



2022

MANUFACTURING LABOR SHORTAGE REPORT

An overview of staffing trends

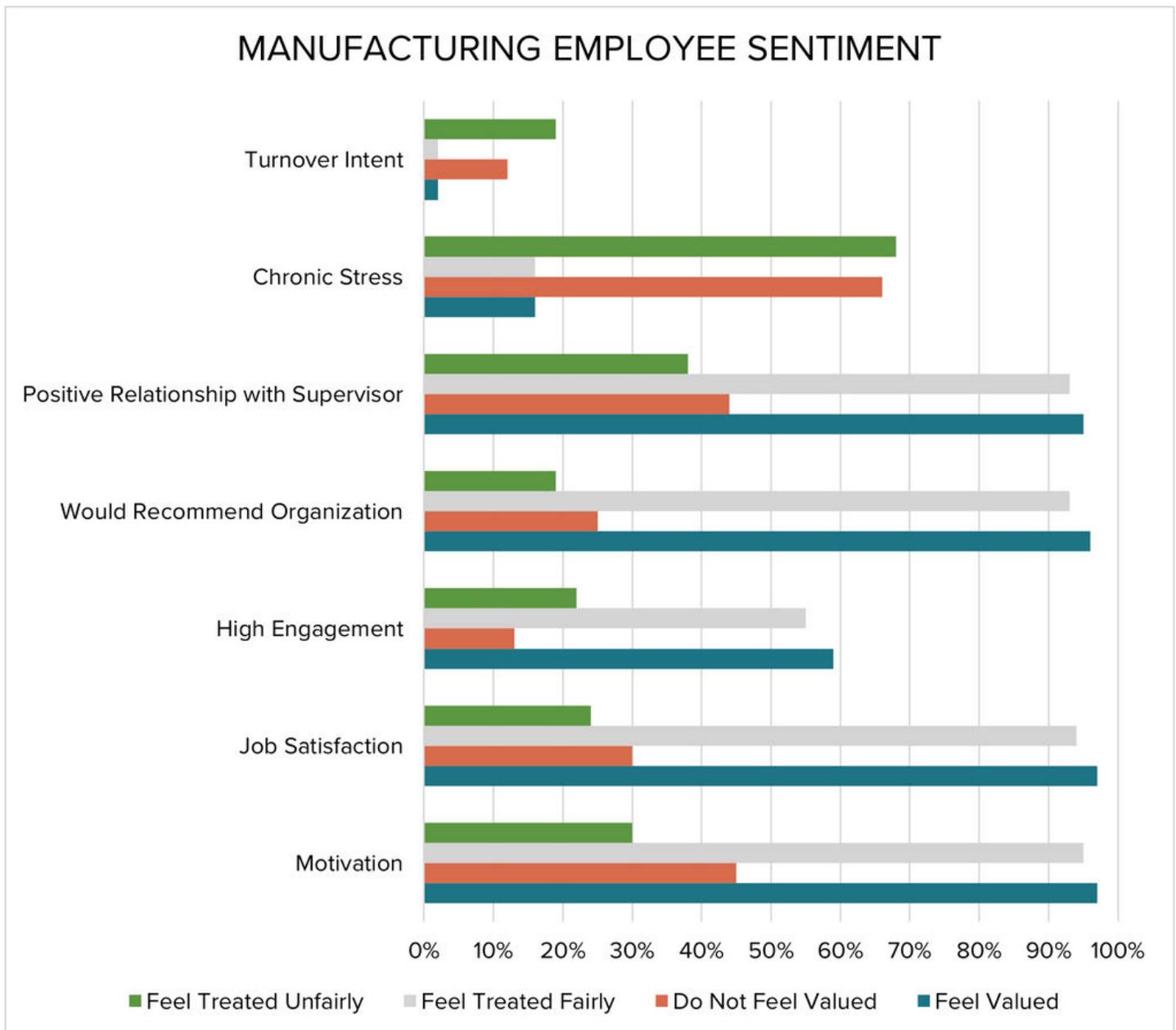


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OVERVIEW OF EMPLOYEE SENTIMENT

Feeling valued and treated fairly are two main factors that are affecting motivation, satisfaction, engagement, and chronic stress level for manufacturing employees. You'll see in the table below the large discrepancy between those who feel valued and treated fairly versus those who do not.



