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Institute



**Beyond reskilling**

Manufacturing's future depends on diversity, equity, and inclusion

# Definition of key terms



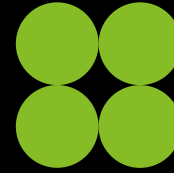
## Belonging

The outcome of feeling respected and treated fairly that enables individuals to make meaningful contributions to shared goals.<sup>1</sup>



## Diversity

The representation, in a group, of various facets of identity, including (but not limited to) race, ethnicity, nationality, gender identity, LGBTQ+ status, socioeconomic status, ability, religion, and age.<sup>2</sup>



## Equity

The outcome of diversity and inclusion wherein all people have fair access, opportunity, resources, and power to thrive, with consideration for and elimination of historical and systemic barriers and privileges. Equality, by comparison, is when all people are treated identically, without consideration for historical and systemic barriers and privileges.<sup>3</sup>



## Inclusion

The actions taken to understand, embrace, and leverage the unique strengths and facets of identity for all individuals so that all feel welcomed, valued, and supported.<sup>4</sup>

# What's inside

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The problem

# Manufacturing lags in diverse representation



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# The current state of affairs



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The U.S. Manufacturing industry employs close to 13 million people, and despite a global pandemic in 2020 that initially displaced 1.4 million manufacturing workers in the U.S. and saw unemployment rates skyrocket, the industry today still has nearly 500,000 jobs open. In fact, if the current situation continues, by 2030 there could be as many as 2.1 million jobs that go unfilled in manufacturing.<sup>5</sup>

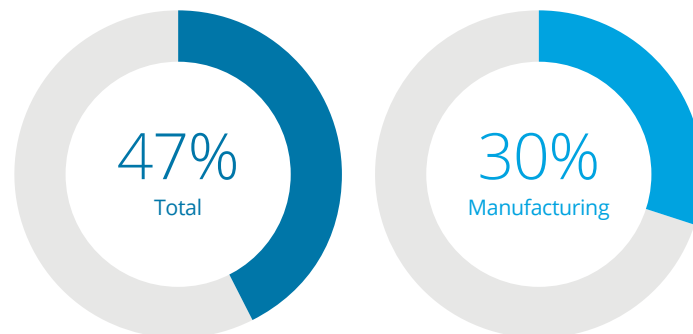
lacking in diversity of key identities. Fewer than one third of manufacturing employees are women.<sup>6</sup> Black employees, Asian employees, and Latinx employees have better representation than women but could suffer from slow career progression. And, many millennials and GenZs are choosing other industries because manufacturing doesn't match their top workplace priorities such as more flexible work schedules.

The industry seems at a tipping point and should work quickly and intentionally to help improve the perception of work in manufacturing for a new generation of workers and expand and diversify the talent pipeline entering the industry. Taking a closer look at how employees feel, why DEI matters, and what manufacturers are currently doing for DEI, can help lead the conversation toward closing the opportunity gap.

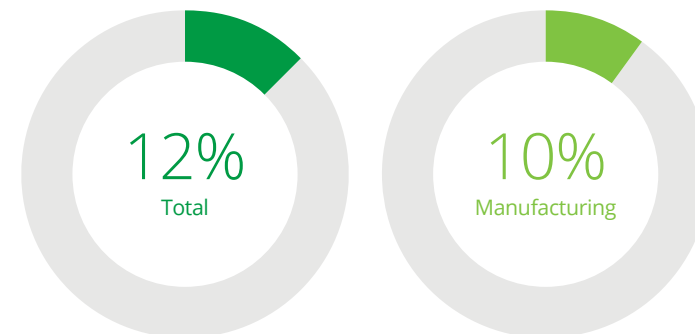
These open jobs range from entry-level that often require no formal training, to mid-level and highly skilled, that require variations of credentials, on-the-job training, and higher education degrees.

