



Manufacturing Rebounds but with Fewer Jobs **By Andrew Brod** **Greensboro News & Record, October 29, 2006**

Are things looking up in North Carolina's manufacturing sector? According to an article in the Financial Times last month, they are. The article cites examples of manufacturing companies that are setting up shop in North Carolina. During 2005, there were 400 more plant openings than plant closings in the state.

The picture for manufacturing *employment* is more mixed, however. Mills and plants that used to employ a few hundred people often employ only a few dozen now. The Financial Times article quotes Jim Fain, the North Carolina secretary of commerce, as saying, "Thirty years ago, a typical manufacturing investment would have involved \$5 million of capital and created 300 jobs. Now, we are more likely to get a \$50 million investment that creates 50 jobs."

The American economy continues to experience a structural transformation from industrial to post-industrial, from Old Economy to New Economy. The share of total employment in manufacturing industries is a useful measure of how that transformation is proceeding. Nationally, manufacturing's share of total nonfarm employment fell from 16.1 percent in 1990 to 10.6 percent in 2005.

Nowhere in the country has the transformation been more pronounced than in North Carolina. In 1990, 26.4 percent of all payroll workers in the state were employed by manufacturing industries. That made North Carolina the most manufacturing-intensive state in the country. In 2005, only 14.5 percent of the state's workers were in manufacturing. Now North Carolina is only tenth in this ranking.

The 12-percentage-point drop in manufacturing's share of employment in North Carolina was the largest decline of any state. Some of our southern neighbors came close, however. Both South Carolina and Tennessee saw their shares drop about eight percentage points during those 15 years.

These figures are revealing, but it's important to note what they do *not* tell us. They don't confirm what I sometimes hear people say, that pretty soon our economy "won't make anything anymore." Manufacturing *output* is a different issue. What these employment data reveal is the declining ability of the manufacturing sector to provide jobs.

It will surprise no one that much of North Carolina's free fall in manufacturing employment is due to the collapse of the textile/apparel industry. The primary reason for the employment decline in apparel manufacturing (offshore outsourcing) is different than for textile manufacturing (technological innovation), but the bottom line is about the same. In 1990, the textile/apparel industry employed 286,000 people in North Carolina and accounted for 9.3 percent of all jobs in the state. In 2005, it employed 92,000 people and accounted for only 2.4 percent of the state workforce.

Very often, the textile/apparel industry's woes are lumped together with those of the state's furniture manufacturing industry, but there's an important difference between the two. Between 1990 and 2005, the North Carolina furniture industry nearly held its own relative to manufacturing as a whole. Furniture accounted for 10.9 percent of all manufacturing jobs in 1990 and 10.0 percent in 2005. In contrast, in that same 15-year period, textile/apparel's share of all manufacturing jobs in North Carolina was cut by more than half, from 35 percent to just 16 percent.

In other words, what's happened to furniture jobs is mostly a reflection of what's happening throughout all of American manufacturing. What's happened in textiles and apparel is much worse. Unfortunately, a lot of North Carolina's eggs have been in the textile/apparel basket.

And the free fall in textiles and apparel doesn't seem to have slowed. In 2005 alone, the number of jobs in that sector fell by 10 percent. But employment in all manufacturing industries other than textiles/apparel was essentially unchanged in 2005. It was the first year since 1998 in which the number of non-textile/non-apparel manufacturing jobs in North Carolina hadn't fallen.

So maybe things are looking up for manufacturing employment. On the national level, the Bureau of Labor Statistics predicts that the drop in manufacturing jobs will slow over the next decade. In North Carolina, commerce secretary Fain says: "The worst is over. Most of the manufacturers that are going to move overseas have already gone and those that have survived are here to stay."

Some manufacturing industries in North Carolina have done more than just survive. An example is pharmaceuticals, which in 2005 employed more than twice as many people in the state as it did in 1990. Another example is transportation equipment, where the number of jobs has risen by a third over the last 15 years. Other industries in which there were significantly more jobs in 2005 than in 1990 include fabricated metal products, plastics, electronic instruments, and medical equipment and supplies.

It would be a mistake for North Carolina to try to preserve every last manufacturing job. The tides of innovation and globalization are too strong to allow that. But manufacturing can continue to be a viable part of the state's economy. The challenge will be to cultivate promising manufacturing industries like the ones above, through infrastructure investment, training programs, and other examples of smart public-private partnership.

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