

WHITE PAPER

# 3 WAYS TO ATTRACT TOP MANUFACTURING TALENT AND KEEP EMPLOYEES ENGAGED

## GETTING TO THE POINT:

**This paper outlines how manufacturers can unlock their people potential, leverage higher employee engagement, and attract new talent by changing the systems that run their businesses.**

Building and maintaining a skilled workforce is one of the top challenges faced by manufacturers today, and the skills gap is going to increase as older workers retire. At the current pace of growth, it feels impossible to hire enough people to meet manufacturing needs.

Instead of trying to hire outside of the company, many manufacturers have repurposed key employees to take on new, higher value roles.





It's a perfect storm: a rapid rise in positive manufacturing sentiment; increased consumer demand; open access to capital; reduced corporate taxes resulting in increased investment; record-low unemployment. So what's the problem?

**IT IS ESTIMATED THAT BETWEEN 500,000 TO 1,000,000 MANUFACTURING JOBS WILL OPEN IN THE U.S.**

Manufacturing is experiencing an unprecedented boom, but that comes with challenges. Scaling for increased demand doesn't happen overnight. Buying more plant space and machines is the easy part. It's opening the hiring throttle while still building and maintaining a skilled workforce that is difficult.

This paper discusses the hiring pitfalls and staffing challenges you may face during strong demand cycles, improvement opportunities, and how leading manufacturers are staying ahead.

# Manufacturing by the Numbers — the Good

In manufacturing, demand is high, the forward outlook is positive, and the numbers bear that out. A recent National Association of Manufacturers (NAM) survey posted some positive numbers:

**Nearly 70% of manufacturers report a positive outlook for their companies and the economy—a near-record level of optimism.**

**Nearly 60% of manufacturers state that global economic forces have not negatively impacted their hiring or capital spending plans.**

**More than 85% of manufacturers are planning to increase wages.**

**More than 80% plan to maintain or increase their capital investment plans.**

Rarely has there been this kind of momentum and opportunity, not just for companies but for workers and prospective workers.

It is estimated that between 500,000 to 1,000,000 manufacturing jobs will open in the U.S.

# The Not So Good

While rosy on the surface, this explosive growth comes at a challenging time. An estimated 25 percent of U.S. manufacturing employees are 55 years old or older and Baby Boomers are retiring at a rate of 10,000 people per day<sup>1</sup>. This isn't just a sheer numbers problem but a knowledge drain problem.

Simply put, over the next decade, nearly 4.6 million manufacturing jobs will likely be needed (30% growth since Deloitte and the Manufacturing Institute's 2015 estimate), and 2.4 million are expected to go unfilled due to the skills gap.<sup>2</sup>

This is great news for those workers in, or looking to enter, manufacturing as they will be in high demand and find competitive wages. Unfortunately, it uncovers a serious gap in meeting manufacturing demand as attracting and retaining top performers will be more challenging than in the past.

## The skills gap may leave an estimated 2.4 Million positions unfilled between 2018 and 2028

**2.69M**  
jobs open from retirements.

**1.96M**  
new jobs due to natural growth.

**4.6M**  
manufacturing jobs to fill from 2018-2028.



**2.4M**  
(53 out of 100) open positions lie vacant due to a skills shortage in the US manufacturing industry.

Only  
**2.2M**  
jobs are likely to be filled.

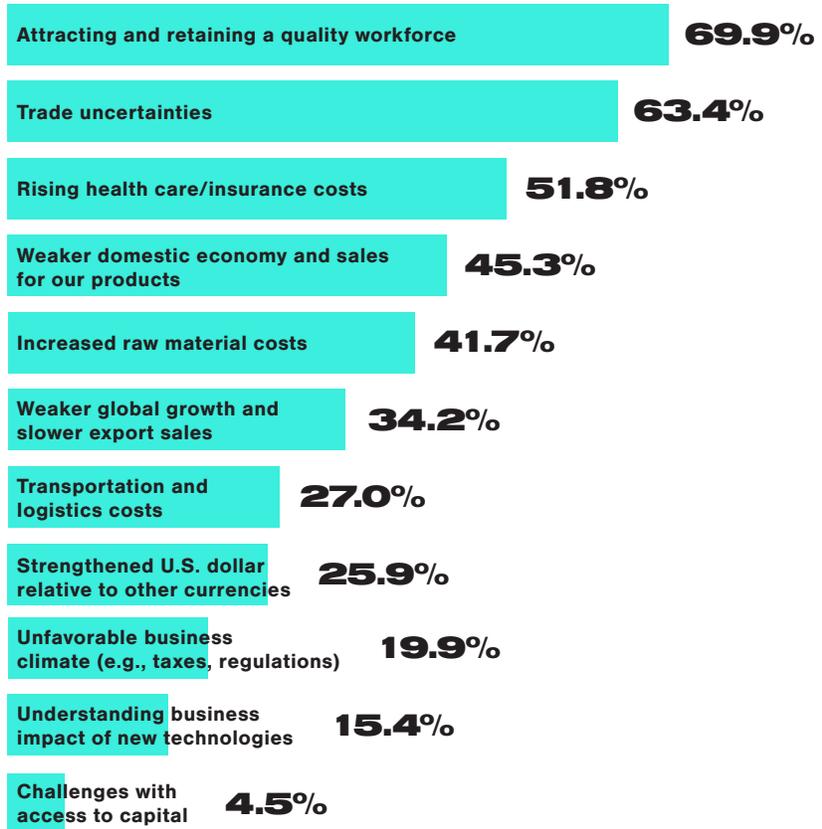
\*Calculated on the basis of 52.7% of the skilled manufacturing positions that are unfilled (per the 2018 survey)

