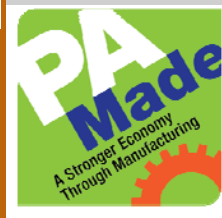


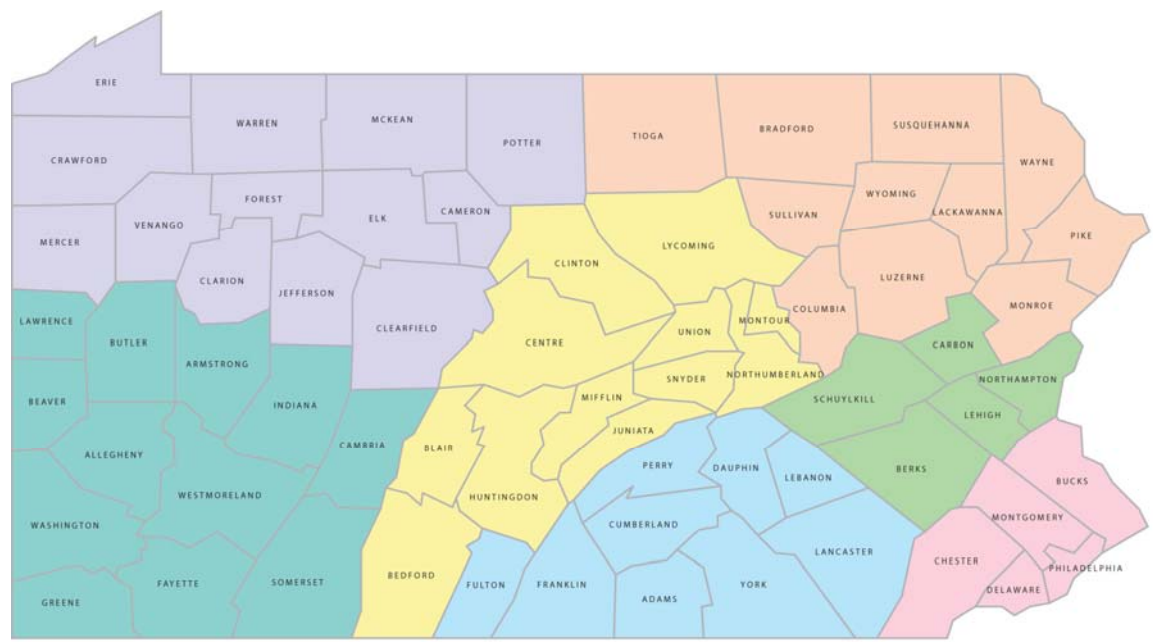
# Pennsylvania's True Commonwealth:

## *The State of Manufacturing – Challenges and Opportunities*

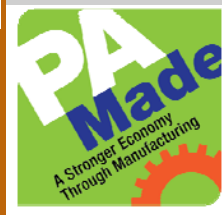
Presentation made to: Economy, Jobs and Business Caucus  
May 2011



# Commissioned by Pennsylvania's IRCs



- MRC  
Manufacturers Resource Center  
Manufacturing Success
- IRCC  
The Resource for Manufacturers
- nepirc  
northeastern pennsylvania industrial resource center
- D/IRC  
DELAWARE VALLEY INDUSTRIAL RESOURCE CENTER
- MANTEC  
www.mantec.org
- IMC  
BUSINESS STRATEGIES & SOLUTIONS
- CATALYST CONNECTION



## Study Led by: Dr. Edward "Ned" Hill



Dean of the College of Urban Affairs at Cleveland State University

On Advisory Board of the MEP

Formerly editor of *Economic Development Quarterly* for 11 years



# The State of Manufacturing – Challenges & Opportunities



Building on 2004 study –  
*“Manufacturing Pennsylvania’s Future”*

Analyzed extensive quantitative data

Focus groups: 70 CEOs from the “best of the best” manufacturing companies across the state



