

## **NIMA NEWSLETTER**

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### ***Skills USA Competition***

On March 5<sup>th</sup> over 100 students from eight local high schools came together for a Skills USA Competition (once called Vocational and Industrial Clubs of America). The competition was held at Lewis-Clark State College and the Lewiston High School. Harold Nevill, Engineering & Industrial Systems Program Manager of the Idaho Division of Professional-Technical Education is working to restart a program that he believes will re-energize youth toward seeing manufacturing as a future.

The competition included precision machining, CNC milling, technical drafting, and welding as well as transportation, information systems/media, and leadership competitions.

NIMA would like to say a special thank you to our manufacturers that donated their time to make this competition a success: Tony Maiorana, Jetco; Dave Howell, Howell CNC; Stephen Burgman, Hotwire Direct; Andy Wilson, Clearwater Hydraulics; Ryan Root, Schweitzer Engineering; and Bruce Larson, of Renaissance.

### ***Small- To Mid-Sized Manufacturers Are Not Looking Overseas For Growth, According to Survey***

Small- to mid-sized manufacturing companies are not taking advantage of burgeoning growth opportunities that exist in overseas markets, according to RSM McGladrey, the Minneapolis, Minn.-based accounting and tax firm. Only 26 percent of the 1,031 CEOs and CFOs surveyed by the firm said they are relying on exports for growth. That low number "is discouraging," says Tom Murphy, Executive Vice President of RSM McGladrey's Manufacturing and Wholesale Distribution Practice. "People have to start thinking outside of the box."

Most companies (55 percent) are depending upon introducing new products as a means to grow their companies, followed by increasing brand recognition, adding new services and expanding their sales forces.

Small- and medium-sized manufacturers are not enthusiastically responding to globalization, RSM McGladrey found in its survey of CEOs and CFOs. "Most view the global economy as more of a challenge than an opportunity," says the firm. Adds Murphy: "Given the access to foreign market that free trade provides, it is surprising that survey respondents do not see the urgency of exporting or supplying to the major multinational companies. They are leaving a lot of business on the table." Exporting would also help shield them from a downturn in their home market. Half of the survey participants said they don't expect any revenue growth from exports and only about 25 percent said that globalization helped them lower costs. A little more than 40 percent said globalization forced them to lower the prices of their products.

Companies are also not taking advantage of tax credits and other government programs for manufacturers. Less than 10 percent of those surveyed are participating in any single program, and less than 10 percent use state incentive programs, even though there are many that are available. Only 65 percent of manufacturers use state and local tax credits, and 64 percent take advantage of the domestic manufacturers' deduction. Another 61 percent use the R&D tax credit, while only 38 percent use international tax incentives. The survey found that 58 percent of small- and medium-sized manufacturers believe their company is "thriving and growing," while only four percent say they are "declining." But there are headwinds.

Health care costs are increasing and 65 percent of the companies are passing these cost increases onto their employees, resulting in less take-home pay and a workforce that is growing more disillusioned says Murphy.

“As competition for employees’ heats up, employees are changing companies because of [better] health care plans.”

There are as many as one million vacancies in the manufacturing sector, and finding good workers in an economy with a four point six percent unemployment rate is becoming more difficult.

Energy costs are also beginning to impact companies, particularly those in the

chemicals, metal fabrication and plastics industries. U.S. corporate income taxes remain higher than in 29 other OECD countries; regulations remain burdensome; and litigation costs, which account for almost three percent of the U.S. economy, are sapping resources. Mid-sized companies are getting squeezed.

“There are a lot of advocates for small guys and the big guys,” Murphy told MTN.

“But nobody is advocating for the companies in the middle. Somebody has got to start speaking up on their behalf.”

Murphy was recently in Washington DC meeting with policy makers to implore them to get serious about policies aimed at improving the environment for U.S. manufacturing. “We’re saying we have the data; now we have to put our heads up, speak out and get the government to take actions to give us relief on structural costs.”

### ***New Handbook Has Latest Data About Sector’s Strengths and Challenge***

WASHINGTON, D.C., Oct. 4, 2006 – The manufacturing sector -- more than any other -- is driving the current U.S. economic recovery but faces unprecedented challenges, according to *The Facts About Modern Manufacturing*, released today by the National Association of Manufacturers and The Manufacturing Institute. The 7th edition of this comprehensive resource, sponsored by Toyota Motor North America, spotlights the latest U.S. government statistics, NAM economic analysis and corporate success stories about manufacturing in America. It is available at <http://www.nam.org/facts>.

“The Facts book sets the record straight about manufacturing’s central role in the U.S. economy,” said NAM President John Engler. “It is an essential resource for anyone interested in the future of manufacturing in America – from policymakers and the media to educators and political candidates who need to know how manufacturing supports their state’s economy and how they can support manufacturing.

“Manufacturing output in America is at the highest level in U.S. history and continues to support our economy,” Engler said. “At the same time, manufacturers in the United States face unprecedented challenges -- from rising energy and health care costs and increased global competition to a serious shortage of skilled production workers, scientists and engineers that will intensify as the baby boom generation retires.”

“The Facts book documents how manufacturing drives economic growth, productivity and innovation in America,” added Jerry Jasinowski, president of The Manufacturing Institute (the research and education arm of the NAM). “Manufacturing provides great benefits to the U.S.

economy and our quality of life -- and offers a broad range of high-paying, interesting jobs with average annual compensation of nearly \$65,000 for young people with the right skills and education," he said.

"Some mistakenly believe manufacturing in the United States is in decline because of the continuing evolution of global sourcing and competition. In fact, U.S. manufacturing is vibrant, robust and contributes greatly to the dynamic American economy," added Dennis Cuneo, Senior Vice President at Toyota Motor North America.

The Facts book highlights six manufacturing pillars that support today's U.S. economy:

- Manufacturing made the **highest contribution** (15 percent) of all sectors **to real Gross Domestic Product (GDP) growth** between 2001 and today.
- **Manufacturing is the engine of American technology development and innovation**, responsible for more than 70 percent of private sector R&D.
- **Manufacturing's high productivity rate** – which determines real wage and benefit compensation – increased by more than 50 percent over the past decade and was far higher than for services.
- **Manufactured goods make up more than 60 percent of U.S. exports**, helping to pay for U.S. imports. While agricultural exports amount to about \$50 billion a year, manufacturers export that much each month.
- **Manufacturing wages and benefits are approximately 25 percent higher** than in non-manufacturing jobs.
- **Manufacturing has a greater multiplier effect on the rest of the economy** than does any other sector; each manufacturing dollar generates an additional \$1.37 in economic activity.

"Even with these strengths, there are many challenges facing manufacturers in America," Engler said. "Structural non-wage costs such as taxes and regulations are more than 30 percent higher than for our major trading partners. The underlying pressures that make it difficult to manufacture in the United States should be a top priority for policymakers and anyone running for office during this election cycle," he concluded.

The National Association of Manufacturers is the nation's largest industrial trade association. The Manufacturing Institute is the research and education arm of the NAM.