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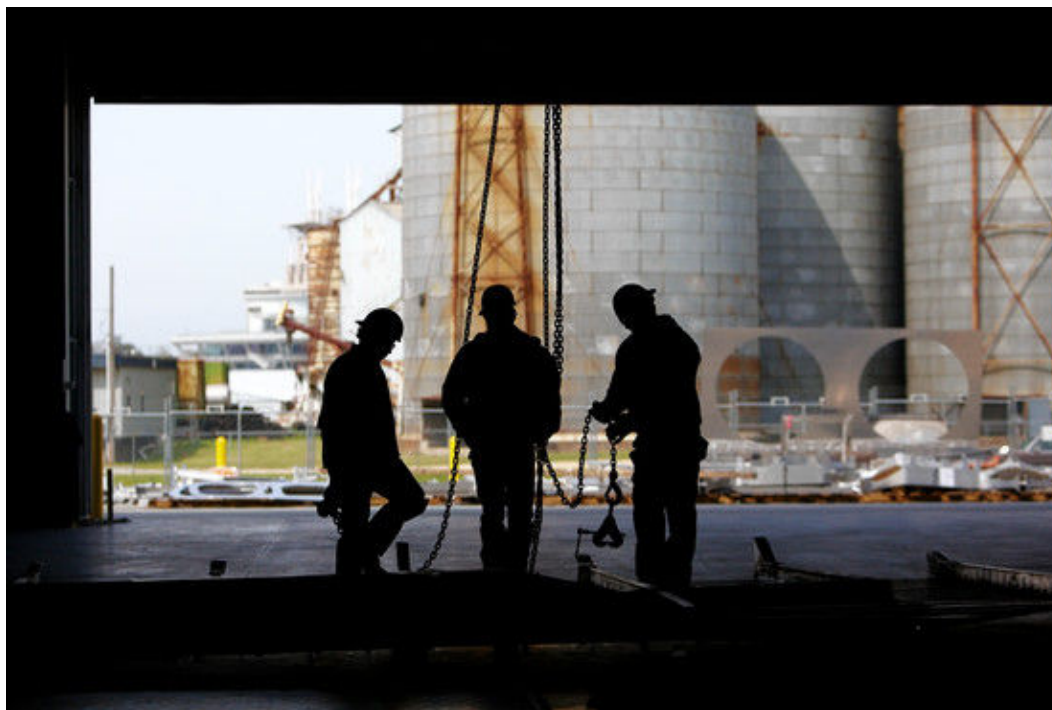
## ECONOMY

# Factory-Job Rebound Produces Winners, Losers

*New Jobs Often Cluster in Midwest, South; Mobile Versus Syracuse*

By CAMERON MCWHIRTER, JAMES R. HAGERTY and TOM MCGINTY

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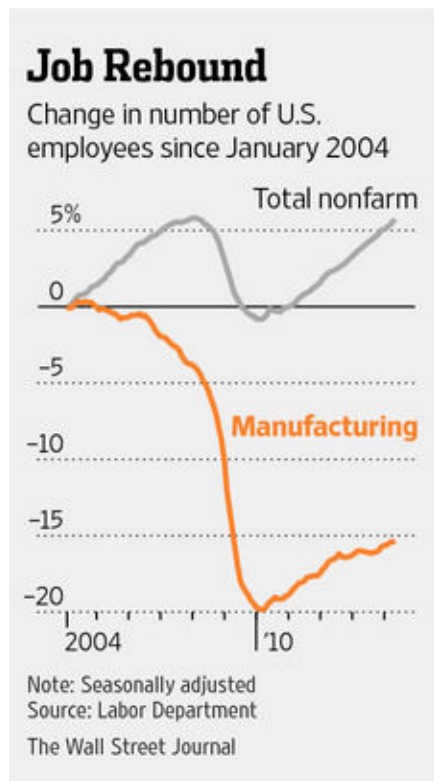
Australia-based Austal has increased the workforce at its shipyard in Mobile, Ala., above, to about 4,100 from about 900 in 2009 *Meggan Haller for The Wall Street Journal*

MOBILE, Ala.—The U.S. has added about 650,000 factory jobs since their numbers rebounded after the recession, putting manufacturing workers at 12.1 million and [reversing a long decline in such jobs](#). But uneven growth has created regional disparities in the nation's overall economic recovery.

Mobile County is among the winners.

Shipbuilder Austal Ltd. 's facility here is busy seven days a week as workers piece together enormous aluminum sheets in a space the size of 13 football fields. It has added thousands of jobs since 2008 and plans more, thanks to huge [U.S. Navy contracts](#).

Airbus Group and BAE Systems PLC, too, are [adding factory jobs here](#). Mobile County created more manufacturing jobs than all but 15 U.S. counties after September 2009, and such jobs were up 31% in the county.