# The State of Manufacturing – Challenges & Opportunities

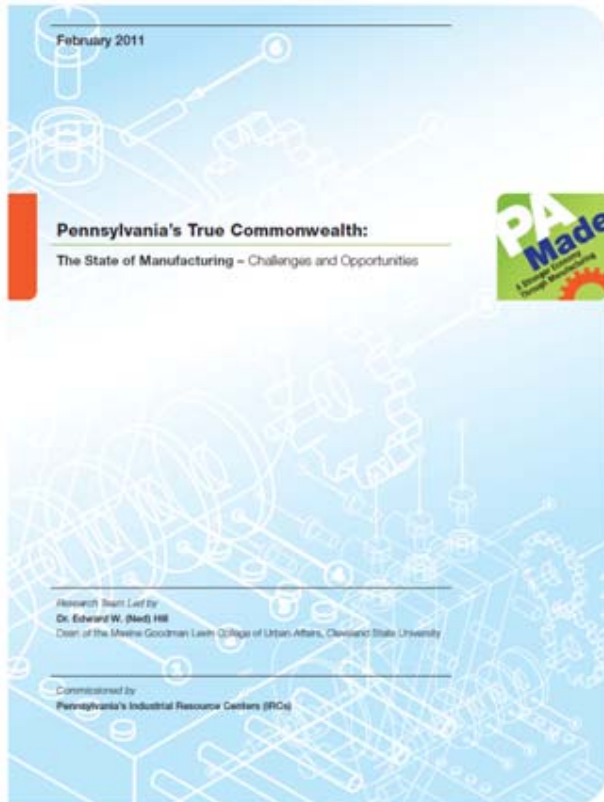
## Goals were to determine:

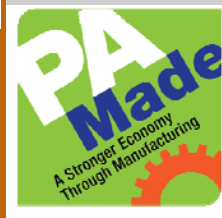
How manufacturing is impacting PA, and regions

Biggest challenges

How manufacturers have adapted

How policymakers can help grow the industry –  
jumpstart PA's economy

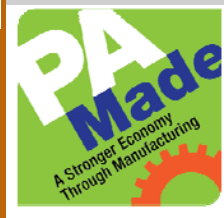




# Research Advisory Team

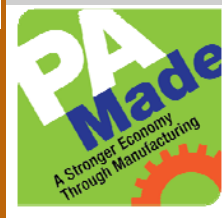
BROOKINGS





## Released in Feb. 2010 – Findings May Surprise You...





## Findings: Despite Decline, Manufacturing still Largest Sector of PA's Economy

NAICS Industrial Code	1998	2008
<b>Manufacturing</b>	<b>18.8%</b>	<b>13.6%</b>
Real Estate and Rental Leasing	11.1%	11.8%
Health Care and Social Assistance	8.1%	9.7%
Public Administration	9.9%	9.4%
Professional, Scientific and Technical Service	6.2%	7.8%
Finance and Insurance	7.2%	7.3%
Retail Trade	6.8%	6.0%
Wholesale Trade	5.5%	6.0%
Construction	4.0%	4.0%
Information	3.6%	3.6%
All Other	18.8%	18.8%
Agriculture	0.6%	0.6%



