



A Turning Point for Manufacturing

Annual industry report explores the frontline-labor dilemma



This report by the UKG Workforce Institute analyzes survey responses collected from more than 300 manufacturing HR leaders in the U.S. for a fourth consecutive year. Findings help illustrate how the sector's labor supply is recovering from a pandemic and its tumultuous aftereffects, while further analysis from UKG identifies weaknesses in manufacturers' recruitment practices that, if corrected, could substantially decrease the industry's daunting skills gap.

U.S. Manufacturing Outlook

This year saw healthy growth in demand for manufactured goods and services¹ and similar increases in production capacity.² Four in 5 manufacturers (83%) reported year-over-year revenue increases, with 1 in 3 (33%) citing a significant jump.

Turnover³ and retirement⁴ were generally on the rise, and 2 in 3 manufacturers (66%) said it takes longer now to fill open positions. Despite this, around 3 in 4 (77%) say productivity is up and that employee headcount continues to expand (73%).

The [UKG Workforce Activity Report](#) similarly reflects improved conditions. After U.S. manufacturers reported back-to-back years of declining shift work in 2021 and 2022, the total number of frontline shifts being worked by U.S. manufacturing employees increased in four of the first six months of 2023.

WHAT'S INSIDE:

PAGE

3 Staffing Trends

7 Recruitment Challenges & Opportunities

9 Frontline Experience

14 Look Forward: Industry Priorities

U.S. Labor Trends: Production Line Staffing Improves

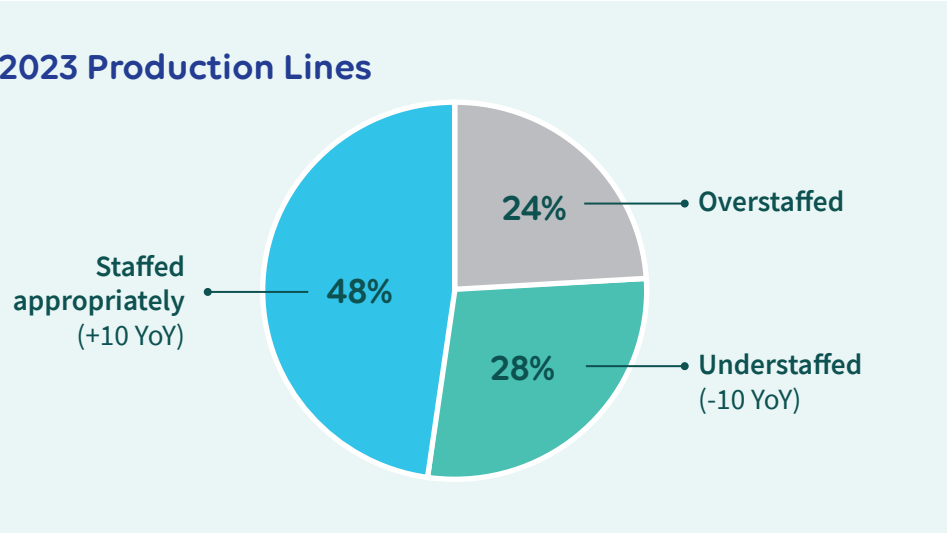
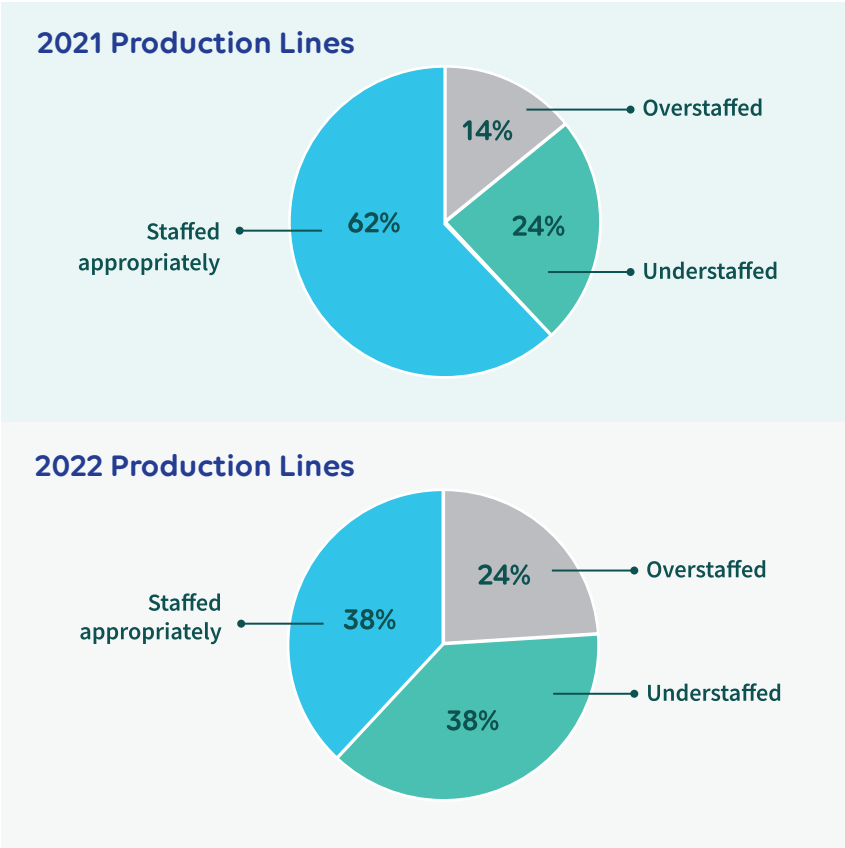
The national labor crisis from 2021 to 2022 exacerbated the industry’s skills gap, but staffing levels in late spring 2023 reveal a marked improvement. A 10-point year-over-year drop in understaffing on production lines suggests the industry’s labor market is slowly stabilizing.



