

# Manufacturing Engagement and Retention Study



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# Executive Summary

The Manufacturing Institute's Center for Manufacturing Research partnered with the American Psychological Association to examine best practices for retention among manufacturers and explore the motivating factors that affect worker retention. The study, which took place between February and October 2020, included structured interviews with leaders from 14 manufacturing companies and a follow-up employee survey of 578 employees from five of the participating companies.

## Highlights

- **Retention concerns:** Leaders from the participating manufacturing companies noted specific concerns related to retaining high-potential workers, skilled labor and employees in key technical and sales jobs.
- **Drivers of retention:** The top reasons manufacturing employees cited for staying with their current employer were enjoying the work they do (83%) and having stability/job security (79%). At least two-thirds of workers also said their employer's family-oriented culture (69%) and the job fitting well with their other life demands (68%) were important factors in their decision to stay. Although fewer survey respondents overall (42%) identified training and career opportunities as reasons for staying, around two-thirds of those under age 25 said these were motivating factors in their decision to remain with their current employer (69% and 65%, respectively).
- **Key retention practices:** The most sophisticated retention efforts described by manufacturing leaders focus on actively involving employees, ensuring that every individual understands how their efforts are linked to overall company success and equipping frontline managers to support workers. Successful approaches also included formal employee development plans and clear career paths, cross-training with opportunities for broad and challenging assignments, comprehensive employee recognition, a supportive organizational culture with close ties to the community and competitive pay and benefits.
- **Employee views of workplace practices:** More than 7 in 10 workers said they are satisfied with their organization's employee involvement (76%), training and development (72%), work-life balance (76%) and health and safety efforts (80%) and reported having sufficient autonomy (78%), as well as opportunities for career advancement (72%). Approximately two-thirds of workers said they are satisfied with their employer's recognition (66%) and communication (63%) practices. These data support the view that work-life balance is important for workplace satisfaction and retention.
- **Employee experience:** At least 8 in 10 workers indicated that they are satisfied with their job (83%), are motivated to do their best (87%) and would recommend the company to others as a good place to work (80%). Approximately half of survey respondents (48%) reported high/very high work engagement, 43% reported an average level of engagement and just 10% reported low/very low engagement.
- **Differences by job level:** Senior leaders were more likely to report having sufficient opportunities for involvement in decision making (96%) and internal advancement (85%) and to say they are satisfied with the training and development opportunities available to them (94%), compared to frontline workers (67%, 70% and 66%, respectively). However, when frontline workers did report having adequate involvement, the differences related to advancement opportunities and training were reduced by approximately two-thirds.
- **Recognition and fair treatment:** Although most workers said they feel valued (69%) and treated fairly (79%), there are significant differences between those who have positive and negative experiences in these areas. Nearly all respondents who feel valued by their employer said they are highly motivated (97%), satisfied with their job (97%) and would recommend their company to others as a good

place to work (96%), compared to just 45%, 30% and 25% of those who do not feel valued at work. Respondents who said they are treated unfairly were more than four times as likely to report feeling stressed out on a typical workday (68% vs. 16%) and almost 10 times as likely to say they intend to look for a new job within the next year (19% vs. 2%) compared to workers who say they are treated fairly.

## Introduction

Manufacturers indicate that, even in a tight labor market, attracting and retaining talent is a top concern. While attention is often given to the characteristics of successful recruitment efforts, the industry has placed less focus on understanding the reasons employees decide to remain with an employer and effective strategies that support those decisions to stay.

The Manufacturing Institute's Center for Manufacturing Research partnered with the American Psychological Association to examine **best practices for retention** among manufacturers and explore the motivating factors that affect worker retention.

### Methodology

The study included structured interviews with senior leaders and midlevel managers conducted between February and August 2020 and an employee survey fielded between August and October 2020. **Forty-two individuals from 14 manufacturing companies participated in interviews, representing executive leadership, human resources and plant/site/project managers.**

From the companies that completed interviews, five organizations participated in a follow-up employee survey. The survey was conducted online among 578 employees from the participating manufacturing companies.

Because the sample is based on manufacturers that were invited and agreed to participate in the project, results do not necessarily reflect a representative sample of the manufacturing industry as a whole.

