

# Reindustrialise Britain

**A plan to rebuild sovereign  
manufacturing capability, create  
good jobs and renew Britain's  
industrial communities**

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## Executive summary

For forty years, the UK's manufacturing industries and industrial communities have been structurally deprioritised by government and starved of investment. The result is an economy with a smaller industrial base, weaker productive investment and greater dependence on overseas capital than our European peers. The Government's 2025 Industrial Strategy marked an important change of direction, but action has not yet matched the scale or breadth of the challenge to reverse deindustrialisation.

**Britain now needs an explicit mission to reindustrialise: rebuilding and modernising manufacturing across the economy, creating sovereign productive capability, strengthening domestic supply chains and creating good industrial jobs in every region. This should include a specific target to grow manufacturing jobs.**

The scale of the missed opportunity is demonstrated by Britain's growing Industrial Jobs Gap. UK manufacturing employment has fallen by 7% since 2010, while manufacturing employment across the EU27 has grown by 3%. Had the UK followed the EU27 trajectory of manufacturing jobs over this period, we would have around 276,000 more manufacturing jobs today. Matching Germany would mean 215,000 additional jobs, and matching Spain, more than half a million (552,000).

The actual impact goes much wider than these numbers. Manufacturing jobs support extensive supply chains and wider employment beyond manufacturing such as in logistics, distribution and business services<sup>1</sup>, and their loss has been concentrated in industrial regions including Wales, the Midlands, Yorkshire & Humber, the North East and North West.

Our European peers have recognised the benefits of retaining a more balanced economy and defending their industrial base, including higher wages, lower regional inequalities, societal and economic resilience. While European industry is still facing significant pressures, many of our peer countries have retained many more manufacturing jobs than the UK, by putting in place pro-active industrial policies.

Behind the UK's Industrial Jobs Gap lies failure to take a similar approach – including a chronic investment gap. UK manufacturing investment has languished at just over 1% of GDP for much of this century: 1.5% or below for every year since 2001 except 2021. This is a fraction of the EU average of around 3.5% and close to 4% in Germany. Public industrial investment also falls short: OECD data show industrial grants in 2023 (defined more broadly than manufacturing, to include direct government expenditure transferred to businesses in industrial sectors without repayment) are equivalent to

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<sup>1</sup> <https://www.ciip.group.cam.ac.uk/reports-and-articles/measuring-what-matters-the-real-value-of-manufacturing-in-the-uk-economy/>

0.33% of UK GDP, compared with 0.77% in France, 0.84% in Germany and 0.65% in Italy. Scaled to the size of the UK economy, matching these countries would see £9-14 billion more public industrial grant investment every year.

At the same time, Britain has developed an increasingly extractive economic model, in which too much of the value generated by businesses is taken out in the form of dividends or share buy-backs, rather than reinvested in the businesses' productive capacity and the workforce. This characterises both domestic and foreign-owned businesses, but the UK's unusually high reliance on overseas ownership exacerbates the problem, as returns flow out of the UK and investment decisions are made overseas. This makes it harder for government to shape the direction of UK industry and the economy.

Manufacturing reflects this wider pattern: foreign-controlled businesses now control an estimated 59% of all UK manufacturing turnover, rising to 80% in computer, electronic and optical manufacturing, 69% in chemicals, pharmaceuticals, petroleum, rubber and plastics, and 67% in metals and machinery. Foreign investment can bring benefits, but the lack of domestic investment and ownership combined with high levels of foreign control also means the return on investment is offshored, while crucial decisions about investment, products and the future of UK plants are often taken at multinational headquarters overseas, with British factories competing against sister sites around the world for investment.

Reindustrialisation offers the opportunity to break this cycle. Growing our industrial base to achieve a more balanced, modern economy offers a golden thread connecting stronger growth and resilience with reduced regional inequality, good jobs, greater economic security and delivery of Britain's infrastructure, housing and clean energy ambitions. Supporting all our industries to capture the competitive benefits of decarbonisation upgrades and the climate transition and other technological shifts, with upgrades to supply chains so they are futureproofed for the long run.

This does not need to mean a wholesale shift away from foreign investment, nor does it mean returning to the UK of 40 years ago. But a modern approach that combines much greater public and private productive investment with stronger domestic ownership, supply chains and public capacity to shape the future of strategically important industries.

The TUC proposes five priorities:

- **Make reindustrialisation a national mission:** establish a Reindustrialise Britain Unit in No.10 North, backed by a cross-government Mission Board, to set industrial expansion targets, develop investment and supply-chain plans and coordinate the institutions and policy levers needed to deliver them. The Mission should be defined around job growth numbers, and should be structured to complement the existing Industrial Strategy process by strengthening supply chains, workforce capabilities and industrial capacity in the majority of manufacturing sectors that fall outside the Industrial Strategy. This

should include BIST and DESNZ working together to harness industrial decarbonisation to upgrade the breadth of manufacturing.

- **Introduce a UK Industrial Accelerator Act:** legislate to use procurement, subsidies, infrastructure spending and conditions on major inward investment to build domestic manufacturing capacity, increase UK content and strengthen supply chains. This should be delivered in partnership and parallel with the EU, to achieve greater alignment and collaboration.
- **Establish a Reindustrialise Britain Fund:** provide substantially greater patient public capital through grants, concessional finance and strategic equity stakes to modernise, expand and decarbonise industry and its supporting infrastructure.
- **Bring industrial energy costs down to competitive levels:** shift policy costs away from manufacturers, extend support beyond the minority covered by existing schemes, reform wholesale pricing and rebalance the financing of network investment.
- **Guarantee good work across the country:** attach strong fair-work conditions to public investment and contracts, including decent pay and conditions, trade union access and collective bargaining, apprenticeships, job security and worker voice, including through updated procurement legislation.

# Introduction

For the last forty years, the UK's manufacturing industries and communities have been structurally deprioritised by government and starved of investment, with devastating consequences for workers' livelihoods and the country's productivity.

The new Prime Minister has recognised the crisis that we're in, and that this is a last chance to change.

He's made clear that "We need to safeguard sovereign manufacturing and production capability across the country in critical sectors like steel, defence, energy, food and farming – rather than just being prepared to let it just go as we have sadly done in the past." And highlighted the need to "build our own resilience in places across the country in an increasingly uncertain world" and to "recycle maximum benefits for our communities and residents."<sup>2</sup>

The Prime Minister is right that maintaining a strong, diverse industrial base and rebuilding sovereign productive capabilities is key for economic resilience and jobs. Research into recovery of local regions across the EU in the aftermath of the 2008 financial crisis found that areas with more diverse, integrated industrial capabilities were able to adapt and recover more quickly than those with narrow capabilities.<sup>3</sup>

This decade's geopolitical instability has also demonstrated that industrial capability is a key source of economic and national security. A more balanced economy with a strong industrial base is no longer just an economic advantage but a strategic necessity, providing a triple resilience:

- **More self-sufficient domestic manufacturing**, protecting the UK from global supply chain shocks and vulnerabilities.
- **Good, secure jobs** in parts of the country that have been economically marginalised, supporting community resilience and the ability to recover more quickly after crises or downturns.
- **Industrial capacity and ability to pivot production** in response to international and domestic crises causing a sudden surge in domestic requirements, for example, producing ventilators during the Covid pandemic or fertilisers in response to the wars in Ukraine or Iran.

