

Help Wanted: Thwarting the Labor Shortage

Making your company a desirable place to work and conducting systematic labor analyses will help ensure an effective work force at the new location.

By Dennis J. Donovan, The Wadley-Donovan Group

FINDING VIABLE labor markets for industrial and office operations is one of the most vexing challenges facing businesses in the late 1990s.

The fact that we are in a period of acute labor shortage becomes abundantly clear when unemployment rates are examined. Some 85 percent of this country's metro areas have unemployment rates below 6 percent. In roughly half these areas, the jobless rate is less than 4 percent.

Labor markets are the tightest they have been in a long time, and no relief is on the horizon. A number of dynamics are shaping this dilemma.

Strong Employment Demand

The first factor is strong employment demand. Since 1990, the rate of job formation has outdistanced population growth, and forecasts call for this trend to persist well into the future.

This demand is concentrated in several occupational categories where supply cannot keep pace, ranging from entry level to professional technical positions.

At the entry level, employers are seeking workers possessing solid basic skills (e.g.,

reading, writing, and math) as well as 12 to 15 years' education and some previous work experience.

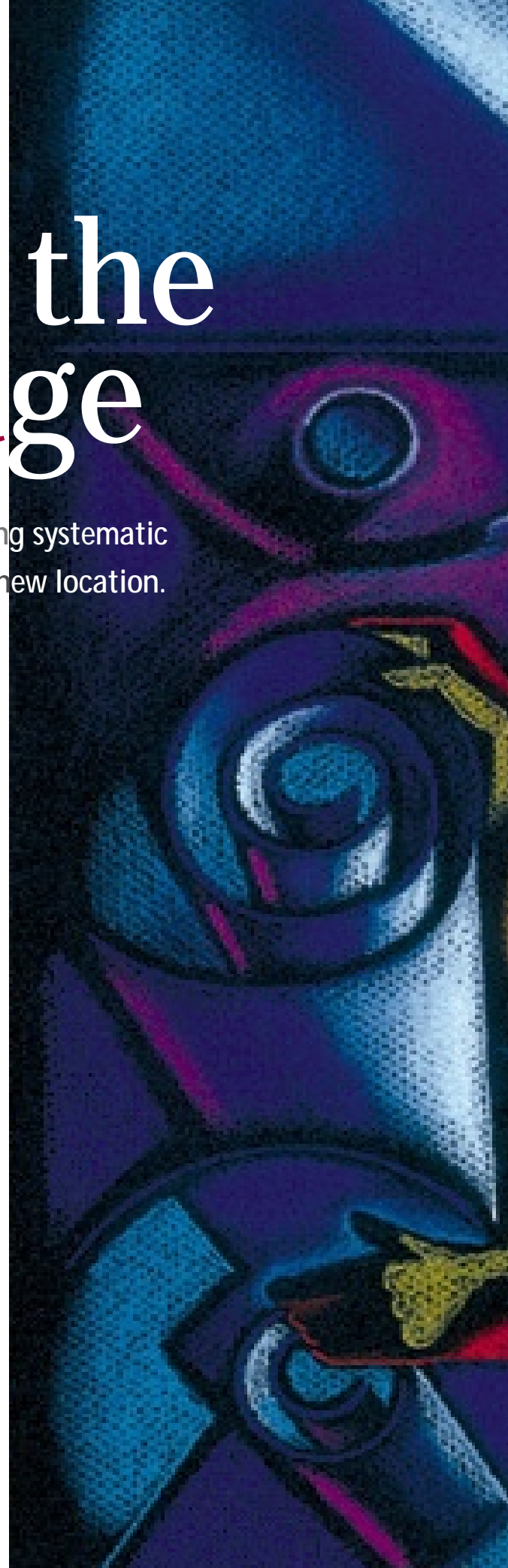
Among the occupational categories in skilled trades and technician fields where labor is scarce are numerical-control machine programmers, tool and die, machinists, machine setup and operation, CAD/CAM technicians, electronics technicians, and clerical with software applications prowess.

In professional technical fields, there is a shortage of engineers, scientists, programmer/analysts, and CPAs.

