

A manufacturing future for Wales: a framework for action How we should work with industry, trade unions and academia to future proof manufacturing in Wales

Response from the Bevan Foundation

The Bevan Foundation is Wales' most influential and innovative think tank. We develop lasting solutions to poverty, inequality and injustice to help improve people's lives

We welcome this consultation and most of the indicated priorities to help future proof manufacturing in Wales. While the proportion of manufacturing jobs in Wales has decreased in the past three decades, it still accounts for a considerable proportion of regional and local employment in some parts of Wales. As the consultation document notes, manufacturing is more important to Wales than to any other part of the UK. The Welsh Government has a critical role in fostering the right kinds of positive conditions in which all types of manufacturing can thrive.

Local and regional manufacturing footprint

Manufacturing has an uneven footprint across Wales. For parts of north Wales and the south Wales valleys it represents a significant element of local economic activity. It provides vital employment opportunities that often offer more security and better levels of pay compared to other local employment opportunities.

Understanding the presence of manufacturing at a local level is important for building up an accurate picture of the scale and distribution of manufacturing in Wales, which can sometimes be masked in broader statistical pictures. In Flintshire and Wrexham, manufacturing accounts for 32% of total GVA, yet in neighbouring Conwy and Denbighshire, it accounts for less than 7%¹. In the Gwent Valleys, manufacturing is in the top three industries of employment alongside wholesale, retail, transportation and accommodation and public administration. Production industries account for 23% of employment in Caerphilly, 21% in Blaenau Gwent and 19.7% in Neath Port Talbot.

The concentration on manufacturing in these parts of Wales provides a foundation for building on the recommendations of the Brown Review for the creation of industrial innovation clusters outlined in the consultation

¹ OECD (2020) The future of regional development and public investment in Wales, United Kingdom.

document. Taking an assets based approach by building and strengthening the existing Welsh manufacturing base will also help ensure a better spread of activity across Wales so that more people can access better jobs, closer to home, as outlined as an ambition of the Welsh Government's economic action plan. The intention to map the sector first to "test" the clusters approach outlined in the Brown Review will help ensure that the proposed approach is suited and appropriate to the current manufacturing base and the aims to future-proof the sector.

Productivity

The ambition for Welsh manufacturing to feature significantly in the drive to improve the productivity and competitiveness of the economy is one we support. We hope it will also reflect the benefits of investing and supporting economic activity across all parts of Wales, especially in more economically disadvantaged places and those that have been severely affected by loss and re-location of industry and successive economic downturns.

As work by the Centre for Regional and Economic Research has shown, by disaggregating productivity across the UK, differences in efficiency across the UK are in fact modest. For example, in their analysis of West Wales and the Valleys, by re-basing the working age population, adjusting for the mix of industries, occupational mix and hours worked, they found that despite a GVA per head only a little over 60 per cent of the UK average," the efficiency with which goods and services are produced in West Wales & the Valleys appears to be less than 10 per cent below the national average"². This underlines the case for ongoing investment and support for good business infrastructure across all parts of Wales.

Adaption

The intent to support manufacturing in Wales must support all kinds of manufacturing. The consultation references ensuring "activities are "high value" in that they contribute to the social, economic, environmental and cultural well-being of Wales".

A focus on high-value, high-tech, low employment manufacturing needs to be balanced alongside support for other manufacturing that provides significant numbers of job opportunities, including in more economically disadvantaged

² Beatty, C, & Fothergill, S. (2019) Local Productivity: The real differences across UK cities and regions, Sheffield Hallam University

parts of Wales. This manufacturing is valued for its capacity to stimulate local supply chains, provide skilled and semi-skilled secure employment and pay a fair wage including in parts of manufacturing not traditionally viewed as high value.

Manufacturing firms will require support to adapt, transition and innovate. Adaptation should also include support to firms changing to reduce their carbon footprint and contribution to climate and biodiversity breakdown. This must include support for manufacturing that contributes to a green transition and stimulates green jobs. As outlined in research commissioned by the Wales TUC, 60,000 jobs could be created in Wales in the next two years through government investment in key green infrastructure projects, including 9,000 in energy, manufacturing and broadband infrastructure upgrades³. A green transition therefore requires a manufacturing base that works to de-carbonise, and one that can respond to demands created by investments and activities associated with a green transition.

Reshoring manufacturing

Reshoring of manufacturing in Wales is a fundamental necessity. As the consultation document notes, the Covid-19 pandemic has demonstrated a reliance on some long, global and fragile supply chains that have been subject to disruption.

Re-shoring will, by definition, require an expansion of the capacity, skills and infrastructure (including suitable premises and transport infrastructure) needed to support an increased manufacturing base. It will also require anchorage of this base and a policy environment that supports viable and localised markets for it. It is one that ensures its sustainability and resilience in globally competitive markets that have in the past dealt severe blows to Welsh manufacturing.

We support a plan that considers which products, raw materials and components are vital to the well-being of Wales and that looks at how supplies can be secured in the event of disruptions and emergencies, including the fall-out from Brexit. This must be prioritised given the uncertainty that continues to exist in supply chains due to Brexit and the ongoing impact of COVID-19. Without a vaccine and global vaccination drive, it is likely to continue to disrupt

³ Wales TUC (2020) Job creation in Wales from a Covid recovery infrastructure stimulus: Welsh infrastructure investment options to build back better

supplies for some time. Food and medicine should, at a minimum, be at the very forefront of this prioritisation to ensure that vital and basic supplies are secured, even in periods of disruption.

Foundational economy

We strongly disagree with the description of manufacturing as supporting function to the foundational economy. Parts of manufacturing are themselves foundational, given their essential role in provision of essential everyday goods and services. These include food production, transport manufacturing and manufacturing for construction of housing, key infrastructure (housing, utilities, digital infrastructure, transport infrastructure) and as such are essential parts of the economy.

The rationale for defining some economic sectors as foundational is that they are essential to everyday, civilised life. Mobile data and internet connectivity, for example, is seen as it is essential to the operation of a smart phone or laptop. However, the manufacture of that smart phone or laptop or its components and software, is not considered a foundational sector. Similarly, the repair and maintenance of cars are classified as 'overlooked' parts of the Foundational Economy, but the manufacture of cars is not. The designation of some parts of the economy as foundational and others as not is arbitrary. It also contradicts the strategy's other goal of increasing high value manufacturing.

The focus on the foundational economy also misses out the importance of the supply chain in contributing to the supply of foundational goods and services. For example, the production of food – a foundational good – requires inputs of ingredients, packaging, equipment for use in the production line and nutritional testing. Focusing only on the production of food itself and not its supply chain (especially the manufacturing side) could in fact damage rather than support Welsh manufacturing.