



# THE 2021 KENTUCKY MANUFACTURING COMPENSATION & BENEFITS BENCHMARKING STUDY

## GEARING UP FOR SUCCESS

Presented by:



North Side Bank  
AND TRUST COMPANY



Chamber of  
Commerce





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## OVERVIEW

To gain a clearer picture of how area manufacturers are adjusting to these challenging times, Barnes Dennig, North Side Bank and Trust Company, and USI Insurance partnered to conduct the 2021 Manufacturing Compensation & Benefits Benchmarking Study. For the first time since publishing the study in 2002, we have provided a report developed for strictly Kentucky manufacturers.

Twenty-two Kentucky companies responded to the survey. Our study findings show that a majority of Kentucky manufacturers' staff levels have seen steady or increased staff levels while most cited finding staff as a top operational issue.

## COMPANY BACKGROUND

- ◆ Of the companies surveyed:
  - 4 (18%)** had annual sales less than \$5 million
  - 1 (5%)** had annual sales of \$5 – 9.9 million
  - 6 (27%)** had annual sales of \$10 – 25.9 million
  - 4 (18%)** had annual sales of \$26 – 50.9 million
  - 3 (14%)** had annual sales of \$51 – 99.9 million
  - 0 (0%)** had annual sales of \$100 – 249.9 million
  - 4 (18%)** had annual sales of more than \$250 million
  
- ◆ Ninety-one percent (91%) of respondents are privately held companies, with the remaining reporting as public.
  
- ◆ Five percent (5%) listed the Midwest as their primary market, 41% listed national as their primary market; and 36% doing business internationally. Five percent (5%) of companies do business only in the local Greater Cincinnati area.



## **COMPENSATION INFORMATION**

The compensation data is reflective of when the study was conducted (March / April 2021). Base and bonus information was collected from Kentucky manufacturers for 16 different positions.

In addition, data was collected about the way bonuses are calculated with the results showing that percentage of net profits is a leading method. As shown later in this report, the average pay increase received in 2020 was 4.4%, which is consistent with what manufacturers are expecting for 2021, an average increase up to 3.5%.

## **EMPLOYEE BENEFIT INFORMATION**

Manufacturers are implementing high-deductible health plans, along with buy-up options, along with the more traditional health plan options. Use of wellness programs continues to be a growing trend among manufacturers. Data on these strategies and more are included in this section. Other items related to the benefit questions are below:

- Companies that experienced an increase in healthcare costs reported an annual increase of 7.1% in 2021.
- Annual employee contributions range between \$97 (Single) and \$446 (Family).
- Ten (10) companies (45%) offer health savings accounts, while 80% of those companies make a flat dollar amount contribution directly to the employee's HSA.
- Four (4) companies (25%) charge a spousal surcharge (extra monthly contribution from employees who spouses are eligible to participate in their own employers' plan).

## **INTERNATIONAL AND COMPANY OPERATIONS**

These two sections of the study offer a look at the inside workings of area manufacturers. Identifying the top personnel or operational issues, capturing how the current economic environment is affecting companies or sharing the positives and negatives of doing business internationally are all included.

- When it comes to your suppliers, how are you evaluating them to ensure success into the future?
- What are the key performance indicators (KPIs) to watch to ensure financial stability for years to come?
- What manufacturing-specific metrics are your company utilizing to evaluate performance?
- When it comes to doing business overseas, what are area manufacturers doing to ensure success?



This year we asked what some of the key performance indicators (KPIs) manufacturers are utilizing to monitor their business. Responses included:

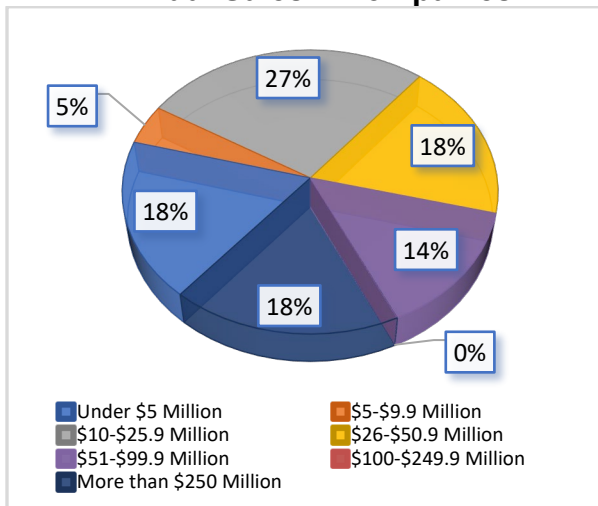
Reliability of costing systems and integration with estimating programs is important to manufacturers. Based on a 5-point scale (1 being poor; 5 being excellent), respondents ranked their reliability and integration at 3.6 and 3.5 respectively. In addition, we asked if the costing system is helping price their products. Of the companies that answered this question, 11 companies or 73% said yes.

Companies are currently running 1.6 shifts (on average). In addition, companies are working 7% overtime annually.

**COMPANY BACKGROUND**

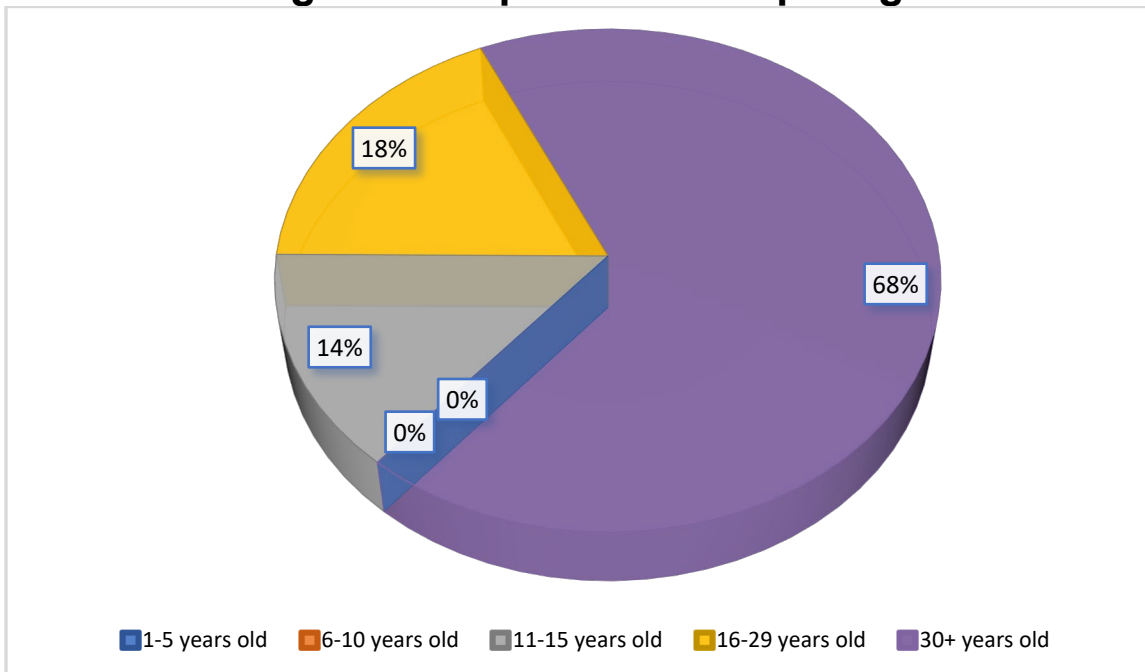
The information gathered in this section relates to general company data including annual sales, age of company, unionization, type of company, business structure, geographic coverage, and employee count and turnover.

**Annual Sales – Companies**



The largest percentage (68%) of participating companies have been in business for 30 years or more, leaving only a small number of manufacturers who have been in business for less than 30 years.

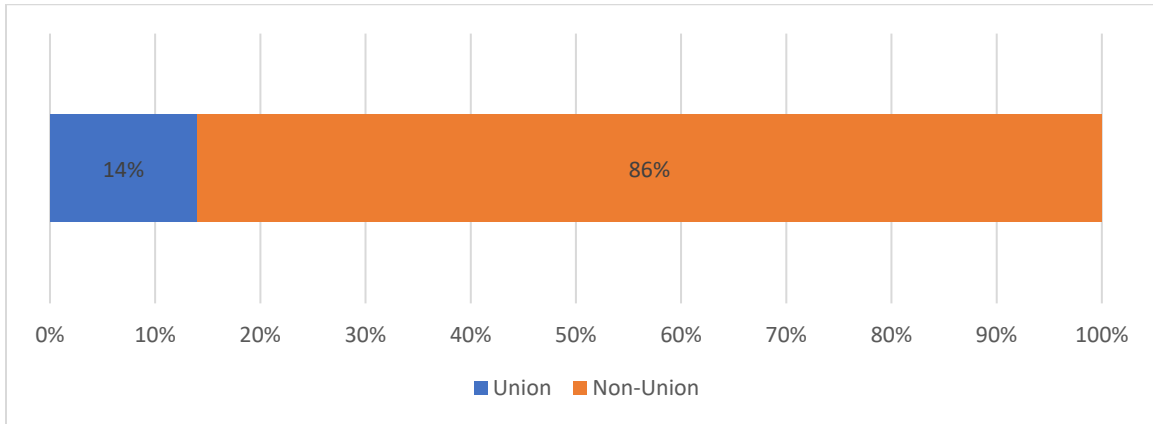
**Age of Companies Participating**



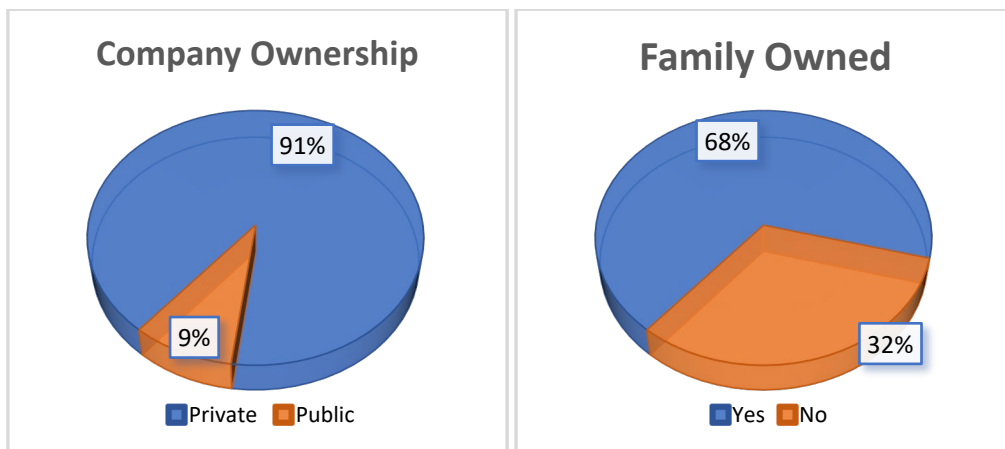


Overall, just three companies or 14% of participating companies are operating union shops.

### Union vs. Non-Union Manufacturers

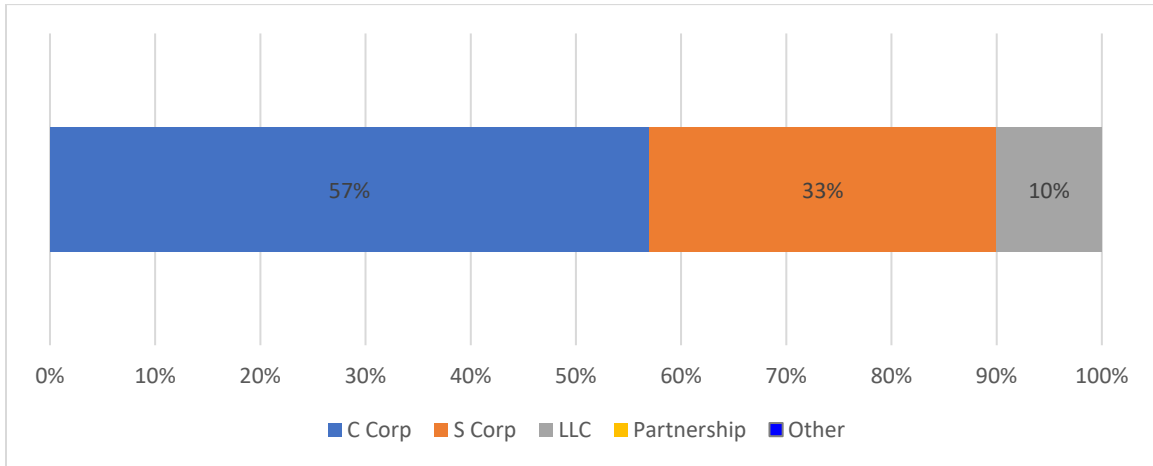


The vast majority (91%) of participating companies indicated that they were privately owned.



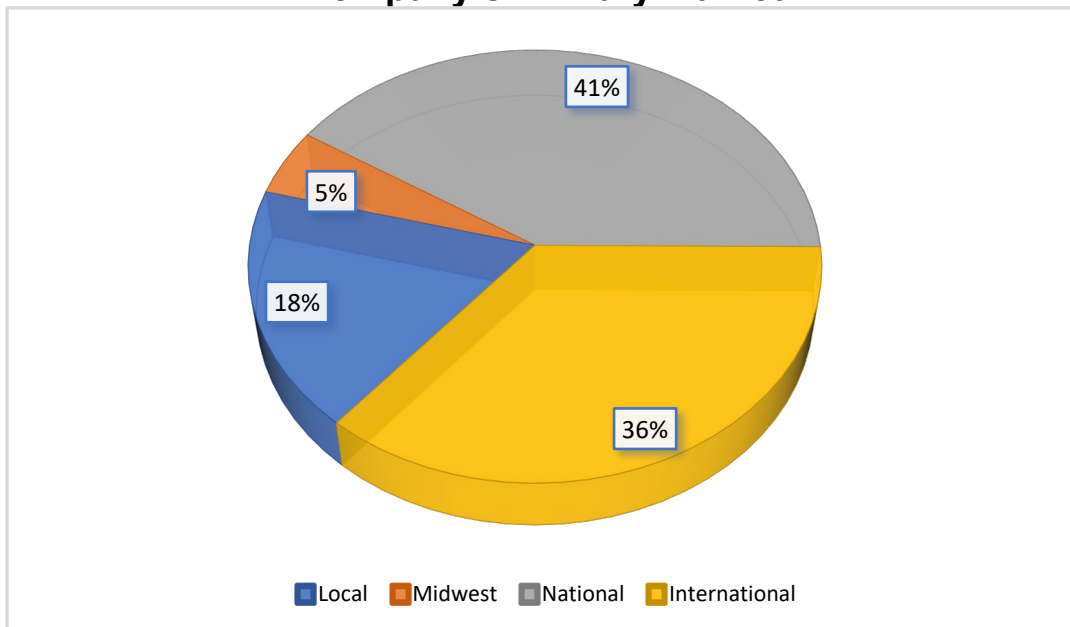


Of the 21 companies reporting on their corporate structure, 7 (33%) are S Corps, 12 (57%) are C Corps, 2 (10%) are limited liability company (LLCs).



Seventy-seven percent (77%) of the companies sell nationally (41%) or internationally (36%), while leaving only 23% of manufacturers that sell strictly within the Midwest (or closer markets).

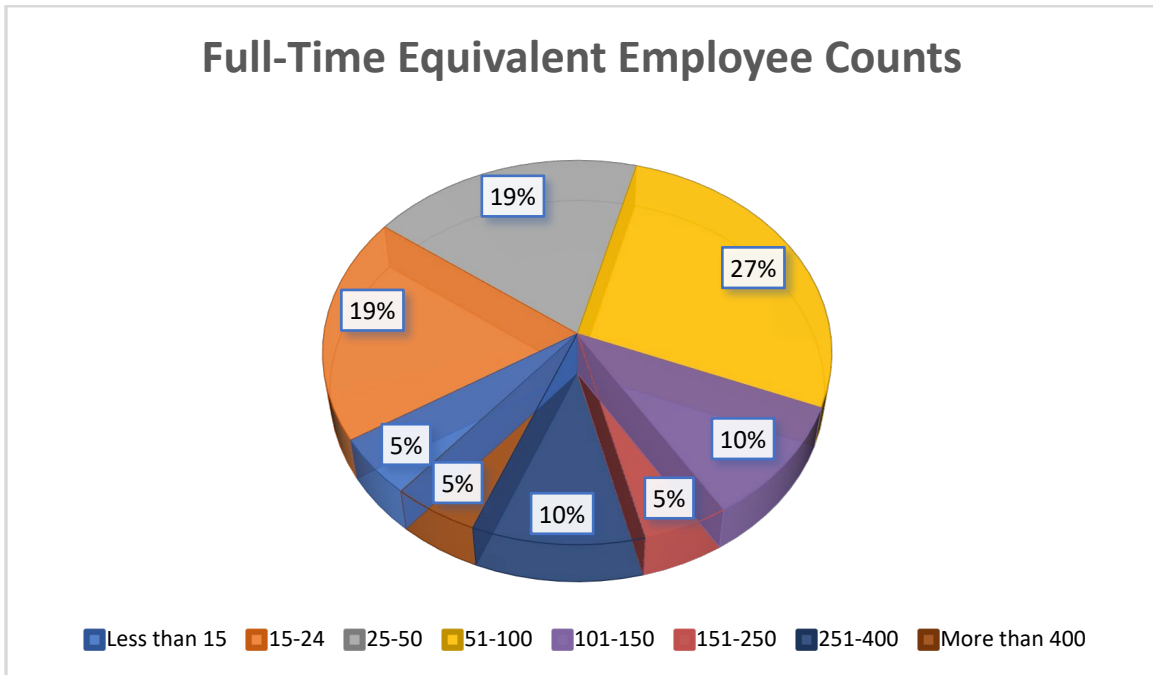
### Company's Primary Market



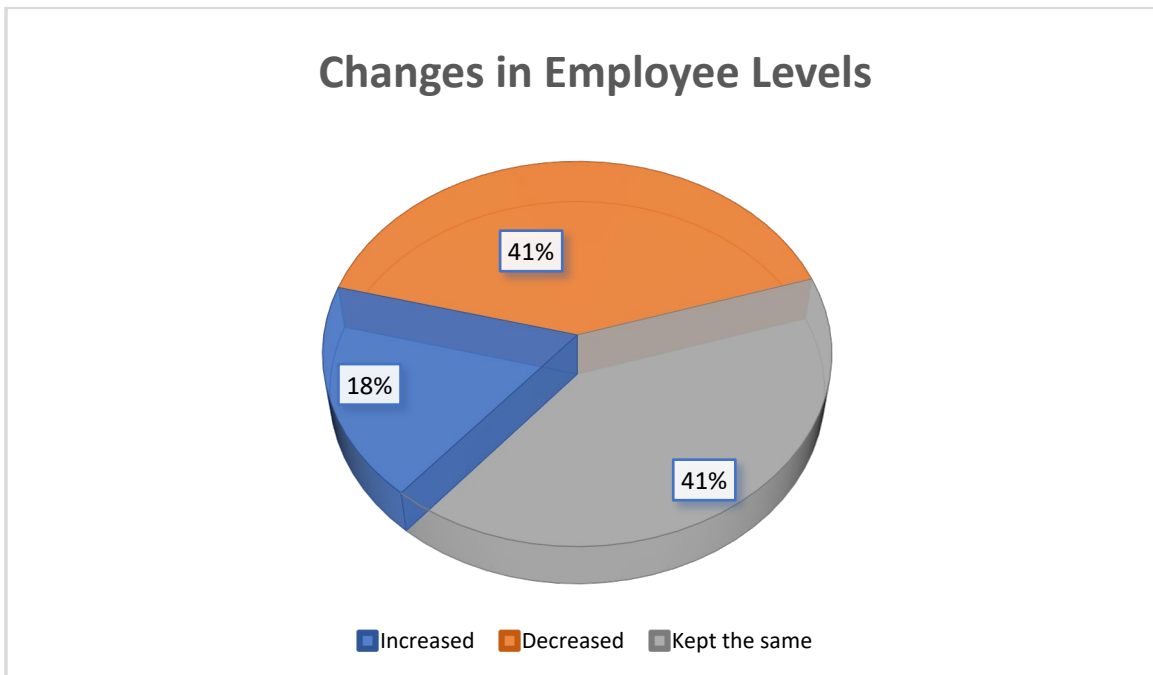




The ranges of Full-Time Equivalent employees for participants is noted below:



The majority of manufacturers are either increasing their employee levels or keeping their workforce the same. Eighteen percent (18%) reported increases in their employee levels while decreases were experienced by 41% of companies.