Business and Educational Components

In addition to the problem of employment demand, certain patterns in business as well as education have had implications for the nation's labor force.

One is the tendency by businesses to locate in the same areas ("the lemming instinct"), which results in the tapping out of local labor market capacity. In addition, many companies are unwilling to institute





policies that make their operations "preferred places of employment."

Businesses also frequently fail to adequately demonstrate and promote the value of technical careers. Running parallel with that deficiency is the inability of the nation's public education to produce enough high school graduates with requisite employment skills.

Making the Company a Desirable Place to Work

Faced with a labor shortage, what can companies do to at least come close to

and a buddy system for new hires.

3. Assure that the internal work environment is safe and comfortable and manifests the company's core values.

4. Prepare to make a significant investment in training (probably in excess of 2 percent of payroll) to include job-specific skills, interpersonal skills (especially for supervisors), and general business knowledge.

5. Institute realistic selection criteria for new hires; avoid the tendency to be

◆ Calling upon the resources of the local job service (or employment security) office

◆ Relying (judiciously) on personnel agencies for both recruiting and perhaps outsourcing

◆ Offering referral bonuses including a kicker if the new hire stays for more than six months and structured hiring bonuses for selected positions (e.g., paid over two to three years)

◆ Looking to foreign countries for selected technical talent

◆ Conducting effective exit interviews with departing employees to discern real causes of turnover; formal quarterly summaries should also be prepared

Positioning your company as a place that will attract suitable labor involves the integration of 10 guiding principles.

achieving the staffing objectives at a new facility? The most fundamental prescription is to create a flexible model that will position the company as a desirable place to work in nearly any labor market. This involves the following 10 guiding principles:

1. Institute competitive compensation practices that encompass effective starting salaries, progression within salary ranges, performance-based pay, and flexible fringe benefits. The latter increasingly includes offering health insurance and a pro-rata share of other benefits to permanent part-time employees.

2. Initiate employee/family friendly human resource practices. These should include elements such as flexible working hours, alternative work weeks, telecommuting for appropriate positions, unpaid time off during slower periods, partial days off, and floating holidays or personal holidays. In addition, offer day- and elder-care referral as well as employee assistance and recognition programs. Stress-busting activities and fitness/wellness programs — either on-site or subsidized — can be offered, as well as on-site or nearby amenities such as a cafeteria, banking, sundries, etc. Other employee friendly programs include a team environment

overly restrictive. In addition, determine if you can utilize special labor pools such as college students, retirees, military dependents, and handicapped people.

6. Establish multiple recruiting methods that might embrace any of the following:

◆ Maintaining evening and Saturday hours in the recruiting office during peak periods

◆ Conducting focus-group sessions with prospective employees who reside near the worksite

◆ Sending direct mail to targeted households

◆ Outreaching to churches, libraries, adult education centers, literacy groups, etc.

◆ Posting fliers and posters in outlets such as shopping centers

◆ Placing ads in both daily and weekly newspapers — and possibly with radio stations — that are within a 50–100 mile area of the site

◆ Utilizing 1800 menu driven technology to screen initial applicants when hiring large numbers of people

◆ Relying on the Internet as a recruiting tool

◆ Recruiting at high schools, community colleges, and four-year colleges

◆ Conducting job fairs near the new worksite

7. Don't try to fill the bulk of open professional technical positions with recent college graduates. Because this seems to be the recruiting strategy of most businesses, there is a shortage of such talent. It might be cheaper in the short haul but more costly long term due to wage escalation and turnover. There is a far greater supply of professional technical people who have 10 to 20 years of experience. Accessing this segment of the talent pool would seem to be worthwhile.

8. Career advancement and/or job challenge is a major concern, especially in high-tech businesses. If upward mobility is limited and the job rather routine, then other measures (e.g., skills enhancement, a team environment, job rotation) need to compensate for this disadvantage.

9. Publicize the fact that the company is a good place to work. This requires strong civic involvement, a formal giving program, and leisure activities for employees as well as a public relations effort to be sure that the message is heard.

10. Do not let a real estate deal put you in an area or specific site that undermines the company's ability to recruit and retain top-quality labor.

It is critical to design this model irrespective of location. Then the model should be adapted to reflect competitive conditions in a selected labor market.

