GOOD JOBS IN US MANUFACTURING

MIDDLEGROUND CAPITAL

INTRODUCTION

In today's competitive labor market, focusing on employee engagement and well-being is no longer optional for U.S. manufacturers. A joint study by Deloitte and The Manufacturing Institute projects 2.1 million unfilled manufacturing jobs by 2030. Nearly 45% of executives are already turning away business due to staffing challenges[1] and turnover is expensive—replacing workers can cost up to four times their salary.[2] Beyond financial loss, attrition also affects customer relationships, morale, and innovation. For manufacturers, investing in good jobs is not just the right thing to do; it's essential to staying competitive.

This whitepaper was developed by MiddleGround Capital ("MiddleGround")—a private equity firm that invests in B2B companies in the industrial and specialty distribution sectors in the lower middle market in North America & Europe—and Malk Partners ("Malk")—a leading ESG advisor to private market investors, recently acquired by SLR Consulting. It outlines practical ways U.S. manufacturers can create and sustain good jobs, for example using compensation as a lever for employee retention. The paper also highlights safety, job security, and career advancement as essential pillars of meaningful employment.

45%

45% of manufacturing executives surveyed have been forced to decline business opportunities due to **lack of workers**.

GOOD JOBS: MEANINGFUL COMPENSATION

Providing competitive compensation is critical to supporting employee financial stability and its effect on engagement, retention, and productivity is well documented. While fair wages are important across industries, they're especially vital in manufacturing, where labor markets are consistently tight and turnover rates are high, particularly in production roles.

A 2022 survey of 198 manufacturers found that 93% had open roles they struggled to fill, and 89% had increased pay to stay competitive.[3] Across the hundreds of manufacturers, Malk advises each year, better compensation is the most cited reason that employees leave. While cost pressure can make wage increases challenging to justify, the long-term value is clear: the cost of turnover often exceeds the investment required to raise wages.

[1] https://www2.deloitte.com/us/en/insights/industry/manufacturing/competing-for-manufacturing-talent.html
[2] https://www.shrm.org/topics-tools/news/talent-acquisition/real-costs-recruitment
[3] https://www.themanufacturinginstitute.org/wp-content/uploads/2022/05/Compensation-5-9-22.pdf

PRIORITIZING A LIVING WAGE

At a minimum, employers should aim to provide a living wage. While the definition of living wage varies by region, MIT's Living Wage Calculator is one of the most widely used tools. It considers essential expenses across different household types[4] and is almost always higher than the federal and local minimum wages, often exceeding prevailing industry wages.[5]

Malk conducts living wage assessments during ESG due diligence, particularly when compensation appears to be a risk.[6] Using the MIT tool, Malk typically applies the "one adult, no children" estimate as a conservative benchmark to identify what portion of a company's workforce may be earning below a living wage.

When shortfalls are found, Malk conducts independent assessments that reflect local costs and generally recommends companies work toward closing the gap over time. These incremental adjustments are especially useful in addressing high turnover. While many companies use market-based benchmarking to guide compensation, far fewer consider costs of living, representing a major opportunity to improve employee morale and performance in manufacturing.

MiddleGround views competitive pay as a key driver of long-term value.

MIDDLEGROUND'S TARGET: $25 AN HOUR

MiddleGround views competitive pay as a key driver of long-term value. The firm has implemented wage increases across its portfolio, beginning with a $15/hour minimum shortly after acquisition and targeting $25/hour over the investment period. This strategy was developed in response to post-COVID labor shortages and aims to offer wages that outpace those in fast food and similar sectors. Compensation assessments are part of MiddleGround's pre-acquisition diligence and wage change impacts are reviewed by the investment committee.

