

Coping with a Labor Shortage

The Federal Reserve's Beige Book is an anecdotal economic report based on conversations with business contacts around the nation. In April 2019, companies in most of the Fed's 12 districts noted a shortage of skilled workers, particularly in manufacturing and construction but also for technical and professional positions.¹ In the same month, the U.S. unemployment rate dropped to 3.6%, a 50-year low.²

In a tight job market, raising wages to a competitive level may help attract job applicants for open positions and keep reliable employees from seeking better opportunities. But it can be difficult for a small business to compete with larger companies when it comes to pay and benefit packages.

Hiring Is Hard Work

According to an NFIB survey, it hasn't been easy over the past two years for small employers to recruit and hire workers for their most common jobs.

Very hard	30.6%
Hard	38.1%
Not too hard	18.0%
Not at all hard	2.1%
No hires/NA	11.2%



Source: National Federation of Independent Business (NFIB), 2019

Here are a few tips that might help you cover your staffing needs.

Be Willing to Bend

It's ideal if you can find employees with skills and experience that match your immediate needs, but those applicants may be few and far between. As a result, 24% of small employers said they have lowered the minimum qualifications for their most common positions over the past two years.³

You might consider on-the-job training for less-experienced workers who seem capable and motivated to improve their skills, or cross-training current employees to fill different roles. And if you can work around the scheduling needs of college students, parents with young children, or older workers who are semi-retired, it may help you attract and retain good employees, because larger companies tend to be less accommodating.

Short-Term Solutions

To cover seasonal surges or hiring gaps, ask your existing employees if they are willing to work additional hours. This may reduce onboarding costs and time spent interviewing, but keep in mind that paying higher wages for too many overtime hours could become more expensive than adding a new staff member.

If you are shorthanded, you might rely on a staffing service to provide temporary or on-call workers. And in a real pinch, a mobile app could possibly help fill open shifts with "on-demand" workers, but only for businesses and workers in certain areas and industries (retail and hospitality, for example).

A traditional staffing agency or app-based service may insure, screen, and check the backgrounds of provided workers, but they also charge more per hour to cover their costs. Hand-picking your own permanent employees — and doing what you can to keep them — generally enhances stability and customer service. It's also likely to be more cost-effective in the long run.

1) Federal Reserve, 2019

2) U.S. Bureau of Labor Statistics, 2019

3) National Federation of Independent Business, 2019

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