



# The manufacturing sector post-pandemic: Rethinking US workplace priorities to pursue short- and long-term success

## **The manufacturing sector charts a steadier course**

The US manufacturing sector was dramatically impacted by the pandemic last year. When covid-19 lockdowns became widespread in March 2020, manufacturing output dropped sharply.<sup>1</sup> But with so many Americans at home, demand for many goods spiked, straining supply chains already weakened by labour shortages.<sup>2</sup> Consumers found themselves staring at empty store shelves or waiting weeks for online orders to be delivered.

There's no clear end to supply-chain bottlenecks in sight as the country moves beyond covid-19 restrictions and demand for goods soars across the economy. But the results of an Economist Impact (formerly The Economist Intelligence Unit) survey, which was sponsored by Prudential, made a few things clear about the manufacturing sector's current state. Employers have largely maintained a good relationship with workers. Both management and workers are in agreement about the importance of worker safety. And automation and technology talent will continue to be a major driver of business value.

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Those are the key findings of the survey, conducted as part of the *Recovery, Resilience and the Road Ahead* programme. It involved 1,139 manufacturing workers and 182 executives in the sector around the US across various functional roles, ranging from frontline production to supply-chain management. The survey assessed worker concerns, remote work experiences, as well as organisations' digital maturity, technology investments, skills and capabilities, and outlooks on the future. What emerges from responses is a view of the pandemic-accelerated new work paradigm that both manufacturing workers and executives are navigating.

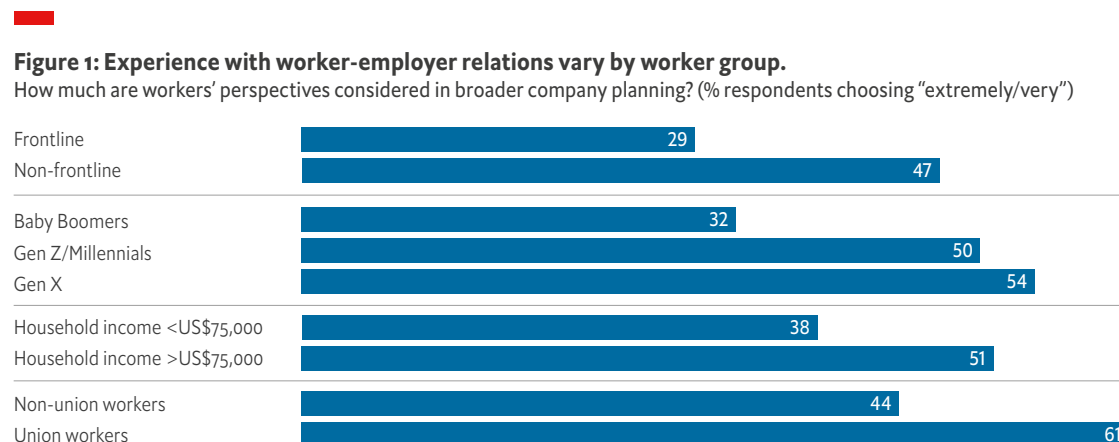
### The majority of workers hold a positive attitude toward their company and job, although significant disparities exist among workers.

In general, manufacturing companies have managed to maintain a good relationship with workers as they navigated the pandemic. But workers' perspectives vary widely depending on their age, income and frontline status. About 55% of workers said they feel either "very

much" or "extremely" valued and respected, with another 27% saying they feel "somewhat" valued and respected. Nearly half (46%) of workers reported their perspectives are well considered in the company's planning today, while more than half (51%) feel their organisations have increasingly considered their perspectives over the past year.

But digging deeper into these responses reveals a more complicated picture. Frontline workers, Baby Boomers, lower-income workers and non-union workers were all less likely to feel their perspectives were being "very" or "extremely considered" in broader company planning (Figure 1).

A similar disparity was apparent with respect to workers' sense of job security. Overall, 67% of workers feel very/extremely confident about keeping their job over the next three years. But that sentiment was lower among Baby Boomers (57%) compared with Gen Z/Millennials and Gen X workers (71% and 73% respectively). Similarly, only 59% of workers with household incomes below US\$75,000 were very/extremely confident about their job security, compared with 73% of workers with household incomes above US\$75,000.