Although manufacturers reported a significant year-over-year improvement, production lines remain understaffed nearly a quarter of the time—a predicament likely to impact production goals and employee work-life balance, among other things.

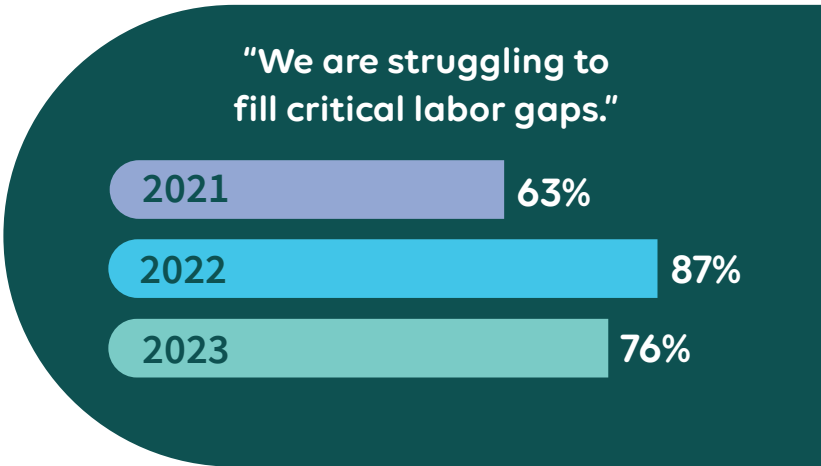


of today’s manufacturers experience production delays at least once a week.



Close the Manufacturing Skills Gap or Immobilize the U.S. Economy

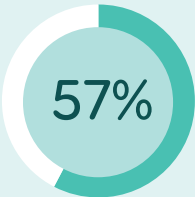
Output from the manufacturing industry represents roughly 11% of the U.S. GDP — and that number more than doubles if you factor direct and indirect value add (e.g., purchases from other industries). According to estimates by the National Association of Manufacturers, failing to proactively address the industry’s unsustainable skills gap will result in an estimated 2.1 million unfilled manufacturing jobs by 2030, which could have devastating impacts on all sectors.⁵



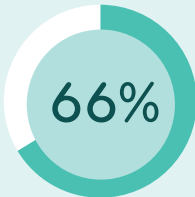
Manufacturers understand the gravity of their situation, and, by and large, they’re taking action to close the skills gap. What we’ve found in our study is a set of organizational priorities that align to strengthen the frontline-employee experience, maintain competitive wages, diversify candidate pools, and support frontline managers in a strategic attempt to curb employee turnover. These approaches are proving effective, as we’ve tracked an 11-point improvement year over year in the number of manufacturers who say they are “struggling” to hire skilled workers.

We can attribute some of this momentum to the general easing of the labor market, but this is an issue manufacturers have been tackling for a long time — much longer than the pandemic-induced impacts affecting other industries. It’s clear from this study that manufacturers understand the assignment and won’t be easing off the gas when it comes to improving processes that can make their workplaces more attractive to skilled talent.

