

# The impact of labor shortages on supply chain management



# The leadup to an imminent labor shortage

An imminent labor shortage in key regions is set to shake up global supply chains. According to research by Korn Ferry, businesses across the globe could be dealing with a labor shortage of 85.2 million skilled workers by 2030<sup>i</sup>. The dent in revenues is projected to be around \$8.45 trillion or the combined equivalent of the GDPs of Germany and Japan<sup>ii</sup>.

This does not bode well for major, labor-intensive supply chains worldwide. As of February 2026, the U.S. Bureau of Labor Statistics (BLS) reported that the rate of job openings in the US was 4.2% while that of hires was a mere 3.1%, showing a sizeable gap in staffing<sup>iii</sup>. Due to several overarching factors, understaffing remains a concern across industries.

Discussions on labor deficits have also set off a debate about driver shortages in the trucking industry. According to the American Trucking Association (ATA), the industry has faced a chronic driver shortfall for the past 15 years – a trend that may increase in severity as more drivers age and retire. ATA economists also contend that the over-the-road segment will be the biggest loser in this scenario. According to the organization's most recent estimates, 2026 saw a shortage of roughly 60,000 truckers<sup>iv</sup>, an improvement over the historic high of 81,258 in 2021 and 78,000 in 2022<sup>v</sup>. But this is projected to increase to 160,000 by 2028, with 1.2M drivers needed over the next ten years to account for freight growth and offset ongoing turnover.

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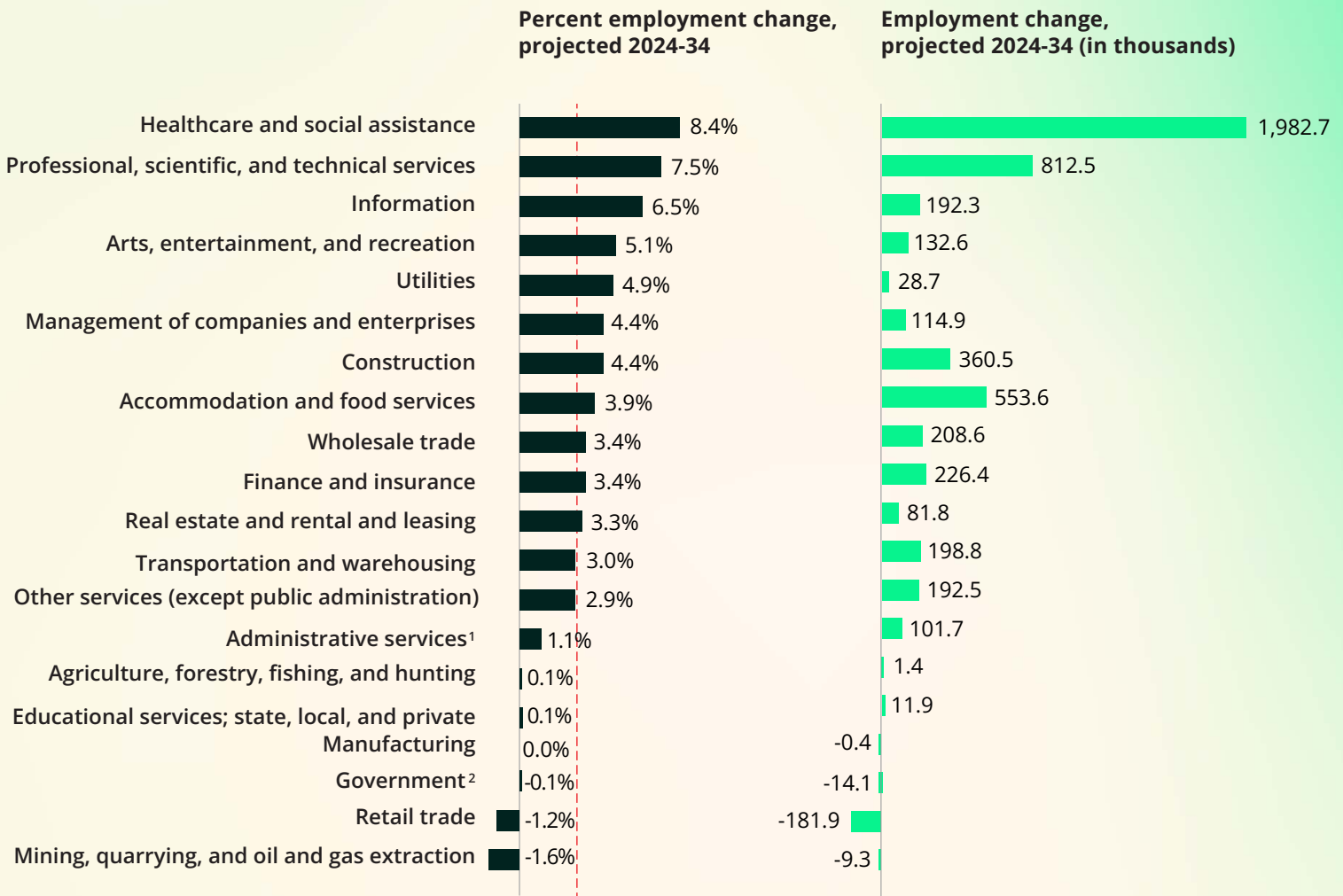
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# Employment change by industry sector, 2024 – 2034 projected



