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As Economy Rebounds, Manufacturers Face New Hurdles

U.S. factories are humming again. But the recovery's speed has left many employers scrambling for workers or for parts.

Pat Cullins operating a fiberglass weaving loom at Auburn Manufacturing in Auburn, Maine.Credit...Yoon Byun for The New York Times

By Nelson D. Schwartz

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Matt Guse would hire a dozen machinists — if only he could find them. The owner of MRS Machining, a maker of precision metal parts in rural Augusta, Wis., Mr. Guse finds business is rebounding so quickly as the pandemic's effect eases that his 47-worker shop is short-handed.

"I've turned down a million dollars' worth of work in the last two weeks," he said. "Doing that, it's hard to go to bed at night when you put your head to the pillow. I have open capacity, but I need more people."

After a sharp downturn when the pandemic hit last year, factories are humming again. But the recovery's speed has left employers scrambling. Despite huge layoffs — manufacturing employment initially dropped by 1.4 million — some companies find themselves desperate for workers.

In other cases, shortages of parts like semiconductors and supply chain disruptions have made orders hard to fill and created fresh uncertainty.

"It was a lot easier to turn the lights out than to ramp up," said Diane Swonk, chief economist at the accounting firm Grant Thornton in Chicago. "Manufacturers weren't prepared for a surge of demand in goods. They've been caught a bit flat-footed."

The manufacturing recovery signals a turning point, with the Biden administration putting a fresh focus on increasing factory jobs, especially in areas like semiconductors and electric vehicles. That growth will be crucial if the overall economy is to expand rapidly in the months ahead.

The Commerce Department reported Monday that orders for durable goods — like cars and appliances — rose half a percentage point in March, prompting Barclays to lift its tracking estimate of economic growth for the first quarter to 1.4 percent, or 5.6 percent at an annualized rate.

On Thursday, the government will release its initial reading on economic growth in the first three months of the year, and manufacturing is expected to be among the bright spots. The consensus of analysts polled by Bloomberg is that the report will show gross domestic product expanded by 1.7 percent, up from 1.3 percent.

At one point, factory production was down substantially because of the pandemic, but it should return to pre-Covid-19 levels by the third quarter of this year, according to Chad Moutray, chief economist for the National Association of Manufacturers.

"We're seeing gangbuster levels of orders," he said. "But the sector has a lot of challenges, like a rise in raw material costs, supply chain disruptions, logistics bottlenecks and worker shortages."

At MRS Machining, Mr. Guse said, spot shortages of items like steel and metal plate are a constant issue. "Quotes for material goods from suppliers are usually good for three to six months," he said. "Now it's a matter of hours."

As at many factories, the work pays well, starting at $18 to $20 an hour and rising to around $30. But the most skilled workers, like machinists, remain hard to find, according to Mr. Guse.

"We're getting applicants because people are moving out of Minneapolis and Chicago and looking to live in a more rural environment," he said.

Despite the good news at MRS, rebuilding overall factory employment is a challenge, said Scott Paul, president of the Alliance for American Manufacturing, a policy group representing manufacturers and the United Steelworkers.

President Biden is fighting a long-term trend. Nearly 12.3 million Americans work in factories. Two decades ago, that figure stood at just over 17 million.

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“We feed the companies whose products go into infrastructure,” said Kathie Leonard, the chief executive of Auburn Manufacturing, which makes heat- and fire-resistant fabrics.Credit...Yoon Byun for The New York Times

