



Industry Employment Report: Shifting the PT/MC Workforce


Traditional approaches to employee hiring, recruitment, and retention will not effectively move the power transmission/motion control (PT/MC) industry forward. This assertion, perhaps presumed among those in the industry anecdotally, is backed with data from a new workforce trends study commissioned by PT WORK ForceSM, an initiative of the PTDA Foundation, the charitable arm for the Power Transmission Distributors Association (PTDA).

To summarize these findings and help PT/MC employers navigate the path forward in building a competitive workforce of the future, this report explores the current state of the PT/MC workforce and identifies the employment-related challenges faced by organizations in the industry.



Grappling with an Aging Workforce, Tight Job Market and Changing Employee Expectations

The retirement of the Baby Boomer generation will amount to an exodus of approximately 2.7 million workers in the manufacturing industry, with an estimated 3.5 million jobs expected to be created in manufacturing by the year 2025 and only 1.5 million of these positions projected to be filled according to “The Skills Gap in U.S. Manufacturing” by the Manufacturing Institute and Deloitte. That, coupled with anticipated economic growth, will undoubtedly lead to a significant workforce shortage for the PT/MC industry.



*“As older generations transition out of the workplace, employers are challenged to find new talent. Whether hiring new associates into the industry or hiring experienced associates, there will be hard decisions made regarding the willingness to compensate these individuals appropriately to bring in the best possible talent. **Traditional industrial distribution compensation plans are competing with a host of industries that may be willing to extend offers that are beyond our comfort zone.**”*

Bill Moore

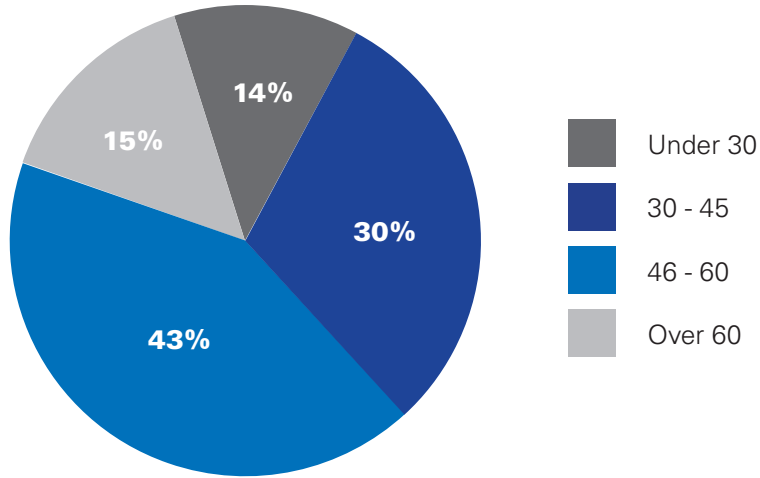
VP Business Development, ERIKS North America



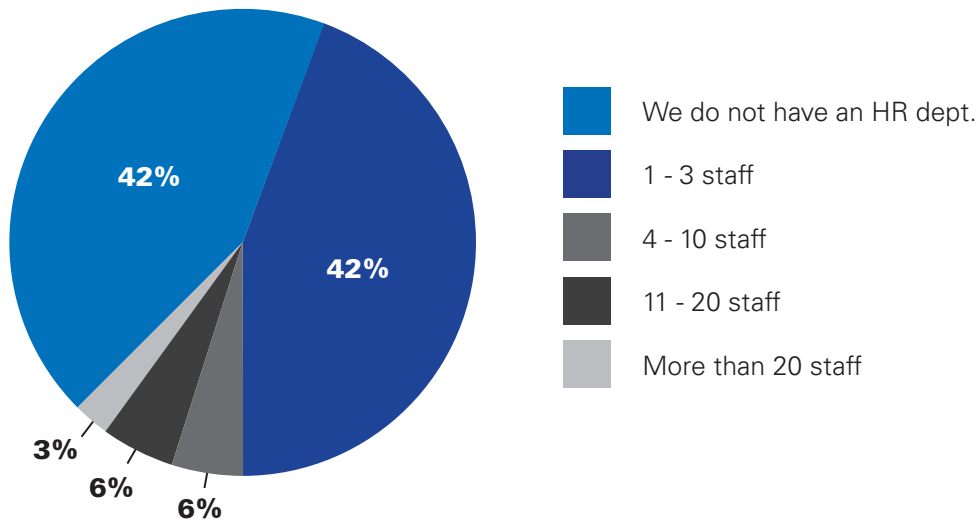
Economic optimism in response to these macro industry trends is fairly strong. While nearly two-thirds of PT/MC distributors and manufacturers reported they are optimistic about their company’s financial outlook for 2019, another 33 percent of respondents predicted their economic conditions will worsen over the next three years, with manufacturers and large companies (over 200 employees) more likely to have a favorable outlook for the future than distributors and smaller companies. Putting a finer point on this variability in outlook, when projecting hiring demands for the future, distributors anticipated hiring 11 percent fewer employees in the next three years compared to the past three years while manufacturers projected hiring 13 percent more employees.

