



Tackling **talent** shortages in manufacturing



For many manufacturing organizations, the reality is simple: they will struggle to compete for **key talent**.

With tight markets and labor shortages, comp professionals in manufacturing face a daunting challenge. While the supply and demand of labor has recently found a healthier balance, manufacturing organizations still confront a talent undersupply and rising compensation costs.

Even with decreasing inflation and industry contraction, labor costs continue to climb.¹ This is especially true for skilled production positions and knowledge workers.

For many comp professionals, the reality is simple: they will struggle to compete for key talent. Possessing current pay data, especially for the skilled trades, is more important than ever.

Stay a step ahead with recent manufacturing salary data

But what if you can't compete on base salary? Are you doomed? No. But you need to get creative with your compensation strategy.

Before jumping into solutions to manufacturing's challenges, let's understand how today's labor shortages might play out moving forward.

1. US Bureau of Labor Statistics. "Compensation (not seasonally adjusted): Employment Cost Index for Total Compensation, for civilian workers, by occupational group and industry. Jan 25, 2025.

Two million unfilled jobs?

Imagine the following: after a short period of uncertainty and contraction, customer inventories collapse, and orders come flying through the door. Supply chains are flowing, and your purchasing manager is negotiating contracts left and right. A dream scenario, right?

Except you don't have the workforce to fill orders. Your pool for skilled trades is completely tapped. Those engineers and IT managers you meant to hire found a home in other industries.

For some manufacturing orgs, this has already occurred. The U.S. Census Bureau's Quarterly Survey of Plant Capacity (QPC) found that 20.6 percent of manufacturers failed to produce at full capacity because of an insufficient labor supply in 2024.²

Are you ready for the bad news? **It's only going to get worse.**

Despite the recent contraction, the future of manufacturing looks bright, particularly in the U.S. As companies evolve to meet new customer needs and government support continues, American manufacturing seems poised for renewal.³

But talent shortages threaten to stifle this growth. A recent report by Deloitte paints a grim picture of the industry's labor market challenges.⁴

According to Deloitte, U.S. manufacturing could require as many as 3.8 million net new jobs in the coming years. But without a robust talent acquisition and long-term workforce management strategy, 1.9 million of these will go unfilled.

The difficulty in finding qualified candidates will only become more urgent. Without a sufficient labor pool to draw from, manufacturing wages will continue their upward trajectory. Length-to-fill will increase, and HR teams will be under even more pressure.

Now's not the time to panic, but act. Comp professionals will play an essential role in the future success of their organizations, but they must develop a more resilient talent acquisition and retention strategy.

One way manufacturing orgs can develop, engage, and attract talent is to look beyond base pay alone.

² U.S. Census Bureau. "Quarterly Survey of Plant Capacity Utilization."

³ Deloitte. "US Manufacturing Could Need as Many as 3.8 Million New Employees by 2033, According to Deloitte and The Manufacturing Institute, April 3, 2024."

⁴ Ibid.



Enhancing your employee value prop

Recent layoffs in certain manufacturing sectors do not mean comp professionals should take their foot off the gas. This temporary rebalancing masks a more significant talent shortage that will disrupt the industry for years.

Regardless of the market's current direction, manufacturing must focus on retaining and recruiting key talent, especially for skilled production and knowledge roles.

Now's the time to adopt a long-term, cost-conscious talent strategy that paves the way for business growth. If finances are tight, there are other levers you pull.

Focusing on both the monetary and non-monetary benefits is a great place to start. As you develop your employee value prop think about what matters most. Understand the struggles of your workforce.

Many manufacturing employees have difficulty with things like reliable transportation and childcare.⁵ How does your organization address these challenges?

While we're accustomed to viewing pay as employees' primary motivation, this isn't always the case. How far would more flexible working arrangements go from a talent acquisition standpoint?

Your total rewards package, especially benefits such as career development and flexible work arrangements, offers a tangible way to improve the employee experience while still curbing costs.

Let's dive into some common *and* creative compensation and benefits practices manufacturing orgs are using to differentiate.



