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Revitalizing Manufacturing: An Agenda for Shared Prosperity

Rebuilding America's industrial base is essential for maintaining our country's living standards and restoring the American dream for future generations. Eventually, we must either produce more of what we consume, or be forced to consume less. Our national competitiveness is eroding despite the fact that American manufacturing workers are the most productive in the world.

Manufacturing has been the foundation of the nation's economic and national security. It has been a vital engine for productivity growth, technology development, good jobs, tax revenues and additional job creation in local communities. This foundation of the American economy is in crisis.

In a rapidly globalizing world, as a high wage nation and Oregon as a high wage state, we must restore our competitiveness by developing national and state strategies centered on innovation.. It will require public and private investment, harnessing our distinct technological and organizational capacities, changing flawed trade, tax and other policies and developing the skills of American workers.

The Manufacturing Crisis

The challenges we face can be seen in numbers that are all too familiar. The massive job losses in manufacturing and growing trade deficits at the start of the 21st century have been felt by Oregon and every other state. Between 2000-2006:

- 3 million jobs, nearly twenty percent of the manufacturing workforce, disappeared
- Over 40,000 manufacturing establishments were closed
- The current account deficit is expected to exceed \$900 billion in 2006
- The trade deficit with China alone continues to grow more than 20 percent a year and is expected to hit \$230 billion in 2006
- The accumulated U.S foreign debt at the end of 2006 is approaching \$3.0 trillion
- We borrow over \$2 billion dollars a day to pay for the imported goods we consume.

The trade deficit now exceeds 6% of GDP. Even the most conservative economists now admit this is unsustainable and dangerous. The nation needs to solve the trade deficit but therein lies the problem. To solve the deficit you must have things to trade. If you do not

make things you have nothing to trade> If you have nothing to trade you cannot solve the trade deficit.

Trade is only one component of the larger issue of globalization and the impacts it is having on the lives of workers across the world. Our trade agreements, the IMF, World Bank, and WTO promote the interests of only one category of citizen – the global corporate investor. It is a system in which property rights are given priority over human rights. They undercut social contracts and hard won rights that benefit working people. They often impose policies of privatization, deregulation, domestic austerity, export led growth (to the detriment of local development), and the loss of sovereignty and the ability to effectively regulate labor and environmental standards. Workers in every country end up paying the price.

The Domestic Policy Trap: Trade, Tax and Health Care Policy

The same policies the global corporate investors are promoting and taking advantage of internationally have their domestic counterparts. Our trade, tax and health care policy failures also help drive good jobs offshore:

- Trade deals protect intellectual property while ignoring workers rights, environmental standards and currency manipulation
- There has been a failure to enforce existing U.S trade law
- Accounting rules, domestic tax credits and tax deferral on foreign profits subsidize outsourcing and punish domestic producers.
- A failure to address national health care ... when it costs \$1400 more to build a car in Detroit, Michigan than it does across the river in Windsor, Ontario, it's a big competitive problem.

The Result: No Longer Growing Together

The direct job loss that results from the mismanagement of globalization is just one aspect of the problem. The threat of outsourcing has been a wedge used to undermine wages and benefits and attack any unionization efforts for the ones that remain.

The social contract that used to exist in the U.S has broken down. From the end of the Second World War through the late 1970's wages and productivity grew at roughly the same rate. Workers shared in the reward that their productivity gains produced. That is no longer true:

- 1980-2005 productivity increased 71% but real compensation grew only 4%
- In manufacturing 1980-2005 productivity increased 131%, compensation 7%
- Since 2000 real wages have declined by 3%.

Wages are only one part of the equation. Health care and retirement benefits are the other two legs of the social contract stool that are being cut.

Manufacturing has been the canary in the coal mine for other sectors of the economy as workers in financial services, software, health care and many other sectors are learning.

Foreign direct investment in China by U.S. firms includes R&D, design engineering and a host of other technical and professional occupations beyond skilled manufacturing workers. These trends lead to another “inconvenient truth”:

- The startling loss of 40,000 manufacturing establishments, millions of skilled workers, engineers, scientists, R&D and more means the next best idea, the next innovation, the next generation of products, and the next investment will be made somewhere else ... not in the United States and not in Oregon.

Treating Symptoms and Ignoring the Cause

The answer the free trade/free market orthodoxy gives to all these concerns is denial about the cause. They would have you think that the free market is like the weather, an Act of God that we can't do anything about. Then they blame the very workers that have lost their jobs. Their answer is “get smarter” ... get more education, get more training and lets give them wage insurance. This is treating the symptom not the cause. It assumes education alone is a solution. That too leads to two more inconvenient truths:

One is that professional and technical workers are in the same boat as manufacturing workers. Alan Blinder the former vice chair of the Federal Reserve made that point in a recent article on white collar outsourcing: “tens of millions of additional workers will start to experience an element of job insecurity that has heretofore been reserved for manufacturing workers.” Other estimates suggest more than 60 million jobs could be in jeopardy.

The second is there is a mismatch between the educational rhetoric and opportunity. Americans have gotten smarter over the last three decades as the workforce with college degrees grew from 15% of the workforce to 30% while the share of high school dropouts decreased from 29% to 10%. However, the economy is not generating the promised good jobs. The Bureau of Labor Statistics concludes that by 2014 the number of occupations filled by people with college degrees will rise one percentage point --- from 28% to 29% and the share of jobs for which a college degree is required is projected to be 21%.

