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# BACK TO THE FUTURE

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## MANUFACTURING BEYOND COVID-19

### FROM THE PANDEMIC TO THE NEW NORMAL RETHINKING POLICIES: FISCAL AND MONETARY RESPONSES TO THE PANDEMIC

Issues and policies for the economic recovery

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## INTRODUCTION

The aim of this paper is to examine and evaluate the policy measures that can best address the needs and challenges industrial ecosystems will have to face in the so-called “new normal”. In particular, the analysis will focus on the actions required to ensure and boost the competitiveness and evolution of manufacturing value chains worldwide, identifying the challenges ahead, the possible strategies that firms can implement to face them and the actions policymakers have to design to support the industrial system in this process. Given the “global” perspective of the project, our work aims to set broad guidelines not targeted to a single country/region but that can be extensively applicable when adapted to a specific context.

The pandemic has amplified dynamics that were already ongoing. In recent years we have witnessed an evolution of the competitive context on a global scale. On one hand, this process has changed the structure of the industrial value chains and the organisation of the network of trade flows, increasing their geographic scope and interconnections; on the other hand it has contributed to augment the exposure to systemic shocks that, in turn, has accelerated and exacerbated business cycle’s fluctuations. In short, a real change of paradigm, in which the only certainty seems to have become uncertainty. This has forced organisations to change their strategic approach, pursuing flexibility and resilience to increasingly frequent and disruptive shocks, but has also reshaped economic policymaking, putting into question decades of macroeconomic theory and forcing authorities to come up with an innovative approach that could fit the new economic environment. In short, the complexity firms and policymakers have to face has dramatically increased, making arise the need to change their mindset and integrate long-run oriented tools, such as the scenario analysis, in their strategic planning and policy calibration process.

So, in order to understand how policymakers can create the premises and conditions to smooth the manufacturing transition to the new normal and to boost the competitiveness of their economic systems it is necessary to first assess which are the main forces that are now

shaping the global playing field, which are the factors that can affect their directions and which possible scenarios may result from their interaction in the medium to long run.

To fulfill this purpose the analysis is structured as follows: the next paragraph describes the short and long run effects of the pandemic, starting from how economic policies have responded to them and how such actions are bound to affect the business cycle and then, focusing on the main forces that are driving the change in manufacturing, which factors may affect their evolution and how their interaction is bound to shape the competitive playing field; after having outlined the context, the focus shifts on the opportunities and challenges that the evolving scenarios pose for manufacturing firms to arrive at the core part of the manuscript, in which possible policy strategies and interventions are proposed to address the issues and drive the change.

## CONTEXT

### **Covid-19 effects and possible trajectories of the recovery in the short run**

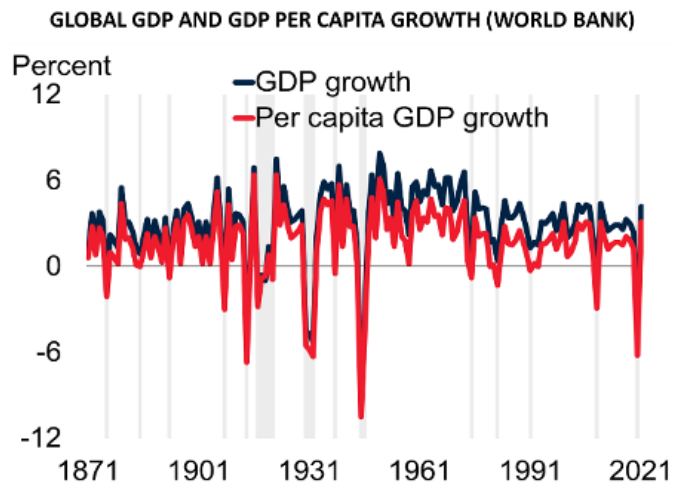
“The scope and speed of this downturn are without modern precedent, significantly worse than any recession since World War II.”<sup>1</sup>

These words, pronounced by the Federal Reserve Bank chairman, Jerome Powell, during the speech held at the Peterson Institute for International Economics on May, 13<sup>th</sup>, 2020, perfectly outline the magnitude of the economic shock represented by the covid-19 pandemic outbreak.

