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Machine Shop Services in the US

Wages take 31.9% of revenue here against 11.76% across manufacturing, on a 4.9% margin. Machinist pay is the business model, and there is very little room inside it.

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IBIS Report
Published May 2026

EXECUTIVE SUMMARY

Wage-Heavy, Margin-Thin

- Revenue is $46.3bn in 2026 after a -0.2% CAGR since 2021, with 1.2% annual growth forecast to $49.2bn by 2031. Reshoring and factory construction are building a pipeline, while Section 232 tariffs of 50.0% on steel and aluminum raise input costs.
- Employment grew 0.9% a year to 219,083 while the number of shops fell 1.0% a year to 16,403. Employees per enterprise rose from 12.1 in 2021 to 13.4 in 2026. Fewer employers are hiring, and the ones that remain are each carrying more people.
- Wages absorb 31.9% of revenue against 11.76% for the manufacturing sector, yet the average wage of $67,897 is flagged as lower than the sector average. Profit margin is 4.9% against 7.70%, so every raise comes straight out of a thin margin.
- Production wages are 71% of the $14.9bn wage bill, contracted labor is 14.1% of purchases and temporary employees are 3.9% of other costs. The report cites a growing skills gap and consistent demand for skilled machinists holding wage costs up.

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INDUSTRY OVERVIEW

What This Industry Does

Machine shops cut raw material into finished parts using lathes, milling machines, grinders and drill presses, along with EDM, ECM and water and laserjet cutting. The industry employs 219,083 people across 16,403 businesses, most of them small and local to the region they serve. Production roles account for 71% of the wage bill.

$46.3bn	219,083	16,403	$67,897
REVENUE	EMPLOYEES	BUSINESSES	AVG WAGE

Products & Services Mix

Machine centers	35.2%
Turning centers and lathes	15.2%
Drills	11.9%
Grinding	11.3%

AT A GLANCE

LIFE CYCLE
Mature

CONCENTRATION
Low - no share >5.0%

COMPETITION
High, Steady

BARRIERS TO ENTRY
Low, Steady

REVENUE VOLATILITY
Moderate

REGULATION
Low, Steady

TOTAL WAGES
$14.9bn (31.9% of rev)

KEY WORKFORCE TRENDS

1 Wages take 31.9% of revenue, near triple the sector

The manufacturing sector average is 11.76%. Machine shops run a 4.9% profit margin against 7.70% for the sector. Every dollar of wage inflation lands on a margin with almost no room to absorb it.

2 Average pay is $67,897 and below the sector

IBISWorld flags the industry average wage as lower than the sector average. In inflation-adjusted terms it has drifted down from $69,625 in 2021 and reaches only $68,233 by 2031. Pay is a recruiting disadvantage.

3 Fewer shops, larger payrolls

Business count fell at a 1.0% CAGR to 16,403 while employment rose 0.9% a year to 219,083. Employees per enterprise went from 12.1 in 2021 to 13.4 in 2026, and is forecast at 14.0 by 2032.

4 The talent pool is concentrated in the Great Lakes

Ohio holds 7.3% of industry employment against 3.5% of US population, Michigan 6.4% against 3.0% and Wisconsin 5.4% against 1.7%. Sourcing outside these states means working a much thinner pool.

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INDUSTRY PERFORMANCE

2021-26 Revenue CAGR: -0.2% | Employment CAGR: +0.9%

REVENUE

$46.3bn

▲ '21-'26 -0.2% | '26-'31 +1.2%

EMPLOYEES

219,083

▲ '21-'26 +0.9% | '26-'31 +0.7%

BUSINESSES

16,403

▲ '21-'26 -1.0% | '26-'31 0.0%

TOTAL WAGES

$14.9bn

▲ '21-'26 +0.4% | '26-'31 +0.8%

AVERAGE WAGE

$67,897

▲ Lower than sector average

PROFIT MARGIN

4.9%

▲ +0.4pp '21-'26; sector 7.70%

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SWOT ANALYSIS

STRENGTHS

- Low Imports
- Low Customer Class Concentration
- Low Product/Service Concentration
- Low Capital Requirements

WEAKNESSES

- Low & Steady Barriers to Entry
- Low & Steady Level of Assistance
- High Competition
- Low Profit vs. Sector Average
- Low Revenue per Employee

OPPORTUNITIES

- High Revenue Growth (2021-2026)
- High Revenue Growth (2026-2031)
- High Performance Drivers
- Private investment in metalworking machinery

THREATS

- Low Revenue Growth (2005-2026)
- Low Outlier Growth
- Yield on 10-year Treasury note

Fragmented - No Shop Owns More Than 5.0%

No company holds more than a 5.0% share and every employer in the market share table sits in the 0-2.5% band. There are 16,403 enterprises and 16,700 establishments, averaging 13.4 employees and $2.8 million of revenue per enterprise. Hiring is a local, small-employer exercise, and national brand recognition counts for little.

