Northeastern Wisconsin Manufacturing Alliance 2012 Manufacturing Vitality Index

The strength of Northeastern Wisconsin's manufacturing sector was once again on display over the past year. The sector, which accounts for 23 percent of the region's employment base, continues as a bright spot in the discussion of the region's economic recovery and future. The resilience of a diverse manufacturing base has garnered national attention over the course of the year and reinforces the importance of the ongoing vitality of the sector for the region's economic health. The 2012 Manufacturing Vitality Index builds upon the strengths of the 2011 baseline analysis, but suggests that challenges and opportunities for future growth remain.

Executive Summary

Manufacturers' plans in 2012 for sales growth, capital investments and additional hiring remain strong, positive indicators of the vitality of the manufacturing community in The NEW North, and are consistent with the 2011 index. In addition, 94 percent of respondents indicated that they expect their financial health in the next 6-12 months to be healthy or quite healthy.

Manufacturing Business Growth

Results of this survey point to sustained industry growth in 2012. 63 percent of respondents reported increased sales in 2011, and expectations for new sales growth are even higher for the coming year. Much of the coming year's growth is expected to come through increased ordering among established customers, with most orders filled through new production. Production and materials costs remain an ongoing concern and present the greatest constraint to future growth.

Plant Expansion & Plant Modernization

Plant expansion plans were similar from 2011 to 2012. The survey found that 21 percent of firms are planning a significant plant expansion in the next 12-24 months, with several firms in the midst of expansion. Interest in plant modernization has cooled in the past year compared to 2011. The findings were 36 percent of firms are planning a plant modernization project, a number which is lower than 2011 (48%). Decreased interest in capital investments can be attributed to ongoing concerns about credit availability as well as the expiration of a number of incentives available through the 2009 American Recovery and Reinvestment Act.

Workforce Growth & Recruitment

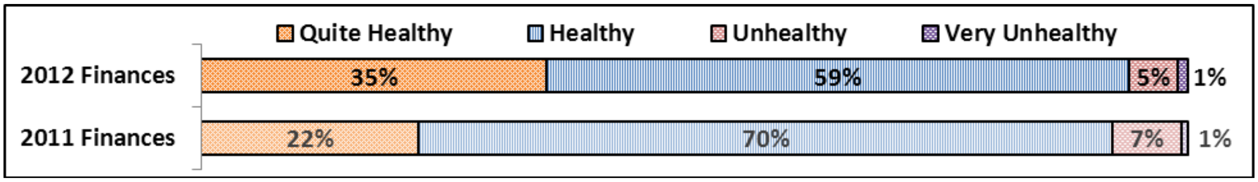
Hiring expectations remain strong with 2011's expectations predating strong hiring in the past year. 43 percent of respondents anticipate hiring new personnel in the first quarter of 2012, with an additional third of respondents expecting to add staff over the course of the year. Most hiring continues to occur within the local labor force. Firms remain divided in their ability to attract appropriate talent in the local market, with firms that depend on highly skilled and technically-trained staff reporting the greatest difficulty. Skilled trade areas, such as Computer Numerical Control (CNC) Machining and specialized welding remain highly demanded and difficult to locate.

Survey Parameters

- NEW Manufacturing Alliance sponsored the survey.
- Survey administered in late November 2011 by the University of Wisconsin – Oshkosh Business Success Center.
- Sample of 392 manufacturers in Northeast Wisconsin with $3 million or more in annual revenue and 25 or more employees.
- 193 companies were surveyed using a telephone survey method (49% response rate).
- Responses are at 95% confidence level.
- The results are compared to the 2011 Manufacturing Vitality Index given in November 2010.

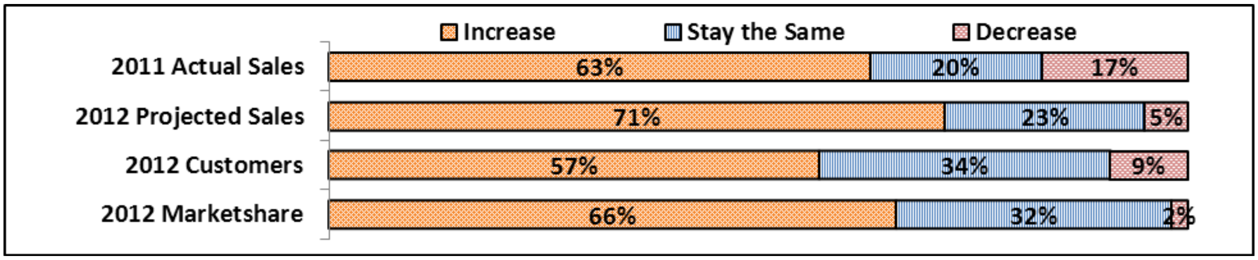
FINANCIAL HEALTH & BUSINESS GROWTH

Financial Health of Northeast Wisconsin Manufacturers



- 94% of respondents said their business was quite healthy or healthy.
- There was a dramatic increase in the number of businesses reporting their businesses are quite healthy (35%) compared to 2011 (22%).