<sup>1</sup> Administrative and support and waste management and remediation services

<sup>2</sup> Excluding state and local education and hospitals

Note: Employment refers to wage and salary employment

Source: <https://www.bls.gov/news.release/pdf/ecopro.pdf>

**Total, all industries 3.1%**





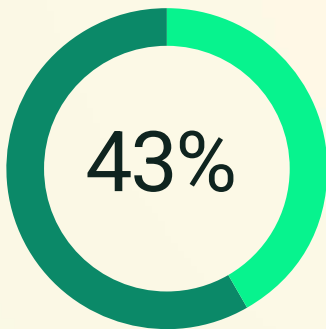
The 2026 labor force participation rate is

**5% lower**

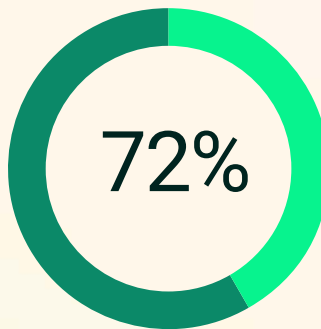
than it was in January 2001<sup>v</sup>.

Due to this ongoing crisis and the resulting labor crunch, supply chain management (SCM) has been experiencing a major quality shortfall, and businesses like construction and transport are being crippled worldwide irrespective of geography. Delayed shipments, inferior product quality, customer service issues, and cash flow problems are just some of the inevitable outcomes of this acute labor shortage.

### Global skilled labor shortage crisis:



According to Boston Consulting Group (BCG) research, 43% of deskless workers worldwide are actively looking for new jobs<sup>vi</sup>.



A survey by the Manpower Group reveals 72% of global employers are struggling to find the skilled talent they need<sup>vii</sup>.

# Analyzing the labor shortage crisis under the lens of supply chain management

A radical generational shift is irrevocably changing the demographics of the workforce. Post-war Baby Boomers are rapidly retiring without enough Gen-Xers and Millennials to replace them. By 2030, the entire Baby Boomer population of 73 million will reach retirement age, leaving a wide chasm of technical and institutional knowledge<sup>viii</sup>.



**73 million Baby Boomers, the generation born between 1946 and 1964, will be retiring by 2030<sup>ix</sup>.**

Many industries have also been beset with an image crisis. Newer generations of workers do not deem opportunities in industries such as construction and manufacturing attractive enough. Furthermore, the need for technical skills in these sectors has been on the rise. With 1.9 million manufacturing jobs projected to go unfilled by 2033, initiatives such as this are critical in closing the demand-supply gap<sup>x</sup>. The explosion of smart factories, wearables, robotics, and products powered by artificial intelligence (AI) will also require a huge, tech-savvy, and technically proficient workforce.

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**73 million**

Baby Boomers, the generation born between 1946 and 1964, will be retiring by 2030<sup>viii</sup>.”

# Common methods to combat labor shortage

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Very often, it pays to handpick promising talent from within the organization. Training to upskill the existing workforce to acquire specific skill sets will help match the ever-expanding list of complications and requirements of SCM. Moreover, it's often more economical and efficient to utilize existing talent than hiring from an external pool of resources. This helps create long-term value for the existing workforce and controls attrition to a significant degree.