The size of the contraction in per capita GDP it’s unprecedented since the second world war and largely exceeds the one generated by the 2008 financial crisis (see Figure 1 below). Moreover, the final magnitude of the recession and, most importantly, how the recovery process will look like is still to be determined. One certain thing is that policymakers have to deal with unprec-



edented challenges and responsibilities, as from their responses and the recovery dynamics they will trigger depend the perspective competitiveness of national industrial systems.



**Figure 1: Growth rate of world GDP and GD per capita from 1870 to 2021 (forecasts). Source: World Bank**

To identify the policy measures to be employed in order to trigger a recovery process as rapid and sound as possible, is necessary to identify which are the crucial dimensions that are affecting the business cycle conditions. The forces bound to shape the short run trajectories of the business cycle are mainly three: on the supply side, the firms' resilience to the shock; on the demand side, the labor market dynamics; in between, the intensity and timing of the crisis propagation from the supply to the demand side and the economic uncertainty it will generate.

For what concerns the first, the higher the number of bankruptcies, the sharper will be the economic contraction and slower the recovery process. This is due to both an income and an expectation mechanism. For what concerns income, to open a new business or convert an old one takes a lot of time, and so the recovery of the previous production levels will be a lengthy process. On the expectations side, firms seeing the outlook worsened and having to struggle to remain in the business are bound to curtail their investments in equipment or research and development. Reduced investments hinder firms' productivity hence restraining GDP growth. About the second, in a highly specialized industrial sys-

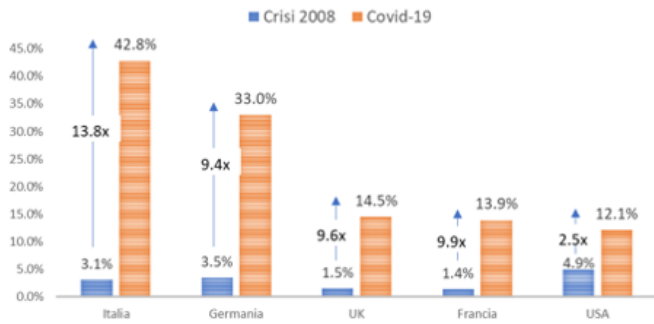
tem, workers fungibility is reduced. Hence each worker that loses his job represents a loss of skills and investment in training. According to the ILO policy brief on COVID-19<sup>2</sup>, while the situation has worsened for all major regional groups, estimates indicate that the Americas (12.4 per cent) and Europe and Central Asia (11.8 per cent) will experience the greatest loss in working hours. Taking together employers and own-account workers, around 436 million enterprises in the hardest-hit sectors worldwide are currently facing high risks of serious disruption. The number of job losses and the timing of "turnovers" will be a crucial part of the recovery process.

Finally, the pivotal point is represented by the timing and magnitude of the contagion effect. The question is: how much the supply shock will transfer to the demand side? As for firms, also for households both an income and an expectation effects are at work. Fewer working hours mean lower wages and lower purchasing power for workers. This leads to lower consumption and lower ability to fulfill their credit obligations, in turn excluding them to access new loans and creating distress in the banking sector. About the second, not knowing if and when they will get back to the previous level of income, they will increase their savings and postpone any investment or purchase of durable goods. Both effects drive consumption down, affecting the shape and timing of the recovery path.

All these calls for a strong policy intervention. Indeed, economic policymakers worldwide had to come up with emergency plans. Meaningfully, the size of the fiscal measures implemented to counter the recessionary effect of the pandemic is unprecedented (for the G-20 countries the average figure is about 3 times the amount allocated during the 2008 crisis, see Figure 2).



## FISCAL STIMULUS PACKAGE: 2008 FINANCIAL CRISIS VS. COVID-19



**Figure 2: Amount of government fiscal plans during the 2008 financial crisis and the pandemic outbreak. Sources: World Bank, IMF, Bank of Italy, McKinsey & Company**

The boldness of the fiscal response is due to the issues at stake, as the effects of short-term policies will not only determine the speed of the recovery in the short run but are bound to have a crucial impact on the competitiveness and the perspective evolution of the domestic industrial system. Indeed, the timing of the recovery represents a crucial factor in the global competitive environment, as it affects the future playing field under three dimensions:

- **Domestic demand:** the effectiveness of the measures will determine the timing and extent of the recovery in domestic consumption. As both recessions and recoveries tend to be consumer-led, this will determine the perspectives of the national industrial system;
- **Sectoral dynamics:** political choices will lead to a geographic and sectoral redefinition of global value chains and supply chains;
- **Competition:** greater intervention by the state in the industrial sector will lead to an alteration of the market competitive mechanisms with a probable increase in protectionist pressures and, hence, a rebalancing of the international trade flows that might hinder the perspectives of some export-led economies and sectors.

