



Redeveloping the economy: The leather industry⁽¹⁾

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This study is based on the UK leather sector but, to a greater or lesser extent, similarities can be found in many European and other markets that are considered developed.

Despite large-scale closures in the 1960s and 1970s (232), in 1978 there were still 189 tanneries and leather dressers⁽²⁾ operating in the UK. That number has now fallen to just 30 tanneries and leather dressers. At the same time these losses were compounded by the loss of associated industries and associated support infrastructure.

However it is not only tanneries that have closed in the UK. For example, last year 15,000 small businesses closed in London alone. Small businesses are the seedbed of future medium-sized and larger businesses and they play an important vibrant part of the local community in which they are situated.

These more recent closures are blamed on the current austerity measures, necessary in Europe and the UK, which are leading to a “deflationary debt spiral and contraction of economies”⁽³⁾. According to a National Institute of Economics and Social Research report, the economy is expected to shrink again during 2012. This is not a very rosy picture for business and the manufacturing industry in the UK.

After the Second World War, 50% of the working population was employed in manufacturing, but today it is less than 8% and contributes 10.25% to the economy (*for comparison it is about 20% in Germany*). This decline is mirrored in other mature economies, but several have learnt to nurture their manufacturing industry. Now it is being recognised that a wider base that includes what might be considered as fundamental manufacture is essential. Moreover, not everyone is either motivated or suited to work in financial services which historically, within the UK, have received privileged focus.

The present jobless rate in the UK for young people aged between 16 and 24 is approximately 22%, and other countries within Europe have higher rates of unemployment. Not only are these young people affected but they represent a very important resource that should not be wasted. After a long period of unemployment these people are often regarded as unemployable, but the loss of fundamental manufacture – together with associated service and support industries – has removed opportunities for many to lead full and productive lives. The ‘system’ as it exists is making these people unemployable and we have a responsibility: in a true democracy we are the ‘system’ or at least a good part of it.

Raw material resources

The present UK leather industry turnover is approximately £200 million annually. In comparison this is approximately 10% of the size of the Italian leather business, where there is a shortage of raw material that has to be imported⁽⁴⁾.

UK slaughter statistics for cattle hides are given in *Panel 1*, and show that during 2010 the UK slaughtered around 2.7 million cattle. Approximately 1.5 million of these hides were processed into wet blue/white and finished leathers, but this still leaves

some 1.2 million hides for export without any processing other than a salting operation.

In addition, over 16 million sheep were slaughtered, whereas it is stated that only 60,000 skins were processed in the UK, the balance being exported as wet salted (*wool on*) plus some pickled pelts⁽⁶⁾. It is possible that a significant portion, if not all, of these sheepskins could be fellmongered and sold in the pickle or wet blue, or even as a product with greater added value. Clearly there is a considerable volume of raw material (*hides and sheepskins*) in total that can be processed, but this would require considerable expansion and development of the present manufacturing base.

Within the EU we support free and open markets from the position described as ‘developed countries and markets’. Within the leather sector many other countries have controls in place to restrict the export of unprocessed material and this is understandable, because developing countries need to diversify their economies and reduce their dependence on primary commodity exports by developing their manufacturing industry.

This need for diversification is not dissimilar to the UK today where the manufacturing industry needs to be nurtured, which is what happens in Japan, South Korea, Singapore and Germany. Perhaps the problem is the perception of the UK (*and other EU countries*) as a ‘developed market’, whereas humbler terms are more appropriate. The term ‘redeveloping market’ might break through this mindset.

For example, whereas the favoured financial services sector contributes 8.9% to the UK economy, the manufacturing base (*e.g. defence, high performance cars, pharmaceuticals and aerospace*) accounts for half of exports and contributes 10.25% to the economy. But there are missed opportunities to better utilise our indigenous raw materials — and people — and, in this context, the focus is on raw hides and skins.

Panel 1: UK slaughter statistics for cattle hides⁽⁵⁾

Prime Cattle (Values' 1,000s)					
Year	Calves	Steer	Heifer	Young Bull	Total
2008	44.2	999.2	758.9	270.3	2072.6
2009	42.2	946.6	766.9	267.9	2023.6
2010	61.8	1017.3	774.5	349.1	2202.7
Adult Cattle (Values' 1,000s)					
Year			Cows	Adult Bull	Total
2008			541.4	176.8	559.2
2009			469.3	19.6	488.9
2010			536.3	27.8	564.1



Apprenticeship schemes and vocational training

Traditionally, apprenticeship schemes served a vast range of people. This included people who had high abilities, were driven by a wish to undertake work of a more practical nature, did not want to or were not suited to follow a purely academic route. The schemes were varied and often informal, but central to the concept was the opportunity to develop within an industry, supported by stewardship and fine examples of work ethics. This concept of mentor and apprentice worked well and, supported by day release and evening classes, was attuned to the needs of industry: this process also ensured that the mentor was tuned to changing conditions, requirements and technologies. Nevertheless, these systems gradually became displaced, and education changed to broader but less specific subject matter that favoured the sciences and technical subjects less.