Another way of realigning the existing workforce to maximize productivity would include adapting employees to alternate skills. Transference of skills within an organization often weeds out the misplacement of employees. Employees may remain underutilized if they are assigned to a role that's ill-suited to their abilities. Subsequently, it becomes imperative that select employees are encouraged to take on multiple roles or be realigned to a different department. This is a definitive way for organizations to adapt their existing workforce in a much more efficient manner.

Although there are several measures that can be taken to maximize the potential of the existing workforce, at times adding extra manpower to the existing pool becomes unavoidable. And that is where the efficiency of the recruitment process comes into the picture. As discussed, recruiting a suitable candidate can often be a time- and resource-intensive affair that minimizes the effectiveness of the entire procedure. Therefore, revamping the process might help make recruitment a suitable fallback during a serious labor crunch. Hiring applicants who meet ~80% (or closer to target) of the recruitment criteria and then nurturing them to grow into the role opens the organization to a wider pool of talent.



Analyzing the issues behind labor shortages also gives us a chance to come up with possible scenarios that may help mitigate the damage.”



Employers should establish an employee-centric culture that prioritizes employee needs and engagement. They should develop multiple career paths for their employees and foster a culture of respect for — and outstanding treatment of — frontline labor.



Managers must be held accountable for employee engagement and unwanted turnover. Retention should be adopted as a critical key performance indicator. Just as managers are judged on an organization's productivity, customer satisfaction, and profitability, they must also be judged on their ability to retain quality employees. Employers should create organizational awareness of the economic impact of poor employee retention.



Employers must innovatively look to expand their workforce. They should recognize that their best employees come from other highly satisfied employees. Their investment in engagement will then become a powerful recruiting tool. Additionally, companies that commit to diversity, equity, and inclusion will open themselves up to non-traditional sources of quality employees.



To expand sources of labor, we must focus on overlooked populations. To a large extent, the solution is staring at us. Rational immigration reform will bring hardworking people out from under the shadows and into our workforce. And prior incarceration makes many people who would be valuable assets to a company unemployable. We need laws that enable employers to hire individuals transitioning back into society without fear of repercussion or liability.

The key to closing skills gaps in the workforce lies in partnering with external recruitment agencies or companies that can help in training and upskilling existing workers quickly and with minimal effort. For instance, Avetta can help companies ramp up their supplier training initiatives through a gamut of solutions such as:

**The Avetta marketplace provides users with discounted safety training packages specific to your needs.**

















**Worker management provides visibility into your workforce, helping track training, qualifications, and compliance status so you can make more informed decisions about worker readiness.**

**Avetta integrates with Energy Worldnet (EWN) to bring operator qualification (OQ) data into Avetta One, helping organizations track qualifications and support regulatory compliance efforts.**

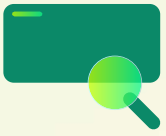


Automation can also play a key role in combatting the adverse effects of labor shortage. Investing in automation tools, therefore, ensures that repetitive tasks such as picking or packaging are done without human intervention. This process not only eliminates the need for additional workers but also proves to be cost-effective in the longer run. Automation is an exciting part of our economy's future. That said, sometimes, automation causes employers to subordinate the human factor. For example, some experts believe driverless trucks will replace professional truck drivers. In the most optimistic scenario, that day is decades away. Undue focus on autonomy may dissuade prospective employees from choosing this profession because they think it will soon be obsolete. Most skilled labor positions will evolve with technology, but the human being will remain at the heart of many companies' supply chain operations.

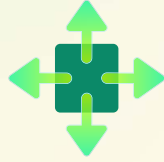
## Potential of robotic process automation for purchasing and supply chain management<sup>xi</sup>

Implementation and IT integration	Operational efficiency	Quality improvement	Cost savings	Employee satisfaction
 Speed and low costs	 Time saving	 Process efficiency and optimization	 Internal personnel costs	 Workload reduction
 Simplicity	 Fast data exchange across supply chain partners	 Error rate decline and transparency increase	 Transaction costs (primarily through insourcing)	 Focus on valuable activities
 Flexibility and scalability	 Productivity gains through autonomy	 Objectivity		 New job profile and further training
 Connectivity				 Enthusiasm and innovative culture

## Strategies to overcome labor shortages issues



Train



Adapt



Recruit



Automate

Often, the option to replenish and enhance your workforce can be an immediate requirement due to a number of factors. From sudden requirement spikes to market volatility, a lot of external factors that are beyond manual control can cause the organization to seek surplus working hands at very short notice. As such, the preventive measures might not be able to inject your organization with the workforce boost that it requires in time. In these cases, seeking third-party solutions can be immensely helpful.

