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The Resilience of Manufacturing

Strengthening people operations
and bridging the talent gap amid crisis



This report is largely based on research conducted on behalf of The Workforce Institute at UKG between March 24 and April 2, 2021, analyzing responses from more than 300 hiring decision-makers representing a mix of U.S.-only manufacturers (65%) and multinational manufacturers with a strong U.S. presence (35%) to understand the challenges these organizations faced related to people operations throughout the first full year of the COVID-19 pandemic. All year-over-year data comparisons are based on prior-year research from The Workforce Institute, conducted March 11–17, 2020

Manufacturers report growth despite pandemic

U.S. Manufacturing Holds Steady

Although the industry has faced its share of hurdles, many manufacturers in the U.S. are emerging from the COVID-19 pandemic on solid footing. More than half of manufacturing shifts lost in the spring of 2020 have been recovered.* Digital transformation is surging. And while 15% of manufacturers downsized within the first year of the pandemic, more than half achieved growth.

Industry Growth Year Over Year

Surveyed March 11–17, 2020, and March 24–April 2, 2021, respectively

MARCH 2019-2020

achieved growth **65%**

no growth or downsizing **27%**

downsized **8%**

MARCH 2020-2021

54% achieved growth

32% no growth or downsizing

15% downsized

Among those who said they achieved growth between March 2020–2021:

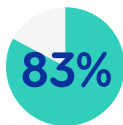
70%
increased headcount

51%
increased revenue

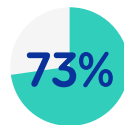
49%
expanded existing facilities

35%
opened at least one new facility

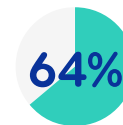
30%
filled numerous vacant positions



"We sustained adequate headcount to meet production demands."



"We accelerated adoption of new technologies in direct response to the pandemic."



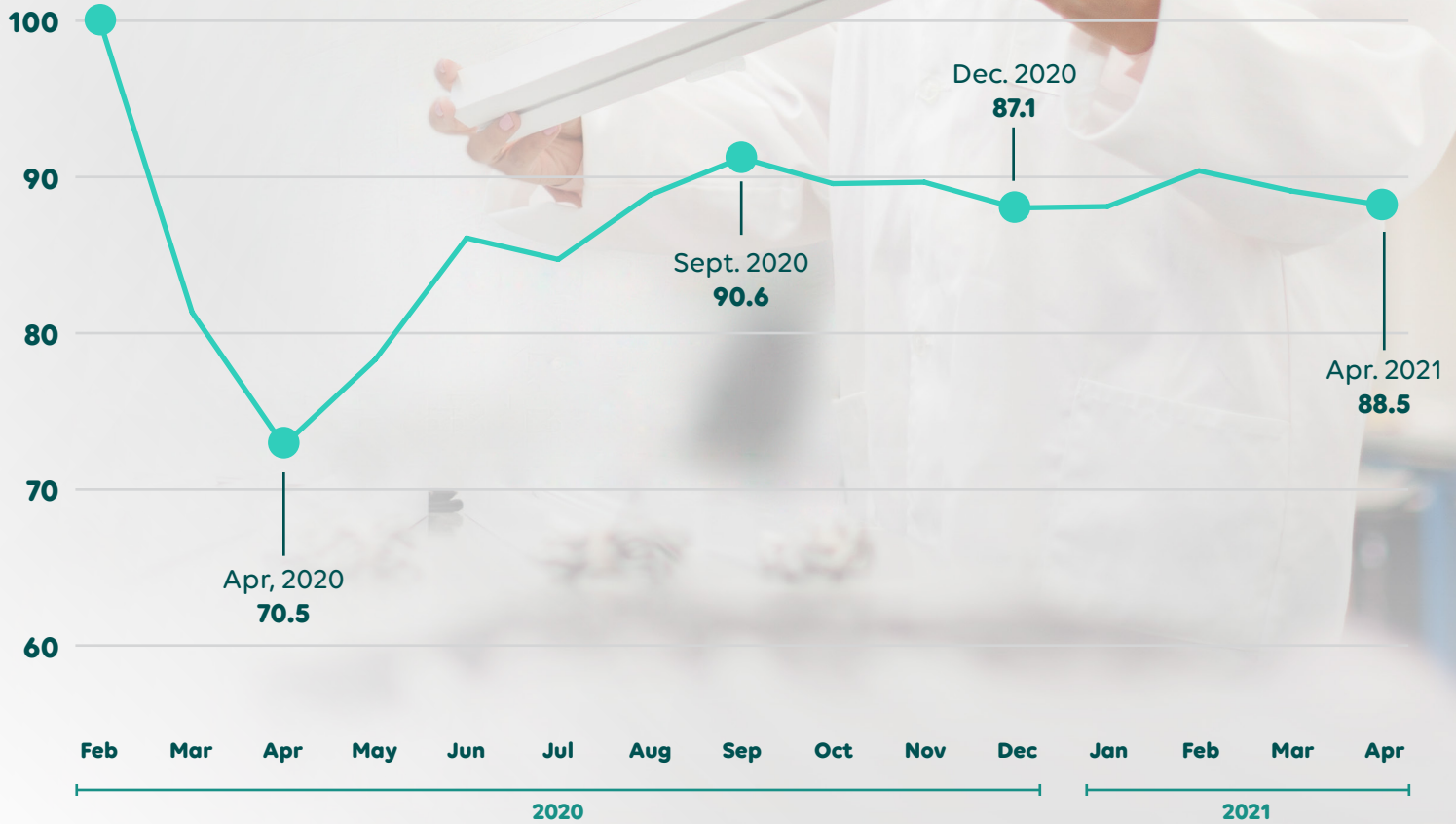
"We experienced 'severe' demand fluctuation."