The 22 Kentucky study participants belong to the following groups:

AWS (America Welding Society)

Cast Stone Institute

Chamber

ERA

IAPD

KAM

KY Restaurants Association

National Concrete Masonry Assoc

National Precast Concrete Association (NPCA)

NFIB

Northern Kentucky Chamber of Commerce (x4)

Ohio Restaurant Association

PMPA

SHRM

Supplier and Vendor Sites

The American Institute of Architects Greater Cincinnati Home Builder's Assoc

The Brick Industry Assoc

The Construction Specifications Institute



## **COMPENSATION INFORMATION**

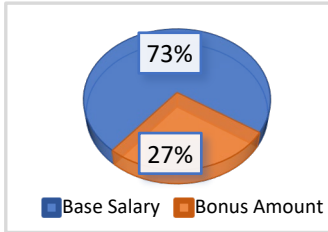
The information gathered in this section relates to the compensation structure of 16 different positions within the company, looking at mean base salary, mean bonus, prior year averages, the range of each salary category and the total compensation ranges. Also included is information pertaining to how bonuses are calculated and annual pay increase ranges.

The positions surveyed include:

- ♦ President/CEO
- ♦ Executive/Senior Vice President
- ♦ COO/Vice President, Manufacturing
- ♦ CFO/Vice President, Finance
- ♦ Sales/Marketing Executive
- ♦ Division/General Manager
- ♦ Controller/Accounting Manager
- ♦ HR Executive
- ♦ IT Manager
- ♦ Engineer Manager
- ♦ Project Manager
- ♦ Shipping and Receiving Supervisor
- ♦ Foreman
- ♦ Plant Supervisor
- ♦ Machine Operator
- ♦ Supply Chain Manager

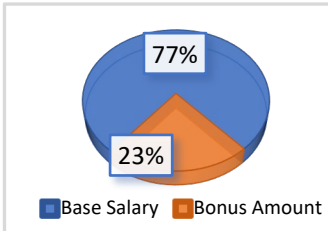


## President/CEO



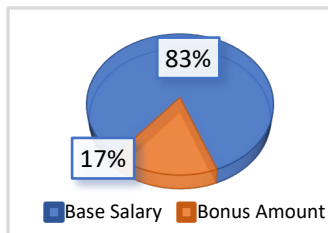
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	73%	15	\$95,000 - \$500,000	\$256,173
<b>Bonus Amount</b>	27%	13	\$2,922 - \$434,200	\$109,830
<b>Total Compensation</b>			\$150,000 - \$699,200	\$351,359

## Executive/Senior Vice President



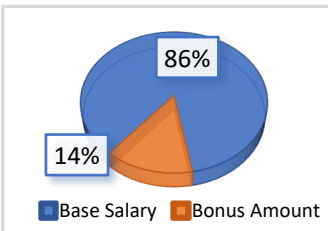
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	77%	9	\$95,000 - \$237,000	\$162,921
<b>Bonus Amount</b>	23%	6	\$2,600 - \$154,419	\$73,670
<b>Total Compensation</b>			\$100,000 - \$310,000	\$212,035

## COO/Vice President, Manufacturing



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	83%	8	\$65,000 - \$237,000	\$135,288
<b>Bonus Amount</b>	17%	5	\$10,000 - \$70,000	\$43,500
<b>Total Compensation</b>			\$75,000 - \$307,000	\$162,475

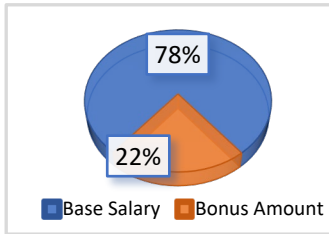
## CFO/Vice President, Finance



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	86%	8	\$100,000 - \$262,700	\$168,270
<b>Bonus Amount</b>	14%	5	\$29,344 - \$50,000	\$42,251
<b>Total Compensation</b>			\$125,000 - \$292,044	\$194,677

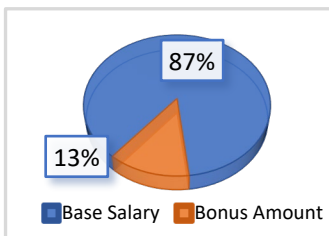


## Sales/Marketing Executive



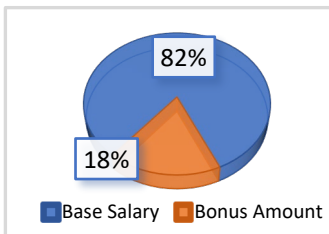
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	78%	17	\$65,000 - \$230,000	\$133,190
<b>Bonus Amount</b>	22%	13	\$3,000 - \$162,400	\$47,844
<b>Total Compensation</b>			\$77,000 - \$317,400	\$169,776

## Division/General Manager



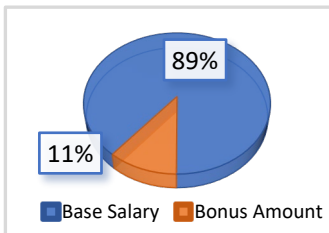
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	87%	7	\$77,000 - \$207,518	\$119,213
<b>Bonus Amount</b>	13%	4	*	*
<b>Total Compensation</b>			\$77,000 - \$244,821	\$136,939

## Controller/ Accounting Manager



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	82%	12	\$55,200 - \$140,000	\$102,123
<b>Bonus Amount</b>	18%	8	\$8,000 - \$67,200	\$32,830
<b>Total Compensation</b>			\$55,200 - \$170,000	\$124,009

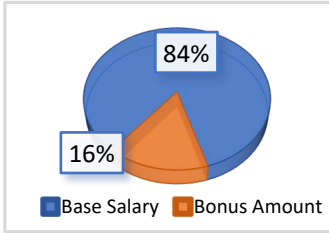
## HR Executive



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	89%	8	\$56,680 - \$177,123	\$107,868
<b>Bonus Amount</b>	11%	7	\$2,000 - \$54,469	\$15,235
<b>Total Compensation</b>			\$58,680 - \$193,687	\$121,199

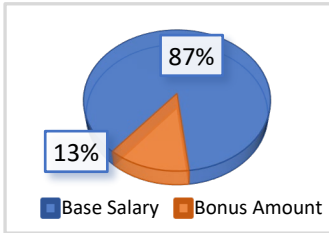


## IT Manager



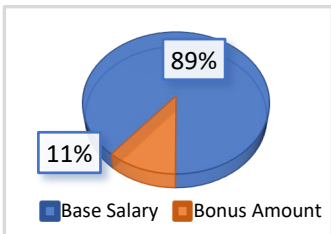
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	84%	7	\$75,000 - \$117,000	\$99,868
<b>Bonus Amount</b>	16%	5	\$8,000 - \$53,000	\$26,131
<b>Total Compensation</b>			\$75,000 - \$163,000	\$118,533

## Engineer Manager



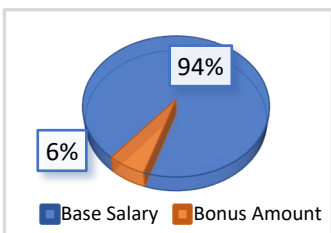
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	87%	14	\$61,800 - \$143,850	\$100,786
<b>Bonus Amount</b>	13%	9	\$6,000 - \$72,369	\$23,639
<b>Total Compensation</b>			\$61,800 - \$171,126	\$115,983

## Project Manager



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	89%	9	\$75,000 - \$102,000	\$83,423
<b>Bonus Amount</b>	11%	5	\$1,000 - \$72,225	\$19,024
<b>Total Compensation</b>			\$76,000 - \$150,925	\$93,992

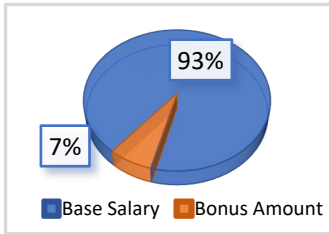
## Shipping and Receiving Supervisor



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	94%	13	\$42,640 - \$98,761	\$55,119
<b>Bonus Amount</b>	6%	7	\$1,000 - \$20,000	\$7,625
<b>Total Compensation</b>			\$42,800 - \$108,637	\$69,225

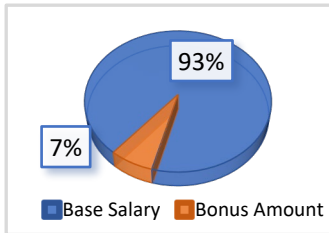


## Foreman



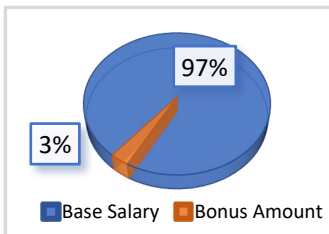
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	92%	6	\$51,000 - \$96,000	\$69,517
<b>Bonus Amount</b>	8%	4	*	*
<b>Total Compensation</b>			\$51,000 - \$108,500	\$75,494

## Plant Supervisor



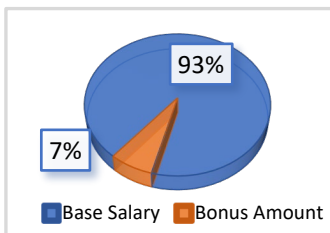
	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	93%	11	\$42,000 - \$105,000	\$75,394
<b>Bonus Amount</b>	7%	6	\$750 - \$35,996	\$10,381
<b>Total Compensation</b>			\$42,000 - \$111,500	\$81,056

## Machine Operator



	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	97%	16	\$36,000 - \$68,348	\$46,407
<b>Bonus Amount</b>	3%	6	\$500 - \$10,000	\$3,667
<b>Total Compensation</b>			\$37,500 - \$68,348	\$47,782

## Supply Chain Manager

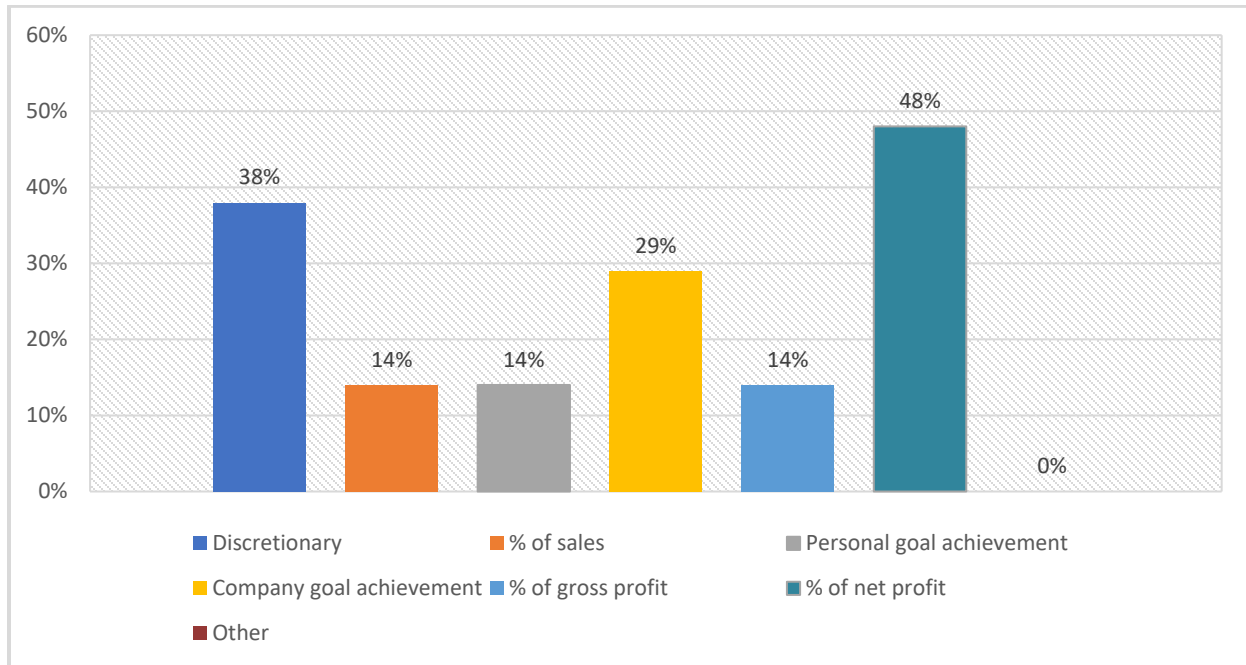


	% of Total	Companies	2021 Range	2021 Average
<b>Base Salary</b>	93%	8	\$47,500 - \$123,300	\$84,223
<b>Bonus Amount</b>	7%	4	*	*
<b>Total Compensation</b>			\$49,500 - \$126,000	\$90,689

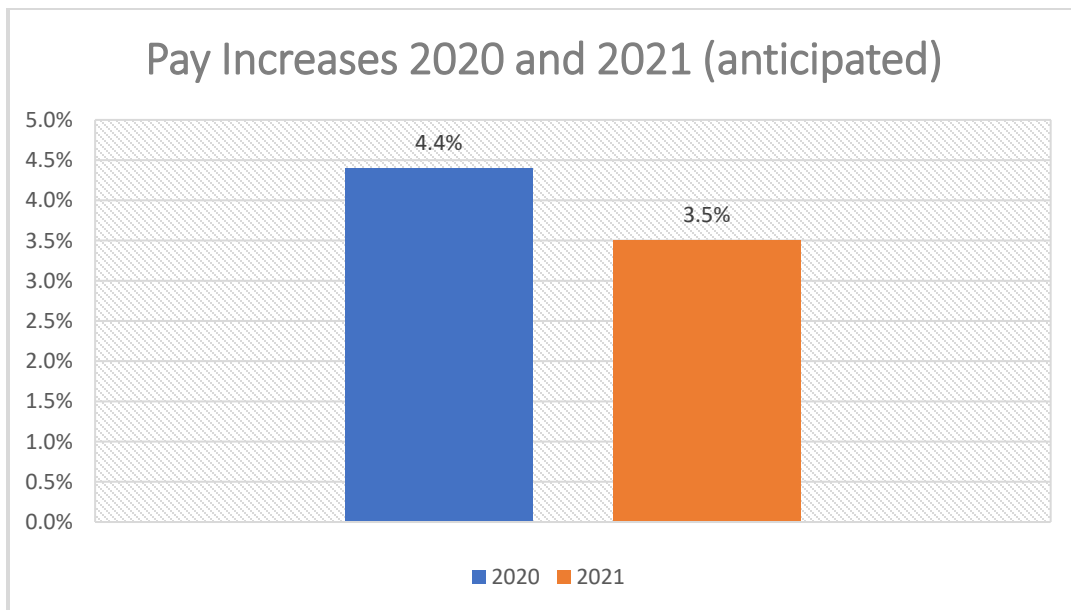


Of the 22 companies that responded to this question, nearly half reported awarding bonuses as a % of net profit. Participants calculated bonuses in the following ways. (Note: Of the companies responding, some utilize more than one way to calculate bonuses).

### Bonus Calculation Criteria



Below is a scale of the average actual past pay increases and the anticipated increases for 2021.

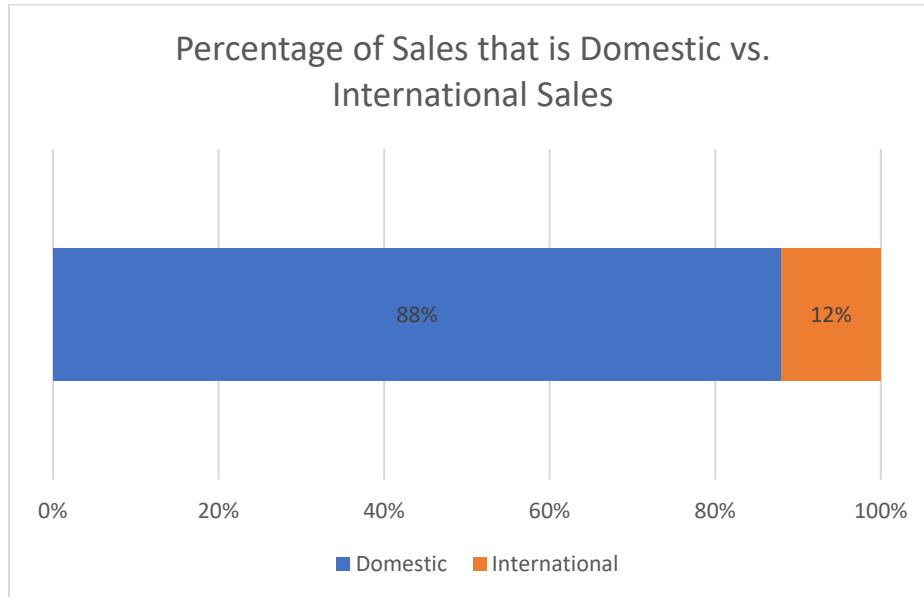




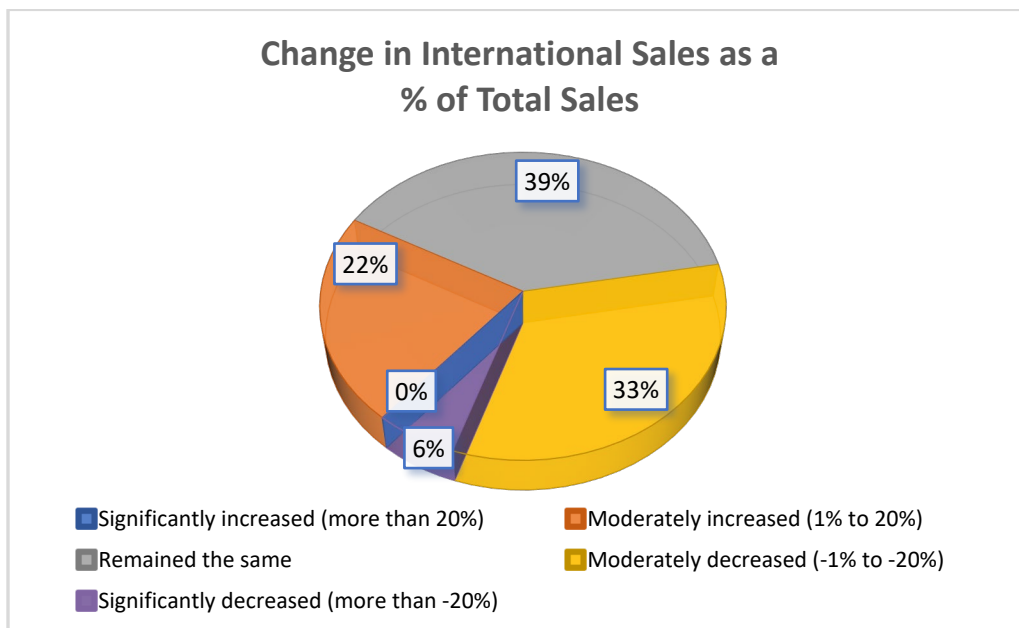


## INTERNATIONAL OPERATIONS

The split between international and domestic sales was fairly consistent across revenue and employee size. Three (3) companies do not conduct business internationally. There was one company that reported doing the same amount of international sales as domestic.