SELECTED EMPLOYERS - EACH UNDER 2.5% MARKET SHARE

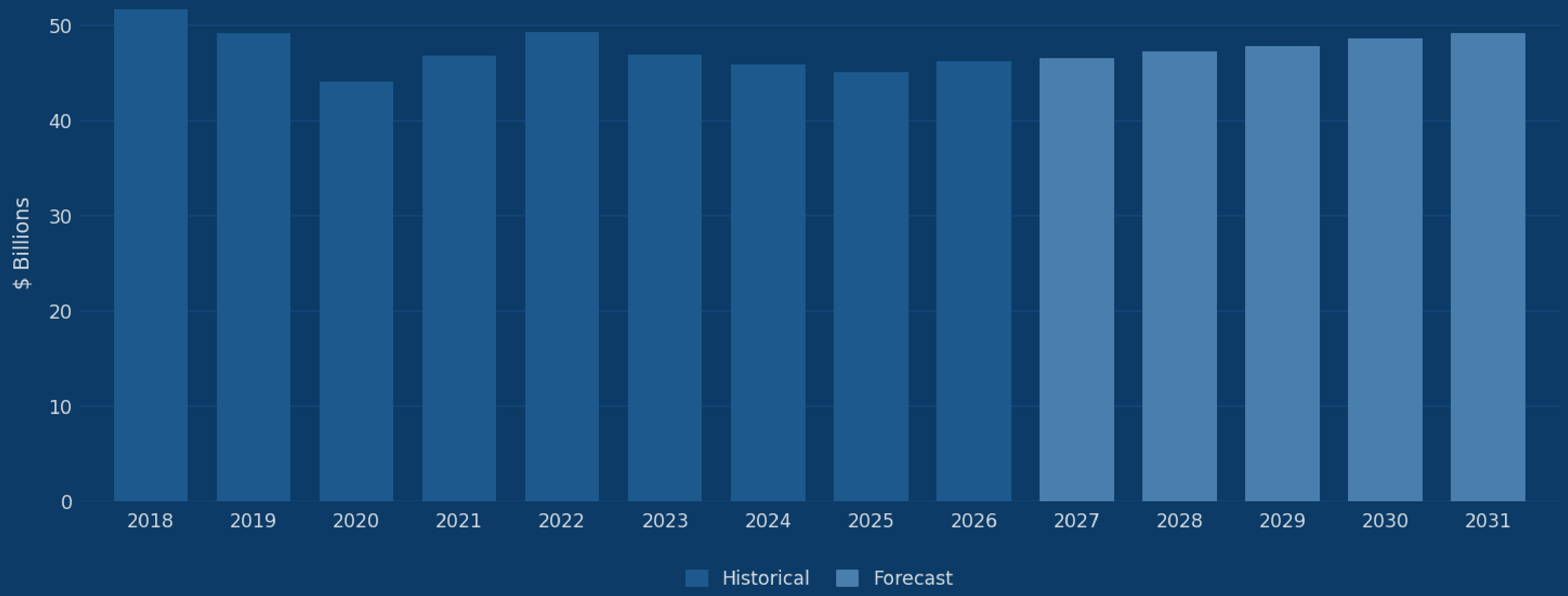
Proto Labs	Maple Plain, Minnesota	1,000-5,000 employees
Uca Group	Elgin, Illinois	1,000-5,000 employees
Alco Manufacturing	Elyria, Ohio	501-1,000 employees
Precision Aerospace	Grand Rapids, Michigan	51-200 employees
Island Defense	Calverton, New York	501-1,000 employees

WHAT THIS MEANS FOR HIRING

- Most openings sit with employers of roughly 13 people. Expect owner-led hiring, short decision chains and no dedicated HR function at the majority of shops.
- Even the largest listed employers top out at bands of 1,000-5,000 staff spread across several locations, and none of them holds more than 2.5% of the market.
- Buyers prefer close-proximity shops for lead times and freight cost, so employer demand stays regional rather than consolidating into national accounts.
- Certifications, customer approvals and domain know-how take years to build, and capacity in one niche cannot quickly pivot into another. Hire for the niche, not the title.

