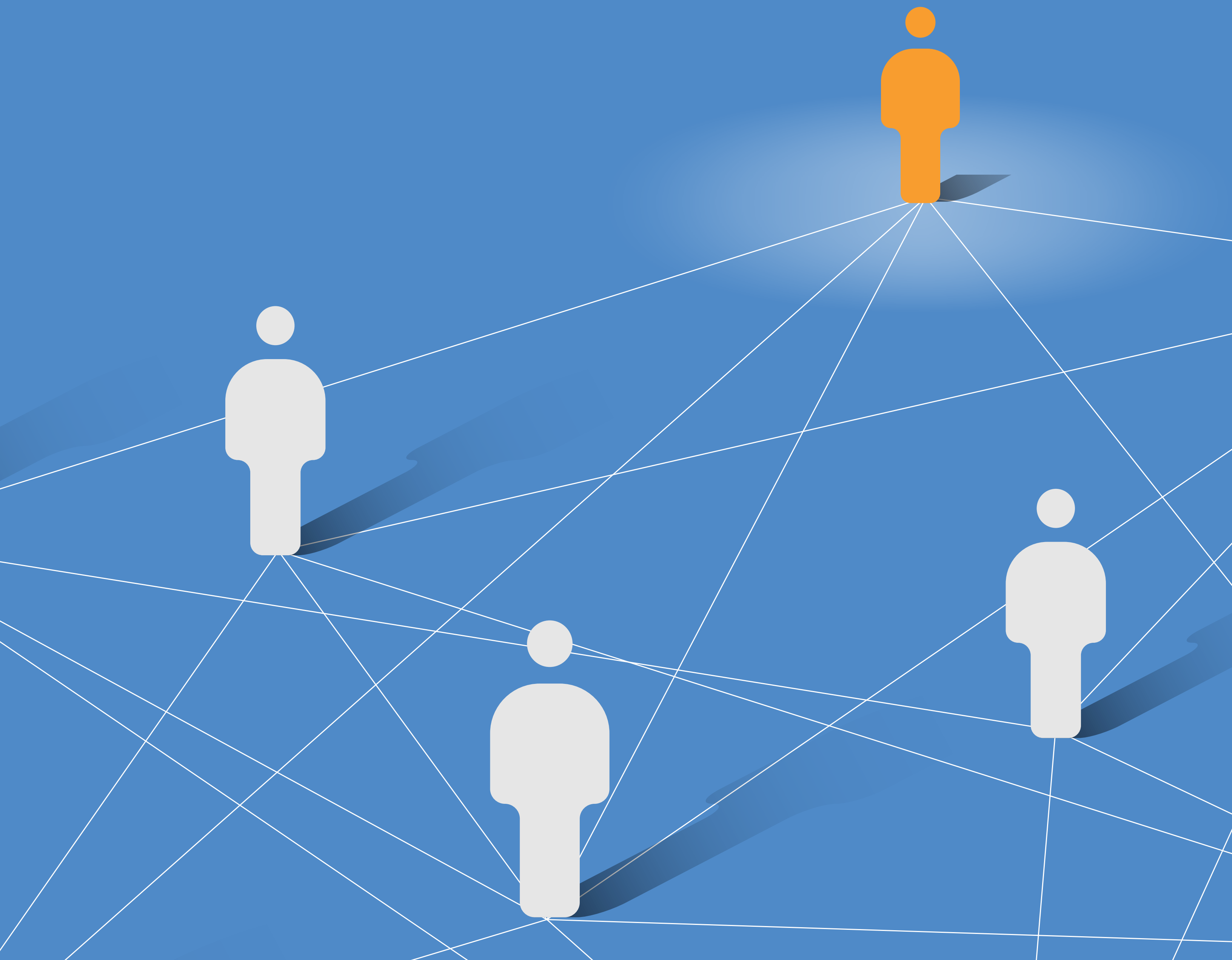
ResourceMFG®
An EmployBridge Company

2022 SUPPLY CHAIN STAFFING OUTLOOK



CONTINUITY

SOMETHING WE ALL VALUE, IN LIFE AND IN THE SUPPLY CHAIN.

Continuity helps us make sense of what's happening around us, based on our experiences. We can plan better for what's ahead, use proven approaches to overcome challenges and follow familiar paths to new opportunities.

However, for supply chain leaders moving from 2021 to 2022, the promise of continuity isn't exactly comforting. More of the same doesn't sound like a picnic. But that's where we are.

The labor market should remain strained. Labor force participation won't bounce back overnight. Finding and retaining workers—particularly those in great demand—will continue to be difficult. Reshoring will keep worker demand rising.

And, yet, this isn't your first rodeo. You managed to deal with the curveballs of 2020 and 2021. And you'll do it all over again in 2022.