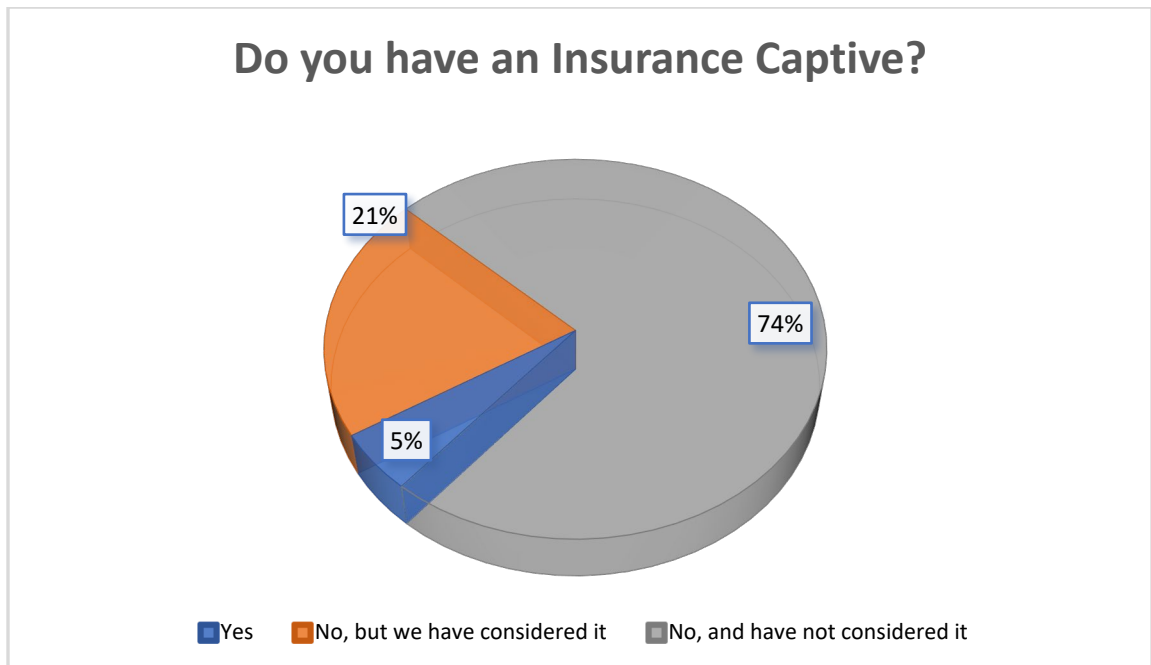
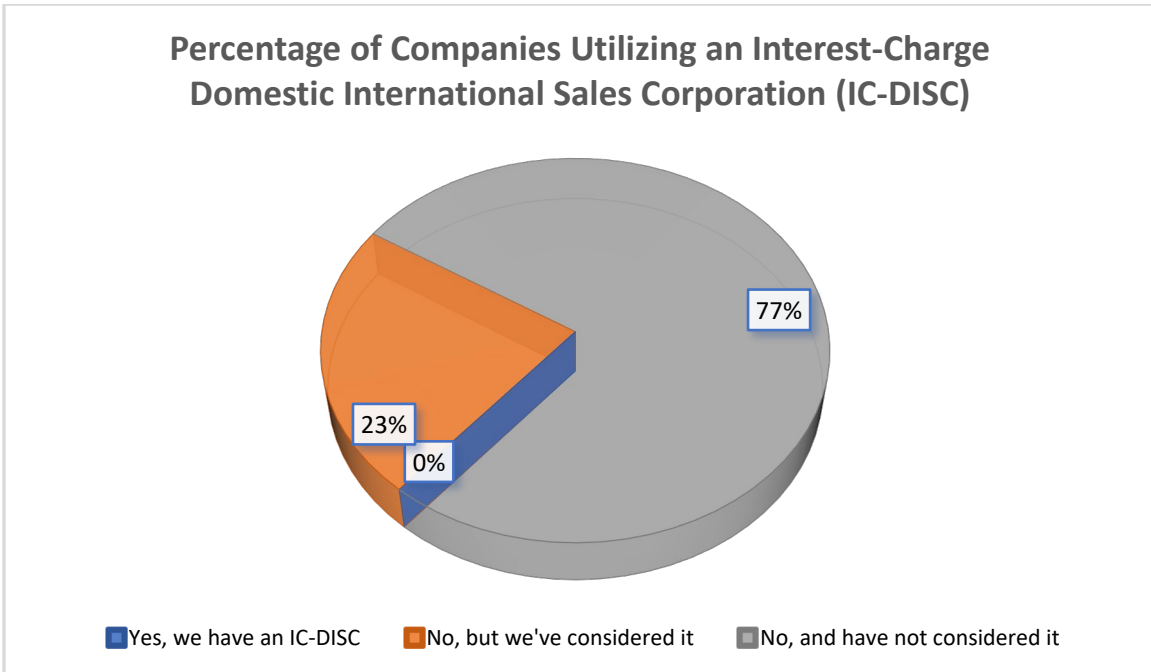


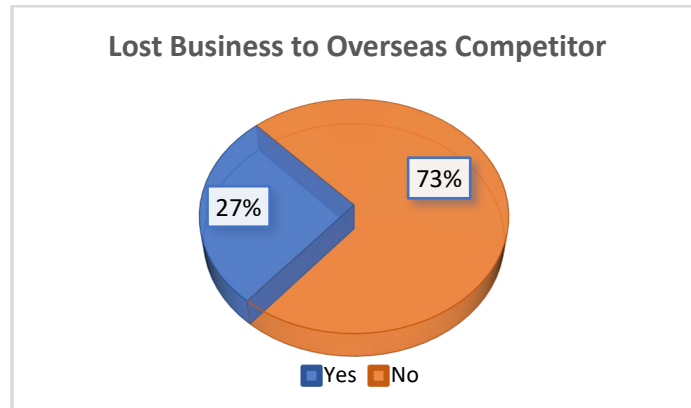
The following chart reveals how international sales are changing.





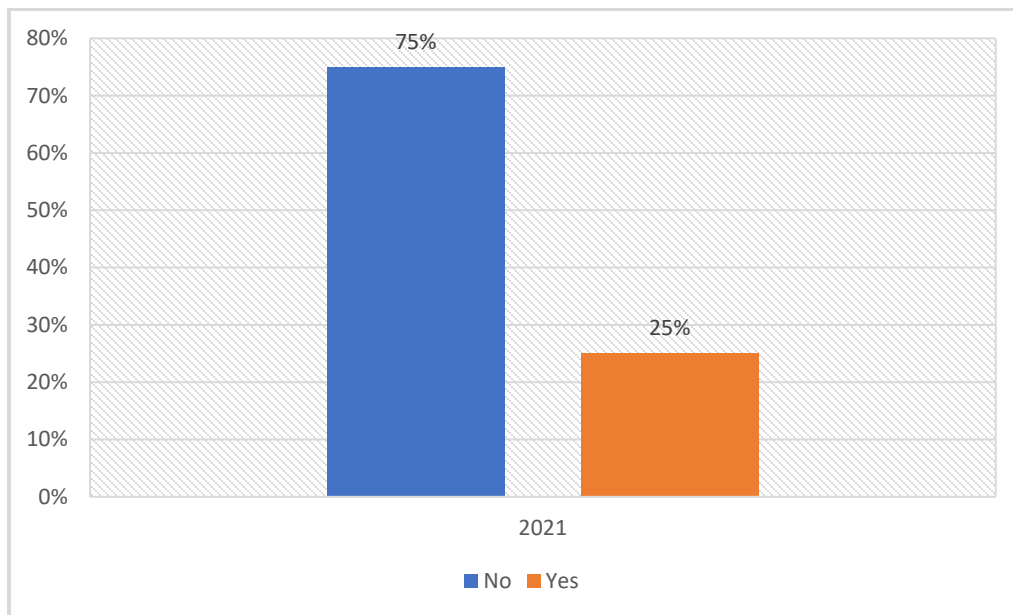
An Interest Charge - Domestic International Sales Corporation (IC-DISC) offers U.S. exporters (who qualify) export-related tax benefits; however, most have not considered it.





Of the companies that have international sales, the following graph shows how many have overseas production facility/facilities. The following countries were identified as locations for international facilities: Germany (4), Slovakia (2), Switzerland (2), and Others.

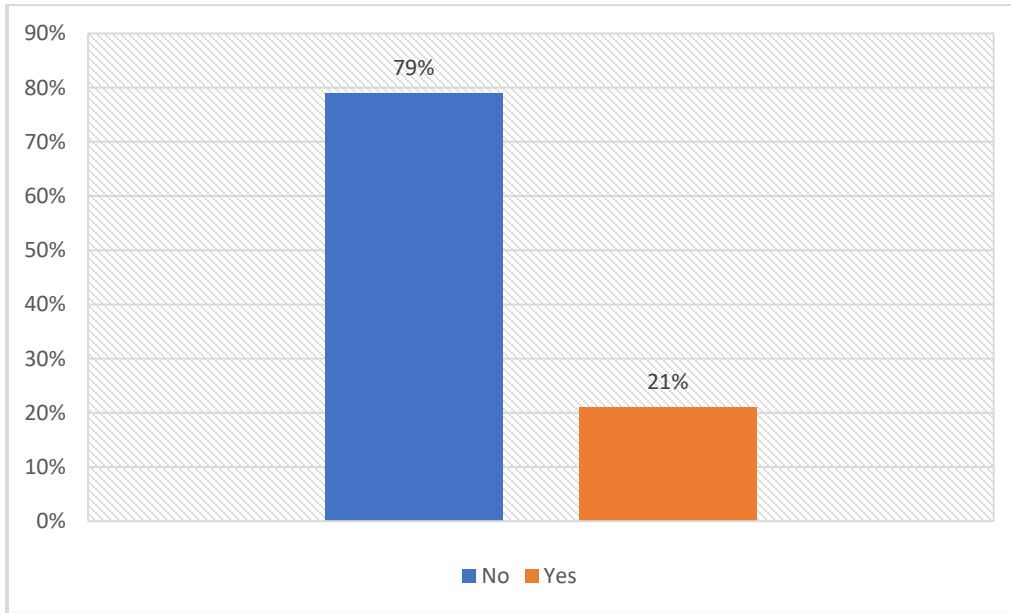
### Percentage of Companies with Overseas Production Facilities



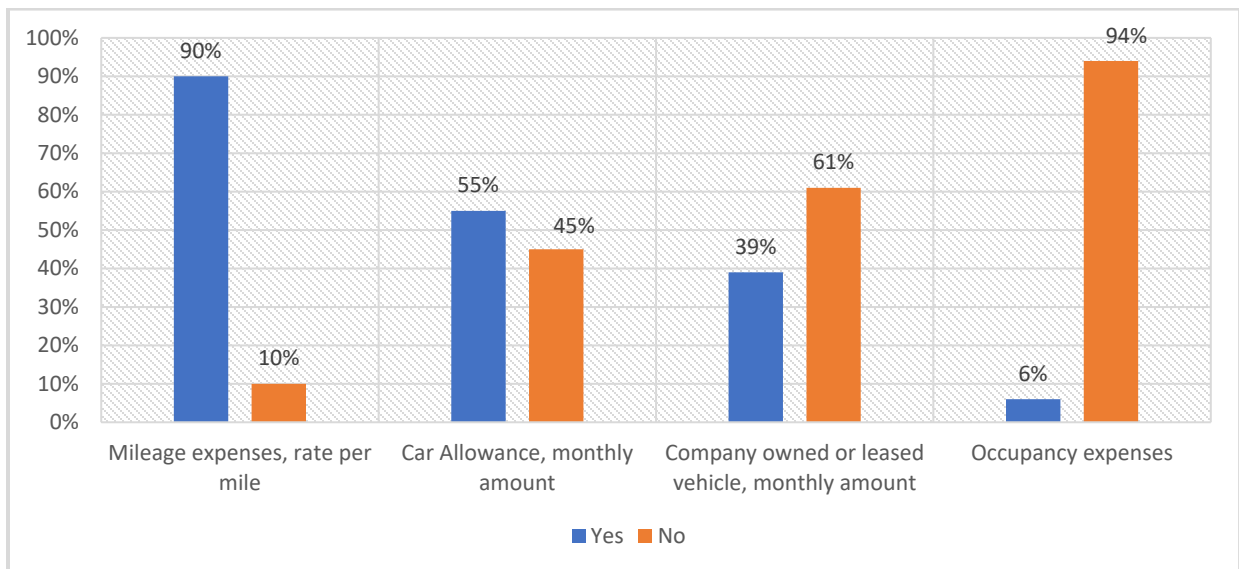


The following chart shows what percentage of companies have overseas sales reps. The following countries were identified as location of sales rep offices: China (2), Mexico (2), Germany (2), Japan (2), Italy (2), France (2), UK (2), and others.

### Percentage of Companies with Overseas Sales Representative

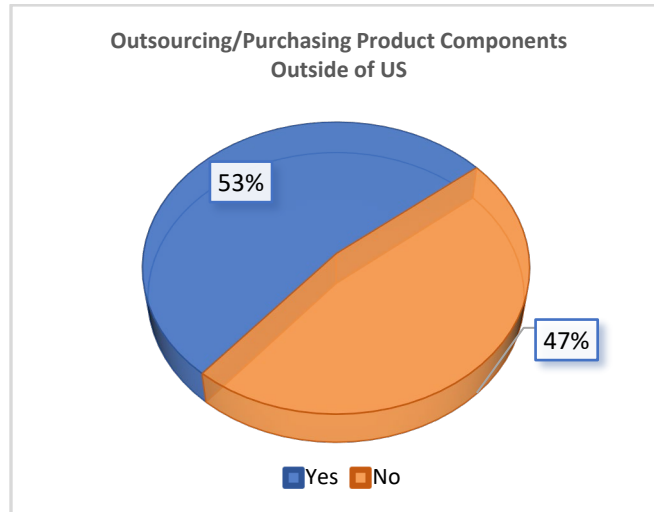


### Employee Expense Reimbursement: Which of the following do you offer?



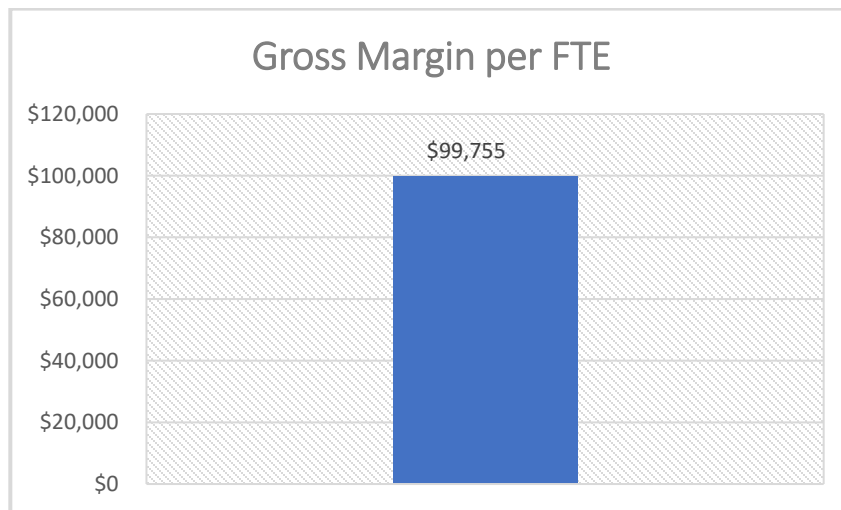


Eight (8) of the 15 (53%) responding companies are outsourcing product components or raw materials outside the U.S.



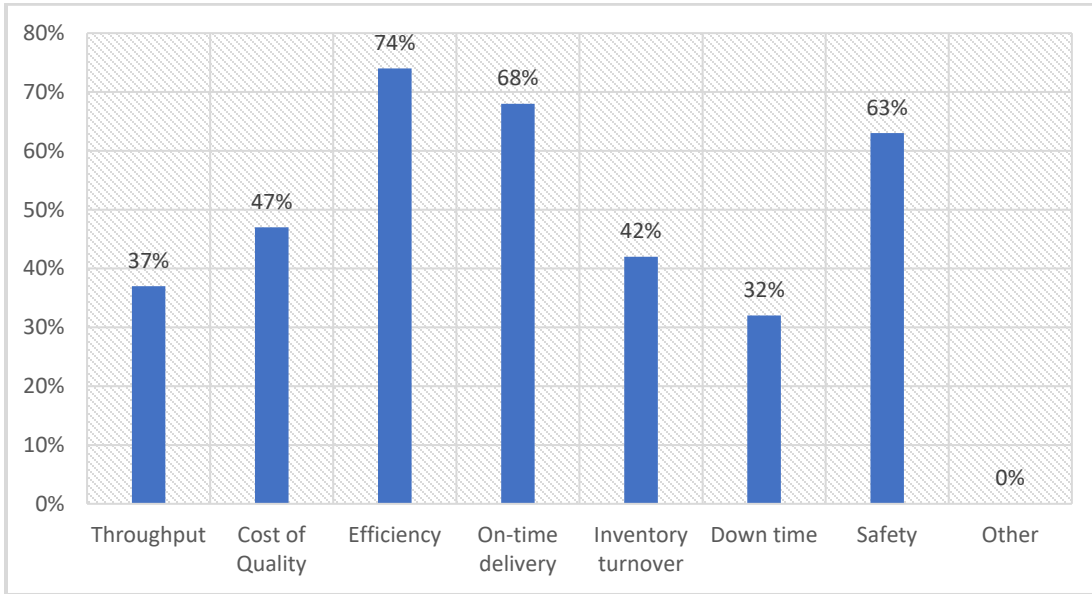
## COMPANY OPERATIONS

Gross margin per full-time equivalent employee is a key performance indicator (KPI) for many manufacturers. This amount is calculated by taking the gross margin (or gross profit) and dividing it by the total number of full-time equivalent employees.



