



THE MANUFACTURING EXPERIENCE: COMPENSATION AND LABOR MARKET COMPETITIVENESS

**A BEST PRACTICES STUDY WITH SUPPORT FROM
COLONIAL LIFE**

MAY 2022

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By Chad Moutray¹

¹ Special thanks to Lauren Newman and Alex Cutillo for their contributions to this paper and to the manufacturing executives who gave their time to be interviewed.



➤ Key Findings

- Manufacturers continue to cite the inability of attracting and retaining a quality workforce as a top concern—a problem exacerbated by the tight labor market.
- In local markets, there is intense competition for employees from other manufacturers, larger companies, distribution centers and service-sector companies, many of whom have also increased compensation substantially in light of the worker shortage.
- Roughly 93% of respondents had unfilled positions within their companies for which they were struggling to find qualified applicants, and 89.5% said that they have increased compensation—including wages, salaries and benefits—to remain competitive in their pursuit and retention of employees.
- Manufacturing executives have increased wages and salaries significantly to remain competitive, and many of them had done so several times in the past year or two, with intentions of still large raises this year as well.
- Roughly 73% of manufacturers felt that increased compensation had helped keep their company competitive in their ability to recruit and retain employees.
- While base hourly wages and salaries were cited as most important for attraction and retention, other benefits were also important, including health insurance benefits, bonuses and/or additional income opportunities, paid vacation leave, contributions to a 401(k) or retirement plan, paid sick leave, flexible work hours and dental and vision insurance benefits.
- Sign-on bonuses for new employees ranked higher than accident or disability insurance benefits, life insurance benefits or flexible spending accounts (each of which are common and relatively popular). That speaks to the need for some companies to offer sign-on bonuses in a tight labor market—something that many of the interviewees said that they had never had to do before.
- Roughly 59% of those completing the survey said that increased worker flexibility had helped to attract and retain employees, with nearly one-third uncertain.
- The company’s culture and “being cared for” are important differentiators for manufacturers in the competition for talent. This includes frequent and effective communication (including “being heard”), but training and upskilling, the emphasis on health and safety and drives for more inclusivity can also be helpful in making employees “sticky,” helping with retention.

➤ Introduction: The Current Environment

Manufacturers are facing numerous interrelated challenges, many that are unlike anything confronted in recent history. While overall manufacturing activity and growth in the sector has proven to be resilient, companies have struggled to meet demand, particularly as firms have grappled with supply chain bottlenecks, persistent COVID-19 outbreaks, soaring input costs and workforce challenges. More recently, the Russian invasion of Ukraine has further exacerbated supply chain and pricing pressures, adding new risks to the economic outlook.

Nonetheless, the manufacturing sector has continued to reflect relative strength. The [NAM Manufacturers' Outlook Survey](#) for the first quarter of 2022, for instance, found that nearly 89% of respondents felt positive about growth at their companies, an elevated reading that has not changed much over the past five quarters. In addition, manufacturing production has rebounded strongly after plummeting sharply in spring 2020 at the beginning of the COVID-19 pandemic, with output in the sector now 2.9% above the level in February 2020.

Likewise, manufacturing employment increased by 365,000 in 2021, the biggest annual increase since 1994, with 174,000 workers added already through the first four months of 2022. Data does suggest that manufacturing employment is on track to return to pre-pandemic levels by the third quarter of 2022, which is encouraging. However, there were 860,000 manufacturing job openings in March, and over the past 12 months, monthly job openings in the sector have averaged nearly 865,000, including the record 943,000 in July. The number of nonfarm business job openings also remain not far from all-time highs. Indeed, there continue to be more job openings in the economy than those who are actively looking for work. In fact, for every 100 job openings in the U.S. economy, there are just 51.5 unemployed workers to potentially fill those roles. Moreover, total quits in the manufacturing sector rose from 345,000 in February to 360,000 in March, a new record. That translated into 2.8% of the manufacturing workforce and continues a trend of very significant “churn” in the labor market, exacerbating the workforce difficulties that companies are experiencing.

The severe labor shortages that companies are experiencing coincide with a very tight labor market, and the result has been sharply higher wage pressures. In the first quarter Manufacturers' Outlook Survey, respondents anticipate employee wages to rise 3.9% over the next 12 months, the fastest rate in the survey's history. In addition, in the latest employment data, average hourly earnings of production and nonsupervisory workers in manufacturing rose 0.3% to \$24.78 in March, up 5.5% from one year ago and just shy of the fastest wage growth since August 1982. Despite these sizable wage increases, the labor force participation rate remains below pre-pandemic levels, at 62.2% in April, down from 63.4% in February 2020. [New research](#) suggests that the labor force has 3.5 million workers today relative to the pre-pandemic trend, and there is expectation that many Americans might remain on the sidelines of the labor market.

