ECONOMIST IMPACT

Benefits 2.0

Manufacturing industry key insights

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Benefits 2.0 overview

Background

- Employee benefit programs account for nearly one-third of all compensation in the US. Despite this investment, our research shows that employee expectations aren't being met.

- Benefits 2.0 is a new research program that explores how employers can optimize benefits to better meet workers' needs, gain a competitive advantage and drive socioeconomic growth.

Goals

- to understand whether workplace benefits are fit to purpose

- to shed light on major gaps in access and use

- to create a roadmap for employers to optimize benefits provision and maximize value creation.

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Benefit types

Retirement

- Pensions
- Defined contribution and defined benefit plans

Health, life, and disability insurance

- Provision and cost sharing

Paid time-off

- Length of time, ability to take time off

Family planning and care

- Provision (or subsidized) child/elder care
- Medical fertility and family planning services
- Maternity/paternity leave

Education and training

- On-site, formal training
- Financial support

Wellness

- Mental, physical, and financial

Research scope and process

Employee survey program

1,500

full-time workers at mid- to large-sized companies in US (1000+ employees)

Expert perspectives

In-depth consultations with business leaders, benefits providers, unions, consultancies

US industry analysis - starting point

- Corporate manufacturing
- Energy and utilities
- Sports, media and entertainment

Impacts at three levels

Employees

Employers

Industries and the economy

Survey specifications

1,500 full-time workers in US (n500 per industry), fielded in English and Spanish

Company size

1,000-4,999 employees 47%

5,000+ employees 53%

Ethnicity

Minimum 100 of each ethnicity per industry

min. 20% Asian
min. 20% Black
min. 20% Hispanic
min. 20% White

Seniority

33% Junior (entry level)

22% Non-CxO leadership

22% Middle management

22% CxOs

Gender

50% female and 50% male across sample

Job function

10% Various, up to 10% per function

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How to design market-leading benefits

A playbook for business leaders

Key insights from the US report:

1. **View benefits as a driver of competitive advantage**
   Benefits should be seen as investments in competitive advantage, not cost-drivers

2. **Evolve plans to meet diverse worker needs**
   One size fits all isn't cutting it; priorities vary immensely across demographics and life stages

3. **Benefits don’t have to be baffling**
   Organizations don’t do enough to tout, explain or innovate, so benefits go unused

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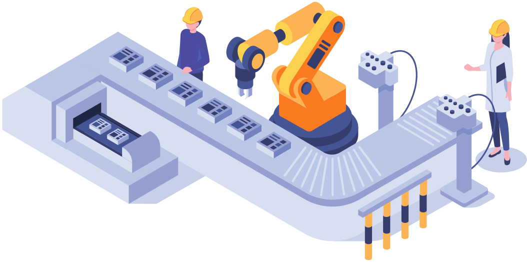
Section 1

Optimizing strategy and decision-making around benefits

Proactive benefits are key to attracting and retaining workers

Workers' priorities are changing...



2/3

of manufacturing workers would be willing to switch jobs for better benefits

The context

The manufacturing industry is facing significant barriers to **worker retention**

Within five years, a **shortage of 2.5 million** manufacturing workers is expected[1]

Next steps

Organizations should keep up with evolving expectations by:

Recognizing that benefits are **not a cost driver**

Treating them as **an opportunity to gain a competitive advantage**

1 https://www.praisidio.com/post/employee-retention-in-manufacturing-industry

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One-size-fits-all benefits are ineffective and inefficient

At companies offering highly diverse and comprehensive benefits, workers are

1.5x more

satisfied with DEI efforts

The context

The manufacturing industry faces several **DEI-related challenges:**[1,2]

- Historical lack of diversity
- Limited female representation
- Challenges with culture and inclusion
- Difficulty attracting middle-skill job candidates

1 https://www.praisidio.com/post/employee-retention-in-manufacturing-industry
2 https://www2.deloitte.com/us/en/insights/industry/manufacturing/manufacturing-industry-diversity.html

Next steps

To align benefits with people's unique and varied needs, organizations should:

explore more **customizable or flexible benefit packages**

This can even help companies **save costs** on ineffective blanket policies

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Workers are not aware and informed about their benefits

Communication about benefits needs to be improved:

63% of manufacturing workers believe this about wellness benefits

58% about retirement benefits

51% about health insurance

Targeted and varied communication can help reach diverse audiences:

- emails
- take-home flyers
- eye-catching posters
- meetings
- manufacturing floor announcements
- interactive apps or quizzes

Tailored engagement opportunities help ensure that all workers hear and understand

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Workers struggle to take full advantage of their benefits

Many workers view benefits packages as a confusing black hole:

2/3

of manufacturing workers say their organizations don't do enough to tout, explain, or innovate

The context

Manufacturing companies spend **$260 billion annually** on benefits for workers—or $23,900 per recipient[1]

But when benefits go unused, **businesses waste a key opportunity**

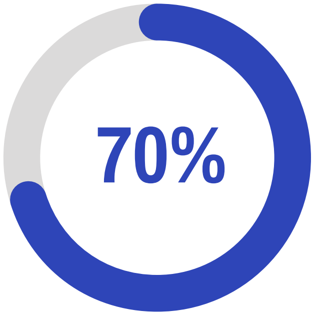
1 These statistics reflect Economist Impact calculations based on data from the US Census, Bureau of Labor Statistics and other sources

Next steps

Organizations can **improve usability** by:

- Streamlining access through **a single platform**
- Establishing a **support team or helpline**
- **Personalizing the experience** to incentivize engagement

