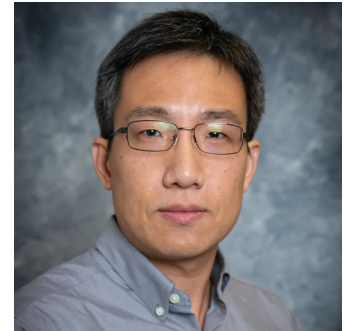


# Personal View: With labor shortage everywhere, is it a threat or opportunity?

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Recently, I was interviewed about the impact of the truck driver shortage. I also have noticed a lot of coverage about the labor shortage across many industries (e.g., late trash pickups, theme park closures, and many more small businesses). This is not a problem that will go away any time soon given the surge in demand as many states reopen as well as other factors attributed to the shortage. So what else can small businesses do to address the problem besides fighting for new hires during this challenging time? Is there low-hanging fruit that can be taken advantage of before costly investments need to be made in automation or digitalization to replace some manual works?



One quick-win solution is to increase the efficiency or productivity of the overall operations by optimizing the critical bottleneck resource(s). Unlike simply employing more, optimizing the bottleneck avoids the possibility of scaling up inefficient operations and has other benefits beyond meeting the demand. First, it reduces inventory, which helps another problem — long lead time to fulfill orders. This, together with improved bottleneck capacity, helps increase sales and improve customer satisfaction. Second, a higher productivity helps pay for wage increases and undercuts competitors' prices, which give companies competitive advantages in supply and demand markets. It also helps our nation to keep inflation in check. This is also how some jobs may be brought back to the U.S. because of more productive labor to justify the higher labor costs.

Take the trucking industry as an example. There is certainly potential for improving the productivity of drivers, since only about 60% of a driver's drivable hours are behind the wheel. Moreover, 30% of a driver's workable hours are spent waiting for loading and unloading goods at shipping and receiving facilities — the dwell time. A 2020 research project has shown that individual cargo handling facilities have the biggest impact on dwell time, followed by the method used by drivers to update their arrival time. It is worth further investigation into what specific operational practices and policies adopted at facilities attributed to such variations. Inefficient facilities may be incentivized to adopt some proven best practices (or penalized by higher costs). Similarly, drivers may be advised (or also incentivized) to provide better estimated arrival time so the facilities can be better prepared. Other inefficiencies may be identified through further research and addressed through better coordination with shippers, receivers and carriers.

These efficiency improvements will start having diminishing returns once most low-hanging fruit is picked. Ultimately, more hiring may be required or new technologies will need to be implemented, but one should not default to them as first or only options when facing labor shortage.

While some inefficiencies might only be identified through advanced quantitative methods, most can be found rather easily through some quick data analysis. The real challenge, though, for many companies is to have a change mindset from top to bottom in order to break the status quo. Labor shortage is everywhere, including China. If we are to bring jobs back from abroad, we cannot afford to do business as usual like it was done decades ago.

With the Biden administration laying out plans for reshoring and infrastructure spending ready for the post-pandemic economy, embracing the labor shortage challenges as opportunities to improve productivity will supercharge our economy as we return to the new normal.

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