— Kylene Zenk, industry fellow, manufacturing, at UKG

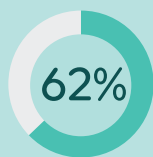


of manufacturers cited YoY increases in unfilled jobs



of manufacturers cited YoY increases in the time to fill open positions

Manufacturing Employee Turnover by the Numbers



say turnover increased YoY at their organization, while 16% saw a decrease and 22% reported little to no change.

What's your annual rate of turnover?

Less than 20%

46%

More than 20%

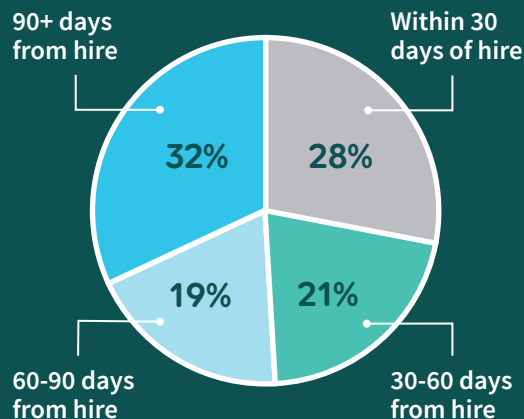
54%

What's the average cost of turnover?

\$20,000 – \$40,000

to replace a skilled frontline employee, according to 66% of manufacturers.

When does new-hire turnover occur?



Squeezing the bottom line?

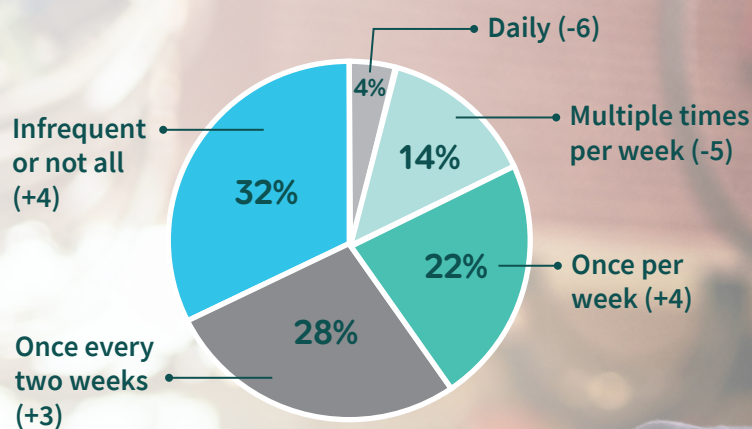
7 in 10

manufacturers say employee turnover has a moderate (47%) to severe (22%) impact on their bottom-line finances.

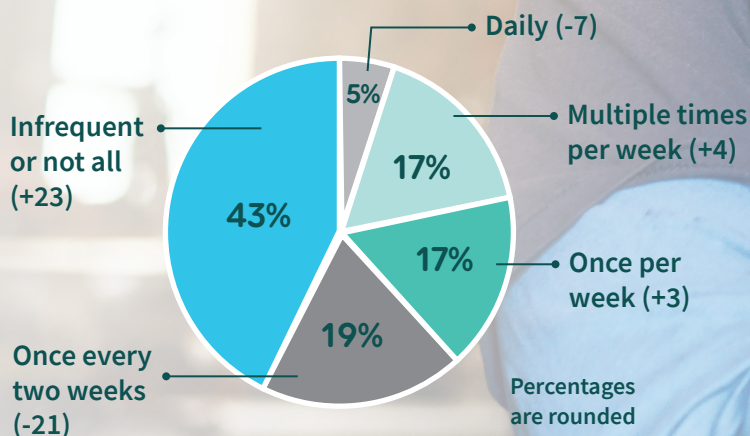
For Some, Frontline Turnover Is Trending Positive in 2023

Some manufacturers are faring better than others, with fewer frontline managers and hourly employees quitting per month. In 2022, around 1 in 10 manufacturers saw frontline staff voluntarily exit on a daily basis, but that frequency is seen by just a fraction of organizations today. Similarly, 43% of manufacturers now say frontline managers rarely quit — an improvement from 20% in 2022.