Notably, this project also took place during the COVID-19 pandemic. Despite the widespread business, economic and social disruption, all participating companies were still operating and reported minimal negative impact at the time of the study. Similarly, a majority of employees who responded to the survey (58%) indicated that the pandemic and their company's response to it had not changed their view of the organization, and more than one-third (37%) said they had a more positive view of the company, compared to just 5% who said they viewed their employer more negatively. The participating companies also reported a total separation rate of just 11% in 2019, significantly lower than the U.S. manufacturing industry average of 31.6% that year, as reported by the U.S. Department of Labor's Bureau of Labor Statistics. Combined, this suggests that the findings detailed in this report may paint a more positive picture than what might be seen in the broader industry or workforce, especially where individuals and organizations have experienced significant adversity during the pandemic.

## Drivers of Employee Retention

### Leadership Perspectives

The participating companies universally reported focusing on retention, but with varying degrees of formality.

Employers that took the most concrete approaches to identifying workers' motivations for staying on the job relied on both quantitative and qualitative data obtained through a combination of employee surveys, stay

interviews,<sup>1</sup> focus groups and roundtable discussions, as well as by including retention-related issues in the establishment and monitoring of employee development plans.

Companies that approached the task informally described assessing retention through the routine interactions and conversations managers have with their direct reports, as well as by monitoring emerging trends and changes in particular segments of their employee populations.

Regardless of the approach taken, leaders across the participating organizations most commonly cited the following factors as the reasons they believe employees choose to remain with their company:

- Having a close, supportive organizational culture
- The company's reputation in the community and/or industry
- Availability of particular benefits (e.g., health insurance, 401(k), ESOP, tuition reimbursement)
- Flexible work arrangements
- Job stability

Other perceived reasons for employees choosing to remain with the company included opportunities for growth or advancement, competitive pay, the organization's corporate social responsibility efforts (e.g., environmental sustainability, social justice issues) and the opportunity to engage in meaningful, innovative work.

## Worker Perspectives

When employees were surveyed about their motivations for remaining with their current employer, their responses generally aligned with leaders' perceptions, albeit with some differences in relative importance.

### **8 in 10 workers said they stay with their employer because they enjoy the work.**

The top reasons survey respondents cited for staying with their current employer were enjoying the work they do (83%) and having stability/job security (79%). At least two-thirds of respondents also said their employer's family-oriented culture (69%) and the job fitting well with their other life demands (68%) were important factors in their decision to stay.

Fewer workers cited pay as a reason for remaining on the job (43%), and only 13% said they stay because there are no other job opportunities available.

At least 50% of workers endorsed the company's reputation, feeling connected to the organization, having the opportunity to make a difference and their coworkers and managers as reasons they stay with their current employer. Employment benefits and a convenient location also play a role according to more than half of survey respondents.

While only 4 in 10 workers overall cited training and career opportunities as reasons they stay on the job, those factors take on greater importance for younger employees.

### **Around two-thirds of employees under age 25 said they stay with their current employer because of training and development (69%) and career opportunities (65%).**

The general alignment of leadership and worker views suggests that organizations are attending to issues that are important to employees, but the differences in priority highlight the need for employers to better understand the unique needs and preferences of their workforce. Additionally, while having competitive benefits and pay is clearly important, designing work in a way that increases the positive experiences employees have on the job may be an effective approach to improving retention.

## Workplace Practices

### Leadership Perspectives

The manufacturers that participated in this study raised a number of specific retention-related concerns.

**The most common issue focused on retaining high-potential workers, skilled labor and employees in key technical and sales jobs who are attractive to competitors and potential targets for recruitment.**

