Reindustrialisation
Research
Group

ONE MILLION JOBS:

Defining the goal of reindustrialisation

<u>**Working Paper 1**</u>

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The benefits of reindustrialisation

Previous governments have talked a good talk on industry but have failed to deliver change.

This is because they have refused to set a clear target that would force our economic establishment to develop the policies required to deliver an ambitious economic reform programme. We must lean into accountability, rather than run from it.

We must start by defining reindustrialisation.

Reindustrialisation is both a social and an economic goal. It means increasing production-based sectors, as a share of the overall economy. We define these as agriculture, mining and quarrying, manufacturing, energy and water supply. These are the physical goods upon which everything else depends. It also means rebuilding the economies of places that have been deindustrialised and spreading growth into areas which have not been industrialised in the past but have assets to produce more in the future.

This is not just nostalgia. The scale of global production is continuing to grow rapidly. The gross value added of the manufacturing sector has increased by $7 trillion since 2010, according to the IMF, with UN data showing the global trade in goods increasing by $1.5 trillion alone in 2025. Britain has badly miscalculated in giving up on physical production. Reindustrialisation is about securing our economic future, not looking to the past.

At a fundamental level, **reindustrialisation means making more things in more places**. It is a transition towards greater material and physical production, meeting more of our own needs and exporting more things that the rest of the world wants to buy.

Delivering this shift requires a clear target. We believe that an absolute jobs target will create a tangible difference in the look and feel of our economy, encourage ambitious policy development and maintain long-term public support.

We propose, therefore, a target of creating an additional 1m jobs in production-based industries above their current level over the next decade, with a total number of people employed in these sectors standing at 4.56m by 2036.

We further propose three ‘guardrails’ to be created to ensure that the target addresses the biggest challenges facing our economy: a productivity guardrail, an exports guardrail and a communities guardrail.

Based on current distributions, the North of England would see around 270,000 jobs created (over a quarter) under this target, the Midlands 220,000 jobs created, and our devolved nations see 150,000 jobs created – over 64% going into the nations and regions that have historically suffered from deindustrialisation.

Sustaining 1m additional jobs and safeguarding millions more will require £150bn in additional gross value added to be generated. This in turn will require £645bn in capital investment over the next decade, practically doubling the level of annual investment within these sectors of our economy.

Beyond the jobs created and the communities rebuilt, reindustrialisation will directly address our biggest economic challenges from the cost of living crisis and stagnant wages to maintaining our world-beating technological capabilities.

The Prime Minister says he wants a 'Makerfield Test' to ensure the government delivers for the most disadvantaged areas. Reindustrialisation requires a 'Maker-things Test' if he wants to deliver the new political economy that the public wants.

Learning the right lessons

The new Prime Minister, Andy Burnham, recently laid out his ambition for Britain to reindustrialise and has repeatedly said it is one of his priorities for the new government. In his most recent speech on the 29th June 2026, the Prime Minister said:

"On reindustrialisation, we will support every region to set clear and credible industrial ambitions – and provide the support to achieve them, encouraging more cross-UK partnership between places with complementary industrial clusters, as Cambridge and Manchester have done on life sciences."

This ambition is welcome and essential.

For too long, the country has been failed by an economic establishment that has mistakenly written off Britain's industrial capacity and perpetuated the myth that the production of physical goods has no part in our future. The cost of this lack of ambition has been high. Since 2017, with the 'return' of industrial strategy within government, we have had four industrial strategies – May's *Industrial Strategy* (2017), Johnson's *Plan for Growth* (2021), Sunak's *Advanced Manufacturing Plan* (2023) and Starmer's *Modern Industrial Strategy* (2025). To varying degrees, these strategies contained some good ideas and policies, at their heart, all of them failed to match the scale of the economic transformation that the country needs. All of them have been under resourced. All of them have lacked the total support of the British state. All of them have failed to build new institutions that can deliver change.