Early results are compelling. At Lindsay Precast, a North American-based precast concrete manufacturer, a company-wide increase brought all full-time employees to at least $20/ hour by 2022—roughly $3/hour above peer benchmarks. The company saw a 900% increase in applicants as well as much stronger retention; attrition during the first 90 days of employment, which studies show an average of 1 in 3 employees leave a job, decreased by nearly 90%.[7]

Similar success has been seen across the portfolio. Arrow Tru-Line, a manufacturer and supplier of critical garage door hardware, and Attala Steel, a manufacturer of specialty steel foundation components, have both reduced attrition by over 40% since acquisition. While wage increases represent an initial cost, MiddleGround expects meaningful returns through lowering hiring expenses and improved workplace productivity.

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Lindsay Precast introduces wage increase initiatives putting all full time employees to at least 20/hr by 2022.

Increase in Applicants

900%

90%

Decrease in attrition rate during the first 90 days of employment

[4]https://livingwage.mit.edu/pages/methodology#:~:text=The%20Living%20Wage%20Calculator's%20estimates,%2C%20transportation%2C%20and%20other%20necessities.
[5]https://livingwage.mit.edu/articles/103-new-data-posted-2023-living-wage-calculator#:~:text=The%20minimum%20wage%20does%20not,to%20earn%20a%20living%20wage
[6]https://livingwage.mit.edu/
[7]https://www.jobvite.com/lp/2022-job-seeker-nation-report/

BARRIERS TO MEANINGFUL COMPENSATION: SCHEDULING

For hourly workers, pay alone isn't enough. Unpredictable work schedules can make it difficult to earn a steady income or access benefits. Manufacturers can improve job quality by offering consistent schedules that give employees a greater sense of security and stable access to compensation and benefits. Malk encourages practices like forecasting typical hours, providing at least two weeks' notice of shifts, and offering compensation for last-minute changes. Other recommendations include letting employees decline additional hours, honoring accommodation requests, and using average hours worked to inform wage assessments.

GOOD JOBS: SAFETY & SECURITY IN MANUFACTURING

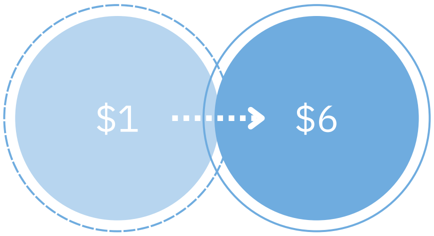
Safety is nonnegotiable in manufacturing. Employers that invest in workplace safety benefit from higher productivity, lower turnover, and stronger financial performance compared to peers.[8]

PHYSICAL SAFETY

Manufacturing involves inherent risks—from heavy machinery to exposure to hazardous materials. These risks are often compounded by fatigue during early morning, late night, or overnight shifts.[9] According to the Occupational Health and Safety Administration (OSHA), accident and injury rates are 18% higher in evening shifts and 30% higher at night.[10] A National Institute of Health (NIH) survey confirmed that workplace safety strongly influences job satisfaction which affects retention.[11]

OSHA estimates that every $1 invested in a safety program can return up to $6.[12] Common safety practices include documented policies, recurring training, and safety audits. Malk has found that 44% of manufacturing ESG assessments rank health and safety as a top issue.[13] Still, many companies lack systems to track leading indicators like Total Recording Injury Rate (TRIR), near misses, and safety observations, all of which are critical in identifying and addressing risks to prevent injuries. Some manufacturers go further by building safety incentive programs that reward employees for flagging hazards.

MiddleGround prioritizes safety across its portfolio, companies undergo regular safety reviews, and the topic is discussed during operations and ESG meetings. Arrow Tru-Line's "Stop-Call-Wait" program, which requires employees to call for help if something happens on the shop floor, led to a 67% drop in injuries between 2022 and 2023. Lindsay Precast and Attala Steel both saw injury reductions of 50%. Lindsay Precast, using the firm's "Level-Up safety program," improved compliance with critical safety procedures like lockout/tagout (LOTO)—a system that ensures dangerous machinery is safely powered down during maintenance.



OSHA estimates that every $1 spent on a safety program can return up to $6.

