



## **Reshoring, Automation, and the Catholic Framework for Economic Life**

William J. Raynor III, Southern Wesleyan University

### **An Opinion**

Reshoring manufacturing, assembly work, and warehousing to the U.S. is increasing at an unprecedented pace. Behind this trend is the ability of firms to dramatically increase production without hiring new workers. Accordingly, the Catholic Framework for Economic Life (CFEL), which consists of ten points to enhance labor stability, is needed more than ever. Examining how reshoring developments measure against the CFEL provides an important structure for considering the economic, political, and social changes that will result.

The U.S. reshoring trend is accelerating because of rapid increases in technology and automation, especially in the manufacturing sector. Now it is less expensive for many firms to use robots than it is to use cheap labor from China or other parts of the developing world. Furthermore the robots cost less and produce more each year as technology moves them down the cost curve. While the previous wave of technology over the past 15 years led to work being sent away from the U.S. (outsourcing, offshoring, etc.), the emphasis now is on low cost production returning to our shores. “Now, as the economics of global manufacturing changes, the pendulum is finally starting to swing back. In the years ahead, it could be America’s turn to be on the receiving end of production shifts, as more companies use the U.S. as a low-cost export platform” (Adelmann).

The accelerating automation trend also cuts across many other labor sectors in the U.S.: “And it’s not just going on in warehouses. . . This piece of software called e-discovery is now used by law firms in the discovery portion of legal proceedings, a job that used to require hundreds of people sifting through boxes and boxes of documents” (Kroft). Another

example: “El Camino Hospital in California’s Silicon Valley has a fleet of robots called tugs that ferry meals to patients, medicines to doctors and nurses, blood samples to the lab and dirty linen to the laundry” (Kroft). There are also many other types of organizations that now have the ability to increase production (at lower per units costs), without the proportionate increase in new workers.

While production can increase with fewer workers, the question becomes, will the new jobs created from increased economic activity outnumber the jobs lost from automaton advances? Labor forecasts differ considerably. On one hand, there is no doubt that some current U.S. workers will be displaced. “And it is putting new categories of jobs in the sites of automation – the 60 percent of the workforce that makes its living gathering and analyzing information” (Kroft). “Anyone who just got worried about machines taking over our lives started worrying way too late . . . The question now isn’t ‘whether,’ it’s ‘when,’ and we’re hurtling closer every day” (Hinckley).

On the other hand, the Boston Consulting Group (BCG) and others are optimistic about a net increase in new U.S. jobs created: “The impact is likely to be enormous. A report released by BCG in August predicted that between 2 ½ million and 5 million new jobs would be created in U.S. manufacturing before the end of the decade, less than seven years from now” (Adelmann). Others have also taken notice including academia: “Sensing growing demand, more than a half-dozen universities have recently introduced undergraduate majors, M.B.A. concentrations and even entire degree programs dedicated to procurement, inventory management and global supply-chain strategy” (Korn). BCG forecasts: “More than half of 200 U.S. companies with sales greater than \$1 billion are moving jobs back to the United States, or are planning to, within the next two years” (Adelmann).

Despite disagreement on where specific jobs will be lost or where they will be gained, there is widespread agreement that the reshoring trend will create dramatic changes. For the U.S., this is especially significant because worker training programs for many specialized types of jobs took a detour during the previous offshoring and outsourcing wave. For example, in the textile industry “. . . 77 percent of the American work force has been lost since 1990 as companies moved jobs abroad – manufacturers are now scrambling to find workers to fill the specialized jobs that have not been taken over by machines” (Clifford). If the U.S. is better prepared for the reshoring transition, it will help to provide training opportunities where demand is expected and mitigate major workforce disruptions.

The CFEL – not just embraced by Catholics – was developed by the National Conference of Catholic Bishops (NCCB) and consists of ten points. These ten points (in italics below) follow with reshoring considerations:

1. *The economy exists for the person, not the person for the economy.* Pope Francis recently released a statement on economic inequality and “. . . showed a willingness to use tough language in attacking what he views as the excesses of capitalism” (Goldford and Boorstein). The economy is clearly not working for many individuals and the reshoring trend could aggravate problems if not handled correctly (or enhanced it if managed properly).

