Dear Client:

The labor shortage is going to get worse this year and beyond. A number of industries that were already struggling to fill vacant positions are going to have to look harder and pay more. And even then, many jobs will still go begging.

The economy is nearing “full employment,” when further decreases in the jobless rate would hike wages enough to spur a wave of inflation. But employers all over need more workers. 30% of small firms have had to increase pay recently to find or keep enough staff...an unusually high level. Nearly half of smalls can’t find qualified applicants.

All sorts of workers are in high demand: Not just doctors and high-tech workers but engineers, mechanics, cops, truck drivers, construction workers, cooks, etc. Across the pay scale, the pickings are slim. Areas where the crunch will be worst: Thriving cities in the West, New England and Upper Midwest states. The building trades are particularly tight. Builders are desperate for carpenters, electricians, plumbers, roofers, painters and other skilled people.

Stricter enforcement of immigration law could also shrink the pool of workers for employers in industries that employ lots of illegal immigrants. Think agriculture, construction, hospitality, manufacturing and food service. A quarter of farmworkers are estimated to be in the country illegally. Ditto for almost 20% of custodial workers. States where illegal immigrants supply the most labor: Nev., Calif. and Texas. Their patterns of employment vary. In the West, hospitality is the biggest employer of illegal immigrants. In the South, it’s construction. In the Midwest...manufacturing.

Employers will have to get creative to nab the best employees. One strategy that is catching on: Offering more telecommuting, flexible hours or extra time off...options that have particular appeal for younger folks. Emphasizing opportunities for career advancement or continuing education can also help attract applicants. Workers with in-demand skills know they’re needed and expect such enticements. But there will be no getting around the need to pay more. Nationwide, expect wages to rise by 2.9% this year...faster than 2016’s 2.5%. Some industries are in for bigger increases, even low-wage sectors such as retail and food service.

Rising pay and a lack of applicants will also make automation more attractive for employers who can swap machines for humans. Farmers in particular are looking for mechanical ways to plant or harvest crops. Some in Calif. are replanting orchards and vineyards to make way for more machinery. One tech firm that developed robots to tend lettuce plants without workers is now readying machines to weed cotton fields. Other robot sellers are seeing orders from small firms that never bought them before.