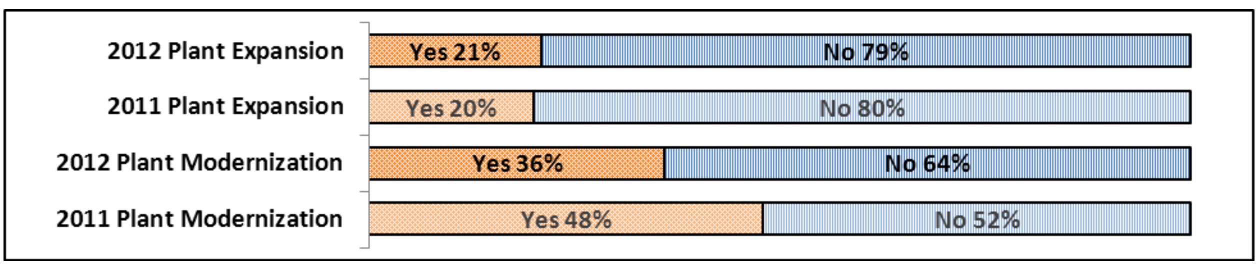
Business Growth



- 3 out of 4 manufacturers expect increased sales in 2012.
- 57% expect to add customers in 2012.

EXPANSION & PLANT MODERNIZATION

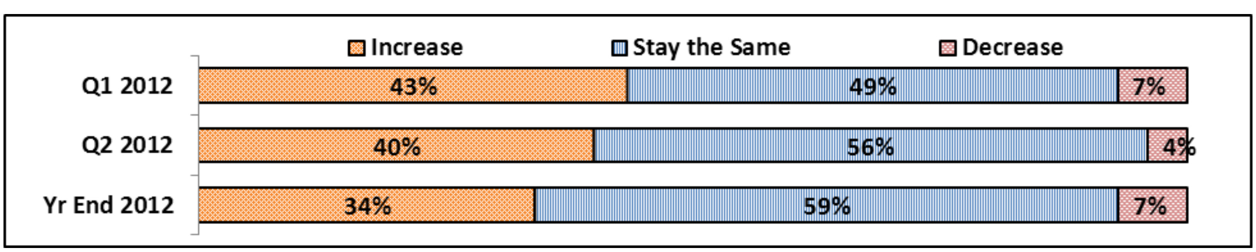
Plant Expansion & Modernization planned in 12-24 months



- Plant expansion plans are similar from 2011 to 2012.
- 1 out of 3 manufacturers plan to modernize their plants in 2012-2013.

WORKFORCE RECRUITMENT

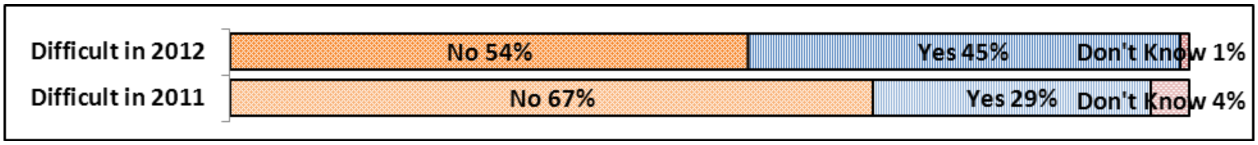
Manufacturing Workforce Hiring Needs



- 2 out of 5 manufacturers plan to hire in 2012, with more hiring occurring in Quarter 1 than in Quarter 2.
- This is good news for Northeast Wisconsin, where 1 in 4 jobs is in manufacturing.

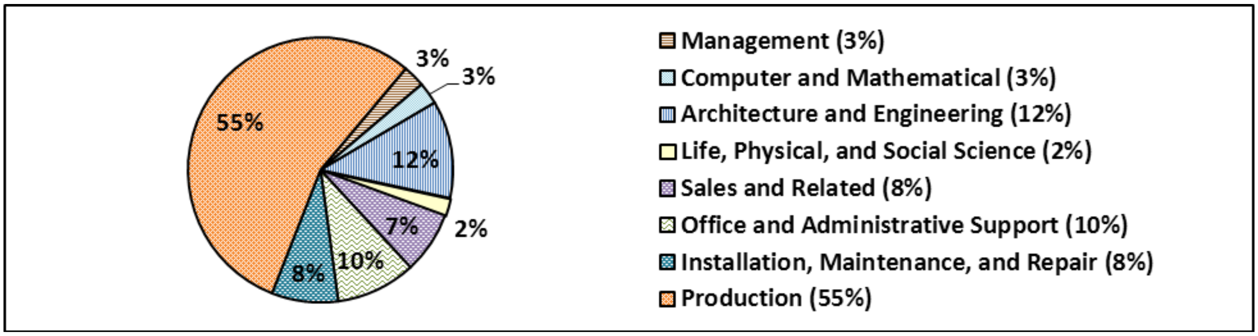
Skills Shortage

Difficulty Finding Talent



- Almost 1 out of 2 companies will experience difficulty finding local talent in 2012.
- The skills shortage has increased from 29% in 2011 to 45% in 2012.
- Advanced manufacturing positions require skills that many in the local labor force don't have.

