

# Reshoring by US Firms: What do the Data Say?

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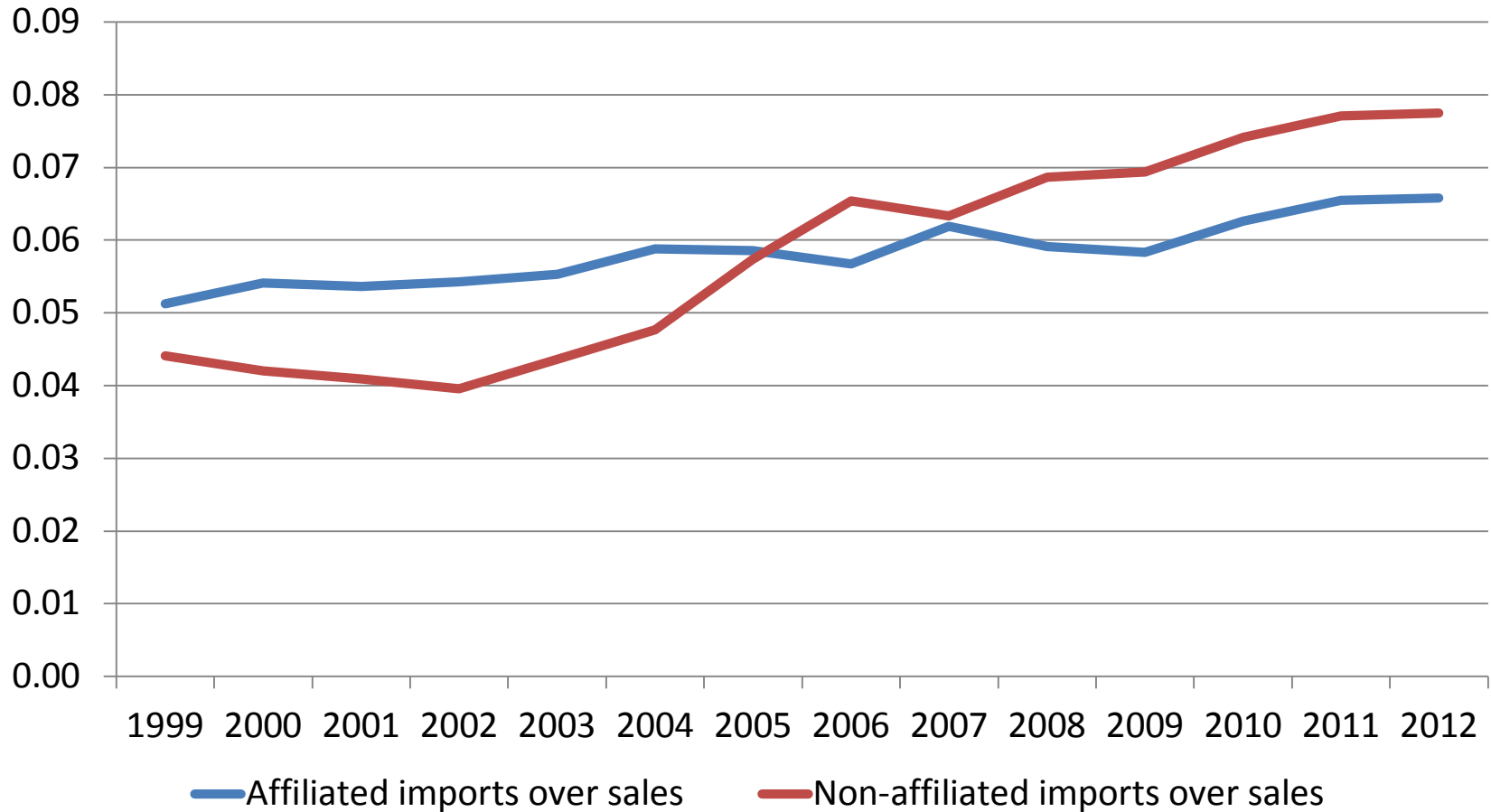
# Examples of Reshoring

- 2009: General Electric moved production of water heaters from China to Louisville, Kentucky
- 2010: Master Lock returned 100 previously offshored jobs to Milwaukee, Wisconsin.
- 2012: Caterpillar opened a new plant in Victoria, Texas to produce excavators.
- 2013: Whirlpool moved washing machine production to Clyde, Ohio from Monterrey, Mexico.
- 2015: Ford announced plans to produce its EcoBoost engines in Cleveland.

