



Prioritizing Productivity

Manufacturing's Quiet Power in California

Summer 2025

TeamCalifornia



BEACON
ECONOMICS



Overview

Manufacturing makes up a relatively small share of jobs in today's economy, yet it remains front and center in national conversations from political speeches to tariff policies to tech-sector strategies. There's a reason for that. For many workers, especially those without college degrees, manufacturing still offers better pay, more stable hours, and stronger benefits than other sectors.

This report by Beacon Economics looks at why manufacturing continues to matter in California (despite recent job losses) and what's changing on the ground:

- How **manufacturing jobs** compare to other sectors for **non-college workers**
- The decline in manufacturing **employment** and how California compares to the U.S.
- Why manufacturing's **share of output** has held steady or grown despite job losses
- Differences between **durable and non-durable manufacturing** in output, jobs, and wages
- The central role of **electronic computer manufacturing** in the state's durable goods growth
- How **tariffs, AI, and venture capital** are shaping the outlook for manufacturing in California

Even as manufacturing employs fewer people, it continues to punch above its weight in California, where high productivity has helped sustain output despite job losses.



Why We're Still Talking About Manufacturing

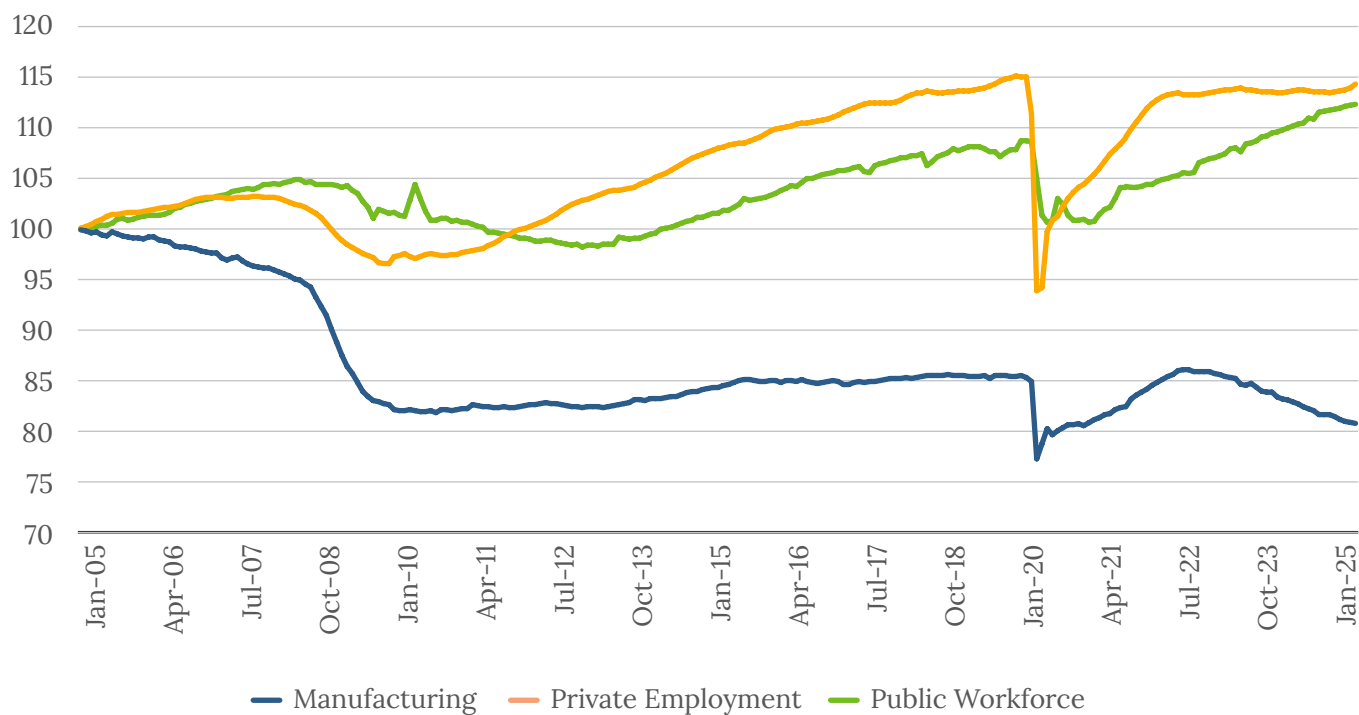
The idea of “bringing back manufacturing” remains popular in American politics and public opinion.ⁱ A 2023 Cato Institute survey found that 80% of Americans support reviving U.S. manufacturing, though only 25% would want the jobs themselves.ⁱⁱ The support is more about what manufacturing represents than a desire to work in it.

