On the Horizon:

Workforce Trends in the
Aerospace and Defense Industry

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The Aerospace Industries Association (AIA) has represented the aerospace and defense industry since 1919. AIA serves as an advocate and leader to help shape policy, shed light on the industry's impact, and fortify its future. CEO-level officers from across AIA's more than 300 member companies guide these efforts, helping to strengthen the industry's ability to enable America's national security and economy. AIA works with its membership's representatives through councils and committees to advise the government on critical issues and cultivate a unified perspective on the many challenges and opportunities facing the industry.
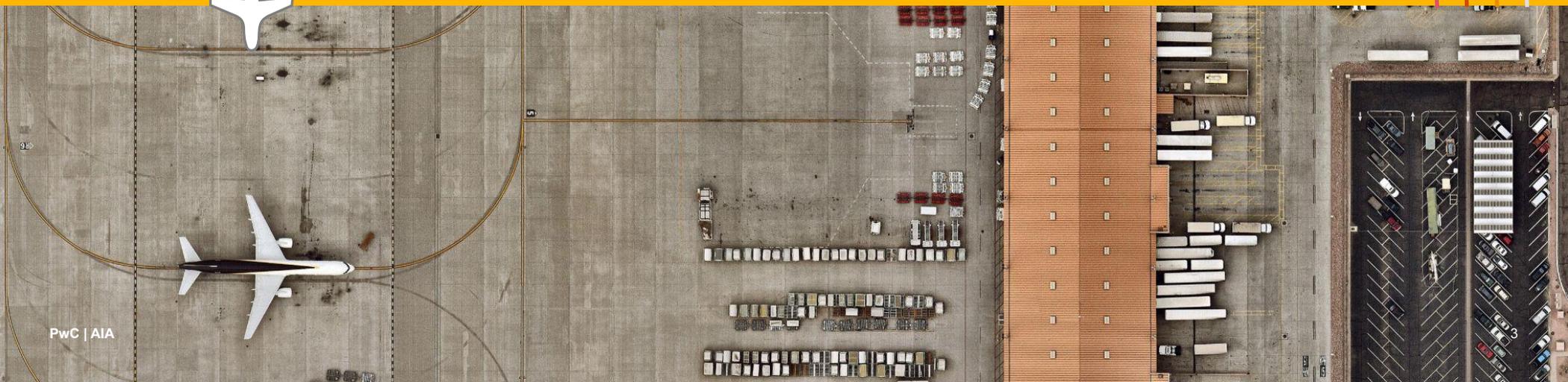
Introduction

Demand signals for the aerospace and defense (A&D) industry are strong. Across the A&D base, commercial, defense, and space programs are exhibiting favorable growth. However, achieving this growth is not without its fair share of challenges. Our market study indicates A&D firms need to address pressures across cost, capacity, capability, and compliance. A company's workforce plays a significant role in each of these factors.

Attracting, retaining, developing, and creating the environment to engage the right talent addresses these pressures. To understand the current state of play and opportunities to drive improved business outcomes through the workforce, we set out to evaluate both employers' experiences and labor market perceptions.

At a macroeconomic level, employment statistics are strong. There are 4.9 million more labor market participants than before the pandemic.[1] Why is it that we continue to observe attraction and retention challenges for A&D companies? In particular, to supplement data on retention and attrition, we set out to explore the U.S. labor base's view of the aerospace and defense industry.

[1] "Civilian unemployment rate, 2024". U.S. Bureau of Labor Statistics, Mar. 2024, https://www.bls.gov/charts/employment-situation/civilian-unemployment-rate.htm

Cost

Labor and supply chain costs continue to rise, coupled with meaningful turnover and productivity challenges. There is an opportunity for organizations to optimize their total rewards and leverage **short-term costs to facilitate long-term benefits**

Capacity

A common refrain across the sector is the need to scale throughput. Organizations should understand the demand and supply for specific skills within their labor pool and the market to improve workforce planning efforts. **Effective training** and **process improvements** can also unlock productivity

Compliance

Organizations remain focused on delivering **acceptable outputs regardless of where they operate** through leader-driven cultures of **compliance**, **quality**, and **resilience**, enforced by employees

Capability

Long-standing leaders in the industry are increasingly facing competition from newer, more agile players. To drive innovation within their workforces, organizations should support **lifelong learning**, **cross-functional interaction**, and **knowledge management**

Our resounding finding

Attrition remained relatively level within AIA member organizations over the past two years at 13%, though this turnover number was significantly higher than the 3.8% average turnover rate in the United States.

Despite strong labor market perceptions of the industry itself, our research indicates this higher-than-average A&D attrition may be driven by challenges with employee empowerment, engagement, and the diver- gence of experience between hourly and salaried workers.

Background and Methodology

Our research is based on two complementary data sets. The first was a survey of AIA's member firms to evaluate year-over-year trends they observed related to turnover and attrition, hiring strategies, upskilling, and representation.

The study received 31 employer responses across 27 unique organizations in the fall of 2023. This resulting data set provides a longitudinal perspective on the workforce challenges these A&D industry firms are facing and the mitigating investments they are making.

The second data set results from our survey of 2,000 labor market participants from an external panel. Respondents included members of the labor pool who are actively employed in a variety of industries. We enforced quotas to source representative data across

(1) varying tenures, generations, and gender identities; (2) all 50 U.S. states, with an enhanced focus on areas with heavy manufacturing economies; (3) a cross-section of functional roles; (4) exempt vs. non-exempt employees; and (5) people leaders vs. individual contributors.

For the second part of the study, we incorporated a methodology known as the "Good Job Score," a series of 12 questions that benchmarks worker perception and engagement. PwC developed this assessment tool in collaboration with Two Sigma Impact to link what workers care about -- job quality -- with what corporate leaders and investors value -- business outcomes. (Visit goodjobscore.com for details on the methodology and more information.) We incorporated additional questions aimed at evaluating respondents' relative perceptions of A&D alongside other industries.

Our objective in gathering and analyzing these novel data sets was to understand underlying trends that the sector is facing -- both from an employer and employee perspective -- in order to identify what steps A&D companies should consider to help align their labor strategy with their business goals.
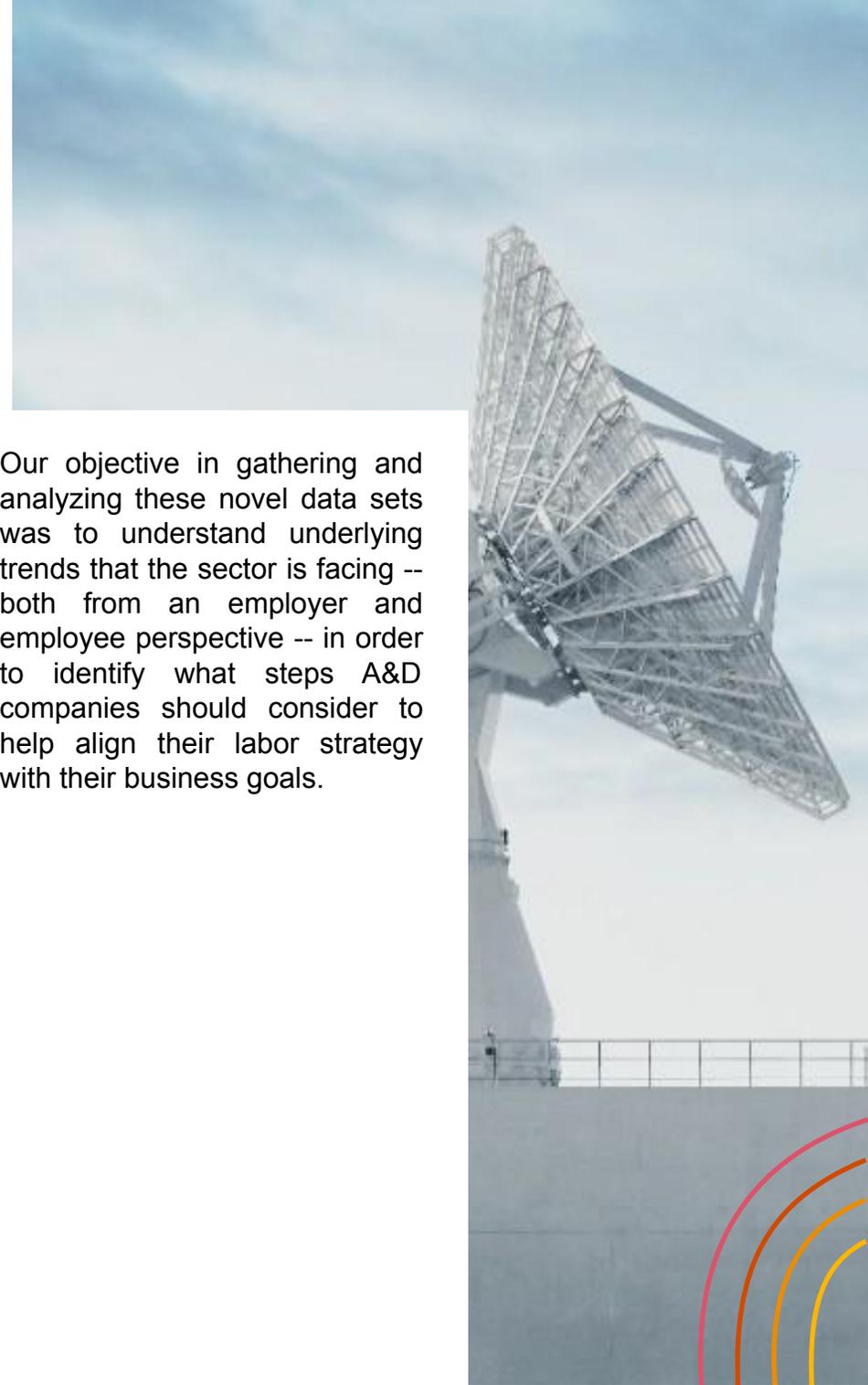
Survey Respondent Overview

The two surveys covered a diverse set of A&D employers as well as employees both inside and outside of the A&D sector.

Employer Survey - Fall 2023

27 Unique Organizations

Involved across sectors:

Sector	Count
Defense	23
Commercial	18
Space	14
Services	8

Representing:

450,000+
Total Employees

90,000+
Global Employees

$47B+
in Revenue
48% with revenue $1 Billion+

Labor Market Survey - Spring 2024

2,000+ Employees

3% - unsure

Exempt	41%
Non-Exempt	56%

Note: 3% of employee respondents were not sure

Representation Across:

15 Industries

Industry	%
Aerospace & Defense	23%
Construction	14%
Manufacturing	14%
Retail	8%
Technology	7%

Diverse Demographics

Age

Gender
54% Male
45% Female

50 States

State	%	State	%
California	9%	Texas	8%
Florida	7%	New York	5%
Ohio	5%	Georgia	4%

Leveraging the Good Job Score methodology, designed to link what workers care about - job quality - to what investors and corporate leaders value - business outcomes

Good Job Score

Summary Findings

Ongoing economic uncertainty coupled with inflationary challenges continue to place pressure on organizations to seek cost-cutting measures. In parallel, evolving customer expectations, a dynamic competitive set, and business model reinvention drive a need for innovation. **We found that labor market perceptions of the industry are strong. In other words, attraction isn't inherent to a firm participating in the A&D marketplace. The challenge that A&D organizations seemingly continue to face is in creating sticky experiences that drive retention once an employee has accepted an offer.**

Data from our AIA employer survey and the labor market study highlighted five key labor trends that should be considered when evaluating broader corporate and organizational strategy:

1. **Labor market perceptions of the A&D industry are strong**. 72% of employed individuals surveyed agree that the A&D industry's values, purpose, and mission align with their own. That number jumps to 81% when focusing on individuals already employed within the industry. A&D organizations have an opportunity to capitalize on improved labor market perceptions of industry as they continue to seek top talent. In addition, the Good Job Score for A&D companies is at the median for exempt workers, demonstrating strong broader labor market perceptions of industry leadership, purpose, employee growth, opportunities, and fairness. However, non-exempt respondents do place A&D's Good Job Score in the second to last quartile, indicating more of an opportunity for improvement within that cohort.

A&D Good Jobs Score Rankings

Exempt Employees	Dimension (out of 16)	Non-exempt Employees
14th	Leadership	10th
10th	Purpose	10th
8th	Growth	11th
10th	Fairness	11th

Full Good Jobs Score Rankings on Page 48

2. **Lack of robust historical workforce planning has contributed to unsustainable tenure distributions within organizations as emerging retirements and turnover trouble the industry.** As an industry, we've been discussing "impending mass retirements" for some time now. The industry has benefited from some insulation from the retirement-driven "brain drain " as the average retirement age continues to tick upward. Research suggests that the average retirement age has grown to 64.7 for men and 62.1 for women.[3] Eventually though, these more tenured workers will retire; the challenge remains how organizations will address those retirements. In 2023, non-retirement turnover reached nearly 13%. While turnover remained relatively on par with 2022, approximately 25% of the A&D workforce retains 20+ years of experience and are at or beyond the eligible retirement age. Sustained double-digit turnover in parallel with emerging retirements will create ongoing headwinds for program delivery and innovation. Organizations should look to transition away from headcount and fulfillment planning to more effective strategic workforce planning, which includes managing diverse talent needs and defining the capability mix needed to achieve long-term business goals instead of focusing on rehiring for backfill. This type of hiring and retention strategy can create a more sticky experience for employees and can address the burdensome brain drain amidst incoming retirements and ongoing attrition.

[2] "Good Job Score: The missing link between job quality and financial performance." PwC, Apr. 2024, https://www.pwc.com/us/en/services/consulting/business-transformation/library/job-quality-and-financial-performance.html.
[3] Center for Retirement Research at Boston College. "Average Retirement Age for Men and Women." Boston College, Mar. 2018, https://crr.bc.edu/wp-content/uploads/2015/10/Avg_ret_age_men.pdf.

3. **Employees within the industry do not feel empowered to drive change because they don't believe they have the right tools, processes, and ways of working to drive progress**. Gartner forecasts that worldwide IT spending will experience substantial growth of 8%, reaching a total of $5.1 trillion in 2024.[4] The Department of Defense alone has allocated $58.4 billion for IT and cybersecurity activities in FY24.[5] Despite outsized investments in new tools and technologies, 48% of A&D employees indicate that they do not feel like they have the right tools and resources to effectively and efficiently do their jobs. That number reaches 60% when you look at mid-career individual contributors. These employees were four times more likely to indicate that they did not feel empowered to influence the improvement of work processes and performance.

4. **Shortcomings in employee onboarding, learning and development, and career pathing result in lower engagement and contribute to higher-than-average quit rates, especially within the touch-labor population.** Our labor market survey highlighted that nearly half of A&D workers do not believe their companies provide them with the career mobility, advancement, and learning opportunities they seek. Recent research indicates that 50% of hourly employees quit within their first four months of employment, which results in a revolving door that impacts company productivity and bottom line profits.

5. **A divergence in experience between salaried and hourly workers is at the heart of a cultural divide within organizations.** Our market study indicates that 44% of non-exempt A&D employees do not believe that their company pays them fairly for the work they do. Additionally, 49% of non-exempt A&D employees do not believe that their company provides strong benefits related to health, welfare, and retirement. On the other hand, among exempt (or salaried) employees, there is broad agreement that they are paid fairly for the work they do (74%) and that their organization provides them strong benefits (80%). This dichotomy in perspective and experience could contribute to higher than average quit rates within the non-exempt population.

[4] "Gartner Forecasts Worldwide IT Spending to Grow 8% in 2024." Gartner, Oct. 2023, https://www.gartner.com/en/newsroom/press-releases/2023-10-18-gartner-forecasts-worldwide-it-spending-to-grow-8-percent-in-2024.
[5] "Defense FY 2024 IT and Cyberspace Activities Budget Outlook." GovWin IQ, May 2023, https://iq.govwin.com/neo/marketAnalysis/view/Defense-FY-2024-IT-and-Cyberspace-Activities-Budget-Outlook/7250.

