

Britain needs an industrial strategy and it doesn't mean picking winners

By Vicky Pryce

THE Queen's speech last week outlined the way that the new Conservative government will take forward in practice the contents of its pre-election manifesto. The mooted European referendum bill attracted a lot of attention. There was also more emphasis on spreading the benefits of growth across all regions and across all segments of the population. But of great interest also was the glimpse, in advance of the first post-election Budget on July 8, of how the new government intends to meet the various spending and tax commitments made before the election while still achieving the improvement in finances that will allow for the hoped for elimination of the deficit before the end of this new parliament.

We all know though that the answer must lie in growth. And a lot of it and soon please. But how will it be achieved. On the face of it the omens are not particularly good. Although there are some signs of a pick-up in the service and manufacturing sector and retail spending remains strong, first quarter GDP growth data disappointed and the Bank of England has downgraded its growth forecasts for this year from an earlier 2.9% to 2.5%, from 2.9% again to 2.6% in 2016 and from 2.7% to 2.4% in 2017.

There are some obvious things holding us back not least the strength of the pound and the weakness in the Eurozone which is our main export

market. Uncertainty about the outcome of the elections and now concerns about a possible 'Brexit' do not help either. But much of the problem also lies in the UK's poor overall structural competitiveness. Productivity has been weak. The labour market, though increasingly skilled has shifted increasingly from high productive sectors to less productive ones; and a lack of both public and private investment has reduced innovation and growth – even traditional high productivity sectors such as mining and extraction and the financial sector have also seen a drop since the financial crisis.

How do we reverse this? Clearly anything that improves the conditions for growth will help. A better climate for business is a must. There will be focus in the Queen's speech for further devolution of powers to the regions and crucially an Enterprise bill, aimed at reducing bureaucracy and encouraging entrepreneurship, productivity and profitability. That is good news, particularly for small firms who will eventually get better help also with resolving disputes over late payments from larger firms. Also good news for jobs if pledges to create an extra 3million apprenticeships and helping women back to work by extending the hours of free childcare or all come to fruition.

But will we know anything more about industrial policy more generally? An industrial strategy had finally been crafted by the new Business Secretary Sajid Javid's immediate predecessor, Vince Cable



> Vicky Pryce

with an emphasis on 11 sectors. There had also been a ring fencing, at least in nominal terms of science and technology spending, encouragement of industry-university collaboration backed by 'catapult' innovation centres and money from 'Innovate UK', previously the Technology Strategy Board, and a focus on science or STEM skills to enable the UK to flourish in advanced manufacturing and innovative technology areas. None of these require huge amount of extra spending but are vital for improving the country's competitiveness and keeping the UK at the forefront of discovery and successful and profitable exploitation of new ideas.

It is also what guarantees high levels of inward investment and encourages top brains to move here rather than be lured by the US and increasingly also China.

Industrial policy needs to be constantly evolving in a globalised environment and adapting to new challenges. And what has been put in train already needs to be properly evaluated after it has been running for a while. And yet evaluation of policy is an area where in my experience the UK often lets itself down. Mike Wright, in an introduction to a compilation of think pieces on 'New Perspectives on Industrial Policy in Modern Britain' (Oxford University Press 2015) recommends a regular five year strategic review of innovation support to consider all areas of financial and other support provided. Similarly for the wider system of industrial policy to assess its effectiveness and whether the sectors and themes chosen are still appropriate as times evolve and the environment changes. He also calls for stability in the institutions that support businesses locally and nationally, such as the Local Enterprise Partnerships which are just about to start performing their intended roles after a period of gestation.

I would add to this also the to reassess the contribution of manufacturing, traditionally the most productive sector of the economy and one that tends to see more of its goods exported than many others. Its contribution in terms of its direct

and indirect impact on jobs, spill-overs to the rest of the economy, the generally high level of skills it uses and its comparatively high gross value added should not be underestimated. Far from being a sunset industry as part of the UK's glorious past, it is very much part of this country's economic success. But the story is seldom told and the attention it deserves is never accorded. Moreover design, marketing, branding and other creative sectors have now become an integral part of its success- a fact not well known or understood. Rather than being a sector set apart from services, it instead embraces them to achieve a bigger whole. And that interrelationship needs to be understood and encouraged to the benefit of the UK economy as a whole. This does not require picking winners. Instead what is needed is encouraging the links that allow the eco-systems to be created that will make manufacturing- and the rest of the economy- flourish. The state has a role to play here to make the system work- and it should do so with relish.

A version of this article appeared on Cityam.com

Vicky Pryce is Chief Economic Adviser at CEPR, Visiting Professor at Birmingham City University and Aston University, a former Joint Head of the UK Government Economics Service and co-author with Prof Michael Beverland and Beverley Nielsen of 'Redesigning Manufacturing', Palgrave Macmillan, 2015

A Precious boost for the UK's jewellery sector

JEWELLERY Industry Innovation Centre, Birmingham City University, is academic partner in additive manufacturing project for the UK jewellery industry

The UK's jewellery sector is set to benefit from a major £471,000, two year research and development project called PRECIOUS that began in October 2013. The project, which is managed by Delcam, will make a definitive step change to the current use of additive manufacture for precious metal jewellery through an empirical set of trials, benchmarks and demonstrators, making it easier for the whole UK supply chain of design, manufacture and retail to adopt the technology.

The PRECIOUS project is being undertaken by a consortium of five organisations that, in addition to the Jewellery Industry Innovation Centre, includes industry partners Delcam, Cookson Precious Metals, Lionel T Dean/Future Factories, and Finishing Techniques.

The project is receiving £212,000 of support from the UK's innovation agency, Innovate UK. It is aimed at rapidly bringing to full commercial maturity the process of additive manufacturing of precious metal jewellery items that is currently at varying stages of partial readiness at



> Gay Penfold, centre manager, Jewellery Industry Innovation Centre, Birmingham City University, with collaboration partners

a small number of UK companies.

JiIC Centre Manager Gay Penfold, stated, "The UK is an internationally recognised and important supplier of quality jewellery to the world's markets but is constantly threatened by cheap imports from low labour cost economies. The PRECIOUS project is intended to offer a viable alternative manufacturing option to those who supply jewellery at the

middle to higher end of the bespoke and personalised jewellery market. New online business models that exploit additive manufacturing are expected to be created and should add innovative design driven impetus to the more traditional high street retailing sectors".

To achieve this goal, the partners have been focusing on a number of important research and develop-

ment elements :

- An assessment of the current "State of the Art" including design software currently available
- Identifying the supply chain requirements for the introduction of additive manufacturing
- Developing business models for jewellery companies wishing to use additive manufacturing
- Improving the efficiency of

additive manufacturing of jewellery (minimizing support structures, post processing and finishing)

■ Creation of demonstrator projects to promote the technology to jewellery companies

As part of the projects dissemination activities a Technology day will be held at the School of Jewellery on August 20th. The day will feature presentations on the project in the morning and an all-day opportunity to drop in to see current jewellery technologies, equipment and related services.

More information on this project can be found at www.precious-project.co.uk

Acknowledgements

This project is co-funded by Innovate UK, the UK's innovation agency. Its goal is to accelerate economic growth by stimulating and supporting business-led innovation. Sponsored by the Department for Business, Innovation and Skills (BIS), Innovate UK brings together business, research and the public sector, supporting and accelerating the development of innovative products and services to meet market needs, tackle major societal challenges and help build the future economy. For more information please visit www.innovateuk.org