Hourly Employee Quit Rate



Frontline Manager Quit Rate



Manufacturing's Top 5 Recruitment Challenges

2022

2023

42%

46%

Finding talent with the right experience

44%

42%

Finding talent with the right skills

25%

39%

Maintaining a strong talent pipeline

43%

38%

Finding talent with the right education or certifications

29%

33%

Finding candidates who want to work for our organization

Manufacturers are responding to an unsustainable rise in both demand and frontline turnover. The result: 57% reported an increase in unfilled jobs at their organizations over the previous year. Recruiting candidates with the right experience, skills, and training remains challenging, and maintaining a strong talent pipeline emerged as a rising struggle.

RECASTING INDUSTRY PERCEPTIONS

75% of manufacturers believe negative industry perceptions impact recruitment, but they could be doing more to engage with local communities and students to create excitement about careers in modern manufacturing.

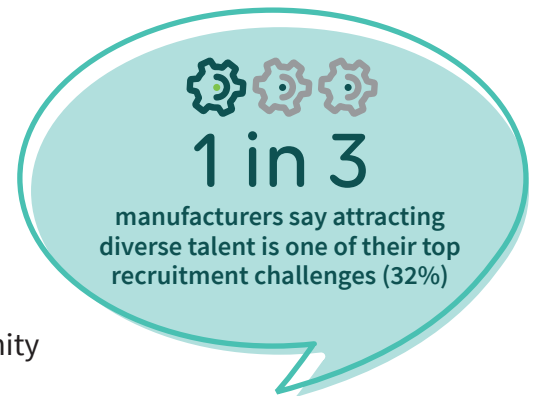
- **ONLY 1 IN 4** (25%) engage with students on MFG Day—an annual event organized nationally by the Manufacturing Institute in October to inspire next-gen talent.
- **FEWER THAN 1 IN 3** (31%) are partnering with local high schools or community colleges to build a skilled talent pipeline.

Who Are Manufacturers Recruiting?

In order to fill critical labor gaps and strengthen talent pipelines, manufacturers are continuing to diversify candidate pools to varying degrees. In the past year, around half have hired people recently laid off from the tech sector (50%) and people with no manufacturing experience (46%). Some have also hired people with conviction histories (28%), refugees or immigrants (28%), and retirees (27%).

Opportunity to diversify

Only 2 in 5 (39%) consider diverse hiring a “high” priority for their organizations. Few manufacturers have active recruitment programs targeting LGBTQIA+ talent (38%), underrepresented racial or ethnic groups (33%), people with physical disabilities (25%), women (24%), or neurodiverse candidates (22%).⁶ Given that nearly 9 in 10 manufacturers (88%) agree that diverse teams are typically “more creative and innovative,” these numbers indicate a growing opportunity for manufacturers to further diversify recruitment efforts.



FEWER THAN A QUARTER
of manufacturers proactively
recruit women **(24%)**

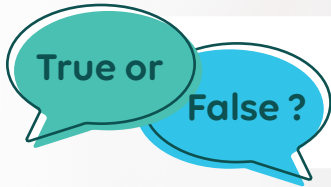


Fewer than a quarter of manufacturing organizations are proactively working to increase women’s representation in the field, yet a recent study by the Manufacturing Institute identified women as one of the most viable and strategic talent pools for the manufacturing sector.⁷ The talents, perspectives, and lived experiences of women and other underrepresented groups are invaluable to creating a workplace culture that attracts and retains the best talent, and every organization can think of ways to remove barriers of entry and close the opportunity gap for women, especially as so many are struggling to find skilled workers.

At Saint-Gobain North America, we are committed to building the best teams in a diverse and inclusive workplace, to ensure that more women and other underrepresented groups see a place for themselves in this exciting industry. We are witnessing firsthand how workplace diversity improves culture, team collaboration, and business performance. The best way to solve a problem is to have a diverse team — differences make us stronger.

— Magda Dexter, senior vice president of human resources at Saint-Gobain North America

Reframing the Frontline Experience to Mitigate Turnover



We have two separate cultures in our company: one for frontline workers and one for everybody else.

Eighty percent of manufacturers agree with this statement, with 1 in 3 (32%) saying they “strongly agree.”

