

# Manufacturing, Race, and Community

*Innovation in Both Manufacturing and Social Inclusion*

**Dan Swinney**

Executive Director

Manufacturing Renaissance

[dswinney@mfgren.org](mailto:dswinney@mfgren.org)

[www.mfgren.org](http://www.mfgren.org)

## Executive Summary

Manufacturing Renaissance (MR) believes our future lies in a profound linkage between advanced manufacturing and social inclusion, achieved by building an educational infrastructure tied to 21<sup>st</sup> century manufacturing in inner-city communities. A failure to build this infrastructure reflects a policy of 21<sup>st</sup> century segregation and holds back our entire society.

There are 15,000 to 20,000<sup>1</sup> good jobs in manufacturing going unfilled in the Chicago region, due to the disconnect between the education system and the manufacturing sector. This is the “skills gap”. There are also many retiring owners leaving the helm of smaller, privately held companies—placing them at risk due to the absence of new successors— this is the “succession gap”.

Addressing these two challenges can be done in a way that meets the needs of our regional manufacturing sector and can set the stage for rebuilding our communities. Manufacturing Renaissance has the programs and partnerships that, if taken to scale, can transform our region and establish our region’s reputation as a center for innovation in advanced manufacturing and social inclusion. The key programs are:

- **The Chicagoland Manufacturing Renaissance Council:** The CMRC is a growing private/public partnership of manufacturers, labor, educators, local government, and community based organizations committed to the promotion of advanced manufacturing, coupled with social inclusion and community development.
- **The Manufacturing Connect (MC) Program:** MC is a program that connects schools to the regional manufacturing sector. MC has been recognized by the U.S Department of Labor, the Mayor of Chicago, and the CEO of Chicago Public Schools. Efforts are underway in three Chicago high schools, Austin College and Career Academy, Bowen High School, and Prosser Career Academy. We seek to expand into 10 high schools and 20 middle schools in Cook County.
- **The Young Manufacturers Association (YMA):** This is an association of young adults, who provide mutual support to each other, continue their professional and personal development, and reach out to other young adults introducing them to the career opportunities in manufacturing. The Association is supported by a \$200,000 violence prevention grant from Cook County that covers the work of Manufacturing Renaissance, OAI Inc and Austin Coming Together. As of 2017, the YMA has 45 members.
- **The Instructors’ Apprenticeship for Advanced Manufacturing:** There is a critical shortage of teachers who are technically, culturally, and pedagogically competent to teach manufacturing courses. The Chicago Teachers Union Foundation, the National Institute for Metalworking Skills, the Technology and Manufacturing Association, and Daley College have established a program to meet this need. The program will start its first cohort of 10-15 students in April 2017.
- **The Ownership Conversion Project:** Manufacturing Renaissance, the Safer Foundation, the Chicago Federation of Labor, and the Local Initiative Support Council are establishing a program to promote the acquisition of companies by employees, as well as by African American, Hispanic, and female

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<sup>1</sup> *Crain’s Chicago Business*, “Skilled Labor Shortage Hobbles Illinois Manufacturers,” S. A. Swanson, October 27, 2012.

entrepreneurs.

## Introduction

On December 2<sup>nd</sup> 2016, the *Chicago Tribune's* headlines announced a sobering milestone—700 murders in Chicago this year alone. The Austin community has had 54 murders—double the count of a year ago. Three members of Manufacturing Connect community at the Austin College and Career Academy are included in this grim statistic—all murdered in the last two months. One was a student, one was a graduate, and one was an alumnus of Austin High School—a tool and die maker who wanted to volunteer for the Manufacturing Connect program. He was killed two days before he was to meet with our staff. In the newspaper's article, the Police Superintendent, Eddie Johnson, blames 1,400 gang members who are on a police "strategic subject list" to be held accountable. The Police Superintendent also blamed the flow of illegal firearms.

