

# Driverless Trucks? Not too far off. Labor Shortages Impact Manufacturing & Transportation Supply Chain Resiliency

## SNAPSHOT: SUPPLY CHAIN DISRUPTION

For over a year now, companies in all industries have warned shoppers to expect delays when they place orders for anything ranging from electronics and home appliances to furniture. Though we're hoping for the day when material shortages and delays become a thing of the past, some experts are warning that a full recovery could take years.

Rising import costs, material and product shortages, shipping bottlenecks, and labor challenges are some of the major factors impacting the supply chain. Though these are complex, interconnected issues, businesses are thinking creatively and adapting to supply chain issues in the immediate term by [building supply chain resiliency](#). By leveraging technology and communication to identify and mitigate risks, as well as assessing cash flow management, businesses can be more resilient in the face of supply chain unpredictability.



## DOUBLE WHAMMY: ADD IN LABOR SHORTAGES

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Unfortunately, businesses face a dual challenge wherein they need to address the supply chain issues while combatting a labor shortage. Though some companies have made huge strides in improving the resiliency of supply chains, these measures cannot be successful without the talent to drive them. The manufacturing and transportation sectors have been particularly hard hit by the labor shortage.

As the US economy continues to recover from the COVID-19 pandemic, the demand for labor has outpaced supply. Worker retention challenges, rising labor costs, and increased competition for labor have led to a labor mismatch that has pushed wages in the private sector to increase [more than twice as much](#) as long-term, pre-pandemic growth rates. In spite of this, positions remain unfilled.

Though some of the underlying factors creating a labor imbalance are tied to the COVID-19 pandemic and are likely to be more temporary, there are several indications that other variables predate the pandemic and will have a longer lasting impact on labor supply and demand. Factors related to the pandemic are beginning to go away. As an example, federally enhanced unemployment benefits programs are a thing of the past. Workers who might have left their jobs because of health concerns or to care for family are returning to work, and training schools have reopened.

Other factors that might be indicative of more permanent shifts in labor supply include perceptions of the manufacturing and transportation industries, demographic challenges, skill gaps, and a shifting mindset toward work.



400,000

Though many employees flock to “attractive” industries, like technology or health care, manufacturing employment has [dipped by about 400,000 people](#) from pre-pandemic levels.

330,000

The American Trucking Association recently released a report stating that there would be a [shortage of 330,000 truck drivers in the trucking industry by 2024.](#)

With a culture that traditionally devalues trade jobs, it makes manufacturing jobs even harder to fill in a competitive labor market. This image is particularly prevalent among younger generations. With Baby Boomers and Gen X beginning to leave the labor market for retirement, Millennials and Gen Z have become the majority of the recruitment pool, making it harder for the manufacturing industry to fill positions. Because of a more inexperienced talent pool, employers are also struggling to fill managerial positions.

## FAKE IT TIL YOU MAKE IT? SKILLS GAP MAKES FINDING TALENT EVEN MORE CHALLENGING

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Another major issue impacting both the transportation and manufacturing industries is that many workers don't have the necessary skills for the job market. With an uptick in demand for skilled labor, many training programs haven't been able to keep up, leading to a shortage of qualified workers.

For the manufacturing industry in particular, the technology that has modernized the industry has created its own set of challenges. New technology needs to be operated by people with the right technical skills to operate machinery. The manufacturing industry needs candidates with technical skills in addition to physical and soft skills. There's a lack of candidates who are able to meet this unique combination of qualifications, which creates a skills gap in the industry.

[The Great Resignation](#) is also showing that there seems to be a collective shift in employee attitudes toward work, and this also applies to the manufacturing and transportation industries. There seems to be a disconnect between why employers think staff are leaving versus why employees are actually quitting their jobs. In previous years, increased wages immediately led to positions getting filled, but that's currently not the case. That's because employees want to work for companies that are a good cultural fit and not just have a job that pays the bills.



**Though it's clear that all these problems cannot be fixed overnight, here are some things that companies can do immediately to mitigate and address the causes of the labor shortage:**

- ✓ Build attractive value propositions for workers, beyond wages.
- ✓ Consider new sources of labor supply, such as prison or veteran transition programs.
- ✓ Engage suppliers with a large labor force to reduce supplier risk.
- ✓ Optimize your product portfolio by reducing the complexity of products and thus, the dependence on labor.
- ✓ Account for labor-stressed nodes on the supply chain and adjust accordingly. For example, reroute orders to or manufacture products at locations that are seeing fewer labor shortages.

The shortage of labor is a complex issue with no simple solution, which means that it's a reality we'll have to continue to live with for the foreseeable future. Employers need to understand how labor shortages impact not just their internal operations, but also their suppliers.

With a multitude of never-before-seen challenges impacting businesses, it's more important now than ever before to assess your approach to risk management by connecting with an experienced, trusted team.

**Contact us today to learn about what you can do to help your business weather the storm of supply chain disruptions.**



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