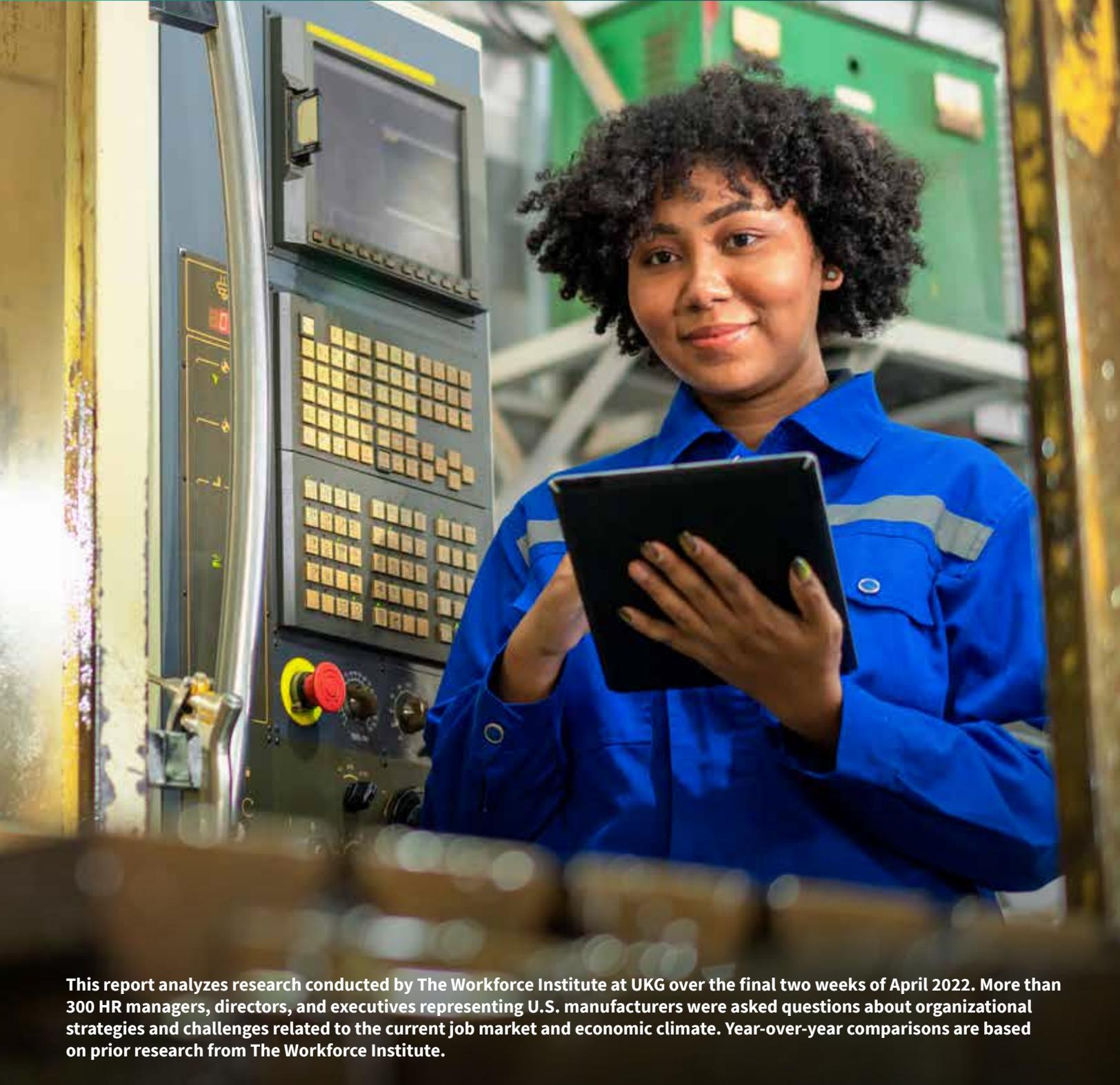


Is Stability in Sight?

