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THE NEW CORPORATE RECRUITMENT POOL: WORKERS IN DEAD-END JOBS

In a tight labor market, companies are looking to set up in cities with large numbers of the underemployed who would leap at a new opportunity

By Jennifer Levitz
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RICHMOND, Va. – Pressed for workers, a New Jersey-based software company went hunting for a U.S. city with a surplus of talented employees stuck in dead-end jobs.

Brian Brown, chief operating officer at AvePoint, Inc., struck gold in Richmond. Despite the city's low unemployment rate, the company had no trouble filling 70 jobs there, some at 20 percent below what it paid in New Jersey. New hires, meanwhile, got more interesting work and healthy raises.

Irvine, Calif.-based mortgage lender Network Capital Funding Corp. opened an office in Miami to scoop up an attractive subset of college graduates – those who settled for tolerable jobs in exchange for living in a city they loved.

"They were not in real careers," said Tri Nguyen, Network Capital chief executive. He now plans a similar expansion in Philadelphia.

Americans have traditionally moved to find jobs. **But with a growing reluctance by workers to relocate**, some companies have decided to move closer to potential hires. Firms are expanding to cities with a bounty of underemployed, retrieving men and women from freelance gigs, manual labor and part-time jobs with duties that, one worker said, required only a heartbeat to perform.

With the national jobless rate near a 16-year low, these pockets of underemployment are a wellspring for companies that recognize most new hires already have jobs but can be poached with better pay and room for advancement. That's preferable to competing for higher-priced workers at home.

Mark Williams, the chairman of the board for the Site Selectors Guild, a trade association for firms that help companies scout new locations, said a supply of underemployed workers has joined transportation access and the cost of doing business as factors in deciding where to open plants and offices.

The matchups pay off for all sides. Companies find qualified workers and keep a lid on labor costs. Employees find better jobs without the financial and emotional cost of relocating, said Sam Schulhofer-Wohl, a senior economist and research adviser with the Federal Reserve Bank of Chicago.

And new employers often return experienced people to full-time work, said Nicholas Bloom, an economics professor at Stanford University, yielding better paychecks and more opportunities for advancement.

Having a deep pool of underemployed people helped Thornton, Colo., where unemployment is below 3 percent, recently land a new [Amazon.com](#) Inc. sorting center slated to hire 1,500 full-time employees, according to a local official. An Amazon spokeswoman said the local workforce is “definitely important” in expansion decisions. (The company last week announced plans to seek a location for a second headquarters. Amazon declined to comment beyond its written materials, which don’t mention underemployment as a factor.)

Some job categories that employ largely part-time workers have grown faster than other types of employment. The number of people working at bars and restaurants has risen nearly 25 percent since the end of the recession in June 2009, while private-sector employment was up about 15 percent. Additionally, the number of people working in temporary help was up 73 percent over the same period, in part because many businesses shifted some in their workforces to temporary positions to limit the cost of full-time benefits.

One measure of underemployment is the share of workers in part-time jobs who would prefer to work full time. That makes up some 5.3 million U.S. workers, or about 3.2 percent of the civilian workforce, federal data from August show. That proportion of underemployed is down from a high of nearly 6 percent in 2010 but above the 2.8 percent average in the decade preceding the recession.

In Tulsa, Okla., prospective employers usually cut to the chase and ask for estimates of the city’s underemployed, the so-called hidden-labor market, said Brien Thorstenberg, the senior vice president of economic development for the Tulsa Regional Chamber of Commerce.

Tulsa based its talent-pool estimates on worker surveys distributed through local technical and community colleges that gathered information about income, age, skills and a desire for better opportunities.

The chamber in June released a survey showing a 13.5 percent underemployment rate, compared with an unemployment rate of between 4 percent and 5 percent. The analysis revealed a sizable group of people who have been working for three to five years but aren’t using the full range of skills from their technical training.

“When it’s a tight labor market, it’s nice to know,” Mr. Thorstenberg said.

Untapped talent

Paula Harvey, vice president of human resources and safety for Schulte Building Systems Inc., a manufacturer of metal buildings based in Hockley, Texas, faced a problem common in an economy at or near full employment.

Schulte, which employs 600, closed a small engineering office in rural Tennessee last year after losing staff. The company could have offered higher pay, Ms. Harvey said, but it made more sense to hire a team of engineers in Louisiana who had been laid off from a similar company.

The hires didn’t save money – the Louisiana workers had more experience – but the company quickly landed a battle-tested team, Ms. Harvey said.

The company is now considering plans to expand to either Ohio or Indiana, states that have lost manufacturing jobs, Ms. Harvey said. Pay there would likely be lower than in the

Houston area but still attractive, she said: "There may be folks living in that area who are underemployed or misemployed who would be excited to work for us."

Last fall, Toronto-based Lynch Fluid Controls Inc. opened its first U.S. shipping-and-receiving warehouse near Buffalo, N.Y.