For one reason or another, it is clear HM Government's heart has never been in developing an expansive, ambitious industrial strategy. Only clear political leadership can overcome the pessimism and inertia that has dominated British economic policy for the past fifty years. The Prime Minister has indicated that for the first time in generations, we have a leader that is prepared to put the politics of production at the heart of their economic strategy.

These previous strategies should be read as a warning to the incoming government.

Our country's economic establishment is very effective at drafting earnest, often long, documents that give the appearance of substance, whilst avoiding significant commitment towards any economic goal. This has made it easy for officials and departments to avoid proposing radical policy change because any change, even a small one, can be later defined as success even if it has little meaningful impact on people's lives. Ambitions turn to ash, fuelling further public apathy and dissatisfaction.

We must not make the same mistake again.

Our constituents are demanding a new political economy, something that they have repeatedly voted for and which the state has failed to deliver.

We must show them that we are committed to a radically different future and that we are prepared to take dramatic action to achieve it.

We must make a start by setting a clear, ambitious target for reindustrialisation that will hold the feet of the state to the fire and ensure that we get the change we need.

What is reindustrialisation?

The place to start is defining what we mean by reindustrialisation.

A mistake in previous governments and strategies has been to define industrial strategy so broadly as to make the concept almost meaningless.

In broad terms, we can divide the economy into three elements: production, construction, services. Reindustrialisation means increasing the first element, production, as a share of the overall economy.

Production, including natural production, includes agriculture, mining and quarrying, manufacturing, energy and water supply. These are the physical goods upon which everything, including construction and services, depend.

At a fundamental level, reindustrialisation means making more things in more places. It is a transition towards greater material and physical production, meeting more of our own needs and exporting more things that the rest of the world wants to buy.

It is also more than manufacturing, although manufacturing accounts for the vast majority of production. This is because manufacturing itself depends upon access to energy, critical raw materials and productions without which it cannot thrive. In the case of energy and raw earth minerals, we have seen how important it is to ensure that we increase production of those foundational inputs.

Crucially, reindustrialisation is not an attack on services or any other part of the economy. There are lots of important sectors in this country from retail to financial services.

A focus on reindustrialisation does not mean that these sectors are diminished. However, reindustrialisation means accepting of the limits of relying on these services to generate the income necessary to pay for all the goods that we need on a day to day basis. Britain must remain a services superpower, but that superpower cannot succeed if it is burdened with generating all the growth our economy desperately needs.

However, reindustrialisation is not simply an economic goal, it is a social goal too.

As the Social Mobility Commission has highlighted "entrenched disadvantage, and decline into disadvantage, are particularly clear in the former mining and industrial areas in the North East of England, Yorkshire and the Humber, the West Midlands, Wales and Scotland." [1] The Independent Commission on Neighbourhoods (ICON), set up to investigate disadvantaged neighbourhoods in England, has also found that the most vulnerable neighbourhoods are concentrated in deindustrialised areas and coastal communities.[2]

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[1] Social Mobility Commission, State of the Nation 2025, December 2025
[2] Independent Commission on Neighbourhoods, Think Neighbourhoods, March 2025

We have tried repeatedly to reverse this decline through an exclusive focus on services and the knowledge economy, but these sectors have failed to help places recover. After fifty years we need to accept that it was a mistake to have deindustrialised these places. Instead, we should have invested in them and supported their transition to maintain their competitiveness.

There are also other deprived areas that have never been industrialised, but which have assets that could enable them to thrive within a reindustrialised economy.

Reindustrialisation means both changing the composition of our economy and bringing hope back to places that have been let down for decades.

With this definition in mind, we can now consider what an ambitious and realistic goal for reindustrialisation could look like.