It is now being realised that vocational training schemes can fulfil both the needs of scientific industry, the people within that industry, and a redeveloping economy – the combination of industry and focused education in the relevant discipline⁽⁷⁾. Moreover, the UK is considered one of the leading countries in terms of technical education and vocational training for the leather industry.

Assets for a redeveloping economy

There are many reasons, which are clearly appreciated by manufacturers outside the UK, why these raw hides and skins are of value. These advantages are greater than the logistics of transporting the usable hide, inevitable deterioration between the flaying operation and actual leather processing, the unwanted salt, hair and other hide/skin components that are not ultimately sold as leather. The best that can be said is that this scenario is meeting the present hide/skin supplier/customer requirements.

Processing fresh bovine hides at source to the tanned state or the pickled/tanned state for sheepskins can provide goods of the highest quality that are equally flexible when compared to raw hides and skins. The question to be asked is why should this raw material not be processed in this way?

The earlier contraction of the UK leather industry is historic. Manufacture is now better controlled, understood and managed. It is no longer a highly labour intensive and wasteful/polluting industry but a confident industry that understands and can meet the objectives of sustainability and modern environmental thinking. It is fortunate that the technology has survived for manufacture within this particular economy. Also, that the support provided by established education institutes remains, together with the gradual re-emergence of vocational training and apprenticeship schemes. This success is being proven by those who continue to thrive.

Against this background an expansion of existing tanneries, or new tanneries and fellmongeries – possibly as an extension of the meat industry – is technically feasible. Moreover, it offers the advantages of considerable added value at source.

The funding might be through traditional routes where opportunities are analysed and supported by direct industrial investment. Alternatively, there is the concept of an investment bank to support manufacturing growth, but this needs long-term government backing for security.

The case for a British Investment Bank with the power to raise money directly from the private sector has been proposed⁽⁸⁾. In this situation, finance could be offered to entrepreneurial businesses at lower interest rates, with long-term returns offered to the investors, which in turn would meet the needs for higher yields of pension funds and individuals. There are plenty of examples, such as the European Investment Bank and the German

Panel 2: Green Technology⁽¹⁰⁾

Green technology is the key to the sustainable redevelopment of an economy. Technology is established to make full use of resources in a responsible and sustainable way, and the goals of this discipline can be listed in an abbreviated form:

Sustainability: meeting the needs of society without compromising the ability of future generations to meet their own needs.

Cradle to cradle design: ending the cradle to grave cycle of manufacture.

Source reduction: reducing waste and pollution.

Innovation: developing alternative technologies.

Viability: creating a centre of economic activity with technologies and products that benefit the environment by creating new careers that truly protect the planet.

Kreditanstalt für Wiederaufbau. These institutions prevent savings being locked into investment projects such as roads, railways and other politically-biased projects that effectively re-freezes these savings. Plus a future government led 'Green Investment Bank'⁽⁹⁾ that opens up new technological and market opportunities could be a source of funding that suits our industry as recyclers of waste packaging material. (*For the goals of Green Technology see Panel 2.*)

The potential for re-growth

Technologies that are now available include machinery and associated linkages and handling equipment that minimise labour costs, and state-of-the-art leather making support. There is also the ability to minimise waste generation, and to convert any waste produced into new products, all of which were not available to the industry when it went into decline. And to take matters a stage further, the UK is still ideally placed to service the luxury industry, such as fashion, accessories and the automotive sector.

Against this background, the combination of raw materials at source, business opportunity, possible non-frozen investments and apprenticeship schemes must offer a better and more sustainable future for the leather sector and young people, as well as the broader redeveloping economy. ☺

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References:

- 1) *This is an amended version of the presentation entitled 'Efficient Optimisation of Resources' at Northampton University UK SLTC Conference 28 April 2012.*
- 2) *Source: K.Banning, TLC.*
- 3) *M.Schuman: Time Business publication, March 2012.*
- 4) *Publication: An Overview and Future Strategy. UKLF and The University of Northampton, Sept 2011.*
- 5) *Department for Environment Food and Rural Affairs (DEFRA), UK.*
- 6) *'The Great Sheep Industry and its Juicy Fifth Quarter', commissioned by Meat South West for The South West of England Regional Development Authority (SWRDA).*
- 7) *The UKLF is presently working on introducing SVQ/NVQ training schemes together with Joseph Clayton & Sons Ltd., Pittards PLC, Charles F Stead & Co Ltd., and Scottish Leather Group.*
- 8) *Report: 'Printing money and tax cuts aren't enough. We need real investment': Professor R.Skidelsky and F.Martin, the University of Warwick: The New Statesman (01 March 2012)*
- 9) *'In times of recession Government should focus onto counter cyclical policies' Mariana Mazzucato, New Statesman, 09 March 2012.*
- 10) *www.green-technology.org*