



Hiring & the (Future) State of Manufacturing & Distribution

How the Pandemic, Supply Chain Disruption, Inflation, & Potential Recession Drive the Need for Workforce Resiliency



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Introduction

While unprecedented events have impacted every industry since the world shut down for COVID-19, the manufacturing and distribution sector has been especially challenged by a combination of headwinds. From volatile levels of demand to widespread lockdowns, ongoing supply chain disruptions, a massive labor shortage, inflation, and an impending recession – businesses in manufacturing and distribution have arrived at a crossroads.

Adding to the complexity, these challenges are not isolated from one another. Instead, each issue seems to build on the next to accelerate industry disruption. COVID-19 shutdowns shrank a labor force already facing shortfalls due to inevitable and increasing retirement rates among the manufacturing and distribution workforce. It is estimated that these industries will face a gap of 2.4 million open jobs by 2028 and 5 million by 2033. And the incoming Generation Z workforce is not tripping over itself to apply for jobs in manufacturing and distribution.



As a result, critical jobs remain unfilled, disrupting operations, decreasing revenue, and fueling inflation. According to a recent study by Stifel Financial, 70% of business leaders believe that the US is either already in a recession or will face one within the next 18 months. However, even as businesses tighten their belts to weather the storm, manufacturers and distributors still can't fill critical roles.

To fill the gaps, maintain cash flow, and remain agile, manufacturers and distributors must accelerate their digital transformation efforts to automate manual processes that can only work with a now unattainable headcount. According to McKinsey, in the wake of the pandemic, 67% of businesses accelerated their digital transformation efforts. However, a recent Boston Consulting Group report states that 70% of these initiatives fail.



How Can Manufacturers & Distributors Weather the Storm?

At Conexiom, we work with our manufacturing and distribution customers daily to automate their manual order processing. We ran this survey to learn how business leaders across the industry were addressing (or not addressing) these critical challenges.

In This Survey Report, We'll Cover the Following Topics:

- ① What can businesses do to prepare for a recession.
- ② How the pandemic and other market forces have impacted hiring and accelerated digital transformation.
- ③ How (and why) to think about recruiting Gen Z.
- ④ Automating expensive but necessary processes.



Survey Methodology

This report contains data from two surveys conducted by a third party on behalf of Conexiom during July 2022.

Survey 1

- 2,275 Respondents
- July 11-12, 2022

Survey 2

- 1,209 Respondents
- July 13-14, 2022

Each survey's sample was balanced by census targets for age, gender, and geographic area.



Survey Respondent Analytics

3,484 Respondents - July 11-14, 2022

Responsibility

40%	Supply Chain
31%	IT
15%	Sales
9%	Procurement
6%	Customer Service

Seniority

37%	Vice President
25%	Director
21%	C-Suite Exec/Owner
16%	Manager

Age

13%	18-30 years Old
61%	31-40 Years Old
23%	41-50 Years Old
3%	51-60 Years Old
1%	60+ Years Old

Region

34%	Northeast
22%	Midwest
35%	South
15%	West



Out of the Frying Pan, Into The...Recession?

With every news cycle about inflation hitting new highs despite the steps being taken to curb it, overall sentiment among economists indicates we're heading for a recession in 2023. While experts differ on how far we'll recede, most agree we'll see a slowdown in demand and a general contraction across industries for at least a year.



An Unusual Recession

It wouldn't be unprecedented times if we were facing a standard recession. Most of the disagreement stems from the unusual characteristics of this looming downturn.

On the one hand, the US economy has seen back-to-back quarters of negative GDP, inflation remains near all-time highs, the Federal Reserve has hiked up interest rates, and more and more companies are laying off employees hired during 2020 and 2021.

On the other hand, the job market is still hot. In fact, the economy added more than half a million jobs in July 2023 alone, and unemployment has been at the lowest level since 1969. Historically, recessions do not begin with unfilled demand for new employees. You'd think we're on the verge of better times.