In the following pages, you'll see a lot of continuity. We'll look at the ongoing challenges facing supply chain staffing. More importantly, we'll review some proven and potential solutions. And we'll examine the new and enduring trends shaping supply chain staffing.

THANKS FOR JOINING US FOR THE ROAD AHEAD.

We hope you discover some valuable insights—or find your own insights seconded here. We wish you all the best for 2022.
And we invite you to let us know how we can help!

THIS E-BOOK WILL EXPLORE:

BEYOND LABOR BUDGETING:

HOW YOU CAN INVEST IN YOUR 2022 WORKFORCE

In 2022, employers will face significant hiring and retention challenges in a persistently tight labor market. Labor budgeting and workforce planning will take on even greater importance than usual, as companies strive to ensure they'll have enough workers to meet current and near-future business needs.

Even with all the pressing labor force challenges, however, there are steps companies can take to plan successfully for the year ahead. Labor budget planning will be foundational, given the need for new and expanded investments to support improved outcomes in hiring and retention. Employers might begin by utilizing a variable workforce to maximize their monetary investment, in addition to considering other methods for attracting, hiring and retaining employees.

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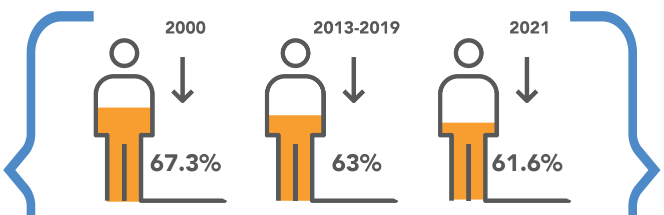
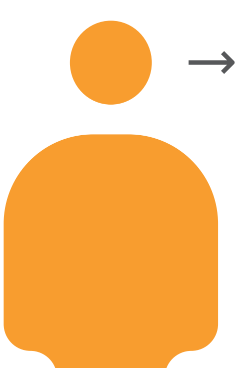
THE LABOR FORCE LANDSCAPE

Following a post-pandemic increase in pay rates and incremental surge pay, many employers are understandably hoping that the labor market might return to the pre-pandemic status quo in 2022. **But given the sharp 6-point decrease in the labor participation rate and the ongoing retirement of baby boomers, along with the increase in available jobs and a shift in workers' priorities during COVID, a tight labor market and elevated wages are likely to persist.**



The labor force participation rate reached a record modern-era low of 61.6% in 2021, down from 67.3% in 2000. From 2013 through 2019, it hovered around 63%.



4M

BABY BOOMERS RETIRED EARLY

The pandemic accelerated the pace of retirement in this generation, driving more than 4 million baby boomers into early retirement, according to a late 2021 study by the St. Louis Federal Reserve Bank.

INVESTING IN LABOR FORCE SOLUTIONS

So, what can employers do to mitigate labor force challenges in order to attract and retain enough workers in 2022 and beyond? There are promising solutions available for companies that plan ahead and set aside budgets to invest in tools capable of moving the needle on hiring and retention, even in today's strained labor market.

INVESTING IN HIGHER PAY RATES

As you plan for 2022, bear in mind that providing attractive pay rates to existing and prospective workers is foundational in the current labor market. While employers may wish otherwise, there's no sign of pay rates going back to pre-pandemic levels. As the competition for workers has intensified, average pay rates have steadily increased.

Many larger companies—particularly those in higher-margin businesses—have led the way on boosting pay rates, putting pressure on other employers to follow suit. According to a study by the National Federation of Independent Business, **44 percent of small businesses increased compensation in September 2021. This represents a record high in the past 48 years, at double the historical average of 22 percent.**

Higher pay rates are needed to retain current workers and attract new workers from jobs elsewhere.

INVESTING IN RECRUITING

Under current market conditions, many employers will also need to invest more in recruiting. As the labor market has tightened and remained highly competitive, recruiting has become more and more important.

For 2022, companies will need to devote incremental resources to enhancing their recruiting efforts. Many firms are likely to add recruiting firepower by **hiring more full-time recruiters, investing more in online and mobile recruiting technology, or accessing more outside recruiting help.** In a tight labor market, robust recruiting will be essential.

INVESTING IN WORKFORCE FLEXIBILITY

In today's job market, with low labor force participation, many potential workers are looking for positions that give them the opportunity to work part-time and exert more control over their schedules. In fact, according to EmployBridge's 2021 Voice of the Blue-Collar Worker survey, the top reason cited by employees for remaining in a job was, "I liked my work schedule."

While revisiting traditional scheduling models might be a challenge, an investment in advanced scheduling technology can be well worth the cost, as scheduling tools can help employers offer more flexible and part-time opportunities to people—including seniors, students and parents of young children—who are unable or unwilling to work traditional, full-time schedules.

