



Can Factory Jobs Be Made in America Again?

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For nearly 20 years, Michael Philbeck drove forklifts and fixed machines at a factory here that makes materials for car tires. Over the years, as dozens of other plants west of Charlotte closed, his hung on.

A few years ago, though, Philbeck started looking for ways to boost his pay. With a wife and five kids, the \$20 an hour from the Firestone Fibers & Textiles plant wasn't going far.

The Army veteran returned to school, to the local community college. But he didn't train for a career in technology or health care or some other flashy field that receives a lot of positive press. Instead, he started studying something called mechatronics—a blend of mechanical engineering, electronics, and computers.

His new job? It's back at the Firestone plant, where he will make \$5 an hour more when he finishes his degree at Gaston College. That works out to a raise of roughly \$10,000 a year. Philbeck, 41, says he feels good about staying with the company in a new role, and he's optimistic he can establish himself with skills that are in demand. He doubled down on manufacturing.

"Rather than me turning wrenches," he says, "I can turn PLCs." He laughs. I laugh. Then I admit I have no idea what a PLC is. It turns out a PLC is a programmable logic controller, an industrial computer that controls factory machinery.

As Philbeck continues to train for his new factory job, the Trump administration is talking up manufacturing. Trump has visited a Boeing plant and met twice with executives of the country's largest manufacturers, most recently on February 23, at the White House. Rebuilding U.S. manufacturing the Trump administration is facing choices on how to make good on the president's promise to reawaken American manufacturing. It would seem to be a daunting task—one that depends upon thousands of discrete business decisions by companies of vastly different sizes, international profiles, and sophistication. There are plenty of policy levers to pull, too, in areas including trade, regulation, taxes, worker training, energy, and health care.

With the new administration just starting to spell out its manufacturing agenda, it's too early to guess whether the effort will unleash a new era of prosperity for workers left behind in the anemic recovery, envelop the United States in a disastrous trade war and recession, or land us somewhere in between. What seems more certain is that whatever the policies from Washington, new jobs in manufacturing are unlikely to resemble those of the past. They're not going to be the low-wage, low-skill, repetitive-motion factory jobs that we remember from the opening sequence of *Laverne & Shirley* (brewery) or the end of *An Officer and a Gentleman* (paper mill). The jobs are more likely to be like Philbeck's: high-skill, solid wage, with at least some college and brainpower required. Those PLCs don't run themselves.

In contrast to the public image of a sector in perpetual decline, manufacturing these days is on the upswing. Output has increased even as jobs melted away, though job losses have stabilized. Manufacturing employment has risen nearly 10 percent since 2010, to about 12 million jobs (the peak was 19.5 million in 1979). Productivity is at an all-time high. One analyst even wrote in 2015 that the country seems poised for a "manufacturing renaissance."

In conversations over the last month in Gaston County and with national experts, it is clear that there is now optimism among manufacturers and workers. Some of it stems from larger economic trends, but some also emanates from the feeling that they have a booster in the White House.

"This notion that we can bring manufacturing jobs back to this county to levels like we had in the '80s, that just can't happen," says Donny Hicks, longtime executive director of the Gaston County Economic Development Commission, which recruits companies to the area. "Can we bring it all back? No. Can we do a better job of keeping what we have? Yes. . . . For so long, the manufacturing sector has been used as a chip for other political agendas. We gave up a lot we didn't have to give up."

Gaston County's manufacturing roots run deep. In the late 1800s, as Europe and America industrialized, rural Carolinians left the farms and headed to Gastonia and surrounding communities to work in the textile mills. The factories spun cotton into yarn, or put yarn on looms and wove it into fabric, and they sat at the center of a textile belt in the Carolinas that surpassed New England as the hub of U.S. fabric-making. There was occasional labor unrest: A violent 1929 textile strike that resulted in the shooting deaths of Gastonia's police chief and a millworker helped sour the South on union labor.

The urbanization around the mills imbued Gaston County with an identity separate from that of nearby Charlotte, the trading and banking town located across the Catawba River. Gastonia was known as more hardscrabble and gritty.

Charlotte grew into a modern-day financial center, with shiny bank buildings rising above its downtown. Gaston County has been slower-growing. To help offset the textile layoffs that peaked more than a decade ago, Hicks has worked to attract new manufacturers—companies that make products such as bedding fabric, automotive foam, industrial adhesives, and hydraulic lifts. The county's experience, though, shows how tough it can be to add factory jobs in big chunks: While those new Gaston County companies made large investments in plants and equipment, they required fewer workers than the factories of the past. None of the new companies

announced in the last five years expects to employ more than 150 workers, and most are much smaller. Still, about 20 percent of the county's workers are employed in manufacturing, double the national average.

