The manufacturing industry continues to experience a strengthening economic rebound following the 2009 great recession, adding over 1 million jobs and demonstrating 26 consecutive months of growth as of October 2018, according to the latest Manufacturing ISM® Report on Business.

In addition to the strong growth, the manufacturing landscape is going through dramatic changes, which have led to new opportunities, innovation and challenges.

**Highlights**

- **Strong Output** - The Manufacturer’s Alliance for Productivity & Innovation projects that the US manufacturing sector will regain all lost output by April 2019, with 2.8% average growth between 2018 and 2021.

- **Industry 4.0** - Manufacturers are riding the digital transformation wave at rapid pace, leading to better process automation and customized production. With 3D printing, Internet of Things (IoT) and robotics, to name a few, the industry is increasing its efficiency, output and speed to market.

- **Skilled Labor Issues** - A number of manufacturers are looking to temporary employees as well as flex schedules to meet staffing demands and remain competitive.

**Challenges**

- Ensuring the integrity and quality of complex automated production processes that involve less human oversight is a significant challenge for manufacturers. An error in the underlying analysis or data will extend throughout the automated processes.

- Technology has increased vulnerabilities: E.g. Cyberattacks can lead to product failure, theft of intellectual property, and business interruption.

- Skilled labor shortage is a significant concern. In a recent study, labor costs, retention and outsourcing was cited as the second biggest challenge by U.S. manufacturers, with 98% of respondents expressing concern over finding, retaining and engaging talent.

- Given the pace and complexity of technologically advanced operations, coupled with the skilled labor shortage, employee training and safety is critical to maintaining production.

- Due to globalization, minor disruptions in the supply chain can have a significant financial impact on manufacturers and distributors.

- Contamination, spoilage and recall are having a major impact across the food industry, with U.S. food safety regulators recalling about twice as many products as a decade ago.

- According to a recent study, product recalls by The Food and Drug Administration rose 92.7% between 2012 through 2017.

- The average cost of a claim for a major recall was $9.5 million, with product contamination being the main driver for recalls in the industry.

**What Insureds Can Do**

- Companies should work with risk specialists to conduct a comprehensive risk assessment, identify potential vulnerabilities in operations and supply chain, and design effective risk management programs to protect against financial and reputational harm.

- Employee safety training is essential to minimize risks associated with the labor shortage. Targeted safety and risk control plans can be implemented to reduce employee injuries, mitigate workers’ compensation costs and eliminate production down time.

- Contamination, spoilage and recall risks can be addressed with custom-tailored programs, like USI FoodSafe, that protect Food & Beverage manufacturers against loss or damage to products across the supply chain, anywhere in the world.

**Due To The Inability To Attract And Retain Workers:**

- **28.4%** of manufacturers have turned down new business

- **33.2%** held off plans to expand or create new jobs

- **45.4%** cite this as the biggest threat facing their business

Source: National Association of Manufacturers (2018 Q3 Survey)