

Spring 2012
Special Report

Committed to
Quality Research
on Behalf of
New Jersey
Employers

Why Manufacturing Counts in New Jersey

Manufacturers continue to employ almost 254,000 workers in New Jersey or about 7.8 percent of the State's private-sector workforce.¹

Manufacturing not only makes a significant contribution to total employment in New Jersey, but it also provides good jobs with well above average pay and has a much bigger impact on the economy than is generally recognized.

This update to NJPRO's earlier special reports on manufacturing highlights the significant contributions this industry makes to the New Jersey economy, as well as some noteworthy trends in recent years.

New Jersey manufacturers:

- Provide direct employment to almost 254,000 New Jersey workers
- Pay above average wages
- Have a big economic impact compared with other industries
- Are a highly productive sector of the state economy

Jobs, Jobs, Jobs

As of February 2012, New Jersey manufacturers directly employed 253,900 New Jersey workers.²

In 2009, the greatest concentration of manufacturing jobs (108,842) was found in the counties of Bergen, Essex, Hudson, Passaic, and Union. Lesser but still significant concentrations can be found in the state's less densely populated regions in the south, central, and northwest. The map on page 2 of this report shows the geographic distribution of manufacturing jobs by region and county.³

These jobs encompass many manufacturing sectors, with the greatest clusters of employment in 2010 being

in chemical manufacturing (58,829), food manufacturing (29,333), computer and electronic product manufacturing (28,395), and fabricated-metal-product manufacturing (23,258).⁴

A wide variety of products are manufactured in New Jersey, including pharmaceuticals, medical equipment, ambulances, labels, boxes, flags, military ribbons, theatrical shoes, life vests, computer chips, digital cameras, meteorological balloons, pizza sauce, jam, M&M candies, vinyl windows, wall board, building materials, fuels, rubber, and precision metal products of every kind.

High Wages

In 2009, New Jersey manufacturers paid an average annual wage of \$71,374. This was \$16,832 or nearly 30 percent more than the average wage paid by all private-sector employers in New Jersey. It was also about \$25,000 more than the average earnings of all full-time private-sector workers nationwide.⁵

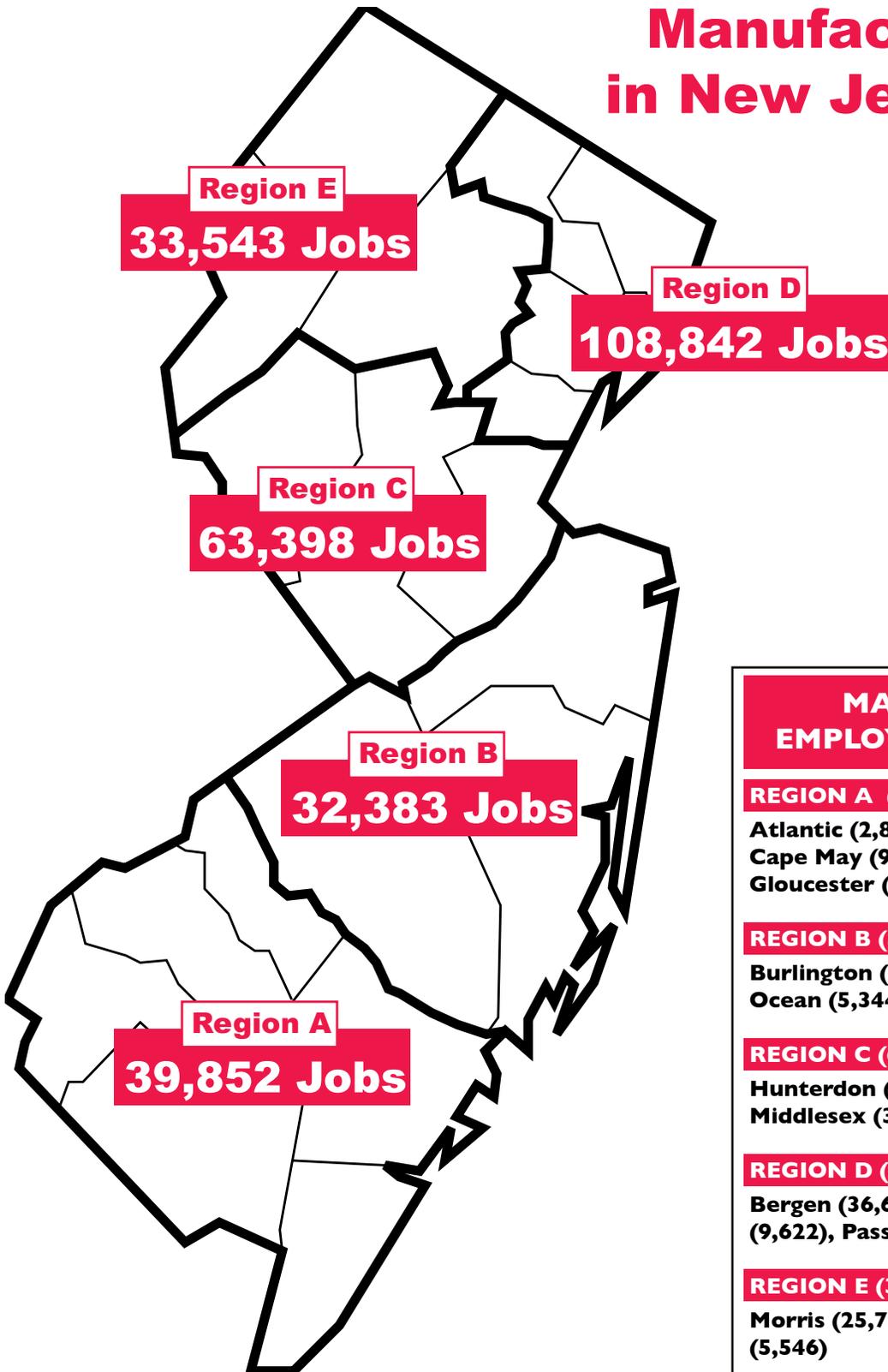
TOP TEN MANUFACTURING INDUSTRIES IN NEW JERSEY³:

Chemical Manufacturing	58,829
Food Manufacturing	29,333
Computer and Electronic Products	28,395
Fabricated Metal Products	23,258
Miscellaneous Manufacturing	19,048
Printing and Related Support	17,050
Machinery Manufacturing	15,054
Plastics and Rubber Products	14,728
Paper Manufacturing	11,770
Nonmetallic Mineral Products	9,930

Source: NJ Department of Labor and Workforce Development

NJPRO Special Report: *Why Manu*

Distribution of Manufacturing Jobs in New Jersey (2009)



MANUFACTURING EMPLOYMENT BY COUNTY

REGION A (39,852)

Atlantic (2,849), Camden (15,084), Cape May (919), Cumberland (8,799), Gloucester (9,473), Salem (2,728)

REGION B (32,383)

Burlington (17,195), Monmouth (9,844), Ocean (5,344)

REGION C (63,398)

Hunterdon (2,990), Mercer (8,341), Middlesex (35,469), Somerset (16,598)

REGION D (108,842)

Bergen (36,661), Essex (22,111), Hudson (9,622), Passaic (18,685), Union (21,763)

REGION E (33,543)

Morris (25,749), Sussex (2,248), Warren (5,546)

Source: US Department of Commerce: Bureau of Labor Statistics

Manufacturing Counts in New Jersey

Big Economic Impact

New Jersey manufacturers generated approximately \$39 billion in economic output in 2010 or about 8 percent of New Jersey's total Gross State Product of \$487 billion. In terms of economic output, the manufacturing sector is larger than each of the following industries: utilities, construction, wholesale goods, retail trade, transportation and warehousing, information, management of companies and enterprises, administrative and waste services, educational services, health care and social assistance, accommodation and food services, mining, and arts, entertainment, and recreation. Manufacturing in New Jersey is so big that its economic output is roughly equivalent to that of the combined outputs of the utilities, construction, education, and accommodation and food services industries.⁶

Manufacturing also has a bigger impact on the overall economy than other industry sectors. Manufacturers use more intermediate goods and services than other industries to make their final products. Nationally, every \$1 of final manufactured output generates an additional \$1.40 in other intermediate economic output. This is the largest economic multiplier effect of any industry, meaning that manufacturing produces the biggest return on investment.⁷

Part of this multiplier effect can be explained by the large volume of research and development that manufacturers undertake. Forty-five percent of all private-sector companies performing research and development are manufacturers.⁷

Manufacturing also supports large numbers of jobs in other industries. The National Association of Manufacturers finds that manufacturing currently supports about 18.6 million jobs in the US or one out of every six private-sector jobs.⁷ Furthermore, 9 percent of American workers (12 million) are employed directly in manufacturing.⁸