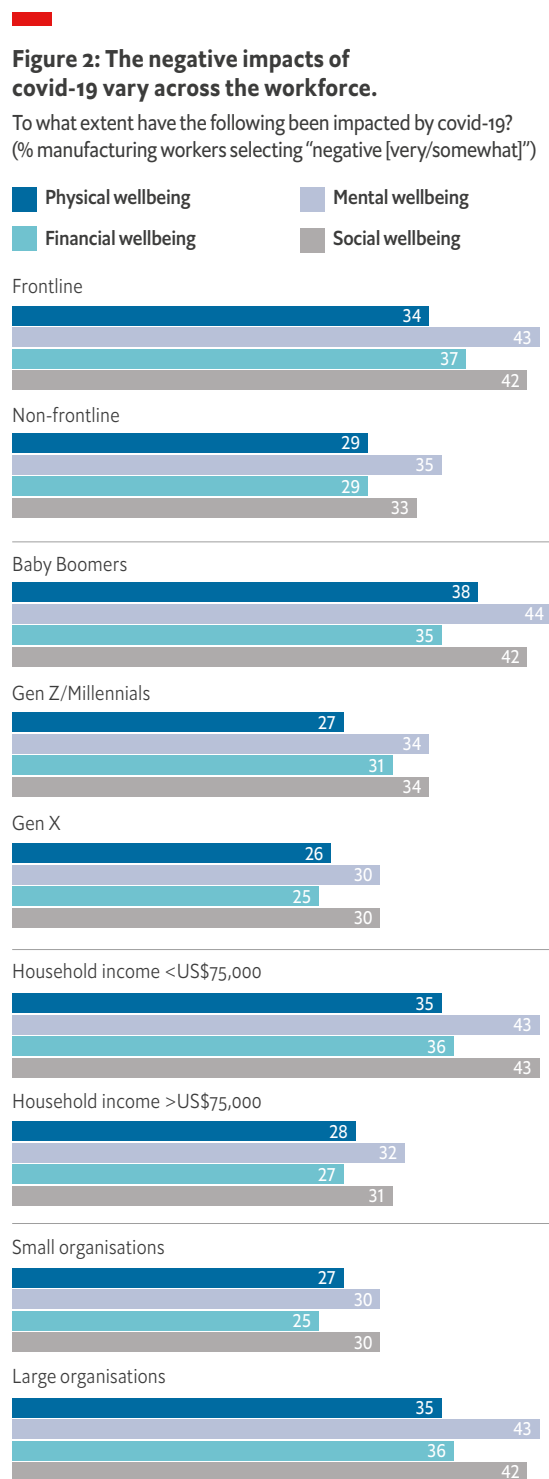
Source: Economist Impact

## Most organisations have prioritised strengthened worker safety protections—but about a third of manufacturing workers have been negatively impacted by covid-19.

When factories began coming back online last year, workers were understandably concerned about the risk of covid-19 infection on production and assembly lines, and in offices. Survey results indicate that organisations agreed to a large extent, stepping up with investments in safety protections and remote work.

Nearly two-thirds (62%) of organisations made moderate or high increases in investments in worker safety protection during the pandemic, according to survey results, while 52% expect a similar increase in the next two to three years. Similarly, 61% of organisations registered a moderate or high increase in remote work investments since the pandemic began, while 57% expect a similar increase in the next two to three years.

All these investments notwithstanding, the wellbeing of a sizable portion of the manufacturing workforce was negatively impacted by covid-19. Baby Boomer workers, as well as frontline workers, were particularly affected. About a third of the workforce indicated that covid-19 had negative impacts on their mental, social, physical and financial wellbeing. Those impacts tended to be more elevated among frontline workers, Baby Boomers and lower-income workers, as well as staff in large organisations (Figure 2).



Source: Economist Impact

The pandemic's mental health toll appears significant, but survey results signal that access to mental health benefits has been limited compared with other more traditional benefits. Only 25.6% of workers said that they had access to mental health services—a lower percentage than those reporting access to medical, dental, life, vision, retirement savings and prescription drug coverage. Moreover, a disparity in perceptions around mental health exists. While 30% of manufacturing executives believe organisations are prioritising mental health, just 21% of workers feel the same way.