\*\*Retirement age of 66

Source: 2018 Deloitte and The Manufacturing Institute skills gap and future of work study

# The Ugly

Many manufacturers that can't keep up are missing out on additional revenue and profit streams. According to NAM, roughly one-third of manufacturers said that they had turned down new business opportunities due to an inability to attract and retain workers, and nearly 80 percent of manufacturers report a moderate or serious shortage of qualified applicants for skilled and highly-skilled production positions. 69.9 percent of those completing the survey agreed that the inability to attract and retain workers was the biggest challenge facing their business<sup>3</sup>.



Source: Primary Current Business Challenges, Third Quarter 2019 (NAM)

# The Result

At the current pace, it seems impossible to hire fast enough to meet manufacturing needs. The ramp up time for new employees coupled with the likelihood many will move on to other jobs quicker than in the past creates a revolving door for some companies.

You might be thinking that automation would negate the need for many of those jobs. In reality, all of the numbers shown take into account some level of new innovation, but still show a gap. And, according to a 2018 Deloitte study, automation is largely serving as a complement to, rather than a replacement for, people.<sup>4</sup>

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# Addressing the Challenge

There are several things you can do to maximize efficiency, even if you can't fully keep up with this break-neck pace. For example, this is an ideal time to make operational improvements—reduce waste, create more efficient and automated workflows, and use manufacturing data to drive greater business results. These are pragmatic areas of focus that are constant areas to improve, but do take time and manpower, which brings us back to the challenge we started with.

One key to addressing these challenges that some manufacturers have undertaken is taking an “inside” approach—instead of just trying to hire their way out of this, they've repurposed key employees to take on new, higher value roles. Then the question becomes if you are experiencing a labor shortage, how can you repurpose existing employees? The answer is by changing the systems that run your business, which will enable you to take three important actions.

## **ACTION 1: UNLOCK YOUR PEOPLE POTENTIAL WITH THE CLOUD**

Some of the best manufacturing employees spend considerable time on mundane tasks like manual cycle counting, inventory management, software/ server maintenance, or running business and production reports. These are business-critical activities, but many manufacturers have found a more effective and efficient way to manage them. The right Software-as-a-Service (SaaS) cloud solutions can automate or eliminate the need to allocate people to these activities.

One example of this can be seen at G&W Products. The company provides metal stamping and fabrication solutions and employs 145 people. “When we first put the new (SaaS-based cloud) ERP system in, we had a lot of gains ... I mean overnight,” said Ken Vance, CFO of G&W Products. “The first week, the head of receiving came and told me I could reassign his staff. The

software helped him know where materials and parts were and what was coming in and when, so he could manage intake by himself.<sup>5</sup>”

Another manufacturer running SaaS-based cloud ERP, A&K Finishing, explains the impact cloud has had on value-add activities. “Our owner asked us to break down how we were spending our time,” said Scott Hankamp, Operations Manager. “He was shocked when I told him that I spent 85 percent of my time doing data entry—he probably figured I was spending 60 to 70 percent of my time on the shop floor. Nowadays, I spend about 30 percent of my time driving continuous improvements for us in Plex, but those are all value-added activities—and I've eliminated all the data entry I used to do.<sup>6</sup>”

Staff reassignment is hugely beneficial because it leverages people that already know the company, its products, its processes, and its needs in-house. They can then train on new skills to address key system gaps.

Motus Integrated Technologies, a leading automotive supplier, gained greater visibility which allowed them to reallocate data entry clerks to higher-value jobs.

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**“AS WE MAKE PRODUCTS, WE NOW MAINTAIN A REAL-TIME VIEW OF INVENTORY RIGHT THERE ON THE FLY,”**

says Garn Evans, Vice President of IT. “So we have a true picture of inventory for both raw materials and finished products. Our cycle counts are also much more accurate because people are recording production right when they perform it, rather than leaving it for someone else to punch it in later.” Previously, the company’s view of materials and finished goods was perpetually 12 to 16 hours behind.



## ACTION 2: LEVERAGE HIGHER EMPLOYEE ENGAGEMENT

Enabling employees to take on new skills and responsibilities promotes engagement, one of the key puzzle pieces to retaining the best talent. How important is employee engagement? You should consider these facts presented by Engagement Trends:<sup>7</sup>

- A highly engaged workforce is proven to outperform a company experiencing low employee engagement by a whopping 202 percent.
- Employees who use their strengths, skills, and abilities every day are six times more likely to be engaged at work, 8 percent more productive, and 15 percent less likely to leave their jobs.
- Highly engaged business teams result in 21 percent greater profitability.
- Companies with engaged employees see a 26 percent greater annual increase in revenue.
- Companies with engaged employees see 233 percent greater customer loyalty.

