

Long Island and the Future of Manufacturing

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Manufacturing, and the loss of manufacturing jobs in the United States has been a major theme in the current Presidential campaign. Throughout the last year, almost all of the Presidential candidates have addressed this issue especially as the primary season worked its way through the Midwest and Rustbelt states. Even on Long Island, many commentators regularly observe the decline in the manufacturing sector.

Much of the blame for the loss of manufacturing here on the Island and in New York State as a whole focuses upon taxes, or more bluntly the area's reputation for high taxes, and the possibility that manufacturing jobs are moving south and out of the country to take advantage of low tax, regulatory, and wage environments. While these factors may certainly impact the decision making process about where a firm chooses to locate its facilities, they are not the only ones, and not necessarily even the most decisive factors. Firms and entrepreneurs still need to evaluate their location choices based upon a complex array of concerns such as market location, resource availability including both skilled and unskilled labor, the interrelationship and linkages between upstream and downstream supply chains, and transportation costs.

From 1990 to 2015, the number of individuals employed in manufacturing on Long Island has fallen from approximately 12.4 percent of total non-farm employment to 5.48 percent. Similarly, employment in all goods-producing sectors on Long Island has decreased from 17 percent to 11 percent of total employment. Employment in the service sector though has increased from 82.8 percent to 88.9 percent. For Long Island the trend is consistent, goods-production and manufacturing sectors are in decline.

How can we interpret this data? That is really the question. The nature of manufacturing has changed considerably over the last thirty to forty years ago. Production was standardized, firms set up long production runs of individual items, managing transportation and supply chain logistics required

firms to keep large inventories of inputs on hand, and lead times could be anywhere from 4 to 12 weeks or longer. Even the most technologically advanced manufacturers still required a significant number of skilled and unskilled workers to produce their products from materials handling and machine operation, to finishing and inspecting output for quality control.

While there certainly are some manufacturers operating in that same way today, they are becoming less of the norm. From cabinet shops to advanced manufacturing facilities, firms are increasingly using highly automated production techniques. Unlike earlier generations of automated equipment though with long and costly set-up times and costs, this new generation of equipment allows for greater flexibility in set-up and run times. It also has reduced the number of personnel necessary to work on the shop floor. Firms are able to produce higher quality products, in shorter periods of time, and with fewer personnel.

What this really means, is that even a resurgence in manufacturing in the region would not necessarily result in a concomitant increase in the percentage of the work force engaged in manufacturing. Any resurgence in manufacturing though on the Island does require investment in infrastructure – such as the creation of rest areas for trucks along the interstate and other measures that would help to make the region more transportation friendly as well as addressing the middle class housing. While no one is suggesting the return of heavy manufacturing to the region, a healthy advanced manufacturing sector does help to create higher paying jobs than the service sector does.