As you review 2022 labor budgets, consider engaging with an outside partner and/or implementing new tools and technology to help manage nontraditional schedules.

Want to learn more about how to implement flexible scheduling?

CLICK HERE

INVESTING IN SPEED-TO-HIRE

Nimble employers know that speed-to-hire matters more than ever. **To onboard more new workers successfully, companies may need to invest more time and resources to remove as many roadblocks to rapid hiring and onboarding as possible, particularly for entry level positions.** For many companies, this effort begins with simplifying and streamlining the interview process. Lengthy gaps in the application and onboarding process are an opportunity for other employers to make a competing offer. Additionally, many of those companies are budgeting for starting bonuses and investing in process improvements to ensure new workers are paid quickly.

INVESTING IN SKILLS TRAINING

Many companies staffing up successfully have created or enhanced their training programs. Filling skilled positions from the outside has perhaps never been more difficult, with skilled workers in extremely high demand. While companies used to simply go out and recruit skilled workers from other employers, there now aren't nearly enough skilled workers to go around.

To overcome this challenge, many employers are ramping up training to develop existing talent. More than ever before, these companies are hiring workers who have not yet acquired the expertise to perform skilled job functions. Over time, however, these employers are providing low- and no-skilled workers with training, developing them on the job.

Want to learn more about how we can help upskill and reskill new and existing employees? Check out our Better WorkLife Academy.

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Companies training workers for skilled roles are also discovering the extra benefits of this approach. Training workers on the job not only helps employers to meet near-term labor needs but also helps these companies meet long-term labor needs by boosting retention and decreasing attrition. **Upskilling new and existing workers significantly boosts retention, as workers stay longer with companies that invest in them.**

BENEFITS OF INVESTING IN SKILLS TRAINING:

INVESTING IN MANAGEMENT TRAINING

New investments in management training can also yield benefits to employers seeking to hire and retain more workers. **Managers, after all, play a vital role in retaining workers by helping them feel valued and keeping them motivated on the job.** Fresh investments in manager training can make a measurable and sustained difference for employers eager to reduce attrition levels.

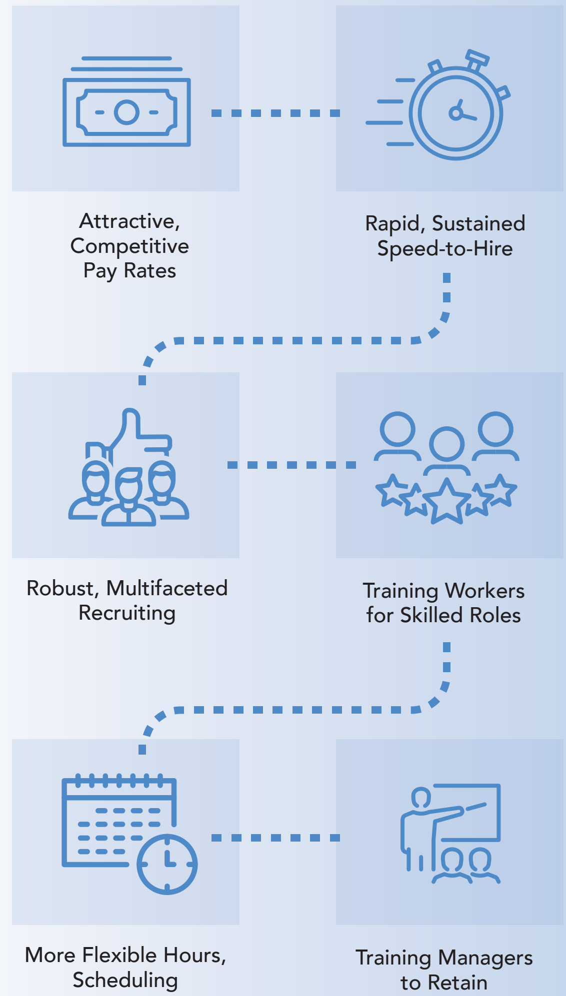
These are trying times for employers seeking to maintain or grow their workforces. The demand for workers is intense, and the current pool of available workers is insufficient to meet the economy's overall needs. However, thoughtful labor budget planning and sufficient investments in the right tools give employers a greater opportunity to attract and retain the workers needed to meet current and future labor needs.