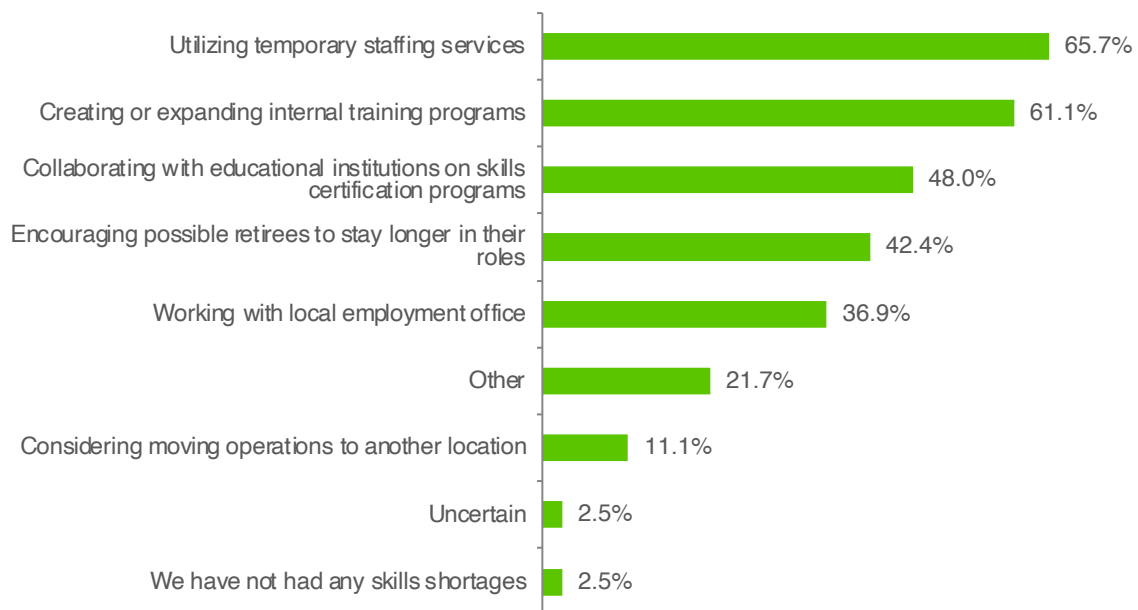
This research focuses on workforce issues. In data and conversations, manufacturers continue to recount the difficulties that they are having with attracting and retaining workers. Compensation practices have needed to adapt—sharply for some companies—considering the local and national competition for talent, but companies cannot solve these challenges simply by increasing wages and benefits alone. As such, manufacturing firms have turned to other methods to address the skills shortage at their companies. This paper provides an overview of what some companies have done with the goal of helping other companies learn from their experiences.

► The Scope of the Challenge

The Manufacturing Institute conducted a survey on compensation and labor market issues from Jan. 28 to Feb. 28, with 198 responses, and it conducted interviews with executives at 10 manufacturing companies. In the survey, 92.9% of respondents had unfilled positions within their companies for which they were struggling to find qualified applicants, and 89.5% said that they have had to increase compensation—including wages, salaries and benefits—to remain competitive in their pursuit and retention of employees.

Nearly 66% of manufacturers were responding to the workforce shortage by utilizing temporary staffing services more (Figure 1), but internal training programs were also an important solution, with 61.1% saying that they had created or expanded such programs at their company. Other important ways of addressing the skills shortfall included collaborating with educational institutions on skills certification programs (48.0%), encouraging possible retirees to stay in their roles longer (42.4%) and working with the local employment office (36.9%). Various forms of compensation, including raises, benefits and referral/signing bonuses, were the bulk of the responses for those marking “Other” (21.7%), but there were also mentions about marketing the positions differently, hiring individuals with prior convictions and altering shifts or the workweek to create more flexibility.

Figure 1: How Manufacturers Are Addressing the Skills Shortage



Note: Respondents were able to check more than one response; therefore, responses exceed 100%.

In the interviews, all of the manufacturing business leaders described the current labor market as very difficult, with one suggesting that it was “the most challenging in [his] 40-year career.” DENSO International Vice President for Human Resources Santosh Singh referred to the current employment environment as the “Great Reshuffle”—in contrast to the more commonly used “Great Resignation”—as it speaks to how the “norms of flexibility have changed post-COVID” and to the desire of many associates to reassess their life-work balance and to consider new options that they might have not considered a few years ago. He added that companies have to find ways to “maintain their place as a great organization” in a very tough labor market.



More often than not, interviewees spoke about the challenges of hiring and keeping entry-level workers. In local markets, there is intense competition for employees from other manufacturers, larger companies, distribution centers and service-sector companies, many of whom have also increased compensation substantially in light of the worker shortage. As a result, all the manufacturing executives that we spoke with had to increase wages and salaries significantly to remain competitive, and many of them had done so several times in the past year or two, with intentions of still large raises this year as well. (In the survey, 89.5% of respondents said that they had increased wages and benefits.) Benefit costs also had risen for some companies, largely due to higher health care costs. Some companies spoke about signing bonuses, but referral bonuses were more common. One company touted a signing bonus of \$5,000, with a referral bonus of \$3,500, speaking to their acute need for talent.

In the survey, 63.7% of respondents felt that their total compensation was competitive with their peers or the local market, with 17.9% feeling that their company paid more and 15.8% noting that their compensation was below market but that they were closing the gap. On average, the manufacturers completing the survey said that wages and salaries increased 5.7% in 2021, with 4.8% growth seen in 2022. Likewise, benefit costs rose 4.8% on average in 2021, with 5.0% growth predicted in 2022. Roughly 73% of manufacturers felt that increased compensation had helped keep their company competitive in their ability to recruit and retain employees, with 9.8% suggesting that it had not helped and 14.4% uncertain.

In addition to compensation, several interviewees noted the speed with which some of their competitors, particularly the distribution centers, were hiring people. It is hard for some manufacturers to hire workers “on the spot,” especially with background checks and other requirements that need to be verified. ALOM Head of People Paul Vagadori said, “We do not want the best candidates getting hired elsewhere while we are still interviewing.” They, and others, are responding by trying to streamline and expedite the hiring and onboarding process where possible.