With an anticipated workforce shortage looming, pressure is mounting for companies to onboard the next generation of PT/MC professionals. At present, PT/MC companies report 58 percent of employees are 46 years or older, with only 14 percent of employees reported as under 30. As this aging workforce leaves behind a talent gap across the industry, succession planning, recruitment and retention of talent will be essential to sustained business success – which is easier said than done when considering 42 percent of companies (100 percent of those with 50 employees or less) lack a Human Resources (HR) department to manage these essential functions.

Age Distribution at Company (%)
(N=30)



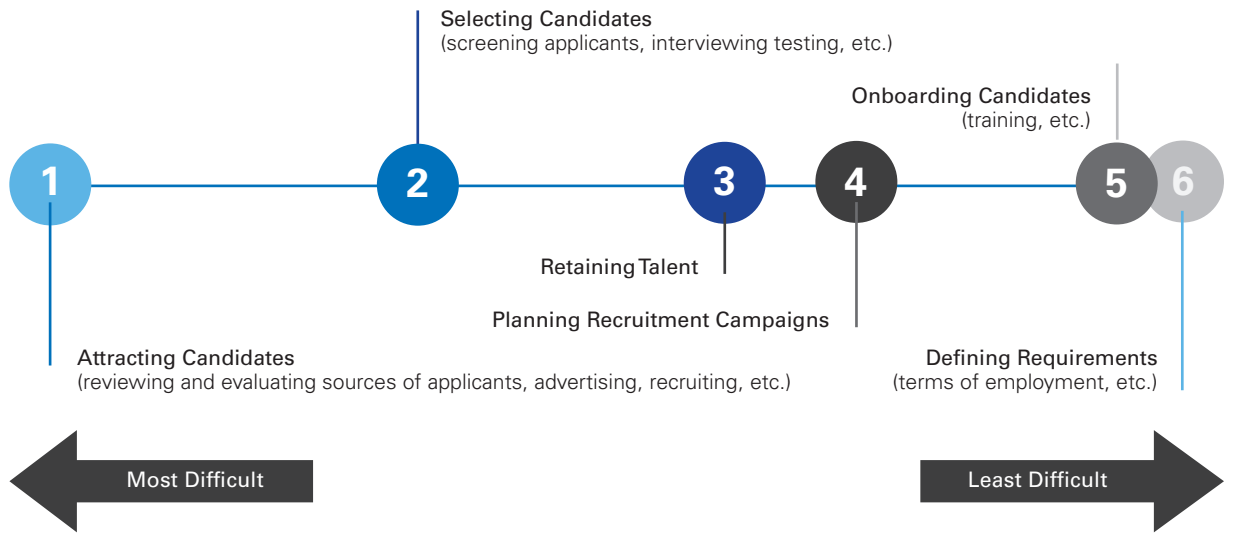
Size of HR Department
(N=30)



"Our biggest problem is awareness... and most of the industry's employers are smaller companies without HR departments that struggle to get the word out differently today. When jobseekers see 'industrial distribution,' they think they're going to get dirty, and their parents don't want them to take the job."