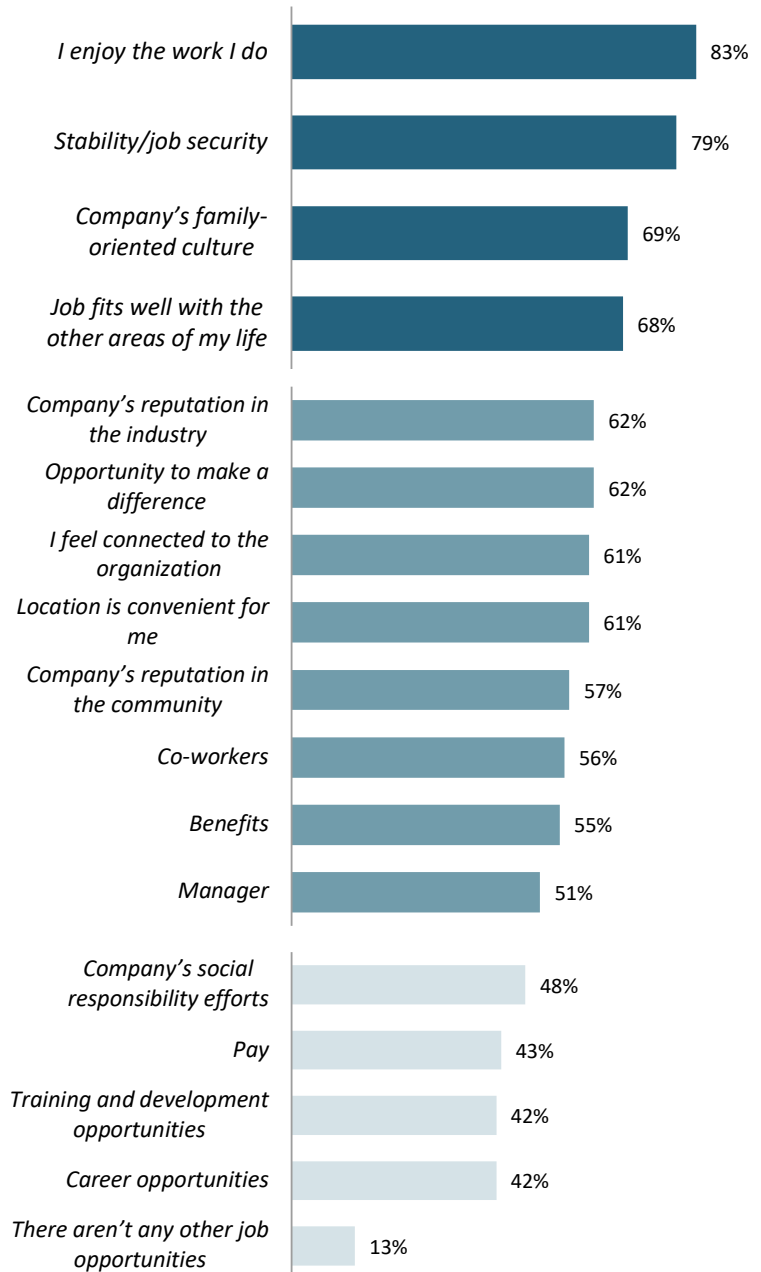
Additional concerns included retaining younger workers who leave for higher pay or promotions after developing skills during their first few years of employment, keeping swing shifts and less-sought-after positions filled and diversifying leadership teams and senior-level positions.

Leaders from several participating companies also identified extremely high turnover in temporary and contract workers as a significant problem. In terms of specific practices that need to be addressed to improve retention, leaders from the manufacturing companies that participated in this study most commonly cited the following:

- Employee recognition programs
- Internal communication
- Development opportunities
- Clear career paths
- Modernization of business operations

### Reasons for Staying with Current Employer

(% Strongly Agree/Agree)



Additional practices noted as ripe for improvement include better management training (especially in “soft skills”), breaking down silos between units, making work more meaningful and improving temporary-to-permanent worker models.

As with assessing needs, the practices participating companies use to promote engagement and retention vary in how formalized and comprehensive they are. At their most basic, efforts involve providing competitive pay and benefits, communicating the value of total compensation to workers, strengthening ties to the community and promoting team cohesiveness.

More comprehensive programs also include formal employee development plans and clear career paths, cross-training with opportunities for broad experiences and challenging assignments and recognizing performance, successes and milestones at the individual, team and organization levels.

At their most sophisticated, engagement and retention efforts actively involve employees in meaningful ways, amplify their voices, such as through ambassador programs and self-managed teams, and clearly tie each individual job to the organization’s vision, mission, values and overall success.

