

# outbursts

● a monthly publication of outreach and international affairs

spotlight on economic development

volume 2, issue 1

## Reshoring: When jobs come back home

### *Economic Development Studio outlines a plan for Virginia to snag migrating manufacturing jobs*

By Rich Mathieson

An economic development class studying the recent trend of “reshoring” has a word for Virginia officials hoping to lure international corporations back from abroad.

Plastics!

As companies face rising wages in Asia and higher shipping costs, the plastic-and-rubber manufacturing industry is a key sector near the point where shifting operations back to the United States could create greater profits, says a report by the Economic Development Studio @ Virginia Tech.

### What is reshoring?

“Reshoring” is the latest term describing the return of manufacturing processes to the United States from overseas. While much is anecdotal about this trend, research shows potential for the pattern to continue or escalate. Producing goods abroad to be sold in the U.S. will be just as economical as manufacturing domestically by 2015, according to Boston Consulting Group. According to Virginia Tech’s John Provo, the reasons are many: Salaries at factories in places such as China and India are rapidly increasing along with costs such as shipping, inventory, and even the risk of natural disaster.



*Renee LoSapio and Trevor Flannery present some of the findings of the Economic Development Studio class’s research on reshoring to the Virginia Economic Development Partnership in Richmond.*

“Ultimately, reshoring means jobs,” says Trevor Flannery of Danbury, N.C., a doctoral student in the Planning, Governance, and Globalization Program in the School of Public and International Affairs and one of the report’s authors.

He and his classmates suggest ways state leaders can leverage assets to make the commonwealth an even more attractive place for reshoring. These assets, which include a strong transportation network and partnerships among major institutions, could give Virginia a competitive advantage over Europe in attracting companies.

Some background: Between 1996 and 2008, more than 5 million manufacturing jobs in the United States were lost to foreign competition, according to John Provo, director of Virginia Tech’s Office of Economic Development and one of the instructors of the studio class along with

Margaret Cowell, assistant professor of urban affairs and planning. But recently, manufacturers have been bringing some work back to America — reshoring jobs rather than offshoring them.

“When you look at the full cost of doing business abroad, companies are finding that U.S. factories really can compete on price, delivery, and quality,” says Cowell, whose program is housed in the College of Architecture and Urban Studies.

### Innovative approach to learning

The students worked for a real-life client — the Virginia Economic Development Partnership.

*continued on Page 2*

**Reshoring** *continued*

“It’s important to have practical experience, and it’s exciting to be able to really assist the commonwealth,” Flannery says. “Such a project helps bring a lot of the levels of planning, practice, and application together.”

The partnership’s vice president for research, Rob McClintock, says the professionalism of the students and the quality of their research impressed him. “Their findings were very market-based and based on experience of practitioners, both in industry and in the economic development community. They reinforced much of our own separate research.”

Renee LoSapio, who graduated with a master’s degree in urban planning in 2013 and has worked for Norfolk Southern Railway in Norfolk since August, says she appreciated being able to work so closely with a client. “It was interesting to see how the project evolved as we did our research and got feedback from the clients and our professors,” she says. “There was definitely an element of satisfaction of being able to deliver at that level.”

**Ready for reshoring**

The studio class identified plastics manufacturing as a prime target because 134 plastics companies have relocated or expanded in Virginia over the past 15 years, investing \$1.2 billion and creating more than 6,100 new jobs. Today, the plastic-and-rubber manufacturing industry employs about 15,000 people, according to the students’ research. Virginia’s strategic mid-Atlantic location, superior transportation network, and competitive operating costs make it an ideal location for plastics and advanced-materials companies.

The report spotlighted Colombia-based Phoenix Packaging, which has brought more than 300 new jobs to the region and recently expanded its plastic packaging manufacturing facility in Pulaski County. Other core industries that could be primed to move operations to Virginia include:

- food processing companies, such as the Sabra Dipping Co.
- chemical and pharmaceutical manufacturers, such as DuPont
- aircraft, engine and parts manufacturers, including Rolls-Royce Aerospace
- furniture and wood products



*John Provo, director of the Office of Economic Development, teaches the Economic Development Studio @ Virginia Tech class with Margaret Cowell. “When you look at the full cost of doing business abroad, companies are finding that U.S. factories really can compete on price, delivery, and quality,” Cowell says.*



*Margaret Cowell*

manufacturers, such as GOK International.

These companies, and others like them, could benefit from Virginia’s strong transportation network, business-friendly environment, workforce preparedness, and partnerships between the public and private sectors, the report says.

The report highlights areas where the commonwealth could do more to attract foreign investment and jobs. Among the recommendations: Extend apprenticeship programs and opportunities into manufacturing industries to expand the state-wide educational pipeline for skilled trades. Address demand for more workers in high-skilled occupations such as engineers, medium-skilled occupations such as machinists, and low-skilled occupations such as assemblers. Develop ways to continue to reduce congestion on Interstate 81 and encourage more regional collaboration.

Why make the effort? Flannery explains:

“Workers in Virginia could make better wages in these high-value manufacturing industries, and it would also increase the supplier chains so that smaller companies that service these larger manufacturers could expand. So it has a ripple effect — both improving individual lives and the success of communities.”

**Economic Development Studio @ Virginia Tech**

The studio class is a collaborative effort of Virginia Tech’s Urban Affairs and Planning Program and the Office of Economic Development. It’s led jointly by John Provo and Margaret Cowell and involves graduate students from the university’s Blacksburg and National Capital Region campuses.

For this report, students worked on behalf of a real-life client, the Virginia Economic Development Partnership. They researched the economic impact and potential of reshoring within communities across the commonwealth and developed strategies for these communities to maximize the economic benefits of the phenomenon.

“For a lot of students, this is a chance to synthesize everything they’ve learned over the course of their degree and to prepare a professional document before they go out in the real world,” Cowell says. “They have something really nice in hand when they go out to interview for jobs or go for a promotion or switch careers. To have this hands-on, directly applicable product is a really great experience for them.”

www.outreach.vt.edu

**Office of Economic Development**

702 University City Blvd. (0373)  
Blacksburg, VA 24061  
540-231-5278  
www.econdev.vt.edu

■ John Provo, director  
540-231-4004  
jprovo@vt.edu

**Outbursts is a publication of Outreach and International Affairs**

Guru Ghosh, vice president  
Susan Short, associate vice president, engagement

**Editorial and graphics staff**

Andrea Brunais, 540-231-4691  
Rich Mathieson, 540-231-1419  
Keith Pierce, 540-231-7966  
Miriam Rich, 540-231-4153  
Lois Stephens, 540-231-4084

**On the Web**

www.outreach.vt.edu/outbursts

**LEARN MORE:**

>> Watch a video explaining what reshoring is at <http://bit.ly/vtreshore> >> Read the final report at <http://bit.ly/vtstudio>