Executive Summary

Maine’s manufacturing sector is critical to the health of the state’s economy. Annually, it contributes an economic output of $5.3 billion, accounting for approximately 9% of our gross state product. Manufacturers drive our economy with 1,800 establishments employing more than 50,600 individuals earning more than 32% of Maine’s average wage. Average annual salary for employment in manufacturing is $56,400, making up 12% of statewide wages paid (2016 State Manufacturing Data, MDOL/CWRI).

The Manufacturers Association of Maine (MAMe) is a membership organization including over 300 Maine manufacturing companies and related support service providers. MAMe represents approximately 28,000 highly skilled employees.

The Manufacturers Association of Maine builds collaborative efforts with other Maine associations. The association currently has formal partnerships with Maine Built Boats, Maine Wood Products Association and Maine Grocers and Food Producers Association to offer MAMe’s Energy Program, student and educator outreach programs (Dream It. Do It. Maine) and Business Growth Services (BGS) to Maine companies. This spirit of collaboration allows the associations to improve employee access to relevant training, contract opportunities and regional assets and supply chains.

A critical challenge for manufacturers is the need to increase public awareness of the industry’s high pay, high skill career opportunities and to promote Maine’s world class production capabilities as part of the “Made in Maine” brand. MAMe launched the “Dream It. Do It. Maine campaign and is the lead organization for the National MFG Day event as well as other school/education collaborations to attract younger workers into careers in manufacturing, engineering and technology.

In addition to the Manufacturers Association of Maine’s (MAMe) regular meetings, plant tours, and events, MAMe brings Maine’s manufacturing community together for annual summits. At these gatherings, industry members and guests have opportunities to share ideas and formulate strategies for continued growth of Maine’s manufacturing sector.

The association held its 2017 Manufacturing Summit on June 6th at the Gendron Franco Center in Lewiston. Industry and related manufacturing associations came together from across Maine to unite their voices for manufacturing. The Summit’s theme resounded throughout the meeting: “Your Future is Here!”

The previous MAMe summits gathered companies from all manufacturing sectors with their respective trade associations in order to collect their ideas on top issues and challenges. The goal has been to leverage the strengths of these organizations, avoid duplication of effort, and promote a coordinated manufacturing support strategy. This year the summit focused on the national level regarding policies, support and expansion and how it will impact Maine manufacturers.

The following shows the demographic information of the industry members attending the summit event:

CHART A shows the various types of manufacturing sectors in attendance. The “Other” category includes composites, boat building, and bioscience.
Represented Manufacturing Sectors

- FOOD, BEVERAGE - 8%
- TEXTILES - 10%
- WOOD PRODUCTS - 2%
- PULP & PAPER - 4%
- PLASTICS - 0%
- PRIMARY METAL & FABRICATED METAL PRODUCTS - 38%
- ELECTRONICS - 13%
- AEROSPACE & OTHER TRANSPORTATION EQUIPMENT - 8%
- OTHER (COMPOSITES, BOATBUILDING, BIOSCIENCE - 17%
Overview

The event kicked-off with the Business Showcase by five manufacturing companies from sectors including electronics, textile/bio fibers, engineering, composites and boat building. Each company described their unique processes and product technology. Presenting were Alternative Manufacturing, Inc. (AMI), GlobecoMe, MechArtisan, Starc Systems and Washburn & Doughty. Attendees were also introduced to the associations’ alliance with the Robotics Institute of Maine and competitive projects managed by student groups around our state.

The Summit is a place where we can not only showcase Maine companies, but also share what is “Made in Maine”. Using an Audience Response System, we asked to identify products made in Maine. The more we can promote the Maine made products and show the level of technology used in production and processes, the more we can attract more young people to consider manufacturing careers.
Maine’s Manufacturing Outlook

This year, the summit focused on what is happening at the national level and how federal policies will impact Maine manufacturers. Our keynote speaker, George F. Allen, Chairman of the National Association of Manufacturer’s (NAM) Manufacturing Competitiveness Initiative, addressed the national perspective.

Each of the points made by Mr. Allen was aligned with questions we asked of Maine manufacturers. For example, Mr. Allen shared the outcome of a national survey on manufacturer’s perspective on optimism. According to the NAM Outlook Survey, 93.3% of manufacturers said they were either somewhat or very positive about their own company’s outlook, up from 56.6% just one year ago. In fact, in the NAM’s Outlook Survey in Q3 in 2016, 73.6 % of respondents cited an unfavorable business climate due to government policies.