Still, there are practical reasons for that support. For workers without a college degree, manufacturing jobs are often better than the alternatives. In California, nearly 90% of manufacturing workers with lower levels of education are full-time, compared to less than 70% in the rest of the economy, according to data from the U.S. Census’ American Community Survey. That means more income, benefits, and stability.

Other sectors like oil and gas can offer similar wage gains for workers without a college degreeⁱⁱⁱ, but those jobs depend on geography and resource availability. Manufacturing, by contrast, is not only good for workers, it also plays a broader role in the economy, supporting a wider network of related industries such as logistics, repairs, and component production. Additionally, it expands export capacity, which helps reduce the U.S. trade deficit.

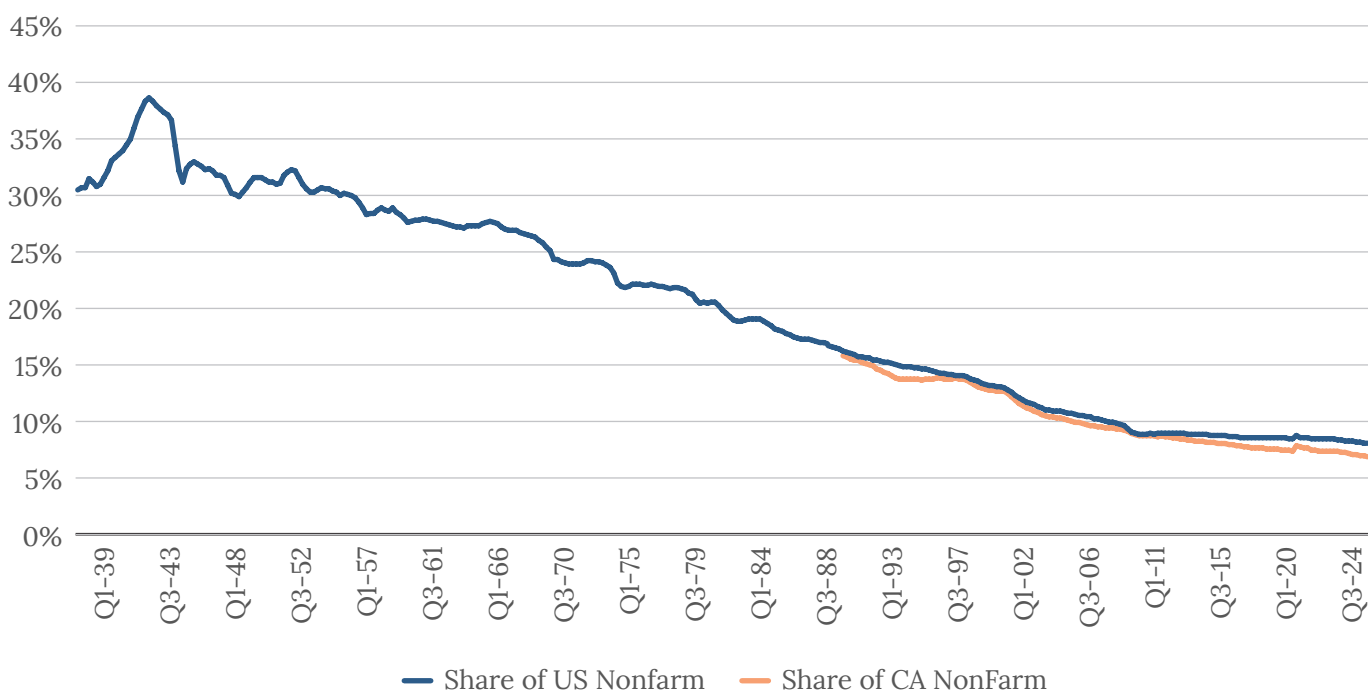
Manufacturing employment has been declining for decades, and the sector is unlikely to regain its former size. But in California, manufacturing’s share of economic output has remained steady at around 10% to 12% since 2008. That reflects growing productivity and a shift toward more capital- and tech-intensive work. The trend is national, but it’s especially pronounced in California.

