



## RESHORING RESURGENCE

### GLOBAL ECONOMIC FACTORS AID MANUFACTURING'S U.S. COMEBACK

Manufacturing in the U.S. is on the rise, and an increasing number of companies are opting to repatriate facilities currently based abroad. The trend makes sense on a number of levels. First and foremost are the bottom-line benefits, but it's also fueled a surge in job creation, among other ecumenical advantages.

### COULD RESHORING MAKE SENSE FOR YOUR BUSINESS?

The number of executives considering shifting their production back to the U.S. is steadily growing. For example, reshoring from China to the U.S. has nearly doubled in less than one year, according to a September 2013 study by The Boston Consulting Group. Fifty-four percent of executives surveyed were planning to reshore, or at least considering it, compared to 37 percent surveyed in February 2012. And while reshoring is on the rise, offshoring is slowing down—a shift that has many feeling optimistic about the future of America's manufacturing industry. One of them is Harry Moser, president and founder of Reshoring Initiative, an organization on a mission to bring well-paying manufacturing jobs back to the states. Moser calculates that during the past decade the number of new U.S.-based manufacturing jobs has skyrocketed to 30,000 to 40,000 a year from an estimated 2,000 a year at the start of that period, while new offshore manufacturing jobs have dropped from approximately 150,000 positions annually to 30,000-50,000 during that span.

Among the key reasons bringing production back in-house has become more attractive is a sharp uptick in labor costs abroad, most notably in China, where the

burgeoning middle class is beginning to demand a higher quality of life. "China is seeing wage rates rising 15 to 20 percent a year over a number of years," explains Michael Zinser, partner at The Boston Consulting Group and co-author of the firm's *Made in America, Again* series, which examines the shifting economics of global manufacturing. "It's making the labor cost trade-off that would have been a strong advantage in China in previous years much narrower."

Brenna and Mark Fairchild, the husband and wife team behind Engineered Mechanical Systems, a high-end job shop in Chattanooga, Tennessee, which services manufacturing companies, agree. "A lot of people don't look at all the hidden costs that it takes to go overseas when your customers are here in the U.S. Maybe in the past it was more economical to offshore, but in this day and age of labor costs all over the world going up, it doesn't make sense," says Brenna. The Fairchilds founded their business in 1990 and have decided not to work offshore, citing travel costs, inventory problems, political unrest overseas, and of course, rising labor costs in China, as just a few of their deterrents.



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## PROPELLED BY—AND PROPELLING—AMERICAN PRODUCTIVITY

Meanwhile, America's productivity levels continue to improve as technological advancements and emerging best practices drive significant gains in efficiency. Looking at wage rate and productivity levels are in tandem reveals that the price gap between producing here and abroad narrows even further. "The U.S. operates at one of the highest levels in the world as it relates to manufacturing output per capita," avers Zinser. The "shale gas revolution" also contributes to domestic production's increased competitiveness and has caused "U.S. natural gas prices to be cut roughly in half over the last few years," he adds.

These global economic shifts also allow business owners to consider factors they were forced to overlook when the economics were so starkly in favor of outsourcing, such as product quality and the convenience of doing business domestically.

Taken together, those factors have helped bolster the "Made-in-America" label. And, while advantages to manufacturers are clear, among the core beneficiaries of the trend has been the country's workforce. "Our estimates suggest that up to five million jobs could be created over the balance of the decade," notes Zinser. "If a manufacturing plant goes into an area, you also need support services. Every manufacturing job creates another two to four service and support jobs around it."



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