U.S. factory-job gains—driven by a range of factors from cheaper domestic energy to the auto-industry recovery—have concentrated in pockets since the recession, particularly in the Southeast and Midwest, a Wall Street Journal analysis of Labor Department data shows. Gains often have clustered in places like Mobile where taxes are low and unions are relatively weak.

But private-sector manufacturing jobs declined in 38% of the counties in the Journal analysis of data from September 2009 and September 2013.

Among the worst slides has been in Onondaga County, N.Y., where factory jobs fell 17%. A smokeless brick chimney juts from rusting ruins in the county, where a dinnerware plant near Syracuse closed in 2009 after 138 years. A Lockheed Martin Corp. electronics plant has cut jobs to about 1,600 from roughly 2,300 in 2009. Unlike Mobile, Syracuse hasn't attracted major new industrial employers.

Manufacturing jobs [help a healthy economy](#) because they often create support jobs in other businesses, such as packaging, transportation and other services. But the uneven factory-job

recovery is blunting a hoped-for boost to the overall U.S. economy, says Mark Muro, policy director of the Brookings Institution's Metropolitan Policy Program. ([Read 5 Things About Growth in U.S. Factory Jobs.](#))

"There is a national manufacturing renaissance that is modest," he says. "But there is extreme variation across regions and metropolitan areas."

Of the 2,737 counties the Journal analyzed, 1,695—about 62%—reported gaining at least one net manufacturing job from 2009 to 2013. Job numbers fell in 1,029 counties. The analysis excluded about 400 counties for which comparable data weren't available.

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Factors creating those disparities vary. In some places, hiring is up because consumers are spending again.

Some Midwestern counties are especially booming from the [vehicle-market recovery](#), for example, as are some in

the South. Recreational-vehicle makers in Elkhart County, Ind., have hired more as sales rebound. Auto plants have added jobs since 2009 in Macomb County, Mich., Rutherford County, Tenn., Troup County, Ga., and elsewhere.

The [boom in shale gas and oil](#) has boosted petrochemical concerns in counties such as Harris County, Texas, which gained the most factory jobs of any county in the Journal study: It had 25,963 more of them in September 2013 than in 2009, a 15% increase.

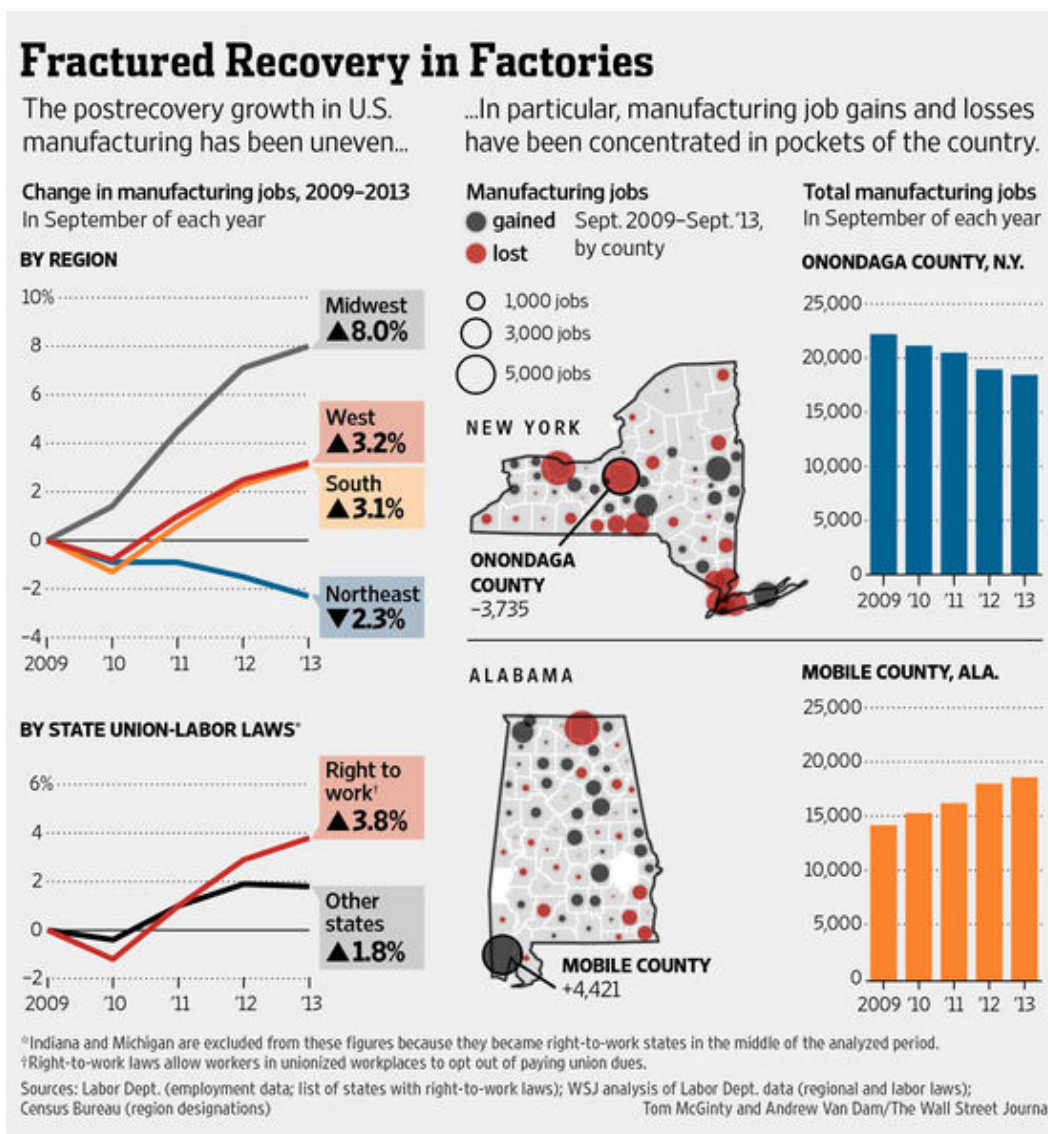
Demand for civilian aircraft has created jobs in places such as Charleston County, S.C, where Boeing Co. began [787 Dreamliner](#) production in 2011. Biomedical manufacturing has added jobs in Orange County, Calif.

