

There's No Way Manufacturing Can Save America

[Richard Florida](#), [The Atlantic Cities](#) | Feb. 13, 2013, 4:23 PM

In last night's State of the Union address, President Obama [said](#): "Our first priority is making America a magnet for new jobs and manufacturing." He added:

After shedding jobs for more than 10 years, our manufacturers have added about 500,000 jobs over the past three. [Caterpillar](#) is bringing jobs back from Japan. [Ford](#) is bringing jobs back from Mexico. After locating plants in other countries like China, [Intel](#) is opening its most advanced plant right here at home. And this year, [Apple](#) will start making Macs in America again.



While there is much to applaud about the recent revival of American industry, manufacturing is simply insufficient to help revive lagging industrial regions or power the job creation the nation so badly needs. Here's why:

1. Manufacturing does not generate a lot of jobs: American manufacturing is making a comeback, but it remains an anemic job creator. Manufacturing output is projected to grow from \$4.4 trillion in 2010 to a projected \$5.7 trillion by 2020, according to the [Bureau of Labor Statistics](#).

But this increased manufacturing output — which stems from improvements in technology, greater use of robots and automation, and improved production organization — will not necessarily translate into a whole lot more jobs. In fact, the BLS projects the U.S. will lose another 73,100 manufacturing jobs by 2020, as manufacturing falls to just seven percent of total employment.

2. Not all manufacturing jobs are good jobs: Americans often think of manufacturing jobs as good, family-supporting union jobs, but unfortunately that's not actually the case. Production workers across the United States average just \$34,220 per year according to the BLS, less than half that of knowledge, professional and creative workers (\$70,890) and not that much more than what low skill service workers in fields like food preparation, clerical work and retail sales (\$30,597) take home. Pay varies considerably across different types of manufacturing jobs. As I [noted here last March](#):

The 66,530 tool and die makers or the 36,200 aircraft assemblers have great jobs earning - \$48,710 and \$45,230, respectively. But the nearly 150,000 sewing machine operators average just \$22,630 a year, or \$10.88 per hour.

While we like to think manufacturing jobs are secure, they are actually among the most vulnerable to the ups and downs of the business cycle. As I [noted on Cities](#) this past October, the unemployment rate for workers in blue-collar jobs increased to 14.6 percent during the economic crisis, more than three times the rate of 4.1 percent for knowledge, professional, and creative workers, and considerably higher than the 9.3 percent rate for workers in low-skill service jobs which we typically think of as more vulnerable.

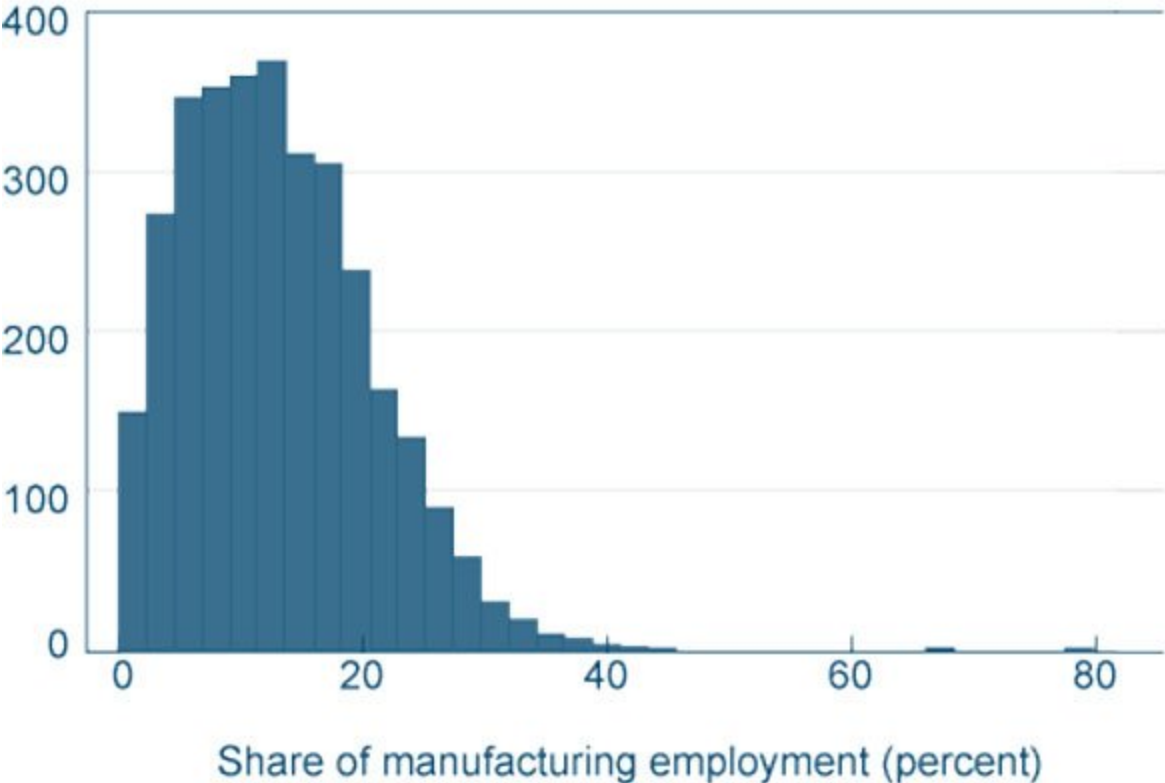
Also, many manufacturing jobs that are being brought back onshore offer substantially lower wages than existing manufacturing jobs. "U.S. manufacturing wages have come under further pressure as large established companies like General Electric, Ford and others have instituted two-tier pay practices," I [wrote on](#) Cities last year based on a report by the [New York Times](#), which [found](#) new hires making just \$12 to \$19 per hour compared to \$21 to \$32 per hour for established employees.