Surveying the future state
of manufacturing



This report analyzes research conducted by The Workforce Institute at UKG over the final two weeks of April 2022. More than 300 HR managers, directors, and executives representing U.S. manufacturers were asked questions about organizational strategies and challenges related to the current job market and economic climate. Year-over-year comparisons are based on prior research from The Workforce Institute.

U.S. Manufacturing Outlook

Beyond staffing and supply chain struggles, is stability in sight?

Nearly 9 out of 10 U.S. manufacturers (89%) surveyed by The Workforce Institute at UKG reported year-over-year growth in April 2022, compared to 54% in 2021 and 65% in 2022. Although bottom lines were widely impacted by supply chain issues, inflation, and a shortage of skilled labor, the majority also increased revenue (67%) and employee headcount (63%).



2 in 3

manufacturers
increased revenue
year over year



1 in 5

reported a significant
increase



1 in 4

held steady with little
to no increase
or decrease



Key Insights

- Hiring remains a top priority as demand for workers stays strong. According to the Bureau of Labor Statistics, manufacturing added 55,000 jobs in April 2022 and another 18,000 in May 2022 — at which time employment in the sector held just slightly below (-0.1%) its February 2020 level.¹
- Manufacturing workforce activity, (i.e., hourly shifts worked) degraded slowly from February to June 2022, though year-over-year indexing highlights the sector’s resilience.²

