

Manufacturing Job Creation in the
Recovery (from June 2009 to December 2012)
January 2013

It has been close to a year since I focused intently on the issues addressed in this website. Instead, I concentrated on preparing and teaching a seminar on central banking for the International Business School at Brandeis University, as well as several other projects. Nevertheless, I read with a combination of interest, enthusiasm, and skepticism, various reports arguing that manufacturing is making a come-back in the United States. Enthusiasm - because I think a strong manufacturing sector is important for U.S. economic health, for reasons covered elsewhere in this website. Skepticism - because the job numbers seemed rather modest.

So now that I am back, focused on manufacturing and how it can contribute to a more vital U.S. economy, I thought I should look at what has been happening recently in manufacturing, particularly with respect to job creation.

As can be seen from the table below, which compares the loss of manufacturing jobs in each recession since the late 1960s with the subsequent recovery, recent job growth has not been impressive. Over 2 million manufacturing jobs were lost between the National Bureau of Economic Research's pre-recession peak and recession trough. As of December 2012, three and a half years after the recession trough, only 263,000 jobs had been gained - an increase of just over 2 percent.

Table 1. Cyclical Declines & Recoveries in Manufacturing Employment (000's)

| NBER Peak | NBER Trough | | Peak Jobs | Decline Peak- trough | Cumulative change from trough after | | | |
|--------------|----------------|--|--------------|-------------------------|-------------------------------------|-------|-------|---------|
| | | | | | 1 year | 2 yrs | 3 yrs | 3.5 yrs |
| Dec 69 | Nov 70 | | 18485 | -1461 | 142 | 981 | 1749 | 1644 |
| Nov 73 | Mar 75 | | 18733 | -1920 | 617 | 1088 | 1816 | 2215 |
| Jan 80 | Jul 80 | | 19282 | -1006 | 509 | -988 | -1217 | -646 |
| Jul 81 | Nov 82 | | 18785 | -2063 | 757 | 1294 | 975 | 871 |
| Jul 90 | Mar 91 | | 17705 | -564 | -335 | -346 | -245 | -28 |
| Mar 01 | Nov 01 | | 16940 | -1114 | -835 | -1511 | -1519 | -1569 |
| Dec 07 | Jun 09 | | 13743 | -2018 | -179 | 13 | 237 | 263 |

% decline Cumulative % change from trough

| | | | | | | | | |
|--------|--------|--|--|-------|------|------|------|------|
| Dec 69 | Nov 70 | | | -7.9 | 0.8 | 5.8 | 10.3 | 9.7 |
| Nov 73 | Mar 75 | | | -10.2 | 3.7 | 6.5 | 10.8 | 13.1 |
| Jan 80 | Jul 80 | | | -5.2 | 2.8 | -5.5 | -6.7 | -3.5 |
| Jul 81 | Nov 82 | | | -11.0 | 4.5 | 7.7 | 5.8 | 5.2 |
| Jul 90 | Mar 91 | | | -3.2 | -2.0 | -2.0 | -1.4 | -0.2 |
| Mar 01 | Nov 01 | | | -6.6 | -5.3 | -9.5 | -9.6 | -9.9 |
| Dec 07 | Jun 09 | | | -14.7 | -1.5 | 0.1 | 2.0 | 2.2 |

Source: www.bls.gov/webapps/legac/cestab1.htm, as of January 21, 2013

In contrast, the number of manufacturing jobs lost in the 1970 and 1973-75 recessions had been regained three and a half years after the trough. The recovery after the 1981-82 recession was also much more vigorous, although incomplete. On the other hand, the recent recovery compares favorably with the experience following the recessions of 1990-91 and 2001. Manufacturing job losses in both the 1990-91 and 2001 recessions were considerably smaller than in 2007-2009, but in neither case did manufacturing jobs recover. Manufacturing employment continued to fall after the NBER trough and in the “recovery” from the 2001 recession, it kept falling. Indeed, manufacturing jobs fell more in the three and a half years after the 2001 recession trough than in the official recession, and the combination of the jobs lost in the recession and three and a half years of recovery now surpasses the job losses in the 2007-2009 recession and subsequent recovery. So by the standard of 2001 and its aftermath, the recent recovery in manufacturing looks good; but by any other standard it is disappointing.

In contrast to the recession, which affected almost all manufacturing industries, the recovery has been narrowly based. Only nine out of 22 manufacturing industries (I have split transportation equipment into two - motor vehicles and parts and “other,” which is dominated by aerospace) had more jobs in December 2012 than at the trough of the recession. The remaining 13 had the same or fewer jobs. Moreover, most of the nine manufacturing industries that added jobs did not add very many. The recovery to date has been dominated by motor vehicles, fabricated metals, machinery, and primary metals. All of these industries suffered very severe job losses in the recession; and the recovery, while substantial, represents only 40 percent to somewhat over 50 percent of the jobs lost.

Table 2. Recovery in Manufacturing Jobs by Industry, Jun 2009 to Dec 2012

Largest gains

| | Thousands | | Percent |
|---------------------------|-----------|------------------------|---------|
| Motor vehicles & parts | 166 | Motor vehicles & parts | 26.6 |
| Fabricated metal products | 112 | Primary metals | 15.7 |
| Machinery | 92 | Machinery | 9.1 |
| Primary metals | 55 | Beverages & tobacco | 9.1 |
| Plastics & rubber | 37 | Fabricated metals | 8.6 |

Source: www.bls.gov/webapps/legacy/cestab1.htm. As of January 21, 2013

Nevertheless, other manufacturing industries lost jobs in the recovery, including some that did not fare so poorly in the recession. Over the five years from December 2007, the peak of the recession, to December 2012, the largest job losses were in furniture, motor vehicles, printing, wood products and computers and electronics, all of which lost between 160,000 and 166,000 jobs. In percentage terms, the biggest losers were furniture, wood, apparel, textile mills, and printing, all

of which saw employment fall from a quarter to one-third. No manufacturing industry can be said to have done well in this period. Of the larger industries, employment in food manufacturing held up the best.

Geographically, the strength of the recovery in manufacturing reflects the location of the industries that have enjoyed the most robust recovery. The manufacturing recovery has been strongest in Michigan and Indiana, and considerably further back Washington, Iowa, Tennessee, and Ohio. Most of these states, the exceptions being Washington and Iowa, also experienced very steep job cuts in the recession. Michigan saw its manufacturing jobs fall by 27 percent in the recession and Indiana by 22 percent. In the recovery to date, manufacturing jobs have grown 20 percent in Michigan and 15 percent in Indiana; so even with a strong recovery, manufacturing jobs in Michigan and Indiana are still well below their peak levels. Of states with large manufacturing bases (more than 50,000 manufacturing jobs), Washington and Indiana have fared the best, losing 3 percent and 5 percent of manufacturing jobs over the five years December 2007 to December 2012. In contrast, New Jersey, West Virginia and Florida lost roughly 19 percent of their manufacturing jobs over these five years, while Puerto Rico lost more than 25 percent.

In sum, the recovery in manufacturing looks good only in comparison to the very weak recoveries in the 1990s and 2000s. A few industries that fared very poorly in the recession have come back relatively strongly, while others that fared relatively better in the recession have continued to struggle.