For these reasons, policymakers have to clearly set the objectives and targets of their actions and to structure a policy strategy directly aimed to deal with the most urgent tasks to support the industrial production, boost

the demand and, finally, fight economic uncertainty improving agents expectations. There is much more at stake than just the business cycle recovery. The race to exit first the pandemic slump is bound to determine the international macroeconomic power relations for the next decade.

Because of that, the guidelines that must be followed in setting the policy interventions must include the following criteria:

- **Tackle the most immediate issues,** i.e. the firms' liquidity needs trying to limit business failures and, hence, mitigating the contagion effect from the supply to the demand side
- **Fight uncertainty:** as with any recession, uncertainty works as an amplifying mechanism. Firms and households contract their investing and spending not knowing the depth and length of the crisis furtherly contributing to the recessionary spiral. Policymakers must counter this effect showing decision, rapidity and coherence in their actions.
- **Set precise targets:** even if monetary policy authorities and supranational entities are supporting governments in their national plans, still economic resources are scarce and have to be employed pursuing effectiveness within a framework aimed to revive the national industrial and manufacturing systems. In short, limit indiscriminated contributions and target the dimensions bound to act as driving forces for the economic recovery.
- **Target the long run:** not limit the perspective of policy actions to the short run but setup a framework based on the perspective challenges that the economic systems will have to face in the medium to long run.



## CONTEXT

### – THE FUTURE NEW NORMAL

#### The forces that will shape the future playing field

This analysis will focus mostly on the last of the points listed in the previous paragraph with the aim to outline the possible policy actions that have to be implemented today to create the premises for a quick and robust recovery once the pandemic will be over and prepare manufacturing firms to compete in the so-called “new normal”.

The specificity of the post-pandemic crisis we are experiencing is that, unlike what happened during previous global economic crises, the political response this time cannot be limited to defining actions of simple economic recovery, since the socio-economic ecosystem already sees other threatening disruption factors on the horizon (primarily climate change, but also the aging of the population in advanced countries and the impact of technologies) which will have significant economic impacts and which cannot be excluded from the agenda policy.

Hence, after having seen the short-term issues and agenda, let's extend the time perspective of the analysis and examine which are the dynamics triggered or amplified by the pandemic outbreak that will shape the global industrial playing field in the near future.

To fulfil this purpose is necessary, first, to outline which are the forces that will feature the future economic and competitive environment, how the combined evolution of these forces will characterize the future industrial playing field and how all this will affect the different players of the manufacturing value chains.

Indeed, while being disruptive in terms of timing and speed, the pandemic shock mostly represented a sudden and sharp acceleration of dynamics that were already shaping the global context.

The changing features of globalization, the disruption in production processes brought by technology and automation and their impact on productivity and competition, the demographic flows, both of low and high skilled workers, the growing attention to the environment and the ever more central attention to sustainability. All the-

se already were, or at least had to be, central elements in the strategic planning of manufacturing firms worldwide, even at the eve of the pandemic, and now have become fundamental features of the new competitive environment with which industries will have to deal.

Here we recap the main forces that are affecting and bound to reshape in the near future the global playing field and the value chains structure:

- **International trade slowdown:** the globalization process has endured a significant metamorphosis in the last decade and all the projections suggest that this change keeps accelerating and intensifying. The growth of the interdependence between world's economies, cultures, and populations is not over, but has sharply changed its features: international trade in goods and production delocalization, that were the two landmarks of the first wave of globalization, are both receding. Indeed, after a prolonged period of increasing international trade intensity in goods, this trend has started to slow down in the 2010-20 decade and, also because of the pandemic effect, will invert in the next one, according to the IMF, WTO and World Bank estimates that forecast, on average, a -30% in global international trade volumes between 2020 and 2030.

