



## **A worker shortage but layoffs continue**

**Many sectors, even old line manufacturers, are scrambling to find skilled workers.**

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**NEW YORK (CNNMoney.com)** - General Motors plans to close a dozen facilities and cut 30,000 hourly jobs. Ford Motor is reportedly right behind with a cut of that size.

A slowdown in housing is forecasted to cost 500,000 construction jobs in the next two years, along with 300,000 finance jobs. Layoff announcements are on pace to top 1 million for the fifth straight year in 2005.

And yet amidst the shedding of employees, labor experts and executives are saying we are already seeing signs of a shortage of skilled workers. There are already some localized and occupation-specific spot shortages and some industries have reported trouble filling openings, even in old line sectors such as manufacturing.

Further economic growth forecast for 2006, coupled with a coming increase in retirements by aging baby boomers could soon tip the labor market in favor of job seekers rather than employers, perhaps as soon as the end of 2006.

"If you look at skilled positions like electrical engineers or application engineers, the average time to fill those positions has gone up from six to eight week," said Jeff Joerres, chairman and CEO of Manpower, the job placement and temporary worker firm. "That may not sound like a lot of time, but with all the efficiency improvements of recent years, there's not much leeway in staffing when you have an opening."

Overseas competition has kept a cap on wage increases, even as the labor market has tightened since it started adding jobs the last two years. Still the average hourly wage is up 3.2 percent over the last 12 months, about twice the rate of increase seen in the first three months of 2004.

"I would say by the end of next year, it could take 12, 13, maybe 14 weeks to fill a spot, and that's when you'll see upward pressure on wages," said Joerres.

## **Shortage crimping production**

A survey by Deloitte Consulting and the National Association of Manufacturers found that more than 80 percent of manufacturers surveyed are experiencing an overall shortage of qualified workers, with 90 percent reporting a moderate to severe shortage of qualified skilled production employees including machinists, operators, craft workers, distributors and technicians. Engineers and scientists are also in short supply.

In addition, 83 percent of manufacturers surveyed indicated these shortages are currently affecting their ability to meet customer demands, with more than half reporting difficulty achieving necessary production levels.

Dick Kleinert, a principal with Deloitte, who headed up the NAM study, said that while some troubled companies like GM or Ford might need to cut staff and production, it's getting rarer to see companies being able to use productivity improvements to cut staff.

"They've been getting lean and pushing the efficiency envelope for a decade," he said. "So in this latest survey, when we asked what was the most important factor in their success, being a low cost producer status ranked only No. 3 on the list. What ranked as No. 1 attribute was having a high performance work force."

## **Pay raises ahead**

In a [survey of employers](#) by *Business 2.0* this spring found dozens of job classifications looking at double-digit pay increases in 2005 in a number of hot markets and job classifications. Two years ago the same survey found widespread pay decreases in the tough market for job seekers. Experts say those kinds of spot shortages and pay spikes are similar to what was seen in 1995, just before a sluggish job market turned white hot.

"Occupational tightness manifests itself in regional markets before you see it as a nationwide phenomenon," Ross DeVol, an economist who heads the Milken Institute's annual study of top-performing labor markets, told *Business 2.0*, a Time Inc. publication whose stories appear on CNNMoney.com.

**The shortage doesn't mean that companies aren't getting responses when they have job openings. It's more a matter of whether the job applicants have the skill set needed for the position. Honeywell International has built up a database of 400,000 potential job candidates, but Lisa Arnold, a staffing systems analyst with the firm, said it's still difficult to fill openings.**

**"Quantity does not always mean quality," she said. And she said she that while human resources staffs are aware of the skill shortage, the problem is not reaching the consciousness of many companies' top executives yet.**

**"We talk about the potential labor shortage a lot," she said. "But companies tend to be much more reactive -- they don't take action until we hit a wall. It's unfortunate, but I think that's when you'll see many companies taking action."**

### **Hanging on to workers**

One thing employers are making a push to do is hang onto existing employees, whether its baby boomers weighing retirement or younger workers who can easily search for new jobs on the Internet.

**Alice Snell, a vice president of Taleo, a talent management software and services firm, said she's seeing her clients looking at retention issues far more than they were a year ago, including pay along with issues such as opportunities and mobility within the company.**

**"There is a ground swell of greater concern around retention issues," she said. "All the different levers are being reviewed. It's being driven by the uptick in the economy, and an increasing understanding that it costs a whole lot more to make a new hire than to retain a top performer already at the company." She said she estimates it costs an employer between 1 to 1-1/2 times the annual salary of a job to fill an open position, due to search costs, lost productivity and training costs.**

**Snell said that the well-publicized job losses in recent months or concerns about companies shifting work offshore doesn't negate the seriousness of the skill shortage developing in the current labor market.**

**"We had shortages during the last recession when you still couldn't hire a nurse," she said. "The federal government is about to retire a major portion of its work force. The question is how do industries prepare themselves for these shortages."**