



American Worker Survey— Industrial manufacturing



IM sector must re-engage with workers

For a sector with big demand for new workers in the coming decade, industrial manufacturing (IM) is taking workforce retention and satisfaction seriously.

A decades-long trend of manufacturing operations offshoring/nearshoring, the evolution of the US economy toward service-based industries, and the sector's own failure to improve the image of factory work have left companies struggling to attract the next generation of workers. Companies are intensely focused on changing outdated perceptions of manufacturing jobs and creating opportunities tailored to lure first-time workers to their ranks. A recent survey by MICHauto underscores some of the challenges.¹ Focused on the perceptions of the Michigan automobile and mobility industry among a younger workforce (17 to 24 years old) and adult people (25+) of influence (parents, teachers, etc.), the research revealed that more than half of youths would not consider industrial manufacturing for a career, and about half do not agree that it is an attractive career for young adults or that it is culturally diverse. And the issue of diversity is a particularly sharp challenge for an industry that believes diversity, equity, and inclusion initiatives can help fill worker shortages, especially among women. While youth and adults agree that salary is the number one draw to working in the manufacturing industry, youth rated work/life balance almost as important.

Beyond just the auto industry, perceptions of long hours, safety concerns, physical demands, and frequent layoffs continue to challenge IM as it strives to rebuild its

reputation as a more progressive industry focused on well-being, professional development, and innovation. Adding to the challenge, broad wage scale increases in the service sector have drawn workers away from manufacturing to retail and service work. Recent labor negotiations with the United Auto Workers, as one example, may help tip the scale back in manufacturing's favor.

To better understand how American workers view the opportunities and challenges of today's workplace, KPMG surveyed more than 1,800 executives, middle managers, and members of the general workforce on a range of workplace-related topics.² More than 10 percent of respondents were from IM. In this paper, we examine the main themes that emerged from those IM participants, highlighting the challenges and opportunities the sector faces.



Research revealed that more than half of 17 to 24 year olds would not consider industrial manufacturing for a career.



¹ Source: "MICHauto Releases 2023 High-Tech Talent Initiative Perception Study," michauto.org, July 31, 2023

² Source: KPMG American Worker Survey

1 Managers will be vital to worker satisfaction and leading change

As technology continues to optimize work processes and the workforce, companies will increasingly call on managers to translate strategy and new ways of working into actionable and self-actuating plans for workers. In our survey, relationship with and contributions by one's manager scored consistently high among productivity and retention measures.

IM respondents said that support from a manager has a positive impact on productivity (42 percent), second only to communication and collaboration (53 percent), which increasingly will fall to managers to foster. What is more, a manager they did not enjoy working with (31 percent) and feeling disrespected in the workplace (31 percent) ranked in the top five reasons IM respondents would consider leaving their jobs, highlighting again the importance of direct managers to worker retention and satisfaction.

Among respondents in IM management, "adaptability and agility" were cited among the top emerging skills a manager would need to possess in the future (44 percent), just behind balancing humans and artificial intelligence (AI) at work. IM managers are also looking for the support of their organization to evolve and grow. Among management respondents, 63 percent said they have been satisfied with the learning and development opportunities at their organization, and 64 percent said they have been able to easily access the training they need to do their job effectively.

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42 percent of respondents said manager support has a positive impact on productivity.

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2 Technology may enable and disrupt

Many frontline IM workers already see technology as integral to their job functions. Based on our survey results, IM respondents in varied roles are generally positive about the application of technology to their current and future responsibilities. For instance, 64 percent said technology has had a positive impact on their work, while 62 percent said technology would have a positive impact on their jobs over the coming three years.

They are pragmatic about technology-led changes coming, too. Among IM respondents, 59 percent said technology would significantly impact their job. The good news is that 73 percent said they have had the necessary skills so far to use new technology effectively, suggesting that the workforce is adaptable and willing to change. To that end, 75 percent are confident that they will have the necessary skills to effectively use technology going forward, and 77 percent said they believe they can adapt to new technologies to maintain their productivity.

That said, IM respondents are most worried about job displacement caused by automation/AI (40 percent),

followed closely by technological advancements outpacing their organization's upskilling efforts (35 percent). Roughly a third of IM respondents said that over the coming three years, new technology/AI would automate up to 30 percent of their jobs. Another 24 percent said it would automate 31 percent to 50 percent of their jobs, and an almost equal number said it would not affect their jobs at all.

One of the main challenges for the industry as it considers its technological future is the amount of investment required at a time when many companies are conserving cash and deploying funds for new technology projects sparingly.

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Work/life balance is a top priority, but remote work is not the answer

The COVID-19 pandemic recalibrated worker expectations for work/life balance, and for many the focus remains on preserving flexibility. The key to attracting and retaining an IM workforce will be structuring work to better fit the lifestyle demands of a new generation of workers.

While competitive total rewards and pay ranked as the top reasons IM respondents would continue working for their employer, the ability to maintain a healthy work/life balance (32 percent) followed closely behind, as did flexible working hours (32 percent). More (39 percent) said that an inability to maintain that healthy work/life balance would cause them to consider leaving their employer. Among the respondents, 58 percent said a reduced work week would improve work/life balance.