Almost all survey respondents (92%) indicated that frontline employees receive “the same benefits” extended to corporate employees. But by drilling down into the data, we find that manufacturers may be offering only *some* of the same benefits to corporate and plant employees — certainly not all. For example, very few offer predictable work schedules (34%) or paid time off (28%) for frontline employees, while just 44% grant frontline staff flexibility and autonomy to set shift availability and pick up or swap shifts as needed. Moreover, just about half say training and development (50%) or employee wellness programs (46%) are available for the frontline.



“Perhaps unintentionally, manufacturers have historically focused more on creating a positive culture and experience for corporate employees, compared with the hourly team members who keep production lines running. While operational dynamics may prevent all employees from having the same experience, manufacturers do have opportunities to enhance equity at all levels of their organizations. Whether by increasing flexibility to address family and personal needs or empowering frontline staff to learn new skills so they can advance within their companies, small changes can have big impacts on the frontline experience and, by extension, recruitment and retention.”

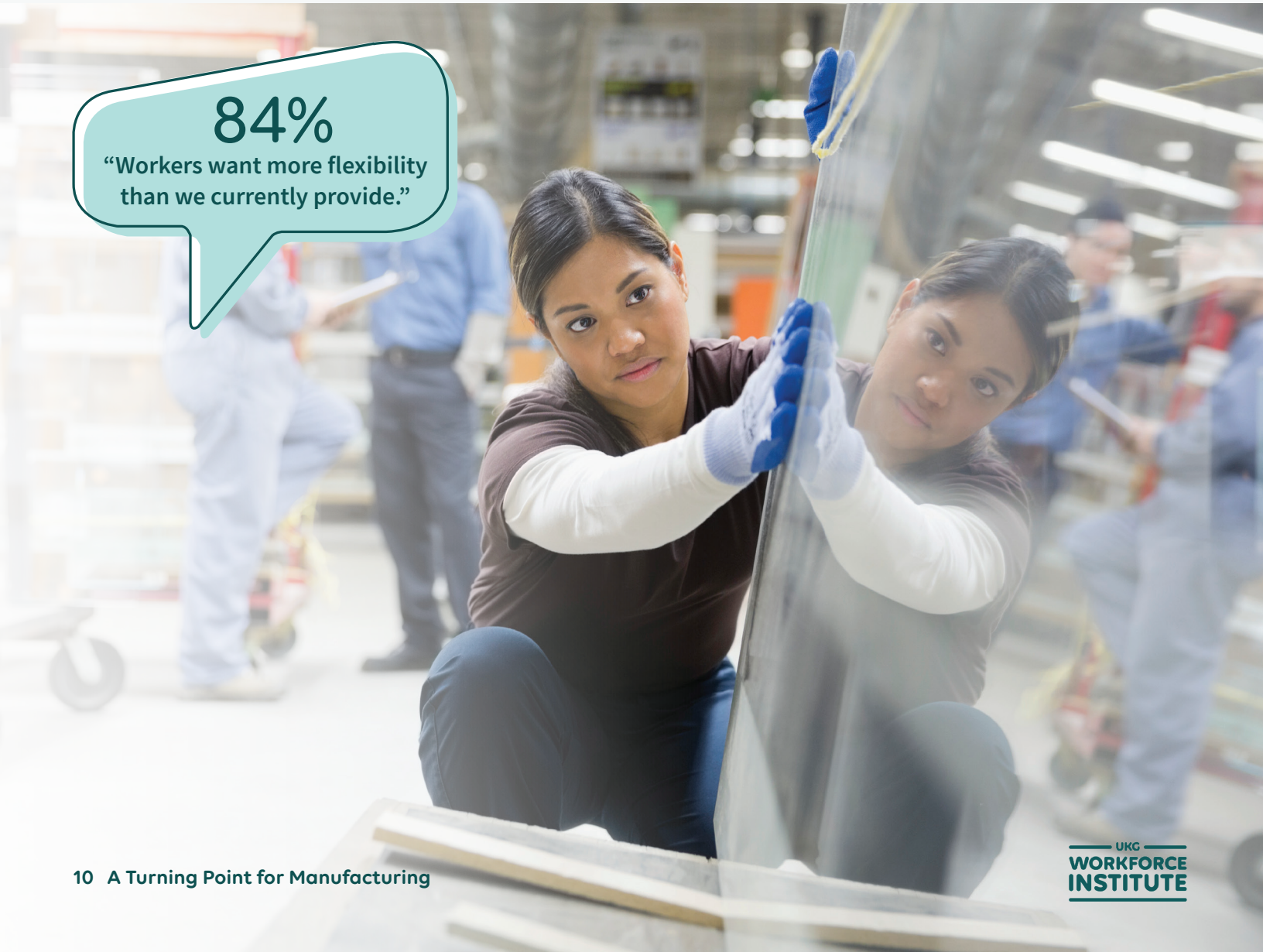
— Kylene Zenk, industry fellow, manufacturing, at UKG

