BARNES DENNIG
Accounting • Tax • Business Insight

Gearing Up for Success

Manufacturing Industry Compensation & Benefits Study 2021

Kentucky Edition

May 25th, 2021

Today's Presenters

Beth Raines, CPA

Manager, Barnes Dennig

Beth has 8 years of experience in public accounting serving clients in the manufacturing industry that have both domestic and international operations. Her areas of specialization include Federal corporate income tax as well as corporate reorganizations for smaller companies to Fortune 500, which gives her a unique perspective on company operations and how successful tax planning can deliver value to the overall organization.

Reid Noah

Vice President, USI Insurance Services

For nearly a decade, Reid has been successfully consulting with employers regarding their benefit plans. Reid specializes in identifying and addressing financial and coverage gaps in current offerings and building stronger workplace culture and wellness through innovative health management strategies.

Economic Update

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In the News

"Worker absenteeism, short-term shutdowns due to part shortages, and difficulties in filling open positions continue to be issues that limit manufacturing-growth potential." – ISM Index March2021 Report

"2.1 Million Manufacturing Jobs Could Go Unfilled by 2030" – Headline, National Association of Manufacturers May 2021

"Low on Workers, Manufacturers Recruit Their Executives for the Factory Floor" – Headline, WSJ Jan 2021

"Wage growth accelerated slightly overall, with more significant wage pressures in industries like manufacturing and construction where finding and retaining workers was particularly difficult. Some contacts mentioned raising starting pay and offering signing bonuses to attract and retain employees." – Federal Reserve Beige Book April 2021

ITR Economic Update – Alan Beaulieu & Connor Lokar

- All of ITR's US Economic Leading Indicators are rising
- January Manufacturing had the largest gain since 1989
- GDP will climb back to pre-pandemic levels by Q1 2022; real growth starts then
- "You are going to like 2021"
- Rate of rise will slow in 2022 but will remain positive
- US Manufacturing output is the second largest in the world next to China
- Prices are going to rise
  - Expect rate of rise to slow in second half of the year
  - Prices will not decrease

ITR Economic Update – Alan Beaulieu & Connor Lokar

- Unemployment coming down
  - Hiring will not be easy going forward
  - Accept the fact that employees will need to be hired and trained
  - Fighting for talent
- Wages are going up faster than inflation
  - Includes non-supervisory and production workers
- If minimum wage goes to $15 an hour
  - Will lead to more automation
  - Will this hurt those who it's intended to help?
  - Will many part-time jobs be eliminated?
  - Will it kick-off significant inflation?
  - Overall, "Won't ruin your life;" All companies "in the same boat"

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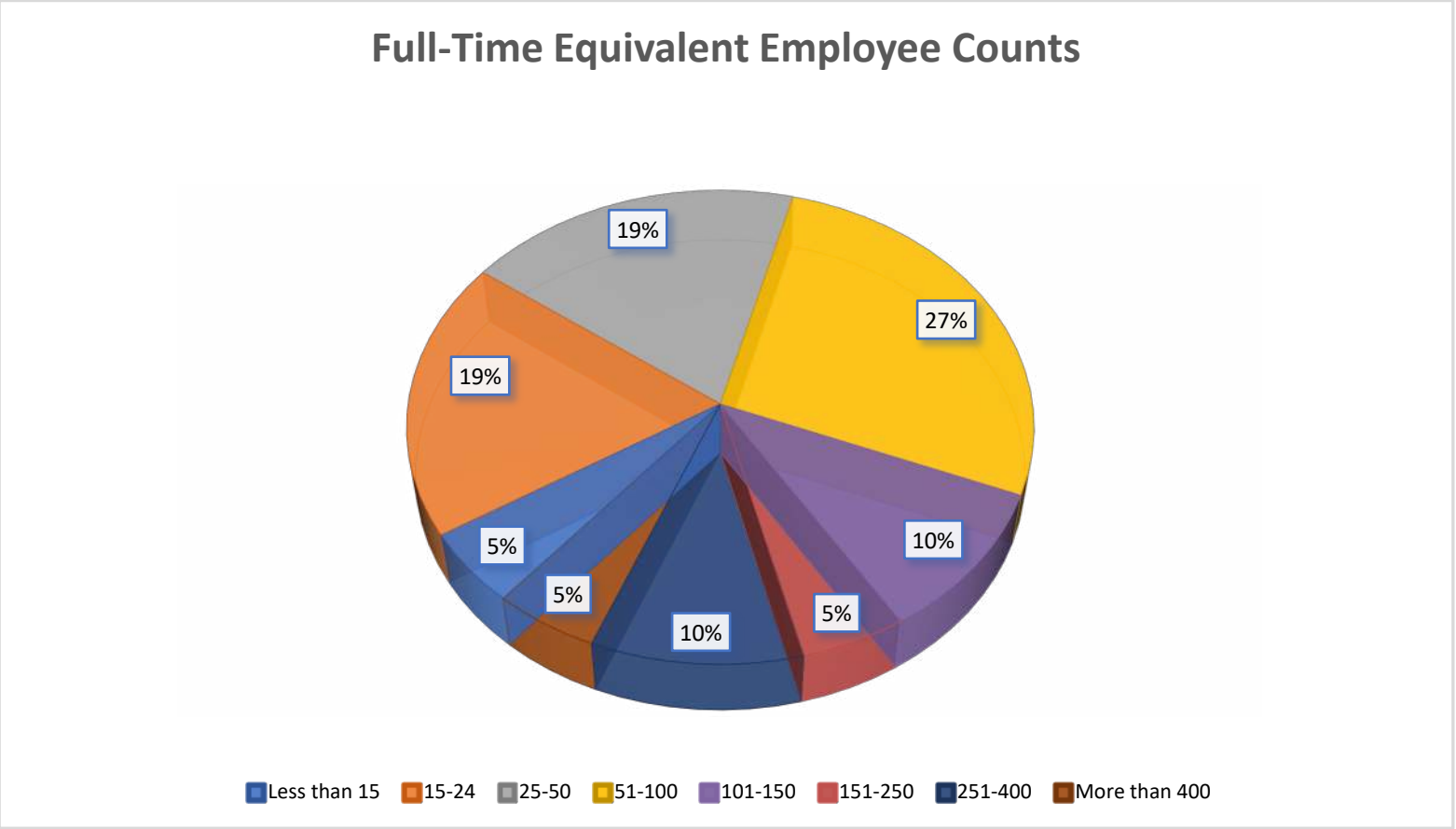
Study Overview

Study History

- First study published in 2002 (SW Ohio, Northern Kentucky, SE Indiana)
- 2021 is the first year for exclusive Kentucky edition
- Study conducted in February and March 2021
- Key differences in Kentucky study and overall study
  - Prior comparative period information not yet available for Kentucky
  - No break-out between employers with over and under 100 employees

Survey Participant Background

- 22 companies participated in the initial Kentucky study



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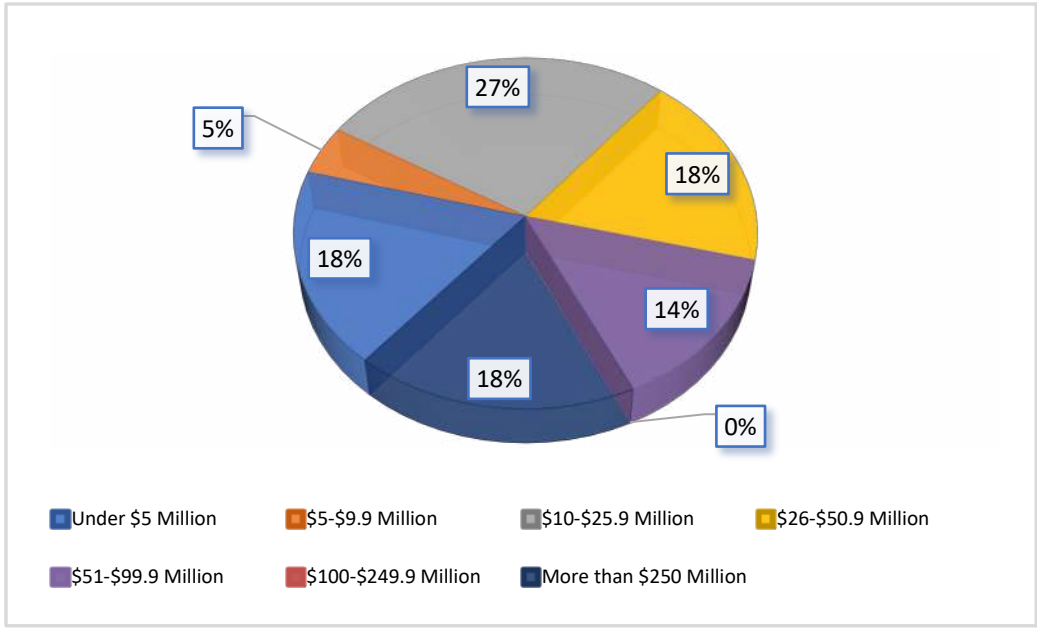
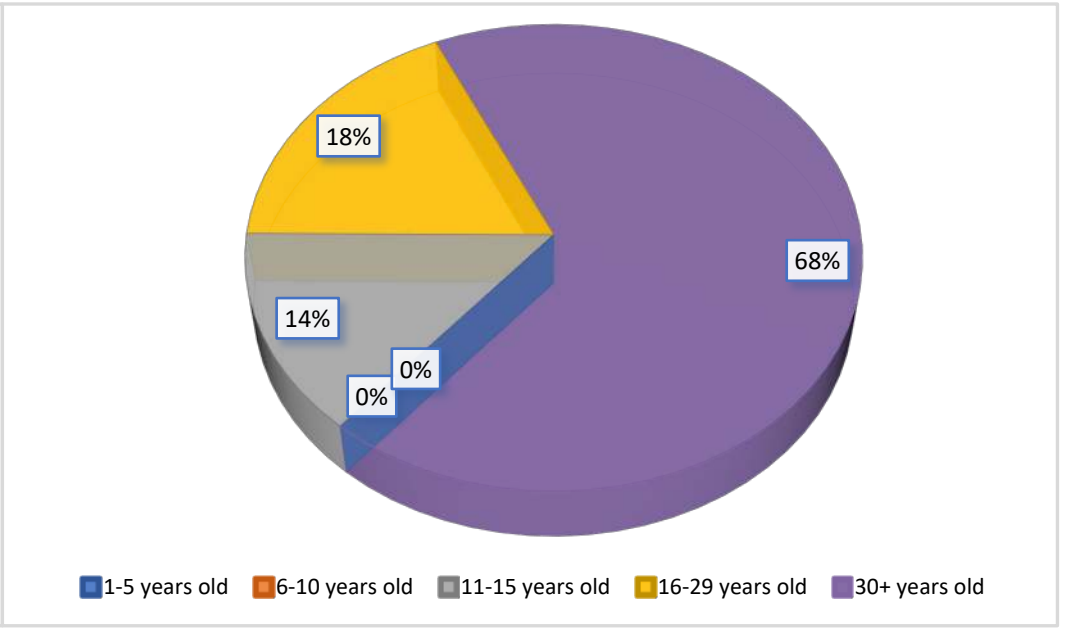
Survey Participant Background

