

Made in the USA Reports

A PUBLICATION OF THE MADE IN THE USA FOUNDATION

Vol. 26 No. 10 © Made in the USA Foundation--October, 2014

USA Manufacturing is Creating Jobs

Time magazine reported recently, "Climbing out of the recession, the U.S. has seen its manufacturing growth outpace that of other advanced nations, with some 500,000 jobs created in the past three years. It marks the first time in more than a decade that the number of factory jobs has gone up instead of down."

North Carolina's furniture industry lost 70,000 jobs to rivals abroad during the past twenty years. Ashley Furniture is investing at least \$80 million to build a new plant. "If you go back 10 years, we didn't think we'd be manufacturing in the U.S.," says Ashley's CEO, Todd Wanek.

Paul Ashworth, the chief U.S. economist for the research firm Capital Economics, is willing to go a step further. "The offshoring boom," he says, "does appear to have largely run its course."

"Manufacturing is coming back, but it's evolving into a very different type of animal than the one most people recognize today," says James Manyika, a director at McKinsey Global Institute.

The official figure for U.S. manufacturing employment, 9%, underestimates the importance of the sector for the overall economy. Manufacturing represents a whopping 67% of private-sector research and development spending as well as 30% of the country's productivity growth. Every \$1 of manufacturing activity returns \$1.48 to the economy.

"The ability to make things is fundamental to the ability to innovate things over the long term," says Willy Shih, a Harvard Business School professor and co-author of *Producing Prosperity: Why America Needs a Manufacturing*

Renaissance. “When you give up making products, you lose a lot of the added value.”

Element began production of flat-screen TVs in March 2012 in an abandoned factory in Detroit. More recently, the company announced plans to open a second plant in South Carolina, near Columbia, which will bring an estimated 500 jobs to the area over the next five years.

Asian wages are rising quickly, but are still less than American wages. The cost comparison is more favorable when you look at Europe, where manufacturing costs can be 15% to 25% higher than in the U.S. That is one reason firms such as Rolls-Royce and Volkswagen are expanding in America. To help fill its \$96 billion worth of orders, Rolls recently announced a \$136 million addition to its Advanced Airfoil Machining Facility south of Richmond, Virginia. Last year Volkswagen’s year-old assembly plant in Chattanooga, Tennessee, added a third shift, boosting employment to 3,300 for a company that in the 1980s had stopped manufacturing in the U.S.

All these factors are reflected in Ashley Furniture’s decision to spend at least \$80 million to build a new plant south of Winston-Salem, N.C., that will employ 500 people. It represents the reshoring of a traditional industry in a state that had lost jobs to China. Hopefully, the trend will continue.



Announcing: Fans United To Buy American Labor

FUTBAL is a joint venture between Made in the USA Foundation and Global Giving of California.

■ The mission of FUTBAL is two-fold:

1. Convince professional and college sports teams to donate equipment to Global Giving for distribution to underprivileged children; and
2. Convince these same teams that they should require suppliers of sports equipment and souvenir licensees to make their products in the United States.

FUTBAL was created by Joel Joseph of the Made in the USA Foundation and Steve Wright of Global Giving of California. Wright played for the Los Angeles Raiders from 1987-1993 as an offensive lineman. He was signed by the Dallas Cowboys in 1981 and also played for the Baltimore/Indianapolis Colts.

Wright will be meeting with players and team owners to get them on board the project. Mr. Joseph will be meeting with manufacturers of sporting goods and athletic wear to get them to join the project.



How Walmart Can Improve the U.S. Economy and Increase Sales

Walmart is America's largest private employer with 1.3 million workers in the United States. Twenty-three percent of its American workforce, or 300,000 workers have average wages of just \$8.75 per hour, forcing many of them to receive food stamps and other government welfare benefits to survive.

If Walmart voluntarily increased its internal minimum wage to \$12 per hour, Walmart could cover the costs by a one-time price rise of just 1.1 percent, and the average Walmart shopper would only pay an extra \$12.50 per year. Raising its minimum wage of \$12 per hour would be very good for Walmart's business. And not just Walmart. America's low-wage families tend to spend every dollar they earn, so a large minimum wage hike would constitute an enormous, permanent economic stimulus package, but one funded entirely by the private sector.

Wouldn't it be crazy for Walmart to unilaterally raise its starting wages? Actually, it would be brilliant. Henry Ford doubled the wages of his autoworkers 100 years ago. Ford sold more cars to his own employees as a result. In January, 1914, Henry Ford started an industrial revolution by more than doubling wages to \$5 a day—a move that helped build the U.S. middle class and the modern economy. The pay increase would also be accompanied by a shorter workday (from nine to eight hours). While this rate didn't automatically apply to every worker, it more than doubled the average autoworker's wage.

While Henry Ford's primary objective was to reduce worker attrition—labor turnover from monotonous assembly line work was high—newspapers from all over the world reported the story as an extraordinary gesture of goodwill.

After Ford's announcement thousands of prospective workers showed up at the Ford Motor Company employment office. People surged toward Detroit from the American South and the nations of Europe. As expected, employee turnover diminished. And, by creating an eight-hour workday, Ford could run three shifts instead of two, increasing productivity. Henry Ford had reasoned that since it was now possible to build inexpensive cars in volume, more of them could be sold if employees could afford to buy them. The \$5 day helped better the lot of all American workers and contributed to the emergence of the American middle class.

Walmart should quite simply follow Henry Ford's advice and increase the pay of its workers. Its sales would increase because its workers could afford to buy more Walmart products. Walmart, like Ford Motor Company, would also suffer far less turnover and have increased employee loyalty and morale.

Ordinary taxpayers would be the other great beneficiaries, saving billions of dollars each year in payments for Food Stamps, the Earned Income Tax Credit, housing subsidies, and other social welfare programs. Businesses should pay their own employees rather than quietly shifting the burden to government programs and the American taxpayer. Conservatives and free-market supporters should endorse this simple idea.