

# Competition for Employees

1000 words

Rauf Bolden

August 31, 2017

## Competition for Employees

The balance between available jobs and job openings keeps the economy rolling. Having more jobs than people to fill them is a problem, creating issues with employee retention, but there is a fix.

Businesses are moving to Orange Beach, providing jobs, but finding employees to work is a struggle. Orange Beach's Comprehensive Plan of 2006 had the resident population at 5330, compared to 5850 in 2015, according to the US Census Bureau.

The data indicates that the thriving tourist economy is driving business growth, but growth of the resident population has stagnated. Businesses must recruit employees from north of the bridge, requiring workers to pay the toll, incurring an additional cost of \$875 per year, just to take the job.

Demographics in Orange Beach may give us a hint at why we have a shortage of resident workers. The median household income for Orange Beach in 2014 dollars was \$57,750, and the per capita income in 2014 dollars was \$35,908, according to Quick Facts at the US Census Bureau.

Perhaps it is just too expensive for the average-wage earner in Baldwin County to live and work in Orange Beach. Creating competition between employers, seeking employees who will put up with the commute, and paying the toll. Balancing work, wages, commute, benefits and family is the primary focus of all Mayors, according to the National League of Cities web site.

Underlining our previous demographics are 2016 home prices, averaging \$512,536 in Orange Beach versus \$238,891 in Baldwin County, according to Andrew Hart of Gulf Shores Re/Max in an email, making it difficult for employees to afford housing on the island.

Across the bridge a couple of large developments are opening, including a 90,000 square foot Event Center in Foley, and the OWA Amusement Park Complex, spanning 500 acres with rides, restaurants, a hotel and amenities. Several hundred employees man these facilities, draining talent from the pool that previously fed Orange Beach.

Businesses are locating to Orange Beach. On the other hand you have a shortage of labor, putting supply and demand pressure on wages and benefits, especially in the hospitality sector.

Accepting the fact that real estate prices will continue to rise on the island, developing a plan to retain the employees who live off island is important, incentivizing a way for them to stay employed and not migrate north of the bridge to jobs located closer to their homes.

## Competition for Employees

The biggest obstacle to planning employee retention is managerial awareness that a retention problem exists. According to SHRM (Society for Human Resource Management), new-employee training costs 16% of annual salary for low-paying jobs, 20% for mid-range, and 213% for Executive or Director positions. Losing talent costs money.

Grants can indirectly subsidize employee retention, because the Grant winners will need to buy goods and services from local businesses.

The following BP Grants (\$63 Million) were Awarded for the Environment in 2016, according to The Alabama Department of Environmental Management website.

Fisheries and ecosystem monitoring in marine waters and the Gulf of Mexico: about \$4.4 million; Bon Secour-Oyster Bay wetland acquisition: about \$12.5 million; Dauphin Island conservation acquisition: about \$3.5 million; Lightning Point acquisition and restoration, Phase I: about \$6 million; Fowl River watershed restoration, coastal splits and wetlands project, Phase I: about \$1 million; Gulf Highlands (Gulf Shores) Conservation Acquisition – approximately \$36 million.

When the government injects millions into the local economy it creates jobs, the people supplying goods and services to these projects will benefit.

What if the business owner has trouble finding enough people to work? He or she will have to raise wages and benefits to attract suitable candidates, lowering margins, putting the business at risk of not being able to fulfill their obligations.

The reality of a reduced labor pool is something all managers in Orange Beach must plan for. Employee retention is a key objective in planning for future growth.

Let's look at the cost of losing an employee from another angle, factoring in what it costs to train their replacement. "These include the costs of both the supervisor and employee's time during on-the-job training; instruction materials, equipment and time for formal training; and the cost of a mentor's time, if a mentoring system is in place," said Tess C. Taylor author of *The Cost of Training New Employees* for the Automatic Data Processing web site.

Some espouse I can get anyone to do that job. That thinking dismisses the cost of training, mentoring, and shadowing a fellow employee, as well as today's low-unemployment rate.

During the past decade unemployment rates stressed job opportunities, the time of boom-to-bust from 2000 to 2010 along the Alabama Gulf Coast is an example. Putting unemployment at 4% in 2000, 6% in 2002, 5% in 2004, 4% in 2006, 6% in 2008, 10% in 2010, understanding we had Hurricane Ivan in 2005, a property bubble in 2006, a recession from 2007-2009, and an oil spill in 2010, according to John Coughlan of the Monthly Labor Review.

In April 2017, The unemployment rate in Baldwin County was a low 3.9%, according to Economic Research from the Federal Reserve in St. Louis, making suitable hires harder to find, making it easier for prospective hires to be selective, finding work closer to home. Employers competing for good people have gone digital, quietly hustling recruits through email blasts.

The complexity sets in, realizing there are more jobs in Orange Beach than there are people to do a good job. Simply replacing employees is costly for the bottom line, calculated as a percentage of yearly salary, according to the Center for American Progress web site.

## Competition for Employees

Research gives us data and the data indicates that retaining employees, in the present fiscal climate through salary and benefit adjustments is in the best interest of your business, municipality, or school. That is the fix.

ENDS.