These programs also empower frontline managers to identify and address employee needs and develop high performers. This requires training supervisors in supportive behaviors, such as setting clear expectations, providing constructive performance feedback, ensuring that workers have the opportunity to engage in meaningful tasks and recognizing outstanding performance. Managers are also equipped with the tools they need to work effectively, including concrete resources such as interview guides, tips for conducting performance reviews, roadmaps for creating development plans, red flags for identifying employees who may be turnover risks and action-planning strategies they can use when retention needs arise.

## Worker Perspectives

Employee perceptions of their company’s workplace programs and policies were overwhelmingly positive. More than 7 in 10 workers who responded to the survey said they are satisfied with their organization’s employee involvement (76%), training and development (72%), work-life balance (76%) and health and safety efforts (80%) and reported having sufficient autonomy (78%), as well as opportunities for career advancement (72%).

Consistent with the need areas identified by leaders, relatively fewer workers—around two-thirds—said they are satisfied with their employer’s recognition (66%) and communication (63%) practices.



# Key Retention Activities

<b>Manager Training and Resources</b>	<p>Train managers in supportive supervision behaviors.</p> <ul style="list-style-type: none"> <li>• Setting clear expectations and providing constructive performance feedback</li> <li>• Demonstrating a commitment to employees' career development</li> <li>• Providing workers with sufficient autonomy and control</li> <li>• Involving employees in problem solving and decision making</li> <li>• Being transparent in communications</li> <li>• Monitoring job stress and burnout</li> <li>• Ensuring that employees have the opportunity to engage in meaningful tasks</li> <li>• Recognizing outstanding performance</li> </ul> <p>Provide tools and resources to support managers and supervisors.</p> <ul style="list-style-type: none"> <li>• Interview guides</li> <li>• Tips for conducting performance reviews</li> <li>• Roadmaps for creating development plans</li> <li>• Red flags for identifying employees who may be turnover risks</li> <li>• Action-planning strategies that promote retention</li> </ul>
<b>Employee Involvement</b>	<p>Increase employee involvement to empower workers, give them a voice in decision making and encourage them to work together to improve the organization.</p> <ul style="list-style-type: none"> <li>• Self-managed teams</li> <li>• Problem-solving committees, workgroups and taskforces</li> <li>• Workplace ambassador or champion programs</li> <li>• Employee input/feedback mechanisms (e.g., surveys, suggestion boxes, all-hands or town hall meetings)</li> <li>• Empower employees to make decisions and take action</li> </ul>
<b>Meaningful Work</b>	<p>Design jobs and work to enhance employee experience and ensure that workers understand how their role fits with the company's vision, mission and values and contributes to overall success.</p> <ul style="list-style-type: none"> <li>• Demonstration/communication of work impact</li> <li>• Interaction with clients, customers and end users</li> <li>• Job enrichment, enlargement and crafting to make jobs more interesting, meaningful and challenging</li> <li>• Opportunities for employees to utilize strengths/interests</li> </ul>
<b>Growth and Development</b>	<p>Offer job training and career development opportunities that help employees expand their knowledge, skills and abilities and apply the competencies they have gained to new situations.</p> <ul style="list-style-type: none"> <li>• Cross-training</li> <li>• Opportunities for broad experiences and interesting/challenging assignments</li> <li>• Formal employee development plans</li> <li>• Clear career paths</li> <li>• Leadership development programs</li> </ul>
<b>Employee Recognition</b>	<p>Reward and recognize employees both individually and collectively for their contributions to the company.</p> <ul style="list-style-type: none"> <li>• Recognition for exceptional performance at the individual, group and organizational level</li> <li>• Pay raises and performance-based bonuses</li> <li>• Award ceremonies or recognition events to celebrate accomplishments</li> <li>• Employee achievements and milestones highlighted at department meetings or in print and electronic communications</li> <li>• Peer recognition mechanisms</li> <li>• Verbal acknowledgement and appreciation from leaders and managers</li> </ul>
<b>Community and Connection</b>	<p>Strengthen ties to the community and promote team cohesiveness.</p> <ul style="list-style-type: none"> <li>• Involvement in community activities (e.g., corporate sponsorships, volunteering)</li> <li>• Social activities for employees and their families</li> <li>• Relationships with local universities, trade schools and high schools</li> </ul>
<b>Compensation and Benefits</b>	<p>Provide competitive pay and benefits and communicate the value of total compensation to workers.</p> <ul style="list-style-type: none"> <li>• Pay</li> <li>• Health insurance</li> <li>• Paid time off</li> <li>• Flexible work arrangements</li> <li>• Retirement plan</li> <li>• Health promotion and wellness programs and resources</li> <li>• Employee stock ownership plan</li> </ul>



