

# DAYTON BUSINESS JOURNAL

## GUEST COLUMN:

# Ohio employers must solve their workforce problem

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I represent industrial clients all over Ohio and spend a fair amount of time dealing with economic development professionals. One consistent theme through the years, even during the Great Recession, is “I can’t find workers.” Hard to imagine, but true. While it’s become a hot political topic, finding solid efforts that business owners can leverage remains a challenge. So what can an employer, looking to expand (or just maintain a steady workforce) do?

First, let’s step back for a moment. There are multiple reasons for the worker shortage and luckily, multiple solutions. While there are governmental solutions available, they may not be particularly helpful unless an employer knows how to optimize the resources across programs. The real solution often lies with the employers themselves.

So the question remains, what can employers do?

### Address Human Capital

Think of workforce as human capital. Similar to how we think of the importance of investment in productive machinery and equipment – investment in people is a long-term strategy and one that must be viewed with a long-term time horizon. Germany is known for having the world’s most productive workers – they are also known for having the highest wages and offering the most amount of vacation time. Ger-



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man employers invest in workers and train them throughout their careers; they have determined retaining happy workers leads to greater productivity. The Germans have figured out there is a significant return on investment in human capital.

In the United States, it’s not shortage of workers but rather a shortage of the right workers. We have fallen into the belief that everyone needs to go to

college. The result is that “real worker skills” have not been encouraged or developed. The result? We have needlessly high unemployment and worker shortages existing at the same time.

### Nontraditional Training

When employers think of training, they think of vocational skills. The challenge is that many blue-collar workers lack not only vocational skills, but also basic life skills. A creative approach worth considering: I had a client hire a consultant to teach prospective and newly hired employees the basic life skills most of us take for granted. Wondering if it’s worth the investment? If you are looking for long-term employees, it may very well be one of the best investments a business can make. Lack of basic life skills (how to balance a checkbook, how to get to work if you don’t own a car, etc.) can get in the way of employment and cause higher than necessary turnover. An employer’s mindset for training needs to broaden or they will stay in an endless loop of hiring unqualified workers and continuous turnover.

### Hiring Outside The Labor Force

One economic development professional said to me (during the recession no less) that despite high employment in the county, every worker who can be employed, was employed. His point was the only way for an employer to find qualified workers was to “steal” them from another employer. If this obser-

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vation has a grain of truth, the pool of available workers is really outside the typical unemployment statistics. With these tightening labor markets, employers will have to look outside the existing labor force – this includes considering the long-term unemployed, those with significant hiring challenges (e.g. a candidate with a former drug or criminal conviction), and other challenges.

**Capital Investment for Workforce Reasons**

Creative employers are also now looking to capital investments to attract workers. For example, a client recently invested in machinery that would lift heavy parts that were previously moved by hand. The reason was not for classic automation reasons, but rather to eliminate a physical aspect of the job that ruled out too many candidates. Capital investments that make the work more interesting, beyond laborsaving devices, should be considered.

**Use Available Resources**

There are federal, state, and local training resources, including subsidies for on the job training and local training programs. The problem is they are fragmented, not aligned well, and most employers do not know what resources exist – or how to use them. There are also training resources available locally that employers can customize. Unfortunately most employers either do not know they exist or do not want to commit the

time to work with outsiders. Aside from beneficial subsidies and training, local workforce agencies can screen workers and provide some basic training.

**Collaborate With Trade Unions**

Businesses too often tend to shy away from working with trade unions. Trade unions focus on developing workers who are skilled, trained, and will actually show up for work. I work with businesses in eastern Ohio constructing gas pipelines who will only hire union labor for those reasons. Outside of on the job training (OJT), trade unions are maybe the only repository of true training for skilled workers who have served appropriate apprenticeships and are guided to improve their skills over a lifetime.

**Increase Wages**

Blue-collar wages have been stagnant in the U.S. economy for many years. During the Great Recession, unemployment was so high that there was no upward pressure on wages. However, in tightening labor markets, even recognized low-paying employers like Wal-mart are raising wages. After many years of little wage increase and substantial outsourcing, employers must now face the basic economic fact that they must pay higher blue-collar wages to hire the right workers.

**Business Siting**

There has been a trend for businesses

– especially manufacturers – to locate in suburban areas. I recently worked with a client to build and then expand a manufacturing facility in one of Ohio's fastest growing suburban counties. The result was a state-of-the-art factory – in a place where they cannot find enough qualified workers. While there may be advantages to certain locations, businesses are finding people will not travel long distances for mediocre wages. In locating a new facility, consider places businesses have shied away from in recent years, such as cities – where workers live, resources are available and transportation distances are short.

**Forget Outsourcing**

American employers have looked to outsourcing, particularly to China, to lower labor costs. The result has been mixed for Ohio companies. Ohio companies are now bringing work back from China because of disappointing results there. The savings were not achieved, and doing business in an arbitrary system can lead to unfortunate results. I recently had a client that had its factory in China shut down for a minor environmental infraction that would have received a telephone call in Ohio. While businesses often decry lawyers and regulations (with understandable reason from time-to-time), ask anyone operating in China if they would rather have the rule of law that exists in America. I suspect you'll hear interesting reviews.

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