The State of Manufacturing: 2013 and Beyond
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The Detroit Economic Club
February 13, 2013

When the President of the United States highlights manufacturing in his State of the Union address, there is a very good reason for that. He knows, as any President in the past century knows, manufacturing made our nation strong. And manufacturing will make us even stronger in the future.

In 1895, the United States was in the midst of a recession—at that point the worst in our country's history.

It was in that year—just down what is now I-75 in Cincinnati, Ohio—that a group of business leaders gathered to found the National Association of Manufacturers (NAM).

They understood, as manufacturers do today, that our industry powers an economy.

Today, the NAM is 12,000 members strong, and we represent manufacturers of all sizes and sectors, from the world's largest multinationals to family businesses up and down Main Streets all across America.

We are the voice of 12 million men and women who make things in America, and we have stood alongside manufacturers in good times and bad.

We were the voice of manufacturers when Model Ts started rolling off the assembly lines in the early 1900s right here in Detroit.

We were the voice of manufacturers when the industry turned its sights to Europe and the Pacific and helped the United States win both World Wars.

We were the voice of manufacturers when farmers left their fields to enter the factory gates in a quest for a better standard of living for their families.

We were the voice of manufacturers when families began to live the American dream in newly built tract homes in the middle of the past century.

We were the voice of manufacturers when technology and robotics transformed the way we do business.

And we were the voice of manufacturing when global competition began to challenge America's manufacturing dominance earlier this century.

Through it all, the NAM has never wavered from our mission of creating opportunities for Americans and advancing not only the standard of living of people in our country, but for people throughout the world.

Manufacturing has made this country the most prosperous, secure and free in the world, thanks in great part to the manufacturers represented in this room today. But as impactful as our history has been, I have no doubt that manufacturing's best days are still ahead of us.

But there's a caveat to that prediction—and that is that Washington has to start taking our competition seriously.

The good news for the American people is that folks all over Washington are talking about manufacturing. You heard the President last night. And members of the Senate and House seem to trip all over themselves to be seen as champions of manufacturing.

But while Washington is merely talking about manufacturing, others are taking action.

The states get it. Governors compete mightily to try to convince manufacturing facilities to locate in their state, instead of another—or perhaps instead of locating in another country.

Michigan is a stellar example. Gov. Rick Snyder has improved the business climate in this state tremendously, whether it is through a sensible regulatory system or eliminating harmful and uncompetitive taxes like the Michigan Business Tax.

As a result, you lead the nation today in creating manufacturing jobs—some 70,000 in just the past three years.

Your governor, like one of his predecessors—John Engler, whom I happen to know very well—understands that competitive economic policies attract new business investments and create jobs.

Whether through tax reform or, recently, adoption of a right-to-work law, policymakers can create a climate that generates growth.

We all know that businesses are becoming increasingly mobile. Here in Michigan, you're not only competing with Indiana or Ohio; you're competing with other countries that are aggressively trying to take away our nation's mantle of economic leadership. Because just like the states, other countries "get it" as well.

If Washington acknowledges that fact and acts on it, our economy can grow and prosper.

Manufacturing bounced back after the recession ended in 2009, averaging a little more than 4 percent growth. We were leading the economic recovery and putting Americans back to work. Manufacturers were outperforming other sectors in job creation.

But the rebound effect didn't last, and manufacturers are now at a crossroads: The right policy choices can propel us toward a manufacturing renaissance. But the wrong choices can send manufacturers into a precipitous decline.

When I talk to manufacturers from all across the country, the most consistent concern I hear is whether we can continue to compete and succeed with more aggressive and strategic countries around the world.

Consider these data points:

When the NAM partnered with the National Federation of Independent Business on a survey of small businesses and manufacturers last fall, we found that 55 percent of business owners would not start their business again today if they had the chance to do so.

When the NAM and *IndustryWeek* conducted our latest quarterly Survey of Manufacturers, we found an ominous pessimism growing in the sector with their outlook plummeting nearly 40 points in a little more than nine months last year.

When our chief economist polled manufacturers just last month, 64 percent said the drama and brinksmanship surrounding the fiscal cliff debate in December led them to believe that Congress is simply not capable of adequately addressing our nation's fiscal challenges.

This malaise is not surprising considering the political and policy reality in Washington. Politically, gridlock continues. Our elected leaders took the nation to the brink of the fiscal cliff. While they averted an economic disaster, it was only temporary.

And here we are again, just days away from a sequester that will indiscriminately chop away at the most productive parts of government spending without addressing our structural debt and deficit, and another potential shutdown of the government altogether at the end of next month.

This type of week-by-week, month-by-month budgeting is having major repercussions not only in manufacturing, but in businesses in all sectors. When the NAM calculated the fiscal cliff crisis had contracted the economy in the last quarter of 2012, government data validated our findings. More bad news could well be on the way.

Here's the simple reason why: Manufacturers don't plan months ahead. They formulate business plans that project out years ahead.