Manufacturing Renaissance (MR) disagrees. We see these murders as a product of the overall social, economic, and political exclusion of communities of color that has taken place over the last 40 years, beginning with the dramatic de-industrialization of these communities in the late 1970s. This moment of deep insecurity begs for a new development vision that gets at the root of the causes of the epidemic of violence and crime, by offering specific and practical solutions.

Manufacturing faces a crisis due, in part, to the dramatic demographic shift called the "grey tsunami" —baby boomers retiring in large numbers. There are good jobs in our region going unfilled because of the disconnect between the education system and the manufacturing sector. A shift toward advanced technologies in production is taking place, and it requires higher levels of skill and education. Manufacturing is facing a "skills gap" because knowledge and training is not paired with the development taking place within the sector. At the same time, retiring owners are leaving the helm of smaller, privately held companies—placing many of these companies at risk due to the absence of new successors. This is the "succession gap." MR believes that this crisis in manufacturing is an opportunity to address the crisis in our inner-city communities.

MR and its partners have developed several prototypes, such as the Chicagoland Manufacturing Renaissance Council, the Manufacturing Connect program and other similar initiatives that fuse education, ownership, and community development with manufacturing. Our programs could lead to 6,000 qualified applicants for manufacturing jobs in the next 5 years and would have an educational infrastructure that will generate 3,300 applicants annually going forward. Each manufacturing job has a multiplier affect resulting in 5 additional jobs in other sectors of the economy.

## Poverty Drives Violence

Manufacturing Renaissance views the explosive growth of crime, including murder, as a product of deep poverty, unemployment, underemployment, and segregation. The flow of illegal guns and the growth of gangs is a symptom and an important factor, but not the source of the crisis.

Seven hundred murders and increasing violence are not a challenge that is easily penned on 1,400 young men of color. And if we were to really develop a "strategic subject list" of those responsible for the causes of crime, it would need to include also those figures in the business and political community, who played leading roles in

the dismantling of the industrial base on the West and South Sides and in the city in general. The same issue of the *New York Times* that featured the article on Chicago violence included a segment on the role of private equity companies destroying companies like Hostess, resulting in 8,000 jobs lost in exchange for enormous personal wealth including hundreds of jobs at their facility in Shiller Park—a Chicago suburb.<sup>2</sup>

Our mainstream economic and political leaders continue to remain passive in stopping the on-going destruction of the educational and development structure in inner city communities on the West and South sides—satisfied to support small scale and marginal programs that barely touch the surface of the root causes of poverty.

## **De-industrialization Drives Poverty**

Manufacturing Renaissance has always been focused on community development and social justice, particularly in the Austin community. Our approach focuses on manufacturing because, like Harvard Professor William Julius Wilson—an early advisor of MR-- argued, the growth of extreme poverty particularly in the African American community is a direct product of de-industrialization. With the loss of manufacturing jobs, communities of color are unable to sustain their communities' vitality. As described in the *New York Times*, on Chicago's West Side:

“Industry once flourished here. The original headquarters and distribution center for Sears, Roebuck & Company provided thousands of jobs. But the area changed in the 1950s, 1960s, and 1970s, as whites moved away and blacks moved in. In 2014, almost a quarter of the housing units in the neighborhoods in the district were vacant, census data shows.”<sup>3</sup>

During the past three decades, we have witnessed the destruction of the industrial base in the Austin community and broader West Side. Manufacturing Renaissance was directly involved in a number of efforts to retain companies and jobs, during the late 80s and early 90s, including Brach Candy Company and Leaf Confectionary. These Austin companies together employed over 4,000 people. They were viable companies that finally closed due to short term profit maximization financial strategies.

