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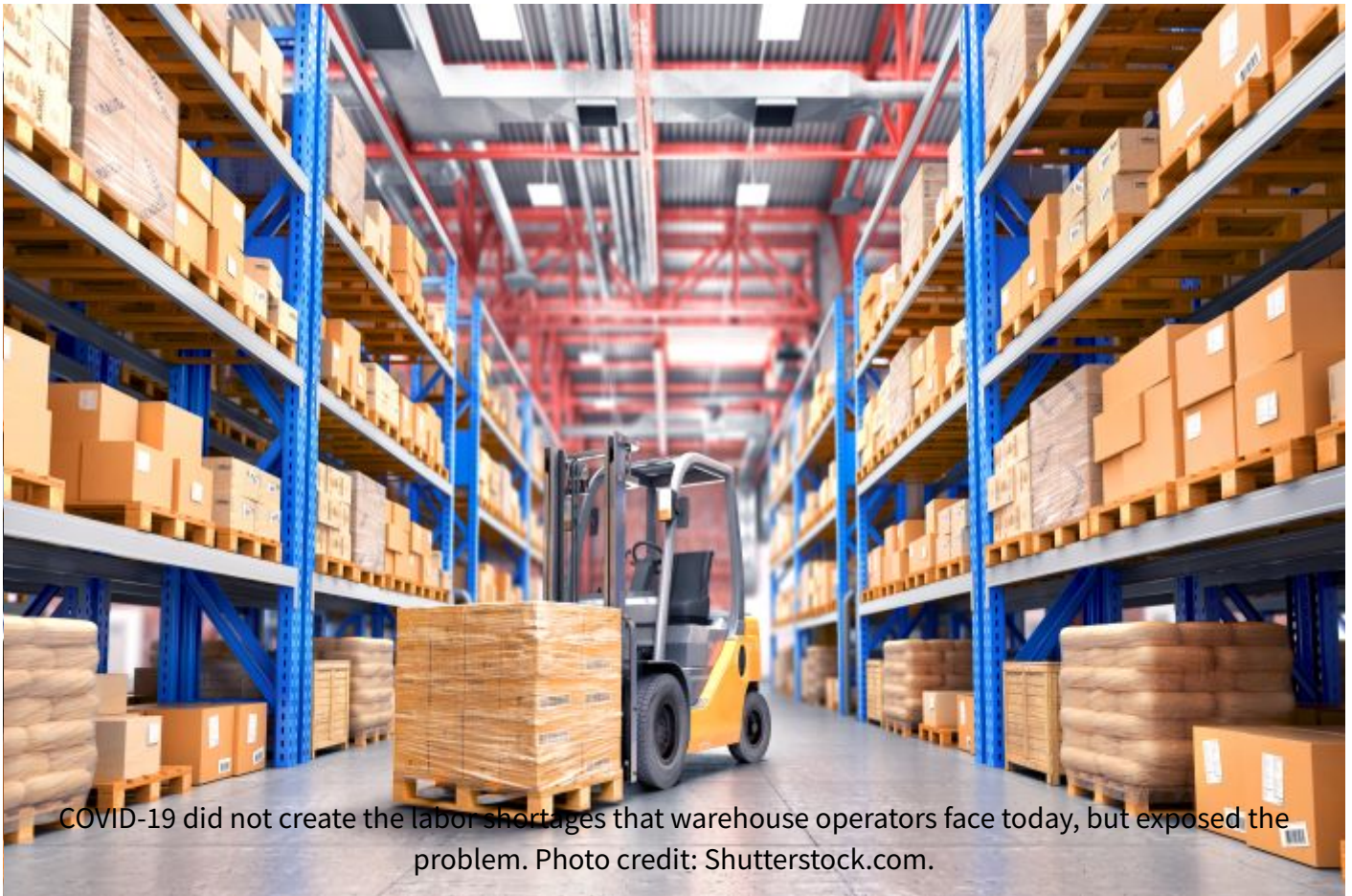
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Warehouse woes driven by labor shortage, not capacity scarcity: economist

Bill Mongelluzzo, Senior Editor ([/users/bmongelluzzojoccom](#)) | Oct 07, 2021 11:40AM EDT



Warehouses and distribution centers filled to capacity with holiday merchandise is a normal part of every peak shipping season, but the current COVID-19 environment has revealed that the main cause of the problem this year is not a lack of floor space, but rather a severe shortage of labor driven by unattractive wages, according to a labor economist.