# Employee Experience

A majority of employees who completed the survey reported having positive experiences at work, with at least 8 in 10 indicating that they are satisfied with their job (83%), are motivated to do their best (87%) and would recommend the company to others as a good place to work (80%).

Most also cited good interpersonal experiences on the job, including positive relationships with their supervisor (84%) and coworkers (91%), and said they trust their employer (74%).

Around 7 in 10 workers said they feel valued by their employer. While the finding that most workers do feel valued (69%) and treated fairly (79%) is encouraging, there are significant differences between those who have positive and negative experiences in these areas (see p. 10). Therefore, employers with engagement and retention concerns should consider bolstering their employee recognition and organizational justice efforts.

Similarly, one in four employees (24%) reported experiencing chronic work stress. Although this represents a minority of workers, it can have a disproportionate effect on organizations when one-quarter of the workforce feels overwhelmed daily. Employers can address work stress by taking steps to eliminate or reduce organizational- and job-level stressors, as well as by equipping workers to effectively manage the pressures they face at work.

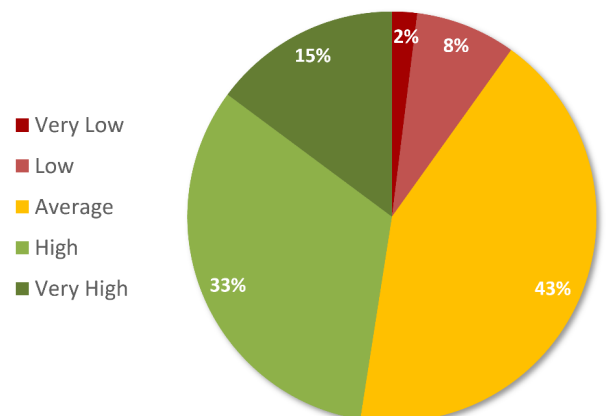


# Work Engagement

The 2020 Manufacturing Engagement and Retention Survey included the nine-item short version of the Utrecht Work Engagement Scale (UWES-9), a psychometrically sound, construct-valid measure of work engagement developed by Wilhelm Schaufeli and Arnold Bakker.

Work engagement is defined as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication and absorption” (Schaufeli, Salanova, Gonzales-Roma and Bakker, 2001).

The mean engagement score was 4.34 on a seven-point scale, with zero representing never being engaged and six representing always being engaged. Based on the UWES-9 norms and scoring categories, approximately 48% of respondents reported high or very high work engagement,



43% reported an average level of engagement, and just 10% reported low or very low engagement.

The breakdown of work engagement levels among manufacturing employees in the current study reflects higher work engagement than what was seen more broadly in representative samples of the U.S. workforce in multiple years prior to the COVID-19 pandemic. Pre-pandemic, engagement levels in the U.S. workforce approximated a normal curve, with roughly half of workers reporting average levels of engagement and approximately one-quarter of workers in each of the high and low categories.

## Recognition and Feeling Valued

Nearly all respondents who feel valued by their employer said they are highly motivated (97%), satisfied with their job (97%) and would recommend their company to others as a good place to work (96%), compared to just 45%, 30% and 25% of those who do not feel valued at work.

Employees who feel valued were also more than four times as likely to report high levels of work engagement (59% vs. 13%) and less likely to say they feel stressed out on a typical workday (16% vs. 66%) or that they plan to leave the company within the next year (2% vs. 12%).

