

**IAM WHITE PAPER**  
**“CREATING AND SUSTAINING U.S. MANUFACTURING JOBS: AN NINE-POINT PLAN”**  
**MAY 2011**

Manufacturing serves as one of the essential elements for our nation's economic recovery. According to the Economic Policy Institute (EPI), “manufacturing employs one-tenth of all U.S. workers and is responsible for over 12% of our nation's total growth domestic product.” Manufacturing is a “crucial source of good, often highly skilled jobs at above average wages” for non-college educated workers. Investment in manufacturing research and development has contributed significantly to new industries and innovations that have employed generations of U.S. workers and that have made significant contributions to our economic health.

Despite the importance of manufacturing to our nation's economy, over 2.5 million jobs in the manufacturing sector have been lost since December 2007. The Bureau of Labor Statistics reports that manufacturing employment has declined by nearly 6 million between January 2000 and January 2010.

Some industries that were once great contributors to our country like auto, shipbuilding, and machine tools are barely shadows of what they once were.<sup>1</sup> Jobs in other leading edge industries like aerospace are being offshored. For example, the production of the Boeing 787 involves suppliers in Japan, Italy, and other countries.<sup>2</sup> Unfortunately, even new industries, like those associated with renewable energy products which were developed in the U.S., are mostly produced outside the U.S. in countries like China.

While there are many reasons for the decline in manufacturing and the closely related economic crises, one of the fundamental reason is the simple fact that the U.S. does not have a national manufacturing strategy and has not established a framework for creating one. To date, government policies related to tax and investment, research and development, trade, employment, currency valuation, export initiatives and controls, domestic procurement and other areas are yet to be integrated to produce a cohesive and effective strategy to restore the U.S. manufacturing sector and ensure the growth of high wage, sustainable manufacturing jobs.

Other countries have embraced manufacturing strategies.<sup>3</sup> A few years ago, the European Commission presented its new industrial policy noting, “a flourishing manufacturing industry is key to fully exploiting the European Unions potential for growth and sustaining its economic and technological leadership.” As the U.S.-China Economic and Security Review Commission reported, “China's industrial policy targets and supports strategic industries identified as important to its economy in the 11<sup>th</sup> five-year plan.

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<sup>1</sup> See, *Manufacturing a Better Future for America*, ed. Richard McCormick, Alliance for American Manufacturing, 2009.

<sup>2</sup> See, *Boeing 787 Delays Cast Hard Light on Outsourcing*, Reuters, 9/22/2009.

<sup>3</sup> See, Testimony of Owen Herrstadt, “Hearing on the National Manufacturing Strategy Act of 2010”, July 2010. (House Subcommittee on Commerce, Trade and Consumer Protection)

It is imperative that the Administration demonstrate much needed leadership in pursuing policies that will have immediate and long term impact on ensuring support and creation of U.S. manufacturing jobs. Some of these policies include<sup>4</sup>:

**1. Require domestic employment impact statements for government programs contracts, awards, and grants.**

The Administration should adopt a simple, common-sense policy that directly links domestic employment with certain government activities. One way to accomplish this is to require detailed employment impact statements (EIS) as part of the decision-making process for government procurement contracts, assistance, grants, and awards.<sup>5</sup> The results reflected by the EIS would be a significant factor in the final determination concerning the project or transaction under consideration. The EIS would contain information pertaining to employment that would be maintained, created, or lost if the program in question were approved.

To assure that employment impact statements and reliance upon them are fully and effectively implemented, federal agencies would need to submit annual reports summarizing the procedures used and the results. The reports would furnish the Administration with valuable information about how government programs are assisting with the creation and maintenance of jobs.

**2. Ensure that “Made in the U.S.” actually means a product is manufactured by U.S. workers with U.S. supplies and materials.**

For most consumers, a U.S. product is one that is domestically manufactured at home with U.S. materials and supplies. They would be shocked to learn that our federal government considers a product domestically made even though it is made up of components that were produced outside of our country. Although the government has adopted domestic content requirements for certain programs involving procurement, these content requirements can be as low as 51%. Moreover, methods for calculating domestic content are a mess. What factors do agencies include in determining content? Is the calculation limited to raw materials, production, assembly, and maintenance, or are intangible items like the value of marketing, research and development and intellectual property rights, which can be used to inflate domestic content, included? How is the origin of components and subcomponents considered?

The Administration should move quickly to make domestic content calculations effective and transparent. Domestic sourcing requirements for all government procurement programs (e.g., Buy American, the Recovery Act) and programs that support U.S. exports (e.g., the U.S. Export-Impact Bank) should also be reviewed to ensure that the requirements are being taken seriously by contracting agencies and are effectively

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<sup>4</sup> While we believe that federal expenditures made to fulfill job creating initiatives more than pay for themselves, given the intense debate over the budget, we have only listed proposals that would not add to the budget in any significant manner.