3. Manufacturing jobs are concentrated in only some parts of the country: According to a recent [Cleveland Fed study](#), manufacturing remains massively concentrated in the United States. Manufacturing makes up an 11 percent share of U.S. employment. But as the graph below (from the report) shows, the distribution of manufacturing employment in the U.S. is highly skewed. As the report notes:

The top 25 percent of counties in terms of their share of manufacturing employment derive about 18 percent or more of their employment from manufacturing. While these counties contain about one-fourth of the manufacturing employment in the United States, they contain only one-eighth of the U.S. population.

Distribution across Counties

Number of counties

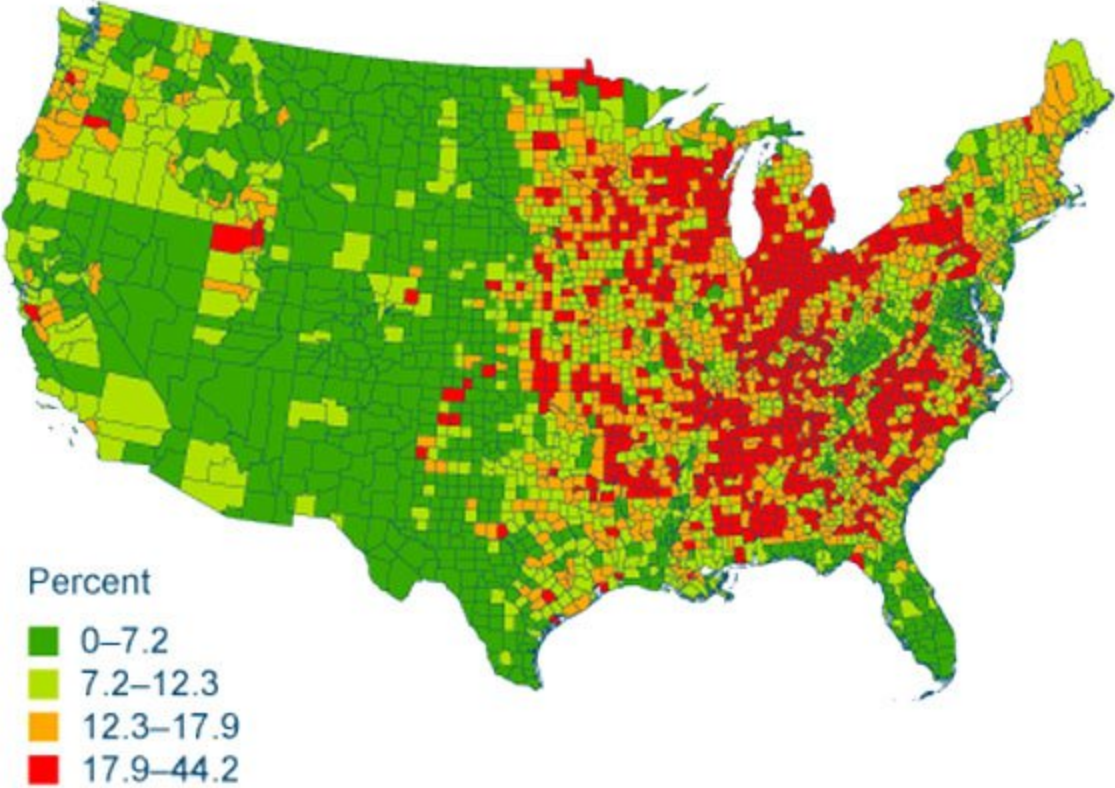


Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Bureau of Labor Statistics

As the map below (also from the study) shows, manufacturing jobs are overwhelmingly concentrated in the middle of the country, not just in the industrial Midwest but in adjacent parts of the Sun Belt, especially along Interstate 75 in the states of Kentucky down to Georgia, forming a southern industrial heartland. There are only a few red spots in the West.

Share of Manufacturing Employment



Source: American Community Survey (2005-2009 estimates).

