

LEARNING FROM THE PANDEMIC

Strengthening the Hudson Valley Manufacturing Sector

Maybe your orders dried up. Your supply chain was interrupted. And government mandates, designed to safeguard communities, temporarily shut your doors.

For Hudson Valley manufacturers, the COVID-19 pandemic was disruptive, challenging, unprecedented. At the same time, however, it highlighted to policy makers and the public what those who work in, or with, the sector have long known. Hudson Valley manufacturing is advanced, vital, and essential.



A Vital Economic Engine for Recovery

Governments – locally, regionally, statewide, and nationally – will rely on manufacturing to resurrect economic strength in communities. There is a unique opportunity for a real chance to reimagine the U.S. manufacturing industry in the post-pandemic future. As the National Association of Manufacturers American Renewal Action Plan states, “Growing the manufacturing base is vital not only for America’s economic strength and job creation but to prepare for future health crises.”

The question now before us is how we can seize this new-found respect and appreciation to help Hudson Valley manufacturers thrive today and into the next decade. The toolbox we develop to answer this question must include foresight, agility and public policy which correctly addresses the needs of the new reality. Identifying and supporting a skilled manufacturing workforce, targeted incentives and focusing on economic development to support manufacturing can cement a metamorphosis. Investments



in data, automation and e-commerce also may drive future success but without strong public policy focused on infrastructure, these changes will not attract and retain business in this new economy.

Positioned for Growth

In the Hudson Valley region, we already have in place many of these tools and are uniquely positioned to strengthen and grow the manufacturing sector.

Our manufacturers are some of the most innovative and creative in the world. We have clusters of companies that include world leaders manufacturing in future friendly fields such as biotech, semi-conductor, and quantum computing. Our educational institutions – particularly our network of community colleges – are among the best in the nation. Our region has increasing political clout in Albany and Washington D.C.

with Senator Stewart-Cousins heading the majority in the New York State Senate and Senator Chuck Schumer the United States Senate Majority leader. And, (this is still important even post pandemic) we neighbor New York City, arguably the most important economic engine in the world.

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Hudson Valley manufacturers may have to move away from just-in-time, low-inventory models and focus instead on diversifying and optimizing their supply chain to increase agility and resilience, accepting a little more cost in exchange for reducing some risks.

A Pro-Growth Industrial Policy, Incentives, Infrastructure and Focusing on Workforce Development

The COVID-19 pandemic has prompted debate about how involved the government should be in the U.S. economy. Industrial policy refers to government efforts to support industries that are considered strategically important, including manufacturing. To remain competitive in the global market, a focus on industrial policy has been renewed. Essential manufacturing should be the focus of policy measures designed to stimulate the economy. These measures could include protective tariffs, direct subsidies, tax credits, public spending on research and development (R&D) or government procurement.

Elected Officials are Trying to Translate this into Effective Public Policy.

- Manufacturing accounts for nearly two-thirds of all US private sector R&D, yet as a nation, we lag far behind other advanced economies when it comes to tax incentives that encourage it. With incentives scheduled to shrink further next year, Washington may be motivated to act quickly. Senate Majority Leader, Chuck Schumer (D-NY) is pushing the Endless Frontier Act, which would invest \$100 billion in research. Other bills in play call for investments in cybersecurity, semiconductors, and personal protective equipment. These would certainly help our regional manufacturers to further develop their already cutting-edge technologies.
- The Biden Administration has pledged economic-stimulus assistance, now being negotiated in Congress, even as it works to conquer COVID-19. The American Rescue Plan recently

signed into law provides resources to help the economy and manufacturing as a whole. Talk of a national infrastructure bill includes improvements in roads, bridges, water, sewer, rail, airports, and high-speed internet – all critical to manufacturers. In Albany, Gov. Andrew Cuomo has pledged a “Reimagine, Rebuild, Renew” agenda promising a New Deal-style program to invest in infrastructure, including air, rail, and road projects as well as housing. These investments will help Hudson Valley manufacturers get their product to market faster and more reliably.

- There has been renewed interest among policymakers across the aisle to assess and help mitigate supply chain vulnerabilities. President Biden has ordered a review of U.S. supply chain vulnerabilities, a significant issue that was exposed during the COVID-19 pandemic. Designing tax policies and offering some support to encourage supply chain resiliency is critical if we are to minimize those vulnerabilities. Hudson Valley biotech, chip fabrication and pharmaceutical firms are likely to benefit.

- Perhaps the most significant issue that has to be addressed through policy and incentives is a focus on workforce development. The “skills gap” is a major hindrance in the post pandemic manufacturing world. Many Americans lack the specialized training necessary for a modern manufacturing job. It is imperative that public policy address this issue to establish stable pipeline for the sector as a whole. Some current initiatives focus on providing funding for costs associated with training, subsidizing “earn and learn” apprentice models, and reducing tax liability for employees participating in such programs. By using these incentives, manufacturing companies, large and small will be able to educate, train, and hire a skilled workforce that will be adaptable for the future of manufacturing. The regions that get this right will be the ones best able to help their existing manufacturers grow and attract new ones as well.

Overall, the new landscape for manufacturing is taking shape. Opportunities are there. Bold thinking, investment and a willingness to transform can guide success. Support for public policy, incentives and workforce development that embrace the post-covid manufacturing arena is crucial for not only manufacturing, but for the future of our economy.



Federal and State Action, however, is not enough. Manufacturing firms themselves have to step up to this opportunity and, here again, Hudson Valley manufacturers are ahead of the curve. To attract and retain talent, manufacturers will need to invest in their workforce – both in terms of compensation, and training. To compete globally, they will need to commit to a culture of innovation and invest in the technologies that will improve productivity as well as employee safety and health. Though already at the forefront of multiculturalism they will have to continue to welcome and incorporate diversity into their workplaces.

In terms of supply chain (see page 25) it will mean that Hudson Valley manufacturers may have to move away from just-in-time, low-inventory models and focus instead on diversifying and optimizing their supply chain to increase agility and resilience. Accepting a little more cost in exchange for reducing some risks.

A strong, vibrant manufacturing sector will drive economic growth in other sectors and is essential to our national security and to mitigating the dangers of future disasters like the COVID-19 pandemic. With focused leadership and smart, targeted policies and public/private collaboration, Hudson Valley manufacturers will thrive.



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