Hence, we saw firsthand how communities like Austin were disproportionately damaged. Once there were 20,000 manufacturing jobs in the Austin community. Now there are 2,000. The City lost 57% of its industrial base. Austin lost 90%. Unemployment in the city is 6.4%. In Austin, it's 30%. On the West Side, jobless rates for African-Americans ages 20-24 hovers between 53-73%, with those living in poverty and extreme poverty at 51.3% of all residents. In Illinois, only 1% of manufacturing companies are owned by people of color, while 99% are owned by whites—a striking indicator of a persistent pattern of exclusion—that is also visibly present in the Austin community. The loss of manufacturing jobs and manufacturing's disconnect from the inner city continues to drive the growth of poverty and of violence in our city.

## **Manufacturing is Central to our Future**

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<sup>2</sup> “How Twinkies Made the Superrich Even Richer,” *New York Times*, December 11, 2016.

<sup>3</sup> *New York Times*, “In Chicago Bodies Pile Up at Intersection of Depression and Rage,” December 9, 2016.

From our extensive experience in industrial retention, we know that manufacturing remains viable in Chicago and essential for creating a truly inclusive and healthy city. While all sectors are important, manufacturing significantly multiplies economic growth for other sectors. For every \$1.00 of domestic manufacturing value-added, another \$3.60 of value-added is generated elsewhere. Each manufacturing job creates 5 other jobs in the economy—far greater than the service and retail sectors. Manufacturing has to be at the center of any “blueprint” for community development. Our emphasis on manufacturing is not because we love manufacturing *per se*, but because we view manufacturing as the most effective way to overcome poverty and social exclusion. It is a means to an end. If we thought free beer would be as important for re-building communities, we would be advocating for free beer.

**Threats to our Manufacturing Sector—the Skills Gap:** Production in manufacturing has changed in that low skilled work has gone off shore and American companies have moved toward more advanced production, requiring a more skilled and educated workforce. There is a powerful demographic shift taking place with the baby boomer generation leaving production and ownership positions in thousands of companies—placing them at risk of closing. Combined with the complete dismantlement of the vocational education system, urgency in such matter is crucial to Chicago’s sustainability. Today, thousands of manufacturing jobs are unfilled. As mentioned earlier, *Crain’s Chicago Business* estimated in 2012 that Illinois has 30,000 jobs in manufacturing going unfilled. Typically, the Chicago region constitutes 2/3 of the state industrial base meaning we have 20,000 jobs in manufacturing going unfilled. It’s key that we address this challenge at an appropriate scale. If we don’t fill these jobs, we will lose them.

World Economic Forum founder, Klaus Schwab, recently commented on the potential for advanced manufacturing and technologies to widen the gap between rich and poor. He said, “...my biggest concern (is that) the fourth industrial revolution will [...] increase the inequality which we have.” Reading such quote, we realize that, if we fail to build an educational infrastructure geared to the realities of 21<sup>st</sup> century manufacturing, inner city communities will not participate in the growth and development of our manufacturing sector. Whereas hundreds of millions of dollars in Chicago have been invested in projects like the Digital Manufacturing and Design Innovation Institute and the Mhub, very little has been spent in education linked to 21<sup>st</sup> century manufacturing, particularly within the inner city. This is not to undermine the importance of such projects like the DMDII, but to be reminded that the failure to build an appropriate educational infrastructure in the inner city linked to 21<sup>st</sup> Century manufacturing reflects policies that actually promote 21<sup>st</sup> century segregation.

**Threats to our Manufacturing Sector—the Succession Gap:** Another threat to the manufacturing sector is the less-discussed, but equally serious challenge that small companies with a retiring owner and no apparent successor are facing. Absent from the pool of potential owners of companies are employees, women, African-American and Hispanic entrepreneurs. This pattern, in which race plays as a determining variable, resonates throughout the entire country. In a Chicago study that examined 800 small, privately held manufacturing companies with the owner being 55 years or older, it was found that 40% were at risk of closing, merely due to the issue of succession. Today, the conditions are the same. Recently, *Crain’s Chicago Business* described succession challenges and opportunities for millennials. In a report by the Ohio Employee Ownership, it was noted that, “The failure to plan for business succession in small and medium-sized companies is the leading