After assessing several cities, Lynch chose the western New York area, which has suffered a loss of industrial employers over past decades. Unemployment has shrunk but more than 132,000 people, many in prime working years, are underemployed, according to research commissioned by Invest Buffalo Niagara, a regional economic-development group.

"They may be in jobs, but they may be jobs they don't like or don't have the opportunity for advancement," said Ernie Lynch, the president of Lynch, which makes components for hydraulic and motion-control systems.

Mr. Lynch hired a Buffalo recruiter who found one of the company's first hires in her own backyard. That was landscaper Tracy Himmelback, 49 years old. He had spent the previous three years tending lawns and working at a restaurant after leaving a manufacturing supervisory job where staff reductions made him worry about workplace safety, Mr. Himmelback said.

To make ends meet, Mr. Himmelback, a married father of two, took few days off. But the irregular hours, pay dips during winter and the feeling he wasn't using his full abilities weighed on his health, family life and psyche, he said: "You're just a working peon, so to speak."

He had lived in North Tonawanda, N.Y., all his life and said he "never thought of moving. All my family is here."

Now, Mr. Himmelback is a full-time assistant manager at Lynch's new warehouse, just minutes from his home. His pay rose to about \$45,000 a year, up from \$30,000, with more benefits and fewer hours. Mr. Himmelback said he can afford to let his 11-year-old son play on a travel baseball team, and a regular schedule gives him a chance to coach.

The arrangement also works well for Lynch, which saves on time and shipping costs by having a warehouse closer to the Canadian company's U.S. customers.

Network Capital Funding, the mortgage banking and finance firm in the Southern California city of Irvine, had found it increasingly difficult persuading recruits to relocate. Many millennials aren't "willing to take that risk," said Mr. Nguyen, the chief executive.

Network Capital had a few employees working remotely in Miami, where they reported an oversupply of underemployed. The company opened its Miami office in June 2015 with three people. It now has 50 employees, including college graduates who escaped jobs as waiter, filing clerk and shoe salesman.

Kerissa Nelson joined in February, more than a year after she earned a degree in criminal justice. Ms. Nelson, age 25, had been working part time as a "brand ambassador," hawking vodka at a beach bar, one time, and helping fans play videogames at a baseball festival. The job sometimes required her to wear embarrassing get-ups, she said, and it paid about \$1,000 a month.

"I wanted something that matched the time and energy I spent obtaining my degree," Ms. Nelson said. Her job at Network Capital more than tripled her income, she said, and carried an opportunity for raises.

Company salaries are about 15 percent to 30 percent less in Miami, Mr. Nguyen said. His mortgage bankers, who rely largely on commissions, are paid the same, he said: "The big difference is that people in California are happy with it, and the people in Florida are ecstatic because it goes a lot farther."

Waffle Wednesdays

New Jersey's AvePoint, which develops and sells software to help corporations manage and protect data, first considered expanding to Virginia in 2015. It faced stiff competition for qualified workers from other technology firms in its home market of Jersey City, N.J., across the Hudson River from New York City.

With help from a consultant, AvePoint reviewed some 20 locales. The firm searched for a midsize city with a highly-educated population, Mr. Brown said, and where people took jobs "that were less than their level of education just to stay."

Richmond fit the bill. The city of about 223,000 has cobblestone streets and a popular dining scene. There is white-water rafting and kayaking on the James River, which runs through Richmond, the state capital and home to several universities, including Virginia Commonwealth University.

The city's unemployment was 4 percent in July, but underemployment was about 12 percent in the second quarter of 2017, according to the state's economic development authority.

By opening a Richmond office, AvePoint was eligible to receive as much as \$450,000 in state incentives, Mr. Brown said, but that wasn't a deciding reason. AvePoint committed to a \$2.1 million capital investment and 100 jobs.

The company could have raised wages in New Jersey, Mr. Brown said, but that was hard to justify when it could find untapped talent elsewhere. AvePoint pays about 20 percent less in Richmond than in Jersey City. Account specialists, a sales job that pays commission, for instance, earn a starting base salary of \$40,000 in Richmond and \$50,000 in Jersey City; commissions are the same.

Mr. Brown said his Richmond employees end up with more buying power because of the lower cost of living. Median housing values in Richmond, for instance, were nearly 40 percent lower than in Jersey City from 2011 to 2015, according to the Census.

AvePoint has found its Richmond crew notably productive, Mr. Brown said, maybe because workers are happy to have found a good job without the headache of moving to another city. The new industrial-chic office in Richmond has a lively staff that breaks for arcade games, yoga and Waffle Wednesdays.

Hunter Willis, a 33-year-old account technical specialist, left his job at call center and doubled his income. Mr. Willis, a college graduate, said he had been "significantly underemployed" before getting hired by AvePoint. He didn't want to move to a bigger city, he said, fearing "two hours a day in traffic."

AvePoint's success has prompted the company to turn Richmond into its operational headquarters, Mr. Brown said. The company plans to have 200 employees there by the end of 2018.