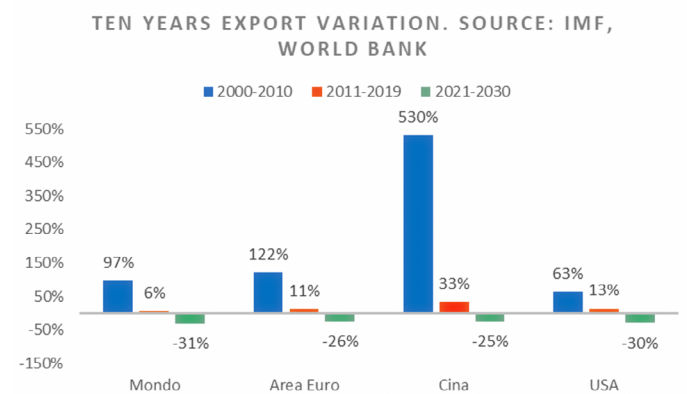


Figure 3: Decade variation in the value of goods exported from 1990 to 2030 (forecasts). Sources: IMF, World Bank

To this contributes the fact that the middle class rise in emerging economies (by 2030 China and India will together represent 66% of the global middle class population) is making their internal demand increase (the middle class spending is expected to



double in the 2018-2030 horizon) leading to build more comprehensive domestic supply chains and so reducing their exporting activity.

- **Servitisation in international trade.** International trade for services has grown 60% more than industrial trade in the 2010-20 decade, increasing the relevance of this component in the supply chain structure.
- **Increased uncertainty:** the frequency and intensity of business cycle fluctuations has dramatically increased in the last two decade. After a prolonged period of stability, economic cycle turbulences, with their related uncertainty burden, have become a structural feature of the global economic system. An analysis of the financial data of 325 companies across 13 industries by McKinsey Global Institute (McKinsey Global Institute - Risk, resilience and rebalancing in global value chains - August 2020)<sup>3</sup> highlights how companies in the current era must expect supply chain disruptions lasting a month or more every 3.7 years (due to financial crises, terrorism, extreme weather conditions, pandemics).
- **Technology, automation and the digital transition.** The productivity benefits to businesses from using IoT in 2018 amounted to 175 billion\$. Alongside, the economic growth potential generated by AI is estimated at around \$ 13 trillion by 2030, (1.2% per year). Technological innovation is radically changing production processes shifting firms labour demand towards high-skilled workers and changing the rationale behind geographic location choices and specialization.
- **The “data-driven” economy.** Data is now arguably the most important competitive asset in the economic system. Two powerful trends will drive digital transformation: growing Internet penetration and exponential data growth. There will be 2 billion more Internet users over the next decade, most of them coming from emerging markets. Data is the new oil, and over the next decade, the global data universe will grow to more than 10 times larger than it is now, reaching 456 zettabytes in 2030, equivalent to 840 64GB iPhones per person<sup>4</sup>. Indeed, also production processes are ever more automated

and driven by algorithms that rely on data analysis and the value extraction process in sales increasingly relies on product customization based on consumers experience. This makes data management a crucial strategic asset, from which regulation will depend the perspective competitive dynamics.

- **Changing consumption habits.** The “as a service” model leads people to move from goods purchase and consumption to more flexible options. This means that customers can opt to replace large one-time capital investments with smaller and more distributed payments to use the service in question. Moreover, the pandemic has accelerated the shift towards digital platforms as Eurostat data certify that in the European Union internet orders rose by 11% compared to a 1.2% decrease in total retail trade. This transition is not limited to a temporary change in consumer preferences (focus passes from the person, -22% clothing and footwear, to the home, + 7.5% furniture and appliances, see graph) but has a deeper and more structural nature particularly under two dimensions: consumption attitudes, which are changed due to greater ease of access to a wider offer that has caused a decrease in consumer “loyalty” (more than 60% have tried new brands); selection criteria, as between the factors that drive the purchasing choice, along with price and quality, now the values to which a brand can be traced are increasingly counting for the consumer.
- **Labour market evolution. The central role for education and training.** Flexibility must be the main feature not only for firms and companies but also for workers. More than having specific crafts and expertise, workers must be able to adapt to changing processes and work habits without losing their productivity. This calls for a revision of the instruction and education paradigms and also highlights the centrality of training on the job activities to keep workers skills up to date.
- **Demographics, migration and the international competition for “talents”.** Another dimension of high relevance in the labor market development comes from demographics. With western countries featured by a secular aging trend in their popula-



tion, in a world where the workforce decreases, increasing the productivity of companies becomes crucial for the sustainability of the entire system. To increase productivity innovation, technologies and update skills are required. This will trigger an international competition for high skilled workers, that will represent one of the most important assets for territorial competitiveness.