**According to the [UKG Workforce Activity Report](#)*

Frontline Shift Recovery

Following a staggering decline in frontline shift-work volume, the U.S. economy hit its lowest point in mid-April 2020 and 30% of U.S. manufacturing shifts were lost in a span of just four weeks. But the industry has shown steady recovery since, rebounding to 90.6% shift-work volume by September 2020 and hovering at 88.5% as of April 2021.*

UKG Workforce Recovery Scale



Source: [UKG Workforce Activity Report](#)

*When compared to a 100.0% pre-pandemic baseline

COVID-19's Continued Impact on Manufacturing

90-day Check-up:
January–March 2021

As of early spring, 25% of manufacturers surveyed said employees were *still testing positive for COVID-19 on a regular basis* — at least 2–3 times per week. Though, on a positive note, 39% said new cases among their employees have been slim to none.

66% said employees were in quarantine for reasons related to COVID-19 at least once a month, while 1 in 10 said quarantining was a daily occurrence.

COVID-19 pushed valued employees out of the workforce: 52% said employees quit at least once a month for personal reasons related to the pandemic.

Hitting the Bottom Line

An onslaught of COVID-19 mandates in 2020 posed major compliance challenges for manufacturers: **Nearly 2 in 5 said these mandates negatively impacted their bottom line (38%).**

Other bottom-line impacts include:

- 37% Productivity losses
- 34% Overtime pay
- 28% Onboarding costs
- 28% Employee burnout
- 27% Employee turnover
- 27% Quality issues
- 26% Decreased demand
- 23% Recruiting costs

Pandemic Staffing Challenges Amplified for Multinationals

Feedback from multinational manufacturers — representing 35% of survey respondents — highlights how their experience during the first year of the pandemic differed from U.S.-only organizations.



Experienced "severe" demand fluctuation	77%	56%
Experienced "higher-than-average" employee turnover	71%	52%
Had difficulty acquiring skilled talent	58%	49%
Had difficulty retaining skilled talent	49%	38%
Paid more overtime than expected due to absence	58%	49%
Overtime pay negatively impacted their bottom line	42%	30%

Multinationals: Creatively filling labor gaps

To account for more pronounced impacts to staffing, many today have adopted resourceful talent practices.



Cross-training employees	66%	56%
Recruiting people out of work due to the pandemic	48%	40%
Leveraging short-term contract labor	40%	28%
Leveraging long-term contract labor	33%	24%

Pre- and Post-pandemic:

Attendance is a Persistent Problem

Attendance has always been a challenge in the manufacturing world. Prior to the pandemic, employee lateness (61%), short-staffed shifts (58%), and last-minute call outs (55%) were common — if not frequent — for more than half of manufacturers surveyed. COVID-19 has only intensified these challenges as the pandemic forced people to fundamentally reimagine their home-life reality, personal priorities took precedence over work, and sustained quarantining continues to thin an already waning labor force.

In March 2021, production lines were understaffed or overstaffed **more than one-third** of the time.



Within the first three months of 2021:

68% of manufacturers let employees go due to poor attendance

50% said employees called out of scheduled shifts with less than 24-hour's notice at least several times a month, while 1 in 10 said this happened *daily* (9%)

1 in 5 said "ghosting" is a frequent problem: Around 2-3x a week, employees skipped a scheduled shift without notifying their manager (18%), and 52% said this happened at least once a month

1 in 10 managers adjusted labor schedules *daily* to account for unplanned absences (13%)

26% said employees arrived late for scheduled shifts at least 2-3x a week



1 in 10 manufacturers said their production lines were understaffed at least *half* the time in March 2021.