Indexed Employment California



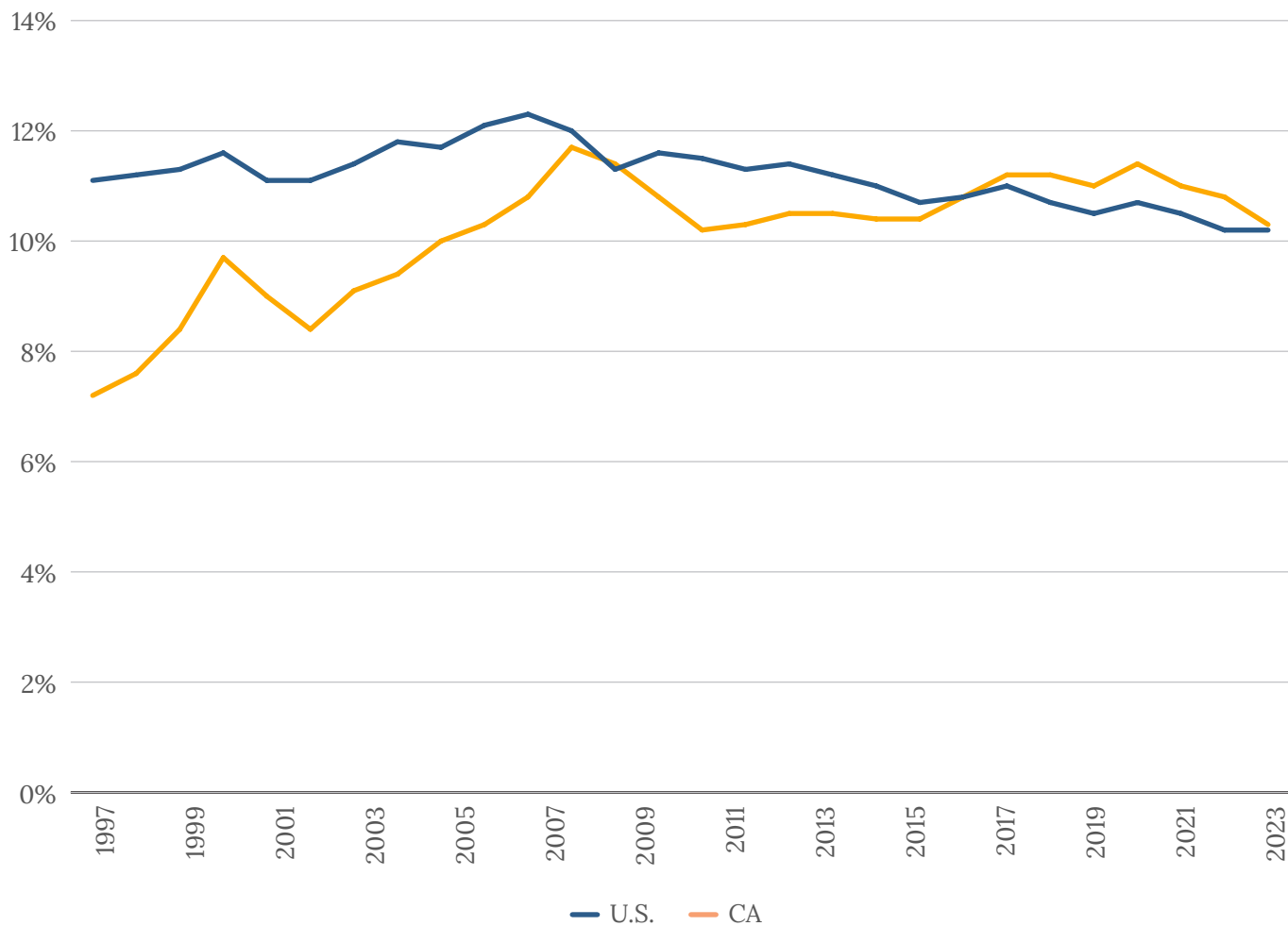
Source: Bureau of Labor Statistics, Current Employment Statistics. Analysis by Beacon Economics.

Manufacturing Share of Employment



Source: Bureau of Labor Statistics. Analysis by Beacon Economics.

