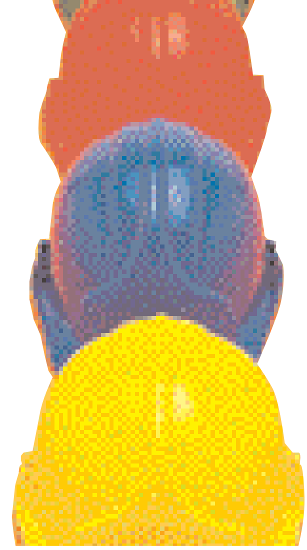

Filling Your Headcount In a Tight Labor Market

Hiring and retaining workers is an ongoing challenge, but the service center industry is not facing a critical shortage of qualified labor, according to the results of the latest *Metal Center News* survey.

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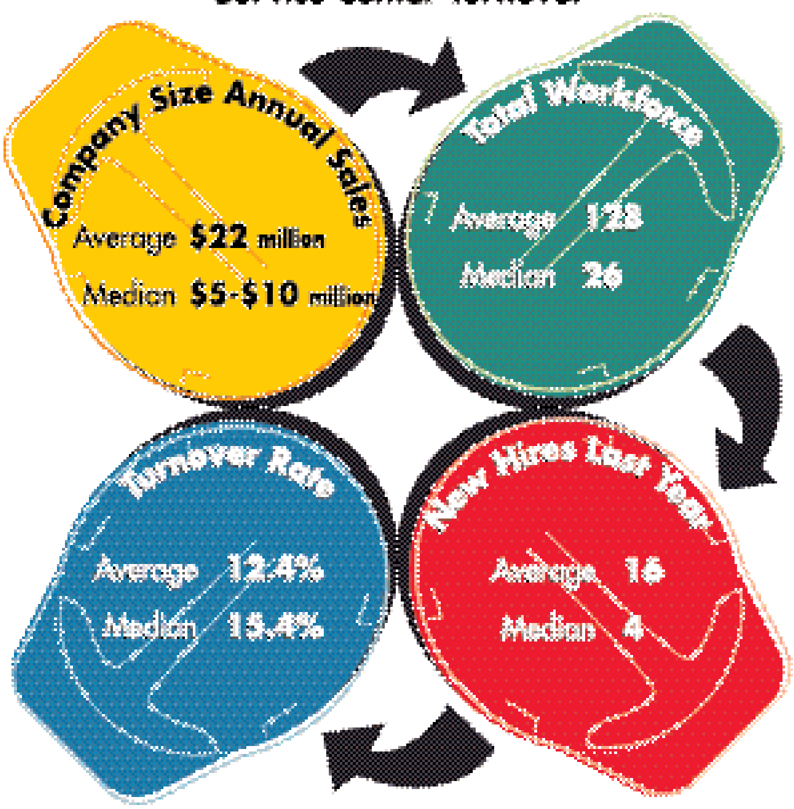
Service Center Turnover



About 31 percent of respondents report increased turnover in the past year. The typical turnover rate is 12 to 15 percent.

Nearly one-third of service centers responding to a new *Metal Center News* survey report growing turnover in their workforce. Three-fourths have increased wages and benefits in the past year in an effort to attract and retain good employees. But the labor shortage faced by the service center industry may not be as urgent as anecdotal evidence indicates.

Service center executives across the country lament that it's "so hard to find good people." Yet respondents rated the current labor situation as a 5, on average, on a scale from 1 to 7, where 1 signifies "qualified labor is readily available" and 7 signifies a "critical shortage of qualified workers." While 5 skews toward the shortage half of the scale, it certainly does not indicate that labor shortages are having a critical impact on service center operations.

Obviously, the labor situation varies greatly from market to market and from company to company. The return from this survey was insufficient to draw reliable conclusions about regional variances.

While 31 percent of respondents have seen increased turnover, the majority (53 percent) feel it has remained about the same, and 15 percent say their turnover is actually lower.

Measured in terms of an average, the typical respondent to the survey works for a $22 million company with 128 employees. Measured in terms of the median (which evens out the effects of very large or very small responses), the typical respondent is from a company with $5 million to $10 million in annual sales and 26 employees.

The average company hired 16 new workers in the past year to replace personnel who left, while the median number of new hires

continued on page 26

Coping with the Labor Shortage

Recruiting and retaining top-notch workers is a daunting task, say service center executives, who are constantly on the lookout for creative ways to reduce employee turnover.

Industrial Metals of the South, Fort Lauderdale, Fla., has needed up to six months to find inside salespeople. "It's the low unemployability of the remaining labor pool. Getting people with the right attitude who really want to work is very difficult," says President Michael D. Smith. His company has had success hiring recent immigrants to the United States, notably those from Jamaica and South America, who have displayed a good work ethic and positive attitude.

