

**Testimony of  
R. Thomas Buffenbarger  
International President  
International Association of Machinists and Aerospace Workers  
Before the Senate Committee on Banking, Housing, and Urban Affairs  
Subcommittee on Economic Policy**

**“Drivers of Job Creation”  
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Thank you, Chairman Merkley, Ranking Member Heller, and members of this Committee for the opportunity to testify before you today on the vital importance of manufacturing to the creation and preservation of American jobs. My name is Tom Buffenbarger and I serve as International President of the International Association of Machinists and Aerospace Workers, also known as the IAM. Our members work in a variety of manufacturing industries including aerospace, electronics, defense, shipbuilding, transportation and woodworking. The IAM is a broadly diversified manufacturing union and the largest aerospace union in North America. We strongly believe that manufacturing is critical to our national economic recovery. Manufacturing is responsible for the good jobs that our nation needs. It also generates the innovation and new technology which our nation depends upon to ensure a healthy, robust, and sustainable economy in the future.

According to the U.S. Bureau of Labor Statistics, the manufacturing sector contributes \$1.6 trillion in value to our economy, or about 9 percent of GDP. A recent study by the Congressional Research Service notes that manufacturers have been responsible for approximately 70 percent of all research and development conducted by businesses in the United States.

Manufacturing jobs are good jobs. Workers in the manufacturing sector enjoy an 8.9 percent compensation premium over other working Americans and are more likely to have employer paid health care and other benefits. Since the start of the 21<sup>st</sup> Century education levels for manufacturing workers have improved; nearly 30 percent have at least a college degree and the percentage with less than a high school diploma as shrunk to 10 percent. However, what has made manufacturing a source of middle class jobs has been the traditionally high rate of unionization within the sector. The Center for American Progress notes the disturbing correlation between the decline of union density and the share of the nation's income going to the middle 60 percent of households, which has fallen from 52.3 percent to 45.7 percent since peaking in the late 1960s. If this trend continues then manufacturing work will not be the ladder to the middle class as it historically has been.

The effect of the manufacturing sector and the jobs that it produces can be found in the sector's multiplier effect. This can be seen in two ways; the Manufacturing Institute has found that every dollar of manufactured products supports \$1.33 in output from other sectors, a larger multiplier than any other economic sector. In other words, manufacturing creates the wealth that drives much of our economy.

Moreover, manufacturing jobs support additional jobs, both direct and indirectly related to manufacturing, throughout the economy and the multiplier ratios from manufacturing vary from a low of 1:3 to high of 1:16. The difficulty in coming up with a precise ratio derives from the changing nature of manufacturing jobs and what is counted as a manufacturing job. In the past, many manufacturing enterprises were vertically integrated operations that included a variety of support functions, such as,

shipping and transportation, as well as professional and business services like accounting, legal, and consulting. If any of these functions are directly employed by a manufacturer, then they are counted as manufacturing jobs, otherwise the jobs are considered indirectly related to manufacturing. Other examples of indirect employment impacted by manufacturing activity include jobs in restaurants, retail, as well as local and state government.

According to last week's employment report, manufacturing employment currently stands at 12.1 million jobs, nearly 9 percent of U.S. payrolls. Significantly, even with the addition of 650,000 manufacturing jobs since the bottom of the Great Recession, the U.S. has still lost over five million manufacturing jobs since the start of this century. While a variety of factors, including technological changes and lean manufacturing practices, have reduced overall manufacturing employment, the lack of a comprehensive manufacturing policy that is directly related to jobs, our flawed trade policies and a ballooning trade imbalance, \$475 billion in 2013, have also contributed to this decline.

This year marks the twentieth anniversary of NAFTA, which increased our trade deficit with Canada and Mexico by \$150 billion resulting in a loss of an estimated one million U.S. jobs. For our members at companies like Maytag and Freightliner who saw their work and jobs moved to Mexico, the harsh reality of this model of trade is not a theoretical discussion.

An even bigger killer of U.S. manufacturing jobs has been the implementation of Permanent Normal Trade Relations (PNTR) with China. When China PNTR was passed in 2000, the U.S. exported three times as many manufactured goods as China, but

within a decade China surpassed the U.S. in exports and became the world's leading manufacturer and exporter. By 2012 our share of global manufacturing activity had declined to 17 percent from 30 percent just a decade earlier even as the value of our exports had more than doubled. Now, two-thirds of our global trade deficit is with China, a rapidly growing country that engages in a variety of unfair trade practices—illegal subsidies, forced technology transfer, currency manipulation, and an appalling lack of labor rights. The Economic Policy Institute estimates that over the last decade our trade imbalance just with China has cost the U.S. nearly three million jobs and put downward pressure on U.S. wages. And now, just two years after the passage of the U.S.-Korea FTA we have seen our exports to Korea drop and our trade deficit with that country grow with a loss of an estimated 60,000 American jobs, mostly in manufacturing.

