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Onshoring of jobs into the U.S. is, and will continue to be, a reality—*assuming we sustain a growing domestic and global demand*
. News of the U.S. economy actually adding man-ufacturing jobs in 2010 and 2011 (the first such growth in over a decade) indicates that offshoring has likely peaked and onshoring is taking hold.

Offshoring has been driven primarily by labor arbitrage on wage costs and currency valuations. Labor costs, however, are now rising by double digits year over year in countries like China (where the strength of currencies against the dollar is also growing), yet U.S. labor costs are remaining flat or slightly declining. It should be expected that the benefits quickly are outweighed by the challenges-—*of which there are several*. Intellectual property risks, reduced manufacturing agility (capability to respond to quickly changing markets), higher material costs and increased shipping and travel costs coupled with reduced energy costs here are all factors leading to a more competitive total cost of delivery from the U.S.

Don’t expect an overnight change: It took several years and substantial investment to offshore. I suspect the timing will be similar for the return trip—*with the exception that considerable unused manufacturing capacity already exists in the U.S.*

I also don’t see onshoring on the horizon for all types of products. It will probably be limited to higher-value goods or those that demand more customization. The good news is that the market dynamics driving this trend are likely to remain in place for quite some time.

The challenge now is how to find skilled workers that are prepared for these productivity increases to support the growth of manufacturing in the U.S. I see the skills issue as the biggest challenge, with some reports indicating that hundreds of thousands of manufacturing jobs are currently unfilled due to lack of qualified resources. This needs to be tackled at the local level with collaboration between the manufacturers, local government and community colleges/technical schools to quickly address the skills gaps with targeted training.

Training investment in manufacturing employees has been flat for over a decade, so it is now time to invest in building these modern skills. Adding manufacturing automation and world-class maintenance practices to drive plant reliability will bring the productivity improvements needed to complement a skilled workforce and keep the U.S. competitive in the global manufacturing market for decades to come. **MT**

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