The Talent Gap Widens

Nearly 3 in 5 manufacturers (59%) experienced “higher-than-average” turnover during the first year of the pandemic — a notable jump from 44% the year before.

Manufacturers have long struggled to recruit skilled talent while retaining valued employees at a rate that matches the pace of innovation, posing a legitimate threat to achieving production goals.

“We are struggling to fill critical labor gaps.”

Nearly 2 in 3 manufacturers (63%) struggle to fill critical labor gaps — and nearly a quarter (23%) are really struggling.

How do the companies struggling to fill critical labor gaps 😞 compare to those with a strong talent pipeline 😊?



Shifts were regularly understaffed in the first year of the pandemic



Employee burnout was a concern throughout the year



Overtime pay hit their bottom line — as did costs related to onboarding (34% vs. 19%), employee burnout (33% vs. 21%), and recruiting (27% vs. 18%)



It is challenging to compete with other manufacturers for skilled talent — and difficult to get in front of qualified candidates (40% vs. 21%)

Struggling manufacturers are sparking creativity to address talent shortages:



are recruiting people with non-traditional experience and providing technical training as needed.



are facilitating apprenticeship programs for non-employees

What are manufacturers' top recruitment challenges today?

54% Finding candidates with the right skills  **16% over the prior year**

48% Finding candidates with the right experience

33% Competing with other manufacturers for skilled talent

33% Maintaining a strong pipeline of qualified candidates

32% Getting in front of qualified candidates

30% Identifying top talent among a large pool of applicants

26% Communicating with candidates

26% Finding candidates interested in working for their organization

20% Finding candidates with the right education or certifications

54%

"Negative industry perceptions impact our ability to recruit Millennial and Gen Z talent."

 **8% over the prior year**

Is it more difficult to hire or retain people?

That depends! Most manufacturers said it is more difficult to *hire* management and full-time employees than it is to retain them — but also claim it is more difficult to *retain* part-time hourly employees and temporary workers than it is to hire them in the first place.



Building a Diverse and Resilient Workforce

To fill critical labor gaps within the first year of the pandemic, manufacturers hired or considered hiring capable individuals from these and other “alternative” talent pools:

- 79%** People who have been out of the workforce for >2 years
- 77%** People unemployed due to the pandemic
- 76%** People with non-traditional skills or work histories
- 71%** Individual contractors
- 69%** Veterans
- 68%** Short-term contract labor
- 65%** Long-term contract labor
- 62%** People with disabilities or special needs
- 56%** Retirees
- 53%** Refugees or immigrant workers
- 52%** Second-chance workers

71%
“Workplace diversity is a top recruitment priority for our HR department.”

81%
“Investing in the workforce is a key component of our digital transformation strategy.”



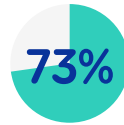
People have been and always will be the backbone of the manufacturing industry. Investing in technology that will create a better experience for employees — that will make them feel protected, connected, and effective in their roles — is a modern necessity when cultivating the kind of highly sought-after workplace culture that is key to attracting and retaining today’s skilled and savvy workforce. Make no mistake, enhancing the employee experience must be among manufacturers’ highest priorities.

- Kylene Zenk, director of the manufacturing practice at UKG

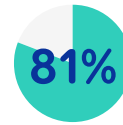
Spotlight on Workforce Development



"Employees trained to handle a broad set of responsibilities are more productive."



"Employee cross-training has been a greater organizational focus than in prior years."



"Our frontline managers have the tools and resources to help employees advance."

To address skilled-labor shortages today, manufacturers are taking steps to upskill their existing workforce:

63%

Reskilling employees

2% over the prior year

60%

Cross-training employees

2% over the prior year

44%

Making employee training materials accessible on demand

6% over the prior year

33%



Offering mentorship programs to encourage knowledge-sharing between tenured workers and newer employees

7% over the prior year






Technology at Work


Today, more manufacturers are empowering employees with mobile technology at work. Employees can use a mobile device to:

- 41%** Request schedule changes  **19% over the prior year**
- 38%** Clock into/out of a shift  **23% over the prior year**
- 36%** View and manage timecards, pay statements, and benefits
- 34%** Report COVID-19 exposure or quarantine needs to a manager
- 29%** Automatically swap a shift with a co-worker

What can managers accomplish with their current HR/workforce management system?