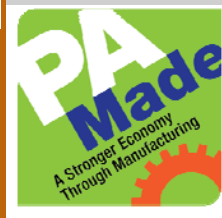


## Findings: Manufacturing is 4<sup>th</sup> Largest Job Provider

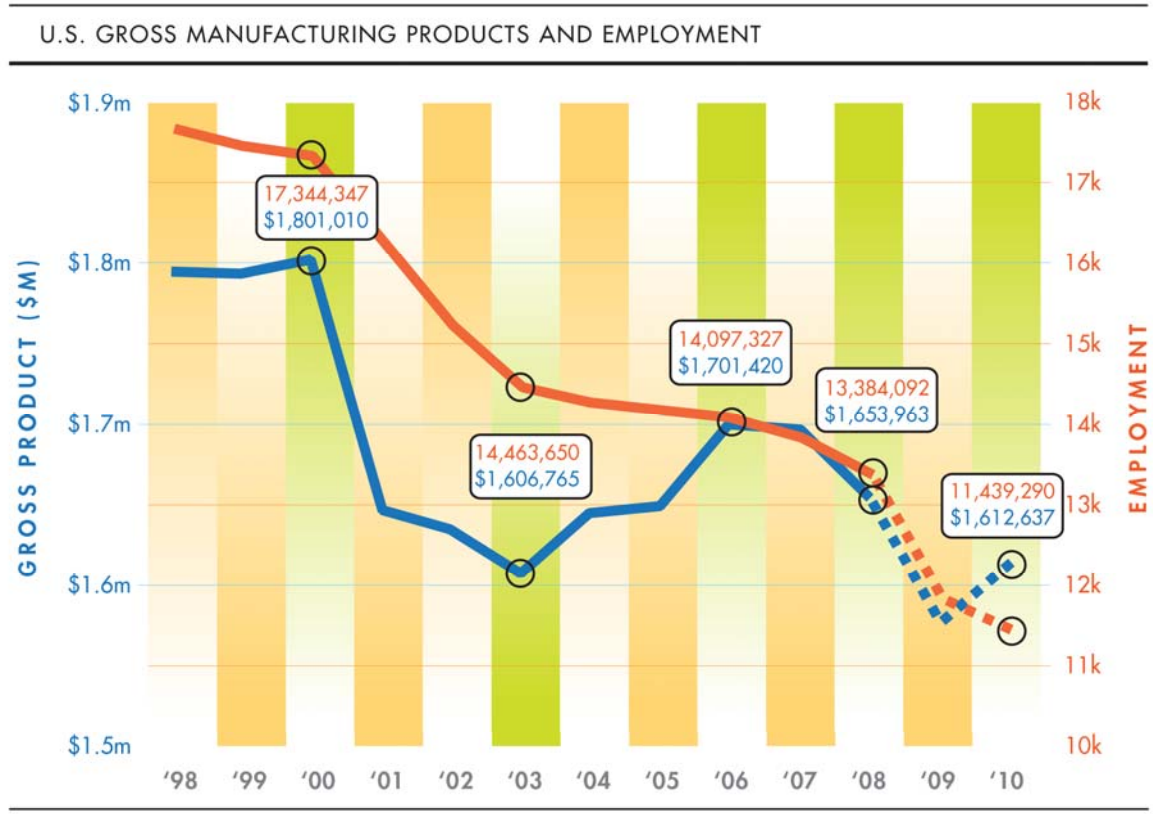
NAICS Industrial Code	1998	2008
Health Care and Social Assistance	716,894	882,085
Public Administration	711,857	749,086
Retail Trade	652,798	648,475
Manufacturing	873,164	643,573
Accommodation and Food Services	365,157	416,021

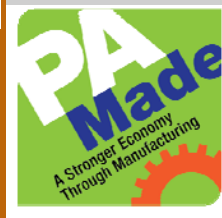
And good paying ones...