Annual Sales – Companies

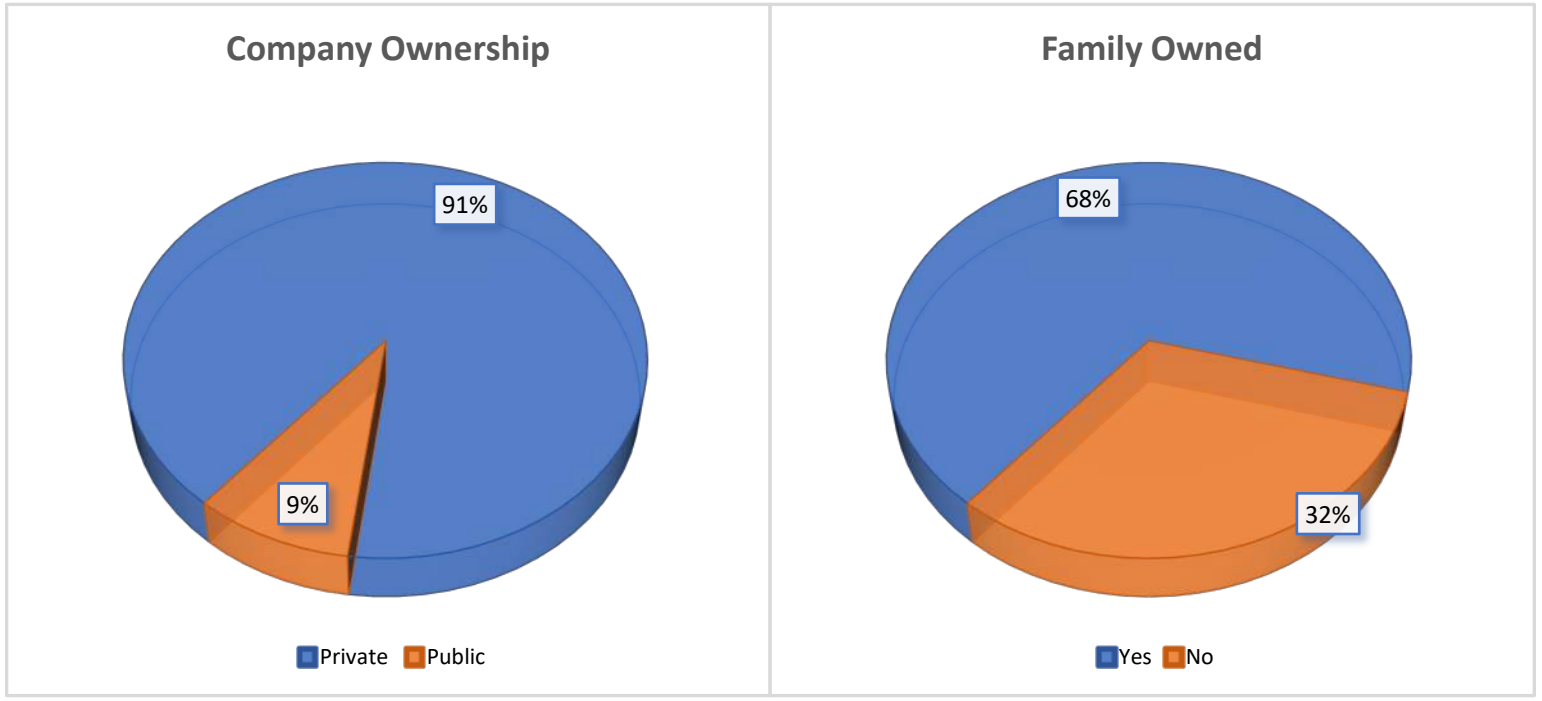


Age of Companies Participating

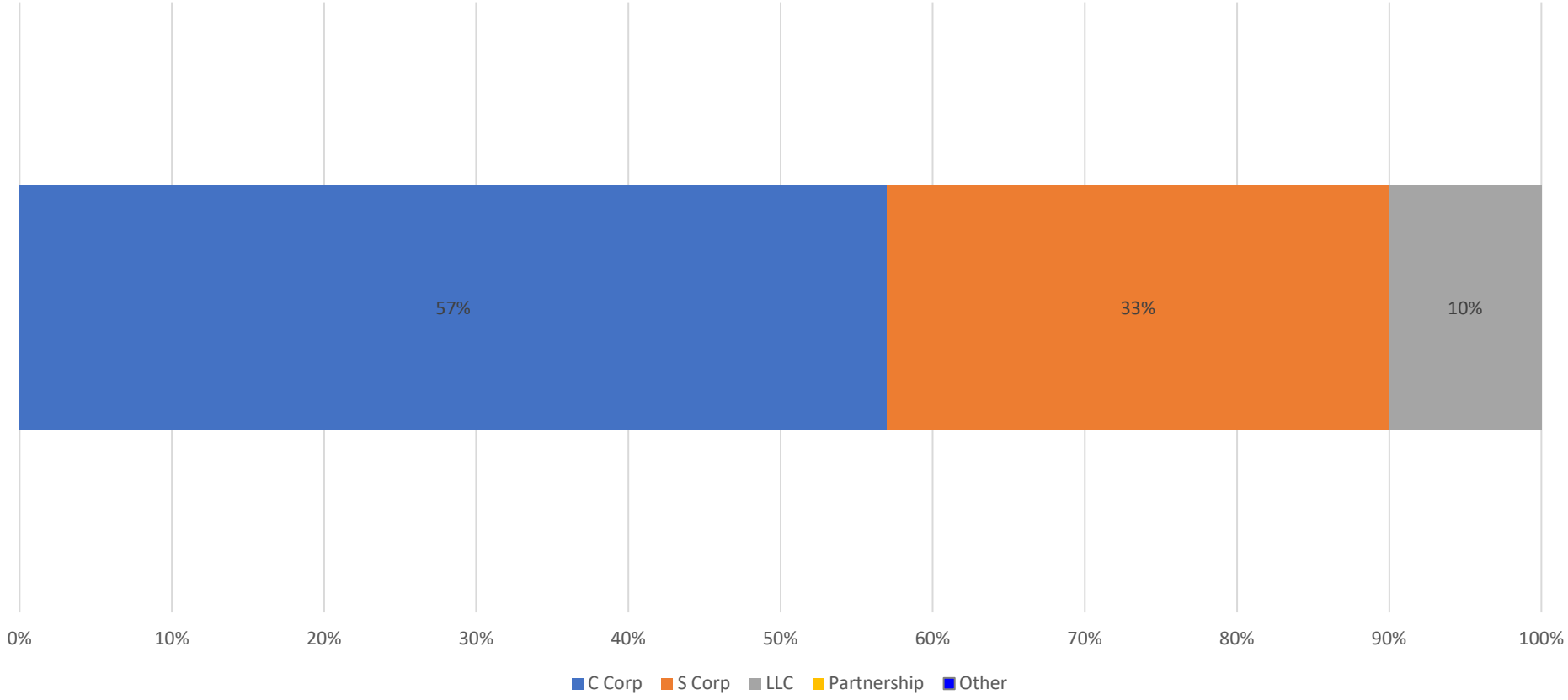


Survey Participant Background

- Only 14% of the companies are union
- Mostly privately owned



Corporate Structure Types



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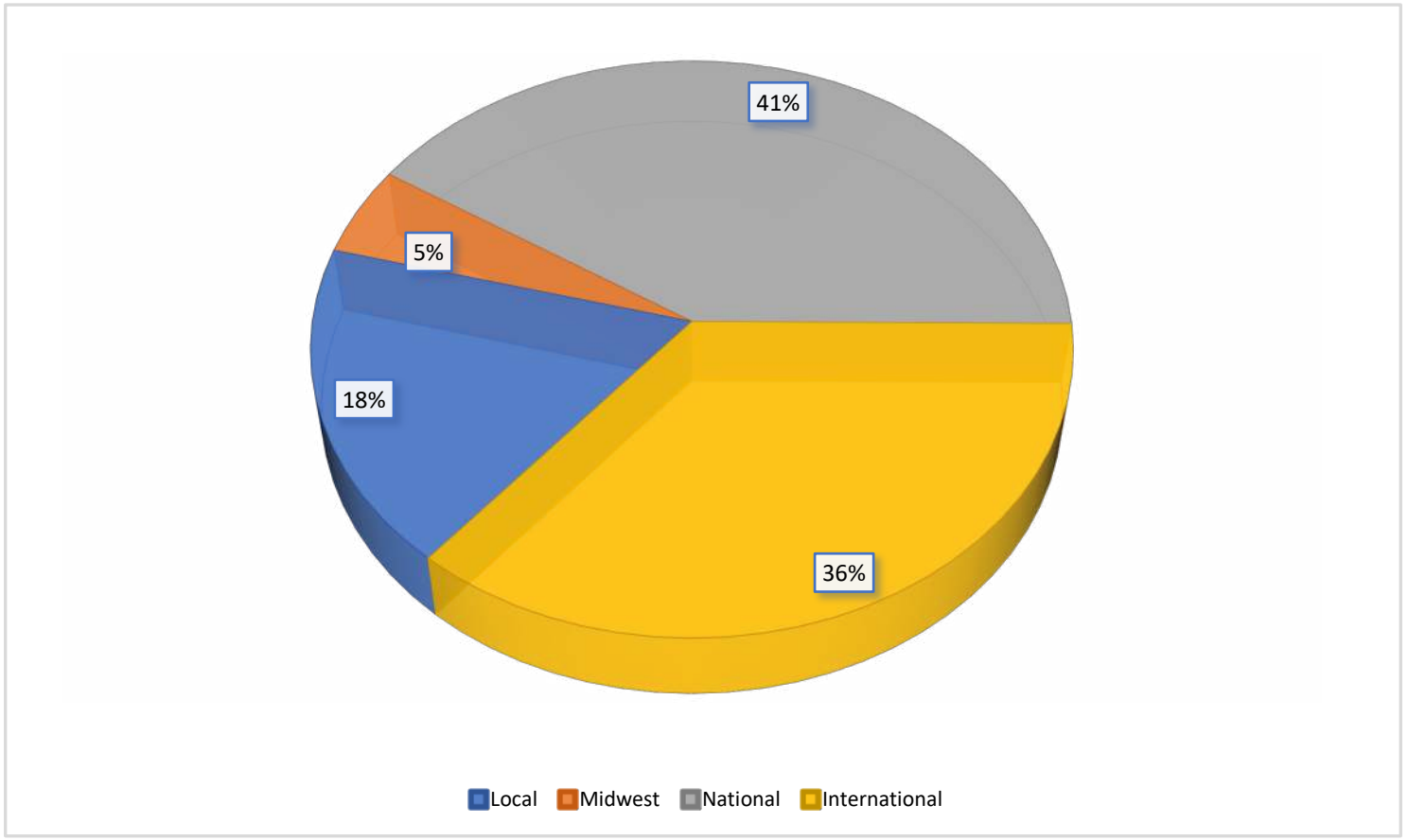
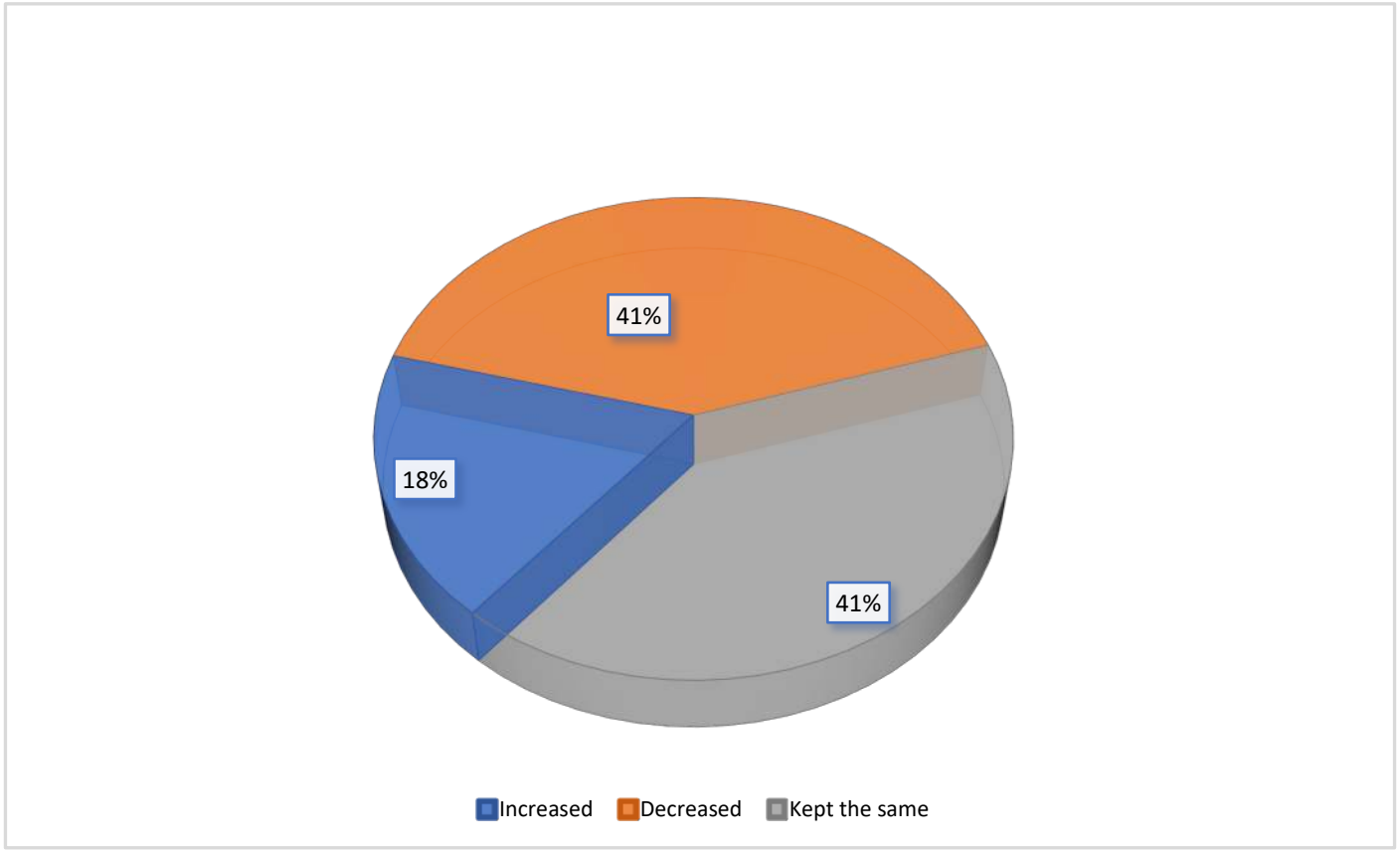
Company's Primary Market



2020 Changes in Employee Levels



Compensation Trends

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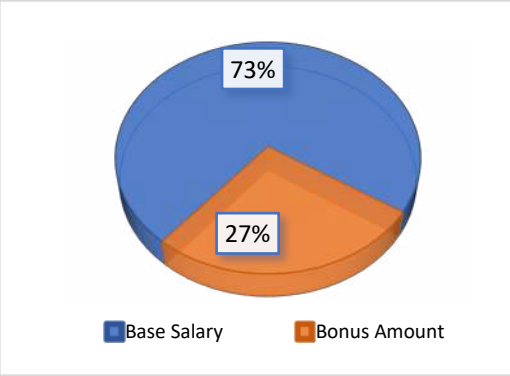
Compensation Information

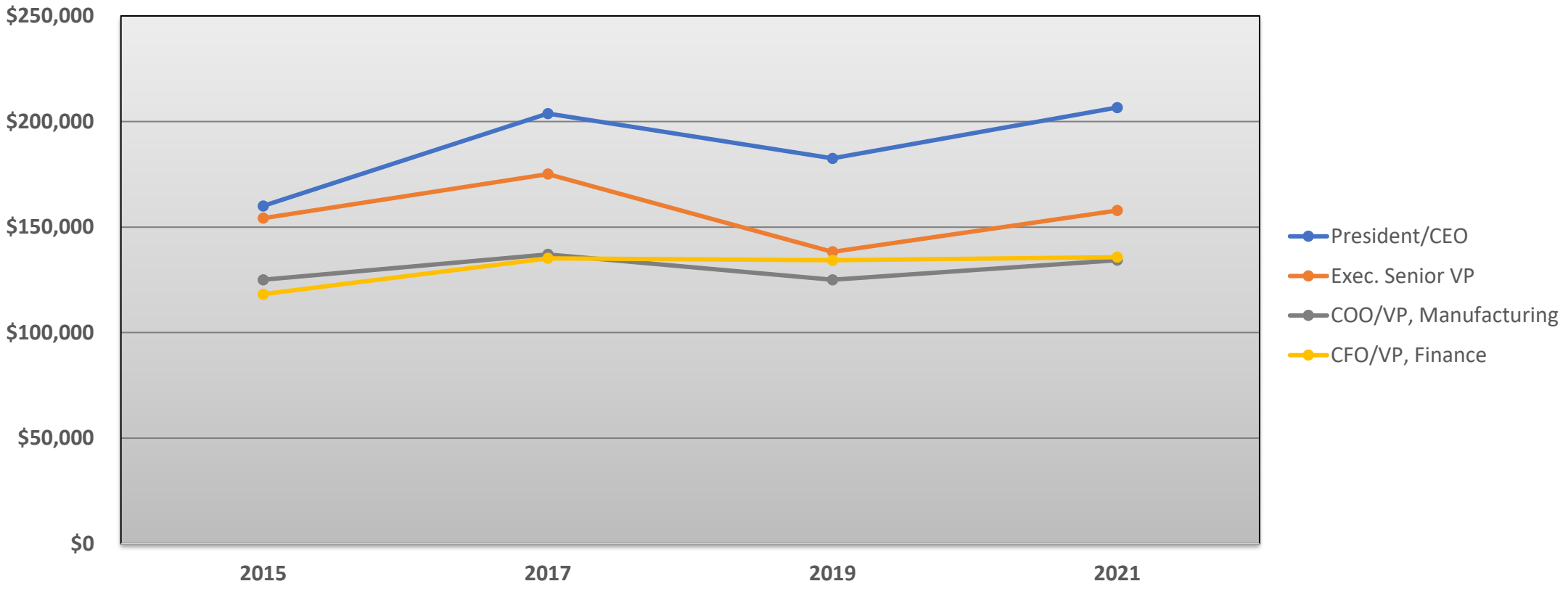
- 16 different positions surveyed in the report
- Example:

