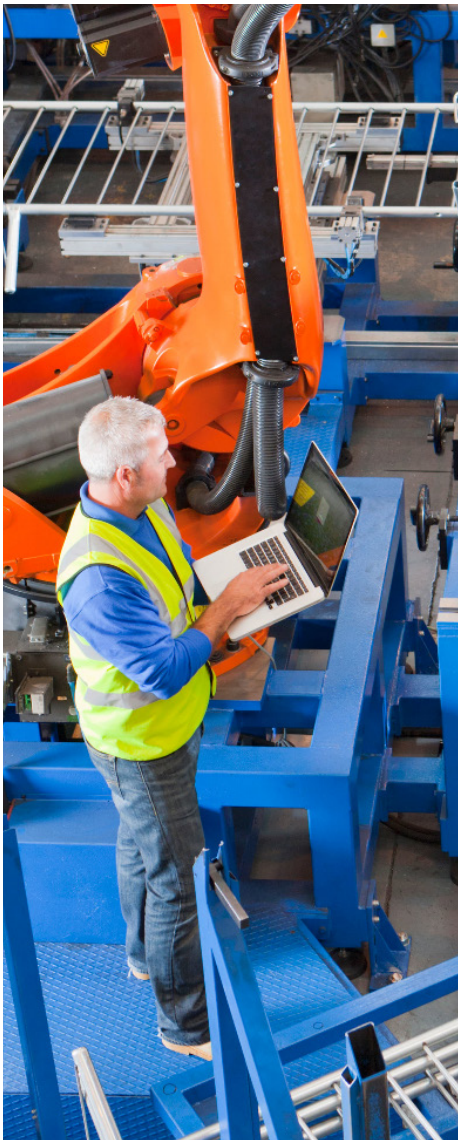
Deloitte.

The changing face of manufacturing

It's high-paying, it's competitive, and its labor needs are shifting

LaborWise™

LaborWise is a workforce-focused analytics solution that identifies, quantifies, and unlocks hidden sources of labor overspend, empowering organizations to optimize their workforce, drive sustainable savings, and improve productivity.



Transition to the future of work

The future of work is no longer just about filling today's open needs; it's about re-evaluating the work and the workforce of tomorrow. What comes to your mind when you think of manufacturing? What if we told you that in the manufacturing industry of the future, you may not be able to get a job if you can't run a robot? Labor needs are changing. It's about innovation, technology, sensors, data, and high wages. It's exciting. Once considered the stepchild of careers, manufacturing is gearing up to be a "career of choice" for millennials, and there is plenty of opportunity for those interested. Over the next decade, nearly 3.5 million manufacturing jobs will likely need to be filled. The industry is growing, baby boomers are retiring, and the skills required are shifting. The challenge? That skills gap is expected to result in two million of those jobs going unfilled, making employee recruitment and retention among today's biggest manufacturing challenges.[1]

Deloitte and the Manufacturing Institute teamed up to conduct a multiyear research initiative to better understand US public perceptions of manufacturing and published the results in a recent report.[2] Most Americans surveyed (roughly 8 in 10) continue to view US manufacturing as vital to maintaining the economic prosperity of the country. However, fewer than 5 in 10 Americans surveyed believe manufacturing jobs are interesting, rewarding, clean, safe, stable, and secure. And fewer than 3 in 10 Americans surveyed say they are likely to encourage their children to pursue a manufacturing career.[3]

The reality is that the work manufacturing organizations do has fundamentally changed and labor needs are changing with them. Manufacturers need employees who are highly skilled in technology, data science, and engineering.

Part of the answer to alleviating the talent gap is to get people excited about manufacturing; the salaries are already attractive. In 2015, the average manufacturing worker in the United States earned $81,289 annually, including pay and benefits, compared to $63,830 earned by an average worker in other industries.[4] Conducting public tours, offering internships to students, and better company branding can also help support recruiting efforts, but retaining employees once hired is equally important.

Create a simply irresistible experience

Employers can drive employee engagement and transition to a new, digital future of work by focusing on five strategies for an improved work environment: meaningful work, supportive management, a positive work environment, growth opportunities, and trust in leadership.[5] By prioritizing employee engagement and satisfaction through a simply irresistible experience, manufacturers can attract and retain the skilled talent they need to keep up with the evolution of manufacturing.

Groundbreaking investments in R&D and robotics will likely make manufacturing more attractive, with fewer repetitive tasks. The next generation of employees needs more stimulation and purpose. Millennials grew up on technology. They use it in almost every aspect of their personal lives and have come to expect the same level of technological conveniences at their places of work. If a company is not providing technical benefits like mobility, ease of use, and self-service, then top talent is likely to seek other jobs that meet their digital expectations. A simply irresistible experience is enabled by end-to-end design thinking that not only puts the employee at the center, but keeps them there.

Activate the digital organization. Get productive. Get engaged.

Now is the time for HR to step up and provide technologies to support and engage manufacturing employees—and there's lots of opportunity around labor.

Having a streamlined digital workplace not only helps to retain and attract the incoming workforce, but it's also good for the bottom line. Automated digital tools can help supervisors predict when or if future staffing issues might arise. They can indicate where people could use better training, identify labor spend inconsistencies or misalignments, and improve scheduling processes.[6] Manufacturing organizations can optimize their labor efforts while creating a more engaging experience for supervisors and employees if systems are easy-to-use, mobile, and digital. A digital organization will enable not only a change in technology, but in the mind-set required to operate in a completely new way.

Streamline labor for good. Optimize the human capital balance sheet.