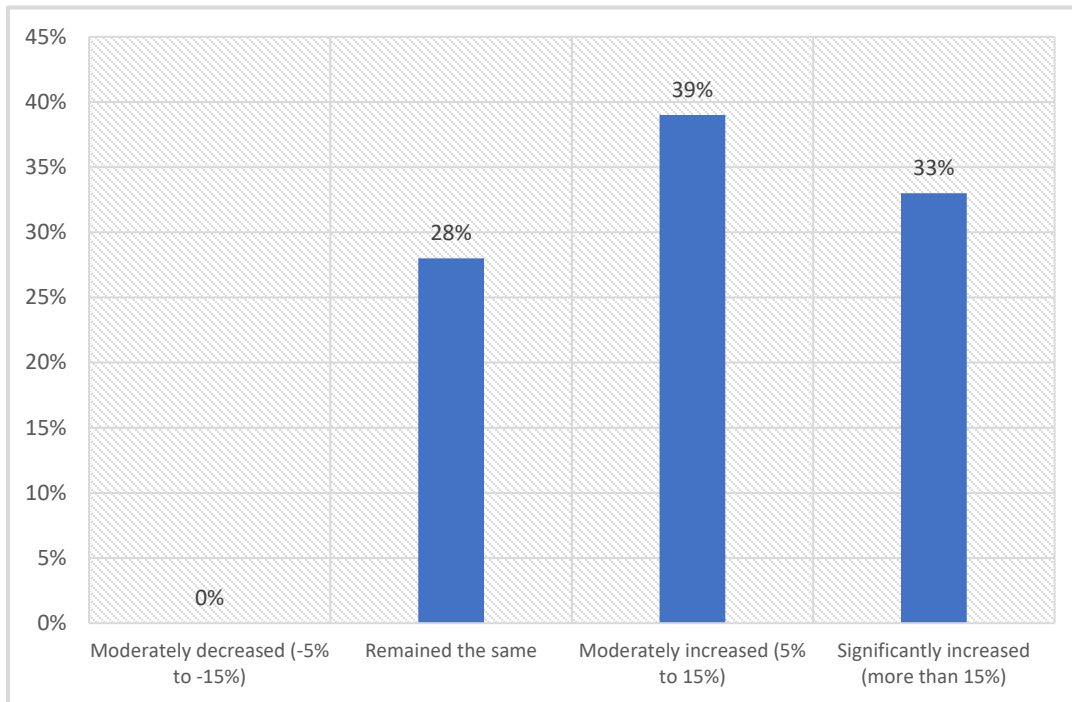
Of the metrics most utilized to evaluate performance by participating companies: efficiency ranks as the highest methods for the Kentucky companies surveyed. The companies surveyed utilize On-time delivery second most. (See chart on following page)

## Manufacturing Methods – Utilized to Evaluate Performance



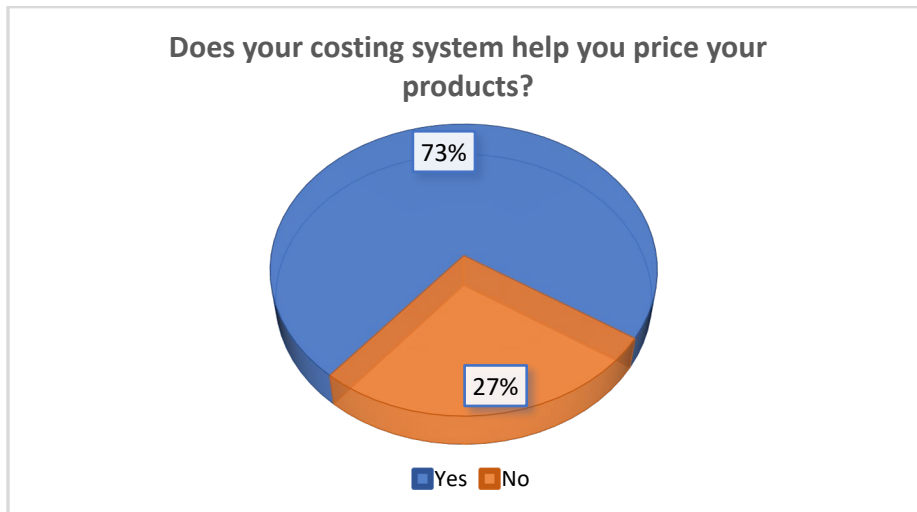
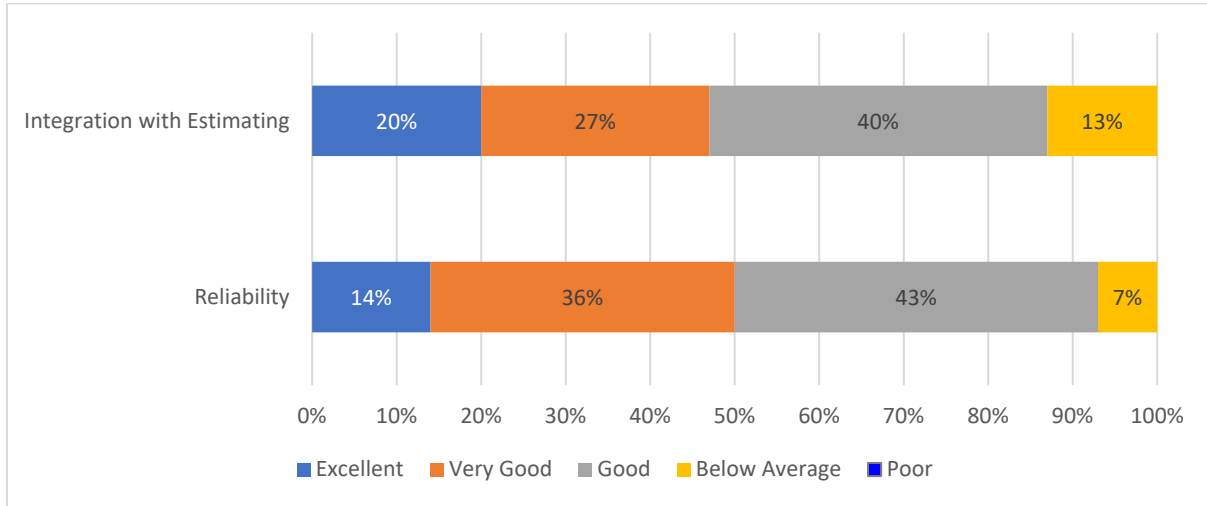
Participants reported the increase / decrease in the cost of raw materials over the past 12 months. Thirty-nine percent of companies reported seeing a moderate increase in prices.

### Raw Material Prices



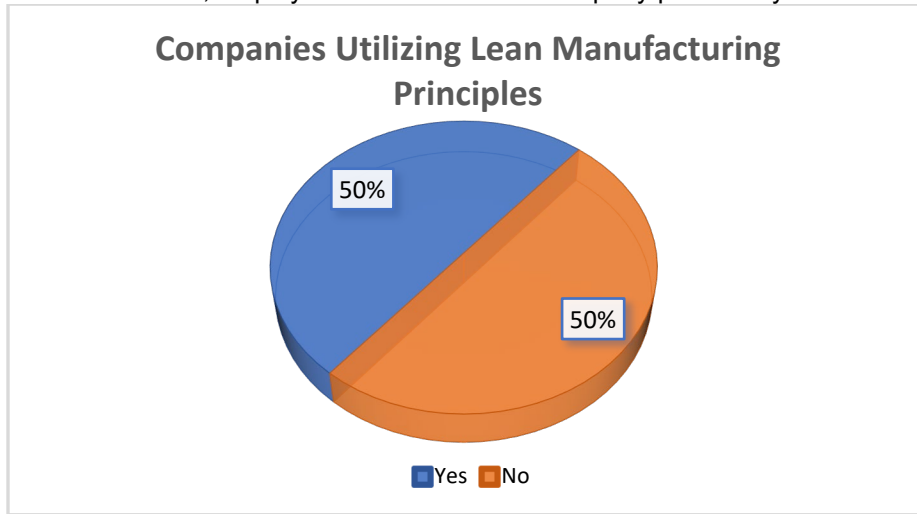


### How would you evaluate your costing system based on the following factors?



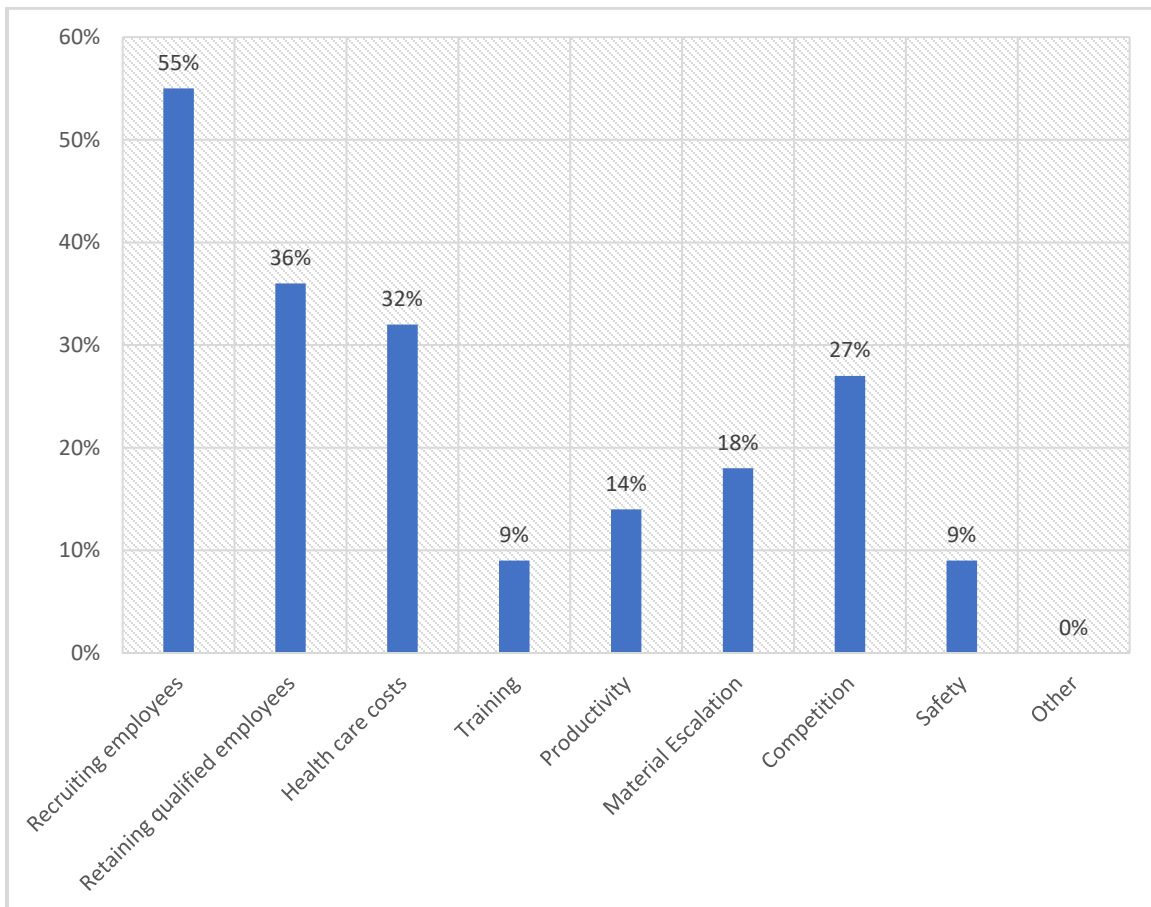


Lean manufacturing is a systematic approach to identifying and eliminating waste through continuous improvement by flowing the product at the pull of the customer, among other principles. It has proven to increase customer satisfaction, employee involvement and company profitability.



Participants were asked “What do you see as the top two personnel issues facing manufacturers in 2021?” Based on the responses, recruiting/retaining qualified employees and healthcare costs have remained at the top for all companies.

### Top Personnel Issues

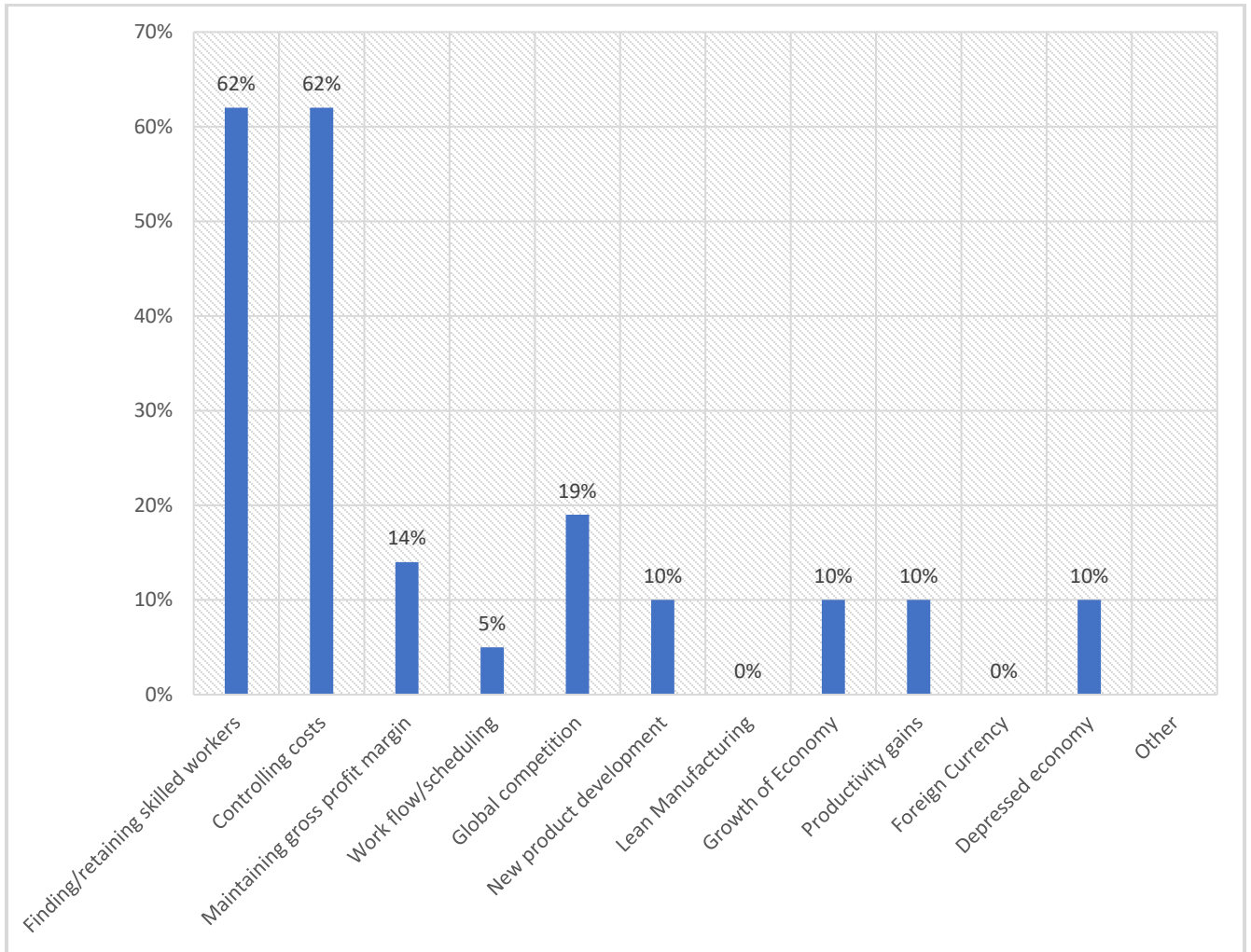






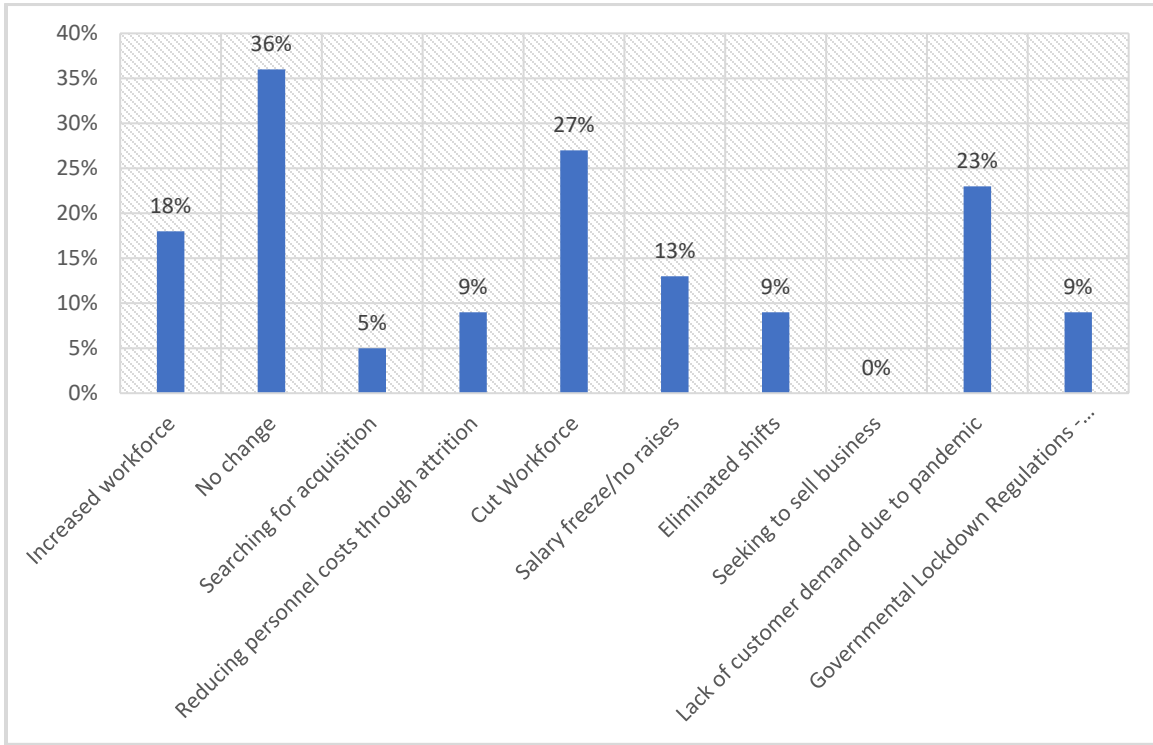
Participants were asked, “What do you see as the top two operational issues facing manufacturers in 2021?” Based on the responses, the top two issues facing all companies are finding/retaining skilled workers and controlling costs. The third top issue for companies appears to be global competition.

### Top Operational Issues



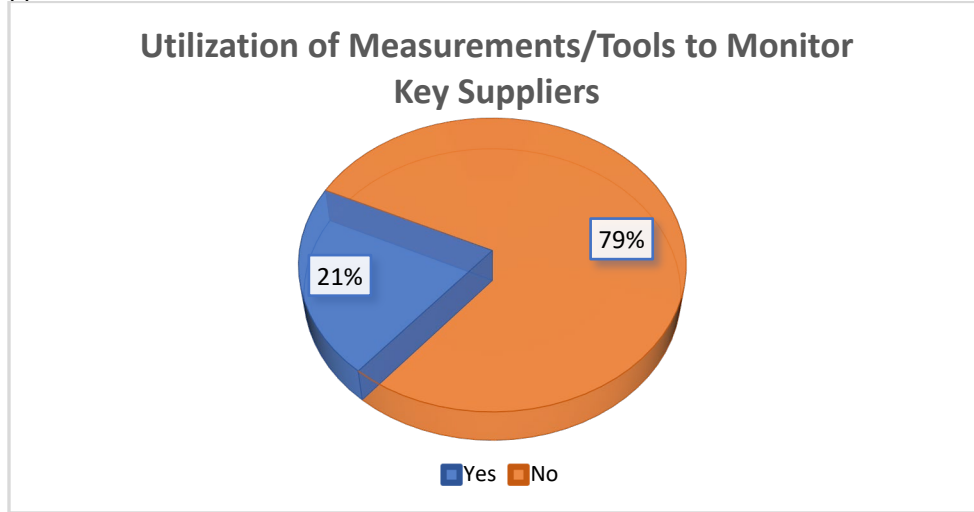


## Effects of the Current Economic Environment



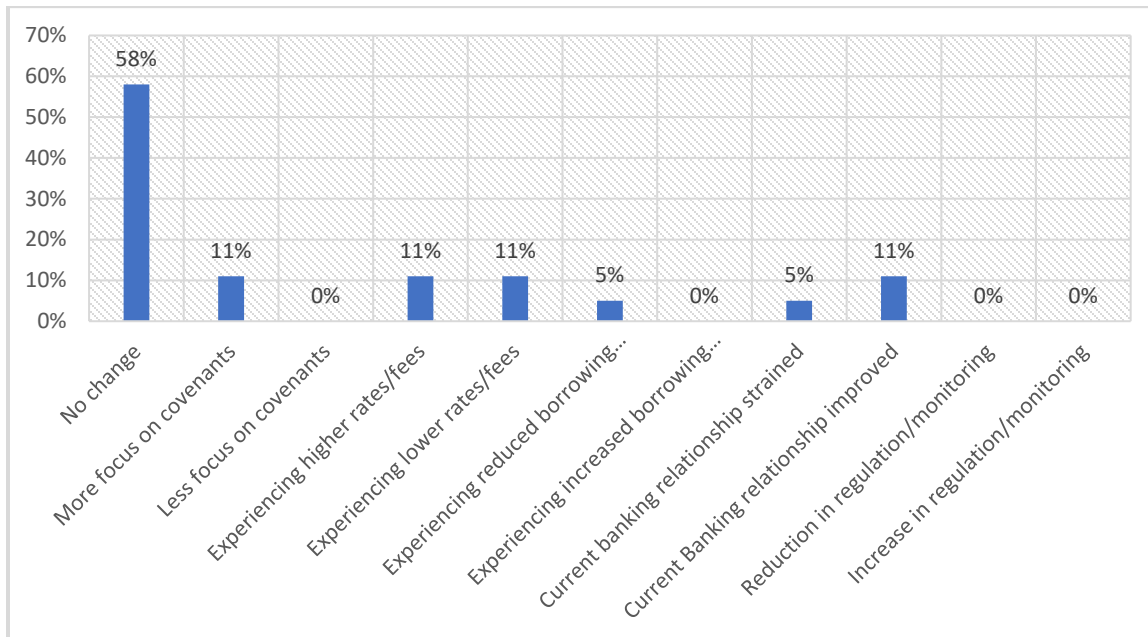


The following graph shows that 79% of manufacturers are not utilizing measurement metrics to monitor their key suppliers.