Reindustrialisation can offer a golden thread running through many of the country's biggest challenges: creating modern, clean and competitive industries that make the UK more resilient to external shocks, creating tens of thousands of good jobs, tackling

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<sup>2</sup> <https://andyburnham.org.uk/2026/07/20/andy-burnham-speech-at-the-peoples-history-museum-manchester-29-june-2026/>

<sup>3</sup> <https://academic.oup.com/joeg/article/22/1/27/6272858?login=false>

the high cost of living, providing routes into work for young people, and reducing regional inequalities.

For industrial and post-industrial communities, that means something tangible: places where young people have reasons to stay, where they can find secure work with decent pay, and where more of the value generated by economic growth is retained within local economies.

Reindustrialising is possible in the UK. There is a choice for politicians to make.

Other countries in Europe have responded to threats to their industry by taking proactive action, such as making reindustrialisation an explicit mission of government, investing significant capital, and developing clear plans for both foundational and higher growth sectors. Where an active agenda of reindustrialisation has been pursued, countries have seen growth in numbers of factories.<sup>4</sup> The EU is now expanding on its ambition with the Industrial Accelerator Act and Made in Europe local content provisions.<sup>5</sup>

The EU has so far also been more successful in capturing the industrial benefits offered by the climate transition such as building supply chains for electric vehicles and offshore wind, as well as investing in decarbonisation of industrial sectors like steel to build competitive, modern industries. If government acts strategically, the transition can create and strengthen new markets for UK manufacturing while helping to secure the future of the industries and jobs we already have through ambitious decarbonisation.

More broadly, there is a renewed global focus on developing domestic industrial capacities, including Made in China 2025 in China; Society 5.0 in Japan; K-Strategy in South Korea; the CHIPS Act in the United States; the Clean Industrial Deal in Europe.

Until now, UK Governments have not chosen to put in place an equivalent policy package. The UK's 2025 Industrial Strategy did mark a significant development after decades without a coherent approach to industrial policy. Its focus on sectors with the greatest growth potential can help target resources where the UK has particular strengths, including some specific manufacturing sectors like Advanced Manufacturing, Defence and Clean Power.

But we have not yet seen action of the scale or breadth needed to reverse deindustrialisation. The need for greater scale is crucial, given the low levels of private and public investment into UK manufacturing, and additional hurdles to overcome including high energy costs and levels of foreign control.

Reindustrialisation must also extend across the breadth of manufacturing sub-sectors, the majority of which fall outside the eight prioritised by the Industrial Strategy – from food & drink to bricks and glass, chemicals and plastic to paper and cement. While the

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<sup>4</sup> <https://www.entreprises.gouv.fr/la-dge/publications/barometre-industriel-de-letat-2024>

<sup>5</sup> [https://employment-social-affairs.ec.europa.eu/news/commission-proposes-industrial-accelerator-act-strengthen-industry-and-create-jobs-europe-2026-03-04\\_en](https://employment-social-affairs.ec.europa.eu/news/commission-proposes-industrial-accelerator-act-strengthen-industry-and-create-jobs-europe-2026-03-04_en)

Industrial Strategy rightly prioritises sectors where the UK has particularly fast growth potential like clean power and advanced manufacturing, all manufacturing sectors deliver the triple resilience described in the introduction. The reindustrialisation agenda should seek to drive up industrial productive capacity across all manufacturing industry.

A broad reindustrialisation agenda should complement, empower and expand on the existing Industrial Strategy by strengthening supply chains and domestic activity, strengthening the workforce and rebuilding our country's manufacturing capability.

## Britain's Industrial Jobs Gap

The scale and pace of deindustrialisation in the UK have been stark compared with our European peers, although the UK is by no means unique in seeing a significant change in the balance of productive and service industries over time. Since the 1980s, a finance- and services-led economic model, marked by underinvestment and a hands-off approach to industrial policy, has steadily depleted the UK's industrial base. To a greater extent than in many comparable economies, the institutions that supported manufacturing, productive investment and industrial employment were dismantled or encouraged to shrink. Successive UK governments accepted persistent trade deficits and shrinking domestic productive capacity, and the country became increasingly reliant on imports to meet demand.

Other countries across Europe are today also facing acute pressures from international competition, global overcapacity, weak demand and persistently high energy costs, all of which are putting industry and workers under severe strain. But many other European countries have nevertheless retained a significantly greater share of their industrial base. This has not been the result of chance, but of concerted policy choices over years and decades to maintain industrial capabilities, invest in transformation and modernisation, and protect and strengthen domestic supply chains.

Figure 1 shows manufacturing employment in the UK, France, Germany, Italy and Spain as well as the EU average and range, indexed to 2010, and Table 1 shows total manufacturing jobs in 2025.

Spain's manufacturing jobs trajectory stands out: following a steep decline after the financial crisis, manufacturing employment has been growing steadily in absolute terms, and in 2025 is about 12% higher than it was in 2010, just surpassing the number of manufacturing jobs in the UK. Germany managed to maintain strong manufacturing employment throughout the 2010s, from a comparatively high starting point, though has experienced decline since 2020, with overall job numbers in 2025 back to where they were in 2010. Italy and the EU's overall trajectories are similarly relatively constant, and 3% higher in 2025 than in 2010. Of course this data is aggregated across manufacturing sectors, and therefore masks sub-sectoral growth and decline.

The UK and France have experienced the most pronounced job losses in manufacturing, with jobs in France now around 4% below 2010, and the UK 7% below its 2010 level. France experienced a long period of pronounced deindustrialisation through the 2010s, though job numbers stabilised around 2019-20 and have since grown slightly.

