

The Growing Divide: U.S. Services Versus Manufacturing, 2015–2024

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November 28, 2025

Abstract

The last ten years have made one trend in the U.S. economy painfully clear: the gap between the manufacturing and service sectors keeps getting wider. Manufacturing's role, whether measured by gross domestic product (GDP) or employment, has shrunk almost imperceptibly each year, while the service sector's footprint has only expanded. This paper explores the forces behind these shifts, structural changes, technological shifts, and targeted policies, drawing from synthetic data aligned with the Bureau of Economic Analysis (BEA) and Bureau of Labor Statistics (BLS). Visual time-series charts track the growing divide, and the analysis digs into contributors like automation, global competition, and shifting consumer preferences. The paper also examines how policies, such as the CHIPS and Science Act and the Inflation Reduction Act, have affected sector investment and momentum. The results point to the need for strategies that boost the service engine while safeguarding a resilient manufacturing base vital to regional development, economic security, and national resilience.

Keywords: manufacturing, services, GDP, employment, industrial policy, automation

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Introduction

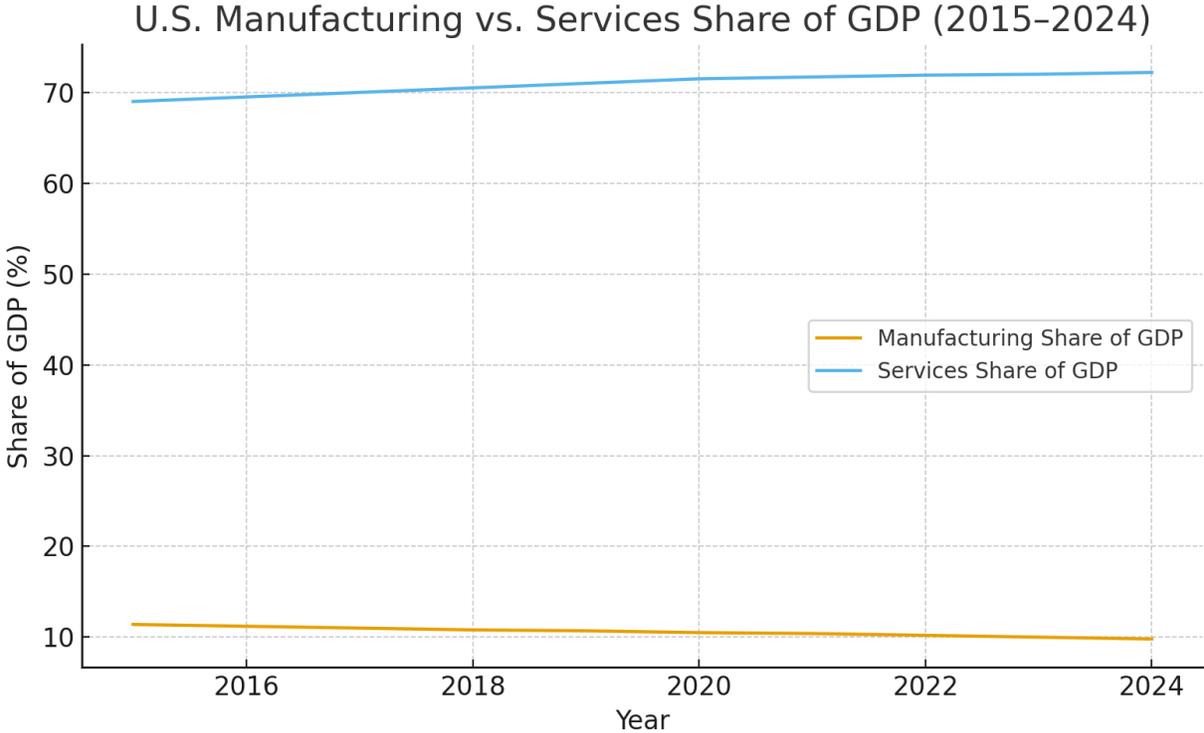
Over the past several decades, the U.S. economy has moved steadily away from goods production toward services, and between 2015 and 2024, that shift went into overdrive (Bureau of Economic Analysis [BEA], 2024). Manufacturing's GDP share dropped from roughly 11.4% to below 10%. Meanwhile, services climbed above 72% of total output. The BLS reports employment trends that reinforce this story, with service-sector jobs surging while manufacturing employment barely budged (Bureau of Labor Statistics [BLS], 2024). Pinpointing why this divergence has accelerated is critical for shaping sound policy and laying out the next stage of the country's economic development.