Ensuring Labor Resources at a New Location

Assume that your strategy pays off and the company is perceived as a favorable place to spend one's prime waking hours. Now the question is: How do you ensure that the next location you select will possess the breadth and depth of labor resources for sustaining the company's year-one and projected requirements? This typically embodies a systematic, three-phase process:

1. Carefully define current and future human resource needs. Focus on elements such as the number of needed employees by skill sets as well as likely changes in future skill sets. Decide on a maximum head count for study purposes as well as the mix of full- versus part-time employees and the utilization of contract employees. The initial ramp-up period must also be calibrated.

In addition, weigh the pros and cons of locating in an area with other companies needing the same skill sets or where there is a prime customer — which could result in increased labor-market competition for that firm.

Employee issues such as training cycles and costs and the maximum acceptable starting wage should be determined. Define and prioritize labor market factors such as cost, availability, quality, ability to relocate talent, etc. Finally, investigate workers' compensation legislation and the cost impact on your business.

2. Screen locations within a predefined search region to identify a shortlist — perhaps six to 10 areas. This requires combining human resource concerns with other locational criteria such as transportation, utilities, and taxes. Begin the winnowing process by employing basic criteria such as minimal population size, percent employment by major industry (e.g., manufacturing), the unemployment rate and population growth (low unemployment and declining population could be problematic), the presence of a technical university, etc.

Introduce more selective criteria in order to continue paring the candidate locations. Such criteria might include adult educational attainment, median

household income, the size of the underemployed pool (number of residents working in occupations representing your most fertile hiring grounds), average salary by selected industry, and cost of living index.

Conduct original research — contact state and local economic development agencies — in a manageable number of areas, perhaps 15 to 20 locations, to obtain key information. Determine items such as the largest employers, the major employers of similar skill sets to your company, new and expanding firms, companies that have downsized, annual postsecondary graduates, vo-tech schools, the number of four-year and/or two-year college students and graduates, and the number of military dependents.

Next, target and rank a shortlist of potentially attractive locations, utilizing a factor-weighting/area-scoring model. Be certain that your judgment is infused into the analysis and rankings.

Finally, recommend three to four finalist locations that should be subjected to full due-diligence analyses.

3. Evaluate competitive supply and demand, costs, and other labor market dynamics to determine which location is best capable of meeting your staffing needs.

At this point, the company should undertake field-based studies that include interviews with comparable employers and others, e.g., people employed by job services, personnel agencies, training institutions, and the like.

Examine commercial and residential development patterns to determine which geographic sector of the area would place the facility closer to prime labor pools than the worksites of your labor market competitors. In addition, compare how you stack up with these competitors in terms of salaries, benefits, and human resource practices. Understand the dynamics that shape your competitors' labor experiences in regard to factors such as the ratio of qualified applicants, work force quality ratings, turnover, etc. And determine how responsive local training institutions will be to your needs.

It is also important to examine any

labor-organizing activity that has recently taken place in the area. And don't forget to check out state labor legislation, such as health and safety, human relations, unemployment insurance, etc., to uncover any red flags.

Another issue to look at now is the tradeoff between an available building and the preferred site from a labor-draw standpoint. As for potential employees, estimate the supply of qualified labor available at your desired wage level and ascertain what human resource practices and recruiting methods would make you most successful in the area.

To the best possible extent, proffer an opinion on whether the favorable conditions of today will persist over the next three to five years.

With the three-phase process almost at an end, now is the time to request a formal incentive package from the lead economic development agency that includes preemployment or "quick start" training. Summarize the salient pluses and minuses of each labor market, rank each location, and recommend a primary and secondary choice for final (real estate and incentives) negotiations.

And finally, prepare a formal recruiting/training plan.

A Worthwhile Process

The process defined above will require a commitment of time both in the planning and analytical phases, but the effort will be worthwhile. Don't be bashful about respectfully challenging preconceived notions from the company's operations or other executives. The labor market you recommend might not stir up the most excitement from those in your organization who have to visit the new site. But maybe that's a good sign. After all, you don't want other firms rushing to copy your strategy and ruin what initially seemed to be a good deal. **AREA**

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