AIA Employer Survey

Findings in our Employer Survey demonstrated a gap between what organizations understand about their exempt and non-exempt populations and how they are addressing talent management

Slight uplift in attrition can be attributed to non-exempt voluntary turnover and organizational "right-sizing"

Average Turnover	2022	2023	YoY Change
Total turnover	12.5%	13.0%	↑ 0.5
Voluntary	7.0%	6.3%	↓ 0.7

13.1% Non-exempt (hourly) total turnover
as % of total employed non-exempt

10.9% Exempt (salaried) total turnover
as % of total employee exempt

A&D organizations looking to improve retention of skilled trades workers should prioritize these factors

Primary drivers employees have referenced when leaving their organizations

Compensation & Benefits
Greater Responsibility
Switch Industries or Functions
Work More Flexibly
Lack of Community

0% 20% 40% 60% 80%
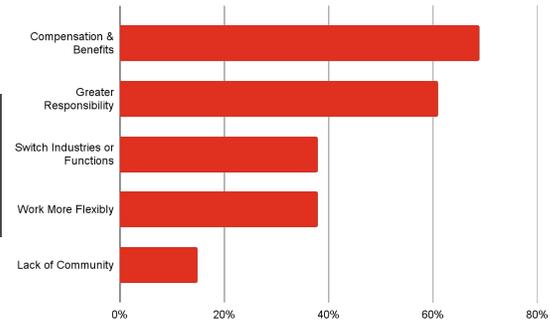
38% of employers found it more difficult to attract new employees relative to last year

48% drop in forecasted university (4-year degree) recruiting (FTE) from 2022 to 2023

Labor Market Study

PwC's 2024 Labor Market Survey provided interesting insights as to where the A&D industry has a chance to stand out in the race for talent, while also improving the perceptions of current employees

The A&D industry has an opportunity to build upon the mission and purpose of their organizations to attract talent

Respondents who **Strongly Agree or Agree** the A&D industry's value and purpose align with their own

Difference from all employees across all industries (dotted line) highlighted

Age Group	Difference
60-74 Years Old	+ 3 ppt
44-59 Years Old	+ 7 ppt
28-43 Years Old	+ 2 ppt
18-27 Years Old	- 3 ppt

0%   25%   50%   75%   100%
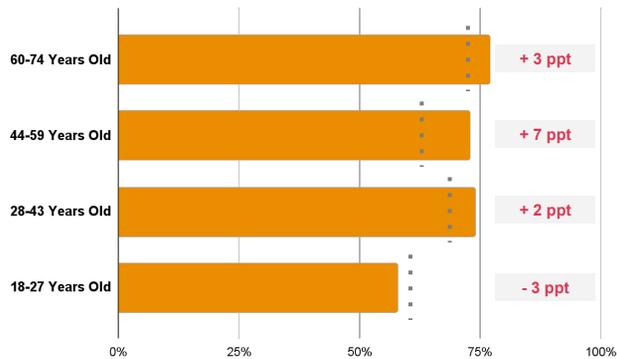
While continuing to build upon already well-received tangible and intangible benefits

% of A&D employees who **Strongly Agree or Agree** their company provides sufficient benefits in the following areas:

Learning Opportunities	**31%**
Health & Welfare Benefits	**36%**
Career Advancement	**34%**
Tools and Resources	**43%**

Addressing the Challenges

In this section, we share opportunities to address the gap between strong labor market perceptions of the industry and ongoing challenges related to attraction and retention of key talent.

Specifically, we highlight:

1. Empowering employees to improve the way work gets done

2. Reimagining the employee learning and development experience

3. Evolving the organizational employee value proposition to address the gap between exempt and non-exempt workers

4. Using strategic workforce planning and knowledge management tactics to future-proof your organization

Opportunity 1: Generating Employee Empowerment

The A&D industry's highly regulated nature can sometimes generate significant barriers to delivering products and services in an agile manner. Government regulations, security measures, and complex global supply chains frequently disrupt business processes. For example, the cost to drive compliance with government regulations continues to increase every year, with the federal regulatory burden now costing small manufacturers $50,000 or more per employee per year by some estimates.[6]

These regulatory requirements, coupled with rigid customer operating procedures and legacy tools and technologies, can restrain innovation and limit the empowerment of employees to drive change in process and ways of working.

While the regulatory nature of work isn't something that will go away, the federal government is signaling an interest in more agile acquisition approaches with initiatives such as Replicator. Also, organizations can reimagine how they leverage technology, partner across functions and with customers and suppliers, and empower more effective decision-making and bias for action through leadership capability development.

[6] "Regulatory Onslaught Costing Small Manufacturers More Than $50,000 Per Employee." Press Release, 25 Oct. 2023, https://nam.org/regulatory-onslaught-costing-small-manufacturers-more-than-50000-per-employee-29236/?stream=series-press-Releases
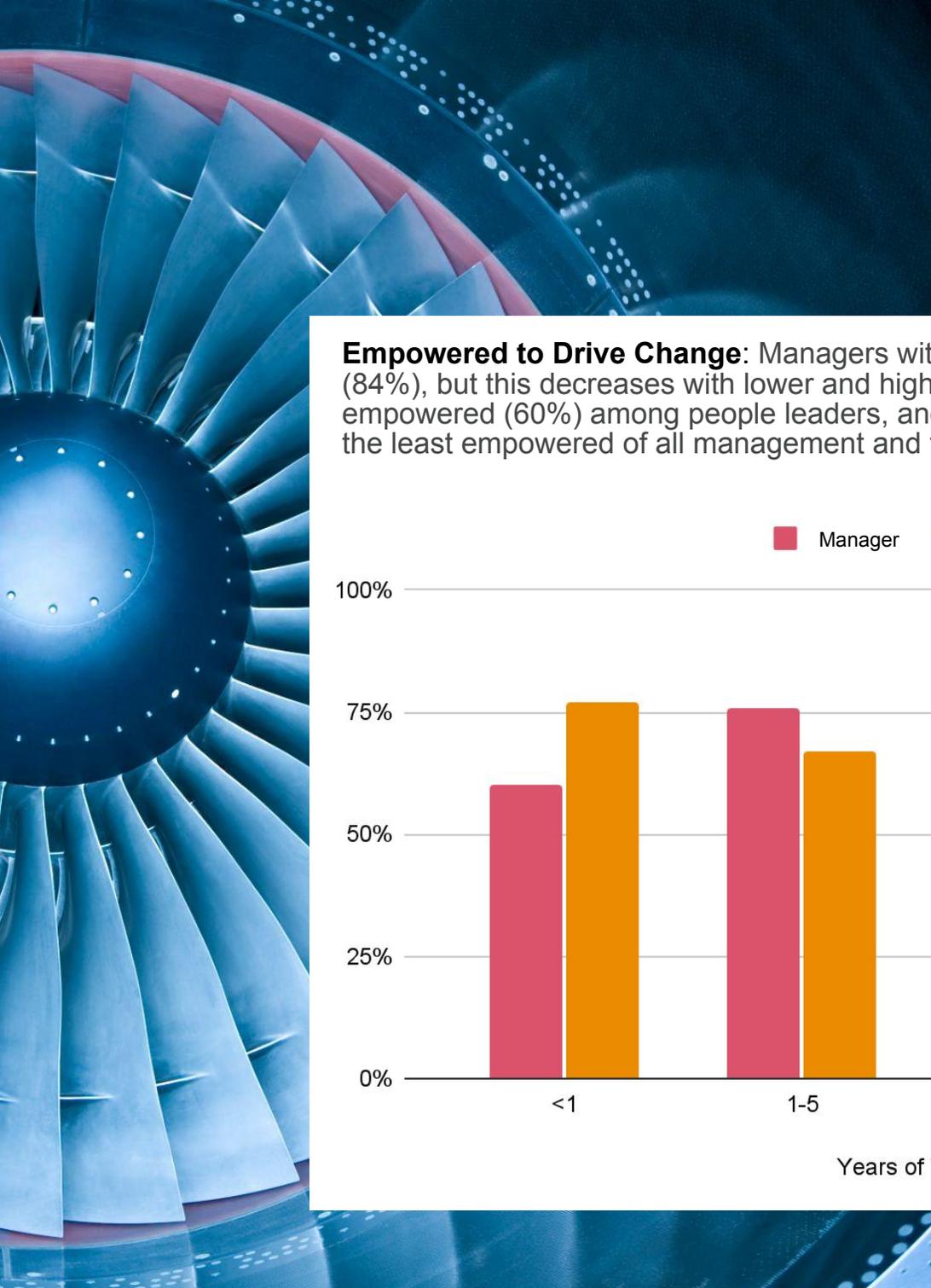
Empowered to Drive Change: Managers with moderate tenure (5-20 years) feel the most empowered (84%), but this decreases with lower and higher tenure. Managers with <1 year tenure feel the least empowered (60%) among people leaders, and individual contributors with some tenure (5-10 years) feel the least empowered of all management and tenure cohorts.

Years of Tenure
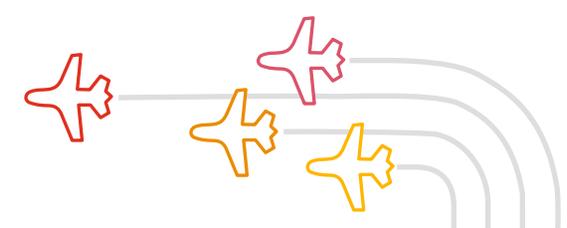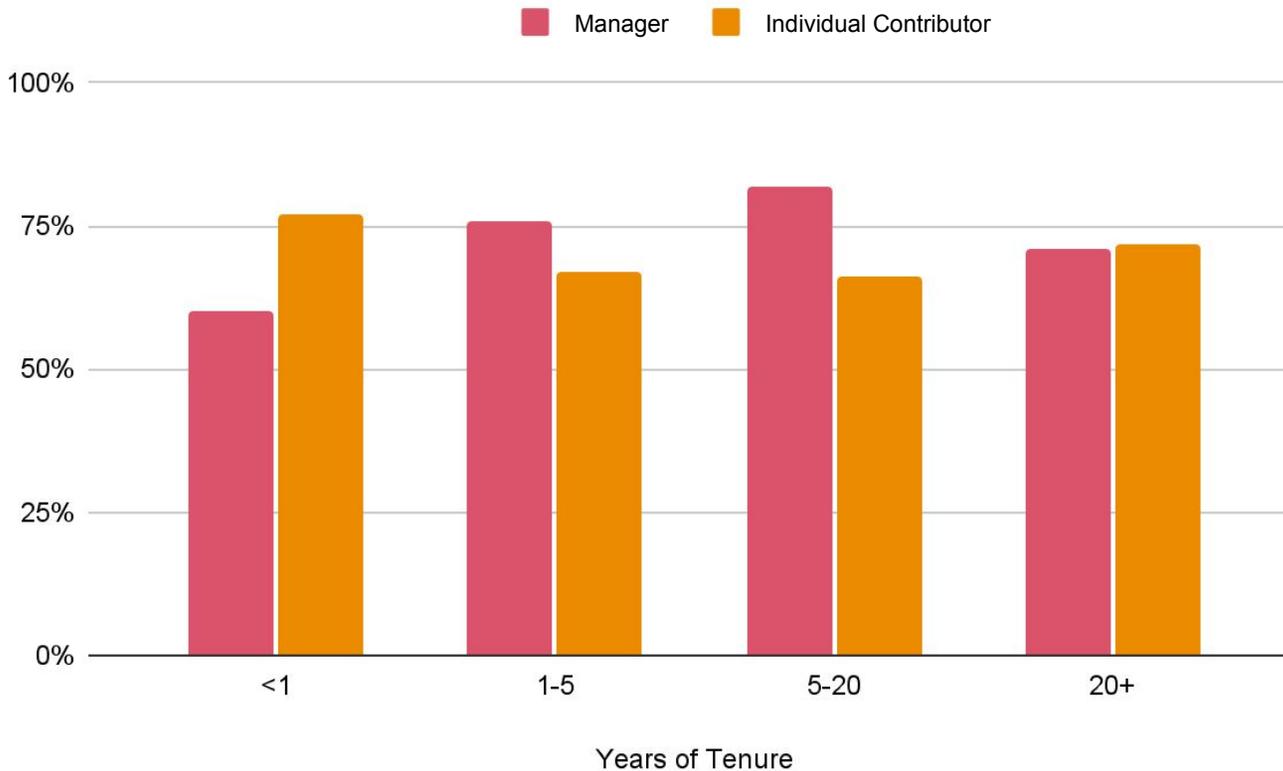
Leveraging technology-enabled business transformation to change the way work gets done

Our labor market study highlighted that 48% of A&D employees believe their organizations do not have the proper tools and technologies in place to support their roles.

A&D organizations can address ongoing constraints and workforce perception challenges by embracing new tools and technologies, enhancing their ways of working, and generating engagement within the workplace where feasible.

When used effectively, technology has the ability to empower employees; it can foster a mindset of continuous improvement and drive positive changes in behavior, ultimately leading to increased productivity.

A study by the International Data Corporation (IDC) found that companies offering frontline workers access to digital collaboration, process automation, and similar tools experience a 20% revenue increase due to improved productivity.[7]

Technology investments can reduce silos by providing platforms and tools that streamline communication and information sharing across different departments and teams. Updating systems can allow employees from various departments to collaborate on projects in real-time, which can break down barriers, facilitate cross-functional teamwork, and bolster employees' breadth of knowledge, all of which lend to the goal of growing employee capability and productivity.

This increased connectivity and collaboration can lead to the exchange of diverse perspectives and ideas, fostering innovation within the organization. Additionally, technology can automate manual processes and streamline workflows, freeing up time for employees to focus on more creative and strategic tasks, further enhancing the potential for innovation.

Today, many organizations are making sizable investments in their technology suites (e.g., cloud ERP and SCM infrastructure, data analytics and business intelligence tools) to enable more effective decision-making and proactivity. However, business readiness and workforce adoption remain a challenge as organizations fail to prioritize employee engagement in the design, configuration, and deployment of these new resources.

Approximately 70% of digital transformation programs fail. Organizations with effective leadership alignment, robust business readiness programs and change management, and embedded employee engagement throughout the transformation lifecycle are 4x more likely to achieve their business goals.[7] As you look to introduce new tools and technologies within your organization, prioritize change readiness and adoption in transformation initiatives. Your people will be more engaged and change the way work gets done for the better.

[7] Needham, Mass. "IDC Futurescape: Top 10 Predictions for the Future of Work." IDC, 6 Dec. 2023, https://www.idc.com/getdoc.jsp?containerId=prUS49931422

Empower decision-making by developing leadership capability within your organization

The A&D industry has an opportunity to promote employee-led innovation and process improvement by focusing on developing transformative leadership capabilities at all levels the organization.

Our labor market study indicated that only about half of managers and supervisors in the A&D industry feel empowered to drive change, compared to nearly 80% of people leaders across all other industries. Within operations and manufacturing functions, feelings of empowerment to drive change drop another 10 points, indicating that the challenges in ways of working permeate the shop-floor the most. In addition, only 40% of non-exempt or hourly supervisors feel the least empowered to drive change.

At its core, this lack of empowerment restricts potential for innovation and hinders the industry's ability to adapt quickly to evolving market demands. Empowered employees can drive the agility and adaptability needed to respond to changing market conditions and meet customer needs as they arise; those who feel limited in their ability and agency cannot.

Empowered decision-making and leadership capability building look different for each part of the organization. Indeed, the need for leadership capability is not only the domain of managers and supervisors; all members of an organization benefit from development opportunities focused on leading themselves, their work, and their contributions across the entire value chain. Of course, the development experience for, say, a finance individual contributor inevitably needs to look different than that of a welding supervisor.

In last study, we highlighted the importance of prioritizing leadership development activities amidst a new generation of post-pandemic people leaders. Specifically, our research indicated gaps in leadership competency - the ability to lead effective hybrid teams, drive effective collaboration and communication, and retain strong emotional intelligence. These skills are still just as crucial as they were a year ago. But what we've found in our engagement with clients, as well as our study of the labor market, is that a leadership capability gaps exists in the ability to lead and manage work products. Specifically, coaching leaders and staff alike to standardize and optimize their work to (1) reduce performance variability, (2) increase output without greater operating costs, and (3) realize the efficiency gains promised by new tools, technologies, and machines.

Too often in manufacturing organizations, unexpected roadblocks result in inefficiencies. A simple example of this is the inability to address machine downtime by reprioritizing other development or production activities.

The reality is that supervisors need the proper frameworks to drive effective work efforts. Simple interventions like the introduction of huddle boards, defined operating rhythms and associated KPIs, and problem-solving capability building can transform productivity and performance within an organization. The outcome is twofold: first, embedding leadership skills focused on "winning the day" through robust continuous improvement practices and data-driven decision-making drives team productivity and performance. Second, effective supervisors create a sticky experience for frontline labor, driving discretionary effort, retention, and loyalty to the organization.

According to Harvard Business Review, 80% of the average company's workforce is under the direct supervision of frontline managers, creating an imperative that these managers are skilled in managing both their teams and their bodies of work.[8] Frontline leader upskilling can also mitigate feelings of disempowerment that are common among manufacturing heavy organizations, as emphasized by the results of our workforce survey. Prioritizing investment in leadership capability in a way that tightly aligns with your business and operational goals can therefore improve your operational results while simultaneously driving empowerment within the organization.


