

These are perilous times for smaller U.S. manufacturers as low-skill production jumps to foreign shores and demand for high-tech labor rises faster than supply. But new foundation partnerships with government and business are ratcheting up the workforce.

SET

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SKILLED



When Pittsburgh's foundations support programs that give workers the skills they need for manufacturing jobs, that's classic philanthropy. But increasingly, funders are linking many such programs to a much broader strategy aimed at large-scale economic development.

That's especially true in southwestern Pennsylvania, where the long-standing economic drivers—government and private industry—often don't have the resources to re-tool traditional employment sectors into efficient competitors in a modern, global economy.

The numbers show dramatically why foundations and other regional leadership groups are focusing on manufacturing and why the stakes are so critical: Of some 1.2 million total jobs here, manufacturing employs 169,276 people, the biggest single private-sector employment group after healthcare, according to the most recent figures (2001) from the SMC Business Councils, an advocacy group of small manufacturers. It's the sector with the biggest payroll: \$7.1 billion in 3,950 companies, says Karen Campbell, SMC vice president and director of people management resources. And it's the sector with the highest average wage, \$42,000, compared with the \$28,000 average of other sectors.

Of the four major sub-clusters in this region's manufacturing sector, metalworking is the largest: 1,632 plants with a \$3.39 billion payroll and more than 63,000 employees, accounting for 41 percent of manufacturing jobs. Other major sub-clusters are vehicle manufacturing, \$1.6 billion; chemicals and rubber, including plastics, \$1 billion; and communication, electronic/computers, \$1.1 billion. "For every metalworking job, there's another one and a half jobs created in the support sector," says Barry Maciak, executive director of Duquesne University's Institute for Economic Transformation. "For every metalworking job you lose, you lose one and a half additional jobs."

But regional foundations, along with the public sector, are taking on leadership roles in economic development just at the time that three major complications are in play.

One is that "although the number of companies has increased over the past few years," Maciak says, "employment has shrunk because workers are more productive." Gone are the unskilled production-line jobs. "When you're getting into the higher level of machining and welding, you really are operating on an engineering level," Campbell says. That leads to the second, larger complication: the labor shortage. Economic

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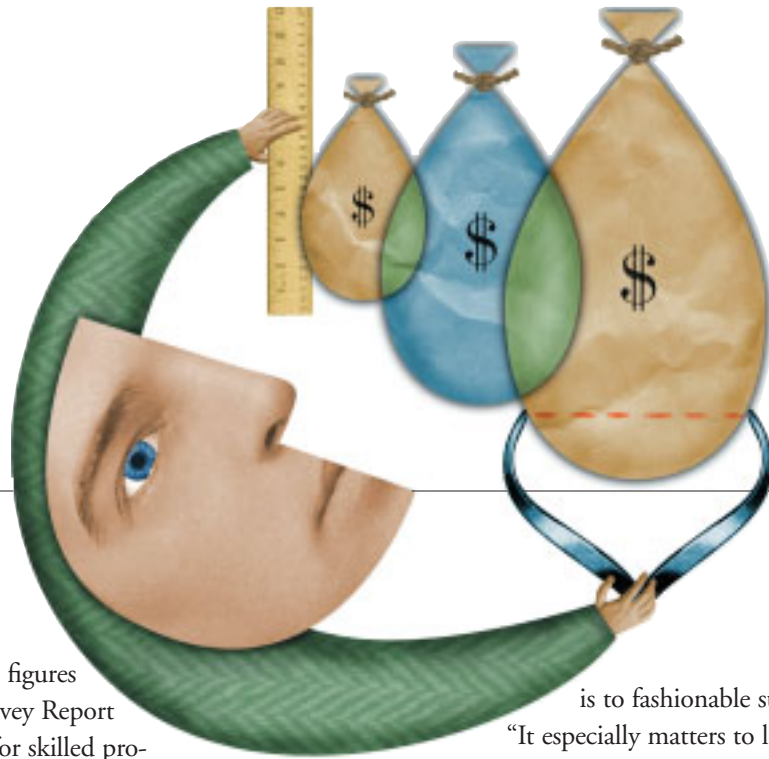
development observers say the more accurate name is “skills shortage.” As recently as this spring, Duquesne’s Center for Workforce Development reported 1,300 vacancies in local manufacturing. Although rising unemployment figures are grabbing the headlines, the Job Vacancy Survey Report says there was actually an increase in openings for skilled production workers (370 to 390).

What happens when a company can’t fill those jobs? “It loses sales and gets smaller and smaller and smaller,” says The Heinz Endowments’ Brian Kelley, director of the Economic Opportunity Program. The business owner doesn’t necessarily articulate the connections between insufficient manpower and longer production times, fewer customers and dropping sales. “It’s not like a manager says, ‘Oh, I couldn’t get my one machinist this year, so I’m closing my doors.’ One day, the business will be too small to compete, and it will close up shop,” says Kelley. “It won’t be dramatic; the shutdown won’t even make the news. On average, a company of this size has only 50 employees. But the problem is that there are 3,000 of these small firms in the region.”