Figure 1: Manufacturing jobs total, indexed to 2010. Source: TUC analysis based on OECD data<sup>6</sup>

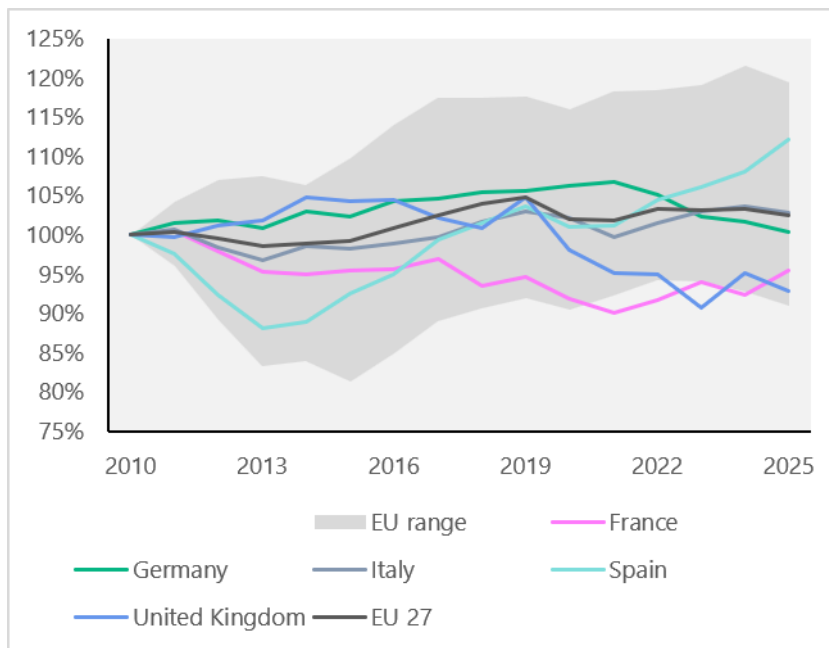


Table 1: Number of manufacturing jobs in 2025, millions

| Country        | Manufacturing jobs in 2025, millions |
|----------------|--------------------------------------|
| France         | 3.2                                  |
| Germany        | 7.6                                  |
| Italy          | 4.3                                  |
| Spain          | 2.7                                  |
| United Kingdom | 2.7                                  |
| EU 27          | 29.9                                 |

Figure 2 shows manufacturing employment as a proportion of total employment, in the UK, France, Germany, Italy and Spain as well as the EU average and range, and Table 2 shows manufacturing share of total jobs in 2025.

<sup>6</sup> OECD Employed population by economic activity, available [here](#); Annual employment by economic activity, domestic concept, available [here](#)

Figure 2: Manufacturing jobs as a proportion of total jobs. Source: TUC analysis based on OECD data<sup>7</sup>

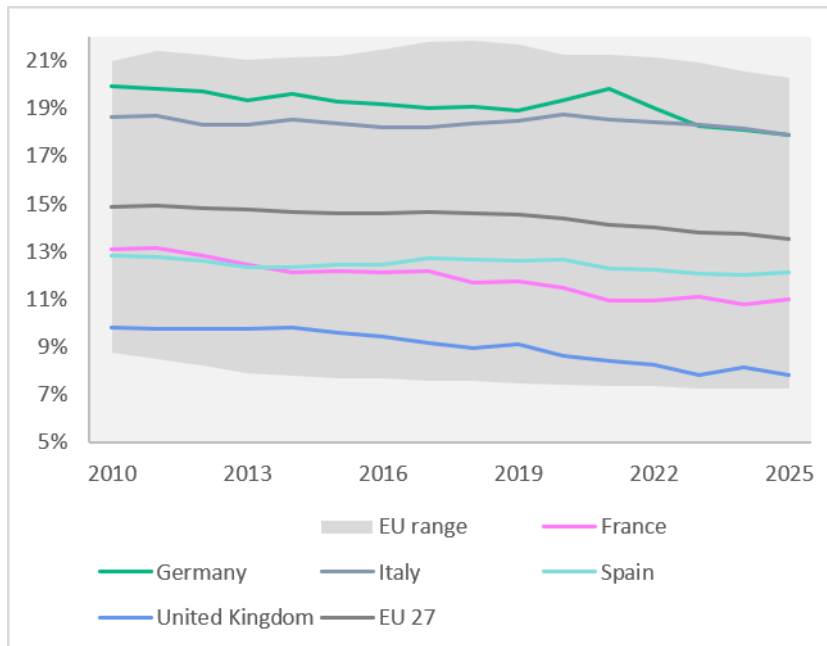


Table 2: Manufacturing jobs as a share of total jobs in 2025

| Country        | Manufacturing % of total employment in 2025 |
|----------------|---------------------------------------------|
| France         | 11 %                                        |
| Germany        | 18%                                         |
| Italy          | 18%                                         |
| Spain          | 12%                                         |
| United Kingdom | 8%                                          |
| EU 27          | 14%                                         |

### Box 1: Industrial policy pathways in select European countries

There is no singular success story of reindustrialisation in Europe. But countries that have retained a more balanced economy with a stronger manufacturing base than the UK, or begun to reverse deindustrialisation, have generally gone beyond supporting a narrow group of high-growth sectors. Many of our European peers have recognised that retaining a good balance of manufacturing and other industries makes good economic sense, and have gone further than the UK in their policy efforts to reindustrialise. Below summarises recent industrial policy developments in comparator countries.

- Germany – sustaining and upgrading a strong industrial base:** Germany has retained a much larger manufacturing base than the UK through long-standing institutions that support productive investment and industrial capability, including patient finance through KfW, applied industrial R&D through the

Fraunhofer institutes, vocational training, regional clusters and worker co-determination. More recently, government has sought to modernise and decarbonise existing industry through measures including Carbon Contracts for Difference, hydrogen infrastructure and major support for steel and other energy-intensive industries, although high energy costs and international competition are now putting German industry under significant pressure, with the automotive sector under particular strain.

- *Italy – supporting investment across a broad manufacturing base:* Italy has retained one of Europe's largest and most diverse manufacturing economies, underpinned by dense regional networks of SMEs and industrial supply chains. Since 2016, Industria/Transizione 4.0 has used large-scale tax incentives to encourage manufacturers to invest in machinery, automation, digital technologies and R&D; this has evolved into Transizione 5.0, which adds support for industrial energy efficiency and green transition, with €6.3bn initially allocated to the programme.<sup>7</sup> Italy nevertheless demonstrates that retaining manufacturing employment alone does not guarantee strong productivity performance, and as one of the most gas import dependent countries in Europe, faces particular issues with energy price volatility.
- *France – making reindustrialisation an explicit national objective:* Following decades of sharp deindustrialisation, France changed direction from around 2017 and has explicitly pursued reindustrialisation and new factory creation. The Territoires d'industrie programme coordinates national and local intervention across 183 industrial territories around land, skills, investment and decarbonisation<sup>8</sup>, while France Relance and the €54bn France 2030 programme support new domestic industrial capacity and supply chains.<sup>9</sup> Instruments such as Première Usine explicitly finance the establishment of factories and industrial-scale production, rather than innovation and R&D alone. Between 2022-2024, the number of factory openings exceeded closures<sup>10</sup>, however French industry has experienced significant pressures in particular from international competition and energy costs that have prevented this trend from continuing
- *Spain – rebuilding manufacturing following the post-2008 jobs shock:* Spain progressively returned to active industrial policy after a particularly pronounced jobs shock following the financial crisis in 2008, and manufacturing employment began recovering from 2013/14. Spain's 2014 Industrial Strengthening Agenda contained 97 measures spanning industrial finance, investment, energy, innovation and skills, followed by Industria Conectada 4.0