President/CEO

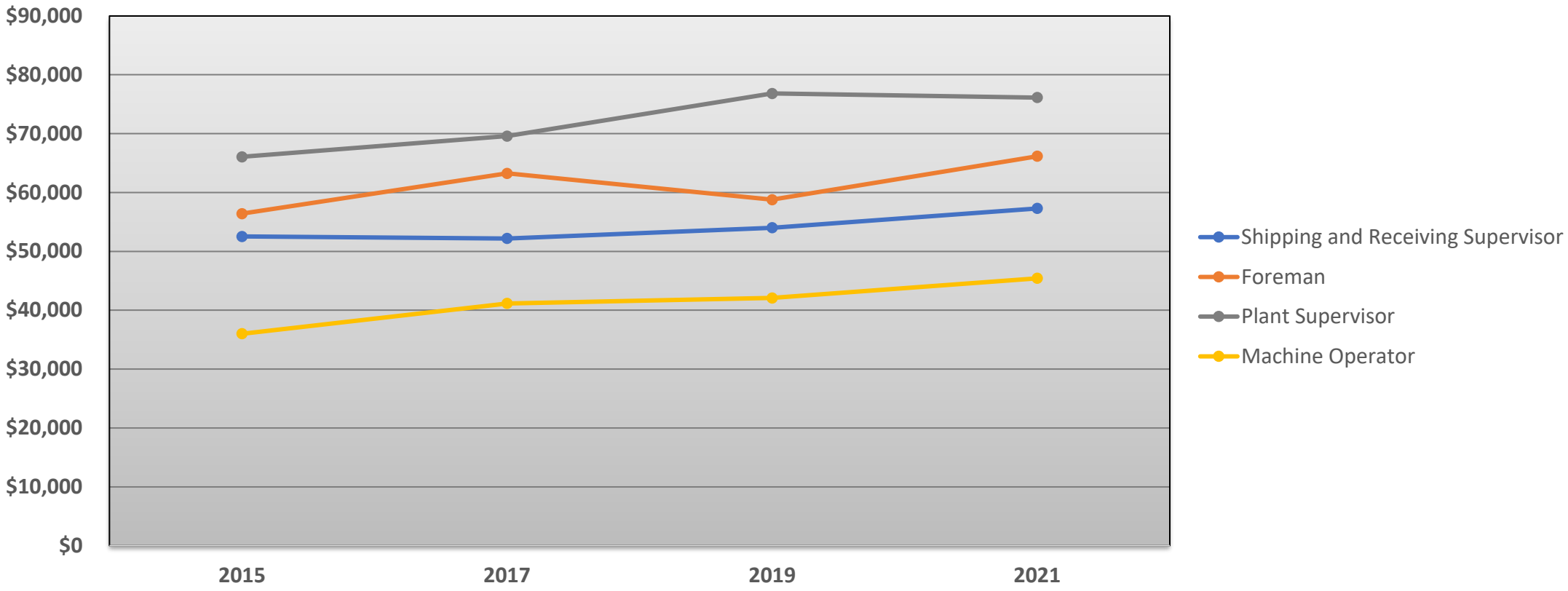


	% of Total	Companies	2021 Range	2021 Average
Base Salary	73%	15	$95,000 - $500,000	$256,173
Bonus Amount	27%	13	$2,922 - $434,200	$109,830
Total Compensation			$150,000 - $699,200	$351,359

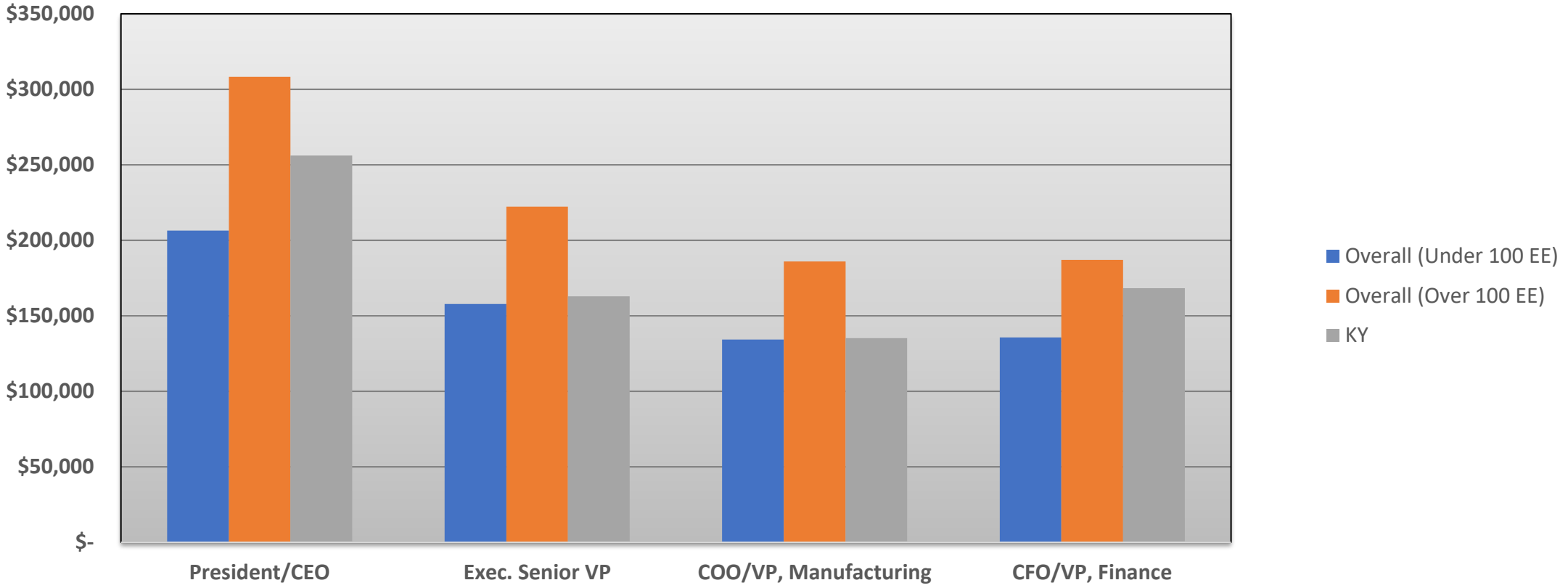
Overall Survey Base Salaries – Under 100 Employees



Overall Survey Base Salaries – Under 100 Employees



Base Salaries – Kentucky and Overall Comparison



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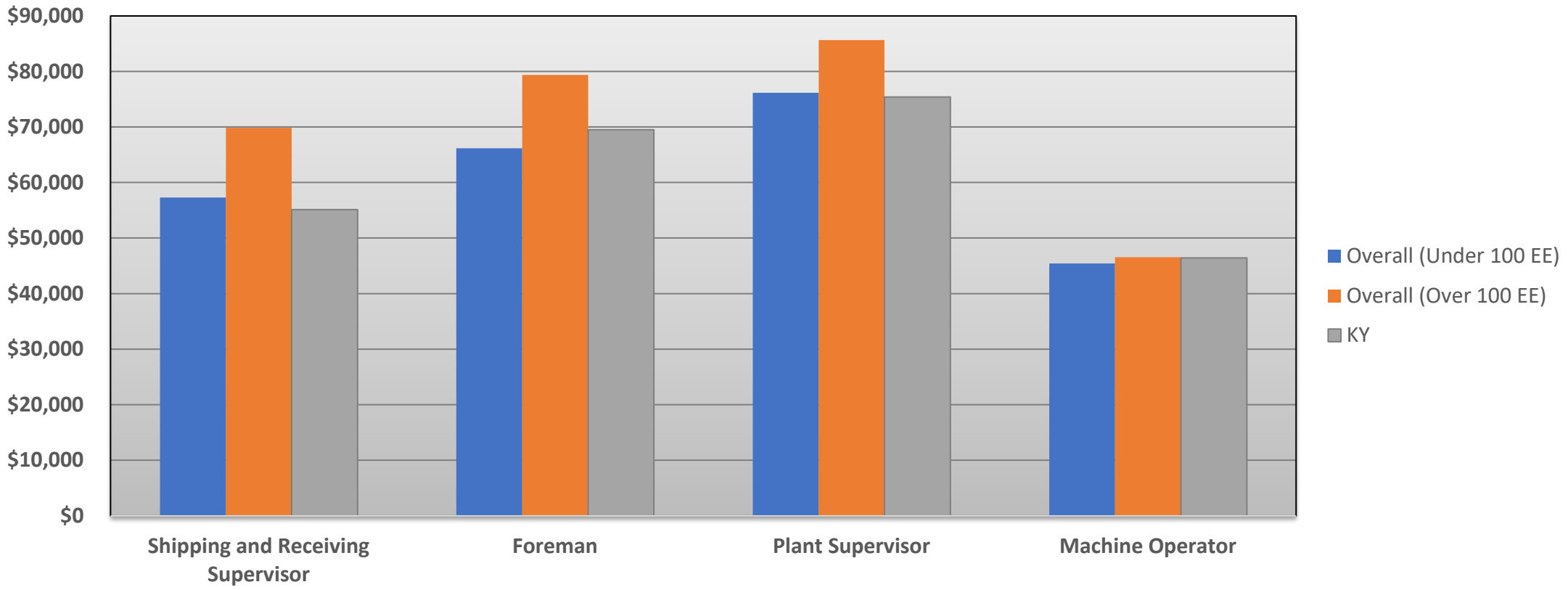
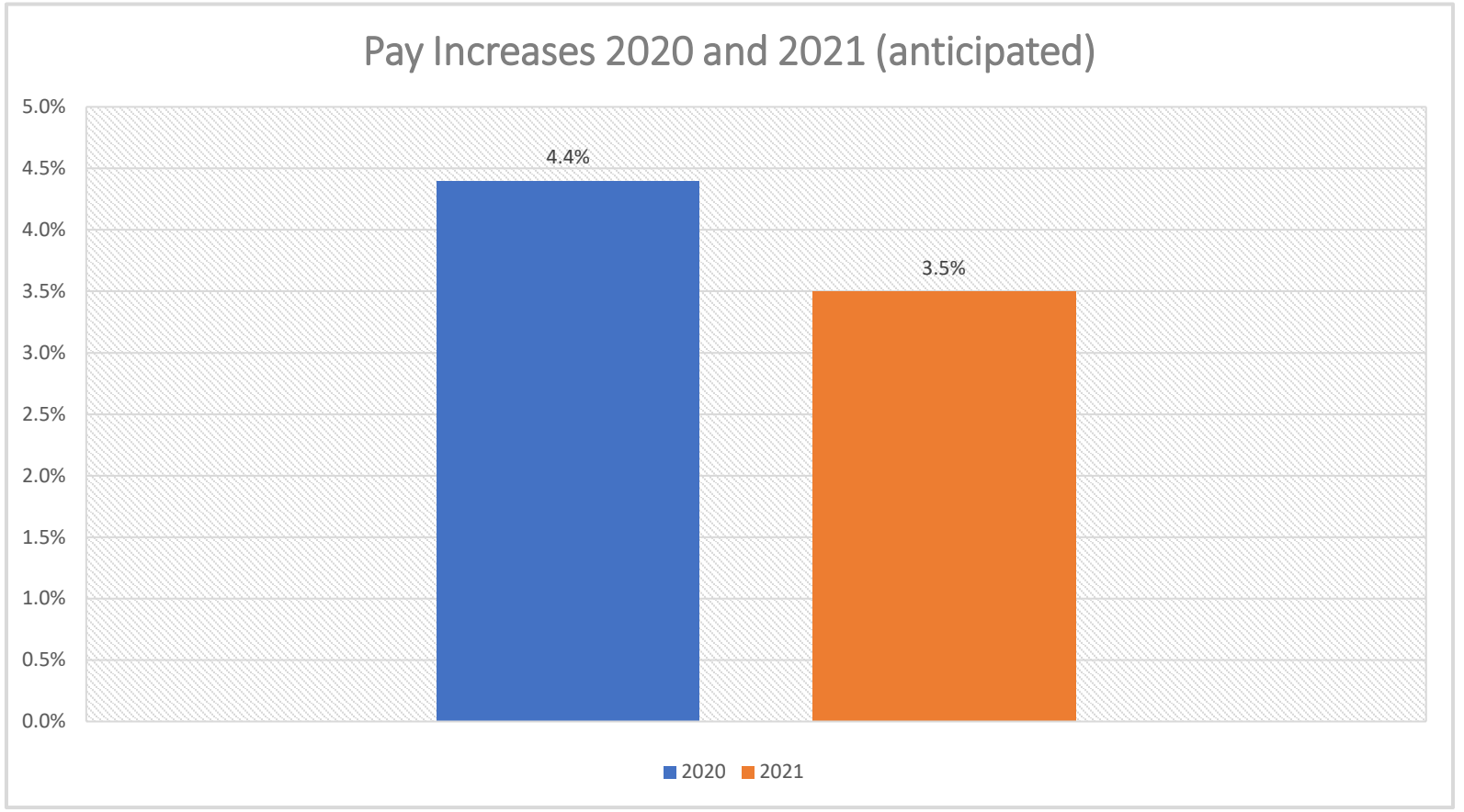
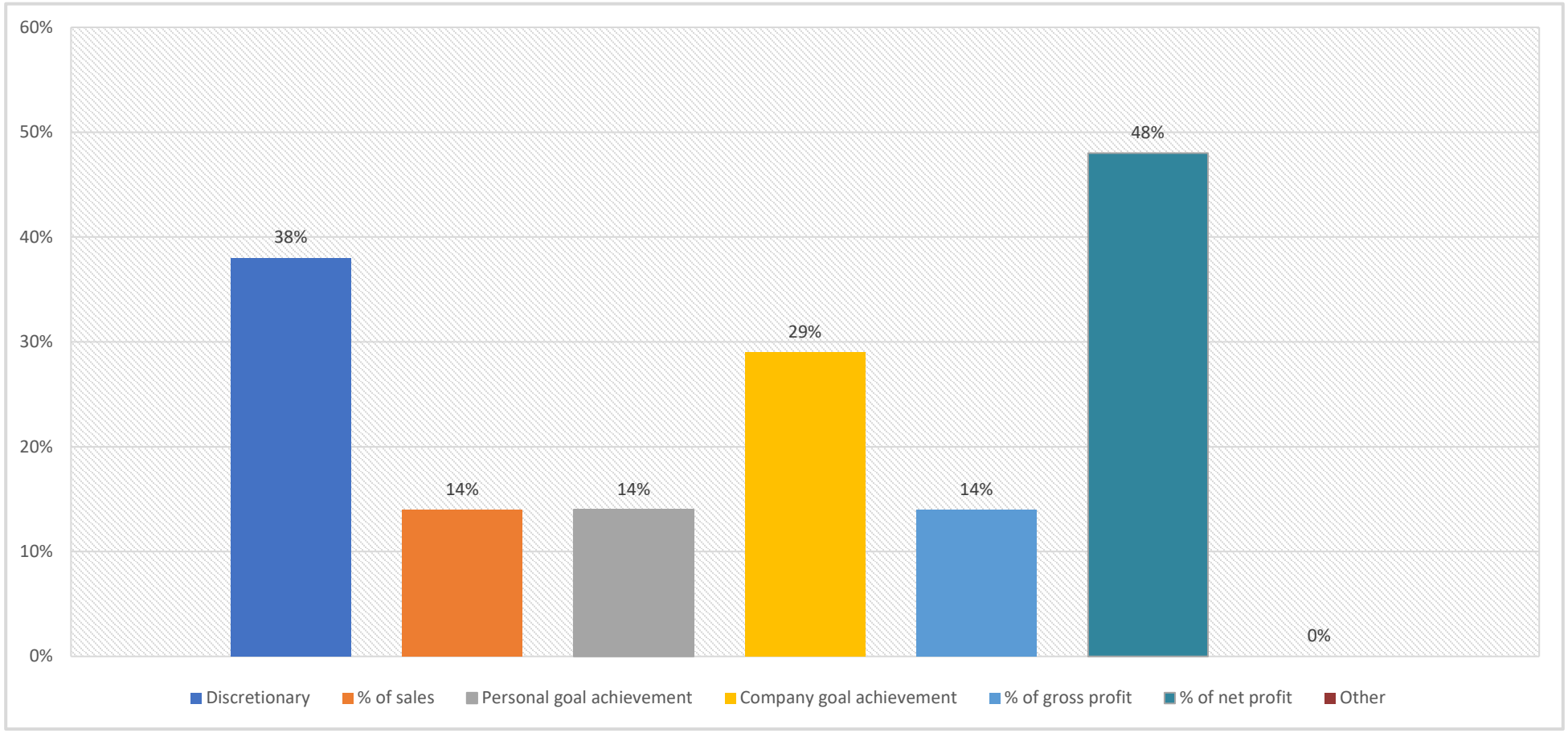