Human capital represents one of the biggest, if not the biggest, components of any P&L. Passively managing that portion of the P&L can present risk not only to the organization's financial status, but to their corporate brand as well. It will be critical to ensure that costs have a specific and intended impact on the balance sheet and that an ROI is clear and measurable.

Because manufacturing is transitioning to a new, digital future of work, it's important to help people be as productive and engaged in their jobs as possible. Companies can redirect time away from more mundane, time-consuming tasks, and on to more strategic ones, like training and mentoring staff and driving the innovation that manufacturers are known for. It isn't unusual to see manufacturing supervisors spending a good portion of their time:

- Working on payroll edits and overtime
- Resolving missed clock punches
- Inputting vacation time and absences

The right digital tools and organizational change management initiatives can alleviate these pain points for supervisors. One major US manufacturer did just that. The company experienced more than 450,000 missed punches in a single year. By putting a change management plan in place that encouraged all employees to punch the clock regularly, their labor technology tool could automatically do what so many supervisors spent time managing manually.

Employees benefited from optimizing labor systems as well. Workers got a more accurate paycheck as managers may or may not get the actual time right when inputting their hours after a missed punch. Digital technology also made it easier to find overtime bids they wanted to access. New, streamlined processes were defined to make it easier to report absences.

The drive behind innovation

Manufacturing supervisors in particular will likely crave innovative HR solutions that drive better visibility and strategy for their companies. Why?

It's not just because they are time-compressed. They are innovators themselves! Manufacturers in the United States perform more than three-quarters of all private-sector research and development (R&D) in the nation, driving more innovation than any other sector. Specifically, advanced manufacturing and technology industries generate 85 percent of all US patents and employ 80 percent of the nation's engineers.[7]

Make headway and sustain organizational performance

Engagement is more than making mundane processes easy. It's about creating a connected organization with training, new technologies, analytics, and upward mobility for workers and sustaining that high performance over time. Tomorrow's manufacturing organization needs to be as attractive to recruits and employees as their product is to an end customer. It requires investment.

Practical steps toward employment engagement, retention, and satisfaction can be achieved through a variety of programs. Start by:

1) **Analyzing ways to optimize key workforce behaviors around payroll systems.** Workforce analytics tools can provide the visibility into metrics that could have tremendous benefits to the productivity of workers and provide the insights managers need to better direct people and realize cost savings. For example, companies may suddenly find they are paying four times the industry standard for overtime. They can't fix what they can't effectively see, but by using labor analytics, these shortfalls can be recognized.

2) **Allocating the cost savings you realize from labor analytics to fund the engagement programs needed for success.** The war on talent will become unwinnable without them. Companies should connect with each recruit and employee through robust, digital experiences that are customized specifically for them—just as they do in their personal lives. And they should create a workplace that fosters digital-ready talent through career development and a culture based in continuous learning.

3) **Breaking an all-encompassing digital HR strategy into phases.** Most importantly, these changes can't be done overnight. It's an incremental process that is often weighted by digital maturity and budget constraints. Labor is an excellent place to start. However, companies need to have a plan in place. An HR Technology Roadmap can help address critical questions like:

   - How do we optimize our HR technology ecosystem to enable the future of work?
   - What should be prioritized first?
   - How do we build a case for change so senior leadership understands the value drivers?

Driving forces of manufacturing employment

Manufacturing is a foundational industry in the US economy. It contributes 12 percent of the US GDP and employs roughly 12 million people, and the effect of manufacturing activities ripples across the entire nation.[8] Becoming an irresistible manufacturing organization is now a necessity. If you don't, you might find it difficult to attract and retain talent at a time when manufacturing needs to be ramped up.

According to recent studies, 84 percent of manufacturers report a moderate or serious shortage of qualified applicants for skilled and highly skilled production positions, as well as engineers and management positions. About 80 percent of manufacturing organizations indicate they're willing to pay more than the market rates in critical workforce areas.[9] Clearly, there's significant demand within the manufacturing industry for top talent.

Manufacturing now and then

The manufacturing skills gap will gradually close if manufacturers make positions more irresistible and organizations more enticing. Compensation, technology, and opportunity for growth are all catalysts for change in millennials making their career choices toward manufacturing. Recruiting and retention efforts are paramount. Pursuing a strong digital strategy so tasks like tracking overtime and vacation are efficient and accurate can increase desirability. People want to work for a company with modern, mobile processes. Manufacturing jobs are naturally going to evolve to be more creative and innovative. If digital strategies move with them, as is occurring now, manufacturing will continue to become increasingly enticing.

Authors

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Jenine is a Senior Manager with 20 years of cross-industry expertise managing and directing global HR and payroll systems, HR policies, business transformation and process optimization. Jenine's recent engagements focused on enterprise implementations that not only required design thinking, but also a holistic approach including change management, training and business process re-engineering.

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Endnotes

1. An independent research company, on behalf of Deloitte and the Manufacturing Institute, conducted an online survey of more than 1,000 Americans spread across 50 states, with a demographic representation mirroring that of the actual US population. After a multiyear study, Deloitte and the Manufacturing Institute captured the findings in this report: "A look ahead. How modern manufacturers can create positive perceptions with the US public," https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-public-perception-manufacturing-study.pdf.
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7. Deloitte and the Manufacturing Institute.
8. Robert E. Scott, "The Manufacturing Footprint and the Importance of US Manufacturing Jobs," Economic Policy Institute, http://www.epi.org/publication/the-manufacturing-footprint-and-the-importance-of-u-s-manufacturing-jobs/.
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