

How to Bring Back Manufacturing Jobs

written by Lauri Moon | September 21, 2016

(strategy+business - Daniel Gross: 9-7-16) America has a long-running crisis in manufacturing employment. Quite simply, year after year, the number of people employed in making things declines — the figure is down by nearly 5 million since 1996. And in election years like this one, it is common to hear politicians talk about how they will bring manufacturing jobs back.

Across the board — on both sides of the aisle, in every part of the country — there is an overwhelming desire to have more manufacturing jobs. This is partly due to nostalgia and symbolism. But it's also driven largely by economics: Generally speaking, the manufacturing jobs that have been lost (and that remain) offer better pay, benefits, and job security than the service jobs that have replaced them. What's more, manufacturing has a big multiplier effect — when you build machines at a factory, it calls an array of suppliers and service providers into action. Thanks to the power of manufacturing's economic impact, states and cities are often willing to offer significant financial incentives to companies that are willing to open plants.

Now, if they were being honest, politicians would note that the vast majority of the millions of manufacturing jobs lost can't return. They left due to globalization and competition. And many were rendered obsolete by technology. The reality is that the value and volume of stuff factories produce tends to rise each year, even if employment falls, because software, machines, and computers are doing more of the work.

However, there are at least a few hundred thousand manufacturing posts that could be "brought back" without turning back the clock on globalization and making factories less productive. All that would have to happen is for America's companies to fill the hundreds of thousands of open positions.

I've written before about the strange state of affairs in the job market. Markets everywhere have become more efficient, thanks to technology and brilliant new platforms that grant buyers and sellers of goods and services the ability to meet one another online and agree on product and prices. And yet the labor market has become less efficient. As the most recent JOLTS

report notes, there were some 5.6 million jobs open in the U.S. at the end of June, up from 2.4 million in June 2009. If human resources professionals could be 10 percent more effective at filling posts than they are, there would be an additional 560,000 people working today.

Last week, the Wall Street Journal noted that a decent chunk of those openings are in manufacturing. “The number of open manufacturing jobs has been rising since 2009, and this year stands at the highest level in 15 years, according to Labor Department data,” the Journal reported. “Openings for manufacturing jobs this year have averaged 353,000 a month, up from 311,000 in 2015 and 122,000 in 2009.” That’s a lot! There are 12.28 million manufacturing jobs total in the U.S., and in the past year, 39,000 have been lost.

To put it differently: *If U.S. manufacturers were willing and able to fill the positions they have open, we’d be bringing manufacturing jobs back in a big way.*

So why isn’t it happening? How can it be that the number of manufacturing openings has tripled in the past seven years even as millions of manufacturing workers have been forced to find other work? Well, it’s complicated.

Markets may be efficient most of the time, but they’re far from perfect. It could be that there are lots of openings in geographic regions where the population has been declining. It could be that employers, who have to compete for labor in ways they haven’t had to in more than a decade — the unemployment rate is just 4.9 percent — aren’t offering enough money to lure workers away from their current jobs.

But in manufacturing, there’s something else at work. As the Journal noted, the manufacturing industry has changed a great deal in recent years. It is more technology-intensive, more specialized, and depends on higher-value-added goods. As is the case with many other professions — including journalism and retail — the jobs have evolved to the point where they are fundamentally different. It’s one thing to weld a fender to a car body; it’s quite another to program, manage, and maintain the machines and robots that do the welding. All of which is to say that the level of skills and competencies manufacturing employers are seeking in their employees may be significantly higher than the level they were seeking 10, or 20, or 30 years ago.

In most instances, especially in service industries such as retail and food service, labor shortages can be solved by the simple application of higher wages. But when it comes to

manufacturing, higher wages may be only part of the solution. Sure, you can entice a skilled operator of machine tooling to walk across the street by doubling her salary. But if the market — i.e., other companies, the educational system, and training programs — hasn't been endowing sufficient numbers of workers with those skills, higher pay will only get you so far.

The most direct way to bring back manufacturing jobs, then, may be for companies to decide that they are prepared to invest in programs or direct efforts that will produce workers with the skills they need. *The solution to outsourcing production elsewhere may be to insource training.*

(Daniel Gross is executive editor of strategy+business.)