*Average Yearly Wage in 2008 = **\$52,204***



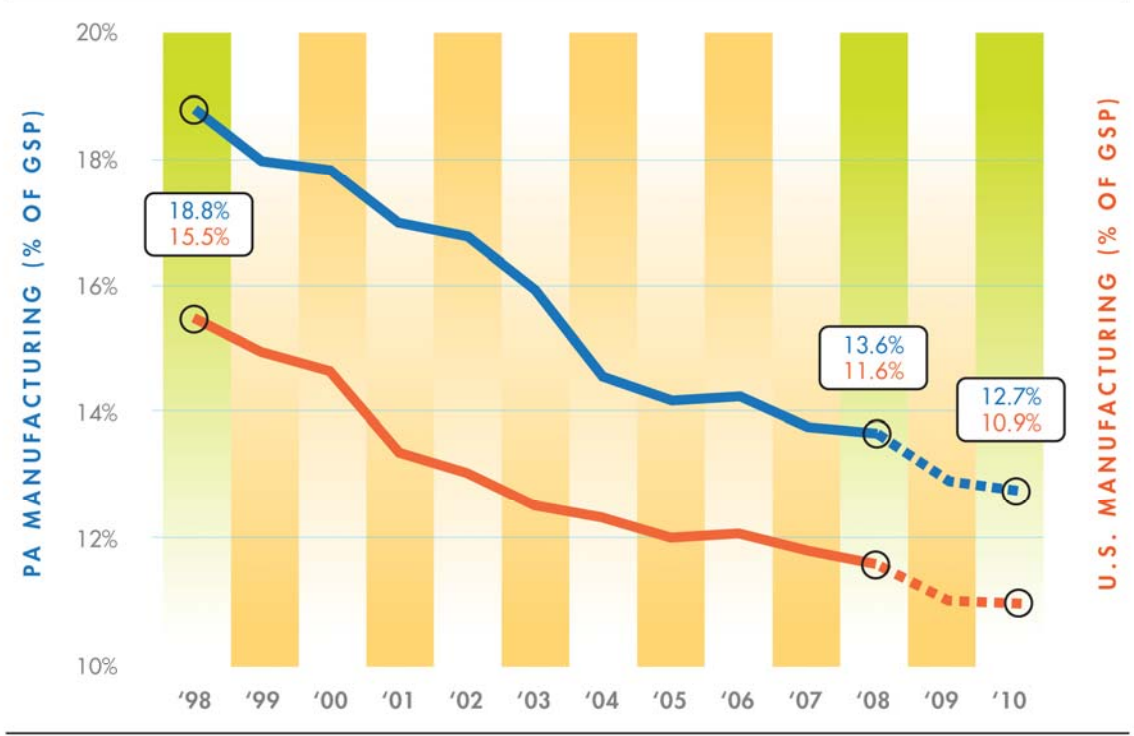
# Findings: U.S. and State Manufacturing Both Declined

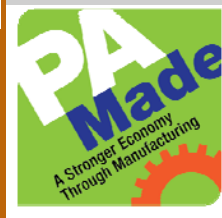




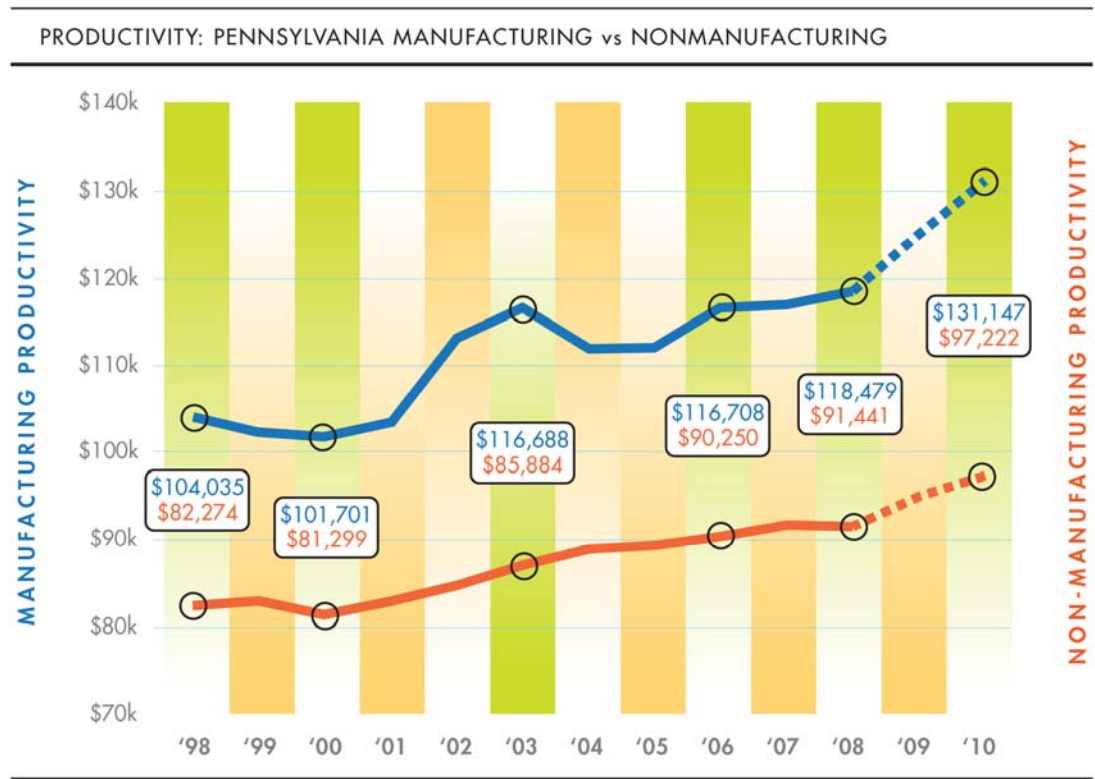
# Findings: PA's Economy More Dependent on Manufacturing than U.S. Economy