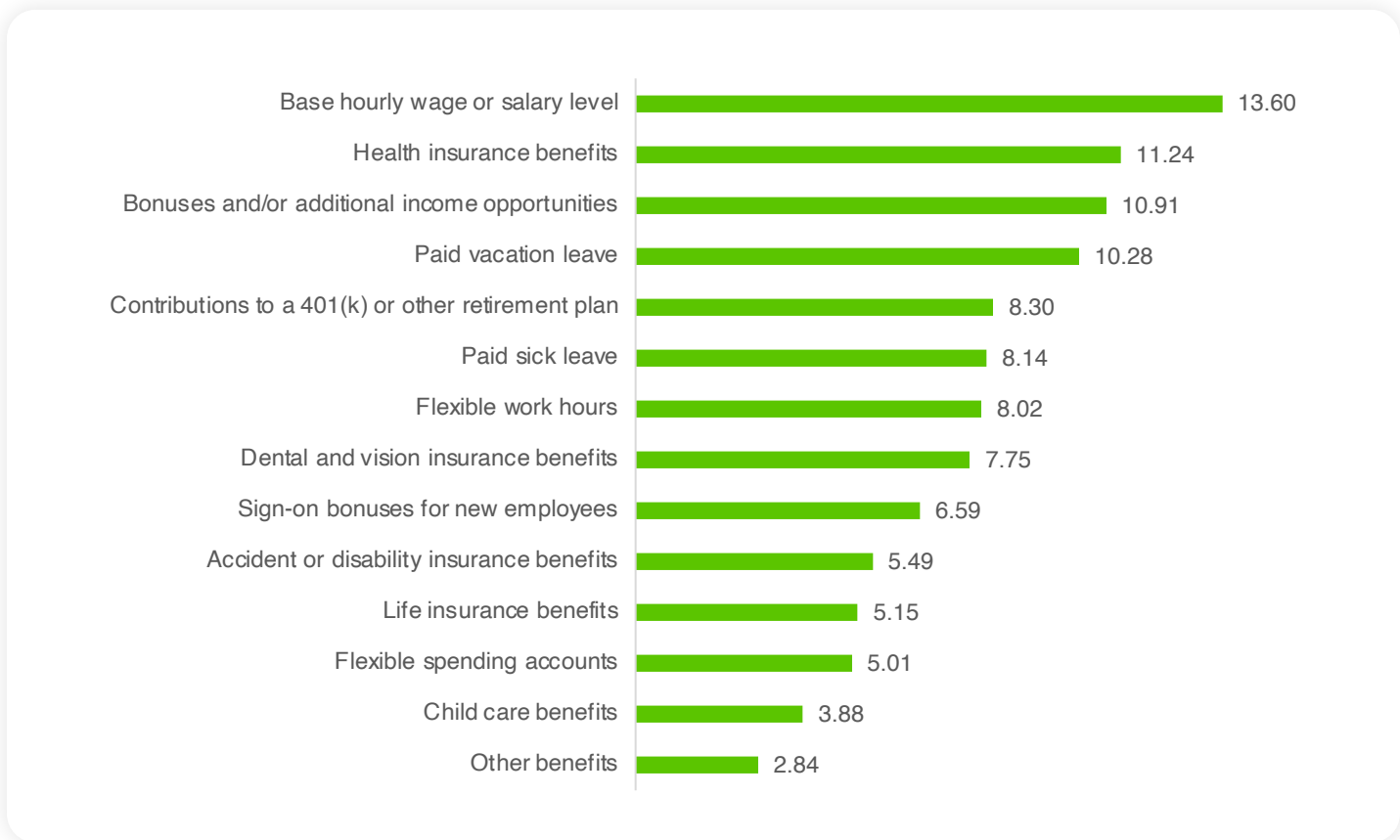
It is important to note that manufacturers’ struggles for talent go beyond entry-level workers. DENSO International America Director of Human Resources Hugh Cantrell observed, “As you move up the career ladder, applicant flow improves, but there is a bidding war.” He said that skilled trades, including machining and design, posed a challenge for them, with maintenance and tooling jobs the hardest to fill. This was echoed by Ketchie President and Owner Courtney Silver who noted the lack of experienced machinists in the market. Click Bond Director for People Operations Nancy Rodriguez and CSC Steel USA Executive Vice President for Shared Services Ron Peppe both cited challenges with hiring engineers. Moreover, this is not a problem that is limited to the United States, according to Allegion Vice President for Human Resources – Total Rewards and Talent Jennifer Preczewski, who noted global tightness in the labor markets in Europe and Asia, but there were significant challenges in both the U.S. and Mexico.

Several interviewees stated that their production facilities were mostly located in rural areas, which can sometimes pose challenges. For instance, if someone does not have a car, it could complicate one’s ability to get to work, and for those who do, high gasoline prices could be an additional hindrance.

➤ Benefits and Labor Market Competitiveness

Survey respondents were asked to rank the importance and attractiveness of a series of employee benefits as they think about compensation at their company and in their company’s ability to remain competitive in the local labor market (Figure 2). Not surprisingly, the base hourly wage or salary level was the top response, but other benefits were seen as key for attracting and retaining employees. This included health insurance benefits, bonuses and/or additional income opportunities, paid vacation leave, contributions to a 401(k) or retirement plan, paid sick leave, flexible work hours and dental and vision insurance benefits. Interestingly, sign-on bonuses for new employees ranked higher than accident or disability insurance benefits, life insurance benefits or flexible spending accounts (each of which are common and relatively popular). That speaks to the need for some companies to offer sign-on bonuses in a tight labor market—something that many of the interviewees said that they had never had to do before.

