



Editorial

COMMENTARY - How to boost R.I. manufacturing

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MANUFACTURING is an integral part of Rhode Island's economy. From robotics to yachts, from metal tools to plastics, Rhode Island products are used by companies and individuals around the world. In 2002, fully 10.5 percent of Rhode Island's gross state product (and 12 percent of the private-sector GSP) was generated from manufacturing.

Yet manufacturing in our state, as throughout the country, now faces serious challenges. The nation's recent recession hit the manufacturing sector especially hard. In fact, the recession began in the manufacturing sector, in the summer of 2000 -- long before it hit the high-tech sector -- and its effects continued long after other parts of the economy had rebounded. Output fell 6 percent in manufacturing, even though the overall national recession was relatively shallow. More than 2.8 million jobs were lost in manufacturing, including 14,000 in Rhode Island.

When manufacturing suffers, its effect on the wider economy and on the general fabric of life is especially disproportionate. This reflects the centrality of manufacturing to the community. Manufacturing has one of the highest multipliers of any industry group; for every manufacturing job in Rhode Island, another 1.6 jobs are created within the state.

Manufacturing affects our lives in ways that many people don't realize. For one thing, it accounts for two-thirds of all private research-and-development spending in the United States. Innovations made in the course of manufacturing research have wide applications in the general marketplace -- consider the ATM machine, based on technology whose original use was for the factory floor.

Manufacturing spurs demand for everything from raw materials to intermediate components to software to financial, legal, and

transportation services. Every dollar of a manufacturing product sold to a final user generates an additional \$1.43 in intermediate economic output -- a multiplier twice as large as a dollar spent on, for example, services.

Moreover, manufacturing pays high wages: 22 percent higher than the national average. Manufacturing jobs are also more likely than others to be full-time and to have health-care benefits. Thus, the loss of manufacturing jobs means that a major source of income is taken out of our economy, affecting consumer demand and, on a most basic level, families and neighborhoods.

But the recession and manufacturing's slowness to rebound showed that the sector faces a number of obstacles. The world is changing quickly; technology is advancing rapidly; the costs of energy, health care, and regulation are high in the United States; and growing economic powers such as China are formidable competitors to traditional American manufacturers.

In Rhode Island, we have taken an active stance. The Rhode Island Economic Development Corporation (RIEDC) has aligned with the Rhode Island Manufacturing Summit, a non-partisan coalition of local manufacturers, and allied interests, to come up with a three-pillared manufacturing strategy for the state.

1. The first pillar is what the state can do to help Rhode Island manufacturers compete and succeed. This includes:

X Helping to finance large and small projects through industrial revenue bonds.

X Offering manufacturers investment tax credits and certain tax exemptions.

X Offering revolving loans to small businesses.

X Aiding the Slater Technology Fund, which has supported manufacturing start-ups and market-extension opportunities.

X Providing training programs in a variety of areas.

X Making sure businesses know that they have access to appropriate aid and resources through the RIEDC's "Every Company Counts" program.

2. The second pillar of the manufacturing strategy is the commitment that manufacturers must make to innovation and workforce development.

As overseas competitors with abundant cheap labor become strong in traditional manufacturing, U.S. manufacturers will stay competitive only if they innovate and increase their productivity, primarily through technological innovation and world-class worker training.

For many manufacturers, staying competitive will also mean rethinking their business strategies, and reorienting their companies for a changing environment.

An example is Coventry-based Concordia Manufacturing, which engages in custom conversion of synthetic continuous-filament yarns for a range of high-value applications. Concordia used to be a traditional textile company; like most of them, it was losing ground to cheaper production overseas. The company therefore put its energy and expertise into the production of specialty textile products used by the medical industry. The collaboration with the biomedical sector has resulted in a greater focus on R&D, a more highly trained workforce, a healthier bottom line, and increased hiring.

Rhode Island manufacturers are increasingly taking the innovation path -- investing in technology and workforce training in order to compete globally. These progressive manufacturers thrive on Rhode Island's natural economic advantages: facilities, infrastructure, education, and training programs. In fact, 41 percent of all manufacturing jobs in Rhode Island are now classified as progressive manufacturing.

To create an innovative environment, we also need mentoring. Successful manufacturing companies must more actively serve as mentors to the future innovators of Rhode Island's economy. To this end, the RIEDC and the Rhode Island Manufacturing Summit partnership will target manufacturing companies that are best positioned to be helped by their colleagues.

3 . The third pillar of the Rhode Island manufacturing strategy is marketing. The state and the Manufacturing Summit recognize the need for an international marketing program, to attract new investment from companies moving to Rhode Island, as well as from manufacturers already here.

As local manufacturers deal with the challenges of today's business world, the types of public-private collaboration specified in the new strategy for Rhode Island manufacturing will become increasingly valuable.

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