Manufacturing Share of GDP



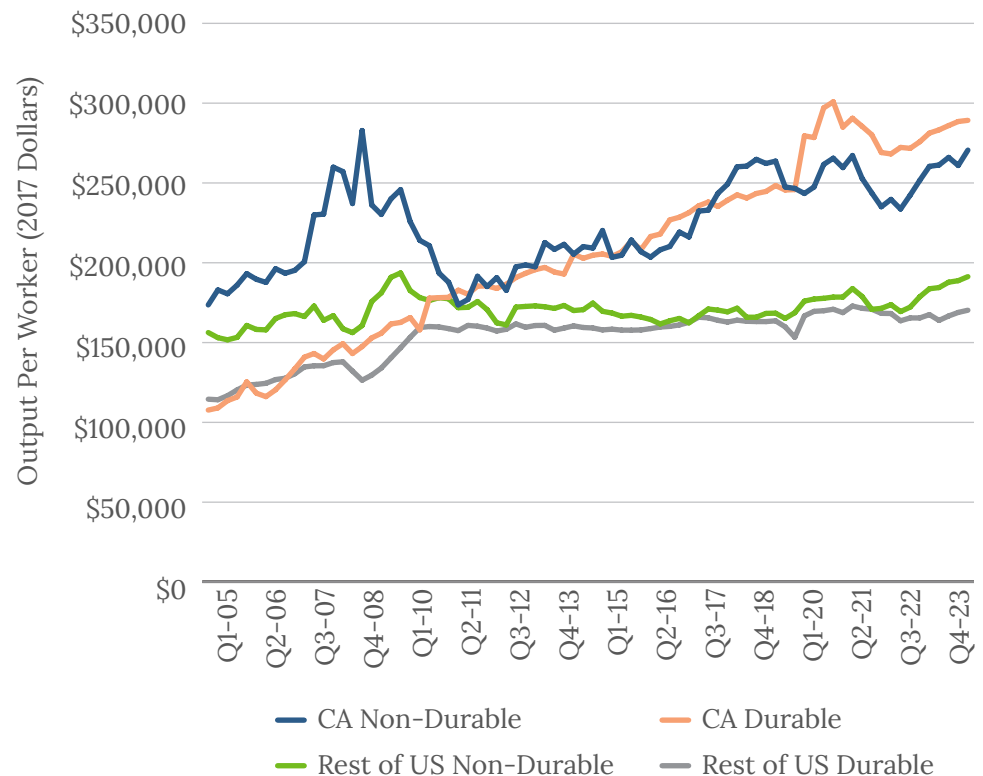
Source: Bureau of Economic Analysis. Analysis by Beacon Economics.



California's Manufacturing is Just More Productive

California's manufacturing strength has a lot to do with how productive its workers are, especially in durable goods like electronics, aerospace, and lab equipment. Since around 2011, California's durable manufacturing workers have been producing far more per person than workers in the rest of the country. That likely reflects a shift toward more high-tech, capital-intensive industries. Today, each durable goods worker in California generates close to \$300,000 in output, which is about 70% more than the national average.

CA Vs U.S. Manufacturing Labor Productivity



Source: Bureau of Economic Analysis, Quarterly Census of Employment and Wages. Analysis by Beacon Economics.

In non-durable manufacturing such as food or clothing production, California also has an edge in productivity. There were big gains in the 2000s and again in the late 2010s, but in recent years, productivity growth has leveled off. That could mean the state has already captured most of the efficiency it can in this area, though new technologies like AI may shake things up again.

Recent Changes in Manufacturing Jobs and Output

Last year, California's manufacturing sector experienced about:

20,000 job losses in non-durable goods

62,000 job losses in durable goods

For a total of over 82,000 jobs lost in manufacturing

The state's manufacturing sector has taken a clear hit in recent quarters. Although job losses have been widespread across the country, the scale and concentration of recent declines in California stand out.

In 2024, the state lost over 82,000 manufacturing jobs, according to the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages. About 20,000 of those were in non-durable manufacturing, but the bulk (62,000 jobs) came from durable goods, with more than 50,000 jobs lost in the electronic computer manufacturing subsector alone.

California also accounted for a disproportionate share of the nation's recent job losses in manufacturing:

- The United States as a whole lost 22,000 non-durable manufacturing jobs in 2024. California accounted for 10 out of every 11 of the jobs that were lost.
- Durable manufacturing lost 157,000 jobs nationwide; California was responsible for more than 40% of that total.

Last year, California accounted for:

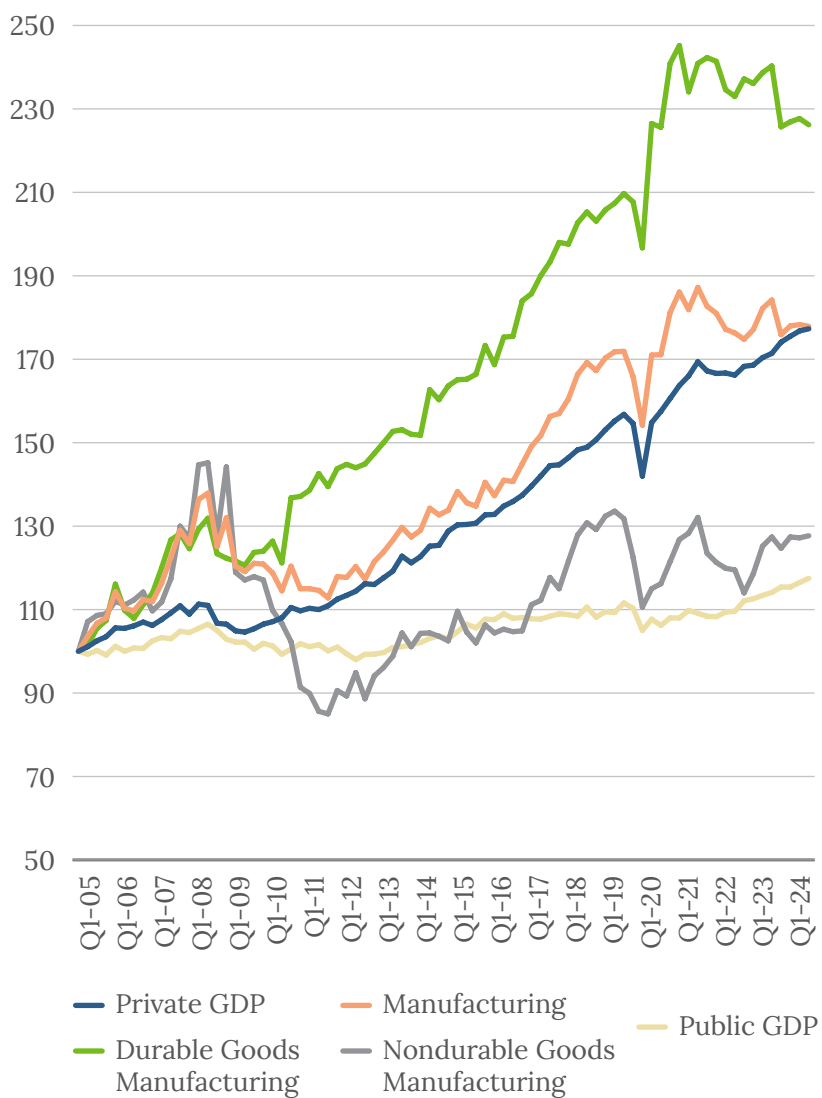
Over 90% of U.S. job losses in non-durable manufacturing

Over 40% of U.S. job losses in durable manufacturing

Looking out over a longer horizon, from 2019 through 2024:

- Non-durable manufacturing jobs grew by 41,000 in the rest of the United States, while California added just 9,000.
- Durable goods jobs declined by 172,000 in the rest of the country. California's decline was smaller (22,000) but again, heavily concentrated in electronics.

Indexed Real GDP Q1-05=100, California



On the output side, California's story has shifted too. For years, real GDP in durable goods manufacturing grew faster than the rest of the state's economy, helping the broader manufacturing sector outperform. But that momentum stalled after the pandemic. Non-durable manufacturing has been even weaker, with no real growth in nearly a decade. It briefly outpaced durable goods and private sector GDP in the years leading up to the Great Recession, but never fully recovered after the downturn.

The result has been that manufacturing no longer stands apart from the rest of the state's private economy. What was once a growth leader has now slowed to match the rest of the economy.

And to be clear, this is not because the private economy sped up, but because manufacturing slowed down.

Source: Bureau of Economic Analysis. Analysis by Beacon Economics.

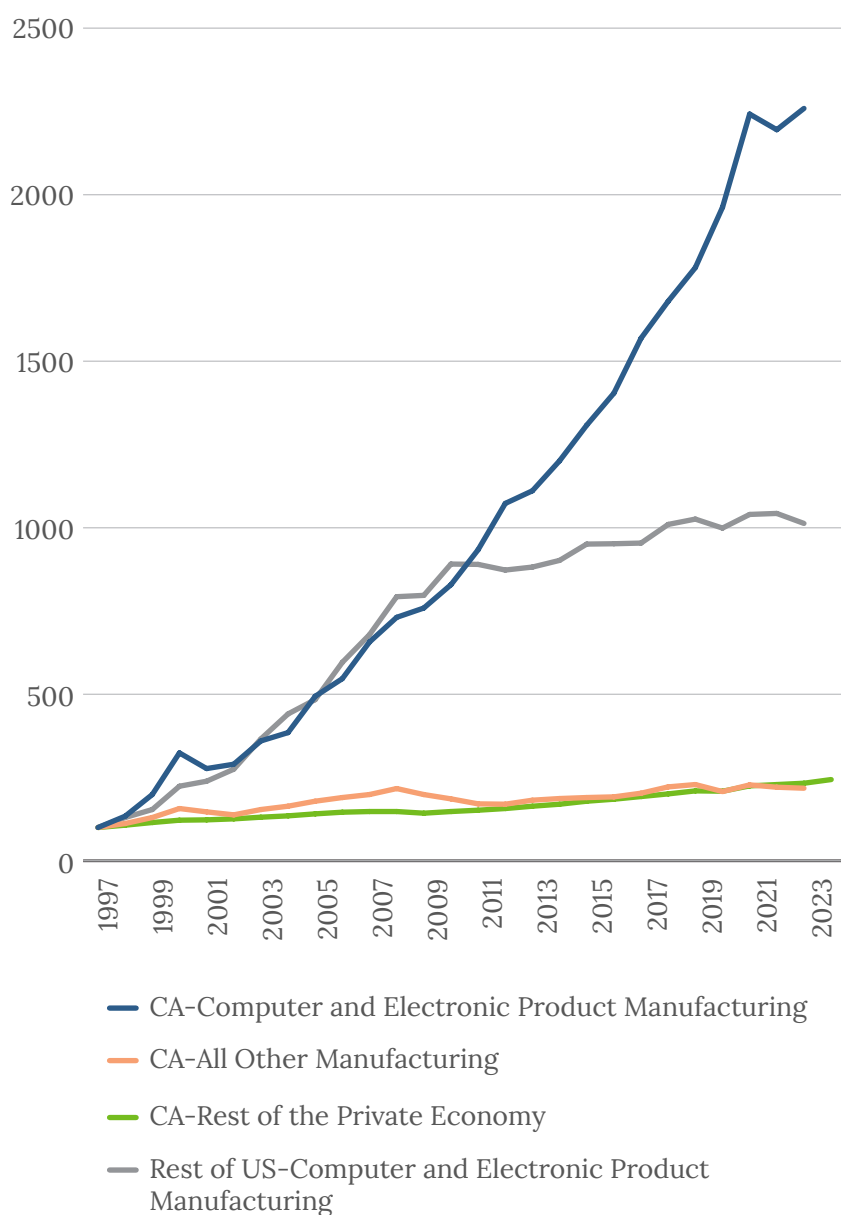
Manufacturing Changes Based on Specialization 2019-2024 California