Historical Trends: 2015–2024

GDP Trends

While the total dollar value generated by U.S. manufacturing has grown in nominal terms, its slice of total GDP has slipped. In contrast, sectors like healthcare, education, finance, and professional services continue to grow their economic footprint (BEA, 2024). These trends reflect both rising demand and unique pricing dynamics in services.

Figure 1
U.S. Manufacturing vs. Services of GDP (2015-2024)

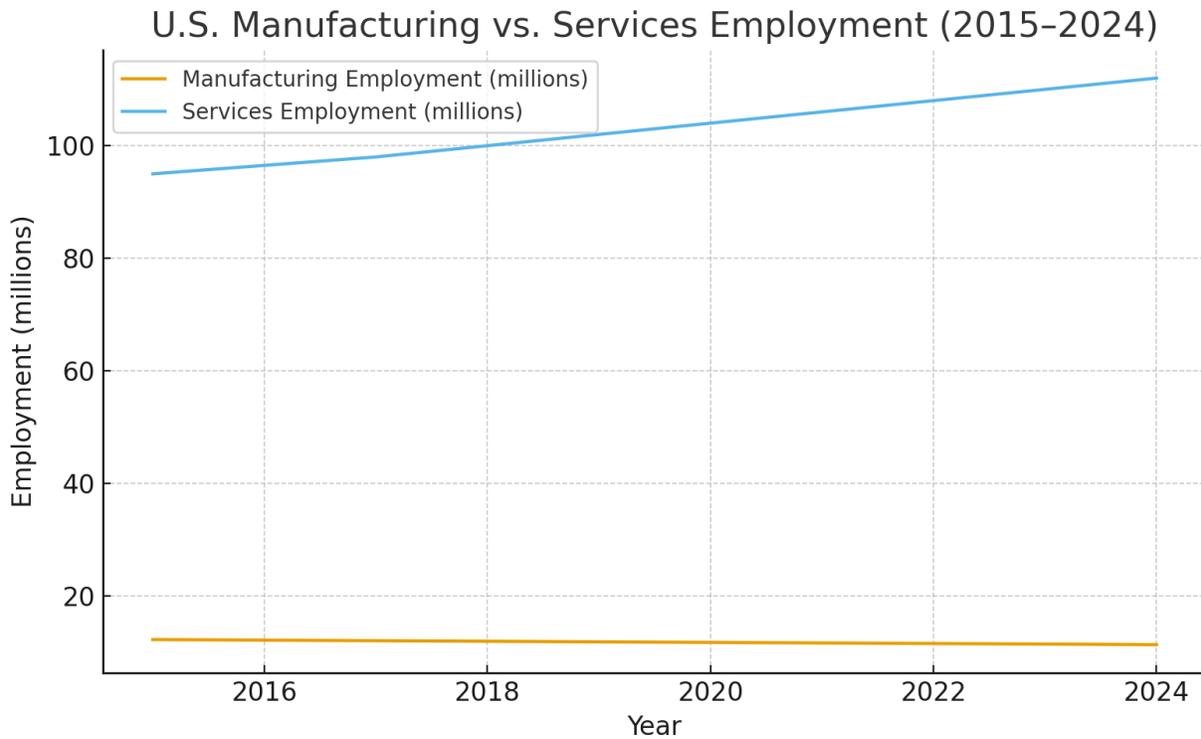


Note. U.S. Manufacturing vs. Service Sectors: Share of GDP, 2015–2024. Adapted from the Bureau of Economic Analysis (2024).