One of the industry's biggest challenges is tapping into a robust talent pipeline to fill these jobs. Increasingly, it appears that pipeline is

**Women workers in the U.S.**



**Minority workers in the U.S.**



## A closer look at the impacts

1 in 4

Women are contemplating exiting the manufacturing industry



Women quote **low wages**, **lack of flexible schedule options**, and **work-life balance** as their top three reasons

### The impact of COVID-19 has exacerbated inequality

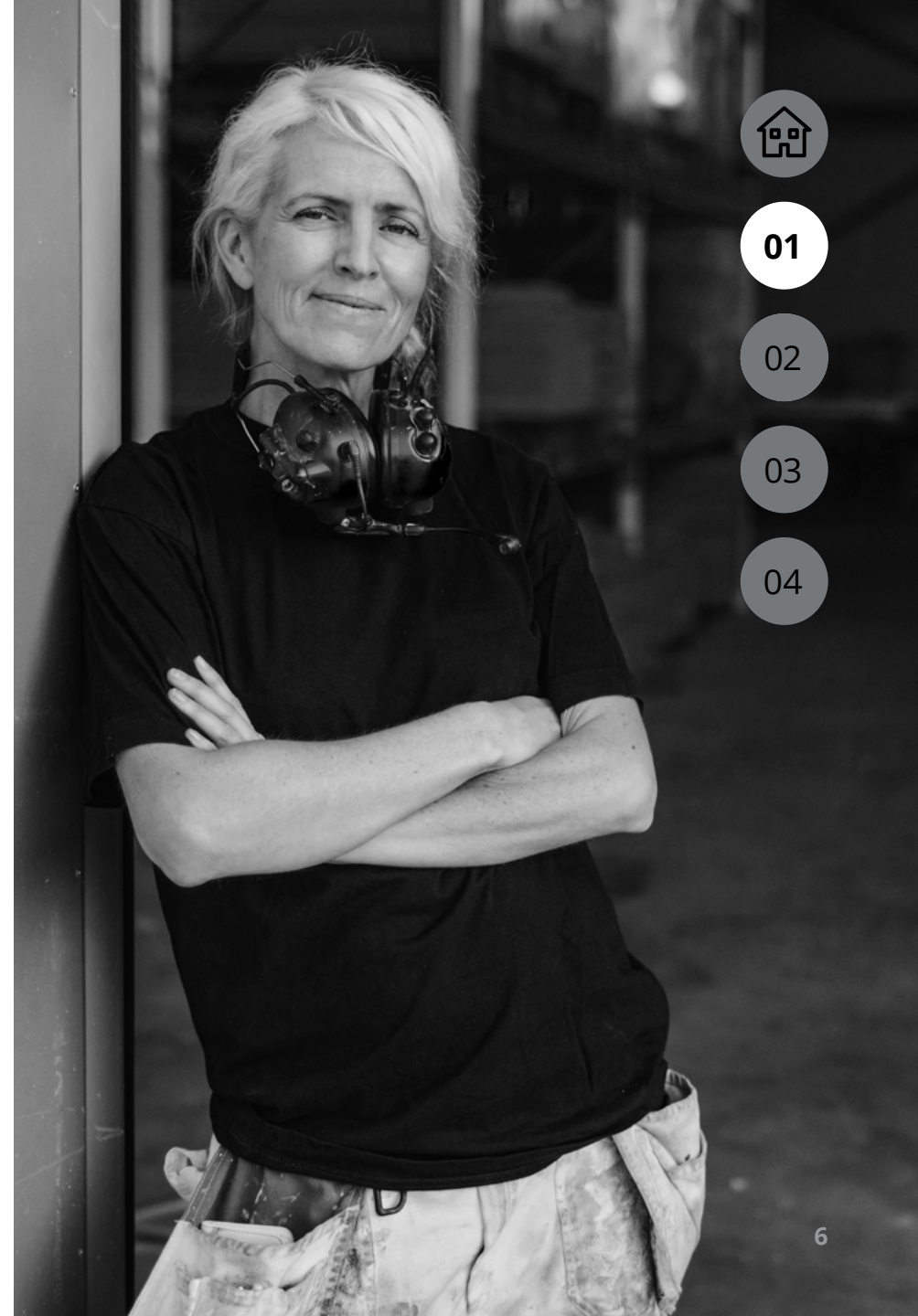


In US between Dec 2019 to Apr 2020, women's unemployment rose by 11 percent, compare to 9 percent for men.

National data from sources such as the Bureau of Labor Statistics cite that women are underrepresented in manufacturing, a situation that has been slow to improve despite concerted efforts by many manufacturers to reverse the trend over the past decade.

