

Challenges Tempered by Optimism



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For many of us, 2016 was a rough year – and the results of our annual State of the Gear Industry Survey show it. 40% of respondents indicated their companies had cut staff, while only 27% indicated an increase in employment. Clearly, there have been widespread cutbacks.

But it's not all bad news. The numbers for sales and production output were more evenly divided among the gainers and losers. Although 43% of respondents said sales were down, 38% said sales were up. Similarly, although 41% said production output decreased in 2016, 38% said it actually increased.

And when it comes to thinking about next year, the gear industry is somewhat more optimistic. The numbers give us the sense that things are leveling out, and that the worst may be behind us. For example, only 15% of respondents expect that their companies will be reducing employment levels in 2017, while 39% expect to increase. 59% expect both production output and sales to increase this year, versus only 14% who expect a decrease.

So, if production levels and sales are on the rise, then employment should follow, right? Well, not so fast. One of the key issues that continues to plague our industry — and all of manufacturing — is the difficulty in finding skilled labor. One of the most frightening results of this survey is the enormous number of people in our industry that are expected to retire in the next five years. 12% of respondents expect that more than 20% of their workforce will retire in the next five years. And there's a lot of concern over this issue. Almost half of respondents listed "Difficulty in Finding Skilled Labor" as one of their top-three challenges to their business.

None of this should come as a surprise to anyone. But it should be a wake-up call for those not paying close attention. Our industry clearly needs to encourage, educate and train the next generation of employees. The AGMA is certainly aware of this, and they're doing something about it. In his article on page 10, AGMA President Matt Croson mentions two new classes being offered. More importantly, he highlights education as one of the four key pillars of the association's strategy moving forward.

Another of AGMA's pillars is Emerging Technology. There's

no doubt that the technology of manufacturing is changing, and the technology of gear manufacturing continues to evolve as well. Fortunately, it seems like the gear industry is up for the challenge. I found it quite interesting that nearly 11% of respondents expect their companies to purchase 3-D printing equipment in 2017. That's more than spline rolling, gear tooth honing or shaving machines.

Another surprise was that 50% of respondents expect their companies' capital spending to be \$1 million or more. In addition, 93% indicated that their facilities and equipment were good or better, with only 7% indicating that their facilities and equipment are beginning to show their age.

Sure, our industry has its challenges. But it has promise, too. And that's why 83% of respondents tell us that they're optimistic about their companies' ability to compete over the next five years. The rest are undecided (10%) or pessimistic (only 7%).

The survey results begin on page 26. I hope you'll take the time to study them so you'll better understand how your own operation is doing relative to the rest of the industry. In addition, we've interviewed a number of key suppliers and industry veterans to provide additional insight, and you can see their comments in the article beginning on page 34.

I'd like to thank all of you who participated in the survey. We received nearly 300 responses from a wide variety of companies making gears of all types for many different industries. So, I'm confident in saying that the results are representative of the industry as a whole. Your enthusiastic participation is extremely valuable, not only to us, but to all who read these pages.