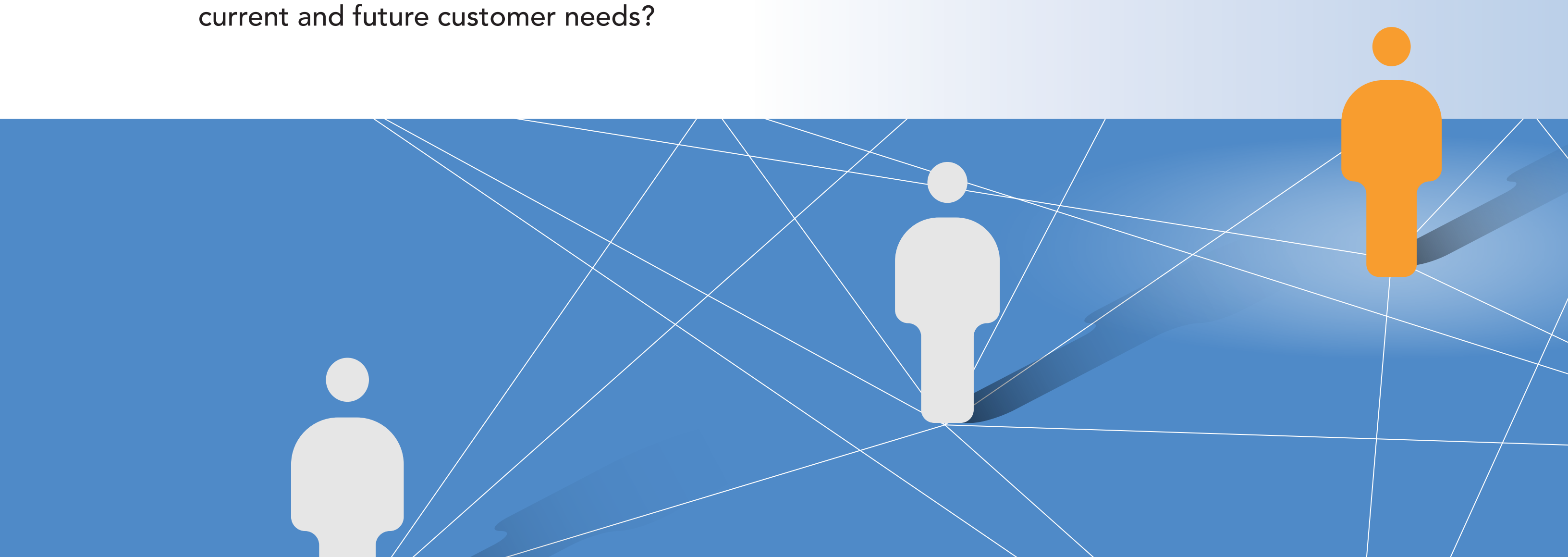
QUESTIONS TO CONSIDER:

- **Is your company using labor budget planning** to set aside the resources to ensure you have the workforce needed to satisfy your customers?
- **Where will you invest to hire and retain** more workers in the coming year?
- **Where does your company have the greatest opportunity to improve** when it comes to hiring and retaining workers?
- **How much will it cost your company** if you don't have enough workers to meet current and future customer needs?

LABOR PLANNING SOLUTIONS

WHERE SHOULD YOU INVEST?





RETAINING
REGULAR AND SEASONAL STAFF TO MEET FUTURE LABOR NEEDS

These are extraordinary times in the labor market. In September 2021, a record number of U.S. workers—4.4 million people—quit their jobs. In November 2021, there were more than 11 million job openings, far outnumbering the country's 7.4 million unemployed workers. There's also a broad disconnect between the skills of the unemployed and the skills needed for open positions.

Meanwhile, many businesses tend to add hourly workers in Q4, making a push to fill more orders and finish the year strong. Like other seasonal hiring peaks, higher year-end headcount offers opportunities for employers eager to retain enough workers to meet future business needs after the peak ends.

What can employers do to retain more current and seasonal workers, even in a tough labor market? There are ways for companies to adjust operations and keep more people satisfied and on the job. Let's look at some of the most powerful retention levers, divided into near- and long-term opportunities.

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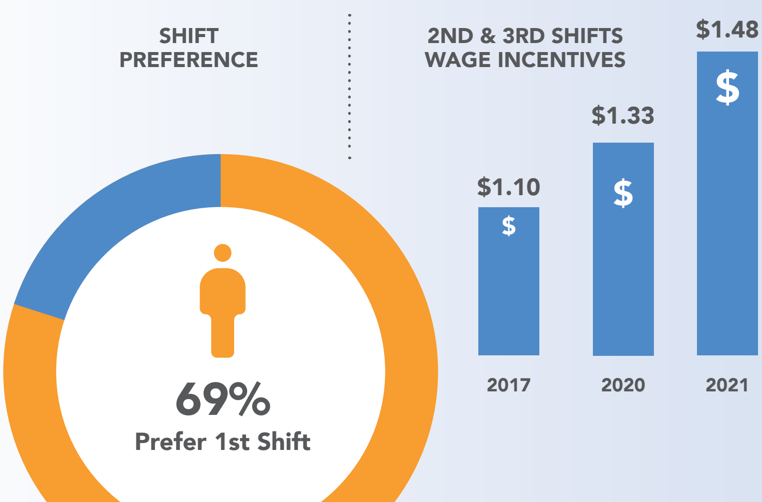
Explore Additional Shift Options

What worked for your team during the holiday season may not be a great fit long term. Some of your seasonal workers may prefer to stay on but work a different shift, and we recommend compensating them accordingly.