The Benefits of Schedule Flexibility in Manufacturing



According to a 2023 study conducted by Great Place To Work® that analyzed feedback from more than 74,000 employees in manufacturing and production fields, when managers encourage people to balance their work and personal lives, employees are 16% more likely to endorse that company to friends and family as a great place to work. Similarly, when employees feel they are able to take time off from work as needed, the study finds they are 14% more likely to stay with their organization. In both instances, flexibility is revealed as a linchpin for recruitment and retention efforts to address the industry's skilled-labor gap.

The same research shows that by focusing on key metrics that build trust with their people, top-rated manufacturing employers offer talented candidates work environments that surpass not only industry competitors but also the typical U.S. workplace as well.⁸

A photograph of two female manufacturing workers in a factory. They are wearing blue gloves and are working on a large, curved metal part. In the background, other workers in blue uniforms are visible, along with industrial equipment and a warehouse-like setting with high ceilings and bright lighting.

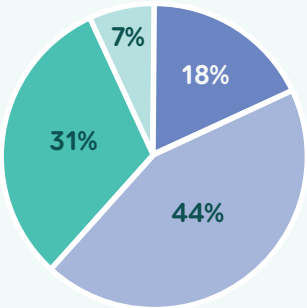
84%

“Workers want more flexibility than we currently provide.”

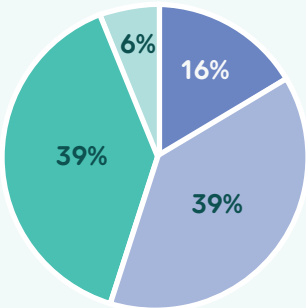
More than two-thirds of manufacturers (68%) say their company isn't doing enough to support the frontline employee experience with mobile technology.

The research shows many manufacturers still rely on manual (e.g., paper processes) or electronic solutions (e.g., spreadsheets, emails) to manage and retain frontline employees, with fewer than 1 in 10 embracing AI-driven technology to streamline routine tasks, such as scheduling, time and attendance, productivity tracking, performance management, and more.

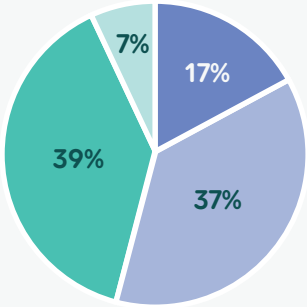
Workforce scheduling



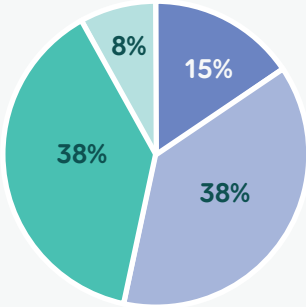
Employee communications



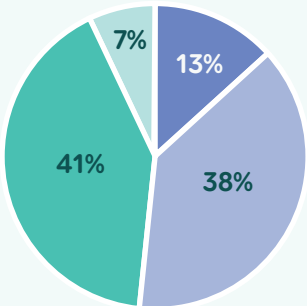
Training and development



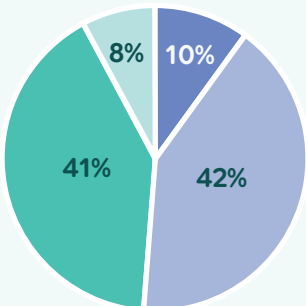
Performance management



Time and attendance tracking



Employee productivity tracking



“Workplace AI positively impacts our bottom line.” (Includes 41% who “strongly agree”)



“Our frontline employees view artificial intelligence as a threat to their jobs.”

- Manual (e.g., paper processes)
- Electronic (e.g., spreadsheets, email)
- Digital (e.g., automated, mobile access)
- AI-driven

To What Extent Are Organizations Prioritizing the Frontline Experience? (And Is It Enough?)

Fewer than half of manufacturers are prioritizing certain crucial employee experience and engagement initiatives on the frontline — and HR is taking notice. Around 2 in 5 HR leaders surveyed said they’d like to see their organizations put a higher priority on offerings such as employee wellness programs (42%), recognition and rewards (39%), and employee engagement surveys (37%).