REVENUE GROWTH

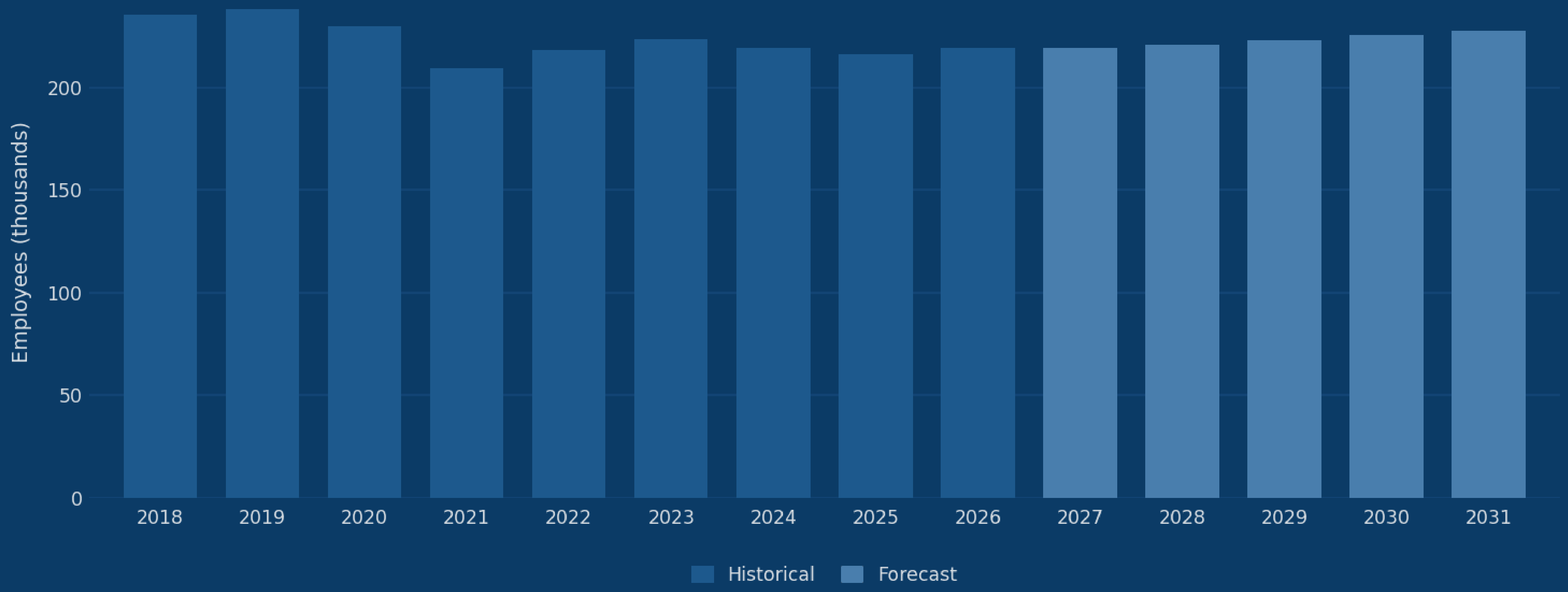
Annual industry revenue ($ billions), 2018–2031 (forecast from 2027)



Revenue slid at a 0.2% CAGR from $46.8bn in 2021 to $46.3bn in 2026, then grows 1.2% a year to $49.2bn by 2031. Demand supports replacement hiring, not expansion.

WORKFORCE GROWTH

Industry employment (thousands), 2018–2031 (forecast from 2027)



Employment rose from 209,280 in 2021 to 219,083 in 2026, a net 9,803 jobs. The forecast adds 8,326 more by 2031 at 0.7% a year: steady, modest req volume.

Capability Mix Sets the Sourcing Brief

Machine centers alone are 35.2% of revenue, and milling, turning, drilling and grinding together account for 73.6%. Those are the conventional and CNC capability sets that most of the 219,083 headcount sits behind. EDM and ECM are only 4.4% but are growing, tied by the report to precision automation that cuts manual labor.