# Overview

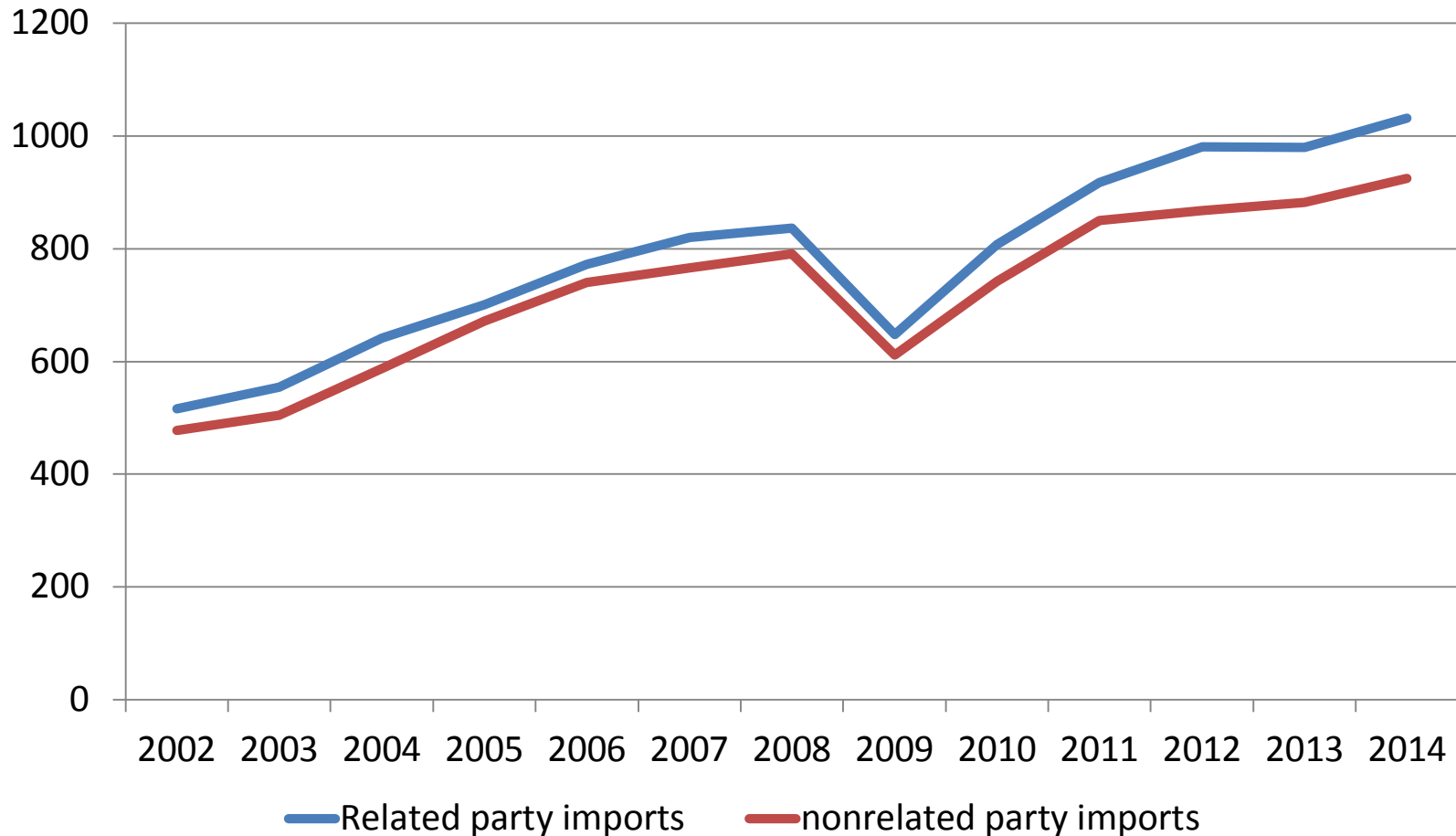
- These anecdotes have attracted much attention
- But the data show no evidence of a widespread reshoring trend by US firms
- What does this mean for US workers and the future of US manufacturing?