- **Sustainability, environmental footprint and circular economy.** The attention towards “green” issues has progressively grown in the last years and now many economic policy plans are including environmental sustainability as a structural variable. This has strong implications on many dimensions, as it pushes innovation and more R&D to find new eco-friendly production solutions and, also, can be a cost management tool. There will be an inevitable competition effect between short-term social objectives and medium-long term environmental sustainability objectives in decisions regarding the allocation of public resources for economic revitalization.

The dynamics described do not have predetermined trajectories. All of these forces are having and will have different evolutionary paths, some largely predictable others more uncertain, susceptible to possible large deviations and to the influence of policy decisions. Still, they certainly are and will be fundamental elements in the shaping of the global playing field in which firms will have to compete in the years to come. In the next section we will provide a brief description of the possible scenarios that will feature the so-called new normal, highlighting the main challenges that firms, according to their role in the value chains, will have to face and how policymakers can operate to help the industrial system and promote the competitiveness of the overall economic system.

## OPPORTUNITIES & RECCOMENDATIONS

### Manufacturing evolution: challenges and opportunities ahead

The factors that we have listed in the previous section represent the forces that will drive the transition to the new normal. Here we describe how their evolution and interactions are bound to shape the international playing field and then we focus on the challenges that this transition to the new normal will pose to the different typologies of firms that compose global value chains.

Starting with the “new normal” scenario here we list the main features that are bound to shape the manufacturing environment:

- **New geographic footprint of the value chains.** The increasing risks and possible limitations on trade flows, not only due to the pandemic but also to a surge of national protectionism, are making the proximity to customers a critical success factors, leading suppliers worldwide to establish production as close as possible to their outlet markets. Moreover, the growing adoption of automation and advanced robotics in manufacturing is forcing firms to change their labor demand. In this way, the priorities are not anymore cost and wage reduction but companies also have to seek high skilled workers with the expertise needed to manage up to date plants operating with IoT and digital systems and able to deal with the complexity of the new industrial environment. Finally, speed to market, intended as proximity to the end consumer, becomes a central element in competition, pushing firms to revise their geographical footprint, reorganise their networks and establish closer bonds with the other players of the value chain. All these leads to reconsider the production location decisions for which now critical factors have become, along with fiscal pressure and the legal framework, the quality of the local workforce and the efficiency of infrastructures, both physical and digital. This triggers a competition between countries and regions to attract new firms location, which result will determine the





territorial economic development perspectives for the next decade. Hence, policy actions will have to comply with these challenges and think globally, in the sense that they should not tackle single issues separately but they need to build up a comprehensive framework in which interventions targeted to boost labor market, technological innovations and competitiveness are coherently combined to provide the economic system all the tools it needs to compete and evolve.

- **Servitisation and “restructured” value chains.**

Increasingly more value is coming from services rather than production. This is due to changing consumption habits, the digitalization process and the ever increasing share of transactions operated on online platforms. This is shifting the competition from production to sales, increasing the threat that comes from possible new entrants. Indeed, data become crucial in this context, giving a high competitive advantage to big-tech giants that already manage ecommerce platforms and have a privileged access to consumers preferences. Data protection policies become crucial under this perspective, as they will determine not only the protection degree of consumers privacy but also the competitiveness of producers in some relevant value chains. More vertical integration will take place, with manufacturing firms trying to “incorporate” players that are located below along the value chain to internalize the functions where the highest value is created.