preventable cause of job loss in the United States”.<sup>4</sup> As stated in a report issued just this month by the Budget and Tax Center, “Estimates vary, but it is likely that upwards of 4 million companies owned by baby boomers will be sold or dissolved by 2030 leading to the transfer of roughly \$10 trillion in business assets. While the Great Recession forced many baby boomers to delay their plans to sell and retire, we are on pace to see more small businesses change hands in 2016 than any year since the start of the Great Recession”. These studies illustrate that the “succession gap” is as serious as the “skills gap”.

## Let’s Not Waste the Crisis

As Mayor Emanuel says, we should never waste a crisis. Both the skills and succession gap, if addressed with effective programs and at an appropriate scale, represent an enormous opportunity to bring in a diverse group of young people and entrepreneurs into highly skilled production and management positions. This implies also altering the ownership “white only” tradition to benefit other entrepreneurs, companies and the sector itself.

At this moment, we have all the ingredients needed to bring about the fundamental changes that are required to reverse the horrifying trends captured in our daily papers. More leaders are motivated to become engaged in looking for solutions and open to new approaches. We have a way forward—prototypes for programs that successfully address the challenges faced by the manufacturing sector that are based on social inclusion and new types of partnerships that go beyond traditional private and public models. Tackling these challenges in an effective way creates a real opportunity for all our residents to have access to long-term and secure careers. Chicagoland has the potential to emerge as a model of regional economy similar to Mondragon, Spain, and Emilia Romagna, Italy, that is anchored in advanced manufacturing and social inclusion.

**Our Approach:** Our approach toward tackling these inter-related challenges and opportunities is anchored in relying on “best international practices.” In our focus on education, we looked at the European countries of Germany, Denmark, and Switzerland and their superior vocational education systems. In our focus on entrepreneurship, we looked at the regional economies of Mondragon, in the Basque Region of Spain, and Emilia Romagna, in Italy. These two regions have indeed combined a focus on advanced manufacturing anchored in social inclusion that has had the effect to produce a large and internationally competitive cooperative and private manufacturing sectors. Our approaches involve the development of an educational infrastructure beginning in middle school and extending through secondary, post-secondary education, and into the firm. We have designed a framework to identify firms facing a succession challenge and assist in the timely acquisition of those firms by employees, as well as entrepreneurs of color. The underlying vision is to nurture an entrepreneurial culture that merges creative thinking on product development and design with effective business skills. This will ultimately lead to the start-up of new companies as well as the attraction of companies into the area.

**Scale and Urgency:** The reality is that, in the next few years, thousands of employees as well as owners of small firms will be retiring. This will cause a loss of talent throughout all levels of our local companies, creating profound economic repercussions. The skills and succession gap are challenges that require an urgent, large scale effort. If we fail to address such problem, we will permanently lose thousands of jobs and companies, as

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<sup>4</sup> Ohio Employee Ownership Center. “Exit Planning.” <http://www.oeokent.org/exit-planning/>

well as our leadership position in the global economy. We no longer have the luxury to operate at a small, under-resourced level.

## Manufacturing Renaissance Programs

Our current programs and prototypes are very modest in size, but they are replicable and scalable. For example, our Manufacturing Connect program was awarded a \$2.7 million grant in competition with 400 school districts precisely because of its potential for duplication. We recently took advantage of the MacArthur Foundation's 100&Change program and submitted a \$100 million proposal to take our model to scale. We had realistically low expectations regarding our chances for success in this competition--although we made it through the first cut and were one of the 800 out of 1,900 who made it. We used this opportunity as an exercise to think through a program that had the appropriate scale in Cook County. As resources and partnerships allow, we are now pursuing each of the components of this larger plan, as well as actively exploring the interest of support for this plan by government and policy makers at the local, regional, state, and national level.

