

Briefing Note: Industrial Strategy White Paper

1. Executive Summary

Successful implementation of the Industrial Strategy, however it is ultimately manifested and if it is deployed regionally and locally, will be critical in determining over the medium-to-long-term the ultimate success, or otherwise, of Brexit

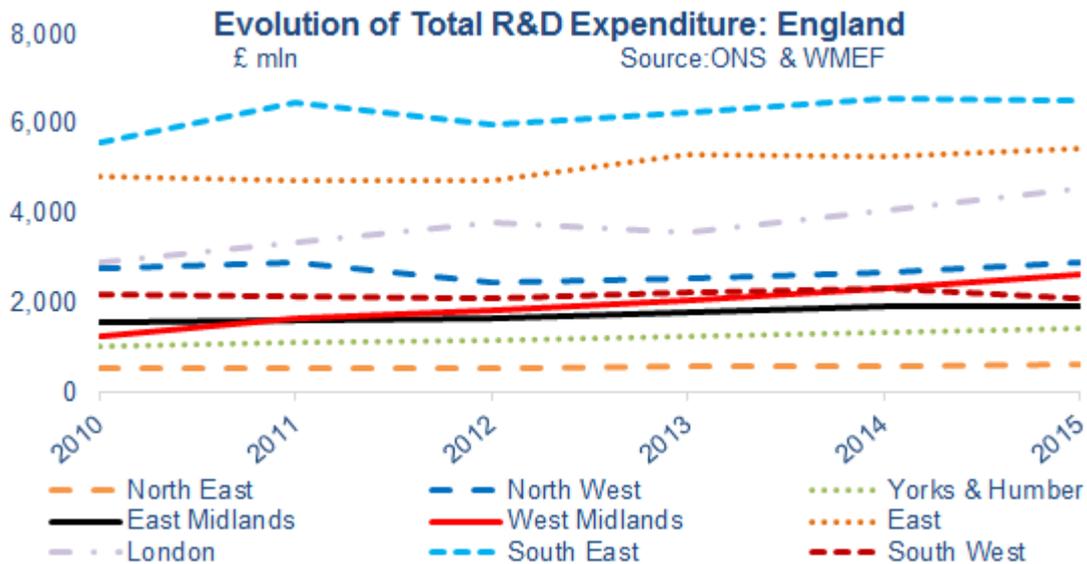
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The White Paper envisages the creation of an independent watchdog to assess policy implementation designed to enhance innovation, develop infrastructure, improve the level of workplace skills, and ensure that sufficient and effective fundings are made available from the financial sector to actually achieve rebalancing the economy.

The White Paper envisage a multi-faceted approach to support industry, with a core focus of boosting productivity.

2. Ideas

The key policies in the Ideas section are related to innovation and R&D. The government proposes an increase in total R&D spending, by both Government and the private sector, to 2.4% of GDP by 2027. However, there is no mention in the document of how this increased spending will be distributed geographically, although there is a commitment that all recipients of significant public funding should support local growth. At the moment, there are fairly large regional disparities in R&D expenditure, with the South East and the East of England dominating, largely due to the presence of Oxford and Cambridge Universities.



Future R&D will be key to making a success of Brexit, as British businesses are exposed to more international competition. The Strategy expresses a wish to continue to work closely with the EU, and other countries, in the future.

- Translate R&D to products
- Brexit – remain connected internationally
- Procurement for innovative businesses – replicating US Small Business Innovation Research Programme
- Industrial strategy challenge fund, £725m over 4 years, sector deals, bringing together research and business investment.
- Science & Innovation Audit Theme – focussing on Northern Powerhouse, Midlands Engine, Advanced Manufacturing, digital technologies and data, Systems integration

3. People

Much of the policy outlined in the Industrial Strategy is designed at supporting STEM skills, especially in schools. The introduction of T-Levels – qualifications with a more vocational focus – which had been announced previously, which will initially cover digital, construction, education and childcare, will be expanded.