The benefits of reindustrialisation

One of the reasons why reindustrialisation has failed to get the investment it requires is that the economic establishment treats it as an extension of social policy, something that simply ameliorates the decline of our communities. The 'real' work of economic growth is, in this view, best done by doubling down on a few big cities and looking at high-value services. These sectors receive priority and considerable state protection (particularly financial services) whilst production is underfunded and ignored. In focusing on jobs and our communities, we have likely reinforced this view amongst the economic establishment that reindustrialisation is not a serious economic agenda. However, we believe that the evidence is firmly on our side and that far from being an expensive form of social policy, reindustrialisation is necessary to address our biggest economic challenges facing our country. This justifies the increased investment and shift in policy that reindustrialisation requires.

It is also in line with what we know is going on within the global economy. Global trade in goods continues to increase, with trillions of pounds worth of global trade up for grabs. We must not cut ourselves off from this trade. Britain must remain a services superpower alongside a sizeable productive base.

We think that are three main benefits from reindustrialisation that policy makers have ignored, beyond the obvious economic and financial impact of creating hundreds of thousands of well-paid jobs, as well as creating growth in disadvantaged areas. Reindustrialisation is not special pleading, it is a serious policy to address our economic weaknesses.

1. Addressing the long term cost of living crisis

At the centre of the cost of living crisis is higher levels of inflation which is pushing up essentials in the economy. In the 197 months from January 2010 to May 2026, CPI inflation has been above the 2% Bank of England target for 126 months – or 64% of the time. [3] This has led real wages to stagnate and has also put considerable pressure on UK businesses to find additional income for wage increases simply to keep pace with higher levels of inflation. In turn, this is fuelling unemployment by making it more expensive to create jobs than it otherwise should.

One of the drivers of higher inflation has been our persistent current account deficit (the sum of all our country's income and expenditure) which reached £94bn in 2025, weakening the pound sterling relative to what it would be if the economy was in balance. Since the Euro was introduced, the pound has dropped 20% in comparison with it. It has dropped by a similar rate against the US Dollar. Given our dependence on food, energy and manufacturing imports, this depreciation has pushed up the cost of everyday living – with still around a third of household expenditure going on goods rather than services.[4] The current account deficit is driven by our goods deficit, which reached £242bn in 2025, dwarfing our surplus in service exports. At no period since the early 1980s, has our economy been able to run a current account surplus or balance our books.

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[3] Calculation based on Office for National Statistics, Consumer price inflation, UK: May 2026, 17 June 2026
[4] Office for National Statistics, The Blue Book, 2025

The economic establishment view has been that we need to continue to rely on services to close this gap and keep inflation low, but this has been disproven by fifty years of economic reality. The only way to reduce inflation and break the cost of living crisis is to boost production through reindustrialisation.

The alternative is to continue on as we are, with the government perversely spending tens of billions on subsidising the essentials of everyday life in order avoid spending money on 'backwards' reindustrialisation, a process that could create tax-generating jobs and investment for local communities.

2. Boosting long run productivity growth

Even though we know that manufacturing productivity growth, for example, runs between two to three times the level of services.[5] In the long run, productivity growth determines the standard of living for our society, yet governments have tended to focus on high-value services as the root for productivity growth. The evidence shows that wage growth is still in line general increases in productivity.[6] The productivity stagnation has reduced wages in the economy by over £10,000 per worker per year[7], income that would have helped to deal with the shocks created in the global economy due to the pandemic and the war in Ukraine. The evidence is again clear that whilst high-value services are important, they are not a substitute for the productivity growth that production can create.

We need to address the composition of our economy and create the conditions for as many highly productive production-based jobs as possible. After two decades of hoping that service-based growth could generate the productivity gains required to sustain higher living standards whilst industrial output shrunk, we need to accept that reindustrialisation is necessary if we want to restore the productivity of the British economy. Our service workers need reindustrialisation just as much as our production workers.

