

AS FACTORY JOBS RETURN TO US, THE NEED FOR TECHNICAL TRAINING GROWS

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Offshoring manufacturing jobs to China looked like the perfect way to cut costs a decade ago, but now companies that produce everything from computers to car parts are returning to the United States in growing numbers. Labor economists say the country needs to invest in more vocational and technical training programs so millions of jobless factory workers are equipped with the skills to benefit from this trend.

According to a survey by the Boston Consulting Group of executives at 106 manufacturing companies with \$1 billion or more in sales, 37 percent said they are planning or "actively considering" onshoring. Among companies with more than \$10 billion in revenue, that percentage shot up to nearly half. Leading the movement were companies that make rubber and plastic products, industrial machinery and electronics and computer equipment.

Manufacturing executives cite several factors driving their decision, said BCG senior partner Harold Sirkin. The first is that the cheap Chinese labor that looked so appealing 10 years ago isn't so cheap anymore.

"Chinese labor has been rising at 20 to 50 percent a year since 2001," Sirkin said. "We're expecting it to be somewhere around \$6 an hour in 2015."

While this is still low compared to the average \$26 hourly wage BCG predicts an American manufacturing employee will earn in 2015, Sirkin added that the productivity of American workers is between 3.2 and 3.4 times higher than that of their Chinese counterparts. Also, American factories tend to be more automated, which means robots rather than paid workers do many tasks.

Rising energy costs also play a big role. The price of oil has jumped from around \$25 a barrel at the turn of the century to around \$100 today, which significantly increases the cost of shipping goods from Asia. In a recent interview, Charles Bunch, chairman and CEO of PPG Industries, told CNBC's Jim Cramer that the cost of energy within China also is much higher.

"The China cost advantage in many energy-intensive industries is diminishing," he told Cramer. "Now, the U.S. is going to be much more competitive on the global scene in terms of manufacturing costs."

Sirkin said American manufacturers also are concerned about protecting intellectual property and effective quality control in Chinese factories. Seventy percent of survey respondents agreed with the statement, "Sourcing in China is more costly than it looks on paper."

These companies won't abandon their operations in China entirely, Sirkin said. As a result of that country's burgeoning growth, many factories can be repurposed to serve the domestic market. "Ironically, the growth in China is making it easier for companies to onshore back in the United States," he said.

This could be a boon for millions of unemployed factory workers. "We have the talent in manufacturing and we have a huge pool of unemployed. I suspect that we have a good skill base out there," said Jeff Strohl, director of research at the Center on Education and the Workforce at Georgetown University.

The key challenge will be getting this vast number of workers trained to operate the productivity-enhancing, high-tech robots that make onshoring profitable. Programs designed to teach students vocational and technical skills through community colleges, for example, were touted by President Barack Obama in his State of the Union address as beneficial for job creation.

"We do need efforts to home in on these programs," Strohl said. The prospect of election-year budget cuts puts initiatives like this at risk of being reduced or eliminated. "Education is our investment in the future," he said. "If people have the patience to wait for them to be successful, people will begin to understand that the investment in them will pay back more than the costs."