



# Texas Service Sector Outlook Survey

DALLAS FED

August 31, 2015

## SPECIAL QUESTIONS

Data were collected Aug. 10–13, and 189 Texas business executives responded to the survey.

<b>1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Increase	40.2	39.6	48.6
Leave Unchanged	48.1	45.7	46.4
Decrease	11.6	14.7	5.0

  

<b>2. Are you having problems finding qualified workers when hiring?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	70.6	65.0	71.9
No	29.4	35.0	28.1

  

<b>3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Lack of technical competencies (hard skills)	54.8	62.1	50.4
Lack of available applicants/no applicants	48.1	51.5	52.7
Lack of workplace competencies (soft skills)	43.0	37.9	38.9
Looking for more pay than is offered	40.7	38.6	39.7
Lack of experience	40.0	41.7	37.4
Inability to pass drug test and/or background check	26.7	29.5	22.9

  

<b>4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	57.8	60.8	64.7
Increase wages and or benefits	50.9	50.0	52.6
Offer additional training	35.3	38.1	39.7
Increase variable pay, including bonuses	28.9	34.7	36.5
Improve working conditions	22.5	22.7	24.4
Reduce education and other requirements for new hires	6.9	5.7	5.1
Other	9.8	7.4	5.8

  

<b>5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	30.2	37.1	34.3
No	54.5	49.5	52.2
Not Applicable	15.3	13.4	13.5

## SPECIAL QUESTIONS COMMENTS

These comments have been edited for publication.

### Credit Intermediation and Related Activities

- > It is tough to compete with the Houston market.
- > For our entry level positions, a major issue is finding applicants who want to work, have a presentable appearance, have a genuine interest in staying with one employer more than 12 months and are willing to deal with the massive amount of regulatory training that is required. This final issue applies to entry-level through VP-level positions. Our concern is that entry-level and promising young officer-level talent are looking outside of banking once they see the amount of very detailed regulations they are required to learn and execute.
- > We engage in building the business for the long term.
- > Things are in somewhat of a transition in our labor market. The softening oil price has softened hiring in that sector. There have been layoffs, but the labor market in Houston is still tight in the area of support positions. If we see further declines in energy prices, the pool of available candidates should become more accommodating. The energy sector had been a drain on hiring, and we lost a number of employees to higher paying positions in oil and gas.
- > Overregulation is increasing overhead due mainly to contracting with outside audit firms for specialized audit functions like IT and Bank Secrecy Act compliance.

### Securities, Commodity Contracts, and Other Financial Investments and Related Activities

- > Our operations are predominately in the oil and gas area. Our sales volume is off; therefore, we are downsizing to meet the decrease in revenue. The price of oil is the main factor in the revenue stream. Basically, our operations are OK, except on a reduced scale.

### Insurance Carriers and Related Activities

- > We do charge some service fees on certain types of accounts, such as worker's comp and auto accounts with lots of movement. Outside of this, we do very well with commissions.
- > We are an insurance sales office, so our work force is clerical but specialized because licenses are needed.

### Funds, Trusts, and Other Financial Vehicles

- > We may be in a unique position in the financial services industry serving high net worth clients, but finding senior client relationship officers with the requisite skills in the Houston area has been a hardship for some time now. Nonofficer staff can be trained to fill back office or other support positions, but senior, technically qualified candidates are just not there without offering pay and benefits far outside our capability.

### Telecommunications

- > The video part of our business needs regulatory relief by allowing programming to be sold a la carte, thus allowing customers to only purchase the programming they wish to view. This would include local stations. Over-the-top programming is good for the industry, but companies that own the programming are reluctant to allow cable companies to sell a la carte.

### Rental and Leasing Services

- > We try to pass on increased costs such as higher wages created by things like a hot oilfield—which is disintegrating quickly and should relieve some of the pressure on wages and availability of labor—but you can never pass on all the price increases and increased cost of doing business from government regulations. Our margins are being squeezed from every end—the customer, our manufacturers and the government.

### Professional, Scientific and Technical Services

- > We are shrinking in some areas, such as clerical, but still adding a few key positions. Most additions are specialty roles requiring technical and or financial competencies and a college degree.
- > Our company is in the oil and gas engineering business. Qualified workers are available; there is no impetus to increase wages.

