

## **A Utah Manufacturing Initiative**

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**Economic Development and**

**Workforce Services Interim Committee**

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The business of making things with utility and adding value to raw materials is the essence of manufacturing. In fact, if you look around you in this room, nearly everything is manufactured. Manufacturing is one of Utah's basic industries and one that creates tremendous value in the economy. It is a creator of new wealth. Three industries create new wealth. Agriculture, mining and manufacturing. All other industries create added value from an existing product and/or service.

Manufacturing was one of the first industries to develop in Utah dating back to when pioneer settlers determined they needed a way to provide the necessary tools, implements and household items essential for a thriving community away from the main population centers of the East and Mid-West. Early on, manufacturers recognized the need to join forces to seek better representation in political matters and to assist one another in expanding manufacturing efforts in a new state.

In 1905 a group of Salt Lake City manufacturers established one of the first trade associations in Utah, the Utah Manufacturers Association (UMA). Its purpose was to give the strength of numbers to a growing industry vital to the economic conditions in the state. Today, UMA represents more than 800 manufacturing companies across the state and has become a key force in continuing to drive economy and a business climate that is conducive to the manufacturing industry in the state.

Utah's manufacturing industry is very diverse, covering nearly every imaginable area. From Aerospace, and medical, from microchip, and food to basic metal manufacturing. This is certainly not an exhaustive list, however, it gives us an idea of the broad nature of this critical industry.

It is Utah's diverse base in manufacturing that has allowed it to be the backbone of the economy since the early days of statehood. Manufacturers build plants and infrastructure that weather economic downturns and hire a variety of employees, from highly educated and skilled, to basic workers who develop much needed valuable skills that benefit their respective companies.

Manufacturing has the staying power to continue to be the backbone of this economy; it continues to be Utah's strength. We owe much of the lifestyle to which we have become accustomed to the innovation and efficiency of manufacturing. We can count on them to continue to provide the highest standard of living anywhere in the world. Look around you anywhere and what you see are the efforts of manufacturers. We are the people who make things.

Manufacturing is the engine that drives American prosperity. It is central to our economic security and national security.

Manufacturing:

- Grows the economy.
- Manufacturing invents the future. Manufacturers are responsible for more than 70 percent of all private sector R&D, which ultimately benefits other manufacturing and non-manufacturing activities.
- Competes internationally. The United States is the world's largest exporter; 61 percent of all U.S. exports are manufactured goods, double the level of 10 years ago.
- Generates productivity increases. Over the past two decades manufacturing productivity gains have been more than double that of other economic sectors. These gains enable Americans to do more with less, increase our ability to compete and facilitate higher wages for all employees.
- Pays the taxes. Manufacturing has been an important contributor to economic growth and tax receipts at all levels of government, contributing one-third of all corporate taxes collected by state and local governments.
- Yet U.S. manufacturers are challenged as never before. They are on the front lines of the most intense global competition in history where it is virtually impossible to raise prices. Yet, costs do rise and

companies are faced with how to continue to compete in a competitive manner.

- Manufacturing plays a significant role in our national economy, accounting for 11.7 percent of U.S. GDP. At the state level, manufacturers make equally significant contributions, 11.9 percent of the GSP in Utah. Employing nearly 10 percent of the workforce. Total output from manufacturing has been rising for the past several years and it was \$13.2 billion in 2009. In addition, the industry employs approximately 115,000 workers and creates an additional 300,000 related jobs in the state. The industry boasts an average monthly wage of \$3,962. Manufacturing compensation is just over 57 percent higher than other nonfarm employers in the state and second only to the mining industry.
- Utah's manufacturing industry comprises the largest payroll in the state. The largest concentration of manufacturers, in descending order, operate in Salt Lake, Utah, Weber, Davis, Cache and Box Elder counties. In fact, Box Elder County boasts 41% of their employment is in manufacturing.
- Typically, larger economic multipliers are associated with manufacturing than most other industries because of the variety of allied businesses providing raw materials, services, and other manufactured inputs to the manufacturing process. In fact, for every \$1.00 in manufactured goods there is generated an additional \$1.37 worth of additional economic activity - more than any other economic sector.

Manufacturing has been hit hard by the recession and the rate of the turnover is unacceptable. While better than most states, Utah can gain more stable and living wage jobs within the manufacturing industry than any other segment by focusing on this key industry.

The Utah Manufacturers Association recognizes this. It is a discussion that has been had internally for some time. In an effort to develop an initiative dedicated to increasing the manufacturing industry in the state we went to other interested stakeholders to develop a proposal. In cooperation with GOED, SLCC, UCAT, DWS, and USHE. UMA is in the process of

developing this Utah Manufacturing Initiative. With your indulgence, I would like to explain the fundamentals of this initiative.

**The initiative will have the following objectives:**

1. Produce actual results in terms of increased jobs and economic growth in this sector as measured by jobs, wages, new business starts, expansions and net profit increases.
2. Develop ownership and agreement from industry leaders and government to address the most critical needs to achieve growth including policy, resources, regulation and trained workforce.
3. Make the case for how important Utah manufacturing really is to the Utah economy.

**Methods for accomplishing the initiative:**

1. Partner with key stakeholder groups: i.e. Utah Manufacturers Association, Governor's Office of Economic Development, Salt Lake Community College, Utah College of Applied Technology, Department of Workforce Services, and the Utah System of Higher Education.
2. Mobilize key industry leaders for the development of a steering committee and future implementation. Key leaders will come from partners as well as a potential mixture of the following segments of the industry.

Food Manufacturing

Natural Products

Wood Products

Energy Products Manufacturing

Chemical Manufacturing

Plastics and Rubber Products

Primary Metal Products

Non-metallic Mineral Product Manufacturing  
Fabricated Metal Products Manufacturing  
Machinery Manufacturing  
Computer and Electronic Product Manufacturing  
Transportation Equipment Manufacturing  
Medical Device Manufacturing  
Sports and Outdoor Equipment Manufacturing  
Pharmaceuticals Manufacturing  
Nutraceuticals Manufacturing  
Foundries

3. Gather data from numerous sources: e.g., Manufacturers Extension Partnership, interviews and surveys, focus groups, labor and economic statistics.
4. Establish industry agreement on strategy and priorities.
5. Translate strategy into actionable initiatives with detailed implementation plans including timetables.
6. Measure progress and outcomes with focused project management and reporting.
7. Build political support with communications and engagement of leaders in Governor's office and the Legislature.
8. Establish continuous improvement mechanism through UMA.

**Guiding Principles:**

1. Industry led initiative with key leader engagement.
2. Listen to and address actual needs, e.g., raise public awareness across the state, assure skill availability, address regulatory issues, assure availability of resources to meet demands.
3. Return on investment for time and money spent.

4. Develop concrete strategy and disciplined project management to assure implementation.
5. Measure and account for results rather than deliver another report.

In summation, this process of evaluating current conditions, obstacles and roadblocks for expanding manufacturing is just in the very initial stages.

While we don't currently have an accurate list of obstacles, impediments or challenges we may face as we embark on this initiative, moving forward with the stakeholder process will certainly afford us the opportunity to gain a firm grasp on such obstacles prior to the 2013 session and in time to potentially draft legislation to address such issues.

In closing, Utah's manufacturing industry exists to provide the products needed for daily life in today's modern world. Your quality of life is dependent on manufacturing. Efforts to expand this segment of the economy, we believe to be a great goal. We look forward to the opportunity to work with the legislature and this committee on this effort.