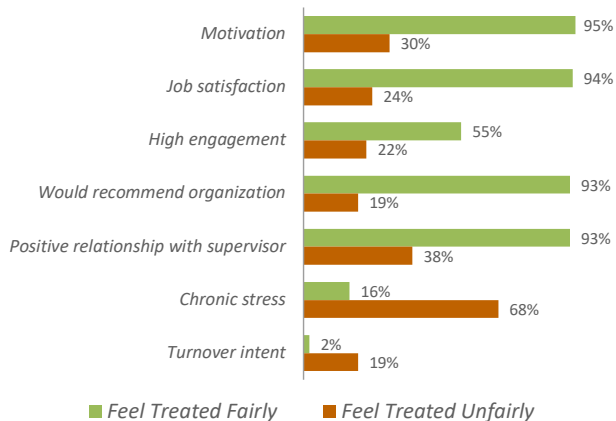


## Feeling Treated Fairly

More than 9 out of 10 respondents who feel treated fairly said they are highly motivated, satisfied with their job and would recommend their company to others as a good place to work, compared to no more than 3 in 10 respondents who feel treated unfairly.<sup>2</sup>

Workers who feel treated fairly were also more than twice as likely to report high levels of work engagement (55% vs. 22%) and to say they have a positive relationship with their boss or supervisor (93% vs. 38%).

Respondents who said they are treated unfairly were more than four times as likely to report feeling stressed out on a typical workday (68% vs. 16%) and almost 10 times as likely to say they intend to look for a new job within the next year (19% vs. 2%).



## Differences by Job Level

How workers feel about their company's workplace practices and their day-to-day experiences on the job depends on their rank in the organization, according to the employee survey conducted as part of the MI/ APA study. Compared to frontline employees (those who are directly involved with the production of products or provision of services) and midlevel managers (those with some supervision and coordination functions), more senior leaders reported having opportunities available to them and said they are satisfied with various programs and policies.

Senior leaders were more likely to report having sufficient opportunities for involvement in decision making (96%) and internal advancement (85%) and to say they are satisfied with the training and development opportunities available to them (94%), compared to frontline workers (67%, 70% and 66%, respectively). However, when frontline workers did report having adequate involvement, the differences related to advancement opportunities and training narrowed substantially.

## More than 9 in 10 senior leaders are satisfied with training and development, compared to two-thirds of frontline workers.

Similarly, more senior leaders said they are satisfied with their company's work-life, recognition and communication practices, and have sufficient autonomy and control on the job, compared to frontline workers. Less than two-thirds (65%) of frontline workers and midlevel managers said they are satisfied with their company's employee recognition practices, compared to 81% of senior leaders, and just 59% of frontline workers reported being satisfied with their employer's communication practices.

Desirable outcomes, such as high motivation, job satisfaction and feeling valued and treated fairly were high across all job levels, although the percentage of employees with these positive experiences declines with their position on the organizational chart. While 85% of senior leaders said they feel valued by the company, less than two-thirds of frontline workers (64%) reported the same and 100% of senior leaders indicated they are motivated to do their best work, compared to 84% of frontline workers.

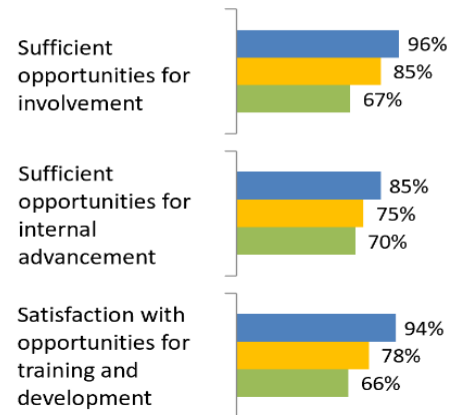
Business leaders should consider that their perceptions of the organization and experiences at work may be different from those of their employees. These discrepancies highlight the critical importance of seeking input and feedback from employees and involving them in retention efforts.

