# Manufacturers building a bigger presence in the U.S.

## Shortage of skilled workers could limit growth

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Nearly written off after decades of stagnation, job losses and overseas outsourcing, the "Made in the U.S.A." label is poised for a comeback.

A retooled domestic workforce, paired with rising wages abroad, could lead to a renaissance in U.S. manufacturing within five years, according to a recent study by the Boston Consulting Group.

Whether Chicago can gear up its dwindling skilled labor force in time for the projected surge in homegrown production remains to be seen.

"There is a shortage right now, and there is quite a projected shortage of people to fill these types of jobs into the future," said Jeff Owens, president of Advanced Technology Services, a Peoria-based company that provides maintenance staffing and support to large manufacturers such as Caterpillar, Motorola Solutions, Motorola Mobility and BorgWarner.

That the long-dormant sector is facing a potential dearth of qualified employees is at once puzzling and promising. Drawn by cheap labor, U.S. companies have been steadily setting up shop overseas since the 1980s, mostly in Asia. The process ramped up considerably in the last decade, as the awakening Chinese economy became the destination of choice for a wide range of manufacturers.

While U.S. manufacturing output is nearly 2.5 times greater than it was in 1972, jobs have declined by more than 30 percent in that span, according to the Boston Consulting study. But with wage rates in China growing at 15 to 20 percent a year and transportation costs climbing, the advantage is swinging back stateside, where worker productivity makes U.S. factories more efficient.

"The fundamentals have shifted, and the economic difference will be a lot smaller," said Harold Sirkin, a Chicago-based senior partner of the Boston Consulting Group and lead author of the study. "People are starting to think about, rather than building plants in China, to build them in the U.S. to produce product for the U.S."

With government incentives sweetening the deal, Sirkin expects the net labor costs to converge by 2015. A number of companies are ahead of the curve, including California-based toymaker Wham-O, which last year returned 50 percent of its Frisbee and Hula-Hoop production from China and Mexico to the U.S., said Sirkin.

Downers Grove-based Dover Corp., a publicly traded industrial conglomerate with $7.1 billion in annual revenue, maintains a similar manufacturing mix across its diverse product line.

Dover, which moved from New York last year, oversees 35 companies producing nearly 200 brands, everything from gas-pump nozzles to refrigerated grocery cases. Local operations include Skokie-based Midland Manufacturing, which makes valves for tanker trucks and rail cars, and Knowles Electronics, of Itasca, which makes most of the microphones for iPhones.

About half of Dover's products are made in the U.S., a percentage that used to be much higher, said Robert Livingston, the company's chief executive and president.

"If you go back to the late '80s, I don't think we had a single manufacturing facility outside of North America or Europe," said Livingston, 57. "It was really in the mid-'90s when we started to see the real migration of electronics manufacturing to Asia."

While concurring with the projected renaissance in U.S. manufacturing, Livingston said the study doesn't take into account U.S. companies that build in China for the growing Chinese market.

"We have not built a factory in the last seven years for the purpose of manufacturing the product in China and exporting back to the states," he said. "We've been building our operations in China to serve our local customers and the manufacturing base that is in Asia."

But the growing domestic consumption in China also could be a boon to U.S. manufacturing, said Livingston.

"In the first quarter, our revenue in China increased 60 percent, year over year," he said. "A third of that revenue in China is actually produced at manufacturing facilities here in the states and exported."

In the first quarter, Dover added 1,500 employees, an increase of nearly 5 percent. About 600 came to Dover through acquisitions, with 900 new hires split evenly between the U.S. and Asia.

As production ramps up locally, getting qualified help could prove problematic. Working with 25 major manufacturers in 40 states, Mexico and Britain, Advanced Technology Services is heavily invested in finding and training its 3,000 or so employees. A three-tiered approach includes community college programs, retraining of recent military veterans and recruitment of laid-off personnel.

Launched as a subsidiary of Caterpillar Inc. in 1985, the now private company has grown at a 20 percent annual clip since its inception, making skilled labor its most valuable commodity. For manufacturers that haven't hung out a help-wanted sign in years, a graying workforce could mean big headaches going forward, said Owens.