According to EmployBridge's 2021 Voice of the Blue-Collar Worker survey, most hourly workers—69 percent—prefer to work the first shift. Those supporting second- and third-shift operations expect wage incentives on these shifts.

In 2021, surveyed workers said they would move to a non-preferred shift with an hourly differential incentive of $1.48, up from $1.33 in 2020 and $1.10 in 2017. Employers should take this into consideration when setting pay rates and planning for the future.



Reviewing attendance and PTO policies for 2022

New year, new attendance policy? Now that the holiday rush is winding down, consider reviewing your seasonal and full-time workers' needs for time off.

Supply chain employers today have a limited ability to prevent absenteeism, given all the life challenges facing blue-collar workers. According to the 2021 Voice of the Blue-Collar Worker survey, respondents cited working for a company that understands they have personal obligations outside work as a top-five driver of loyalty.

The most common reasons for missing work, according to the survey, are sickness (34 percent) and personal emergencies (25 percent.) Meanwhile, almost three-quarters (73 percent) of workers said they would prefer five days of annual PTO to a $1.00 increase in hourly pay. This approach could reduce attrition at a manageable cost to employers. Looking at the numbers, a $1.00 pay boost would cost about $2,700 per worker annually while five days of PTO would cost roughly $780.

Respecting and valuing workers

Workers also tend to stay with companies that treat them with respect—and value what they do. While building such a culture can take time, effort and resources, becoming an employer of choice can greatly benefit such companies over time. Workers interviewed for the 2021 Voice of the Blue-Collar Worker survey cited working for an employer with a good culture—one where they felt respected and valued—as one of the top five reasons, beyond pay, for staying with a company.

Employers looking to create or further develop a welcoming and positive work culture can take steps—including enhanced manager training—to make sure all employees feel respected and valued.

Retaining existing workers, including seasonal hires, is far more efficient than replacing them. Now, in a fiercely tight labor market, employers have more incentive than perhaps ever before to increase retention. Many supply chain employers are taking steps to reduce near-term attrition by offering competitive wages, increasing schedule flexibility and modifying attendance policies. In addition, companies are moving to boost long-term retention by cultivating worker growth, upskilling current workers, building a positive culture, and applying market and workforce insights.

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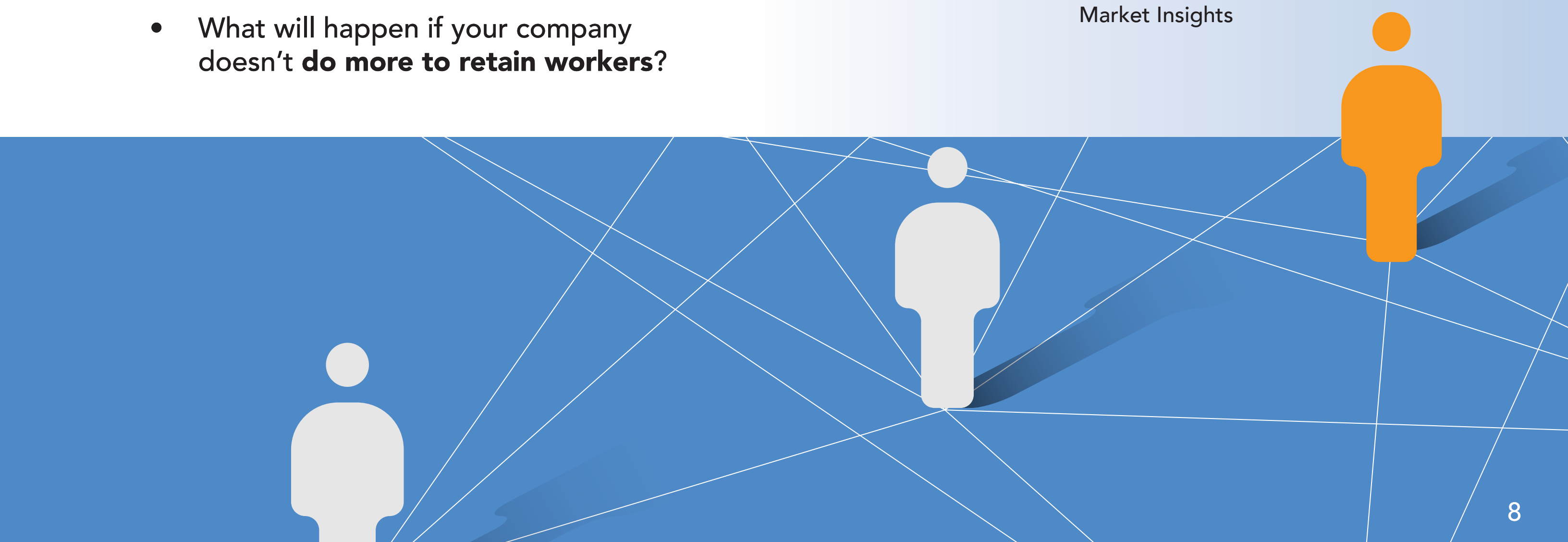
QUESTIONS TO CONSIDER:

- Does your company have a **robust action plan** to retain more workers?
- Where do you see **opportunities to adjust your operations to reduce attrition**?
- What could your company do quickly to **increase near-term retention**?
- What do you see as the most promising ways to i**ncrease long-term retention**?
- What will happen if your company doesn't **do more to retain workers**?

RETENTION OPPORTUNITIES

WHICH ONES PROMISE TO CREATE THE MOST VALUE?



RESHORING FOR RESILIENCE

Global supply chain disruptions have business leaders reconsidering the wisdom of relying on far-flung supply chains designed to minimize costs and maximize efficiency.

While complex, interdependent global networks can be efficient when running smoothly, they've recently proven vulnerable to disruptions from natural disasters, trade disputes, shipping interruptions and disease outbreaks, including the COVID-19 pandemic.

Stung by these and other disruptions, many U.S. companies are taking steps to protect business continuity and improve supply chain resilience, often by moving manufacturing capacity closer to home.

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Global supply chains lose luster

For decades, globalization fueled dramatic growth in manufacturing in markets with relatively low wages. This dynamic bolstered manufacturing in China, India, Mexico, Vietnam and other countries while weakening the sector in the United States, Japan and much of Western Europe.

Now times have changed. In recent years, wages have risen sharply in China and other previously low-wage markets. Meanwhile, a host of disruptions—including those associated with the COVID-19 pandemic—revealed the fragility and risks of complex global supply chains built to maximize efficiency, often at the expense of resilience.

Even before the pandemic, many U.S. companies were looking for ways to improve operational resilience and protect business continuity by reducing their reliance on overseas factories, particularly in China. Some U.S.-based firms diversified production into other Asian countries. Others moved production closer to their U.S. base by shifting more manufacturing to the United States and Mexico.

Improving supply chain resilience

The COVID-19 pandemic and related disruptions significantly accelerated the current trend toward shorter, less complicated supply chains, bringing to light additional weaknesses and creating a new sense of urgency for companies seeking more robust, reliable and resilient supply chains.

In the United States, "reshoring" refers to domestic companies moving manufacturing capacity home from foreign markets. A related trend toward "localization" refers to reducing the length and complexity of domestic supply chains, often by relying more on local and regional factories, suppliers and distribution facilities.

Domestic manufacturing gains ground

America's manufacturing sector has grown stronger and more robust in recent years. As a key component of the world's largest economy, U.S. manufacturing is attracting new investments from domestic and international companies eager to produce goods here.

According to the Bureau of Economic Analysis, annual foreign direct investment in U.S. manufacturing nearly quadrupled between 2005 and 2020, from roughly $500 billion to $1.9 trillion. While U.S. manufacturing costs are about 16 percent higher than the average of other markets surveyed in a 2020 study by The Manufacturing Institute and KPMG, investing in domestic production remains highly attractive.

The same study found that business leaders across the country and around the world are motivated to invest in U.S. manufacturing based on America's high levels of labor productivity, national supply of skilled workers, conducive business climate and large domestic market for industrial and consumer goods.

