



NEWS

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Analysis Projects One Million Jobs at Risk from Defense Cuts

Cuts Would Lower Projected GDP Growth by 25%

Arlington, Va. — An economic impact analysis projects more than one million American jobs could be lost as a result of defense budget cuts if the deficit reduction select committee fails to reach agreement on alternative balanced budget solutions and total cuts to defense reach \$1 trillion.

Dr. Stephen S. Fuller, Dwight Schar Faculty Chair, University Professor and Director, Center for Regional Analysis at George Mason University and Economic Modeling Specialists Inc. (EMSI) conducted the analysis on behalf of the Aerospace Industries Association. “Our analysis reveals bleak outcomes for both the defense industry and the economy as a whole if the budget sequestration trigger is pulled and \$1 trillion is cut from defense,” said Dr. Fuller.

“Dr. Fuller and EMSI’s study shows the dramatic and devastating impact these cuts would have, not only on our industry but on the economy at large,” said AIA President and CEO Marion C. Blakey. “Congress must find budget deficit solutions that don’t sacrifice the jobs of those who supply the American warfighter.” “We cannot add .6 percent to the current 9.1 percent rate of unemployment, it would devastate the economy and the defense industrial base and undermine the national security of our country,” she added.

Commenting on the findings, Tom Buffenbarger, President of the International Association of Machinists and Aerospace Workers said “the spending cuts of the Budget Control Act enacted last summer place at risk the jobs of highly skilled, highly motivated workers.” “We can ill afford to idle these men and women and the machines they operate indefinitely,” Buffenbarger added.

Dr. Fuller and EMSI concluded that under the scenario of a \$1 trillion cut to defense spending, an option under consideration by the budget deficit “Super Committee,” the flow down effect from the aerospace and defense industry to its supply chain and communities is significant, particularly given two factors. The defense industry has a notably high rate of subcontracted work flow and systems with high component volumes, driving job loss directly to program partners and the supply chain.

Dr. Fuller’s analysis was based on an annual reduction of \$45.01 billion to the military modernization accounts from which the aerospace and defense industry derives its revenues. “The total impact each year of a \$45 billion cut would be to reduce GDP by \$86.456 billion.

This is equivalent to 25 percent of the projected annual increase in GDP for 2013 and its loss would reduce currently projected growth for 2013 from 2.3 percent to 1.7 percent,” Fuller said.

Also, given the relatively high wages earned by U.S. aerospace and defense workers, consumer spending in communities in every state would decline significantly. “The multiplied impact of aerospace and defense workers losing their job is very simple – purchase of consumer goods goes down overnight, homes become unaffordable and the housing crisis is compounded, and so forth,” said Dr. Fuller. “The ten year defense budget cut will be felt in terms of layoffs starting in 2012, escalate and conclude by 2014,” he added.

In summary, the key findings of Dr. Fuller and EMSI’s analysis based on the \$1 trillion defense budget cut were as follows:

- Total potential job losses (direct, indirect, community) 1,006,315
- Total potential aerospace/defense and supply chain job losses 352,000
- Total loss of workers’ wages and salaries \$59.4 billion
- Impact on national unemployment rate + .6%
- Impact on projected growth of 2013 Gross Domestic Product - 25%

The analysis by Dr. Fuller and EMSI also provided a hypothetical job loss projection for the states with the largest current base of aerospace and defense workers. If the \$1 trillion in defense budget cuts resulted in job losses proportional by state to the location of jobs today, the following states would be most heavily affected:

California	125,800
Virginia	122,800
Texas	91,600
Florida	39,200
Massachusetts	38,200

Maryland	36,200
Pennsylvania	36,200
Connecticut	34,200
Arizona	33,200
Missouri	31,200

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