This chart shows what Maine manufacturers view as the new administration’s impact on manufacturing:

Mr. Allen also shared NAM’s survey results in areas of challenges and issues faced by manufacturers across the country. Attendees at the summit were asked how manufacturers viewed challenges and issues?
The NAM’s Primary Current Business Challenges/Concerns (out of 100% survey respondents)

- Rising health care/insurance costs—65.1 percent
- Attracting and retaining a quality workforce—63%
- Unfavorable business climate (taxes, regulations)—58.2%

Here is how Maine Manufacturers responded to the same questions:

![Bar chart showing current business challenges]

- RISING HEALTH CARE/INSURANCE COSTS - 28%
- ATTRACTING AND RETAINING A QUALITY WORKFORCE - 44%
- UNFAVORABLE BUSINESS CLIMATE - 28%

Other US manufacturing issues were presented to show areas of national issues facing manufacturers:

- Strengthened U.S. dollar relative to other currencies
- Rising raw material costs for our products—natural gas or electricity
- Weaker domestic economy and sales for our products
- Weaker global growth and slower export sales

The Skills Gap - A National Crisis?

Mr. Allen addressed the skills gap at the national level. He shared that over the next decade nearly 3.5 million manufacturing jobs will likely be needed and 2 million are expected to go unfilled due to the skill gap between the years 2015-2025. The economic implications are significant: every job in manufacturing creates another 2.5 new jobs in local goods and services. For every dollar invested in manufacturing, another $1.37 in additional is created in other sectors (Source: National Association of Manufacturers. MANUFACTURERS’ OUTLOOK SURVEY, FIRST QUARTER 2017)

The NAM’s Competing to Win Initiative has found that 82% of manufacturing executives believe the skills gap will impact their ability to meet customer demand. 78% believe the skills gap will impact their ability to implement new technologies and increase productivity. 80% of manufacturing executives report they are willing to pay more than the market rates in areas with an acute shortage of talent.
This next chart asks if finding talent/skilled workers is an issue:

100% of the Maine manufacturers said access to a skilled workforce was a key issue. We continue to have some impact on these issues with our student outreach and robotics programs, but more resources and capacity still needs to be addressed. Specifically, the need for a workforce strategy that is coordinated through the needs of industry, partially funded by the state and by industry, and implemented with the existing service provider system to provide services as required/requested.

The next chart shows company hiring challenges. The majority (58%) see access to a skilled workforce/talent as a major challenge. The next (38%) indicated that perception of manufacturing and enticing more young people to choose manufacturing as a career are aspects that need to be continually addressed. The aging workforce was also indicated as a problem to be addressed. Some (3%) thought that coordinating the many programs and services of the workforce system needs to be addressed.
This chart above clearly shows that there is disconnect between what industry needs for training and what the system provides for available training and resources. The industry sees both a need to address allowable wages and focus on what programs and services are available to industry. Most often, industry says they do not have a clear or no understanding or knowledge of what programs and funding are available to them for training. More often than not, the training funds do not align with the training needs of companies. This is mostly a federal funding issue.

According to Mr. Allen, America is No.1 when it comes to energy resources. This, combined with an energy strategy, allows the US to be positioned to benefit the entire nation; not just certain regions. The strategy needs to focus on access to domestic and overseas markets and commit to technology that will ensure that manufacturers will have access to all sources of energy while air quality stays a priority.

As part of the national strategy, the recommendation is, in order to provide affordable energy, remove regulatory barriers to speed up access and to improve traditional energy resources, electricity generation, renewable and alternative energy as well as the nation’s privately funded energy delivery system.

The next chart shows the results of the Maine manufacturers when asked if energy continues to be a concern: Two thirds (2/3) of Maine manufacturers continue to see energy as concern.
As policies are developed or amended, it is important that policy makers, both state and federal, understand the challenges and needs, as well as what they can do to change or impact these policies. We asked Maine manufacturers to address what the federal administration and our federal representatives could do to help:

**Is energy another concern?**

- **YES - 62%**
- **NO - 38%**

**If the federal administration could do one thing to help your business, what would it be?**

- **TAX REFORM - 75%**
- **REGULATORY REFORM - 13%**
- **INFRASTRUCTURE - 9%**
- **PRODUCTIVE ENERGY POLICIES - 3%**
This slide asked if manufacturers felt legislators were committed to supporting pro-growth policies: 63% do not feel Maine is committed to supporting this sector with growth policies.

