

Smaller companies feel the number crunch

Tight market pulls good workers away

BY JOSEPH TARTAKOFF
P-I reporter

When Bob Colliton, the general manager of Scotsman Publishing, tries to find somebody with software development skills to fill a vacant position at his Bothell company, he has a difficult time finding a suitable candidate.

That's not so surprising considering that Colliton's company — with its 37 employees — is competing for those workers with nearby tech heavyweights such as Microsoft Corp. and Amazon.com.

But in a tight labor market — the greater Seattle unemployment rate was 3.8 percent in July, and average wages are on the rise — the problem is exacerbated. Larger companies, which usually have more money, can afford to entice workers with higher salaries and benefits, leaving smaller companies with fewer candidates, who often don't have the necessary qualifications.

Several local experts — who usually handle human-resource needs for small businesses with as many as 300 employees — said their clients are having a harder time finding workers.

"It's gotten worse in the last year," said Hunter Cole, the regional branch manager for Resource Management on Mercer Island. Overall, there are fewer responses to advertisements for vacant posts, and many candidates who do respond don't follow through, he said.

Jan Harding, president of HRnovations in Bellevue, said her firm had encountered the same problem among its clients, which include Scotsman Publishing.

"The market that you are drawing from is smaller and smaller. You have less choices," she said. "It becomes difficult for small businesses to compete at the same level. It has a lot to do with what they can afford. They have less revenue. They don't have as much to work with. They can't put together a benefits package."

Harding said that her own company — with its 17 employees — had a hard time finding somebody to handle payrolls.

"It's taken four, five months to find a person, and it's a long time to go without somebody who is critical to our business. We've had to hire temporaries to fill in," she said.

While the unemployment rate has been low for several years now, only recently have real wages — measured in 1982 dollars — increased. The average hourly real wage is up almost 1 percent so far this year, after increasing 0.6 percent in 2006 and dropping in 2004 and 2005.

Evelina Tainer, chief econo-

SMALLER: But non-monetary perks play role

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mist for the state's Department of Employment Security, said the uptick — which she said usually follows a recovery in the economy — suggested that employers have started to entice workers with higher wages.

That, in turn, can leave smaller enterprises with less-qualified employees. Last year, private businesses with fewer than 49 employees paid an average hourly wage of \$16.18, while private businesses with more than 500 employees paid \$23.50 an hour, according to the Bureau of Labor Statistics.

But William Dunkelberg, chief economist at the National Federation for Independent Business, a small-business lobbying group, said it was hard to extrapolate much from data such as those, because smaller businesses are more likely to have jobs that require fewer skills and therefore pay less.

"You don't have minimum-wage workers at a General Motors, for example," he said. "It's not because the workers (at small businesses) are being screwed or anything like that."

Still, according to the Bureau of Labor Statistics, businesses with more than 100 employees were almost twice as likely to offer retirement benefits than smaller companies.

Without such offerings, "You end up with somebody who has less skills," said Harding, whose company tries to even the playing field by providing clients with the human resources and benefits that are standard at larger companies. "In some cases, you do find out that they didn't have the experience that you thought they did. And then they find out that the person can't do the job. Now what do I do?"

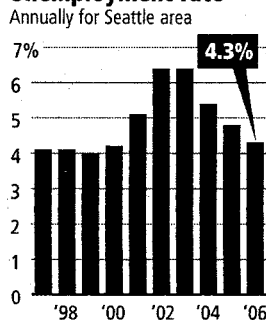
For instance, Harding said, two weeks ago a client called with concerns about a new employee, six months on the job, who lacked essential customer-service skills.

"They've lost business because of this person's inability to deal with other people," she said. "If they had done a really good job of checking references

TOUGH LABOR MARKET FOR SMALL BUSINESSES

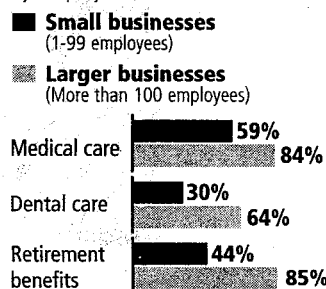
With fewer people unemployed and a smaller pool of talent to hire from, employers are boosting wages and benefits in order to attract workers. That can leave smaller companies at a disadvantage.

Unemployment rate



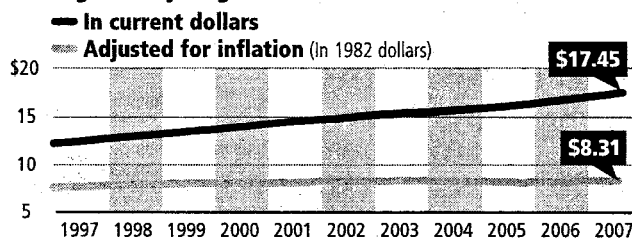
Employee benefits offered

By company size, nationwide



The average hourly real wage, adjusted for inflation, is up almost 1 percent this year, after increasing 0.6 percent in 2006 and dropping slightly in 2004 and 2005. Economists think the uptick suggests that employers have started to entice workers with higher wages.

Average hourly wages Nationwide since 1997



Source: Bureau of Labor Statistics, Washington State Employment Security Department SEATTLE P-I

of this person, they would have found this out."

Most of the evidence of the effect on labor quality is anecdotal, although the monthly small-business economic trends survey conducted by the National Federation of Independent Business backs up some of the assertions.

Fifty-two percent of the 720 businesses surveyed had hired or were looking to hire workers, although 84 percent said there were "few or no qualified applicants" for their openings. Fourteen percent of the respondents said "labor quality" was the most important problem facing their business.

Still, Brian Farney, owner of Bellevue human-resources firm Inserve Corp., said he did not believe that larger companies made it more difficult for smaller firms to find workers.

"The only place that I really see (that) is in the high-tech business where Microsoft and Google and Yahoo seem to be able to swallow up the high-level performers from some of the smaller companies," said Far-

ney, who added that he works with a diverse group of smaller businesses.

Farney said that smaller companies had other non-monetary perks — such as more flexible working environments — that could tug applicants away from larger firms.

"Everybody always says, no matter whether the market is tight or loose, that they have a hard time finding really great employees. That's kind of a universal feeling on the part of most employers," he said.

Indeed, Bob Dorsey, a district director at Seattle Score, a non-profit that offers consulting to small businesses in the region, said there were ways for businesses to work around a tight labor market. "You have a good reputation, and you need to let the world know that you have a need," he said. "Sure enough, the phone rings, and more than likely, it will be an employee of your competitor."

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