5. Melhorn, Stephanie Ferguson. "Understanding America's labor shortage: The impact of scarce and costly childcare," US Chamber of Commerce, June 26, 2024.



Compensation

While a competitive base salary will always be a consideration, many organizations also offer shift differential pay. According to our [Compensation Best Practices Report \(CBPR\)](#), companies most commonly pay a differential for the third shift (night shift). But second shift differential and hazardous work pay might be a powerful recruitment tool because they're less prevalent.

Expanding or increasing shift differential pay would likely increase compensation costs. The same goes for overtime, bonuses, or other variable pay incentives. This might be fine if you're meeting business goals but can strain budgets if you're missing revenue targets. Recent research shows that profit-sharing plans might be a solution.

Profit sharing only distributes compensatory rewards after deducting expenses — in loss-making periods, there's no distribution to employees under these schemes. Yet profit sharing highly correlates with employee retention and satisfaction.⁶ This makes profit sharing mutually beneficial, allowing companies to control costs while increasing employee loyalty.



Basic benefits

Standard benefits such as employer-based healthcare, vision, and dental coverage and retirement matching programs (401ks) declined slightly last year, according to CBPR.

Even basic benefits may help companies differentiate. But manufacturing organizations might also consider additional perks like increased PTO, health and wellness programs, and even financial coaching.



6. Makridis, Christo. "Profit sharing in practice: its prevalence and influence on job satisfaction controlling for workplace amenities." *International Journal of Applied Economics*. Vol 39, 2025.



Career training

Offering career development in the form of on-the-job training would be beneficial for manufacturing employees and employers alike.

The demand for digital literacy is growing as manufacturing operations and products become more advanced. The information from IoT devices and connected systems needs to be integrated and analyzed to increase operational efficiency. Training today's manufacturing workforce on digital technologies is a smart step toward closing future skills gaps.



Forward-thinking rewards

Manufacturing organizations should get creative in total rewards offerings for their workforce. Benefits and other job perks go a long way toward retention and recruitment, especially for an industry in fierce competition for talent.

As manufacturing organizations prepare for a possibly deeper contraction, differentiated benefits will be the key to retaining and attracting business-critical talent.

Flexible work arrangements, including split shifts and shift swaps, are the new currency of manufacturing's employee value prop. As Baby Boomers retire, incoming millennial and Gen Z workers expect more flexible work arrangements. Half of respondents in the Deloitte study of manufacturing talent shortages indicated that flexibility was the most impactful benefit.

While many organizations can't build an onsite daycare, more flexible schedules help offset childcare costs. Other benefits such as allowances for employees who use public transportation or reimbursements for those with longer commutes make for enticing benefits.

The future success of your organization depends on more than meeting wage demands — it requires shaping your EVP around what your workforce truly needs. This means considering factors beyond pay like flexible working arrangements and career development.

Labor shortages for certain positions won't ease anytime soon. Now's the time to invest in a total rewards package that is equal parts creative and cost-conscious. A thoughtful EVP isn't a nice-to-have — it's your competitive edge in an increasingly tight labor market.