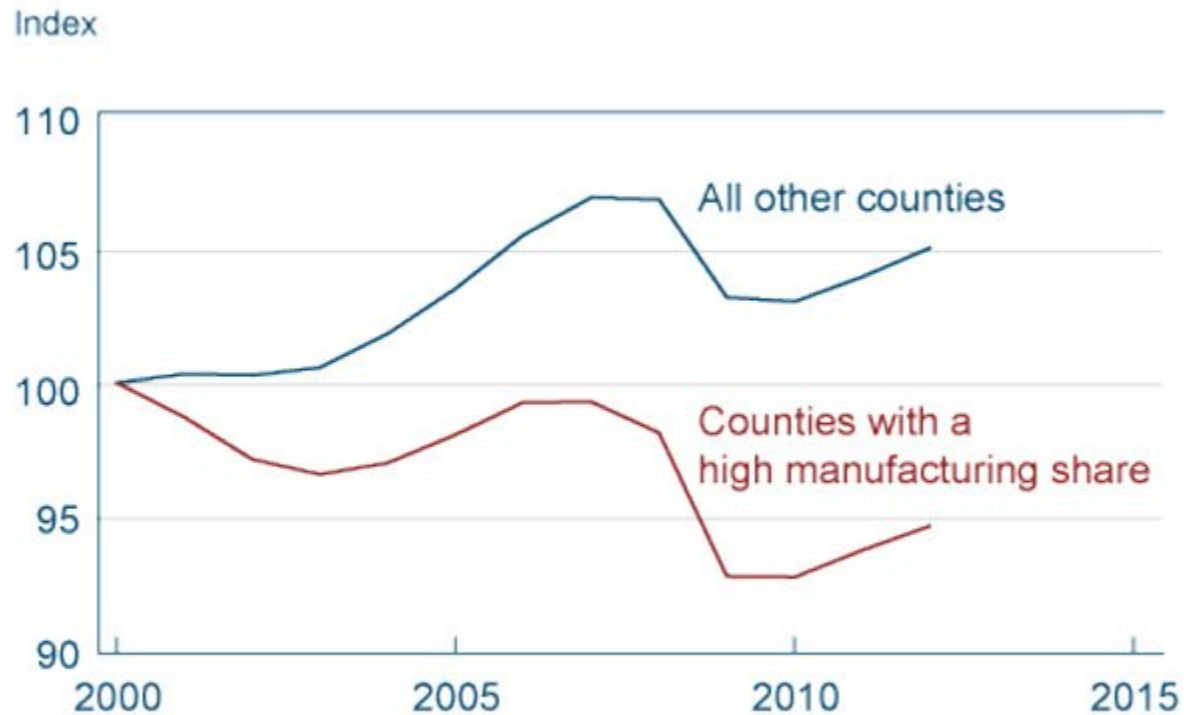
Bureau of Labor Statistics

4. Manufacturing does not translate into local economic growth and development: While many continue to pin their hopes on manufacturing revival, the Cleveland Fed study finds that the counties with high concentrations of manufacturing activity experienced low rates of economic growth over the past decade. According to the report:

Since 2000, this set of high-manufacturing-share counties has usually experienced lower employment growth than the rest of the counties in the United States. This was particularly true during the recent recession, when employment losses reached almost 6 percent per year in these counties compared to a peak employment loss of only 3.7 percent per year in the rest of the country.

The study finds that while high-manufacturing share counties did rebound during the economic recovery, in the "last year or two employment growth has been roughly the same in the high-manufacturing-share counties as it has been in the rest of the country."

Employment Indexed to 2000



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages.

Bureau of Labor Statistics

The chart above from the report makes this abundantly clear, comparing the trend in employment growth for high-manufacturing counties compared to all other counties. Employment in high-manufacturing counties experienced a five percent decline, employment in the rest of the nation's counties increased by five percent "revealing a stark divergence," according to the report.

The findings from the Cleveland Fed's report are in line with [two related studies](#) by Bill Testa of the Chicago Fed, which found the heavy concentration of manufacturing in the Midwest actually hindered the economic development of its cities and metros ([I wrote about this study last year](#) on Cities). Testa's detailed research concluded that "even after accounting for the influence

of educational attainment, a historical manufacturing orientation tended to depress subsequent growth" - an effect which was felt for the better part of two decades. As Cities contributor [Micheline Maynard](#) pointed out last year, betting on manufacturing's revival is likely to be a "big economic miscalculation" for Midwest cities, ultimately doing "more harm than good."

President Obama should know better. It's time for our leaders to stop looking backward, trying to breathe life back into an economy that no longer exists, and develop an economic and job's strategy for the one that actually exists and will shape our future.

When all is said and done, it's not manufacturing that drives economic growth and creates new jobs, but innovation, creativity and talent. The big job generators for the past several decades and for the foreseeable future remain high-skill, high-pay knowledge jobs and low-pay, low-skill service jobs. We need to leverage and deepen the former, investing in the knowledge, technology and skill that drive innovation and economic growth. At the same time, we need to transform the more than 60 million low-wage service jobs into good family-supporting jobs like manufacturing jobs used to be.

That's the State of the Union we're still waiting to hear.