2. *All economic life should be shaped by moral principles. Economic choices and institutions must be judged by how they protect or undermine the life and dignity of the human person, support the family, and serve the common good.* Individuals, families, and communities could be undermined if economic institutions, policies, and decisions are not updated to accommodate the reshoring trend.
3. *A fundamental moral measure of any economy is how the poor and vulnerable are faring.* Pope Francis discussed this recently as well: “The pontiff singled out as a major challenge of the contemporary world an economic system that produces vast income inequalities, arguing that it leaves the oppressed and marginalized as ‘leftovers’” (Moloney). Will U.S. workers be retrained in time to participate in the new economy, or will they be pushed aside? Is the U.S. labor force really ready for these changes? What about the jobs lost overseas? Are the governments there ready for a job exodus, or will there be more poor and vulnerable individuals?
4. *All people have a right to life and to secure the basic necessities of life, such as food, clothing, shelter, education, health care, safe environment, and economic security.* How will reshoring impact economic security and the ability for individuals to support their families and provide for the basic necessities of life? Without an economic system of incentives and disincentives in place, are we prioritizing machines over persons?
5. *All people have the right to economic initiative, to productive work, to just wages and benefits, to decent working conditions, and to organize and join unions or other associations.* It is not just the U.S. – the developed European economy is also struggling with automation advances: “After a five-year economic crisis, the mismatch represents one of the thorniest problems facing Ireland and many other European countries. Hundreds of thousands of people who lost work, and many young people entering the work force, are finding that their skills are ill suited to a huge crop of innovation-based jobs springing up across the Continent” (Alderman).
6. *All people, to the extent they are able, have a corresponding duty to work, a responsibility to provide for the needs of their families, and an obligation to contribute to the broader society.* Many individuals may want to work, provide for their families and contribute to society but cannot because of obsolete knowledge and skills. What public policies can be implemented to encourage labor force training and readiness?
7. *In economic life free markets have both clear advantages and limits; government has essential responsibilities and limitations; voluntary groups have irreplaceable roles, but cannot substitute for the proper working of the market and the just policies of the state.* The public policy approach of Pope Francis resonated with many around the world: “From 4,500 miles away at the Vatican, Pope Francis, who has captivated the world with a message of economic justice and tolerance, has become a presence in Washington’s policy debate” (Stolberg).
8. *Society has a moral obligation, including governmental action when necessary, to assure opportunity, meet basic human needs, and pursue justice in economic life.* Consider the following: While European workers are facing many of the same challenges that are in the U.S. labor market, the private and public sectors are cooperating more with each other.

- “Governments and companies around Europe are fast-tracking efforts to retrain the unemployed for a burst of technology-related jobs. They are also stepping up campaigns to lure university students to mathematics, engineering and science in place of popular courses in the humanities and social sciences” (Alderman). Are there other initiatives that can be implemented in the U.S. to optimize the economic and social changes resulting from reshoring?
9. *Workers, owners, managers, stockholders, and consumers are moral agents in economic life. By our choices, initiative, creativity, and investment, we enhance or diminish economic opportunity, community life, and social justice.* The business community, public officials, policy makers, educators, NGOs and other institutions need to collaborate for a sustainable response to reshoring opportunities and challenges.
  10. *The global economy has moral dimensions and human consequences. Decisions on investment, trade, aid, and development should protect human life and promote human rights, especially for those most in need wherever they might live on this globe.* Consider the following: “It seems as though the big wave of outsourcing and off-shoring is coming to an end. There are fashions in business strategy just as in other walks of life and the outsourcing fashion is one that has had its day. If manufacturing pay is less than say 20% of the total cost of a product then moving production overseas to save costs is a dubious exercise – especially if it increases lead-times and reduces flexibility” (Sloane). While reshoring may present economic opportunities in the U.S. (as well as potential new problems), it can potentially be disruptive in developing economies as well.

In conclusion, the CFEL provides a valuable tool for business leaders and policy makers to consider when confronting the potential effects from reshoring. For example, if policy makers developed a CFEL focused alliance with firms assessing reshoring initiatives, outcomes could be enhanced. Firms considering such a move could provide information to members in the alliance so they could help facilitate with the transition. Federal, state, and local officials could provide relocation assistance and partner with academic institutions for specific training needs. These types’ of resources and incentives could create a win-win scenario for in-bound firms and local economies looking for economic growth. Families and individuals would benefit from increased job opportunities and employment stability. Academic institutions and career centers would have more accurate information from the alliance to ensure the most appropriate training programs. Thus, an alliance based on the CFEL principles would not only provide economic opportunity, but also much needed clarity in the labor market because of the global reshoring trend.

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