THE LINGERING LABOR SHORTAGE

And what to do about it
As the United States rapidly approaches full employment, the battle for talent across industries intensifies. Last year, The Conference Board forecasted that in "the next 10 to 15 years, we expect U.S. employers to demand more labor than will be available." Though the skilled trades industries have been suffering the effects of a labor shortage for the past six years, the looming labor crisis is no longer confined to the industrial pocket of the economy. According to the Labor Shortages Index, occupational therapy, mathematical science occupations, health diagnosing and treating practitioners, and rail transportation workers are rarer than construction workers. Construction companies are no longer competing for employees with other construction companies- the battlefield for talent is now cross-industry and global.

**A looming U.S. labor shortage is revealed in a variety of isolated occupancy labor deficits**

*A higher number represents a greater risk of shortage*

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Risk of Shortage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Occupational therapy &amp; physical therapist assistants &amp; aides</td>
<td>1.03</td>
</tr>
<tr>
<td>Water transportation workers</td>
<td>0.74</td>
</tr>
<tr>
<td>Plant &amp; system operators</td>
<td>0.70</td>
</tr>
<tr>
<td>Mathematical science occupations</td>
<td>0.60</td>
</tr>
<tr>
<td>Librarians, curators, &amp; activists</td>
<td>0.35</td>
</tr>
</tbody>
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The United Nations recently issued a warning that slowing overseas investment threatens the growth of trade and the wider economy. Total 2017 overseas investments are expected to decline between 10% and 15% in conjunction with tightening immigration regulation. The slowdown in global activity will likely continue to drain labor and resources.

Knowledge of the impact of globalization has been available since the last major slowdown that occurred in the 1980’s. The National Bureau of Economic Research discusses the impact of the termination of the Bracero program, an arrangement that admitted seasonal Mexican workers in the 1940’s and 1950’s. The abolition of this program did not result in increased pay for domestic workers- it rather decreased the overall labor pipeline.

The Western Growers Association reports a 20% labor gap today as a result of policy changes similar to the elimination of the Bracero Program. Today, farms feel the impact of the labor deficit as millions of dollars of crops are wasted each year across the country. These issues are likely to continue as farmers struggle to procure enough H-2B visas. As debates over reducing legal immigration continue, business owners fear a continued productivity decline.

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**As the contribution to working age population growth slides due to a decline in globalization, industries will struggle to replace laborers**

(5-year average)
The best way to combat the skilled labor gap is to develop the skills within your current workforce.

According to data from the APQC’s Open Standards Benchmarking Collaborative Research Effort, there is strong evidence to suggest that organizations that invest in more training days and dollars per employee produce greater revenue per employee than those that invest less in human capital.¹

While individual businesses may have little influence over national and even global policy changes, companies must be aware of the intensifying labor crisis and craft agile strategies to prepare for the shift.

The new-age labor crisis must be confronted with revolutionary HR strategies. As employees glean more power, companies must complement pay raises with innovative approaches to people management and recruiting. The construction industry in particular must broaden its understanding of employment competition—rivalry over workers is pervasive and many industries are implementing cutting-edge practices to attract and develop employees.

Training and development will likely be a focus as the labor issue persists. Some predict that the war for talent will require companies to hire outside of the traditional employee scope. While hiring an employee who lacks the skills or experience desired may seem like a scary alternative, the opportunity to develop employees not only creates loyalty between a worker and the company, but also ensures that new-hires are highly-aware of the company’s processes and procedures. Instead of seeking a specific skill set, recruit for certain attributes—ambition, positive attitude, and willingness to learn. While this solution requires patience, it builds a sustainable and diverse workforce.

Primary methods to encourage employee growth and development

01. Understand employee career goals
   Craft employee development plans to discuss interests and strategize how to achieve short & long-term goals. Create measurable objectives and a timespan to ensure the employee has a tactical road map. By demonstrating a genuine interest in employees’ future and offering support, you will earn loyalty and have a better understanding of how this person can contribute to long-term organizational strategy.

