



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