To make this situation more complicated, the 2021 Deloitte and The Manufacturing Institute DEI Study shows that one in four women are contemplating leaving the industry. This is on top of the broader, pandemic-related workforce attrition that has impacted women disproportionately.

In the study, women surveyed were 1.8 times more likely than men to contemplate leaving the manufacturing industry. Women cite a lack in work-life balance and the need for flexible schedules as top reasons to leave.



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## Things could get worse

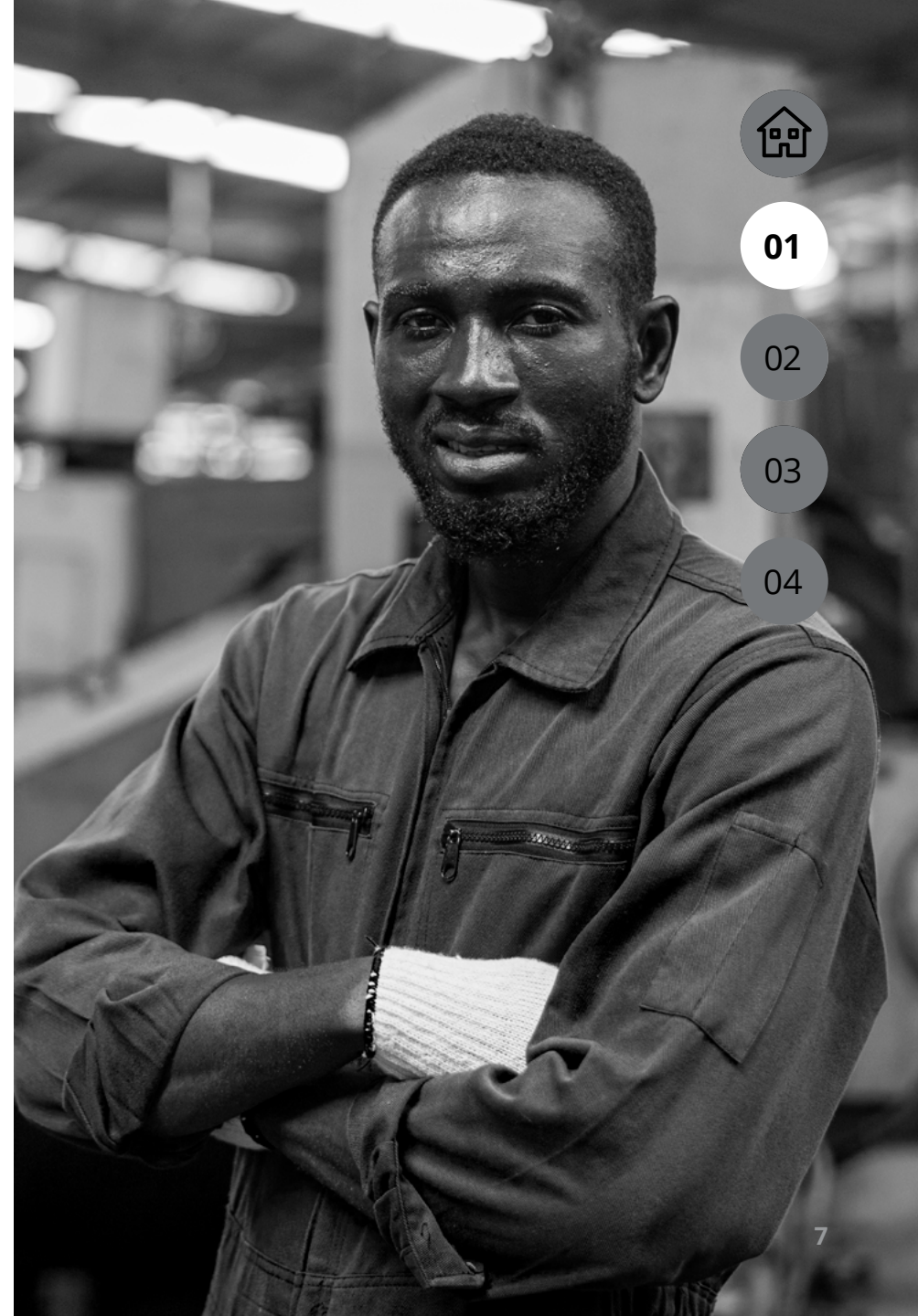
Other underrepresented groups have also expressed an intent to leave manufacturing. For the Black workforce, the lack of promotion opportunities and culture mismatches are two of the top reasons some are considering leaving.<sup>7</sup> The first reason points to an important component of DEI: pathways to equity, including fair access, opportunity, resources, and power to thrive.