Source: themanufacturinginstitute.org

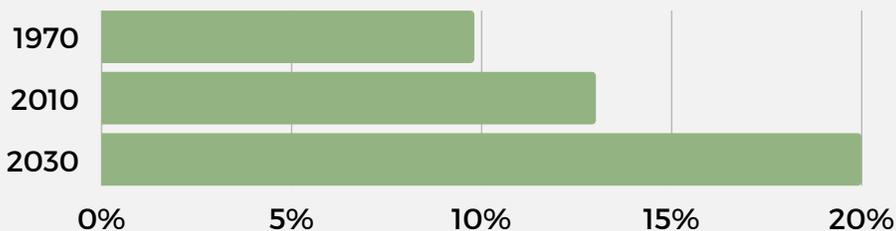
AGING EMPLOYEE POPULATIONS

2.6 MIL
EMPLOYEES EXPECTED
TO RETIRE BY 2030



45% **OF MANUFACTURING**
EMPLOYEES ARE
OVER 40 YEARS OLD

US POPULATION OVER THE AGE OF 65



20%
OF U.S. WILL BE
65+ BY 2030

By 2030, according to the [U.S. Census Bureau](#), more than 20 percent of U.S. residents are projected to be age 65 and over, compared to just 9.8 percent of the population in 1970. There will be about 78 million Americans over the age of 65, surpassing the number of people under the age of 18 (76M).

The aging population is starting to reflect in the workplace and the manufacturing industry is no exception. According to a [recent study](#), 45% of the manufacturing workforce is over 40 years old and 25% is over 55 years old.

Another [study](#) predicted that about 2.6 million manufacturing employees will retire from the workforce over the next ten years. That is an average of over 700 employees retiring each day for the next decade. This number is likely even higher than predicted because it does not account for migrant employees. This spike in retirements will only contribute to the ongoing labor shortage.

When managing an aging workforce, it is important to make your team feel valued and appreciated. They have likely been with the organization for many years and have valuable skills, knowledge, and insights that can be shared. Think about building mentorship and training programs where their knowledge can be leveraged to help younger employees learn and develop necessary skills. Their feedback is also useful for recruitment efforts. Ask them frequently about what motivates them to stay with the organization and incorporate their opinion into recruitment strategies.

Below is a table of best practices and tactics for managing an aging workforce as defined by the [Manufacturing Institute](#).