The positive inertia we're seeing is mainly due to unemployment relief and rate cutting rolled out to counteract the unexpected and momentous impact of the COVID-19 pandemic. It's easy to look at the 643 billion dollars invested in startups in 2021 as a positive indicator. But money is no longer as cheap, and workers are less incentivized to opt out of the workforce. Many think this illusory momentum is about to drive the global economy over a cliff.

A Generational Divide

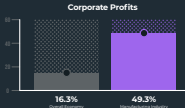
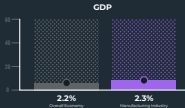
In our survey, we set out to understand how manufacturing and distribution leaders were thinking about a potential recession on the heels of COVID disruptions. What we found was sentiment about the recession distributed across an apparent generational divide.



Older Generations Find Stability in Manufacturing & Distribution

Of our survey respondents, 67% of decision makers in manufacturing and distribution said that the most attractive characteristic of their industry was stability during economic uncertainty.

In fact, according to new research from Deloitte, when looking at previous recessions dating back to 2000, manufacturing recovered at a faster rate than the rest of the economy, as illustrated in the graphs (right).



Gen Z Fears the Looming Recession

In contrast, the incoming Gen Z workforce primarily fears a recession. 64% of Gen Z respondents shared that they are afraid, and of those that feared a recession, 40% of them stated their fear was because they didn't know what to expect. Another 27% reported that they are scared because they've seen family members impacted by previous recessions.



64%

Fear Recession



40%

Don't Know What to Expect



27%

Family Previously Impacted

Uncertainty does not inspire risk-taking, especially in the inexperienced. 36% of Gen Z respondents said they plan to stay at their current company, and 27% of those who indicated that they'd stay will do so for stability. Additionally, 14% of respondents said they either didn't know what a recession was or that it was possibly coming.



36%
Staying at Current Company



27%
Staying for Stability



14%
Unsure of Recession

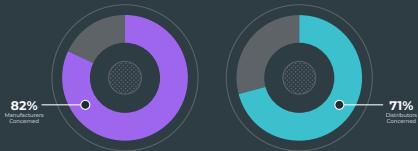
Why is Hiring So Difficult Right Now?

All this begs the question – with a looming recession and companies announcing layoffs across all sectors, why is hiring so challenging for relatively stable industries like manufacturing and distribution?

Leaders in manufacturing and distribution are facing a perfect storm regarding hiring and retention. Following the shock of COVID-19 lockdowns and widespread layoffs, many industries, including manufacturing and distribution, found it harder to fill open positions.



Unemployment continues to be at historic lows while job openings hit 11.5 million in March of 2022, according to the Bureau of Labor Statistics. Lots of jobs with no candidates to fill them. It continues to be a job-seekers market despite economic uncertainty.



Our survey revealed the same dynamic, with 82% of manufacturers and 71% of distributors reporting they are concerned about filling open headcount at their companies. So, what is causing this labor shortage in manufacturing and distribution? We asked our decision maker and Gen Z respondents to get perspective from the current and future workforce.

Younger Generations Lack Interest

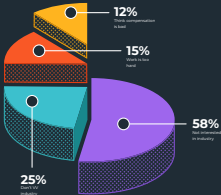
For companies to fill entry-level or lower-paying roles, younger generations of workers must be interested in pursuing careers in those industries. According to a recent study by Deloitte, only 38% of new workforce entrants are interested in working for a manufacturing company. Findings from our survey aligned with Deloitte's; 73 percent of Gen Z respondents had never considered a role in manufacturing, but why?



Why Isn't Gen Z Interested in Manufacturing or Distribution Jobs?

- 58% were not interested in the industry
- 25% don't understand the industry or available roles
- 15% feel the work is too hard
- 12% think the compensation is bad

Interestingly, when looking at why Gen Z is not interested in working in either industry, many respondents seemed to lack actual knowledge of what working in manufacturing or distribution even entailed. Answers like "I don't understand the industry or roles," "I feel like the work is too hard," and "I think the compensation is bad" shows a potential lack of education around the opportunities and why a recent graduate would want to work in the space.