# Manufacturing Imports by US-Based MNCs as a Share of Total MNC Sales



Source: US Bureau of Economic Analysis

# Manufacturing Imports Between Related Parties



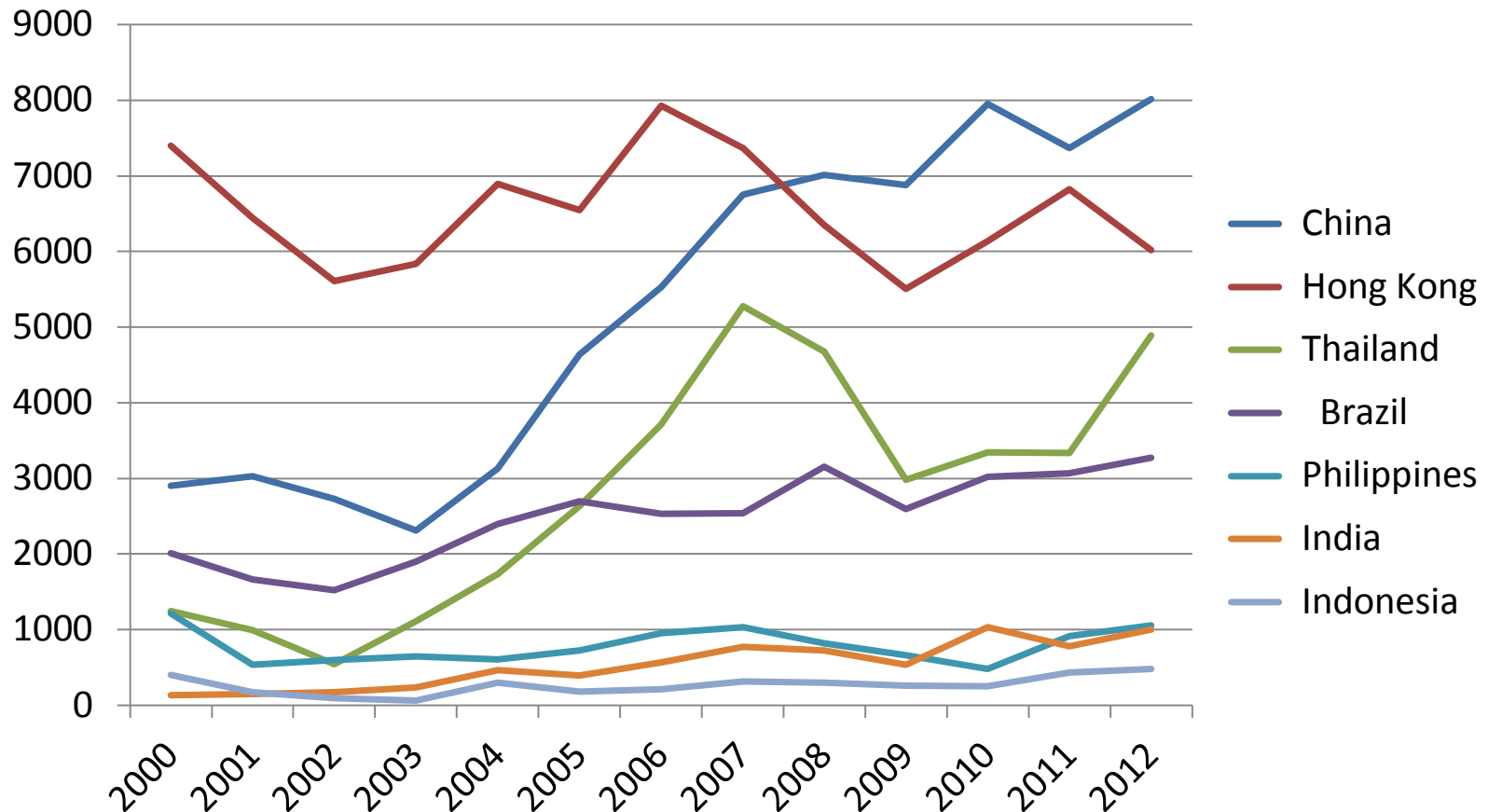
# Reshoring firms also expand abroad

- In 2011 General Electric set up new plants in the US but also built new factories in China and India
- Ford has made highly publicized reshoring announcements, yet it also announced plans in April 2015 for \$2.5 billion of new manufacturing investments in Mexico.