Competing for talent in the labor pool has raised the ante for all employers. "My experience in the past couple years is that regardless of how we approach recruiting—advertising or word of mouth—I have done more to get candidates pay increases at their current employers than anything else," says John G. Ranz, president of Regal-G Special Steel, Wheeling, Ill. "It's time-consuming and frustrating, and competition is very tough."

The staffing shortage affects the company inside and out. Regal-G outsources most of its fabrication and machining. "Virtually every shop I deal with for general machining is short of workers, and it makes it difficult for us to deliver goods to our own customers on time," Ranz says.

Tubes Inc. in Tulsa, Okla., is situated in a market with an unemployment rate below 3 percent. The lack of labor has stymied the company's expansion plans. "With the labor market we're in, it's hard just to get people who are willing to work, and it's hard to keep

"There is a hidden inflation going on, and it has to do with the entire wage market."

Howard Hansen,
Anderson Metal Service Inc.

the ones that are worth a darn. It has prevented us from starting up a second shift," says Vice President Steve Blake.

Anderson Metal Service Inc., Grand Rapids, Mich., has had to function despite an annual turnover rate that has reached 50 percent in the past couple years. Howard Hansen, chief operating officer, attributes that in part to competition from non-traditional sources. Traditionally low-paying industries such as retail stores and restaurants have increased wages enough to attract many workers away from industrial jobs, he says.

"On a typical morning, my employees also will hear ads on the radio for jobs at manufacturing facilities within a 30-mile radius that are paying $3 and $4 more per hour more than we're able to pay," Hansen adds. "There's a lot of pressure for us to keep our costs and prices down, and there's no way to absorb higher wages without trying to be more efficient."

To fight the flight, however, Anderson Metal Service instituted a 15 percent across-the-board wage increase last year.

"There is a hidden inflation going on, and it has to do with the entire wage market. As a result, we felt our people were losing ground. We didn't think it was fair to bring people in at a higher rate and punish those who had been here," Hansen says.

Dan Kendall, the plant manager at ABC Metals Inc., Logansport, Ind., bemoans the lack of loyalty among some employees. "People making $10 to $12 an hour will walk across the street if they like the break room better. I'm finding that to be a problem."

"The most significant problem is people wanting flexible hours and no overtime. I've got people who don't want to work any overtime and it doesn't matter how much I pay," Kendall adds.

ABC Metals has had an education assistance program for 15 years. The company pays 100 percent of tuition and textbooks and even helps its students apply for mileage reimbursement with the IRS.

"What we reimburse for doesn't have to be directly job related," Kendall notes. "We have three employees right now going to school part-time. Why they're here is because we've helped them with their education. One employee wants to be a nurse, but in the meantime, he is an outstanding worker."

JVM Aluminum Inc., Brooklyn, N.Y., uses a couple of approaches to retain a solid employment base. One is cross-training workers on various pieces of equipment. "We buy a new machine and train everyone to work on it, which increases their capabilities. We try to do something beyond what they know, even if we

continued on page 24

destroy material or use up time," President Vassilio Alexandropoulos says. "At the end, they feel happy because they know more than other professionals in the same positions elsewhere."

The other key is JVM's no-layoff policy. "Whenever business gets really slow, we keep our people. It costs money, but when business goes up again, they're still with us," Alexandropoulos says. "They feel protected and there's no disruption. I see other companies in our business that lay off their people. When they try to get them back, it's difficult."

General Steel Co. Inc., Macon, Ga., uses a broad, comprehensive approach to recruiting, thanks to the involvement of its human resources manager in local business and civic organizations, educational institutions and government.

"Getting people with the right attitude who really want to work is very difficult."

Michael D. Smith,
Industrial Metals
of the South

As a leader with the Middle Georgia Employers Committee, Al Elvins Jr., director of human resources, safety and environmental compliance at General Steel, schedules business community volunteers to speak to students at middle schools and high schools. "By the time the students graduate, we hope to have people who are ready to work in a productive environment."

Elvins also volunteers on the business advisory committee of Goodwill Industries, which trains people transitioning from welfare to work. Goodwill provides math and reading skills, and teaches potential employees how to come to work on time every day, how to dress properly for work, interact with others and operate safely, he says.

Once hired, new workers at General Steel are mentored by senior employees, who help them evolve into effective roles within the company.

Little things matter, Elvins adds. For example, employees are allowed to arrive two hours late, without loss of pay, so they can accompany their children to their first day of school. "We want them to take their child to school and meet the teacher. People have to realize they're working for their family, and we're a family oriented business."