RESHORING ACCELERATES AT HOME AND ABROAD

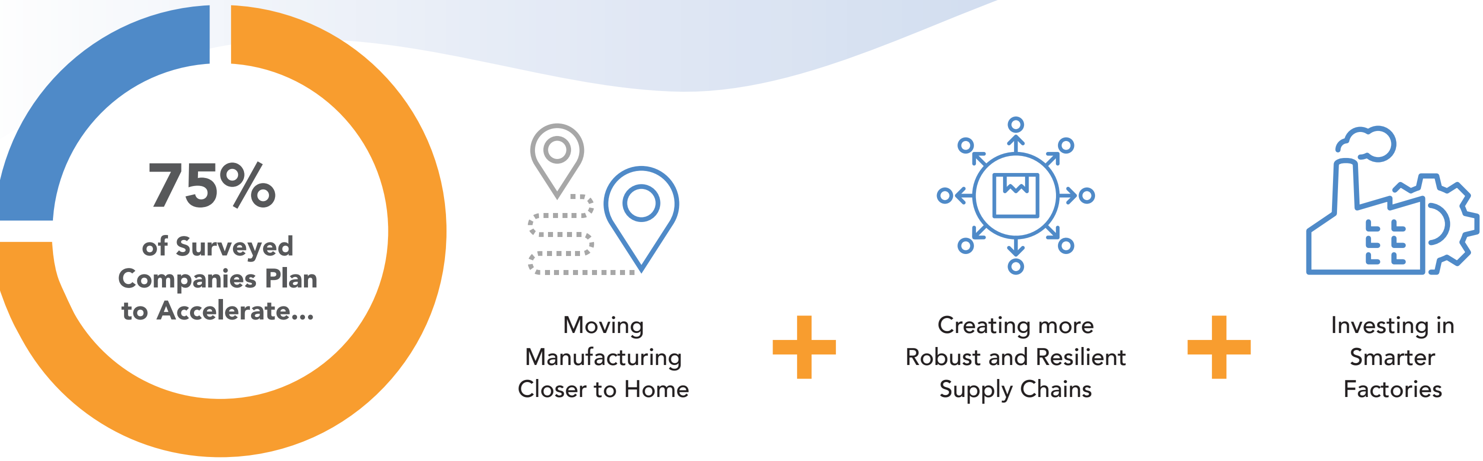
More U.S. companies are shortening and simplifying their supply chains by moving manufacturing capacity closer to their home operations or customers' point of need. This approach improves business resiliency, protecting against the risks of supply chains built almost solely around peak efficiency.

Industry Week reports that the current boom in U.S. reshoring continues to gain steam. According to a fall 2021 analysis, the United States was on track to add about 225,000 jobs from overseas in 2021, up a substantial 38 percent from the previous year. Breaking the numbers down by industry, the transportation equipment sector was expected to reshore the most jobs in 2021, just as it did in 2020.

For 2021, about 55,000 transportation equipment positions are expected to move to the U.S. from overseas. The next two most active sectors are likely to be chemicals and computers/electronics. Each of these segments should reshore about 37,000 jobs, as companies seek more supply chain resilience for key manufacturing components including industrial resins and computer chips.

In addition, this trend toward reshoring and localizing manufacturing capacity offers companies fresh opportunities to create smarter manufacturing operations, whether they build new production facilities or retrofit existing locations. With updated technology, tools and methods, smarter factories can create new efficiencies in both production output and input costs.

This trend is also gaining ground globally. A 2021 report from Deloitte shared that more than 80 percent of industries endured supply chain disruptions due to the pandemic. As a result, about 75 percent of surveyed companies say they plan to accelerate the process of moving manufacturing closer to home, creating more robust and resilient supply chains and investing in smarter factories.



BUILD NEW FACILITIES OR UPDATE EXISTING PLANTS

Companies starting or ramping up efforts to bring more manufacturing closer to home can do so using either "greenfield" or "brownfield" construction. Greenfield facilities are new construction, designed and built to meet current and future needs. By contrast, brownfield development refers to updating, expanding or repurposing existing locations. Each approach has its benefits, risks and costs.

In general, developing greenfield facilities involves higher development costs than brownfield enhancements. New construction also takes more time than updating an existing location. On the other hand, a greenfield plant offers a clean slate for reimagining and improving manufacturing operations. And, once built, a new facility can provide more efficiency benefits and greater flexibility for the future.

Expanding and updating a current plant typically costs less and takes less time than new construction. With a brownfield approach, a company can address existing pain points with smart factory enhancements, improving near-term plant operations in a timely way. Expanding an existing facility also allows companies to continue relying on existing local infrastructure including labor, supply chain and facility support.

ADDITIONAL RESHORING CONSIDERATIONS

COMPANIES EVALUATING RESHORING SOLUTIONS FACE OTHER CONSIDERATIONS, INCLUDING:

- Overall potential to improve long-term business resilience.
- Availability, quality and cost of labor, raw materials and components.
- Opportunity to reduce total environmental impacts and related costs.
- Tax and other cost implications of moving manufacturing operations.
- Reliability, timeliness and costs of transportation and shipping.
- Strength of local infrastructure support: power, water, roads, etc.

RESHORING QUESTIONS TO CONSIDER

- How vulnerable is our current supply chain to disruption?
- Are we putting our business continuity at undue risk?
- How much more resilience could reshoring provide our business?
- What are our best options for reshoring manufacturing capacity?
- Could reshoring help us reshape and enhance our overall operations?
- How much could an extended supply chain disruption cost our business?
- What's the long-term risk of taking no action to boost supply chain resilience?
- Do you have the skilled talent needed to ramp up operations locally?

