

HELP WANTED

Labor Shortage Looms Large

By Anthony Schoettle

Indiana, like much of the rest of the nation, is amid a labor shortage that is threatening its entire economy.

“Historically, this labor shortage is as bad or worse than it’s ever been,” says Phillip T. Powell, executive director of the Indiana Business Research Center at Indiana University.

Recent research released by the U.S. Chamber of Commerce is downright chilling. Among other things, the report found that Indiana has 72 available people for every 100 job openings. And the Hoosier state is far from alone.

“If every unemployed person in the country found a job, we would still have millions of open jobs,” says Stephanie Ferguson Melhorn, the U.S. Chamber’s senior director for workforce and international labor policy. “We hear every day from our member companies – of every size and industry, across nearly every state – that they’re facing unprecedented challenges trying to find enough workers to fill open jobs.”

The grim national outlook means Indiana will have difficulty finding enough talent by recruiting workers from other states.

In Indiana, there are labor shortages in virtually every industry. For instance, the scarcity of attorneys is hurting some Hoosier businesses, according to the American Bar Association. Parents and school officials can testify to the shortage of bus drivers. And parents and businesses are both feeling the crunch from the dearth of childcare options, especially in rural areas.

There’s also a dire need for teachers and school counselors, according to the Indiana Department of Education. Manufacturers – the lifeblood of much of the Indiana economy – too are crying for workers, according to the annual Indiana Manufacturing Survey.

Especially troubling: The state is in dire need of nurses, doctors and nearly all other medical professionals.

“If you go on the IU Health website, we have 3,000 openings,” states Dennis Murphy, president and CEO of Indiana University Health. “Everybody is looking for talent.”

Murphy, who has been in the healthcare industry for 35 years, says the current labor shortage is one of the top three he’s seen.

“This labor shortage is about demographics as much as anything,” Murphy explains. “The other cycles had different variables driving them.”

With more Baby Boomers retiring than people entering the workforce, the current labor shortage could be a long-lasting challenge.

“I worry more about this labor shortage than previous ones,” Murphy emphasizes. “There’s no slowing down people turning 65 (and exiting the workforce) until well after 2030.”

David Adams, secretary of commerce in Gov. Mike Braun’s administration, says Indiana’s economy is seeing a historical shift.

“It’s the new reality of where we are as a state as well as a nation,” Adams relates. “Land used to drive economic development, now it’s people. Even though we require

fewer people to make things (than in the past), talent is still driving the economy.”

Skilled labor shifts

The biggest challenge is among sectors that need skilled talent, says Timothy Zimmer, associate professor of economics and finance in the University of Indianapolis’ business school.

“If your business is broader or you can easily train employees, you’re better off,” asserts Zimmer, a 15-year business executive who joined the University of Indianapolis in 2014. “If you are a specialized industry that needs specialized skills, it’s more competitive and harder to find that talent. Fields such as specialized or advanced manufacturing and pharmaceuticals are facing some of the biggest challenges.”

Small companies too are facing a stiff uphill climb.

“Big companies with more sophisticated HR and recruitment can pull from multiple markets. Small companies are fishing from a much smaller pond, so they have some bigger challenges,” Zimmer explains.

But there’s another big problem faced by companies of all sizes.

Many human resources directors and business operators came into the workforce when there was a plethora of workers. Those executives are used to dictating terms while

making job offers. Prospective employees from the Millennial and Gen Z generations aren’t having that – and many HR practitioners are having difficulty adjusting.

“Many of these HR directors are used to making a job offer to an applicant and they can either take it or leave it,” Zimmer stresses. “They were raised in and have become accustomed to operating in a buyer’s market. With more openings than workers, it’s a seller’s market now.”