Pay Increases



Bonus Calculation Criteria



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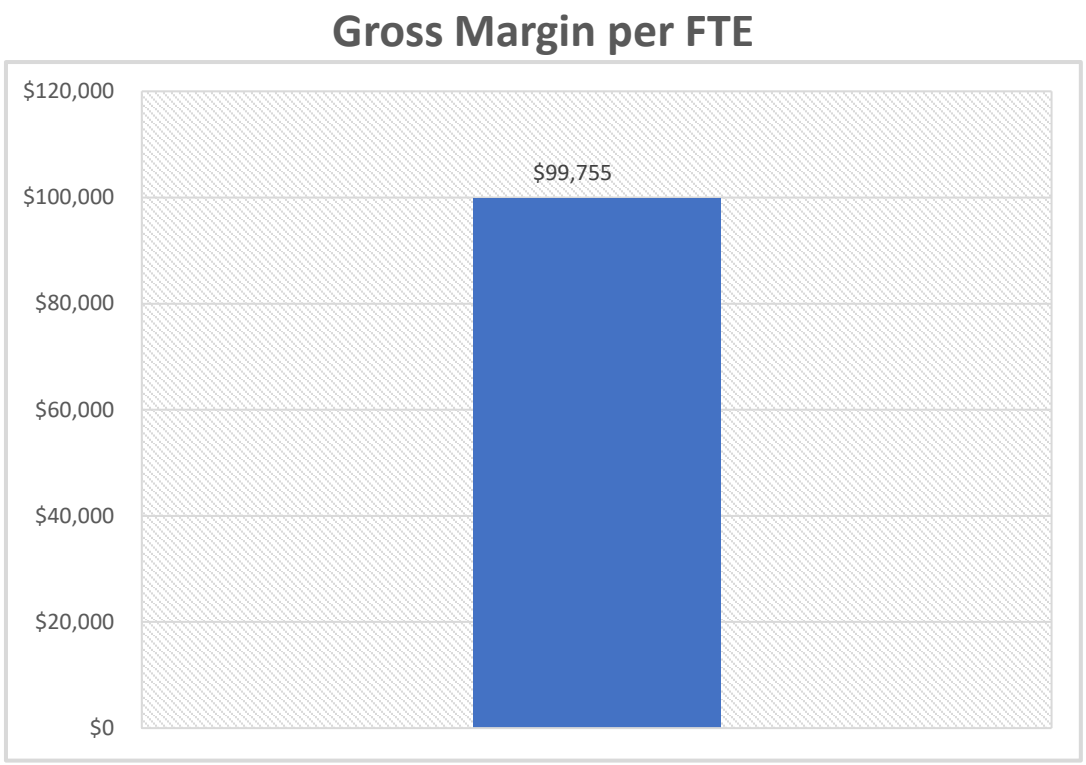
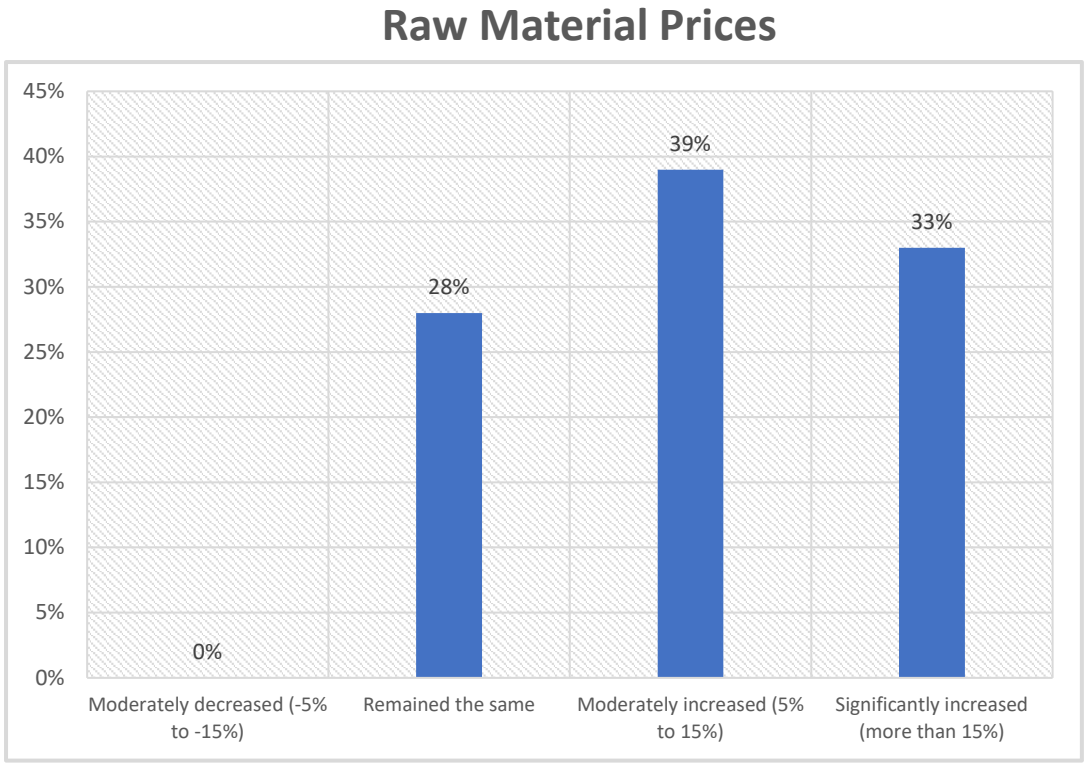
Company Operations

Rising Raw Material Costs and Impacts to GM per FTE





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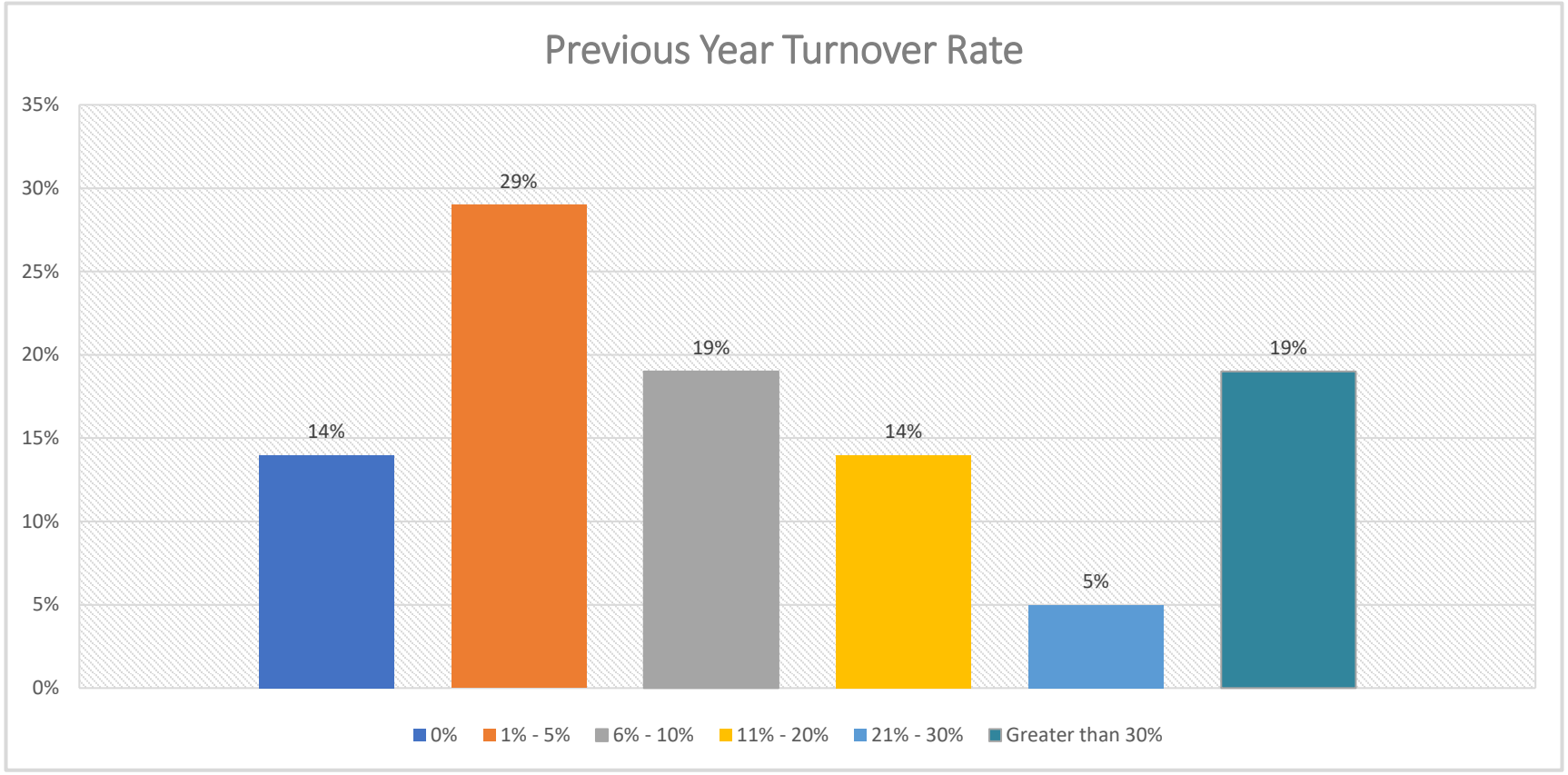
Turnover Rate