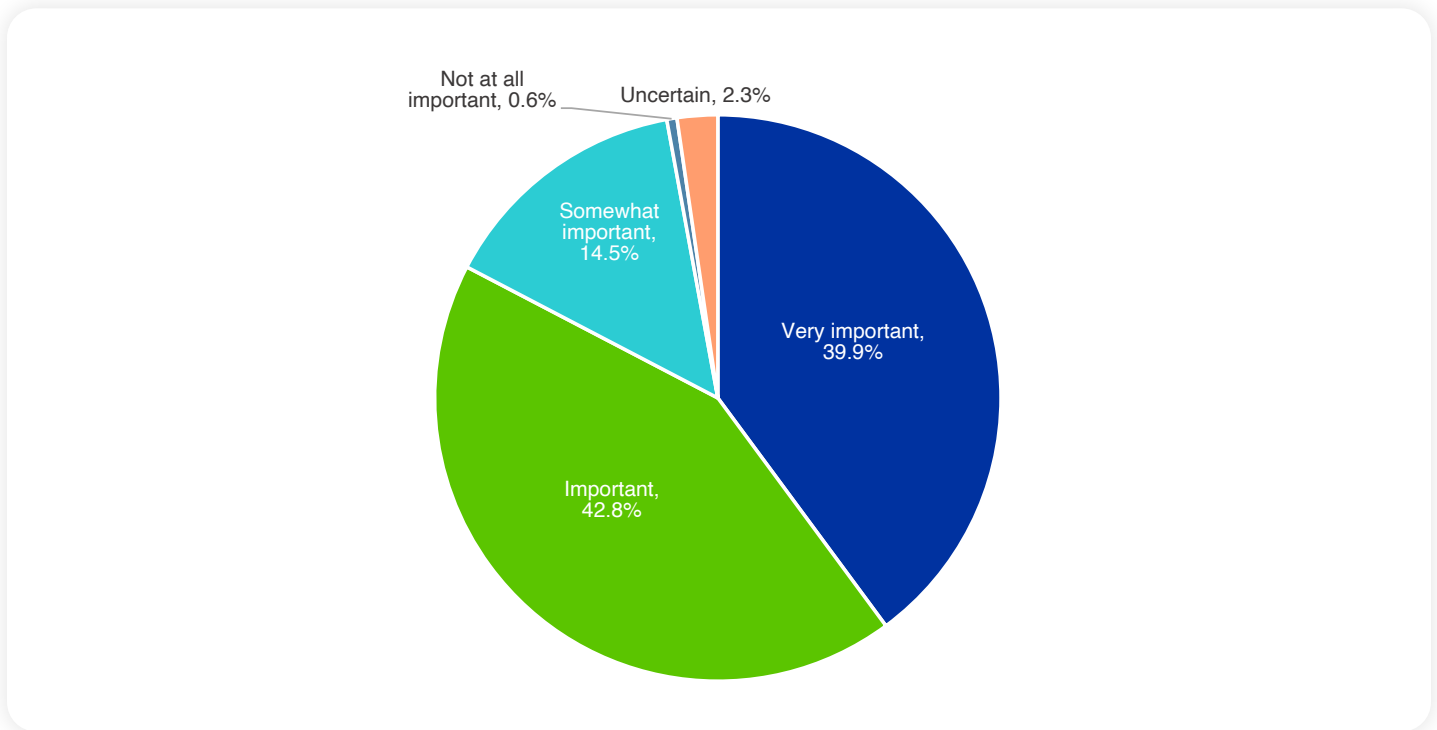
Figure 2: Rank of Compensation and Benefits Elements for Importance and Attractiveness in Labor Market



Nearly 83% of respondents said that a non-salary employee benefits package was either important or very important for both retaining current employees and recruiting new ones (Figure 3), with another 14.5% suggesting that these benefits were somewhat important. Each of the interviewees echoed that sentiment, noting their generous and competitive benefits packages. With that said, there were also comments about generational differences in these perceptions. Arcosa Chief Human Resources Officer Suzanne Myers said health and 401(k) plans are very important for older workers, but younger

generations do not necessarily value them the same. USG Chief Human Resources Officer Noreen Cleary agreed, saying that its pension plan was an important differentiator for earlier generations but is less so today. In addition, she noted that USG’s robust suite of benefits likely helped more with retention than attraction.

Figure 3: Importance of Non-Salary Employee Benefits to Attraction and Retention of Employees



There were other important comments that came out in the interviews. Several individuals noted the robustness of their health and other insurance plans, including a few who cited that 100% of the costs were borne by the employer (at least for the employee, but maybe not dependents). Others cited their low deductibles or sizable contributions to a health savings plan. Indeed, one respondent specifically said that they were worried about triggering the “Cadillac plan” tax a few years ago when that was a possibility with their “robust suite of health benefits.”

On the topic of 401(k) plans, many of the firms touted their matching rates, which tended to range from 4% to 6% in the interviews. ALOM President and CEO Hannah Kain and Ketchie’s Courtney Silver both said that employees are 100% vested from the start. Silver noted that employees can now participate in their retirement plan after 90 days, which was recently expedited from the previous one year. In addition, Allegion’s Jennifer Preczewski and Arcosa’s Suzanne Myers both cited that their 401(k) plans were auto-enrolled, which helps with participation, and there were few opt-outs.

