifies the impact of investments, driving growth, innovation, and the development of new exportable products and services.

Another focus for Finland is digital infrastructure, particularly in critical technology areas such as microelectronics, quantum computing, connectivity, and high-performance computing. These fields are not only priorities for Finland but also part of larger European-wide collaborative efforts. For instance, Finland is a key participant in the EuroHPC Joint Undertaking, which includes the LUMI supercomputer, one of the most powerful in the world, hosted in the Nordic country. Such initiatives are designed to pool resources and expertise across Europe, ensuring that member states can compete globally in these critical technologies.



TEXAS, USA

Whilst there isn't a single, overarching plan that outlines its industrial strategy, Texas has several policies and initiatives that have helped propel it forward with a GDP of \$2.4 trillion.

Texas is known for its business-friendly policies, including no state income tax, low regulatory burdens, and a pro-business climate. These factors attract both domestic and foreign investment, making the state a prime destination for companies looking to establish or expand operations. Economic incentives, such as grants and tax breaks, are often used to encourage investment in areas like wind energy production and tech innovation. The state has made substantial investments in research and development, which has helped partnerships between universities, research institutions, and private companies. Initiatives like the Texas Innovation Program support startups and emerging technologies like biotechnology, artificial intelligence, and information technology.

Whilst infrastructure in Texas is already seen as sufficient and efficient regarding the movement of goods, the state has committed to ongoing investments in infrastructure projects aiming to enhance connectivity and support the needs of growing industries, particularly in logistics and manufacturing.



HOW DO WE KNOW IF WE ARE ON THE RIGHT TRACK?

It's all very well setting the vision and strategy, but there is little point producing a fantastic strategy if the Government and industry have no way of knowing progress is being made.

Not only is it helpful to be transparent about what success looks like, but targets are critical to ensuring that the ISC can effectively do their job, steering and critiquing each milestone.

To do this, the industrial strategy needs clear metrics and indicators, such as job creation rates, levels of investment, productivity improvements, and innovation outputs, which will help the Government gauge whether its industrial strategy is achieving its objectives. Regularly assessing these indicators not only highlights successes but also reveals areas that may require additional focus or adjustment.

We know that the UK's industrial policy will need to be adaptable, given the landscape is constantly evolving. Defence requirements, technological advancements, market shifts, and global trends are likely to shift the dial when it comes to priorities. Conducting regular evaluations will help the Government remain agile.

SUMMARY

In summary, manufacturing is not only a vital partner for the Government in unlocking productivity and economic growth, but it also plays a crucial role in addressing the UK's broader structural challenges.

From pioneering renewable energy solutions that will secure the UK's future as a clean energy superpower, to creating the next generation of medicines and medical equipment to make the NHS fit for the future, our sector is essential to innovation, progress, and prosperity for all.

While Government is helping to lay the foundations for growth through their plans for a modern industrial strategy, it is businesses that must bring the ideas and investment to make success a reality.

TRACKING THE EFFECTIVENESS OF A UK INDUSTRIAL STRATEGY

Here is a list of metrics that could be used to track and measure the effectiveness of the UK industrial strategy:

- Increase GDP growth, create jobs, and improve living standards.
- Enhance productivity across all sectors.
- Promote balanced regional development, reducing disparities.
- Position the UK as a global leader in key technologies.
- Create a favourable business environment to attract investment.
- Support UK businesses in increasing exports and global competitiveness.
- Contribute to achieving net-zero greenhouse gas emissions by 2050.
- Invest in education and training for a highly skilled workforce.
- Attract and retain top talent.
- Invest in modern infrastructure and improve regional connectivity.
- Promote the adoption of digital technologies across all sectors.

Make UK and manufacturers are working with policymakers at every level, from Whitehall to town halls, to increase productivity, accelerate adoption of new technologies, and empower local communities to realise their full potential. We look forward to working closely with the Government to achieve its missions.



Make UK, The Manufacturers' Organisation, is the representative voice of UK manufacturing, with offices in London, every English region and Wales.

Collectively we represent 20,000 companies of all sizes, from start-ups to multinationals, across engineering, manufacturing, technology and the wider industrial sector. Everything we do – from providing essential business support and training to championing manufacturing industry in the UK and internationally – is designed to help British manufacturers compete, innovate and grow.

From HR and employment law, health and safety to environmental and productivity improvement, our advice, expertise and influence enables businesses to remain safe, compliant and future-focused.

makeuk.org

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#BackingManufacturing

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