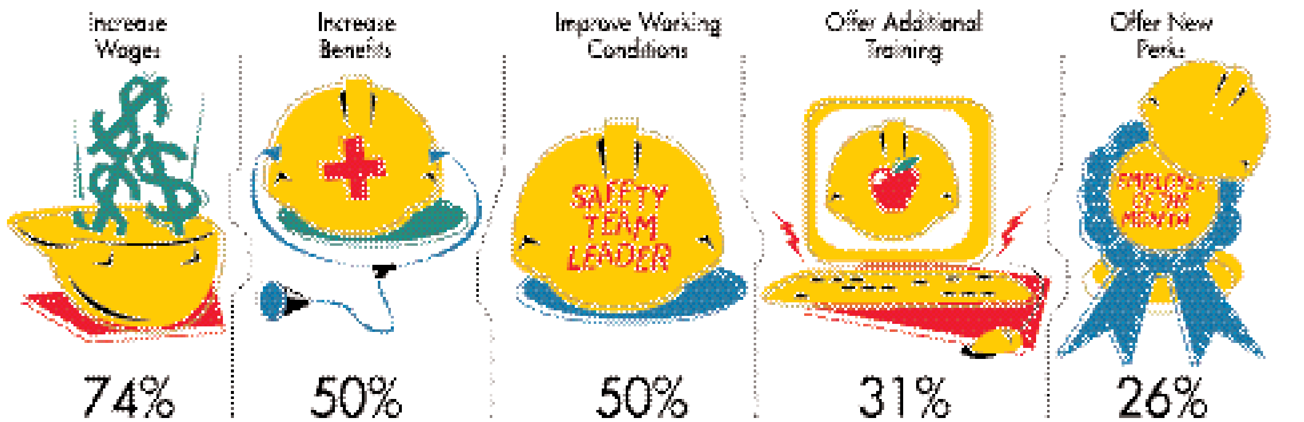
was 4. That calculates out to an annual turnover rate of 12.4 percent on average, or 15.4 percent based on the median response. Whether a turnover rate of 12 to 15 percent is considered high depends on the industry and the market, but this figure does give service center owners a benchmark to compare with their own experiences.

In response to this turnover, 74 percent of service center respondents have increased wages to help reward and retain good performers. Half have increased benefits and improved working conditions. Thirty-one percent have offered additional training, and 26 percent additional perks, to keep workers in the fold.

Benefit programs such as 401(k) retirement plans with a 50 percent company match and fully paid health and dental insurance are becoming more commonplace among service centers. Other perks offered by respondents are less costly and more creative, such as gain-sharing programs, signing bonuses and referral fees, ergonomic workstations, flexible work hours, educational reimbursement, cross training, lunch-hour barbecues, gift certificates, and free gas or theater tickets, to name a few.

Turnover isn't the only factor contributing to the tight labor market; growth and expansion have also added to the shortage of "good help." In

What Has Your Company Done to Retain Workers and Reduce Turnover?



*Percentage of respondents; total exceeds 100% due to multiple responses.

addition to replacing workers, nearly half the respondents increased the size of their workforce in the past year, typically by 10 or more, adding to the pressure to find qu ified workers.

The time it typically job openings tends to support the view that labor may not be as tight as some believe. Respondents say it generally takes between five and seven weeks to fill a management/supervisory/sales position, and three to four weeks to fill a line position.

Word of mouth is still the most common, most valued method for recruiting new employees. Eighty-six

Service center executives characterized the market as a 5 on a scale from 1 to 7, where 1 signifies that "qualified labor is readily available" and 7 signifies there is a "critical shortage of qualified workers." This indicates that labor is tight, but not in critically short supply.

percent seek referrals from existing employees when filling vacant jobs.

Despite all the talk about the Internet, only 19 percent use the Web as a recruitment tool, so far. Newspaper classified ads are used by 78 percent; employment services by 52 percent; contacts with local education- l institutions by 41 per- ınd contacts with gov- ɡencies by 14 percent. Only 5 percent say they work through a union to fill vacancies.

The majority of additional comments from respondents generally reflect positive attitudes toward hiring and retaining workers in the current tight labor market: "If you communicate with your employees and provide them with the tools and environment to do their job, they will enjoy working for you and they will tell others what a good company they work for," wrote one respondent.

"We try to promote the kind of work environment where people feel good about coming to work. Of course, competitive wages and benefits are a must," added another. ■

Methodology

Metal Center News conducted a mail survey in February to 2,500 subscribers. Completed surveys were received from 228 readers for a return of 9.1 percent. A sample of this size offers a margin of error of plus or minus 6.5 percent, at a 95 percent confidence level. Most results are presented as averages, but some are presented as medians to more accurately reflect actual conditions. The median is the midpoint at which half the responses were higher and half lower.