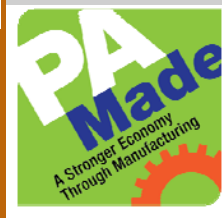
MANUFACTURING AS A PERCENTAGE OF TOTAL GROSS PRODUCT



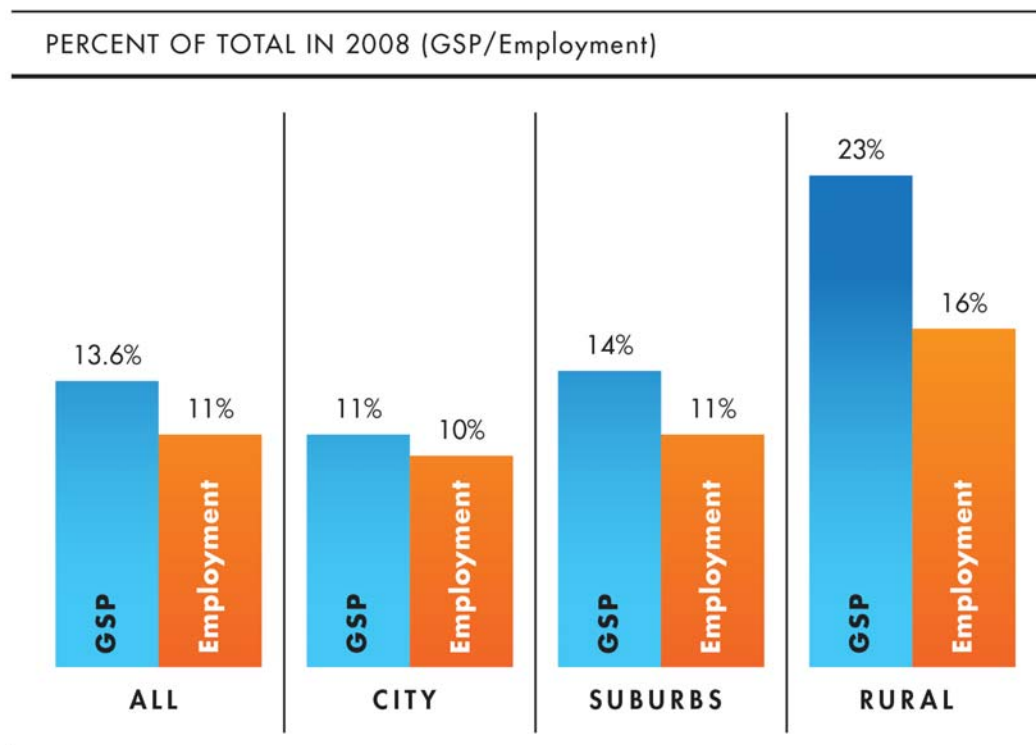


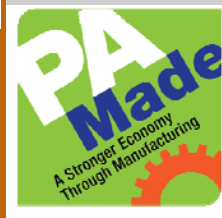
# Findings: Pennsylvania's Manufacturers More Productive than Non-Manufacturers