The uncertainty created by these never-ending budget showdowns is preventing manufacturers from taking risks and growing their business.

One result of the gamesmanship surrounding the fiscal crisis is that U.S. debt has already been downgraded once. If we continue to ignore the experiences of other nations—and common sense—the cost of taking on additional debt will grow, straining manufacturers' ability to invest in their future.

Investors will abandon us. Business will go elsewhere.

While that day may be a few years down the road, manufacturers face even more immediate challenges in the choices Congress makes—or in some cases ignores—on the policy front.

It is 20 percent more expensive to manufacture in this country than it is anywhere else in the world—and that figure does not include the cost of labor.

This cost disadvantage is a result of years of policy choices made in our nation's capital, not in some remote corner of the globe.

Whether it is taxes, regulation, energy, health care policy—the list goes on and on. Our elected officials would like to point the finger at other countries, but ladies and gentlemen, we did this to ourselves!

I like it when the United States is number one, but here's an area in which we should not take much pride. We now have the highest corporate tax rate in the world as other countries have figured out how to compete against us by lowering theirs. But there are no meaningful proposals on the table that would positively address that deficiency.

We hear policymakers on both sides of the political aisle talk about reducing our corporate rate to 25 percent or so. But the average tax rate of our trading partners was 25 percent five years ago, and I don't think we became the great country we are today by striving to be average!

Today, that average rate is around 23 percent, so we are already starting at a disadvantage if those proposals become law. We need to be bold. We need to be looking at the example of your neighbor just over the bridge—Canada lowered its rate to 15 percent, and we need leaders to propose an equally competitive rate.

But tax reform needs to be comprehensive, meaning we cannot forget that two-thirds of manufacturers pay taxes as individuals, through S-corporations.

So when the President and others ask for more money from individual taxpayers and incite the specter of class warfare, they are specifically targeting manufacturers and others in the productive private sector.

Discriminatory taxes are in vogue now as well. Instead of providing the leadership necessary to overhaul our tax code, Washington continues to attempt to pit sector against sector.

Tax increases on energy producers are always a populist rallying cry, even though we know these taxes would raise energy prices for consumers from the senior citizen who is forced to choose between eating and paying his or her monthly energy bill, to manufacturers who consume one-third of this nation's energy output.

Add onto that reality, the regulators in Washington are unchecked, imposing new costs and additional uncertainty on manufacturers.

There are those who would like to blame the policies of the past four years for the current inhospitable regulatory environment. But Presidents of both parties are to blame. In the past 30 years, according to the Manufacturers Alliance, more than 2,000 regulations have been imposed on manufacturers.

So, wow—with a hostile political and policy environment that is unfavorable to job creation and growth, why should we even try to save manufacturing in America?

Because manufacturing powers an economy. It has an outsized economic impact.

Manufacturing jobs are high-quality, good-paying jobs. Manufacturing workers earn more than workers in other industries—about $77,000 compared to the average $60,000 in other sectors.

Then there is manufacturing's multiplier effect. For every $1.00 invested in manufacturing, another $1.48 of economic activity is generated elsewhere.

Compare that to other major sectors of the economy:

Professional services makes up about 13 percent of the economy. For every dollar invested there, only 57 cents of spin-off activity is generated.

Finance, insurance and real estate is the biggest sector of the economy—roughly one-fifth of the overall economy. It, however, only generates 63 cents for every dollar invested.

In fact, the sector that comes closest to manufacturing's multiplier is agriculture: $1.25 for every dollar invested. But agriculture makes up just 1 percent of the economy.

We may not be the biggest sector, but we are the most powerful.

So it's no wonder everyone's talking about manufacturing these days.

Here's the good news: Despite the challenges imposed by Washington, there are positive signs out there.

The markets are strong. Many businesses are thriving. Some manufacturers that sent production abroad are now bringing it back to the United States.

But we can do better.

Allow me, if you will, to lay out a scenario that will bring manufacturing and our economy back by the year 2020—a "20/20 vision."

- First, Industrial production grows by 4.5 percent annually.
- Second, manufacturers create 20,000 jobs a month, for a total of more than 1.5 million by 2020.
- And third, the economy grows at a minimum of 3.5 percent annually, which will relieve some of the immediate threats posed by our mounting debt.

These objectives are realistic. They should be the floor of what we are looking to achieve.

Industrial production was growing close to this rate when we came out of the recession. Manufacturers led the way in job creation.

But that growth has stalled.

So, to boost manufacturing production and the creation of jobs, the NAM has proposed our *Growth Agenda*, which focuses on investment, innovation, trade and the workforce.

This policy blueprint has bipartisan appeal and features four central aspirations on which everyone in Washington can agree:

1. First, we believe the United States must be the best place in the world to manufacture and to attract foreign direct investment.
2. Second, we want manufacturers in the United States to be the world's leading innovators.
3. Third, we believe the United States must expand access to global markets so manufacturers can reach the 95 percent of consumers who live outside our borders.
4. And fourth, we believe manufacturers in the United States must have access to the workforce that the 21st-century economy demands.