The point is that education and training, providing the skills workers need, is something everyone can support but it cannot exist in an economic or policy vacuum. There must be a focus on the diversity of economic opportunity available to all members of our society. There is a national and state interest at stake in creating an economy with good jobs in diverse sectors. We need a high road strategy to revitalize American manufacturing.

Union Principles for High Road Economic Development

(p. 35 Economic Development: A Union Guide to the High Road)

The AFL-CIO supports a high road strategy for economic development and the revitalization of manufacturing. There are ten principles can that serve as a guide to the high road:

- The Right to Organize and Bargain Collectively

- High and Uniform Wage Standards
- Equitable Taxes
- Full Labor Participation in Economic Development
- Quality Education, Training and Employment Services
- Develop and Modernize Worker-Friendly Companies
- Safe and Healthy Work Environments and Communities
- Excellent Public Services
- Public Infrastructure that Supports, Businesses, Communities and Individuals
- Public Investments Accountable to Communities and Workers

A National Strategy for Manufacturing

From the Common Market nations to the Asian Tigers, each of our trading partners pursue national strategies to build and keep their manufacturing base. The export led models have succeeded in their efforts to target industry sectors and technologies, to start low and move up the scale, increase the quality and innovate, work with their government agencies and target markets (especially the U.S.). We need to take a lesson from their book. The nation and our states need a strategy and policy to back it up

An American strategy for manufacturing is not only national but it has its state and local counterpart. It is a combination of social policy as well as trade, tax, investment, and labor policy.

- 1) Pause, Review and Renew Trade
 - a. Congress should call a halt to any new trade deals until there is a strategy in place to cut the trade deficit and address manufacturing competitiveness
 - b. Review the impact of the existing trade deals
 - c. Renew only with a new trade regime that includes human rights and standards e.g. worker rights, environment, currency manipulation, domestic development etc.
- 2) Respect Workers Rights Here and Abroad
 - a. Pass the Employee Free Choice Act
 - b. With legal rights to bargain and organize workers will raise their own wages and working conditions and be able to build better communities
- 3) Structure Corporate Tax Policy to Encourage Domestic Investment
 - a. Eliminate deferrals and tax credits that encourage outsourcing
 - b. Assure that R&D tax credits and other public investments in corporations result in domestic production
- 4) National Health Care and Retirement Security
 - a. The failure to provide 50 million citizens with health care and another 50 million with inadequate coverage is a national disgrace and a competitive disadvantage for domestic manufacturers.

- b. State experimentation is making a difference and is the leading edge of what must ultimately be a national solution
- 5) A Manufacturing Investment Strategy
- a. A national needs investment strategy e.g. energy, clean air and water, transportation. These can meet one set of economic and social needs with actual products and new technologies that should be produced domestically. The AFL-CIO support the Apollo Alliance plan to invest \$300 million over 10 years.
 - b. Invest in base industries and technologies critical to the long term success of domestic manufacturing e.g. advanced materials, aerospace, auto, computers, electronics and machine tools.
 - c. Modernization assistance: Manufacturing Extension Programs
- 6) High Performance Worker Training and Education
- a. Manufacturing Skill Standards: Ironically in a nation without a national strategy we do have one in this sector of workforce development. Designed over 10 years by unions and employers this system provides standards for a high road workplace, skill assessment and certification tools and training. Employers get the skills they need, understand the ones that exist in their workplace and workers get a certificate for what they know and have learned that is transferable.
 - b. Apprenticeship: Too often underutilized but extremely successful in the building trades and in other nations. The learning by doing and the skill certifications that come with a system designed by employers and workers draws directly on workplace needs and changing technologies in the workplace.
 - c. Move from company specific training needs to more universal/industry needs ... consortium approach. Credentialing especially ones that are conveyable are of interest to workers
 - d. Employer investment in the train and in the worker. Pay for skills and pay for knowledge is a hallmark of high performance work organizations.
 - e. Promote work organization models and training that involves a worker and union say in decision making and design

Thinking Globally and Acting Locally

A national manufacturing strategy has its state and local counterpart:

- Trade is not just a national concern it is a state concern for manufacturing and especially for family farms. The people that make and grow things face the same globalization challenges. Oregon can tell Congress about your concerns about state sovereignty with trade deals, to pause on new trade deals and review their impacts of the existing ones, to uphold trade law around workers rights, to support a new trade regime with standards.

- Support workers rights to organize and bargain collectively. Disallow state incentives for corporations that violate the labor and safety and health laws
- Demand a national solution to the health care crisis in the nation. Experiment and watch what other states are trying. Wisconsin has a single payer pool legislation under consideration that was developed by the state AFL-CIO and major employers.
- Invest in manufacturing with a needs based strategy for energy development tied to job creation for construction and production. For example, conservation, energy efficient construction, wind, solar, wave and biomass all offer real opportunities. Pennsylvania has been very aggressive at pursuing wind.
- Fully utilize the worker training and education assets of registered apprenticeships. Use high performance models that provide real certification of skills and ones that engage workers, unions and employers in the design and deliver.
- Have a high wage high performance manufacturing strategy to create and retain jobs.