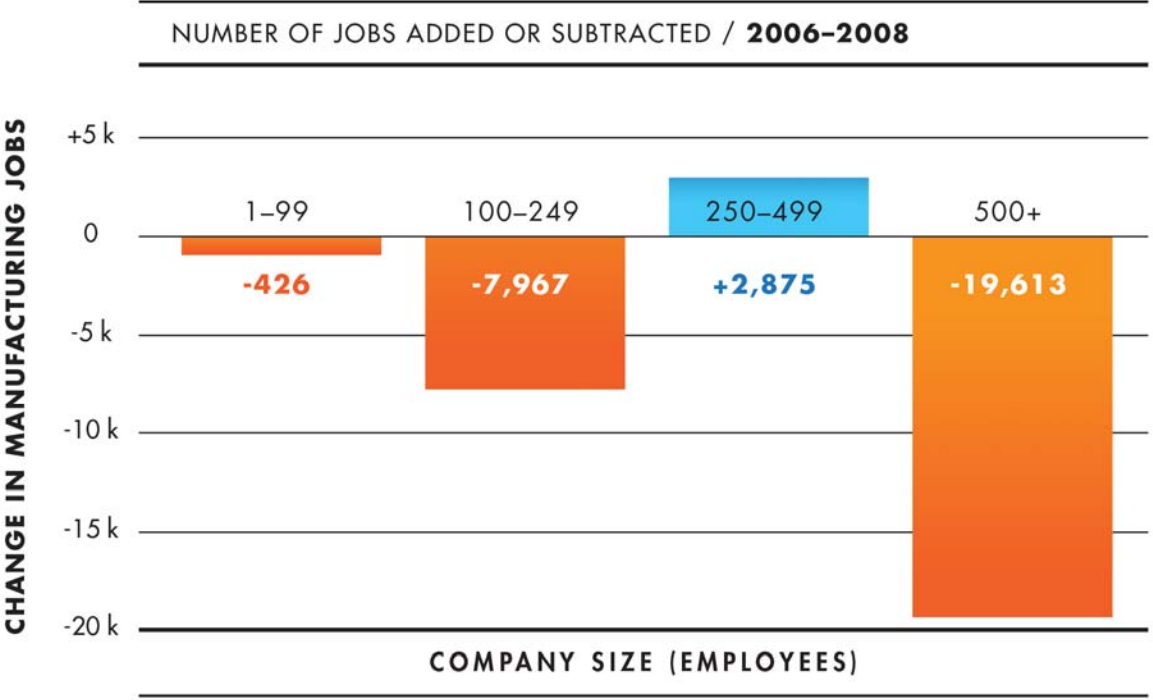


## Findings: Manufacturing Impacts Entire State – More Important in Rural Counties





# Findings: Small to Mid-Sized PA Companies Hanging Strong





## Findings: Focus Groups – Biggest Challenges



Martha Husser of Henry Molded Products in Lebanon was one of 70 business leaders that participated in the focus groups

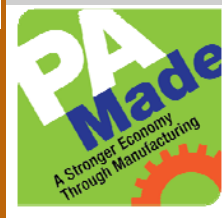
She spoke at the study's release at the state Capitol in February.

Commoditization

Workforce Quality

Information Systems

Policy and Regulations



## Findings: Focus Groups – Biggest Challenges

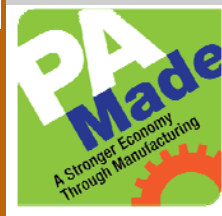
### **Commoditization:**

“We can’t stand still or we’ll become commoditized. It’s not just the product but our expertise”

“(Customers) can get our product cheaper, but we’re reliable”

*-- Manufacturing CEOs*





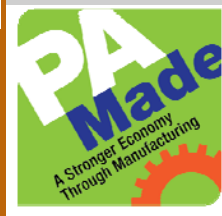
## Findings: Focus Groups – Biggest Challenges

### **Workforce Quality:**

“We have gone to hiring temps, and then only hiring the best of those full-time”

“We’re turning away business because we can’t find the people”

*-- Manufacturing CEOs*



## Findings: Focus Groups – Biggest Challenges

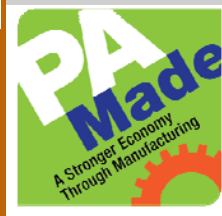
### **Information Systems:**

“When changes are made to an order, (our response) has to be instantaneous”

“Without IT, we don’t exist”

“Our IT has extended to our customers’ IT. That integration allows us to figure what (our customers) need”

-- *Manufacturing CEOs*



## Findings: Focus Groups – Biggest Challenges

### **Policy and Regulations**

“We need a full-time person just to fill out paperwork (government programs)”