### Management of Companies and Enterprises

- > In the financial industry, the huge surge in new regulations coming out of Dodd–Frank is drowning our employees in paper work versus being able to service customer needs. For example, it is taking one full-time person plus help from other compliance staff to just track the Home Mortgage Disclosure Act reporting with the addition of more than 40 new fields. No one seems to give us a good answer to what this information is used for, but we are spending a small fortune tracking it. The cost of compliance in national studies is running from 15 to 20 percent of gross revenues. If every person that touches compliance were added in, it would probably exceed even this lofty amount. Our industry is probably past saying enough.

### Administrative and Support Services

- > We rely on soft skills labor. There are really not many workers available. We would have to raid competitors—since there are few applicants—which we simply do not do.

- > Small bank lenders are tired of increased paperwork and risk, so younger buyers are going online for nontraditional lending sources.
- > Our work is very labor intensive, and it is hard to find people who want to work that hard. From a customer perspective, there is still a concern that the market will not stay strong, so they are hesitant to make commitments and it is hard to pass along cost increases. Competition is always ready to under bid. We must maintain quality service but also a value price.
- > Our business relies heavily on the success of our local economy. The extreme downturn in the energy sector continues to impact our business. The financial demands on our business due to the Affordable Care Act create an uneven playing field with our competition. The simple fact that we employ 70 people as opposed to 49 people is a big economic disadvantage.
- > Our company has a difficult time recruiting through online initiatives.
- > We are getting squeezed with higher costs of labor—including the costs associated with attracting and retaining talent—and not being able to pass them on to anyone. Our customers are absolutely unwilling to absorb any adjustment to price and will walk from a multiyear relationship for increasingly smaller sums. It is really a difficult environment at the moment.

### **Educational Services**

- > We are seeing market salaries rise significantly in the Austin area for IT positions.
- > Certain skilled labor positions are difficult to hire—such as nurses and specialized diagnosticians—but others are not difficult to recruit.
- > Our additional revenue comes from increased property values. Our overall tax rate is decreasing one cent for the upcoming school year.
- > We are making a strong push for revenue from sources besides military services whose revenue is gradually decreasing.

### **Ambulatory Health Care Services**

- > Unfortunately, we cannot pass on increased costs to customers since over 80 percent of our business is with Medicare and those prices are not negotiable. It is very difficult to hire and retain good employees in the home health industry because we compete with hospitals that provide a single place of employment—instead of requiring travel to patients' homes—and better benefits.
- > We are a home health and hospice service provider depending on Medicare, Medicaid and private third-party payers for reimbursement of our services. Therefore, we are unable to pass our increasing expenses to our staff. There is a severe shortage of registered nurses and licensed practical nurses. With an increasing volume of patients—and complex patients—to be seen, we need competent and qualified employees.
- > As a medical practice, our fees are constrained by Medicare. In addition, our area has one of the lowest unemployment rates in Texas. This situation is squeezing margins as base salaries—along with medical benefits—continue to increase.

### **Nursing and Residential Care Facilities**

- > In health care, we have limited opportunity to pass the cost on to customers. Workforce shortages limit our ability to care for patients sometimes resulting in transfer of patients to another facility when demand exceeds our capacity.

### **Social Assistance**

- > The government has been blocking us on all price increases.
- > We are experiencing an increase in the number of employees that lack good work ethics, such as arriving late, going home early, not showing up without calling in and low productivity per hour. Our turnover rate is increasing.

### **Food Services and Drinking Places**

- > We have had to increase the average hourly wage in a number of our locations. In some areas, new competitors have entered the market and are paying well above minimum wage. In our El Paso market, the local competitors have moved their starting wage up to \$8.25. We are going to have to change our starting wages as well to remain competitive. There is no need for the government to adjust the minimum wage; the market place does a fine job adjusting this on its own.

### **Repair and Maintenance**

- > It is hard to find people who have a proper skill level and are not too expensive to maintain a proper level of cost. We are losing cost effectiveness and competitiveness.

### **Truck Transportation**

- > Due to stiff competition, we have been unable to pass our increased cost of labor on to our customers. We are trying to make up for the expense by being more efficient in our operations.

