Flash Economics

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Even if there are industrial relocations to the United States or Europe, they will create few jobs

We are aware of the difficulties faced by industrial relocations: disruption of well-established value chains, challenges in finding the necessary skills; in the United States, full employment, and in Europe, a low unemployment rate.

Moreover, even if some relocations are decided upon, they will generate few jobs due to the need for heavy automation in order for production to remain competitive in the United States and Europe.

While it may be possible to slightly increase the share of manufacturing in GDP, it will be very difficult to increase the share of manufacturing jobs in total employment.

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It is very difficult to relocate manufacturing industry

Chart 1 shows the **manufacturing value added** in the United States and the **imports of goods**, as a percentage of GDP.

Chart 1
United States: Manufacturing value added and goods mports (volume, as % of GDP volume)

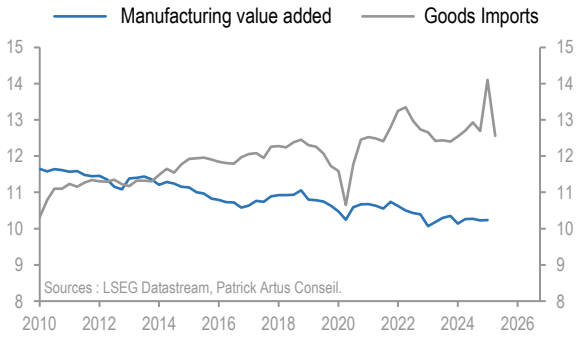
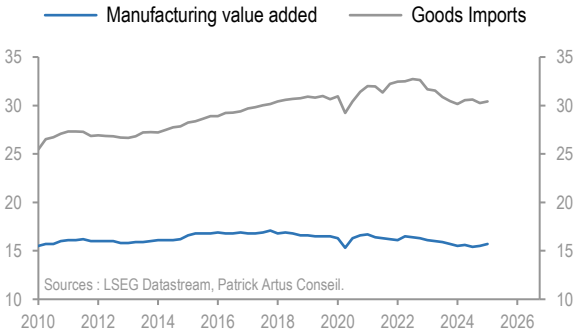


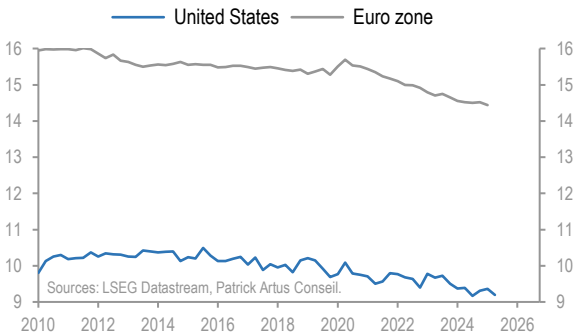
Chart 2 shows the same data for the euro area.

Chart 2
Euro zone: Manufacturing value added and goods mports (volume, as % of GDP volume)



Finally, **Chart 3** shows the share of **employment in the manufacturing industry**, as a percentage of total employment.

Chart 3
Employment in manufacturing industry (as % of total employment)



We can observe the low contribution of manufacturing to GDP, especially in the United States, and the low share of manufacturing employment in total employment. This explains why, in both the United States and Europe, there is a **strong desire to attract industrial relocations**, using different tools: tariffs and public subsidies in the United States, public subsidies and the appeal of the single market in Europe.

However, it is well known that attracting industrial relocations is difficult due to:

- the disruption of **well-established value chains** if relocation occurs;
- the difficulty of finding workers with the **necessary skills**, due to the generally low skill levels in the United States, and in major European countries such as France, Spain, and Italy (**Table 1**);

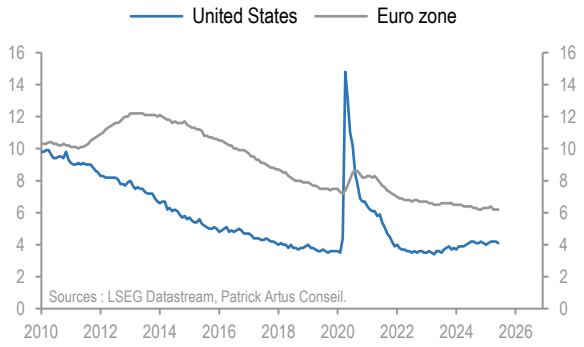
Table 1: Results of the OECD PIAAC survey (by decreasing score from the 2023 survey, overall score*)

Country	2016	2023
Finland	285	289
Japan	292	285
Sweden	279	281
Canada	269	267
Germany	271	267
France	258	253
United States	261	251
Spain	249	246
Italy	249	240

*In 2016, average score in numeracy and literacy
Source: OECD

- the situation of **full employment** in the United States and the historically low unemployment rate in the euro area (**Chart 4**).

Chart 4
Unemployment rate (as %)



Even if relocations do take place, they will generate few jobs

Labor costs are significantly higher in the United States and Europe than in the countries where offshoring was initially carried out (Mexico, Morocco, Turkey, China, Indonesia, Vietnam, the Philippines, Thailand, India, etc. – **Tables 2 and 3**).

Table 2: Mean nominal hourly labour cost per employee in the manufactring sector (2024, USD)

Country	Mean nominal hourly labour cost (USD)
South Africa (2023)	1.8
Philippines (2019)	2.1
Brazil (2020)	2.5
Peru (2021)	2.6
Turkey (2020)	4.4
Kazakhstan (2022)	6.4
Chile (2022)	8.3
Spain	29.4
Italy	34.3
United States (2023)	43.7
France	50.1
Germany	52.3

Source : ILO

Table 3: Statutory nominal gross monthly minimum wage as of december 31, 2024 (USD)

Country	Monthly minimum wage (USD)
India	55
Philippines	142
Vietnam	195
Thailand	244
South Africa	262
China	266
Indonesia	309
Morocco	313
Mexico	354
Chile	530
Turkey	610
United states	1257
Spain	1418
France	1894
Germany	2201

Sources : OIT, LSEG Datastream

This means that in order to avoid **a complete lack of competitiveness for relocated production, strong automation will be required**.

While the United States and Germany have relatively **high levels of industrial automation**, this is not the case for France, Spain, and Italy (**Table 4**).

Table 4: Robots installed per 10,000 employees in fhe manufacturing industry (2023)

Country	Robots installed per 10,000 employees
South Korea	1012
China	470
Germany	429
Japan	419
Sweden	347
Denmark	306
Slovenia	306
Switzerland	302
United States	295
Netherlands	264
Austria	245
Italy	228
Canada	225
Belgium	224
Czech Republic	207
Slovakia	201
France	186
Spain	174

Source : World Robotics 2024

Reindustrialization in these countries would therefore require a major effort to modernize their industrial base.

Moreover, **if relocations can only occur in companies with very high levels of automation, they will lead to only limited job creation.**

Summary: do not expect a strong rebound in manufacturing employment even if relocations occur

The United States and Europe want to attract industrial relocations. However, we know that relocating industry is difficult because global value chains are well established, because in countries like the United States, France, Spain, and Italy, the workforce's skill levels are relatively low, and because unemployment is currently low in both the US and the euro area.

Furthermore, due to high labor costs in the United States and Europe compared to China or emerging economies, it is not possible to relocate production without significant automation.

This will require, on the one hand, substantial investment efforts, and on the other hand, a realistic expectation: that such relocations will not lead to large-scale job creation in manufacturing.

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