Employee Experience & Engagement Scorecard

	Priority Level		
	High	Medium	Low
Employee wellness programs	46%	45%	9%
Cultural competency training	43%	46%	9%
Frequent and transparent employee communications	42%	46%	12%
Employee recognition and rewards	40%	47%	12%
Employee engagement surveys	40%	43%	14%
Employee volunteerism	36%	45%	15%
Multilingual employee communications and/or translation support	35%	48%	14%
Employee Resource Groups (ERGs)	33%	49%	16%

Lines may not total 100%; counts do not include the percentage of manufacturers that selected “Not a priority” (1% to 3%).

Room to Improve: Safety, Burnout, and Support for Frontline Managers

Workplace injuries are common: 35% of manufacturers say injury occurs on the job at least once a week, while another 23% record injuries at least every two weeks. Despite this, only 41% say their companies place a “high” priority on training managers to recognize and address signs of employee burnout, which is a critical measure to help curb injury and enhance workplace safety.

Similarly, while manager retention requires close attention (80% agree it’s more difficult to fill vacant frontline manager roles than non-manager roles), only 2 in 5 manufacturers (42%) identified training and coaching for this vital segment of their workforce as a “high” priority for their organizations.



Manufacturers Make an Effort to Invest More in the Frontline



Taking better care of your people and giving them a voice in their experience has a tremendous impact on retention. The key is to operationalize this practice for the frontline, where not everyone has a work email and may not speak the same language. To be effective, feedback and communication channels need to meet your people where they are. Even more important is translating their input into action. Being curious, empathic, and open to change are among the greatest traits a leader can possess.

— Dr. Jarik Conrad, SPHR, SHRM-SCP, Executive Director of the UKG Workforce Institute

87%

My company proactively seeks new ideas from frontline workers to improve processes. (48% somewhat, 39% very much)



3 in 4

manufacturers raised starting pay for frontline managers year over year (75%)



2 in 3

manufacturers raised starting pay for hourly employees year over year (65%)