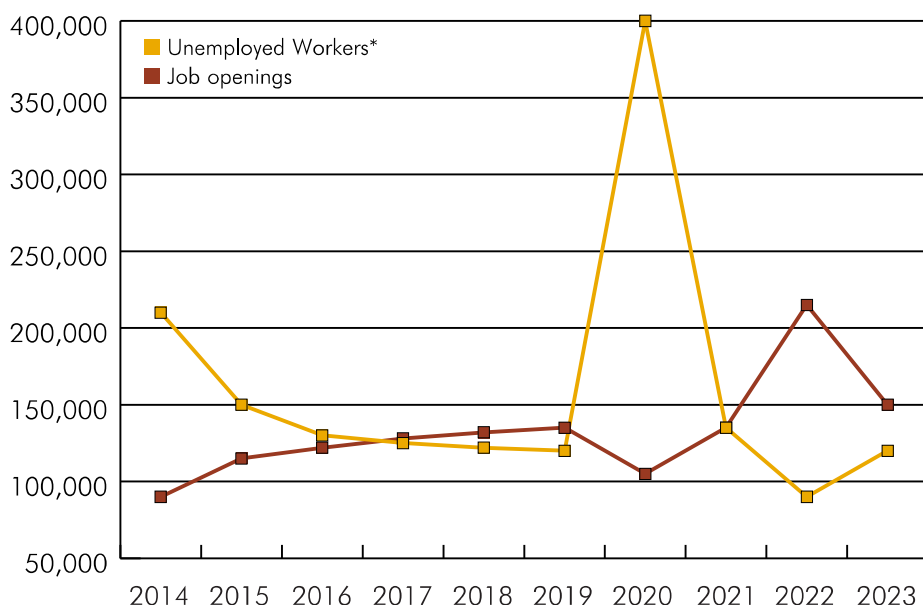
“I think we’re seeing a generational shift in demands and expectations in the workplace. And a lot of HR directors don’t have the context to understand what they’re dealing with. This is a significant challenge for HR departments and business operators everywhere.”

Todd Hurst, who oversees the Institute for Workforce Excellence at the Indiana Chamber as its senior vice president of strategic partnerships and impact, pushes greater collaboration and big picture involvement.

“There’s also a growing call for employers and HR leaders to proactively be part of the talent development system – not simply waiting for the right talent to show up ready-made on their doorstep.”

“This shift will see employers partnering more with education and training providers (K-12 and postsecondary) to co-develop programming and create new on-ramps for Hoosier citizens.”

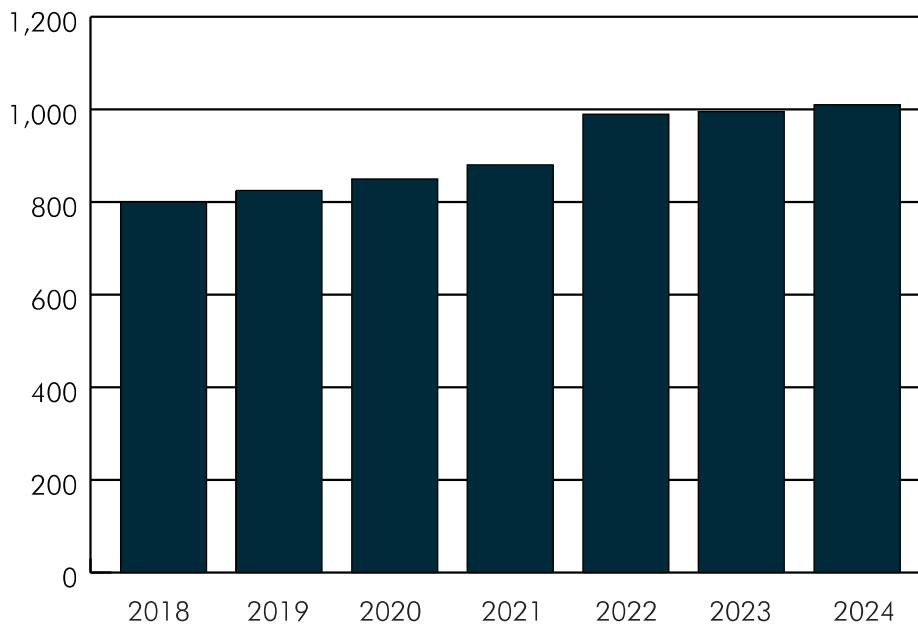
Hiring Picture



*Workers actively seeking a job
Source: Bureau of Labor Statistics

A key indicator in the labor shortage challenge being faced by Indiana is the number of unemployed individuals compared to the number of job openings. Indiana crossed a troubling threshold of having more job openings than people to fill them in early 2017. That trend was temporarily reversed during the height of the pandemic in 2020. While the decreasing post-COVID unemployment rate is encouraging, the troubling trend of having more jobs than workers has resumed and the market remains volatile.

