Human Resources

How Boards Can Help Companies Stay Ahead Of the Labor Shortage

By Phyllis Deiso

In the years following the 2007–2008 financial crisis, unemployment skyrocketed. When monthly job reports began to indicate rising job growth, companies and their boards took this news as a clear indicator of a recovering economy. But many corporate leaders may now feel the pendulum has swung too far, as companies in many industries struggle to fill the jobs that keep them operating.

The current labor shortage, a complex problem that requires a multifaceted solution, is partly the result of macrodemographic changes, such as aging baby boomers and the younger generations delaying their entry into the workforce in favor of gaining additional education. According to the latest Pew Research Center data, as baby boomers retire over the next two decades, growth of the labor force will reach lows not seen in the five decades since this generation started working. This will mean approximately 8.2 million fewer adults in the labor force.

The net effect of this confluence of variables is that there will be far fewer people to fill the jobs that keep the wheels of industry turning. Bearing the brunt of this problem are middle-market companies in a wide range of industries. Some sectors, such as retail, construction, and hospitality, rely on plentiful, low-cost labor to support growth and expansion. Other industries, like manufacturing, life sciences, and technology, are seeking skilled labor to support their vision for the future. All are feeling the pressure on their top and bottom lines as they struggle to find the right people they need to grow and to pay more to get them in the door, train them, and keep them for the long term.

The recently published *RSM US Middle Market Business Index* indicates that the top staffing challenges facing organizations today are the lack of qualified workers, competition within both a geographic area and the industry, finding people who want to work, and the amount of training employees need. Survey respondents told us that their organizations are looking to hire, with half of them saying that they plan on increasing their organization's overall hiring levels over the next six months. Nearly 60 percent of them said they expect to see increases in their employee compensation over the next six months.

Companies that hope to compete for labor under the current conditions should first take a look outward, then inward, determining how they are perceived in the marketplace by prospective employees and then making necessary changes. As always, change starts at the top, and there are measures companies and their boards should consider to provide an edge when competing for scarce labor.

In a time of employer-disadvantaged hiring, boards should set the right tone and encourage the CEO and his or her team to showcase the company at its best as a prospective employer. One tactic is to offer wages at the higher end of the range, including sign-on bonuses, to increase the company's appeal in a tight labor market.

Also consider benefits that cost the company little out-of-pocket, but may pay off in the form of greater loyalty, less turnover, and positive word-of-mouth in the marketplace. These benefits might include generous family and flextime policies, as well as telecommuting in some industries, as appropriate.

Consider aiming a bit lower on the experience required for a position if training can help fill any gaps. It may be significantly easier to hire employees looking to take that next step who can rise to the opportunity and grow given the chance to prove themselves and ramp up their skills.

While a labor shortage presents very real challenges for companies—and can stall hoped-for corporate and overall economic growth—it can also test the mettle and resilience of management and governance leaders. Take the time to think about invaluable assets, such as corporate reputation and the company's relationship with its employees, and make any needed adjustments. This should not only enable you to compete for the best employees in a time of scarcity, but position your company as an employer of choice, regardless of the status of the labor market.

Ensuring that those big questions—What sort of company are we? Who do we want to serve and how? How do we get there?—are asked and answered falls to the board. And there's no better time than now to start shaping the company of the future.

Phyllis Deiso is a partner and the National SEC Practice Leader for RSM.