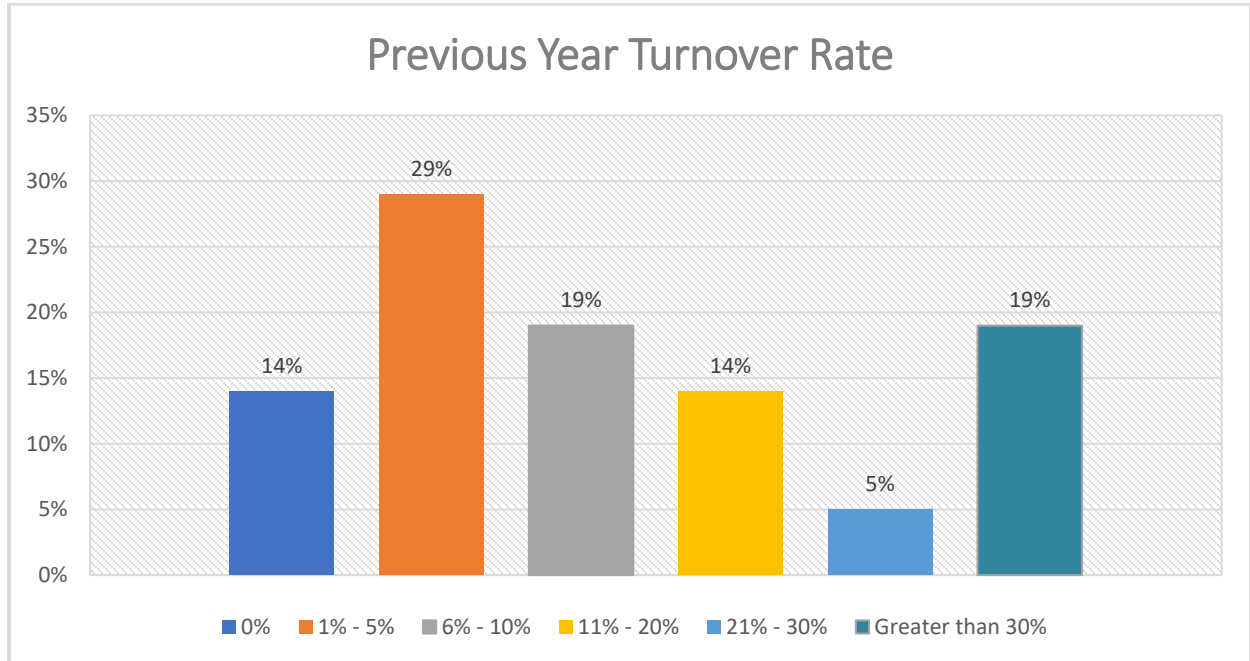
When asked to describe their company's current financing situation, 58% (eleven) of companies experienced no change.

### Current Financial Situation





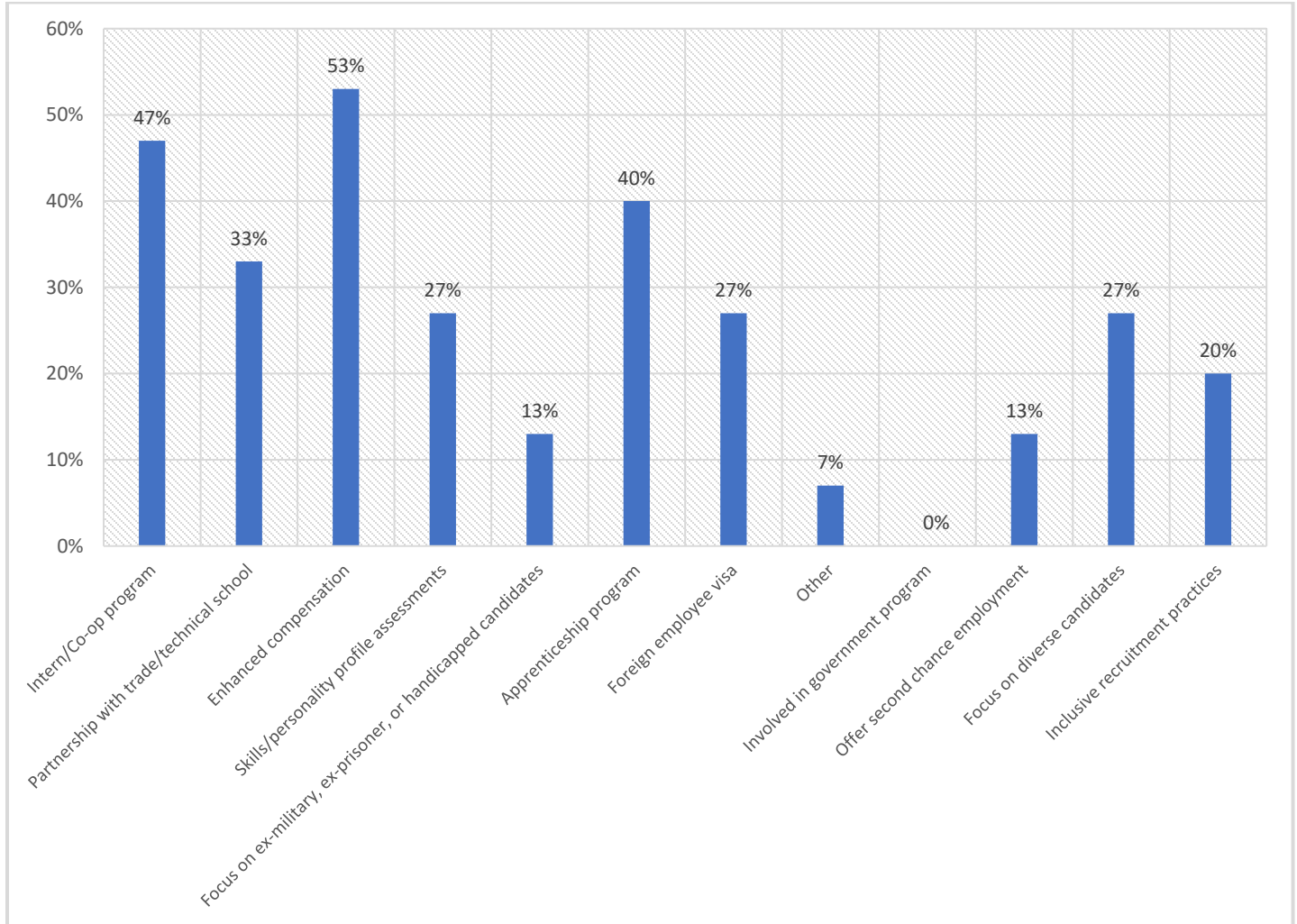
Twenty-nine percent (29%) of manufacturers experienced employee turnover rates between 1% and 5% in 2020. Very few manufacturers experienced no turnover.





Enhanced Compensation was a top strategy for Kentucky Employers.

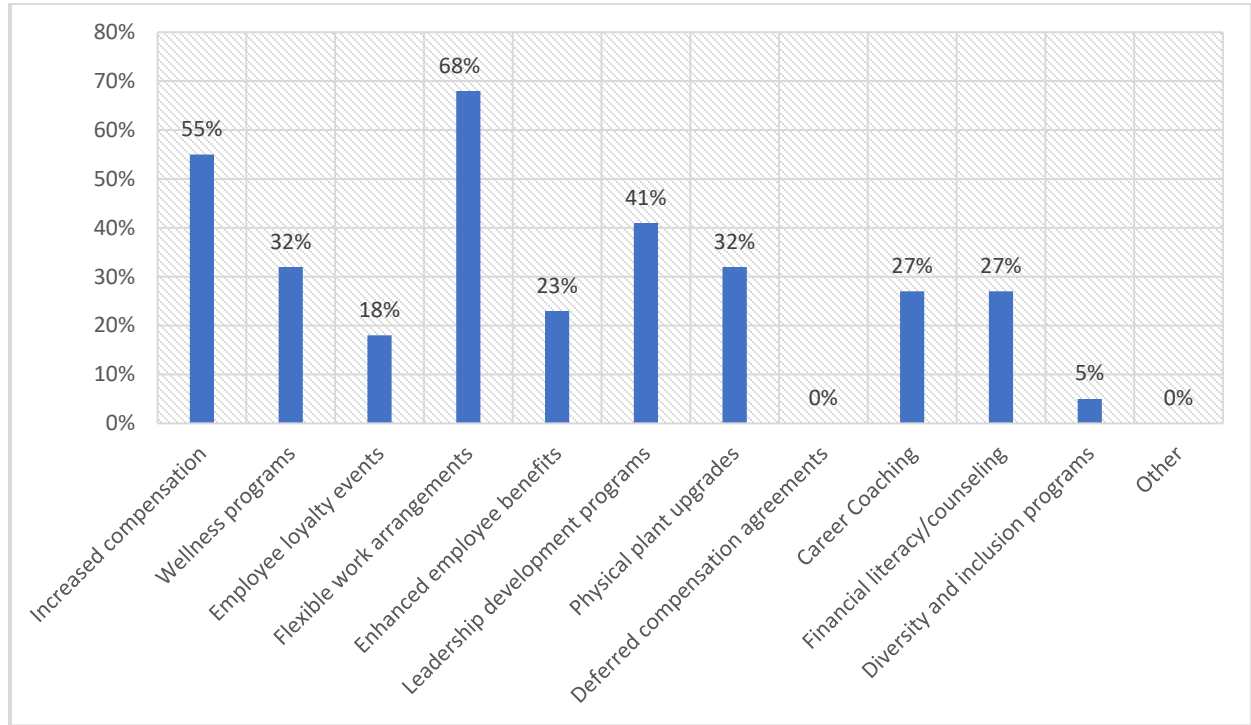
### Strategies for Employee Recruitment Programs



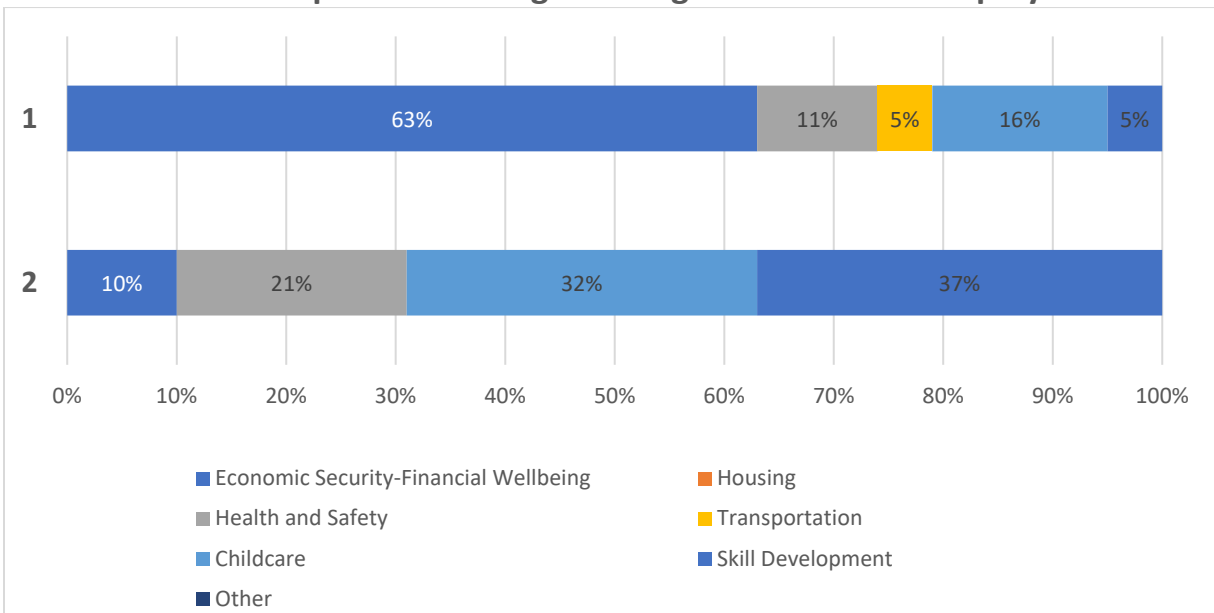


For Kentucky manufacturers, the top strategy was flexible work arrangements with the second strategy being increased compensation.

### Strategies for Retaining Top Talent



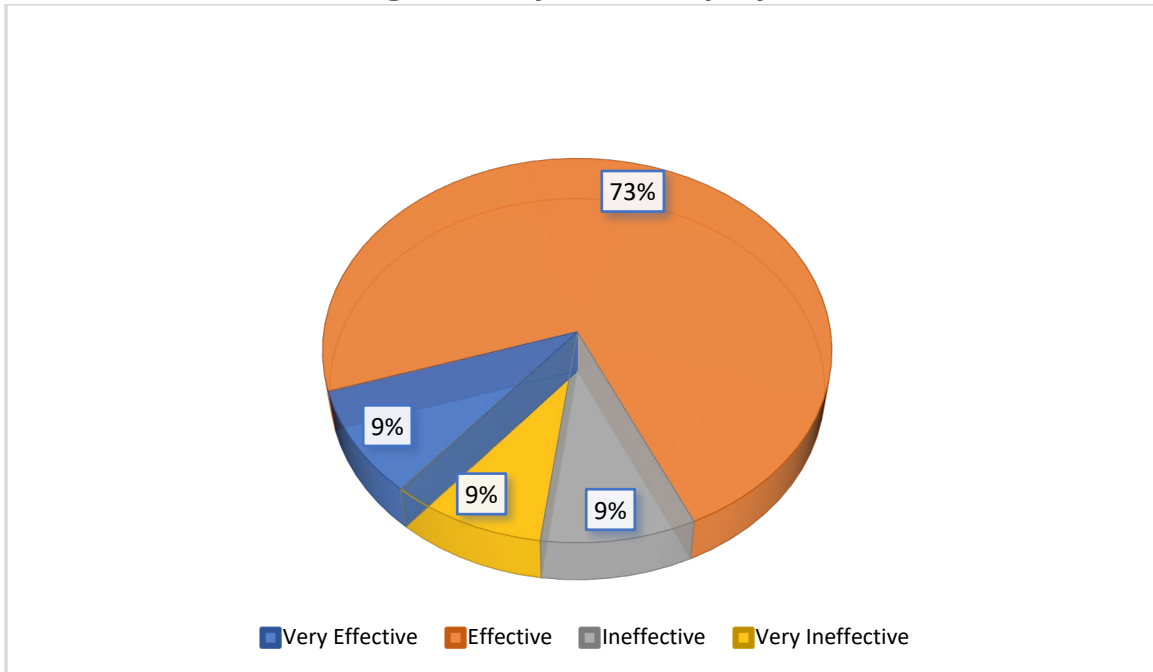
### Rank the Top Two Challenges Facing Your Frontline Employees



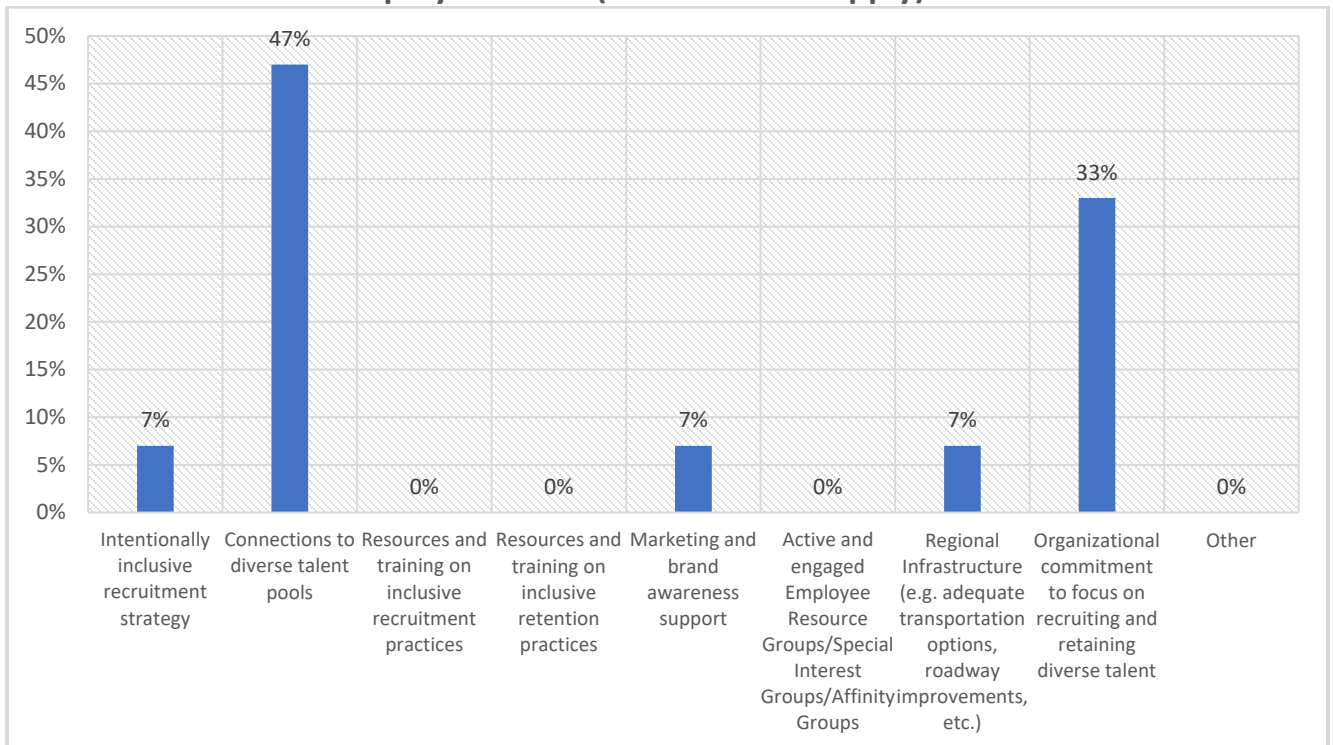
Most employers ranked economic security-financial wellbeing as the top challenge facing frontline employees with health and skill development ranked second.