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[8] Hassan, Fred, "The Frontline Advantage", Harvard Business Review, May 2011, https://hbr.org/2011/05/the-frontline-advantage#:~:text=Frontline%20managers%20directly%20supervise%20around,hall%2Dstyle%20meeting%20or%20two
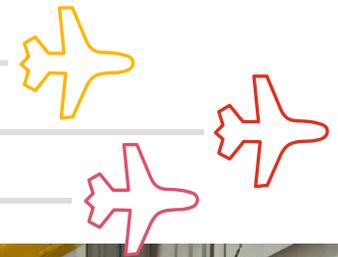
Transformative Leadership

A&D companies need leaders who:

- **Make sense of the world** as a basis for reimagining how the organization will create value in today's complex and dynamic environment
- **Set radical ambition**, committing to help address a significant problem and align the organization behind the need for fundamental transformation
- **Achieve the promised outcomes**, getting personally involved in re-configuring the system to enable the organization to go beyond what it knows how to do today and fulfill its ambition
- **Act as a catalyst**, attracting and bringing together the very different capabilities and talent needed to solve the problem they set out to address
- **Power the engines** so they and their teams grow, develop, and remain energized throughout the transformation

Make sense of the world

Set radical ambition

Achieve promised outcomes

Act as a catalyst

Power the engines
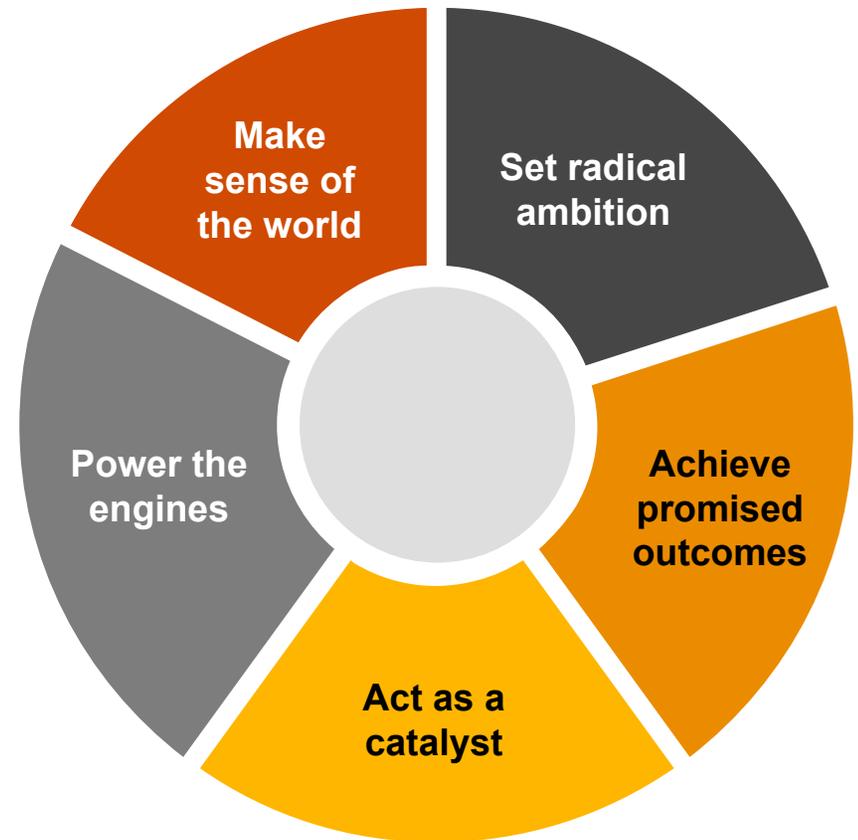
Enhancing collaboration to enable agility

Employees can lack empowerment to shift ineffective business processes that are due to customer, supplier, and government regulations or agreed-upon operating procedures. Discussions around employee experience within the sector continue to highlight an urgent desire to improve partnership with third parties, and within organizations, to meet strategic imperatives while simultaneously improving operational discipline.

Agility remains an issue within the aerospace, space, and defense sectors, and continues to drive high-performing individuals out of the sector. 55% of workers rated "being adaptable" as a critical skill needed in the next five years.[9] To foster improved agility and simultaneously create a better employee experience, organizations can:

1. **Enhance visibility and transparency:** Where appropriate, share information and data with third parties (i.e., customers and suppliers) to enable enhanced insights on program health. Leveraging data analytics will lead to supply chain visibility, which will mitigate risks and manage disruptions proactively and lead to stronger partnerships. With 7.1 million fewer people working in U.S. manufacturing jobs since 1979,[10] there is a greater need to empower the existing workforce to optimize business processes and overcome obstacles. 75% of companies already exchange data with customers, suppliers, or other companies and institutions, and demand for data exchange is expected to continuously increase.[11] Real-time sharing of data-driven insights can enable organizations to adapt to disruptions in the supply chain and improve their talent to support activities that can drive progress.

2. **Break down silos within your organization:** The siloed nature of many industrial organizations doesn't lend to collaboration across the enterprise to solve problems. In fact, 86% of employees report that the primary cause of workplace failures is the lack of collaboration or ineffective communication.[12] Where one business unit may be facing challenges with a supplier, another can lend expertise on alternative options. Functional teams like business development, manufacturing, IT, and finance should partner together from program inception through delivery and sustainment, not retroactively when

issues arise. Top talent want to work in settings where discrete challenges can be addressed through creativity and partnership. Create a culture of collaboration and unity, and provide the tools and technologies needed to enable it. Starting in 2022, the Department of Defense made this a priority. The interagency Supply Chain Disruptions Task Force successfully focused on breaking down silos and fostering collaboration between federal departments, agencies, and allies;[13] this sets an example for how A&D organizations can find new forms of collaboration within their own operations.

3. **Drive a culture of trust:** It doesn't require advanced tools to generate a culture of trust with third-party partners and within your own organization, but it is critical. In an environment characterized by ongoing disruptions in the supply chain, businesses can face significant setbacks if they fail to build authentic relationships with key suppliers, which is why 43% of executives say they have a plan focused on building trust with suppliers.[14] Effective communication and partnership must be a core tenet of engagement. More often than not, challenges can be remediated through positive collaboration and a customer-first mindset. Internally, it's critical to stand up cross-functional teams that include representatives from all parts of the organization (e.g., business development, manufacturing engineering, etc.) from the bid process to ensure that all expertise is considered in the pricing, scoping, and scheduling of work.

Externally, engagement should be proactive and thoughtful aligning on goals and tangible incentives for productivity between organizations early will enable effective problem-solving and agility.

In order to improve the employee experience and drive progress in the aerospace, space, and defense sectors, organizations need to prioritize collaboration, transparency, and trust. Sharing information with third parties, breaking down silos within the organization, and fostering a culture of trust can lead to enhanced agility and problem-solving. By addressing these challenges, organizations can create a better working environment and improve their operations.

[9] PricewaterhouseCoopers. "One in Four Workers Looking for New Jobs as Cost of Living Concerns Bite: PwC Global Workforce Hopes & Fears Survey." PwC, 20 June. 2023, https://www.pwc.com/gx/en/news-room/press-releases/2023/pwc-global-workforce-hopes-and-fears-survey-2023.html

[10] "National Defense Industrial Strategy." DOD, 2023, https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf

[11] PricewaterhouseCoopers. "Data Exchange as a First Step Towards Data Economy." PwC, Mar. 2018, https://www.pwc.de/en/digitale-transformation/data-exchange-as-a-first-step-towards-data-economy.pdf

[12] Hunkins, Alain. "The #1 Obstacle to Effective Communication." Forbes, 15 Sep. 2022, https://www.forbes.com/sites/alainhunkins/2022/09/15/the-1-obstacle-to-effective-communication/?sh=3d4a4b799fbc

[13] "National Defense Industrial Strategy." DOD, 2023, https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf

[14] PricewaterhouseCoopers. "Trust: the New Currency for Business." PwC, https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/trust-new-business-currency.html#:~:text=Practices%20that%20maintain%20a%20company,to%20defend%20it%20to%20others.
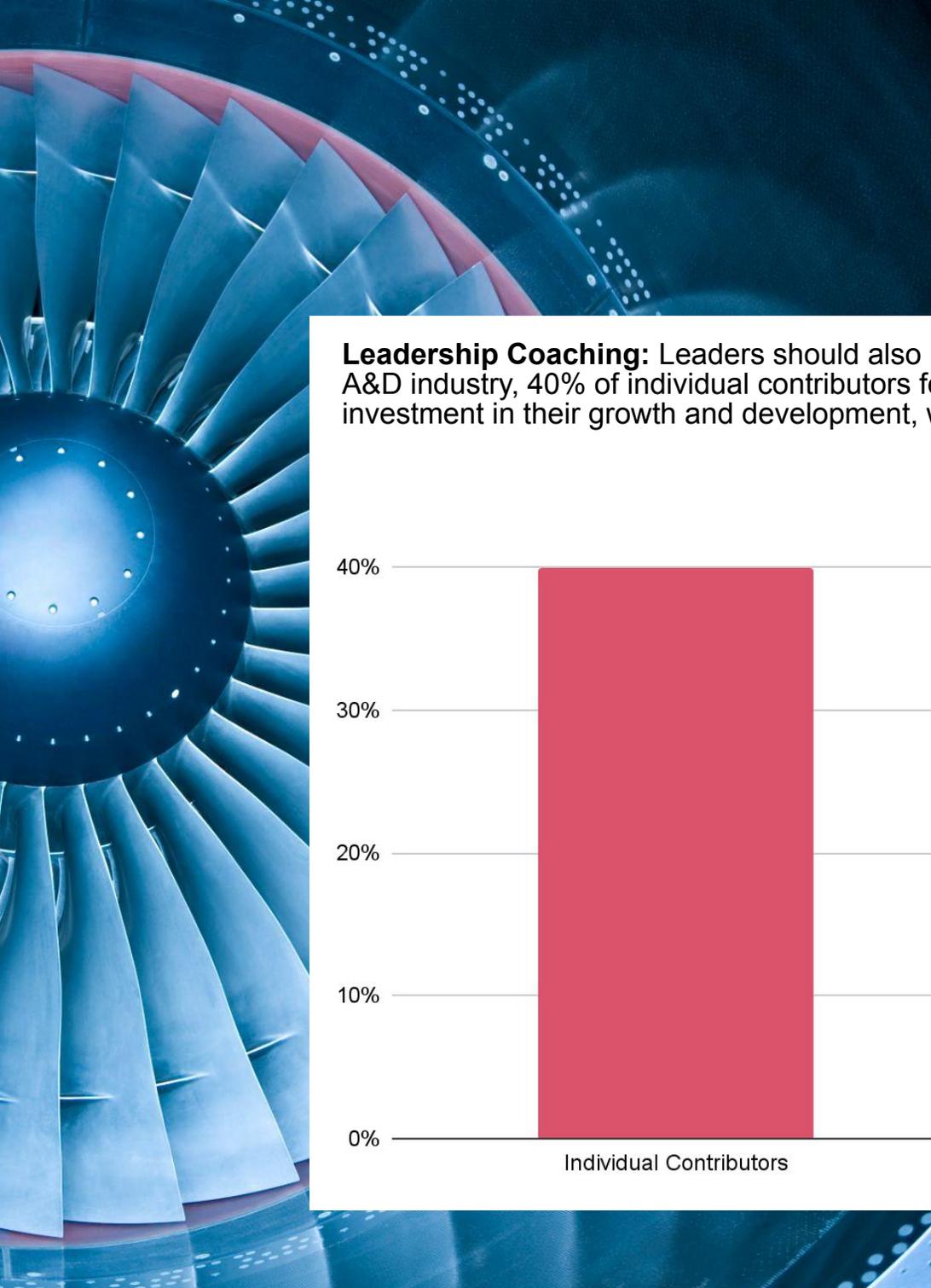
Leadership Coaching: Leaders should also be trained on how to informally coach others. Within the A&D industry, 40% of individual contributors feel that their managers have not made a personal investment in their growth and development, while only 33% of managers feel the same way
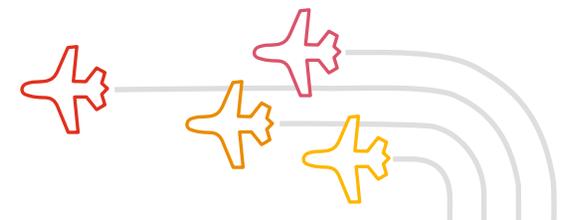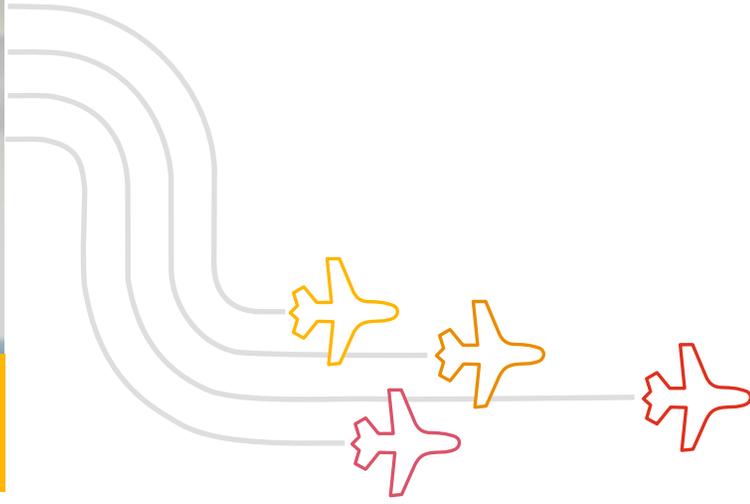
Opportunity 2: Reimagining employee development and skills growth

The past few years have been transformative for the labor market across all industries and geographies. Shifting employee desires, evolving employer expectations, and a change in working population demographics, as an estimated 30% of the U.S. civilian workforce is now part of Generation Z, have driven seismic change across the talent market.

Approximately 43% of the total A&D workforce has been with their current company for less than five years, highlighting that a key transition in the workforce DNA is taking place. These shifts have led to far-reaching implications across every stage of the employee lifecycle. Recognizing the need for stronger upskilling programs for new hires and seasoned staff alike, organizations continue to invest in employee development and skills to drive engagement; in the previous year's survey, 83% of AIA member organizations indicated some investment in upskilling. However, our study of the market indicates that this investment is not materializing into improved employee engagement. Our labor market analysis indicates two compelling points: (1) A&D employees were the least likely to believe

that their organizations provide learning opportunities and career advancement when compared to other industries, and (2) labor market participants perceived the A&D industry to be among the least attractive sectors for career growth, learning, and advancement opportunities.

Ongoing prioritization of real-time development is crucial to drive enhanced engagement and minimize attrition, especially for mission-critical roles within engineering and manufacturing.

Creating a culture of development through candidate and new hire engagement

Alleviating retention and attrition challenges within an organization start before employees even set foot on a site. Onboarding employees has always been critical to the success of the organization, but the recruiting experience itself is paramount to creating a lasting impression of workplace culture. One in five hourly employees don't even show up for their first day of work.[15] With the ongoing labor shortage, especially in manufacturing, it's critical that new hires can immediately start producing value for teams. Employees who aren't engaged immediately can even cost their organizations almost one-fifth of their annual salary.[16] This continues to be even more true for non-exempt employees, where a good onboarding experience is paramount to driving first-year retention given that 50% of hourly employees quit within the first four months.[17] Employees who have a great experience in the first 90 days are 10 times more likely to stay;[18] given that it can take new hires up to 12 months to become fully productive, the case for an effective onboarding and new hire skill development experience is clear.

Designing a leading onboarding differs for each organization and function. No matter what, organizations need to reimagine onboarding as an experience rather than a set of tactical processes. Today, most organizations give the average new hire more than 50 "tasks" to complete. While there are transactional activities that need to be completed, identify opportunities to front-load those before an employee starts their first day; look to focus all parts of onboarding on business strategy and core job skills needed to drive effectiveness.

Specifically, organizations should:

Tie onboarding back to the business strategy:

Start with purpose and mission. Given the strong market perception of the industry's mission, the onboarding experience should consistently tie back to the company's value proposition and how the new employee's discrete efforts contribute to the mission.

Create a tailored, sticky experience focused on skill development:

Onboarding should be considered a part of the larger employee development process and expanded over months, rather than days. No matter the function, new hires need to learn how to lead their responsibilities in a new business environment. Build role-specific onboarding plans by identifying the key skills and competencies a successful employee should possess. These competencies should be directly measured throughout the employee's career via the ongoing talent management and performance development experience.

Conduct regular improvement reviews:

Evaluate the effectiveness of the onboarding experience. Leverage an ongoing pulse of the new employee, his or her supervisor, and other functional team members to determine adjustments to the experience. Introducing agility into the onboarding experience will enable new hires to be more successful on their teams and will serve HR and teams with valuable insights to adjust for future new hires and cohorts.

Enhance through tools, don't replace:

Enhance the employee experience through onboarding tools that can quickly and easily provide solutions for new joiners, as opposed to allowing digital experiences to replace the aspects of onboarding that employees enjoy the most. Person-to-person engagement and coaching can't be replicated via web-based modules.