3. Maintaining our world-beating research and development capacity

It had been hoped whilst industrial production would decline, Britain's research and development sector could continue to expand, maintaining the high-value service jobs whilst shipping industrial production overseas to countries with lower labour costs. Unsurprisingly, cut off from the interaction between research and the processes of production, scientific research and development output has actually declined since 2010, rather than increasing.[8] As Dan Wang has noted in his book *Breakneck,* China in particular has gone in the opposite direction. They understand that only a strong industrial base can enable cutting-edge science to be maintained. Investment is flowing to those countries and places where new patents can be put into practice and refined quickly, rather than countries where research cannot be put into practice. This decline risks undermining our universities, one of economic strengths and critical anchor institutions for many communities.

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[5] S. Sorbe et al, Can productivity still grow in service-based economies? Literature overview and preliminary evidence from OECD countries, December 2018
[6] The Resolution Foundation, Ending Stagnation: A New Economic Strategy for Britain, December 2023
[7] Ibid.
[8] Office for National Statistics, Regional gross value added (balanced) by industry, April 2025

Britain risks drifting from the technological frontier, further weakening our competitiveness and leaving us without both the jobs from production and knowledge-creating sectors.

We must make the case for reindustrialisation not just on the social and economic opportunities that it will create in the places it takes place, but because it is in the national interest. The evidence is clear. We need an ambitious and realistic target to drive for.

One Million Jobs – an ambitious and realistic target for reindustrialisation

Picking the right target

The case for reindustrialisation is clear. Learning from the past, we know that without a clear target we will not get the policy change we need to succeed.

An effective reindustrialisation target must be:

1) **Impactful** – any target must be sufficient in scale that the public will notice that something positive has happened.
2) **Resilient** – any target must be able to withstand the ups and downs of political cycles.
3) **Robust** – as far as possible minimises unintended negative consequences.

We think there are three broad options for a target that meets these principles. A relative target for production as a share of the economy; an absolute output target for production and an absolute jobs target for production-based industries. Based on the analysis below, we believe that an absolute jobs target would be the most likely to succeed.

The strongest argument for such a target, is that we need to work back from what matters most to the public to maintain long term commitment to reindustrialisation.

What matters to people are jobs.

Table 1 – Merits of different reindustrialisation targets

Target	Impactful	Resilient	Robust
Increasing share of production as percentage of the overall economy	Depending on scale of target, yes.	Unlikely to gather public support to maintain long term focus.	Could be achieved through collapse in output in other parts of the economy or other negative events.
Increase absolute output of production in real terms	Depending on scale of target, yes.	Unlikely to gather public support to maintain long term focus.	Would decouple target from wider economic events and avoid perverse outcomes.
Increase absolute number of jobs in production-based industries.	Depending on scale of target, yes.	Directly links to public's desire for well-paid, dignified work and would likely maintain high public support.	Would decouple target from wider economic events and avoid perverse outcomes, however, there is a danger that it undermines productivity.

A relative share target would, for example, seek to increase the share of production as a percentage of the overall economy. A sufficiently high target, say increasing from its current 13.7% share of gross value added to 18% over the next decade, could be impactful. However, any relative target can be inadvertently achieved through perverse events. For example, a second great financial crisis could disproportionately hit the financial and professional services sector, temporarily increasing the relative size of the productive sector whilst that sector may not have grown or even simply contracted less. This makes it questionable from the perspective of principles one and three (impactful and robust). It is also questionable whether a 'technical' relative target would achieve the political and public buy-in necessary to achieve the scale of investment and policy change required to deliver its results. Ultimately, the public do not care about the relative balance of different sectors, and this could make any target of this nature, which like all targets can be easily attacked for being arbitrary, vulnerable to being scrapped, undermining its resilience.

An absolute output target for production, say increasing the gross value added of the production-based sectors by £100bn in real terms over the next decade, is another option. It could also be an absolute target for exports or investment. As before, this could be impactful. It would also neutralise the risk that the target could be perversely achieved through a particular set of events because it would treat this sector of the economy on its own terms, rather than linking it to the performance of other parts of the economy. However, as before, this absolute target risks not being resilient because the total output in the economy is also something that the public do not sufficiently care about. Although people want growth, whether they care about a particular absolute level of growth is questionable.