- Firms that do the most importing are also the ones that do the most exporting, as global engagement rarely moves in only one direction.

# What happens when offshoring costs rise?

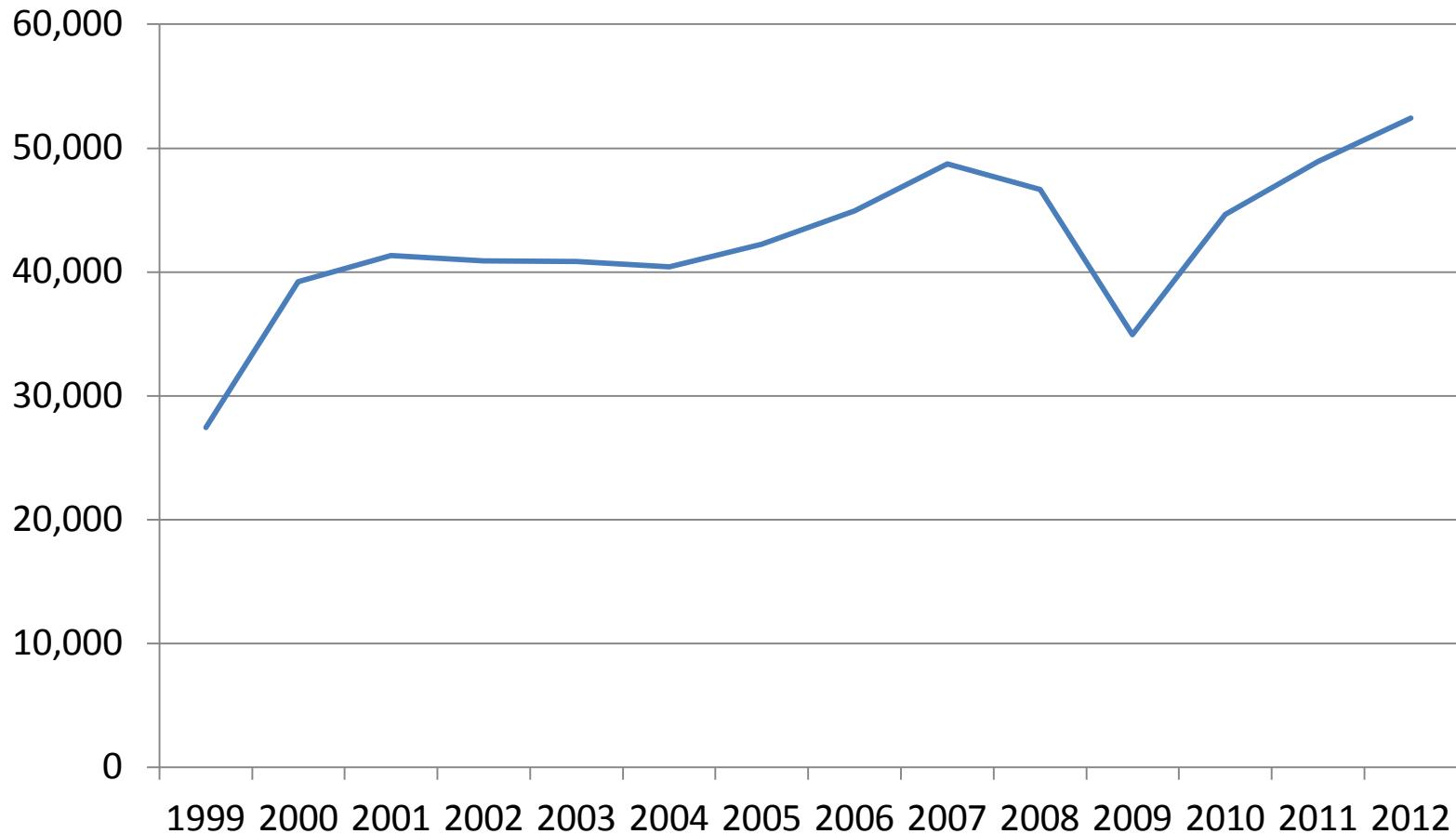
- Chinese wages more than tripled from 2000 to 2010 and grew by 10% in 2014.
- But reshoring is not the only alternative
  - Coach shifted production of wallets and handbags from China to Vietnam, Indonesia, Thailand, and the Philippines.
  - Casabella moved production back to Mexico after a decade in China.
  - St. Louis-based Viasystems Group Inc. also shifted production to Mexico from China