Successful countries recognize the importance of a strong manufacturing sector and the true nature of global competition. These countries know that there is no such thing as a “free market,” and provide strong support for critical wealth and job creating sectors like manufacturing.

The IAM has long called for the development of a national manufacturing strategy as our global competitors have done. This is not about picking winners and losers, but, rather, creating the foundation for future prosperity. We applaud the President for taking some important first steps to make this happen. The creation of the Office of Manufacturing Policy reporting to the National Economic Council, as well as the Advanced Manufacturing Partnership (AMP), which includes representatives from labor, industry, academia, and the federal government, has put a new focus on manufacturing at the highest levels of our government.

We look for the Advanced Manufacturing Partnership to develop a national manufacturing strategy that links government policies and investment to actual job creation. This could be accomplished by requiring employment impact statements as part of the decision making process for government procurement contracts, grants, and awards. Simply stated, contracting agencies and policy makers should know how many good domestic jobs will be created and maintained by a contractor or grantee.

Our trade policies must be reformed to include enforceable labor rights and environmental protections. This is particularly important as the U.S. negotiates the Trans-Pacific Partnership (TPP) with countries like Vietnam and Brunei that lack free and independent labor unions. Also, enforcement action must be taken to end currency manipulation by our global competitors.

Other important steps to facilitate the growth of manufacturing jobs include strengthening and standardizing the measure of “Made in the U.S.” and Buy American requirements for government procurement contracts. In some cases, the domestic content requirement is as low as 51 percent and it is not always clear that agencies limit their calculation of domestic content to direct factors of production.

The American Society of Civil Engineers estimates that the U.S. has an infrastructure deficit of over \$3 trillion. Infrastructure investments make our nation more efficient and are crucial to our ability to compete globally. Strong Buy American requirements coupled with investments in our crumbling infrastructure would spur manufacturing growth. We have already seen this in mass transit as foreign rail manufacturers have set up production in the U.S. to meet domestic content requirements. This has spurred the creation of a domestic supply chain to meet the

needs of these transplanted manufacturers. Ending the misguided policy of sequestration will enable the rebuilding of our infrastructure and protect our defense industrial base, a critical component of U.S. manufacturing and an ongoing source of innovation.

One government initiative, the Export-Import Bank, stands out as a success. The Export-Import Bank provides critical financing for the export of American made goods and services. Last year, the Bank provided over \$37 billion worth of export financing that supported over 200,000 American jobs, mostly in manufacturing, and returned over \$1 billion to the U.S. Treasury. All of our important global competitors provide similar financing and Congress must reauthorize this important program this year.

Manufacturing plays a critical role in our economy. The sector is an engine of innovation and a source of middle class jobs. We must not, however, take the sector for granted. America needs to think strategically about how we prepare our workforce, what investments we make to remain globally competitive, and how we trade with other nations. For too long our focus has been on meeting the needs of U.S. based multinational corporations at the expense of working Americans. This culture must change. Only then will we see a rebirth of American manufacturing—a rebirth that is essential for our national and economic security, and the future of America's hard-working men and women and their families and communities.

I would be happy to answer any questions that the Committee may have.

## Policies to Promote U.S. Manufacturing Jobs

1. Develop a comprehensive manufacturing strategy that reviews all federal incentives to corporations to outsource manufacturing (tax policy, currency, trade and investment policies).
2. Require that all contracting agencies adopt and implement employment impact statements. Policy makers and government procurement officers should know how many domestic jobs will be created and maintained by each contractor/grantee who submits a proposal. Contractors should be accountable for making sure that they met their job estimates. If they do, then this should also be a factor in future contracts. If they do not, then they should be barred from future government contracts.
3. All trade and investment deals must undergo a careful analysis to determine the jobs impact they will have on specific U.S. industries and communities before negotiations are commenced. In this vein the IAM continues to demand that all past trade and investment deals be reviewed to determine their specific job/community impact. Include enforceable labor and environmental protections in all trade agreements.
4. End currency manipulation by our global competitors
5. Reauthorize the Export-Import Bank for five years and increase its lending cap.
6. Strengthen Buy American requirements and more limits on Buy American waivers, which are currently too vague and broad. Make certain that Made in the USA actually means Made in the USA. Review all domestic content requirements to make certain that these requirements are directly related to jobs and do not contain intangibles not directly related to production costs.
7. Create a manufacturing development bank with below market loans for establishing manufacturing plants in this country that are directly related to creating American jobs.
8. End sequestration and make investments in our crumbling infrastructure.