Thirdly, we could have an absolute target for jobs in production-based industries. This would have all the benefits of an absolute output target, but we know that the public are much more focused on jobs than they are on abstract concepts such as gross value added or financial targets increasing its resilience and effectiveness. The reason why reindustrialisation is back on the agenda is because people want access to decent jobs and working conditions. Median manufacturing wages, for example, are 11% higher than the UK's overall wage.[9] Median wages in wind, nuclear and electricity are £13,000 higher than the national average.[10] We also know from our own constituencies that the dignity and respect, the psychological benefit of production, is closely tied to employment. We also know that the country is facing a NEETs crisis, so this target would tie closely into another key challenge facing the country.

This target's greatest vulnerability is that at a time of technological change, particularly AI, we commit ourselves to a jobs target that may be difficult to achieve. Other countries which have had a jobs target, such as China, have recently dropped such targets.[11] A focus on jobs could potentially undermine the competitiveness and productivity of production-based industries, one of their historic strengths and risks repeating the mistakes of the post-war period that saw nationalised industries as an arm of social policy to keep unemployment artificially low through overmanning.[12] However, we are confident that with the right guardrails, that this can be avoided. Moreover, whatever the future, it is very difficult to believe that the public will accept that a major economic shift has undertaken if it has not resulted in the creation of a large number of decent well-paid jobs in production.

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[9] Oxford Economics & Manufacturing Technologies Association, The true impact of British Manufacturing, April 2024
[10] Department for Energy and Net Zero, Clean energy jobs plan, October 2025
[11] Bloomberg, China Omits Job Goal for the First Time in Decades as AI Spreads, 10th July 2026
[12] R. Bacon & W. Eltis, Britain's Economic Problem Revisited, 1996

What is ambitious and achievable?

At the time of writing, there are 3.56m people working in agriculture, mining, energy, water supply and manufacturing jobs, this is one in ten (10.3%) of the workforce.[13] This is down 413,000 workers from when the gross value added of production peaked in 2006, when these jobs made up 13.6% of the workforce. If production-based sectors had maintained their share of the workforce, there would currently be 1.1m more workers in these sectors compared to the current level.

We know that we cannot reverse this decline overnight and it is going to take many years to reindustrialise our country, during which time the workforce will likely continue to grow. Moreover, as discussed previously, a relative target could be achieved through a slump in another area (for example, AI removing jobs in service-based sectors).

We propose, therefore, a target of creating an additional 1m jobs in production-based industries above their current level over the next decade, with a total number of people employed in these sectors standing at 4.56m by 2036.

Any reindustrialisation proposals from the government needs to be judged against this goal.

This would significantly shift the balance of our economy towards production - rising from its current 13.7% of overall GVA to around 16% in 2036 based on historic rates of productivity growth since 2006 - whilst also creating decent jobs.

We further propose three 'guardrails' to be created to ensure that the target addresses the biggest challenges facing our economy.

1. **The Productivity Guardrail** – the overall productivity growth of production-based sector must not fall below its historic trend (approximately 1.2% real terms since 2006) to ensure its competitiveness.
2. **The Exports Guardrail** – the overall exports intensity of these sectors must be maintained, ideally increased, to sustain demand for these jobs and address wider economic challenges.
3. **The Communities Guardrail** – these jobs must be prioritised in the areas that have suffered the worst effects of deindustrialisation and disadvantage.

These guardrails should be interlocking. The productivity and exports guardrails should prevent the communities guardrail from underlining the competitiveness of these sectors. The communities guardrail will prevent the target being gamed to purely focus on low-hanging fruit that does not meet the understandable aspirations of large parts of our country.

Based on current distributions, the North of England would see around 270,000 jobs created (over a quarter), the Midlands 220,000 jobs created, and our devolved nations see 150,000 jobs created – over 64% going into the nations and regions that have historically suffered from deindustrialisation.