Employees who have exceptional onboarding experiences are 2.6 times more likely to be extremely satisfied with their organization.[19] Effective onboarding can improve new hire retention by 82%.[20] Despite this, in the last few years, only 12% of U.S. employees believed that their organization does a good job of onboarding new employees, as well as nearly one in five employees reporting that they either had a poor experience or none at all.[19] Ultimately, creating a sticky, memorable, and productive onboarding experience for your employees will enhance retention, improve perspectives on learning and development, and provide your employees with the capability to execute their job responsibilities at the highest level.

[15] Lewis, Liz. "The Ghosting Guide: An Inside Look at Why Job Seekers Disappear." Indeed for Employers, 26 Aug. 2019, https://www.indeed.com/lead/ghosting-guide
[16] Herway, Jake. "Increase Productivity at the Lowest Possible Cost." Gallup Workplace, 15 Oct. 2020, https://www.gallup.com/workplace/321743/increase-productivity-lowest-possible-cost.aspx
[17] Krauss, A. D. (2010), Onboarding the hourly workforce. Presented at the Society for Industrial and Organizational Psychology (SIOP), Atlanta, GA
[18] "Onboarding Studies." Work Institute, https://workinstitute.com/engagement-retention-services/onboarding-studies/
[19] Wetherell, Emily and Nelson, Bailey. "8 Practical Tips for Leaders for a Better Onboarding Process." Gallup Workplace, 12 Aug. 2021, https://www.gallup.com/workplace/353096/practical-tips-leaders-better-onboarding-process.aspx
[20] Laurano, Madeline. "The True Cost of a Bad Hire: https://b2b-assets.glassdoor.com/the-true-cost-of-a-bad-hire.pdf

Redefining what "effective upskilling" looks like within your organization

Leaders understand the benefits of upskilling: 93% of CEOs who introduce upskilling and reskilling programs have seen increased productivity, improvements in employee retention and engagement, and a more resilient workforce.[21] More than 83% of AIA member organizations identified new investment in upskilling and reskilling in 2023.[22] Despite this, employees are disengaged or don't understand the opportunities available to them. As mentioned, A&D employees are the least likely to believe their organizations offer learning and development opportunities. More than one-third of all A&D employees specifically believe that their company does not provide them adequate learning opportunities to develop the skills they will need for the future.[23]

Our observations of the market indicate a few opportunities to improve and reprioritize upskilling:

1. **Leverage a combination of learning modalities**: This seems obvious, but with competing priorities and challenges filling critical roles, it's a lot easier to point employees to web-based courses for development. Effective learning for foundational skills leverages a combination of asynchronous and synchronous, on-the-job upskilling. For emerging skills within an organization, it's even more critical to set aside time for instructor-led and on-the-job upskilling sessions with knowledgeable specialists.

2. **Rethink tools and technologies**: Organizations continue to make large investments in L&D tools to provide eLearns and custom web-based modules for their employees. More often than not, these tools turn into a repository instead of a set of curated, role-based pathways. Functional and HR leaders must work together to create custom learning pathways for each end user group that prioritize both (1) current skill development and (2) future-focused competencies for each job profile. At PwC, we leverage an adaptive learning platform that combines hands-on experiences and curated content to grow foundational and future-focused skills. Effective tools should be scalable and adaptable to directly tie learning needs to business outcomes.

3. **Embed learning within your culture**: All the tools in the world won't shift employee perceptions if the organizational culture doesn't cultivate continuous learning. Upskilling should be championed by HR and business leaders alike from top to bottom. Participation in ongoing learning experiences and new skill development can be measured as part of an employee's performance review experience to highlight upskilling and reskilling as an organizational priority. Gamified learning can create friendly competition that encourages workplace community building and ongoing development. It is important to focus on long-term benefits over short-term cost savings; while these efforts may be viewed as 'unallowable' costs, organizations can reap the long-term benefits of a highly skilled workforce by prioritizing the development of employees' skills and knowledge.

71% of employees say training and development increased their job satisfaction.[24] The United States alone is expected to lose out on $8.5 trillion in unrealized revenue from the skills gap and talent shortage by 2030.[25] Prioritizing upskilling and reskilling is no longer a nice-to-have for organizations but a necessity for meeting current customer requirements and developing the new products and programs that will drive future business growth.

[21] PricewaterhouseCoopers, "Navigating the Rising Tide of Uncertainty: PwC's 23rd Annual CEO Survey." PwC, 2020, https://www.pwc.com/gx/en/ceo-survey/2020/reports/pwc-23rd-global-ceo-survey.pdf
[22] AIA Employer Survey 2023 - PricewaterhouseCoopers. "2023 AIA Employer Survey", PwC, 2023
[23] AIA Employee Study - PricewaterhouseCoopers. "2023 AIA Employee Survey.", PwC, 2023
[24] "The American Upskilling Study." Gallup,9 Sep. 2021, https://www.gallup.com/analytics/506696/amazon-research-hub.aspx
[25] PricewaterhouseCoopers. "The Lost Workforce: Upskilling for the Future." PwC, 2019, https://www.pwc.com/m1/en/world-government-summit/documents/wgs-lost-workforce.pdf
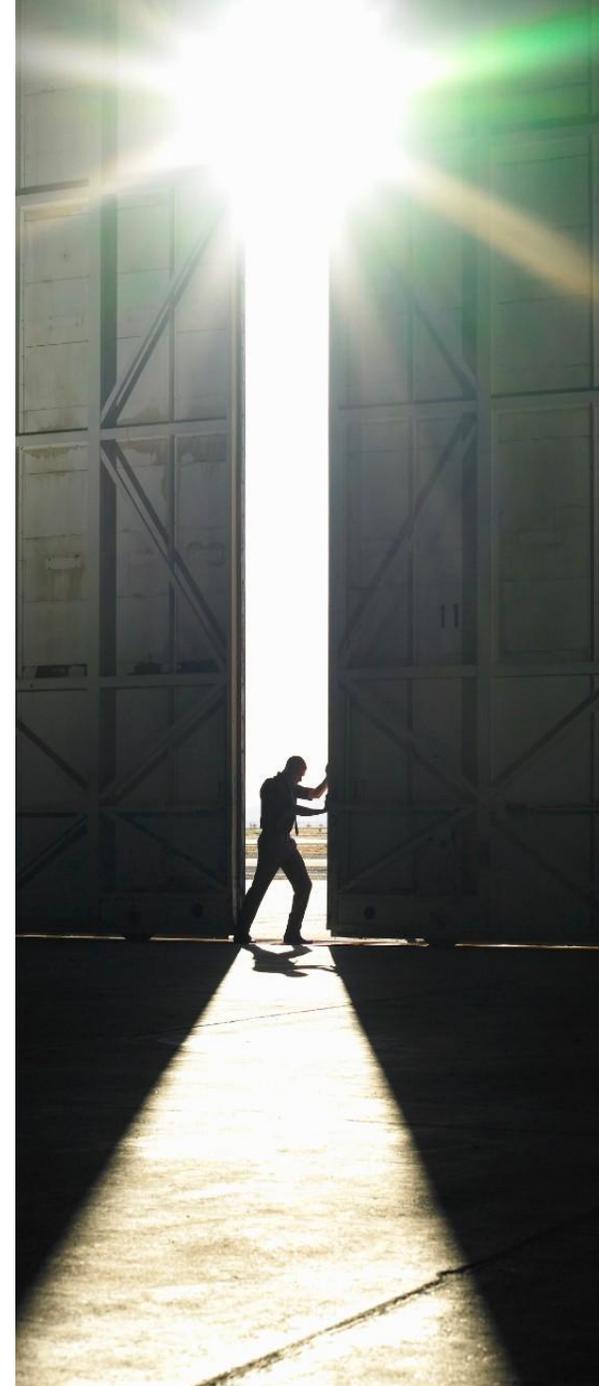
Building a culture of real-time development to drive engagement

Ongoing feedback and development play a pivotal role in driving employee engagement and retention. Our labor market study highlights that one in three A&D employees believe their managers or supervisors do not engage in feedback to support their ongoing learning, development, and performance. A feedback-oriented culture reduces attrition and drives effective engagement, because employees who receive meaningful, real-time feedback are four times more likely to feel engaged at work.[26] Organizations that prioritize real-time development are also more likely to achieve their financial and operational goals.[27]

Traditional performance management processes focus on individual performance and leverage retroactive reviews to deliver feedback. Effective performance measurement is just-in-time and team-centric:

Traditional Performance Management…	Effective Performance Management…
Focuses on individual performance	Focuses on team performance with some individual metrics
Creates a culture of competition	Creates a culture of collaboration through team goals
Engages fear systems to drive behavior	Engages real-time feedback seeking systems
Leverages managers or HR to drive feedback retroactively	Empowers employees to seek ongoing real-time development
Sets ambiguous goals that are hard to measure	Leverages clear and transparent goals that are tied to business strategy and individual career goals
Maintains a strict yearly or bi-yearly cadence	Delivers feedback in a just-in-time, continuous improvement manner

Successful organizations prioritize the talent experience by creating development experiences within a feedback-rich environment. From the first day an employee sets foot in an organization, he or she should be able to effectively define how his or her skills, job responsibilities, and performance will contribute to both team and organizational goals. In parallel, supervisors and managers should be skilled in delivering effective, tangible, and actionable real-time feedback to staff. The outcome is a more engaged workforce and progress toward operational goals.

[26] Mclain, Denise and Nelson, Bailey. "How Effective Feedback Fuels Performance." Gallup, 1 Jan. 2022, https://www.gallup.com/workplace/357764/fast-feedback-fuels-performance.aspx
[27] "Performance Feedback Culture Drives Business Impact" Instiritue for Corporate Productivity (i4cp) and Center for Effective Organizations (CEO), 2019, ttps://ceo.usc.edu/wp-content/uploads/2019/07/Performance-Feedback-Culture-Drives-Business-Performance-i4cp-CEO-002-1.pdf

Opportunity 3: Evolving the employee value proposition (EVP)

Organizations continue to curate their hiring and retention tactics by job profile. Despite this, there is an ongoing divergence in perception and experience between touch labor and salaried, back-office staff members.

In our market study, we evaluated perceptions of the labor market by asking individuals to indicate whether they were exempt (salaried, with no overtime pay) or non-exempt (hourly, eligible for overtime pay and covered by Fair Labor Standards Act). Approximately 46% of A&D employees are non-exempt; these job profiles include technicians, machinists, quality inspectors, and other shop floor, manufacturing, and operations employees. Exempt employees are typically found in back-office functions like finance, legal, or HR; some engineering and supply chain employees may also be classified as exempt.

It's critical to evaluate A&D employees by their job profiles to see the chasm taking place between these two key employee groups. Despite extensive industry efforts to curate an employee value proposition focused on flexibility, competitive pay, and leading benefits, nearly 40% of non-exempt employees do not believe their companies pay them fairly for the work they do; similarly, 37% of them don't believe that their companies provide strong benefits related to health, welfare, or retirement.

Why does this matter? With higher-than-average turnover and disengagement within the sector, customizing the employee value proposition for different job profiles within an organization is particularly critical to drive retention. Moreover, organizations can do this and cut costs at the same time.
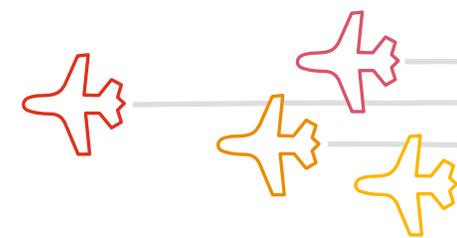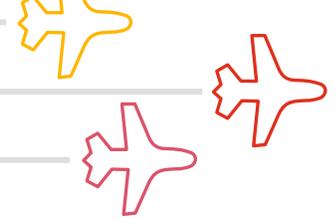
Leveraging data to curate an EVP for each part of your organization

The new employee experience invites, empowers, and inspires. It connects meaningful work to those who seek it, balances the needs of the individual, the business, and the customer, and is centered on mutuality and trust.

Our 2023 frontline worker study highlighted a 22% perceived gap in employee engagement between frontline employees and desk workers. To solve this, organizations have an opportunity to curate the employee value proposition - also known as an organization's promise to its employees - based on the unique job profiles, demographics, and tenure.

EVP encapsulates the physical, financial, and psychological experiences that an employee *should* have at work. Workforce well-being is crucial for employees to execute their jobs effectively. Without it, the ideas of cost, capacity, and compliance will likely not succeed, as employees will lack the necessary fuel to fulfill their responsibilities in supporting these crucial dimensions.

To redefine your EVP, start with listening - engage your key stakeholder groups from executives to plant managers to understand what specific desires and challenges they experience at work. This builds a culture of trust-based leadership and enables leaders to identify inconsistencies in the employee experience. This will also help you identify where the EVP needs to be customized for various employee groups. From there, evaluate the unique workforce needs across four pillars for each key persona group.

Source: Sethi et al.

This persona-based approach will enable you to craft a set of workforce values and experiences that can drive greater connectivity and reduce attrition. Just as organizations pulse employees to measure engagement, the same approach can be applied to total rewards. Advanced preference analytics can enable organizations to gather data from all employee types and make decisions that not only curate the total rewards experience, but enable organizations to improve and cut costs in a time where labor expenses are consistently rising. A&D organizations can gather data from both exempt and non-exempt employees and explore the elements of the employee experience they value most to better align their budgets and benefits packages to their workforce's preferences[28].
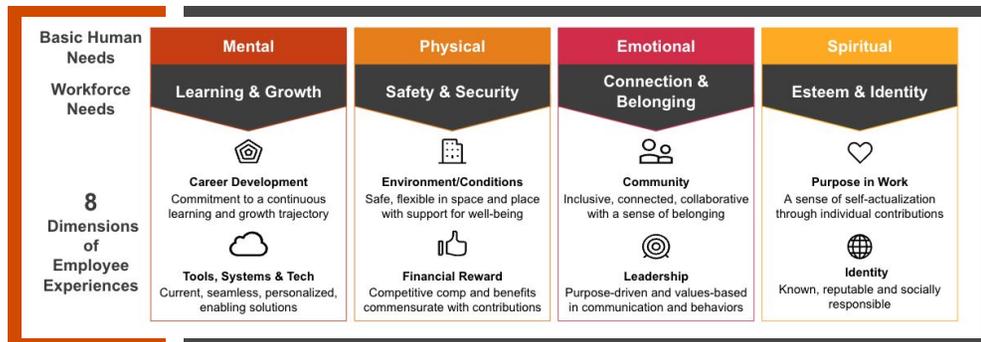
How could this look? Hourly employees often prefer cash in hand in lieu of retirement contributions[29] due to its flexibility. On the flip side, while tenured, salaried employees within the industry are more likely to believe they are paid fairly for the work they do, many still express disconnect between the offerings their leaders prioritize and what they really seek[30]. These specific perspectives vary widely across organizations and industries and each workforce's unique needs should be evaluated to effectively close the gap between employer perception and employee expectations.

Across each well-being dimension (mental, financial, physical, and psychological), organizations have an opportunity to improve. In other words, it's not about generating more offerings for employees, but aligning offerings based on what employees truly value.

[28] PricewaterhouseCoopers. "PwC Preference Center". PwC, https://www.pwc.com/us/en/preference-center.html
[29] Miranda, Dana and Bottorff, Cassie. "Hourly Wage vs. Salary: Differences, Pros & Cons" Forbes Advisor, 21 Jul, 2023. https://www.forbes.com/advisor/business/hourly-wage-vs-salary/
[30] PricewaterhouseCoopers. "The Future of Work. What Workers Want: Winning the War for Talent." PwC, 2021. https://www.pwc.com.au/important-problems/future-of-work/what-workers-want-report.pdf
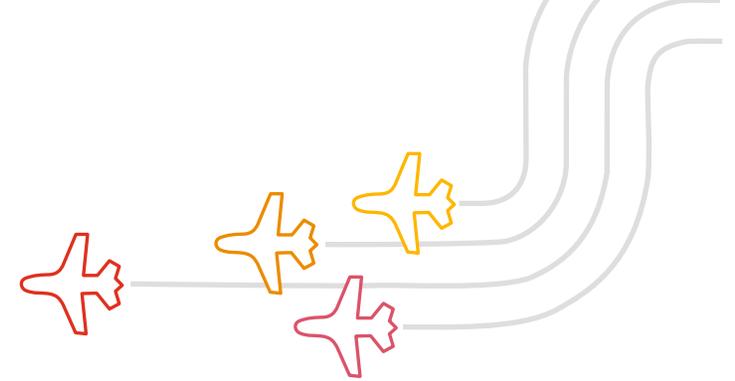
Financial

1. **Competitive salaries**: Create fair and competitive employee salaries based on industry standards and job responsibilities.
2. **Performance-based pay incentives**: Implementing performance-based pay incentives, such as bonuses or commissions, can help motivate employees to achieve their goals regardless of their status (exempt vs. non-exempt).
3. **Financial education and counseling**: Providing financial education programs or access to financial counseling services can help employees better manage their finances, reduce stress, and make informed decisions about their money.
4. **Retirement plans**: Offering retirement plans, such as 401(k) or pension schemes, can support employees in saving for their future and provide them with a sense of financial security.
5. **Flexible compensation packages**: Provide flexible compensation packages that allow employees to choose benefits that suit their individual needs, such as healthcare plans, life insurance, or flexible spending accounts.
6. **Employee stock ownership plans (ESOPs)**: Implementing ESOPs can give employees an opportunity to own a stake in the company, aligning their financial interests with the organization's success.
7. **Financial wellness programs**: Introduce financial wellness programs that provide resources, tools, and workshops on budgeting, debt management, and investment strategies.