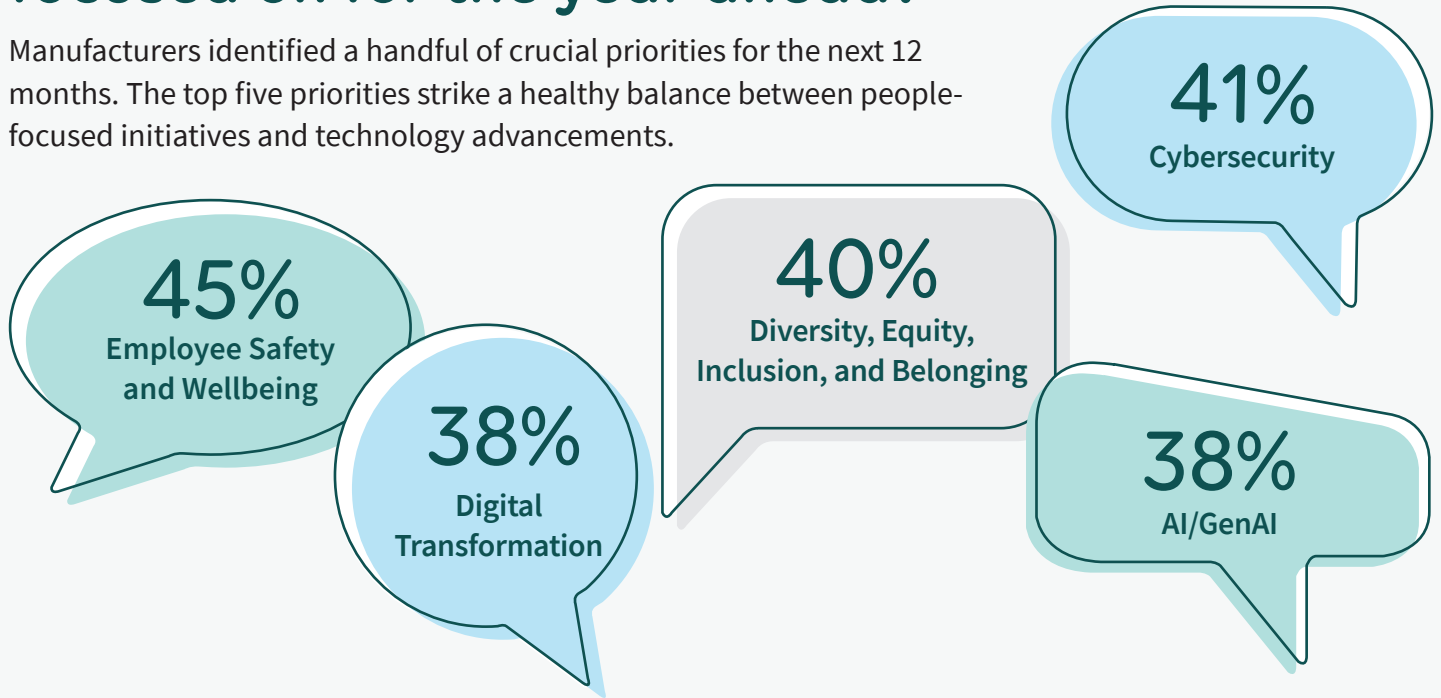
87%

My company is actively trying to provide more flexible work arrangements for frontline workers. (48% somewhat, 39% very much)



Look Forward: What is the industry focused on for the year ahead?

Manufacturers identified a handful of crucial priorities for the next 12 months. The top five priorities strike a healthy balance between people-focused initiatives and technology advancements.



Recruitment, Retention, and Training Remain Critical

Nearly one-third of manufacturers had pledged to prioritize recruitment (32%) and retention (31%) during the previous 12 months. Making good on their goals, the survey finds manufacturers have continued their efforts to recruit, retain, and train skilled talent. Here's how:



UKG Workforce Institute

The UKG Workforce Institute is a global think tank of HR practitioners, researchers, and business leaders dedicated to driving organizational growth and performance through an emphasis on *people*. Established in 2007, the institute regularly shares original research, data-driven insights, and actionable strategies from its esteemed board members and industry executives. The UKG Workforce Institute is focused on the key areas of culture, compliance, talent, technology, and wellbeing; how each impacts various industries and the workforce at large, from the frontline to the C-suite; and what organizations can do to best serve their employees, today and in the future.

For Additional Information:

www.workforceinstitute.org

Join the conversation:

@WF_Institute

For more on the research please contact:

Brandon Bielich, managing editor of the UKG Workforce Institute
brando.bielich@ukg.com

Kylene Zenk, industry fellow, manufacturing, at UKG
kylene.zenk@ukg.com

Survey Methodology

Research findings are based on an industry survey conducted by InnovateMR on behalf of the UKG Workforce Institute to better understand how the U.S. manufacturing sector's labor supply is recovering from a pandemic and its tumultuous aftereffects, including whether current best practices can be applied to solve the industry's long-term skills gap. Responses were collected between June 1-21, 2023, from 304 HR leaders at U.S.-based manufacturing

organizations, including HR directors (37%), HR executives (34%), HR managers, hiring managers, and recruiters (24%), and other hiring decision-makers (5%). Nearly 40% of respondents said their company's annual revenue tops \$500 million, and 14% work for a U.S.-based multinational organization. The UKG Workforce Institute conducted similar studies in the spring of 2020, 2021, and 2022.

- 1: Manufacturers noted a moderate (47%) to significant (34%) increase in demand for goods and services year over year
- 2: Manufacturers noted a moderate (46%) to significant (31%) increase in production capacity year over year.
- 3: Manufacturers noted a moderate (40%) to significant (22%) increase in voluntary and involuntary turnover year over year.
- 4: Manufacturers noted a moderate (30%) to significant (17%) increase in retirements year over year.
- 5: According to the [National Association of Manufacturers](#)
- 6: In all cases, the percentage of organizations hiring from the diverse candidate pools listed was slightly higher than the percentage of organizations actively recruiting.
- 7: Read the full study from the Manufacturing Institute: "[The Manufacturing Experience: Closing the Gender Gap](#)" (Nov. 2022)
- 8: According to [Great Place To Work](#), employees at the 2023 Fortune Best Workplaces in Manufacturing & Production report a greater intent to stay (44% higher than a typical manufacturing employer and 39% higher than a typical U.S. employer) and a stronger willingness to endorse their company as a "great workplace" to friends and family (45% higher than a typical manufacturing employer and 41% higher than a typical U.S. employer).