Manufacturing Isn't Dead: It Doesn't Even Look That Way!

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Some have erroneously declared manufacturing “dead,” particularly in a state like Connecticut that has seen manufacturing’s share of total employment fall nearly in half in the past twenty years. But this pronouncement is not just “premature” (to quote Mark Twain) but completely unwarranted. While a smaller share of total employment, manufacturing is and will continue to be a vital component of Connecticut’s economy and labor market, and Connecticut will remain a place where manufacturers can grow and prosper.

U.S. manufacturing employment has been on a downward trend since its June 1979 peak but much of the decline in employment is due to productivity – the ability to produce the same amount or more with fewer workers. In fact, manufacturing industrial production (a measure of output) has been rising. Until the recent recession, production had been on a strong upward trend, reaching its all-time high in December 2007. Of course, the recession was devastating – with production falling 20% by June 2009. Since then, however, production has regained more than half the lost ground: by March 2011 manufacturing production was up 14.0% from June 2009. Production per worker, despite a temporary setback during the recent recession, continues to achieve a new all-time high nearly every month.

The picture in Connecticut is also encouraging. Even though manufacturing employment in the state has been on a downward trend for decades, there are still more than 4,900 manufacturing establishments in Connecticut. The jobs in this sector comprise 10.2% of total employment, a larger proportion than the national average of 8.9%. More encouraging, manufacturing jobs in Connecticut increased by 1,000 jobs from Connecticut’s employment trough in January 2010 through March 2011.

Even during the worst of the recession, some industries were able to add jobs. From the first quarter of 2008 through the first quarter of 2010, there were 63 manufacturing industries¹ that increased employment by a total of 3,664 jobs. In the most recent year for which detailed industry data is available (4th quarter of 2010) there were 184 manufacturing industries that saw payrolls expand by a total of 4,516 jobs (see table). Many firms were still feeling the effects of the recession so losses in other manufacturing industries more than offset these gains, but the fact that so many jobs were created in such a difficult period suggests that no one should be too quick to write off manufacturing in Connecticut. This means manufacturing has many viable career paths for those with the right skills. The latest issue of “Higher Education/Building Connecticut’s Workforce” recently published by the Connecticut Department of Labor and the Connecticut Department of Higher Education shows many recent graduates finding good-paying jobs in the manufacturing sector. Indeed, manufacturing is the second highest paying sector for recent college graduates (after utilities) but hired many more.² Of the 2007-08 graduates of Connecticut public higher education who were working in Connecticut the third quarter after graduation, 793 had jobs in manufacturing, and with quarterly earnings averaging $14,822 ($59,288 annualized).³ For the quarter, earnings in manufacturing were $4,688 more than the average graduate who was working in Connecticut.

This is not surprising because the right skills are often rewarded with more pay, and manufacturing is demanding new skills in Connecticut and throughout the country. Many of today’s (and tomorrow’s) manufacturing workers will need to be “capable of designing and operating the most advanced computerized manufacturing equipment.” (Financial Times, March 28, 2011, page 4)

The labor market, like the economy as a whole, is dynamic. Firms and jobs are created and destroyed in good times and bad. This is particularly true with manufacturing jobs and companies because they are exposed to global competition in a way that many service industries are not. However, even after years of shrinking overall employment, and even during the worst recession (for the country) since World War II, some manufacturing industries in Connecticut continued to expand. Even more encouraging, as the recession was ending, to the surprise of many, manufacturing started to lead our state back to overall job growth.

¹ Measured at the 6-digit NAICS level. NAICS stands for the North American Industrial Classification System. 6-digit is the most detailed industry level data available.
² Available at http://www1.ctdol.state.ct.us/lmi/higheredreport.asp
³ Only 32 2007-08 graduates were working in the utilities sector the third quarter after graduation.