

Industrial Products & Construction

UNDER THE SPOTLIGHT



Deloitte.

From Great Resignation
to Great Reimagination

Sector overview and 2022 outlook

The industrial products and construction sector is experiencing a confluence of rebounding demand and recovery with historic labor and supply chain challenges.

A combination of high business valuations, strong earnings, and low-cost debt may also encourage companies to add technology capabilities, gain share, and expand in new markets with M&A.

Policy initiatives and infrastructure investment also have the opportunity to contribute to manufacturing's recovery. However, workforce shortages and supply chain instability are reducing operational efficiency and margins, along with cost pressure and inflation risk. The industry can expect elevated uncertainty from a range of potential disruptors globally.

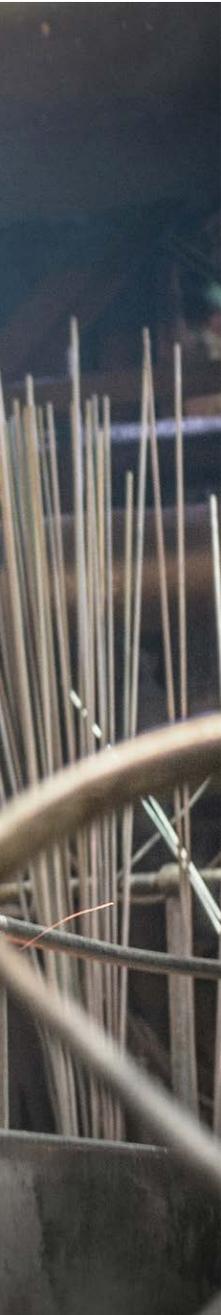
Some of the areas that will shape the focus and investment of industrial products and construction companies in the coming year include:

- Firms continuing to grapple with labor shortages as workforce landscape evolves—preparing for the future of work could be critical to resolving current talent scarcity.
- Manufacturers and construction companies struggling with supply chain disruption and sourcing—remaking supply chains for advantage beyond the next disruption.
- Acceleration in digital technology adoption could bring operational efficiencies to scale—deploying digital thread, smart factory.
- Rising cyber threats are leading the industry to new levels of preparedness.
- Manufacturers are likely to bring more resources and rigor to advancing sustainability and decarbonization.
- Companies with strong financial discipline are expected to use M&A to drive growth in emerging technologies and build broad-based capabilities.









Current labor situation

Recent research by Deloitte and the Manufacturing Institute revealed that 62% of manufacturers said that finding and retaining talent is their top business challenge.¹

Moreover, they said that finding qualified talent is almost twice as difficult as it was in 2018, based on the percentage of their roles that remain open for lack of qualified candidates.

Facing a tight labor market, as the gap between open positions and hires is near a record high.

They are facing a tight labor market, as the gap between open positions and hires is near a record high of 400,000, and the sector is lagging others, such as transportation and warehousing, retail, and hospitality, in adding back the jobs lost during the pandemic.

Many of those sectors have also seen greater increases in average wages in the past two years than manufacturing, making them more formidable competitors for hourly workers. Industrial products and construction companies also face stiff competition with other industries for fungible talent—especially engineering and technology talent.

Finally, the evolution and “hybridization” of jobs due to the introduction of automation into operations is creating a need for tapping new sources of talent as well as upskilling/reskilling current talent.

Drivers of staffing challenges

#1

First, manufacturing remains unable to capture its fair share of the labor market—women, for instance, represent only 30% of the manufacturing workforce, whereas they represent 47% of the overall non-farm workforce. Similarly, workers under 35 represent 30% of the manufacturing workforce, yet they are 45% of the non-farm workforce.

#2

Second, manufacturing and construction face significant “branding” and reputation challenges—being frequently viewed as physically taxing, “dirty” jobs with few opportunities for advancement.

