

Focus on Manufacturing

Georgia Manufacturing Vital Signs XII

Georgia Tech researchers are engaged in an ongoing effort to compile data on the manufacturing sector in Georgia, the nation and other countries.

Manufacturing Job Losses Continue in Georgia, but at a Lower Rate Than the United States

Manufacturing employment in Georgia, which totaled 564,400 in September 2001, declined by 1.0 percent between the second and third quarters of 2001. During this period, the net loss was 5,600 jobs. This rate of decline, which was worse than previous quarters (0.7 percent), reflected the recent national economic downturn.

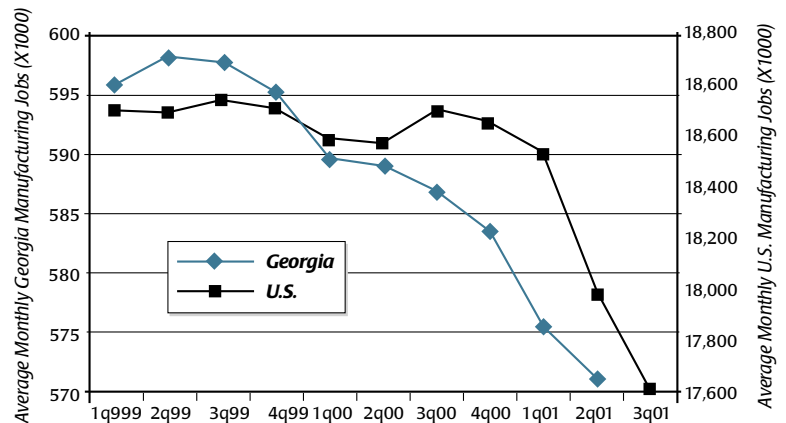
Georgia's rate of decline in manufacturing employment was less than the rate for the Southeast (-1.6 percent) and much less than the national average (-1.8 percent). All states in the Southeast experienced a job decline during the third quarter of 2001. South Carolina had the highest drop in manufacturing employment (-2.7 percent), while Louisiana had the lowest percentage decline (-0.9 percent).

Four Georgia manufacturing industries actually had positive growth rates: (1) stone, clay, and glass products (0.6 percent); (2) fabricated metal products (0.5 percent); (3) printing and publishing (0.5 percent); and (4) paper and allied products (0.1 percent). The greatest declines in Georgia's manufacturing employment between the second and third quarters of 2001 occurred in electronic and other electric equipment (-7.9 percent) and in transportation equipment (-3.9 percent).

Average hourly earnings for manufacturing employees in Georgia decreased slightly in the third quarter by 7 cents to \$ 13.10. In contrast, average wages in both the Southeast and the nation increased by 0.7 percent and 0.6 percent, respectively.

Average manufacturing wages in Georgia continued to lag the national average (\$ 14.20) and the Southeast average (\$13.40). Georgia's average hourly manufacturing wage increased by 8.6 percent in total over

Chart 1: Average Manufacturing Employment



the past three years. This was the second lowest rate of wage increase among regional states – behind Mississippi (13.3 percent), North Carolina (12.2 percent), and Alabama (11.6 percent) and ahead only of South Carolina (6.6 percent).

Value-Added Services: An Overlooked Sales Opportunity

In a slowing economy, attention turns to generating sales. Value-added services may be an overlooked opportunity. Value-added services are activities that support a

manufactured product or component, such as training, software development, maintenance, manufacturing process consulting, or arrangement of financing. Some firms do not charge for these

services, but firms with a competitively distinctive expertise in one or more of these areas and appropriate marketing strategies can generate significant additional revenues.

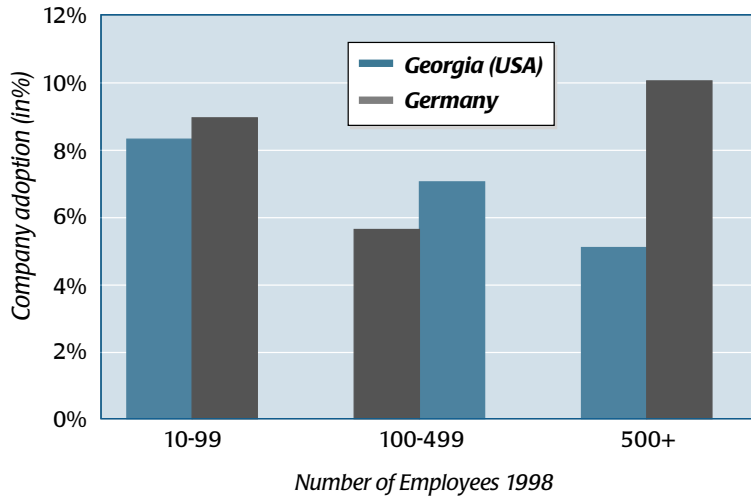
Less than 40 percent of firms participating in Georgia Tech's 1999 Georgia Manufacturing Survey offered value-added services to their customers. Of those offering such services, 63 percent did not charge for them. Value-added services accounted for 8 percent of total sales among those firms charging for them. Eight percent may sound small, but that's \$2 million a year for firms with fewer than 100 employees and nearly \$9 million annually for firms with 100 employees or more. Working with Germany's Fraunhofer Institute for Systems and Innovation Research, Georgia Tech has benchmarked the

use of value-added services among manufacturers in capital goods industries (metalworking, industrial machinery, transportation, electronics, electrical equipment, and

instruments) in Georgia with similar firms in Germany. The results (Chart 2) show that Georgia's small and medium-sized manufacturers had only slightly less sales coming from value-added services than similar German enterprises. However, Georgia firms with 500 or more employees fell markedly below similar-sized German firms. This comparison suggests that larger Georgia firms may have the greatest opportunities for

generating revenue from value-added services, if they enhance efforts to develop and market their services expertise to complement their manufactured output. In turn, the sale of these services may generate further manufacturing orders.

Chart 2: German Capital Goods Manufacturers have Higher Percentage Sales from Value-added Services than do Similar, Especially Larger, Georgia Firms.



Source: Georgia Manufacturing Survey, 1999 (N=92); Fraunhofer ISI (N=1,019)

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