Other benefits mentioned in the interviews included vacation and sick leave, production and/or safety incentives, employee assistance programs and stock ownership plans. Moreover, there were multiple conversations about the implications of COVID-19 and the importance of health and safety for the workforce. Many individuals noted that, for those who had to take time off for health reasons related to the pandemic, they provided paid time away and flexibility.

➤ Increased Flexibility for Workforce

Two-thirds of survey respondents have had to increase worker flexibility as it relates to scheduling to remain competitive in the labor market. Many of the examples provided focused on hybrid options for some employees, flexibility on shifts (including some opting for four-day, 10-hour shifts), possible part-time opportunities and/or a

more lenient attendance policy to accommodate personal commitments. In addition, there were comments about the extraordinary steps taken—with health and safety in mind—to assist employees and their families who were diagnosed with COVID-19 in terms of scheduling and time off.

Overall, 59.4% said that increased worker flexibility had helped to attract and retain employees, with nearly one-third uncertain. In addition, 73.4% felt that increased worker flexibility might require adjustments to some of their company's standard human resources processes, such as employee training, annual benefits enrollment and performance management.

Many of the interviewees noted the importance of increased flexibility, especially post-pandemic. Ketchie has implemented four-day workweeks, providing employees with three days off each week. DENSO's Santosh Singh noted that DENSO was experimenting with part-time work (20-hour weeks) to enable employment with flexibility. This could be attractive for parents, for instance, who want to return to work but need to balance employment with family or other commitments. ALOM's Hannah Kain noted that while many talk about child care and schooling as challenges for many working parents, there is also a need for flexibility when it comes to elder care.

Regarding part-time options, several business leaders spoke about experiments or possible initiatives in this space, recognizing that there might be demand for such opportunities. Allegion's Jennifer Preczewski said her company plans to introduce more part-time roles at its Indianapolis facility, with those jobs usually in four-to-five-hour shifts. This is not always an easy task to accomplish, as it can be difficult to integrate part-time roles in the more traditional shift structure. The result could be a "Swiss cheese schedule," as one interviewee described it, that adds complexity to operations and might not be feasible for some roles or tasks. While these part-time experiments are generally well-received, take-up has been somewhat limited.

Beyond those moves, there was also a renewed sense that if an employee needed time off for any reason, their managers would be flexible. This was especially true during the height of the COVID-19 pandemic, but it remains true today. Click Bond Vice President for Organizational Development and Strategy Ryan Costella said that it was important to "let every individual make decisions for themselves," and where possible, they would try to make the necessary accommodations to assist them.

Finally, there were splits among many of those with whom we spoke regarding administrative and shop floor roles. Many spoke about increased flexibility, including hybrid or remote work options, for office staff, whereas such opportunities were more limited for those in production roles, where one needs to be physically present to do the work. The desire to not have two classes of employees led some to cling to more traditional working conditions. Yet, there was a recognition and desire to increase flexibility where possible, even for those firms. One human resources executive at a more traditional manufacturer referred to it as "the biggest hurdle [for attracting and keeping workers] moving forward."

► Retaining Workers and the Company's Culture

More than 63% of respondents were experiencing an increased number of people quitting their job across the past year, with nearly 37% reporting more retirements at their company over that time frame. As noted earlier, manufacturers are seeing a record number of quits nationally, many of which are likely retirements. Business leaders cite how expensive it is to replace workers in both dollars and time, and there are also issues of "brain drain" and lost productivity that could result when long-tenured employees leave the company. Along those lines, 60.6% said that keeping or retaining current employees was more important than hiring new ones. In addition, 37.4% feel that keeping/retaining workers and hiring new employees are equally important.

David Ahlers from Graco said that quits for his company were 7–8% higher in 2021 than in 2020, and there were a lot of early retirements, mainly individuals in their late 50s and early 60s who likely expedited their plans by a few months or years. Arcosa's Suzanne Myers noted that, while retirements were up, they were mostly planned. Other interviewees—

including those from ALOM, Click Bond, Trussway and USG—also reported that the majority of the retirements at their companies were planned, with transition plans put in place as much as possible. Allegion’s Jennifer Preczewski mentioned that her company had introduced some incentives to encourage some employees to delay retirement. Regarding the overall “churn” in the labor market, Trussway Director of Human Resources Silvia Costa felt that many of their recent moves had reduced turnover, at least for now.

Last year, the MI and the American Psychological Association released a [report](#), “Manufacturing Engagement and Retention Study.” That study stated the following:

The top reasons manufacturing employees cited for staying with their current employer were enjoying the work they do (83%) and having stability/job security (79%). At least two-thirds of workers also said their employer’s family-oriented culture (69%) and the job fitting well with their other life demands (68%) were important factors in their decision to stay.

The most sophisticated retention efforts described by manufacturing leaders focus on actively involving employees, ensuring that every individual understands how their efforts are linked to overall company success and equipping frontline managers to support workers. Successful approaches also included formal employee development plans and clear career paths, cross-training with opportunities for broad and challenging assignments, comprehensive employee recognition, a supportive organizational culture with close ties to the community and competitive pay and benefits.

There were similar observations that came out in many of the interviews about retaining workers. For instance, Allegion has focused on maintaining a competitive wage, offering development opportunities, providing leadership training for managers and, where appropriate, considering “stay bonuses” for retention purposes where they are seeing people drop off. On that last point, Arcosa’s Suzanne Myers discussed challenges with the increased competition for top performers. She also said that Arcosa is more focused on retention efforts, training and development, and at the end of the day, what matters to most employees is “feeling valued.” Another interviewee noted that she needed to quickly respond to two recent potential job switchers in key roles at the company, neither of whom she could afford to lose, by outbidding the competition to keep them.

