

Research [in] Brief

Manufacturing Jobs Still Pay Well for Some



Primary issue

Factory workers are often thought to receive higher wages than comparable workers outside of the manufacturing sector. Policymakers point to this “manufacturing wage premium” when defending programs that support the sector. However, research shows that the manufacturing wage premium has been declining for four decades.



Key findings

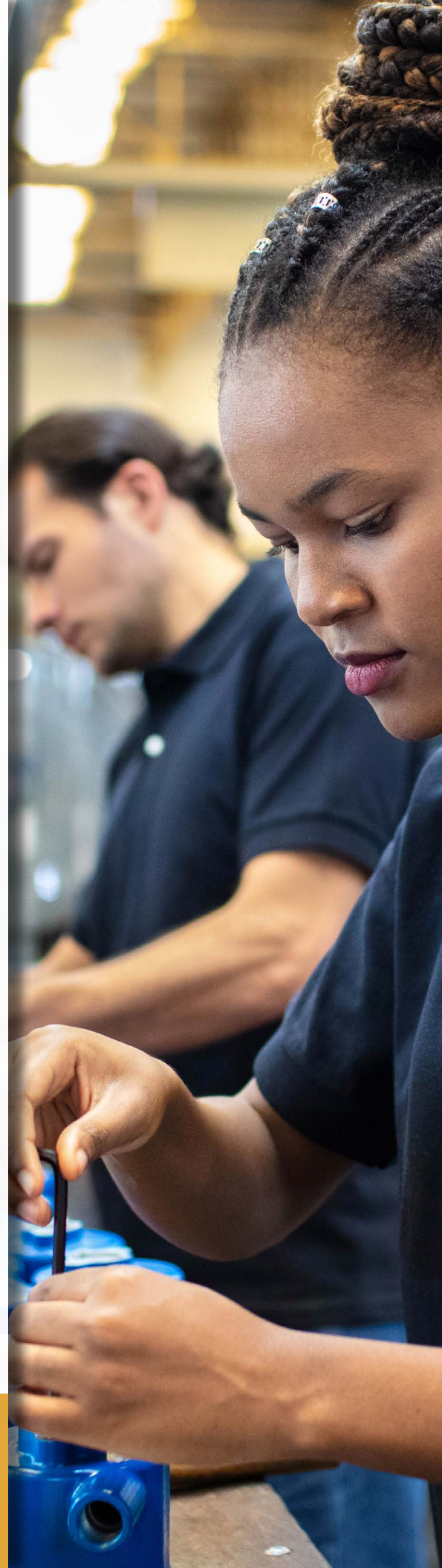
Though the manufacturing wage premium has decreased over time, it has not decreased equally across all factory positions.

- Production workers—those who work on the factory floor in positions such as machine operators—have seen the most significant loss in the manufacturing wage premium. The large decline is likely because factors such as international competitors and automated processes have reduced the need for such workers. All else equal, a reduction in demand for production workers holds their wages back.
- Nonproduction workers—those who hold positions such as engineers and administrative assistants—still earn substantially higher wages than their peers in similar positions outside of the manufacturing sector.



The bottom line

Overall, manufacturing jobs still pay relatively well, and manufacturing continues to provide significant economic benefits to the regions in which the factories are located. However, because the wage premium is so small for production workers, job training programs targeted at manufacturing should focus on preparing workers for nonproduction jobs if they want to support income growth.



Want to find out more? Read “Manufacturing Wage Premiums Have Diverged between Production and Nonproduction Workers” at clevelandfed.org/rpr112021.

Read *Cleveland Fed Digest* to stay up to date with research and news from the Cleveland Fed. Subscribe to the newsletter: clevelandfed.org/cfd-subscribe.