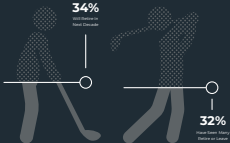


Lots of Retirement

The Boomer generation entering retirement leaves employers with many open jobs and lost institutional knowledge. According to Deloitte, 34% of the existing workforce will retire within the next decade. For manufacturers and distributors, that means over 2 million employees will be leaving an already understaffed workforce.

Of our survey respondents who expressed concerns about filling job positions over the next five years, 32% say it's because they've recently seen many retire or voluntarily leave the workforce.

Whether it's an issue of recruiting or retiring, the demand for employees far outpaces the supply, creating a problem that'll cost the industry \$1 trillion by 2030, according to the National Association of Manufacturers. One way that manufacturers and distributors can fill that gap is by changing the narrative around the industry and its career opportunities.



Impact of Hiring & Retention on Manufacturing & Distribution

Since hiring and labor shortage are such prevalent challenges for our surveyed audience, we wanted to dig into how this has changed over the past several years. While hiring and retention have always been a struggle for manufacturing and distribution companies, the consequences of the COVID-19 pandemic reshaped the issue in surprising ways for our respondents.



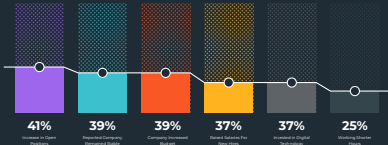
How Did COVID-19 Impact Hiring in Your Organization?



The Pandemic Had...No Impact on Hiring?

Oddly, some reported the pandemic had no impact on hiring. Our perspective is no impact still signals a negative trend. Hiring was a problem before the pandemic and likely continued to be challenging during it. If it had no impact, you're no better or worse than before the pandemic disruptions, which is not a positive sign. Regardless of how they answered the question about the COVID-19 hiring impact, most agreed future hiring will be a problem. Let's dig further into how companies were or were not impacted.

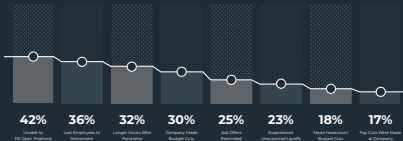
How Did the Pandemic Positively Impact Hiring & Retention at Manufacturing & Distribution Companies?



When looking at how our respondents answered, many believe that their organizations experienced a boon during the pandemic. 41% saw an increase in open positions, 39% saw an increase in budget, and 37% saw an increase in salaries—all positive signs.



How Did the Pandemic Negatively Impact Hiring & Retention at Manufacturing & Distribution Companies?



Of course, you always have the other side of the coin. When looking deeper into the negative impacts of the pandemic, 42% reported challenges filling positions, and 36% stated that employees have left to retire or pursue other opportunities. Adding to the uncertainty, 23% of respondents experienced layoffs, and 25% reported companies rescinding offers.



42%

Challenges Filling Positions



36%

Employees Have Left



23%

Experienced Layoffs



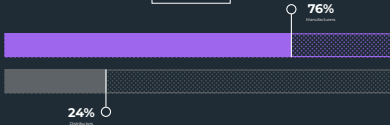
25%

Rescinded Offers

Let's dig deeper into both data sets to determine whether or not there were trends when looking at companies whose hiring efforts have been most impacted since 2019. Based on our data, manufacturing had more hiring and retention challenges than distribution. Those challenges were most acutely felt in the South and Northeast for small-to-mid-sized companies of 100-1000 employees.

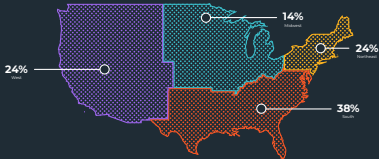
Companies in Manufacturing & Distribution with the Most Challenges with Hiring & Retention:

By Industry:



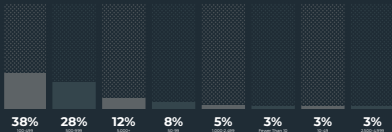
Companies in Manufacturing & Distribution with the Most Challenges with Hiring & Retention:

By Region



Companies in Manufacturing & Distribution with the Most Challenges with Hiring & Retention:

By Employee Size

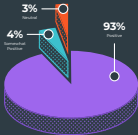


Gen Z isn't coming to the rescue...yet

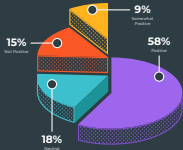
It's clear hiring and retention is a current or emerging issue for most manufacturers and distributors. The issue is two-pronged. Hiring is difficult because younger workers aren't interested in manufacturing and distribution jobs. Retention is difficult because COVID created a broader conversation about job satisfaction that led many to reevaluate work that felt tedious or unchallenging, especially without clear opportunities for career progression. Inter-generational sentiment doesn't always help address either issue. As with any younger cohort, Gen Z has become synonymous with negative characteristics that might cause a hiring manager to think twice about whether they'd be a good fit for a job in manufacturing or distribution. By the same token, manufacturing and distribution jobs don't attract younger workers as they once did. At least not at the rate needed to fill the industry's many open roles. Manufacturing and distribution leaders need to embrace the rising generation by creating jobs that reflect their values and aspirations.



How Do Companies Without Hiring & Retention Challenges Feel About Gen Z?

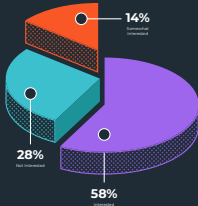


How Do Companies With Hiring & Retention Challenges Feel About Gen Z?



How Did Respondents From Companies With Hiring & Retention Challenges Feel About Gen Z's Interest in Working in Manufacturing & Distribution?

- Interested: 58%
- Not Interested: 28%
- Somewhat Interested: 14%



Hiring Challenges in Manufacturing & Distribution

After almost two and a half years, businesses have begun to adjust to the more immediate effects of the COVID-19 pandemic. Now it's time to reckon with the long-term. In our survey, we asked how concerned respondents were about filling job positions in the next several years. Even companies that don't report hiring challenges today are concerned about the future.

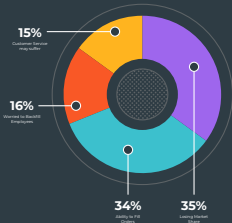


The Next 12 Months

Short-term impact of hiring and retention challenges

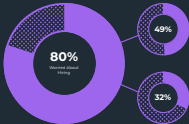
When considering the negative consequences of the current labor market in the next 12 months, those without hiring and retention challenges say they are most worried about losing market share to more agile competitors (35%), closely followed by an ability to fill customer orders (34%). While they currently might not struggle with hiring, 16% said they're worried about backfilling employees and the institutional knowledge that goes with them. 15% are concerned they won't be able to provide prompt and accurate customer service. This suggests that despite faring well during the pandemic, the ability to hire does not translate to agility or capacity to meet existing demand.

On the other hand, those with challenges were most concerned about the ability to fill customer orders (38%), followed by 28% worried about backfilling knowledge and employees leaving the business. Interestingly, only 14% of this group is concerned about losing market share to agile competitors.



The Next 5 Years

When looking forward five years, 80% of respondents said they're worried about hiring, while 20% said they weren't.



Of those concerned they won't be able to fill open positions, 49% say it's because they're finding it increasingly hard to hire in the manufacturing and distribution industry, and 32% say it's because of how many people they've seen retire or voluntarily leave the workforce.

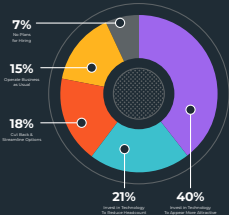


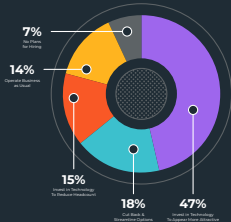
Those who aren't concerned about hiring say their company attracts top talent and doesn't have issues hiring (14%) or feel they can always build tools or outsource any extra work (5%).



Companies Without Hiring & Retention Challenges

40% of respondents without current hiring and retention challenges say their company plans to attract and retain employees by investing in technology to make themselves more attractive to job seekers. Others want to use technology to reduce their exposure to the risks that come with depending on a shrinking labor pool. 21% say they will invest in technology to reduce headcount requirements, while 18% will cut back and streamline operations where they can. A smaller portion, 15%, plan to continue operating business as usual, and 7% have no long-term plans for hiring.