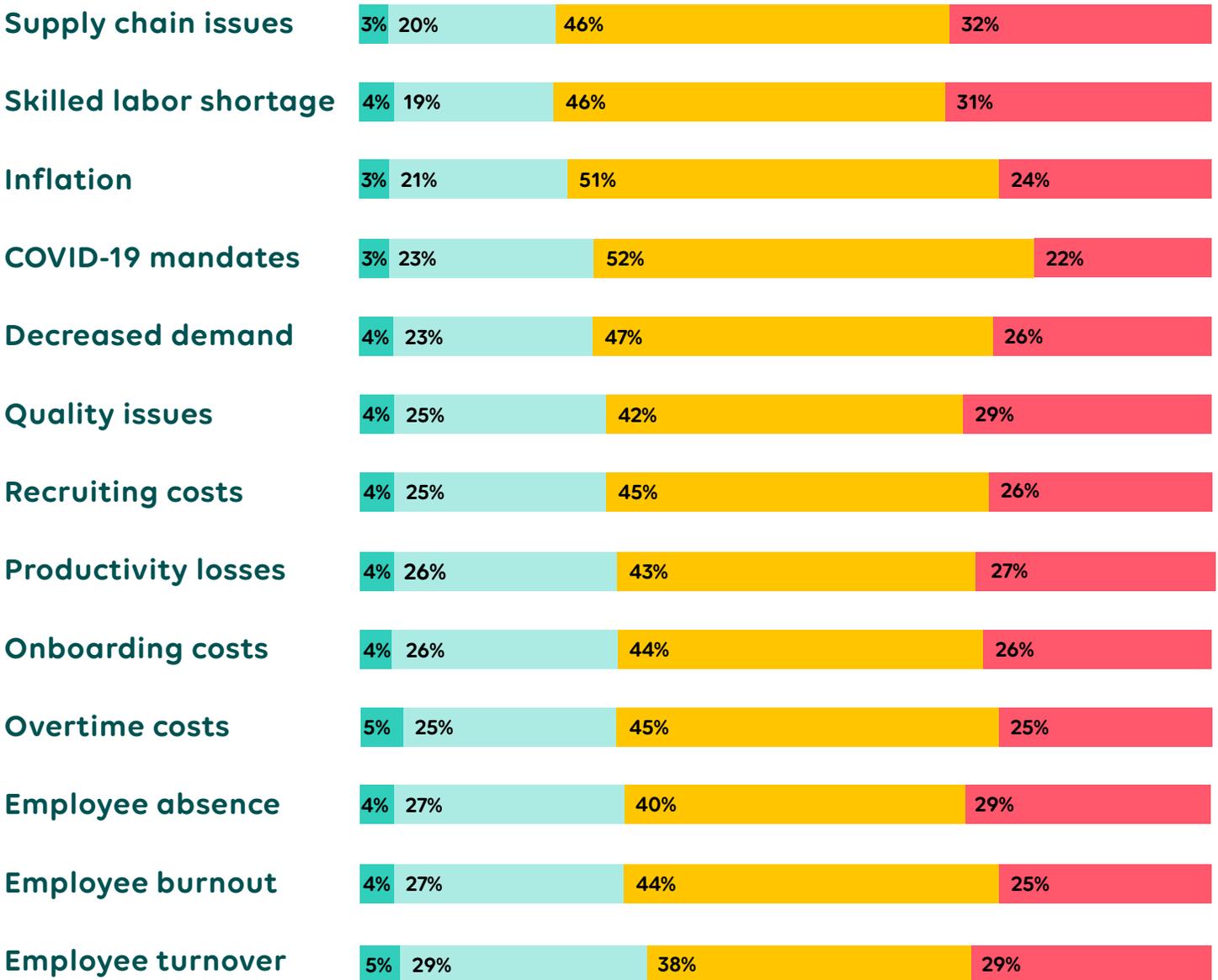
U.S. Manufacturing Workforce Activity



[UKG's Workforce Recovery Scale](#) is a rolling 12-month index that measures workforce activity levels at 35,000 U.S. businesses. This index snapshot depicts the level of workforce activity specifically in the manufacturing industry relative to the same month one year ago and provides a directional indicator for anticipated changes to the industry's labor participation rate.

Supply Constraints and Talent Shortages Threaten Profits

Nearly every manufacturer surveyed said supply chain disruptions (86%) and labor shortages (84%) impacted their ability to meet production demands. These and other issues disrupted manufacturers' bottom lines, with most describing impacts as "moderate" or "severe".



Percentages are rounded



April Check-In



1 in 2

experienced supply chain-related production delays at least **once a week**



1 in 4

estimate production lines were understaffed at least half the time — up from 14% in 2021



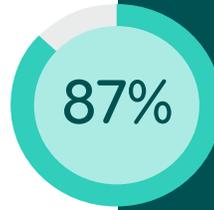
“Volatile demand has been a hallmark of the pandemic. It’s affected 83% of the manufacturers we surveyed in the past year alone, including 31% who strongly agree that the demand fluctuations experienced by their business were ‘severe.’ Down or up, variable demand has a way of exacerbating staffing troubles and impacting people’s livelihoods and wellbeing. Looking ahead to manifest the future state of manufacturing, more concrete strategies and tools are desperately needed to forecast demand as well as labor needs with respect to real-time market conditions.”

— Kylene Zenk, Director of the Manufacturing Practice at UKG



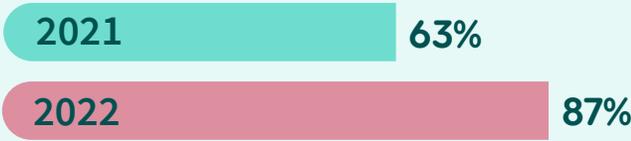
The Labor Struggle is Real

Between 2021 and 2022, data shows a 24-point uptick in manufacturers struggling to close the labor gap, as well as an increase in staffing misalignment on production lines. Nearly 4 in 5 (78%) also noted a direct link between understaffing and employee burnout within the past 12 months.