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<sup>7</sup> <https://www.mimit.gov.it/it/incentivi/piano-transizione-5-0>

<sup>8</sup> <https://anct.gouv.fr/programmes-dispositifs/territoires-d-industrie>

<sup>9</sup> <https://www.economie.gouv.fr/france-2030>

<sup>10</sup> <https://www.entreprises.gouv.fr/la-dge/publications/barometre-industriel-de-letat-2024>

and sector-specific roadmaps for established industries.<sup>11</sup> Since 2020 this has expanded substantially through introducing a Productive Industrial Investment Support Fund ('FAIP') which provides patient finance for productive investment and the Strategic Projects for Economic Recovery and Transformation ('PERTEs') programme, supporting whole value chains including EVs, semiconductors, industrial decarbonisation, hydrogen and shipbuilding. Spain's new Industry and Strategic Autonomy framework also strengthens intervention around threatened industrial capacity, including Reindustrialisation Committees involving trade unions and local authorities to seek alternatives to closures and job losses.<sup>12</sup> Spain also has the most developed Just Transition framework in Europe with national and regional observatories, action plans and strong social partner involvement and negotiated solutions.<sup>13</sup>

## The Industrial Jobs Gap

The UK has a significant and growing Industrial Jobs Gap. Had the UK followed the EU27 trajectory of manufacturing jobs since 2010, we would have around 276,000 more manufacturing jobs today. Matching Germany would have meant 215,000 additional jobs, and matching Spain, more than half a million additional jobs. Even if UK manufacturing employment had declined at the same rate as France, we would still have around 75,000 more manufacturing jobs in the UK than we currently do. Table 3 below shows how many additional manufacturing jobs the UK would have today, if manufacturing jobs had followed the same trajectory as comparator countries between 2010 and 2025.

*Table 3: The UK manufacturing Jobs Gap compared with other countries*

| Country | UK manufacturing Jobs Gap |
|---------|---------------------------|
| France  | 75,000                    |
| Germany | 215,000                   |
| Italy   | 284,000                   |
| Spain   | 552,000                   |
| EU27    | 276,000                   |

The significance of this gap extends beyond the number of jobs. Manufacturing jobs are often central pillars in their local communities, tend to be better unionised, and

<sup>11</sup> <https://www.lamoncloa.gob.es/consejodeministros/Paginas/enlaces/110714-sector-industrial.aspx>

<sup>12</sup> <https://news.industriall-europe.eu/Article/1530>

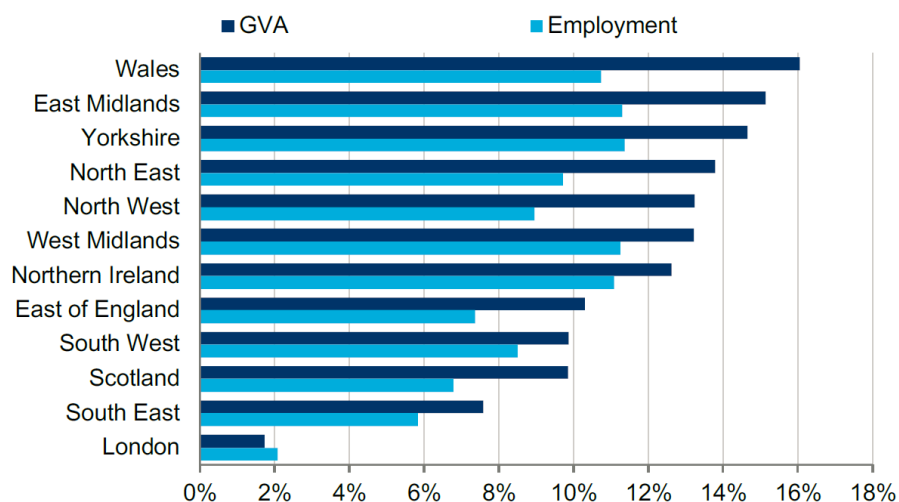
<sup>13</sup> <https://justtransition.industriall-europe.eu/national/Spain>

receive 11% higher wages than regional averages.<sup>14</sup> Manufacturing also delivers strong wider economic benefits.<sup>15</sup> For every 1 job created in manufacturing, evidence suggests an additional 1.8 jobs are created in supply chains (indirect effects) and through wages spent in the local economy (induced effects), meaning that 2.2 million direct jobs in manufacturing supported a further 4.7 million in the wider economy in 2022.<sup>16</sup>

The contribution of manufacturing is particularly strong in Wales, the Midlands, Yorkshire, the North East and the North West, as indicated in Figure 4. The loss of industrial employment has therefore been geographically concentrated, disproportionately affecting these areas and exacerbating regional inequality.

In certain local areas, like chemicals in Teesside, automotive in the Midlands and Merseyside, aerospace in North Wales, the role of manufacturing is greater still, reaching 20% of total employment in some instances.

Figure 4: Contribution of manufacturing to GVA and employment, 2022<sup>4</sup>



Source: BRES, ONS, Oxford Economics

Taken together, the evidence points to the scale of the opportunity that the UK has been missing out on. Had we followed the trajectory of our European peers since 2010, the UK could have hundreds of thousands more industrial jobs today, with the benefits accruing especially to many of the places and communities that have faced the worst impacts of deindustrialisation.

<sup>14</sup> Oxford Economics (2024). The True Impact of UK Manufacturing. Available:

<https://www.oxfordeconomics.com/resource/the-true-impact-of-uk-manufacturing/>

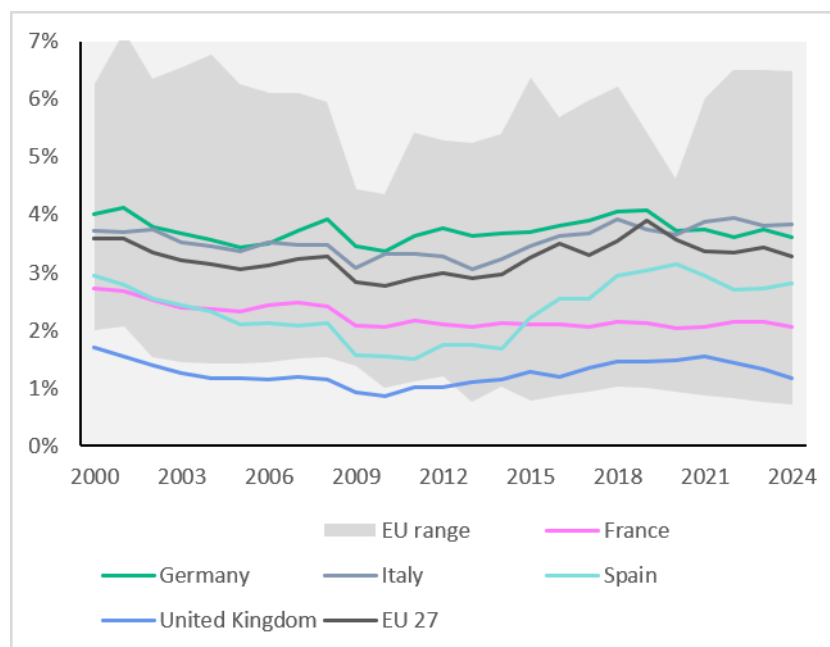
<sup>15</sup> Cambridge Industrial Innovation Policy (2026). Measuring what matters: the real value of manufacturing in the UK economy. Available: <https://www.ciip.group.cam.ac.uk/reports-and-articles/measuring-what-matters-the-real-value-of-manufacturing-in-the-uk-economy/>

## Low investment, high foreign control

The UK's deindustrialisation has been driven in part by a persistent failure to invest in its productive capacity. Figure 4 shows that total investment in manufacturing (public and private) has languished at 1%, less than a third of the EU average of around 3.5%. This tracks with the UK's economy-wide underinvestment problem.<sup>16</sup>

Germany has sustained comparatively high levels of investment in manufacturing, at just under 4% of GDP. Since the early 2010s, Spain's investment in manufacturing has grown significantly, coinciding with the increasing numbers of manufacturing jobs illustrated in Figure 1.

Figure 5: Manufacturing productive investment (Gross Fixed Capital Formation) as a percentage of GDP.  
Source: TUC analysis based on data from Eurostat<sup>17</sup> and OECD<sup>18</sup>



Policy choices mean that the UK has throughout this period become highly reliant on overseas capital. Foreign entities now hold a stock of foreign direct investment (FDI) in the UK worth over \$3.2tn, the highest in Europe and the third highest in the world.<sup>19,20</sup> Between 2009 and 2024, £468bn, or an average of £30bn per year, was extracted from the UK economy to go overseas in the form of rents, debt interest, dividends and share

<sup>16</sup> IPPR (2024). Rock Bottom: Low investment in the UK economy. Available:

<https://www.ippr.org/articles/rock-bottom>

<sup>17</sup> Eurostat data: [nama\\_10\\_gdp](#): GDP and main components (annual data); [nama\\_10\\_a64\\_p5](#): Gross capital formation by industry

<sup>18</sup> OECD data: [DSD\\_NAMAIN10@DF\\_TABLE1\\_EXPENDITURE](#): Annual GDP and components – expenditure approach; [DSD\\_NAMAIN10@DF\\_TABLE8](#): Annual capital formation by economic activity

<sup>19</sup> <https://neweconomics.org/2025/07/all-investment-isnt-made-equal>

<sup>20</sup> <https://unctad.org/topic/investment/world-investment-report>

buybacks.<sup>21</sup> This is the equivalent of the entire economic output of Tyneside, sent overseas every year. Our manufacturing industry fits within this overall picture, and whilst foreign investment has brought some benefits, and at times helped prevent sites from closing down, the pattern of ownership and governance of UK industry remains highly extractive. Evidence does not suggest increasing levels of foreign control have been effective in generating investment in the productive economy, including investment in real capital assets to upgrade, modernise and decarbonise our industrial base.

High levels of foreign control create particular risks for an economy with a weakened domestic industrial base. Decisions over new investment, products and the future of UK sites are increasingly made at multinational headquarters overseas, with UK plants competing against sister sites abroad for investment. This leads to pervasive direct job quality (as well as quantity) impacts in manufacturing, in which workers are pressured to accept redundancies, wage cuts and poorer working conditions by local UK management, to narrow the competitiveness gap with sister sites in order to win investment.

A lack of strong domestic ownership and investment leaves government with fewer levers to shape these decisions and can increase the vulnerability of strategically important industrial capacity.

The scale of this exposure is significant for manufacturing. Table 4 shows the proportion of total turnover held by foreign-controlled businesses, broken down by subsector. Across manufacturing, foreign-controlled companies account for an estimated 59% of total turnover, rising to as much as 80% for computer, electronic and manufacturing, and nearly 70% for sectors like chemicals and metals.

*Table 4: Foreign controlled share of manufacturing turnover*

| Manufacturing subsector        | SIC codes* | Total turnover, <sup>22</sup> £bn | Foreign-controlled business turnover**, <sup>23</sup> bn | Foreign-controlled share |
|--------------------------------|------------|-----------------------------------|----------------------------------------------------------|--------------------------|
| Computer, electronic & optical | 26         | 25.5                              | 20.3                                                     | <b>80%</b>               |

<sup>21</sup> O'Brien & Glover (2026) The Politics of Production: A new realist political economy for Britain. Available: <https://policyexchange.org.uk/wp-content/uploads/The-Politics-of-Production-A-new-realist-political-economy-for-Britain.pdf>

<sup>22</sup> ONS Non-financial business economy, UK: Sections A to S (2026). Available: <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/datasets/uknonfinancialbusinesseconomyannualbusinesssurveysectionsas>

<sup>23</sup> ONS Foreign affiliate statistics, inward, UK (2026). Available: <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/foreignaffiliatestatisticsinwarduk>

|                                                          |                   |       |       |            |
|----------------------------------------------------------|-------------------|-------|-------|------------|
| Chemicals, pharmaceuticals, petroleum, rubber & plastics | 19–22             | 156.2 | 108.1 | <b>69%</b> |
| Metal & machinery products                               | 24, 25, 28        | 106.3 | 70.9  | <b>67%</b> |
| Automotive & other transport                             | 29–30             | 124.1 | 75.4  | <b>61%</b> |
| Food, beverages & tobacco                                | 10–12             | 146.3 | 62.0  | <b>42%</b> |
| Textiles & wood                                          | 13, 14, 16–18     | 44.5  | 14.6  | <b>33%</b> |
| Other manufacturing                                      | 15, 23, 27, 31–33 | 82.4  | 51.4  | <b>62%</b> |
| Manufacturing total                                      | 10–33             | 685.4 | 402.7 | <b>59%</b> |

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*\*Grouped by [ONS industry allocation](#)*

*\*\*Businesses with greater than 50% of the ordinary shares or voting power residing outside the UK*

Delivering reindustrialisation will require breaking both sides of this pattern. The UK needs to solve its chronic manufacturing investment problem, mobilising substantially greater levels of public and private capital to modernise, decarbonise and expand production.