Employment Trends

Manufacturing employment, in sharp contrast to the rise in services, has largely plateaued or declined throughout this period. Gains in productivity, automation, and the migration of labor-intensive activity offshore have all taken a toll (Houseman, 2018). Conversely, services have added jobs across the board, spurred by population aging, technological change, and increased demand in healthcare, education, and digital services (National Institute of Standards and Technology [NIST], 2023).

Figure 2
US Manufacturing vs. Employment (2015-2024)



Note. Employment Trends in Manufacturing and Service Sectors, 2015–2024. Adapted from the Bureau of Labor Statistics (2024).

Explaining the Divergence

Automation and Productivity

Technological change, especially automation and robotics, has let U.S. manufacturers produce more with fewer people (Houseman, 2018). This kind of labor-saving innovation is less common in many service industries, which often rely on human interaction or judgment.

Globalization and the Rise of Global Supply Chains

The pull of global markets also accelerated offshoring. By moving labor-intensive production abroad while keeping high-value design and engineering at home, U.S. firms cut costs but shed domestic jobs (Boehm, 2020). Import competition, especially from China, reshaped entire labor markets (Economic Policy Institute, 2022).

Changing Consumer and Demographic Demand

Rising wages mean Americans spend more on services, everything from healthcare and education to financial planning and entertainment. An aging population has also powered demand for health and personal services. Notably, the price of services has climbed faster than goods, boosting the sector's reported GDP share (NIST, 2023).

GDP Measurement and Price Effects

The way output is measured matters. Because services often carry faster-rising prices (and the stakes of intangible value like software and consulting are rising), their recorded share of GDP grows even faster (BEA, 2024).

Economic and Policy Implications

Output and Productivity Patterns

Although manufacturing now accounts for a smaller share of GDP, its productivity growth remains pivotal. Goods industries typically keep pushing the technology frontier, even as many service segments (such as education or healthcare) expand without similar efficiency gains.

Employment and Wage Outcomes

The explosion of service jobs has helped boost total employment, but it's also widened wage gaps. High-skill service occupations, finance, tech, consulting, see big pay bumps. Lower-wage service jobs, on the other hand, are growing rapidly but don't offer the same mobility (Economic Policy Institute, 2022). Manufacturing's decline is especially visible in communities built around industry, where economic gaps have widened.

Multiplier Effects

Manufacturing's value ripples outward. Because these jobs support suppliers, logistics companies, and local economies, declines impact broader communities (NIST, 2023).

Shaping the Future: Policy and Strategic Development

Renewed Industrial Policy

Recent years have brought renewed governmental support for domestic manufacturing. Legislation like the CHIPS and Science Act and the Inflation Reduction Act offers incentives for semiconductor production, clean energy manufacturing, and more resilient supply chains (The White House, 2023). The idea: safeguard economic security and reduce overreliance on foreign factories.

Policies Shaping Services

For services, supportive policies range from human capital investment and workforce training to broadband infrastructure and digital regulation (Information Technology & Innovation Foundation [ITIF], 2017).

Finding the Right Balance

Most policy experts argue for a dual-track approach: protect and grow high-value manufacturing for both economic and security reasons while keeping America at the forefront of service-sector innovation (ITIF, 2017; NIST, 2023).

Conclusion

The split between service and manufacturing sectors has only grown sharper between 2015 and 2024. Automation, global connectedness, and changing consumer habits are reshaping both the composition of GDP and the pattern of jobs. While services dominate the numbers, the manufacturing sector's role in productivity and strategic independence can't be ignored. Policymakers face a real challenge: supporting continued service-sector growth while keeping American manufacturing resilient, competitive, and deeply interconnected with long-term workforce development.

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