### How Would You Rate Your Organization's Performance in Attracting and Retaining Diversity in the Employee Base?

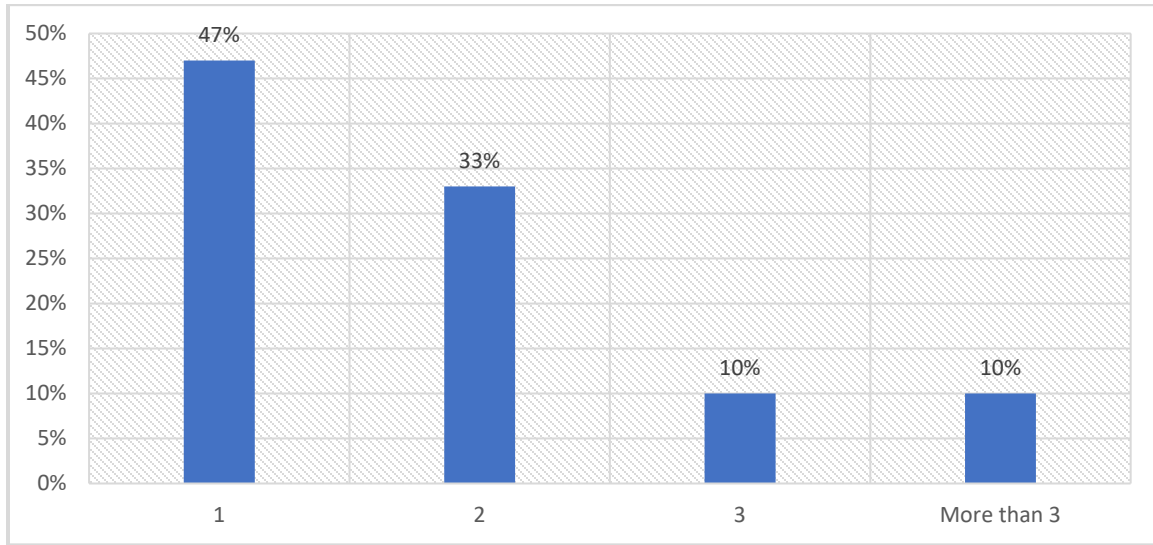


### What Does Your Organization Need to Better Recruit and Retain Diversity in the Employee Base? (Check all that Apply)

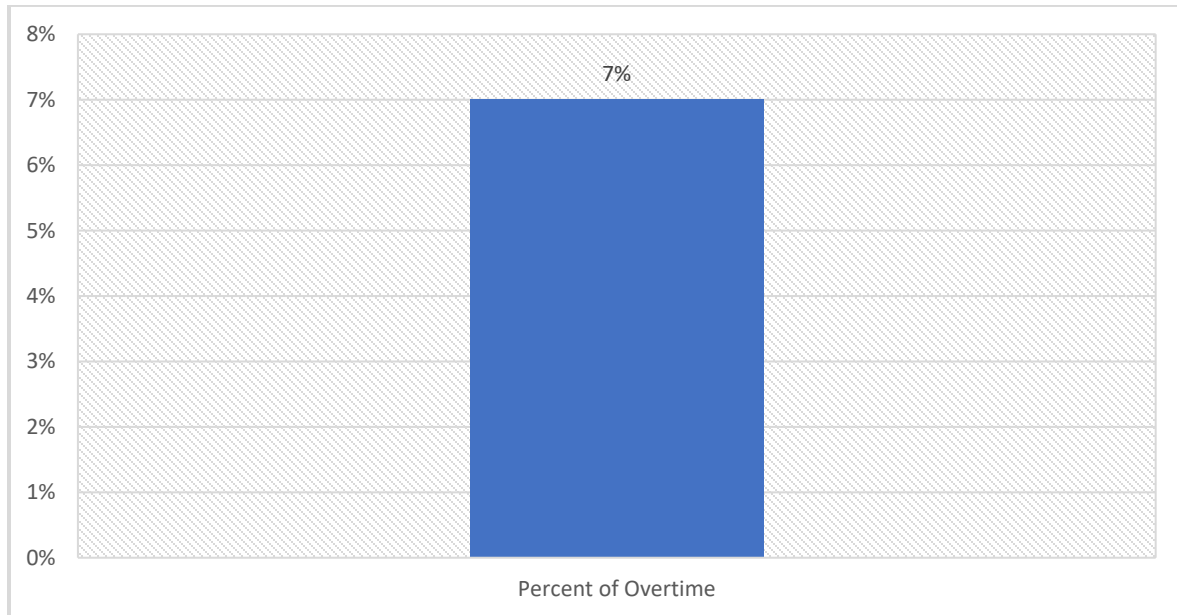




### How many shifts do you currently run?



### Percent of Total Annual Overtime as Compared to Regular Time



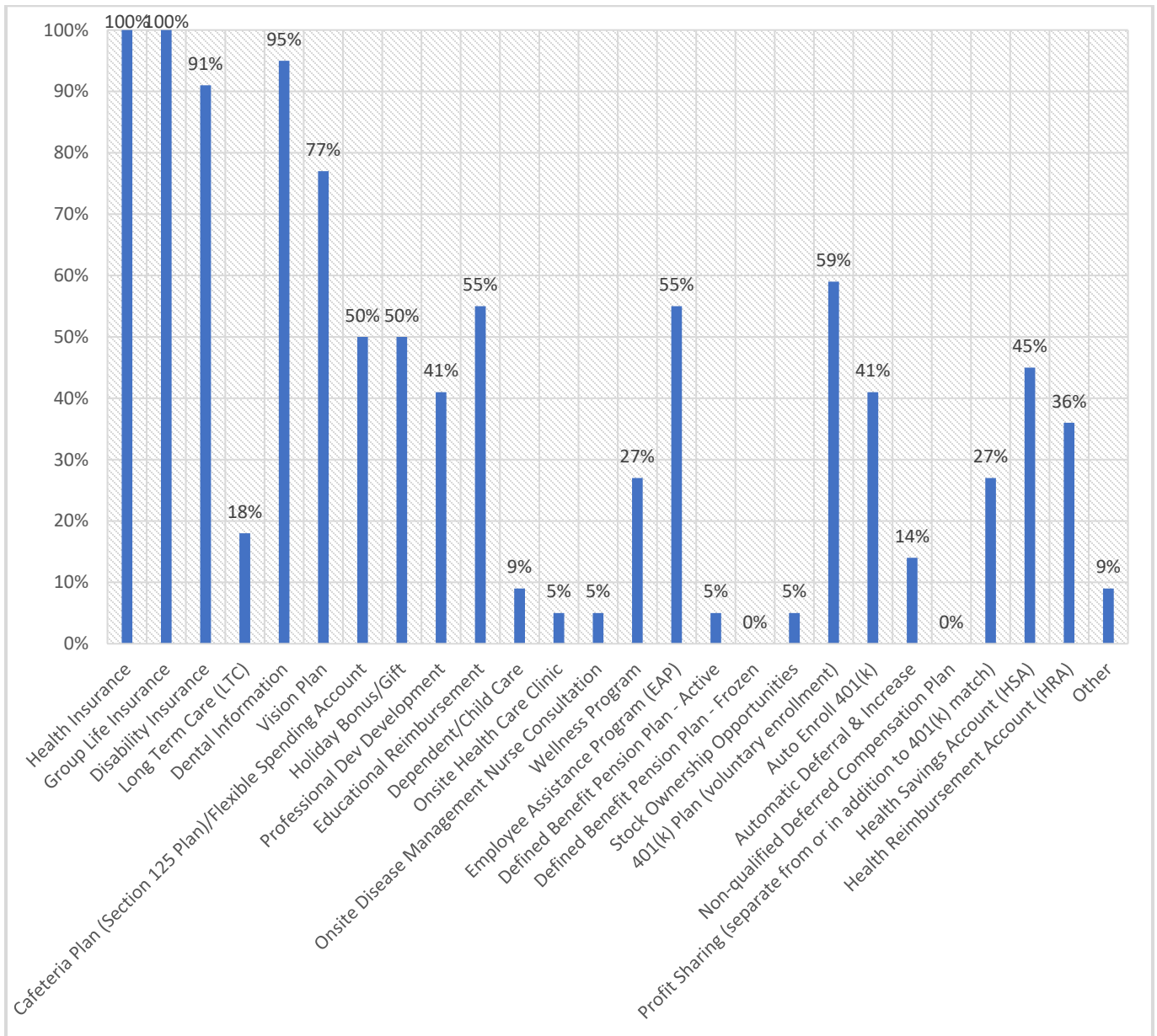




## Employee Benefit Information

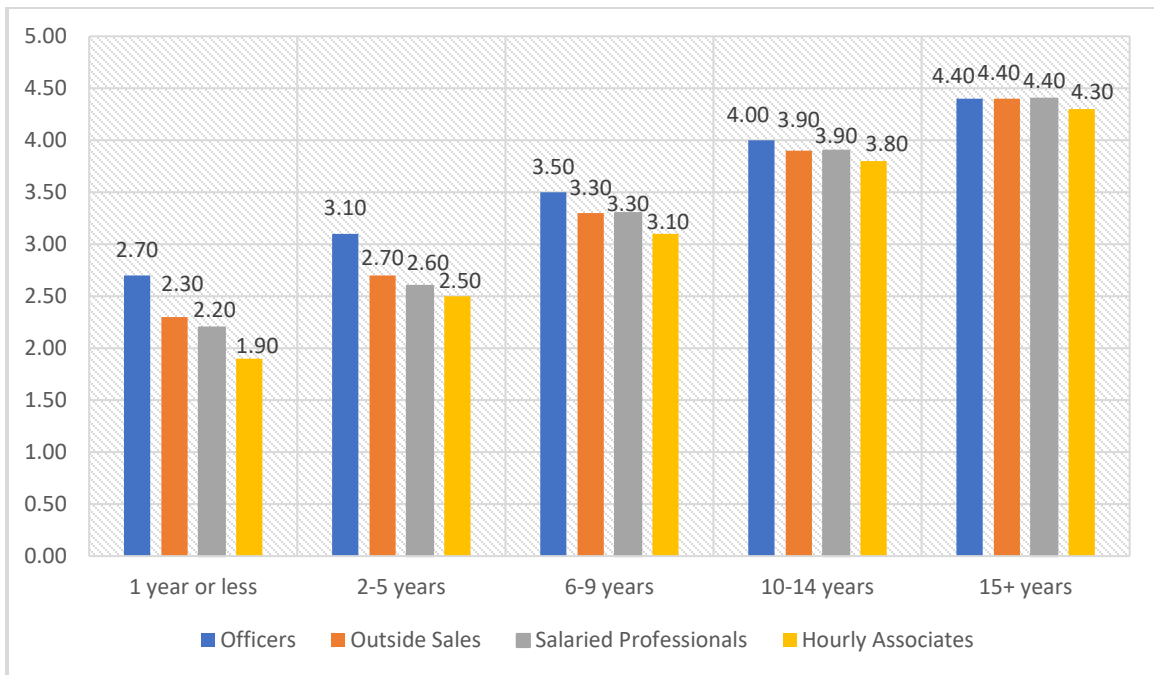
The chart below examines benefit offerings from participant companies

### Benefits Offered by Participating Companies

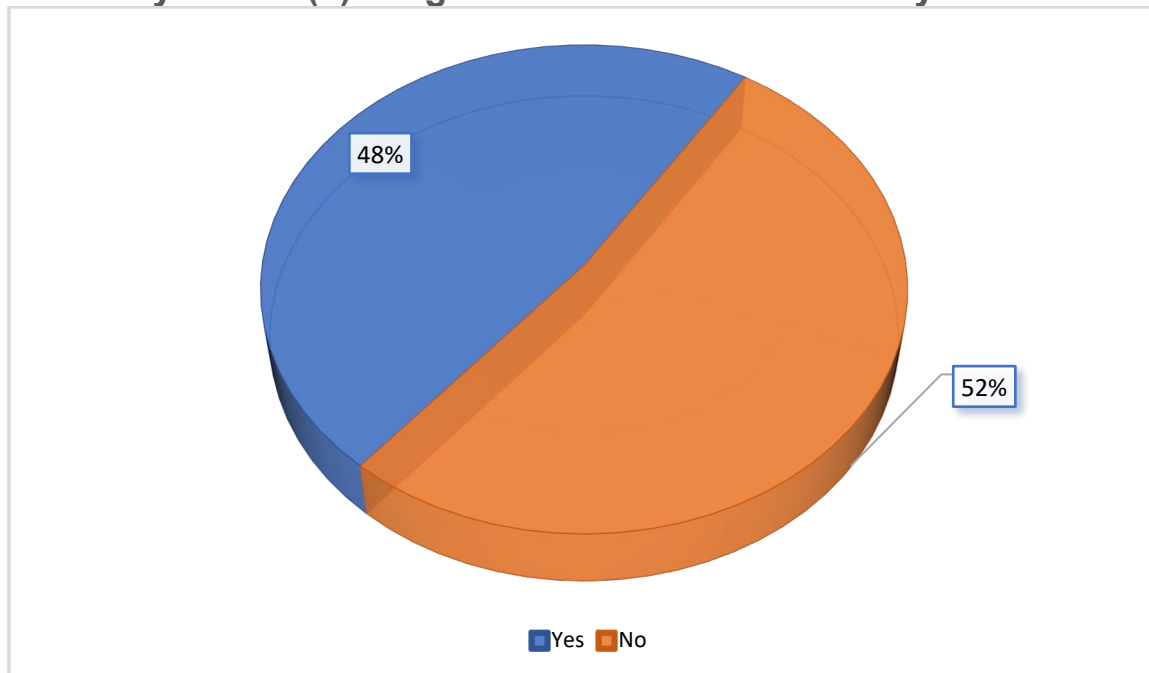




## Number of Weeks of Vacation, Not Including Compensatory Time Off



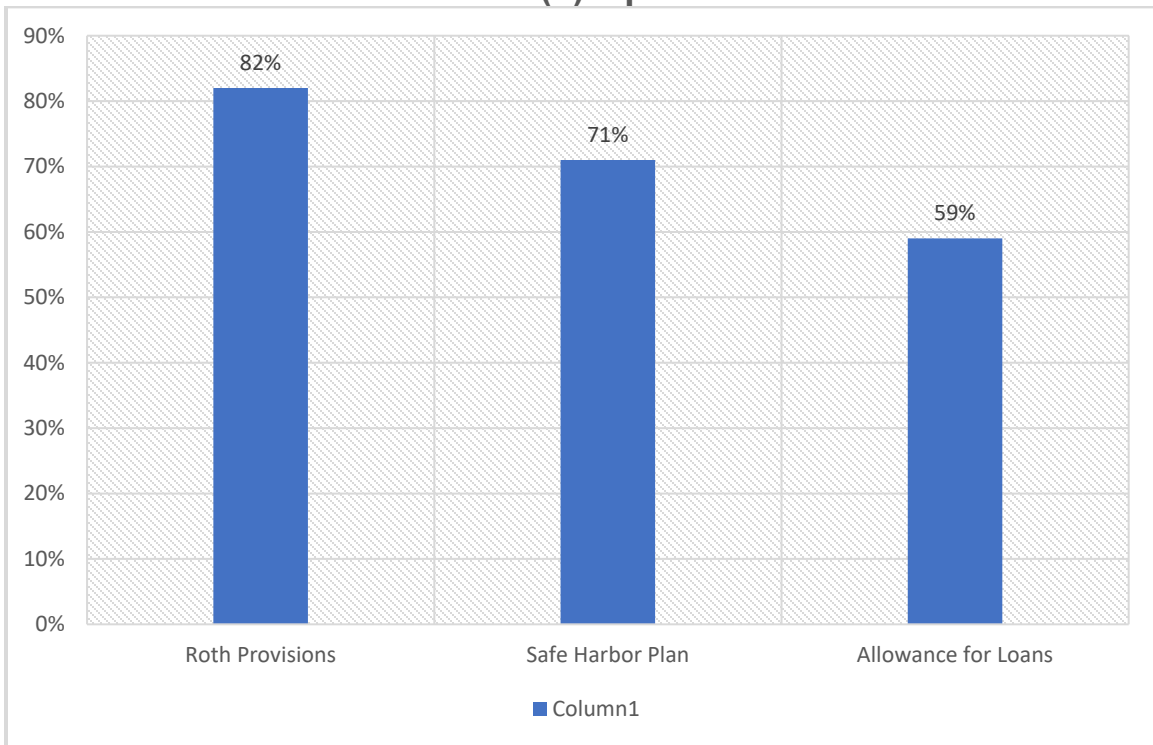
## Does your 401(k) Program Allow for Discretionary Profit Sharing?





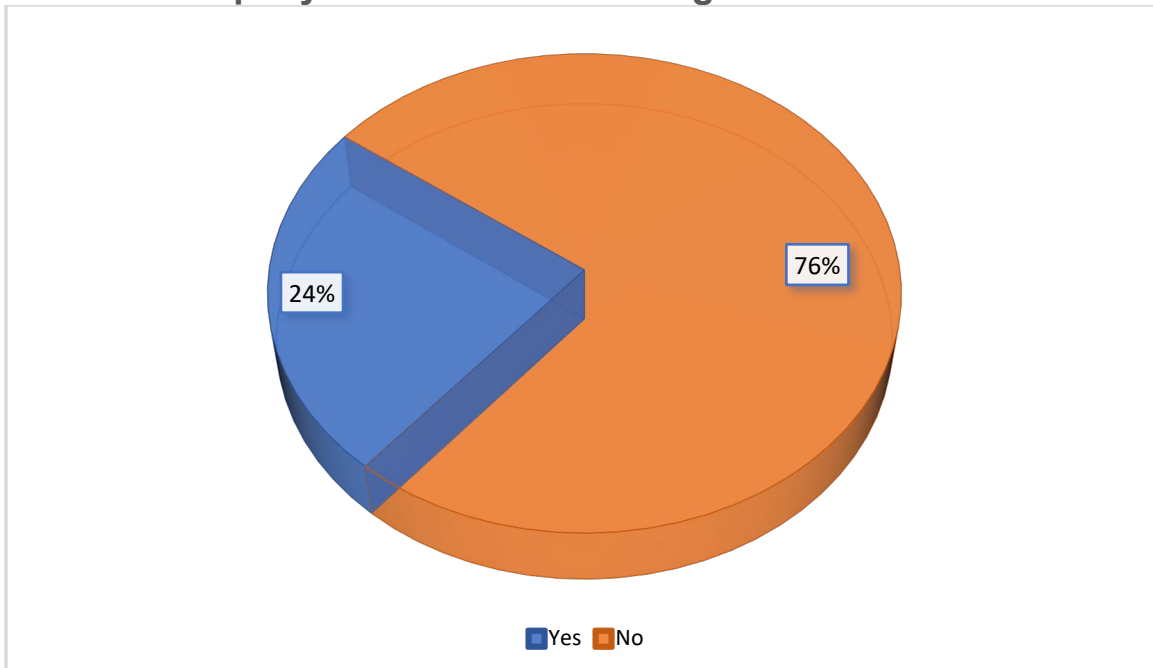
The following graph depicts 401(k) plan structures of manufacturing organizations:

### Additional 401(k) Options Offered



Twenty-four percent (24%) of manufacturers reported making a profit-sharing contribution last year.

