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Barberbiz

Our Trilogy Ends with One Smart Dog

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I'm going to triple down on the subject of manufacturing, not only because it has been in the news a lot lately, but also because it is a subject of great importance to our country. This big story deserves a trilogy.

And besides, this is my blog. As such, I take full responsibility for its content, but respectfully not for what you understand. I am heartened that most of you do get it.

How the United States fits and will fit in the world is largely dependent on its manufacturing environment. Ultimately, this is an issue of national security involving trade, innovation, and future job creation. Important stuff.

From my two earlier blogs this month, we learned a few things. Well, at least I did.

1) The United States is and remains a manufacturing powerhouse in the world, despite a hemorrhaging of millions of manufacturing jobs. In fact, we have picked up about 334,000 manufacturing jobs in the past two years.

2) There is some evidence that re-shoring or insourcing will take place, as U.S.-based multi-national corporations are seeing higher wages in China and other offshore locations and have a better understanding of the vulnerability and cost of extended supply lines.

3) Factories of today little resemble the labor-intensive factories of old as technological advances have resulted increased efficiencies requiring fewer plant workers while industrial output has exploded. Translation: We are making more stuff with fewer people.

4) Factory workers today are different kind of cats than that of the parent's generation. Workers in today's manufacturing plants have to think on their feet and be problems solvers. The days of graduating from high school and getting a factory job with no skills are over. Skilled workers, however, are in great demand.

5) I can't think of No. 5 yet, but I bet if you read my prior two blogs that you can come up with a No. 5. Heck, maybe we can even come up with a No. 6, too.

Recently, I had the pleasure of having a 30-minute telephone conversation, ostensibly an interview, with Bill Taylor, president of the Economic Development Partnership of Alabama. Prior to his life in economic development, Taylor was the president of Mercedes-Benz US International. So he has seen both sides of the fence.

For a decade, Taylor was in charge of a $1 billion investment in Tuscaloosa, Ala., a plant that literally transformed Alabama's economic development fortunes. He has been on the front line of manufacturing for more than four decades, having also worked for Ford and Toyota in Canada. In short, he understands manufacturing and the forces and nature of competing in global marketplace.

So what did he have to say?

Well, a lot, but I won't tell you all here today. I'll save some for a later blog. But Taylor says manufacturing in America and the West in general is constantly rethinking and reinventing itself with technological innovation in order to compete. As such, more responsibility is being placed on the shoulders of those on the factory floor.

"There is no such thing as a blue-collar worker. That is long gone," Taylor said. "Most people working on factory lines today are asked to problem solve. They are asked to maintain and really understand the piece of equipment. Management now goes to these so-called blue-collar workers to ask, "What do you think?"

"We now call that person a 'junior engineer' because they are really asked to do what engineers would have said at one time was their job. And now we have engineers performing more like teachers, mentors, to help people have a greater depth of understanding of what they are doing."

And while it is true that the never ending quest for greater productivity has resulted in an increase in robotics and automation, eliminating some manufacturing jobs, those very same technological advances also created other jobs elsewhere.

"Sometimes we fail to look at the whole picture, and look at what other jobs are being created as a result of technology advancements," Taylor said. "Now the job creation is not necessarily inside that particular factory, but the jobs created are an integral part of the workforce that may be housed inside the factory."

Somebody has to write the software. Somebody has to design the electrical and mechanical systems. Somebody has to support the technological innovation going on within the factory walls plant and those support players may not even be characterized as manufacturing jobs. Still, they resulted because of advanced manufacturing.

"So the spinoff of jobs is something that we don't fully understand yet, because in many cases we really don't understand what manufacturing is these days," Taylor said.

The more I thought about that, the more I realized how deep that statement was. Here's a manufacturing guy saying, in effect, that we are now pushing new frontiers in even defining what manufacturing is, much less the jobs of the future.

So there are reasons to be optimistic. The United States can and should continue to be a leader in manufacturing technologies and in making things. But Taylor says this notion is founded on the basis that our education system responds accordingly. If our schools do not turn out students with strong backgrounds in math and science, those equipped to be the skilled workers of the future, we are in for a tough slog ahead.

"If our education system doesn't improve its alignment with business and industry, then probably it's predictable what the outcome will be. I don't think we are there right now, but certainly we need to refocus on just exactly what the needs of business and industry are and make sure that our education system is running in tandem with those needs. That is the big challenge," Taylor said.

Despite the ineptitude displayed on a regular basis by a divided Washington and by the self-serving interests of certain teachers unions, I believe our schools will respond and are in fact responding now. I am optimistic that America will address this deficit in skilled workers, simply because we have to.

The fact is that American workers are the most productive in the world. About a year ago, I reported in this blog that China had marginally overtaken the US as the largest manufacturing economy. China's estimated manufacturing output, according to market researchers IHS Global Insight, reached $1.995 trillion compared to total US manufacturing output of $1.952 trillion in 2010.

But here is the kicker: It took over 100 million Chinese workers to create that amount of manufacturing value – compared to just 11.5 million workers in the US. In short, our manufacturing industry is about 10 times more productive than the Chinese. It is the combination of skilled labor and complex machines that gives American factories our big edge.

What that means is that a wave of re-shoring does happen (it's certainly being talked about a lot right now), fewer people will be required to build the same volume of things simply because of our productivity. Writes Paul Tate, executive editor of Manufacturing Executive:

"If production does move back from East to West big time soon, it may certainly help western GDP, company revenues, probably profits, and maybe even national pride, but to think it will sweep away mass unemployment seems overly ambitious."

In an election year, national pride is something to be leveraged. Now I try to shy away from politics in this blog. It is my hope that you cannot discern whether I am a Republican or a Democrat. If I identified myself of either camp or expounded very much on the politics of day, some of you would rightly shut me down.

So it is with trepidation that I commend the president for his remarks and emphasis of late on the importance of manufacturing. I happen to believe that he is sincere in wanting to encourage and support our manufacturing sector and seeing a re-shoring wave take place. But it also makes for smart politics.

A recent industry poll by Cook Associates showed that 85 percent of the 3,000 manufacturing executives surveyed expect some factory work to come home. But nobody knows how many jobs may be involved. There are some estimates as high 2 million. But I don't think we will see numbers like that. Quoting Tate again with Manufacturing Executive:

"But those jobs will be different and there may not be as many, or for as long, as some expect."

The challenge will remain — re-educating a workforce capable of grasping new precision technologies and the new opportunities that will surely come as a result of those advancements. The march toward innovation and increased productivity is our destiny if we are to remain the manufacturing leader of the world.

So the megatrend to make more stuff with fewer people will not be denied in the long run, even with the advent of re-shoring. Manufacturing and agriculture employed one in three workers just after World War II. Today, one in eight. Eventually, it will be one in 10.

Apparently, there is a joke making its rounds today in manufacturing circles. I first heard it from fellow traveler and consultant Mark Waterhouse: A factory employs only a man and a dog. The man is there to feed the dog, and the dog is there to keep the man away from the machines.

Now you have to admit, that's one smart dog.

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