Our programmatic efforts are focused in Cook County, taking advantage of its political, economic, social, industrial infrastructure, public/private partnerships and our long history in the region. We seek to fully engage residents and youth, particularly from communities of color, in the opportunities available in 21<sup>st</sup> century manufacturing with careers in production, management, product development, engineering, research, and ownership. We are driven by the goal of filling the 20,000 vacant jobs in manufacturing. The impact of our programs will be measured by the increasingly competitive character of our regional manufacturing sector, the number and quality of jobs; the diversity of employees at all levels in these firms; the increasing stability and development particularly in communities of color; and the breadth of engagement in all aspects of the firm by its employees.

Such type of investment in the talent pool available to our manufacturing sector will provide a ROI to the region superior to the equivalent investment in the talent pool of other sectors including retail, services, and health. In fact, this investment will strengthen these other sectors because of its superior multiplier effect. In addition, it will create a strong and permanent linkage between low-income communities of color and the manufacturing sector through the development of the educational infrastructure. This will set the stage for the development and recruitment of new companies to these communities.

**Key Prototypes and Partners:** Over the last 20 years, MR and its partners have developed important prototypes that provide a programmatic approach to the problems described. These prototypes have the potential to be replicated in other communities across the country. Combined, they represent an ecosystem of programs that are interrelated and that not only retain our manufacturing base, but also increase our competitiveness in the global economy. Our programs and projects are briefly summarized. Detailed concept papers are available for each initiative. These prototypes include:

1. **Chicagoland Manufacturing Renaissance Council (CMRC):** The creation of the CMRC in 2005 was informed by the study, *Creating a Manufacturing Career Path System in Cook County*. 30 plus organizational members form the CMRC and an Executive Committee, including Jorge Ramirez, CFL; Craig Freedman, Freedman Seating; Kathy Dudek, Dudek and Bock; Mitch Udany, Ferrara Candy

Company; Colin Cosgrove, Laystrom Manufacturing; Mike Jasso, Cook County; Mollie Dowling, OAI, Inc.; Reggie Greenwood, Chicago Southland Economic Development Corporation. The CMRC membership meets quarterly. So far, it has provided the political weight needed for our prototypes and programs to survive and grow despite the strong culture of institutional resistance in Chicago. We are constantly formalizing our structures and expanding our membership.

2. **Manufacturing Connect (MC):** The Manufacturing Connect program connects elementary, secondary, and post-secondary education programs to the manufacturing sector. MC evolved out of our experience at Austin Polytechnical Academy—a public school initiated by the CMRC that opened in 2007. Some of our results to date:

- 298 paid internships and summer jobs in manufacturing for youth earning collectively over \$290,000.
- 347 nationally-recognized industry credentials (NIMS) have been earned by 275 MC program participants;
- 65 full-time manufacturing jobs with an average retention of 1 year, earning between \$20,000 and \$75,000 per year plus benefits;
- 96 manufacturing companies have supported the program in a variety of ways including financial support; providing tours, job shadowing, internships, and summer jobs; and providing advice on all aspects of the program; and
- MC has established the first manufacturing technology dual-credit course. Juniors and Seniors earn college credits at Daley College.

MC is currently supported by a \$2.7 million grant with the DOL and will be leading the machining program at Prosser Career Academy on the Northwest Side and Bowen High School on the South Side. CEO of Chicago Public Schools, Forrest Claypool, recently wrote: “I want to extend my full support for further MC expansion at Prosser Career Academy, (with further expansion at other high school and middle schools). CPS will be working diligently to remove every obstacle and pursue opportunities to scale this vital initiative.” From MR’s perspective, success is realized when public school systems initiate and implement this program at a scale appropriate to meeting the needs of the manufacturing sector in their region.