Manufacturers Are Highly Productive

Historically, manufacturers have enjoyed the nation's highest rate of productivity growth. From 1987 to 2008, manufacturing productivity grew by 103 percent, nearly twice the 56 percent increase in productivity seen across all other business sectors. During this time, manufacturers accounted for about 15 percent of the nation's economic output, while accounting for 22 percent of the nation's overall productivity growth.⁷

Productivity is important for several reasons:

- 1) Rising productivity has been the key to the survival of US manufacturing, allowing our goods producers to compete with foreign manufacturers whose basic costs of production are lower;
- 2) Higher productivity growth is passed on to workers as higher wages; and
- 3) Higher productivity allows the overall economy to grow faster without fueling inflation. Federal Reserve Chairman Ben Bernanke calls productivity growth "perhaps the single most important determinant of average living standards."⁷

Conclusion & Policy Implications

Manufacturing remains a vitally important sector of the New Jersey and national economies. Within New Jersey, manufacturers provide almost 254,000 jobs that pay well above average wages, generate 7.8 percent of the state's economic output, have a larger multiplier effect than other industries on the economy, and are highly innovative and productive.

New Jersey needs to pay attention to its manufacturing sector and work to keep manufacturing jobs here. While the state has seen many improvements in public policy and in its business climate, manufacturing needs to be further supported and encouraged. Through public policy initiatives such as reduced energy costs, improved tax climate, and customized training grants this sector can be bolstered and strengthened. The state needs world class talent to foster research and development at our manufacturing facilities. New Jersey needs energy policies that encourage manufacturers to make

products here and tax policies that make us competitive with other states.

NJPRO hopes to foster statewide discussions on manufacturing and explore ways to strengthen this critical sector of the economy. To prevent future job loss in manufacturing, policy makers must take steps today to address skills shortages, tax climate, energy costs, and global competitiveness.

ENDNOTES:

¹ New Jersey Nonagricultural Wage and Salary Employment: Seasonally Adjusted

<http://lwd.state.nj.us/labor/lpa/pub/emppress/pressrelease/seasadj.xls>

² New Jersey Department of Labor and Workforce Development, Employment History for one Industry, Manufacturing, seasonally adjusted: <http://lwd.state.nj.us/lpaapp/app>

³ US Department of Commerce: Bureau of Economic Analysis, Total Full-Time and Part-Time Employment by NAICS; Industry; Private Employment: Manufacturing, 2009: <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1>

⁴ New Jersey Department of Labor and Workforce Development, Top 100 Industries Ranked on the Greatest Employment: <http://lwd.dol.state.nj.us/labor/lpa/content/skinned/Indfocus.html>

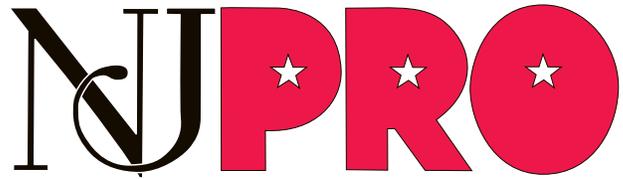
⁵ New Jersey Public Employment Relations Committee, Memo, August 27, 2010: http://www.state.nj.us/perc/Wage_Survey_2010.pdf

⁶ US Department of Commerce: Bureau of Economic Analysis, GDP by State (current dollars): <http://www.bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=1>

⁷ National Association of Manufacturers, The Manufacturing Institute: The Facts About Modern Manufacturing, 8th Edition, 2009: <http://www.nam.org/Statistics-And-Data/Facts-About-Manufacturing/~media/0F91A0FBEA1847D087E719EAA84D4AD8.ashx>

⁸ National Association of Manufacturers: Facts About Manufacturing: <http://www.nam.org/Statistics-And-Data/Facts-About-Manufacturing/Landing.aspx>

About the



Foundation

The New Jersey Policy Research Organization (NJPRO) Foundation is an independent public policy research affiliate of the New Jersey Business & Industry Association. NJPRO produces innovative, timely and practical research. NJPRO is New Jersey's leading policy organization conducting research on behalf of New Jersey employers. Governed by an independent Board of Trustees, NJPRO is a nonpartisan, tax-exempt organization. NJPRO depends on the support of companies, individuals and foundations for its income.

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