The company’s culture is an important differentiator for manufacturers in the competition for talent. On the survey, there was a question about what they felt were critical selling points in attracting and retaining workers, and nearly every response mentioned culture, focusing on a “family-like atmosphere” where people feel valued and can build a career.

➤ Other Differentiators and Best Practices

As manufacturers compete for talent with other companies in the labor market, they have marketed themselves largely along traditional lines. Manufacturing is a well-paying, solid career where there is upward potential, and it is a pathway to the middle class. Compensation and a generous benefits package help to separate manufacturers from other opportunities, particularly from some of the service-sector roles where benefits might be more lacking. Culture and “being cared for” are also important factors, and it is that respect for the individual that often sways potential employees toward manufacturing.

Of course, perceptions about manufacturing matter. There are deep held (and often outdated) views about the sector among many in the public, and as a result, some candidates exclude manufacturers from consideration. In the most recent [perceptions study](#) from the MI and Deloitte, there were signs of improvement. Americans were surveyed on their assessments of the industry, and 64% said that “manufacturing jobs are creative, innovative and employ problem-solving skills, up from 39% in 2019. More importantly, 40% of respondents said that they would encourage their child to pursue a career in manufacturing, up from 27% four years ago. That is definite progress, and a sign that more people see both the importance of manufacturing in the economy and the prospects of the sector from a professional standpoint.

Yet, there is also more work to do on that front. Companies are reaching out to local students and guidance counselors, doing plant tours (including participating in MFG Day) and working proactively with regional educational institutions for their graduates. At the same time, they are also marketing themselves differently and in new locations. Graco's David Ahlers noted that his company has had to do a national search for the first time, particularly for electrical engineers and similar roles, where there are not enough local candidates, and the market is "very tough" right now. Allegion's Jennifer Preczewski said her company wants to better use social media channels and data analytics in its recruitment process.

In addition, companies want to be more inclusive in their search. USG's Noreen Cleary, for example, noted that her company has struggled to attract and retain women and people of color, and that is now a priority for them as they go out with job openings. Likewise, Arcosa's Suzanne Myers said her company had launched an effort for more diversity in hiring and to increase the pipeline of more women and diverse candidates. They had also created a Women of Arcosa employee resource group to drive mentoring and networking within the company. ALOM's Hannah Kain also stressed that it was important for leadership to reflect the makeup of employees. This matters for recruitment and for diversity, equity and inclusion efforts. At the end of the day, employees want to be part of something meaningful.

There are also efforts being made to improve the onboarding process. Several interviewees stressed the importance that those first few weeks on the job have in terms of retention, up to and including that first paycheck. CSC Steel's Ron Peppe said that it was important for new employees to feel valued and wanted. His company has created a standard onboarding presentation featuring details about the role, safety protocols and training opportunities. Existing employees volunteer to be a mentor, and frontline managers are given training on leadership and soft skills. Other companies made similar comments.

Upskilling and personal development opportunities were mentioned in all the interviews, helping to train employees on new technologies and processes but also serving as a channel for individual growth. Several companies noted robust tuition reimbursement plans, including for certification programs, but there were also specific training initiatives of note. For instance, ALOM's Hannah Kain noted that these investments in people, much as they do at the company's internal ALOM University, help to create loyalty to the firm. In addition, Click Bond's Ryan Costella spoke about the importance of cross-training at his company, both for making workers feel valued but also to provide a richer employee experience, expanding their capabilities with new options. He added, "Investments in people are paying dividends now," and "their investments in technology and automation have provided a path for people to move up the value chain, including higher salaries and more skill." Along those lines, DENSO's Santosh Singh discussed the need to "deeply engage all associates in the larger purpose" as the automotive sector switches to electric vehicles.

In any dynamic workplace, frequent and effective communication can be very effective, as employees want updates on company developments and overall performance, including their own. At Allegion, there are monthly calls between the CEO and frontline leaders, site leaders and key safety and health or operational Leaders to discuss updates and highlight various resources, and Jennifer Preczewski stated how much employees value that time. (These calls were weekly at one point.) ALOM's Paul Vagadori said his company has an annual business plan with goals that align with employee performance, and each worker is given quarterly updates on their progress to goals. Those are tied to profit-sharing bonuses and help to provide guidance on improvement where necessary. Consistent with those examples, Ketchie's Courtney Silver said, "Everyone wants feedback and to know where they stand." They have structured performance reviews, both after 90 days of employment and annually, and she felt that her employees appreciated those comments.

Safety was one thing that was consistently mentioned in each interview, as both a differentiator and consistent with company culture. In the survey, 92.6% of respondents said that workplace safety was important for both retaining current employees and recruiting new ones, with 48.3% saying it was very important.

For example, USG has regular "safety huddles," where employees focus on how to keep themselves and others safe. Noreen Cleary noted that two of USG's factories had not had a safety incident in more than 30 years, a phenomenal achievement and one that speaks to their commitment and training. Arcosa also brings its workforce and senior leadership together to build a culture of safety first. Launched in 2019, Arcosa's ARC 100 safety culture initiative of

building a positive and proactively engaged culture of safety excellence has led to significantly reduced incident rates. Trussway's Silvia Costa echoed those sentiments, noting that her company's 2024 vision statement focuses a lot on people and their families, with safety being an important component that illustrates just how much they care for their employees. Allegion also puts an emphasis on being safe and protected, and during the pandemic, the company brought vaccine partners on site to help get its workforce vaccinated, including providing incentives to do so. Other companies also highlighted their efforts during COVID-19 in keeping their workers safe.