But it must also rebuild greater domestic control over strategically important industries. This does not mean a wholesale shift away from foreign investment, but it does mean ensuring that industrial policy shapes investment to strengthen domestic ownership and supply chains, where workers can influence the long-term decisions that determine the future of industrial sites.

To address the Industrial Jobs Gap, low levels of investment and high levels of foreign control, government will need to set out a bold policy and delivery agenda. The next section sets out some initial proposals to make reindustrialisation a reality.

# Reindustrialisation: a defining mission of government

Reindustrialising Britain will require a paradigm shift, not incremental policy change. After decades of deindustrialisation and underinvestment, now is the time for government to match the scale of the challenge with the scale of its ambition: taking a more active role in shaping markets, directing investment and rebuilding the productive capacity of the economy. The following proposals set out some of the institutions, investment and policy levers needed to deliver on reindustrialisation.

## A Reindustrialisation Mission and the institutional capacity to deliver it

To deliver on its stated goals, the government must introduce a new National Mission to Reindustrialise Britain, backed by long-term investment, delivered by institutions with the capability and authority to act, and shaped by ambitious national objectives for expansion.

The Reindustrialisation Mission should include setting an explicit target for growth in manufacturing employment. The ambition should be for manufacturing employment to grow in absolute terms and, over time, to increase as a share of a growing workforce. This would mark a decisive break with recent decades, in which overall employment has expanded while manufacturing employment has declined.

To drive cross-government delivery of the Reindustrialisation Mission, No. 10 North should include a new "Reindustrialise Britain Unit". The Unit would be responsible for driving and coordinating government's range of industrial policy levers to promote industrial competitiveness, regional industrial development, resilient supply chains, and future-proofed industry.

A Reindustrialisation Mission Board should guide the Unit, define reindustrialisation objectives, and oversee delivery across departments. The Mission Board should include Secretaries of State and Ministers from BIST, HMT, DESNZ, MoD, leaders from NISTA, NWF, GB Energy and the Chancellor of the Duchy of Lancaster, with additional officials, business and trade union experts and Metro Mayors included depending on the agenda. The Mission Board should show cross-government leadership on the Mission, and make decisions and provide strategic steer, monitor progress, resolve barriers and ensure departments cascade priorities for delivery.

A beefed-up and statutory Industrial Strategy Advisory Council with permanent members from industry, unions, Combined Authority Mayors and academia should provide the Mission with independent expertise and hold it accountable.

The Reindustrialise Britain Unit should:

- Be based out of No 10 North
- Be given a mandate to deliver on the Mission jobs growth target, and to protect and expand the UK's broad manufacturing industries – especially in industrial and post-industrial communities
- Set reindustrialisation and expansion targets for the UK's manufacturing industries
- Be responsible for national-level coordination and planning for reindustrialisation across BIST, HMT, MoD, DESNZ, Cabinet Office and MHCLG, including spotting and resolving interferences between competing departmental policy programmes
- Develop policy & investment roadmaps and plans that are grounded in spatial and temporal mapping of opportunity and risk
- Identify and map existing domestic supply chains that face structural change, such as the oil & gas and the automotive supply chains. The Unit should develop transition & upgrade plans, to redirect and futureproof domestic supply chains towards technologies and markets that have a long-term, sustainable future. BIST's existing Supply Chain Centre should be refocused onto domestic supply chains, to support on this
- Complement and empower BIST's Industrial Strategy Unit
- Enable local ownership and delivery through partnering with regions and local stakeholder groups
- Place emphasis on areas that are experiencing deindustrialisation, have seen industrial job losses or where closures are anticipated
- Be resourced with expertise in financial instruments, domestic supply chain analysis, labour market/workforce, procurement, and commercial expertise to be able to drive rapid progress
- Have authority to instruct the Reindustrialise Britain Fund, who take final investment decisions (see below)
- Provide input to GB Energy, GB Rail and the National Wealth Fund (NWF) on how they can use public ownership and strategic stakes as tools to support reindustrialisation, crowd in investment and secure long-term national interests, and support their scale up over time (drawing lessons from institutions such as Germany's KfW)
- Embed stronger worker representation within strategic industries, particularly where there is significant public investment or intervention. This includes encouraging worker voice at Board level and formal arrangement for worker participation in these industries.

- Work with NISTA to ensure infrastructure delivery effectively enables reindustrialisation, such as through vital upgrades to port and grid infrastructure, and also drives it via procurement contracts that provide anchor demand for key sectors
- Bring together DESNZ and BIST to develop a joint programme of upgrading the breadth of UK manufacturing by harnessing decarbonisation to deliver competitive businesses and futureproofed jobs for the long-term

## **A UK Industrial Accelerator Act**

Reindustrialisation cannot be delivered through fragmented policies or passive market reliance. It requires a strong and strategic state with the institutions, powers and financial capacity to coordinate investment, support industry and shape long-term economic outcomes.

Government should introduce a UK version of the EU's Industrial Accelerator Act (IAA) to increase industrial capacity, strengthen international competitiveness, reduce foreign dependencies, ensure domestic delivery on the government's net zero targets and that new infrastructure strengthens UK manufacturing.

The EU's IAA aims to establish predictable private and public demand for targeted industrial goods, implement local-content and low-carbon criteria to favour European-origin producers, and to reduce reliance on external suppliers. UK manufacturers and unions including the TUC have pushed for UK inclusion in "Made in Europe" criteria within the IAA, instead of tighter "Made in EU" criteria, combined with provisions to ensure the UK government can prioritise local providers and protect public ownership of public services.

Done right, a UK Industrial Accelerator Act should complement the EU's IAA, strengthening collaboration and alignment between the UK and the EU on mutual high standards including on workers' rights, in the face of unfair competition from non-European suppliers who often keep prices low through worker exploitation. The UK's IAA should not be a competitor to the EU's.

The Industrial Accelerator Act should:

- Actively design procurement, subsidy and industrial policies that support opportunities for UK firms and domestic supply chains
- Include strategic requirements in core sectors (including clean energy, defence, transport, steel) to increase domestic content over time. The existing Procurement Framework does not effectively enable the delivery of local value

to local supply chains. Recent changes to the Social Value framework<sup>24</sup> will be insufficient to deliver supply chain growth, which will require going beyond social value provisions within existing procurement frameworks to provide long term sustained demand for domestic materials. Like the EU's IAA, the UK can require that public procurement and support schemes include thresholds favouring UK or European-origin and low-carbon materials

- Align with EU conditions on Foreign Direct Investment above €100 million in target sectors – including on commitments for localisation, technology transfer, R&D reinvestment, joint ventures, and mandatory workforce localisation to drive up domestic skills. For direct government purchasing contracts, introduce scoring that assess value across the entire domestic supply chain and rewards bidders for the tax income that the UK based supplier generates. This would reflect the fiscal return to the Treasury that results from supporting domestic production, which can offset a price differential of around 20–30%
- The government have set out an infrastructure pipeline involving £285bn in public funding over the next decade,<sup>25</sup> as well as a housebuilding target of 1.5 million homes by the end of this Parliament.<sup>26</sup> These programmes have huge potential to provide anchor demand for sectors like cement, steel, glass and ceramics, if public procurement levers are strengthened and utilised effectively.