Physical

1. **Flexible work arrangements**: Balance flexible work options, such as remote work or flexible hours, with the needs for in-person time. This can allow employees to better balance their work and personal lives, reducing stress and improving their physical well-being. For frontline employees, shift-bidding, compressed workweeks, and predictable scheduling can allow them to feel some semblance of flexibility over their schedules.
2. **Health and wellness programs**: Implement health and wellness programs that promote physical activity, healthy eating, and stress management. This can include initiatives like fitness challenges, nutrition workshops, or mindfulness training.
3. **Health insurance coverage**: Offer optionality in health insurance coverage, recognizing that different segments of your employee population may have different preferences for their health and welfare benefits.

Psychological

1. **Mental health support**: Providing access to mental health resources, such as counseling services or employee assistance programs, can support employees in managing stress, anxiety, and other mental health challenges.
2. **Recognition and appreciation**: Implementing recognition programs that acknowledge and appreciate employees' efforts and achievements can boost morale, motivation, and overall job satisfaction.
3. **Professional development opportunities**: Offering opportunities for professional growth and development, such as training programs, mentorship, or career advancement pathways, can contribute to employees' sense of fulfillment.
4. **Employee engagement initiatives**: Implementing initiatives that encourage employee engagement, such as team-building activities, social events, or cross-functional projects, can foster positive relationships and a sense of belonging within the organization.
5. **Meaningful work**: Confirming that employees understand the purpose and impact of their work can enhance their sense of fulfillment and motivation. Within a mission-oriented organization, this is an easy way to tie daily efforts to meaningful outputs.

Investment in employee preference analytics to curate the employee value proposition has been shown to lower cost per employee by $1,000-$3,000 per employee each year.[31] Organizations can both improve their offerings and cut HR spend while simultaneously creating a more inclusive workplace experience. This could ultimately help remediate challenges related to attraction and retention of critical talent.

[31] Employee Preference Analytics Overview - "2023 Preference Analytics", PwC, 2023"

Opportunity 4: Reprioritizing workforce planning across the value chain

As we have discussed previously in this report, data from the A&D workforce over the last few years suggest that it is reaching an inflection point when it comes to the tenure, age, and breakdown of employees. The industry must prioritize efficient workforce planning to deliver on existing programs and address customer growth priorities. An underlying impact from the lack of workforce planning is the inability to attract the employees that need to properly replace the employees that are leaving A&D organizations either due to retirement from the workforce or voluntary attrition to other organizations.

There is a troubling sign in the age distribution of A&D organizations as 7% of respondent employees are under 25 years old and 25% are 56 or older. From a tenure perspective, in 2023, 43.3% of the total workforce had been with their current company for less than five years, a 1% increase compared to the previous year. While this trend continues, employers may lose their chance to make up for the exodus of legacy talent[32].

Inclusion metrics also highlight that the industry remains behind other industries in matching the demographics of the U.S. working population. In the 2023 AIA Employer Survey, the respondent organizations fell behind the U.S. working population as a whole:

	AIA Employer[32]	U.S. Working Population[33]
Male	75.4%	53.2%
Female	24.6%	46.8%
White	64.5%	77%
Black/African American	7.2%	13%
Hispanic/Latino	11.0%	18%
Asian	13.2%	7%
2 or More Races	2.9%	2%

[32] AIA Employer Survey 2023 - PricewaterhouseCoopers. "2023 AIA Employer Survey", PwC, 2023
[33] "Labor Force Characteristics by Race and Ethnicity, 2021". U.S. Bureau of Labor Statistics, Jan. 2023, https://www.bls.gov/opub/reports/race-and-ethnicity/2021/home.htm

Drop-off in areas including the gender breakdown, Black/African American, and Hispanic/Latino employees; this will inevitably continue to present areas of opportunity to enhance representation in the A&D labor population, especially as the U.S. Census projects that the working population will be majority non-white population by 2060.[34]

Organizations see the need for a workforce strategy and investments in the development of their workforces for future needs. In response to overall employee listening and workforce planning activities, respondent organizations are placing greater emphasis on developing an overall workforce strategy (69.2%) and investing in upskilling and reskilling the workforce to meet evolving work and technology requirements (69.2%). This is directly in line with 2022's results, where nearly every respondent believed developing a workforce strategy and plan to help establish necessary talent and skills to match future business needs was the most crucial aspect. The A&D employee population is reaching an alarmingly older and tenured makeup disproportionate to the current population at large.[35] Given this, there is no time like the present for these commitments as employees continue to seek out organizations that invest in their success. How can employers address a problem that is so pervasive and impacts every aspect of their workforce as a whole?

Expanding workforce planning efforts

HR organizations recognize the critical need to expand workforce planning; our experiences in industry highlight an ongoing opportunity to drive a more integrated, cross-functional approach to address current state and future state labor and resource requirements. Establishing a center of excellence or centralized resource can be foundational to creating cohesion and better enable cross-functional understandings of current state needs. Connecting the right stakeholders in the planning process and environment is critical to the success, which can also help drive alignment of strategic needs, financial implications, and talent plans. This can also help drive a shared understanding of strategic requirements across HR, finance, and the business.
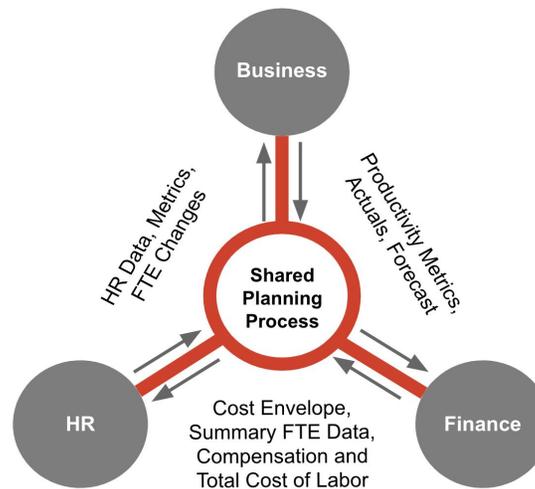
Critical aspects of effective workforce planning includes anchoring efforts on skills and competencies that can be informed by data, rather than backward-looking roles. Roles will likely change so tangible skills will allow for anticipation of future needs based on shifts in objectives and trends, with a true understanding of what that looks like across the organization. Additionally, organizations should plan scenarios that identify core "no-regrets" roles for the future and prioritize the attraction and retention of these roles. Leaders can recognize and incentivize pivotal roles and skills by identifying key positions and competencies critical for the sustained success of the company to properly staff, compensate, and support their growth. By continuously evaluating and improving their workforce planning strategies, companies can confirm they have the right people with the right skills, increasing productivity.

[34] Vespa, Jonathan, Medina, Lauren, and Armstrong, David M. "Demographic Turning Points for the United States: Population Projections for 2020 to 2060." United States Census Bureau, Mar. 2018, https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf
[35] AIA Employer Survey 2023 - PricewaterhouseCoopers. "2023 AIA Employer Survey", PwC, 2023
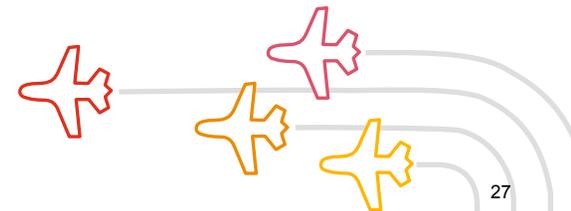
PwC views successful workforce planning through embedding a cyclical approach into ongoing business planning processes:

This model requires continual monitoring of progress to help keep the action plan on target with the business strategy and can incorporate DEI into existing planning processes to address key representation gaps. This will enable a firm desire to expand diversity across all aspects to prepare for a younger, more diverse workforce. The six steps include:

1. **Step 1: Articulate the business strategy and talent demand needs**
   a. Analyze business strategy to identify talent needs
   b. Diagnose the organizational genome—the attitude, ethos, and culture of the organization
2. **Step 2: Model future needs for talent and skills**
   a. Identify and inventory skill and competency requirements necessary to support the business strategy
   b. Project future need for talent, timing, expertise, and location
3. **Step 3: Analyze talent supply and conduct gap analysis**
   a. Assess talent pool against competency models
   b. Analyze market trends
   c. Compare your compensation strategy and value proposition to the market and competitors
   d. Conduct talent gap analysis
4. **Step 4: Identify and develop plans to remediate talent gaps**
   a. Develop talent acquisition strategy and plan for remediation
   b. Conduct scenario planning
   c. Validate talent strategy and action plans with business leaders
5. **Step 5: Implement strategic workforce plans**
   a. Implement plan and governance structure
   b. Identify risks or issues as they arise and mitigate where possible
   c. Prepare for the next regularly-planned cycle or trigger-based occurrence
6. **Step 6: Monitor impact and progress; make revisions as needed**
   a. Identify key metrics
   b. Identify dashboard technology platform
   c. Launch monitoring effort
   d. Provide regular updates to the business

Reprioritizing knowledge management to support workforce transitions

The presence of proper knowledge management and understanding of the skills / capabilities currently at your organization can be critical to long-term success, especially as employees depart or retire, or as new needs are identified.

Knowledge management is not just the presence of a product lifecycle management tool, an annual "knowledge audit" or document repository. Instead, it is a systematic means to document the capabilities and activities currently underway in your organization that can drive strategic goals of the business. It is a forward-looking activity that enables organizations to (1) improve the way work gets done; (2) assess gaps in resources to get work done; and (3) enable effective cross-skilling of existing resources and upskilling of new resources. In short, effective knowledge management unlocks the keys to program ramp-ups and ramp-downs as required.

There are multiple ways organizations can address knowledge management while also creating opportunities to leverage existing talent at an organization:

Option 1 - Redefining processes

The largest undertaking that may lead to the longest term solution would be redefining the way processes are completed today to establish a new way of working that facilitates cross-training and easy to adopt tasks. Instead of trusting the way something has always been done as the most effective way to do it, this approach allows for an end-to-end overhaul of operations that enable the future of the business as a whole. By emphasizing a documentation based process redefinition and allowing employees to learn the discovery and definition of the new "modules," you can instill a culture of getting the documentation right, while laying the foundation for the future of the organization that doesn't need to rely on the institutional and implicit knowledge built up over decades of service. When redefining processes, it's critical to generate buy-in with key stakeholders early and often - whether those be customers, suppliers, or other internal teams - to improve processes in a mutually beneficial manner.

Option 2 - Documenting existing processes

This effort could include leveraging manual tools (e.g., process maps, working documents) or implementing technologies onto the floor (e.g., VR/AR headsets, recording) to map out each individual step that is required today to complete an end-to-end process. While this is time consuming, this can serve as a system of record for programs moving from development to production, or for long-term programs where attrition remains a challenge.

Option 3 - Knowledge recapture

Many organizations have begun to leverage the talents of near retirement employees to drive coaching and knowledge transfer. In some cases, retirees can slowly ramp down to part-time and reprioritize their efforts on documenting knowledge and coaching less tenured employees. This also enables organizations to formalize the tacit knowledge that exists within the tenured workforce before they retire.

Effective knowledge management generates organizational resilience while engaging employees in new ways. It can drive greater efficiency as individuals have access to the data and processes necessary to make informed decisions and drive programs forward. Most importantly, it saves time - new hires can add value more quickly and tenured employees can prioritize optimizing work.
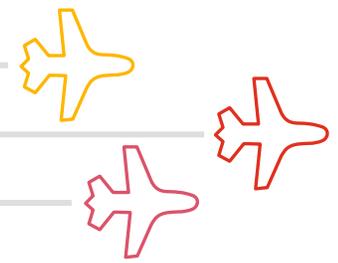
In Closing

We are encouraged by improving market perceptions of the industry, driven by the innovative nature of A&D organizations amidst ongoing geopolitical conflict and economic volatility. As employers continue reimagining the future of work, prioritizing employee engagement and developing curated employee value propositions fit for the unique worker profiles within an organization will be critical to ameliorating the outsized challenges of ongoing attrition and retirements.

Appendix A: AIA Employer Survey Additional Findings

Appendix B: Labor Market Study Additional Findings

Appendix C: PwC's A&D Industry Solutions

Appendices

Appendix A:

AIA Employer Survey Additional Findings

Turnover and Attrition

Turnover:
Deeper analysis on year-over-year turnover rate, coupled with an explanation based on 2023 results

The highest rate of attrition is involuntary through RIFs or Restructuring; of the voluntary departures the most significant reasons are due to 1) Compensation & Benefits, 2) Desire for Greater Responsibility, and 3) Desire to Work More Flexibly

Average Turnover	2022	2023	Projected YoY Change
Total turnover	12.49%	12.95%	↑.46%
Exempt	-	10.90%	-
Non-Exempt	-	9.09%	-
Voluntary	7%	6.31%	↓.69%
Involuntary (RIFs + Restructuring)	-	10.63%	-

Methods to Decrease Turnover
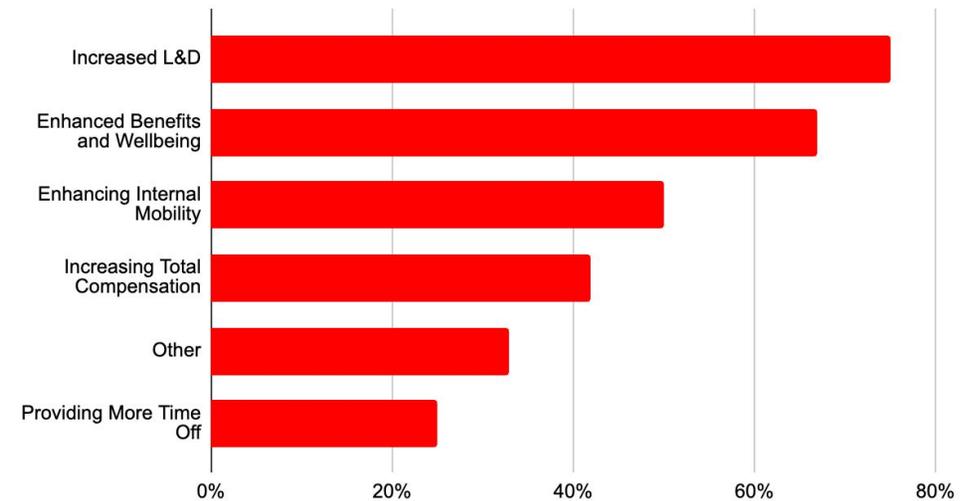
Hiring Strategies

Leaving Organizations

Primary divers employees have referenced when leaving their organizations
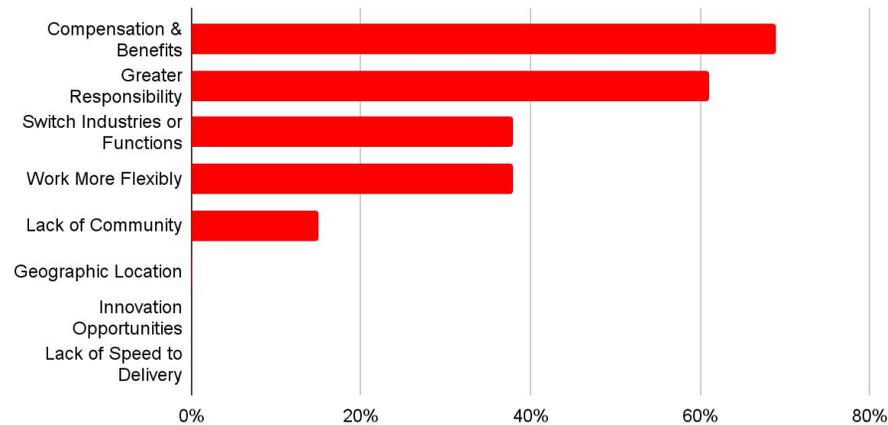
Nearly 14% of the total hiring forecast of respondent organizations are college students of which respondents have been most involved through 1) Internships, 2) Sponsorship of Events, and 3) Summer Programs

Reasons for Leaving

Hiring Forecast	2021	2022	2023	YoY Change
University / College	12,507	7,581	3,987	2021-2022 ↓39.39% 2022-2023 ↓47.41%

Hiring Strategies

Hiring Strategies
Planned approaches companies selected to attract, evaluate, and select the most suitable candidates for jobs.