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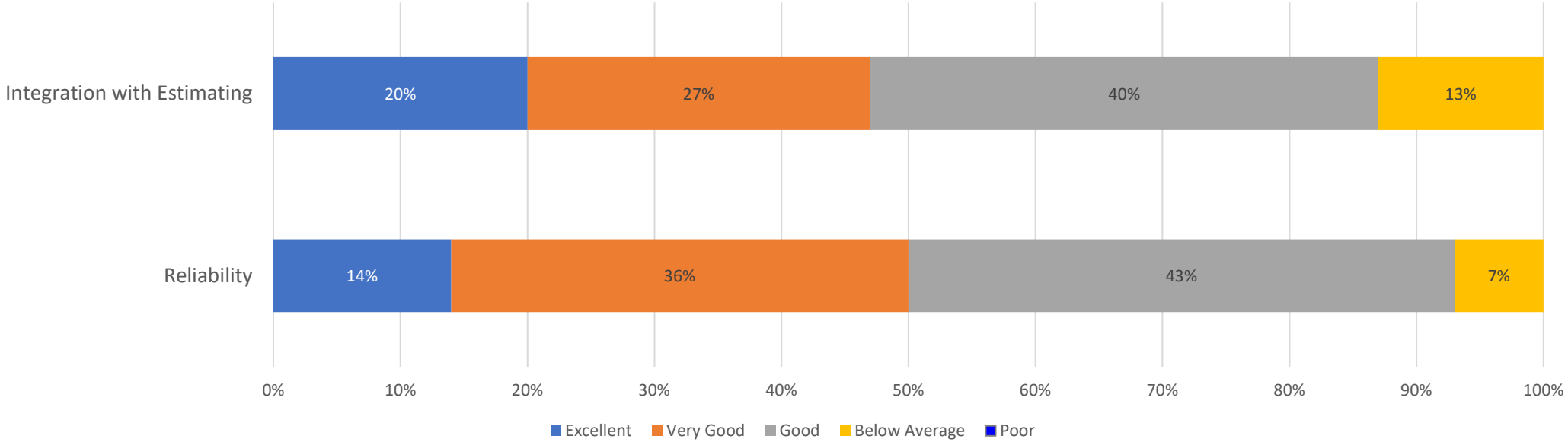
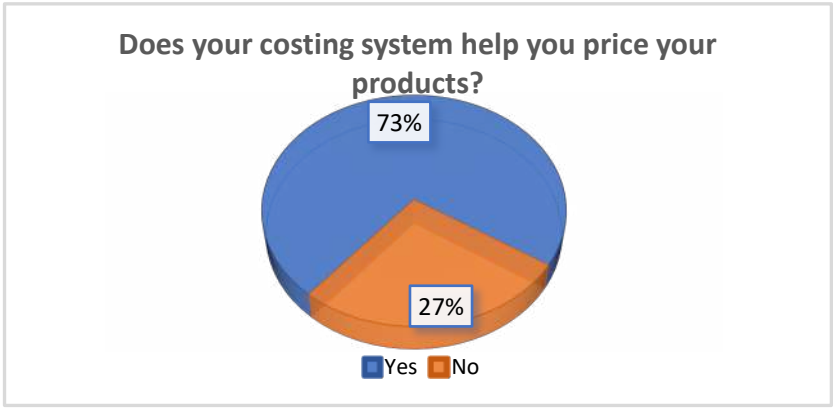
Evaluation of Costing System





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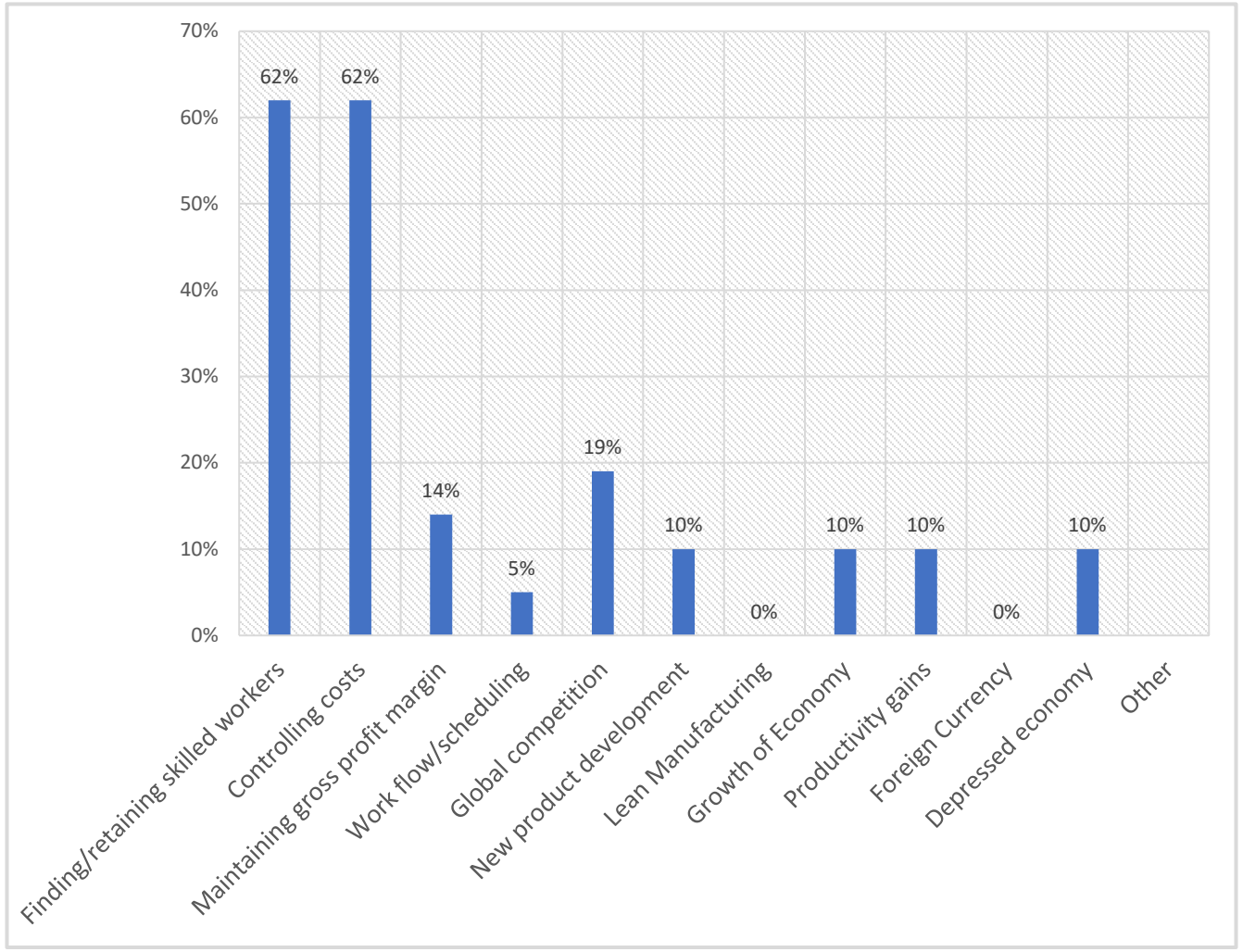
Top Operational Issues



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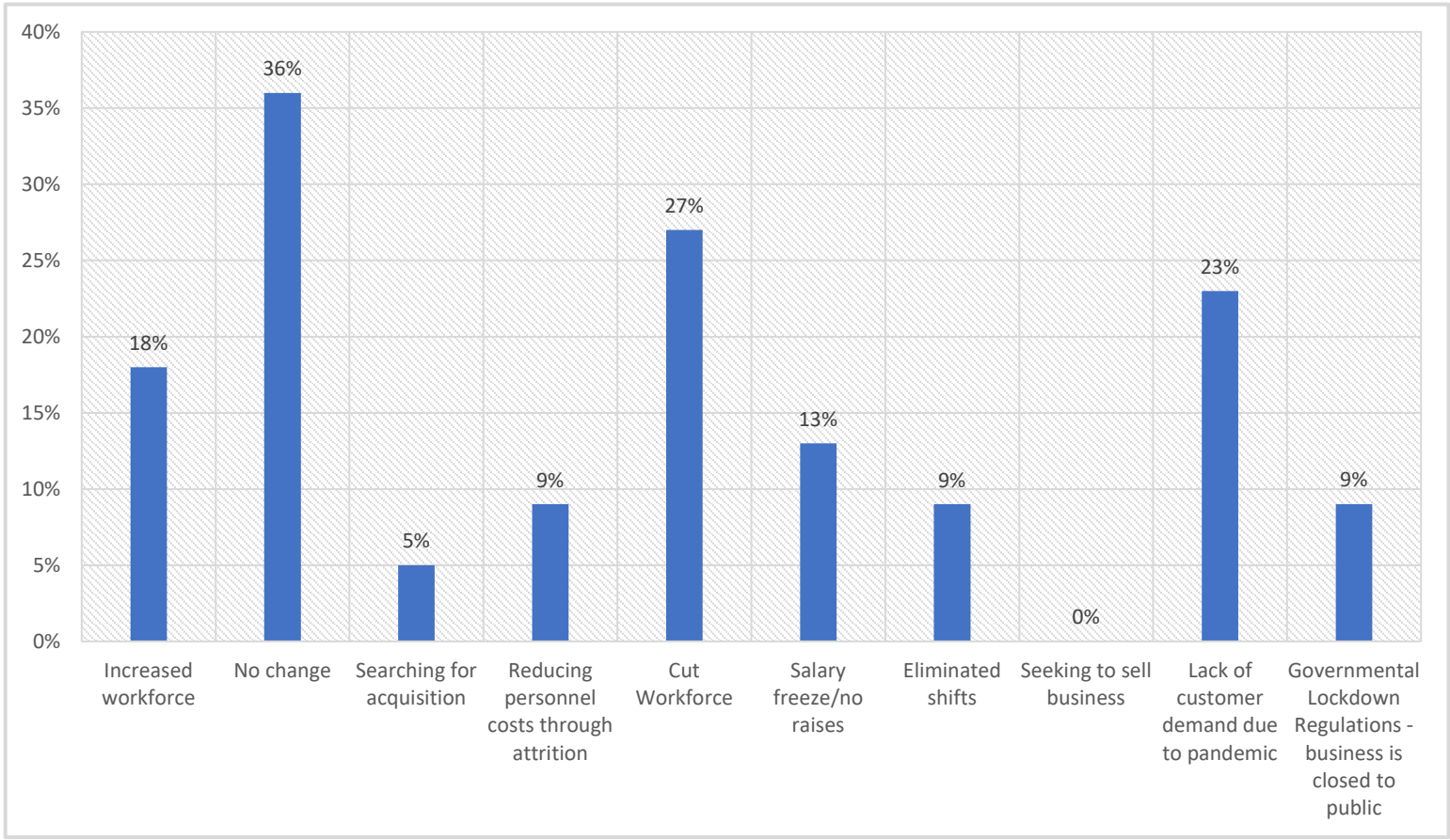
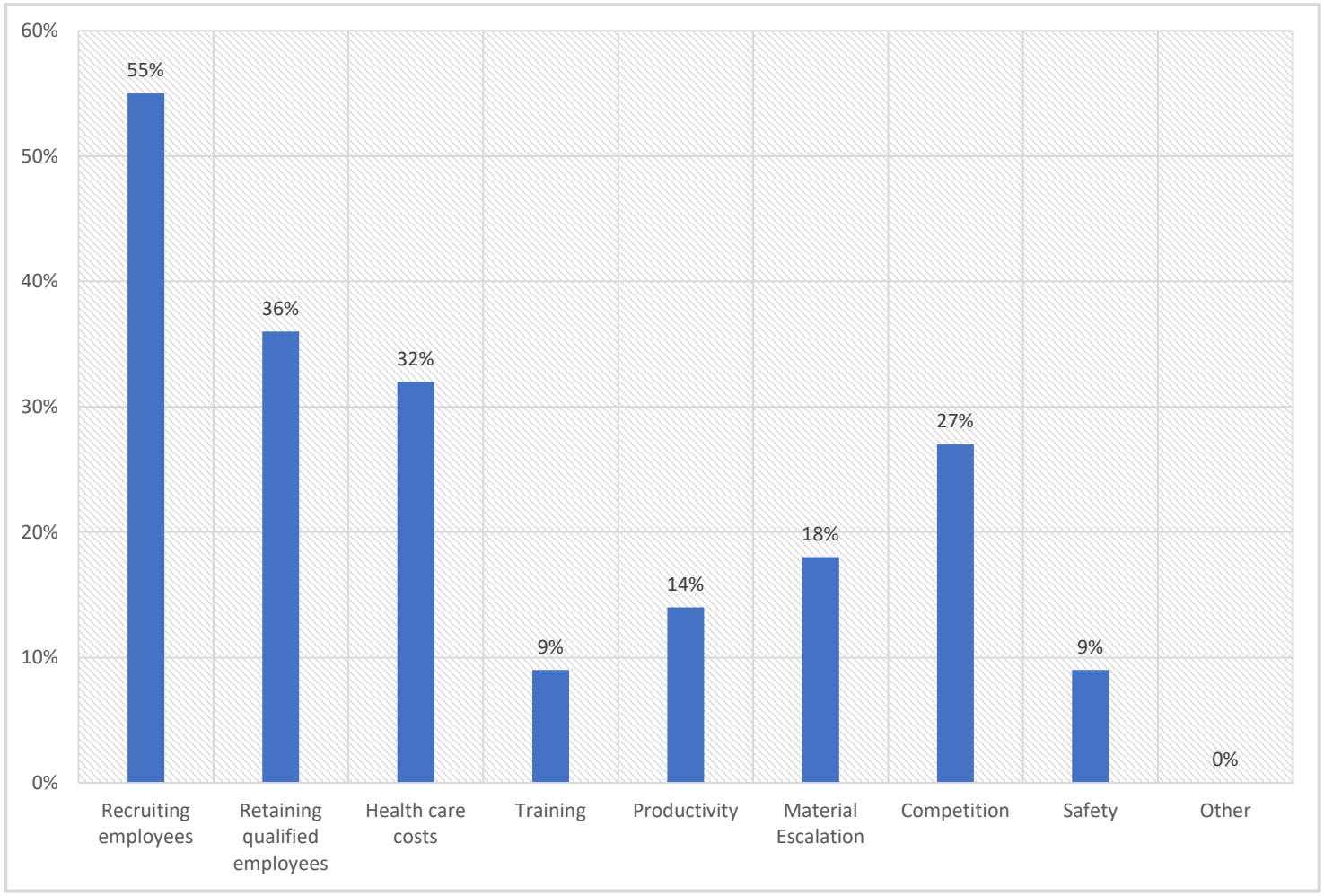
Effects of the Current Economic Environment



