



# ‘It’s really frustrating’: Worker shortages are putting more money in employees pockets but could slow the economy

Paul Davidson    May 12, 2021  
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The nationwide worker shortage that held down U.S. job growth last month boils down to this: America’s workers are raking in lots of money but they have fewer places to spend it.

Businesses that can’t find enough workers are pushing their existing staffers harder, converting part-time employees to full time and asking full-time workers to put in lots of overtime. That’s stuffing more cash into the pockets of Americans already flush from three rounds of government stimulus checks totaling \$3,200 since the COVID-19 pandemic began more than a year ago.

In other words, workers who hunkered down at home the past year are awash in dollars and itching to spend them as the economy reopens fully this spring and summer.

But companies that can’t find employees are churning out fewer products and services. They’re setting aside restaurant tables that can’t be served and hotel rooms that can’t be cleaned. They’re cranking out fewer cars, appliances and floral bouquets for special events. The labor shortages, combined with lingering supply-chain bottlenecks, means the economy, while poised to grow briskly this year, isn’t firing on all cylinders

“If it turns out that if you cannot meet demand....the economy cannot grow as rapidly as people had anticipated,” says **Bernard Baumohl, chief global economist at the Economic Outlook Group.**

## **Who will clean the hotel rooms?**

Neema Hospitality, which owns 12 hotel franchises in Maryland, Pennsylvania and West Virginia, has seen sales and occupancy reach 75% of its pre-pandemic mark. Company President Sandeep Thakrar wants to add about 50 housekeepers, front desk clerks and other employees to a workforce of about 150 but receives about four applications for job openings that used to draw 20. The low number comes despite a 10% hike in starting pay.

To cope, Thakrar has hired residential and commercial cleaning services that cost triple his usual labor expenses. About 20% of his employees also log five hours a week in overtime. Still, Thakrar has had to take 10% of the rooms at a hotel off the market several times this spring because they couldn't be cleaned. He recently shut down a third of a 90-room hotel in Pittsburgh.

“We've never done that,” he said. “We make money when we sell the rooms.”

He worries such measures will become more common as the busy spring and summer season heats up.

## **A smaller economy, higher inflation**

**Baumohl**, of the Economic Outlook Group, expects the economy to grow at a robust 8.7% annual rate in the current quarter but he says the worker shortages and delivery disruptions pose risks to that forecast. The dynamic of too many dollars chasing too few goods and services – along with bigger pay increases to attract workers – is also likely to push up consumer prices, further stoking an incipient run-up in inflation.

U.S. employers added 266,000 jobs in April, the government reported last week, well below the nearly 1 million projected. Surveys out Tuesday bolstered the theory that worker shortages are to blame. Government data also showed a record 8.1 million job openings in March. And 44% of small businesses said they had job openings they couldn't fill in April, an all-time high for the third straight month, according to the National Federation of Independent Business.

Several factors are likely behind the labor crunch, economists say, including jobless workers who won't take positions because they're receiving enhanced unemployment benefits and people caring for sick relatives or children remote-learning from home.

Whatever the reasons, employers are raising wages and dangling bonuses to attract workers. They're also doling out more hours to existing employees. Total compensation for U.S. workers rose 0.9% in the first quarter, the largest gain in more than 13 years.

In April, private-sector workers logged an average of 35 hours a week, matching January's level and the highest on records dating to 2006, Labor Department figures show. The number of people working part time because of slack work or business conditions fell by 632,000 as many part-timers were converted to full-

time roles. And current employees are getting lots of overtime, which pays employees 1.5 times their normal wage for each hour they put in over 40.

Forever Floral, which sells handcrafted, artificial floral bouquets online, wants to add about 40 employees to its staff of 140, says company founder Mehtab Bhogal.

Bhogal has bumped up starting wages by 30%, forcing him to raise the pay of many existing staffers as well. It hasn't been fruitful. The Ogden, Utah-based company receives about five applications a week for a job opening, down from 75 to 100 before the pandemic, Bhogal says.

So about 35 employees put in 15 to 25 hours in overtime each week. They generally reap 1.5 times their normal earnings for each extra hour, though Bhogal sometimes pays double, as he did in the weeks before Mother's Day.

"It's destroying our (profit) margins," he says.

### **Extra money for employees**

Employees like the extra money. Allie Howell, 28, who works as a florist in the company's Ogden warehouse, has clocked 10 to 20 hours a week in overtime a couple of times a month and every week in the lead-up to Mother's Day. She sometimes works eight-hour days both Saturday and Sunday.

"It's hard," she says. But she adds, "It's really nice to get those extra checks."

The overtime pay has allowed her to earn 50% more than her regular weekly income and sock away about \$3,500 in recent months. She plans to use some of the money for a down payment on a new Subaru Forester and save the rest to eventually buy a house or help build a retirement nest egg. She also has squirreled away the \$3,200 in stimulus money she has received the past year.

Even with the overtime, Forever Floral can't fulfill customer demand, Bhogal says, forcing the company to pull many Facebook and Google ads to tamp down orders. If he had the workforce, he says he could double his sales and would have quadrupled his Mother's Day revenue. He also stocks just 30 varieties of flowers, down from a typical 140 or so. Compounding his travails are supply-chains snags that have delayed flower deliveries from India.

Bhogal has raised prices 15% to maintain profits but that doesn't come close to offsetting his lost sales due to worker shortages.

"It's really frustrating," he says. "You see all this money (from stimulus checks) sitting out there but you just can't grab it."

Some businesses are going to even greater lengths to meet customer demand.

## Recruiters can't find recruiters

Brand Builders, which stages events for the wine and spirits industry, posted a 95% sales decline early in the pandemic, forcing CEO Shannon Roberts to lay off most of her 10 employees and 378 contractors. Revenue is now 40% of its pre-pandemic level but the Middle River, Maryland-based firm has struggled to add one full-time and one part-time worker to its staff of three.

Roberts has increased starting pay from \$15 to \$17 an hour but still gets only about a dozen applications for a job opening, down from 30 or 40 pre-COVID-19. She hired someone for the part-time administrative job but the employee didn't show up for her second day, not bothering to call or leave a message.

Roberts recruited three friends to staff one wine-tasting. For another, she dispatched three Virginia contractors to Maryland for a weekend tasting, forcing her to pay for their hotel stay and causing her to lose money on the event. Her three staffers each put in 10 hours a week in overtime. Roberts pays them the legally required premium, plus an additional \$5 to \$10 an hour, shriveling her profits.

"I don't want to burn them out," she says.

She often loses money on contracts "just to keep clients happy" as she awaits better times. She also turns down event requests because she doesn't have the staff. If she did, she says she could book an additional 15% in sales.

"It's extremely stressful," she says. "I don't want to fail my clients."

"We're not even in our peak time," she adds.

Even recruiting firms charged with helping companies hunt for workers can't find recruiters. Creative Alignments, which serves the technology and natural food industries, has been unable to add four recruiters to its staff of 30, says CEO Peggy Shell. So the Boulder, Colorado, firm paid 12 of the firm's recruiters \$1,000 bonuses for each of 14 searches.

The company also has had to turn down search requests from eight clients.

"We were unable to help them," she says. "It's like the cobbler's children who have no shoes."

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