- **Job transformation and productivity-driven competition.**

In a world where the workforce decreases, increasing the productivity of companies becomes crucial for the sustainability of the entire system. As investments will be fundamental to keep up with the technological progress and resist to the increasingly competitive environment, a high total factor productivity allows to generate higher operating margins that, in turn, create the premises for new investments. The role of innovation becomes central and therefore the research and development functions becomes pivotal for firms competitiveness. Under this perspective, to maximize the competitiveness of the entire value chain, open

innovation and sharing of R&D functions along the supply chain have become a largely pursued strategy that allows not to lose competitive advantage while pursuing a cost rationalization strategy. In the meantime, the Skill Mismatch index in Europe grew by 2% from 2008 to 2018 with peaks like the one represented by Italy, in which the increase has been equal to 5.5%. The tasks and jobs of the future will simultaneously require higher specialization and flexibility, requiring workers to master cross-discipline abilities and adapt to rapidly changing production processes and technologies. The competitiveness of not only firms and industries but of the entire economic system necessarily passes from structural reforms of both the education system and the labor market, that has to enhance workers flexibility and promote continuous training on the job.

These three main macro-features describe the general changes that the global economic and manufacturing environment will undergo.

### **Policy insights: how to help manufacturing to be up to the challenge**

To fulfill the aim of this analysis, that is to come up with a set of concrete policy indications, it is necessary to identify more specifically the challenges that this muted environment poses to different kind of manufacturing firms. This will allow us to identify the policy actions that can be employed to tackle them.

Between the different players of global value chains three are the main different categories of firms that can be distinguished:

1. **The supply chain pivots**, big multinational firms that constitutes the core of the supply chain, orientating the activity of the other firms involved.
2. **The “pocket exporters”**, SMEs that are able to compete in the international markets thanks to the quality of their products and which main competitive advantages lever on high productivity and innovation.
3. **The “ancillary firms”**, usually micro and small enterprises which are completely bounded and de-



pendent to the pivot business and which do not have direct access to international markets

For what concerns the first one, supply chain pivots in the new normal will have to deal with the regionalisation and servitisation trends above described, trying to manage the reshaping of their value chain while avoiding the entrance of potentially disruptive competitors and protecting their privileged access to consumers' data. As the value is moving towards sales and marketing functions, in which big tech giants and online platforms dominate the market, multinational manufacturing firms have to structure their own sales networks preventing the possible entrance in the market of these corporations. In the meantime, they will have to keep pushing on product and process innovation boosting their productivity in order to cut operating costs and increase their profitability. Policy wise, the factors that will determine the perspective scenario and the situation that these players will have to face mainly concern geopolitical equilibria, the balance that will be found between protectionism and globalism and which role will be played by supranational institutions such as the World Trade Organisation (WTO). Those choices will affect the geographical rebalancing of value chains and the way in which multinational firms will modify their geographic footprint. As previously mentioned, another critical competitive factor in the global playing field will be proximity to demand and, in particular, cross-country demand dynamics. In this sense, the ability of national policymakers to trigger a quick and robust recovery of the domestic business cycle will play a decisive role in determining the medium run economic development of the manufacturing system and their competitiveness. Also for "pocket exporters" the challenges for the near future are many and tough. Indeed, in a manufacturing environment in continuous development, in which processes keep updating and evolving thanks to digital innovation and automation, preserving their market shares and profitability becomes a difficult task. To be up to the challenge, they have to keep pushing on productivity and innovation, but to do so they need to have access to a highly skilled labor force, updated physical and digital infrastructures, and not only to be close to

end customers but also to operate in an industrial ecosystem able to provide all the auxiliary services that are essential in today's industrial processes and that might enable the sharing of some key functions, such as R&D, allowing to pursue innovation containing the costs. These firms, while playing on international markets, given their relatively small dimensions, heavily rely on the territorial economic and industrial ecosystem. For this reason, policy measures that would suit the task of meeting the challenges they have to face have to be focused on enhancing the country system competitiveness (i) developing digital infrastructures, (ii) boosting innovation and technological progress and favoring firms updating of their productive processes and (iii) forming and attracting high skilled workers. Moreover, as these firms' performances heavily rely on exports, their ability to access international markets constitutes another fundamental pre-requisite, making the territorial infrastructural dotation a key competitive feature in their location choice.