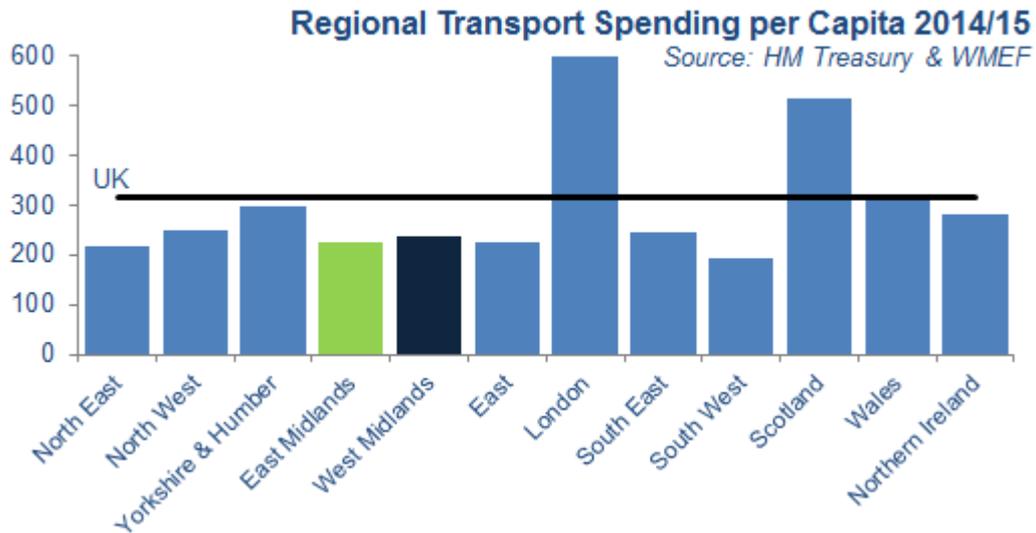
There was the introduction of the National Retraining Scheme, with £64m to fund retraining and upskilling of the workforce in digital and construction skills. This will be increasingly important as the skills demanded of the workforce will change with the introduction of new technologies and techniques in the future. The format and accessibility of the new training will also be critical, as training will increasingly need to take place in the currently employed labour force.

Changes made to the current education system now will take seven years to impact on the labour market, whereas the potential impact of Brexit on the labour force appears to be already being felt. The impact of Brexit on the workforce is not examined in great detail in the White paper, other than briefly examining the skills needed in future migration conditions. In some industries, there is going to be a potential loss of EU workers, and their skills, after Brexit, and there need to be policies in place to retrain and upskill the current workforce in the shorter term. Notably, an issue not addressed is that much of the low skilled labour force is currently located in sectors that do not presently harness skilled technical staff, whereas there are acute skill shortages in the advanced sectors – and how to effect both the retraining and shift of this labour to more productive sectors.

4. Infrastructure

Key to making a success of Brexit will be the provision of a globally competitive infrastructure network, which allows businesses in the UK to compete and trade with companies internationally.

Infrastructure investment can have a large impact on productivity, by reducing delays in supply chains, giving employers access to a wider pool of workers or by enabling the use of new technologies such as intelligent manufacturing. The White Paper recognises the potential impacts of infrastructure on productivity, and pledges to address the regional imbalances in transport spending in the UK. Currently, transport spending per capita in the Midlands is approximately a third of that in London, and less than half of that in Scotland.



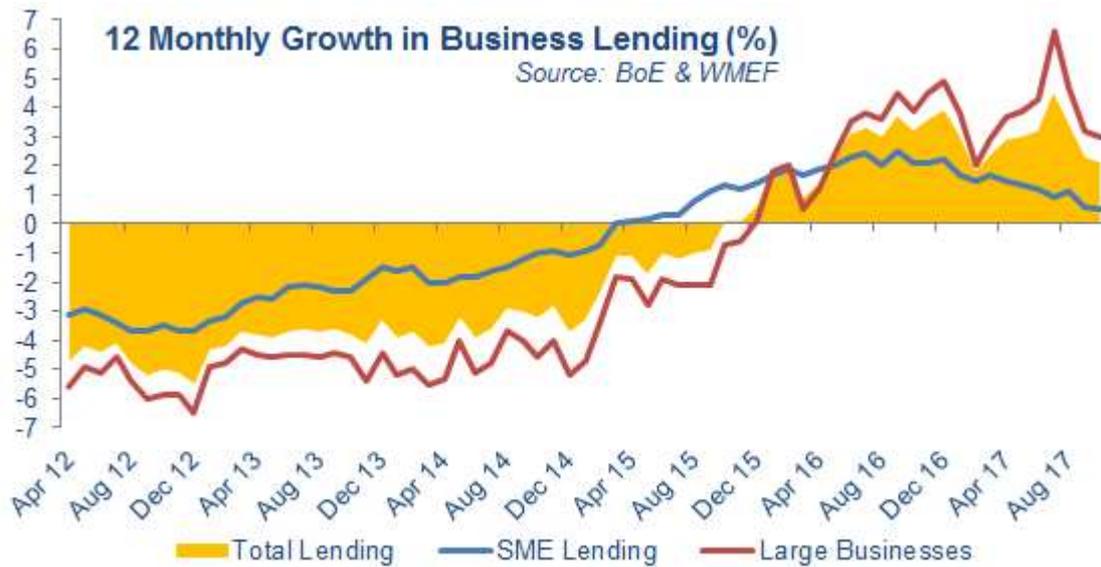
Simply redressing these imbalances, on a per capita basis, in spending would go some way to addressing productivity problems in the Midlands, which anecdotal evidence suggests is operating at capacity in infrastructure terms. The transforming cities fund will provide £850m for the six combined authorities, with a further £850m for transport projects in cities.