## A Reindustrialise Britain Fund

The UK must move away from a model of industrial crisis management, where government is forced to intervene only after strategic assets have been weakened by years of underinvestment, towards active industrial stewardship to safeguard strategic industrial capacity in sectors where private incentives alone do not deliver the infrastructure, investment or resilience the country needs.

Building on Manchester's Good Growth Fund, government should establish a Reindustrialise Britain Fund that delivers the truly patient capital the country needs to upgrade, expand and modernise its manufacturing industries and associated infrastructure (e.g. grid connections, port upgrades, transport links).

Table 5 shows comparative levels of capital grants in industry (defined here more broadly than manufacturing sectors only) as a proportion of national GDP, as well as the

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<sup>24</sup> <https://www.gov.uk/government/news/government-orders-that-public-spending-must-back-british-jobs-and-skills-in-every-postcode>

<sup>25</sup> <https://www.gov.uk/government/news/infrastructure-pipeline-kicks-off-new-era-of-infrastructure-delivery>

<sup>26</sup> <https://www.gov.uk/government/news/housing-sec-pledges-to-go-further-than-ever-before-to-hit-15-million-homes>

annual cost if we were to provide industrial grants at an equivalent scale in the UK. Noting that whilst this table is based on data from 2023 and therefore does not capture new funding under the 2025 Industrial Strategy, it demonstrates that our European peers place greater priority on industrial investment than we do in the UK. These countries have built up and sustained industrial capacity and higher levels of public investment over decades. If the UK were to get even halfway to the level of industrial grants as Germany, this would constitute an additional £7bn per year.

*Table 5: Comparative capital grants in industry*

| Country | Grants as % of GDP in 2023 <sup>27</sup> | GDP 2023, bn <sup>28</sup> (local currency) | Equivalent investment scaled to UK GDP, £bn | Differential with UK, per year, £bn |
|---------|------------------------------------------|---------------------------------------------|---------------------------------------------|-------------------------------------|
| France  | 0.77                                     | 2,834                                       | 21.2                                        | + 12.1                              |
| Germany | 0.84                                     | 4,219                                       | 23.1                                        | + 14.0                              |
| Italy   | 0.65                                     | 2,143                                       | 17.9                                        | + 8.8                               |
| UK      | 0.33                                     | 2,752                                       | 9.1                                         | -                                   |

*N.B. This table uses OECD data on public investment in the form of grants to industry, including manufacturing, energy, transport, mining, and other.*

To act fast, a Reindustrialise Britain Fund could be delivered through existing NWF structures. But the NWF's strategic statement, processes and sectoral scope will need to be adjusted, so that it can function as a stronger tool of industrial strategy, and so it can invest and get funds out the door faster. It will require greater capitalisation and should be enabled to provide a mixture of grant funding, equity investment and concessionary loan financing.

Meeting the objective of reindustrialisation will require a significantly longer-term funding horizon than the NWF operates on currently. HMT should redefine the timeline for returns from the NWF, so they are expected over a 15+ year time horizon, significantly longer than the current requirements. The current portfolio-wide time frame (portfolio-wide returns expected by 2031) and 3:1 return requirement for the NWF are preventing essential investment from getting out of the door and leave big gaps for the patient capital required. For example, investment into port upgrades is

<sup>27</sup> OECD (2026) Quantifying Industrial Strategy Database, available:

<https://www.oecd.org/en/topics/sub-issues/quantifying-industrial-strategies.html>

<sup>28</sup> OECD (2026) Annual GDP and components - expenditure approach, available: [https://data-explorer.oecd.org/vis?df\[ds\]=DisseminateFinalDMZ&df\[id\]=DSD\\_NAMAIN10@DF\\_TABLE1\\_EXPE\\_NDITURE&df\[ag\]=OECD.SDD.NAD](https://data-explorer.oecd.org/vis?df[ds]=DisseminateFinalDMZ&df[id]=DSD_NAMAIN10@DF_TABLE1_EXPE_NDITURE&df[ag]=OECD.SDD.NAD)

critical for domestic participation in the expansion of offshore energy, but the restrictions on NWF funding are preventing the required investments.

Increased capitalisation could be supported by making full use of the potential created in the fiscal rules through “public sector net financial liability” (PSNFL), to invest more in the economy through Public Financial Institutions including the NWF, GB Energy, the National Housing Bank and British Business Bank.

This fund should also be set up to plug the current gap in capital funding for industrial decarbonisation, largely absent since the discontinuation of the Industrial Energy Transformation Fund (IETF) in 2025. A portion of UK Emissions Trading Scheme revenue should be hypothecated and directed to this fund, as is done in the EU, and the Fund should be structured to be more accessible to SMEs than the IETF was.

This Fund, as well as existing public financial institutions (PuFINs) and publicly owned entities, should also introduce mechanisms to take strategic stakes in critical industrial assets undergoing major technological transitions where short-term market pressures risk undermining long-term national capability. Germany has done this in the context of their green steel transition: the government proactively took a temporary majority share in order to alleviate profit making pressures during the technology transition process<sup>29</sup>.

## Energy Costs

Uncompetitive energy costs are the number one threat to much of industry; and addressing this is a pre-requisite for delivering reindustrialisation. Existing and planned support and exemptions do not go nearly far enough.

Whilst cheaper energy alone won’t be sufficient to deliver reindustrialisation, it clearly cannot happen without it. Cheaper electricity is also crucial to enable a viable business case for electrification, which according to the Climate Change Committee’s seventh carbon budget is the most effective decarbonisation route for the majority of industry.<sup>30</sup>

Taking bold action on energy costs would be a clear signal that government is taking Reindustrialisation seriously. Government should:

- Rethink how we pay for ‘policy costs’. including expanding the British Industrial Competitiveness Scheme (BICS) to cover all manufacturing industry, and shifting

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<sup>29</sup> <https://www.tuc.org.uk/workplace-guidance/case-studies/german-steelworkers-win-green-steel-transition>

<sup>30</sup> <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>

all or a much greater portion onto general taxation in the immediate to near term.