Among the respondents, the organizations were split into roughly thirds. Each third found it somewhat or much easier, somewhat or much more difficult, or neither more nor less difficult to attract candidates. A larger portion found it more difficult compared to last year

Hiring and Attraction Strategies for 2024

Referral bonuses for existing employees	100%
Others	15%
Increased workplace flexibility	62%
Increased geographic area of recruitment	69%
Greater focus on improving the employee experience	46%
Greater partnering with schools and universities to identify candidates for roles	92%
Changes to compensation models	54%
Broader emphasis on diversity, equity, and inclusion	69%

Ease of Attracting Compared to 2022

Much easier to attract	7.69%
Somewhat easier to attract	23.08%
Neither more difficult nor easy	30.77%
Somewhat more difficult	30.77%
Much more difficult	7.69%

Upskilling/Reskilling

The consistent skills valued over the next five years for A&D organizations were in technical areas including Engineering, Artificial Intelligence, Data Analytics, and Critical Thinking, along with Business/Program Management skills with slight changes from today

Competencies/ Certifications Valued	Today	4-5 years from now	Projected Change
Digital Skill Sets	23%	42%	↑19%
Leadership	31%	42%	↑11%
Artificial intelligence	38%	50%	↑12%
Manufacturing skills	62%	42%	↓20%
Computer skills	38%	33%	↓5%
Adaptive skills	46%	50%	↑4%
Engineering skills	69%	67%	↓2%
Business acumen	46%	42%	↓4%
Data science/analytics	46%	50%	↑4%
Understanding of automation tools	23%	42%	↑19%
Sustainability	15%	25%	↑10%
Other	7.69%	-	-

Upskilling/Reskilling

Coaching, formal and informal, were the most consistent upskilling/reskilling programs offered with almost one fourth of the respondents including web-based repository of training resources

Upskilling/Reskilling Programs Offered	2023
Rational Job Assignment	58%
Funded Work-Study/Return to school	33%
Rotational Job Assignment	58%
Coaching/Workshops	92%
Formal company training curriculum program	50%
Web-based repository/training	83%

Upskilling/Reskilling

Investment into Reskilling	2022	2023	YoY Change
Manufacturing	19%	38%	↑19%
Emerging Manufacturing Skills	-	23%	-
Digital Skill Sets	22%	23%	↑1%
Program Management	22%	23%	↑1%
Artificial Intelligence	6%	23%	↑17%
Engineering Skills	44%	46%	↑2%
Adaptive Skill Sets	19%	7.69%	↓11.31%
Data Science/Analytics	28%	15%	↓13%
Cyber Security	44%	15%	↓29%
Leadership	66%	38%	↓28%
Computer Skills	6%	7.69%	↑1.69%
Response to new automation tools	3%	0%	↓3%
Sustainability	3%	0%	↓3%
Business Acumen	3%	23%	↑20%

Employee Value Proposition

In response to overall Employee Listening and Workforce Planning activities, respondent organizations are placing greater emphasis on developing an overall workforce strategy and plan to prepare for the future of work and investing in upskilling efforts

Employee Engagement	2022	2023	Projected YoY Change
Significantly better	-	-	-
Somewhat better	31.3%	46.2%	↑**14.9%**
No change	28.1%	15.4%	↓**12.7%**
Somewhat worse	40.6%	23.1%	↓**17.5%**
Significantly worse	0%	7.7%	↑**7.7%**
We do not measure Employee Engagement	-	7.7%	-

Decisions for Future of Work
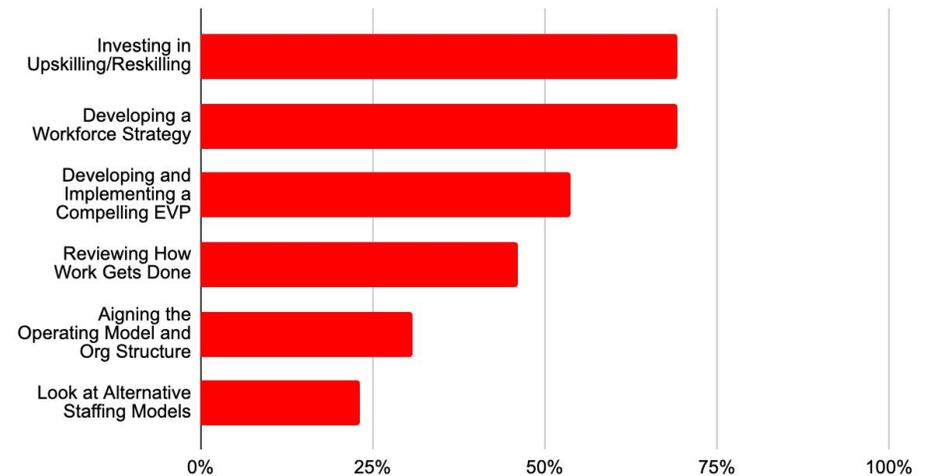
Representation

Overall Diversity Breakdown	2022	2023	YoY Change	Executive Diversity Breakdown	2022	2023	YoY Change	Engineer Diversity Breakdown	2022	2023	YoY Change
Black or African American	10.1%	7.2%	↓2.9%	Black or African American	5.69%	5.5%	↓.19%	Black or African American	5.25%	5.2%	↑.05%
Hispanic or Latino	9.0%	11%	↑2%	Hispanic or Latino	4.77%	4.8%	↑.03%	Hispanic or Latino	8.51%	9.8%	↑1.29%
Asian	9.0%	13.2%	↑4.2%	Asian	6.39%	7.3%	↑.91%	Asian	13.48%	15.2%	↑1.72%
American Indian or Alaskan	.48%	.6%	↑.12%	American Indian or Alaskan	.42%	0.6%	↑.18%	American Indian or Alaskan	.39%	.4%	↑.01%
Native Hawaiian or other Pacific Islander	.39%	.5%	↑.11%	Native Hawaiian or other Pacific Islander	0.19%	.2%	↑.01%	Native Hawaiian or other Pacific Islander	.24%	.4%	↑.16%
White	68.93%	64.5%	↓4.43%	White	81.06%	79.7%	↓1.36%	White	69.35%	66.2%	↓3.15%
Employees of 2 or more races	2.23%	2.9%	↑.67%	Employees of 2 or more races	1.48%	1.7%	↑.22%	Employees of 2 or more races	2.77%	3.0%	↑.23%
Total Gender				**Total Gender**				**Total Gender**			
Men	72.74%	75.4%	↑2.66%	Men	69.51%	69%	↓.51%	Men	83.04%	83.3%	↑.26%
Women	25.64%	24.5%	↓1.14%	Women	30.44%	31%	↑.56%	Women	16.90%	16.5%	↑.4%

Representation

Voluntary Departure (Race)	2022	Promotions within U.S. Employees	2022
Black or African American	7.1%	Black or African American	6.5%
Hispanic or Latino	10.1%	Hispanic or Latino	13%
Asian	10.8%	Asian	11.7%
American Indian or Alaskan	0.6%	American Indian or Alaskan	0.6%
Native Hawaiian or other Pacific Islander	0.4%	Native Hawaiian or other Pacific Islander	0.4%
White	68%	White	64.3%
Employees of 2 or more races	3.1%	Employees of 2 or more races	3.4%

Voluntary Departure Gender	2023	Total Gender	2023
Men	77.3%	Men	72.1%
Women	22.5%	Women	27.7%

Tenure	2023	Age groups of tenure respondents	2023
<1 year	14.6%	25 and under	7.3%
1-4 years	28.7%	26-35	25%
5-10 years	16.1%	26-45	22.9%
10-15 years	12.6%	46-55	19.7%
15-20 years	10.2%	56+	25%
20-25 years	6.6%		
25+ years	11.1%		

Sector Outlook: Space

Demographics

Black or African American	7.3%
Hispanic or Latino	11.2%
Asian	13.5%
Employees of 2 or more races	3.0%
American Indian or Alaskan Native	.6%
White	63.8%
Native Hawaiian or other Pacific Islander	.6%

Tenure

Less than 1 year	14.9%
1-4 years	28.3%
5-10 years	16.1%
10-15 years	12.8%
15-20 years	10.3%
20-25 years	6.7%
25+ years	11%

Organizations Represented	**14**
Revenue Represented	**$30 Billion+**

Reasons for Leaving

Geographic location	11%
Desire to work more flexibly	22%
Desire to switch industries or functions	44%
Desire for greater responsibility/leadership roles	66%
Compensation & benefits	66%

Turnover Averages

Exempt	Non-Exempt	2021	2022	2023
11.09%	10.20%	13.70%	13.59%	14.54%

Hiring Outlook

Much easier to attract candidates	11.1%
Somewhat easier to attract candidates	11.1%
Neither more difficult nor easier to attract candidates	33%
Somewhat more difficult to attract candidates	33%
Much more difficult to attract candidates	11.1%

Additional Sector Involvement

Commercial	79%
Services	42%
Defense	100%

Sector Outlook: Commercial

Demographics

Black or African American	7.3%
Hispanic or Latino	9.3%
Asian	14.7%
Employees of 2 or more races	2.7%
American Indian or Alaskan Native	.7%
White	64.8%
Native Hawaiian or other Pacific Islander	.6%

Tenure

Less than 1 year	14.5%
1-4 years	25.7%
5-10 years	14.7%
10-15 years	15.2%
15-20 years	10.6%
20-25 years	7.2%
25+ years	12%

Organizations Represented	**18**
Revenue Represented	**$29 Billion+**

Reasons for Leaving

Geographic location	0%
Desire to work more flexibly	33%
Desire to switch industries or functions	33%
Desire for greater responsibility/leadership roles	66%
Compensation & benefits	78%

Turnover Averages

Exempt	Non-Exempt	2021	2022	2023
12.89%	10.90%	11.72%	11.48%	14.89%

Hiring Outlook

Much easier to attract candidates	-
Somewhat easier to attract candidates	-
Neither more difficult nor easier to attract candidates	44.4%
Somewhat more difficult to attract candidates	44.4%
Much more difficult to attract candidates	11.1%

Additional Sector Involvement

Medical Devices	.05%
Space	61%
Defense	100%
Services	28%

Sector Outlook: Defense

Demographics

Black or African American	7.3%
Hispanic or Latino	11.1%
Asian	13.3%
Employees of 2 or more races	3.0%
American Indian or Alaskan Native	.6%
White	64.2%
Native Hawaiian or other Pacific Islander	.5%

Tenure

Less than 1 year	14.8%
1-4 years	28.3%
5-10 years	16.1%
10-15 years	12.7%
15-20 years	10.2%
20-25 years	6.7%
25+ years	11.2%

Organizations Represented	**23**
Revenue Represented	**$44 Billion+**

Reasons for Leaving

Geographic location	.08%
Desire to work more flexibly	42%
Desire to switch industries or functions	33%
Desire for greater responsibility/leadership roles	66%
Compensation & benefits	66%

Note an additional reason cited for leaving by one respondent was a lack of community at work

Turnover Averages

Exempt	Non-Exempt	2021	2022	2023
11.41%	9.69%	11.70%	12%	13.37%

Hiring Outlook

Much easier to attract candidates	8.3%
Somewhat easier to attract candidates	16.7%
Neither more difficult nor easier to attract candidates	33.3%
Somewhat more difficult to attract candidates	33.3%
Much more difficult to attract candidates	8.3%

Additional Sector Involvement

Medical Devices	.04%
Space	61%
Commercial	78%
Services	30%

Sector Outlook: Services

Demographics

Black or African American	7.3%
Hispanic or Latino	9.2%
Asian	14.4%
Employees of 2 or more races	2.7%
American Indian or Alaskan Native	.7%
White	65%
Native Hawaiian or other Pacific Islander	.7%

Tenure

Less than 1 year	14.7%
1-4 years	25.2%
5-10 years	14.5%
10-15 years	15.5%
15-20 years	10.7%
20-25 years	7.3%
25+ years	12.1%

Organizations Represented	**8**
Revenue Represented	**$26 Billion+**

Reasons for Leaving

Geographic location	-
Desire to work more flexibly	25%
Desire to switch industries or functions	75%
Desire for greater responsibility/leadership roles	75%
Compensation & benefits	50%

Turnover Averages

Exempt	Non-Exempt	2021	2022	2023
7.93%	7.13%	12.37%	12.35%	9.48%

Hiring Outlook

Much easier to attract candidates	-
Somewhat easier to attract candidates	25%
Neither more difficult nor easier to attract candidates	25%
Somewhat more difficult to attract candidates	50%
Much more difficult to attract candidates	-

Additional Sector Involvement

Defense	78%
Commercial	55%
Space	66%

Appendix B:

Labor Market Study
Additional Findings

Good Job Score Analysis

Average Good Job Score: The Good Job Score for Aerospace and Defense falls in the middle when compared to other industries, for both exempt and non-exempt employees

## Exempt Employees

A&D Comparatively

Leadership	Purpose
14th	10th

Growth	Fairness
8th	10th

Industry	Score
Consulting and Professional Services	4.1
Construction / Architecture / Eng.	4.0
Agriculture	4.0
Oil / Gas / Energy / Utilities / Mining	3.9
Manufacturing (Out. of Aerospace and Defense)	3.9
Government / Military / Public Sector	3.8
Telecommunications	3.8
Retail / E-commerce	3.8
Aerospace and Defense	3.8
Technology	3.8
Transportation / Logistics	3.8
Nonprofit	3.8
Pharma. / Chemicals / Life Sci.	3.8
Other	3.7
Media / Entertainment	3.7
Automotive	3.6

Non-exempt Employees

A&D Comparatively

Leadership	Purpose
10th	10th

Growth	Fairness
11th	11th

| Industry	Score
Construction / Architecture / Eng.	4.1
Technology	4.1
Consulting and Professional Services	4.0
Oil / Gas / Energy / Utilities / Mining	4.0
Pharma. / Chemicals / Life Sci.	3.9
Agriculture	3.9
Media / Entertainment	3.9
Other	3.9
Telecommunications	3.9
Retail / E-commerce	3.9
Aerospace and Defense	3.9
Government / Military / Public Sector	3.8
Manufacturing (Out. of Aerospace and Defense)	3.8
Nonprofit	3.7
Automotive	3.6
Transportation / Logistics	3.5

Employee Engagement: All Industry

Senior Leadership Contribution

When changes occur, senior leaders at my company do a good job of explaining the reasons behind them

Strongly Agree	19%
Agree	46%
Neither Agree or Disagree	13%
Disagree	17%
Strongly Disagree	5%
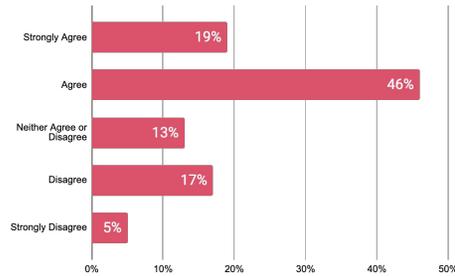
Senior leaders at my company seek and respond to feedback from employees

Strongly Agree	21%
Agree	43%
Neither Agree or Disagree	18%
Disagree	14%
Strongly Disagree	4%
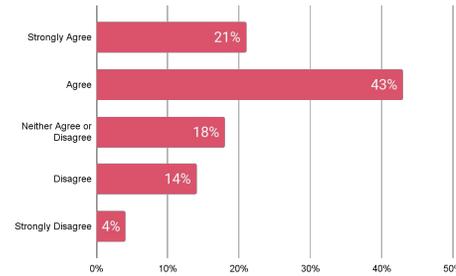
Senior leaders at my company demonstrate a sincere interest in the well-being of employees

Strongly Agree	24%
Agree	41%
Neither Agree or Disagree	19%
Disagree	12%
Strongly Disagree	4%
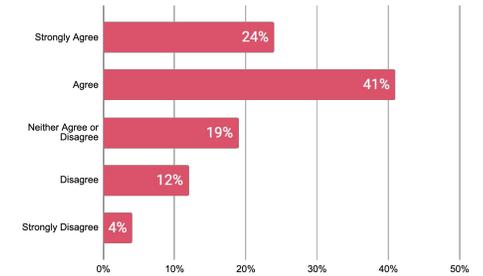
Manager Contribution

My supervisor / manager has made a personal investment in my growth and development

Strongly Agree	27%
Agree	39%
Neither Agree or Disagree	18%
Disagree	11%
Strongly Disagree	5%
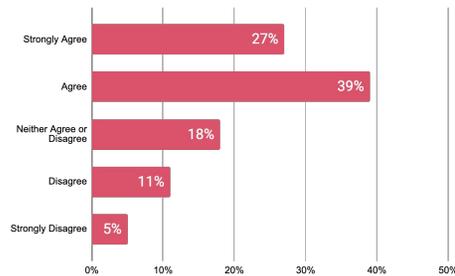
My manager and I engage in two-way feedback to support my ongoing learning, development, and performance