Group (base on 2019 LQ)	2024 Estabs	2024 Emp	2024 Avg Ann Wage	Estab Chg	Emp Chg	Avg Ann Wg Chg
Highly Specialized Durable	2,878	183,439	169,866	96	-37,164	-11,000
Highly Specialized Non-Durable	4,774	100,267	75,072	140	7,196	13,859
Moderately Specialized Durable	5,705	209,833	228,317	819	537	94,929
Moderately Specialized Non-Durable	3,374	81,617	81,355	586	450	11,465
Marginally Specialized Durable	1,364	35,194	91,655	-96	-4,984	18,047
Marginally Specialized Non-Durable	2,453	83,838	105,622	793	7,310	3,176
Unspecialized Durable	15,670	317,609	93,823	1,176	19,747	23,732
Unspecialized Non-Durable	12,135	271,116	59,511	259	-5,509	15,518

Source: Bureau of Economic Analysis, Quarterly Census of Employment and Wages. Analysis by Beacon Economics.

Zooming In: Electronic Computer Manufacturing

Indexed GDP



The electronic computer manufacturing industry has played a big role in California's manufacturing story.

Up until about 2012, output in electronic computer manufacturing grew at a similar pace in both California and the rest of the country. But after that, growth in other states flattened, while California kept growing. A lot of the state's gains in durable goods output came from this one sector.

In 2022, output dropped for the first time since the dot-com crash. Demand slowed, and venture capital pulled back.^{iv,v} Output eventually recovered, but jobs didn't. Starting in 2024, the industry began cutting back—50,000 jobs were lost in just the first quarter, and another 2,000 were lost during the rest of the year.^{vi}

Source: Bureau of Economic Analysis. Analysis by Beacon Economics.