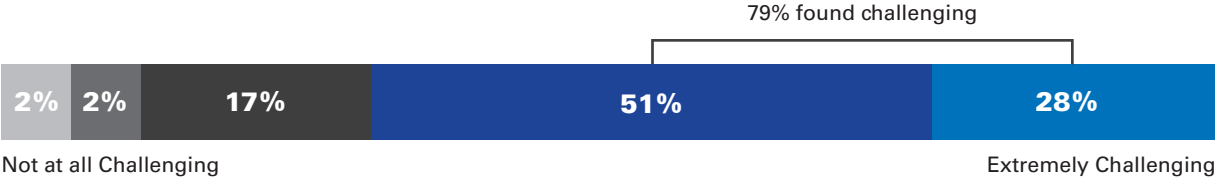
Keith Nowak
President, MPT Drives, Inc.

Broad Phases of Recruitment and Hiring Process Ranked by the Level of Associated Difficulty

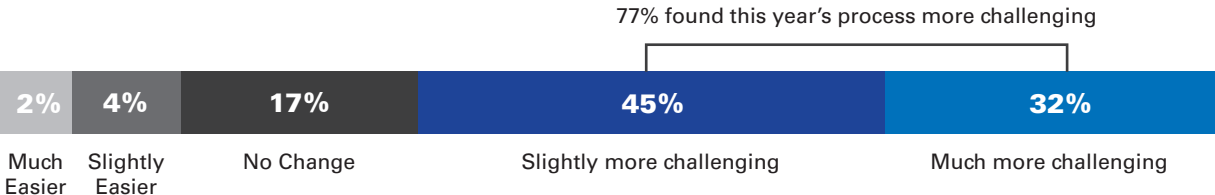


Attracting qualified candidates is, by far, perceived to be the most difficult phase in the recruitment and hiring process with selecting candidates second in difficulty. Third ranked is retaining talent, followed by planning campaigns, onboarding candidates and defining requirements. This validates things heard from those in the field and is where the Foundation is focusing their resources. Three out of four employers (74 percent) expressed that the current talent pool is insufficient (both in size and in qualifications) to meet the needs of the industry. Further quantifying this, 79 percent of survey respondents expressed that hiring and recruiting new employees is a challenge, with 77 percent finding this year's hiring process to be more challenging than years past.

Overall, how challenging is it for your company to recruit and hire new employees?
(N=47)



How does the hiring process this year compare to the hiring process three years ago?
(N=47)



This trend is experienced by both distributors and manufacturers of all sizes, as only 26 percent of distributors and 20 percent of manufacturers shared that their company is currently able to find a sufficient number of qualified candidates for open job positions.

Roles in the PT/MC workforce are considered to generally require a niche set of skills and knowledge (72 percent). While customer service, people and communications skills are seen as the most critical to success, the most difficult skills to hire for include product-specific knowledge, problem solving skills, analytical/math skills and sales skills.

“Looking to the future, different skill sets will be required, and skills in technology will be critical. We still need technical and product knowledge, but these must be balanced with technology skills since the way buying decisions are being made has fundamentally changed.”

Barb Ross

Director Rotary Sales, Garlock Sealing Technologies

Beyond these skills, education qualifications for a number of roles (namely: trainers, engineers and manager-level roles) where a bachelor’s degree or higher is required causes the already limited talent pool to shrink even further.