### **Pipeline Transportation**

- > Finding top talent is always a challenge; however, because of low oil and gas prices and decreased activity levels in the energy sector, there are currently adequate talent resources available to fill most open positions.

### **Support Activities for Transportation**

- > We pass on costs when we can.

## **Religious, Grantmaking, Civic, Professional and Similar Organizations**

- > The proposed Department of Labor Overtime Expansion Rule, if passed, will absolutely kill nonprofits, associations, small businesses, minority-owned businesses, veteran-owned businesses and many more.



# Texas Retail Outlook Survey

DALLAS**FED**

August 31, 2015

## SPECIAL QUESTIONS

Data were collected Aug. 10–13, and 41 Texas retailers responded to the survey.

<b>1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Increase	43.9	26.8	42.6
Leave Unchanged	48.8	53.7	51.1
Decrease	7.3	19.5	6.4

  

<b>2. Are you having problems finding qualified workers when hiring?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	85.4	75.6	82.6
No	14.6	24.4	17.4

  

<b>3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Lack of technical competencies (hard skills)	61.1	64.5	57.5
Lack of workplace competencies (soft skills)	52.8	35.5	50.0
Lack of available applicants/no applicants	52.8	61.3	45.0
Inability to pass drug test and/or background check	50.0	54.8	35.0
Lack of experience	33.3	45.2	27.5
Looking for more pay than is offered	33.3	29.0	37.5

  

<b>4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	67.5	71.4	79.1
Offer additional training	40.0	51.4	41.9
Increase wages and or benefits	40.0	42.9	46.5
Increase variable pay, including bonuses	32.5	40.0	41.9
Improve working conditions	22.5	17.1	20.9
Reduce education and other requirements for new hires	15.0	5.7	7.0
Other	7.5	8.6	4.7

  

<b>5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?</b>			
	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	43.9	40.0	25.5
No	41.5	47.5	63.8
Not Applicable	14.6	12.5	10.6

## SPECIAL QUESTIONS COMMENTS

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### Merchant Wholesalers, Durable Goods

- > We are in a transition point—the short-term economic cycle is pulling demand down but construction's recovery from the wet spring is pulling demand up. Pricing is very competitive, and we have been unable to achieve many of our gross margin targets.
- > Everyone is getting tired of lack of competence and the need to constantly train new employees only to have them leave for a competitor. We are no longer willing to compromise quality of service for incompetence, and as a small business we cannot afford to run a training program.
- > Independent shops and mechanics have a cost advantage over us when it comes to benefits and coverages required by law that we must adhere to.
- > We think there are a lot of qualified unemployed workers out there who don't want to work.

### Merchant Wholesalers, Nondurable Goods

- > We have not yet passed on increasing costs to customers by increasing prices.
- > We expect to offset some or all of our recruiting costs by having more hours of straight time pay and fewer hours of overtime pay. Labor in Houston for unskilled and semi-skilled positions is in tight supply.

### Motor Vehicle and Parts Dealers

- > The most difficult positions to fill with competent and experienced people are new and preowned sales and service technicians. We offer paid training and are fortunate to retain 10 percent after three to six months.
- > For companies like ours, technical skills are key. Unfortunately, not enough is being done nationwide to promote technical schools that could provide qualified mechanics, A/C and electrical technicians, etc.
- > The reality is that not all cost increases are able to be covered by an increased price. What the market will bear is critical.
- > Finding qualified employees to work in retail is a huge challenge. Normal retail establishment hours are not viewed positively by most younger applicants, even though the financial incentives are above market.
- > Very few of the applicants we see possess any bona fide skills. We need more technical schools.
- > We have filled several positions recently but still have some vacancies due to the problems listed in question 3.

### Nonstore Retailers

- > We hire route drivers for our vending company. They must handle cash as well as drive our company vehicles to customer locations. Our screening requires us to hire employees with clean driving records as well as an absence of felony theft convictions or even multiple misdemeanor theft convictions. In addition, we must maintain a drug-free workplace for safety reasons. When we find good employees, we occasionally lose them to competitors who have similar requirements to our own but better benefit packages.