“Business don’t hire for tax credits..they hire for demand. Help business leaders develop themselves”

“Don’t incent us to hire. We’ll hire people when we need them. We want to grow our business”

*-- Manufacturing CEOs*



# Findings: Focus Groups – Opportunities & Policy Recommendations

Economic Development Support  
New product development &  
management best practices

Workforce development  
On-the-job training & growing the  
pipeline for future workers

Tax Reform, Less Regulation  
Reducing the Corporate Net Income  
Tax & support for R&D credits

**In Harrisburg, group argues lower taxes, less regulatory burden are keys to well-paying, high-tech jobs in Pennsylvania**

Published: Tuesday, February 15, 2011, 12:33 PM Updated: Tuesday, February 15, 2011, 12:54 PM

By **DAVID WENNER, The Patriot-News**  
Fellow

Like Be the first of your friends to like this. Tweet 2 Share 3 Comment 1

Manufacturing isn't dead in Pennsylvania, but it needs a transfusion. And that will require government help, in the form of tax cuts and investment in programs to help manufacturers develop the new products and attain efficiencies needed to prosper in a global economy. That was the message of a group that today released what it called a "groundbreaking" study on manufacturing in Pennsylvania.



The group said it's critical that Gov. Tom Corbett heed the study's recommendations, and that stressed that manufacturing not only has a future in Pennsylvania but is a key to well-paying jobs needed to sustain a high standard of living.

The report was commissioned by Pennsylvania's **Industrial Resource Centers**, which are state-funded organizations that provide technical assistance and advice to small and mid-sized companies. It also involved extensive input from leaders of manufacturing companies in Pennsylvania.

The group said Pennsylvania must lower corporate taxes, make regulations less complex, and create new incentives toward research and development. The report weighs in on what's becoming a significant debate in the United States — the proper role of government in spurring business growth, and whether public money aimed at seeding innovation amounts to worthwhile "investment" in the nation's future, or just more of the "spending" that has buried the country in debt.



## Industrial Resource Centers – Revenues & Impacts


*Fiscal Year 2009*

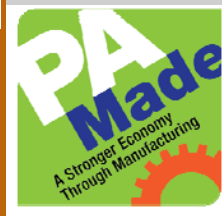
Received \$6.854 M – leveraged additional \$15.295M in federal \$ and revenues from clients.

The Results from Clients Were:

 \$566M Sales

 \$118M Additional Investments

 4,599 Jobs Retained + 952 Created = *5,551 Total Jobs*



## At the End of the Day...

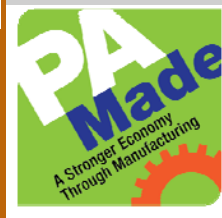
Manufacturers have managed to succeed despite global market & economic challenges

Product development

Management practices using “lean” & cultural change

Continuous improvement and employee engagement





## For More Information...

**PA Made**  
A Stronger Economy Through Manufacturing  
An Initiative of the Industrial Resource Centers

About  
Impact Study  
Industrial Resource Centers  
News

### PA MANUFACTURING. GEARING UP...

Manufacturing is our #1 economic engine -- contributing more to the gross state product than any other industry. Yet in an increasingly global economy, we need to do more to keep our manufacturers healthy. Supporting manufacturers boosts the entire economy -- and quickly. Tax revenues go up. Jobs are retained and created. Other industries expand.

[HOW TO HELP](#)      [CONTACT LEGISLATOR](#)

**News**  
See the latest news on manufacturing in Pennsylvania.  
[Learn More](#)

**How To Help**  
Advocate for PA manufacturers, request email updates, or spread the word.  
[Learn More](#)

**Impact Study**  
On February 15, the Industrial Resource Centers helped release a landmark study on the "State of Manufacturing" in Pennsylvania.  
[Learn More](#)

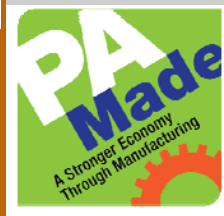
Executive Summary & Full Report

How you can help manufacturers & spread the word to others

Contact Legislator

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**Thank you.**