Occupation Sectors Difficult to Fill



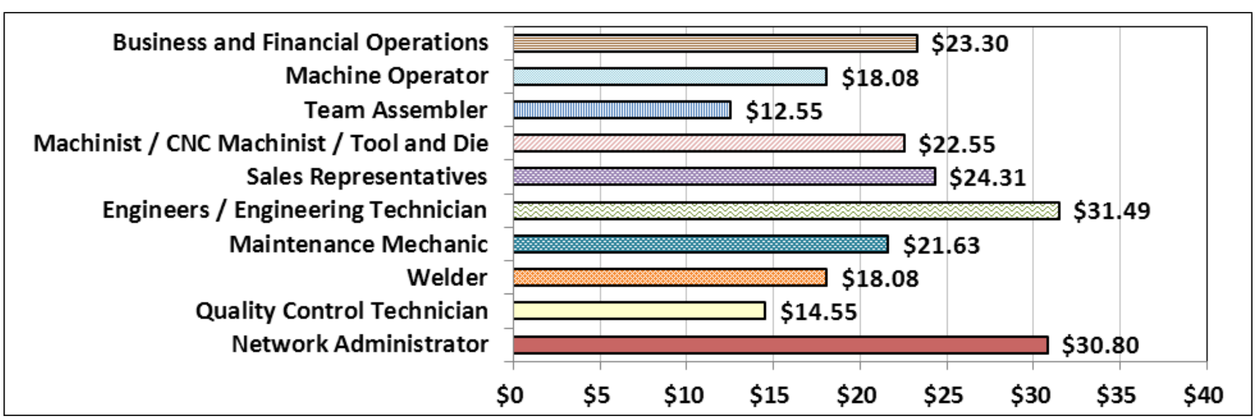
- 1 out of 2 hard-to-find workers are in production-related occupations.
- Demand in skilled trades fields (CNC/machinists, welders, etc.) remains high.
- Engineers are the next occupational sector manufacturers are having difficulty finding for their companies.

Most Difficult-To-Fill Occupations

1	Machinist/CNC Machinist/Tool and Die
2	Team Assembler
3	Welder
4	Engineers/Engineering Technicians
5a	Machine Operators (tied)
5b	Sales Representatives (tied)

- Most of the occupations going unfilled require post secondary education.
- Advanced technology in manufacturing is requiring a higher skill set for the workforce.

Hourly Wages in Demand Occupations



Recommendations

In order to meet the challenges presented in these findings, the NEW Manufacturing Alliance recommends building on current partnerships and fostering new relationships, both within the region's manufacturing base, as well as between manufacturers and local educators. Strong connections of this type will lead to the development of:

- A robust supply chain to support regional growth and to retain capital investments,
- A depiction of manufacturing as an industry that presents challenging and lucrative career opportunities,
- A strong, unified voice to advocate for the region's manufacturing needs,
- A flexible, responsive education and training infrastructure to support the changing skill demands of advanced manufacturing, and,
- The creation and retention of a dynamic, skilled workforce to sustain and grow the region's manufacturing base today and into the future.

These recommendations will require the strong commitment of the region's manufacturers, educational institutions (K-12, technical colleges, universities), local elected officials, and workforce development community. By committing to the future of manufacturing in Northeast Wisconsin, we can continue to say that you can make it here!

ACKNOWLEDGMENT: The NEW Manufacturing Alliance gratefully acknowledges the Business Success Center at the University of Wisconsin – Oshkosh for its help in designing the index survey, conducting the survey phone interviews, compiling the data and assisting in the preparation of the report. In addition, this report could not have been done without the expertise of Jeff Sachse, Labor Market Analyst for the Wisconsin Department of Workforce Development, along with Ruth Raddatz from Bassett Mechanical.

NEW Manufacturing Alliance
Make it in NorthEast Wisconsin

The NEW Manufacturing Alliance is a partnership of over 100 manufacturers, educational institutions, workforce development boards, chambers of commerce, economic development and government entities in the 18 county New North region. For more information, go to www.newmfgalliance.org and/or contact Ann Franz at (920) 498-5587 or ann.franz@nwtc.edu.