

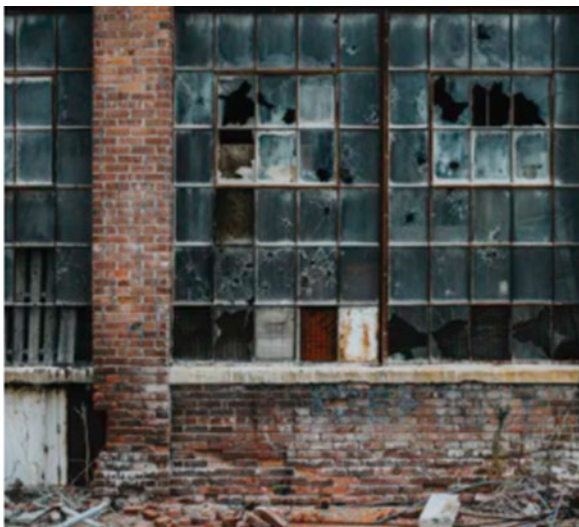


ESSENTIALS

Manufacturing Impact

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Since the industrial revolution of the early 1800s manufacturing has played a role in local communities across the US. Factories large and small became ingrained into the very fabric of the local communities in which they were built. This had many advantages: living wage jobs for citizens, revenue to the town which allowed the town to provide more services to its citizens, and more businesses to support the factory. It also came with some disadvantages: increased traffic, strain on public infrastructure and services along with risks of devastation if the factory closed. De-industrialization and disinvestment the last four decades have ravaged the US heartland, including small towns across the Midwest, Northeast and Upper South. Many continue to suffer declines in employment and population, high-levels of poverty, poor schools, increasing violence, growing social dysfunction and environmental degradation – deteriorating factories, empty parking lots, dilapidated housing, and vacant lots all bear witness to the continuing costs of economic restructuring:



Manufacturing accounts for approximately 13% of the US GDP (down from a high of 23% in 1972). On average, manufacturing supports 1 in 6 service jobs; for every \$1 spent in manufacturing another \$1.32 is added to the economy – the highest multiplier effect of any

economic sector. The average manufacturing worker's annual wage is \$77,506 while the overall annual wage across all categories is \$62,546 (a \$15,000/year premium). Manufacturing accounts for 68% of private R&D and 90% of US patents.

US small manufacturing borne the brunt of the recent economic recessions. Over 63,000 US factories have closed since 2000. Manufacturing employment has decreased by 21.8% and wages have declined or stagnated. While production moved off shore, US small manufacturers lost the capability to compete; they often have limited ability to design new products, serve customers, solve problems, lack technology and hold a narrow manufacturing and/or product focus. The US may have lost the capability to bring manufacturing back after 10-15 years of outsourcing and an aging workforce.

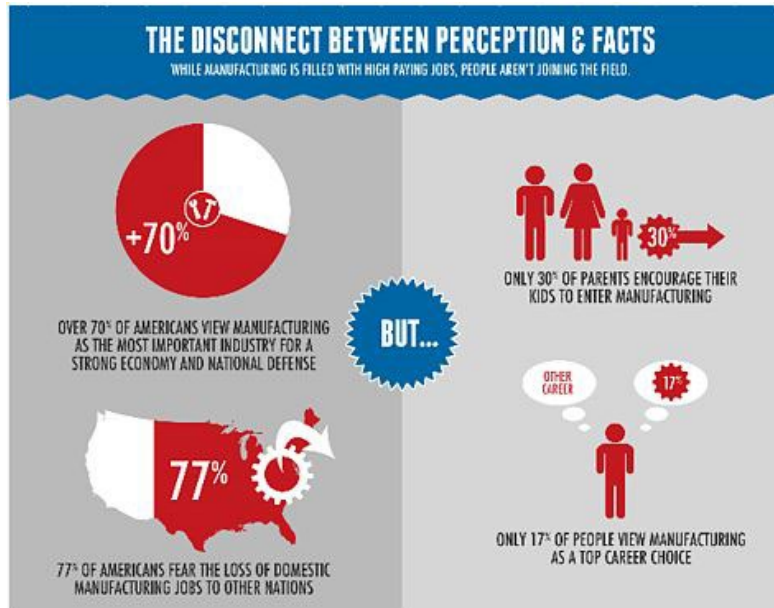
In addition, US manufacturers face a 22% disadvantage compared to nine major trading partners due to external factors such as corporate tax rates, employee benefits, tort litigation, regulation, infrastructure, and energy.