### Did the Company Make a Profit-Sharing Contribution Last Year?

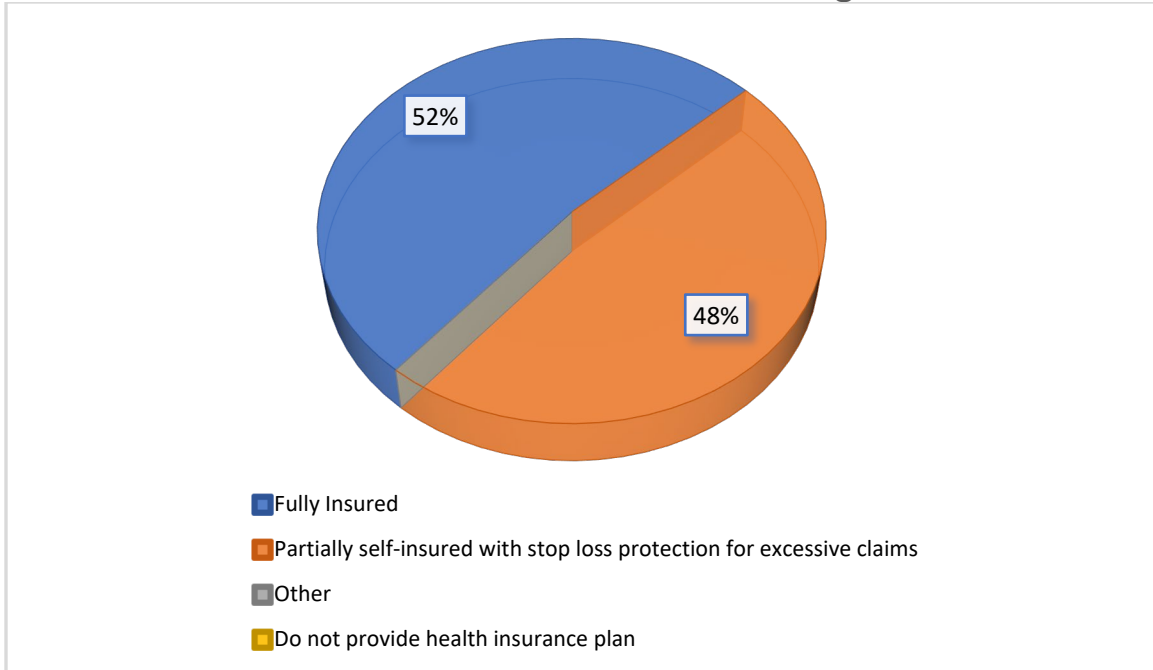




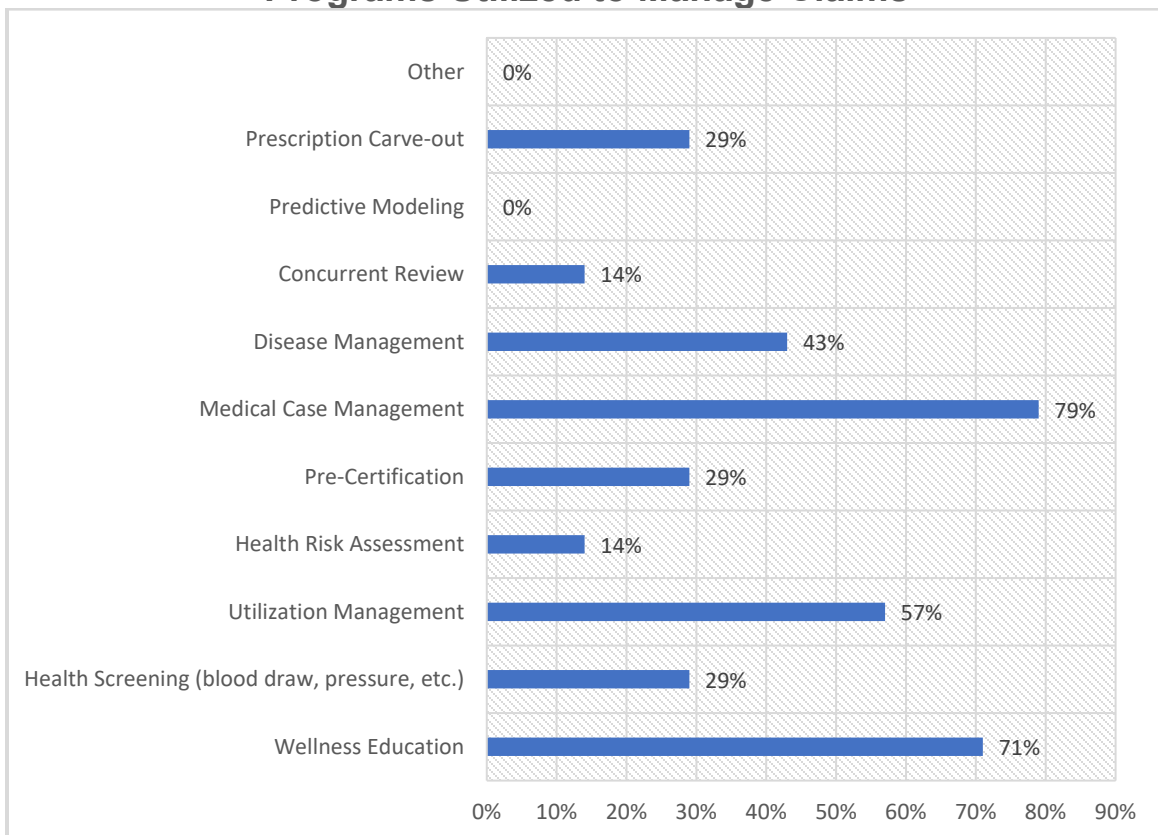
## Health Insurance Plans

When manufacturers look at funding a health insurance plan, the majority are fully insured:

### Health Insurance Plan Funding



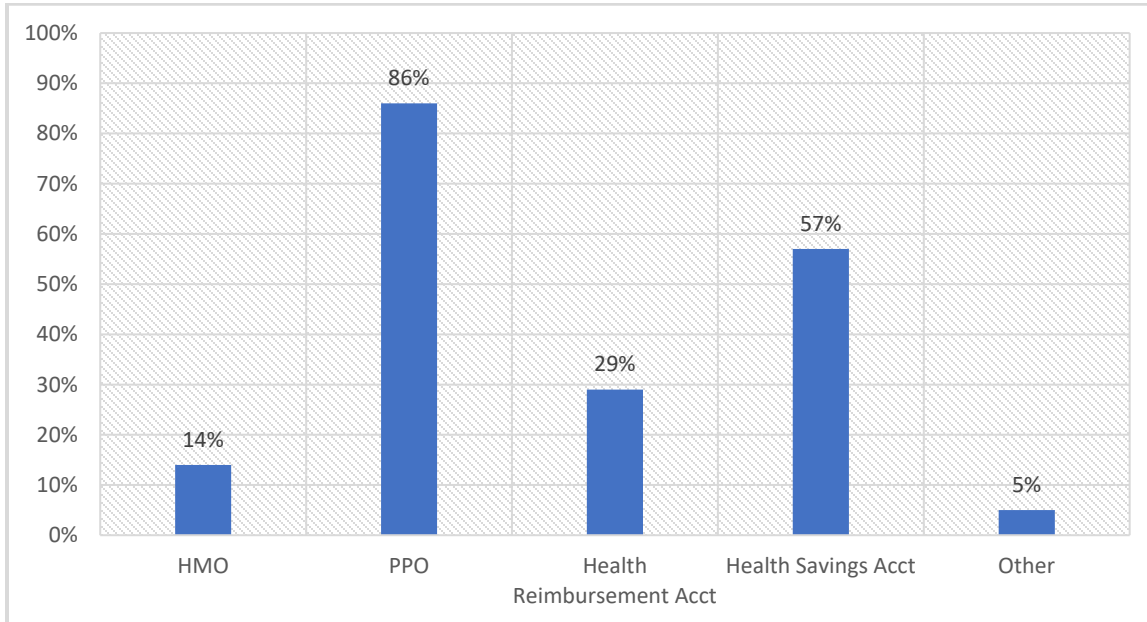
### Programs Utilized to Manage Claims





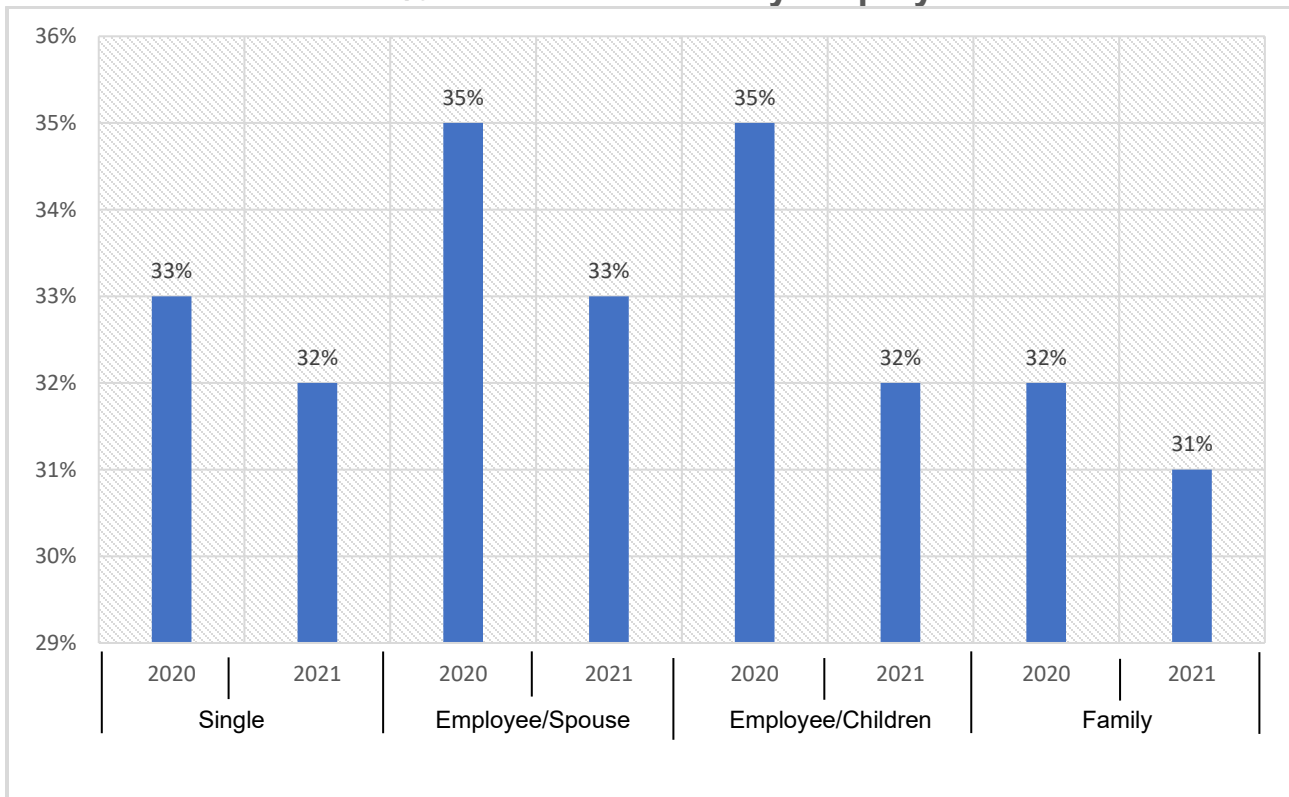
PPO is the most common plan type (86% of companies utilize this type of plan), as shown below. Health Savings Account (HSA) is the second most popular type of plan offer, while fewer organizations offer a Health Reimbursement Account or HMO.

### Health Plans Offered



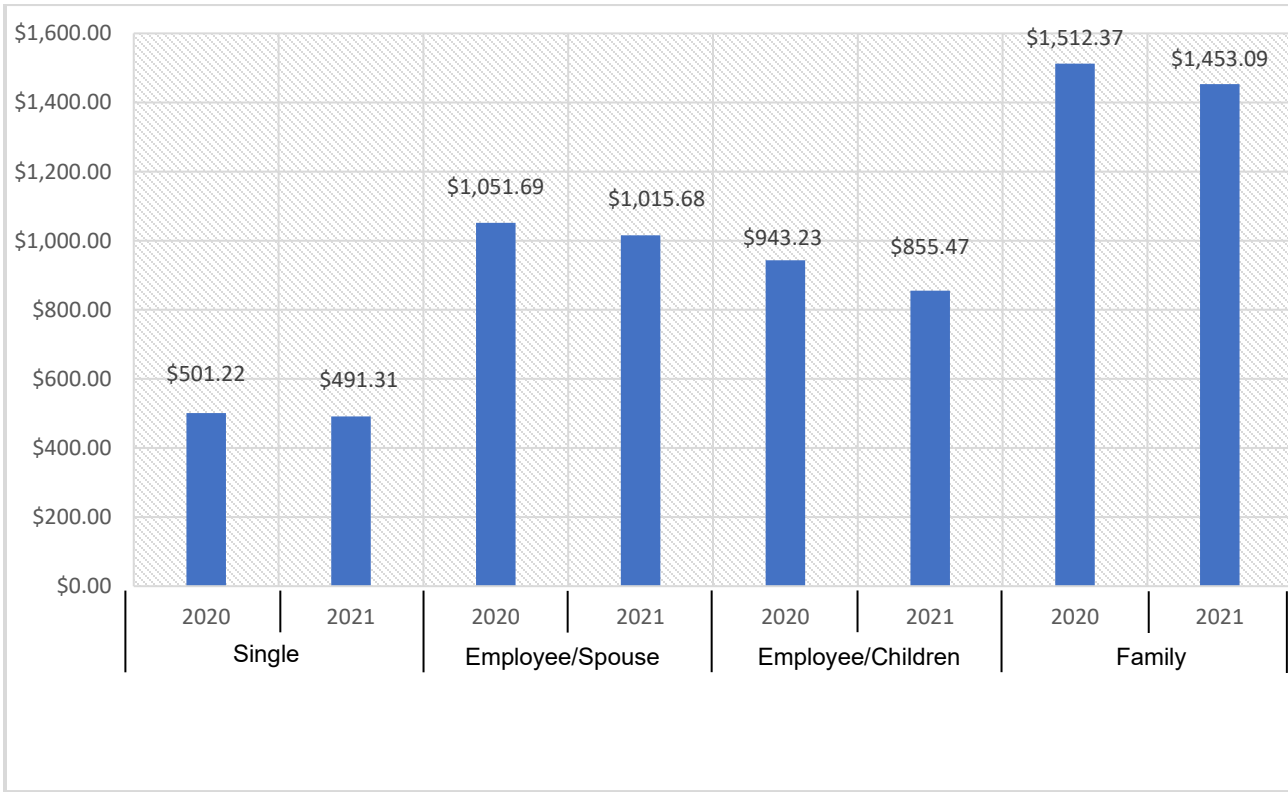
The following charts look at what employees are contributing to their core health insurance plans.

### % of Premium Paid by Employee

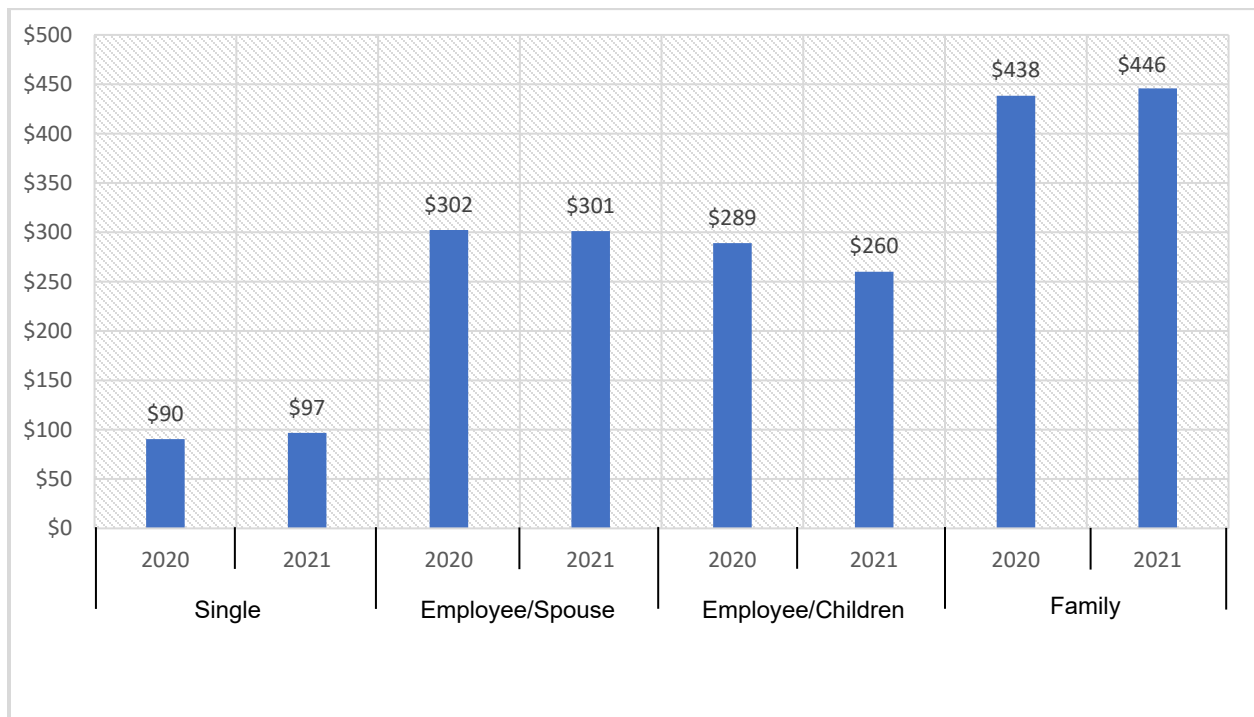




### Gross Premium Per Month

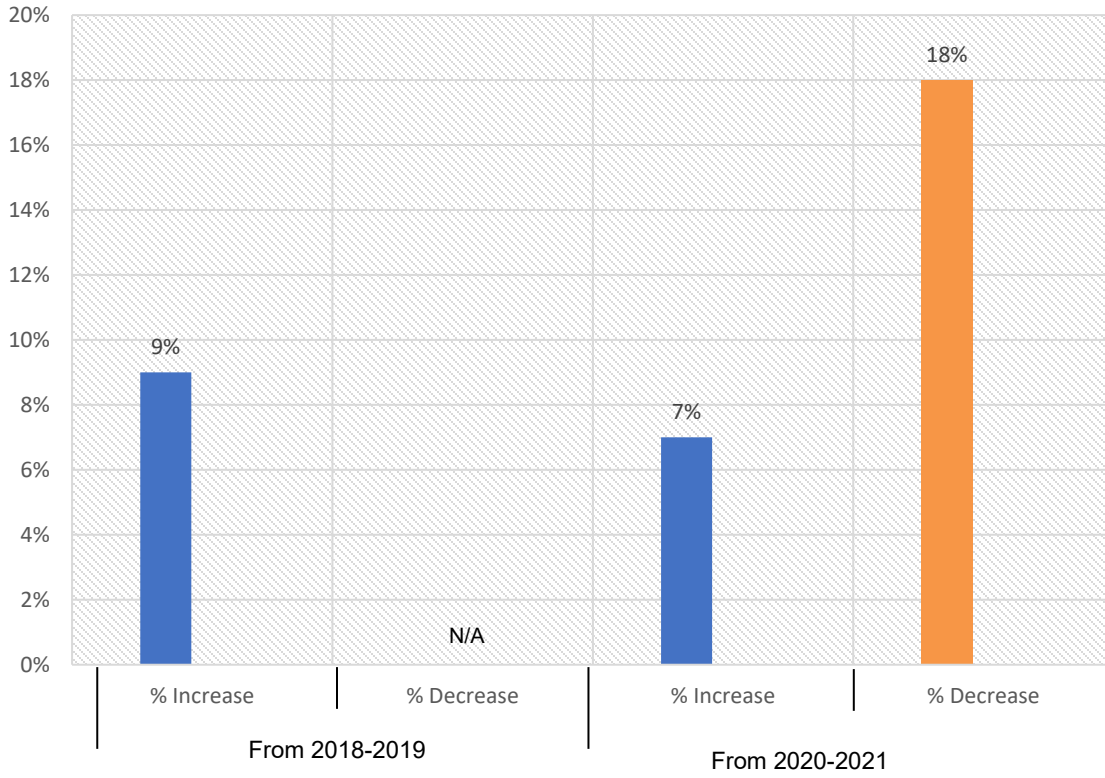


### Employee Contribution Per Month





Insurance gross premiums have been on the rise for several years, and in this study, the results are the same. Year-over-year increases continue to average around 8%.