Here's how we get there:

To attract and retain investment, manufacturers need competitive tax rates at the individual and corporate levels. We need an "all-of-the-above" approach to energy development and production. And we need a strong, modern infrastructure.

We need a regulatory climate that is based on sound science rather than political science. The regulators must be forced to weigh the costs of regulations against the actual benefits rather than against speculative or imaginary gains.

To maintain and expand our edge on innovation, we need strong and reliable incentives. Where the United States once had the world's most competitive R&D incentives, we have now fallen to the middle of the pack, and our R&D tax credit is routinely authorized retroactively.

And our intellectual property and cyber protections need to be significantly enhanced as well.

To strengthen our trade relationships to sell more products abroad, manufacturers need policies that open and expand new markets and prioritize exports, removing tariff and non-tariff barriers alike. Today, dozens of trade agreements are being negotiated around the world, but the United States is party to only one.

And lastly, to create the workforce necessary to compete globally, we need to prioritize skills and curricula to build that army.

It's no secret that, even with a nearly 8 percent unemployment rate, manufacturers can't find the workers they need to fill the jobs they have open—more than 600,000 jobs are going unfilled today because of a skills gap.

Manufacturing growth is driven by advanced industries. Today's—and tomorrow's—manufacturing is not your grandfather's manufacturing.

Manufacturing in the 21st century is high tech. It's sleek. And we need a workforce that fits the needs of modern manufacturing.

The NAM is tackling our skills gap in three ways—education improvements, certification programs and comprehensive immigration reform.

In the long term, the manufacturing workforce requires sufficient knowledge of—and skills in—science, technology, engineering and math (STEM).

STEM education needs to be improved at all levels, and we need to create pathways to encourage students to study the STEM skillset at higher levels and then move into a job that requires those skills.

Those reforms will take time, and as we train workers in this country for jobs in advanced manufacturing, we need workers to fill manufacturers' immediate needs.

So, in the immediate term, the NAM's Manufacturing Institute is working with community colleges to develop a set of portable skills certifications that can be recognized by manufacturers as a passport to entry into a manufacturing career. They have also instituted a “military badge” program to help translate the skills of our returning military personnel into the needs of manufacturers looking for quality and qualified workers.

But we also need changes to our immigration system to allow manufacturers access to talent abroad.

Many workers with advanced skills are eager to come to the United States and begin contributing to our economy. Unfortunately, our broken immigration system sets up unnecessary barriers, which deter these workers.

Comprehensive immigration reform is the right thing to do, for our economic security and national security.

Investment. Innovation. Trade. Workforce.

That’s our “20/20 vision.” It’s a blueprint for economic growth and economic success. If lawmakers develop the political will to focus on these goals and adopt these policies, I have no doubt we can create 1.5 million manufacturing jobs by 2020.

As I see it, our nation’s leaders don’t have a choice. They must focus on what will enable us to remain the strongest and most prosperous nation on earth.

And here’s why: Americans have always left their children better off. We can’t allow our generation to be the one that breaks that trust.

Americans know that manufacturing is the key to ensuring that success.

They know that a strong economy is one that makes things. When we see products rolling off the assembly line and trucks and trains taking products to our ports, we see an economy at work.

Americans know that manufacturing builds strong communities. We’ve seen the transformative impact of manufacturing. We’ve been witness to communities that were devastated when manufacturers leave, and we’ve seen cities and towns thrive when manufacturers invest.

I know personally what manufacturers mean to communities because I’ve seen what it has meant to my family and my hometown: Chillicothe, Ohio.

During the Great Depression, my grandfather waited in line for six months for a job at the Mead paper plant.

He was a farmer, but he realized that manufacturing would enable him to provide a better life for his family and a path to access opportunities that were unavailable to him.

Today, manufacturers continue to provide opportunities to families in Chillicothe. Manufacturing has saved that town.

Forty-nine manufacturers call Chillicothe home.

The Mead plant where my grandfather worked is now the Glatfelter plant.

Kenworth came to Chillicothe in the mid-1970s and today employs more than 1,200 people at its manufacturing facility there.

Up the road in Pickaway County, manufacturers have helped transform the rural community. DuPont, GE, Georgia-Pacific, PPG and other manufacturers have established a presence.

Just south of Chillicothe in Piketon, USEC is developing and deploying new technology to meet the nation's nuclear fuel needs.

Manufacturing made a difference in my part of Ohio, and I know the same can be said for towns and cities across the great state of Michigan.

Manufacturing makes us strong.

If we embrace the policies that make this country more competitive, there is no doubt that this country's best days are still ahead of us.

I thank you for all you have done to build our great nation, and for all you will do in the years ahead to ensure the future of America's promise.