

Manufacturing- Part 6: Implications of Industrial Changes ^[1]

Manufacturing

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Part 6: Implications of Industrial Changes

The loss of these labor-intensive factory jobs can be viewed as a good news/bad news trend for North Carolina. The good news is that the state is losing jobs in industries that paid an annual average wage of only \$28,406 per employee in 2003, compared with an average of \$44,238 per employee for the "all other" factory groups. Put another way, the three traditional industry groups accounted for 29.4 percent of all factory jobs but only 21.1 percent of total manufacturing payrolls in 2003. These relatively low wages have been a major factor in holding personal income levels in the state well below national means. However, the lower wages of the traditional industries were still often the highest available in many rural areas.

Secondly, traditionally the cloth and furniture groups have not required a well-educated labor force to produce their goods. As noted earlier, early mill developers followed the advice of 19th century industrialists [D.A. Tompkins](#) ^[22] and located these operations in small towns or rural areas. Early on they provided desirable economic alternatives for share-croppers who wanted something better than farming. Isolated in dozens of mill villages, these former farmers quickly learned to run textile machinery or to make mass-produced furniture. There was little incentive for them to obtain much education and, even until the early 20th century, children left school and entered the labor force to help supplement the scanty wages of their parents. This environment produced a chronically under-educated work force that has had difficulty adapting to the kind of economic restructuring that the state is now undergoing.

Simply put, thousands of displaced workers cannot easily qualify for jobs in an economy that increasingly relies on information technology or requires workers who can quickly be cross-trained in a host of operations. These jobs require the ability to understand training manuals, use computers and communicate effectively with co-workers. In a reflection of this nationally, the US Bureau of Labor Statistics reported that in May, 2003 the unemployment rate for workers who had less than a high school diploma was 9.2 percent, almost triple that for college graduates (3.1 percent). North Carolina's long-term reliance on these labor-intensive industry groups has left the state with a labor force that is not well prepared to be very competitive in the state's efforts to attract more sophisticated, high-technology industries. In fact, this under-educated labor force may be the "Achilles Heel" of future economic development efforts by the state.

The bad news is that the current transition away from labor-intensive industries is producing terrible hardships for thousands of workers and their families, especially in rural areas where factories have been the best, sometimes only, source of incomes. This is exemplified by the highly publicized bankruptcy and closing of [Pillowtex](#) mills in three counties, displacing over 5,200 workers, according to a report from the [Employment Security Commission of NC](#) ^[23] (ESC). The difficulties of finding new jobs for these hard working but under-skilled workers has created a major crisis for them. In addition to the loss of work by these often older workers, the job losses hit the affected communities hard, especially when the closed mill was the dominant employer in town. Merchants lose their customers, the housing market collapses and communities face declining tax revenues from which to provide basic public services.

The contractions of these industries have been particularly hard on immigrant workers. In recent years, Latinos took many of the jobs in mills and cut and sew facilities. However, a number were illegal immigrants who found out that they are not eligible for unemployment benefits or other forms of government assistance. According to the [Charlotte Observer](#) ^[24] (August 17, 2003, p. A-1), at a meeting of Spanish-speaking [Pillowtex](#) workers, a state official told the crowd that those in the meeting who did not have legitimate documents that they should leave and dozens did so.

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