Recent Events and Forecast

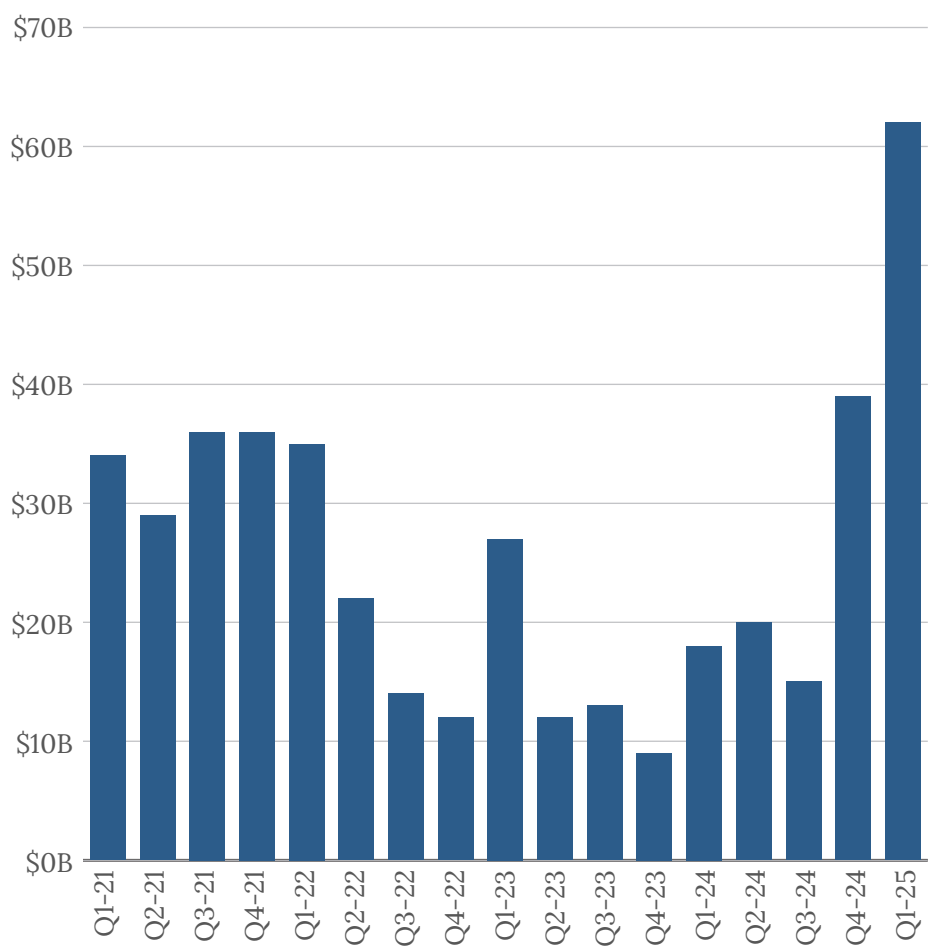
Tech layoffs have largely been the result of a post-pandemic correction. After the initial surge in digital demand, consumer spending shifted back toward in-person experiences. At the same time, venture funding slowed, interest rates rose, and many firms began prioritizing efficiency over headcount.

Tariffs could be disruptive for California manufacturers, especially in durable goods sectors such as aerospace, lab equipment, and semiconductors, which rely on complex global supply chains.^{vii} Replacing foreign inputs is costly and slow. Still, reduced competition might help some firms, so the net impact remains uncertain.

Non-durable manufacturing could see modest gains under a stricter tariff regime. California still produces an outsized share of the nation’s textiles and apparel—industries often undercut by low-wage competition abroad. But these are also low-margin businesses that depend on global inputs, so they’re not immune to cost pressures either.

AI and tech are likely to make computer and electronic product manufacturing even more productive. Venture capital is flowing back into California, with 2024 and 2025 showing a clear rebound in funding. This could lead to higher output, even as payrolls shrink. Firms are optimizing around revenue per employee, and AI tools are speeding up that shift.^{viii}

California Venture Capital Funding
Quarter



Source: CB Insights. Analysis by Beacon Economics.



Conclusion

Manufacturing still matters in California, but it's changing. The state's edge has always come from how productive its workers are, especially in durable goods. That advantage is still clear when you look at the data. Even with recent job losses and slowing real output, California is producing more per worker than other states and still holds a strong position in computer electronics manufacturing.

That's partly why fewer workers are needed. When productivity rises, companies can do more with less. And with AI tools becoming ever more common, that shift is likely to speed up. If California continues leading in tech adoption, it could stay ahead of the curve. But the future won't be about going back to traditional factory jobs, it'll be about adapting to what's next.



About Beacon Economics

Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Employing unique proprietary models, vast databases, and sophisticated data processing, the company's specialized practice areas include sustainable growth and development, real estate market analysis, economic forecasting, industry analysis, economic policy analysis, and economic impact studies. Beacon Economics equips its clients with the data and analysis they need to understand the significance of on-the-ground realities and to make informed business and policy decisions.

Learn more at beaconecon.com

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Footnotes

ⁱ <https://www.latimes.com/business/story/2024-12-18/trump-2-0-and-what-it-holds-for-manufacturing-jobs-in-california-and-the-u-s>

ⁱⁱ <https://www.cato.org/blog/americans-think-manufacturing-employment-great-for-other-people>

ⁱⁱⁱ https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://podcasts.apple.com/us/podcast/what-makes-manufacturing-jobs-special-planet-money/id290783428%3Fi%3D1000710893209&ved=2ahUKEwjNhN-dgY6OAXsHzQIHakSPDwQFnoECBQQAQ&usg=AOvVaw0HmvmoPemt_vlp3vKccQjS