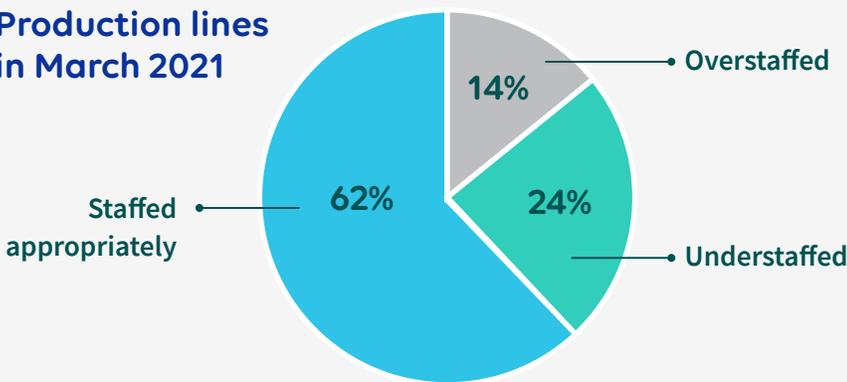


“The industry’s skilled talent shortage impacted my organization this year more than ever”

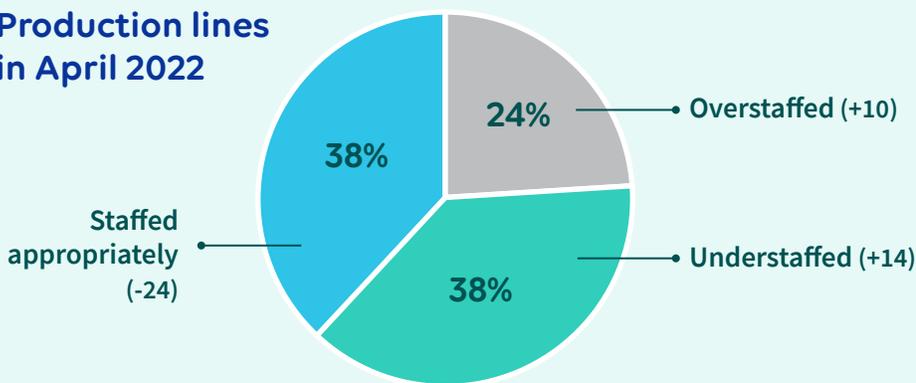
“We are struggling to fill critical labor gaps.”



Production lines in March 2021



Production lines in April 2022



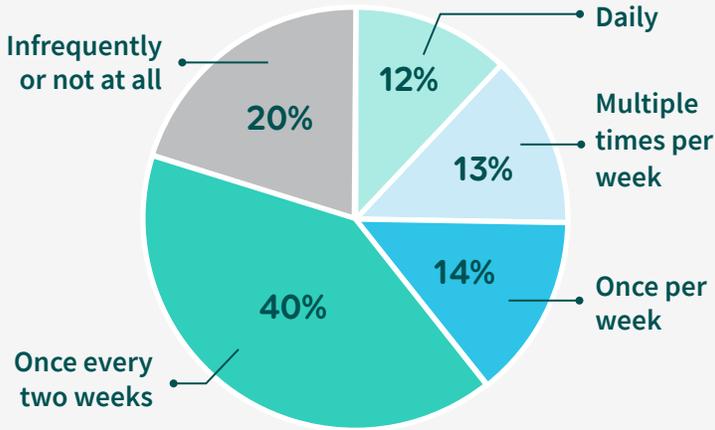
Despite the potential risk of losing skilled workers, 44% of manufacturers mandated the COVID-19 vaccine for employees as a safety measure — and within this group, 3 in 4 (76%) ultimately laid off unwilling employees as a result.

Of the manufacturers who did not require vaccination, 3 in 5 (61%) said the labor crisis weighed on their decision.