[Other jobs are returning from abroad.](#) General Electric Co. has moved some appliance production from China and Mexico to Louisville, Ky., partly to reduce shipping costs and respond faster to demand, and because the gap between U.S. and Chinese wages has narrowed. Partly as a result, GE has doubled its workforce in Jefferson County, Ky., to about 6,000 since 2009, helping rank the county at No. 7 in manufacturing-job creation.

Among the losers are urban counties where factory production has been declining for some time, such as Philadelphia, Dallas, Manhattan's New York County and Chicago's Cook County.

Los Angeles County was the biggest loser in the Journal study, shedding 13,890 jobs from September 2009 to September 2013, a 4% decline. The losses likely trace to factors such as military cutbacks that hurt aerospace firms and competition for makers of trendy apparel, says Robert Kleinhenz, chief economist at the Los Angeles County Economic Development Corp.

"We continue to have a huge manufacturing base," he says, but adds that a shortage of available land could limit expansion.



Mobile's contrast in fortunes with Syracuse since the recession illustrates some common patterns: Often, companies have added jobs in states with "right-to-work" laws—which allow workers in unionized

workplaces to opt out of paying union dues—and where taxes are relatively low, in counties where state and local governments provide large incentives and strong vocational education, and in places with access to ports or other transport hubs.

Mobile County, population 414,000, lies along Alabama's Mobile Bay. It lost jobs in industries like shipbuilding and petrochemicals as the economy slowed. In 2010, things began improving. Of the counties the Journal analyzed, Mobile County ranked 16th in net manufacturing-job creation since 2009. It added 4,421 such jobs, for a total of 18,810 in September 2013.

One factor has been the Australia-based Austal's shipyard. The Navy awarded it a \$1.6 billion transport-ship contract in 2008 and a \$3.5 billion warship contract in 2010. Its Austal USA unit now employs 4,100 at its Mobile complex, up from about 900 in 2009.

Austal's job boost in Mobile was built on a decision it made in 1999. In seeking a U.S. base, Austal considered ports on the East and West Coasts, the Great Lakes and the Gulf of Mexico. It chose Mobile because of location, available waterfront property, cooperative local and state governments, low taxes and low union membership, among other factors, says an Austal spokeswoman.

Those factors came into play again when Austal bid for the Navy contracts, says Donald Keeler, the company's vice president of human resources in Mobile.

Alabama's average state and local tax per capita for 2011—the most recent year available—was 8.3% of income, compared with a national average of 9.8%, says the Tax Foundation, a nonpartisan think tank. And 10.7% of Alabama's workers were union members in 2013, federal data show, below the 11.3% national average and much lower than in Northern states such as New York, Illinois and Ohio.

A key element of Austal's pitch to the Navy was training. Alabama's government promised to sponsor training for Austal workers because most job seekers didn't have shipbuilding experience, says Mike Bell, vice president of operations. Alabama's workforce-training agency built a \$12 million training center next door.

That training helped workers like Rodney Patrick. Friends teased him when Austal hired him as a welder after his private detective business in the area dried up. The 48 year-old, who had never had a factory job, started as a pipe fitter and now works in human resources. "Now those same friends are trying to contact me to get out here," he says.

