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Manufacturing Remains the Largest Employer in Only Two States, Says New Georgetown University Report

Concentration of US manufacturing industry shifts from Northeast to Midwest and Southeast

(Washington, DC, June 25, 2019) The transformation of the US manufacturing economy from 1947 to 2016 is characterized by major declines in employment in favor of major increases in production capability—a loss of 3 million jobs but a boost of \$4 trillion in economic output. New research from the Georgetown University Center on Education and the Workforce (CEW) in partnership with JPMorgan Chase & Co. details how the industry migrated from a hotbed in the Northeast to hubs in the Midwest and Southeast by the early 2000s. *The Way We Were: The Changing Geography of US Manufacturing from 1940 to 2016* reveals that Indiana and Wisconsin are the only states where manufacturing remains the largest source of employment today.

“Despite the fact that manufacturing is the largest employer in only two states, it still is the top provider of good jobs for workers without a bachelor’s degree in 35 states,” said Anthony P. Carnevale, lead author of the report and CEW Director.

Manufacturing’s ascent began in the 1800s, as the United States transformed from an agrarian to an industrial economy. By 1940, 23% of workers were employed in manufacturing. Industry employment was concentrated in 15 northeastern, mid-Atlantic, and Great Lakes states and in cities like Gary, Detroit, Cleveland, Buffalo, Pittsburgh, Newark, and Baltimore.

By the beginning of the millennium, the share of workers in manufacturing had fallen to less than 15%, and by 2016 it hovered at 10%. Meanwhile, employment in services grew from 21% to 55% between 1940 and 2016.

As the economy shifted from manufacturing to services during the 20th century, the geography of manufacturing shifted to the southeastern and central states, where labor costs were lower and subsidies were more attractive to industry. As of 2000, it was the largest employer in 18 states, including seven southeastern states: Alabama, Arkansas, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee. However, by 2016, the industry had fallen from the ranks as a top employer.

The status of manufacturing in the US economy has evolved because of three connected trends: a decline in share of economic output as the role of services in the economy grew; a decline in share of the workforce as the industry adopted automation and encountered intensified international competition; and a rise in output per worker that has allowed manufacturing to increase its overall output. Increased foreign trade and offshoring have also contributed to steep manufacturing job losses, especially after 2000.

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“Manufacturing’s employment base shrank even further after China joined the World Trade Organization in 2001,” Carnevale said.

Today, manufacturing is no longer a primary source of employment within most states. Despite the sector’s national decline, however, continued industrial strength in Indiana and Wisconsin reflects the enduring legacy of manufacturing in the Midwest.

Other key findings include:

- Employment in agriculture, mining, and manufacturing declined from more than 40% of US workers in 1940 to less than 15% in 2016.
- Employment in services has increased from about 20% of US employment to over 50% between 1940 and 2016.
- The greatest growth in skilled services industries from 1940 to 2016 was in health services, which grew from 2% to 14%.
- From 1940 to 2016, the share of workers almost tripled in educational services as well as in financial activities, real estate, professional, and management services, while it nearly doubled in administrative, leisure, food, and other services.
- Professional and business services, combined with finance, insurance, real estate, rental, and leasing rose from 10% of US economic output in 1947 to 30% in 2016.

For the full report and data visualizations, visit cew.georgetown.edu/manufacturingstates.

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