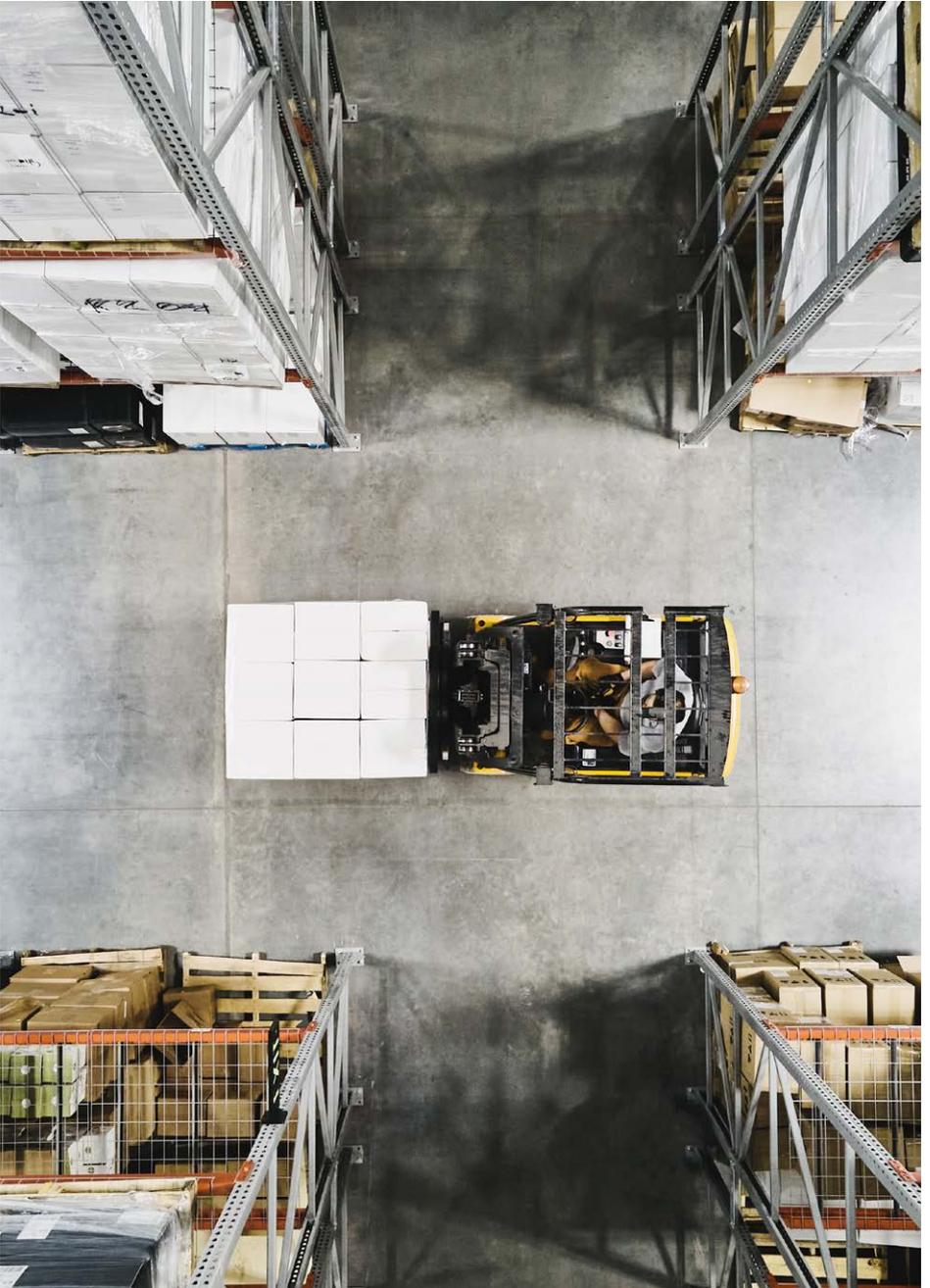
The industry’s public ranking as a preferred industry to start a career today continues to fall, now number six, behind areas like technology and financial services, but also energy.

#3

Third, workers in the sector are craving flexibility. Our research reveals that women are almost twice as likely to leave the industry as men, citing lack of flexibility and visible career pathways, mentors, and role models as primary reasons for leaving. Flexibility is key for all workers, however, with over a third of the manufacturing workforce considering leaving their jobs because of a lack of it.

#4

Fourth, there is a continued lack of skilled manufacturing talent pipeline from secondary schools and colleges—and frequently a mismatch between the number of available apprenticeship and certification programs and the projected demand for jobs in different geographies. This is exacerbated by the specific change requirements of jobs in the industry. For instance, over the past decade, the number of expected skills for a machinist in job postings has doubled, and the number of unique certifications has almost tripled.



