

# EXECUTIVE SUMMARY: Manufacturing

August 30, 2006



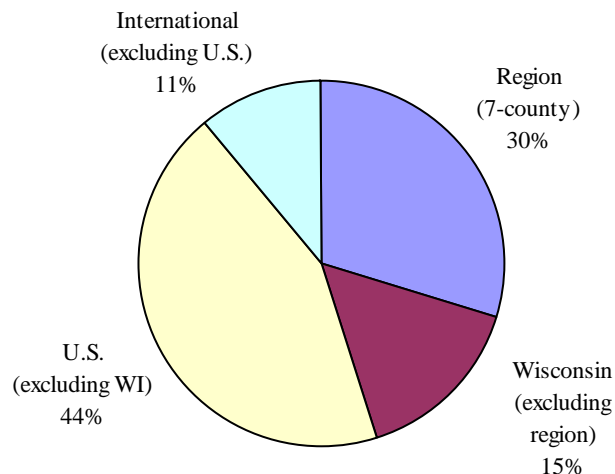
## Background

- Manufacturing remains the largest sector of the regional economy and is a powerful driver of regional income
- Manufacturing comprises more than 20% of employment in five M7 counties
- 177 interviews / 447 manufacturers with 50+ employees (40% response rate)
- Respondents are representative of the 447 target manufacturers
- 61-question survey instrument

## Characteristics

- One-fourth of firms interviewed were founded between 1844 and 1930; 13% since 1991
- 37% are single-site firms; 64% are headquarters
- Employee mix of respondents (average): skilled – 33%, unskilled – 33%, management – 10%
- Average wage/hour: Skilled – \$18.30 (range \$9.00 – \$44.30/hr.); Unskilled – \$12.70 (range \$7.75 – \$33.00/hr.)
- 28% indicate that continual development of intellectual property is *not* important to their business
- 51% export products outside the U.S.
- 44% buy supplies internationally, but only 11%, on average, of supply dollars are spent internationally
- Largest portion of supplier dollars are directed outside the region (Graph 1):

**Graph 1: Where Do Regional Manufacturers Direct Their Supplier Dollars?**



## Key Findings

1. Despite global challenges, manufacturing continues to be an essential component of the regional economy, exhibiting strong sales, profitability and investment trends (Table 1):

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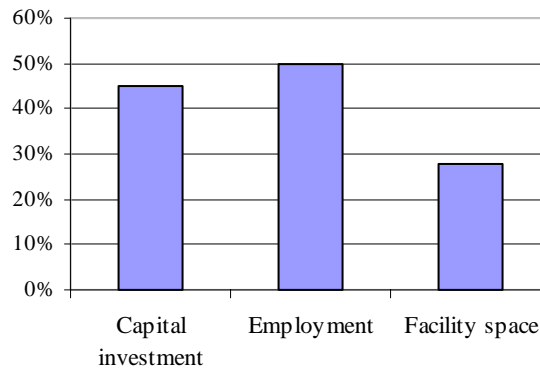
**Table 1: Sales and Profitability Trends**

	<u>3-Year Sales Trend</u>	<u>3-Year Profitability Trend</u>
Growing	71%	69%
Stable	20%	19%
Declining	9%	12%

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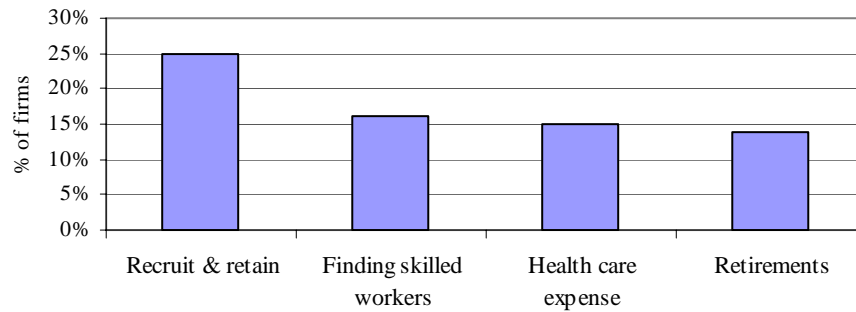
- In the next 12 months, 62% of respondents expect to increase employment, capital investment or facility space (Graph 2):

**Graph 2: Firms Expecting Growth in Next 12 Months**



2. Workforce quality and availability are key manufacturing success factors.
  - Workforce quality cited by 23% of respondents as the top reason for their firm's success in the region. Location advantages were cited by 17% of respondents. Work ethic was the most frequently mentioned positive workforce attribute, although this trait appears to be waning as baby-boomers begin to age out of the workforce.
  - Workforce deficiencies and shortages are clear threats to manufacturing's future viability. Graph 3 (see following page) shows what manufacturers expect to be their most critical workforce challenges over the next three years:

**Graph 3: Most Critical Workforce Challenges Over the Next Three Years**



3. On a 5-point scale, manufacturers rate the overall regional business climate a middling 3.24. Below are ratings on specific elements of the business climate (Table 2):

**Table 2: Business Climate Rating**

<u>Elements of Business Climate</u>	<u>Ave. Importance</u>	<u>Ave. Rating</u>
Workforce quality	4.40	3.38
Workforce availability	4.35	2.94
Health care expenses	4.22	1.86
K-12 education	3.90	3.28
Technical education	3.84	3.37
State taxes	3.84	2.20
Universities/colleges	3.70	3.66
Police/fire protection	3.68	3.81
Local taxes	3.68	2.50
Regulatory climate	3.54	2.70
Access to capital	3.48	3.69
Local transportation network	3.32	3.15
Public transportation	2.95	2.73
Entrepreneurial support	2.90	2.87
<b>Overall Regional Business Climate</b>		<b>3.24</b>

*Importance: 5 = Very Important; 1 = Not Important / Rating: 5 = Excellent; 1 = Poor*

- The regional business climate is trending moderately positive according to respondents (Table 3):

**Table 3: Business Climate Trends**

	Compared to 3 years ago, <u>climate is:</u>	In 3 years, <u>climate will be:</u>
Better	47%	37%
Same	32%	37%
Worse	21%	26%

4. Respondents showed strong receptivity to receiving local assistance with the following challenges and opportunities (Table 4):

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**Table 4: Willingness to Consider Local Assistance**

<u>Area of Assistance</u>	<u>% of respondents</u>
Workforce training programs or finance	66
Advice on how to form business relationships	50
Meeting immediate technology needs	38
Assistance on expansion	36
Advice on sales to government	32
Advice on exporting	28
IP development, deployment, protection	26

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5. If we, as a region, want manufacturing to continue contributing in important ways to the regional economy, we must address a wide variety of challenges in addition to workforce deficiencies and shortages, health care expense, and taxes.