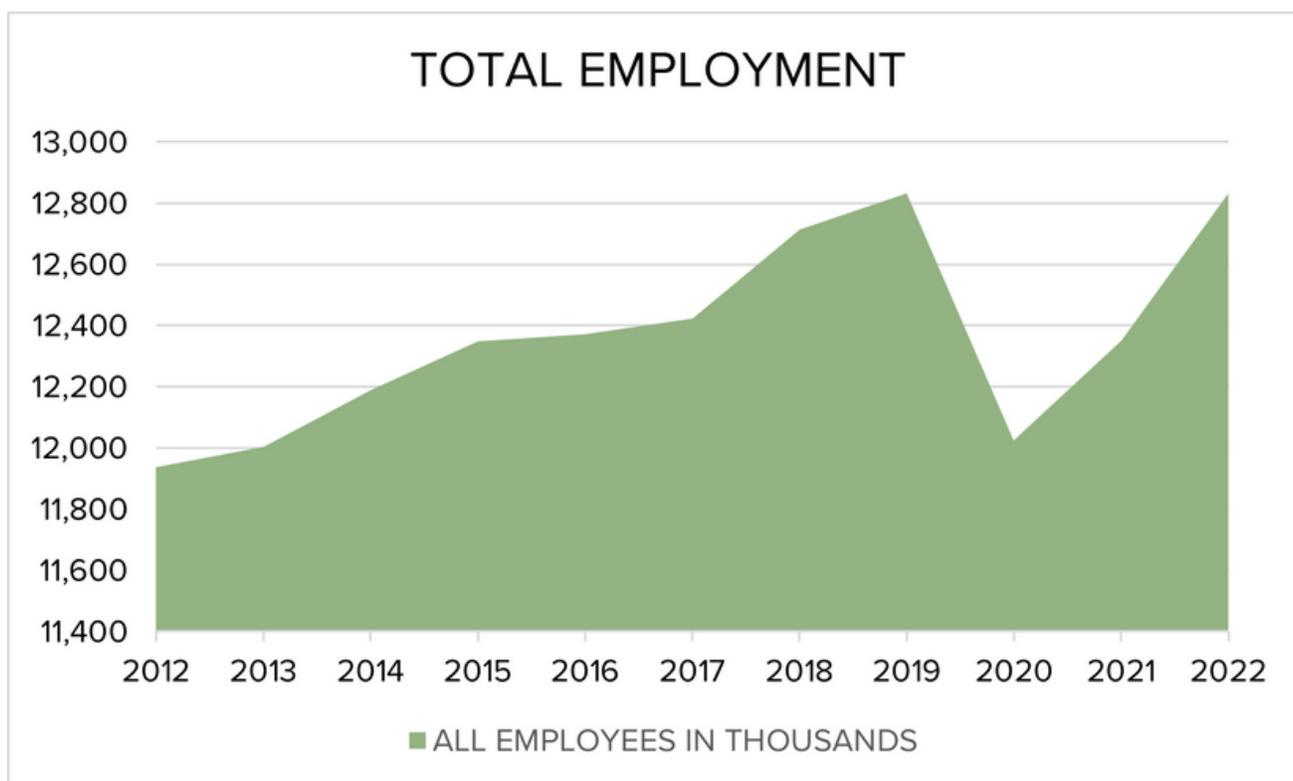
| | |
|--|--|
| <p>EARLY AWARENESS</p> | <ul style="list-style-type: none"> • CREATE OPEN COMMUNICATION CHANNELS • BRING UP RETIREMENT WITH EMPLOYEES AS IT NEARS • ENSURE THAT EMPLOYEES FEEL VALUED AND SECURE |
| <p>KNOWLEDGE TRANSFER</p> | <ul style="list-style-type: none"> • ESTABLISH & STRENGTHEN MENTORSHIP & APPRENTICESHIP PROGRAMS • COLLECT & ARCHIVE OLDER WORKER'S KNOWLEDGE USING CENTRALIZED RECORDS • HIRE OLDER WORKERS WITH NEEDED KNOWLEDGE |
| <p>RETENTION & PRODUCTIVITY</p> | <ul style="list-style-type: none"> • MAKE ERGONOMIC ADJUSTMENTS AND USE ROBOTICS WHEN NECESSARY • ALLOW WORKERS TO TRANSFER TO ANOTHER POSITION INTERNALLY • ADAPT TO WORKER'S NEEDS WITH FLEXIBLE HOURS OR PHASED RETIREMENT • ENCOURAGE WORKERS TO RETURN PART TIME OR THROUGH PROJECT CONTRACTING |
| <p>BOOST RECRUITMENT</p> | <ul style="list-style-type: none"> • INCORPORATE OLDER WORKERS INTO RECRUITMENT EFFORTS • USE REFERRALS FROM OLDER WORKERS |

Source: The Manufacturing Institute

IMPACT OF COVID-19

Before the pandemic hit in 2020, the manufacturing industry's total employment had been growing steadily. In March 2020 when the majority of businesses were forced to shut down, manufacturing firms took a huge hit and around 1.4 million jobs were lost. Since then, jobs have been recovering quickly and as of July 2022 it seems that total employment has bounced back to its pre-pandemic levels.