Strongly Agree	28%
Agree	45%
Neither Agree or Disagree	13%
Disagree	10%
Strongly Disagree	4%
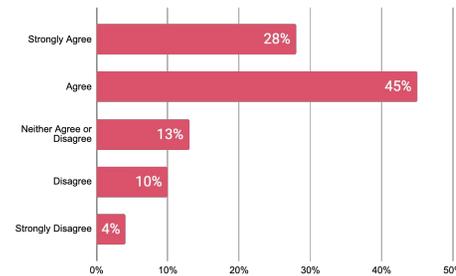
## Career and Development

My company provides me with learning opportunities to develop the skills I will need for the future

Strongly Agree	28%
Agree	43%
Neither Agree or Disagree	17%
Disagree	9%
Strongly Disagree	3%

I have opportunities for career advancement / mobility at my company

Strongly Agree	26%
Agree	42%
Neither Agree or Disagree	17%
Disagree	10%
Strongly Disagree	5%
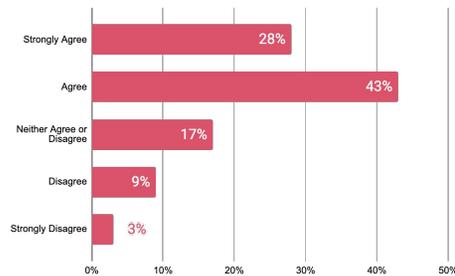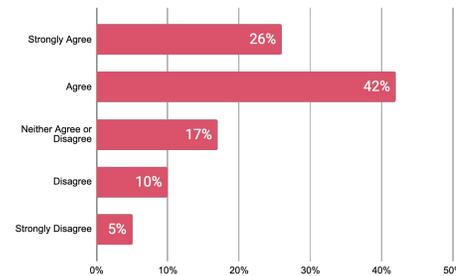
I have the right tools and resources to do my job effectively and efficiently

Strongly Agree	31%
Agree	50%
Neither Agree or Disagree	12%
Disagree	6%
Strongly Disagree	1%
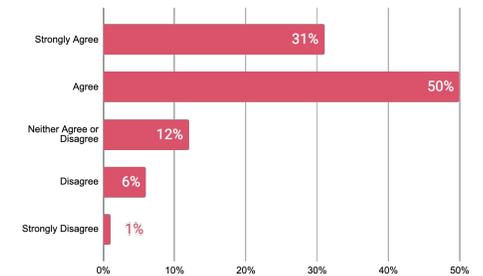
Employee Engagement: All Industry

Mission and Vision

Awareness about company's value

Strongly Agree	35%
Agree	49%
Neither Agree or Disagree	12%
Disagree	4%
Strongly Disagree	
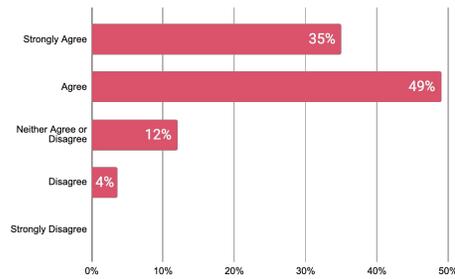
Awareness about company's mission / vision

Strongly Agree	38%
Agree	48%
Neither Agree or Disagree	11%
Disagree	3%
Strongly Disagree	
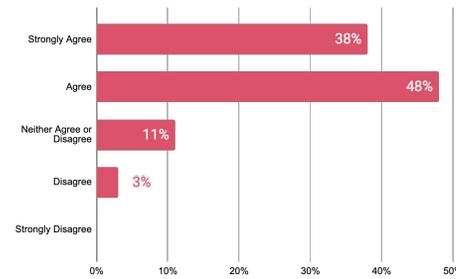
Awareness about contribution of individual work towards firm's mission

Strongly Agree	34%
Agree	52%
Neither Agree or Disagree	11%
Disagree	3%
Strongly Disagree	1%
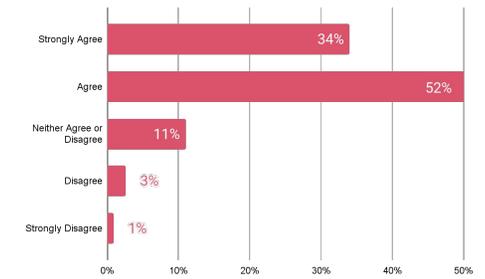
Benefits

My company pays me fairly for the work I do

Strongly Agree	26%
Agree	45%
Neither Agree or Disagree	14%
Disagree	11%
Strongly Disagree	4%
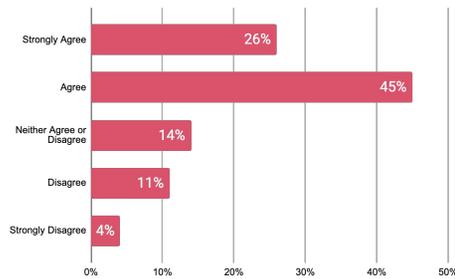
I have a physically safe and healthy work environment
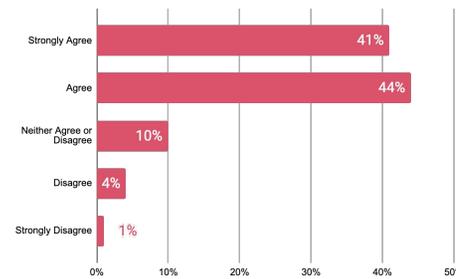
Strongly Agree	41%
Agree	44%
Neither Agree or Disagree	10%
Disagree	4%
Strongly Disagree	1%

My company enables me to have a balance between my job and personal life that works for me

Strongly Agree	32%
Agree	43%
Neither Agree or Disagree	16%
Disagree	7%
Strongly Disagree	2%
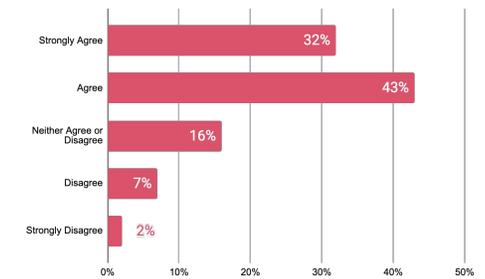
My company provides strong benefits (i.e., health, welfare, retirement)

Strongly Agree	32%
Agree	41%
Neither Agree or Disagree	15%
Disagree	9%
Strongly Disagree	3%
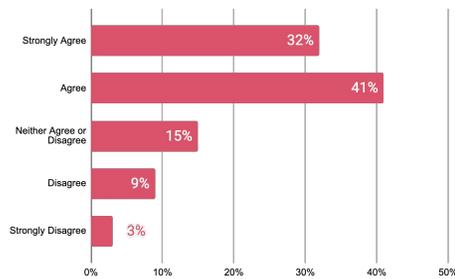
There is good teamwork and collaboration in my workplace
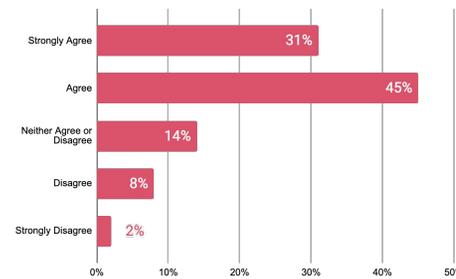
Strongly Agree	31%
Agree	45%
Neither Agree or Disagree	14%
Disagree	8%
Strongly Disagree	2%

I feel empowered to influence the improvement of work processes and performance

Strongly Agree	27%
Agree	46%
Neither Agree or Disagree	16%
Disagree	8%
Strongly Disagree	3%
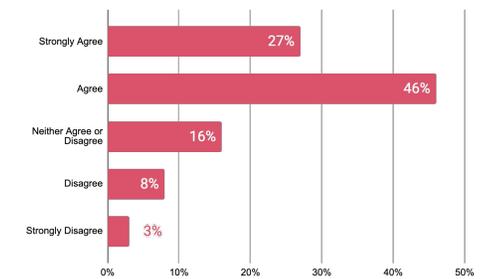
Industry Comparison

| % Strongly Agree / Agree						
Question	**All Industries**	**A&D**	**Tech**	**Automotive**	**Manufacturing**	**Construction**
I believe this industry's values, purpose, and mission align with my own.	69%	**72%**	49%	56%	69%	71%
I believe this industry provides competitive compensation.	75%	**79%**	87%	76%	77%	80%
I believe this industry provides attractive career growth, learning, and advancement opportunities.	76%	**82%**	88%	65%	73%	76%
I believe this industry contributes positively to the community.	79%	**81%**	76%	75%	77%	82%
My company provides me with learning opportunities to develop the skills I will need for the future.	71%	**73%**	77%	57%	66%	77%
I have opportunities for career advancement/mobility at my company.	68%	**71%**	69%	53%	66%	75%
My company enables me to have a balance between my job and personal life that works for me.	75%	**77%**	77%	70%	75%	80%
I believe this industry provides the opportunity for stable, long-term employment.	86%	**89%**	86%	81%	87%	87%

Tenure Comparison

Aerospace and Defense Employees, % Strongly Agree / Agree				
Question	**<1 Years**	**1-3 Years**	**3-10 Years**	**10+ Years**
I believe this industry provides the opportunity for stable, long-term employment.	91%	82%	89%	92%
I believe this industry provides competitive compensation.	91%	80%	77%	78%
I believe this industry provides attractive career growth, learning, and advancement opportunities.	82%	18%	11%	80%
I believe this industry's values, purpose, and mission align with my own.	58%	63%	71%	73%
I feel empowered to influence the improvement of work processes and performance.	74%	67%	66%	72%

Appendix C:

PwC's Aerospace & Defense Industry Solutions

PwC's Perspectives on Talent Retention, Upskilling, and Workforce Planning

PwC's understanding of employee's perspectives in 2023…

2023 Hopes and Fears Survey

50%	Find their jobs fulfilling	**55%**	Of workers rated being adaptable or flexible as a critical skill in <5 yrs
39%	Of CEOs don't think their org will be viable in 10 years	**51%**	Of specialized employees believe skills required for job will change in <5 yrs
52%	Of workers chose at least one positive statement reflecting optimism in AI	**42%**	Have a clear sense of how their job's skills will change in <5 yrs
27%	View AI as an opportunity to learn new skills	**22%**	Of workers have felt their workloads are unmanageable

2023 Pulse Survey

- 44% are hiring in specific areas of skill sets to drive growth
- 42% are planning cost cutting not including headcount reductions
- 26% are planning to reduce the number of full-time employees

PwC's Four Faces Shaping Workforce Strategy

- Specialization - need for development paths
- Rivalry - making your workforce stand out to the right people to bring strategy to life
- Humanity - forcing workforces to reconnect with their purpose
- Scarcity - the availability of the skills in the market needed to succeed

…have also informed enablers to set your workforces up for success in regard to key topics, such as:

Leveraging employee preference-led analytics to optimize benefits

Capitalizing on cultural opportunities to build upon strengths and mitigate challenges to deliver on business goals

Optimizing operations by enabling your front-line and continuous improvement

Establishing a tailored Employee Experience for an increasingly diverse workforce

Addressing the lack of Critical Workforce Skills for Digital, Finance, and Industry Skills

Evolving Leaders and Managers to have an Inclusive Mindset and drive DE&I Outcomes

Generative AI: Transform the future of business and lead with trust

Employers are broadening their Rewards & Well-being focus to better meet evolving workforce needs

DE&I, Education, and Culture

Financial well-being
- Financial education
- Coaching for long-term savings goals
- Student loan reimbursement or payback

Mental health & substance abuse
- No-cost mental health
- In/out of network parity
- Tech-enabled digital support
- Mindfulness and meditation
- Solutions for children and teens
- Manager training

Career Development
- Mentorship
- Upskilling opportunities, including dedicated time to participate
- Career development transparency
- No-cost education assistance

Member experience
- Advocacy & navigation vendors
- Curated care journeys
- Rewards and benefit hubs
- Inclusive employee communications
- Virtual options

Family benefits & support
- Adoption and surrogacy benefits
- Infertility benefits
- Family planning support options (e.g. doulas)
- Caregiver navigation and subsidies
- Menopausal support

Time off & flexibility
- Stipends for vacation
- Inclusive leave policies
- Caregiver leave
- Shift swapping
- Company shutdowns

Diagram: **Areas of focus for employers**
- Financial Well-being
- Family Benefits & Support
- Time Off & Leave
- Member Experience
- Career Development
- Mental Health & Substance Abuse

Preference analysis has helped our clients deliver a greater employee experience while reducing their overall operating expense

- **Take costs out systematically**, while ensuring employees feel heard and critical priorities are addressed, or **realign spend to deliver what will be most valued** by your employees across all dimensions of their experience

- Leverage AI-driven preference analytics to gain a deeper understanding of where employee values and savings opportunities intersect (typically identifies $1,000 - $3,000 savings and EE, with a package a majority of employees prefer), and opportunities to "redefine" rewards at a lower cost.

Data on 1:1 employee preference and perceived dollar value	**+**	Data on costs to provide rewards and experiences to employees	**=**	Optimal alignment of preference and cost
Understand current spend across rewards, benefits, experiences, identify key areas of focus, and using an AI-enabled technology, quantify decision drivers and perceived value (in $) by individual		Combine employee data with detailed data on how much is spent on all aspects of rewards, benefits, and experiences (e.g. including career development, mentoring, upskilling, flexibility, ways of working)		Sophisticated model analyzes billions of possible scenarios to identify alternatives that simultaneously optimize cost and value for the employees.

Culture Thumbprint:
# A coherent, well-managed culture can be a powerful asset
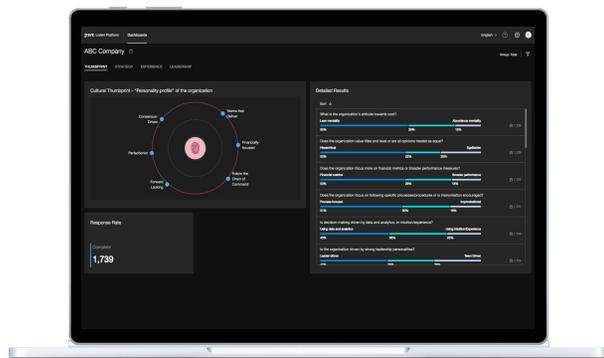
The Culture Thumbprint enables you to:

Capitalize on culture opportunities

Build on your cultural strengths and mitigate challenges to help deliver on your business goals. Gain insight on how things naturally get done within your organization so that you can customize your change activities.

Prioritize your culture plan

Set priorities for cultural evolution based on alignment to strategic intent and gain an organization-wide understanding of prevailing attitudes shaped by your workforce laid out in easily digestible dashboards.
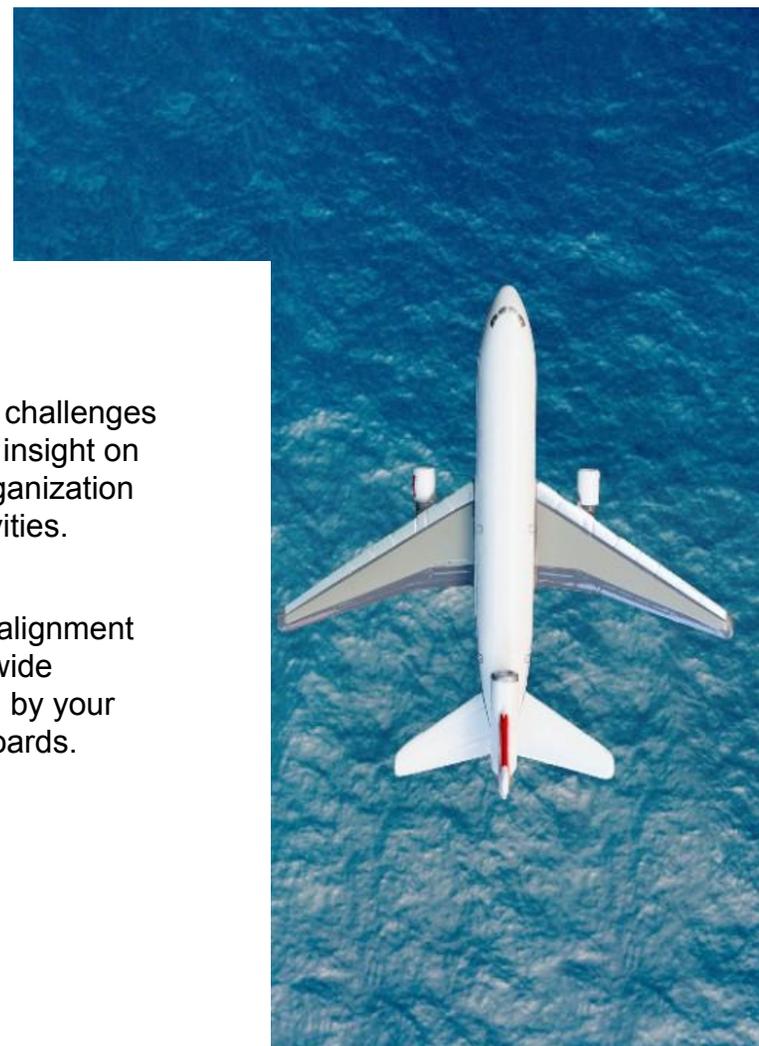
The Culture Thumbprint Difference

Identify impact on execution

Find traits that are supporting or hindering execution of the transformation, as well as potential tradeoffs and tensions between traits needed to support competing priorities. Discover your natural patterns of working to help you customize your change activities.

