



Metropolitan Policy Program

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The new Brookings report on American manufacturing metros is available at
http://www.brookings.edu/reports/2010/1216_manufacturing_wial_friedhoff.aspx.

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MEASURING THE MIGHT OF THE MANUFACTURING METRO

New Brookings report finds manufacturing still fundamental to economy stability

WASHINGTON, D.C.—Rumors of the demise of American manufacturing that have been circulating for decades are, as yet, exaggerated, according to a new report from the Brookings Institution’s Metropolitan Policy Program.

The new report, “Manufacturing Decline in America’s Industrial Metropolitan Areas: Testing Conventional Wisdom,” studied job and wage changes in the country’s 114 manufacturing metros that lost manufacturing jobs between 1980 and 2005, including METRO. America’s industrial sector sustained major losses in jobs during this period, which damaged the long term economic health, so metropolitan leaders should think twice before passively accepting this loss of manufacturing jobs.

“Overall, metropolitan areas that have lost manufacturing jobs have suffered,” said Howard Wial, co-author of the report and fellow at the Brookings Institution Metropolitan Policy Program, “In these areas, job growth has stagnated and wages were lower; they have declined economically over the long term.”

Among the report’s findings:

- **Manufacturing and service jobs are complementary rather than competitive**—metropolitan areas that lost the fewest manufacturing jobs also gained the most non-manufacturing and advanced service jobs. One does not have to come at the cost of the other.
- **Midwest metropolitan areas stagnated economically mainly because they underperformed with respect to the industries they had**—their reliance on slow-growing manufacturing industries, such as automobiles, was not the major reason for their economic problems.
- **The loss of manufacturing jobs lowered wages.** In nearly all of the 114 metro areas studied; wages were lower than they would have been if changes in the areas’ industrial composition, including the loss of manufacturing jobs, had not occurred.

- **Logistics and distribution industries, such as transportation and warehousing, are replacing some manufacturing jobs**, but it is not clear whether job growth and wages are improving because of this. During the time period studied, the 114 metros studied typically had faster growth in transportation and warehousing and slower growth in advanced services, tourism, and government than the nation as a whole.
- **We still have a long way to come back**—two-thirds of the 114 metros studied performed below national averages for job and wage growth during this period; however, all but one (Binghamton, NY) experienced some manufacturing job growth in at least one manufacturing industry.

Wial said the report's findings should help metropolitan leaders make decisions about how to maximize their metros' strengths, buffer weaknesses, and chart economic futures.

"At the end of the day, we need to build on the foundation we have and learn how to leverage resources," he said. "Each area has its own characteristics. Metropolitan leaders should try to preserve high-wage manufacturing jobs if possible, because the long term impact of their loss on the regional economy is almost always detrimental. Also, leaders need not choose between manufacturing jobs and advance service jobs; these industries are complementary."

The Metropolitan Policy Program at Brookings provides decision-makers with cutting-edge research and policy ideas for improving the health and prosperity of metropolitan areas, including their component cities, suburbs, and rural areas. To learn more, please visit: www.brookings.edu/metro.

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