



**Marlin Steel Wire Products**  
*ENGINEERED SOLUTIONS FAST SINCE 1968*

# FINANCIAL TIMES

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## **Skills gap hobbles US employers**

By Hal Weitzman in Chicago and Robin Harding in Washington

[Drew Greenblatt](#) has been looking for more than a year for three sheet-metal set-up operators to work day, night or weekend shifts.

The president of [Marlin Steel Wire Products](#), a company in Baltimore with 30 employees, Mr Greenblatt says his inability to find qualified workers is hampering his business's growth. "If I could fill those positions, I could raise our annual revenues from \$5m to \$7m," he says.

He is offering a salary of more than \$80,000 with overtime, including health and pension benefits. Yet in spite of extensive advertising, he has had no qualified applicants. He is trying to train some of his unskilled staff but says none has the ability or drive to complete the training.

Mr Greenblatt's predicament speaks to one of the biggest economic debates about today's 8.6 per cent US unemployment rate: is it merely a cyclical problem that will shrink as demand recovers? Or is it something deeper and more structural, a "mismatch" between the skills workers have and those companies need?

The idea there is something structurally wrong with the US workforce is controversial among economists but has a certain resonance with the public. Since the emergence of Japan as a technology and manufacturing powerhouse in the 1970s, Americans have been anxious that they were losing their competitive edge to better-educated, harder-working rivals.

Economists trying to figure out whether unemployment is cyclical or structural have turned to what they call the Beveridge curve: the relationship between unemployment and the job vacancy rate.

Vacancies, the number of unfilled positions, have risen by 35 per cent since their trough in June 2009 – but the unemployment rate has remained stubbornly high. If there are jobs but people are not filling them, it may be because their skills are not up to scratch, say those who fear structural unemployment.

But a preponderance of economists argue this is a misreading of the data. A recent San Francisco Fed paper finds that vacancies are high relative to hiring across a broad range of industries, including those such as construction, where recent job cuts mean that there is most unlikely to be a skills shortage.

The authors suggest companies may not be trying very hard to fill jobs, while workers in receipt of unemployment insurance may not be trying that hard to find them.

Policy moves by the US Federal Reserve reflect a view that most unemployment is not the result of a skills mismatch. But even those who believe that today's unemployment problem is primarily cyclical say closing the "skills gap" noted by Mr Greenblatt will be essential if Americans are to enjoy stable work and rising wages.

Ben Bernanke, chairman of the US Federal Reserve, told an audience in Jackson Hole, Wyoming, in August that the US had to "foster the development of a skilled workforce" if it was to enjoy good longer-term prospects. The US education system "despite considerable strengths, poorly serves a substantial portion of our population," he said.

US companies that are growing say an unqualified workforce is already a significant barrier to hiring.

In a September poll of owners of fast-growing, privately held US companies undertaken by the non-profit Kauffman Foundation, the inability to find qualified workers was cited as the biggest obstacle to growth. Some 40 per cent of respondents said they were being held back by the skills gap, compared with just 13 per cent by lack of demand.

Advanced Technology Services (ATS), a manufacturing equipment maintenance company based in Peoria, Illinois, whose clients include Caterpillar, BorgWarner,

Honeywell, Eaton and Textron, is finding it tough to fill the 160 job openings it has available for roles such as maintenance and machine technicians.

The company's revenues grew by 35 per cent last year and are on course for 25 per cent growth this year. But Jeff Owens, chief executive, says it could expand faster if it could find qualified workers more quickly. "In other businesses the capacity constraint is buildings, plant or equipment," he says. "In our business, a service business, it's people."

US manufacturers have 600,000 unfilled positions because of a lack of qualified skilled workers, according to a report released in October by Deloitte, the consultants, and the National Association of Manufacturers, an industry body.

Jill Bellak, chief operating officer of MBX, a company in suburban Chicago that makes computer hardware, says the fast-growing business is finding it tough to find good software engineers, production workers and salespeople to add to its 78-strong workforce.

"You hear how high unemployment is and you think it would be easy to hire, but companies have tended to cut their lower performers and retain their best people," says Ms Bellak. "Meanwhile, talented people are less inclined to leave their current positions than they would be in good times."

In manufacturing, the skills problem dates at least to the 1970s and 1980s, when companies began automating factories and outsourcing production. As a result, manufacturers found they did not have jobs for the people leaving their in-house training programmes, some of which were then scrapped.

Some big manufacturers still train in-house, including Boeing, the aerospace manufacturer, which spends \$80m a year on training its existing workforce. But not all do. "Technology moves fast and most companies don't have the money or resources to pay for extensive retraining," said Sir James Dyson, the British household appliances engineer.

Without in-house training programmes, companies have often been left looking for staff with specific skills. "A generation ago, employers would hire and train employees. Now, they demand trained workers," says Peter Cappelli, a professor of management at the University of Pennsylvania's Wharton business school.

"The skills gap is largely a figment of companies' imagination," says Mr Cappelli. "They cannot find workers to do the very specific tasks they want done. That is different from not being able to find capable workers."

Companies counter that today's jobs require a broad set of skills, and that the US educational system is not producing workers with the flexibility they need.

"We have a training programme, but if someone applies for a job and doesn't have basic math, I don't have the wherewithal to teach them basic math," says Charles Cannon, chief executive of JBT, a maker of food-processing machinery and airport equipment.

American 15-year-olds ranked 25th among the 34 developed countries in the Organisation for Economic Co-operation and Development in maths, 17th in science and 14th in reading ability, according to a 2009 OECD study.

Many companies are realising they need to take the initiative in collaborating with educational institutions. Martin Swarbrick, chief executive of Bison Gear & Engineering, a Chicago manufacturer with 250 staff that makes industrial motors, says his company has had such a programme in place for years and it has helped him offset the skills gap.

"We've done a lot of promoting from within," he says. "A lot of our people started on the shop floor and now they're completing their Masters degrees."

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