

HR Insights

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The Impact of Supply Chain Issues and Rising Inflation on Employers

The COVID-19 pandemic tipped off supply chain issues that may take years to reconcile. Due to virus disruptions, global systems that seemed fine for years quickly proved untenable as operations deteriorated. Now, employers are left wondering how they might be able to stay afloat amid unprecedented market uncertainty.

This article outlines key factors contributing to the current crisis and explores how they may affect employers.

Market Overview

When the COVID-19 pandemic first began, business leaders assumed the economy was coming to a halt. As such, manufacturing workers were laid off, and orders were greatly reduced. Many businesses followed suit—computer chip companies lowered output, and shipping organizations reduced service.

While this seemed worthwhile initially, these moves ultimately proved miscalculated and helped contribute to the current market situation. In fact, according to Bloomberg News, spending by consumers in major cities was up more than 15% in December 2021 compared to two years prior. This is because, despite economic withdrawals in the service sector, industries such as technology and home leisure surged during the pandemic. In other words, instead of going out, Americans were staying in and spending money on things they could use at home.

Supply Chain Design Flaws

A major factor contributing to today's market issues is how supply chain and warehousing models are currently set up. In recent years, due to global connectivity, the world has heavily relied on "just-in-time" (JIT) supply models. These models focus on receiving orders precisely when needed to reduce storage costs for inventory and help increase product turnover.

However, when the JIT model's precision is disrupted anywhere, the entire system slows down, putting it at risk. During the pandemic, this occurred on a massive scale across virtually every industry.

With challenges creating and shipping goods lingering on today, there is currently more demand than supply. In turn, inflation is soaring and prices are rising at the fastest pace since 1982, according to the New York Times.

Workplace Impact

Employers are concerned about the current market situation. Supply chain disruptions and rising costs rarely lead to beneficial outcomes for anyone. Employers are seeing the confluence of these factors within their own workplaces, with top issues including:

- Difficulties attracting and retaining workers

- Struggles with offering competitive compensation amid high inflation
- Employees' financial uncertainty
- Decrease in employee well-being

Employers must now figure out the best way to meet these challenges with creative and meaningful solutions.

Potential Solutions

Only time will tell how the market will endure disrupted supply chains and soaring prices. Many experts believe supply chain issues could potentially linger for several years, contributing to more inflation.

That's why it's critical for employers to consider ways to overcome these challenges and stay flexible amid this uncertainty. Below are some solutions some workplaces are exploring:

- **Greater focus on worker well-being**—As an increased number of employees are reporting feelings of burnout and financial uncertainty, employers are seeking solutions through voluntary benefits and other methods.
- **More competitive employment perks**—Compensation remains a top employee motivator, and, due to record inflation, some employers are increasing wages and benefits to stay competitive and aid retention.
- **Improved employee flexibility**—Workplace flexibility, such as remote working opportunities or flex scheduling, has emerged as a must-have perk for many employees.

While there's no one clear solution to the issues workplaces face, there are still ways employers can navigate today's workplace challenges. They will need to think strategically about their most immediate pain points and how to maximize resources.

Conclusion

Overcoming the challenges presented by supply chain issues and rising price inflation will take a concerted effort by employers. These problems may crop up in unique and unforeseen ways, such as diminished employee wellness. That's why it's important for employers to think creatively and be ready to adapt to developing situations.

Reach out to Schauer Group for more workplace resources that can help attract and retain employees.

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