Percentage of Unfilled Jobs by Position

| Position or Job Title | % Employing Position | # of Current Employees | # of Unfilled Positions | % Unfilled Positions Out of Total Positions |
|--|----------------------|------------------------|-------------------------|---|
| Plant manager/supervisor | 44% | 1.3 | 0.3 | 19% |
| Product specialist/manager | 38% | 5.5 | 1 | 15% |
| Engineer | 76% | 7.3 | 1.2 | 14% |
| Machine operator | 56% | 19.6 | 3.3 | 14% |
| Warehouse supervisor | 66% | 3 | 0.5 | 14% |
| Information technology support | 46% | 4.6 | 0.7 | 13% |
| National sales manager | 42% | 2 | 0.3 | 13% |
| Inside sales/customer service | 98% | 13.8 | 1.9 | 12% |
| Purchasing clerk/buyer/manager | 66% | 1.7 | 0.2 | 11% |
| Assembly worker | 40% | 34.9 | 3.7 | 10% |
| Maintenance/technician | 42% | 8.8 | 1 | 10% |
| Outside sales/field sales/account manager | 86% | 15.3 | 1.7 | 10% |
| Accounts payable/receivable/accounting manager | 84% | 2.9 | 0.3 | 9% |
| Skilled trade workers | 42% | 18 | 1.8 | 9% |
| Warehouse driver/worker | 78% | 17.9 | 1.8 | 9% |
| Branch sales manager | 40% | 13.3 | 0.9 | 6% |
| District/regional sales manager | 58% | 8.1 | 0.5 | 6% |
| Product supervisor | 38% | 4.4 | 0.3 | 6% |
| Human resources specialist/generalist/manager | 52% | 1.8 | 0.1 | 5% |
| Office support/administration | 68% | 7.8 | 0.3 | 4% |
| Corporate trainer | 8% | 2 | 0 | 0% |
| Distribution/channel manager | 26% | 1 | 0 | 0% |
| Marketing manager/coordinator | 50% | 1.7 | 0 | 0% |


The bottom line: an aging workforce, limited talent pool and growing economy create a perfect storm for PT/MC companies expected to hire new and retain existing employees in a competitive, compelling manner. These talent shortages will be particularly acute for positions requiring specialized expertise or product knowledge, where hiring needs are expected to increase, including engineers, product specialists and skilled trade workers.

Shifting PT/MC Employment Practices

Given the growing talent gap in the industry, employers are beginning to rethink their traditional approaches to recruitment and retention – shifts in employment practices that this research suggests should continue and expand among all PT/MC employers.

To revitalize legacy recruitment and retention approaches, the following employment trends are emerging today and likely to become the “new normal” for the future.

- **Establishing robust employee retention plans and strategies.** Beyond offering new and reframed employee benefits, replacing retiring Baby Boomers with Millennial and Generation Z workers also requires a renewed approach to employee engagement, as younger professionals are more likely to leave a company to pursue other professional opportunities. Forty-three percent of Millennials and 61 percent of Generation Z employees see themselves leaving their current positions within the next two years (Deloitte, 2018). PT/MC employers perceive a lack of competitive wages and low industry awareness as also contributing to their issues in building a robust employee pipeline. This places additional pressure on employers to retain young talent once they are recruited and onboarded.



*“I believe encouraging companies to build HR development plans would have a dramatic effect on our industry moving forward. **Hiring is not as difficult as retention.** Yes, retention is an investment, but an important one.”*

Bob Callahan

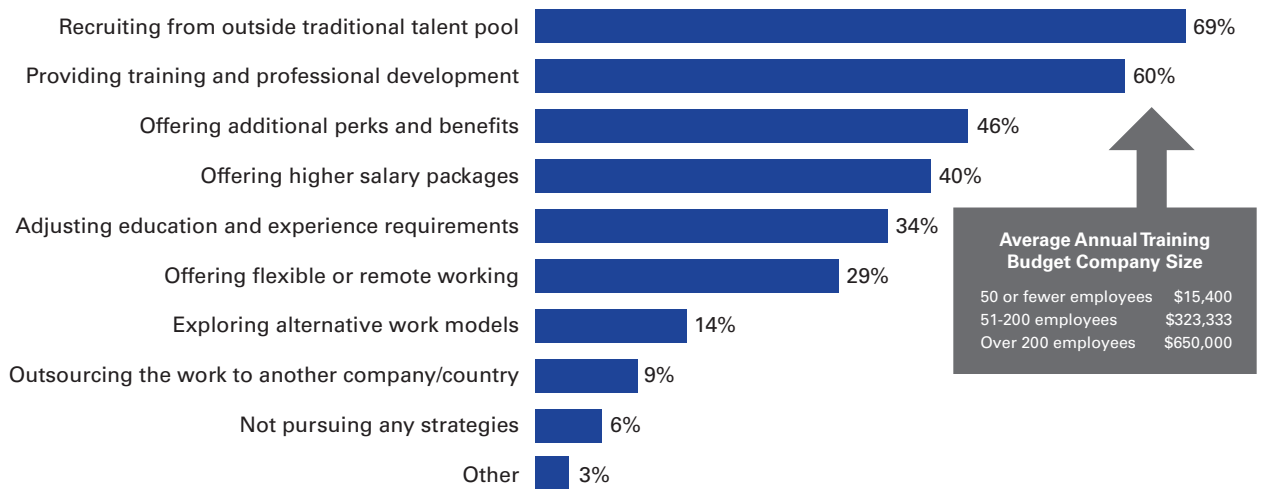
VP Executive Director of Sales, SENOCIA MAXCO, Ltd.



