

# What's killing U.S. manufacturing?

[Here's a hint: It's *not* what you've been hearing.]



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In the rapid decline of the U.S. manufacturing sector, many commentators have seized on a convenient whipping boy: a greedy blue-collar workforce that has, as the story goes, used its unionized strength to extort such unreasonably high wages and benefits that employers are unable to compete in either the domestic or the world marketplace. The most glaring recent example surfaced with the U.S. automakers' financial woes. Of course Detroit is in trouble, the argument went, because they're forced to pay assembly line workers \$70 an hour. Even after that \$70-per-hour figure was exposed as fictional, the idea that workers are being overpaid and are to blame for the decline of U.S. manufacturing has nevertheless persisted, taking on the patina of conventional wisdom.

A new report, issued today by the Economic Policy Institute, examines the forces at play, sorts out their role in the shrinking manufacturing sector, and concludes that the story the facts tell is sharply at odds with this convenient (for some) but inaccurate conventional wisdom. Economist Josh Bivens lays out the facts in [\*Squandering the Blue-Collar Advantage\*](#), which show that U.S. manufacturing's blue-collar workforce, far from destroying U.S. competitiveness, is actually one of the key elements making a positive contribution to competitiveness – a contribution that is being undermined by a variety of other factors.

“If the story of U.S. manufacturing began and ended with its blue-collar workers, the outcome would be far different from what we're seeing today,” said Bivens. “In hourly pay and productivity, U.S. manufacturing workers give their companies a significant competitive edge – one that is being drained away by other negative forces.”

Bivens identifies three key factors that are undermining U.S. competitiveness:

- The single most damaging factor is the grossly overvalued U.S. dollar, which artificially drives up the price of U.S. goods abroad and drives down the cost of foreign-produced goods here. Over the past ten years, this imbalance alone has created a 10-16% cost disadvantage for U.S. goods, compared to the previous decade.
- The high cost of U.S. health care is another significant negative. Reducing these costs to the same level as our comparable trading partners could create a 4.6% cost advantage.
- U.S. managers are overpaid. Bringing white-collar wages in line with those in comparable countries could result in a 6.4% cost advantage for U.S. manufacturers.

“If we want to restore the strength of U.S. manufacturing in our economy and in the world, we have to address the real anti-competitive factors that are dragging it down,” Bivens concluded. “In this effort, the wages and productivity of the unionized blue-collar workforce are an important asset.”

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*The Economic Policy Institute (EPI) is an independent, nonprofit, nonpartisan think tank that researches the impact of economic trends and policies on working people in the United States and around the world. EPI's mission is to inform people and empower them to seek solutions that will ensure broadly shared prosperity and opportunity.*