At the Austin College and Career Academy (the new name for what was Austin Polytech and two other small schools), this year 115 students who have enrolled in the MC program out of 330 on the ACCA campus. Our expansion program calls for the development of 10 Manufacturing Connect high school programs in Cook County.

3. **Middle School Enrichment:** MC worked with 200 8<sup>th</sup> graders at NW Middle School introducing them to the world of engineering and manufacturing. 60 students expressed interest in continuing their study of manufacturing and engineering in high school. We seek to develop similar programs at the feeder



schools for Prosser, Bowen, and Austin.

4. **Adult Machining Program:** We launched an adult training program on weekday evenings at the Austin Campus so as to fully utilize the machine shop and to increase the number of skilled applicants for employment with manufacturing companies. Participants earn NIMS credentials and assistance in being placed. Our program at the Austin Campus is now being run in partnership with the Jane Addams Resource Corporation. We developed a prototype for a similar program working with men returning to the community from prison in partnership with the Chicago Community Trust, NIMS, the Safer Foundation, the Manufacturing Works program at Instituto del Progreso Latino, and Daley College. The pilot project was very successful and the work has been sustained by the Safer Foundation—now into its 8<sup>th</sup> cohort. We will work with our partners to expand these programs throughout the County.
5. **Instructors Apprenticeship for Advanced Manufacturing:** This program will prepare a pool of educators who are technically, culturally, and pedagogically competent. Currently there is literally a handful of machining instructors in the region—an absolute obstacle to going to scale. This is also a national issue. This is a joint project of MR, NIMS, the Chicago Teachers Union Foundation and Quest Center, Daley College, and the Technology & Manufacturing Association. This program will start in mid- April and produce 10 certified instructors by August 2017.
6. **The Young Manufacturers Association:** This is an organization of young adults now working in manufacturing who meet to provide peer support, continue their education and professional development, and engage in outreach to other young adults, introducing them to opportunities to secure careers in manufacturing. It is currently supported with a grant of \$200,000 from Cook County under their violence prevention program. As County Commissioner Boykin said in reference to the County Board’s support for the YMA, “The best way to stop a bullet is a job.” The YMA has 45 members.
7. **The Conversion Project:** There are hundreds of small family-owned manufacturing companies in danger of closing because of the lack of a successor. MR, the CFL, the Safer Foundation, and the Local Initiative Support Corporation are joining forces in developing a project to turn this crisis into an opportunity for employees, women, and Black and Latino entrepreneurs to become qualified buyers of these companies.

## Conclusion

We face a social, economic, and political crisis in this country reflected most sharply in our inner-city communities. This crisis is due, in large part, to the de-industrialization of these communities that happened in the 1980s and 1990s. Thousands of companies closed in the Chicago area and hundreds of thousands of jobs were lost. This didn’t need to happen.

Today, inner-city communities are still in desperate shape and a new set of challenges are emerging in the manufacturing sector—the skills gap and the succession gap. What’s exciting is the fact that both of these situations can be successfully addressed in conjunction with and reflecting the shared concerns of manufacturers and communities.

Manufacturing Renaissance and its partner organizations, including the members of the Chicagoland Manufacturing Renaissance Council, have developed the key prototypes of the ecosystem needed to address these challenges. These prototypes are proven and scalable, and they meet the interests of manufacturers, labor, community and education leaders, and government. They can appeal to Democrats, Republicans, and independents. Now is the time to move with urgency to gain the support of such policy makers to secure the funding essential to take this approach to a national scale. Chicagoland has the potential to emerge as an international model of regional economy, similar to Mondragon, Spain, and Emilia Romagna, Italy, that is anchored in advanced manufacturing and social inclusion. It's our duty to make this happen.

CFL: Chicago Federation of Labor  
 CTUF: Chicago Teachers Union Foundation  
 NIMS: National Institute for Metalworking Skills  
 TMA: Technology and Manufacturing Association  
 LISC: Local Initiatives Support Corporation  
 OAI: Opportunity Advancement Innovation