REVENUE MIX BY MACHINING SEGMENT - SOURCING READ

Machine centers	35.2% ($16.3bn)	Largest pool; milling core
Turning centers and lathes	15.2% ($7.0bn)	Steady; precision turning
Drills	11.9% ($5.5bn)	Broad-based, steady demand
Grinding	11.3% ($5.2bn)	Finishing; quality-critical
EDM and ECM	4.4% ($2.0bn)	Growing; automation-led

TALENT SUPPLY SIGNALS

- The report describes a growing skills gap and consistent demand for skilled machinists keeping wage costs elevated. It does not quantify vacancies, time-to-fill or turnover.
- Contingent labor is already embedded: contracted labor is 14.1% of purchases and temporary employees are 3.9% of other costs.
- Automation is framed as a substitute, not only a tool. EDM, ECM, robotics, pallet systems and lights-out machining are described as reducing the need for manual labor.
- Success depends on the ability to identify, hire, develop, motivate and retain skilled professionals such as engineers. Adoption of Industry 4.0 tools is uneven across shops.

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KEY EXTERNAL DRIVERS

Private investment in metalworking machinery	Positive
Industrial production index	Positive
Demand from car and automobile manufacturing	Positive
Producer Price Index: Steel	Positive
Yield on 10-year Treasury note	Negative
Demand from metal stamping and forging	Positive

REGULATION & POLICY

- Regulation is rated Low and Steady. Labor rules covering occupational health and safety, wages, overtime and other employment matters are administered by state and federal governments.
- Worker-safety, environmental, pollution and zoning rules create compliance costs, particularly around metalworking fluids, noise and waste disposal.
- Defense work requires Cybersecurity Maturity Model Certification. Shops in the defense supply chain must hold the appropriate CMMC level, which shapes which contracts they can staff.
- Public support is targeted, not transformational. MEP Centers in all 50 states advise small and midsize manufacturers, and defense procurement rules favor domestic sourcing.

KEY TAKEAWAYS FOR TALENT LEADERS

- Budget for wage intensity, not just headcount. Wages consume 31.9% of revenue against 11.76% for the manufacturing sector, and the profit margin is 4.9% against 7.70%. An increase that looks small at the offer stage is large against that margin.
- Expect pay to be the hardest objection. The average wage of $67,897 is flagged as lower than the sector average and is forecast to reach only $68,233 by 2031 in inflation-adjusted terms. Non-cash levers will have to carry more of the offer.
- Plan req volume around consolidation, not growth. Employment adds a net 8,326 between 2026 and 2031 while business count stays near 16,400. Growth comes from existing shops getting bigger, so build relationships with incumbents.
- Source the Great Lakes first. Ohio, Michigan and Wisconsin hold 7.3%, 6.4% and 5.4% of industry employment against 3.5%, 3.0% and 1.7% of population. California is the single largest at 12.7% of employment and 15.2% of wages.
- Treat automation as a demand-side variable. The report ties EDM, ECM, robotics and lights-out machining to lower manual labor requirements, and presents automation as addressing the skills gap by needing fewer specialists.

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TALENT & COMP BENCHMARKS

Labor Economics - Industry vs. Sector (% of Revenue, 2026)

COST LINE	INDUSTRY	SECTOR
Wages	**31.9%**	11.76%
Production wages (% of wages)	**71%**	n/a
Purchases	**33.7%**	55.58%
Contracted labor (% of purchases)	**14.1%**	n/a
Temp employees (% of other costs)	**3.9%**	n/a
Other Costs	**22.8%**	19.69%
Depreciation	**2.7%**	2.85%
Profit	**4.9%**	7.70%

BENCHMARK RATIOS

AVERAGE WAGE

$67,897

Lower than sector

WAGES % OF REVENUE

31.9%

Sector 11.76%

REVENUE PER EMPLOYEE

$211,257

SWOT flags low vs sector

EMPLOYEES PER BUSINESS

13.4

Up from 12.1 in 2021

SOURCES & CITATIONS

Source Report

IBISWorld, "Machine Shop Services in the US" (NAICS-US 33271), by Connor Zaminski, published May 2026. © 2026 IBISWorld. All Rights Reserved. www.ibisworld.com

Additional Resources Cited in the Report

- Bureau of Labor Statistics
- Precision Machined Products Association
- Metals Service Center Institute

PREPARED FOR

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This document paraphrases and summarizes third-party industry research for internal marketing use. All data attributed to IBISWorld.