- 61%** Manage employee skills and certifications  **18% over the prior year**
- 40%** Forecast labor needs to align with production goals
- 38%** Assign and manage online employee trainings
- 38%** Forecast potential skill gaps  **11% over the prior year**
- 36%** Manage labor costs in real time
- 32%** Measure productivity losses based on employee absence
- 31%** Adjust employee schedules to fill open shifts in real time  **8% over the prior year**
- 30%** Conduct paperless performance reviews
- 30%** Build a career website and post jobs
- 29%** Access personnel files on demand
- 28%** View critical labor metrics in real time
- 24%** Identify the root cause of employee turnover
- 20%** Broadcast messages to frontline employees in real time
- 18%** Measure employee flight risk
- 15%** Receive proactive alerts about potential compliance violations

Automated employee scheduling solutions see steady adoption:
38% use this technology today.

 **16% over the prior year**

Only 27%:

"We provide employees with a means to anonymously communicate feedback upstream."

What will the remainder of 2021 hold for Manufacturing?

54% predict increased investment in technologies and practices that will help augment the workforce (e.g., automation, analytics, reskilling, upskilling).

40% predict greater use of AI and machine learning to better predict and mitigate risks within manufacturing and supply chains.

35% predict business intelligence tools will increasingly simplify decision-making for all employees, at every level of an organization.

Organizations that achieved year-over-year growth are more optimistic: 42% predict that digital transformation of the factory floor will accelerate in 2021, compared to just 26% of those that experienced downsizing.



Are manufacturers focused on what matters?

Well-being at Work

Manufacturers have made strides to protect their people in light of COVID-19, but there's more work to be done.

Only 38% of multinationals and 22% of U.S.-only manufacturers implemented a COVID-19 contact tracing program for employees.

Vaccine monitoring is a critical step in protecting people's physical safety at work, but only 38% of manufacturers said their HR or workforce management system enables vaccine monitoring.

Schedule predictability is highly valued by employees, but only 62% of manufacturers today — vs. 82% in the year preceding the pandemic — offer full-time employees predictable schedules.

Far less predictability is extended to part-timers: 34% of respondents today — and 38% the year before — said part-time employees have predictable work schedules.

In addition to the majority of manufacturers that “strictly” enforced social distancing (86%) and took employee temperatures (75%) over the course of the pandemic, many have installed new health and safety features and introduced a variety of policies and procedures to protect frontline workers.

- 59%** Established new testing/screening protocols
- 53%** Enhanced personal protective equipment requirements
- 50%** Added gaps between shifts to allow for sanitization
- 48%** Installed touchless appliances
- 45%** Adapted schedules to accommodate social distancing
- 44%** Introduced health screenings prior to each shift
- 42%** Introduced “contactless” time tracking
- 41%** Implemented a COVID-19 pay policy
- 39%** Upgraded ventilation systems
- 31%** Created new jobs to oversee health and safety policies



As shockwaves continue to reverberate through the supply chain, employees are being asked to be more agile than ever. As exhausted as we all are right now, there is no better time to assess what has happened, develop the right labor strategies to protect the emotional well-being of employees, and make our companies more resilient for the next big disruption. It is not a question of if it will happen again, but when.

- John Frehse, senior managing director at Ankura Consulting Group

51% Predict:

“Manufacturers will increase their commitment to supporting employee well-being throughout 2021.”

59% Predict:

“Health and safety features introduced in 2020 will be steady fixtures on the factory floor throughout 2021.”

The Workforce Institute at UKG

The Workforce Institute at UKG provides research and education on critical workplace issues facing organizations worldwide. 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 today's workplace while also providing an important voice for employees, including frontline and hourly workers. Founded in 2007, a hallmark of The Workforce Institute's research and education—including books, podcasts, surveys, blogs, and its annual list of workplace predictions—is balancing the needs and desires of diverse employee populations with the interests of organizations to manage absenteeism, fight burnout, develop equitable work schedules, and build strong leaders to drive inspired performance.

Survey Methodology

Research findings are largely based on a survey conducted by Qualtrics on behalf of The Workforce Institute at UKG between March 24 and April 2, 2021. In this survey, 314 hiring decision-makers — i.e. those who make or influence hiring decisions — representing a mix of U.S.-only manufacturers (65%) and multinational manufacturers with a strong U.S. presence (35%) responded to questions pertaining to their organization's talent management

For Additional Information:

www.workforceinstitute.org

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@WF_Institute

For more on the research please contact:

Tonya Eckert
tonya.eckert@ukg.com

Kylene Zenk
kylene.zenk@ukg.com

challenges during the first full year of the COVID-19 pandemic, as well as their organization's current HR and technology practices. All year-over-year data comparisons cited in this report are based on prior-year research conducted on behalf of The Workforce Institute; responses were collected between March 11–17, 2020 from 313 hiring decision-makers working in the U.S. manufacturing sector.

[View the full 2020 report.](#)