April 2022 Snapshot: Labor Losses

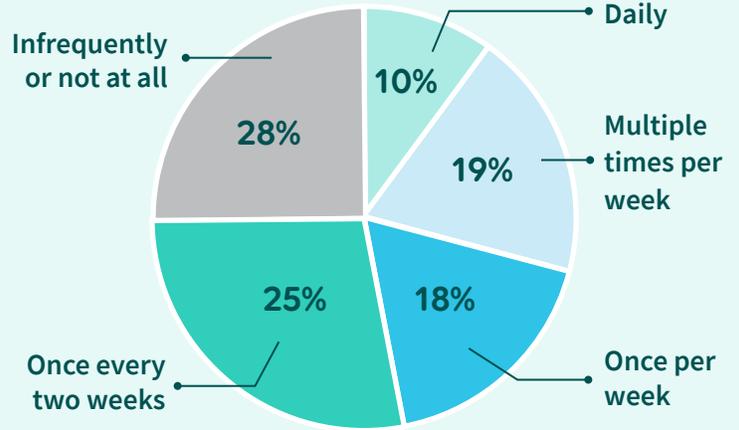
Amid an increasingly tight labor market, voluntary departures were frequent throughout April. Also during this time frame, 68% of manufacturers let employees go citing poor attendance, with 41% terminating employees due to absence at least once a week.

Frontline managers quit



Percentages are rounded

Hourly employees quit



Employee exits up year over year

RETIREMENTS



cited an increase

EMPLOYEE RESIGNATIONS



cited an increase

MANAGER RESIGNATIONS



cited an increase

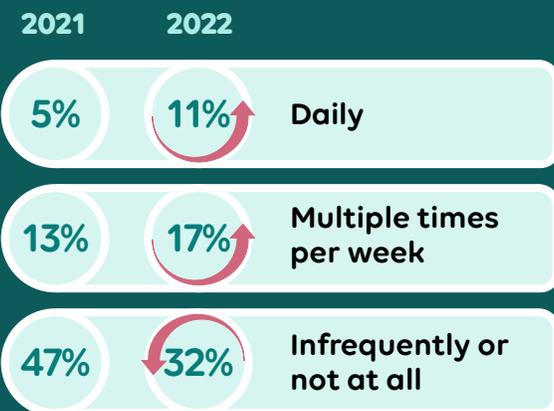


“As the ‘Great Reshuffle’ picks up steam, it’s likely we’ll see middle management make up the next mass wave of resignations. These leaders just saw their people leave — and about half of them received raises (49%), according to a 2022 UKG study³ — while they’re still in the same place doing more work than ever to cover gaps in the schedule. Data indicates that more than half of U.S. managers (53%) are already contemplating quitting themselves. This is a wake-up call: Employers can’t let managers shoulder the burden of the labor shortage on their own, or the crisis is going to get worse.”