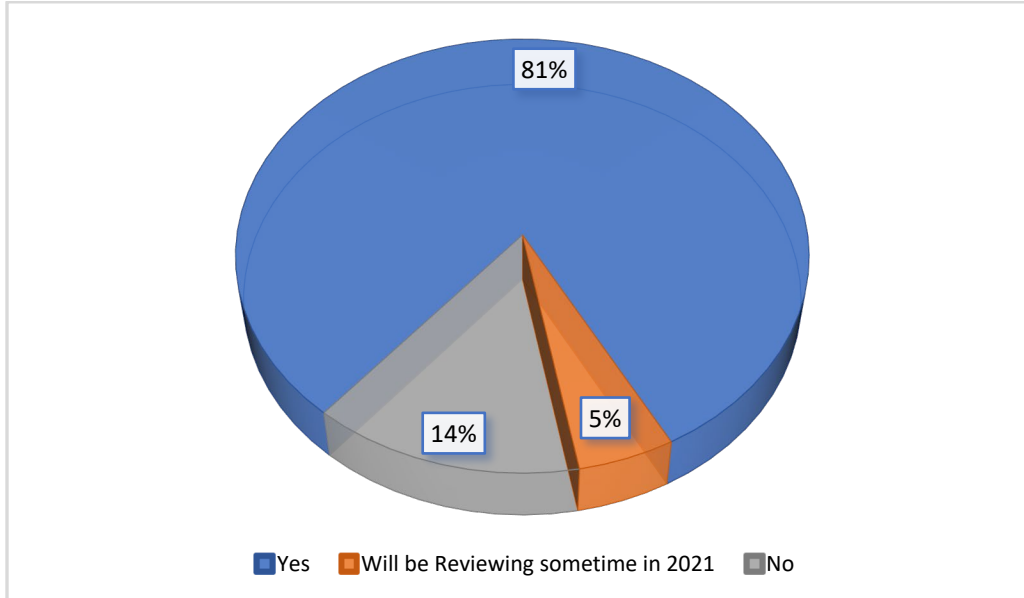




## Health Savings Accounts

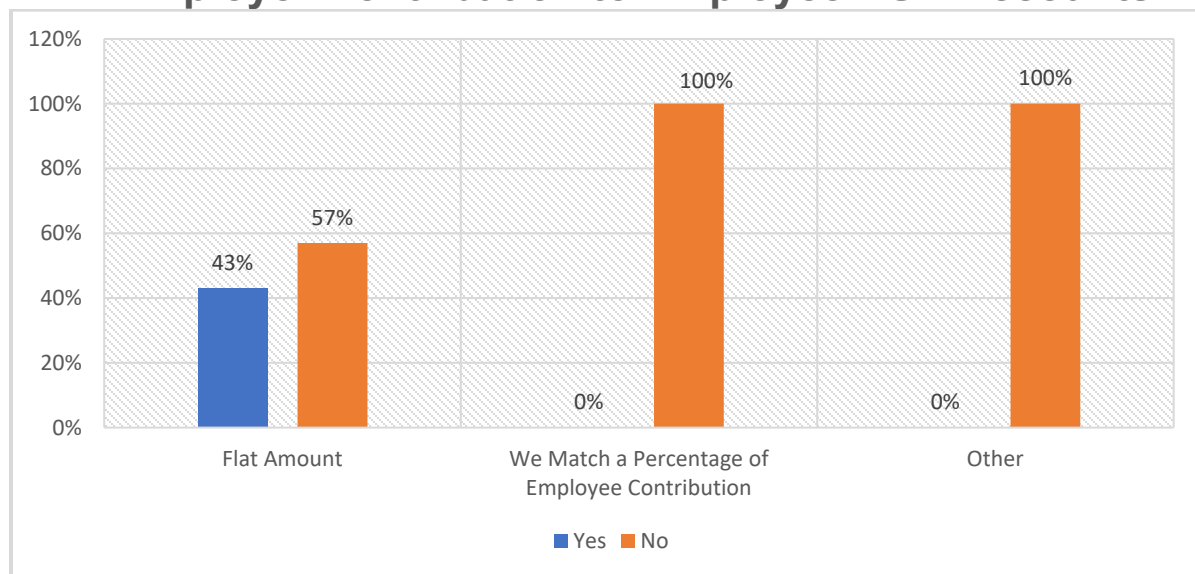
Consumer driven health plans are one of the most popular ways to cut healthcare costs. Eighty one percent (81%) of participants have considered them or are reviewing them in 2021.

### Have You Considered Consumer Driven Health Plans?



Our results show that out of the 22 Kentucky participants, 14 companies (64%) offer health savings accounts, while 43% of those companies make a flat dollar amount contribution directly to the employee's HSA.

### Employer Contribution to Employee HSA Accounts



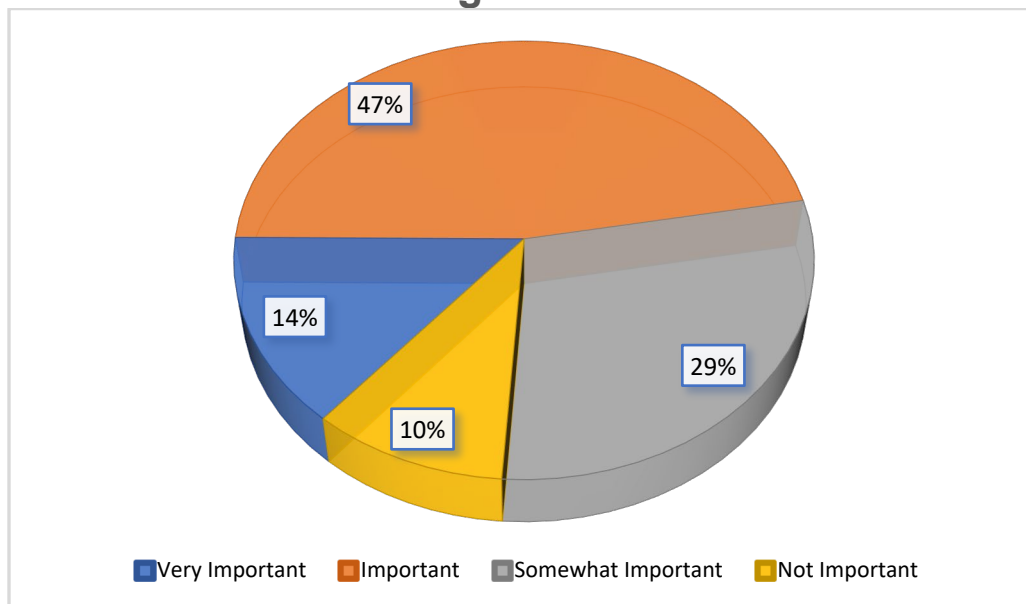




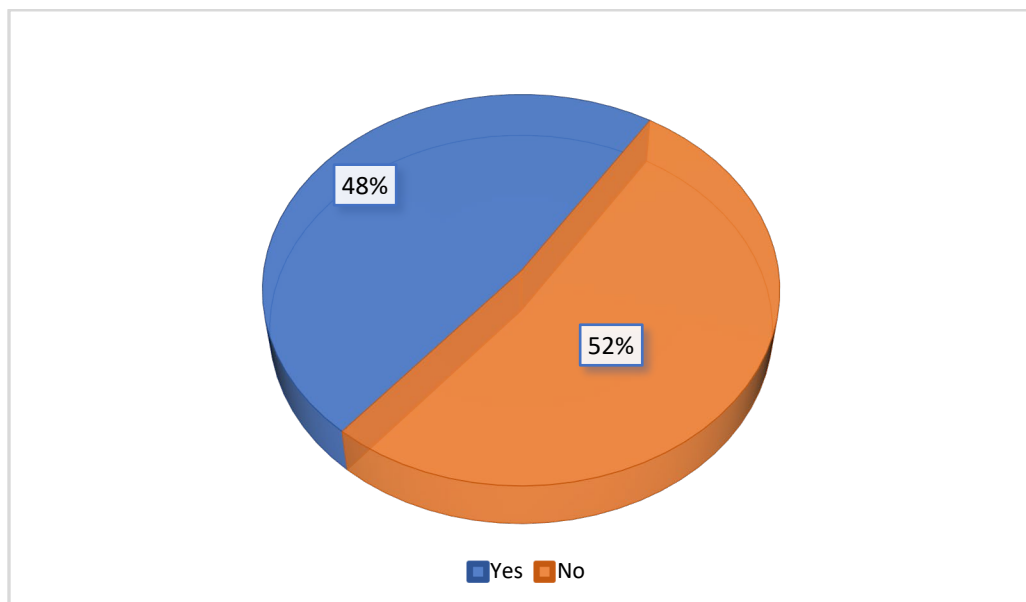
## COST SAVING STRATEGIES

Wellness programs are the buzz of today's strategies to control healthcare increases. The graph below shows that 90% of respondents claim wellness programs are important for controlling healthcare costs.

### Importance of Wellness Program in Controlling Healthcare Costs



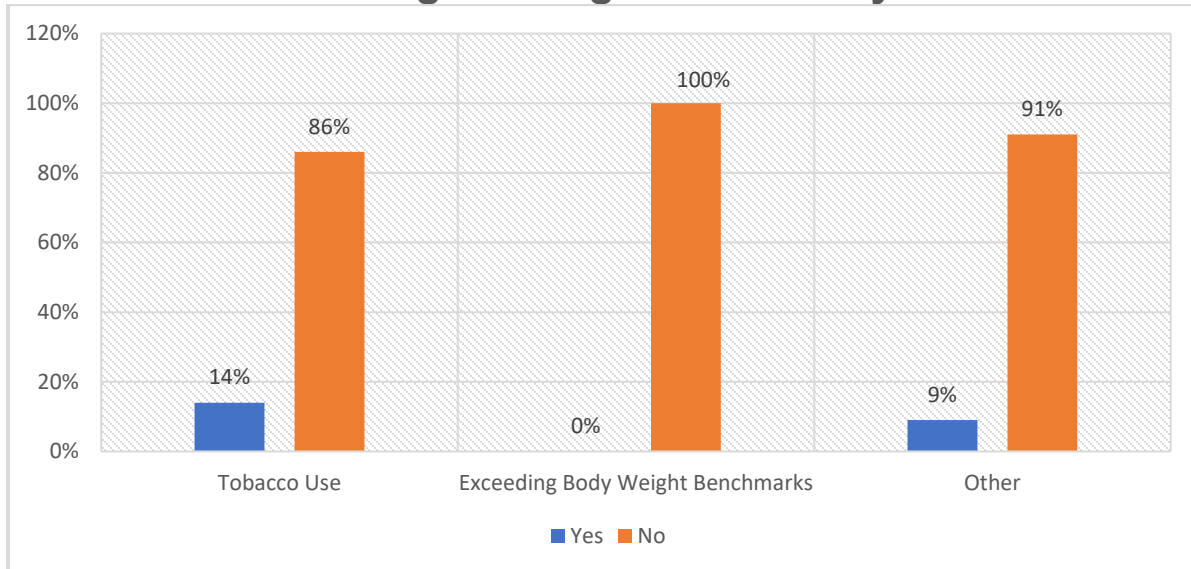
### Do you provide a Health Risk Assessment for employees?





Innovative strategies are being utilized by company management teams. One of the more popular strategies is charging a monthly surcharge for individuals with high-risk lifestyles. Fourteen percent (14%) of participants charge an additional premium to tobacco users while other high-risk surcharges were not as widely implemented.

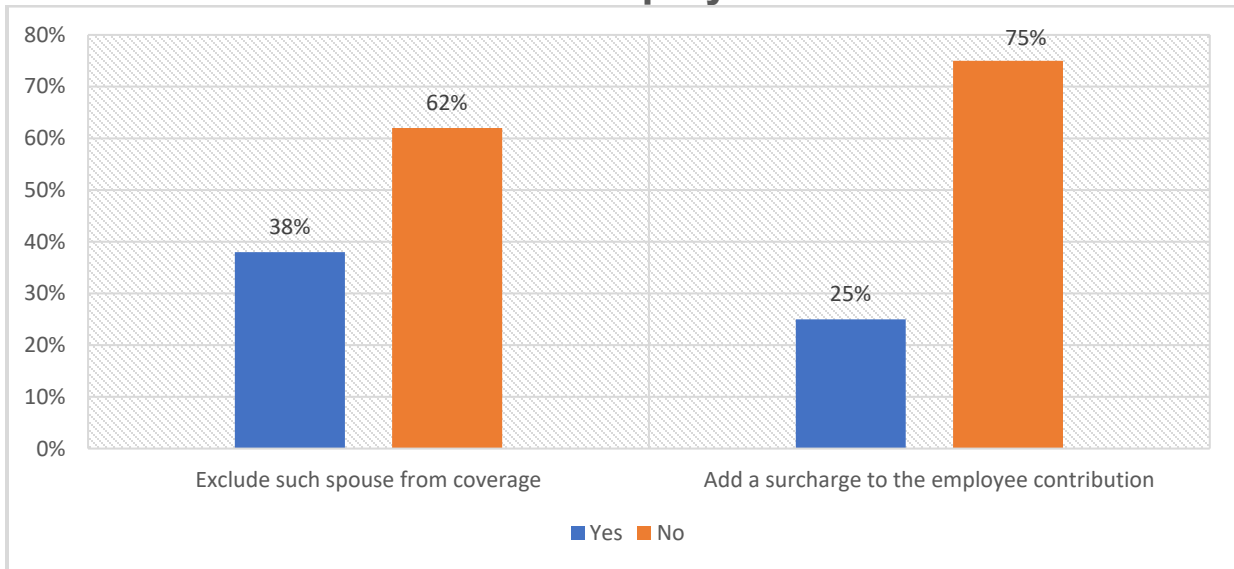
### Surcharge for High-Risk Lifestyles





One option for employers to control healthcare costs is spousal exclusion, when the spouse is eligible under their own employer's plan. The following chart depicts participants' policies for covering spouses with coverage through their employer.

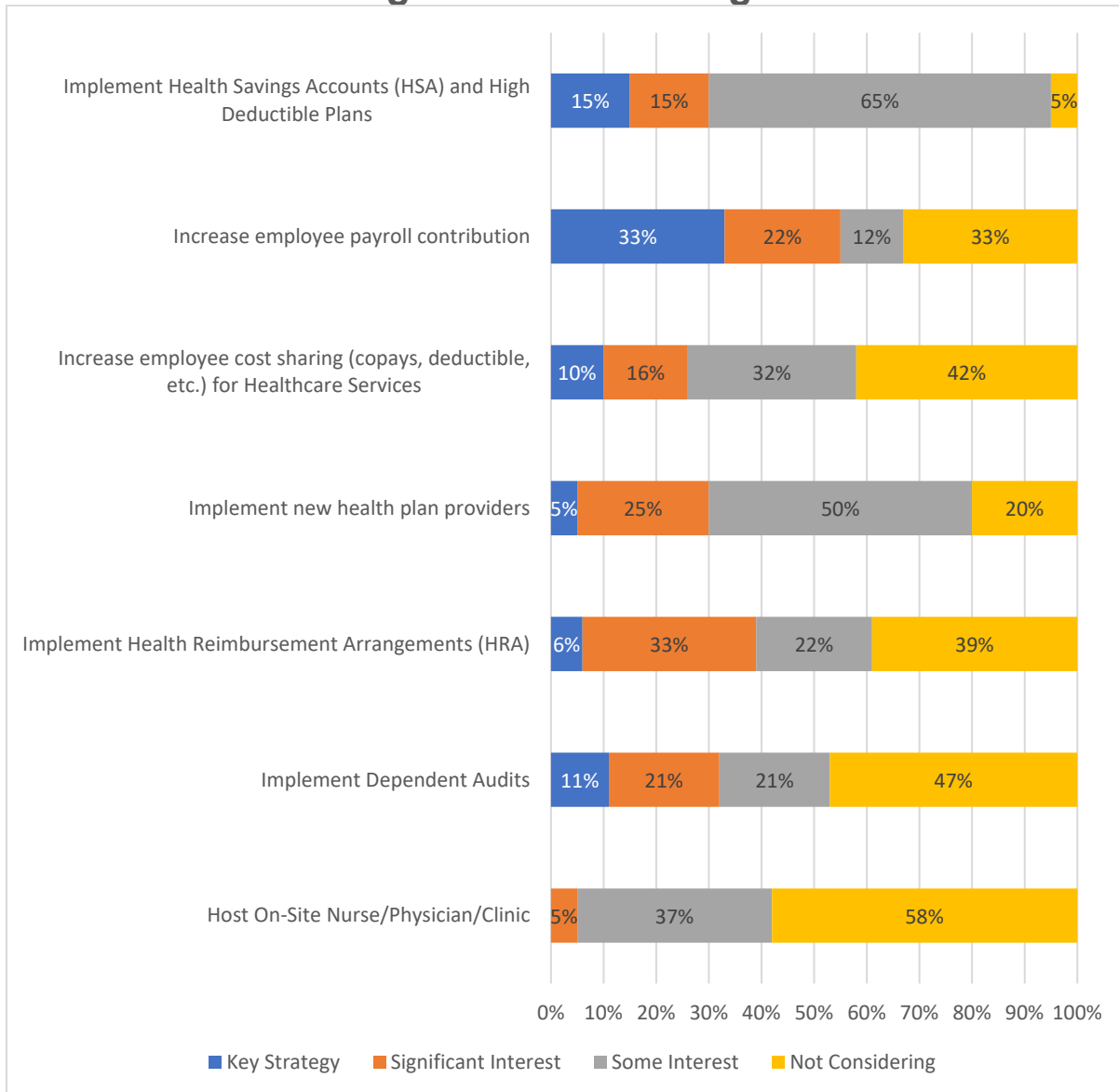
### Policies for Addressing a Spouse Eligible for Coverage on Their Own Employer's Plan





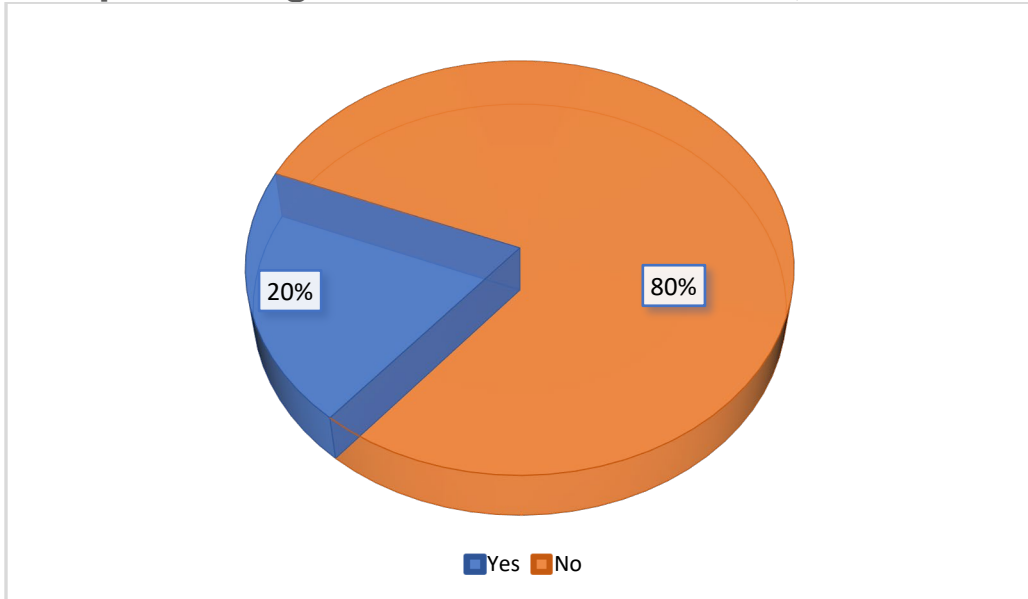
Controlling healthcare costs is one of the most important issues facing companies today. In addition to the re-structuring of plans, below are additional strategies manufacturers are considering in order to control healthcare costs:

## Future Strategies for Controlling Healthcare Costs





**At any time in the last two years have you had a specialty prescription drug claim in excess of \$100,000 annually?**





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