The county isn't relying solely on manufacturing, of course. The school system is the biggest employer. The medical center is expanding. Old mills are being redeveloped into breweries and loft apartments. Gastonia is not one of those depressing, boarded-up former industrial towns. While some parts of the city look the same as they did decades ago, the area also has big, new \$500,000 brick homes, horse farms, a highly regarded private day school and thriving shopping malls.

Gaston has voted reliably Republican in recent times. Trump won here in November by a two-to-one margin over Hillary Clinton, and with a larger share of the vote than Mitt Romney in 2012 or John McCain in 2008. Gaston's results mirrored Trump's successes in the industrial areas of Michigan, Ohio, Wisconsin, and Pennsylvania, which helped power him to victory.

In addition to being more culturally conservative than residents of bigger cities, many factory folks are drawn to Trump because he speaks to them like no other politician in recent memory. When I covered manufacturing for the *Charlotte Observer* in the early 2000s, the local jobs in textiles and furniture-making were in free fall. There was a sense among workers and business owners that manufacturing powered the economy but that nobody in Washington—Republican or Democrat—really minded that factories were closing. Yes, politicians would pledge money to retrain laid-off workers. Maybe they would even take an occasional plant tour wearing a dark suit paired oddly with safety goggles and a hardhat.

People in manufacturing at the time felt that politicians shrugged off the migration of factory jobs to other countries, preferring to build a "knowledge economy" based on high-value services. To economists and policymakers, that approach made sense. Classical economists have long argued that economic growth is enhanced for all by letting countries produce what they are most efficient at producing, and that trade barriers only increase consumer prices.

Dan Pearson, who served for 10 years on the U.S. International Trade Commission under George W. Bush and Barack Obama and is now a senior fellow in trade policy at the Cato Institute, echoes that assessment: "When we have a government trying to allocate resources or drive decisions in a nonmarket way, we are going to get a lower standard of living."

Looking at data showing roughly 10 percent of the country employed in manufacturing, with factory automation on the rise, Pearson says: "It's not like there are no opportunities in this country outside of manufacturing. The opportunities in manufacturing are rather few. If you want to build a career for yourself as a young person, you might want to look at something else. . . . The goal should be: Let's keep the business climate strong, let's keep the manufacturing sector growing and train these people for the service jobs that need doing."

Many of the workers I talked to in the early 2000s believed that Pearson's view was the dominant government view. Now, though, we have a president pursuing a much different agenda. The solutions to fix manufacturing that I was hearing in 2002—punish China, enforce trade agreements, rebuild America's industrial might—were almost identical to Trump's talking points

14 years later. They still resonate here, whether the president is decrying the "false song of globalism," hectoring automakers on Twitter for opening plants in Mexico, lamenting the "rusted-out factories scattered like tombstones across the landscape of our nation" in his inaugural address, or telling visiting executives at the White House: "We're bringing manufacturing back to the United States, big-league."

Like other Trump pronouncements, the rhetoric on manufacturing is concise, muscular, and thin on specifics. From his public statements, his administration's manufacturing plan appears to consist of a mix of tougher trade deals, robust enforcement of existing trade agreements, pro-growth tax changes, higher duties on imports, and fewer regulations, combined with the occasional public shaming of American companies choosing to make products abroad.

At a South Carolina Boeing plant after a month on the job, in one of his first visits outside Washington and Mar-a-Lago, Trump characteristically described the approach like this:

We wanted to make much easier—it has to be much easier to manufacture in our country and much harder to leave. I don't want companies leaving our country, making their product, selling it back, no tax, no nothing, firing everybody in our country. We're not letting that happen anymore, folks. Believe me. There will be a very substantial penalty to be paid when they fire their people and move to another country, make the product, and think that they're going to sell it back over what will soon be a very, very strong border. Going to be a lot different. . . . To achieve that goal, we're going to massively reduce job-crushing regulations—already started, you've seen that—that send our jobs to those other countries. We are going to lower taxes on American business so it's cheaper and easier to produce product and beautiful things like airplanes right here in America.

We are going to enforce—very strongly enforce our trade rules and stop foreign cheating. Tremendous cheating. Tremendous cheating. We want products made by our workers, in our factories, stamped with those four magnificent words: "Made in the U.S.A."

The crowd started chanting, "U-S-A! U-S-A!" Trump then promised a "level playing field" for American workers and took credit for announcements by automakers and Intel of plans to keep production in the United States.

