

# State Policy Puts California Manufacturing at Disadvantage

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**T**HERE are few economic necessities upon which capitalist Adam Smith and communist Friedrich Engels would agree. However, one keystone maxim advanced by both was that industrial innovation – manufacturing – would always be the backbone to any growing economy.

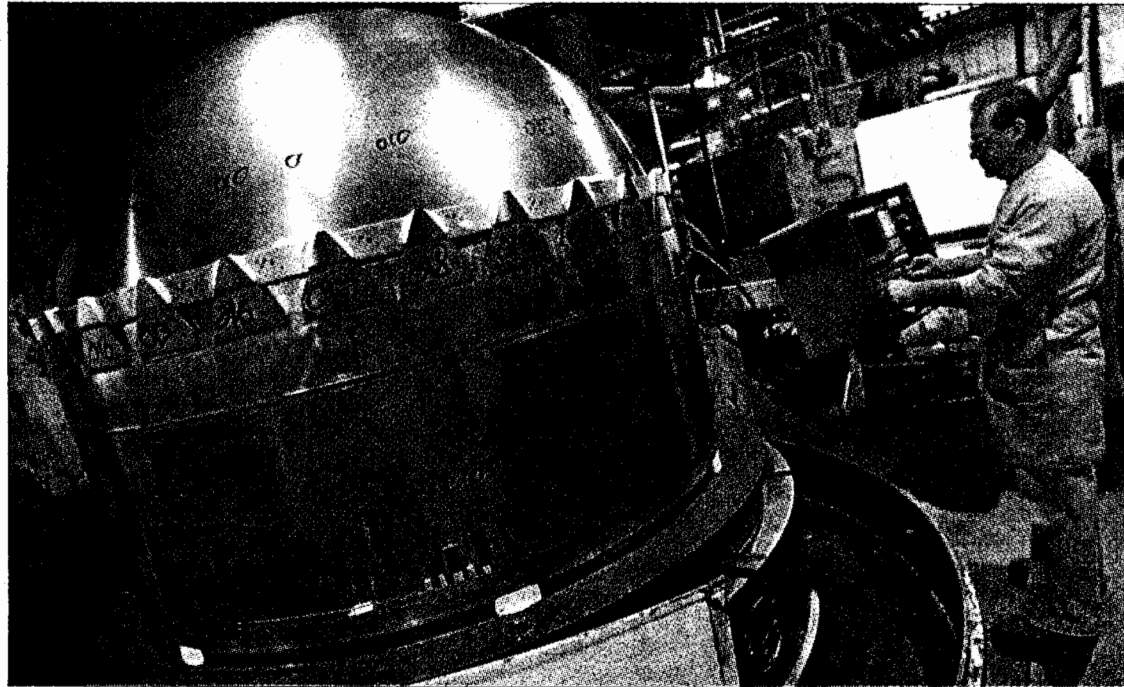
Industrial innovation inspires new technology, creates capital wealth and generates layers of supporting employment that fuel an economy. Yet our state's current policies on manufacturing, or lack thereof, could push away even more Los Angeles jobs and cripple our economy.

In addition to the 1.5 million direct manufacturing jobs in California, the multiplier effects on other industries – retail, marketing, etc. – makes manufacturing ultimately responsible for more than 5 million jobs, or nearly one-third of all state employment. Close to 2 million of those jobs are in Los Angeles County.

Los Angeles County has benefited from manufacturing for generations. L.A. is currently the largest major manufacturing center in the United States, with 500,000 workers in the manufacturing field. However, manufacturing employment throughout the state significantly declined during the economic downturn from 2001 to 2005. More than 350,000 jobs lost statewide during this period were in manufacturing. L.A. County alone lost 130,000 manufacturing jobs since January 2001.

And what we see is that those jobs are not coming back in the recovery. Instead of adding manufacturing jobs – jobs that provide middle class, family wages – Los Angeles is growing service sector jobs with much lower average wages and decreased opportunity for advancement. The difference in average wages between declining sectors (\$66,000) and growing sectors (\$40,000) is dramatic and affects both workers' pocketbooks and our economy as our population grows. This trend is a recipe for disaster.

According to a recent study by Development Counselors International, corporate executives and site selection consultants ranked California as having the least favorable business climate in the nation. They pointed to government regulations and law, tax policy, overall costs, and a void of economic incentives seen in other more competitive states.



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**Manufacturing: A worker at ATK Systems Inc. prepares satellite equipment for delivery. By eliminating resources for attraction and retention of manufacturing businesses, policymakers have placed California's industry in a position of weakness when competing with other states.**

Obviously some blame for L.A.'s increasing inability to compete lies with unavoidable challenges, like housing markets and cost of property.

However, much of this trend is due to Sacramento's public policy on economic development. By example, at the same time Los Angeles was suffering an economic downturn and losing manufacturing jobs, the Legislature stripped all funding for the California Trade and Commerce Agency, a cabinet-level agency charged with developing economic incentives for business attraction and retention.

Similarly, the California Commission for Industrial Innovation, created by then-Gov. Jerry Brown, sits dormant today, without resources or commissioners. Many moons ago, the commission, made up of representatives from the public sector, business, labor and academia, was influential in helping the governor and lawmakers understand and react to important trends in industry.

So today, while the governor and the Legislature continue to receive important direction from agencies responsible for representing labor, the environment and other bureaucracies that regulate business, they no longer hear input at the

same level from California's job creators. This has led to a disturbing imbalance in state public policy development, one that has placed California manufacturers at a competitive disadvantage.

Visiting the official State of Nevada Internet home page, one is immediately impressed by the state's aggressive business incentive programs almost bristling from the pages of the Web site. From workforce education grants, to business relocation funds, Nevada, like other savvy states, is successfully attracting California manufacturing jobs.

## Luring away

Nevada is not the only state taking advantage of California's lackluster record on business. Most all other states have succeeded in luring away California jobs with more robust economic development programs. In a recent report of the National Governors' Association, California boasted only one noteworthy economic development incentive. It was a program to use federal funds for nursing education and training. Nearly all other states performed far better.

A partnership of public and private sector leaders recently developed the Manufacturing Prosperity Initiative. Through this coalition, leg-

islation was introduced to give a voice back to manufacturing in Sacramento. Assembly Bill 2860, by Assemblyman Ted Lieu, D-Torrance, will re-invigorate the California Commission for Industrial Innovation to fulfill its original responsibility to ensure that California captures the high-wage employment and new investments that will be made in cutting-edge technology manufacturing. Lieu was motivated to advance the legislation after he continued to see L.A. County manufacturing jobs move to other states. The Manufacturing Prosperity Initiative is a chance for L.A. manufacturers to regain a voice in Sacramento.

Even the world's most divergent thinkers on economic polemics, Smith and Engels, would agree here. But you don't need a treatise or manifesto to understand that to let family-wage manufacturing careers continue to slip away is to eviscerate the foundation of our delicate and evolving economy.

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