Finally, the "ancillary" firms are the ones that are most hindered by the industrial system ongoing evolution, given that, due to their reduced dimensions and their low operating margins, they cannot afford the financial and operative costs of developing and/or adapting to new technologies. Moreover, often they do not have the adequate competences to handle such transition. Another element that might hinder the viability of such businesses is represented by possible distortions in the supply chain, brought by limitations imposed on goods trade for sanitary or political issues, that can increase the costs of input factors, putting pressure on their income statement. These firms are probably the ones which prospective evolution more heavily depends on economic policy decisions, as they strongly depend from the evolution of the domestic business cycle and industrial ecosystem. To specifically address their direct issues, the policy responses needed must push on innovation, incentivizing the creation of shared innovation platforms that can be used by SMEs that cannot internally and individually afford R&D investments, with the aim to overcome the productivity slump typical of small enterprises and favor the transition towards circular economy paradigms bound to ease the depend-



ence from foreign supply chains, reducing the exposure to international shocks and lowering production costs.

## CONCLUSIONS

All the actions just listed would effectively boost the manufacturing system competitiveness enhancing its flexibility and ability to adapt to the new normal environment. Still, even if both monetary and fiscal authorities have unlocked an unprecedented amount of financial resources, choices must be made in order not to disperse them in too many fragmented actions and to come up with an integrated framework able to really propel an evolution of the structural economic texture. To do this, it is necessary to structure a coherent industrial economy plan, choosing which sectors and supply chains will be strategic in the economic development of a given ecosystem and which have no perspectives and have to be “dismissed”. To subsidize zombie firms and industries would be a waste of financial resources and would also impair the labor market conditions, increasing the perspective skills mismatch problem. Summarising, economic policymakers have to face an unprecedented challenge as now more than ever their short run decisions are bound to impact the long-term perspectives of industrial and manufacturing development. The issues are many and we have tried to be as comprehensive as possible analyzing the challenges for different kind of manufacturing firms and the related policy interventions bound to respond to them.

Starting with the general approach, policymakers are called to change their mindset under two dimensions:

- **Time horizon:** the perspective must be switched from a short run to a long run orientation, not focusing only on present contingencies but figuring out a plan for the future of their economic systems and enacting coherent policies to prepare the ground for it;
- **Strategic orientation:** an upgrade is needed from a segmented to a multi-dimensional, systemic approach in which policy actions are not conceived

as single operations but are part of an organic, integrated plan. This is fundamental as to prepare the economic and manufacturing system for the future competitive environment it is necessary to think systemically, given that as we have previously described, there are a number of heterogeneous, interconnected dimensions that will feature and affect the competitive dynamics in the new normal. To be up to the task policies need to be built on a comprehensive framework in which interventions targeted to boost crucial factors like labor market, technological innovation and competitiveness are coherently combined to address the weak spots of the system and make it sounder, more flexible and more resilient.

Translating this methodological indications into more concrete guidelines, to recap and try to highlight some elements that, in our opinion, must be set as absolute priorities we can say that the two pillars of the policy-making strategy towards the new normal should be the following:

- Set clear industrial policies, choosing which sectors and value chains are strategic for the national industrial development, concentrating the financial resources on them.
- Structure a comprehensive plan with clear goals and targets that serves as a framework for the labor market, technological and competitiveness policies.
- Invest in the competitiveness and attractiveness of the national economic and industrial system. This means investing in physical and, most importantly, digital infrastructures, revise the fiscal framework and speed up the bureaucratic and legal procedures. Most importantly, the focus must be put on education and the labor market. Forming and attracting high-skilled workers along with avoiding skills obsolescence and “re-engineer” NEETs and under-skilled workers will be crucial to keep the economic system competitive and provide the manufacturing system with the resources needed to be ready for the challenges ahead.



## ENDNOTES

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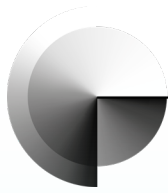
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This white paper, published in November 2020, is part of the Back to the Future: Manufacturing Beyond Covid-19, an initiative by the World Manufacturing Foundation, aimed at analysing the impacts of the Covid-19 pandemic on the manufacturing sector and outlining key findings for a resilient manufacturing sector in the new normal.

For more information on the project and to read other topic-focused white papers that are part of the initiative, visit <https://worldmanufacturing.org/report/whitepaper-back-to-the-future/>



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