<sup>5</sup> See, e.g. Herrstadt, “Green Jobs with Strings”, EPI, December 2009.

implemented. Current suggestions that domestic content requirements be actually weakened for agencies like the U.S. Export-Import Bank must be rejected.

**3. Adopt Programs to encourage the repair of our infrastructure and the renovation and retooling of our factories.**

Utilization of WPA-like programs and the use of tax investment credits, combined with strict requirements that are directly tied to the creation of U.S. manufacturing jobs could go a long way in restoring our manufacturing industry. Among other things, jobs could be created to assist in developing and repairing our infrastructure, including bridges, roads, rail lines, waterways, bridges, and sewers. Additional incentives could be provided for modernizing factories and breathing new life into them.

It is critical that these programs include strongly enforced Buy America and Buy American provisions that will support good U.S. manufacturing jobs by requiring the use of U.S. manufactured equipment, supplies, and materials in all projects.

**4. Create a President's Council on Manufacturing Policy.**

Other countries have well-developed manufacturing policies aimed at employment, growth in exports, and enhancements to strengthen their economy. In contrast, the U.S. has no national manufacturing policy and no mechanism for developing one. Even if U.S. manufacturing weren't in free fall, the President should create a permanent Council on Manufacturing. It would consist of senior government officials as well as private sector representative (including representatives from labor) who would advise the Administration on manufacturing policies aimed at restoring domestic manufacturing and high-quality domestic manufacturing jobs. One of its responsibilities would be to assist the Administration in ensuring that policies throughout the government contribute to domestic manufacturing. The Council would also advise the Administration on manufacturing industries that are essential to national security and make recommendations for creating a positive environment for spurring start-up companies.

**5. Undertake efforts to eliminate transfers of technology and production and resurrect the Clinton-era Presidential Commission on Offsets.**

U.S. manufacturers must be able to compete on a fair playing field with producers in other countries. If domestic manufacturers are to prosper, creating more U.S. manufacturing jobs, trade barriers that exist in other countries, like China, must be challenged and removed. Demands by other countries for offsets and offset-like arrangements from private companies, (i.e., demanding the transfer of U.S. technology and production in return for selling products) must be curtailed.<sup>6</sup> For example, the recent

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<sup>6</sup> For example, other countries have adopted detailed policies mandating the transfer of technology and production to them from another country. See, Herrnstadt, "Offsets and the Lack of a Comprehensive U.S. Policy: What Do Other Countries Know That We Don't?", EPI, April, 2008.

sale of defense goods to India reportedly contained millions of dollars in accompanying offsets. Another example concerns China and its ability to successfully leverage commercial offsets to build its own aerospace industry: an industry that is now poised to compete with both Boeing and Airbus. Eliminating offsets and offset-like arrangements should be given the highest priority in our trade negotiations.

President Clinton and Congress created a high-level Commission on Offsets to review offsets in both the defense and commercial sectors. President Bush never convened the Commission once he took office and its work was never completed. This Administration should resurrect the work of the Offsets Commission.

**6. Enforce trade and laws and specifically target China's aerospace subsidies.**

Trade laws must be enforced with renewed vigor. We welcome the efforts of the USTR with respect to its aerospace subsidy case with EADS. USTR should now turn its attention toward challenging China's aerospace subsidies. Although it is anything but transparent, it is obvious that China is supporting its aerospace industry through its state-run aerospace companies.

We must also remedy the use of unfair currencies and take a more aggressive stands with countries like China, who manipulate its currency to the detriment of U.S. manufacturing workers.

**7. Develop a new template for fair trade agreements.**

The IAM has always argued for fair trade agreements. We continue to maintain that the old trade agreement framework based on NAFTA must be rejected. New trade agreements must put the interest of U.S. workers first. While we are opposed to the current U.S.-South Korea Trade Agreement, we also maintain the hope that future trade agreements (e.g., the proposed Trans-Pacific Partnership Agreement) will be based on stronger labor standards, revised investment provisions, and incorporate all of the suggestions we have made regarding FTAs throughout the years.

**8. Create a new culture in Washington, D.C. that discourages offshoring of U.S. manufacturing work.**

U.S. based corporations have far too many incentives to offshore work to other countries. The Administration needs to convince companies that such behavior is not in the best interest of the United States. Past and contemplated offshoring should be taken into account when any corporation is considered for a grant, contract, or award of any kind. Among other things, when layoffs are announced due to offshoring, the Administration could offer its services to work with the company and organized labor to develop alternative proposals to keep the work here at home.

**9. Develop policies that will curtail states battling with one another for manufacturing jobs.**

Millions of dollars in taxpayer money are being spent by the states to lure companies to transfer existing work in one state to another. Ironically, as state budgets become tighter, these types of expenditures appear to be growing.