Although total employment has recovered, manufacturing firms are still facing the fallout caused by laying off thousands of workers during the pandemic. Despite raising minimum wage and improving safety protocols, positions are remaining unfilled as employees hesitate to join an industry that laid-off millions just two short years ago. It appears that it will take time for employers to regain the trust of workers, especially in communities that were impacted by layoffs.



Source: US Bureau of Labor Statistics

GROWING SKILLS GAP

Why does it seem like finding qualified talent has gotten harder each year? That's because it has. According to [Deloitte](#), finding qualified employees is 1.4 times harder than it was in 2018 with the share of difficult-to-fill positions growing from 34% in 2018 to 46% in 2020.

What is causing this? Well, the pool of qualified applicants is not keeping up with the demand of the industry. Manufacturing firms across the board are especially struggling to fill middle-skill jobs that require some technical training or experience.

To combat this growing skills gap, manufacturing organizations need to focus on training programs, apprenticeship initiatives, and upskilling their current employees. Further, the training offered needs to not only be geared to the needs of today but also account for the technology innovations that will likely transform factories in the next ten years. These initiatives pose a significant time and financial investment but are very necessary for the sustainability of the industry as a whole.

If developing skills and training is not made a priority, [Deloitte](#) estimates that of the four million manufacturing jobs that will come available from now until 2030, 2.1 million will go unfilled due to the skills gap and lack of qualified talent.

FINDING QUALIFIED
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1.4X HARDER

THAN IT WAS IN 2018

OF THE

4 MILLION

JOB TO FILL BY 2030

2.1 MILLION

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INDUSTRY PERCEPTION

The manufacturing industry is having an image challenge. Younger generations entering the workforce have an outdated preconceived notion about what it means to work at a manufacturing firm. Many stereotypes include unsafe working conditions, low wages, and hard manual labor. Even though this is not the case for the majority of modern-day firms, the stigma remains.

In order to combat these misconceptions, manufacturing firms need to rewrite the narrative with the emerging working generation. We've seen large companies like Amazon which had previously made headlines for poor working conditions launch campaigns focusing on positive workplace offerings in an attempt to change negative perceptions. Surprisingly, this tactic has worked and has proven that investment into brand and perception campaigns may be the right avenue to attract new audiences of employees.

Ad campaigns aren't the only way to improve industry image. A more grassroots approach that would likely work well for small to medium sized firms is to create relationships with local high schools and colleges. Through internships or apprenticeship programs, young workers can experience firsthand the culture and opportunities that exist in the organization. You can attract both blue and white-collar workers simply by showing students that manufacturing encompasses both hands-on and knowledge-based careers.