In addition to addressing safety, employees can also be helpful sources of new ideas and processes, as they know what works and what can be improved through their daily actions on the shop floor and elsewhere. There were several examples of this in our conversations. One of the more notable ones was from Trussway President and CEO Jeff Smith. He spoke about Project Inspire, where employees make suggestions that are logged into the system and tracked. This ensures follow-up, and Trussway has received ideas through this process that have helped the bottom line and improved operations. The company has received fabulous feedback from employees, who appreciate their ability to submit their ideas. The company provides a \$1,000 award for the best idea in the quarter, or \$2,500 for the winning idea for the year.

Finally, the many things that manufacturers do to make their employees feel rewarded—including small perks and larger initiatives—help make working at those companies more satisfying and fulfilling. Those efforts have also been recognized. That can be the ultimate differentiator for some candidates, but it also speaks to the quality of life that existing employees enjoy. In a very tough labor market, it helps to make workers “sticky,” helping with retention.

➤ Final Thoughts

The competition for talent is intense, and manufacturers are struggling to attract and retain workers. There have been significant wage pressures, especially with renewed competition from other manufacturers and nontraditional sources locally, pushing average hourly earnings to the fastest rates of growth in 40 years. Benefit costs have also increased sharply. At the same time, there are limits to compensation growth. Firms cannot afford to grow wages indefinitely as they have finite budgets and still need to compete for business overall. This is especially true given that other costs are also rising significantly—also at 40-year highs.

As a result, manufacturers have needed to differentiate themselves in the battle for workers, selling themselves as a pathway to a successful career and a high-paying means for making a good living. As technology and automation have been increasingly more utilized in the sector, manufacturers have sought even more skills in their employees, necessitating higher prerequisites for new workers and prompting the need for more upskilling and training. As one interviewee said, this helps move employees up the value chain, helping to raise compensation and increase productivity. Yet, it also means that manufacturers are even more likely to compete with nontraditional sources for those workers, exacerbating the workforce challenge.

At the end of the day, the ultimate differentiator is the commitment to the individual and to a culture that embraces workers, their families and their ideas. Workers like being heard and appreciate the commitments that companies make to their livelihood and to their contributions to growing the business. This speaks to the importance of manufacturing in the U.S. economy, including providing new innovations and solving some of our biggest challenges. In addition, employees—especially younger workers—appreciate businesses' role in making society a better place, including their company's efforts on diversity, environmental and sustainability issues. Workers want to know that they are contributing to something bigger. Lastly, employees have also appreciated the commitment to health and safety, both during COVID-19 and in the normal course of operations. Those efforts speak to the culture of the company and to the value that manufacturers have placed in their employees and their families.

Overall, manufacturers are likely to continue in their struggles to attract and retain workers, but leaders in the sector are committed to do what they need to address their workforce needs proactively, both in the current tight labor market and to improve the resilience of their employment situation over the coming years.

➤ Appendix: Survey Responses

1. Do you have unfilled positions within your company for which you are struggling to find qualified applicants?

- a. Yes – 92.93%
- b. No – 5.05%
- c. Uncertain – 2.02%

2. How has your company largely addressed the skills shortage? (Select all that apply.)

- a. Creating or expanding internal training programs – 61.11%
- b. Encouraging possible retirees to stay longer in their roles – 42.42%
- c. Collaborating with educational institutions on skills certification programs – 47.98%
- d. Utilizing temporary staffing services – 65.66%
- e. Working with local employment office – 36.87%
- f. Considering moving operations to another location – 11.11%
- g. Other – 21.72%
- h. Uncertain – 2.53%
- i. We have not had any skills shortages – 2.53%

3. Have you seen an increased number of retirements across the past year at your company?

- a. Yes – 36.87%
- b. No – 58.59%
- c. Uncertain – 4.55%

4. Have you experienced an increased number of people quitting their jobs across the past year at your company?

- a. Yes – 63.13%
- b. No – 32.83%
- c. Uncertain – 4.04%

5. Is keeping/retaining your current employees as important as hiring new ones?

- a. More important – 60.61%
- b. Equally important – 37.37%
- c. Less important – 1.52%
- d. Uncertain – 0.51%

- 6. Has your company had to increase worker flexibility, particularly as it relates to scheduling, to remain competitive in the labor market?**
- a. Yes – 66.67%
 - b. No – 31.82%
 - c. Uncertain – 1.52%
- 7. What are some examples at your company of increased worker flexibility?**
- 8. Has increased worker flexibility helped to attract new employees to your company and retain current staff?**
- a. Yes – 59.38%
 - b. No – 7.81%
 - c. Uncertain – 32.81%
- 9. Do you think increased worker flexibility may require adjustments to some of your standard human resources processes, such as employee training, annual benefits enrollment, performance management, etc.?**
- a. Yes – 73.44%
 - b. No – 13.28%
 - c. Uncertain – 13.28%
- 10. How would you characterize labor market compensation—including wages, salaries and benefits—at your company relative to your peers and/or the local market for talent?**
- a. We tend to pay more than our peers and/or the local market – 17.89%
 - b. We are competitive with our peers and/or the local market – 63.68%
 - c. We are not competitive but have been actively working to close the gap with our peers and/or the local market – 15.79%
 - d. We are not competitive with our peers and/or the local market, but this will likely be a priority in the future – 1.58%
 - e. Other – 1.05%
 - f. None of the above – no responses
- 11. Has your company had to increase compensation—including wages, salaries and benefits—to remain competitive in the labor market?**
- a. Yes – 89.47%
 - b. No – 8.95%
 - c. Uncertain – 1.58%
- 12. How would you characterize employee wage and salary growth in 2021 (excluding nonwage compensation, such as benefits) at your company?**
- a. Increased more than 10.0% – 12.04%
 - b. Increased 7.5–10.0% – 21.47%