Equity is the outcome of diversity and inclusive actions with consideration for and elimination of historical and systemic barriers.<sup>8</sup>

Manufacturing is making efforts to move beyond equality toward equity by addressing the specific needs of each unique group of employees to enable equitable career progression.

Equality, by comparison, is when all people are treated identically, without consideration for historical and systemic barriers.<sup>9</sup>

Manufacturing is making efforts to move beyond equality toward equity by addressing the specific needs of each unique group of employees to enable equitable career progression.



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# Why DEI's need is growing



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# It's good for business

Why is this work so important? Because not only is it the right thing to do, DEI has also been proven to drive business performance and innovation. Companies with a diverse workforce have experienced increased productivity, better organization management, and have been shown to have competitive advantage in the industry.<sup>14</sup>

Additionally, not addressing key racial gaps is estimated to have cost the American economy \$16 trillion over the past two decades.<sup>15</sup> An analysis of F500 manufacturing companies reveals that companies fostering diversity and building inclusive environments that reflect gender and racial/ethnic identities are more likely to have better financial results.<sup>16</sup>

DEI has been proven to drive business performance and innovation.

Many manufacturers already recognize this. Sixty-three percent of manufacturers surveyed link the business benefits of DEI to an enhanced ability to attract, retain and develop talent.<sup>17</sup> The numbers don't lie. Making the connection between expanding the pool of potential employees through DEI and higher success with talent retention can support manufacturing competitiveness.

## Financial cost of not addressing key racial gaps over the past two decades

\$16 trillion

## Business benefits associated in fostering a diverse, equitable and inclusive organization



Source: 2021 Deloitte and The Manufacturing Institute DEI Study



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# And, it's the right thing to do

In addition to a global pandemic, 2020 also witnessed a rising awareness of social justice issues, at the same time that many manufacturers are making concerted efforts to recruit from diverse audiences.<sup>14</sup>

Leaders are working toward creating an inclusive environment that will support an increasingly diverse workforce. Many are taking deliberate actions. Deloitte research revealed that four in 10 manufacturers surveyed have fired employees, including senior leaders, for racist, sexist or biased comments or actions.<sup>15</sup> And, four in 10 have dropped business partners or suppliers for their racist, sexist, or biased comments or actions.

Manufacturers should take a broader approach to DEI, one that can be adjusted to the unique environment of each worksite, each employee group. DEI work is both an art and science, requiring patience and a multi-faceted, evidence-based approach aligned with an organization's unique business strategy.<sup>16</sup>

## Percentage of manufacturers saying that they had to sever a relationship with a business partner or supplier or fire an employee due to racist comments

4 in 10 Have fired employees



4 in 10 Have severed business partners or suppliers



Source: Deloitte 2021 Global Resilience Study

Leaders are working toward creating an inclusive environment that will support an increasingly diverse workforce.



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# DEI is a journey

The Deloitte diversity, equity, and inclusion maturity model is a framework that can help determine where a company stands in its DEI journey, and help make the transition from mandated actions to cultural movement. Increasingly, customers, external stakeholders, and employees want to connect with organizations that they believe are ethical and socially conscious.<sup>17</sup> Manufacturers can take tangible actions to advance their DEI maturity.

## A framework to accelerate an organization's DEI maturity

With the Equity Activation Model as the input, Deloitte's proprietary DEI maturity spectrum helps organizations map where they are today and where they can move to in the future.

The tool allows leaders to **envision the steps necessary to progress** along the curve toward inclusion. The spectrum highlights that true inclusion is a journey that will not happen overnight—it is a **multi-year effort that requires organizational focus**.



Source: Deloitte

Manufacturers can take tangible actions to advance their DEI maturity.