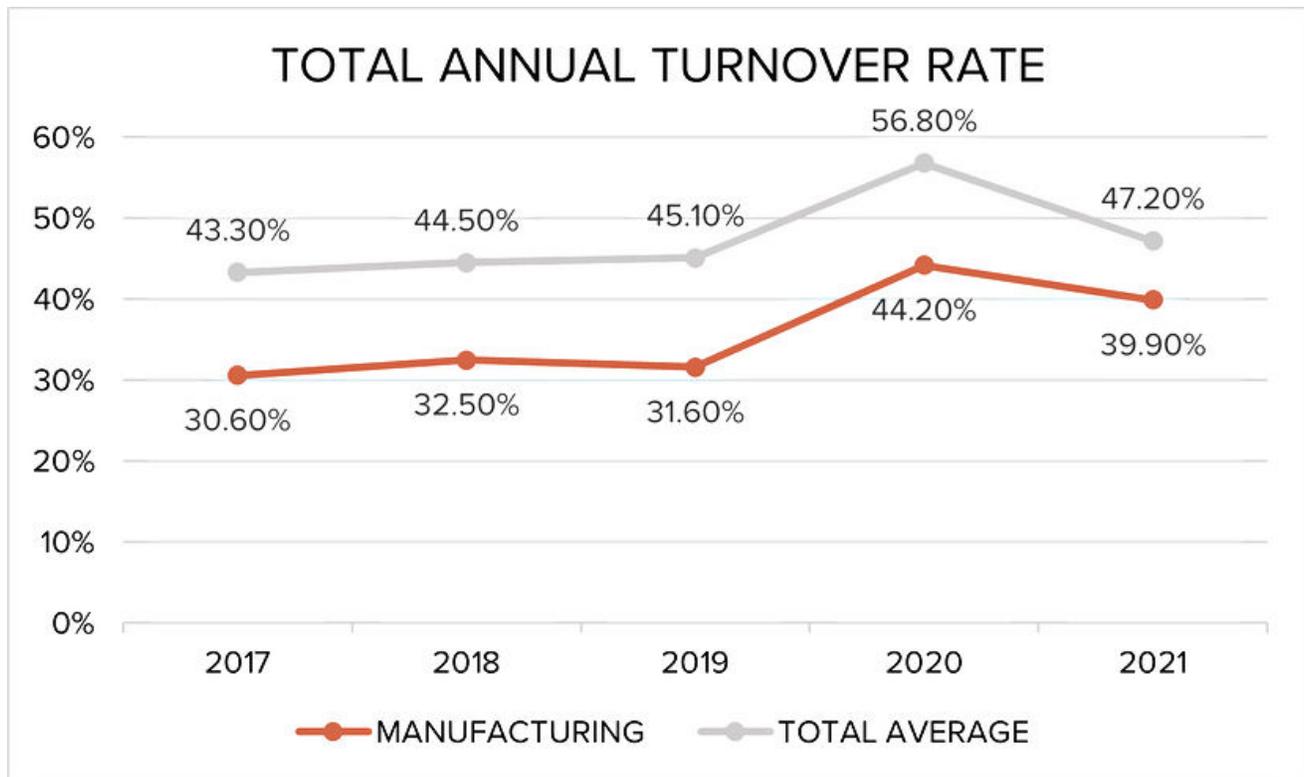
Not only can these efforts erase inaccurate stereotypes but can also lead to a larger recruitment pipeline of entry-level employees from local communities.



OVERVIEW OF TURNOVER

Although manufacturing firms have been facing hiring and retention challenges, their average turnover rates are still outperforming other major industries and the total employment average. In the graph below based on employment data from the [U.S. Bureau of Labor Statistics](#), you'll see that the annual turnover rate for the manufacturing industry was about 10% lower than the total employment average.

As expected, turnover rates across the board spiked in 2020 due to the pandemic but seem to be slowly returning to their pre-pandemic rates. Despite having a lower rate than the total average, the manufacturing industry still has more than one third of employees leave each year making it difficult to maintain adequate staffing levels.



Source: US Bureau of Labor Statistics

COST OF TURNOVER

The longer a position is vacant, the more costly it becomes not only in monetary value but also in terms of overtime, staff burnout, and productivity. The Society of Human Resources Management (SHRM) estimates that at a minimum it costs around \$1,500 to replace an hourly employee. This number only includes the hard financial cost of replacement such as recruiting, background checks, and drug screens. The more accurate cost, which includes intangibles such as reduced productivity, interview time, and lost knowledge can range from one-half to two times the employee's annual salary. To put that into perspective it could cost around \$15,000 - \$60,000 to replace an employee making \$30,000 a year.

As we've seen in the manufacturing industry, the cost of having a 30% turnover rate can quickly add up. For example say a 1,000 employee firm loses 300 employees per year, at a cost of \$15,000 per employee—that is an additional \$4.5 million each year spent on turnover. It's clear that even small increases in annual turnover rates can cause large financial impacts and additional burdens on current employees who are operating understaffed.