In terms of digital infrastructure, £35m is to be used to trial trackside high speed broadband at the Melton Mowbray test track and across the Trans-Pennine route. The government also aims to have 10 million full-fibre premises before 2027, up from the current 3%, although this would still be less than 40% of the 27.2million households in the UK in 2017 – not counting other premises – far less than the 70% plus in Portugal, Spain, Japan and South Korea or indeed the 100% target set by the Republic of Ireland by 2020.

5. Business Environment

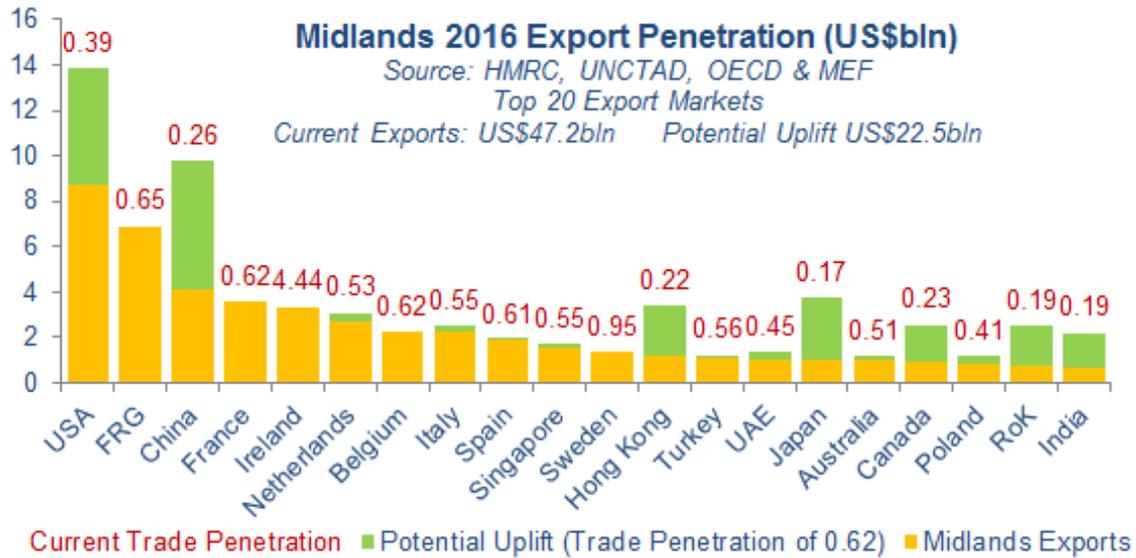
As identified in the White Paper, the UK does have a strong track record in business start-ups, and performs well in international rankings for ease of doing business. However, there are several issues still faced by businesses in the UK, not least infrastructure and skills shortages addressed elsewhere in the White Paper. One of these, identified in the Strategy, is access to finance. This is a particularly acute problem for SMEs, which have seen much slower growth in business lending than

larger businesses. There will be a £2.5bln investment fund, managed by the British Business Bank to help redress some of these problems.



The White Paper also discusses the sector deals which were proposed in the initial Green Paper, in life sciences, construction, AI and automotive, with other sectors in the process of negotiating deals. These involve the use of government procurement within these sectors to promote best practice and provide income for innovative businesses and SMEs. They will also involve regulatory changes, for example the AI Council will look at the use of data in the future.

In the context of Brexit, the promotion of UK exports will be key to future economic success. The Midlands has a strong exporting track record, and has a trade surplus with non-EU countries. The Strategy proposes the creation of 9 regional trade commissioners, each to create a regional trade strategy.



However, information for businesses from the Department for International Trade is critical, with local trading experts which can advise businesses on the local regulatory environment, culture and language barriers, as well as promoting British business abroad.

6. Places

The White Paper recognises that there are regional disparities between different areas of the UK, including in infrastructure provision and education and skills. The Transforming Cities Fund is part of this, as well as a teacher development premium, which will provide £1,000 budget for teacher professional development. Civil Service jobs will also be moved out of London to help develop growth in the regions of the UK.

The government proposes the creation of local Industrial Strategies by Devolved Administrations and CAs to align with the national strategy and focus regional needs.

7. Productivity

The white paper proposed to improve productivity by addressing Britain’s comparatively weak skills record, deficient infrastructure investment and on narrowing the productivity gap not just between the South-East and the rest of Britain but also within regions themselves.

8. Funding

The funding for the Key Policies in the Industrial Strategy comes to £14.8bn

9. Brexit

Very little mention is made of Brexit in the White Paper, despite it being a significant concern and cause of uncertainty for many businesses, especially those which trade internationally. Some of the policies unveiled will be crucial for making Brexit a Success, such as improving infrastructure and skills levels.

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