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# Manufacturers should redouble their DEI efforts



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# Engage

## Manufacturers are trying, and could increase their efforts to ensure impact

Business leaders may believe that they are doing well in building an inclusive environment, but many employees are not satisfied with progress to date. This perceived disconnect between executives and employees should be a great motivator.<sup>18</sup> Executives should dive deeper to find the root cause, to understand why there is a disconnect between intentions and experiences.

Manufacturers are taking actions, and there is room for growth. Half of the study's respondents have a formal program to recruit women and 46 percent have a program that focuses on recruiting specific racial/ethnic groups.

Executives should dive deeper to find the root cause, to understand why there is a disconnect between intentions and experiences.

As one part of a broader DEI strategy, manufacturers of all sizes are taking tangible actions like increasing DEI training, starting employee resource groups, and building formal mentorship programs. In addition, many are taking the National Association of Manufacturer's Pledge for Action in the industry by 2030 to collect the overall momentum of work on DEI in the industry.

### Manufacturer plans and responsiveness



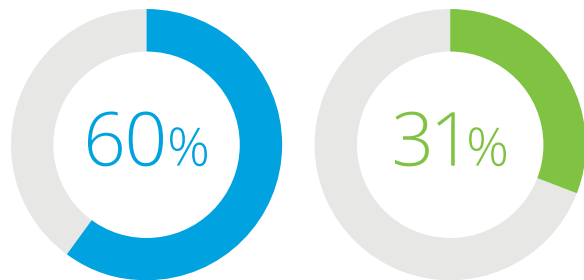
Source: 2021 Deloitte and The Manufacturing Institute DEI Study



# Involve

## Manufacturers have an opportunity to develop the most impactful programs

Comparison of respondents who identify formal mentorship programs as a top retention measure versus those that offer one.



Percentage of respondents who identify formal mentorship programs as a top retention measure

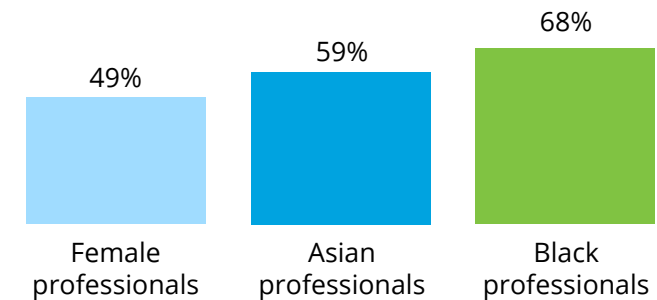
Percentage of respondents who say they offer a formal mentorship program

Though most manufacturers are taking steps to promote diversity, many are struggling with practical implementation. They are tackling the issues in isolation, like forming resource groups and mentoring programs. Both of these efforts are solid approaches, but they need to be connected to a broader DEI framework.

The respondents we surveyed and interviewed were unsatisfied with the progress of diversity initiatives in their organizations. Even though a majority of respondents cite the importance of formal mentorship and sponsorship programs to retain employees, only 31 percent of surveyed organizations offer these programs.<sup>19</sup> Possibly even more concerning is the lower uptake of these programs, suggesting that a number of employees may not know how to access them.

In order to have successful DEI programs, organizations should consider the unique workplace dynamics and develop proper communication and measurement plans. Furthermore, organizations should go beyond isolated programs that mostly focus on talent and work to improve broader and more fundamental factors such as organizational culture, marketplace impact, and societal influence.

**I believe my company should do more to create a diverse, equitable and inclusive environment**



Source: 2021 Deloitte and The Manufacturing Institute DEI Study



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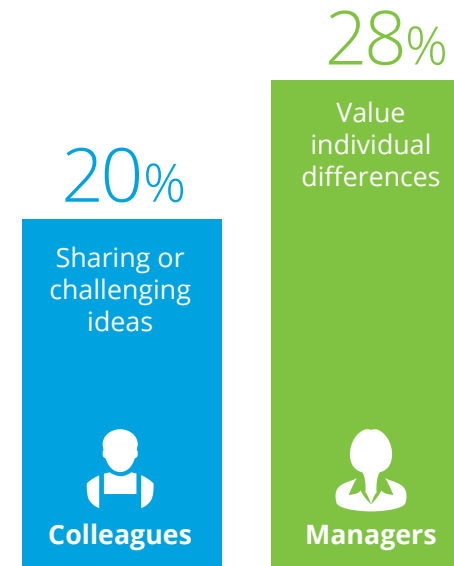
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## A sense of belonging and safe environment build inclusiveness

A diverse workforce is increasingly an imperative for success. Previous studies showed that diversity without inclusion is not enough. Some companies place less emphasis on inclusion and equity. Changing this could enable manufacturers to increase the retention of women and minority racial/ethnic groups.