# Imports by US-Based MNCs from their Foreign Affiliates in Select Countries (\$millions)





# Imports by US-Based MNCs from their Foreign Affiliates in Mexico (\$millions)



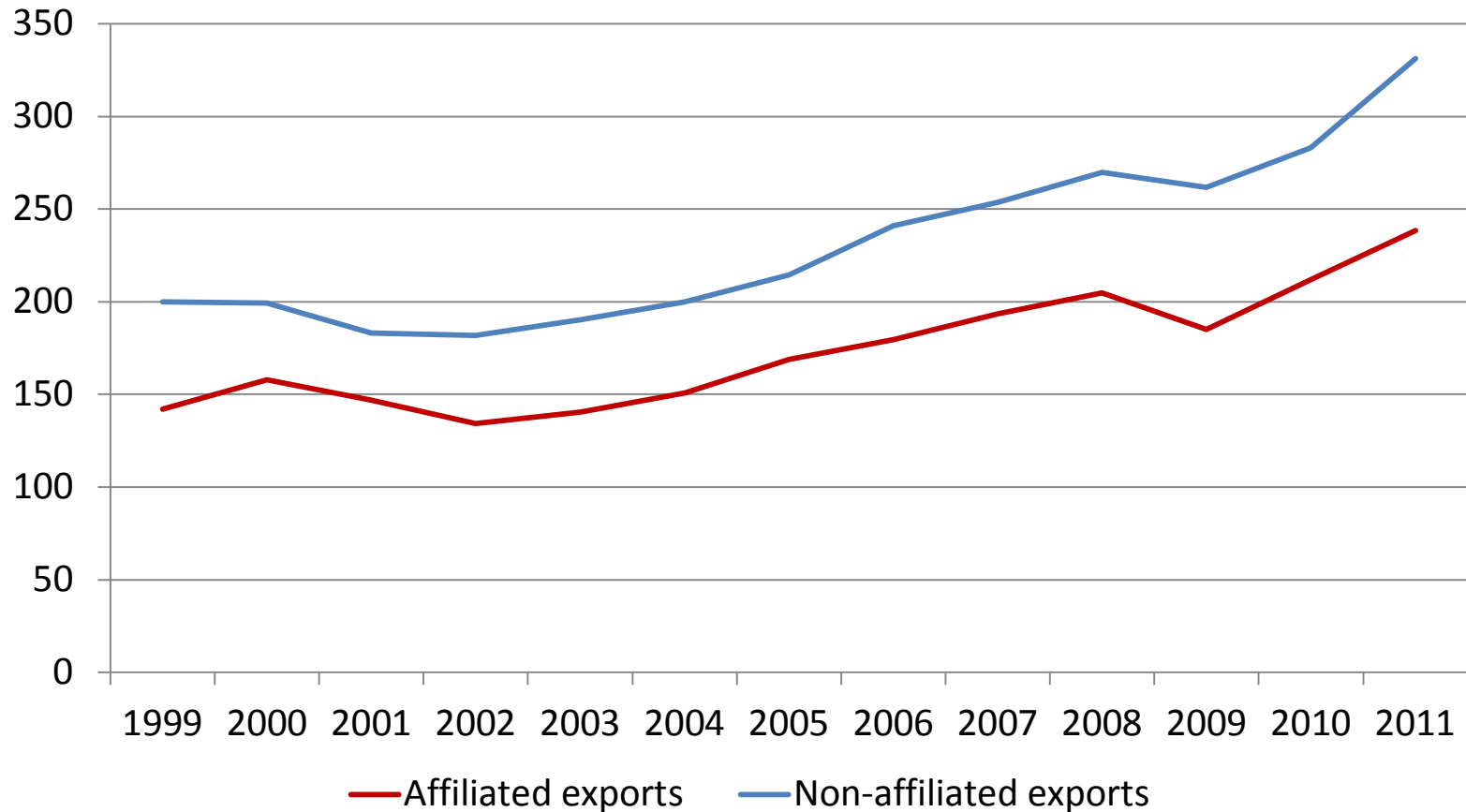
# Offshoring Facts

- Offshoring strengthens US manufacturing, benefiting US workers and consumers
- Some US workers lose their jobs, but this is offset by gains to other workers
- Manufacturing employment has been falling for decades, but not primarily due to offshoring
- Policy question: how to position US workers to take advantage of growing areas of the economy

# Implications for the US

- 2014 AT Kearney survey of production location decisions
  - 1) delivery time improvement
  - 2) total cost of ownership
  - 3) quality improvement
  - 4) freight cost improvement
  - 5) wages, tied with customer responsiveness improvement
- Offshoring decisions are not solely based on wages, which is good for the US
- 84% of R&D spending by US MNCs takes place within the US (virtually unchanged over the past decade)

# Manufacturing Exports by US MNCs Originating in the US (\$billions)



# US Exports and Imports of Services (\$billions)



# US Manufacturing in Context

- Only 4.6% of US employment is in manufacturing production occupations
- The manufacturing sector accounts for 8.8% of US employment. Only about half of those jobs are in traditional production occupations
- A narrow focus on reshoring physical production distracts from other important sources of growth
- Adapting to the changing nature of global business is crucial for US manufacturing

# Changes in Occupational Employment Shares within US Manufacturing Sector

| Occupation  | Change in Employment Share, 2005-2014 |
|---|---------------------------------------|
| Architecture and Engineering Occupations          | 0.82%                                 |
| Business and Financial Operations Occupations     | 0.77%                                 |
| Management Occupations                            | 0.70%                                 |
| Computer and Mathematical Occupations             | 0.40%                                 |
| Sales and Related Occupations                     | 0.11%                                 |
| Installation, Maintenance, and Repair Occupations | -0.04%                                |
| Construction and Extraction Occupations           | -0.31%                                |
| Office and Administrative Support Occupations     | -0.83%                                |
| Transportation and Material Moving Occupations    | -1.23%                                |
| Production Occupations                            | -1.90%                                |

# Factoryless Goods Producers

- Many firms associated with manufacturing do not show up in official US manufacturing statistics (Bernard and Fort 2015)
- Example: Apple does none of the production for most products including iPhones, iPads and Macbooks. Apple closely controls all aspects of a product, but almost none of Apple's US establishments are in the manufacturing sector.
- The actual fall in manufacturing employment is much smaller than official statistics suggest once these firms are included.



# Conclusions

- In an increasingly globalized world, US manufacturing need not become obsolete, even with continued offshoring growth.
- The nature of US manufacturing has been changing for years, but this does not represent a net setback for US workers.
- The key is to look forward, rather than backward, for opportunities.