Companies With Hiring & Retention Challenges

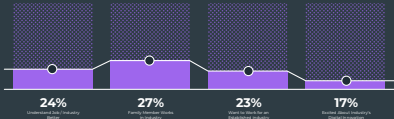
47% of respondents with current hiring and retention challenges believe their companies will invest in technology to make themselves more attractive to job seekers. Like those without hiring challenges, 18% of these respondents plan to cut back to streamline operations, while 15% plan to invest in technology that allows them to reduce headcount. Surprisingly, 14% of respondents with hiring challenges say their company will operate like usual, and 7% say they have no long-term plans for hiring.

Profile of the Gen Z Workforce

Regardless of hiring plans, Gen Z is the workforce of the future. If manufacturers and distributors want to survive future labor shortages, they need to appeal to this cohort. Every generation comes with preconceptions and stereotypes that loosely map to reality, but here's what Gen Z say they understand about manufacturing and distribution, why they'd consider a career in one of those industries, and what they're looking for from companies.



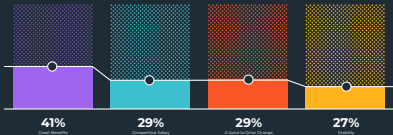
What Leads Gen Z to Consider a Career in Manufacturing or Distribution?



Of the 73% that said they'd considered a career, familiarity with the space seemed to play a significant role. 34% say they understand the jobs or industry better than other jobs and industries, and 27% say they have a family member who works in the industry. Other reasons for considering these industries include wanting to work for an industry that's been around a while (23%) and excitement about the industry's digital innovation (17%).



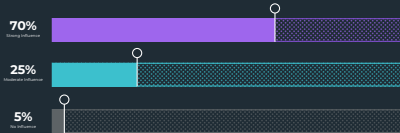
Interested Gen Z Wants Job to Have:



As for what they're looking for in a company, 41% want great benefits. They're also looking for a company that respects 9-5 work hours and pays overtime (50%) and a competitive salary (29%). Like the Millennials that preceded them, Gen Z is interested in having a voice that enables them to impact or change an organization (29%) with a culture that lends itself to team outings with co-workers (28%). They're also looking for stability (27%) and inspiring leadership (27%). Surprisingly, they'd rather have free lunches (77%) than equity or stock options (13%).



When asked whether the type of technology used by an industry influences their desire to pursue a career in it, 70% said it had a strong influence, and 25% said it had a moderate influence. Only 5% said it had no influence. This suggests that companies investing in technology to attract future job seekers are on the right track.

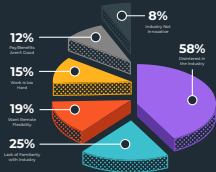


What You Need to Attract, Hire, & Retain Gen Z Workers

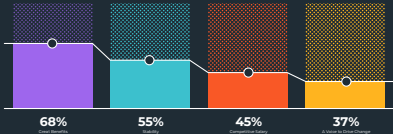
Who haven't considered a career in the manufacturing & distribution industries

Of the 37% who haven't considered a career in manufacturing and distribution, disinterest in the industry is the main reason (58%). In comparison, negative perceptions about the industry and a lack of familiarity with what working in it entails (25%) also influence this cohort's aversion. Other reasons for not considering a career include:

- Wanting flexibility to work from home/remote: 19%
- Thinking the work is too hard: 15%
- The pay/benefits aren't good: 12%
- The industry is not as innovative as others: 8%



Disinterested Gen Z Wants Job to Have:



While there's no easy switch to flip with this group, it's possible that misconceptions about the industry ultimately blind people to its potential for a meaningful career. The respondents who said they weren't interested in manufacturing and distribution had similar priorities to those who were interested. The top characteristic this group looks for in a job is also great benefits (68%) and stability (55%). A competitive salary (45%) outranks respect for 9-5 hours (41%), but they similarly value an inspiring leadership team (40%) and having a voice to drive change (37%). While 42% of this group say technology strongly influences the career they choose, only 16% said the ability to work with interesting technology was an important characteristic of a future job.