Providing the means for transformation

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[13] ONS employment data by industry - 19 May 2026

Production-based jobs have a much higher level of capital intensity than the service sector on average – around £4.3 of capital stock per pound of gross value added generated.[14] In order to sustain one million additional jobs whilst maintaining existing jobs and assuming historic rates of productivity growth, we will need to generate an additional £150bn in gross value added on top of its current level.

This will require creating at least an additional £645bn of capital stock over the next decade into the production sectors of the economy, a conservative estimate given the undercapitalisation of UK production compared to our competitors. This also does not include the tens of billions that will need to be invested in the workforce as well as supportive infrastructure to enable the flow of goods.

This is very clearly beyond the capability of the private sector to achieve on its own and would require a 72% increase in annual business investment above and beyond what is currently being invested by the private sector.[15] The state will have to take an active role in providing this capital through a range of measures from capital grants, subsidies and tax credits, asset and land transfers, matched investment, loan guarantees and equity investment.

Any reindustrialisation strategy will need to have a plan for how to generate the hundreds of billions of investment required to sustain these jobs over the next decade.

We do not consider this significantly higher level of investment a problem. In fact, it reinforces the point of the target which is to ensure that policies are developed and funding is provided at a sufficient scale. For example, the current level of government grant and subsidies to business will need to substantially increase. Germany, for example, spends almost three times as much on state aid and government support than we do.[16]

Having substantial and resilient production sectors requires the state to provide certainty and stability for investors as well as smooth out the inevitable ups and downs in the trade cycle, particularly given the expansionist policies of China.

The high level of cost does beg the question, is this worthwhile?

We believe that the answer is definitively yes.

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[14] Office for National Statistics, Capital stocks and fixed capital consumption, November 2025
[15] Office for National Statistics, Business investment by industry and asset, Annual CVM SA, June 2026
[16] https://www.aoshearman.com/en/insights/uk-almost-triples-spending-on-subsidies-since-leaving-the-european-union

The ‘Maker-things Test’

The Prime Minister has said that he will subject all policies to a ‘Makerfield Test’, to see if they can work to improve the lives of people living in places like Makerfield. This is the right approach.

We will not pass the Makerfield test, if we do not pass the ‘Maker-things Test’. If policies help to boost production in the economy so that we can make more of the things that we need in more places, then we will be heading in the right direction, not only for Makerfield but for communities like it across the entire country.

The government rapidly needs to develop a policy programme that can deliver reindustrialisation. Even making an impact in a decade’s time requires urgent action today.

We hope that this paper is a useful contribution to that process by clearly articulating the goal of reindustrialisation, defining it in a way that will lead to radical economic change as well as get buy-in from the British public. We will be making further recommendations based on what is required to deliver reindustrialisation that will make a meaningful difference to the public.

Reindustrialisation will not be easy or without trade-offs, particularly in the teeth of trade wars and increasing great power rivalry. We cannot just take the public for granted. We must define reindustrialisation in a way that meets both our economic needs but also ensures that it maintains public support.

Moreover, we must remember why we are doing this.

The public are not fools. They know that our country’s economy has been heading in the wrong direction for a long time. They know that this is not simply a ‘patch and mend’ job. There is something fundamentally missing. When you speak with people, they instinctively highlight the country’s deindustrialisation as something that has made our economy weaker. Our economic establishment has arrogantly dismissed this instinct for too long, saying that we must accept that we are a ‘post-industrial’ society despite the world experiencing the most rapid industrialisation in its history.[17] The time has come to admit that we made some bad choices, rather than doubling down on a failed economic strategy.

Finally, we have a Prime Minister who understands both the moral and economic importance of reindustrialisation.

We need the system to step up and develop an agenda that meets the scale of ambition that he has for our country. We stand ready to help.

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[17] S. Beckert, Capitalism: A Global History, 2025