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Factory Jobs Return, but Employers Find Skills Shortage

By MOTOKO RICH

BEDFORD, Ohio — Factory owners have been adding jobs slowly but steadily since the beginning of the year, giving a lift to the fragile economic recovery. And because they laid off so many workers — more than two million since the end of 2007 — manufacturers now have a vast pool of people to choose from.

Yet some of these employers complain that they cannot fill their openings.

Plenty of people are applying for the jobs. The problem, the companies say, is a mismatch between the kind of skilled workers needed and the ranks of the unemployed.

Economists expect that Friday's government employment report will show that manufacturers continued adding jobs last month, although the overall picture is likely to be bleak. With the government dismissing Census workers, more jobs might have been cut than added in June.

And concerns are growing that the recovery could be teetering, with some fresh signs of softer demand this week. A central index of consumer confidence dropped sharply in June, while auto sales declined from the previous month.

Pending home sales plunged by 30 percent in May from April as tax credits for home buyers expired. Fretting that global growth is slowing, investors have driven stock indexes in the United States down to their levels of last October, for losses as great as 8 percent for 2010.

As unlikely as it would seem against this backdrop, manufacturers who want to expand find that hiring is not always easy. During the recession, domestic manufacturers appear to have

accelerated the long-term move toward greater automation, laying off more of their lowest-skilled workers and replacing them with cheaper labor abroad.

Now they are looking to hire people who can operate sophisticated computerized machinery, follow complex blueprints and demonstrate higher math proficiency than was previously required of the typical assembly line worker.

Makers of innovative products like advanced medical devices and wind turbines are among those growing quickly and looking to hire, and they too need higher skills.

“That’s where you’re seeing the pain point,” said Baiju R. Shah, chief executive of BioEnterprise, a nonprofit group in Cleveland trying to turn the region into a center for medical innovation. “The people that are out of work just don’t match the types of jobs that are here, open and growing.”

The increasing emphasis on more advanced skills raises policy questions about how to help low-skilled job seekers who are being turned away at the factory door and increasingly becoming the long-term unemployed. This week, the Senate reconsidered but declined to extend unemployment benefits, after earlier extensions raised the maximum to 99 weeks.

The Obama administration has advocated further stimulus measures, which the Senate rejected, and has allocated more money for training. Still, officials say more robust job creation is the real solution.

But a number of manufacturers say that even if demand surges, they will never bring back many of the lower-skilled jobs, and that training is not yet delivering the skilled employees they need.

Here in this suburb of Cleveland, supervisors at Ben Venue Laboratories, a contract drug maker for pharmaceutical companies, have reviewed 3,600 job applications this year and found only 47 people to hire at \$13 to \$15 an hour, or about \$31,000 a year.

The going rate for entry-level manufacturing workers in the area, according to Cleveland State University, is \$10 to \$12 an hour, but more skilled workers earn \$15 to \$20 an hour.

All candidates at Ben Venue must pass a basic skills test showing they can read and understand math at a ninth-grade level. A significant portion of recent applicants failed, and the company

has been disappointed by the quality of graduates from local training programs. It is now struggling to fill 100 positions.

“You would think in tough economic times that you would have your pick of people,” said Thomas J. Murphy, chief executive of Ben Venue.

How many more people would be hired if manufacturers could find qualified candidates is hard to say. Since January, they have added 126,000 jobs, or about 6 percent of those slashed during the recession. The number may understate activity somewhat, as many factories have turned to temporary workers.

Christina D. Romer, chairwoman of the Council of Economic Advisers, said the skills shortages reported by employers stem largely from a long-term structural shift in manufacturing, which should not be confused with the recent downturn. “I do think that manufacturing can come back to what it was before the recession,” she said.

Automakers, for example, have been ramping up and mainly filling slots with people laid off a year or two ago.

Manufacturers who profess to being shorthanded say they have retooled the way they make products, calling for higher-skilled employees. “It’s not just what is being made,” said David Autor, an economist at the Massachusetts Institute of Technology, “but to the degree that you make it at all, you make it differently.”

In a survey last year of 779 industrial companies by the National Association of Manufacturers, the Manufacturing Institute and Deloitte, the accounting and consulting firm, 32 percent of companies reported “moderate to serious” skills shortages. Sixty-three percent of life science companies, and 45 percent of energy firms cited such shortages.

In the Cleveland area, historically a center of metalworking and rubber production, more than 40,000 manufacturing workers lost their jobs in the recession, a 21 percent decline, according to an analysis of employment data by Cleveland State University. Since the beginning of the year, the region has added 4,500 positions.

Employers say they are looking for aptitude as much as specific skills. “We are trying to find people with the right mindset and intelligence,” said Mr. Murphy.

Ben Venue has recruited about half its new factory hires from outside the pool of former manufacturing workers. Zachary Flyer, a 32-year-old Army veteran, had been laid off from a law firm filing room when he applied at the drug maker last summer.

He spent four months this year learning how to operate a 400-square-foot freeze dryer that helps preserve vials of medicine. Monitoring vacuum pressure and temperatures on a color-coded computer screen with flashing numbers, Mr. Flyer said last month that he preferred his new work to the law firm, where he had spent seven years.

“I like jobs that are more hands-on, as opposed to watching paperwork all day,” he said.

Local leaders worry that the skills shortage now will be exacerbated once baby boomers start retiring. In Ohio, officials project that about 30 percent of the state’s manufacturing workers will be eligible for retirement by 2016.

“The new worker of tomorrow is in about sixth grade,” said John Gajewski, executive director of the advanced manufacturing, engineering and apprenticeship program at Cuyahoga Community College in downtown Cleveland. “And they need training to move into manufacturing.”

At Astro Manufacturing and Design, a maker of parts and devices for the aerospace, medical and military industries, Rich Peterson, vice president for business development, recently gave a tour to a group of eighth graders.

He showed off surgical simulators and torpedo parts, saying he wanted them to see the “cool” things the company makes. By the end of the tour, more than a third of the students said they might consider working at a place like Astro, which is based in Eastlake and has five plants in the Cleveland area.

For now, the company urgently needs six machinists to run what are known as computer numerical control — or CNC — machines. An outside recruiter has reviewed 50 résumés in the last month and come up empty.

The jobs, which would pay \$18 to \$23 an hour, require considerable technical skill. On an afternoon last month, Christopher Debruycker, 34, was running such a machine, the size and shape of a camper van parked on the factory floor.

Mr. Debruycker, who has been an operator for 15 years, had programmed the machine to carve an intricate part for a flight simulator out of a block of aluminum, and he monitored its progress on a control pad with an array of buttons.

“We need 10 more people like him,” Mr. Peterson said.

David Maxwell contributed reporting.