Implications for the organization

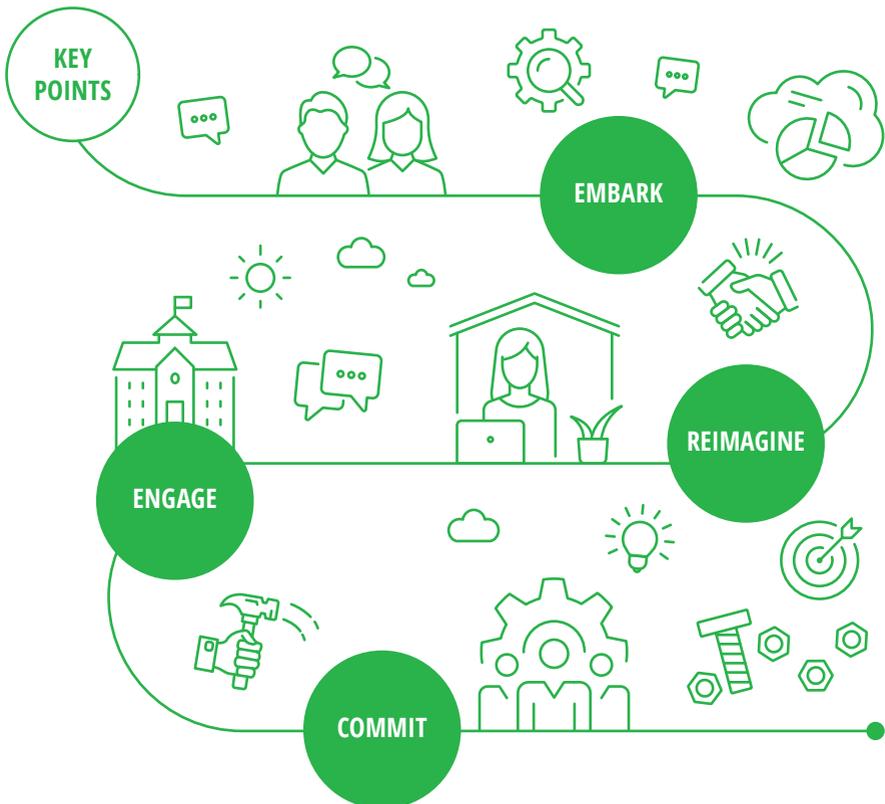
As organizations face this dynamic business and talent environment, they will have to explore multiple avenues to thrive in the future, including:

- Reconsidering the overall employee value proposition—and consider the role, relevance, and competitiveness of rewards, including but not limited to monetary compensation. This includes health care, childcare, education, and vacation benefits that may need revisiting. It's not a set and forget approach.
- Examining the role of wellbeing at work. Workers have experienced an acute loss of work/life balance over the past two years. Manufacturers' focus on health and safety should be paired with efforts to amplify wellbeing and meaning to support the "whole" person.
- Creatively incorporating greater flexibility into the workforce experience. Flexibility can come not only in the form of the ability to work remotely or hybrid, but in flexible shifts and hours, different schedule options for parents or older workers, and more options for the use of time off. This may involve modeling the financial pros and cons of adjusting shift schedules which may impact production, for example, against the cost of overtime and attrition.
- Focusing on Diversity, Equity, and Inclusion (DEI) as a business imperative to accessing and retaining the broadest and deepest possible pool of talent, and to creating an environment that engages a workforce that increasingly makes career decisions based on their perception of their employer's commitment to DEI.
- Better understanding the skills and capabilities of the current workforce and providing greater clarity to the workforce on career advancement and professional development—providing pathways for continuous upskilling and mobility.

Organizations need to consider the role, relevance, and competitiveness of rewards.

It's time to take action

A transformational environment leads to unique opportunities to differentiate and improve. Four practical actions organizations can take include:



#1 EMBARK

on continuous and deeper workforce listening and sensing—to uncover unique needs of different workforce segments and use those to shape engaging talent strategies, programs, and experiences that are relevant and inclusive for critical talent, multiple generations, and diverse populations.

#2 REIMAGINE

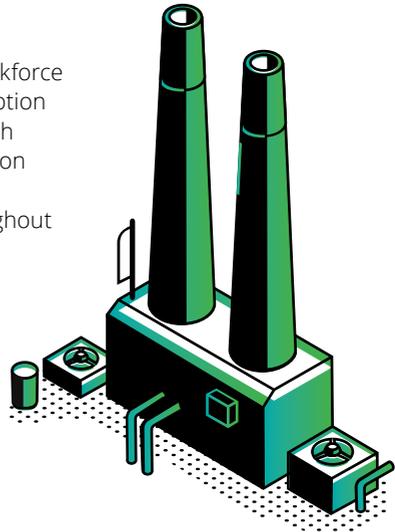
ways of working, policies, and programs to incorporate greater flexibility and worker agency over work environment, schedules, and career mobility in these employee groups.

#3 ENGAGE

with public and education partners to develop a sustained two-way dialogue about skill needs and job demand to build an early-career workforce pipeline, tap into new talent pools, and influence the awareness and branding of the industry among students and early-career jobseekers.

#4 COMMIT

to reskilling the workforce for technology adoption and new roles, which will enhance retention and create multiple career paths throughout the organization.



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READY TO REIMAGINE WHAT'S NEXT?

¹ Deloitte Insights, *Creating Pathways for Tomorrow's Workforce Today: Beyond Reskilling in Manufacturing*, May 4, 2021.



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