

## Jobs market: Labor shortage means longer hours but more cash for workers

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In an ever-tightening labor market, many employers are following a simple credo: If you can't find enough workers, give the ones you have more work.

While worker shortages are frustrating businesses, they've quietly provided a financial boon to many full-time employees, who are notching lots of overtime, and part-timers, who are toiling more hours or shifting to full time.

That's lifting weekly paychecks, and the broader economy, even as average hourly earnings have increased only modestly. Yet some firms are starting to worry about the effects of pushing staffers too hard.

Private-sector workers put in an average 34.5 hours a week for the second consecutive month in December, the busiest such stretch since early 2016, Labor Department figures show.

The trend is more pronounced for production employees in industries such as manufacturing and construction. In November and December, those production workers on average logged the most hours since the final two months of 2014. And factory-floor workers clocked an average of about 42 hours weekly in the second half of 2017, behind only 2014 as the most work-intensive six-month stretch for that group since 1945.

"There just aren't enough people to do the job anymore," says Peter Guarraia, manufacturing practice leader for consulting firm Bain & Co. "And so workers are getting more hours."

Their weekly overtime averaged a historically high 4.5 hours in October and November as the improving global economy and resurgent oil industry have buoyed manufacturers and the U.S. economy overall.

Workers racked up overtime in 2014 as well. But that was at least partly because many firms were hesitant to hire aggressively on fears that customer demand would not be sustained amid a tepid recovery from the recession of 2007 to 2009, says **Bernard Baumohl, chief global economist of the Economic Outlook Group.**

This time is different. The nation's 4.1% unemployment rate is the lowest in 17 years, providing companies fewer available workers even as the economy grew at more than a healthy 3% annual rate in the second and third quarters. In November, there were 378,000 job openings in manufacturing, up from 319,000 a year earlier, and 210,000 in construction, up from 178,000, according to the Labor Department.

In a survey by the National Association of Manufacturers late last year, 73% of manufacturers said attracting and retaining a quality workforce was a chief business challenge. Two-thirds said they were responding by giving more work to existing employees. There are other remedies, including hiring temporary workers, installing robots and partnering with schools to develop a new generation of employees. But, "the short-term response is to keep giving workers a lot of overtime," says Denise Rice, director of the Tennessee Manufacturers Association.

ASK Products, which makes electrical connectors for utilities and others, saw revenue jump 25% to 30% last year, company Managing Director Steve Kase says. "This is the strongest market I've seen in 30 years," he says.

Yet the company, based in Aurora, Ill., has struggled to find qualified workers, especially since products are now made on computerized machines that require math and other skills. It takes ASK up to a year to train new hires so they're productive, Kase says, a risky strategy when orders are piling up. So about a year ago, the maker increased the average workweek for its 37 or so factory workers from about 43 hours to about 53 hours, with employees tacking on a couple of hours to their daily shifts.

Evalia Cruz, 29, who sets up machines for new tasks, welcomes the longer workday. She now earns \$700 to \$800 a week — including time-and-a-half pay for each hour she logs over 40 — up from \$400 previously. The extra money has allowed Cruz and her boyfriend to purchase a three-bedroom ranch house and flat-screen TV, dine out weekly and afford to have a second child. She plans to buy a new car in the next few months.

"We're buying more things because we can," Cruz says. "It's helping me a lot."

Economists have bemoaned average hourly wage growth that has been stuck at about 2.5% annually the past two years despite the labor shortages. Yet average weekly pay increased 3% annually in November, the most since early 2011, as employees benefited from extended schedules. The fatter paychecks have juiced consumer spending, **Baumohl** says, which makes up about 70% of economic activity.

Providing overtime "treats your people better ... if they need some extra money," says LeRoy Hagenbuch, director of Phillipi-Hagenbuch, which builds equipment for mining and other large vehicles in Peoria, Ill.

There is a downside. Kase says overtime is more expensive than adding workers for ASK because of the higher hourly rate. And he worries productivity could fall as workers are stretched.

"We're at the limit of what people can produce and not be sick and tired," he says, noting he's also concerned that workers maintain safe practices. This year, he says,

the manufacturer is aiming to add three or four employees. **Baumohl** says such worries will also lead companies to invest in more labor-saving technology in 2018, further stoking economic growth.

Other companies are taking a more measured approach.

It's typically taking Chemours, a chemical maker, a few months to fill job openings at its factory in New Johnsonville, Tenn., up from a few weeks, says plant Manager Greg Martz. So he's giving his 600 or so production workers rotating shifts of up to 10 hours of weekly overtime, with each employee getting about a week a month. For Chemours, he says, the arrangement is less expensive than bringing on new workers, which carries the additional cost of health and other benefits.

McAlvain Construction, a commercial builder in Boise is at the other end of the spectrum as it perennially grapples with 10 to 20 job openings. Its 150 to 200 craft workers are toiling 60 hours a week, company President Chuck Graves says. Each gets one overtime-free week every month to stave off burnout. "We don't see any real changes ahead for the next two years," Graves says.

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