- c. Increased 5.0–7.4% – 22.51%
- d. Increased 2.5–4.9% – 30.37%
- e. Increased up to 2.5% – 8.90%
- f. Stayed about the same – 4.19%
- g. Decreased up to 2.5% – no responses
- h. Decreased 2.5–5.0% – 0.52%
- i. Decreased more than 5.0% – no responses

*Consistent with average employee wage and salary growth in 2021 of **5.7%**.*

13. How would you characterize employee wage and salary growth in 2022 (excluding nonwage compensation, such as benefits) at your company?

- a. Will increase more than 10.0% – 3.19%
- b. Will increase 7.5–10.0% – 10.64%
- c. Will increase 5.0–7.4% – 30.85%
- d. Will increase 2.5–4.9% – 40.96%
- e. Will increase up to 2.5% – 3.72%
- f. Will stay about the same – 10.64%
- g. Will decrease up to 2.5% – no responses
- h. Will decrease 2.5–5.0% – no responses
- i. Will decrease more than 5.0% – no responses

*Consistent with average employee wage and salary growth in 2022 of **4.8%**.*

14. How would you characterize employee benefit cost growth in 2021 (including insurance and other benefits) at your company?

- a. Increased more than 10.0% – 12.57%
- b. Increased 7.5–10.0% – 16.75%
- c. Increased 5.0–7.4% – 20.94%
- d. Increased 2.5–4.9% – 19.90%
- e. Increased up to 2.5% – 5.76%
- f. Stayed about the same – 21.99%
- g. Decreased up to 2.5% – 0.52%
- h. Decreased 2.5–5.0% – 0.52%
- i. Decreased more than 5.0% – 1.05%

*Consistent with average employee benefit cost growth in 2021 of **4.8%**.*

15. How would you characterize employee benefit cost growth in 2022 (including insurance and other benefits) at your company?

- a. Will increase more than 10.0% – 6.32%
- b. Will increase 7.5–10.0% – 22.63%
- c. Will increase 5.0–7.4% – 23.16%
- d. Will increase 2.5–4.9% – 22.11%
- e. Will increase up to 2.5% – 8.42%
- f. Will stay about the same – 16.84%
- g. Will decrease up to 2.5% – 0.53%
- h. Will decrease 2.5–5.0% – no responses
- i. Will decrease more than 5.0% – no responses

Consistent with average employee benefit cost growth in 2022 of 5.0%.

16. In general, would you say that increased compensation—including wages, salaries and benefits—has helped keep your company competitive in its ability to recruit and retain employees at your company?

- a. Yes – 72.99%
- b. No – 9.77%
- c. Not applicable—we have not increased compensation – 2.87%
- d. Uncertain – 14.37%

17. Please rank the following compensation and benefits elements as to their importance and attractiveness for employees as they think about their compensation at your company and in your company's ability to remain competitive in the local labor market. (The higher the total score, the more important.)

- a. Base hourly wage or salary level – 13.60
- b. Bonuses and/or additional income opportunities for existing employees – 10.91
- c. Sign-on bonuses for new employees – 6.59
- d. Health insurance benefits – 11.24
- e. Dental and vision insurance benefits – 7.75
- f. Accident or disability insurance benefits – 5.49
- g. Life insurance benefits – 5.15
- h. Flexible spending accounts – 5.01
- i. Contributions to a 401(k) or other retirement plan – 8.30
- j. Paid vacation leave – 10.28
- k. Paid sick leave – 8.14
- l. Child care benefits – 3.88
- m. Flexible work hours – 8.02
- n. Other benefits – 2.84

18. How important is your non-salary employee benefits package for both retaining current employees and recruiting new ones?

- a. Very important – 39.88%
- b. Important – 42.77%
- c. Somewhat important – 14.45%
- d. Not at all important – 0.58%
- e. Uncertain – 2.31%

19. How important is workplace safety for both retaining current employees and recruiting new ones?

- a. Very important – 48.30%
- b. Important – 25.57%
- c. Somewhat important – 18.75%
- d. Not at all important – 1.70%
- e. Uncertain – 5.68%

20. Are there other aspects at your company (e.g., company culture, other perks, career potential, family-like atmosphere) that you feel are critical selling points in attracting and retaining workers, and if so, what are those?

21. What is your company's primary industrial classification?

- a. Chemicals – 6.86%
- b. Computer and electronic products – 2.86%
- c. Electrical equipment and appliances – 7.43%
- d. Fabricated metal products – 24.00%
- e. Food manufacturing – 5.71%
- f. Furniture and related products – 1.71%
- g. Machinery – 14.29%
- h. Nonmetallic mineral products – 1.71%
- i. Paper and paper products – 3.43%
- j. Petroleum and coal products – no responses
- k. Plastics and rubber products – 4.57%
- l. Primary metals – 2.29%
- m. Transportation equipment – 4.00%
- n. Wood products – 2.86%
- o. Other – 18.29%

22. What is your firm size (e.g., the parent company, not your establishment)?

- a. Fewer than 50 employees – 15.91%
- b. 50 to 499 employees – 52.27%
- c. 500 or more employees – 31.82%
- d. Uncertain – no responses

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