## Profile of Participating Companies

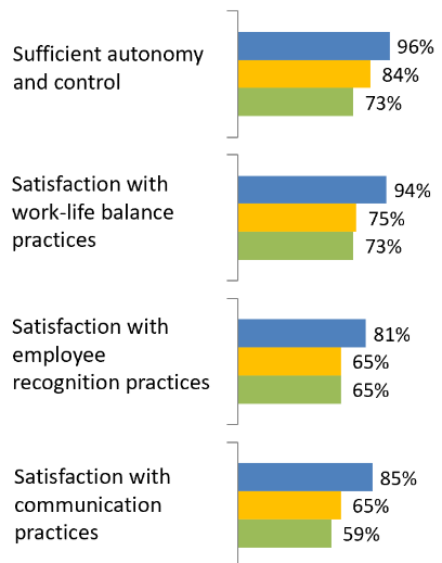
The organizations that participated in this project, from small single facility operations to large multinational corporations. Reported annual revenue ranged from \$10 million to \$25 billion (mean = \$8.37B; median = \$5.5B), and headcounts ranged from a low of just 20 to a high of 150,000 workers (mean = 18,967; median = 4,750).

Participants reported an average total separation rate (i.e., combined voluntary and involuntary turnover) of 11% in 2019 and an average employee tenure of 10.8 years. The turnover rate for participating companies was below industry average and is not representative of the manufacturing industry as a whole.

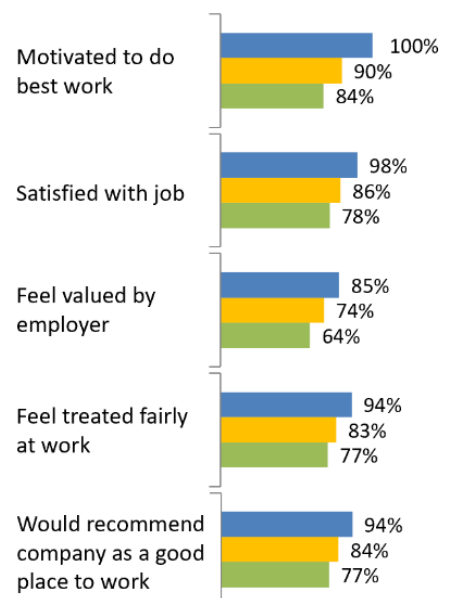
### Available Opportunities



### Workplace Practices



### Outcomes



# Survey Demographics

## Gender

Male	67.42%
Female	25.09%
Prefer not to answer	7.49%

## Job Duties

Upper-level job within organization	8.36%
Middle-level job within organization	28.75%
Frontline job within organization	35.89%
Individual contributor	27.00%

n = 578

## Job Function

Production	33.91%
Quality Control/Testing	4.70%
Research and Development	1.22%
Engineering	10.09%
Purchasing	2.43%
Marketing/Communication	2.09%
Sales	9.04%
Shipping/Logistics	5.39%
Customer Support	4.35%
Human Resources	2.26%
Accounting and Finance	4.52%
IT/Technology	2.61%
Administration	4.87%
Other (please specify)	12.52%

## About The Manufacturing Institute

The Manufacturing Institute grows and supports the manufacturing industry's skilled workers for the advancement of modern manufacturing. The MI's diverse initiatives support all workers in America, including women, veterans and students, through skills training programs, community building and the advancement of their career in manufacturing. As the workforce development and education partner of the National Association of Manufacturers, the MI is a trusted adviser to manufacturers, equipping them with resources necessary to solve the industry's toughest challenges. For more information on the MI, please visit [www.themanufacturinginstitute.org](http://www.themanufacturinginstitute.org).

## About the American Psychological Association

The American Psychological Association, in Washington, D.C., is the largest scientific and professional organization representing psychology in the United States. The APA's membership includes nearly 121,000 researchers, educators, clinicians, consultants and students. Through its divisions in 54 subfields of psychology and affiliations with 60 state, territorial and Canadian provincial associations, the APA works to advance the creation, communication and application of psychological knowledge to benefit society and improve people's lives. For more information on the APA, please visit [www.apa.org](http://www.apa.org).



## Endnotes

<sup>1</sup> A stay interview is a structured conversation between a manager and employee designed to help managers better understand why employees choose to remain with the company and what might cause them to leave in the future.

<sup>2</sup> These are comparing two different groups, and as such, the percentages will not add up to 100%. For example, 94% of people who feel treated fairly reported being satisfied with their job, but only 24% of people who feel treated unfairly reported being satisfied with their job.