Understand if your culture is coherent

Assess the level of alignment between your culture and various strategic objectives. Explore the implications of your culture on aspects of your workplace experience, including collaboration, inclusion, and engagement.

Discover subcultures

Explore "subcultures" within an organization and differences in norms or patterns of behavior between teams. Seamlessly compare across demographics, such as location, department, level, etc.

Perform:
A new way of working that helps transform individual and team productivity and performance

The challenge

Organizations are investing in process and technology to drive business improvements but many are failing to recognize the need for investment in people

**Organizations are facing multiple challenges**

leaders are not leading
89%

of manager time is spent on non-coaching activities

motivation is not effective
44%

of staff feel they are not recognized in a way that motivates them

problems are not solved
36%

of team members believe problems are not solved in a way that stops them happening again

fluctuating demand is not managed
37%

of employees feel more could be done to manage expectations and balance workload

limited standardization
30%

of employees say that they do not follow the same process as others to complete their work

lack of understanding of Performance
32%

of employees are unclear about how their team measures Performance

Our Solution

Perform gives clients the opportunity to transform their operational performance

Perform is a methodology that can be positioned in its own, as well as a part of wider transformational program. Through Perform, we immerse ourselves in our clients' business. This enables us to form strong relationships, fully involve them in the design and to really understand their business. The Perform approach introduces 10 performance elements following weekly training sessions, which makes them easier to digest by the business line, a unique approach to embedding and sustaining results through behavioral change. Perform is proven to provide a compelling return on investment of >5:1, which starts to be realized even before project completion.

" Typically only 3% of a transformation budget is spent on people and leadership, but this has over 30% impact on overall program success"

Here's what it looks like…

Sustain — Vision — Huddle Boards — Huddles — Planning & Control — Problem Solving — Coaching & Skills — Standards & Process Checks — Op Rhythm — Gamification & Celebrate
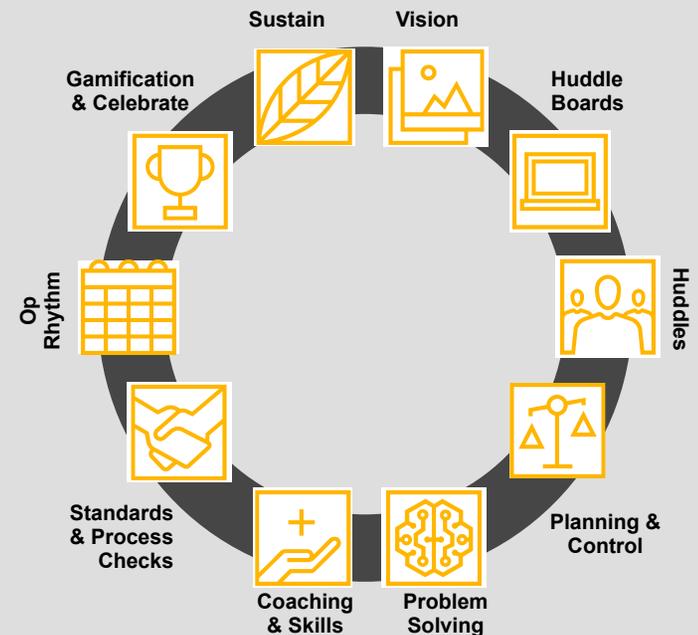
Continuous Improvement for Repeatable High Performance

Your frontline managers are the key to optimizing operations and driving continuous improvement. They need the coaching and tools to deliver at scale. Retaining **body of knowledge** amidst attrition, driving **standard ways-of-working** at scale and gaining **visibility to work progression, efficiency and quality** are among the top challenges for industry leaders with a distributed workforce.

Digital Worker Solutions

Work Guidance

Progress Management

Performance & Efficiency Visibility

Planning & Availability Enablement

Aggregated Predictability & Performance Management

Obtain the ability to **predict** completion time, understand work **efficiency**, be able to align the right **resources**, spread **best practices** throughout the organization, **retain knowledge** at scale, faster **onboarding and upskill** of workforce, and maximize overall workforce utilization through visibility of work progression

How Perform can be leveraged in new ways for your organization

Perform Outcomes

- Better customer satisfaction & consistent service
- Better staff engagement & retention
- Reduced variation in performance
- Improved performance and productivity
- Increased service level adherence
- Enhanced leadership capability
- Optimised processes
- Reduced operating costs

How is Perform different?

Hands on

Tangible investment in leaders and staff driving step change in engagement and involvement
Develops leaders that deliver improved performance through their teams

Fast and Flexible

Rapid payback on investment
Benefits realized within 12 - 15 weeks
Ability to scale quickly across the organization

Metrics led

Capacity created enables improvement in the key business metrics
Simplicity and transparency around measurement
Improved governance and control

Aligned objectives

Confidence on outcomes – win/win
Commitment to maximizing the benefits from the change - before, during and after each deployment

Sustainable

Continuous improvement
Leaders and staff will not change back
Employee morale and retention improvement

The Technology & Data

Anywhere and anytime access to the Perform Plus platform for all team members and leaders. Real time performance and behavioral data.

What does the journey look like?

We spend 80% of our effort on implementation and only 20% on diagnostics, so the benefits are felt as early as week 6, and will continue to grow after the deployment

Diagnose & Design P+
to size the opportunity and launch a 'tailored' Perform Plus

Baseline & mobilize
Establish current levels of performance and a measurement system Launch the bootcamp

Deploy
coaching leaders to embed new ways of working and improved performance results

Sustain
100 day plan for continuous improvement and embed change

What you get?

Connected teams	Engaged workers	Enterprise wide visibility
Brings workers together. Teams share insights and information to bring enterprise-wide continuity and connection in a mobile world.	Engaged workers Gamification unlocks team members' potential. Up competitiveness. Motivate actions. Reward achievement. Bring excitement to the everyday.	Coaching around personal and group dashboards gets people focused around shared goals. Track progress. Access key information.Communicate more effectively. Solve problems, and make decisions – from employees to execs.

Taking a holistic approach to employee experience strengthens culture & reputation and builds trust in good times and challenging conditions

Meaningful Work

Purpose in work
Feeling a sense of meaning and value through contributions made based on individual skills, talents

Career Development
Commitment to career growth through goal-setting, feedback, and training
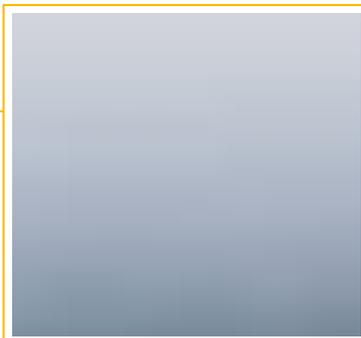
Inclusive Culture

Leadership
Leaders & managers who model company vision and values through behaviors and actions

Community
An environment that is inclusive, collaborative, and fosters a sense of connection and belonging
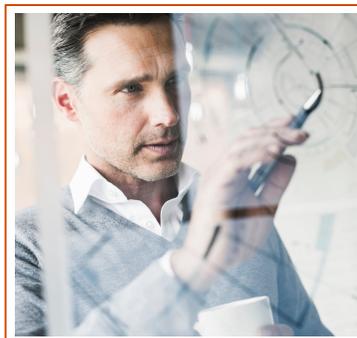
Adaptive Ecosystem

System, Tools, & Tech
Solutions that seamlessly enable, support, and enhance communication, productivity, and innovation

Environment & Conditions
A workspace that is safe, accessible, and supports individual needs

Holistic Support

Program & Practices
Degree to which the organization's practices and actions align with individual preferences and values

Rewards & Well-Being
Compensation, benefits and recognition that reflect individual contributions and support wellbeing

ProEdge has a range of capabilities to identify the critical skills of the future and build a tailored learning path of existing content and courses for Digital, Finance, and Industry specific needs

ProEdge is a single solution that upskills employees to stay ahead of the ever-changing demands of the digital world. It will help to digitize the impacted workforce via customized learning paths and experiences and can house and launch new system and technology training through the platform.
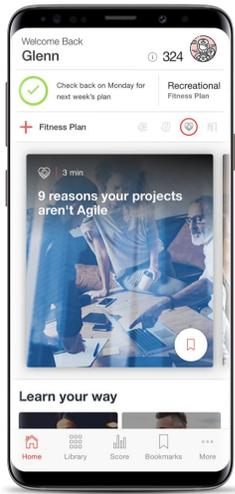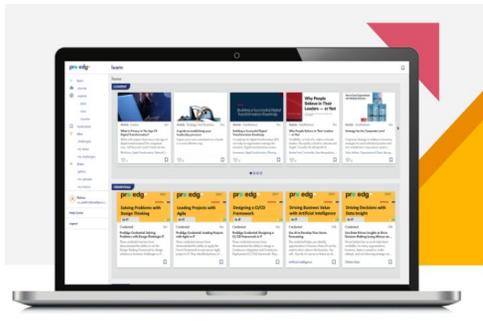
Integrate ProEdge into a tailored approach:

Plan	Launch training
Identify the critical skills you need to be competitive now and in the future	House and launch system training through the application

Courses	Content
Gain additional knowledge and skills, with access to 13,500+ courses focused on business processes	Access 100,000+ learning assets from 40+ trusted sources to integrate with system specific training to Liberty Mutual's needs

You will see within our proposal submission, PwC will leverage ProEdge, our upskilling platform to identify critical skill gaps and close them with engaging personalized learning.

PwC is prepared to address key and common challenges in the DEI space through a well-rounded range of services and capabilities

Common challenges (not exhaustive)

Developing a DEI strategy that signals and reinforces trust with employees and customers, while achieving business objectives will be key in the coming years across industries. **Some of the common barriers to a DEI strategy that can achieve this impact include**:

Inconsistent Employee Experience & Engagement	**Realizing Impact & Outcomes of DEI Strategy**
Unclear DEI Vision and Lack of Buy-in	**Growing Internal, External & Regulatory Pressures**
Equitable ESG Strategies beyond the "S"	**Inclusive Hybrid Practices**
Measurement & Reporting (Self-ID)	**Activating Inclusive Behaviors in Leadership**

Key services

DEI Vision & Strategy

Lay the foundation for your DEI strategy and confirm it is aligned with company purpose, culture, values, and business strategy.

DEI Capability Building

Build essential DEI capabilities amongst your executives, business leaders, people managers, HR specialists and individual contributors through immersive and experiential learning customized for the organization.

DEI Analytics

Collect, analyze, govern, visualize and report DEI data through automated data analytics, benchmarking, ESG analysis, pay equity analysis, and metric tracking.

Embedding DEI into Business As Usual & Transformation Efforts

Imbue DEI throughout your business-as-usual operations and transformation priorities such as M&A, Digital, cultural transformations, and operating model.

DEI Implementation

Strategy implementation services designed to meet you where you are in your DEI journey, including end-to-end talent lifecycle including hiring, development, performance, and rewards.

DEI Disclosures & Reporting

Ensure your DEI data and programs are "investor grade" with our assurance services, including landscape assessments, implementing and testing reporting processes, controls and system on data quality, review of policies and standards, attestation reporting on processes, controls and systems.

What moves the needle for DEI efforts and commitments?	

| Confidence in Leadership	Operational Transparency	Authentic Connection

Our DEI practice is widely recognized as a leading voice in advancing DEI and driving tangible and pragmatic results for people and organizations

We have **specialists in DEI**, consumer markets advisory team members, and culture specialists that provide you with a wide range of viewpoints.

DEI should not be a parallel track to your business and talent strategy - it should be **a core part** of it. Our framework for DEI looks at how DEI is integrated in the broader fabric of the organization.

We begin with the data, **leveraging benchmarking and digital tools** to derive further insights, while defining KPIs to track program success going forward. We have been on this journey for many years and know the importance of data.

We bring specialty in culture to meet our deep DEI expertise so that we can work with you to identify the **Critical Few** behaviors that drive an inclusive environment.

Holistic Viewpoint

Diverse and Experienced DEI Team

Tied to Business Impact

Data Driven Insights

DEI Practice Differentiators

CEO Action

Where Strategy Meets Culture

Digitally Driven

Collaborative Client Partnerships
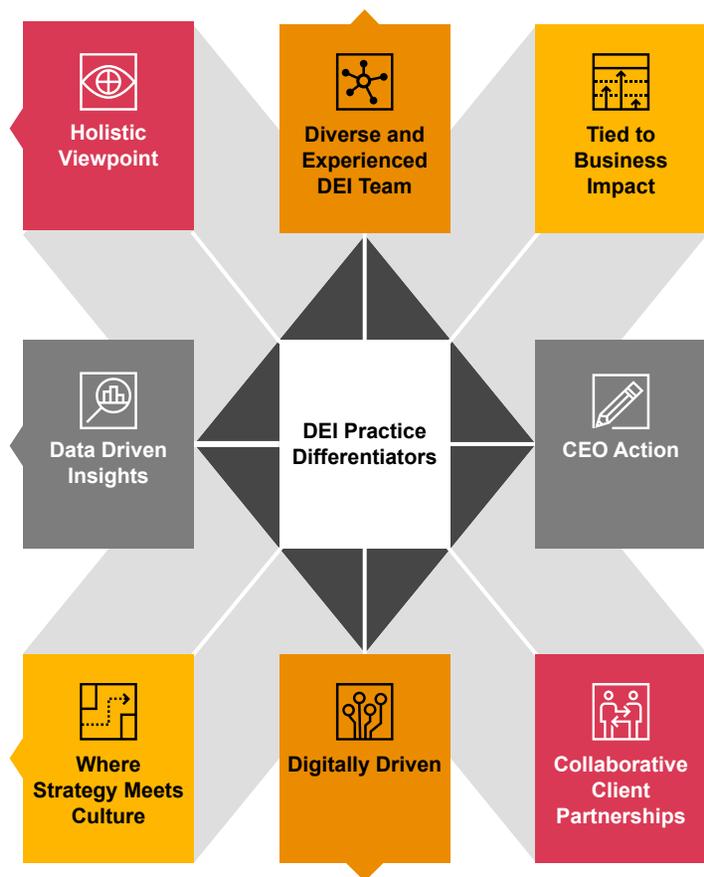
From assessment through execution, our recommendations around building a more inclusive environment are linked to your ultimate objectives of meeting the **needs of your global workforce** and customer base, recognizing the differences across geographies.

As one of the co-founders, CEO Action for Diversity & Inclusion™ now includes pledges from 1400+ CEOs - to advance diversity and inclusion in the workplace. We provide **insight and best practice from our own DEI journey** and those that have signed the pledge.

We work with you to deliver on your DEI goals. Every engagement upholds a **consistent dialogue** between our team and yours to develop a sustainable solution.

We leverage **digital tools for workshops** and focus groups to collaborate better, derive further insights and co-develop to build sustainable solutions.

Aerospace & Defense Sample GenAI Use Cases

Proposal Generation	Predictive Program Management	Digital Thread & Digital Engineering	Flight Sciences & Aerospace Engineering	Reconnaissance
Ability to generate proposals based on recommendations from previous wins	Predict if and when programs will succeed or fail…even before they begin	Enable automated and/or enhanced Digital Engineering capabilities with AI & Gen AI services	Automation of data ingestion, quality, validation, modeling, insights & data science	Ability to ask information about recon video & correlative data quickly without watching footage
Ability to ingest previous proposals, generate new proposals, and determine the likelihood of proposal success or failure based on parameters including components, time, cost, etc.	Ingest program, schedules, estimates, and other ERP and PLM data to determine program success in-flight or before kick-off.	Enable model & design prompting in 3DX. Integrate the Digital Thread. Generate dev-ready user stories. Synthetic SOs to recommend resources & pods. Co-pilot or synthetic engineers to generate, document, and test code.	Create automated pipelines across Aero, Propulsion, Loads, Flight Test, Structural Design, Avionics, etc. Leverage AI and ML to automate or augment FS processes (e.g. Downselect). Integrate into the Digital Thread.	Leverage advanced AI Computer Vision recognition services to detect objects, people, text and more combined with Large Language Models (LLMs) focused on correlative recon data

Implementing and Upskilling on GenAI

How we help our clients with an enterprise GenAI strategy

Determine your GenAI strategy

Prioritize investments to deliver business value

Accelerate adoption of GenAI

Mobilize your workforce	Build your ecosystem of genAI

Pilot and scale GenAI use cases

Assess tech and data readiness → Test with pilots → Build and scale

Protect your business

Protect against cyber threats to the business	Align risk management approach
Surveillance and influence of regulatory agenda	Deploy a Responsible AI framework

Enable your GenAI strategy

Access SR&ED tax credits and grants	Protect your Intellectual Property

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