But it's more than reallocating people to new jobs. It's giving them access to critical business data and actions. It means having more users with deeper access to more information. It's empowering them to help run the business. Historically, systems like ERP have been sold by the individual license or subscriber, both of which limit critical business access to a chosen few instead of the masses. This problem is forced largely by legacy vendor pricing models.

A study by consulting and research firm Mint Jutras showed that 62 percent of manufacturing employees on average use ERP. What happens when a different usage model is introduced? Plex Systems, for example, offers a unique unlimited subscriber SaaS model—that includes employees of customers and suppliers. The result? A 30 percent jump in ERP use for Plex customers versus other manufacturers, with over 80 percent of employees that work for companies running Plex actually getting their hands on the system. The proven philosophy is the more people

engaged, the more accurate and useable data there is giving employees the opportunity to cross-collaborate and develop a better working environment together. It means less one-off manual processes outside the system that put your company at risk with avoidable errors.

What percentage of your employees use ERP?

62%

Manufacturing

81%

Plex

### **Employee Engagement Promotes Better Business Processes**

How does the combination of SaaS-based systems and engagement impact results? At EG Industries, a manufacturer specializing in plastic injection tooling, molding and finishing, moving to the cloud has changed the focus of IT staff. “The SaaS model in the cloud with Plex helps us alleviate a lot of the pains and headaches that come along with on-premise software. There’s so much opportunity out there to bring value to the company,” said Tony Brown, director of business systems at EG Industries.

IT resources at EG are now highly engaged connecting systems and departments, creating greater visibility and developing tools to gather and use data more effectively. Some people even took on broader operations and plant management roles.

“IT people are now business analysts, and we can focus more on our division’s mission statement which is ‘provide our internal and external customers with real-time actionable data for them to make timely and informed decisions.’ That’s really what this division does and what the cloud has done for us,” said Brown.

## **ACTION 3: GO “DIGITAL” TO ATTRACT NEW TALENT**

The above examples point to more engaged employees and greater efficiency when using SaaS-based cloud solutions. You can create new opportunities for existing employees and stave off employee churn. There is still the need for a pipeline of new, fresh employees to join the company, however.

Today’s young talent grew up as digital natives. The applications they use are largely run in the cloud—from gaming to email—and they think mobility first. They are not tethered to a workstation and likely won’t accept that as an employment norm.

Think about the business tools and systems most consumers use, and the perception they create on prospective employees. The new generation

of manufacturing employee is not going to accept green screens and archaic user experiences. If this describes your company’s manufacturing management and/or ERP tools, your competition may have a leg up attracting new employees if they have more modern systems and capabilities, better user experiences, and promote a more untethered mobile experience. Modern, visual systems can also decrease ramp-up time for any new employee, which gives companies a faster path to revenue and employee efficiency.



# Summary

While there is no silver bullet to fully address the worker shortage, many manufacturers are turning to modern systems for help in both attracting new workers and making better use of existing in-house talent. Multi-tenant SaaS cloud solutions enable companies to automate low-value manual activities so that key people can pivot to high-need, value-add activities. By doing more with your current resources, with a modern architecture that attracts new workers, you can improve your ability to deliver and keep delivering in the future.

1 <https://www.industryweek.com/leadership/perfect-storm-manufacturing-workforce>

2 Deloitte and Manufacturing Institute, "2018 Deloitte and The Manufacturing Institute skills gap and future of work study." <http://www.themanufacturinginstitute.org/~media/E323C4D8F75A470E8C96D7A07F0A14FB/>

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3 [https://www.nam.org/wp-content/uploads/2019/09/National-Association-of-Manufacturers-Outlook-](https://www.nam.org/wp-content/uploads/2019/09/National-Association-of-Manufacturers-Outlook-Survey-Report-Q3-2019.pdf)

Survey-Report-Q3-2019.pdf

4 <https://www2.deloitte.com/us/en/pages/manufacturing/articles/future-of-manufacturing-skills-gap-study.html>

5 <https://www.thefabricator.com/article/stamping/erp-software-tamps-down-barriers-to-growth>

6 <https://www.plex.com/customers/just-in-time-manufacturing-example.html>

7 [https://engagementtrends.com/stats\\_employee\\_engagement/](https://engagementtrends.com/stats_employee_engagement/)

## ABOUT PLEX

Plex is the Manufacturing Cloud, delivering industry-leading ERP and manufacturing automation to more than 400 companies across process and discrete industries. Plex pioneered Cloud solutions for the shop floor, connecting suppliers, machines, people, systems and customers with

capabilities that are easy to configure, deliver continuous innovation and reduce IT costs. With insight that starts on the production line, Plex helps companies see and understand every aspect of their business ecosystems, enabling them to lead in an ever-changing market.