Top Personnel Issues



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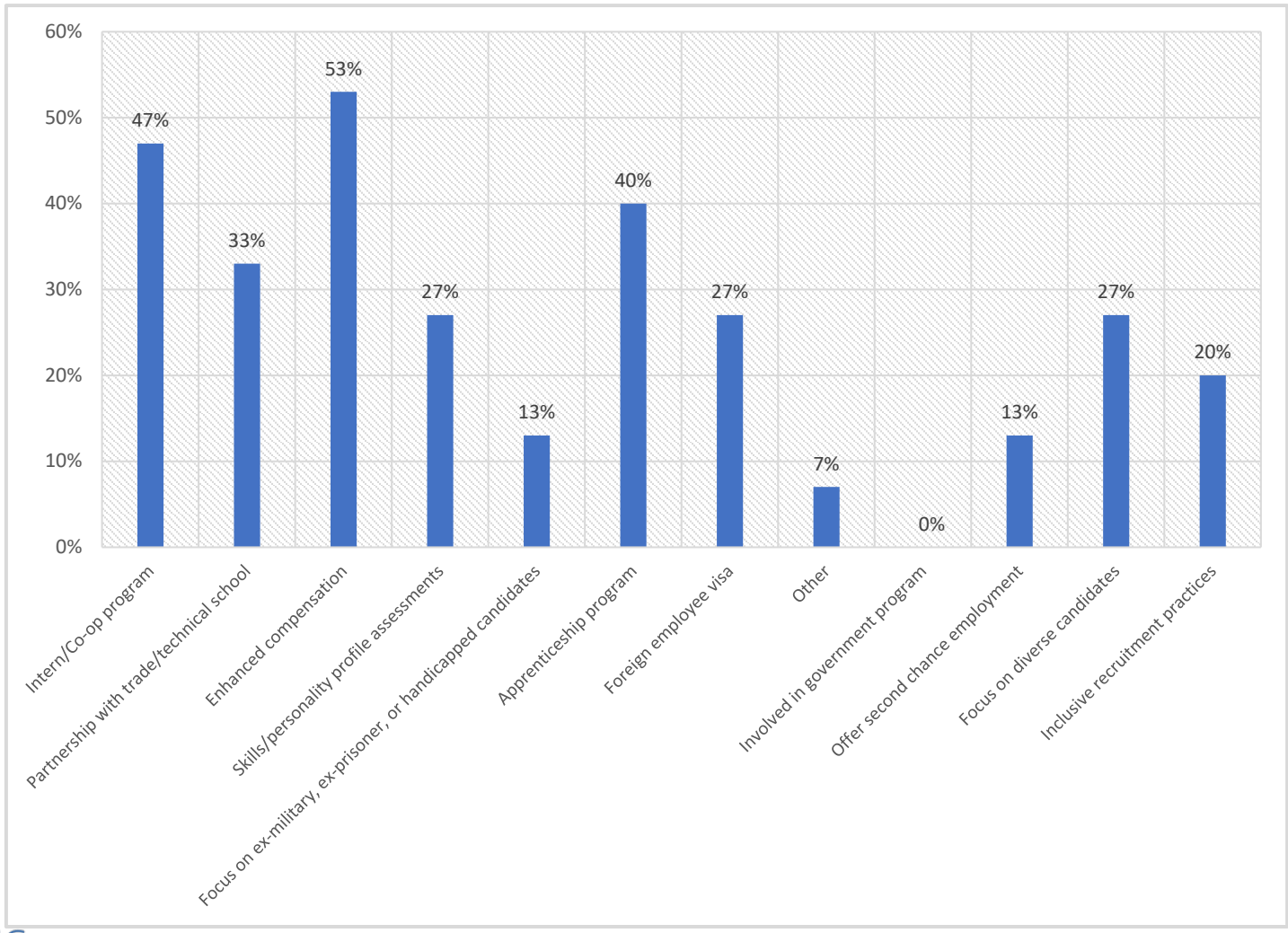
Strategies for Employee Recruitment Programs



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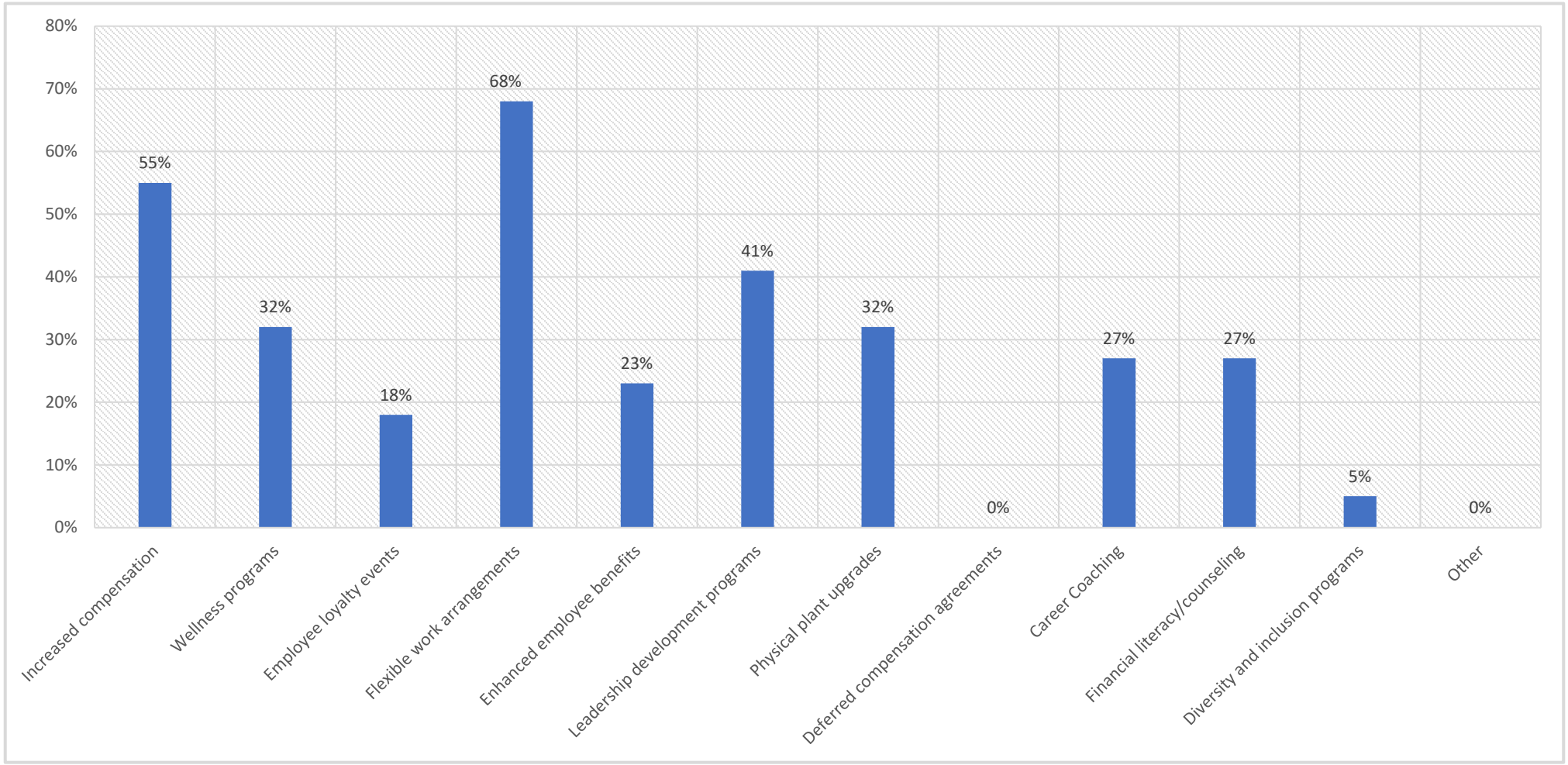
Strategies for Retaining Top Talent



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Employee Benefits

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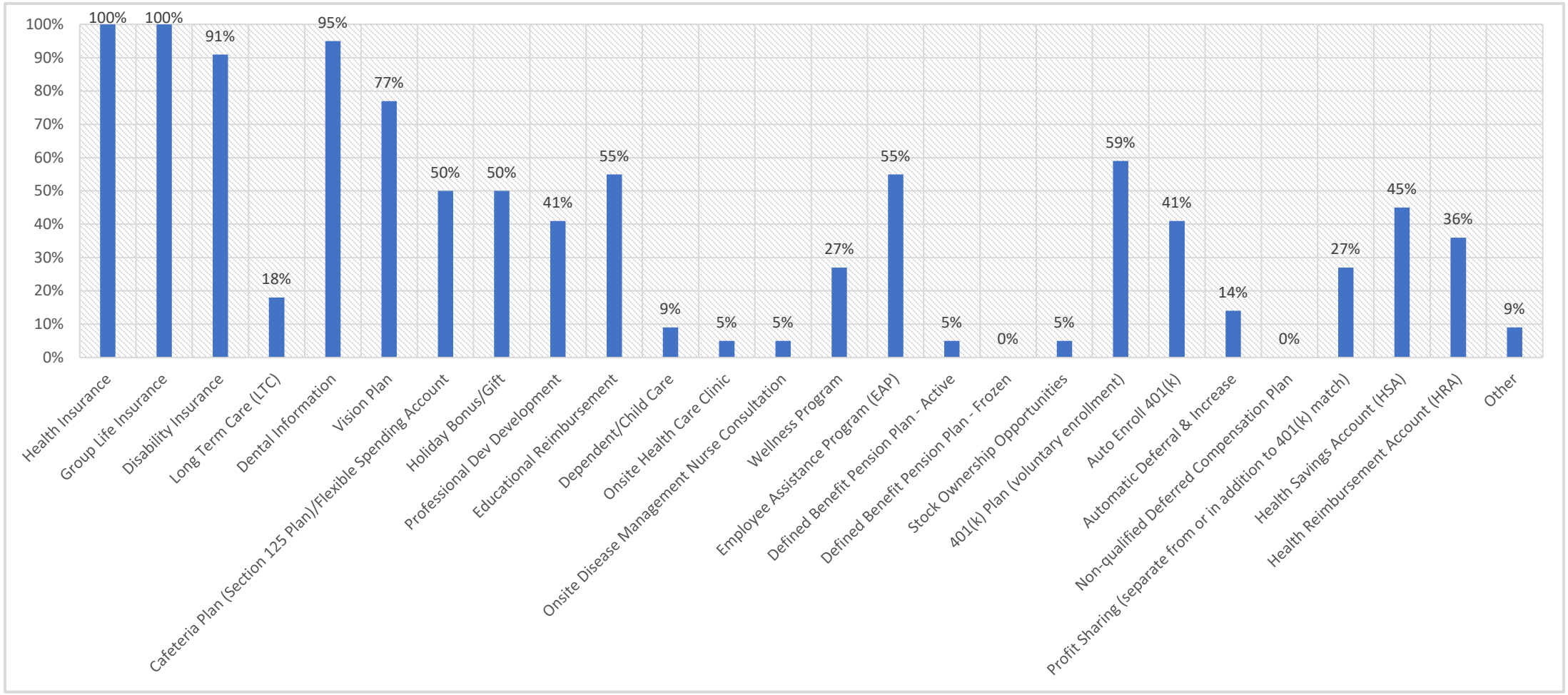
Benefits Offered by Participating Companies



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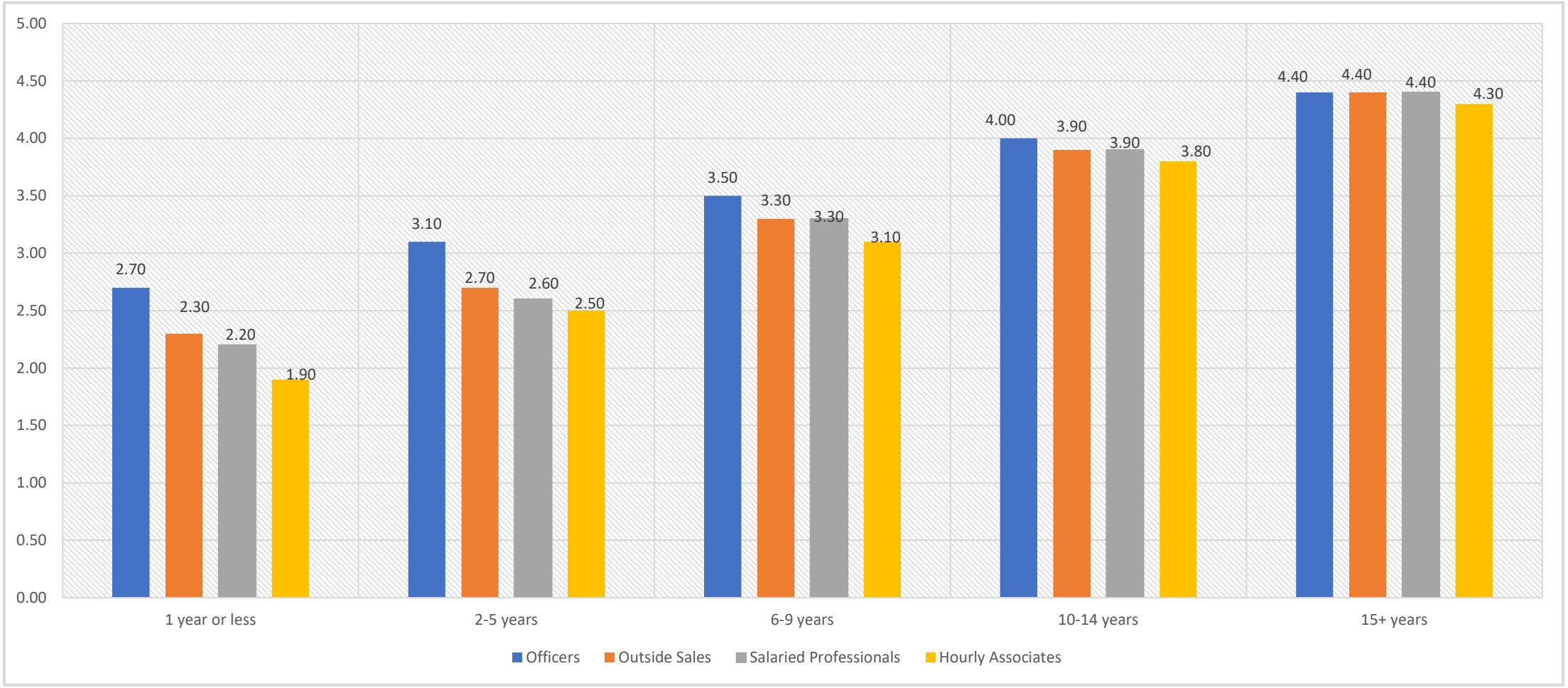
Number of Weeks of Vacation