Pay Hike



The desperate need for workers has forced many Indiana companies to raise the pay they're offering employees and prospective employees. Average weekly earnings for all private employees in Indiana sharply increased post pandemic.

Source: Bureau of Labor Statistics

Workers have upper hand

The way Powell sees it, businesses must fight this battle on two fronts: One involves adjusting their culture and the other in adapting to the need for more technology, including artificial intelligence (AI) and automation.

He adds that lamenting changes and yearning for the past is not helpful.

"This new generation of workers wants to work and they want to be held accountable," Powell contends. "But they hold the upper hand, and people running businesses and HR departments didn't when they graduated. Boo hoo! Get over it and move forward. Your reference can't be how you were managed when you got your first job."

Powell believes there is sufficient talent in the marketplace for companies that want to compete for it. He says today's workers want a workplace where collaboration and teamwork are prioritized and where their ideas are heard, a better work-life balance and to work for a company where "profit is the outcome, not the goal."

"That's not laziness, that's the sophistication they bring to the workplace. They want more than a job," Powell emphasizes. "They have more leverage, and they're going to exercise it. So business operators need to listen."

Powell acknowledges change can be

difficult for business operators.

"It's about questioning your own ego as a boss. Humility is hard. This is about psychology. But the best businesses are embracing culture. They're open to examining it and improving it."

'We can rebuild it'

When it comes to the current economy, there's a battle cry akin to the popular 1970s television show *The Six Million Dollar Man*. We have the technology. We can rebuild it. Make it better than it was before.

That approach will require more industries to adopt AI, robots and other forms of automation.

"Technology has long been seen as a threat to replace human workers," Zimmer notes. "The fact is becoming obvious now; we don't have enough workers to replace. We're seeing that companies that were on the leading edge of adopting automation are at less of a risk of being hurt by the current labor shortage."

There are no easy solutions, regardless of size or industry. Big businesses may have more resources but have more difficulty making the culture changes that might be necessary to weather this storm. Small companies can change their cultures more quickly but may lack the resources to adopt technology and cast a wider recruiting net that would help with labor issues.

Calls for policy change

While economists think that much of this challenge must be met by employers, they argue government assistance likely will be needed.

"We need to strengthen the incentives (for people) to work," Powell declares. "Perhaps lower income taxes especially for families with two working parents. We need a smart policy on documented immigrants. We need policies to help with capital investments on technology – in the form of lower taxes and accelerated depreciation."

But Powell cautions about regulatory overreach.

"The free market creates much of the incentives ... the government doesn't have to do that much," he adds. "The companies that make the changes necessary will be rewarded."

Meanwhile, Adams suggests meeting this challenge will take a combined effort. While he thinks Braun's administration will be willing to consider helping with tax abatements and credits, as well as training and skills development assistance to address the labor shortage, he's also confident Hoosier businesses will help themselves.

"I'm not overly concerned about the labor shortage," Adams admits. "We have resourceful, innovative companies in this state. They'll need to focus on the positions that increase revenue and productivity and reduce costs. And they'll have to emphasize employee loyalty and retention and creating more career opportunities."

Indiana businesses must "look at incumbent workers to help fill the high-value, high-demand jobs," he adds. "This is a shift of how employers could look to solve the problems within their own organizations."

Businesses also must collaborate with other organizations in new ways, Adams offers. "We're already seeing some of this. Eli Lilly, for instance, is working with Purdue University to modify its curriculum and help students understand job possibilities. Lilly is forecasting four years into the future what the (talent) needs will be. That's the kind of innovative approach that's needed."

Despite the challenges facing Hoosier employers, Powell says: "Actually, I'm pretty bullish. Labor productivity since 2017 in Indiana has grown faster than the rest of the nation. We have challenges, but if you look at some of the policy steps (former) Gov. Holcomb has taken and the way Indiana businesses are positioned, we're in a better position than some might think."

RESOURCES: David Adams, Indiana Secretary of Commerce, at www.iedc.in.gov | Todd Hurst, Indiana Chamber of Commerce, at www.indianachamber.com | Stephanie Ferguson Melhorn, U.S. Chamber of Commerce, at www.uschamber.com | Dennis Murphy, Indiana University Health, at www.iuhealth.org | Phillip T. Powell, Indiana University, at www.iu.edu | Timothy Zimmer, University of Indianapolis, at www.uindy.edu