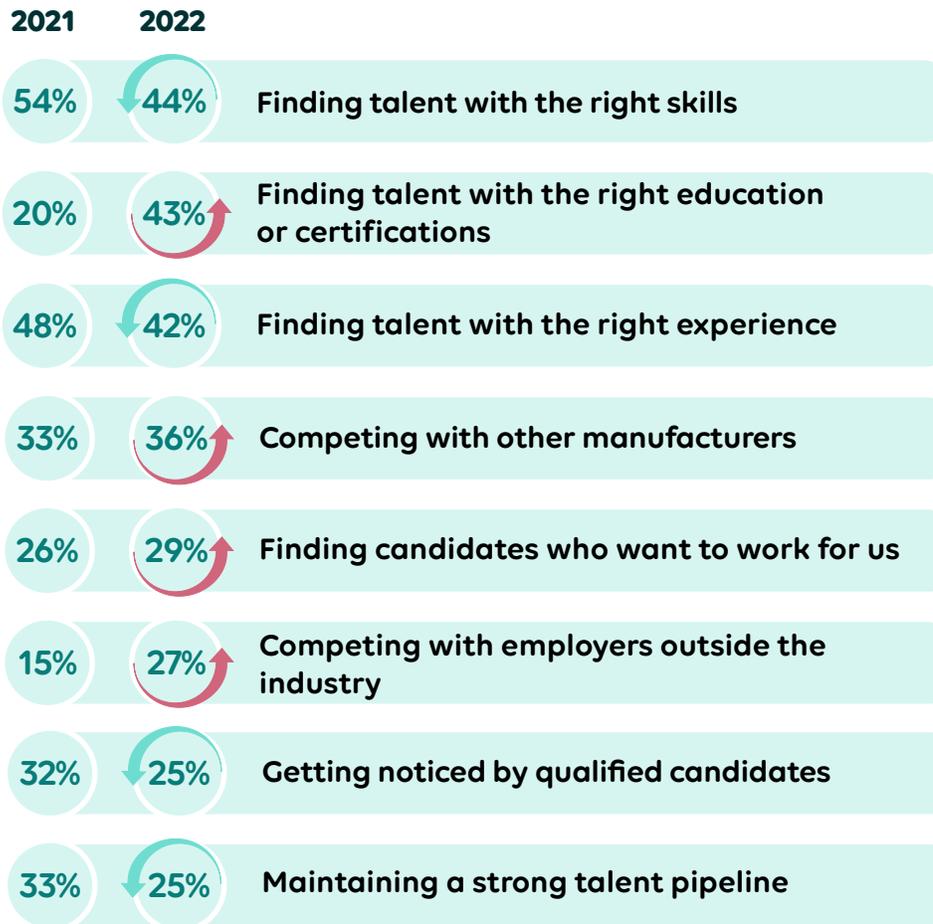
— Dr. Chris Mullen, Executive Director of The Workforce Institute at UKG

Employee Ghosting: A Scary Trend

In a job market exploding with opportunity for skilled workers, it's not surprising that "ghosting" — i.e., when an employee unexpectedly skips a scheduled shift or suddenly stops coming in to work — has gained traction.



Manufacturing's Top Recruitment Challenges



84%

“Negative industry perceptions impact our ability to recruit younger workers”



“With skilled labor harder to come by — and more competition surfacing from other industries — recruiting alternative talent is a necessity. This might mean considering boomerang employees who previously quit, individuals reentering the workforce after a career break, or people with no manufacturing experience at all. If you can offer training or can tailor a job to meet candidates’ flexible qualifications, filling open headcount becomes more realistic in a tight labor market.”

— Kylene Zenk, Director of the Manufacturing Practice at UKG

Let's Fix It

Despite the impact of supply chain disruptions and the labor shortage still in full force, stability is within reach

Top 5 Priorities for the Year

Demonstrating commitment to closing the labor gap and investing in their people, manufacturers identify employee-centric goals.

- 1 **46%** Employee safety and wellbeing
- 2 **41%** Strengthening the supply chain
- 3 **37%** Diversity, equity, inclusion, and belonging
- 4 **32%** Recruitment
- 5 **31%** Retention

People have more choices than ever and their priorities are changing

Taking care of employees is crucial: 9 in 10 manufacturers are actively working to enhance company culture (**91%**), and leaders claim they are doing more today to support employee wellbeing than 12 months ago (**89%**). Some have extended important benefits like remote-work options (**44%**) and flexible schedules (**40%**), while others reward their people based on performance (**34%**) or survey employees for feedback on a regular basis (**29%**). At least half of manufacturers have increased wages.



PAY IS A PRIORITY:

Average hourly earnings for the sector are up 5.5% from a year ago.⁴



raised starting pay for hourly employees

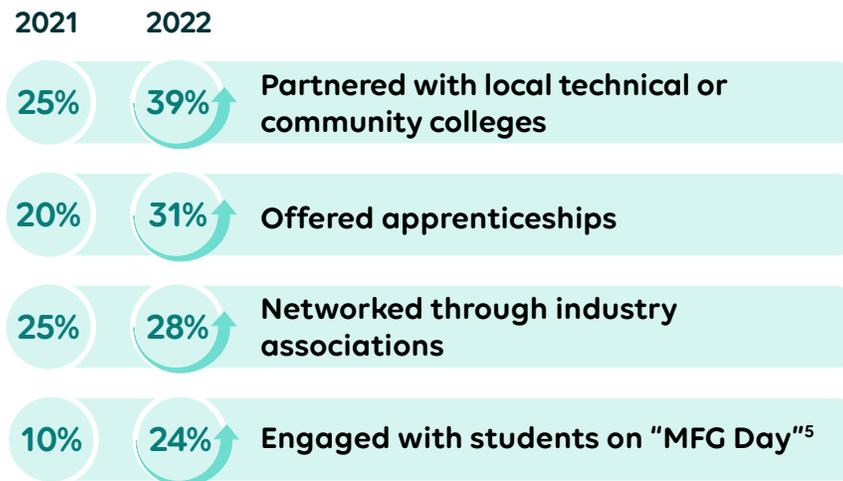


raised starting pay for frontline managers

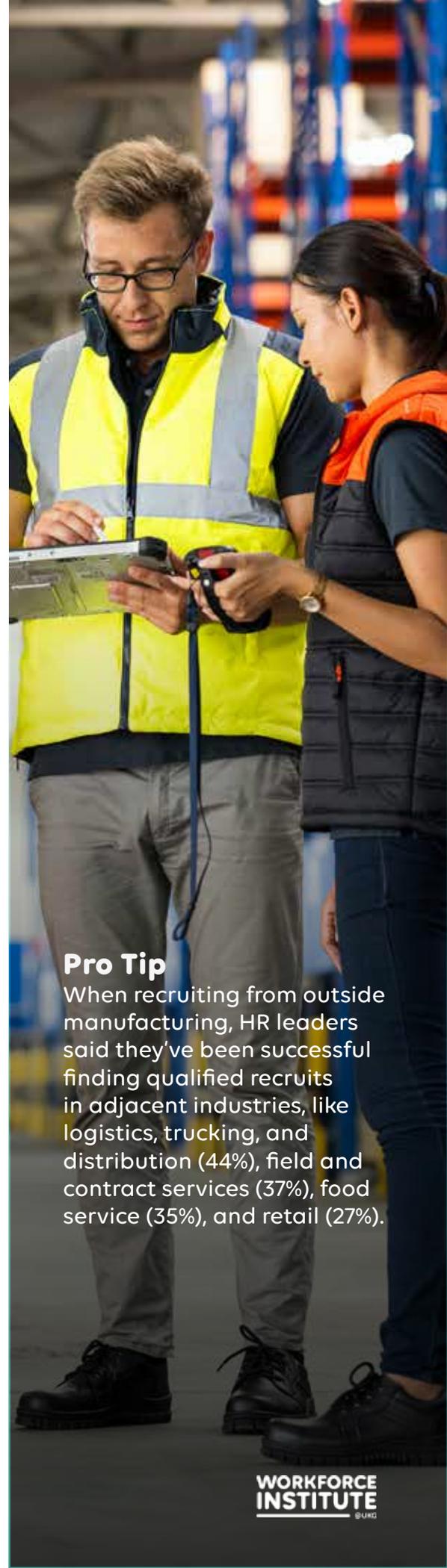
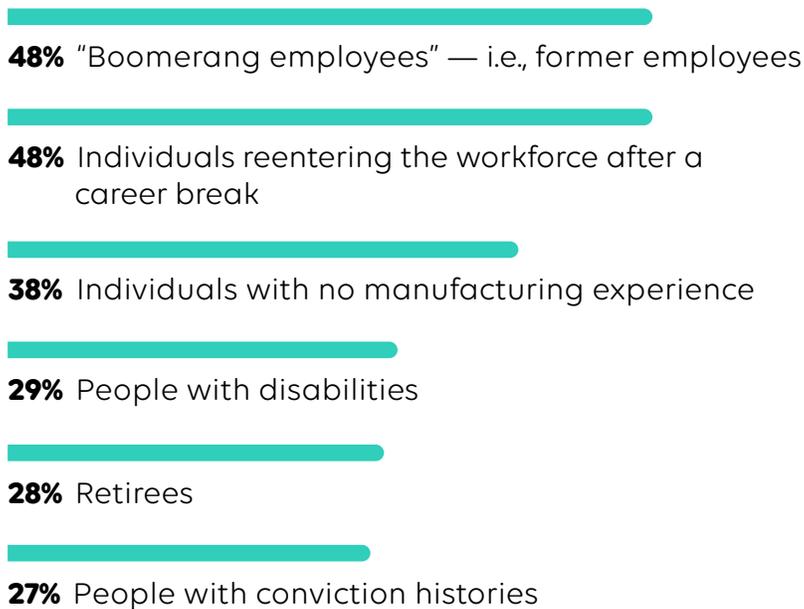