Avetta holds profound expertise in helping companies hire the right talent through a comprehensive prequalification process. Avetta performs a thorough background check on contractors, so you can rest assured your organization works with the best in the industry.

Through its Connect platform, Avetta helps companies meet the demands of an evergrowing supply chain network. The platform connects over 350 clients with more than 360,000 suppliers in over 120 countries around the world. Avetta's multi-risk platform connects leading organizations to a network of qualified suppliers, vendors, and contractors.

Outsourcing talent can have a direct impact on how a company manages productivity. A well-trained and technically proficient hireable workforce can scale labor, transport, and requirements to effectively manage production spikes. Moreover, companies can circumvent the entire recruitment process with a sizeable pool of prequalified contractors that are readily available for hire. This allows them to save valuable time and boost their workforce efficiently.



# Success in action:

DECIEM manufactures and sells beauty and cosmetic products. Headquartered in Toronto, Canada, the company has gone from strength to strength, and now boasts 10 brands and over 50 products in the beauty segment. Since launching operations in 2013, DECIEM has grown its geographical presence exponentially across 15 global markets.

However, as DECIEM spread its geographical footprint, it also faced the challenge of onboarding certified vendors and solution providers across its offices, especially in the newly-ventured Southeast Asian markets.

Having outgrown its manufacturing unit in Toronto, the challenge of onboarding contractors and vendors began to affect DECIEM's overseas operations. While expanding, the company found it increasingly difficult to identify and source contractors. The large number of new contractors needed across their global operations and the volume of documentation required for prequalification and standardization of processes stifled in-house teams, causing errors at various levels. DECIEM realized the need to outsource its contractor management function to save time, resources, and significantly reduce errors.

DECIEM needed a specialized partner who could provide contractor management solutions. In Avetta, DECIEM found exactly what they were looking for.

Through Avetta's platform, DECIEM was able to achieve a 32% increase in contractor count within the first month of solution implementation, streamlined documentation, and enhanced global outreach.

“

Avetta's global reach made them an easy choice for DECIEM when it came to contractor management. With us growing in our global presence, Avetta's thorough knowledge of the markets coupled with their exhaustive selection of contractors will certainly help our endeavors.”

Angie Davis | Head of Environment, Health and Safety, DECIEM

“

Through Avetta's platform, DECIEM was able to achieve a **32% increase** in contractor count within the first month.”

“

Avetta's simplicity of implementation of their solutions and the consequent speed of delivery were critical takeaways for DECIEM. Implementations of this nature are generally longdrawn, but with Avetta, we had a quick turnaround.”

Angie Davis | Head of Environment, Health and Safety, DECIEM

# Rounding up

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While it's true that labor shortages can be a major hindrance to efficient SCM, there is still much hope on the horizon. Identifying core issues is half the battle. New practices and technologies are gaining ground in tackling an issue where human intervention may not always suffice.

Automation, especially, is going to be crucial in providing sustainable resolutions for manpower shortages across industries. In the interval, making intelligent and cogent choices in hiring the right talent, combined with the right training at the right time, can help companies bridge the demand-supply chasm.



# Special thanks to our co-author:

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## Brian Fielkow

Brian is a business executive with extensive supply chain, safety, and leadership experience, having owned and built Houston-based Jetco Delivery for over 15 years. Jetco operates asset-based trucking and freight brokerage companies. Brian sold Jetco in 2019 to Montreal-based The GTI Group.

Brian currently serves as a strategic advisor, board member, and public speaker. "Strong on the inside, unbeatable on the outside," he sets non-negotiable core values as a synergistic leader, growth strategist, and business value creator.

Brian is the author of several books and articles, including *Leading People Safely: How to Win on the Business Battlefield*. He has received numerous awards, including National Safety Council's 2022 CEOs Who "Get It!", One of Houston's Most Admired CEOs by Houston Business Journal, National Safety Council's Distinguished Service to Safety Award, Fleet Owner Magazine's Top Trucking Industry Influencers, and One of Heavy Duty Trucking Magazine's 2022 Fleet Innovators.



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