

# Manufacturing *Still* Matters



**KEY FINDINGS**  
in "Manufacturing 2.0"  
a study by the Milken Institute



## Innovation and manufacturing got us where we are today

CA's economy has been built on manufacturing

CA manufacturing decline is a canary in a coal mine

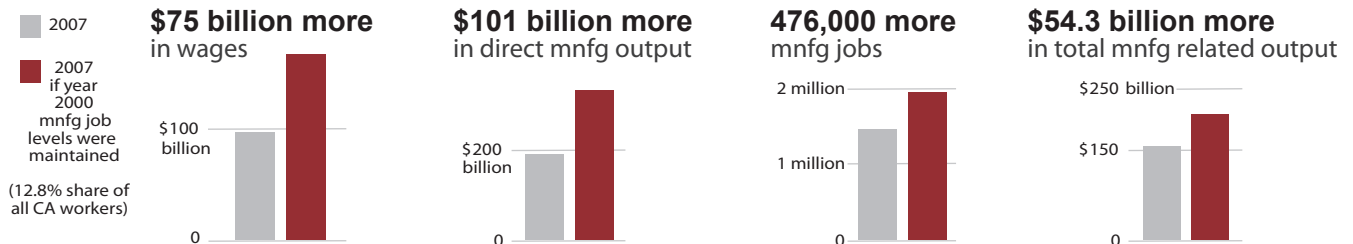
CA isn't living up to its potential

“From the development of mechanized agronomy at the end of the 19th century, to the role of aerospace ... computers and software in the 20th, to the emergence of biotechnology ... California's manufacturers have been pioneers in creating not only businesses and jobs but also whole new industries.”

“As a critical engine of economic growth and a catalyst for innovation, the decline of the state's manufacturing industry is a canary in the coal mine ”

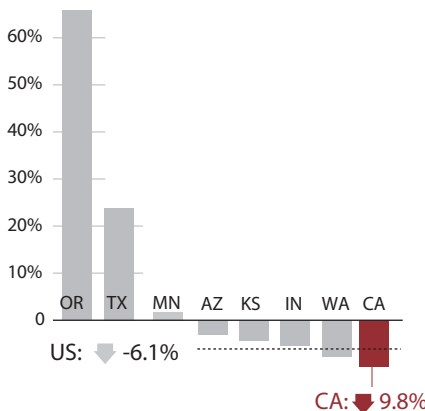
“Based on the flow of venture capital funding and amount of research and development spending, California has great capacity to innovate but isn't living up to its potential.”

## What if we sustained manufacturing between 2000 and 2007?

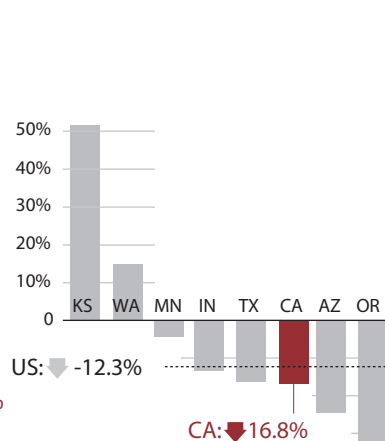


## California is NOT winning

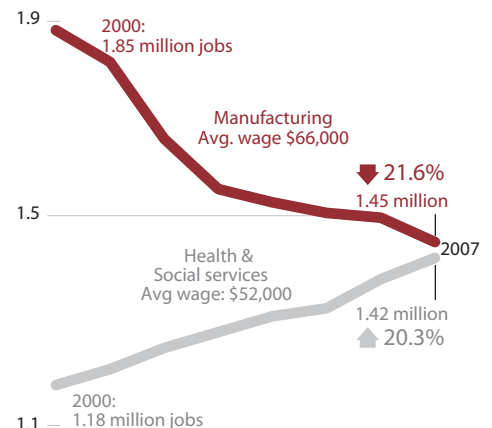
**Manufacturing as share of GDP**  
Change from 2000 to 2007



**Manufacturers' capital expenditures**  
Change from 2000 to 2007



**Manufacturing vs. Health care and social assistance**  
Change from 2000 to 2007



More key findings, CMTA's recommendation →



## MORE KEY FINDINGS in “Manufacturing 2.0” & CMTA’s recommendation

### The Milken Institute on the State of Manufacturing

For every job created in manufacturing, 2.5 jobs are created in other sectors. At the upper bounds, for every one electronic computer manufacturing job, 15 other jobs are created. Losing manufacturing jobs saps California’s overall economic vitality.

California faces two competitive disadvantages: the state’s regulatory climate and its tax burden. California consistently ranks among the most restrictive states in which to start a business, according to several research institutions’ objective metrics as well as our own. As evidence, they cite the amount of time required and degree of difficulty in selecting a site, navigating regulations across jurisdictions, acquiring permits, conducting impact studies, identifying and preparing a work force, and making infrastructure improvements.

California has been progressively losing more of its manufacturing employment, particularly high-value-added manufacturing, to seven other states including Oregon, Texas, Minnesota, and Washington. Together, these states were home to 2.7 million manufacturing jobs compared with California’s 1.5 million manufacturing jobs in 2007. The peer states added more than 62,000 manufacturing jobs since 2003, while California lost 79,000 manufacturing jobs during the same period. In short, the case studies reveal that:

- 1. California is losing a larger share of manufacturing employment overall, in high-tech in particular, and at a faster rate compared to these other states;**
- 2. California has a wide gap between its capacity for ingenuity and entrepreneurship and its ability to efficiently commercialize innovation in manufacturing;**
- 3. This gap continues to widen in part due to the burden of an onerous regulatory climate and some of the highest taxes in the United States;**
- 4. California has a reputation for being a state that is unfriendly to business, which harms its overall competitiveness; and**
- 5. Peer states are using targeted incentives to keep and lure manufacturers away from California.**

In comparing tax burdens, as of 2007, California’s total taxes paid per capita were \$4,993 -- the highest among the peer states (Arizona, Indiana, Kansas, Minnesota, Oregon, Texas, and Washington) with an average of \$3,803 and much higher than the national average of \$4,223. California also has the second-highest corporate income tax rate among the peer states and the twelfth highest in the nation. At \$6,390 per capita, California spent more on government programs and services than any other peer state, and that amount increased nearly 50 percent from 2000 to 2007 -- a higher percentage increase than the other seven states. California, in addition to having the highest per capita rate in taxes paid, also has one of the highest growth rates in government borrowing.

### CA Manufacturers & Technology Association Recommendation

The Milken Institute proves that manufacturing still matters and will for a long time. States, regions, and countries are taking steps to attract the much coveted technology producers of today and tomorrow. California has already lost so much ground to state’s such as Texas and others (see high tech chart to right).

Currently there is no California focus on policies that affect the base of our economy or the objective of retaining and growing manufacturing. We should adopt a statewide manufacturing strategy that recognizes the importance of manufacturing and leverages California’s most precious and wealth creating asset -- the ability and capacity to make things.

**“ California is the only one among its peers to lack a comprehensive long-term economic strategy.”**

#### High Tech Manufacturing as share of GDP

Change from 2000 to 2007