INJURY REDUCTIONS IN MGC'S PORTFOLIO

67% — ARROW MOVING FORWARD

50% — Lindsay Precast

50% — Attala Steel Industries

[8]https://time.com/6285516/good-jobs-good-business/
[9]Public resource: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8296479/
[10]Public resource: https://www.osha.gov/worker-fatigue/hazards#:~:text=Worker%20fatigue%20increases%20the%20risk,increased%20risk%20of%20injury2.
[11]https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8872356/
[12]https://www.osha.gov/sites/default/files/publications/osha3163.pdf
[13]Materiality assessments conducted during both due diligence and monitoring, from 2022 to August 2024

DISCRIMINATION & HARASSMENT

A safe workplace is also free of discrimination and harassment. Manufacturing, transportation, and wholesale trades remain male-dominated industries.[14] A 2020 study found that discrimination is widespread, with 68% of women of color and 63% of white women in manufacturing having experienced harassment.[15]

Discrimination and harassment carry real costs—the average lawsuit settles for around $50K and cases can be far more expensive.[16] But hidden costs may be even greater: The NIH found that sexual harassment can reduce productivity by 43%, and workplace harassment makes employees 15% more likely to leave.[17]

Manufacturers also face challenges with underreporting, especially in isolated work environments. Malk recommends the use of anonymous employee surveys to identify issues early, supported by clear policies and targeted training.

→ CAREER PATHS AND PROFESSIONAL DEVELOPMENT

As automation changes how work gets done, upskilling employees to use new technology can help prevent fears of displacement.[18] Since 2000, more than 260,000 U.S. manufacturing jobs have been lost to automation.[19] Offering career development isn't just a retention tool, it's a future-proofing strategy.

Production roles often lack structured advancement paths, contributing to turnover and talent shortages. A Deloitte survey found that 58% of respondents familiar with manufacturing perceived it as offering limited career prospects.[20] But that's changing. A joint study by Deloitte and The Manufacturing Institute found that 38% of executives view training and growth opportunities as key to attracting workers, and 36% see them as crucial to retaining employees.[21]

MiddleGround's portfolio companies are investing in development that meets employees' needs. Lindsay Precast now provides leadership training for new managers, focused on soft skills that improve team dynamics and support professional growth.

BUILDING A CAREER ADVANCEMENT STRATEGY

Effective development strategies should align with and support long-term business goals. Companies should track outcomes using metrics like internal mobility, turnover, participation in training, and survey results. These data points can help identify gaps and inform future programs. Regular employee feedback through surveys, performance reviews, and exit interviews also plays a crucial role in shaping a responsive development framework.

[14]Public resource: https://www.aauw.org/resources/research/factory-flaw/; www.bls.gov
[15]Public resource: https://www.aauw.org/resources/research/factory-flaw/
[16]Public resource: https://www.morellilaw.com/faqs/what-is-an-average-settlement-for-a-harassment-lawsuit/
[17]Public resource: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC10618782/
[18]Public resource: https://www.brookings.edu/articles/understanding-the-impact-of-automation-on-workers-jobs-and-wages/
[19]Public resource: https://www.bbc.com/news/business-48760799
[20] Public resource: https://www2.deloitte.com/us/en/insights/industry/manufacturing/competing-for-manufacturing-talent.html
[21] Ibid.

MONITORING EMPLOYEE SATISFACTION

Hourly workers in manufacturing often face job insecurity, especially compared to peers in other sectors, because of possible economic disruptions within the industry and scheduling unpredictability. Annual engagement surveys, supported by more frequent pulse checks, help leaders understand employee sentiment. When companies follow through on survey insights, they build trust and see improvements in retention.

MiddleGround encourages every portfolio company to conduct annual surveys and convert findings into action. At Arrow Tru-Line, a 2022 survey revealed recognition and feedback were lacking. In 2023, the company launched monthly roundtables, an employee recognition program, and an appreciation committee—efforts that contributed to reduced turnover and greater engagement.

LOOKING FORWARD

U.S. manufacturers have a real opportunity to lead in creating and sustaining good jobs. As MiddleGround continues tracking the impact of its compensation and workforce strategies, the firm is committed to sharing best practices across the sector. Good jobs aren't just good business—they're key to long-term industry success.