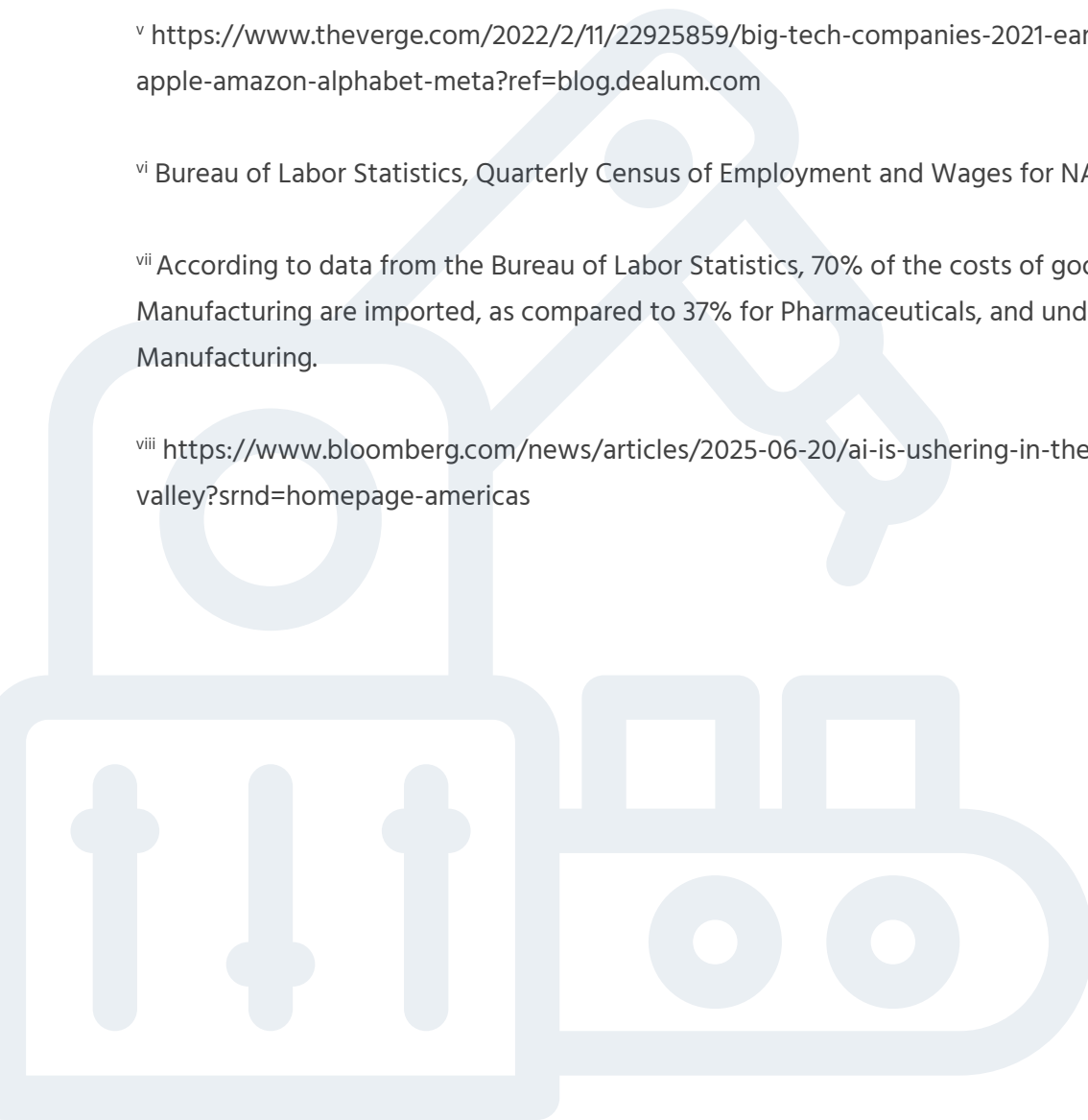
^{iv} <https://www.techtarget.com/whatis/feature/Tech-sector-layoffs-explained-What-you-need-to-know#:~:text=of%20January%202023,-Higher%20interest%20rates,rates%20as%20of%20March%202024.>

^v <https://www.theverge.com/2022/2/11/22925859/big-tech-companies-2021-earnings-record-revenue-apple-amazon-alphabet-meta?ref=blog.dealum.com>

^{vi} Bureau of Labor Statistics, Quarterly Census of Employment and Wages for NAICS Code 334111.

^{vii} According to data from the Bureau of Labor Statistics, 70% of the costs of goods inputs for Computer Manufacturing are imported, as compared to 37% for Pharmaceuticals, and under 15% for Food Manufacturing.

^{viii} <https://www.bloomberg.com/news/articles/2025-06-20/ai-is-ushering-in-the-tiny-team-era-in-silicon-valley?srnd=homepage-americas>



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