- **Hiring for soft skills, training for qualifications.** The need for skilled workers is projected to increase while the current talent pool is perceived to lack these core qualifications. As such, companies are increasingly prioritizing hiring for core skills for success, and training incoming employees on more nuanced industry- or company-specific technical and product specific expertise. With this new lens to assess candidate qualifications, soft skills seen as critical to success in the industry – such as customer service, people, communications and problem- solving skills – are viewed as core qualifications for new hires whereas product and technical knowledge is not expected to “walk in the door” with new employees.

- Expanding hiring searches beyond the traditional talent pool to attract fundamentally new talent, rather than relying on word of mouth and recruiting from within the existing workforce.** At present, referrals and word of mouth are the most common recruitment strategy utilized by employers in the industry, with 87 percent of distributors and 70 percent of manufacturers reporting referrals/word-of-mouth as one of their most used strategies in recruitment. However, as a significant portion of the industry workforce retires (and their word of mouth power retires with them), employers will need to expand their recruitment strategies to cast a broader net in order to identify and recruit new talent to enter the PT/MC industry. For manufacturing companies in the PT/MC field, 70 percent report other manufacturing companies in the industry as their primary competition for workforce talent, while 57 percent of distributors identify distributor companies within PT/MC as their primary competitors. These insular hiring practices of the past are not viable in attracting the pool of new talent needed for the future. Opportunities for PT/MC employers to expand recruiting efforts beyond the traditional talent pool include exploring partnerships with local trade schools and universities and finding candidates via regional career fairs, staffing agencies or recruiters, and using social networks like LinkedIn.

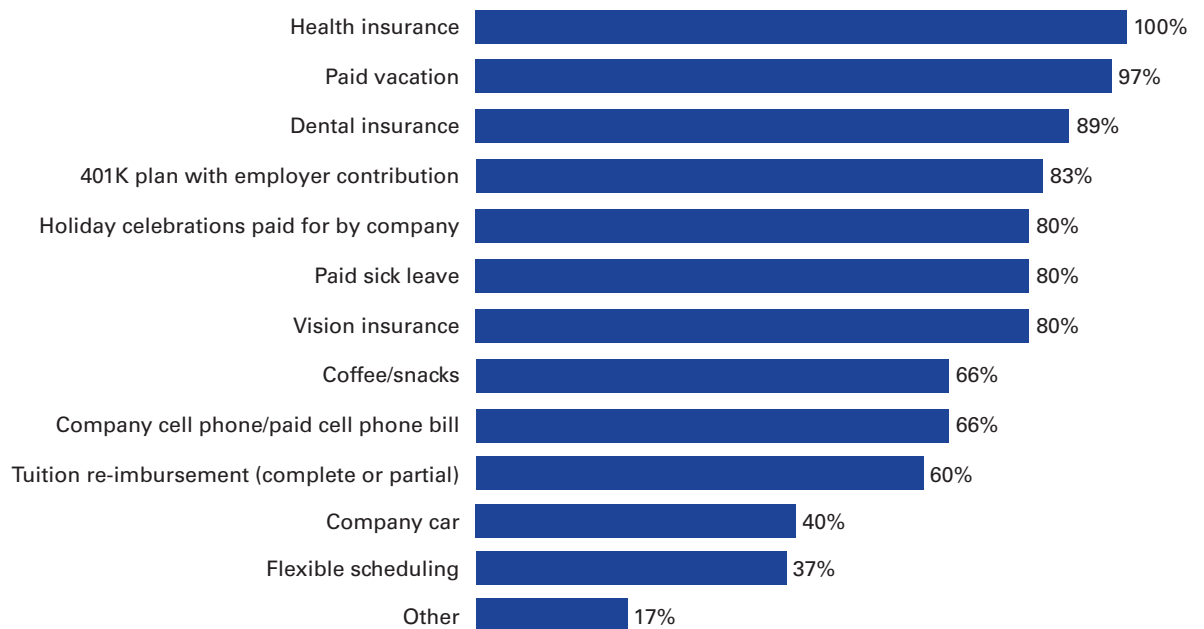
Strategies Used to Overcome Talent Shortages