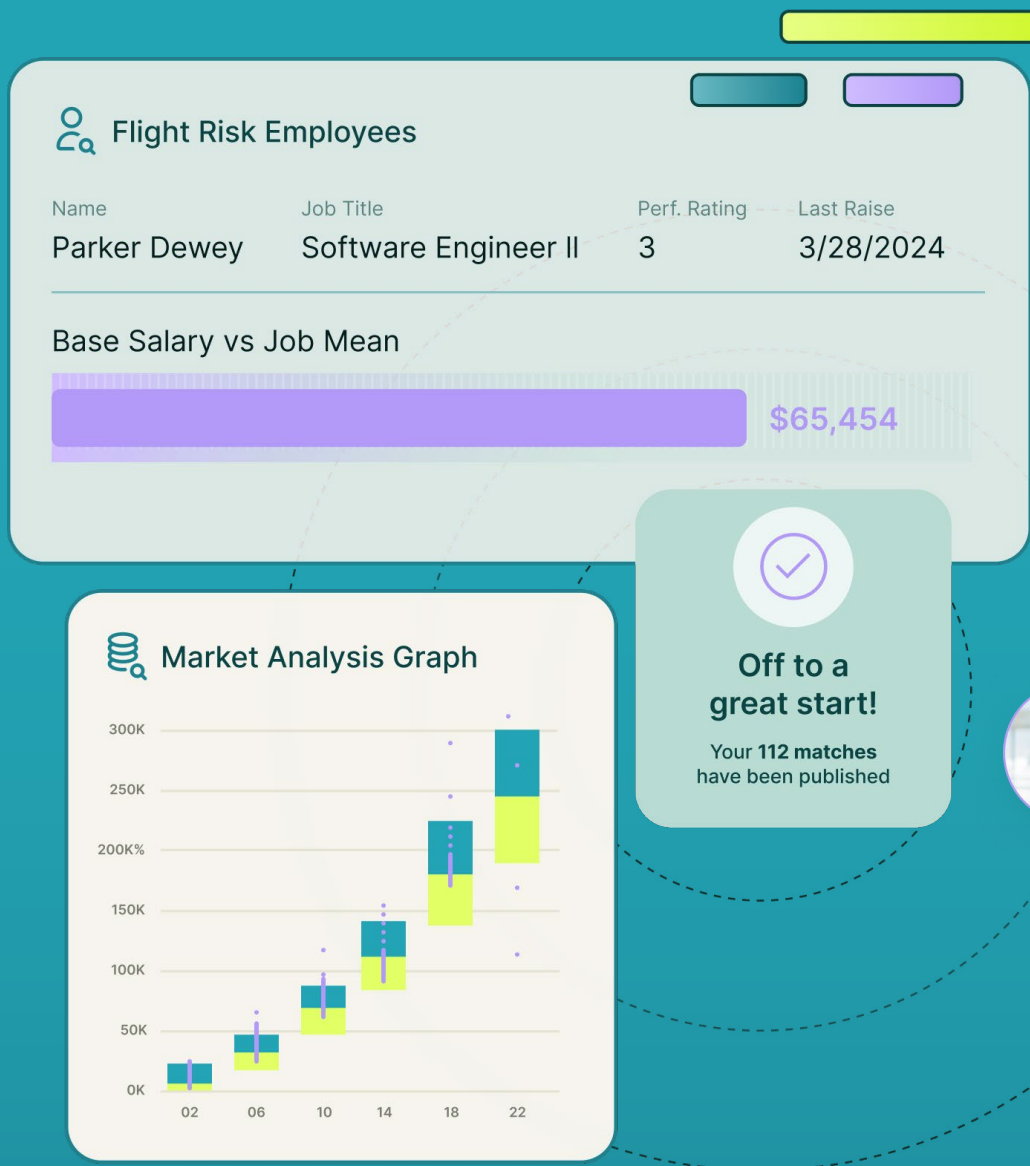
How Payscale can help

Even the most well-designed EVP will fall flat without clear, consistent pay communications. Employees and new hires must truly understand the rewards and benefits your organization offers beyond base pay.

As a skilled comp professional, you understand the life-changing impact of employee benefits. Your expertise combined with Payscale's solutions drive data-driven comp convos that bring your total rewards strategy to life.

Talking about pay is tough, especially when addressing less tangible, non-monetary benefits. With Payscale as a partner, you'll be able to craft even more compelling compensation narratives that resonate with employees and highlight the actual value of your employee value prop.

Get your EVP right with Payscale



About Payscale

Payscale stands at the forefront of compensation data technology, pioneering an innovative approach that harnesses advanced AI and the most up-to-date and reliable market data to align employee and employer expectations. With its suite of solutions — Payfactors, Marketpay, and Paycycle — Payscale empowers 65% of Fortune 500 companies to make strategic compensation decisions. Organizations like Panasonic, ZoomInfo, Chipotle, AccentCare, University of Washington, American Airlines, and Rite Aid rely on its unique combination of actionable data and insights, experienced compensation services, and scalable software to drive business success. By partnering with Payscale, businesses can make confident compensation decisions that fuel growth for both their organization and their people.

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