In terms of financial wellbeing, 60% of workers said they are either somewhat or extremely/very worried about their day-to-day finances. Yet only about 14% said they had access to financial wellness tools and resources such as student loan assistance. Nearly 30% said that a comprehensive benefits package including financial wellness resources would be an effective way to recognise workers and enhance the worker-employer relationship. To the extent that organisations are already offering such benefits, raising awareness among employees through targeted communications may be necessary.



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**Increasing automation and technology talent continues to be a priority for driving business value, and a large majority of managers believe automation is not a threat to workers.**

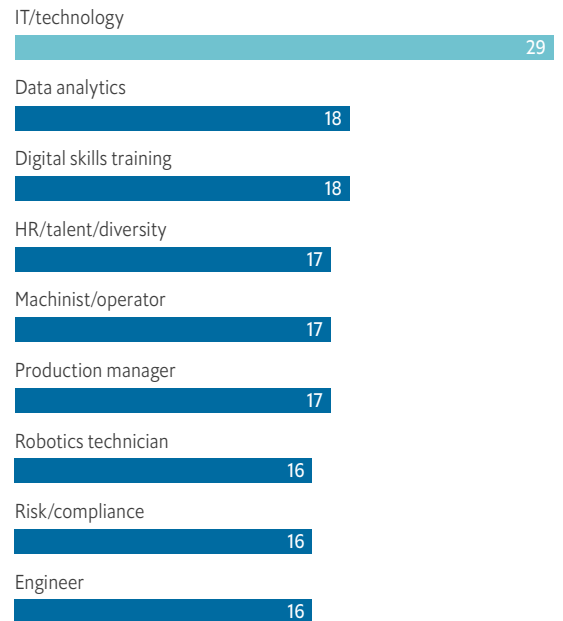
The pandemic has underscored the value of automating some manufacturing processes to increase production capabilities during times of rapidly shifting demand. The vast majority—84%—of executives agree that covid-19 has emphasised the importance of balancing human workforce and automation planning in manufacturing.

Moving to more high-tech operations increases the need for workers with IT/technology skills—already highly sought after in the sector before covid-19. Nearly 30% of workers expect that IT/technology roles will be among the top three positions in higher demand over the next two to three years. The other two most frequently chosen roles were data analytics and digital skills training.

A more high-tech future is on the sector's horizon—that's raised concerns that some existing jobs are at risk of being lost to automation. But most executives don't see automation technology as posing a threat to workers' jobs. The survey found that 77% of executives believe the increased use of automation will change the nature of what workers do rather than make jobs obsolete.

**Figure 3. Jobs workers expect to be in high demand in the near term.**

Which roles in the manufacturing industry do you expect to be in higher demand in the next two to three years? (% of workers were asked to select up to three roles; top nine presented.)



Source: Economist Impact





## Talent recruitment and retention: Do both

As demand comes roaring back, manufacturers can look ahead to the future with newfound confidence. But while relative stability and growth are in the offing as the pandemic recedes, the crisis amplified key trends already in motion before 2020: namely, the need for automation and a talent gap. Manufacturers say it is now 36% harder to find the right talent compared with 2018, according to one recent study<sup>2</sup>. That poses clear challenges

to digital transformation efforts focused on automation, as well as day-to-day operations.

It also underscores the need for companies to retain current talent. Our survey results show reasons for optimism about the current state of employer-worker relations; but they also reveal the scope of the covid-19-related challenges that workers grappled with. As executives chart a path forward, looking to build more resilient supply chains and production capabilities, and secure in-demand talent, inattention to the needs of current workers may only heighten the risks companies face.

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## Endnotes

1. Brookings, "Ten facts about covid-19 and the US economy," <https://www.brookings.edu/research/ten-facts-about-covid-19-and-the-u-s-economy/>
2. Industry Week, "The skilled labor shortage threaten manufacturing's full recovery," <https://www.industryweek.com/talent/article/21169565/the-skilled-labor-shortage-threatens-manufacturing-sectors-fully-recovery-says-study>; and National Association of Manufacturers (NAM), "2.1 million manufacturing jobs could go unfilled by 2030," <https://www.nam.org/2-1-million-manufacturing-jobs-could-go-unfilled-by-2030-13743/?stream=series-demystifying-data>

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