

Work & Wages

PROMISES UNFULFILLED: MANUFACTURING IN THE MIDWEST

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There's a reason the Great Lakes region is considered the industrial heartland of our nation. Working people here of all races and backgrounds forge the steel, build the cars and maintain the supply chains that keep America running. Manufacturing became a cultural symbol of Midwestern work ethic, grit in the face of adversity and pride in the quality of goods produced.

For too long, big, multinational corporations pushed some of our elected leaders to embrace harmful trade liberalization policies like most favored nation status with China and the North American Free Trade Agreement. These policy choices enabled corporations to shed 1 million manufacturing jobs in Pennsylvania, Ohio, Michigan and Wisconsin over the last three decades.

- Corporations cut nearly 800,000 manufacturing jobs in these states from 1990 to the end of 2007: deindustrialization so severe it shrunk once-thriving Midwestern cities.
- During the Great Recession between 2008 and 2010, manufacturing companies in these states cut another 500,000 manufacturing jobs, before adding back 340,000 jobs.
- COVID-19 destroyed a further 140,000 net manufacturing jobs in these states including a partial recovery begun in June. As of July, there were 2,223,000 manufacturing jobs in the four states, wiping out eight years of progress since the Great Recession.

While people who hold manufacturing jobs in the Great Lakes are still paid more than their counterparts in other industries, the wage premium too has shrunk, from \$3.72 in 2000 to \$2.74 in 2019, and eroded for both men and women between 2016 and 2019 (in real 2019 dollars).

Corporate offshoring and closures destroyed jobs that were never replaced with new ones of comparable quality, and disconnection from production work stifled innovation. Growing recognition of these losses has brought calls to re-shore and regrow good-paying manufacturing jobs. The last four years have brought significant federal government activity on issues affecting manufacturing, especially tax and trade policies, but these have failed to reduce manufacturing job declines. Even before COVID-19, the U.S. manufacturing sector entered into a recession in the summer of 2019, according to Moodys.com Chief Economist Mark Zandi.

A lack of federal leadership worsened the COVID-19 crisis. President Trump failed to coordinate a cohesive response to the public health crisis. Congress allowed the \$600-per-week federal unemployment payment to expire and failed to renew fiscal stimulus money to state and local governments after CARES Act funds were rapidly spent down. Before the pandemic, failings in federal manufacturing policy likewise

thwarted the momentum and potential for further acceleration of the Midwest manufacturing jobs recovery.

“The promised rebirth of manufacturing in the Midwest,” outlines how decisions around trade, tax, investment and labor policy have limited Midwesterners’ access to family-supporting factory jobs. Policy failures have facilitated firms’ efforts to reduce Midwest manufacturing jobs through offshoring and domestic outsourcing, and push down the wages workers earn in the sector.

The report features key datapoints and three case studies of manufacturing operations in the region:

- Racine, Wisconsin’s Foxconn project underscores the problem with tax giveaways as economic development strategy: It failed to deliver on jobs promises despite a record \$4 billion subsidy.
- General Motors’ Lordstown, Ohio assembly plant, which the company shuttered in favor of lower-wage Mexican production, shows how trade policy continues to facilitate the transfer of quality jobs to low-wage suppliers and does too little to protect workers on either side of the border.
- At Fuyao glassworks, in Moraine, Ohio near Dayton, the company’s successful effort to crush workers’ recent attempt to form a union demonstrates the need and failure to enforce existing labor protections.

These four Great Lakes states have a trade deficit in each of their top 10 export industries, all in the manufacturing sector. The deficit has grown during president Trump’s administration in eight of the 10 major exporting industries in these four states.

Manufacturing workers with a high school diploma or less earn a wage premium over their counterparts in other sectors, though employers have used tactics including union busting and domestic and foreign outsourcing to push this premium down. Women (\$.88) and men (\$1.81), workers who are Black (\$1.46), white (\$2.88) and brown (Hispanic workers of all races earn \$.93 more in manufacturing) earn a wage premium. In some years, this premium is higher for workers of color, indicating that with good policy, the manufacturing sector can be a source of more equitably shared prosperity.

Rebuilding an innovative, inclusive and sustainable manufacturing sector requires a fair tax code that raises enough revenue and requires the wealthiest to pay their share; making public investments to support access to capital; workforce training with robust job quality protections, to support a diverse, skilled and well-paid workforce; investment in technological innovation; and strong labor provisions that support wages and the ability of manufacturing workers in the U.S. and its trading partners to bargain collectively for better working standards.