The mass employment in manufacturing just isn't coming back you know [1]

Written by **Tim Worstall** [2] | Saturday 30 March 2013

I'm always rather puzzled by those who shout that we've got to bring manufacturing back to the UK. Apparently this will solve all our problems over what to do with dim Northern lads or something. Once they're all hammering out whippet flanges then we just won't have a problem with unemployment ever again. The problem with this idea is that modern manufacturing simply doesn't provide many jobs. And if it were to provide mass employment it would be very badly paid employment too [3]:

> Americans working to produce traded goods and services earn, roughly, according to their productivity. If low-skill workers in America aren't much more productive in manufacture of traded goods and services than low-skill workers in China, then they can't earn much more than workers in China while being employed in manufacture of traded goods and services. They can earn a rich-world wage in production of non-traded goods and services, like sandwiches and haircuts, so long as there is sufficient local demand. In other words, the only way to get less-skilled Americans a good wage in a manufacturing industry is to significantly raise their skill and productivity level. If that can't be accomplished, they can only hope to find good wages in non-traded industries. At least, that is, until wages of less-skilled workers across the developing world come much closer to converging with those in America.

Of course, that's all about America but the same logic pertains here as well. Chinese manufacturing wages are around $6,000 a year at present. Meaning that if we had mass employment in manufacturing, as they do, then wages would need to be around that level. Or, alternatively, UK based manufacturing would have to be much more productive to support higher wages. And "more productive" is the same as saying "uses less labour". Thus you can have few well paid jobs (in the Rolls Royces etc of this world) or you can have many badly paid jobs (Shenzen). It isn't actually possible to mix and match between the two.

It's also worth noting that UK manufacturing output peaked in 2005. Oh sure, manufacturing employment has been falling for decades as has manufacturing as a percentage of the economy. The first because manufacturing has become more productive, the second because other parts of the economy grew faster. But manufacturing output did indeed rise from the 1940s all the way through to 2005 (with wobbles for recessions of course).

It's also worth noting that manufacturing has been falling as a percentage of the global economy. No, really, it has, and manufacturing employment has been falling globally too. Even as manufacturing output continues to rise. And the UK's share of the economy that is manufacturing is around and about the norm for an OECD country too. What's happened to our manufacturing sector is nothing special at all. It's happening everywhere, to everyone.

What's actually happening in manufacturing is what happened to farming 80 years ago. It mechanised, as manufacturing is now. The sector is simply using ever less labour as it uses ever more machines to keep on pumping out things we can drop on our feet. Then it was tractors, now it's robots but the effect is much the same. We're going to end up with, as we did with farming, 2 % or so of the population doing the

manufacturing. Everyone else is going to be one or another form of services. Perhaps whippet flanges are essential, perhaps Britain should make its own but whatever we do about it we're simply not going to see mass employment in manufacturing ever again.

Which is why it always confuses me to hear the incessant claims that we must have more manufacturing. Why?

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