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SKILLED WORKERS ARE SCARCE IN TIGHT LABOR MARKET

As unemployment hovers near a nine-year low, small U.S. manufacturers say they are spending more to find and train workers

By Jeffrey Sparshott
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Small U.S. employers have complained that it's difficult to find the right workers. Now, with unemployment near its lowest in nine years, they are doing more of the difficult work of training them.

Nearly two-thirds of small businesses are spending more time training workers than they were a year ago, according to a survey by The Wall Street Journal and Vistage International, a San Diego executive-advisory group. That could give more Americans access to skilled manufacturing jobs as companies invest the time and resources to bring in less-experienced workers.

"The biggest challenge confronting firms is their need to expand hiring in an already-tight labor market," said Richard Curtin, a University of Michigan economist who oversaw the survey.

As a result, some firms are casting a wider recruiting net and landing workers with fewer relevant skills.

"It's very challenging to find individuals for job placements, especially ones with any type of experience," said Travis Lane, chief executive of safety equipment manufacturer Rock Exotica. "We've had to look to younger generations with less experience."

Coming out of the recession, the Clearfield, Utah, company didn't have an internal training program. But over the past three years, Mr. Lane has hired staff to build and manage a detailed set of procedures for new hires. Even so, it now takes about six months for new workers to handle machinery unsupervised, up from about three months just a few years ago.

The unemployment rate peaked at 10% in October 2009, according to Labor Department data. At the time, more than 15 million Americans were actively looking for a job but couldn't find one. Since then, the figures have roughly halved: As of December the unemployment rate was 4.7% and about 7.5 million were officially unemployed.

That has drained the labor pool. The share of small businesses with few or no qualified applicants for job openings hit a 17-year high in November before receding some in December, according to a National Federation of Independent Business survey.

Federal Reserve Chairwoman Janet Yellen said in January such indicators "suggest that the labor market is a bit tighter than before the financial crisis."

Signs the U.S. is at or near full employment alongside firming inflation led the Fed in December to raise its benchmark interest rate for only the second time in a decade. The central bank has penciled in three more quarter-percentage-point increases this year.

A broader gauge of unemployment, which includes workers who have stopped looking and those who are part-time but want full-time jobs, remains elevated. The share of men and women age 25 to 54 in the workforce matched a three-decade low in late 2015 before beginning a slow rebound. Even so, the labor-force participation rate for prime-age workers remains below its average from the decade before the downturn.

Other factors also may be at play. Within the manufacturing sector, for example, firms often complain that vocational training isn't as prevalent for highschool or community-college graduates as it was in past generations. Companies with sophisticated machinery often need workers with specific skill sets. Some companies curtailed training during the downturn to save money and because plenty of people were available.

Now, companies and workers appear to be responding to an improved economy. The number of factory workers who quit their jobs held at an eight-year high in October and November, a sign of confidence in finding something better. Manufacturing wages in December were up 3.4% from a year earlier, outpacing the 2.9% gain for all private-sector workers.

"We feel like we have to do more training when the labor market tightens, because you can't find a person who can do the job right off the bat," said Brad Mountz, president and chief executive of precision tool maker Mountz Inc. "We've close to quadrupled our training budget to ensure people are capable of doing their jobs."

The San Jose, Calif., manufacturer spends about 36 hours a year on employee development, up from only six to eight hours three years ago. Mr. Mountz said the job market is the tightest it has been since just before the dot-com bubble burst in 2001. It's especially difficult to find engineers in Silicon Valley, but production workers also are scarce. Many applicants lack even the most rudimentary skills, such as filling out an application correctly, Mr. Mountz has found.

"I would say in this valley, people looking for jobs are unemployed for a reason," he said.

It isn't just firms in hot markets that are straining to find workers.

Spirit AeroSystems Inc., a maker of aircraft components that employs about 13,500 in the U.S., is trying to fill 250 jobs, as airline manufacturers like Boeing Co. ramp up production of some models.

The Wichita, Kan., manufacturer recruits workers from out-of-town firms when it hears of layoffs. It started offering relocation packages to hourly workers and set up scholarships at a local technical college. Still, it struggles to find employees with much manufacturing background, and expanded its internal training program. A couple of years ago, it took two to three weeks to get workers up to speed. Now it takes as many as seven weeks.

"As opposed to raising pay, what we're having to do is accept applicants with lower skills and invest in training them ourselves," said Justin Welner, the company's head of human resources. "We're having to broaden our approach and invest a lot more in training for the skills we require."