\$1,500

MINIMUM COST TO REPLACE AN HOURLY EMPLOYEE

REPLACING AN EMPLOYEE TYPICALLY COSTS

0.5 - 2x 

THEIR ANNUAL SALARY

COSTS BETWEEN

\$15,000

AND

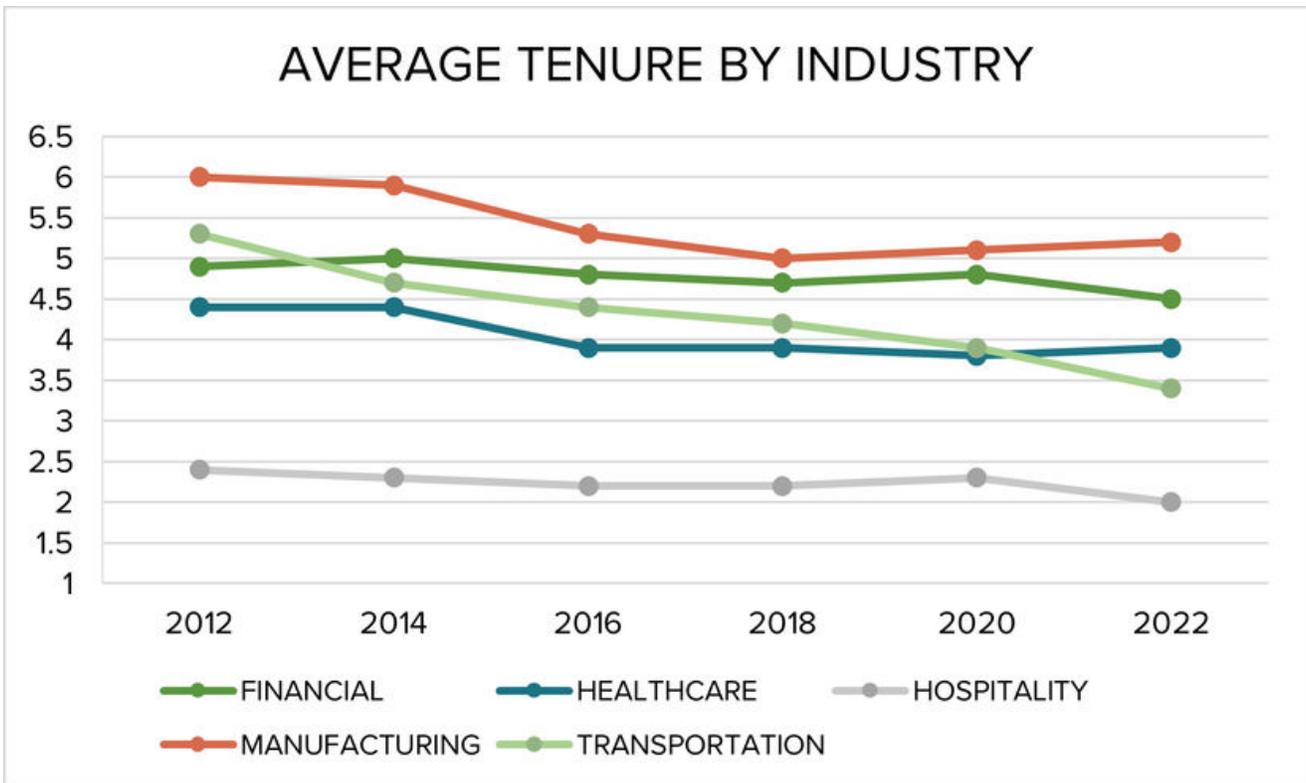
\$60,000

TO REPLACE AN EMPLOYEE MAKING \$30K

OVERVIEW OF TENURE

Similar to what was noted in turnover, manufacturing has a relatively long tenure compared to industry counterparts with a ten-year average of 5.4 years. In the graph below we see that after 2014 there was a significant decrease, with average tenure dropping a full year and remaining at that level to the present day. Even with this decrease, their ten-year average remains above the other main industries and is most similar to the financial industry.

