

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2561 Rayburn House Office Building
Washington, DC 20515-0515

Memorandum

To: Members, Committee on Small Business
From: Committee Staff
Date: February 16, 2016
Re: Field Hearing: “The Empire (State) Strikes Back: Creating 21st Century Manufacturing Opportunities in New York City”

I. Introduction

On Monday, February 22, 2016 at 10:00 a.m. the Committee on Small Business will conduct a field hearing in the New York City Council Chambers, City Hall, New York, NY 10007. The hearing, titled “The Empire (State) Strikes Back: Creating 21st Century Manufacturing Opportunities in New York City,” will focus on the growth of New York City’s advanced manufacturing and technology sectors and witnesses will testify about the development of these sectors, the challenges that they face, and how being located in New York City is benefitting their business.

II. Manufacturing and the United States Economy

Despite a decline, manufacturing still makes up a significant portion of the economy. The value added to the United States gross domestic product by manufacturing is around 12 percent.¹ More than 9 percent of the American workforce is employed directly in manufacturing or over 12 million Americans.²

The average manufacturing business employs less than 50 people,³ and according to the latest data from the United States Census Bureau, there are approximately 256,000 manufacturing firms in the United States.⁴

The sector drives American innovation, representing at least two-thirds of all private sector research and development spending, and accounting for over 90 percent of patents

¹<http://www.tradingeconomics.com/united-states/manufacturing-value-added-percent-of-gdp-wb-data.html>.

²<http://www.bls.gov/web/empsit/ceseeb1a.htm>.

³http://www.bls.gov/opub/ted/2012/ted_20120426.htm. The vast majority of manufacturing firms would also be considered small businesses by the Small Business Administration since they have under 500 employees. 13 C.F.R. § 121.201 (size standards in sector 31-34 range from 500 to 1,500 employees).

⁴<http://www.nam.org/Newsroom/Facts-About-Manufacturing/>.

issued.⁵ In addition to these aforementioned benefits, manufacturing provides a multiplier effect on the economy. For every \$1 of manufacturing output in a community, there is at least another \$1.40 of wealth created.⁶

Opinions on the economic health of manufacturing appear split between those holding a relatively pessimistic view and those with a more positive view. Pessimists are alarmed by long-term aggregate declines in manufacturing employment and the changing composition of manufacturing output. Since peaking at 19.6 million jobs in 1979, total employment in manufacturing has declined to 12.33 million.⁷ Those who opine over the decline in manufacturing attribute the problems to trade competition, rather than other factors, such as improvements in worker productivity.⁸ Optimists believe changes taking place in the manufacturing sector of the economy, especially the shifting composition of manufacturing output, are a positive sign of the United States economy's resilience and comparative advantage in advanced technology. These individuals view the decline in total manufacturing employment as a function of improvements in productivity as firms are able to achieve higher rates of manufacturing output with fewer workers.⁹ In addition, optimists look at the value-added output from manufacturing which has increased even as total manufacturing jobs have declined.¹⁰

III. Manufacturing in New York City

Manufacturers in New York State account for 5.18 percent of the total output in the state, employing 4.88 percent of the workforce.¹¹ Total output from manufacturing was \$67.91 billion in 2014.¹² In addition, there were 450,900 manufacturing employees in New York in 2015, with an average annual compensation of \$71,423 in 2013.¹³

⁵Gene Sperling, Director, President's National Economic Council, Speech Before The Conference On The Renaissance Of Manufacturing 2 (Mar. 27, 2012) (noting manufacturing represents 70 percent of all R&D spending), available at http://www.whitehouse.gov/sites/default/files/administration-official/sperling_-_renaissance_of_american_manufacturing_-_03_27_12.pdf; see also Rana Foroohar, Bill Saporito, *Is the U.S. Manufacturing Renaissance Real?*, TIME, Mar. 28, 2013 (noting manufacturing represents 67 percent of all R&D spending), available at <http://business.time.com/2013/03/28/is-the-u-s-manufacturing-renaissance-real/>.

⁶Gene Sperling, Director, President's National Economic Council, Speech Before The Conference On The Renaissance Of Manufacturing at 6. Other estimates are slightly higher. See Rana Foroohar, Bill Saporito, *Is the U.S. Manufacturing Renaissance Real?*, TIME, Mar. 28, 2013 available at <http://business.time.com/2013/03/28/is-the-u-s-manufacturing-renaissance-real/>.

⁷<http://www.nam.org/newsroom/facts-about-manufacturing/>.

⁸ROBERT D. ATKINSON, LUKE STEWART, SCOTT ANDES AND STEPHEN EZELL, THE INFORMATION TECHNOLOGY & INNOVATION FOUNDATION, WORSE THAN THE GREAT DEPRESSION: WHAT EXPERTS ARE MISSING ABOUT AMERICAN MANUFACTURING DECLINE 3 (2012), available at <http://www2.itif.org/2012-american-manufacturing-decline.pdf>.

⁹Robert Samuelson, *Myths of Post-Industrial America*, THE WASHINGTON POST, April 8, 2013.

¹⁰*Id.*

¹¹<http://www.nam.org/Data-and-Reports/State-Manufacturing-Data/State-Manufacturing-Data/December-2015/Manufacturing-Facts--New-York.pdf>.

¹²*Id.*

¹³*Id.*

Following a decade in which the city lost an average of 9,600 manufacturing jobs a year, New York City's manufacturing sector has stabilized and begun to grow again.¹⁴ Between 2011 and 2014 the sector experienced a net gain of nearly 1,000 jobs.¹⁵ Additionally, five different manufacturing subsectors had employment growth during this period: food manufacturing, fabricated metal product manufacturing, furniture and related product manufacturing, non-metallic mineral product manufacturing, and plastics and rubber product manufacturing.¹⁶

In recent years, New York City actually has out-performed the rest of the state in manufacturing job creation. Between 2011 and 2014, the city registered a net gain of 880 manufacturing jobs (a 1.2 percent increase) while the state lost 6,615 manufacturing jobs (a 1.4 percent decline).¹⁷ In November 2015, 73,970 individuals were employed in the manufacturing sector in New York City.¹⁸

IV. Conclusion

Small manufacturers make up a large percentage of all domestic manufacturing firms. Today, these firms are utilizing new, innovative, and unconventional production methods to gain an edge. Maintaining a strong domestic manufacturing presence coupled with consumers buying domestically produced products is critical to ensuring a vibrant and diverse New York economy.

¹⁴ <https://nycfuture.org/data/info/manufacturing-in-nyc-a-snapshot>.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ <http://www.nycedc.com/economic-data/december-2015-economic-snapshot>.