LEARN MORE ABOUT OUR UPSKILLING PROGRAMS

SOLUTIONS

Everyone is looking for solutions. For tools, techniques and approaches that work. That move the needle. And help us move from where we are to where we want to be.

The good news for those of us in supply chain staffing is that there are solutions.

Ways to find fresh advantages in labor budget planning. Levers to improve near- and long-term retention. And we can use these insights to overcome the labor challenges of 2022.

Boil them all down, strip away the facts and figures, and we're left with an underlying truth about what it takes to build good teams: treating others as we'd like to be treated. Like family and friends. With care, kindness and respect.

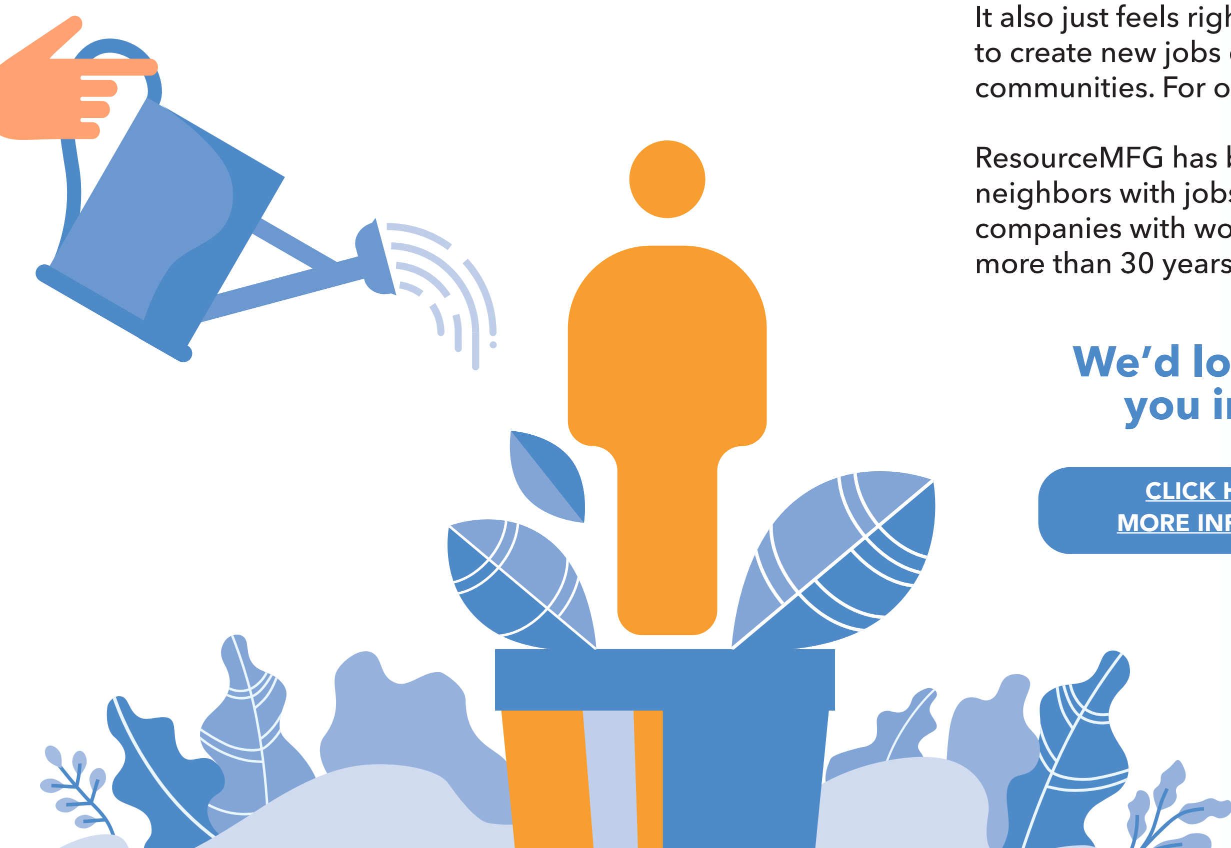
OPPORTUNITIES

These too are in high demand. We're all on the hunt. For ways to improve. Ways to get better. Ways to grow.

In supply chain staffing, reshoring is an opportunity to build supply chain resilience and protect business continuity.

It also just feels right. As an opportunity to create new jobs close to home. In our communities. For our neighbors.

ResourceMFG has been connecting neighbors with jobs and providing client companies with workforce solutions for more than 30 years.



We'd love to help you in 2022!

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