These numbers are a positive sign for retention and the future of the industry. It also indicates that the employees who stay past the first year are committed to the organization for the long haul. In order to keep these employees engaged it is important to make sure they feel recognized for their commitment and the loyalty they have shown the organization over the years.



Source: US Bureau of Labor Statistics

JOB OPENINGS, HIRED, & TOTAL SEPERATIONS

To get a full picture of employment in the manufacturing industry, we broke down the number of job openings, hired employees, and separations in thousands for each month in the table below.

One interesting thing to note in this data is that the total number of employees hired each month was only slightly higher than the total number of employees who either quit or were laid off in the same period. Although the difference is slight, if organizations can continue to hire more employees than they are losing then they can slowly get a handle on their workforce.

Over the months shown, the number of job openings remained steady, with an average of 877,000 open positions each month but breaking under 800,000 for the first time all year in August 2022.

EMPLOYEES HIRED & SEPARATED IN THOUSANDS

| | AUG. 2021 | APRIL 2022 | MAY 2022 | JUNE 2022 | JULY 2022 | AUG. 2022 |
|--------------------------|--------------|---------------|-------------|--------------|--------------|--------------|
| JOB OPENINGS | 873 | 1,017 | 816 | 850 | 910 | 795 |
| HIRED | 463 | 497 | 468 | 481 | 428 | 452 |
| QUIT | 283 | 333 | 317 | 327 | 287 | 285 |
| LAID OFF | 109 | 107 | 101 | 96 | 97 | 100 |
| OTHER | 29 | 22 | 20 | 22 | 30 | 32 |
| TOTAL SEPERATIONS | 420 | 462 | 438 | 446 | 414 | 417 |

Source: US Bureau of Labor Statistics

SUMMARY

It can be a tough situation when some of your best and most tenured employees begin to retire or when you say goodbye to a promising employee early in their career. The costs associated with turnover are enough to make any organization cringe, not to mention the impact losing your best and brightest has on your team.

The manufacturing industry is facing recruitment and retention challenges stemming from a growing skills gap, poor industry perceptions, and an aging workforce. Focusing on developing training programs to upskill entry-level employees and making knowledge transfer a priority can help lessen the impact of losing many tenured employees and combat the skills gap. Training and apprenticeship programs may require a large time and monetary commitment but are vital to the sustainability of the industry as a whole.

Breaking negative stereotypes about the industry begins with perception campaigns where facts and positive workplace initiatives are highlighted. Focusing on safe workplace conditions, fair pay, and benefits can help mitigate misconceptions. Community outreach is also an avenue that can be explored, giving the younger generation an opportunity to get first-hand experience with manufacturing firms and create a direct recruitment pipeline.

Compared to employment averages, the manufacturing industry has a lower average turnover rate and a longer average tenure rate. Although the turnover rate isn't extremely high, annual costs associated with replacing employees piles up quickly. Actively working towards lowering turnover, even just a few percentage points, can save organizations thousands of dollars each year and create a more positive workplace for current employees.

ABOUT PEOPLE ELEMENT

People Element offers an intuitive, all-inclusive employee listening solution. Through unlimited employee feedback surveys that cover the entire employee journey, People Element can help you collect rich data and give your people a voice. From these valuable insights, you can make data driven decisions and implement meaningful changes that will positively impact your workforce. Our clients have seen increases in employee engagement, reductions in turnover, and happier workplaces. Developing a healthy workplace is the key to attracting top talent and keeping them as part of your team for years to come. Ready to build a better workplace?

Learn more at peopleelement.com or schedule a [short demo](#).



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