94% of all US manufacturers have less than 100 employees, most in small US communities. Small-to-medium manufacturers are the bedrock of our smaller communities. Yet, small to medium-sized manufacturers are often over looked and underserved by our national and local economic development and research efforts. Most efforts are focused on advanced manufacturing (automation, robotics, the Internet of things) and little on creating manufacturing workplaces that work for all – the employer, the employees and the community. When they do focus on employees, the focus is on training: workforce development, reskilling, and apprentice programs, not on working with manufacturing leaders to create healthy workplaces – not just living wage jobs, but jobs where people **flourish**, bringing their best self to the work every day. These workers take this joy of work home and into the community, creating a healthier community as well.

Perception Problem

Despite the manufacturing industry regaining 63% of jobs lost during the pandemic, there is an astounding 851,000 jobs open in manufacturing. The majority of US manufacturers expect long-term challenges to attract and retain workers in 2021 and beyond. The good news is that there is a major focus on investing in the US, to hire the next worker here in the US.

While over 70% of Americans view manufacturing as important for a strong economy and defense, only 30% of parents encourage their children to seek a manufacturing career and only 17% of people view manufacturing as a top career choice.



From: Radon Group. "What the Millennial Generation Thinks About Manufacturing." October 22, 2015.

Manufacturing has a perception problem – manufacturing work is seen as dirty, dull and unrewarding for both the individual and community. Add to that the 30-year trend of outsourcing by large manufacturers and the media hype that a robot will take manufacturing jobs in the near future and many people do not understand the dynamic career opportunities available in manufacturing.

Different generational views of success also play a role. Older generations sought success in work and stability in finances. Today's youth, however, care more about finding purpose and passion in their work; they want to work in places where they can bring their creativity and individuality to purposeful work on a daily basis.

Therefore, manufacturers must create workplaces where everyone can **flourish** – the older generations can have a sense of security while learning new technology and the younger generations find dynamic, meaningful, and creative jobs.



Mural in Leesburg, VA

How? Not through increased digitization/automation. While most manufacturers accept that they can no longer ignore digitization and a full 56% of those surveyed in a recent McKinsey survey, indicate it was critical to their survival during the pandemic, technology is insufficient. Manufacturing needs transformation focused on people. Long-term business success is, and always has been, all about people – people make the business possible, create the products and serve the customer daily.

Today's manufacturers are under much pressure to keep customers and employees safe, shareholders happy and communities clean and vibrant, working more hours with fewer resources. This type of pressure could turn any workplace into an unhappy place to work. The costs associated with this are very real for today's manufacturers:

- **Employee burnout** – 52% of employees say they feel burned out, and more than two thirds of employees say burnout has worsened throughout the pandemic
- **Pent up turnover** – 1 in 4 Americans are planning to look for opportunities with new employers as the pandemic threat subsides
- **Competitive labor market** - Employers are rethinking their employee value proposition

The Great Resignation

More people are leaving their jobs in search of more flexibility, more happiness, and yes, more money. Many are rethinking what work means to them, how they are valued and how they spend their time. A dramatic 4 million people quit their jobs several months in 2021 according to the US Labor Department. Restaurant and hotel workers led the way. Long hours, scant staffing and arguments with customers over masking was just too stressful. And, not just the hospitality industry. 94% of retailers are having trouble filling and keeping positions filled. Manufacturing, suffering a perception problem, is not any better despite higher average salaries. The president of a small manufacturer in northwestern PA told SOS recently that they are now competing with hospitality and retail employers for entry-level workers, not just other manufacturers.

Dignity of Work

We were created by God to work. Before He gave Adam Eve, He gave Adam work in the garden. Within each of us lies unique gifts and talents to co-create with God. Man's design of work is no longer effective. Work has changed. We have changed. Workers now crave more flexibility. Yes, most of us still need to work to pay the bills, but now we also want it to accommodate life. There are a lot of myths about how people do not want to work. But the number one response to the question "What does everyone want?" was a good job.

"Work is not a four-letter, bad word."

- Ryan Ray

The good news is leaders can take steps to build workplaces where employee happiness is a focus. Employee happiness can boost profitability and enhance organizational health. Gallup estimates the annual cost to the US economy due to loss of productivity is \$250 billion.

Leaders can create an environment that enables and supports these behaviors by focusing on the organizational health disciplines:

Discipline 1: Cohesive Leadership

Discipline 2: Clarity

Discipline 3: Overcommunicate Clarity

Discipline 4: Reinforce Clarity



from: Lencioni, Patrick. *The Advantage: Why Organizational Health Trumps Everything Else in Business*. New York, NY: Jossey-Bass, 2012

Is your community healthy? Are you part of the problem or solution?

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Transforming small US
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