Invest in the Future with Order Automation

As we saw with respondents' plans for attracting future job seekers and the strong influence technology has on members of Gen Z choosing a career, digital transformation remains a key factor in offsetting both labor shortages and the effects of economic headwinds caused by supply chain disruption, recessions, and high inflation.

According to, automation and the software that enables it are essential deflationary tools. The third most common set of actions for a CEO to address inflation is increasing automation, productivity, and efficiency. Beyond the present moment, though, automation ensures companies can meet future volatility or capitalize on times of economic stability.



Impact of Manual Document Processing

Document processing is a critical component of many jobs in manufacturing and distribution. Whether you're in sales, customer service, procurement, or supply chain management, you have to parse critical data from hundreds if not thousands of documents every year. While some tools exist that help with that process – mainly OCR and RPA – most can't remove the need for manual intervention altogether. Repetitive tasks like data entry and relying on outmoded ways of working like manual document processing is the type of work that would cause Gen Z employees to seek other career paths, mainly because touchless automation is now a possible reality for manufacturers and distributors.

36% of Sales Leaders are concerned that hiring challenges will affect their ability to provide prompt and accurate customer service.

21.6% of Supply Chain Leaders are concerned that hiring challenges will cause them to lose market share to a more agile competitor.



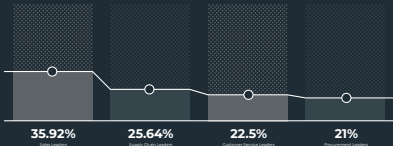
Sales Leaders



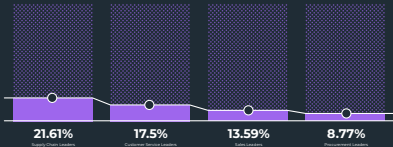
Supply Chain Leaders



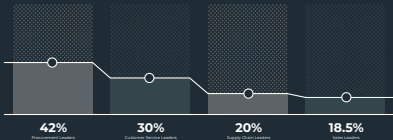
What Function is Most Concerned Hiring Challenges Will Affect its Ability to Provide Prompt & Accurate Customer Service?



What Function is Most Worried Hiring Challenges Will Cause Them to Lose Market Share to More Agile Competitors?



What Function is Most Worried About an Inability to Backfill Employees & Knowledge Leaving the Organization?



Adapt Now or Get Left Behind

Manufacturing and distribution are resilient industries that tend to grow despite short-term economic adversity. Unfortunately, that growth cannot be sustained without addressing hiring challenges through appealing to younger generations and digital transformation by eliminating manual processes through automation. Coincidentally, by investing in digital transformation, manufacturers and distributors will create jobs that provide the type of meaningful experience Gen Z is seeking while leveraging their skills, and ambitions, as digital natives.



Where to Start

As businesses navigate potentially challenging times, streamlining certain manual processes should yield quicker time-to-value than others. For example, copying data from purchase orders to a sales order in your ERP. By automating this process, you remove repetitive and tedious work to make room for valuable and creative work like solving problems for customers. Younger generations won't be satisfied with business as usual. They want to work in innovative environments with leaders they respect and believe in. When faced with a job that requires hours of manual data entry, they'll simply look elsewhere. And those other jobs already exist at companies just as eager to hire as yours. Now is the time to ensure the future success of manufacturing and distribution by starting to bridge the gap between generations and embrace new ways of working, like automation. Otherwise, your customers, and potential employees, will find the businesses that do.

How to Automate Difficult Processes

5 Automation Imperatives

- 1 Touchless Process
- 2 100% Accuracy
- 3 Replicates Complex Logic
- 4 Accommodates Customers
- 5 IT Unnecessary

Learn More:

<https://conexiom.com/request-demo/>



Hiring & the (Future) State of Manufacturing & Distribution

How the Pandemic, Supply Chain Disruption, Inflation, & Potential Recession Drive the Need for Workforce Resiliency