(Not Including Compensatory Time Off)



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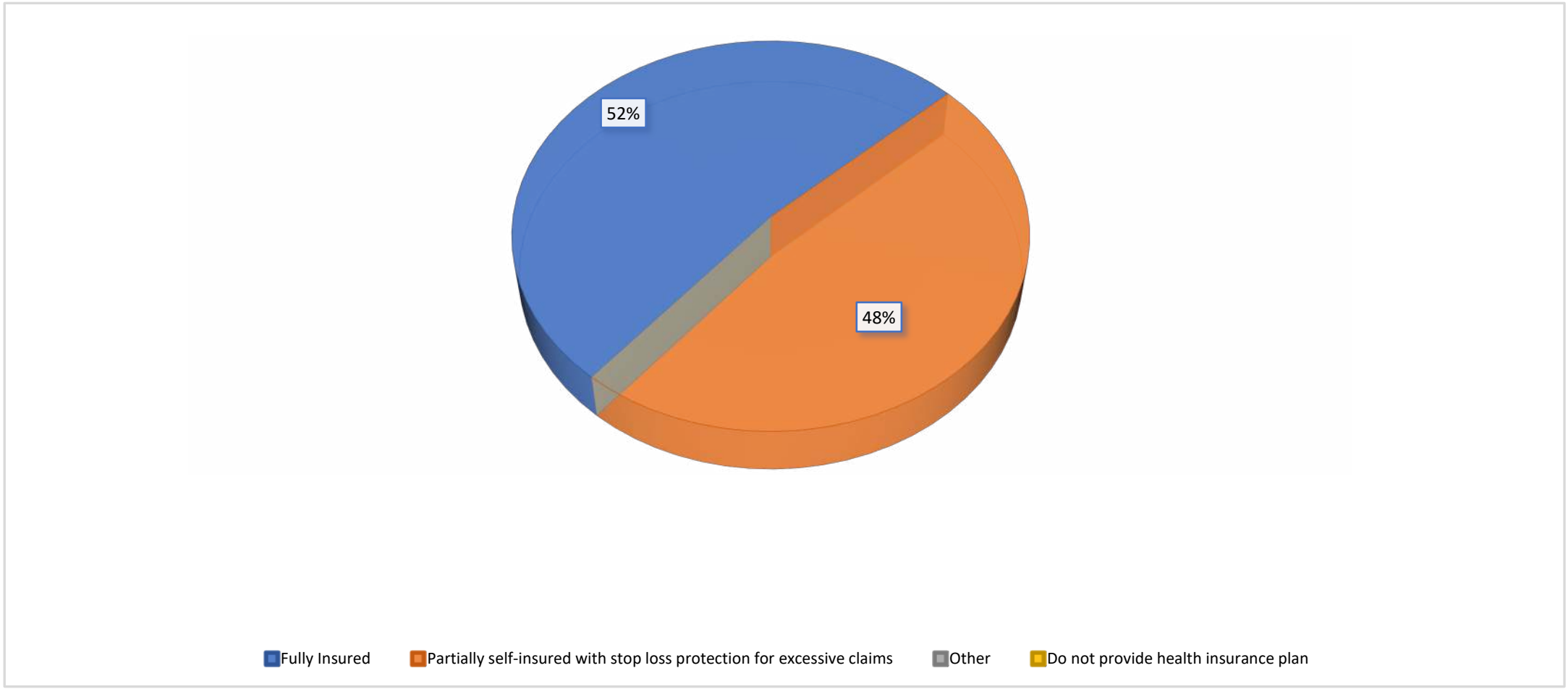
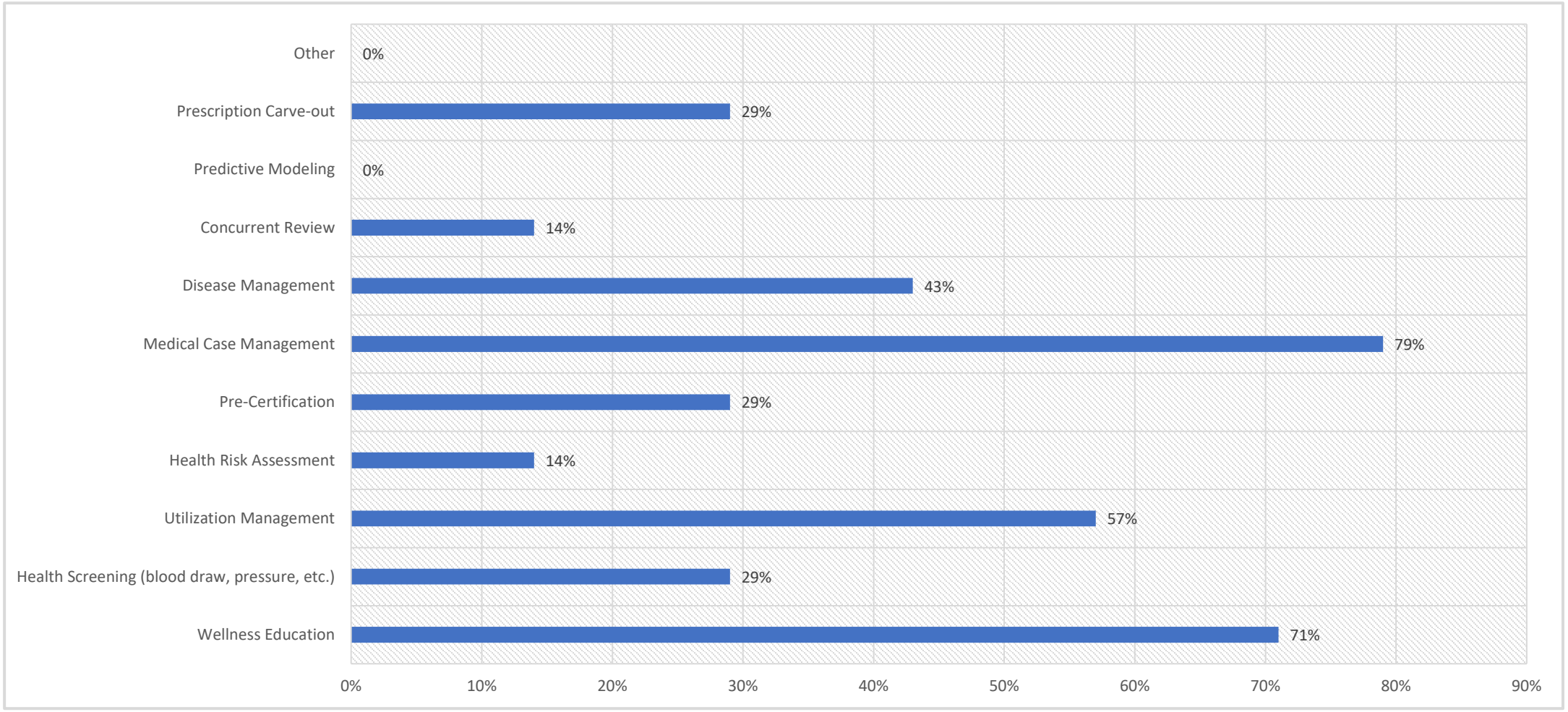
Funding a Health Insurance Plan



Programs Utilized to Manage Claims



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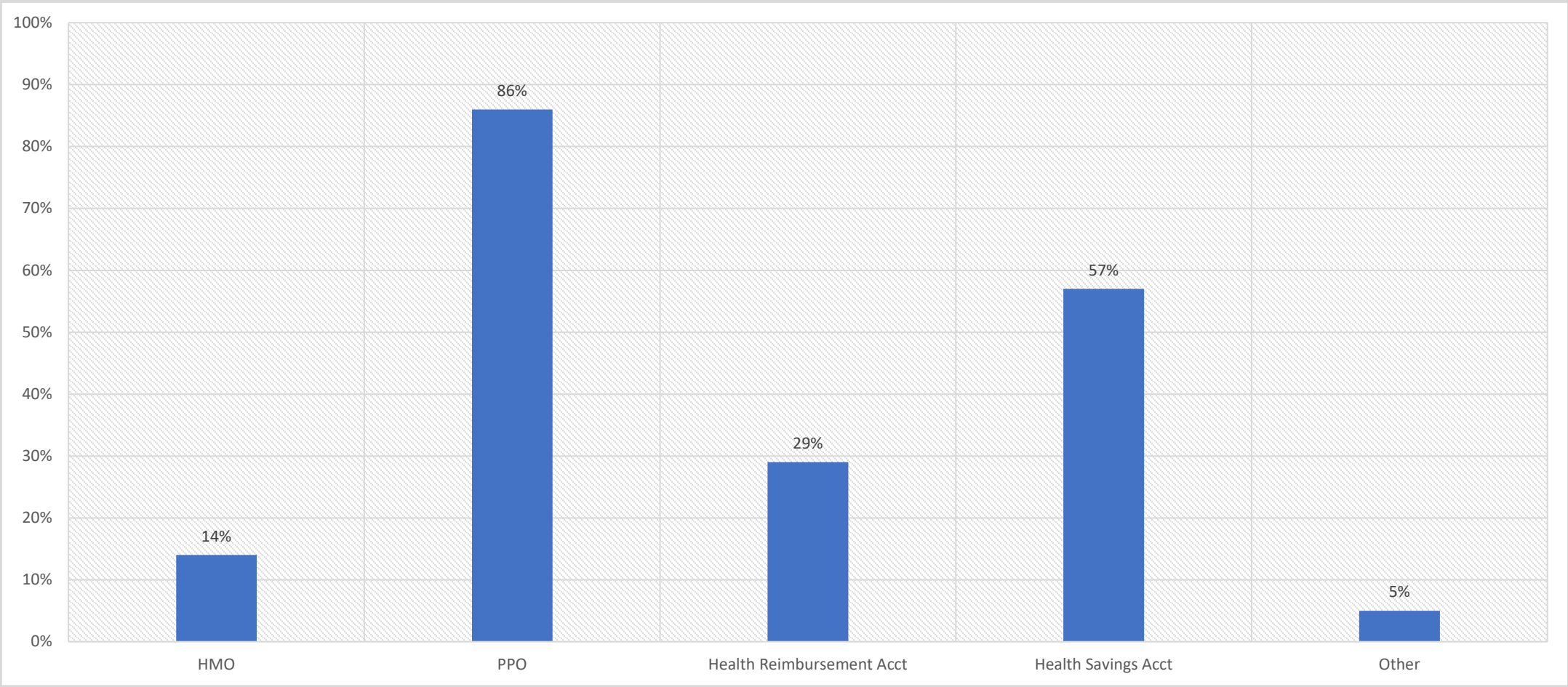
Health Plans Offered



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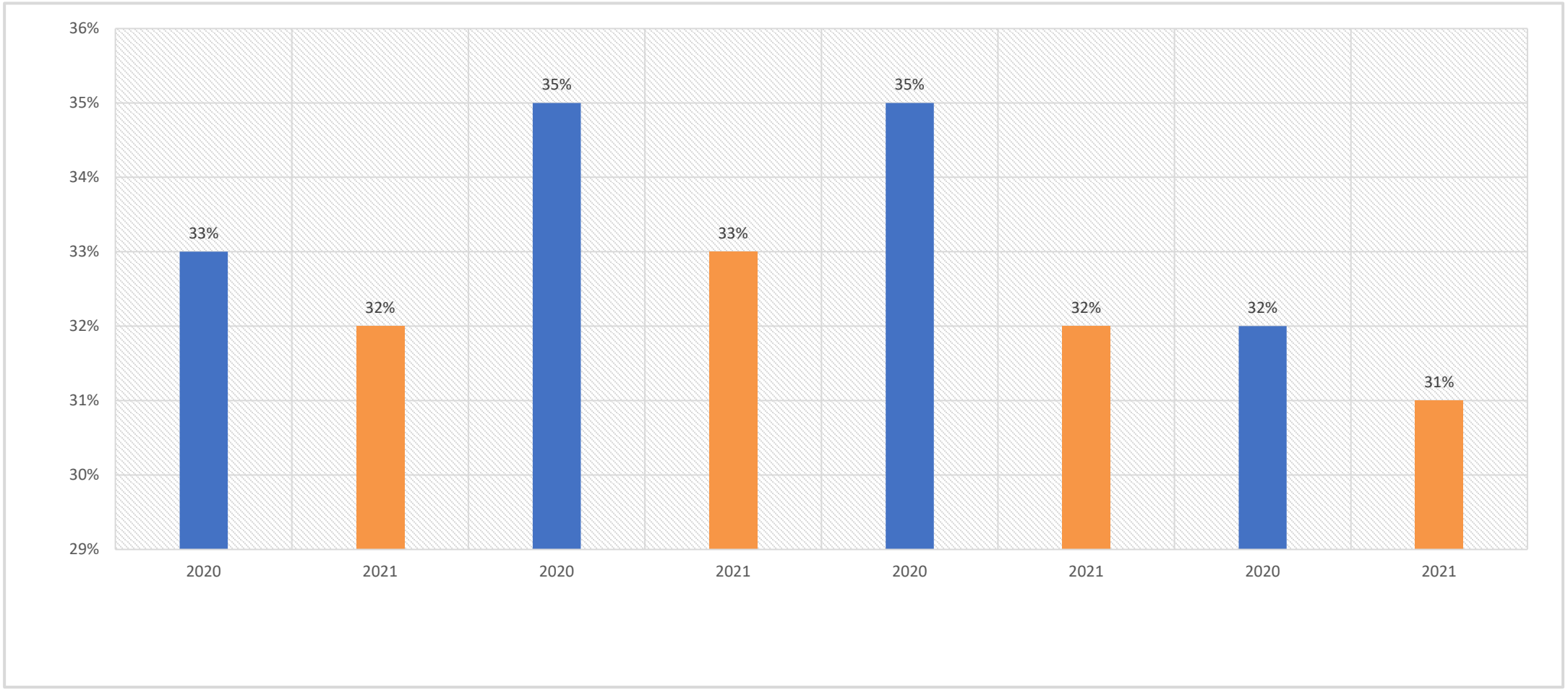
% of Premium Paid by Employee



