

# REVITALIZING AMERICAN MANUFACTURING

## American Manufacturing Is in Crisis

Over the past five years, the U.S. manufacturing base has shed good jobs at an alarming rate. The U.S. trade deficit tied to manufacturing's decline is reaching dangerous heights, threatening the nation's economic well-being. The health care crisis is hitting manufacturers and their workers especially hard.

- Manufacturing employment fell to 14.3 million in March 2005, lower than it was in 1945. Manufacturing job losses account for virtually all the net job losses in the United States since President George W. Bush took office.
- Unionized manufacturing jobs have been hit especially hard, falling from 28 percent of all manufacturing jobs in 1983 to only 13 percent in 2004.
- In real-dollar terms, the U.S. goods trade deficit is 14 times greater than in 1980. The trade deficit in goods grew to an estimated record \$651 billion in 2004, or \$1.78 billion a day. From 1994 to 2000, the trade deficit cost 3 million job opportunities, 2 million in manufacturing. It accounts for at least 40 percent of the decline in real wages since the 1970s.
- Health care costs grew nearly 14 percent in 2003. Older manufacturers having to absorb these costs are put in an impossible competitive disadvantage with newer domestic companies and overseas producers. To cut these costs, manufacturers are trying to shift the burden of health care and retiree benefits to their employees, which will increase the ranks of the uninsured.

## Why Manufacturing Matters

Manufacturing is vital for fostering a strong economy, generating good jobs and guaranteeing a high standard of living for America's working families. It is a mainstay of state and local economies, providing both jobs and tax revenues for essential public services. It is the major driver of U.S. productivity growth and technological innovation. A strong manufacturing base is critical for restoring the nation's trade balance and ensuring economic and financial stability. It also is essential for maintaining a strong national defense and homeland security.

- Manufacturing workers' earnings exceed those of workers in the service and other sectors. Average annual compensation for manufacturing workers

in 2002 was 19 percent more than in service-producing sectors.

- Union manufacturing jobs have higher wages and greater benefits. Union workers in 2003, in all sectors, earned \$9.32 per hour more than nonunion workers in total compensation. The union premium in compensation for production workers was \$12.65 per hour or 70 percent higher than compensation for nonunion production workers.
- Each manufacturing job creates as many as four other jobs, providing a boost to local economies.
- Annual labor productivity growth in manufacturing averaged 2.57 percent in the 1980s and 3.51 percent in the 1990s, compared with 0.57 percent and 0.71 percent, respectively, in nonmanufacturing sectors.
- As the U.S. trade deficit rises, U.S. foreign debt also grows to record and unsustainable proportions—it was 24 percent of the gross domestic product in 2003.

## Roots of the Crisis

The roots of the crisis include flawed trade policies, unfair trade practices, an overvalued dollar and tax policies that put U.S. manufacturers at a competitive disadvantage, drive up the trade deficit and encourage American firms to move factories and jobs offshore.

- The Economic Policy Institute (EPI) estimates the growth in U.S. trade deficits with our North American Free Trade Agreement (NAFTA) partners has resulted in a net loss of nearly 900,000 American jobs from 1993 to 2002. EPI also estimates escalating trade deficits with China have resulted in the loss of 410,000 U.S. manufacturing jobs in the past two years.
- The dollar appreciated 33 percent in international value from January 1995 to January 2003. Although it has since weakened in comparison to the euro, it remains overvalued against other key national currencies.
- In particular, China and other Asian nations have pegged their currencies to the U.S. dollar to keep them artificially low. As a result of China's currency manipulation and systematic violation of workers' rights, its U.S. trade surplus continues to grow, rising to an estimated \$162 billion in 2004, the largest of any trading partner.

## Agenda for a Strong Manufacturing Base

Congress must take immediate steps to address the crisis in manufacturing.

### Trade and industrial revitalization

We need measures that rectify the trade, dollar and tax policies that put America's manufacturing workers at a competitive disadvantage in the global economy. We also need high-road industrial development policies and investment strategies that support the modernization, retention and expansion of the nation's manufacturing industries—to help them become more globally competitive—while preserving and creating *good* manufacturing jobs—high-wage jobs with full benefits, safe working conditions and respect in the workplace. Key measures include:

- Fair trade policies that reduce the U.S. trade deficit, protect U.S. trade laws and require inclusion of enforceable workers' rights and environmental standards in trade agreements. This must include opposition to bilateral, regional and multilateral trade agreements such as the Central American Free Trade Agreement (CAFTA) and the U.S.-Thailand Free Trade Agreement that do not include meaningful protections for workers' rights and do not protect against import surges that threaten American jobs.
- Revised tax laws to eliminate incentives for corporations to move production overseas and punish those that do.
- Immediate intervention to address the unfair trade practices of China and other nations, including legislation to ensure China meets its international obligations regarding fair currency, market access and government subsidies so U.S. manufacturers and workers are not disadvantaged by illegal practices.
- Strengthening the manufacturing base for national defense and homeland security through procurement reform, enhanced Buy American requirements, an updated assessment of critical defense manufacturing capabilities and limits to "offsets" that drain critical technology and good jobs.
- Targeted public investments for rebuilding and modernizing the nation's public infrastructure, transportation and energy systems and for other national needs to stimulate innovation, industrial development and job creation.

### Health care reform

Solving the health care crisis, for manufacturing in particular, will require infusions of new public dollars as well as effective cost-containment policies. We need to bring new public money into the system, ease cost and competitive pressures and preserve employer sponsored health care plans. Key measures include:

- Incentives to employers to maintain retirees' health care benefits. There should be significant subsidies to encourage employers that have been offering benefits to active workers and retirees to continue to do so. This includes legislation to address the retiree health legacy cost issue that will protect the benefits of retirees at older manufacturing and mining companies and relieve the unfair competition now faced by these companies.
- Oppose Bush administration pension proposals that would devastate the entire defined-benefit pension system, undermine the retirement income security of millions of workers and place enormous, unfair burdens on manufacturing companies.
- Oppose Social Security privatization proposals that would require cuts in guaranteed benefits to pay for private accounts, weaken the system, increase the federal deficit or increase the retirement age.

### Labor law reform

Reforming and enforcing the nation's labor laws are essential to addressing the manufacturing crisis, as well as for promoting good jobs for all U.S. workers. We need:

- Stronger labor laws to prevent employer suppression of workers' freedom to form unions and bargain collectively. In particular, the AFL-CIO and Industrial Union Council support the Employee Free Choice Act to restore workers' freedom to form unions free of employer interference and coercion, making union protections and benefits more widely available to working families.
- Opposition to compensatory time legislation and other proposals that would undermine the 40-hour workweek, resulting in more manufacturing employees working longer hours for less pay.
- Guarantees of meaningful collective bargaining rights and legal protections extended to all workers, regardless of their classification.

