

**SFGate.com**

## California manufacturing jobs cross state lines

Tom Abate, Chronicle Staff Writer

Tuesday, June 23, 2009

**(06-22) 18:23 PDT** -- California has been losing manufacturing jobs faster than comparable states, according to a new report that argues it is possible and necessary to arrest the decline of a sector that pays an average wage of \$66,200 a year.

"There is hope for California, but we don't have too much time," said Perry Wong of the Milken Institute, which was commissioned to conduct the report by the California Manufacturers and Technology Association.

Wong said the study found that the state lost nearly 26 percent of its total manufacturing employment from 1990 to 2007, and 35 percent of its high-tech jobs.

The 96-page report said that competition from cheap foreign factories cannot solely explain California's losses. The analysis found that seven other states - Arizona, Indiana, Kansas, Minnesota, Oregon, Texas and Washington - lost just 3.6 percent of their total manufacturing employment from 1990 to 2007, and 13 percent of their high-tech jobs.

Wong said state policies and incentives have to explain at least part of the differences in job losses between California and its U.S. competitors.

"Everyone says the regulatory burden in California is too much," said Gino DiCaro, spokesman for the Manufacturers Association. "Over time, we're dropping off the list of states that companies are willing to consider."

The report is not specifically connected to any bill, but manufacturers ultimately want lawmakers to change state policies that, they say, kill jobs. For instance, DiCaro said, California makes companies pay sales tax on new factory equipment, a practice followed by only two other states: Wyoming and South Carolina.

About 1.3 million Californians still hold manufacturing jobs, or 9.1 percent of total payroll employment, according to current state figures. As recently as 2000, manufacturing accounted for 12.8 percent of all payroll jobs in the state, according to the Milken Institute report.

Wong said factory jobs are worth special attention in the creation of state policy because they command higher-than-average wages. Based on 2007 data, the average California factory worker earned \$66,200 versus an overall statewide average wage of \$54,500.

The report, which is available at [milkeninstitute.org](http://milkeninstitute.org), found the steepest declines occurring in high-tech manufacturing, which paid an even higher average wage of \$115,000 in 2007. Wong said the state is

gaining some manufacturing jobs, but these are mainly in lower-value industries like beverage, food, dairy and cement.

The report praised some steps competing states had used to boost factory jobs. Kansas provides tax credits and other assistance to help employers train workers. Washington has created an Office of Regulatory Assistance to streamline the approval of big projects. Arizona has created a unique tax credit to reward angel investors in high-tech startups.

E-mail Tom Abate at [tabate@sfgate.com](mailto:tabate@sfgate.com).

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/06/23/BUI218BJ5U.DTL>

This article appeared on page **C - 1** of the San Francisco Chronicle