- Number #1 is tax policies to help manufacturers—if commitment to lower federal taxes for industry becomes a reality, Maine could then look at tax and regulatory policies that prevent industry from growing, expanding and sustaining their businesses in Maine.
- Number #2 focuses on workforce initiatives. Industries know what they need—if federal funding does not help address the need; the state should step up to make this a reality for Maine’s business and industry. A commitment to help establish a model across the state would start to implement a successful plan that has impacted states across the country. Maine needs to take action now.
Summary

Manufacturing is the largest industry user of energy. We must be creative in developing energy accessibility to Maine companies in order to compete. Attracting and training a skilled workforce is equally important to business. We must strengthen our efforts to address workforce training disconnect by setting up and managing sector consortiums.

All indicators show that the association’s strategies need to focus on tax reform, workforce availability and the high cost of energy.

In the coming months, the MAMe legislative committee, along with the manufacturing alliance organizations, will look at the results of this report and decide what top 2-3 issues we will work on collectively. In keeping aligned with the MAMe’s legislative agenda—some will require legislation or oversight on pending legislation (tax policy), some will require both legislation and funding (workforce availability) and some will require constant monitoring (energy).

Business regulation and taxes must be addressed. Manufacturers Association of Maine will continue to focus on solutions to these issues; educate our industry and provide services. Government MUST work to address these issues in collaboration with the industry and associations collectively.

With input from the summit, a report is presented to the Governor, other relevant organizations/agencies and partners outlining an action plan for the coming year with recommendations for public policy, strategic implementation, and resources.

Conclusion and Recommendations

Regarding the workforce issue, the industry stated that the barriers greatly impact industry’s ability to access skilled workers. The lack of knowledge of programs, the expense of bringing on employees at full cost (lacking skills) while covering the training costs and the disconnect between industry training needs and what training program offer is a significant issue that need to be addressed.

Based on this report and data on workforce availability, the Summit Committee and partners make the following recommendation:

- **MAMe and our Manufacturing Alliance partners will implement strategies to recruit and attract workers to manufacturing including, but not limited, to veterans, corrections populations and immigrants. We are also fully committed to expanding the Dream it. Do It Maine and Robotics Institute of Maine to educate and attract young people into manufacturing careers.**

Based on the responses regarding policy development, the committee and partners make the following recommendations:

- **The Manufacturing Alliance members will collaborate with the administration to address tax policies to help manufacturers. This may include tax reform, energy costs; develop pro-growth strategies (review of laws impacting the growth of this sector).**
The purpose of this report is to share with the State of Maine administration and other interested parties the needs, including resources and support, of the manufacturing sector. Individual manufacturing sectors can collaborate on ways to design and execute programs, services and teaming efforts. However, to fully implement these activities, the sectors all agree that the associations are the prime entity to carry out the work to identify the needs of the sectors. To grow the sectors, industry representation and collaboration with legislative bodies is needed.

Together, the manufacturing sector can focus on filling high skilled, high wage jobs for Maine people. The collective sectors have many of the same issues that have been identified and are in need of strategies, resources and support to accomplish these goals. An overall state strategy to address these issues can be carried out. The sector and associations want to partner with the State of Maine to create an alliance, market the industry and careers, influence policy and work together to grow the economy as part of the state economic strategy.

With Regards,

Lisa G. Martin, Executive Director

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**MAMe Association Partners**
- Advanced Manufacturing Center/UM
- American Society for Quality (ASQ)
- Association of Operations Managers (APICS)
- Bioscience Association of Maine (BAM)
- Institute for Family Owned Business (IFOB)
- Jobs for Maine Graduates (JMG)
- Maine Built Boat (MBB)
- Maine Composites Alliance (MCA)
- Maine Grocers and Food Producers Alliance
- Maine Forest Products Council
- Maine State Chamber of Commerce
- Maine Wind Industry Initiative (MWII)
- Maine Wood Products Association (MWPA)
- SME