

# Tight Labor Market Presents Added Supply Chain Challenges

*By Arthur Friedman*



A Flowspace warehouse.

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With U.S. businesses facing labor shortages amid low unemployment, and the approaching holiday peak season presenting omnichannel retail challenges, companies will have to refocus their efforts on attracting and retaining warehouse workers.

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EmployBridge's new survey of nearly 16,000 warehouse workers revealed three key factors—wages,

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shift preferences and flexible workplace policies—to attracting and retaining supply chain talent.

“We are in uncharted territory as many employers prepare for peak season and seek to secure

seasonal talent,” Joanie Courtney, EmployBridge chief workforce analyst, said. “With consumer optimism at record levels and unemployment in single-digits, employers must get aggressive and more creative in their efforts to find and maintain an adequate labor force in order to take advantage of increased consumer demands.”

Pay ranked as the most important factor causing concern among warehouse workers. For the first time since the survey was established in 2007, a majority, in this case 65 percent, of warehouse workers reported earning hourly rates of \$12 or more, compared with 26 percent who said so in 2014. According to EmployBridge studies, warehouse wages began increasing in 2014 but have more room for correction. From 2002 to 2014, wages for hourly workers had risen only 5.5%, while the cost of living grew by 29 percent over the same period.

This comes as minimum wage rates have increased in many states and calls for “living wages” instead of minimum wages have pushed companies to raise hourly pay.

“It appears from our survey findings that \$12 an hour has become the bare minimum wage for warehouse workers, however we’re seeing many of our clients offering more attractive wages in order to secure quality talent given the single-digit unemployment market,” Brian Devine, EmployBridge senior vice president and creator of the survey. “In fact, our data shows in certain markets employers are paying up to \$2 more per hour to attract and retain workers during the upcoming peak season. In

today's environment, keeping abreast of changing supply and demand for specific skills in your local market is essential to securing the hourly workers companies need.”

As for shift preferences for hourly workers, 67 percent of respondents said they want to work first shift and prefer eight-hour shifts. Courtney noted that as employers look to expand their pool for hiring seasonal and regular workers, they should consider implementing 20-hour work weeks or an increased number of shorter shifts that can appeal to semi-retirees, students and working parents.

Companies that require second or third shifts to meet production demands might need to offer higher pay differentials, particularly in a tight labor market, EmployBridge said. According to the survey, hourly workers on average want \$1 more per hour to accept and stay on second or third shift, as compared to just 62 cents more in 2011.

When unemployment rates were 7 percent or higher, employers could sustain more rigid human resource policies, EmployBridge noted, but at today's historically low 3.9% unemployment rate, they may not be best served to do so. For example, inflexible absenteeism policies that lead to terminating competent workers won't necessarily solve the problem as employees will refill those roles with the employees who have similar attendance performance.

Companies should recognize low-income earners' need for paid-time off (PTO) just as any other level of employee. The survey found that warehouse workers strongly prefer their current pay plus five days of paid time off rather than a \$1 pay rate increase with no PTO.

“Just as employers in many other sectors are re-evaluating and relaxing their hiring criteria requirements and other policies to fill production critical positions,

supply chain companies are beginning to do the same,” Devine added. “This includes maintaining attendance policies that are reasonable and fair, and that take into consideration the realities of hourly workers’ limitations. And, given there are roughly 10.5 million U.S. workers with less than a high school diploma, we’re seeing many customers revisit their education requirements and relax background screenings to secure much-needed talent.”

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