- **Offering flexible and value-driven employee benefits, and repositioning job descriptions to align with this more compelling vision of contributing to the PT/MC industry.**

Millennials and members of Generation Z enter the workforce with fundamentally different expectations than the generations of workers that preceded them. These generations are also digitally native and highly motivated to both advance professionally and contribute deeply to the success of their employers. By recognizing and responding to the changing nature of work – such as calls for increased flexibility and remote work options, virtually connected workplaces, compelling work/life benefits packages and so on – the PT/MC industry will emerge as a more competitive and compelling employment pathway for young and emerging professionals. Further, as reinforced through this survey when considering the skills needed for success, work in PT/MC is in many ways dynamic and people-driven, yet job descriptions often do not highlight these soft skills and benefits to the extent they should to be attractive and competitive to jobseekers.

Benefits Companies Currently Offer Employees



Taking Proactive Steps to Access Workforce Solutions

It is clear the PT/MC workforce is changing, with skills gaps and labor shortages anticipated to continue, if not grow, in the coming years. However, **employers can get ahead of these challenges by embracing and employing new strategies for succession planning, pipeline development, recruitment and retention.**

The PTDA Foundation's PT WORK Force initiative has created the recruitment and retention tools and resources you need to get started. Further, by leveraging the direction uncovered through this study, the PTDA Foundation is investing in new initiatives intended to strategically address the employment challenges facing the industry to ensure PTDA members are aware of and have access to the information, tools, and resources needed to build a competitive, successful PT/MC workforce.



PT WORK ForceSM

www.ptworkforce.org



Additional charts from survey results can be found in separate document - Appendix I

Research methodology and references can be found in separate document - Appendix II

ptda.org/employmentreport

Thank You to Our Industry Volunteers

We would like to acknowledge the assistance and foresight of the PTDA Foundation Board of Trustees; the PT WORK Force Education Research and Knowledge Committee; and the PT WORK Force “work group” who without their help, the Industry Employment Report: Shifting the PT/MC Workforce would not have been possible.

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About the PTDA Foundation

As the charitable arm of the Power Transmission Distributors Association, the PTDA Foundation champions education, outreach, and research initiatives relevant to the power transmission/motion control (PT/MC) industry that enhance the knowledge, professionalism and productivity of industry stakeholders.

Incorporated as a distinct entity from PTDA and governed by a Board of Trustees, the Foundation is a not-for-profit, tax-exempt 501(c)(3) corporation whose operations are funded entirely by its own program revenues and tax-deductible contributions from industry corporations and individuals. Unlike PTDA, which serves both its members and the PT/MC industry, the Foundation is dedicated to serving the industry as a whole.

PT WORK Force is a key initiative of the PTDA Foundation that is developing resources to help PT/MC companies attract, hire, on-board, train, manage and retain employees.

PT WORK Force, an initiative of the PTDA Foundation

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About McKinley Advisors

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McKinley Advisors is a consulting firm focused exclusively on associations. They have over twenty years of experience with both professional and trade association member research projects. They were chosen by the PT WORK Force Education, Research and Knowledge Committee to administer the survey to PTDA members, and report and interpret results.