Texas Manufacturing Outlook Survey

DALLASFED

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Special Questions

Data were collected Aug. 10–13, and 86 Texas manufacturers responded to the survey.

1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next six to twelve months?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Increase	41.9	38.6	45.8
Leave Unchanged	41.9	43.4	45.8
Decrease	16.3	18.1	8.4

2. Are you having problems finding qualified workers when hiring?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	74.4	69.9	77.1
No	25.6	30.1	22.9

3. If you are having problems finding qualified workers, what are the main reasons why? Please check all that apply.

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Lack of technical competencies (hard skills)	76.9	78.3	72.3
Lack of workplace competencies (soft skills)	52.3	51.7	52.3
Lack of experience	43.1	50.0	44.6
Lack of available applicants/no applicants	36.9	41.7	35.4
Looking for more pay than is offered	35.4	43.3	35.4
Inability to pass drug test and/or background check	32.3	36.7	41.5

4. What, if anything, are you doing to recruit and retain employees? Please check all that apply.

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Intensify recruiting, including advertising, paying recruiting bonuses, utilizing employment agencies, etc.	58.1	54.1	59.7
Increase wages and or benefits	44.6	48.6	52.8
Offer additional training	37.8	40.5	41.7
Increase variable pay, including bonuses	27.0	25.7	27.8
Improve working conditions	21.6	23.0	29.2
Reduce education and other requirements for new hires	12.2	6.8	6.9
Other	13.5	5.4	19.4

5. If labor costs are increasing, are you passing the cost on to customers in the way of price increases?

	Aug. '15 (percent)	Feb. '15 (percent)	Nov. '14 (percent)
Yes	35.7	36.6	42.2
No	52.4	48.8	47.0
Not Applicable	11.9	14.6	10.8

Special Questions Comments

These comments have been edited for publication.

Primary Metal Manufacturing

- There is a lack of skilled trades in our area. We have a very low unemployment rate. Once we hire someone, a large majority stay with the company for many years. Our turnover is primarily due to retirements.
- Our biggest problem is free trade. Other countries work harder, longer hours for less money than we do.

Fabricated Metal Manufacturing

- With changes coming to temporary workers under the Affordable Care Act, we will have to rethink how we utilize temporary workers. This change is in addition to changes in exempt and nonexempt classifications and will force us to look hard at automation to reduce our exposure to increasing compensation costs in order to be competitive in the marketplace.
- Backlog and new orders have decreased substantially with reduced oil market pricing.
- The vast majority of job applicants coming from universities do not have the CAD skills required to be an effective employee until one to two years after hiring. Applicants who have a few years' experience are looking for salaries approaching six figures, which cannot be justified in this area or our market.
- A large proportion of our sales goes toward filling inventories for oil and gas drilling and finishing equipment. Inventories seem to be diminished enough that we're starting to see modest replenishment in orders.
- We provide manufacturing jobs and are unable to fill them. My staff continues to get older, and young people really do not want to do this type of work. Also, it is really hard to find truck drivers, as once again, the majority of the workforce in the transportation industry continues to age and no one in school is thinking that they want to be a long-haul truck driver.
- Benefits costs—especially new health care mandated rules—are driving up costs that we are unable to pass on to customers if we are to remain competitive in a global manufacturing environment. This will impact future growth and job growth because of increasing use of automation to drive labor requirements down.
- Due to the drop in oil prices and reduction of capital expenditures, price competition has gotten extremely tough.
- Qualified labor is difficult to find and our biggest issue. We are increasing pay rates but are unable to pass costs on to customers. The reality is we are extending hours for existing employees until we find qualified applicants, but those are hard to find.

Machinery Manufacturing

- Skilled workers such as welders are harder to find and keep now than in previous years. Unskilled and clerical applicants are plentiful but typically lack workplace competencies, and passing the drug test is a 50-50 situation with those who you would hire.
- The price of oil is hurting our business in both the near and long term.
- The downturn in energy prices is having a material negative impact on our business, leading to large scale layoffs, wages freezes and facility closures.

Computer and Electronic Product Manufacturing

- Our business is highly competitive, making it impossible to absorb higher costs through price increases. We fear that the actions of the Department of Labor to increase nonexempt compensation will create additional problems. Moving manufacturing offshore may become a more attractive option.
- Technical talent is always hard to find. We recruit across the U.S. and internationally—including in India and China—for our operations.
- Unless we fix our education system and emphasize math and science, we will continue to have problems.
- It is time for a small business incentive from the federal government. This has been the weakest recovery we have ever seen in our industry.

Transportation Equipment Manufacturing

- We are a small company that manufactures and sells domestically and internationally. Both sectors have been reduced 40 percent for two primary reasons. First, our domestic customers are getting equivalent products from Asia because of U.S. dollar strength and few tariffs to hold up incoming pricing. Second, our international customers cannot afford our high U.S. dollar-priced products compared with competing countries' products. Exports have virtually dropped to a standstill for Canada, Australia, Italy and France.

Textile Product Mills

- We are not able to pass along any price increases. Clients will not accept them. We just have to reduce margins or try to find other cost-cutting areas. Most of our labor force is in Mexico. Increases there reflect more items coming back from Asia or reductions in labor in the U.S.

Wood Product Manufacturing

- We primarily supply materials to new single-family construction. Our customers are significantly constrained by lack of job site labor. There is rampant poaching of construction crews by one builder from another, with the worst among semi-skilled trades like concrete and framing.

Paper Manufacturing

- It is difficult to increase hiring because of the extreme increases in medical insurance costs to us. The insurance carrier states that the primary reason for increases is the Affordable Care Act.
- We have set up a task force to develop plans to help improve our retention. If we can reduce our turnover, it will relieve the problem with finding qualified applicants.

Printing and Related Support Activities

- In the short term, low oil prices are affecting the local economy and business spending but hopefully that reverses in the midterm.
- It is hard to pass on increases to our customers when our market is so competitive. If we passed on increasing costs to our customers, they would be finding a new printer.

Food Manufacturing

- We don't pay recruiting bonuses.