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No Plant, No Problem? Factoryless Manufacturing And Economic Measurement

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Factoryless manufacturing' describes the strategic decision by businesses to outsource part or all of their production to a sub-contractor, sometimes overseas. Although it seems to be widespread in some sectors of manufacturing, the phenomenon is not captured by existing economic statistics. Failure to measure its extent implies there may be misattribution of production activity across sectors and countries. In particular, the decline of manufacturing could be somewhat overstated. We present web-scraped evidence on the extent of factoryless manufacturing in the UK, finding that firms in sectors such as chemicals and pharmaceuticals are more often involved in contract manufacturing, whereas in the US it is more prevalent within electronics. We also present case studies on UK automotive and pharmaceuticals based on systematic analysis of annual reports and websites. Given the sector-based focus of many economic policies, these findings point to the need for consistent measurement of factoryless manufacturing through official surveys.