Feelings of belonging are central to building a sense of safety among employees. In the recent Deloitte and The Manufacturing Institute DEI Study, only one-fifth of respondents indicated confidence sharing their ideas or challenging their colleagues' ideas and 28 percent feel that their manager values individual differences in working style, background, and knowledge to help produce better results. Manufacturers can work to improve these key indicators of belonging.

### Confidence and feelings of belonging



Source: 2021 Deloitte and The Manufacturing Institute DEI Study

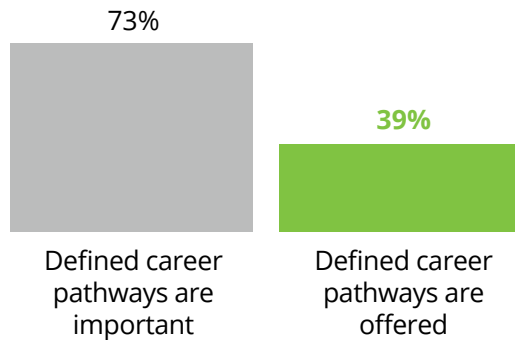


# Evolve

## Manufacturers should clarify career pathways and leadership training

### Engagement and retention of employees

Percentage of respondents who say:



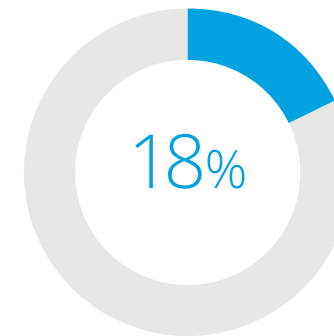
Ongoing training, career progression, and personalized career options are all important for employees in manufacturing to stay engaged and remain at companies. Seventy-three percent of respondents believe that defined career pathways are most impactful at retaining employees. And yet—only 34 percent of manufacturers surveyed currently offer this.

What's more important here is employee satisfaction around this point. The majority of Latinx respondents want to reach a leadership position in their organization. And yet, only 18 percent have access to formal career development programs.

Returning to an earlier finding, one of the main reasons cited by members of the Black workforce for considering leaving the industry is lack of promotion opportunities, and 41 percent of respondents are satisfied with the current rate of career progression. To address the changing workforce and priorities of the current and future workforce, manufacturing leaders should review current programs and their effectiveness and create a strategy that can attract, engage, and evolve a diverse workforce.

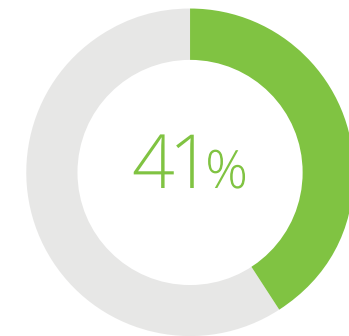
### Latinx workforce

Access to formal career development programs



### Black workforce

Satisfaction with current rate of career progression



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# Developing the DEI roadmap




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# Broaden your approach to DEI



Facets of identity include, among other things, ability, age, gender, ethnicity, nationality, race, religion, sexual orientation and socioeconomic status. People tend to perceive things differently based on their history and experiences. Deloitte research found that workplaces which are cognitively and demographically diverse are often more prepared and adaptable for change.<sup>20</sup> There also tend to be higher rates of collaboration and innovation in such workplaces.<sup>21</sup>

Including these granularities of identity in a DEI program can make employees feel more able to bring their authentic selves and more confident in presenting their ideas.

