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Making it in Cumbria

Professor Frank Peck of the University of Cumbria’s Centre for Regional Economic Development writes for in-Cumbria on the big issues of the day and the economic data behind them. This month, he focuses on advanced manufacturing.

Advanced manufacturing is heralded as one of the key areas for the future growth of the economy of the UK and is identified as one of the four strategic priorities in Cumbria LEP’s Strategic Economic Plan.

The term itself needs some explanation – what does it mean to say manufacturing is ‘advanced’?

While there is no single agreed definition, it is most commonly used to refer to complex globally oriented production of specialised goods, materials and components within which high levels of innovation in relation to business processes and application of new technology are keys to competitiveness.

The term advanced manufacturing can certainly be applied to the county’s two largest industrial employers, BAE Systems and Sellafield Ltd, which are both involved in the production of highly specialised products and materials involving complex global supply chains. But there is more than this in the county. It could also apply to production sites operated by multinationals in Cumbria including Pirelli Tyres, GSK biopharmaceuticals, Siemens sub-sea technologies and Iggesund Paperboard.

Furthermore, it is interesting to observe that examples of advanced manufacturing can be found throughout the county even in areas that might be perceived as largely ‘rural’ in character – Innovia Films in Wigton; Gilbert, Gilkes & Gordon and James Cropper in the Kendal area; James Walker in Cockermouth; Sealy Bed in Aspatria; M-Sport in Dovenby.

An indication of the scale of advanced manufacturing in the county can be seen in the latest employment figures (Business Register and Employment Survey 2016).

The county’s two largest industrial employers account directly for around 16,000 jobs. But added together, there are as many jobs again associated with other manufacturing including over 4,000 people employed in wood and paper products, 3,000 in metal products, 2,250 in rubber and plastics and over 2,000 involved in the production of various types of specialist equipment and machinery. The county also has several high value-added production sites in the chemicals sector.

Why is it that these activities attract so much attention from policymakers? Indeed, the spread of advanced manufacturing could be viewed negatively as technological change is likely to reduce numbers employed in the short term while also intensifying demand for high-level skills that are currently in short supply which presents significant challenges to the skills system. The reason for this intense interest, however, can be summed up in one word – productivity.

The LEP Plan notes that manufacturing generates a quarter of all Cumbria’s gross value-added with only 15 per cent of the workforce. In short, advanced manufacturing has the potential to generate significant improvement in productivity (output per worker).

Even in the context of Brexit, levels of productivity will remain a major factor in global competitiveness in these industries. But future trade deals will also be highly significant in influencing business decisions. In the short term, manufacturers in Cumbria that serve export markets will have been helped by the weaker exchange rate which, according to various indicators, has led to sustained growth in manufacturing in the UK as whole at least up to September 2017.

In the longer term, however, the debate surrounding the opportunities and threats of various Brexit scenarios are gathering pace. There is speculation, for instance, that a hard Brexit could induce a new phase of “reshoring” involving a shift towards shorter national supply chains or dual sourcing as well as changes in inventory control and warehousing. There are likely to be opportunities for some to access new global markets but threats also, as multinationals consider how best to restructure their operations across national boundaries. Much hangs on the outcome of Brexit negotiations.