TRADE

# America’s Factory Era Isn’t Coming Back. Where the Jobs of the Future Really Are.

By Ryan Craig

April 25, 2025, 11:09 am EDT

Before announcing widespread tariffs, the Trump administration attributed a surge in domestic manufacturing investments worth hundreds of billions of dollars to the “Trump Effect.” (DREAMSTIME)

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If the market reaction means anything, President Donald Trump’s trade policy may not be playing out as he expected. That is almost certainly the case when it comes to his stated goal to bring back lost manufacturing jobs.

Part of the problem with the president’s belief that factory jobs “will come roaring back” and his manufacturing mania is that it stems from a misunderstanding of the U.S. economy. The notion that the economy consists primarily of making, selling, and consuming tangible things was mostly true when President William McKinley, Trump’s tariff inspiration, levied tariffs in the 1890s, and somewhat true when Trump developed his fixation on manufacturing in the 1980s. But that isn’t how it works any more.

Today, services account for about 80% of U.S. gross domestic product and jobs. Even in Germany—Europe's manufacturing leader—GDP is 70% services.

Much of the economic strength of the U.S.—at least until the events of the past few weeks—can be attributed to our service sector. While we have a $1.2 trillion annual trade deficit in goods, we have a nearly $300 billion annual surplus in services. As The Wall Street Journal put it, "For decades, the U.S. and the rest of the world had a deal: Other countries sent cars, phones, clothes and food to the U.S., and in return they got bonds, software, and management consultants." If Trump's formula accounted for services as well, the trade deficit (and tariffs) on the European Union would shrink by half. Switzerland's would shrink by 60%.

But service jobs aren't as easy to understand as manufacturing jobs—which may be why good services jobs aren't registering with the Trump administration.

Services are abstract. They can't be seen, touched, or tariffed. And like the services they deliver, the jobs are intangible and often unintelligible. In comparison, manufacturing jobs are often relatively straightforward to understand. It's easy enough to grasp how someone can start a career in manufacturing: graduate from high school, get a job in a plant. But that is not the case for good service jobs, which pay 25% more than the average manufacturing job.

The system to prepare people for service jobs is fundamentally broken. Salesforce admins, Workday specialists, cybersecurity analysts, and SAP cloud migration analysts require postsecondary education or training, but few if any colleges have a degree program for those types of jobs. While we have over-invested in classroom-based, degree-dependent, college-for-all programs, the U.S. has done precious little to lower financial and employment barriers for the communities that have become the flotsam and jetsam of international trade.

To make matters worse, we've spent the past decade digging ourselves into a hole when it comes to talent in these service roles. While the U.S. has been outright losing millions of manufacturing jobs, we've also seen millions of good services jobs go to India, the Philippines, Eastern Europe, and beyond. U.S. companies deploy hundreds of billions of dollars each year on offshored software development and are increasing offshore spend 8-10% annually.

If there is any good news, it is that a solution exists to both cure our manufacturing mania and build a stronger services sector here at home: investing in a more balanced education and workforce system.

Today, millions of talented young Americans are underemployed and many want good service jobs—if only there were clearer career paths. Employers just need to build the earn-and-learn pathways for them to follow. In the past few years, we've seen that begin to happen with the emergence of exciting new tech services apprenticeship programs in healthcare information technology, human resources technologies like Workday, and digital procurement and supply chain management. Those programs are designed to not just help people access jobs in fields they might not have otherwise considered, but also to build a stronger and more resilient workforce at home—exactly the thing Trump seems to want tariffs to accomplish.

If the Trump administration wants to maintain not just the strength of the U.S. economy, but also its popularity, it should start by recognizing that young people in former hubs of industry may not be interested in manual labor jobs with little career mobility.

As one former South Carolina textile worker told the New York Times, "The textile industry is dead. Why would you want to bring it back here? Truthfully, why would the younger generation want to work there?" That sentiment is borne out in survey data. Only 25% of Americans say they want to work in manufacturing, according to a widely-circulating Cato Institute study.

Instead, most young workers today want what we all wanted when we were their age: jobs that provide stable wages and an opportunity to progress to a fulfilling and high-earning career. The services industry can provide those jobs. Now it is up to us to build better paths to them.

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