To build such diversity, manufacturers can pivot their hiring strategy to broaden selection requirements (e.g. knowledge, skills, abilities) against which candidates are filtered and measured. This can help expand the depth and breadth of the sourcing pipeline with talent that has the qualifications needed for a role and can create an opportunity to build more diverse teams. Consider developing and administering open courses to provide potential candidates the skills for the job, and then skip the resume and interview process once the course is successfully completed.<sup>22</sup>

Furthermore, organizations should expand beyond talent programs to address DEI. Manufacturers should think through their entire value chain as an organization to include the talent life cycle but also areas such as supply chain, product development, and external partnerships to advance their DEI journeys. The 2021 Deloitte and The Manufacturing Institute Talent Study has several examples of how manufacturers are taking actions.

Deloitte research found that workplaces which are cognitively and demographically diverse are often more prepared and adaptable for change.




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# Build equity into the workforce, marketplace, and society



Many programs focus on diversity and inclusion and forget a critical component of DEI: equity. Equity is an outcome that can be achieved when all people have fair access, opportunity, resources, and power to thrive. In the workplace, equity is often tied to opportunity, but there are additional aspects to consider.

Gender and racial equity are harder to achieve, because they require an intentional focus on the historically marginalized and taking deliberate actions to eliminate the societal inequities ingrained in people, processes, and systems.

Furthermore, some organizations have tended to focus on internal talent and hiring programs to make an impact on their workforce. However, manufacturers often operate within a broader ecosystem and can have tremendous impacts

on DEI through their marketplace activities and community involvement. Expanding the scope of DEI to encompass the broader ecosystem can build a stronger pathway toward an outcome of equity.

## **Learn more**

For more information on this topic, read [\*The equity imperative.\*](#)

Expanding the scope of DEI to encompass the broader ecosystem can build a stronger pathway toward an outcome of equity.



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# Be cognitive of biases

Organizational biases narrow the field of vision and can prevent leaders from making objective decisions. People often tend to act instinctively, relying on their experience while behaving in a situation or reacting to people. Being inclusive requires looking beyond these biases. Keep an open mind, be compassionate, and listen to others. These are the behaviors which manufacturers should cultivate in their culture.

Unconscious bias is difficult to remove, but it can be reduced by creating awareness. Educating the workforce is a good way to make employees cognizant and refrain from negative bias actions, yet only 40 percent of manufacturing executives have mandated training and educational sessions to address diversity and bias in the workplace.<sup>23</sup> Manufacturers can design training programs that are experiential, inspiring, and practical to make them more engaging for their workforce. System rewiring can remove systematic biases and develop a more conducive environment. Deloitte's previous research proposes four steps for system rewiring for optimal diversity outcomes.<sup>24</sup>

Unconscious bias is difficult to remove,  
but it can be reduced by creating awareness.



**Use data to pinpoint leaks in the talent lifecycle**  
Listen to your people and their experiences, especially on the inclusion



**Identify and remodel the vulnerable moments along the talent lifecycle**  
Especially processes where decision-makers are more susceptible to bias



