

Reshoring as a Trending Choice for Manufacturers

By James M. Stone

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Meet the Authors



James M. Stone

Principal

(216) 750-4307

James.Stone@jacksonlewis.com

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The COVID-19 pandemic and other global events have forced companies to assess their fundamental operations. Chief among the considerations of U.S. companies in 2022 is how potentially relocating manufacturing can mitigate the risks of unstable international trade and supply chain management.

The COVID-19 pandemic affected 98% of global supply chains. Industries that invested significantly in [offshoring to reduce costs saw dramatic risk increase](#) according to an article in *The New York Times*. Thus, U.S. executives are looking to “reshoring,” or the repatriation of industrial production and manufacturing to U.S. soil, as an attractive opportunity.

While relocating manufacturing may not be the “lowest cost” option, it may be the “best cost” option when weighed against supply chain resiliency and sustainability. According to the [Kearney 2021 Reshoring Index](#), the primary reasons U.S. companies consider reshoring include labor cost, labor availability, delivery times, logistics costs, and reduced carbon footprint. The common belief is that manufacturing jobs left the United States long ago for more cost-effective offshore labor. Recently, though, offshore manufacturing in countries like China has experienced wage inflation. Whereas, the [Pew Research Center estimates](#) the relative cost of U.S. labor has remained flat for over a decade. Reshoring could mitigate these costs and offer better service delivery, product quality, and brand perception.

The Kearney 2021 Reshoring Index found that 92% of the CEOs surveyed stated positive sentiments toward reshoring. Additionally, 79% of executives with manufacturing operations in China have already moved part of their operations to the United States or plan to do so in the next three years.

Reshoring efforts have occurred across many industrial sectors. *Bloomberg* highlights that [construction of new U.S. manufacturing facilities has increased by 116%](#) over the past year and aluminum and steel manufacturers are building new plants across the Southeast. [Semiconductor chip factories](#) in New York have opened, according to a Vox article, to help alleviate supply chain disruption in the automotive and electronic industries. To meet further demand in the electronics industry, [semiconductor companies have announced new facilities in the Midwest](#) that are projected to support tens of thousands of long-term jobs. Major U.S. retailers reportedly have vowed to [spend hundreds of billions of dollars](#) over the next 10 years on domestically created goods. Finally, [billion-dollar federal and state support](#) aimed at encouraging domestic manufacturing underscores the impact that this trend will have on our economy.

Completely relocating manufacturing to the United States is not the only possibility — “near-shoring” or moving part of a company’s supply chain to the nearby countries of Mexico, Canada, or some countries in Central America are possible prospects for future investments. The Kearney Reshoring Index found that nearly 70% of the surveyed CEOs stated that they are evaluating near-shoring, have near-shored, or will near-shore to these regions.

Companies planning to move home or near home should consider several possible challenges. Manufacturers may face a shortage of supplies and skilled workers in their new locales. If a company cannot readily secure raw materials in the new location, importation costs of these materials may reduce profit margins. Moreover, some have pointed out that access to skilled domestic technicians may hinder relocation efforts unless a plan is in place to train new workers. Companies creating a transition plan should also think about tax implications, employment matters, and real estate issues, and transportation availability.

Often, however, communities in the United States are eager to support relocating or expanding manufacturing by improvements infrastructure, jobs credit, and outright grants. For example, Missouri offers incentive programs to eligible companies for financing public or private infrastructure on capital improvement projects. Similarly, unions supporting U.S.-based companies may prove to be supportive of moves that bring more stability to the workforce.

Rather than wait for circumstances to return to “normal,” companies instead can work to evolve their businesses to become even more agile and resilient in our “new normal.” They should consider taking advantage of government or other programs that might support reshoring. Jackson Lewis attorneys can help manufacturers navigate the benefits and difficulties of reshoring and provide consultation services to make an effective plan.

(Legal Clerk Kennedy E. Dickson contributed to this article.)

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