Michael Belzer, a professor of economics at Wayne State University who has written extensively about labor issues in trucking for more than 35 years, sees the labor shortage in today's warehouse sector as an outgrowth of commoditization of labor, similar to what occurred following deregulation of trucking in the 1980s, which also led to downward pressure on wages.

Although the largest online and brick-and-mortar retailers have raised wages in their warehouses near seaports and at inland hubs across the US this peak season, thousands of jobs remain unfilled as workers find employment in other industries where they perceive working conditions to be safer and less stressful, Belzer told JOC.com this week.

"These workers [in warehousing] face higher and higher pressure for not much more money," he said. "COVID didn't create this problem. COVID exposed it."

Port directors in Los Angeles-Long Beach (/port-news/us-ports/la-lb-ports-urge-top-retailers-use-extended-gates_20211006.html), the Northwest Seaport Alliance of Seattle-Tacoma (/port-news/us-ports/supply-chain-gridlock-reaches-seattle-tacoma_20210930.html), Vancouver, (</rail-intermodal/class-i-railroads/canadian-pacific-railway/vancouver-importers-scramble-domestic->

containers_20211004.html) Savannah, (/port-news/us-ports/southeast-us-ports-expect-congestion-backlogs-persist_20210916.html) and New York-New Jersey (/port-news/us-ports/port-new-york-and-new-jersey/ships-begin-backing-ny-nj-amid-cargo-surge_20210927.html) in recent months have pleaded with retailers to retrieve their imported containers from marine terminals in a timely manner as container dwell times of five to as many as 10 days intensify the congestion problems at their facilities.

And although retailers are paying tens of thousands of dollars in demurrage — storage — charges, they are leaving their containers on the docks because their warehouses are full, (/port-news/terminal-operators/container-lines-struggle-find-space-new-services-la-lb_20210826.html?page=1) leaving them nowhere to bring the inbound loads, terminals have told JOC.com.

Worker recruitment, retention a challenge

Warehouse operators say difficulty in attracting and retaining workers is at the heart of the problem. “There’s a huge labor shortage, and it’s not just here, it’s all around the country,” said Scott Weiss, vice president of business development at Whiplash, which operates warehouses in Southern California and in other port and inland hubs across the country.

Belzer sees a direct parallel in the warehouse sector to what occurred in over-the-road trucking and harbor drayage following deregulation of trucking in 1980. The push for free trade, a lean supply chain, and hyper-competitive pricing commoditized freight transportation in the 1980s. Belzer said those developments, though theoretically positive in terms of economic development and growing the freight transportation sector, had a fatal flaw of depending on cheap labor to make the system work.

While some industry observers and political leaders blame the federal stimulus payments that were distributed during the early stages of the COVID-19 crisis as being the main culprit in restricting labor availability at warehouses, the fact is that wages in the warehouse sector across the country have been too low for too long, Belzer said.

Although large retailers such as Walmart and Amazon this year have pushed wages above \$15 an hour at their warehouses, the sector as a whole is struggling to recruit the tens of thousands of workers that are needed immediately. This is especially true of the temp agencies retailers use to fill their needs during surge periods. Belzer said the problem the warehouse sector faces is that many workers are hesitant to apply for jobs under conditions many consider unsafe, and without the medical and retirement benefits they associate with middle-class jobs today.

“It’s the entire package. Young people want you to give them a path to the middle class,” Belzer said.

Weiss said retailers are quickly coming to the realization that treating warehouses as cost centers rather than centers of efficiency limits the recruitment and retention of workers. Changing that starts with competitive wages. “The desirable, hard-working, diligent workers who want to get ahead are out there,” he said. “Warehouses have to pay more to be competitive.”

Belzer said the warehouse sector needs to establish supply chain logistics as a middle-class occupation, which means paying an “efficiency” wage that benefits both operators and workers. That calls for a sea change in the warehouse environment.

Labor wage levels “had gone down so far, for so long, what is it going to take? You have to shock the market,” he said.

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