- BICS in its current design will reach less than 10% of 130,000 manufacturers, of which a quarter are already offshoring operations or seriously considering it<sup>31</sup>
- Removing these hidden taxes from bills would cut approximately 20% from the electricity bills for manufacturers who can't currently access the British Industry Supercharger (BIS) and BICS.
- Without bold action on multiple fronts, electricity bills for business are forecast to continue rising to 2030<sup>32</sup>. Bringing BICS into public spend and extending support to wider manufacturing industry will alleviate pressure on bill payers and contribute towards reversing this trend.
- Make UK estimate this would cost £3.3bn, with equivalent economic benefits.<sup>23</sup>
- This approach would bring us closer in line with the approaches of France and Germany<sup>33</sup>
- Accelerate efforts to de-link wholesale gas and electricity prices, beyond expansion of renewables. Options include moving gas out of the market, publicly-owned storage and batteries, and a publicly run strategic reserve.<sup>34</sup>
- Consider rebalancing network costs to shift a greater portion of repayment into the future when costs will be spread over a much larger demand profile, for example via a government loan book. Whilst consumer charges to cover the costs are already spread over a 45-year period, the payments within the next 5-10 years are spread over a much smaller electricity demand profile than the subsequent 5-10 years. This means that today's large electricity users (e.g. glass factories or chemicals plants) are paying for the system that future large electricity consumers (e.g. data centres) will benefit from.

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<sup>31</sup> <https://www.makeuk.org/insights/reports/manufacturing-outlook-2026-q2>

<sup>32</sup> <https://www.energy-uk.org.uk/publications/cutting-business-energy-costs-a-blueprint-to-boost-growth/>

<sup>33</sup> [Industrial Electricity Prices – Barrier to growth and competitiveness](#)

<sup>34</sup> <https://www.greenpeace.org.uk/news/power-shift-gas-report/>

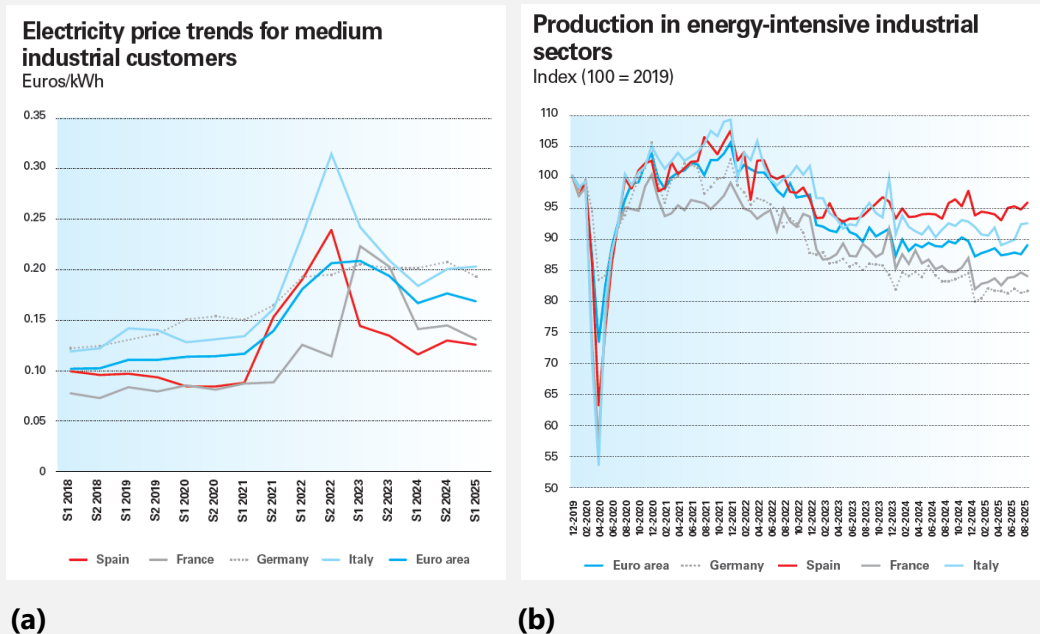
## Box 2: Cheap renewable energy driving down energy costs for industry in Spain

Spain has benefitted from a greater share of cheap renewable energy and lower exposure to Russian gas than its European neighbours, leading to a new competitive advantage on energy prices since the 2021-22 energy crisis (despite absolute energy costs having risen) – see Figure 5

This has contributed to Spain's stronger industrial performance in recent years than Germany, France or Italy. Overall non-energy-intensive industries grew by 3.3% in Spain between 2019-2025, compared to an increase of 1.1% in the euro area and a fall of 4.4% on average in Germany, France and Italy. In energy intensive sectors, Spanish production fell by 5.6% in this period, though this decline is significantly smaller than the Euro area as a whole (-11.9%) and the average for Germany, France and Italy (-14.6%).<sup>35</sup>

While other factors also played a role, Spain's lower electricity bills have made Spanish industry more internationally competitive.

Figure 5: Comparative industrial electricity prices (a) & production output (b) for select EU countries. Source: Caixa Bank



Whilst it is unclear whether Spain's competitive advantage on energy costs and industrial production will be a temporary or sustained dynamic, the energy cost competitiveness in Spain has clearly played a key role in its ability to pull ahead in industrial production in a short space of time.

<sup>35</sup> <https://www.caixabankresearch.com/en/sectoral-analysis/sectoral-observatory/keys-strong-performance-spanish-manufacturing>

## Good work across the country

Industrial change should be an opportunity to deliver good jobs across the country. But too often jobs in emerging sectors are characterised by insecurity, weak bargaining power, low comparative pay and poor training. Reindustrialisation must not be viewed solely as an economic project but as a mechanism for creating secure, well-paid, unionised employment and strengthening workplace democracy. Government can be more creative and ambitious in using its levers to drive up job quality through periods of industrial change, as we are starting to see in some areas of government.

Trade unions and collective bargaining are core to delivering a successful reindustrialisation strategy.

Government should drive up job quality across industrial sectors by expanding on the good work of the Employment Rights Act and the DESNZ Good Work Standard process, and through changes to procurement legislation.

To do this:

- HMT and BIST should expand on the DESNZ Fair Work Charter / Good Work Standard for clean power, by setting out clear conditionalities around jobs and fair work attached to government funding and non-funding levers, based on a clear job quality typology to include pay, security of contract, voice at work, health and wellbeing at work, and inclusion.
- This should use government levers to require decent pay, terms and conditions and worker voice for workforces across construction and manufacturing that are supported by public contracts and funding.
- Public contracts and funding tools should be made conditional on employers delivering on key job quality principles, including trade union access and collective bargaining; ambitious apprenticeship requirements; pay and benefits; employment terms and job security; health and safety; and skills training.
- Existing Procurement Act rules include unnecessary restrictions on requiring 'good work' – these should be removed. Government should place clear good work requirements on suppliers in all sectors - notably around union access, recognition and collective bargaining - and remove existing legal impediments to this as needed.
- Government should ensure full delivery of the Employment Rights Act.