Unlock better decision-making through worker feedback



of manufacturing workers say their organization needs to make better use of surveys to inform benefit decisions

The context

When workers feel like they are not being heard, they are more likely to become **disengaged, leave the company**, or contribute to a **poor workplace culture**

Ignoring their suggestions and experiences can also lead to **less innovative** benefits packages

Next steps

- Ensure surveys are **anonymous** and focus groups foster **open sharing**
- Segment responses by demographic to **find targeted interventions**
- **Close the feedback loop:** communicate findings back to workers

Section 2

Optimizing benefits packages to meet unique needs across the workforce

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Poor health among workers is bringing down productivity

Nearly

1/2

of manufacturing workers report that they are not healthy enough to do their jobs effectively

The context

Injuries, illnesses and other absences **cost manufacturers 9 million hours per year,**[1] contributing to:

- lost productivity
- low morale
- workers' compensation claims
- low retention rates

1 https://www.bls.gov/cps/cpsaat47.htm
2 https://www.healthaffairs.org/doi/10.1377/hlthaff.2009.0626

Next steps

High-quality health insurance is essential in reducing attrition and boosting productivity

Wellness benefits are highly valued and highly impactful

→ **Every dollar** spent was found to lower absenteeism costs by **$2.73**[2]

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Older workers are clear: health benefits are a top priority

88%

of older workers (Gen X and older) rank health insurance as one of their top three benefits

The context

As the average **manufacturing worker continues to age**, a sharper focus on health insurance will become increasingly important

To **tap into the skills of experienced workers**, employers need to ensure their health plans cater to this group's needs

Next steps

Health advisors or consultants can help older workers navigate their options

Cost-sharing or subsidies beyond traditional insurance can help mitigate financial health burdens

Wellness programs can meaningfully aid with preventative care, chronic conditions and healthy aging

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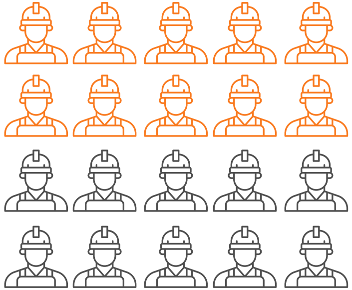
New generations struggle with retirement planning



More than

1/2

of younger workers are not satisfied with their retirement plans

The context

Gen Z overtook Baby Boomers in the industry's full-time workforce in 2024

Amid challenges like inflation, student loan debt and precarious social safety nets...

71%

of Gen Zers say they don't understand enough about their investments to manage them[1]

1 https://finance.yahoo.com/news/retirement-savings-7-biggest-obstacles-161252905.html

Next steps

Tap into the **SECURE Act** to help young workers save for retirement while paying off student loans

Offer **sustainable retirement options**—like SRI or ESG funds—that resonate with the values of younger workers

Provide **short-term savings benefits or emergency funds** to help manage immediate financial stressors

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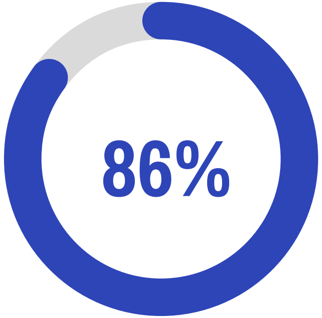
Young workers feel limited in their career prospects



of young manufacturing workers rank education and training as one of their top three benefits

The context

The sector **struggles to retain Gen Z workers**—now just 7% of the workforce[1]

Education and training benefits can be key in **addressing skills gaps** in the sector while **boosting job performance**

1 https://www.mckinsey.com/capabilities/operations/our-insights/from-hire-to-inspire-getting-and-keeping-gen-z-in-manufacturing

Next steps

Offerings can include:

- **Tuition reimbursement** for degree or certification programs
- Professional development **stipends** for conferences or professional events
- Student loan **repayment assistance**
- On-the-job **training, apprenticeship or rotational** programs within the company

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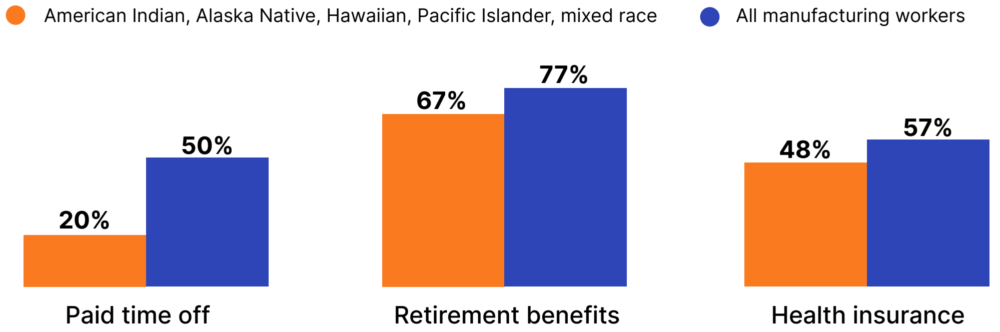
Smaller minority groups are often less satisfied with benefits

Percentage who are satisfied



The context

Minorities may feel that benefits are less inclusive if there are…

- Cultural or linguistic barriers
- Historical inequities
- Limited opportunities for workplace visibility
- Perceptions that benefits aren't designed with their needs in mind

Next steps

Eliminate barriers to benefit utilization:

- **Identify barriers** to equitable use/access faced by different groups
- **Don't be afraid to invest in benefits that cater to a minority of workers**—these may be the people who need them most and can provide the greatest return

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