**Introduce positive behavioral nudges**  
Reward and promote the inclusive traits exhibited



**Track the impact**  
Periodically review diversity and inclusion data to assess the effectiveness of changes made

Source: Deloitte



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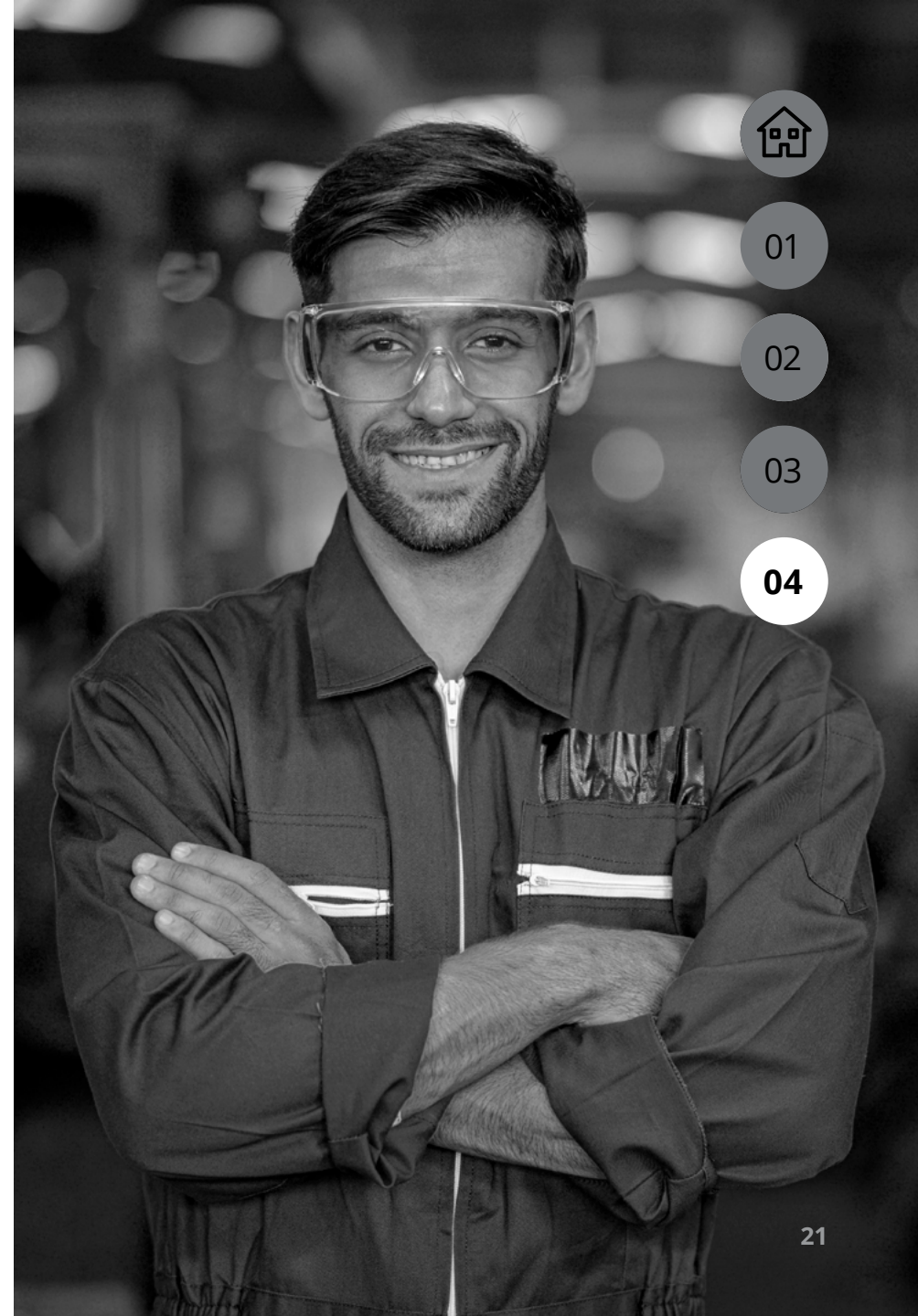


# Develop a culture of inclusivity from the top

Leadership plays a key role in accelerating diversity and inclusiveness. Deloitte research highlights that inclusive leaders are 70 percent more successful in developing a diverse team as they can foster a strong sense of belonging in the minority group.<sup>25</sup> Deloitte has identified six Signature Traits of Inclusive Leaders: Cognizance, curiosity, courage, commitment, cultural intelligence, and collaboration. Leaders should consider altering their behavior to include these Cs to support a diverse and inclusive workplace.

C-suite and executive leadership mandates and priorities have a positive effect on cultural change throughout an organization. However, in a production environment, shop floor workers rarely interact or have visibility to these leaders. Our study highlights that only 28 percent of manufacturers surveyed have talent programs that increase the visibility of key leaders who serve as role models for employees. The majority of respondents find such programs impactful in retaining employees.

Deloitte has identified six Signature Traits of Inclusive Leaders: Cognizance, curiosity, courage, commitment, cultural intelligence, and collaboration.



# How to foster diversity, equity, and inclusiveness in your organization

**Broaden** the narrative of diversity—including variation based on cognitive mindsets and physicality

**Advance** equity across the workforce, marketplace, and society—look for areas beyond talent and hiring programs to move the needle on DEI

**Develop** the culture of courage—creating an environment for true authentic self

**Build** leadership capabilities—exhibiting all six Signature Traits of Inclusive Leaders

**Nudge** behavior change—seeking relationships with like-minded organizations to tackle diversity issues

**Strengthen** accountability, recognition, and rewards—by bringing transparency in policy and communication



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# Let's talk



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## About the Deloitte Research Center for Energy & Industrials

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## Endnotes

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