Trump has some knowledge of manufacturing realities in his business résumé. His line of dress shirts, ties, suits, and accessories was criticized during the campaign for being made in China and Mexico. Asked during one candidate debate why Americans should trust somebody whose clothing line was manufactured abroad, Trump said: "Because nobody knows the system better than me. . . . It's very, very hard for our companies in this country . . . to compete. . . . But I'm the one that knows how to change it."

Of course, over the years, plenty of industry groups and government panels have crafted specific proposals to help the manufacturing sector. Often, those proposals gather dust. For instance, the Commerce Department has a manufacturing council composed of business owners, who make recommendations on improving competitiveness. It has weighed in on a range of issues, from energy to tax policy to trade agreements.

When Mary Isbister, president and majority owner of GenMet Corp., a metal fabrication company north of Milwaukee, first joined the council during the Obama administration, she noticed some council members became frustrated at the lack of political will to enact their recommendations. "Given the makeup of that group, there would be times we would ask things of the Obama administration that weren't going to happen," she says. "There were people who lost heart and left."

Later, she says, under the guidance of Obama's third and final Commerce secretary, Penny Pritzker, the council made some headway by focusing on items that were achievable, given the political realities. Today, Isbister says she is optimistic about the future of manufacturing and pleased at its prominence in the political discussion. "The more manufacturing gets into the public consciousness, the better it will be for everybody, the more it becomes demystified."

The National Association of Manufacturers, the sector's leading trade group, also recently recast its policy agenda in light of the Trump victory. On its website, it now introduces its "Competing to Win" agenda like this: "Many of the policy decisions made over the last eight years have been extraordinarily difficult for manufacturers. Now it's time for a reset—and a better direction. . . . After all, it was manufacturers who, in big numbers, decided this election." The document goes on to detail manufacturing-friendly initiatives in the areas of taxes, trade, energy, the environment, transportation and infrastructure, labor, immigration, workforce, health care, research, and regulatory and legal reform.

Of all those issues, some Gaston County manufacturers say one in particular stands out for them when they think about what American manufacturing needs most: a skilled workforce. In 2011, Owens Corning started thinking about building a new plant to make materials used in ceiling tile and flooring. It looked at China, a popular pick among U.S. manufacturers, but worried about its technology being stolen. It looked at India, which would have been cheaper than China with better intellectual property protections.

But in the end, with 80 percent of its customers in North America, Owens Corning settled on building a \$135 million plant in Gaston County. Building in this country reduces worries about managing a far-flung supply chain, and the plant is so automated that it requires little human labor. Nearly 800 people applied for the 60 jobs running the equipment, says Suman Raha, director of operations for Owens Corning's global nonwoven technologies business. Finding people with the right backgrounds was difficult. "It's not a physical job. You've got to think," Raha says. Another 40 workers have white-collar jobs such as product development.

"You have to do the math," Raha says. "Any manufacturing can be done in the United States if there are skilled people there and there's a market there."

Manuel Diez, chief executive of CTL Packaging USA, agrees. His company, which makes packing materials for the cosmetics industry, opened a \$30 million plant in Gaston County in 2012. Before it opened, he sent 15 new hires to Europe for six months to learn to operate injection-molding equipment. The plant now employs 60.

"We have been a service-oriented economy in the last 30 years, and manufacturing has gone somewhere else," Diez says. "To bring that back, we need to give people the tools to be able to run machines and understand how that works. Only through training can we do that."

Michael Stumo, chief executive of the Coalition for a Prosperous America, a pro-U.S. manufacturing and farming educational and advocacy group, says predictable regulations, lower taxes, and worker training are nice, but "the big-money numbers in relative costs are in the trade sphere."

He says most economists who advocate free trade just don't understand the complex ways that other countries beat U.S. manufacturers on price—that it's not just lower labor costs and automation, but taking advantage of currency exchange rates, subsidizing industries, and devising favorable tax schemes. He says the notion that U.S. manufacturers can't compete is "baloney, fake news, alternative facts." He points to Germany, which has high wages and stringent environmental protections and ran a \$270 billion trade surplus in 2016, while the U.S. ran a \$502 billion trade deficit. Stumo thinks better trade policy could lead to as many as 5 million new manufacturing jobs in America.

That sounds good to Philbeck, the Gaston County worker training for a better job at the tire cord plant. He says he doesn't have all the answers, but he thinks Washington politicians haven't helped. "They're done the opposite, those NAFTA trade deals," he says. "If you were a company and could go overseas and pay people less per hour, with less restrictions, then ship it back and not get charged, that makes more sense for them. All them trade deals hurt us. Maybe we can halt that, or in the best case, build that back up."