increased wages for existing employees

Manufacturers ramp up efforts year over year to strengthen talent pipelines



To fill critical labor gaps, manufacturers diversified their candidate pools and hired these capable individuals within the past year:



Pro Tip

When recruiting from outside manufacturing, HR leaders said they've been successful finding qualified recruits in adjacent industries, like logistics, trucking, and distribution (44%), field and contract services (37%), food service (35%), and retail (27%).

Workforce Development Drives Value

Up from 85% in 2021, 93% of manufacturers today found that employees who are trained to handle a broad set of responsibilities are more productive. To fill remaining gaps, 62% of manufacturers relied on new technologies to augment their workforce.

“Stay Interviews” Have Retention Impact

Managers having active career discussions with employees to understand what they like most about the company and what makes their job satisfying have higher potential to build trust, belonging, open communication, and loyalty. Yet, while 3 in 4 manufacturers (74%) said it’s difficult to retain skilled talent, fewer than 2 in 5 (39%) said managers are conducting “stay interviews” regularly.



“Caring is the foundation of strong leadership. Beyond attracting new talent, it’s imperative that organizations continue focusing on their existing people.”

— Kylene Zenk, Director of the Manufacturing Practice at UKG

The Workforce Institute at UKG

The Workforce Institute at UKG provides research and education on critical workplace issues facing organizations around the world. By bringing together a global consortium of HR and workforce management thought leaders, the think tank is uniquely positioned to empower organizations with practical ideas for optimizing the 21st-century workplace while also providing an important voice for employees, including frontline and hourly workers. Founded in 2007, The Workforce Institute focuses its research and education — including books, podcasts, surveys, blogs, and annual list of workplace predictions — on balancing the needs and desires of diverse employee populations with the interests of organizations in order to manage absenteeism, fight burnout, develop equitable work schedules, and build strong leaders, all to drive inspired performance.

Survey Methodology

Research findings are based on an industry survey conducted by InnovateMR on behalf of The Workforce Institute at UKG from April 20 to 28, 2022, to understand the organizational challenges facing U.S. manufacturers related to the current job market and economic climate. Responses were collected from 308 HR leaders who work for a U.S. manufacturing company, including HR directors (65%), HR executives (19%), HR managers (14%), and other hiring decision-makers (2%). Seventy percent of respondents said

For Additional Information:

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their company's annual revenue is more than \$250 million, and 8% said they work for a U.S.-based multinational organization.

This report also compares year-over-year data collected by The Workforce Institute at UKG from March 11 to 17, 2020, and March 24 to April 2, 2021. View these reports and others at workforceinstitute.org/research.

Footnote 1: Employment data released by the [Bureau of Labor Statistics](#) June 3, 2022

Footnote 2: According to the [UKG Workforce Activity Report](#)

Footnote 3: Findings from UKG's April 2022 "[Resign, Resigned, or Re-Sign?](#)" survey

Footnote 4: Earnings data released by the [Bureau of Labor Statistics](#) June 3, 2022

Footnote 5: "MFG Day" is observed annually in the U.S. on the first Friday in October