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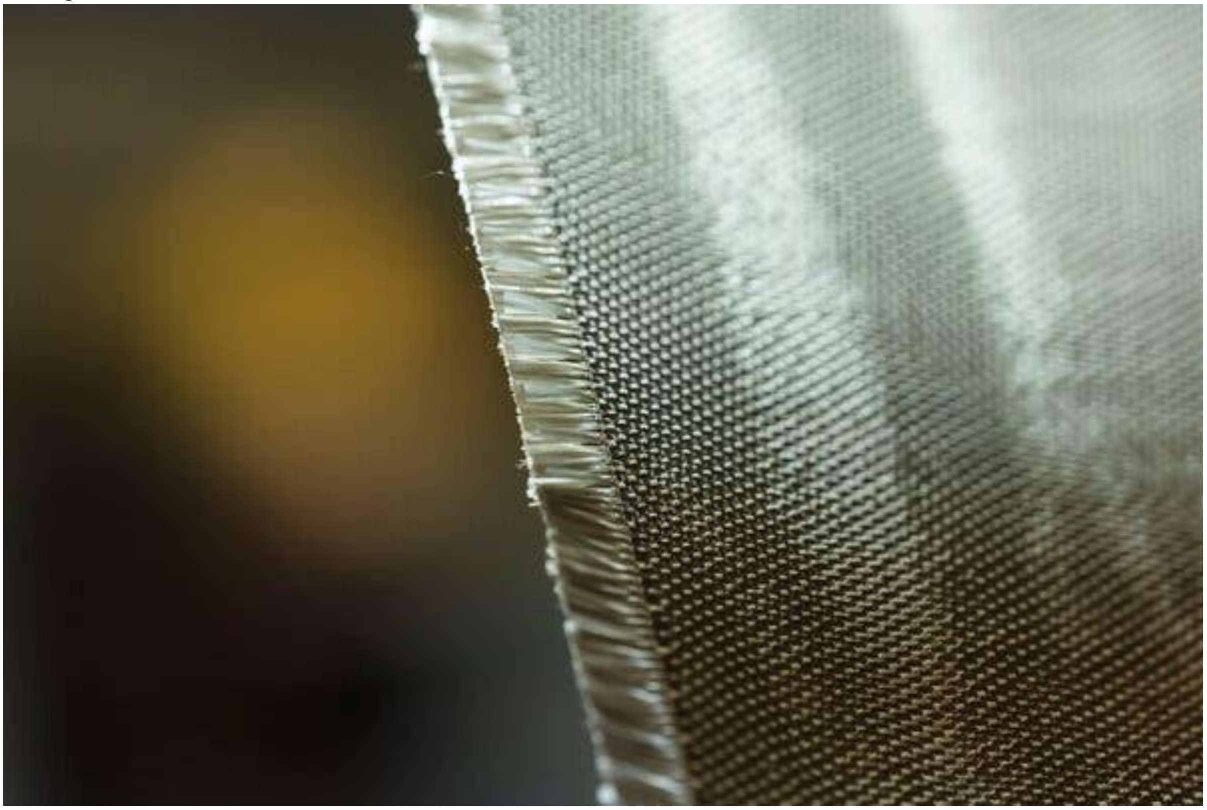

Fiberglass fabric before it is processed in a vertical oven, where it will be heated at 1,300 degrees Fahrenheit to caramelize so it won’t smoke when reaching high temperatures.Credit...Yoon Byun for The New York Times

After the last few economic downturns — the falloff in growth following the Asian financial crisis of the late 1990s; the slump after the attacks of Sept. 11, 2001; and the Great Recession — manufacturing failed to recover the lost jobs.

To be sure, the sector has made up a good amount of ground after losing nearly 1.4 million positions in the first months of the pandemic, but employment remains about 515,000 jobs short of where it was in February 2020.

Some experts question why policymakers focus so much on production when most Americans work in service industries that have been gaining jobs over the years and offer better growth prospects. But manufacturing is one of the few paths to a middle-class life for the two-thirds of American adults who lack a college degree.

The average hourly wage of manufacturing workers is $29.15, while workers in leisure and hospitality, another field that draws people with less education, earn $17.67 an hour.

Mr. Paul hopes that Mr. Biden's plan to revitalize American manufacturing as part of his larger infrastructure effort will bear fruit.

"He's pretty serious about some form of industrial policy," Mr. Paul said, citing the administration's call for action in making products like semiconductors and electric vehicles. "It may be possible for Biden to do what no president has since manufacturing began its job decline and reverse the losses."

The administration's blueprint includes $50 billion in funding for investments in chip manufacturing and research as well as $174 billion in spending to advance electric vehicles.

The $2 trillion plan, with its focus on rebuilding roads and bridges as well as the electric grid, could help companies like Auburn Manufacturing of Maine, said its chief executive, Kathie Leonard.

Image

“Customers are struggling to meet launch timelines and production targets,” said Christie Wong Barrett, chief executive of MacArthur Corporation, a maker of labels and decals outside Flint, Mich. Credit...Brittany Greeson for The New York

Times

Image

MacArthur makes labels and decals like those showing tire pressure or indicating vehicle identification numbers. Its business was hard hit a year ago when the pandemic forced auto plants to shut down.

“We feed the companies whose products go into infrastructure,” said Ms. Leonard, describing the heat- and fire-resistant fabrics Auburn makes at two factories in central Maine, about a half-hour from Portland. “The infrastructure plan holds promise for companies like us.”

“You have to work at being an optimist,” she said. “We’re not going to hire 25 people, but maybe five. We need to hire a technical director, fabricators, and we need staff to help with e-commerce.”

The semiconductor shortages are a headache for Christie Wong Barrett, chief executive of MacArthur Corporation, a maker of labels and decals outside Flint, Mich. She said orders had been delayed by car companies — her major customers — that couldn’t find enough of the chips they needed to keep cars coming off the assembly lines.

“Customers are struggling to meet launch timelines and production targets,” she said. “Orders are either reduced in volume or delayed. It trickles down to different suppliers, and we’re just getting a haircut across the board.”

MacArthur’s business had already been damaged when auto plants closed a year ago amid the pandemic lockdowns, cutting off demand for labels and decals like those showing tire pressure or indicating vehicle identification numbers.

Ms. Barrett was able to pivot and supply products for medical customers, averting all but a handful of layoffs for her work force of 50. She remains optimistic, despite the current logistical backups.

“It’s a horrible disruption right now, but I’m anticipating a strong recovery,” she said. “We never made major cuts, and as automotive production starts to recover more, I expect to hire several more people in the coming months.”