02. Offer opportunity outside of strict job descriptions
   Allowing employees to take on responsibility outside of their typical day-to-day operations will give them exposure to more areas of the business. Not only will cross-training create an exciting opportunity for on-the-job learning, but it will help them better communicate with employees from different departments.

03. Set aside resources
   Investing in employees yields tangible returns. Many companies are beginning to provide scholarships, educational stipends, and student loan repayment programs to encourage continual learning for employees. These investments can be minimal at first and grow with the length of employment, encouraging long-term commitment.

04. Foster a culture of learning
   Employees will take cues from upper leadership. Ensure that upper management is setting an example and pursuing continual education. In addition, empower employees to apply new skills. Create an open-minded culture that allows for exploration and learning from mistakes.
Attracting *millennial* workers requires a shift in culture.

Millennial employees seek workplaces with a focus on:
1. Digital innovation
2. Employee growth and contribution
3. Giving back to the community
4. Embracing change
5. Continuous feedback
The aging construction industry requires young workers to infiltrate the pipeline. In order to compete, construction companies must first be aware, next mimic, and thirdly, innovate. The digital generation expects a simple, straight-forward application process. Most companies are leveraging Internet platforms including LinkedIn, Monster, and now, Facebook, to gather information from potential employees. New cloud-based hiring tools with advanced analytical capabilities offer recruiters and hiring managers the ability to easily locate, sift through, and organize talent. Some companies are implementing video interviews to save candidates the hassle of traveling into the office.

In order to attract employees from the largest living generation, it is critical to understand their wants and needs. According to a recent Gallup poll, millennials care more about culture than previous generations, and it is the responsibility of construction companies to adapt the workplace environment to accommodate these needs. In addition to financial stability, millennials are seeking to make a positive impact on their organizations, achieving influence through education.

A recent survey reveals that entry and mid-level employees are more focused on building new skill sets than their bosses. In fact, a lack of advancement is one of the primary reasons that millennials will pursue other opportunities. Companies have reacted by providing scholarships, educational stipends, and supporting employees in creating individual development plans.

The millennial generation (ages 18-34) currently make up roughly half of the U.S. workforce. As of 2015, however, only 7% of the construction industry is comprised of employees aged 20-24 years.¹

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Percentage of respondents with the following long-term goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make a positive impact on my organization</td>
<td>25%</td>
</tr>
<tr>
<td>Help solve social/ &amp; or environmental challenges</td>
<td>22%</td>
</tr>
<tr>
<td>Work with a diverse group of people</td>
<td>22%</td>
</tr>
<tr>
<td>Work for an organization among the best in my industry</td>
<td>21%</td>
</tr>
<tr>
<td>Do work I am passionate about</td>
<td>20%</td>
</tr>
<tr>
<td>Become an expert in my field</td>
<td>20%</td>
</tr>
<tr>
<td>Manage my work-life balance</td>
<td>18%</td>
</tr>
<tr>
<td>Become a senior leader</td>
<td>18%</td>
</tr>
<tr>
<td>Achieve financial security</td>
<td>17%</td>
</tr>
<tr>
<td>Start my own businesses</td>
<td>17%</td>
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</tbody>
</table>


As the problem will persist, out-of-the-box hiring, recruiting, and retention options will continue to surface in a slew of industries. The only non-option for construction companies is to sit still and wait for the employees to come. Taking the time to implement dynamic, employee-oriented HR strategies will guarantee a smoother flow of the labor pool and a more sustainable organizational strategy.
We empower people with the tools, best practices, and research to make their companies more strategic, financially-savvy, and action-oriented.

The Italian word Coltivare translates “to grow through labor and attention.” Steve Coughran founded the company in 2009 with that very intention - to help companies flourish. Through our robust strategy products and services, Coltivar maintains that mission today. Our relentless focus on strengthening the core areas of the business - strategy and finance - drive authentic value creation. We bring thousands of shared experiences to the table to positively shape your company’s future. We embody Coltivare by cultivating relationships with our clients and value in their businesses.