Support for mental health initiatives is also important. Encouraging employees to take paid time off (55 percent), offering flexible work schedules (46 percent), and providing access to mental health professionals at no cost (43 percent) were among the steps respondents said employers could take to meet their needs.

For many industries, hybrid or fully remote work became table stakes for maintaining worker satisfaction post-COVID-19. But for IM, a largely hands-on sector, workers do not expect to do their jobs at home. In fact, more respondents said hybrid work had negatively affected their productivity (29 percent) than had positively affected their productivity (23 percent). Just 8 percent said that being required to work in person would make them want to leave their employer.

In sharp contrast to responses (35 percent) from the larger AWS survey, IM workers (49 percent) said they wanted to work in an office or facility full time.

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Workers are future-ready, but not quite bought in

IM survey respondents are ready for the workplace changes and challenges coming their way. Among them, 79 percent said they have the necessary skills to do their job effectively, while 75 percent said they were confident they had the skills suitable for future jobs. Again, three quarters said they have the necessary skills to effectively use technology, with 74 percent saying tech will transform the skills required for future jobs. Just 29 percent are concerned that technology will make their jobs obsolete.

Where IM organizations will need to “walk the walk” more as they transition to new ways of working is focusing on the upskilling of the workforce. Just over half of respondents believe their organization is investing in the upskilling/reskilling they’ll need to bridge skills gaps. And just 62 percent said they were confident their organization would use the latest tech for upskilling. Meanwhile, 70 percent said continuous learning and upskilling will be crucial to stay relevant.

Organizations also have work to do to gain buy-in. Among respondents, 74 percent said that their job aligned with the organization’s strategy and purpose, and 79 percent said they had contributed to the organization’s success. While those numbers might seem robust, any high-functioning company should expect those percentages to be approaching 100 percent. This suggests that by better defining roles, explaining their fit, and communicating their value, organizations can make further strides in aligning their organizations. Alarming, just 16 percent of IM respondents cited support for their organization’s vision and values as a reason to keep working there, while 19 percent said disagreeing with these would cause them to consider leaving.

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75 percent of respondents are confident they have skills suitable for future jobs.

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Communication and collaboration are crucial

During transition and times of workplace upheaval, understanding expectations, feeling involved, and having clear goals can make a big difference in the quality of worker engagement and productivity. It is all about communication. Among IM respondents, 53 percent ranked communication and collaboration as the top factors affecting their productivity, followed by support from their managers (42 percent)—reinforcing the notion that proactive and communicative managers are more vital than ever. Likewise, the lack of communication and collaboration was the top factor cited for negatively affecting productivity.

Looking ahead to the next three years, 80 percent of IM respondents said that collaboration and teamwork would become increasingly important to their work. Equal access to information is also valuable, though just 65 percent said they had the same access as their colleagues had over the past three years—a reflection, perhaps, of the unforeseen disconnects created by hybrid working.

IM managers said that communication and collaboration (51 percent) were most important, alongside flexibility and adaptability, in leading within a hybrid work environment.

As organizations evolve, creating opportunities for engaging work and for advancement is vital, both to retaining workers and to attracting the new ones the manufacturing industry desperately needs. This includes delivering on an upskilling agenda. Here, human resources (HR) can take a lead role in ensuring that an organization is aligning the technology and programs required for roles and accountabilities in flux.

Clearly mapping out advancement paths is also important. Lack of career advancement opportunities was the number one reason cited by IM respondents (41 percent) for considering leaving their organization, and these opportunities ranked highly as reasons respondents would stay (37 percent). Again, managers will play a vital role in ensuring workers understand what is expected of them and the opportunities available to them in this new world.

Preparing for the future by supporting the workforce needs of today

Attracting the millions of new workers that the IM sector will need in the coming decade will be easier if today's IM workforce receives the support, development opportunities, and flexibility they desire to stay engaged and productive in the industry. There is no better cheerleader for an IM job than a motivated and satisfied worker already in one.

It starts by supporting managers. Given their expanding roles as mentors, guides, and organizational interpreters, managers need education, upskilling, and soft-skill training to lead a workforce facing an unparalleled amount of change. Based on our survey findings, workers are confident in their capabilities and adaptable in the face of this change—a good sign for managers responsible for defining and managing toward this new work paradigm.

Technology will play a key role in this transition. Here again, IM workers are eager, if anxious, supporters of technology's role in future work. When used as a force

for productivity—improved work processes, reskilling/upskilling, and better work/life balance—technology can have a profound impact on worker satisfaction and development. Organizations must be careful not to layer productivity goals on top of productivity gains at the expense of their workers.

Work/life balance, after all, is important to retaining and attracting a workforce. This includes efforts to engage a more diverse workforce by offering benefits like flexible work hours and childcare. While working from home is not a top priority for those in an industry that is primarily hands-on, ensuring that workers have flexibility and balance when they need it is no longer optional.

Development and advancement opportunities create attractive career pathways, a priority for most IM workers. With roles, processes, and accountabilities in flux, thanks to technology, organizations can think creatively about new enticements and rewards for workers.

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How KPMG can help

Significant changes in the current global business climate are reshaping the workplace, the workforce, and the work itself. We leverage industry insights and extensive client experience to help organizations reimagine their talent strategies at all stages of the employee lifecycle and implement critical programs that create a more agile and modern HR function to support an organization's overall business strategy and talent agenda.

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