The Importance in Saving Manufacturing

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Manufacturing provided one out of every four jobs 50 years ago. Today, it is one out of 10 jobs. As a percentage of GDP, manufacturing has declined from a high of 21 percent in the 1950s to 11 percent today. The large corporations continue to outsource both products and complete plants, while being indifferent to the future of manufacturing in the U.S.

The manufacturing industry is strategically tied to other industries like mining, railroads, trucking and defense, and two-thirds of all research and development is done by manufacturing, but it slowly declines as American manufacturing declines.

On the other hand, some economists make the case that the economy is simply transitioning to a “post-industrial” service-based economy, and we shouldn’t worry about the loss of manufacturing.

What Do the Citizens Think?

A recent survey, entitled *What the Public Thinks about Manufacturing Today* by Deloitte and the Manufacturing Institute, answers the manufacturing problem in terms of six questions:

1. Do Americans continue to believe manufacturing is vitally important?

The survey showed that 78 percent of Americans believe that American

manufacturing is vitally important to our economic prosperity, and 76 percent think it is also important to our standard of living. The survey ranked manufacturing ahead of technology, financial services, health care, communications and retail.

This is refreshing because it is a rejection of the views of many economists who support the idea of a “post-industrial” society without a manufacturing base. The average citizen can see through the post-industrial myth, and see that manufacturing is really the foundation of the economy. They are also aware that manufacturing is the key to all living standards and the future of the middle class.

2. Do they think that we have the skills and resources to compete globally?

About 60 percent of respondents think that the manufacturing industry can compete globally because they believe it has an advantage in technology, research and development, and a skilled workforce. The respondents also identified work ethic, skilled workforce and worker productivity as the most important traits that provide American manufacturing with a competitive advantage.

But, what they don’t know is that our skilled workforce is rapidly retiring, and most manufacturers are not investing in the advanced training needed to compete. They are also not aware that the government investment in R&D is not growing. In fact, from 1964 to 2004, the government R&D budget declined by 60 percent. In addition, many large manufacturers have sent R&D overseas, along with their products and technologies. Training and R&D are vital to American manufacturing, but we are falling behind.

3. Do Americans want to strengthen the manufacturing industry?

Approximately 75 percent of Americans believe that the U.S. needs a more strategic approach to developing its manufacturing base, and the same percentage feels the country needs to invest more in the manufacturing industry. The Obama administration came up with what may be called a strategic approach in 2009 entitled *A Framework for Revitalizing American Manufacturing*.

The plan includes seven policies on everything from advanced skill training to leveling the global playing field. Except for appointing a manufacturing czar, the administration is making little progress in the revitalization plan or the policies.

With our current dysfunctional Congress, there seems to be little hope of the country really investing in manufacturing in any significant way.

4. Are Americans concerned about the future of the industry?

Although respondents place great importance on American manufacturing, only 30 percent would encourage their children to pursue manufacturing as a career.

I blame this on the negative image of manufacturing created largely by the Fortune 500 companies. These companies have no loyalty to their workers or the American economy. They have proved that they will close down a plant and outsource

products to foreign countries without hesitation.

In America, they lead a relentless effort to reduce the wages of their workers and break their unions. There is no longer a pact with their employees. Why would any parent who watches this on the news everyday want their children to take the chance of working in manufacturing?

5. Are Americans concerned that government policies are putting the manufacturing sector at a disadvantage?

The respondents listed government business policies, corporate and individual tax rates, federal and state government leadership, and trade policies as significant disadvantages for manufacturing.

For the most part, the citizens are correct on all of these problems. As described in item three, the Obama plan for manufacturing has not gained much traction, and a really strong initiative (like an excise tax on imports) is needed to improve our trade deficit. Instead of a general tax cut, manufacturing needs targeted tax cuts that promote manufacturing in the U.S. Contrary to what state governments promote, most state economic development policies neither favor manufacturing or job creation.

6. Do young people see manufacturing as a good career move today?

As explained in item four, the negative image of manufacturing cannot be changed by public promotions or the Manufacturing Institute's *Dream It, Do It* programs. These efforts ignore the real problems and are simply a tempest in a teacup.

The survey says, "Manufacturing ranks near the bottom of the list of industries where respondents would choose to start a career." There is no question that to get the skilled workers of the future, American manufacturing is going to have to get beyond simpleton promotions and really do the things that would interest young people in a career in manufacturing

The larger companies that are at the top of the supply chains are the only manufacturers, in my opinion, who have the power to change manufacturing's image. Unless the large companies are willing to make a pact with new employees and commit to advanced training, job security and pay for skills attained, the recruitment problem will not change.

It is encouraging that the American people can see through the myth of the post-industrial service economy, and really see manufacturing for what it is — the foundation of the U.S. economy. Contrary to what economists say, the average citizen has intuited that manufacturing is the key to improving living standards and the overall health of the middle class. It is also very surprising to me that they see many of the obstacles that are preventing the growth of manufacturing.

But their questions on government policies, manufacturing's image, and their lack of enthusiasm for manufacturing as a career for their children also shows the public

is aware of the many obstacles and problems that must be overcome to prevent the continuous decline of the industry. Let's just hope that this public awareness results in the political pressure that could make something happen.

Michael P. Collins is the author of the book, Saving American Manufacturing*. You can find related articles on his website at www.mpcmgt.com* [1]*.*

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