A large, dominant company would run its own training program, or be able to work with existing schools to establish a pipeline, he says, but that’s not feasible for companies too small for even a separate human resources department. “What we really have is a significant market failure. You have a lot of small employers out there who can’t easily tap a regional labor market when they only need to hire 2 or 3 employees. Say you’re in McKeesport and you need three employees, but they might be in Washington, Pa. You’ll never hear of them, and they’ll never hear of you,” says Kelley.

“It’s bad enough when you might not have enough jobs and you’re trying to grow jobs, but it adds insult to injury when you have jobs that you can’t fill, and in the end you’re turning away sales.”

That’s the “macro” economic effect at work, but the “micro” impact is also important. Manufacturing is more important in rural and distressed urban communities than it



is to fashionable suburbs. “It especially matters to low-income communities,” Kelley notes. “About the only employment base that really pays well in a rural area is manufacturing. Sure, there are tourism jobs, but don’t look for a good income.”

For the past decade, the Ford Foundation has devoted a line of grantmaking to programs that train workers in rural and urban areas for targeted industries. Its work underwriting Focus: HOPE in Detroit, for example, is preparing low-income residents for get-ahead jobs in manufacturing and information technology based on local employers’ needs. That program is one of many Workforce Investment Innovation Networks coming out of the foundation’s Corporate Involvement Initiative, which encourages private-sector involvement in community economic development that benefits under-skilled workers.

Jobs For The Future, another program stemming from that initiative and supported by U.S. Department of Labor funding, specializes in career ladder programs that help low-skilled workers acquire higher levels of training as they progress through jobs in a given field. A version of this is ongoing in Pittsburgh through the National Association of Manufacturers, one of the Investment Innovation partners. Another effort sponsored by the Endowments and seven other foundations is Workforce Connections, which serves as a key promoter of the region’s effort to build a more highly skilled, world-class workforce.

While the emphasis of all these programs is to qualify more people for jobs that pay “family wages,” the byproduct, says Duquesne University’s Maciak, is addressing another oft-heard problem: keeping young people here to raise the next generation of Pittsburghers.

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Mike and Holly Harnish married a few months after he started at Lesker. Now they have their own home in West Mifflin, and they celebrated the first birthday of their daughter, Madison, on May 10. “Yeah, I want to get a house, have a couple of kids,” muses Jeff Sommer as his girlfriend, Amy Regoli, carefully avoids eye contact. He’s saving up and figures to make a healthy down payment “in a couple of years.” After five years at ATC, “I make good money. I clear about... \$42,000 a year. I have nothing to complain about.”

But while regional manufacturing is anxious to return to the public consciousness as the “go-to” industry—prosperous enough to pay those family wages—the numbers aren’t going in that direction. Thus, the third major complication: Pennsylvania is leaking manufacturing jobs, many of them to foreign countries like China, which can offer cheaper and abundant direct labor in some of the world’s most modern plants. A recent Congressional Coalition conference sponsored

by Pittsburgh’s Carnegie Mellon University and the Northeast-Midwest Institute offered testimony from industry experts that the state lost 94,200 manufacturing jobs from August 1998 through last year.

Some of that loss can be blamed on the current sputtering economy, higher costs for business basics like employee health insurance and fuels, and a pull-back in research and development funding.

But the biggest regional jobs drain is foreign competition, says Lawrence J. Rhoades, president and CEO of Extrude Hone Corp., an Allegheny County–based firm that produces engineered edging and surfacing tools. Speaking at the Pittsburgh conference, Rhoades said heavy government investing has allowed China, Hungary and Brazil to offer cutting-edge production facilities and a ready workforce. Such direct jobs competition combined with closed overseas markets threatens to put America “well on its way to losing its productivity advantage,” he told the *Pittsburgh Post-Gazette*.

While manufacturing is being buffeted by turbulent foreign forces, there are winds of opportunity. Pittsburgh leaders at the Congressional Coalition conference pointed to historically high defense spending as a trend that shows no signs of abating and that has an active research-development and parts servicing sector in Pittsburgh. In addition, the region’s emerging prominence in medical device and other life sciences technologies offers a rich production source for local manufacturing.

Some of these opportunities have meshed well with the goals of the region’s foundation community, many of whom are beginning to take on investor roles with business, academia and government in an attempt to put local manufacturing on a more level playing field in the global economy. While there is no way that philanthropy can effectively respond to all the issues that beset this critically important employment sector, programs like New Century Careers are helping a new generation of disengaged workers move onto the high-skills career track and earn incomes that dramatically improve quality of life for them and their families. *b*

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