

## Can It be True? Growth of N.C. Manufacturing

By: [Andrew Brod](#)

Brod, Andrew (2008). Can It be True? Growth of N.C. Manufacturing. *The Business Journal*. May 30 – Jun. 5 2008, 35

Made available courtesy of Dr. Andrew Brod and The Business Journal: <http://triad.bizjournals.com/triad/>

**\*\*\* Note: Figures may be missing from this format of the document**

### **Article:**

When government officials and economic developers devise transportation plans, one of the most important factors they take into account is manufacturing. But wait, isn't N.C. manufacturing either going away or already gone? The answer is no, if you look at the right data.

To be sure, the manufacturing sector is no longer the source of jobs that it once was. Manufacturing's share of national employment has been declining for over 50 years, and the decline has hit North Carolina especially hard. In 1990, we were the most manufacturing-intensive state in the country. Over 26 percent of all N.C. workers were in manufacturing. As of 2007, we'd dropped to 12th in that ranking, with manufacturing accounting for only 13 percent of jobs in the state.

Why did manufacturing employment drop so much faster in North Carolina than elsewhere? It's because so many of our manufacturing eggs were in one basket: textiles and apparel. Outside of that sector, manufacturing employment in North Carolina roughly kept pace with the rest of U.S. manufacturing.

But a very different picture emerges when we track manufacturing output. While the number of manufacturing jobs in North Carolina fell 34 percent between 1990 and 2007, manufacturing production increased by 50 percent. The two indicators are likely to continue moving in opposite directions. The consulting firm Global Insight forecasts that between 2007 and 2025, manufacturing employment will decrease by another 13 percent but manufacturing output will increase by 63 percent.

This is why manufacturing still looms large in transportation planning. Logistics networks don't move jobs. They move things, from raw materials to finished goods.

Global Insight's forecasts for the nine largest manufacturing industries in North Carolina (by employment) appear in the accompanying table. Of these, the only industry in which production is expected to decline between now and 2025 is textiles, due to the departure of so many apparel manufacturers.

The textile industry is still prominent in the Triad, and a cautionary note for this region is that our largest manufacturing employers include apparel and beverages/tobacco, which are also expected to see declining production in the future.

Fortunately, the chemical industry also has a strong presence in the Triad, so not all is gloomy here.

## PROJECTED GROWTH, 2007-25 (%)

	<b>Jobs</b>	<b>Output</b>
Food Manufacturing	9.5%	39.6%
Furniture and Related Products	-14.8	6.7
Textile Mills	-58.7	-37.4
Computers and Electronic Products	-25.0	794.0
Chemicals	-1.3	86.5
Fabricated Metal Products	14.9	34.6
Plastics and Rubber Products	-16.3	45.0
Transportation Equipment	-6.3	76.5
Machinery	-9.0	42.8
All N.C. Manufacturing Industries	-13.0	62.6

How can production be increasing when jobs are disappearing? The answer is technology. Industries such as apparel manufacturing that never harnessed labor-saving technologies have been forced to go where labor is cheap. But in other industries, jobs weren't lost so much as they just disappeared, as factories produced more with fewer people.

This is why the conventional wisdom — that the main cause of manufacturing job “losses” is outsourcing and foreign competition — is wrong. Otherwise, production would be falling in approximate lockstep with employment. After all, if a company moves to Asia to take advantage of low wages there, both production and jobs disappear here.

A study done a few years ago by Alliance Capital Management confirmed this. It noted that while U.S. manufacturing employment fell 11 percent between 1995 and 2002, global manufacturing employment fell by the same rate (and global production rose 30 percent).

Even China shed 15 percent of its manufacturing jobs in that period. If the big story were outsourcing, manufacturing employment would have increased outside the United States.

The future of our economy is not free of challenges, and one of them is the decline of manufacturing as a large-scale employer. But it appears that manufacturing is alive and kicking in North Carolina as long as we measure it by the goods it produces rather than the jobs it provides.