

Why old-fashioned manufacturing jobs won't return to the West

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Manufacturing is no longer about the production line

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MANUFACTURING has a powerful hold over politicians and policymakers in the rich world. Donald Trump, among others, wants to bring the job of making things back to America from the low-cost countries to which it has emigrated. Manufacturing is worthy of political attention. Manufacturers are more likely to be exporters than other types of businesses and those tend to be more productive than non-exporting firms. But when politicians talk about manufacturing it tends to be in terms of the production line: assembling parts into cars, washing machines or aircraft, which adds less value than it once did. It is the processes that accompany assembly—design, supply-chain management, servicing—that today bring the value. Manufacturing, and jobs in manufacturing, have changed in ways that mean that the old jobs will never return to the rich world.

Because of these changes, working out how many people are employed in manufacturing is tricky. Between the 1840s and the 1960s in Britain, manufacturing's share of employment hovered at around a third; today official data show around one in ten workers is involved in manufacturing. In the late 1940s in America, it accounted for one

in three non-farm jobs. Today's figure is just one in 11. But the way official figures are compiled means that manufacturing's decline has been exaggerated. Some processes that used to be tightly held together are now strung out across the world. Manufacturing companies increasingly bring in other firms to take care of things like marketing or accounting. Because statisticians generally categorise companies according to their largest block of employees, this can make the loss of manufacturing jobs look bigger than it is.

These trends seem set to continue. Many aspects of R&D, product design and technical testing are now looked after by separate companies, along with lots of accounting, logistics, cleaning, personnel management and IT services. A study published in 2015 by the Brookings Institution, an American think-tank, reckoned that the 11.5m American jobs counted as manufacturing employment in 2010 were outnumbered almost two to one by jobs in manufacturing-related services: added, the total would be 32.9m. In future, service providers will penetrate even deeper into manufacturers' turf, even as manufacturers come to see themselves increasingly as sellers of services. Industrial machines and the goods they turn out are increasingly packed with internet-connected sensors. Manufacturers are thus able to gather data on how their machines perform out in the world. Intimacy with the product and the data they produce help them to turn goods into services.

This should be cheering to politicians on the lookout for manufacturing jobs. Well-paid tasks should increase in number as services related to manufacturing grow. In some fields innovation and production are increasingly interwoven. Capital-intensive high-tech manufacturing is often better done by working with the designers and engineers who thought up the products. As that suggests, though, the potential for new jobs in manufacturing is not quite the boon politicians would like. Advanced manufacturing provides good jobs but they need skill and adaptability. Improved education to ensure that engineers and techies are in good supply is required, as is vocational training, along the lines that Germany uses to support programmes to refurbish the skills of current and former workers. Simply threatening companies that seek to move jobs overseas, as Mr Trump has done, will not help. Using tariffs to disrupt the complex cross-border supply chains on which manufacturers rely, as he has suggested doing, would damage the sector he purports to champion. Clamping down on migrants who have skills that manufacturers cannot find at home will do further harm. And policies that favour production-line workers over investment in automation will end up making domestic industry less competitive. Hence the importance of understanding what a manufacturing job looks like these days.

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