Other manufacturers also moved in. BAE Systems Inc., a U.S. subsidiary of London-based BAE, bought a commercial shipyard in Mobile in 2010. Today it has about 630 full-time workers there, up from 425 four years ago. BAE bought the company, in part, because Gulf oil production and exploration has increased significantly in recent years, aiding the business, a spokesman says.

[Airbus](#) Americas Inc., a subsidiary of France-based Airbus, is hiring to fill an estimated 1,000 jobs in Mobile for its first U.S. commercial assembly plant, now under construction. Airbus, which says it didn't consider any Northern states as finalists, was looking for a port to which it could ship airplane parts for assembly.

Alabama's right-to-work rules were a key attraction, says [Airbus](#) Americas Chairman Allan McArtor. So was the state's aggressive recruiting by offering incentive packages and training. Right-to-work laws and training, he says, are "part of the enthusiasm manufacturers have toward the South in general."



Alabama and local governments gave Airbus tax credits and cash grants valued at \$158 million to build in Mobile—including a \$6 million training center the state built next to the Airbus plant. "Alabama had it all," Mr. McArtor says. "I'm not sure the rust-belt states have the same attitude."

About 1,000 miles northeast, the Syracuse metropolitan area and Onondaga County had been losing jobs for decades when the recession hit. Long gone were factories that made GE television sets and Carrier air conditioners.

The trend continued after the recession's end. Onondaga County—population 467,000—ranked 2,728 out of 2,737 in net manufacturing-job creation in the Journal study, losing 3,735 jobs to end with 18,461 in September 2013.



Magna, a Canadian auto-parts maker, cited high labor costs when it closed its plant near Syracuse, N.Y., above. *James R. Hagerty*

Labor costs have led some employers to cut jobs there. From early 2009 to mid-2012, Magna International Inc., a Canadian auto-parts maker with about 60 U.S. plants, wound down and finally closed a Syracuse-area parts factory that employed as many as 4,000 people a decade earlier. Magna eventually decamped because it determined the factory wouldn't be competitive without labor-cost savings, a Magna spokesman says.

Meanwhile, Magna has added new plants since 2009 in Liberty, Mo., Shepherdsville, Ky. and Battle Creek, Mich., near auto-assembly plants.

About 24% of workers in New York state last year belonged to unions, the highest percentage of any state and more than double the national percentage—and Alabama's—federal data show.

The state's high taxes are also often cited for its loss of manufacturing jobs. New York's 2011 state and local tax burden was 12.6% of income, the highest in the nation, the Tax Foundation estimates.

"The state as a whole has historically had a reputation as a place where it's difficult to do business," says Robert Simpson, chief executive of CenterState Corp. for Economic Opportunity, a business organization based in Syracuse. He says the state has made progress in this area.

Recent changes may improve the climate. New York state's latest budget, passed in March, eliminates corporate income tax for manufacturers and provides a tax credit to lower their property-tax burdens. Manufacturers still are required to pay a tax on their asset base, though this is being phased out, as well as a tax on New York state revenues.

For American Intermodal Container Manufacturing Inc., the New York state and local governments weren't offering compelling incentives. Last year, the startup proposed converting part of the Magna factory to make shipping containers, a project expected to create at about 190 jobs.

It eventually found an Alabama manufacturer to make the containers, says D. Walker Wainwright, its chairman. It proved difficult to attract additional investors to finance a manufacturing startup in New York state, he says, and state and local agencies offered only a "standard set of incentives." If their offers had been more aggressive, he says, the company might have pursued the Syracuse plan.

Julie Cerio, Onondaga County's economic-development director, says the county is "very aggressive" in wooing investments but also "mindful we are using taxpayer's money."

A spokesman for the New York state development agency said it had offered a "competitive" incentive package and that "we believe our economic development strategy is working and positioning the Empire State as a great place to do to business."

New York state has paid some large incentives. About six years ago, it offered over \$1 billion of incentives to persuade Globalfoundries Inc. to set up a semiconductor plant in Malta, N.Y.

The Syracuse area does have strong educational institutions and some growing high-technology firms. One is Inficon Inc., a scientific-instruments maker employing about 250 in East Syracuse. It is likely to add 10 jobs this year, says Peter Maier, its president.

Another positive sign: A U.S. unit of Austria-based Agrana Beteiligungs AG in May opened a fruit-processing plant in Lysander, Onondaga County, creating 60 jobs.

Such firms provide hope but haven't filled the gaps for former factory workers.

Dan Cavallaro, 57, was president of the local branch of the Glass, Molders, Pottery, Plastics and Allied Workers International Union, which represented workers at the Syracuse China plant in Salina, N.Y., adjacent to Syracuse. He eventually found work at a copper-processing plant, but many of his 275 former colleagues gave up on manufacturing.

"A lot of people went to nursing school," he says. "A couple guys went to truck-driving school."

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