Too many jobs, too few people

Region's low unemployment frustrates recruiting efforts, productivity levels

May 22, 2006

Joe Coombs

Washington Business Journal

Staff Reporter

Paul Villella – a corporate recruiter smack in the middle of a labor market that's adding tens of thousands of jobs on an annual basis – should have it easy.

But Villella, like many others in his industry, is suffering from a short supply of warm bodies. While Greater Washington continually boasts one of the nation's lowest jobless rates, a tight labor pool is making it harder for recruiters and employers to find qualified candidates for jobs in accounting, technology and professional-service positions.

And some say the labor shortage will become a drag on the Washington-area economy, whose growth is starting to fall more in line with the national average after whipping the rest of the country for the past several years.

"A gap has developed, and it's widening," says Villella, CEO of Reston-based Hire-Strategy, which specializes in tech and sales placements. "Nobody seems to have such a high level of demand for jobs and such a low level of unemployment that we do in Greater Washington. We can't fill our openings fast enough with qualified people, and we're feeling the frustration daily."

Villella says his firm is a microcosm of the bigger picture in Washington. His clients have more than 200 openings for accounting jobs, or more than double the amount from this time last year. He also has at least 150 tech positions to fill, up 18 percent from the previous year.

That's great news for job seekers, if there are any floating around. Unemployment in Greater Washington was 2.9 percent in March, tied for the second-lowest among major metro areas, according to the Bureau of Labor Statistics. The region added 76,300 jobs in March on an annual basis, the fourth-highest total in the country.

And people who do have jobs in Greater Washington don't seem likely to leave them, according to one study. About 75 percent of the people surveyed in the area said in April they were happy with their job and have no fear about losing it anytime soon, according to employment research and consulting firm Hudson Highland Group.

All told, an estimated 1.6 million new jobs are coming to the region by 2025, according to projections by the Center for Regional Analysis at George Mason University. Greater Washington's population is expected to add 2 million people by then, but all those people won't fit neatly into the qualifications for the jobs that are created.

The main problem in drawing new workers, most say, is the cost of living. Moving to a job-rich but expensive region like Greater Washington isn't as attractive as trekking to other hot labor markets in affordable places like Florida and Texas, says Mark Vitner, senior economist at Wachovia.

"Washington is at a little bit of a disadvantage," Vitner says. "To go to Washington, it's going to take an awful lot of money to find a place to live. And if you're in a lower-paying job, it's that much harder."

Cutting corners

For local companies, hunting for the right employee is no longer about placing a classified ad in the Sunday paper. When a qualified worker isn't at their fingertips, the search goes beyond local borders and can inflate the recruiting budget.

Take Richard Lishewski, director of recruiting at mortgage finance giant Fannie Mae. The company is in the midst of a large-scale review of its accounting procedures, and Lishewski is looking far and wide for number-crunchers and other workers to fill his vacancies.

District-based Fannie Mae has more than 500 open positions right now, 100 of which are within its accounting and finance departments, Lishewski says.

"We're recruiting in Iowa, Detroit and places like Peoria, Ill.," he says. "And our 'interview period' has gone from an average of 60 days to 40 days. In some cases, we're making hires between 24 and 48 hours after the interview. It's tough right now."

Lishewski is casting a wide net. Lately he's been appealing to accountants who have backgrounds in the automotive, technology and entertainment industries and luring them with a fresh start in D.C.

"The foundation of their skills doesn't change. They just need to learn a new industry," he says. "We look for people who are stuck in one industry and say, 'Hey, would you like to come to Washington, the most powerful city in the country?'"

There's also a danger in conducting exhaustive searches for new employees, Villella says. Out of frustration, the employer often accepts a lesser-qualified candidate, just for the sake of filling the vacancy.

"It's a case of lowering the bar," he says. "You could start out saying, 'I want these five things from the candidate.' And you end up settling for four, or three."

Arlington-based Stanley Associates has been looking for ways to stay ahead of the competition as it searches for qualified people, says Sandy Eichelberger, vice president of human resources for the government contractor, which specializes in technology and professional-service support.

The company has about 2,000 employees worldwide. Eichelberger wouldn't say how many vacancies Stanley has in Greater Washington, but she says the race for top talent has been an issue for quite some time.

Stanley uses some old-fashioned tactics, such as attending job fairs, to stay close to available workers, Eichelberger says.

"So many companies have gotten into government contracting," she says. "Because the resources are so scarce, if you let a resume sit on your desk for more than two or three days, you're going to lose that candidate. And relocation to bring workers to D.C. is minimal for us, because it's such a high cost of living here. You bring somebody from the Midwest out here, and there's going to be sticker shock."

Smaller companies are feeling the pinch, too. Alexandria-based SureScripts, which develops software for the medical industry, has hired about 30 people in the past two years, and it has been a challenge, says Rick Ratliff, SureScripts' chief operating officer.

"There are a lot of good tech people in Greater Washington, but most of them already have good jobs," Ratliff says. "Being a small company, it's hard to get people to come work for us when they already have a steady job."

The company has 45 employees and is on the hunt for candidates to fill four new managerial positions, he says.

"In some cases, it has taken us three to six months to find the right person," Ratliff says. "It doesn't necessarily affect productivity because we're still providing good service, but it requires our current employees to pick up the slack and do significantly more work. It affects everyone's workload."

A blow to the economy?

Shifts in worker supply in Greater Washington tend to fluctuate as in any other market, says Brian McCormick, executive vice president of Fredericksburg-based The McCormick Group, an executive search firm.

A few years back, he says, there was a shortage of technology workers and an abundance of workers in other sectors. But now, for perhaps the first time, the demand for workers is rising dramatically across the board, says McCormick, who oversees the firm's D.C. operations,

"I'm not sure if there's a talent war yet," he says, "but the field has equaled around here."

Vitner, the Wachovia economist, says the labor shortage is already getting in the way of the private sector's productivity. Virginia, Maryland and the District outpaced the rest of the nation for gross domestic product for the past several years, but they're starting to fall back in the pack, he says.

The U.S. growth in GDP was 4.8 percent in the first quarter. Virginia's gross state product was 4.6 percent, Maryland's was 4.9 percent and the District's was 5.6 percent.

"The District is still ahead, but it's a small output compared to the output of states," Vitner says. "Those numbers have cooled off a bit. Greater Washington is more in line with the rest of the country, and the tight labor market is part of that."

Between 2003 and 2004, the region's growth stood out much more from the rest of the country. While the national GDP rose 4.3 percent during that period, Virginia's GSP jumped 6.3 percent, the District's 6.2 percent and Maryland's 4.8 percent. Full GSP figures for 2005 are not available from the U.S. Bureau of Economic Analysis.

The tight labor market isn't connected only to white-collar jobs such as lawyers, tech supervisors and accountants, says Steven Director, a professor in Rutgers University's school of management and labor relations.

He has been conducting a monthly labor market study for the past two years on the manufacturing and service sectors, in conjunction with the Society for Human Resource Management.

In March, the survey measure for recruiting difficulty in manufacturing was at its highest level since the study began in 2004, Director says. A similar measure for the service sector was at its highest level in several months.

Two things begin to happen in the current scenario, Director says.

First, minimal hiring requirements will be compromised as positions get harder to fill – "instead of the top 10 percent of a crop, you'll get the top 25 percent," he says.

And when firms can't afford to diminish quality, they are forced to raise wages.

"Public policy will shift from job creation to wage inflation," he says. "But when you bid up wages in the short run, it doesn't increase the supply of bodies. It just moves them from one job to another. That doesn't help, either.”