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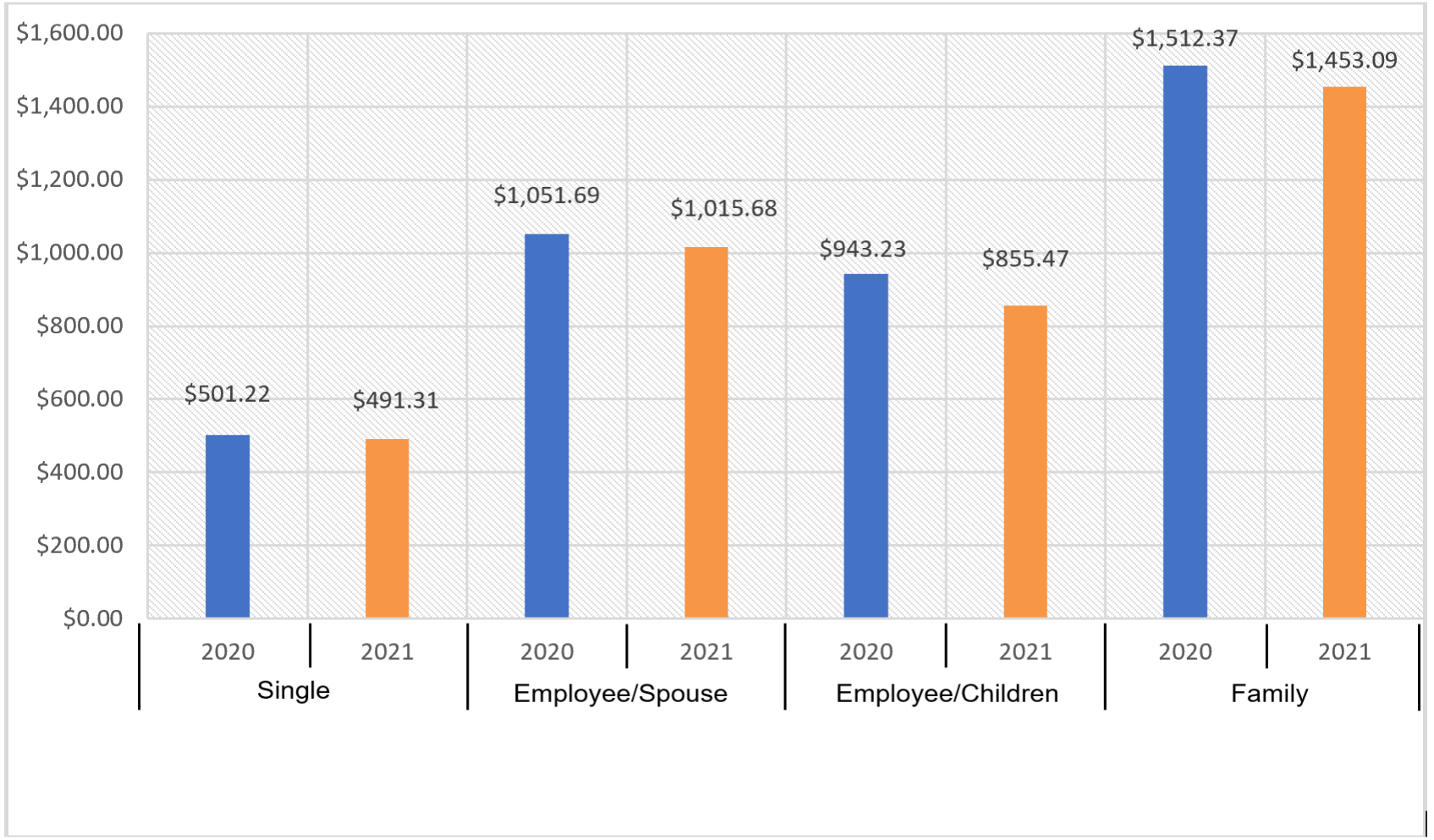
Gross Premium Per Month



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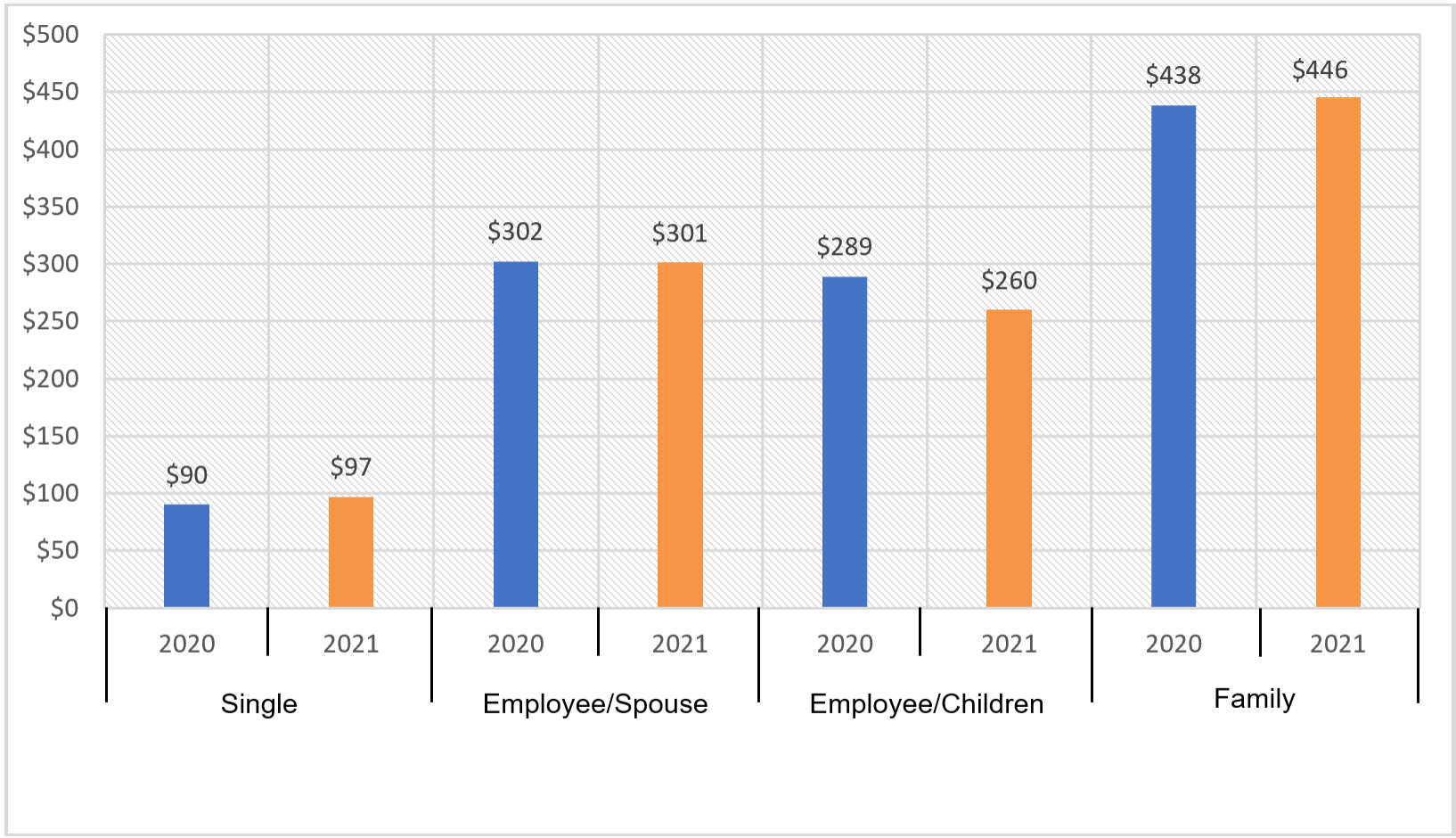
Employee Contribution Per Month



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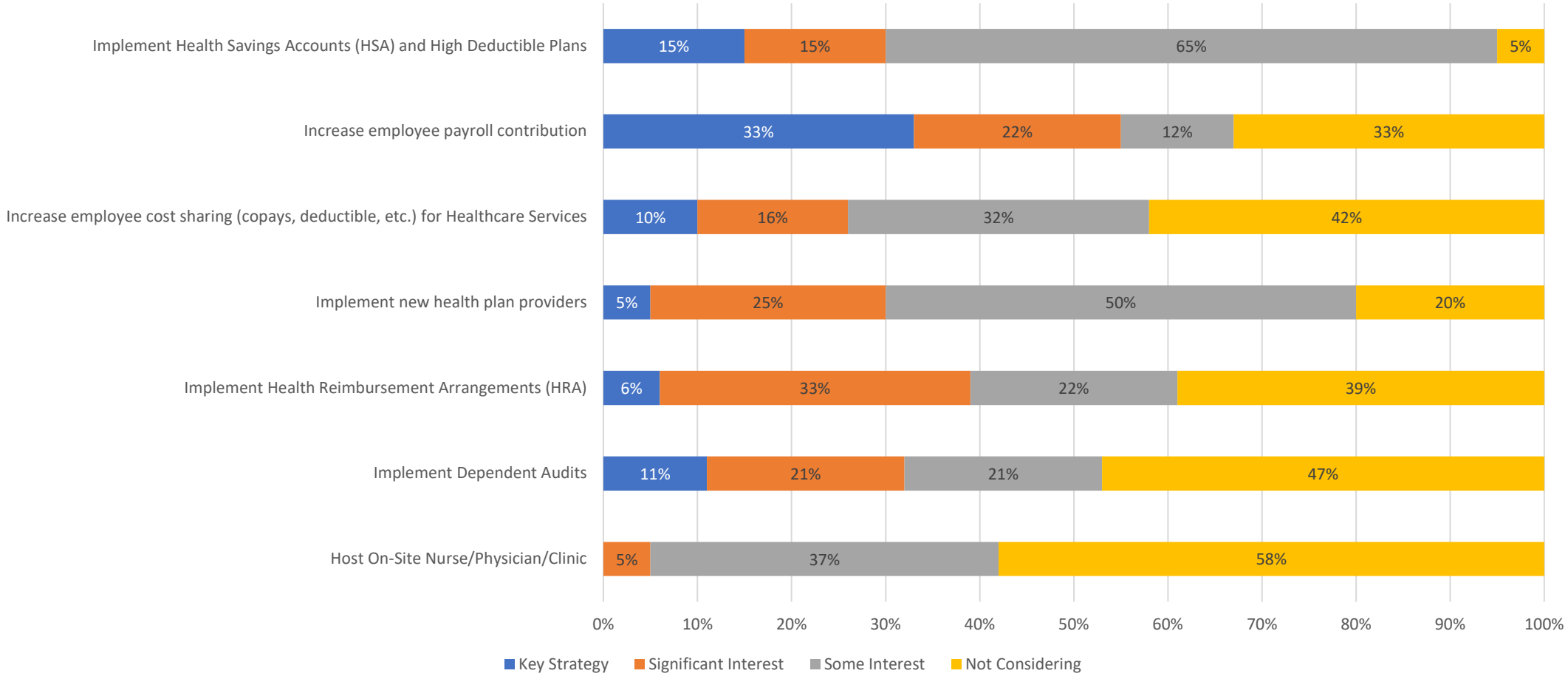
Future Strategies for Controlling Healthcare Costs



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Employee Benefit Hot Topics

- Health Plan Funding
- Value Based Care / Provider Network Management
- Prescription Benefit Management

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Health Plan Funding

- Traditional Fully Insured Contract
- Level Funding
- Traditional Partially Self-Insured Contracts
- Stop Loss Captives

Provider Network Management

- Someone had to graduate last in their medical school class, right?!

- How can employers benefit from steering employees to the most cost-effective physicians in hospitals?
  - High Performance Networks – est. 5% - 10% savings
  - Aetna SimplePay – est. 10% - 20% savings
  - UHC BIND – est. 10% - 20% savings
  - Reference Based Pricing – est. 15% - 25% savings

- Prescription Drug Management / Specialty Drugs

Questions?

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N K

Y

GROW NKY

Growing Regional Outcomes through Workforce

WHAT is GROW NKY?

- GROW NKY is a strategic workforce collective
- GROW NKY unifies workforce development efforts
- NKY Chamber of Commerce is the backbone organization

GROW NKY
Growing Regional Outcomes through Workforce

Because we work together to #GROWNKY

- Comprehensive, holistic approach
- Unique to the Commonwealth
- Supply and demand side of workforce
- Data driven
- Measure progress towards regional outcomes

Focus Area Teams

N K Y Chamber of Commerce | GROW NKY
Growing Regional Outcomes through Workforce

Partnerships = Solutions

Strategic Workforce Action Team

- Connects employers to resources and programming
- Ensures employers are knowledgeable about industry trends
- Assists employers to attract, retain and advance their workforce
- Shares a unique approach to workforce solutions
- Provides a comprehensive plan
- Aligns partners along employer timeline

Connect to Learn More

- Sign up to receive GROW NKY Monthly E-Newsletter
- Follow #GROWNKY on Facebook, Twitter and LinkedIn
- Subscribe to the Chamber's CERKL Newsletter
- Employer Resource Guide - https://nkcareercenter.org/erg/
- Contact Leisa Mulcahy - lmulcahy@nkychamber.com

N K Y Chamber of Commerce

Final Comments

- Please look for a survey to provide feedback on today's event at the close of this meeting. As we continue to host events in this dynamic environment, your feedback is important so that we can continue to provide you value!
- If you completed the polls, CPE certificates will arrive via email from a provider called Prolaera in the coming days.
- Also, remember that the full report and today's slide show and the recording of this meeting will be sent to all of you via email over the next few days.

N K Y Chamber of Commerce